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Corporate Governance Report

SBI Holdings, Inc.

Last Update: June 27, 2019

SBI Holdings, Inc.

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Securities Code: 8473

<http://www.sbigroup.co.jp/english/>

The corporate governance of SBI Holdings, Inc. (hereinafter “SBI Holdings” or the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

A company's stakeholders consist of customers, shareholders, and employees as well as consumers, business partners, and local communities at large. The SBI Group recognizes its sociality as an element that constitutes society and undertakes business operations entirely from a customer perspective, based on its fundamental “Customer-centric Principle,” with a view to contributing to the maintenance and development of society through businesses while responding to requests from a wide range of stakeholders. The Group considers that gaining social trust is essential in each process of the businesses it conducts. Accordingly, with also a view to establishing an appropriate corporate governance structure that contributes to the improvement of corporate value, it strives to maintain an organizational structure that responds rapidly to any change in the transparency/fairness of decision-making processes and business environments.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code] Updated

The Company complies with all the principles of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code] Updated

[Principle 1.4 Cross-Shareholdings]

■ Strategic shareholding policy

When engaging in business alliances or cooperation that contribute to the SBI Group's business development and enhancement of the Company's corporate value, the Company may acquire and hold shares of business partners with a view to earning profits through their future sale if it is rational to do so for reasons such as prospective enhancement of the corporate value of business partners. The Board of Directors individually examines the objective and rationale for those listed shares that are held from a strategic reason, on an annual basis. Specifically, the Board of Directors conducts assessments from qualitative perspectives, such as whether or not the holding of shares contributes to the maintenance and strengthening of the relationship with the relevant parties, and quantitative perspectives, such as whether or not dividends or earnings from transactions related to the relevant parties are in line with the Company's capital cost. If it decides that there is no rationale in such holding after a comprehensive examination, the Company, in principle, starts to sell such shares that are held.

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. If the relevant shareholder of strategic holdings indicates an intention to sell such holdings, the Company takes appropriate measures, instead of preventing the sale of such holdings by indicating the possibility of reducing transactions and other means.

■ Policy on exercise of voting rights

The Company exercises voting rights after confirming that the content of proposals submitted to General Meetings of Shareholders does not damage the SBI Group's corporate value and taking into consideration the circumstances of investee companies.

The Company does not hold any strategic shareholdings as of the end of March 2019.

[Principle 1.7 Related Party Transactions]

When the Company engages in a transaction with a principal shareholder (a shareholder holding 10% or more of voting rights) or when the Company engages in a transaction with a Director of the Company, approval of the Board of Directors shall be required.

Apart from the above, when the Company or a subsidiary of the Company engages in a transaction with a related party, the Board of Directors shall appropriately monitor the details of the transaction.

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

The Company is not engaged in the operation of a corporate pension and has introduced and operates a defined contribution pension plan only but, considering that operation of the defined contribution pension plan has a significant impact on employees' asset formation, the Company makes a multifaceted judgment on the selection of the operational institution and also seeks appropriate operation of the plan through the provision of training on plan operation to employees and supervision of the operational management organization.

[Principle 3.1 Full Disclosure]

- (1) Company objectives (e.g., business principles), management strategies and management plans

Please refer to the Company's Management Philosophy, corporate vision and business strategies posted on the Company's website, respectively.

- Management Philosophy: <http://www.sbigroup.co.jp/english/company/information/concept.html>
 - Corporate vision: <http://www.sbigroup.co.jp/english/company/information/vision.html>
 - Business strategies: http://www.sbigroup.co.jp/investors/management/strategy_01.html
- (Note: The website for business strategies is available only in Japanese.)

- (2) Basic views and principles on corporate governance

Please refer to the Company's Corporate Governance Principles posted on its website.

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

- (3) The Board of Directors' policies and procedures for determining the compensation of Directors

Compensation for Directors (excluding Outside Directors) consists of basic compensation, which is fixed compensation, as well as bonuses based on business results, etc. and restricted stock units (RSUs), a stock compensation plan. The Board of Directors determines the amounts to be paid after receiving feedback from the Management Advisory Committee, taking into consideration a range of factors such as the details of duties and the level of responsibility, authority and contribution, within the range of the total compensation amount approved at the General Meeting of Shareholders.

As for the compensation for Outside Directors, it consists of basic compensation, which is fixed compensation, as well as bonuses based on business results, etc., and the Board of Directors also determines the amounts to be paid within the range of the total compensation amount approved at the General Meeting of Shareholders. However, if the Board of Directors leaves the decision for either case to the Representative Director, the Representative Director makes such decision.

In terms of the policies for determining the compensation of Executives and Directors, please refer to "II-1 Organizational Composition and Operation, [Director Remuneration] Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" of this report.

(4) The Board of Directors' policies and procedures for the appointment of the candidates for Directors and Statutory Auditors

[Nomination of Director Candidates]

■ Procedure

To determine Director candidates, the Representative Director selects individuals that he/she considers to be qualified based on the performance of their duties. Meanwhile, the Board of Directors designates Director candidates after consulting with the Management Advisory Committee regarding whether or not such candidates satisfy the qualities and abilities required for Directors or management personnel, and appoints them as Directors through the resolution of the General Meeting of Shareholders.

■ Policy

With respect to the designation of Director candidates, attention shall be paid to securing a reasonable number of members to convene meetings flexibly and conduct discussions actively. In addition, the matters listed below shall be considered while simultaneously considering the balance between knowledge, experience, capabilities and roles that are expected of Directors, regardless of their nationality, race or gender.

