

Current Management Information Briefing

June 29, 2021

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SBI Holdings, Inc.

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. History of the SBI Group since its founding**
- II. Measures being promoted to achieve further growth in the era of fintech 2.0, which the Group sees as the second founding phase**
- III. Initiatives to sustainably increase corporate value**

I. History of the SBI Group since its founding

- 1. History and achievements of the SBI Group since its founding**
- 2. Unchanging basic views of business construction has played a fundamental role in the dramatic growth of the SBI Group**

1. History and achievement of the SBI Group since its founding

The SBI Group has Developed its Business on the Back of Two Major Trends Since its Establishment in 1999: the Internet Revolution and the Japanese Financial Big Bang (Financial Deregulation)

Internet revolution

- **Price destruction**
- **Power shift towards consumers and investors**
- **Establishment of new markets**
- **Development of new products that comply with the Internet-era**

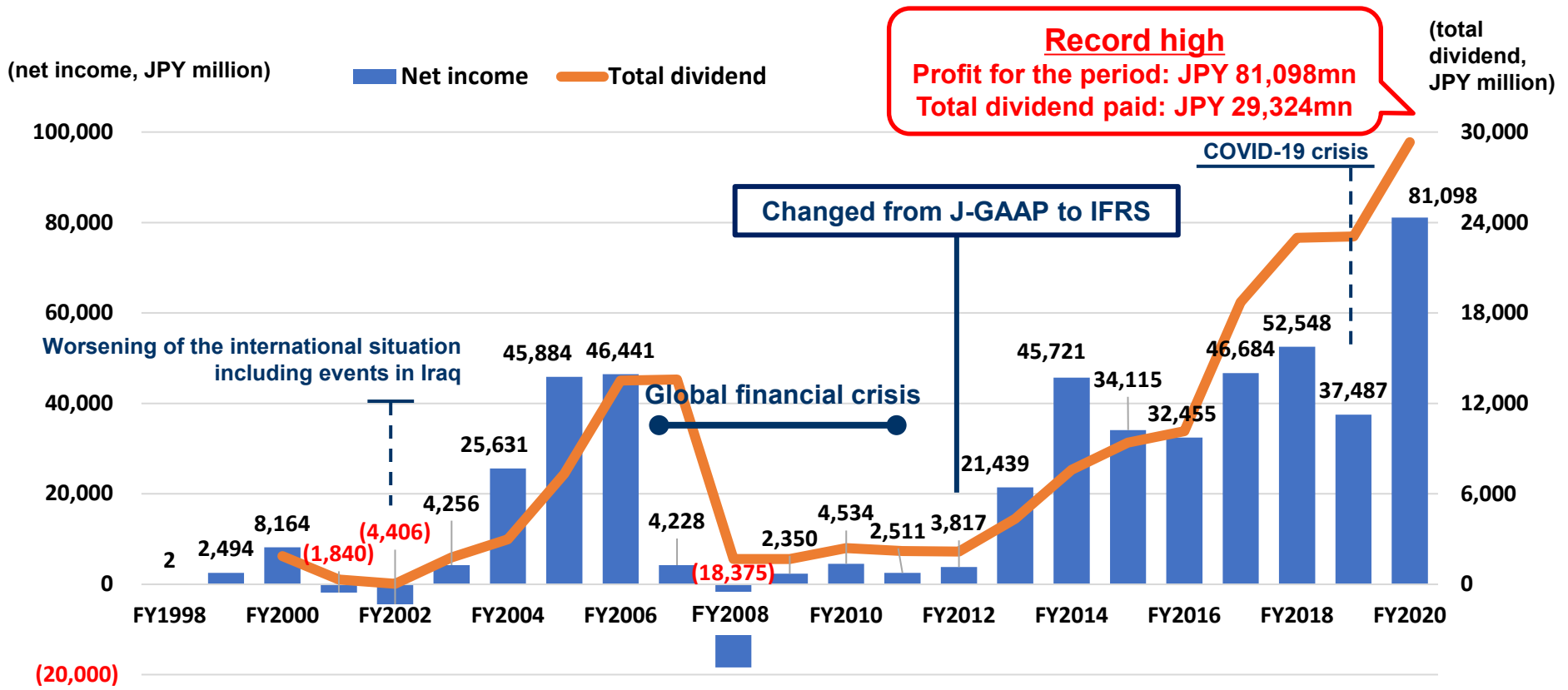
Deregulation of finance

Japanese Financial Big Bang Nov.1996~

- **Complete deregulation of stock brokerage commissions**
- **Lifting of the ban on the establishment of financial holding companies. etc.**

SBI Holdings Net Income and Dividends Since Its Inception

-FY2020 consolidated financial results recorded the highest in all categories since the company was founded-



Yearly dividend (JPY)

63	10.6	1.3	25.7	35	60	120	120	10	10	12	10	10	20	35	45	50	85	100	100	120
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*Net income for J-GAAP is used for the period from FY1998 to FY2011, while the profit attributable to the owners of the company is used for the period after FY2012
 *FY1998 is a non-consolidated result
 *FY2002 is a half-year result owing to the change in the financial results period
 *Dividends are adjusted based on stock splits

Comparison of Financial Results with Securities Business Companies (Fiscal Year Ended March 31, 2021)

Financial results of major securities companies for the fiscal year ending March 31, 2021 (consolidated)

(Unit: JPY 100 million)

		Net operating revenue	Ordinary profit	Net profit
1	Nomura Holdings	14,018	2,306	1,531
2	SBI Holdings	5,411	1,403	810
3	Daiwa Securities Group	4,666	1,151	1,083
4	Mizuho Securities	3,736	978	755
5	SMBC Nikko Securities	3,579	907	717
6	Mitsubishi UFJ Securities Holdings	3,376	804	393
7	Rakuten Securities	752	173	95
8	Monex Group	736	212	143
9	Tokai Tokyo Financial Holdings	670	125	90
10	OKASAN SECURITIES GROUP	661	74	60

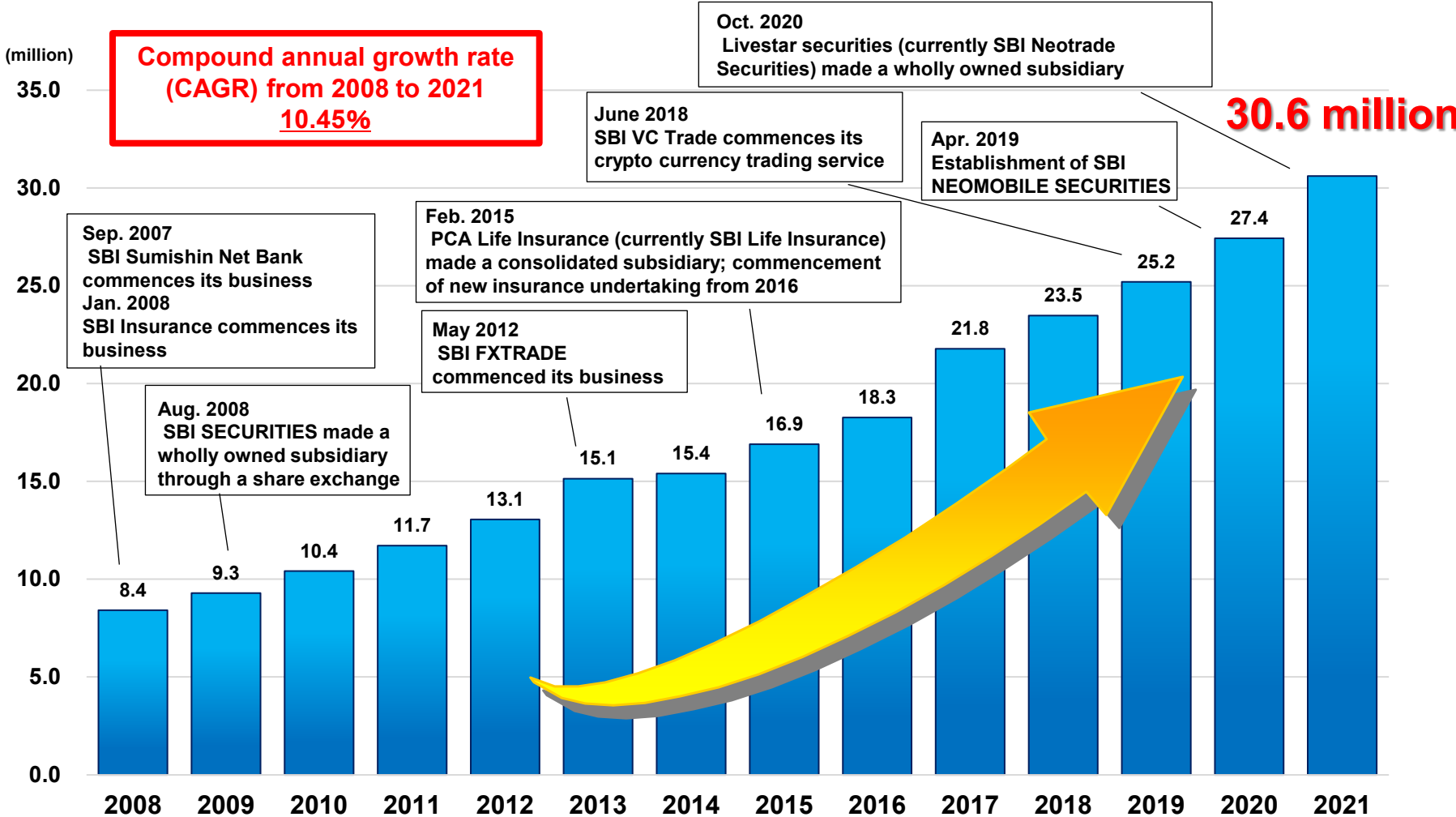
*Created by the Company based on the report "20 Major Securities Firms' Financial Results for the Fiscal Year Ended March 31, 2021: Market Activity and Profit Growth at 15 Firms," Nikkin, May 14, 2021

1. History and achievement of the SBI Group since its founding



The SBI Group has Steadily Increased its Customer Base Since its Establishment

Trend in the customer base of the SBI Group



*1 Figures are from March 2008, when the data was first collected. All figures are as of the end of March, rounded down to the nearest thousand.
*2 Customer may be double counted if they are not identified as the same person within each service website and are an overlapping customer among Group companies.
*3 Due to reorganization, customer numbers of the Group companies, which were excluded from consolidation, may be included in the figures as part of past customer base.



Comparison with the Time of Founding of SBI Holdings

(Established July 8, 1999)

	At the time of founding 1999	As of the end of March 2021
Number of employees (consolidated)	55	9,209
Net sales (Consolidated)	0	JPY 541.1 billion (FY2020) Record High
Number of consolidated subsidiaries	0	299 (including consolidated partnerships) (Including equity method affiliates: 339)
Number of listed group companies	0	5 (Including SBI Holdings) Peak:11 (FY2007)
Paid in capital	JPY 50 million	JPY 98.7 billion
Net assets	JPY 50 million	JPY 562.1 billion

2. Unchanging Basic Views of Business Construction Has Played a Fundamental Role in the Dramatic Growth of the SBI Group

**Basic view 1. Adhering to the "Customer-centric principle"
-Public interest leads to private interest**

**Basic view 2. Forming a "corporate ecosystem" and
exhaustive pursuit of group synergies**

Basic view 3. Thorough devotion to innovative technology

**Basic view 4. Formulate and implement strategies that
anticipate the near future**

**Basic view 1. Adhering to the "Customer-centric principle"
-Public interest leads to private interest-**

Power Shift to Consumers

-Customers become smarter and smarter-

The birth of the Internet



Eliminate information barriers (time, effort, cost, etc.)



More consumers are able to make wise choices because they are more informed about products/services/other related information



Establishment of consumer sovereignty and birth of customer-centered market

The SBI Group has been Committed to the "Customer-centric Principles" Since its Founding in 1999

What does it mean to actively pursue "Customer-centric Principles" ?



The active pursuit of services that are truly customer-oriented

We provide

- Services with lower fees and more favorable interest rates
- Services that make it easy to compare financial products at a glance
- Services with transparent customer costs
- Safe and reliable services
- Abundant and high-quality financial products from a neutral standpoint
- Attractive trading opportunities ... etc.

SBI SECURITIES Continues to Receive High Customer Satisfaction Ratings



Award

"Oricon Customer Satisfaction Ranking TM" of 2021
Category: Internet securities
<SBI SECURITIES> Products
<SBI Neotrade Securities> Trading fees, fund management



Best category award

"Contact Center Award 2020"
"The best people category award"

**8th time!
First ever**



Chancellor's award

Nippon Telegraph and Telephone Users Association
"The 23rd corporate telephone supporting contest"
in 2019

7 consecutive years



Award

CRM Association
"2017 CRM best practice award"

SBI Sumishin Net Bank Continues to Receive High Customer Satisfaction Ratings



First place

"Oricon Customer Satisfaction Survey®" of 2021
Category: net bank



First place

"Oricon Customer Satisfaction Survey®" of 2021"
Category: bank card loan



First place

JCSI (Japanese Customer Satisfaction Index) "Banking industry" "Special survey (bank)"



Three stars

HDI-Japan "Contact center rating" "Web support rating"



SBI Insurance Continues to Receive High Customer Satisfaction Ratings

	First place overall First place	"Oricon Customer Satisfaction Survey®" of 2021 "Term-type cancer insurance products" "Auto insurance premium "	9th time to be awarded first place in "auto insurance premium"
	First place	Kakaku.com Auto Insurance Satisfaction Ranking in 2021* "Insurance premium satisfaction"	12 consecutive years (*From 2010 to 2021)
	Three stars	HDI-Japan "Contact center rating" "Web support rating"	Won "contact center rating" for the 4th time, And the "web support rating" for the 8th time
	First place overall	"Oricon Customer Satisfaction Survey®" of 2021 "Disability and income security insurance" SBI Life Insurance "Hataraku Hito no Tayori"	First time for "Hataraku Hito no Tayori" to win first place

※ Ranking based on responses from 4,114 men and women who use Kakaku.com from May to October 2020 and who have voluntary car insurance at the time of the survey or who have contacted the insurance company due to an accident (Research by Kakaku.com, Inc.)

Basic view 2. Forming a corporate ecosystem and exhaustive pursuit of Group synergies

To Build a Strong Organization

Once an organization reaches a certain size, it is bound to suffer from the big business syndrome, and the energy that should be directed toward customers and business partners turns inward

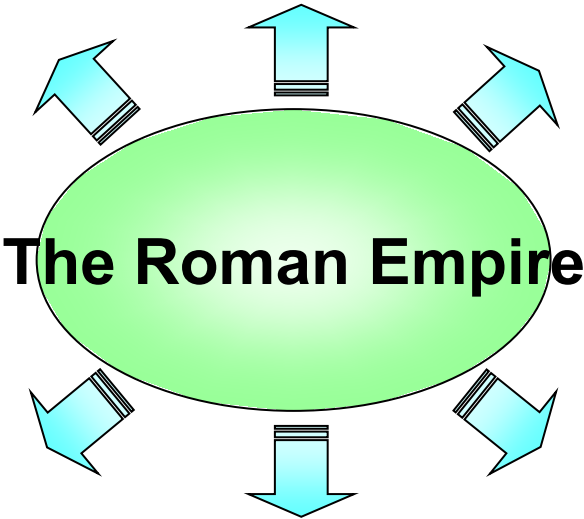


Stopping the organization from growing beyond a certain size, making it a collection of smaller organizations

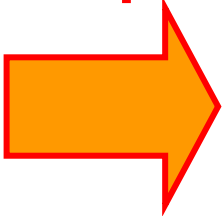
(e.g.) "Divide and Conquer" in the Roman Empire

(272 B.C.)
Unification of the Italian Peninsula

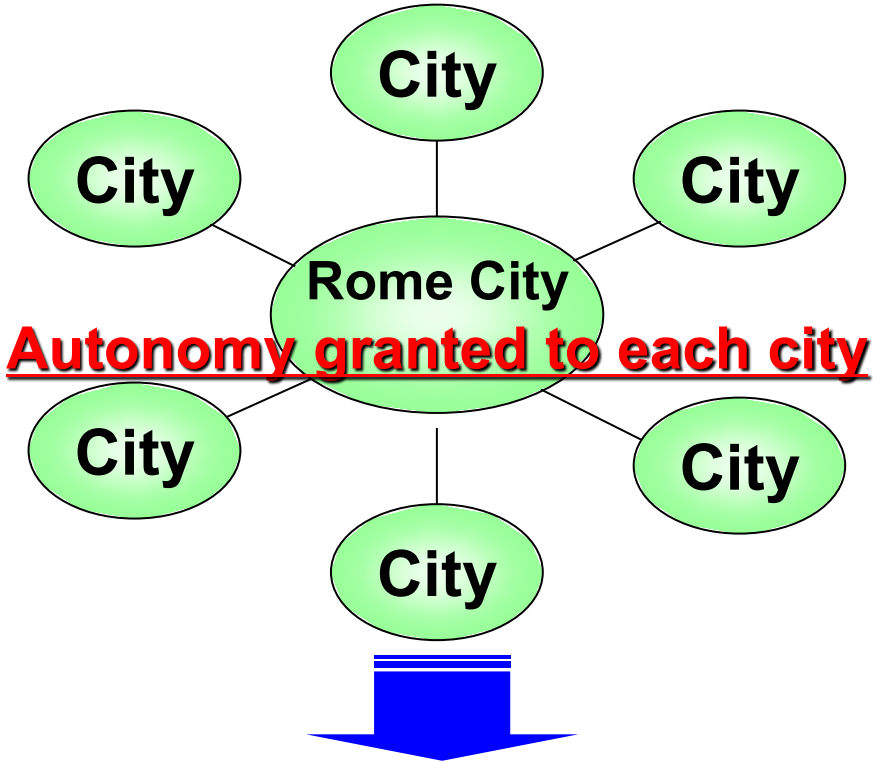
⇒ Expansion of the Roman Empire



Divide and Conquer



Concluded individual treaties with conquered cities in the Italian peninsula



Autonomy granted to each city

"Divide and conquer" was successful, and Rome was able to defeat Hannibal's Carthage in the Second Punic War (219 B.C. -)

Organizational View Based on Complexity Knowledge

Two complexity propositions

- **The whole is greater than the sum of the parts**
- **The whole has new qualities that an individual part cannot perceive**



In order to realize high growth potential through synergistic effects and mutual evolution that cannot be achieved by just a single company, a new organizational form should be established: the "Corporate Ecosystem"

The SBI Group's Vision of the Most Efficient and Competitively Advantageous Organization

The Corporate Ecosystem

A "corporate ecosystem" is an economic community based on the interaction of organizations and individuals



In a corporate ecosystem, a company is not just a member of one industry, but rather belongs to diverse industries. This relationship activates synergies and stimulates mutual growth

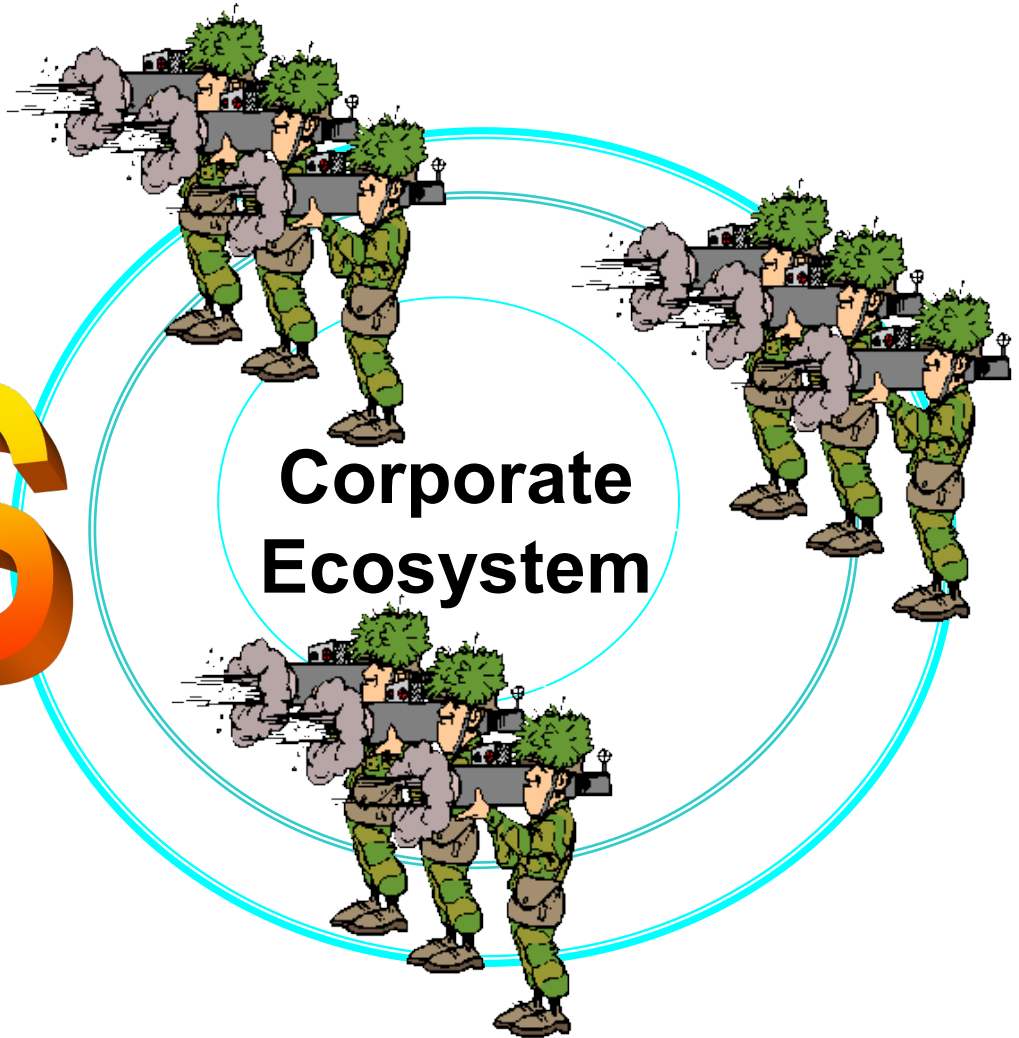
Assembling a Corporate Ecosystem in Today's Internet-driven Marketplace is one of the Strongest Ways of a "Differentiated Mechanism" and is a Basic Condition to Achieve an Overwhelming Competitive Edge

An organization is tied to its strategy



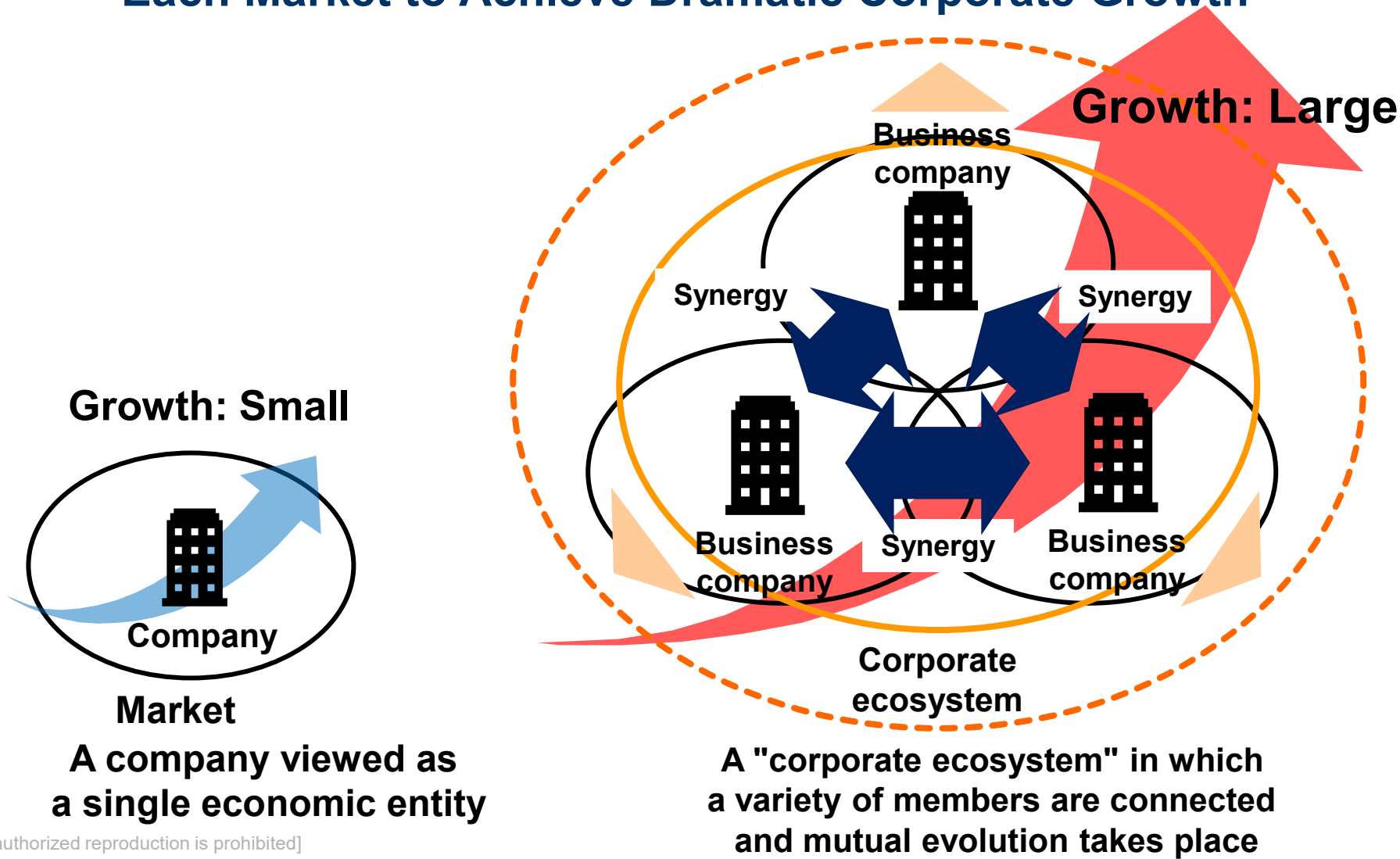
Single Enterprise

VS

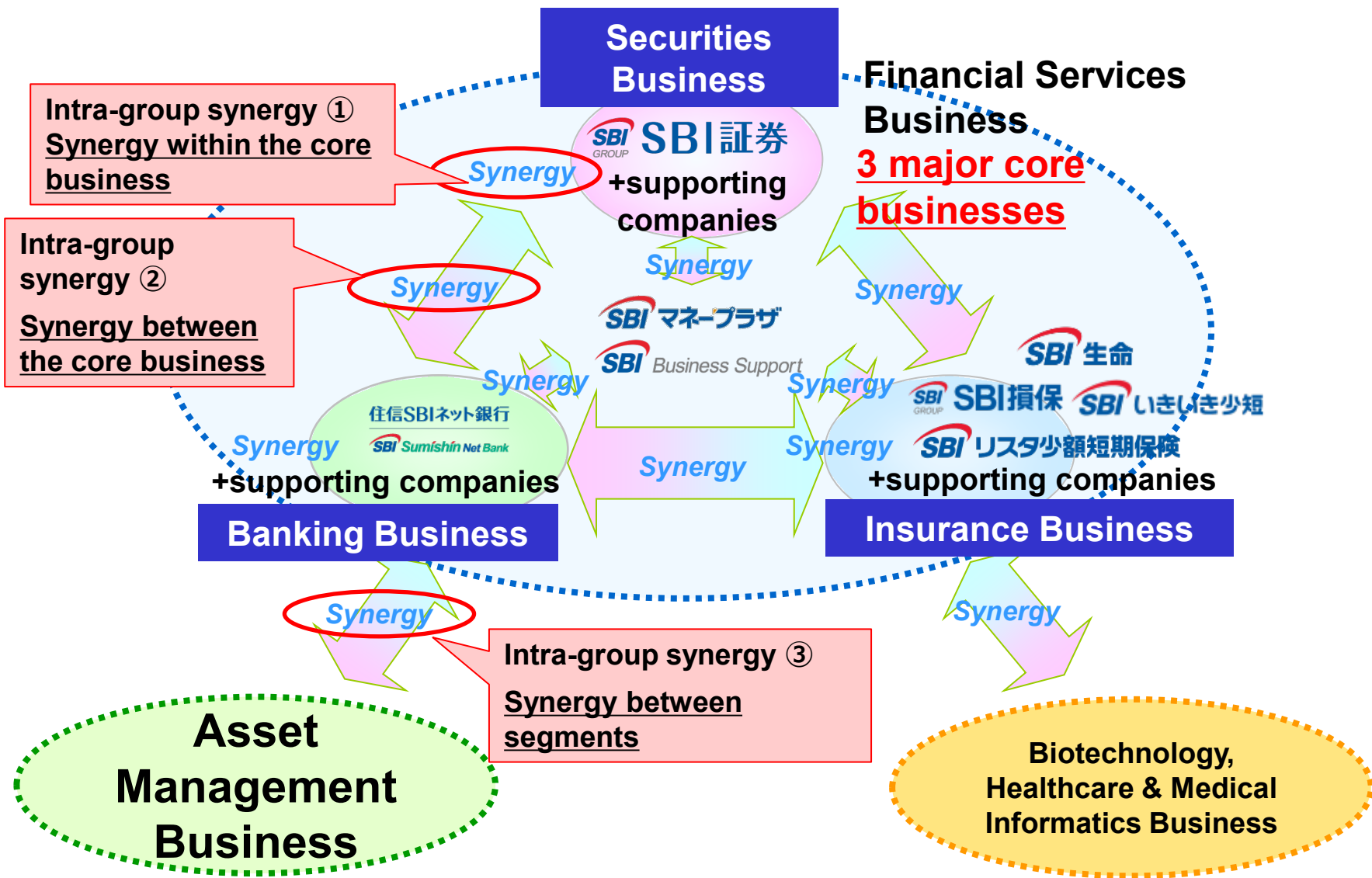


No company can compete and win by itself!

**The Formation and Development of a Corporate Ecosystem
will Promote Positive Synergies Among the Constituent
Companies and Create a Process of Mutual Evolution with
Each Market to Achieve Dramatic Corporate Growth**



The SBI Group is Exhaustively Pursuing Various Intra-Group Synergies



① Example of Synergies Within the Core Business

SBI SECURITIES and its supporting companies



② Example of Synergies Between the Core Business

Synergies between SBI Sumishin Net Bank and SBI SECURITIES



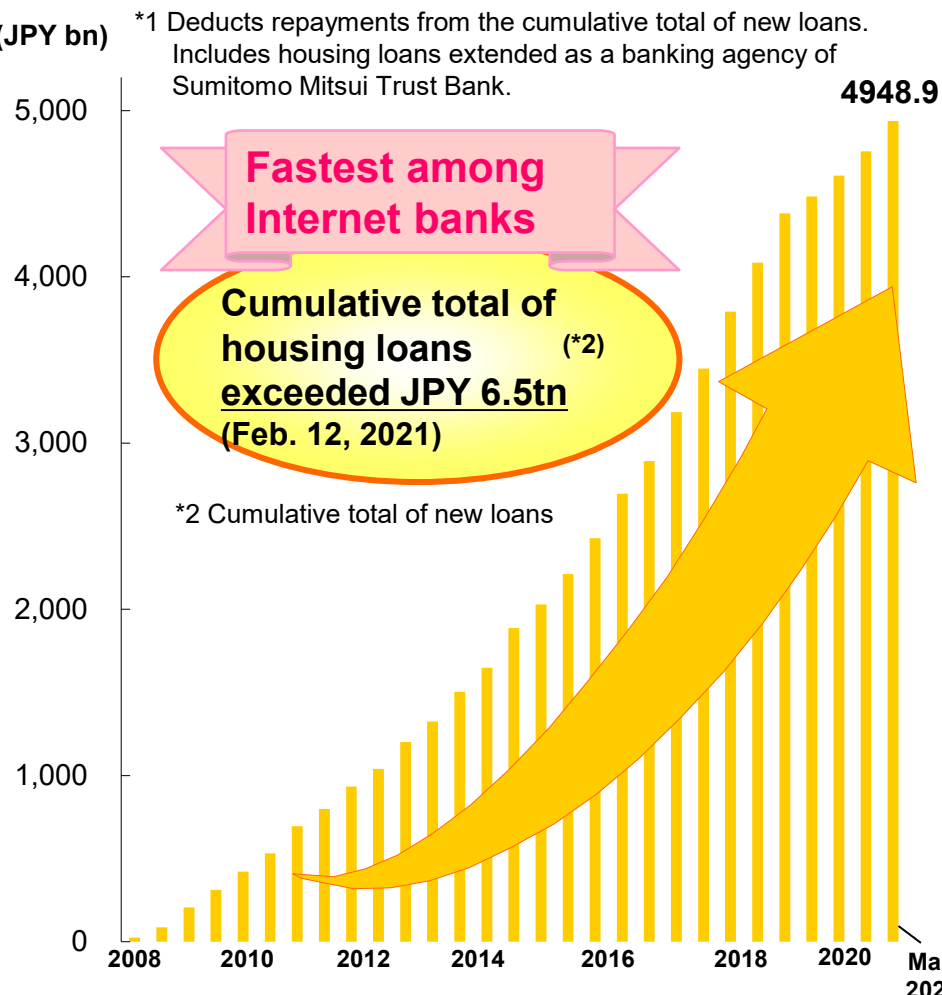
Solid customer base of SBI SECURITIES contributes to an increase in the number of accounts and deposit amount at SBI Sumishin Net Bank

② Example of Synergies Between the Core Business

-Synergies between SBI Sumishin Net Bank and the insurance-related business through the housing loan business-

住信SBIネット銀行

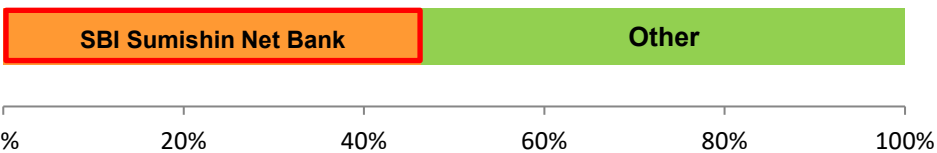
Change in Balance of Housing Loans*1
(Mar. 2008 – Mar. 2021)



SBI損保
[SBI Insurance]

Over 40% of fire insurance applications between April 2020 and March 2021 came from SBI Sumishin Net Bank

Apr. 2020- Mar. 2021
Fire insurance acquisition rate by sales channel



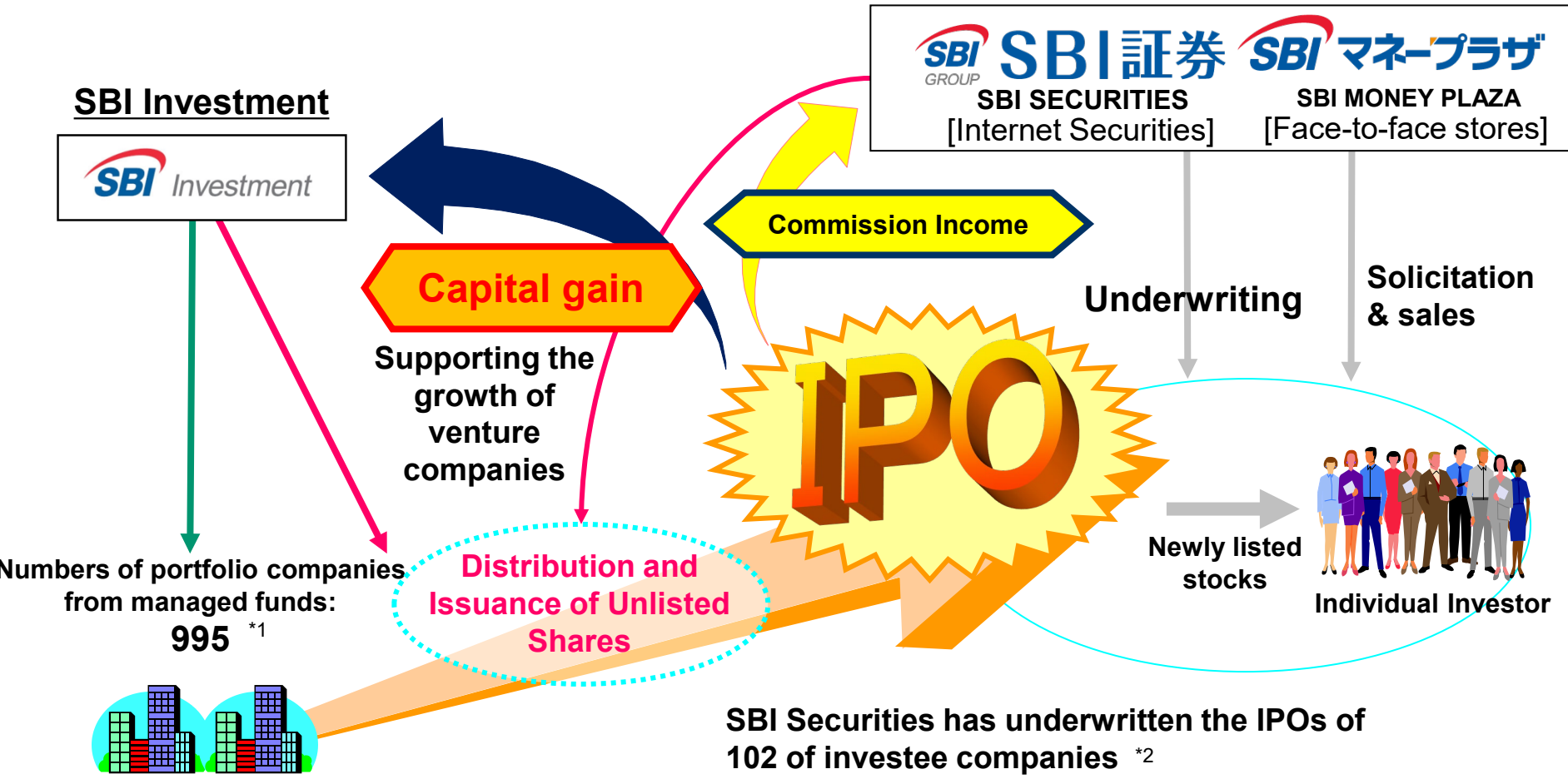
SBI 生命
[SBI Life Insurance]

Group credit life insurance attached to housing loans from SBI Sumishin Net Bank is driving SBI Life's sales

By the end of March 2021
Cumulative number of applications for group credit*3:
150,017

③ Synergy Between Segments

Collaboration between venture capital and securities businesses
～ Building a Consistent IPO Underwriting System ～



*1 Figures as of April 1, 2021

*2 Figures as of the end of April 2021

Basic view 3. Thorough devotion to innovative technology

-Incorporating advanced technology through "investment" as an entry point-

SBI Group's Basic Concept of Startup Investment Process

-Expand business by leveraging technological superiority to quickly capture technological advances-

Three processes
of the SBI Group's
basic strategy for startup
investment

1. Investment

Invest in promising
startup companies

2. Adoption

Through the use of JVs, etc. evaluate
technology and usage applicability
within the SBI Group

3. Diffusion

Diffuse technology
across the industry

Mechanism within the SBI Group

Investment business in private equity business
centered on SBI Holdings and SBI Investment

- Focused investment strategy specializing in growing fields
- Providing capital, knowledge and strategies

Financial Services Business

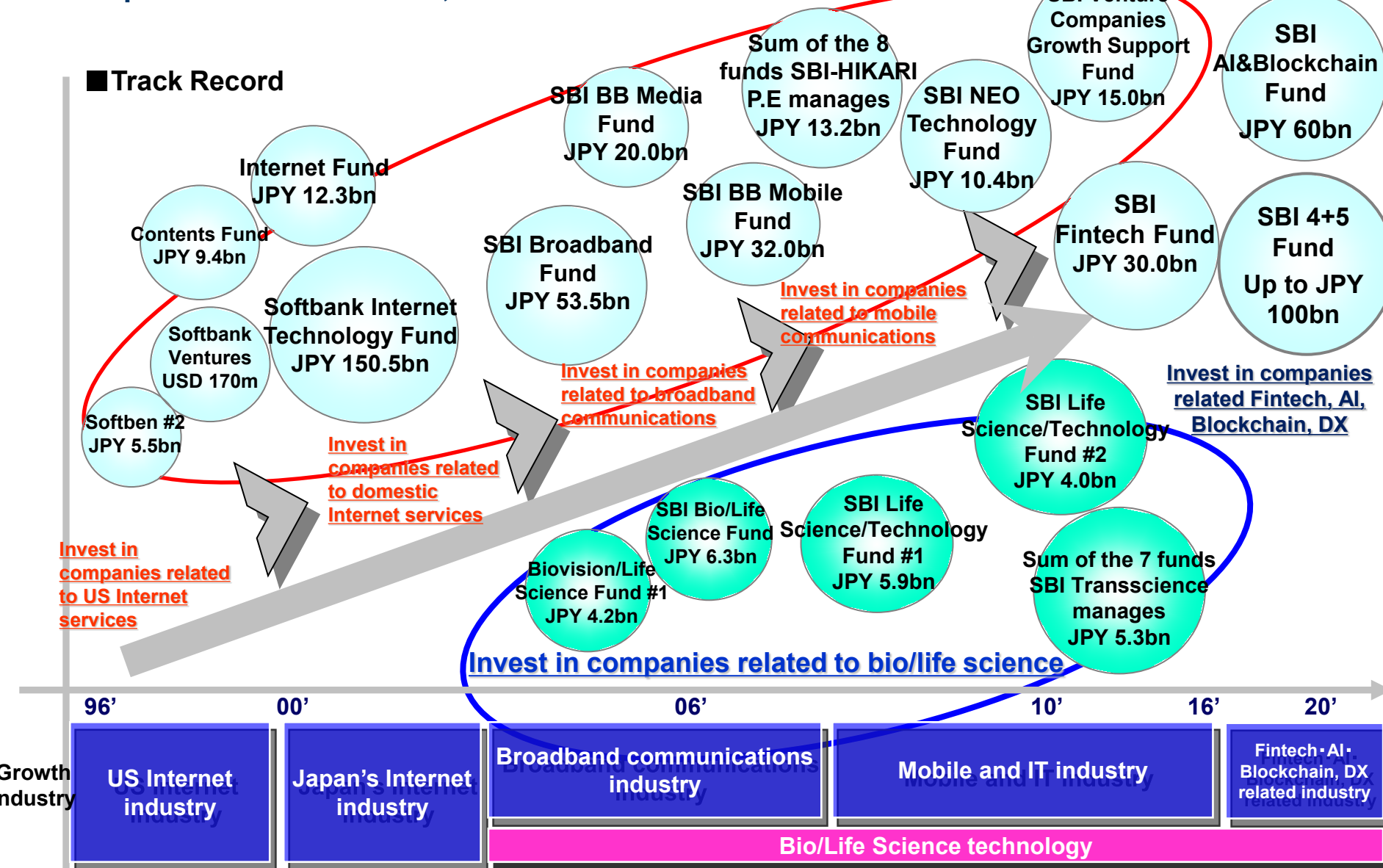
- Fintech 1.5: Start utilizing Web-based blockchain by leveraging the existing corporate ecosystem
- Fintech 2.0: Develop proprietary blockchain applications

