

SBI Holdings, Inc. 2019 Information Meeting

November 26	Tokyo
November 28	Nagoya
December 2	Osaka
December 4	Yokohama
December 10	Fukuoka

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.

None of the Group companies guarantees 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 March 31 of the following year

Today's Program

**Part I: Explanations for the
Key Questions**

Part II: Q&A

Part I: Explanations for the Key Questions

- 1. About 1H FY2019 performance**
- 2. Next generation financial services that SBI endeavors to deliver that will further enhance customer benefits**
- 3. What is the 4th megabank concept for regional revitalization that the SBI Group will focus on?**
- 4. Identifying the key factors in predicting the 2H of FY2019**

Q1. About 1H FY2019 performance

1H FY2019 Consolidated Performance (IFRS)

(Unit: JPY million)

	FY2018		FY2019	YoY % change	HoH % change
	1H FY2019 (Apr. 2018- Sept. 2018)	2H FY2019 (Oct. 2018- Mar. 2019)	1H FY2019 (Apr. 2019- Sept. 2019)		
Revenue	176,753	174,658	192,147	+8.7	+10.0
Profit before income tax expense	54,195	28,842	48,049	-11.3	+66.6
Profit for the period	40,062	27,215	35,077	-12.4	+28.9
Profit attributable to owners of the Company	33,588	18,960	27,890	-17.0	+47.1

1H FY2019 Performance by Segment (IFRS)

[Year-on-year comparison]

(Unit: JPY million)

Revenue

Profit before Income Tax Expense

	1H FY2018 (Apr. 2018– Sept. 2018)	1H FY2019 (Apr. 2019– Sept. 2019)	YoY % change	1H FY2018 (Apr. 2018– Sept. 2018)	1H FY2019 (Apr. 2019– Sept. 2019)	YoY % change / YoY change
Financial Services Business	113,648	114,899	+1.1	34,421	26,274	-23.7
Asset Management Business	61,619	74,569	+21.0	29,776	35,455	+19.1
Biotechnology- related Business	1,766	2,083	+18.0	-4,802	-6,175	-1,373

* SBI VC Trade, which was included in the Other Business until FY2018, is now included in the Financial Services Business from FY2019. Consequently, as for 1H FY2018 result, it has been restated in accordance with the new basis of segmentation.

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

Interim Dividend of JPY 20 Per Share was Declared

[Basic policy for shareholder return]

Conduct shareholder returns with a target of achieving a total shareholder return ratio, as calculated by the sum of dividend payouts and share repurchase costs, of 40% as a minimum

■ Dividend forecast (result) per share

	End of 2Q	Year-end	Full-year
FY2019 (forecast)	<u>JPY 20</u>	N/A	N/A
FY2018 (result)	JPY 20 (Ordinary dividend: JPY 20)	JPY 80 (Ordinary dividend: JPY 75) (Commemorative dividend: JPY 5)	JPY 100 (Ordinary dividend: JPY 95) (Commemorative dividend: JPY 5)

1H FY2019 Summary

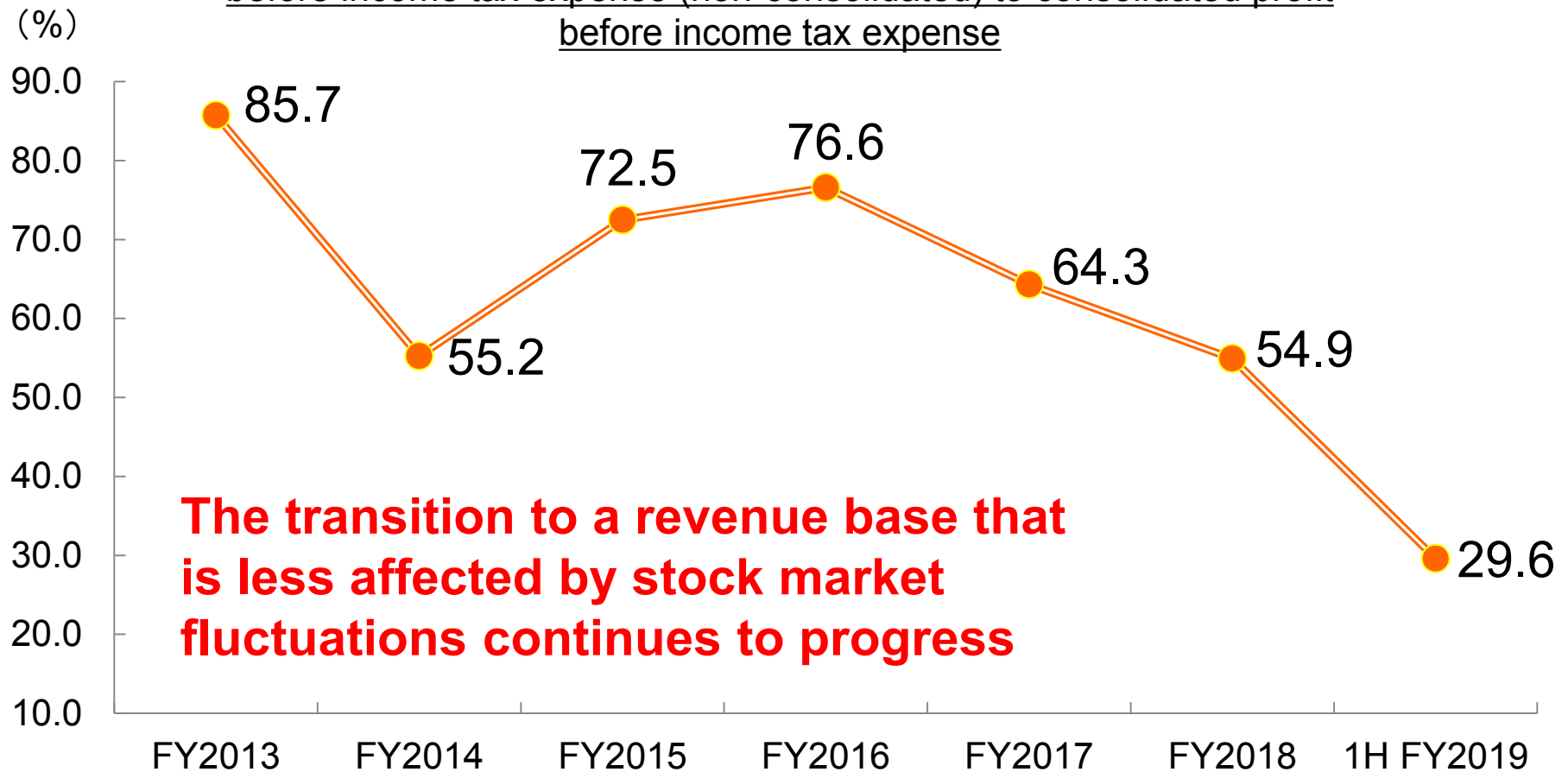
1. Financial Services Business

- **Owing to the material decline of the securities business' contribution to SBI Holdings' consolidated profits to 30%, the Company should no longer be categorized within the securities company business group**
- **SBI Holdings' consolidated profit sensitivity to the change in the domestic equity market has also declined**

SBI Holdings Should No Longer be Categorized as a Securities Company

-The securities business accounts for approximately 30% of the consolidated profits-

SBI Holdings' composition ratio of SBI SECURITIES' IFRS-based profit before income tax expense (non-consolidated) to consolidated profit before income tax expense



SBI Holdings' Consolidated Profit Sensitivity to the Change in the Domestic Equity Market has Declined

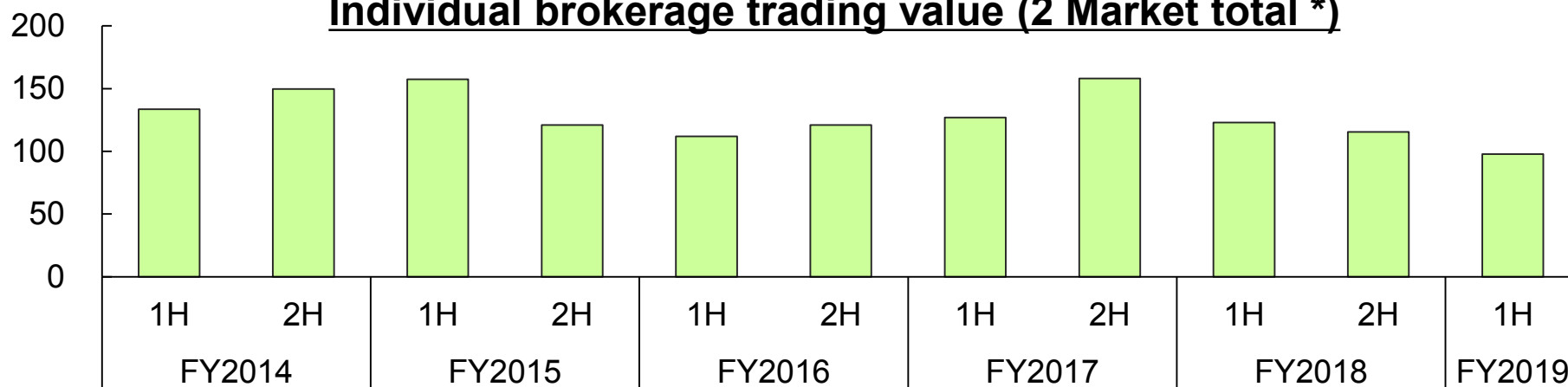
[Trend of the year-on-year % changes]

(Unit : %)

	FY2015	FY2016	FY2017	FY2018	1H FY2019 (vs 1H FY2018) (vs 2H FY2018)	
Individual brokerage trading value (2 Market total*)	-1.7	-16.4	+22.4	<u>-16.3</u>	-20.4	<u>-15.4</u>
Consolidated profit before income tax expense	-17.2	-17.4	+66.5	<u>+15.6</u>	-11.3	<u>+66.6</u>

(JPY trillion)

Individual brokerage trading value (2 Market total *)



* Japanese stocks listed on Tokyo Stock Exchange and Nagoya Stock Exchange (Including TSE Mothers, JASDAQ and NSE Centrex)

(1) Securities-related business (SBI SECURITIES) 1H FY2019 performance overview

- **In 1H FY2019, whereas a sluggish market environment resulted in a decrease of 20.4% in individual brokerage trading value of the two markets combined, as compared to the same period of the previous fiscal year, SBI SECURITIES' trading revenue increased by 19.2% year-on-year to result in an operating revenue decline of only 4.2% year-on-year**
- **SBI SECURITIES ranked first in terms of operating income of the domestic securities business, by outperforming the major domestic face-to-face securities firms**

SBI SECURITIES 1H FY2019

Consolidated Results (J-GAAP)






[Year-on-year comparison]

(Unit: JPY million)

	1H FY2018 (Apr. 2018 – Sept. 2018)	1H FY2019 (Apr. 2019 – Sept. 2019)	YoY % change
Operating Revenue	60,394	57,864	-4.2
Net Operating Revenue	56,735	51,972	-8.4
Operating Income	27,942	18,069	-35.3
Ordinary Income	27,885	18,291	-34.4
Profit attributable to owners of the Company	19,223	11,734	-39.0

SBI SECURITIES' Overwhelming Position

[1H FY2019 results]

	Share of individual stock trading value (%)		Number of accounts (thousand)	Deposit assets (JPY trillion)	Operating income (JPY million)
		of which, individual margin trading			
SBI ^{*1} (cons.)	 35.3	 35.4	 4,952	 13.3	 18,069
Rakuten ^{*2} (cons.)	22.5	23.7	3,377	6.2	5,268
Matsui	10.3	12.4	1,204	2.3	3,987
kabu.com	8.6	10.1	1,131	2.2	1,327
Monex ^{*3} (cons.)	5.1	4.3	1,833	4.1	2,165

*1 SBI's number of accounts include that of SBI NEOMOBILE SECURITIES.

*2 Since Rakuten changed the term of its fiscal year from FY2018, the figure above is for the corresponding period of Apr. 2019-Sept. 2019. Also, the number of accounts is as of the end of June 2019.

*3 The amount of "Operating income" represented above is "The amount equivalent to operating income" disclosed by Monex.

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

SBI SECURITIES and Major Face-to-face Securities Firms' Comparison of Operating Income in the Domestic Securities Business

-As consolidated financial results of major face-to-face securities firms' results include those derived from overseas corporate business, asset management divisions and investment banking divisions, SBI SECURITIES is materially No. 1 in the domestic securities field-

1H FY2019

(JPY million)

[Simple comparison]

Nomura Holdings *1 (Cons.)	203,292
Daiwa Securities Group (Cons.)	18,900
SBI SECURITIES (Cons.)	18,069
SMBC Nikko (Cons.)	16,691
Mizuho Securities (Cons.)	13,601
Mitsubishi UFJ Securities Holdings (Cons.)	-869

[Substantive comparison]

SBI SECURITIES (Cons.)	18,069
Nomura Securities (non-cons.)	17,982
Daiwa Securities (non-cons.)	16,838
SMBC Nikko (non-cons.)	13,502
Mizuho Securities (non-cons.)	13,144
Mitsubishi UFJ Morgan Stanley Securities (non-cons.)	-2,616

*1 Figures for Nomura is profit before income tax expense based on US-GAAP

*2 Figures for major face-to-face securities firms in the substantive comparison table are non-consolidated financial results, respectively, which represent the operating income of the domestic securities business

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

(2) Banking-related business (SBI Sumishin Net Bank)

1H FY2019 performance overview

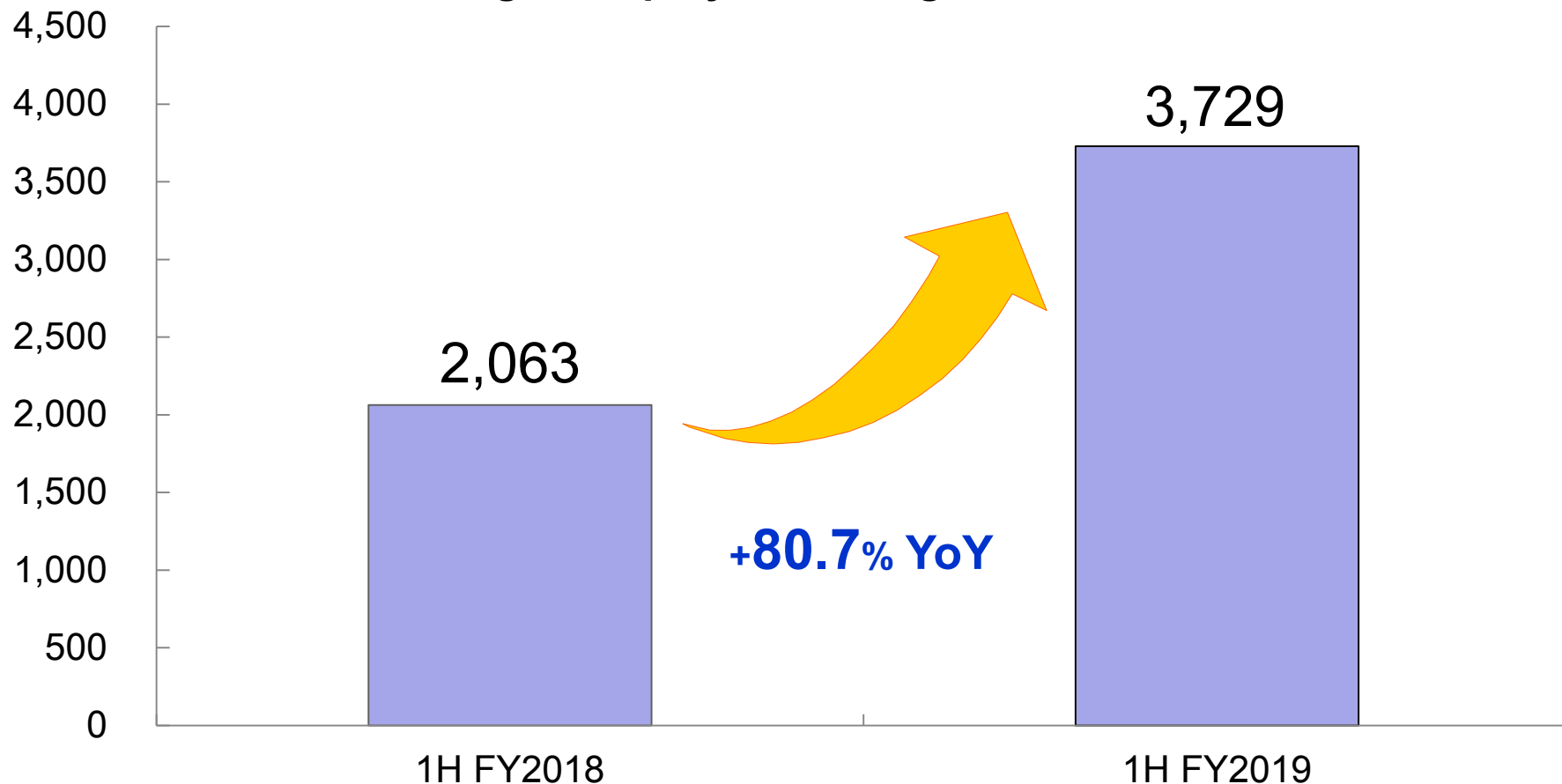
- **SBI Holdings' equity in earnings of SBI Sumishin Net Bank, based on IFRS for 1H FY2019 was JPY 3,729m, up 80.7% year-on-year, owing to the expansion of the housing loans and profits through investment of bond investments, etc.**
- **Ordinary income based on J-GAAP for 1H FY2019 was JPY 8,563m, exceeding that for the 1H FY2018 (JPY 7,893m), and has continued to steadily increase**
- **As of the end of Sept. 2019, accounts steadily increased to approx. 3.71 million accounts, with deposits exceeding approx. JPY 5.2tn**

Change in SBI Sumishin Net Bank's Financial Results (IFRS)

SBI Holdings' equity in earnings of SBI Sumishin Net Bank based on IFRS for 2Q FY2019 was JPY 1,744m, up 96.8% year-on-year

(JPY million)

Change in equity in earnings of affiliates



Note: Owing to the difference in IFRS and J-GAAP for asset assessment criteria, the figures differ from that disclosed based on J-GAAP.

SBI Sumishin Net Bank's Ordinary Income has Steadily Increased

1H FY2019 financial results (J-GAAP) recorded historical highs

Change in Ordinary Income (J-GAAP) after Start of Operations

(JPY million)

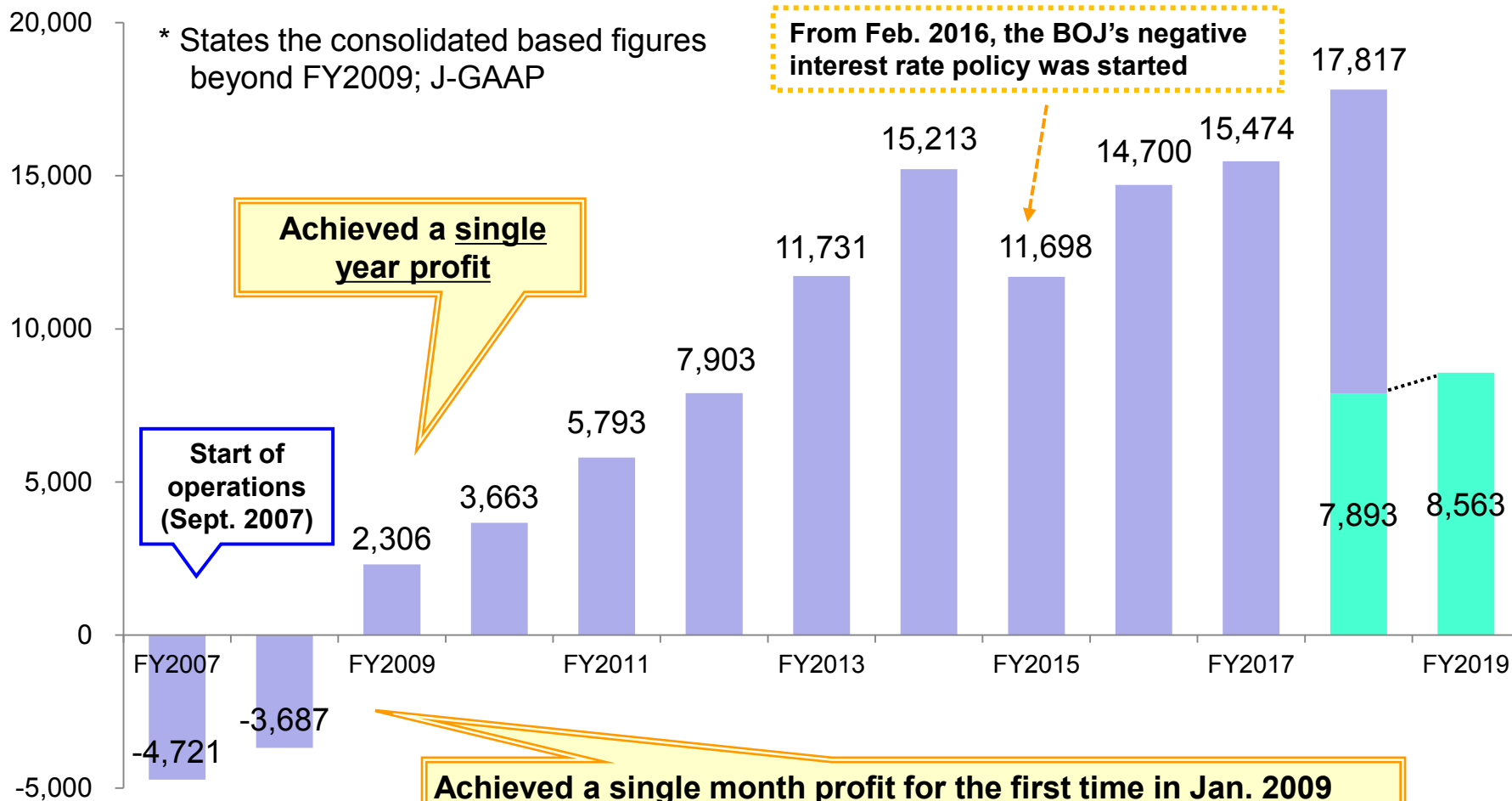
* States the consolidated based figures beyond FY2009; J-GAAP

From Feb. 2016, the BOJ's negative interest rate policy was started

Achieved a single year profit

Start of operations (Sept. 2007)

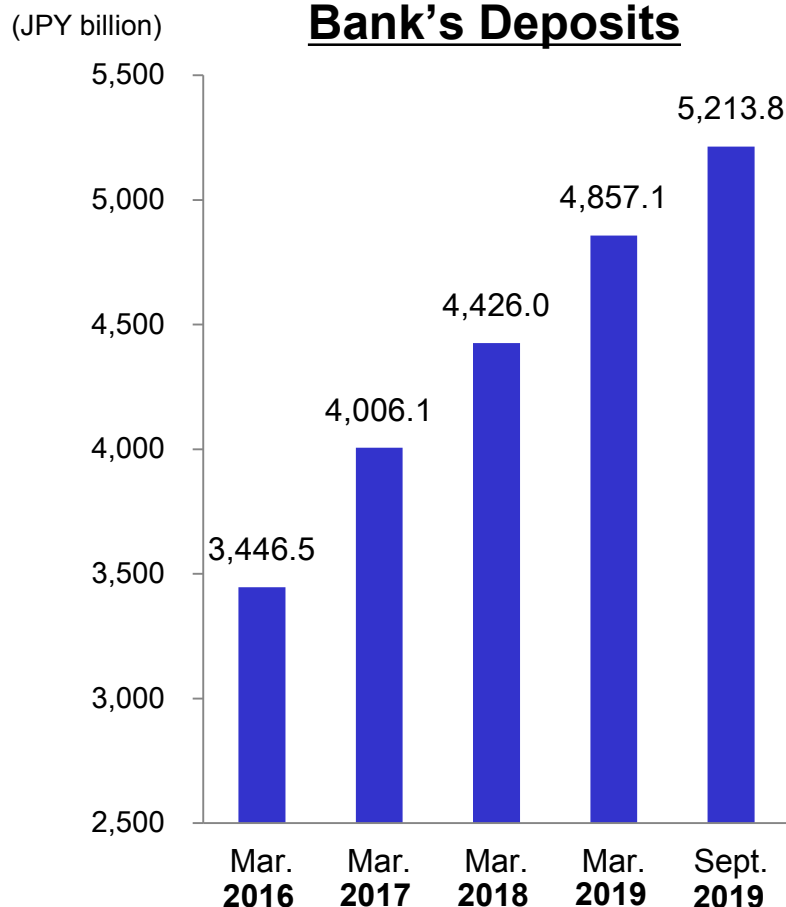
Achieved a single month profit for the first time in Jan. 2009
Achieved a single quarter profit for the first time in 4Q FY2008



Deposits as of the End of Sept. 2019 Exceeded JPY 5tn, to Significantly Surpass its Competitors

**Number of accounts: 3,713,377 / Deposits: JPY 5,213.8bn
(As of the end of Sept. 2019)**

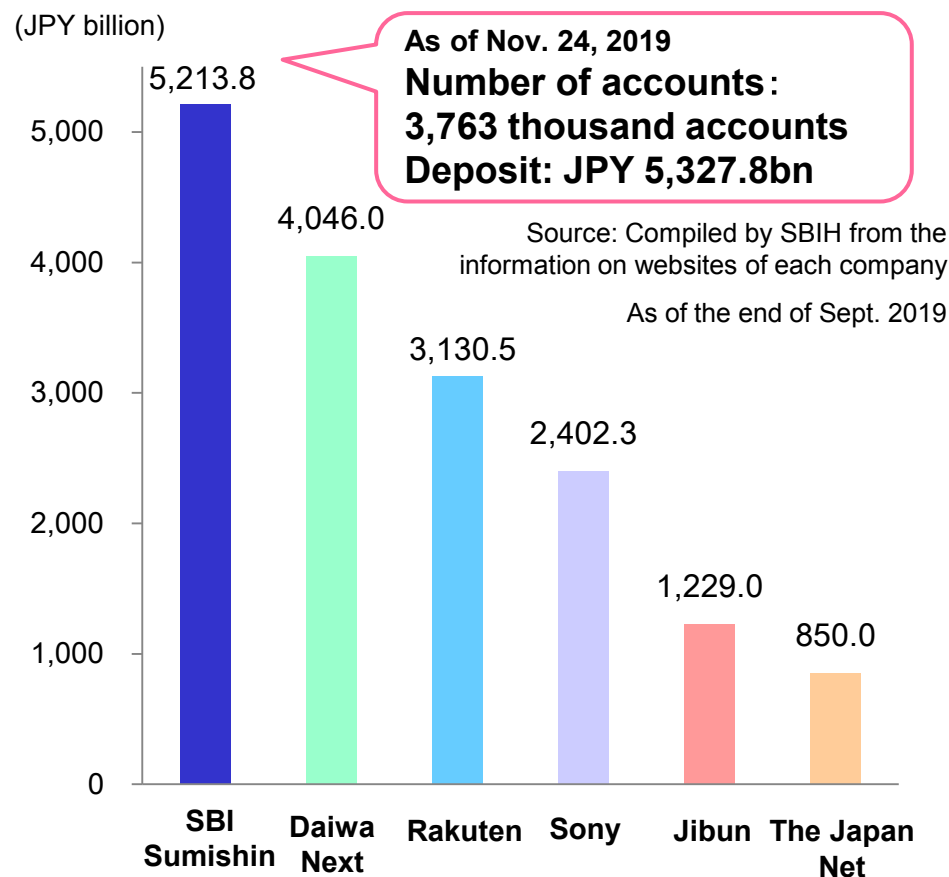
Change in SBI Sumishin Net Bank's Deposits



* Amounts are rounded to the nearest JPY 100 million.