- Director candidates are determined by considering the following two requirements;
 - a Director candidates recognize their fiduciary duty to shareholders and have qualities that enable them to appropriately perform their duties with the care of a prudent manager and loyalty toward the Company.
 - b Director candidates possess sufficient professional knowledge and a wealth of experience in management or management supervision and are able to engage in appropriate decision-making to contribute to enhancing the Company's corporate value.
- Candidates for Independent Outside Directors are expected to have sufficient insights to supervise management from a third-party perspective, extensive job experience, high-level expertise in areas such as company management, financing, accounting and laws, or knowledge and experience of the Company's business areas.
- If Independent Outside Director candidates concurrently hold positions as officers of other companies, it shall be possible for them to appropriately fulfill the abovementioned role in the Company.
- Director candidates the Company plans to appoint as management executives are expected to be able to contribute to the enhancement of the Company's corporate value utilizing their knowledge and experience of the SBI Group as a whole or the SBI Group's important businesses.

[Nomination of Statutory Auditors Candidates]

■ Procedure

To determine Statutory Auditor candidates, the Representative Director selects individuals that he/she considers to be qualified based on the performance of their duties. Meanwhile, the Board of Directors designates Statutory Auditor candidates with the consent of the Board of Statutory Auditors following the consultation with the Management Advisory Committee regarding whether or not such candidates satisfy the qualities and abilities required for Statutory Auditors, and appoints them as Statutory Auditors through the resolution of the General Meeting of Shareholders.

■ Policy

At the time of determining Statutory Auditor candidates, the Board of Directors nominates candidates considering the following matters, having taken into account that at least one person with sufficient knowledge of finance and accounting be appointed.

- Statutory Auditor candidates who are capable of making appropriate decisions from an independent and objective standpoint in accordance with their fiduciary duty to shareholders.
- Statutory Auditor candidates who endeavor to maintain an independent stance, always maintain a fair and unbiased attitude, and are able to act on the basis of their own convictions.
- Statutory Auditor candidates who have a wealth of knowledge and experience of financing, accounting and law, or have extensive accomplishments in professional fields necessary for performing the audit function.

(5) Explanations on the election, dismissal and the appointment of each candidate for Director and Statutory Auditor

It is disclosed in the convocation notice for the 21th Ordinary General Meeting of Shareholders.

Please refer to “Convocation Notice for the 21th Ordinary General Meeting of Shareholders” posted on the Company’s website.

http://www.sbigroup.co.jp/english/investors/share/pdf/21th_convocation_notice_en.pdf

[Supplementary Principles 4.1.1 Scope and Content of the Matters Delegated to the Management]

The Board of Directors makes decisions on matters stipulated by laws and regulations and matters stipulated as important matters and, to rapidly and flexibly respond to changes in the business environment, delegates business execution authority for other matters to authorized persons designated by the Representative Director in accordance with rules for delegation of authority decided by the Board of Directors.

[Principle 4.8 Effective Use of Independent Directors]

The Company is working on strengthening the supervisory functions of the Board of Directors while increasing management transparency from an outside perspective through the use of multiple Independent Outside Directors.

The Company currently appoints four Independent Outside Directors, who meet the independence criteria established by the Company, with a view to secure over one-third of the total number of Directors as Independent Outside Directors. Furthermore, the Company established the Management Advisory Committee, a voluntary advisory organization for the Board of Directors, in which the majority of the committee members are the abovementioned Independent Outside Directors.

The Committee is operated for the purpose of being properly involved with the function of the Board of Directors and the deliberation processes thereof related to the designation of candidates for Directors and Statutory Auditors, the appointment/dismissal of management executives, compensation for Directors, as well as the development of the next generation of management executives. In doing so, the Committee increases the objectivity and transparency of the decisions the Board of Directors makes, and further enhance the Company’s corporate governance system.

In the meantime, Independent Outside Directors engage in proper and active discussions at meetings of the Board of Directors and seek to exchange information and share recognition based on an objective standpoint at such meetings that are held periodically to execute the duties properly from an independent standpoint.

[Principle 4.9 Independence Standards and Qualification for Independent Directors]

Please refer to SBI Holdings’ Independence Criteria for Outside Directors in the Company’s Corporate Governance Principles posted on its website.

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

[Supplementary Principles 4.11.1 View on the Balance of Knowledge, Experience and Skills, and Diversity and Size, of the Board of Directors as a Whole]

With regard to the diversity in the Board of Directors, it is disclosed in the abovementioned section on “The Board of Directors’ policies and procedures for the appointment of the candidates for Directors and Statutory Auditors.”

[Supplementary Principles 4.11.2 Status of Concurrent Posts Held by Directors and Statutory Auditors]

The status of concurrent posts held by Directors and Statutory Auditors is disclosed in the Reference Materials for the General Meeting of Shareholders (“Proposals on the election of Directors and Statutory Auditors”) and the Business Report (“Company Officers”).

