

Realizing an Organizational Structure that can Respond Promptly to Changes in the Business Environment, with a 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 its decision-making, and an organizational structure capable of promptly responding 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 consequently established a Board of Directors and Board of Statutory Auditors. The Company's Board of Directors, consisting of twelve Directors, with four Independent Outside Directors (as of the end of June 2019), 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 and

Senior Managing Directors, twelve 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 promptly and flexibly responding 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 endeavor to realize a more effective corporate governance system.

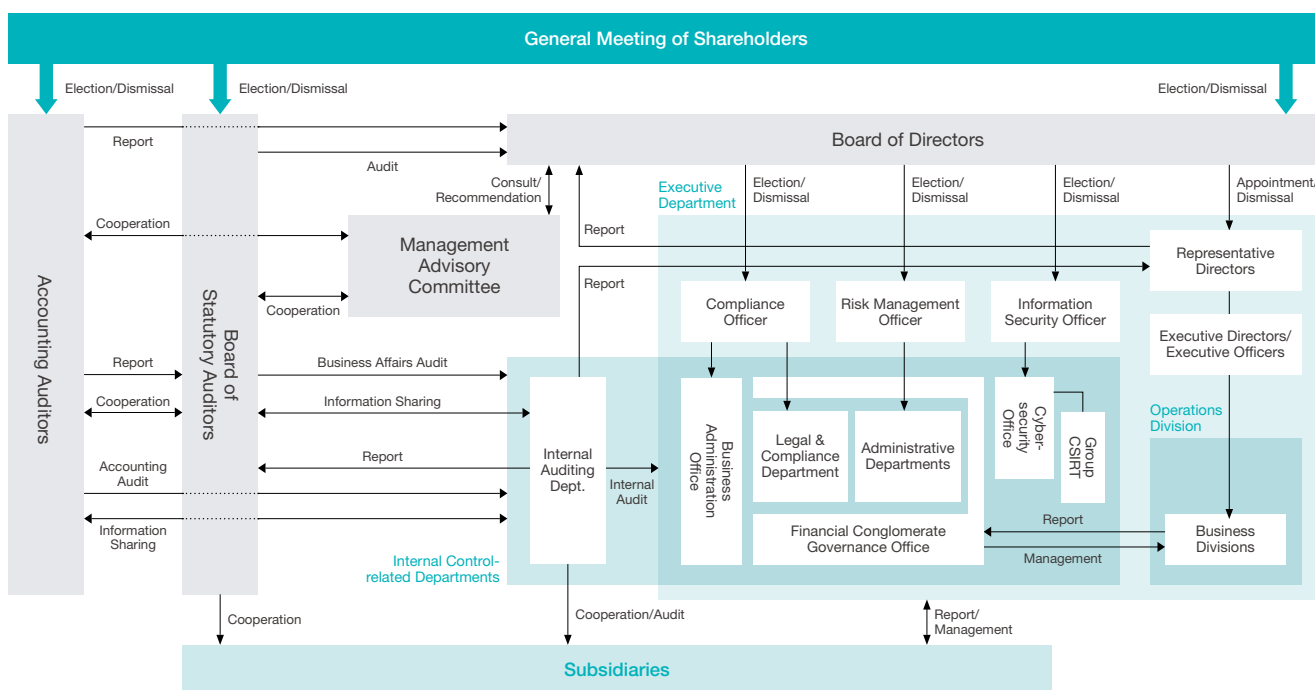
Compliance with the Corporate Governance Code

The Company has published the Corporate Governance Principles in accordance with the Corporate Governance Code (introduced in June 2015, and revised in June 2018 and has released the policy in full on its website.



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

Outline of Corporate Governance Structure (As of June 30, 2019)



Overview of Organization

Configuration	Company with Board of Statutory Auditors
Number of Directors (Outside Directors)	12 (4)
Term of office of Directors	1 year
Average age of Directors	54.7 years old
Number of Statutory Auditors (Outside Statutory Auditors)	4 (2)
Number of Directors registered as Independent Executives	6
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	97.2%

Improving the Effectiveness of the Board of Directors

■ **Evaluation of the Board of Directors:** The Company conducted a self-assessment for all Directors and Statutory Auditors regarding the effectiveness of the Board of Directors from February to March 2019. The Company analyzed and evaluated the effectiveness of the Board of Directors, based on the results of the self-assessment and discussions held during the March 2019 Board of Directors meeting. The evaluation found the Board of Directors to be sufficiently effective, and to be effectively carrying out its function as a business execution and monitoring organization. On the other hand, the evaluation found that to further improve the effectiveness of the Board of Directors, it is necessary to balance prompt execution and appropriate decision-making by reviewing the structure of the Board of Directors, including the number of Directors, to ensure the diversity that shareholders expect, as well as hold open discussions while enhancing the Board's objectivity and transparency. Among opinions expressed in the evaluation was the opinion that, in the midst of major reforms to governance, the role of the Board of Directors is likely to continue to gradually change, and thus, the Board of Directors should be operated with transparency and a strong focus on risk management.

