

SBI Holdings, Inc.

Financial Results

**for the Six-month Period Ended September 30, 2020
(Fiscal Year Ending March 31, 2021)**

October 28, 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. 1H FY2020 consolidated financial results (IFRS)**
- II. The Group's competitive advantage became clear in the COVID-19 crisis**
- III. Business fields to focus on for new innovations toward future business developments**

I. 1H FY2020 consolidated financial results (IFRS)

[Overview of Consolidated Financial Results]

- Revenue increased 18.7% year-on-year to JPY 228.2bn, and profit before income tax expense rose 13.5% year-on-year to JPY 54.5bn, which were historical highs for a half-year period, since the adoption of IFRS in FY2012. Profit attributable to owners of the Company increased by 18.7%, to a high performance level of JPY 33.1bn.
- In the Financial Services Business, owing to the advancement of digital transformation (DX) and the consequent online preference of consumers and investors, along with a strong equity market as compared to the corresponding period of the previous fiscal year, the securities business achieved favorable business results. Also, the equity in the earnings of SBI Sumishin Net Bank based on IFRS for 1H FY2020 continued to increase. The insurance business, which performs fair value assessments on its securities held based on IFRS, recorded a significant valuation gain in 1Q, in accordance with the recovery of the market environment.
As a result, both revenue and before income tax expense of the Financial Services Business were historical highs for a half-year period, since the adoption of IFRS in FY2012
- In the Asset Management Business, valuation gains were realized, owing to IPOs from existing funds such the Fintech Fund, and the rise in the stock prices of some of the listed investee companies
Also, SBI SAVINGS BANK of South Korea achieved historically high financial results
- In the Biotechnology-related Business, at Quark Pharmaceuticals, owing to its focused use of management resources for the development of its AKI prophylaxis, and through its aggressive cost reductions, including personnel costs, deficits were minimized to around 50% of that which were recorded in the corresponding period of the previous fiscal year

1H FY2020 Consolidated Performance (IFRS)

(Unit: JPY million)

	1H FY2019 (Apr.-Sept. 2019)	1H FY2020 (Apr.-Sept. 2020)	YoY % change
Revenue	192,147	Record high 228,165	+18.7
Profit before income tax expense	48,049	Record high 54,512	+13.5
Profit for the period	35,077	38,164	+8.8
Profit attributable to owners of the Company	27,890	33,104	+18.7

1H FY2020 annualized ROE recorded an historical high level of 13.6%

*Annualized ROE was calculated by doubling the 1H FY2020 profits

Consolidated Profit Comparison with Major Face-to-face Securities Companies

(Unit: JPY million)

		1H FY2018 (Apr. 2018 – Sept. 2018)	1H FY2019 (Apr. 2019-Sept. 2019)	1H FY2020 (Apr. 2020-Sept. 2020)	YoY % change
SBI Holdings (IFRS)	Profit before income tax expense	54,195	48,049	54,512	+13.5
	ROE(%) * 1	11.9	8.3	13.6	+5.3
Nomura Holdings (US-GAAP)	Profit before income tax expense	14,110	* 2 203,292	265,438	+30.6
	ROE(%) * 1	—	8.2	14.0	+5.8
Daiwa Securities Group(J- GAAP)	Profit before income tax expense	51,668	* 3 41,303	47,167	+14.2
	ROE(%) * 1	5.1	4.9	5.3	+0.4

* 1 For FY2018 and FY2019, ROE was calculated on a full year basis, but was calculated by doubling 1H profits for FY2020

* 2 Nomura Holdings' recorded profit contributions from their overseas entities in 1Q, and a gain for the sale of Nomura Research Institute of JPY 73.3bn in 2Q

* 3 Daiwa Securities Group recorded an extraordinary gain of JPY 26.9bn, including a gain of JPY 8.5bn for the sale of fixed assets which was associated with a transfer of fixed assets

1H FY2020 Performance by Segment (IFRS)

[Year-on-year comparison]

(Unit: JPY million)

Revenue

Profit before Income Tax Expense

	1H FY2019 (Apr. 2019– Sept. 2019)	1H FY2020 (Apr. 2020– Sept. 2020)	YoY % change	1H FY2019 (Apr. 2019– Sept. 2019)	1H FY2020 (Apr. 2020– Sept. 2020)	YoY % change / YoY change
Financial Services Business	112,673	144,082 Record high	+27.9	26,191	40,319 Record high	+53.9
Asset Management Business	75,879	82,097 Record high	+8.2	33,881	24,786	-26.8
Biotechnology- related Business	2,083	1,945	-6.6	-6,175	-3,186	+2,989

* Owing to Group company segmentation realignments, 1H FY2019 results were restated in accordance with the segmentation realignments.

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

Interim Dividend of JPY 20 Per Share was Declared

[Basic policy for shareholder return]

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

■ Dividend forecast (result) per share

	End of 2Q	Year-end	Full-year
FY2020 (forecast)	<u>JPY 20</u>	N/A	N/A
FY2019 (result)	JPY 20	JPY 80	JPY 100

1. Financial Services Business

(1) Securities-related business(SBI SECURITIES)

SBI SECURITIES' consolidated results for 1H FY2020 recorded operating income of JPY 27.2bn, up 50.7% year-on-year, and profit attributable to owners of the company of JPY 19.0bn, up 61.8% YoY, as a result of an increase in brokerage commissions from increased domestic and foreign stock trading, and an increase in trading income from the sale of foreign bonds

SBI SECURITIES 1H FY2020

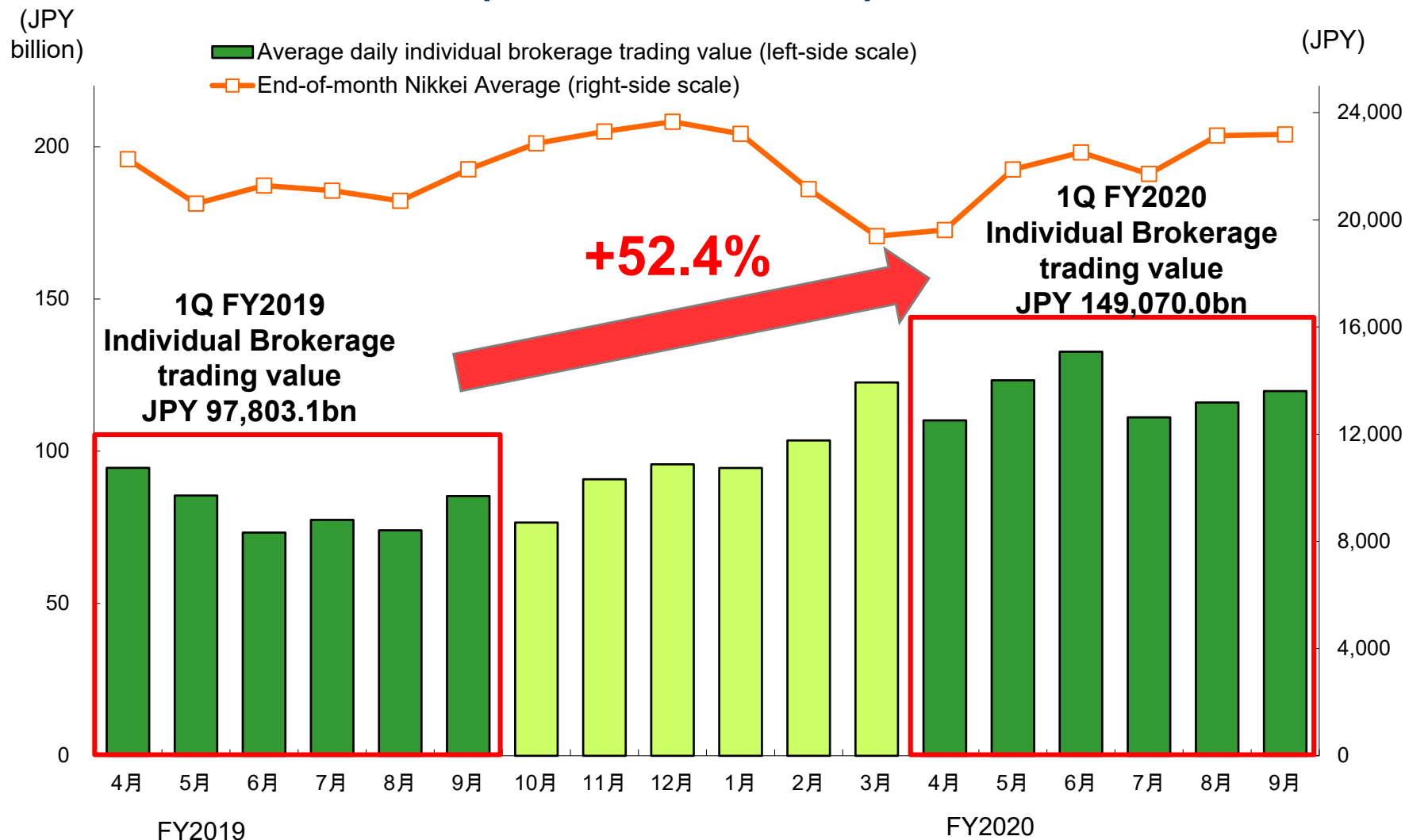
Consolidated Results (J-GAAP)

[Year-on-year comparison]

(Unit: JPY million)

	1H FY2019 (Apr. 2019 – Sept. 2019)	1H FY2020 (Apr. 2020 – Sept. 2020)	YoY % change
Operating Revenue	57,864	Record high 74,030	+27.9
Net Operating Revenue	51,972	Record high 68,858	+32.5
Operating Income	18,069	27,237	+50.7
Ordinary Income	18,291	27,316	+49.3
Profit attributable to owners of the Company	11,734	18,988	+61.8

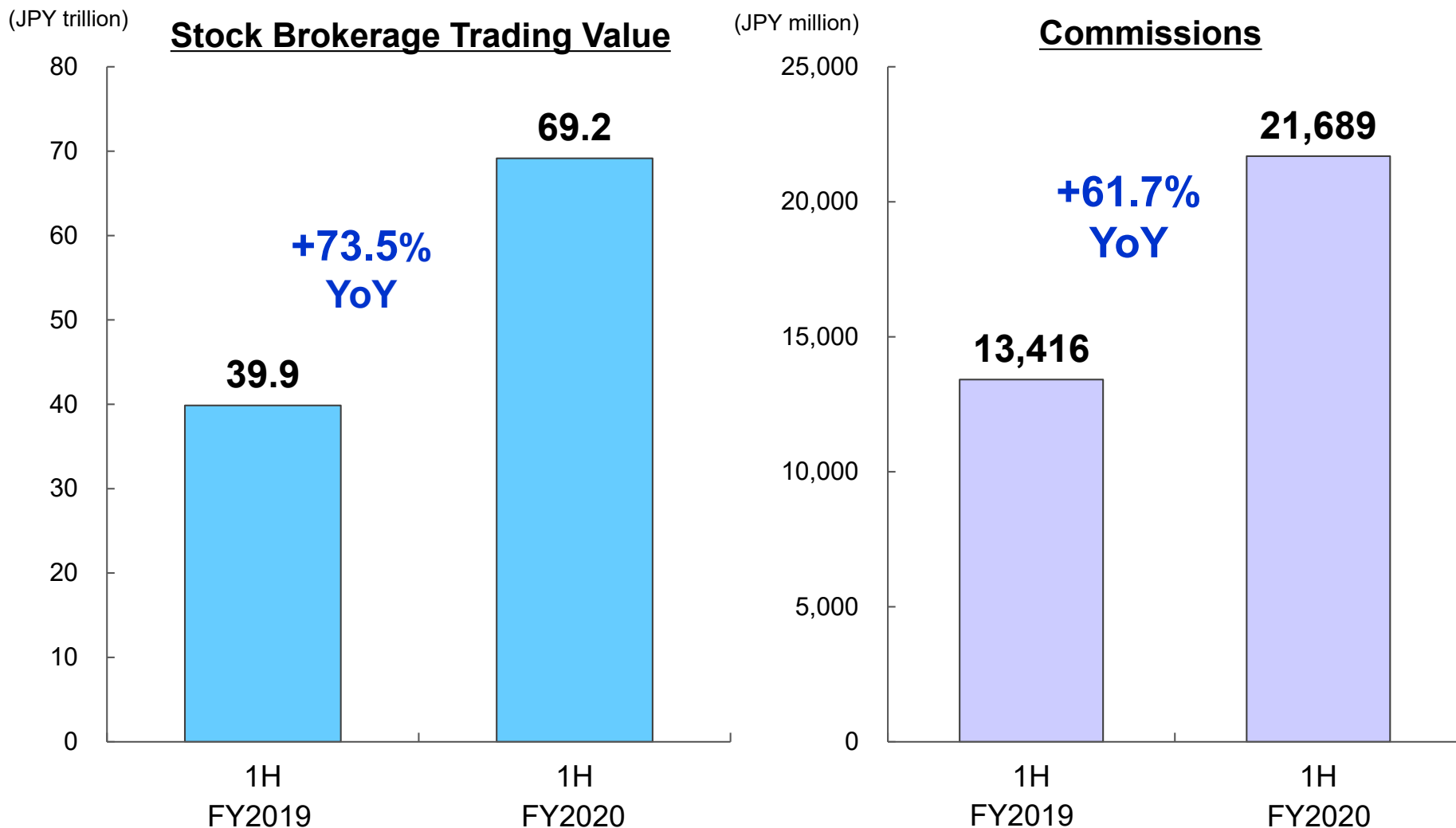
Average Daily Individual Brokerage Trading Value (2 Market Total *)



* 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



SBI SECURITIES' Overwhelming Position at Securities Industry



[1H FY2020 results]

	Share of individual stock trading value (%)		Number of accounts (thousand)	Deposit assets (JPY trillion)	Operating income (JPY million)
		of which, individual margin Trading			
SBI *1 (cons.)	 40.3	 41.5	 5,959	 16.2	 27,237
Rakuten *2 (cons.)	27.1	28.3	4,402	8.8	7,256
Matsui	10.3	12.2	1,286	2.5	5,869
au Kabucom	9.3	11.3	1,192	2.3	819
Monex *3 (cons.)	5.4	4.7	1,891	4.4	4,255

*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. 2020-Sept. 2020
Also, the number of accounts is as of the end of June 2020

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

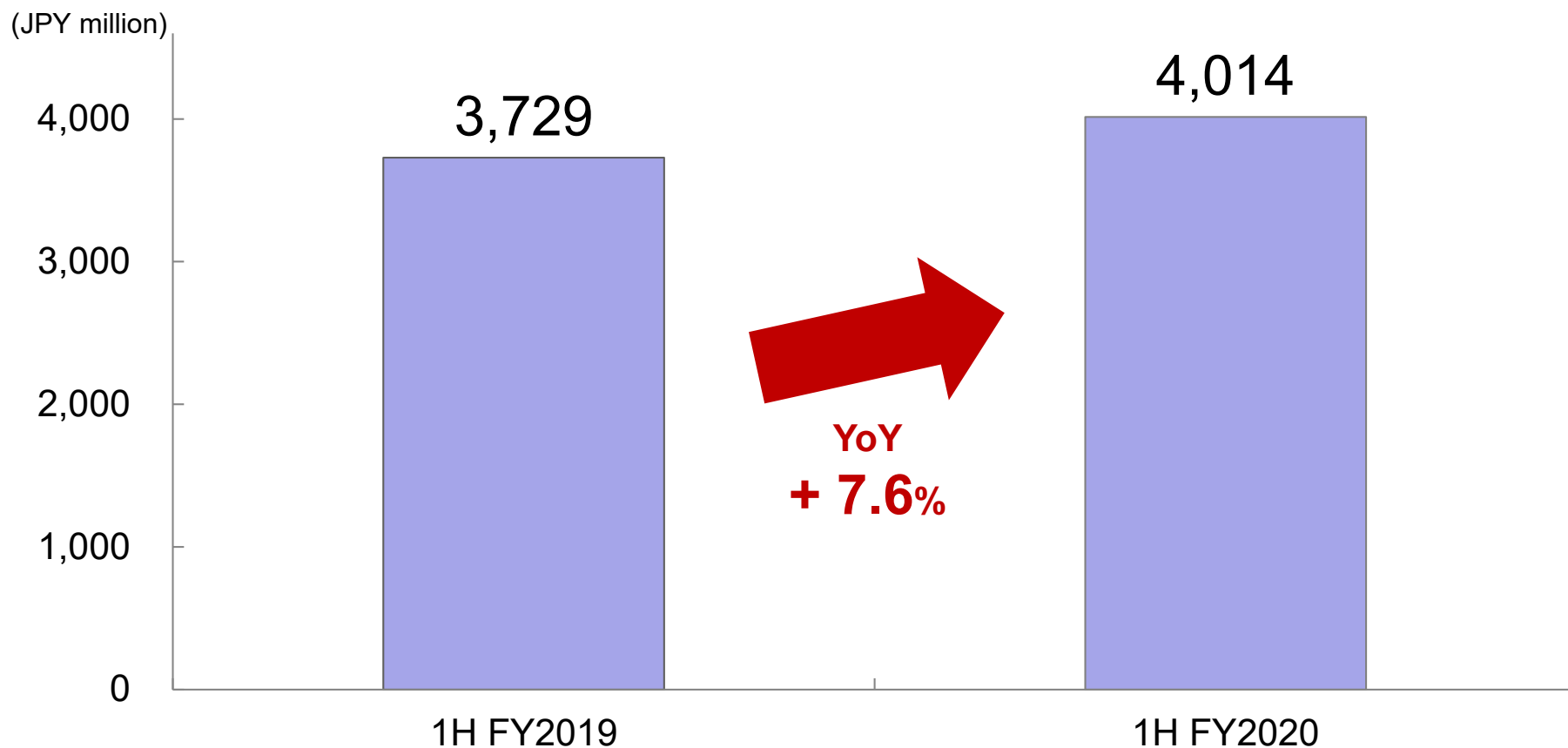
(2) Banking-related business (SBI Sumishin Net Bank)

SBI Holdings' equity method earnings of SBI Sumishin Net Bank, based on IFRS for 1H FY2020 was JPY 4,014mn, up 7.6% year-on-year, owing to the steady progress in housing loans and profits through bond investments, etc.

*** 1H FY2020 financial results (J-GAAP) announcement is scheduled for Nov. 12, 2020**

SBI Sumishin Net Bank's 1H FY2020 Results Continue to Show an Upward Trend (IFRS)

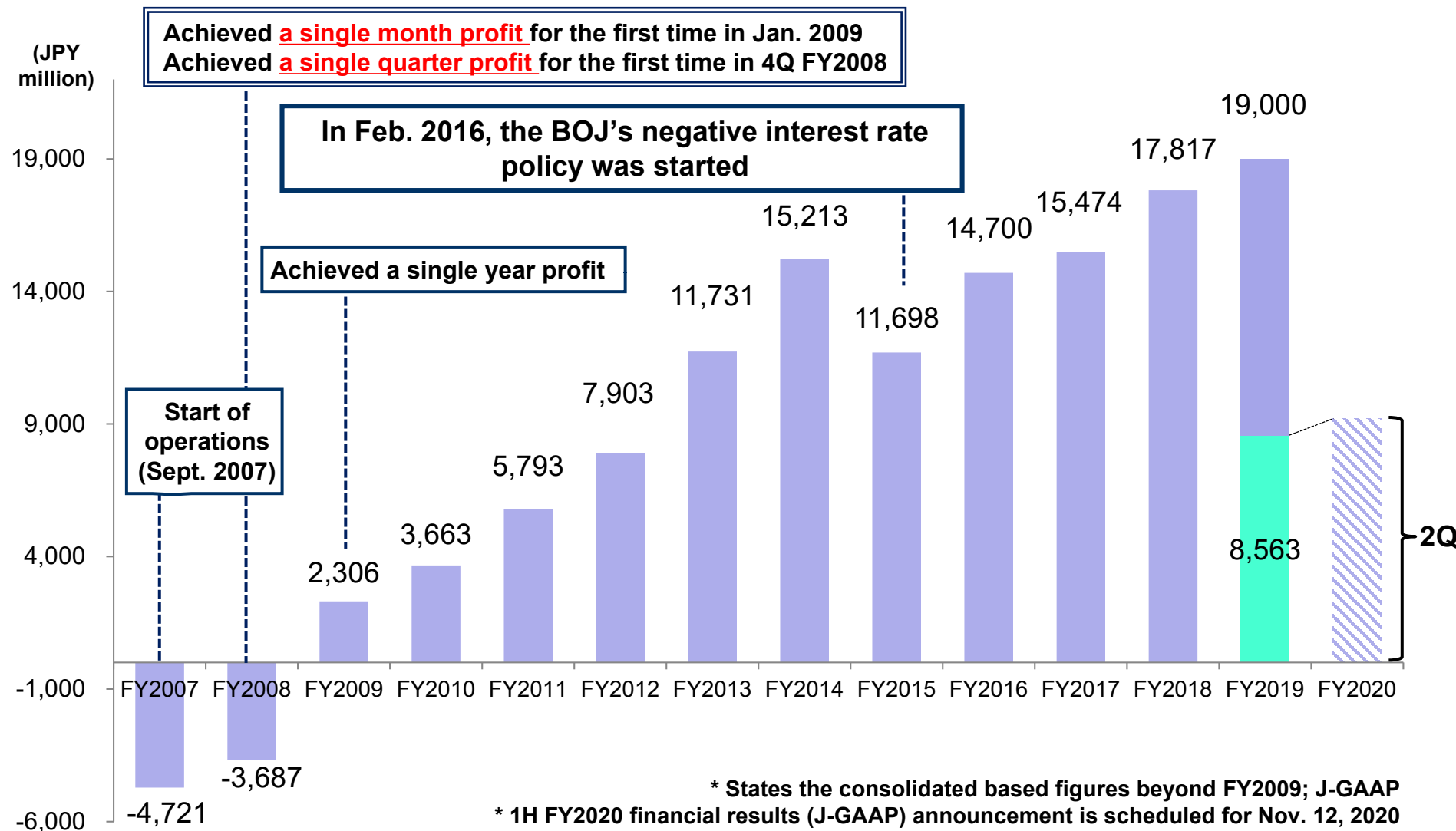
SBI Holdings' equity in earnings of SBI Sumishin Net Bank based on IFRS for 1H FY2020 was JPY 4,014m, up 7.6% year-on-year



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

Change in SBI Sumishin Net Bank's Ordinary Income (J-GAAP) after Start of Operations

-Full-year earnings are also expected to record the highest ever for the fiscal year ending Mar. 31, 2021 (J-GAAP)-

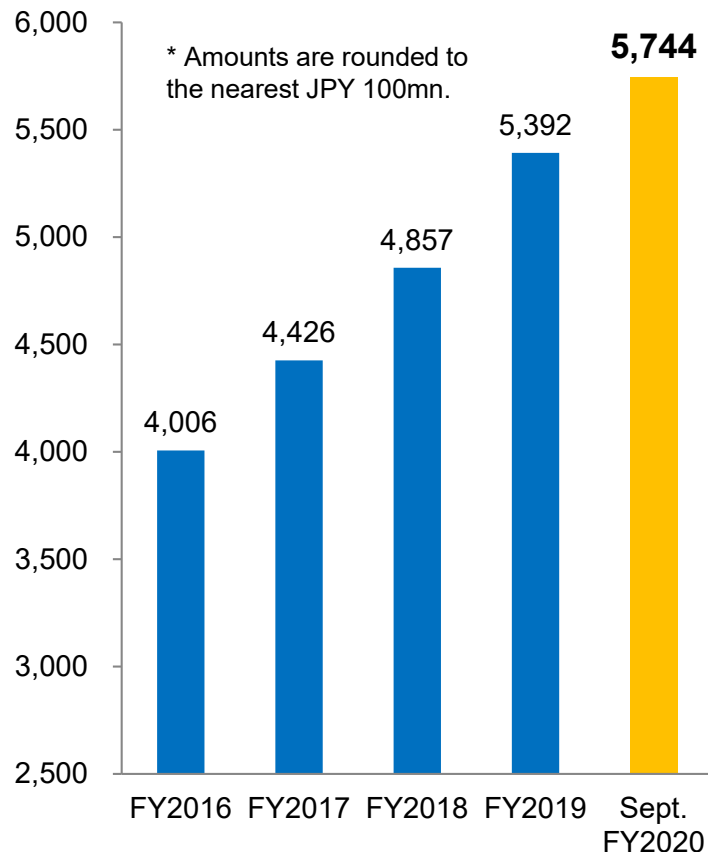


As of the End of September 2020, the Balance of Accounts and Deposits Exceeded 4.2 Million Accounts and JPY 5.7tn, Respectively, to Significantly Surpass Its Competitors

Accounts: 4,203,489 / Deposits: JPY 5,743.7bn
(As of the end of Sept. 2020)

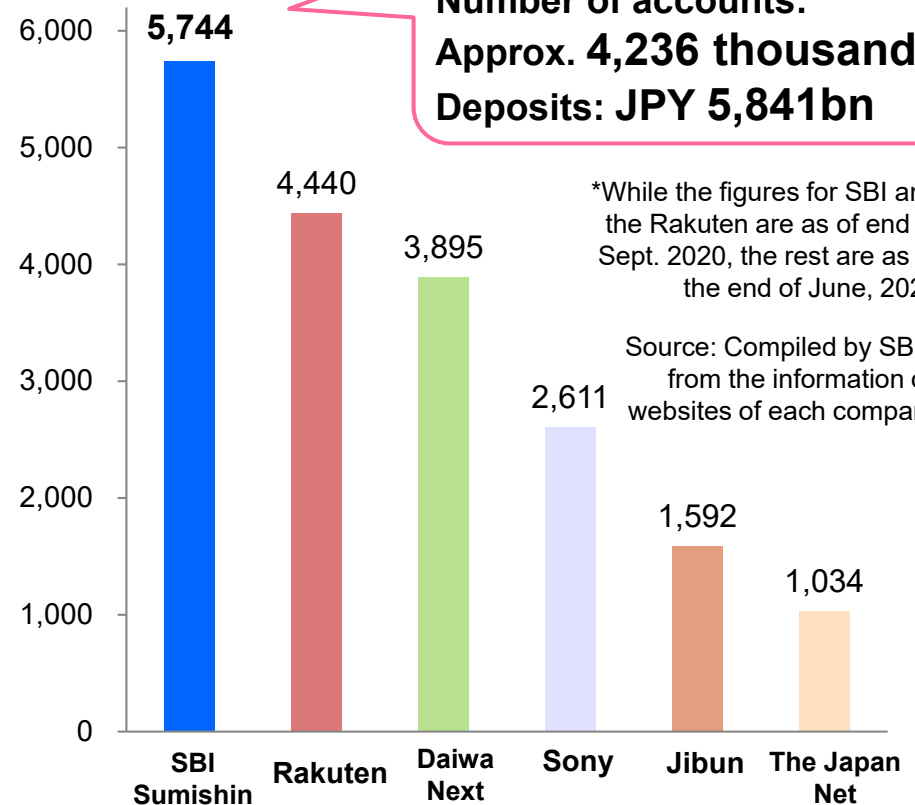
Change in SBI Sumishin Net Bank's Deposits

(JPY billion)



Deposits of 6 Internet Banks

(JPY billion)



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

- **SBI Insurance Group's total number of in force contracts as of the end of Sept. 2020 remained steady at approximately 2.24m^{*1}, partly owing to the positive impact of lifestyle changes brought about by COVID-19**

***1 Including the number of in force contracts of Joguchi Safety SSI**

- **SBI Insurance Group's consolidated ordinary revenue for 1H FY2020 (preliminary figures on a J-GAAP basis^{*2}), increased 25.9% year-on-year to JPY 40,626m, and consolidated ordinary profit increased 122.8% year-on-year to JPY 2,184m, reflecting a steady increase in the Group's total number of in force contracts**

***2 Final consolidated figures for 1H FY2020 will be released on Nov. 12**

SBI Insurance Group's Performance (Preliminary Figures)

* Final consolidated figures for 1H FY2020 will be released on Nov. 12

Consolidated results for 1H FY2020 (J-GAAP)

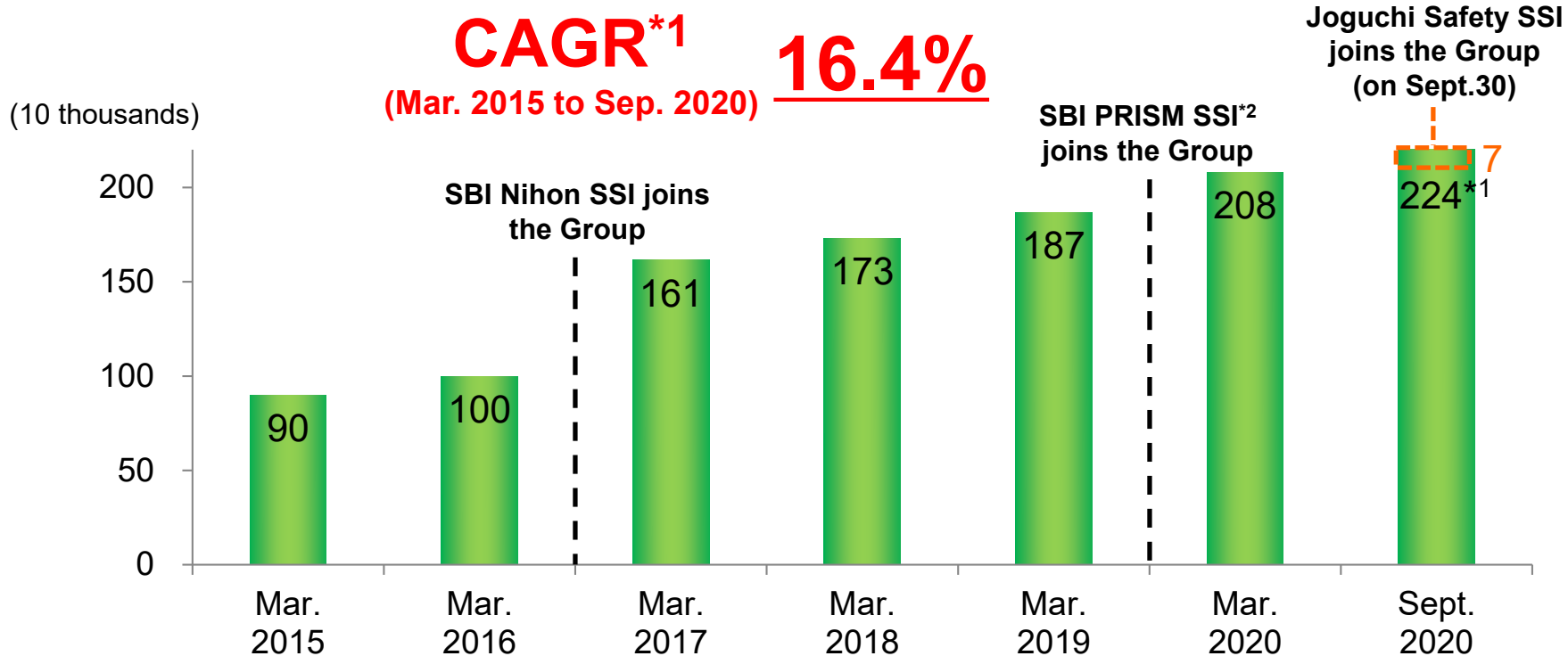
(Unit: JPY million)

	1H FY2019 (Result) (Apr. – Sept. 2019)	1H FY2020 (Preliminary) (Apr. – Sept. 2020)	YoY % change
Ordinary revenue	32,279	40,626	+25.9
Ordinary profit	980	2,184	+122.8
Profit attributable to parent of the Company	222	773	+247.0

SBI Insurance Group's Total Number of In Force Contracts Steadily Increased

- In Sept. 2020, SBI Insurance Group acquired all shares of Joguchi Safety SSI, which deals with rental housing insurance in Hokkaido
- SBI Insurance Group will continue to expand its business organically, as well as advance its discontinuous business expansion through M&A activities

SBI Insurance Group's total number of in force contracts



*1 Including the number of in force contracts of Joguchi Safety SSI
*2 In July 2020, the company name was changed from "JAPAN ANIMAL CLUB"

2. Asset Management Business

- Although gains and losses from the changes in the fair value evaluation of investees for 1H FY2020 decreased year-on-year to JPY 15.4bn, during the July to Sept. period of FY2020, valuation gains of JPY 7.3bn were realized, owing to IPOs from existing funds such the Fintech Fund, and the rise in the stock prices of some of the listed investee companies
- SBI SAVINGS BANK of South Korea's profit before income tax expense (based on SBI Holdings' IFRS incorporation) for 1H FY2020 achieved an historical high, having increased by 65% year-on-year to JPY 13.9bn

Asset Management Business’ 1H FY2020 Performance Overview (IFRS)

(JPY billion)

	1H FY2019	1H FY2020	YoY % change
Revenue	75.9	82.1	+8.2
Profit before income tax expense	33.9	24.8 ^(*1)	-26.8
SBI SAVINGS BANK	8.4	13.9	+65.5
Profit/loss from the change in fair value and profit/loss on sales of investment securities	25.4	15.4	-39.4
Listed Securities	5.5	12.8	+132.7
Unlisted Securities	19.9	2.6	-86.9

(*1) Accumulated impairment losses to reflect the declining occupancy rate in the aircraft leasing business

The Number of IPOs and M&As are Expected to be at the Same Level as that in the Previous Fiscal Year

	Full-year FY2019	Full-year FY2020 Prospects
IPO・M&A Deals	24	Over 25

In this current fiscal year, 5 companies were IPO'd and one was M&A'd thus far

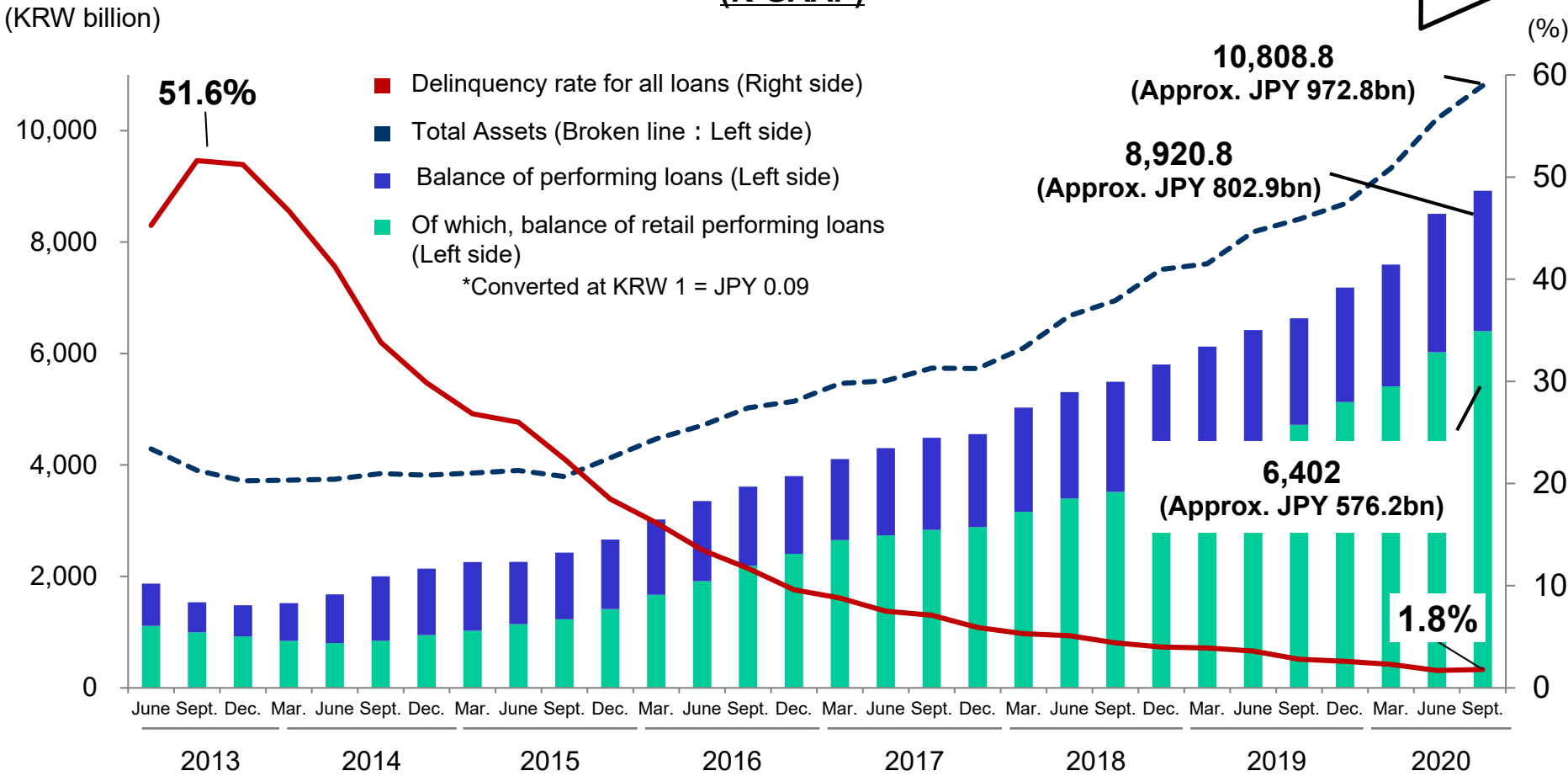
EXIT Date	Company	Market
May 8, 2020	Ayala Pharmaceuticals Inc.	NASDAQ
May 25, 2020	C Channel Corporation	TOKYO PRO Market
June 30, 2020	Goodpatch Inc.	TSE Mothers
July 16, 2020	A-PRO CO.LTD.	KOSDAQ
Aug. 3, 2020	Modalis	TSE Mothers
Sept. 15, 2020	Adicet Bio, Inc	M&A

- * 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.

