



*Strategic
Business
Innovator*

SBI Holdings, Inc.

Financial Results

**for the Six-month Period Ended September 30, 2019
(Fiscal Year Ending March 31, 2020)**

October 30, 2019

The items in this document are provided as information related to the financial results and the business strategy of the SBI Group companies and not as an invitation to invest in the stock or securities issued by each company.

None of the Group companies guarantees the completeness of this document in terms of information and future business strategy.

The content of this document is subject to revision or cancellation without warning.

Note: Fiscal Year (“FY”) ends March 31 of the following year

- I. 1H FY2019 consolidated performance**
- II. The SBI Group's evolving and progressing business strategy that captures new trends in financial services**

I. 1H FY2019 Consolidated Performance (IFRS)

(Unit: JPY million)

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

1H FY2019 Performance by Segment (IFRS)

[Year-on-year comparison]

(Unit: JPY million)

Revenue

	1H FY2018 (Apr. 2018– Sept. 2018)	1H FY2019 (Apr. 2019– Sept. 2019)	YoY % change
Financial Services Business	113,648	114,899	+1.1
Asset Management Business	61,619	74,569	+21.0
Biotechnology-related Business	1,766	2,083	+18.0

Profit before Income Tax Expense

	1H FY2018 (Apr. 2018– Sept. 2018)	1H FY2019 (Apr. 2019– Sept. 2019)	YoY % change / YoY change
	34,421	26,274	-23.7
	29,776	35,455	+19.1
	-4,802	-6,175	-1,373

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

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

Interim Dividend of JPY 20 Per Share was Declared

[Basic policy for shareholder return]