[Supplementary Principles 4.11.3 Analysis and Evaluation of the Effectiveness of the Board of Directors]
The Board of Directors strives to improve its effectiveness by analyzing and evaluating the overall effectiveness of the Board of Directors once a year, and endeavors to improve issues that are identified. Please refer to “Summary of the Evaluation Results on the Effectiveness of the Company’s Board of Directors (available only in Japanese)” on the following website.
http://www.sbigroup.co.jp/news/2019/0328_11493.html

[Supplementary Principles 4.14.2 Training Policy for Directors and Corporate Auditors]
The Company has prepared a training environment for the acquisition and updating of knowledge that each Director and Statutory Auditor is required as a business executive. In addition, the Company has prepared a training environment for newly appointed Directors and Statutory Auditors appropriately and on a timely basis to deepen their understanding of the SBI Group as necessary.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]
For the purpose of actively engaging in dialogues to establish good relationships with investors, including shareholders, through investor relations activities, based on the following basic policy, the Company will endeavor to improve the system.
Please refer to the basic policy for constructive dialogue with shareholders in the Company’s Corporate Governance Principles posted on its website.
http://www.sbigroup.co.jp/english/investors/management/governance_policy.html#_01

2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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[Status of Major Shareholders] Updated

Name / Company Name	Number of Shares Owned	Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust account)	19,821,100	8.68
The Master Trust Bank of Japan, Ltd. (Trust account)	15,353,800	6.73
The Bank of New York Mellon 140051	9,110,536	3.99
NORTHERN TRUST COMPANY (AVFC) ACCOUNT NON-TREATY	8,570,257	3.75
Japan Trustee Services Bank, Ltd. (Trust account 9)	7,544,400	3.31
The Bank of New York Mellon 140042	5,922,958	2.60
Japan Trustee Services Bank, Ltd. (Trust account 5)	4,611,800	2.02
Yoshitaka Kitao	3,907,960	1.71
STATE STREET BANK WEST CLIENT – TREATY 505234	3,673,527	1.61
SAJAP	3,464,040	1.52

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

Supplementary Explanation

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3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, First Section
Fiscal Year-End	March
Type of Business	Securities & Commodity Futures
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000 persons
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

[Basic views and policy measures, etc. regarding the independence of listed subsidiaries]
Listed subsidiaries should manage their operations based on their own independent judgement and the Company's listed subsidiaries also manage their operations based on this basic concept. On the implementation of intercompany transactions, transactions are conducted based on general terms and conditions of business, taking market prices into consideration.

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with <i>Kansayaku</i> Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	22 persons
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	President
Number of Directors Updated	12 persons
Appointment of Outside Directors	Appointed
Number of Outside Directors Updated	4 persons
Number of Independent Directors Updated	4 persons

Outside Directors' Relationship with the Company (1) **Updated**

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Teruhide Sato	From another company											
Heizo Takenaka	Academic											
Yasuhiro Suzuki	From another company											
Junko Kubo	From another company											

* Categories for "Relationship with the Company"

- * "○" when the director presently falls or has recently fallen under the category;
- "△" when the director fell under the category in the past
- * "●" when a close relative of the director presently falls or has recently fallen under the category;
- "▲" when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2) **Updated**

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Teruhide Sato	○	—	Mr. Teruhide Sato has wealth of experience and extensive knowledge, particularly in relation to Internet business in Asia. Since Mr. Sato meets the independence criteria and has no likelihood of any conflicts of interest arising with general shareholders, the Company deemed that he is qualified as an independent officer and has appointed him as the Independent Director.
Heizo Takenaka	○	—	Mr. Heizo Takenaka has a wealth of experience and broad knowledge, which includes having served successively as the Minister of State for Economic and Fiscal Policy, the Minister of State for Financial

			<p>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.</p> <p>Since Mr. Takenaka meets the independence criteria and has no likelihood of any conflicts of interest arising with general shareholders, the Company deemed that he is qualified as an independent officer and has appointed him as the Independent Director.</p>
Yasuhiro Suzuki	○	—	<p>Mr. Yasuhiro Suzuki has a wealth of experience in a wide range of fields, including Internet business.</p> <p>Since Mr. Suzuki meets the independence criteria and has no likelihood of any conflicts of interest arising with general shareholders, the Company deemed that he is qualified as an independent officer and has appointed him as the Independent Director.</p>
Junko Kubo	○	—	<p>Ms. Junko Kubo has exceptional expertise in the field of “management strategies incorporating women’s perspectives,” which the Company values deeply. As women continue to gain increasingly substantial authority in the selection of financial services for household finances, it has become important to conduct product development from the perspective of women, and one of the Company’s most important challenges is to ensure the Board of Directors heeds “women’s perspectives” and strengthens its approach in this regard. In addition, in light of the fact that she has been and is active in a broad range of areas and particularly in the media, it is anticipated that she will bring fresh viewpoints in relation to her supervision of the Company’s management, differing from Directors whose expertise lies within the Group business and industrial issues, and that she will reflect the opinions of the stakeholders of the Company, including many individual shareholders, at meetings of the Board of Directors. Therefore, the Company deemed that she is qualified as an</p>

			independent officer and has appointed her as the Independent Director. Also, she meets the independence criteria and has no likelihood of any conflicts of interest arising with general shareholders.
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee **Updated**

Established

Committee's Name, Composition, and Attributes of Chairperson **Updated**

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Management Advisory Committee	Management Advisory Committee
All Committee Members	7 persons	7 persons
Full-time Members	0	0
Inside Directors	0	0
Outside Directors	4 persons	4 persons
Outside Experts	2 persons	2 persons
Other	1 person	1 person
Chairperson	Outside Director	Outside Director

Supplementary Explanation **Updated**

The Management Advisory Committee, a voluntary advisory organization for the Board of Directors, in which the majority of the committee members are Independent Outside Directors, is operated for the purpose of being properly involved with the function of the Board of Directors and the deliberation processes thereof related to the designation of candidates for Directors and Statutory Auditors, the appointment/dismissal of management executives, compensation for Directors, as well as the development of the next generation of management executives. In doing so, the Committee increases the objectivity and transparency of the decisions the Board of Directors makes, and further enhance the Company's corporate governance system.