SBI SAVINGS BANK's Underlying Earnings have Increased Steadily, as Its Prime Assets have Grown

Changes in Indicators since becoming a subsidiary
(K-GAAP)

Total assets exceed **KRW 10tn** as the end of June



The total delinquency rate remains low at **1.8%** (2.2% for retail loans)

SBI SAVINGS BANK Surpasses Full-year Results of the Previous Year in the 9M FY2020 Period

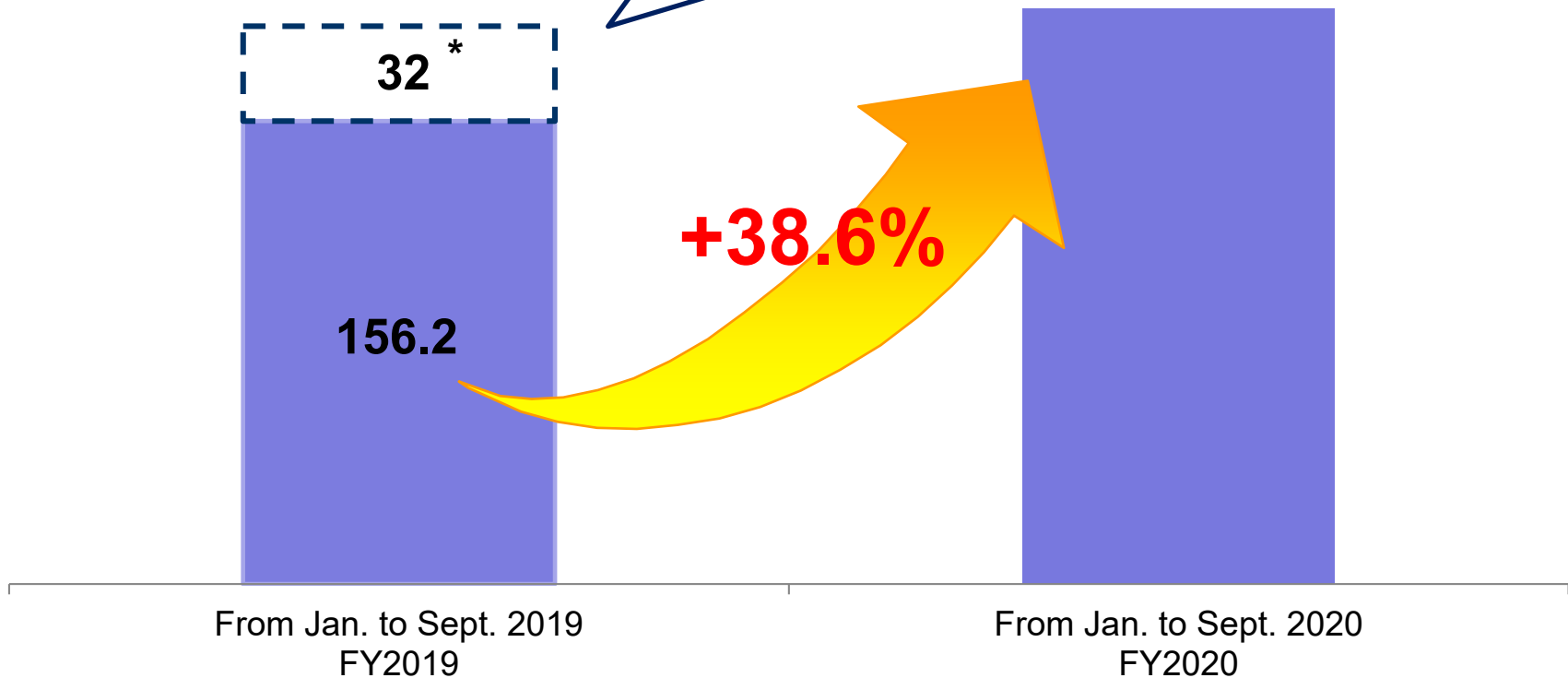
-Record net profit for the year-

<Net profit (Jan. to Sept. 2020; K-GAAP)>

(KRW billion)

* Figures for the Q4 of the year ending December 31, 2019

Annual figure is
KRW 188.2 billion

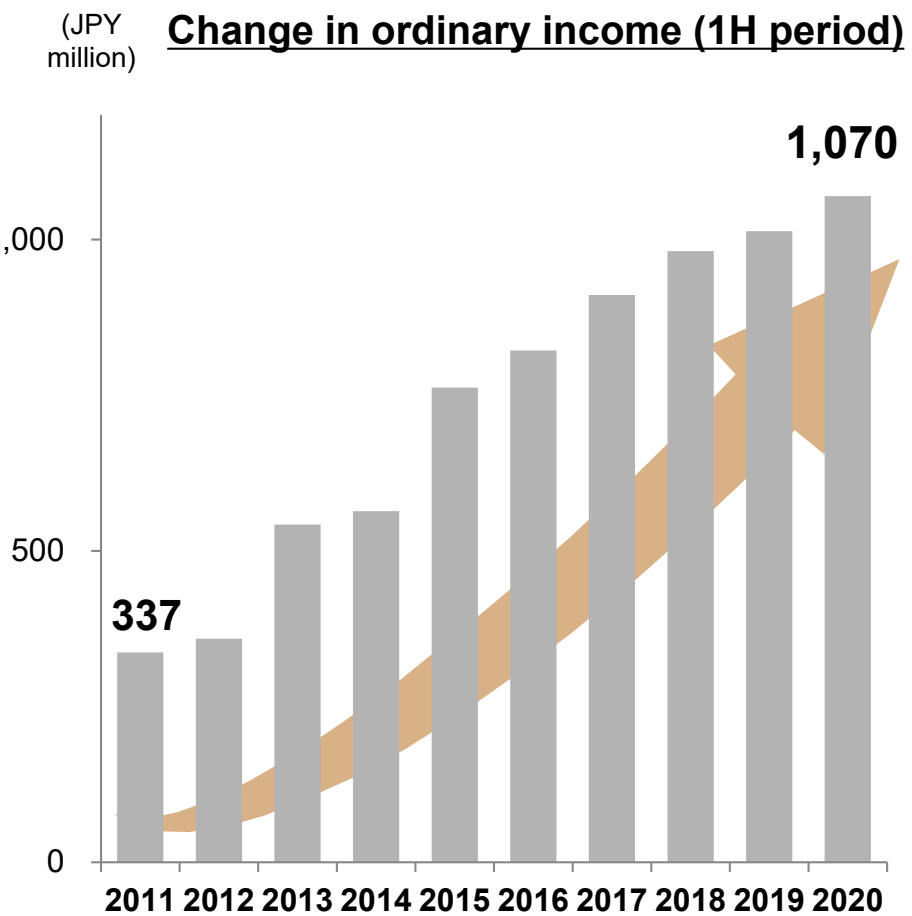
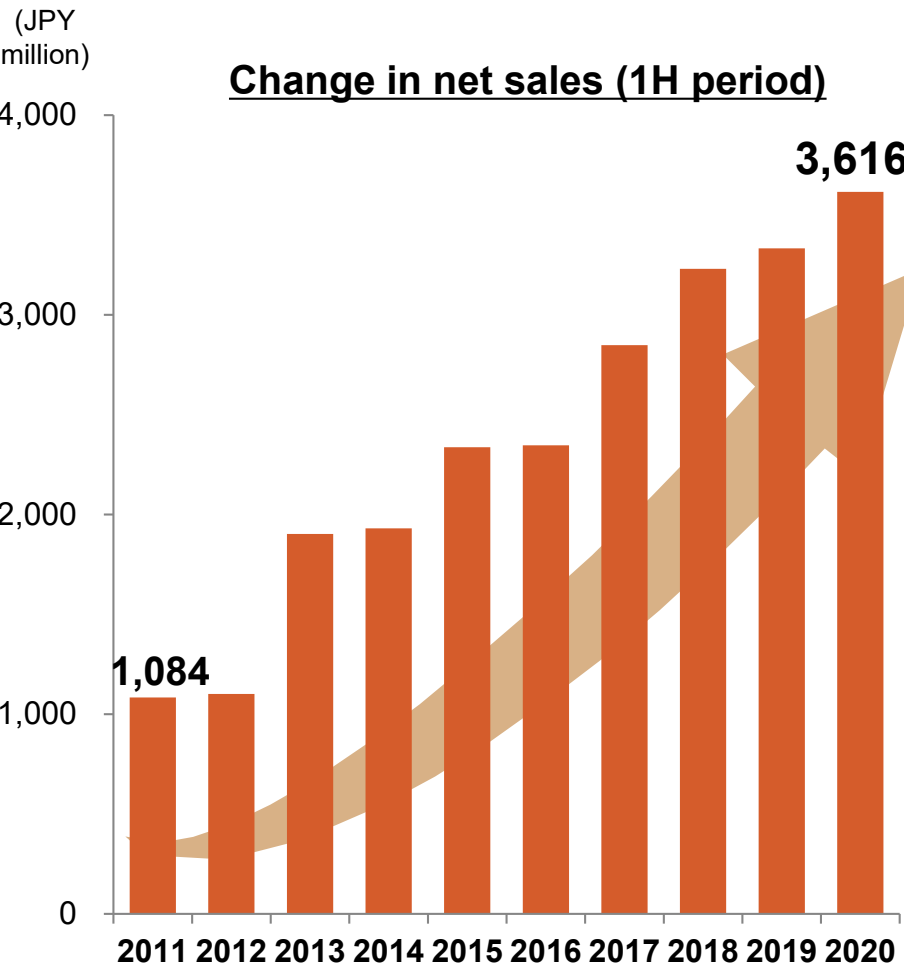


As in the previous year, SBI SAVINGS BANK received an “A –” (Direction: “Stable”) rating from 2 credit rating agencies in Korea (Korea Credit Rating and NICE Credit Rating)

2. Asset Management Business:

Morningstar Japan, which Celebrates its 20th Anniversary of Being Listed on the Stock Exchange, Changes its Listing to the First Section of the Tokyo Stock Exchange from the JASDAQ on Oct. 19

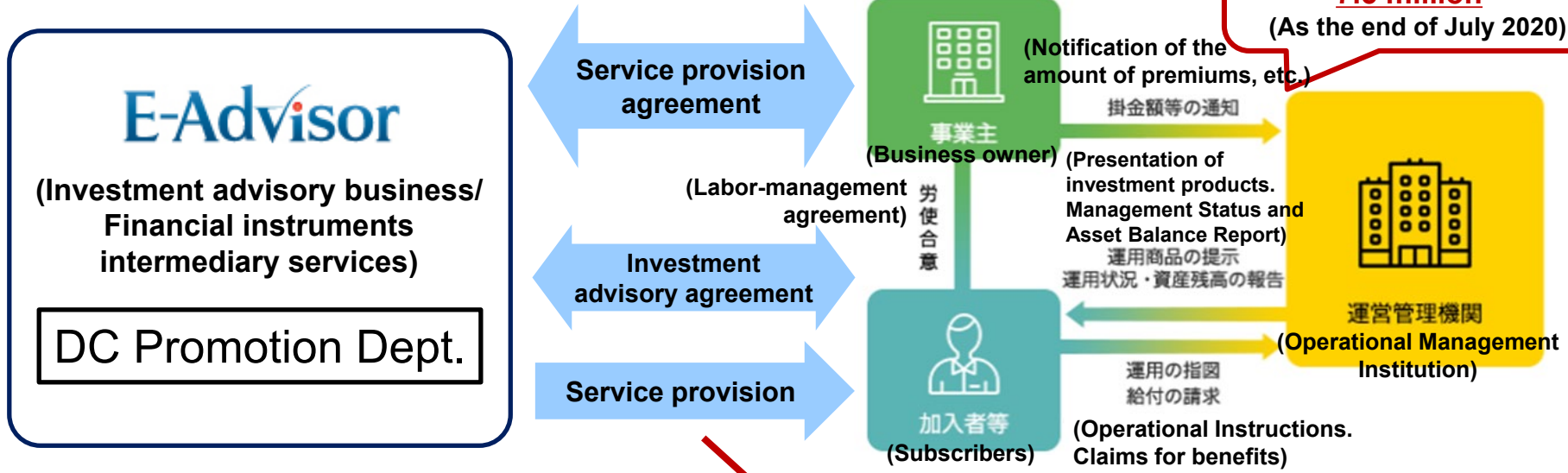
**~Record-high sales for fourth consecutive year
and record-high ordinary income for ninth consecutive year~**



E-Advisor, a Subsidiary of Morningstar Japan, Plans to Offer an Investment Advisory Service App for Corporate Defined Contribution Plans

-Strengthening our approach to companies adopting defined contribution-

The number of corporate DC subscribers exceeds **7.5 million**
(As the end of July 2020)



Providing information on the evaluation of investment products

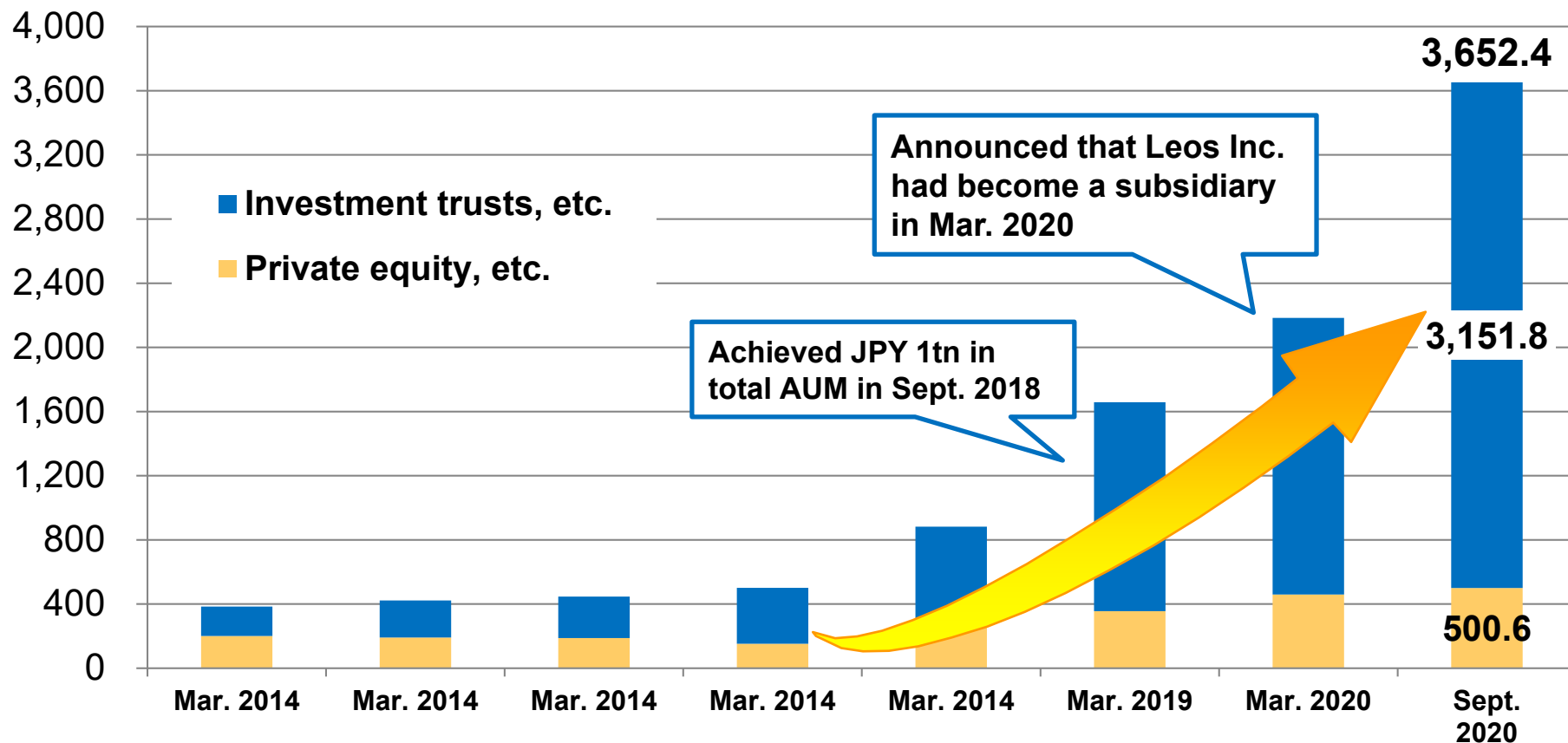
➤ Providing investment advisory services to subscribers

➤ Automate operational instructions and monitoring to relieve subscribers of their future concerns

The interface includes sections for 'App', 'PC', and 'SP'. The app screens show: 1. Risk Tolerance Assessment (リスク許容度診断), 2. Asset Allocation (資産配分), 3. Investment Goals Setting (運用目標の設定), 4. Asset Allocation Confirmation (資産配分割合), and 5. Asset Allocation Simulation (資産配分シミュレーション).

SBI Group's Assets Under Management, Including Private Equity, have Already Reached JPY 3.6tn, and will Endeavor to Increase AUM to JPY 5tn within 2 years, and JPY 10tn within 5 Years

(JPY billion)



*1 Calculated by the exchange rate as of the end of each month *2 Amounts are rounded to the nearest JPY 100m *3 Figures as of the end of March

*4 "Private equity, etc." includes neither cash nor commitment amount to be paid in. Through Mar. 2017, unlisted stocks invested from investment partnerships and other entities, which had no market prices, were estimated at cost (impairment prices are applied for the stocks for which impairment losses have been recorded). After Mar. 2018, however, these stocks have been estimated at fair value.

*5 "Investment trusts, etc." are the sum of amounts of investment trusts and investment advisors. For funds that SBI Asset Management provides investment instruction to, if Morningstar Asset Management provides investment advisory services, assets are recorded in both Investment trusts and Investment advisory, respectively, so there are some overlapping amounts.

3. Biotechnology-related Business

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

(JPY million)

		1H FY2019 (Apr. – Sept. 2019)	1H FY2020 (Apr. – Sept. 2020)
SBI Biotech		-197	-82
Quark Pharmaceuticals (“Quark”)		-3,598	-1,854
ALA- related business	SBI Pharmaceuticals	-587	-944
	SBI ALApromo	119	149
	photonamic	56	4

- SBI Biotech's **deficit improved** year-on-year, owing to **milestone income and cost reduction efforts**
- Although **Quark** will continue to record R&D expenses, mainly for Phase III clinical trials of pharmaceuticals for acute kidney injury (AKI), **the deficit will be significantly reduced as a result of aggressive cost reduction, including personnel reductions**
- **SBI Pharmaceuticals** posted a larger deficit, owing to the recording of drug development expenses for the launch of a pharmaceutical for the treatment of mitochondrial diseases
- Although sales to some drug stores decreased due to the corona virus, **SBI ALApromo's sales and profit before income tax expense increased 25.2% year-on-year**, owing to an increase of mail order and TV shopping.
- Owing to the expansion in the scope of operations of the ALA-related business, personnel costs continue to increase at photonamic, with the expansion of its workforce since 2H FY2019, which will result in a decrease in its surplus. **However, considering the impact of the COVID -19 epidemic in the U.S., photonamic is expected to maintain its full year profitability**

Impact of COVID-19 (Novel Coronavirus) Epidemic on the Clinical Trials for U.S. Quark's Acute Kidney Injury (AKI) Prophylaxis

Current status of clinical trials affected by COVID-19

- The recruitment of subjects necessary to complete the clinical trial was completed as of June 18
 - Follow-up observation, such as blood sampling after 90 days, for the administered subjects, was completed in Sept. 21, 2020, as a result of various measures
 - Currently working on data cleaning for clinical trial database lock (DBL)
- There is a concern that work at the clinical trial site will be hindered due to movement restrictions, owing to a possible second wave of COVID-19 infections, but if the situation does not significantly worsen, clinical trial results are expected to be available by the end of FY2020

Under the new CEO, Quark will endeavor to reduce expenses, including personnel costs, from the previous JPY 7.5bn to around 60% of that during this fiscal year.

The loss before income tax expense in 1H FY2020 was about JPY 1.9bn, which was about 50% of the actual loss of about JPY 3.6bn in 1H FY2019

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
Drug to treat	1	Cisplatin nephropathy protection (by SBI Pharmaceuticals)	Phase II is completed in Sept. 2020		
	2	Mitochondrial diseases* (by SBI Pharmaceuticals)	Phase III is underway		
	3	Cardiac ischemia-reperfusion injury* (by SBI Pharmaceuticals)	Under preparation for Phase II	Scheduled to complete in Apr. 2021	
Photodynamic therapy (iPDT)	4	Brain tumors* (by photonamic)	Under preparation for Phase II	<ul style="list-style-type: none">First patient in, at Oxford University Hospital is expected to be completed by early November 2020Phase II will also be held at Leicester, Birmingham and Cambridge University Hospitals	
Photodynamic diagnostic agent (PDD)	5	Breast tumors (by photonamic)	Under preparation for Phase III		

*Investigator-led trial

SBI ALApromo Accelerates the Development of New Foods with Functional Claims

Offering of foods with functional claims:

On sale

Function to improve high levels of fasting blood glucose levels and postprandial glucose levels

- “ALA PLUS Tou (Sugar) Down” utilizing 5-ALA (10 and 30 day supplies) (Launched in Dec. 2015)
- “ALA PLUS Tou (Sugar) Down Rich” utilizing high levels of 5-ALA (Launched in Nov. 2018)

Improvement in the quality of sleep

“ALA PLUS Fukai Nemuri” utilizing 5-ALA (Launched in Mar. 2019)

Cognitive improvement

“SBI Ichoha” utilizing ginkgo bilboa (Launched in Dec. 2017)

Improvement in the exercise capacity

“ALA PLUS Karada Active” utilizing 5-ALA (Launched in Oct. 2019)

Under development

Reduce cholesterol and blood pressure

Renewed “Hatsugagenmai no Sokojikara” as food with functional claims (Planned launch in 2H FY2020)

Increase metabolism while suppressing sugar absorption

5-ALA + salacia-derived salacinol
Jointly developed with Hiroshima University (Planned launch in FY2021)

Improvement of depression and mood

Conducted clinical trials in collaboration with University of Hawaii (Planned launch in 1H FY2021)

Recovery from fatigue

Conducted clinical trials in collaboration with Hiroshima University (Planned launch in 1H FY2021)

Male menopause improvement

Conducted clinical trials in collaboration with Juntendo University

Fatigue reduction after exercising

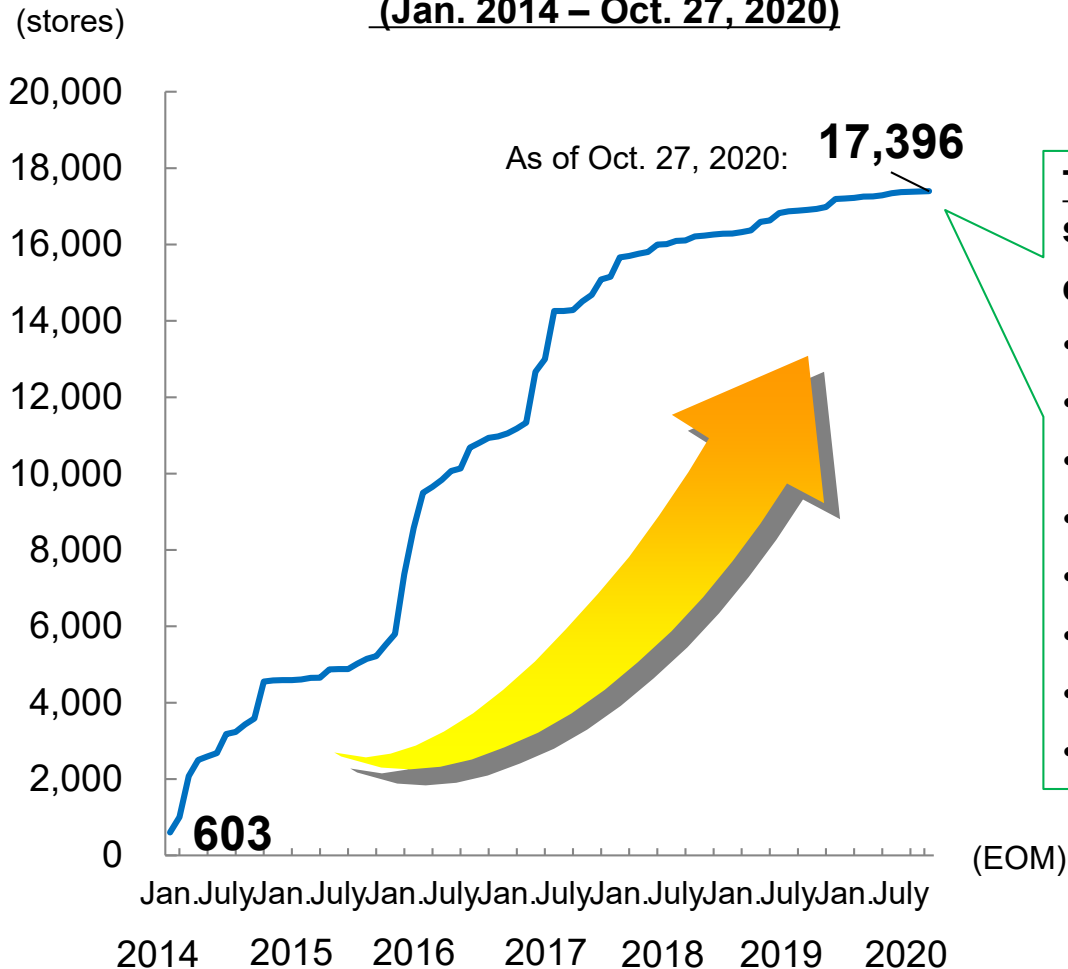
Conducted clinical trials in collaboration with Juntendo University

 :Submission completed

 :Planning submission on FY2020

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 – Oct. 27, 2020)**



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

e.g.

- **Welcia** 1,620 stores
- **Tsuruha drug** 1,430 stores
- **Matsumoto Kiyoshi** 1,221 stores
- **COSMOS Pharmaceutical** 1,071 stores
- **cocokara fine** 1,062 stores
- **Sundrug** 1,009 stores
- **FUJIYAKUHIN** approx. 890 stores
- **SUGI** 802 stores

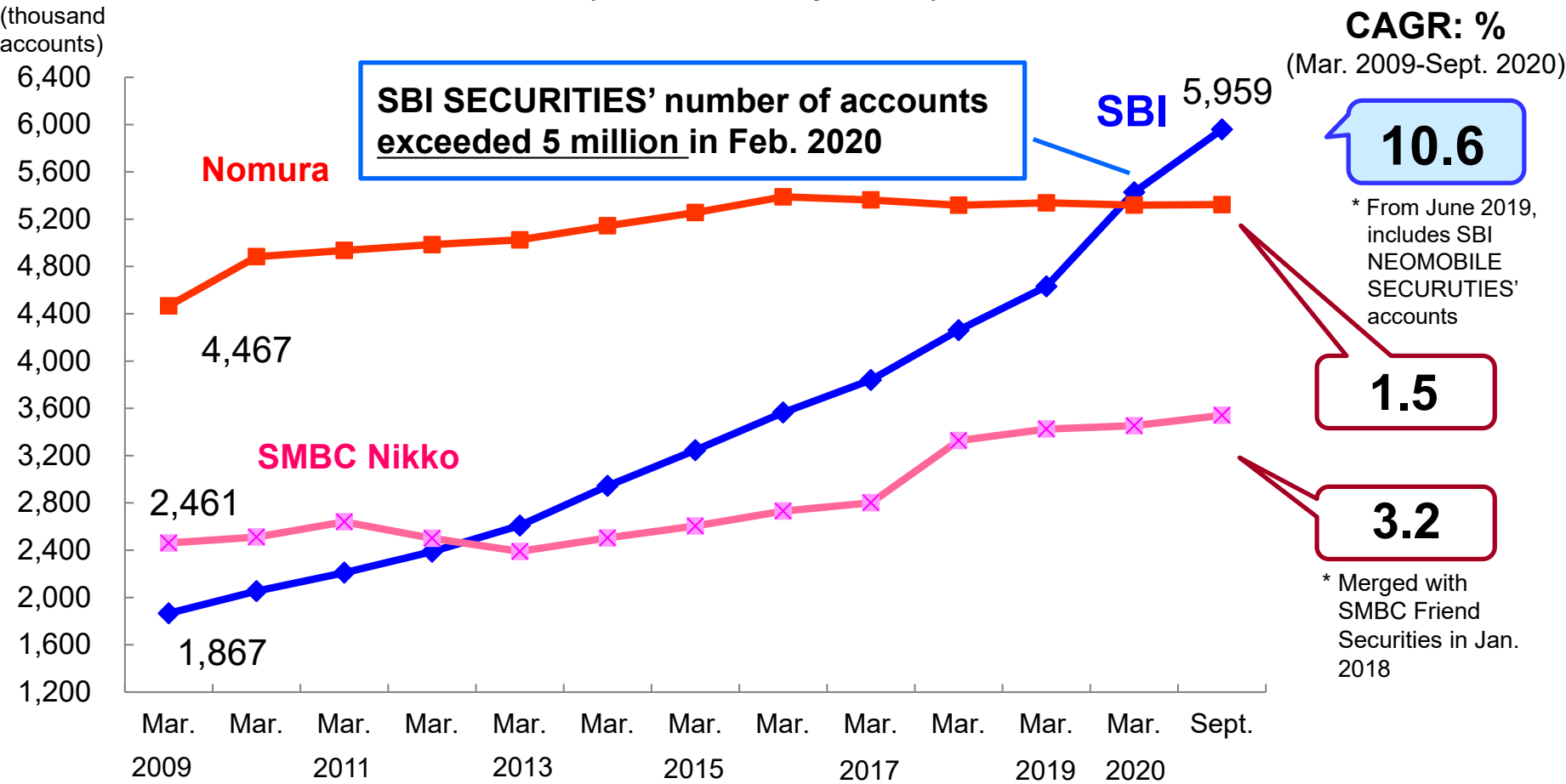
II. The Group's competitive advantage became clear in the COVID-19 crisis

- 1. The Group's online utilization, which was in place since its inception, led to a further increase in customers and in revenue (sales), in the wake of the COVID-19 crisis**
- 2. Strategies to further strengthen competitive advantages during the COVID-19 crisis**
- 3. The Group also demonstrated a competitive advantage in regional development efforts, through the revitalization of regional financial institutions**

- 1. The Group's online utilization, which was in place since its inception, led to a further increase in customers and in revenue (sales), in the wake of the COVID-19 crisis**

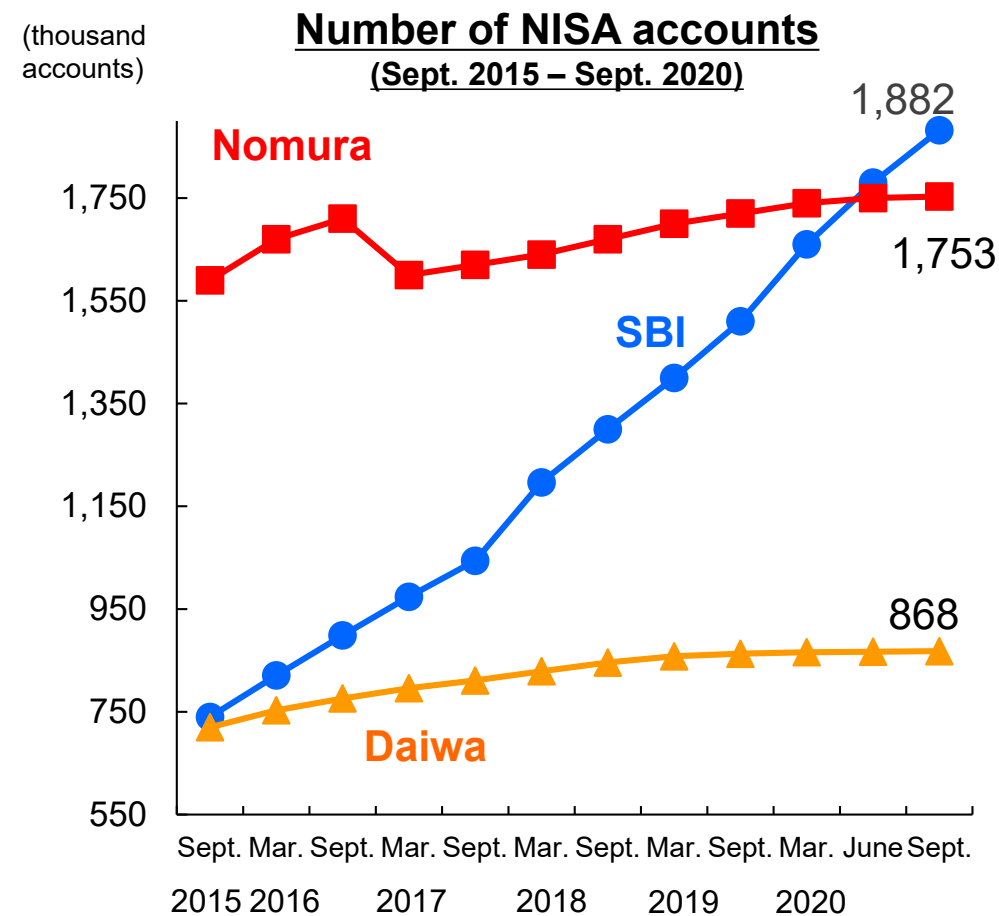
SBI's Number of Brokerage Accounts has Surpassed that of Nomura, to Become No.1 in the Industry

Number of Accounts of SBI SECURITIES and 2 Major Face-to-face Securities Companies
(Mar. 2009 – Sept. 2020)

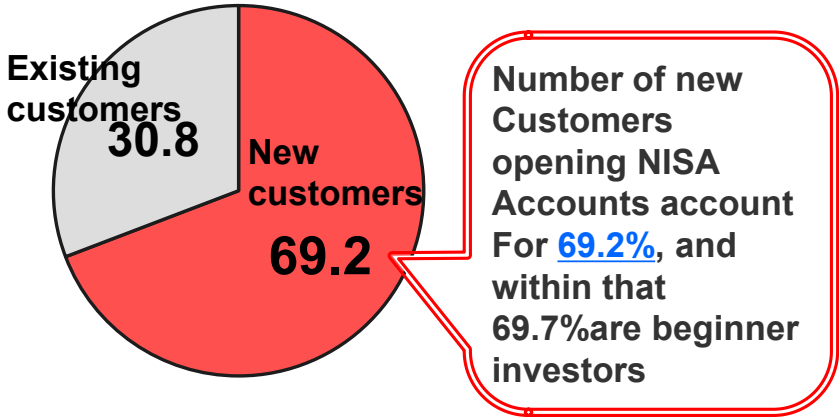


As of the end of Mar. 2017, Daiwa Securities' number of accounts totaled 3,886 thousand accounts, with no further disclosure

SBI SECURITIES also Surpassed Nomura in the Number of NISA Accounts, to Become No.1 in the Industry



NISA's customer attribute of SBI SECURITIES (%)



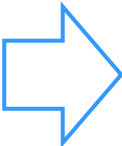
SBI SECURITIES' number of Junior NISA accounts reached 98 thousand accounts, accounting for approx. 30% of the entire securities industry's Junior NISA accounts

*1 Includes the number of Junior NISA accounts
*2 Amounts are rounded to the nearest JPY thousand.
*3 The number of accounts are as of the end of September 2020, compiled by SBIH from the information on website of each company.

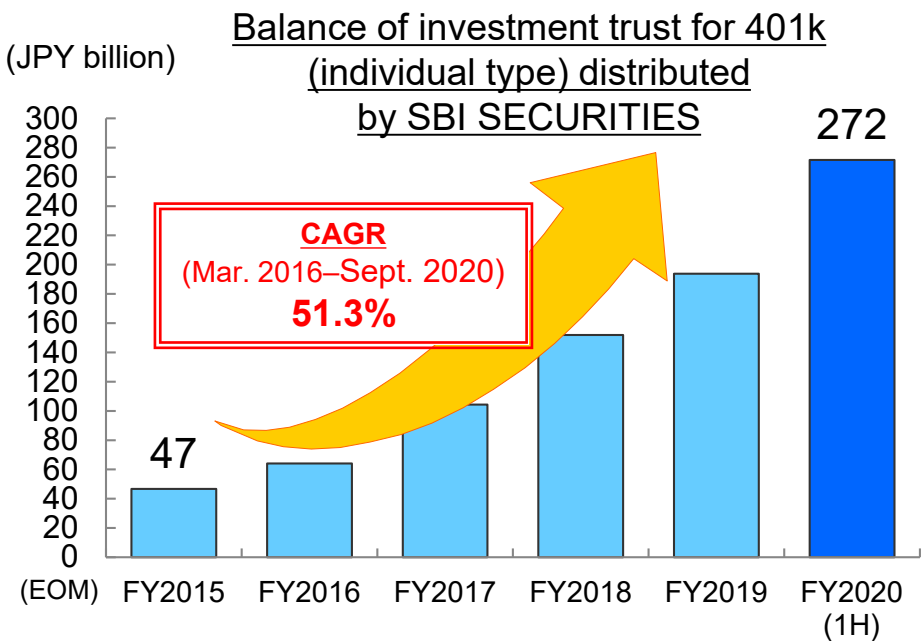
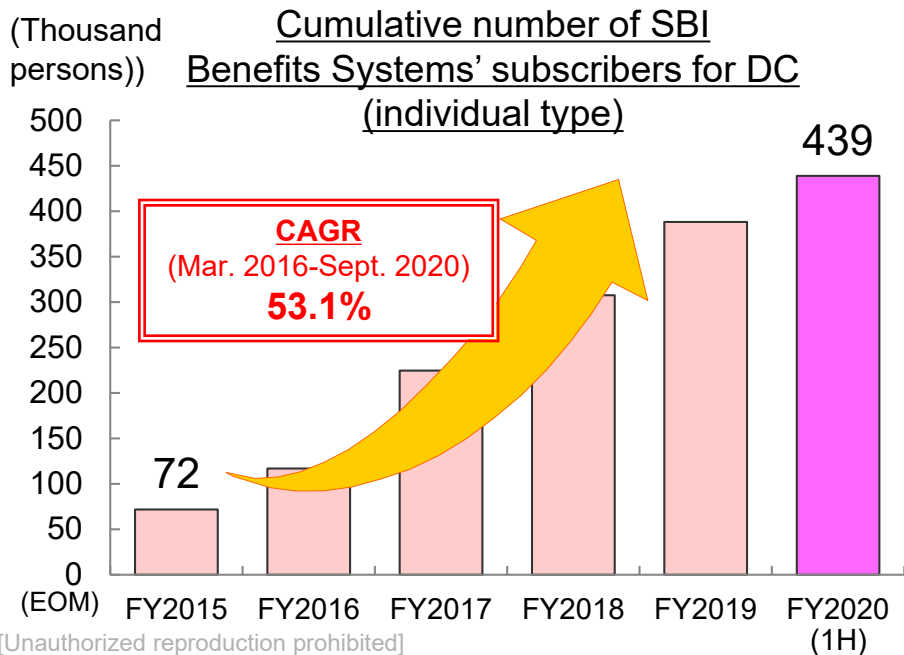
Further Strengthening the Individual Defined Contribution (iDeCo) Pension Business

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

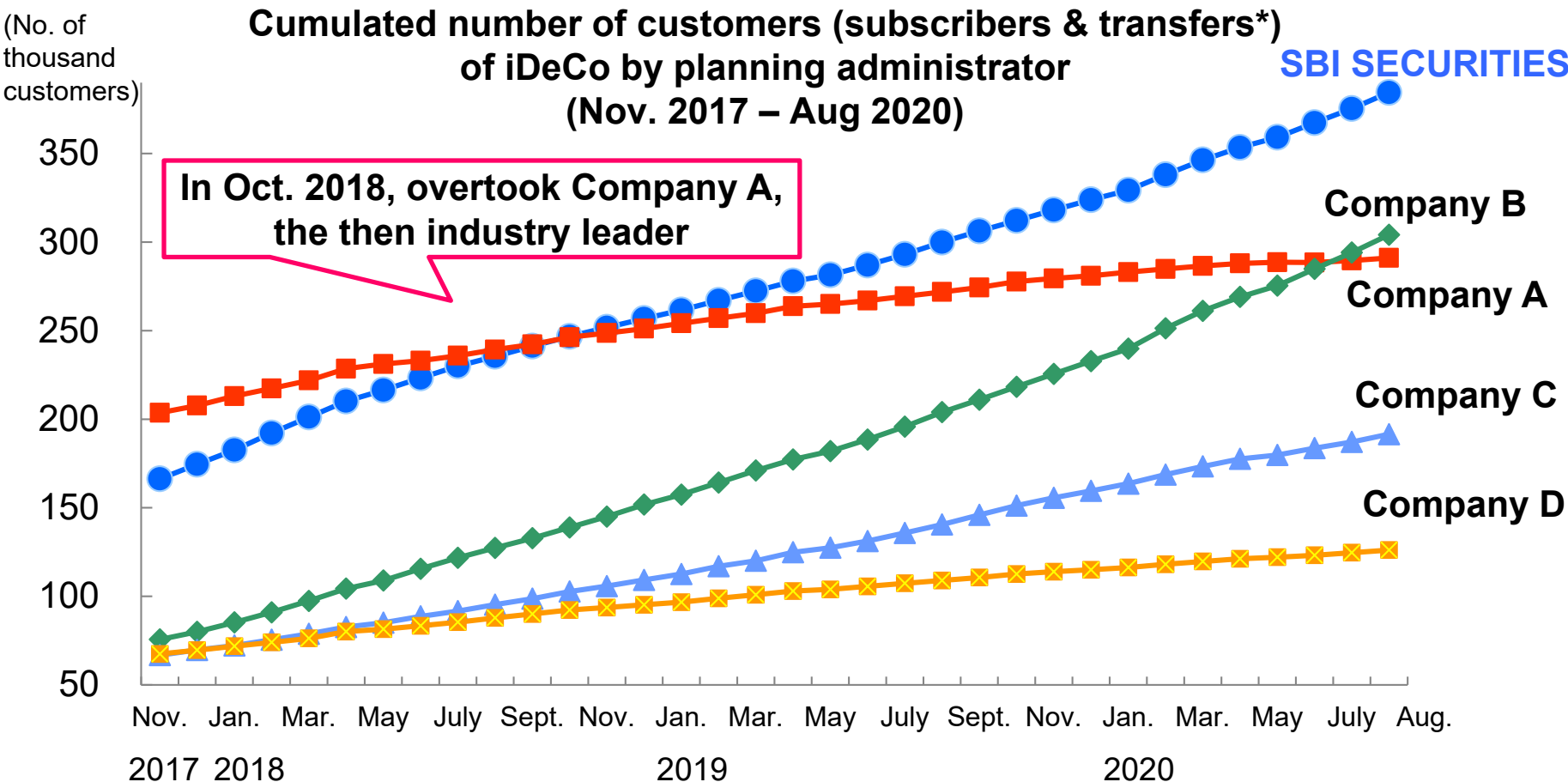
SBI SECURITIES' administrative fees are completely free of charge from May 19, 2017, as to further expand iDeCo business



- As of the end of Aug. 2020, the number of iDeCo accounts totaled approx. 3,840 thousand, which is **approx. 3.1x larger** than that of the end of May 2017
- The number of requests for application materials is **increasing** since Jan. 2020



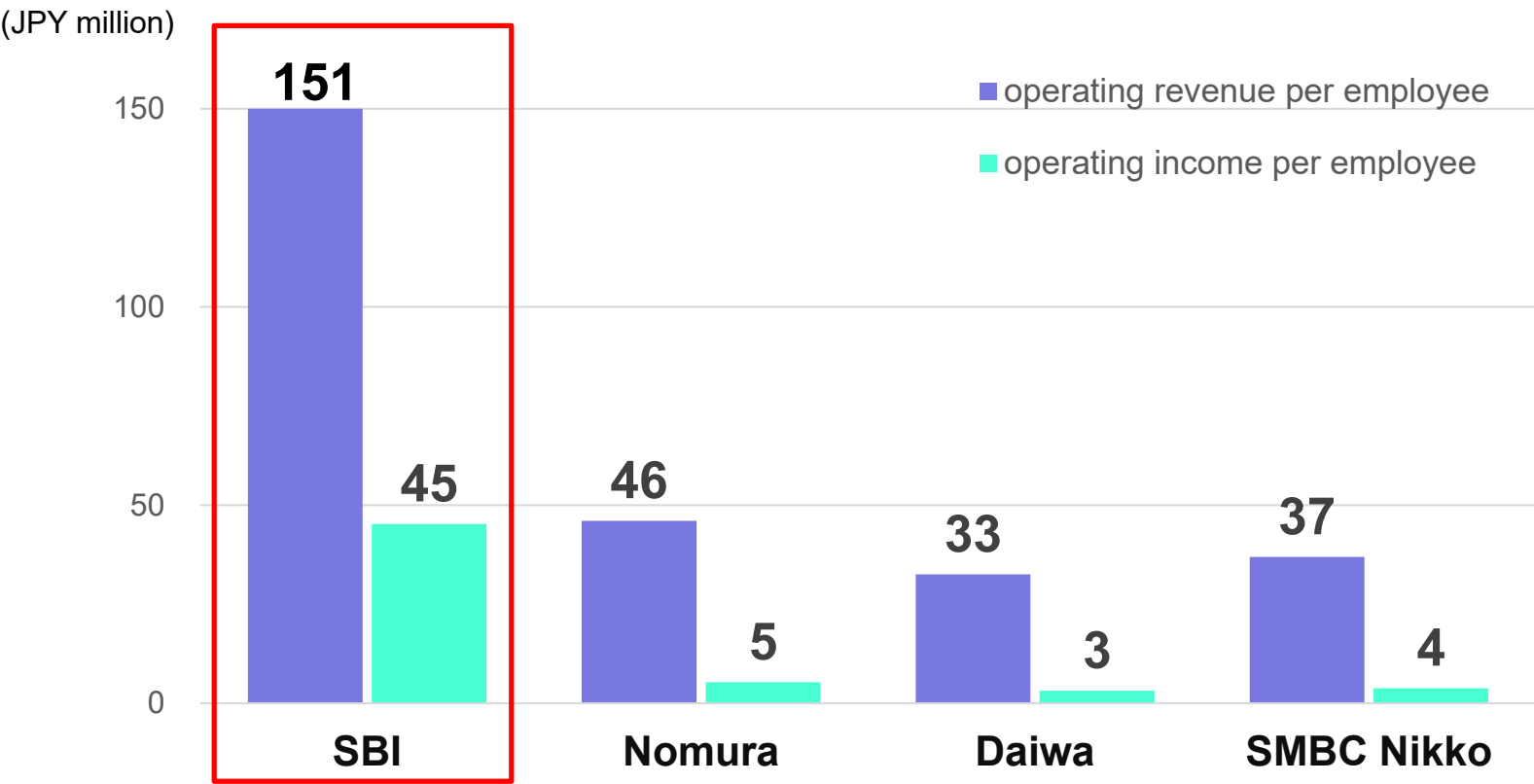
SBI SECURITIES is the Industry Leader in the Cumulative Number of Individual Defined Contribution Plan (iDeCo) Customers



