

Board of Directors and Statutory Auditors

(As of June 26, 2020)


Directors

① Attendance at Board Meetings ② Number of Company's shares owned ③ Main areas of expertise ④ Reasons for selection

Name/Position	Responsibilities and other significant concurrent offices held	Other information
Yoshitaka Kitao Representative Director, President & CEO 	Representative Director and Chairman of SBI Investment Co., Ltd. Representative Director and Chairman of SBI SECURITIES Co., Ltd. Representative Director & President of SBI Pharmaceuticals Co., Ltd. Representative Director & CEO of SBI VC Trade Co., Ltd. Representative Director & Chairman of SBI Digital Asset Holdings Co., Ltd. Representative Director and Chairman of SBI FINANCIAL SERVICES Co., Ltd. Director and Chairman of SBI Capital Management Co., Ltd. Representative Director & President of SBI GLOBAL ASSET MANAGEMENT Co., Ltd.	① 12/12 ② 3,907,960 ③ General management (financial assets and biotechnology) ④ Mr. Yoshitaka Kitao has demonstrated excellent management capabilities as Representative Director, President & CEO since the Company's establishment, building a financial conglomerate focused on Internet-based financial services for the Financial Services Business, which covers a broad range of business activities including securities brokerage business, banking services business, insurance business, and a wide range of financial services businesses. He has also helped establish a strong business foundation for the SBI Group by leading the Asset Management Business and the Biotechnology-related Business in Japan and abroad.
Katsuya Kawashima Representative Director, Senior Executive Vice President & COO 	Representative Director and President of SBI Investment Co., Ltd. Representative Director and President of SBI Capital Management Co., Ltd. Director of SBI SECURITIES Co., Ltd. Director of SBI FINANCIAL SERVICES Co., Ltd. Director of SBI NEO FINANCIAL SERVICES Co., Ltd. Representative Director and President of Money Tap Co., Ltd.	① 12/12 ② 737,870 ③ General management (financial assets) ④ Mr. Katsuya Kawashima has served successively in important positions at SBI SECURITIES Co., Ltd., SBI Sumishin Net Bank, Ltd., and other companies that play a central role in the Financial Services Business, and from April 2015, he has led the venture capital business and the overseas Financial Services Business as Representative Director and President of SBI Capital Management Co., Ltd.
Takashi Nakagawa Representative Director, Senior Executive Vice President 	Director of SBI Investment Co., Ltd. Director of SBI Investment KOREA Co., Ltd.	① 12/12 ② 42,000 ③ General management (financial assets) ④ Mr. Takashi Nakagawa has served successively in important positions such as Representative Director of SBI Investment Co., Ltd. and Representative Director and President of SBI FINANCIAL SERVICES Co., Ltd., in the Asset Management Business and Financial Services Business, which are core businesses of the SBI Group, and has broad knowledge and a wealth of experience in general managerial issues. In addition, he is responsible for operations focused on the planning and promotion of personnel matters throughout the SBI Group, as an officer in charge of the personnel and general affairs.
Masato Takamura Representative Director, Senior Executive Vice President 	Representative Director and President of SBI SECURITIES Co., Ltd. Representative Director and President of SBI FINANCIAL SERVICES Co., Ltd. Director of SBI NEO FINANCIAL SERVICES Co., Ltd.	① 12/12 ② 250,000 ③ General management (financial assets) ④ Mr. Masato Takamura has served as Representative Director and President of SBI SECURITIES Co., Ltd., and has greatly contributed to the growth of the securities businesses, and has a wealth of experience and broad knowledge as a manager. In addition, he has been responsible for the Financial Services Business as Representative Director and President of SBI FINANCIAL SERVICES Co., Ltd. since June 2018.
Shumpei Morita Senior Managing Director 	Representative Director of SBI Regional Bank Holdings Co., Ltd. Director of SBI FINANCIAL SERVICES Co., Ltd. Director of SBI Capital Management Co., Ltd. Director of SBI Digital Asset Holdings Co., Ltd. Outside Director of Shimane Bank, Ltd.	① 12/12 ② 70,000 ③ Finance and accounting ④ After assuming office as a Director of the Company, Mr. Shumpei Morita has provided support in relation to the accounting and financial aspects of the SBI Group's management strategy as CFO since October 2011. In addition to a highly ethical outlook, he possesses considerable professional knowledge regarding finance and accounting. Furthermore, as Representative Director of SBI Regional Bank Holdings Co., Ltd., he works on regional revitalization and value enhancement for regional financial institutions, in which SBI Regional Bank Holdings Co., Ltd. has invested.
Masayuki Yamada Director 	Statutory Auditor of SBI GLOBAL ASSET MANAGEMENT Co., Ltd.	① 12/12 ② 14,030 ③ Internal control, legal affairs and compliance ④ Mr. Masayuki Yamada has served as an officer in charge of legal affairs and compliance in the SBI Group as an attorney at law admitted to the New York Bar (U.S.), and has a wealth of practical experience and a highly ethical outlook.
Satoe Kusakabe Director 	Managing Director and General Manager of Risk Management Department and management of Customer Management Department of SBI SECURITIES Co., Ltd. Director of SBI VC Trade Co., Ltd.	① 10/10 ② 2,000 ③ Internal control, legal affairs and compliance ④ Ms. Satoe Kusakabe has been engaged in internal control and audit-related tasks at companies as a certified public accountant, and has a wealth of experience in that field. In addition, she has conducted duties mainly in the audit and risk management departments at the Company, as well as at SBI SECURITIES Co., Ltd. With the importance of Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) continuing to rise in recent times, it can be expected that she will utilize her wealth of experience in the field to further strengthen and enhance the SBI Group's risk management.
Masaki Yoshida Director 	Representative Director of YOSHIDAMASAKI INC. Representative Director and Chairman of Watanabe Entertainment Co., Ltd. A Member of The Rikkyo University Advisory Committee Advisor of KLab Inc.	① 12/12 ② 10,000 ③ General management (media) ④ After serving in important positions in relation to management of common funds with the SBI Group at Fuji Television Network, Inc. (currently, Fuji Media Holdings, Inc.), Mr. Masaki Yoshida has served as Representative Director and Chairman of Watanabe Entertainment Co., Ltd., and has a wealth of experience and extensive knowledge, particularly in media-related fields.

