

# **SBI Holdings, Inc.**

## **Financial Results**

**for the Nine-month Period Ended December 31, 2019  
(Fiscal Year Ending March 31, 2020)**

**January 31, 2020**

**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**

- I. 9M FY2019 Consolidated Performance (IFRS)**
- II. Advancing Focused Measures to Realize Further Growth of the SBI Group**

# I. 9M FY2019 Consolidated Performance (IFRS)

## [Consolidated Performance Overview]

- 9M FY2019 revenue increased 12.0% year-on-year to JPY 285.2bn, profit before income tax expense increased by 2.9% year-on-year to JPY 64.7bn and profit attributable to owners of the Company declined 3.2% year-on-year to JPY 37.5bn. Profit before income tax expense increased on a year-on-year basis, which was a turn around from a year-on-year decrease in 1H FY2019
- Owing to the material decline of the securities business' contribution to SBI Holdings' consolidated profits to around 30%, the Company should no longer be categorized within the securities company business group. Also, the Asset Management Business' contribution to consolidated profits before income tax expense has continuously exceeded that of the Financial Services Business
- In the Financial Services Business, whereas the stock market was sluggish as compared to the corresponding period of the previous fiscal year, revenue increased by 2.9% year-on-year, owing to the expansion of businesses that are less affected by the equity markets, such as the banking and insurance businesses
- In the Asset Management Business, the venture capital business performed well in 3Q, owing to the recording of valuation gains from the listing of investee companies from the Fintech Fund and SBI AI&Blockchain Fund. Profit before income tax expense increased by 30.5% year-on-year to JPY 43.9bn
- In the Biotechnology-related Business, owing to the continued development of the pharmaceutical pipeline at U.S. Quark and SBI Pharmaceuticals, development costs such as clinical trial costs were incurred, but the development costs at Quark are expected to decline moving forward.  
Also, from a business selection and concentration perspective, no additional material investments will be made in this segment going forward, other than that for SBI Biotech and the 5-ALA-related business

# I. 9M FY2019 Consolidated Performance (IFRS)

[Year-on-year comparison]

(Unit: JPY million)

	9M FY2018 (Apr. 2018-Dec. 2018)	9M FY2019 (Apr. 2019-Dec. 2019)	YoY % change
Revenue	254,586	285,197	+12.0
Profit before income tax expense	62,906	64,715	+2.9
Profit for the period	45,302	45,476	+0.4
Profit attributable to owners of the Company	38,718	37,474	-3.2

# 9M FY2019 Performance by Segment (IFRS)

[Year-on-year comparison]

(Unit: JPY million)

## Revenue

## Profit before Income Tax Expense

	9M FY2018 (Apr. 2018– Dec. 2018)	9M FY2019 (Apr. 2019– Dec. 2019)	YoY % change	9M FY2018 (Apr. 2018– Dec. 2018)	9M FY2019 (Apr. 2019– Dec. 2019)	YoY % change / YoY change
Financial Services Business	170,426	175,385	+2.9	47,639	38,723	-18.7
Asset Management Business	82,752	104,486	+26.3	33,612	43,850	+30.5
Biotechnology- related Business	2,454	3,249	+32.4	-8,708	-8,720	-12

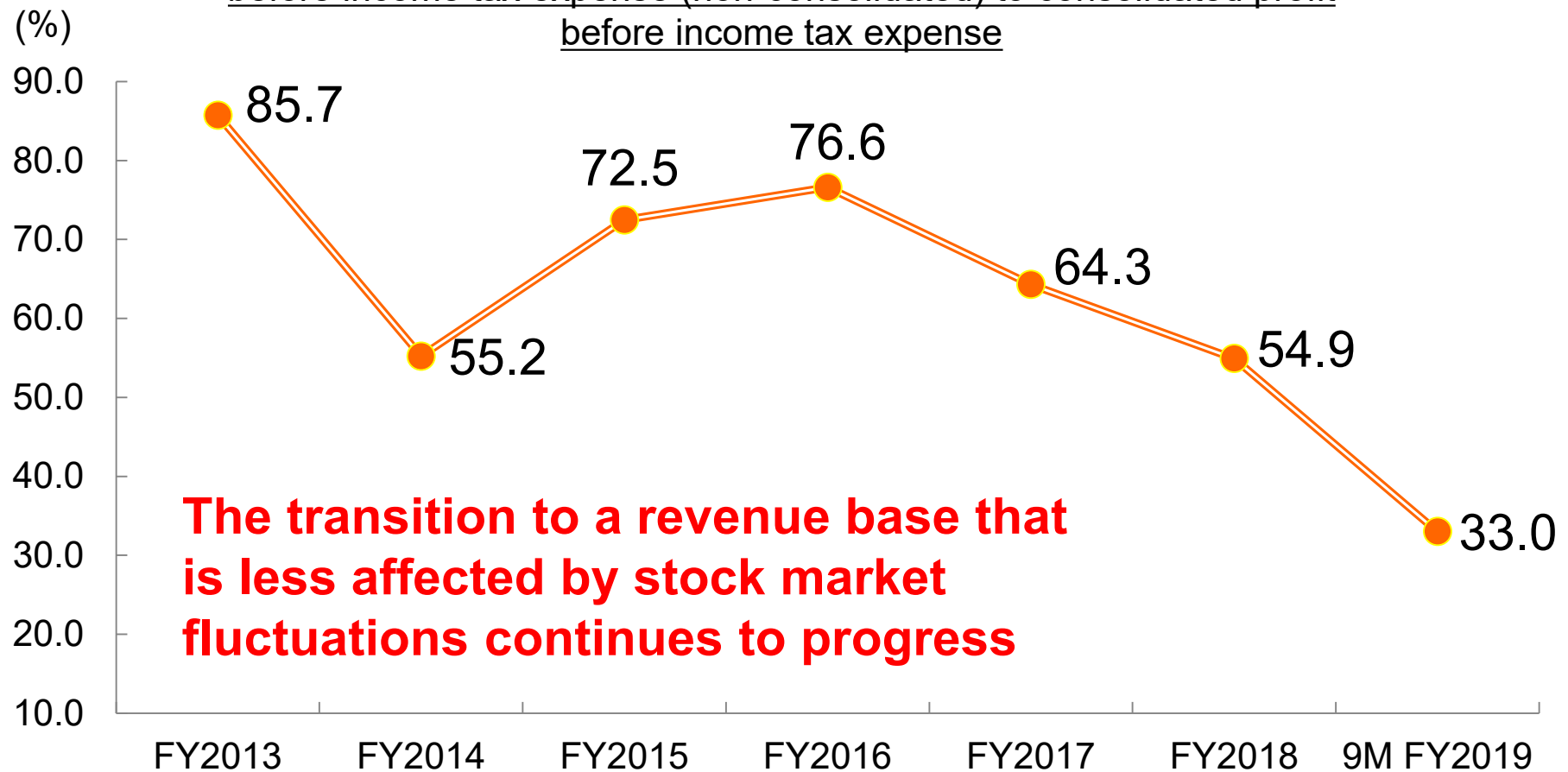
\* SBI VC Trade, which was included in the Other Business until FY2018, is now included in the Financial Services Business from FY2019. Consequently, as for 9M FY2018 result, it has been restated in accordance with the new basis of segmentation.

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

# SBI Holdings Should No Longer be Categorized as a Securities Company

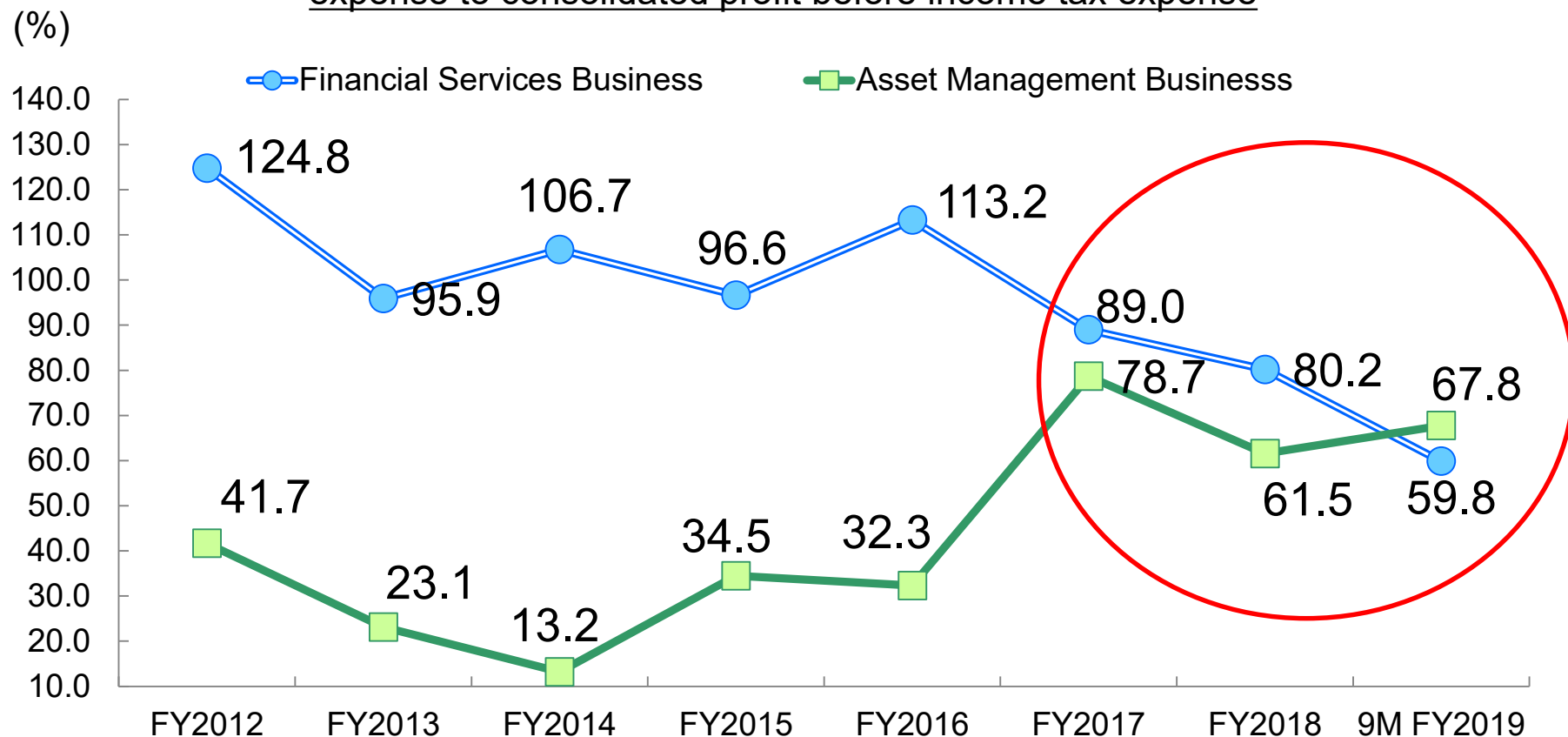
**-The securities business accounts for around 30% of the consolidated profits-**

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



# Continuously for the 9M FY2019 Results, the Asset Management Business' Contribution to Consolidated Profits Before Income Tax Expense 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





# Crypto-asset XRP was Added as a New Shareholder Benefit Option

[Details of shareholder benefits] \* Shareholders listed or recorded in the shareholder register as of Mar. 31, 2020 are eligible.

Details \ Qualified shareholders	Shareholders who have <u>held shares for more than 1 year</u> and who hold <u>1,000 (10 units) or more shares</u> as of Mar. 31, 2020	For shareholders other than the left column, those who hold <u>100 shares (1 unit) or more</u> , as of Mar. 31, 2020
Crypto-asset XRP *1	<b><u>Equivalent to JPY 8,000</u></b> <b><u>(Approx. 300 XRPs (Note 1))</u></b>	<b><u>Equivalent to JPY 2,000</u></b> <b><u>(Approx. 80 XRPs (Note 1))</u></b>

\*1: The figures are based on the exchange rate as of Jan. 23, 2020. In fact, the actual XRP conversion is expected to be based on the rate available at beyond the end of April 2020.



[As before, products distributed by SBI ALApromo can also be selected]

ALA PLUS GOLD (90 capsules)	<b><u>One</u></b>	<b><u>One</u></b>
ALA PLUS Karada Active (14 capsules)	<b><u>One</u></b>	<b><u>One</u></b>
“Hatsugagenmai no Sokojikara” (160g)	<b><u>Three</u></b>	<b><u>Three</u></b>
ALA PLUS GOLD (270 capsules)	<b><u>One</u></b>	—
ALA PLUS Cosmetic Series 5 products *2	<b><u>One each</u></b>	—

\*2 ALA PLUS Moisturizing Cream, ALA PLUS Essential Lotion, ALA PLUS Deep Cleansing Gel, ALA PLUS Pure Clay Wash, ALA PLUS Body Cream Alapi

\* In addition, all shareholders, including those who hold less than 1 unit (1–99 shares), will receive 1 discount coupon for a preferential discount of 50% from the regular prices of all SBI ALApromo dietary supplements and cosmetics.

# **[Business overview of each segment]**

## **1. Financial Services Business**

- **SBI SECURITIES' consolidated results for the 9M FY2019 period was adversely affected by a sluggish market environment, that resulted in a decrease of 16.4% in individual stock brokerage trading value of the two markets combined, but its trading revenue increased by 15.1% year-on-year to result in an operating revenue decline of just 6.3% year-on-year**
- **Although SBI NEOMOBILE SECURITIES' initial costs (JPY 3.3bn) related to its business commencement in Apr. 2019 adversely affected SBI SECURITIES' consolidated results, the company's account acquisition has been accelerating, so a continual expansion of the entire securities-related customer base going forward is expected**

# SBI SECURITIES 9M FY2019

## Consolidated Results (J-GAAP)

[Year-on-year comparison]

(Unit: JPY million)

	9M FY2018 (Apr. 2018 – Dec. 2018)	9M FY2019 (Apr. 2019 – Dec. 2019)	YoY % change
Operating Revenue	93,658	87,759	-6.3
Net Operating Revenue	87,842	79,032	-10.0
Operating Income	42,846	27,515	-35.8
Ordinary Income	42,845	27,837	-35.0
Profit attributable to owners of the Company	29,344	17,910	-39.0

# Performance Comparison of Major Securities Companies' Domestic Business (J-GAAP)

(Unit: JPY million, %)

## 3Q FY2019 Operating Income (J-GAAP)

<b>SMBC Nikko (non-cons.)</b>	<b>15,185</b>	<b>(+64.6)</b>
<b>Nomura (non-cons.)</b>	<b>13,952</b>	<b>(-30.4)</b>
<b>Daiwa (non-cons.)</b>	<b>10,115</b>	<b>(-13.2)</b>
<b>Mizuho (non-cons.)</b>	<b>10,013</b>	<b>(+78.6)</b>
<b>SBI (cons.)</b>	<b>9,445</b>	<b>(-36.6)</b>
<b>Mitsubishi UFJ (cons.)</b>	<b>3,685</b>	<b>(Turned positive)</b>
<b>Rakuten *1 (cons.)</b>	<b>2,695</b>	<b>(-47.1)</b>
<b>Matsui (non-cons.)</b>	<b>2,262</b>	<b>(-34.6)</b>
<b>Tokai Tokyo (cons.)</b>	<b>2,166</b>	<b>(Turned positive)</b>
<b>GMO *2, 4 (cons.)</b>	<b>2,133</b>	<b>(-16.2)</b>
<b>Okasan (cons.)</b>	<b>1,163</b>	<b>(Turned positive)</b>
<b>Monex *3, 4 (cons.)</b>	<b>886</b>	<b>(-34.3)</b>
<b>Iwai Cosmo (cons.)</b>	<b>1,045</b>	<b>(-16.3)</b>
<b>au Kabucom (non-cons.)</b>	<b>393</b>	<b>(-78.9)</b>
<b>Ichiyoshi (cons.)</b>	<b>-204</b>	<b>(Into deficit)</b>

## 9M FY2019 Operating Income (J-GAAP)

<b>Nomura *1 (non-cons.)</b>	<b>31,934</b>	<b>(-35.5)</b>
<b>SMBC Nikko (non-cons.)</b>	<b>28,688</b>	<b>(-26.0)</b>
<b>SBI (cons.)</b>	<b>27,515</b>	<b>(-35.8)</b>
<b>Daiwa (non-cons.)</b>	<b>26,953</b>	<b>(-38.0)</b>
<b>Mizuho (non-cons.)</b>	<b>23,157</b>	<b>(-21.9)</b>
<b>GMO *3, 5 (cons.)</b>	<b>8,414</b>	<b>(-8.8)</b>
<b>Rakuten *2 (cons.)</b>	<b>7,963</b>	<b>(-48.5)</b>
<b>Matsui (non-cons.)</b>	<b>6,249</b>	<b>(-44.4)</b>
<b>Monex *4, 5 (cons.)</b>	<b>3,051</b>	<b>(+1.7)</b>
<b>Iwai Cosmo (cons.)</b>	<b>2,958</b>	<b>(-29.4)</b>
<b>au Kabucom (non-cons.)</b>	<b>1,720</b>	<b>(-69.5)</b>
<b>Okasan (cons.)</b>	<b>1,163</b>	<b>(-43.5)</b>
<b>Mitsubishi UFJ (cons.)</b>	<b>1,069</b>	<b>(-89.0)</b>
<b>Ichiyoshi (cons.)</b>	<b>-588</b>	<b>(Into deficit)</b>
<b>Tokai Tokyo (cons.)</b>	<b>-851</b>	<b>(Into deficit)</b>

\*1, 2 Since they changed the term of their fiscal years, the figures above are for the period of Oct. 2019 - Dec. 2019 and Apr. 2019 - Dec. 2019, respectively.






\*3 Figures for Monex are based on IFRS. \*4 Aside from the securities-related business, results of the crypto-asset business is included.

\*5 Percentage change from the previous corresponding periods are shown in the parentheses.

\*6 Abstracts the figures of securities companies with over JPY 20bn in net operating revenue and five online securities companies.

# SBI SECURITIES' Overwhelming Position

[9M 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			
<b>SBI</b> <sup>*1</sup> (cons.)	 <b>35.2</b>	 <b>35.6</b>	 <b>5,139</b>	 <b>14.1</b>	 <b>27,515</b>
<b>Rakuten</b> <sup>*2</sup> (cons.)	<b>22.9</b>	<b>24.4</b>	<b>3,600</b>	<b>6.9</b>	<b>7,963</b>
<b>Matsui</b>	<b>10.0</b>	<b>12.2</b>	<b>1,213</b>	<b>2.4</b>	<b>6,249</b>
<b>au Kabucom</b>	<b>8.6</b>	<b>10.2</b>	<b>1,139</b>	<b>2.4</b>	<b>1,720</b>
<b>Monex</b> <sup>*3</sup> (cons.)	<b>5.2</b>	<b>4.4</b>	<b>1,842</b>	<b>4.3</b>	<b>3,051</b>

\*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-Dec. 2019. Also, the number of accounts is as of the end of Sept. 2019.

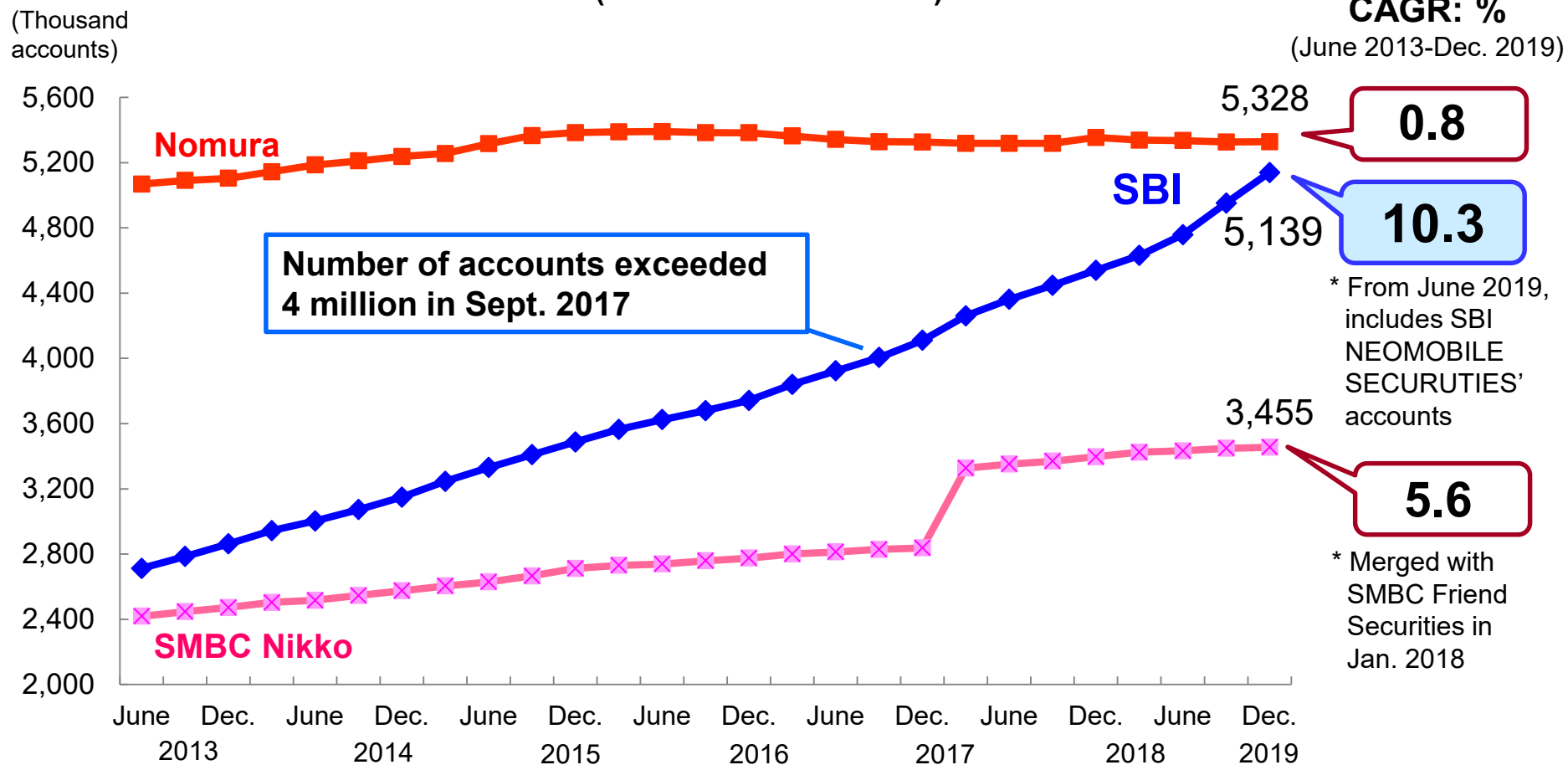
\*3 The amount of "Operating income" represented above is "The amount equivalent to operating income" disclosed by Monex.

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

# SBI SECURITIES is Expected to Overtake Nomura's Number of Accounts within the Next Six Month Period



**Number of Accounts of SBI SECURITIES and 2 Major Face-to-face Securities Companies**  
(June 2013 – Dec. 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**

## 2. Asset Management Business

- **Profit/loss from the change in fair value and profit/loss on sales of investment securities increased 64.1% year-on-year to JPY 33bn, primarily owing to valuation gains from the listing of investees from the Fintech Fund and the SBI A&B Fund**
- **Although SBI SAVINGS BANK of South Korea's profit before income tax expense increased year-on-year on a Korean won basis, it declined 7.3% year-on-year to record JPY 12.3bn (based on IFRS incorporation at SBI Holdings), owing to the weak won (-8% from the corresponding period of the previous year)**

# Asset Management Business' Performance Overview for 9M FY2019

(IFRS, JPY billion)

	9M FY2018	9M FY2019	YoY % change
<b>Revenue</b>	<b>82.8</b>	<b>104.5</b>	<b>+26.3</b>
<b>Profit before income tax expense</b>	<b>33.6</b>	<b>43.9</b>	<b>+30.5</b>
<b>SBI SAVINGS BANK</b>	<b>13.3</b>	<b>12.3</b>	<b>-7.3 <sup>*1</sup></b>
<b>Profit/loss from the change in fair value and profit/loss on sales of investment securities</b>	<b>20.1</b>	<b>33.0</b>	<b>+64.1</b>
<b><u>Listed Securities</u></b>	<b>-2.5</b>	<b>10.9 <sup>*2</sup></b>	<b>-</b>
<b><u>Unlisted Securities</u></b>	<b>22.7</b>	<b>22.2</b>	<b>-2.2</b>

**\*1 SBI SAVINGS BANK of South Korea saw a year-on-year increase on a won basis, but profit declined due to a weaker won (-8% from the corresponding period of the previous year)**

**\*2 The change in fair market valuation gains and losses of listed stocks between Oct. to Dec., where IPOs resulting in the actual valuation gain of JPY 4.6bn were recorded**



# IPOs and M&As of the SBI Group Investee Companies

	Full-year FY2018	Full-year FY2019 prospects
<b>IPO・M&amp;A deals</b>	<b>20</b>	<b>28</b>

**In this current fiscal year, 20 companies were IPO'd and one was M&A'd thus far**

EXIT Date	Company	Market	EXIT Date	Company	Market
May 28, 2019	Sugentech Inc.	KOSDAQ	Sept. 13, 2019	Satsuma Pharmaceuticals, Inc.	NASDAQ
May 30, 2019	VALTES	TSE Mothers	Sept. 19, 2019	CyberBuzz, Inc.	TSE Mothers
June 3, 2019	Haitong Unitrust International Leasing Co.,Ltd	HKEX	Oct. 8, 2019	AI CROSS	TSE Mothers
June 10, 2019	ZUM internet Corp.	M&A	Oct. 14, 2019	Kiwi technology Inc.	TPEX
June 19, 2019	Sansan	TSE Mothers	Oct. 24, 2019	ENVIONEER Co., Ltd.	KOSDAQ
July 11, 2019	I-Scream Edu Co., Lt	KOSDAQ	Oct. 25, 2019	BASE	TSE Mothers
July 12, 2019	Settlebank, INC.	KOSDAQ	Oct. 28, 2019	BiomX Ltd.	NYSE
July 17, 2019	Flitto Inc.	KOSDAQ	Dec. 13, 2019	Shanghai ONE CONNECT	NYSE
July 19, 2019	A STORY Co., Ltd.	KOSDAQ	Dec. 17, 2019	freee	TSE Mothers
Aug. 15, 2019	9F INC.	NASDAQ	Dec. 20, 2019	SPACEMARKET	TSE Mothers
			Dec. 25, 2019	AI inside	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.

# **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 preparations are underway for successor funds-**

## **<Investment results>**

**Investment of approx. JPY 75bn into 164 companies has been decided collectively from the two funds**

**Investment of approx. JPY 109.5bn has been decided, including the co-investment of SBI Holdings, etc.**

**The Fintech Fund: approx. JPY 25.5bn**

**SBI AI&Blockchain Fund: approx. JPY 49.5bn**

**Co-investment from SBI Holdings, etc. : approx. JPY 34.5bn**

## **<Exit results>**

**Already IPO'd: 11**

**Already exited through an equity sale to third party: 4**

## **<Planned IPO schedule\*>**

**Year 2020: 10   Year 2021: 31   Year 2022: 58   After Year 2023: 40**

**Scheduled exits by sales to third party: 4   TBD: 6**

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

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

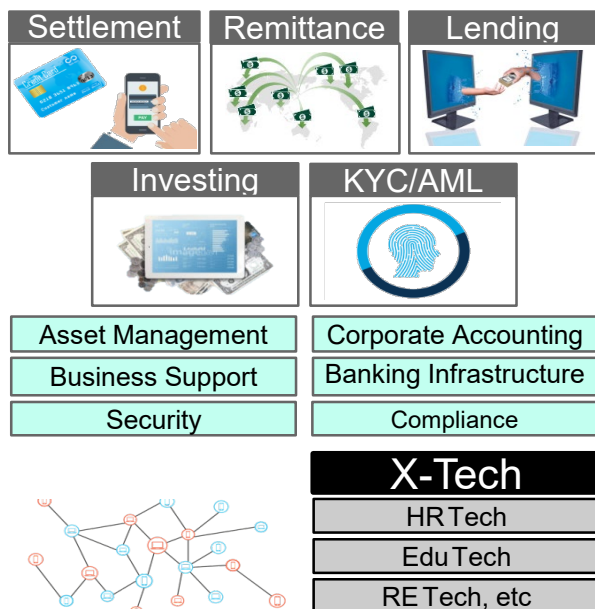
SBI Investment, which will be the administrator, will receive remuneration associated with the establishment of the fund, and will also receive increased administrative fees associated with the operation of the fund moving forward

- Total amount of funds: Up to JPY 100bn
- 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

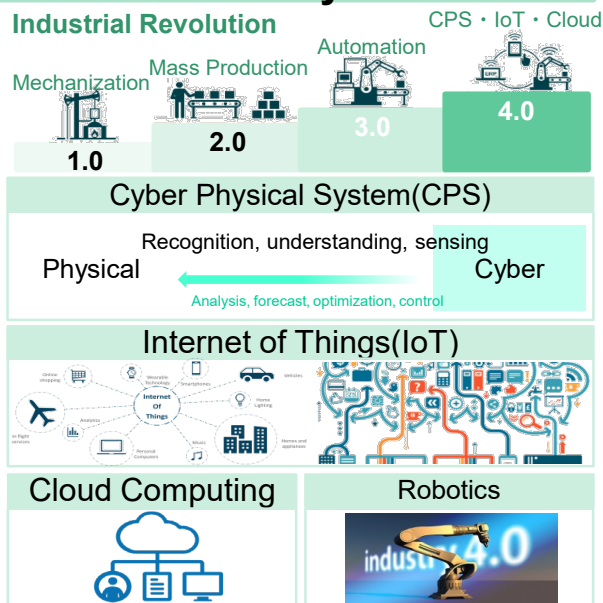
\* Investment area images

## Society 5.0

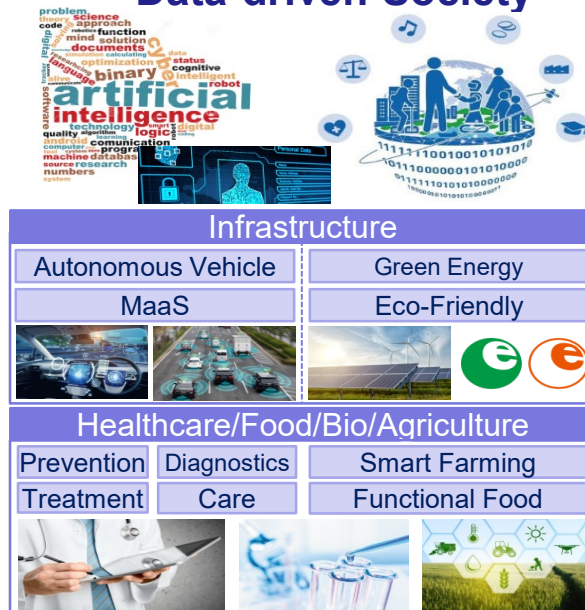
### Fintech



### Industry 4.0



### “Data-driven Society”



AI • 5G • Big Data

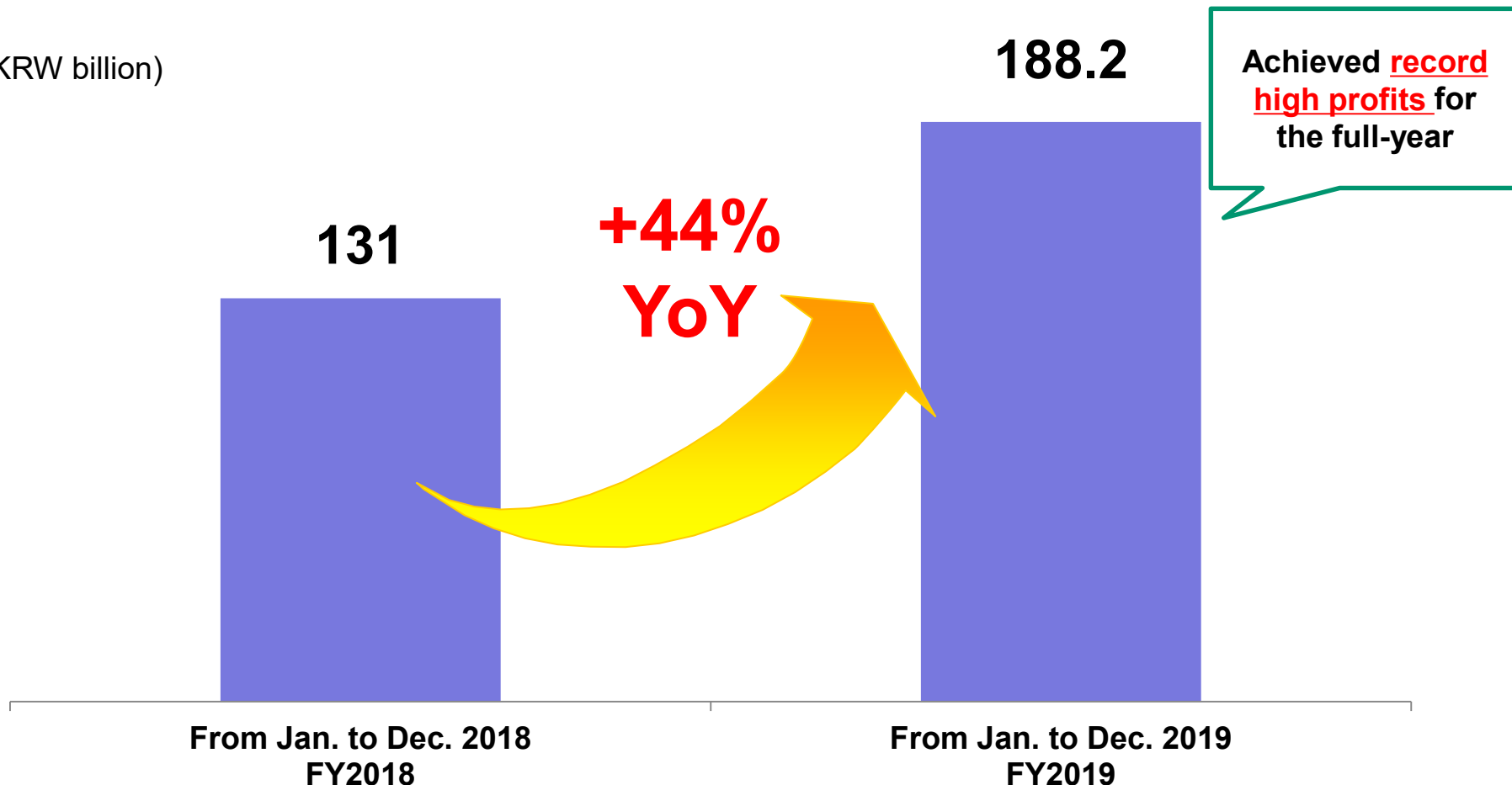


Preparations are underway to launch a fund for Industry 4.0 in Germany during 4Q

# Net Income of SBI SAVINGS BANK

## (Based on K-GAAP from Jan. to Dec. 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

# 3. Biotechnology-related Business

- Transition to the new drug application (NDA) process for U.S.-based Quark Pharmaceutical's prophylaxis of delayed graft function (DGF) in kidney transplants has been affected by the postponement of an FDA examination meeting due to a key FDA decision-maker's family issue situation, and the absence of a commissioner at a subsequent meeting. Because of the time required to reconcile points of view within the commission and other factors, the detailed formulation of the final response appears to be delayed
- Quark continues to record development costs such as clinical trial expenses, owing to the advancement of pharmaceutical research and development. However, development costs are expected to sharply decrease going forward, since the clinical trial of acute kidney injury (AKI) is scheduled to be completed by 2020
- From the perspective of business selection and concentration, no additional material investments will be made in this segment going forward, other than for SBI Biotech and 5-ALA-related businesses
- At SBI ALApromo, although the profit before income tax expense decreased slightly on a year-on-year basis, owing to the increased promotional efforts for its new product, "ALA PLUS Fukai Nemuri," the new product introductions have been steadily expanded

# Potential Financial Impact of 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

## 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 share

## 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

# 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)

	9M FY2018 (Apr. – Dec. 2018)	9M FY2019 (Apr. – Dec. 2019)
Profit before income tax expense (excluding temporary factors)	-8,708	-7,368
Loss associated with the sale of Kubota Pharmaceutical Holdings shares		-1,352
Total profit before income tax expense of the Biotechnology-related Business	-8,708	-8,720

**As a result of the business restructuring** that resulted in the sale of Kubota Pharmaceutical Holdings shares, the loss owing to the equity method accounted for until the previous fiscal year has now been fully absorbed, and the **profit before income tax, excluding one-time factors, decreased slightly on a year-on-year basis**

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

(JPY million)

		9M FY2018 (Apr. – Dec. 2018)	9M FY2019 (Apr. – Dec. 2019)
SBI Biotech		-57*	-297
Quark Pharmaceuticals (“Quark”)		-6,287	-5,782
5-ALA-related business	SBI Pharmaceuticals	-986	-791
	SBI ALApromo	209	182
	photonamic	412	91

\*SBI Biotech’s deficit narrowed owing to the receipt of the final year subsidy from AMED, etc.

