

# 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. As a new initiative, the Company established the Cybersecurity Office. In August 2018 to strengthen cybersecurity measures for the entire Group. The SBI Group will endeavor to continuously promote initiatives toward the sophistication of security measures.

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 2018), 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. In addition to Executive Directors including the President, Senior Executive Vice Presidents, Senior Managing Directors and Managing Directors, nine Executive Officers with expertise and insight aligned

with the Directors are in charge of business execution.

The Company clearly defines the functions and responsibilities of the Executive Directors, Executive Officers, and the Board of Directors, and has put in place an organizational structure capable of rapidly and flexibly adapting to sudden changes in the business environment.

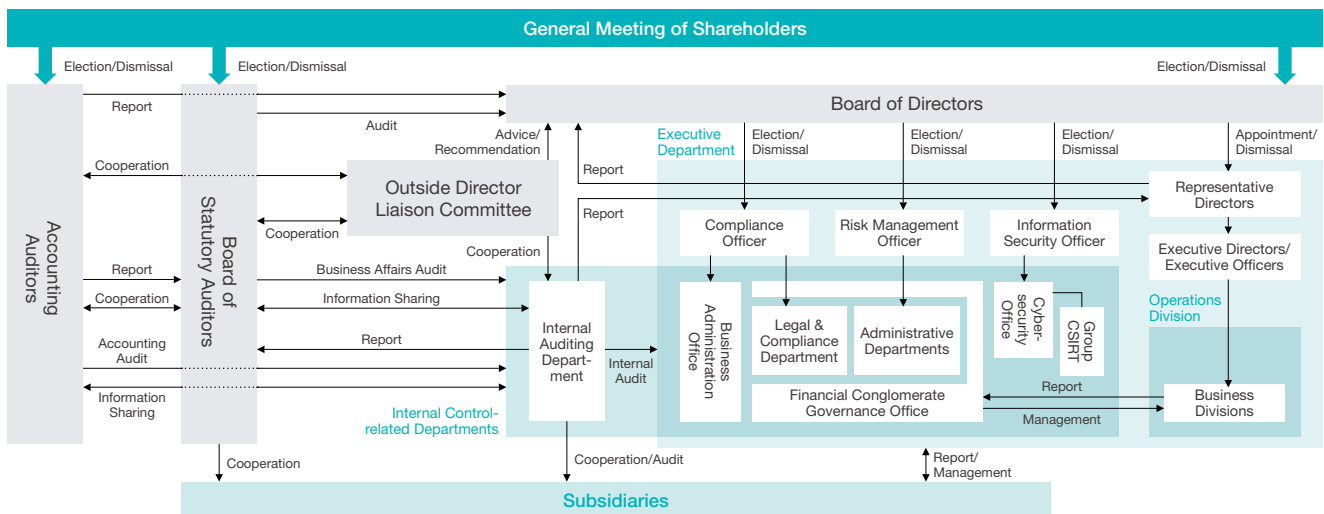
The Statutory Auditors are responsible for establishing a high-quality corporate governance system worthy of public trust, by means including auditing the Directors' performance of duties. The Statutory Auditors ensure collaboration with Outside Directors and Accounting Auditors, and endeavors to realize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

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. (See URL on page 35)

## Overview of Organization

| Configuration  | Company with Board of Statutory Auditors |
|--|--|
| Number of Directors (Outside Directors)                              | 17 (6)                                   |
| Term of office of Directors  | 1 year                                   |
| Average age of Directors   | 56.1 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 | 93.9%                                    |

## Outline of Corporate Governance Structure (As of August 1, 2018)



## Improving the Effectiveness of the Board of Directors


The Company continuously engages in initiatives to improve the effectiveness of the Board of Directors. In June 2018, the Company newly appointed one of the Directors as Chief Technology Officer (CTO) to create a Board structure capable of more in-depth discussion of Group-wide IT strategy. In this way, the Company is working 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 2018, along with a discussion at the Board of Directors meeting held in March 2018, 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. On the other hand, among the points valued in the expressed opinions, in light of technological evolution and the rapid advancement of globalization and diversification of the Group's business development, the importance of electing Directors skilled at responding to these developments and of strengthening compliance and risk management systems was emphasized.


■ **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 the 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 received reports from the persons responsible at each operating division on various topics, such as trends at overseas subsidiaries, risks that the Biotechnology-related Business faces, and Group-wide IT controls, and discussed these matters in light of the reports.