The Committee is convened at least once every quarter each fiscal year, and it deliberates the above matters submitted by the Board of Directors and other matters and reports back to the Board of Directors. Taking such reports into consideration, the Board of Directors seeks to make important decisions on matters such as the nomination of Director and Statutory Auditor candidates and compensation for directors.

*The Committee functions as a voluntary committee corresponding to both a Nomination Committee and a Remuneration Committee.

[Member of the Management Advisory Committee]

Independent Outside Director: Mr. Teruhiko Sato, Mr. Heizo Takenaka, Mr. Yasuhiro Suzuki
and Ms. Junko Kubo

Outside Experts: Mr. Hirofumi Gomi and Mr. Yoshitaka Asaeda

Former Insides Director: Mr. Kazuhiro Nakatsuka

[Kansayaku]

Establishment of <i>Kansayaku</i> Board	Established
Maximum Number of <i>Kansayaku</i> Stipulated in Articles of Incorporation	The maximum number is not stipulated.
Number of <i>Kansayaku</i>	4 persons

Cooperation among *Kansayaku*, Accounting Auditors and Internal Audit Departments

Regarding collaboration between the internal audit division and the Board of Statutory Auditors, collaboration occurs organically, with the internal audit division regularly reporting to and exchanging opinions with the Board of Statutory Auditors separately from the Board of Directors and also incorporating the requests of the Board of Statutory Auditors into the selection of audit themes and the scope of the audit. In their dealings with the Accounting Auditor, the internal audit division exchanges information mainly about internal control over financial reporting as appropriate and the Board of Statutory Auditors receives an explanation on the annual audit plan and other explanations based on audit reports at the end of the quarterly and annual accounting periods and also shares information about and discusses management-related issues and problems as necessary. Outside Directors and Outside Statutory Auditors ask them questions about reports or resolutions as appropriate and express opinions from an independent standpoint where necessary.

Appointment of Outside <i>Kansayaku</i>	Appointed
Number of Outside <i>Kansayaku</i>	2 persons
Number of Independent <i>Kansayaku</i>	2 persons

Outside *Kansayaku*'s Relationship with the Company (1) **Updated**

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Toru Ichikawa	From another company							Δ						
Yasuo Sekiguchi	CPA													

* Categories for "Relationship with the Company"

- * "○" when the director presently falls or has recently fallen under the category;
- * "Δ" when the director fell under the category in the past
- * "●" when a close relative of the director presently falls or has recently fallen under the category;
- * "▲" when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company
- d. *Kansayaku* of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a *kansayaku*
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the *kansayaku* himself/herself only)

- k. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the *kansayaku* himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the *kansayaku* himself/herself only)
- m. Others

Outside *Kansayaku*'s Relationship with the Company (2) **Updated**

Name	Designation as Independent <i>Kansayaku</i>	Supplementary Explanation of the Relationship	Reasons of Appointment
Toru Ichikawa	○	Mr. Toru Ichikawa used to serve as an Operating Officer of Mizuho Bank, Ltd., one of the Company's major supplier, and its parent company Mizuho Financial Group, Inc., however after he left Mizuho Financial Group, Inc. in August 2008, he has not held any position as an Operating Officer of Mizuho Bank, Ltd. and its parent company Mizuho Financial Group, Inc.	Mr. Toru Ichikawa has a wealth of experience in the financial sector. Since Mr. Ichikawa meets the independence criteria and has no likelihood of any conflicts of interest arising with general shareholders, the Company deemed that he is qualified as an independent officer and has appointed him as the Independent Statutory Auditor.
Yasuo Sekiguchi	○	—	Mr. Yasuo Sekiguchi has a considerable degree of knowledge regarding finance and accounting. Since Mr. Sekiguchi meets the independence criteria and has no likelihood of any conflicts of interest arising with general shareholders, the Company deemed that he is qualified as an independent officer and has appointed him as the Independent Statutory Auditor.

[Independent Directors/*Kansayaku*]

Number of Independent Directors/*Kansayaku*

Updated

6 persons

Matters relating to Independent Directors/*Kansayaku*

The Company has appointed all Outside Officers as Independent Directors/Statutory Auditors, insofar as they meet the qualifications thereof.

[Incentives]

Incentive Policies for Directors

Stock Options

Supplementary Explanation	Updated
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As for the current fiscal year, there were no issuance of stock options.

Recipients of Stock Options	Inside Directors, Parent Company's Employee, Subsidiaries' Directors and Subsidiaries' Employee
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Supplementary Explanation

The Company grants stock options to Directors and employees of the Company and the Company's subsidiaries to incentivize and motivate them to contribute to the Company's consolidated performance and to help attract talent.

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Directors
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Supplementary Explanation	Updated
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[FY2018]
¥897 million to 18 Directors, including ¥92 million to 6 Outside Directors.

[Directors whose total consolidated compensation is ¥100 million or more]

- Yoshitaka Kitao: ¥252 million
- Katsuya Kawashima: ¥156 million
- Takashi Nakagawa: ¥120 million
- Masato Takamura: ¥126 million
- Tomoya Asakura: ¥100 million

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods	Updated
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[Policies and procedures for determining the compensation amount of Directors]

1. The Board of Directors will determine the policies and procedures for determining the compensation amount of Directors after consulting with the Management Advisory Committee, in which the majority of the committee members are Independent Outside Directors.
2. Compensation for Directors (excluding Outside Directors) consists of basic compensation, which is fixed compensation, as well as bonuses based on business results, etc. and restricted stock units (RSUs), a stock compensation plan. The Board of Directors determines the amounts to be paid after receiving feedback from the Management Advisory Committee, taking into consideration a range of factors such as the details of duties and the level of responsibility, authority and contribution, within the range of the total compensation amount approved at the General Meeting of Shareholders.
As for the compensation for Outside Directors, it consists of basic compensation, which is fixed compensation, as well as bonuses based on business results, etc., and the Board of Directors also determines the amounts to be paid within the range of the total compensation amount approved at the

General Meeting of Shareholders. However, if the Board of Directors leaves the decision for either case to the Representative Director, the Representative Director makes such decision.

