

SBI Holdings, Inc. 2022 Information Meeting

November 29	Nagoya
December 5	Tokyo
December 9	Osaka

The items in this document are provided as information related to the financial results and the business strategy of the SBI Group companies and not as an invitation to invest in the stock or securities issued by each company.

The business collaboration with Shinsei Bank described in this document will only take place if Shinsei Bank determines that it is in the best interests of its minority shareholders to do so through measures adopted by Shinsei Bank to prevent conflicts of interest.

None of the Group companies guarantee the completeness of this document in terms of information and future business strategy.

The content of this document is subject to revision or cancellation without warning.

Note: Fiscal Year (“FY”) ends on March 31 of the following year

Today's Program

**Part 1: Explanation of Key
Questions**

**Part 2: Question and answer
session**

Part 1: Key Questions

- 1. How should we view the results for 1H FY2022?**
- 2. What kind of cooperation, synergies, and profit opportunities have been created between SBI Group and Shinsei Bank Group as a result of the Shinsei Bank Group becoming a subsidiary of SBI Group? How has the Shinsei Bank Group changed as a result?**
- 3. What is the progress toward the realization of Neo-securities initiative?**
- 4. How is the SBI Group's regional development strategy progressing?**
- 5. What will happen to the business environment surrounding the SBI Group in the second half of the year and beyond?**
- 6. What is the SBI Group doing in the rapidly developing digital space sector?**

**Q1. How should we view the results
for 1H FY2022?**

[Consolidated performance overview]

- Revenue increased 40.7% year-on-year to JPY 470.2bn, which was historical high for a 1H period, **largely due to a significant increase in revenue from the Financial Services Business (81.3% year-on-year to JPY 403.1bn)**
- Profit before income tax expense in **the Financial Services Business increased 18.0% year-on-year to JPY 69.6bn**. Given the strong profit before income tax expense of this business, **which is the basis for determining the amount of shareholder return, interim dividend for the fiscal year ending March 31, 2023, is JPY 30 per share, the same as the period last year**
- Although the Financial Services Business performed strong, the Investment Business resulted in **a fair value loss of approximately JPY 31.4bn in the first half of this fiscal year due to the decline in the share prices of some overseas-listed stocks, including TPBank (Group's equity ratio: 19.9%), a listed stock in Vietnam**. In addition, **Crypto-asset Business was significantly impacted by a loss of JPY 12.8bn** (the breakdown of this loss was approximately JPY 7bn in the Mining Business and approximately JPY 4bn in B2C2) in profit before income tax expense in the first half of this fiscal year, due to the sluggish crypto assets market and the bankruptcy of some business partners. Consolidated profit before income tax expense decreased 51.8% year-on-year to JPY 57.2bn due largely to the above factors
- Profit attributable to owners of the Company decreased 89.7% year-on-year to JPY 7.9bn. The main reasons for the losses were **the fair value loss of JPY 28.4bn on TPBank stock in Vietnam**, in which we have a direct investment, and **a large loss at a crypto-asset business subsidiary**, in which we have a large stake. **Both losses were mainly incurred at overseas subsidiaries, limiting the effect of lower tax expenses**

1H FY2022 Consolidated Performance (IFRS)

[Year-on-year comparison]

(Unit: JPY million)

	1H FY2021 (Apr.-Sept. 2021)	1H FY2022 (Apr.-Sept. 2022)	YoY % change
Revenue	334,283	Record high* 470,234	+40.7
Profit before income tax expense	109,276	52,687	-51.8
Profit for the period	88,938	37,993	-57.3
Profit attributable to owners of the Company	76,765	7,945	-89.7

* Comparison with past 1H results

Quarterly Consolidated Performance of FY2022 (IFRS)

(Unit: JPY million)

	FY2022		QoQ % change / QoQ change
	1Q (Apr.-June 2022)	2Q (July-Sept. 2022)	
Revenue	232,150	238,084	+2.6
Profit before income tax expense	23,522	29,165	+24.0
Profit for the period	16,669	21,324	+27.9
Profit attributable to owners of the Company	-2,360	10,305	+12,665 (JPY million)

Comparison of Consolidated Profit Before Income Tax Expense with Major Securities Companies

(Unit: JPY million)

	1H FY2021 (Apr.-Sept. 2021)	1H FY2022 (Apr.-Sept. 2022)	YoY % Change / YoY change
SBI Holdings (IFRS)	109,276	52,687	-51.8
Nomura Holdings (US-GAAP)	97,000	43,217	-55.4
Daiwa Securities Group (J-GAAP)	75,228	44,536	-40.8
SMBC Nikko Securities (J-GAAP)	42,978	-15,929	-58,907 (JPY million)
Mitsubishi UFJ Securities Holdings (J-GAAP)	11,835	34,182	+188.8
Mizuho Securities (J-GAAP)	44,333	3,397	-92.3

Source: Compiled by SBIH from the information on websites of each company

Quarterly Comparison of Performance with Major Securities Companies

(Unit: JPY million)

	Operating Revenue			Profit Before Income Tax Expense		
	1Q FY2021 (Apr.-June 2021)	1Q FY2022 (Apr.-June 2022)	QoQ % change	1H FY2021 (July-Sept. 2021)	1H FY2022 (July-Sept. 2022)	QoQ % change / QoQ change
SBI Holdings (IFRS)	232,150	238,084	+2.6	23,522	29,165	+24.0
Nomura Holdings (US-GAAP)	409,968	533,852	+30.2	11,733	31,484	+168.3
Daiwa Securities Group (J-GAAP)	146,640	192,552	+31.3	20,180	24,355	+20.7
SMBC Nikko Securities (J-GAAP)	62,876	62,433	-0.7	-4,658	-11,271	-6,613 (JPY million)
Mitsubishi UFJ Securities Holdings (J-GAAP)	86,759	130,330	+50.2	11,952	22,229	+86.0
Mizuho Securities (J-GAAP)	87,625	113,010	+29.0	2,918	478	-83.6

Source: Compiled by SBIH from the information on websites of each company

Basic Concept of Segment Classification

- To enable more flexible management decisions, the Group classifies its businesses into business segments that (1) generate relatively stable profits, (2) are highly dependent on market conditions and have large performance volatility, and (3) are advanced and expected to grow in the future
- To clarify the source of shareholder returns as approximately 30% of profit before income tax expense from the Financial Services Business, and **aggressively implement measures to promote growth in this segment**

[Segment classification from FY2022]

Financial				Non-Financial
Business sectors that generate relatively stable profits		Business sectors with high dependence on market environment and high volatility in performance		Advanced business sectors expected to grow in the future
Financial Services Business	Asset Management Business	Investment Business	Crypto-asset Business	Non-Financial Business
<ul style="list-style-type: none"> • Securities related business (FX related business and overseas financial business, etc.) • Banking related business (Shinsei Bank, overseas banks such as SBI SAVINGS BANK, including non-banking businesses) • Insurance related business 	<ul style="list-style-type: none"> • Asset management (Morningstar Japan and SBI Asset Management, etc.) 	<ul style="list-style-type: none"> • Private equity (PE) (Management of funds such as venture capital, LBO, and business succession, etc.) • Operating lease 	<ul style="list-style-type: none"> • Crypto-asset related (B2C2 and SBI VC Trade, etc.) 	<ul style="list-style-type: none"> • Biotechnology, Healthcare & Medical Informatics business • WEB 3.0 related • New overseas markets such as Africa, etc.

1H FY2022 Performance by Segment (IFRS)

[Year-on-year comparison]

(Unit: JPY million)

Revenue

Profit Before Income

Tax Expense

	1H FY2021 (Apr. 2021– Sept. 2021)	1H FY2022 (Apr. 2022– Sept. 2022)	YoY % change	1H FY2021 (Apr. 2021– Sept. 2021)	1H FY2022 (Apr. 2022– Sept. 2022)	YoY % change / YoY change
Financial Services Business	222,294	403,111	+81.3	58,989	69,626	+18.0
Asset Management Business	8,111	8,355	+3.0	1,958	1,346	-31.3
Investment Business	80,889	29,882	-63.1	59,082	4,794	-91.9
Crypto-asset Business	15,575	20,534	+31.8	985	-12,781	-13,766 (JPY million)
Non-Financial Business	10,176	14,379	+41.3	-5,978	584	+6,563 (JPY million)

* Figures are before elimination of the inter-segment transactions.

* 1Q&2Q FY2021 results are restated to reflect the new segment category.

* Non-Financial Business include the Biotechnology, Healthcare & Medical Informatics Business, Web3.0 related businesses.

FY2022 Quarterly Revenue by Segment (IFRS)

Revenue

(Unit: JPY million)

	FY2022		QoQ % change / QoQ change
	1Q (Apr.-June 2022)	2Q (July-Sept. 2022)	
Financial Services Business	190,094	213,017	+12.1
Asset Management Business	4,109	4,246	+3.3
Investment Business	21,606	8,276	-61.7
Crypto-asset Business	12,984	7,550	-41.9
Non-Financial Business	7,006	7,373	+5.2

* Figures are before elimination of the inter-segment transactions.

* 1Q&2Q FY2021 results are restated to reflect the new segment category.

* Non-Financial Business include the Biotechnology, Healthcare & Medical Informatics Business, Web3.0 related businesses.

FY2022 Quarterly Profit Before Income Tax Expense by Segment (IFRS)

Profit before Income Tax Expense

(Unit: JPY million)

	FY2022		QoQ % change / QoQ change
	1Q (Apr.-June 2022)	2Q (July-Sept. 2022)	
Financial Services Business	27,816	41,810	+50.3
Asset Management Business	717	629	-12.3
Investment Business	9,122	-4,328	-13,450 (JPY million)
Crypto-asset Business	-9,688	-3,093	+6,594 (JPY million)
Non-Financial Business	2,018	-1,434	-3,451 (JPY million)

* Figures are before elimination of the inter-segment transactions.

* 1Q&2Q FY2021 results are restated to reflect the new segment category.

* Non-Financial Business include the Biotechnology, Healthcare & Medical Informatics Business, Web3.0 related businesses.

Interim Dividend of JPY 30 Per Share was Declared

[Basic policy for shareholder return]

The total amount of dividends plus share buybacks will be approximately 30% profit before income tax expense in the Financial Services Business for the time being

■ Dividend forecast (result) per share

	End of 2Q	Year-end	Full-year
FY2022 (forecast)	<u>JPY 30</u>	TBD	TBD
FY2021 (result)	JPY 30	JPY 120	JPY 150

Q2. What kind of cooperation, synergies, and profit opportunities have been created between SBI Group and Shinsei Bank Group as a result of the Shinsei Bank Group becoming a subsidiary of SBI Group? How has the Shinsei Bank Group changed as a result?

The overall strategy of the SBI Group will be further strengthened by fully incorporating Shinsei Bank, which has become a subsidiary of SBI Holdings in both name and substance

- (1) Promote to Unify the SBI and Shinsei Bank Group**
- (2) Thoroughly pursue business synergies with Shinsei Bank Group**
- (3) Initiatives to further strengthen the “Triangle Strategy” promoted by the SBI Group, Shinsei Bank Group, and regional financial institutions**
- (4) Strengthen non-bank areas through M&A and various other measures**
- (5) Financial results of the Shinsei Bank Group after Joining the SBI Group**

(1) Promote to Unify the SBI and Shinsei Bank Group

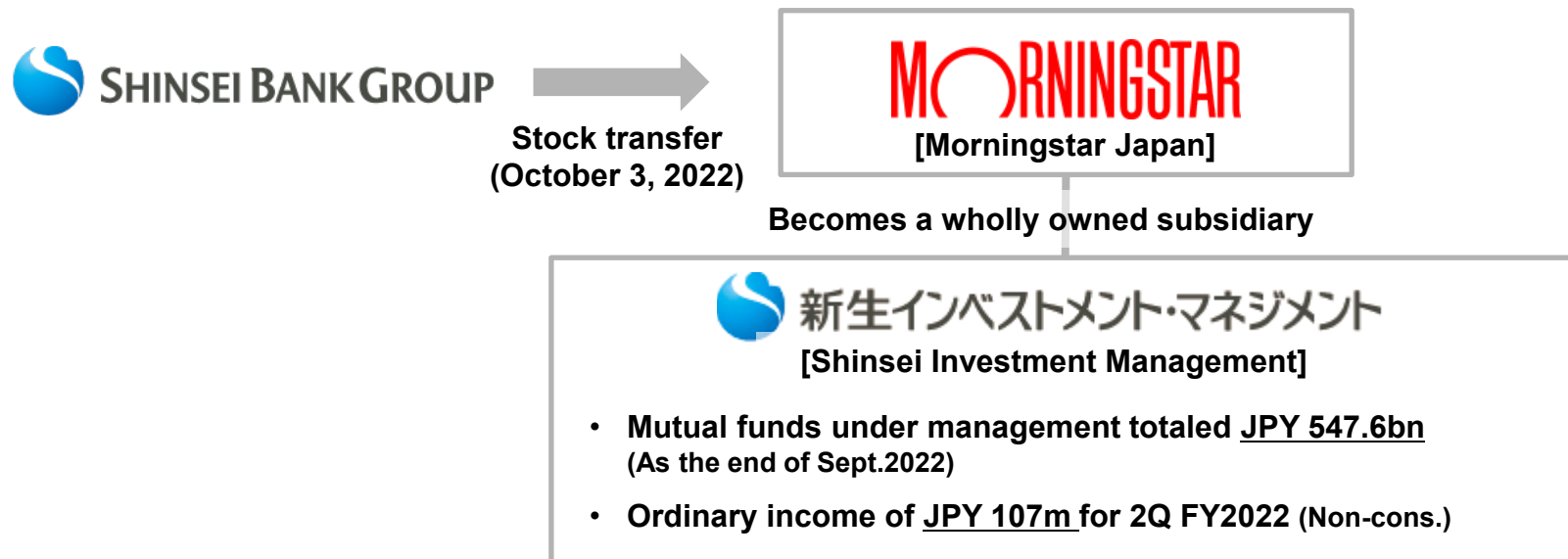
- ① Reorganization between SBI and Shinsei Bank Group**
- ② Personnel exchange between SBI and Shinsei Bank Group**

- On October 11, **SBI Regional Bank Holdings received approval** from the FSA **to become a bank holding company** under Article 52-17 of the Banking Act
- On October 21, the acquisition of an additional 2,500,000 shares of Shinsei Bank common stock was completed, and SBI Regional Bank Holdings became a bank holding company
- After the additional share acquisition, SBI Regional Bank Holdings' **voting right ratio became 50.05%**, making SBI Holdings the parent company of Shinsei Bank in both name and substance
- Shinsei Bank will change its name to **“SBI Shinsei Bank”** on January 4, 2023

① **Reorganization** between SBI and Shinsei Bank Group

Implementation of a Full-fledged Intra-group Reorganization between the SBI and Shinsei Bank Group (i)

Morningstar Japan acquired Shinsei Investment Management as a subsidiary



- The addition of active fund of funds and other investment products primarily managed by Shinsei Investment Management will **expand the range of asset classes of investment products that the SBI Group can offer**
- By consolidating operations and management with Morningstar Japan-affiliated asset management companies, the company intends to **strengthen its ability to propose products, improve the efficiency of middle and back-office systems, and enhance its risk and compliance management system**

Implementation of a Full-fledged Intra-group Reorganization between the SBI and Shinsei Bank Group (ii)

- Business of Shinsei Securities will be transferred to SBI SECURITIES or Shinsei Bank, and Shinsei Securities is plans to close down -

Concluded basic agreement on organizational restructuring of Shinsei Securities

(Signed on November 2, 2022)



SHINSEI BANK



SHINSEI SECURITIES



SBI証券

[SBI SECURITIES]

[Future organizational restructuring process (planned)]

- ① Organize the transfer policy for operations such as account management operations by Shinsei Securities
- ② The specific operations to be transferred and the transfer destination will be decided through future discussions
- ③ Businesses not transferred to Shinsei Securities will be terminated and scheduled to be closed

Promote integrated management of the securities business within the SBI Group and strive to pursue the best interests of customers

Implementation of a Full-fledged Intra-group Reorganization between the SBI and Shinsei Bank Group (iii)

-Promote optimal allocation of management resources within the SBI Group-

Conclusion of share transfer agreement regarding all shares of Financial Japan, Co., Ltd.

(November 25, 2022)



Wholly owned subsidiary ↓
Transfer all shares to
SBI FINANCIAL SERVICES Co., Ltd.

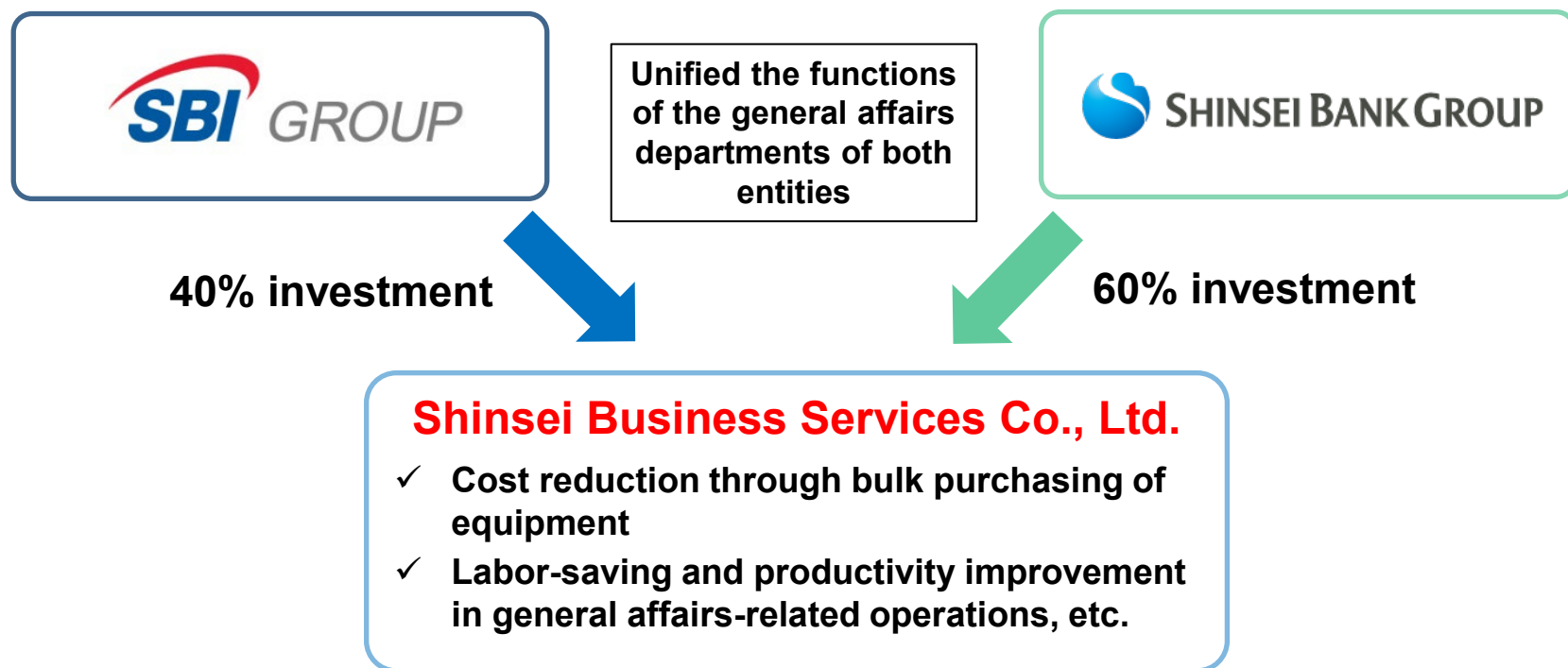


- ✓ Shinsei Bank made it a consolidated subsidiary in May 2019
- ✓ Provides comprehensive financial consulting services centered around insurance

Seek to establish a structure that enables the SBI Group to provide highly convenient services to customers by strengthening the financial instruments intermediary business and leveraging its extensive business network

Promoted Various Measures to Enhance Group-wide Unification and Improve Back-office Efficiency

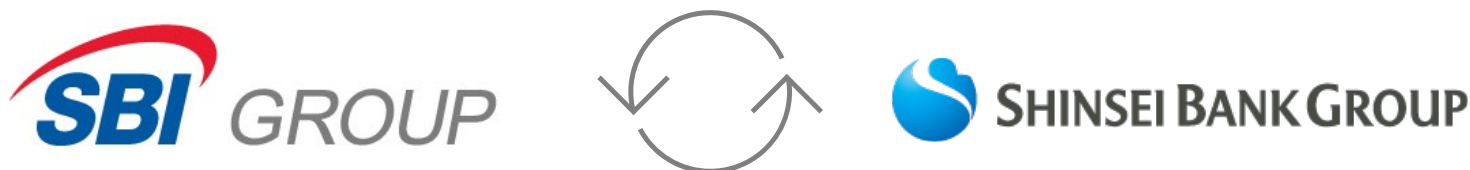
- Cost reductions have already been realized through joint purchase of licenses for IT systems used by both groups
- Considering establishing a JV to improve operational efficiency in areas such as recruitment and training with respect to the human resources department
- SBI Holdings **invested in Shinsei Business Service**, a wholly owned subsidiary of Shinsei Bank, **and made it a JV**. To reduce costs and improve productivity by integrating some functions of the general affairs departments of both companies



② **Personnel exchange** between SBI and Shinsei Bank Group

Personnel Exchange between the SBI and Shinsei Groups to Promote Unification

Mutual exchange of personnel in each business field to build unity as a group



**SBI Group→ Shinsei Bank Group: 22 employees* on secondment to 5 companies
91 employees participated in Shinsei Bank's training programs**

**Shinsei Bank Group→ SBI Group: 25 employees* are on secondment to 7 companies
58 employees participated in SBI Group training programs**

*** In addition to the above, some employees are seconded to other companies for concurrent positions**

**Vitalization of personnel exchange and
further acceleration of integration as a result**

(2) Thoroughly pursue business synergies with Shinsei Bank Group

Collaboration between SBI and Shinsei Bank Group in Financial Products Intermediary Services and Bank Agency Business



- August 2022
SBI SECURITIES and Shinsei Bank launched **financial instruments intermediary and banking agency** services
- September 2022
Launched **an investment trust accumulation service** using credit cards provided by APLUS
- October 2022
Launched “**SBI Wrap x Shinsei Bank**,” developed and provided by FOLIO, an SBI Group company

Intend to grow by expanding their respective customer bases through mutual customer transfers, expanding their product lineups, and providing highly convenient services to their customers

“SBI Wrap x Shinsei Bank,” an AI-based Discretionary Investment Service Launched on October 20, 2022

- Transaction amount exceeds **JPY 1.97bn in approx. 1.5 months** -

Newspaper article

(The Nikkei morning edition, Oct. 21, 2022)

SBI SECURITIES to Expand Face-to-Face Sales at Shinsei Bank in addition to Discretionary Investment Funds

SBI SECURITIES will expand face-to-face sales of financial products through Shinsei Bank. In addition to face-to-face sales of new fund wrap products, in which investors entrust the management of their funds to a financial institution, **at all 25 branches**, (omitted) the two companies have tied-up in financial instruments intermediary and **will promote asset building among bank depositors** by combining their respective product development capabilities and sales networks

Co-managed Shops of Shinsei Bank and SBI MONEYPLAZA

- Expand SBI MONEYPLAZA's business base and Shinsei Bank's profitability by leveraging Shinsei Bank's face-to-face channels -

Prefectures with
Shinsei Bank branches



: Branches located



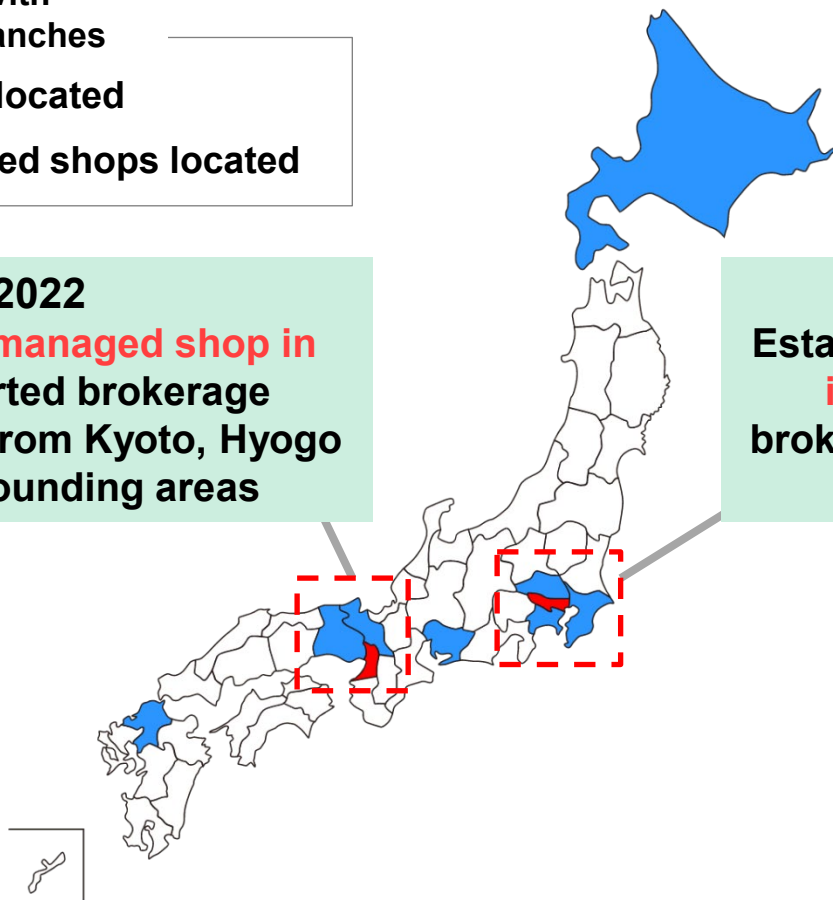
: Co-managed shops located

Nov. 2022

Established a **co-managed shop in Umeda** and started brokerage services covering from Kyoto, Hyogo and other surrounding areas

Aug. 2022

Established a **co-managed shop in Ikebukuro** and started brokerage services covering the surrounding area



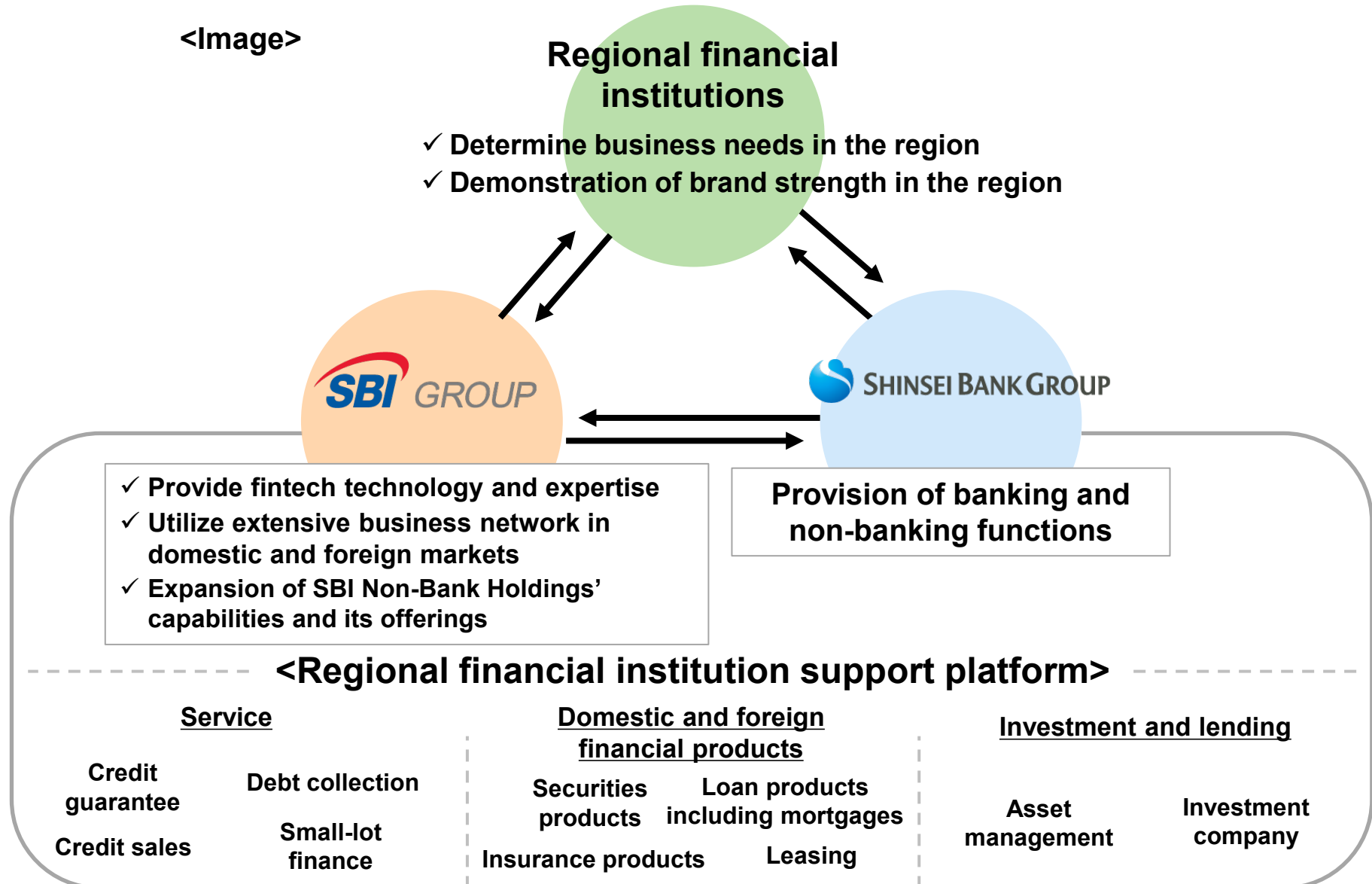
Further merge SBI MONEYPLAZA's expertise in sales activities, including investment products, with customer relationships that Shinsei Bank has fostered

(3) Initiatives to further strengthen the “Triangle Strategy” promoted by the SBI Group, Shinsei Bank Group, and regional financial institutions

- ① Utilization of finance functions**
- ② Utilization of “BANKIT®” by APLUS**
- ③ Cooperation in the leasing business**

“Triangle Strategy” Concept by the SBI Group, Shinsei Bank Group, and Regional Financial Institutions

