

Nurturing New Sources for Earnings, while Maintaining a Virtuous Cycle of Management Resources

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Our Understanding of Current Conditions in a Dramatically Changing Environment

For the fiscal year ended March 31, 2020, we approached the end of the period amid the social and business disruptions brought about by COVID-19, that had spread across the globe since the beginning of January 2020. Despite this adverse environment, we recorded consolidated revenue of ¥368.1 billion (up 4.7% year-on-year) based on the International Financial Reporting Standards (IFRSs). This is a record high for the Company since its founding.

Reflecting on the phenomenon of large-scale disruptions in the financial sector, such as the Asia currency crisis occurring in the latter half of the 1990s and the global financial crisis in the latter half of the 2000s, I see such phenomena arising roughly every 10 years. According to this periodic cycle, we were expecting something to happen soon, and that turned out to be the COVID-19 outbreak. Although the current crisis makes it difficult to formulate responses and to make projections, it did not originate from the financial sector. The financial markets have been continuing their activity without interruption, and the impact on the financial sector has been different in nature from past crises. In response to the changes in people's lifestyles, such as trying to avoid contact with other people in order to prevent infection, the SBI Group, whose business is concentrated online, is well-positioned. Today's adverse environment

can also be considered an apt opportunity to seize.

For the SBI Group's Financial Services Business in particular, we recognize there are many opportunities that may arise and be beneficial. In the fiscal year ended March 31, 2020, the Group's securities and FX businesses achieved favorable results, owing to the volatility in the stock and foreign exchange markets, when COVID-19 started to take hold. While the total individual stock brokerage trading value of the two major domestic markets*¹ fell 10.5% year-on-year, commission fees at SBI SECURITIES grew 4.1% year-on-year, owing to an increase in foreign stock, futures and options trading activities. Trading income also had sizable growth at 28.1% year-on-year, raising its contribution to earnings. With results like these, the Financial Services Business revenues rose 7.1% year-on-year to ¥246.8 billion. Despite this, profit before income tax expense fell 20.2% year-on-year to ¥53.4 billion. One factor behind this result is the initial cost and promotion expenses for the launch of SBI NEOMOBILE SECURITIES, a smartphone securities company started in April 2019. Another factor is that based on consolidation measures in accordance with IFRSs, a loss was taken on the fair-value estimates of securities holdings at the banking and insurance businesses.

Even as major disruptions have been occurring in society and the economy, it is essential that the Financial Services

*¹ Japanese stocks listed on the Tokyo Stock Exchange and Nagoya Stock Exchange (including TSE Mothers, JASDAQ, and NSE Centrex)

Business, with its ability to steadily increase earnings, remains firmly behind the “Customer-centric Principle,” and continues to offer better services. As a result, we can continue to be a company selected by its customers regardless of how the social environment changes, which will lead to sustainable growth.

In the Asset Management Business, performance was strong through the third quarter, and then because of the COVID-19 outbreak in the fourth quarter, there was a large drop in the valuations of publicly traded companies among the investee companies. For the segment overall, revenues were down 2.4% year-on-year to ¥115.8 billion, profit before income tax expense was down 31.2% year-on-year to ¥35.2 billion. Losses arising from changes in fair-value estimates of publicly traded companies and losses on disposition of these holdings amounted to ¥3.5 billion. On the other hand, unlisted companies had a profit of ¥23.3 billion, so the business has remained profitable despite the pandemic. In the short term, the severe market environment is likely to continue for the Asset Management Business, but times like these also present new investment opportunities. Now is a good time to establish new funds, to endeavor to make new investments to sow the seeds of long-term growth. On the other hand, SBI SAVINGS BANK underpins segment performance. Even amid concerns over COVID-19 in South Korea, SBI SAVINGS BANK’s healthy accumulation of performing loans and growth in profits allowed it to rank right after SBI SECURITIES in its contribution to the segment profits.