Independent Outside Directors

① Attendance at Board Meetings ② Number of Company's shares owned ③ Main areas of expertise ④ Reasons for selection

Name/Position	Responsibilities and other significant concurrent offices held	Other information
Teruhide Sato Independent Outside Director 	Director of BEENEXT PTE. LTD. Director of BEENEXT CAPITAL MANAGEMENT PTE. LTD. Komisar of PT Tokopedia Director of Sen Do Technology Joint Stock Company	① 11/12 ② 2,820 ③ General management (advanced technology), overseas ④ Mr. Teruhide Sato participated in launching the Japanese corporation CyberCash K.K. (currently, VeriTrans Inc.) and has served as Representative Director, President and CEO of netprice, Ltd. (currently, BEENOS Inc.), and he has a wealth of experience and extensive knowledge, particularly in relation to Internet businesses in Asia.
Heizo Takenaka Independent Outside Director 	Chairman and Director of Pasona Group Inc. Outside Director of ORIX Corporation Outside Director of MAYA SYSTEM Inc. President of Academy Hills Professor of Faculty of Global and Regional Studies at Toyo University Professor Emeritus at Keio University	① 12/12 ② — ③ General management (financial assets), finance and accounting ④ Mr. Heizo Takenaka has served successively as the Minister of State for Economic and Fiscal Policy, the Minister of State for Financial Services, the Minister of State for Internal Affairs and Communications, and in other posts and teaching at Keio University and Toyo University, while also serving as an outside director in private companies.
Yasuhiro Suzuki Independent Outside Director 	Representative Director and President of digitalshiftwave Co., Ltd. President of Japan Omni Channel Association Visiting Professor at Joho Keiei Innovation Senmonshoku Daigaku	① 12/12 ② — ③ General management (advanced technology) ④ Mr. Yasuhiro 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 businesses.
Hiroshi Ito Independent Outside Director 		① Appointed June 2020 ② — ③ General management (financial assets), risk management ④ Mr. Hiroshi Ito has served successively in important positions, such as Representative Director of Marsh Japan, Inc., which is a global leading company that provides services related to insurance and risk management, and has expert knowledge in insurance fields that the SBI Group focuses on.
Kanae Takeuchi Independent Outside Director 	Freelance Announcer	① Appointed June 2020 ② — ③ Public relations ④ One of the Company's most important challenges is to ensure that the Board of Directors hears women's perspectives, and strengthens its approach in this regard. Moreover, Ms. Kanae Takeuchi has played active roles, both in the past and presently, particularly in the media, and is well-suited to reflect the opinions of the stakeholders of the Company, including many individual shareholders, at meetings of the Board of Directors.

Statutory Auditors

① Attendance at Board meetings • Attendance at Statutory Auditor meetings
 ② Number of Company's shares owned ③ Main areas of expertise ④ Reasons for selection

Name/Position	Responsibilities and other significant concurrent offices held	Other information
Atsushi Fujii Standing Statutory Auditor 	Statutory Auditor of SBI SECURITIES Co., Ltd. Statutory Auditor of SBI Investment Co., Ltd. Statutory Auditor of SBI FINANCIAL SERVICES Co., Ltd. Statutory Auditor of SBI Capital Management Co., Ltd. Statutory Auditor of SBI Digital Asset Holdings Co., Ltd.	① 12/12 • 16/16 ② 48,980 ③ Finance and accounting ④ Mr. Atsushi Fujii has many years of experience at financial institutions, a good understanding of the Company as a whole, is a certified public accountant, and has considerable financial and accounting knowledge.
Toru Ichikawa Outside Standing Statutory Auditor 	Statutory Auditor of SBI FINANCIAL SERVICES Co., Ltd. Statutory Auditor of SBI Capital Management Co., Ltd. Statutory Auditor of SBI Digital Asset Holdings Co., Ltd.	① 12/12 • 16/16 ② 1,000 ③ Finance and accounting, internal control, legal affairs and compliance ④ Mr. Toru Ichikawa has served successively as chief inspector of the Financial Services Agency and has extensive experience in the financial field.
Minoru Tada Statutory Auditor 	Statutory Auditor of SBI SECURITIES Co., Ltd. Statutory Auditor of SBI NEO MOBILE SECURITIES Co., Ltd.	① 12/12 • 16/16 ② 26,510 ③ Internal control, legal affairs and compliance ④ Mr. Minoru Tada has many years of experience in financial institutions, and possesses expertise as an auditor of the Company and Group companies.
Yasuo Sekiguchi Outside Statutory Auditor 	Managing Director of Global Partners Consulting, Inc.	① 12/12 • 16/16 ② — ③ Finance and accounting, overseas experience ④ Statutory Auditor Yasuo Sekiguchi is qualified as a Certified Public Accountant and Certified Tax Accountant, and has a considerable degree of knowledge regarding finance and accounting.

Note: The number of shares owned is as of March 31, 2020

Policy and procedures concerning the nomination of Director candidates and Statutory Auditors

Please refer to the "Basic Policy on the Governance System" III-1-(3) and III-2-(3) on our Company website.
https://www.sbigroup.co.jp/english/investors/management/governance_policy.html

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 13 Directors, with five Independent Outside Directors (as of the end of June 2020), 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, 12 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.

Corporate Governance Principles Based on the Corporate Governance Code

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

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 2020. 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 2020 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 noted that in further improving the effectiveness of the Board of Directors, it is critical to secure Directors with keen insight into the advanced technologies that are the keys for sustained business growth, and to renew awareness of the importance of human resource development from the medium-term and long-term perspectives.