All businesses in the SBI Group

- Establish subsidiaries and affiliates providing new technologies, etc.
- Strengthen alliances with companies outside of the Group

Since Its Establishment in 1999, SBI has Promoted Venture Capital Investments Primarily in Growth Sectors for the 21st Century

-Expand investments in AI, blockchain and DX related industries-



※Primary investee companies of major funds

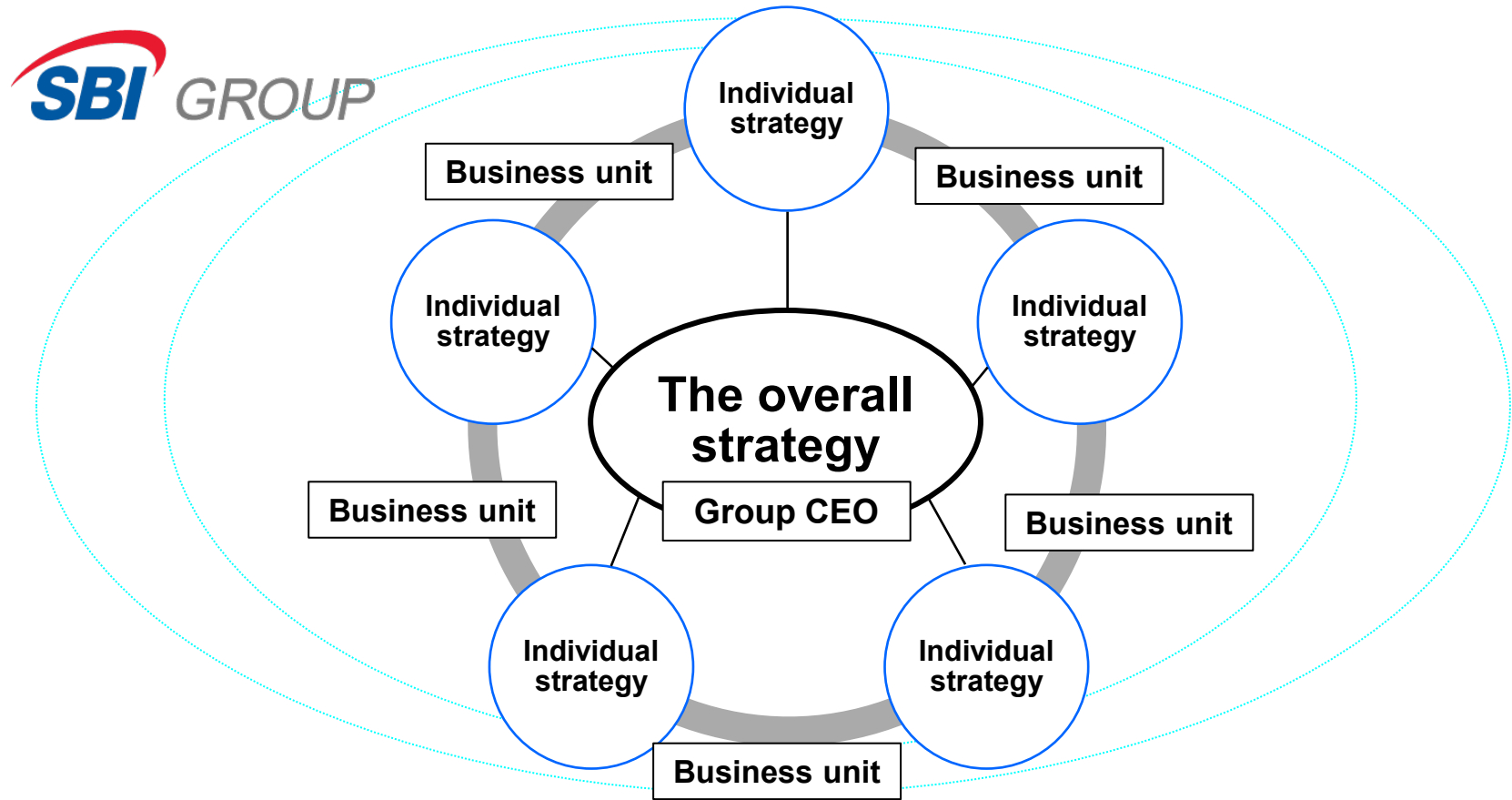
(As of March 31, 2021)

Basic view 4. Formulate and implement strategies that anticipate the near future

-The overall and individual strategies-

The overall strategy of the SBI Group is a groupwide effort that is consistent with social issues, national goals, etc., while keeping an eye on the changing times. The overall strategy will be efficiently spread to each subsidiary and become an individual strategy to achieve a unified goal

Establishing "Overall Strategies" and "Individual Strategies" to Align and Mobilize all Group Companies to Create Efficient Synergies and Strengthen the Sense of Unity among them



The determination of the overall strategy builds individual strategies and creates opportunities to benefit from economies of scope through organic coupling

Examples of Regional Revitalization

The overall strategy

Proactively contribute to regional revitalization, through co-creation of value with major regional economic bodies

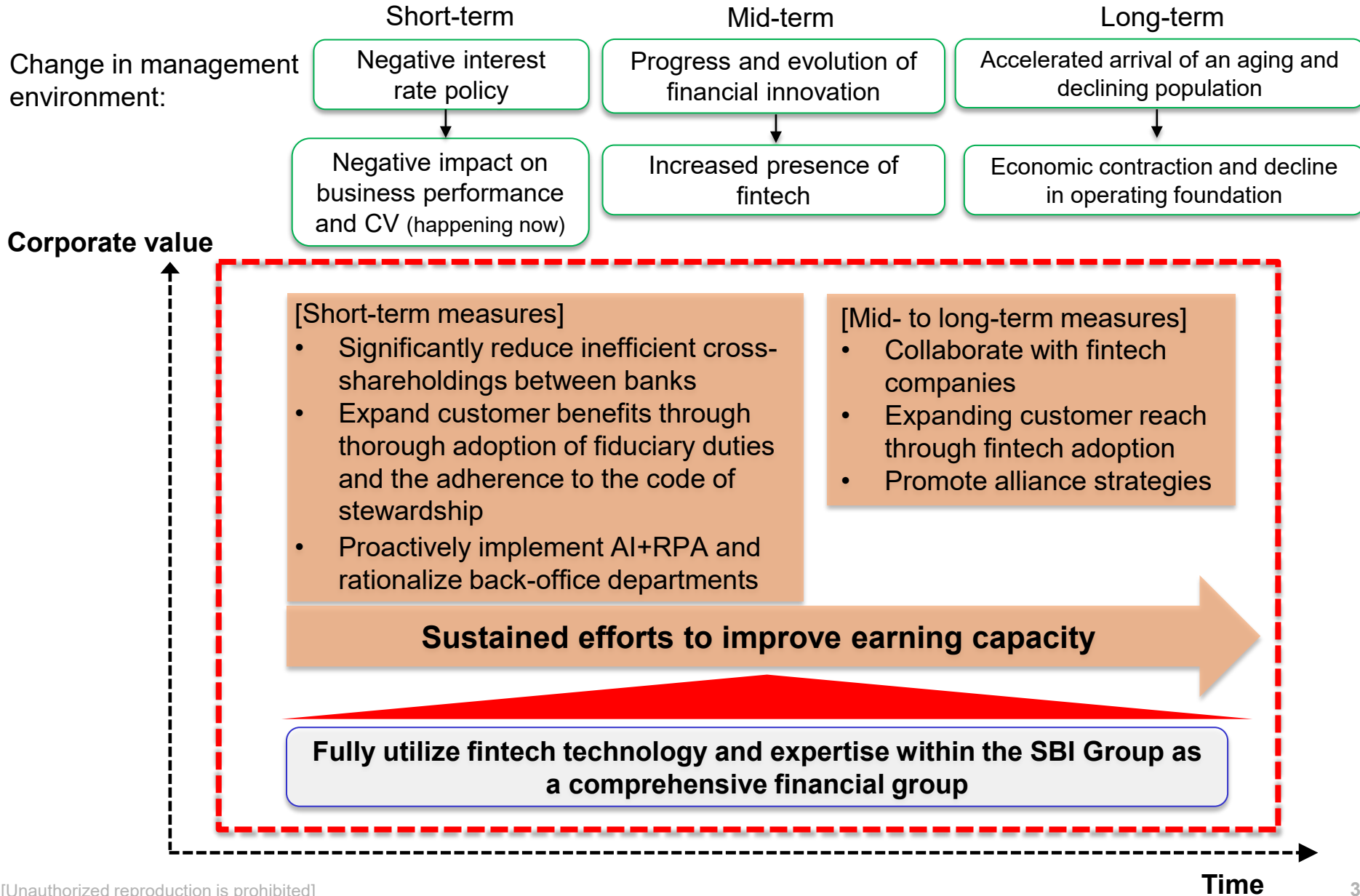
The individual strategies

- ① Cooperation Strengthening initiatives that the SBI Group has developed for more than three years to increase regional financial institution profitability**
- ② Plan to attract the next-generation global financial center**

Individual Strategy

- ① Cooperation Strengthening initiatives that the SBI Group has developed for more than three years to increase regional financial institution profitability**
- (i) Contribution to regional financial institutions**
- (ii) To realize regional revitalization, it is essential to revitalize not only regional financial institutions but also the local economy as a whole**

Current Environment Surrounding the Regional Financial Institutions



Cooperation Strengthening Initiatives that the SBI Group has Developed for More than Three Years to Increase Regional Financial Institution Profitability ①

SBI Group companies	Content of the alliance
	Announced alliances with a total of 44 regional financial institutions in the financial product intermediary business, in addition to two banks decided
	Co-managing shop operations with 13 regional financial institutions at 20 shops , providing one-stop securities-related products handled by SBI MONEY PLAZA. One new bank will begin a shop this July
	Sales of SBI Life Insurance's group credit life insurance being launched or is already being sold at 26 regional financial institutions
	23 financial corporations have decided to handle SBI Insurance's insurance products and are slated to start sales of the product shortly
	11 banks have introduced a white-labeled banking app provided by SBI NEO FINANCIAL SERVICES, with another bank having decided as well
	Signed agreement with 41 regional financial institutions to introduce the back-office cloud services such as "Approval Time", "Keihi Bank" and "Kintai Reco" to their customers, and to provide "Joseikin Hojokin Shindan Navi (subsidy management & navigation tool) and "Business documents, contract, and legal form support service"

(i) Contribution to regional financial institutions

Cooperation Strengthening Initiatives that the SBI Group has Developed for More than Three Years to Increase Regional Financial Institution Profitability ②

SBI Group companies	Content of the alliance
	The tablet app "Wealth Advisors" provided by Morningstar Japan has been adopted by <u>145</u> regional financial institutions
	<u>38 institutions</u> , including regional financial institutions, and Ripple have invested in Money Tap, which provides money transfers between individuals. Six banks such as the SBI Sumishin Net Bank, The Ehime Bank and th Suruga Bank are already connected, and the number of connected banks expected to reach 20 by the end of this year.
	Established through joint investments with regional financial institutions, the number of participating banks has <u>expanded to 39</u> , and AUM has <u>exceeded JPY 870bn</u>
	<u>79 regional financial institutions</u> have invested in venture capital funds currently managed by SBI Investment
	International remittance services provided by SBI Remit now available at <u>6 banks</u>
	<u>5 regional financial institutions</u> decided to offer the real estate purchasing and leasing services "Zutto Smile," <u>while another regional financial institutions</u> are in discussion
	<u>5 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 products offered by SBI Sumishin Net Bank

Strategic Capital and Business Alliances Partners of SBI Holdings



-Based on available resources, the SBI Group may form capital and business alliances with up to 10 banks-

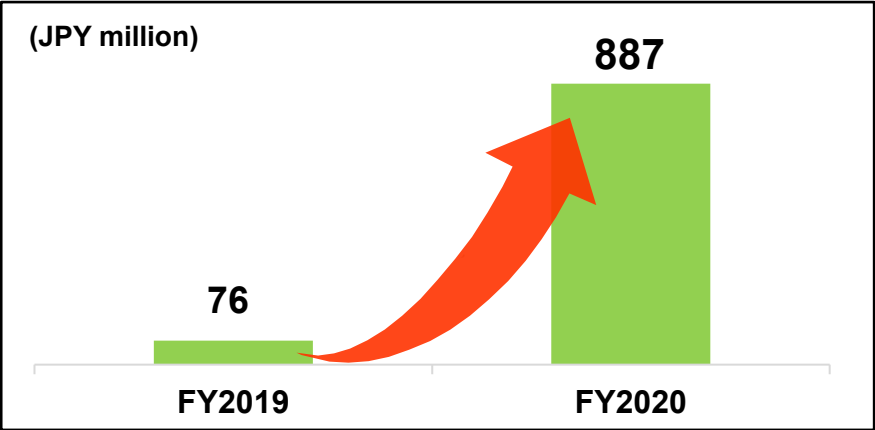
Alliance to be announced during FY2021



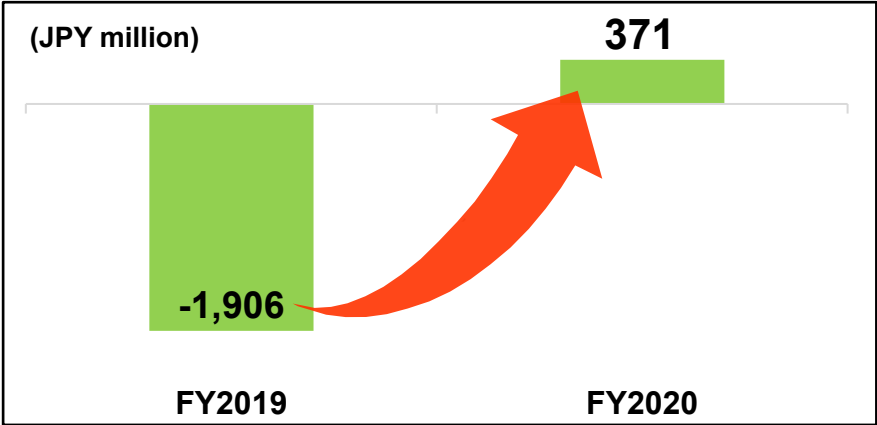
Regional Financial Institutions that Have Formed Capital and Strategic Business Alliances with the SBI Group Achieve Significant Performance Improvement ①

<Shimane Bank>

Comparison of core operating Income

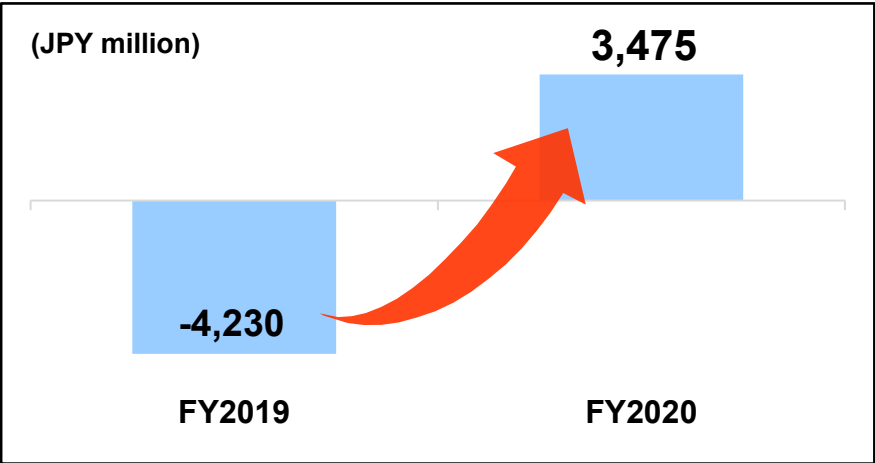


Comparison of ordinary income

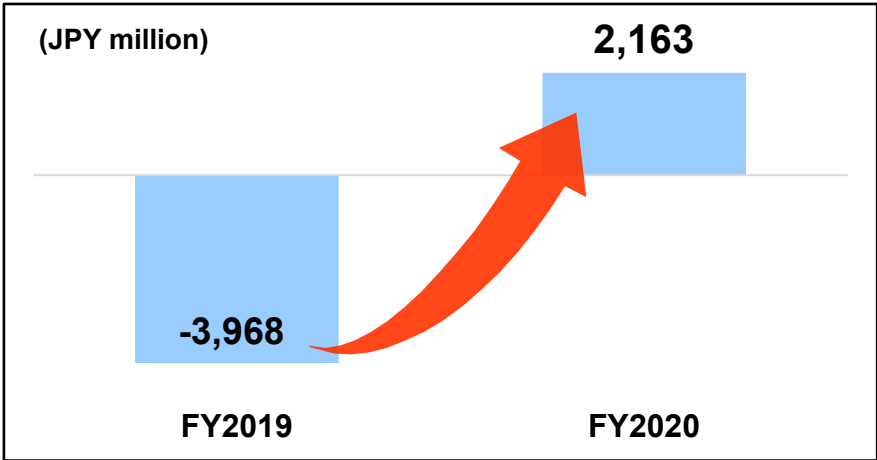


<Shimizu Bank>

Ordinary income



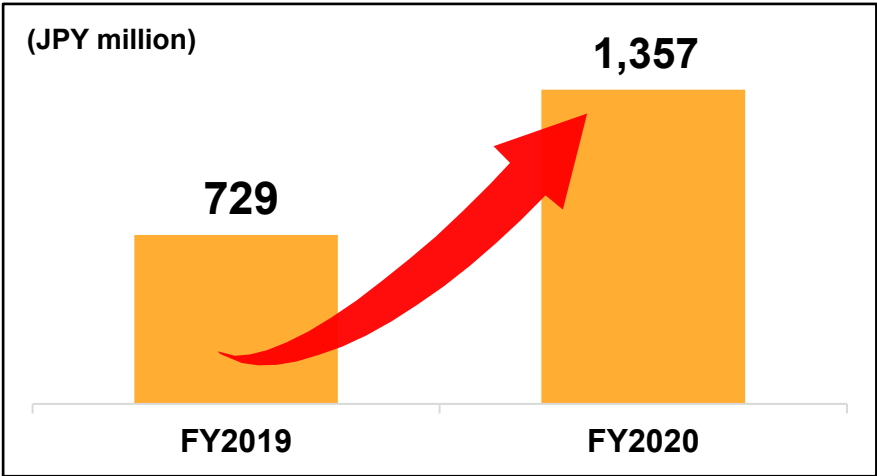
Net income



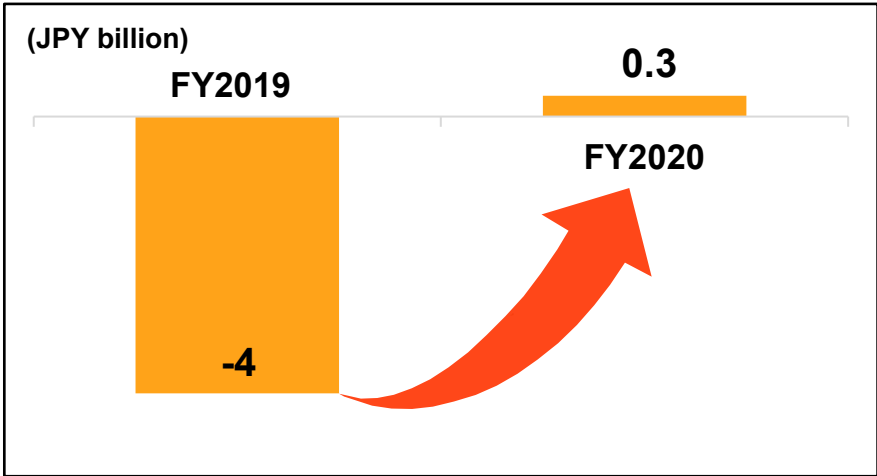
Regional Financial Institutions that Have Formed Capital and Strategic Business Alliances with the SBI Group Achieve Significant Performance Improvement ②

<Fukushima Bank>

Comparison of core operating income

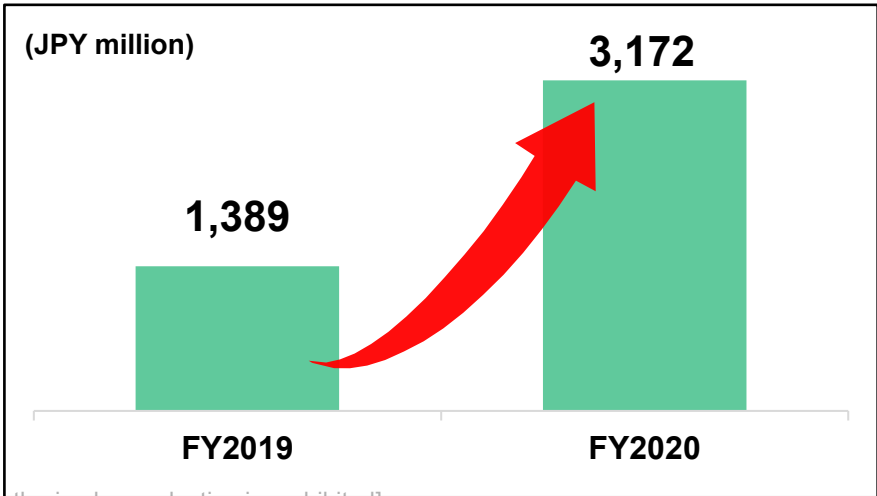


Valuation profit/loss on available-for-sale securities

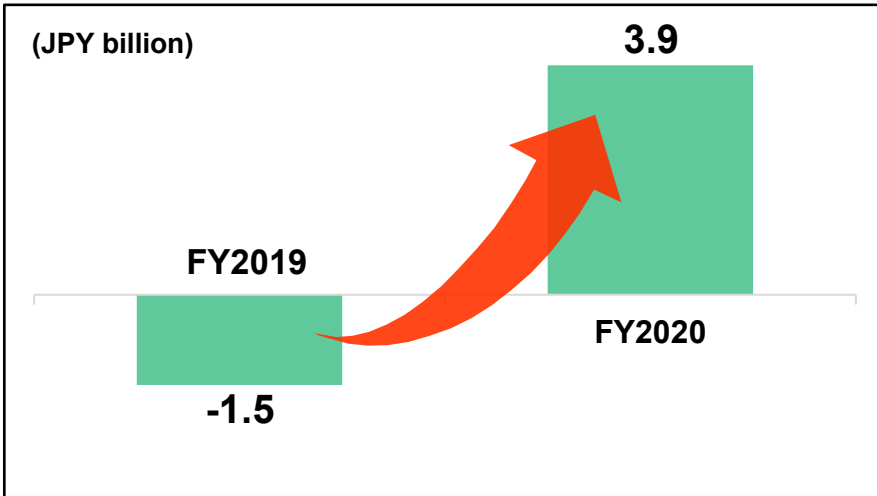


<Sendai Bank>

Comparison of core operating income



Valuation profit/loss on available-for-sale securities



Cooperation with Other Capital and Business Alliance Partners Steady have Progressed as Well

THE CHIKUHO BANK

- CHIKUHO BANK and Kyushu Electric Power Co., and SBI Holdings have established a JV company. CHIKUHO BANK is transforming itself under a new business model by expanding its regional digital currencies and electronic premium gift certificate business nationwide (Apr. 2021)
- Began Defined Contribution services for SMEs named "Chikugin DC Plan", cooperating with SBI Benefit Systems (Apr. 2021)

The TOWA Bank

- Started operating second co-managed shop "The TOWA Bank SBI MONEY PLAZA" Saitama" (Apr. 2021)
- Decided to establish and invest in "Towa SBI Customer Supporting Fund" which provides capital funds to the companies in their own business area (Dec. 2020)

The Kirayaka Bank

- Decided to invest in a fund managed by SBI Regional Revitalization Investment and Loan for the acquisition of expertise to solve business succession issues and to introduce portfolio companies to customers (Apr. 2021)

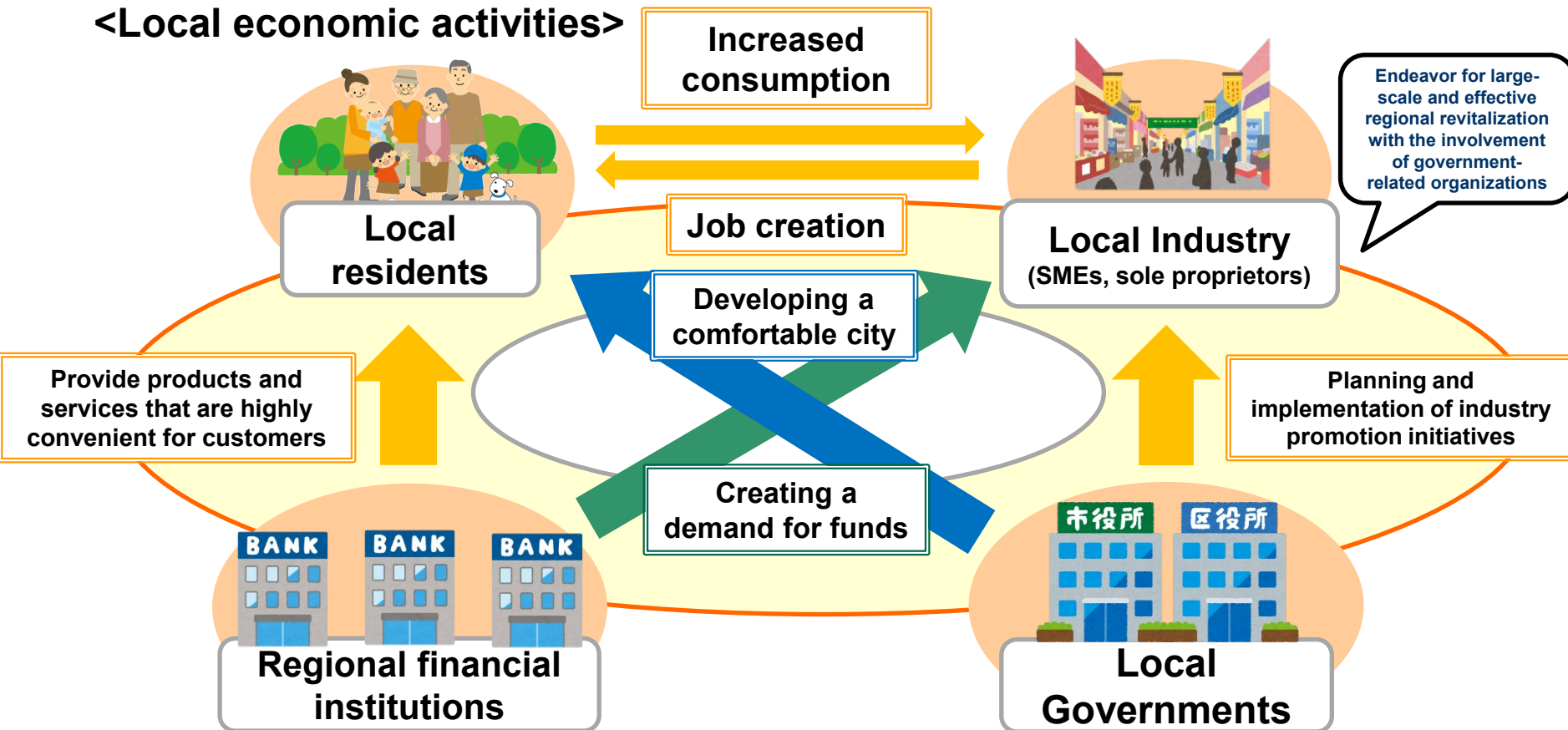
These measures have progressed steadily in each bank and contribution to financial results is expected in the next fiscal year and beyond

(ii) To realize regional revitalization, it is essential to revitalize not only regional financial institutions but also the local economy as a whole

Background to the Regional Revitalization Partners Initiative

- To date, the SBI Group has advanced various initiatives to help solve issues related to regional financial institutions, but has become keenly aware that these initiatives alone will not be enough for 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 effective, large-scale regional revitalization

<Local economic activities>



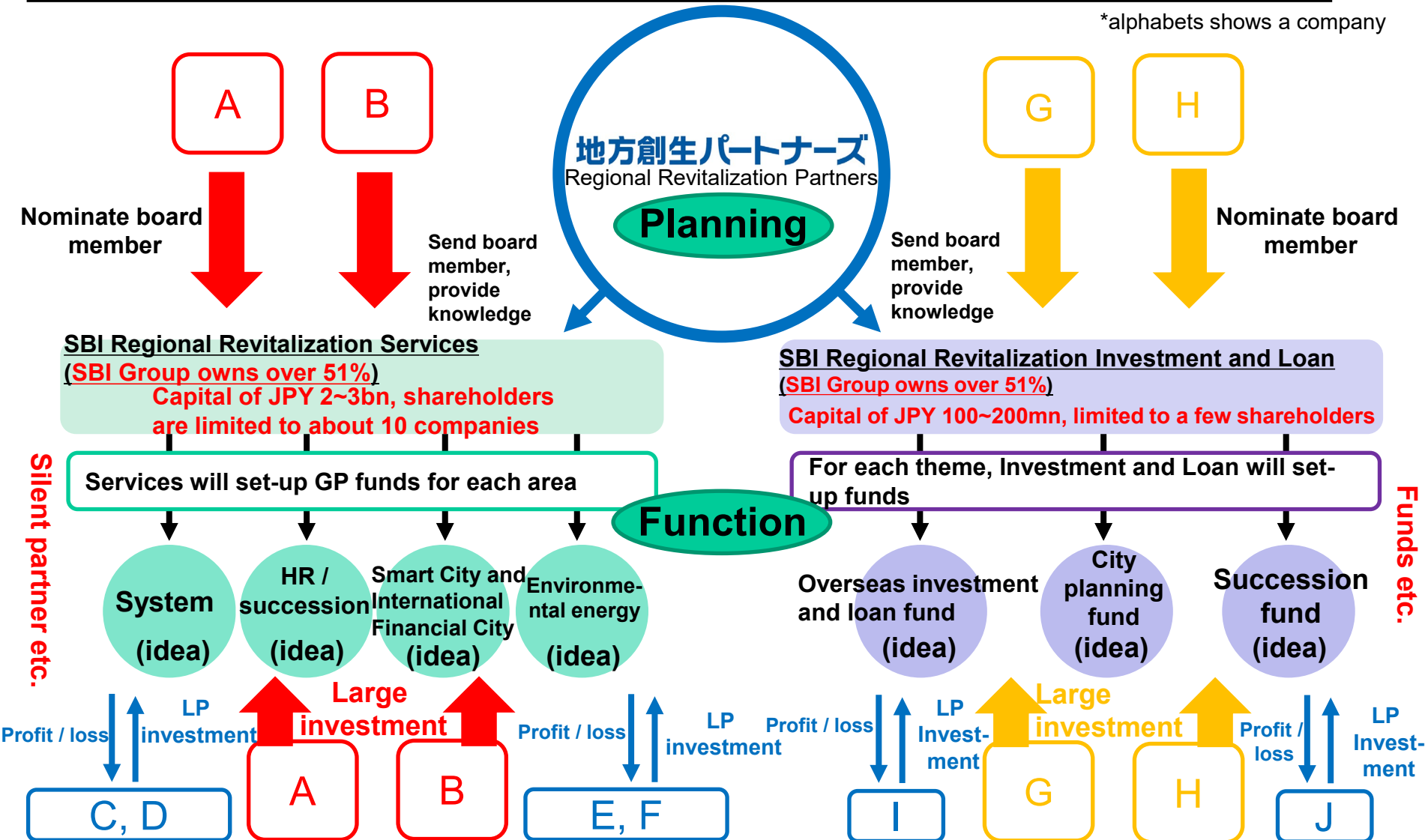
In Collaboration with Several Partners who Share the Same
Desire of Realizing Regional Revitalization, Established
Regional Revitalization Partners Co., Ltd.,



Functioning as a driving force for policy making for regional revitalization

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



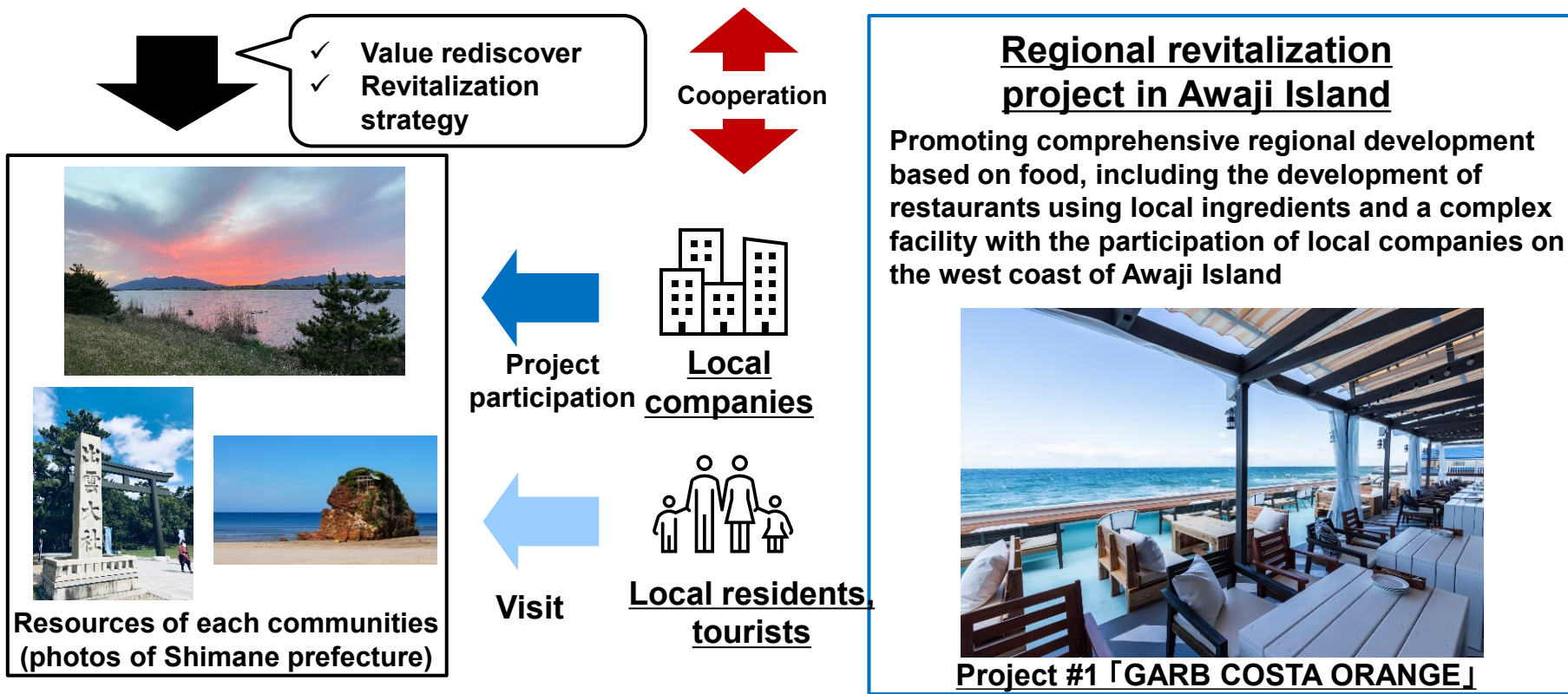
SBI RRIL Established Business Succession Fund as First Project to Address the Business Succession Issues Among the Regional Pharmaceutical SMEs



Promotion of Regional Development Centered Around BALNIBARBI, a Company with Outstanding Expertise in Regional Development and Redevelopment



A company with a wealth of experience and expertise in promoting regional development through stores and facility development, suburban area development projects, and regional revitalization projects



**SBI Group, Shimane Bank , and local companies have reached a basic agreement
to promote a new regional development project in Shimane Prefecture**

**Promotion of Regional Development Centered Around
BALNIBARBI, a Company with Outstanding Expertise in Regional
Development and Redevelopment**

-Image of new opening hotels-



-Image of new opening restaurants-



Individual strategies

② Initiatives to attract the next generation of international financial center

-Contribution to the economic development of the Kansai region as part of regional revitalization-

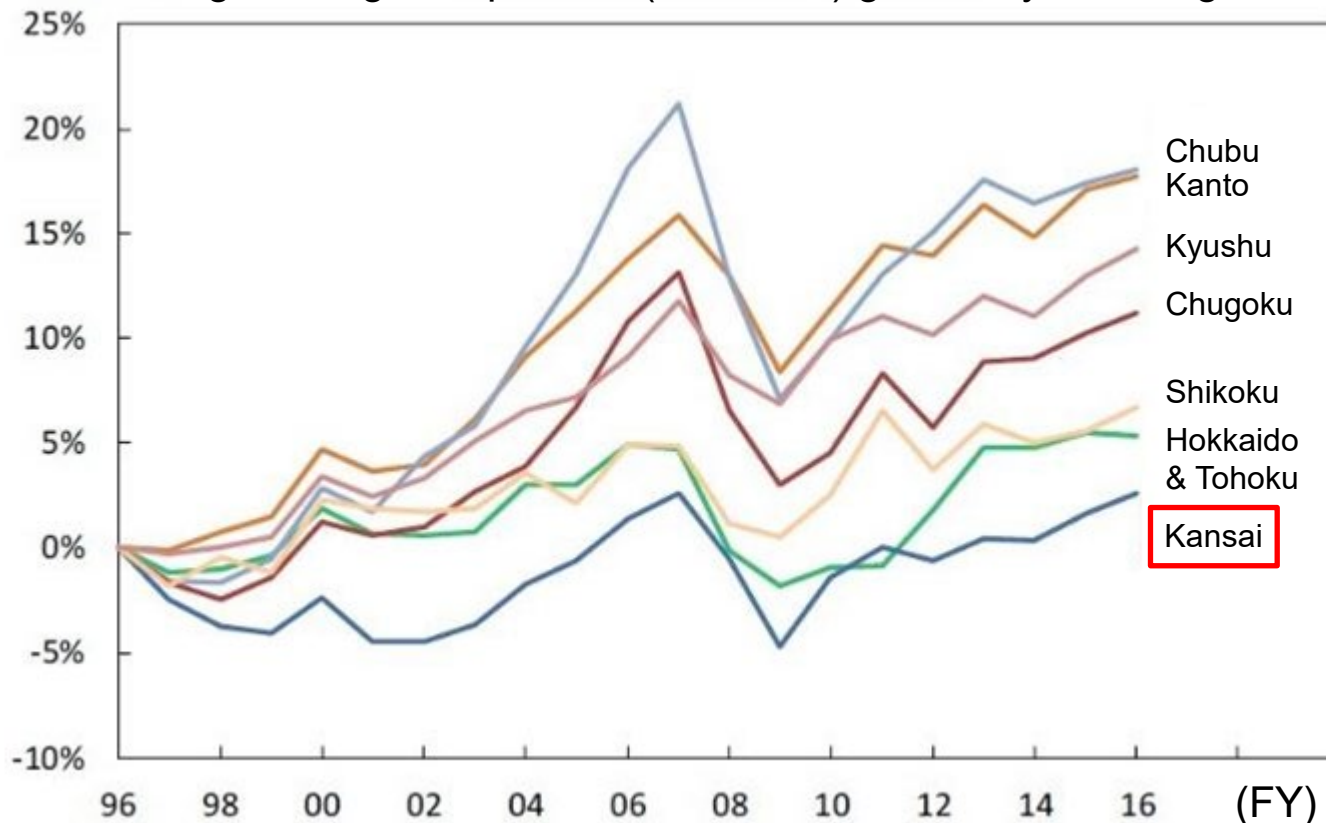
Kansai's Economic Status is on a Relative Decline (1)

As the center of Japan's economy, the Kanto region has grown by consolidating key functions and developing the service industry.

The Chubu region has grown significantly in the automobile industry, the main manufacturing industry in Japan.