- **Quark** continues to record development costs associated with the clinical trials for acute kidney injury (AKI) prophylaxis. However, these development costs are expected to decrease going forward, as clinical trials are scheduled to be completed within 2020
- **SBI ALApromo’s** profit before income tax expense decreased slightly on a year-on-year basis, owing to the increased promotional efforts for its new product, “ALA PLUS Fukai Nemuri,” that incurred an upfront fee of JPY 70m, but with the introduction of new products to drug stores, its business is continuing to steadily expand
- **SBI Pharmaceuticals’ deficit decreased**, owing to a year-on-year increase in the sales of its health foods
- **photonamic** has increased its employees from 9 to 23 as a result of business expansion and incurred a one-time acquisition expense, which led to lower profit. Despite this, it remains profitable for the fiscal year



## **II. Advancing Focused Measures to Realize Further Growth of the SBI Group**

- 1. The SBI Group's four major strategies for the near-term**
  - (1) Contribute to the regional revitalization**
  - (2) Promotion of the realization of Neo-bank initiative**
  - (3) Advancing the Neo-securities initiative**
  - (4) Adoption of fintech by the entire Group, along with the active utilization of blockchain and distributed ledger technology**
- 2. In order to materially advance the near-term four major strategies, pursue M&A both domestically and abroad, to realize dramatic growth that may be problematical to achieve through an organic growth of the existing businesses**

## **[The SBI Group's four major strategies for the near-term]**

### **(1) Contribute to the regional revitalization**

- ① Banks that the SBI Group newly established or revitalized in Japan and abroad**
- ② The SBI Group has invested in regional financial institutions, as a part of its efforts in support of regional revitalization, and is providing its comprehensive support to improve the profitability of each bank**
- ③ Establishment of a joint intermediate holding company to realize an efficient co-creation with regional financial institutions**
- ④ Contribution to the SBI Group's business results through expanded collaboration with regional financial institutions**

# **① Banks that the SBI Group newly established or revitalized in Japan and abroad**

## **■ Banks that were newly established or invested in at an early stage, which have become profitable**

- (i) SBI Sumishin Net Bank (established in 2007)**
- (ii) TP Bank (Vietnam, invested in 2009)**
- (iii) Phnom Penh Commercial Bank (Cambodia, commenced business in 2008)**
- (iv) SBI LYHOUR BANK (Cambodia, became a subsidiary in 2019)**

## **■ Banks that were revived from the brink of bankruptcy**

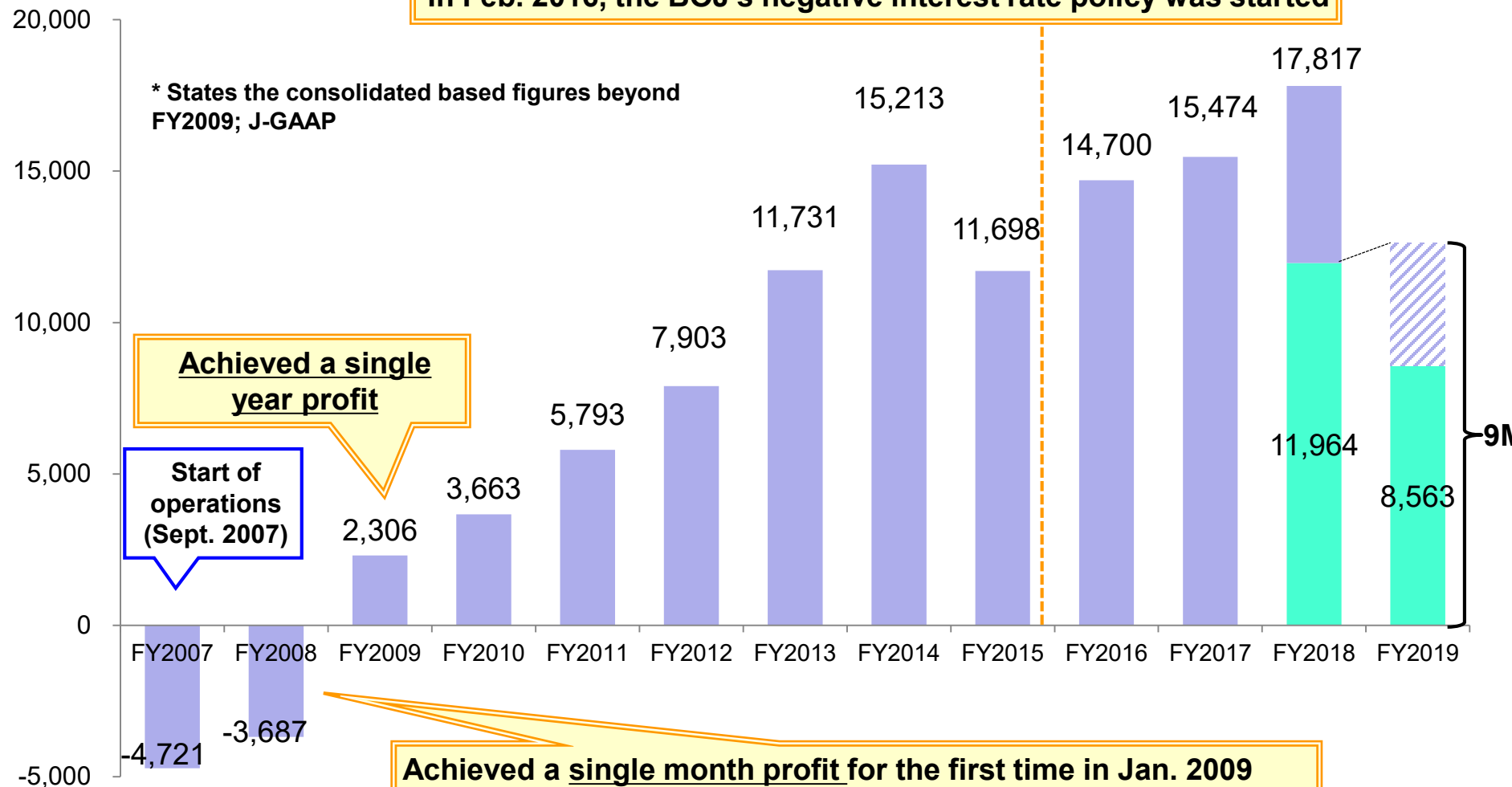
- (v) SBI SAVINGS BANK (South Korea, became a subsidiary in Mar. 2013)**
- (vi) SBI Bank (Russia, became a wholly owned subsidiary in Aug. 2017)**

# Ordinary Income of SBI Sumishin Net Bank, which was Established in 2007, has Steadily Increased

9M FY2019 financial results announcement is scheduled for Feb. 3, 2020

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

(JPY million)

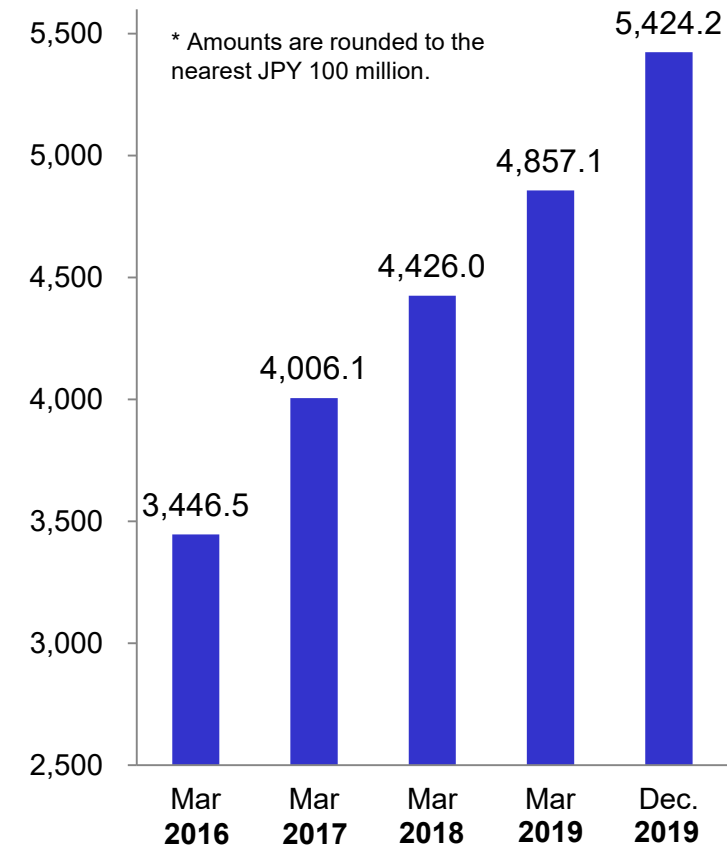


# Deposits as of the End of Dec. 2019 Exceeded JPY 5.4tn, to Significantly Surpass its Competitors

**Number of accounts: 3,797,868 / Deposits: JPY 5,424.2bn  
(As of the end of Dec. 2019)**

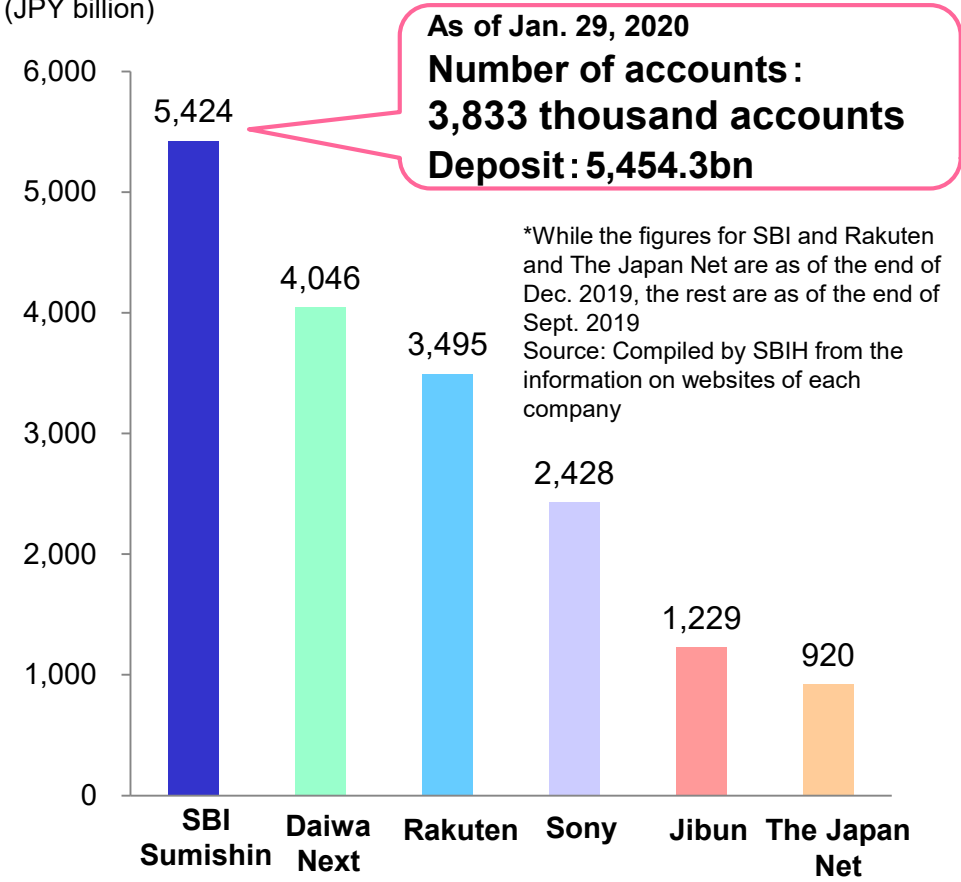
**Change in SBI Sumishin Net Bank's Deposits**

(JPY billion)



**Deposits of 6 Internet Banks**

(JPY billion)



# The Balance of Deposits is 18th among 76 Banks, which Includes Regional Banks and New Entrant Banks



Balance of deposits increased by JPY 567bn from that of the end of Mar. 2019, to improve the ranking by 5 spots

**Ranking by deposits**  
(Regional Banks, New Entrant Banks and Pure-play Internet Banks) (JPY billion)  
(\*As of the end of Sept. 2019.)

Rank	Bank name	Deposits	Change <sup>*1</sup>
1	Bank of Yokohama	13,834.5	-486.5
2	Chiba Bank	12,315.3	-18.1
3	Bank of Fukuoka	10,583.1	+135.9
4	Shizuoka Bank	9,938.2	+60.5
5	Joyo Bank	8,689.5	-39.7
6	Nishi-Nippon City Bank	8,058.8	+157.4
7	Hiroshima Bank	7,338.4	+75.5
8	Kansai Mirai <sup>*2</sup> Bank	7,292.0	-109.6
9	77 Bank	7,289.2	-151.4
10	Bank of Kyoto	6,975.4	-116.7
11	Gunma Bank	6,811.9	+3.4
12	Hachijuni Bank	6,738.6	-8.3
13	Hokuriku Bank	6,597.3	-39.6
14	Chugoku Bank	6,475.2	-164.8
15	Ashikaga Bank	5,668.4	-40.8

Rank	Bank name	Deposits	Change
16	Shinsei Bank	5,600.7	-35.6
17	Juroku Bank	5,566.8	+62.5
18	SBI Sumishin Net Bank	5,424.2	+567.1
19	Iyo Bank	5,288.6	+41.4
20	Toho Bank	5,077.3	-118.7
21	Ogaki Kyoritsu Bank	5,049.4	+11.9
22	Nanto Bank	5,007.8	+90.3
23	Senshu Ikeda Bank	4,992.9	+2.4
24	Yamaguchi Bank	4,945.0	+9.8
25	Hyakugo Bank	4,862.4	-20.6
26	Hokkaido Bank	4,832.5	+29.6
27	Shiga Bank	4,827.3	-27.4
28	Daishi Bank	4,598.0	-43.3
29	Kiraboshi Bank	4,592.5	+53.4
30	Higo Bank	4,494.4	+38.8

Rank	Bank name	Deposits	Change
31	Musashino Bank	4,179.2	+48.2
32	Hyakujushi Bank	4,138.5	+178.3
33	Daiwa Next	4,046.0	+367.0
34	Kiyo Bank	3,959.6	+31.8
35	Kagoshima Bank	3,881.3	+12.4
36	San-in Godo Bank	3,799.8	-36.1
37	Hokkoku Bank	3,465.0	-78.8
38	Suruga Bank	3,164.9	-0.7
39	Aozora Bank	3,091.1	+22.4
40	The Yamanashi Chuo Bank	2,894.4	-29.7

As of Jan. 29, 2020  
Deposit: **JPY 5,454.3bn**

<sup>\*1</sup> Change in deposit balance from of the end of Mar. 2019  
<sup>\*2</sup> On Apr 1, 2019, Kinki Osaka Bank and Kansai Urban Bank were merged with Kansai Mirai Bank..  
<sup>\*</sup> The deposits of SBI Sumishin Net Bank is as of the end of Dec. 2019.  
<sup>\*</sup> Amounts are rounded to the nearest JPY 100 million  
(Source: Websites of each company)

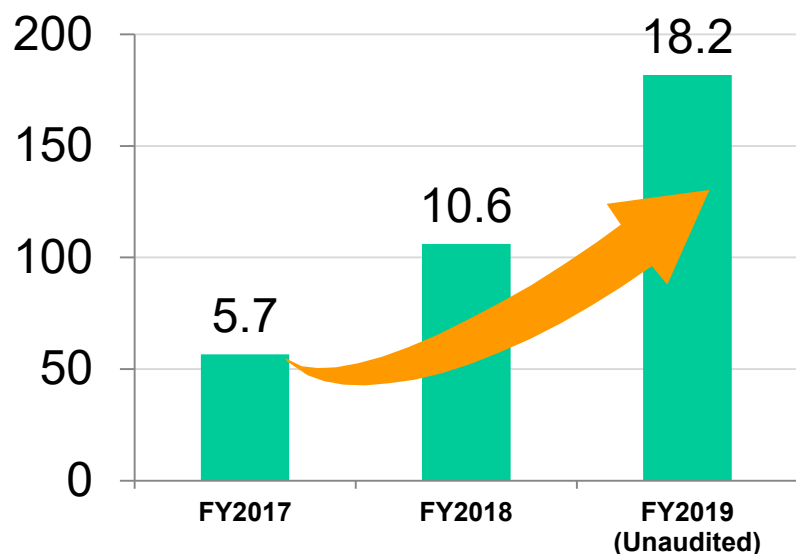
## In Vietnam, has been Involved in the Banking Business Since Aug. 2009, and has been Able to Take Advantage of the Wave of Economic Growth to Steadily Increase their Profits



- Founded in May 2008, SBI Group invested in Aug. 2009 (investment ratio: 19.9%)
- Actively expanding into retail loans, such as housing and automobile loans
- Proactively incorporating advanced technologies, to expand into non-interest income businesses, such as the settlement-related business
- In partnership with SBI Remit, started to offer remittance services between Japan and Vietnam using RippleNet, the next generation payment platform of Ripple of the U.S., as Vietnam's first (Nov. 2019)

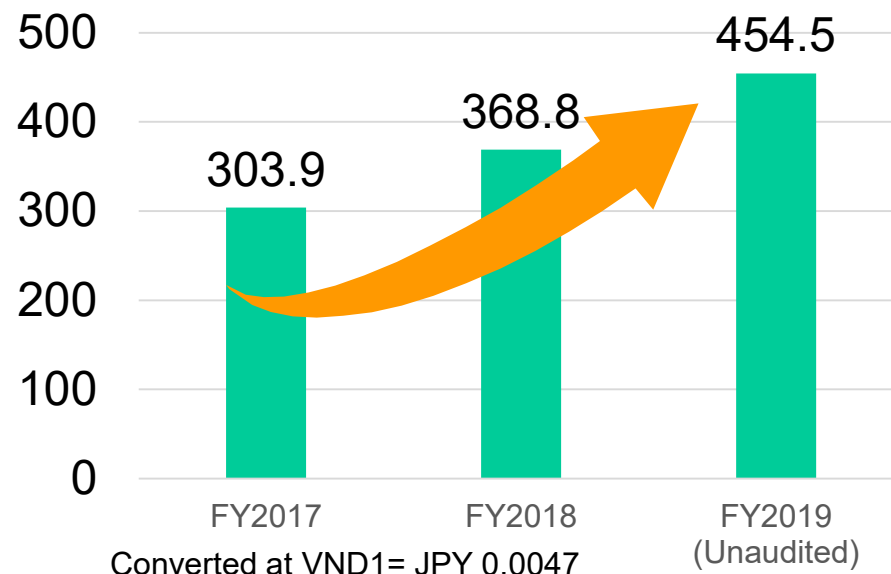
<Trend of profit before income tax expense>

<JPY billion>



<Trend of Deposit Balance>

<JPY billion>



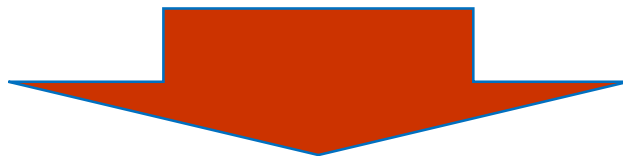
## **In Cambodia, Phnom Penh Commercial Bank, in which the SBI Group Led the Establishment, Steadily Expanded its Business and Contributed to SBI's Performance in the Form of Investment Returns**



**បណ្ណាគារ ភ្នំពេញ កាណាឌី**  
Phnom Penh Commercial Bank

**(Phnom Penh Commercial Bank)**

- **Established in Sept. 2008 with Hyundai Swiss SAVINGS Bank, the predecessor of SBI SAVINGS BANK**
- **Company Group's investment ratio: 47.6% (as of the end of Mar. 2016)**
- **A strong business foundation was built quickly, with eight branches in Phnom Penh, one in Siem Reap and one in Batamban, and ten in Cambodia**



**Sold to a consortium led by Jeonbuk Bank of South Korea  
by approx. USD 55m  
(Return on investment of **about 2.5 times**)**



(iv) SBI LYHOUR BANK PLC (Cambodia, became a subsidiary in 2019):

**Acquired a 70% stake in Ly Hour Microfinance Institution PLC, a Microfinance Company in Cambodia, and Completed its Registration as a New Bank  
-It will be officially licensed from the Cambodian Central Bank in the near future for full-scale opening as a bank-**



(SBI LYHOUR BANK PLC.)

**Upon the acquisition of shares of Ly Hour Microfinance Institution PLC, a core subsidiary of the Ly Hour Group that operates a currency exchange business, residential real estate development business, fund settlement and transfer business, and a non-life insurance business in Cambodia, will upgrade to obtain a banking license**



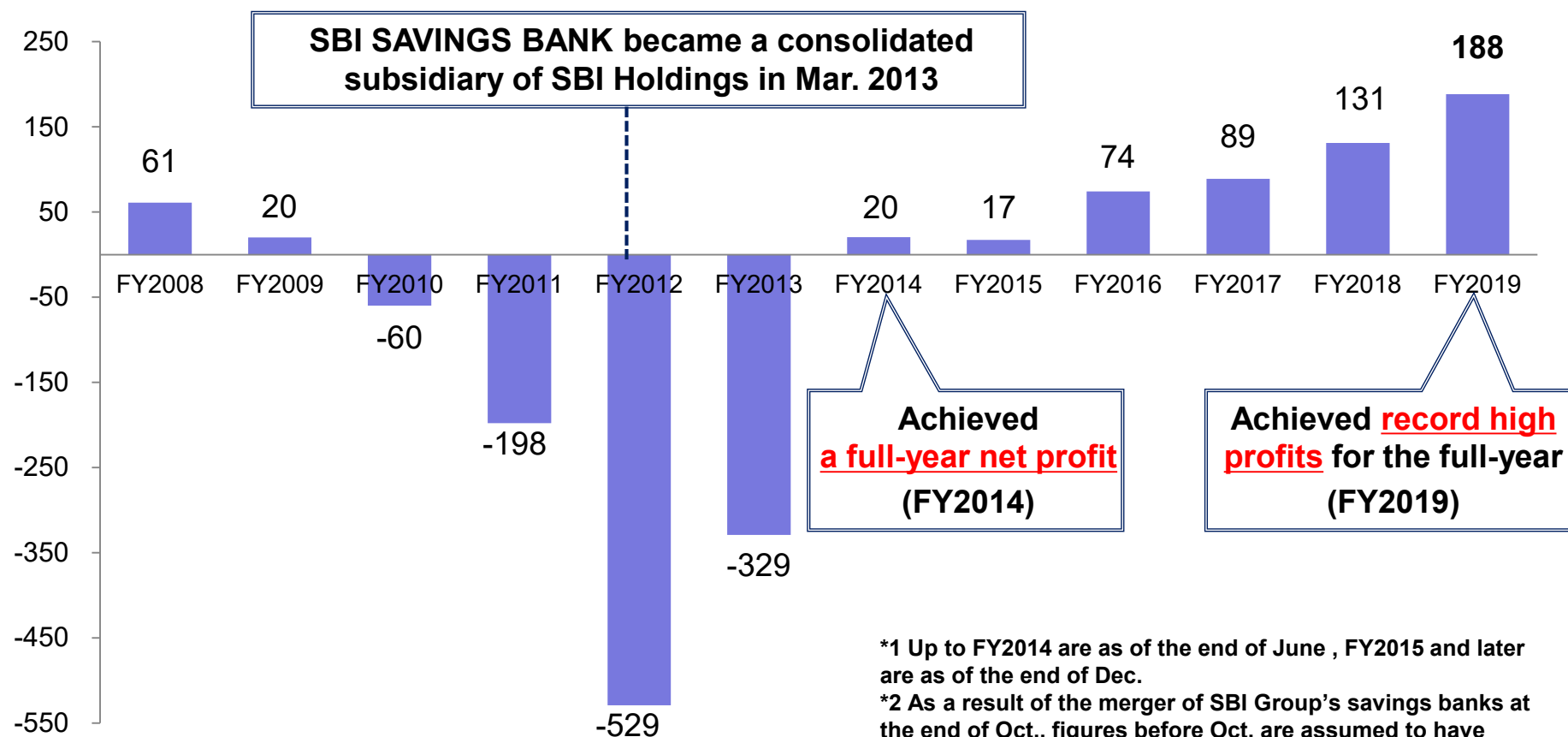
- **Cambodia's economy has continued to grow at **around 7% year-on-year**, and it is expected to grow at the same level in the future, owing to domestic demand and inbound growth**
- **Expectations are to expand the business primarily in the retail area, with a focus on micro-lending, which is expected to become a high demand business going forward**

## SBI SAVINGS BANK Achieved a V-shaped Recovery after a Capital Investment

At one point, management was so incompetent that the bank almost became insolvent, but after SBI's capital investment it has **experienced rapid growth**

### <Trend of net income (based on K-GAAP)>

(KRW billion)



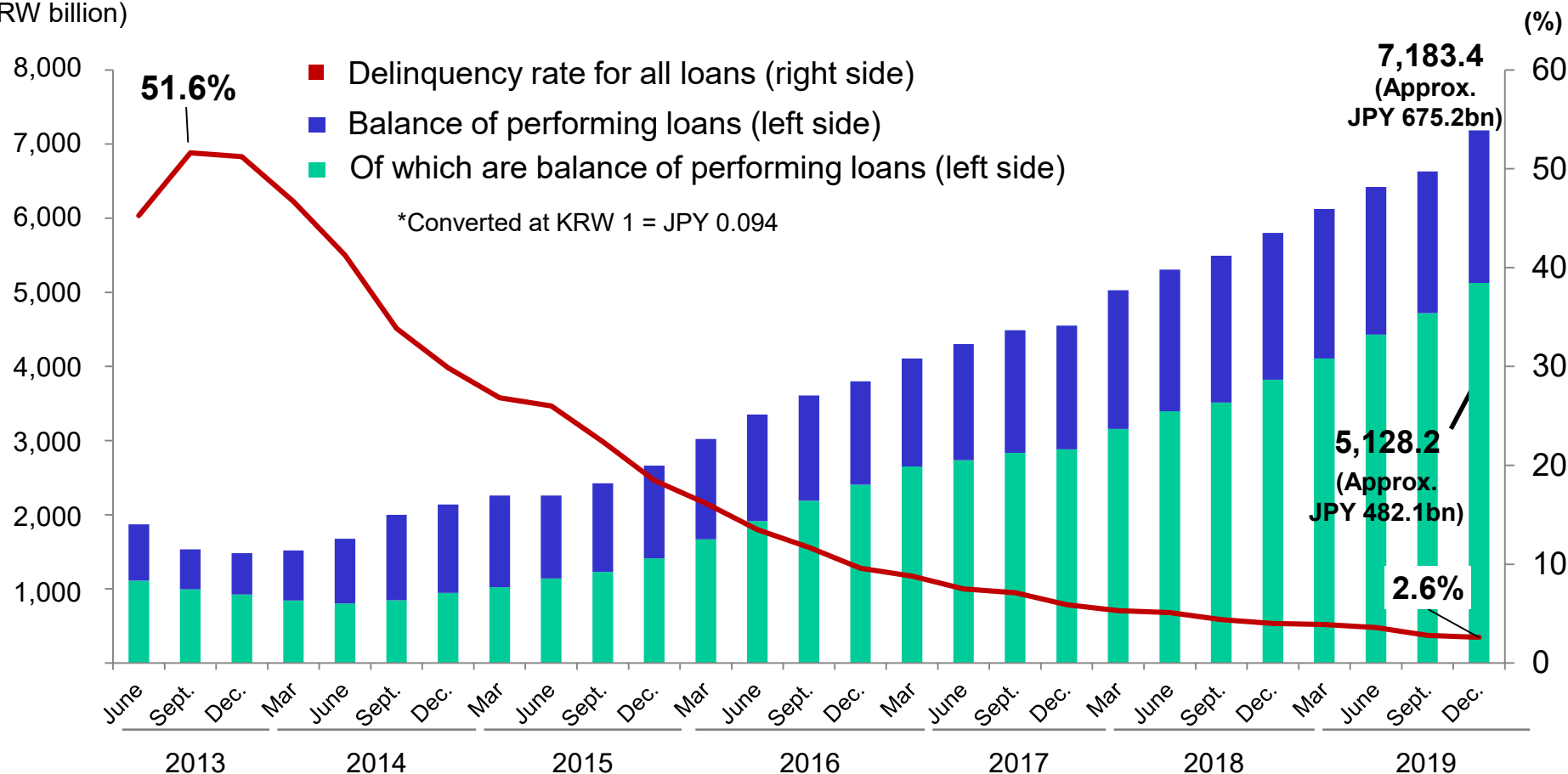
(v) SBI SAVINGS Bank (South Korea, became a subsidiary in Mar. 2013):

## Balance of Performing Loans (Based on K-GAAP)

-Continued to record deficit on existing real estate loans and retail loans, but after incorporation the bank's management system has been strengthened and it has achieved a rapid decline in delinquency rates-

Endeavoring an increase in the balance of performing loans through an improvement in marketing capabilities, including the use of chatbots

(KRW billion)



The delinquency rate of the entire loan is low at **2.6%** (2.8% for retail loan)

(vi) SBI Bank (Russia, became a wholly owned subsidiary in Aug. 2017):

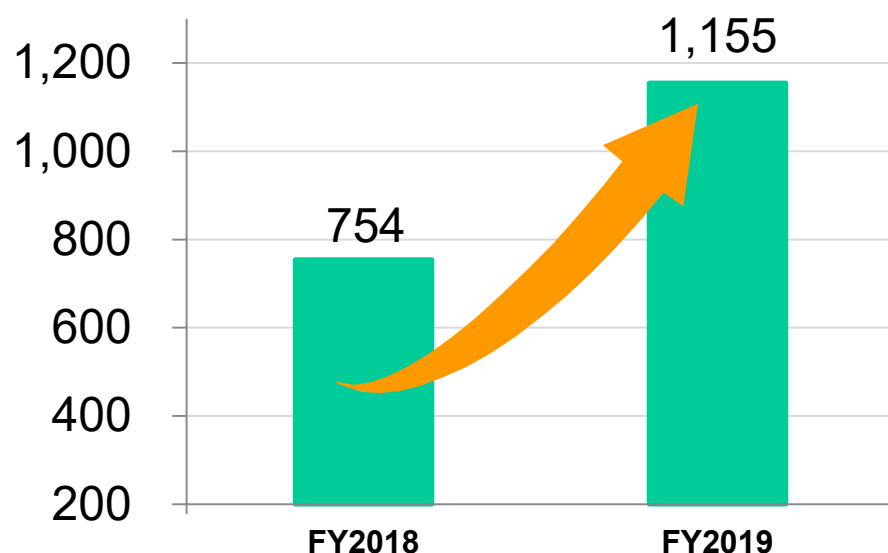
## Significant Performance Recovery in Russia, Owing to the Leveraging of Financial Expertise Cultivated by the SBI Group



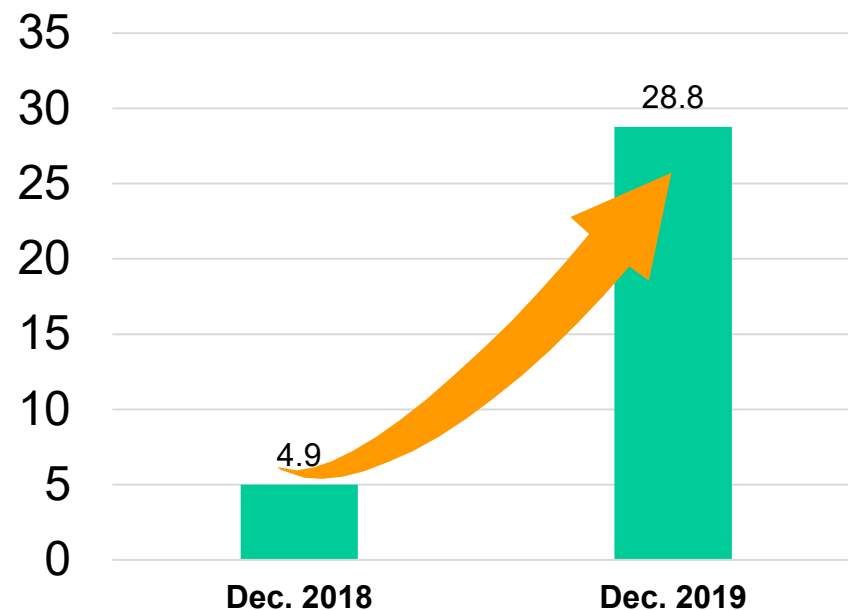
SBI Bank (SBI Group's shareholding: 100.0%)

- A fully licensed Russian commercial bank
- Russia's sales strategy for small and medium-sized companies has worked, and credit balance has expanded significantly.
- The family banking app "Sboikrug," launched late last year, has also successfully acquired customers since its launch

<Gross profit margin trend  
(Russian accounting standards) \*> <JPY million>



<Trend in Outstanding Credit  
(Russian accounting standards) \*> <JPY billion>



\* Converted at RUB 1 = JPY 1.75

- ② The SBI Group has invested in regional financial institutions, as a part of its efforts in support of regional revitalization, and is providing its comprehensive support to improve the profitability of each bank**
  - (i) Case of the Shimane Bank**
  - (ii) Case of the Fukushima Bank**
  - (iii) Case of the CHIKUHO BANK**

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

- 1. When investing in a regional financial institution, in principal, 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**
- 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**

# SBI Group and Shimane Bank Announced a Capital and Business Alliances on Sept. 6, 2019

The SBI Regional Bank Value Creation Fund, operated by SBI Holdings and SBI Asset Management, announced that it 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

## <Business alliance details>

- 1. Providing a broad range of the SBI Group's financial services and products to customers of Shimane Bank
- 2. Advancing Shimane Bank's fund management capabilities by utilizing the SBI Group's asset management know-how and fund data obtained from its global network
- 3. Enhancing customer convenience and optimizing operating costs at Shimane Bank, by leveraging technologies possessed by the SBI Group and its portfolio companies

# Shimane Bank’s Business Results and Financial Condition for the Past 2 Years, and the Initial Business Results Forecast for FY2019

[Consolidated results]

(Unit: JPY million)

	FY2017	FY2018	FY2019 (Initial earnings forecasts announced on May 15, 2019)
Ordinary revenue	10,536	8,577	8,320
Ordinary income	1,755	498	460
Profit attributable to owners of the Company	633	365	310
Core business profit	-281	-389	—
Net income per share	JPY 113.92	JPY 65.87	JPY 56.04
Net assets per share	JPY 3,343.11	JPY 3,185.21	—
Deposits	364,386	358,367	—



# In Accordance with the Capital and Business Alliances, Shimane Bank has Taken Steps to Dramatically Change Its Earning Structure



- ✓ Booked a forward-thinking loss toward the turnaround of its earnings structure
  1. Loss on restructuring of marketable securities portfolio (approx. JPY 1.7bn)
  2. Loss on impairment of fixed assets due to restructuring of locations (approx. JPY 200m)
- ✓ Simultaneously announced a revised financial forecast for FY2020 (consolidated)

(JPY million)

	Ordinary revenue	Ordinary profit	Profit attributable to owners of the Company
Revised forecast	7,590	-2,180	-2,380












✓ **Priority targets after the capital alliance**

1. Prioritize achievement of profitability in core net business income by FY2020
2. Focus on increasing customer convenience while contributing to the region under the “Shimagin” name
3. Build a profit-generating structure across the medium- to long-term period
4. Improve ordinary income as much as possible in the second half of FY2019

✓ **Basic policies for transformation of the revenue structure**

- Increase loan balances in local areas by strengthening region-based financing supported by face-to-face contact with customers
- Prioritizing cost reduction and increasing customer convenience, and advancing the utilization of the SBI Group’s resources, through the financial instruments intermediary services, bank agency services, etc., to move away from complete self-sufficient

# Measures to Strengthen the Collaboration between the SBI Group and Shimane Bank, which were Announced after the Announcement of the Capital and Business Alliances

SBI Group companies	Announcement	Content of the alliance	Target	Effect
 住信SBIネット銀行 SBI Sumishin Net Bank	Oct. 29, 2019	Shimane Bank handling housing loans from SBI Sumishin Net Bank	Individuals	Strengthening profitability
 SBI証券 SBI SECURITIES	Oct. 29, 2019	Business alliance regarding M&A activity at Shimane Bank	Corporate	Support for local businesses
 SBI マネープラザ SBI MONEY PLAZA	Oct. 29, 2019	Joint branch management between Shimane Bank and SBI MONEY PLAZA	Individuals	Strengthening profitability
 SBI NEO FINANCIAL SERVICES	Nov. 12, 2019	Collaborating with Shimane Bank and astamuse, initiatives to promote hiring of specialists for regional revitalization	Corporate	Support for local businesses
 SBI NEO FINANCIAL SERVICES	Dec. 2, 2019	Providing a banking app to Shimane Bank	Individuals	Improved convenience
 SBI Business Solutions	Dec. 13, 2019	Jointly supporting productivity growth at regional companies via the “Approval Time” cloud-based workflow system	Corporate	Support for local businesses
 SBI Life Insurance	Dec. 13, 2019	Introducing Group Credit Life Insurance from SBI Life Insurance at Shimane Bank	Individuals	Cost reduction
 SBI Holdings	Dec. 20, 2019	Holding seminars for Shimane Bank staff as a “Grow with Google” partner	Corporate	Support for local businesses
 SBI証券 SBI SECURITIES	Jan. 21, 2020	Taking over sales operations at bank counters for investment trusts and bonds at Shimane Bank	Individuals	Cost reduction
 SBI Remit	Jan. 31, 2020	Handling international money transfer services by SBI Remit at Shimane Bank	Individuals	Strengthening profitability
 SBI Insurance	Jan. 31, 2020	SBI Insurance’s Fire Insurance for Residential Mortgage Customers at Shimane Bank	Individuals	Strengthening profitability

# Starting Today, Shimane Bank Commenced the Offering of SBI Sumishin Net Bank's Housing Loan Products

A successful briefing for housing-related companies was held after the press conference, with about 100 people from 60 companies having attended



**Press conference at Shimane Bank's head office**



**Briefing session for housing-related companies**

# Initiatives to Achieve Core Business Profits in FY2020

[List of initiatives already implemented]

	Selected measures to reduce cost and enhance convenience	Selected measures to expand revenue
Shimane Bank’s individual initiatives	<ul style="list-style-type: none"><li>- Reviewing the branch network</li><li>- Reducing space usage at the head office to allow subleasing</li></ul>	<ul style="list-style-type: none"><li>- Accumulate loans for regional companies at sales offices</li><li>- Periodic deposit campaigns</li></ul>
SBI Group companies’ initiatives	<ul style="list-style-type: none"><li>- Reevaluating securities portfolio, reducing management cost and investment trust fees</li><li>- Relaunching the website</li><li>- Introducing a banking app (Phase 1)</li><li>- Handling Group Credit Life Insurance of SBI Life Insurance</li></ul>	<ul style="list-style-type: none"><li>- Forming steady interest income based on funds that emphasize income gains</li><li>- Distributing housing loan products of SBI Sumishin Net Bank</li><li>- Establishing joint branches called “Shimane Bank SBI MONEY PLAZA”</li><li>- Referring customers of SBI Point program</li></ul>
Joint initiatives with the SBI Group	<ul style="list-style-type: none"><li>- Complete transfer of investment trusts to SBI SECURITIES</li><li>- Searching for tenants to rent the head office space</li></ul>	<ul style="list-style-type: none"><li>- Introducing borrowers from the SBI Group</li><li>- Introducing regional companies to the SBI Group (developing opportunities for regional business succession and M&amp;A, venture investments, and real estate usage, etc.)</li><li>- Business matching (“Approval Time” system, personnel introductions)</li></ul>

**Continuously advance various measures, such as increasing sales channels for local companies through business matching and improving local IT literacy**

## **Announced Capital and Business Alliances with Fukushima Bank on Nov. 11, 2019**

**SBI Holdings announced that it 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**

### **<Business alliance details>**

- 1. Considering joint branches with SBI MONEY PLAZA, enhancing financial products intermediary services with SBI SECURITIES and considering bank agency services of SBI Sumishin Net Bank**
- 2. Cost reduction through the introduction of new technologies provided by Money Tap, SBI NEO FINANCIAL SERVICES, SBI FinTech Incubation, etc.**
- 3. Strengthening profitability through the transference of the trust management of Fukushima Bank's assets to the SBI Group's asset management business**