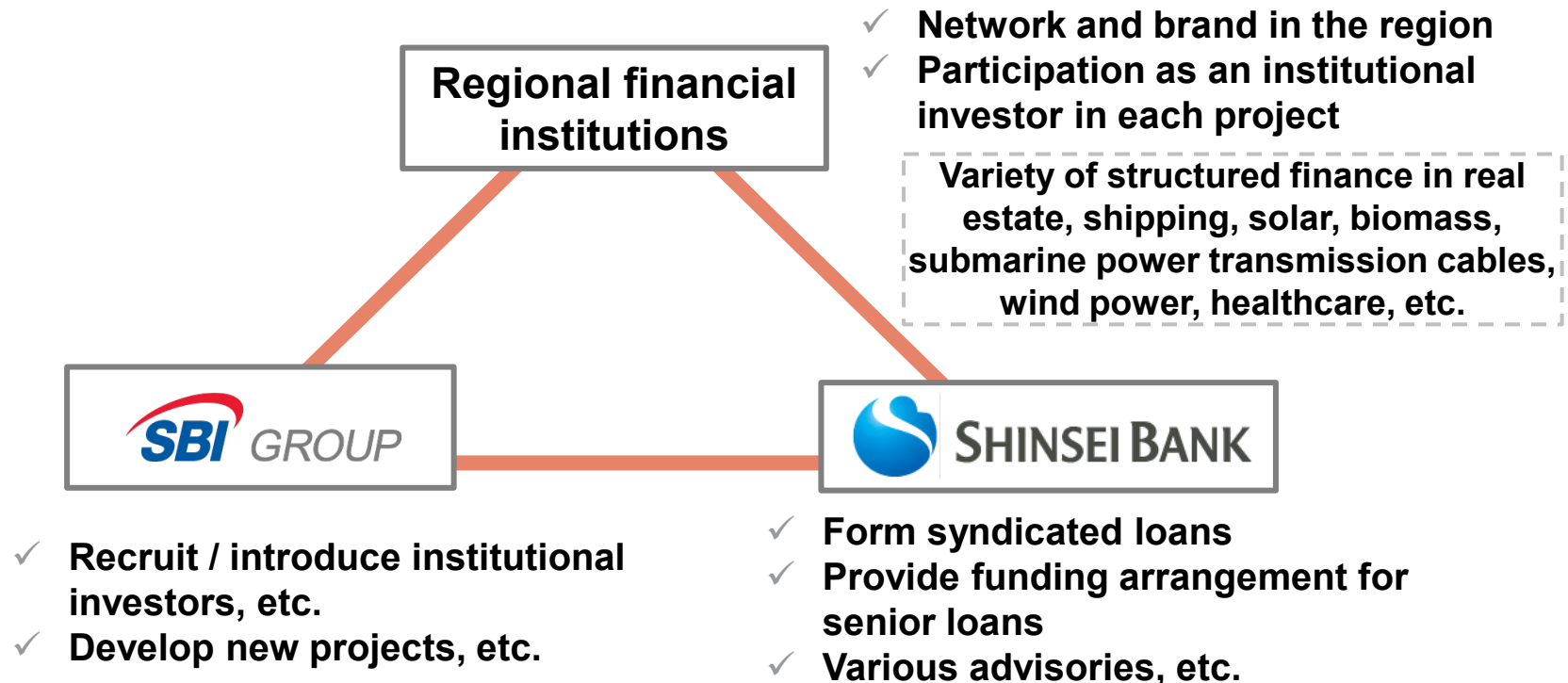
<Image>



① Utilization of Finance Functions

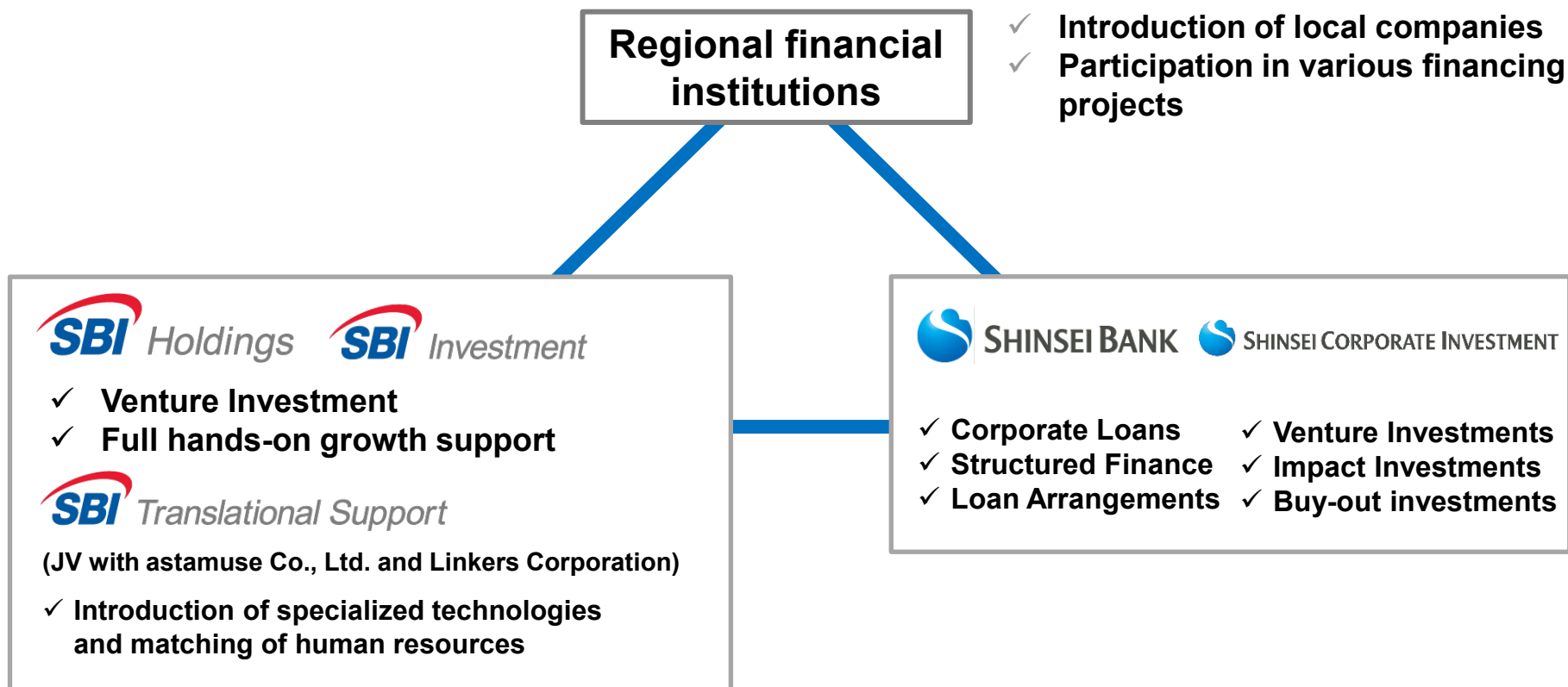
Further Reinforcement of the “Triangle Strategy”: Structured Finance Business

- ✓ Conventional collaboration was centered on the introduction of deals originated by Shinsei Bank to regional banks
- ✓ Currently **strengthening co-financing, bilateral and syndicated loans for clients introduced by regional banks**, in order to increase revenue of both parties



Diverse Growth Support in the Corporate Business Areas by Leveraging Shinsei Bank's Financing Functions

- Provide **tailor-made financing** to venture companies with high growth aspirations and needs, based on the growth potential of the company
- Provide not only financing but also multifaceted growth support utilizing SBI Group's network, etc.



② Utilization of “BANKIT®” by APLUS

Further Strengthening of “Triangle Strategy”: Collaboration through Utilization of “BANKIT®”

- Sales expansion of “BANKIT®” targeting local companies -

Supporting DX promotion of businesses by providing
BANKIT® linked to regional bank accounts

Reducing the need for point cards
contributes to expanding app users,
promoting sales and attracting
young people

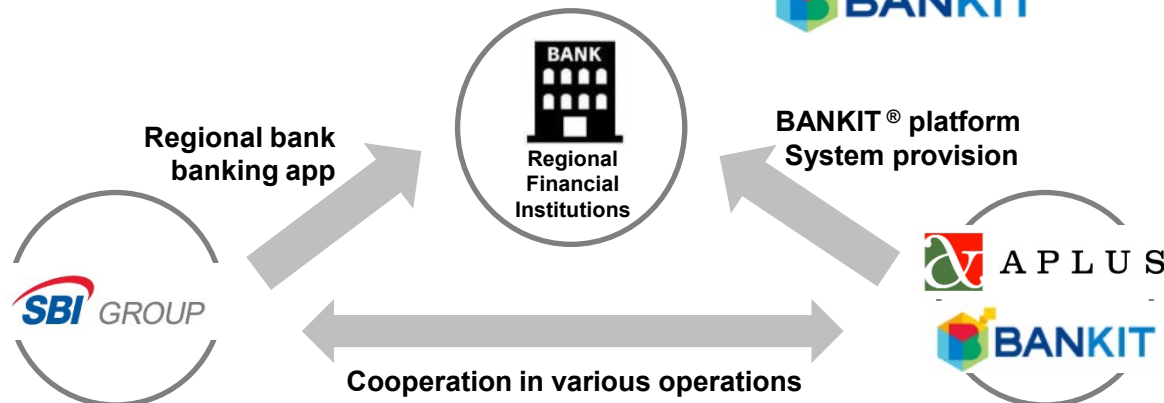


**Regional
retailers**

Usage fees / commission income
(revenue share)



White label offering
(digital wallet, QR payment, coupon)

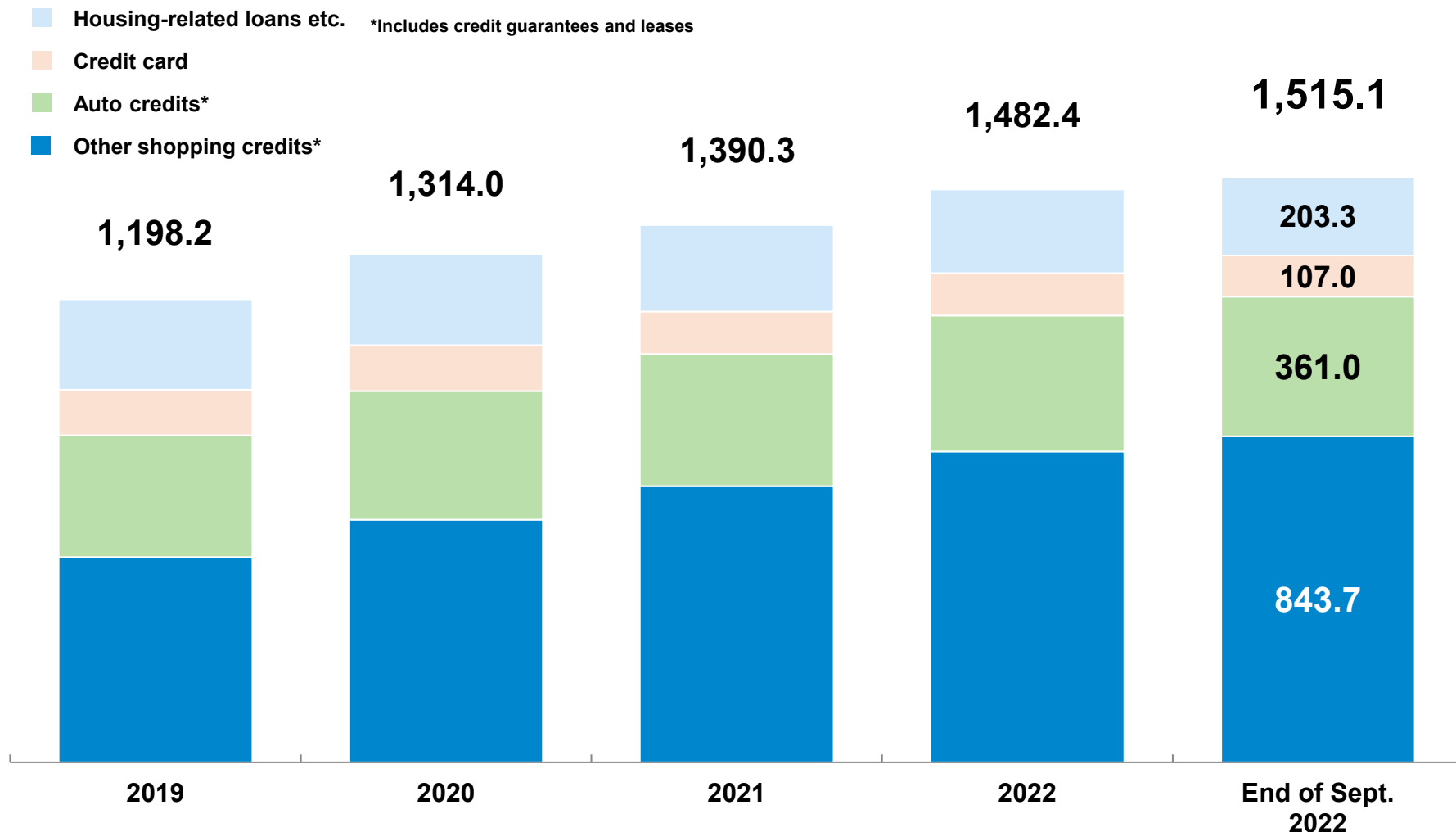


Operating Assets Balance at APLUS

(End of March 2019 – Sept. 2022)

- Expanding the BANKIT[®] business and other areas
for multifaceted expansion of the foundation -

(JPY billion)



*All figures are as of the end of March unless otherwise noted

③ Cooperation in the leasing business

Further Strengthening of “Triangle Strategy”: Cooperation in the Leasing Business

- ✓ Showa Leasing Co., Ltd. has **12 offices nationwide with over 40,000** corporate customers. The company **has strengths in asset business** such as construction machinery and industrial and machine tools
- ✓ Seek to further expand business by handling a variety of financial products owned by the SBI Group, finding new projects in the region, and focusing on areas such as real estate, healthcare, environment and energy, which Showa Lease positions as growth areas

Regional financial institutions

- ✓ Find leasing deals in the region
- ✓ Participation in projects through leasing subsidiaries



(SBI Leasing Services, SBI SECURITIES, etc.)

- ✓ Provision of operating lease products for aircraft and ships, etc.
- ✓ Provision of financial instruments such as small trust beneficiary interests in real estate



SHOWA LEASING

- ✓ Expertise and experience in the real estate and environmental / energy fields
- ✓ Possesses a comprehensive leasing platform in the asset business, including construction equipment

(4) Strengthen non-bank areas through M&A and various other measures

Creating Synergies between ARUHI Corporation and Shinsei Bank

As a result of the TOB for ARUHI Corp., which has the largest market share in Japan for the “Flat 35” housing loan product, the company became a consolidated subsidiary of SBI Holdings (Current voting right ratio: 53.29%*) as of November 18, 2022

A R U H I

Features of ARUHI

- ✓ No.1 share of Flat 35 home loans featuring fixed interest rates throughout full loan period
- ✓ Primarily in-store, face-to-face sales, with 152 branches in 42 prefectures
- ✓ 70% of executions of new loans are for Flat 35, and its business performance mostly depends on the number of executions of new loans



SHINSEI BANK GROUP

Features of Shinsei Bank

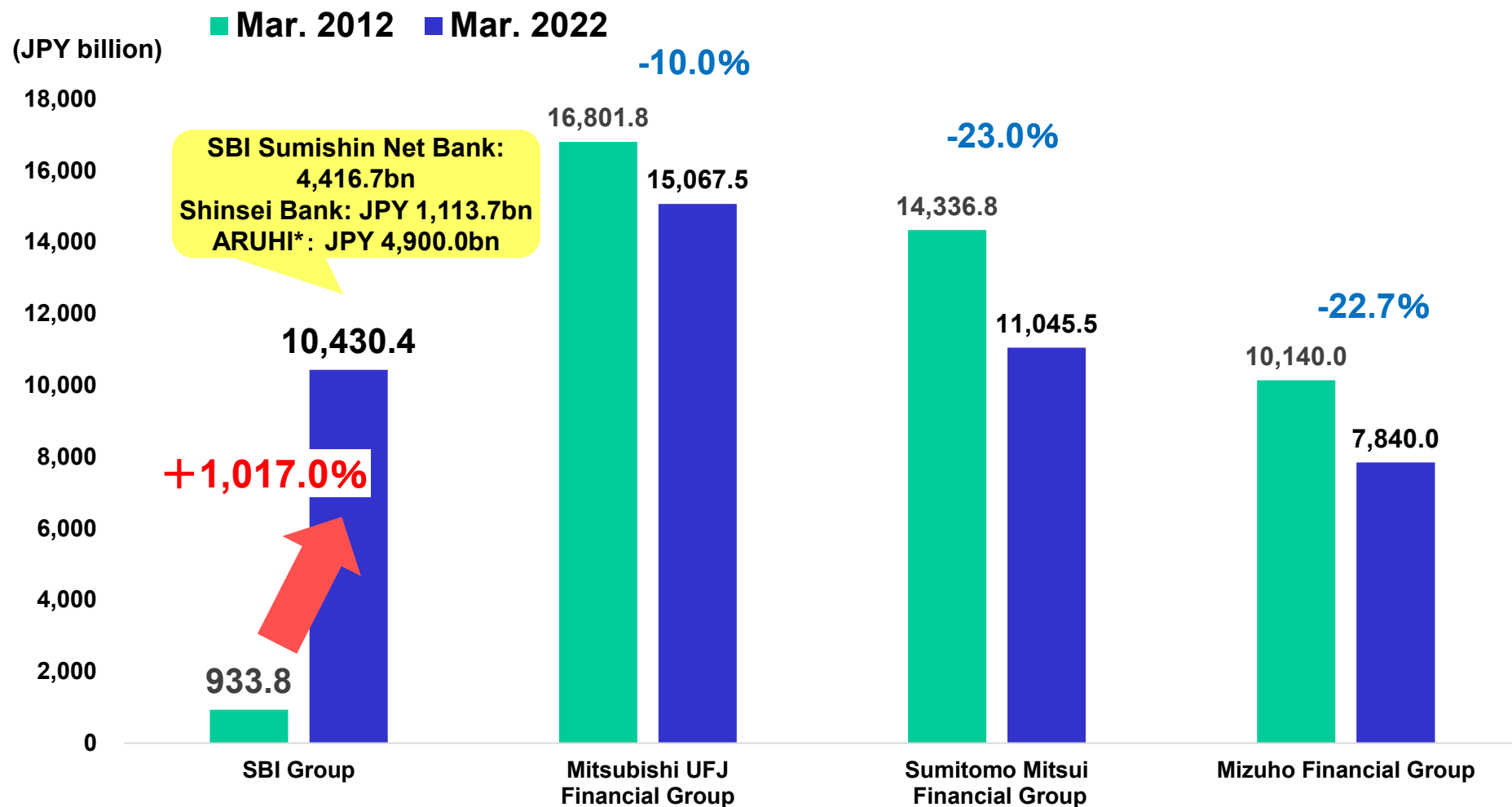
- ✓ A highly competitive offering during the new loan-borrowing campaign is “Hendo Focus,” using a semi-annual variable rate, with the initial rate set to 0.35% p.a.
- ✓ However, has weakness in face-to-face sales channel with 24 head offices and branches in eight prefectures

Measures to create synergy, such as ARUHI to sell Shinsei Bank’s variable rate loan products are under consideration

*Percentage of the number of voting rights represented by the total number of shares after taking into account latent shares as stated in the Tender Offer Registration Statement

By Making Shinsei Bank and ARUHI Consolidated Subsidiaries, the SBI Group's Mortgage Loan Balance is Now Comparable to that of Megabanks

Mortgage Loan Balance of SBI Group and Megabanks

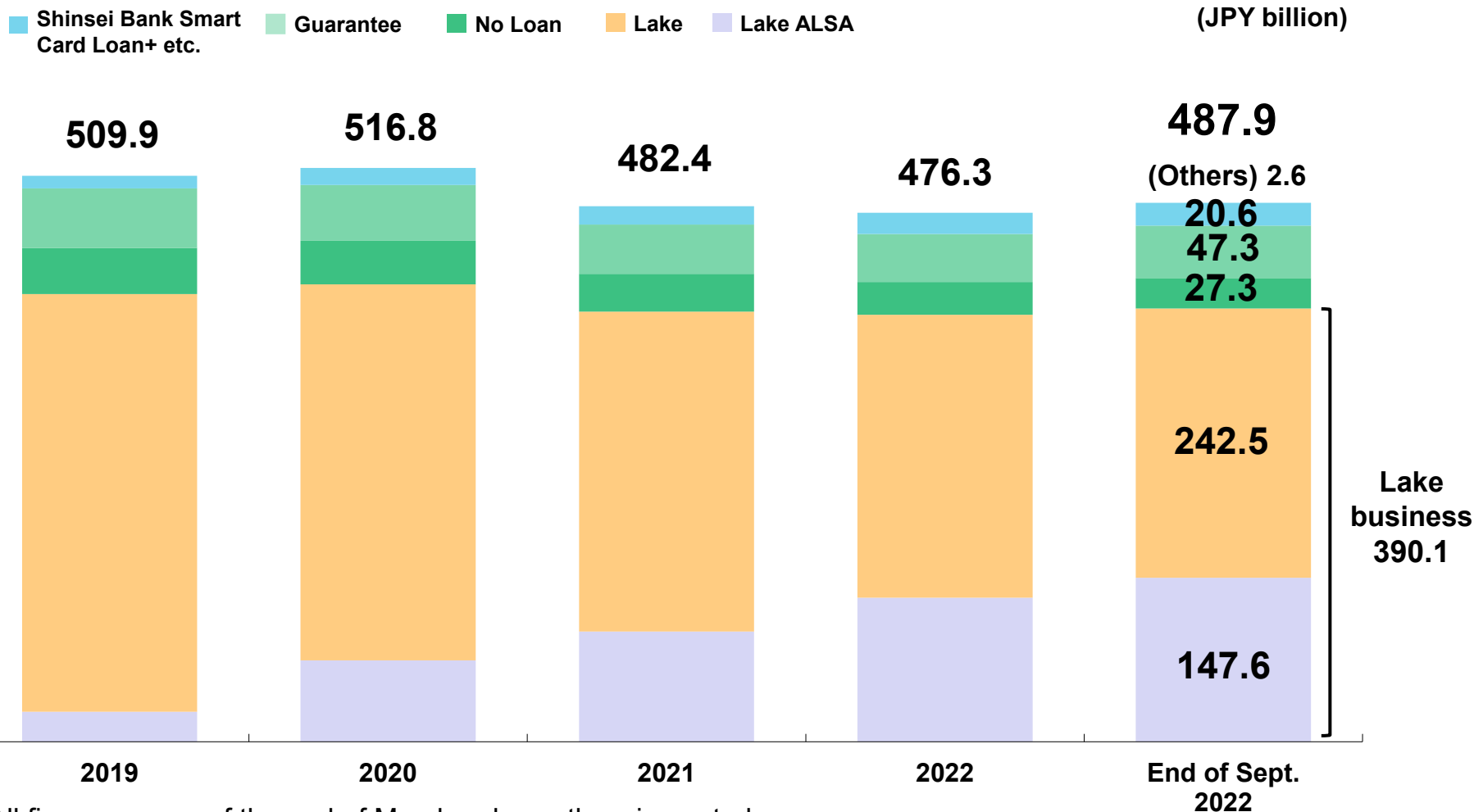


*Figures for Mitsubishi UFJ Financial Group are totals for commercial banks and trust banks

*ARUHI's figures are servicing loan balances

Operating Assets Balance at Shinsei Financial

- Stable and continuous increase in balance through cooperation with SBI Group and Shinsei Group companies -



Further Expand Business Benefits not only from SBI to Shinsei Bank Group, but also from Shinsei Bank to SBI Group



**Customer base:
over 35.3 million**

(excluding Shinsei Bank Group)

**Progress in business linkages,
such as customer introduction
and product offerings, has been
made**



SHINSEI BANK GROUP

**Customer base:
over 8.5 million**

**Expansion of contributions
from the Shinsei side to
the SBI side in the future**

**Promote utilization of Shinsei Bank Group's various management resources,
including its customer base, network and expertise, to strengthen the
contribution towards the profit of the SBI Group**

(5) Financial results of the Shinsei Bank Group after Joining the SBI Group

Shinsei Bank 1H FY2022 Consolidated Performance (J-GAAP)

- Achieved sales and profit growth
on the back of strong corporate business -

(Unit: JPY million)

	1H FY2021	1H FY2022	YoY % change
Gross operating profit	110,678	119,451	+7.9
Ordinary Business Profit	33,443	41,528	+24.2
Profit before income tax expense	27,429	30,544	+11.4
Profit attributable to owners of the Company	23,232	24,895	+7.2

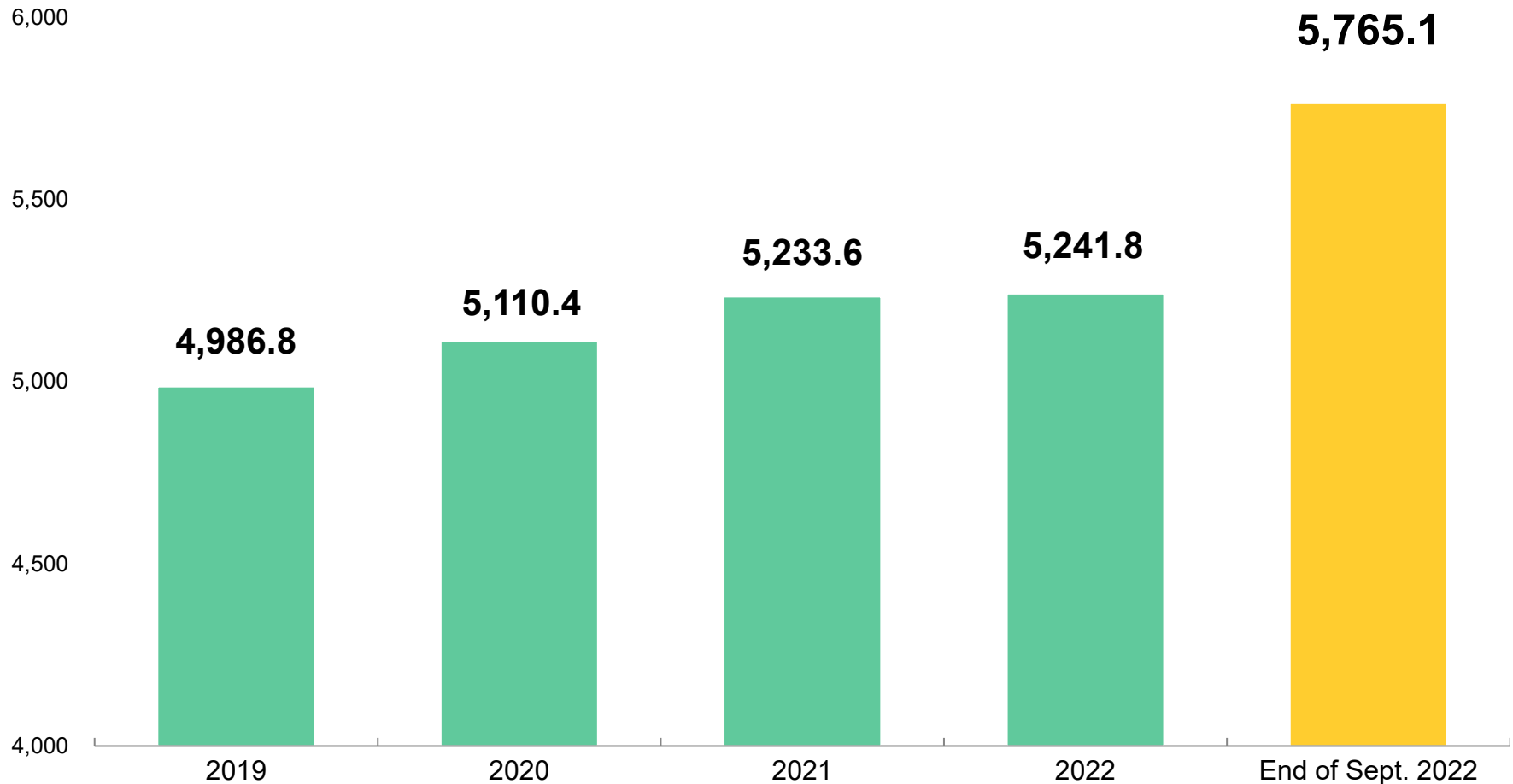
SBI Holdings' profit before income tax based on IFRS incorporation is approximately JPY 26.0bn

* Calculation of IFRS-based Shinsei Bank's consolidated P/L and incorporation into SBI Holdings' results began in 4Q FY2021

Transition of Shinsei Bank's Loan Balance

- Substantial increase in loan balance, especially in corporate sales and structured finance -

(JPY billion)

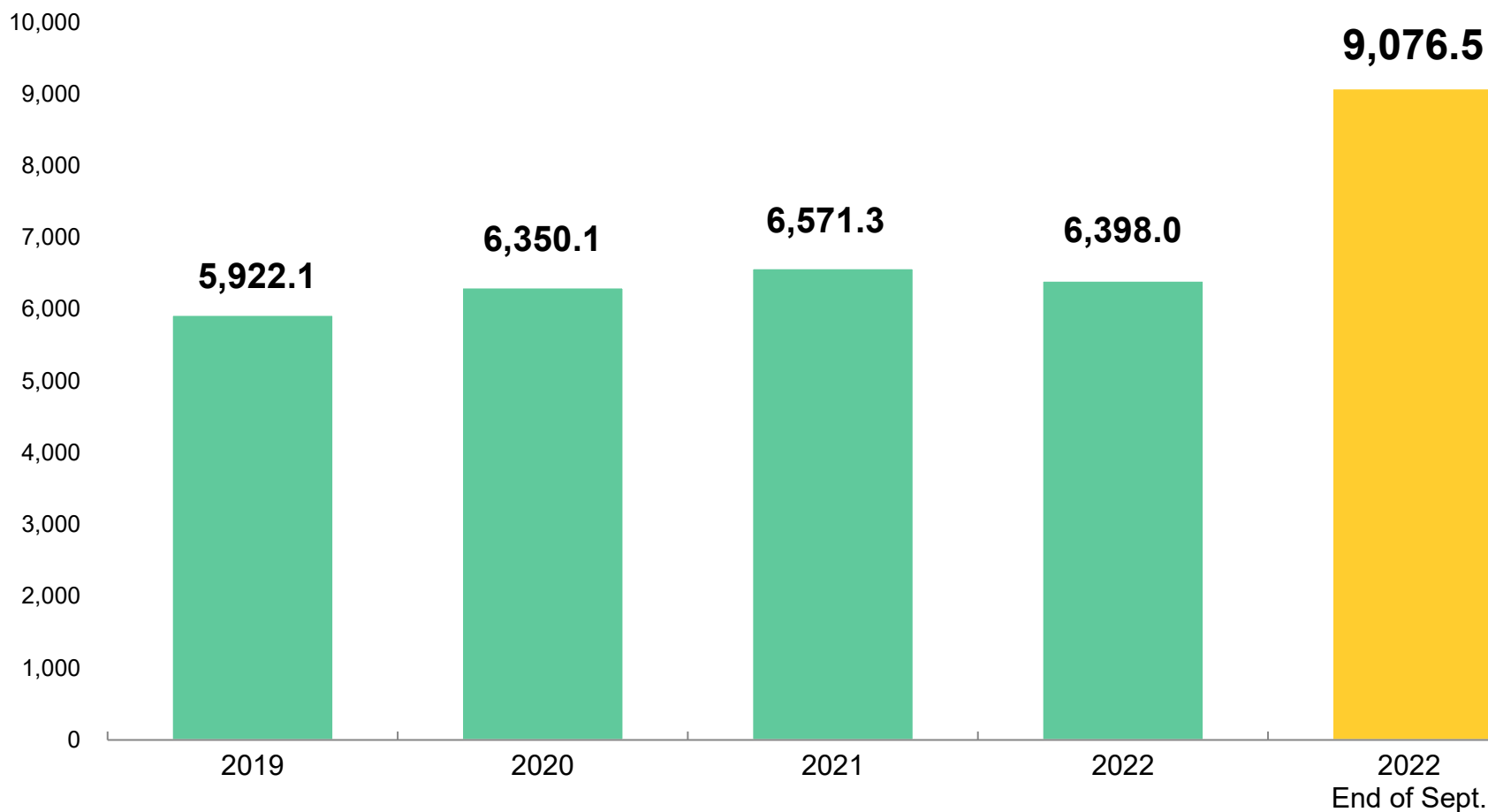


*Figures are as of end of March of each year otherwise specified

Balance of Deposits at Shinsei Bank

- **Deposits increased significantly** due to the successful expansion of the transaction base with corporate and individual customers -

(JPY billion)



*each figure is as of the end of March unless otherwise noted

Total Assets of the Banking Segment in the SBI Group

(Simple Aggregate) are Approximately JPY 25tn

(Percentage in parentheses is SBI Group's share)	Total asset		Profit before income tax
	End of September 2021	End of September 2022	
Shinsei Bank (Japan/ 50.05%)	106,545.7	128,332.9	305.4
SBI SAVINGS BANK (South Korea/ 100%)	13,532.8	17,621.9	389.0
SBI LY HOUR Bank (Cambodia/ 70%)	915.7	1139.7	10.3
SBI Bank (Russia/ 90.74%)	521.1	536.4	-7.8
SBI Sumishin Net Bank (Japan/ 50%)	76,206.8	83,585.1	140.1
TPBank (Vietnam/ 19.9%)	15,619.7	19,040.6	321.0
Total	213,341.8	250,256.6	-

(Units are in JPY 100 million)

(Reference) Comparison between regional bank groups

Rank	Name of Bank	Total asset (Consolidated)
1	Fukuoka Financial Group	288,278
2	SBI Group	250,256.6
3	Concordia Financial Group	239,006
4	Mebuki Financial Group	213,201
5	Hokuhoku Financial Group	158,506
6	Kansai Mirai Financial Group	133,194
7	Kyushu Financial Group	129,964
8	Yamaguchi Financial Group	121,897

Forecasts a total dividend amount of over JPY 15 billion

*The total assets of the regional bank group are created by SBI Group based on the figures released by each company as of the end of September 2022.

