

## Corporate Governance

Establishing, maintaining and improving a fair management system that is shareholder oriented, and is capable of responding quickly to changes in the business environment

### Basic Framework for Corporate Governance

The Company's Board of Directors consists of 15 Directors (as of June 30, 2014), including 6 Outside Directors, to buttress the supervision of management appropriateness. The Company has also adopted the Executive Officer System. A total of 11 individuals, comprised of 6 Directors and Executive Officers, including the Representative Director, President & CEO, who control each business department, and 5 Executive Officers, have been appointed and are charged with managing the execution of business affairs to clarify the functions and responsibilities of Directors, Executive Officers and the Board of Directors, as well as to respond promptly and flexibly to sudden changes in the business environment. As a general rule, the Board of Directors Meeting is convened once a month, where decisions on important matters are made and the status of business execution is reviewed.

In addition, the Company organically combines the audits performed by each Statutory Auditor, the Internal Auditing Department and the Accounting Auditors, in an effort to maintain the appropriateness of corporate governance. The Company has also established the Management Advisory Committee, consisting of experts in various fields, including the law, accounting, management, and economics, as an advisory body to the Representative Directors. The committee, which meets at least once each quarter, enhances management soundness and transparency, and strengthens corporate governance. Based on the above, we believe that the current system allows us to adhere to the basic principles of corporate governance, namely to preserve the transparency of management and the execution of management's third-party accountability.

### Initiatives for Strengthening Corporate Governance

#### Internal Control System

The Company has established an internal control system to enhance the transparency of management and corporate governance, and is devoting its efforts to the system in recognition of the importance of executing business operations based on a sound internal control system, in order to ensure appropriate corporate governance. Also, the Representative Director takes the lead in ensuring that all officers and employees are aware that realizing the Company's Corporate Mission and Vision is based on legal compliance and ethical codes of conduct.

Specifically, this involves regular meetings of the Board of Directors, as well as extraordinary meetings in order to facilitate close communication among the Directors, and the supervision of the execution of duties of the Representative Directors. In addition, the Company appoints a Compliance Officer, and has established the compliance division reporting directly to the Compliance Officer, who ensures that the division makes the necessary efforts in identifying compliance issues and problems. Further, the Company has established an internal whistleblowing system, to enable direct reporting to the Internal Auditing Department and Statutory Auditors. In order to identify compliance issues and problems, and

to ensure the appropriateness of operations in the SBI Group, the Company verifies that the Compliance Officer and the compliance division work in cooperation with the Compliance Officers of the SBI Group companies, and holds a Group-wide committee to exchange information on compliance.

#### Risk Management System

With regard to the risks that may impede the Company from the execution of business operation, or the attainment of the Corporate Mission and Vision, according to the various regulations of the Board of Directors, a Risk Management Officer was appointed, and a risk management division was established to identify, properly evaluate and manage risks on a cross-sectional basis for the entire Group.

In the event of a potential or actual management crisis that may threaten the Company's existence, the Risk Management Officer would lead a gathering of pertinent information to consider and implement countermeasures and measures to prevent recurrences, while also reporting and disclosing information to related parties. For all the processes involved in the Company's business activities, we have in place a mutual checking framework involving multiple departments, and aspire to ensure operations that conform to not only the applicable laws and regulations, but also to agreements, terms and other rules.

With regard to information management and system risk, the Company has in place a Group Information System Committee chaired by the Risk Management Officer, and composed of members appointed from each of the divisions. The committee is engaged in efforts to maintain an overall information system including the management of customer information, and to reinforce the system-risk management system. From the perspective of business continuity in particular, the Company has put in place a system that readily responds to any type of contingency through the utilization of a backup structure that incorporates dual systems and back-up sites.

#### Internal Audits, Audits by Statutory Auditors and Accounting Audits (Internal Audits)

The Company has organized the Internal Auditing Department, which is independent of both the Operations Division and the Administrative Division. The department comprehensively and objectively evaluates whether the state of internal control is appropriate, and with regard to the issues raised from the audit's results, it implements proposals and follow-ups so that improvements may be made. The department may also draw upon the assistance of outside specialists, if required. Audit results are reported immediately after each audit's conclusion to the Board of Directors via the Representative Directors, and also periodically to the Statutory Auditors.

The Internal Auditing Department is comprised of a dedicated General Manager and other employees (total of 9) who are

specialists in audits (internal audits, accounting audits, internal control, and other).

The department works in close association with the Board of Statutory Auditors and Accounting Auditors. For example, it periodically provides reports to the Board of Statutory Auditors, after completing each internal audit. The department also organically exchanges opinions with the Board of Statutory Auditors, and incorporates requests from the Board in determining audit themes and scope.