✧ Basic compensation

The amount of basic compensation is decided for each Director taking into consideration the following matters.

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

✧ Bonuses and restricted stock compensation

Bonuses and restricted stock compensation are based on the responsibilities of individual directors and their execution of these duties and the Company also comprehensively considers the contribution of the applicable directors and other factors such as the operating environment when determining payment amounts. Accordingly, the Company does not set any quantitative targets.

[Supporting System for Outside Directors and/or *Kansayaku*]

The Company will assign persons, who are nominated by the internal auditing division as employees with sufficient knowledge to support Statutory Auditors in their duties, to act as employees who are independent from the chain of command of Directors and who are required to support Statutory Auditors in their duties for a period determined through discussion with Statutory Auditors.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) Updated

The Company's Board of Directors is composed of twelve Directors (ten men and two women), including seven (six men and one woman) Executive Directors who are responsible for the execution of business (as of the reporting date). Four of the Directors are Independent Outside Directors which means that there is no risk of a conflict of interest arising between them and the Company's general shareholders. The Board of Directors nominates the President and other Directors with specific titles such as Vice President and Senior Managing Director from among the Executive Directors and also clarifies where responsibility lies by specifying the segregation of duties and responsibilities of these directors.

The Company has also adopted the Executive Officer system and appointed 12 Executive officers (ten men and two women) with expertise and insight comparable to that of the Directors. Furthermore, the Company uses a Senior Executive Officer system to actively promote the appointment of highly skilled professionals and have them contribute to business management.

The Company believes that, with the governance structure outlined above, it will be able to adapt more appropriately, quickly and flexibly to an increasingly highly specialist, complex and rapidly changing operating environment.

The Company's Board of Directors meeting is convened, in principle, once every month or whenever necessary to make decisions on important matters and to supervise the execution of duties. The Company has also established a Management Advisory Committee, with a majority of the members being Independent Outside Directors, as a voluntary advisory body of the Board of Directors to increase objectivity and transparency in the Board of Directors' functions and deliberation process in relation to matters such as the nomination of Director and Statutory Auditor candidates, the appointment and removal of senior management (Directors with specific titles such as President, Vice President and Senior Managing Director), compensation for Directors and also the development of next-generation senior management.

[Auditing and supervisory function]

(Auditor's audit)

The Company is a company with a Board of Statutory Auditors, and the Statutory Auditors are responsible for ensuring an effective corporate governance structure worthy of public trust by auditing the execution of duties by Directors as organs that are independent from executive organs. The Company's Board of Statutory Auditors is composed of four (four men and no women) Statutory Auditors, of whom two are Outside Statutory Auditors.

One of the two Statutory Auditors who are not Outside Statutory Auditors has many years' experience of accounting operations and knowledge of finance and accounting in the capacity of a certified public accountant, while the other has experience of working for many years at financial institutions and has extensive knowledge of the financial sector in general. Meanwhile, one of the Outside Statutory Auditors has many years of experience working for financial institutions and the financial authorities and has extensive knowledge of the financial sector in general, and the other has vast experience and specialist knowledge as a certified public accountant and tax accountant and has a considerable degree of expertise in finance and accounting.

The actual audit procedures conform to the Statutory Auditors' Audit Standards determined by the Board of Statutory Auditors, and the Statutory Auditors attend Board meetings and other important meetings, view important approval documents, etc., and exchange opinions as appropriate with Representative Directors and Directors, etc. and conduct their audits of company internal control systems in accordance with Audit Practice Standards for Internal Control Systems.

(Internal audit)

The Company has an internal audit division which is an organization that is independent from both business operation management and administration divisions. The internal audit division comprehensively and objectively evaluates the appropriateness of internal control systems which includes legal compliance, the appropriateness of business operations and the appropriate operation of internal controls and proposes improvements for and follows up any issues identified as a result of the audit. The internal audit division obtains assistance from Executive Officers and outside experts if necessary when conducting audits.

The audit results are reported to the Representative Directors and the Board of Directors without delay after completion of individual audits and are also reported regularly to the Statutory Auditors.

The internal audit division is composed of a general manager and members who have specialist knowledge of audits (internal audits, accounting audits, internal control, etc.), and it conducts audit procedures with reference to general internal audit standards, etc.

(Accounting audits)

The Company's accounting audit was carried out by three certified public accountants who belong to Deloitte Touche Tohmatsu LLC, Nozomu Kunimoto, Kunikazu Awashima and Toru Harada.

In addition, 12 certified public accountants, 10 persons with accounting qualifications, etc. and eight others assist with the Company's audit operations.

3. Reasons for Adoption of Current Corporate Governance System

The Company has selected a Company with Board of Statutory Auditors system as its organizational structure and has established a Board of Directors and Board of Statutory Auditors.

The Board of Directors decides important matters, supervises the status of business execution, and in principle, by securing one-third of the total number of Directors as Independent Outside Directors who pose no risk of conflict of interest with general shareholders and meet the independence criteria established by the Company, strengthens the supervision of management appropriateness and improves management transparency. On the other hand, the Board of Statutory Auditors has the responsibility to establish a good corporate governance system that maintains the trust of society by auditing the Directors' performance of duties as an organization independent from the executive bodies. In particular, the Statutory Auditors are directly elected by the shareholders and have the authority to conduct investigations of subsidiaries or audits at their sole discretion in the pursuit of responsibility of Directors. The Standing Statutory Auditors play a central role in appropriately ensuring collaboration between the Statutory Auditors or Board of Statutory Auditors and Independent Outside Directors and Accounting Auditor.

