

Establishing an Organizational Structure that can Rapidly Adapt to Changes in the Business Environment, and a Management System that Emphasizes Dialogue with Shareholders and Investors

Basic Concept of Corporate Governance

A company's stakeholders include consumers, business partners and the community at large in addition to customers, shareholders and investors. The SBI Group keenly recognizes the social nature of companies, contributes to the preservation and development of society, and uncompromisingly engages in customer-oriented businesses in accordance with the "Customer-centric Principle," which is the Group's core management principle. The Group also considers it essential to obtain public trust in the course of business activities, and is working to ensure transparency and fairness in decision-making, and an organizational structure capable of rapidly adapting to changes in the business environment, as well as to enhance appropriate corporate governance to increase corporate value.

The Company has selected an organizational structure with a board of auditors, and established a Board of Directors and Board of Statutory Auditors. The Company's Board of Directors, consisting of 18 Directors, including 8 Outside Directors (as of June 29, 2016), is strengthening its oversight of the appropriateness of the Company's management. The Board of Directors meets once a month, in principle, to decide important matters and oversee the status of business execution. A total of 14 persons are in charge of business execution: 9 Directors and Executive Officers who control the business departments, including the Representative Director, President & CEO, and 5 Executive Officers. The Company clearly defines the functions and responsibilities of the Directors, Executive Officers and Board of Directors, and has put in place an organizational structure capable of rapidly and flexibly adapting to sudden changes in the business environment.

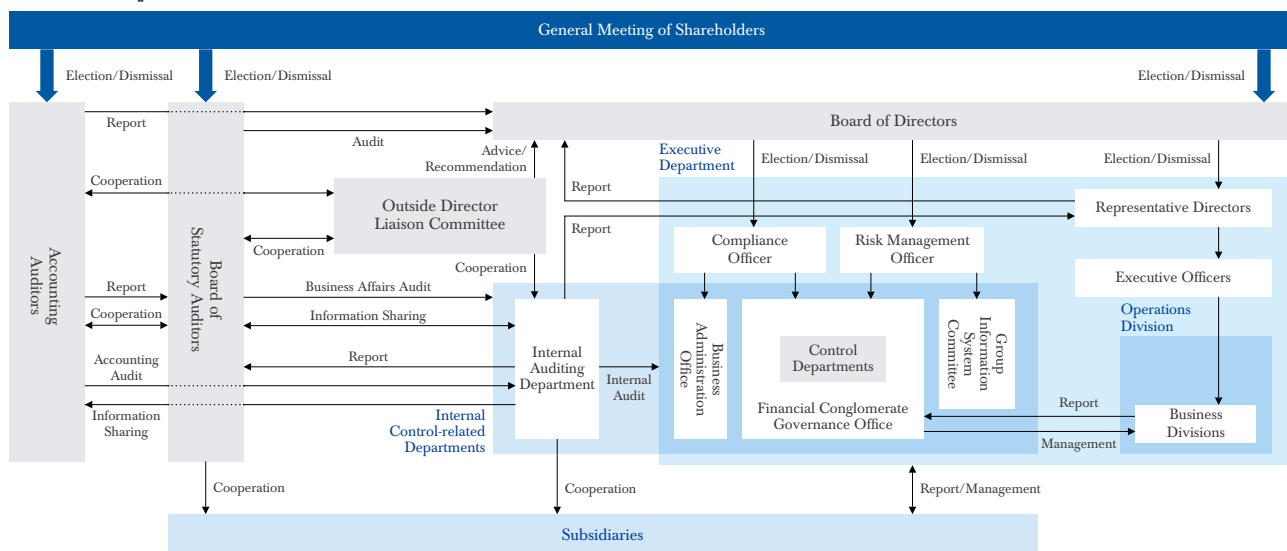
The Statutory Auditors are responsible for establishing a high-quality corporate governance system worthy of public trust, by means including auditing the Directors' performance of duties. The Statutory Auditors ensure collaboration with Outside Directors and Accounting Auditors, and endeavors to realize a more effective corporate governance system.