#### (Audits by Statutory Auditors)

Statutory Auditors are independent of the Company's executive bodies and bear the responsibility of securing trust from society by establishing a sound corporate governance system based on audits performed over the executive actions of Directors. The Board of Statutory Auditors of the Company is comprised of 4 Auditors, including 2 Outside Statutory Auditors.

The Board of Statutory Auditors receives explanations from Accounting Auditors regarding the annual audit plan, and other matters based on audit reports prepared at the quarterly and year-end closing periods. Whenever necessary, the Board of Statutory Auditors also shares information, and holds discussions with the Accounting Auditors with regard to management issues and problems. As described above, Statutory Auditors, the Internal Auditing Department and Accounting Auditors work together organically, while performing audits to ensure that the Company maintains an appropriate corporate governance system.

#### Outside Directors and Outside Statutory Auditors

The Company has 6 Outside Directors and 2 Outside Statutory Auditors. They assume objective and neutral positions that eliminate the risk of conflict of interest with general shareholders. The Outside Directors and Outside Statutory Auditors monitor or audit and provide advice and suggestions by leveraging their respective expertise, as well as their wide range of experience and knowledge on high-level management. They are charged with their roles and functions to ensure adequacy and appropriateness of the decision making and execution of duties by the Board of Directors.

#### Compensation for Directors and Statutory Auditors (Year ended March 31, 2014)

Directors (Excluding Outside Directors)	12	¥180 million
Statutory Auditors (Excluding Outside Statutory Auditors)	1	¥12 million
Outside Directors and Statutory Auditors	5	¥65 million

\* The above figures include compensation for Directors and Statutory Auditors who have retired during the fiscal year.

#### Initiatives During the Past Year to Enhance Corporate Governance

The Board of Directors has continued to fulfill its responsibilities in supervising management and fair decision making, holding at least one meeting each month. Also, to reinforce management oversight functions, Statutory Auditors conduct exhaustive audits based on the annual auditing plan. The Internal Auditing Department, in conjunction with external specialists, conducts comprehensive internal audits that include the Group companies. In addition, in order to meet the requirement for a "system of internal control over financial reporting" stipulated in Article 24-4-4 of the Financial Instruments and Exchange Act, company-wide efforts are being made to design and operate internal controls over financial reporting, whose implementation status is evaluated independently by the Internal Auditing Department. Through these activities, the Company is working on further improving the quality of operations, and preventing the occurrence of financially improper errors.

Regarding information disclosure to investors, the Company is dedicated to supplying its varied investors with accurate corporate information. We hold a financial results briefing quarterly, and a Current Management Information Briefing following the General Meeting of Shareholders. Explanatory meetings (called "Information Meetings") are held for individual shareholders in major Japanese cities, where information is provided directly by a representative of the Company. Our disclosure activities also include attendance at many investor relations conferences in Japan and other countries.

The Company is firmly committed to the transmission of information. Financial results announcements, press releases, videos and materials of quarterly financial results briefings and Information Meetings for shareholders are promptly posted on our website.

#### Reasons for Selection of Outside Directors and Auditors, and Attendance at Board Meetings

		Reason for selection	Attendance at Board Meetings (Fiscal Year 2013)
Outside Directors	Kiyoshi Nagano	Formerly President at Jasad Securities Exchange, Inc. (currently, Japan Exchange Group, Inc.), Mr. Nagano has extensive experience and knowledge accumulated in his business career.	14/16
	Keiji Watanabe	Mr. Watanabe has experience and expert knowledge as an accounting professional.	14/16
	Akihiro Tamaki	Mr. Tamaki has experience and expert knowledge as an accounting professional.	14/16
	Masanao Marumono	Formerly employed at Sumitomo Mitsui Banking Corporation, Mr. Marumono has extensive experience and knowledge accumulated in his business career.	15/16
	Teruhide Sato	Mr. Sato is President and Group CEO of netprice.com, Ltd. and is expected to apply in the Company's management his extensive experience and knowledge accumulated in his business career.	13/13 (Appointed in June 2013)
	Kazuhiro Nakatsuka	Mr. Nakatsuka is expected to apply in the Company's management his extensive experience and wide-ranging knowledge of finance attained from his involvement in Japan's finance policy as Minister of State for Financial Services.	— (Appointed in June 2014)
Outside Statutory Auditors	Yasuo Sekiguchi	Mr. Sekiguchi has extensive experience and knowledge as a certified public accountant and engages in appropriate oversight of the Company's management from an objective perspective as a certified public accountant.	— (Appointed in June 2014)
	Kentaro Uryu	Mr. Uryu has extensive experience and knowledge as an attorney, and engages in appropriate oversight of the Company's management, primarily from a compliance perspective.	— (Appointed in June 2014)