*Figures in the table are rounded to one decimal place

*Figures of domestic banks are consolidated/J-GAAP; other overseas banks are based on each country's standard, respectively

*Profit before income tax for domestic banks are figures for 1H FY2022 while the figures for overseas banks are for the fiscal year ended Dec. 2021

*Figures in the table are rounded to the second decimal place/Exchange rates are calculated as follows: 1USD = JPY 144.4, 1KRW = JPY 0.1043, 1VND = JPY 0.006, 1RUB = JPY 2.47

Q3. What is the progress toward the realization of Neo-securities initiative?

The Neo-securities initiative of SBI SECURITIES is steadily progressing toward materialization during 1H FY2023

- (1) Diversification of products and services has materialized, and the ratio of domestic stock brokerage commission income from online trading to operating revenue has declined significantly**
- (2) SBI SECURITIES has successfully established a dominant position in the industry through the customer-centric principle and diversification of revenue sources**
- (3) Entire SBI Group Focuses on NISA and iDeCo as strategic products**
- (4) SBI Group continues to lead the change in the securities industry**

Neo-securities Initiative:

Endeavor to eliminate a part of trading fees for domestic stock transactions and other various fees that are currently incurred by investors

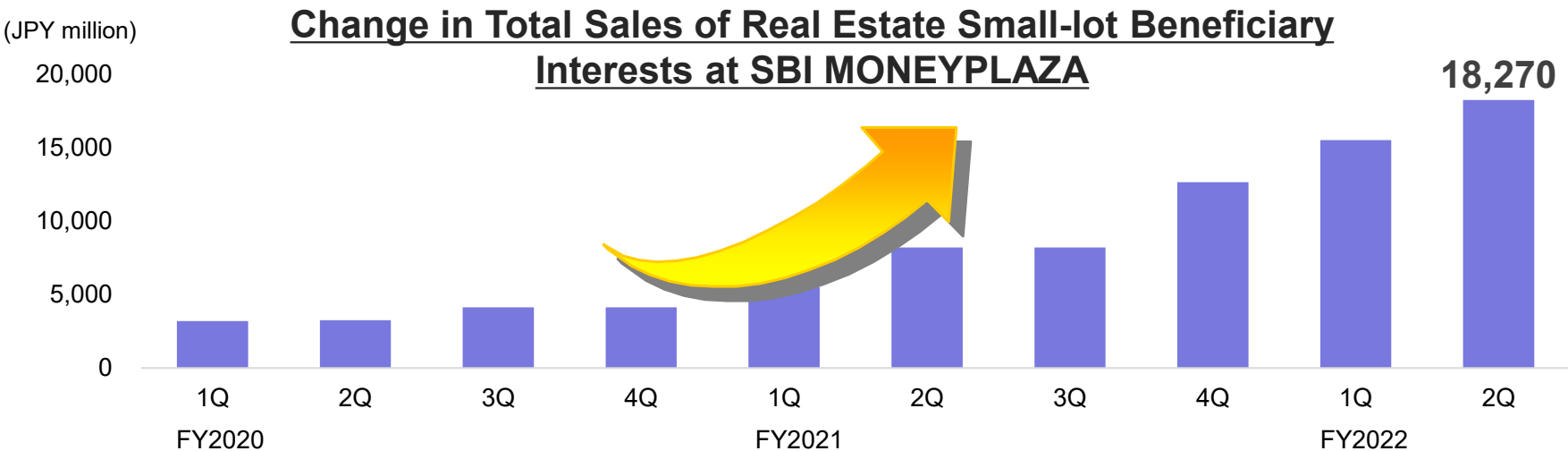
(1) Diversification of products and services has materialized, and the ratio of domestic stock brokerage commission income from online trading to operating revenue has declined significantly

- ① Strengthen the real estate finance business**
- ② Expand non-flow businesses**
- ③ Increase trading revenue**
- ④ Expand foreign stock trading services**
- ⑤ Strengthen wholesale business**

Strengthen the Real Estate Finance Business ①

- SBI MONEYPLAZA enhances sales of real estate small-lot beneficiary interests -

- SBI MONEYPLAZA has been handling real estate small-lot beneficiary interests since 2020 and has sold JPY 18,270m in ten projects
- Real estate small-lot beneficiary interests are products for receiving income from real estate for rental income and proceeds from sales in proportion to the number of units held. They can be invested in starting at JPY 10m (in JPY 5m units) for prime sites within greater Tokyo
- In response to the high demand for real estate small-lot beneficiary interests, SBI MONEYPLAZA will continue to prepare for sales of new products



Strengthen the Real Estate Finance Business ②

- Expanding aspects of real estate development for fund raising -

- In Sept. 2022, **acquired shares of THE GLOBAL Corp.** (51.95% of voting rights), which operates a condominium business for sale and an income-producing property business including rental condominium and offices in the Tokyo metropolitan area
- The company utilizes its high-quality real estate properties in the formation of **small-lot real estate products** for individual investors and **Security Tokens (ST)** backed by real estate
- Expects the company to contribute to the formation of REITs, which is an area of focus in the future, either as a supplier of target properties or in the management of target properties

[SBI Group's real estate finance business]

Development of high quality real estate



ASCOT CORP.



Partial provision of non-recourse loans for real estate development

Fund formation / management



SHINSEI BANK

Guidance to customers



- Provision of some loans for private placement (bridge) funds
- Provision of trust functions for structuring when creating real estate products

Strengthen the Real Estate Finance Business ③

- Strengthen real estate asset management -

- In June 2021, acquired shares of **Tozai Asset Management Co., Ltd.** which operates asset management business, and began full-fledged expansion of real estate asset management business
- Acquired shares (67.0% of voting rights) of **SBI REIT Advisors** (formerly Sojitz REIT Advisors Corporation), to which NIPPON REIT entrusts the management of its assets, on November 30, 2022
- Targeting to pursue synergies within the SBI Group and increase the balance of assets under management by expanding the private funds and public offered REIT businesses of both companies

[The real estate asset management business of SBI Group]

Private funds



Assets Under Management: JPY 176bn
(end of August 2022)

Publicly offered REIT

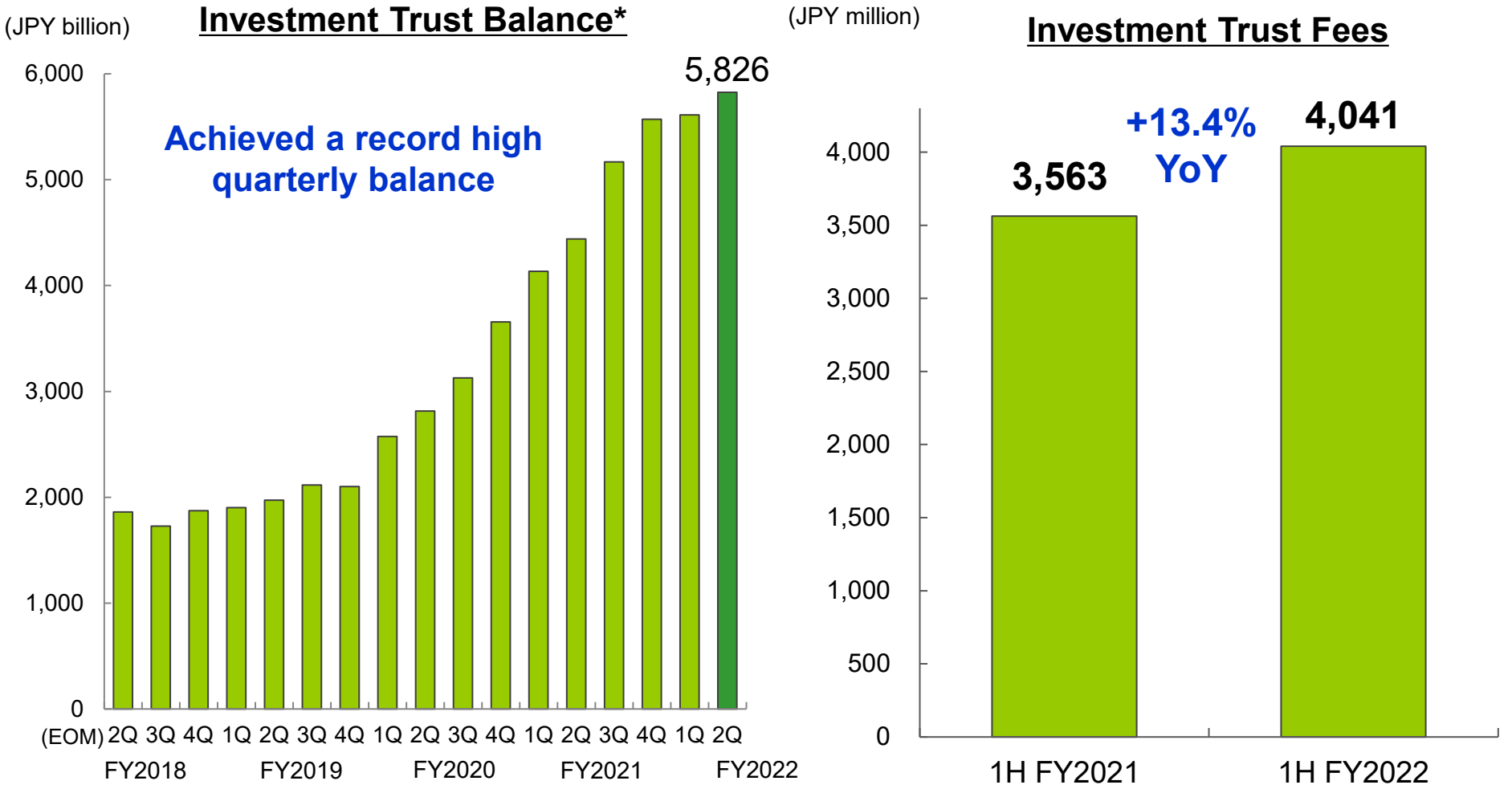


↓ Delegate operations



Assets Under Management: JPY 254.7bn
(end of June 2022)

Further Increase the Balance of Investment Trusts Through Purchases Using Partnership Common Points and Accumulation Services Utilizing Credit Cards

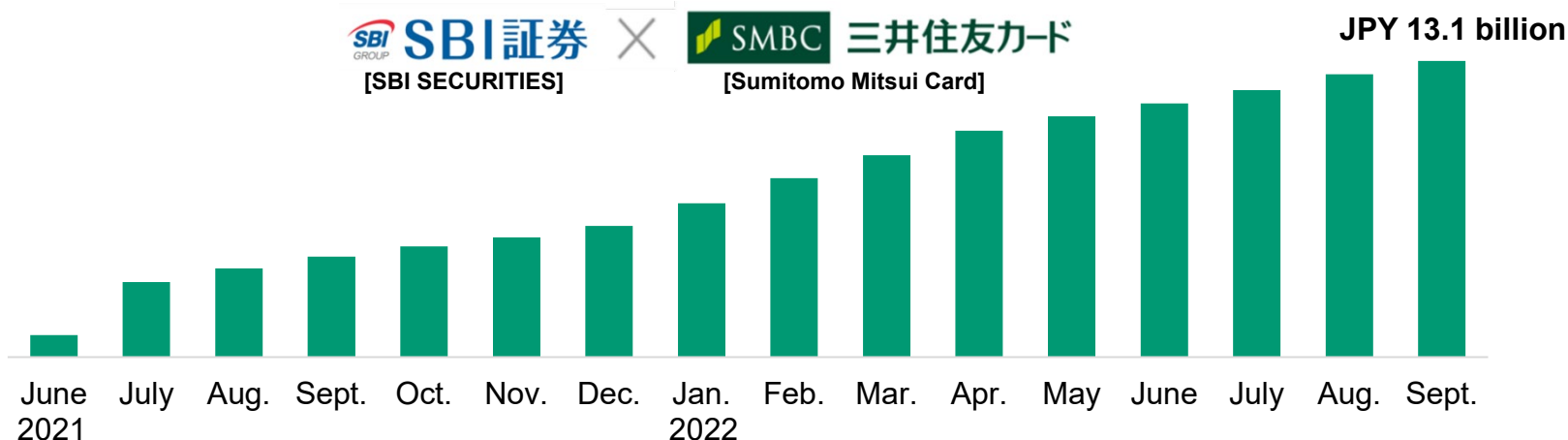


*Figures for balance of investment trusts include domestic and overseas ETFs and foreign currency-denominated MMFs

Steadily Expanding Investment Trust Accumulation Service Using Credit Card through Tie-up with Sumitomo Mitsui Card

- From June 30, 2021, SBI SECURITIES and Sumitomo Mitsui Card (SMCC) launched the **“Sumitomo Mitsui Card Funded Investment” service**, which purchases investment trust accumulation at SBI SECURITIES with credit cards issued by Sumitomo Mitsui Card
- One year after the service was launched, the total amount of accumulated funds through the service reached JPY 13.0bn and the number of accounts exceeded 380 thousand accounts
- The “SBI SECURITIES V Point Service,” which allows customers to earn points according to their transaction status exclusively for SMCC intermediary customers, and an application to open a SBI SECURITIES account through automatic linkage of necessary information upon enrollment in the SMCC program to be launched. The “V Point Investment” service, which allows V Points to be used for the purchase of investment trusts, started from May 30

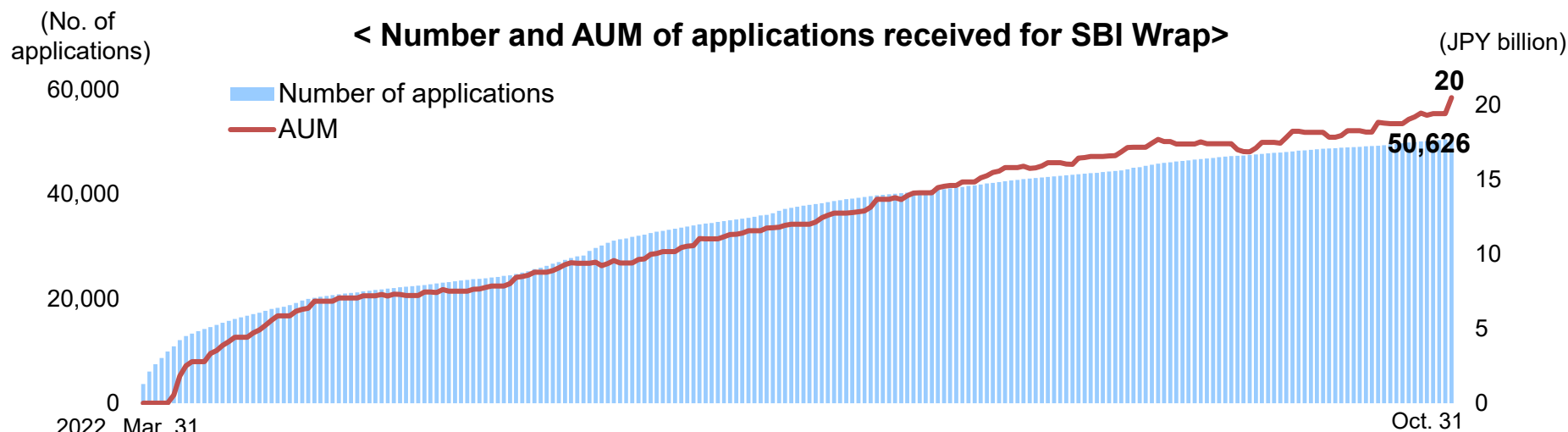
Changes in the amount of accumulated funds through “Sumitomo Mitsui Card Funded Investment” service



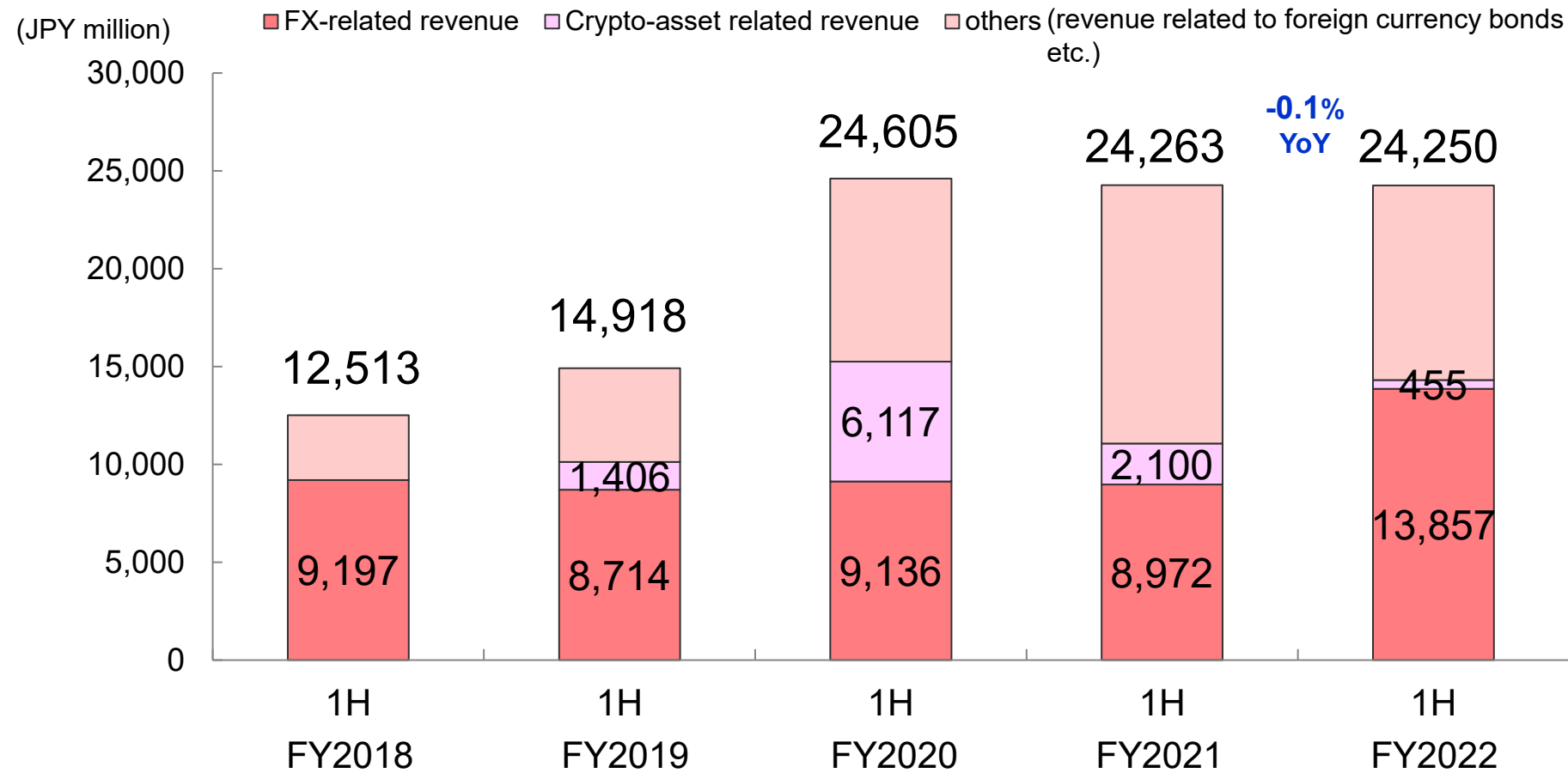
Fully Automated AI Investment “SBI Wrap” is a Major Favorite

- Applied amount exceeded JPY20 billion in just seven months since the service launched-

- In Aug. 2021, SBI Group acquired shares of **FOLIO Holdings, Inc.** the parent company of FOLIO Corporation, which provides the discretionary management platform system “4RAP” for thematic investment and wrap management, etc., and made it a consolidated subsidiary of the SBI Group (added under the Financial Service Business segment)
- SBI SECURITIES and FOLIO jointly developed “SBI Wrap” service using “4RAP”, a discretionary investment management system platform provided by FOLIO of the SBI Group, starting Mar. 31, 2022. “SBI Wrap” **surpassed JPY 20bn in assets under management in just seven months since service launch**
- In addition, the development of FOLIO’s products and services for financial institutions and business corporation where the SBI Group is strengthening its alliances with, has already received some offers



Trading Revenue Becomes One of the Pillars of Revenue by Strengthening of FX Business



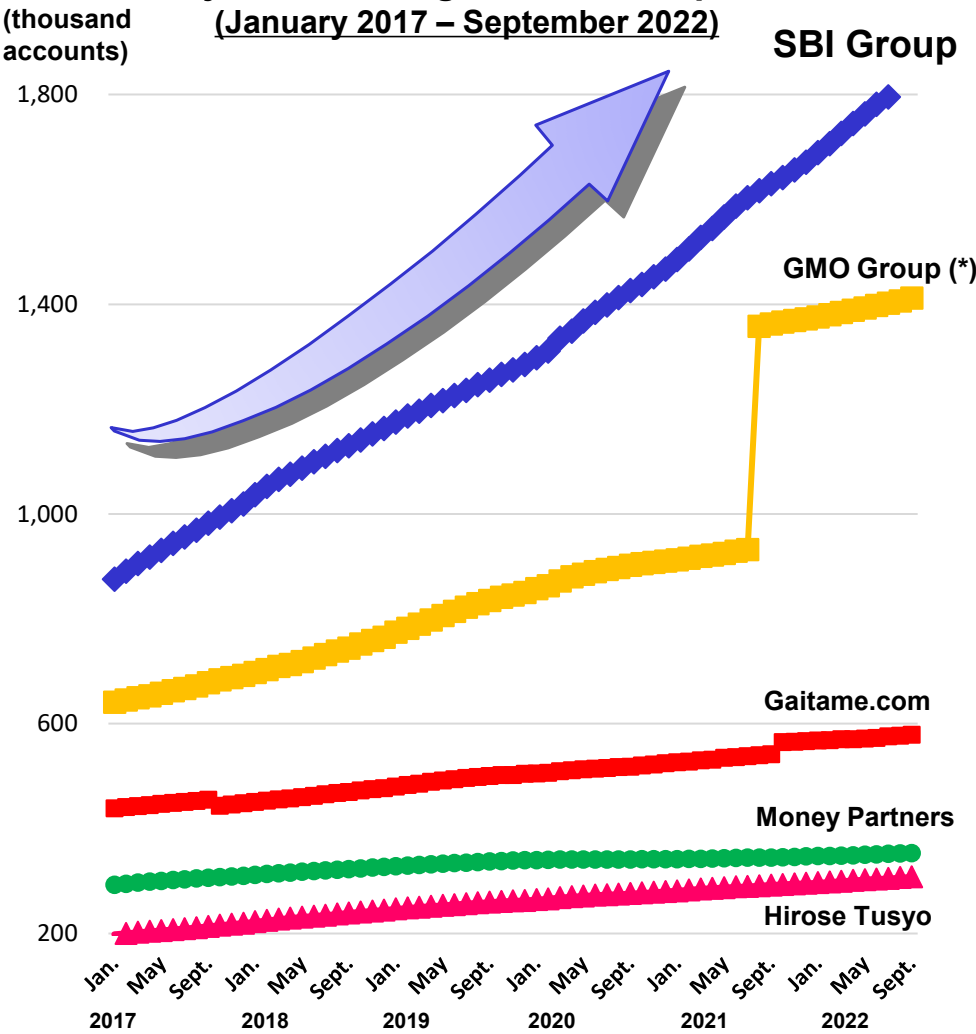
SBI VC Trade will not be consolidated by SBI SECURITIES from 3Q FY2022 due to an intra-group reorganization that transfers SBI VC Trade under the intermediate holding company for Crypto-asset Business

③ Increase of trading revenue

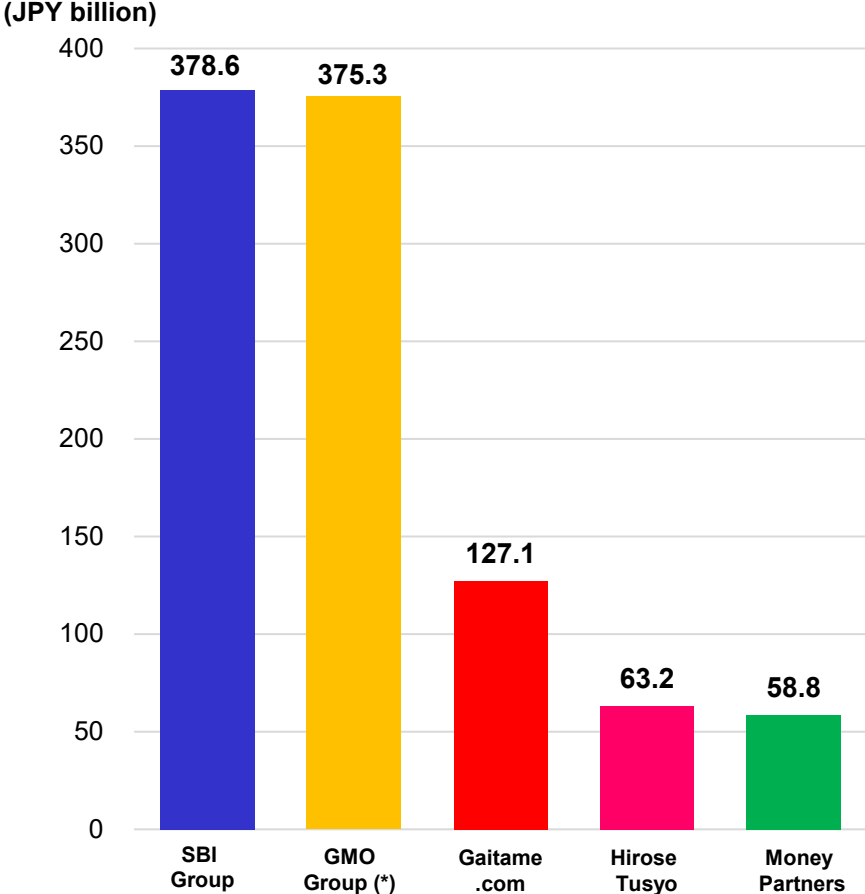


The SBI Group (SBI SECURITIES, SBI FXTRADE and SBI Sumishin Net Bank, SBI NEOMOBILE SECURITIES) has the Largest Total Number of Accounts and Customer Margin Deposits in the Industry

Changes in the number of accounts among 5 major FX Trading Related Companies

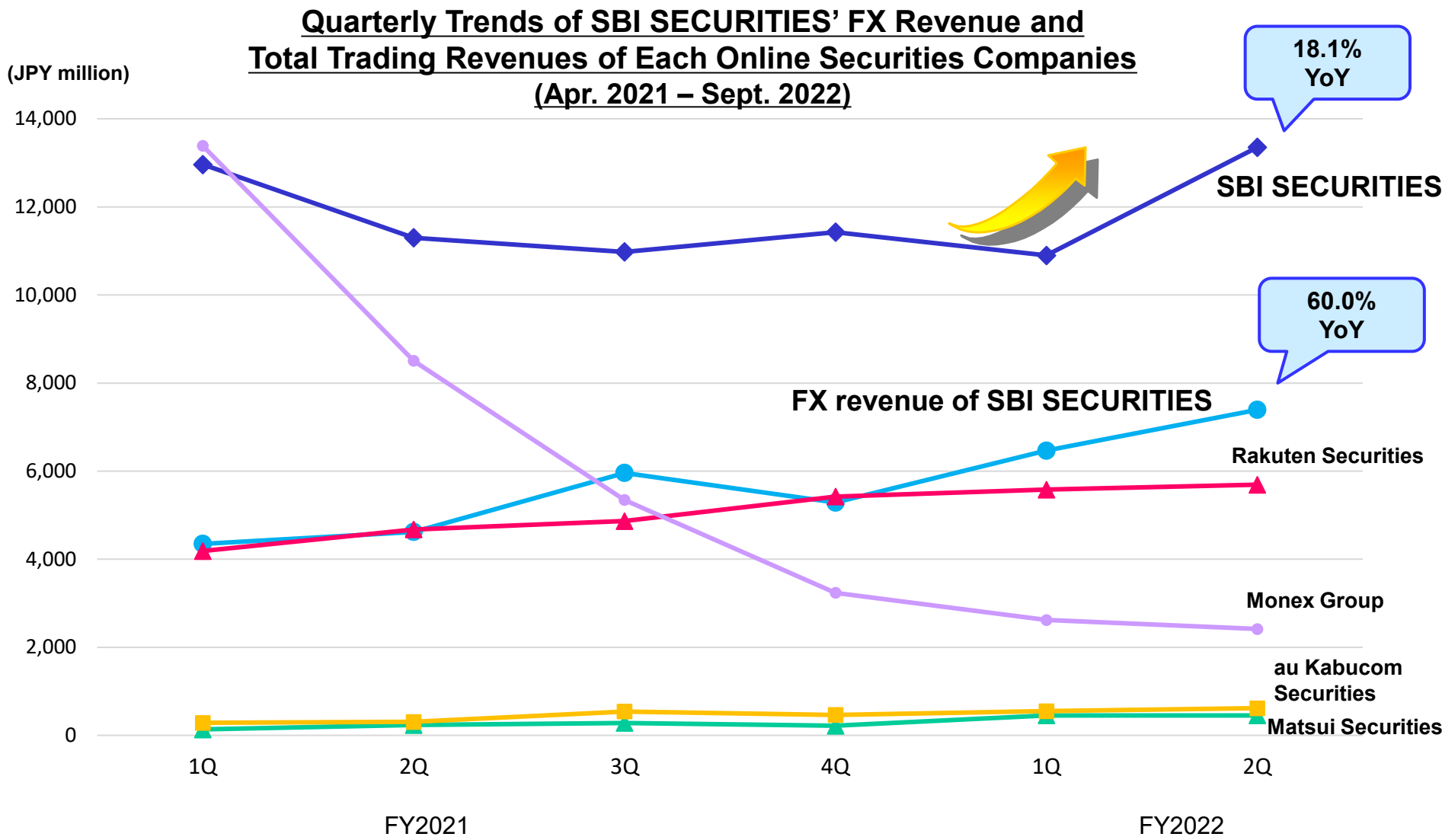


Customer Margin Deposits of FX Trading Related Companies (as of end of September 2022)



(*) Figures of GMO CLICK Securities, FX PRIME by GMO and GaikaEX by GMO (Formerly YJFX!, which joined the GMO Group in Sept. 2021) are combined and listed as "GMO Group" for reference

