

Basic Policy on Corporate Governance

The Company has established the Basic Policy on Corporate Governance as follows in order to achieve its sustained growth and enhancement of its corporate value over a medium to long term.

1. Fundamental Views on Corporate Governance

As an institution specializing in securities finance, the Company has a mission to contribute to the development of the securities and financial markets by proactively meeting the diverse needs of the securities and financial sectors and to enhance the long-term interests of market participants and users, while always maintaining a keen awareness of its public role. Based on this thinking, the Company aims to gain the solid trust of the society through sound business operations.

Under this corporate philosophy, the Company has adopted the company with a Nominating Committee, etc. structure under the Companies Act, based on which it strives to clarify the separation of supervision and execution of business operations, further strengthen supervision by having mainly outside directors to ensure sound management, and achieve prompt business execution that responds quickly to changes in the business environment.

2. Securing the Rights, Etc. of Shareholders

(1) Securing the rights and equality of shareholders

The Company shall take appropriate measures to effectively secure the rights of its shareholders, and endeavor to establish an environment in which the rights of shareholders are effectively secured.

Moreover, the Company recognizes that every shareholder is equal in accordance with his/her equity interest, and will secure the substantial equality of shareholders

(2) General meeting of shareholders

The Company shall endeavor to set schedules related to the general meeting of shareholders and expand the means for shareholders to execute their voting rights, etc., as provided below, so that a larger number of shareholders can execute their

rights at the general meeting of shareholders.

- 1) Appropriately set the schedules related to the general meeting of shareholders from such viewpoints as enhancement of dialogue with shareholders and provision of accurate information for that purpose.
- 2) Send and disclose a notice of convocation of the general meeting of shareholders as early as possible in order to secure enough time for shareholders to study the content.
- 3) Provide information (such as information on the Company's operating results) that is necessary for shareholders to make proper judgments at the general meeting of shareholders on its website and through other means.
- 4) Establish an environment in which all shareholders including those who do not attend the general meeting of shareholders can exercise their voting rights appropriately, such as utilizing the Electronic Voting Platform for Foreign and Institutional Investors.

In addition, when there are a large number of votes against any of the agendas proposed by the Company at the general meeting of shareholders, the Company shall analyze the reasons and report the analysis results to the Board of Directors as well as investigate necessary responses.

(3) Protecting the rights of shareholders

When implementing the capital policies that may cause changes in the controlling interest or cause a significant share dilution, the Company shall investigate the necessity and rationality of implementing them and secure appropriate procedures so that they should cause no unjust harm to the interests of existing shareholders, and shall appropriately disclose the details of the policies to be implemented.

As for introducing and conducting anti-takeover measures, the Company shall investigate the necessity and rationality of such measures and secure appropriate procedures as well as provide sufficient explanations to the shareholders.

If the Company's shares become subject to a takeover bid, the Company shall appropriately disclose the view of the Board of Directors regarding the takeover bid to the shareholders. Moreover, the Company shall not unduly preclude the shareholders' rights to sell the Company's shares they own in response to the takeover bid.

(4) Dialogue with shareholders, etc.

The Company shall respond to requests for dialogue from its shareholders and investors (hereinafter referred to as the “shareholders, etc.”) to the extent and by the methods considered to be appropriate by the Company.

Policies on establishing a system and implementing measures for promoting constructive dialogues with the shareholders, etc. are as follows:

- 1) Dialogues with the shareholders, etc. shall be managed by the Corporate Governance Office and supervised by the officer in charge of the Corporate Governance Office.
- 2) When conducting dialogues with the shareholders, etc., the Corporate Governance Office shall be central in making appropriate coordination with internal departments, including the Corporate Planning Department, the Business Development Department, and affiliate companies through information exchange and other measures.
- 3) The Company shall hold operating results briefing sessions on a regular basis, among other measures, in order to enhance the means of dialogues with the shareholders, etc.
- 4) Opinions, etc. obtained through dialogues with the shareholders shall be reported to the Board of Directors, etc. on a regular basis.
- 5) Dialogues with the shareholders, etc. shall be conducted in compliance with laws and regulations as well as internal rules, and the insider information shall be managed appropriately.
- 6) The Company shall endeavor to understand the shareholder structure through shareholder identification surveys and other means in order to promote constructive dialogues with the shareholders, etc.

(5) Strategic equity holdings

The Company may strategically hold the shares of the companies that are considered to be necessary for such purposes as strengthening the business relationship with them, in order to achieve sustained growth and enhancement of its corporate value over the medium to long term.

The Company shall make a report to the Board of Directors regarding the investment efficiency and medium- to long-term economic rationality of strategic

equity holdings and examine them.