Deposits of 6 Internet Banks

(Based on the latest data disclosure by each company)



(3) Insurance-related business (SBI Insurance Group)

1H FY2019 performance overview

- **SBI Insurance Group's total number of inforce contracts exceeded 2 million**
- **SBI Insurance Group's consolidated ordinary profit for 1H FY2019 (J-GAAP), increased 49.9% year-on-year to JPY 980m, reflecting a steady increase in the Group's total number of inforce contracts**

SBI Insurance Group's Performance

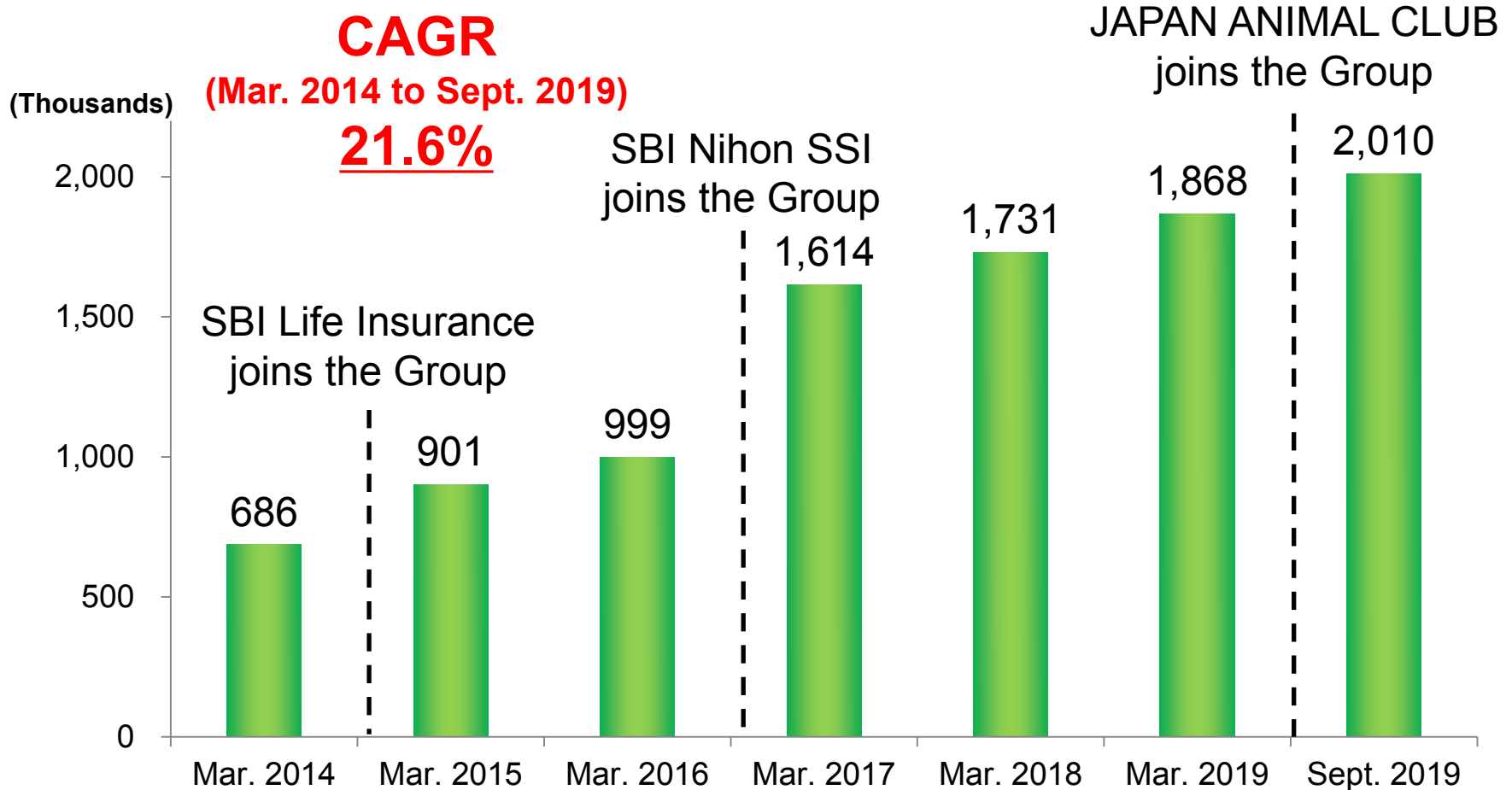
Consolidated results for 1H FY2019 (J-GAAP)

(Unit: JPY million)

	1H FY2018 (Result) (Apr. – Sept. 2018)	1H FY2019 (Apr. – Sept. 2019)	YoY % change
Ordinary revenue	31,563	32,279	+2.3
Ordinary profit	654	980	+49.9
Profit attributable to parent of the Company*	204	222	+8.8

* As SBI Life Insurance's group credit life insurance sales increased, provision for reserve for dividends to policyholders increased, and the level of net income attributable to shareholders of the parent company remained low as compared to ordinary income

SBI Insurance Group's Total Number of Inforce Contracts Exceeded 2 Million

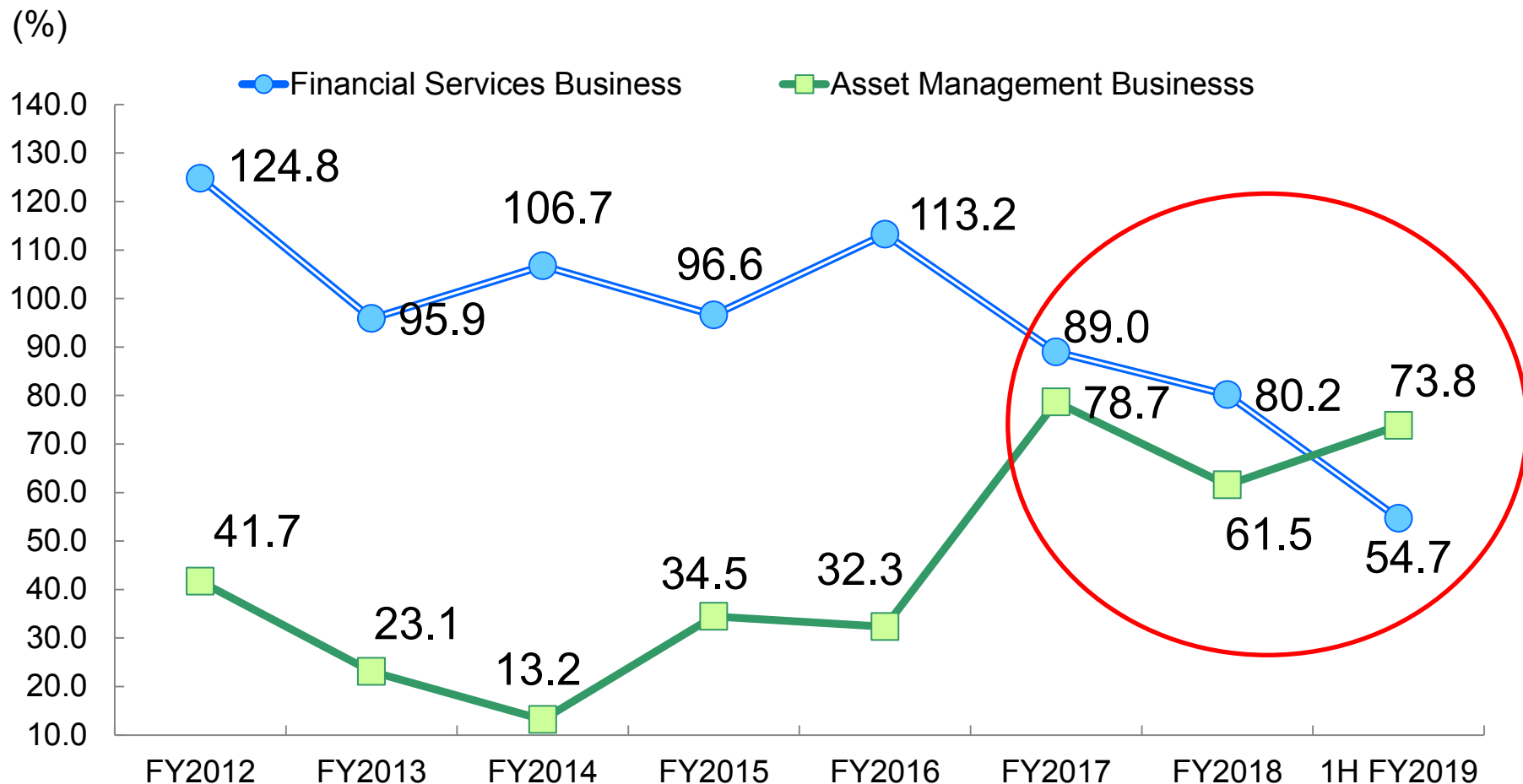


1H FY2019 Summary

2. Asset Management Business

For the first time since the adoption of IFRS, the Asset Management Business' contribution to consolidated profits before income tax expense on a 1H results basis has exceeded that of the Financial Services Business

SBI Holdings' Composition Ratio of the Financial Services Business and the Asset Management Business' IFRS-based Profit before Income Tax Expense to Consolidated Profit before Income Tax Expense



Performance Overview of Asset Management Business (IFRS)

-As the domestic IPO market languished, investing in promising startup companies domestically and abroad led to favorable results-

(IFRS, JPY billion)

	1H FY2018 (Apr. 2018 – Sept. 2018)	1H FY2019 (Apr. 2019 – Sept. 2019)	YoY % change
Revenue	61.6	74.6	+21.0
Profit before income tax expense	29.8	35.5	+19.1
SBI SAVINGS BANK	9.1	8.4	-7.8*
Profit/loss from the change in fair value and profit/loss on sales of investment securities	19.5	28	+43.3
<u>Listed Securities</u>	3	5.5	+85.4
<u>Unlisted Securities</u>	16.5	22.4	+35.6

* The decline was the result of a weaker Won, but by K-GAAP, there was a 13% increase from the same period of the previous year

[Reference] 1H FY2019 performance overview of JAFECO (Based on J-GAAP)

Net sales	15.8	6.0	-62.0
Operating income	6.8	2.1	-69.4

IPOs and M&As of the SBI Group Investee Companies

	Full-year FY2018	1H FY2019 (Apr. 2019 – Sept. 2019)
IPO・M&A deals	20	12

During the first half of the current fiscal year, 11 companies were IPO'd and one company was M&A'd

EXIT Date	Company	Market	EXIT Date	Company	Market
May 28, 2019	Sugentech Inc.	KOSDAQ	July 12, 2019	Settlebank, INC.	KOSDAQ
May 30, 2019	VALTES	TSE Mothers	July 17, 2019	Flitto Inc.	KOSDAQ
June 3, 2019	Haitong Unitrust International Leasing Co.,Ltd	HKEX	July 19, 2019	ASTORY Co., Ltd.	KOSDAQ
June 10, 2019	ZUM internet Corp.	M&A	Aug. 15, 2019	9F INC.	NASDAQ
June 19, 2019	Sansan	TSE Mothers	Sept. 13, 2019	Satsuma Pharmaceuticals, Inc.	NASDAQ
July 11, 2019	I-Scream Edu Co., Lt	KOSDAQ	Sept. 19, 2019	CyberBuzz, Inc.	TSE Mothers

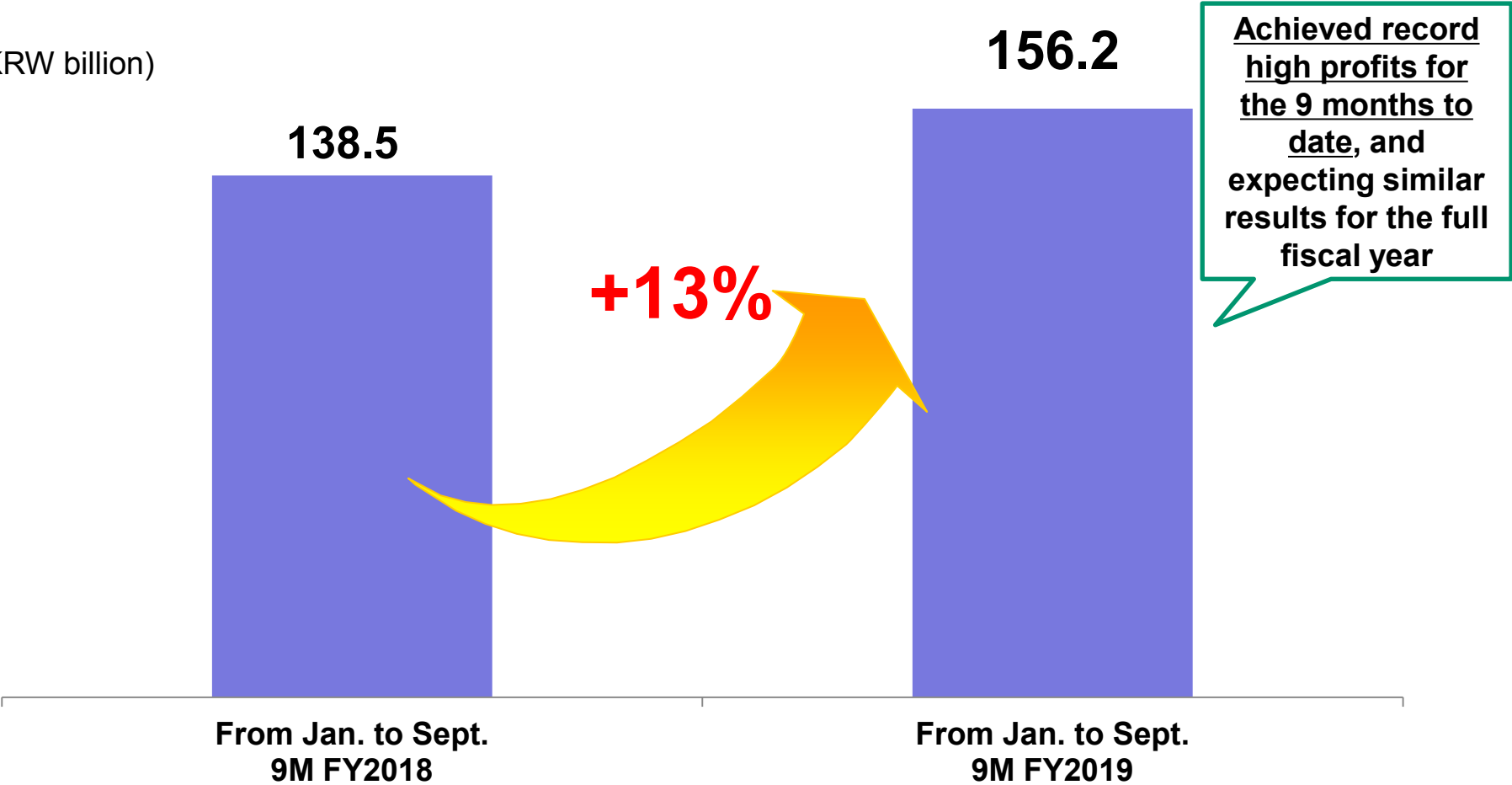
* In the case where an investee company conducts a share exchange or a merger with a public company, it is described as “M&A.”

* Subsidiary IPOs and M&As are also included.

Net Income of SBI SAVINGS BANK

(Based on K-GAAP from Jan. to Sept. 2019)

(KRW billion)



SBI SAVINGS BANK received an “**A –**” (Direction: “**Stable**”) rating from 2 credit rating agencies in Korea (Korea Credit Rating and NICE Credit Rating), respectively

1H FY2019 Summary

3. Biotechnology-related Business

- **During 1Q FY2019, owing to the business selection and concentration process, completely sold the shares held of Kubota Pharmaceutical Holdings**
- **Thereafter, no additional material investments will be made in this segment going forward, other than for SBI Biotech and the 5-ALA-related business, which is steadily expanding its business domestically and abroad**

During 1Q FY2019, Owing to the Business Selection and Concentration Process, Completely Sold the Shares Held of Kubota Pharmaceutical Holdings

Profit before income tax expense of the Biotechnology-related Business (IFRS)

(JPY million)

	1H FY2018 (Apr. – Sept. 2018)	1H FY2019 (Apr. – Sept. 2019)
Profit before income tax expense (excluding temporary factors)	-4,802	-4,823
Loss associated with the sale of Kubota Pharmaceutical Holdings shares		-1,352
Total profit before income tax expense of the Biotechnology-related Business	-4,802	-6,175

Profit Before Income Tax Expense of the Biotechnology-related Business (IFRS)

(JPY million)

		1H FY2018 (Apr. – Sept. 2018)	1H FY2019 (Apr. – Sept. 2019)
SBI Biotech		41*	-197
Quark Pharmaceuticals (“Quark”)		-3,791	-3,598
5-ALA-related business	SBI Pharmaceuticals	-668	-587
	SBI ALApromo	142	119
	photonamic	432	56

*SBI Biotech was profitable owing to the receipt of the final year subsidy from AMED, etc.

- **Quark** continues to record development costs in accordance with advancing clinical trials of pharmaceuticals, such as for acute kidney injury (AKI). However, **development costs are expected to decrease going forward**, since this clinical trial is scheduled to be completed by 2020
- **SBI ALApromo** increased its promotional efforts for its products, such as the newly-released food with functional claim, “ALA PLUS Fukai Nemuri,” so the profit before income tax expense decreased slightly year-on-year, but **its business continues to steadily expand**, owing to an increase in new product introductions to drug stores, etc.
- **photonamic** recorded a loss before income tax expense on a year-on-year basis, but owing to planned large lot sales in the current fiscal year, **expectations are for the continuation of profitability for the full fiscal year**

1H FY2019 Summary

4. Digital asset-related business

SBI VC Trade, which became a subsidiary of SBI SECURITIES from July of this year, has continued its steady performance, and SBI Crypto, which performs crypto-asset mining, has maintained its profitability

Digital Asset-related Business 1H FY2019 Performance (IFRS)



VC Trade (Crypto-asset exchange)

(Included in the Financial Services Business from 1Q FY2019)

(Unit: JPY million)

	1H FY2018 (Apr. 2018 – Sept. 2018)	1H FY2019 (Apr. 2019 – Sept. 2019)
Profit before income tax expense	-765	3,246



CRYPTO (Crypto-asset mining)

(Unit: JPY million)

	1H FY2018 (Apr. 2018 – Sept. 2018)	1H FY2019 (Apr. 2019 – Sept. 2019)
Profit before income tax expense	-783	293

Q2. Next generation financial services that SBI endeavors to deliver that will further enhance customer benefits

- (1) Promoting the Neo-bank initiative, by outsourcing certain bank functions to outside corporations, and developing and providing services through alliances**
- (2) Advancing the Neo-securities initiative, which portends the next-generation securities business**

(1) Promoting the Neo-bank initiative, by outsourcing certain bank functions to outside corporations, and developing and providing services through alliances

Unbundling (Separation) of Banking Functions Leads to the Rise of Neo-banks

-Partnering with many companies in various industries to provide banking functions as an “invisible bank”-

- In the past, banks had their traditional, sector-specific tasks centered on deposits, loans, and foreign exchange
- The advance of FinTech and the development of laws by the appropriate offices in each country has accelerated entry into this field by players from other sectors

DBS Bank

Advanced Neo-bank in Singapore

- A global financial institution represented in 18 countries worldwide, centered in Singapore
- Deposit amount of JPY 30,780bn, with 24,000 employees
- Selected as the “World’s Best Digital Bank,” by Euromoney, the UK financial magazine, in 2016 and 2018
- Retail banking revenue growth of approximately 40%, between 2015 and 2018, driven by the Neo-bank strategy

【Examples of alliance companies and services】

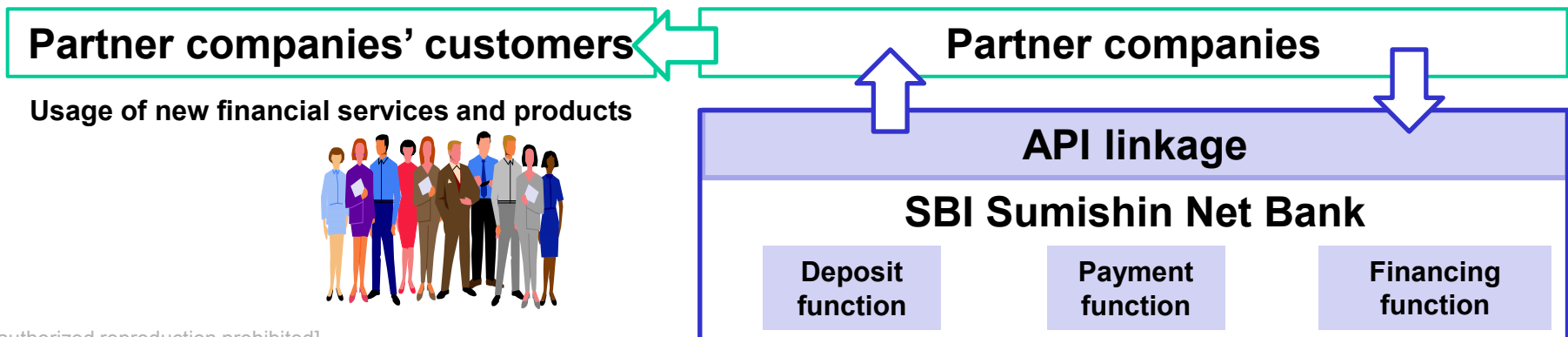
Alliance company	Industry	Summary of API linkage service
Century21	Real estate	Real estate app notifies home loan applicants of pre-qualification results within one minute
McDonald's	Fast food chain	Enable payment with DBS's mobile payment service "PayLah!"
Tally	Accounting software (providing services to 8 million companies)	SME accounting software interoperation through real-time linkage between account information and revenues & expenditures
Grab	Dispatch service	Grab drivers get instant deposit of pay plus instant bank transfers to a DBS account

The Number of Partner Companies Providing Bank Functions has been Steadily Increasing

-In addition to the preceding joint venture with JAL, in discussions with several other major companies-

Neo-bank concept: Customers using business services of partner companies, also have access to ancillary banking functions from SBI Sumishin Net Bank. SBI Sumishin Net Bank works with partner companies to create a framework by which services can be used both smoothly and comfortably.

- ◆ A basic agreement was reached with Hamee, which operates Japan's largest e-commerce platform "Next Engine," to create a transaction lending service for e-commerce companies
- ◆ A basic agreement was reached with HIKARI TSUSHIN Group, which has a corporate customer base of over 1 million companies, to create innovative corporate services
- ◆ In order to provide new banking services, as well as mortgages and loans, in discussions with over 10 vendors regarding specific strategies



The Number of Members of the Prepaid Card Service “JAL Global WALLET,” a Part of the Neo-bank Initiative, has Exceeded 100,000 in Just 10 Months Since the Launch

Joint venture JAL Payment Port Established on Sept. 19, 2017

- On Nov. 29, 2018, JAL Payment Port began accepting new JMB member cards “JAL Global WALLET” with the additional function, MasterCard prepaid card payment, for JAL mileage bank (JMB) members
- Account opening of SBI Sumishin Net Bank is also proposed parallel with the “JAL Global WALLET.” SBI Sumishin Net Bank users can use the “JAL Global WALLET” real-time account transfer function to more conveniently charge their accounts
- Anticipating a continued steady increase in membership and usage in the second half



SBI Sumishin Net Bank's Rapidly Expanding API Collaboration

-Providing banking functions to service users of external companies since 2016-

Owing to requirements for fintech companies to engage in individual contracts with banks as of the end of May 2020, a further increase in API integration is expected in the second half

Examples of SBI Sumishin Net Bank's API linkage

Commenced
Japan's first API
linkage with Money
Forward



**Currently, an API with over 300 functions
has been released**

NetMove, an Affiliated Company, is Steadily Expanding its Settlement Business on the Back of the Cashless Trend

住信SBIネット銀行

 **SBI** Sumishin Net Bank



 **NetMove**
CORPORATION

NetMove Corporation

- NetMove Corporation possesses advanced system design and development capabilities for settlement and security services, etc.
- NetMove Corporation provides highly secure payment services, such as acquiring the first provider certification in Japan of “PCIP2PE solution,” and “PCIP2PE component,” as defined by “PCISSC,” the credit card industry security standardization organization

NetMove’s business progress

- ◆ Owing to the ongoing promotion of a cashless society in Japan, the payment business continued to grow steadily. Accordingly, anticipating the achievement of business plans for both sales and profits in the second half of FY2019
- ◆ Multi-payment terminal functions have been expanded to support Alipay and WeChatpay from July, and Suica from August. Moving forward, planning to expand related services to increase the settlement amount

(2) Advancing the Neo-securities initiative, which portends the next-generation securities business

Neo-securities initiative

= Waiving online trading commissions and partial costs that investors currently incur

① Neo-securities initiative developments in the U.S.

Financial Platforms that Offer Apps which Allow Users to Easily Trade Stocks and Crypto-assets without Fees are Making Rapid Progress

- ◆ At the end of July 2019, the company was valued at approx. USD 7.6bn (JPY 820bn)
- ◆ The number of accounts has already exceeded 6 million
- ◆ **No trading fees**, earning revenue from monthly premium plan

Robinhood started from stock trading, and aggressively entered into other industries

Securities

- In Dec. 2014, Robinhood launched its innovative stock trading app, with no trading fees. The average user age is 28 years old, and 25% are neophyte traders

Crypto-assets

- In Feb. 2018, an app for trading crypto-assets (cryptocurrency) without fees was launched. Just 4 days after the announcement, 1 million users were registered

Banking

- In Apr. 2019, Robinhood applied for a banking license to the U.S. regulatory authorities. If approved, will provide banking services and products

While New Financial Businesses Such as Robinhood are on the Rise, the Move to a Commission-free Environment Accelerates at Major U.S. Online Brokers

■ Charles Schwab, a major U.S. online brokerage, offers commission-free stock trading

Charles Schwab's CFO, Peter Crawford, said, **“It has seemed inevitable that commissions would head towards zero, so why wait?”** (Peter Crawford, CFO). Subsequently, the \$4.95 per trade commission fee was abolished. He went on to comment that the securities sector, through liberalization and the emergence of online securities, has already given up 85% of its brokerage commission income in the 29 years since 1990. “It is best to be prepared for the fact that a stock brokerage as a business that earns commissions will sooner or later become a relic of the past.” (Nikkei online edition, October 9, 2019)

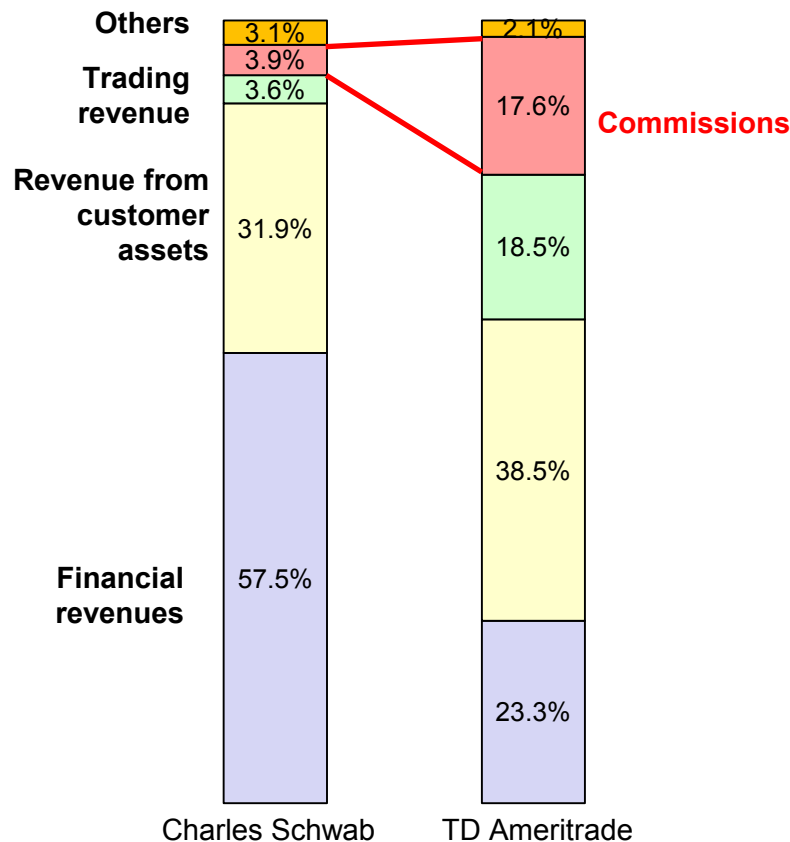
U.S. online securities move to zero-commission stock trades. *TD Ameritrade Holdings and E*Trade Financial both announced no-commission trading of individual stocks and options by October 2. Both are following the example of Charles Schwab. **For major online brokers, risks are mounting from the emergence of new entrants that expand share by wielding a low-cost strategy.** (Abbrev) Competition among online brokers enters a new stage. **Competition is not only revolving around lower stock trading commissions for customers, but also around how much customer assets can grow.***

Newspaper article

(Oct. 4, 2019, Nikkei morning edition)

Charles Schwab's Commissions Account for a Low Proportion of Revenue, so the Impact from a Shift to Commission-free Trades on Its Stock Price was Temporary

Charles Schwab is in talks to buy TD Ameritrade, whose stock price fell sharply since the announcement of commission-free trading → Shift to zero commission provides the opportunity for sector restructuring



Comparison of Charles Schwab and TD Ameritrade's operating revenue breakdown (2018 sales)

【Charles Schwab Stock Price over the Past 6 Months】

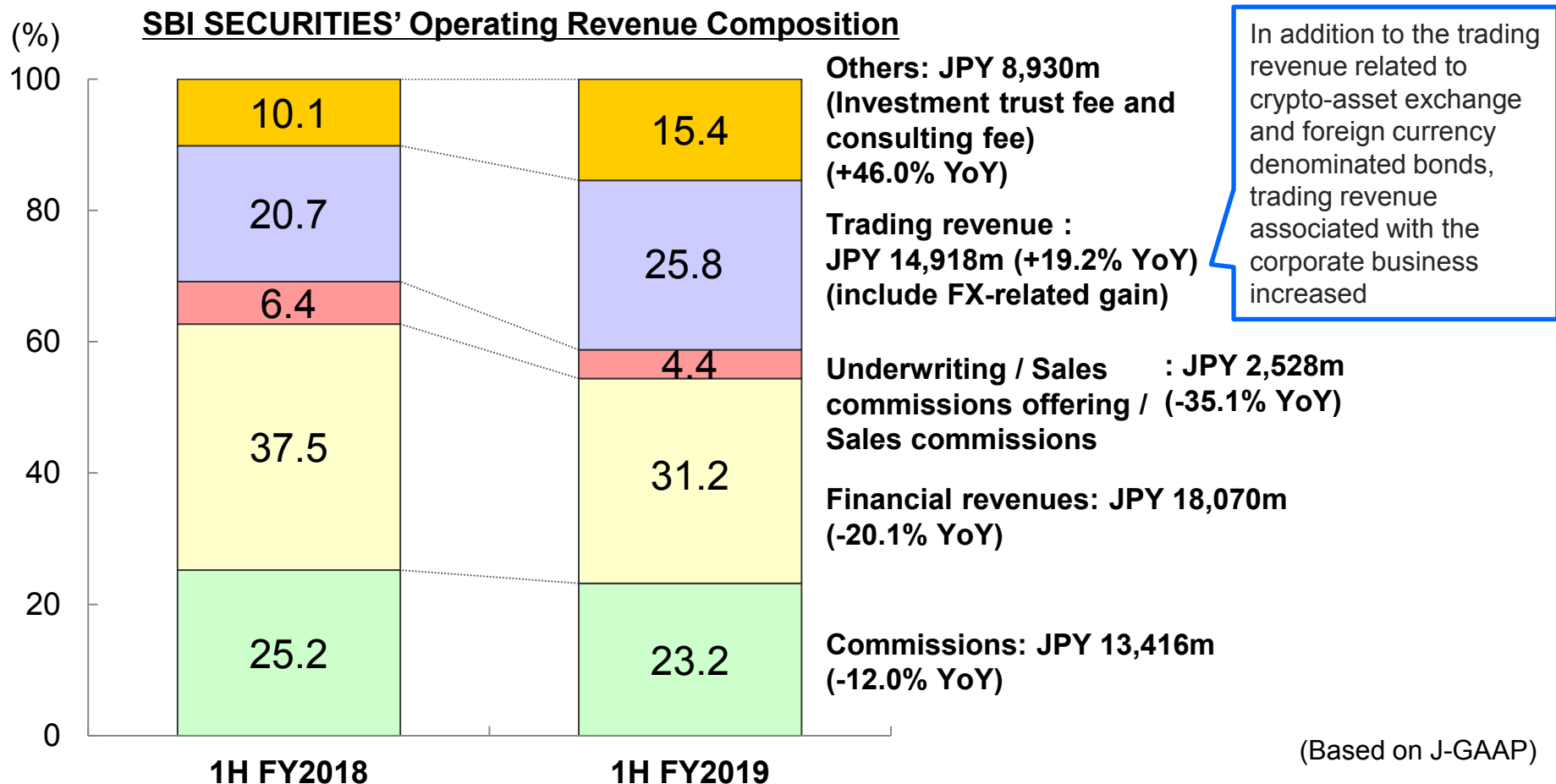


On November 21, Charles Schwab, a major U.S. online brokerage, was said to be in final talks with TD Ameritrade Holdings over Schwab's intent to purchase its peer. The reporting comes from multiple U.S. media sources based on conversations with people familiar with the situation. The purchase price is expected to reach USD 26bn, or about JPY 2.8tn. At this juncture, the movement within the online securities industry toward the waiving of stock trading commissions has raised concerns about an adverse impact on revenues. Schwab is expanding its assets under management as a result of this acquisition in an apparent move to ensure its survival.