SBI SECURITIES' FX Revenue Exceed the Total Revenues of Each Online Securities Companies

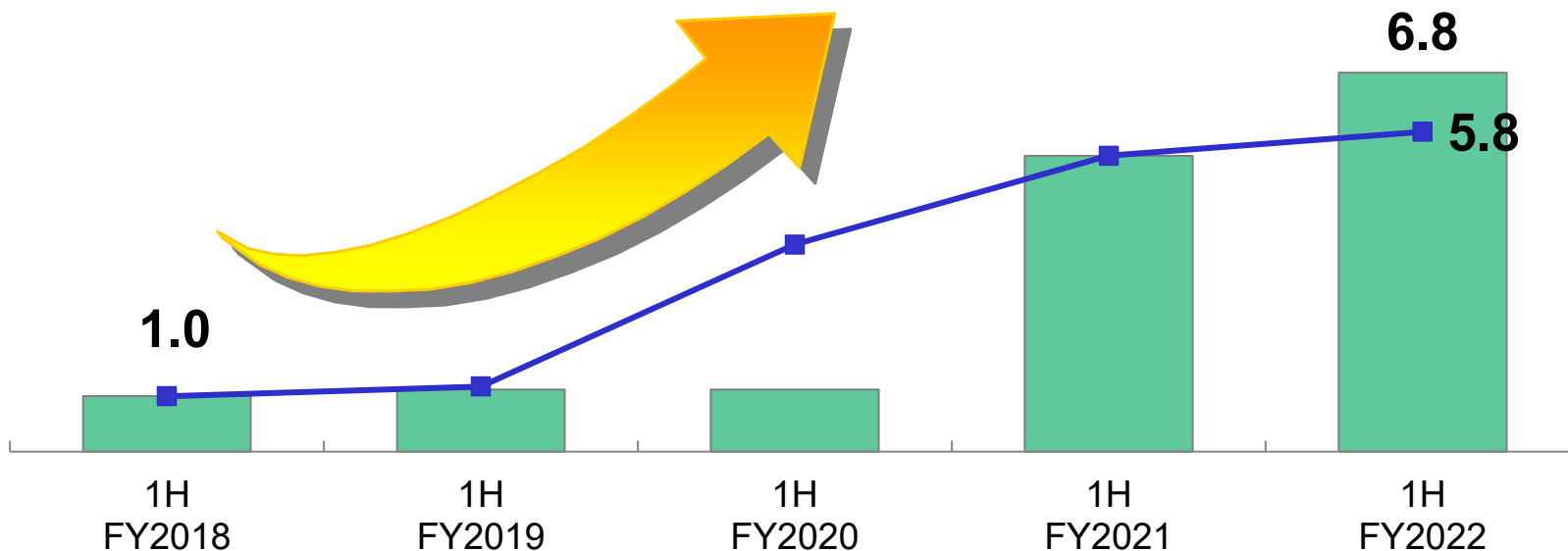


Trend of SBI SECURITIES' Foreign Stock Trading Value and Revenue

■ Foreign Stock Trading Volume

■ Revenue

* Foreign stock trading value index for 1H FY2018 = 1.0



- **Trading Value and Revenue of foreign stock reached record highs for 1H FY2022**
- **In October, began offering “market and stop-loss orders” for margin trading of U.S. stocks; strive to further expand its foreign trading services**

SBI SECURITIES Achieves 100% Underwriting Involvement; Steady Expansion of POs and Corporate Bonds Underwriting

Underwriting share of 100% is an industry-leading figure

- Between Apr. 2022 through Sept. 2022, SBI SECURITIES underwrote for 3 companies as lead manager

IPO Underwriting Ranking (Apr. 2022 – Sept. 2022)

37 companies were listed during the period

Company Name	No. of cases	Underwriting Share (%)
SBI	37	100
Rakuten	25	67.6
Monex	23	62.2
Matsui	20	54.1
Nikko	19	51.4
Mizuho	18	48.6
Daiwa	18	48.6
Nomura	16	43.2
IwaiCosmo	16	43.2

PO underwriting business

During 1H FY2022, SBI SECURITIES underwrote 6 POs



Will endeavor to strengthen the PO underwriting business by continuously focusing on acquiring lead underwriting mandates

Corporate bond underwriting business

Underwrote a total of 24 projects including Tohoku Electric Power Company bonds



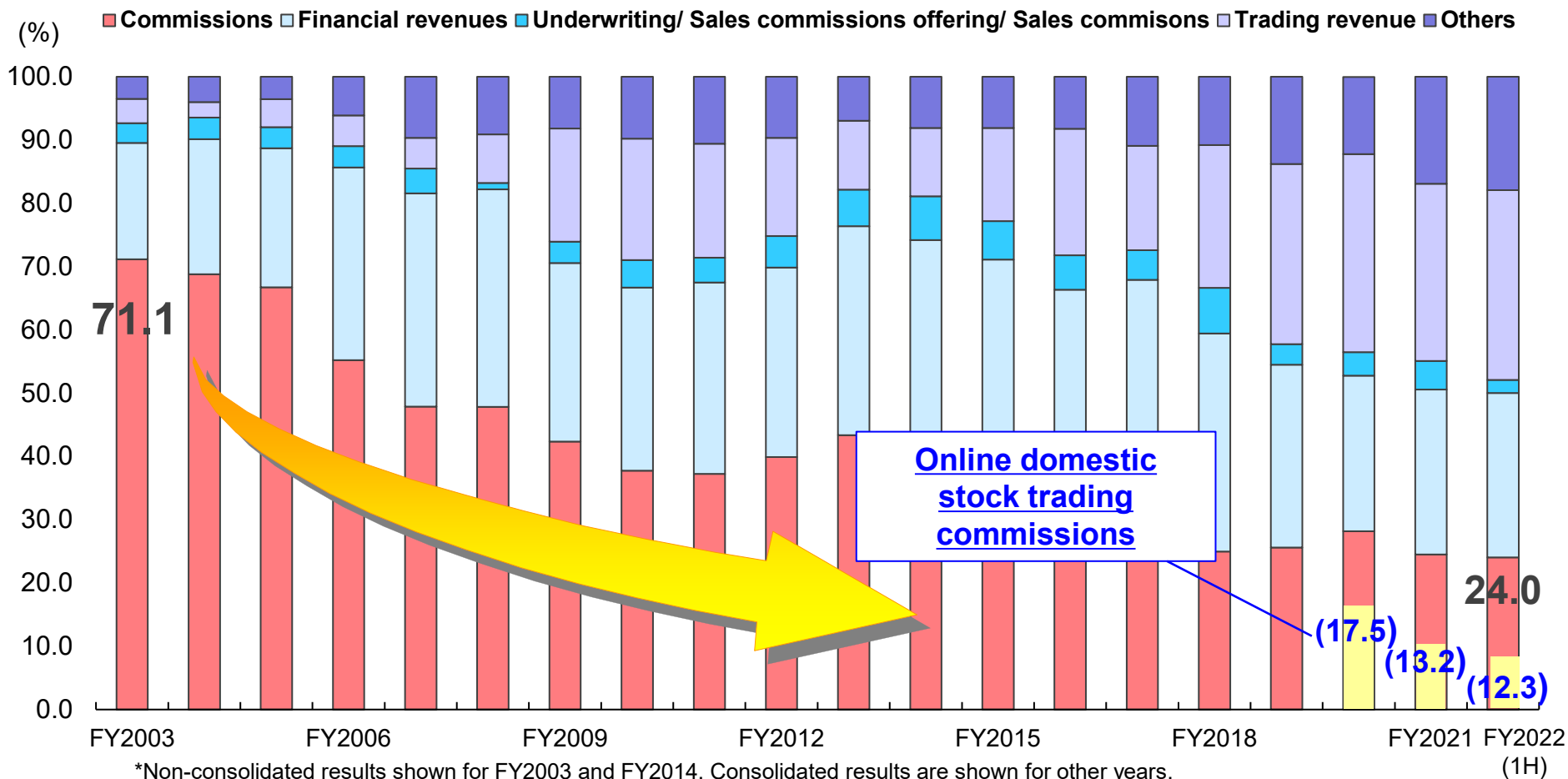
Expanded underwriting of new public bonds, including electricity bonds

*The above IPOs represent issues underwritten in Japan only and do not include additional secondary offerings or overseas issues.

*The data was compiled by SBIH based on each company's published information.

Trends in the Composition of Operating Revenue (Net Sales) of SBI SECURITIES

- Decreased the ratio of domestic stock brokerage commissions from online trading, which is subject to the commission-free system, to 12.3% of operating revenues-



Neo-securities Initiatives expected to realize in 1H FY2023, provided the system can be strengthened to handle the increased number of transactions through Neo-securities Initiatives

(2) SBI SECURITIES has successfully established a **dominant position in the industry through the customer-centric principle and diversification of revenue sources**

- ① Comparison of operating income with major securities companies**
- ② Comparison of performance with online and mid-tier securities firms**
- ③ SBI Group's share of individual stock trading value**
- ④ Number of securities accounts of SBI Group**
- ⑤ Groupwide growth expected from Neo-securities Initiatives**

Comparison of Operating Income with Major Securities Companies for 1H FY2022

- SBI SECURITIES' operating income surpasses a
those of major securities companies -

(Unit: JPY million)

	1H FY2021 (Apr. 2021 – Sept. 2021)	1H FY2022 (Apr. 2022 – Sept. 2022)	YoY % Change/ YoY change
SBI SECURITIES	27,584	26,347	-4.5
Nomura Securities	46,170	19,946	-56.8
Daiwa Securities	45,497	-2,964	-48,461 (JPY million)
SMBC Nikko Securities	37,878	-18,649	-56,527 (JPY million)

* All figures are based on J-GAAP

Source: Compiled by SBIH from the information on websites of each company

Comparison of 1H FY2022 Financial between Online Securities, Second-tier and Mid-tier Securities

(Unit: JPY billion)

		Net Operating Revenue	Ordinary Income	Net Income
Online securities	SBI SECURITIES (consolidated)	74.8	26.3	17.3
	Rakuten Securities (consolidated)	44.8	8.6	5.3
	Matsui Securities (non-consolidated)	13.9	5.7	3.9
	Monex Group (consolidated)	36.2	1.1	1.2
	au Kabucom Securities (non-consolidated)	8.8	5.0	1.4
	GMO Financial Holdings (consolidated)	20.6	5.0	0.1
Second-tier, mid-tier Securities	IwaiCosmo Holdings (consolidated)	9.5	2.3	1.8
	Tokai Tokyo Financial Holdings (consolidated)	36.6	2.8	0.8
	Ichiyoshi Securities (consolidated)	8.5	0.7	0.5
	Marusan Securities (consolidated)	7.4	0.03	0.3
	Okasan Securities (consolidated)	32.8	-1.0	0.03
	Mito Securities (consolidated)	5.7	-0.03	0.17
	Aizawa Securities (consolidated)	5.6	-0.9	-1.5

Note 1: Monex Group use IFRS; the amount of Monex Group "Operating income" represented above is "The amount equivalent to operating income" disclosed by Monex

Note 2: GMO Financial Holdings and Rakuten Securities has a fiscal year that ends in Dec., so figures for the period from Apr. 2022 to Sept. 2022 are used

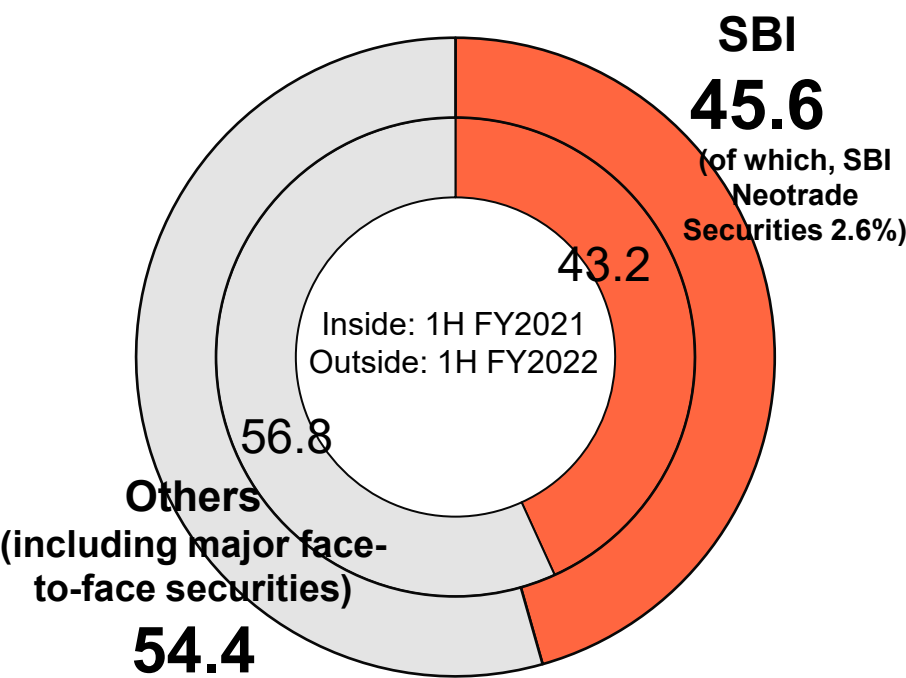
Note 3: Complied by SBIH from the information on websites of each company

Note 4: Second-tier, mid-tier Securities companies are listed as those with net operating revenues of at least JPY 5bn

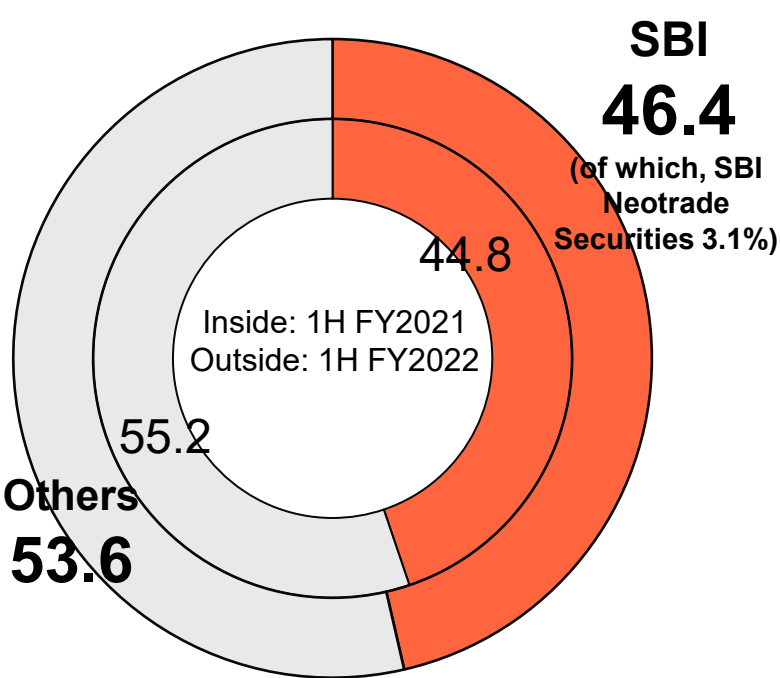
SBI Group's Share of Individual Stock Trading Value

Exceeds 45% and Further Expanding

Share of Individual Stock Trading Value (%)



(of which) Share of Individual Margin Trading Value (%)



<Shares are calculated with the individual stock trading value and individual margin trading value of both the markets combined, including that of ETF and REIT trading value, respectively>

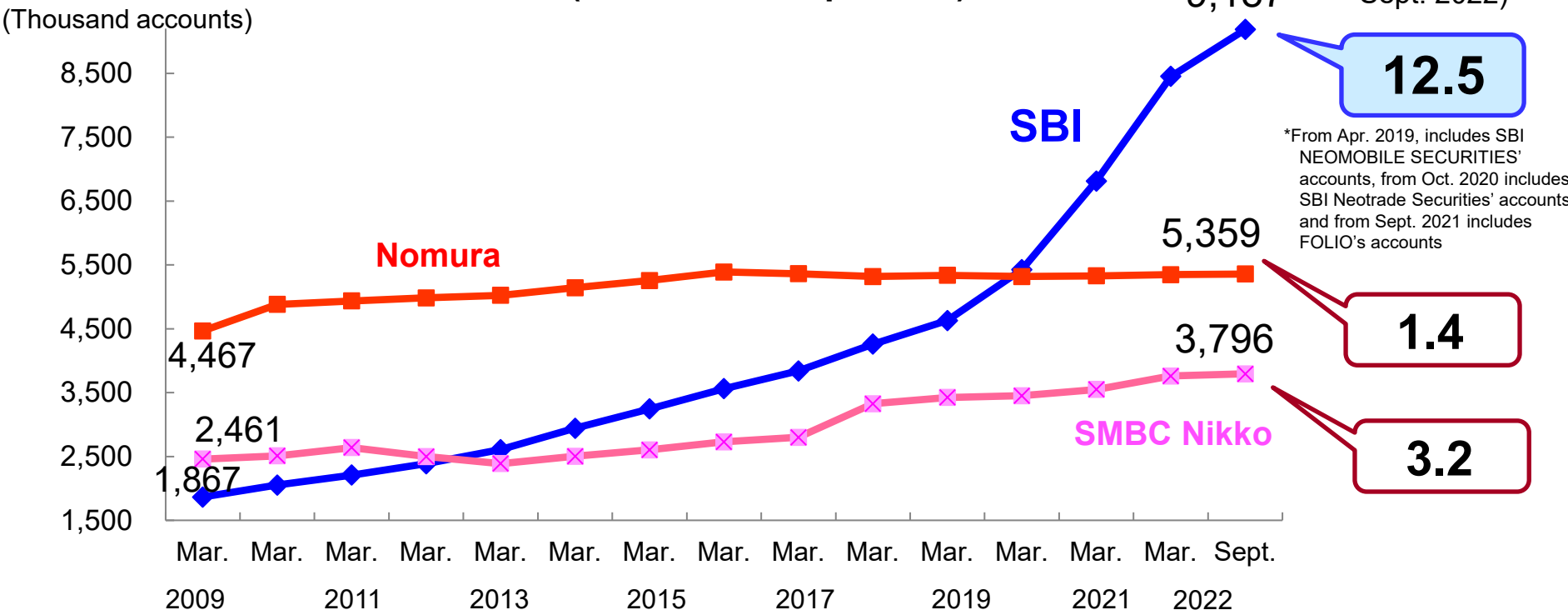
* Shares are calculated by dividing each company's individual stock trading value or individual margin trading value with the whole individual stock trading value and individual margin trading value of the Tokyo Stock Exchange etc., including that of ETF and REIT trading value, respectively
Source: Compiled by SBI SECURITIES based on statistical data by Tokyo Stock Exchange and websites of each company.



SBI Group Has the Largest Number of Accounts in the Industry

Trend of the Number of Accounts of SBI Group and Major Face-to-face Securities Companies

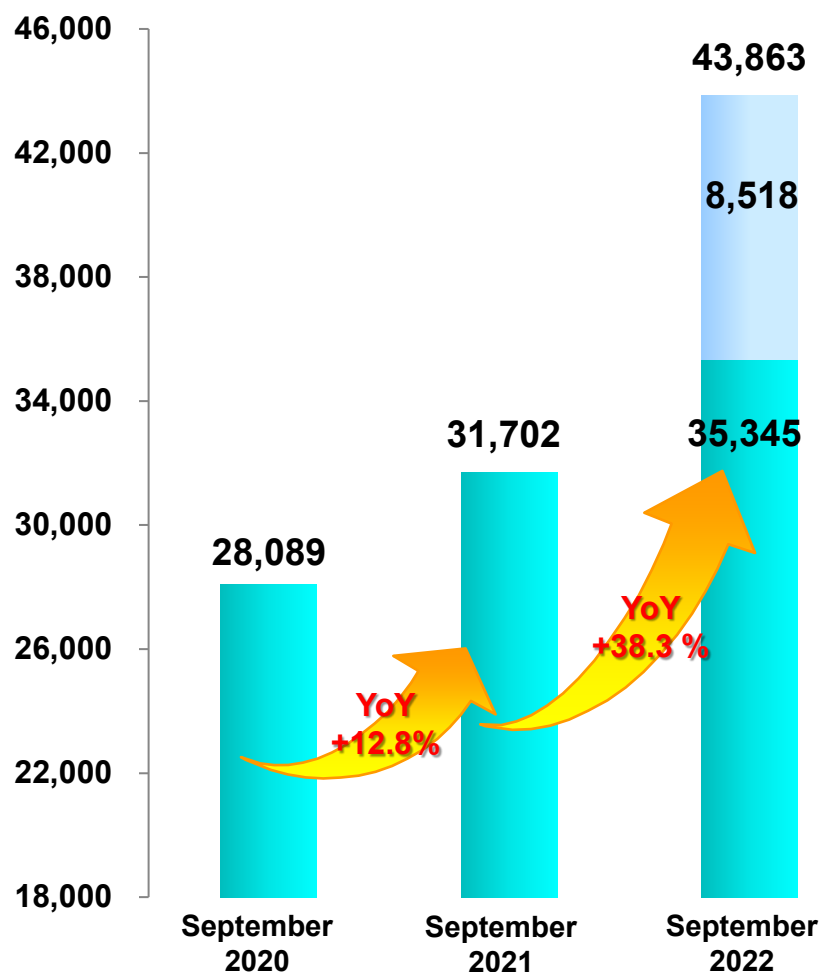
(Mar. 2009 – Sept. 2022)



Neo-securities initiative is expected to further increase the number of accounts

The SBI Group Has a Customer Base of Just Under 44 Million

(thousand)



Breakdown of the Customer Base
(As of the end of September 2022)*1,2

(thousand)

SBI SECURITIE SBI NEOMOBILE SECURITIES SBI Neotrade Securities FOLIO	(No. of accounts)	9,187
SBIH InsWeb	(No. of customers)	10,624
E-LOAN	(No. of customers)	3,234
MoneyLook	(Total no. of customer registrations)	950
Morningstar Japan	(Total no. of service users) *3	1,279
SBI Sumishin Net Bank	(No. of accounts)	5,734
SBI Insurance	(Total no. of contracts)	1,175
SBI Life Insurance	(Total no. of contracts) *4	351
Others (SBI VC Trade etc.)*5		2,810
Shinsei Group*6		
Shinsei Bank	(No. of accounts)	3,060
Lake business	(No. of customers)	842
APLUS	(No. of active cardholders)	4,335
Showa Leasing	(No. of contracts)	281
Total	—	43,863

*1 Customers who are not identified as the same person within each service website and overlapping customers among the Group companies may be double counted

*2 Owing to the reorganization, customer numbers of the Group companies, which were excluded from consolidation, are not included in the figures for the past customer bases


*3 Includes the number of smartphone app downloads, as provided by Morningstar Japan

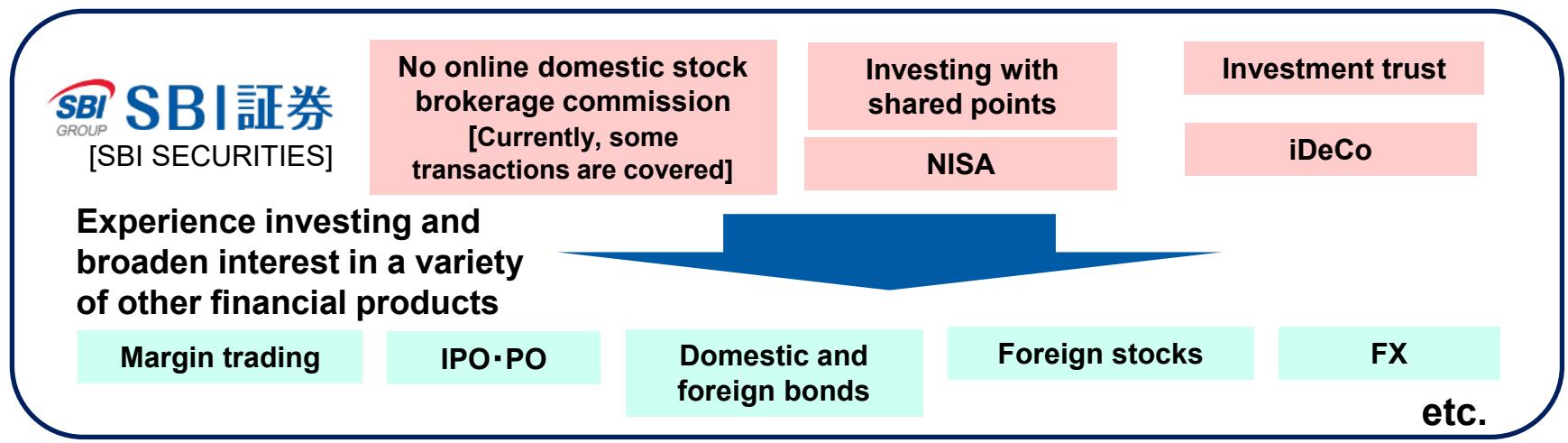
*4 The total number of contracts of SBI Life Insurance includes number of insured persons with group credit life insurance

*5 Customers of "SBI Point" provided with SBI iD members have been removed because the service is no longer available

*6 Categories extracted as Shinsei Group's customer base are changed from Mar. 2022

The Neo-securities Initiative will not only Contribute to the Expansion of SBI SECURITIES' Business Beyond Domestic Stock Trading Through Online Trading, but also to the Expansion of the Group's Overall Customer Base

Individual Customers  Opened an account at SBI SECURITIES and participated in investment, attracted by commission-free domestic stock trading and investment with shared point programs



Introducing customers to other group companies by utilizing big data, etc.



[SBI FXTRADE]



[SBI VC Trade]



[SBI MONEYPLAZA]



[SBI Life Insurance]



[SBI Insurance]



[SBI Sumishin Net Bank]









etc.

(3) Entire SBI Group focus on NISA and iDeCo as strategic products

- ① The Japanese government plans to expand the system according to their “Asset Income Doubling Plan”
- ② SBI Group has strategically focused on the NISA
- ③ Initiated iDeCo initiatives from early stage
- ④ SBI SECURITIES is the Industry Leader in the Cumulative Number of iDeCo

The Government Plans to Expand and Revise the NISA and iDeCo Systems as Pillars of Its “Asset Income Doubling Plan”

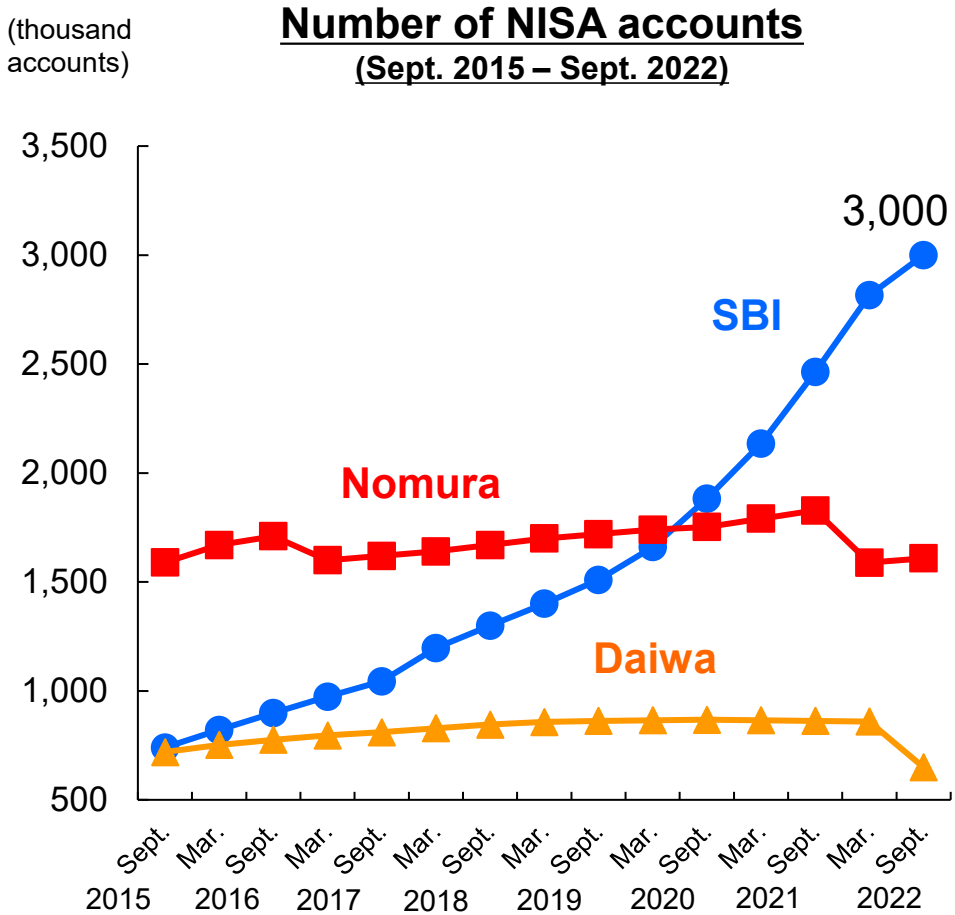
Newspaper article

The goal is to **double the total number of small investment tax-exempt accounts (NISA) to 34 million and the amount invested to 56 trillion yen over the next five years**. The plan also includes **making the system permanent and indefinitely extending the period during which tax-exempt investments can be held**. The goal is to increase personal income through investment income, while at the same time channeling JPY 2,000 trillion in personal financial assets into growth investments.