## **Collaborations with Fukushima Bank Prior to Capital and Business Alliances**

### **[Capital investments]**

- **Investment in the SBI AI&Blockchain Fund (July 2018)**
- **Investment in SBI Regional Revitalization Asset Management (July 2018)**
- **Investment in Money Tap (June 2019)**

### **[Business Alliance]**

- **Adoption of Morningstar Japan's Investment Trust Sales Support Tablet (Apr. 2014)**
- **Financial instruments intermediary services with SBI SECURITIES (May 2018)**
- **Concluded a business alliance with SBI MONEY PLAZA for a referral agreement for investors who wish to invest in a real estate trust beneficiary interest, and an anonymous partnership in the operating lease business (Nov. 2018)**



# The SBI Group's Measures to Strengthen Cooperation with Fukushima Bank Presented Post Announcement of the Capital and Business Alliance



Launched the “Fukushima Bank App” banking app, developed and operated by SBI NEO FINANCIAL SERVICES. Fukushima Bank’s customers can now more easily access their household management services



Launched a business alliance with SBI Business Solutions to offer “Approval Time,” a low-cost, cloud based workflow system that can be easily and quickly adopted by local small and medium-sized businesses, in order to improve their productivity through the utilization of IT at the local company level



On Jan. 15, 2020, Fukushima Bank and SBI MONEY PLAZA launched a joint branch, “Fukushima Bank SBI MONEY PLAZA Koriyama,” in Koriyama City, Fukushima Prefecture. The joint branch provides a wide range of financial products and services, with high quality advice through face-to-face consulting services in addition to Internet channels



## **Developed Various Collaborations with the CHIKUHO BANK, Prior to Capital and Business Alliances**

### **[Capital investments]**

- Investment in the SBI AI&Blockchain Fund (Jan. 2018)
- Investment in SBI Regional Revitalization Asset Management (Apr. 2019)
- Investment in Money Tap (Aug. 2019)

### **[Business Alliance]**

- Financial instruments intermediary services with SBI SECURITIES (Oct. 2017)
- Co-managed shop (CHIKUHO BANK-SBI MONEY PLAZA) with SBI MONEY PLAZA (June 2018)
- Launch and development of CHIKUGIN app (function: account opening) (Aug. 2018)
- Adoption of Morningstar Japan's Investment Trust Sales Support Tablet (Oct. 2018)
- Added "SBI Regional Revitalization Global High Dividend Equity Fund" to its investment fund product offerings (Dec. 2018)
- Decided on the adoption of SBI FinTech Incubation's open API Platform
- Commenced handling of "SBI Whole Globe Equity Index Fund (nickname: Snowman)" (Feb. 2019)
- In collaboration with KYUSHU ELECTRIC POWER, provided "TOKOWAKA Coin," a digital regional currency, which utilizes the SBI Group's platform (Aug. 2019)

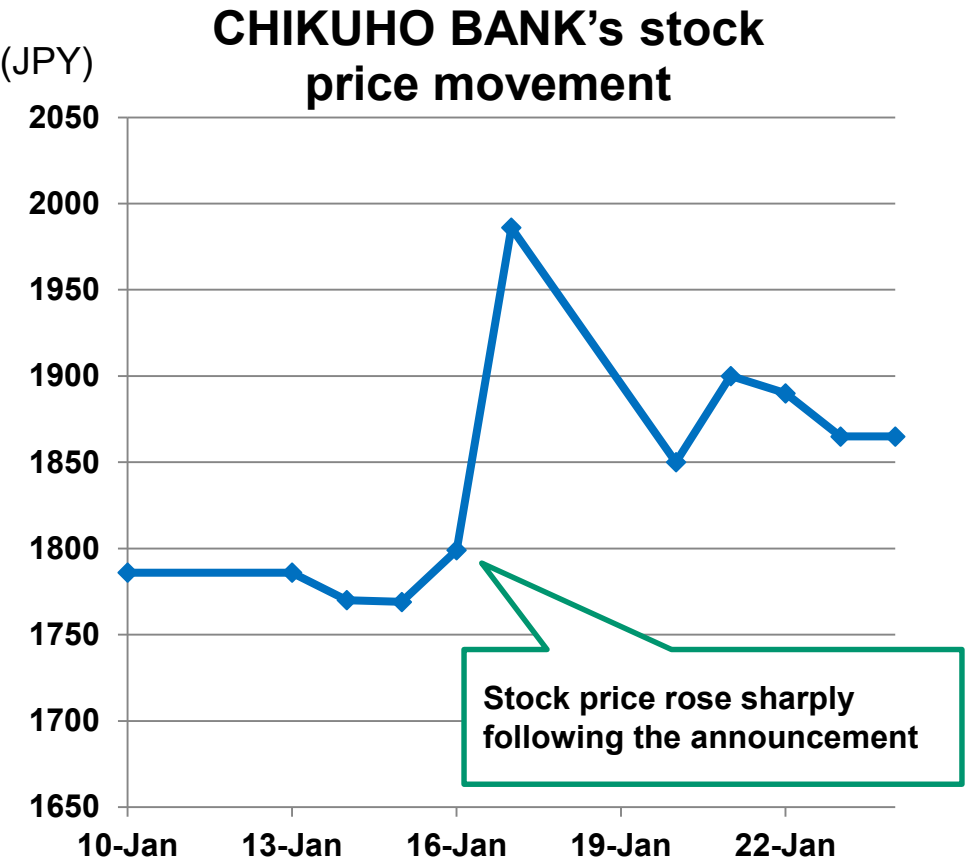


# Announced a Capital and Business Alliance with a Small Stake in CHIKUHO BANK, on Jan. 17, 2020, to Further Strengthen the Existing Partnership

**Acquired approximately 3% of the total number of outstanding shares of CHIKUHO BANK from existing shareholders**

## <Contents of business alliance>

- 1. Collaborations for the development and revitalization of regional economies, through the issuance of regional currencies, support of startup companies, business matching, etc.
- 2. Considering the establishment of a second joint branch with SBI MONEY PLAZA, and strengthening the financial instruments intermediary services with SBI SECURITIES
- 3. Enhance customer convenience and optimize operating costs of CHIKUHO BANK, through the utilization of technologies owned by the SBI Group and its investee companies
- 4. Utilize the SBI Group's asset management capabilities to enhance CHIKUHO BANK's fund management capabilities



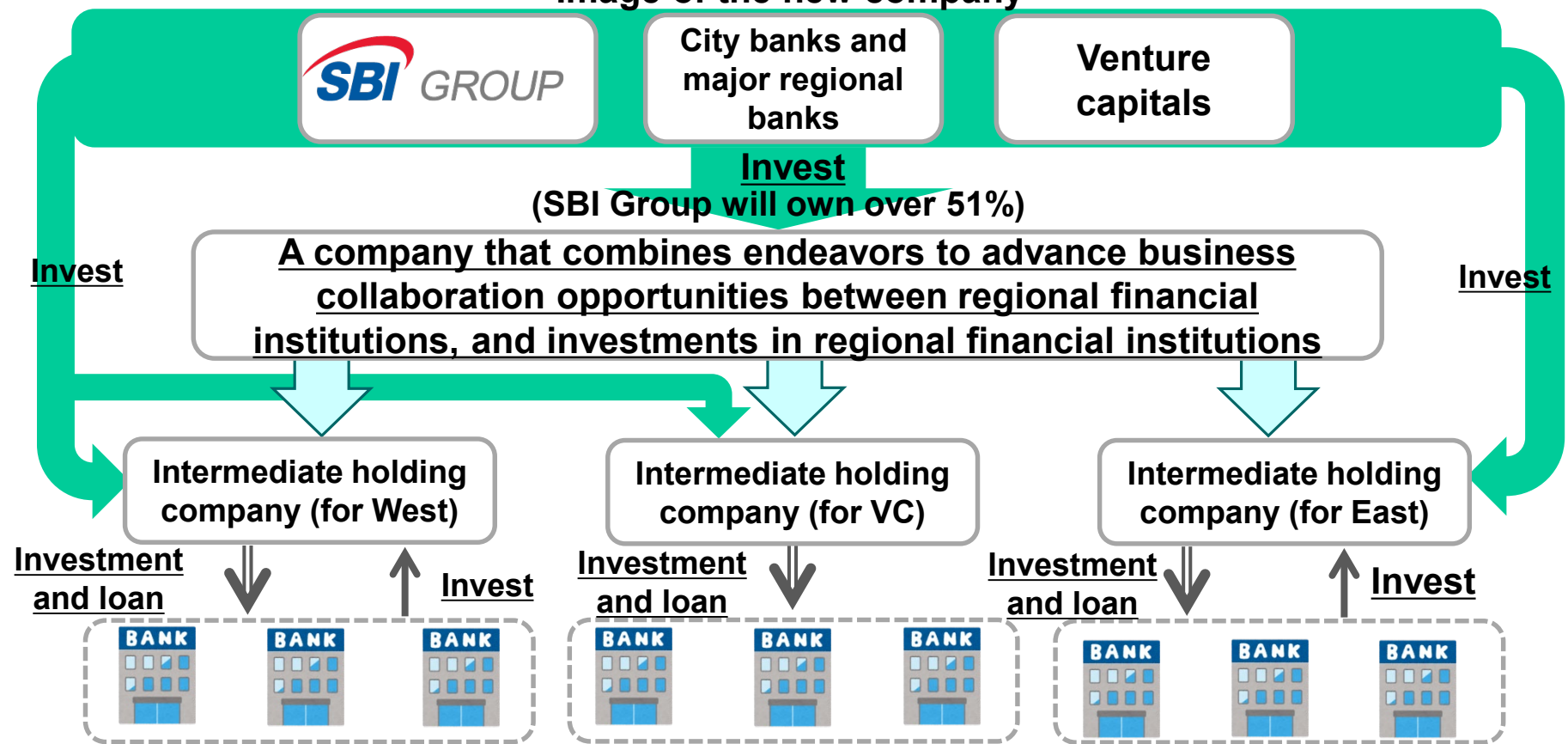
- ③ Establishment of a joint intermediate holding company to realize an efficient co-creation with regional financial institutions**
  - (i) Establishment of a joint intermediate holding company within the fiscal year**
  - (ii) Advancing various alliances with external companies to enhance the support functions that the SBI Group has been promoting, in order to contribute to regional revitalization**

(i) Establishment of a joint intermediate holding company within the fiscal year

# Establishing a New Company with Several Partners by the End of Feb., in Order to Realize Collaborative Creation with Regional Financial Institutions

(Paid-in capital: Approx. JPY 10bn)

<Image of the new company>



[The new company and companies providing various support functions will collaborate as follows]

- a. Provision of common systems (AML/KYC, etc.)
- b. Revitalization of local industries
- c. Provision of overseas investment and financing opportunities
- ...

# Overview of the Establishment of the New Company

- The new company will be established to advance business collaboration opportunities between regional financial institutions, and investment in regional financial institutions
- The new company will initially have paid-in capital of approx. JPY 10bn, with the SBI Group investing over 51%. The major shareholders will be several partners who will invest in the new company and its affiliated intermediate holding companies
- The new company will cooperate with SBI Group companies, investment partners and the companies providing various support functions in the following areas
  - a. Provision of common systems (AML/KYC, etc.)
  - b. Revitalization of local industries
  - c. Provision of overseas investment and financing opportunities
- The company will endeavor to raise its paid-in capital to JPY 30bn, by inviting new investment partners within one and a half year period

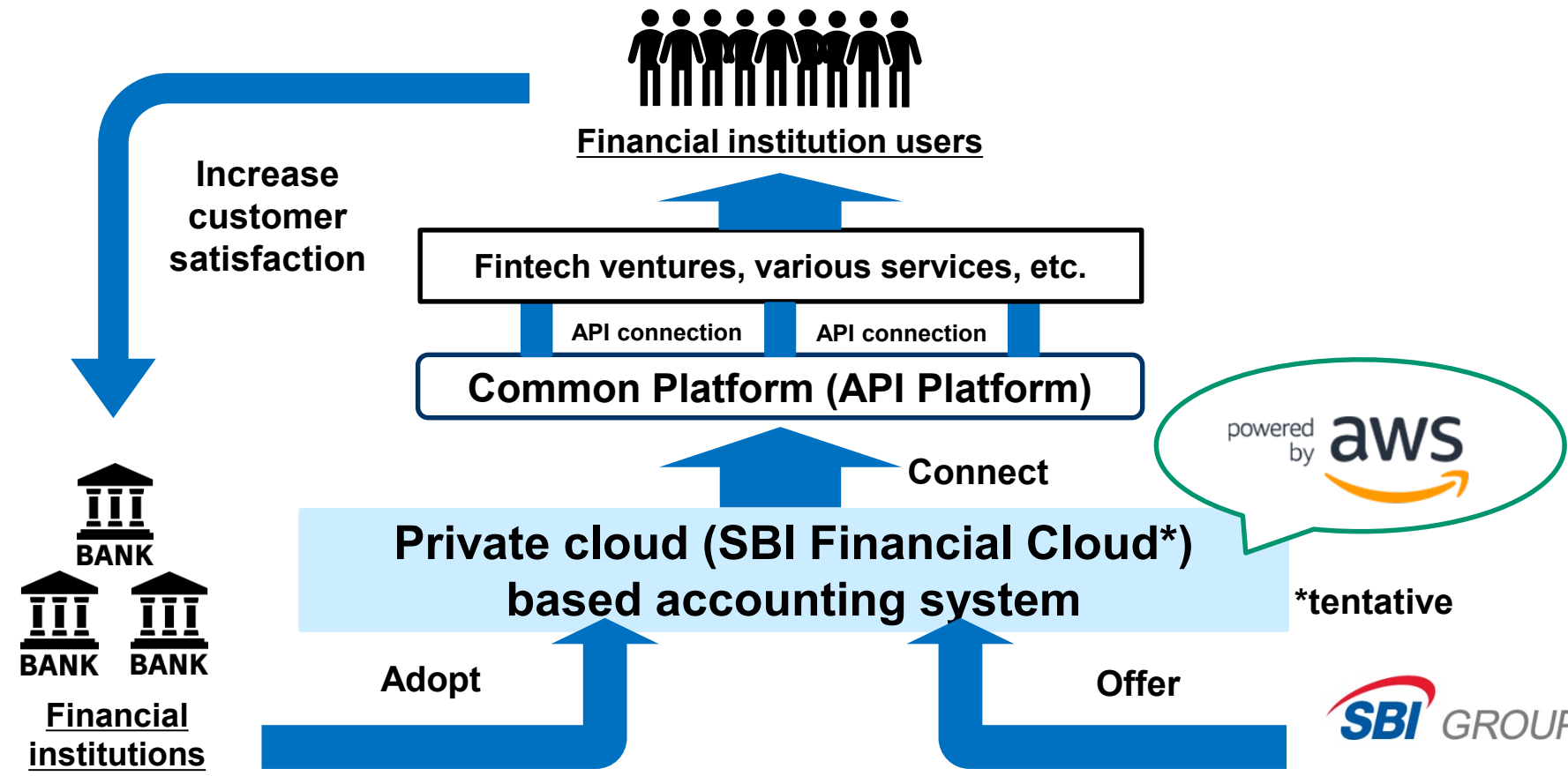
- (ii) Advancing various alliances with external companies to enhance the support functions that the SBI Group has been promoting, in order to contribute to regional revitalization**
  - a. Provision of common systems (AML/KYC, etc.)**
  - b. Revitalization of local industries**
  - c. Provision of overseas investment and financing opportunities**
  - d. Effective utilization of real estates**

## **a. Provision of common systems (AML/KYC, etc.)**

# The SBI Group is Advancing the Adoption of Private Cloud-based Accounting Systems to Regional Financial Institutions, in Order to Integrate Their Systems



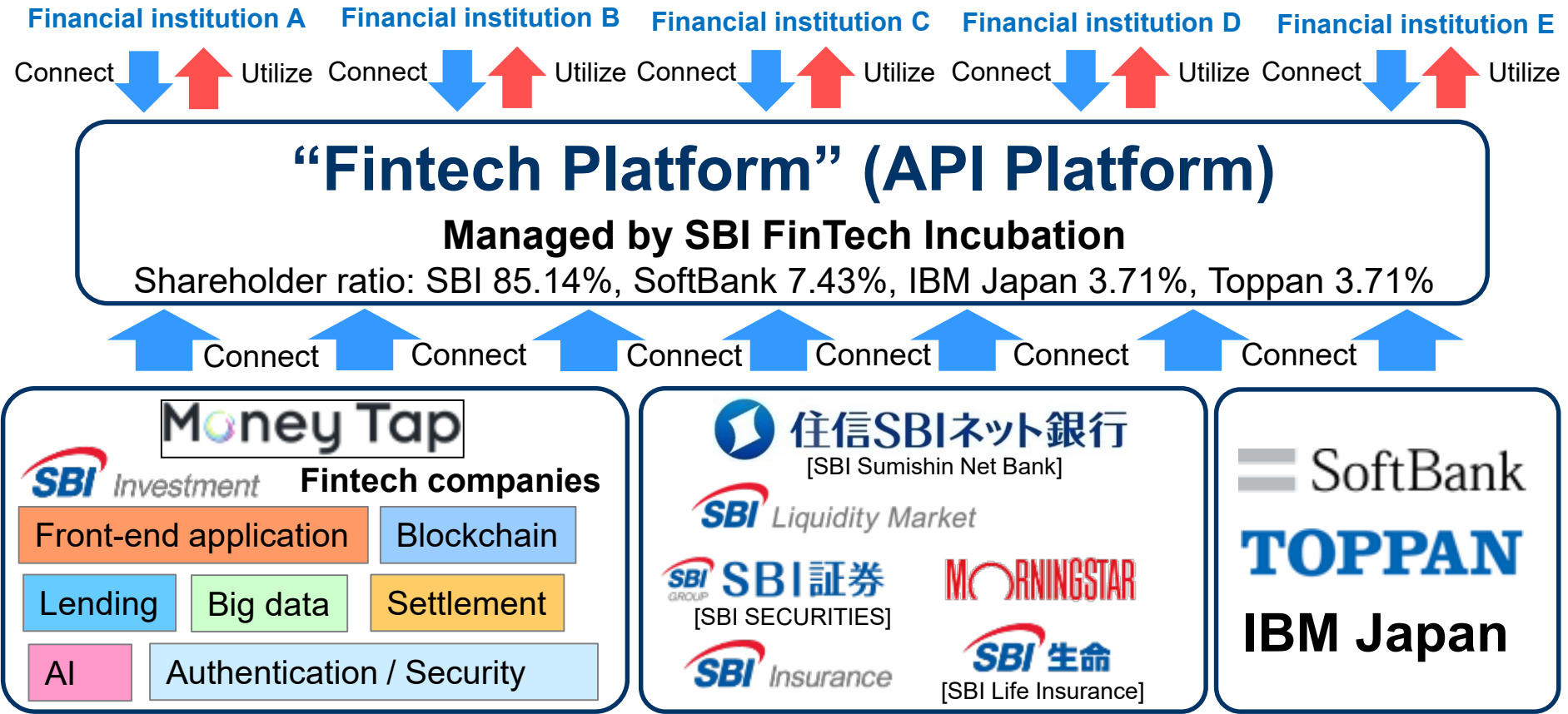
- First, SBI Sumishin Net Bank plans to introduce Hitachi’s accounting system. With the adoption of this system, financial institutions are expected to operate **more stably with reduced maintenance costs**



Endeavor to offer the **most advanced technology** to financial institutions’ customers

# Providing API Platform to Financial Institutions to Support the Adoption of Fintech Startup Companies' Services and Systems

10 companies have adopted, 5 companies are in the process of adoption, and 7 companies are expected to adopt.





# SBI NEO FINANCIAL SERVICES Offers White-label Banking Apps that Make it Easier for Regional Financial Institutions to Deliver Mobile Apps

-Already introduced at 8 banks and decided to be introduced at another bank-

- ✓ 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

[Image of the application screen introduced by Shimane Bank]

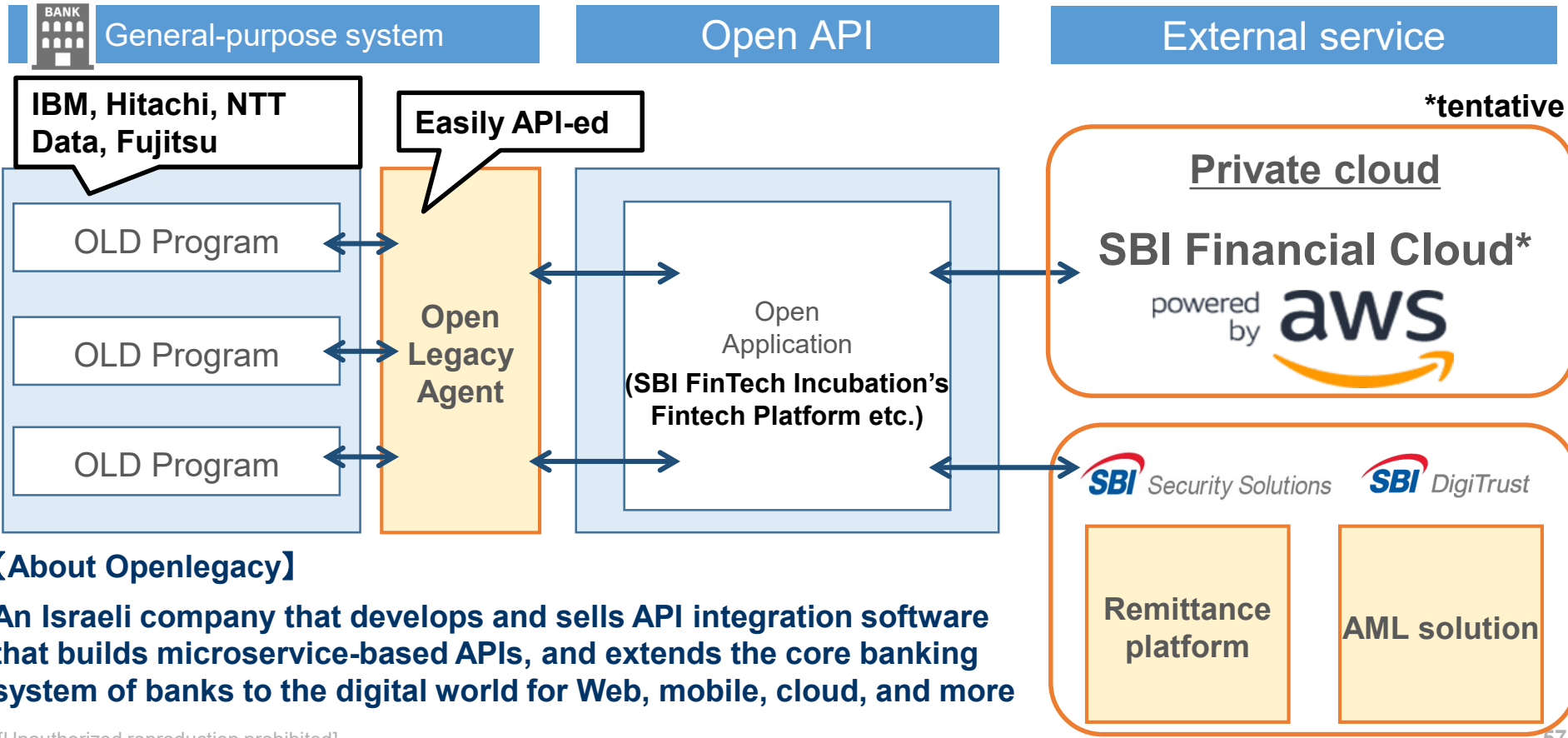


a. Provision of common systems (AML/KYC, etc.): Money Tap

# Utilizing the API Integration Services of an Israeli Company, Openlegacy (announced investment on Jan, 31), to Enable API Connections with Ease and Minimal Customization, Even in Legacy Mainframes which Require Enormous Costs for API Integration and Operation

During the PoC conducted at Shimane Bank, the interface definition of the accounting system service (transaction) to be turned into an API was loaded, and it was confirmed that the creation of an API was completed in about 5 minutes by the operation of the GUI tool of Openlegacy

[Openlegacy’s API integration service flow]



[About Openlegacy]

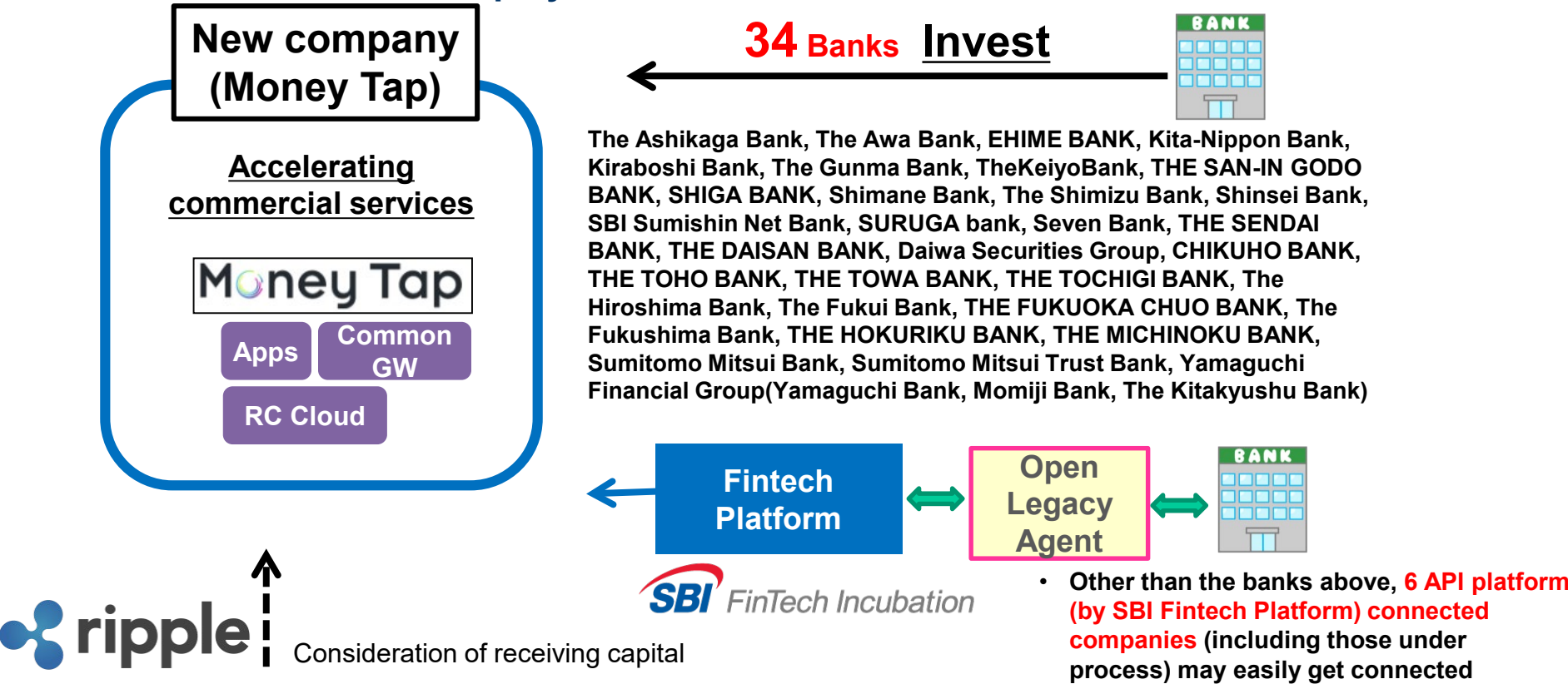
An Israeli company that develops and sells API integration software that builds microservice-based APIs, and extends the core banking system of banks to the digital world for Web, mobile, cloud, and more

a. Provision of common systems (AML/KYC, etc.): Money Tap



Sumitomo Mitsui Bank and Yamaguchi Financial Group  
have Newly Invested Their Capital

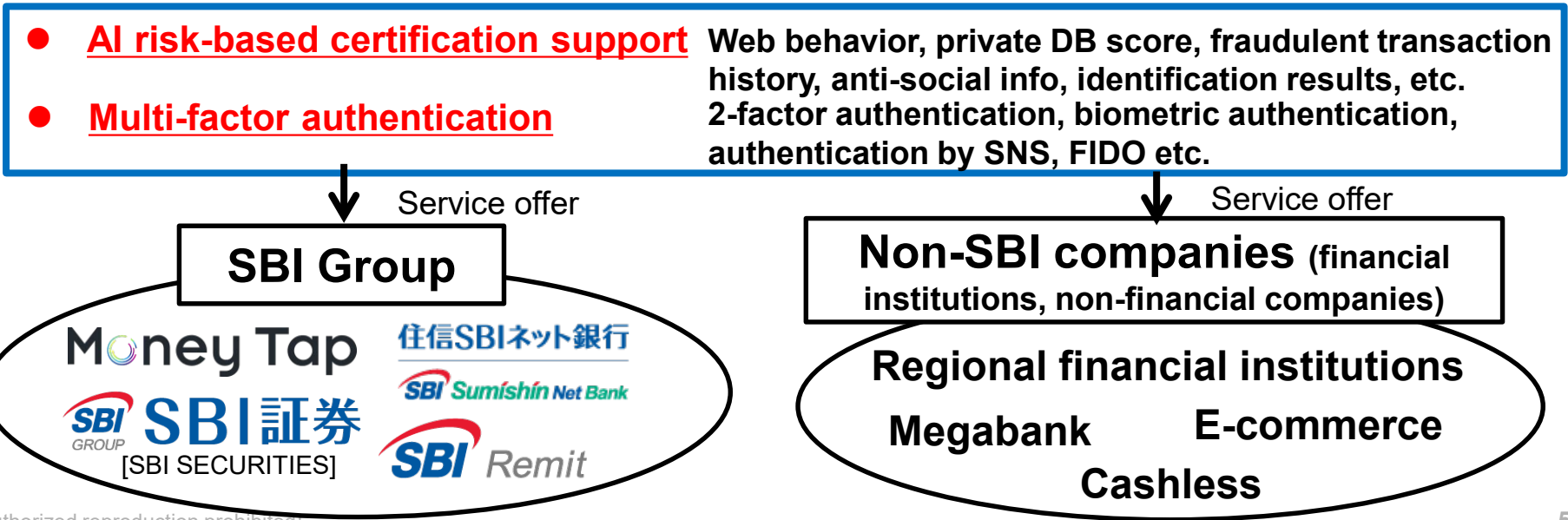
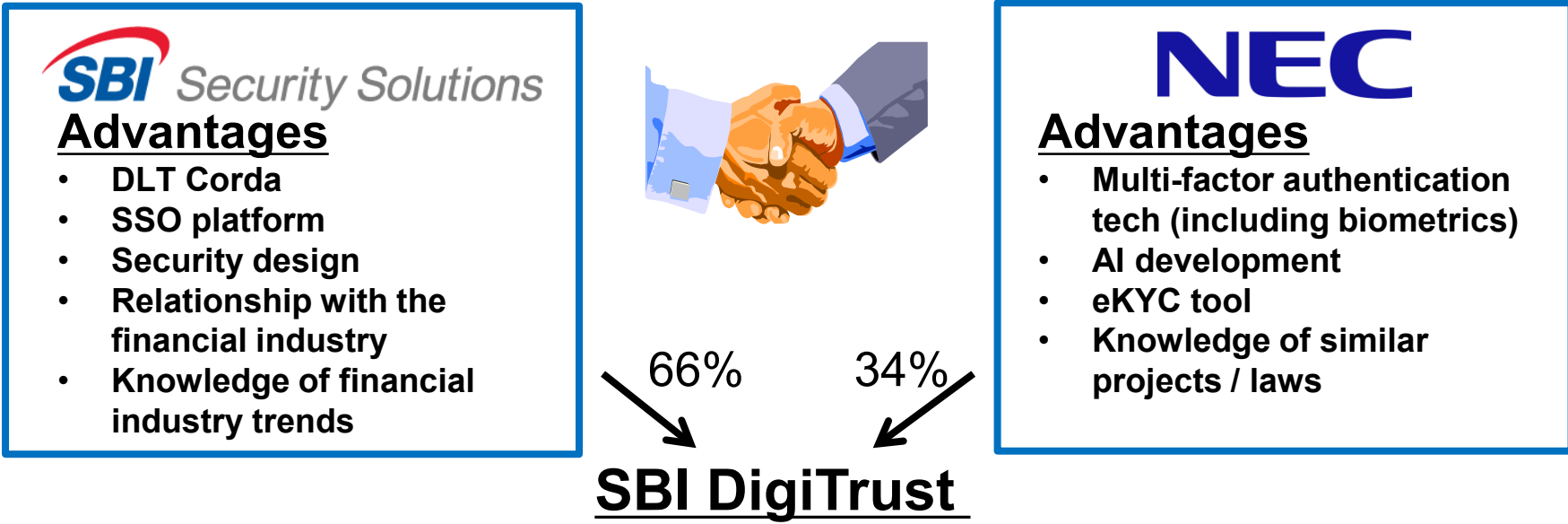
-Additionally, Israel's Openlegacy API integration services will enable a faster deployment of API-based connections-

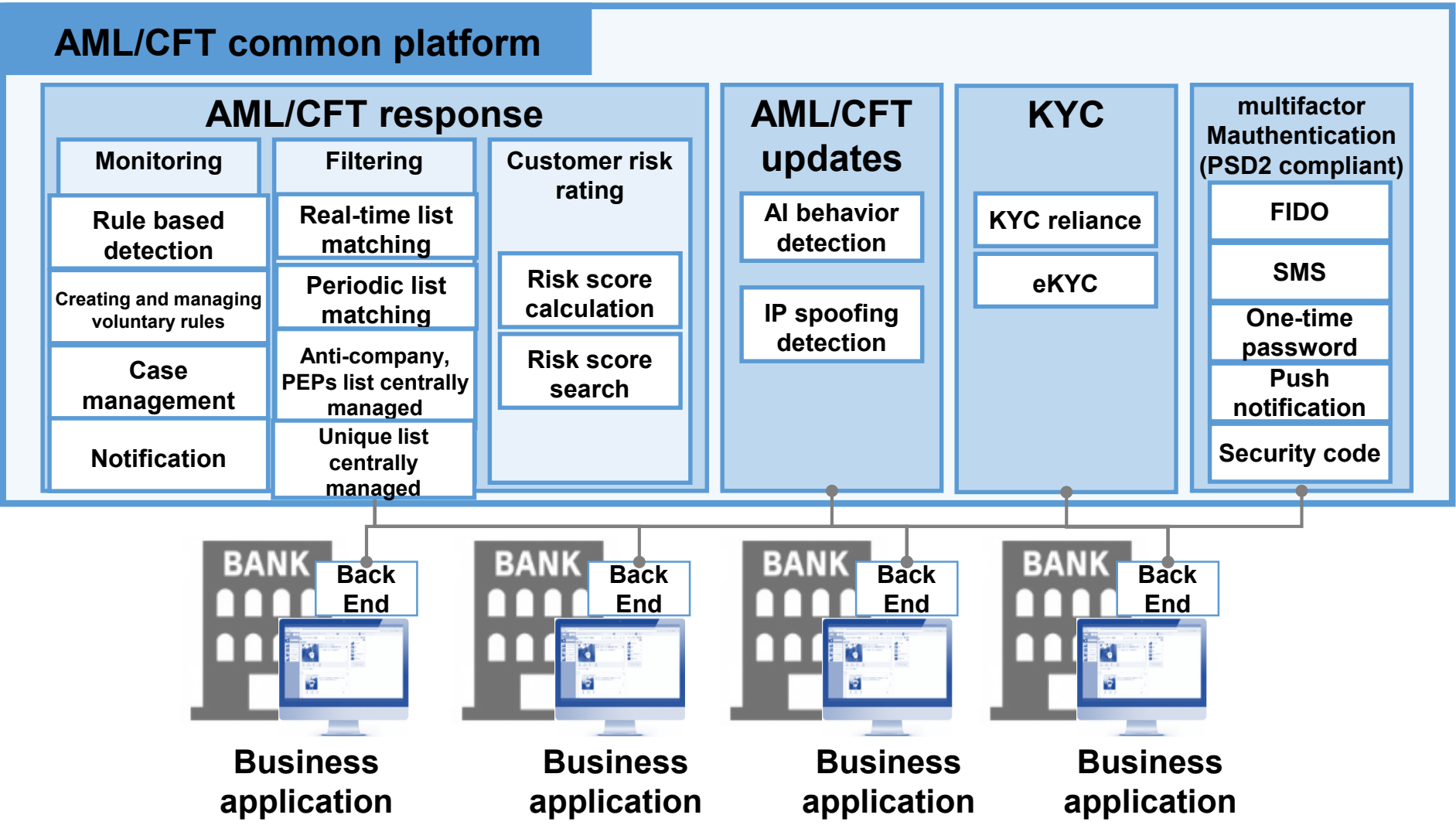


At a stage where the acceptance of investments from domestic financial institutions has been completed, Money Tap will consider accepting an investment from U.S. Ripple, in order to strengthen technical cooperation and the promotion of initiatives related to international remittances

Other system vendors etc.