(TV Tokyo, Business on Demand, November 22)

② The Neo-securities initiative is expected to become a mainstream operation in Japan

Endeavoring to Provide Commission-free Online Trading, by Lowering the Contribution of Commissions to SBI SECURITIES' Operating Income to Less than 5%



SBI SECURITIES has been diversifying its revenue base, and has established a business structure that is less dependent on stock brokerage commissions, with factors such as [trading revenue and other categories having underpinned](#) its recent results

[SBI SECURITIES' Measures to Realize Commission-free Online Trading]

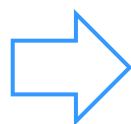
- (i) Further improve the positioning of the retail business, which has a dominant presence**
 - a. Continuous focus on acquiring new customers, through services such as NISA and iDeCo, which are already commission-free**
 - b. Establishment of an ecosystem to acquire younger generation users**
- (ii) Establishment of a business structure that is less dependent on stock brokerage commissions**
 - a. Further expanding the corporate business by focusing on the equity and bond underwriting businesses, for both primary and secondary market issuance, as well as the M&A business**
 - b. Expanding brokerage services to financial institutions, through the Financial Institutional Sales Dept.**
 - c. Strengthening revenue contributions from the FX and crypto-asset exchange businesses**
 - d. Growing the non-flow business, such as robo-adviser service and investment trust fees of mutual funds**
- (iii) Advancing profitability improvements, through a significant increase in trading transactions and liquidity, owing to commission-free online trading and consequent PTS transactions, an increase in interest income owing to an increase in outstanding balance of margin transactions and an expansion of the lending business to institutional investors, along with cost reductions through the enhancement of AI and the adoption of RPA**

- (i) Further improve the positioning of the retail business, which has a dominant presence**
 - a. Continuous focus on acquiring new customers, through services such as NISA and iDeCo, which are already commission-free**
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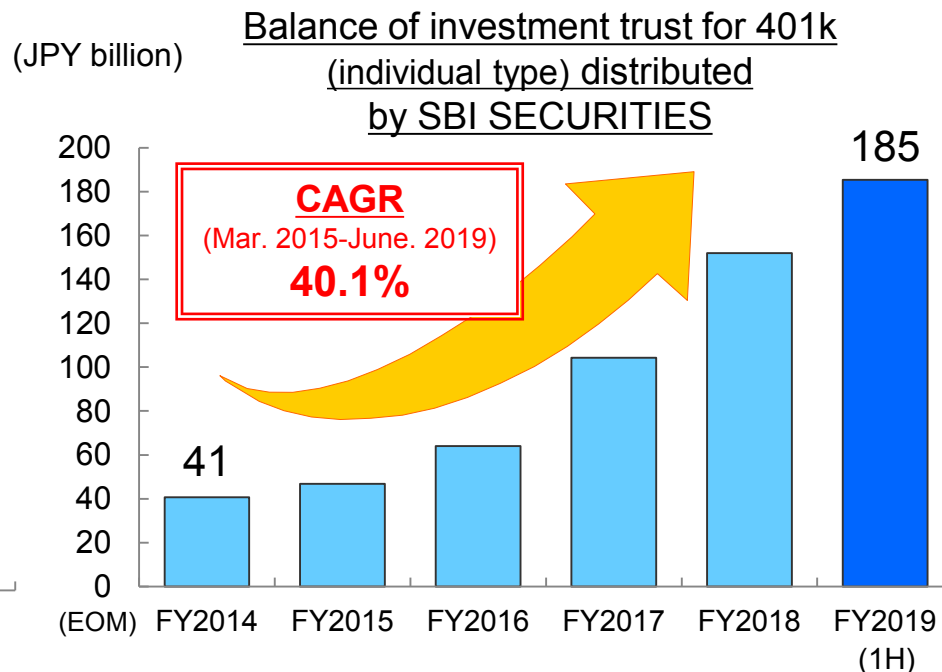
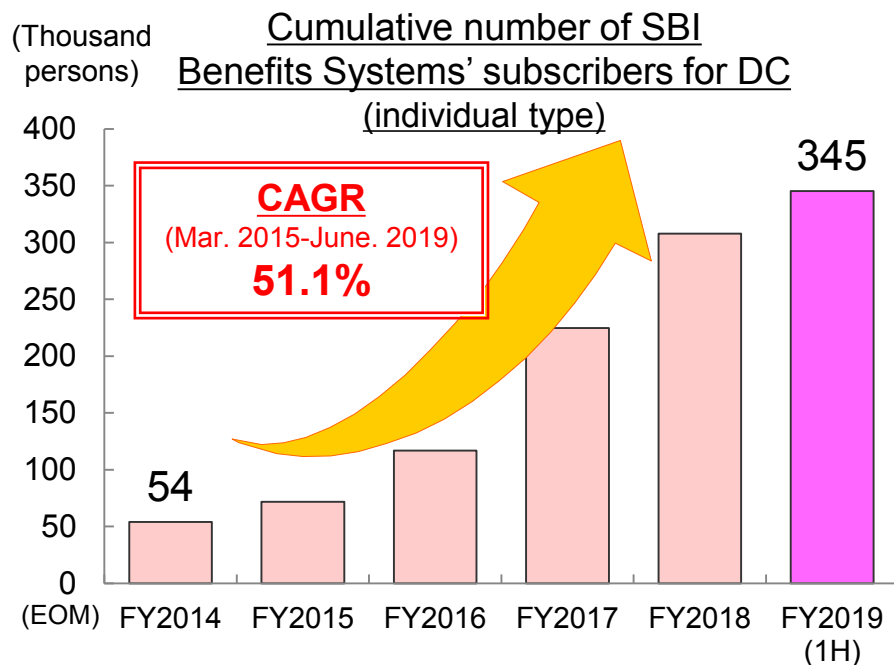
Further Strengthening the Individual Defined Contribution (iDeCo) Pension Business

The SBI Group has been focused on the Individual Defined Contribution (iDeCo) pension business, well before the expectations for the market size expansion as a result of revisions in the regulation as of Jan. 2017, through SBI Benefit Systems, which was established in 2001

- ◆ SBI SECURITIES' administrative fees are completely free of charge from May 19, 2017, as to further expand iDeCo business



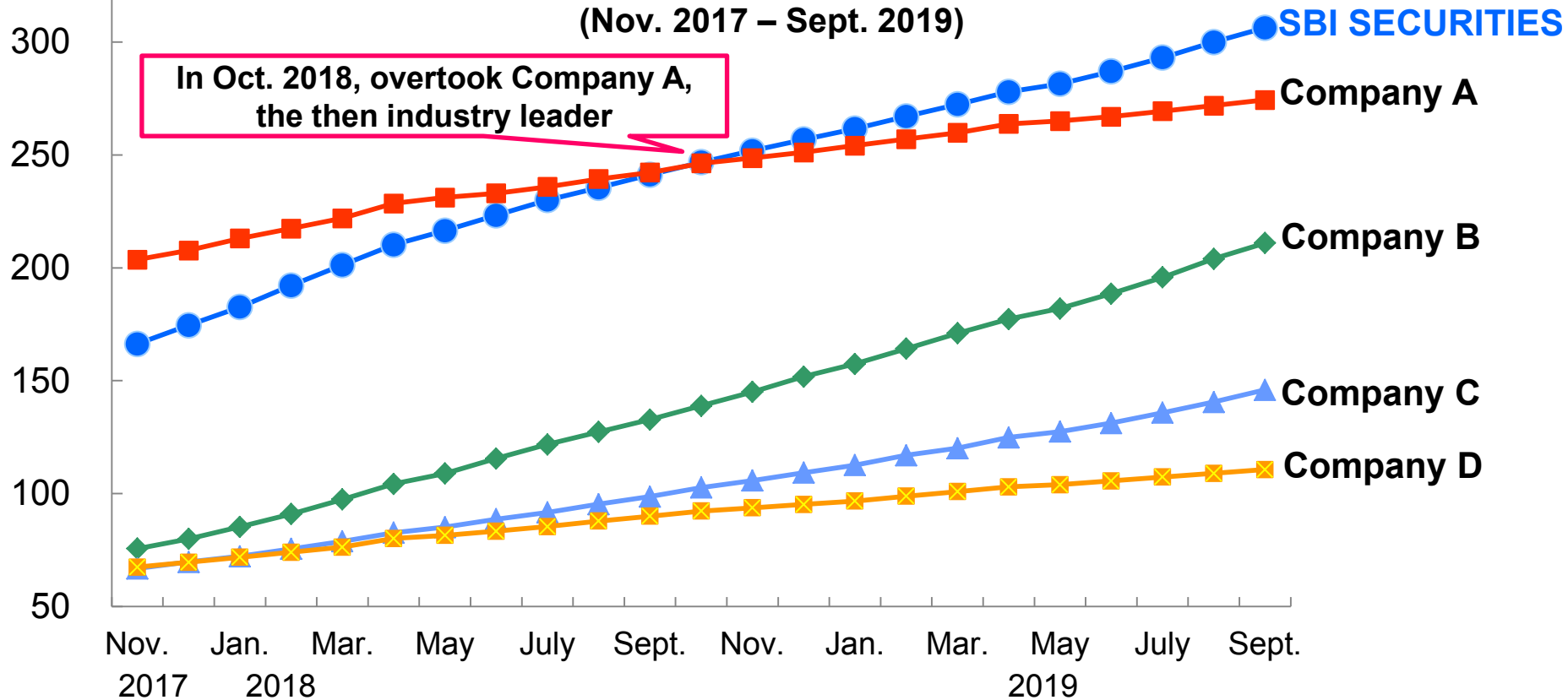
At the end of Sept. 2019, the number of iDeCo accounts totaled 306,271, which is approx. 2.5x larger than that of the end of May 2017



SBI SECURITIES Steadily Increased the Number of New Customers Acquired for Individual-type Defined Contribution Pension Plans (iDeCo), and became the Cumulative Industry Leader in Oct. 2018

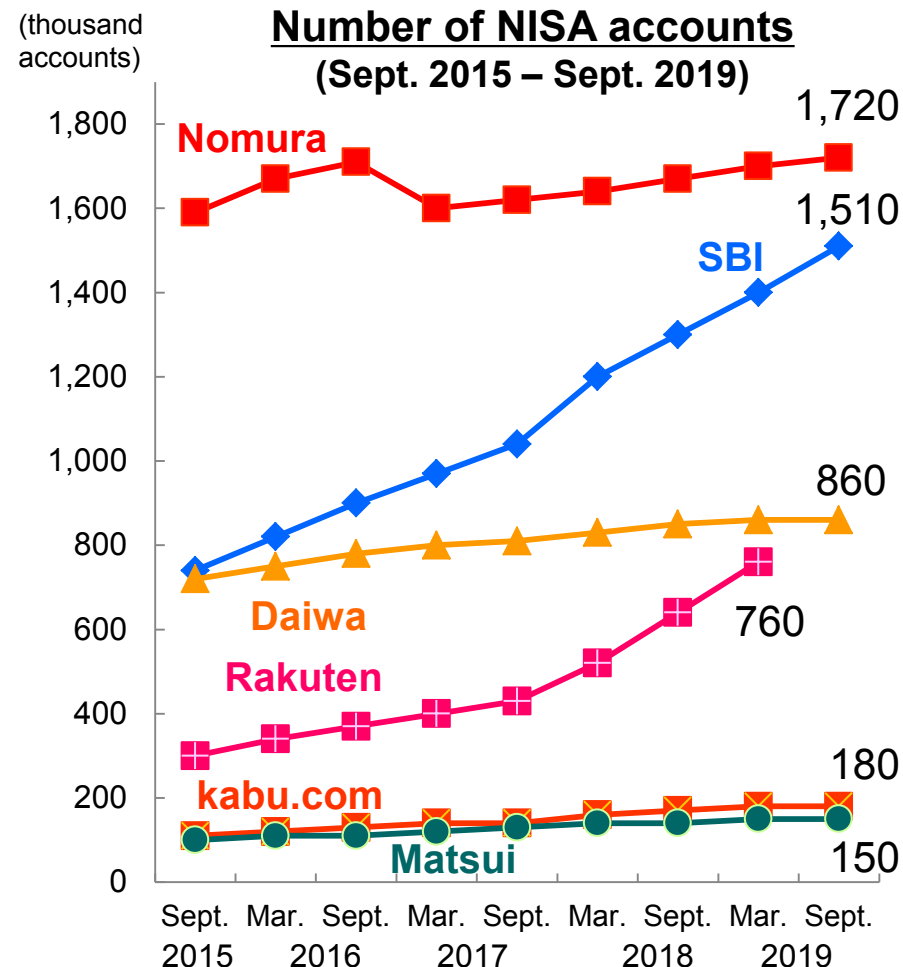
(No. of thousand customers)

Cumulated number of customers (subscribers & transfers*)
of iDeCo by planning administrator
(Nov. 2017 – Sept. 2019)

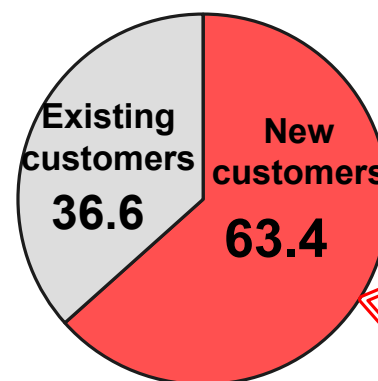


* Cumulative total number of subscribers and transfers announced by the National Pension Fund Association
Source: Briefing paper of the National Pension Fund Association (partially includes estimates by SBI)

Through the Successful and Continued Steady Acquisition of New Customers of NISA, the Number of Accounts is Now Approaching Nomura



NISA's customer attribute of SBI SECURITIES (%)



Number of new customers opening NISA accounts account for **63.4%**, and within that 68.7% are beginner investors

SBI SECURITIES' number of Junior NISA accounts reached 70 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 Sept. 2019, compiled by SBIH from the information on website of each company. As for Rakuten the number of accounts is as of the end of Mar. 2019

In Sept., Launched “SBI Vanguard S&P 500 Index Fund,” a Co-branded Fund with Vanguard, One of the World’s Largest Asset Management Companies



Vanguard

- Boasts the world’s No.1 share of approx. 40% of the global index management products
- AUM as of the end of Aug. 2019 was USD 5.6tn (approx. JPY 605tn)

Provides **Japan’s first** investment trust that incorporates “VOO S&P 500 ETF,” which is particularly popular among ETF products, along with the industry’s lowest level investment trust fees*

Operable at a low cost, and is ideal for long-term funded investments

[Sales amount ranking at SBI SECURITIES]

Sept. (launch month)

No. 3



Nov.

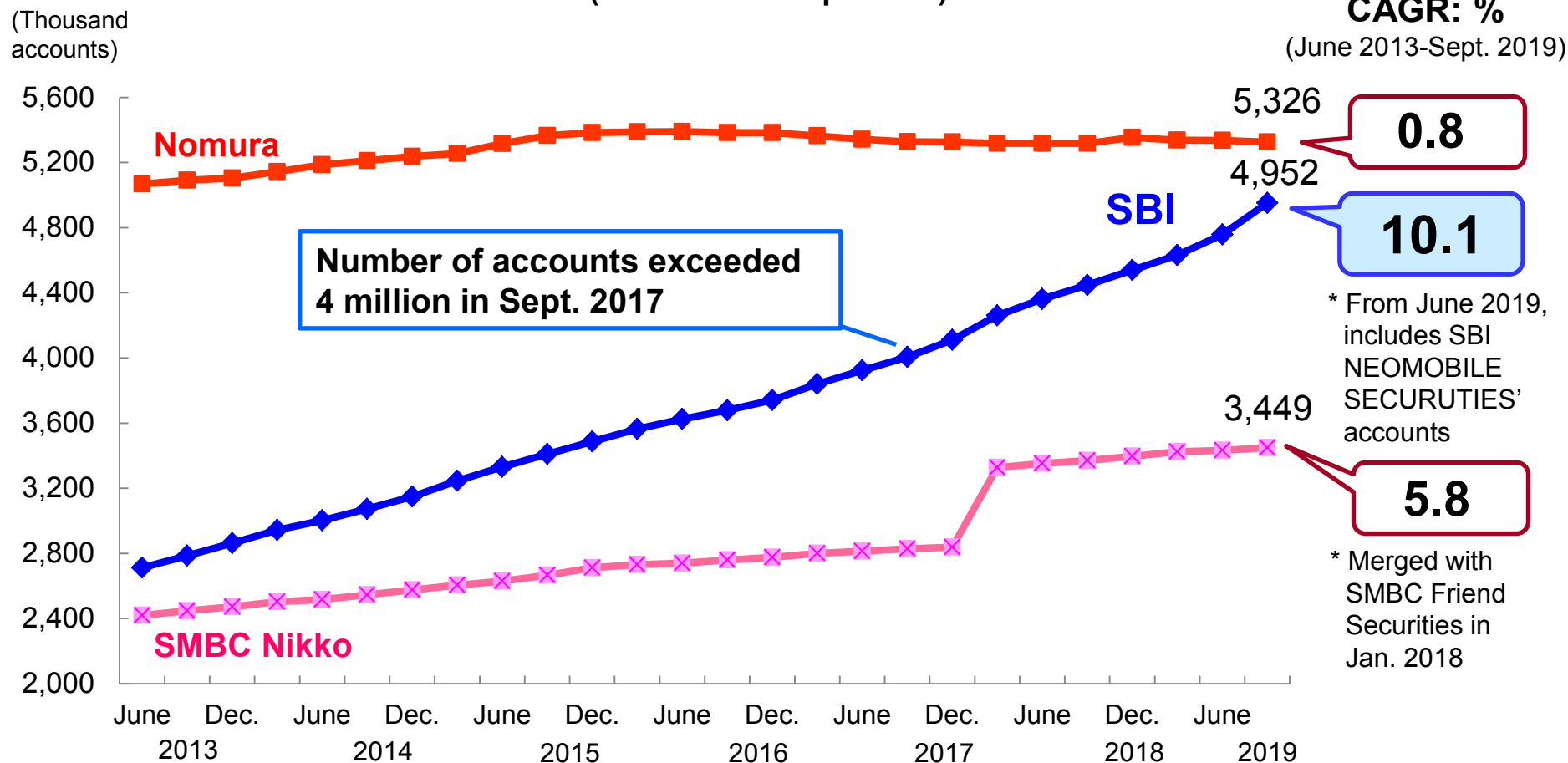
No. 4

In the present, still continues to rank near the top

* Complied by SBI SECURITIES based on the classification of Morningstar Japan’s publicly issued investment trusts (excludes ETF), as of Aug. 27, 2019. Substantive fee charge of approx. 0.0938% annually

Current Goal is to Triple the Number of Accounts

Number of Accounts of SBI SECURITIES and 2 Major Face-to-face Securities Companies (June 2013 – Sept. 2019)



As of the end of Mar. 2017, Daiwa Securities' number of accounts totaled 3,886 thousand accounts, with a CAGR at 2.7% during the period from June 2013 to Mar. 2017

* Daiwa has not disclosed its figures beyond Mar. 31, 2017

- b. Establishment of an ecosystem to acquire younger generation users**
 - SBI NEOMOBILE SECURITIES, a driver of the Neo-securities initiative**
 - Organic linkage between SBI FXTRADE, SBI VC Trade and Money Tap**

SBI NEOMOBILE SECURITIES, which Targets Neophyte Investors and Millennials, as a Driver of the Neo-securities Initiative, is Rapidly Increasing Its Customer Base



SBI証券

[SBI SECURITIES]



CCC MARKETING

(Develops a marketing business based on data of T-Point, a common point service)



ネオモバ

[Neo-Moba]



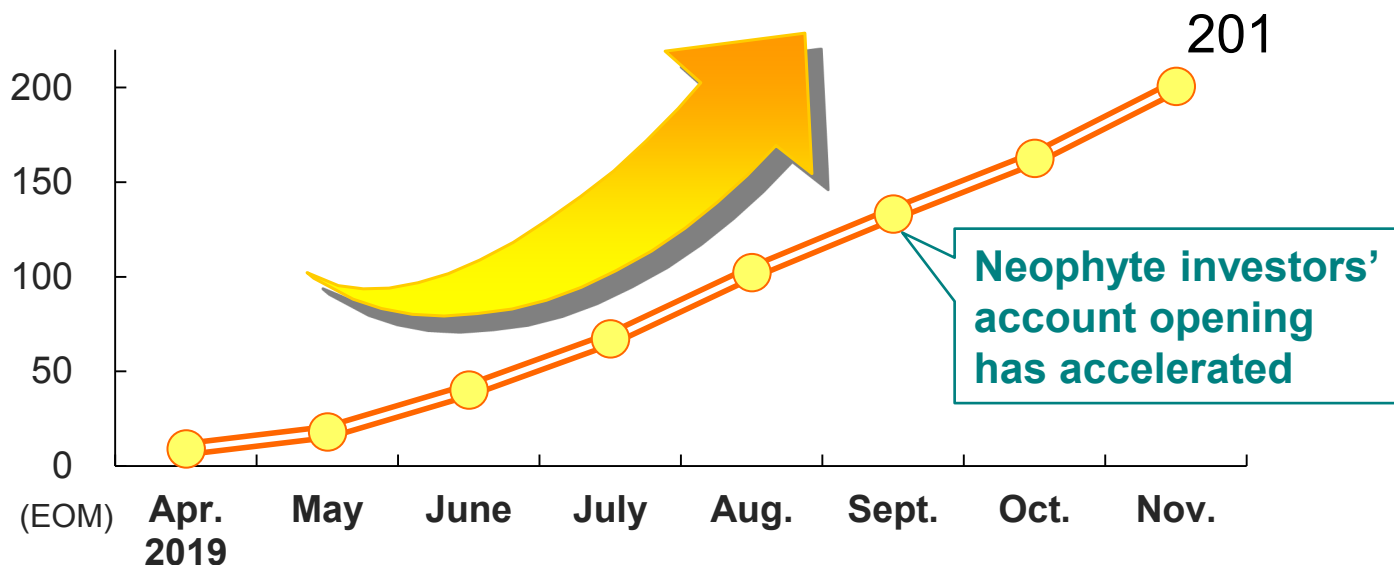
SBI ネオモバイル証券

[SBI NEOMOBILE SECURITIES]



Also provides a smartphone app as its trading channel

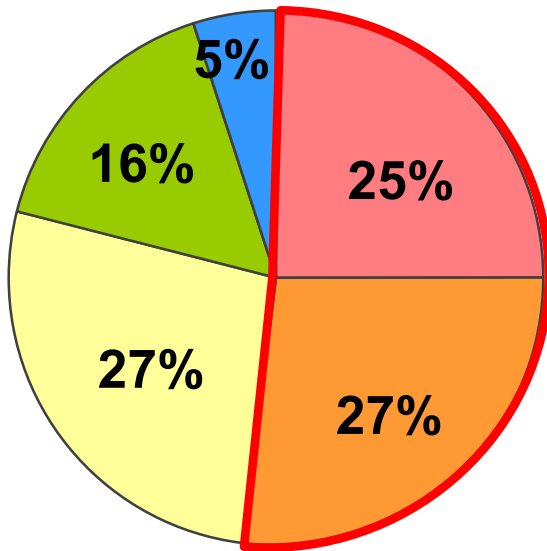
(Accounts) **SBI NEOMOBILE SECURITIES' cumulative number of accounts**



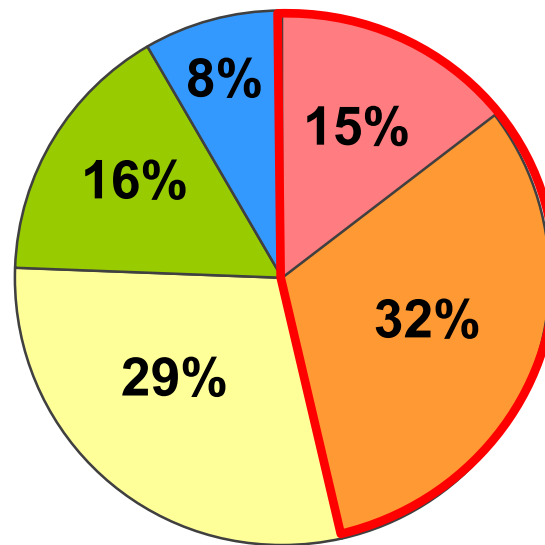
Accomplished 200 thousand accounts within 7 months since its launch. Targeting the acquisition of 500 thousand accounts at an early stage

SBI NEOMOBILE SECURITIES, SBI FXTRADE and SBI VC Trade Possess a Customer Base Centered on the Younger Generation

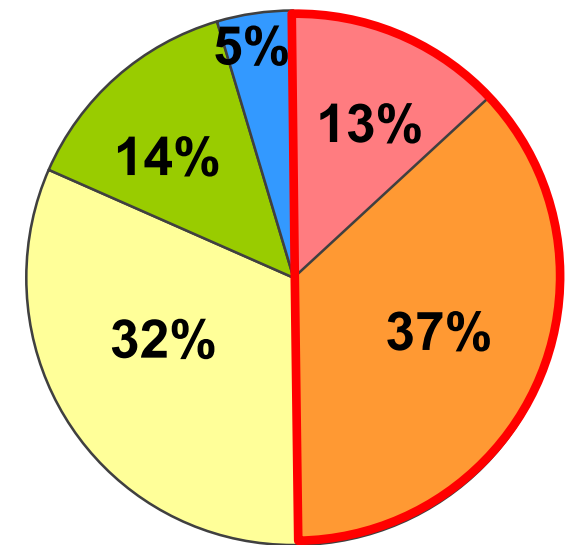
SBI NEOMOBILE SECURITIES's customer base



SBI FXTRADE's customer base



SBI VC Trade's customer base



20's

30's

40's

50's

Over 60's



- Age group between the 20's and 30's comprise over 40% of the total
- The proportion of customers in their 20's is relatively large as compared to the other SBI Group customers

Through the Utilization Advancement of T-Points, Endeavoring An Efficient Acquisition of Younger Generation Customers, by Thoroughly Pursuing Synergies between Group Companies

-Planning the development of mutual customer transfers between each business, and to sequentially start service collaborations-

SBI ネオモバイル証券
[SBI NEOMOBILE SECURITIES]

Crypto-assets
T-Point
investment

VC Trade

Provision of a flat-rate
T-Point investment and
robo-advisor service

Crypto-asset transactions
under a highly secure
trading environment

**T-Point
program**

Money Tap
deposit

Introduction of
Money Tap to
T-Point program
participant shops

Synergy

Crypto-asset
derivative
investment

Money Tap

FXTRADE

Small-lot remittance without
charging
Money Tap

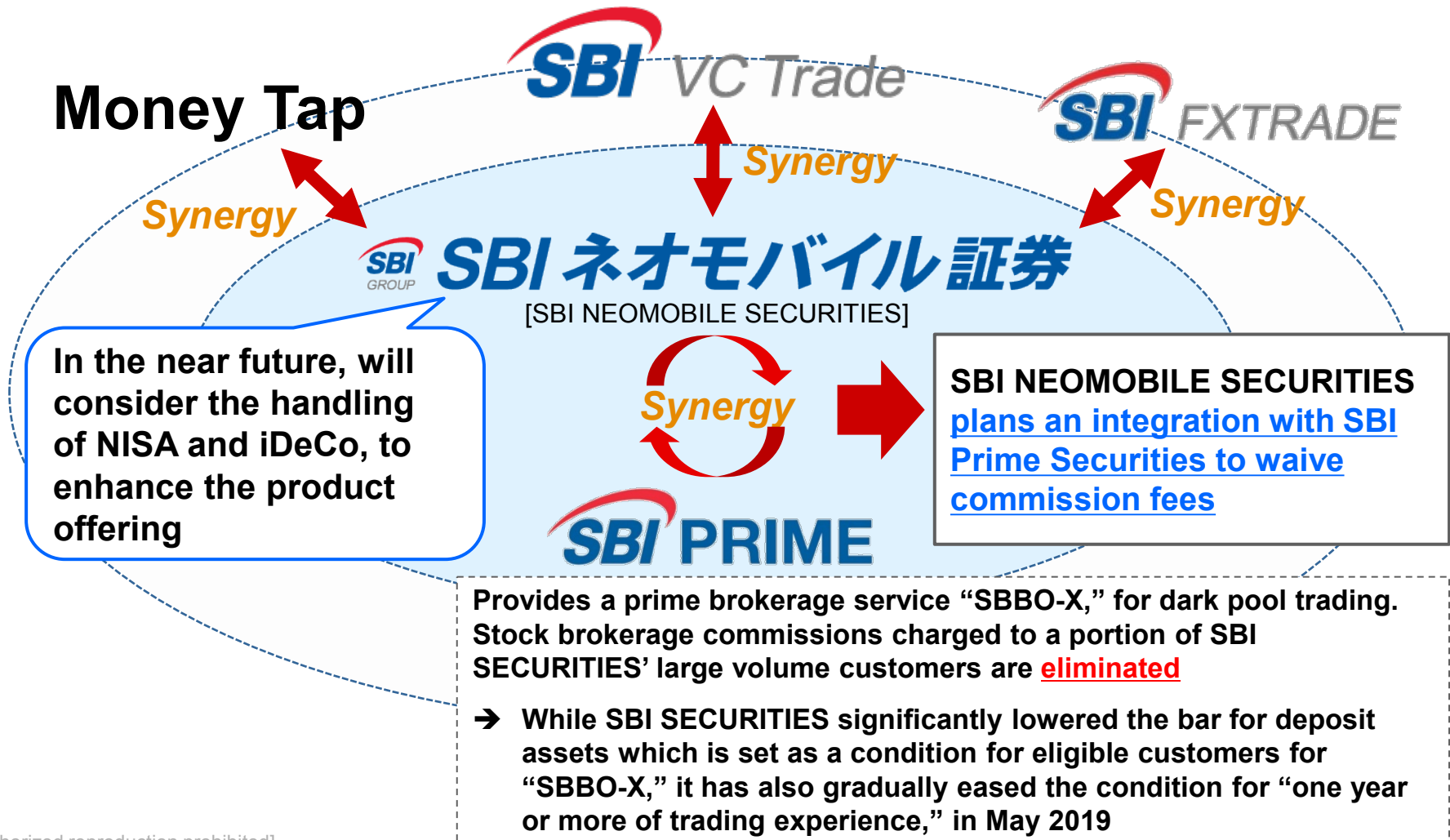
**Customer
transfer**

FX trading with the
industry's narrowest
spreads

Money Tap deposit

SBI NEOMOBILE SECURITIES will Lead the Process toward the Complete Waiver of Commission Fees

SBI Group companies target to completely waive commissions of services for young customers within 1-2 years



- (ii) Establishment of a business structure that is less dependent on stock brokerage commissions**
 - a. Further growing the corporate business by focusing on the equity and bond underwriting businesses, for both primary and secondary market issuance, as well as the M&A business**
 - b. Expanding brokerage services to financial institutions, through the Financial Institutional Sales Dept.**
 - c. Strengthening revenue contributions from the FX and crypto-asset exchange businesses**
 - d. Growing the non-flow business, such as robo-adviser service and investment trust fees of mutual funds**

Enhancing the Corporate Business to Further Strengthen the Comprehensive Capacity of the Securities Business, by Focusing on the Equity and Bond Underwriting Businesses for Both Primary and Secondary Market Offerings

-Achieved another 100% participation rate in 2Q as well, following that of 1Q-

Underwriting share of 100% is an industry leading figure

- During the Apr.- Sept. 2019 period, SBI SECURITIES underwrote 3 companies as lead manager

IPO Underwriting Ranking (Apr. 2019–Sept. 2019)

29 companies were listed during the period

Company name	No. of cases	Underwriting share (%)
SBI	29	100.0
SMBC Nikko	20	69.0
Ace	16	55.2
Daiwa	16	55.2
Mizuho	16	55.2
Tokai Tokyo	13	44.8
Monex	13	44.8

PO underwriting business

Underwrote 9 POs, including one as lead underwriting manager



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

Corporate bond underwriting business

With the underwriting of 17 corporate bonds in total, including that of SoftBank Group, the underwriting amount for 1H FY2019 increased by 2.9x year-on-year



Will focus on underwriting newly-issued public bonds, including utilities 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.

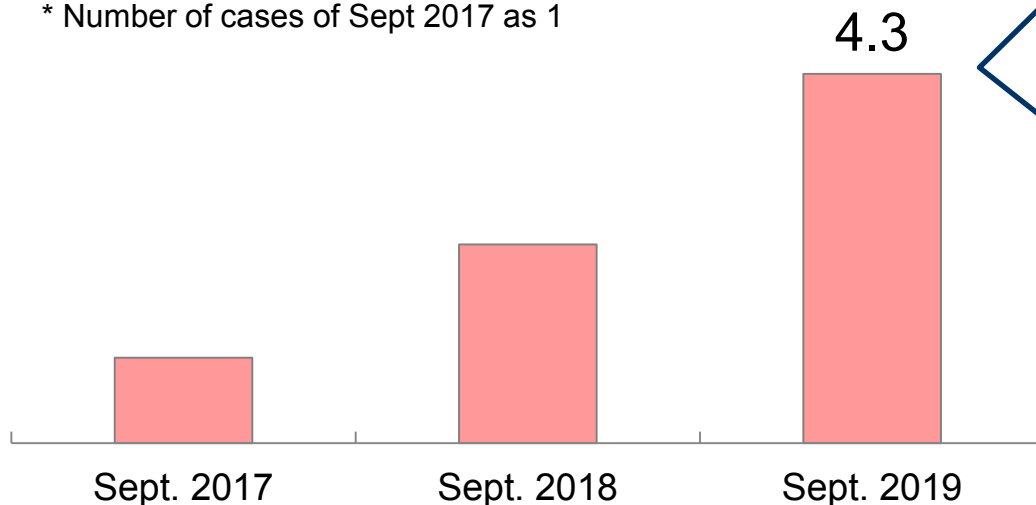
The Investment Banking Dept. has been Conducting M&A Advisory Services to Increase the Corporate Value of Listed and Unlisted Companies, and has Conducted M&A-related Counseling for Approx. 120 Companies* Since Sept. 2017, to Steadily become a Profit Source for the Corporate Business



*As of Sept. 2019

M&A advisory cases (Sept. 2017-Sept. 2019)

* Number of cases of Sept 2017 as 1



SBI証券

[SBI SECURITIES]

**Investment
Banking Dept.**

Advises companies on acquisitions, sales, management integration, MBOs, industry reorganization, business restructuring, etc., to support corporate value enhancement.

Also supports business succession cases through M&A activities

Number of advisory cases and M&A cases are steadily increasing

From Oct. 1, 2019, the M&A Advisory Dept. has been newly established as a specialized M&A department, to further promote this business

In Collaboration with TRANBI, which Operates an M&A Matching Platform “TRANBI,” will Provide a Wide Range of Business Succession and M&A Opportunities

-Strengthen the business succession support service to SMEs’ executive management-



SBI証券

[SBI SECURITIES]

Business Succession Advisory Office, M&A Advisory Dept.