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

SBI SECURITIES' Productivity is Extremely High, as Compared to Major Face-to-face Securities Companies

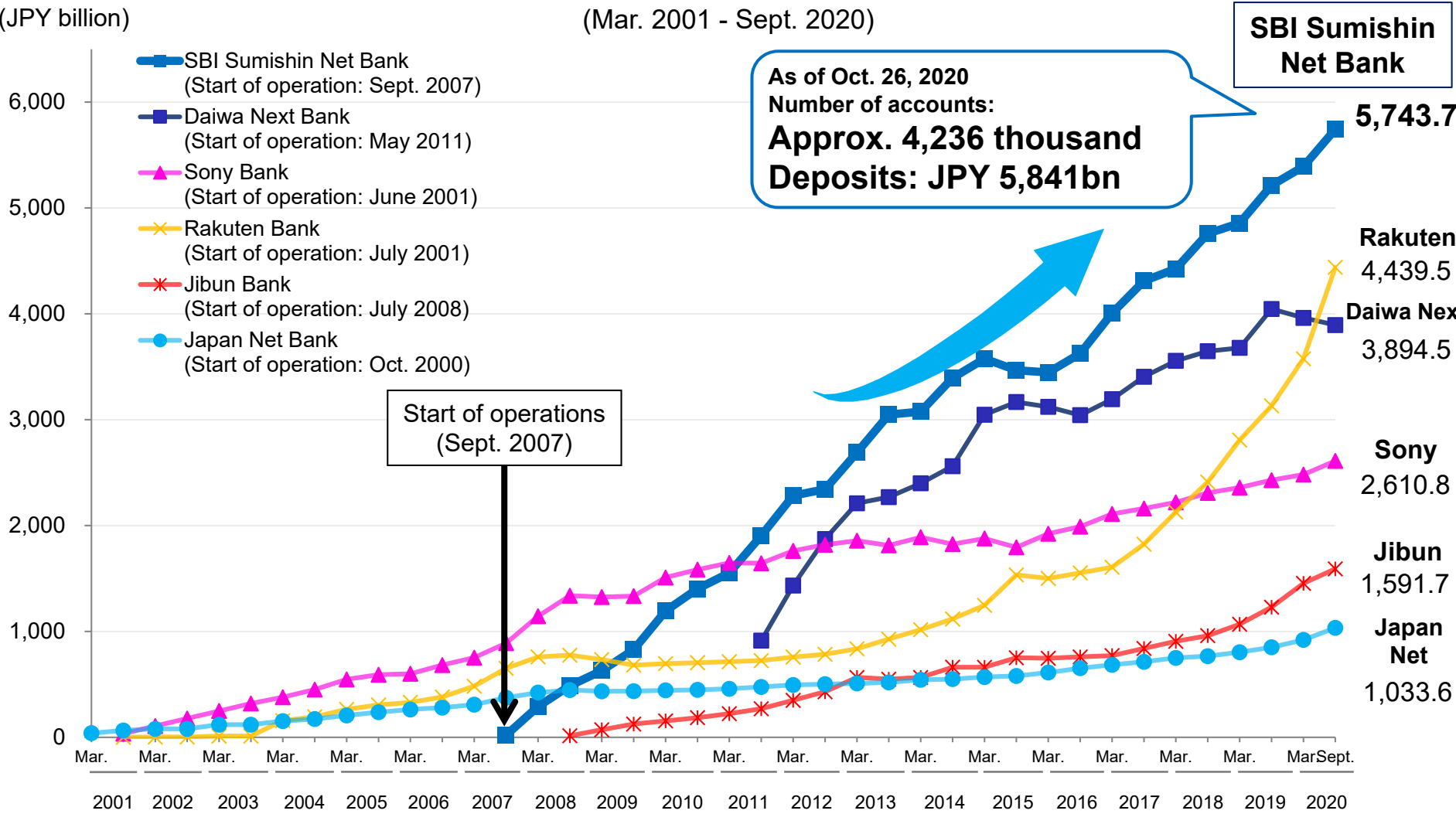
Comparison of operating revenue and operating income per employee between SBI Securities and major face-to-face securities companies



* 1 Prepared by SBI from materials disclosed by each company and provided by Nikkei Profiles
* 2 Figures are as of Mar. 31, 2020
* 3 The figures are based on the accounting standards adopted by each company.
* 4 Non-consolidated figures are used for SBI Securities, Daiwa Securities and SMBC Nikko Securities; consolidated figures are used for Nomura Securities
* 5 Number of employees is based on information published by Rikunabi Corporation

SBI Sumishin Net Bank is Expanding Its Business Base Much Faster than Its Competitors

Change in deposit balance at each specialized internet banks



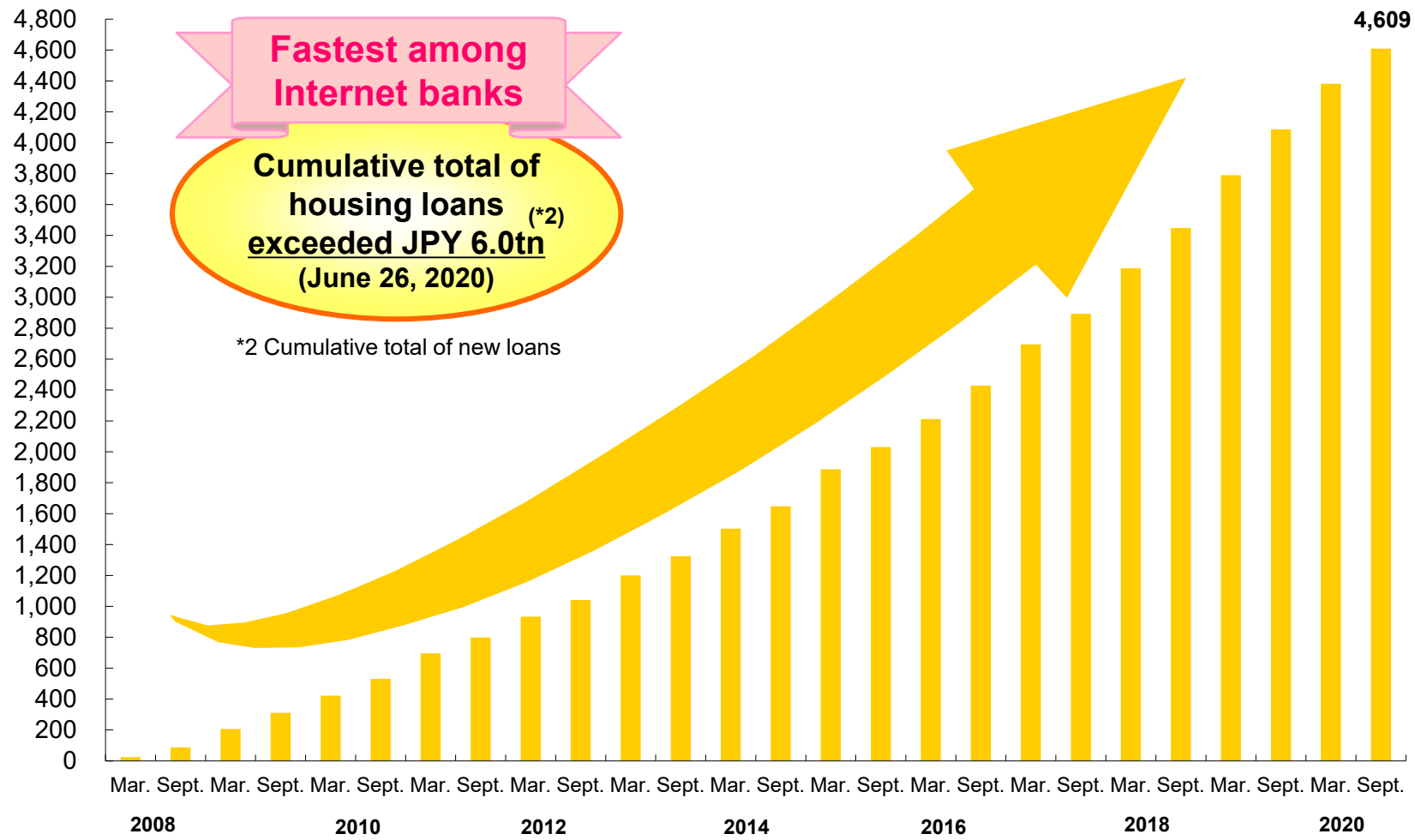
*Changes in deposit balances starting immediately after opening, based on information available from the companies' published materials

Mortgage Volume is Growing Rapidly, with the Offering of Lower Interest Rates and More Convenient Products

(*1)
Change in Balance of Housing Loans (Mar. 2008 – Sept. 2020)

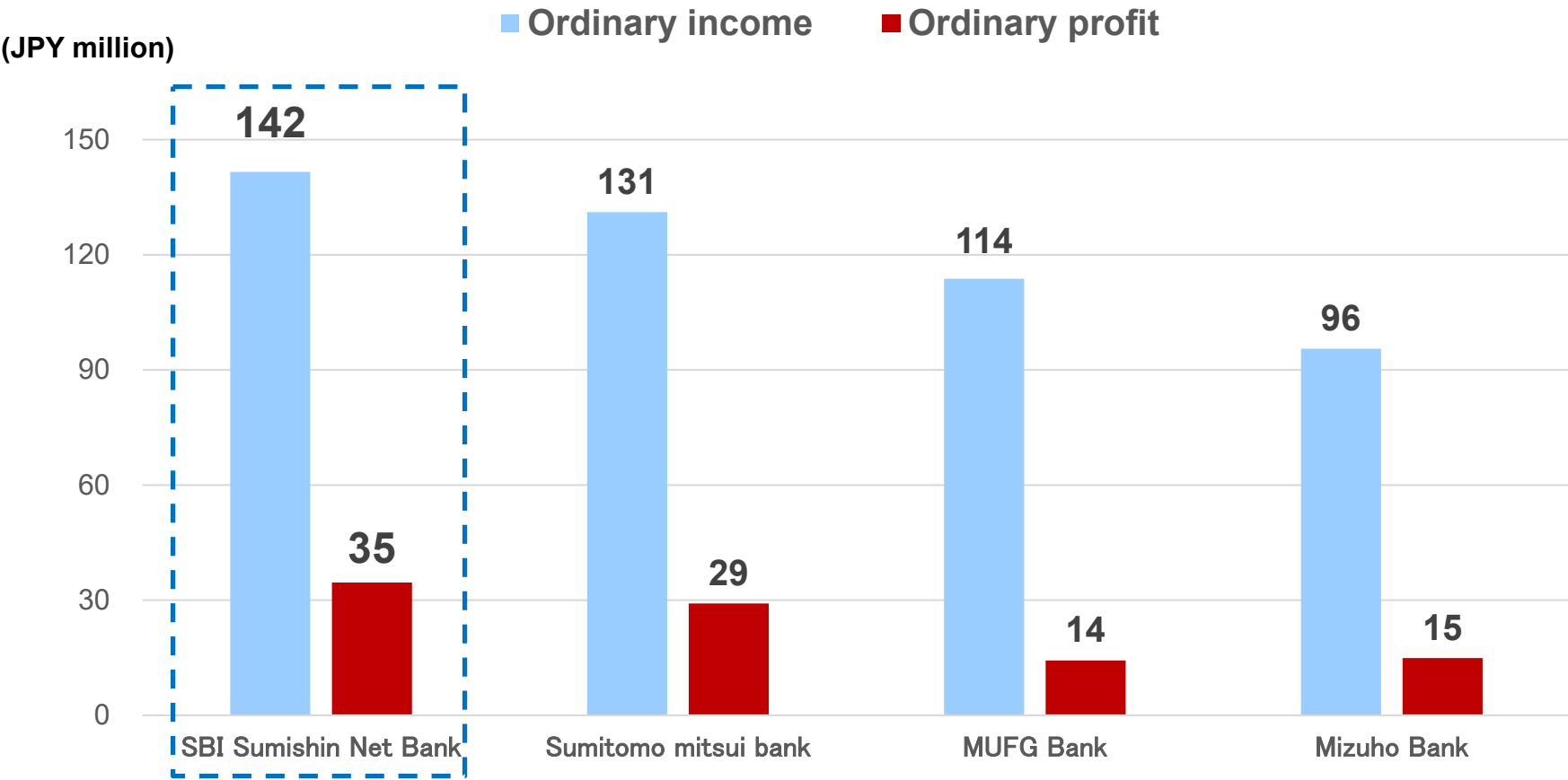
*1 Deducts repayments from the cumulative total of new loans. Includes housing loans extended as a banking agency of Sumitomo Mitsui Trust Bank.

(JPY billion)



Productivity of SBI Sumishin Net Bank Greatly Outperforms Megabank Companies

Comparison of ordinary income per employee and ordinary profit per employee between SBI Sumishin Net Bank and other mega banks



* Compiled from materials released by each company

* The figures are as of March 31, 2020.

Insurance Business Displays Its Strength as an Online Business During the COVID-19 Crisis

Premium income increased during 1Q FY2020, when the impact of the COVID-19 crisis was significant



Percentage change in direct premiums written in 1Q FY2020

	YoY % change
SBI Insurance	+22.1
Tokio Marine & Nichido Fire Insurance	-1.9
Sompo Japan Insurance	-3.3
Mitsui Sumitomo Insurance Company	-0.6
Aioi Nissay Dowa Insurance	-0.6



Percentage change in premium income * in 1Q FY2020

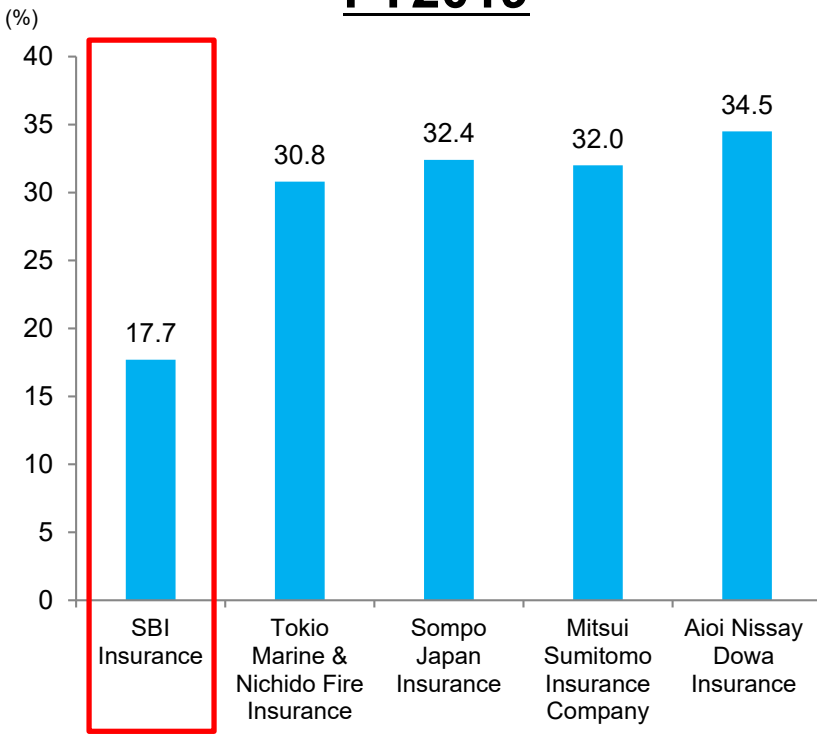
	YoY % change
SBI Life Insurance	+35.2
Nippon Life Insurance Company	-12.8
The Dai-ichi Life Insurance Company	-6.7
Meiji Yasuda Life Insurance Company	-14.1
SUMITOMO LIFE INSURANCE COMPANY	-16.7

*The value of premium income in premium income and other

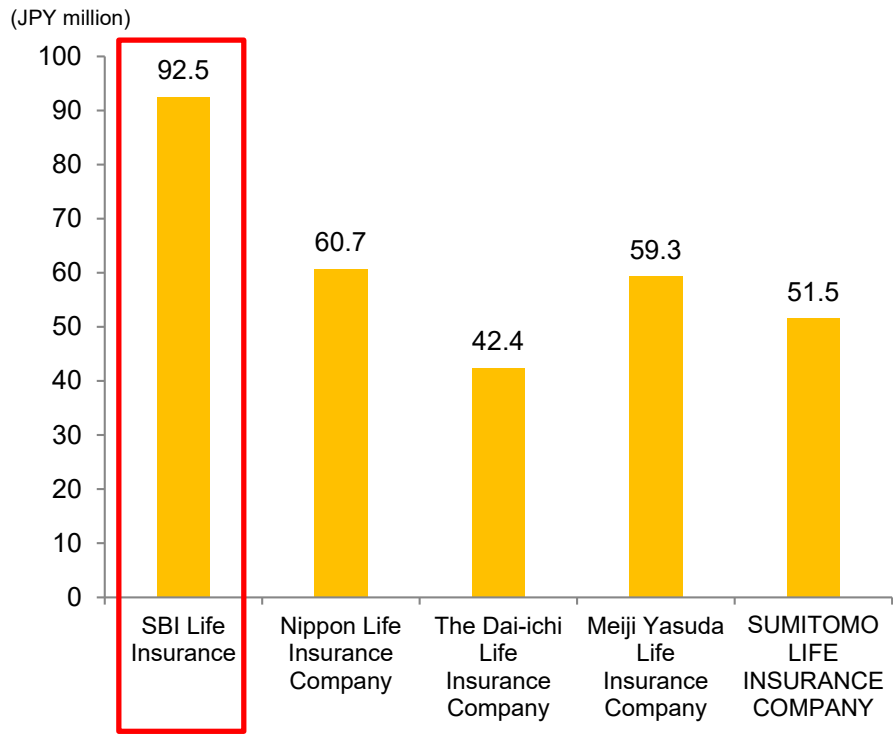
Establish a More Productive Business Model, as Compared to the Major Companies, Who are Primarily Engaged in Face-to-face Sales



Net expense (labor costs, advertising costs, etc.) ratio in FY2019



Premium income* per employee in FY2019



*The value of premium income in premium income and other

- ## **2. Strategies to further strengthen competitive advantages during the COVID-19 crisis**
- (1) Proactively promote M&A and alliances with various companies of different industries, to increase the growth potential of each business area**
 - (2) Steadily advance the Neo-securitization process**
 - (3) SBI Sumishin Net Bank will proactively promote the “Neo-bank Concept,” ahead of its competitors**

(1) Proactively promote M&A and alliances with various companies of different industries, to increase the growth potential of each business area

- ① In the securities-related business, proactively engaged in M&A activities to further strengthen overall capabilities**
- ② Expanding the customer base through alliances with different industries will also contribute to further future growth**

**① In the securities-related business,
proactively engaged in M&A activities to
further strengthen overall capabilities**

- Taking advantage of the decline in asset prices owing to the COVID-19 crisis as an opportunity, will utilize the funds (JPY 70bn) raised through the issuance of CBs as funds for M & A activities-**

The SBI Group's Current Approach for M&A Activities

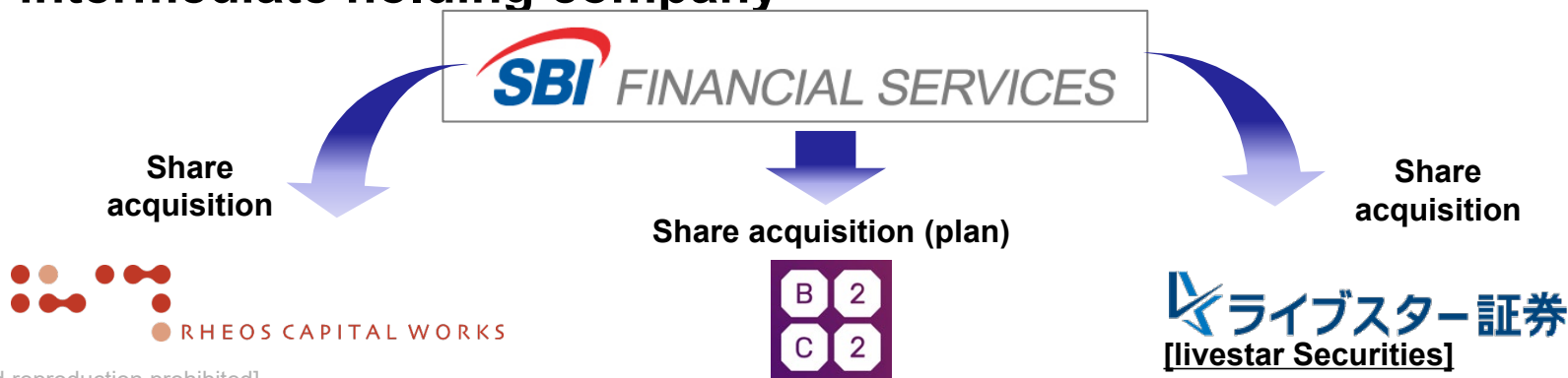
■ M&A targets in the securities-related business

- Strengthen competitiveness through synergistic effects with existing businesses and cross-evolution
- Expanding economies of range (scale)
- A stepping stone toward global expansion, with a focus on the future



Further strengthen comprehensive strength

- Expansion of the business foundation through M&A activities will also contribute to the SBI Group's Neo-securities and Neo-bank initiatives
- M&A activities will basically be carried out by SBI Holdings or an intermediate holding company



Acquisition of All Shares of livestar Securities

(Oct. 1, 2020)

ライブスター証券 [livestar Securities]

- Since Dec. 2019, livestar Securities has been proactively reducing their investment costs, including a waiver of margin trading fees, along with reducing their margin trading rates, which has garnered widespread enthusiasm primarily from traders
- As of the end of Sept. 2020, the number of accounts was approx. 190,000, and customer deposits totaled JPY 276bn



The SBI Group covers a broad range of customers, from the high-end segment to traders, and the future asset formation segment



[SBI SECURITIES]

Comprehensive securities firm with a wide range of customers



[Neo-Moba]

Smartphone dedicated securities firm for novice and young generation customers



[livestar Securities]

Securities firm for commissions-sensitive traders

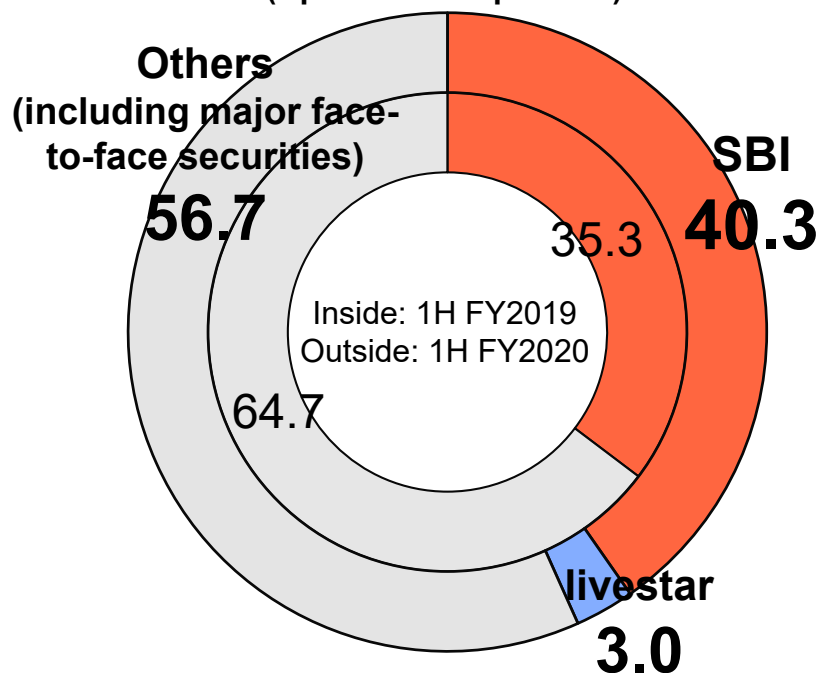
SBI SECURITIES' Share of Individual Stock Trading

-Immediate target for margin trading market share is 50%-

Share of Individual Stock Trading Value (%)

1H FY2020

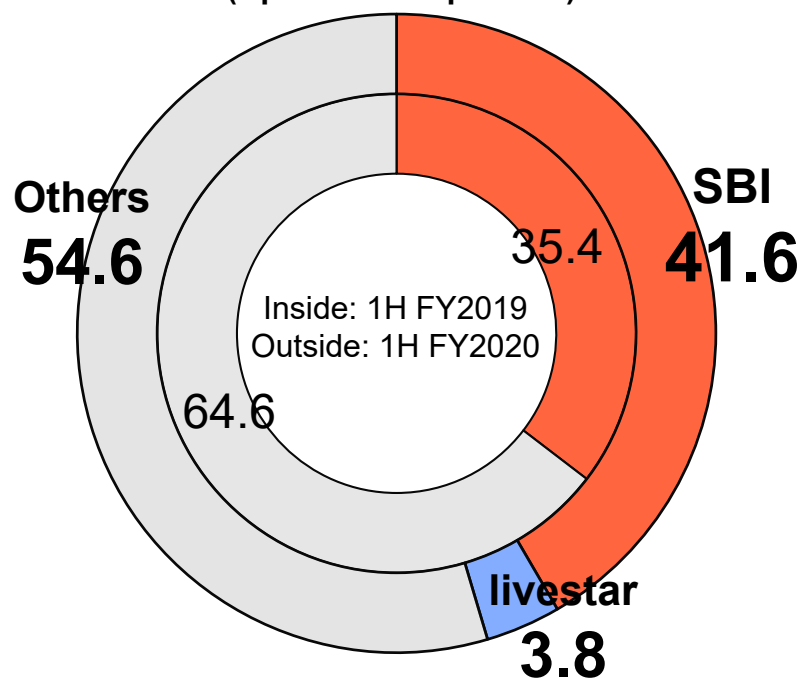
(Apr. 2020 – Sept. 2020)



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

1H FY2020

(Apr. 2020 - Sept. 2020)



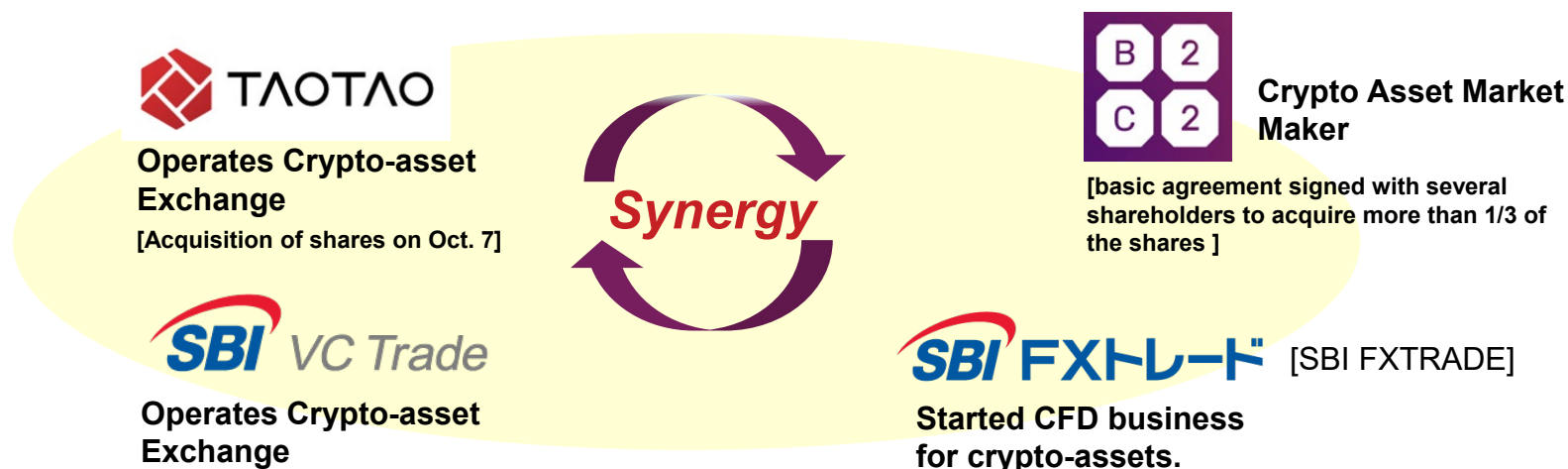
<From 1Q FY2016, shares are calculated with the individual stock trading value and individual margin trading value of both the 1st and 2nd sections of the Tokyo and Nagoya Stock Exchanges, including that of ETF and REIT trading value, respectively>

* 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.

Advance M&A Activities in the Crypto-asset Domain

- Obtained approval from the UK's Financial Conduct Authority to acquire a 90% stake in B2C2, a global crypto-asset market maker, and expects it to become a consolidated subsidiary during the current fiscal year. Additionally, the company started connecting to the SBI VC Trade exchange, which operates a crypto-asset exchange, in September
- As part of a business alliance that was concluded with ZHD last year, acquired the shares of TaoTao, which operates a crypto-asset exchange under ZHD's auspices, and was made a wholly-owned subsidiary of the SBI Group in October 2020
- Endeavor to further increase trading revenue by expanding the customer base and leveraging the strengths of both companies

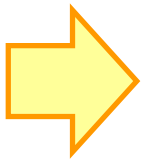


Absorbed Rheos Capital Works as a Consolidated Subsidiary, to Increase the Group's AUM and Enhance Investment Methods



● RHEOS CAPITAL WORKS

- Acquired 51.28% of the outstanding shares of Rheos Capital Works, a company that manages investment trusts under the “Hifumi” brand, which has received high praise from individual investors, on June 30, 2020, and converted it to a consolidated subsidiary. (Included in the Financial Services Business segment)
- Approximately JPY 860bn in assets under management as of the end of Sept. 2020



By expanding the product **distribution of the Hifumi brand managed products** and the utilization of robo-advisors, along with distributing Rheos Capital Works' products into regional financial institutions, will endeavor to increase its assets under management, **as well as that of the SBI Group as a whole**

By combining the Hifumi brand, which is well received by individual investors, with the SBI Group, a new customer base is expected to be cultivated, along with an increase in investment trust fees that accompanies with the increase in assets under management

Rheos Capital Works will continue its efforts toward a public listing

② Expanding the Customer Base through Alliances with Companies in Different Industries will Contribute to Further Growth

<Status of Major Alliances>



Securities business



(Smartphone securities, etc.)

**Banking business
(Neo-bank)**



JAPAN AIRLINES

Insurance business



(Insurance products)

(Smartphone securities)

CCC MARKETING

(Auto insurance)



(Securities services, FX, etc.)



(Financial services)

YAMADA HLDGS.

Hikari Tsushin Group

Asahi Kasei Homes Group

**Motorcycle manufacturers
(Harley-Davidson, etc.)**

(Motorcycle insurance)

(2) Steady progress in the advancement of the Neo-securities initiative

- ① Implementation of initiatives to make fees free in stages**
- ② Current initiatives to actualize the Neo-securities Initiatives**

Neo-securities initiative

= Planning the waiver of online trading commissions and partial costs that investors currently incur

Expanding the Scope of Free Transaction Fees at SBI SECURITIES, as an Initiative to Actualize the Neo-securities Initiative

- From September 28, significantly reducing the conditions that apply to free transaction fees for large margin transactions

■ Summary of preferential treatment conditions for large-scale margin trading

Decision items	Before condition mitigation	After condition mitigation
New margin trading account (buy or sell) total contract value	Over JPY 50 million	Over JPY 30 million
Credit Open Interest Balance	Over JPY 50 million	Over JPY 30 million

- On Oct. 1, 2020, the stock brokerage commissions (active plan) for both cash and margin trading will be reviewed and expanded to include zero commissions

■ Free range of stock brokerage commissions (Active Plan)

	Before commission mitigation	After commission mitigation
Spot trading	Up to JPY 500 thousand	Up to JPY 1 million
Margin trading (Institutional credit)	Up to JPY 500 thousand	Up to JPY 1 million
Margin trading (General credit)	Up to JPY 500 thousand	Up to JPY 1 million

- From November 2, SBI Securities will offer fee-free domestic ETFs that offer fee-free cash transactions, including leveraged ETFs and Mothers ETFs, the first of which are highly sought after by investors, for a total of four issues. With this change, the number of domestic ETFs that will become commission-free in both cash and margin trading (*1) will be 113 (*2), which is the most in the industry

The situation will continue to be monitored, and endeavors toward the actualization of the Neo-securities initiative will continue, along with the expansion of fee-free services

*1 The fee-free domestic ETFs are available to customers of the Internet Course of SBI SECURITIES

*2 The scope of the comparison is based on a comparison with five major Internet securities companies. SBI Securities, Rakuten Securities, Matsui Securities, au kabu.com Securities, and Monex Securities (in no particular order), which are the top five companies in terms of number of accounts opened (as of Oct. 27, 2020)

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

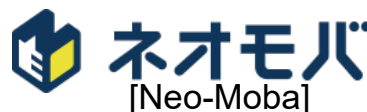
[Already implemented since Dec. 2019]

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

② Current Initiatives to Actualize the Neo-securities Initiative

Establish a business structure that is less dependent on online domestic stock brokerage commissions

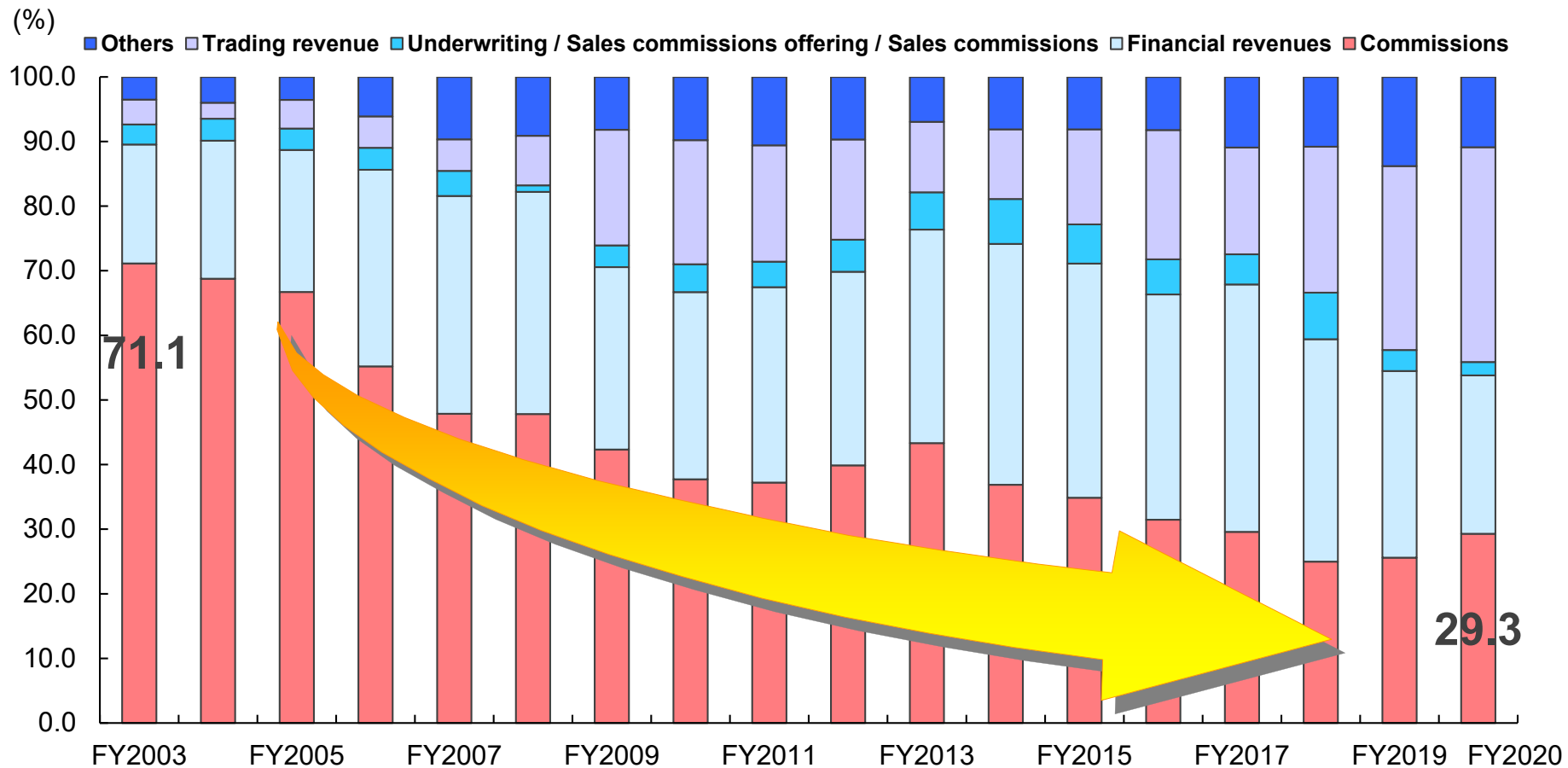
- (i) **Further expand the corporate business** by focusing on the equity and bond underwriting businesses, for both primary and secondary market issuance, as well as M&A activities
- (ii) Expand brokerage services to customer financial institutions, through the Financial Institutional Sales Dept.
- (iii) **Along with the promotion of NISA and iDeCo products, will grow the nonflow business**, such as investment trust fees of mutual funds by accumulating the investment trust balance
- (iv) **Increase trading income** by expanding FX and crypto-asset exchange businesses
- (v) Increase non-online commission income, by increasing the number of co-managed stores between SBI Money Plaza and the regional financial institutions, and strengthening the IFA business, etc.
- (vi) **Proactively advance domestic and overseas M&A activities** for businesses that will decrease the dependence on online domestic stock brokerage commissions

SBI SECURITIES' Operating Revenue Composition

-Advanced the diversification of revenue sources, to achieve a business foundation that is less affected by the equity market

Proportion of commissions decreased from 71% in FY2003 to 29% currently

Online brokerage commissions for domestic stocks accounted for 19.3% of all brokerage commissions, a significant decrease from approximately 71% in FY2003



* While figures for FY2003 and FY2014 are based on non-consolidated figures, the others are based on consolidated figures (1H)

(i) Further expanding the Corporate Business

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 underwriting participation rate remains highest in the industry since FY2013-

Underwriting share of 88.9% is an industry leading figure

- During the Apr.- Oct. 27 2020 period, SBI SECURITIES underwrote 3 companies as lead manager


IPO Underwriting Ranking (Apr. 2020–Sept. 2020)

27 companies were listed during the period

Company Name	No. of cases	Underwriting Share (%)
SBI	24	88.9
Daiwa	18	66.7
Mizuho	15	55.6
Nikko	14	51.9
Rakuten	14	51.9
Ichiyoshi	13	48.1
Monex	12	44.4
Nomura	11	40.7

PO underwriting business

During 1H FY2020, Underwrote 3 POs, including two as lead underwriting manager

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

Corporate bond underwriting business

Underwrote 12 corporate bonds in total, including that of Softbank

- 
- Focus on underwriting new public bonds, including electric bonds

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

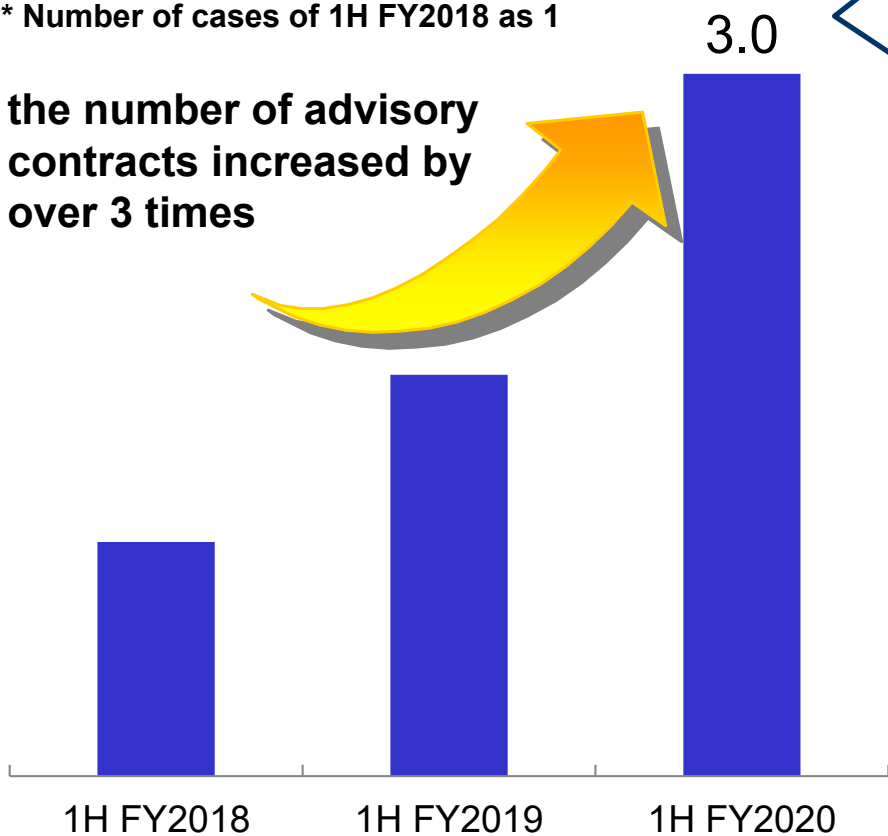
* The data was compiled by SBIH based on each company's published information.

Further Strengthening M&A Advisory Division

M&A advisory cases

* Number of cases of 1H FY2018 as 1

the number of advisory contracts increased by over 3 times



M&A Advisory Dept.
M&A Solutions Dept.

Provides advice on acquisitions, sales, management integration, MBO industry reorganization, etc., to support the enhancement of corporate value. Establishing a structure to address cross-border projects to advance further support.