Among opinions expressed in the evaluation was the opinion that, amid the increasing focus of attention on corporate

Overview of Organization (As of June 30, 2020)

Configuration	Company with Board of Statutory Auditors
Number of Directors (Independent Outside Directors)	13 (5)
Term of office of Directors	1 year
Average age of Directors	56.5 years old
Number of Statutory Auditors (Outside Statutory Auditors)	4 (2)
Number of Directors registered as Independent Executives	5
Number of Management Advisory Committee members (Independent Outside Directors)	8 (5)
Involvement of Independent Outside Directors in compensation decisions (Yes / No)	Yes

Results of Main Efforts for the Fiscal Year Ended March 31, 2020

Number of Ordinary Board of Directors meetings held per year	12
Average attendance rate at Board of Directors meetings for Independent Outside Directors	97.8%
Average attendance rate at Board of Directors meetings for Outside Statutory Auditors	100.0%
Number of Board of Statutory Auditors meetings	16
Average attendance rate at Board of Statutory Auditors meetings for Outside Statutory Auditors	100.0%

Major Items Discussed at the Board of Directors

- Approval of the annual internal auditing plan for FY2019
- Report on cybersecurity activities
- About regional revitalization projects
- Report on the establishment of a local subsidiary in Germany



sustainability and social impact, further enhancement of governance including that of overseas locations is to be pursued in tandem with ensuring the speed of business growth. According to this view, the Company has arrived at the stage of a more profound debate that addresses management strategy from the dual perspectives of business opportunity and risk management. The Board of Directors is continuing to strengthen its effectiveness based on the above results of this analysis and evaluation, and will ensure that it contributes to the increase of sustainable corporate value.

■ **Director Training:** The Company maintains a training environment in which each Director and Statutory Auditor can acquire and update the knowledge required of management. For the fiscal year ended March 31, 2020, the Company conducted training in November 2019 in which the Company invited Daigo Shimizu, who heads the Business Development Department Equity Sales Group of the Global Markets division at Goldman Sachs Group Inc., where he is responsible for the Sustainable Development Goals (SDGs) and environmental, social and governance factors (ESG), to lecture the crucial importance in the investment chain of ESG factors and the SDGs.

Key Themes Discussed During the Director Training

- The global trends in ESG and SDGs
- The critical importance of ESG factors in capital markets (the importance of more concrete policy formulation and disclosure)
- Increased interest in ESG and SDGs among passively investing institutional investors
- The state of listed subsidiaries



Attendees of director training

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. 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 establish the Management Advisory Committee as the voluntary advisory body to the Board of Directors, and that it comprise a majority of Independent Outside Directors.

Similar to the former Outside Director Liaison Committee, this committee will share information and opinions from an objective perspective, while also maintaining an environment in which Independent Outside Directors may engage appropriately and actively in discussions of the Board of Directors.

The 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.

At the fourth Management Advisory Committee meeting held in December 2019, the SDGs and ESG factors were discussed in the context of director training. It was a meaningful exchange of views that applied the knowledge of each Independent Outside Director regarding the efforts that the SBI Group must undertake in becoming a sustainable corporation, including education of the children who will form the next generation, climate change policy, succession plans and technology.

The Members of the Management Advisory Committee (As of June 26, 2020)

Position	Name
Chairman of the Management Advisory Committee	Heizo Takenaka*
Member of the Management Advisory Committee	Teruhide Sato*
Member of the Management Advisory Committee	Ikkou Nakatsuka
Member of the Management Advisory Committee	Hirofumi Gomi
Member of the Management Advisory Committee	Yoshitaka Asaeda
Member of the Management Advisory Committee	Yasuhiro Suzuki*
Member of the Management Advisory Committee	Hiroshi Ito*
Member of the Management Advisory Committee	Kanae Takeuchi*

* Independent Outside Directors of the Company

Compensation for Directors

The compensation for Directors, in principle, is decided by the Board of Directors within the total compensation amount approved at the General Meeting of Shareholders after receiving feedback from the Management Advisory Committee, in order to secure fairness and clarity.



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.
- 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 | • The prevailing rate of compensation for directors |
| • Compensation paid to Directors of the same rank in the past | • The degree of contribution to the Company's business performance |
| • The Company's business performance outlook | • 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.

Policy and Status of Strategic Shareholding

As of March 31, 2020, 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.

Basic Policy on Parent and Subsidiary Listings, and Protection of Minority Shareholders

Since the SBI Group has a wide range of business areas, some investors say that it is difficult to attain an understanding of the full picture. In response to this, we work to make the corporate value of the Group as a whole more visible by promoting initial public offerings for our subsidiaries so that the business value of each operational unit becomes clear. While increasing the capital procurement capability of each Group company, these public stock offerings enable them to strengthen their financial standing and be self-reliant. At the same time, in order to protect minority shareholders, we adhere to the arm's length principle to ensure the fairness and rationality of transactions with each company in the Group, and respect the independence of their management. For Morningstar Japan, which is listed on the TSE JASDAQ market, we maintain a basic policy of ensuring that transactions with the SBI Group are objective and, applying the same conditions as to transactions with other business associates, using fair market prices, and ensuring that transactions are appropriate, as determined by the Board of Directors. We also endeavor to make it a priority of internal auditing and audits by Statutory Auditors to ensure that the conditions of transactions with the Group are determined comparably to general transaction conditions.

In addition, for SBI Insurance Group, which is listed on the TSE Mothers market, we maintain a basic policy of ensuring that transactions with the SBI Group are the same appropriate terms and conditions as those for general transactions. When a transaction with the SBI Group is expected, the appropriateness of the conditions of the transaction is discussed at the Board of Directors meetings in advance, to protect the profits of shareholders other than controlling shareholders.

The SBI Group from the Perspective of Independent Outside Directors



Securing Human Resources with Strong Execution and Adaptability

Teruhide Sato, Independent Outside Director

The SBI Group is entering its next phase of growth based on the strong leadership of President Kitao and his broad management strategy. Moving forward, it will become increasingly important to secure human resources with strong execution and adaptability skills, in addition to incorporating major strategies into specific strategies in each field and country of business. My hope is that the Board of Directors, along with the Business Advisory Committee, will continue to hold strategic discussions on personnel matters, as well as the next generation management structure.