# SBI DigiTrust Offers Services that Utilize Advanced Technologies of SBI Security Solutions and NEC





Businesses related to finance x IT x security are developed

## **b. Revitalization of local industries**

- **SBI Group partners with Google’s digital skill training program “Grow with Google,” to drive the digitalization of local communities**
- **Collaboration with Hikari Tsushin in the regional power sales business**
- **Advancing the collaboration with companies possessing various know-how and achievements, for the development of unique regional commercial facilities and regional promotion facilities**
- **Supporting local companies to expand overseas distribution channels**

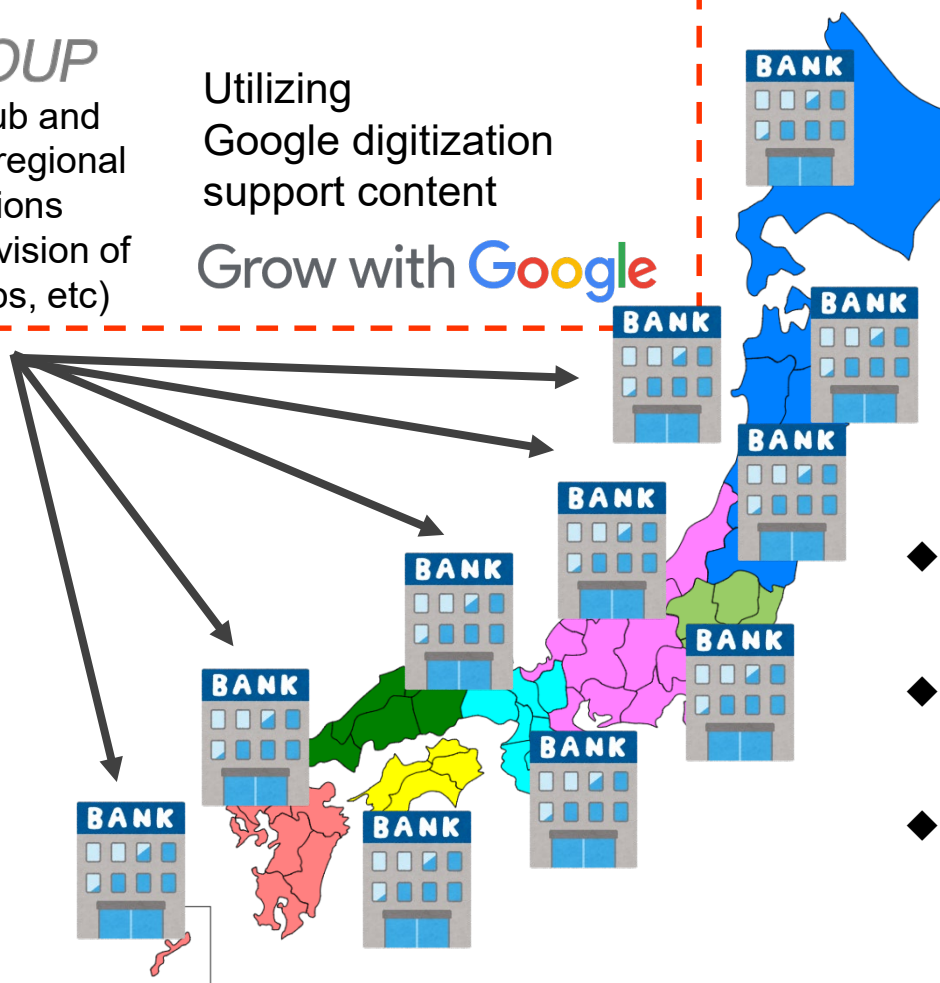
# SBI Group Partners with Google's Digital Skill Training Program "Grow with Google," to Promote IT Literacy in the Local Communities



Working as a hub and partnering with regional financial institutions nationwide (provision of smartphone apps, etc)

Utilizing Google digitization support content

Grow with Google



- A seminar for Shimane Bank employees was held in Dec. 2019
- Scheduled to hold a seminar in the Chikuhō Bank region in Apr. 2020

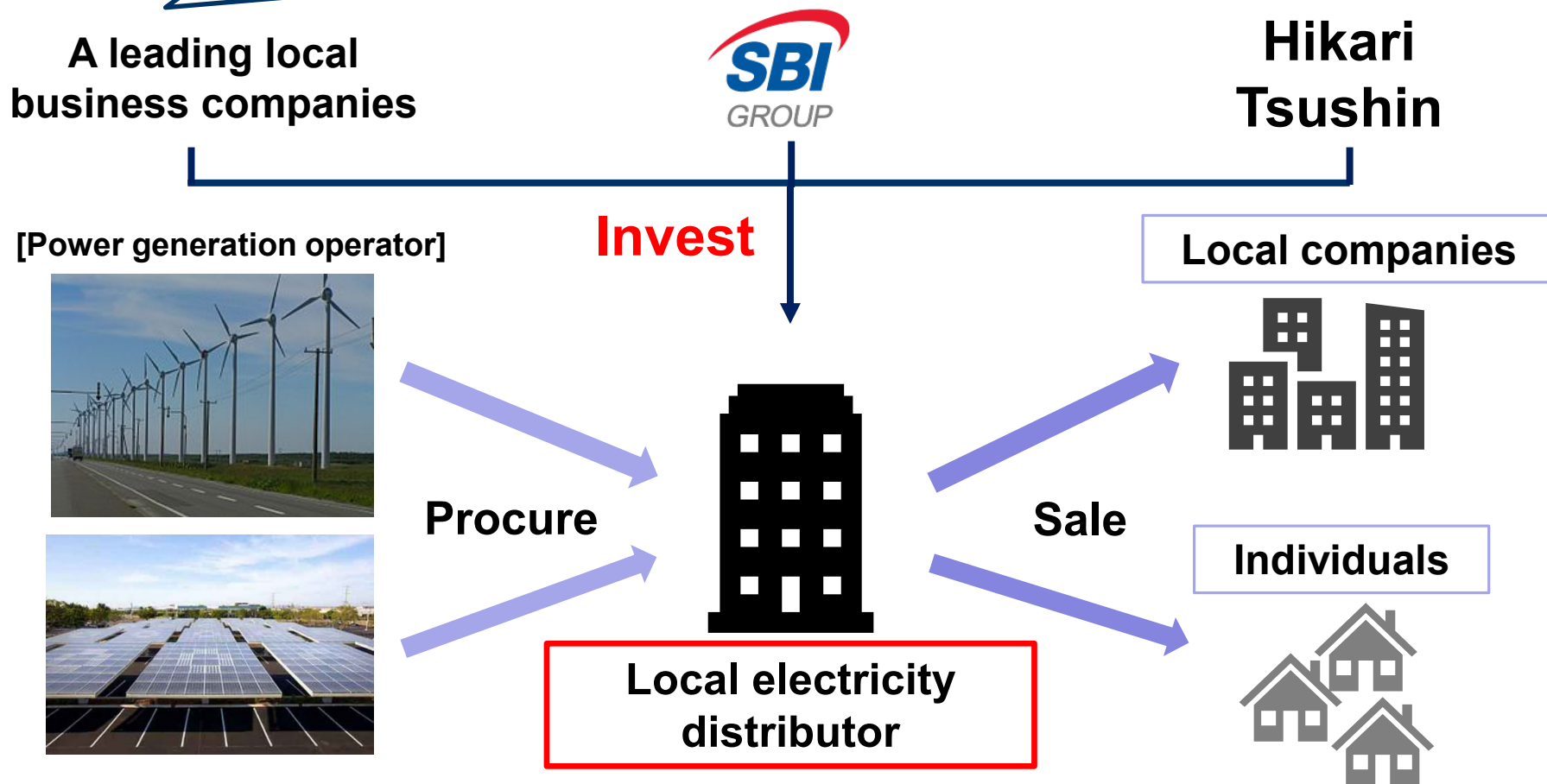
## Regional financial institutions

- ◆ Supporting access toward a nationwide digital technology deployment
- ◆ Support the utilization of digital technology of corporate customers through consulting
- ◆ Contribute to the vitalization of regional industries and economies through the introduction and support of digitized content and tools



## SBI Group will also Participate in the Regional Electricity Sales Business, which is Jointly Promoted by Shimane Bank and Hikari Tsushin

Primarily approaching to Shimane Bank's business partners, and over 10 leading local companies are already considering an investment into the company



Plan to sell to local businesses or individuals

**Advance similar schemes with Hikari Tsushin in other regions**



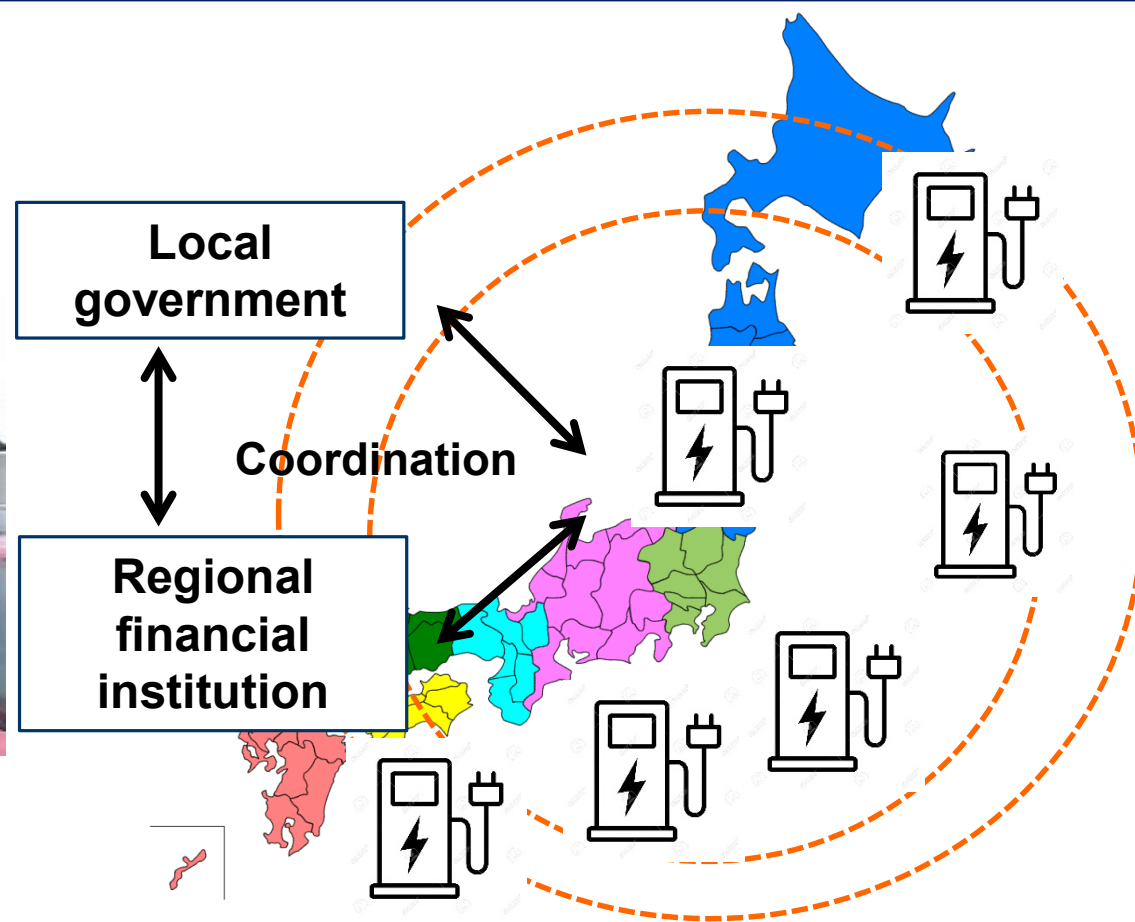
## Promoting the Development of Local Commercial Facilities and Community Development Facilities around “Roadside Stations”

**[Japan Charge Infra - SBI Group investee company]**  
**Installed and operating 237 electric vehicle charging infrastructure (333 electric vehicles)\* at “roadside stations,” as well as other locations**

**[Charging facility image]**



\* Includes the locations planned to be established in the current fiscal year



## b. Revitalization of local industries

**In Collaboration with Balnibarbi, which has a Remarkable Track Record in Revitalizing Local Economies through Restaurant Management, Hotel Management and Other Projects on a Nationwide Basis, will Endeavor a Further Regional Revitalization Effort Together**

### [Initiatives at Balnibarbi]





The premises before the construction of the restaurant



Construction of a large-scale restaurant

Focusing on restaurants previously established in the now dilapidated areas as a core, **will endeavor to enhance the value of the land to promote local revitalization** by attracting hotels and commercial facilities, etc.

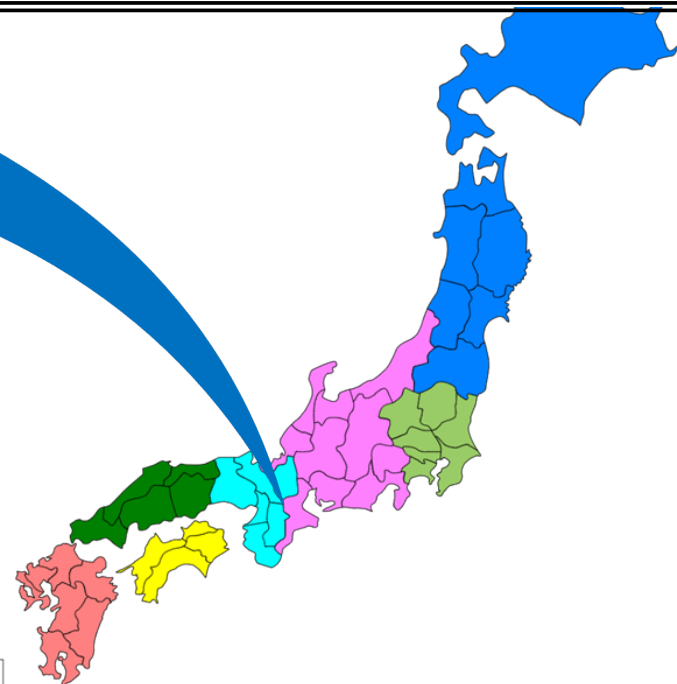
Case study 1 Minami-semba, Osaka	Case study 2 Kuramae, Tokyo	Case study 3 Awajishima, Hyogo
<b>Hamac de Paradis</b> 	<b>Riverside Cafe Cielo y Rio</b> 	<b>GARB COSTA ORANGE</b> 
Revitalized stranded areas, where there was an increase in vacant properties owing to the decline of the textile industry	Currently with multiple facilities, such as hostels, famous restaurants and bars built in the same area, the site has become vibrant	Built on the west coast of Awajishima, which suffers from depopulation.

# Utilizing the SBI Group's Global Network, Along with the Know-how and Expertise of its Investees and Collaboration Partners, to Support Local Companies in the Expansion of Their Distribution Channels Overseas

## Examples of services available

**Inagora** (SBI Group investee company)

**Provides the only Japanese product-specific cross-border EC platform for Chinese consumers**



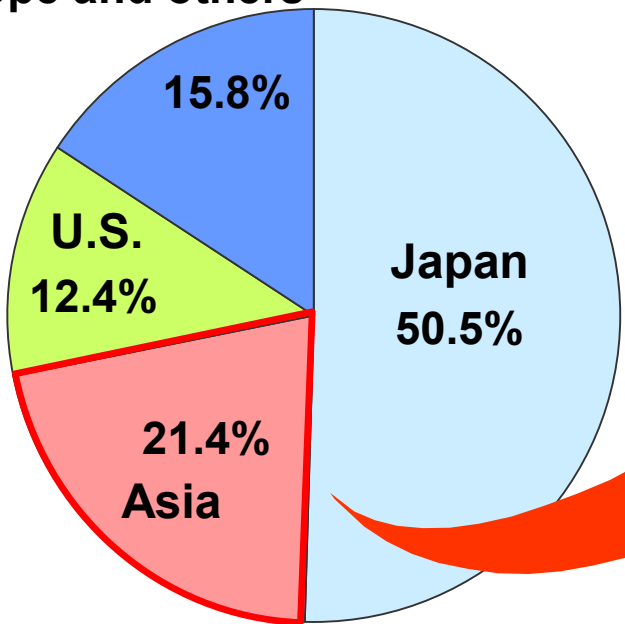
## **c. Provision of overseas investment and financing opportunities**

# SBI's Utilization of International Arbitrage for the Investment and Financing Businesses

Revenue expansion through the implementation of investments and financing from mature markets to high economic growth potential markets

- (e.g.) ➤ Low-interest rate market ➔ High-interest rate markets  
➤ Low-growth economy ➔ High-growth economies

Europe and others



The SBI Group's AUM is globally diversified in Asia, the U.S. and Europe, with overseas AUM in China and emerging Asian countries accounting for 21.4% of the total AUM

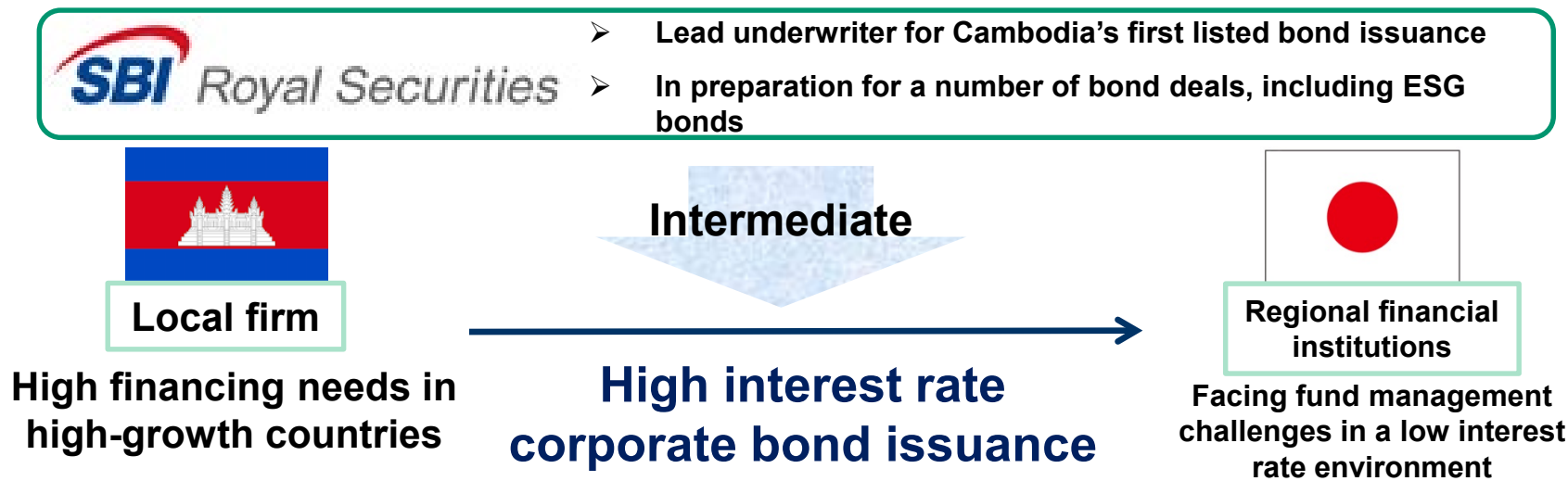
\* The assets under management that is already invested as of the end of Dec. 2019. (Excluding cash and uncalled capital)

Promoted global diversification of investments and financing, by establishing a global investment and financing structure, centering on Asia, through the formation of JV funds with prominent local partners around the world

# Introducing Various Services that Incorporate Arbitrage to Exploit Interest Rate Differentials between Japan and Abroad, to Partner Regional Institutions

Providing new revenue opportunities through the utilization of funds procured at low interest rates in Japan, for high growth and high interest rate countries in Southeast Asia

e.g. 1: Introducing overseas corporate bond investments that SBI Royal Securities plays a role as a lead underwriter



e.g. 2: Introducing SBI LYHOUR BANK's foreign currency deposit management to regional financial institutions



## **d. Effective utilization of real estates**



## Preparing to Establish a Real Estate Consortium for Effective Use of Real Estate Held by Regional Financial Institutions

### Issues facing local banks

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



### Promoting measures to resolve issues in cooperation with consortium members

- 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

#### Candidate companies for the member of consortium

Shinoken Group  
Sumitomo Real Estate  
Tokyu Real Estate Holdings  
Paraka  
Beelot  
Hoosiers Holdings  
vortex  
Max Liarty  
Latham



- ④ Contributions to the SBI Group's business results through a collaboration expansion with regional financial institutions**
  - Public interests lead to private interests -**
  - (i) Securities-related business**
  - (ii) Insurance-related business**
  - (iii) Asset management-related business**

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

-Planning the announcement of alliances with 4 additional regional financial institutions shortly-



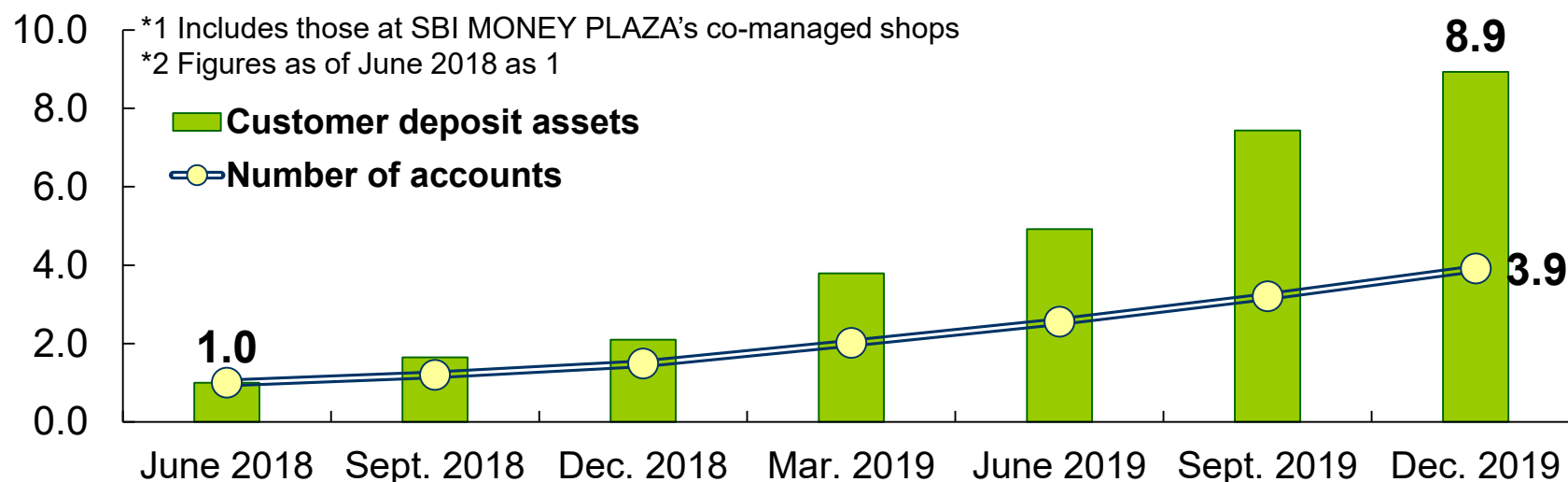
Financial instruments  
intermediary services

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



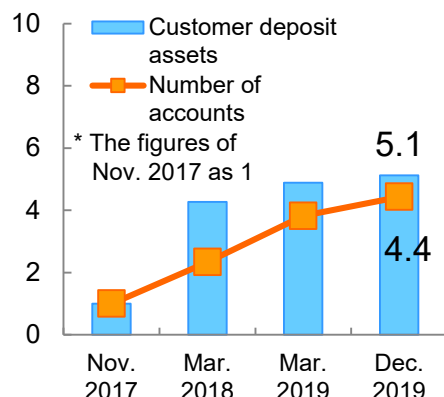
## (i) Securities-related business

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

Established ten co-managed shops in total, including those with Shimane Bank and the Fukushima Bank

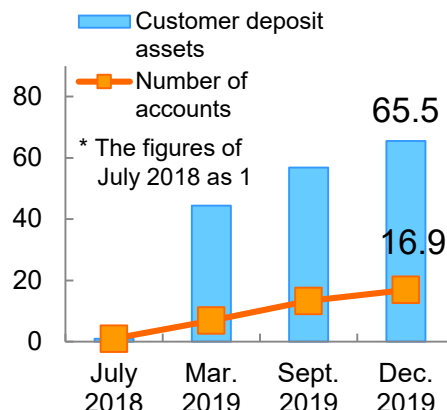
### Shimizu Bank

(Launched in Oct. 2017)



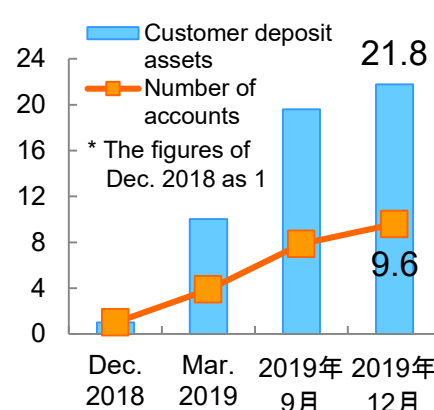
### CHIKUHO BANK

(Launched in June 2018)



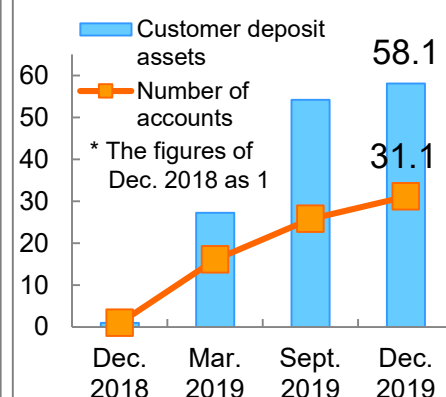
### THE SENDAI BANK

(Launched in Nov. 2018)



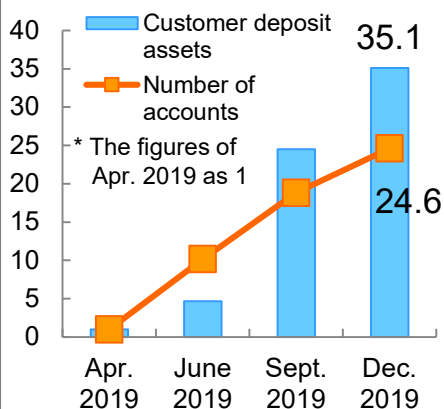
### EHIME BANK

(Launched in Dec. 2018)



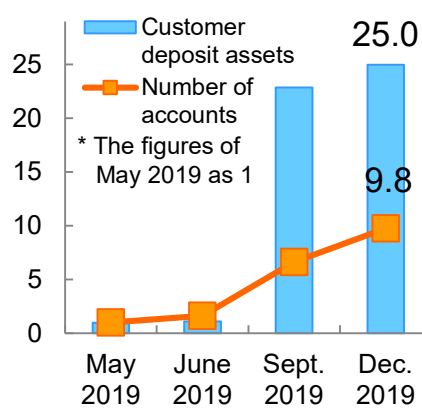
### THE MIE BANK

(Launched in Apr. 2019)



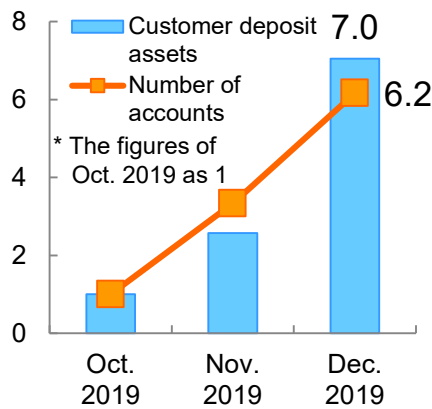
### THE TOWA BANK

(Launched in Apr. 2019)



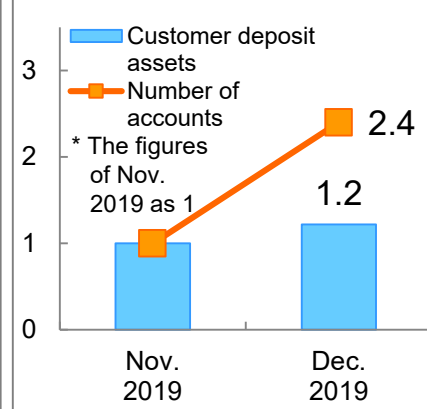
### The Keiyo Bank

(Launched in Sept. 2019)



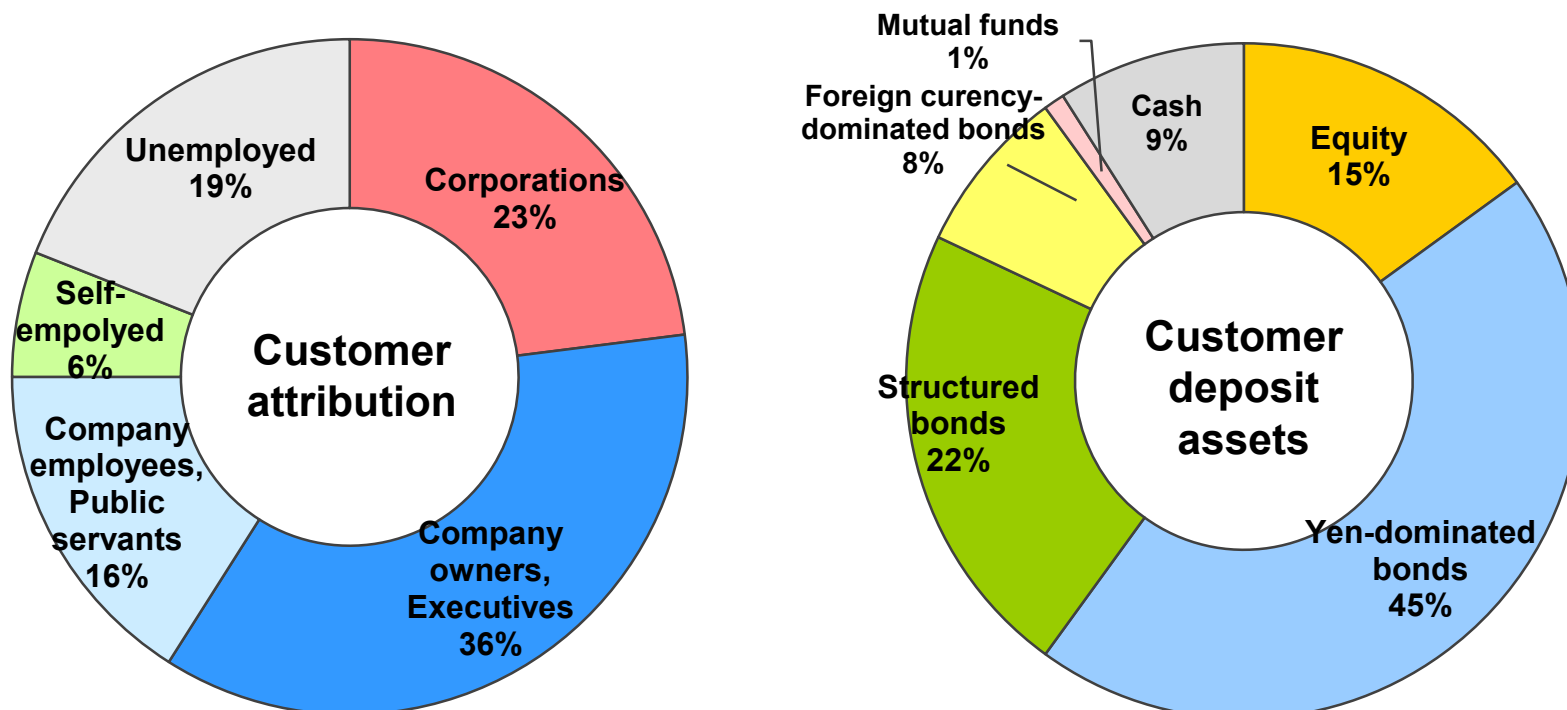
### The Kirayaka Bank

(Launched in Oct. 2019)



## At the Co-managed Shops with Regional Financial Institutions, Account Opening of Corporations and Wealthy Individuals, Including Company Owners is Progressing

### Breakdown of customer attributes, and customer deposit assets (Dec. 2019)



\* Sum of the figures of eight co-managed shops (Shimizu Bank, CHIKUHO BANK, THE SENDAI BANK, EHIME BANK, THE MIE BANK, THE TOWA BANK, The Keiyo Bank and The Kirayaka Bank)

**In addition to the planned opening of a second shop with Shimizu Bank in Mar. 2020, during FY2020 planning the launch of four co-managed shops, including those with various regional financial institutions, such as CHIKUHO BANK, which is considering the launch of a second co-managed shop**

# Insurance Companies are Proactively Promoting Alliances with Regional Financial Institutions to Expand the Sales of Their Insurance Products

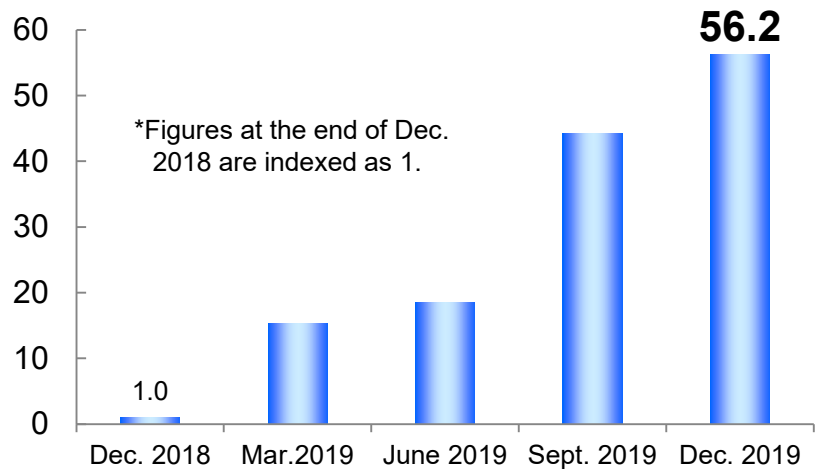


**50 companies (of which 16 are financial institutions) decided to adopt SBI Insurance’s products, and are planning their sales shortly**

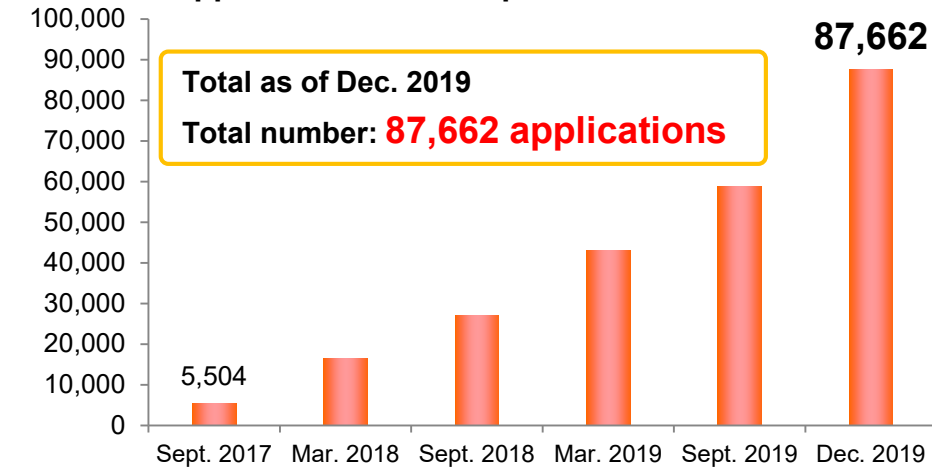


**17 regional financial institutions (of which 7 are regional banks) have decided to adopt, or have started sales of SBI Life Insurance’s Group Credit Life Insurance, with 2 more in the process of adopting**

**Total Number of Contracts from Partners**

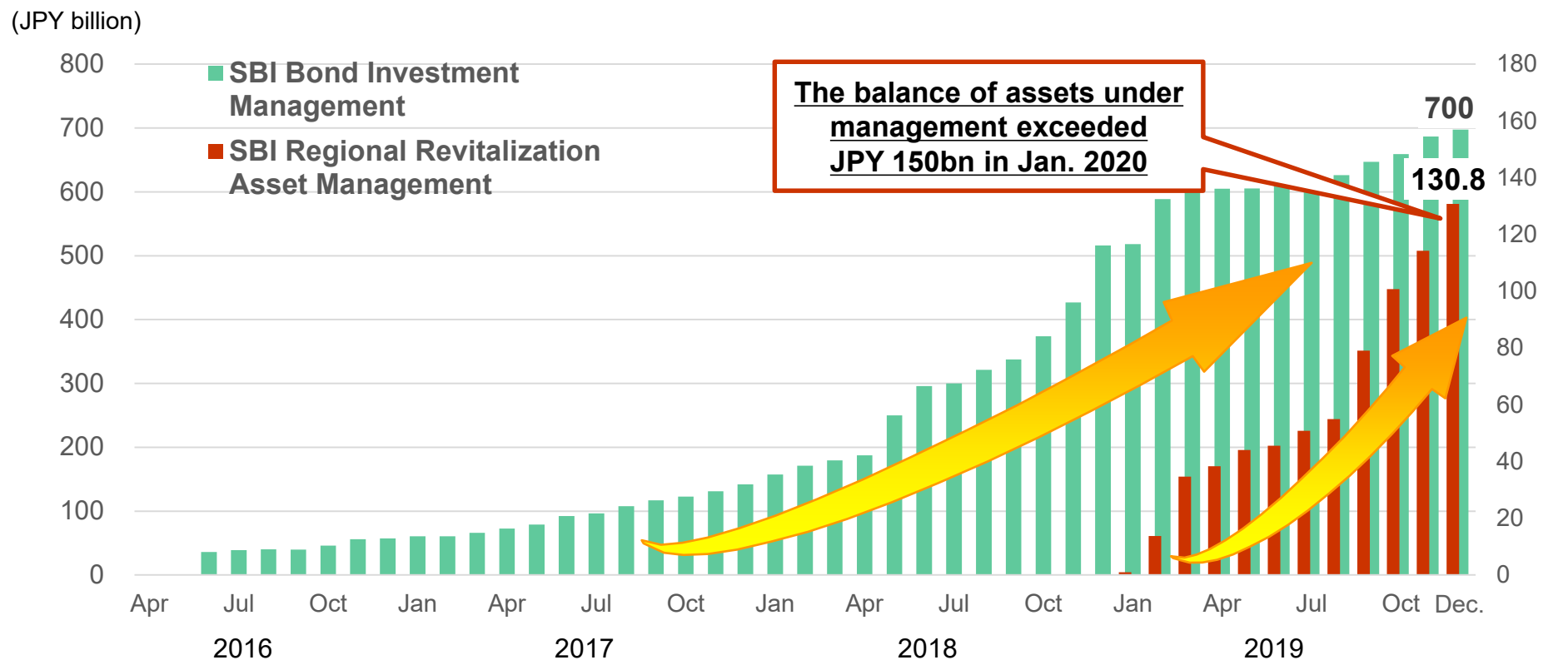


**SBI Life Insurance’s Trend in Number of Applications for Group Credit Life Insurance**



# The Balance of Assets Under Management Entrusted to the SBI Group by Regional Financial Institutions and Others Exceeds JPY 800bn

- SBI Bond Investment Management (co-founded with PIMCO, one of the world's largest bond investors) has consistently provided low cost simple investment products
- SBI Regional Revitalization Asset Management, which is co-invested by 37 regional financial institutions, has been entrusted with the asset management of **JPY 62bn** (as of Jan. 2020) from Shimane Bank, and the real yield for that asset has **turned from negative to a positive**, as a result of a portfolio reevaluation