The Board of Directors will continue to strengthen its effectiveness based on the results of this analysis and evaluation, and will ensure that it contributes to the increase of sustainable corporate value.

Items Evaluated in the Effectiveness Evaluation

1. Structure and composition of organizations such as the Board of Directors
2. Operation of the Board of Directors
3. Agenda, deliberation and decision-making of the Board of Directors
4. Supervisory system of the Board of Directors
5. Relationships with shareholders and other stakeholders
6. Others
7. Self-evaluation

■ **Establishment of Management Advisory Committee:** The Company is strengthening the supervisory function of the Board of Directors by increasing the transparency of the Company's management from an outside perspective, through utilizing the efforts

of several Independent Outside Directors. Previously, the Outside Director Liaison Committee, comprised primarily of three Independent Outside Directors, met periodically and worked to share information and opinions from an objective perspective to contribute proactively to discussions at meetings of the Board of Directors. From June 27, 2019, it was decided to further strengthen its supervisory function, to ensure an appropriateness of management and to increase transparency of management, and that a third or more of the Board of Directors will be Independent Outside Directors, in accordance with the Company's independence standards. Moreover, it was decided to replace the Outside Director Liaison Committee with the Management Advisory Committee as the voluntary advisory body to the Board of Directors, and that it comprise a majority of Independent Outside Directors.

This committee will further solidify the Company's corporate governance framework, by increasing the objectivity and transparency of Board decisions through appropriate involvement in the Board's functions and deliberation processes, which include the selection of candidate Directors and Statutory Auditors, appointment and dismissal of management executives (President, Senior Executive Vice Presidents, Senior Managing Directors, Managing Directors) and the determination of compensation for Directors, as well as the development of the next generation of management executives.

Policy and Status of Strategic Shareholding

The Company acquires and holds the shares of other companies when entering into business alliances or collaborations that are likely to contribute to the SBI Group's business development or an increase in the Company's corporate value, and when it can be rationally expected that such collaborations will increase the corporate value of the other company, namely, when it can be expected that profits can be gained in the future by selling those shares. The Board of Directors annually examines the rationality and purpose of holding listed shares for strategic reasons. Specifically, this involves examining qualitatively whether the strategic shareholding contributes to strengthening or maintaining the relationship with the relevant parties, and quantitatively whether the dividend or profit from the business that the relevant parties are involved in is appropriate considering the capital cost to the Company. The Company will, in principle, move to sell shares if the rationality of the shareholding cannot be confirmed according to the aforementioned evaluation.

In a certain case where the Company's shares are held by a strategic shareholder, it will not engage in economically unreasonable transactions that are detrimental to the joint corporate and shareholder interests with the relevant company. Moreover, if the owner of strategic shareholdings in the Company indicates the intention to sell the shares, it is the basic policy of the Company to respond appropriately and not take any action that would obstruct the sale, such as by indicating that business transactions with the holder will be reduced.

As of March 31, 2019 the Company is not engaged in any strategic shareholding. Moreover, in one of the Group's main businesses, the venture capital business, all of the Group-owned shares of startup companies, such as those invested in via the venture capital fund, are in principal included as operational investment securities in the Company's Consolidated Financial Statements.

Compensation for Directors

The compensation for Directors, in principle, is set after the Representative Director has discussed his thoughts regarding the amount with the Independent Outside Directors, and is decided by the Board of Directors within the total compensation amount approved at the General Meeting of Shareholders.

A compensation system including restricted stock units has been introduced from June 2019 for Directors (excluding Outside Directors), as an incentive to continue to grow corporate value, and to further share value with all Group shareholders. The recipient Directors of this system exchange their monetary compensation received as property in kind to receive an amount of regular shares or treasury shares.