- Established M&A Solutions Division in August. Actively advancing cooperation with regional financial institutions
- Strengthen the sourcing of projects by increasing the number of personnel to over 10 Employees
- Enhance the quality of M&A execution and management, etc., to further enhance customer support

Through SBI SECURITIES' Financial Institutional Sales Dept.,
Expanded Brokerage Services to Its Customer Financial
Institutions, which Total 407 Companies*1



SBI証券

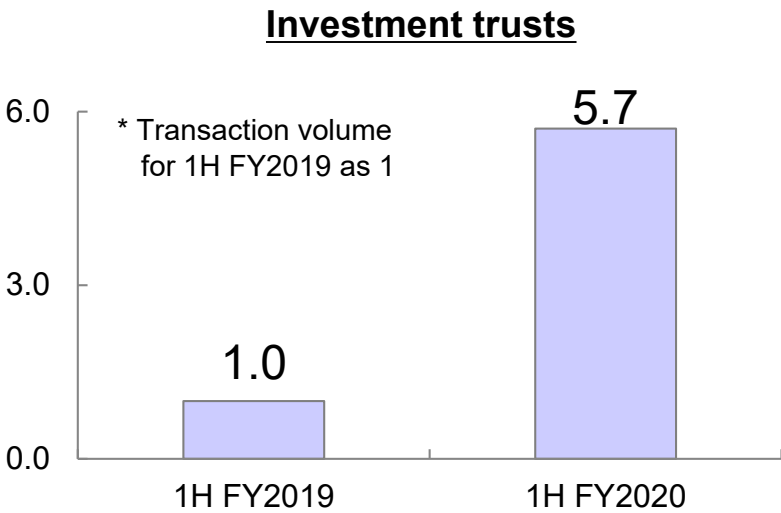
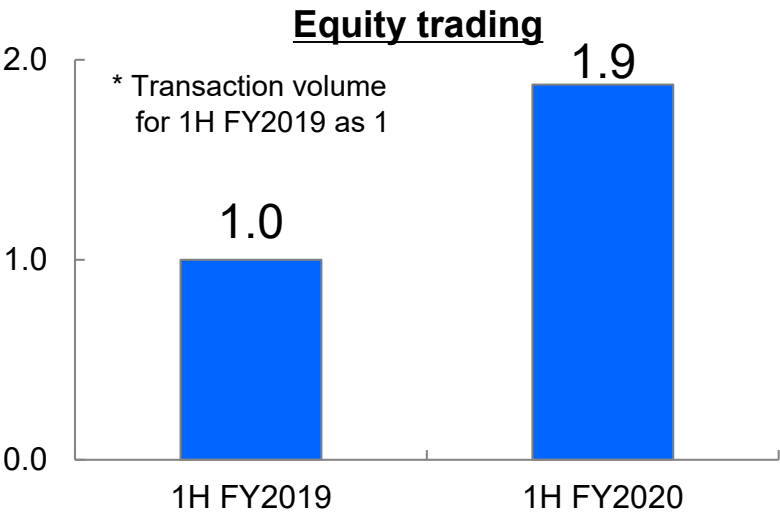
[SBI SECURITIES]

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 127.5bn*2 (Dec. 2015 – Sept. 2020)), domestic and overseas investment trusts, as well as bond transactions

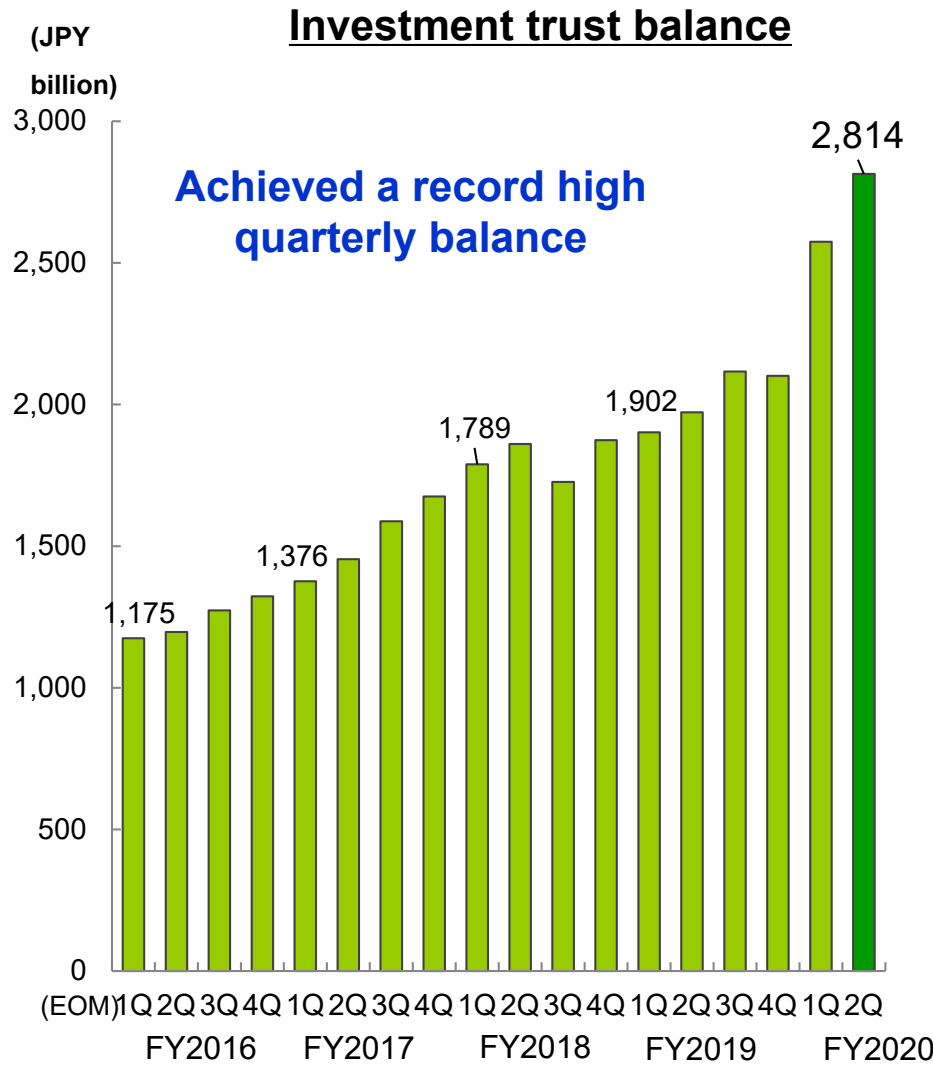
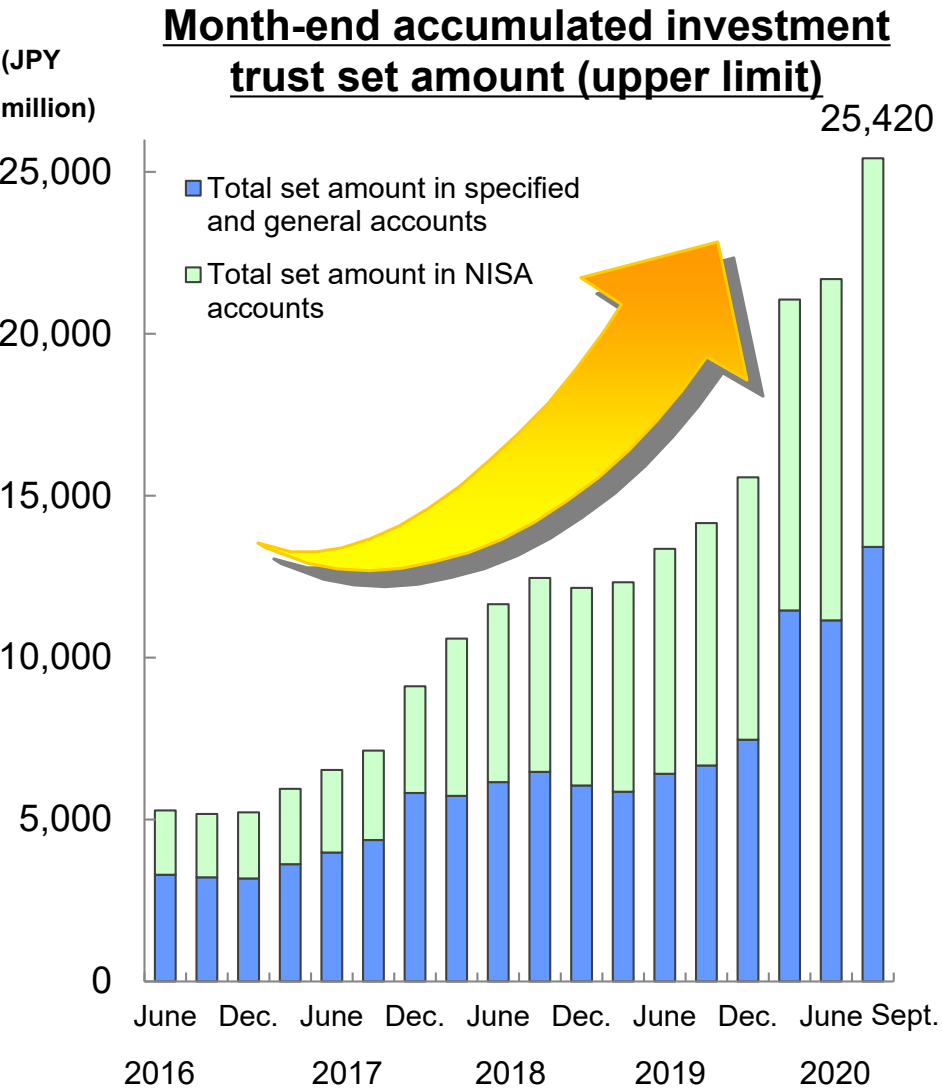
*1 As of the end of Sept. 2020 *2 Includes structured bonds toward retail customers

Transaction volume for 1H FY2020 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

At SBI SECURITIES, the Balance of Investment Trusts have Rapidly Increased



(iii) Will grow the nonflow business, such as investment trust fees



SBI SECURITIES' Robo-advisor Asset Formation Service's Customer Assets Steadily Increases



SBI証券

[SBI SECURITIES]



WealthNavi

[Investee company of the Fintech Fund]

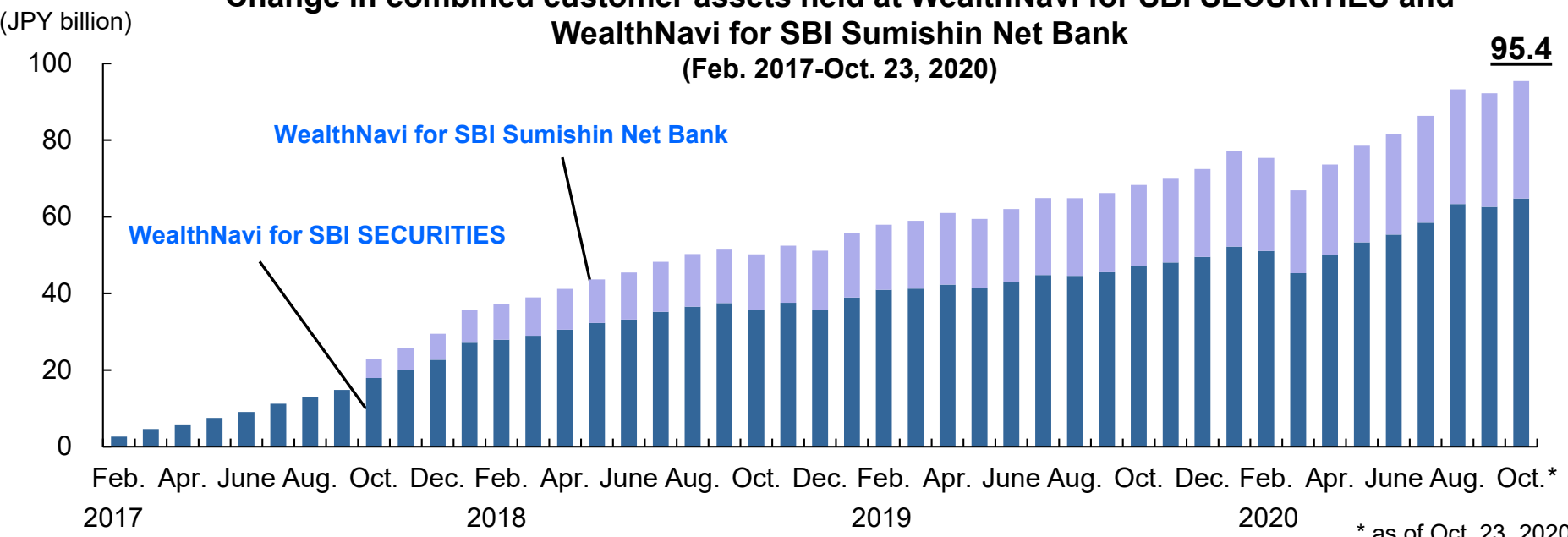
Provides “**WealthNavi for SBI SECURITIES**,” a customized WealthNavi robo-advisor service

Customer assets: JPY 64.8bn* Number of account: approx. 75 thousand

Combined customer assets with “**WealthNavi for Sumishin SBI Net Bank**,” provided by SBI Sumishin Net Bank is **JPY95.4bn***

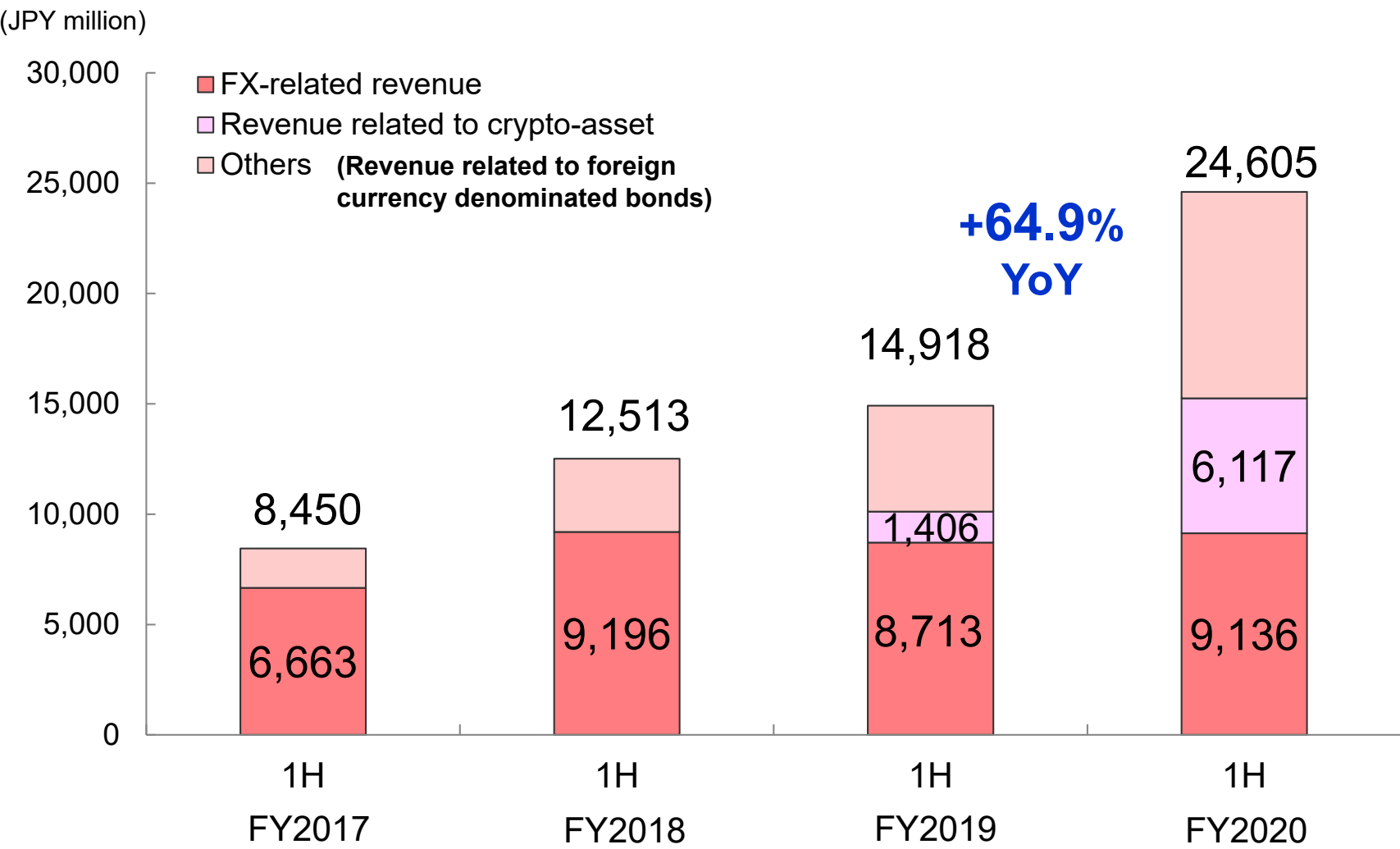
Change in combined customer assets held at WealthNavi for SBI SECURITIES and WealthNavi for SBI Sumishin Net Bank

(Feb. 2017-Oct. 23, 2020)

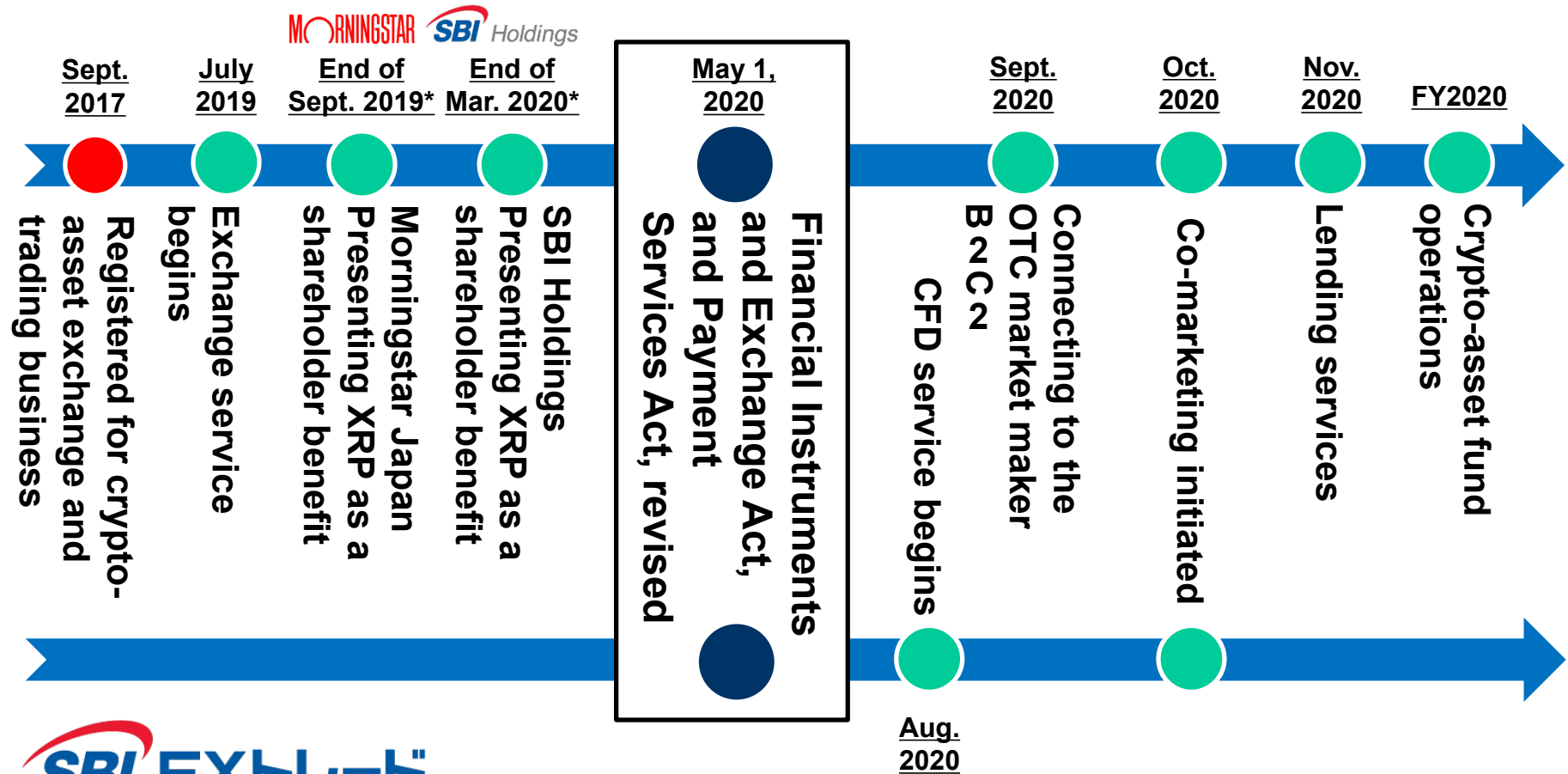


SBI SECURITIES' Trading Revenue Trend

Trading revenue, including FX trading revenue, significantly increased, leading to an increased contribution to earnings



SBI VC Trade is Implementing Various Measures to Expand Its Business, in Response to the Revisions in the Payment Services Act of May 2020



[SBI FXTRADE]

*Basis date

(v) Increase in commission income except for online transaction

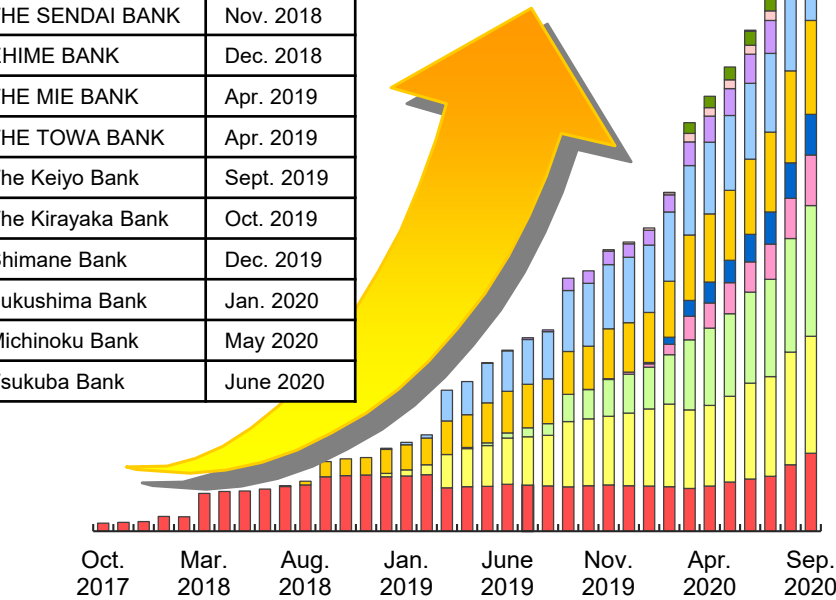
Co-managed Shops with Regional Financial Institutions have Rapidly Increased Their Number of Accounts and Customers' Deposit Assets

Established a total of 16 shops with 12 banks to operate joint store operations (as of Oct.27, 2020)
(2nd stores with Shimizu Bank, Chikuhō Bank, Mie Bank and THE SENDAI BANK)

Changes in customers' deposit assets at co-managed shops

Bank	Open
Shimizu Bank	Oct. 2017
CHIKUHO BANK	June. 2018
THE SENDAI BANK	Nov. 2018
EHIME BANK	Dec. 2018
THE MIE BANK	Apr. 2019
THE TOWA BANK	Apr. 2019
The Keiyo Bank	Sept. 2019
The Kirayaka Bank	Oct. 2019
Shimane Bank	Dec. 2019
Fukushima Bank	Jan. 2020
Michinoku Bank	May 2020
Tsukuba Bank	June 2020

Total Customers' Deposit Assets increased by 90 times as compared to Oct. 2017



- Shimizu Bank

■ THE SENDAI BANK

■ THE MIE BANK
- The Keiyo Bank

■ Shimane Bank

■ CHIKUHO BANK
- EHIME BANK

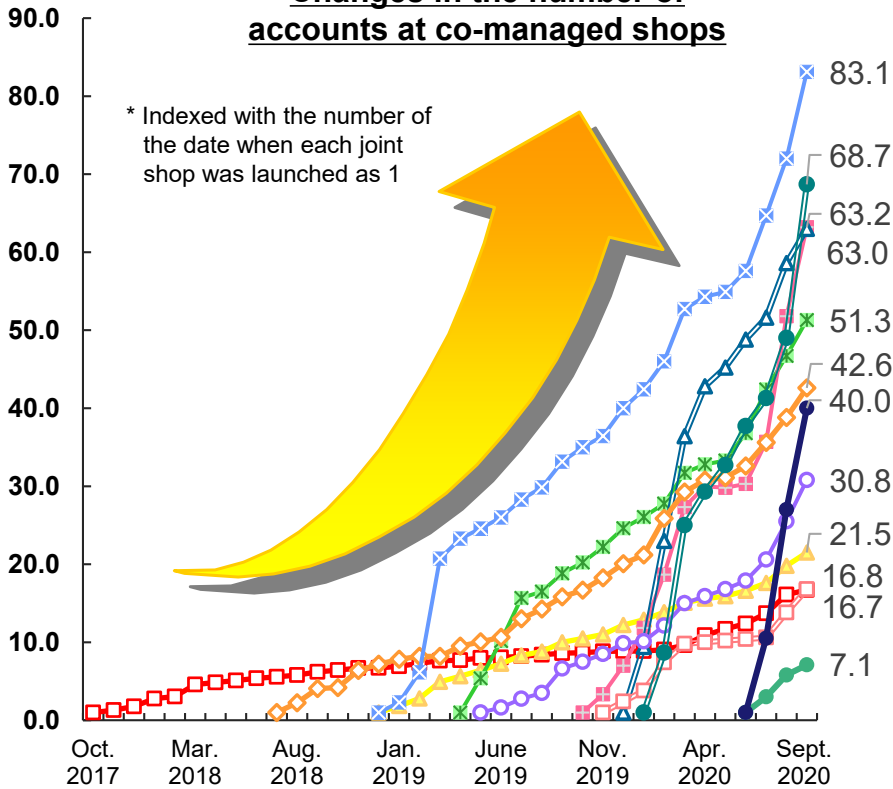
■ THE TOWA BANK

■ The Kirayaka Bank
- Fukushima Bank

■ Michinoku Bank

■ Tsukuba Bank

Changes in the number of accounts at co-managed shops



- Shimizu Bank

— THE SENDAI BANK

— THE MIE BANK
- The Keiyo Bank S

— Shimane Bank

— CHIKUHO BANK
- EHIME BANK

— THE TOWA BANK

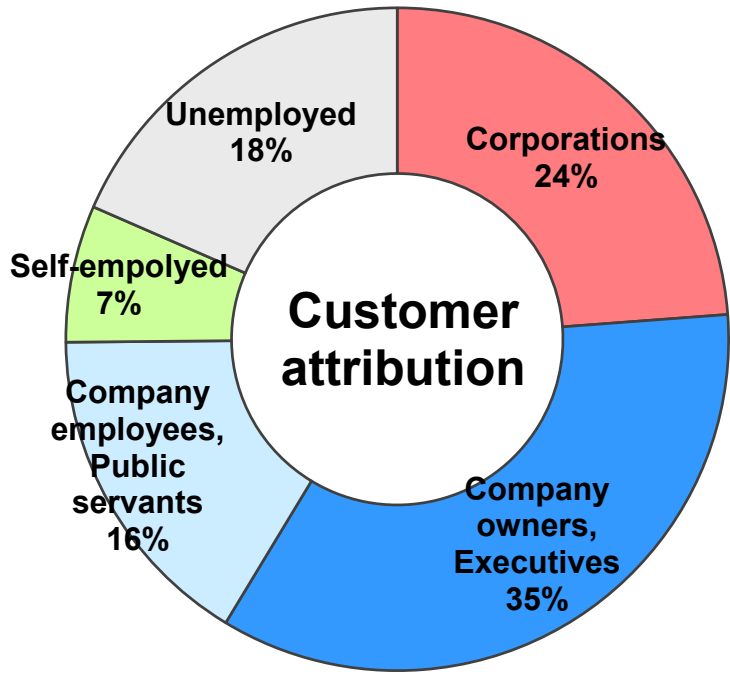
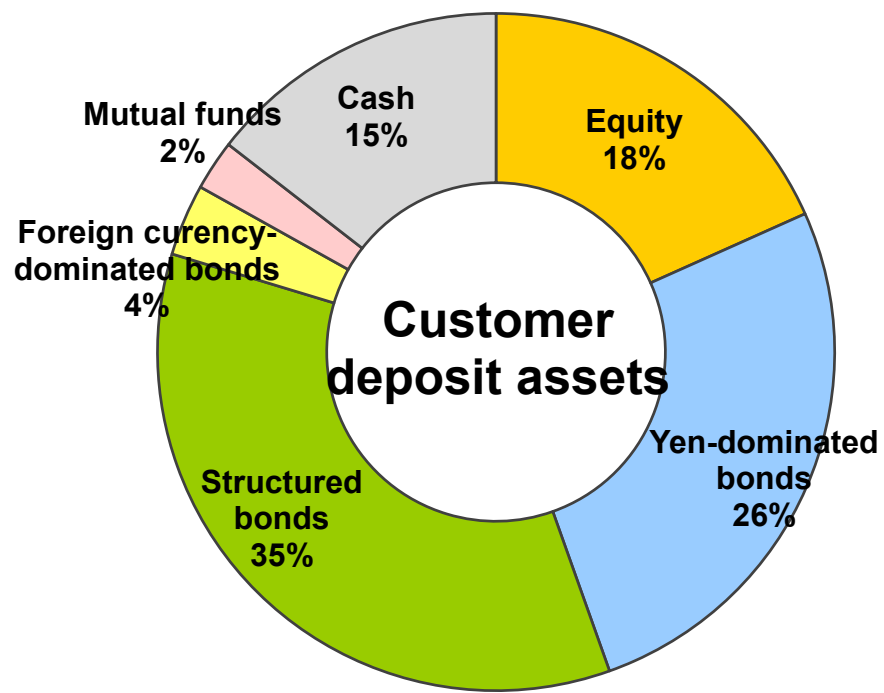
— The Kirayaka Bank
- Fukushima Bank

— Michinoku Bank

— Tsukuba Bank

At the Co-managed Shops with Regional Financial Institutions, Account Opening of Corporations and Wealthy Individuals, Including Company Owners Continues to Progress

Breakdown of customer attributes, and customer deposit assets (as of end of Sept. 2020)



* Total of ten co-managed shops (Shimizu Bank, CHIKUHO BANK, THE SENDAI BANK, EHIME BANK, THE MIE BANK, THE TOWA BANK, The Keiyo Bank, The Kirayaka Bank, Shimane Bank, Fukushima Bank, Michinoku Bank and Tsukuba Bank)

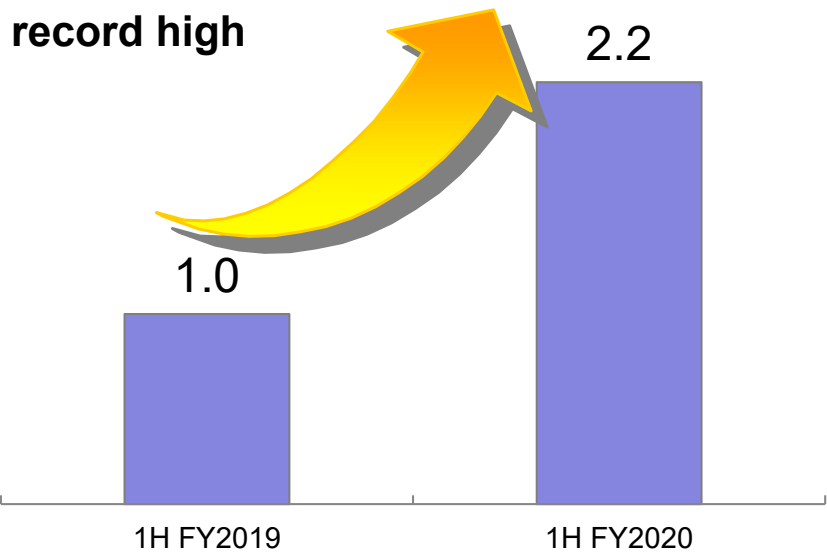
**Launched a joint second shop with Sendai Bank in Oct. 2, 2020.
Furthermore, aside from three regional financial institutions that are
planning to open a second shop, a regional financial institution is newly
planning the launch of a co-managed shop**

SBI SECURITIES' IFA Business is Steadily Progress

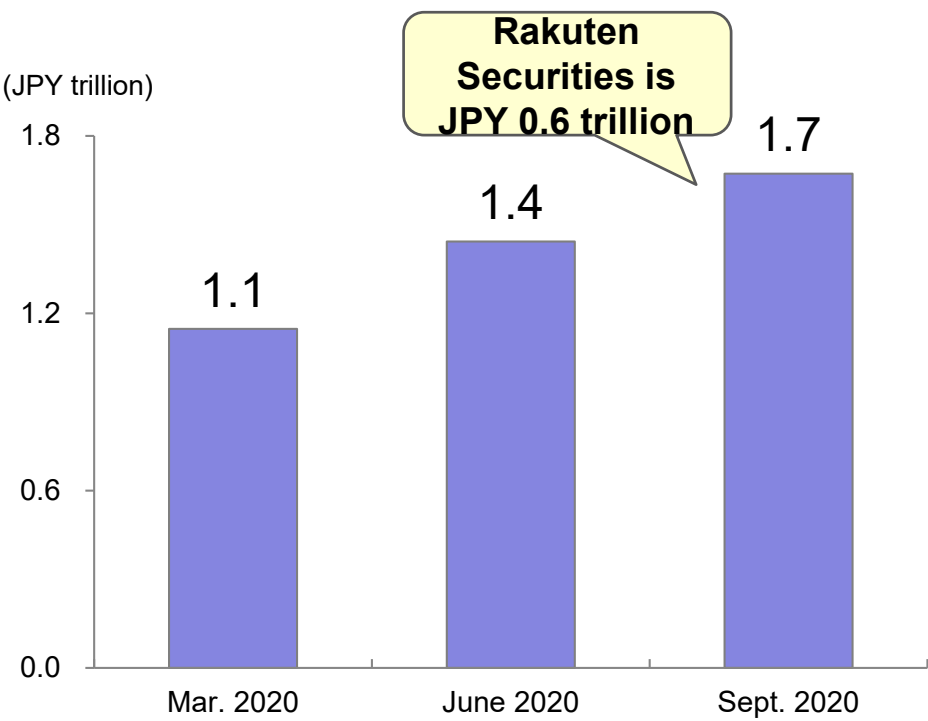
SBI SECURITIES' IFA Business Revenues

* Revenue from IFA Business for 1H FY2019 as 1

Revenue grew 2.2 times and reached a record high



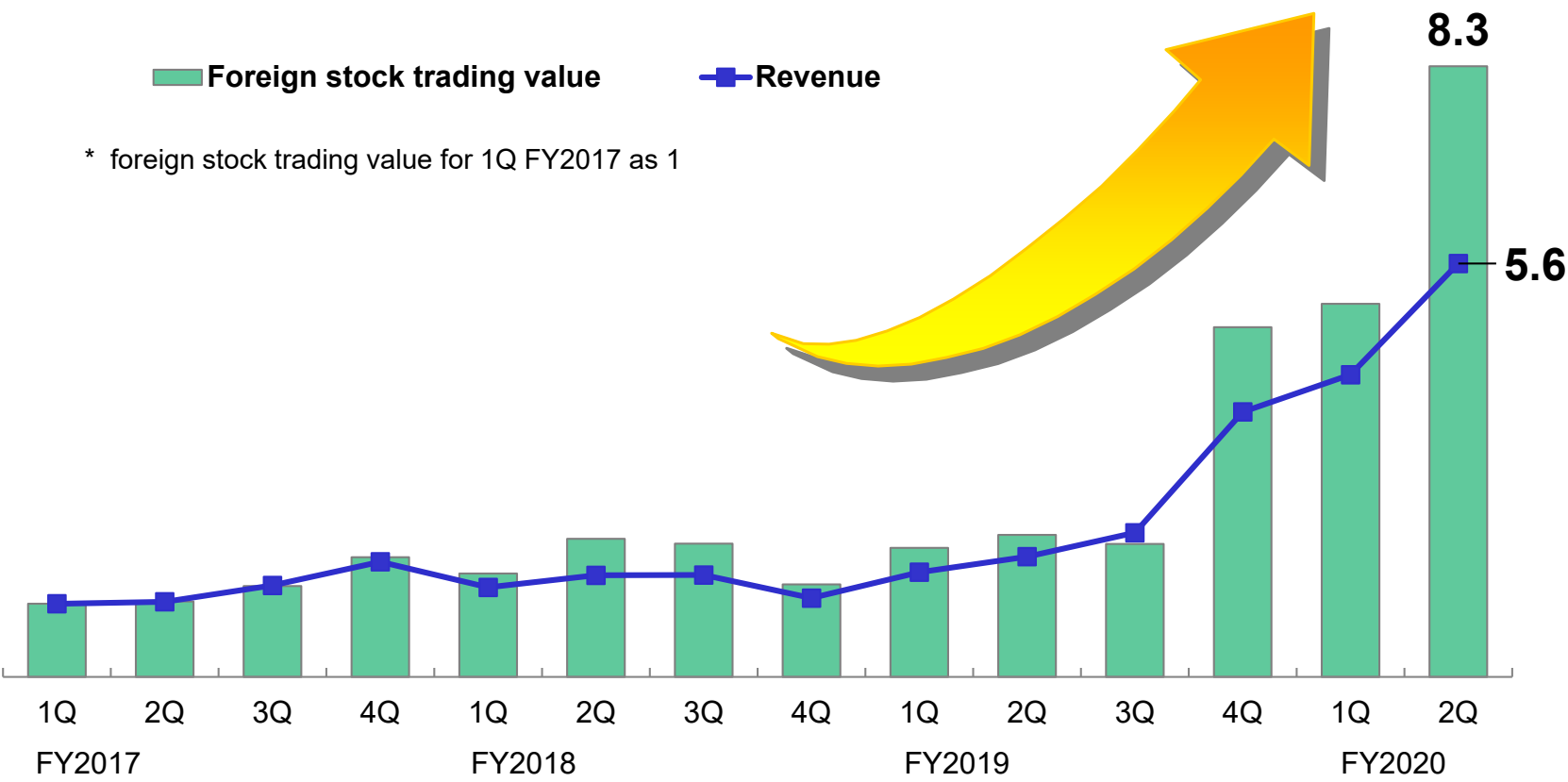
SBI SECURITIES' IFA Business' AUM Trend



*1 Complied by SBIH from disclosed data
*2 SBI's IFA business includes SBI Money Plaza

SBI SECURITIES' Foreign Stock Trading Volume Surges

SBI SECURITIES' foreign stock trading value and revenue trend



US stock trading boomed during 1H FY2020, setting record highs in both foreign stock trading value and profits

Target Areas for Domestic and Overseas M&A Activities, in Order to Proactively Advance the Actualization of the Neo-securities Initiatives

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 revenue, etc.

e.g.

- FX company
- Crypto-asset company
- M&A specialist
- Asset management company



etc.

Considering the decline in asset valuations owing to COVID-19 as an opportunity to further accelerate the advancement of M&A activities in these business areas

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

**(3) SBI Sumishin Net Bank strongly promotes the
“Neo-bank initiatives” ahead of its competitors**

SBI Sumishin Net Bank Agrees to a Partnership with Yamada Holdings as Part of the “Neo-bank Initiatives”



Powered by

住信SBIネット銀行



Provision of various banking services through the "Neo-bank initiatives"





Large customer base with over 12,000 physical stores in Japan and abroad and approximately 60 million members

Discussion items (Services to be provided)

- Banking services for buyers of information appliances
- Bank services with a focus on mortgages for new home buyers
- Granting “Yamada points” when using bank services
- Structuring and providing new financing products, etc.

Creation of innovative retail banking services that enhance the corporate value of both companies and the convenience of society by leveraging the management resources and know-how of both companies

Providing Advanced Security Services through the Wholly Owned Subsidiary, NetMove Corp.



NetMove Corp. (Becoming a wholly owned subsidiary of SBI Sumishin Net Bank in April 2019)

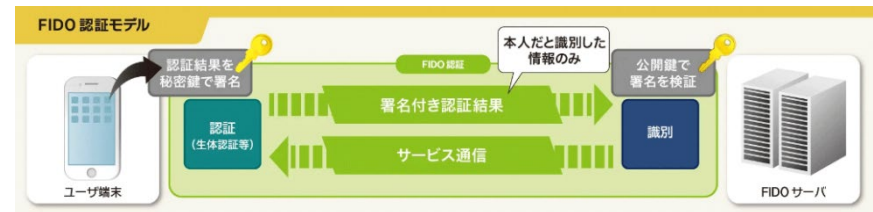
- ◆ NetMove possesses **advanced system design and development capabilities** for settlement and security services, etc.
- ◆ **The settlement business has been performing well**, owing to the ongoing trend toward a cashless society in Japan. For Q2 FY2020 period, **both sales and profits were better than the business plan**
- ◆ Introduced the security service solution "SaAT" to **about 80 customers**, mainly regional financial institutions. Provides authentication functions in compliance with the next generation standard "FIDO"



Introduction of "Smart Authentication NEO" at SBI Sumishin Net Bank (from July 2020)

Introduced a new FIDO-compliant authentication function by utilizing NetMove's "SaAT Pokepass Authentication Service".