The Biotechnology-related Business also felt the impact of COVID-19, through such matters as delays in clinical trials that were already in progress, especially one being conducted by the U.S. company, Quark Pharmaceuticals. However, this particular clinical trial had already moved into its final stage, so we expect the effect will be limited. Since Quark Pharmaceuticals has been conducting clinical trials focused on a single pipeline from FY2020, more than ever, a reduction in cost is expected. In the overall segment performance, revenues rose 5.1% year-on-year to ¥3.9 billion, while profit before income tax expense was a loss of ¥11.4 billion (loss of ¥19.2 billion in FY2018). In the ALA-related business, the core of the Biotechnology-related Business, SBI ALApromo demonstrated healthy growth, and dependable growth is expected moving forward. In order to expand the overseas business, the segment strives for discontinuous growth by examining methods such as M&As, as I would like to realize the synergies within the ALA-related business in the future.

Looking back on the fiscal year ended March 31, 2020, although we felt the impact of the COVID-19 outbreak in the fourth quarter, we were able to safeguard a stable profit for the full year. Compared to the global financial crisis 10 years ago, we came into this crisis with a reinforced financial structure and foundational power.

Results for Fiscal Year Ended March 31, 2020

Revenues marked a record high for the Company since its founding

■ Financial Services Business:

Securities business and FX business achieved favorable results

■ Asset Management Business:

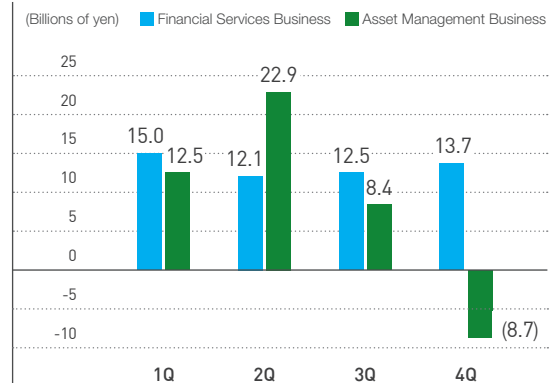
SBI SAVINGS BANK of South Korea continues its revenue growth

■ Biotechnology-related Business:

Advancing selection and concentration, to endeavor improved performance

FY2019 Quarterly Profit Before Income Tax Expense (IFRSs)

Owing to the complementary relationship between the Financial Services Business and the Asset Management Business, even amidst the volatile market owing to the spread of COVID-19, recorded firm financial results.



Taking a Hard Look at Fields with High Growth Potential and Investing Aggressively

We have been focusing on devoting management resources to fields with favorable growth prospects where we endeavor to invest in aggressively and operationalize, particularly those related to fintech and digital assets. The era of full-fledged expansion of these fields begins now, and we will continue to focus on these areas moving forward.

Both the fintech, established in December 2015, and the SBI AI&Blockchain Fund, established in January 2018, entered their monetization phases, already having accomplished 11 initial public offerings (IPOs). Then in 2020, we will launch the “4+5 Fund (common name),” thereby adding a fund that is open for investment. In addition to fintech, AI and blockchain, the “4+5 Fund” targets investing in a wide range of industries including core technologies such as IoT and 5G which contributes to the realization of Society 5.0 for SDGs*2, as well as robotics to advance Industry 4.0, and innovative technologies and services in broad industries including healthcare and infrastructure. Since the investment still seems to take time to pay back the

original investment, financially, funds raised from external sources will be the main source of support for our investment activities. Also, we will steadily expand the scale of investments, while entering a virtual cycle by recovering cash from the Fin-tech Fund, and re-investing them into the “4+5 Fund,” which is in support of the SBI Group’s investment business.

In regards to M&A activities, we plan to proactively pursue those in fields such as asset management, foreign exchange and crypto-assets. This is based on the assumption that synergies can be formed with the existing businesses within the SBI Group, by capitalizing on the customer base and know-how of the M&A targets. We will also conduct a strict analysis of whether returns will correspond with capital costs. As I will discuss later, the SBI Group has set a ROE target of at least 10%. A critical point is to establish consistency between this target and medium- to long-term growth.