On the other hand, the Kansai region's growth rate has consistently lagged behind that of other regions

Real gross regional product (real GRP) growth by each regions



*Growth rate starting from FY1996, source from the Cabinet Office "Report on Prefectural Accounts"

Kansai's Economic Status is on a Relative Decline (2)

Two factors can be cited for the sluggish growth in Kansai

(1) modest growth in the manufacturing and financial sectors

(2) a large decline in the wholesale and retail sectors

Breakdown of Real GRP contribution (by industry)

	Kansai	Nationwide
Real GRP	2.8%	12.7%
IT, transportation, and postal services	1.3%	2.0%
Accommodation and food services	0.1%	0.2%
Finance, Insurance and Real Estate	2.0%	3.8%
Manufacturing	1.8%	5.6%
Wholesale and Retail	▲4.7%	▲2.8%
Electricity, gas, water, and industrial waste disposal	▲0.2%	▲0.1%
Construction	▲3.9%	▲3.0%
Other	3.8%	4.3%

*Contribution breakdown from FY1996 to FY2016, Total contribution by industry does not fully match real GRP growth rate

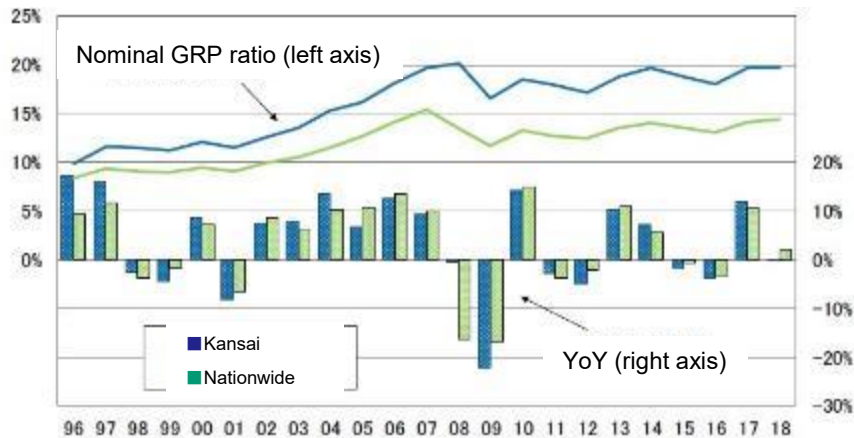
Source: the Cabinet Office "Report on Prefectural Accounts"

"Plus One" to the "Three-Pronged Approach," for the Economic Revitalization of Kansai Region

Kansai is strong in ① exports, ② inbound tourism, and ③ is planning an integrated resort (IR) in preparation for World Expo 2025 in Osaka

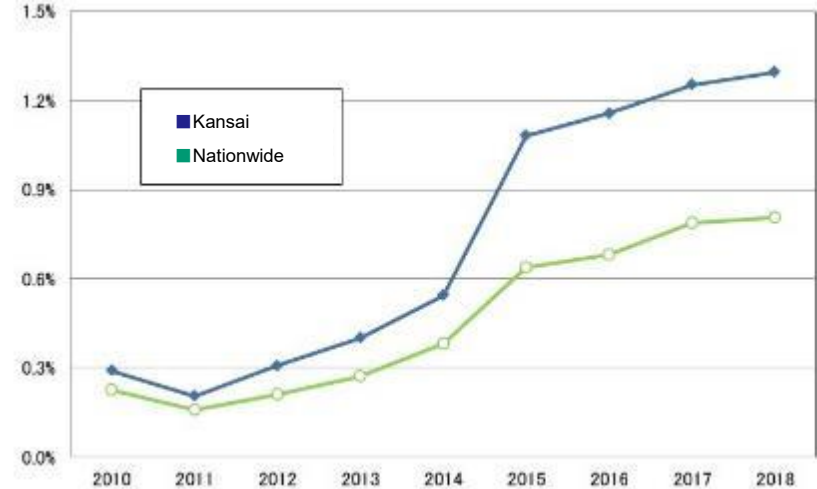
Kansai's economic revitalization can be accelerated by establishing itself as an international financial center as a "plus one"

① Increase in export value outpaces nationwide rate



Source: Cabinet Office "Report on Prefectural Accounts"

② Inbound spending growth is outpacing GRP growth



source from the Cabinet Office "Report on Prefectural Accounts,"
Japan Tourism Agency etc.

"Plus one" to the "Three-Pronged Approach," for the Economic Revitalization of Kansai Region

Creating a new industrial cluster in the Kansai region by building an Osaka-centric fintech financial center, and aiming to become a next-generation international financial center with cutting-edge fintech

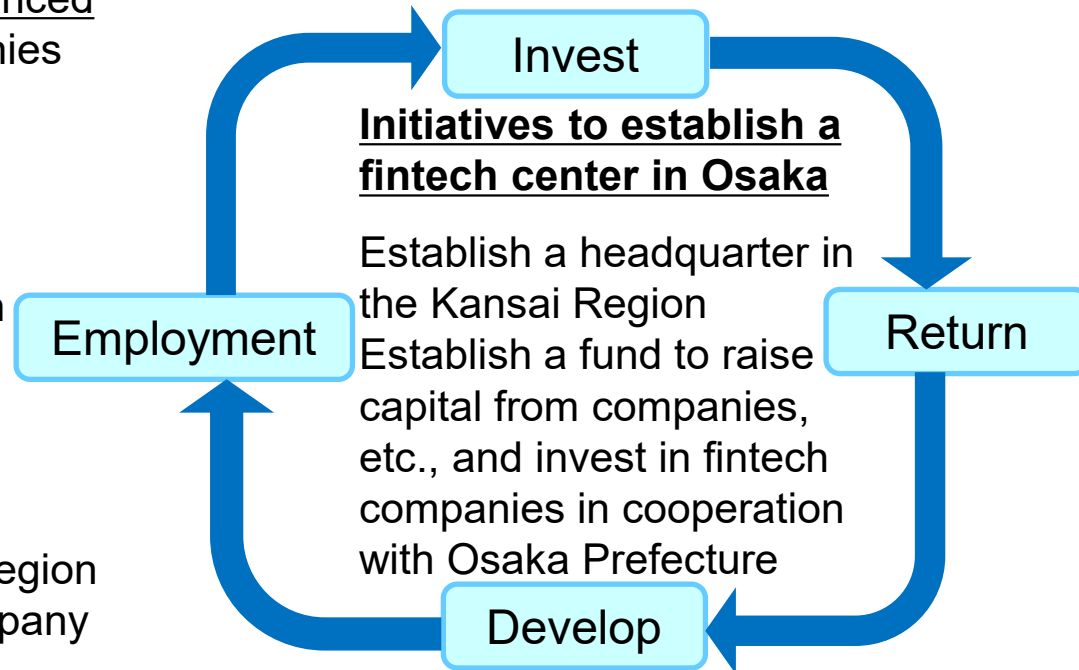
Global investment in companies with advanced technologies focusing on fintech companies



Build and strengthen relationships with portfolio companies



Attract portfolio companies to the Kansai region to make the region become a fintech-company accumulated area



Realization of the next-generation international financial center concept in Osaka and Kobe

Now is the Best Timing to Attract an International Financial Center

Japan

- Japan's **Super City Bill was enacted** on May 27, 2019 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, such as **the collapse of One Country, Two Systems**, 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 transition period for the **U.K.'s exit from the EU** comes to an end, the international financial environment is also undergoing a transition period

- **JPMorgan Chase announced plans to move 200 billion euros of assets from the U.K. to Germany within the last year**
- According to a survey by Ernst & Young (EY), **1.2 trillion pounds of assets have already been moved to Europe**
- Number of financial institutions relocated from the city of London due to Brexit (by destination) Dublin: 48, Luxembourg: 39, Paris: 24, Frankfurt: 24, Amsterdam: 18, etc. (Source: Knight Frank report)

The Reasons why Osaka/Kobe is a Candidate Site for an International 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**

Geographic specialties

The **Kansai International Airport was No. 1 in Japan in terms of the number of people visiting Japan from Asia** in 2019. Compared to Tokyo, the Osaka-Kobe region is also **in close proximity to Southeast Asia**, a region that is expected to grow remarkably in the future

Advantages of Regional characteristics

- Compared to Tokyo, **Osaka Prefecture's residential land price index is only about 40%, and Hyogo Prefecture's is only about 30%, allowing for lower real estate costs**. In addition, it has **Kyoto and Nara**, two of **Japan's leading tourist resources**, nearby. Furthermore, it helps to diversify the risk of a major earthquake in the Kanto region
- Kobe is home to traditional high-class residential areas, and its exotic cityscape makes it an excellent location for living

Affinity with the Smart City concept

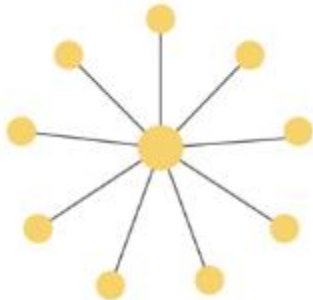
*Source: Immigration and Naturalization Agency, Ministry of Justice "Immigration Statistics (2019)"

- 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 World Expo 2025 in Osaka
- It also has **an affinity with the "Rokko Smart City Concept,"** in which the city of Kobe is promoting the attraction of companies to the city and utilizing advanced technologies such as artificial intelligence (AI) and big data for revitalization

Osaka and Kobe can Differentiate themselves from Tokyo, a "Capital Function" Financial Hub, by Becoming a "Cross-Border Hub" Financial Center

Tokyo: Capital Function

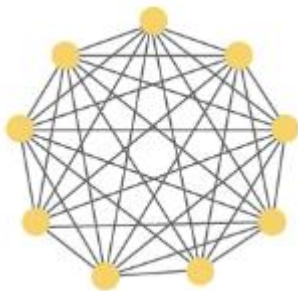
A city that functions to support the economic activities of its own country from a financial perspective. The function as a place to accumulate and carry out financial transactions mainly in its own country, based on its own language and business customs



➡ The rules and customs of financial transactions between Japanese people are different from global standards, so trying to instill global standards in Tokyo in terms of English, taxation, laws, and regulations, etc. could cause significant friction

Osaka and Kobe: Cross-Border Hub

A city that functions as a "hub" for settling financial transactions between domestic and overseas, or between overseas and overseas



➡ The cross-border hub function, which Tokyo lacks, can be developed efficiently in a short period of time by specializing in another city where the system is easier to set up and providing it to overseas players who are developing financial business in Asia

Differentiate Osaka and Kobe from Tokyo, with their history and location

- In regional cities such as Boston in the U.S. and Edinburgh in the U.K., there are asset management companies specializing in the management of large pension funds, etc., and **they have a different kind of presence from New York or London as financial hubs with a capital function**
- **Policy objectives also can be pursued** from the perspectives of "movement toward multi-polarization of global financial functions," "risk diversification," "restoration and revitalization of regional areas," and "preparedness for earthquakes and disasters"

Q. Why hasn't Japan been able to attract an international financial center so far?

A. Lack of motivation to create the next-generation international financial center

- 1. New global financial markets**
- 2. New global financial products**
- 3. Proactive use of new technologies**

Without the provision of the above three items, it will be difficult to attract an international financial center to Japan

Three Major Projects by the SBI Group in the Near Future to Solve Various Problems

Full support for Dojima Exchange to become a comprehensive exchange

- **Product diversity**
- **Globalization**
- **Financial commoditization**

Establishment of the Osaka Digital Exchange (PTS)

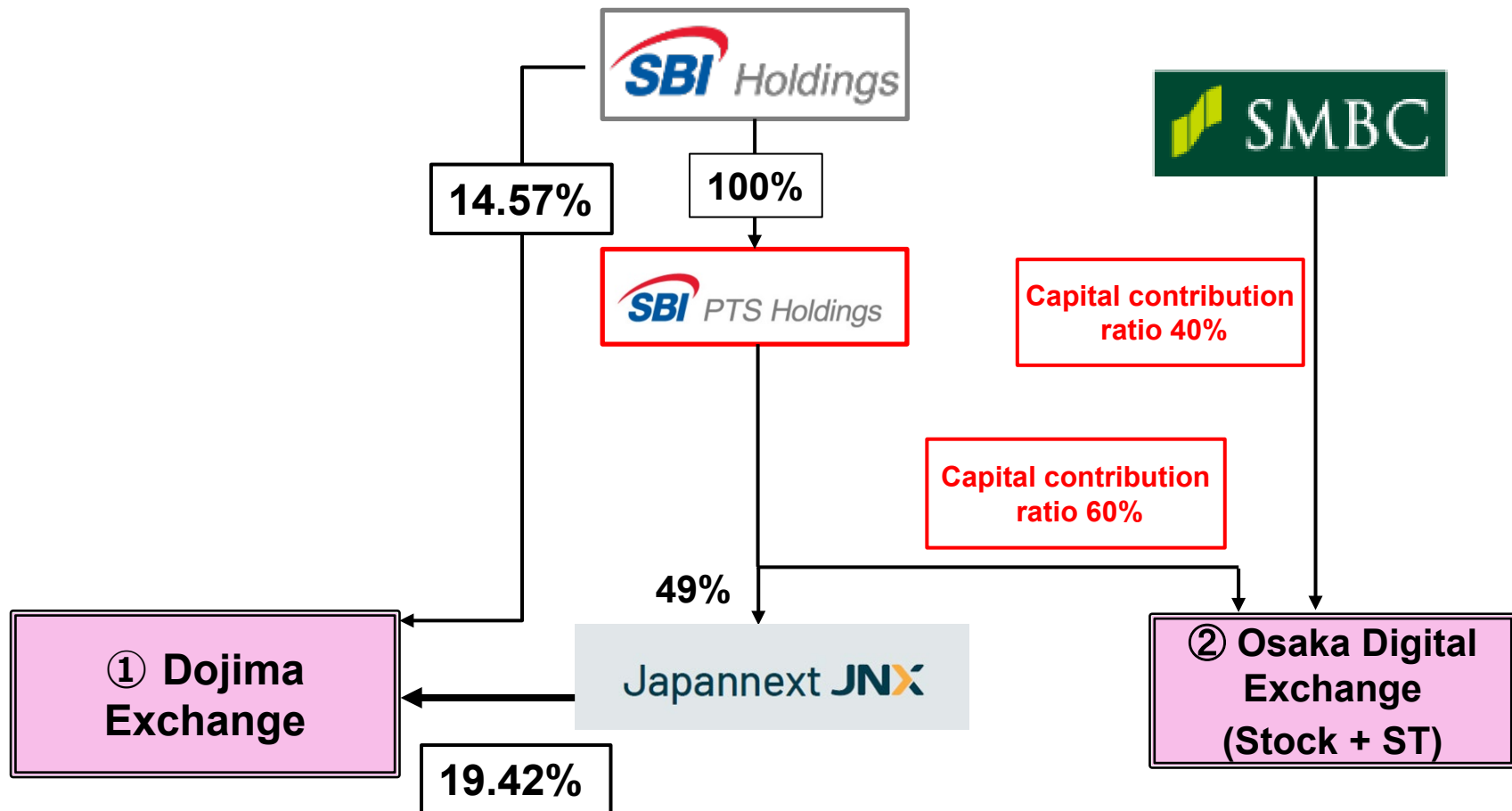
- **Next-generation**
- **Global**
- **Digital**

Attract fintech companies from around the world and support adoption of fintech

- **Introduction of Fintech**
- **Attracting fintech companies**
- **Investment in fintech companies**

SBI Group Provides Capital and Business Support for Dojima Exchange and Osaka Digital Exchange

-Accelerate globalization of the Dojima Exchange and the Osaka Digital Exchange by attracting funds and human resources through the participation of overseas firms, through capital support by the SBI Group-
[Organizational structure]



Accept Investments from Leading Financial Institutions in Japan and Overseas for the Below Two Markets

Dojima Exchange

Osaka Digital Exchange

Company	Investor composition (%)
Japannext	19.42
SBI Holdings	14.57
YUTAKA TRUSTY SECURITIES *1	12.17
OKAYASU SHOJI *1	11.89
KOREA INVESTMENT & SECURITIES CO. LTD.	9.94
Optiver *2	7.47
SUNWARD TRADING *1	2.26
HOXSINBUSSAN *1	1.89
Jiji Press	1.49

*1 Commodity futures trader

*2 High speed traders based in the Netherlands



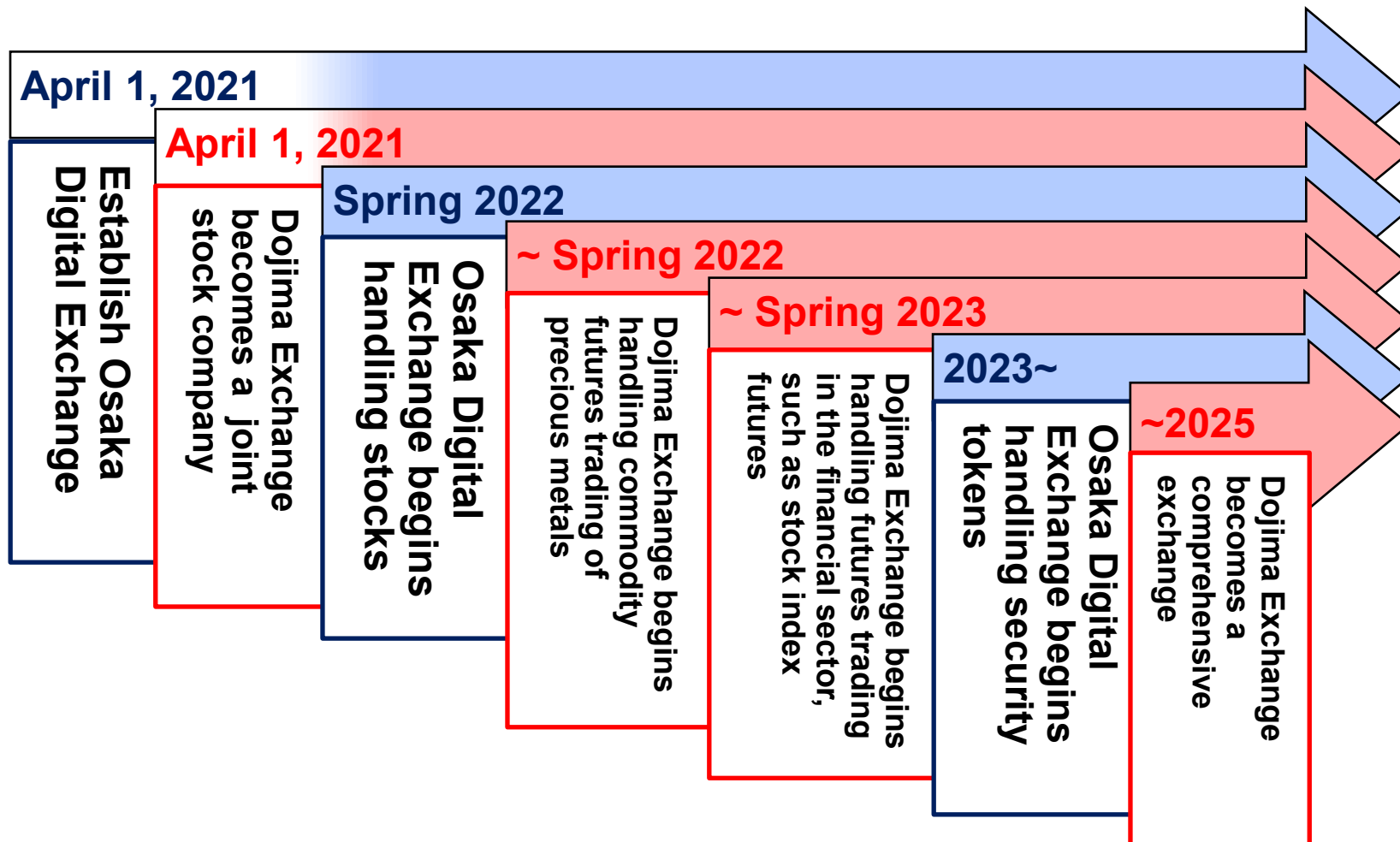
SBI Group : 60%



SMBC Group : 40%

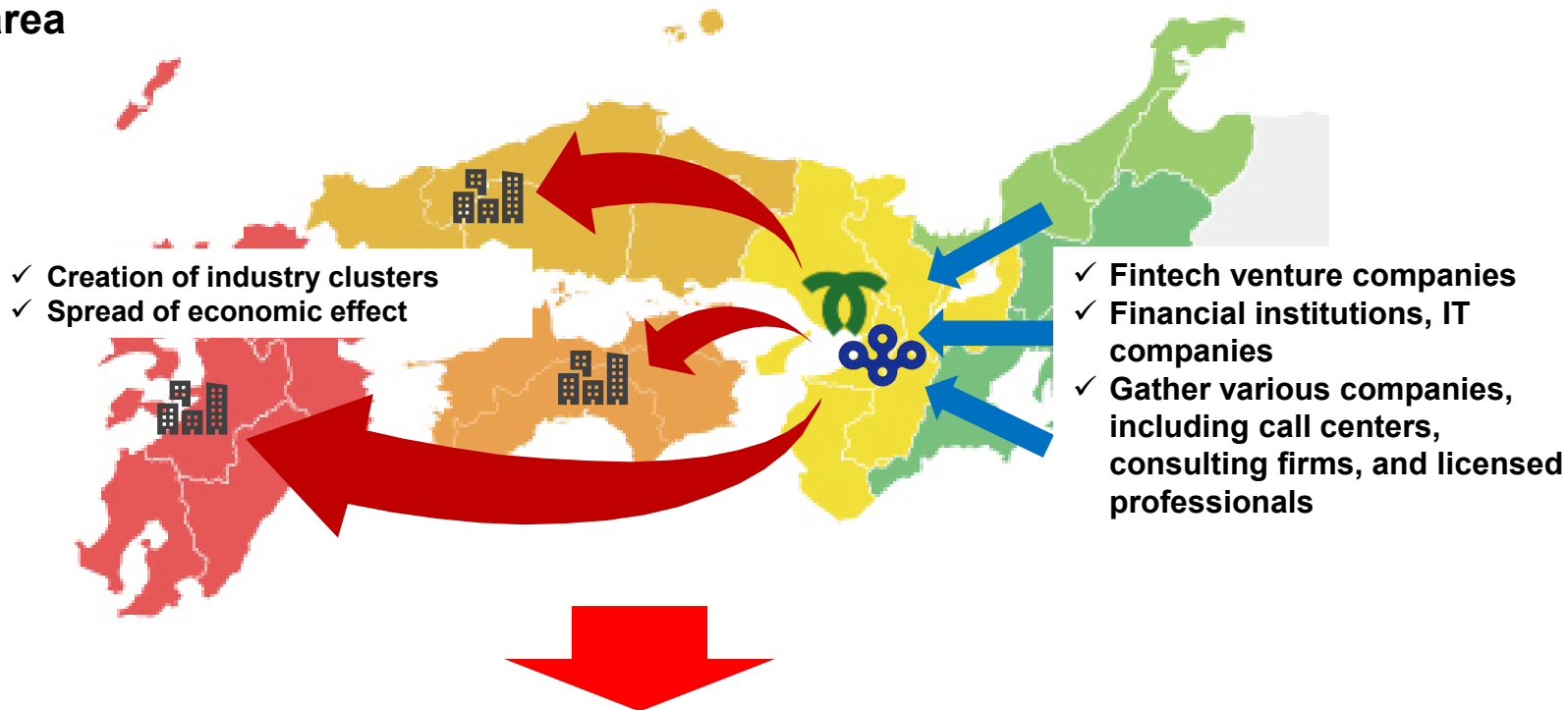
Considering investments in the future from leading financial institutions, exchanges, and market makers in Japan and overseas

Timeline of Two Exchanges as the Core of the Next Generation Global Financial Center



Endeavor to Establish a Concentration of Fintech Companies in the Kansai Region

- Create a concentration of fintech companies in the Osaka-Kobe area that will attract not only fintech ventures, but also many financial, IT, and other related service providers
- Promote the creation of industrial clusters in cooperation with universities west of the Kansai region, in addition to establishing a fintech center in the Osaka-Kobe area



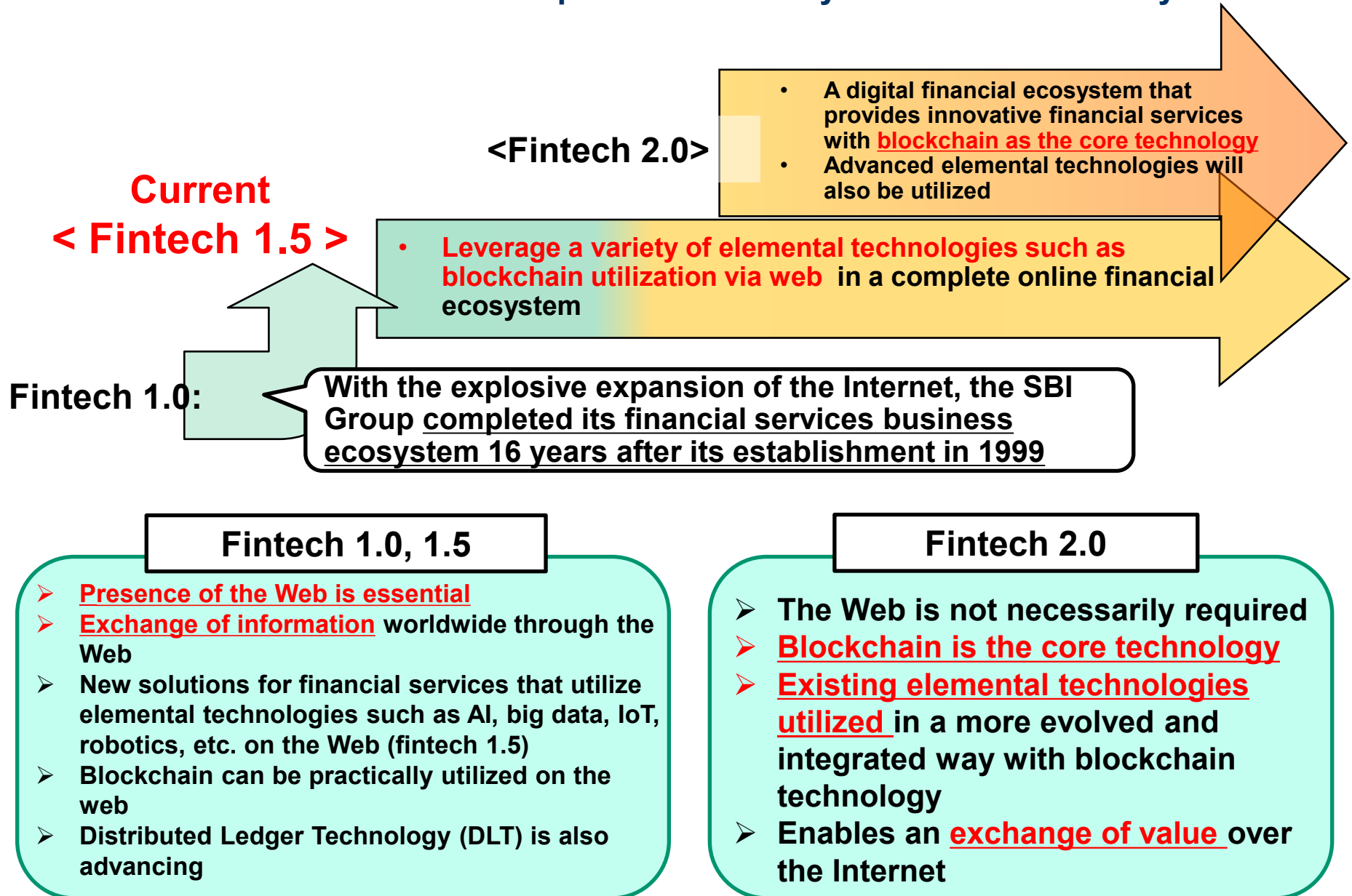
Strive to contribute to the economic development westward of the Kansai region

II. Measures being promoted to achieve further growth in the era of Fintech 2.0, which the Group sees as the second founding phase

- 1. How the SBI Group views the revolution of fintech**
- 2. Define the next 3 to 5 years as a transitional period towards the Fintech 2.0 era and as a preparatory period to establish an ecosystem based on digital assets**
 - SBI Group's new mid-term vision to be realized during this period-**
- 3. Priority measures to achieve the new medium-term vision**
- 4. Respond to a new form of finance that is expected to play a leading role in the Fintech 2.0 era**

1. How the SBI Group Views the Revolution of Fintech

-The world of Fintech 2.0 will expand dramatically over the next 3 to 5 years-



2. Define the Next 3 to 5 Years as a Transitional Period Towards the Fintech 2.0 Era and as a Preparatory Period to Establish an Ecosystem Based on Digital Assets

- Endeavor to achieve **over JPY 300 billion consolidated profit** before income tax expense during this period by exhaustively pursuing synergies between alliance partners and companies within the Group for both the existing and new businesses. The new businesses will be developed so that the **total amount of profit before income tax expense for new businesses accounts for approximately 20% of consolidated profit before tax**

Definition of new business

- Any business that utilizes innovative technologies such as those related to digital assets or blockchain
- Any business that became a part of the Group through M&A since April 2018

(Reference: Profit before tax for new businesses and its percentage in consolidated profit before tax expense in the past three fiscal years)

	FY2018	FY2019	FY2020	(JPY billion)
Profit before income tax expense for new businesses (IFRS)	-3.3	2.6	16.3	
Percentage in consolidated profit before income tax expense	—	3.9	11.6	

- Strive not only for organic growth in every Group business, but also for growth through M&A, etc., thereby consistently maintaining an **ROE of 10% or more**

Note 1: The abovementioned is a vision that the Company seeks to achieve in the medium-term, and since there will be changes in the business environment, there cannot be any guarantees on the achievement of the vision.

Note 2: The abovementioned is based on a premise that the world economic situation will not dramatically deteriorate within the next five years.

Note 3: The abovementioned differs from any medium-term management plans or performance targets.

3. Priority measures to achieve the new medium-term vision

- (1) The "Neo-securities Initiatives"**
- (2) The "Neo-bank Initiatives"**
- (3) Concentrating investment in next-generation industries**
- (4) Expanding the scale and sophistication of asset management**
- (5) Nurturing future promising business fields in the Biotechnology, Healthcare & Medical Informatics Business, including new entry into the Medical Informatics Business**

Priority Measures to Achieve the New Medium-term Vision

(1) **Neo-securities initiative** (SBI SECURITIES, SBI NEOMOBILE SECURITIES, SBI Neotrade Securities)

Neo-securities Initiatives:

Concept of commission-free trade for domestic online transactions

- ① The "**Neo-securities initiative**" was formulated by anticipating the near future of the securities industry
- ② Measures towards the realization of the "**Neo-securities initiative**"

In the U.S., Financial Platformers that Provide Apps that Allow Users to Easily Trade Stocks, Crypto Assets, etc. Without Fees are Making Great Strides

- In response to Robinhood's no-trading-fee model, major securities firms are also shifting their profit models. They will be forced to break away from a profit structure dependent on brokerage commissions

Robinhood is involved in an investment app that is used by over 13 million people and features no fees. The number of users, especially among young people, is rapidly increasing, and major securities companies are moving to abolish commissions in response to Robinhood's business expansion.

... Charles Schwab and TD Ameritrade followed Robinhood's model and became the first major securities firms to eliminate trading commissions on stocks, exchange-traded funds (ETFs) and options. They will make up for the decline in trading commission income by diversifying their revenue sources through deposits, margin lending, securities lending, and commissions from "robo-advisors" that automatically manage the asset management of individual investors.

(Jan. 22, 2021, The Nikkei (Japanese newspaper))

Based on these trends in the U.S., SBI Group foresaw that the same trend would become full-fledged in Japan, and took the initiative in striving to eliminate brokerage commissions (= Neo-securities initiatives)

The SBI Group has Continued to Pursue Synergies within the Group Towards the Realization of the "Neo-securities Initiative" while Promoting Diversification of Revenue Sources and Strengthening Profitability

-A certain outlook on ensuring profit levels compatible with Neo-securities initiatives through the diversification of revenue sources-

[Initiatives to expand customer base]

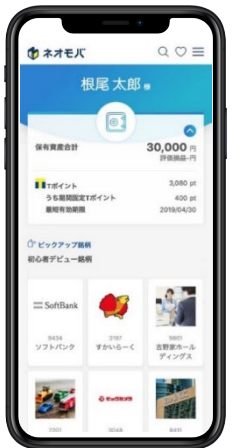
Launch of new initiatives to **accelerate the acquisition of a younger customer base**

[Initiatives to date for diversification of revenue sources]

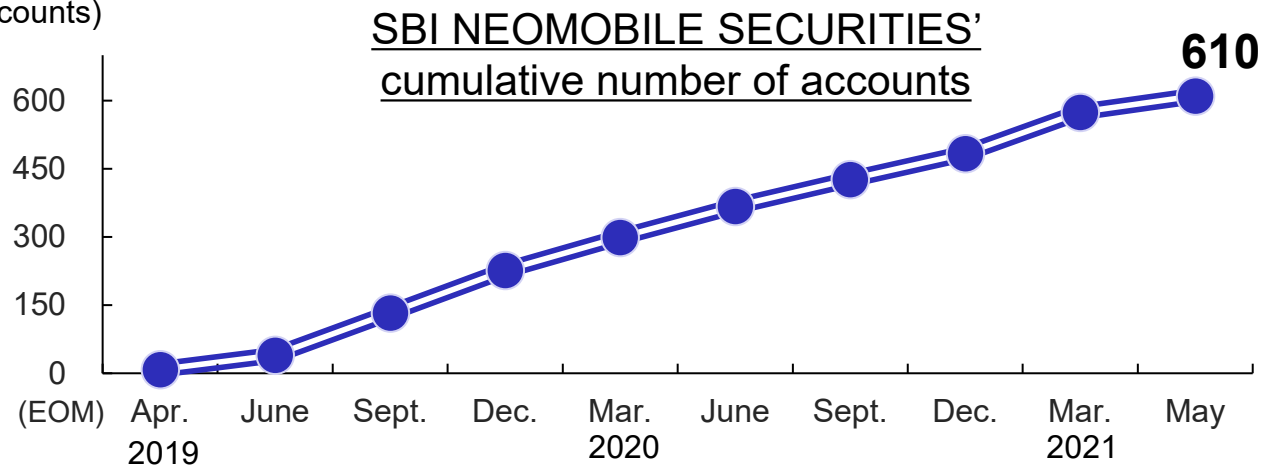
- **Trading revenues have rapidly expanded** through the strengthening of the **FX business** in 2008 and entry into the **digital asset** space in 2019
- **Expand business and strengthen the wholesale business line** in such areas as institutional investor services and underwriting primary and secondary equities and bonds
- **Strengthen products offering beyond domestic stocks, such as overseas stocks and real estate brokerage, for which demand is increasing**
- **Expand non-flow business, such as investment trust fees on mutual funds**
- **Strive towards the **increase of commission revenues outside of online business**, including strengthening the **IFA business** to meet the needs of in-person transactions**



SBI NEOMOBILE SECURITIES, which Targets Neophyte Investors and Millennials, is Rapidly Increasing Its Customer Base



(Thousand accounts)



- **51% of SBI NEOMOBILE SECURITIES customers are in their 20s and 30s, contributing to the acquisition of Millennials who will be the next customer base**
- **SBI NEOMOBILE SECURITIES has expanded its product lineup to include FX and warrants, in addition to domestic stocks, IPOs, iDeCo, etc. Will continue to strengthen product offerings that are in high demand**
- **In Nov. 2020, Sumitomo Mitsui Financial Group Inc. invested in SBI NEOMOBILE SECURITIES, based on capital injection and business alliance. SBI, in cooperation with the SMFG, endeavors to develop services that meet diversifying needs of the customers**

Launch of New Initiatives to Expand Customer Base, Including Promotion of Neo-Securities Initiatives (From April 20, 2021)

■ Focus on acquiring young customers

- **Commissions on domestic equities become effectively free of charge for underage customer accounts**
Starting April 20, 2020, commissions on domestic equities for underage customer accounts become effectively free through cash refunds for up to JPY 10,000 per month
- **Commissions on domestic equities become effectively free of charge for customers aged 25 and under**
Starting April 20, 2020, commissions on domestic equities for customers aged 25 and under become effectively free through cash refunds

[Fees for domestic stocks (Before)]

Standard Plan		Active Plan	
Contract Price	Fees	Total daily contract value	Fees
Up to JPY 50,000	JPY 50 (Tax included: JPY 55)	Up to JPY 1,000,000	JPY 0
Up to JPY 100,000	JPY 90 (Tax included: JPY 99)		
Up to JPY 200,000	JPY 105 (Tax included: JPY 115)		
Up to JPY 500,000	JPY 250 (Tax included: JPY 275)		
Up to JPY 1,000,000	JPY 487 (Tax included: JPY 535)	Up to JPY 2,000,000	JPY 1,162 (Tax included: JPY 1,278)
Up to JPY 1,500,000	JPY 582 (Tax included: JPY 640)	For each additional JPY 1,000,000 thereafter	JPY 400 (Tax included: JPY 440) Each thereafter
Up to JPY 30,000,000	JPY 921 (Tax included: JPY 1013)		
Over JPY 30,000,000	JPY 973 (Tax included: JPY 1070)		

[Fees for domestic stocks (After)]

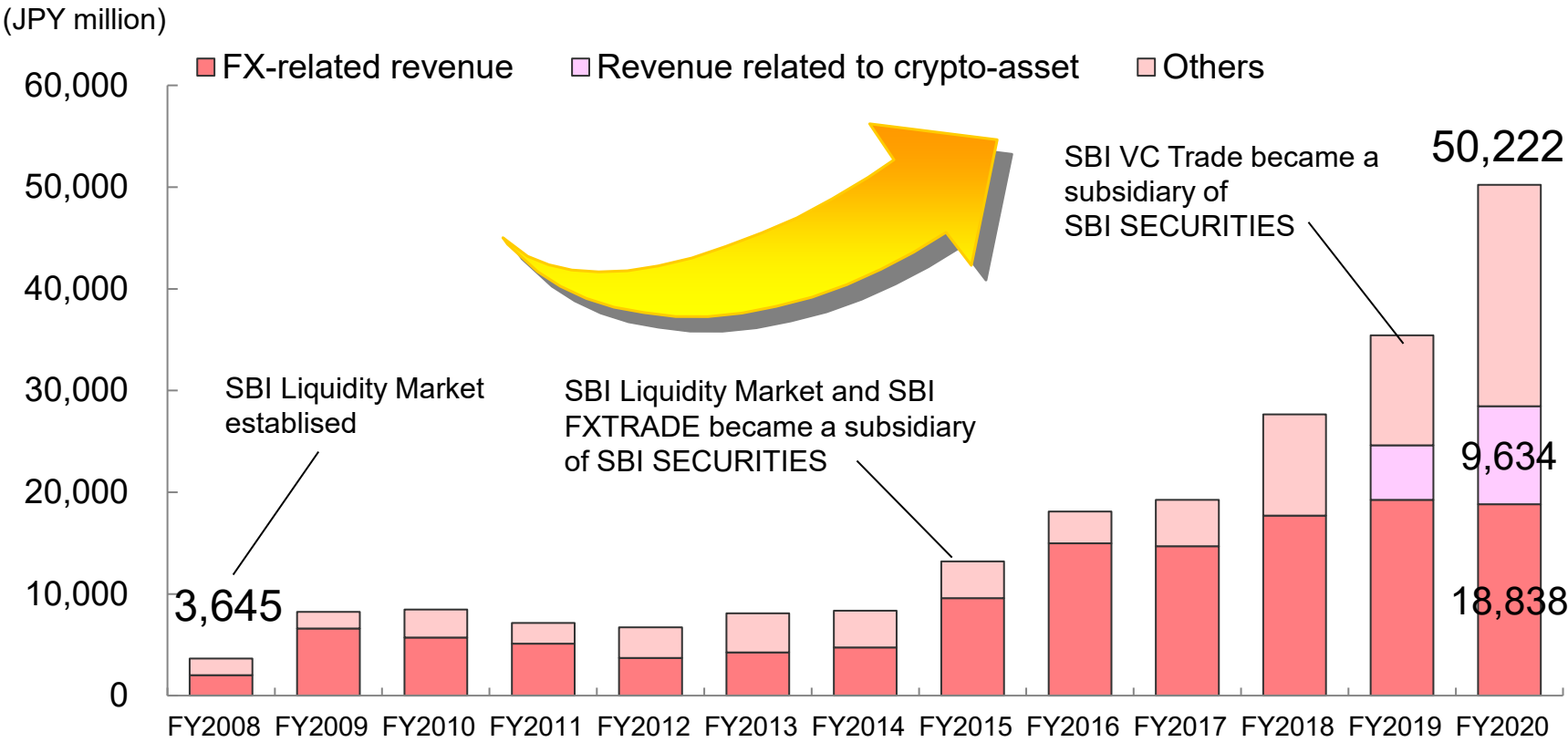
Both Standard and Active Plans	
Fees	
Customers aged under 25	Effective fee: *1 JPY 0

*1 Effectively free of charge due to cash refund on domestic equity trade commissions. Maximum monthly domestic equity cash refund for commissions on underage customer accounts is JPY 10,000 per month

Strive to rapidly expand the younger customer base by preceding Neo-securities initiative towards younger customers



At SBI SECURITIES, Trading-related Businesses Expanded, Owing to Significant Increase of Revenues by its Subsidiaries, SBI Liquidity Market (providing currency liquidity), SBI FXTRADE (FX trading business) and SBI VC Trade (digital asset trading business)



B2C2, a Consolidated Subsidiary of the Company Strengthens Cooperation with the SBI Group in Digital Asset- Related Businesses

B2C2 shows synergies within the SBI Group's corporate ecosystem

Operation of digital asset exchange



Other crypto asset exchanges outside of the SBI Group
FXcoin Etc.

