

Realizing an Organizational Structure that can Rapidly Adapt to Changes in the Business Environment, with an Highly Effective Corporate Governance System

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 statutory auditors, and established a Board of Directors and Board of Statutory Auditors. The Company's Board of Directors, consisting of seventeen Directors, with six Outside Directors (as of the end of June 2017), 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 seventeen persons are in charge of business execution, with ten Directors and Executive Officers who control the business departments, including the Representative Director, President & CEO, and seven 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

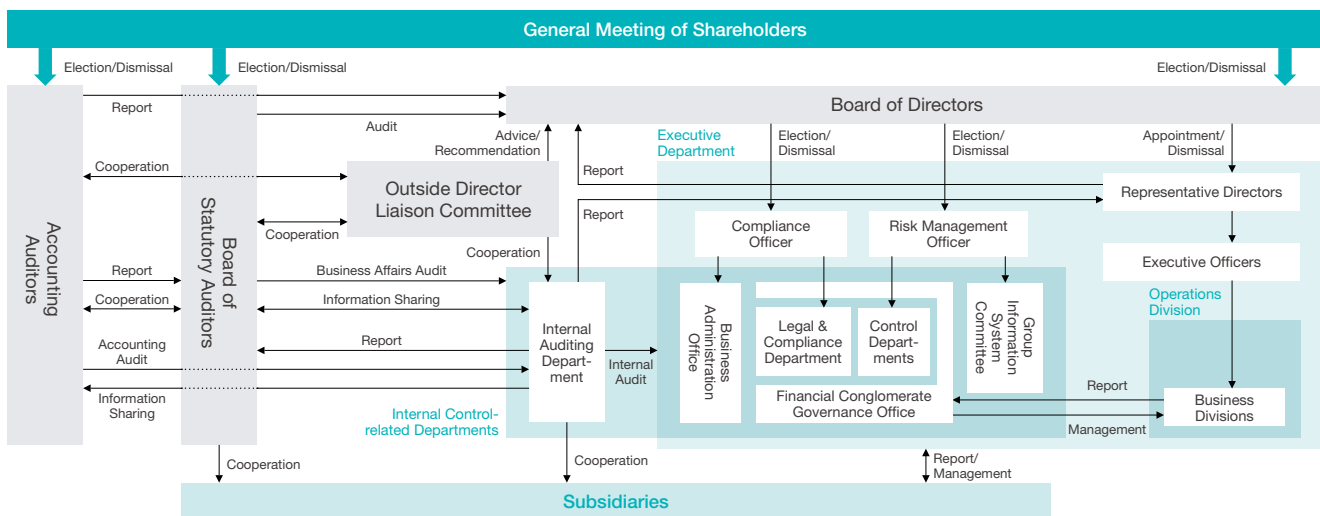
The Company has published the Corporate Governance Principles in accordance with the Corporate Governance Code, introduced in June 2015, and has released the policy in full on its website.

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

Overview of Organization

Configuration	Company with Board of Statutory Auditors
Number of Directors (Outside Directors)	17 (6)
Term of office of Directors	1 year
Number of Executive Officers (Directors & Executive Officers)	17 (10)
Average age of Directors	54.2 years old
Number of Statutory Auditors (Outside Statutory Auditors)	4 (2)
Number of Directors registered as Independent Executives	5
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	94.7%

Outline of Corporate Governance Structure



Improving the Effectiveness of the Board of Directors

To improve the effectiveness of the Board of Directors, the Company ensures the distribution of relevant materials to the Board members with sufficient time to review the agendas in advance of the Board of Directors meetings, and provides support in the form of information provision or information sharing upon request. In the fiscal year ended March 31, 2017, the Board revised its standards for raising an issue, so that a large proportion of time can be allocated to important discussions. In this way, the Company undertakes to ensure the effectiveness of corporate governance by invigorating discussions by the Board of Directors.