In pursuing M&As, the importance of procuring funds from outside sources cannot be stressed enough. Fortunately, SBI Holdings has been able to develop and maintain a strong trust relationship with its banks. Implementing an M&A strategy necessitates that we develop such relationships. In addition to bolstering indirect finance, I would like to create a robust direct finance channel.

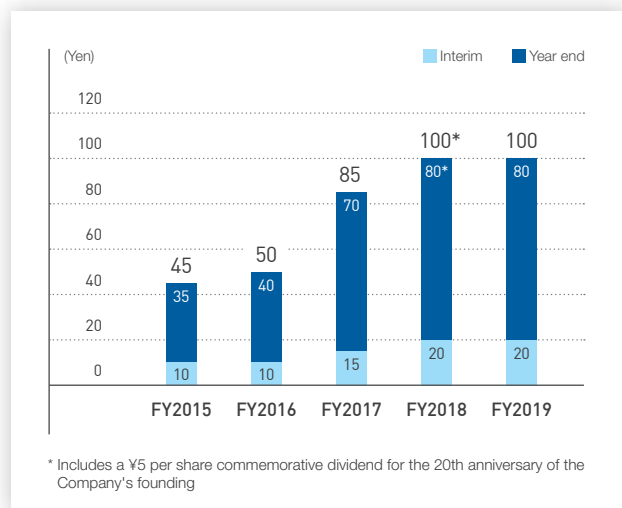
*2 The Keidanren (Japanese Business Federation) aims to resolve various social issues such as procurement of SDGs through the realization of Society 5.0, setting creation of “Society 5.0 for SDGs” as one of its major policies.

Shareholder Returns

- Carried out with a watchful eye on the balance, with funding for business growth
- The total shareholder return ratio follows a guideline of a minimum 40% payout of profit attributable to owners of the Company

Shareholder returns are undertaken with due consideration to maintaining a balance with the necessary funds for business growth. We have set a clear guideline of a minimum total shareholder return ratio of 40%, as calculated by the sum of the total amount of dividends and share repurchases, divided by profit attributable to owners of the Company. However, beginning in the fiscal year ended March 31, 2019, we have incorporated into our basic policy on shareholder returns the inclusion of an adjustment to the return ratio, for deducting the gains or losses on fair value estimates of operating investment securities from consolidated profit before income tax expense. Such an adjustment would be made according to the level of consolidated profit before income tax expense accounted for by the total amount of gains or losses on fair value estimates. We have

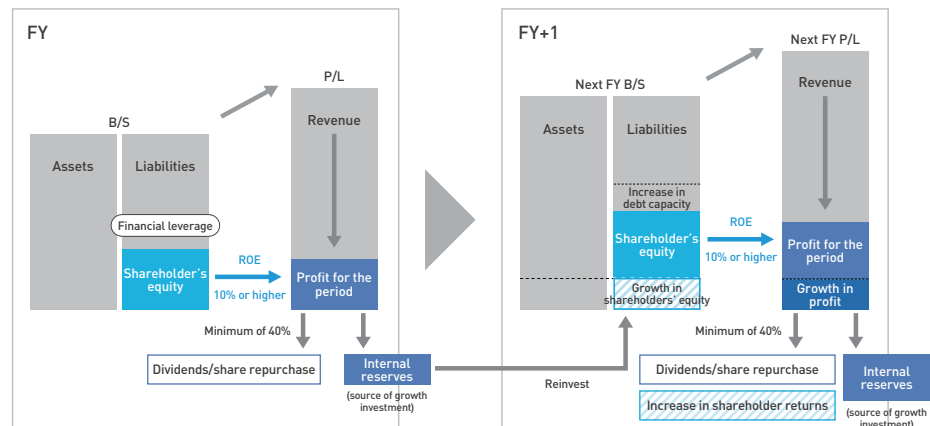
Dividends per Share



Stance on Shareholder Returns and Growth Investments

The Company secures a stable supply of funds through sustained business growth, and accumulates internal reserves to make further investments in growth fields, while returning a portion of these funds to its shareholders.