Provide liquidity



Lend digital assets



Digital asset lending services

Provide liquidity

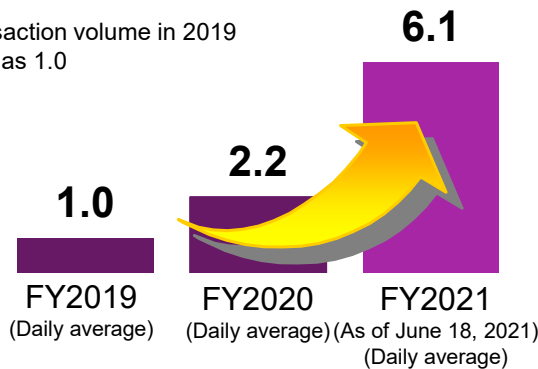


Digital asset CFD services



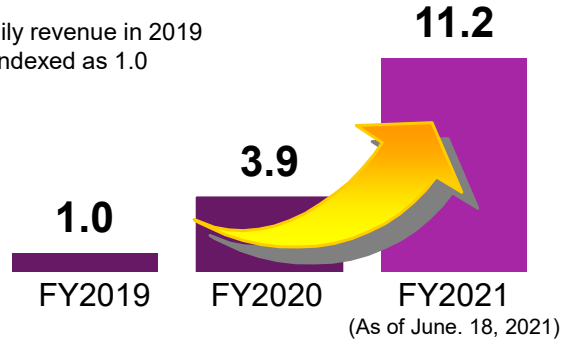
B2C2's daily average transaction volume has increased 6.1 times since FY2018

* Daily transaction volume in 2019 indexed as 1.0



Daily revenues have rapidly grown by 11.2 times compared to FY 2018

* Daily revenue in 2019 indexed as 1.0



As crypto assets gain global recognition as a new asset class, the role of B2C2 as a market maker is expected to grow further

Expand and Strengthen the Wholesale Business Line in such Areas as Institutional Investor Services and Underwriting Primary and Secondary Equities and Bonds

Underwriting business

IPO underwriting business

- Underwriting share of 93.0% is an industry leading figure
- Between Apr. 2020 through Mar. 2021, SBI SECURITIES underwrote 15 companies as lead manager, a record high

PO underwriting business

During FY2020, SBI SECURITIES underwrote 19 POs, with an underwriting value of 3.6 times YoY

Corporate bond underwriting business

Underwrote 25 corporate bonds in total, including that of Softbank

Brokerage business

- Strengthened the wholesale business structure by establishing SBI SECURITIES' Financial Institutional Sales Dept. in 2016
- SBI SECURITIES is strengthening the distribution of structured bonds (self-origination and distributed total of JPY 151.2bn* (Dec. 2015 – Mar. 2021)), domestic and overseas investment trusts, as well as bond transactions
- Alliance with a total of 460 client financial institutions by Mar. 2021

* Includes structured bonds toward retail customers

Expanding Business into the Real Estate Finance Business Field to Diversify the Lineup of Financial Instruments

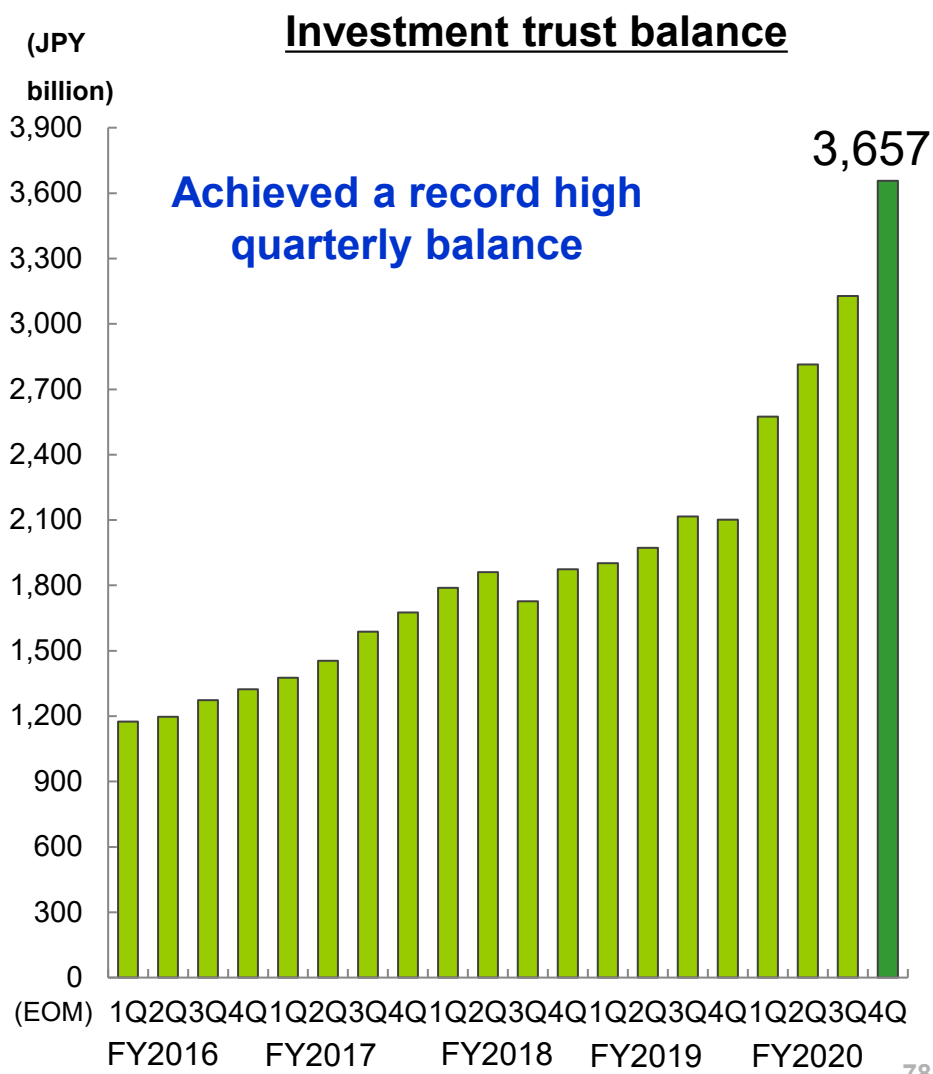
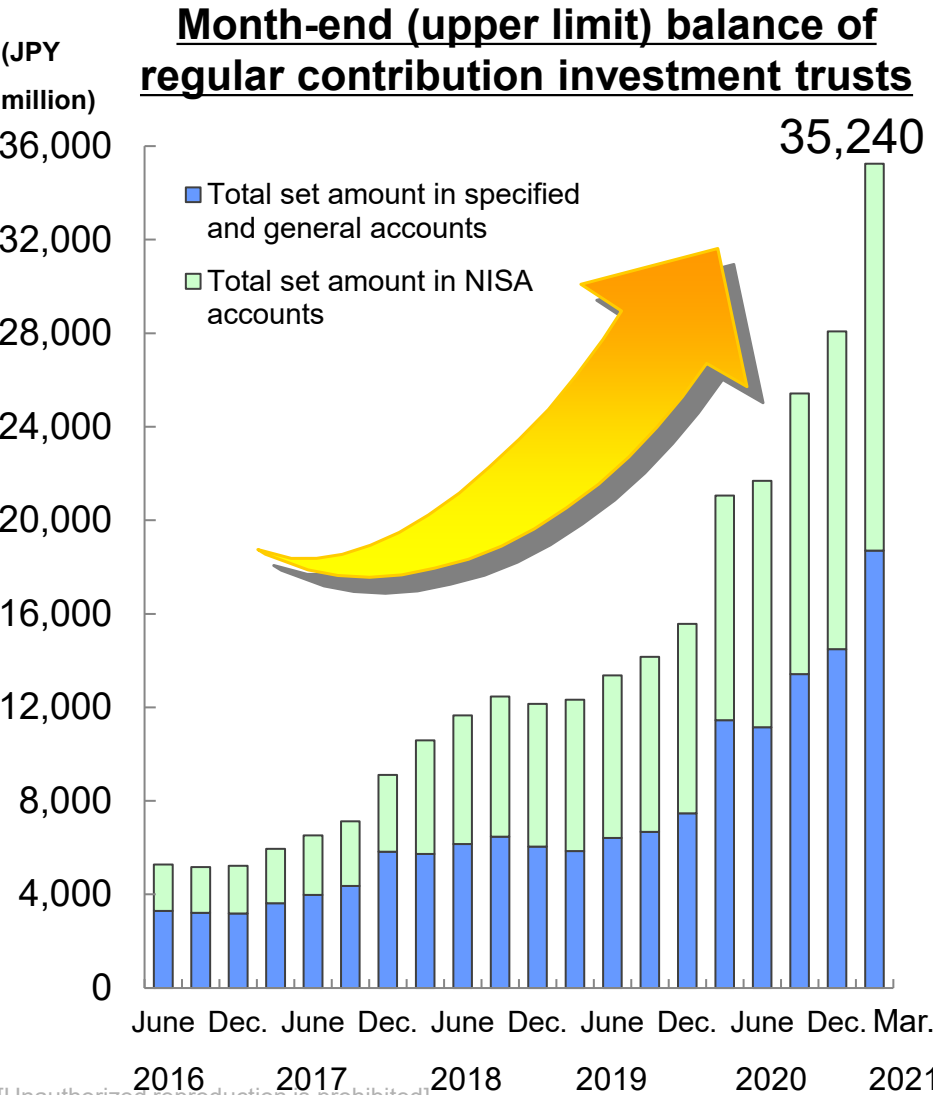
- In Dec. 2020, SBI MONEY PLAZA acquired shares of Ascot Corp. (35.01% of voting rights), and as the first step of a business alliance in the real estate field, SBI MONEY PLAZA, in cooperation with SBI SECURITIES, started selling to investors a real estate small-lot trust beneficiary interest fund that incorporate properties developed by Ascot in April 2021
- In June 2021, concluded a share transfer agreement with Tozai Asset Management Co., Ltd. which manages and operates real estate assets (planning to acquire 55.91% of the total shares by the end of Sept.). This acquisition of Tozai Asset Management, with its high level of expertise and excellent track record, has enabled the SBI Group to provide its customers with more high-quality products and services

The SBI Group's real estate finance business



Endeavoring to increase AUM and pursue synergies within the SBI Group by expanding business into real estate funds such as private REITs

Non-flow Businesses, Such as Trust Fees, Expanded Steadily Due to the Growth in the Balance of Investment Trusts



Strengthen Needs for Face-to-Face Transactions Through

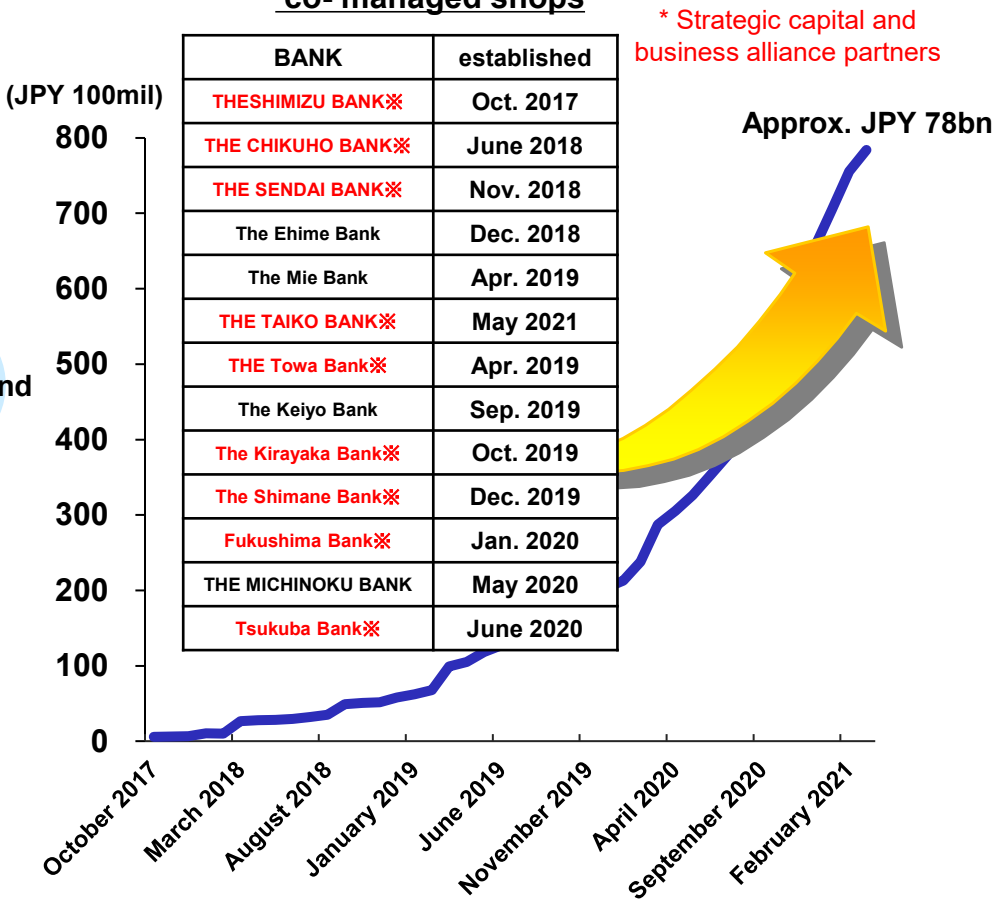
SBI MONEY PLAZA

-Number of co-managed shops with regional financial institutions increases to 20 shops with 13 Banks-

Changes in customers' Deposit assets at co-managed shops



* Operating leases and small real estate trust beneficiary interests can only be sold by SBI MONEY PLAZA employees



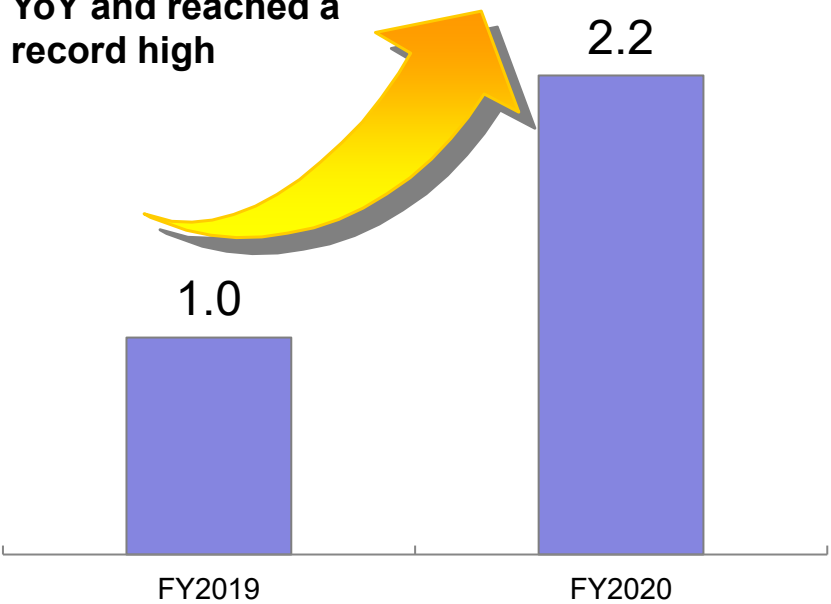
Plans to start operating a co-managed shop in July 2021 with **THE TOKUSHIMA TAISHO BANK** as the 14th bank

Strengthening the Independent Financial Advisor (IFA) Business

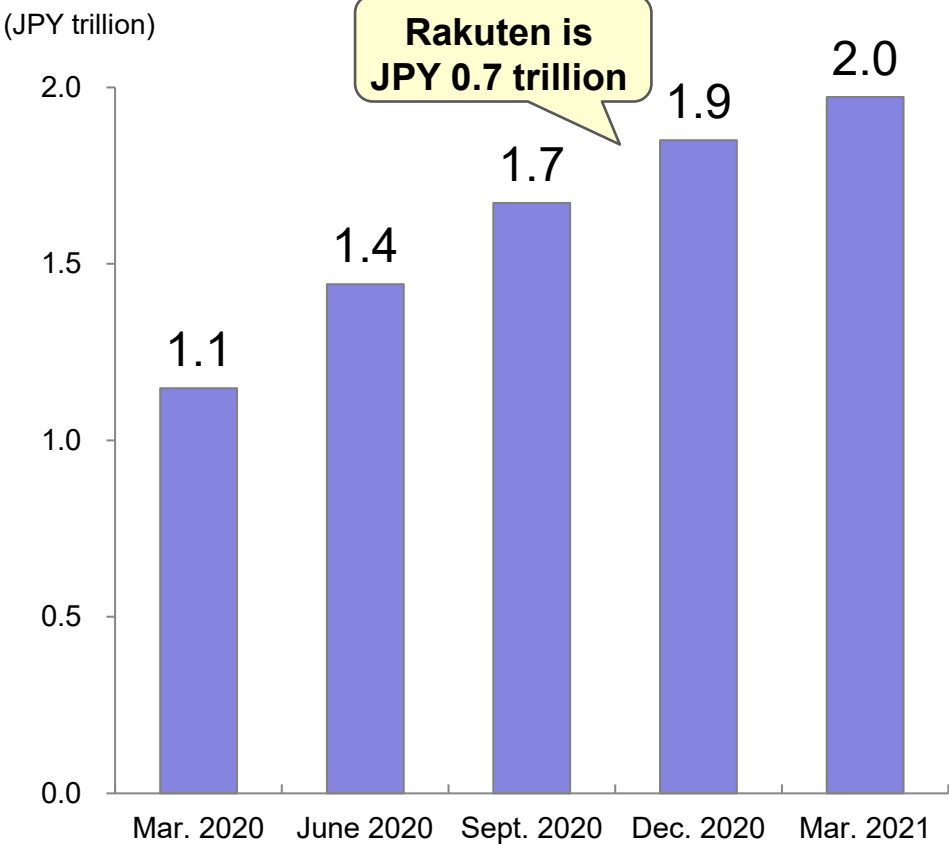
Revenue of SBI SECURITIES' IFA Business

* Revenue from IFA Business for FY2019 as 1

Revenue grew 2.2 times
YoY and reached a
record high



AUM trends of SBI SECURITIES' IFA business



*1 Complied by SBIH from disclosed data

*2 SBI's IFA business includes SBI MONEY PLAZA

Priority Measures to Achieve the New Medium-term Vision

(2) The Neo-bank Initiatives (SBI Sumishin Net Bank)

Neo-bank Initiatives:

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

- ① The **"Neo-bank Initiatives"** was formulated by anticipating the near future of the banking industry
- ② Measures to realize the **"Neo-bank Initiatives"**

As a market challenger, SBI Sumishin Net Bank continues to grow and aspires to be a Neo-bank platformer through the "Neo-bank Initiatives"

(2)-① The "Neo-bank Initiatives"

Unbundling of Banking Functions is Progressing, and Platformers Offering Banking Functions to Businesses are Emerging

(Background) Progress in fintech and the development of laws and regulations by authorities in various countries will accelerate the entry of venture companies with advanced technologies and non-financial businesses with huge customer bases into the financial sector

DBS Bank

Advanced Digital Bank in Singapore

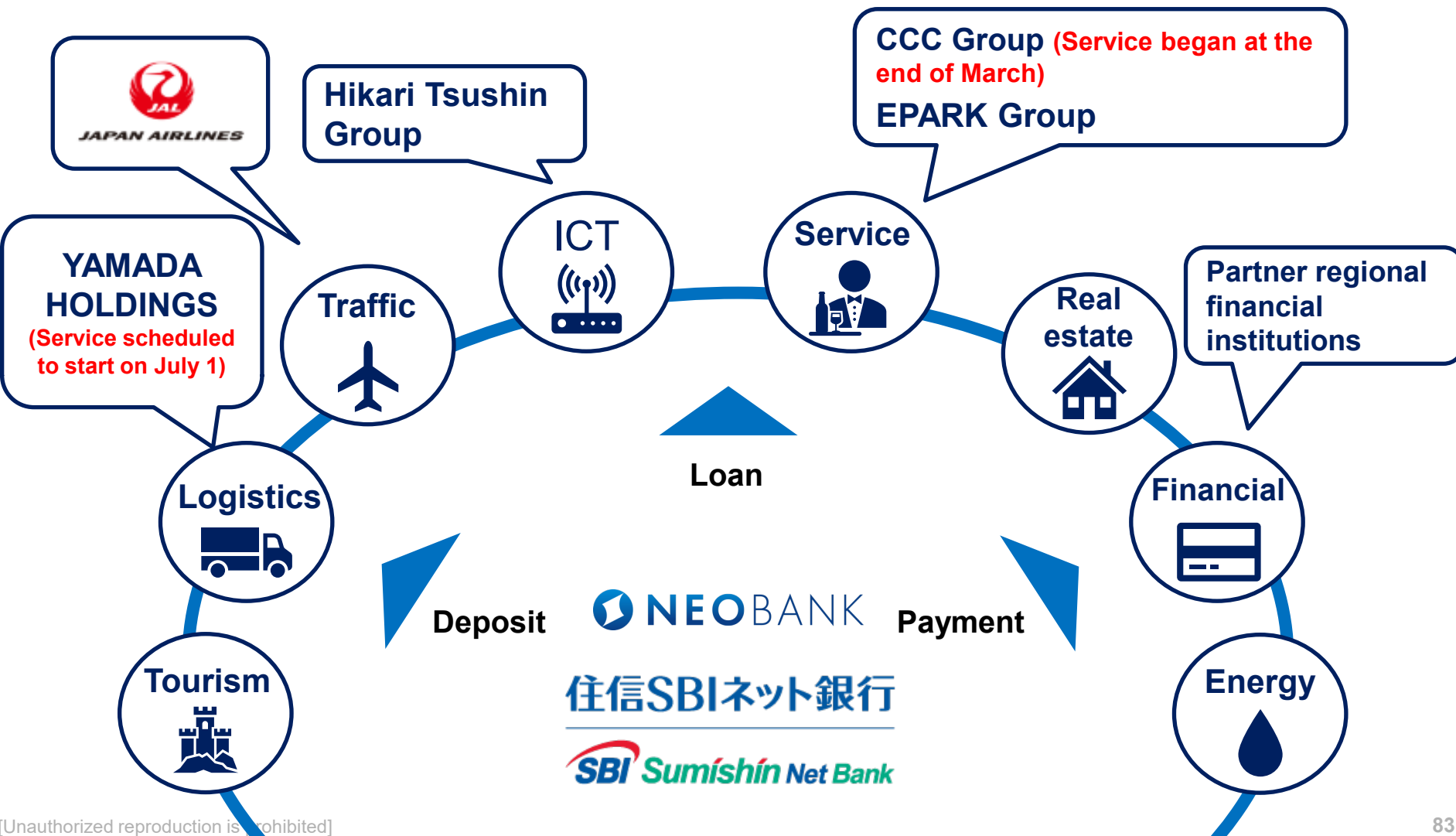
- Operating banking and securities brokerage businesses in 18 countries, primarily in Southeast Asia
- Deposits of USD 478bn, 29,000 employees (As the end of Mar. 2021)
- Selected as "World's best digital bank" in 2016 and 2018 by "Euromoney", a UK-based financial magazine
- Retail banking revenue growth of approximately 40%, between 2015 and 2018, driven by the Neo-bank strategy

【Examples of alliance companies and services】

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

The Neo-bank Initiatives Move into the Full-Fledged Deployment Phase

-Launched services with multiple and diverse partners-

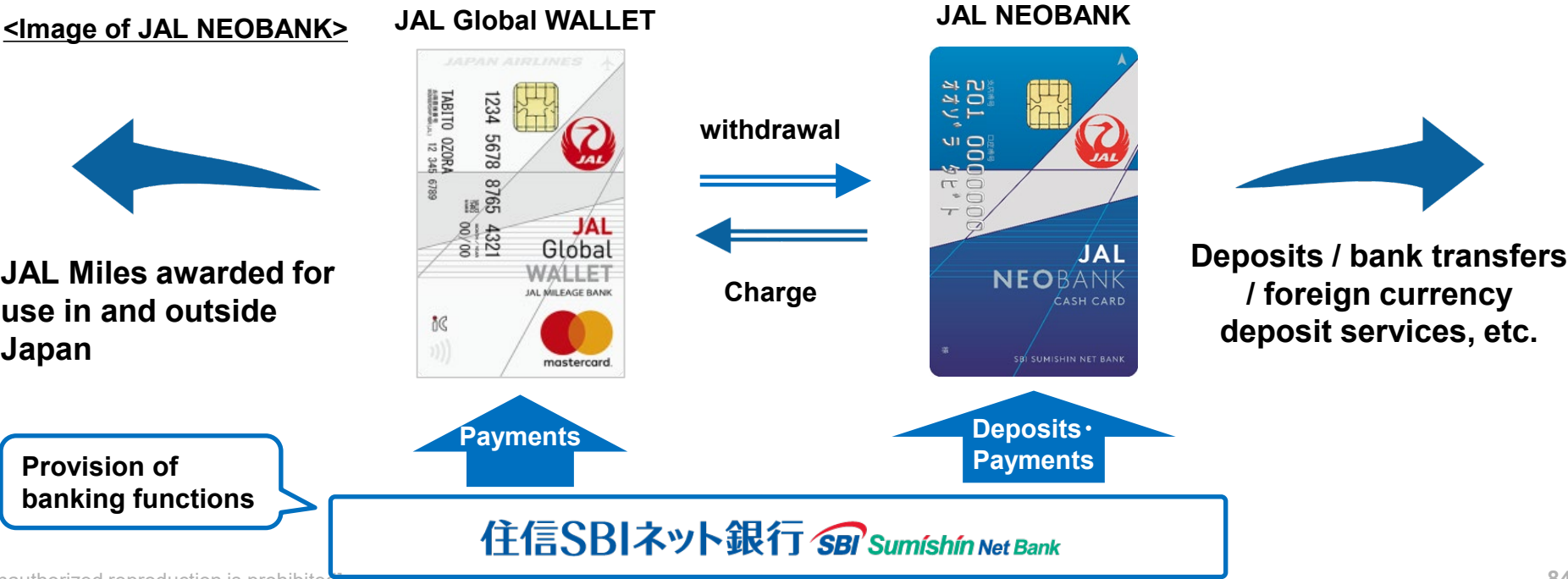


(2)-② Measures to realize the "Neo-bank Initiatives"

The First Project in the "Neo-bank Initiative," the "JAL NEOBANK," which is an Exclusive Banking Service for JAL MILEAGE BANK Members

JAL NEOBANK

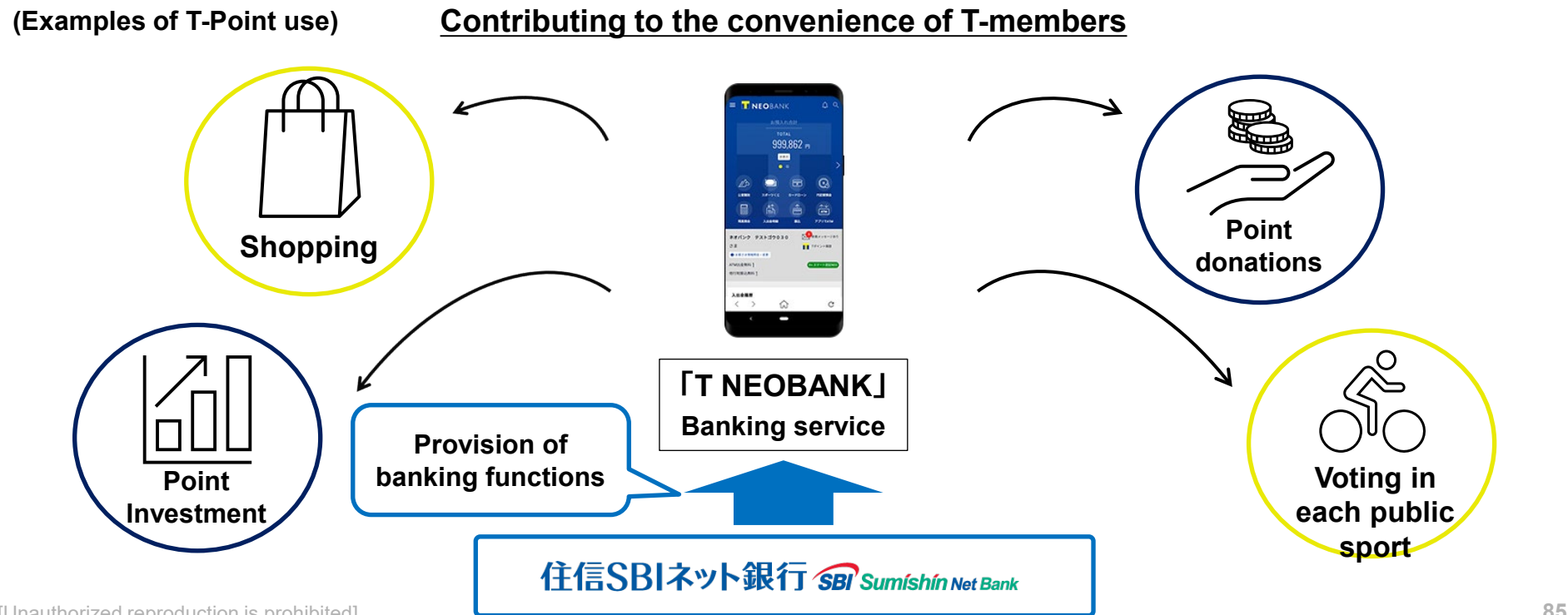
- Banking service provided by Japan Airlines Co., Ltd. utilizing cutting-edge IT technology of SBI Sumishin Net Bank
- By opening a dedicated account, users are able to use various banking functions that meet the demands of JAL users such as deposits, transfers to other banks and payments that can be completed on the app, as well as highly convenient services such as recharging the "JAL Global WALLET", which is a leading service, and earning miles based on payment amounts made and the balance of foreign currency deposits



Start of the Second Project in the "Neo-bank Initiative," "T NEOBANK," which is an Exclusive Banking Service for "T-Point Members"



- A banking service provided by SBI Sumishin Net Bank and CCC Group's T-MONEY exclusively for the approximately **70 million T-members**
- The service offers functions with high customer convenience, such as multi-factor/biometric authentication and the ability to use ATMs only with the app without using a cash card
- T-Points can be earned through various banking transactions such as salary receipt and account transfers, while accumulated T-Points can be used for various other services



The Third Project in the "Neo-bank Initiative,"
"YAMADA NEOBANK," which is a Banking Service for YAMADA
HD Customers, is Scheduled to be Available from July 1, 2021



- Banking services for approx. 60 million YAMADA Group customers provided by SBI Sumishin Net Bank and YAMADA HD subsidiary
- In addition to completing account opening in as little as three minutes, the company provides highly convenient services such as issuing debit cards with integrated cash cards and awarding YAMADA Points based on the use of banking functions
- Housing loan for exclusive use of "YAMADA NEOBANK" users with built-in furniture and home appliance loans is available

[Complete banking transactions with a single smartphone]

[YAMADA Points can be accumulated *1]

3つのメリット [Three merits]

[Merit 1]

メリット1

スマホ1つ

で銀行取引が完結

[Merit 2]

メリット2

ヤマダポイント

が貯まる ※1

[Merit 3]

メリット3

お申込完了から

最短3分

口座開設 ※2

[Account can be opened in as little as 3 minutes after application is completed *2]

*1 Depending on the campaign, benefits such as earning Yamada Points are applied

*2 This service is available to those who apply between 10:00 a.m. and 10:00 p.m. using the "Confirmation of Identity with Smartphone" service

Priority Measures to Achieve the New Medium-term Vision

(3) Intensive investment in core industries for the next generation

- **Contributing to the development of new industries and innovation through intensive investment in next-generation core industries such as AI, blockchain, and fintech, and the use "Special Acquisition Purpose Company (SPAC)" an exit for strong fund performance**

SBI Group has Invested Intensively in Fintech and Other High-Technology Areas through the Following Two Funds Established by SBI Investment

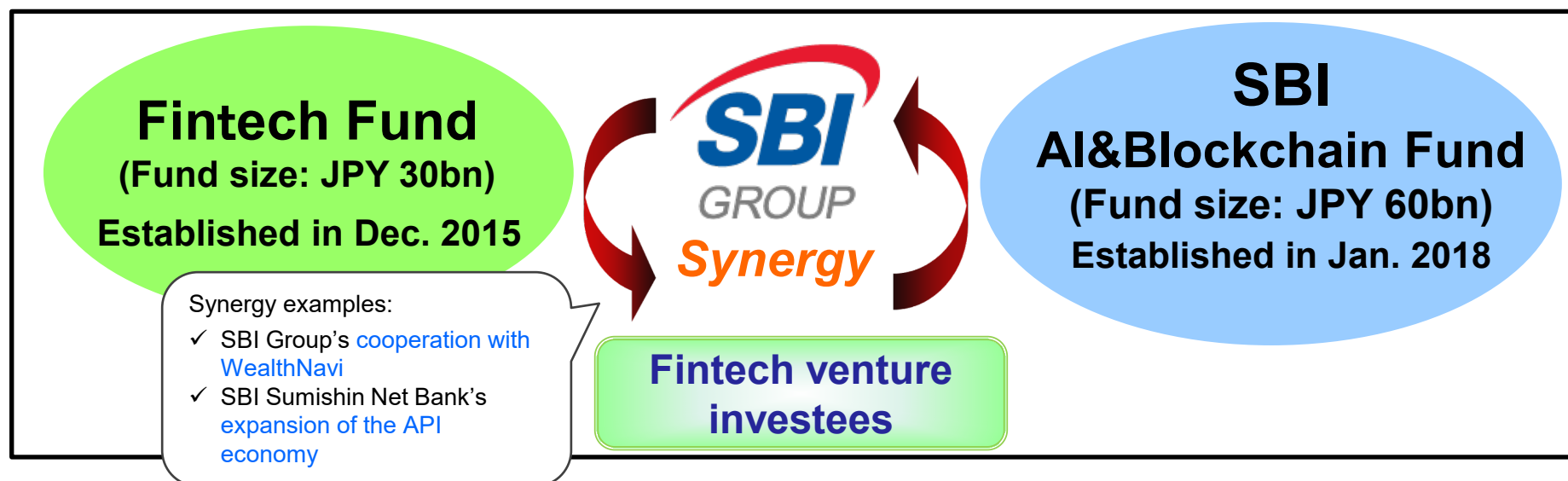
SBI Group has invested a total of approx. JPY 120.5 bn in 171 companies in the fintech fields etc.

<Investment results>

Investment of approx. JPY 78.0bn into 171 companies has been decided collectively from the two funds. Investment of approx. JPY 120.5bn has been decided, including the co-investment of SBI Holdings, etc. The Fintech Fund: approx. JPY 25.5bn SBI AI&Blockchain Fund: approx. JPY 52.5bn
Co-investment from SBI Holdings, etc. : approx. JPY 42.5bn

<Exit results>

20 IPOs to date; 5 exits through equity sale to a third party



SBI Investment Aggressively Invests in Asia, America, and Europe, as Well as in Japan

-Invested in 1,000 companies since inception through management funds, of which 172 (17.2% of investee companies) have already been exited through IPO or M&A-

Cumulative number of investee companies 1,000	Domestic	Overseas	Cumulative number of investee companies 172	Domestic		Overseas	
	807	193		IPO	M&A	IPO	M&A
				96	17	33	26

(As of May 31; Unit: Companies)



Apr. 2021, SBI Investment Announced They will Manage the "SBI 4+5 Fund" at JPY 100 bn, one of the largest Venture Fund in Japan

SBI 4+5 Fund

GP:  *SBI Investment*

(official name : SBI 4&5 Investment Limited Partnership、 SBI 4&5 Investment Limited Partnership No.2)

■ Investment areas :

In addition to fintech, AI and blockchain, the investment focus will include core technologies such as 5G, IoT and big data that will advance the realization of "Society 5.0 for SDGs," and innovative technology and service fields which will propel "Industry 4.0" such as robotics, along with healthcare (medical and nursing care), infrastructure (transportation and energy) and foods and agriculture, etc.

Over 100 investors participating, including more than 40 regional financial institutions, institutional investors, leading financial institutions, and leading operating companies

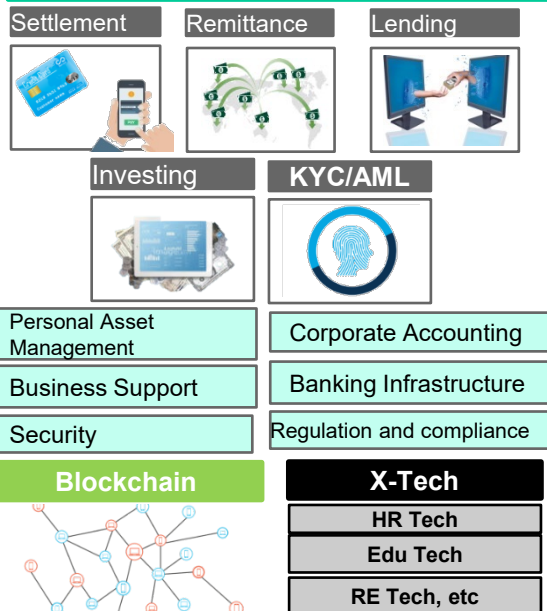
SBI Investment is Investing Full-scale with the "SBI 4+5 Fund", One of the Largest Venture Funds in Japan

- Investment areas: In addition to fintech, AI and blockchain, the investment focus will include core technologies such as 5G, IoT and big data that will advance the realization of "Society 5.0 for SDGs," and innovative technology and service fields which will propel "Industry 4.0" such as robotics, along with healthcare (medical and nursing care), infrastructure (transportation and energy) and foods and agriculture, etc.