Combining NetMove's advanced technology with SBI Sumishin Net Bank's cutting-edge banking services, to improve **security and provide advanced payment services**









3. The SBI Group's comprehensive strengths are fully demonstrated in the regional revitalization efforts, through the revitalization of regional financial institutions

- (1) The SBI Group's collaborations with regional financial institutions, underway for the past three years, has further expanded in its scale and methods**
- (2) SBI Regional Bank Holdings is committed to solving the challenges of its strategic capital / business partners and their customers**
- (3) Regional Revitalization Partners, a joint initiative with several partners who share a common aspiration toward regional revitalization**







(1) The SBI Group's collaborations with regional financial institutions, underway for the past three years, has further expanded in its scale and methods

- ① The partnerships that the SBI Group has engaged in with regional financial institutions**
- ② Various collaboration measures with regional financial institutions will be further deepened with the entrance of new partners**

① Alliances that the SBI Group Companies have Advanced with Regional Financial Institutions (i)

SBI group companies	Content of the alliance
	Announced alliances with a total of 42 regional financial institutions in the financial product intermediary business
	Co-managing shop operation with 12 regional financial institutions at 16 shops , providing one-stop securities-related products handled by SBI Money Plaza. Of these, 3 banks are considering opening a second shop , and one new bank has committed to opening a shop
	Sales of SBI Life Insurance's group credit life insurance is being launched or is already being sold at 24 regional financial institutions
	19 financial corporations have already decided to adopt SBI Insurance's insurance products, and are slated to start sales of the product shortly
	9 banks have introduced a white-label banking app provided by SBI NEO FINANCIAL SERVICES, with 2 more banks having decided as well
	A total of 28 regional financial institutions have decided to introduce the cloud-based workflow system "Approval Time" to their business partners, with 5 more having already decided

① Alliances that the SBI Group Companies have Advanced with Regional Financial Institutions (ii)

SBI group companies	Content of the alliance
	The tablet app “Wealth Advisors” provided by Morningstar Japan has been adopted by <u>142 regional financial institutions</u>
Money Tap	<u>38 institutions</u> , including regional financial institutions, have invested in Money Tap, which provides money transfers between individuals. Ehime Bank became the first regional financial institution to implement “Money Tap” on Apr. 13
	Established through joint investments with regional financial institutions, the number of participating banks has <u>expanded to 38</u> , and the AUM has <u>exceeded JPY 590bn</u>
	<u>74 regional financial institutions</u> have invested in venture capital funds currently managed by SBI Investment
	International remittance service provided by SBI Remit is now available at <u>4 banks</u>
	<u>2 regional financial institutions</u> decided to offer the real estate purchasing and leasing services “Zutto Smile,” <u>while another regional financial institution</u> is in discussions
住信SBIネット銀行 	<u>4 regional financial institutions</u> have decided to adopt and have begun offering services such as AI screening and foreign currency related services in addition to the mortgage loan products offered by SBI Sumishin Net Bank

- ② Various collaboration measures with regional financial institutions will be further deepened with the entrance of new partners**
 - (i) SBI MONEY PLAZA, which operates co-managed shops with regional banks, will strengthen its proposal and sales capabilities through the capital participation of the SMBC Group**
 - (ii) SBI Life Insurance adopts a new joint credit system to increase sales of group credit life insurance**
 - (iii) Formed a capital and business alliance with Keystone Partners, which boasts strengths in supporting corporate revitalization and growth**

(i) SBI MONEY PLAZA, which Operates Co-managed Shops with Regional Banks, will Strengthen its Proposal and Sales Capabilities through the Capital Participation of the SMBC Group

- As part of the strategic capital and business alliance concluded with Sumitomo Mitsui Financial Group (SMBC Group) in April this year, SMBC Nikko Securities announced in September that it will acquire 33.4% of SBI Money Plaza's shares in SBI Money Plaza to strengthen its proposal and sales capabilities through SMBC Group's capital participation
- The two companies will exchange personnel and utilize SMBC Nikko Securities' expertise in securities sales to conduct sales activities at joint branches operated by SBI Money Plaza and regional financial institutions, to endeavor to provide a higher level of financial services to customers in regional areas
- We will continue to consider further expansion of the two companies' face-to-face securities business through mutual use of their products, services and solutions

SMBC Group's capital participation will strengthen Money Plaza's proposal and sales activities



[SMBC Nikko Securities]



[SBI Money Plaza]

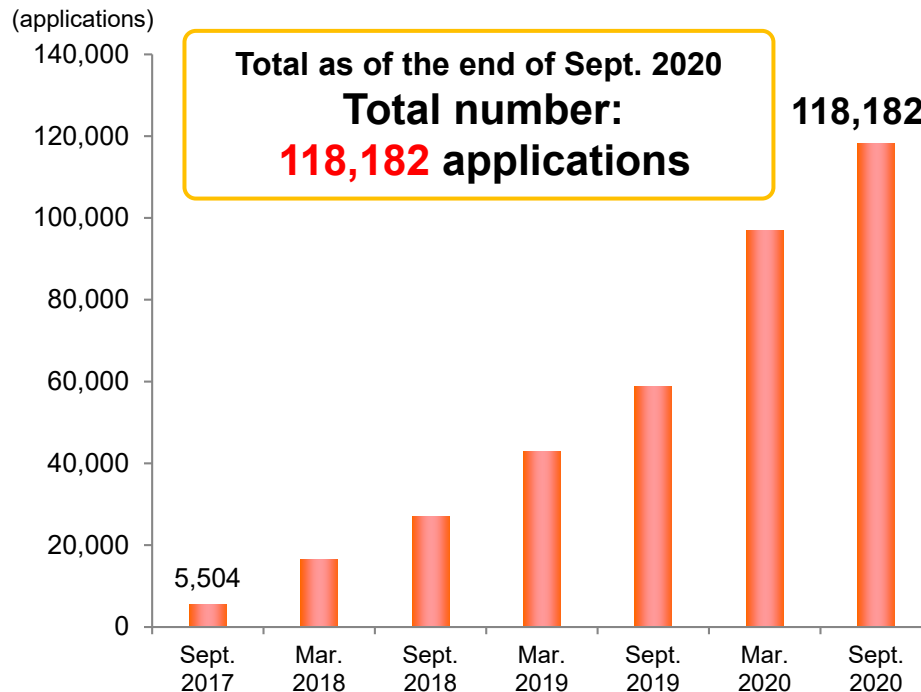
The knowledge possessed by both companies will be utilized to provide more advanced financial services to customers in rural areas

(ii) SBI Life Insurance Adopts a New Joint Credit System to Increase Sales of Group Credit Life Insurance



SBI Life's total number of group credit life insurance has increased 20-fold in three years

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



As a new initiative, formed a joint credit system with the General Incorporated Association Shinkin Bank Association of Nagano Prefecture

- ◆ The first joint credit union system partnership with a regional/prefectural credit union association
- ◆ Economies of scale through joint operations to increase customer convenience

**General incorporated association
Shinkin Bank Association in Nagano prefecture**

Alps Central Credit Union	Suwa Credit Union
Iida Credit Union	Nagano Credit Union
Ueda Credit Union	Matsumoto Credit Union



Providing group credit life insurance for personal loans of six member credit unions in Nagano Prefecture

(iii) Formed a Capital and Business Alliance with Keystone Partners, which Boasts Strengths in Supporting Corporate Revitalization and Growth

-Strengthening support for SMEs in cooperation with regional financial institutions-

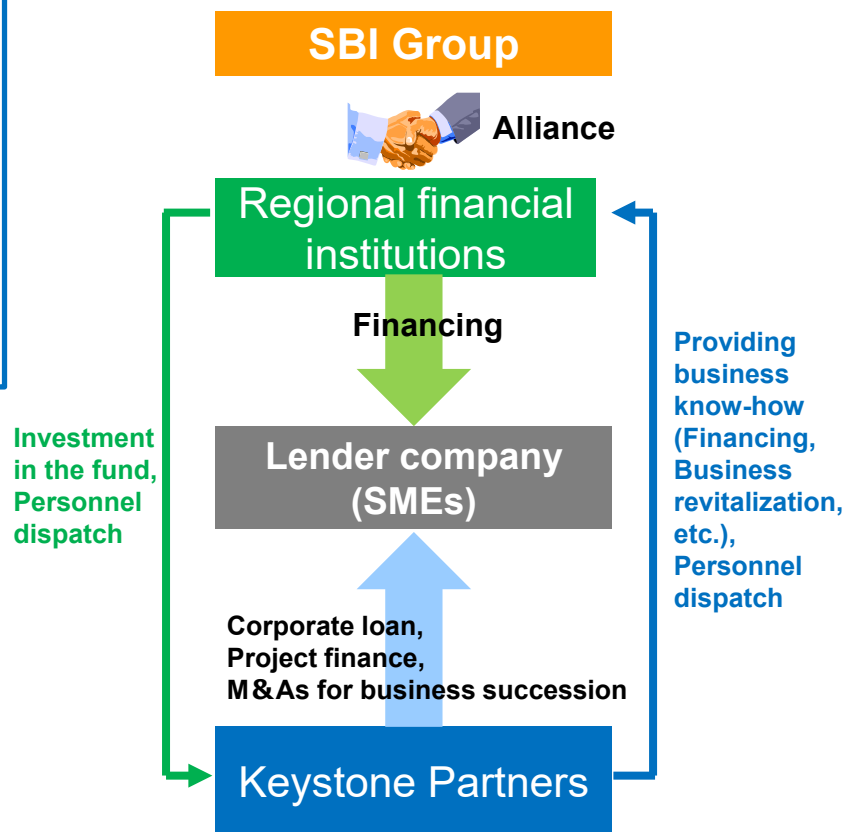
Keystone Partners

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

【 Cooperation details 】

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

【 Images of Business Collaboration 】



Enhance the value of investee companies and their business growth, while further promoting the business strategies of regional financial institutions, etc.

(2) SBI Regional Bank Holdings is committed to solving the challenges of its strategic capital and business partners and their customers

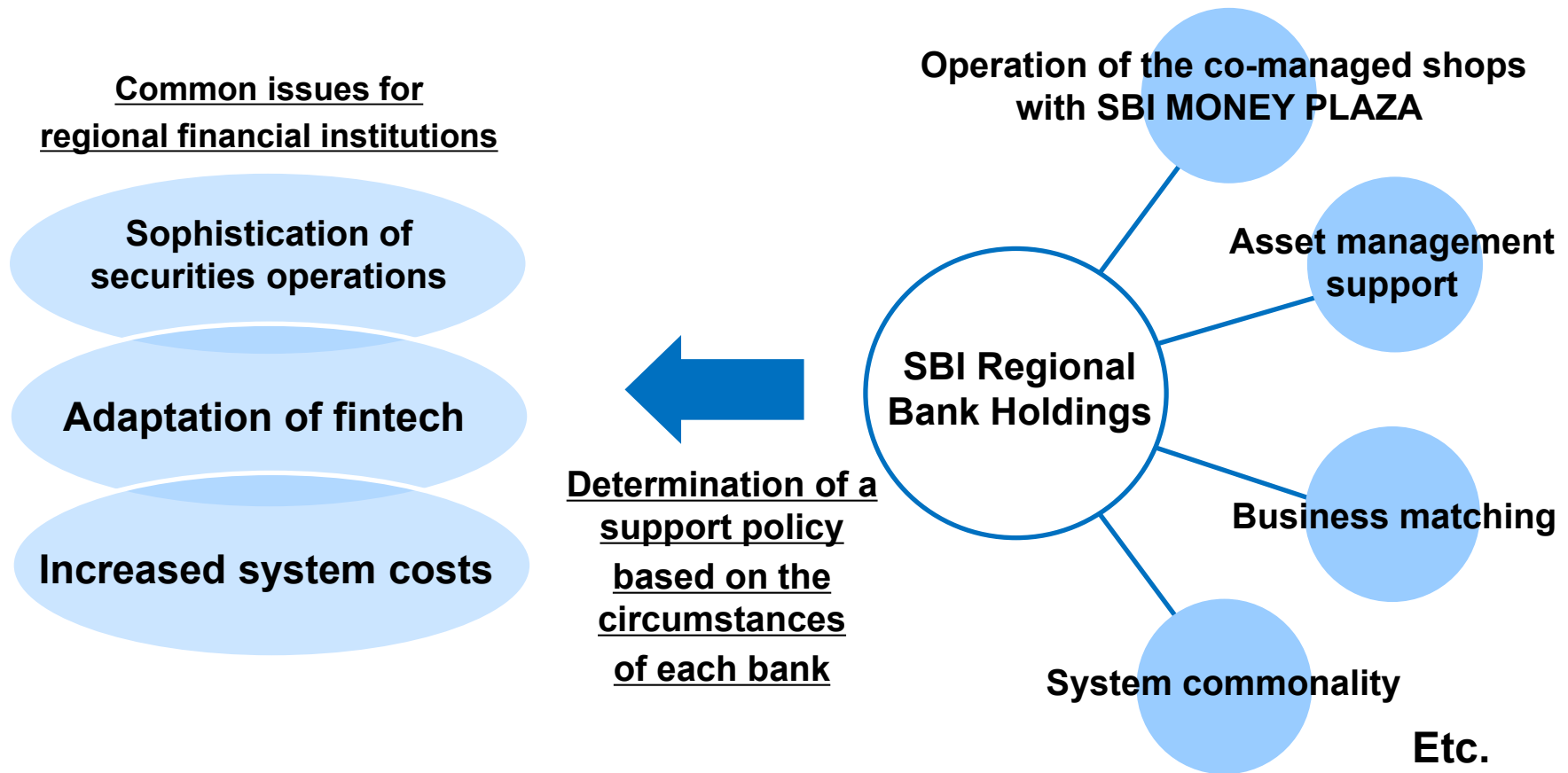
- ① Shimane Bank Achieves Significant Improvement of Result in 1H FY2020**
- ② Various initiatives with each partner bank**
- ③ Strategic Business Alliance with TOWA Bank**

Shares of Regional Financial Institutions that SBI has Entered into Capital and Business Alliances has already been Transferred into the New Holding Company (SBI Regional Bank Holdings)

-Up to 10 banks may be forming a capital and business alliance, in consideration of the available resources of the Group-



SBI Regional Bank Holdings Supports the “Qualitative Transformation” of Its Investee Regional Financial Institutions

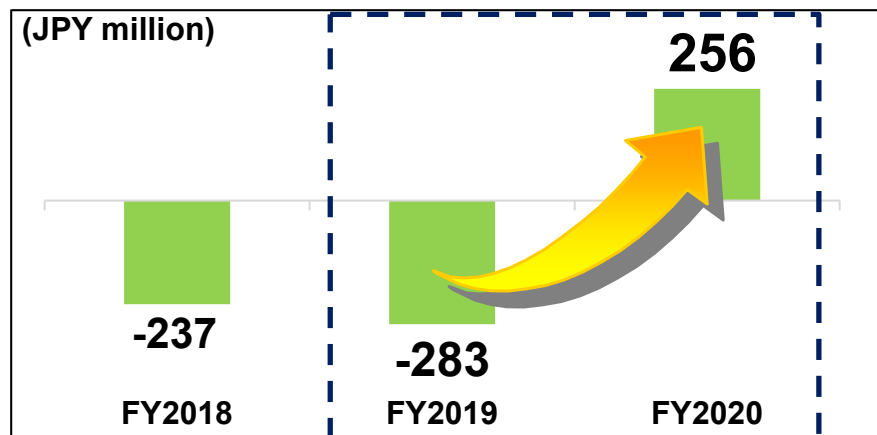


Providing full support for the "**Self-transformation**" of the investee regional financial institutions, rather than for a "**Restructuring**"

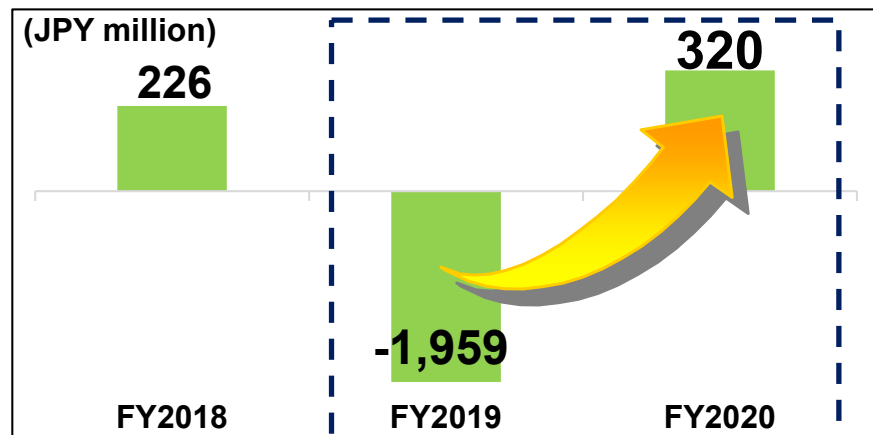
Shimane Bank Achieves Significant Improvement of Result in 1H FY2020

-Core operating income recorded the first profit since 1H FY2016-

Comparison of core operating Income (1H)



Comparison of ordinary income (1H)



<Comparison of PBR transition>^{*1}

The main reason for the improvement

- Drastically improvement in profitability in the area of alliances with the SBI Group, including fully outsourcing of securities operations to the SBI Group and operating of the co-managed shops
- Reduce various costs through restructuring stores and promoting selection and concentration of businesses

Corporate name	PBR (Sept. 30, 2019)	PBR (Sept. 30, 2020)	Change
Shimane Bank	0.21	0.43	+0.22
TOTTORI BANK	0.27	0.25	-0.02
Chiba Bank	0.44	0.46	+0.02
Average banking ^{*2} industry	0.30	0.30	0
Average of the bottom 10 banks by market capitalization	0.22	0.26	+0.04

^{*1} Calculated by dividing the share price at the end of each month by net assets per share at the end of Sept. 2020

^{*2} Excerpted from the Tokyo Stock Exchange "PER and PBR (Consolidated) by Size and Industry

Steady Progress on Initiatives with Subsequent Partner Banks

Fukushima Bank

- A business alliance agreement was concluded with Raysum Co., Ltd., which provides real estate asset management services, through the SBI Group, **in order to meet the needs of affluent clients** (Aug. 2020)

CHIKUHO Bank

- Launched “DAZAIFU Pay” **as part of a regional revitalization program, utilizing blockchain/distributed ledger technology** of the SBI Group's investee companies (Sept. 2020)

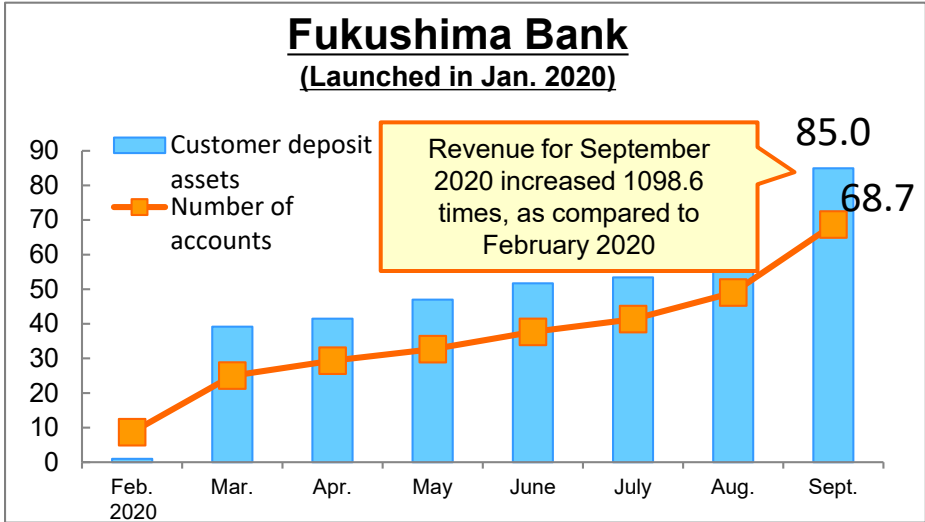
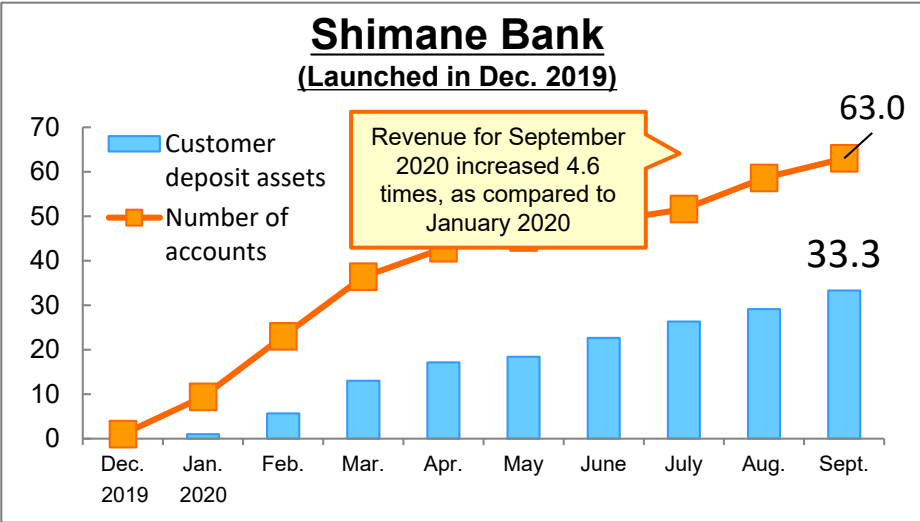
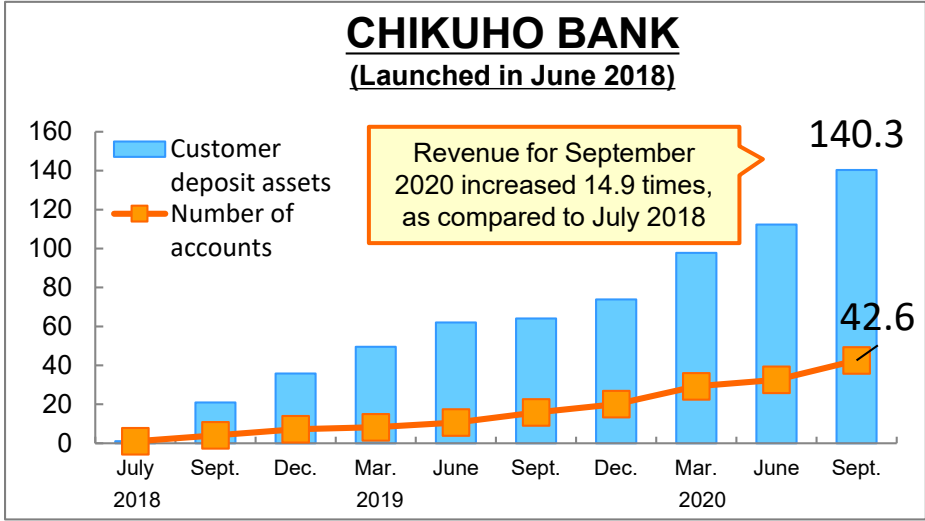
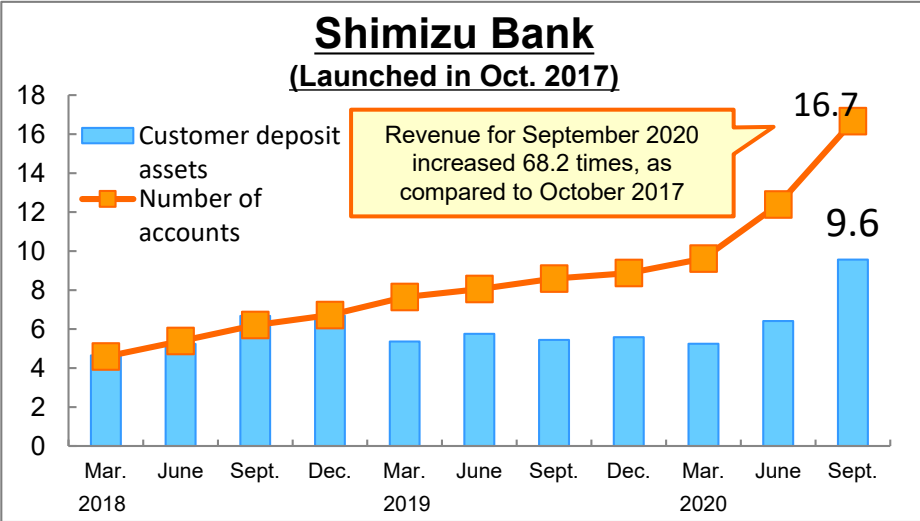
Shimizu Bank

- Signed business alliance agreement with SBI NEO FINANCIAL SERVICES and Astamuse **to promote hiring specialized talent such as technical specialists and researchers** (Oct. 2020)
- Formed business alliance with SBI SECURITIES and its M&A operations, directed at corporate clients **featuring joint provision of specialized, high-quality services related to business succession and M&A** (Sept. 2020)
- Invested in “4+5 Fund” created and run by SBI Investment **to foster business matches with portfolio companies and to catch up in new technologies and services** (Sept. 2020)

In terms of asset management, SBI Regional Revitalization Asset Management is entrusted with a portion of asset management from each bank

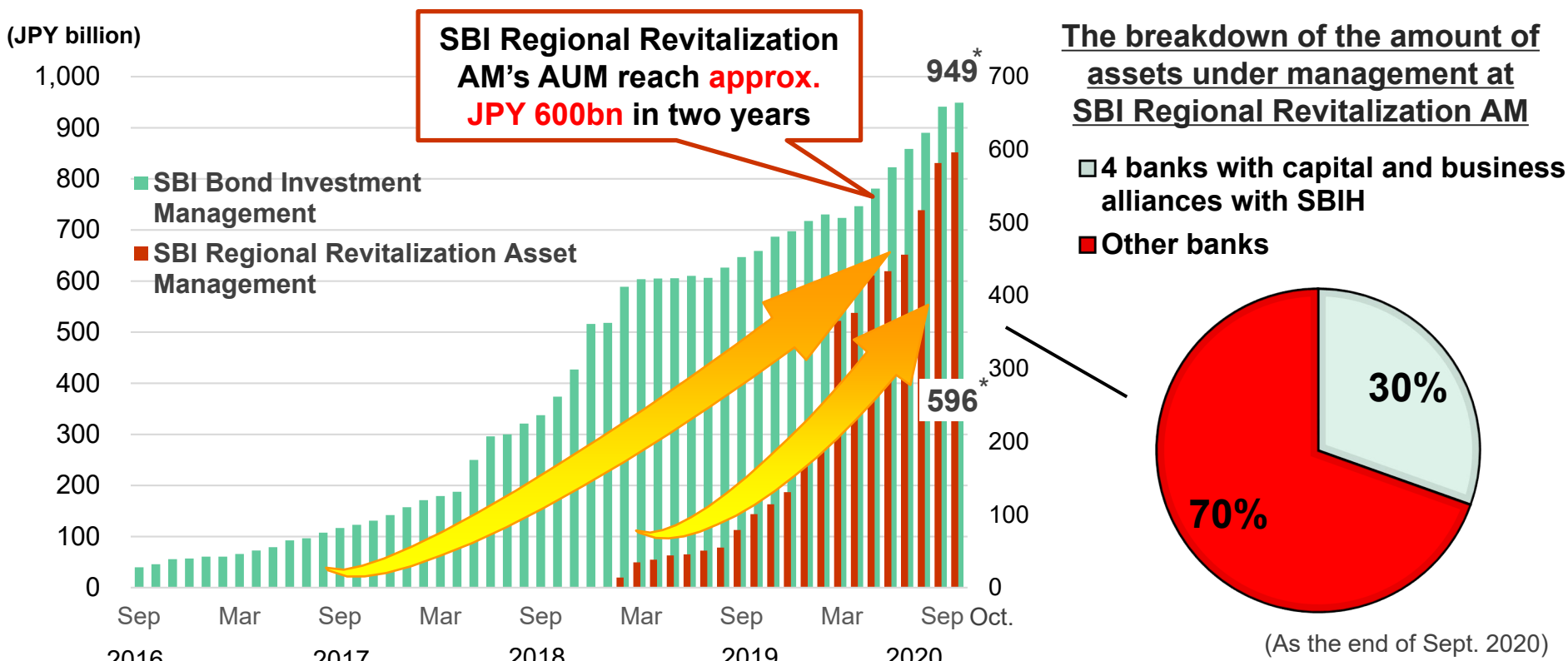
Each Regional Financial Institution Co-managed Shop has Increased Their Number of Accounts and Customer Deposit Assets

Change in customer deposit assets and number of accounts



AUM from Several Regional Financial Institutions, Including 4 Banks as Capital and Business Partners of SBI Holdings, Exceeded JPY 1.5tn

- 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 38 regional financial institutions, has been entrusted with the asset management of **JPY 64.2bn** (Investment principal: as of June 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



New Agreement with TOWA Bank to Strengthen Strategic Business Alliance

<Main agreements>

Establishment of a joint fund to support local businesses

Strengthen the financial intermediation function by providing capital funds and capital loans through the joint fund

Supporting TOWA Bank's local businesses to transform their business models

By supporting the introduction of cutting-edge technology and know-how possessed by the SBI Group and its investee companies, will be supporting the transformation of local companies' business models in response to the post COVID-19 era

Launched and operating a second co-managed shop with SBI MONEY PLAZA

Endeavoring to expand the stable asset formation support system for individual customers

Collaboration with the SBI Group's future operating companies to promote regional development

Began considering investing in SBI Regional Revitalization Services

Mutual acquisition of shares

SBI Regional Bank Holdings plans to acquire up to 1% of the total number of Towa Bank's outstanding ordinary shares.

TOWA Bank plans to acquire up to JPY 200mn of SBI Holdings' common share

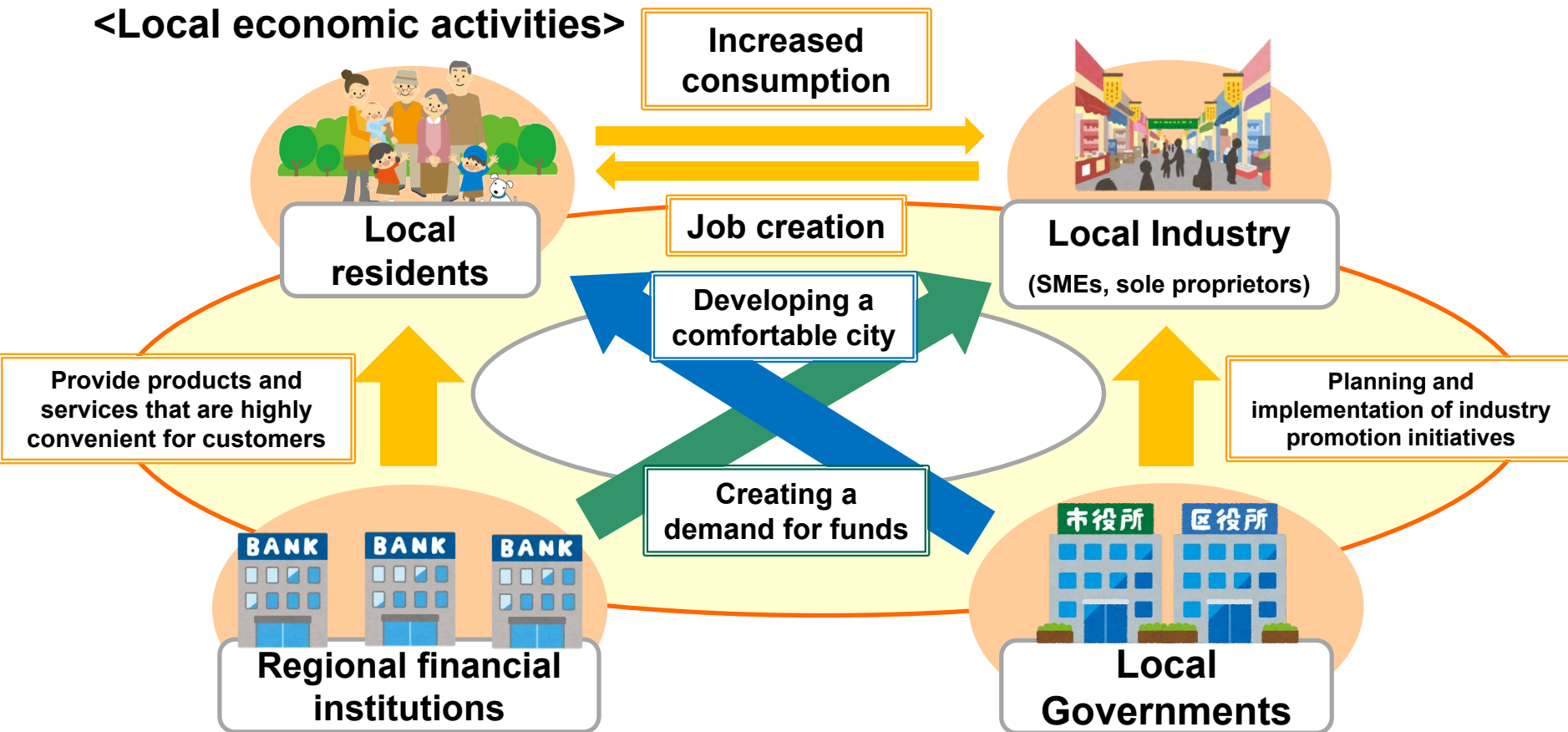
(3) Regional Revitalization Partners, a joint initiative with several partners who share a common aspiration toward regional revitalization

-The SBI Group's new approach to realizing regional revitalization-

- To date, the SBI Group has advanced various initiatives to help solve issues related to regional financial institutions, but have become keenly aware that the initiative alone will not be enough toward regional revitalization**
- It is essential to involve government-affiliated organizations in addition to local residents, local industries, regional financial institutions, and local public agencies, to aspire for an effective large scale regional revitalization**
- With the arrival of the COVID-19 crisis, a framework to promptly assist the many troubled regional financial institutions and regional SMEs has become essential**

In Order to Further Advance Regional Revitalization, It will be Essential to Revitalize Four Economic Entities: Regional Financial Institutions, Local Residents, Local Industries, and Local Governments

<Local economic activities>



Realizing the national strategy of “Regional Revitalization” by revitalizing local economies

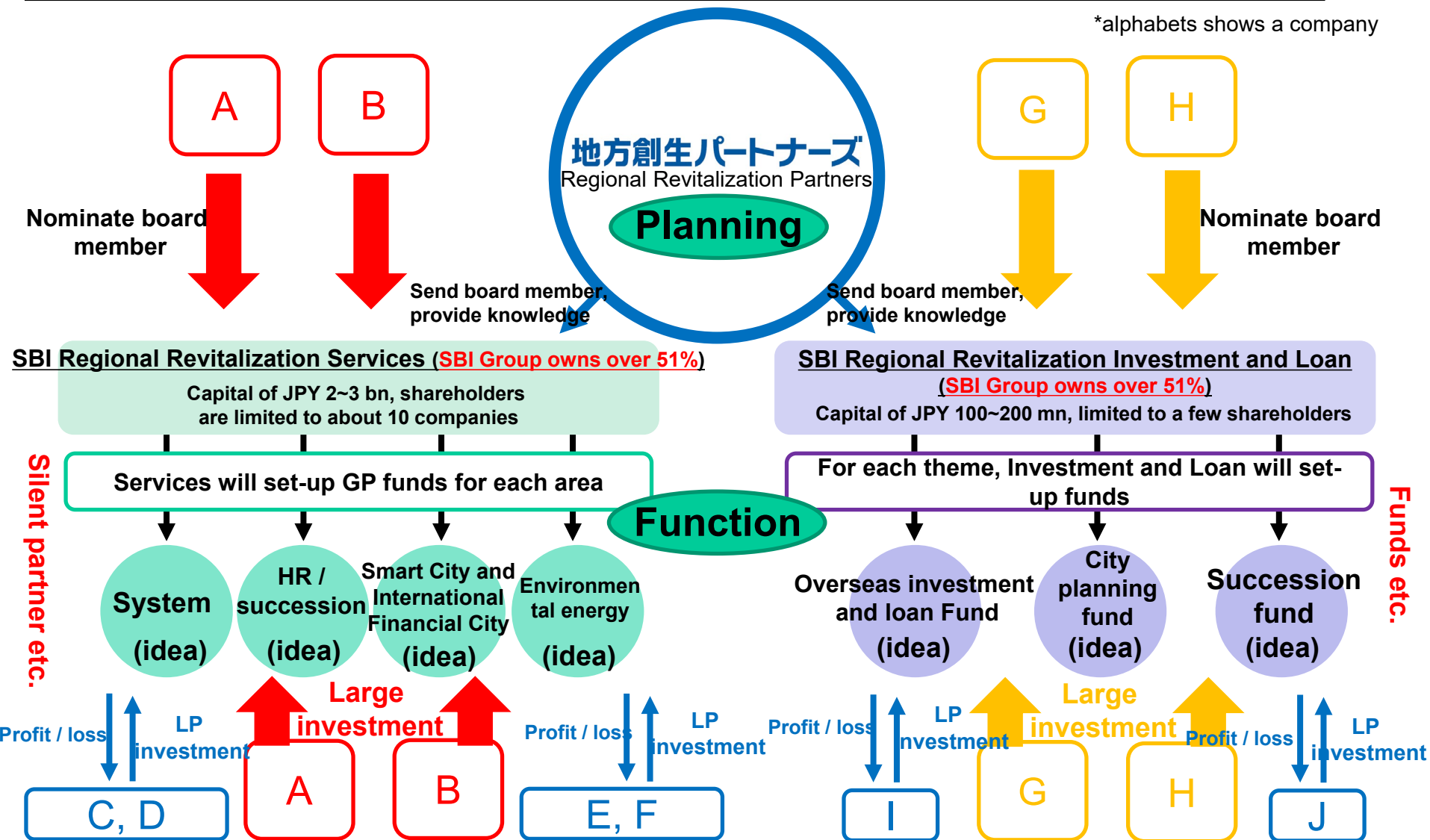
Established Regional Revitalization Partners Co., Ltd as a Joint Initiative with Multiple Partners Who Share a Common Aspiration Toward Regional Revitalization



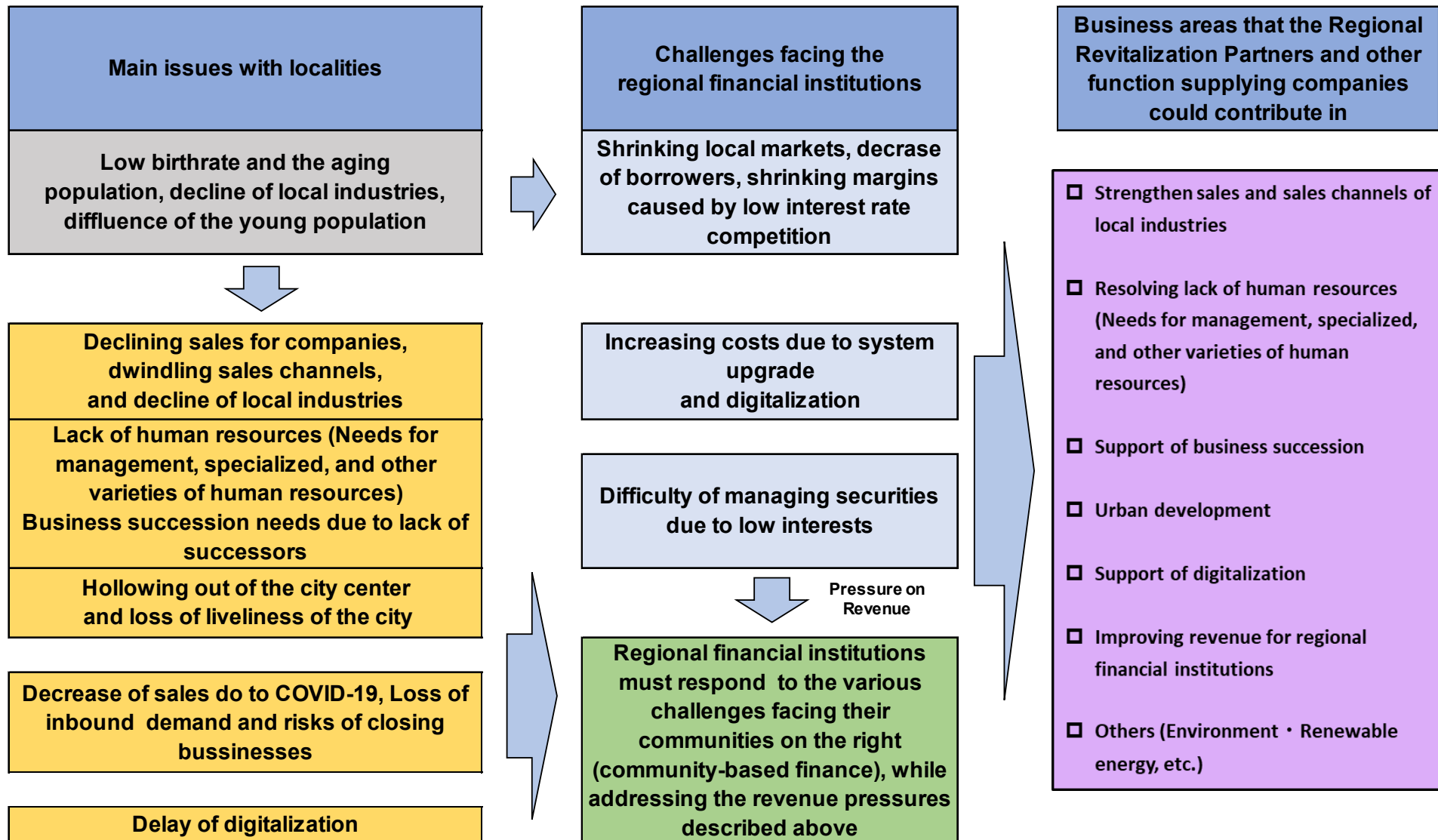
- It does not have a function to invest in regional financial institutions, but plans and proposes strategic guidelines for promoting regional revitalization, etc., for SBI Regional Revitalization Services and SBI Regional Revitalization Investment and Loan
- Establish SBI Regional Revitalization Services and SBI Regional Revitalization Investment and Loan, etc. at an early stage and coordinate investors for each theme or project

The Scheme of the Function Providing Company

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



Business Areas that the Regional Revitalization Partners and Function Supplying Companies Could Contribute In



III. Business fields to focus on for new innovations toward future business developments

- 1. Entering into 2 new business fields that are related to existing businesses**
- 2. Advance the adoption of blockchain and distributed ledger technology (DLT), which is expected to become the next generation core technology for the financial sector**

1. Entering into 2 new business fields that are related to existing businesses

- (1) Proactively advancing efforts in a field that is expected to create synergies with existing businesses, with a real estate development company**
- (2) Entering into the medical informatics field, the importance of which was recognized during the COVID-19 crisis**

(1) Proactively advancing efforts in a field that is expected to create synergies with existing businesses, with a real estate development company

SBI SECURITIES Begins Real Estate Brokerage Business to Strengthen its Corporate Business on Oct. 19th

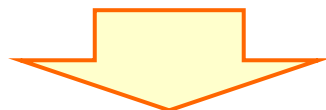
The wealthy class

[Centered on corporate business]

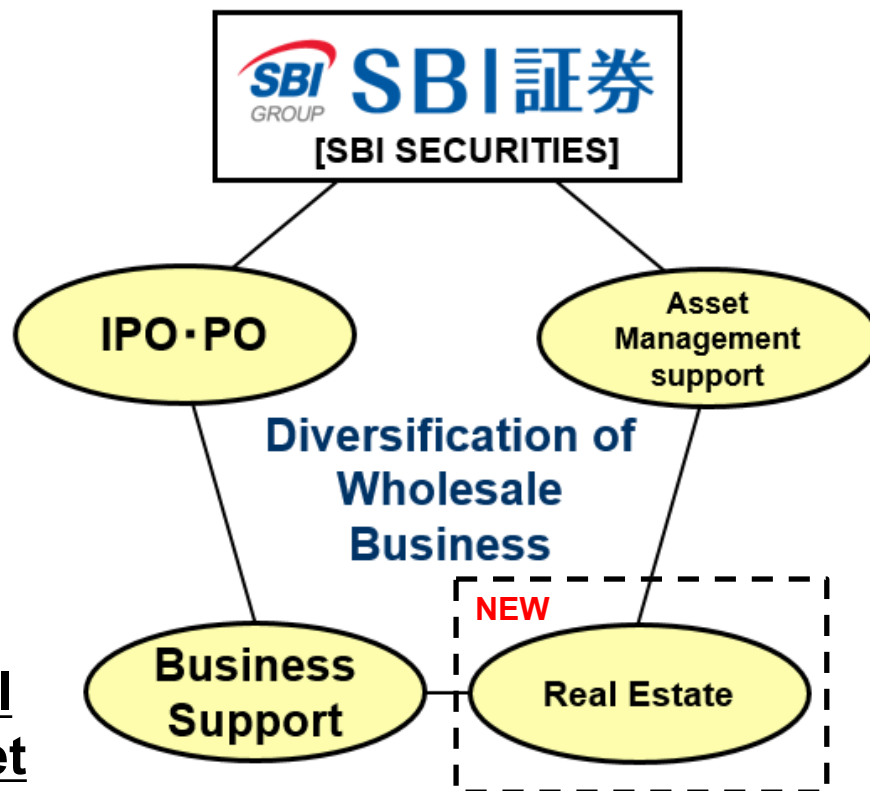
Needs for real estate as a tax-saving measure, etc.