Policy on Determining Compensation for Directors

- 1) The policy for determining the amount and calculation method of Director compensation is to be decided by the Board of Directors after receiving feedback from the Management Advisory Committee, which is made up of a majority of Independent Outside Directors.
- 2) The amount of compensation, which is made up of fixed basic compensation as well as bonuses based on the Company's performance and restricted stock units, for each Director (excluding Outside Directors) is to be decided by the Board of Directors after receiving feedback from the Management Advisory Committee, and is to be within the total compensation limits approved at the General Meeting of Shareholders. Similarly, the amount of compensation for each Outside Director, which is made up of fixed basic compensation and bonuses, is to be decided by the Board of Directors, and is to be within the

total compensation limit approved at the General Meeting of Shareholders. However, when these decisions have been entrusted to the Representative Directors, the Representative Directors will determine the above compensation matters. The amount of basic compensation for each Director will be decided based on the following:

- The maximum amount of employee salary
- Compensation paid to Directors of the same rank in the past
- The Company's business performance outlook
- The prevailing rate of compensation for directors
- The degree of contribution to the Company's business performance
- The circumstances of accession to office
- Other matters

Amounts paid to each Director as bonuses and restricted stock units will be decided based on an overall assessment of basic factors, such as their work duties and how they are conducting their work, as well as the business environment, and their overall contribution to the Company. Accordingly, no particular quantitative targets are set.

- 3) Compensation of Statutory Auditors is on a fixed basic remuneration basis, while the amount paid to each Statutory Auditor will be decided based on Statutory Auditor discussions, and is to be within the total compensation amount approved at the General Meeting of Shareholders.

Note: Under certain circumstances, however, such as significantly worsened business performance, the Board of Directors can decide to take such measures as a reduction in Director compensation or a reduction for a set period.

Total Compensation for Directors and Statutory Auditors, Total Compensation by Type, and Number of Corresponding Executives (FY2018)

Executive classification	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)			Number of corresponding executives
		Basic compensation	Bonuses	RS units	
Directors (Excluding Outside Directors)	805	280	525	—	12
Statutory Auditors (Excluding Outside Statutory Auditors)	13	13	—	—	1
Outside Directors and Statutory Auditors	102	90	12	—	8

Total Consolidated Compensation over ¥100 million by Director (FY2018)

Name	Executive classification	Company name	Total compensation by type (Millions of yen)			Total Consolidated Compensation (Millions of yen)
			Basic compensation	Bonuses	RS units	
Yoshitaka Kitao	Representative Director	SBI Holdings, Inc.	57	150	—	252
	Representative Director	SBI SECURITIES Co., Ltd.	20	—	—	
	Representative Director	SBI Investment Co., Ltd.	25	—	—	
Katsuya Kawashima	Representative Director	SBI Holdings, Inc.	20	100	—	156
	Representative Director	SBI Investment Co., Ltd.	36	—	—	
Takashi Nakagawa	Representative Director	SBI Holdings, Inc.	45	75	—	120
Masato Takamura	Director	SBI Holdings, Inc.	—	75	—	126
	Representative Director	SBI SECURITIES Co., Ltd.	51	—	—	
Tomoya Asakura	Director	SBI Holdings, Inc.	26	55	—	100
	Representative Director	Morningstar Japan K.K.	19	—	—	

The SBI Group as Viewed by Independent Outside Directors

Teruhide Sato
Independent Outside
Director



Human Resource Management in Anticipation of the Next Growth Stage

Owing to CEO Yoshitaka Kitao's exemplary vision and strong leadership, the SBI Group is well on its path to fintech 2.0, the next stage of evolution. With the current considerable changes in technology, securing and nurturing the next generation of leaders will be vital to building a corporate group that will continue to grow over the next ten to twenty years and beyond. I believe that we can build a solid managerial foundation over the long-term by making a continued concerted effort to develop Group human resource strategies, such as selecting the next generation of leaders and giving them managerial experience as Directors and Presidents of various Group companies, and subsequently fostering them in leadership positions within SBI Holdings.

Heizo Takenaka
Independent Outside
Director



Expectations for a Framework that Realize Further Objectivity and Transparency, with the Increased Involvement of the Independent Outside Directors

Since the SBI Group is a large scale organization that covers a wide range of businesses, I believe that there is a good balance of Outside Directors and Internal Directors, who are well-versed in Company matters, and that the current configuration of the Board of Statutory Auditors, with Independent Auditors who maintain their independence, is appropriate. The SBI Group, until now, had utilized an Outside Director Liaison Committee, for Outside Directors to appropriately be involved in important decisions related to the appointment and compensation of Directors, where each Outside Director can share information and opinions from an independent standpoint. However, with the current major governance reforms in Japan, it is more desirable to further strengthen the functions and independence of the governance structure, and therefore I expect the newly established Management Advisory Committee, which consists of a majority of Independent Outside Directors, to meet this challenge.