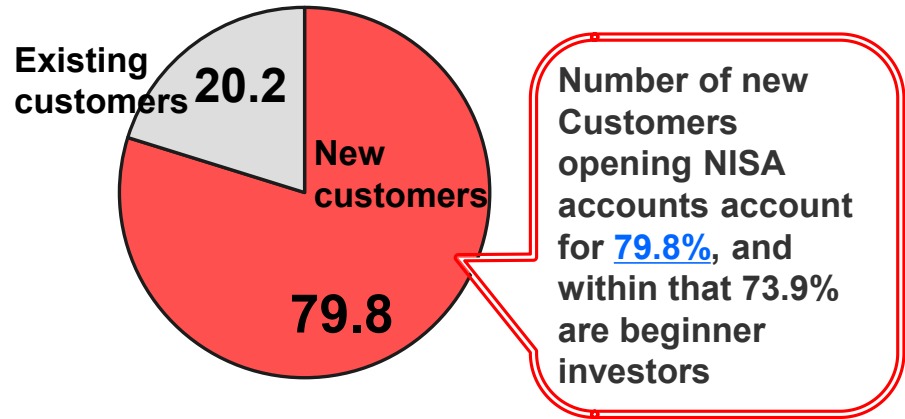
- The “**workplace accumulation NISA**” is an attempt by the FSA, which administers the NISA program, to create an environment where it is easy to start investing
- For the Individual Defined Contribution pension (iDeCo) plan, considerations are underway to extend the upper age limit for application to 70, which is currently under 65, and raise the limit of contribution amount and the starting age of retirement benefits

(The Nikkei Morning Edition, November 25, 2022)

SBI SECURITIES has Focused on NISA Initiatives as an Important Strategic Field



NISA's customer attribute of SBI SECURITIES (%)



SBI SECURITIES' number of Junior NISA accounts reached 272 thousand accounts, accounting for approx. 30% of the entire securities industry's Junior NISA accounts

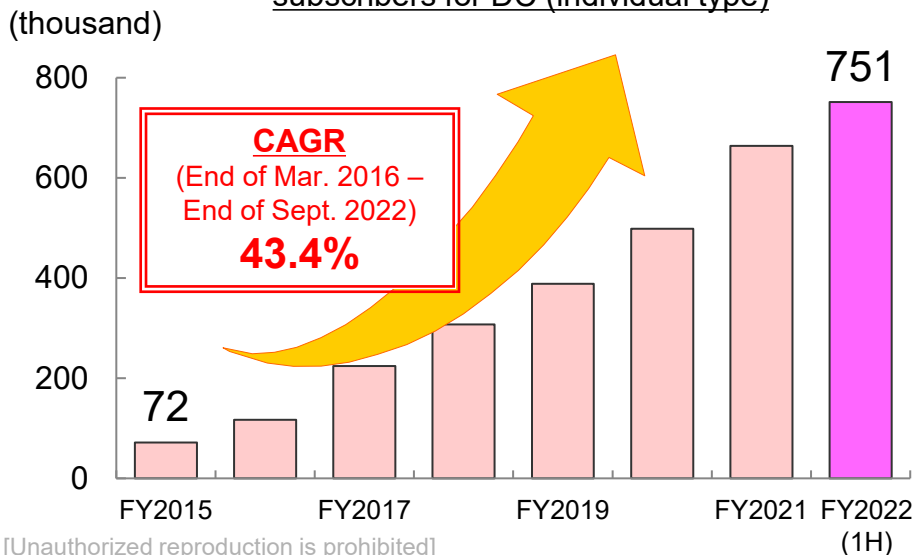
*1 Includes the number of Junior NISA accounts
*2 Amounts are rounded to the nearest JPY 10 thousand
*3 The number of accounts are as of the end of June 2022, compiled by SBIH from the information on website of each company
*4 Nomura Securities excludes from March 2022, and SBI and Daiwa Securities will **exclude accounts deemed discontinued** from FY2022

SBI Benefit Systems Initiated iDeCo Initiatives from Early Stage and Steadily Increasing the Number of Subscribers

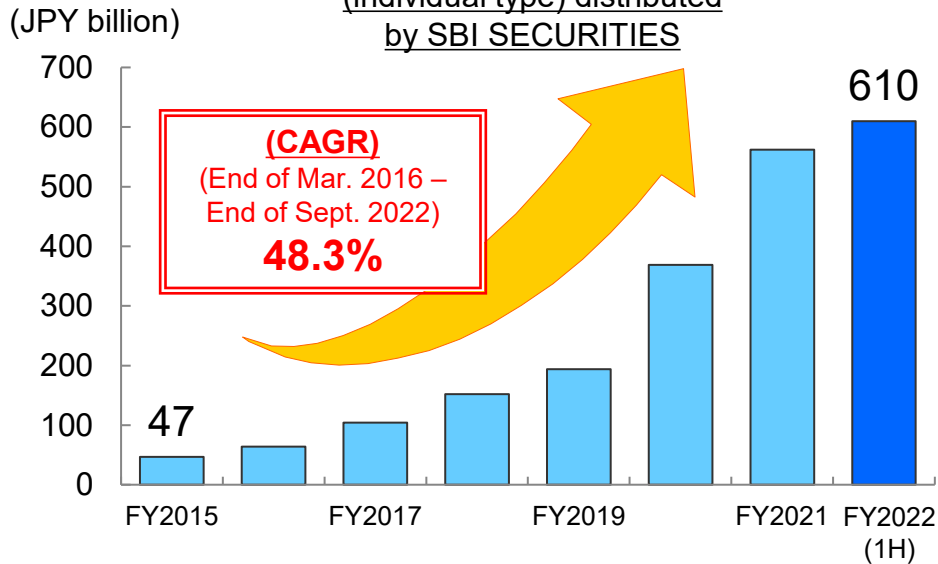
The SBI Group **focused on the Individual Defined Contribution (iDeCo) pension business** through SBI Benefit Systems (est. 2001), well before expectations for the market size to expand as a result of revisions in the regulation in Jan. 2017

- **SBI SECURITIES** **administrative fees for iDeCo became completely free of charge** on May 19, 2017, in order to further expand iDeCo business
- Number of requests for iDeCo information materials also remains high

Cumulative number of SBI Benefit Systems subscribers for DC (individual type)

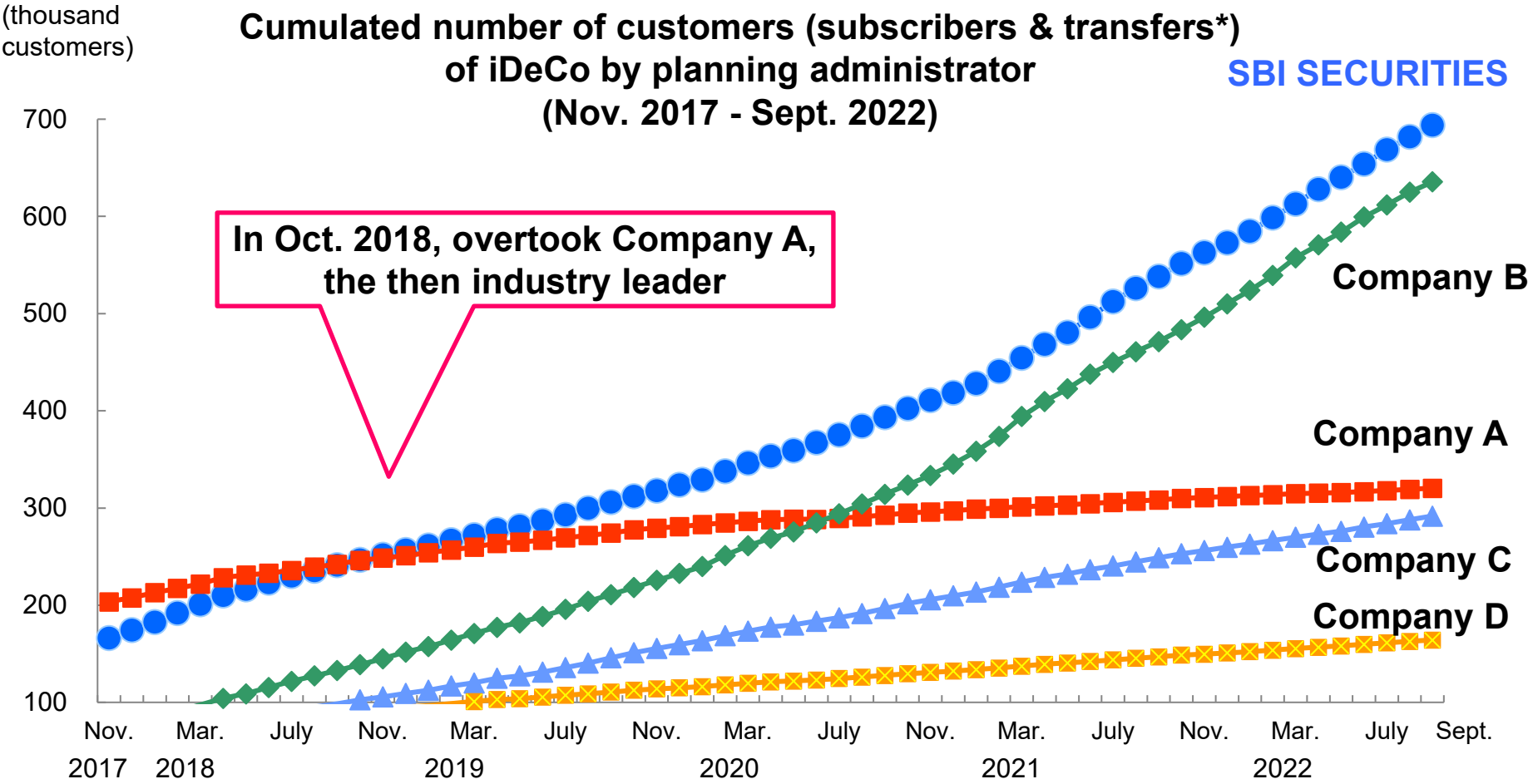


Balance of investment trust for 401K (individual type) distributed by SBI SECURITIES





SBI SECURITIES is the Industry Leader in the Cumulative Number of Individual Defined Contribution Plan (iDeCo) Customers



* Cumulative total number of subscribers and transfers announced by the National Pension Fund Association
Source: Briefing paper of the National Pension Fund Association (partially includes estimates by SBI)

(4) SBI Group continues to lead the further change in the securities industry

- Full-scale efforts to loosen the regulations to revitalize PTS (Proprietary Trading System) in Japan and to popularize next-generation financial products including Security Token (STs) -**

Concluded a Memorandum of Understanding with U.S. Cboe Global Markets, Which Operates the Chicago Board Options Exchange (Announced October 26, 2022)

Cboe entered the Japanese PTS (Proprietary Trading System) operating business by acquiring a PTS Cboe Japan Limited (formerly Chi-X Japan Limited) in July 2021

Newspaper article

- Cboe CEO Edward Tilly said that through the collaboration, **“We will face the (Japanese) regulators and customers and encourage changes in the market structure”**
- He expressed hope that the alliance with SBI, which operates a PTS, would **“increase our competitiveness to the Tokyo Stock Exchange (TSE)”**
- Mr. Tilly said, **“I would like to take a lead so that we can compete on the same level as the TSE”**

Discussions will be held with a view to forming a business alliance, not only in the PTS operation business, but also in the global digital finance field, with a focus on Japan and the U.S.

(The Nikkei Morning Edition, October 26, 2022)

Osaka Digital Exchange (ODX) is Making Steady Progress to **Establish a Secondary Market for Security Tokens**, a Next-generation Financial Product while Operating the Equity PTS

Osaka Digital Exchange



SBI Group: 70%
Sumitomo Mitsui Financial Group: 20%
Nomura Holdings: 5%
Daiwa Securities Group: 5%

- Osaka Digital Exchange obtained authorization to operate a PTS in Apr. 2022 and **began operating the equity PTS in June 2022**
- **Trading value is about JPY 30bn to 35bn per day (around 1% share)**, and five securities companies including SBI SECURITIES have connected as of Nov. 2022. Promoting efforts to further increase trading value and the number of connected securities company

Endeavor to **launch services to establish a secondary market that is indispensable for the development of ST market by the end of 2023**, based on the experience gained through operating the equity PTS. **Connection ST issuance platform** such as “Progmatt,” operated by Mitsubishi UFJ Trust and Banking Corporation, and “ibet for Fin,” operated by ibet for Fin Consortium, **are also under preparation**

SBI Group Provides Multifaceted Support for Establishment of ST Market

Contributing to institutional development through establishing and participating self-regulatory organization and industry organization

Japan STO Association

Japan STO Association, a self-regulatory organization established in Oct. 2019 led by SBI Group, currently has **75 members** (13 regular members, 59 guest members, and 3 supporting members); Continuing to sort out challenges to overcome for sound development of ST market and discuss solutions

ST Research Consortium

Contributed to the formulation of “Proposal on Digital Securities PTS” at ST Research Consortium organized by Mitsubishi UFJ Trust and Banking Corporation. Striving to establish secondary market through **collaboration between “Osaka Digital Exchange” (ODX) and “Progmatt”** and others to solve problems for establishment of secondary market

Track record of ST issuance mainly by SBI SECURITIES

a. Third-party allocation of new shares by SBI e-Sports via an STO (Oct. 2020)

b. First bond STO for general investors in Japan by SBI SECURITIES (Apr. 2021)

c. First public offering of asset-backed STs in Japan by SBI SECURITIES (July 2021)

d. Public offering of asset (real estate)-backed ST by SBI SECURITIES (Dec. 2021, May 2022)

NEW

e. Public offering of STs with residential properties in central Tokyo as investment assets by SBI SECURITIES (Nov. 2022)

- Collaborated with Ichigo Inc. and Mitsubishi UFJ Trust and Banking Corporation on **public offering of asset (real estate)-backed STs** utilizing “Progmatt” provided by Mitsubishi UFJ Trust and Banking Corporation
- SBI SECURITIES will offer to become lead manager and will be provided to **customers who will be mainly individual investors**

Direct Listings are Widespread in the U.S.

In the U.S., **“direct listing”, a listing system that significantly reduces underwriting fees and other costs, is becoming popular**

The Japanese securities market:

- Either the public offering/sale price before listing (open price) is too low or the initial price at the time of listing is too high; (omission) What can be said with certainty in terms of the price of one thing with two price is that investors who acquire at the offer price and sell at the initial price have been close to “wet hands and millet” so far
- **One of the reasons behind the speculation is the rigid listing process. The book-building process, in which investors’ demand is surveyed, has become a mere formality.** Of the 480 companies, 461 had their IPO prices set at the upper end of the provisional terms (price range) offered to investors. The percentage of companies with the upper limit reached 96%. **The provisional terms effectively limit the price formation mechanism in the pre-offering market,** and are the basis for the government's claim that “the IPO price is too low”
- Boosting digital securities using blockchain (distributed ledger) technology would greatly expand access to financing for entrepreneurs

Q4. How is the SBI Group's regional development strategy progressing?

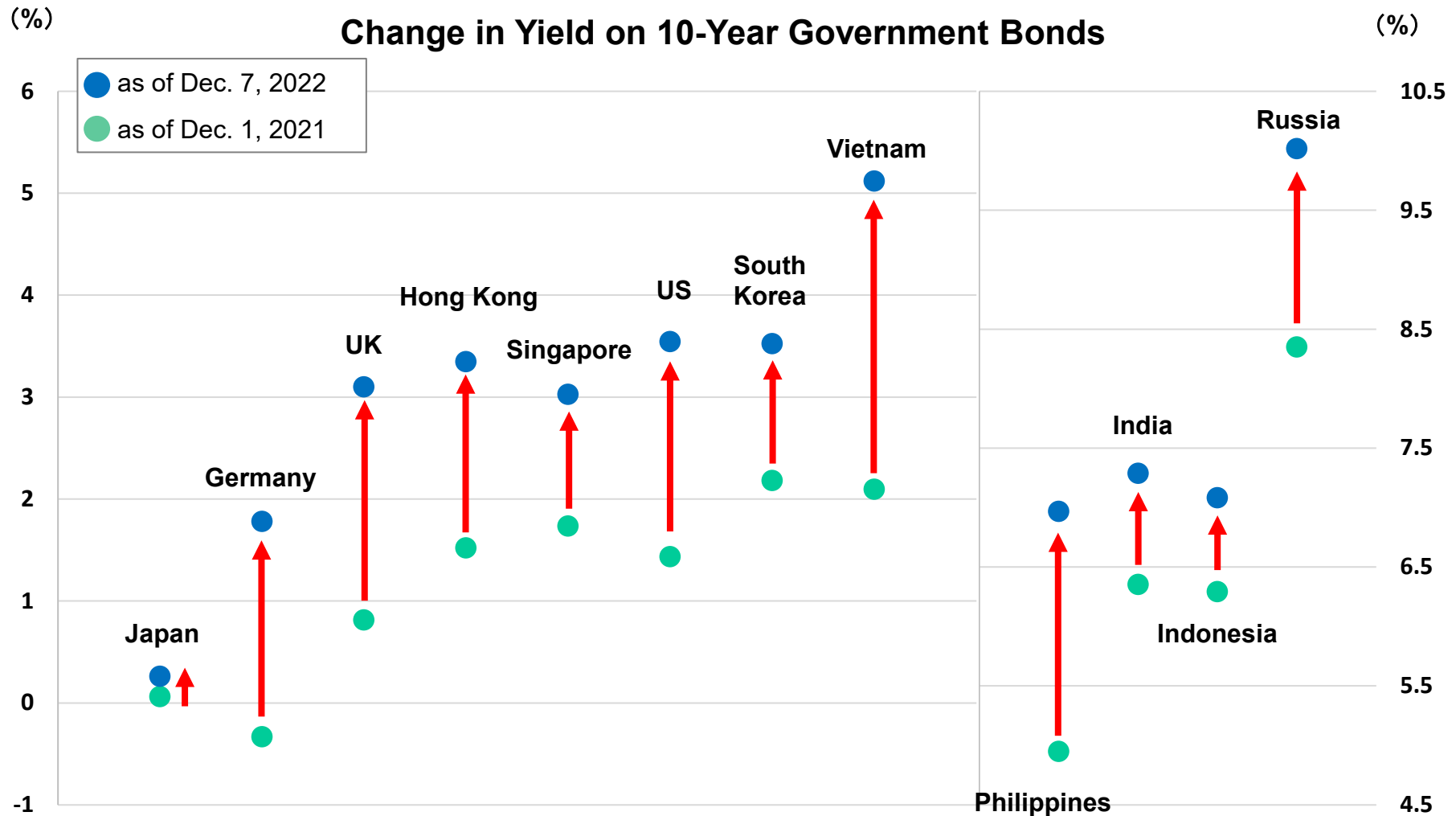
“Regional Revitalization Strategy” of SBI Group Advances to Phase II

- (1) SBI Group’s approach supporting changes in the business environment surrounding regional financial institutions**
- (2) Measures to further improve profitability of regional financial institutions**
- (3) The next step toward realizing regional revitalization**

(1) SBI Group's approach supporting changes in the business environment surrounding regional financial institutions

Signs of Change in the Environment Surrounding Regional Financial Institutions ①

- With interest rates on the rise around the world,
interest rates in Japan are also expected to rise in the near future -

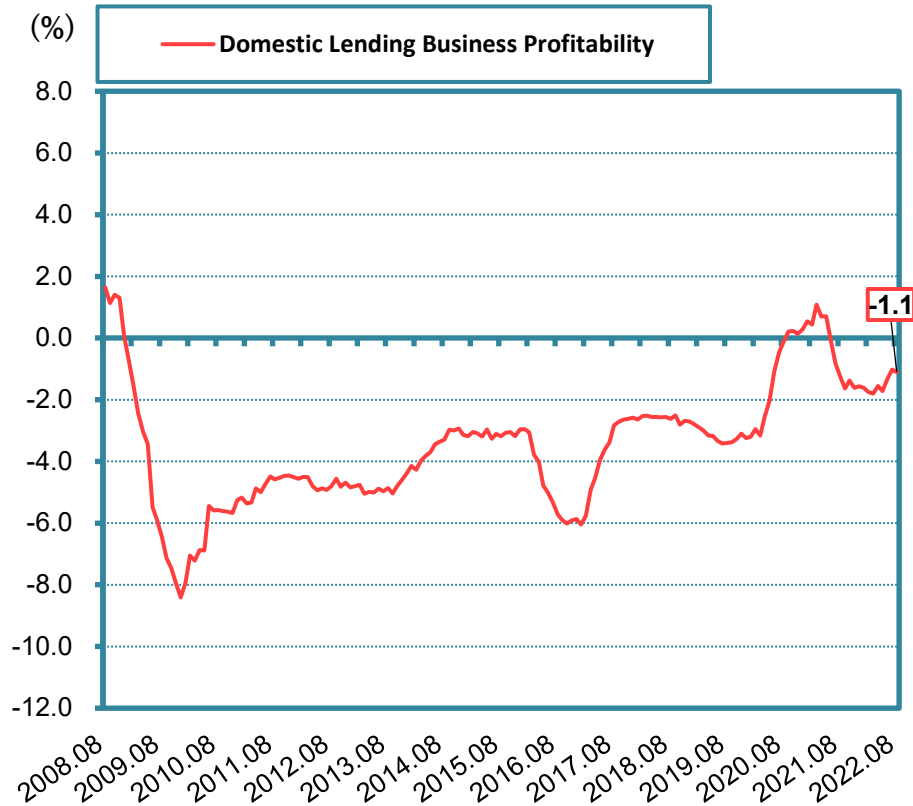
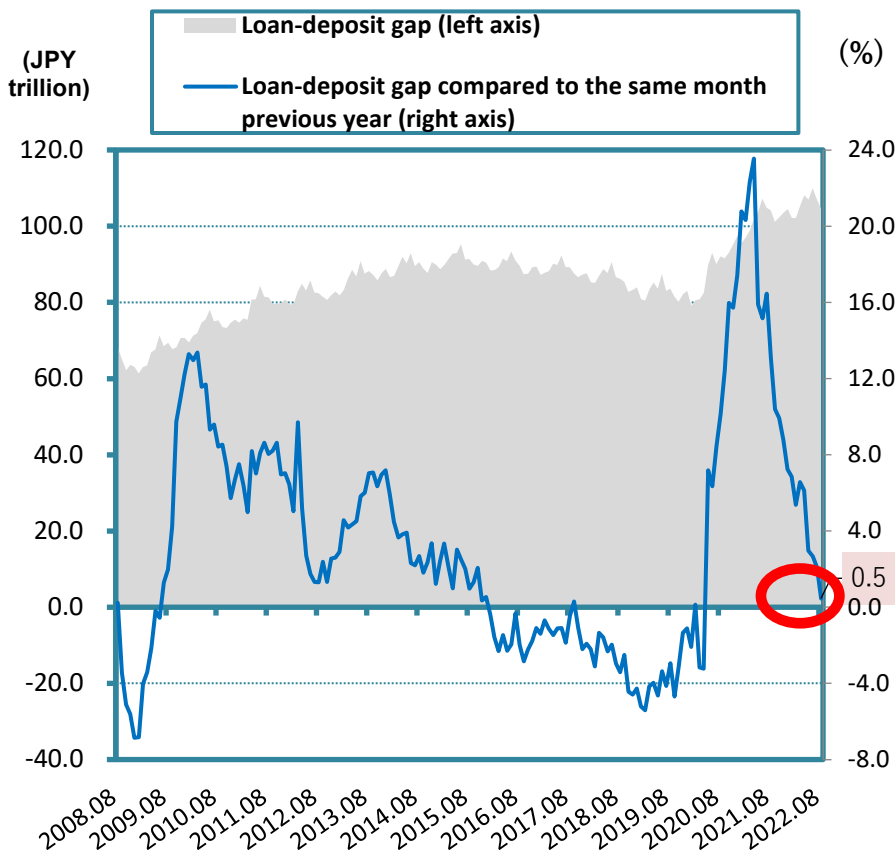


*Quotes from MarketWatch

Signs of the Changing Environment Facing Regional Financial Institutions ②

- ✓ The expanding COVID-19 pandemic has led to a significant increase in the savings gap, but the rate of increase has hit a ceiling
- ✓ Profitability of domestic loan business has recently fallen by 1.1%, but signs of normalization have appeared at regional financial institutions

→ The days of taking it for granted that lending operations are not profitable are coming to an end



Source: Both graphs from Triglav Research Inc.

Signs of Changed Environment for Regional Financial Institutions ③

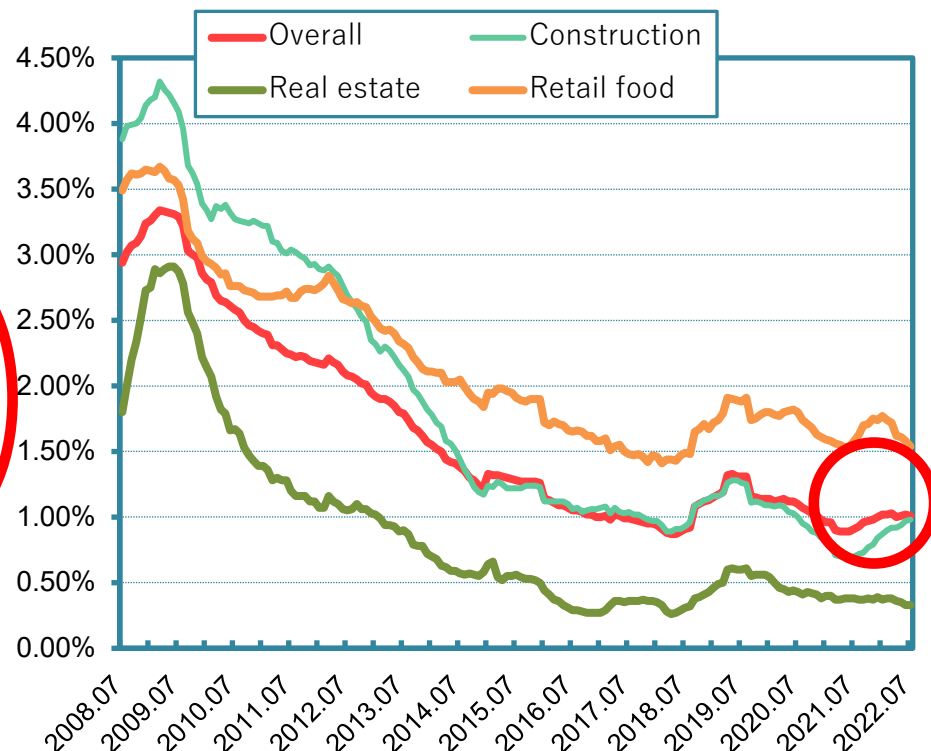
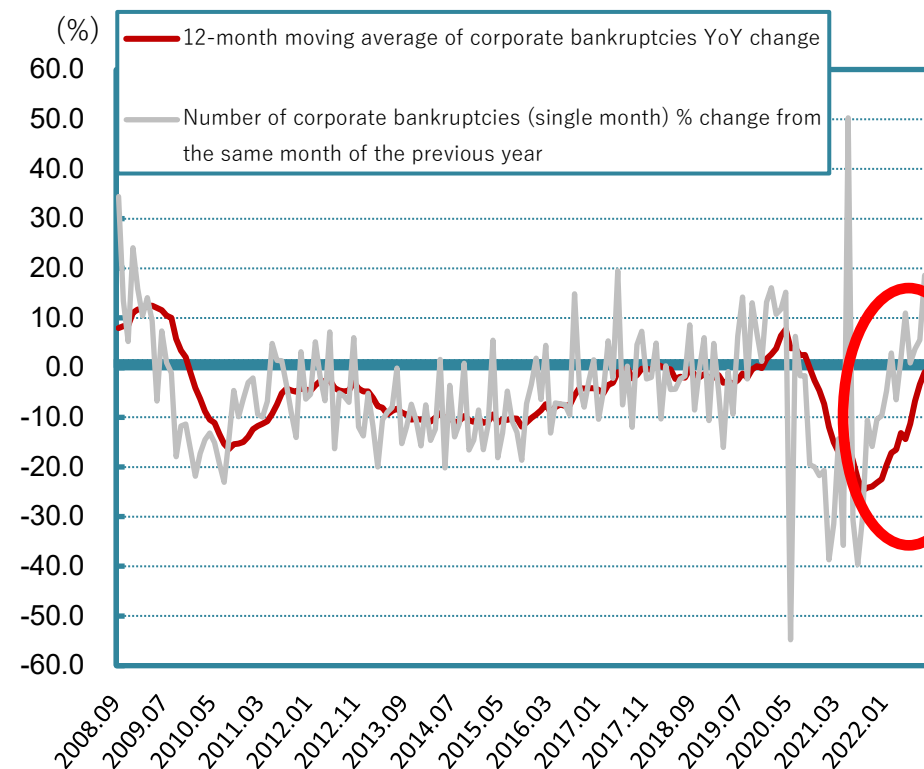
- **High level of credit risk management** called for as zero-zero loans come to an end -

- ✓ Year-on-year change in the number of corporate bankruptcies was -0.9% in September this year, **leaving the impression their downward trend has leveled off**
- ✓ **Business default rate has been on an upward since April, 2022**

Worries over business bankruptcies as pandemic loan repayments start

Long-term trend in business bankruptcy rate

Long-term trend in percentage of business default



Source: Both graphs from Triglav Research Inc.