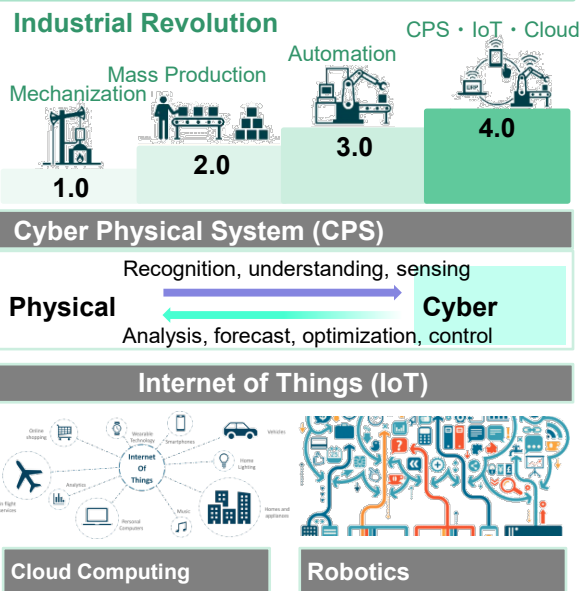
* Investment area images

Society 5.0 for SDGs (Sustainable Development Goals)

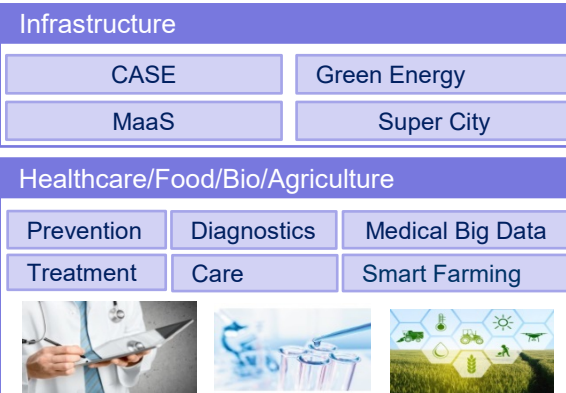
Fintech



Industry 4.0



"Data-driven Society"

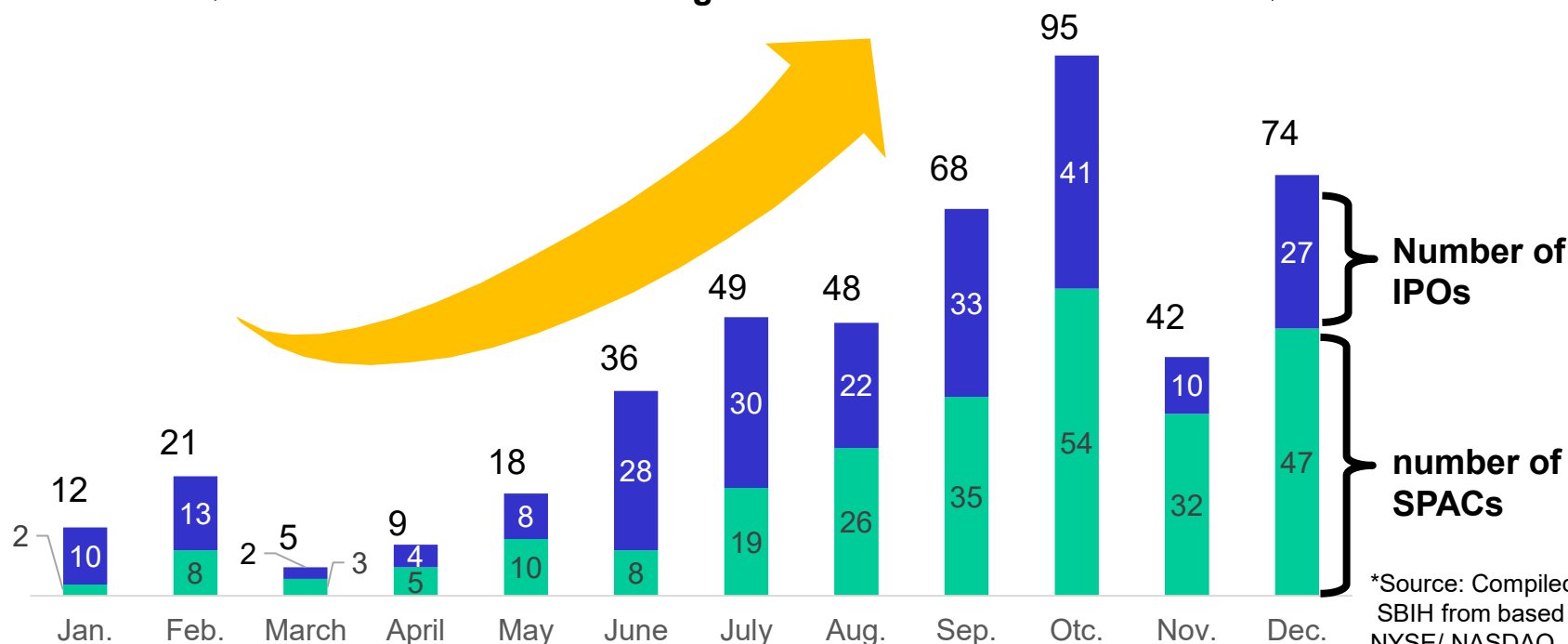


AI • 5G • Big Data



High Performance of Managed Funds Expected through the use of SPACs, which has been Rapidly Increasing in the US in Recent Years

<Trend of IPO and SPAC listings on the US stock market in 2020*>



*Source: Compiled by SBIH from based on NYSE/ NASDAQ publication materials

<Estimated valuation of SBI Group Investee companies that announce SPAC listing>

Company Name	Service	SPAC Schedule	Value estimate
SoFi (U.S.) Social Finance Inc.	Student loans, personal loans, housing loans	Listed June 1, 2021	USD15.4B (As of 28 June)
eToro (Israel) eToro Group Ltd.	Development and provision of online financial transaction platform	Sept. 2021	USD10.4B

Priority Measures to Achieve the New Medium-term Vision

(4) Expanding the scale and sophistication of asset management

With the growing importance of securities management at regional financial institutions, expand assets under management from regional financial institutions by optimizing and upgrading their portfolios in line with current trends

Japanese Market Attractive to Money Managers around the World

- ✓ Japan has an enormous amount of personal financial assets valued at JPY 1,946tn
- ✓ If 20% of the "cash and deposits," which account for more than 54% of personal financial assets, were transferred to pension funds, etc., new investment funds would be created, which will attract money managers from around the world
- ✓ The design of incentives to move funds from "cash and deposits" to pensions and other assets may promote the movement of funds

Household financial asset composition (by region)

Region	Household financial assets	Cash and deposit ratio
Japan	JPY 1,946tn	54.3%
U.S.	JPY 11,696tn	18.3%
EU	JPY 3,165tn	34.9%
(Britain)	JPY 1,138tn	25.5%
Singapore	JPY 121tn	35.2%

*Source: Bank of Japan, FRB, ECB, UK Office for National Statistics, Singapore Bureau of Statistics

*As of end-September 2020 for Japan, UK and Singapore, end-March 2020 for US and Euro area

*Currencies are converted into yen as of June 25, 2021 with prices of ¥103.24/\$, ¥126.09/€, ¥141.16/£, ¥78.16/S\$

Tremendous Opportunity to Expand Investment Management Contracts from Regional Financial Institutions

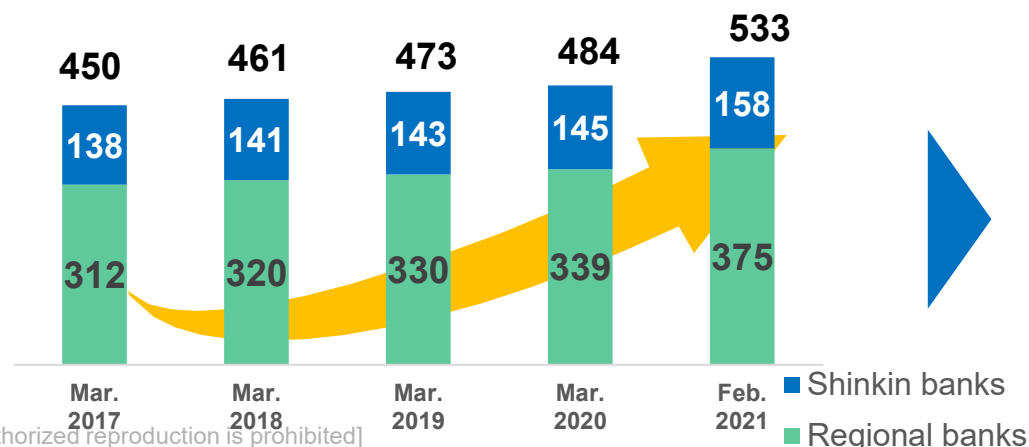
-Demand among regional financial institutions for outsourcing of more sophisticated and diversified securities management is growing-

Factors that are increasing the need for outsourcing of investment operations

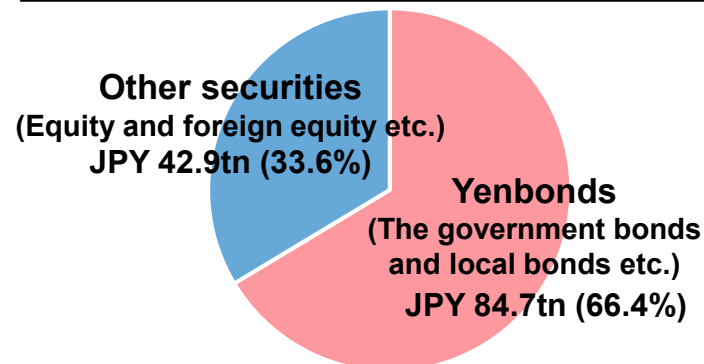
- Decrease in core business earnings due to continuation of negative interest rate policy
- Balance of operating securities of regional financial institutions: **Approx. JPY 127.6tn***
Of which the outstanding balance of low-yielding yenbonds is **approx. JPY 85tn**
- About 40% (about JPY 15tn) of the government bonds and local bonds held by regional financial institutions will be redeemed by around 2022, and profitability is declining year by year
- **Lack of human resources capable of dealing with global asset allocation**

* As of the end of Feb. 2021

Deposits of regional financial institutions (JPY trillion)



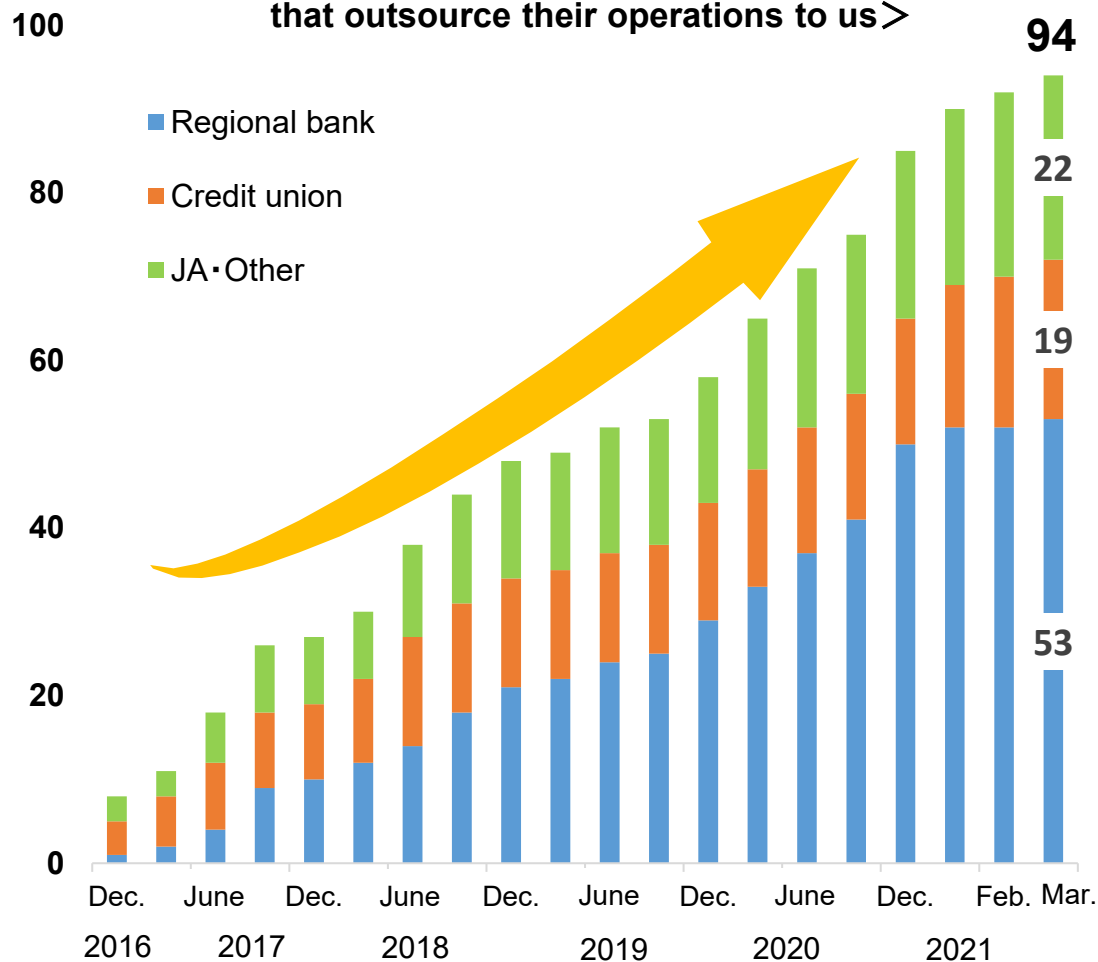
Balance of operating securities of regional financial institutions: JPY 128tn



SBI Asset Management Group (SBIAMG) is Entrusted with Asset Management of 94 Regional Financial Institutions

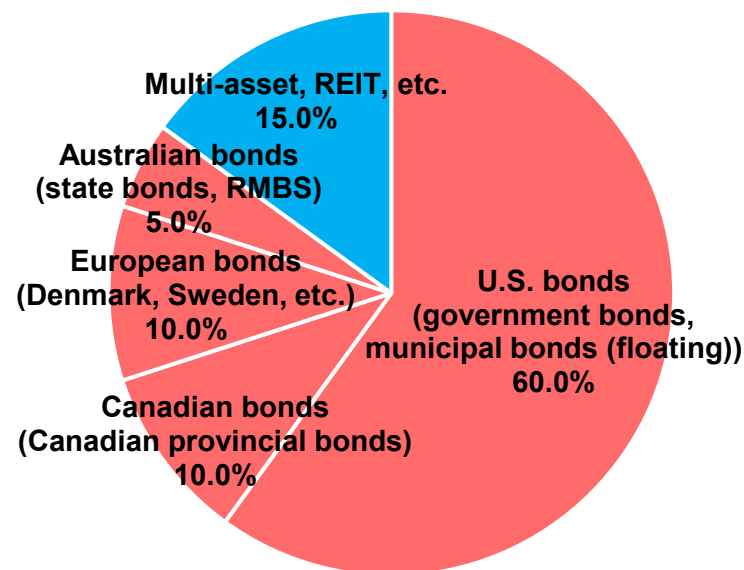
-Providing investment products that leverage the strength of the Group's global network-

<Number of regional financial institutions that outsource their operations to us>



<Composition of investment products at SBIAMG for regional financial institutions by investment target>

Products that target to increase valuation gains

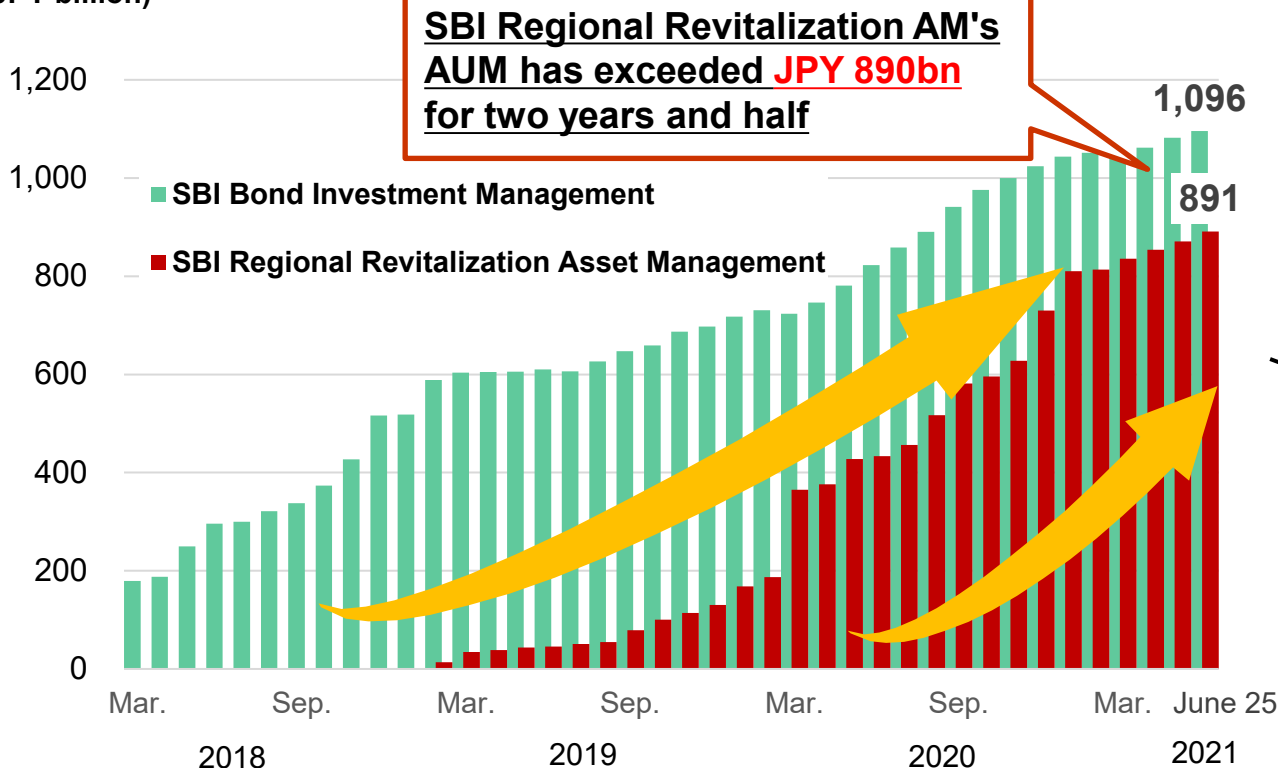


Products that target to earn stable periodic income

Balance of AUM from Regional Financial Institutions Is Approximately JPY 1.9tn

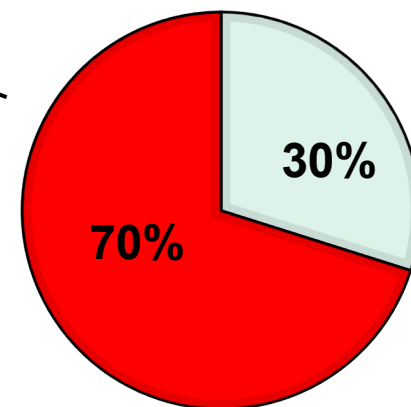
- SBI Bond Investment Management (co-founded with PIMCO, one of the world's largest bond investors) and SBI Regional Revitalization Asset Management, which is co-invested by 39 regional financial institutions, have consistently provided customized investment products for each client, mainly highly rated and highly liquid overseas bonds, at extremely low cost
- SBI Regional Revitalization Asset Management has been entrusted with the asset management of JPY 890bn and real yields, which were previously negative, have improved substantially as a result of portfolio reevaluation

(JPY billion)



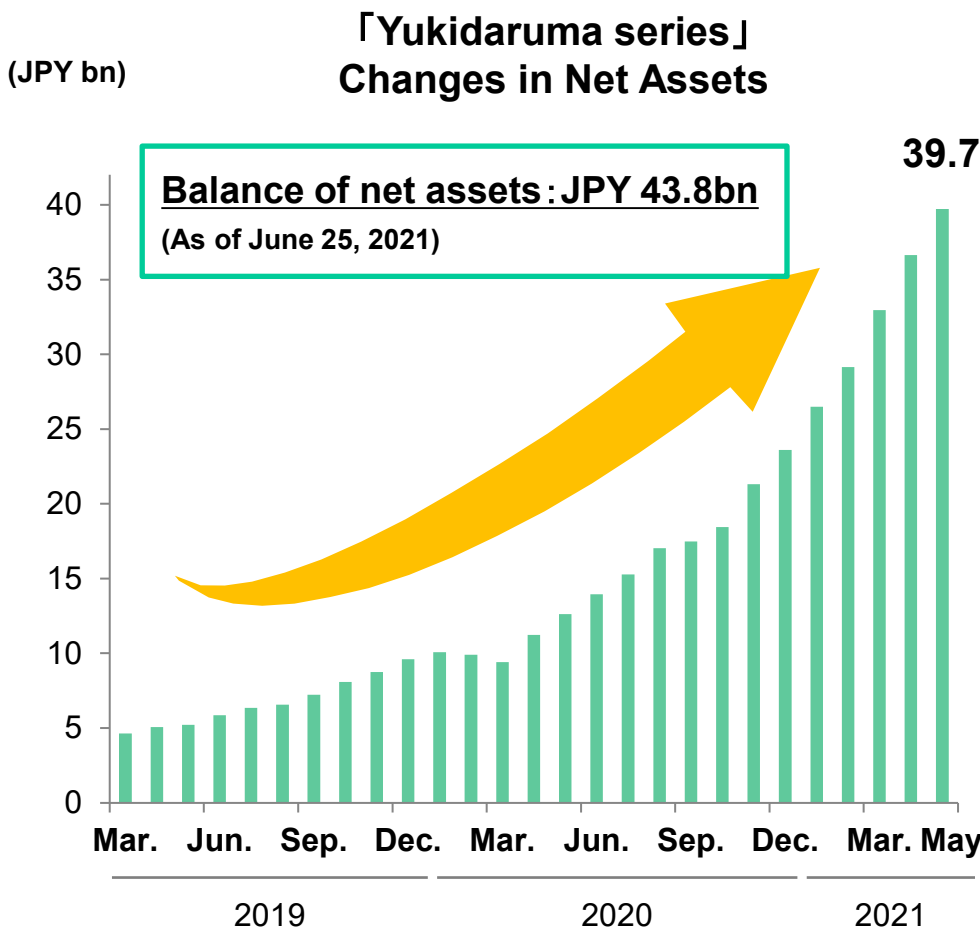
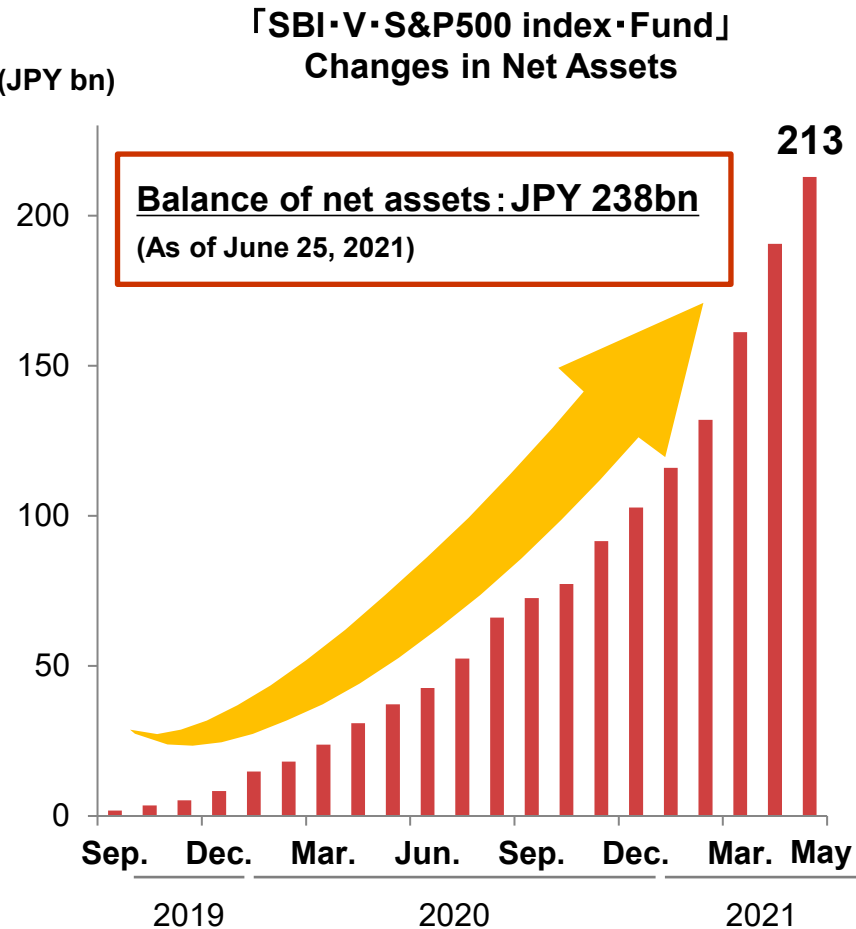
The breakdown of the amount of assets under management

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



(As of the end of Mar. 2021)

Funds such as the One Co-founded in 2019 with U.S. Vanguard (One of the World's Largest Investment Management Company) are Steadily Growing their Net Asset Balance

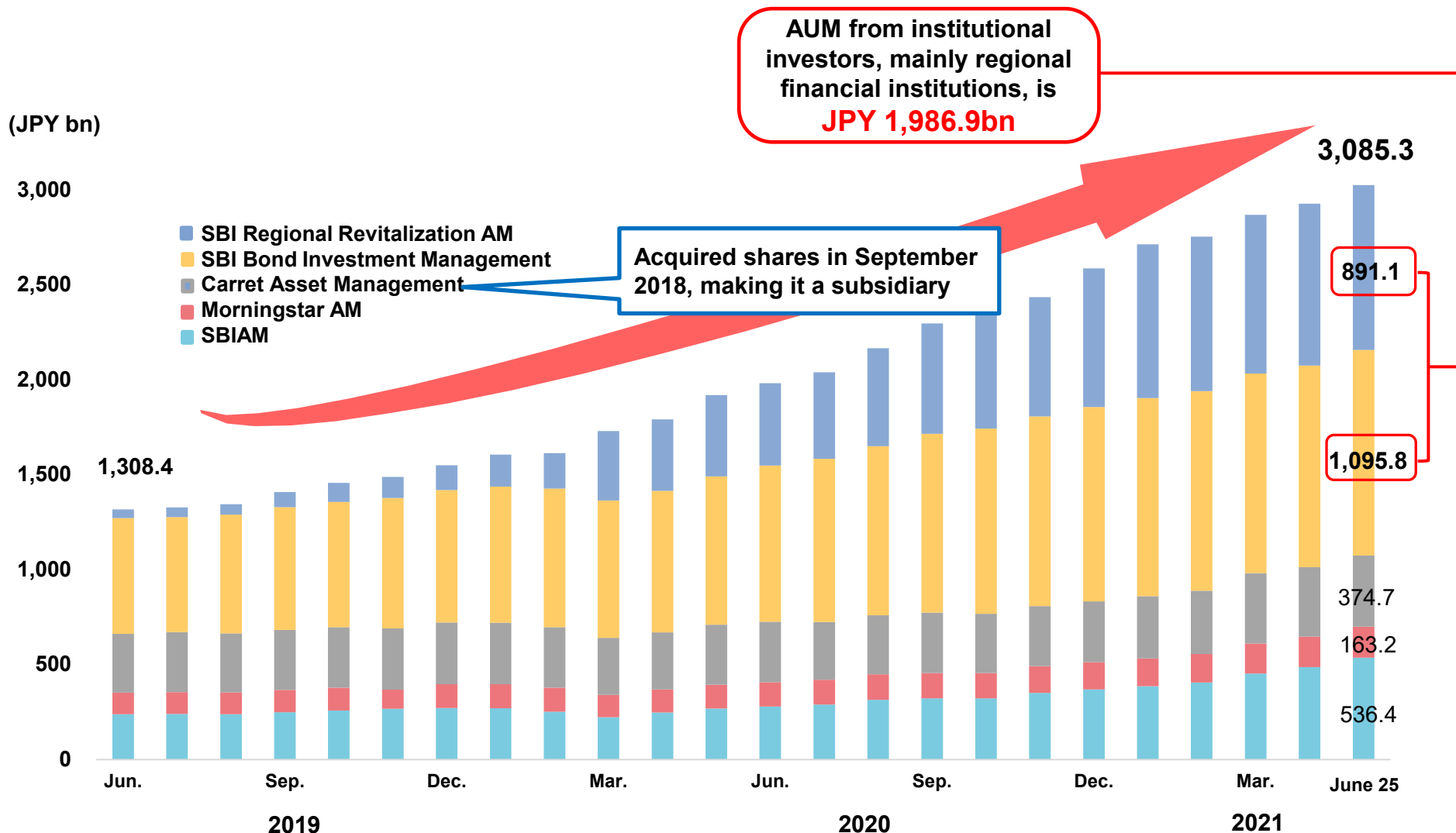


*1 Name changed from "SBI Vanguard S&P500 Index Fund" on June 15, 2021
*2 Calculated by the exchange rate as of the end of each month
*3 Yukidaruma series is the total balance of "the Global Equity Index Fund", "Emerging Markets Equity Index Fund", and "Developed Markets Equity Index Fund."

(4) Expanding the scale and sophistication of asset management

SBI Asset Management Group Expands AUM through Alliances with Leading Overseas Asset Management Companies as well as Through M&A

-Balance of investment assets exceeds JPY 3tn-



* Figures include investment advisory balance

Increased Sales of Newly Established Funds at Rheos Capital Works, which was Made a Consolidated Subsidiary on June 2020, at Co-managed Shops Operated by SBI MONEY PLAZA and Regional Financial Institutions



RHEOS CAPITAL WORKS

Rheos Capital works

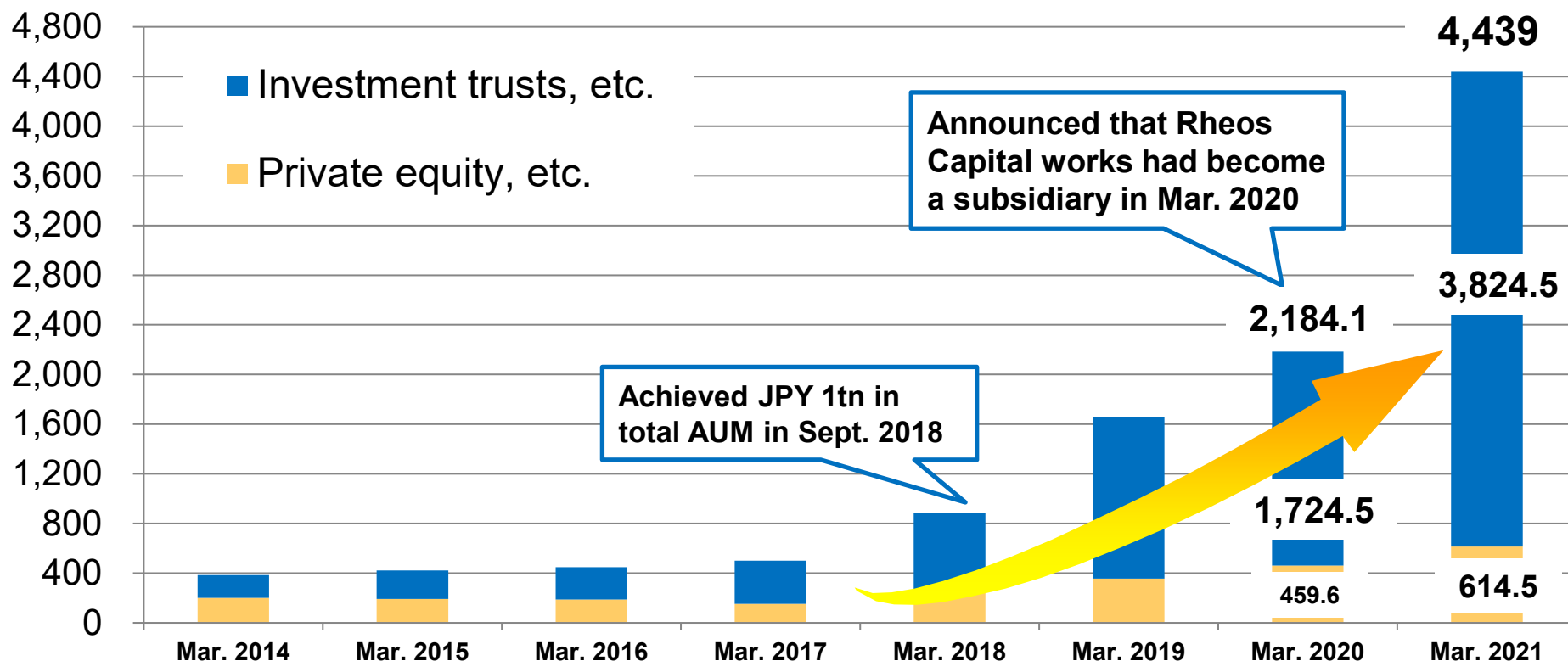
- On June 30, 2020, acquired 51.28% of the outstanding shares of Rheos Capital Works, a company that manages investment trusts under the "Hifumi" brand, which has received high praise from individual investors, and converted it to a consolidated subsidiary
- As of May 25, 2021, the balance of assets under management surpassed **JPY 1tn**
- Started selling newly established funds "*Marugoto-hifumi*" and "*Hifumi-raito*" in March and those are progressing steadily, especially in sales to customers who have not been managing their assets, mainly at co-managed shops operating by SBI MONEY PLAZA and regional financial institutions



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 assets under management, as well as that of the SBI Group as a whole

SBI Group's Assets Under Management, including Private Equity, exceeds JPY 4.4tn and aims to have AUM exceed JPY 10tn by March 2026 at the Latest

(JPY bn)



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

*3 "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.

*4 "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.

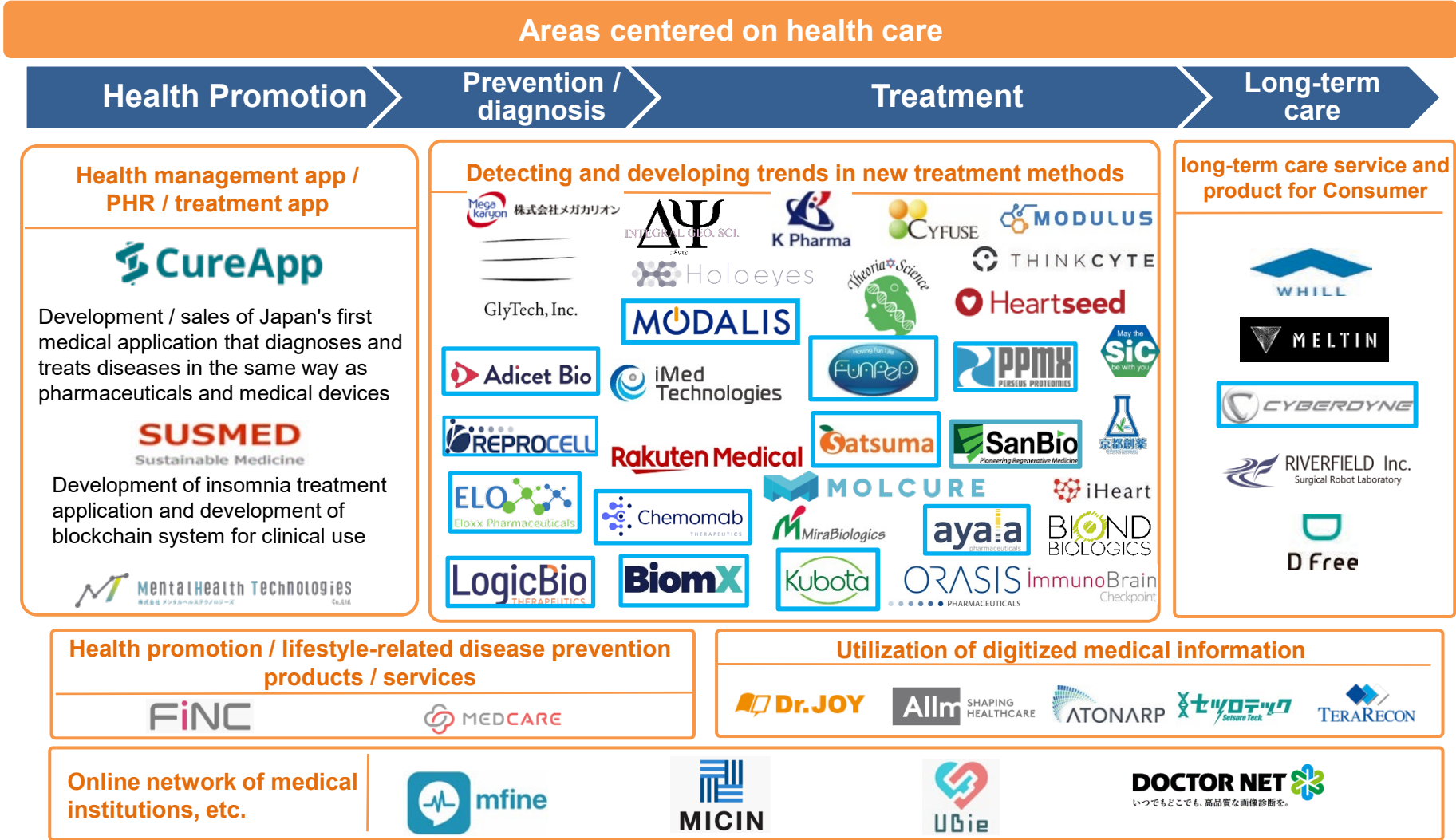
Priority Measures to Achieve the New Medium-term Vision

(5) Nurturing future promising business fields in the Biotechnology, Healthcare & Medical Informatics Business, including new entry into the Medical Informatics Business

- **The SBI Group is expanding investment in venture companies that are responsible for innovation in the medical field**
- **In response to the low accuracy of the medical statistical data problem exposed during the spread of COVID-19, the medical informatics field is positioned as one of new innovations toward future business developments in order to solve this problem**
- **Promote "Health Account" business in preparation for further tightening of benefits covered by public medical insurance, foreseen by changes in Japan's vital statistics and fiscal conditions**
- **5-ALA-related business, started in 2008, accelerates research and product development for the "with corona" era**

The SBI Group is Expanding Investment in Venture Companies that are Responsible for Innovation in the Medical Field

= IPO'd



**Strengthen the Medical Informatics Business
as a New Business Area through Medical Data Vision ("MDV")
Which Became an Equity Method Company in October 2020**



(SBI Group's shareholding: 20.69%, as of the end of December 2020)

- MDV provides a system to support hospital management based on data (DPC data) created by hospitals for claiming medical fees
- The share of high-performance hospitals using DPC system (Diagnosis Procedure Combination; a bundled payment system) is about 45%, with 1,757 facilities nationwide, with a huge amount of medical data from hospitals and health insurance associations (actual number of patients: 35.48 million *as of the end of Mar. 2021)
- With the spread of the new coronavirus, efforts to utilize health, medical, and nursing care data are in full swing, and the government's promotion of PHR (Personal Health Record) supports MDV's business. MDV's PHR service "Karteco" has already been used by about 30,000 people.

Real-time clinical data
DPC data
Health insurance data



Details of the business alliance between the SBI group and MDV:

- Development of new products and services in the fields of finance and healthcare
- Promotion of businesses that contribute to the revitalization of local economies and regional medical care
- Strengthening cooperation with SBI subsidiaries and companies invested by the SBI Group in the medical and healthcare business area

MDV and SBI FinTech Solutions Start Joint Business as the First Business Alliance with the SBI Group (Announced on April 12, 2021)



**Concluded a business alliance agreement,
mainly on financial services for medical institutions**

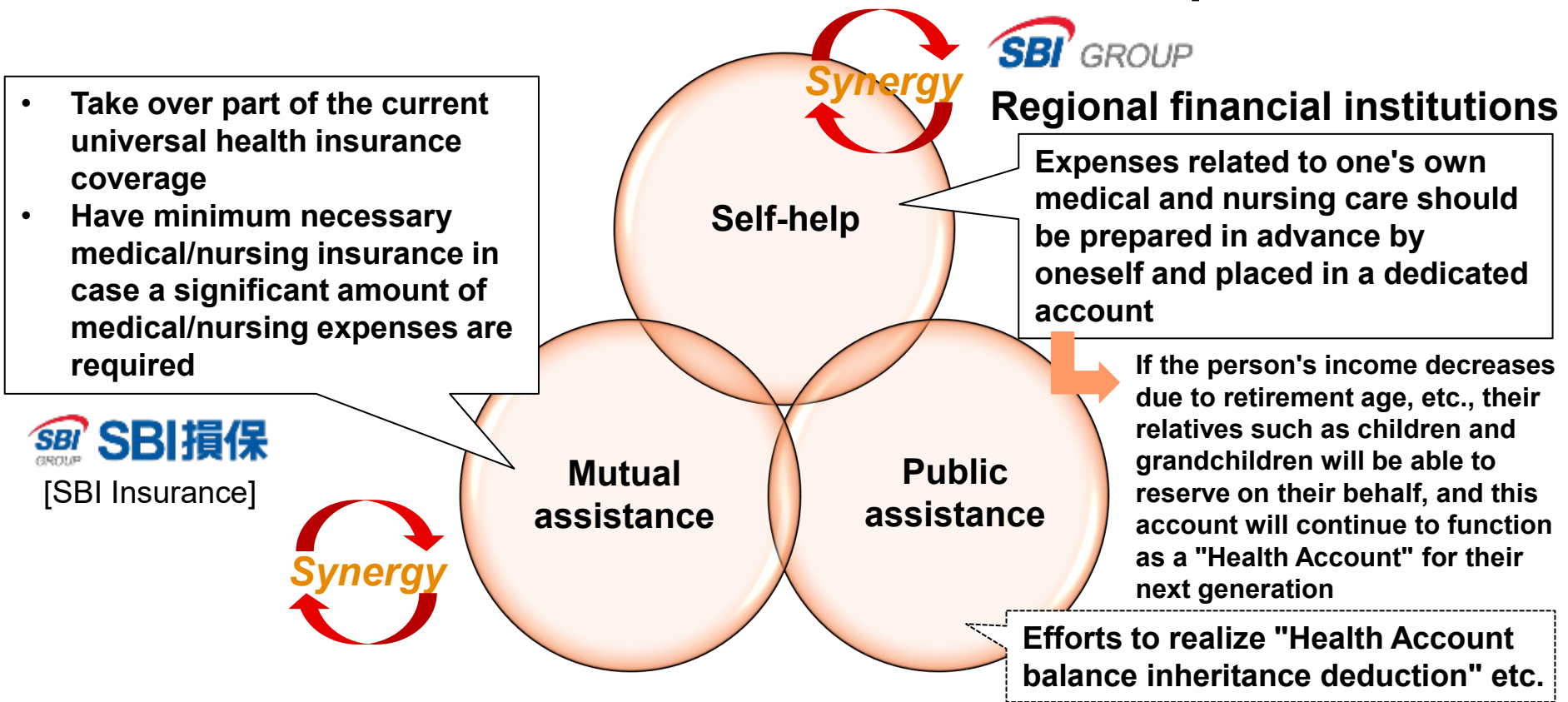
**Plan to develop factoring services for medical institutions
by utilizing MDV’s network with medical institutions and
SBI FinTech Solutions’ financial expertise**



**Respond to the financial needs of medical
institutions with early funding**

Promote "Health Account" Business in Preparation for Further Tightening of Benefits Covered by Public Medical Insurance, Foreseen by Changes in Japan's Vital Statistics and Fiscal Conditions

"Health Account" business concept



Japan Medical Business Corporation ("JMB," 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 (Medical Expenses Technologies) with JMB

New Service "Health Account" to Prepare for Future Medical and Nursing Expenses
-Expanding this solution to regional financial institutions-

① Deferred payment service for medical expense

When sick

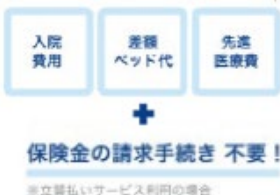
- ✓ Medical expenses can be debited from a bank account another day
- ✓ Medical institutions can save time/effort to recover advance payments for medical expenses



② Medical insurance

When sick

- ✓ The insurance will cover the deductible for actual incurred hospitalization expenses
- ✓ JMB-affiliated company undertakes the troublesome process of claiming insurance payments from the insurance company



③ Apps for healthcare management

When healthy

- ✓ Users need only measure weight and body fat percentage on occasion; no need to record every meal.
- ✓ A healthcare management apps makes all health data at the user's disposal



④ Nurse call

When concerned

- ✓ Users can easily consult with dedicated nurses on the phone whenever they are worried about their health or have sudden illness



In principle, the initiation period for each region will be one regional bank per one prefecture

Under discussion with several regional financial institutions

Published Papers on COVID-19 and 5-ALA

- A paper on the infection-suppressing effect of 5-ALA on the new coronavirus by cell culture experiments was submitted by the Institute of Tropical Medicine, Nagasaki University, and the pre-print became available on the *bioRxiv* site (Oct. 28, 2020)
(Reference <https://doi.org/10.1101/2020.10.28.355305>)
- Nagasaki University announced the start of specific clinical research using 5-aminolevulinic acid phosphate for patients with new coronavirus infection (COVID-19) (Oct. 29, 2020)
- The SBI Group announced the case reports on treatment with 5-aminolevulinic acid phosphate for patients with new coronavirus infection (COVID-19) (Jan. 14, 2021)



The case reports will soon be published in the international academic journal "The Open COVID Journal" specialized in the research and therapy of COVID-19

- A paper on the infection-suppressing effect of 5-ALA on the new coronavirus by cell culture experiments was submitted by the Institute of Tropical Medicine, Nagasaki University, and was officially published in the international academic journal "Biochemical and Biophysical Research Communications" (Feb. 8, 2021)
(Reference <https://www.sciencedirect.com/science/article/pii/S0006291X2100156X>)

*The information above does not support the efficacy and safety of 5-aminolevulinic acid phosphate and SFC against the new coronavirus infection (COVID-19).
In addition, we do not recommend the purchase or intake of products handled by our group.