 **SBI証券** [SBI SECURITIES]

Strengthen the corporate business to be on par with the retail business



Establishment of a one-stop financial and real estate service system to meet the needs of the wealthy class

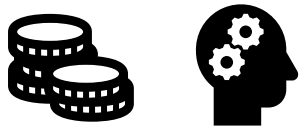


Endeavoring to establish a consulting service that will meet the needs of each customer from both financial and a real estate perspective

SBI Holdings has Decided to Acquire a Partial Stake in Ascot Corp, a Subsidiary of the World's Leading General Financial Group, Ping An Insurance Company of China, Ltd.

Ascot Corp. (TSE JASDAQ listed company)

- ◆ Primarily involved in real estate development business, with a focus on planning and development of condominiums and offices, and the real estate solutions business, which is focused on increasing the value of existing real estate
- ◆ Possesses strengths in **planning and development capabilities such as creativity, design and construction management**
- ◆ Planning to make The Global Ltd., which has experience and know-how in real estate land acquisition and condominium sales, a subsidiary of the company.



- Financial products (loans, insurance, etc.)
- Advanced technologies, M&A brokerage, etc.



- Customer base
- Utilization of Real Estate in Financial Product Development

Ascot Corp,
The Global Ltd.,



Through mutual utilization of resources and the strengthening of existing businesses, as well as the development of new businesses, will endeavor to achieve further growth for both parties

(2) Entering into the medical informatics field, the importance of which was recognized during the COVID-19 crisis

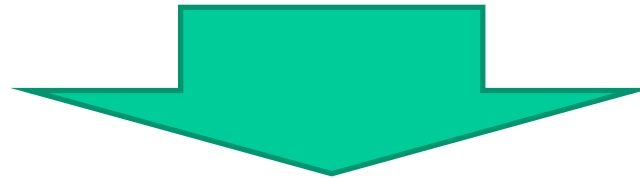
Entering into the Medical Informatics Field, the Importance of which was Recognized During the COVID-19 Crisis

-In an endeavor to solve the inaccurate medical statistical data problem that was manifested during the spread of COVID-19, initiating an entrance into the medical information field-

Medical Informatics

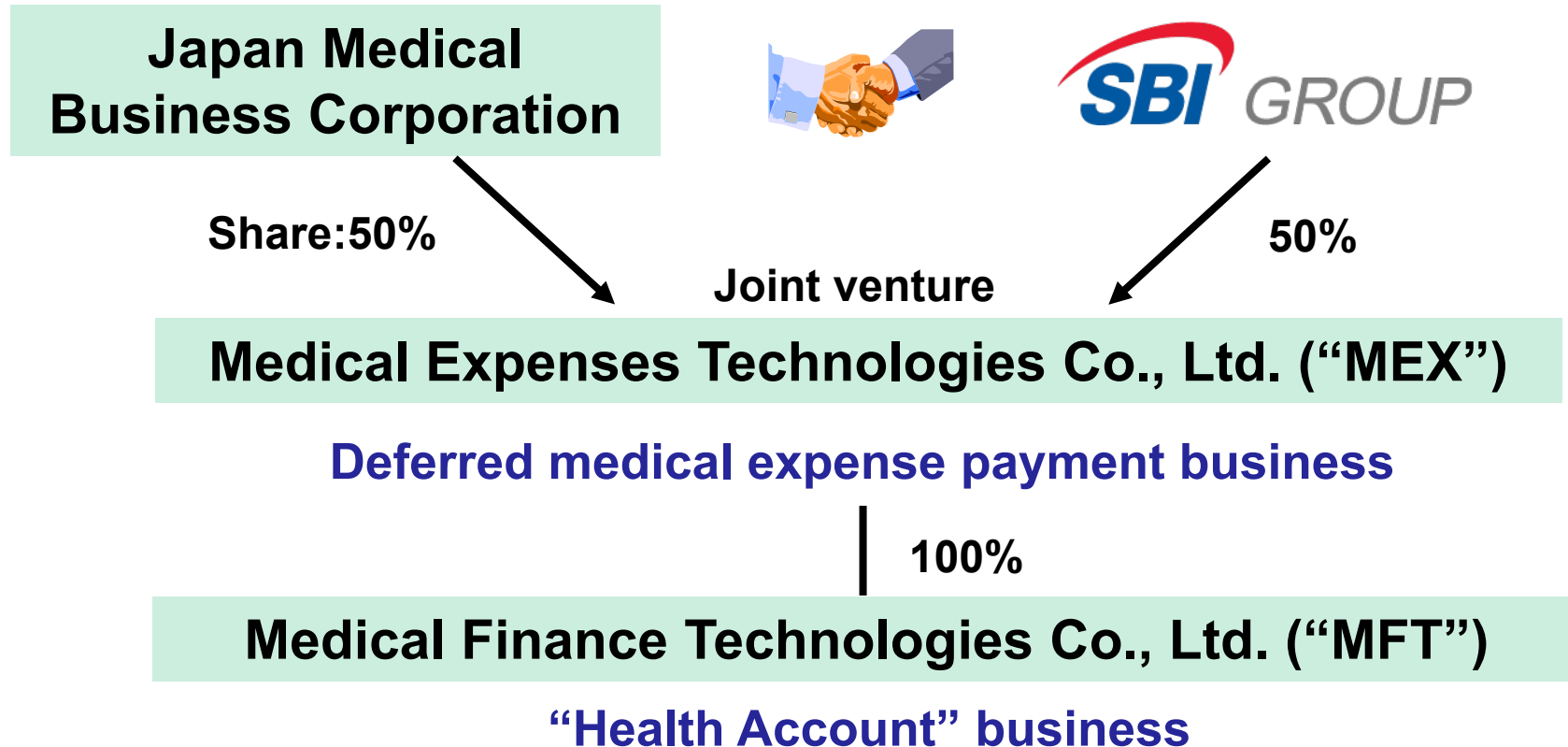


Building Close Relationships with Healthcare Facilities



- **The digitization of medical records**
- **Building and analyzing big data by collecting healthcare data, etc.**
- **Lead to advanced medical care such as infection prediction, early detection, treatment improvement, research, and data verification**

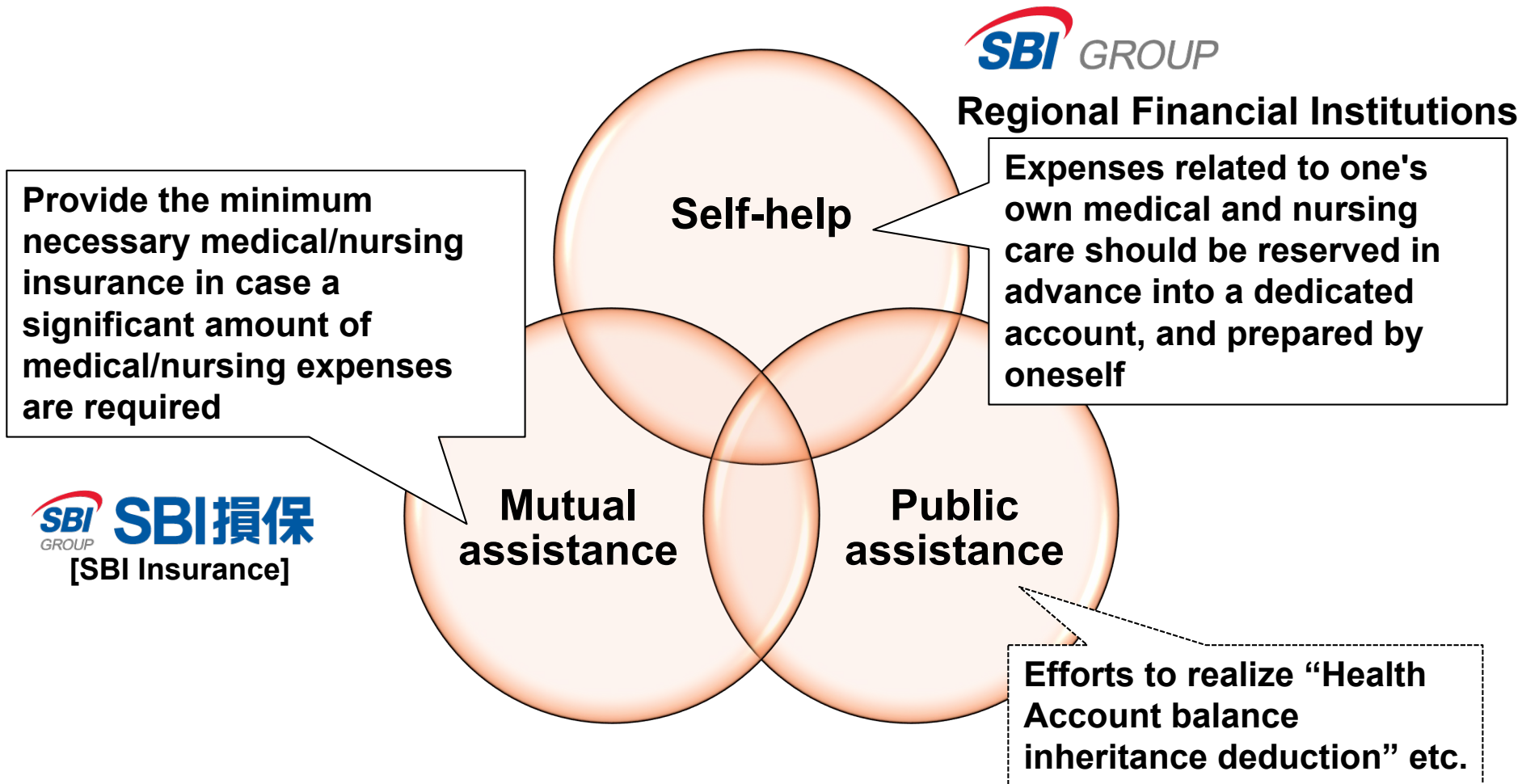
Promote “Health Account” Business as a Joint Venture with Japan Medical Business Corporation



Japan Medical Business Corporation (a SBI Group investee), is engaged in the medical information business, and has established a "Health Account" business with Ogaki Kyoritsu Bank and SBI Insurance. The SBI Group will promote the “Health Account” business as a joint venture with Japan Medical Business Corporation, and will expand the solution to regional financial institutions.

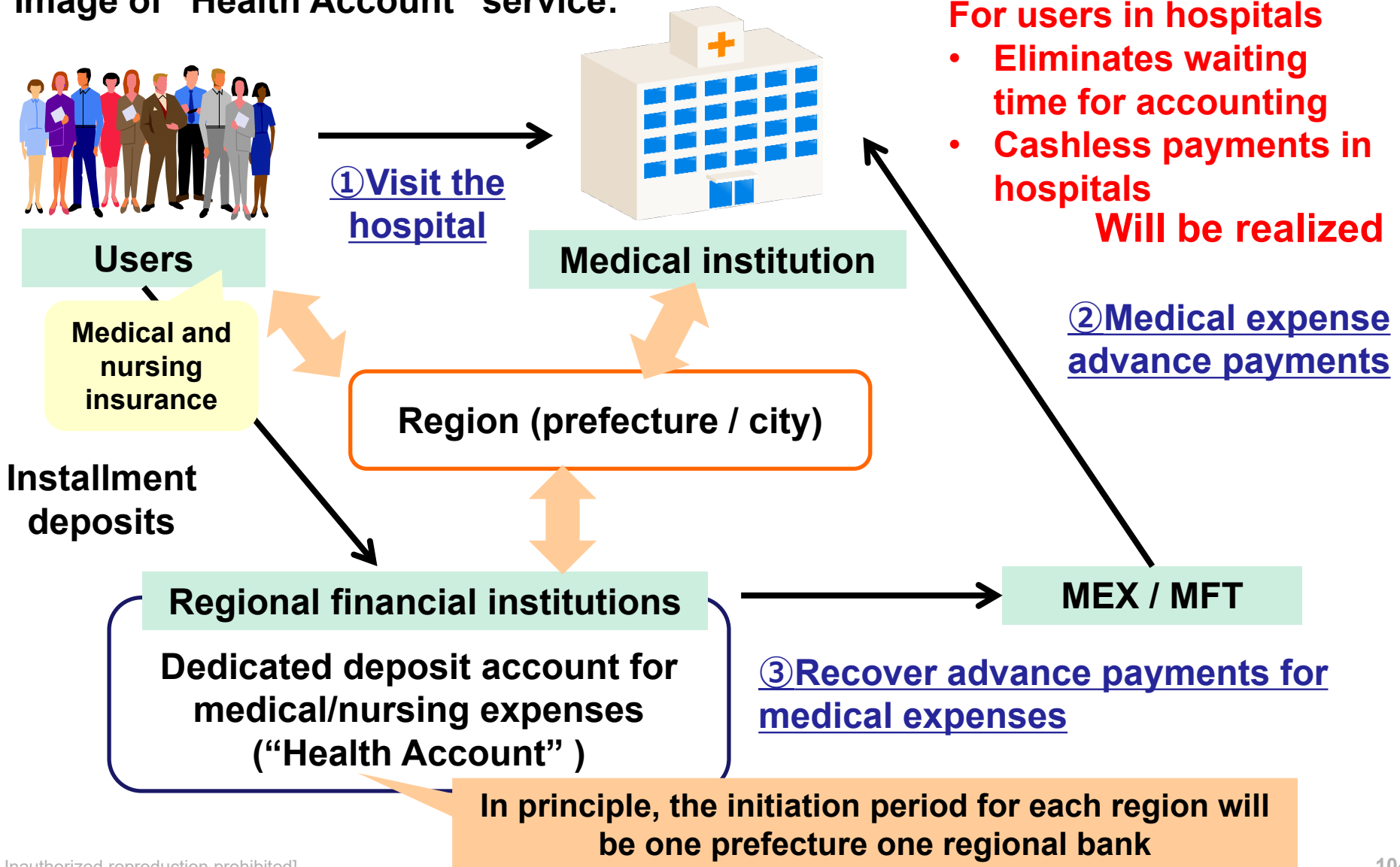
The “Health Account” Business is an Extremely Important Initiative for Maintaining the Health of the People, and for Regional Financial Institutions to Strengthen Their Ties with the People

“Health Account” business concept



New Service “Health Account” to Prepare for Future Medical and Nursing Expenses

Image of “Health Account” service:



- 2. Advance the adoption of blockchain and distributed ledger technology (DLT), which is expected to become the next generation core technology for the financial sector**
 - (1) Utilizing blockchain and distributed ledger technology (DLT) in the fields of remittance and payments, and in the issuance and distribution of security tokens**
 - (2) Next-generation international financial center concept, which will be centered in Osaka and Kobe**

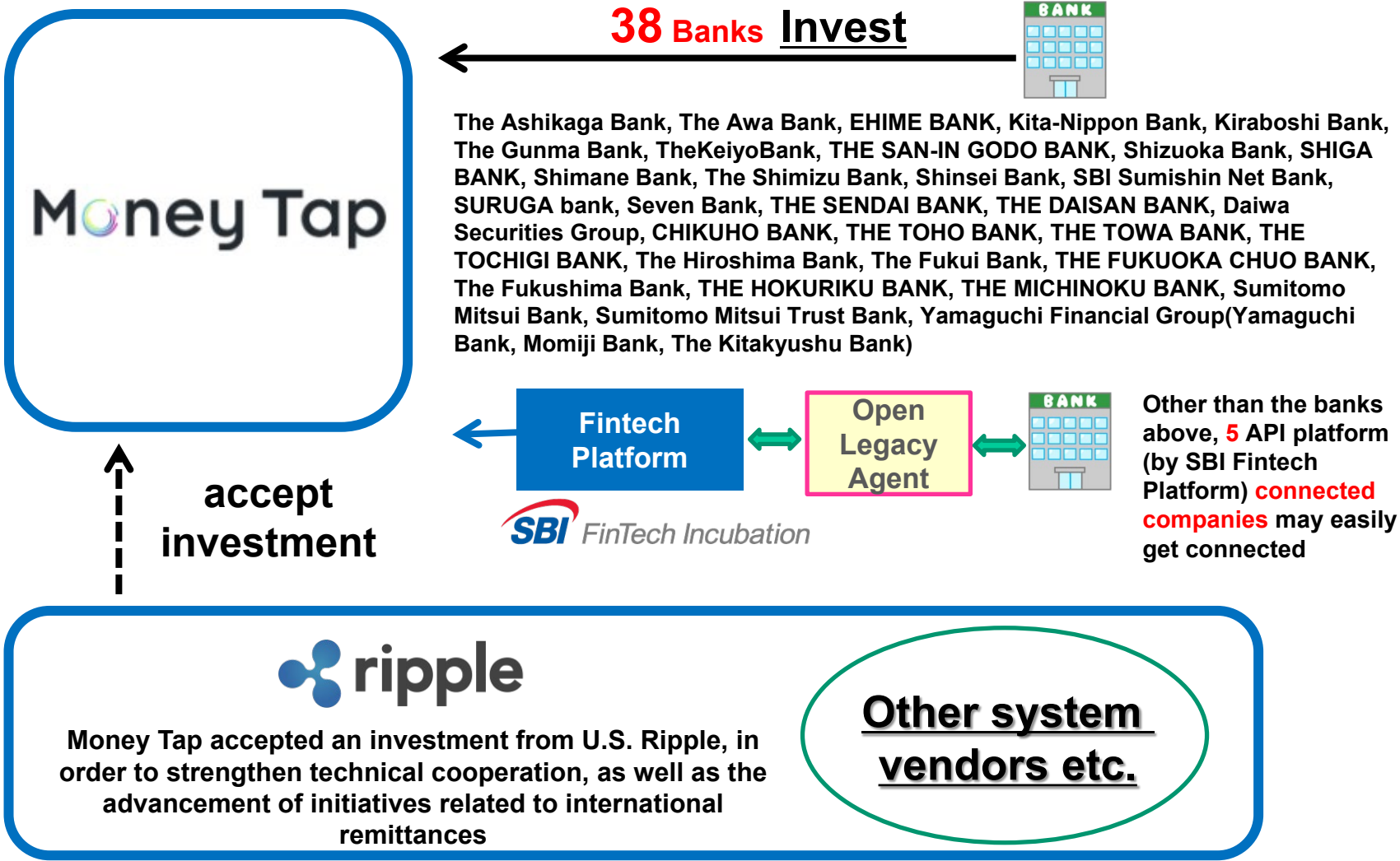
(1) Utilizing blockchain and distributed ledger technology (DLT) in the fields of remittance and payments, and in the issuance and distribution of security tokens

- ① Expanding the utilization of digital assets in the remittance and payment sector**
- ② To create the new next generation financial products, established the security token issuance and distribution markets**

① Expanding the utilization of digital assets in the remittance and payment sector

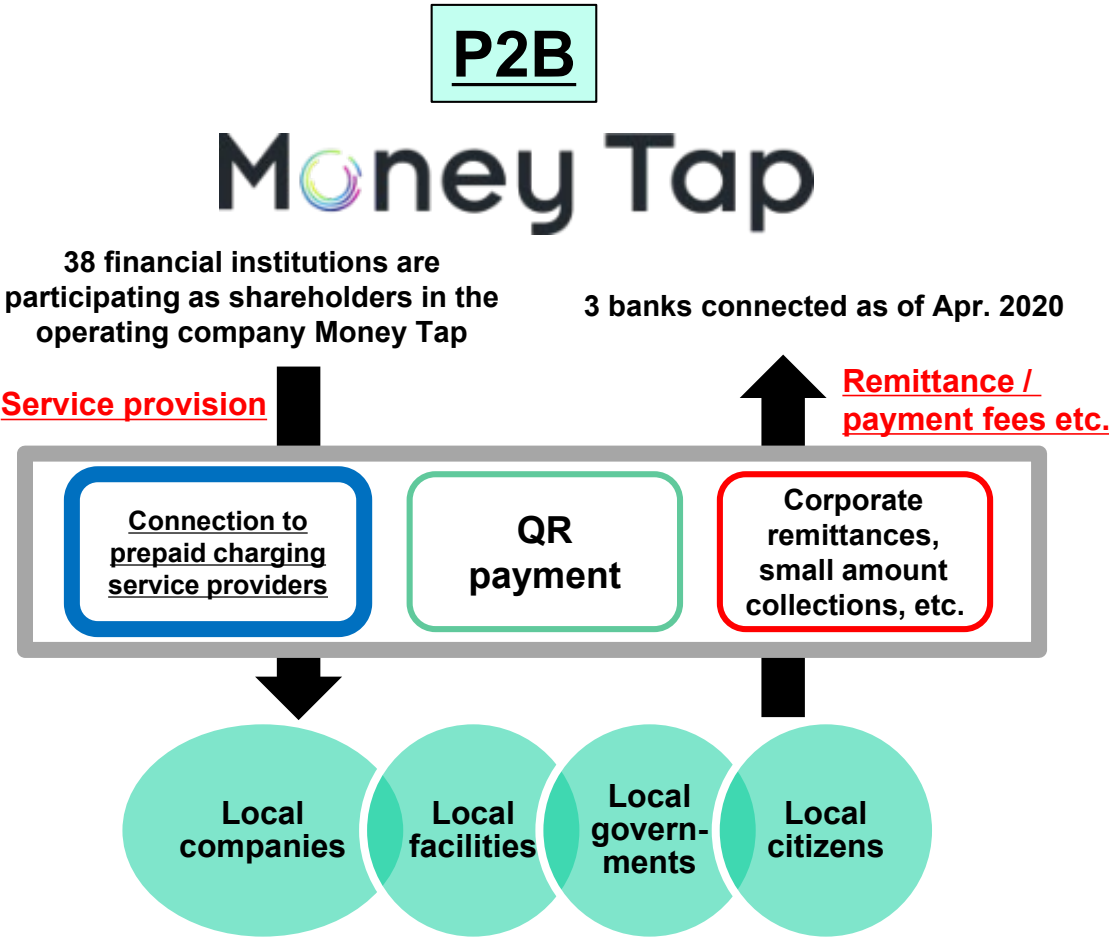
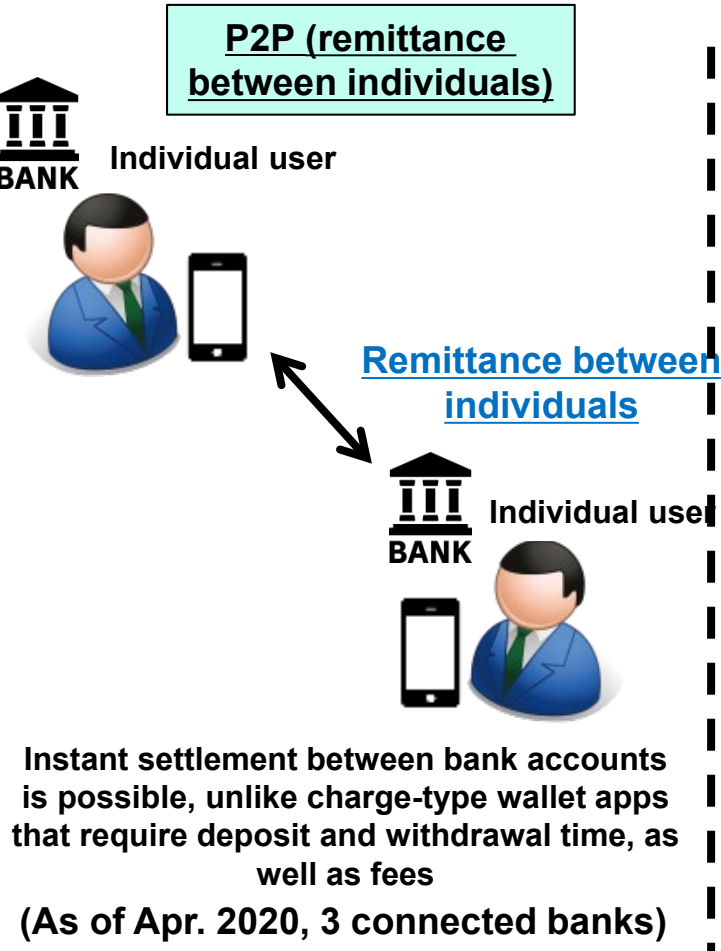
- (i) Inexpensive payment service connections utilizing Money Tap**
- (ii) Digital token issuance and distribution support**

Acceptance of Investment from Ripple Accelerates the Introduction of the Service to Regional Financial Institutions, a well as the Development of New Services



(i) Inexpensive payment service connections utilizing Money Tap

Money Tap Collaborating with Financial Institutions for a Win-win Service Offering



In response to the recent fraudulent charge case, will implement eKYC by the end of the year to eliminate security concerns of connected users (banks, prepaid charge operators)

Three new banks have been offered connections, in addition to the three existing banks. Negotiations with dozens of banks continue, and the number of connections will be increased gradually

Status of Connections with Prepaid Charging Service Providers Utilizing Money Tap

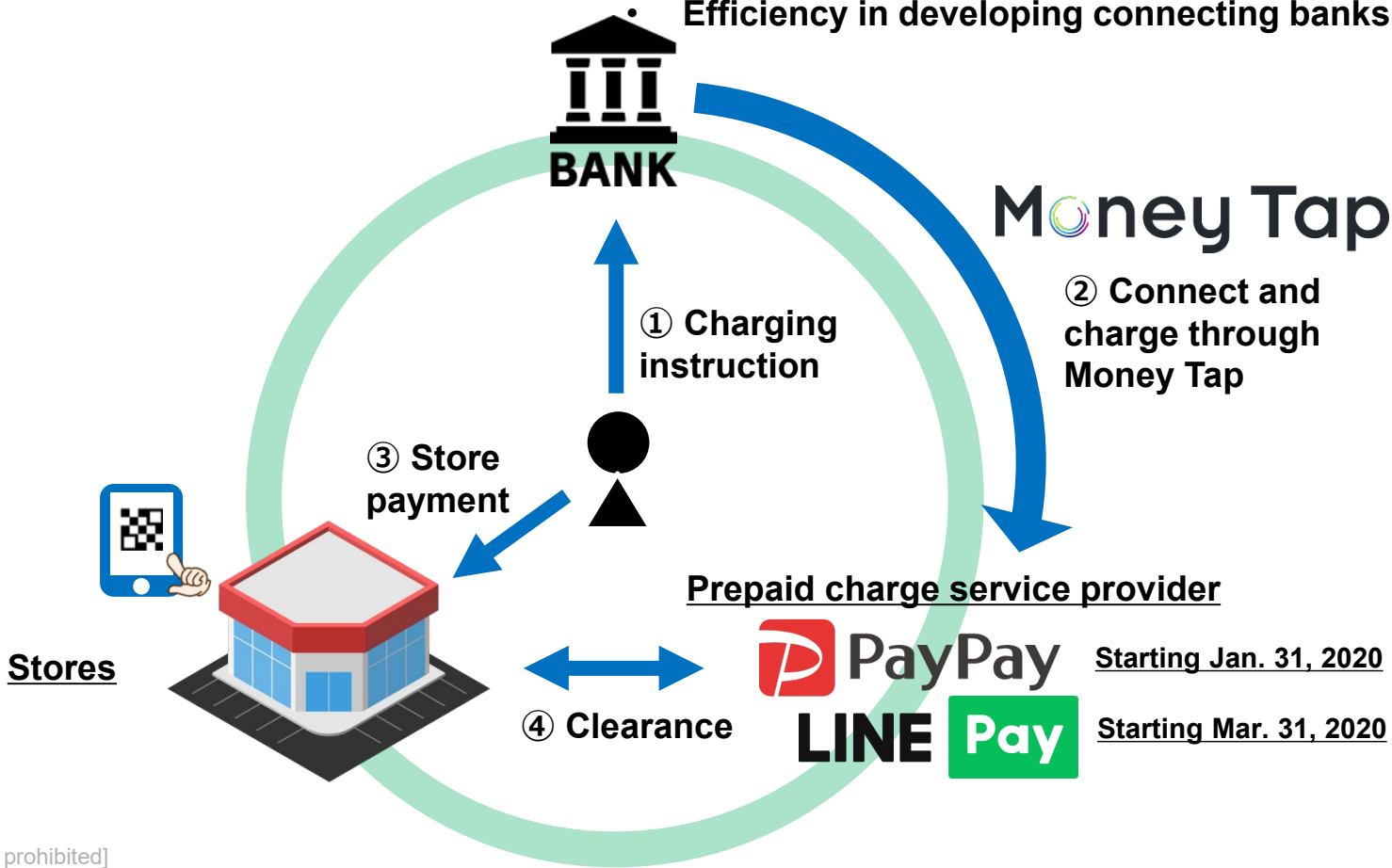
-Charging is possible without utilizing existing infrastructure, such as CAFIS, leading to an easier, lower charging cost-

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

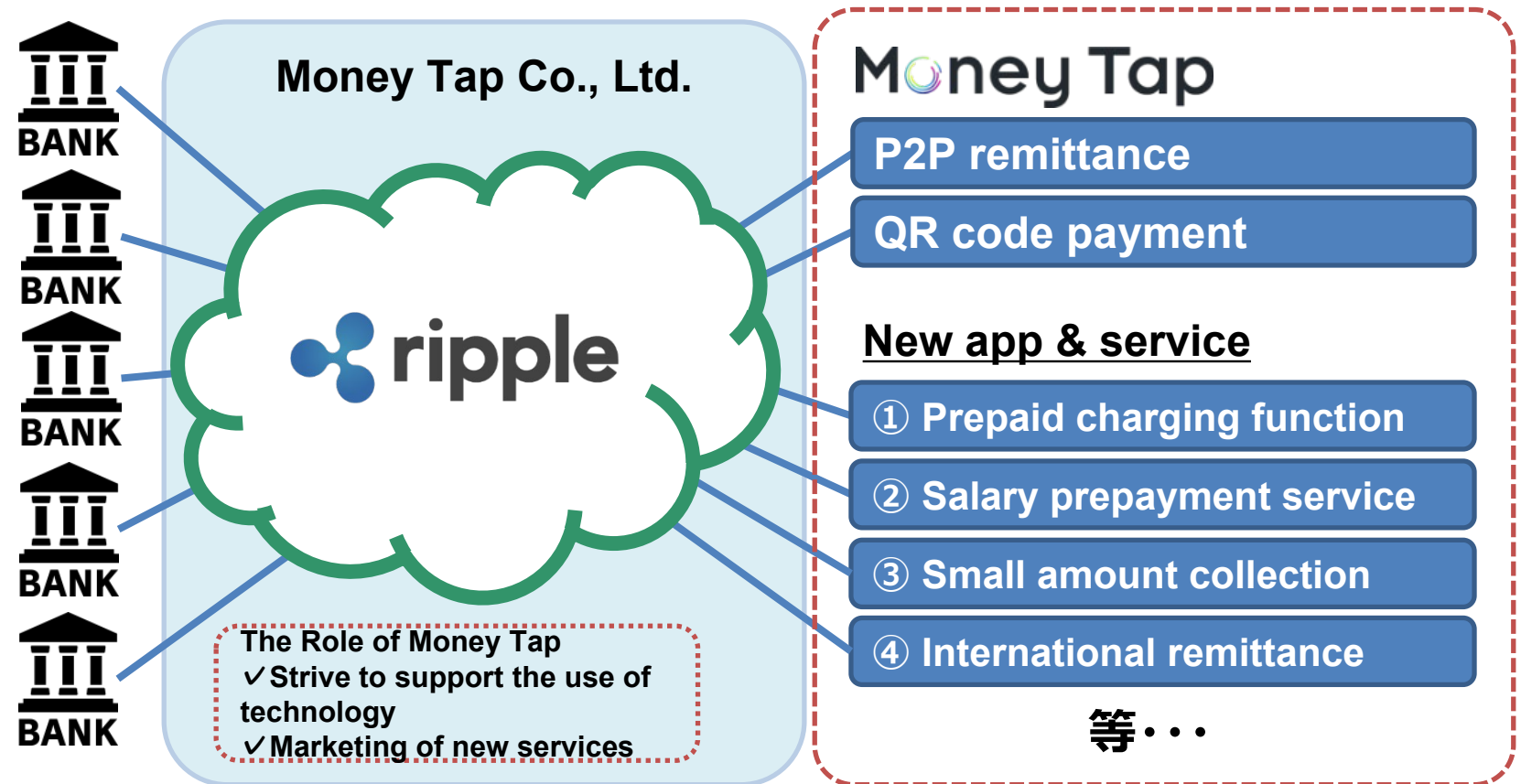


Starting Jan. 31, 2020

Starting Mar. 31, 2020

Further Expansion of Services Based on Money Tap

Freely adapt of Money Tap's infrastructure to expand business with
“low cost, low friction and low stress”



Advantages by utilizing the network

- ✓ Real-time purchasing and payment
- ✓ Diversified payroll cycle
- ✓ Built unique payment application
- ✓ Low-cost cooperation with the government
- ✓ Electronic collection service
- ✓ Funding between stores

The SBI Group Supports the Issuance of Multiple Digital Currencies in Fukuoka Prefecture in Collaboration with, Chikuho Bank, Kyushu Electric Power, and Local Companies, etc.



Example ①: “TOKOWAKA Coin” (Munakata City, Fukuoka Prefecture)
August 23 ~ 31, 2019



Example ②: “Dazaifu Pay” (Dazaifu City, Fukuoka Prefecture)
October 2020 ~



Example ③: premium electronic regional coupons (Ukiha City, Fukuoka Prefecture)
October 2020 ~



Moving forward, a collaboration strategy with local economic agents, not only in Fukuoka but nationwide, will be conceived

Completed PoC testing of the payment coin "S coin," issued on the S coin platform established utilizing Cord

- ◆ The S coin platform, built using Corda, can design and issue unique digital currencies according to the application. In this demonstration, the platform was used to issue settlement coins "S Coins" by SBIH
- ◆ Using Money Tap to make direct payment transfers from a bank account to the S coin platform as a way to issue S coins
- ◆ Based on the feedback, plans are to improve the UI/UX, and to utilize it as a platform to issue regional digital currencies, moving forward

<App UI>



② To create the new next generation financial products, established the security token issuance and distribution markets

Crypto-asset Derivatives and STOs are Covered Under the Financial Instruments and Exchange Act that became Effective in May 2020

Problems with ICOs

- Owing to the global explosion of virtual currencies from 2017 to 2018, the number of fraudulent ICO projects have rocketed, with the purpose and means of financing along with the usage of funds being unclear and service launches incomplete

Discussion lead by regulatory authorities

- In order to protect investors, a study group was established by the FSA in Mar. 2018, and subsequently a “Report from Study Group on Virtual Currency Exchange Services,” was released in December

Revision of related laws

- The revised Financial Instruments Act and Exchange Act was passed in May 2019
- The revised acts as well as the legislative decree and cabinet office regulations came into effect in May 2020

Applied examples

- **Margin transactions** using crypto-assets **will be regulated in the same way as foreign exchange margin transactions (FX transactions)**
- **Security tokens (STOs) will be deemed as “Paragraph (1) Securities,” which is subject to disclosure restrictions and business restrictions**

Established a Self-regulatory Organization to Promote the Sound Development of the Industry

The Japan STO Association was established in October 2019 to formulate self-regulation for Security Token Offerings (STO), which is a method of raising funds using electronic means, and has already been certified as a self-regulatory organization

12 companies, including SBI SECURITIES, SMBC Nikko Securities, au Kabucom Securities, Daiwa Securities, Tokai Tokyo Securities, NOMURA SECURITIES, MONEX, Mizuho Securities, Rakuten Securities, Sumitomo Mitsui Trust Bank, Mitsubishi UFJ Trust and Banking, and Hash Dash have joined as regular members, and 41 companies from various sectors have participated as support members for the issuance of STOs, with total participation from up to 53 companies

Revision of the law regarding STO

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



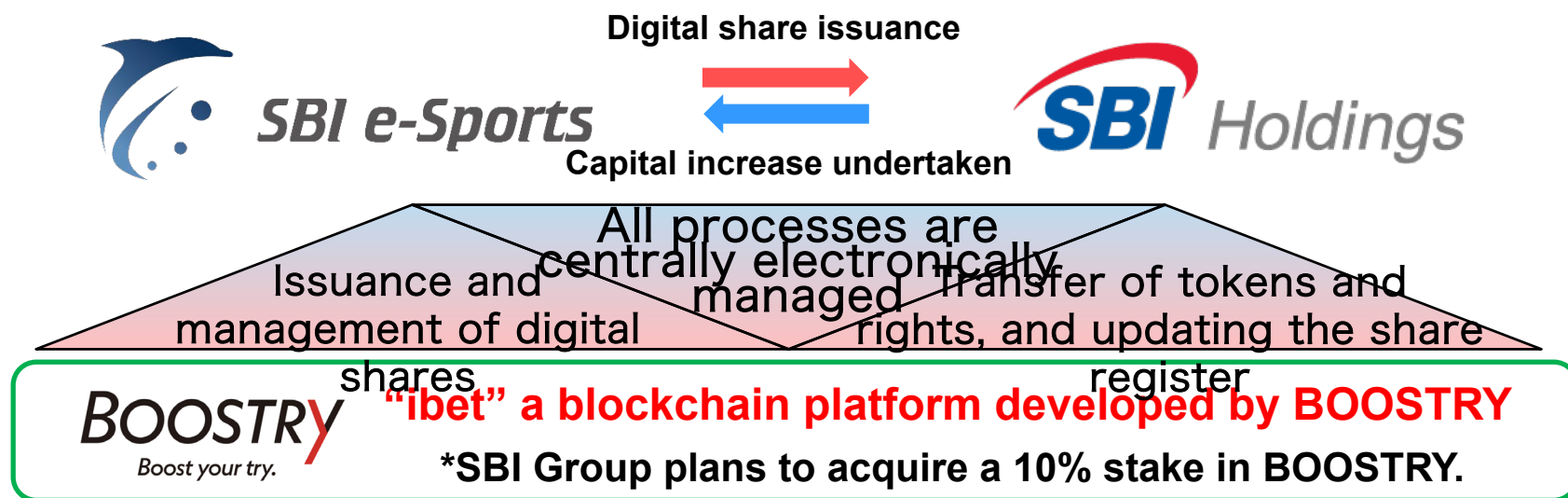
Law amendment and ordinance became effective as of May 1, 2020

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

Owing to the amended Financial Instruments and Exchange Law, Effective as of May 1, 2020, Japan's First Security Token Business is Scheduled to be Launched

- The issuance of security tokens in full compliance with the Financial Instruments and Exchange Act as securities that appear on the tokens -

Case 1: Third-party allocation of new shares by SBI e-Sports using STO (scheduled for October 30, 2020)



Planning to extend offerings of investment opportunities in security tokens to general investors, such as (2) public offering of digital corporate bonds issued by operating companies with SBI SECURITIES as the underwriter, and (3) other public offering of STOs (fund type)

Planning the Establishment of a Joint Fund with Switzerland's Sygnum Bank Group, the World's First Digital Asset Bank



The Sygnum Bank is the world's first digital asset bank established in 2019 and is licensed by the Swiss financial authorities, and also operates as a licensed asset management company in Singapore.