The Company believes that, through this structure as it now stands, the Company is able to uphold the basic principles of corporate governance, which are to ensure the rights and the equality of all shareholders, collaborate properly with other stakeholders besides shareholders, ensure appropriate information disclosures and transparency, execute the responsibilities of the Board of Directors, etc. and maintain dialogue with shareholders.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company aims to issue convocation notices at least three weeks before the ordinary General Meeting of Shareholders in order to give shareholders time to examine proposals.
Allowing Electronic Exercise of Voting Rights	Shareholders are able to vote for or against proposals by accessing “the website for exercising voting rights” designated by the Company.
Participation in Electronic Voting Platform	Institutional investors are able to access the electronic voting platform operated by ICJ, Inc.
Providing Convocation Notice in English	An English translation of the information about proposals in the convocation notice for the ordinary General Meeting of Shareholders and an English version of the convocation notice is available on the Company’s website.
Other	Before issuing the convocation notice for the ordinary General Meeting of Shareholders to shareholders, the Company posts both the English version and Japanese versions on the websites of the Stock Exchange, and ICJ and its own website for reference. Moreover, the Company holds a “debriefing session” after the ordinary General Meeting of Shareholders to answer a wide range of additional questions about the Company and to maintain dialogue with shareholders. The Company also holds briefings about the businesses and strategies of the entire Group in a number of cities around the country to give individual shareholders a deeper understanding of the Group.

2. IR Activities

	Supplementary Explanations	Presentation by Representatives
Preparation and Publication of Disclosure Policy	The Information Disclosure Policy is posted on the Company’s website. [The Information Disclosure Policy] http://www.sbigroup.co.jp/english/investors/management/disclosure.html	
Regular Investor Briefings for Individual Investors	Information briefings for shareholders are held semi-annually, after the 1H financial results and the full-year financial results announcements, at several cities across the country.	Yes

Regular Investor Briefings for Analysts and Institutional Investors	Presentation meetings for analysts and media are held every quarter after the announcement of the Company's quarterly financial results. Also, small group meetings for institutional investors are held semi-annually.	Yes
Regular Investor Briefings for Overseas Investors	Non-deal road shows for overseas institutional investors in Europe, North America and Asia are conducted by the President and Executive Officers.	Yes
Posting of IR Materials on Website	Summary of financial statements, press releases, as well as videos and presentation materials of quarterly financial results briefing and information briefings are posted on the Company's website. Furthermore, the Company proactively provides multiple English IR materials, along with English translated press releases on its website.	
Establishment of Department and/or Manager in Charge of IR	Corporate Communications Dept. is in charge of IR.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	One of the Group's Management Philosophies is to "Fulfil social responsibility" and the Group stipulates that we will ensure that each company in the SBI Group recognizes its social responsibilities as a member of society, while fulfilling the demands of its stakeholders, and contributing to the betterment of society.
Implementation of Environmental Activities, CSR Activities etc.	As part of its CSR activities, the Group conducts donation campaigns through the SBI Children's Hope Foundation, which the Group set up. The SBI Children's Hope Foundation was authorized as a public interest incorporated foundation by the Prime Minister in February 2010 and, with this, transitioned from an incorporated foundation to a public interest incorporated foundation in March 2010. This means that the SBI Children's Hope Foundation maintains public confidence by being called a public interest incorporated foundation and also that it is treated as a Special Public-Interest Promotion Corporation for tax purposes and can therefore benefit from preferential tax treatment, encouraging the Company to further step up its CSR efforts to prevent child abuse and otherwise enhance child welfare.
Development of Policies on Information Provision to Stakeholders	In terms of information disclosure to stakeholders, the Company has built a structure for making prompt and accurate information disclosures under the leadership of the Information Management Officer and Corporate Communication Dept. The Company makes financial results announcements and holds briefings every quarter and also streams videos via its website. The Company also promotes timely communication with stakeholders through the prompt disclosure of news releases via its website.
Other Updated	1. As part of its CSR activities, the Group strives to focus on the development of human resources and has opened SBI Graduate School in April 2008, after receiving permission from the Ministry of Education, Culture, Sports, Science and Technology. SBI Graduate School students not only receive a practical management training but also study various Chinese Classics such as The Analects and The Art of War and ideas and philosophies that

have had a major impact on Japanese culture. The Company seeks to develop human resources by cultivating ethical values and skills that will be essential for corporate management and leaders in the future and by promoting a wider moral education.

2. The Company is also working to promote the active participation and career advancement of women by developing workplaces where women can balance work and family and promoting and enhancing programs such as leave or days away from work for childcare or nursing care and shorter working hours for those with childcare responsibilities. The Company has appointed two female Directors and two female Executive Officers and the ratio of women managers to total managers is 22.3% (SBI Holdings; fiscal year ended March 2019), indicating progress on women's career advancement.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

The Company recognizes that, to enhance corporate governance, it is important to develop internal control systems and to execute business on the basis of sound internal control systems. The Company believes that internal control systems must be structured as follows and is working to develop and implement them.