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

■ Dividend forecast (result) per share

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

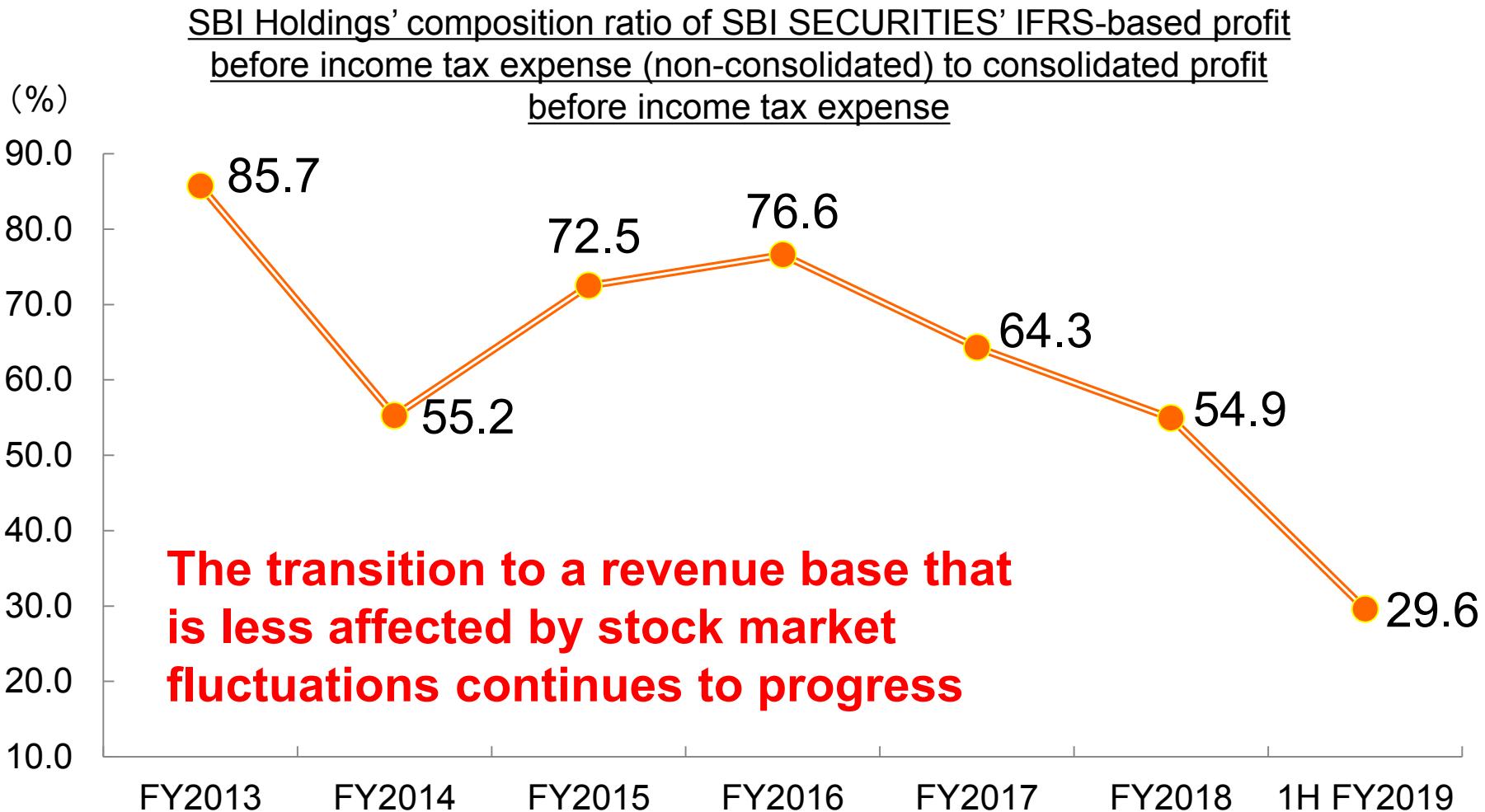
1H FY2019 Summary

1. Financial Services Business

- Owing to the material decline of the securities business' contribution to SBI Holdings' consolidated profits to 30%, the Company should no longer be categorized within the securities company business group
- SBI Holdings' consolidated profit sensitivity to the change in the domestic equity market has also declined
- As the conventional consolidated financial results comparison of SBI SECURITIES with major face-to-face securities companies no longer make sense, the comparison should be made with that of SBI Holdings

SBI Holdings Should No Longer be Categorized as a Securities Company

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



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

SBI
GROUP

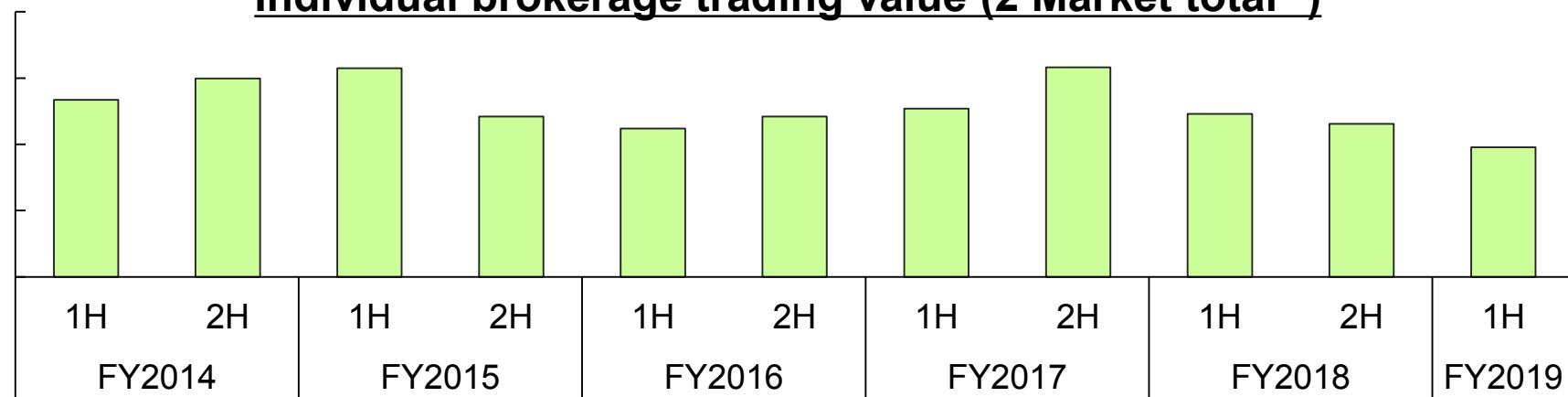
[Trend of the year-on-year % changes]