TRANBI

**M&A Online
platform “TRANBI”**

**Specializes in
matching small-
scale cases**

**Proposal of a
speedy and low-
cost business
succession**

Seller

SMEs which had little choice but to close their businesses, owing to the lack of successors, even though having business succession needs

Buyer



**Corporations
endeavoring to
expand new
businesses**

Contributes to solving issues associated with various local SMEs’ business succession needs

Through SBI SECURITIES' Financial Institutional Sales Dept., Expanded Brokerage Services to Its Customer Financial Institutions, which Total 317 Companies*₁



[SBI SECURITIES]

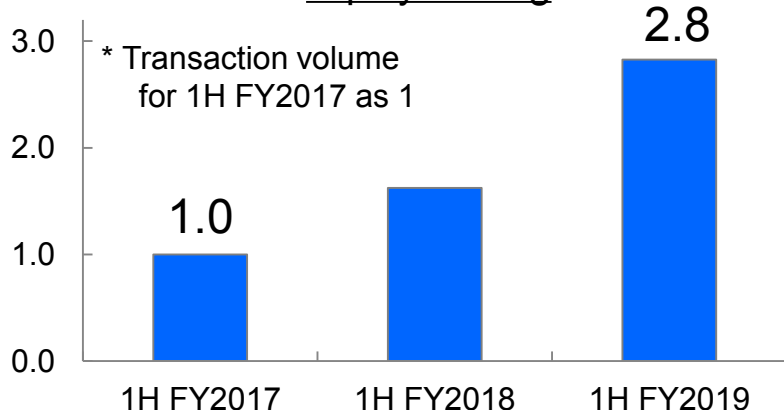
Institutional investors sales division, including Financial Institutional Sales Dept.

SBI SECURITIES is strengthening the distribution of structured bonds (self-origination and distributed a total amount of JPY 84.7bn*₂ (Dec. 2015 – Sept. 2019)), domestic and overseas investment trusts, as well as bond transactions

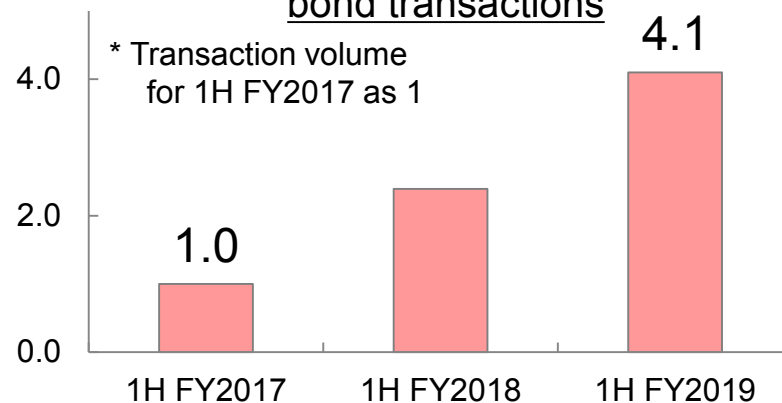
*₁ As of the end of Sept. 2019 *₂ Includes structured bonds toward retail customers

-Transaction volume for 1H FY2019 with financial institutions-

Equity trading



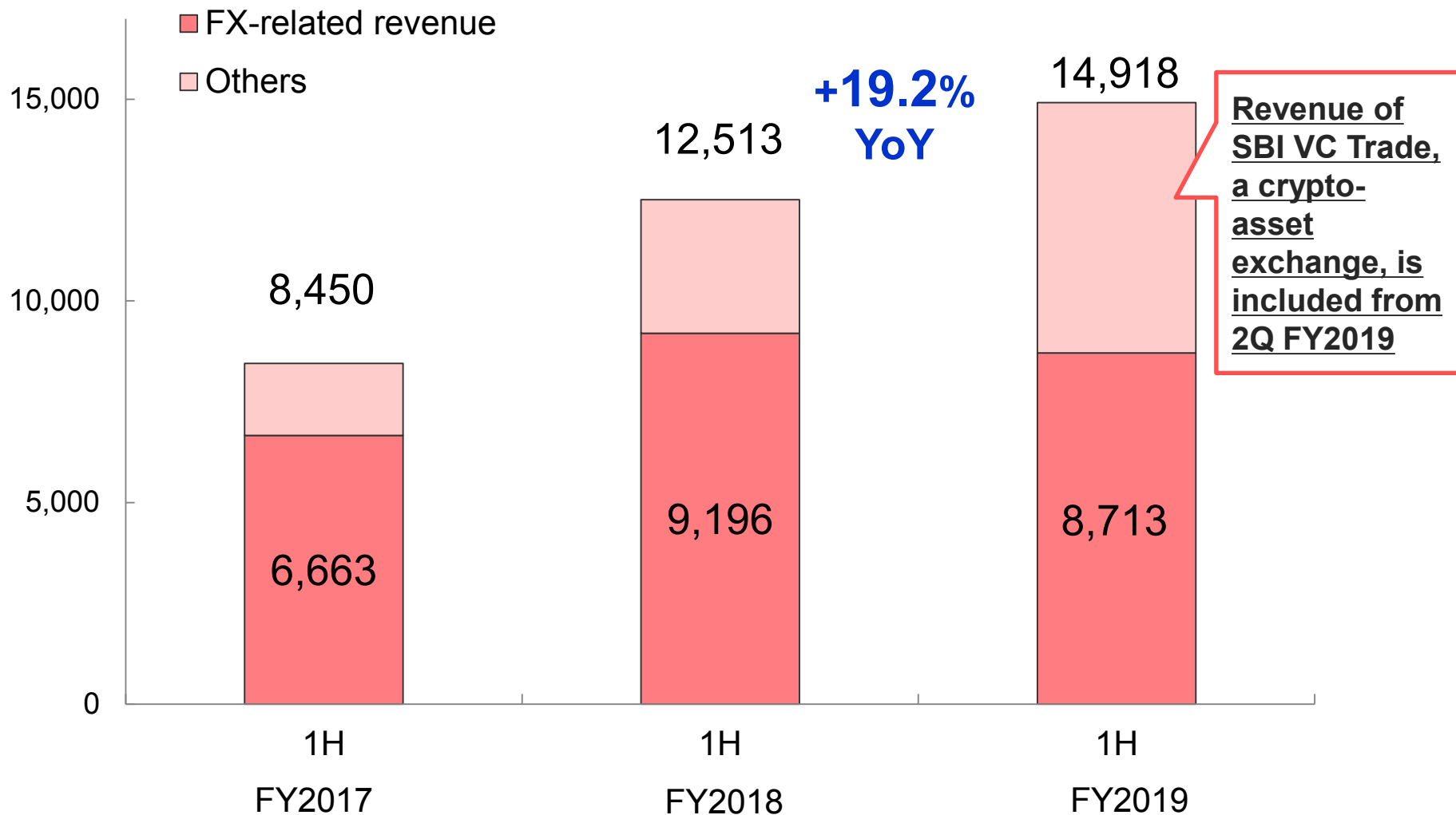
Newly-issued and existing bond transactions



- ◆ Strengthening equity and investment trust sales for domestic and overseas institutional investors
- ◆ Structured bond and foreign bond transactions with regional financial institutions are steadily increasing

SBI SECURITIES' Trading Income Trend

(Unit:
JPY million)



SBI SECURITIES' Balance of Robo-adviser Asset Formation Service is Steadily Increasing



Provision of “**WealthNavi for SBI SECURITIES**” that customizes WealthNavi’s robo-advisor service

Customer assets: JPY 48.1bn (as of Nov. 30, 2019)

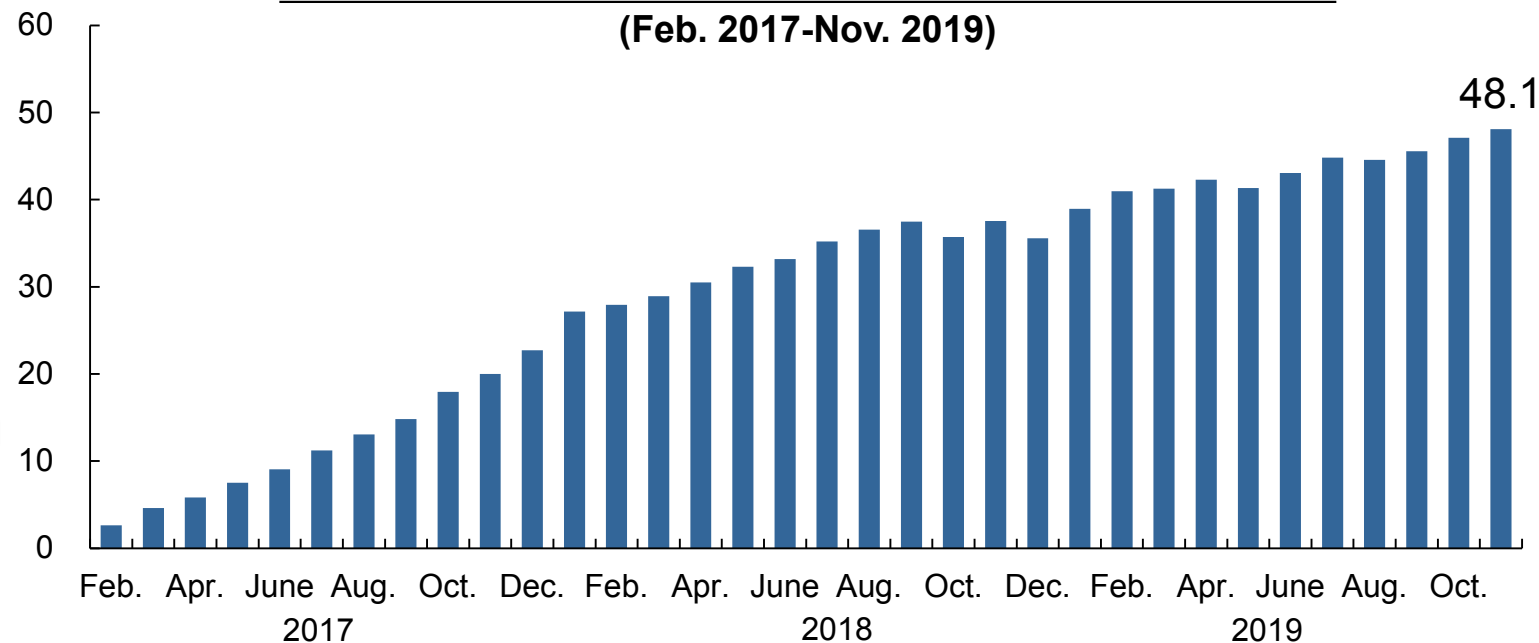
Number of account:
approx. 6.3 thousand



WealthNavi for
SBI SECURITIES

(JPY billion)

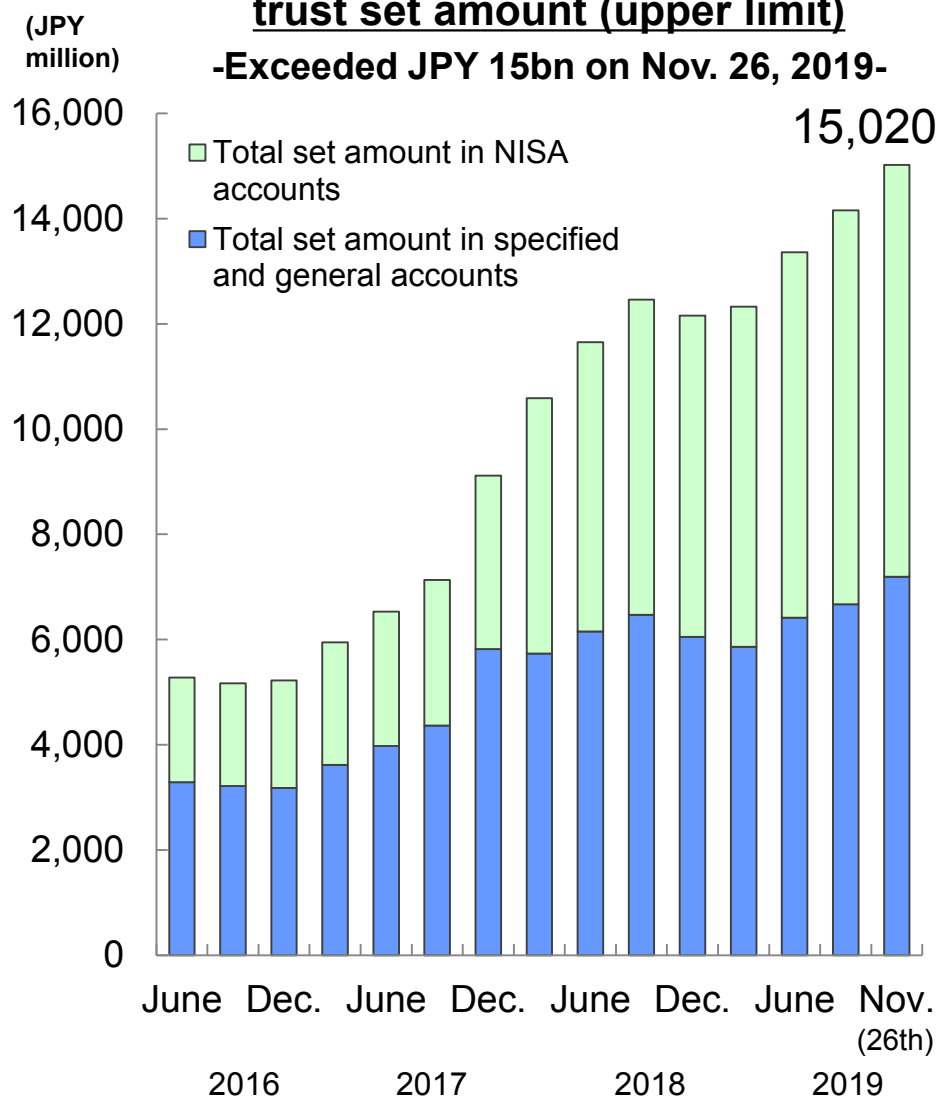
Customer assets of WealthNavi for SBI SECURITIES
(Feb. 2017-Nov. 2019)



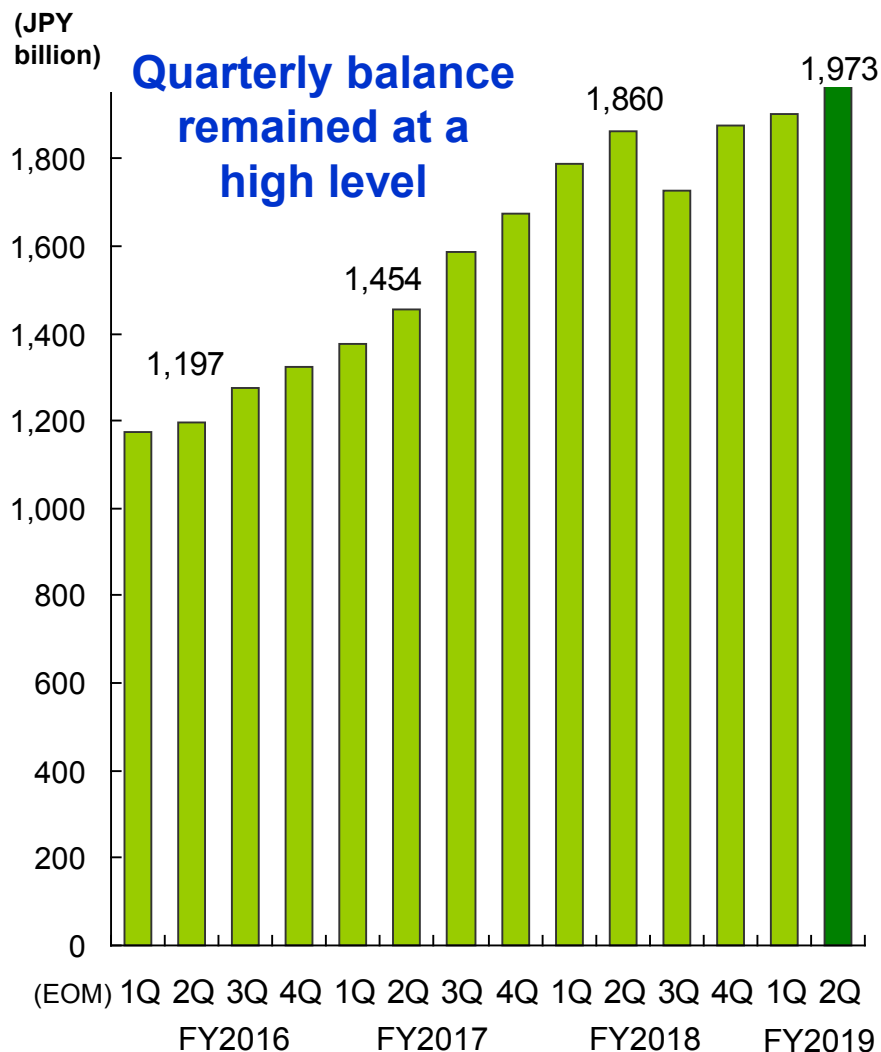
SBI SECURITIES is Endeavoring to Further Increase Revenues Associated with the Investment Trust Balance

Month-end accumulated investment trust set amount (upper limit)

-Exceeded JPY 15bn on Nov. 26, 2019-



Investment trust balance



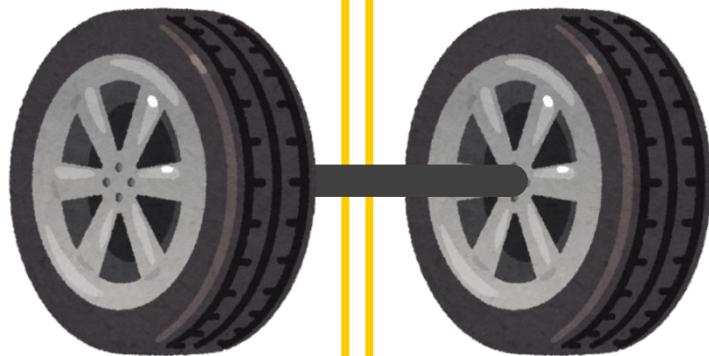
(iii) Advancing profitability improvements, through a significant increase in trading transactions and liquidity, owing to commission-free online trading and consequent PTS transactions, an increase in interest income owing to an increase in outstanding balance of margin transactions and an expansion of the lending business to institutional investors, along with cost reductions through the enhancement of AI and the adoption of RPA

High Profitability will be Maintained even after the Neo-securities Initiative is Realized

Advancing improvements in earnings capacity with a significant increase in trading volume and liquidity, along with cost reductions, as two driving wheels of the business

Improvements in earning capacity

- Increased trading at SBI Japannext's PTS, where the number of participating securities companies continues to increase, along with an expansion of the collocation service
- Along with the increase in open interest credit balance from the expansion of margin trading, increase of interest income and advancement of the lending business with institutional investors



Cost reduction

- Significantly reducing the acquisition cost per customer through the utilization of advanced technologies, including AI
- Utilization of blockchain and the thorough incorporation of RPA for back office and compliance-related operations



Reduction in outsourcing costs

Approximate Timeline for the Realization of the Neo-securities Initiative

Endeavoring to completely waive online trading fees at the SBI Group's securities-related business companies, within 3 steps

Promoting the initiative through the progression of commission-free trading at existing securities companies, and the new entrance of non-financial and foreign companies

- In order to achieve the third step, SBI SECURITIES is endeavoring to reduce the contribution of commissions to operating income to become less than 5%
- Will implement the initiative through measures with small profit impact

First step

(Announced on Dec. 4)



From Dec. 16, basically no fees:

- Charged for night-time PTS trading
- For ETF and REIT margin trading
- For mutual fund sales

Second step



No fees charged for stock trading

Third step



No fees charged for physical stock trading and margin trading

In addition, from Dec. 23, 2019, SBI SECURITIES will ease the condition of the daily execution amount ceiling from JPY 100 thousand to JPY 500 thousand, for both physical and margin commission-free trading when using the Active Plan

Q3. What is the 4th megabank concept for regional revitalization that the SBI Group will focus on?

- (1) Advancing the 4th megabank concept, in which participating banks will work to strengthen profitability with a kindred spirit**
- (2) Measures to resolve management issues faced by regional financial institutions that have a capital and business alliance with the SBI Group, and to improve the corporate value of each bank**

Regional Banks are Struggling, Partially Owing to the Bank of Japan's Prolonged Negative Interest Rate Policy

- S&P estimates that if the negative interest rate drops by 0.1%, regional banks' core business revenue will fall by 21% – S&P estimate

If the Bank of Japan deepens the negative interest rate by 0.1%, the regional banks' core business revenue will fall by 21%, as estimated by S&P Global Ratings of the U.S.. Lending rates are under pressure to decrease, which has a direct impact upon earnings of regional banks that depend on domestic loans for the bulk of their revenue. Also, the number of regional banks whose domestic loan operations produce a real loss has recently increased from 40 to 56. Applying the same assumptions to an estimate for the major banks shows only a 6% fall in net core business profits, owing to increased overseas lending and commissions, which lessens the impact of lower domestic loan interest rates.

(Nikkei, 31 Oct. 2019)

- First securities company wholly owned by a regional bank to be dissolved

The comprehensive business alliance between Nomura Securities Co., Ltd. and the San-in Godo Bank, Ltd., **decided on the dissolution of Gogin Securities Co., Ltd.**, making it the first securities company wholly owned by a regional bank to be dissolved. **An increasing number of regional banks have been establishing a securities subsidiary to improve their revenue through a full-scale entry into the securities business, but this has seldom improved results.** Many securities subsidiaries supported by regional banks are struggling under high cost structures. **Some have already experienced losses in two consecutive fiscal quarters,** and if it continues for a third quarter, the necessity of maintaining a securities subsidiary diminishes.

(Nikkei, 1 Nov. 2019)

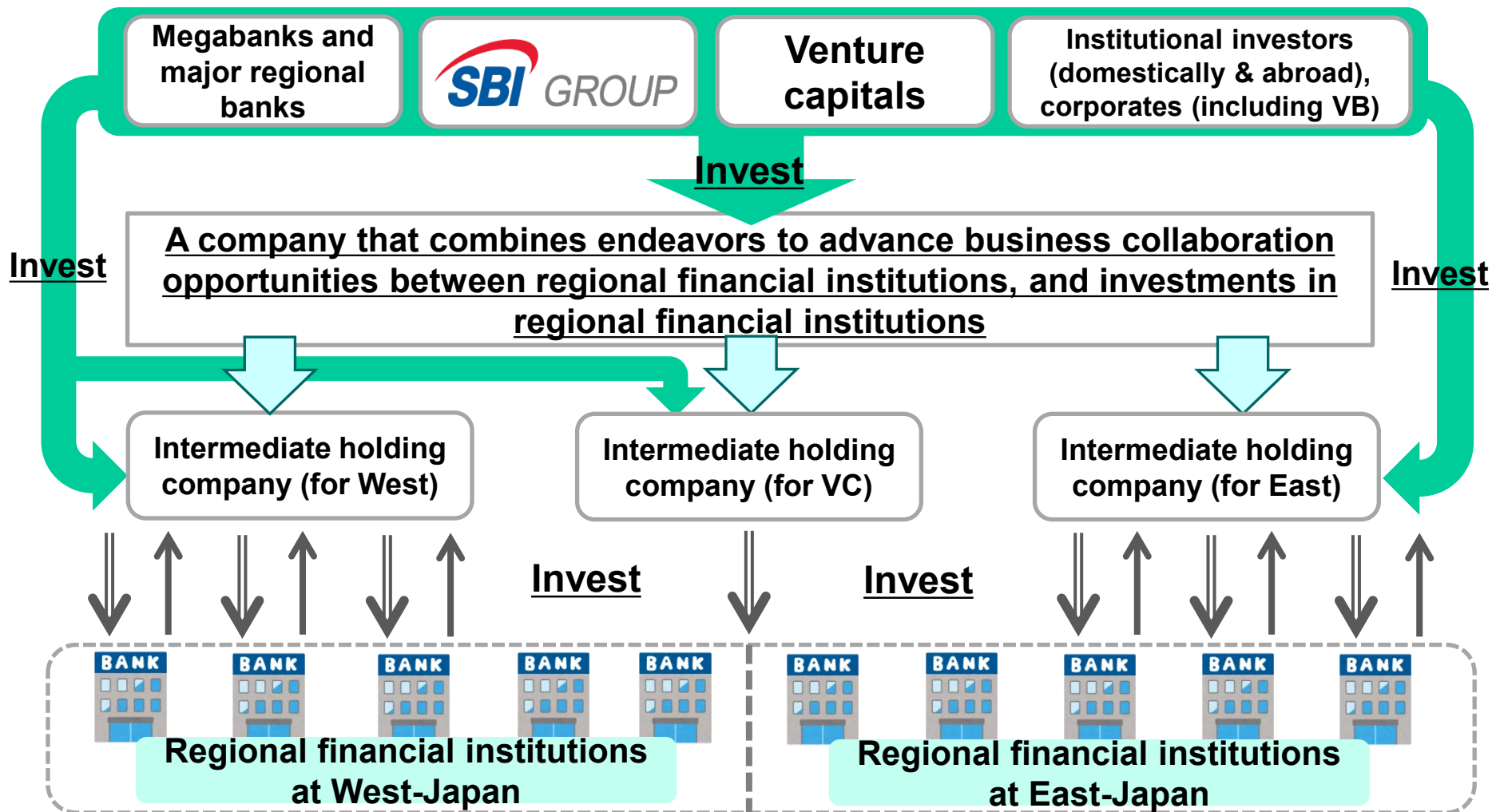
(1) Advancing the 4th megabank concept, in which participating banks will work to strengthen profitability with a kindred spirit

- ① Basic measures to realize the “4th megabank concept”**
- ② In order to implement the above basic measures, the SBI Group is promoting alliances with outside companies to enhance its support functions**
- ③ The SBI Group invests in regional financial institutions with which it has business ties, and actively supports the business operations of each bank**

Through the Establishment of a New Company, Creating a System that will Operate as a Community that will Support the Actualization of Collaboration Opportunities

-Aggressively contribute to improve the corporate value of regional financial institutions-

<Image of the new company>



① Basic measures to realize the “4th megabank concept”

- i. One of the problems the regional financial institutions face is the prohibitive system development and maintenance cost, and the significant temporary costs associated with periodic system updates
 - A private cloud environment can be jointly utilized at low cost by SBI Group companies, investee startup companies and the banks that support this community
 - Solve the problem by providing a system operated on a common platform at low cost on an annual fee basis
- ii. Another major issue for the regional financial institutions is asset management. In some cases, regional financial institutions postpone losses on problem portfolios, or continue to support losing portfolios, contributing to their deteriorating earnings results
 - Leveraging the SBI Group’s asset management functions from within and outside of the Group, and in certain cases entirely assume the asset management function to enhance the asset management of the regional financial institutions
- iii. Each bank participating in the above concept will strive to improve profitability and reduce cost, by sharing systems such as KYC and AML, expand operations nationwide, share ATMs, and provide investment and financing opportunities both domestically and abroad, through a sense of community
- iv. Utilize programs owned by major IT companies, to improve IT literacy in local communities, to promote digitalization
- v. Endeavor a more effective utilization of the real estate held by regional financial institutions, through alliances and the establishment of joint ventures with real estate companies, in order to take advantage of their know-how and expertise

By Expanding Business in a Unified Manner, Regional Financial Institutions can Offer Services on a Network Equivalent to that of Megabanks

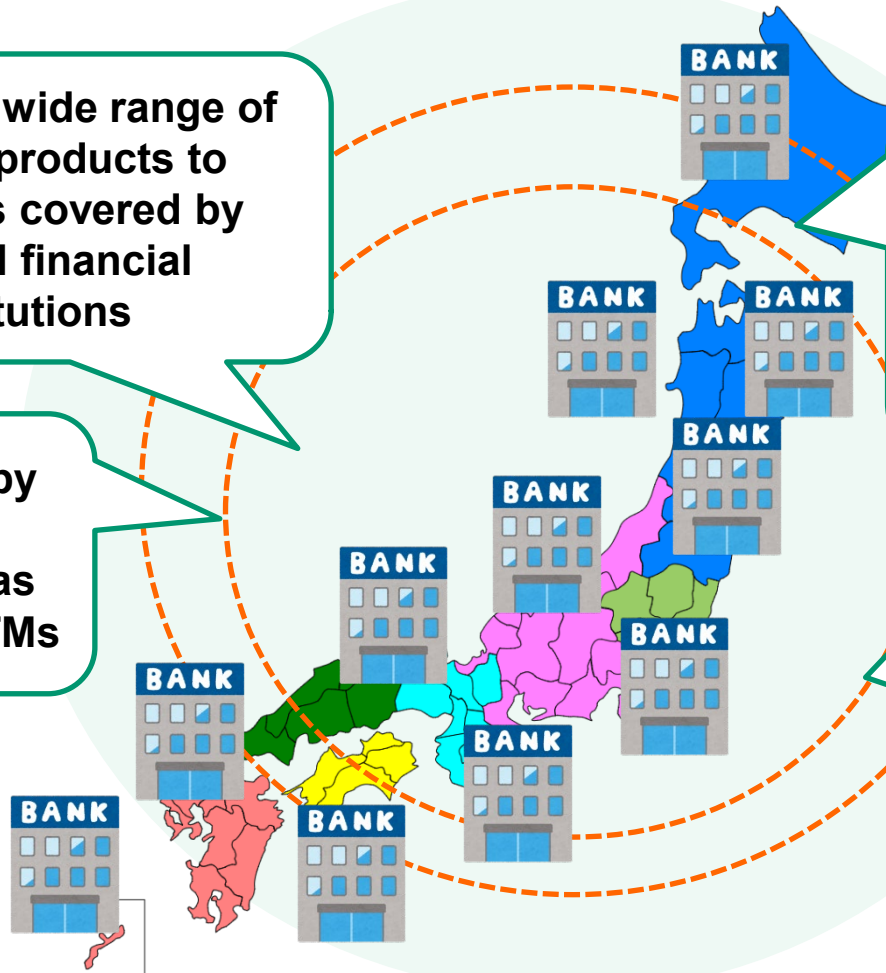
“4th megabank concept”

Providing a wide range of financial products to customers covered by regional financial institutions

Reducing cost by standardizing systems, such as KYC/AML and ATMs

Utilizing programs owned by major IT companies to improve IT literacy and promote digitalization, not only at local financial institutions, but also within local communities

Introduction of private cloud, to support the introduction of several new services that utilize fintech, to move forward the nationwide expansion of each financial institution



- ② In order to implement the above basic measures, the SBI Group is promoting alliances with outside companies to enhance its support functions**
 - (i) Established a joint venture, SBI DigiTrust, with NEC to provide services such as KYC and AML/CFT for financial institutions and other companies**
 - (ii) As a partner of Google's digital skill training program "Grow with Google," will promote the digitalization of regional communities**

(i) Established a joint venture with NEC to provide services such as KYC and AML/CFT for financial institutions and other companies



Progress in the Development of a New Financial Infrastructure, Utilizing Advanced Technology Provided by SBI and NEC Corporation



Established SBI DigiTrust in Oct. 2019

2017: PoC at Japan Exchange Group

SBI Holdings, SBI BITS and NEC Corporation jointly initiated the **industry's first PoC trial of KYC operations infrastructure that utilizes blockchain technology, in cooperation with 14 financial institutions**, to capitalize on an initiative called the "Proof of Concept Testing for Utilization of Blockchain/DLT (distributed ledger technology) in Capital Market Infrastructure," conducted by the Japan Exchange Group