1. System for ensuring that the execution of duties by Directors and employees conforms to laws and regulations and the Articles of Incorporation
 - (1) The Company has its Representative Director instill in all its employees that compliance with laws and regulations and ethical conduct is a prerequisite for the realization of the Company's Management Philosophy and its Corporate Vision.
 - (2) The Company seeks communication between directors and also supervises the execution of duties by the Representative Director and prevents violations of laws, regulations and the Articles of Incorporation by convening ordinary meetings of the Board of Directors once a month, in principle, and extraordinary meetings as necessary in accordance with Regulations of the Board of Directors.
 - (3) The Company appoints a Compliance Officer by resolution of the Board of Directors and has a compliance division as a division directly under the jurisdiction of the Compliance Officer that is tasked with endeavoring to gain an understanding of compliance-related issues and problems at the Company. The Company also establishes an internal auditing division, which is an organization independent from the business operation management and administration divisions, by resolution of the Board of Directors. The internal audit division comprehensively and objectively evaluates the appropriateness of internal control systems, which includes legal compliance, the appropriateness of business operations and the appropriate operation of internal controls, and proposes improvements for and follows up any issues identified as a result of the audit. The internal audit division obtains assistance from Executive Officers and outside experts if necessary when conducting audits. Audit results are reported to the Board of Directors via the Representative Director without delay after completion of individual audits and at least once every six months and are also reported to Statutory Auditors on a regular basis.
 - (4) To enable Directors and employees to report any discovery of violations of laws, regulations, or the Articles of Incorporation or other important compliance-related facts at the Company, the Company will develop a whistle-blowing system for reporting directly to the internal auditing department and Statutory Auditors.
2. System for retention and management of information concerning the execution of duties by the Directors
 - (1) The Company will establish Document Management Regulations by resolution of the Board of Directors and will enter and record information concerning the execution of duties by Directors in documents or electromagnetic records (hereinafter "documents, etc."), of which it will retain and manage.
 - (2) The documents, etc. will be available for inspection by Directors and Statutory Auditors at all times.

3. Regulations or other systems concerning the management of risk of loss
 - (1) To gain an understanding of risks that might impede execution of the Company's business operations or achievement of its Management Philosophy or Corporate Vision and to properly assess and manage such risks, the Company appoints a Risk Management Officer as the person responsible for risk management and also establishes a risk management division in accordance with Risk Management Regulations and other relevant regulations established by the Board of Directors
 - (2) If a management crisis emerges, the Company will establish a task force under the responsibility of the Risk Management Officer and will develop a system whereby information concerning the management crisis is shared with the Risk Management Officer and the general managers of the risk management division, general affairs and personnel division, corporate communications and IR division and legal affairs and compliance division in a timely and appropriate manner and will deal with the management crisis in accordance with the Crisis Management Regulations.
4. Systems to ensure effective and efficient execution of duties by directors
 - (1) The Company will determine segregation of duties by resolution of the Board of Directors and clarify the assignment of duties among Directors.
 - (2) The Company will develop an information system to facilitate appropriate and quick decision-making.
 - (3) The Company will convene extraordinary meetings of the Board of Directors as necessary in addition to ordinary meetings convened once a month, in principle, to solve problems that occur in each division in a timely and appropriate manner and it will also keep Directors informed of the knowhow gained through problem solving. Through this, it will seek to improve the efficiency of execution of duties by directors and seek to improve the efficiency of business operations across the Company.
5. System to ensure proper business operations within the corporate group consisting of the Company and its subsidiaries
 - (1) To ensure proper operations within the corporate group (hereinafter the "SBI Group") consisting of the Company and its subsidiaries, the Company respects the autonomy of the management of each company and, at the same time, receives reports from Directors and employees of companies that belong to the SBI Group as well as others involved in the business operations of the corporate group (hereinafter "SBI Group officers and employees, etc.") on matters related to the execution of their duties and may conduct investigations to the extent that is necessary and reasonable in accordance with the Affiliated Companies Management Regulations determined by the Board of Directors.
 - (2) The Company will develop a whistle-blowing system for SBI Group officers and employees to directly report violations of laws, regulations, or the Articles of Incorporation or other important compliance-related matters and will report to the Statutory Auditors on the status and content of reports made via the whistle-blowing system. The Company will not dismiss or subject to other disadvantageous treatment persons who have made reports via the whistle-blowing system or SBI Group officers and employees or Statutory Auditors of subsidiaries who have reported to the Company's Statutory Auditors, any matter pertaining to the performance of duties by SBI Group officers and employees.
 - (3) To ensure that SBI Group officers and employees, etc. execute their duties in compliance with laws, regulations, and the Articles of Incorporation, the Company will establish a meeting held by the Compliance Officer and compliance division jointly with the compliance officers of companies that belong to the SBI Group to gain an understanding and exchange information about compliance-related issues and problems across the SBI Group, and the Company will convene the meeting promptly upon a request for convocation from a company that belongs to the SBI Group.
 - (4) The Company's internal auditing division will conduct audits of companies that belong to the SBI Group to comprehensively and objectively evaluate the appropriateness of internal control systems, which include legal compliance, the appropriateness of business operations and the appropriate operation of internal controls at these companies, and to propose improvements for and follow up any issues identified as a result of the audit in accordance with the Internal Audit Regulations. Audit results are reported to the Board of Directors through the Representative Director without delay after completion of individual audits and at least once every six months and are also reported to Statutory Auditors on a regular basis.
 - (5) Directors will report to the Company's Statutory Auditors any discovery of violations of laws, regulations, or the Articles of Incorporation or other important compliance-related facts in the execution of duties by SBI officers and employees, etc. to the Company's Board of Directors and, upon receiving a report, the Statutory Auditors will notify the Statutory Auditors of the company at which the important fact was discovered.