(Unit : %)

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

(JPY trillion)

Individual brokerage trading value (2 Market total *)



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

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



-As the conventional consolidated financial results comparison of SBI SECURITIES with major face-to-face securities companies no longer make sense, the comparison should be made with that of SBI Holdings-

(Unit: JPY million)

	SBI Holdings (IFRS) [1H FY2019]	Daiwa Securities Group (J-GAAP) *1 [1H FY2019]	Nomura Holdings (US-GAAP) *2 [1H FY2019]
Profit before income tax expense / Operating income *3	48,049 (-11.3% YoY)	18,900 (-49.8% YoY)	203,292 (14.4x YoY)
Profit attributable to owners of the Company	27,890 (-17.0% YoY)	33,383 (-8.0% YoY)	194,407 (1H FY2018: JPY -6,010m)

*1 Daiwa Securities Group recorded JPY 26.9bn of extraordinary gain, including JPY 8.5bn of gain from sale of fixed asset owing to assignment of fixed asset

*2 Nomura Holdings' recorded profit contribution from overseas entities in the 1Q, gain on sales of Nomura Research Institute of JPY 73.3bn was recorded in the 2Q

*3 Figures for SBI Holdings and Nomura Holdings are profit before income tax expense, while that for Daiwa Securities Group is operating income