Contents to be Published in the International Academic Journal "The Open COVID Journal" Specializing in COVID-19

- The SBI Group created case reports with Showakai Medical Corporation Hanzomon Gastrointestinal Clinic -

Title	Case Reports: Safety, Tolerability and Efficacy of 5-Aminolevulinic Acid Phosphate, an Inducer of Heme Oxygenase 1, in Combination with Sodium Ferrous Citrate for the Treatment of COVID-19 Patients
Abridged translation of abstract	Some patients, especially <u>those with concomitant diseases such as chronic obstructive pulmonary disease (COPD), diabetes, hypertension, and cardiovascular problems, quickly develop severe pneumonia with low arterial oxygen saturation by pulse oximetry (SpO2) and multiorgan failure</u>, resulting in sudden death. All of these symptoms are caused by deadly inflammation that occurs in various organs all over the body. <u>Various types of inflammation</u> caused by RNA virus infection <u>have been known to be manageable by induction of heme oxygenase-1 (HO-1) in local tissues, and HO-1 is also known to be a key enzyme for the suppression of RNA viral replication</u>. Therefore, <u>in addition to standard medical care for pneumonic viral infection, we have attempted to treat COVID-19 patients using a highly effective HO-1 inducer, 5-aminolevulinic acid phosphate, in combination with sodium ferrous citrate (5-ALA phosphate with SFC)</u> (Abbrev) Six patients with typical symptoms of COVID-19 and some suspected COPD associated with heavy smoking were given oral administration of multiple doses of 5-ALA phosphate with SFC at the maximum tolerated dose (MTD) for 3 to 7 days followed by treatment with a lower dose of 5-ALA phosphate with SFC for 2 to 3 weeks. <u>The recovery time of each individual patient was considerably shorter than reported for patients who received only standard care for coronavirus infection. These results confirm the safety, tolerability, and efficacy of 5-ALA phosphate with SFC as a therapeutic supplement for patients with acute-phase COVID-19.</u>

*The information above does not support the efficacy and safety of 5-aminolevulinic acid phosphate and SFC against the new coronavirus infection (COVID-19). In addition, we do not recommend the purchase or intake of products handled by our group.

The Royal College of Surgeons in Ireland - Medical University of Bahrain (RCSI Bahrain) Announced "Completion of the First Stage of Joint Research between RCSI Bahrain and BDF of a Food Supplement known in Modulation of Antiviral Effects in COVID-19 Patients"

-Collaboration with SBI Pharmaceuticals and photonamic through provisions of research funding and test food supplement-

In the Kingdom of Bahrain, food intervention trials utilizing 5-ALA phosphate, for the new coronavirus infection (COVID-19), conducted at the Royal College of Surgeons in Ireland - Bahrain (RCSI Bahrain) and the Bahrain Defense Force Hospital / Royal Medical Services, with the approval of Bahrain's National Health Regulatory Authority (NHRA) (Reference <https://www.clinicaltrials.gov/ct2/show/NCT04542850>)

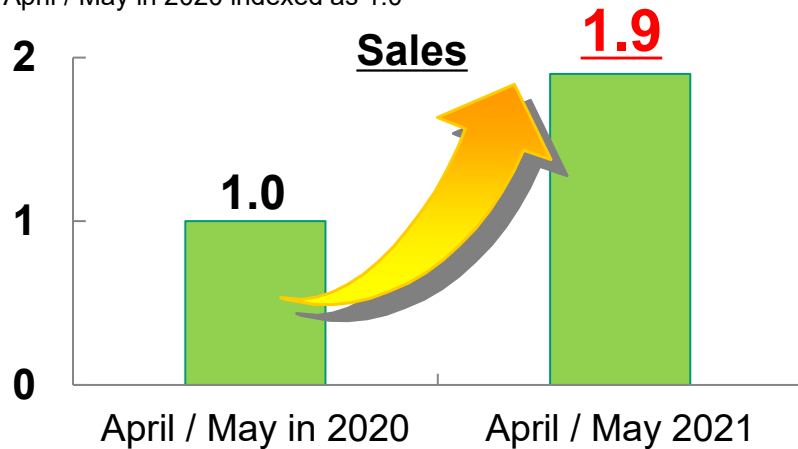


The initial part of the tests was completed in 7 COVID-19 patients, no related adverse effects were reported, showing a good sign of safety and confirming the safety profile from previous dietary use and studies of 5-ALA phosphate and SFC. Based on these results, the NHRA approved the continuation of the study. Have now started full-scale testing on tolerability, safety, and efficacy of 5-ALA phosphate and SFC in conjunction with current standard treatment, with the goal of enrolling 40 patients with moderate and / or severe symptoms of COVID-19

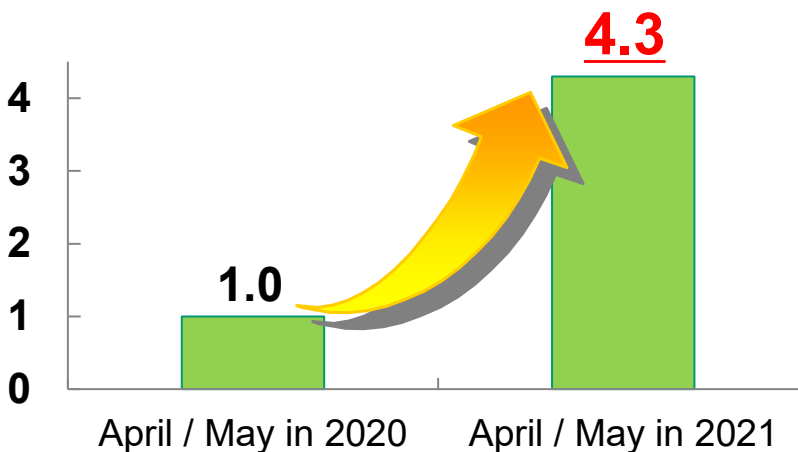
*The information above does not support the efficacy and safety of 5-aminolevulinic acid phosphate and SFC against the new coronavirus infection (COVID-19). In addition, we do not recommend the purchase or intake of products handled by our group.

SBI ALApromo Increased Sales and Profits for FY2020 due to Heightened Health Consciousness Under COVID-19 Pandemic, and Sales of Each Product are Currently Strong

*April / May in 2020 indexed as 1.0



Operating income



SBI ALApromo's products containing 5-ALA

- "ALA PLUS" products such as "ALA PLUS Toh (Sugar) Down" and "ALA PLUS GOLD" contain an amino acid called 5-aminolevulinic acid phosphate ("5-ALA") and we manufacture and sell under the exclusive license for the substance patent of 5-aminolevulinic acid phosphate.
- Currently, SBI ALApromo's products are the only products containing 5-ALA, which have been approved by the Consumer Affairs Agency as foods with functional claims.
- The "ALAPLUS +" mark ® (see the figure below) is used on the packaging of SBI ALApromo's products containing 5-ALA to distinguish them from similar products sold by non-certified companies.



Figure: "ALAPLUS +" mark

Future Lineup of Foods with Functional Claims and Notification Status

- **Products that have been notified and approved by the Consumer Affairs Agency based on "the system of Foods with Functional Claims"**

Improvement of depression and mood

"ALA PLUS Mental Care"
Planned launch on July 6, 2021

Functional Claims:

This product contains 5-aminolevulinic acid phosphate and has the function of relieving temporary depressed feelings of those who are experiencing temporary stress. It is suitable for people who are temporarily depressed.

Increase metabolism while suppressing sugar absorption

"ALA PLUS Toh (Sugar) Down ALACIA"
Planned launch in Autumn 2021

Functional Claims:

This product contains 5-aminolevulinic acid phosphate (5-ALA) and Salacia-derived salacinol. 5-ALA has been reported to help lower high fasting blood glucose to normal and moderate postprandial blood glucose levels. Salacia-derived salacinol has been reported to suppress the absorption of sugar ingested from foods and to moderate the rise in postprandial blood glucose levels. It is suitable for people with high blood sugar levels and those who tend to eat a high-sugar diet.

Recovery from fatigue

"ALA PLUS Gold Hirokan Keigen"
Planned launch in Spring 2022

7th product as foods with functional claims

Functional Claims:

This product contains 5-aminolevulinic acid phosphate (5-ALA) and has the function of reducing temporary fatigue caused by work in daily life. It is suitable for people who feel temporary fatigue in daily life.

- **Development status of other foods with functional claims**

Product concept	Implementation status of clinical trials	Progress
Male menopause improvement	Conducted clinical trials in collaboration with Juntendo University	Planning submission
Fatigue reduction after exercising	Conducted clinical trials in collaboration with Juntendo University	Planning submission

3. Responding to a new form of finance that is expected to play a leading role in the era of fintech 2.0

(1) Trends in the digital asset space

- ① Evolution of crypto assets, which support the development of digital asset space**
- ② Diversification in the digital asset space**
 - (i) SBI Group's vision of the near future in the fintech 2.0 era**
 - (ii) Utilization of blockchain and DLT has begun to be put to practical use**
 - (iii) Financial forms and services that could become mainstream in fintech 2.0**

(2) SBI Group's initiatives to form a digital financial ecosystem

- ① Establishing a structure for the digital asset field in Japan**
- ② Partnership with leading overseas financial institutions**
- ③ Formation of a global network**

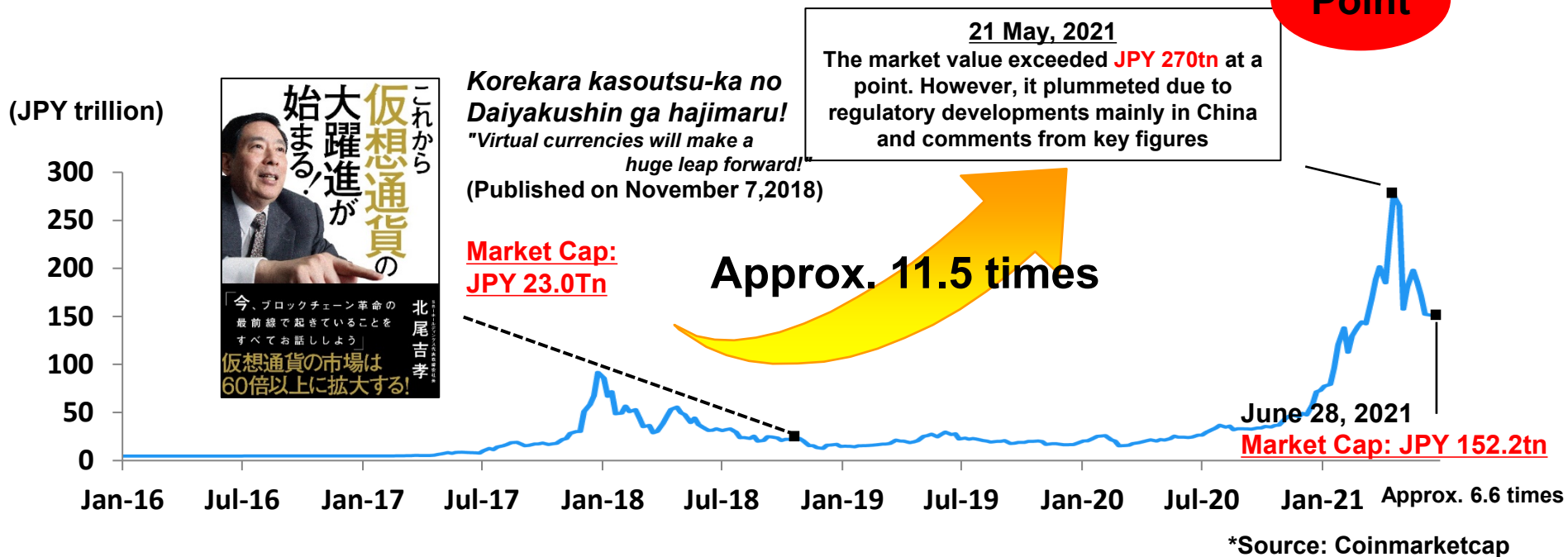
(1) Trends in the digital asset space

- ① Evolution of crypto asset, which support the development of digital asset**
- ② Diversification in the digital asset space**

Trend in the Market Capital of Crypto Assets

-Expansive market size and emerging issues-

Point



While the Bitcoin price fluctuates, the number of its holders reaches record high

Number of Bitcoin Holders Shoots to Record High, Data Shows

- The number of held bitcoin addresses is at an all-time high as long-term investors are trying to take advantage of the recent price drop to add more coins.
- According to Glassnode data, the number of addresses climbed to a record for the seventh consecutive day on May 24, totaling 545,115, up 16,445 since May 8. This is a sign of persistent bargain hunting by long-term holders during bitcoin's slide from \$58,000 to \$30,000

(2021/5/24, coindesk <https://www.coindesk.com/number-of-bitcoin-accumulation-addresses-hit-record-high>)

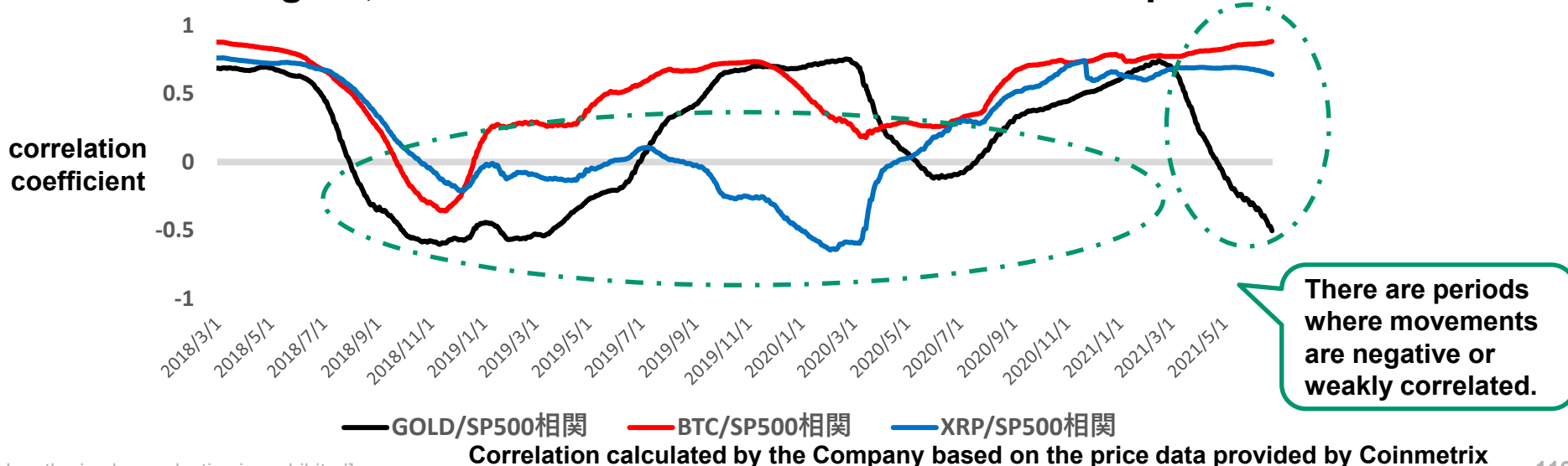
Institutional Investors are Entering the Crypto Asset Market in Earnest ①

-Using crypto assets as means of volatility adjustment and hedging-

"In a multi-asset portfolio, investors can likely add up to 1% of their allocation to cryptocurrencies in order to achieve any efficiency gain in the overall risk-adjusted returns of the portfolio," (JPMorgan) strategists including Joyce Chang and Amy Ho wrote in a note Wednesday. (...) Cryptocurrencies may be relatively new and volatile, but they're also somewhat uncorrelated with other assets, and may be able to provide a good hedge. Former Federal Reserve economists Roberto Perli and Benson Durham at Cornerstone Macro LLC have run calculations and found that the volatility of equity portfolios can usually be reduced by adding some amount of digital assets

Bloomberg, "JPMorgan Says Investors Could Make Bitcoin 1% of Portfolios". February 26, 2021.

Although crypto assets and stock price movement correlate with gold, it shows rather low correlation in some periods



Institutional Investors are Entering the Crypto Asset Market in Earnest ②

-Status of Implementation of crypto asset-related products and services handled by major financial institutions in the U.S. and Europe-

*Source; made by SBI Holdings, Inc. based on Bloomberg
*as of June 18, 2021

○:have begun offering × :no handling	Crypto asset-related products for wealthy class	Crypto asset future products	Crypto asset spot trading	Crypto asset custody accounts
JPMorgan Chase & Co.	Under consideration	○	×	×
Goldman Sachs	Under consideration	○	×	Under consideration
Morgan Stanley	○	○	Under consideration	Under consideration
Citigroup*	Under consideration	Under consideration	Under consideration	Under consideration
Bank of America	×	○	×	×
Credit Suisse	×	×	×	×
Deutsche Bank	×	×	×	Under consideration
BNP Paribas	×	×	×	×
HSBC	×	×	×	×
UBS	Under consideration	×	×	×

* On June 25, 2021, it is reported that a new Digital Assets Group will be launched within the Wealth Management Division

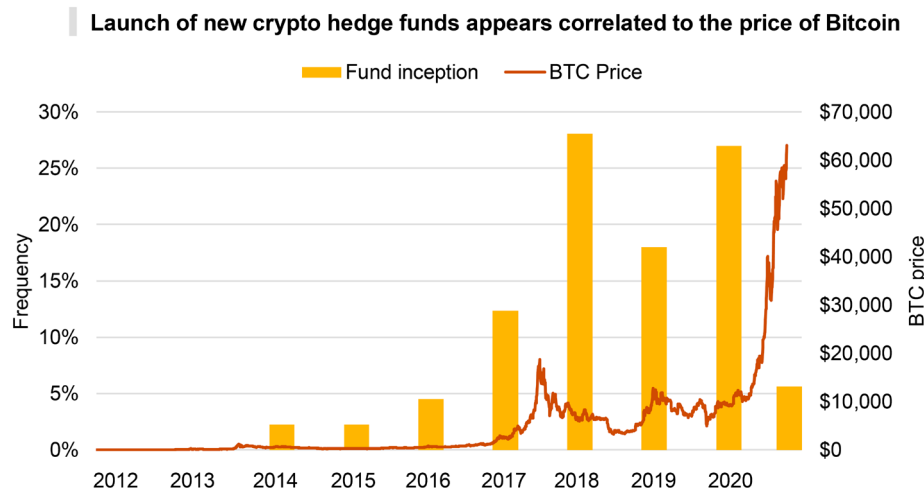
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Institutional Investors are Entering the Crypto Asset Market in Earnest ②

- The rise of crypto asset hedge funds -

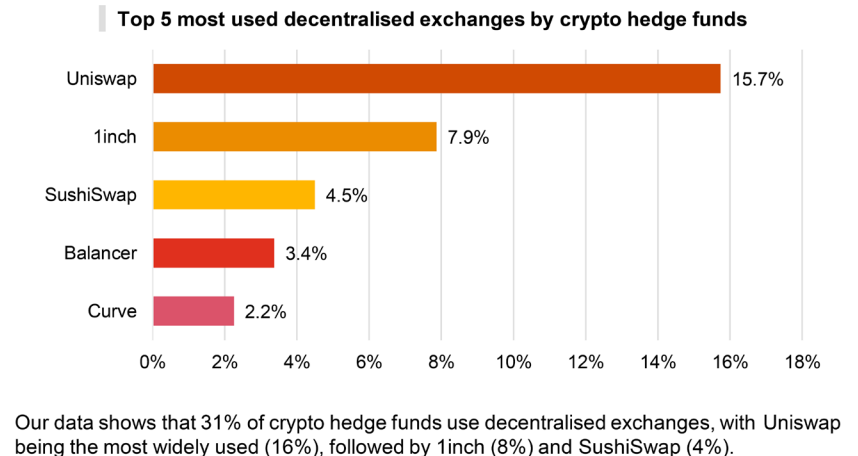
According to the "Global Crypto Hedge Fund Report", a report by PwC and AIMA released on March 24, crypto asset hedge funds had around USD 3.8bn in assets under management in 2020, up from USD 2bn in 2019, with their interest in DeFi growing

<Crypto asset hedge fund formation frequency and BTC price>



Fund formation clearly increased due to the surge in crypto asset prices in late 2017 and 2019

<DeFi utilization by crypto asset hedge funds>



Around 30% of crypto asset hedge funds are using DeFi, including Uniswap, for trading as well as existing exchanges

Crypto Asset Market Giants

Chicago Mercantile Exchange (BTC Futures Trading)

CME Becomes Biggest Bitcoin Futures Exchange as Institutional Interest Rises: With an open interest of \$2.1 billion, the CME accounted for 19.09% of the global tally of \$11 billion on Wednesday

(Deprived from Coindesk, January 7, 2021)

- **Coinbase (crypto currency exchange): Went public on April 14, 2021, and its **market cap temporarily reached USD 100bn**. (Due to the recent decline in the price of crypto assets, the market capitalization is around USD 50bn as of May 27, 2021**

Coinbase has more than 43 million users and more than \$90 billion in assets under management. It is estimated that Coinbase has 7,000 institutional clients, and Tesla and MicroStrategy, which made headlines by purchasing large amounts of bitcoin, are also major Coinbase clients

(Abridged translation from HEDGE GUIDE, March 2, 2021)

- **Coinbase's Japanese subsidiary registers with the FSA as a crypto asset trader and begins full-scale entry into Japanese market**
- **Other crypto asset-related companies, including crypto asset lender startup Blockfi and crypto asset trader Kraken, are also said to be considering going public**

Leading crypto asset exchanges are scaling its business size and corporate value in a tremendous pace, in parallel with the expansion of the market

Crypto Asset Trading, which Started as a Speculative Activity by Individual Investors, has now Transformed into a Market where Institutional Investors and Large Corporations Participate



Institutional Investors

- Square, a leading electronic payments company in US, has been offering bitcoin transaction services on its payment app since 2018. The company says it had more than 3 million active Bitcoin users in 2020
- Electronic payment giant PayPal officially launched its crypto asset trading service in November 2020

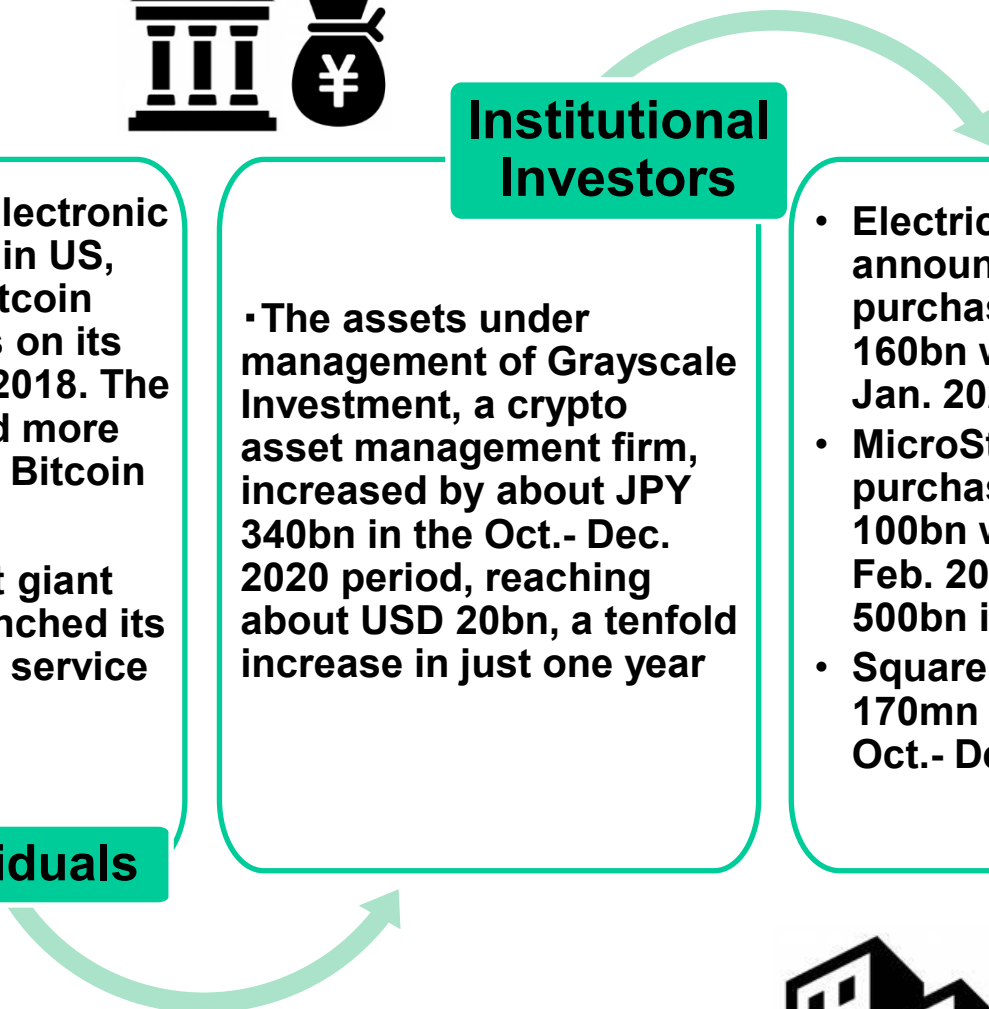
Individuals



- The assets under management of Grayscale Investment, a crypto asset management firm, increased by about JPY 340bn in the Oct.- Dec. 2020 period, reaching about USD 20bn, a tenfold increase in just one year

- Electric car giant Tesla announced it had purchased about JPY 160bn worth of Bitcoin in Jan. 2021
- MicroStrategy additionally purchased an approx. JPY 100bn worth of Bitcoin in Feb. 2021, for a total of JPY 500bn in holdings
- Square purchased USD 170mn worth of Bitcoin in Oct.- Dec. 2020 (Q4)

Major Corporations



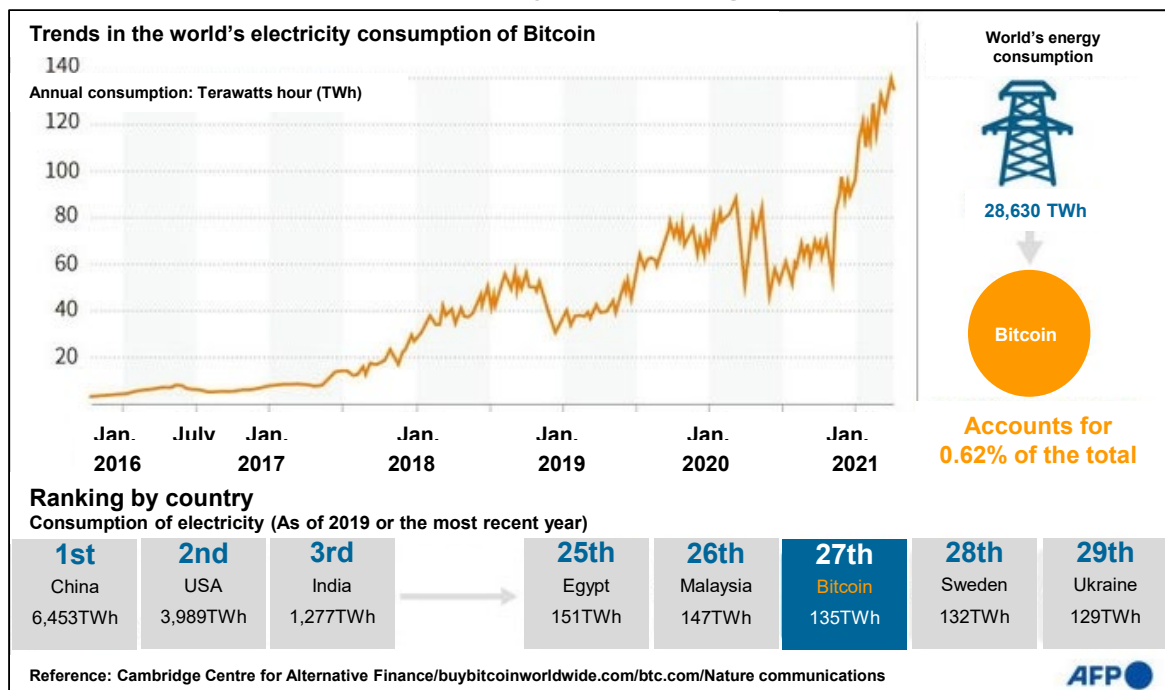
The Electricity Used for Mining is Irreconcilable with the Green Society

In the early morning hours of January 17, the price of bitcoin temporarily reached \$43,000 per coin, down more than 30% from the record high of \$64,000 set a month ago. While pinning hopes on the future of Bitcoin, the comments of Tesla CEO Elon Musk, who tweeted, "The increase in electricity consumption is out of control," are lingering

According to an estimate by Cambridge University, the annual power consumption of Bitcoin has increased at a faster pace since last fall, as the surge in prices has led to more mining companies than ever before, and competition has intensified. At present, the power consumption has grown to about 150 terawatt-hours, which is close to the annual power consumption in Sweden. Power generation requires a corresponding amount of fuel.

An abstract translation of Nikkei (May 23, 2021)

<Consumption of electricity for mining Bitcoin has increased>



When **adopting PoW** that rely on computational power as a consensus algorithm, such as Bitcoin, **increase of energy consumption is inevitable**

XRP and other distributed ledger technologies that do not rely on PoW will become more competitive in the environmental standpoint

Reference: Nikkei xTECH

SBI Group plans that some 90% of the total electricity used by its mining business will soon be from renewable sources

Tighter Regulation of Crypto Assets in the U.S. and China

Tighter Regulation of Crypto Assets in China

On May 18, the China Internet Finance Association (NIFA), China Banking Association (CBA), and Payment & Clearing Association Of China notified their member financial institutions, including banks and online payment companies, that they are prohibited from providing any services related to crypto assets, including opening accounts, registration, trading, clearing, settlement, and insurance



In China, crypto asset exchanges pulled out of the market following regulations in 2017, and now mining operators are also pulling out following the new regulations

Tighter Regulation of Crypto Assets in the U.S.

A report released on May 20 by the U.S. Department of the Treasury noted that while the size of the crypto asset market remains small, "its presence will increase over the next decade," referring to the expansion of the crypto asset market, while cautioning against the use of crypto assets for tax evasion and money laundering



The report also announced a policy to require reporting to the Internal Revenue Service when transferring crypto assets worth more than \$10,000 (about JPY1.1 million)

On the 25th, Fed Vice Chairman Quarles, in charge of financial regulation, announced that the country's financial regulators are working together to resolve issues related to crypto assets

The Basel Committee on Banking Supervision (BCBS) Announces Strict Capital Adequacy Regulations for Banks Handling Crypto Assets

- On June 10, 2021, the BCBS, a committee at the Bank for International Settlements (BIS) which discusses international regulatory frameworks for banks, published a public consultation on preliminary proposals for the prudential treatment of crypto asset exposures. The document drafts **regulations for banks on the holding of crypto assets (cryptocurrencies) such as Bitcoin**
- While **accepting the continued growth and innovation in crypto assets** and related services, the BCBS states that it could increase global financial stability concerns and risks to the banking system, judging that **prudential regulations on financial supervision need to be put in place**

[Overview of the BIS' Draft Regulations]

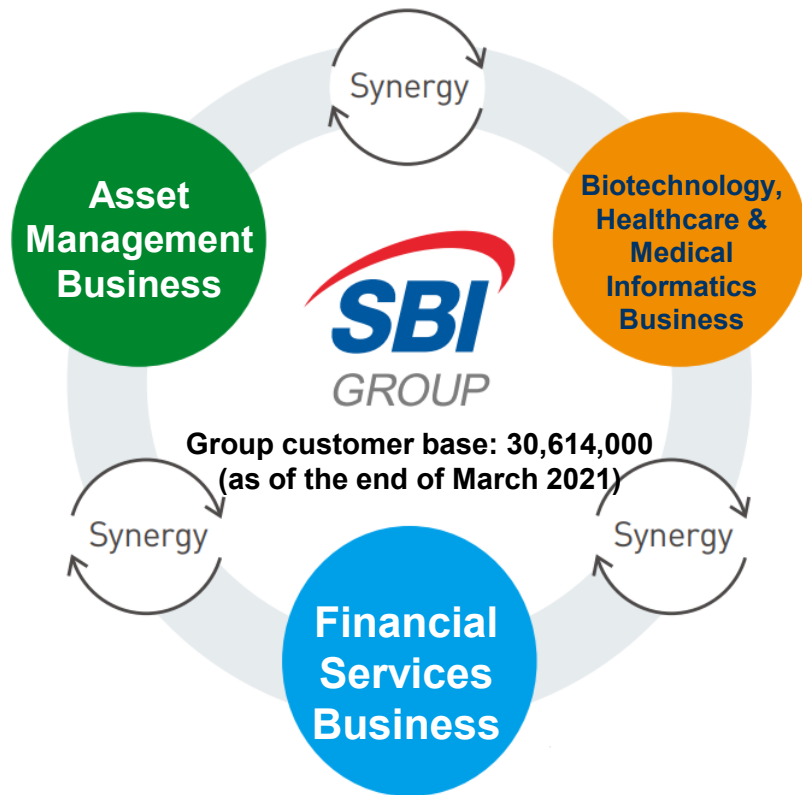
Group①Crypto assets (that can be handled with complementary guidance centered on existing frameworks)		Group②Crypto assets	Not subject to regulations
Tokenized traditional assets e.g. STO	Stablecoins e.g. USTD	Crypto assets other than Group① e.g. BTC	CBDC etc.
Can use same risk weights as underlying assets	The same risk weight as the pegged currency can be used if certain conditions are met, such as the difference in value must not exceed 0.1% of the value of the underlying asset more than three times over a one-year period.	1250% risk weight , that is, banks are required to hold capital at least equal in value to their crypto asset exposures	

② Diversification in the digital asset space

- (i) SBI Group's vision of the near future in the fintech 2.0 era**
- (ii) Utilizing blockchain and DLT that have become practicalized**
- (iii) Financial services that could become mainstream in fintech 2.0**

(i) SBI Group's Vision of the Near Future in the Fintech 2.0 era

-The SBI Group will transform itself into a new digital financial ecosystem by organically combining new technologies with the online financial ecosystem that it has cultivated since its founding in 1999-



Fintech 1.0

Fintech 1.5

Fintech 2.0

IT
×

Online Financial Ecosystem

×

Digital financial ecosystem with blockchain as the core technology
×

Finance

AI, big data, IoT, Robotics, Blockchain

Endeavor to Establish a New Digital Financial Ecosystem Consisting of Technologies with Innovative Elements that will Play a Role in SBI Group's Next-Generation Financial Services Through Intensive Investment in the Digital Asset space



R3 HoldCo LLC
(U.S.)



bitFlyer
bitFlyer
Holdings



orb
Orb Inc.



Wirex
Limited
(UK)



Startbahn, Inc.



Clear Markets



Ripple Labs
Inc
(U.S.)



Fxcoin Ltd.



Veem it and it's paid
Veem Inc.
(U.S.)



SYNQA PTE. LTD.
(Singapore)



Liquid, Inc.



Templum (U.S.)



DataRobot (U.S.)



Securitize Inc (U.S.)



BTC Africa S.A.
(Kenya)



Bithumb Korea Co., Ltd
(Korea)



Analytical technology



MaiCoin

Maicoin (Taiwan)



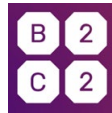
Sepior (Denmark)



CoinPlug, Inc
(Korea)



SYGNUM Bank
(Switzerland)



B2C2 Limited
(UK)



FinanceApp AG
(Switzerland)



Decentralized
Mobile Applications Ltd.
(Israel)



Everspin (Korea)



Breadwinner
(Switzerland)



CoolBitX (Taiwan)



Tangem (Switzerland)



Lancium (U.S.)



Coventure (U.S.)