Compliance with the Corporate Governance Code

The Corporate Governance Code was introduced in June 2015 as a code or guideline for corporate governance of listed companies in Japan. The Company instituted the Corporate Governance Principles in December 2015 in accordance with the Code, and has published the policy in full on the corporate website. By continuing to actively engage in dialogue with shareholders and other stakeholders in keeping with the intent of the Corporate Governance Code, the Company will consider an optimal approach to corporate governance that is even more effective for the SBI Group, to seek to enhance its governance.

Corporate Governance Principles
http://www.sbigroup.co.jp/english/investors/management/governance_policy.html

Outline of Corporate Governance Structure



Overview of Organization

Configuration	Company with Board of Auditors
Number of Directors (Outside Directors)	18 (8)
Term of office of Directors	1 year
Number of Executive Officers (Directors & Executive Officers)	14 (9)
Average age of Directors	56.4 years old
Number of Statutory Auditors (Outside Statutory Auditors)	4 (2)
Number of Directors registered as Independent Directors	2
Involvement of Outside Directors in compensation decisions (Yes/No)	Yes
Number of Ordinary Board of Directors meetings held per year	12
Attendance rate at Board of Directors meetings for Outside Directors	96.3%

Increasing the Effectiveness of the Board of Directors

In order to arrange a training environment necessary to the Directors and Statutory Auditors in preparation to fulfill their respective expected roles and duties, the Company has decided to provide a forum for acquiring and updating knowledge required of corporate officers, by holding annual workshops conducted by outside instructors for the study of amendments to laws and regulations and other topical matters. The Company also conducts orientations for newly elected corporate officers to promote the understanding of the SBI Group as a whole, including the Group's businesses, financial situation and organization.

Furthermore, the Company notifies in advance the Directors and Statutory Auditors of the annual schedule of Board of Directors meetings and expected agenda items. The Company distributes materials in advance of Board of Directors meetings, and provides support in the form of information provision or information sharing upon request. In this way, the Company undertakes to ensure the effectiveness of corporate governance by invigorating discussions by the Board of Directors.

Independence Criteria for Outside Directors

If an Outside Director satisfies the independence criteria set forth below and poses no risk of conflict of interest with general shareholders, the Company considers the Outside Director to be independent from the Company.

<Independence Criteria for Outside Directors>

The Board of Directors has established the following criteria for Outside Directors who pose no risk of conflict of interest with general shareholders.

- A person who is not now and was not for a period of ten years before taking office an officer*1 or employee of the Company or any of its subsidiaries.
- A person who is not now and was not for a period of five years before taking office a principal shareholder*2 of the Company (if the principal shareholder is a corporation, association, or other organization, an officer*1 or employee of said organization).
- A person who is not now and was not for a period of five years before taking office a person having transactions or a person who executes business*3 of a company having transactions with the Company exceeding 2% of the Company's consolidated revenues.
- A person who is not now and was not for a period of five years before taking office a person who executes business*3 of a principal lender (more than 2% of consolidated total assets) of the Company or any of its subsidiaries.
- A person who is not now and was not for a period of five years before taking office a consultant, accounting professional, or legal professional receiving from the Company a large sum of money (in an amount exceeding ¥10 million per year) excluding compensation for duties as an officer (if the entity receiving said assets is a corporation, association, or other organization, a person affiliated with said organization who is involved with the Company).
- A person who is not now and was not for a period of five years before taking office a person who executes business*3 of a corporation, association, or other organization that has received from the Company large donations (in an amount exceeding ¥10 million per year).
- A person who is not a relative within the second degree of kinship of a person mentioned in A) to F) above*4 or a person who depends upon such person for his or her livelihood.
- A person whom the Board of Directors determines poses no risk of any other conflict of interest.

*1 Directors (excluding Outside Directors) and Statutory Auditors (excluding Outside Statutory Auditors).

*2 Shareholders holding 10% or more of voting rights.

*3 Directors (excluding Outside Directors) and employees.

*4 If a corporation, association, or other organization, a person in a position at the officer or department manager level.