As a result of our examination, we will reduce such holdings that we determine deficient in necessity.

With regard to the exercise of voting rights of shares the Company holds in strategic equity holdings, the Company shall exercise the rights for all agendas as a rule.

Judgment of approval or disapproval for each agenda shall be made by comprehensively examining such factors as whether the subject will contribute to the medium- to long-term enhancement of the corporate value of the relevant company and common interests of its shareholders, and whether the subject will not lessen the significance of holding the relevant shares by the Company.

In particular, in the event of a serious scandal or a proposal that could significantly damage shareholder value, the Company shall make a careful decision.

(6) Transactions among related parties

When the Company conducts transactions with its officers and principal shareholders, etc., the Company shall submit the matter as agenda to the Board of Directors in advance and have it approved by the Board of Directors so that the relevant transaction will not harm the Company's interests and common interests of the shareholders, except for cases where it is evident that the transaction is conducted under the similar terms and conditions as ordinary transactions in general.

3. Relationship with Stakeholders other than Shareholders

In order to achieve sustained growth and enhancement of its corporate value over medium to long term, the Company shall respect not only the shareholders but also a variety of its stakeholders including customers, officers and employees and local communities, and endeavors to maintain good and smooth relationships with them.

The Company shall establish the "Code of Conduct for Officers and Employees" and make all of its officers and employees understand that they are to respect the stakeholders' positions.

Moreover, in view of the importance of the issues related to sustainability, the Company shall endeavor to take appropriate measures to address such issues, and work to secure diversity, including promotion of women's active engagement.

4. Information Disclosure

From the perspective of ensuring management transparency, the Company shall endeavor to proactively make fair, timely and appropriate disclosure of management information by using its website and through other means, not limited to information disclosure based on the Companies Act, the Financial Instruments Exchange Act and listing rules of the security exchange, etc.

In making information disclosure, the Company shall work to provide plain and concrete descriptions.

5. Corporate Governance System

(1) Board of Directors and other systems

The Board of Directors not only conducts decision-making on basic management policies and other matters designated by laws and regulations, as well as important matters on business management, but also supervises the status of execution of duties of directors and executive officers.

In order to enhance efficiency of business management and speed up execution of operations, the Board of Directors delegates the decisions on execution of operations other than the matters to be resolved by the Board of Directors designated by laws and regulations and the Articles of Incorporation to representative executive officers.

The representative executive officers and executive officers determine the execution of operations and execute operations so delegated by the Board of Directors based on the segregation of duties and hierarchy of commands designated by the Board of Directors.

The Company will establish the Management Committee, which shall deliberate and

determine important matters related to the execution of operations, among other matters.

(2) Board of Directors

The Board of Directors comprises a variety of directors with different expertise, experiences and other qualifications. The Company secures the appropriate number of the Board of Directors members at which the functions of the Board of Directors can be exerted most effectively and efficiently, to the extent designated in the Articles of Incorporation.

Moreover, multiple outside directors independent from the Company shall be appointed to constitute the Board of Directors where it is expected that, through their advices and comments based on abundant experiences and expert knowledge on business management and other issues, appropriateness of the Company's business operations is secured and business management supervisory functions from external viewpoints is performed in an objective and neutral manner.

(3) Nominating, Audit and Compensation Committees

The Nominating Committee not only determines the content of election of director candidates pursuant to laws and regulations, but also deliberates and determines the content of election and dismissal of directors, executive officers and corporate officers, the policy on election and dismissal of executive officers and corporate officers, and other matters on election and dismissal of directors, executive officers and corporate officers of the Company in general.

The Audit Committee not only audits the execution of duties of directors and executive officers, prepares audit reports and such, but also deliberates and determines the content of proposals on election and dismissal of accounting auditors for submission to the general meeting of shareholders and such.

The Compensation Committee not only determines the individual amounts of compensation for directors, executive officers and corporate officers and determines the policy on determination thereof, but also deliberates and determines the matters on compensation for directors, executive officers and corporate officers of the Company in general.

In principle, the chairperson of the Nominating/Audit/Compensation Committee shall

be an outside director.

(4) Appointment and Dismissal of directors, executive officers and corporate officer

The Company elects persons who are believed to contribute to achieving its sustained growth and enhancement of its corporate value over a medium to long term as candidates for the directors, auditors and executive officers, taking into account their personality, knowledge, capacity and experiences, etc. and with their fiduciary duties to the shareholders in mind.

For the outside directors, the Company shall elect persons who, on top of the above, satisfy the criteria for independence the Company sets forth separately.