1H FY2019 Summary

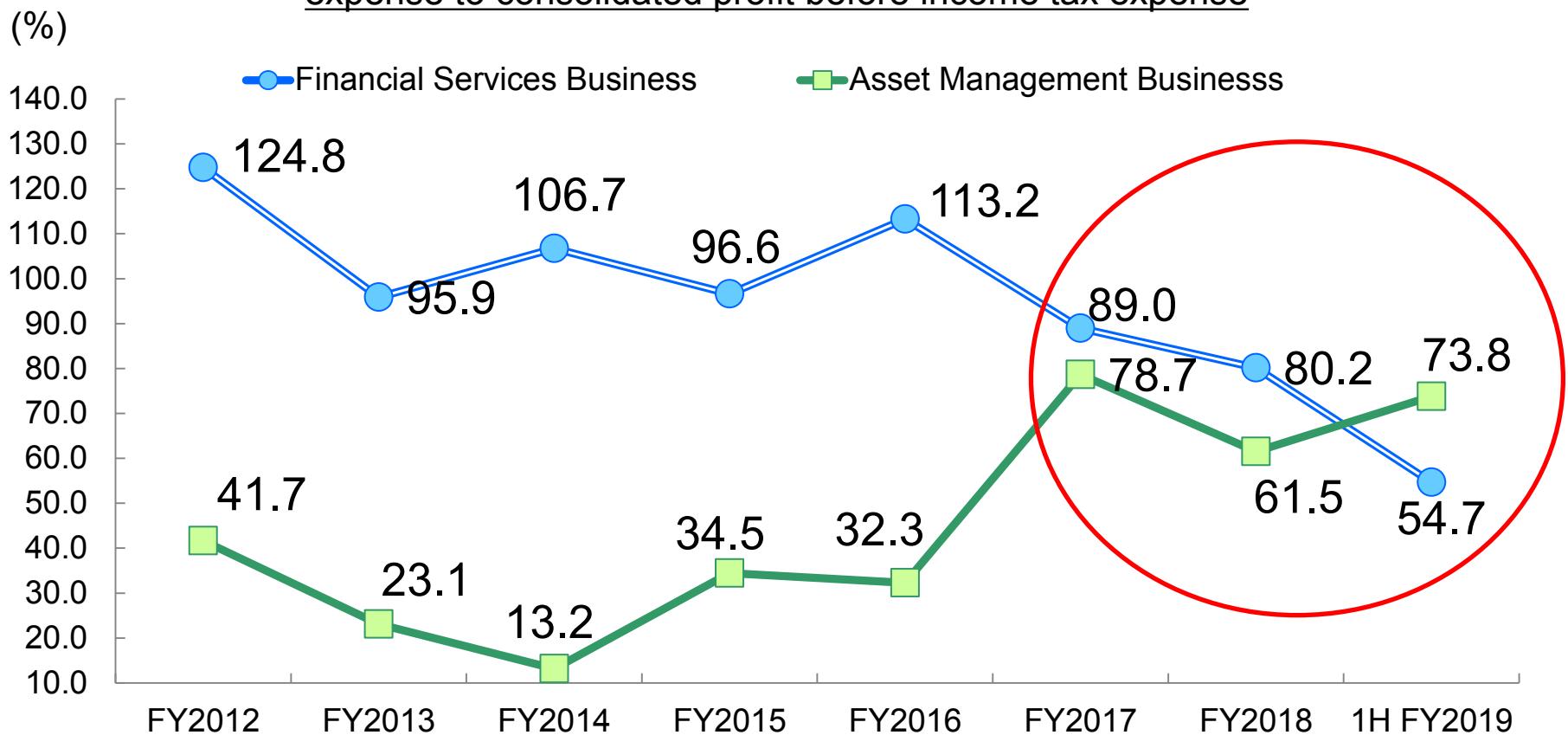
2. Asset Management Business

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

For the First Time Since the Adoption of IFRS, the Asset Management Business' Contribution to Consolidated Profits Before Income Tax Expense on a 1H Results Basis has Exceeded that of the Financial Services Business



SBI Holdings' composition ratio of the Financial Services Business and the Asset Management Business' IFRS-based profit before income tax expense to consolidated profit before income tax expense



Performance Overview of Asset Management Business (IFRS)

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

(JPY billion)

	1H FY2018	1H FY2019	YoY % change
Revenue	61.6	74.6	+21.0
Profit before income tax expense	29.8	35.5	+19.1
SBI SAVINGS BANK	9.1	8.4	-7.8
Profit/loss from the change in fair value and profit/loss on sales of investment securities	19.5	28.0	+43.3
<u>Listed Securities</u>	3.0	5.5	+85.4
<u>Unlisted Securities</u>	16.5	22.4	+35.6

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

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

Reasons for the Strong Performance of the Asset Management Business

- During 2Q, valuation gains of approx. JPY18.6bn were realized on unlisted investees alone, owing to IPOs and up-round financing for a number of investee companies. Also valuation gains of approx. JPY1.6bn were realized on listed investees, owing to stock prices rising in some of investee companies
- From 2020 onward, there are many planned investee company IPOs from the Fintech Fund and the SBI AI&Blockchain Fund, which are expected to contribute to earnings over the medium to long-term
- SBI SAVINGS BANK of South Korea has steadily increased its balance of performing loans, with a low delinquency rate of 2.8% on its entire loan balance, materially contributing as a stable profit source for the segment results
- Along with the economic growth of emerging countries, such as in Southeast Asia, the banking business in such regions have rapidly developed. The SBI Group is aggressively expanding its banking business in emerging markets to lay the foundation for the future
- The asset management business, centered on Morningstar Japan, also steadily increased its assets under management