### Compliance with the Corporate Governance Code

 [http://www.sbigroup.co.jp/english/investors/management/governance\\_policy.html](http://www.sbigroup.co.jp/english/investors/management/governance_policy.html)

### Independence Criteria for Outside Directors

 [http://www.sbigroup.co.jp/english/investors/management/governance\\_policy.html#\\_02](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

| Outside Directors          | Independent Executives | Reason for selection  | Term of office    | Attendance at Board Meetings* |                              |
|----------------------------|------------------------|---|-------------------|-------------------------------|------------------------------|
| 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                         |                              |
| 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 | 11/12                         |                              |
| 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 | 9/10                          |                              |
| 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 | 10/10                         |                              |
| 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 and in other posts, and has a wealth of experience in a wide range of fields, including Internet businesses.                           | June 2017—present | 10/10                         |                              |
| Outside Statutory Auditors | Independent Executives | Reason for selection  | Term of office    | Board of Directors*           | Board of Statutory Auditors* |
| 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 | 10/10                         | 13/13                        |
| Yasuo Sekiguchi            | ●                      | Mr. Sekiguchi is a certified public accountant and certified tax accountant, and has considerable knowledge concerning finance and accounting.  | June 2014—present | 12/12                         | 18/18                        |

\*Attendance at the Board of Directors and the Board of Corporate Auditors in the fiscal year ended March 31, 2018

## Compensation for Directors

In principle, the Board of Directors determines the amount of compensation for Directors 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.

### ■ Policy on Determining Compensation for Directors

- (1) The amount of compensation for Directors (excluding bonuses) is determined for each Director by taking into consideration the following matters.
  - The maximum level of employee salary
  - Compensation paid to Directors of the same rank in the past
  - The Company's business performance outlook
  - The going rate of compensation for directors
  - The degree of contribution to the Company's business performance
  - The circumstances of accession to office
  - Other matters
- (2) The amount of bonuses for Directors is determined for each individual Director and is based on the performance of duties of the individual Directors.
- (3) 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.

- (4) Persons eligible for bonuses for Directors are Directors who serve until the ordinary General Meeting of Shareholders for the relevant fiscal year. However, the Company may pay to Directors who have retired before expiration of their terms of office bonuses prorated from the closing of the ordinary General Meeting of Shareholders for the previous fiscal year until the time of retirement.
- (5) The Company may take measures such as a reduction or partial cutting of compensation for Directors for a specified period of time by a decision of the Board of Directors due to a marked deterioration in business performance or the like. Also, the Company may take measures such as a reduction or partial cutting of compensation for Statutory Auditors by discussion among the Statutory Auditors.
- (6) The Company does not provide directors' retirement benefits.

### Determination of Compensation for Directors

Mentioned in "III. Basic Policy on the Governance System 1. (3) Compensation for Directors."



[http://www.sbigroup.co.jp/english/investors/management/governance\\_policy.html](http://www.sbigroup.co.jp/english/investors/management/governance_policy.html)

## Total Compensation for Directors and Statutory Auditors, Total Compensation by Type, and Number of Corresponding Executives

| Executive classification                                  | Total compensation (Millions of yen) | Total compensation by type (Millions of yen) |               |         |                     | Number of corresponding executives |
|---|--------------------------------------|--|---------------|---------|---------------------|------------------------------------|
|   |                                      | Basic compensation                           | Stock options | Bonuses | Retirement benefits |                                    |
| Directors (Excluding Outside Directors)                   | 703                                  | 235  | —             | 468     | —                   | 11                                 |
| Statutory Auditors (Excluding Outside Statutory Auditors) | 13                                   | 13   | —             | —       | —                   | 1                                  |
| Outside Directors and Statutory Auditors                  | 102                                  | 96   | —             | 6       | —                   | 14                                 |

## Group Management Structure (Role of the Company)

The SBI Group has established the Rules for Management of Affiliated Companies for the purpose of ensuring that SBI Holdings, which is a business holding company, and each of its affiliates, in close mutual cooperation and on the basis of the principle of self-responsibility and market discipline, smoothly execute management, work to increase profit, and contribute to business development as the SBI Group in an integrated manner, and for the purpose of ensuring financial soundness and the appropriateness of business operations.

The Financial Conglomerate Governance Dept. engages in the management of affiliates in accordance with the following basic policies set forth in the Rules for Management of Affiliated Companies.

- (1) While respecting the management autonomy of each affiliate, pursue efficiency and appropriateness in the management of

the SBI Group as a whole.

- (2) Appropriately and rationally solve important management issues that mutually occur at the Company and its affiliates, as well as between affiliates.
- (3) Make appropriate and rational decisions on transactions between the Company and affiliates, as well as transactions between affiliates, in accordance with market discipline under the principle of the arm's length rule.
- (4) The Company provides guidance to affiliates and endeavors to foster and strengthen them on the basis of their self-reliant efforts.
- (5) The Company, as the SBI Group's business management company, provides guidance and supervision concerning risk management, compliance and other internal controls in accordance with the circumstances and business category of each Group company to ensure financial soundness and the appropriateness of business operations.

## The SBI Group as Viewed by Outside Directors



Outside Director **Teruhide Sato**

### The Entire SBI Group is Advancing to the Next Growth Phase

I believe that the Board of Directors, in line with the SBI Group's philosophy and strategies, holds appropriate and timely discussions and engages in prompt decision-making concerning short-term, medium-term, and long-term management issues and business opportunities. Also, I have personally experienced that the Group's industry-leading movement toward FinTech is bearing fruit, and that the entire SBI Group is advancing to the next growth phase. I wish to contribute to enhancing the SBI Group's absolute value and relative strengths, by appropriately imparting my knowledge and related industry trends of the FinTech sector for the Group's global expansion.