## **[The SBI Group's four major strategies for the near-term]**

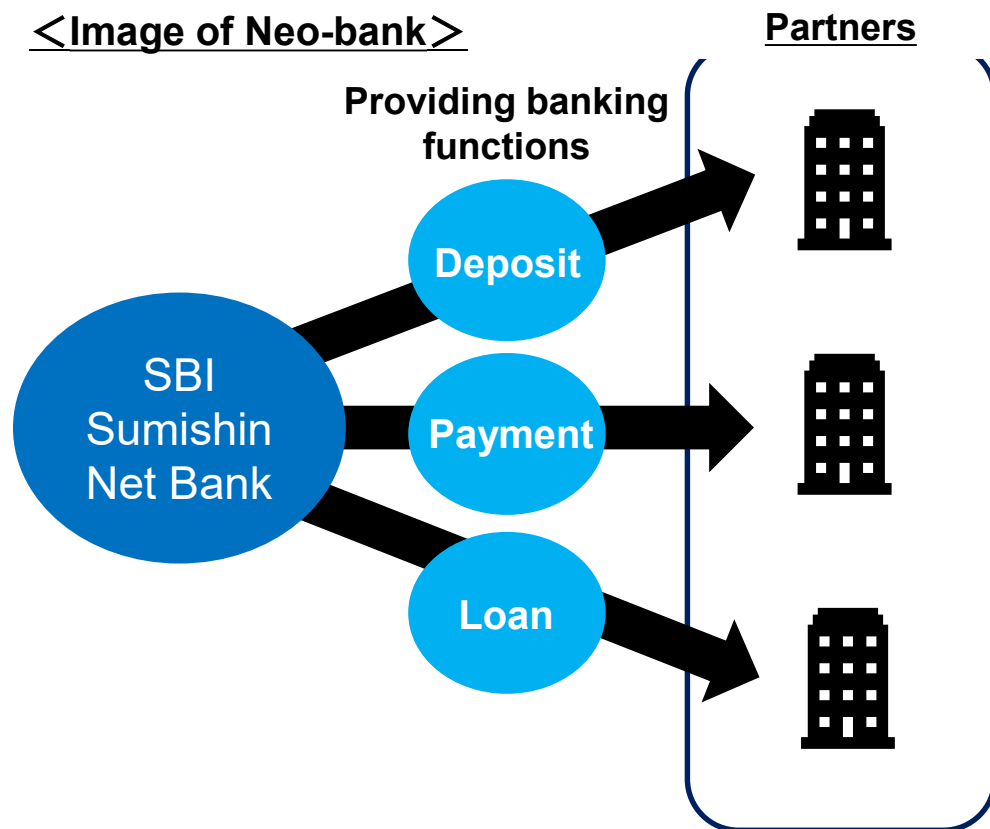
### **(2) Promotion of the realization of Neo-bank initiative**

- ① An alliance with the Hikari Tsushin Group, to utilize the financing capabilities of SBI Sumishin Net Bank**
- ② As part of an alliance with Z Holdings Corporation, The Japan Net Bank agreed to provide housing loan products handled by SBI Sumishin Net Bank**
- ③ Providing alliance partners with SBI Sumishin Net Bank's expertise and know-how in the areas of screening, settlement and security services, to advance the creation of new services and expand the business foundation**

# The Neo-Bank Initiatives of Unbundling Banking Functions and Providing them to Business Partners is Steadily Progressing

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

<Image of Neo-bank>



- ◆ Established **JAL Payment Port** in Sept. 2017 (Co-founded with JAL)
- ◆ Bank agency contracts were entered into by **Recruit Zexy Navi**, **Asahi Kasei Homes Financial**, etc., (2019)



**Through alliances with major operators possessing high loyalty and significant customer base, will endeavor to create new banking services**



# SBI Sumishin Net Bank is Steadily Growing into One of the World's Top Neo-Banks

SBI Sumishin Net Bank has used “DBS Bank” as a model for its Neo-bank initiative

## DBS Bank

Advanced Neo-bank in Singapore

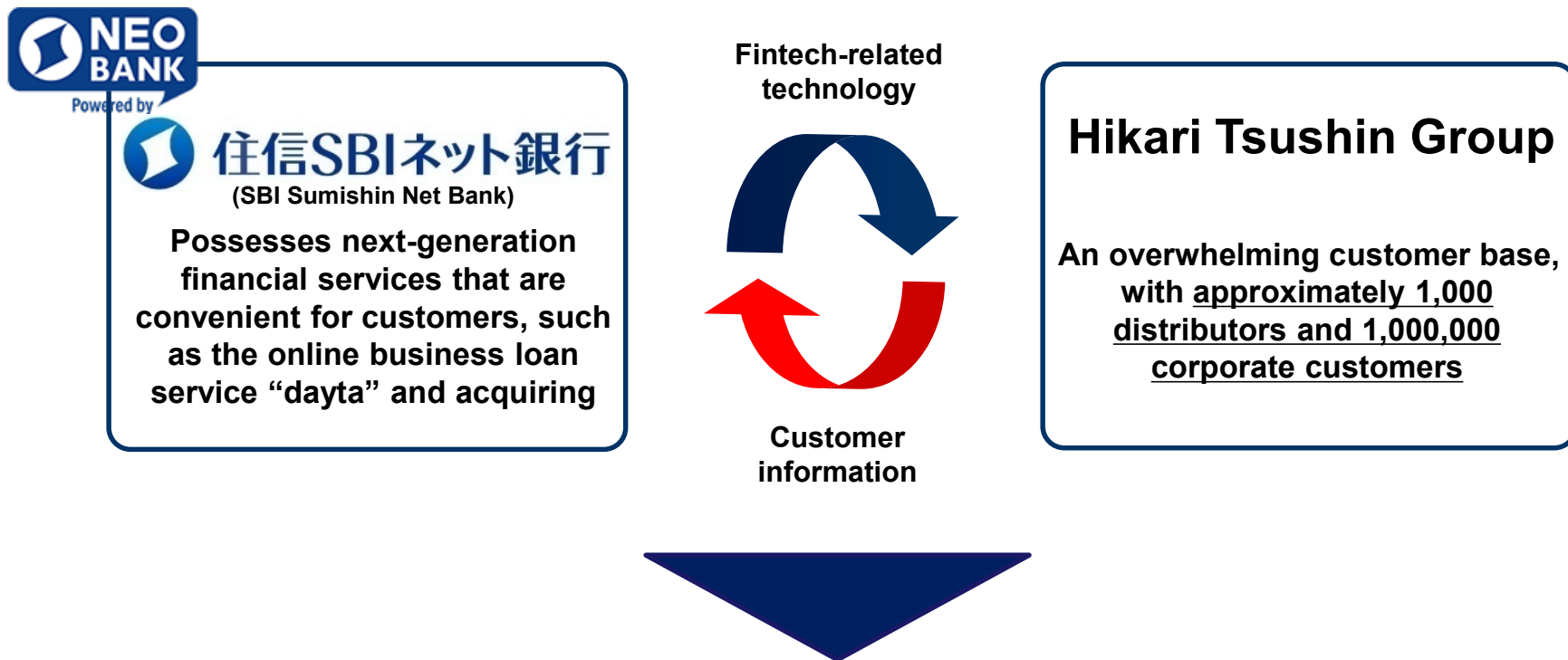
- A global financial institution represented in 18 countries worldwide, centered in Singapore
- Deposit amount of JPY 30,780bn, with 24,000 employees
- Selected as the “World’s Best Digital Bank,” by Euromoney, the UK financial magazine, in 2016 and 2018
- Retail banking revenue growth of approximately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



SBI Sumishin Net Bank has already started offering more sophisticated and comprehensive banking functions than DBS Bank to its alliance partners

# ① An Alliance with the Hikari Tsushin Group, to Utilize the Financing Capabilities of SBI Sumishin Net Bank

- Basic Agreement Reached with the Hikari Tsushin Group for the Creation of New Businesses for the SME Customer Base, in Nov. 2019 -



**Creating innovative new businesses for an SME customer base and by doing so, rejuvenating the regional economy while striving to improve the corporate value of both companies**

## ② As Part of Alliance with Z Holdings Corporation, The Japan Net Bank is Preparing to Provide Housing Loan Products “Flat 35” Handled by SBI Sumishin Net Bank



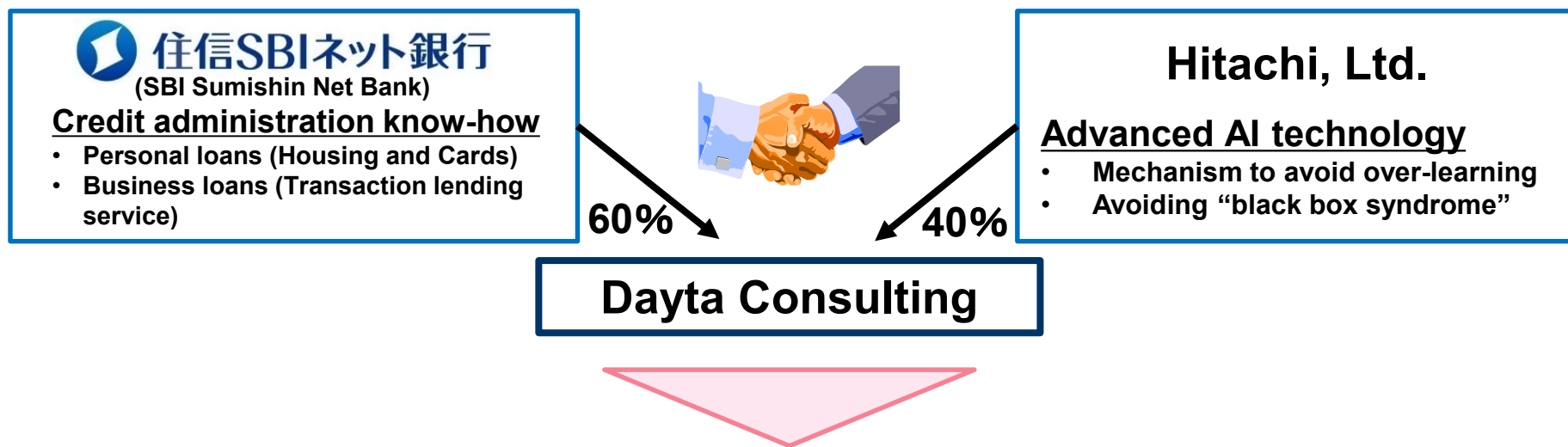
- Established as Japan’s first Internet-only bank in Sept. 2000
- In Feb. 2018, became a consolidated subsidiary of Z Holdings (former Yahoo), which has a business alliance with the SBI Group
- As of the end of Dec. 2019, the number of accounts reached **4.46 million** accounts, representing a solid customer base

[Alliance image]



- ③ **Providing alliance partners with SBI Sumishin Net Bank's expertise and know-how in the areas of screening, settlement and security services, to advance the creation of new services and expand the business foundation**

# As of Jan. 2020, the High-performance AI Screening Service for Financial Institutions Provided by the Joint Venture with Hitachi, “Dayta Consulting,” has Already been Agreed to be Adopted by Several Regional Banks



- On May 30, 2019, Hitachi’s new artificial intelligence technology, “Hitachi AI Technology/Prediction of Rare Cases” and SBI Sumishin Net Bank’s data handling technology know-how were combined to establish a new JV, “**Dayta Consulting**” which provides an AI screening service
- As of Jan. 2020, several financial institutions have already decided to adopt the AI screening service. Sales activities will continue, with the goal of servicing dozens of other financial institutions within the next 2-3 year period
- Plans to expand applicable fields for AI screening services, such as the **transaction lending service** that supports advance screening based on fund settlement information, and detailed **screening of card loans** to avoid borrowers with multiple debts

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



Banking Services



Advanced system design and development capabilities

## 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

- ◆ The settlement business has been performing well, owing to the ongoing trend toward a cashless society in Japan. For the 9M FY2019 period, both sales and profits exceeded the business plan, and the goodwill was subsequently absorbed
- ◆ Enhancing the functions of multi-payment terminals, and started to support Alipay and WeChatpay from July. From Aug., started to support Suica, and going forward, planning to increase the settlement amount by further expanding to support various services

**[The SBI Group's four major strategies for the near-term]**

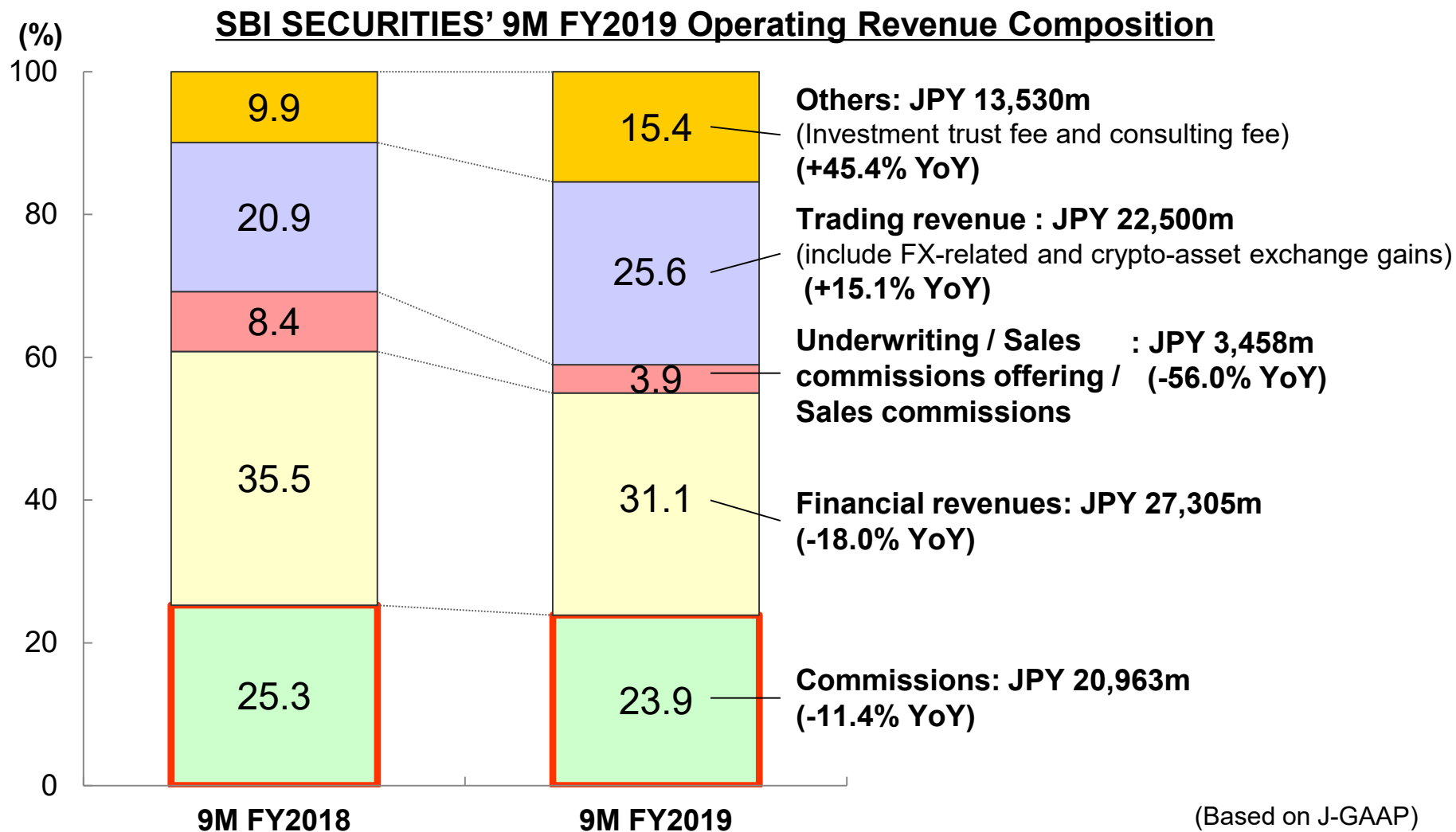
### **(3) Advancing the Neo-securities initiative**

**Neo-securities initiative**

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

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

-Essential to maintain high profitability even after waiving online trading commissions-



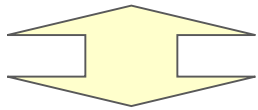


# Only SBI SECURITIES is Assumed to Be Able to Maintain Profitability, Even Upon the Complete Abolition of Brokerage Commissions

## -Peer companies are projected to fall into deficit-

[Operating income of the five online securities companies for 1H FY2019, and the estimated operating income assuming zero stock brokerage commissions] (Unit: JPY million)

	SBI (cons.)	Rakuten (cons.)	Monex (non-cons.)	Matsui (non-cons.)	au Kabucom (non-cons.)
Operating income	18,069	5,268	934	3,987	1,327



[Formula = (Net operating revenue – Equity brokerage commissions) – SG&A]

Operating income with zero stock brokerage commissions	7,502	-554	-3,308	-962	-1,092
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\* Compiled by SBIH based on “Impact of Zero Commissions Led by Online Securities Companies,” from “The Financial Economist (Jan. 6, 2020 issued)”



- SBI SECURITIES has prioritized the actualization of **commission-free online trading**, but the abovementioned estimated equity brokerage commissions include that of face-to-face transactions, so the deduction amount is considerable
- SBI SECURITIES will consider waiving commissions for face-to-face transactions after the actualization of commission-free online trading
- The abovementioned estimates **do not take into account any potential positive impact, such as an increase in the customer base**, owing to the actualization of zero commissions

# The Already Actualized Commission-free Trading and Interest Rate Reductions at the Major Online Securities Companies

## Investment trusts

	SBI	Rakuten	au Kabucor	Matsui	Monex
Sales commissions	○	○	○	○	○

## Domestic equities

	SBI	Rakuten	au Kabucor	Matsui	Monex
Domestic ETF spot trading commissions	○ (103 stocks)	○ (99 stocks)	○ (90 stocks)	—	○ (3 stocks)
ETF and REIT margin trading commissions	○	○	○	—	○
Daily execution amount ceiling of JPY 500 thousand, for both spot and margin trading, when using the Active Plan	○	○	—	○	—
Intra-day margin trading fee Margin trading interest rate of 2.8% and stock lending fee of 2.0% → 1.8%	○	○	—	○	—
Night-time PTS trading commissions <b>SBI only</b>	○	—	—	—	—

# Approximate Timeline for the Realization of the Neo-securities Initiative, in Three Stages

- 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

[Already implemented since Dec. 2019]

## Second step

## Third step



- ① No fees for mutual funds sales
- ② No fees for ETF and REIT margin trading
- ③ Substantively waiving night-time PTS trading commissions
- ④ Easing the condition of the daily execution amount ceiling for both physical and margin commission-free trading
- ⑤ Substantively waiving trading and sales commissions of 103 domestic ETFs, and 9 U.S. ETFs
- ⑥ Cutting the intra-day margin trading interest rate and stock lending fee to 1.8%



No fees  
charged for  
stock trading



No fees charged for  
spot trading and  
margin trading

The second and third stages of the initiative will be promoted upon the progression of commission-free trading at existing securities companies, and the new entrance of non-financial and foreign companies

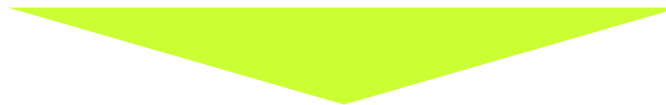
# Commission-free Movement that Started within the Online Securities Companies May Trigger an Industry Restructuring

Mizuho Securities, one of the major face-to-face securities companies has followed the trend

Announced that from Feb. 3, 2020, it will actualize **commission-free trading** for online margin trading, as well as the **substantive waiving of sales commissions** for online purchases of 12 index funds. An online margin trading interest rate hike is also scheduled



**There is a large possibility that other face-to-face securities companies will also follow suit**



The actualization of commission-free trading will create a barrier to entry for non-financial and foreign company entrants, but if the regional financial institutions' securities subsidiaries, or small and medium-sized firms follow suit, it may become problematical for them to continue their business operations

**A further expansion of SBI SECURITIES' financial instruments intermediary services is anticipated**

# SBI SECURITIES' Measures to Realize Commission-free Online Trading

## Further improve the positioning of the retail business, which has a dominant presence

- Continuous focus on acquiring new customers, through strategic services such as NISA and iDeCo, which are already commission-free
- With **SBI NEOMOBILE SECURITIES as its core, establishing an ecosystem to attract younger generation users**, that will bridge an organic linkage between SBI FXTRADE, SBI VC Trade and Money Tap.

## Establishment of a business structure that is less dependent on stock brokerage commissions

- **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
- Expanding brokerage services to customer financial institutions, through the Financial Institutional Sales Dept.
- **Strengthening trading gains** from the FX and crypto-asset exchange businesses
- **Growing the non-flow business**, such as robo-adviser service and investment trust fees of mutual funds

## Advancing profitability improvements, through a significant increase in trading transactions and liquidity, and cost reductions

- In addition to improving transaction matching through the utilization of SBI Prime Securities, will increase interest income and advance the lending business with institutional investors, owing to an increase in the open interest credit balance from the expansion of margin trading
- Reduction in outsourcing costs

**[The SBI Group's four major strategies for the near-term]**

**(4) Adoption of fintech by the entire Group,  
along with the active utilization of blockchain  
and distributed ledger technology**

- ① The SBI Group financial services' fintech implementation status**
- ② Developments in the digital asset-related business utilizing blockchain and distributed ledger technology**

① The SBI Group financial services' fintech implementation status



# Continue to Adopt and Verify Advanced Fintech for Each Financial Service of the SBI Group (i)

 **SBI証券** [SBI SECURITIES]

**AI**


**Blockchain**

**RPA**

**Other**

<ul style="list-style-type: none"><li>- Application of NEC's AI for the trade review operation of stocks</li><li>- Introduced a speech recognition and text mining tool utilizing AI for call center operations</li></ul>	<ul style="list-style-type: none"><li>- Collaborated with IBM Japan for the verification of the applicability of blockchain to the financial market infrastructure for bond processing operations</li><li>- Joined Japan Security Token Offering Association</li><li>- Scheduled to introduce a confirmation system for contract information in FX transactions</li></ul>	<ul style="list-style-type: none"><li>- Incorporated for back office work for customer relations, and for compliance related matters</li></ul>	<ul style="list-style-type: none"><li>- Participated in the "Securities Consortium," in which 60 companies participated, including securities companies and related IT companies, and announced the results of activities by 3 working groups in December 2019</li><li>- Offer Robo-adviser "Wealthnavi for SBI SECURITIES"</li></ul>
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 **SBI損保** [SBI Insurance]

 [SBI Life Insurance]

<ul style="list-style-type: none"><li>- (Life Insurance)</li><li>- Provides audio guidance, including product descriptions, by Amazon Echo</li><li>- (Non-life Insurance) Provide a service that reads other companies' automobile insurance policies utilizing AI-based OCR, to present one's own premium estimate</li></ul>		<ul style="list-style-type: none"><li>- (Non-life Insurance) Adopted for administrative work for customers, and for administrative work related to damage services</li><li>- (Non-life Insurance) Utilize the business automation platform, "ANTstein," of the SBI Group's investee company AntWorks, Inc.</li><li>- (Life Insurance) PoC in progress at the operations department</li></ul>	<ul style="list-style-type: none"><li>- (Non-life Insurance) Conducted proof of concept tests for the provision of telematics services based on driving behavior data</li><li>- (Life Insurance) Begun cooperation with companies for introduction of eKYC</li></ul>
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# Continue to Adopt and Verify Advanced Fintech for Each Financial Service of the SBI Group (ii)



AI

Blockchain

RPA

Other

<ul style="list-style-type: none"><li>- Building an algorithm to detect unauthorized use of housing loans using AI</li><li>- Introduction of a monitoring system for illegal remittances using an AI developed jointly with NEC</li><li>- Introduction of rogue login detection service "FraudAlert"</li><li>- Establishment of a new company "Dayta Consulting Co., Ltd." to provide AI screening services</li></ul>	<ul style="list-style-type: none"><li>- Apply to Money Tap, a money transfer app using DLT offered by Money Tap Co., Ltd.</li></ul>	<ul style="list-style-type: none"><li>- Introduction of RPAs in housing loan, card loan, customer service, financial crime, and other businesses</li></ul>	<ul style="list-style-type: none"><li>- First API integration in Japan (March 2016). More than 300 banking functions offered through API</li><li>- Offer Robo-adviser "Wealthnavi for SBI Sumishin Net Bank"</li></ul>
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## Examples of Other Initiatives

- (SBI Holdings) Developed "S Coin Platform," a local currency issuance and distribution platform
- (SBI Remit) Launched the first remittance service utilizing distributed ledger technology (DLT) between Japan and Vietnam
- (SBI Social Lending) Linked with an external customer identification API infrastructure service. It is expected to shorten the time required to complete investor registration from a maximum of one week to two days
- (Morningstar Japan) Utilizing AI to provide breaking news on U.S. stock results



## **② Developments in the digital asset-related business utilizing blockchain and distributed ledger technology**

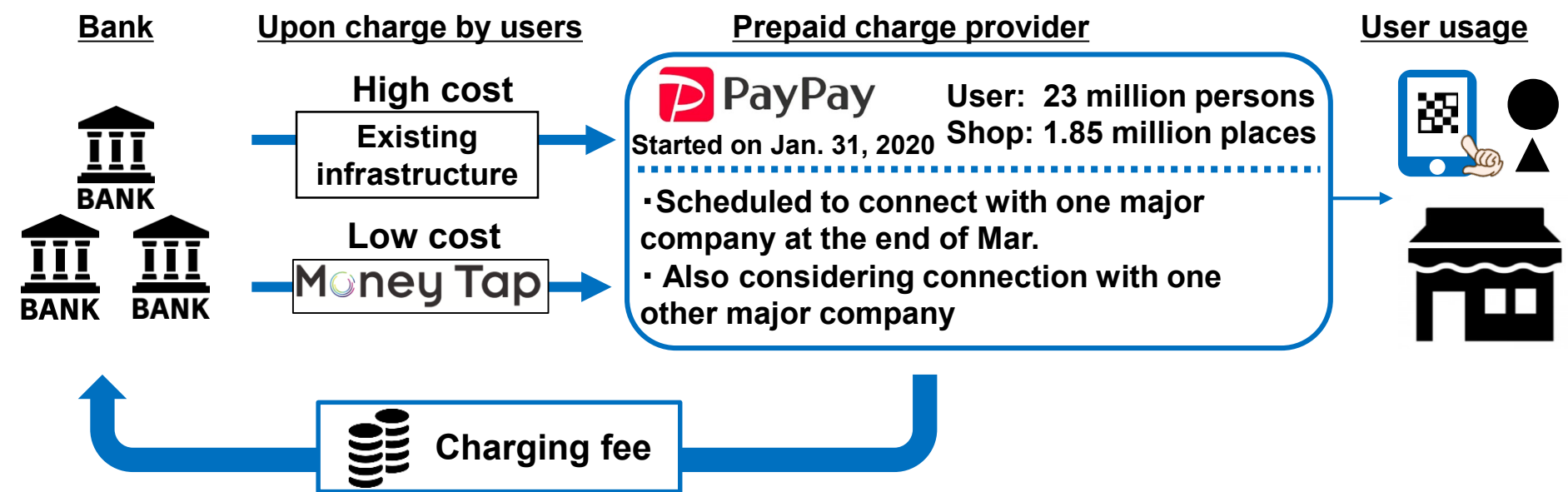
- (i) Money Tap, with 34 financial institutions participating as shareholders, has entered a full-fledged service development stage**
- (ii) Expanding both customer base and profitability, by utilizing crypto-assets**
- (iii) Cooperating with the Stuttgart Stock Exchange of Germany, for a possible global expansion**
- (iv) Mizuho Securities and SMBC Nikko Securities newly joined the Japan Security Token Offering Association**
- (v) Cooperating with Sumitomo Mitsui Financial Group to accelerate services in the trade finance field, utilizing distributed ledger technology**

# (i) Money Tap

**Money Tap, with 34 Financial Institutions Participating as Shareholders, has Entered a Full-fledged Service Development Stage**

**-In Conjunction with the Development of a Cashless Society, Supports Cost Reduction and the ease of bank deployment-**

**Charging is possible without utilizing existing infrastructure, such as CAFIS, leading to a lower charging cost**



## Advantage (for banks)

- No development costs upon connection
- Lower cost than existing infrastructure
- Ease of selection of prepaid charge provider

## Advantage (for prepaid charge providers)

- No connection development cost for individual banks
- Aggregates charges into one account
- Efficiency in developing connecting banks

**SBI VC trade Remained Profitable. Internal Production and Shipment of Mining Chip is Expected to be in Mid-2020**

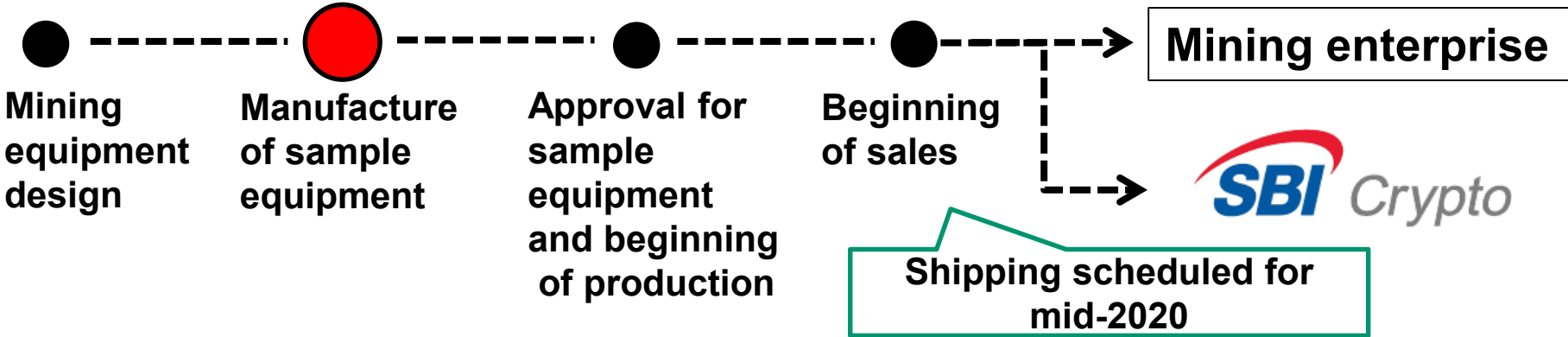
**VC Trade** (Crypto-asset exchange)

(Included in the Financial Services Business from 1Q FY2019) (Unit: JPY million)

	9M FY2018 (Apr. 2018–Dec. 2018)	9M FY2019 (Apr. 2019–Dec. 2019)
Profit before income tax expense	-987	3,659

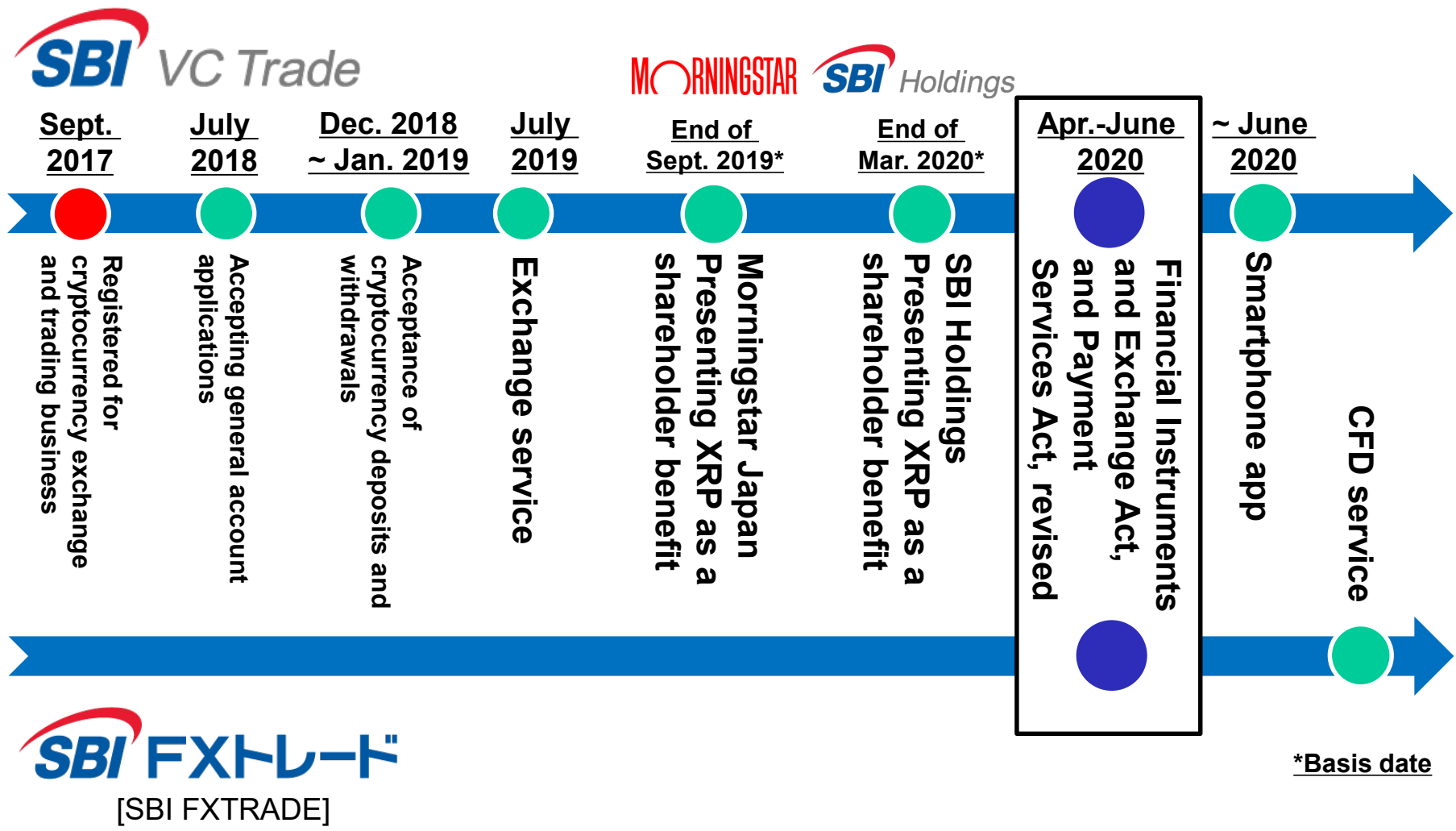
**Mining Chip** (Development of mining chips and systems)

Development status of the miners



Established pre-launch website <[sbicarbon.com](http://sbicarbon.com)>. Already received a number of offers, and currently pursuing some large-scale contracts

**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 the First Half of 2020**



# Implemented XRP as a SBI Group Shareholder Benefit, and the Number of SBI VC Trade Accounts Sharply Increased Following the Exercise of Shareholder Benefits at Morningstar Japan

- Morningstar Japan implemented XRP shareholder benefits to 14,376 individual shareholders\*<sup>1</sup> as of Sept. 30, 2019  
(exercise ratio of individual shareholder benefits as of Dec. 30, 2019 was 12.5%\*<sup>2</sup>)
- As of the end of Mar. 2020, SBI Holdings is expecting the prospects of acquiring a significant number of SBI VC Trade accounts, owing to the offering of XRP shareholder benefits
- SBI Holdings had a total of 116,118 individual shareholders\*<sup>1</sup> as of Sept. 30, 2019

\*<sup>(1)</sup> Shareholders with over 1 unit of shares  
\*<sup>(2)</sup> Exercise deadline is at the end of Mar. 2020  
\*<sup>(3)</sup> Include shareholders with under 1 unit of shares



Moving forward, the SBI Group’s listed companies are planning to add XRP, which has practical and asset properties, to the shareholder benefit program

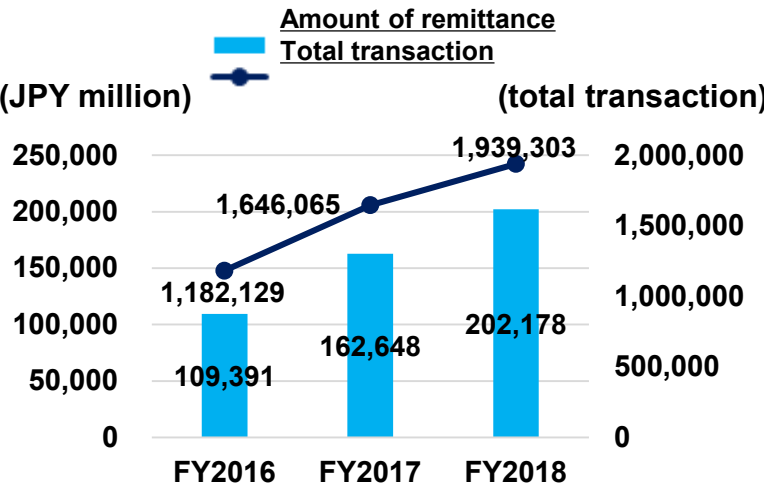
# SBI Remit to Secure Dominance in the International Remittance Market by Cooperating with Overseas Financial Institutions and Utilizing DLT



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)

Total transaction and amount of remittance



Developing a system in cooperation with multiple banks, to utilize Ripple’s DLT for remittances from Japan to several of the Southeast Asian banks that the SBI Group has invested in



Japan-Vietnam remittance service with TP Bank commenced from Nov. 15, 2019



Launched a service that allows remittances to all major Thai banks through PromptPay (Thailand’s local network), as well as to Siam Commercial Bank accounts in Thailand

**SBI Remit’s transaction volume is now No. 1 on RippleNet**

(ii) Crypto-asset utilization

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

**SBI** *Crypto* (Crypto-asset mining)

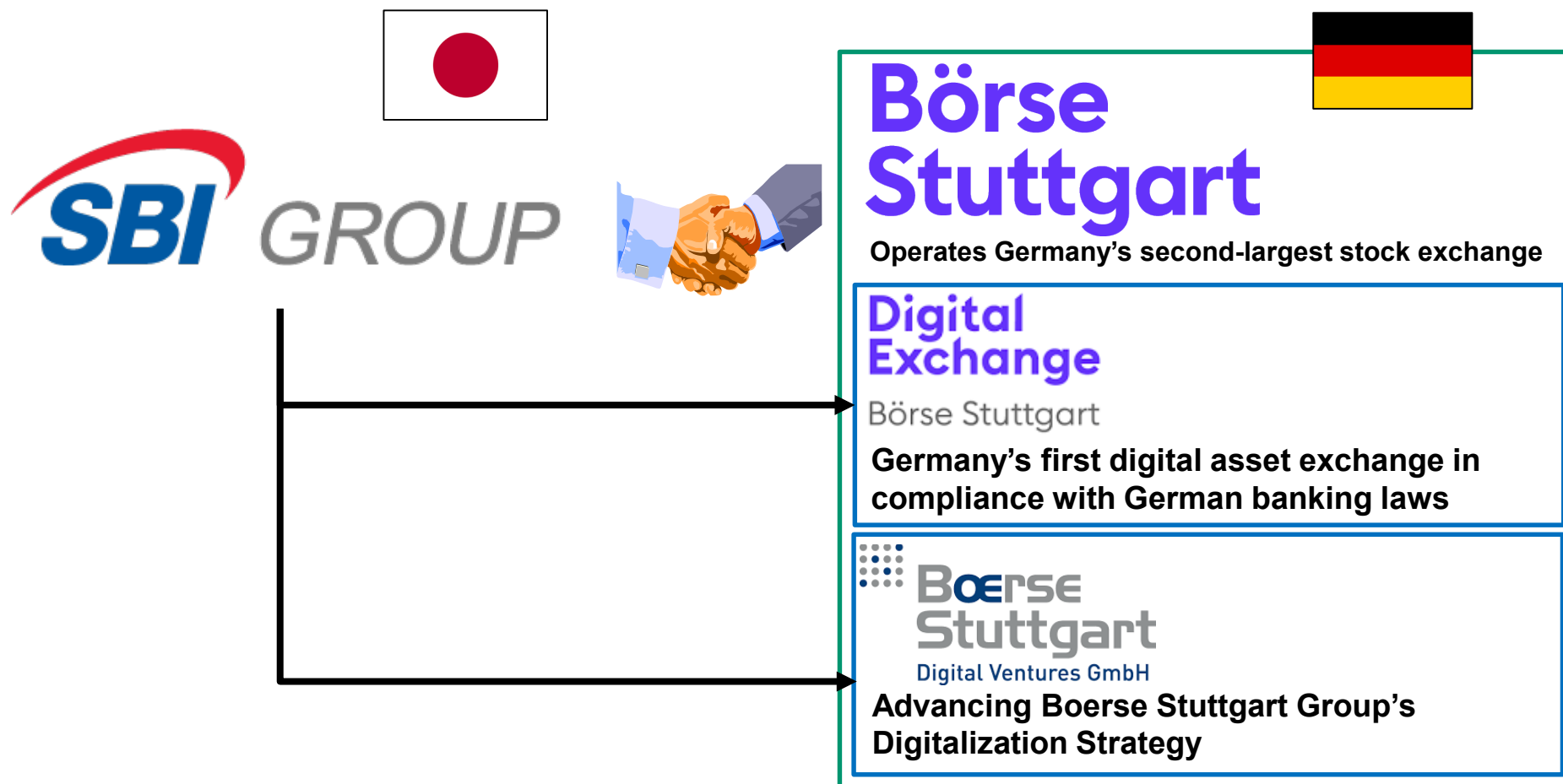
- In the first half of the fiscal year, one of two sites operated was closed and moved to another facility
- In addition, in the third quarter, high-performance cryptominers has begun its operation **at two new sites in the U.S. and Central Asia**