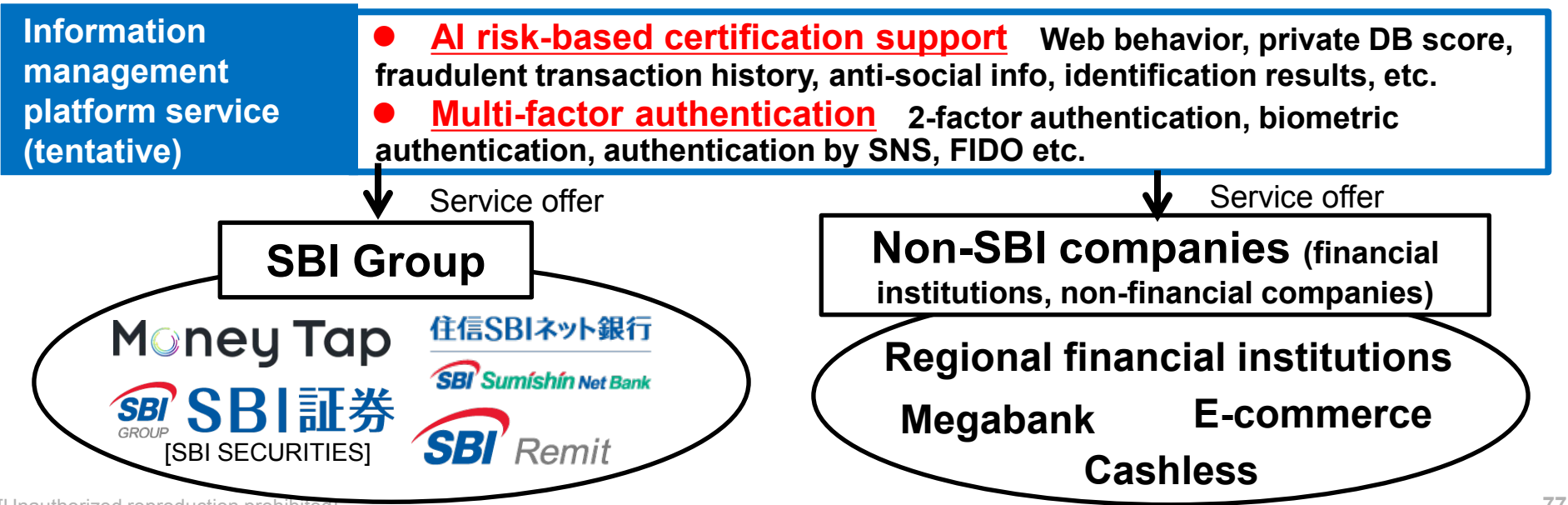
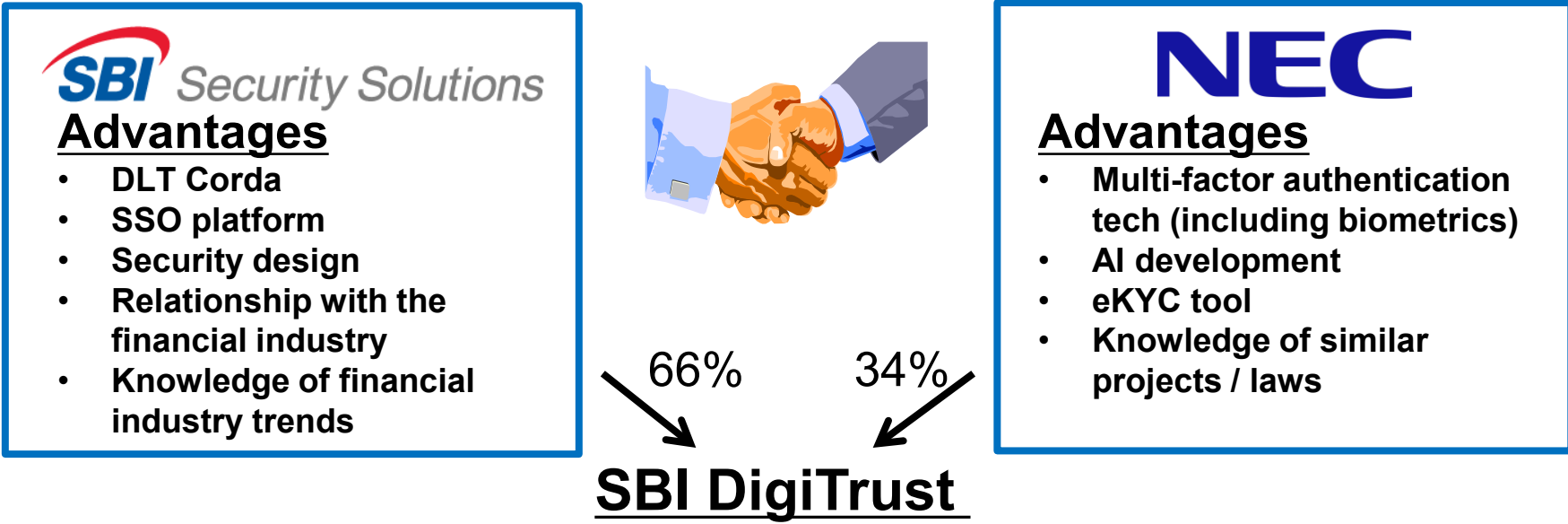
2018: Establishment of the Securities Consortium

SBI SECURITIES, in cooperation with 35 institutions (primarily securities companies), established the Securities Consortium. Securities and securities-related companies have worked together to promote cross-industry basic technology research and the establishment of a common platform, and to develop a new financial infrastructure that utilizes advanced technologies, such as biometric authentication, AI and distributed ledger technology (DLT)

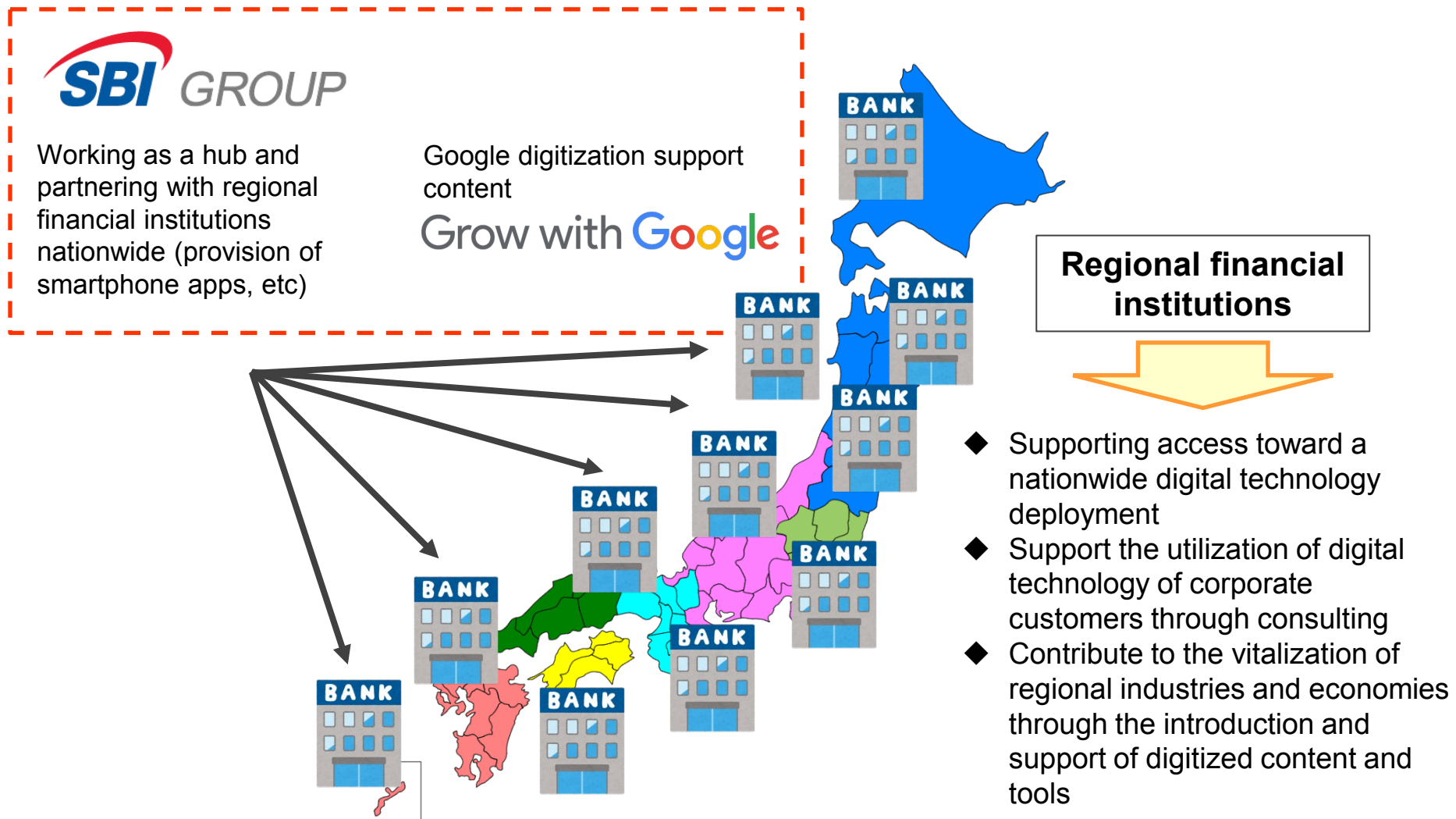
2019: Establishment of a joint venture (SBI DigiTrust)

Established a joint venture with NEC that engages in services such as KYC and AML/CFT, etc., for financial institutions and other companies

SBI DigiTrust, Established in Oct. 2019, Offers Services that Utilize Advanced Technologies of SBI Security Solutions and NEC



(ii) The SBI Group, in Partnership with Google's Digital Skills Training Program "Grow with Google," will Promote Regional Revitalization in Collaboration with Regional Financial Institutions



③ The SBI Group invests in regional financial institutions with which it has business ties, and actively supports the business operations of each bank

SBI Group's Basic Approach to Investments and the 4th Megabank Concept

- 1. When investing in a regional financial institution, with the consent of the said financial institution, ① will accept a third party allotment of shares, ② will acquire shares from existing shareholders, ③ the agreed upon shares will be acquired through both aforementioned methods, with the consent of the financial institution**
- 2. In principle, the investment ratio will be determined in line with the wishes of the regional financial institution**
- 3. Regardless of an investment from the SBI Group, participation in the 4th megabank concept will be welcome**

Announced Capital and Business Alliances with Shimane Bank on Sept. 6, and with Fukushima Bank on Nov. 11



Shimane Bank

SBI Holdings and the SBI Regional Bank Value Creation Fund operated by SBI Asset Management, announced that they will invest JPY 2.5bn to acquire 34% of the shares (based on voting rights) of Shimane Bank, upon its issuance of common stock and Class A preferred shares (to be conducted by a third party allotment of shares), and after receiving the necessary approvals from the relevant authorities



Fukushima Bank

SBI Holdings will invest JPY 1.1bn to acquire a total of 19.25% (based on voting rights), which includes shares already held by SBI Regional Bank Value Creation Fund operated by SBI Asset Management, of Fukushima Bank, upon its issuance of an allotment of common stock (to be conducted by a third party allotment of shares), and the receipt of the necessary approvals from the relevant authorities

(2) Measures to resolve management issues faced by regional financial institutions that have a capital and business alliance with the SBI Group, and to improve the corporate value of each bank

- ① Enhancement of market operations**
- ② Increased investment opportunities**
- ③ Revitalizing the local economy, and expanding the regional financial institutions' business**
- ④ Expansion of the customer base**
- ⑤ Efficient operations**
- ⑥ Effective use of real estate**
- ⑦ Utilization of U.S. R3's DLT Platform "Corda"**

① Enhancement of Market Operations

Issues facing regional banks

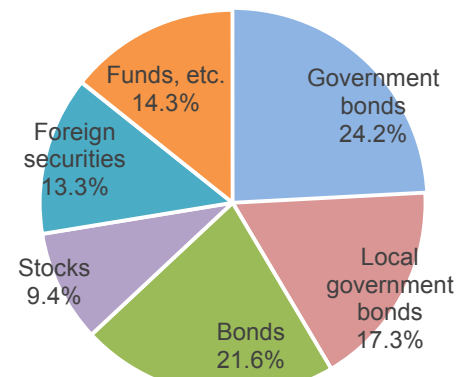
- Continued negative interest rates cause investment income to fall
- With 40% of government and regional bonds facing redemption within the three years, purchasing of new yen-based debt holds little promise of contributing to core net business income
- Shortage of people who can handle increasingly sophisticated and diversified securities operations

Measures to resolve issues

- Leveraging on SBI Group's resources, to offer highly profitable in-house/outside asset management products, while achieving lower operating costs to ensure sustainable investment income
- Strengthening of asset management capabilities by developing personnel who will be able to manage investment operations
- Offering funds that fit the needs of individual regional banks, through the formation of custom-made portfolios available in small lots, with low operating cost

■ Available SBI Group management resources and network

Securities holding status of regional banks (End of Mar. 2019)



*Source: Bank of Japan, "Asset and Liability Statistics of Private Financial Institutions"

 **SBI Asset Management**

Invests primarily in domestic equity funds



SBI ボンド・インベストメント・マネジメント

Investment trust management
primarily for bond management



SBI 地方創生アセットマネジメント

Investment trust management for
or regional financial institutions

② Increased Investment Opportunities

Issues facing regional banks

- Decline in loans, owing to market shrinkage in sales area
- Fiercer competition due to the rise of fintech companies

Measures to resolve issues

- Ferreting out new domestic and overseas investment loan destinations that meet certain criteria

Example: SBI Group investee companies approaching an IPO

- Available SBI Group management resources and network



- Overseas management business
- Global network in 20 countries / regions



③ Revitalizing the Local Economy, and Expanding the Regional Financial Institutions' Business

Issues facing local banks

- Closure of businesses owing to the lack of SME successors
- Limited access to new technologies and services

The escalating issue of business succession

The number of CEOs of SMEs who will reach retirement age in 2025 number 2.45m person, of whom 1.27m (around 50%) have yet to pick a successor. If these businesses all close down, Japan's GDP is likely to fall by JPY 22tn

* Source: The Small and Medium Enterprise Agency, "Regarding Measures for Operators of Small and Medium Enterprises and Small Businesses"

Measures to resolve issues

- Provide business succession and M&A opportunities according to the needs of each regional bank
- Through partnerships with the SBI Group's investee startup companies, the partner companies will be supported, and new sources of revenue will be created for the banks

Available SBI Group management resources and network



Business succession and M&A support utilizing TRANBI's network, which operates local business succession rooms on Japan's largest M&A platform



Provides cloud workflows "Approval Time"



Abundant network with domestic and foreign startup companies



SBI 地域事業承継投資株式会社
Operate SBI regional business succession fund

④ Expansion of the Customer Base

Issues facing local banks

- Lower account utilization rate owing to aging of customer base
- Accumulation of funds in JPY deposits
- Lack of progress in online services

Measures to resolve issues

- Providing attractive and **advanced apps** with high usability for young users
- Support for **online promotions and analysis of customer trends** to attract young generation users, and encourage continued use of accounts
- Support **investment advice utilizing next-generation tools** that contribute to customer asset management
- Offer attractive financial products and loans through **the establishment of joint branches and partnerships with bank agents**

■ Available SBI Group management resources and networks



Providing white-label banking app



Providing the Fintech Platform (API Foundation)



Web promotion support and AI examination by Big Data Office



Already providing asset management advice tools to 68 regional financial institutions



Already provides intermediary financial instruments services to 36 regional financial institutions



Already established eight co-managed shops with regional banks



Providing housing loan products with attractive interest rates and high customer benefits

⑤ Efficient Operations

Issues facing local banks

- Increased clerical work along with expansion of services
- Cumbersome paper-based procedures
- Organizational rigidity caused by personalized office work

Measures to resolve issues

- Implementation of a performance-based compensation system with zero initial cost, to reduce property costs, analyze current BPR status and improve business efficiency
- Propose business improvement utilizing RPA, according to each regional bank's request
- Utilizing OCR to reduce the administrative workload of branch offices and clerical centers

■ Available SBI Group management resources and networks



Introduction of RPA/OCR, fintech, etc., business improvement and cost reduction consulting



Provides business automation solutions “ANTstein” that integrates original AI-based OCR and RPA

⑥ Effective Use of Real Estate

Issues facing local banks

- Unused real estate resulting from branch consolidation, etc.
- Underutilized real estate owned by business partners

Measures to resolve issues

- Consider proposals such as attracting office buildings and call centers, to increase the value of real estate held and collateralized real estate
- Support the sales of unused real estate and real estate owned by business partners
- Consider proposals for structured finance, etc., utilizing real estate

■ Available SBI Group management resources and networks



Consulting for call center business

Preparing to establish a real estate consortium with the companies (planned) listed below, to utilize the real estate owned by regional financial institutions

B-Lot
 Hoosiers Holdings
 MAX-REALTY
 Paraca
 Raysum
 Shinoken Group
 Sumitomo Realty & Development
 Tokyu Fudosan Holdings
 Vortex

*In alphabetic order

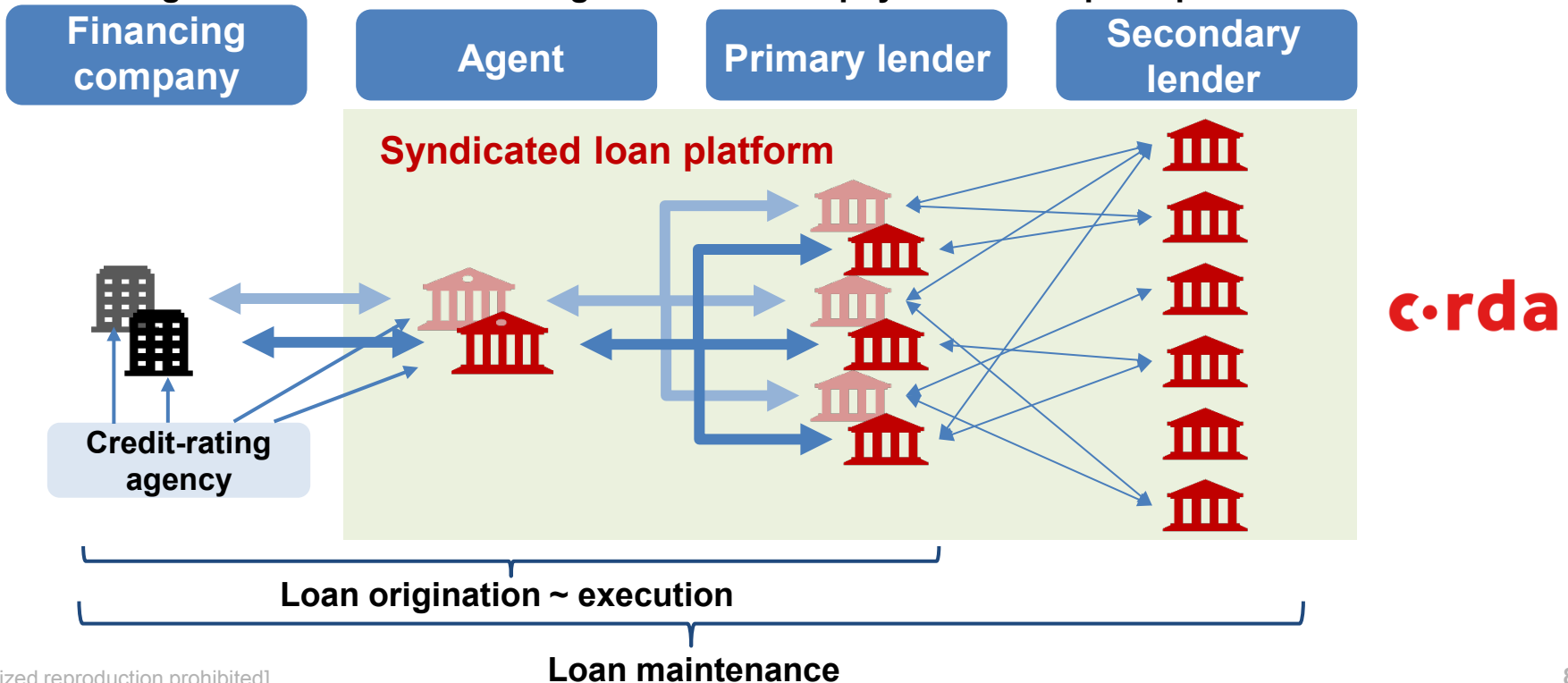
⑦ Utilization of U.S. R3's DLT Platform “Corda” (i)

Issues facing regional banks

- Support needed to participate in intricate syndicated loan operations

Measures to resolve issues

- Using a single platform, all information—from the creation of a syndicate to the completion of the loan—is digitized and shared securely and in real time via a distributed ledger
- This allows for a reduction in lead time, lower operational risk and a realization of lower management cost from loan origination to the repayment of the principal



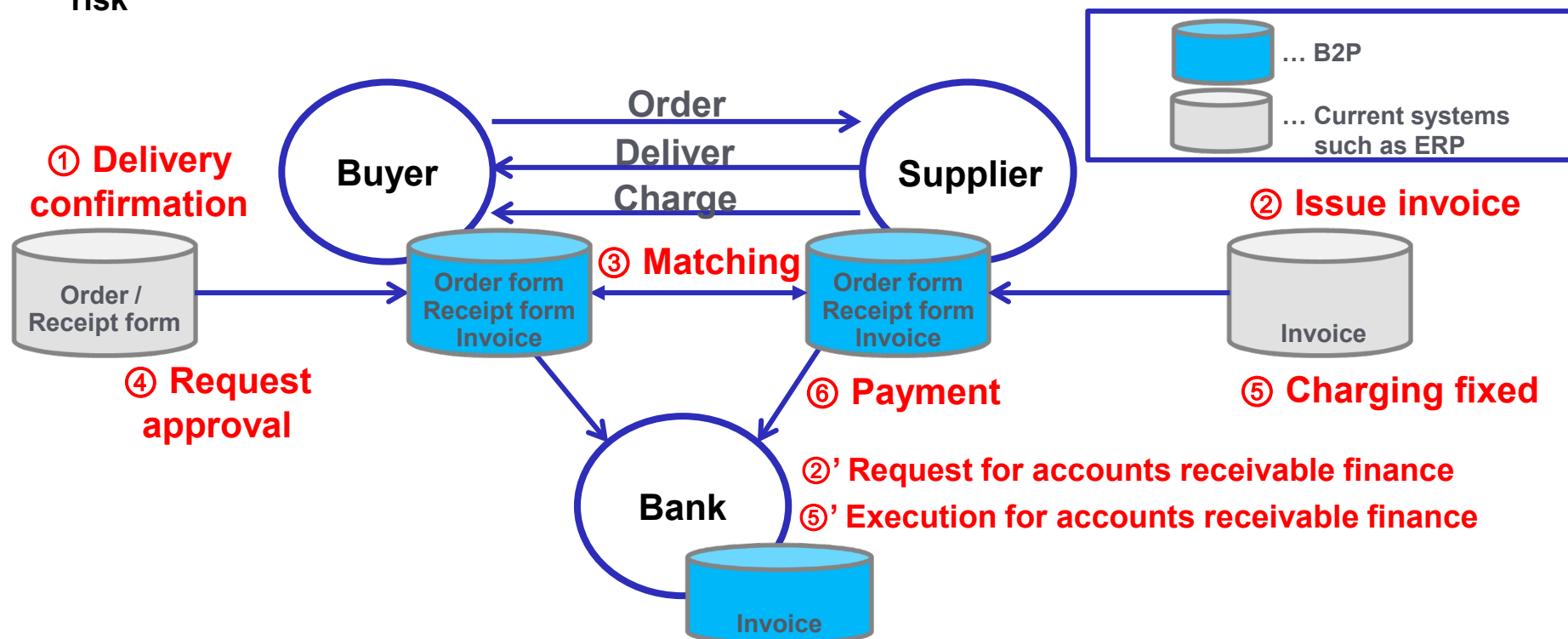
⑦ Utilization of U.S. R3's DLT Platform "Corda" (ii)

Issues facing regional banks

- In the area of supply chain finance, the pressure to lower fees for cash management and bank transfers, etc.; the time and effort required for accounts receivable financing; and collection risk

Measures to resolve issues

- "B2P" supply chain finance platform
- Offer competitive interest rates through increased lending opportunities and reduced lending risk











Q4. Identifying the key factors in predicting the 2H of FY2019

- (1) IPOs and other exit strategies have been successfully determined portfolio companies in the second half of the fiscal year, for an expected continuance of realization of gains from profits on sales of shares held, as well as valuation gains associated with improved corporate value**
- (2) Contributions to the SBI Group's financial performance from enhanced partnerships developed with the regional financial institutions**
- (3) In the Biotechnology-related Business, which is committed to the business selection and concentration process, the future course of U.S.-based Quark will be determined within this current fiscal year, while the product sales of the 5-ALA-related business is expected to continuously expand. Risk for an impairment loss in this segment is not expected in FY2019**
- (4) While preparing for the revised Financial Instruments and Exchange Act and the revised Payment Services Act, which are set to go into effect in April 2020, digital asset-related businesses are advancing initiatives to expand the customer base and business scale**
- (5) Through the utilization of PTS, will further enhance customer benefits of SBI SECURITIES**
- (6) Improving profitability through business alliances with the financial businesses of Z Holdings Corporation, which owns Yahoo**
- (7) Steady expansion of new businesses launched since 2010**

(1) IPOs and other exit strategies have been successfully determined portfolio companies in the second half of the fiscal year, for an expected continuance of realization of gains from profits on sales of shares held, as well as valuation gains associated with improved corporate value

- ① There are 8 Group company investees that will IPO in 3Q, and possibly 5 more IPOs during the remaining fiscal year**
- ② In order to endeavor to increase future profitability, establishing new funds to prepare for new investments**

① There are 8 Group Company Investees that will IPO in 3Q, and Possibly 5 More IPOs During the Remaining Fiscal Year

 AI CROSS	<ul style="list-style-type: none"> • Business Category: Provision of Japan's only interactive SMS solution • <u>IPO date: Oct. 8, 2019 (TSE Mothers)</u>
 ENVIONEER Co., Ltd.	<ul style="list-style-type: none"> • Business Category: Production of fine contaminant filter paper, filter and composite material • <u>IPO date: Oct. 24, 2019 (KOSDAQ)</u>
 BASE	<ul style="list-style-type: none"> • Business Category: E-commerce platform "BASE," online payment service "PAY.JP" • <u>IPO date: Oct. 25, 2019 (TSE Mothers)</u>
 BiomX Ltd.	<ul style="list-style-type: none"> • Business Category: Development of therapeutic method utilizing phage in microbiome fields • <u>IPO date: Oct. 28, 2019 (NYSE)</u>
 OneConnect Financial Technology Co., Pte. Ltd.	<ul style="list-style-type: none"> • Business Category: Online platform for local banks, non-banks and insurance companies in China • <u>IPO prospects: Dec. 13, 2019 (NYSE or NASDAQ)</u>
 free	<ul style="list-style-type: none"> • Business Category: Cloud accounting, etc. • <u>IPO prospects: Dec. 17, 2019 (TSE Mothers)</u>
 Spacemarket	<ul style="list-style-type: none"> • Business Category: Space sharing platform operations • <u>IPO prospects: Dec. 20, 2019 (TSE Mothers)</u>
 AI inside	<ul style="list-style-type: none"> • Business Category: Provides AI platform • <u>IPO prospects: Dec. 25, 2019 (TSE Mothers)</u>

Exit Results and Planned IPO Schedule of Investee Companies of the Fintech Fund (Established in 2015) and SBI AI&Blockchain Fund (Established in 2018)

-Both funds moved into the monetization phase, and distribution payments have also been implemented-

<Investment results>

Investment of approx. JPY 70.5bn into 154 companies has been decided collectively from the two funds

Investment of approx. JPY 100bn has been decided, including the co-investment of SBI Holdings, etc.

The Fintech Fund: : approx. JPY 25.5bn

SBI AI&Blockchain Fund: approx. JPY 45.0bn

Co-investment from SBI Holdings, etc. : approx. JPY 29.5bn

<Exit results>

Already IPO'd: 8

Already exited through an equity sale to third party: 4

<Planned IPO schedule*>

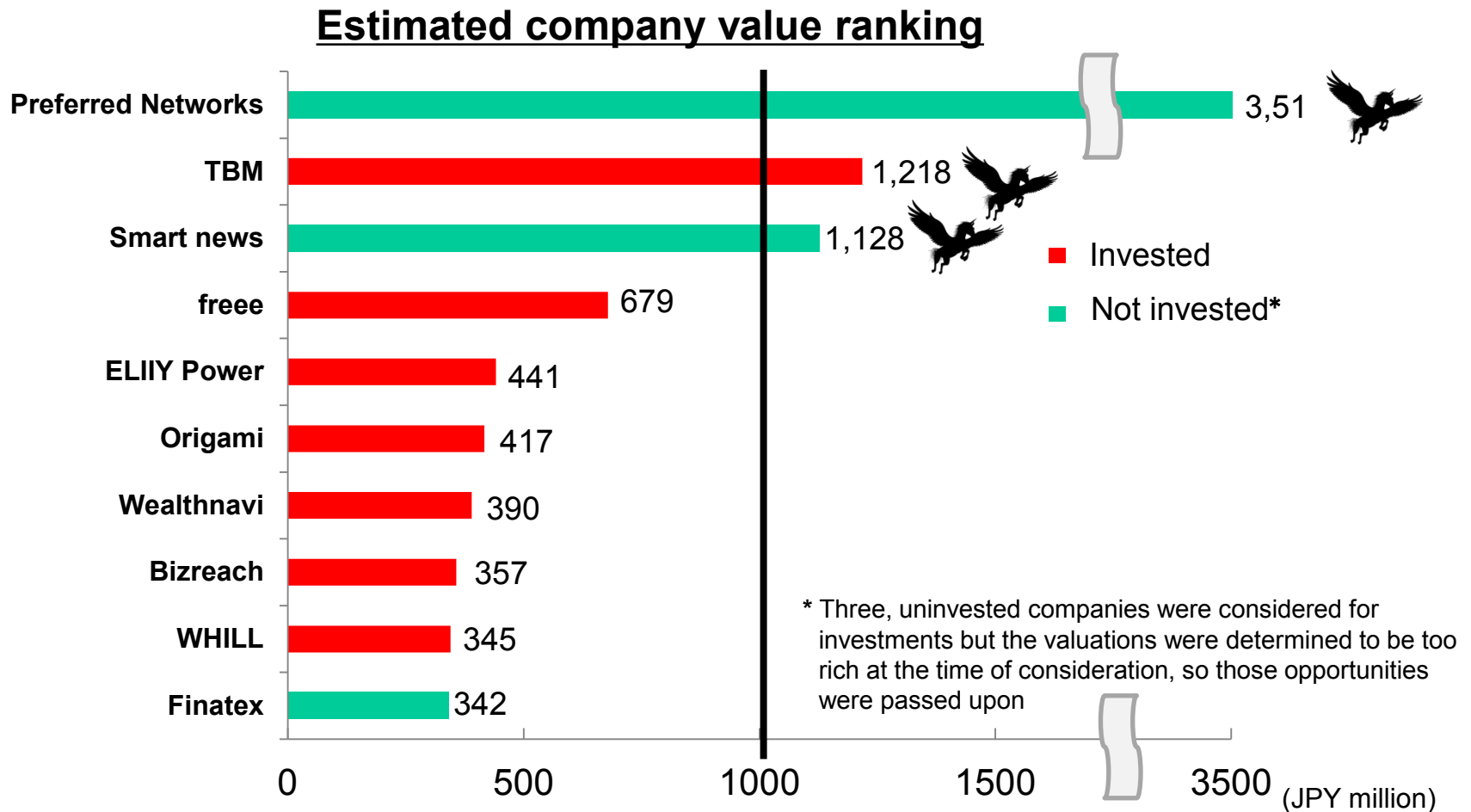
Year 2019: 2 Year 2020: 15 Year 2021: 35 After Year 2022: 84