IPOs and M&As of the SBI Group Investee Companies

	Full-year FY2018	Full-year FY2019 prospects			
IPO・M&A deals	20	Over 25			
EXIT Date	Company	Market	EXIT Date	Company	Market
May 28, 2019	Sugentech Inc.	KOSDAQ	July 19, 2019	ASTORY Co., Ltd.	KOSDAQ
May 30, 2019	VALTES	TSE Mothers	Aug. 15, 2019	9F INC.	NASDAQ
June 3, 2019	Haitong Unitrust International Leasing Co.,Ltd	HKEX	Sept. 13, 2019	Satsuma Pharmaceuticals, Inc.	NASDAQ
June 10, 2019	ZUM internet Corp.	M&A	Sept. 19, 2019	CyberBuzz, Inc.	TSE Mothers
June 19, 2019	Sansan	TSE Mothers	Oct. 8, 2019	AI CROSS	TSE Mothers
July 11, 2019	I-Scream Edu Co., Lt	KOSDAQ	Oct. 24, 2019	ENVIONEER Co., Ltd.	KOSDAQ
July 12, 2019	Settlebank, INC.	KOSDAQ	Oct. 25, 2019	BASE	TSE Mothers
July 17, 2019	Flitto Inc.	KOSDAQ	Oct. 28, 2019	BiomX Ltd.	NYSE

In this current fiscal year, 15 companies were IPO'd and one was M&A'd thus far

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

* Subsidiary IPOs and M&As are also included.

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



-Both funds moved into the monetization phase, and preparations are underway for successor funds-

<Investment results>

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

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

The Fintech Fund: : approx. JPY 25.5bn

SBI AI&Blockchain Fund: approx. JPY 45.0bn

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

<Exit results>

Already IPO'd: 8

Already exited through an equity sale to third party: 4

<Planned IPO schedule*>

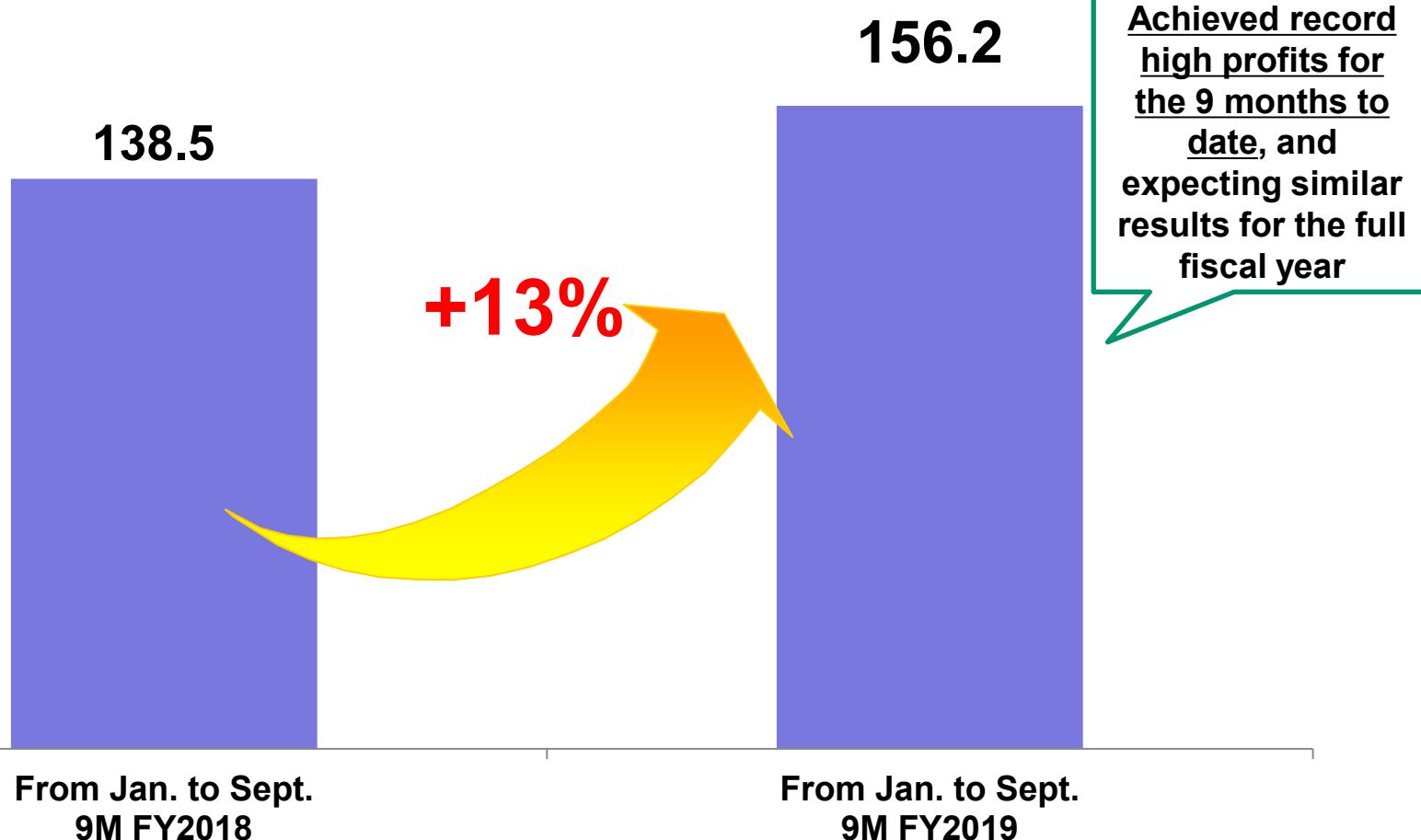
Year 2019: 2 Year 2020: 15 Year 2021: 35 After Year 2022: 84