Improving Transparency of the Board of Directors through the Management Advisory Committee

Heizo Takenaka, Independent Outside Director

As the SBI Group has a wide range of business operations, I feel that the present structure of the Board of Directors is appropriate. The Board of Directors is engaged in broad discussions, which is effective in making it easier for the Board of Directors to reflect the decisions and opinions of Independent Outside Directors. In light of the recent governance debate, I believe that it is important to increase the number of opportunities for discussion at the Business Advisory Council, in order to further enhance the transparency of management.



Enhanced ESG Initiatives Based on Sound Ethical Values

Yasuhiro Suzuki, Independent Outside Director

At the SBI Group, management is based on highly sound ethical values, and management takes candid proposals such as succession issues for President Kitao seriously, and I think that the challenge is to make stakeholders aware of such a reality. Also, as the responsibility of an Independent Outside Director, I would like to continue to actively express my opinions on the securing and training of IT personnel, and the risks involved in the establishment and operation of a large-scale system.



Contributing to the Enhancement of Corporate Value by Incorporating Experience in Insurance and ESG Activities

Hiroshi Ito, Independent Outside Director

In the highly regulated financial sector, I believe that the SBI Group is a company that challenges in the development of strategic and innovative businesses. I would like to apply my expertise and knowledge, gained both in Japan and abroad, of the financial sector (insurance), in which I have been involved thus far, as well as in compliance and business continuity planning (BCP), which are fields to protect companies. In addition, we will contribute to further enhancing the corporate value of the SBI Group from the perspective of engaging in businesses with ESG in mind.



Contributing to the Enhancement of Corporate Value from a Diversity Point of View

Kanae Takeuchi, Independent Outside Director

I am looking forward to contributing to the enhancement of corporate value by exchanging ideas with the other directors regarding the variety of measures that the SBI Group will be undertaking from a diversity point of view, making the best of my experience that I have gained from having lived in different cultures overseas, as well as from my perspective as a woman. Even more so than in the past, the SBI Group is developing and expanding its business globally, and I believe that it is more important than ever to reflect on the current global social problems in its management, including measures to combat infectious diseases.

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

The SBI Group has established a whistle-blowing system enabling reporting by Group company employees (including non-regular employees) whenever they discover actions, whether organizational or individual, that violate laws or regulations. To ensure ease of use for whistle-blowers, a secondary point of contact has been established at the Company's Board of Statutory Auditors, and we take ample care in ensuring the confidentiality of whistle-blowers and in the handling of the information. In order to ensure that the whistle-blower is protected after making a report, the Group investigate as appropriate to determine whether they have received any unfavorable treatment.

Whistle-blowing System

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



https://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. (For details, please see page 44.)

Business Risk

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



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

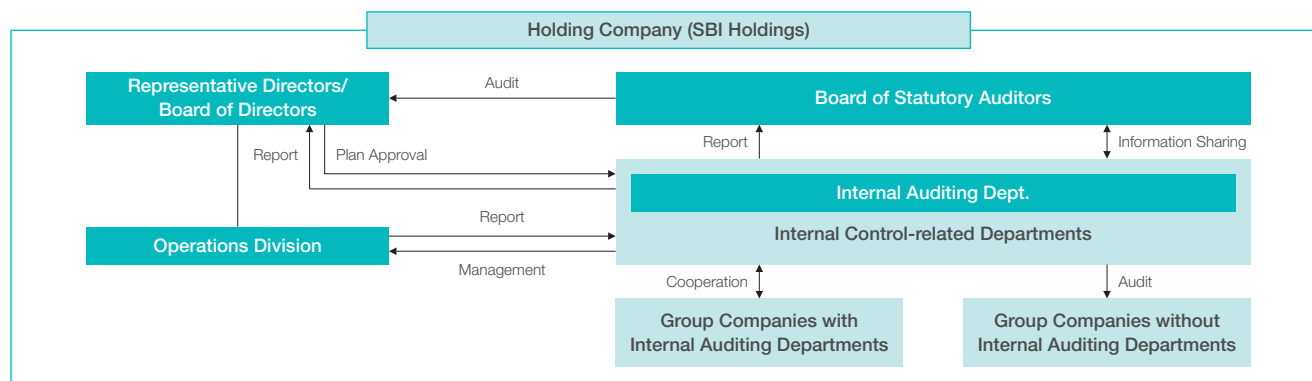
Internal Auditing

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. Auditing targets are grouped according to elements such as capital relationships. Then, they are given a score according to various types of risks, such as credit risk, market risk, liquidity risk and operational risk. Based on these results, 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

Improving the Effectiveness of Corporate Governance through Monitoring and Verification of Risk Response Status

In the organizational design of a company with a board of auditors, while increasing the ratio of Independent Outside Directors to strengthen the supervisory function, the Board of Statutory Auditors plays a systematic auditing function that is independent of business execution. On the other hand, decision-making on business execution by the Board of Directors is focused on pertinent matters that may have certain effects on the Group's management strategy, but within an environment in which the business execution managers of each Group company can make prompt business decisions, so that the management supervision and business execution functions are well balanced and effective. As an auditor, I would like to enhance governance by monitoring and reviewing whether important management risks are appropriately managed through audit activities, and to encourage the further sophistication of Group control based on such results. Additionally, more recently, the Group has been asked to be more aware of stakeholder viewpoints in its business activities, in terms of responding to the SDGs. Our Group has several areas of business that are considered to be promoting the SDGs, including "contribution to regional revitalization," and in the years to come, I believe it will be necessary to deepen discussions not only on business opportunities but also on risk management.



Toru Ichikawa
Outside Standing
Statutory Auditor

Initiatives to Strengthen Corporate Governance from a Long-term Perspective

Since the Company has a large number of Group companies under its auspices over a wide range of business fields, I feel that the company with a full-time board of auditors, and an independent auditor, is functionally synced. Also, at the Board of Directors Meetings, the president, corporate officers and the external board members have worked together to strengthen the atmosphere of constructive discussions throughout the years, utilizing the diversity and backgrounds of the individuals present at the meetings, which I believe is highly appropriate.