Scheduled exits by sales to third party: 3 TBD: 3

***Source: Compiled by SBIH from the each company's business plan**

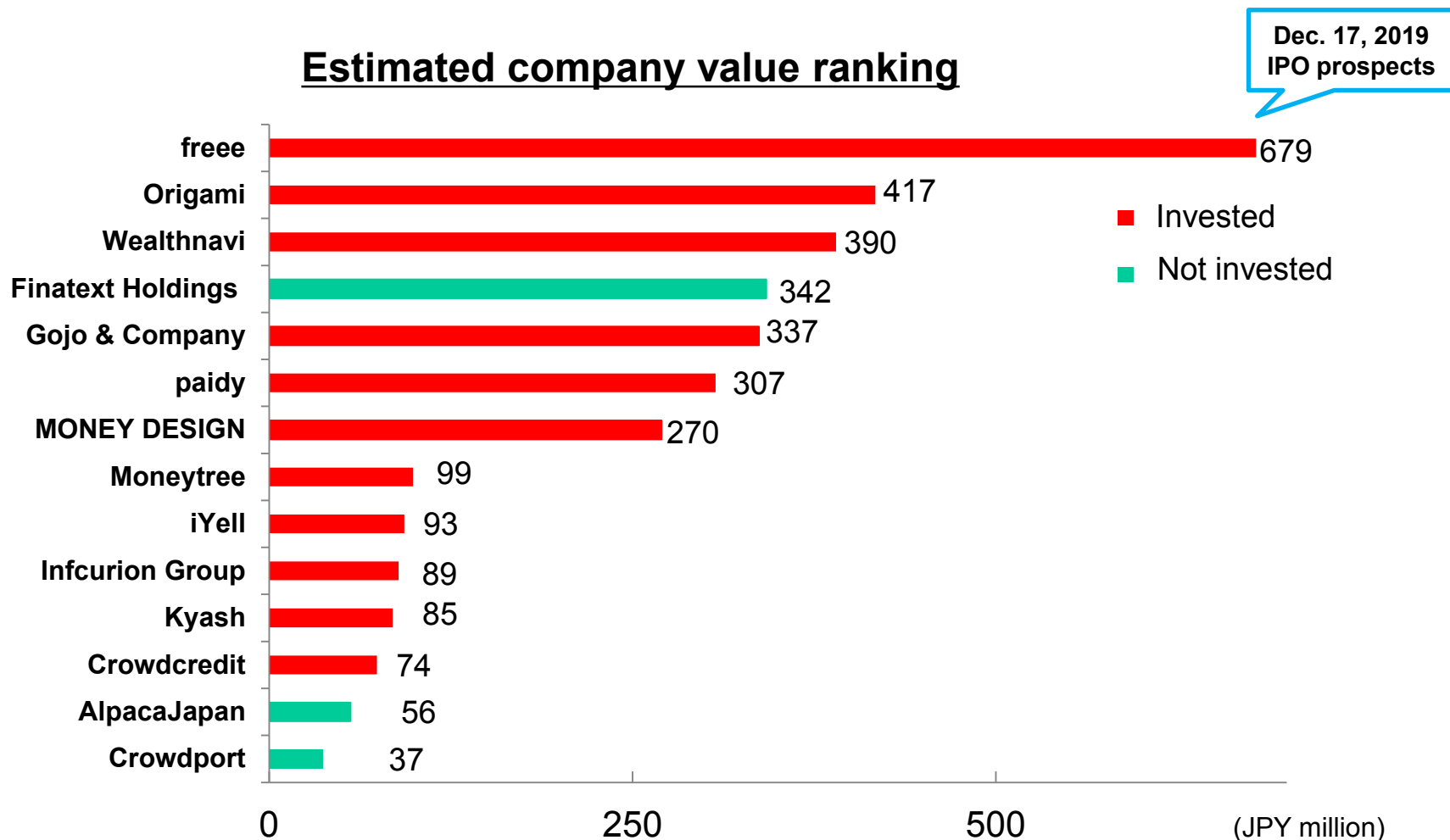
Invested in 7 of the Top 10 Companies in the “NEXT Unicorn Survey” Conducted by Nikkei

Aggressive investment in sunny side’s growing companies is steadily delivering results



Nov. 4, 2019 Nikkei newspaper

Invested in 11 of the Top 14 Fintech Companies in the “NEXT Unicorn Survey”



Nov. 25, 2019 Nikkei newspaper

Preparing the Establishment of a New Fund (Common Name 4+5 Fund) to Accelerate Investments into Growth Industries

SBI Investment, which will be the administrator, will receive remuneration associated with the establishment of the fund, and will also receive increased administrative fees associated with the operation of the fund moving forward

- Total amount of funds: Up to 100 Billion Yen
- Investment Areas: In addition to fintech, AI and blockchain, the investment focus will include any high tech industry that will promote “Industry 4.0,” such as IOT, robotics and “Society 5.0,” where innovative technologies and services that cover a wide range of industries, such as healthcare (medical and nursing care), infrastructure (traffic and energy), food and agriculture, etc. are involved

※ Investment area images

Society 5.0

Fintech

Settlement

Remittance

Lending

Investing

KYC/AML

Asset Management

Business Support

Security

Corporate Accounting

Banking Infrastructure

Compliance

X-Tech

HR Tech

Edu Tech

RE Tech, etc

Industry 4.0

Industrial Revolution

Mechanization

Mass Production

Automation

CPS • IoT • Cloud

1.0

2.0

3.0

4.0

Cyber Physical System (CPS)

Physical

Recognition, understanding, sensing

Cyber

Analysis, forecast, optimization, control

Internet of Things (IoT)

Cloud Computing

Robotics

“Data-driven Society”

Infrastructure

Autonomous Vehicle

Green Energy

MaaS

Eco-Friendly

Healthcare/Food/Bio/Agriculture

Prevention

Diagnostics

Smart Farming

Treatment

Care

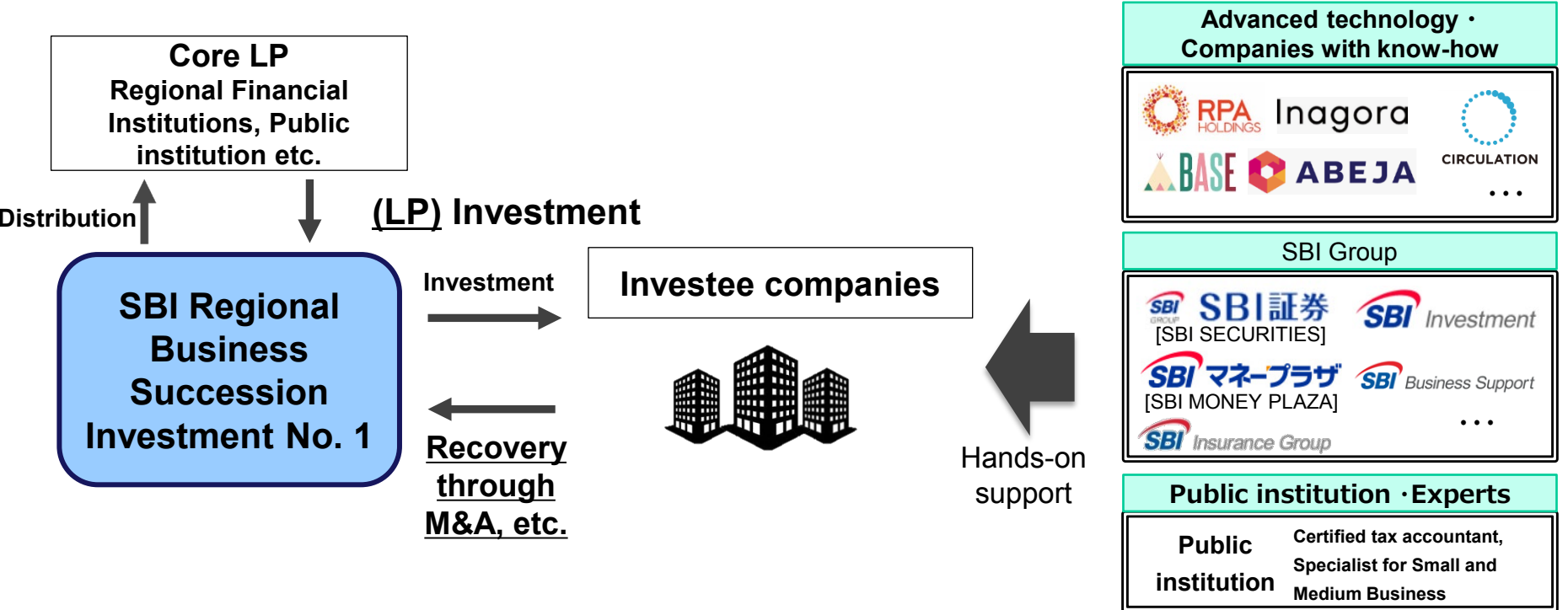
Functional Food

AI • 5G • Big Data

Preparations are underway to launch a fund for Industry 4.0 in Germany

SBI Regional Business Succession Fund was Established in Oct. to Support Business Successions throughout Japan, with Full-scale Investment Activities Slated from the 2H FY2019

- Business succession support will not be limited to regions, but also across Japan for mid-sized and smaller enterprises
- The SBI Group will utilize its network in various ways to support the enhancement of corporate value
- Supporting business collaborations and integration between investee companies across regions
- SBI Regional Business Succession Fund assumes that it will acquire the management rights of investee companies



(2) Contributions to the SBI Group's financial performance from enhanced partnerships developed with the regional financial institutions

- ① Increase in product sales and investment trust fees, etc., through an expansion of the customer base**
- ② Record valuation gains associated with the improving fair value of regional financial institutions**

① Increase in product sales and investment trust fees, etc., through an expansion of the customer base

- (i) Securities-related business**
- (ii) Insurance-related business**
- (iii) Asset management-related business**
- (iv) New businesses**

SBI SECURITIES Supports the Cultivation of New Customers through the Provision of Financial Instruments Intermediary Services to 36 Regional Financial Institutions

-4 other regional financial institutions have internally decided to form an alliance in FY2019-



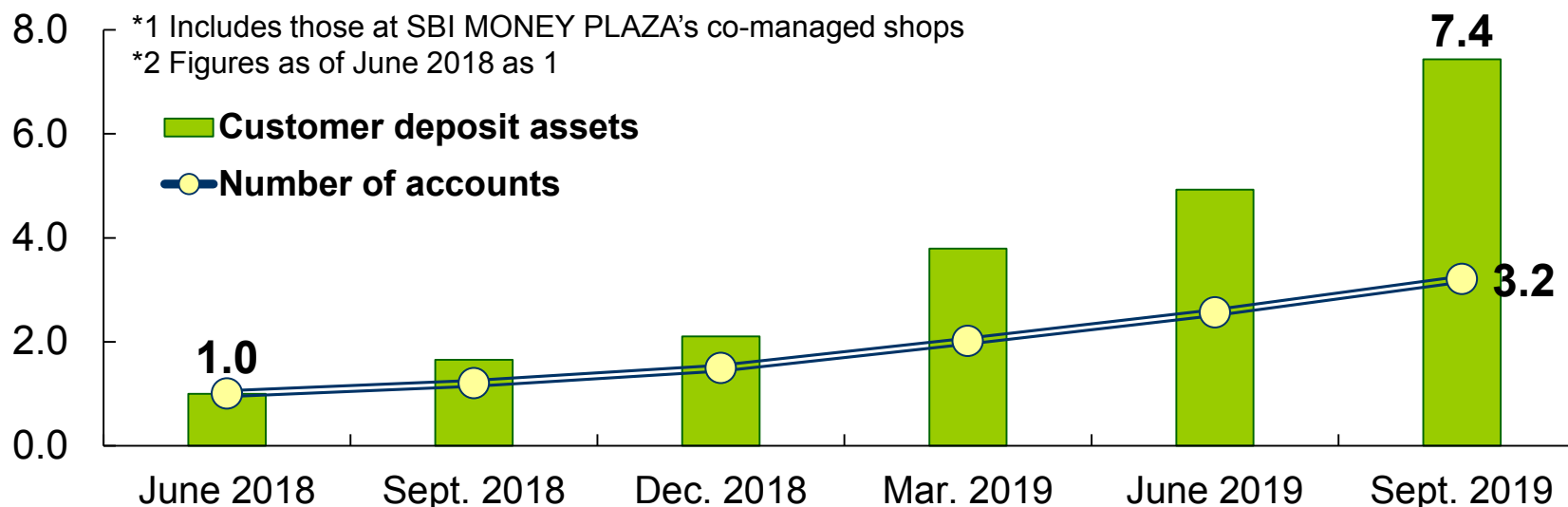
Financial instruments
intermediary services

**Regional financial
institutions**

Provides the SBI Group's products and services, with high customer benefits, to regional financial institutions' customers



Change in the number of accounts and customer deposit assets through financial instruments intermediary services



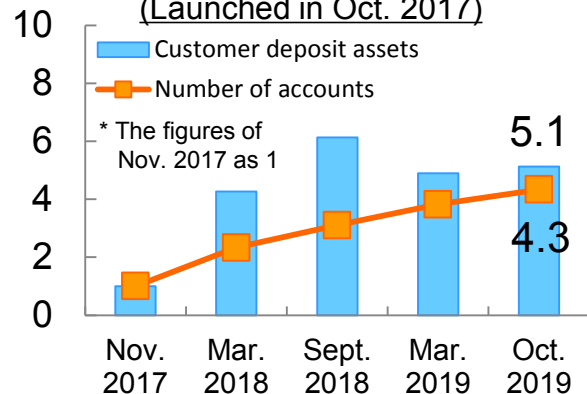
(i) Securities-related business:

Co-managed Shops with Regional Financial Institutions have Rapidly Increased Their Number of Accounts and Customers' Deposit Assets

Co-manages 8 shops in total, including those with The Keiyo Bank and Kirayaka Bank

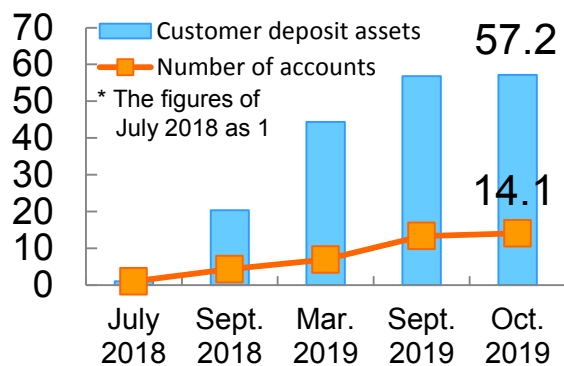
Shimizu Bank

(Launched in Oct. 2017)



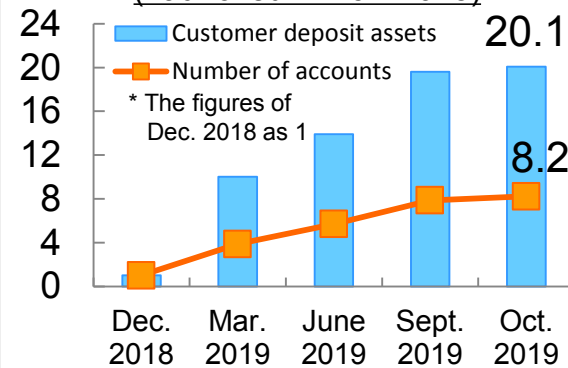
CHIKUHO BANK

(Launched in June 2018)



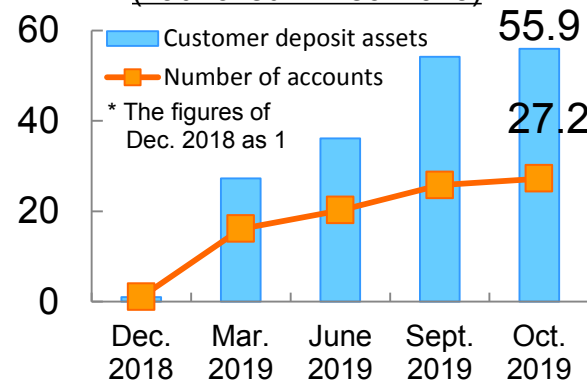
THE SENDAI BANK

(Launched in Nov. 2018)



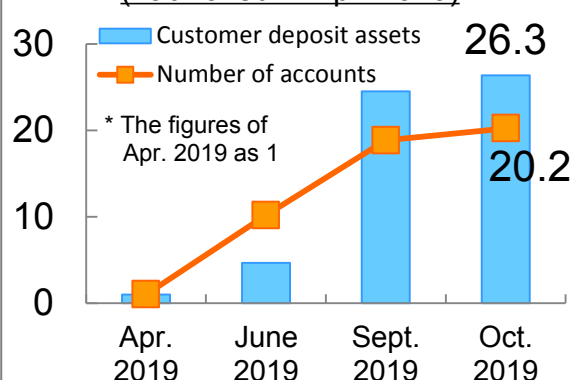
EHIME BANK

(Launched in Dec. 2018)



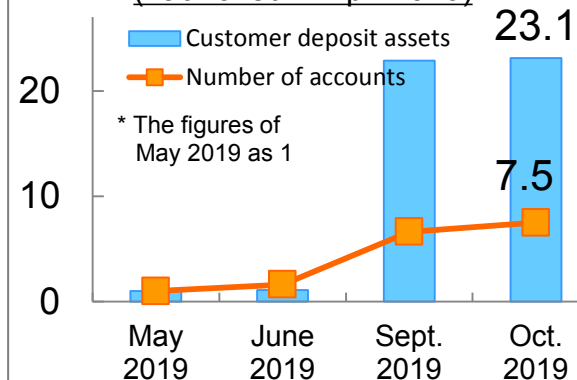
THE MIE BANK

(Launched in Apr. 2019)



THE TOWA BANK

(Launched in Apr. 2019)



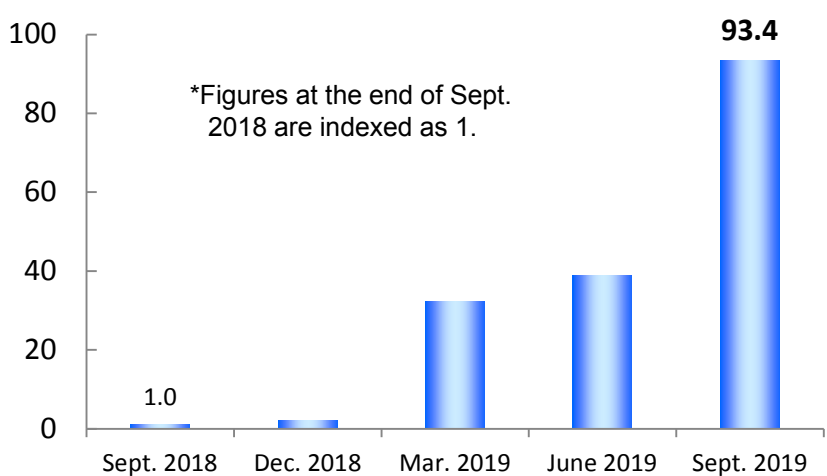
Scheduled to launch 3 co-managed shops, including those with Shimane Bank and FUKUSHIMA BANK during FY2019. Also, multiple regional financial institutions, such as Shimizu Bank, are planning or considering the launch of their second co-managed shop.

Partnerships with Regional Financial Institutions Promoted by Insurance Companies Contribute to the Expanded Sales of Insurance Products



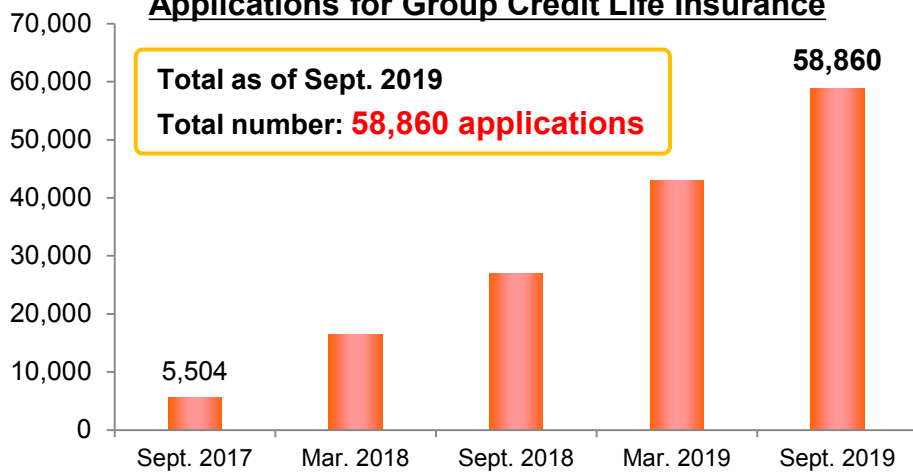
47 companies (of which 14 are financial institutions) decided to adopt SBI Insurance's products, and plans are for sales to start shortly

Total Number of Contracts From Partners



16 regional financial institutions (of which 6 are regional banks) have decided to adopt, or have started sales of SBI Life Insurance's Group Credit Life Insurance, with 2 more in the process of adopting

SBI Life Insurance's Trend in Number of Applications for Group Credit Life Insurance

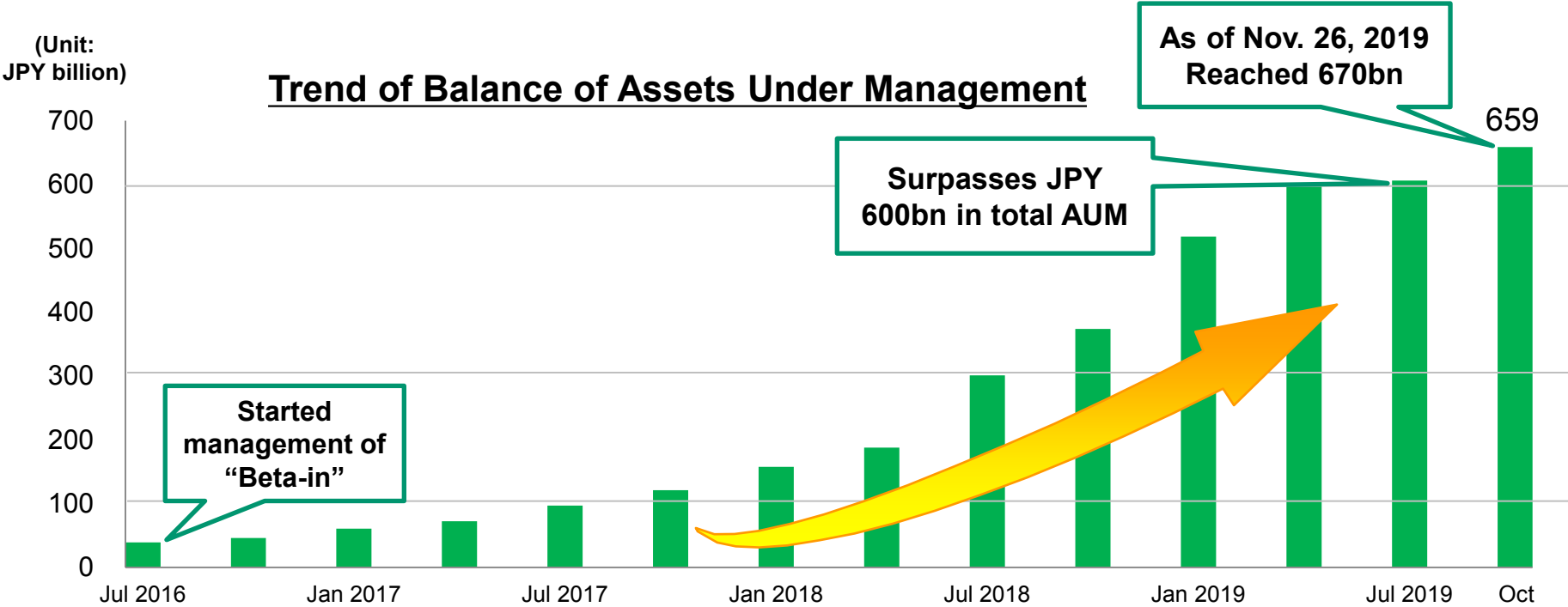


Various insurance companies are in discussions to seek business opportunities with the SBI Group investee regional financial institutions, as well as with numerous other companies

SBI Bond Investment Management, Established as a Joint Venture with PIMCO, One of the World’s Largest Bond Management Companies, Exceeded JPY 670bn, with Assets Continuing on an Increasing Trend

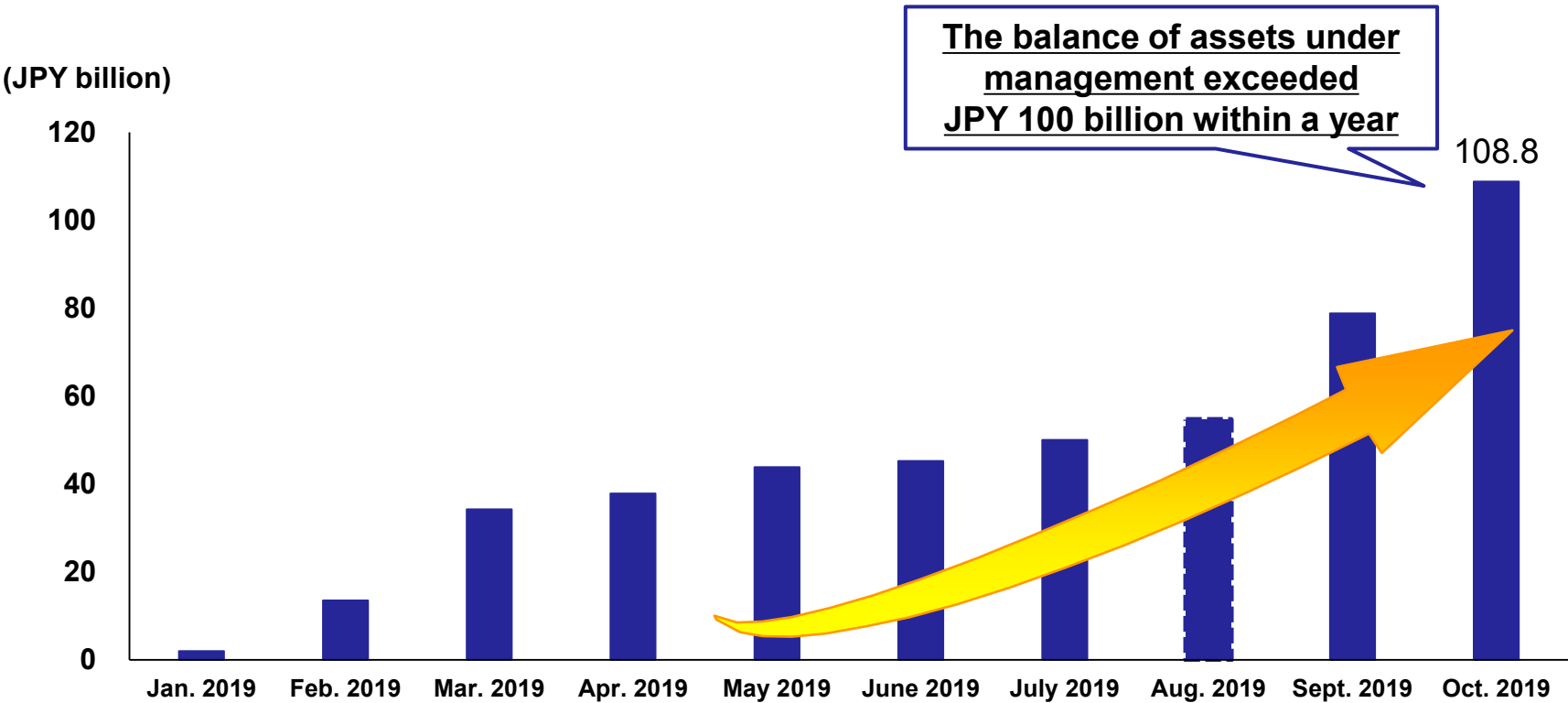
SBI *Bond Investment Management* (Established in Dec. 2015)

- Developing a low-cost active corporate bond fund by applying the highly active bond management capabilities of PIMCO and the technology of the SBI Group
- Despite the continued difficult bond investment environment, owing to high exchange hedging costs, SBI Bond Investment Management has consistently provided low cost simple products



Assets Under Management of SBI Regional Revitalization Asset Management, Co-invested by 38 Regional Financial Institutions (including 1 prospective institution), Exceeded JPY 100bn

- Offering superior products at low cost (e.g. U.S. municipal bonds, mortgage securities)
- Appropriately respond to a challenging environment by reviewing investment portfolios and carrying out advanced risk management
- Along with being entrusted with the assets of Shimane Bank, continuing to expand assets in the second half



* AUM as of Oct. 2019 include both assets already established and in preparation for establishment

Regional Financial Institutions Introduce “Approval Time,” a Cloud-based Workflow System, which SBI Business Solutions Provides, to Their SME Customers

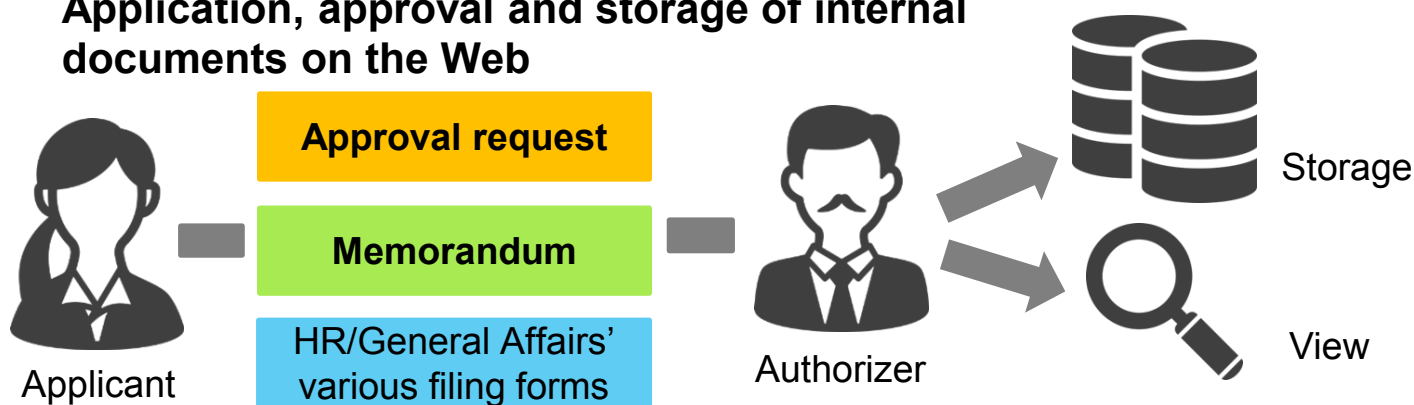
**-Following the Sept. 2019 announcement with THE OITA BANK,
expecting to sign contracts with 5 other banks within 2019-**



[Approval Time]

- ✓ A cloud-based workflow system that enables various internal approvals and memorandums to be on the online approval flow
- ✓ IT personnel are not required, allowing for a swift and low cost introduction
- ✓ Addresses SMEs' concerns regarding labor shortages

Application, approval and storage of internal documents on the Web



Customer companies' user feedback:

- ✓ Enhanced internal controls by going paperless and improved management accuracy
- ✓ Improved productivity, owing to the ability to grant approvals when outside of the office, with the ability to view the status of a project at a glance

SBI NeoFinancial Services Offers White-label Banking Apps that Make it Easier for Regional Financial Institutions to Deliver Mobile Apps at a Lower Cost

-Already introduced at 6 banks, and expected to be introduced at 3 other banks within the year-



- ✓ Providing bank teller services at low cost
- ✓ Depending on the API compatibility, functions can be expanded by utilizing various fintech services of the SBI Group investee companies

<List of services that can be linked>

Petty remittance



Smartphone payments



Robo-advisor



Household account book/PFM



Automatic saving



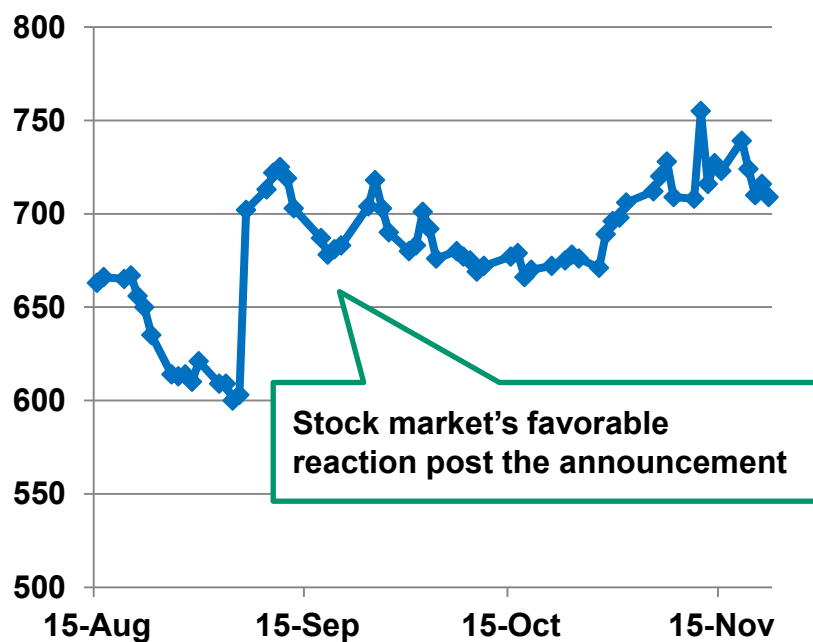
② Record valuation gains associated with the improving fair value of regional financial institutions

- (i) After announcing a capital and business alliance with the SBI Group, the stock prices of Shimane Bank and Fukushima Bank rose sharply**
- (ii) Accelerating efforts to further increase corporate value**

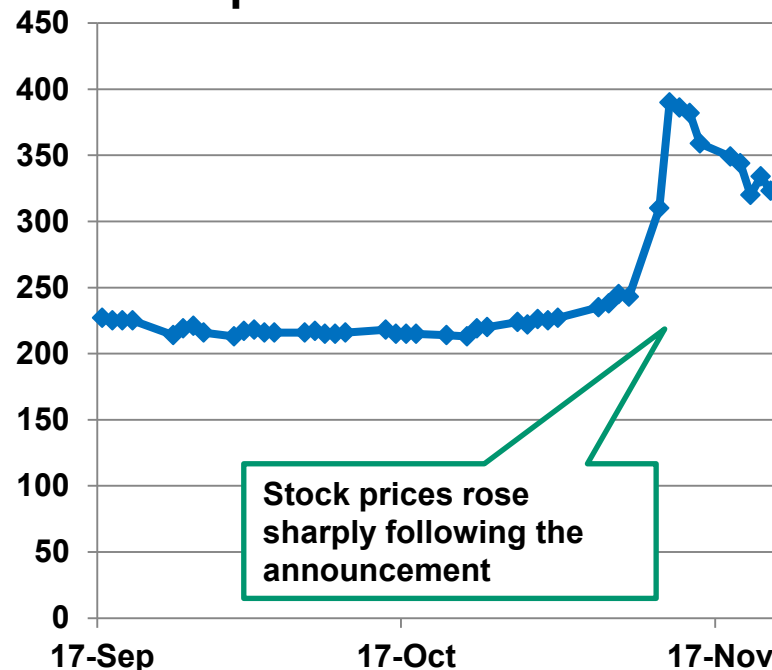
(i) Following the Announcement of a Capital and Business Alliance with the SBI Group, the Stock Prices of Shimane Bank and Fukushima Bank Rose to Levels Well Above the Third Party Allotment Price to the SBI Group

If the corporate value of the invested financial institutions increase, and their fair value increases, they are expected to contribute to the business results through the recording of valuation gains in the Asset Management Business

(JPY) Shimane Bank's stock price movement



(JPY) Fukushima Bank's stock price movement



(ii) Accelerating Efforts to Further Increase Corporate Value

Example of Initiatives at Shimane Bank (a)



[SBI MONEY PLAZA]

<Basic agreement on operation of co-managed shops>

Further advancing the alliance with SBI SECURITIES, which commenced in Apr. 2019, to provide intermediary financial products and services, and will provide high quality advice and various financial products and services unique to face-to-face consulting services through SBI Money Plaza, to retail customers of Shimane Bank

住信SBIネット銀行



<Basic agreement for the offering of new housing loans>

SBI Sumishin Net Bank will offer “Mr. Housing Loan Real” and “Flat 35,” which are available at branches operated by bank agencies, as a new option for the customers of Shimane Bank



[SBI SECURITIES]

<Business alliance regarding the M&A>

Provide Shimane Bank with business succession and M&A support services, in particular to improve services for corporate customers, and strengthen the business succession and M&A support framework for corporate clients in the San'in region

(ii) Accelerating Efforts to Further Increase Corporate Value

Example of Initiatives at Shimane Bank (b)



<Launched a business to advance the employment of specialists at regional companies>

Advanced the employment of technical specialists at Shimane Bank, Ltd.'s partner companies by leveraging SCOPE, the direct recruiting service of Astamuse Co., Ltd.