Reasons for Selection of Outside Directors and Outside Statutory Auditors, and their Attendance at Board of Directors Meetings (FY2015)

Outside Directors	Independent Executives	Reason for selection	Term of office	Attendance at Board Meetings	
Kiyoshi Nagano	☆	Formerly Chairman and President of Jasdq Securities Exchange, Inc. (currently Japan Exchange Group, Inc.), Mr. Nagano has a wealth of experience and extensive knowledge in wide-ranging fields, including the securities market.	June 2010–	11/12	
Keiji Watanabe		Mr. Watanabe has expert knowledge and a wealth of experience in Japan and overseas as a certified public accountant.	June 2010–	11/12	
Akihiro Tamaki		Mr. Tamaki is a U.S. certified public accountant and has expert knowledge gained in financial auditing and consulting in Japan and the U.S., as well as experience in wide-ranging fields.	June 2010–	12/12	
Masanao Marumono	☆	Formerly employed in important positions at Sumitomo Bank (currently Sumitomo Mitsui Banking Corporation), Mr. Marumono has a wealth of experience and knowledge in wide-ranging fields, including finance.	June 2012–	12/12	
Teruhide Sato		Mr. Sato has a wealth of experience and deep knowledge of the Internet business, particularly in Asia, gained in activities including participation in the start-up of the Japanese subsidiary of CyberCash (currently VeriTrans).	June 2013–	11/12	
Ayako Hirota Weissman		Ms. Weissman has a wealth of experience and deep knowledge gained through involvement in various investment businesses over many years, including equity investments in Japan and abroad.	June 2015–	10/10	
Yasumine Satake		Formerly employed in important positions at The Bank of Tokyo-Mitsubishi (now The Bank of Tokyo-Mitsubishi UFJ) and as the former chairman of Tokyo Star Bank, Mr. Satake has a wealth of experience and extensive knowledge in the field of finance, mainly banking.	June 2015–	10/10	
Heizo Takenaka		Mr. Takenaka has a wealth of experience gained in public service as a former Minister of State for Economic and Fiscal Policy and Minister of State for Financial Services, and through his current activities as a professor at universities in Japan and an outside director of a private-sector company.	June 2016–	–	
Outside Statutory Auditors	Independent Executives	Reason for selection	Term of office	Board of Directors	Board of Statutory Auditors
Yasuo Sekiguchi		Mr. Sekiguchi has a wealth of experience and expert knowledge gained as a certified public accountant and certified tax accountant, and engages in appropriate oversight of the Company's management from an objective perspective.	June 2014–	12/12	16/16
Hiroaki Nagasue		Mr. Nagasue conducts effective audits of the Company's management based on a wealth of experience and knowledge accumulated through his career as a management executive.	June 2015–	10/10	11/11

The SBI Group as Viewed by Outside Directors



Further Strengthening the Securing of Promising Talent and the Monitoring of Overseas Businesses

The SBI Group has been undergoing burgeoning growth across the globe. It is necessary from now on that the Group strengthens the securing of promising talent as a source of greater competitiveness, and the monitoring of overseas businesses. As an Independent Outside Director, I coordinate with other Outside Directors as a spokesman for all stakeholders, including employees and shareholders, to serve with sincerity and in good faith towards a better company. Nevertheless, at this moment in time, I do not believe that the SBI Group's corporate value is being evaluated in its actual state. Particularly in the Biotechnology-related Business, which has the potential of offering big hopes and dreams to the future of mankind, I believe that the SBI Group must put an effort into easier-to-follow explanations that everyone can understand and acknowledge.

Outside Director **Kiyoshi Nagano**



A Corporate Ethos that Delegates Important Responsibilities to Young Corporate Officers and Core Employees

I serve as an Outside Director at other listed companies as well, but one distinguishing feature of the corporate governance at the SBI Group is that the average age of executive officers is noticeably younger. Viewed from the outside, an image of President Kitao might be that he is exercising strong leadership and power over the entire group, but he actually ventures to delegate work to young corporate officers and core employees. Furthermore, at the Board of Directors meeting, President Kitao talks each time in great detail about the future direction, yet he does not explain the entire agenda to the Board. Instead, for each issue, the individual corporate officer in charge will give a detailed explanation. Compared to other companies, this is also a characteristic of the SBI Group.