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

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

Net Income of SBI SAVINGS BANK (Based on K-GAAP from Jan. to Sept. 2019)

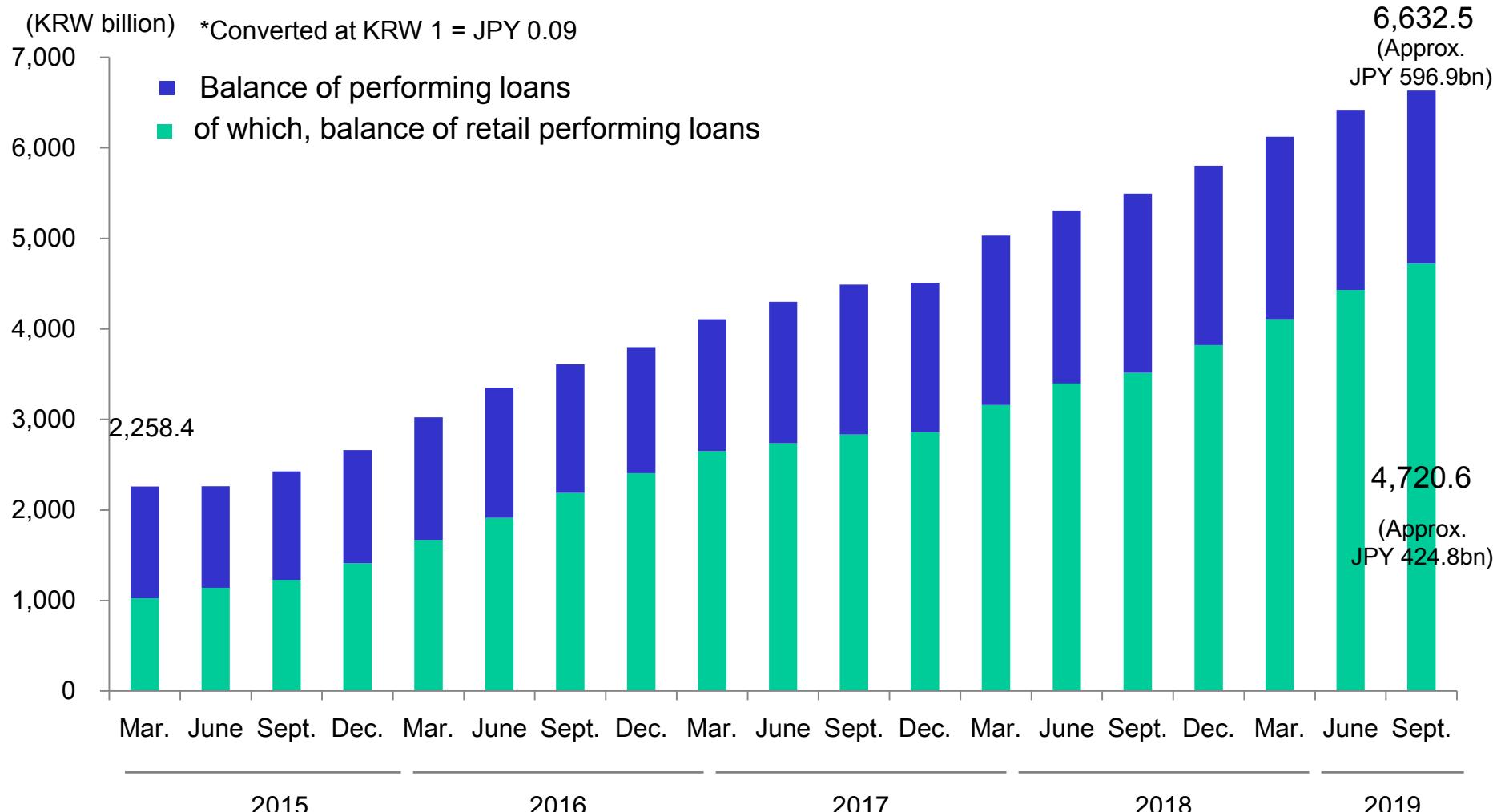
(KRW billion)