Introduced by  *SBI Investment*

<Basic agreement regarding support for Internet businesses>

Facilitating the e-commerce businesses of Shimane Bank, Ltd.'s partner companies, by utilizing web services of BASE, Inc. (a SBI Group portfolio company), which enables anyone to easily create and operate an online shop

事業の未来とめぐり逢うところ

TRANBI Introduced by  *SBI Investment*

<Launch of a business succession and M&A support service>

Leveraging the online business succession and M&A support services of TRANBI Inc. (a SBI Group portfolio company) to support the business succession and M&A of Shimane Bank, Ltd.'s partner companies

(3) In the Biotechnology-related Business, which is committed to the business selection and concentration process, the future course of U.S.-based Quark will be determined within this current fiscal year, while the product sales of the 5-ALA-related business is expected to continuously expand. Risk for an impairment loss in this segment is not expected in FY2019

- ① A decision on the transition to the NDA process for U.S.-based Quark's prophylaxis of DGF is expected to be finalized in Dec. 2019, and a partial or complete sale, or an IPO will be considered based on the conclusion**
- ② In the 5-ALA-related business, in addition to the steady expansion of the existing products, focus will be maintained on new product development**

① U.S.-based Quark:

Financial Result Effects from the U.S. Food and Drug Administration 's (FDA) Decision on the Transition to the New Drug Application (NDA) Process for U.S.-based Quark's Prophylaxis of Delayed Graft Function (DGF) in Kidney Transplants, which is Expected to be Finalized in Dec. 2019

Case 1: If the transition to the NDA process is approved

- Big step toward the realization of a highly priced IPO, or sale (partial or complete) of Quark

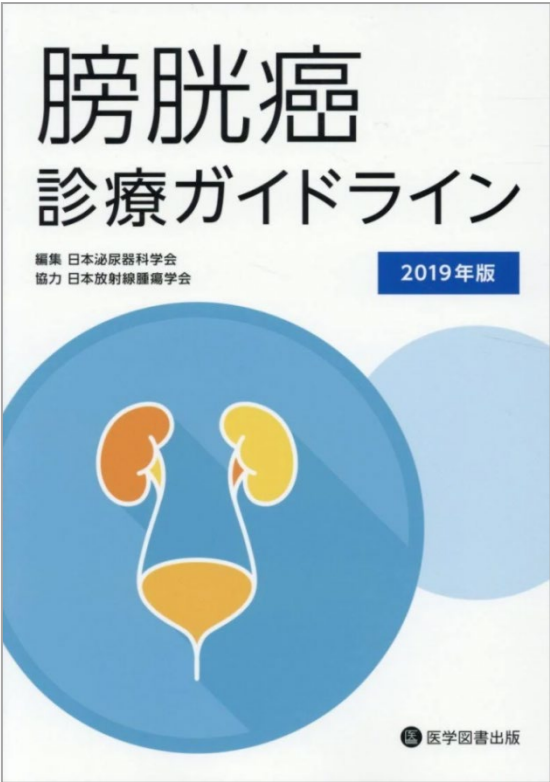
Case 2: If the transition to the NDA process is not approved

- Since an impairment loss has already been recorded in FY2018, no additional impairment loss will be incurred, and the impact on the financial results for FY2019 will be immaterial
- Considerations will be made for the sale of the remaining pipeline, such as the prophylaxis drug for acute kidney injury (AKI) which is in the final phase of Phase III, and has a larger market than DGF, or possibly the sale of Quark

Regarding Descriptions Related to “ALAGLIO® Divided Granules 1.5g” in *Diagnostic Guidelines for Bladder Cancer 2019**

<*Diagnostic Guidelines for Bladder Cancer 2019*>

*Prepared by The Japanese Urological Association and published on Sept. 30, 2019



Clinical Question 4 :
Are PDD (photodynamic diagnostics) and NBI (narrow-band imaging) recommended for NIMBC (non-muscle invasive bladder cancer)?

Answer:
PDD is recommended because it leads to a lower recurrence rate of bladder cancer (Recommended strength: 1, Certainty of evidence: A).*

* “Recommended strength: 1” means a strong recommendation.
“Certainty of evidence: A” means the estimated result has high certainty.

New orders have increased rapidly since the issuance of this guideline, and further sales growth is expected in the 2H FY2019

*This information is intended to be communicated to stakeholders and is not intended for promotion, advertising or medical advice

Since the Launch of “ALA PLUS Fukai Nemuri” in Mar. 2019, the Number of Drugstores, etc., that Newly Handles the Product has Steadily Increased

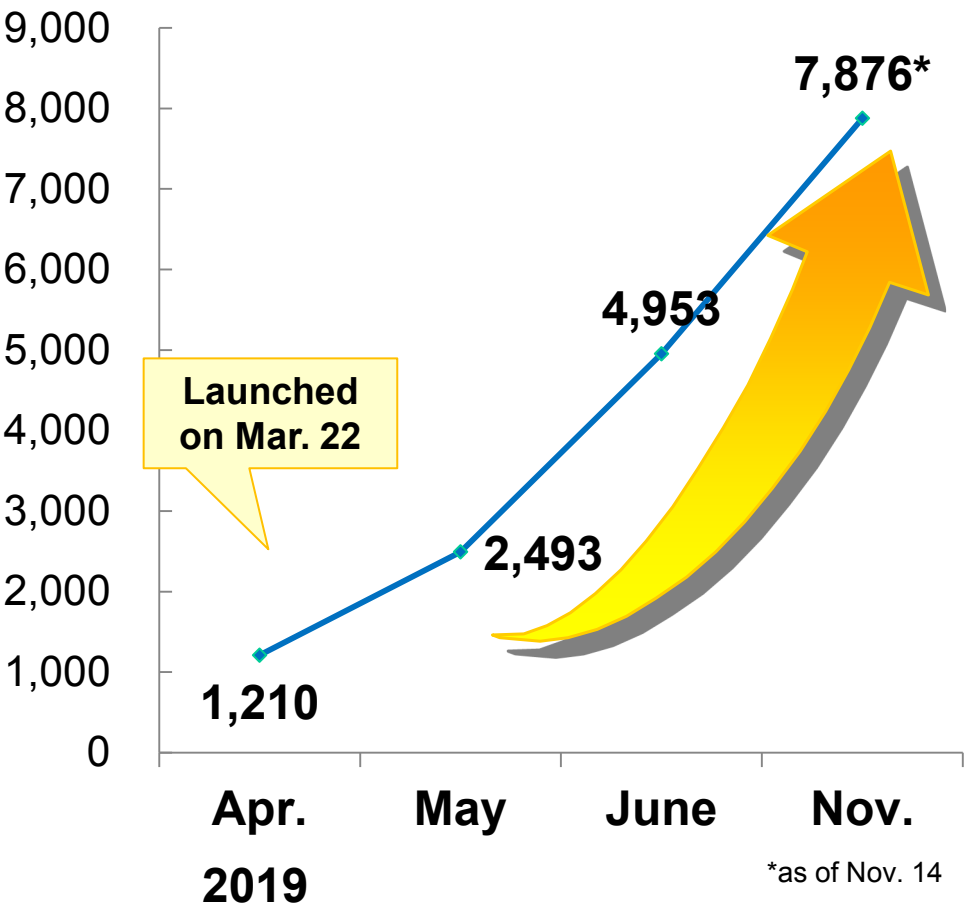
Strengthening the promotion of “ALA PLUS Fukai Nemuri”

- A new TV commercial entitled “Nemulier Arrives” was launched on Saturday, June 22



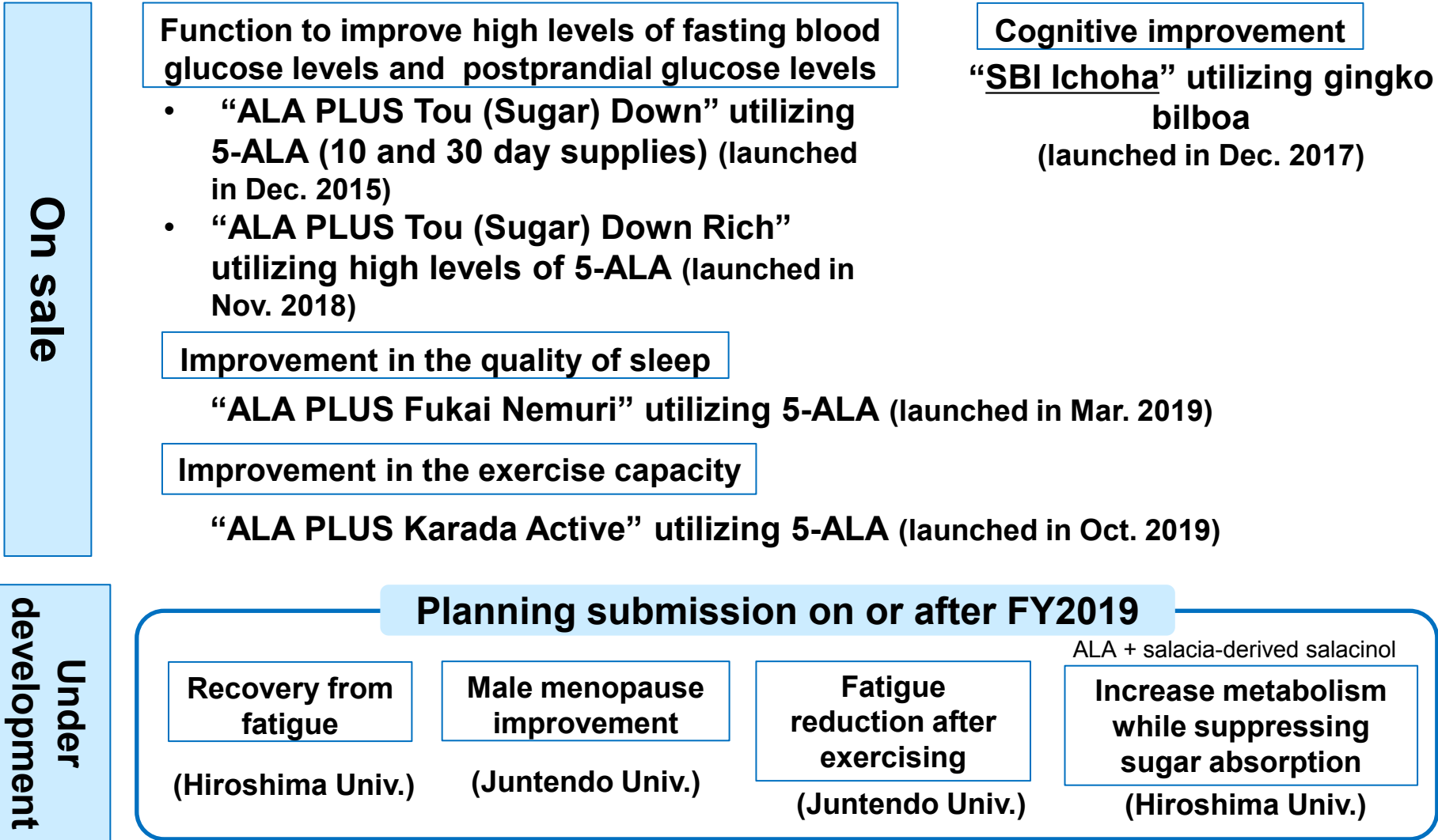
- Advertising in trains was initiated in July in the Tokyo metropolitan area
- Infomercials were increased

Number of stores that offer “ALA PLUS Fukai Nemuri” (cumulative)



Accelerating the Development of New Foods with Functional Claims

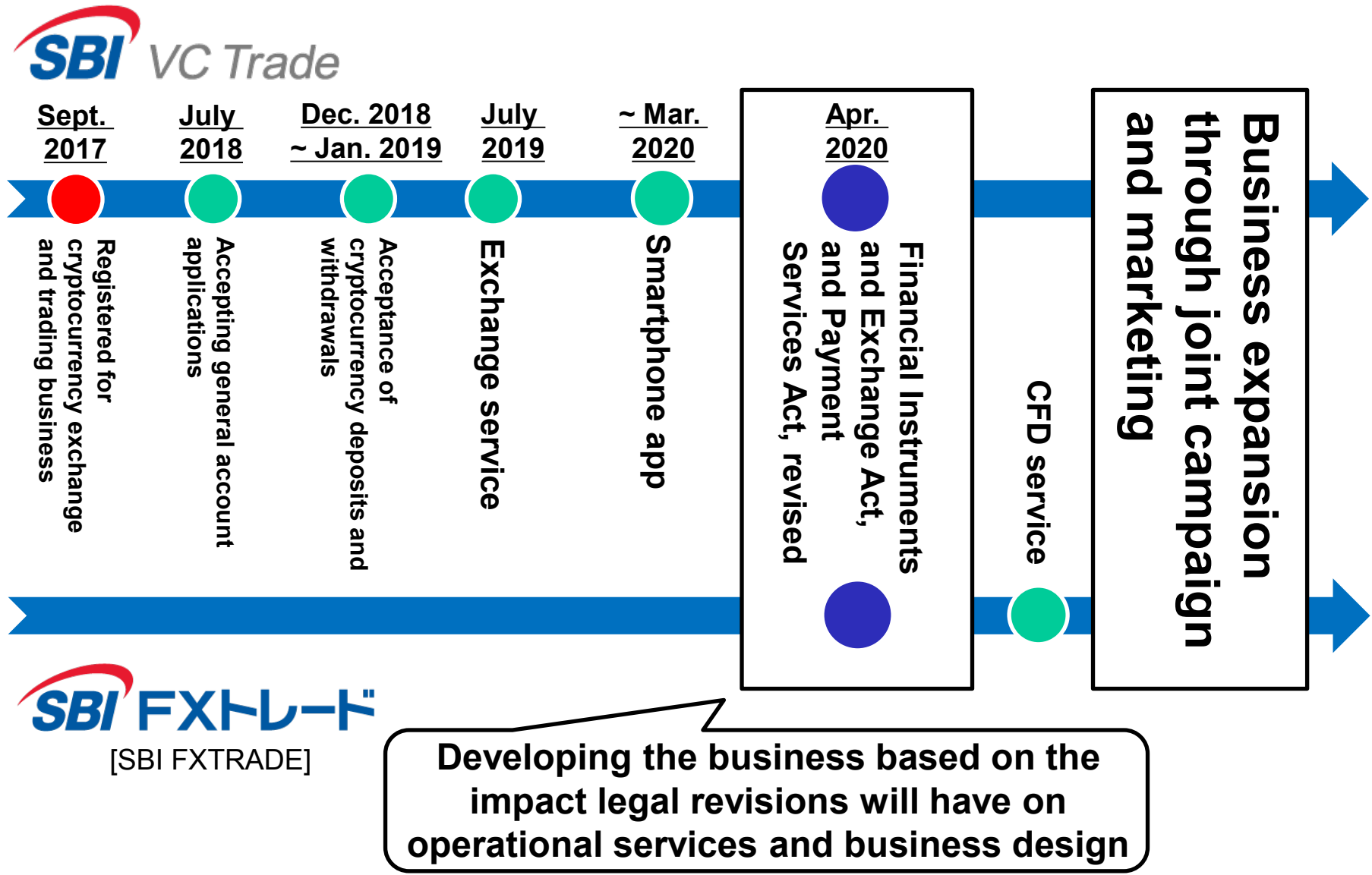
Offering of foods with functional claims:



(4) While preparing for the revised Financial Instruments and Exchange Act and the revised Payment Services Act, which are set to go into effect in April 2020, digital asset-related businesses are advancing initiatives to expand the customer base and business scale

- ① SBI VC Trade**
- ② SBI Crypto**
- ③ SBI Mining Chip**

**SBI VC Trade is in Preparation for Expansion of its Business,
in Anticipation of the Revisions in the Payment Services Act etc.,
which are Scheduled to be Enacted in Apr. 2020,**



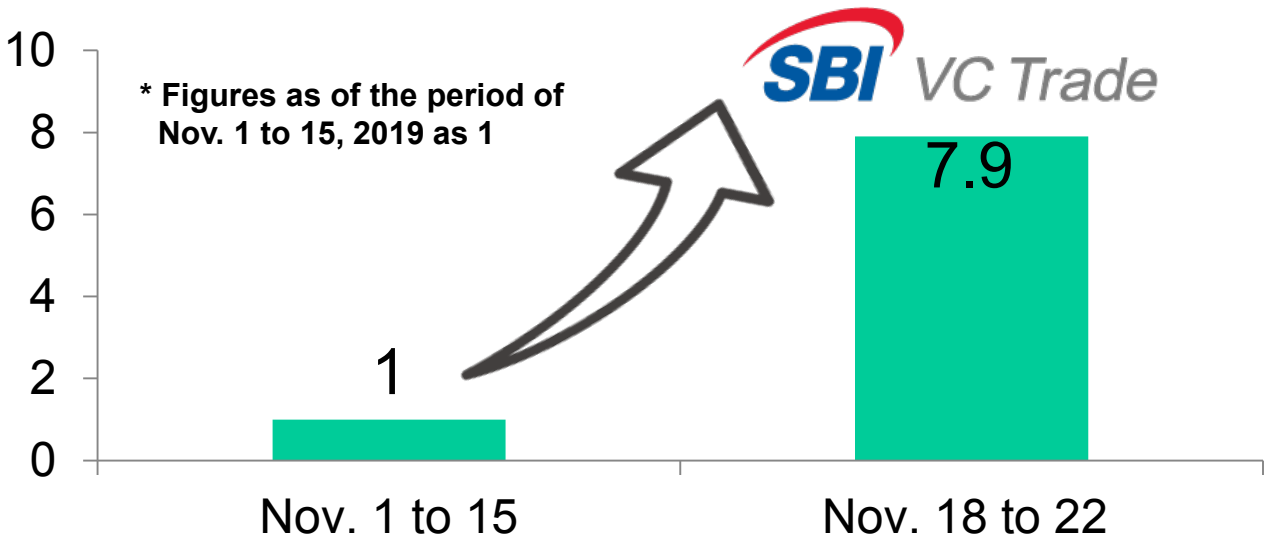
In Response to Morningstar Japan's Announcement to Shareholders on the Implementation of Shareholders' Benefits (XRP), there was a Dramatic Increase in New Account Applications at SBI VC Trade



30 XRPs gifted to shareholders who hold more than 1 trading unit (100 shares) as of Sept. 30, 2019

Information on how to exercise shareholder benefit was noticed in mid-November

SBI VC Trade Average Daily Account Openings



SBI Holdings is also considering the use of XRP for shareholders' benefits applicable to its shareholders starting from March 31, 2020

An Increase in the Profit Scale of Crypto-asset Mining is Expected, Owing to New Miner Operations within the Year

SBI CRYPTO (Crypto-asset mining)

- In the first half of the fiscal year, one of two sites operated was closed and moved to another facility
- In addition, in the third quarter, high-performance cryptominers will begin operating **at two new sites in the U.S. and Central Asia**

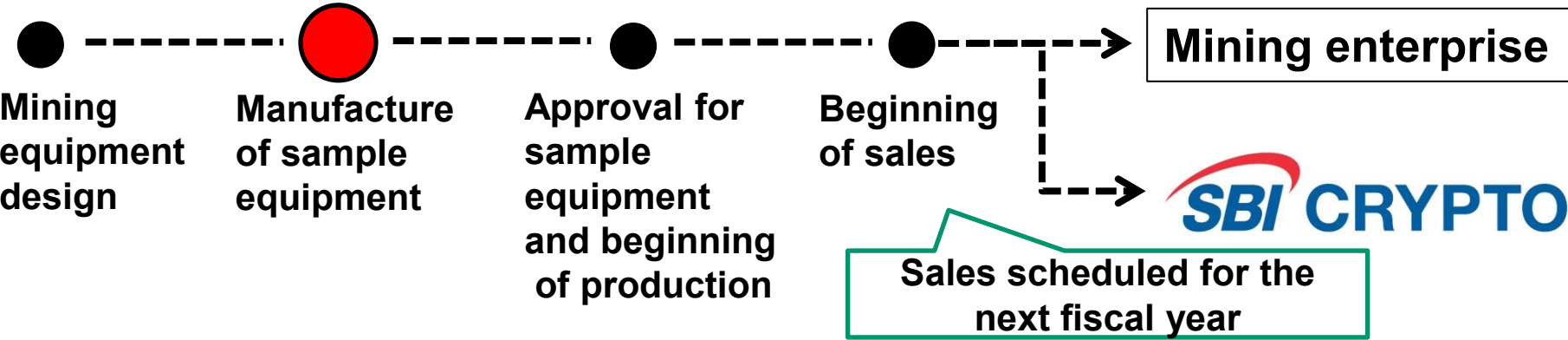


Expansion of Crypto-asset Mining Business by In-house Miner Production, and the Launch of Its Sales

SBI Mining Chip (Development of mining chips and systems)

Established pre-launch website <sbicarbon.com> for mining equipment in preparation for sales in the next fiscal year. Already received a number of offers, and currently pursuing some large-scale contracts

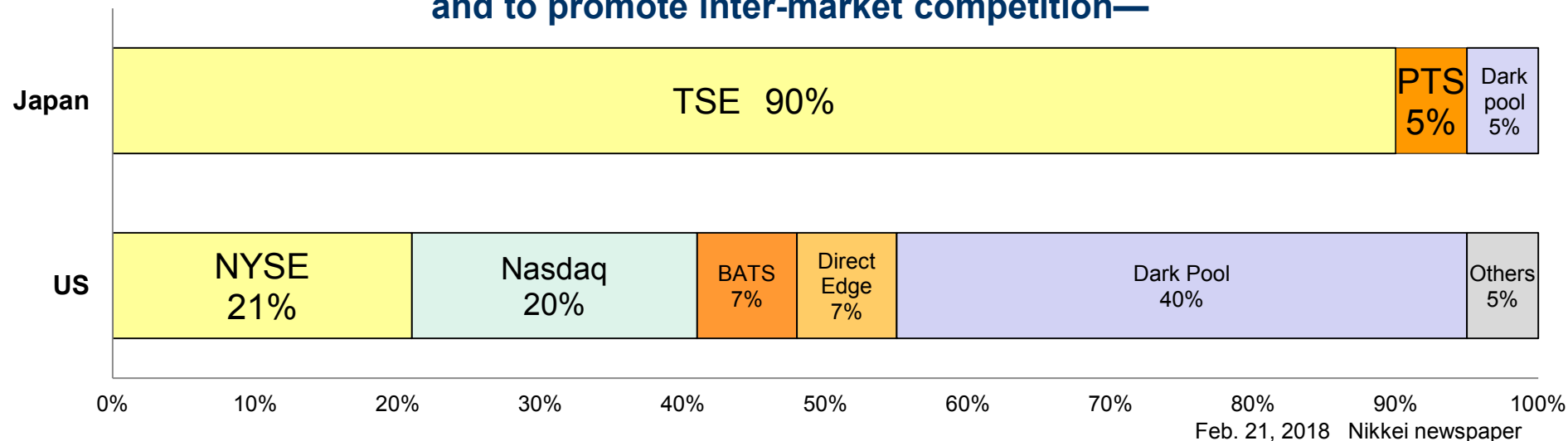
Development status of the miners



(5) Further enhancing SBI SECURITIES' customer benefits through the utilization of PTS

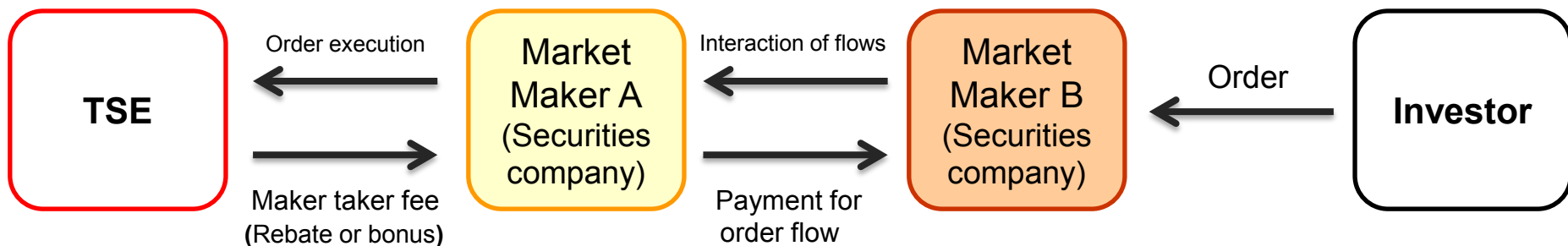
Trading in Japan is Focused on the Tokyo Stock Exchange, as Compared to the U.S., where Competition between Stock Exchanges Continues

—The greatest merit for investors will be to eliminate the trading concentration on the TSE, and to promote inter-market competition—

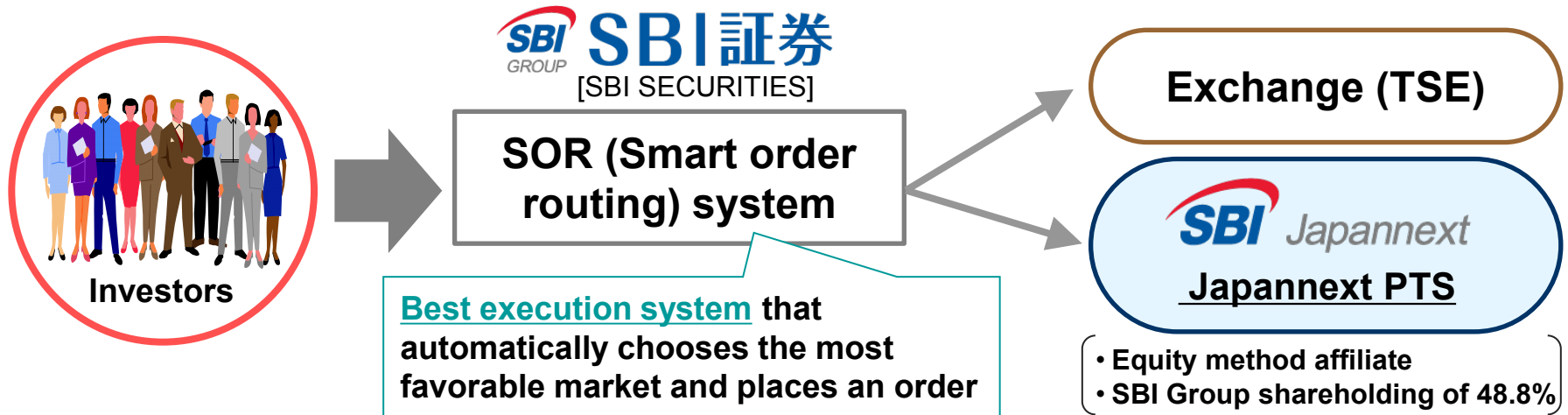


- **Market makers provide payment for order flow* as a way to collect orders**
- **TSE also provides rebates and incentives to ETF market makers**

* Payment for order flow: a brokerage firm receives a commission from another brokerage firm on behalf of its client. A trading practice in which, as compensation for undertaking an order on behalf of another brokerage's client, the other brokerage firm pays a set rebate



Enhancing Customer Benefit of SBI SECURITIES Customers' PTS Trading by Thoroughly Pursuing the “Customer-centric Principle”



When transactions are executed on the PTS, the **commission is approx. 5% cheaper***₁ than on the exchanges

In order to **further maximize investor benefits**, from Oct. 2019, introduced TIF (Time in Force*₂) a common worldwide ordering form to the SOR system

[Results enjoyed by SBI SECURITIES' customers, owing to the introduction of TIF]

① Monthly improvement in execution price: **Approx. JPY 40m** ② Reduction in commissions: **Approx. JPY 5.5m**

In order to respond to the partial criticism on the TIF time configuration, presently the TIF time configuration is set to be 0 millisecond, until the **installation of a selection button to allow customers to freely control the initial configuration to be “SOR” or “TSE only,” when orders are executed**

*1 When customers trade by the Standard Plan

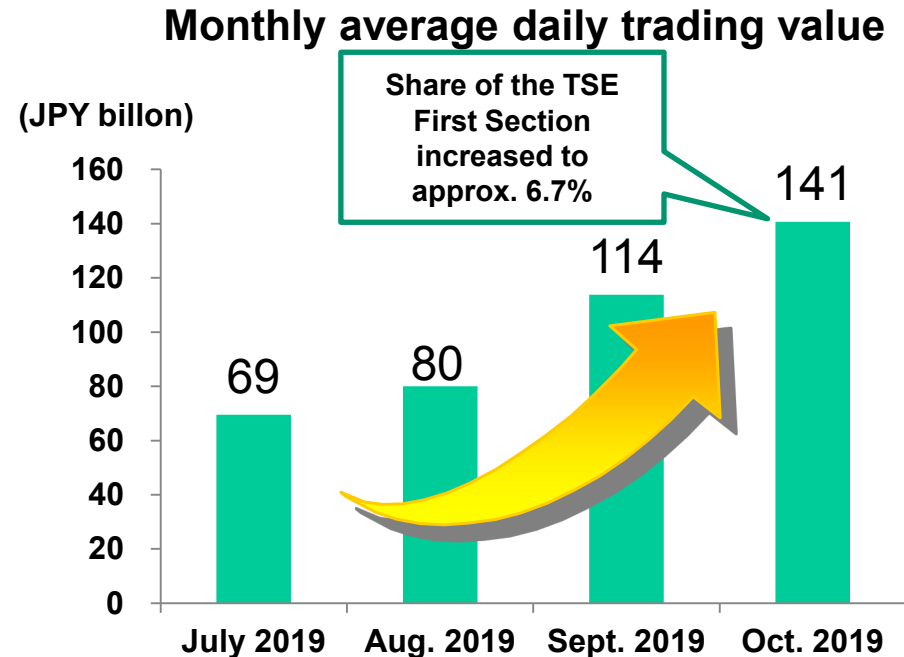
*2 Time in force: A limited order in effect only during a period designated in advance by the brokerage, etc. that is participating in the transaction. An order will be cancelled if either the designated period has expired or if it has not been executed by that time

Focused on Expanding PTS Transactions to Minimize Customers' Trading Cost

-Since the commencement of margin trading on Aug. 26, average daily trading value of Japannext PTS has been increasing-

<Advantages of using SBI Japannext's PTS>

- i . SBI Japannext is the only PTS operator in Japan that offers intraday and night-time trading
- ii . SOR (Smart Order Rooting) system automatically selects the best market to place an order, to improve the transaction price for investors



Moving forward, Internet securities companies other than SBI SECURITIES are planning to offer margin trading at PTS's, which leads to an expectation for a further market share increase

(6) Improving profitability through business alliances with the financial businesses of Z Holdings Corporation, which owns Yahoo

Announced a Business Alliance with Z Holdings Corporation, which Owns Yahoo Japan, in the Financial Services Business on Oct. 10, 2019

SBI Group's Customer Base

26,266 thousand (As of the end of Sept. 2019)

Number of monthly users

67,430 thousand*



*Source: TOPS OF 2018:
DIGITAL IN JAPAN
(Nielsen Digital)

Officially announced
the conclusion of a
basic agreement on
business merger, on
Nov. 18

YAHOO!
JAPAN

Z financial ...