Outside Director **Keiji Watanabe**



Towards Establishing a Management System with High Transparency

The fiscal year ended March 31, 2016 was a year in which deliberations at the Board of Directors meeting became even more enlivened. Through the newly established Outside Directors Liaison Committee, I received the genuine impression that the internal and outside company officers, even more than before, have sunk their teeth into each and every issue on the agenda in back-and-forth dialogue conducted from an uninhibited viewpoint of corporate governance. The SBI Group has thus far demonstrated a faultless sense of speed in decision-making from the strategy aspect, as well as in dropping down to the execution phase, in this harsh and volatile business environment. While supporting the activities of the SBI Group, which is proactively seizing business opportunities by utilizing its advantages, I would like to fulfill my role in checking upon management with the view of establishing a management system with high transparency.

Outside Director **Akihiro Tamaki**



Ever-evolving Corporate Governance of the SBI Group

Compared to large corporations with a long history, which take much time to undergo any large-scale transformation in direction, I believe that the corporate governance of the SBI Group works with flexibility and is evolving every day. Going forward, as the Group's scope of business broadens more and more into a worldwide scope, as an Outside Director, I must constantly study for the Group's challenges, and it is incumbent upon us to broaden our views even more when we tackle overseas business. To begin with, by expressing views at the Board of Directors meeting on my strong points of finance and diversity, I will make my contribution to achieving the goal of an "eternal company," which remains for 100 years, or 1,000 years through sustainable evolution.

Outside Director **Masanao Marumono**



The Ability of the SBI Group to Adapt to Changes, which Continues to Create New Values

In my view, the SBI Group continues to create new customer value, while looking ahead to the oncoming era, incorporating change quickly and putting technology to maximum use, and is a corporate group with an organizational ethos of continued high strategic sense, creative power and self-innovation for supporting these proactive business activities. In recent years, new FinTech-related technologies have been globally introduced one after another. Under such circumstances, I see the potential of the SBI Group, who has proactively laid the groundwork towards the changes of the era to adopt developments, while responding quickly to social changes and future trends, such as by establishing the FinTech Fund and launching the SBI FinTech Consortium.

Outside Director **Teruhide Sato**



Improving Corporate Value through Full Discussion of Management Issues

Of the 18 Directors who comprise the Board of Directors meeting, 8 Directors, or 44%, are Outside Directors. As this enables management oversight to be carried out from a diverse and broad perspective, I think the composition of the board members is appropriate. The Outside Directors act under a common recognition of the goal to improve medium- to long-term corporate value. We have communicated proactively from each member's different position and point of view, based on varying backgrounds and our respective specialties, by expressing our views to the management team in a straightforward manner. Concerning the future outlook of the Biotechnology-related Business, which is currently a deficit business, I would like to hold a series of discussions of this topic at Board of Directors meetings, as one of the critical management challenges to be addressed.

Outside Director **Ayako Hirota Weissman**



The Key to Growth and Development is whether the DNA from the Company Founding can be Spread

Progress is being made on the SBI Group's risk management system, which is currently being fully equipped. However, it is no overstatement that the lifeline of finance and investment businesses is risk management, and the necessity of enriching and improving the management system, ranging from attack to defense, will never stop. The Board of Directors is working hard on strengthening unobstructed communications so that information of the Group companies is quickly and accurately shared, without getting bogged down on revenue growth and profits. In addition, we are having earnest discussions on topics such as the proper state of shareholders' distributions. President Kitao, who is the founder and clears the path to tomorrow, I believe that the key to growth and development is how the company's original DNA is passed on and further spread to all employees, including the management team.

Outside Director **Yasumine Satake**



Toward Long-term Enhancement of Corporate Value

Until now, measures on corporate governance in Japanese companies have lagged those in the U.S. and Europe. Recently, however, there has been progress in enhancing corporate governance. Despite this, constant improvements are needed so that Japanese companies may put up a good showing in the era going forward. The SBI Group, which has achieved high growth by aggressive business expansion, is coming up with a series of forward-looking measures for corporate governance and risk management, with a corporate ethos that maintains a positive atmosphere. Under the strong leadership of President Kitao, while an even more robust management system is established, I would like to contribute my understanding by taking such actions as providing information that can precede changes, and which will lead towards long-term improvement of corporate value.

Outside Director **Heizo Takenaka**

Policy on Compensation for Corporate Officers

In principle, the Board of Directors determines the amount of compensation within the total amount of compensation approved by the General Meeting of Shareholders after the Representative Director has discussed his view on the amount with the Independent Outside Directors.