By coordinating the invested capital to attain ROE that exceeds shareholders’ expected return ratio (the cost of shareholders’ equity), we accomplish profit growth, dividend increases and an increase in capital in preparation for further growth investments.



declared an annual dividend for the fiscal year ended March 31, 2020 of ¥100 per share, including an increase of ¥5 per share in the year-end ordinary dividend, as we actively provided shareholder returns with a total shareholder return ratio of 61.6%. While also pursuing the expansion of business, we will place strong emphasis on achieving a balance between continued business growth and returns to shareholders.

■ Financial Management

- Conscious attention to capital costs when creating a new business or making an investment
- Endeavoring for a ROE of at least 10%
- Determine the entry, continuation, or withdrawal from businesses after careful examination, based on the perspective of the status of cash flows, ROI, ROE and mutual synergies among Group companies

We are aware of capital costs when moving forward on a new business venture or when making an investment. In addition to the standards that the venture should achieve, our policy is to keep in mind the continued growth of earnings per share (EPS), and to focus on high profit growth through business management that emphasizes profitability. In the fiscal year ended March 31, 2020, we were greatly affected by the COVID-19 outbreak, and the ROE was 8.3%, which was lower than our target. The proportion of volatility in fair value estimates within the Asset Management Business cannot be considered insignificant, and because of this it will be hard to achieve an ROE of at least 10% every single fiscal year, but we consider that we will be able to achieve that target well enough on average over several years. We will also be managing our financial operations so that we can appropriately exercise financial leverage in order to achieve our targets.

The SBI Group in its entirety has attained growth, both while securing the required business funding throughout the continuous growth of the business up until now, and while

taking funds collected through a "selection and concentration" approach to the business and re-investing those funds into growth fields. Centered on businesses with higher growth prospects, we will decide upon the entry, continuation, or withdrawal from a business after careful examination from the perspective of the status of cash flows, ROI, ROE and mutual synergies among Group companies.

■ Engagement Activities with Shareholders and Investors

- Institutional investors own a high proportion of shares
- Highly regarded by well-known foreign institutional investors
- Continuing IR activity and proactive information disclosure with an emphasis on dialogue

Analysis of SBI Holdings' shareholder composition as of March 31, 2020, indicates that the total shareholding ratio of Japanese and foreign institutional investors is above 70%, with the shareholding ratio of foreign investors at a high level exceeding 40%. The main foreign institutional investors holding the Company shares include Baillie Gifford, a U.K. company based in Edinburgh, Scotland, with more than a hundred-year history, and J O Hambro Capital Management, a U.K.-based asset management company. We consider it a great honor that the SBI Group is valued by the world's leading institutional investors. Through proactive engagement in IR activities, we are endeavoring to develop and maintain an excellent relationship with these investors. In order to meet the expectations of various stakeholders regarding the medium- to long-term growth of the SBI Group, we will foster awareness of transparency, fairness and continuity, and increase opportunities for constructive dialogue with our shareholders and investors.

IR Activities (FY2019)

Activity	Times	Activity content
Financial results briefing for institutional investors and analysts	4	Financial results briefing held quarterly focused on financial performance and outlook
Non-deal road shows for overseas institutional investors	2	Meetings for overseas institutional investors conducted by the President and Executive Officers
Small meetings for domestic institutional investors*	2	Small meetings for domestic institutional investors held semi-annually and conducted by the President and Executive Officers
Meetings for individual investors*	10	Meetings held semi-annually in Tokyo, Osaka, Nagoya, Yokohama and Fukuoka
Current Management Information Briefing for shareholders	1	Briefing held shortly after the General Meeting of Shareholders every June
Individual meetings for institutional investors and analysts	As required	Meetings held as needed upon request from domestic and overseas institutional investors and analysts
Uploading of IR materials and videos to the Company website	As required	Posting of timely disclosure materials including financial results, press releases, videos, and information on CSR activities

* Due to the impact from COVID-19, these activities may be omitted for the fiscal year ending March 31, 2021