LINE

Number of monthly users
59,730 thousand*

The fields of business alliance

Securities

FX

Bank

Business Alliance in Securities Business

-SBI SECURITIES and Yahoo! Japan Finance-

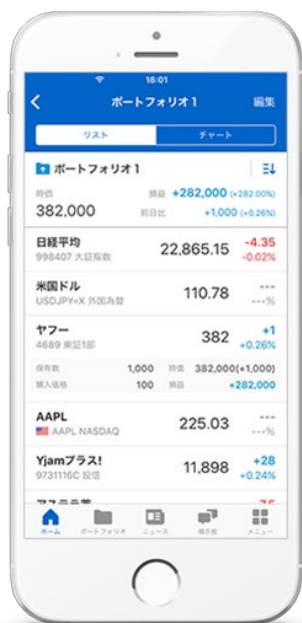


[SBI SECURITIES]



[Yahoo! Japan Finance]

Providing a seamless securities trading environment



Single sign-on



[SBI SECURITIES]

Account opening

Stock trading

Linkage of
portfolio functions



[Yahoo! Japan Finance]

Preparing the launch of single sign-on service within FY2019

Business Alliance in FX and Banking Businesses

FX Business

Improve profitability by increasing FX liquidity and sharing know-how



Alliance

Start cover transaction



Improve streamlining of flow management functions utilizing the liquidity and know-how of both companies



Cover transaction



Bank A



Bank B

- Scheduled to start cover trading within the year
- Expecting revenue increase of approx. a few hundred million yen through the acquisition of the cover flow

Banking Business

Preparing the offering of “Flat 35” by SBI Sumishin Net Bank *

Alliance

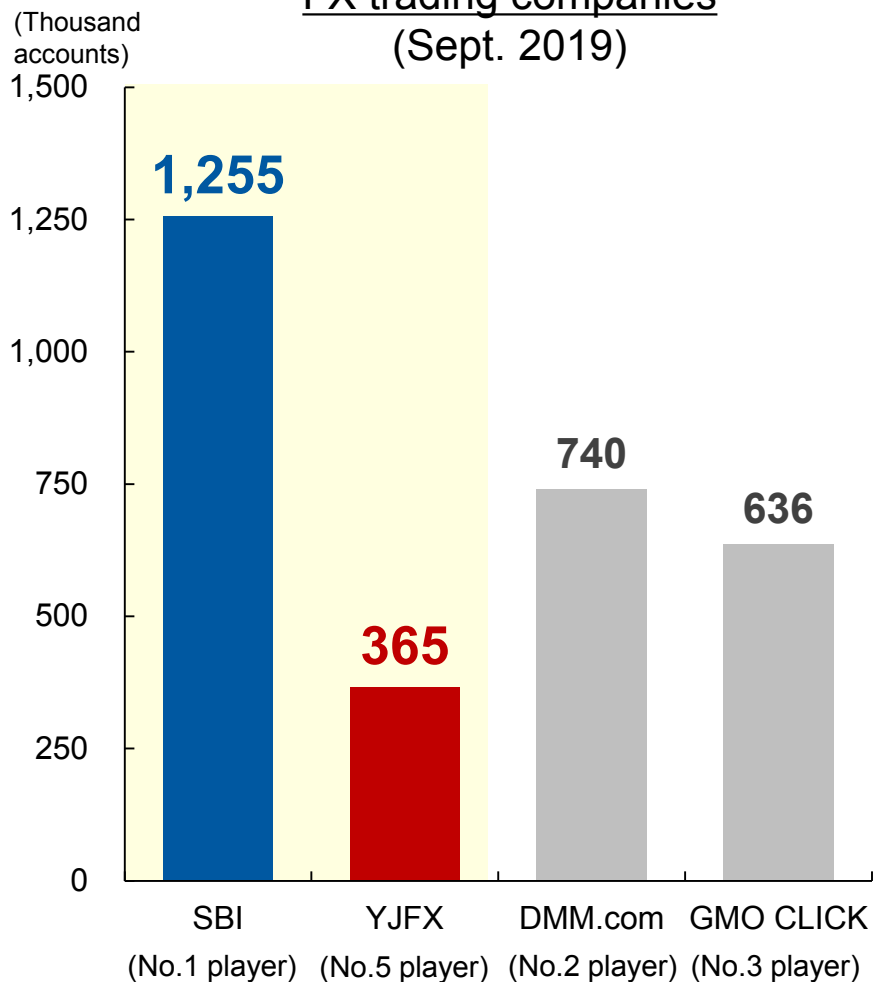


*It is premised on obtaining permission from the relevant government agencies

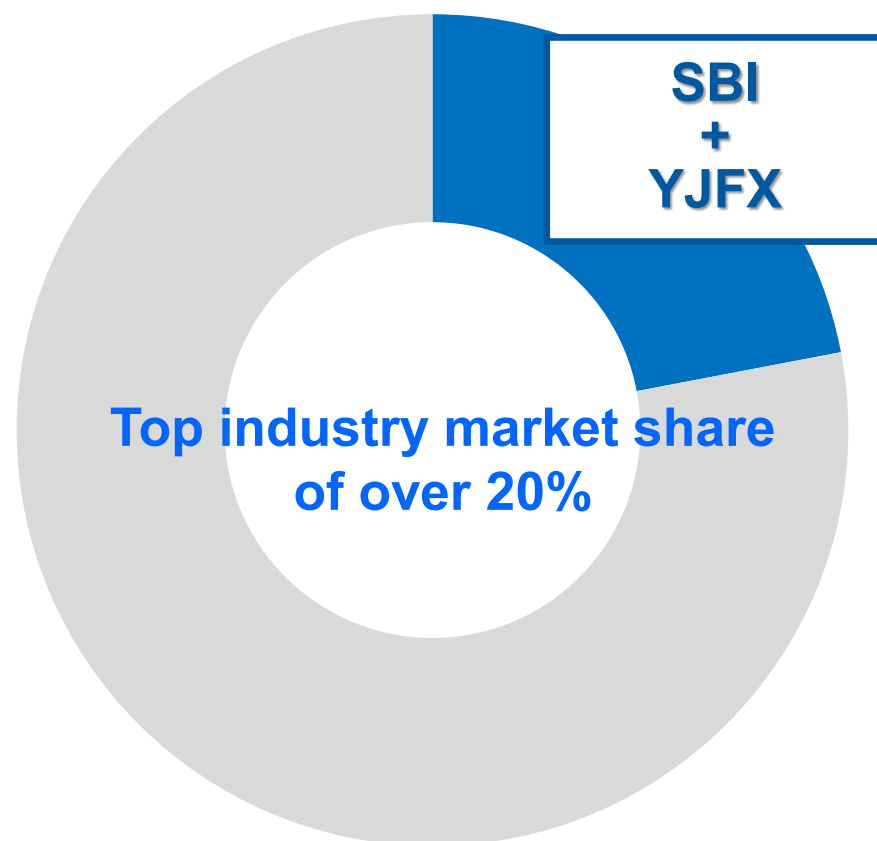
Endeavoring to provide “Flat 35” in FY2019

The SBI Group and YJFX have Partnered to Situate Themselves in an Even Stronger Position in the Domestic OTC FX Market

Number of accounts of major FX trading companies
(Sept. 2019)

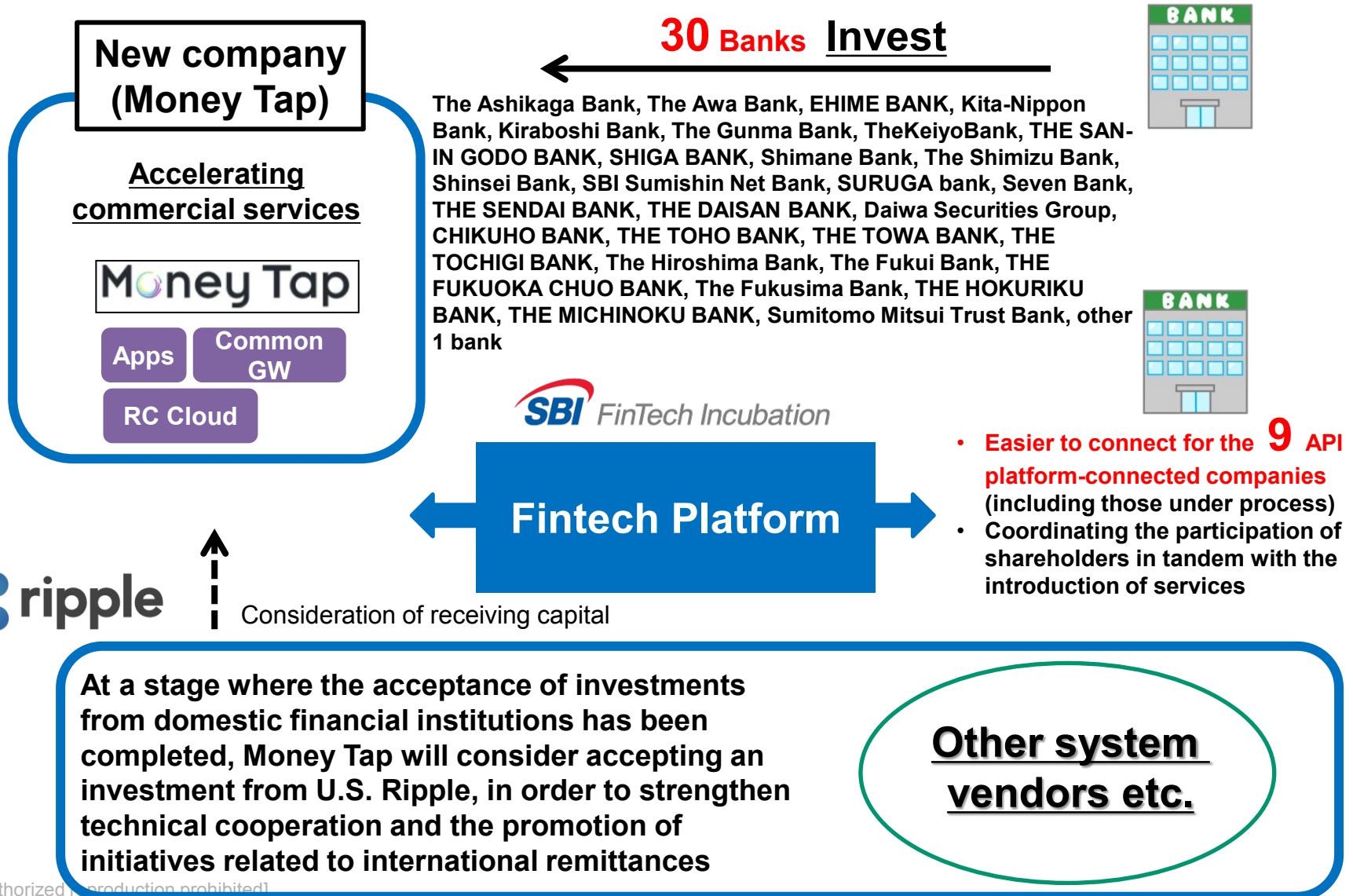


Monthly trading volume share within the domestic OTC FX industry
(Sept. 2019)



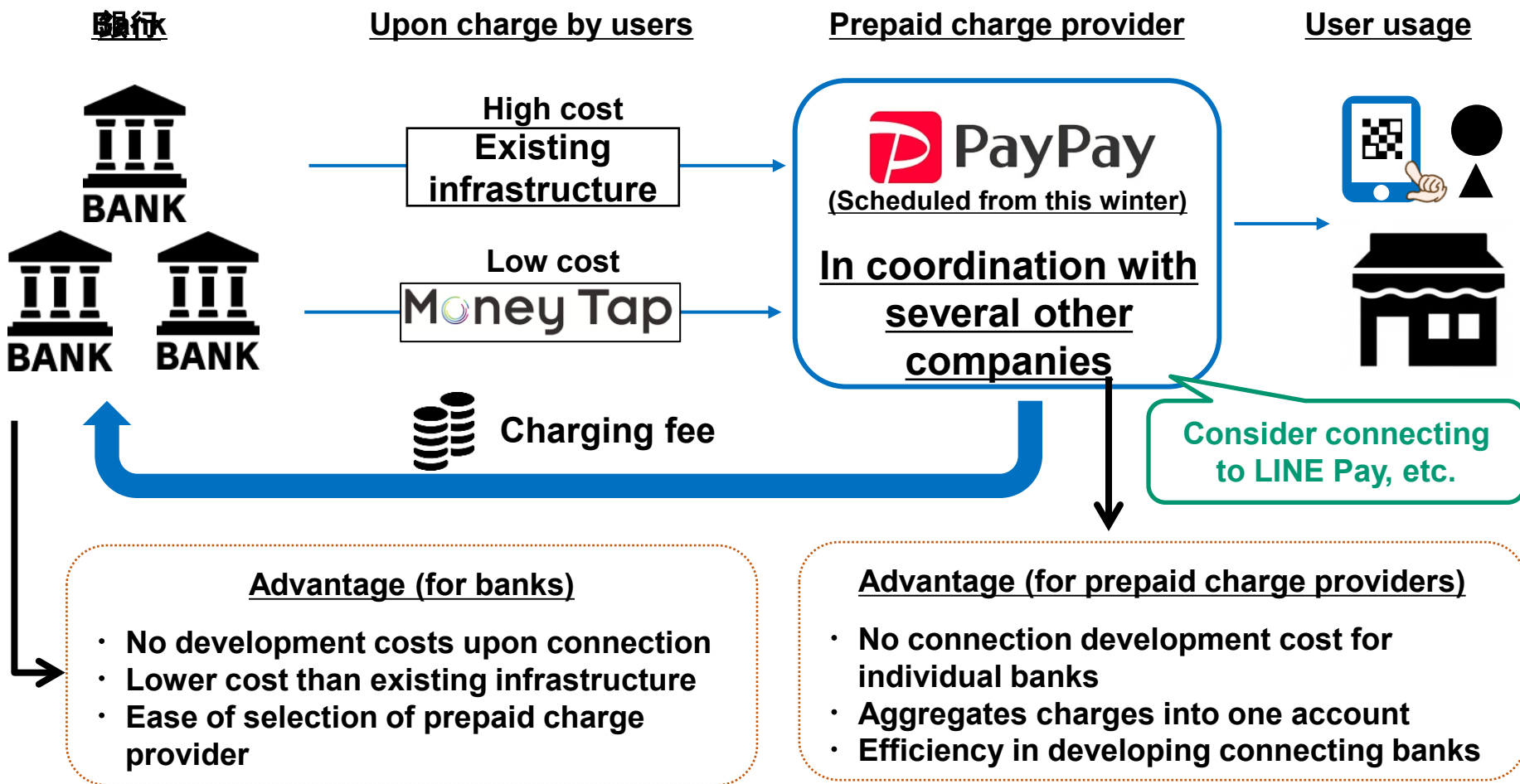
*Source: Yano Research "Monthly Research on 17 Major FX Trading Companies

As of Sept. 2019, 30 Banks (not including 3 prospective banks) Participated in the Capital Raise of Money Tap. Additionally, 9 Companies Utilizing the Fintech Platform Operated by SBI FinTech Incubation can Utilize Money Tap via API-based Connectivity



Money Tap to Connect with PayPay from this Winter

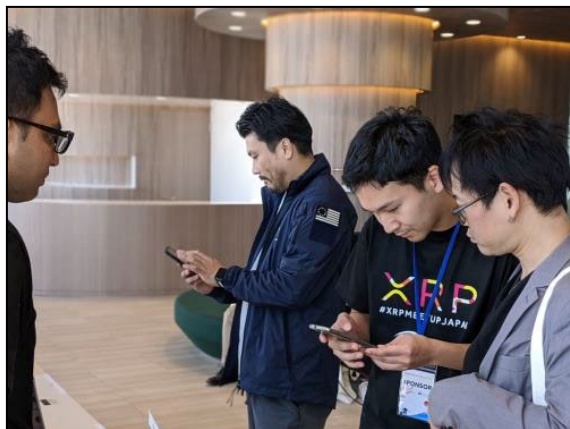
Charging is possible without utilizing existing infrastructure, such as CAFIS, leading to a lower charging cost for banks when charges are made to prepaid charge providers



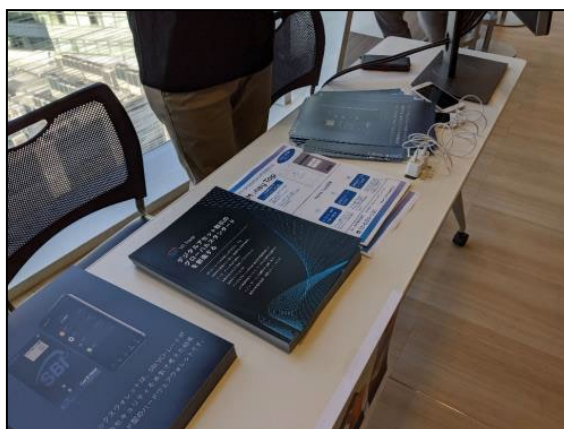
Using Money Tap to Create Demand

—XRP Meetup Japan held on November 10, 2019—

- Event for XRP fans with SBI VC Trade as the main sponsor
- 300 attendees



Money Tap exhibits and promotions



Usage support



Limited ticket sales for discount drinks

Money Tap users / total visitors  **50 / 300**

Some feedback from users

- PayPay partnership portends a promising future
- If there is a balance of Japanese currency and cryptocurrency at SBI VC Trade, customers would like to use that amount at physical stores
- Possibly a more rapid diffusion if pre-installed on Softbank smartphones
- Would like to see an increase in the number of linked banks
- Should look into introducing Money Tap to merchants (restaurants and bars)
- Would like to have a customer call center made available

(7) Steady expansion of new businesses launched since 2010

- ① SBI Remit**
- ② SBI Social Lending**
- ③ SBI CapitalBase**

SWIFT Planning to Introduce a New System for Overseas Remittances to Combat the Rapid Growth of Emerging Fintech Companies

- SWIFT (Society for Worldwide Interbank Financial Telecommunications), with about 11,000 member financial institutions, is expected to introduce a new system within 2020 that will allow overseas remittances to be completed within 30 minutes, with **about 90% of its member companies expected to adopt the new system**
- In response to the growth of fund transfers using fintech, SWIFT developed its new “gpi” system for international fund transfers in 2017. It is a system that processes operations quickly in each country involved, and banks with low fees are selected as transaction partners, and the transfer time has been significantly reduced.. For transfers made between banks that have introduced gpi (including correspondent banks), 40% will arrive within 5 minutes, 50% within 30 minutes, and 75% within 6 hours.

(Nikkei, November 3, 2019)

Transaction time of Ripple solution and SWIFT gpi

Ripple: few seconds ~ few minutes

SWIFT gpi: 40% within 5 mins, 50% within 30 mins, 75% within 6 hrs



SBI Remit's Efforts to Secure Dominance in the International Remittance Market

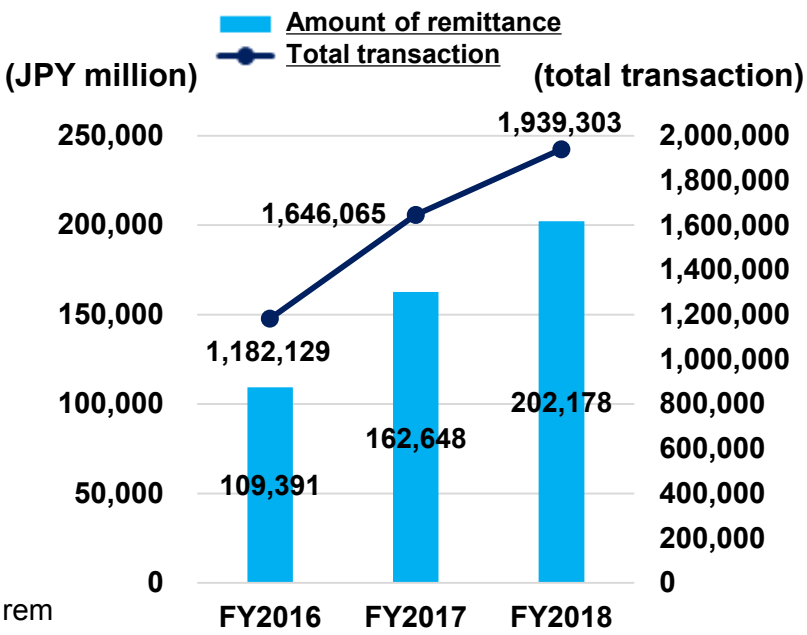


Established in Dec. 2010

- ✓ Since its inception, SBI Remit has been using the MoneyGram network to send money overseas to more than **200 countries and regions**, and to about **350,000 locations** worldwide
- ✓ Amount of remittance exceeded JPY **750bn** (as of Sept. 2019)
- ✓ SBI Remit's estimated share for the remittances from Japan to Vietnam is **42.5%***

*Calculated with reference to the BoJ's statistical data and actual results of SBI rem

Total transaction and amount of remittance



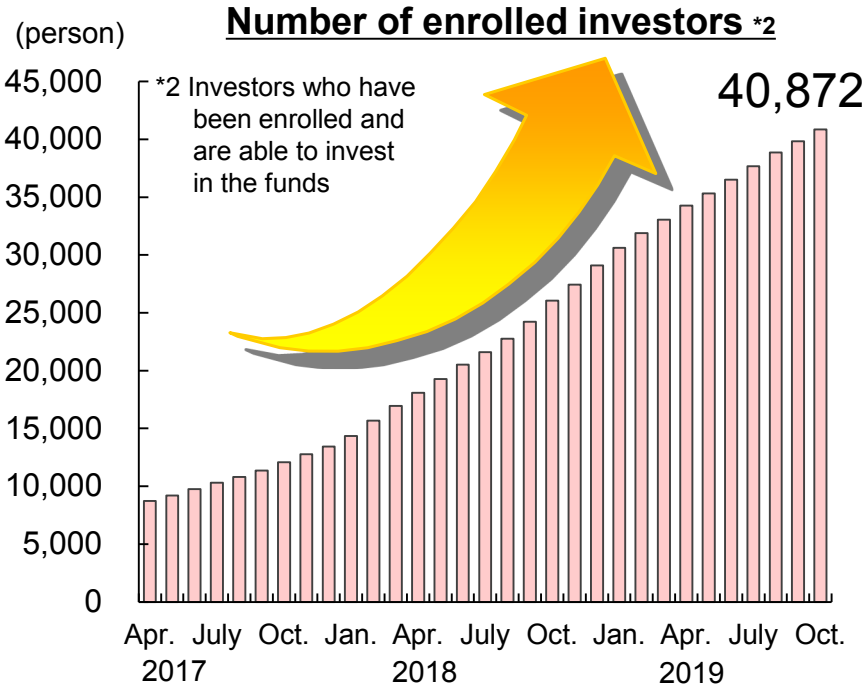
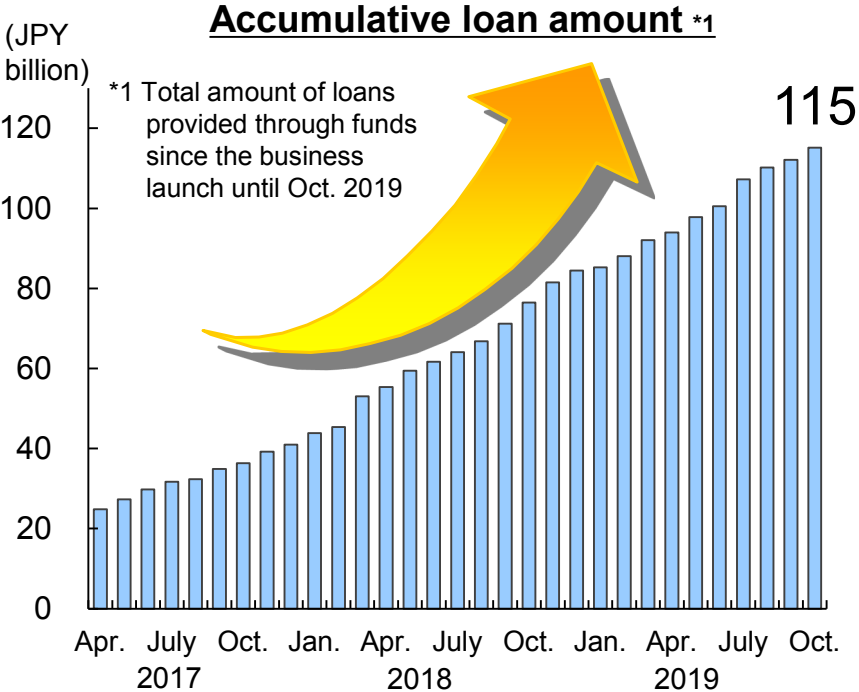
For remittances from Japan to banks in Southeast Asia, in which the SBI Group invests, developing a system using RippleNet (formerly xCurrent) which would be updated to On-demand Liquidity (ODL, formerly xRapid) in collaboration with SBI Remit, SBI Ripple Asia and several banks in Southeast Asia

➡ Began Japan-Vietnam remittance with TPBank from November 15, 2019
SBI Ripple Asia to cover nearly 50% of the overall Ripple Network once the connection is activated

SBI Social Lending is Rapidly Expanding Its Operations as the Industry Leader in Social Lending (Crowdfunding Lending) Service

SBI Social Lending
(Commenced business in Mar. 2011)

- Gained **top share in the 2018 crowdfunding market**
(Source: “Settlement-related Market Research” Fuji Chimera Research Institute)
- **Market share as of the end of Mar. 2019: 26.7%**



- In Aug. 2019, launched a new fund “Cambodia Microfinance Loan Fund,” which endeavors to solve poverty issues in Cambodia
- In Nov. 2019, launched a new fund “Regional Revitalization Loan Fund,” which endeavors to encourage the vitalization of the regional economy

SBI CapitalBase to Launch a Stock Investment-type Crowdfunding Service

—Creating a new fund procurement platform to support growth of venture companies and SMEs—



(Type I Small Amount Electronic Public Offering Service Provider, established in Oct. 2017)



Financing platform “GEMSEE”

Gemstone × Seeker



<Features of the service>

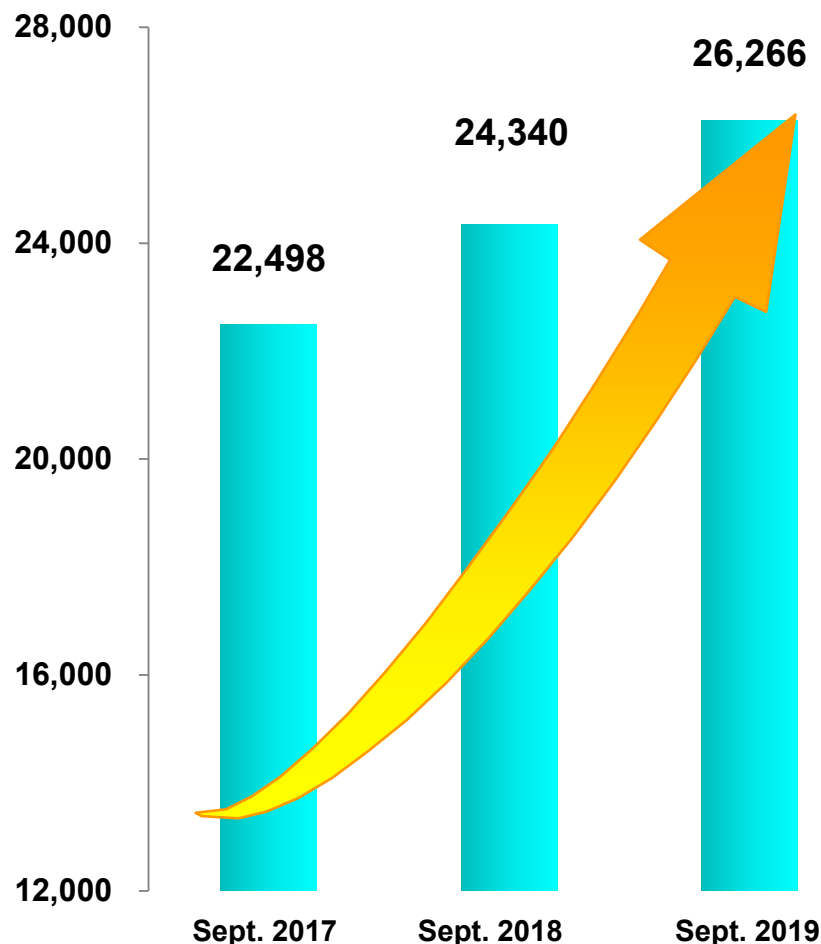
- Individual investors can use the platform **to purchase unlisted stocks**
- Offers opportunities to support companies that may impel empathy, as **angel investors**

Investor registration expected to begin in Dec. 2019

[Appendix] State of the Group

The SBI Group's Customer Base, which was Expanded through the Thorough Pursuit of the Customer-centric Principle and Group Synergies

(Thousand)



Breakdown of the Customer Base

(As of the end of Sept. 2019)*1,2

(Thousand)

SBI SECURITIES SBI NeoMobile Securities	(No. of accounts)	4,952
SBIH InsWeb	(No. of customers)	9,531
E-LOAN	(No. of customers)	2,670
MoneyLook	(Total no. of customer registrations)	948
Morningstar Japan	(Total no. of service users) *3	939
SBI Sumishin Net Bank	(No. of accounts)	3,713
SBI Insurance	(Total no. of contracts)*4	1,084
SBI Life Insurance	(Total no. of contracts)	153
Others (SBI Point etc.)	—	2,276
Total	—	26,266

*1 The cases that customers who are not identified as the same person within each service website and overlapping customers among the Group companies are 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

Number of Companies and Consolidated Employees of the SBI Group

Number of Group companies

	Mar. 2019	Sept. 2019
Consolidated subsidiaries (companies)	210	223
Consolidated partnerships (partnerships)	16	18
Total consolidated subsidiaries (companies)	226	241
Equity method companies (companies)	33	32
Total Group companies (companies)	259	273

Number of consolidated employees

	Mar. 2019	Sept. 2019
Total employees (persons)	6,439	6,906

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