Yasuhiro Suzuki
Independent Outside
Director



Responding to the Further Advancement of Systems that are a Source of Growth

I believe that at the SBI Group, the leadership of internal executives, including the Group's CEO Yoshitaka Kitao, and the advice and oversight of Outside Directors is effective. We consistently receive compliance status reports and the development of risk management systems at meetings of the Board of Directors, and I believe that appropriate active discussions are being held. I believe that responding to technological advances will be a source of growth for the SBI Group in the future, and currently, the Group is rapidly responding with systems to fintech issues, and is working to respond to security risks. I will continue to help contribute to the further development of the SBI Group by sharing my knowledge and advice.

Junko Kubo
Independent Outside
Director



Contributing to Increasing Corporate Value by Ascertaining the Needs of Diverse Stakeholders

I believe that my role is management supervision for the SBI Group from a female perspective, and from a viewpoint similar to that of individual consumers and investors, as well as exchanging opinions with other Directors who have expertise in finance to contribute to increasing the corporate value of the SBI Group. The majority of shareholders of the Group are Japanese and foreign institutional investors, and I understand that the Company's ratio of female managers is not that significant. I believe that by ascertaining the needs of diverse stakeholders and becoming even more diverse in the future, the SBI Group will further approach the Group's CEO Yoshitaka Kitao's vision of a "strong and respected company".

Establishment and Operation of the Internal Control System

The Company believes that in order to enhance its corporate governance, it is important to have an internal control system in place, and to conduct business through a sound internal control system. With the goal of developing the internal control system, the Representative Director works to ensure that all corporate officers and employees understand that compliance with laws and ethical behavior are essential in realizing the corporate management philosophy and vision.

To identify compliance issues and problems, the Board of Directors has decided to appoint an Officer in charge of compliance, and the Legal and Compliance Dept., as the Compliance Department, has been established under the direct control of that individual. The Company has established a whistle-blowing system for Directors and employees for direct reporting upon finding violations of laws, regulations, the Articles of Incorporation, or other important compliance-related matters to the independent Internal Auditing Dept. and Statutory Auditors, which are independent of both executive and management departments.

The Company has established a stringent compliance system of checks and balances among multiple departments to ensure that all processes under business activities comply fully with not only laws and regulations, but also with contracts, agreements, etc. Moreover, the Company conducts regular compliance training, using e-learning and other means, to raise the knowledge and awareness of the employees regarding compliance issues.

In addition, the Officer in charge of compliance and the Compliance Department, in cooperation with those in charge of compliance at each Group company, holds regular meetings to exchange information throughout the Group.

Whistle-blowing System

For more information on the whistle-blowing system, please refer to "Corporate Governance Principles," Section II:4. (3).



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

Establishing a Risk Management System

The SBI Group has business operations spanning the globe focused on financial services. Thus, it has established a Risk Management Department, and designated an Officer in charge of risk management to ensure risks capable of inhibiting the Group's business activities are adequately comprehended, evaluated and managed.

When a management crisis capable of seriously impacting the continued operation of the Company occurs, or has the possibility of occurring, the Officer in charge of risk management will gather and evaluate information, and respond to the crisis, as well as reporting to applicable organizations and disclosing pertinent information.

To handle information management and systemic risks, the SBI Group appointed an Officer responsible for information security in 2018, and established the Cybersecurity Office to promote

cross-Group information security measures, and conducted Group security self-assessments as part of endeavors to improve and maintain the Group-wide information security level.

Business Risk

For more information about potential risk, please see the "Risk" section on the SBI Group website.