Outside Director **Ayako Hirota Weissman**

### The Key Challenge is Balancing Existing Businesses and New Fields

I believe that the key challenge facing the SBI Group, who is capable of becoming a strong pillar in the FinTech sector, is to grow by achieving balance between "selection and concentration" in currently existing business operations and expansion into new fields. Also, at a time of worsening human resources shortages, the Group must examine various measures for securing engineers in the FinTech sector. Furthermore, since a succession plan is an extremely important consideration, I hope to assist in defining a successor selection process.



Outside Director **Heizo Takenaka**

### Expectations for a More Diverse Board of Directors Composition

The SBI Group has established the Outside Director Liaison Committee, and active, constructive discussions among the Outside Directors take place at Committee meetings. The Committee promotes interaction among the Outside Directors, and I believe that it increases the effectiveness of the Board of Directors. At the same time, since the SBI Group conducts business globally, in the interest of diversity, I hope that foreign and female directors from inside and outside the Group will be respectively elected to the Board.



Outside Director **Hirofumi Gomi**

### Utilizing Accumulated Experience in Oversight of Business Execution

While "a company with a board of statutory auditors" is a governance structure suited to large-scale companies with wide-ranging business operations, I believe that in the SBI Group this governance model is sufficiently functioning with respect to both human resources and systems. I intend to utilize my experience as an administrative official in overseeing financial institutions and financial markets, which require the highest levels of risk management and fiduciary duty, to contribute to the sustained enhancement of the SBI Group's corporate value and to oversee business execution to ensure that corporate governance functions appropriately.



Outside Director **Yoshitaka Asaeda**

### Balancing Offense and Defense is Necessary for Corporate Value Enhancement

In view of the SBI Group's recent overseas expansion and the sudden increase in overseas alliances and new businesses, I think that a future challenge will be the ability to mount a defense every bit as strong as the offense. I believe that increasing intelligence and building a decision-making structure and oversight structure capable of agilely coping with risk are vital aspects of defense. I want to fully utilize my experience and knowledge to achieve balance between the SBI Group's future growth (offense) and risk management (defense) and strive to enhance corporate value.



Outside Director **Yasuhiro Suzuki**

### Improvement of Information Systems is Critical for the SBI Group

As the sense of uncertainty about the social environment grows and technology increasingly evolves, I believe that the future direction for information systems is a critical matter for the SBI Group. This is a topic I want to discuss in depth at meetings of the Board of Directors. The Group must freshly consider responses to FinTech, synergies between the systems of Group companies, and firmly respond to security risks, a matter of ever-increasing social responsibility. I want to proactively engage in discussions about further improvement of information systems.

## 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](http://www.sbigroup.co.jp/english/investors/management/governance_policy.html#_01)

## COLUMN

### Fair Disclosure Rules

Previously, there were no rules in Japan to ensure that when listed companies and other issuers of marketable securities provide material inside information to third parties prior to public disclosure, they will also need to fairly disclose the said information to other investors and interested parties as well. However, in April 2018 Fair Disclosure Rules, similar to those previously introduced by major nations in Europe, North America and Asia, went into effect in Japan. In response to this, the Company has reviewed matters such as the definition and concept of material information and the policy on communicating material information to interested parties, and revised the Basic Policy on Information Disclosure.

### Basic Policy on Information Disclosure



<http://www.sbigroup.co.jp/english/investors/management/disclosure.html>

## IR Activities (FY2017)

| Activity  | Times       | Activity Content   |
|---|-------------|--|
| Financial results briefing for institutional investors and analysts | 4           | Financial results briefing held quarterly focused on financial performance and outlook                                       |
| Non-deal road shows 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 |

## INVESTOR FAQs AND ANSWER

### Background to Positioning the Biotechnology-related Business as a Core Business

Since 2003, the SBI Group has made concentrated investments in the biotechnology sector, which we have positioned as a 21st century growth industry. To build a business portfolio resistant to stock market conditions, in 2007 the Group leveraged biotechnology sector-related expertise and networks accumulated through investments to enter the drug discovery business. The Group has positioned the Biotechnology-related Business as a core business since April 2012, and is nurturing and developing the business, which has now reached the stage of offering tremendous promise for profit.

### Position of SBI SAVINGS BANK of South Korea within the Group

The Company converted SBI SAVINGS BANK of South Korea (formerly Hyundai Swiss Savings Bank) into a consolidated subsidiary in 2013, following the investment in the bank in 2002 as a venture investment. Since then, SBI SAVINGS BANK has utilized the SBI Group's knowledge of the banking business and online business development to accumulate performing loans, endeavored to decrease its delinquency rate, and rapidly expanded its operations. As a result, it has grown to the point of becoming the Group's second-largest profit source following SBI SECURITIES.

Since the Company may sell all or part of its interest in SBI SAVINGS BANK in the future, we have positioned it, along with the other overseas financial service businesses, as part of the Asset Management Business.