**<New website launched on Jan. 2020>** [www.sbicrypto.com](http://www.sbicrypto.com)

**Developing a unique mining pool to provide a new revenue source, as well as to reduce cost**

## Planning to Invest in Boerse Stuttgart Stock Exchange Group, Germany, in Order to Establish a Global Digital Asset Financial Ecosystem



Considering the creation of a global digital asset real demand, through the mutual issuance and handling of digital assets in Japan and Germany, along with international custody



## **Mizuho Securities and SMBC Nikko Securities has Joined the Japan Security Token Offering Association**

**-Adopt Self-regulatory Rules for Security Token Offering (STO), a Financing Method through Electronic Records, for the Sound Development of the Industry-**

- **As of the end of Jan. 2020, 8 companies participated, namely SBI SECURITIES, SMBC Nikko Securities, kabu.com Securities, Daiwa Securities, NOMURA SECURITIES, MONEX, Mizuho Securities and Rakuten Securities**
- **Preparations are underway to obtain certification as a self-regulatory organization in the spring of 2020**

### Revision of the law regarding STO

Revisions to the Financial Instruments and Exchange Law of May 31, 2019 regulates token-based financing



By bringing together pertinent information with a focus on securities companies, endeavoring to realize STO business opportunities that ensure strict legal compliance and investor protection in Japan

# The SBI Group's Thoughts on the STO's Role

## Purpose

- Provide new financing method for startup companies
- Offer new investment products for investors
- Provide new opportunities for companies that had difficulty funding through existing methods

## Value

- Less burdensome than an IPO, with speedy funding for a set amount
- Unlike equity, it is possible to consider external financing without ceding management control
- A high degree of freedom in product design, allowing variations that are not found in existing securities

## Concept

- Incorporating the inherent qualities of the ICO and complying with the legal system, to provide a different value from existing securities
- Endeavor to realize a financial market infrastructure with reduced cost and time, by utilizing state-of-the-art technology

## Difference between ICO

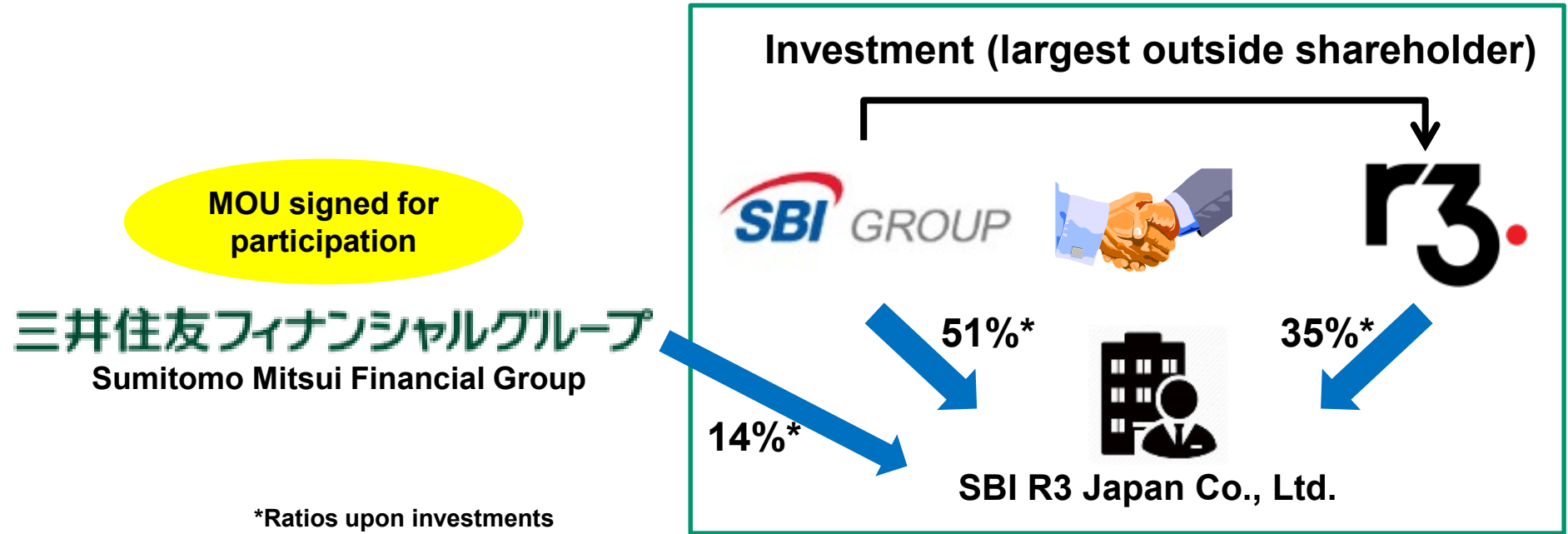
- Regulated and issued under the Financial Instruments and Exchange Act, ensuring "legal compliance, fraud prevention and information disclosure"

## What is a security token?

- Real assets such as stocks and bonds that are managed as tokens on the blockchain
- The Financial Instruments and Exchange Act was amended on May 31, 2019, and it became clear that the Financial Instruments and Exchange Act applies to so-called security tokens to which the right to receive revenue distributions is granted
- Registration as a Type I Financial Instruments Business is required in order to conduct sales, etc. of security tokens and to handle public offerings, etc.

**The industry as a whole will work together to establish rules for STO adoption, based on the Financial Instruments and Exchange Act, which will go into effect in the first half of 2020**

**Accelerate the Provision of Services in the Trade Finance Field,  
Utilizing Distributed Ledger Technology in Cooperation with  
Sumitomo Mitsui Financial Group (SMFG)**



- Sumitomo Mitsui Banking Corporation has participated in the Marco Polo project, which R3 and TradelX of the U.K. are promoting using Corda, and is using enterprise blockchain technology for trade finance
- Through the acceptance of a capital participation in SBI R3 Japan, the SBI Group, R3 and SMFG have established a cooperative system, and will begin discussions on the prompt use and diffusion of distributed ledger technology platforms

**2. In order to materially advance the near-term four major strategies, pursue M&A both domestically and abroad, to realize dramatic growth that may be problematical to achieve through an organic growth of the existing businesses**

- (1) Business areas for M&A consideration both domestically and abroad**
- (2) Advance the IPOs of Group companies to raise the necessary funds for M&A activities, etc.**

# **(1) Business areas for M&A consideration both domestically and abroad**

# SBI Group's Approach to M&A ①

The SBI Group has grown at an extraordinarily rapid pace for 20 years since its establishment in 1999

	1999	FY2018
Operating revenue/Revenue	JPY 0	JPY 351.4bn
Capital	JPY 50m	JPY 92.0bn
No. of employees	55 persons	6,439 persons
No. of consolidated subsidiaries	0 companies	226 companies
Group's customer base	0	Approx. 25 million

Building on the growth over the past 20 years, in addition to the organic growth, will aggressively pursue M&A activities that will realize the four major strategies

# SBI Group's Approach to M&A ②

## -M&A target area-

### (i) Businesses that decrease dependence on brokerage commissions\*

\*Deals that will lead to an increase in revenue of financial revenue, underwriting, sales commissions offerings, sales commissions, trading income, etc.

Ex.

FX company

Crypto-asset  
company

M&A specialist

...

**Reduce the composition ratio of brokerage commissions to 5% or less of SBI SECURITIES' operating revenues**

# SBI Group's Approach to M&A ②

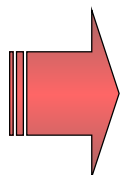
## -M&A target area-

(ii) High-growth overseas financial services businesses in Southeast Asia, Africa, and other regions that the regional Japanese financial institutions may be candidates for lending and investment purposes

The finance and insurance industries grew rapidly from the high-growth period of the 1960s, and **during that high-growth economic period the finance industry, which supports the economy as an industrial infrastructure, sustained its top position for a long period of time**

	1960	1965	1970	1975	1980	1985
1	Electric equipments	Electric/gas	Finance/Insurance	Finance/Insurance	Finance/Insurance	Finance/Insurance
2	Transport	Transport	Electric equipments	Electric equipments	Electric equipments	Electric equipments
3	Chemical	Electric equipments	Chemical	Commercial	Chemical	Chemical
4	Primary metal	Metal	Electric/gas	Transport	Transport	Commercial
5	Metal	Chemical	Transport	Construction	Commercial	Electric/gas
6	Food	Finance/Insurance	Construction	Chemical	Electric/gas	Transport
7	Commercial	Commercial	Commercial	Metal	Metal	Construction
8	Fiber	Food	Metal	Electric/gas	Machine	Machine
9	Electric/gas	Fiber	Machine	Machine	Construction	Food
10	Finance	Land transport	Food	Food	Food	Land transport

(The annual statistical report by TSE, summarized in Dec.)



**An industrial transition similar to that which occurred in Japan may be expected in emerging countries as well**



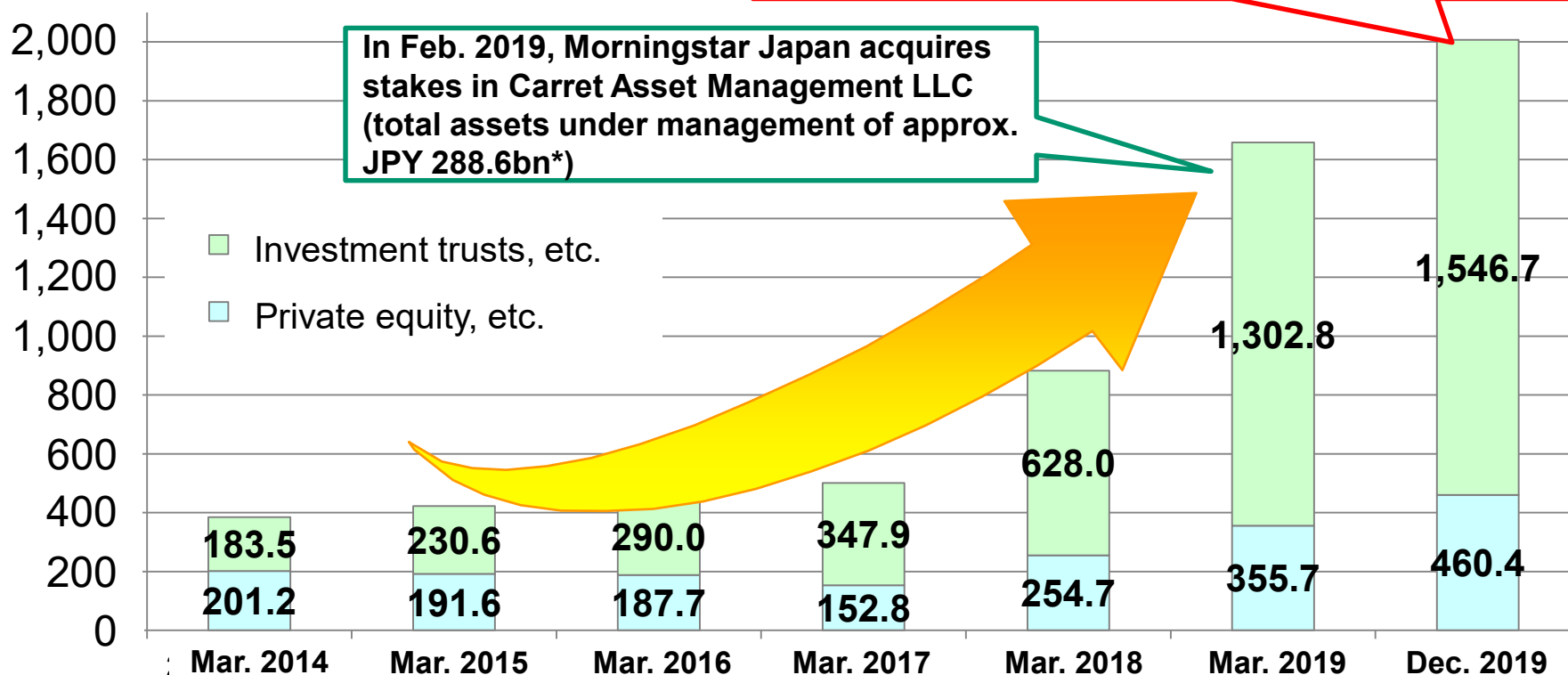
# SBI Group's Approach to M&A ②

## -M&A target area-

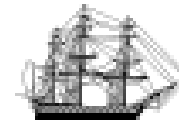
### (iii) Business areas that lead to an increase in assets under management

- a. Through M&A of domestic and overseas leading companies, endeavoring to increase assets under management to JPY 5tn within 2 to 3 years

(JPY billion)



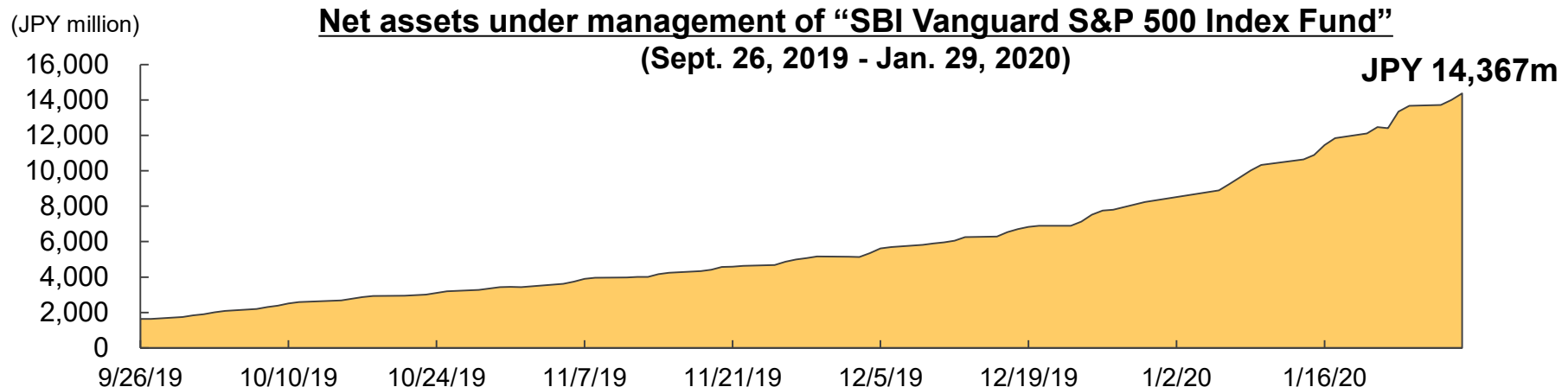
## b. Also Focusing on Increasing the Assets Under Management, Not Only through M&As, but by Partnering with Prominent Domestic and Overseas Asset Management Companies



**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 615tn)

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\*

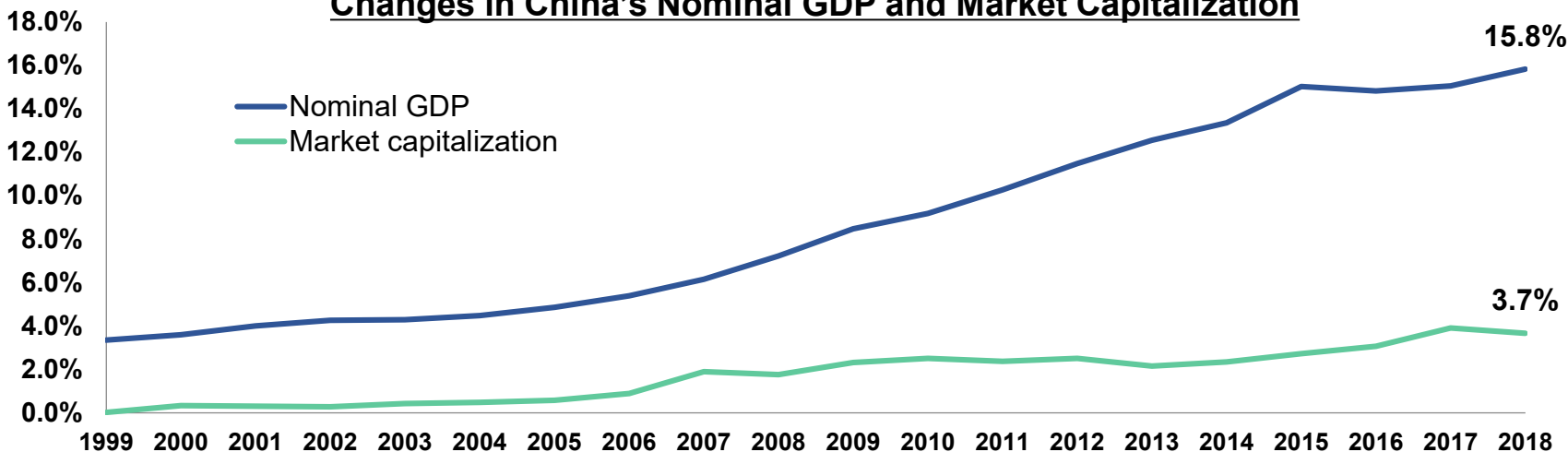


\* Complied by SBI SECURITIES based on the classification of Morningstar Japan's publicly issued investment trusts (excludes ETF), as of Aug. 27, 2019. Substantive fee charge of approx. 0.0938% annually

# SBI Asset Management Acquired QFII (Qualified Foreign Institutional Investor) Qualification to Invest in China A Shares in Dec. 2019

- China’s nominal GDP accounts for **15.8%** of the world’s market value, while its shares **only account for 3.7%** of the global market capitalization
- Existing China equity funds do not meet the needs of investors, primarily in terms of cost

Changes in China’s Nominal GDP and Market Capitalization



\* Term: 1999 - 2018 (annual)

\* Source for Nominal GDP is “World Economic Outlook Database, Apr. 2019” (IMF)

\* Source for market capitalization is MSCI ACWI

Source: Compiled by Morningstar Japan



**Provide high-quality funds that incorporate potentially high growth market shares**

- End of Feb.: Anticipating the opening of securities trading accounts at Shanghai Stock Exchange, and at Shenzhen Stock Exchange
  - Early Mar. 2020: “China A-share Fund” is expected to be offered in Japan
  - Late Mar. 2020: Scheduled start of the management of the fund
- \*The above schedule is based on the assumption that securities trading accounts, bank clearing accounts and trustee bank accounts will be opened as scheduled.

## **(2) Promote IPOs of group companies to raise funds necessary for M&A etc.**

- ① In the Biotechnology-related Business, each entity will be considering an IPO**
- ② Uncover intrinsic corporate value in other businesses through public offerings, etc.**

# ① In the Biotechnology-related Business, Each Entity will be Considering an IPO

✓  **ALApharma** (Intermediate holding company of the 5-ALA-related business)

Optimize management resources for the 5-ALA-related business on a global basis

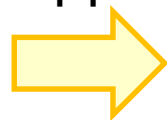


\*Provisional name

**Toward an  
IPO in the  
next two to  
three year  
period**

✓ **Quark** (Developing nucleic acid drugs (siRNA))

- ◆ Discussions are ongoing with the U.S. Food and Drug Administration (FDA) on transitioning to a New Drug Application (NDA) procedure for the prophylaxis of delayed graft function (DGF) pipeline
- ◆ Progress on Phase III for acute kidney injury (AKI), a targeted disease for which the pipeline will be considered for a NDA







Upon a FDA approval for the NDA, a partial or complete sale of the shares, or an IPO will be considered

✓  **Biotech** (Research and development of pharmaceuticals)

- ◆ Considering a future IPO

## ② Uncover Intrinsic Corporate Value in Other Businesses through Public Offerings, etc.

- ✓  **住信SBIネット銀行** (Pure-play Internet bank)  
[SBI Sumishin Net Bank]
  - ◆ A preparatory office has been set up within the bank to prepare for an IPO, as part of the bank's capital strategy for future business development and growth strategies
- ✓  **SBI Leasing Services** (Operating lease business)
  - ◆ Preparing for an IPO
- ✓  **SBI Social Lending** (Operation of social lending and money lending business)
  - ◆ Considering a future IPO
- ✓  **MORNINGSTAR** (Evaluation and provision of information on financial instruments and investment trust management)
  - ◆ In order to prioritize the further strengthening of the asset management business through further acquisitions of asset management companies and the establishment of joint ventures, temporarily withdrew the application for a market transfer to the First Section of the Tokyo Stock Exchange \*TSE) on **Aug. 15, 2019**
  - ◆ An application to transfer to the TSE First Section will be made again when the company is better prepared

### SBI Asset Management Group (Morningstar Japan investment ratio: 100%)

SBI Asset Management



Carret Asset Management

Morningstar Asset Management

SBI Alternative Investments

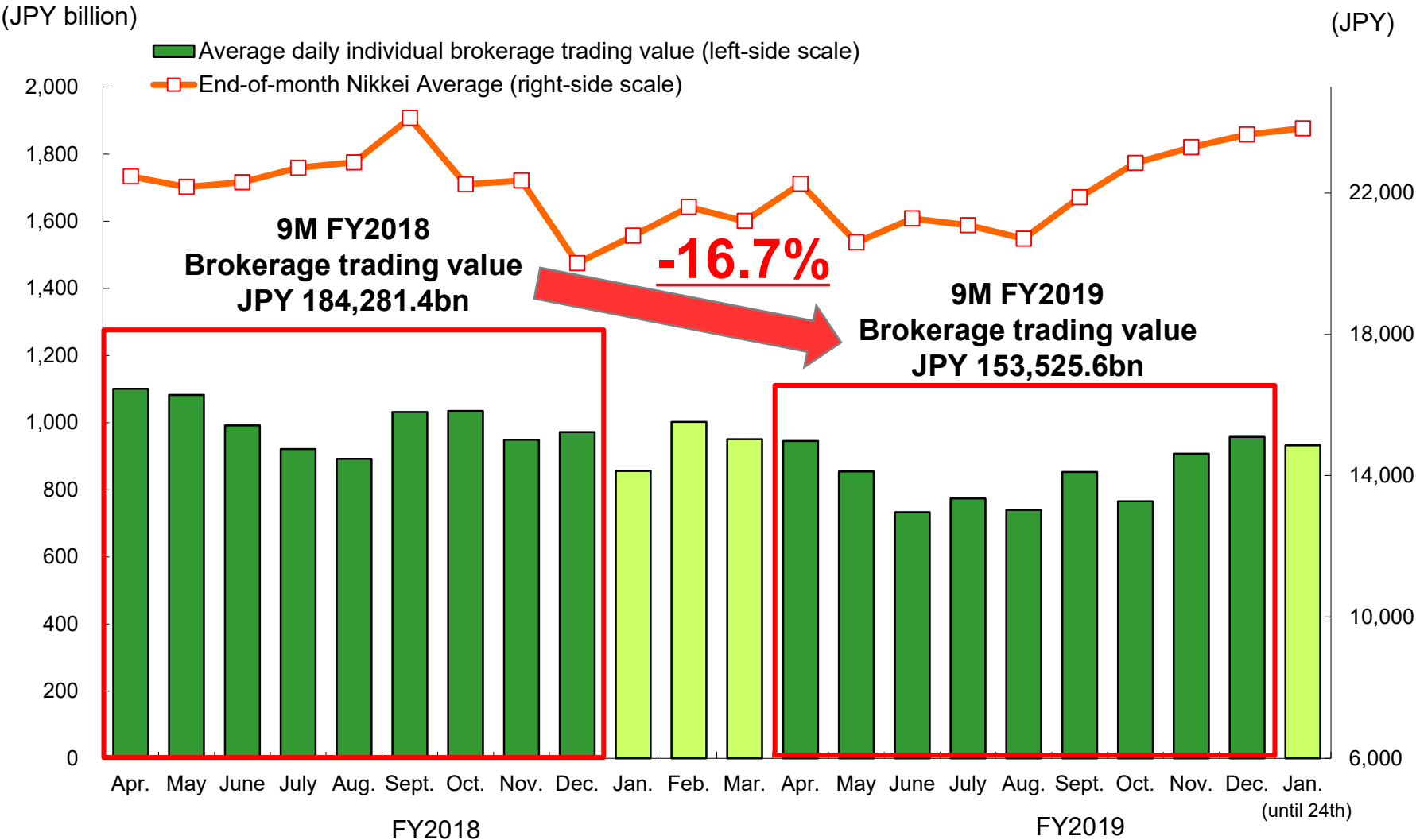
SBI Bond Investment Management

SBI Regional Asset Management

**Became a Morningstar Japan subsidiary on Dec. 26, 2019**

**[Reference materials for each business]**

# Average Daily 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)

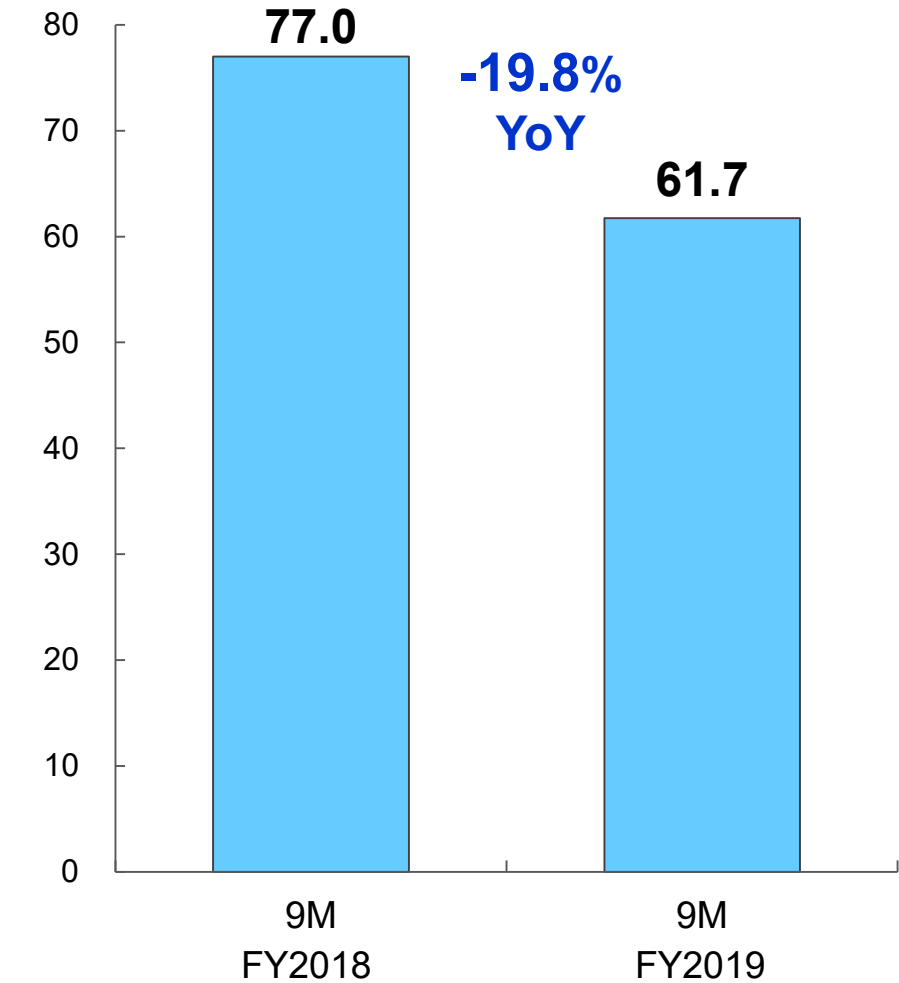
Source: Compiled by SBIH from disclosed data from TSE



# SBI SECURITIES' Stock Brokerage Trading Value and Commissions

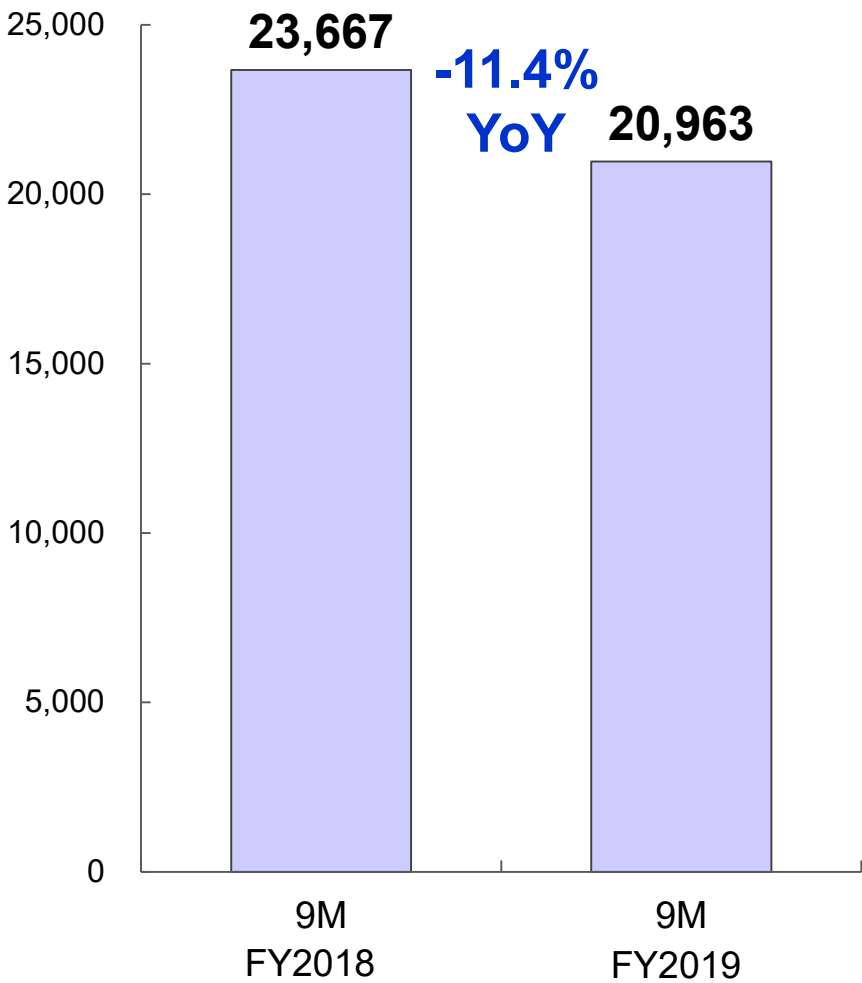
Stock Brokerage Trading Value

(JPY trillion)

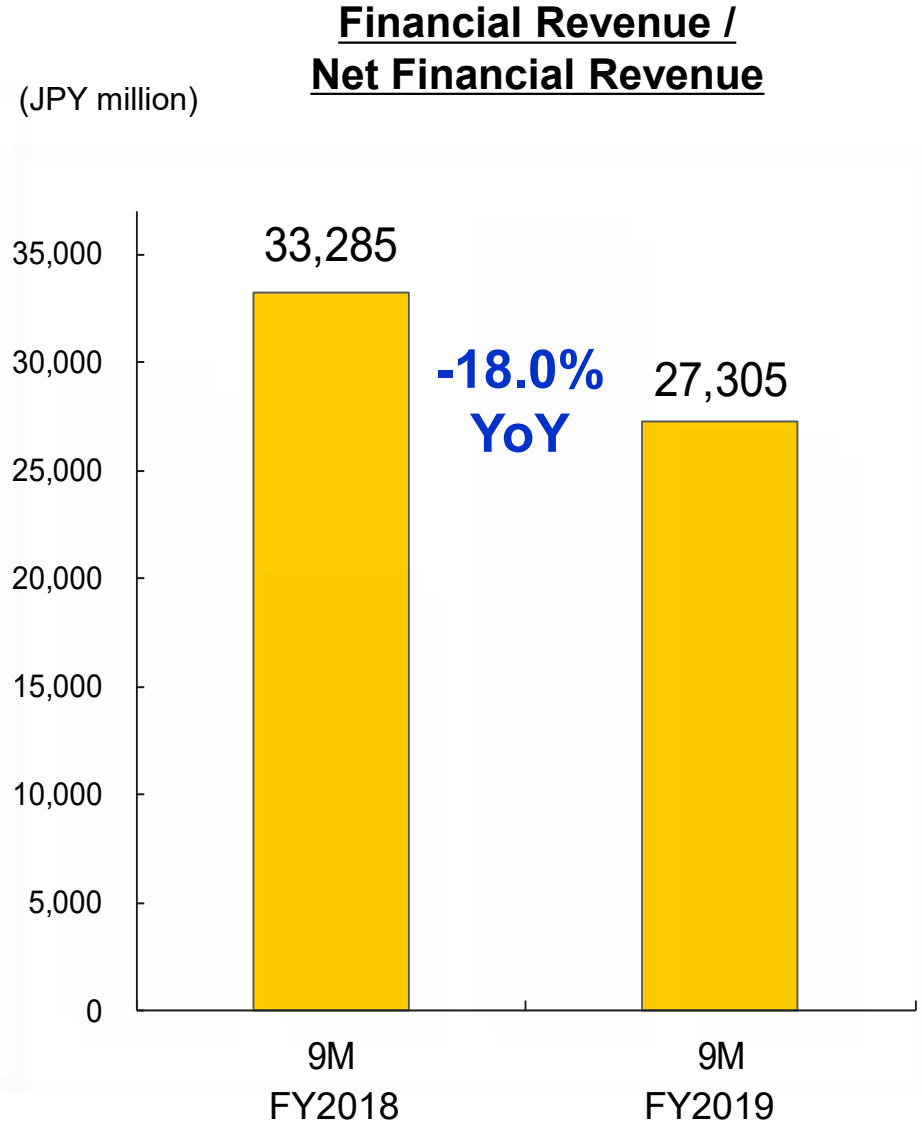
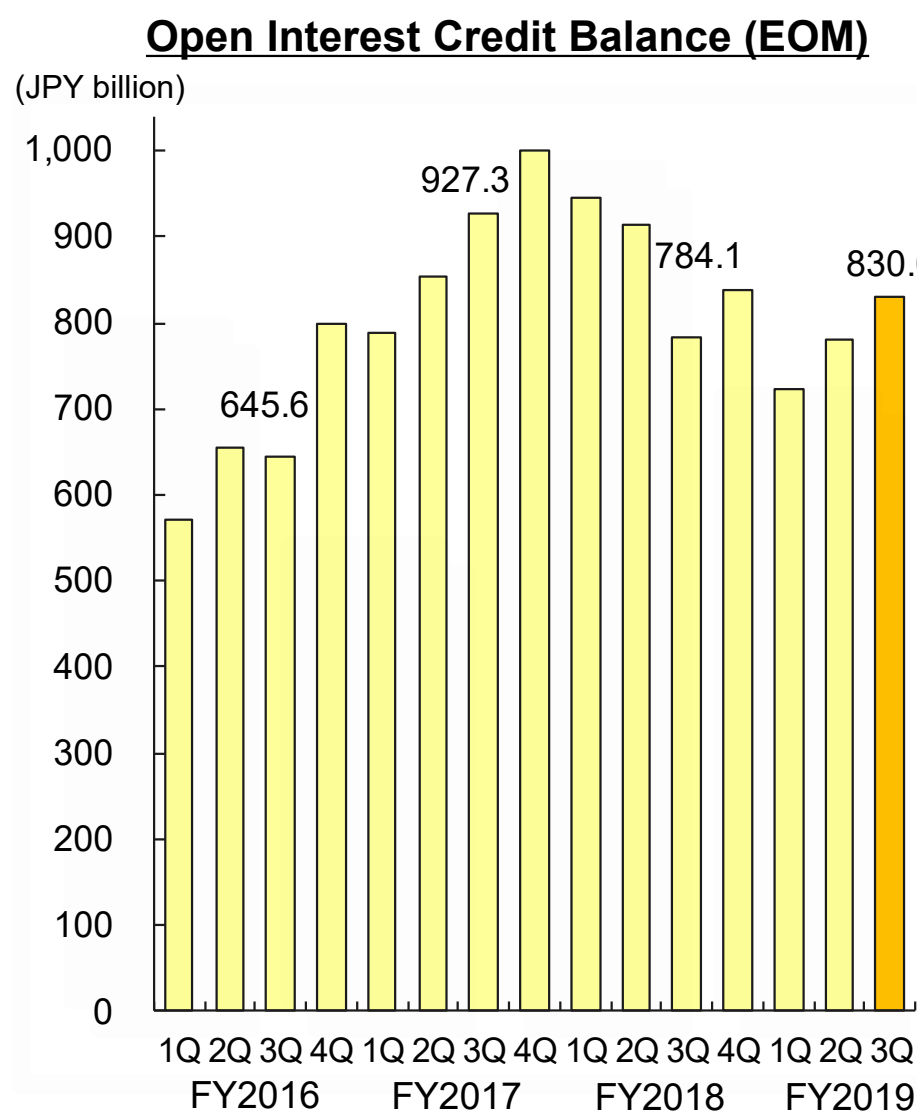


Commissions

(JPY million)