Changes in the External Environment and the SBI Group's Capital Support in Response to the Changes

Further Strengthening of Capital Alliance

- ✓ In addition to improving profitability and reducing SG&A expenses at each affiliated regional financial institutions, SBI Group actively proposes measures **to restructure lending operations**
 → Based on this perspective, **SBI Regional Bank Holdings plans to underwrite JPY 1.52bn** for the issuance of preferred shares (without voting rights) to be conducted by Shimane Bank on December 28, 2022
- ✓ **If the number of corporate bankruptcies increases in the future**, financial institutions may not be able to conduct sufficient business activities due to the provision of allowance for loan losses
- ✓ The inability of regional financial institutions to make necessary investments and loans in the current environment could have fatal consequences for the local economy



SBI Group intends to further strengthen the capital alliance as long as support by the board of directors

Utilizing the SBI Group to Enhance Credit Risk Management

- Provide management consulting and business restructuring functions -

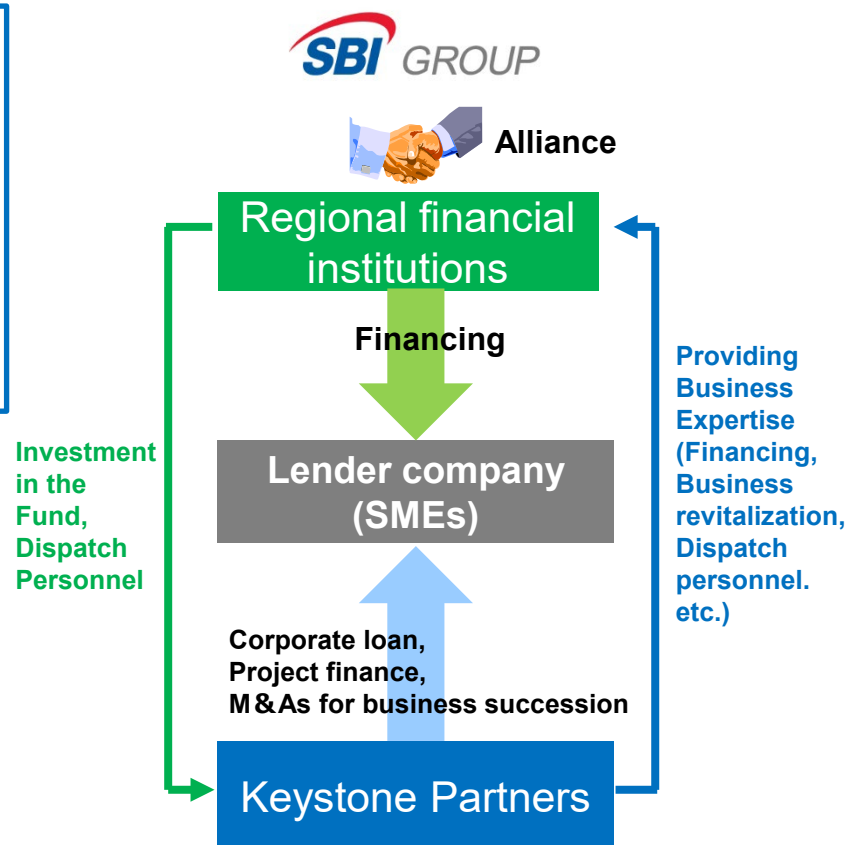
Keystone Partners

- Extensive experience and in-depth knowledge in corporate loans (business and corporate lending), and hands-on support to high-caliber SMEs with significant growth potential, as well as business revitalization
- On Oct. 16, 2020, SBI Holdings acquired 33.4% of Keystone Partners' outstanding shares, **making it an equity method affiliate of SBI Holdings**

[Collaboration details]

- Offer Keystone Partners the opportunities of the SBI Group's investments, loans, management consulting and business revitalization projects to consider
- Along with the SBI Group's investments into a new fund by Keystone Partners, will leverage its network of regional financial institutions and business corporations to support Keystone Partners' fundraising and other activities
- Personnel exchange and mutual utilization of solutions between the two companies

[Image of Business Collaboration]



Provide opportunities for regional financial institutions to invest in the fund and reduce credit costs to the borrowers

(2) Measures to further improve profitability of regional financial institutions

- ① **Reform of management infrastructure, including a fundamental review of systems**
- ② **Strengthen support for fee business expansion in the non-bank area**
- ③ **Further enhancement of profitability through sophistication of securities management**
- ④ **Support for further evolution of the regional financial institution business model as “from Regional to Nationwide”**

① **Reform of management infrastructure,
including a fundamental review of systems**

Measures Promoted by the SBI Group to Substantially Reduce and Equalize System Costs for Regional Financial Institutions

- Switch huge system costs from fixed to variable -

Challenges of conventional systems

- ① Large investment required for large-scale system renewal once every few years
- ② Periodic system renewal costs for peripheral devices such as sales terminals
- ③ Large additional costs to vendors for functionality enhancements
- ④ Disparate customer data management in multiple systems
- ⑤ Human resources to deal with outdated systems languages “2025 digital cliff”

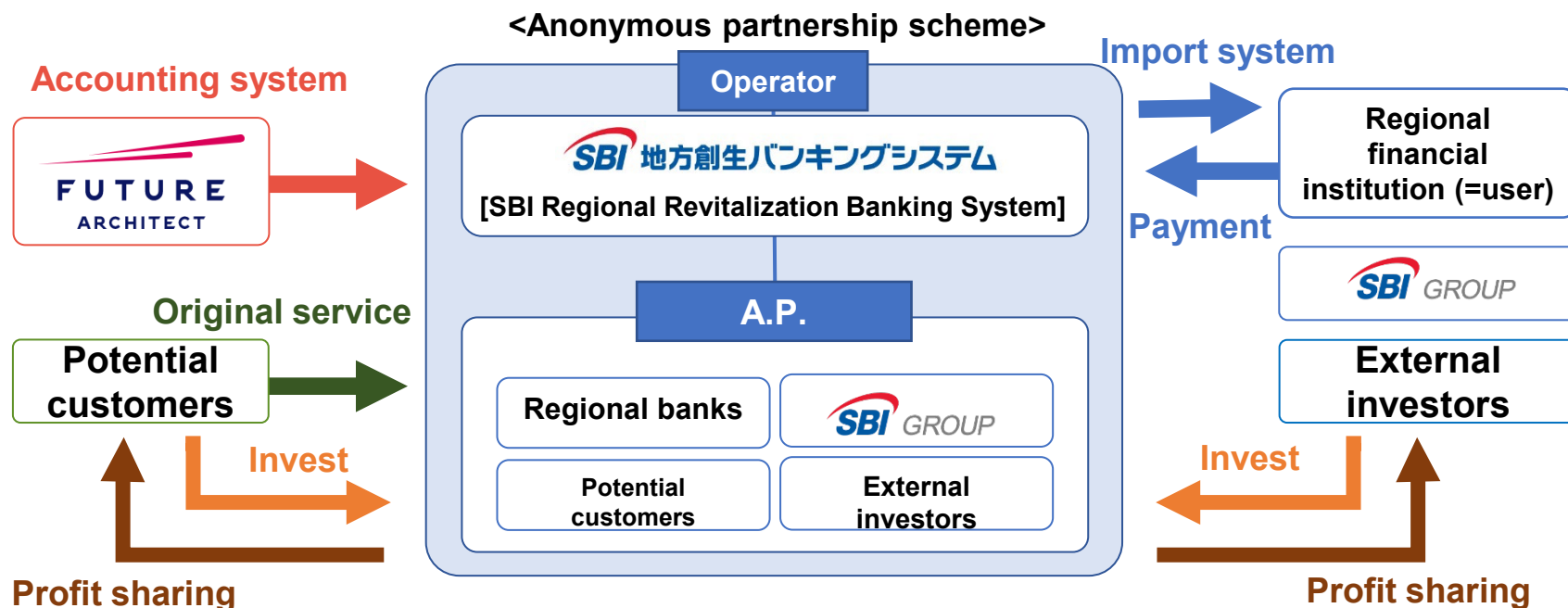


Solutions that the SBI Group can offer

- ① **Annual fee model**
- ② Reduce system costs through **joint operation on AWS**
- ③ Migrating to open technologies **using the cloud environment**
- ④ Respond quickly and at low cost to diversify channels and payment services by **shifting customer data management system common for all branches**
- ⑤ **Real-time, centralized data management** to speed up data analysis and collaboration with other industries
- ⑥ Ensure scalability through **APIs**

Steady Progress in Development of Next-Generation Banking System

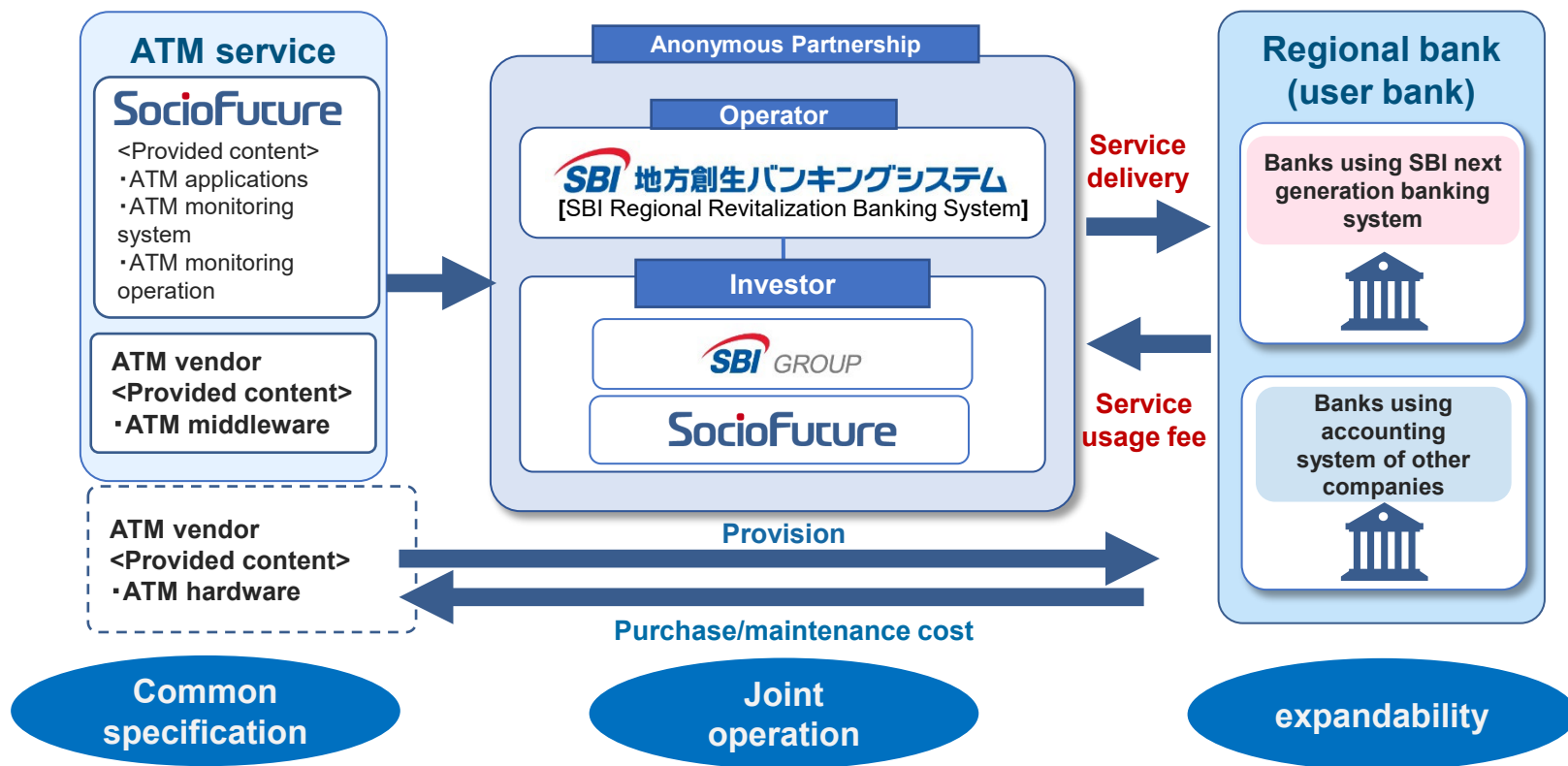
- **Fukushima Bank** agreed to become the first user and **one other bank has already made an offer to adopt this system** -
- ✓ **SBI Regional Revitalization Services** and **Future Architect** have formed a business alliance to promote the development of a **next-generation banking system**, including an account system that can be **operated on using cloud environment**
- ✓ The system will be designed and built on **AWS** to achieve high scalability, and will be able to connect to any system through **open APIs**, enabling new functionality and additional development at low cost and in a short period of time
- ✓ By adopting an Anonymous Partnership structure for fundraising, **endeavor to level out the system cost burden through an annual fee model**, and to return profits through dividends to investors



The Anonymous Partnership will endeavor towards **adoption of 10 banks by FY2030**, and achieve **profitability by FY2031**

Promoting the Development and Provision of **SBI Common ATM Services** to Reduce System Costs

- By making the ATM under development for the next-generation banking system into a common specification that **other companies' accounting systems can use**, we plan to release it as an **SBI common ATM service** (scheduled for 2023)
- Similar to the accounting system, the initial cost is borne by the Anonymous Partnership, and it is provided **with a monthly usage fee model for each ATM**



Fukushima Bank, THE SENDAI BANK, Kirayaka Bank, and one regional financial institution with which we have a capital and business alliance have already made informal usage offers to a total of four banks

② Strengthen Support for **Fee Business Expansion** in the Non-bank Area

- Expanding the fee business of regional financial institutions with functions to be acquired by the SBI Group through M&A in the non-bank area -

**ARUHI's main business is face-to-face sales at branches,
with 152 branches in 42 prefectures**

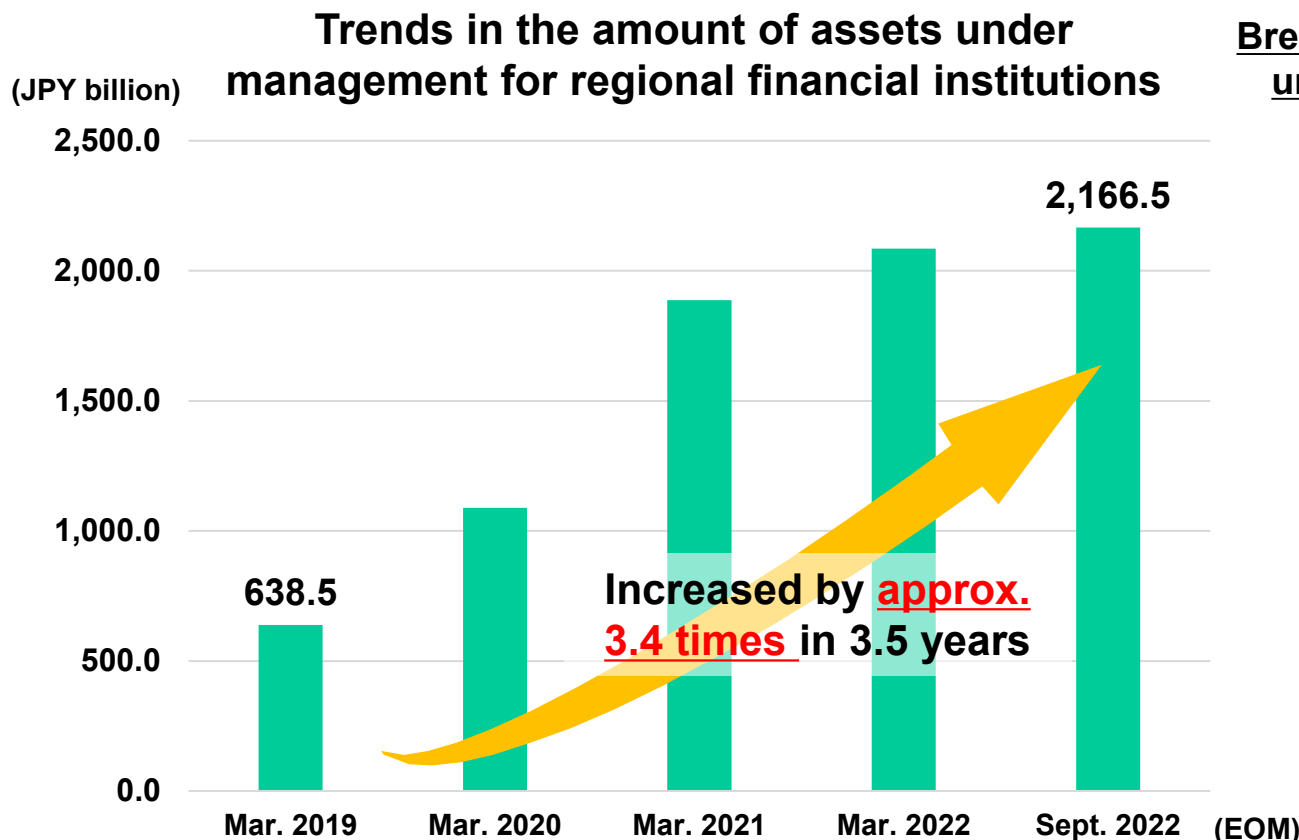


Consider handling a variety of products owned by ARUHI, including “Flat 35” to further improve the profitability of regional financial institutions

③ Further Enhancement of Profitability Through Sophistication of Securities Management

- Assets under management from regional financial institutions exceeds JPY 2.1tn -

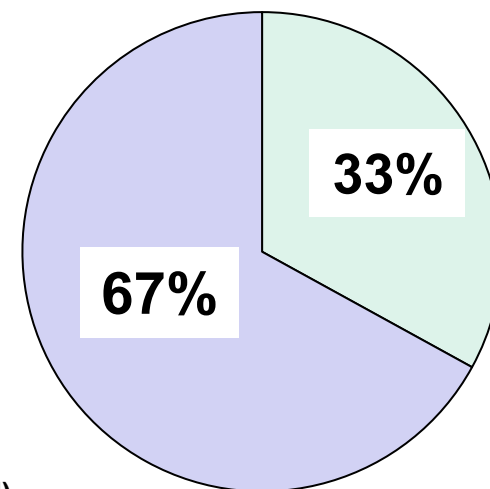
- **SBI Asset Management** provides customized investment products for each client at extremely low cost, focusing on highly rated and highly liquid overseas bonds
- Significant improvement in real yields, which were previously negative, can be expected as a result of the portfolio review



Breakdown of the amount of assets under management for regional financial institutions

(As of end of Sept. 2022)

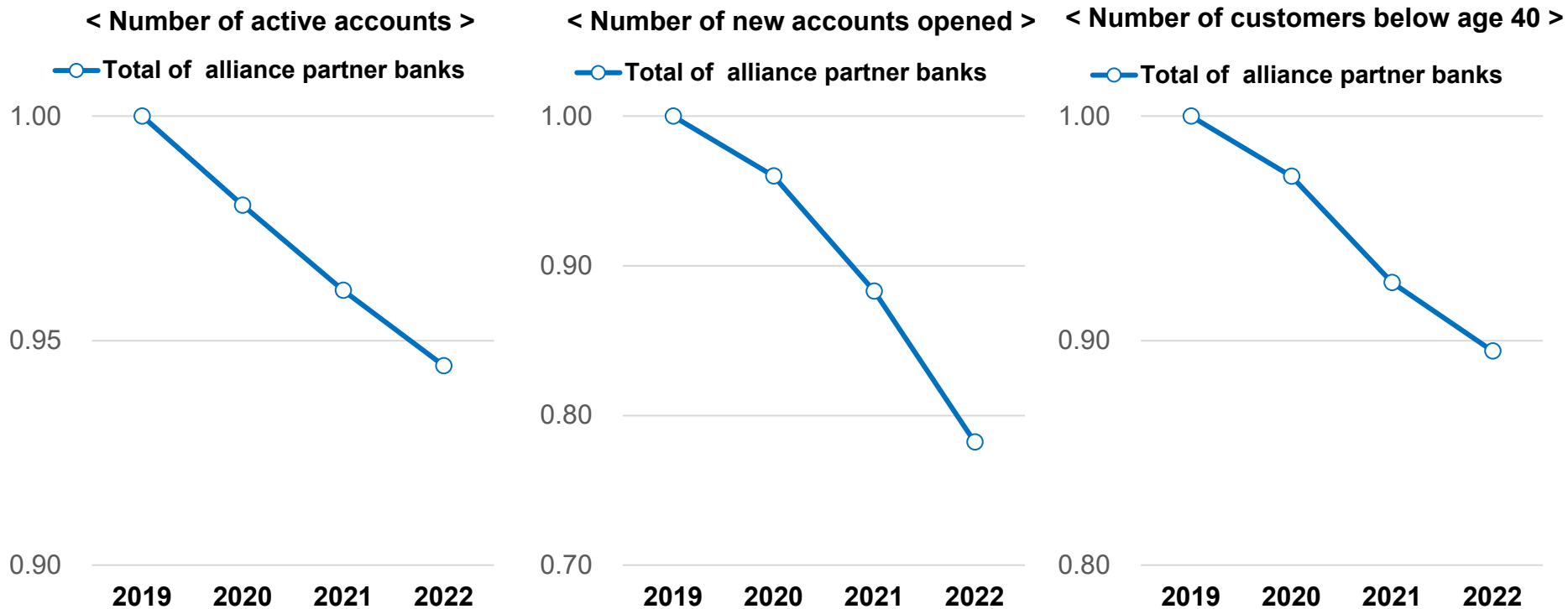
- 9 banks with capital and business alliances with SBIH
- Other banks



- ④ **Support for further evolution of the regional financial institution business model as “from regional to nationwide”**
- Through the Sophistication of the Internet and Mobile Channels Nationwide -**

Improving Deposit Account Utilization and Attracting Younger Customers are Common Issues for All Strategic Capital and Business Alliance Partners

Declining trend in number of active accounts, new accounts opened, and accounts held by customers below age 40



* Graphs are indexed to the total number of each alliance partner bank in 2019 as 1

Internet and mobile channels with excellent UI and UX must be developed

Shimane Bank's Efforts to Expand its Customer Base Nationwide

- “Shimaho!” smartphone branches that eliminate the need for passbooks, cash cards, or signature seals is newly established -

Newspaper article

The Shimane Bank Opens a “Smartphone Branch” for Deposits and Withdrawals Without Passbooks or Cards

- Features include the ability to make deposits and withdrawals at Seven Bank ATMs nationwide without a cash card or passbook using the Shimagin App
- The development of the smart phone branches also seeks promotion of local communities that are exhausted by the declining birthrate, aging population, and COVID-19
- Encourage people who have connections to both Tottori and Shimane prefectures to use this service, and (omission) hope to expand the business areas of local companies and the number of people with whom they interact

Expand the customer base and contribute to the revitalization of the local economy through distinctive measures such as the “**Shimagin Furusato Savings Deposit**” with favorable interest rates and **smart phone ATMs**

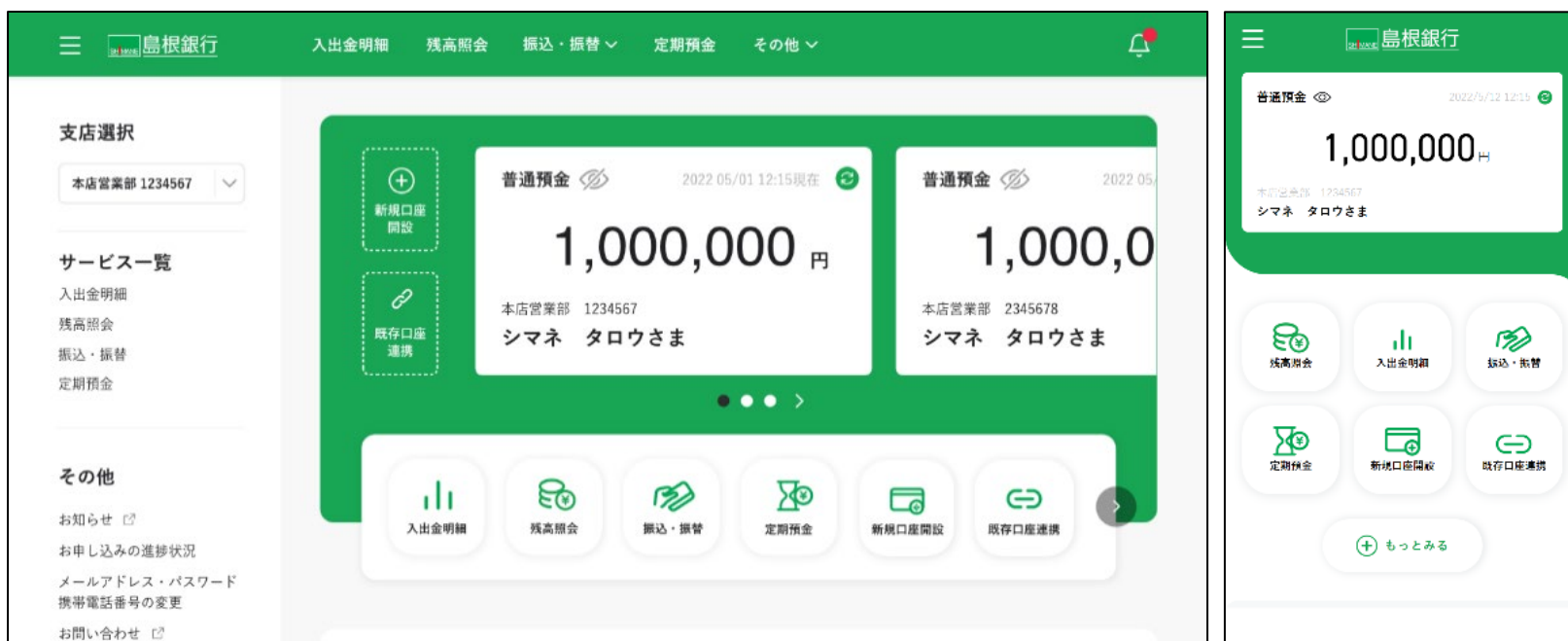
(Nihonkai Shimbun, September 7, 2022)

Began Offering of the Internet Banking System for Individuals

-System operating at Shimane Bank, starting from May 23, 2022

as the first user-

- As part of the “**from regional to nationwide**” initiatives to support the nationwide rollout by regional financial institutions, started provision of an online banking system for individuals, targeting regional financial institutions
- **Implement renewal transactions using FIDO authentication, a regional bank first (*based on SBI research), and compared with conventional authentication using one-time passwords achieves both higher security and agreeable UX**
- **Enable continuous implementation of a broad range of functions at low cost by implementing various bank transaction functions, using a flexible, speedy development methodology based on API architectures**



(Image of Shimane Bank Internet Banking and Banking Application)

Support regional financial institutions to provide online services equivalent to those provided by Internet banks

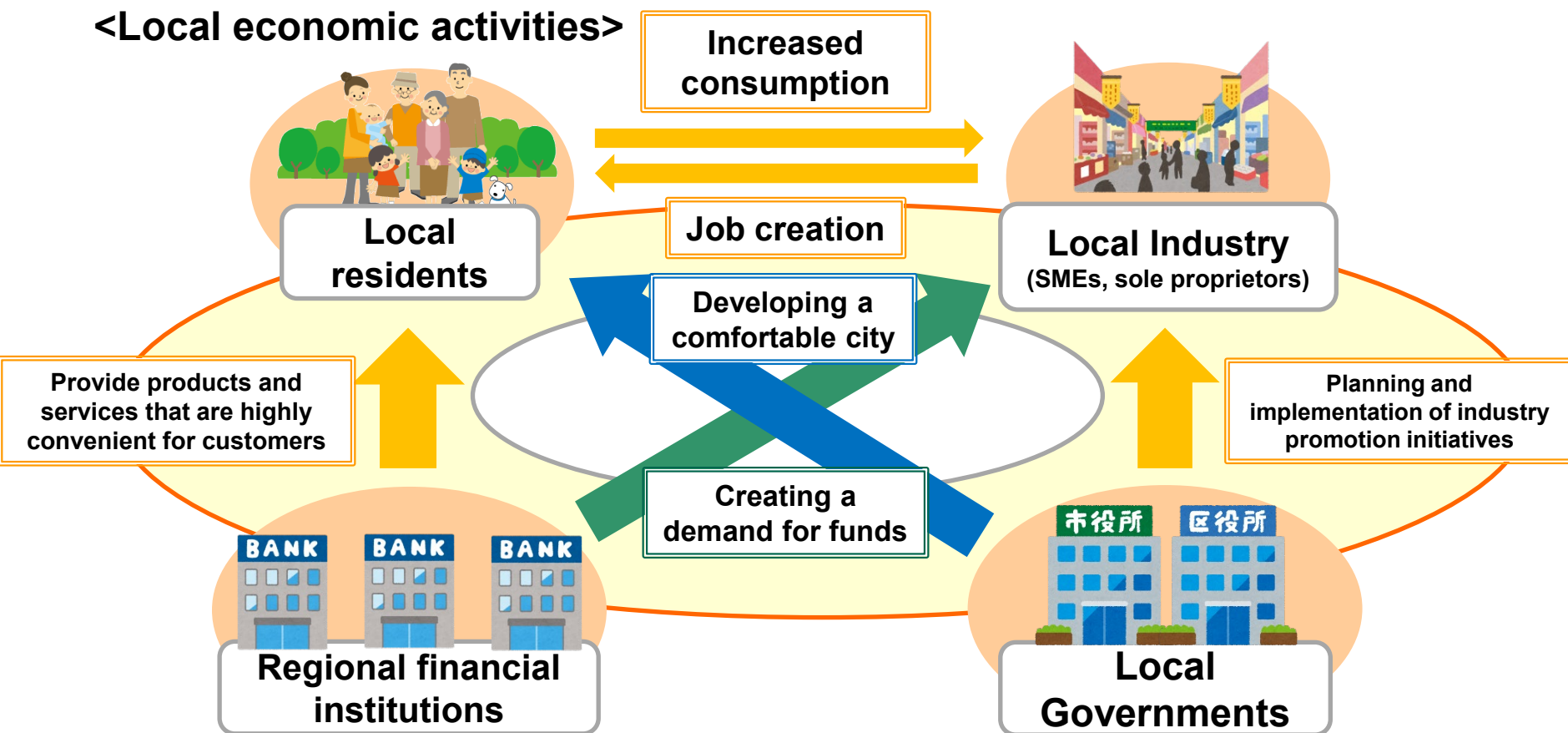
(2) The Next Step towards Realizing Regional Revitalization

- Promote various measures beyond the framework of financial institutions, with Regional Revitalization Partners at the core, to revitalize local economies -

- ① Two major projects in the immediate future**
- ② Promote medium- to long-term support for local SMEs by involving in each economic entity in the region**

Revitalization of Four Economic Entities; Regional Financial Institutions, Local Residents, Local Industries, and Local Governments is Essential to Realize Regional Development

<Local economic activities>



Activities by Regional Revitalization Partners and Two Affiliated Companies Began in Earnest after Prolonged COVID-19 Pandemic

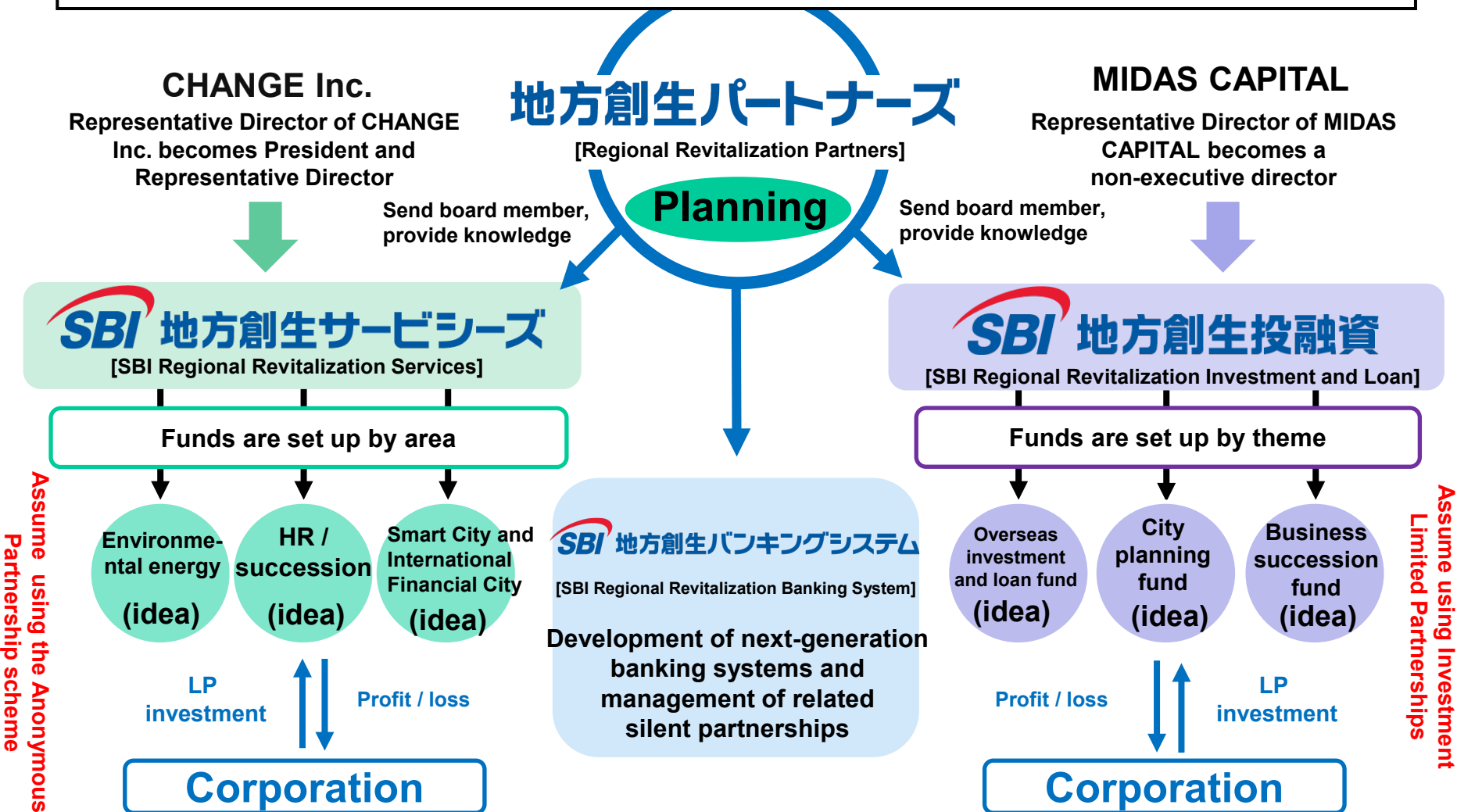


Formulate policies to revitalize the local economy and position ourselves as a driving force for such policies

Promote initiatives that directly approach local governments and local businesses, with Regional Revitalization Partners at the core

Promotion Structure for Regional Development Strategies with Regional Revitalization Partners at the Core

- Raise capital by forming a fund (anonymous partnership, etc.) in which the function provider acts as a GP for each area or theme
- **Core partners who make major investments into the fund will have the right to invest in the function provider, as well as to nominate board members**



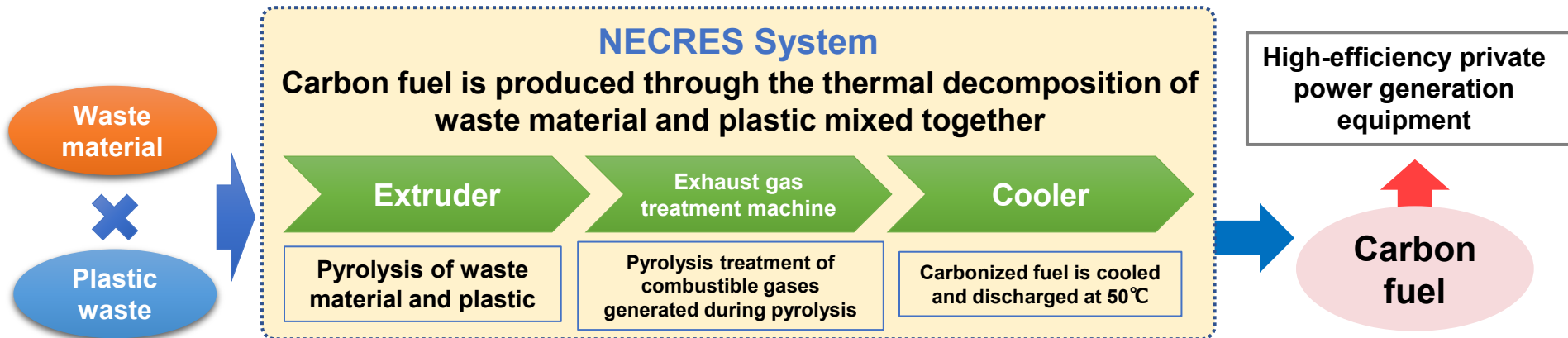
① Two Major Projects in the Immediate Future

- (i) Involvement of local businesses and local governments to solve problems such as the regional environment and high electricity prices**
- (ii) Initiative to revitalize the local economy with “*Michi-no Eki*” (roadside station) at the core**

(i) Involvement of Local Businesses and Local Governments

to Solve Problems such as the Regional Environment and High Electricity Prices

- The NECRES new energy creation system, in which ERI holds the intellectual property rights (patents, etc.), can **produce biomass-derived fuel from municipal waste** through pyrolysis of waste material and plastic mixed together. By installing the system in local government clean centers, it is expected to **reduce waste disposal costs and contribute to regional revitalization, while benefiting the environment through the recycling of waste materials**
- To realize the project, **SBI Group and ERI established a joint venture company, Community Energy Development Co.,Ltd, on July 26** to accelerate the promotion of the project in concert with regional financial institutions and local companies



- ✓ Increasing local power options is essential to address the energy shortage situation
- ✓ Prototype of a **high-efficiency private power generation equipment** using NECRES fuel is scheduled for **completion in December this year**

(i) Involvement of Local Businesses and Local Governments to Solve Problems such as the Regional Environment and High Electricity Prices

Local municipalities, together with private businesses, have an extraordinarily high interest in NECRES, where many contracts have been completed, and works have already started. **The number of referral work contracts from regional financial institutions has surged over the last year**

[Examples of referrals]

Project	City / Town / Company name
Regional governments	Kushiro area, Hokkaido
	Certain city in Shizuoka Prefecture
	Certain city in Toyama Prefecture
Private-sector project	Kirin Beer
	TSUMURA & CO.