With regards to the strengthening of risk management, regulation-related reports are numerous due to the Company's main characteristics as a financial business and to manage the Company from the long-term point of view, the SBI Group must comprehend a wide range of risk conditions, and it would be appropriate for the Board of Directors to increase opportunities to engage in discussions concerning responses to operational risks. In fact, reports about AML (anti-money-laundering) and CFT (combating the financing of terrorism) are currently presented to the Board of Directors on a regular basis, but going forward, discussions about risks involving information security and other labor-related risks, such as work-style reform and workplace harassment, may also be considered as necessary.

Performing Risk Analysis and Countermeasures for each Business Field in the Implementation of Diverse Business Operations

Group Risk Management

■ **Group Risk Management System** The Company is endeavoring to reinforce its risk management system, in order to promptly discover risks and to prevent them from actualizing. In case of a management crisis with a significant impact on the survival of the company, or to prepare against the possibility of such incidents, based on the Risk Management Rules determined by the Board of Directors, the Company appoints an Officer in charge of risk management as the leader to gather and evaluate information, and respond to the crisis, as well as reporting to applicable organizations, and disclosing pertinent information.

Moreover, in order to manage the Group-wide risk control of losses, reports on the status of risk of losses at the SBI Group's affiliate companies are to be received on a regular or timely basis through the person in charge of risk management at each Group company. When necessary, the Officer in charge of risk management and the Risk Management Department discusses with the relevant person in charge of risk management to prepare for the occurrence of losses.

The Company has established a stringent mutual compliance check system 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.

■ **Risk Management Department** The SBI Group has established the Financial Conglomerate Governance Dept. as its risk management department. It pursues duties with the purpose of maintaining an ample understanding of the actual status of the Group's overall business management system, the financial health of the Group, and the appropriateness of its business activities, in order to enable accurate responses to the risks associated with the functions as a financial conglomerate.

While complying with Affiliated Company Management Rules, Risk Management Rules and Risk Management Implementation Detailed Regulations, the SBI Group has also formulated the Management Policy for Conflicts of Interest and established a framework for the management of conflict of interest, in order to safeguard customer profits.

■ **Risk Status Reporting** The SBI Group quantifies the credit risk, market risk and operational risk, etc., in order to calculate the "ratio of quantified risk to owned capital." In addition, the Officer in charge of risk management reports to the Board of Directors on a quarterly basis regarding the status of financial health, risk concentration and other essential matters to risk management. Furthermore, the risk reports compiled by each department of the Company and by persons in charge of risk management at each Group company are also gathered and analyzed, and improvements would be requested for the countermeasures provided, if necessary. Whenever a transaction is conducted between the SBI Group's financial institutions and any other Group companies, pre-consultation and post-consultation surveys of the Group-internal transactions are held, in order to

confirm whether there are any problems regarding the arm's length rule, capital adequacy ratio or compliance.

If an accident occurs at the SBI Group's companies, the Company responds by building systems to prevent the linking or spread of damage to other Group companies as the matter is resolved.

Risk Management Initiatives by Business Segments

Risk Management in the Financial Services Business

In the Financial Services Business, initiatives consist primarily of responses to the risks that are associated with the importance of personal information, the potential risks that emerge from the use of technology, the risks of the information management and the system risks.

■ **Protection of Customer Information** The SBI Group strives to develop and operate services with maximum consideration to the reliability and stability of the information system by recognizing "potential risks that emerge from the use of information technology" that are becoming more apparent with the progress of the sophisticated IT-based society such as the spread of the Internet. Especially, in view of the importance of protecting personal information, we have established the Personal Information Protection Policy and appointed Takashi Nakagawa, Representative Director, Senior Executive Vice President as Personal Information Officer, in order to develop an environment and system that prevents incidents and accidents from happening, and provides the secure use of our services.

In addition, companies within the SBI Group that handle personal information obtain a certification (PrivacyMark®) as necessary from the Japan Institute for Promotion of Digital Economy and Community (JIPDEC), which designates them as firms that handle personal information with due care. As of March 31, 2020, eight Group companies, including SBI Holdings, have received the approval to display the certification.

We are also working to reinforce countermeasures to prevent the leaking of information due to cyberattacks on information systems, such as an internal penetration by malware, a targeted attack. Out of awareness that human resource is the most crucial element for the maintenance and improvement of the information security system, we implement continual employee education through e-learning and other means.

The sharing of good practices among the Group companies is ongoing, as we move forward with initiatives to improve information security at each Group company effectively and efficiently.

Personal Information Protection Policy



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

■ Information Management and System Risk Countermeasures

As the importance of information security increases, the SBI Group has established the Group Computer Security Incident Response Team (CSIRT), controlled by the Officer in charge of information security, which operates cross-sectionally through the Group to establish and maintain overall information management systems including customer information, and to strengthen our system risk and information security risk management systems. Especially in terms of business continuity, we are building redundancy and multiple-location back-up capabilities into our systems to enable it to respond to a variety of occurrences.

We also implement thorough Group-wide security countermeasures to strengthen cybersecurity. As an example, the Group has developed its own security service using the cutting-edge technology of the companies that the SBI Group has invested in and adopted within the Group. This service is one that operates at levels of security requiring measures for anti-money laundering and countering the financing of terrorism (AML/CFT; see Glossary page 109), by the Financial Action Task Force (FATF)*. For financial business operators, enhancement of measures to prevent money laundering and the flow of capital into terrorist organizations is a crucial management issue. Since this will require a Group-wide effort, we established a new team within the Financial Conglomerate Governance Dept., in October 2018, as a unified response to this problem. Under this organizational structure, and in line with the FSA guidelines, the team is proactively assessing and countering risk situations through a risk-based approach, and is planning and implementing countermeasures focused on Group-wide and global consistency.

* Financial Action Task Force Intergovernmental (FATF): Established in 1989 as an inter-governmental organization. As of June 2020, 37 countries and territories, as well as two international organizations, are members.

Anti-Money Laundering and Countering the Financing of Terrorism Policy



https://www.sbigroup.co.jp/english/policy/money_laundering.html

Risk Management in the Asset Management Business

As ESG investments expand worldwide in this business, the fostering and management of ethics is a primary focus of the initiatives in the Asset Management Business.