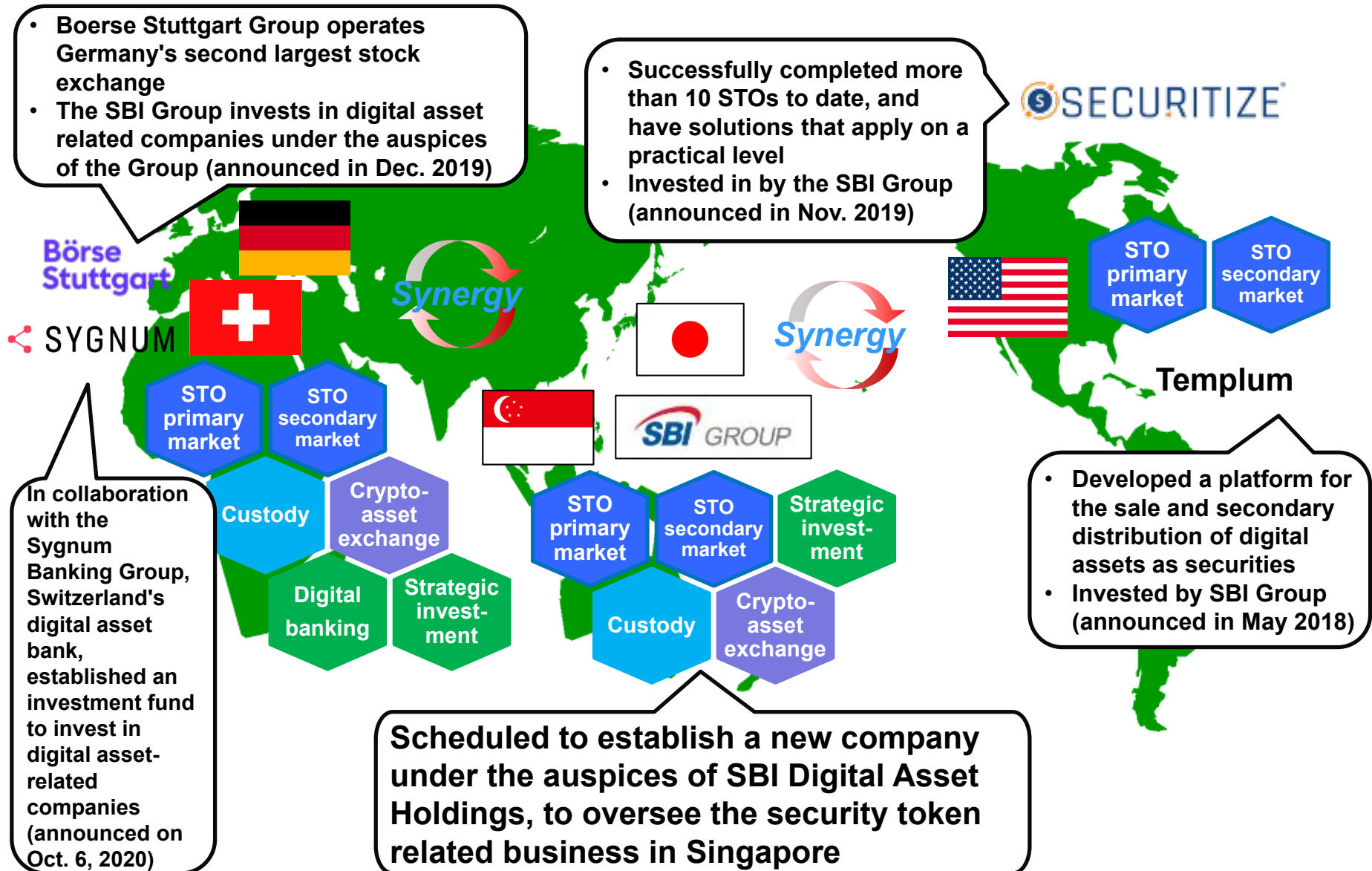
- **The fund will target promising startups with innovative technologies in the areas of financial market infrastructure and enterprise solutions related to DLT, primarily in the Southeast Asian and European regions**
- **Will endeavor to promote the utilization of security tokens as a fundraising tool, and increase liquidity by tokenizing the fund's equity, upon investment**

Planning to support a direct market funding process through STOs for the portfolio companies, moving forward

Establishing a Global Ecosystem to Develop the Security Token Market at Home and Abroad (i)

- ◆ In order to develop the security token market, **it is essential to enhance the related ecosystem, such as the secondary market for buying and selling between token holders, as well as the primary issuance market**
- ◆ In addition to its established digital asset ecosystem, the SBI Group envisions a global expansion of its security token-related businesses, through **collaborations with domestic and overseas partner companies**, including strategic investees
- ◆ In order to expand the security token market, and to develop a secondary market for distribute issued tokens, **the establishment of an Osaka-based proprietary trading system (PTS) in Japan that handles digital securities represented by tokens is being considered**

Establishing a Global Ecosystem to Develop the Security Token Market at Home and Abroad (ii)

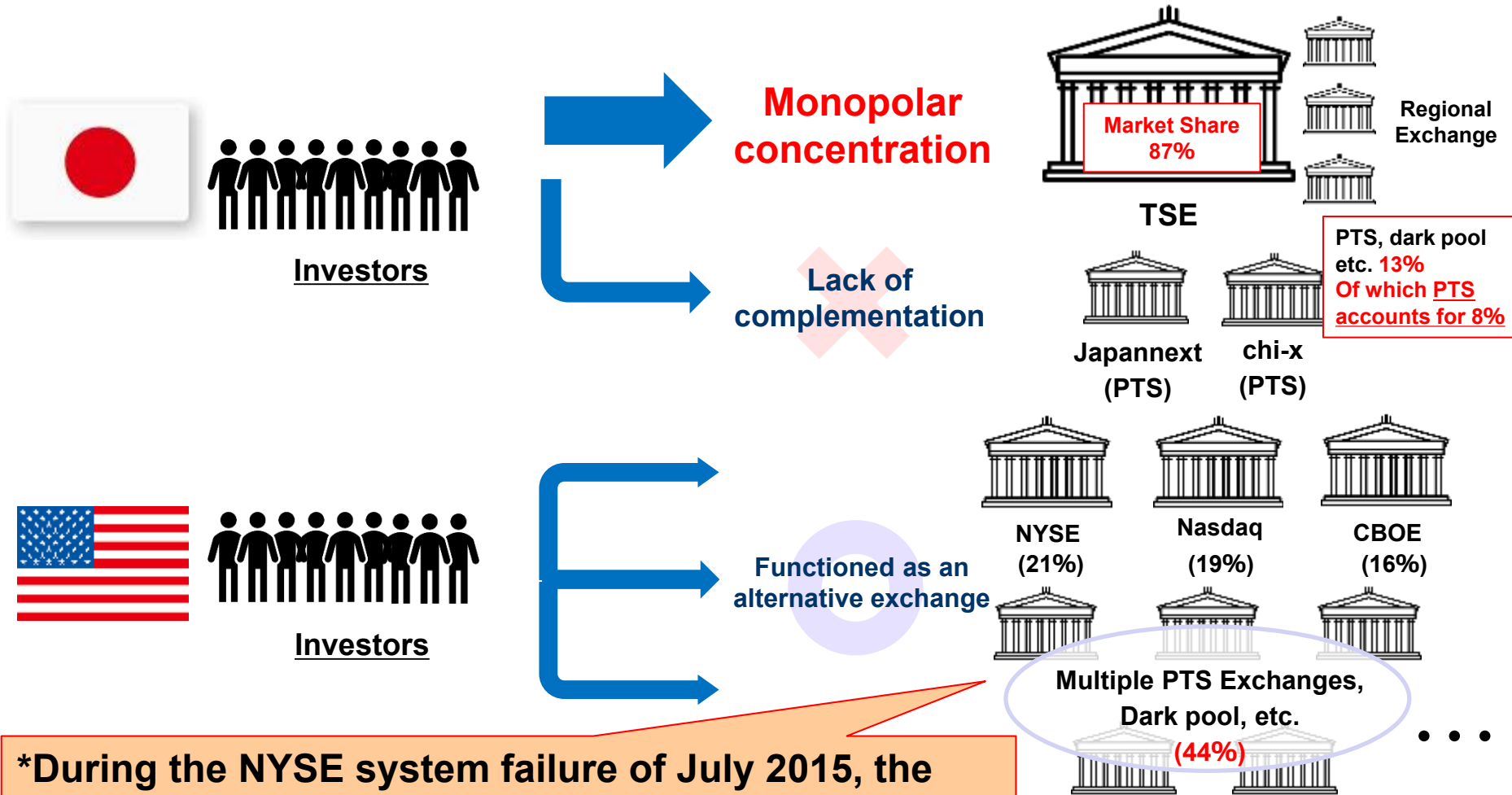


(2) Next-generation global financial center concept, which will be centered in Osaka and Kobe

- ① The need to develop and enhance existing infrastructure to attract a global financial center
-Fostering PTS as an alternative market, and
correcting mysteriously high fees-**
- ② The timing of attracting global financial centers**
- ③ Concept of attracting the next generation global financial center to Japan**
- ④ Examples of how the SBI Group can support the realization of this concept**

- ① **The need to develop and enhance existing infrastructure to attract a global financial center**
 - Fostering PTS as an alternative market, and correcting mysteriously high fees-**

Issues Revealed by System Troubles that Occurred on the Tokyo Stock Exchange on October 1, 2020



***During the NYSE system failure of July 2015, the NYSE stopped trading all stocks for about 4 hours, but it was possible to trade on the NYSE Arca and Nasdaq, so there was no major issue for investors**

TSE has had a Series of System Failures in the Past

-This is the first time since 2005 and 2006 that the trading of all listed stocks have been suspended-

TSE's past major system failures

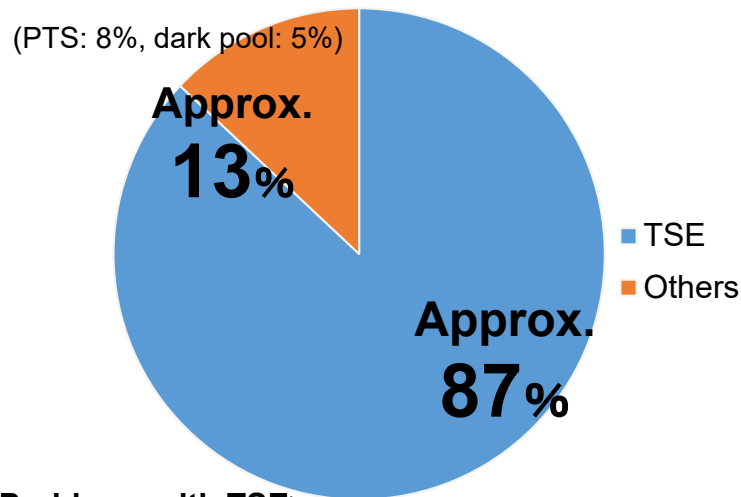
1997	Aug	Approximately 1700 listed stocks could not be traded due to system shut down			
2005	Nov	Trading of all listed stocks suspended , owing to software flaws	2008	Mar	2 listed stocks could not be spot traded , owing to abnormality of order processing
	Dec	Mizuho Securities issued an erroneous sell order of J-COM stocks The sell order could not be deleted , owing to TSE's system failure		July	All futures listings could not be traded , owing to software flaw
2006	Jan	A significant number of sell orders of IT-related stocks, owing to the "Livedoor Shock," caused a halt in the trading of all listed stocks at 2pm . The trading time was shortened by 30 minutes for 3 months thereafter .	2010	Jan	Suspended trading of 4 listings of government bond futures options
				Feb	Part of the futures listings suspended trading
2008	Feb	Part of the futures listings could not be traded , owing to software flaws. Trading resumes 4 days later .	2012	Feb	The TSE's server did not activate, causing 241 listed stocks to suspend trading
				Aug	All derivatives trading suspended
			2018	Oct	Buy and sell orders for some major securities firms were not able to be processed

(Reference) Oct 1, 2020 The Asahi Shimbun evening edition

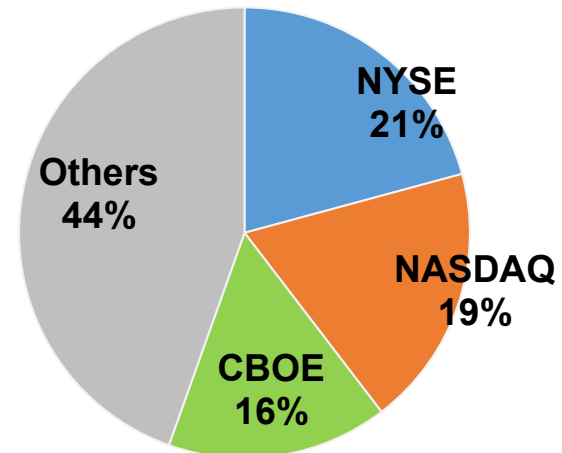
Service Improvement is Stagnating, Owing to the TSE Monopoly

- Incentives for service improvement on the TSE are weak, owing to the absence of the market principle
- Developing a PTS capable of competing with the TSE is essential, in order to realize fiduciary duties of providing best execution at trading facilities (exchanges, PTS, etc.) in Japan

Market share of TSE



(Reference) Market share of the exchanges in the US



Reference: Oct. 6, 2020 Nikkei

<Problems with TSE>

System	Operation and service	Cost
<p>The system does not keep up with the times. [Reputation among foreign investors is especially low]</p> <ul style="list-style-type: none"> ➤ The virtual server which is an entrance for the exchange, can only process approximately 200 transactions per second (OUCH of NASDAQ can process several thousand transactions per second) 	<p>Lacks attitude of pursuing fiduciary duty</p> <ul style="list-style-type: none"> ➤ Late to cope with troubles ➤ Unclear criteria for trading suspension measures ➤ Follow-up of PTS services (Introduction of increments after the decimal point, etc.) 	<p>Absence of the market principle which disbenefits market participants; investors</p> <ul style="list-style-type: none"> ➤ To compete with PTS, brokerage commissions are among the lowest in the world however, market data costs are high compared to global standards

SBI Group Contributes to the Development of a Sound Securities Market Through the Establishment of Japannext Securities

Japannext JNX

- Founded in 2006, Japannext Securities is currently the oldest and largest PTS operator in Japan. 33 companies participate in the market, including both domestic and foreign securities companies, making it the second largest trading market in Japan after the TSE.
It is also the only PTS operator in Japan that operates a night market for stocks
- Introduced decimal points in tick marks earlier than TSE to expand trading opportunities for trading participants, and started margin trading from August 2019
- The SBI Group is a major shareholder in Japannext Securities (48.78%) and contributes to the development of a healthy Japanese securities market through its investment in the company.

<The Merits of PTS of Japannext Securities>

- i . The only PTS provider in the Japanese stock market offering both intraday and overnight trading
- ii . Smart Order Routing (SOR) system automatically selects the most advantageous markets for investors to place orders on, [which contributes to the improvement in trading prices](#)

To Develop a PTS that Could Compete with TSE

The Existence of Multiple Competitive Service Providers is a Prerequisite for the Principle of Competition to Work, and there is an Urgent Need for the Development of PTSs in Japan, for the Sound Development of the Securities Market

【1】 Full abolition of ban on margin trading on PTSs

Restrictive regulations are still imposed on PTSs, and the removal of these regulations will lead to an improvement in the status of PTSs. There is also an economic advantage for investors who trade on margin, as they can execute trades on more favorable market conditions as compared to the TSE, showing that a PTS has great significance from a perspective of fiduciary duties

Despite the lifting of the ban on margin trading on PTSs, SBI Securities, which has the largest retail investor base in Japan, continues to be unable to intermediate general margin trades with Japannext Securities, citing conflicts of interest between groups (organized margin trading is allowed). Even when the PTS price is better than the TSE, orders cannot be ordered on the PTS, which is problematic from a fiduciary duty perspective.

Despite the Financial System Council's "Market Working Group" finally compiling a report on lifting the ban on margin trading on PTS on December 22, 2016, it would take three years until August 2019 to achieve this, citing conflicts of interest and the need to ensure a self-regulatory function as a reason for this delay.

【2】 Reconsideration of measures such as reduction of tick size

TSE is introducing advanced services (e.g., reducing tick size) on the heels of the PTS. Destroying the advantage of PTS at this stage, where they only have a small market share, will destroy the competitive market that is to come in the future.

Promoting Inter-market Competition for the Entrance of New Trading Facilities

Issues with the current system

Operation of PTS Business	<u>Regulation of market share</u>	<p>If trading on a <u>PTS exceeds 20% of the share of an individual stock and 10% of the trading value of a public exchange (*)</u>, it must become a public exchange</p> <p>⇒ For the U.S. it is when it exceeds 40% of the total share*</p> <p>*Calculation of market share 【Japan】 PTS ÷ public exchange 【U.S.】 PTS ÷ (public exchange + PTS)</p>
	<u>Regulation of auction system</u>	<p>When competitive trading on a PTS <u>exceeds 1% of the trading value of a public exchange</u>, the PTS must become a public exchange</p> <p>⇒ Practically impossible to comply with, PTS is unable to formulate a price for the opening session and the closing session</p>
Acquiring qualification as an exchange	<u>Absence of UTP</u>	<p>The UTP (Unlisted Trading Privilege) which the U.S. has, is not in place. Therefore, financial instruments cannot be traded in markets other than the markets listed. ⇒ (Specifically,) the new exchange must conduct another listing review for each individual issue</p>
	<u>Major shareholder restriction</u>	<p>The maximum is 20%, making it harder for newcomers to enter the market</p>

The situation in the U.S.

- Owing to the intense market competition in the U.S., the industry as a whole has ① improved its services (e.g., lowering fees) and ② improved its ability to respond to system failures
- In addition, the best execution of customer orders is strictly regulated, with brokers in principle having to execute in the market that offers the best price which leads to strict enforcement of customer protection

Adverse Effects of High Exchange Clearing Fees

Movement of Internet Securities

Internet securities contributed to the expansion of the range of individual investor's activities, driven by efforts to lower transaction fees and policies such as NISA (Nippon Individual Savings Account). As a result, the number and value of trades increased significantly.

- ① Increase in number of Internet securities accounts
- ② Smaller transactions, owing to the increase of individual investors (Larger number of contracts)
- ③ Increase in the contracted amount of individual customers

Movement of clearing institutions

Review of clearing house fees makes no progress at all, **increasing the burden on brokerage firms (while the clearinghouse profits more and more)**

As for the clearing agency fees, although JASDEC (Japan Securities Depository Center) transfer fees and JASDEC DVP Clearing Corporation fees have been reviewed from time to time in the past, **JSCC (Japan Securities Clearing Corporation) fees have not been reviewed since 2008**

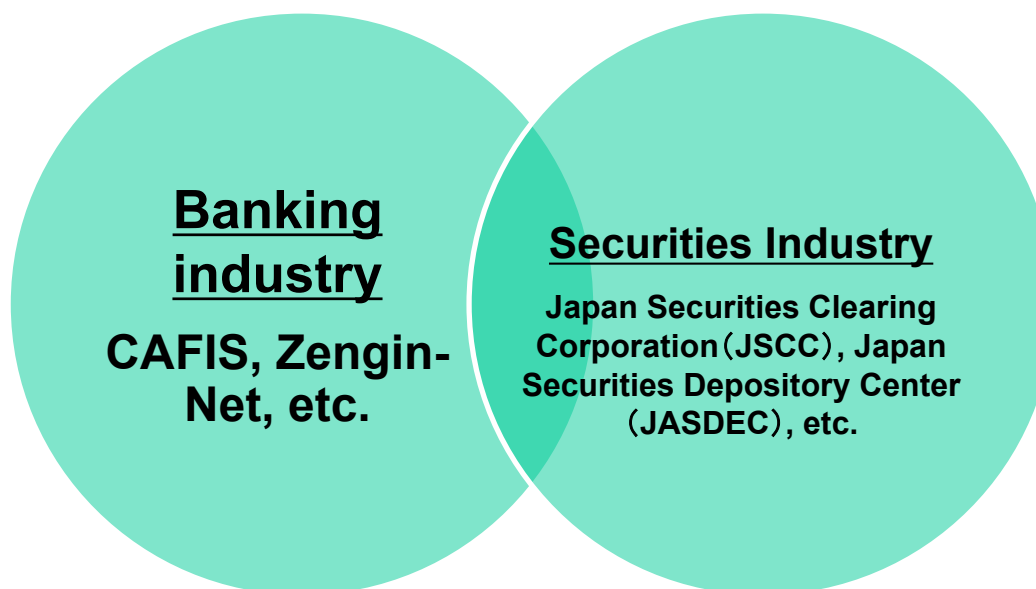
In order to realize further fiduciary duty, such as lowering transaction fees (no commissions), it is essential to review the cost of the clearing house

Regulators are Indicating a Support for the Entry of Non-financial Companies, Owing to Pressures on Existing Businesses and Deregulation

Fair Trade Commission report on “antitrust law violations” concerning banking infrastructure and fintech connection denial

The Fair Trade Commission has put together a report stating that the Antimonopoly Act may have been violated by the exclusion from banks’ settlement infrastructure of fintech operators that blend together finance and IT. This represents a change to the banking monopoly status quo and seeks to foster an environment facilitating the spread of new services. Rectification is also sought for inter-bank remittance fees that do not change for many years—an outstanding problem in competition policy. The report takes a fine scalpel to the situation with the intention of improving user convenience

Nikkei, Apr. 16, 2020



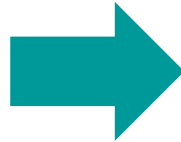
And now, as the nation is directly threatened by a novel coronavirus, it may move once again toward an ideal state of regulatory reform, sweeping away irrational systems and fees in various industries, including finance

JSCC's (Japan Securities Depository Center) Clearing Fees **Peaked in 2008** and Remains Unchanged, while the Transfer Fee has **Not Changed since 2016**

● JSCC clearing commissions per underwriting amount

April 2006

Ten thousandth of
0.06 yen per 1 yen
cleared



Currently

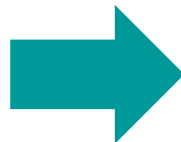
Ten thousandth of
0.04 yen per 1 yen
cleared

- Volume discount is **maximum -5%**
- **Recent revision of price was in 2008**

● JASDEC transfer fees per single settlement

April 2005

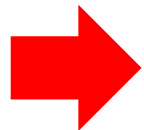
200 yen



Currently

100 yen

- Recent revision of fees was in 2016



The TSE Group is the only one profiting from this scheme

Unlike Japan, the Overseas Fee Table for Clearing Fees has a Large Volume Discount (**Maximum 97%**)

NSCC (United States)	Number of Contracts	Fee rate
Fee Table	- 35,000	0.021593
	35,001 – 42,000,000	0.001197
	42,000,001 -	0.000628
In the net value		0.331940430
Out of the net value		2.36844405

-97%

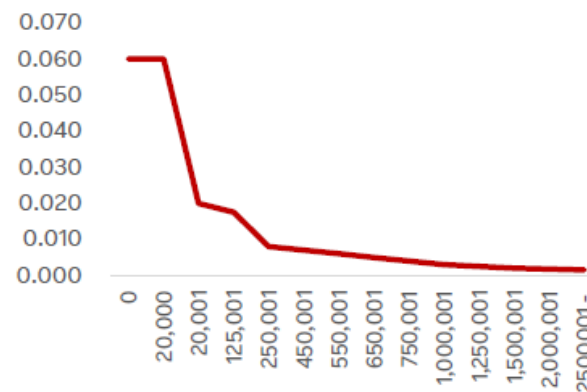
NSCC (US) Fee table



LCH (United Kingdom)	Number of Contracts	Fee rate
Fee Table	- 20,000	0.0600
	20,001 – 125,000	0.0200
	125,001 – 250,000	0.0175
	250,001 – 450,000	0.0080
	450,001 – 550,000	0.0070
	550,001 – 650,000	0.0060
	650,001 – 750,000	0.0050
	750,001 – 1,000,000	0.0040
	1,000,001 – 1,250,000	0.0030
	1,250,001 – 1,500,000	0.0025
	1,500,001 – 2,000,000	0.0020
	2,000,001 – 2,500,000	0.0018
	2,500,001 –	0.0015

-97%

LCH (UK) Fee table



Reference: a discussion paper in the securities industry

**JSCC Operating Revenues Grew at a CAGR of 3.03%,
Operating Expenses Increased at an Average Rate of 4.66% Per Year,
while Profit Margins Remained High
(Recurring Profit Margin for FY2019 Was 30.65%)**

(JPY million)	FY2015	FY2016	FY2017	FY2018	FY2019	CAGR
Total operating revenues	23,801	22,288	24,038	25,366	26,822	3.03%
Clearing fees	22,744	21,246	23,266	24,580	26,040	
Monthly fees	186	175	176	166	156	
Maintenance fees on cash products and derivatives	437	443	449	461	469	
Other operating income	432	423	145	158	155	
Operating expenses	15,474	15,727	16,276	17,473	18,569	4.66%
Operating profit	8,326	6,561	7,761	7,893	8,253	
Operating income to sales	34.98%	29.44%	32.29%	31.12%	30.77%	
Ordinary income	8,347	6,581	7,759	7,914	8,221	
Recurring profit ratio	35.07%	29.53%	32.28%	31.20%	30.65%	
Income before income taxes	8,347	6,581	7,759	7,914	8,221	
Corporate income tax, resident tax and business tax	2,775	1,985	2,458	2,426	2,554	
Income taxes – deferred	-11	64	-63	-12	1	
Net income	5,582	4,531	5,364	5,499	5,665	

Reference: JSCC website

<https://www.jpx.co.jp/jsccl/kaisya/zaimu.html>

JSCC's Long-term Liabilities are Small, with JPY 50.1bn of Retained Earnings Added as of the End of March 31, 2020, with Cash and Deposits also having Increased to JPY 64.5bn

(JPY million)	FY2015	FY2016	FY2017	FY2018	FY2019	CAGR
Total current assets	2,783,956	3,397,215	3,654,296	3,766,580	6,288,783	
Cash and bank deposits	44,840	48,814	54,288	58,818	64,527	9.53%
Fixed assets	2,994	2,507	3,079	3,811	3,329	
Property and equipment	83	73	64	56	48	
Intangible fixed assets	18	160	410	615	676	
Investments and other assets	2,892	2,273	2,605	3,139	2,604	
Other assets	1	-	-	-	-	
Total assets	2,786,952	3,399,723	3,657,376	3,770,392	6,292,113	22.58%
Total current liabilities	2,739,437	3,347,676	3,599,964	3,707,478	6,223,522	
Total non-current liabilities	-	-	0	4	15	
Total liabilities	2,739,437	3,347,676	3,599,965	3,707,482	6,223,537	
Total equity	47,514	52,046	57,410	62,910	68,575	
Capital stock	8,950	8,950	8,950	8,950	8,950	
Capital surplus	9,476	9,476	9,476	9,476	9,476	
Retained earnings	29,088	33,620	38,984	44,484	50,149	14.59%
TOTAL LIABILITIES AND EQUITY	2,786,952	3,399,723	3,657,376	3,770,392	6,292,113	

Reference: JSCC website

<https://www.jpx.co.jp/jsccl/kaisya/zaimu.html>

JASDEC Operating Revenues Grew at a CAGR of 4.74%, while Operating Expenses Declined -7.15%.

Labor cost and depreciation expenses are on a declining trend, but recurring profit margin remained remarkably high at 50.65% in FY2019

(JPY million)	FY2015	FY2016	FY2017	FY2018	FY2019	CAGR
Operating revenue	20,946	22,448	23,649	24,315	25,208	4.74%
Operating expenses						
Directors' remuneration	221	204	180	202	224	0.31%
Personnel expenses etc.	2,384	1,681	1,626	1,438	1,324	-13.67%
System-related expenses	6,172	5,531	5,456	5,130	4,990	-5.17%
Depreciation	5,960	6,110	5,002	3,077	3,229	-14.21%
Real estate rentals	541	564	557	558	560	0.87%
Other	1,438	1,324	1,374	1,448	1,421	-0.30%
Total operating expenses	16,715	15,816	14,698	12,469	12,423	-7.15%
Operating income	4,230	6,632	8,951	11,846	12,785	31.85%
Operating income ratio	20.20%	29.54%	37.85%	48.72%	50.72%	
Ordinary income	4,413	6,602	8,938	11,820	12,768	30.42%
Ordinary income ratio	21.07%	29.41%	37.79%	48.61%	50.65%	
Net income	2,954	4,548	6,161	8,184	8,840	31.53%

JASDEC's Long-term Liabilities are Practically Nonexistent, and Owing to Its Strong Business Performance, **Retained Earnings Increased to JPY 46.0Bn, and Cash and Deposit Balances also Increased to JPY 28.5Bn**

(JPY million)	FY2015	FY2016	FY2017	FY2018	FY2019	CAGR
Total current assets	52,425	74,462	75,562	93,496	102,628	30.00%
Cash and bank deposits	9,991	19,438	24,882	23,000	28,535	
Fixed assets	18,286	13,800	14,808	24,688	29,793	22.60%
Property and equipment	1,506	911	1,081	1,788	1,289	
Intangible fixed assets	15,971	12,111	12,580	21,097	26,398	
Investments and other assets	808	777	1,147	1,803	2,105	
Other assets	-	-	-	-	-	
Total assets	70,711	88,262	90,370	118,184	132,421	
Total current liabilities	41,126	54,572	50,737	70,794	76,871	
Total non-current liabilities	684	750	1,042	1,126	956	
Total liabilities	41,810	55,323	51,779	71,920	77,827	
Total equity	28,901	32,939	38,590	46,264	54,594	
Capital stock	4,250	4,250	4,250	4,250	4,250	
Capital surplus	4,250	4,250	4,250	4,250	4,250	
Retained earnings	20,401	24,439	30,090	37,764	46,094	
TOTAL LIABILITIES AND EQUITY	70,711	88,262	90,370	118,184	132,421	

② Three Major Trends that have Arisen Domestically and Abroad

Japan

- Japan's Super City Bill was enacted on May 27, and there has been a major move toward the realization of smart cities through deregulation and the introduction of advanced technology

Hong Kong

- Reflecting the geopolitical situation in Asia, investors and asset managers in Hong Kong have begun to seek new locations.

Japan External Trade Organization (JETRO) survey (announced on October 20, 2020)

One-third of Japanese companies operating in Hong Kong are considering withdrawal, downsizing or reconsidering their business in Hong Kong

With regard to the base of operations in Hong Kong: "May reconsider in the future" (15.0%), "Scaling down the size of the Hong Kong base" (12.9%), "Reviewing the function as the central base of operations" (4.5%), "Withdrawal from Hong Kong" (1.7%) ⇒ 34.1% total

London

As the end of the transition period for Brexit nears the end of this year, the international financial environment is also going through a transition period

- **US banking giant JP Morgan Chase plans to move €200 billion (approx. JPY 25 trillion) in assets from the UK to Germany by the end of the year**
- According to a survey by Ernst & Young (EY), **assets worth GBP 1.2 trillion (JPY 1.63 trillion) had already moved to Europe**
- Number of financial institutions relocated from the City of London as a result of Brexit (by destination)
According to report by Knight Frank
Dublin: 48 institutions, Luxembourg: 39, Paris: 24, Frankfurt: 24, Amsterdam: 18, etc.

Major cities around the world

- COVID-19 cases are on the rise in major cities such as London, New York and Tokyo

Attract the next-generation global financial center to Japan

③ Concept of Attracting the Next Generation Global Financial Center to Japan



Although efforts have been made in Japan in the past 20 years to establish a global financial center centered in Tokyo, the problems of a unipolar society have become apparent with the recent COVID-19 crisis. With a view to creating a decentralized society in the future, there is a need to work together with the smart city concept promoted by the local governments of Osaka and Hyogo to encourage the government to realize this concept with preferential treatment in terms of visa acquisition and taxation.

Endeavoring to become the next generation global financial center through the utilization of technology

Reasons Why Osaka/Kobe is a Candidate Site for a Global Financial Center

Historical Background

Owing to the historical background as Japan's commercial and financial center as the “Kitchen of the Nation,” **the city has a well-developed financial infrastructure, with prosperous retail and corporate businesses, which have a strong affinity with the financial industry.**

Development of a Comprehensive Exchange

With the transfer of commodity futures from the Tokyo Commodity Exchange to the OSE (both affiliates of the Japan Exchange Group), **the Osaka Dojima Commodity Exchange must become a comprehensive exchange group in the future.**

Affinity with the “Sub-Capital Vision”

This will lead to an improvement in Japan's nerve center and base of operations for its financial functions, as well as **an improvement in its alternative function as a sub-capital.** It is also expected to contribute to the establishment of the city's brand as a financial center in Asia.

Affinity with the Smart City Concept

This could **become the centerpiece of the “Osaka Smart City Strategy,”** which endeavors to improve the efficiency of urban functions and the convenience of residents through the introduction of advanced technology throughout the prefecture, through deregulation in preparation for the 2025 Osaka-Kansai Expo.

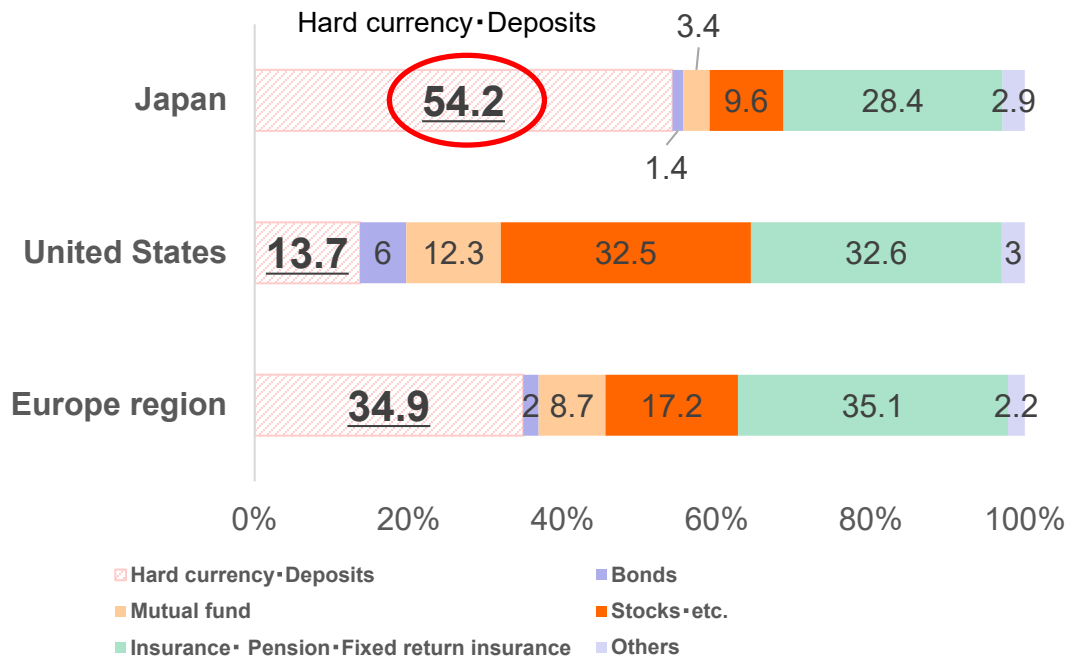
Osaka's residential land price index is **only about 40% of Tokyo's, which will keep real estate costs down.**

Osaka and neighboring Kyoto are two of Japan's leading tourist attractions

Japanese Personal Financial Assets that Rest as Deposits and Savings are the Greatest Attraction for Domestic and Foreign Money Managers

Personal individual financial assets in Japan JPY 1,883 trillion(As of end of June 2020)

Comparison of the ratio of household assets
between Japan, United States, Europe region
(As of end of March 2020)



- If cash and deposits, which account for more than 50% of personal financial assets, were to be transferred to pensions, etc., it would generate new funds to be invested and attract money managers from around the world
- Designing incentives to transfer funds from "cash and deposits" to annuities and other assets will facilitate fund transfers

*Source: *Bank of Japan* 'Flow of Funds Account'

Suggestions for the Global Financial Center Concept

- Establishment of a **Strategic Special Zone**
- **Relaxation of financial regulations** in the Strategic Special Zone and **reduction of various tax rates**, such as income tax and capital gains tax, **to internationally competitive levels**
- **Designing tax incentives to shift funds from “cash and deposits,”** which account for about 54% of Japan's personal financial assets of about JPY 1,900 trillion, **to pensions and other asset building activities**
- **Relaxation of requirements for visas**
→ Attract advanced financial talents and investment fund operators
- The government to launch scale funds with private venture capitalists to foster the fintech industry
- **Development of educational and medical infrastructure**, such as English-speaking schools
- **Cooperation with the UK**
→ High affinity in terms of mind and system, and a potential to cooperate from a geopolitical perspective

④ Examples of how the SBI Group can support the realization of this concept

i. Providing advanced technology in the financial business

Provision of the “S Coin Platform,” an issuance & distribution platform for digital tokens, and “Money Tap,” a settlement platform, that utilizes advanced technologies such as blockchain and distributed ledger technology (DLT) by U.S. Ripple and U.S. R3.

ii. Attracting fintech venture companies to invest through SBI Investment

- Building a system to support growth toward a virtuous economic cycle by investing in venture companies through SBI Investment, which has a track record of investing in fintech and other growth areas, as well as business matching with investee companies
- Attracting investee venture companies to Japan as their Asian operating base

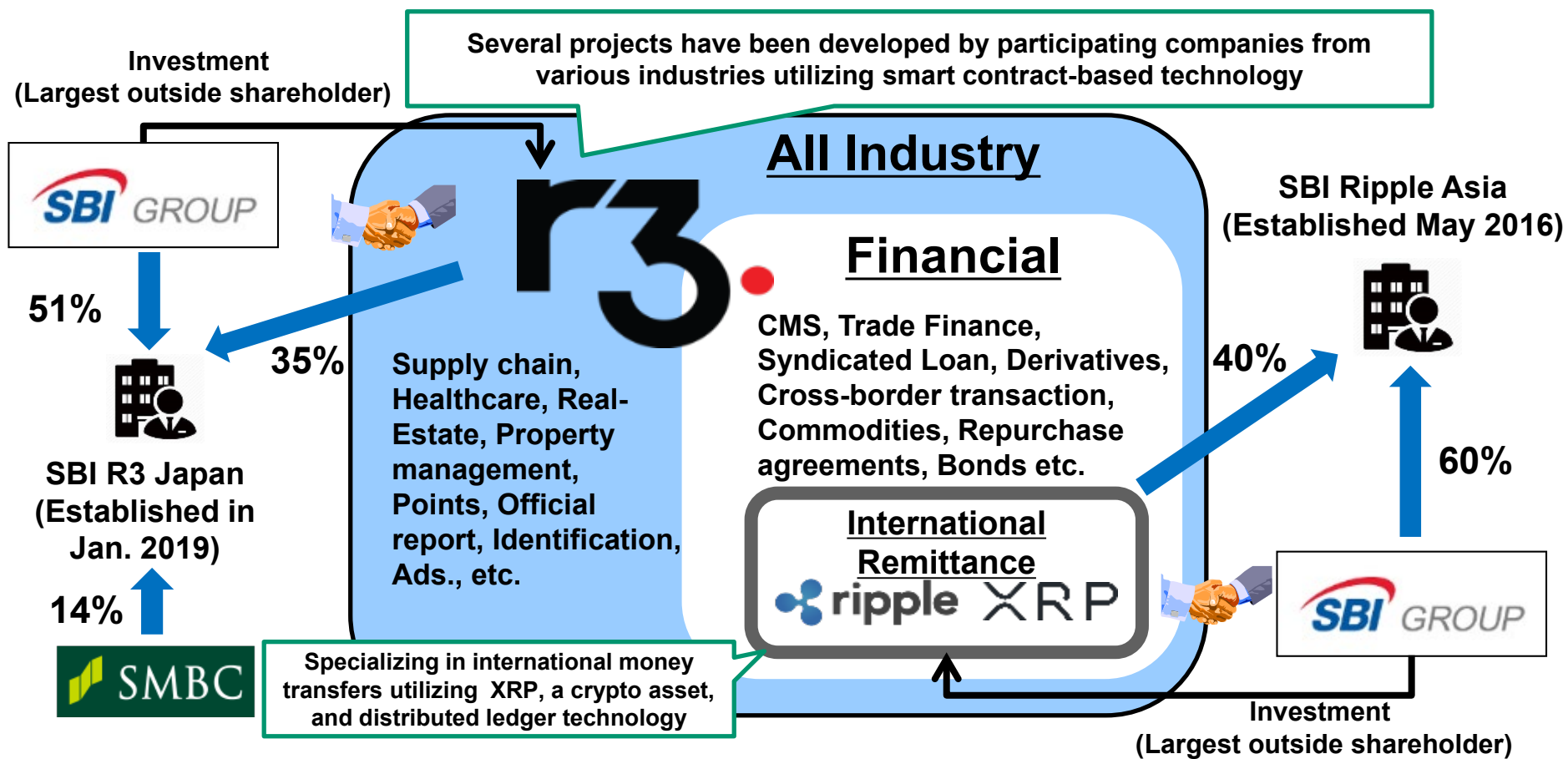
iii. Building a global comprehensive exchange through Osaka Dojima Commodity Exchange

- Endeavor towards building a global comprehensive exchange that handles futures and spot transaction for rice, as well as other commodities and financial listings such as derivatives, by incorporating the Osaka Dojima exchange; the worlds first exchange to handle futures transactions of rice in the Edo era, and acquiring 15% of its shares
- With the backing of the TPP's entry into force, the exchange will take on the role of price formation by handling a wide range of commodities from Asian countries as financial instruments.

iv. Creating financial products of the next-generation and establishing a handling market

- Establishment of a market for issuance and distribution of security tokens, a financial product of the next generation.
- Establishment of a new PTS that handles both common stocks and security tokens

i. The SBI Group Cooperates Closely with U.S R3 and U.S. Ripple, which could Become the De Facto Standard of the Next Generation, Through Investment, Establishment of JV, etc., with Both Companies



Highlighting next-generation financial infrastructure – domestic positioning of XRP crypto-assets

- ◆ **International remittance solutions using crypto-assets and blockchain are being introduced by financial institutions in various countries** as highly transparent, low-cost and fast solutions
- ◆ Looking toward a world where core technologies deployed in next-generation financial infrastructure are not subject to over regulation

ii. Attracting Fintech Venture Companies through SBI Investment

Possesses an abundant investment track record in growth sectors such as in the fintech field