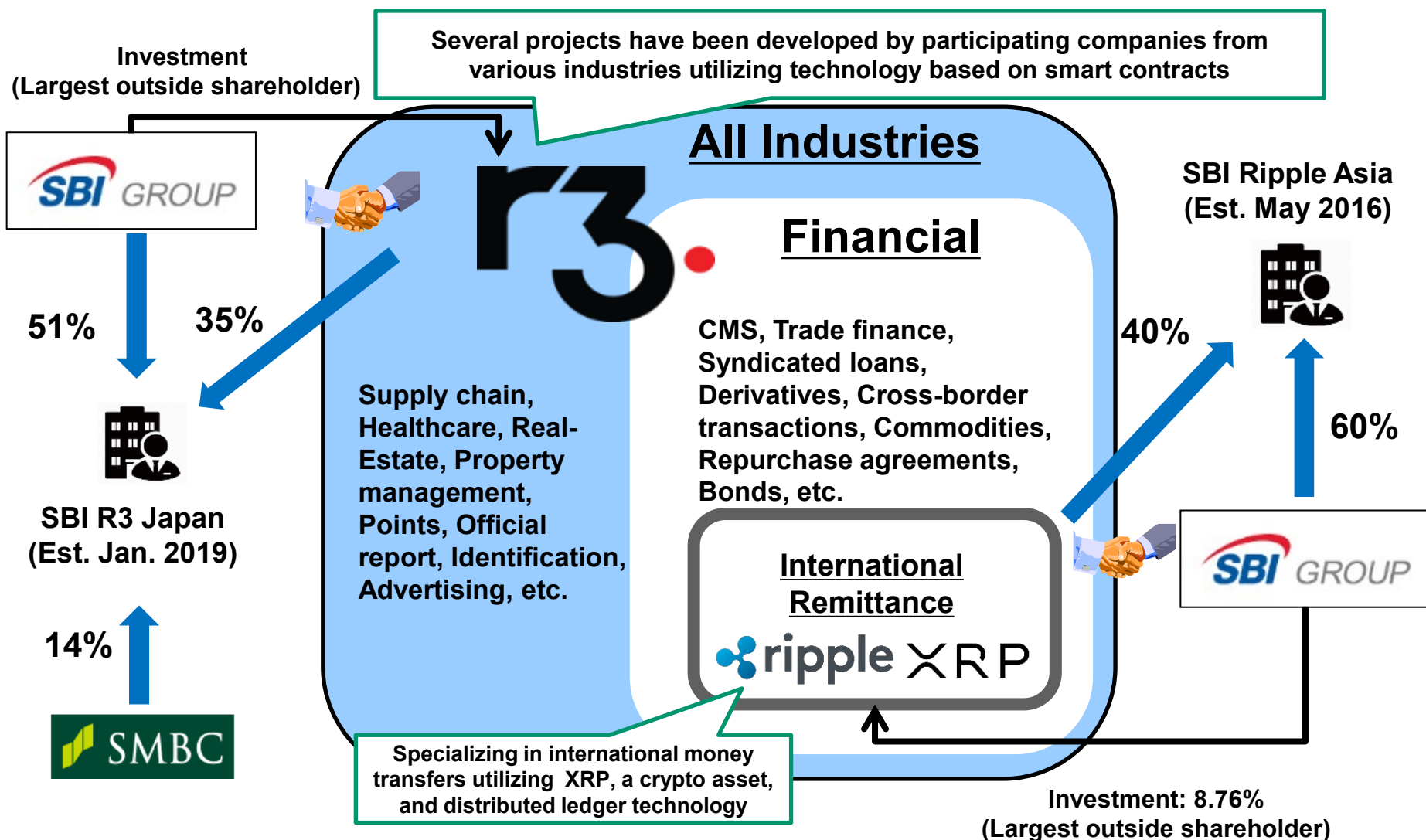


Obook Holdings
(Taiwan)

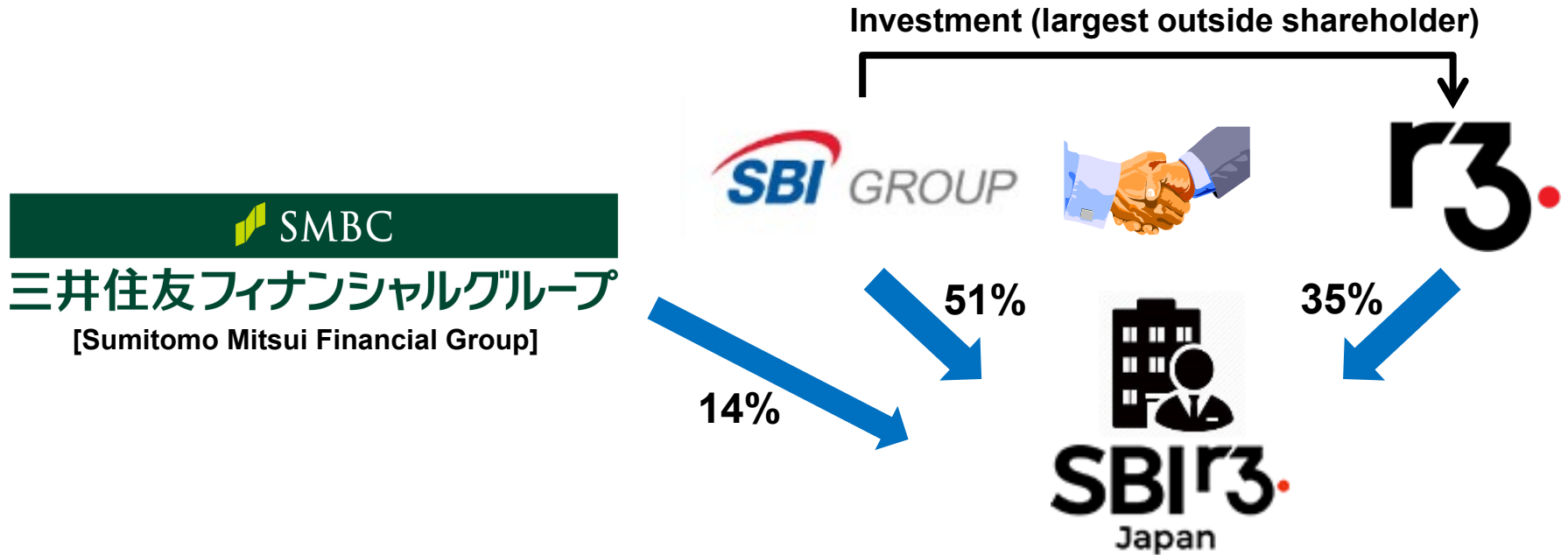
(ii) Start of practical use of blockchain and DLT

- a. U.S. R3's Corda**
- b. U.S. Ripple**
- c. Regional currencies**

The SBI Group has Cooperated with 2 U.S. Companies (R3·Ripple) to Promote Practical use of Cutting-Edge Technologies such as Blockchain and Distributed Ledger Technology (DLT)



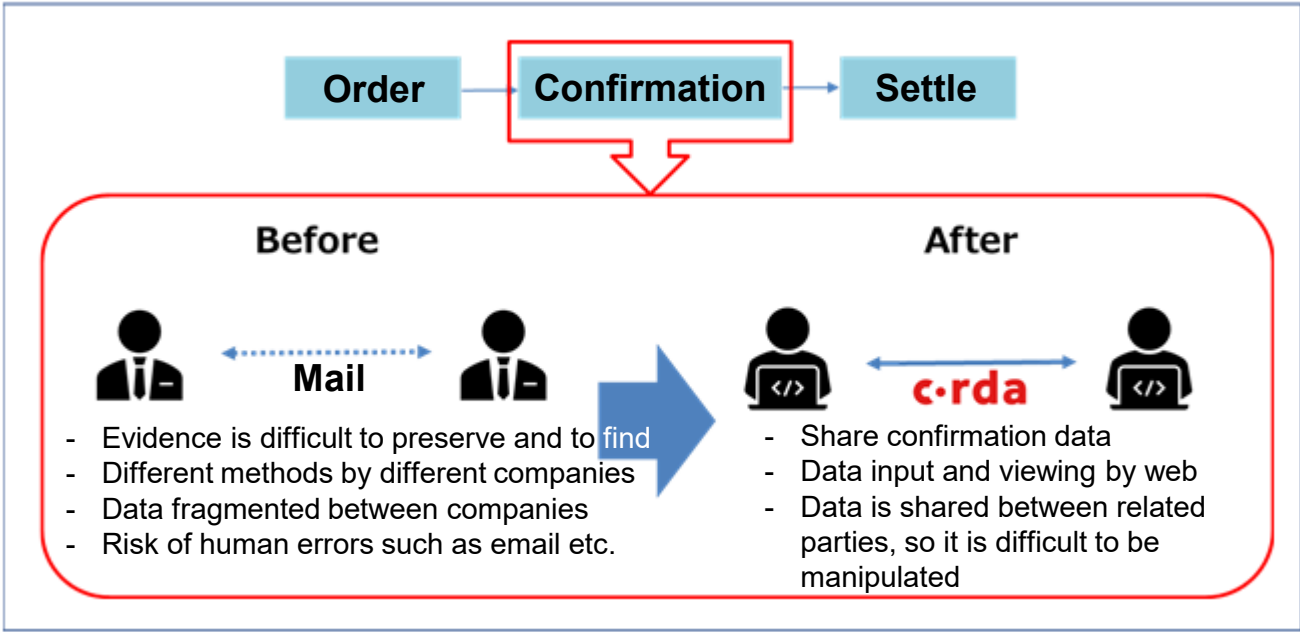
a. U.S. R3 Leads Development of "Corda," a DLT Platform Focused on Business-to-Business Transactions



- R3 is a U.S. fintech company that specializes in DLT
- R3 develops and maintains Corda, a distributed ledger technology platform, and Corda Enterprise, a commercial version of Corda, and is **driving projects to leverage distributed ledger technology in a wide range of business sectors, including finance, real estate, and supply chain**
- The consortium, led by R3, **includes more than 300 organizations from various industries, including central banks and regulatory agencies from around the world**
- **In 2020, over 40 % of all blockchain related projects around the world utilized Corda**

Utilizing Blockchain to Improve Falsification Resistance and Business Efficiency in FX Trading Confirmation Operations

-Japan's first practical application of a FX confirmation system based on R3's Corda-



- **"BCPostTrade,"** a foreign exchange confirmation system using blockchain Corda, offered from Apr. 2020
- Until now, process done manually, such as by phone and email, posing an operational risk to information confirmation leading to leaks, misdirected emails, etc. Now striving to reduce these risks by making systems that leverage blockchain
- Through a **next generation standard platform for back-office solutions**, new functionalities will be added such as smart contracts enhanced with automatic confirmation matching, as well as contracts, including fund settlements, that are automatically and consistently executed

SBI Nihon SSI Developed the Industry's First Agent and Insurance Solicitor Management Platform System for Small-amount Short-term Insurance Companies Using the Blockchain Platform "Corda"

Image of the agent and insurance solicitor management platform system

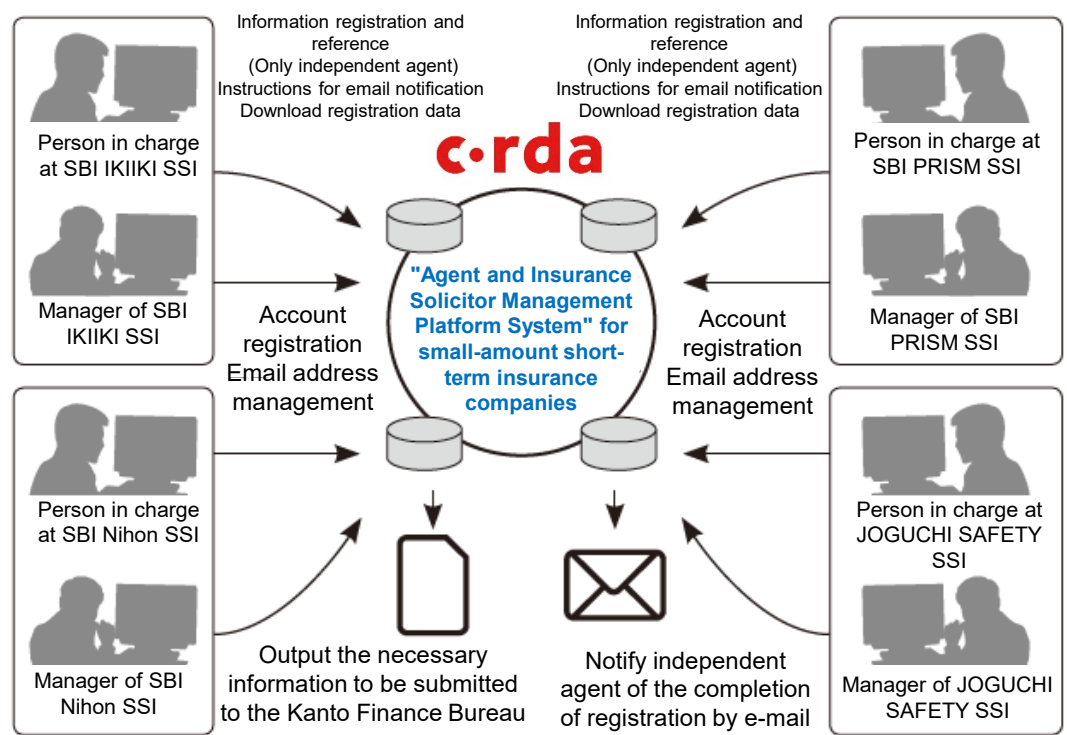


Figure Source: Yoshitaka Kitao (SBI Group Representative) [2021]
 "The Challenge to Regional Revitalization" Kinzai, Chapter 7. "A New Form of Finance in the Age of Digital Transformation", pg. 195

With the increase in the number of small-amount short-term insurance companies, the complexity of the following tasks has become an industry-wide issue

- Registration and notification of sales agents and Insurance solicitors to the Kanto Finance Bureau
- Sharing of information of agents and Insurance solicitors among insurance companies regarding independent agent



Standardizing and simplifying operations and reducing costs with this system using Corda

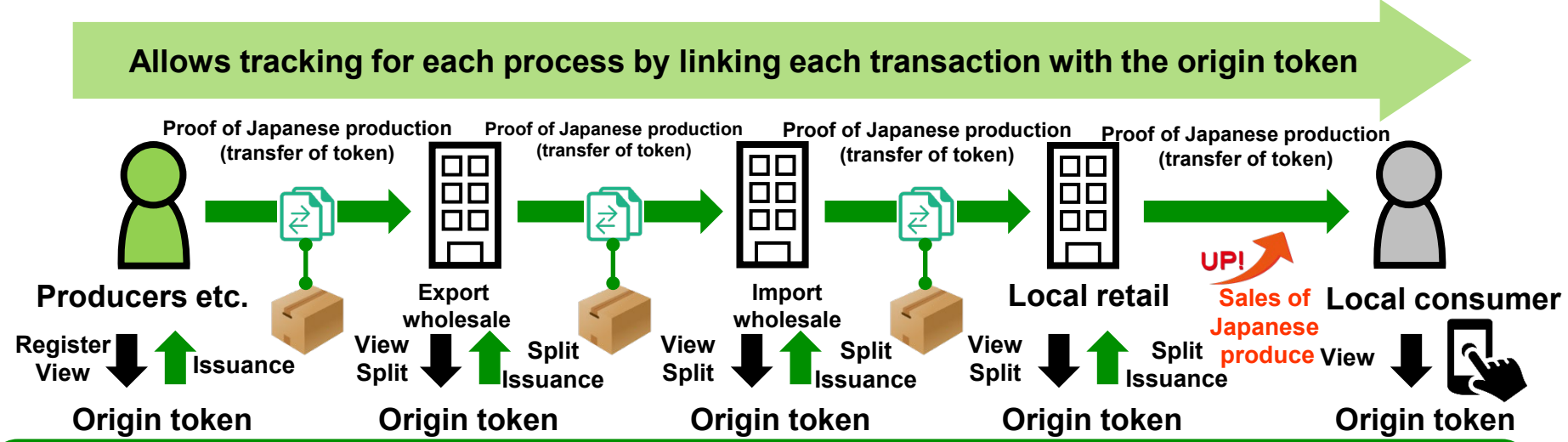
- Information can be shared efficiently only in small-amount short-term insurance companies that share the agency, while ensuring privacy
- Complete prevention of leakage, falsification, and deletion of personal information of registered agents and insurance solicitors
- The correct information can be retrieved directly from a common database, greatly to reduce the number of omissions and transcription errors in application details

This system will be open not only to small-amount short-term insurance companies of SBI Insurance Group but also to other small-amount short-term insurance companies

Established SBI Traceability on April 22, a New Company to Achieve Transparency and Accountability in the Supply Chain

While the concept of "responsible supply chains" in the sustainable development goals (SDGs) adopted at the UN Summit is becoming increasingly important, **the need for appropriate distribution processes, in addition to product safety and quality** in consumer behavior, is growing year by year

- As a first step to gaining transparency through traceability by utilizing blockchain, **endeavor to contribute to increased exports (a national policy) by demonstrating a contribution toward production areas and SDGs** related to Japanese livestock and marine products that **have established an excellent reputation worldwide in terms of quality and the production environment**



SBI Traceability Platform

Plans to construct the platform using the "regional currency platform" under development at R3's Corda (blockchain technology)

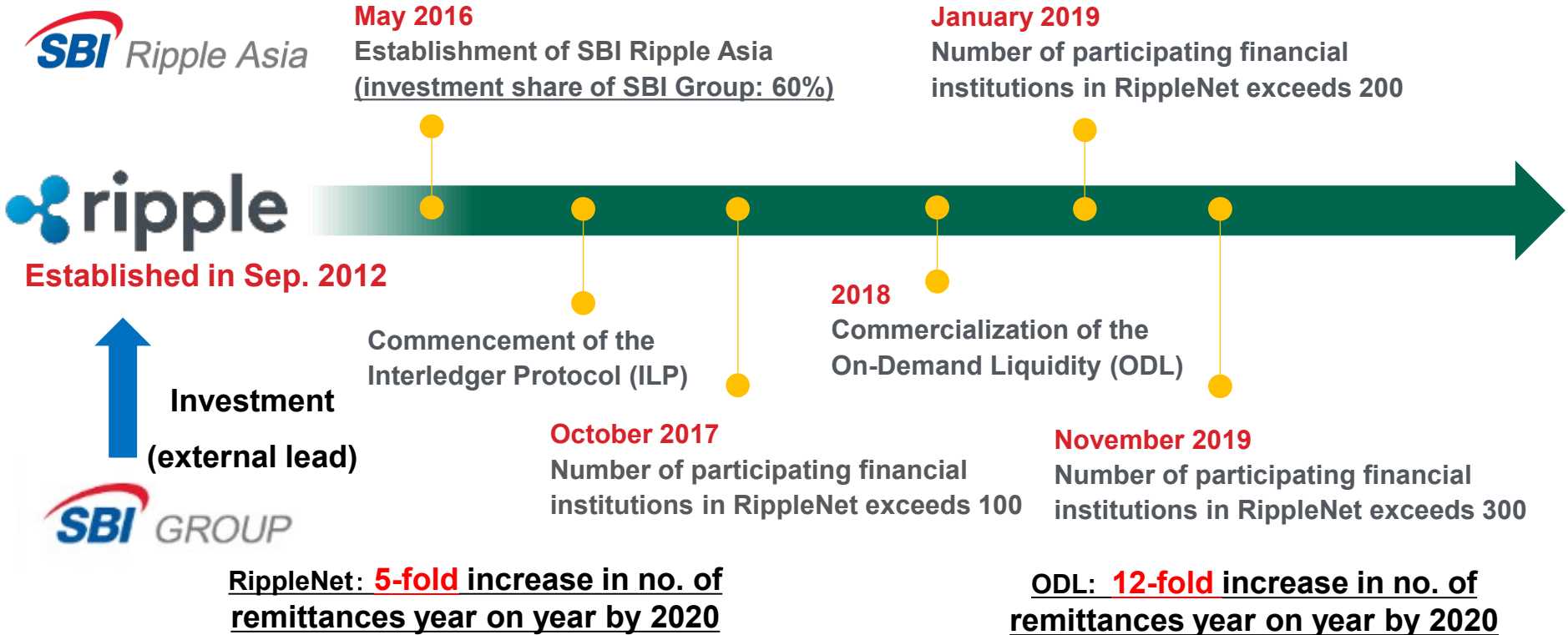
Developing a Supply Chain Finance Business in the Asia Pacific Region in Collaboration with Singapore's RootAnt

- **Supply Chain Finance Platform "Banco"**, developed by RootAnt (SBI shareholding: 4.85%), is a "Digital Banking as a Service" that enables the transfer of bonds in installments based on the high creditworthiness of the buyer company
 - Suppliers both hold the DPO (Digital Payment Obligation) issued by the buyer company, as well as **divide it up and use it to pay downstream suppliers or refactor it to financial institutions** to convert the accounts receivable into cash as early as possible
 - **Large-scale funding can be raised through a syndicated approach** by multiple financial institutions
-
- BYFIN, the SBI Group's local subsidiary in Hong Kong, and RootAnt will **develop joint businesses to launch the "SBI-Banco Platform,"** a platform that utilize R3's Corda blockchain technology
 - **First cross-border financing deal completed** between a Singapore-based renewable energy company and a Chinese supplier, with plans to expand to Hong Kong, Japan, Vietnam and other ASEAN countries

Expanding Use Cases of Corda Globally

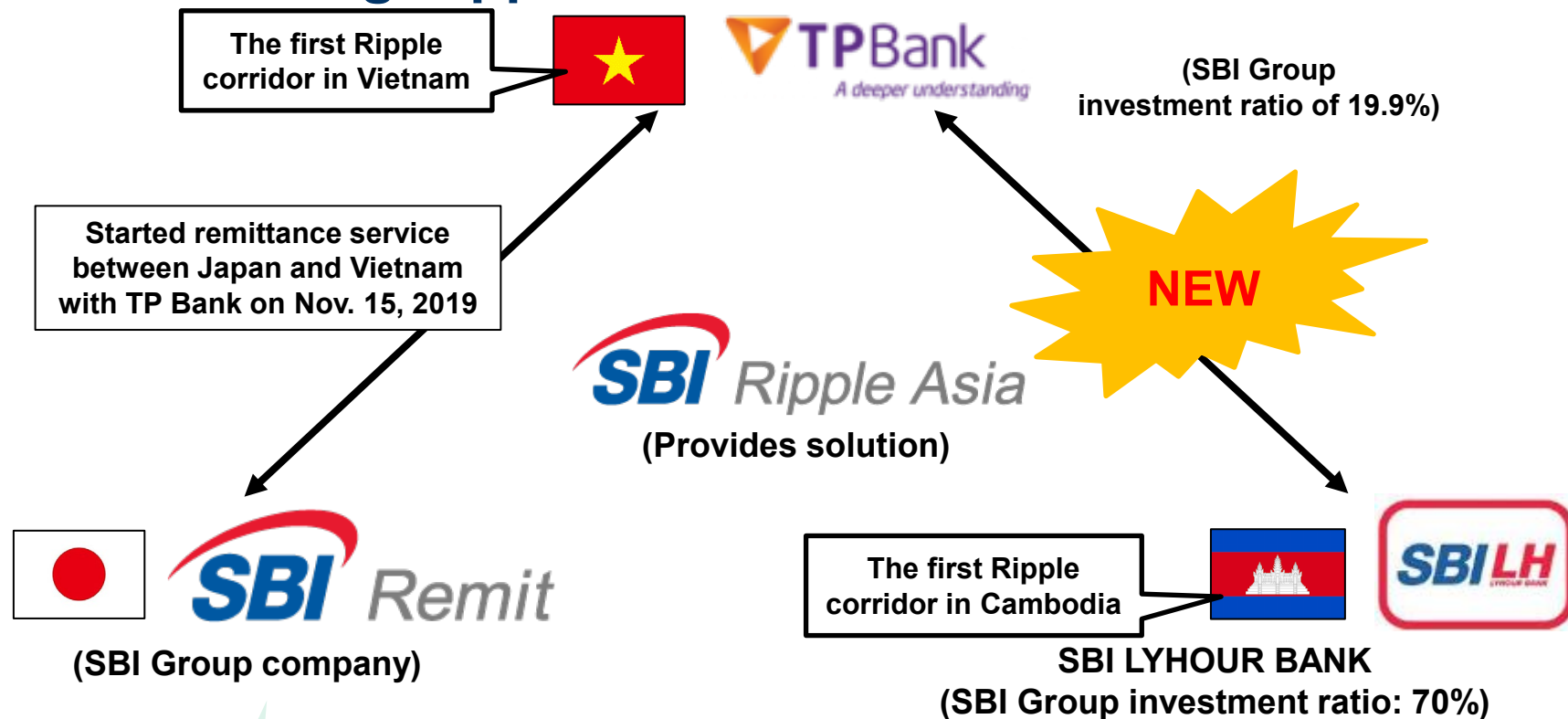
Marco Polo: Trade Finance (Open Account Transactions) 35 major financial institutions including SMBS, BNP Paribas, and Commerzbank (as of Mar. 2020)	CONTOUR Trade finance (LC transactions) 27 major financial institutions including HSBC, Standard Chartered Bank, Citi, Bangkok Bank, etc. are participating (as of Dec. 2020)	Trade and Supply Chain
BunkerNote: Order management of fuel and lubricant for ships Developed by Toyota Tsusho Corporation and provided to domestic shipping companies, fuel suppliers, and fuel distribution companies	Security Matters: Traceability by molecular marking General chemical manufacturer in Germany, The Perth Mint, etc.	
NDAS (NASDAQ Digital Assets Suite) STO, Securities settlement In the future, it will include over 150 exchanges and clearinghouses in 50 countries around the world in addition to NASDAQ's existing customers	 SPUNTA ABI LAB DLT Reconcile of interbank payments All banks in Italy	Capital market
	RiskStream: Efficient processing and sharing of accident information More than 40 insurance companies including Prudential, AXA, American Family, etc.	

b. Ripple in the U.S. has Developed and Provides Next-Generation International Remittance Infrastructure using Digital Assets



- Ripple is a fintech company that provides DLT-based international money transfer solutions worldwide
- The solution, which can significantly reduce the cost of international remittances, is now being used by major financial institutions in Europe and Asia, and more than 90% of the customers are non-US companies
- XRP, which Ripple is leading the development of, is not a "security" in Japan but a "digital asset" and is handled by registered crypto asset exchanges

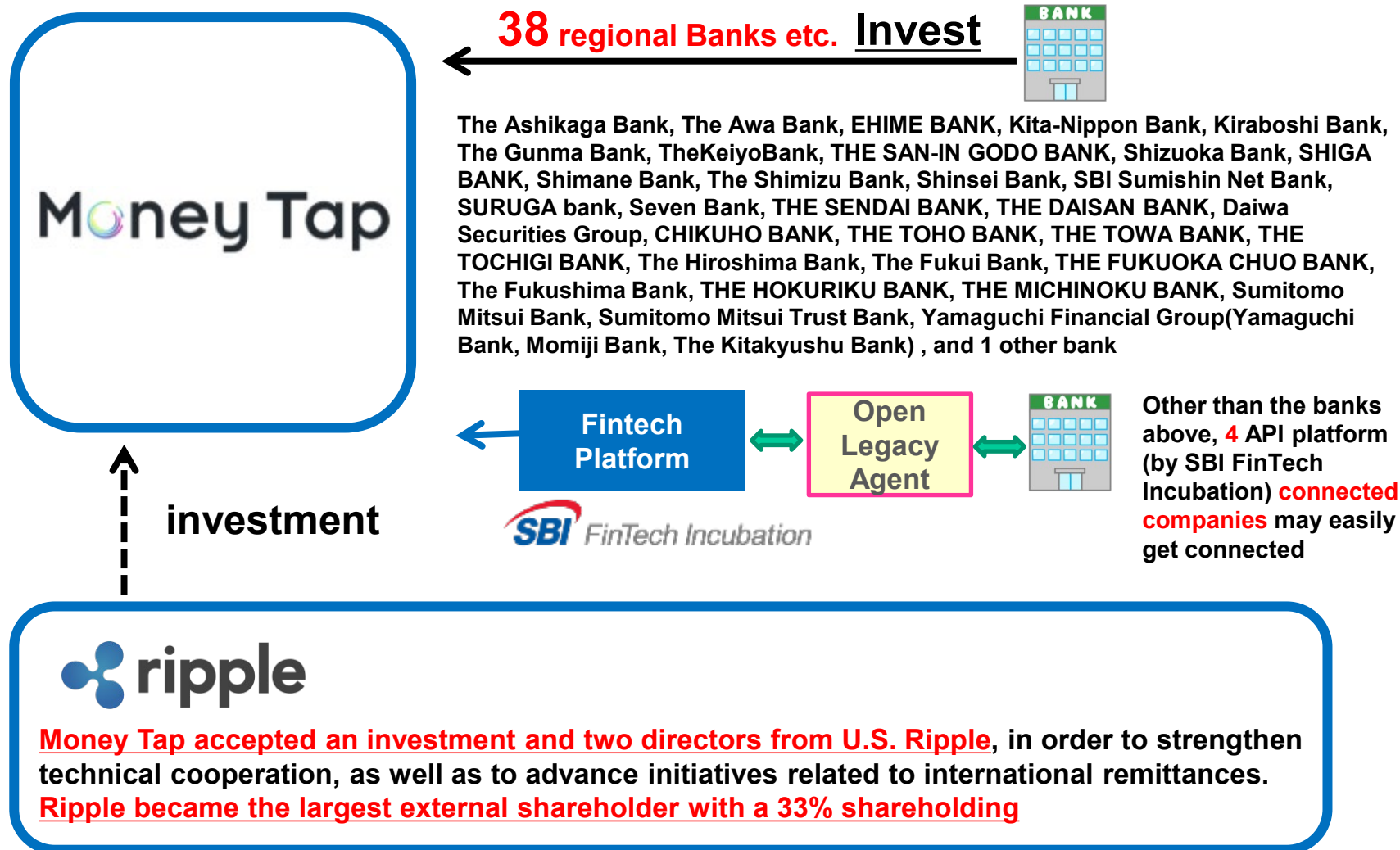
(i) SBI Remit Develops International Remittance Utilizing Ripple Solution in Southeast Asia



- ✓ Utilizing MoneyGram's network since its inception in 2010, overseas remittances can be sent to **approximately 350,000 locations in over 220 countries and regions worldwide**
- ✓ Total amount of international remittances handled exceeds **JPY 1 trillion** (as of July 2020)

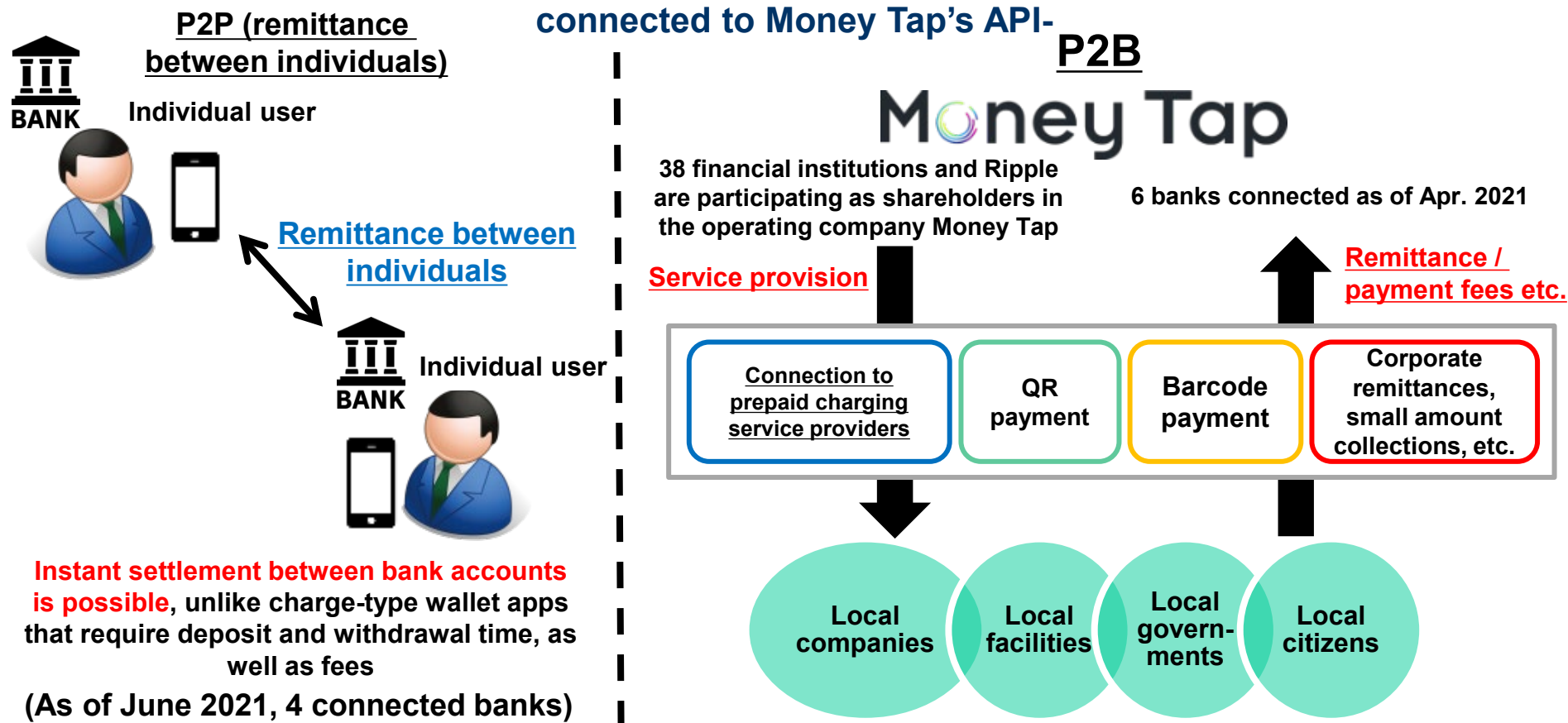
Services begun with the final approval by the National Bank of Cambodia

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



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

-Provide a variety of financial services connected by Money Tap to financial institutions
connected to Money Tap's API-



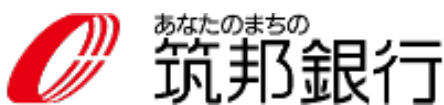
In response to the recent fraudulent charge case, will implement eKYC by the end of the year to eliminate security concerns of connected users (banks, prepaid charge operators)

**Number of connected banks is expected to reach 20 by the end of this year
(currently 6 banks are connected)**

External economic effects will bring significant benefits to users

Jointly Established "Machi no Wa Co., Ltd." with The Chikuho Bank and Kyushu Electric Power

-Utilizing R3's DLT, the company provides services for issuing and operating regional currencies and premium gift certificates, etc., to promote regional development and revitalize local economies-



[Chikuho Bank]



ずっと先まで、明るくしたい。

[Kyushu Electric Power]

Premium coupons

Regional digital currencies

Regional points

Coupons for regional shopping centers etc.

Living information

Event information

Sightseeing / Industrial information

Local shop information

Employment information

Disaster information

Outline of Joint company "Machi no Wa Co., Ltd."



Company	Machi no Wa Co., Ltd.
Representative	Iritono Mayumi, CEO
Establishment	May 2021 (planned)
Business	- Regional digital currency business - Planning, development, sales, etc. of services related to regional revitalization and revitalization of the regional economy
Shareholders (Japanese syllabary order)	SBI Holdings, Inc, Kyushu Electric Power Co., Inc., The Chikuho Bank, Ltd.

Information Platform "まちの縁"

[Machi no En]

Digitize local activities, utilize data for verification of facilities and effective guidance

A platform connecting people with community

SBI Group Supports Digital Currency Issuance in Multiple Regions



"TOKOWAKA Coin"
(Munakata City,
Fukuoka Prefecture)



**Premium electronic
regional coupons**
(Ukiha City, Fukuoka
Prefecture)



"Dazaifu Pay"
(Dazaifu City,
Fukuoka Prefecture)



**"Hita Pay" (Hita City,
Oita Prefecture)**



"Hiragura Pay"
"Cashless hako-poppo"
(Hirao association of Commerce
and Industry & Hakozaki shopping district
association Fukuoka City,
Fukuoka Prefecture)



"Miyama Smile Pay"
(Miyama City Fukuoka
Prefecture)



Paycha
(Kita-Kyushu City
Fukuoka Prefecture)



Miyako-Pay
(Miyako Town, Kyoto
county Fukuoka
Prefecture)

(iii) Financial forms and services that could become mainstream in fintech 2.0

- a. The rise of Decentralized Finance (DeFi)**
- b. Security Token Offering (STO)**
- c. Non-Fungible Token (NFT)**
- d. A new business model: Digital Asset Banking**
- e. Rising expectations for a Central Bank Digital Currency (CBDC)**

a. The rise of Decentralized Finance (DeFi)

What is DeFi?

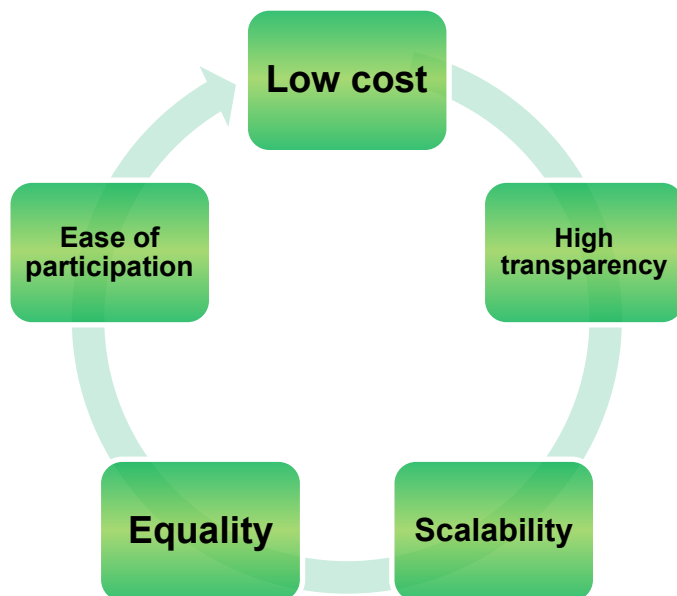
DeFi is an acronym for Decentralized Finance and refers to financial services that are built on blockchain networks. It has the potential to **transform financial services with existing administrators, such as banking, securities, insurance, currency exchange, crypto exchanges, and money lending into decentralized services**, and to improve convenience and transparency

	Traditional financial services	DeFi
Management model	Centralized model	Decentralized
Asset manager	Delegate to financial institutions	Users themselves
Transparency of transactions	Black box	Open
Accessibility	Limited	Available to all
Tamper resistance	Take measures to prevent hackers and others from overwriting transaction data (additional cost required)	Due to the nature of blockchain, it is difficult for a third party to invalidate or alter transactions for arbitrary reasons

Rapid Expansion of Transactions Through DeFi

Various financial functions that have been provided by centralized systems such as existing financial institutions and exchanges, **are delivered without human intervention or organization through automated use of programs that automatically run on the blockchain**

< DeFi's Strengths through Automation >



<Areas that are beginning to function as substitutes for existing financial functions>

Decentralized exchange	e.g.: Uniswap PancakeSwap
Lending	e.g.: Compound
Games	e.g.: Cryptokitty Battle Pets
Infrastructure development	e.g.: Polkadot
Stable	e.g.: MakerDAO

Ethereum
 Binance Smart Chain
 Other

Despite various issues such as skyrocketing fees and security problems, the area of application is expanding explosively

Rapid Expansion of Transactions Through DeFi ②

< Total amount of assets held on the blockchain that use DeFi services (TVL) >

	Ethereum	Binance Smart Chain
Jan. 1, 2021	USD 17.0bn	USD 0.3bn
May 25, 2021	USD 47.1bn	USD 13.1bn
Growth rate (GR)	About 2.8 x	About 47.1 x
GR (At the highest amount)	About 5.2 x	About 123.4 x



*Source : The Block

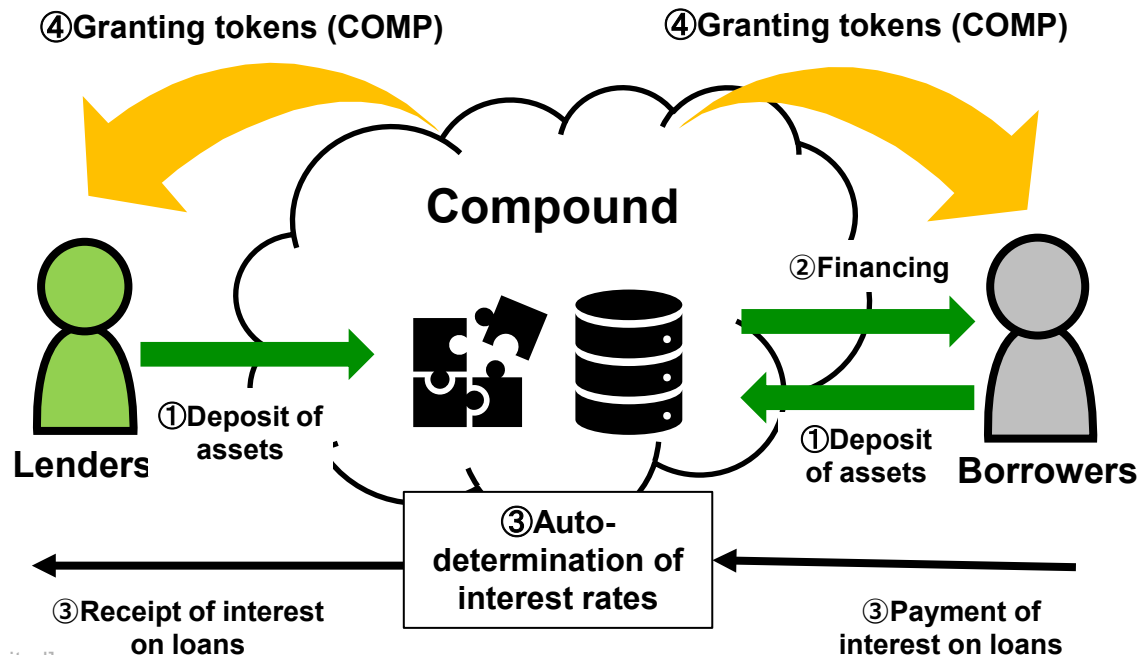
DeFi was mainly provided on an Ethereum due to the ease of issuing unique tokens and implementing smart contracts, which caused problems such as **soaring transaction costs due to the rapid increase in transactions**

Since the beginning of this year, DeFi has continued to evolve, **with a rapid increase in activity on the Binance Smart Chain**, where PoS-based approvals rather than PoW allow for lower fees

PoW and PoS: Consensus building mechanisms that support blockchain. PoW is a consensus building system based on computational power, while PoS is a consensus building system based on stake, which is said to lead to reduced fees and energy consumption.

Example of DeFi: How Compound Works

- ① **Deposit crypto assets** held by users (lenders and borrowers) **into Compound**
- ② The lender can lend the deposited crypto assets (including staple coins), while the borrower can receive a **"secured loan"** within the range of the market value of the deposited crypto assets discounted at a certain rate
- ③ Lending and borrowing rates are **programmed to fluctuate in real time** according to supply and demand conditions, and their levels cannot be arbitrarily determined by management or investor
 E.g. ETH offered as collateral by many and has an interest rate (Supply APY) of almost 0% due to the large number of lenders, while Tether is in high demand by borrowers and has a Supply APY of more than 10%, unlike other tokens that hover in the few percent range.
- ④ Users of the service will be given **governance tokens (COMP)** with the right to vote on future Compound decisions, a portion of which can be traded on exchanges
 E.g. COMP market capitalization is approximately USD 2 billion as of March 21, 2021



Merits for lenders

- Lenders can earn lending interest by depositing their crypto assets
- Lenders can get a governance token that they can buy and sell

Merits for borrowers

- Access to funds for new investments without having to sell their crypto holdings
- Borrowers can get a governance token that they can buy and sell

b. Security token offering (STO)

ST is the New Near-future Global Financial Instruments

Purpose

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

Value

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

Concept

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

Difference between ICO

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

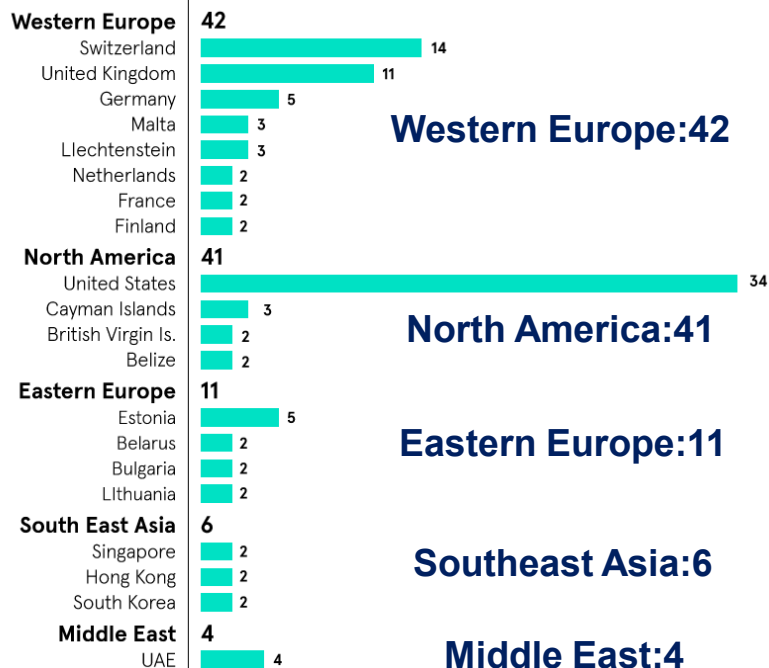
What is a security token?