[Background to the increase in demand for NECRES]

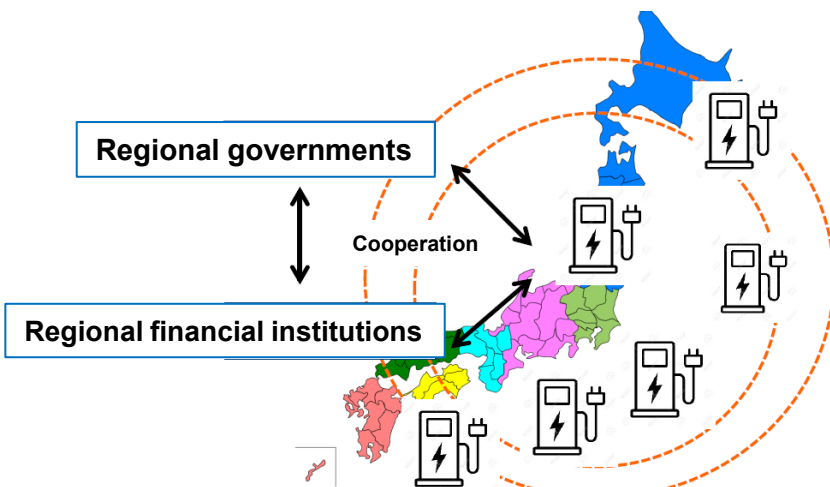
Today, electric power for industrial use cannot stand on its own financially using renewable energy alone, but since natural disasters are increasing, the diversification of regional electric power is essential

By utilizing NECRES, wastes are not only recycled, but can also be converted to energy. NECRES also contributes to carbon neutrality and turning regional waste into resources

(ii) Initiatives toward Rejuvenation of Local Economies Centered on Roadside Stations

- SBI Regional Revitalization Services and SBI Group plan to **collaborate with regional governments and operating businesses** through roadside stations expanding across Japan. **They will push forward on regional rejuvenation**, and as a result, contribute to regional revitalization
- Partner companies leveraging SBI resources (electric power infrastructure, renewable energy, regional financial institutions) plan to commercialize their approach toward operating companies

Utilization of SBI Group subsidiary Japan Charging Infrastructure Co. (ownership ratio 53%)



Status of EV charging infrastructure from Nippon Charge Infrastructure

	Michi-no-eki	Public facilities	Total
No. of locations	227	17	244
Number installed (Rapid chargers)	274	17	291
Number installed (standard chargers)	39	0	39

Promote Installation of Charging Infrastructure and Using NECRES to Build Power Plants at Roadside Stations and Public Facilities throughout Japan

- Studying the design of roadside stations equipped with disaster prevention functions in cooperation with investee companies and external partner companies
- While promoting charging infrastructure, continue to examine the installation of power generation facilities

Newspaper article

Next year will mark 30 years since the establishment of the “Michi-no-Eki” system. Now, more than 200 million people a year visit Michi-no-Eki, and Michi-no-Eki itself has become a destination in its own right. Now, roadside stations are expected to play a role as a fortress to support local communities, a role that was unthinkable at the time of the establishment of the system. Restoration of human ties and **disaster prevention functions** as well as strive to promote overseas and create a global brand.

In order to prepare a disaster prevention and response function at roadside stations, an **emergency power supply function must be set up**

For this reason, we are looking at installing **high-efficiency power generation equipment** that uses the NECRES system

(October 31, 2022, The Nikkei evening edition)

Osaka Dojima Exchange, Fully Supported by SBI Group, is Endeavor to Become a Comprehensive Exchange and Considering to Enter into the Emissions Trading Field

Osaka Dojima Exchange

Capital:

SBI Holdings: 14.57%
Japannext: 19.42%
Various other domestic and
international brokers and traders

- As an exchange that is descended from the Osaka Dojima Rice Exchange, the birthplace of futures trading, it endeavors **to become a comprehensive derivatives exchange that ranks among the world's best**
- Started preparations for listing new commodity issues and willing to **enter into the field of finance and emissions trading**

- ② Promote Medium- to Long-term Support for Local SMEs by Involving Each Economic Entity in the Region**
 - (i) The Government's Stance on Supporting SMEs**
 - (ii) Supporting SMEs in Terms of Capital through SBI Investment's Joint Fund**
 - (iii) New Project for Revitalization of Local SMEs through Collaboration of SBI Regional Revitalization Investment and Loan and SBI Regional Revitalization Services**

(i) The Government's Stance on Supporting SMEs

- (a) Small and Medium Enterprise Policy - Council of the Small and Medium Enterprise Agency (released an “Interim Summary” on June 6, 2022) has set **“revitalization of equity finance utilization”** by SMEs as a mid- to long-term goal

Direction of medium- and long-term support

1. Strengthening contacts between SMEs and investors
2. Encouraging challenge orientation in SMEs
3. Boosting investment for SMEs
 - ① Establishment of special support measures for securing investment returns
 - ② Support for grouping of SMEs
 - ③ Training of human resources for equity finance
 - ④ **Encouragement of entities (regional financial institutions, etc.) that seek to support local SMEs**



Support for SMEs through a joint fund between SBI Group and regional financial institutions is also in line with government policy

(i) The Government's Stance on Supporting SMEs

- (b) The FSA intends to exempt the application of risk weight of unlisted stocks held through specialized investment subsidiaries under new capital adequacy regulations to be introduced for domestic financial institutions**

The 400% risk weight is not uniformly applied to investments in unlisted stocks that fall under Article 76, Paragraph 3, Items 1 and 2 of the proposed amendments*. If the investment falls under the category of “**long-term relationship**” or “**for the purpose of corporate rehabilitation**” as stated in Pillar 3, **it does not fall under “speculative investment in unlisted stocks”** to which the 400% risk weight is applied

Long-term requirement: At the time of acquisition of such unlisted shares, (1) the company does not intend to sell the shares in the foreseeable future or (2) **the company does not intend to sell the shares within one year (even if a sale schedule is provided for)**

Requirements “for the purpose of corporate rehabilitation”: **Investments in unlisted stocks for the purpose of supporting rehabilitation through so-called debt-equity swaps**

*Proposed Partial Amendments to the Notification on Credit Risk, CVA Risk and Market Risk, including “Criteria for Determining Whether a Bank’s Capital Adequacy is Appropriate in Light of its Assets, etc. Held by the Banking Act Article 14-2” (effective from March 31, 2023)

(ii) Capital Support for Small to Medium Enterprises Utilizing SBI Investment's Joint Fund

Established the SBI Regional Business Succession Fund to Support Business Succession Throughout Japan and Move Aggressively on Business Activities

- From the initial fund (JPY 10.9 bn, fully invested), acquired of 13 companies in Osaka, Chiba, Shizuoka, Tokushima, and Hokkaido with seven companies reaching full exit after earnings improved
- Fund No. 2 was formed in July 2022. It is projected to reach its target of JPY 30bn by end of 2022 , toward a goal of accumulating up to JPY 100bn

The Shimizu Bank collaboration case study



清水銀行

[The Shimizu Bank, Ltd.]

After The Shimizu Bank introduced its partner, **Hamamatsu Beikoku Inc.**, the fund invested in it as its first project in the wholesale rice sector (Dec. 2020). With the bank's support on investment, the fund was able to resolve succession issues and improve earnings, leading to a full exit

THE FUKUSHIMA BANK collaboration case study



福島銀行

[THE FUKUSHIMA BANK,LTD.]

In Sept. 2022, after Fukushima Bank introduced its partner, Tobu Co. Ltd., which runs a building maintenance business in Miyagi Prefecture, the fund invested in the business in cooperation with ALSOK, which possesses expertise in managing and growing its own building maintenance business

Supporting Growth of Local Companies Through Joint Fund Management



Tsukuba SBI Regional Revitalization Fund (Established in July 2021)

As a Science City, Tsukuba City has a business area with largest concentration of start-ups in Japan and commercializes and supports the development of a diverse range of start-ups. Tsukuba Bank and SBI Group will fully use their respective resources to **support the growth of local start-up companies and contribute to the sustainable development of the local economy**



Execution of investment completed in four companies; Warpspace Inc., Veneno Technologies Co., Ltd., Celaid Therapeutics Inc. and LIGHTz Inc.



TOWA SBI Customer Support Fund (established in January 2021)

Prevent as much as possible the potential of bank borrowers turning into non-performing loans after the government's interest subsidy expires in three years and promote the revitalization of local businesses by strengthening intermediary financial functions from capital funds and hands-on corporate support from the following two companies through the joint fund



Execution of investment completed in two companies: pan for you Co., Ltd. and Jungle Delivery Co., Ltd.

- (iii) New Project for Revitalization of Local SMEs
through Collaboration of SBI Regional Revitalization
Investment and Loan and SBI Regional
Revitalization Services**
 - a. Support for small and medium-sized sake brewers nationwide**
 - b. Various measures in cooperation with local companies and local governments**

a. Support for small and medium-sized sake brewers nationwide

Revitalization of Local Businesses Using SBI Regional Revitalization Investment and Loan and SBI Regional Revitalization Services

Sake is **“the region itself,”** filled with various essences of a region’s history, rice, water, etc.



[SBI Regional Revitalization Investment and Loan]

There are many small and medium-sized sake breweries in Japan, and there is significant room for improvement in management efficiency when viewed from the perspective of the industry. In addition, they face management issues such as succession problems and difficulties in expanding overseas on their own

Invest in various sake brewers using funds to solve the above issues



[SBI Regional Revitalization Services]

The SBI Group also provides traceability services and **support for overseas expansion**

Possible to Support Distribution Using Blockchain Technology Owned by SBI Traceability

- Using Blockchain Technology and IC Tag Technology to Protect the Distribution of Authentic Japanese Products in Foreign Countries -

- **Through digital pairing** that combines blockchain technology and SATO's IC tag in “SHIMENAWA” provided by **SBI Traceability, building a traceable distribution process** under the concept of “Preventing Product Counterfeiting” to realize “Increasing Value of Authentic Products” and “Enhanced User Experience”
- Able to incorporate not only information related to distribution but also product-specific information, such as the thoughts of producers, which is expected to differentiate local specialty products and improve international competitiveness

< Example of Japanese sake >

- While overseas markets have a major problem with **the distribution of counterfeit products made from empty bottles** for high-grade western liquor, **Japanese sake** which has updated the highest value exported for 12 straight years **is facing the same issue. Domestically, practical introduction to** the Katokichibee Shoten’s “BORN,” which has been in business for 162 years, is exported to 105 countries as a representative of Japanese sake culture and frequently used at international events

< Example of Hokkaido Rice >

- Onigiri rice balls made with Hokkaido-grown rice are sold at Lawson stores in Shanghai, China; the supply system from production to transportation is displayed as an information trail to provide consumers with a sense of security
- **Showing the producers’ thoughts** on rice cultivation in Hokkaido **as a story** and appeal attractiveness of Japanese production sites

b. Various measures in cooperation with local companies and local governments

Example 1: Promoting Regional Development and Local Economic Revitalization through Land Development and Building Construction through the Alliance with BALNIBARBI Co., Ltd.



Izumo Attractive, jointly established with SBI Holdings, THE SHIMANE BANK, and local companies for the purpose of revitalizing the local community of Izumo City, Shimane Prefecture, will develop and operate locally produced and locally consumed restaurants and lodging facilities in Izumo City, Shimane Prefecture, in collaboration with BALNIBARBI Co., Ltd., which has deep expertise in the development and operation of restaurants. Together, efforts will be made to rediscover the charm of Izumo as a new resort area with a view of the Sea of Japan spreading out below

< Restaurant image >



<Accommodation facilities image>



Scheduled to
open in April
2023

SBI Group's partner regional financial institutions, etc., can arrange finance for similar projects and provide a one-stop service from fundraising to development, which is expected to not only revitalize the regional economy but also create profit opportunities for regional banks

Example 2: Nationwide Expansion of Community Currency Business Initiatives Promoted Jointly With Local Governments and Regional Economic Organizations



Platform development & management: **Machi no Wa**

(Joint venture investments from SBI Holdings, THE CHIKUHO BANK, and Kyushu Electric Power)

- Achievements of Regional Currency (Premium Coupons)-

44 Areas in Japan Introduced

Examples

【凡例】■プレミアム付商品券 ■複数商品券の発行 ■食事券 ■宿泊券 ■共通アプリ ■マイナポイント連携 ■子育てクーポン



- From Sept. 2021, Machi no Wa started providing a payment platform using the **“Corda Enterprise”** a blockchain distributed ledger platform
- Actively promoting initiatives that can involve each entity in the region to create a winning trump card for the region

Machi No Wa is Entrusted with the “Osaki, the Treasure City” Premium Electronic Gift Certificate Project Jointly With Sendai Bank, with which it has Concluded a Comprehensive Cooperation Agreement

Newspaper article

Breaking Out of the Shell 10 Years After the Launch of Jimoto Holdings Digital Promotion and Customer Development

- The **results of the capital and business alliance** that Jimoto Holdings formed with SBI Group in 2020 are gradually starting to reach individual customers
- In September, Osaki City began using **Miyagi Prefecture's first discounted electronic gift certificates**. The business scheme was provided by Sendai Bank, a subsidiary of Jimoto HD. (Omitted)

An owner of a cosmetics store, whose main customer base **is in their 30s to 50s**, says that the digital format is a great advantage for those who cannot buy paper gift certificates during the daytime and hopes that this will develop into a system similar to a local currency.

(November 5, 2022, KAHOKU SHIMPO)

Example 3: Promote “Corporate Furusato Taxation” in Partnership with RCG Corporation

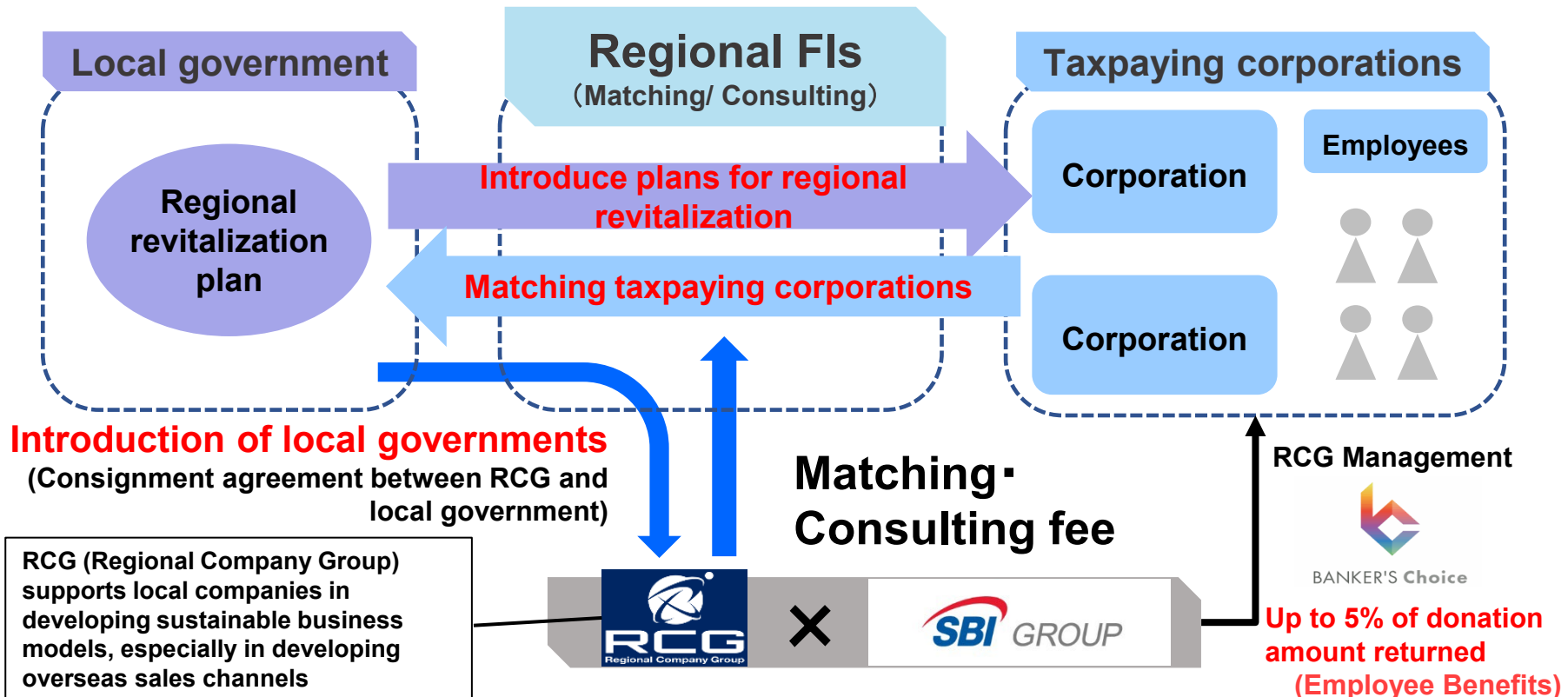
- Promoting the use of “Corporate Furusato Taxation” to provide tax benefits to companies that donate to local development projects -

Benefits for tax-paying companies

- Tax deduction of up to 90% of the donation amount

Enjoy benefits while contributing
to local development

21 local governments and 11 local financial institutions collaborate



Q5. What will happen to the business environment surrounding the SBI Group in the second half of the year and beyond?

- 1. Change in macroeconomic environment and the current situation in the second half of this fiscal year**
- 2. What about overseas expansion with a focus on Asia and Africa, which are making great strides?**
- 3. Is progress being made in manifesting the Company's potential corporate value?**

Outlook for Interest Rates Policy in the U.S. and Japan

■ Signs of a slowdown in monetary tightening in the U.S., but it may be prolonged

The Federal Reserve Board (FRB) decided to raise interest rates by 0.75% at its November 2 Federal Open Market Committee (FOMC) meeting. This is three times the normal rate hike range and the fourth consecutive meeting since the first hike in June for the first time in about 27 years.



Federal Reserve Board (FRB) **Chairman Jerome Powell** spoke at the Brookings Institution in Washington, D.C., on (November) 30. He stated that the **timing for a slowdown in interest rate hikes “could be as early as the December meeting.”** (Omission) He explained that “it makes sense to slow the pace of rate hikes as policy rates approach a level tight enough to keep inflation down.”
(December 1, 2022, The Nikkei electronic edition)

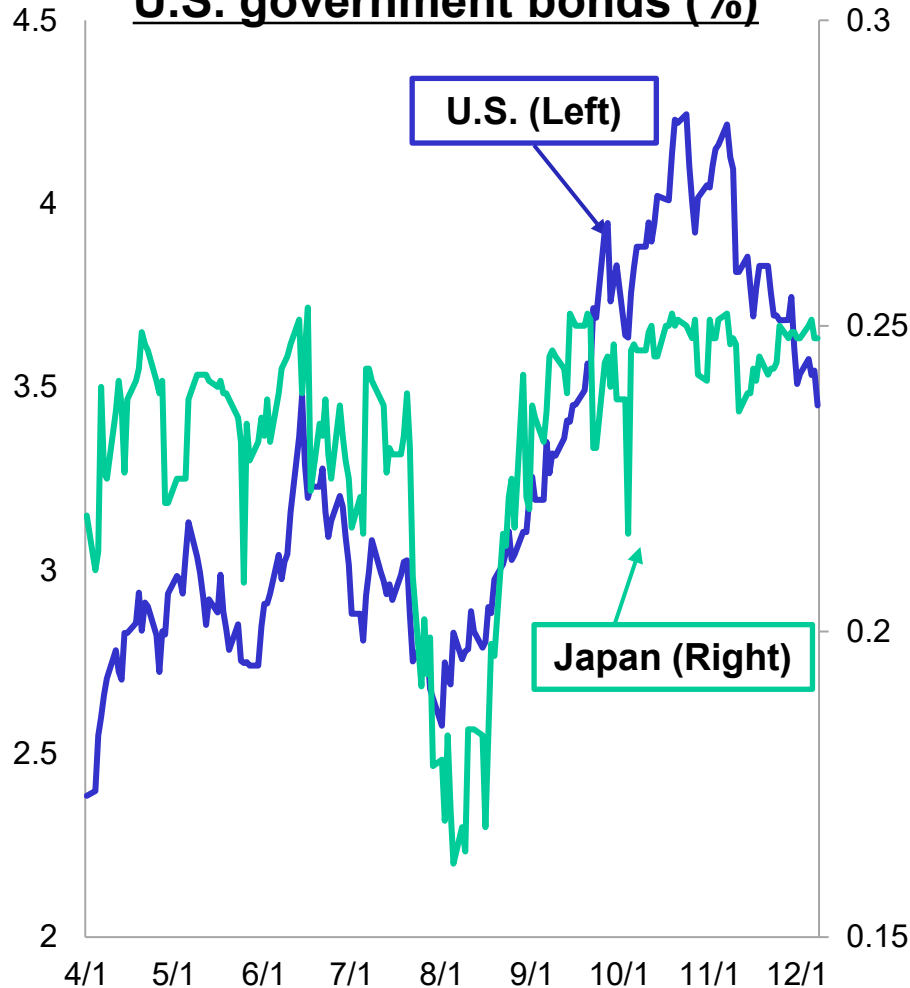
■ Japan’s massive easing also shows signs of coming to an end

At the press conference following the October meeting, BOJ Governor Kuroda clearly denied the possibility of any near-term policy revisions, saying, “I don’t think that interest rates will be raised right now or that there will be an exit from the monetary policy” and that “we are close to achieving the 2 percent price stability target in a stable and sustainable manner.” In the Diet session held on August 2, he stated that if the 2% price target is reached, **“easing (the method of interest rate manipulation) may be an option”**.
(November 11, 2022, The Nikkei electronic edition)

Regarding his continued appointment after his term expires on April 8, 2023, President Kuroda said, “It has been exactly 10 years (since I assumed office). **I have no personal wish to be reappointed or anything like that,**” he denied
(November 10, 2022, The Nikkei electronic edition)

Trends in Market Indicators (from April 1, 2022)

Yield on 10-year Japanese and U.S. government bonds (%)



JPY/USD Exchange Rate



Source: Compiled by SBIH based on data provided by Bloomberg

Current Situation Regarding Business Performance in the Second Half of the Year

- ① **SBI SAVINGS BANK** became 100% group owned on November 11, 2022, and is **expected to pay out a year-end dividend of approximately JPY 10bn for 2022**, based on the steady expansion of its business performance
- ② **Accenture conducted TOB for ALBERT, an equity-method affiliate of the Company**, from September 30 to November 14, 2022
 - Tendered and **sold all 1,383,100 shares of ALBERT** held by the Company
 - The sale amount is expected to be **approximately JPY 12.7bn**, and consolidated profit before income tax expense is expected to be **approximately JPY 5bn**
 - *Booked upon completion of the sale since ALBERT is an equity-method affiliate
- ③ **There is no impact on client assets related to the SBI Group's crypto asset-related business** as a result of FTX Trading's bankruptcy

Status of SBI Group's Crypto-asset Business Related to FTX, Which Filed for U.S. Bankruptcy Protection

SBI VC Trade

- No transactions with FTX or companies related to FTX
- No impact on clients' assets in custody, etc.

BITPoint Japan

- Majority of funds, including digital assets, held at FTX Japan have been recovered
- Digital assets remaining in FTX Japan are approximately JPY 200m.
Procedures for recovery are underway
- No impact on customers' assets in custody, etc.

B2C2

- As of today, the company has an exposure of approximately USD 9M (Japanese Yen equivalent: approximately JPY 1.23bn^{*2}) to FTX
- Prospects for recovery of the above exposure are undetermined at this time
- No impact on customers' assets in custody, etc.

*1 Figures are as of Dec 8, 2022

*2 USD 1 = JPY136.63

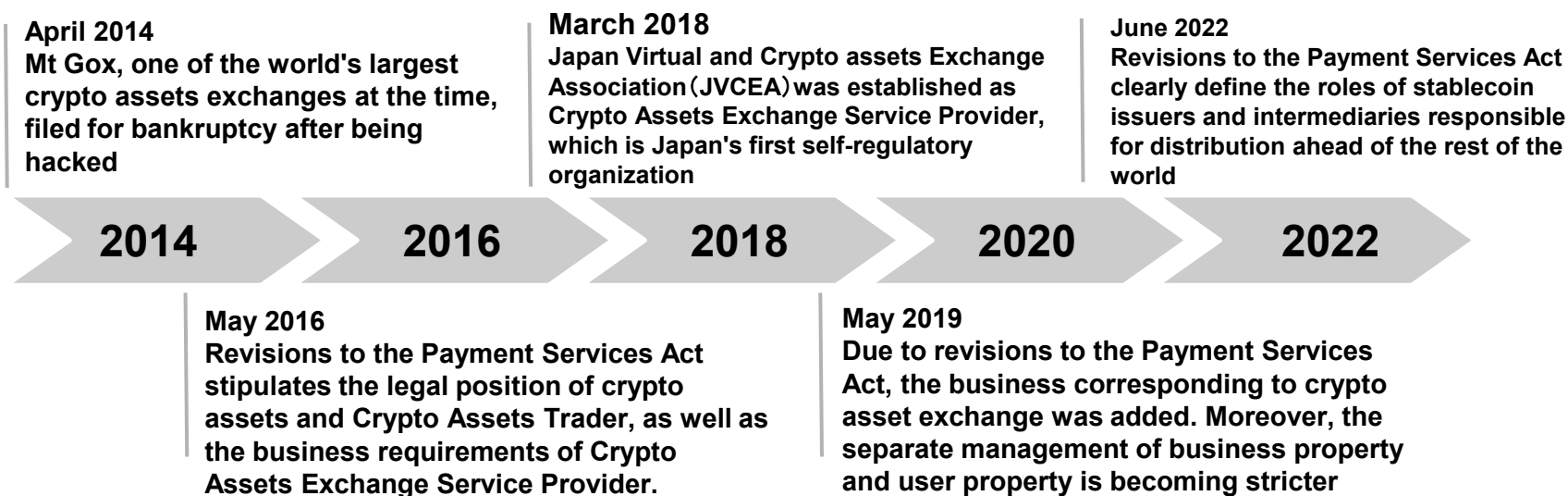
The US-centered movement to strengthen regulations to protect investors have become active

- The Biden administration has called on government agencies to tighten control over digital assets and highlight regulatory shortcomings. Meanwhile, Singapore's central bank is also considering restricting crypto-asset trading by individual investors
- Gary Gensler, the chair of the U.S. Securities and Exchange Commission (SEC), at a market-related event on November 9, noted that FTX's failure is not just an individual factor but a risk across the entire industry, where the same company plays multiple roles in the crypto asset industry, including exchange operator and market maker, and would bring the industry-wide risk of "confusion" of key intermediary functions. In addition, it re-emphasizes the importance of crypto asset providers being registered as business entities and subject to securities-related laws
- On November 15, Federal Reserve Vice Chair for Supervision Michael Barr testified that "effective oversight is needed" on crypto asset transactions in the U.S. Senate Banking Committee. In addition, he expressed, the impact of the FTX bankruptcy on the financial system will be limited, but that could change over time, and the recognition of crypto asset-related businesses needs to be regulated in the same way as other financial service businesses

Movement in Japan

In Japan, the separate management of business and customer assets was thoroughly practiced, making the bankruptcy of FTX did not significantly impact Japanese crypto asset exchanges

Transition of Crypto-Asset Related Regulations in Japan



In the future, Japan's crypto asset industry will introduce appropriate regulations ahead of other countries and seek further development

Concerning the Movement of Ripple

Lawsuit with SEC Enters the Climax

- After nearly two years of lawsuit, motions for summary judgment were filed by both the SEC and Ripple on Sept. 13 for an early resolution
- After six court orders, the SEC finally announced in 2018 that former-SEC corporation finance director William H. Hinman, mentioned “The SEC has classified Bitcoin (BTC) and Ethereum (ETH) as non-securities in a lecture, and submitted an internal document to the court
- Brad Garlinghouse, CEO of Ripple, said in a public interview at the Washington, D.C. conference in October that all the briefs would be ready to face a judge by mid-November, and he expected that It is difficult to predict the pace of judges' work, but the optimistic expectation for a judgment in three to four months, while the conservative viewpoint is in the middle of next year

Global Expansion of Use Cases

- Ripple announced a partnership with leading digital payment gateway MFS Africa on November 15th. MFS Africa is a leading payment fintech company that provides a payment network connecting over 400 million mobile wallets in 35 countries in the African region
- According to the GSMA, an industry association of payment companies, Africa accounts for 70% of mobile money's USD 1 trillion (JPY 140 trillion) value globally, and By 2021, mobile money transactions in Africa reached USD 701.4 billion (JPY 98 trillion), up 39% year-on-year
- Through this partnership, African consumers and businesses will be able to use Ripple's On-Demand Liquidity (ODL) and RippleNet solutions to have real-time cross-border payments of crypto assets

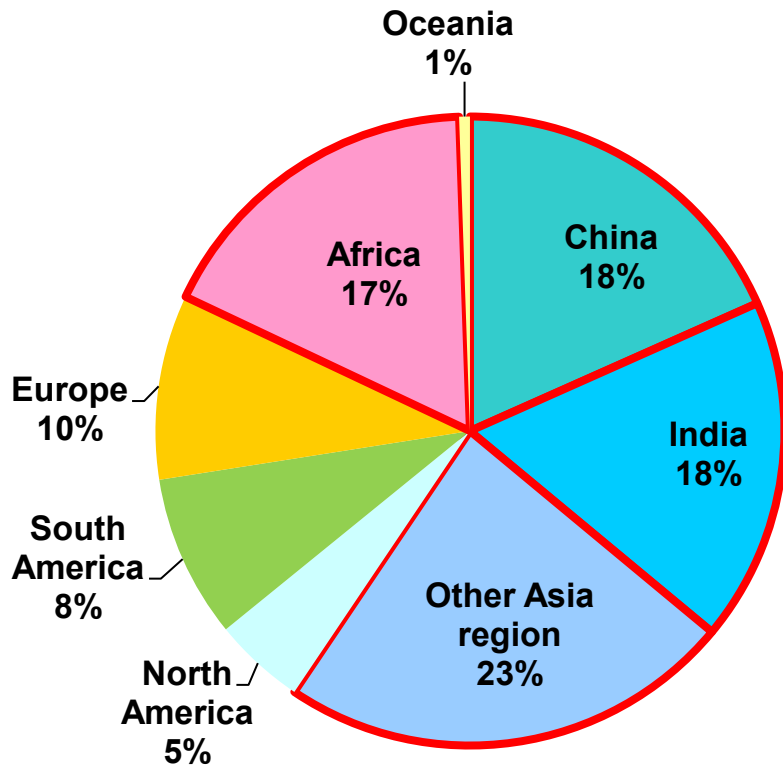
2. What about overseas expansion with a focus on Asia and Africa, which are making great strides?