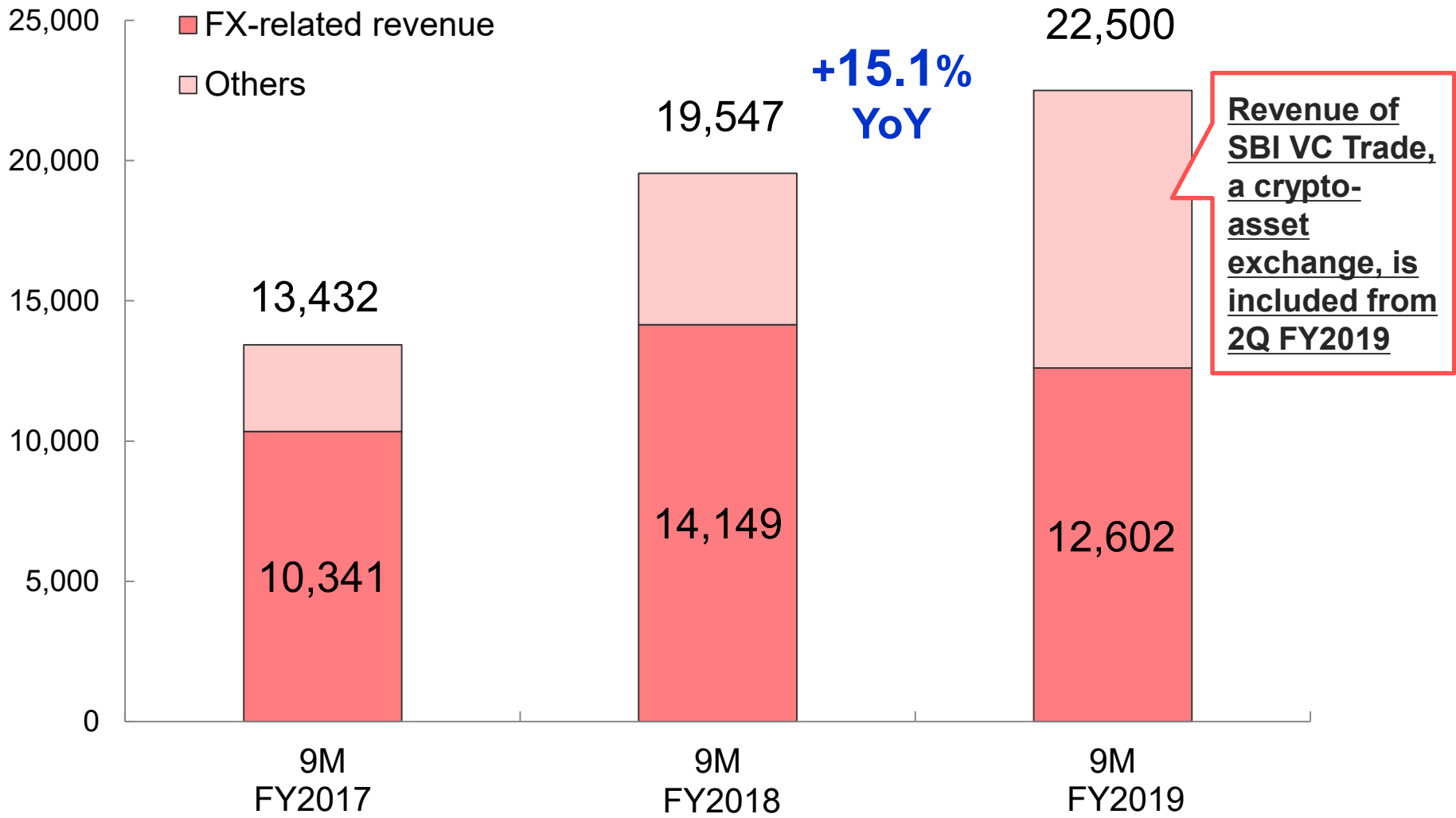


# SBI SECURITIES' Interest Credit Balance and Financial Revenue / Net Financial Revenue



# SBI SECURITIES' Trading Income Trend

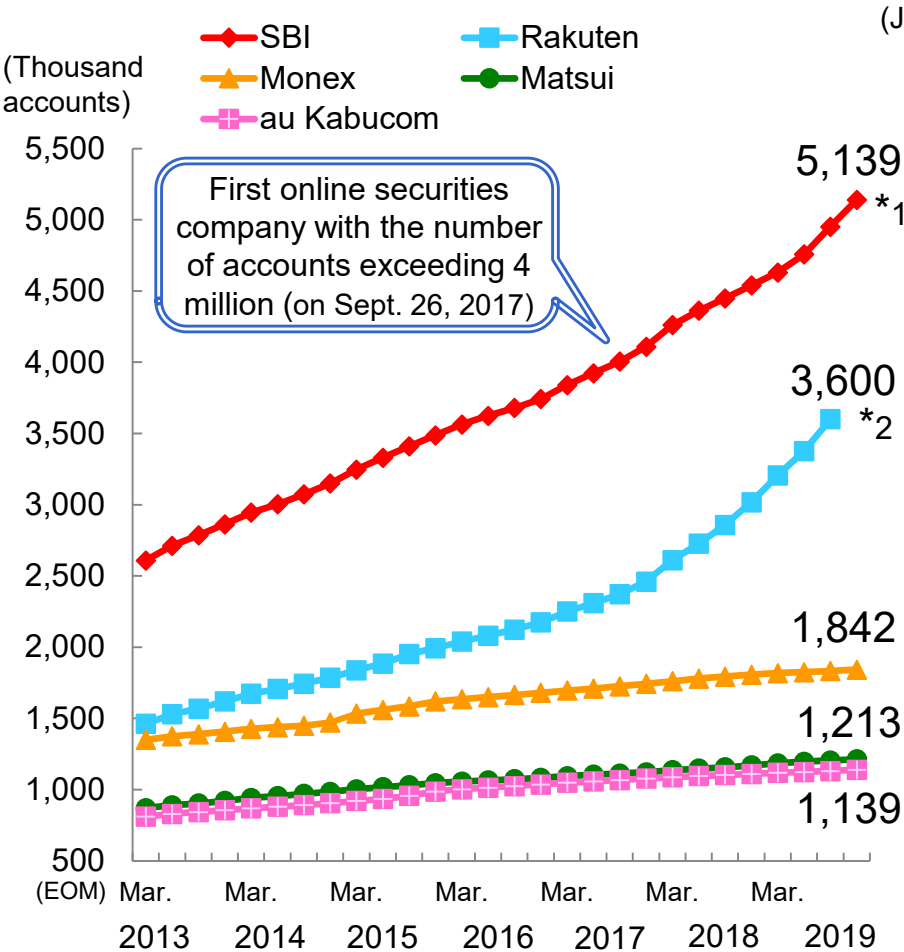
(Unit:  
JPY million)



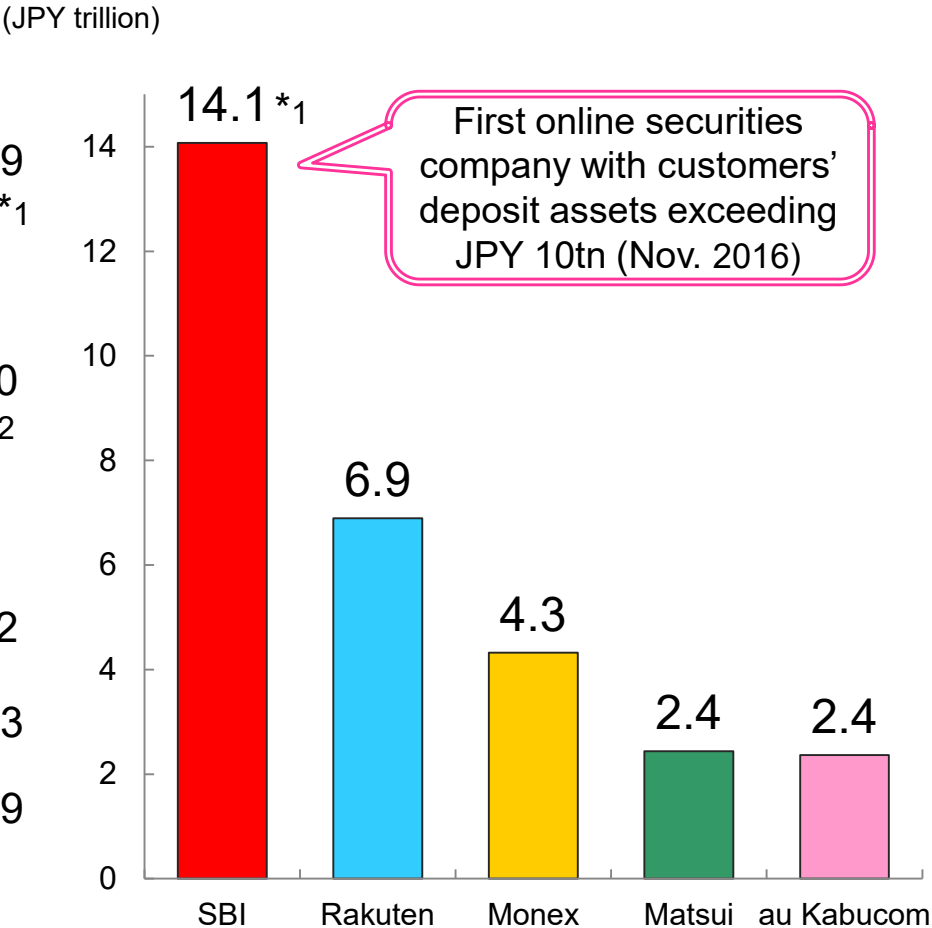
# SBI SECURITIES Attains an Overwhelming Customer Base

[Number of Accounts and Amount of Customer Asset]

Customer Accounts of 5 Major Online Securities Companies  
(Mar. 2013 – Dec. 2019)



Customers' Deposit Assets of 5 Major Online Securities Companies  
(as of the end of Dec. 2019)



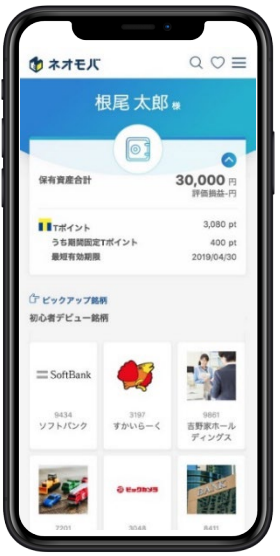
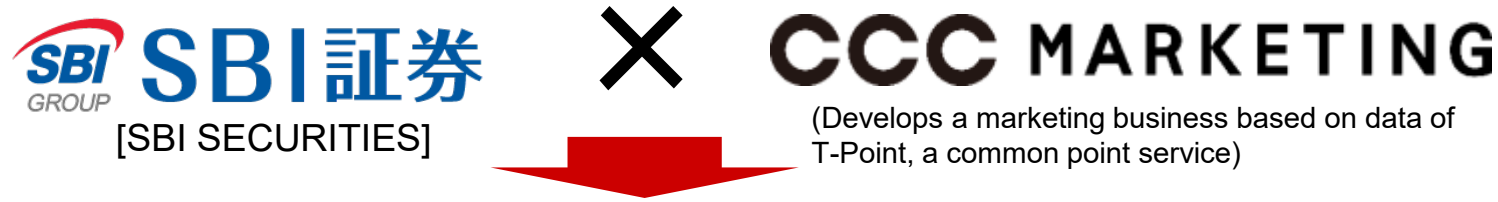
<sup>\*1</sup> As for SBI, includes SBI NEOMOBILE SECURITIES' number of accounts from June 2019.

<sup>\*2</sup> Rakuten's number of accounts is as of Sept. 30, 2019.

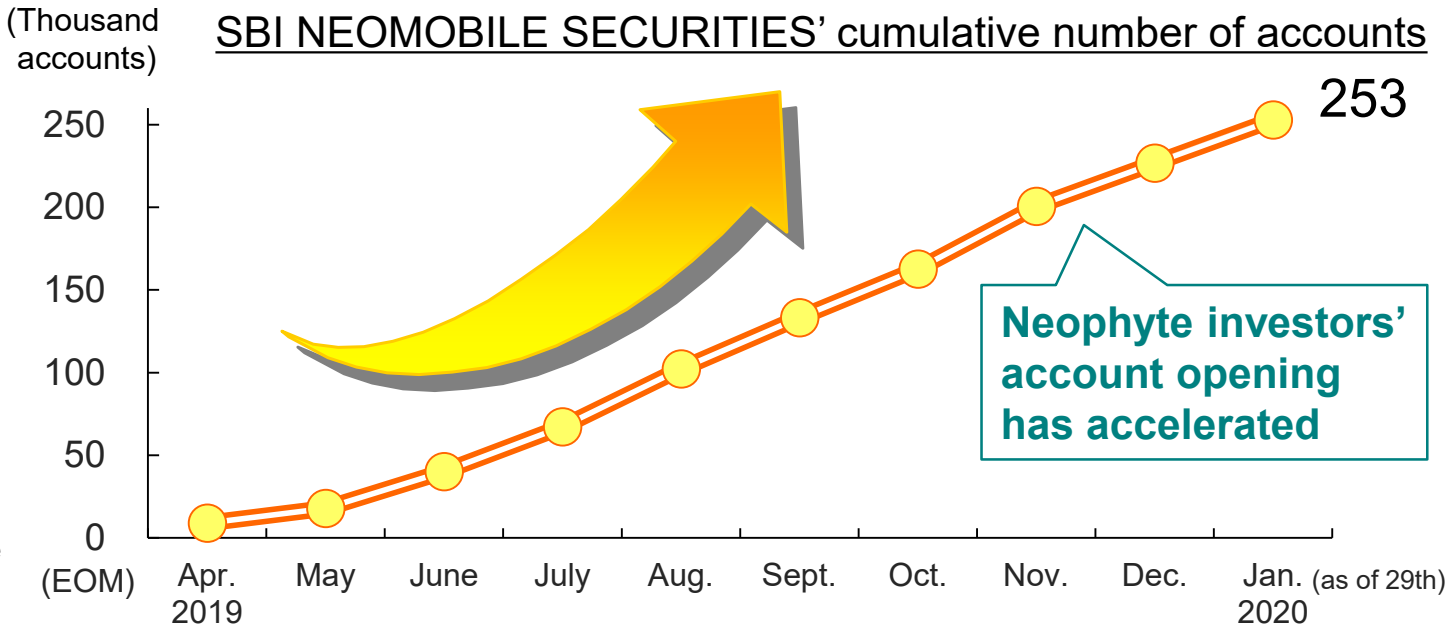
1-(1) SBI SECURITIES:



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



Also provides a smartphone app as its trading channel

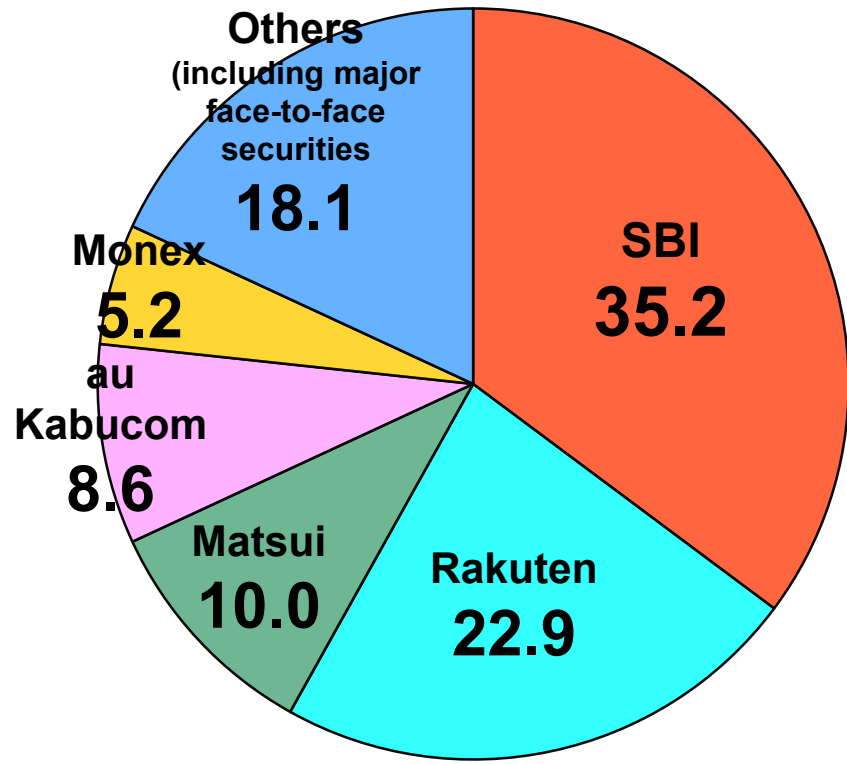


**Accomplished 250 thousand accounts within less than a year since its launch. Targeting the acquisition of 500 thousand accounts at an early stage**

# SBI SECURITIES' Share of Individual Stock Trading

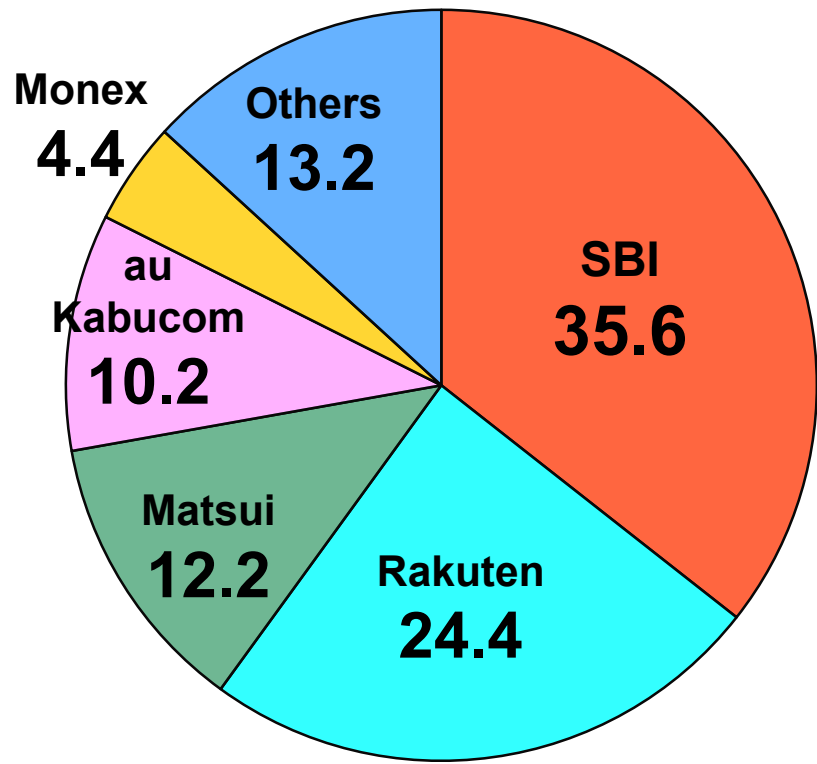
Share of Individual Stock Trading Value (%)

**9M FY2019**  
(Apr. 2019 – Dec. 2019)



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

**9M FY2019**  
(Apr. 2019 – Dec. 2019)

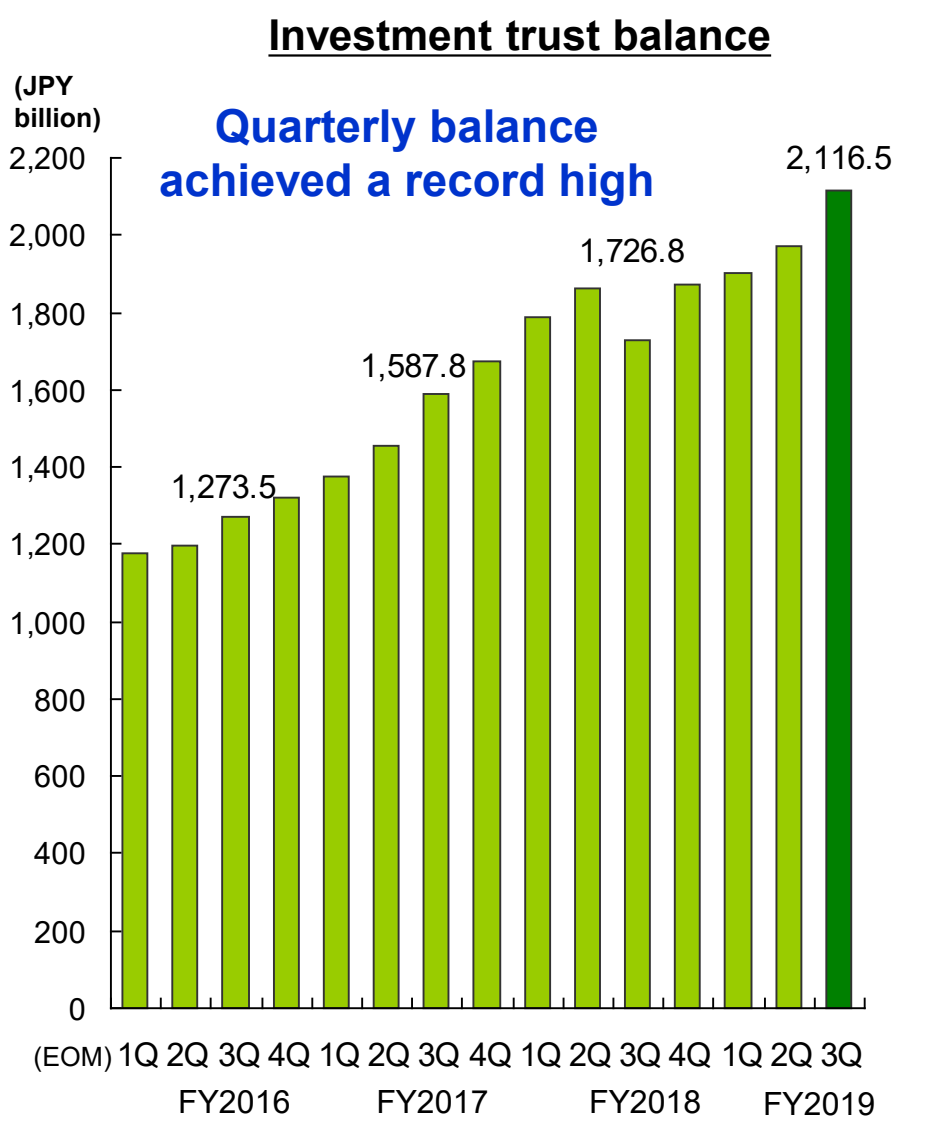
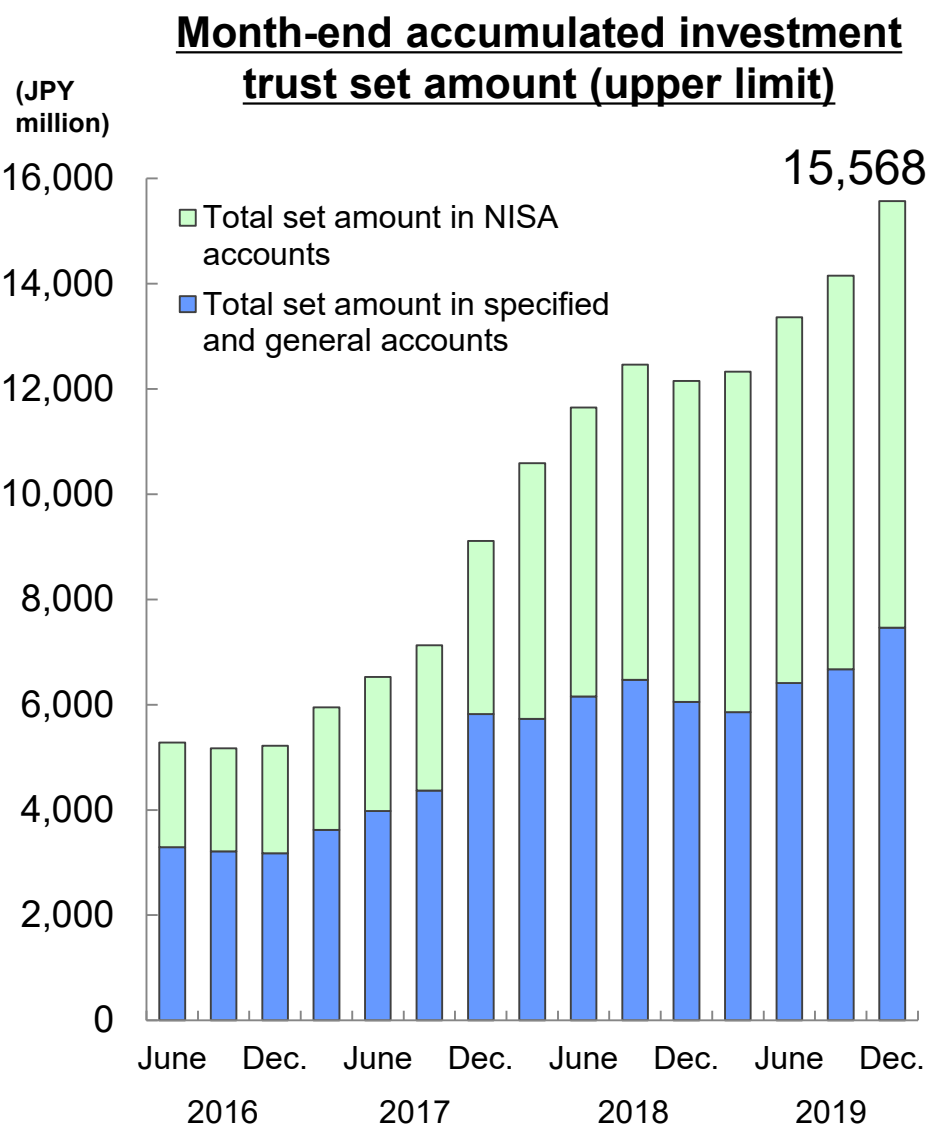


<From 1Q FY2016, shares are calculated with the individual stock trading value and individual margin trading value of both the 1st and 2nd sections of the Tokyo and Nagoya Stock Exchanges, including that of ETF and REIT trading value, respectively>

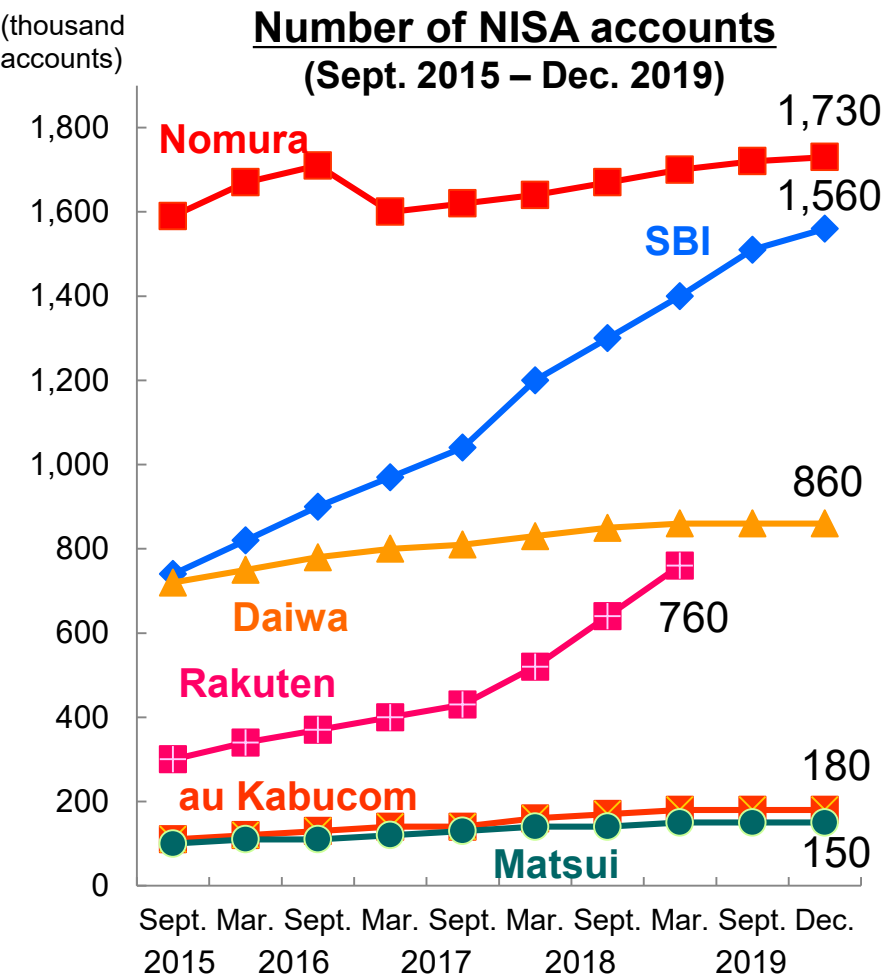
\* Shares are calculated by dividing each company's individual stock trading value or individual margin trading value with the whole individual stock trading value and individual margin trading value of the 1st and 2nd section of the Tokyo and Nagoya Stock Exchange, including that of ETF and REIT trading value, respectively

Source: Compiled by SBI SECURITIES based on Tokyo Stock Exchange and JASDAQ materials and websites of each company.

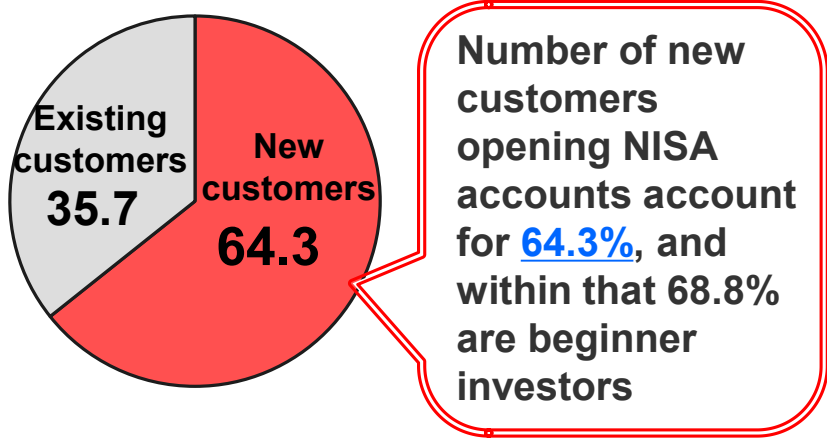
# SBI SECURITIES is Endeavoring to Further Increase Revenues Associated with the Investment Trust Balance



# 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 (%)



SBI SECURITIES' number of Junior NISA accounts reached **7.2 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 Dec. 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

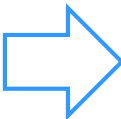


# Further Strengthening the Individual Defined Contribution (iDeCo) Pension Business

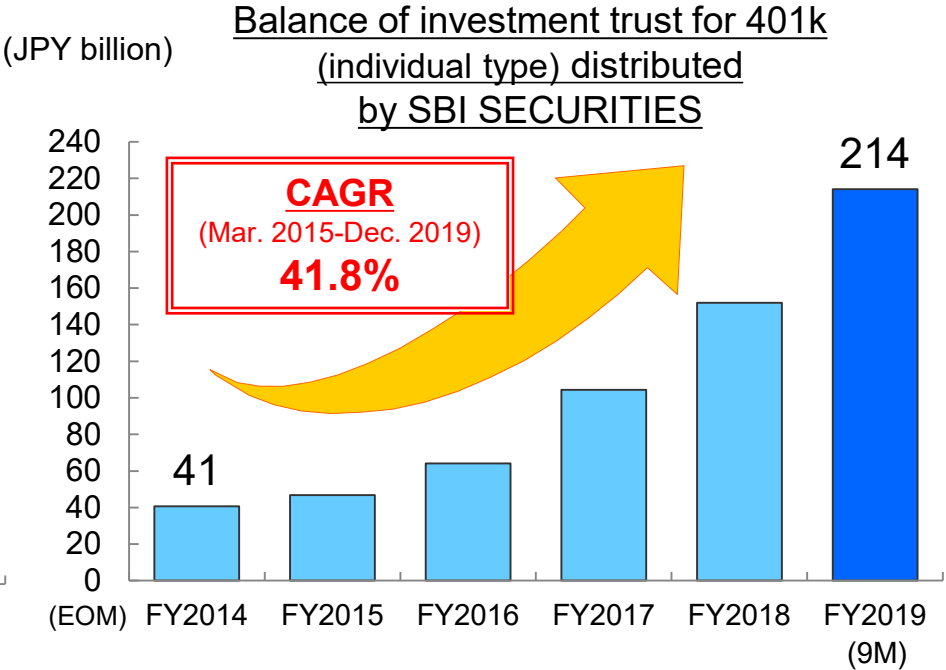
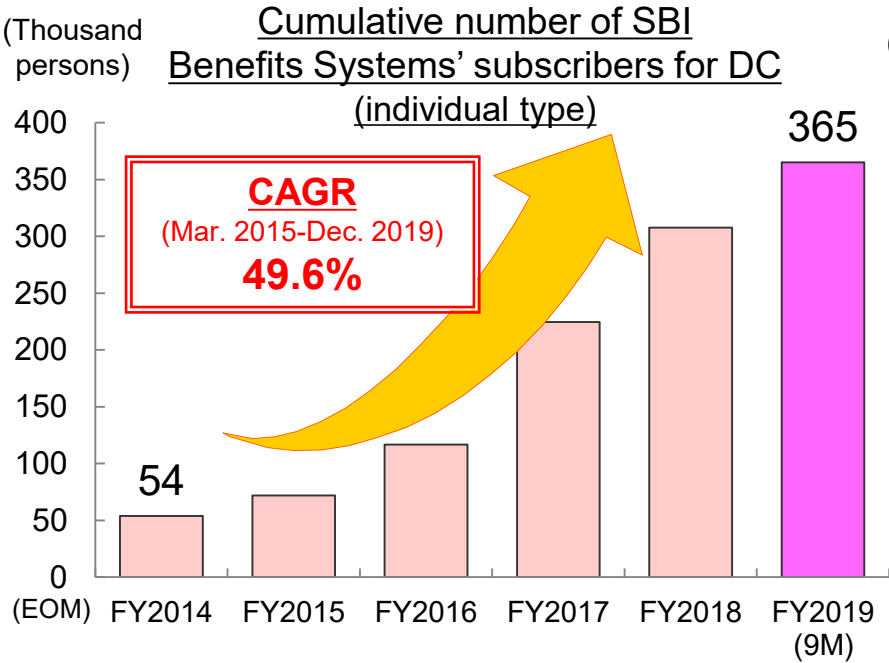
The SBI Group has been focused on the Individual Defined Contribution (iDeCo) pension business, well before the expectations for the market size expansion as a result of revisions in the regulation as of Jan. 2017, through SBI Benefit Systems, which was established in 2001



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



**At the end of Nov. 2019, the number of iDeCo accounts totaled 318,061, which is approx. 2.6x larger than that of the end of May 2017**

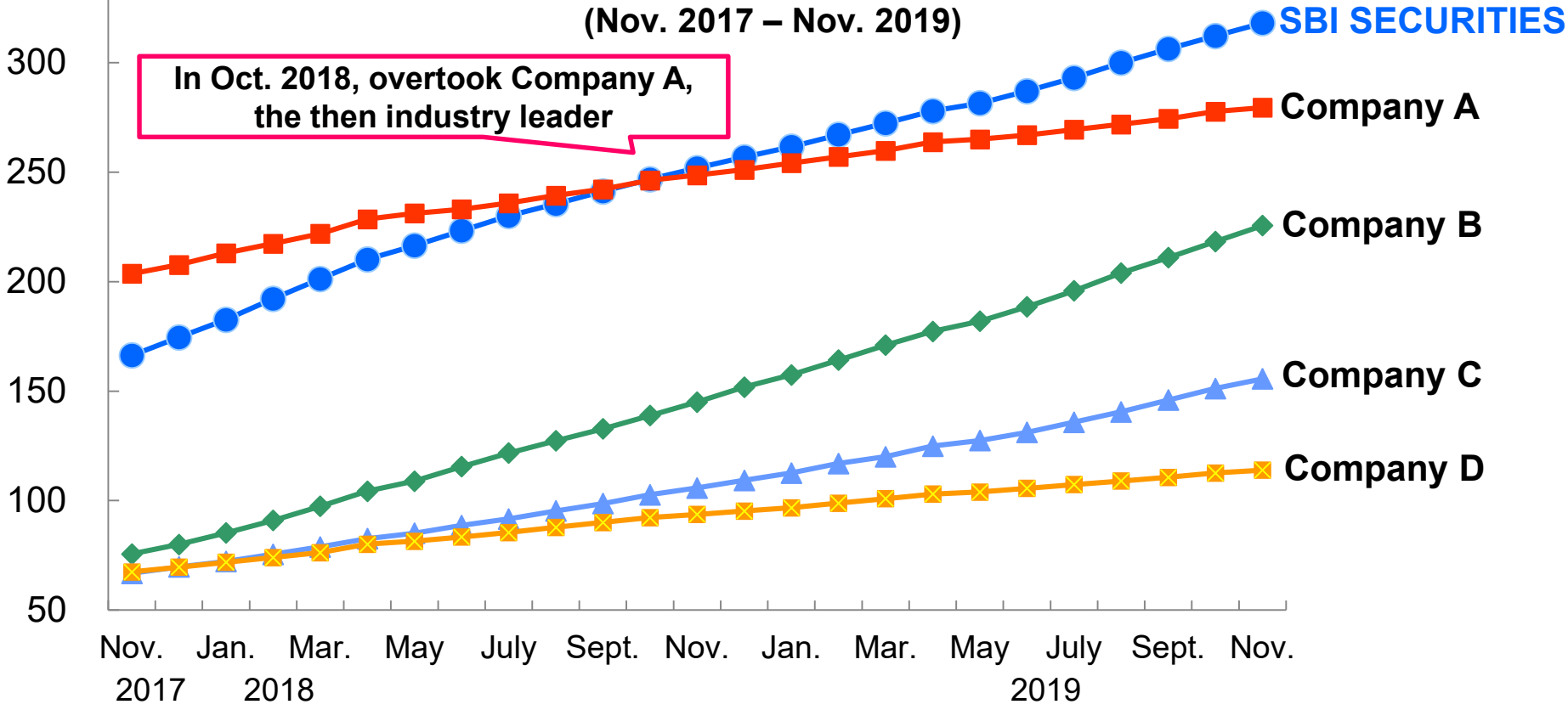


# SBI SECURITIES Steadily Increased the Number of New Customers Acquired for Individual-type Defined Contribution Pension Plans (iDeCo), and became the Cumulative Industry Leader in Oct. 2018

(No. of thousand customers)

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

In Oct. 2018, overtook Company A, the then industry leader



\* 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)

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



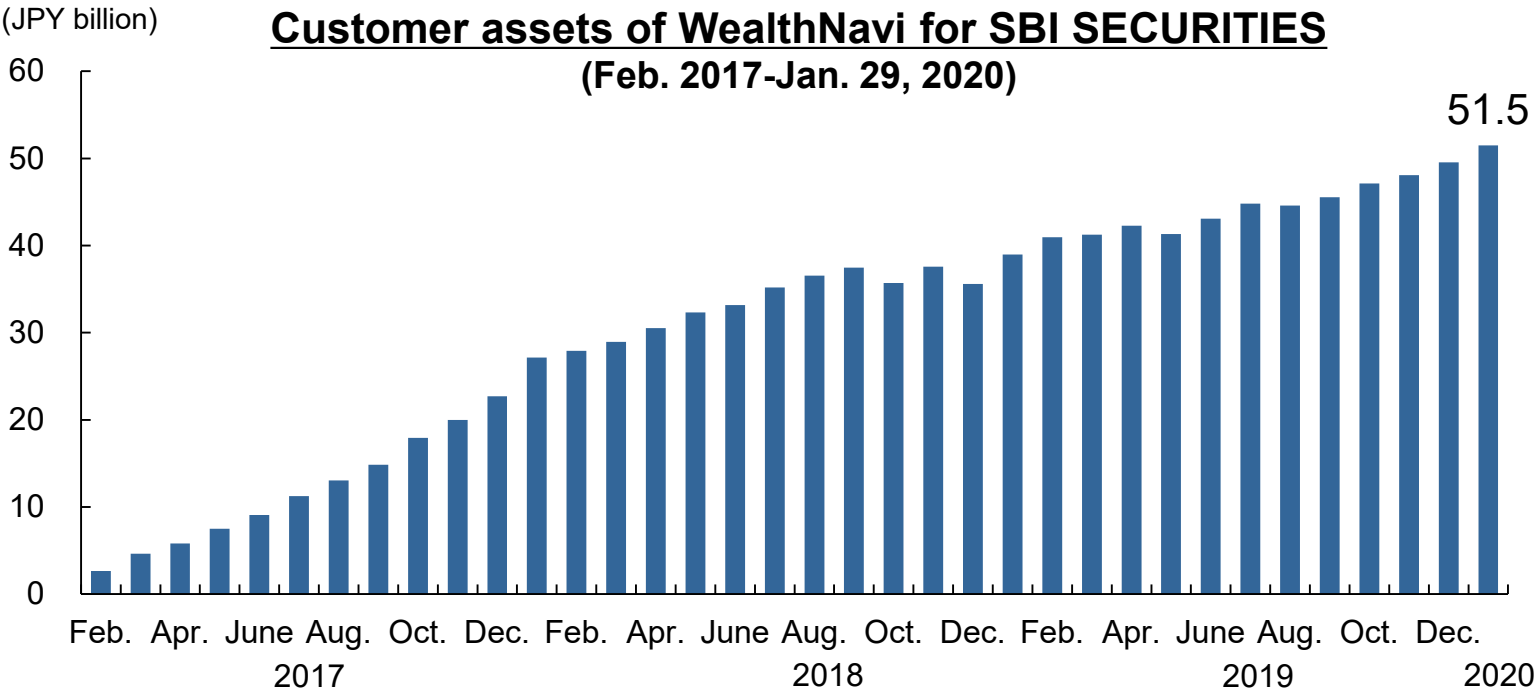
Provision of “**WealthNavi for SBI SECURITIES**” that customizes WealthNavi’s robo-advisor service

**Customer assets: JPY 51.5bn** (as of Jan. 29, 2020)

Number of account:  
approx. 6.6 thousand



WealthNavi for SBI SECURITIES



## 1-(1) SBI SECURITIES:

**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**  
**-IPO participation share remains to be No. 1 in the industry-**

**Underwriting share of 95.4% is an industry leading figure**

- During the Apr.- Dec. 2019 period, SBI SECURITIES underwrote 6 companies as lead manager

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

65 companies were listed during the period

Company name	No. of cases	Underwriting share (%)
SBI	62	95.4
SMBC Nikko	46	70.8
Mizuho	42	64.6
Daiwa	35	53.8
Monex	33	50.8
Iwai Cosmo	30	46.2
Ace	30	46.2

### PO underwriting business

Underwrote 14 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 24 corporate bonds in total, including that of SoftBank Group, the underwriting amount for 9M FY2019 increased by 2.5x 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.