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

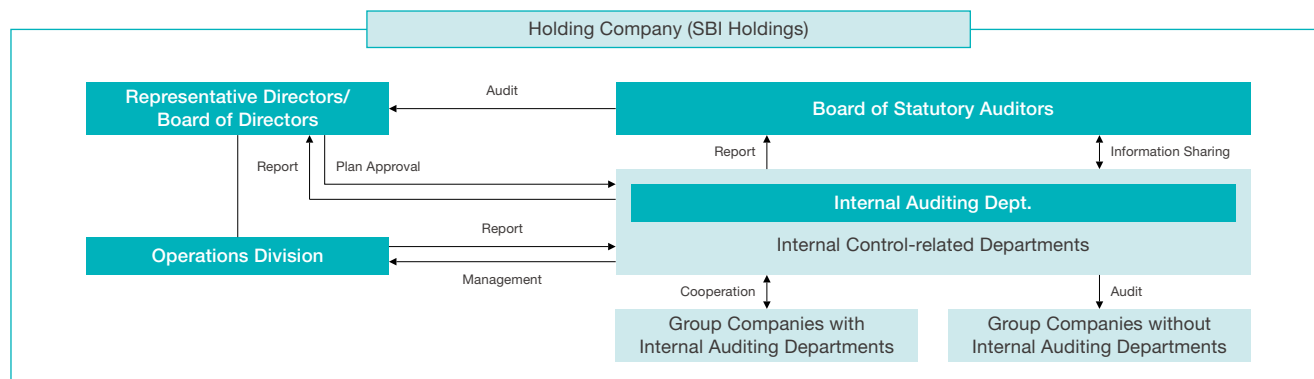
Internal Auditing

The Internal Auditing Dept. comprehensively and objectively evaluates the appropriateness of internal management conditions, such as the appropriate operation of internal control systems, compliance and business operations. Also, the department makes proposals on and follows up measures to remedy and improve issues found during the auditing process. The results of audits are to be reported to the Representative Director and Board of Directors without delay after the completion of each audit. Moreover, where necessary, proposals on corrective measures and improvements of issues will be made to relevant departments.

In addition, the Internal Auditing Dept. and the Board of Statutory Auditors act in cooperation, with the Department regularly reporting to and exchanging opinions with the Board after each internal audit has been completed as well as incorporating the requests of the Board into its auditing themes and selection of audit targets.

The Internal Auditing Dept. consists of a general manager and members with expert knowledge of internal auditing, accounting auditing and internal control, and it conducts its audits according to generally accepted internal auditing standards. First, targets are grouped according to capital relationships and so on, then they are given a score according to various types of risk, such as credit risk, market risk, liquidity risk and operational risk, and the frequency of auditing is determined in descending order from the highest-scored target. Internal audits are conducted combining document auditing, interviews, physical inspections, and other methods. In addition to subsidiaries, affiliate companies are also audited when necessary.

Outline of Internal Control Department



COLUMN Auditor Viewpoints



Atsushi Fujii
Standing
Statutory Auditor

Strengthening the Effectiveness of Corporate Audits by Statutory Auditors to Enhance the Corporate Governance Structure

As a Standing Statutory Auditor of the SBI Group's holding company, an important aspect of my responsibilities is auditing how effectively the controlling functions of SBI Holdings over each Group company are working from a management perspective. The SBI Group's focus may be financial, but it has a wide range of business interests, including biotechnology. Thus, I believe it is an important managerial issue for the Company to have a Group-wide system to ensure that each company is conducting their business properly, while abiding by the law and appropriately managing risks according to changes in the business environment. To aid in this, my duty as a Standing Statutory Auditor is to ascertain how effectively the Group's internal control functions are working, by exchanging opinions with Executive Directors, regularly holding hearings with each of the department heads responsible for Group internal control, attending important meetings, and carrying out daily auditing activities. Moreover, I verify from an independent standpoint, whether the appropriate oversight and necessary guidance and support are occurring in response to the business activities and the risk situations that need to be managed by each company. I will continue working to improve the effectiveness of audits by Statutory Auditors, and to strengthen the Group's corporate governance structure.



Toru Ichikawa
Outside Standing
Statutory Auditor

Strengthening Risk Management and Monitoring for an Effective Group Governance

The Internal Auditing Dept. explains the results of individual internal audits and the progress of audit plans almost every month at meetings of the Board of Directors, and the Statutory Auditors exchange information with the head of the Internal Auditing Dept. every month, creating an unusually close working relationship in terms of audits. As an outside auditor, I am not directly involved in the execution of business. I maintain an independent perspective and conduct audits that include business oversight, in addition to focusing on accounting and legal aspects, while also attending Board of Directors meetings.

I believe strengthening risk management is a future issue of the SBI Group because its businesses are so wide ranging. The SBI Group is not a pure financial institution, but is a financial conglomerate with securities, banking and insurance companies under its auspices. I want to carry out my auditing with a view to further raising the bar regarding compliance management and qualitative risk management, as I can see comprehensive risk management will be even more necessary in the future. In addition, I would like to strengthen the monitoring not only of profitability, but also of other overall aspects for investments in large-scale projects, or investments in entire business groups classified as similar businesses.