The Company nominates as Directors persons who fully recognize their fiduciary duty to shareholders, and act in the common interest of the Company and shareholders. Although the Company recognizes that holding shares has a certain incentive effect to further increase motivation to contribute to enhancement of medium- to long-term corporate value, in light of the fact that development of schemes for stock-based compensation is incomplete at this time, the Company will consider measures such as issuing paid-in stock options in a timely and appropriate manner.

Compensation for Directors and Statutory Auditors and Number of Corresponding Executives (FY2015)

Executive classification	Total compensation	Number of corresponding executives
Directors (Excluding Outside Directors)	¥175 million	8
Statutory Auditors (Excluding Outside Statutory Auditors)	¥15 million	1
Outside Directors and Statutory Auditors	¥101 million	11

Constructive Dialogue with Investors

Timely and appropriate disclosure of information and sufficient fulfillment of the duty of accountability to shareholders and investors are responsibilities of listed companies, and essential to corporate governance. The Company engages in investor relations activities on the basis of four basic premises: 1) establishment of an IR system to promote constructive dialogue with shareholders, 2) ensuring enhanced information disclosure, 3) establishment of a timely disclosure system, and 4) appropriate feedback of shareholder and investor opinions to executive management. The Company has recently instituted the Basic Policy for Constructive Dialogue with Shareholders, more clearly defining the policy on dialogue to build good relations with shareholders and investors through IR activities.

 Basic Policy for Constructive Dialogue with Shareholders
http://www.sbigroup.co.jp/english/investors/management/governance_policy.html#_01

IR Activities (FY2015)

	Times	Activities
Financial results briefing for institutional investors and analysts	4	Financial results briefing held quarterly focused on financial performance and outlook
Meetings for overseas institutional investors	3	Meetings for overseas institutional investors conducted by the President and executive officers
Small Meetings for domestic institutional investors	2	Small Meetings for domestic institutional investors held semi-annually and conducted by the President and executive officers
Meetings for individual investors	6	Meetings held semi-annually at Tokyo, Osaka and Nagoya
Current Management Information Briefing for shareholders	1	Briefing held shortly after the General Meeting of Shareholders every June
Individual meetings for institutional investors and analysts	As required	Meetings held as needed upon request from domestic and overseas institutional investors and analysts
Uploading of IR materials and videos to the Company website	As needed	Posting of timely disclosure materials including financial results, press releases, videos and information on CSR activities

Establishment of the Outside Director Liaison Committee

The Company has newly established the Outside Director Liaison Committee organized around the Independent Outside Directors. The Committee's purpose is to promote information exchange and common understanding, and enable the Outside Directors to appropriately and actively participate in discussions at Board of Directors meetings from an objective standpoint, and to ensure transparency and objectivity in the decision-making process with respect to the nomination of Outside Director candidates and the determination of compensation for directors. To ensure that the Outside Directors can discuss various matters without affecting their independence, officers and employees of the Company are not involved in the quarterly meetings of the Outside Director Liaison Committee.

At a meeting of the Outside Director Liaison Committee held following the conclusion of the Board of Directors meeting held in April 2016, the Outside Directors freely discussed topics such as the nature of internal auditing and the posture for staying current on technology trends such as FinTech. The Company will utilize discussions and recommendations at the meetings to further increase the effectiveness of the Board of Directors, and continue to work for sustained enhancement of the Group's corporate value.



Evaluation of the Board of Directors

The Company analyzed and evaluated the effectiveness of the Board of Directors, in light of the responses to a questionnaire survey of all Directors and Statutory Auditors concerning Board of Directors effectiveness conducted in February and March of 2016, and discussion at a Board of Directors meeting held in April 2016. The results confirmed that active exchanges of opinion and constructive discussions take place, and sufficient deliberation and decision-making are undertaken under appropriate operation, and that the Board of Directors is functioning effectively. Nevertheless, in view of the future business expansion of the SBI Group, whose business grows in wide-ranging areas, the Company recognized that further reinforcement of specialized expertise in the composition of the Board of Directors is desirable. Also, the opinion was expressed that delegation of decisions on business execution to the persons who execute business would enable the Board of Directors to narrow down its agenda to the important matters such as nomination of Director and Statutory Auditor candidates, and the formulation of Group business strategies, and further enhance deliberation by the Board.