# Through SBI SECURITIES' Financial Institutional Sales Dept., Expanded Brokerage Services to Its Customer Financial Institutions, which Total 361 Companies\*1



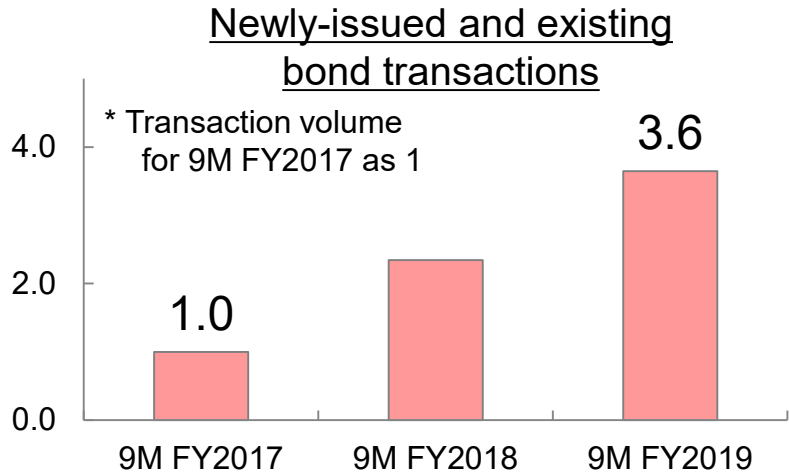
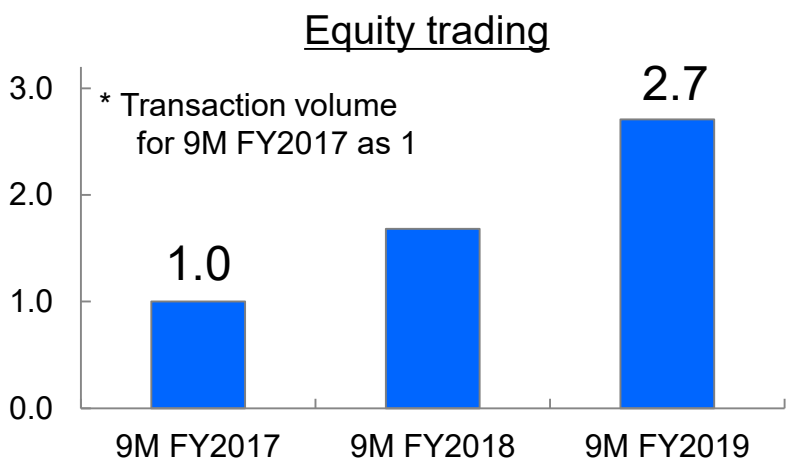
[SBI SECURITIES]

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 93.5bn\*2 (Dec. 2015 – Dec. 2019)), domestic and overseas investment trusts, as well as bond transactions

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

## -Transaction volume for 9M FY2019 with financial institutions-



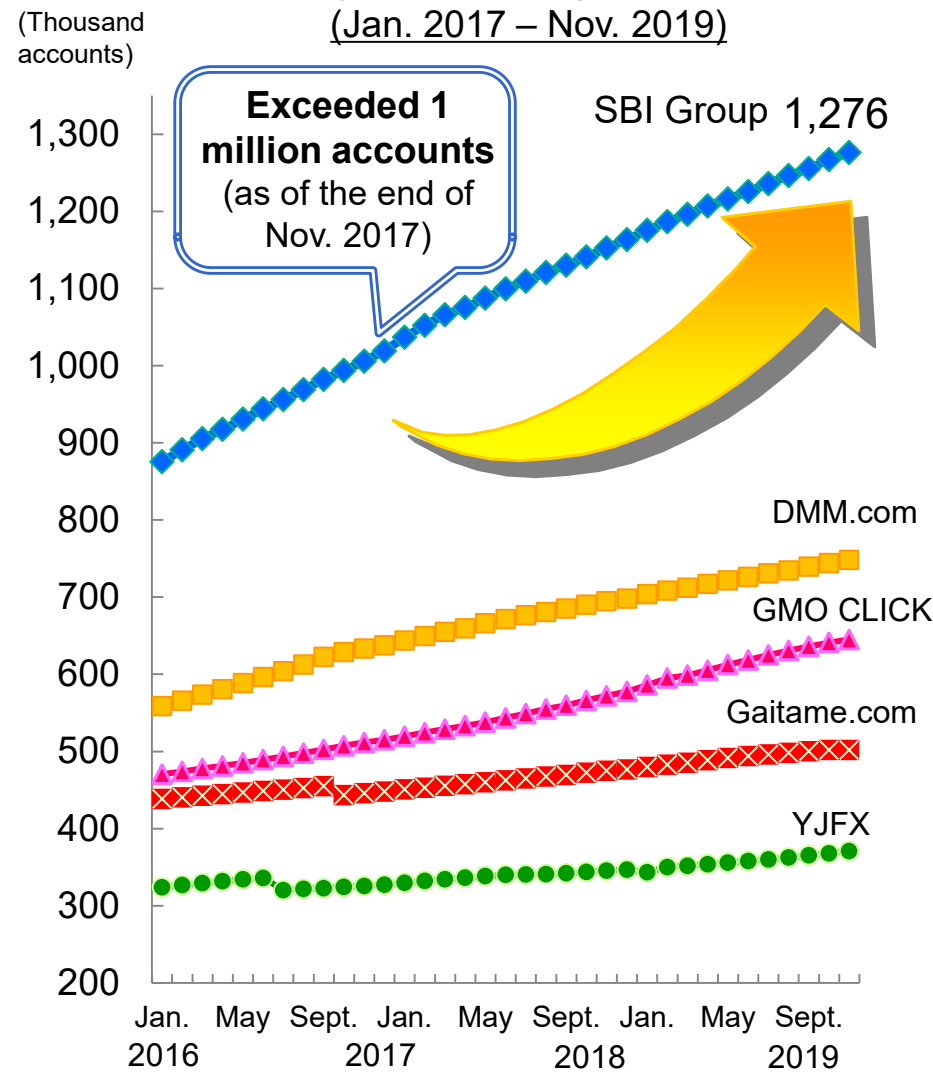
- ◆ Strengthening equity and investment trust sales for domestic and overseas institutional investors
- ◆ Structured bond and foreign bond transactions with regional financial institutions are steadily increasing

1-(1) SBI SECURITIES: FX business

The SBI Group's (SBI SECURITIES, SBI FXTRADE and SBI Sumishin Net Bank) Total Number of Accounts and Customer Deposit Assets have Overwhelmingly Surpassed that of Its Competitors in the OTC FX Industry



Changes in number of accounts among 5 major FX Trading Companies (Jan. 2017 – Nov. 2019)



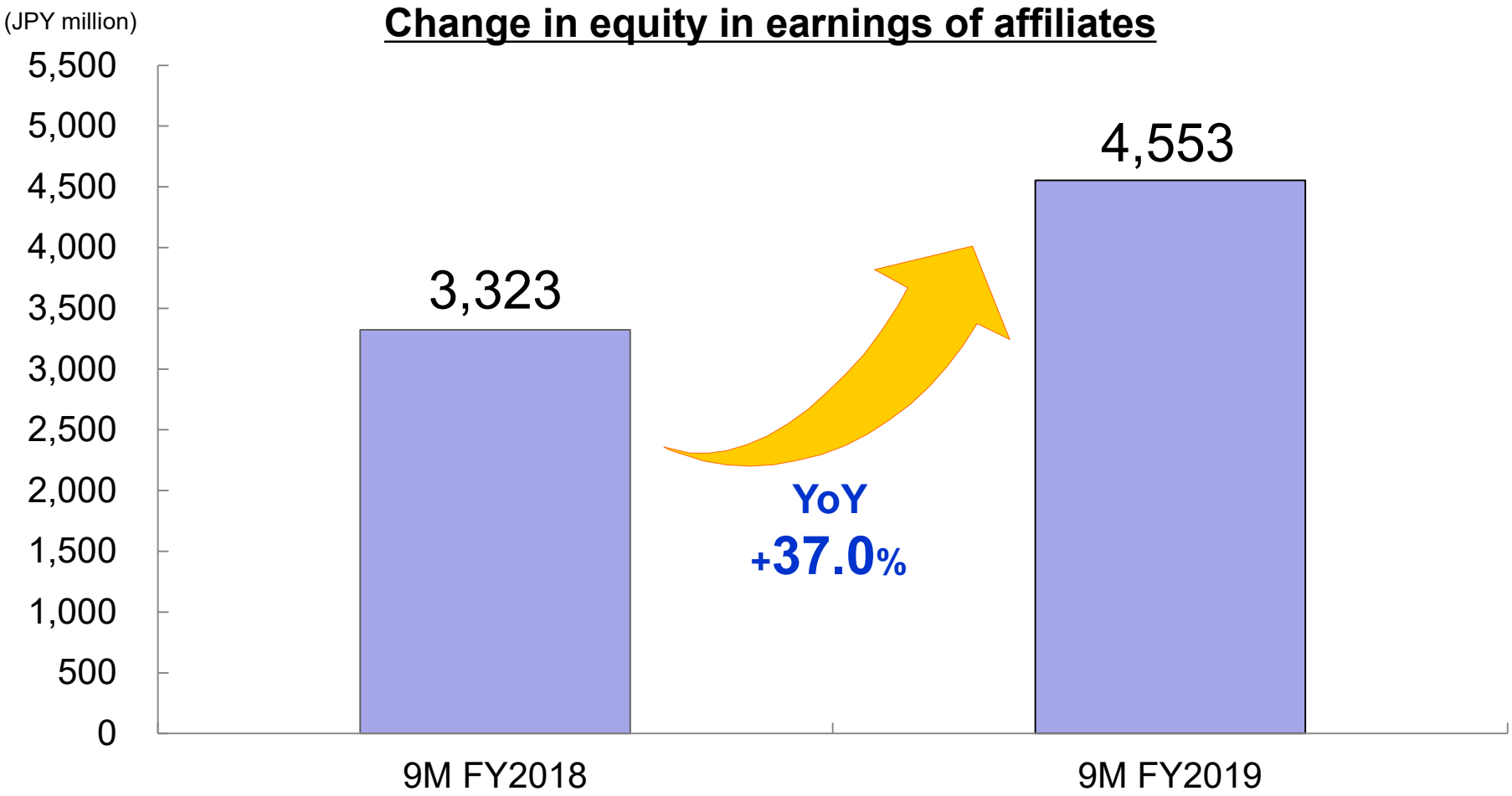
Customers' Deposit Assets Ranking (Nov. 2019)

No.	Company name	Amount (JPY million)
1	SBI Group	248,786
2	GMO CLICK	176,242
3	DMM.com	131,521
4	Gaitame.com	113,893
5	YJFX	108,406
6	Central Tanshi FX	67,801
7	マネースクエア	67,139
8	MONEY PARTNERS	63,383
9	Hirose Tusyo	53,609
10	Traders Securities	45,265
11	FX PRIME by GMO Corporation	17,400
12	Ueda Harlow	10,068
	Others (2 companies)	13,925
	Total	1,117,438

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

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

**SBI Holdings' equity in earnings of SBI Sumishin Net Bank based on IFRS for 9M FY2019 was JPY 4,553m, up 37.0% year-on-year**



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 Insurance Group's Performance (Preliminary Figures)

\* Final consolidated figures for 9M FY2019 will be released on Feb. 13

## Consolidated results for 9M FY2019 (J-GAAP)

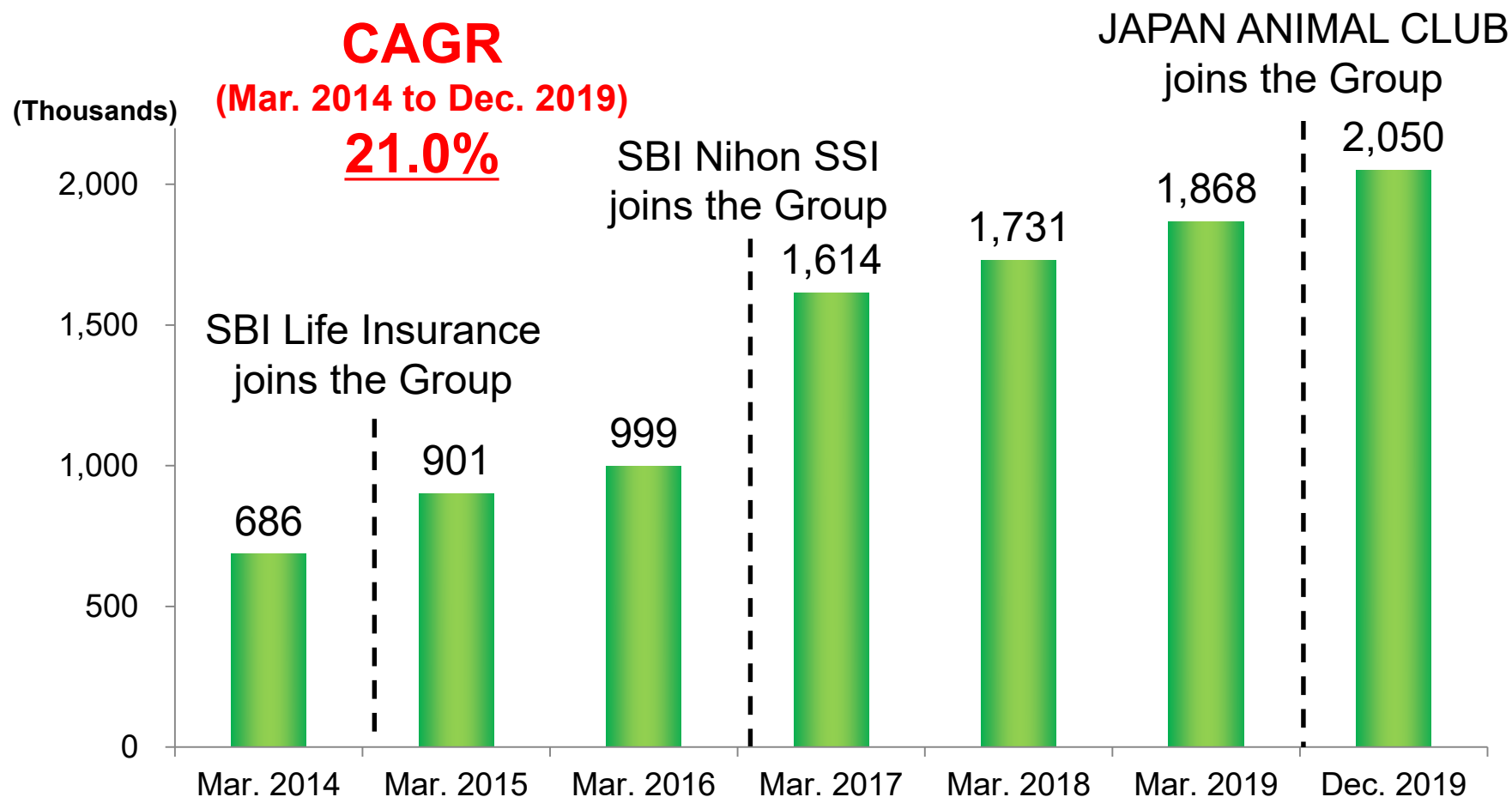
(Unit: JPY million)

	9M FY2018 (Result) (Apr. – Dec. 2018)	9M FY2019 (Preliminary) (Apr. – Dec. 2019)	YoY % change
Ordinary revenue	50,205	49,779	-0.8
Ordinary profit	1,542	1,620	+5.1
Profit attributable to parent of the Company*	724	111	-84.7

\* 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 Steadily Increased



# Assets Under Management of SBI Group

(As of the end of Dec. 2019)

## Private equity, etc. JPY 460.4bn (\*1)

(Excluding JPY 104.5bn of both cash and commitment amount to be paid in(\*2))

Operational investment securities Breakdown by Industry	Amount
IT/AI/IoT	135.1
Fintech Service	54.4
Digital Asset/Blockchain	54.2
Finance	71.6
Biotechnology/Health/Medical	17.7
Environmental/Energy	3.6
Machine/Automobile	8.5
Services	20.3
Retail/Food	2.4
Materials/Chemicals	3.9
Construction/Real estate	1.3
Others	1.2
Equity interests in external and unconsolidated funds	21.6
<b>Total</b>	<b>395.8</b>

Operational investment securities Breakdown by region	Amount
Japan	199.8
China	21.1
Korea	4.2
Southeast Asia	56.9
India	2.4
U.S.	49.1
Europe	27.4
Others	35.0
<b>Total</b>	<b>395.8</b>

Investments from unconsolidated Group managed funds	Amount
Corporate Venture Capital(CVC)	10.3
Others(as Overseas JV Fund)	54.3
<b>Total</b>	<b>64.6</b>

## Investment trusts, etc. JPY1,546.7bn

Investment trusts	1,243.1
Investment advisory	303.6

\*1 The balance of investments in private equity is calculated by adding the balance of investments in funds that are managed as GPs but are not consolidated due to their low investment ratio in the fund (Example: CVC Fund) to the balance of operating investment securities on a consolidated basis.

\*2 Composed of cash in funds and unpaid capital which is to be paid on a capital call.

\*3 Calculated by the exchange rate as of the end of Dec. 2019.

\*4 Amounts are rounded to the nearest JPY 100m.

# SBI Biotech's Drug Discovery Pipeline

	Licensing partner (timing)	Adaptation disease	Progress	
VIB7734 (Anti-ILT7 antibody)	Viela Bio* (Sept. 2008)	Systemic lupus erythematosus, Cutaneous lupus erythematosus, Sjogren's syndrome, Scleroderma, Dermatomyositis	Phase Ib	<u>Phase Ib (multiple dose study) is in progress following Phase Ia (single dose study). It will be completed in 2020</u>
SBI-9674	Kyowa Kirin (Dec. 2016)	Autoimmune diseases	Pre-clinical	Kyowa Kirin is conducting development.
Cdc7 inhibitor	Carna Biosciences (May 2014)	Colorectal cancers	Phase I / II (plan)	Development is in progress at Sierra Oncology, which out-licensed with Carna Biosciences. Submitted its IND to FDA.
SBI-3150	Independently	Autoimmune diseases (Various diseases caused by pDC / activated B cells)	Pre-clinical	<u>Acquisition of various data showing the superiority of dual targeting concept targeting pDC and activated B cells is in progress. Continuously engages in negotiating with several companies for out-licensing</u>

\*A new company specializing in inflammation and autoimmune disease, spun out from MedImmune, LLC., a subsidiary of AstraZeneca

# SBI Pharmaceuticals Engages in the Research and Development of 5-ALA-related Drugs

-Progress in the main pipeline of pharmaceutical products utilizing 5-ALA-

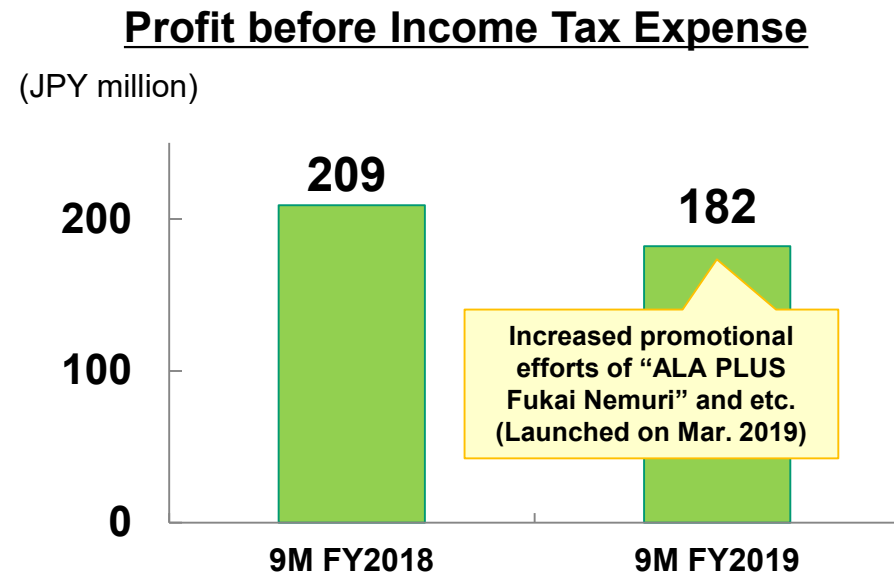
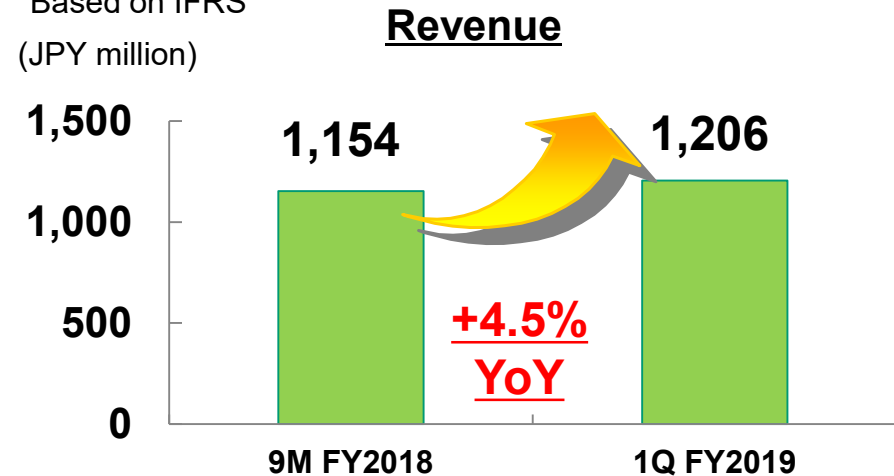
Fields		Pipeline projects	Current status				
			Phase I	Phase II	Phase III	Application	
Diagnostic agent (PDD)	1	Peritoneal dissemination of gastric cancer*	<div>Phase III completed</div>				
Drug to treat	2	Cisplatin nephropathy protection	<div>Phase II is underway</div>		<div>Phase III data analysis and findings</div>		
	3	Mitochondrial diseases*	<div>Phase III is underway</div>				
	4	Cardiac ischemia-reperfusion injury*	<div>Under preparation for Phase II</div>		<div>Scheduled to complete in Sept. 2020</div>		
					<div>Scheduled to complete in Jan. 2021</div>		
Photodynamic therapy (iPDT)	5	Brain tumors* (by photodynamic)	<div>Under preparation for Phase II</div>	<div>Scheduled by each university hospital at Oxford, Leicester, Birmingham, and Cambridge in the UK</div>			

\*Investigator-led trial

### 3. Biotechnology-related Business

**SBI ALApromo Increased its Promotional Efforts for its Products, so the Profit Before Income Tax Expense Decreased Slightly, but Its Revenue Increased, Owing to a Steady Increase in New Product Introductions**

\* Based on IFRS  
(JPY million)

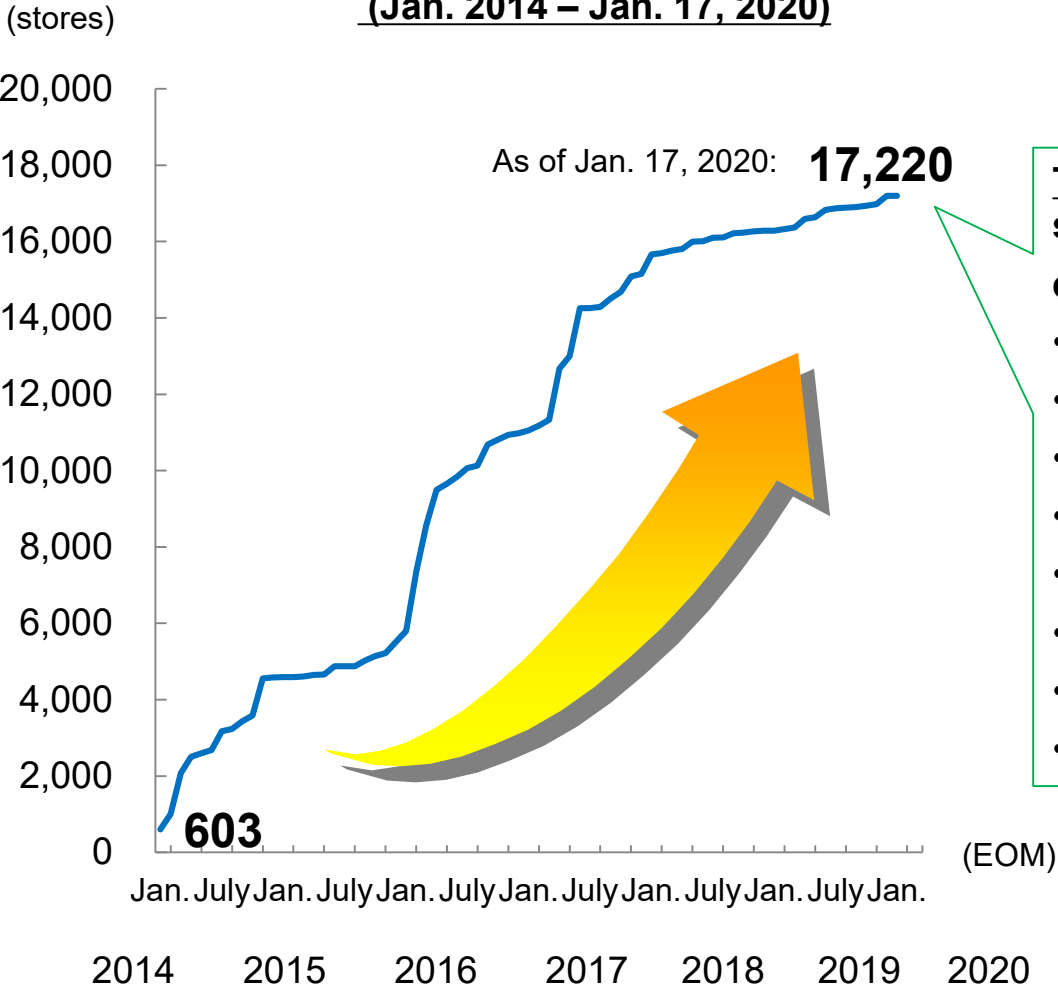


### -SBI ALApromo's offering products-

Foods with Functional Claims (5 items)
<ul style="list-style-type: none"> <li>ALA PLUS Tou (Sugar) Down</li> <li>ALA PLUS Tou (Sugar) Down Rich</li> <li>ALA PLUS Fukai Nemuri</li> <li>SBI Ichoha</li> <li>ALA PLUS Karada Active</li> </ul>
Health Foods (4 items)
<ul style="list-style-type: none"> <li>ALA PLUS Gold</li> <li>ALA PLUS CoQ10</li> <li>ALA PLUS Sports High Performance</li> <li>ALA PLUS Karada Shape</li> </ul>
Cosmetics (6 items)
<ul style="list-style-type: none"> <li>Deep Cleansing Gel</li> <li>Pure Clay Wash</li> <li>Essential Lotion</li> <li>Moisturizing Cream</li> <li>ALA PLUS Concentrate Serum</li> <li>Body Cream ALAPI</li> </ul>
Germinated Brown Rice (1 items)
"Hatsugagenmai no Sokojikara"

# Number of Domestic Stores that Offer Health Foods Containing 5-ALA are Increasing Steadily

Number of stores that offer  
SBI ALA promo products  
(Jan. 2014 – Jan. 17, 2020)



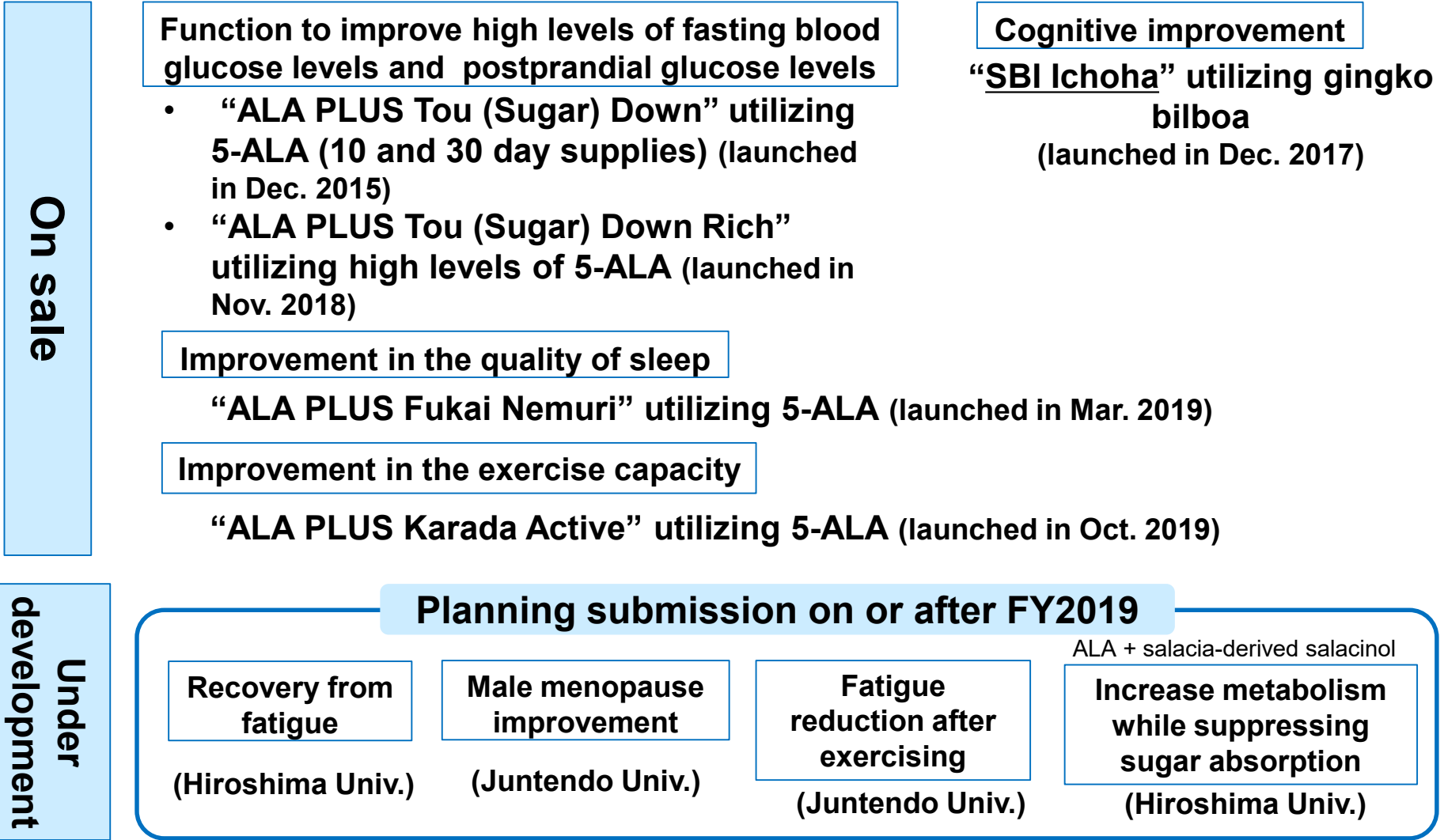
The leading drug store chains started selling 5-ALA products:

e.g.

- Welcia 1,602 stores
- Tsuruha Holdings 1,430 stores
- Matsumoto Kiyoshi 1,191 stores
- cocokara fine 1,062 stores
- COSMOS Pharmaceutical 1,032 stores
- FUJIYAKUHHIN approx. 890 stores
- Sundrug 1,009 stores
- SUGIYAKUHHIN 799 stores

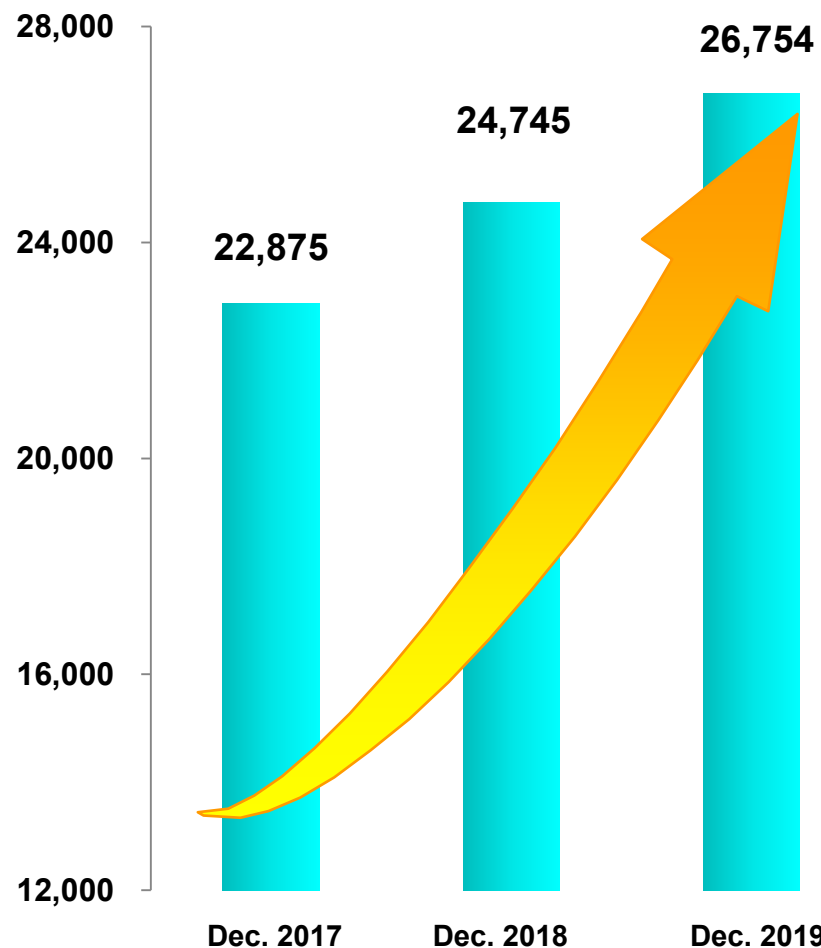
# Accelerating the Development of New Foods with Functional Claims

Offering of foods with functional claims:



# 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 Dec. 2019)\*1,2

(Thousand)

SBI SECURITIES	(No. of accounts)	5,139
SBI NeoMobile Securities	(No. of accounts)	9,607
SBIH InsWeb	(No. of customers)	2,711
E-LOAN	(No. of customers)	948
MoneyLook	(Total no. of customer registrations)	960
Morningstar Japan	(Total no. of service users ) *3	3,798
SBI Sumishin Net Bank	(No. of accounts)	1,087
SBI Insurance	(Total no. of contracts)*4	177
SBI Life Insurance	(Total no. of contracts)	2,327
Others (SBI Point etc.)	—	26,754
Total	—	26,754

\*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

\*4 The total number of contracts of SBI Insurance excludes continuing contracts, expiring contracts and early-withdrawals.



# Number of Companies and Consolidated Employees of the SBI Group

## Number of Group companies

	Mar. 2019	Dec. 2019
Consolidated subsidiaries (companies)	210	244
Consolidated partnerships (partnerships)	16	20
Total consolidated subsidiaries (companies)	226	264
Equity method companies (companies)	33	33
Total Group companies (companies)	259	297

## Number of consolidated employees

	Mar. 2019	Dec. 2019
Total employees (persons)	6,439	7,684

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