Japan's Retreat as Seen in Changes in Per Capita Nominal GDP Rankings of OECD Countries

	1991	2011	2021
1	Switzerland	Luxembourg	Luxembourg
2	Luxembourg	Norway	Ireland
3	Sweden	Switzerland	Switzerland
4	Japan	Australia	Norway
5	Norway	Denmark	Iceland
6	Iceland	Sweden	United States
7	Denmark	Netherlands	Denmark
8	Finland	Canada	Australia
9	United States	Ireland	Sweden
10	Germany	Austria	Netherlands
11	Austria	Finland	Finland
12	France	United States	Austria
13	Netherlands	Japan	Israel
14	Canada	Iceland	Canada
15	Italy	Belgium	Belgium
⋮	⋮	⋮	⋮
20	Israel	New Zealand	Japan

Asia and Africa Area which are Expected to Become Growth Markets in the Future

World Population Composition
by Country/Region (2021)



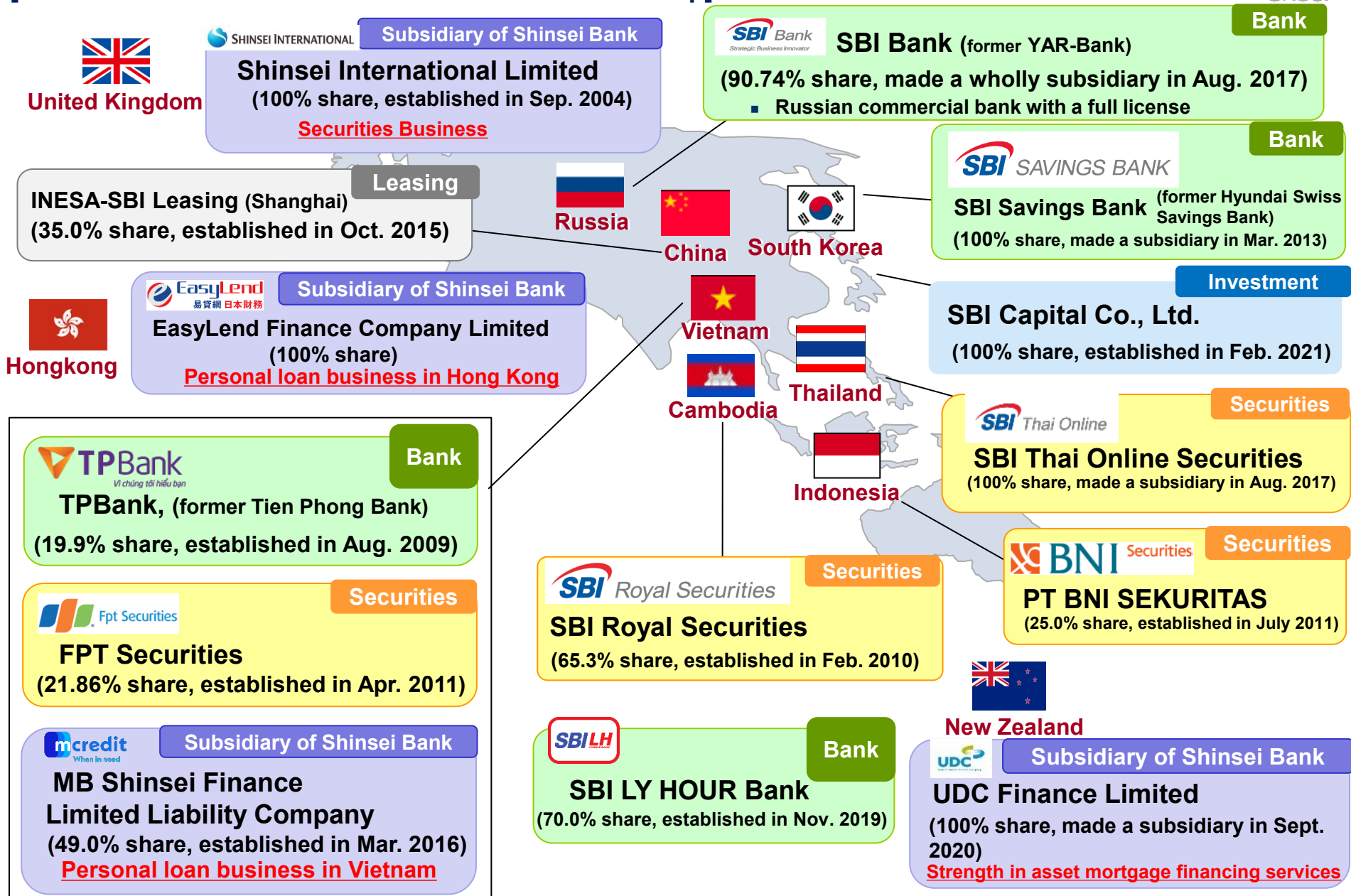
- Approximately **60%** of the total in Asia and **20%** of the total in Africa
- According to the latest UN projections, **Africa's** population is expected to grow rapidly from 1.066 billion in 2019 to 2.118 billion in 50 years, and the economy is expected to expand accordingly, attracting attention as **“the final frontier”**

Source: Statistics Bureau, Ministry of Internal Affairs and Communications, “Global Population and Age Structure Trends”

SBI Group Expands its Global Network Centered in Asia ①



[Overseas financial services business of the SBI Group]



* Portion of ownership of SBI Group is sum of those through its subsidiary under IFRS criteria and its funds

SBI Group Expands its Global Network Centered in Asia ②

[SBI Group's overseas PE business]



Considering Establishing a JV fund with SC Ventures, an Alliance Partner Covering South Asia, the Middle East, and Africa



scventures



Details of Business Cooperation

(Announced May 6, 2022)

- ✓ In Southeast Asia and South Asia, investment in both group companies and promotion of collaboration with existing investee companies of both groups are under consideration. Furthermore, plans are underway to establish joint venture funds in South Asia, the Middle East, Africa, and other countries
 - **Invested in “Power2SME Pte. Ltd. (SOLV)”** as introduced case by SC Ventures (**SBI Group investment ratio: 9.40%**). SOLV operates a onboarded platform that provides product purchase orders and associated financing (supply chain finance, deferred payment) for small and medium-sized enterprises. Besides **India, the company’s business have already expanded into Kenya, and is considering entering the Vietnam, Ghana, Malaysia, and Bangladesh markets in the future**
- ✓ Mutually support business development in regions where both groups have strengths in
- ✓ Consider and implement cooperation and ecosystem building in specific themes, such as BaaS-related projects, the digital asset sector (DeFi, Metaverse, Web 3.0, etc.), the Sustainability and Financial Inclusion sectors in South-East Asia, the Middle East and Africa

■ Standard Chartered Bank

The UK-based comprehensive financial group with more than 1,000 offices in 59 countries. Particular strength in South Asia, the Middle East, and Africa

■ SC Ventures

Venture Investment & Incubation Unit of Standard Chartered Bank. Based in Singapore, with offices in San Francisco, Kenya, Shanghai, London, and Hong Kong

SBI Africa, an Exporter of Used Automobiles and Development of Financial Business



Established	August 2019
Principal business	<ul style="list-style-type: none"> ➤ Exports of Japanese used cars to overseas markets ➤ Provision of financial services in partnership with overseas financial institutions ➤ Venture capital investments in the Africa, etc.

Recent activities:

Offering a financing scheme of Komatsu construction equipment in Africa

As Africa has abundant reserves of natural resources and demands for mining rare metals and minerals are expected to continue, SBI Africa in collaboration with Komatsu and Komatsu Europe, exports and sells new construction equipment manufactured by Komatsu to Kenya. Real asset finance schemes are also offered together with

< Examples of construction equipment models >

Hydraulic excavator



Motor grader for road paving



3. Accelerate the manifestation of the potential corporate value of the company

- Promote the listing of group companies -

- ① **SBI Leasing Service** listed on the TSE Growth Market on October 19, 2022

Issue price	JPY 2,980
Opening price	JPY 3,300 (+10.7% compared to the issue price)
Market cap	Approx. JPY 22.2bn <small>*Based on the closing price of November 30, 2022</small>

- ② **SBI Sumishin Net Bank**, an equity method affiliate, is preparing for listing
- ③ **SBI Biotech**, which engages in research and development of pharmaceuticals, and **SBI ALApromo**, which develops health foods and cosmetics using 5-ALA, are also considering listing

Q6. What is the SBI Group doing in the rapidly developing digital space sector?

SBI Group endeavors to be a platformer in the digital space domain and is developing the following diverse initiatives

- (1) Corda has been selected for new equity settlement system platform launched by DTCC in U.S.**
- (2) Participated in MAS's Project Guardian as a founding member with JP Morgan, DBS Bank, etc.**
- (3) SBI Group accelerates the development of digital asset-related business based in Singapore under an alliance with global partners**
- (4) SBI Art Auction expands its business by holding Japan's first NFT-based digital art auction**
- (5) Plans to establish a new JPY 100bn fund in the next fiscal year to invest in cutting-edge services and technologies with a focus on the digital space**

(1) Corda has been Selected for New Equity Settlement System Platform Launched by DTCC in the U.S.

The Depository Trust & Clearing Corporation (DTCC) in the U.S. which is one of the largest securities clearing and custody institutions in the world with a history of more than 45 years and provides transaction processing services to numerous financial institutions and asset management companies through its offices in 21 countries including U.S., as a main infrastructure for financial market, has adopted “Corda”, an enterprise blockchain for enterprise provided by R3 which is a SBI group’s investee, as the fundamental technology for its new equity settlement platform (platform for Project Ion)

< About Project Ion >

A new-generation platform utilizing Distributed Ledger Technology (DLT) which is one of the world’s largest project utilizing DLT in financial field and began in 2020 based on DTCC’s research on the use of DLT in the field of settlement over the past several years, with the objective of modernizing capital market infrastructure and accelerating settlement, and is being operated in parallel with the existing equity settlement platform

Provided as an alternative to the existing settlement infrastructure, already processes 100,000 settlements on average, 160,000 settlements at peak, per day

Shortening the time required for settlement of listed shares from the current standard of T+2 to T+1 and T+0

Planning for future enhancements, including tie-in to the Central Counter Party

(2) Participated in MAS's Project Guardian as a Founding Member with JP Morgan, DBS Bank, etc.

Project Guardian, an asset tokenization initiative led by the Monetary Authority of Singapore (MAS), is a project to **study the feasibility of asset tokenization and DeFi (decentralized finance)** to improve the efficiency and liquidity of the wholesale funding market. Since its inception on May 31 this year, SBI Digital Asset Holdings, along with major international financial institutions, has participated in the project and jointly released a white paper in November 2022



Monetary Authority
of Singapore



 *Digital Asset Holdings*

J.P.Morgan



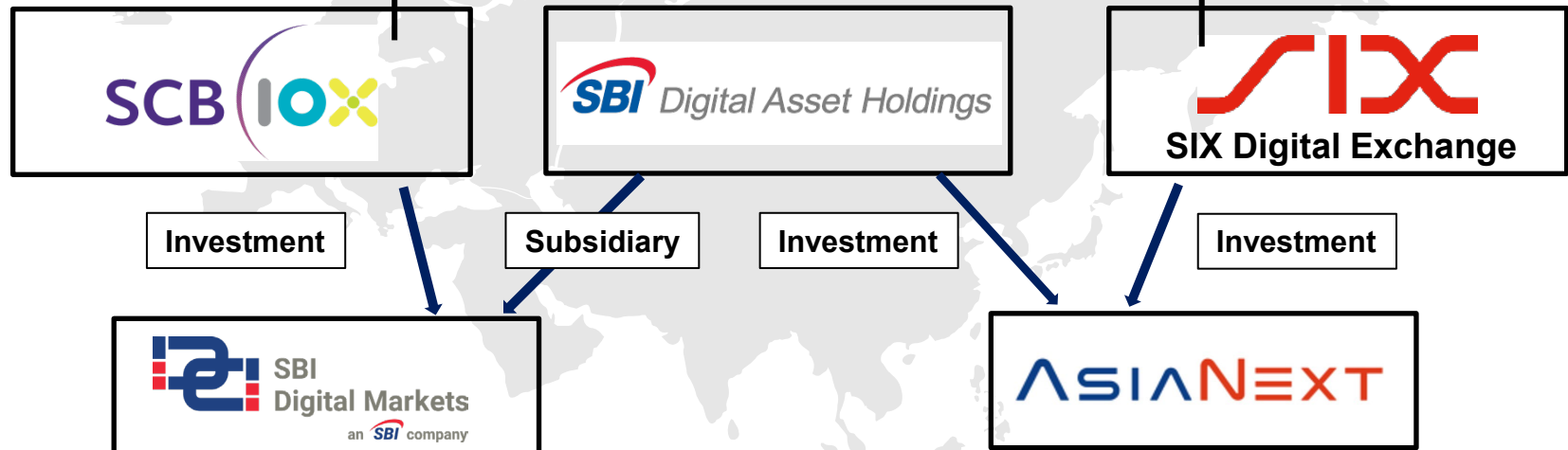
As announced in the following press release issued by MAS on November 2, SBI Group, in cooperation with the project participants, has **conducted actual exchange transactions involving tokenized deposits in Japanese yen and Singapore dollars**, as well as desktop simulations for future transactions in Japanese government bonds

<https://www.mas.gov.sg/news/media-releases/2022/first-industry-pilot-for-digital-asset-and-decentralised-finance-goes-live>

(3) SBI Group Accelerates the Development of Digital Asset Related Business Based in Singapore Under an Alliance with Global Partners

SCB10X is a subsidiary of Siam Commercial Bank, one of Thailand's leading banks, actively pursuing investment activities in the fintech, blockchain and decentralized finance (DeFi) sectors in Southeast Asia

A member of the SIX Group, which operates the SIX Swiss Exchange, one of the world's leading stock exchanges, and provides trading and settlement services for digital assets in Switzerland and other European countries



- **Received Capital Markets Services (CMS) license** from the Monetary Authority of Singapore (MAS) in September 2022
- Currently building a digital asset issuance and distribution platform in collaboration with **Securitize, a U.S. company** in which the SBI Group has an equity stake
- Currently in the final stages of testing, **with dry runs scheduled to begin in November, and the service is planned to be launched with bonds and other tokenized products by 1Q FY2023**
- Payment Services Act (PSA) license expected to be accepted soon
- Recognized Market Operator (RMO) license and CMS license applied for with MAS
- Combination of the above licenses allows operating as a stock exchange capable of covering STs
- Endeavor to **start a PoC by the end of this fiscal year** to start handling crypto asset derivatives in cash
- Considering **handling STOs** in the future

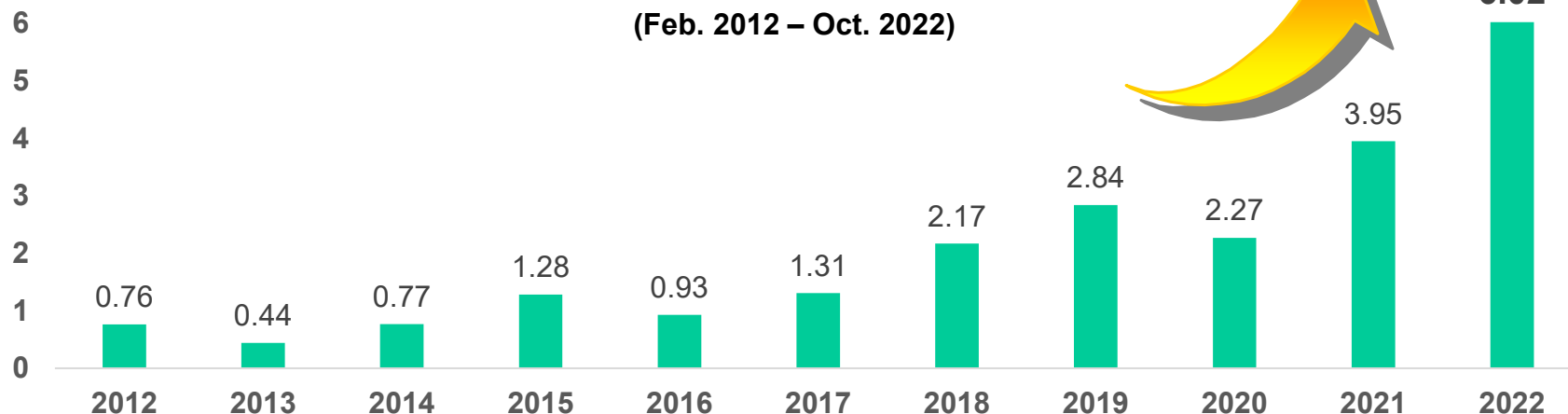
(4) SBI Art Auction Expands its Business by Holding Japan's First NFT-Based Digital Art Auction

- SBI Art Auction developing auction business specializing in contemporary art, increased revenue by 32.0% year-on-year to JPY 688m and profit before income tax expense by 58.9% year-on-year to JPY 313m by offering high quality artworks that respond to the growing interests in contemporary art
- This auction is one of the most international in Japan with registered customers from more than 50 countries, and overseas customers' accounting for about 30% of the total amount of successful bids, and actively introducing artworks by foreign artists who are rarely offered at auctions in Japan, contributing to the growth and expansion of Japanese art market
- Working to improve the status and expand the distribution of digital data by holding Japan's first auction of digital art using NFTs (Non-Fungible Token)

(JPY billion)

Trend of contract price of Auctions

(Feb. 2012 – Oct. 2022)



(5) Plans to Establish a New JPY 100bn Fund in the Next Fiscal Year to Invest in Cutting-Edge Services and Technologies With a Focus on the Digital Space

- SBI Digital Space Fund (common name) -

Digital Space

Web3.0



NFT



Traceability



FinTech

Settlement



Remittance



Financing



Investment



KYC/AML



DeFi



GameFi



IEO/STO

X-Fi

Metaverse



VR/AR/MR

Creator Economy

BMI

Digital Twin

XR

HealthCare

PHR, Vital Data, Preventive Medicine, Telemedicine



DTx, AI Drug Discovery, Genome Editing, Regenerative Medicine



DX

AI/Big Data



IoT



5G/Cloud



Robotics



Logistics/Distribution



X-Tech

SMB

SaaS

Climate Tech



Green Energy

CCS · CCUS

Biofuel

Smart Grid

EV/Storage Battery

Micro Mobility

< Reference Materials for Each Business >

1. Financial Services Business

[Financial Services Business Consolidated Results (IFRS)]

(Unit: JPY million)

	1H FY2021 (Apr. 2021 – Sept. 2021)	1H FY2022 (Apr. 2022 – Sept. 2022)	YoY (%)
Revenue	222,294	403,111	+81.3
Profit before income tax expense	58,989	69,626	+18.0

SBI SECURITIES 1H FY2022

Consolidated Results (J-GAAP)

[Year-on-year comparison]

(Unit: JPY million)

	1H FY2021 (Apr. 2021 – Sept. 2021)	1H FY2022 (Apr. 2022 – Sept. 2022)	YoY (%)
Operating revenue	82,027	80,839	-1.4
Net operating revenue	77,253	74,778	-3.2
Operating profit	27,584	26,347	-4.5
Ordinary profit	27,684	25,254	-8.8
Profit attributable to owners of the Company	18,684	17,284	-7.5

Achieved Significant Growth in Revenue and Profit in FX-Related Business Against a Backdrop of Rising Foreign Exchange Transactions due to the Rapid Depreciation of the Yen

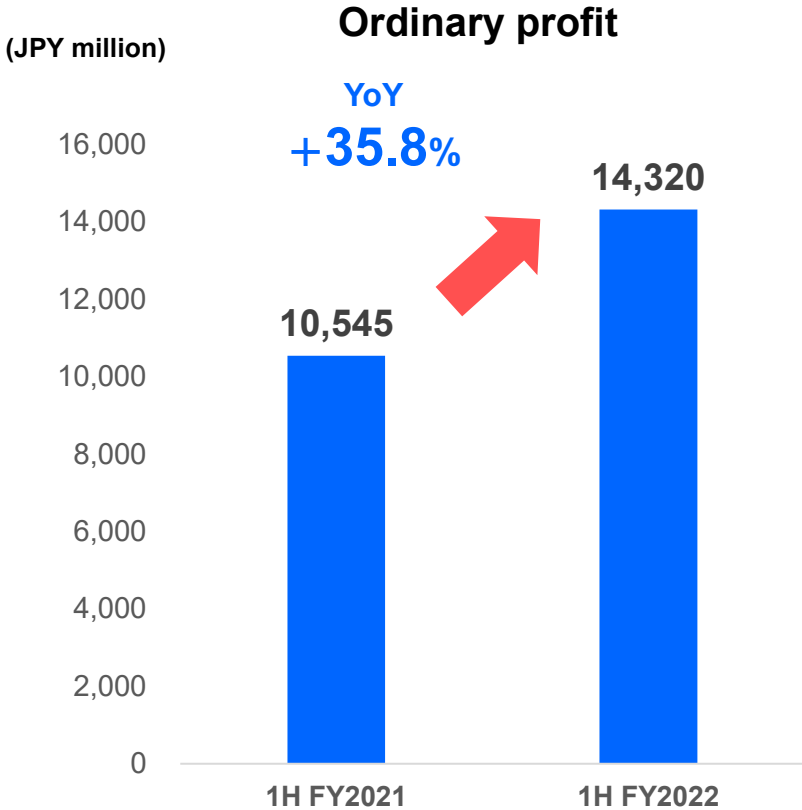
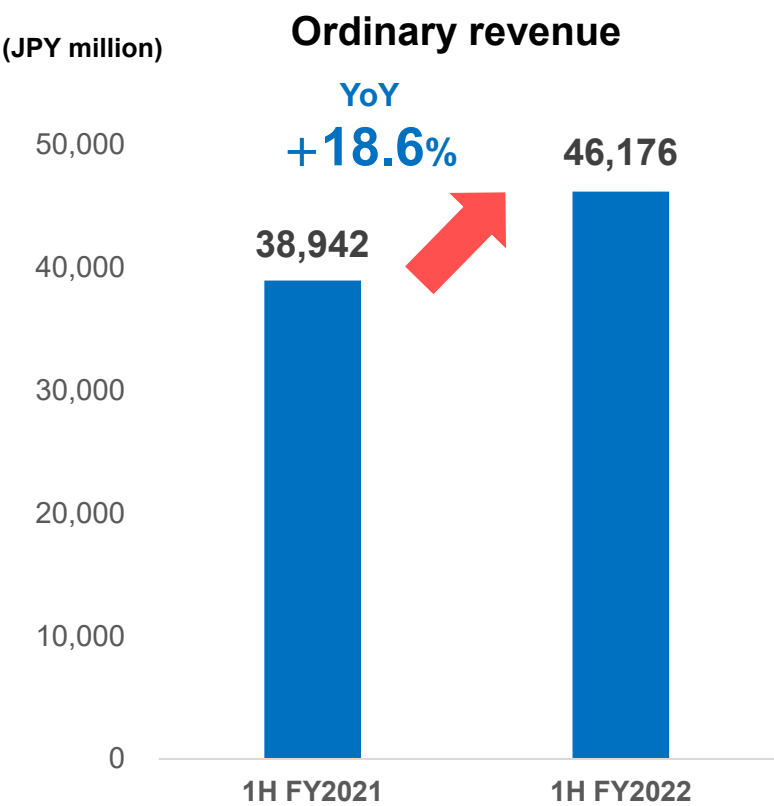
Operating revenue of SBI Liquidity Market (Non-consolidated, J-GAAP) (Unit: JPY million)

	1H FY2021 (Apr. 2021 – Sept. 2021)	1H FY2022 (Apr. 2022 – Sept. 2022)	YoY (%)
Operating revenue	11,505	Record high 14,703	+27.8

- During the first half of the year, the dollar-yen exchange rate rapidly depreciated against the yen from the JPY 122 per dollar level on April 1 to the JPY 144 per dollar level on September 30, which led to a 2.4-fold increase in FX OTC transaction volume for the industry overall. SBI Liquidity Market also saw a significant increase in transactions and achieved its highest operating revenue for the 1st half of the fiscal year
- SBI FXTRADE, a subsidiary of SBI Liquidity Market, also achieved a significant increase in revenue and profit compared to the same period of the previous fiscal year due to active promotion of campaigns and other measures

SBI Sumishin Net Bank’s Performance (J-GAAP)

SBI Sumishin Net Bank’s performance was supported by steady growth in lending on the housing loan business, with both ordinary revenues and ordinary profit in the J-GAAP based increasing year-on-year



SBI Insurance Group's Consolidated Performance

Consolidated results for 1H FY2022 (J-GAAP)

(Unit: JPY million)

	1H FY2021 (Apr. 2021 – Sept. 2021)	1H FY2022 (Apr. 2022 – Sept. 2022)	YoY % change
Ordinary revenue	43,806	47,897	+9.3
Ordinary profit	3,307	4,154	+25.6
Profit attributable to parent of the Company	1,154	1,493	+29.4

2. Asset Management Business

[Major constituent companies]

Morningstar Japan, SBI Asset Management (a subsidiary of Morningstar Japan),
Rheos Capital Works

[Asset Management Business Consolidated Results (IFRS)]

(JPY million)

	1H FY2021 (Apr. 2021 – Sept. 2021)	1H FY2022 (Apr. 2022 – Sept. 2022)	YoY % change
Revenue	8,111	8,355	+3.0
Profit before income tax expense	1,958	1,346	-31.3

[Business highlights]

- In the **Asset Management Business** segment, stable earnings were maintained despite profit before income tax expense declining approximately JPY 600m year-on-year due to deteriorating market conditions in the stock and bond markets
- The financial results of **Shinsei Investment Management, which Morningstar Japan as a wholly owned subsidiary**, will be incorporated in the consolidated results of the Asset Management Business from October 2022

3. Investment Business

[Major constituent companies/businesses]

Private Equity Business, SBI Leasing Service

[Investment Business Consolidated Results (IFRS)]

(JPY million)

	1H FY2021 (Apr. 2021 – Sept. 2021)	1H FY2022 (Apr. 2022 – Sept. 2022)	YoY (%) change/ YoY change
Revenue	80,889	29,882	-63.1
Profit before income tax expense	59,082	4,794	-91.9
Profit / loss from the change in fair value and profit / loss on sales of investment securities	54,402	6,654	-87.8
Listed securities	-6,536	-20,028	-13,492 (JPY million)
Unlisted securities	60,938	26,682	-56.2

[Business highlights]

- In 1H FY2022, the investment business was greatly affected by **the valuation loss of approximately JPY 31.4 bn** due to the decline in the stock prices of some overseas listed companies, such as **TPBank**. Revenue decreased 63.1% year-on-year to JPY 29.9bn, and Profit before income tax expense decreased 91.9% year-on-year to JPY 4.8bn
- In 1H FY2022, gains and losses due to fluctuations in the fair value valuation of investees and gains and losses on sales have posted significant valuation losses on overseas listed companies. Despite, it has remained profitable due to **valuation gains on unlisted companies**

4. Crypto-asset Business

[Major constituent companies / business]

SBI VC Trade, B2C2, BITPoint Japan, crypto asset mining business

[Crypto-asset Business Consolidated Performance (IFRS)] (Unit: JPY million)

	1H FY2021 (Apr. 2021 – Sept. 2021)	1H FY2022 (Apr. 2022 – Sept. 2022)	YoY % change/ YoY change
Revenue	15,575	20,534	+31.8
Profit before income tax expense	985	-12,781	-13,766 (JPY million)

[Business highlights]

- Due to the sluggish crypto asset market and bankruptcy of some business partners, the Crypto-Asset Business segment recorded a profit before income tax expense of JPY-12,781m (Of which approx. JPY 7bn loss from the mining business and approx. JPY 4bn loss from B2C2)
- As a result of BITPoint Japan becoming a consolidated subsidiary on July 1, 2022, the company's business results have contributed to this business segment from 2Q FY2022
- B2C2 will strive to enhance profitability in the sluggish crypto asset market by expanding futures and options trading services
- The mining business has ceased operations in Russia

5. Non-Financial Business

[Major constituent businesses]

Biotechnology, Healthcare & Medical Informatics Businesses, other Businesses Including Web3.0

[Non-Financial Business Segment Consolidated Performance (IFRS)]

(Unit: JPY million)

	1H FY2021 (Apr. 2021 – Sept. 2021)	1H FY2022 (Apr. 2022 – Sept. 2022)	YoY % change / YoY change
Revenue	10,176	14,379	+41.3
Profit before income tax expense	-5,978	584	+6,563 (JPY million)

[Business highlights]

- In Biotechnology, Healthcare & Medical Informatics Business, profits increased due to strengthened product competitiveness of 5-ALA related business and milestone revenue of SBI Biotech
- Of the various businesses are expanded in non-financial segment, some companies have already achieved stable profitability such as SBI Art Auction which recorded a profit before income tax of JPY 313m (+32.0% YoY) on growing interest in contemporary art

Profit Before Income Tax Expense of the Biotechnology, Healthcare & Medical Informatics Business Companies (IFRS)

(Unit: JPY million)

	1H FY2021 (Apr. 2021 – Sept. 2021)	1H FY2022 (Apr. – Sept. 2022)	YoY % change / YoY change
SBI Biotech	359	80	-77.7%
5-ALA related Business*	-358	267	+625 (JPY million)

*Simple sum of figures for group companies manufacturing and selling 5-ALA domestic and overseas

- **SBI Biotech** recorded a milestone for SBI-9674 licensed to Kyowa Kirin Co., Ltd in 1Q FY2022 and remained profitable
- Profit of **5-ALA related business** increased due to diversification of product lineups and global expansion of foods with functional claims, and steady growth in sales of medical devices and supplies

< Reference Material > Group Overview

Number of Companies and Employees of the SBI Group (Consolidated)

Number of Group companies

	End of Mar. 2022	End of Sept. 2022
Consolidated subsidiaries (companies)	442	482
Consolidated partnerships (partnerships)	51	56
Total consolidated subsidiaries (companies)	493	538
Equity method companies (companies)	62	62
Total Group companies (companies)	555	600

Number of employees (Consolidated)

	End of Mar. 2022	End of Sept. 2022
Total employees	17,496	17,975

<https://www.sbigroup.co.jp>