■ **Evaluation of the Board of Directors:** The Company analyzes and evaluates the effectiveness of the Board of Directors. In light of the responses to a questionnaire survey of all Directors and Statutory Auditors concerning the Board of Directors effectiveness conducted in February and March 2017, along with a discussion at the Board of Directors meeting held in April 2017, it was confirmed that the Board of Directors is effectively carrying out its function as a business execution and monitoring organization with free and open discussions and exchange of views between directors with diverse backgrounds. Among the points valued in the expressed opinions, the addition of a legal expert as a Director to respond to complex business matters and the formation of the Outside Directors Liaison Committee in 2016, were particularly appreciated as functioning effectively in supplementing discussions at the Board of Directors meetings.

■ **Outside Director Liaison Committee:** The Company has 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 to 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 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.

The Liaison Committee conducts free discussions on an open set of topics, as well as topics based on interests and requests by outside directors, such as the situation of the overseas subsidiaries, about which the committee receives reports from operating divisions and conducts discussions based on such reports.

Independence Criteria for Outside Directors



http://www.sbigroup.co.jp/english/investors/management/governance_policy.html#_02

Reasons for Selection of Outside Directors and Outside Statutory Auditors, and Their Attendance at the Board of Directors Meetings

● Appointed on June 29, 2016 ★ Appointed on June 29, 2017

Outside Directors	Independent Executives	Reason for selection	Term of office	Attendance at Board Meetings	
Kiyoshi Nagano	●	Formerly Chairman and President of Jasdac 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—June 2017	11 /12	
Keiji Watanabe		Mr. Watanabe has expert knowledge as a certified public accountant, along with a wealth of experience in Japan and abroad.	June 2010—June 2017	12 /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—June 2017	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—June 2017	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—present	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—present	11 /12	
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—June 2017	12 /12	
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—present	8 /10	
Hirofumi Gomi		Mr. Gomi has served as Commissioner of the Financial Services Agency and in other posts, and has a wealth of experience in the general financial sector.	June 2017—present	—	
Yoshitaka Asaeda		As a Certified Public Accountant, Mr. Asaeda has global audit experience and has expertise in International Financial Reporting Standards (IFRSs) applied by the Company.	June 2017—present	—	
Yasuhiro Suzuki	★	Mr. Suzuki has served successively as Representative Director and President of Seven & I Netmedia Co., Ltd., Director & Executive Officer, CIO of Seven & I Holdings Co., Ltd., and in other posts, and has a wealth of experience in a wide range of fields, including Internet business.	June 2017—present	—	
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—present	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—June 2017	12/12	16/16
Toru Ichikawa	★	Mr. Ichikawa has served as Chief Senior Inspector at the Financial Services Agency and in other posts, and has a wealth of experience in the financial sector.	June 2017—present	—	—

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 the enhancement of medium- to long-term corporate value, in light of the fact that the 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 (FY2016)

Executive classification	Total compensation	Number of corresponding executives
Directors (Excluding Outside Directors)	¥664 million	10
Statutory Auditors (Excluding Outside Statutory Auditors)	¥14 million	1
Outside Directors and Statutory Auditors	¥133 million	10

Toward a 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 instituted the Basic Policy for Constructive Dialogue with Shareholders, to more clearly define 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

COLUMN Initiatives on Information Security

Information Security Management System

In conjunction with the spread of the Internet and the advance of a high-level IT society, the Company recognizes the emergence of the attendant risks to using information technology and strives to develop and operate services designed with maximum consideration to the reliability and safety of information systems. In particular, given the importance of proper handling of personal information, the Company has established the Privacy Policy to form an environment and structure that prevents accidents and incidents, and facilitates services that provide a peace of mind. Director Morita has been appointed as the person responsible for the handling of personal information management.

As the organization that resolves issues concerning the information assets and information systems of the SBI Group, the Group Information System Committee has been established and is taking action to improve information security.

Privacy Policy



<http://www.sbigroup.co.jp/english/policy/privacy.html>

Initiatives towards Improving Information Security

As the need arises, the SBI Group requires individual Group companies that handle personal information to obtain certification (the Privacy Mark) from the Japan Institute for Promotion of Digital Economy and Community (JIPDEC), as a vendor that takes the utmost care of personal information. As of March 31, 2017, seven Group companies, including SBI Holdings, have received permission to use the Privacy Mark.