The investment policy of the SBI Group is that to invest into companies with a fundamental understanding of "whether the management executives of the company have a firmly held awareness of virtue as the basis of business, as opposed to just making money," or that "companies exist within society and that it is only within this societal context that they can survive, therefore, they must contribute to the maintenance and development of society." The SBI Group conducts its operation that also suits the ESG investment trends, with no investments into companies such as those in the tobacco industry, those involved in oil, coal or other fossil fuels or nuclear power generation, as of the end of March 2020. Based on these ideas, regarding investee management, the Company's Overseas Business Department and Finance

Department collaborate with SBI Investment, a company that is central to the Asset Management Business.

Under this policy, we have invested with a concentration in growth fields such as IT, bio/life sciences, environment and energy, as we have endeavored since our founding to create and incubate core companies of the 21st century. This is an ethos that is expressed in our corporate mission of "New Industry Creator." In addition to these fields, currently the Group is proactively investing in fields of next-generation technological innovation, such as fintech, AI, blockchain, IoT and robotics. At the SBI Group, we are contributing to the realization of a sustainable society by continuing to invest in startup companies with highly specialized and original ideas, in the domains of advanced technology that can help resolve societal issues, such as labor shortages and depopulation resulting from the ongoing aging of the population and low fertility.

Risk Management in the Biotechnology-related Business

Quality management and addressing the risk of pollution of the natural environment are the primary initiatives in the Biotechnology-related Business.

Since SBI Pharmaceuticals is involved in the development and manufacturing of products using 5-Aminolevulinic Acid (5-ALA), in order to ensure product quality and safety, the company has developed a system for compliance with the relevant laws and regulations known as quality control standards, which are also required of companies that manufacture and sell drugs. Measures taken for the risk factors include the occurrence of quality problems that could lead to product or service defects and flaws, large-scale recalls or products and completed liability. SBI ALApromo, which manufactures and sells products containing 5-ALA, also implements similar countermeasures.

Furthermore, since SBI Biotech engages in drug research and development, risks are assessed and countermeasures are taken with respect to various hazards, including that of environmental contamination due to loss of animal test subjects, or the release of genetically modified organisms or radioactive isotopes into the environment.

Focusing on Nurturing Talented Human Resources and Creating a Working Environment of Respect for Diversity

Approach to Human Resources, the Source of Growth

The SBI Group considers people to be the source of its creativity and the main driver of differentiation that becomes a competitive advantage. In order to secure human resources, we hire mid-career employees who are ready for deployment as well as new university graduates. Within that pool of talent, there are those who go on to become directors of Group companies, while others make valuable contributions as mid-level employees of their respective companies, and play key roles in nurturing and passing on the SBI corporate culture.

On the other hand, more than 90% of the Group's employees are mid-career hires, continuous training and other measures are provided to foster talented individuals who are capable of understanding and putting into practice our corporate culture, which includes not having a myopic view focused on their own departmental work, but to be capable of implementing initiatives with Group-wide synergies in mind.

Employee Development and Proactive Promotion

The SBI Group has implemented various measures to nurture the talent of those who will lead the future, and has thoroughly pursued a policy of proactively appointing and promoting superior talent regardless of age.

For employees who aspire to become senior managers, in April 2015, the SBI Group initiated the Senior Manager Training Program, utilizing the SBI Graduate School, which was established in April 2008 with the full support of the SBI Group. Completion of this training is a requirement for promotion to senior management positions. The training curriculum, which takes about one year, consists of specified compulsory courses and elective courses from the SBI Graduate School MBA curriculum. A total of 464 employees have completed this training program

as of March 31, 2020. Furthermore, a two-year or three-year program for dispatching employees to SBI Graduate School has been established for employees who wish to study a wider range of management subjects, and 111 individuals have obtained MBA degrees through this program as of March 31, 2020. The Group contributed approximately ¥69 million in education and training expenses in FY2019, mainly for these training costs.

In 2018, the Group established a system that makes it possible to offer salary and working arrangements that differ from those under the existing employment framework to further strengthen the Group's ability to respond to global management issues, and contribute to the recruitment and retention of highly skilled personnel responsible for work requiring specialized expertise in positions such as attorneys, accountants, AI development and blockchain engineers.

The Group strives for fair and impartial evaluation of employees, and utilizes comprehensive and multifaceted evaluations with input from not only superiors, but also subordinates and colleagues, by the adoption of a 360-degree feedback system.

Utilization of Diverse Human Resources

The SBI Group emphasizes the importance of individual character, professional background and skill, regardless of nationality, religion, age, gender, the presence of a mental or physical disability, or indigenous status and with respect, flexibly applies this to the recruitment process. This policy allows for the flexible acceptance of a diverse workforce. In Japan, we started recruiting new university graduates in 2006. We also recruit new graduates throughout Asia, as well as many other international students, and stepped up recruitment of mid-career foreign nationals with advanced technological abilities for positions, including those at systems departments. Employees at overseas business offices now account for 35.4% of Group employees, an increase of 9.2 percentage points from the previous year. The

The SBI Group's Personnel Development Process

Management executives
Department and section heads
Leaders
Employees
Younger employees

Initiatives at Group companies

On-the-job and off-the-job training for each area of professional knowledge and skills at Group companies



Initiatives at SBI Holdings

Program for dispatching employees to SBI Graduate School

- Understanding of Group-wide policies
- Cultivation of ethical and social values
- Acquisition of professional knowledge in economics, management and other fields

Senior Manager Training Program

New university graduate training

Acquisition of basic knowledge of accounting, foreign languages and technology industry trends

Group is increasing its diversification of nationalities as we continue to pursue global development.

SBI Holdings continues to recruit women, and in FY2019, the percentage of female employees across the Group was 42.4%. Furthermore, in March 2015 the Company abolished the age limit for re-employment of those who have reached the mandatory retirement age. Through such initiatives, SBI Holdings aspires to be a company where diverse human resources can thrive.

Upon putting this diverse pool of employee talent into action, we are focusing our efforts on evolving a fair and just system that offers all employees the opportunities to play an active role in an equal and equitable manner.

Specifically, we envision an approach featuring flexible work hours and telework together with leave for childbirth and childcare, as well as the building of a work environment that honors individuality and differences among people. This would be reflected in our corporate policies relating to the relocation to overseas offices, training systems and the like.