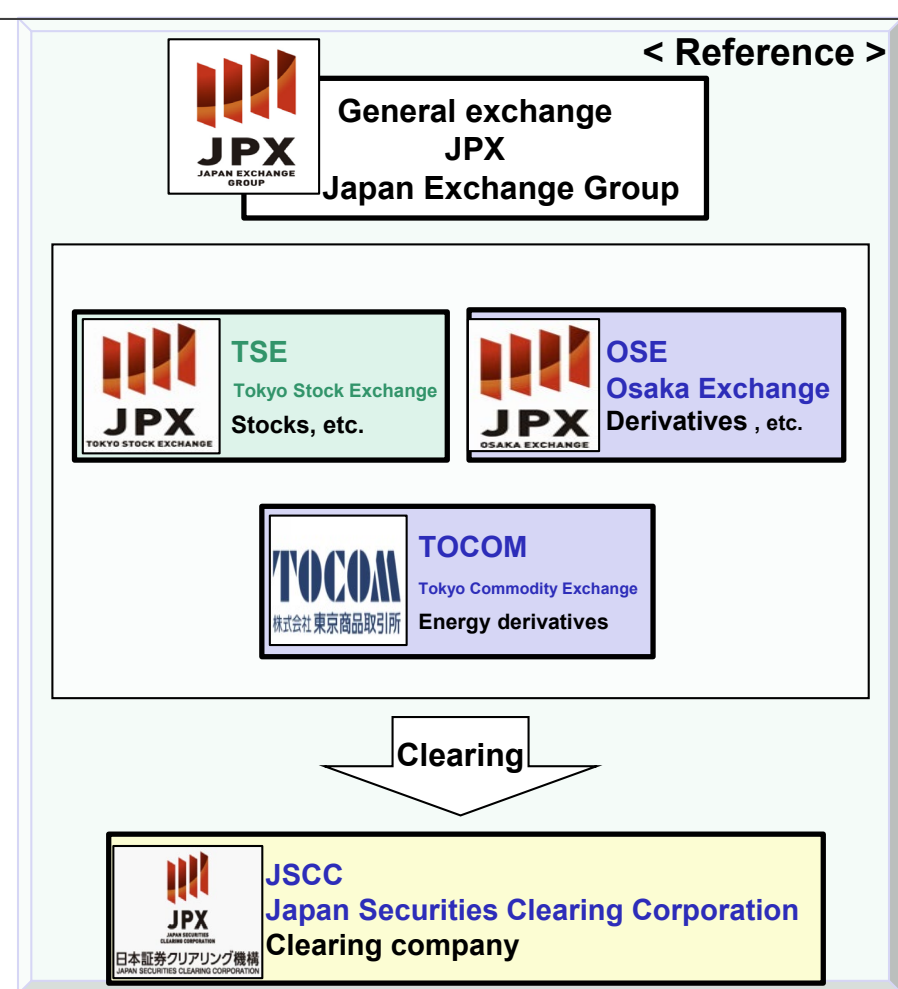
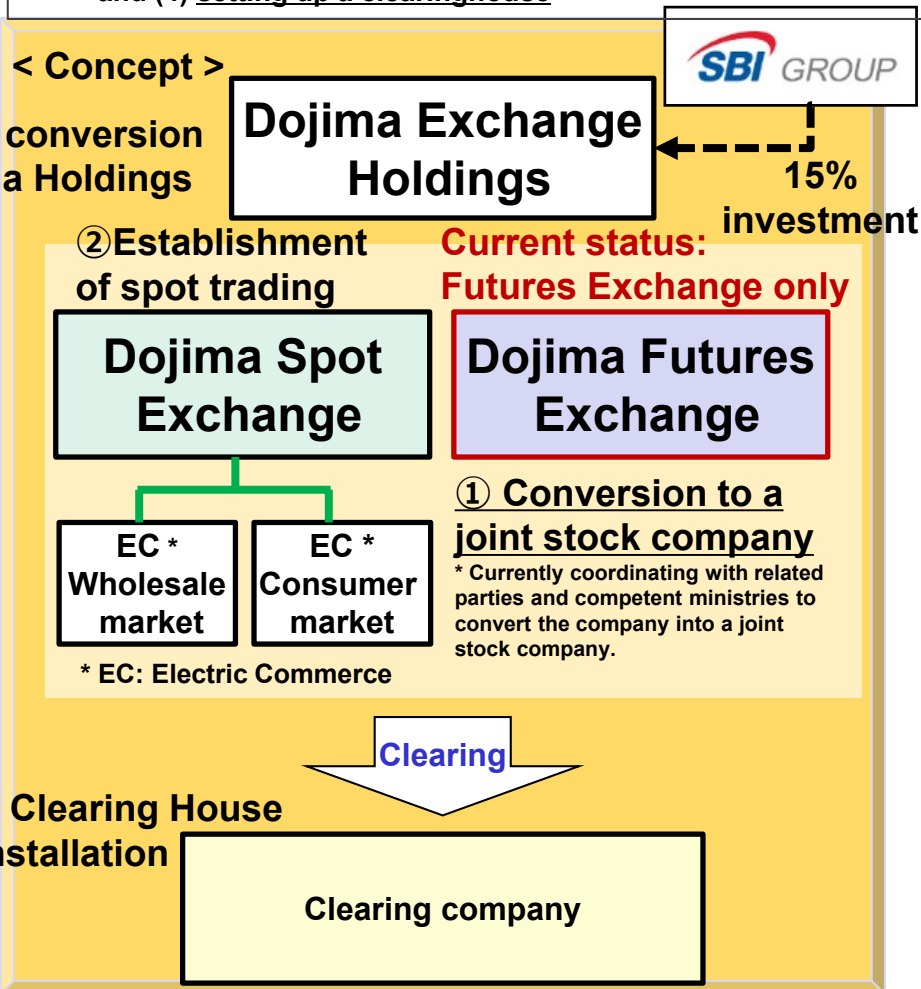
※Primary investee companies of major funds

 = IPO'd = M&A'd

Blockchain / Crypto-asset  R3 Hold Co LLC (米国)  bityer (株)bityer Holdings  orb (株)Orb  Wirex Limited (英国)  ripple Ripple Labs Inc(米国)  FXcoin(株)  veem Veem Inc.(米国)  SYNQA SYNQA PTE. LTD. (シンガポール)  SECURITIZE Securitize Inc(米国)  coinplug CoinPlug Inc(韓国)  startbahn  Liquid リキッドグループ(株)  bithumb BTC KoreaCom Corporation (韓国)	Crowdfunding / M & A  TRANBI TRANBI(株)トランビ  BIZIT BIZIT(株)BIZIT  Crowd Realty クラウドリアルティ(株)  CROWD CREDIT クラウドクレジット(株)  music securities ミュージックセキュリティーズ(株)  CAMPFIRE CAMPFIRE(株)CAMPFIRE	Marketing / Media  CompareAsia CompareAsia Group Capital Limited(香港)  SHOWROOM SHOWROOM(株)  every.tv スタートバーン(株)  Cyber Buzz サイバーバズ(株)  VR/AR  CHANNEL チャンネルC(株)はぴリー  Media Group 株式会社Media Group  Goo&patch グッドパッチ(株)  AML/CFT  onfido Onfido Ltd(英国)  ELLIPTIC Elliptic Enterprises Limited (英国)	Environmental Energy  ELIYY Power エリーパワー(株)  Mikrowave Chemical マイクロ波化学(株)  Digital Bank  Moven Movencorp Inc(米国)  tide Tide Holdings Limited (英国)	Robotics / Autonomous Car  Veo Robotics Veo Robotics, Inc.(米国)  ZMP ZMP(株)ZMP  RIVERFIELD リバーフィールド(株)  WHILL WHILL(株)  Space  Astroscale アストロスケール(株)  AXELSPACE アクセルスペース(株)	Insurance  ELEMENT ELEMENT Insurance AG(ドイツ)  wefox B3i FinanceApp AG(スイス) B3i Services AG(スイス)  justinCase JustinCase(株)  Space  Astroscale アストロスケール(株)  AXELSPACE アクセルスペース(株)
Lending / Factoring  amartha PT Amarta Mikro Fintek (インドネシア)  SimpleFinance SimpleFinance(ロシア)  taralite PT Indonesia Bara Sejahtera (インドネシア)  Gojo & Company, Inc. 五香・アンド・カンパニー(株)  oradian Mexes Limited(クロアチア)  VENTENY Venteny Pte Ltd(フィリピン)  Crediation Crediation(株)  olta OLTA(株)	Accounting / PFM / Banking  TRADEIX Tradeix Limited(アイルランド)  finbee Finbee(株)フィンビー  FLOWCOOLINI.COM Flowaccount Company Limited(タイ)  solarisBank solarisBank AG(ドイツ)  Moneytree マネーツリー(株)	IT Service/DX  VISIONAL ビジョナル(株)ビジョナル  sansan Sansan(株)  asta+muse company アスタミューゼ(株)  nyale NYALE(株)ニャール  SIRU+ シルラス(株)  FINC Finc Technologies(株)  neocareer ネオキャリア(株)  UniFa ユニファ(株)  Dr.JOY ドクタージョイ(株)  Linkers リンカーズ(株)  Timee タイムミー(株)  blueqat Blueqat(株)  Afri-Inc アフリカインキュベーター(株)  ProjectCompany プロジェクトカンパニー(株)	Robo Advisor  WealthNavi ウェルスナビ(株)  eToro eToro Group Ltd(イスラエル)  Real Estate Tech  LendingHome LendingHome Corporation(米国)  iYell iYell(株)  WealthPark WealthPark(株)	Life Science / Health Care / Bio  Spiber Spiber(株)  K Pharma ケイファーマ(株)  MODALIS モダリス(株)  Quantum Biosystems クワンタムバイオシステムズ(株)  ATONARP アトナール(株)  Heartseed Heartseed(株)  CYFUSE サイフューズ(株)  Satsuma Satsuma Pharmaceuticals, Inc.(米国)  CureApp CureApp(株)  SUSMED サスメッド(株)  Heart Japan ハートジャパン(株)  Heartseed Heartseed(株)  CYFUSE サイフューズ(株)  Satsuma Satsuma Pharmaceuticals, Inc.(米国)  CureApp CureApp(株)  SUSMED サスメッド(株)  Heart Japan ハートジャパン(株)  Heartseed Heartseed(株)  CYFUSE サイフューズ(株)  Satsuma Satsuma Pharmaceuticals, Inc.(米国)  CureApp CureApp(株)  SUSMED サスメッド(株)  Heart Japan ハートジャパン(株) Heartseed Heartseed(株) CYFUSE サイフューズ(株) Satsuma Satsuma Pharmaceuticals, Inc.(米国) CureApp CureApp(株) SUSMED サスメッド(株) Heart Japan ハートジャパン(株) Heartseed Heartseed(株) CYFUSE サイフューズ(株) Satsuma Satsuma Pharmaceuticals, Inc.(米国) CureApp CureApp(株) SUSMED サスメッド(株) Heart Japan ハートジャパン(株) Heartseed Heartseed(株) CYFUSE サイフューズ(株) Satsuma Satsuma Pharmaceuticals, Inc.(米国) CureApp CureApp(株) SUSMED サスメッド(株) Heart Japan ハートジャパン(株) Heartseed Heartseed(株) CYFUSE サイフューズ(株) Satsuma Satsuma Pharmaceuticals, Inc.(米国) CureApp CureApp(株) SUSMED サスメッド(株) Heart Japan ハートジャパン(株) Heartseed Heartseed(株) CYFUSE サイフューズ(株) Satsuma Satsuma Pharmaceuticals, Inc.(米国) CureApp CureApp(株) SUSMED サスメッド(株) Heart Japan ハートジャパン(株) Heartseed Heartseed(株) CYFUSE サイフューズ(株) Satsuma Satsuma Pharmaceuticals, Inc.(米国) CureApp CureApp(株) SUSMED サスメッド(株) Heart Japan ハートジャパン(株) Heartseed Heartseed(株) CYFUSE サイフューズ(株) Satsuma Satsuma Pharmaceuticals, Inc.(米国) CureApp CureApp(株) SUSMED サスメッド(株) Heart Japan ハートジャパン(株) Heartseed Heartseed(株) CYFUSE サイフューズ(株) Satsuma Satsuma Pharmaceuticals, Inc.(米国) CureApp CureApp(株) SUSMED サスメッド(株) Heart Japan ハートジャパン(株) Heartseed Heartseed(株) CYFUSE サイフューズ(株) Satsuma Satsuma Pharmaceuticals, Inc.(米国) CureApp CureApp(株) SUSMED サスメッド(株) Heart Japan ハートジャパン(株) Heartseed Heartseed(株) CYFUSE サイフューズ(株) Satsuma Satsuma Pharmaceuticals, Inc.(米国) CureApp CureApp(株) SUSMED サスメッド(株) Heart Japan ハートジャパン(株) Heartseed Heartseed(株) CYFUSE サイフューズ(株) Satsuma Satsuma Pharmaceuticals, Inc.(米国) CureApp CureApp(株) SUSMED サスメッド(株) Heart Japan ハートジャパン(株) Heartseed Heartseed(株) CYFUSE サイフューズ(株) Satsuma Satsuma Pharmaceuticals, Inc.(米国) CureApp CureApp(株) SUSMED サスメッド(株) Heart Japan ハートジャパン(株) Heartseed Heartseed(株) CYFUSE サイフューズ(株) Satsuma Satsuma Pharmaceuticals, Inc.(米国) CureApp CureApp(株) SUSMED サスメッド(株) Heart Japan ハートジャパン(株) Heartseed Heartseed(株) CYFUSE サイフューズ(株) Satsuma Satsuma Pharmaceuticals, Inc.(米国) CureApp CureApp(株) SUSMED サスメッド(株) Heart Japan ハートジャパン(株) Heartseed Heartseed(株) CYFUSE サイフューズ(株) Satsuma Satsuma Pharmaceuticals, Inc.(米国) CureApp CureApp(株) SUSMED サスメッド(株) Heart Japan ハートジャパン(株) Heartseed Heartseed(株) CYFUSE サイフューズ(株) Satsuma Satsuma Pharmaceuticals, Inc.(米国) CureApp CureApp(株) SUSMED サスメッド(株) Heart Japan ハートジャパン(株) Heartseed Heartseed(株) CYFUSE サイフューズ(株) Satsuma Satsuma Pharmaceuticals, Inc.(米国) CureApp CureApp(株) SUSMED サスメッド(株) Heart Japan ハートジャパン(株) Heartseed Heartseed(株) CYFUSE サイフューズ(株) Satsuma Satsuma Pharmaceuticals, Inc.(米国) CureApp CureApp(株) SUSMED サスメッド(株) Heart Japan ハートジャパン(株) Heartseed Heartseed(株) CYFUSE サイフューズ(株) Satsuma Satsuma Pharmaceuticals, Inc.(米国) CureApp CureApp(株) SUSMED サスメッド(株) Heart Japan ハートジャパン(株) Heartseed Heartseed(株) CYFUSE サイフューズ(株) Satsuma Satsuma Pharmaceuticals, Inc.(米国) CureApp CureApp(株) SUSMED サスメッド(株) Heart Japan ハートジャパン(株) Heartseed Heartseed(株) CYFUSE サイフューズ(株) Satsuma Satsuma Pharmaceuticals, Inc.(米国) CureApp CureApp(株) SUSMED サスメッド(株) Heart Japan ハートジャパン(株) Heartseed Heartseed(株) CYFUSE サイフューズ(株) Satsuma Satsuma Pharmaceuticals, Inc.(米国) CureApp CureApp(株) SUSMED サスメッド(株) Heart Japan ハートジャパン(株) Heartseed Heartseed(株) CYFUSE サイフューズ(株) Satsuma Satsuma Pharmaceuticals, Inc.(米国) CureApp CureApp(株) SUSMED サスメッド(株) Heart Japan ハートジャパン(株) Heartseed Heartseed(株) 	

iii. Formation of a Global Comprehensive Exchange through the Osaka Dojima Commodity Exchange

- ✓ Following the Dojima Rice Exchange (world's first futures exchange), assembling a general trading group centered on the Osaka Dojima Commodity Exchange (Japan's only rice futures market), to be operated as part of **"Osaka, the Financial Center"**
- ✓ The group to be established will rank with JPX, through the addition of processes and functions, which will include (1) making futures exchanges into a joint stock company, (2) setting up exchanges for underlying assets, (3) becoming a holding company and (4) setting up a clearinghouse



iv. Creating Financial Products of the Next-generation and Establishing a Handling Market

- Creation of a market for the circulation and issuance of security tokens, a financial product of the next generation
- Establishment of a new Proprietary Trading System (PTS) to handle security tokens in addition to common stocks

Image of the new PTS

Common
Stock

+

Security
token

etc.

With views to link with the security token secondary markets that will be established overseas in the future

Security Token Offering (STO): A system to raise funds through "security tokens," which are securities and other instruments issued by issuers (companies) using electronic means such as blockchain, instead of traditional stocks and bonds

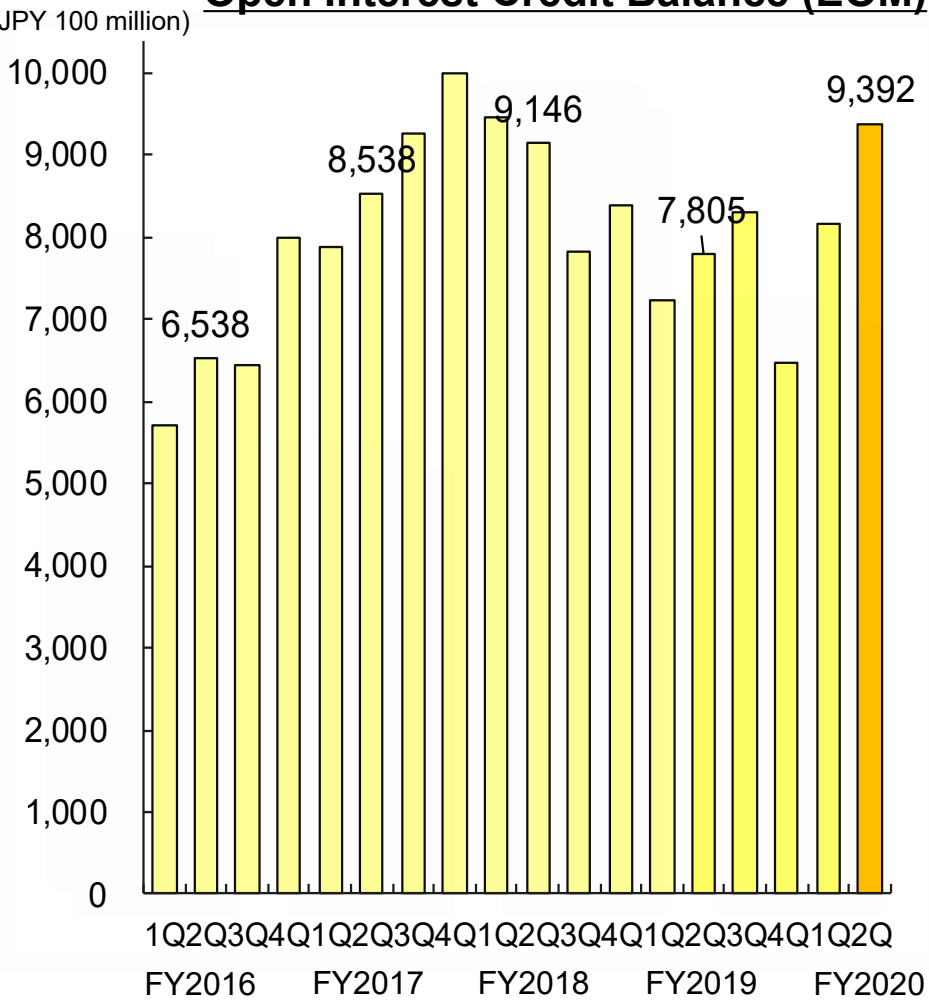
- Examples of potential assets: real estate, artwork, intellectual property rights such as game and movie copyrights, etc.
- Minimize issuance and distribution costs for companies

This will become a new financing option for companies, and may help deepen Japan's capital markets by acting as an accelerator

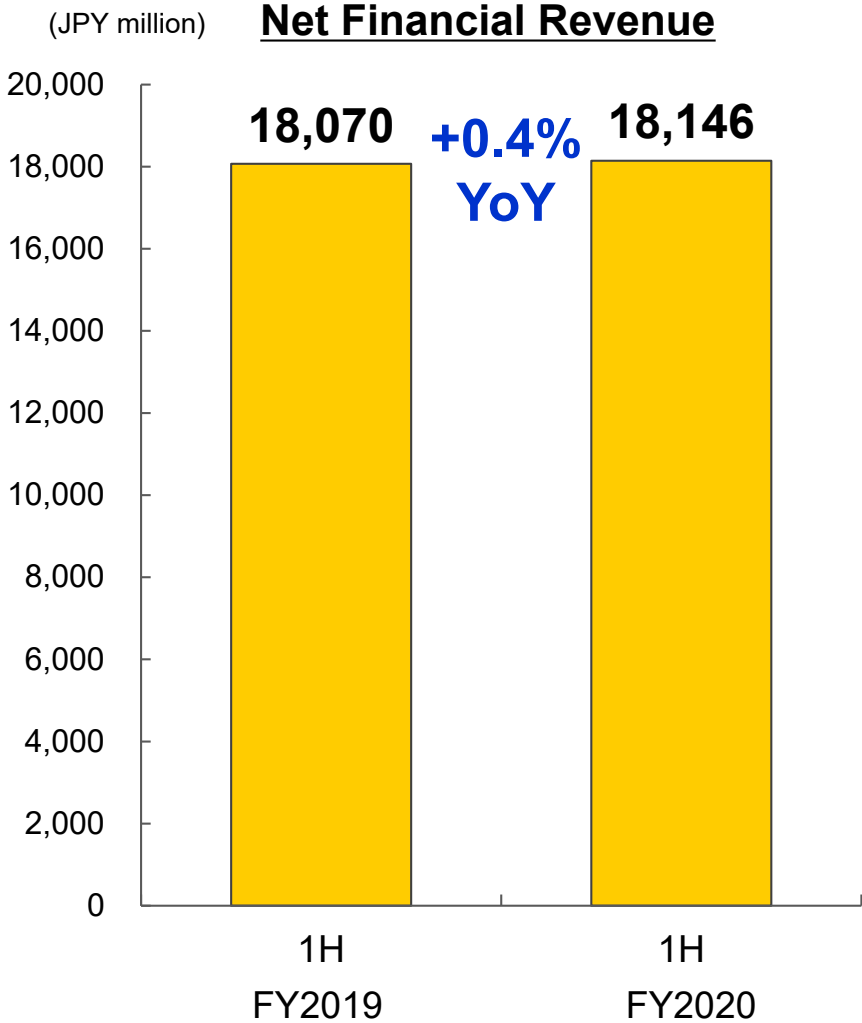
[Reference materials for each business]

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

Open Interest Credit Balance (EOM)



**Financial Revenue /
Net Financial Revenue**

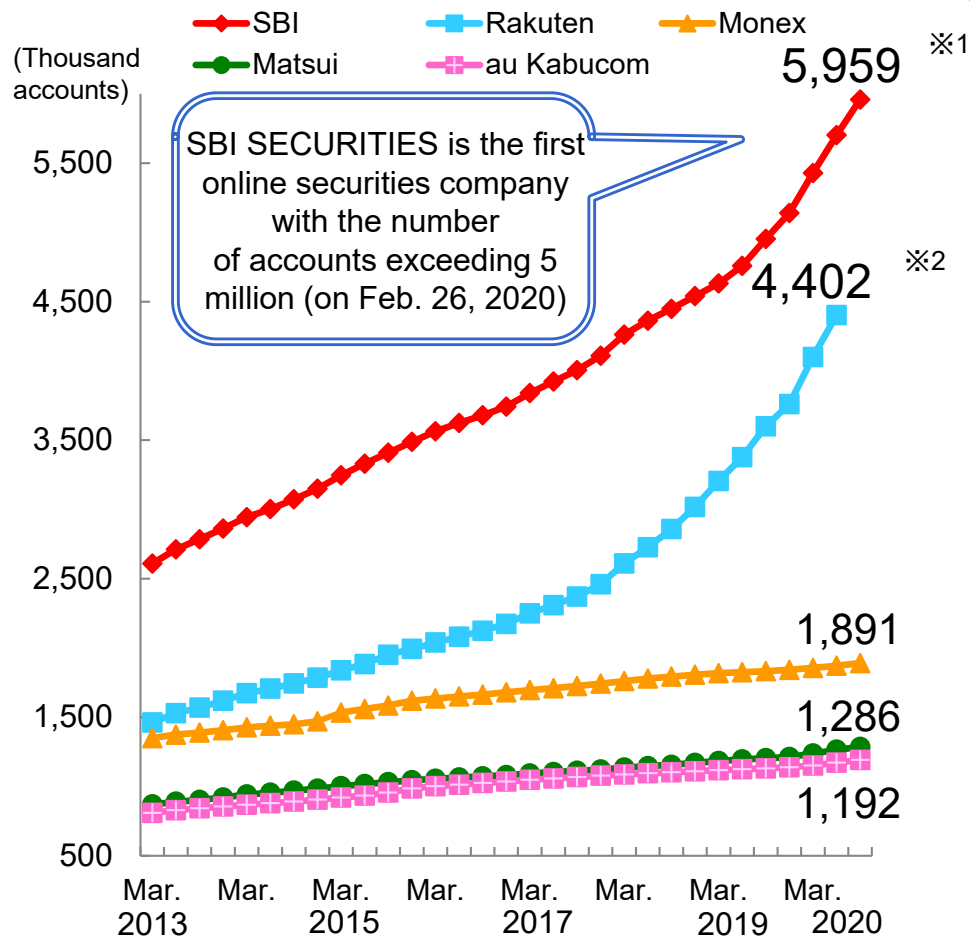


SBI SECURITIES Attains an Overwhelming Customer Base

[Number of Accounts and Amount of Customer Asset]

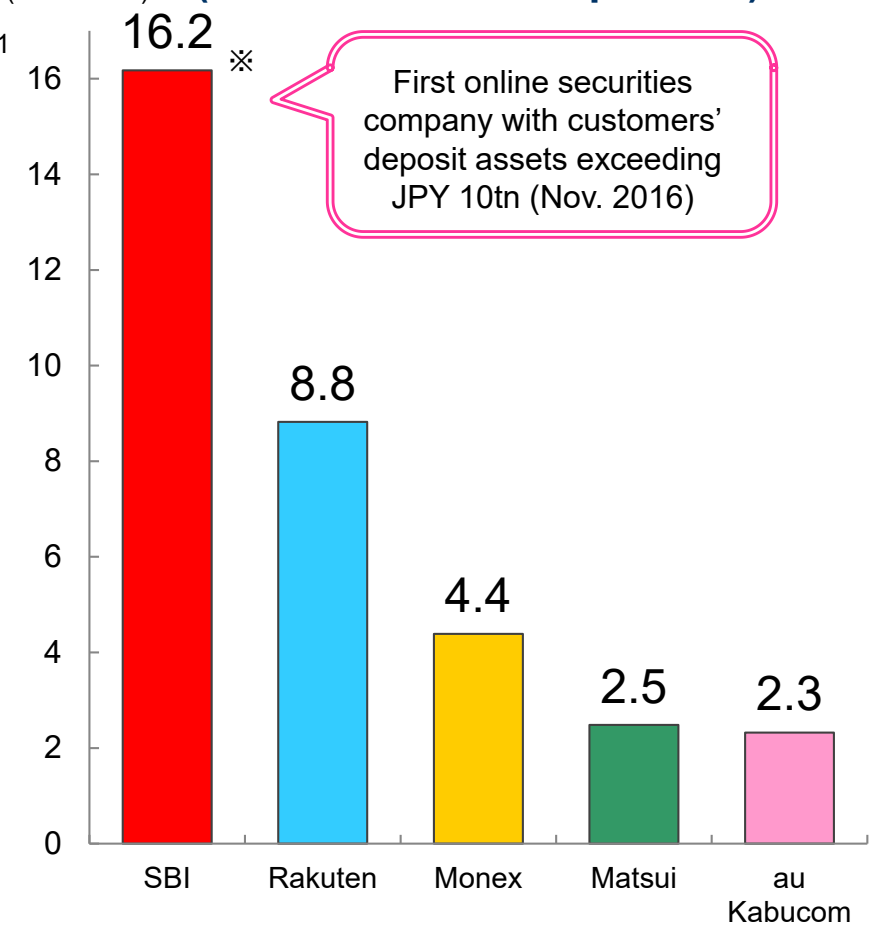
Customer Accounts of 5 Major Online Securities Companies

(As of end of Mar. 2017- as of end of Sept. 2020)



Customers' Deposit Assets of 5 Major Online Securities Companies

(JPY trillion) (as of the end of Sept. 2020)



*1 As for SBI, includes SBI NEOMOBILE SECURITIES' number of accounts from June

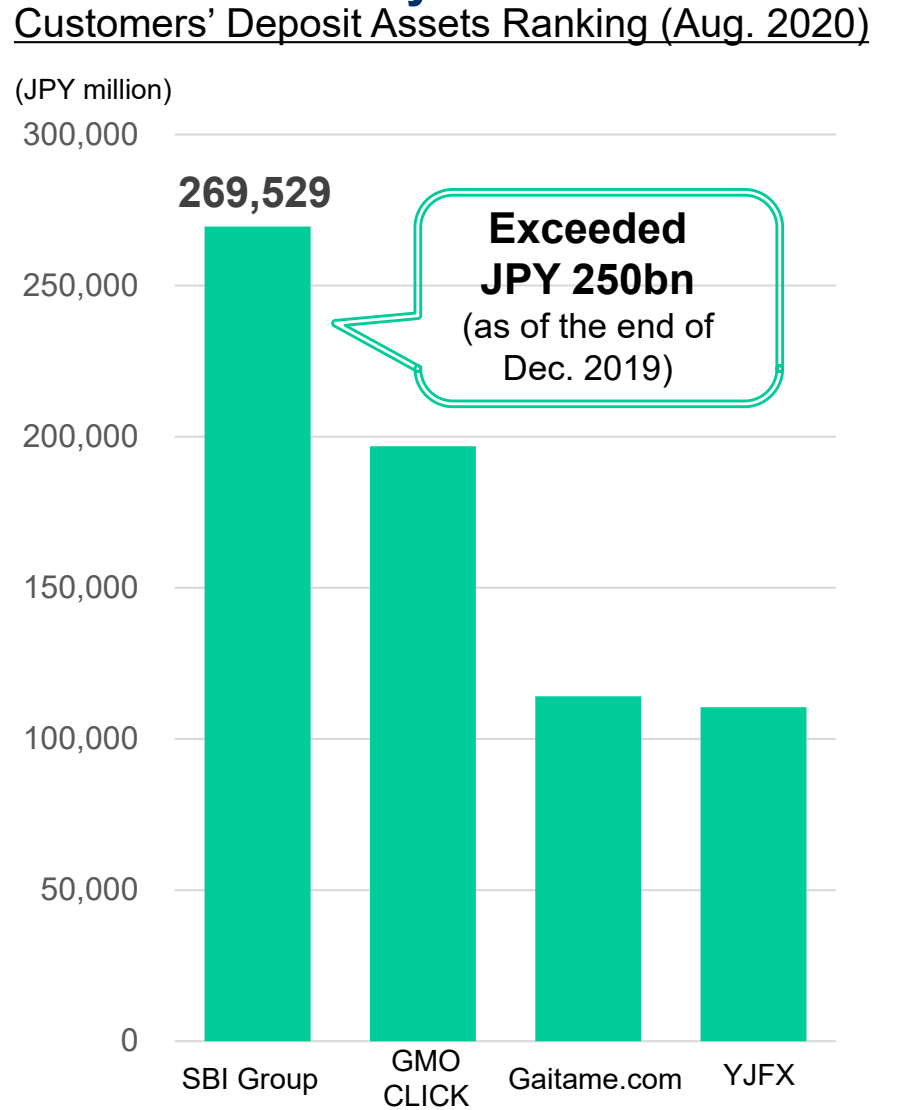
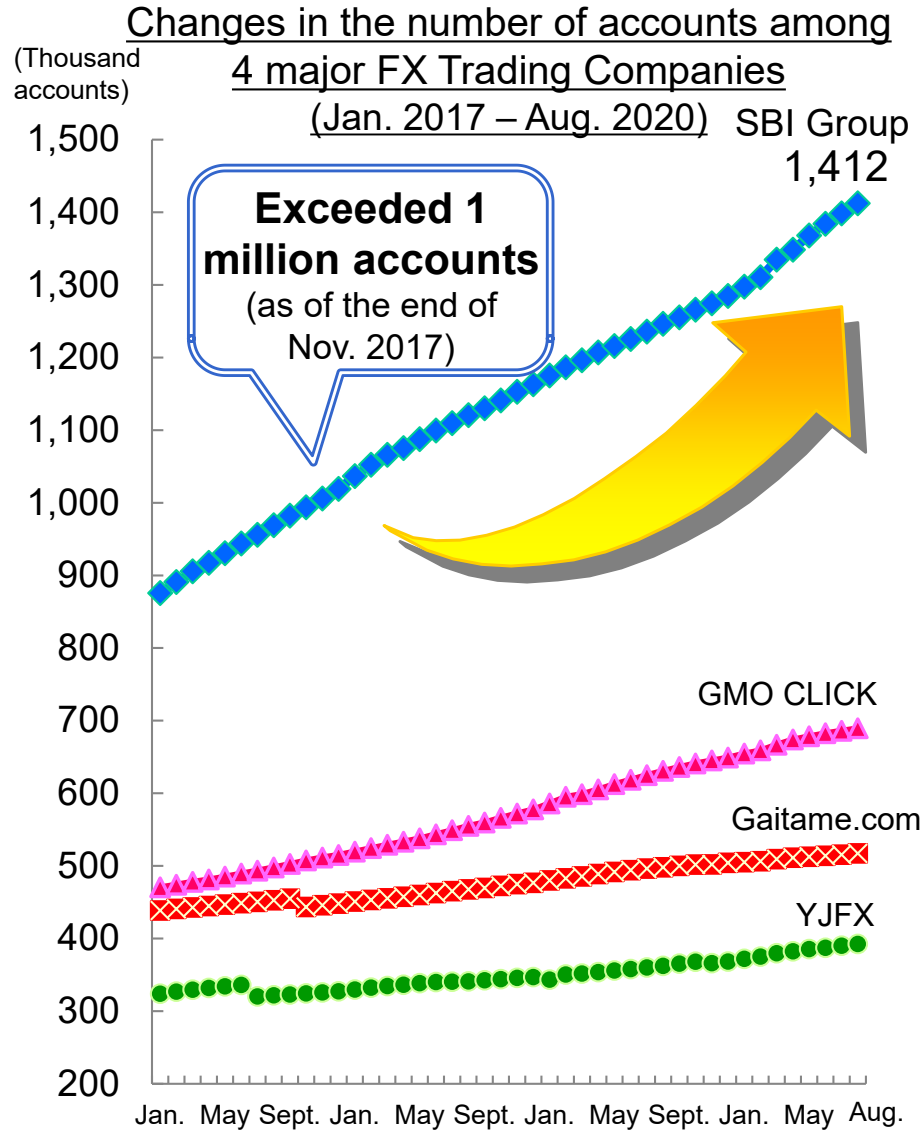
*2 Rakuten's number of accounts is as of June 30, 2020

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

1. Securities-related 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



Trading Business Results

1H FY2020 (IFRS)

FX business  *Liquidity Market*  **FXトレード**

*Simple aggregate of the profit before income tax expense of SBI Liquidity Market and SBI FXTRADE (JPY million)

	1H FY2019 (Apr. 2019 – Sept. 2019)	1H FY2020 (Apr. 2020 – Sept. 2020)	YoY % change
Profit before income tax expense	3,094	5,192	+67.8

Crypto-asset exchange business  *VC Trade*

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

	1H FY2019 (Apr. 2019 – Sept. 2019)	1H FY2020 (Apr. 2020 – Sept. 2020)	YoY % change
Profit before income tax expense	3,264	4,712	+44.4

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 78.0bn into 171 companies has been decided collectively from the two funds

Investment of approx. JPY 116.0bn has been decided, including the co-investment of SBI Holdings, etc.

The Fintech Fund: : approx. JPY 25.5bn

SBI AI&Blockchain Fund: approx. JPY 52.5bn

Co-investment from SBI Holdings, etc. : approx. JPY 38.0bn

<Exit results>

Already IPO'd: 13

Already exited through an equity sale to third party: 4

<Planned IPO schedule*>

Year 2020: 5 Year 2021: 20 Year 2022: 43 After Year 2023: 75

Scheduled exits by sales to third party: 4 TBD: 5

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

Assets Under Management of the SBI Group

(As of the end of September 2020)

Private equity, etc. JPY 500.6bn^{(*)1} (Excluding JPY 128.4bn of both cash and commitment amount to be paid in)^{(*)2}

Breakdown of operating investment securities by Industry	Amount
Internet/AI/IoT	131.3
Fintech services	61.3
Digital Asset/Blockchain	59.0
Finance	90.2
Biotechnology/Health/Medical	25.2
Environmental/Energy	2.7
Machine/Automobile	8.8
Services	22.5
Retail/Food	2.7
Materials/Chemicals	3.9
Construction/Real estate	1.0
Others	2.8
Equity interests in external and non-consolidated funds	17.5
Total	428.9

Breakdown of operating investment securities by region	Amount
Japan	237.6
China	14.6
Korea	4.3
Southeast Asia	59.2
India	3.4
U.S.	48.9
Europe	27.5
Others	33.4
Total	428.9

Investment from non-consolidated Group management funds	Amount
Corporate venture capital (CVC)	13.1
Others (Oversea JV fund, etc.)	58.6
Total	71.7

Investment trusts, etc. JPY 3151.8bn

*1 Private equity investment balance comes from the balance for operating investment securities included in consolidated reporting plus the investment balance from funds (such as CVC funds) removed from consolidation due to the SBI Group's low investment ratios in the corresponding funds, which the SBI Group run as the GP.

*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 Sept. 2020

*4 Amounts are rounded to the nearest JPY 100m

SBI Biotech's Drug Discovery Pipeline

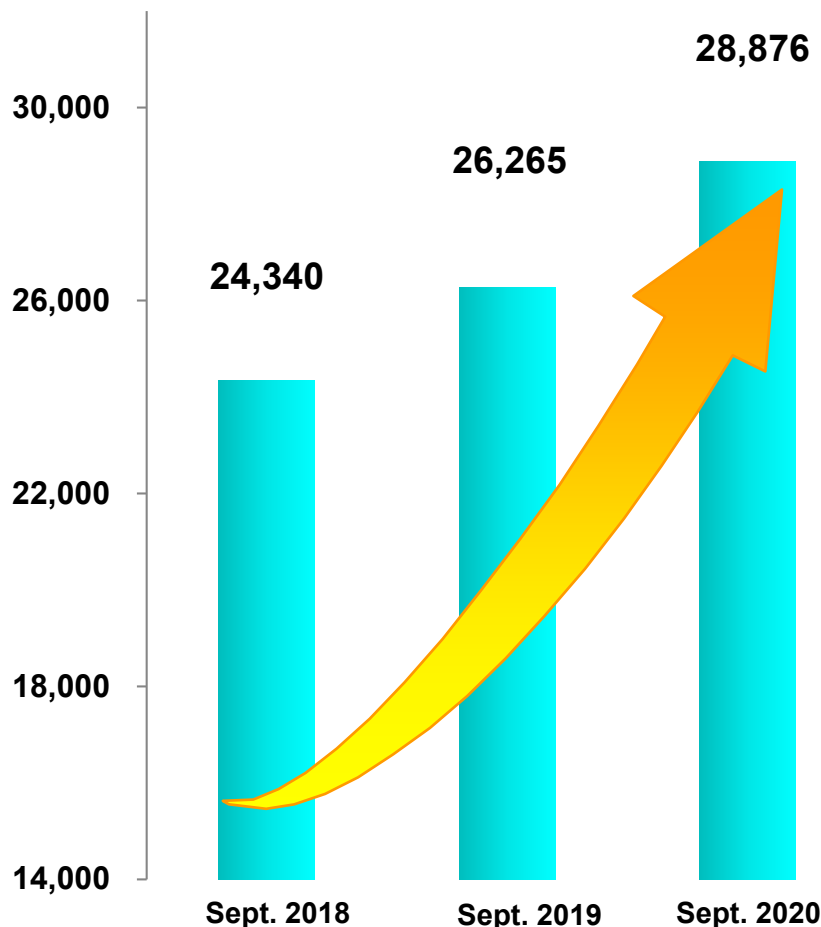
	Licensing partner (timing)	Adaptation disease	Progress	
VIB7734 (Anti-ILT7 antibody)	Viela Bio* (Sept. 2008)	Systemic lupus erythematosus, Cutaneous lupus erythematosus, Sjogren's syndrome, Scleroderma, Dermatomyositis	Phase Ib (completed)	<u>An analysis of the phase Ib trial yielded favorable results, including a therapeutic effect.</u> Based on these results, phase II trials will proceed for SLE (systemic lupus erythematosus) as the main disease. Final results will be announced soon
		NEW!! <u>Acute pulmonary dysfunction due to COVID-19</u>	Phase I (recruiting subjects)	<u>Subject recruitment began in the U.S.</u> , and results should be known by the end of Mar. 2021. Based on these results, will be decided whether to move to next trials
SBI-9674	Kyowa Kirin (Dec. 2016)	Autoimmune diseases	Pre-clinical	Development at Kyowa Kirin progressed smoothly, <u>with milestones reached and a lump sum payment received in July 2020</u>
SBI-3150	ASAHI KASEI PHARMA (Mar. 2020)	Autoimmune diseases (Various diseases caused by pDC / activated B cells)	Pre-clinical	<u>Development at ASAHI KASEI PHARMA started and progressed smoothly</u>
Cdc7 inhibitor	Carna Biosciences (May 2014)	Colorectal cancers	Phase I (plan)	<u>Planning to start phase 1 clinical trials after 2021.</u> *IND (clinical trial) application was submitted to the U.S. FDA

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

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



(Thousand)



Breakdown of the Customer Base

(As of the end of Sept. 2020)*1,2 (Thousand)

SBI SECURITIES	(No. of accounts)	5,959
SBI NeoMobile Securities	(No. of accounts)	5,959
SBIH InsWeb	(No. of customers)	9,907
E-LOAN	(No. of customers)	2,855
MoneyLook	(Total no. of customer registrations)	950
Morningstar Japan	(Total no. of service users) *3	1,046
SBI Sumishin Net Bank	(No. of accounts)	4,203
SBI Insurance	(Total no. of contracts)	1,116
SBI Life Insurance	(Total no. of contracts) *4	214
Others (SBI Point etc.)	—	2,625
Total	—	28,876

*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 Life Insurance includes number of insured persons with group credit life insurance

Number of Companies and Consolidated Employees of the SBI Group

Number of Group companies

	March 2020	September 2020
Consolidated subsidiaries (companies)	246	258
Consolidated partnerships (partnerships)	22	29
Total consolidated subsidiaries (companies)	268	287
Equity method companies (companies)	34	34
Total Group companies (companies)	302	321

Number of consolidated employees

	March 2020	September 2020
Total employees (persons)	8,003	8,568

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