In the event of a serious incident resulting in a loss of credibility or substantial damage, or a serious violation of compliance by executives (meaning directors, executive officers and corporate officers; the same shall apply hereinafter), the Nominating Committee shall consider whether or not it is necessary to dismiss the relevant executives.

Election of candidates for executives and dismissal of executives shall be determined pursuant to the provisions of laws and regulations after consideration by the Nominating Committee.

(5) Compensation of directors, executive officers and corporate officer

With a view to enhancing the correlation with the Company's business performance and share value, the compensation for executive officers shall comprise a fixed monthly compensation (base compensation), officers' bonuses linked to business performance and share-based compensation. The fixed monthly compensation (base compensation) shall be determined in accordance with each executive officer's position. Performance-linked compensation is divided into short-term and long-term incentives, with officer bonuses positioned as short-term incentives and share-based compensation as long-term incentives. Officer bonuses, as short-term incentives, shall be determined after the end of fiscal year, in accordance with the business performance of each fiscal year and the individual evaluation, and are paid within 3 months after the decision is made, with the purpose of clarifying the responsibilities of management for each fiscal year. With regard to share-based compensation, as a long-term incentive, the Board Benefit Trust (BBT) scheme shall

be used to award points to executive officers in accordance with the achievement of management targets in the medium-term management policy from the perspective of increasing the linkage with medium to long term corporate value improvement and shareholder profits. Executive officers are issued the Company's shares corresponding to the number of points they have accumulated at a designated time each year. The shares will be subject to transfer restrictions until the executive officers retire from their positions.

With a view to having supervisory functions exerted, directors (excluding those concurrently serving as executive officers) shall receive only the fixed monthly compensation (base compensation), and compensation linked to the business performance and such shall not be provided to them. Individual directors' compensation shall be determined in accordance with responsibilities as directors, such as whether full-time or part-time and acting as chairperson. Directors concurrently serving as executive officers shall not receive compensation as directors.

The compensation for corporate officers shall be in accordance with that for executive officers. However, Audit Officers (corporate officers in charge of assisting the Audit Committee in the duties) shall be paid only base compensation, and officer bonuses or share-based compensation shall not be paid.

The individual amounts of the compensation for the directors, executive officers and corporate officers shall be determined by the Compensation Committee. Modifications to the compensation framework and the compensation system, etc. shall also be determined by the Compensation Committee.

(6) Operation of the Board of Directors

The agendas and deliberation time of the Board of Directors shall be set in a manner that should allow deliberations necessary and sufficient for deciding on important execution of operations and supervision of execution of operations.

As a rule, materials for the Board of Directors meeting shall be delivered in advance, taking into account the time required for the attendees of the meeting to make prior preparations, in order to help deepen deliberations at the meeting. In addition, prior explanations may be given to them depending on the content of the agendas.

Schedules of holding the Board of Directors meeting and assumed agendas for the meeting shall be determined and notified in advance.

Aside from the Board of Directors meeting and the committees meeting, a meeting by outside directors shall be held periodically to exchange information and share recognitions, so that they can exert functions from their standpoint that is independent from the Company.

(7) Evaluation and assessment of effectiveness of the Board of Directors

The Company shall make self-assessment as to the effectiveness of the Board of Directors once a year, and disclose the outline of the results. Furthermore, the Company shall make appropriate review of the Board of Directors based on the assessment.

(8) Support system and training policies for directors and auditors

In order for the directors to effectively perform their roles and responsibilities, the secretariat of the Board of Directors (Corporate Governance Office) shall coordinate with related departments and sections of the Company to exchange information and conduct other tasks.

The secretariat of the Board of Directors shall responds to communications and adjustments between the outside directors and the management team.

In order for the directors to effectively perform their roles and responsibilities, the Company shall set the opportunity to provide them, when they take office, with information regarding the Company's operations, finance, organization and others as well as knowledge on laws and regulations, etc., taking into account the careers and experiences, etc. of the directors or auditors who are taking office. Moreover, the Company shall provide opportunities, as needed, to continuously update such information or knowledge.

(9) Accounting Auditor

The Company shall understand the responsibilities the accounting auditor owes to the shareholders and investors, and endeavors to secure appropriate audits as stated below.

- 1) The Audit Committee shall establish criteria to appropriately assess the accounting auditor. Moreover, the Audit Committee shall check whether the accounting auditor has independence and expertise required for an accounting auditor.
- 2) The Company shall endeavor to provide the accounting auditor with an audit environment that should allow high-quality audits, including provision of opportunities to interview directors, executive officers, the Audit Committee and other departments required for auditing and securing sufficient time for conducting audits.

When the accounting auditor points out injustice, flaws or problems, etc., the Company shall accept what is pointed out in earnest and take appropriate measures.

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