Efforts to Create Appealing Workplaces

The SBI Group is creating a workplace environment that plays a positive role in recruiting and retaining talented individuals, and is striving to increase productivity through work-style reforms. The SBI Group considers it important for employees to be in good physical and mental health in order to always perform at their best. For this reason, in August 2018, the Group instituted the Health Management Declaration, which states that the Group will actively work to create an environment that encourages employees to maintain and promote their health.

In the area of employee career development, we provide opportunities for self-actualization, and have introduced a career opening system*1 for the purpose of energizing organizations by making effective use of human resources, and putting the right people in the right place. Employees can request transfers to their desired operating companies within the Group organizations through this system, which more than 120 employees have utilized to make career changes to date.

To further increase the SBI Group's cohesion as well as employee desire and motivation to improve consolidated business performance, the Company issues paid-in stock options to Directors of the Company and its subsidiaries, and free-of-charge qualified stock options to employees of the Company and its subsidiaries. Furthermore, to help employees prepare for life post-retirement, the Group introduced a corporate defined-contribution pension plan in 2002.

To increase productivity, the SBI Group is actively proceeding with Group-wide introduction of robotic process automation (RPA)*2, pursuing improvements in business process efficiency and productivity through automation of various routine business processes. At SBI Holdings (non-consolidated), average monthly overtime is 18 hours 1 minute per person, and the annual paid leave utilization rate is 69.8%.

*1 A job posting system within the Group companies for employees to apply for transfers

*2 The use of artificial intelligence (AI) or machine learning, a technology by which AI learns through repetition, for the purpose of performing mainly back-office, white collar tasks

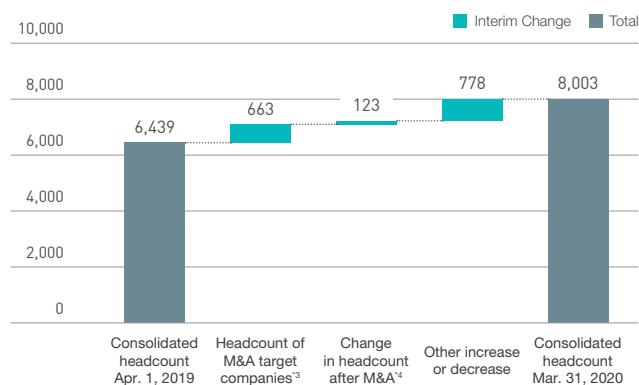
Employee Data

Employee Status (Consolidated)	FY2017	FY2018	FY2019
Percentage of employees at overseas business sites	22.1%	26.2%	35.4%

Status of Employment of Women (Domestic Consolidated)	FY2017	FY2018	FY2019
Number of female employees	1,194	1,282	1,515
Ratio of female employees	36.4%	36.8%	38.0%
Number of women hired	285	283	367
Ratio of women among regular employees hired	26.2%	21.0%	22.9%
Number of female managers	174	180	219
Ratio of female managers	16.3%	14.9%	16.5%

Other Corporate Data		FY2017	FY2018	FY2019
Domestic consolidated	Average years of service (men)	6.8	6.6	6.6
	Average years of service (women)	5.4	5.4	5.5
	Average annual salary (men)	¥7,424,998	¥7,913,266	¥7,997,157
	Average annual salary (women)	¥4,664,003	¥4,927,172	¥4,885,217
	Turnover rate	15.0%	16.6%	14.2%
Non-consolidated	Average monthly overtime hours	22hr 15min	20hr 50min	18hr 01min
	Ratio of annual paid leave taken	64.0%	63.2%	69.8%
	Ratio of employees administered a stress check	97.7%	98.9%	98.9%
	Ratio of childcare leave taken by women employees	100%	100%	100%

Change in Consolidated Headcount as a Result of M&A



*3 Headcount at the time of Group consolidation of three companies merged or acquired from April 2019 to March 2020

*4 Change in headcount at M&A companies between April 2019 and March 2020

The SBI Group's Endeavors to Enhance Corporate Value Together with Its Stakeholders

Kazumasa Ise

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In 2016, DIAM Asset Management, Mizuho Trust & Banking's Asset Management Department, Mizuho Asset Management Co., Ltd., and Shin Kong Investment Trust Co., Ltd. were integrated into an asset management company, Asset Management One Co., Ltd., which has the largest balance of assets under management in Asia.

Expectations for Building a Resilient Corporate Nature Based on "Fluidity and Immutability"

I find it appealing that the SBI Group is expanding its business in adjacent areas by leveraging SBI SECURITIES' customer base as a competitive advantage, and that the Group strategy pursues synergies with other businesses, including venture capital.

What I focus on in my analysis of investee companies is the idea of a "corporate winning move." No matter how beautiful a corporate philosophy is or how rational a group strategy is, if the company cannot manage a "winning move" that appropriately fits their situation, then any improvement in performance will be out of reach. The SBI Group provides many opportunities to meet with top management for individual meetings, as well as proactively disclosing information regarding the initiatives and results of each of their business segments, which is very helpful. However, since the Group has such a wide range of businesses and changes are rapid, comprehending the Group overall is not easy. In this regard, I feel that improvements in the explicitness of their disclosures would help improve the situation.

In addition, the SBI Group's average ROE^{*1} of 10.8% over the last five fiscal years is more than two percentage points above the market average of 8.1%^{*2}, so I regard that the Company's capital efficiency is at a high level. However, based on chronological analysis, financial leverage has been on an upward trend over the past several years, and given the uncertainty of the current social and economic environment, I believe it is time to restrain the expansion of the balance sheet and improve the return on investment and margin.

There is a phrase "fluidity and immutability," which means that while constantly maintaining unchanging value, things will advance by adopting new values simultaneously. Similar to this phrase, I expect that the SBI Group will flexibly transform itself along with the trends of time, to establish a resilient corporate nature, while maintaining the core value of the "Customer-centric Principle."