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

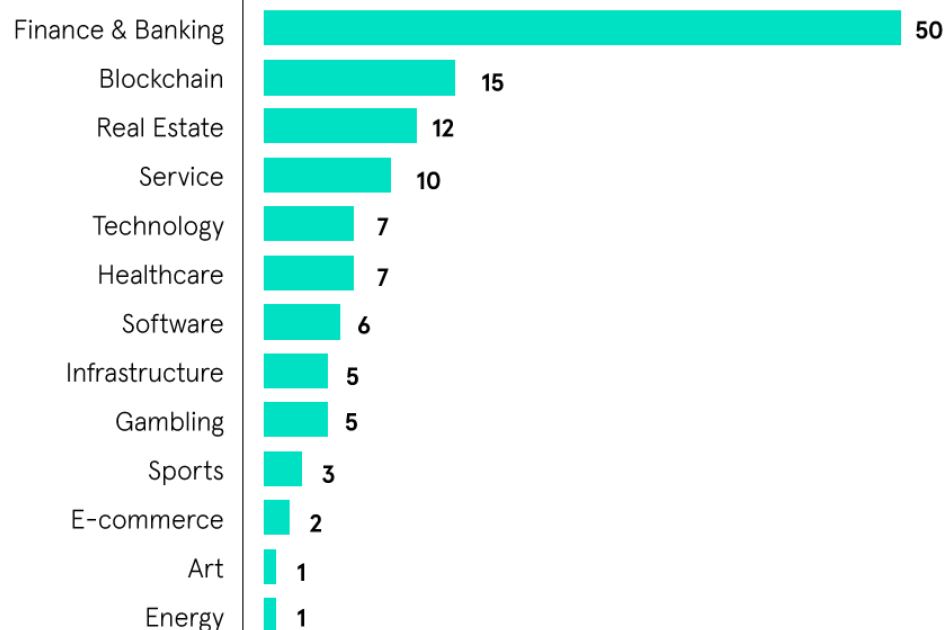
Work together as one within the industry to create primary and secondary markets for STs

The Application of STO is Expanding Globally and across Multiple Industries

<Number of STO cases by country/region>



< Number of STO cases by Area>



*Source: BlockState "Global STO study"

- Although the United States stands out in terms of the number of STOs, **STOs are becoming more commonplace across Europe and Asia**
- And despite the majority of STOs taking place within the financial sector, **more STOs based on real assets are coming to the fore**, such as the US-based Aspen Digital's real estate token offering and the European-based Curio Invest's automobile token offering.

Security Token Market Shows Signs of Accelerating Pace of Growth

Securitize, a U.S. company in which SBI Group also invests in, raises 5.2 billion yen in new funding

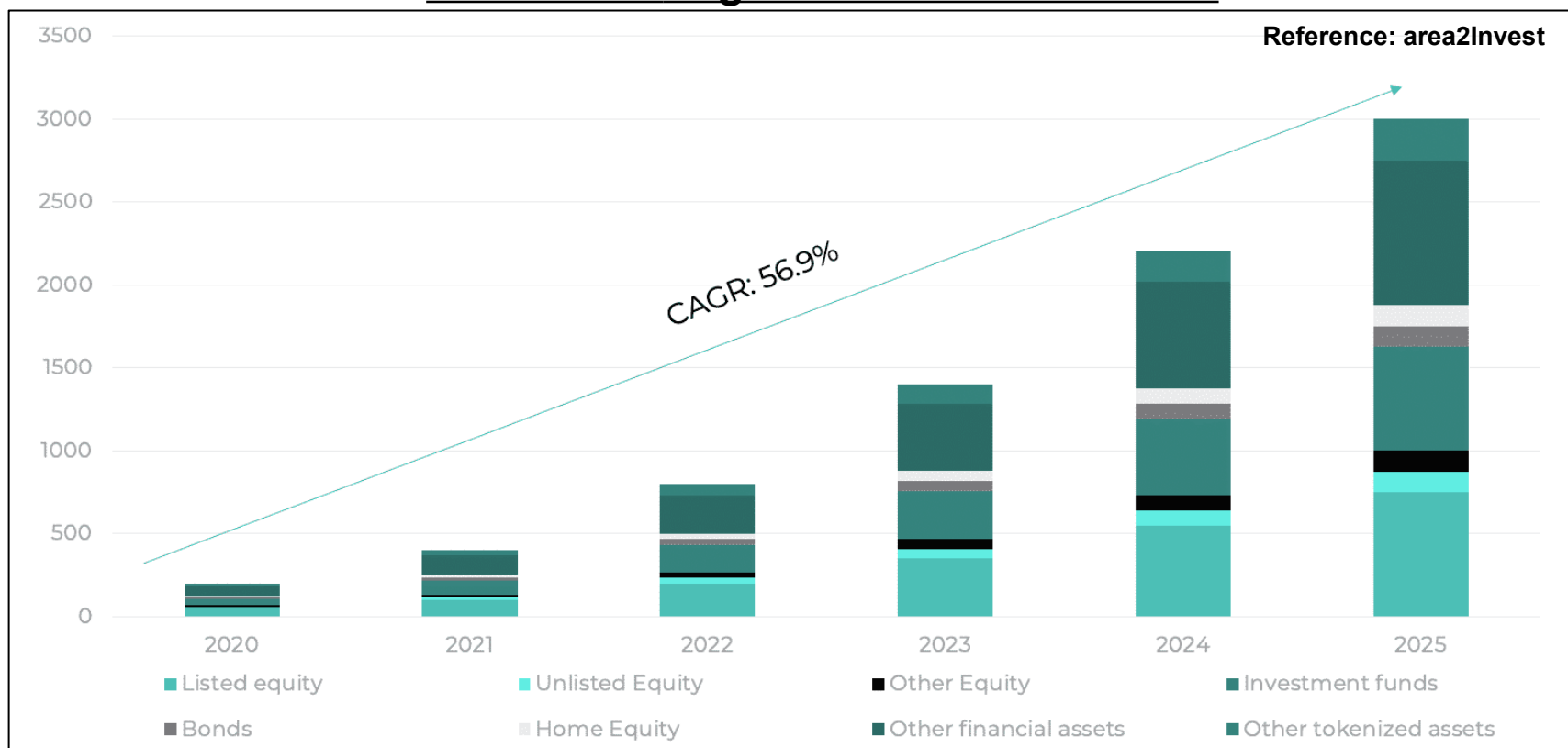
Securitize, a US-based information technology (IT) company that assists with the primary issuance of digital securities, has recently raised about \$48 million (JPY 5.2 billion) from Sumitomo Mitsui Trust Bank and other investors. The funding is for adoption and system development to expand the digital securities business. Investors receive shares in the form of digital securities issued on the Securitize platform.

This round of funding, Series B, is funding for the business expansion phase. Investors were from around the world, from North America, Europe, and Asia. Overseas investors joining this funding round included Blockchain Capital and Morgan Stanley Tactical Value. From Japan, Sumitomo Mitsui Trust Bank and NTT DATA joined the round.

Securitize is preparing to launch Securitize Markets, a marketplace for digital securities. Securitize Markets seeks to expand the digital securities market, which offers easier access for institutional investors by not only assisting with the primary issuance of digital securities but also improving the secondary trading market.

From the NIKKEI (June 22, 2021)

Estimation of growth in the ST market



Establishing Self-regulatory Organizations Committed to the Development of a Healthy ST Primary Market

Established The Japan STO Association in Oct. 2019, which 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 and Sumitomo Mitsui Trust Bank, Mitsubishi UFJ Trust and Banking, Hash Dash have joined **as regular members**, and **47 companies from various fields have participated as support members**, for a total of 59 members
- The Japan STO Association established **the Security Token Market Revitalization Committee** on Mar. 29, 2021 to formulate basic measures to promote the primary and secondary markets of security tokens

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

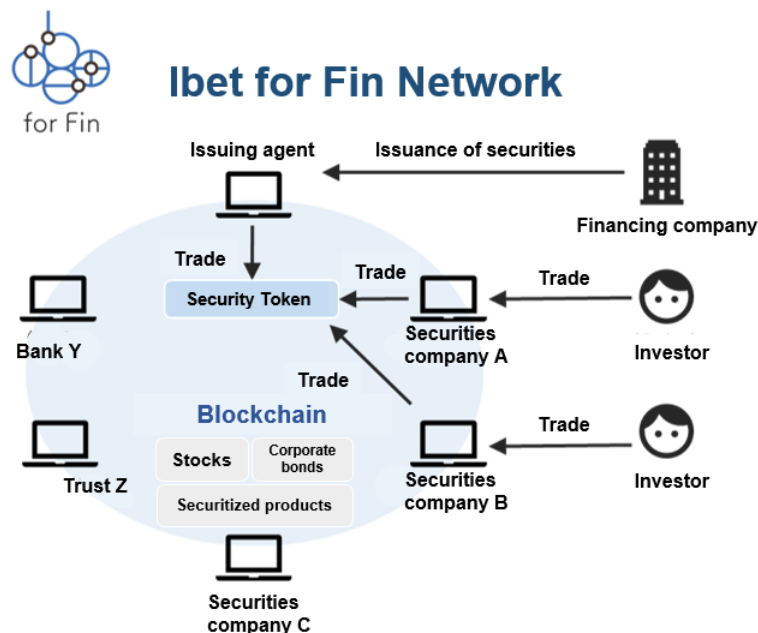
By bringing together pertinent information with a focus on securities companies, endeavoring to realize STO business opportunities that ensure strict legal compliance and investor protection in Japan

Launched a Security Token Business that Meets the Regulatory Requirements in Japan in Collaboration with BOOSTRY and Others

- SBI SECURITIES announced the **first security token offering (STO)** for general investors in **Japan on April 19, 2021**. The issuance and management of digital stocks will be carried out using "ibet for Fin" led by BOOSTRY. The process of primary issuance to interim management and redemption is all carried out electronically
- In an effort to develop and provide a **decentralized financial platform**, SBI SECURITIES, SMBC Nikko Securities, Nomura Securities, and BOOSTRY started the ibet for Fin blockchain consortium in June 2021 to handle security tokens (ST)

【Overview of ibet for Fin】

- ✓ ibet for Fin is a consortium-type blockchain network jointly run by participating companies to handle the securitization of security tokens issued with blockchain technology
- ✓ Tokens and trading methods are standardized within the network and participants can use ibet for Fin by combining data with smart contracts on the blockchain according to certain rules
- ✓ BOOSTRY has developed the basic system and standard functions of the ibet for Fin network and released it as open source software. This has allowed different financial groups to freely improve and redistribute the software



c. Non-Fungible Token (NFT)

NFT Rapidly Gains Recognition

NFT is a token that proves the uniqueness (authenticity) of digital artifacts, games, etc. using blockchain and DLT

NFT art of Beeple sold at a price of JPY 7.5billion. Signs of change in the art world

- On March 11 (U.S. time), a collage of NFT digital art by a relatively unknown digital artist fetched \$69 million (JPY 7.5 billion) at an auction
- The work, titled "Everydays - The First 5000 Days," is a collection of daily sketches made over several years by Mike Winkelmann, an artist known online as Beeple
- NFTs are essentially assets that can be minted (created), mathematically defined contracts that can indicate the true owner of a digital commodity. For digital artists struggling with how to articulate the scarcity of digital files that can be freely downloaded, uploaded, and shared, NFTs will feel like a media revolution for the art world

(Deprived from an article from TechCrunch Japan, March 12, 2021)

SBI Art Auction partnership with Startbahn, Inc., to issue a blockchain certificate to successful bidders who wish to receive it



Not only used as a current certificate of authenticity or to certify a sale, a blockchain certificate will ensure the authenticity of artworks as more reliable through a tamper-resistant and highly transparent blockchain mechanism

Ripple's Initiative with NFT

Building a More Sustainable, Scalable, and Accessible Future for NFTs with XRPL

Deprived from the RippleX Blog (May 24, 2021)

<https://blog.ripplex.io/building-a-more-sustainable-scalable-and-accessible-future-for-nfts-with-xrpl/>

- The World Economic Forum (WEF) predicts 10% of the world's GDP will be tokenized by 2027
- Achieving impact at-scale across so many asset types will require the interaction of different blockchains and existing Internet and financial infrastructures
- The blockchain XRP Ledger has the ability to tokenize not only XRP but also a variety of other assets and has extremely low transaction fees that can be settled instantly with a very low environmental impact because it does not use mining and has decentralized trading capabilities. Tokenization could be an opportunity for the XRP Ledger
- For issuing NFTs on the XRP Ledger, XRP community members have already proposed a basic standard, but Ripple's RippleX team proposed a model for NFTs in May that can provide richer functionality. The model will be formally adopted after community review and voting

d. A new business model: Digital Asset Banking

A New Business Model: Digital Asset Banking

- In the Fintech 2.0 era, where digital assets play a major role in the expression of value, blockchain-native banks that can handle digital assets (digital asset banking) are essential -

< Various existing bank definitions >

Internet Bank:

A bank whose services can be accessed via the Internet from a PC, tablet, or mobile device

Digital Bank (typical example)

Neo Bank:

A bank that does not have a banking license and serves as a digital interface of existing banks, providing financial products and services with superior UI/UX online, primarily through mobile devices

Challenger Bank:

A bank that has obtained a new banking license and offers the same financial products and services as existing banks, such as checking accounts, savings accounts, and mortgages, but with a digital native approach

A New Business Model: Digital Asset Banking

Example of Sygnum Bank in Switzerland ①

 **SYGNUM** (Shareholding by the SBI Group: 4.95%)

With a wealth of knowledge about digital assets, Sygnum is the world's first digital asset bank established in 2019 and is licensed by Swiss financial authorities, operating as a licensed asset management company in Singapore

Cooperation with the SBI Group

- SBI Group invested in Sygnum Bank in March 2021 (SBI Group shareholding: 4.95%)
- Sygnum became the first bank in the world to issue its own share tokens on a distributed ledger (DLT) in December 2020. It will be looking to collaborate with the Osaka Digital Exchange (ODX), which SBI Group is striving to establish, and the SIX Digital Exchange (SDX) in Switzerland
- Plans to use Sygnum's security token issuance platform "Desygnate" at the above exchanges

Establishment of a joint fund

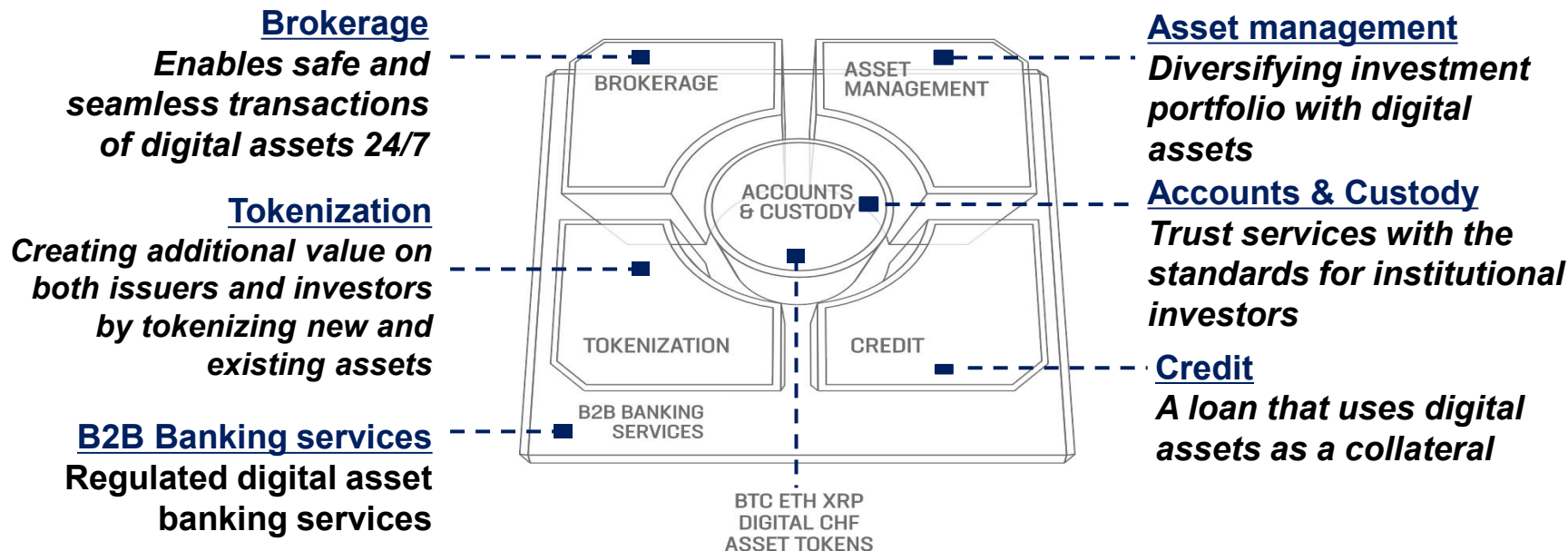
- Invest in promising startups with innovative technologies in the field of enterprise solutions related to financial market infrastructure and DLT, primarily in Southeast Asia and Europe
- Strive to increase liquidity and promote the spread and use of security tokens as a fundraising tool by tokenizing fund equity after investment
- In the future, plans to provide support for direct market funding through STO (security token offerings) for portfolio companies
- Azimut Group, Italy's largest independent asset management company, will also participate

SBI Group has begun preparations for the creation of Japan's first digital asset bank

A New Business Model: Digital Asset Banking

Example of Sygnum Bank in Switzerland ②

Various digital asset related services that the Sygnum Bank offers



- 1st stage: Promptly invest in digital asset-related companies through joint funds with Sygnum Bank, etc., and proactively introduce technologies and knowledge
- 2nd stage: Increase the number of customers by expanding digital asset-related services and docking advanced technologies of the investee companies with the platform the SBI Group is currently building
- 3rd stage: Establish a digital asset bank in Japan and overseas

e. Rising expectations for central bank digital currencies (CBDCs)

Interests Towards the Issuance of a Central Bank Digital Currency (CBDC) is Growing Across the World

Sweden

Announces its intention to **complete** the review of pilot projects for the introduction of e-krona by **late November 2022** (December 11, 2020)

China

In China, which is leading the way in the introduction of the digital renminbi, **a digital renminbi demonstration experiment totaling about 60 million yuan (about 1 billion yen) was launched in Beijing and Shanghai in June**. Together with experiments in Shenzhen, Suzhou, Chengdu, Changsha and other cities, a total of more than 200 million yuan (about 3.4 billion yen) has already been distributed.

Canada

Bank of Canada Deputy Governor Lane says in an online discussion that "the central bank needs to have its own digital currency," reversing his previous cautious stance (October 15, 2020)

EU

The ECB publishes a report titled "The International Role of the Euro" and **concludes that the issuance of CBDCs will help maintain the autonomy of national payment systems and the international use of the currency in the digital world** (June 2, 2021)

Cambodia

The National Bank of Cambodia (=central bank) **starts official use of the "Bakong System"***
*It utilizes the "Hyperledger Iroha," a blockchain developed by SORAMITSU, a Japanese company (October 28, 2020)

United States

The Fed releases a statement on the preconditions for issuing digital dollars as CBDCs (February 24, 2021)

Announced that **a report on the digital dollar, outlining views on its benefits and risks, will be released this summer**. Chairman Powell said that Fed will take a leading role in developing **international standards** around central bank digital currencies (May 20, 2021)

The Bahamas

The central bank starts the **nationwide use of the world's first CBDC "Sand dollar."** It has helped improve financial inclusion and resilience to natural disasters in sparsely populated archipelago regions (October 20, 2020)

As of 2020, 86% of the 65 central banks are conducting some kind of research or study on CBDCs, and 14% have advanced to the pilot project stage

With the Growing Interest in a CBDC in Japan and the BoJ Starting a Demonstration Experiment, Businesses that Provide Financial Services will likely be Required to Change in the Future

Japanese Government

In the "Framework Policy," a guideline for economic and fiscal management approved by the Cabinet on July 17, 2020, it is clearly stated that **"the Bank of Japan will conduct demonstration tests for technical verification and other studies in cooperation with other countries"**

Bank of Japan

- On July 20, 2020, a new "Digital Currency Group," a specialized organization to explore issues related to the issuance of digital currencies by central banks, established in the Payment and Settlement Systems Department
- In October 2020, the Bank of Japan released **"The Bank of Japan's Approach to Central Bank Digital Currency"**

The future policy of the BoJ on CBDC

In addition to research-based studies, the bank will verify the technical feasibility of the basic functions and characteristics of CBDCs through the Proof of Concept (PoC) process in order to conduct more concrete and practical studies through the implementation of demonstration experiments. If it is judged to be necessary, the necessity of a pilot experiment will be considered

[1] First phase of the PoC (started on April 5 and assuming a one-year period ending in March 2022)

Test basic functions of CBDC as a payment method such as issuance, distribution, withdrawal, by constructing a systematic testing environment

[2] Second phase of the PoC

Test the possibility of realization by adding functions surrounding CBDC in addition to the testing environment created in the first phase

[3] Pilot experiment

If it is deemed necessary through the PoC, considerations to be made for a pilot experiment with actual participation by private companies and consumers

Ripple's Affinity with CBDCs

- ***Ripple announces pilot version of CBDC Private Ledger, a service for CBDCs***
- ***CBDC Private Ledger, a private version of the open source XRP Ledger, is designed for central banks to issue and manage digital currencies***
- ***Capable of processing tens of thousands of transactions per second (TPS), with the potential to scale up to hundreds of thousands per second in the future*** (Excerpted from Ripple Insights, March 3, 2021)

"More than 80% of central banks are actively considering a central bank digital currency (CBDC), which is a positive development for the industry. As countries do not use each other's CBDCs, mutual availability and cross-border transactions will be important. There is a need for a digital asset that can act as a neutral bridge, such as XRP, when exchanging CBDCs. CBDCs and virtual currencies like XRP are not competitors, but complementary to each other."

(Ripple CEO Brad Garlinghouse, March 10, 2021. Abridged translation of NIKKEI Financial)

(2) SBI Group's initiatives to form a digital financial ecosystem

- ① Establishing a structure for the digital asset field in Japan**
- ② Partnership with leading overseas financial institutions**
- ③ Formation of a global network**

Proactively Promote R&D to Provide Next Generation Financial Services that the SBI Group can Offer, While Anticipating the Financial Market of the Near Future that will Develop Along with the Evolution of the Digital Asset Space

● Next-generation financial service

e.g. Issuance and distribution market for Security Tokens Crypto asset exchange Crypto asset fund Market maker Etc.

● Example of service providing companies



[SBI SECURITIES]
Security Token



[SBI FXTRADE]
Crypto asset CFD



SBI Wallet
Crypto asset wallet

Osaka Digital
Exchange



Morningstar Japan

Crypto asset fund



TaoTao

Crypto asset exchange



SBI VC Trade

Crypto asset exchange



B2C2 Limited

Crypto asset market
making



FXcoin

Crypto asset exchange

Established SBI Financial and Economic Research Institute to Conduct Surveys, Research, and Policy Proposals Centering on Digital Assets

Reconstructed SBI Graduate School Financial Research Institute
(Opened on Oct. 1, 2016) **to SBI Financial Research Institute on Apr. 1**



In light of the recent rapid development, growth, and evolution of the digital asset field, the SBI Group will strengthen its research and study activities in the following fields and aim to develop businesses that capture the current trends in cutting-edge fields

1. Research and study (including commissioned work) **on DeFi, including ST**
2. Research and consulting on **digital asset banking and digital asset exchanges**
3. Research and development of **digital asset operations and related services**
4. Research and development of **CBDC for business use and collection of information on the situation in each country**
5. Research and study **the creation of a global digital market**, and undertaking of such research and study
6. Research and study on **the next generation international financial center using technology**, and commissioned research

{
 The Institute will also actively make policy proposals to government agencies for the development of new legal systems and environments
 }

Structure of the SBI Financial and Economic Research Institute

SBI Financial and Economic Research Institute

**BoD
Organizing office**

- 1.Digital Finance Research Group**
- 2.Digital Financial Infrastructure Research Group**
- 3.Crypto Asset Research Group**
- 4.International Digital Market Research Group**

***1**

Global Financial Markets Research Group
Fintech Research Group

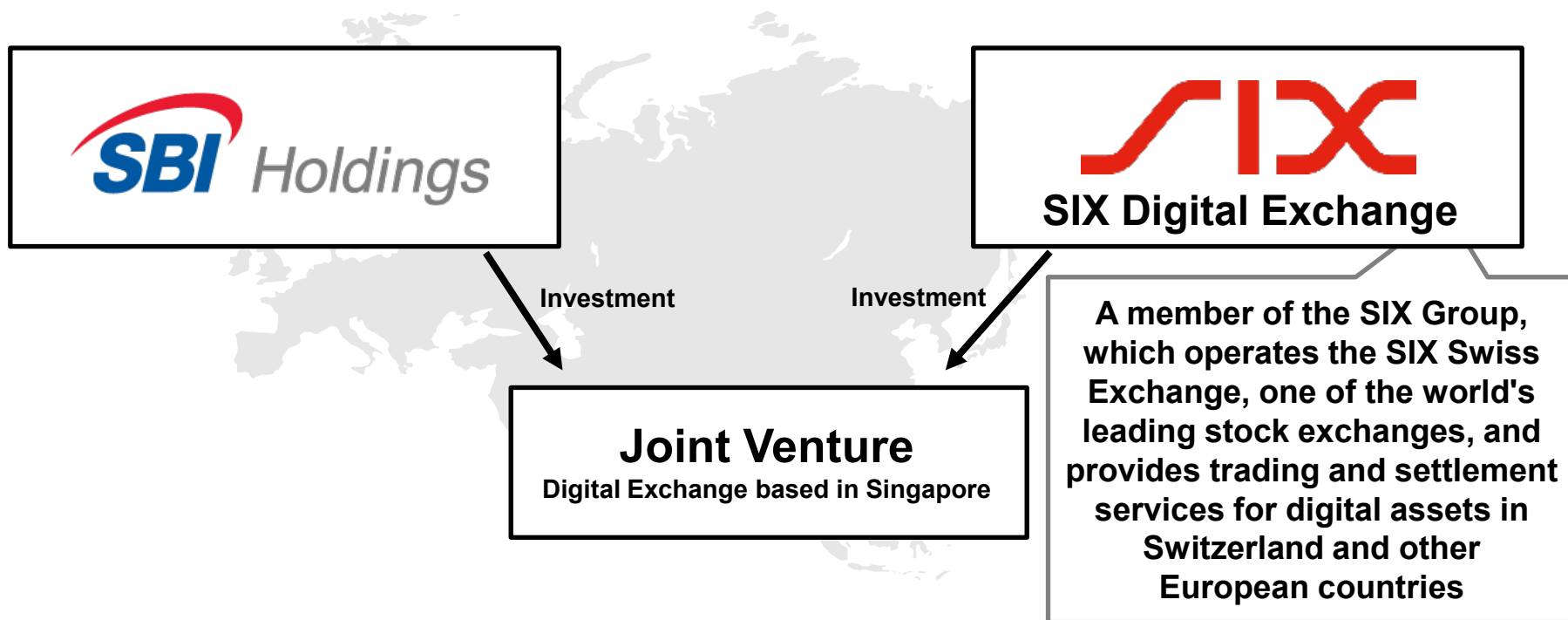
***2**

1 Tentative name, research group to be established in the future

2 Study group established at the SBI Graduate School Financial Research Institute

②Partnership with leading overseas financial institutions

Endeavor Towards Establishing a Singapore-Based Digital Asset Exchange with SIX Digital Exchange of Switzerland

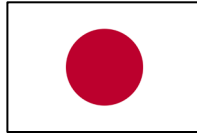


- Provide functions for issuing, trading, and storing digital assets for institutional investors



Through cooperation with the SIX Group, which has extensive expertise on the wealthy class and institutional investors, will endeavor to increase the liquidity of digital assets and to expand services for institutional investors

The SBI Group invested in the Börse Stuttgart Stock Exchange Group of Germany



Börse Stuttgart

Operates the second largest securities exchange in Germany

Digital Exchange

Börse Stuttgart

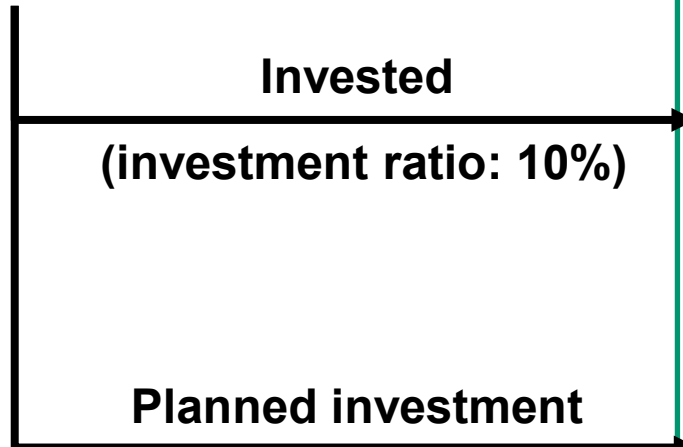
Germany's first digital asset exchange in compliance with German banking law



Börse Stuttgart
blocknox

Digital investment company of the Boerse Stuttgart Group. Its portfolio includes **blocknox, a digital asset**

custodian

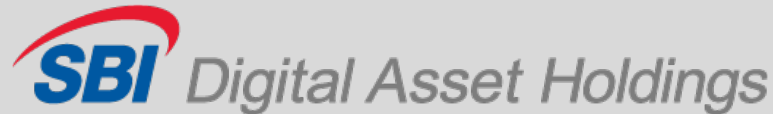


Considering the promoted creation of actual demand for digital assets worldwide through mutual issuance and handling of digital assets in Japan and Germany, and brokering international custody

③Formation of a global network

SBI Group's Global Organizational Response to Next-Generation Finance

-Established SBI Digital Asset Holdings, Inc. as a core company to achieve dramatic growth in digital asset-related businesses-



Exchange (Distribution)

(Europe, Singapore, etc.)

SBI Digital Markets
Asia Digital Exchange*
(*Temporary name)
Osaka Digital Exchange

System

SBI Security Solutions
SBI DigiTrust

Investment

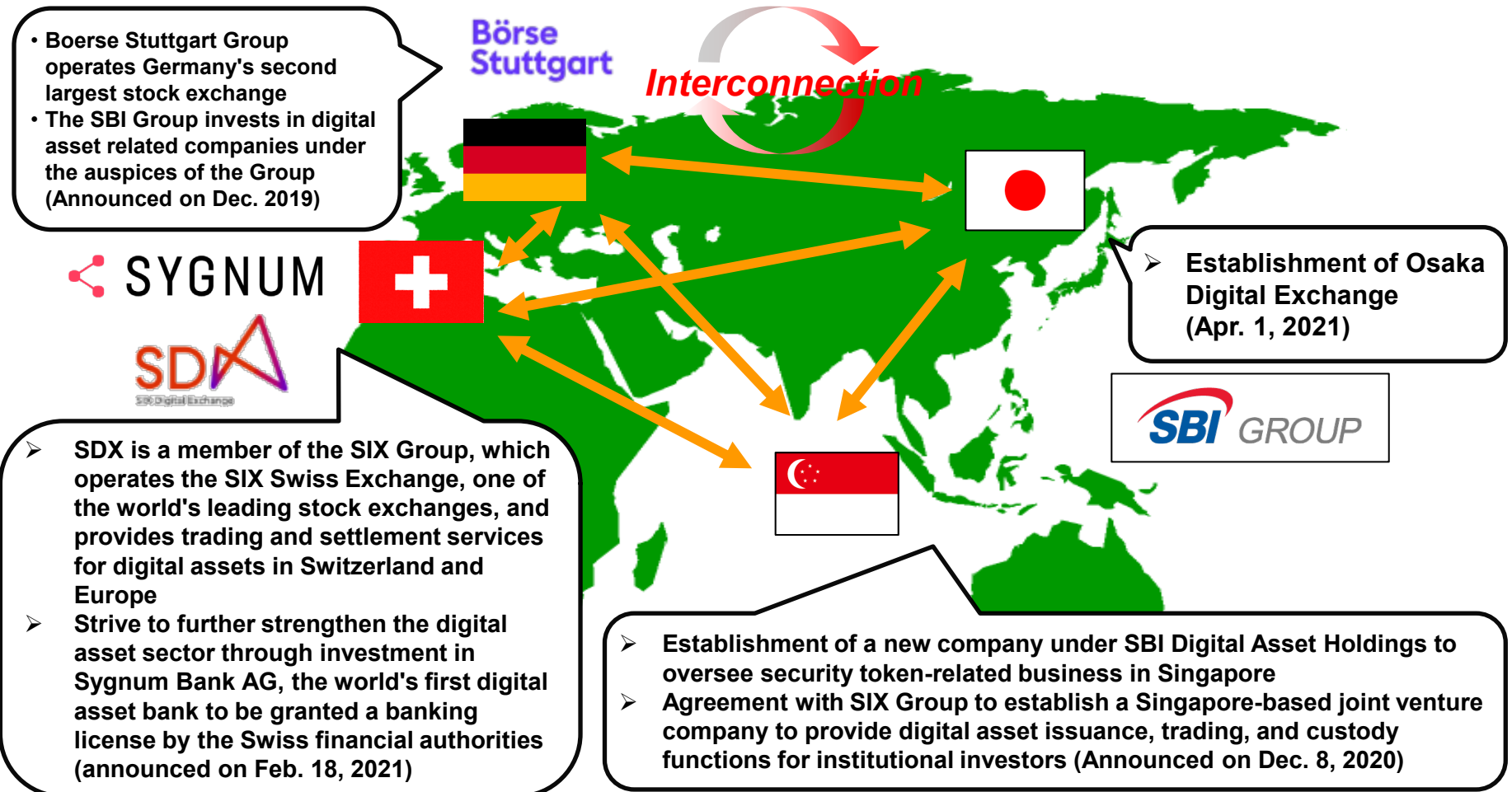
SBI Crypto Investment
SBI Digital Investment

Global business in cooperation with SIX Group in Switzerland, Boerse Stuttgart in Germany, etc.

- Prime brokerage
- Services for institutional investors
- Custody
- Advisory
- Wallet
- E-KYC/AML

Endeavour Towards Creating the World's Largest Global Corridors

- **Endeavor to create one of the world's largest digital asset exchange** by interconnecting ODX with the Boerse Stuttgart Group, Swiss SIX Group, and the digital exchange that will be established in Singapore with the SIX Group, etc.



III. Initiatives to sustainably increase corporate value

Promote initial public offerings and M&A of Group companies to realize potential corporate value and further improve the company

- 1. Valuation of each business field based on estimates by the company**
- 2. Realization of corporate value through IPOs and sales of shares of Group companies**
- 3. Further enhance corporate value through the promotion of an M&A Strategy**

1. Valuation of each business field based on the estimates by the company

-The valuation of each business entity was calculated conservatively-

Price per share as of June 28, 2021: JPY 2,665

■ Total valuation of each business segment

(Based on the closing price of June 28, 2021)

(JPY billion)

	Valuation by business (theoretical value)
Financial services business	848.5
Asset management business	625.2
Biotechnology-related business	89.5
Subtotal	1,563.2(+)
External debt (SBIH non-consolidated portion of consolidated balance sheet (as of March 31, 2021))	-534.3
Total	1028.9(+)*

- Business valuation per share based on total valuation of each entity **JPY 6,390**
(58.3% discount)
- Business valuation per share after deducting external debt: **JPY 4,206**
(36.6% discount)

*The above business valuation per share does not represent the theoretical share price of the Company, as the interest-bearing debt, etc. of SBI Holdings, Inc. is subtracted from the simple aggregate valuation of each entity.

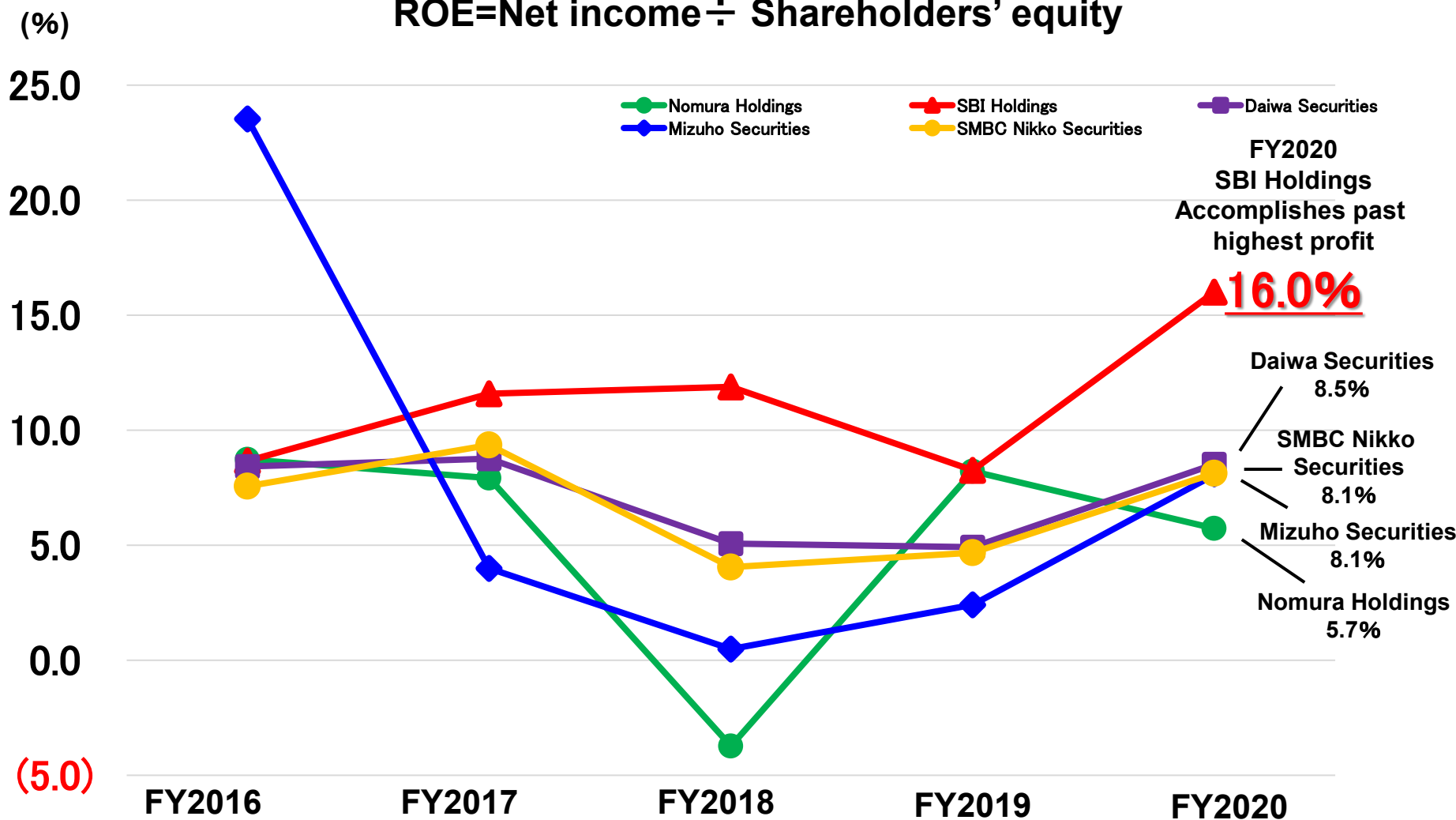
Recent Trends in Market Capitalization

Market capitalization (As of June 28, 2021) **Approx. JPY652.0bn**



Comparison of ROE (Return on Equity) with the SBI Group and Other Companies

ROE=Net income ÷ Shareholders' equity



*Prepared by the Company based on materials disclosed by each company

2. Realization of corporate value through IPOs and sales of shares of Group companies

Example of potential IPO:

SBI ALApharma, an intermediate holding company for 5-ALA related businesses



Optimizing management resources for 5-ALA-related businesses globally

Main business areas:

Japan

Europe and America



Germany-based
photonamic,

Netherlands-based
Photonics Healthcare B.V.

Germany-based
FerroSens GmbH

SBI ALApharma Canada

U.S.-based NXDC

In addition, some Group companies preparing for IPOs, and considering the realization of corporate value through the sale of shares in subsidiaries

3. Further Enhancement of Corporate Value through the Promotion of an M&A Strategy

In addition to organic growth in each of the Group's businesses, the Company endeavors to achieve growth through M&A, etc., to maintain an **ROE of 10% or higher** on a regular basis

- Further enhancement of corporate value through the promotion of M&A strategy
 - Enhancing corporate value by increasing the value of its companies acquired through M&A
 - Acquired companies contribute to the SBI Group's existing business performance by expanding the economic scale through synergies and mutual evolution. The M&A initiative will lead to further enhancement of SBI's corporate value

- Target areas for M&A

e.g.

FX company

Digital asset
company

M&A specialist

Asset management
company

Etc.

[M&A results for FY2020]



[Rheos Capital Works]

Management of
investment trusts



Operates crypto asset
exchange



[SBI Neotrade Securities]
(former: Live Star Securities)

Online Securities



Digital asset
market maker



Real estate
developer



Operates crypto asset
exchange

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