We are strengthening measures to prevent leakage of information through cyberattacks on information systems, such as data breaches through malware, including targeted attacks. Specifically, in the maintenance and improvement of the information security system, we see people as the most important elements in this struggle, and have accordingly implemented continual employee training through e-learning.

We will continue to move forward on efforts to improve the effectiveness and efficiency of each company's information security, through such means as the sharing of its best practices.

IR Activities (FY2016)

Activity	Times	Activity Content
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

The SBI Group as Viewed by Outside Directors



Outside Director **Teruhide Sato**

SBI Group Strengths Consist of Dynamic Management Combined with Technological Progress

In an environment in which the technology trends related to FinTech and international situation are changing rapidly, the Company's Board of Directors holds appropriate and timely discussions leading to quick and agile decisions in line with the Group's corporate philosophy and medium-to long-term strategy. I believe that an organization that works with agility in accordance with this decision-making is a point of strength of the SBI Group. Through my own expertise in Internet ventures, I hope to add my contribution to riding the swelling wave of FinTech 2.0, as stated by President Kitao in active discussions at the Board of Directors on FinTech initiatives.



Outside Director **Ayako Hirota Weissman**

Further Enhancing the Monitoring, Including the Overseas Operations, to Improve the Sustainability of the Company's Corporate Value

As a place for outside directors to exchange their views, the Outside Directors Liaison Committee has been convened. The discussions at the committee are well-suited for understanding the businesses that span the diverse branches of the Group.

From my experience through involvement in a wide range of portfolio companies, I recognize that enhancing the risk management system at associated companies overseas, including fund investees, is a significant management challenge in pursuit of sustainable improvement in corporate value. As an outside director, I would like to make use of the opportunities presented by the Liaison Committee to institute continuous monitoring with objective targets.



Outside Director **Heizo Takenaka**

FinTech is a Growth Opportunity for the SBI Group

FinTech is revolutionizing the world of finance. Amidst the technical progress on a different scale than what occurred previously, a radical change is stirring in the social structure. As a growth opportunity for the SBI Group, the realization of the current FinTech strategy being put forth is becoming increasingly important.

Together with this, while FinTech-related ventures are steadily increasing at the SBI Group, discussions were had on further strengthening cybersecurity, and I would like to work on initiatives to strengthen the management foundation in terms of defending the Company.



Outside Director **Hirofumi Gomi**

Addressing Fiduciary Duty to Bring About the Value Creation to Customers

As the business and financial environment undergoes changes, there will be changes as well in the risks that need to be addressed in order to exercise the financial function. In response to the changing environment, financial regulations are being reexamined, but the financial institutions themselves must establish self-discipline and voluntary controls, so that this situation will not usher in the introduction of excessive regulation.

In addition, the financial institutions of today are being asked to offer financial instruments that bring about the creation of optimal value for their customers. Please be attentive to the SBI Group's initiatives regarding fiduciary duty.



Outside Director **Yoshitaka Asaeda**

Facing the Challenges in Order to Achieve Sustainable Growth in the Company's Corporate Value

The SBI Group is currently enjoying success owing to the strong leadership of President Kitao. However, in order to attain sustainable growth in its corporate value, it must conduct decision-making that incorporates the knowledge and expertise of different specialists.

Our role is to maximize the profits of stakeholders by furnishing the Board of Directors with specialist knowledge, discussing our views, and carrying out intense deliberations. I would like to make use of my experience working objectively as an accounting auditor covering numerous management teams, to contribute to the further enhancement of the Company's corporate governance.



Outside Director **Yasuhiro Suzuki**

Leveraging Knowledge in the Retail and System Fields to Make a Thorough Contribution to the "Customer-centric Principle"

While society as a whole is moving towards an information and digital society, customer lifestyles are changing dramatically, and technology is moving forward even faster and faster. Concerning the business expansion based on the "Customer-centric Principle" as advocated by the SBI Group, I would like to make my contribution to the sustainable growth of the Group by offering advice capitalizing on my experience in the systems field to the FinTech field, a field with the order-of-magnitude of expectations for progress, while at the same time giving guidance that puts to use my experience attending to many customers in the retail field.