^{*1} Calculated as a simple average from SBI Holdings' publicly released data. The denominator is the average equity for the beginning and ending of the fiscal year for equity attributable to owners of the Company

^{*2} Calculated based on publicly available data from Bloomberg for the ROE of TOPIX components



Kazuko Yabutani

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The Japanese arm of an asset management company based in the U.K., which has a history of more than 200 years. Invests in Japanese stocks on a long-term holding basis, while considering the medium- to long-term growth potential.

Focusing on Regional Revitalization Initiatives also from a Standpoint of Solutions to Social Issues

As for the SBI Group, I highly appreciate the fact that it has successfully diversified its services with securities, banking and insurance, utilizing the Internet as its core concept, and that it continues to provide a stable and affordable financial infrastructure with a strong understanding of its customers.

For over 20 years, centered on the U.K. headquarters, the Schroder Group has adopted operational methods for ESG to evaluate corporate value and to make investment decisions.

When evaluating companies in the financial sector, we prioritize on how they differentiate in terms of social (S) and governance (G) aspects, from importance (materiality) viewpoints. Among such efforts, the SBI Group's recent initiatives for "regional revitalization" are a point of focus. I am also in charge of the decisions on investments in Japanese regional banks, and I have great expectations of how the SBI Group will contribute to the recovery and revitalization of the profitability of regional financial institutions, which have a sense of stagnation. If two or three successful cases can be found among the Group's initiatives, it may spread to the reform of the regional banks across the country. Investors look forward to the Group's efforts to link their own growth with the growth of regional financial institutions and local economies that they support, which is of great social significance.


As for governance issues, I feel secure in President Kitao and the directors who have been there since the inception of the company to continue to lead the various Group companies. However, when considering future business expansion opportunities, as well as the successor issue, I believe that increasing the number of opportunities for each director to articulate their management strategy for their respective business segments will further nurture internal confidence.

Recognizing the Organizational and Societal Impact and Opportunities of Environmental Issues, and Contributing to Maintain and Develop a Sustainable Society

The SBI Group Environmental Policy

The SBI Group recognizes the importance of long-term coexistence between society and the natural environment, and that environmental issues have impact on, and present both risks and opportunities to, organizations and society. Accordingly, the Company has instituted the SBI Group Environmental Policy for the purpose of contributing to the maintenance and development of a sustainable society through business activities.

The SBI Group Environmental Policy

 <https://www.sbigroup.co.jp/english/csr/environment.html>

Initiatives at SBI Group Companies

Responding to Risks Related to Climate Change

Amid the escalating problems surrounding the Earth's environment, the SBI Group companies are developing response measures to mitigate the impact of natural disasters arising from climate change.

SBI SECURITIES has drawn up contingency plans to prepare for business continuity by effective staffing reallocation and securing system resources in times of natural disaster. Also, SBI SECURITIES is conducting face-to-face business by using financial instruments intermediary service providers (independent financial advisers or IFAs). In light of actual examples from past disasters, SBI SECURITIES is taking care not to unduly bias the allocation of nationwide IFA channels for risk diversification purposes adding to operational considerations. At SBI MONEY PLAZA, which also conducts face-to-face sales, the branch offices are planning to contract for durable real estate properties, where the necessity for disaster countermeasures is comparatively low.

SBI Insurance is utilizing a mix of proportional and non-proportional reinsurance policies to respond to the risk of payment claims associated with large-scale disasters. In the fiscal year ended March 31, 2020, payment claims resulting from Typhoon No. 19 in 2019 (Hagibis) were ¥530 million in principal, but with reinsurance policies, SBI Insurance's actual losses were only ¥230 million.

Toward the Further Proliferation of Renewable Energy

SBI ENERGY, which operates an electric power business using renewable energy, generates power from 27,222 MWh of renewable energy per year, which contributes an emissions reduction

of 15,759 tons CO₂ equivalent*¹. It plans to add an additional 20 MW of power generation capacity. Especially, there will be an increasing utilization of electricity, due to wider IT adoption caused by large-scale farming owing to the decrease in the number of farm workers. In particular, farming-type solar power generation, which is one of the characteristic power generation methods that achieves both power generation and agricultural production, will continue to grow. This is regarded to be an important source of multifaceted contributions, as a power supply source that will not only contribute to regional revitalization and environmental conservation through the stabilization of power generation, but also to be utilized as a distributed power source in the event of a disaster.

Promoting Issuance of Green Bonds

The OECD estimates*² that global financing needs related to renewable energy are undergoing dramatic growth, with an estimated need of US\$839 billion in 2020 projected to increase to US\$4.3 trillion in 2035. According to Climate Bonds Initiative (CBI)*³, an NGO in the U.K., the global issuance of green bonds rose significantly to US\$257.7 billion in 2019 (a 51% increase year-on-year). SBI SECURITIES is advancing its support for issuing green bonds, and by May 2020, it had conducted 16 Internet offerings of about ¥2.16 billion. In March 2019, the company was registered as a "Registered Support Operator" on the "Green Bond Issuance Promotion Platform" of the Green Bond Issuance Promotion System Maintenance Support Project, run by the Ministry of the Environment.

*1. An estimated reduction in CO₂ emissions is calculated by using alternative values for the emissions coefficients for each power company, as published by Ministry of the Environment. When the usage rate for a facility is unknown, the calculation uses the average from June 2018 to May 2019 listed in documents from the Ministry of Economy, Trade and Industry's Procurement Price Calculation Committee

*2. Source: OECD "Green bonds policy perspectives"

*3. Source: CBI "2019_annual_highlights-final"

Change in CO₂ Emissions**

(Unit: t-CO₂)

	FY2017	FY2018	FY2019
CO ₂ emissions (Scope 1)	14	13	104
CO ₂ emissions (Scope 2)	3,412	3,331	4,145

*4. Scope of coverage: Defined by the GHG protocol at SBI Holdings and major domestic sites of the Group companies.

Scope 1 (Direct emissions from the use of fossil fuels, etc.)

Scope 2 (Indirect emissions owing to use of purchased electricity and heat) Each emission amount is listed.

*5. Calculation method: Based on the electricity usage of SBI Holdings and its Group companies, the CO₂ emissions in the relevant range are calculated using various emission factors announced by the Ministry of the Environment