- (6) To manage the risk of loss within the SBI Group, the Company will receive reports on the status of the risk of loss at companies that belong to the SBI Group periodically and in a timely manner via the Risk Management Officer of companies that belong to the SBI Group in accordance with the Affiliated Company Management Regulations, the Risk Management Regulations and other relevant regulations established by the Board of Directors. In addition, where necessary, the Company's Risk Management Officer and risk management division will hold discussions with the relevant person in charge of risk management to guard against for occurrence of loss.
 - (7) To ensure that SBI Group officers and employees, etc. execute their duties effectively and efficiently, the Company will provide companies that belong to the SBI Group with guidance to determine the segregation of duties by resolution of the Board of Directors and clarify the assignment of duties among Directors. The Company will also provide an information system to facilitate appropriate and quick decision-making where necessary.
6. System concerning employees in case Statutory Auditors require the assignment of employees to support their duties and matters concerning independence of such employees from directors.
At the request of the Statutory Auditors, the Company will assign persons, who are nominated by the internal auditing division as employees with sufficient knowledge to support Statutory Auditors in their duties, to act as employees who are independent from the chain of command of Directors and who are required to support Statutory Auditors in their duties for a period determined through discussion with Statutory Auditors, and it will hold discussions with the Statutory Auditors beforehand regarding the transfer and personnel evaluation of these employees and will respect their opinions.
 7. System for Directors and employees to report to Statutory Auditors and other systems for reporting to Statutory Auditors
Directors and employees will report to Statutory Auditors in a timely and accurate manner if they have learned of the following matters relating to the Group. If asked to explain the following matters relating to the SBI Group by Statutory Auditors, Directors and employees will promptly provide a detailed explanation and will not refuse to give an explanation without reasonable grounds.
 - Matter that might cause great damage to the Company
 - Important matters related to management
 - Important matters related to internal audits
 - Serious violations of laws, regulations or the Articles of Incorporation
 - Other matters judged important by Directors
 8. Other systems for ensuring that Statutory Auditors conduct audits effectively
 - (1) The Company will have its Directors and employees meet periodically with Statutory Auditors at the request of the Statutory Auditors and endeavor to share information about issues and problems related to the management of the SBI Group and it will also seek to information sharing between Statutory Auditors and the internal auditing division and accounting auditor.
 - (2) The Company will endeavor to develop a system whereby its Statutory Auditors periodically meet with the Statutory Auditors of major subsidiaries and successfully ensure the effectiveness of SBI Group audits through mutual collaboration.
 - (3) Ordinary expenses arising in connection with the execution of duties by Statutory Auditors are recorded in the Company's budget in advance based on the Board of Statutory Auditors' audit plan. The Company will carry out procedures relating to the advancement and reimbursement of expenses arising in connection with the execution of duties by Statutory Auditors, including urgent and extraordinary audit expenses, and any amounts owed based on claims by Statutory Auditors.
 9. Systems to ensure the reliability of financial reporting
The Company will establish effective and appropriate systems for operation of internal control reporting system pertaining to financial reports in accordance with applicable relevant laws, regulations and rules to ensure the reliability of financial reporting, and will continually develop, operate and evaluation these systems and take action promptly if improvement or other action is required.

2. Basic Views on Eliminating Anti-Social Forces

The SBI Group declares in its Code of Conduct that it resolutely opposes antisocial forces and the Company has an antisocial forces business unit that is working to eliminate antisocial forces and it will promote the development of internal systems to strengthen collaboration, including the exchange of information, with specialist outside agencies such as the police, violence expulsion centers and lawyers.

The Company will also seek to raise awareness about cutting off ties with antisocial forces through the provision of training to SBI Group officers and employees, etc. In addition, the Company will distribute a manual describing action in accordance with the Comprehensive Guidelines for How Companies Prevent Damage from Anti-Social Forces and will seek to inform SBI Group officers and employees, etc. about the manual by, for example, posting it on the Intranet.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

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2. Other Matters Concerning to Corporate Governance System

To make timely and appropriate disclosures of company information, the Company has made the Corporate Communications Dept. the division in charge of information disclosures and is actively endeavoring to disclose company information. The Company has also established the Insider Trading Management Regulations and is seeking to tighten management of inside information among officers and employees.

- Information on resolutions

In light of the timely disclosure rules, the Company endeavors to disclose material company information concerning actual decisions without delay after resolutions at the meetings of the Board of Directors convened once a month, in principle, and extraordinary meetings of the Board of Directors convened as necessary.

- Information on occurrences

Regarding material company information about actual events, the division in which the event actually occurred or the officer or employee who learned of such material information promptly reports to the person responsible for handling information. Following discussion and examination with the administrative division as appropriate, the person responsible for handling information examines the need for disclosure of such information in light of the timely disclosure rules and may, where necessary, also seek the opinion of an outside expert (lawyer, accountant, etc.). If disclosure is necessary, the Company endeavors to make prompt disclosure via the Corporate Communications Department, which is the division in charge of information disclosure.

- Information on financial results

The Company endeavors to disclose information about its financial results for each quarter during the month following the end of each quarter, in principle.

- Information on subsidiaries

As for information about actual decisions and actual events pertaining to subsidiaries, the person responsible for handling information at the Company receives a report about the decision or event from

the applicable subsidiary (sometimes via the Company's administrative division) and the person responsible for handling information is then mainly responsible for examining the need for disclosure of the information in light of the timely disclosure rules. If disclosure is necessary, the Company endeavors to made prompt disclosure via the Corporate Communications Department.

* Outline of Corporate Governance Structure (as of the reporting date)