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

Balance of Performing Loans (Based on K-GAAP)

-Expand the balance of loans, especially those with medium interest rates that are not affected by the total volume regulations-



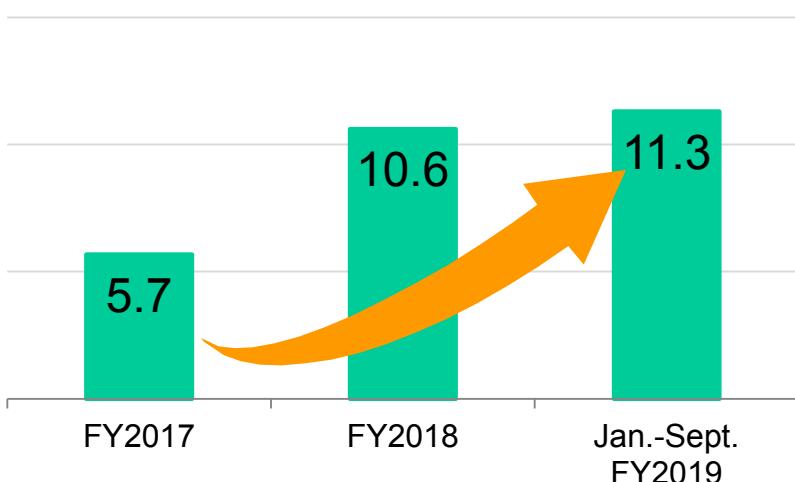
- The delinquency rate of the entire loan is low at 2.8% (3.1% for retail loan)**

TP Bank in Vietnam Continues High Growth Trend



- Invested since Aug. 2009 (SBI Group's shareholding: 19.9%)
- Owing to the steady accumulation of loans, TP Bank is considering a capital increase in preparation for a decline in its capital adequacy ratio, with SBI also considering an additional investment into the bank
- Introducing cutting-edge technologies, to expand non-interest income like settlement, etc. in business results
- The market capitalization is approx. JPY 87.4bn (as of the end of Sept. 2019)

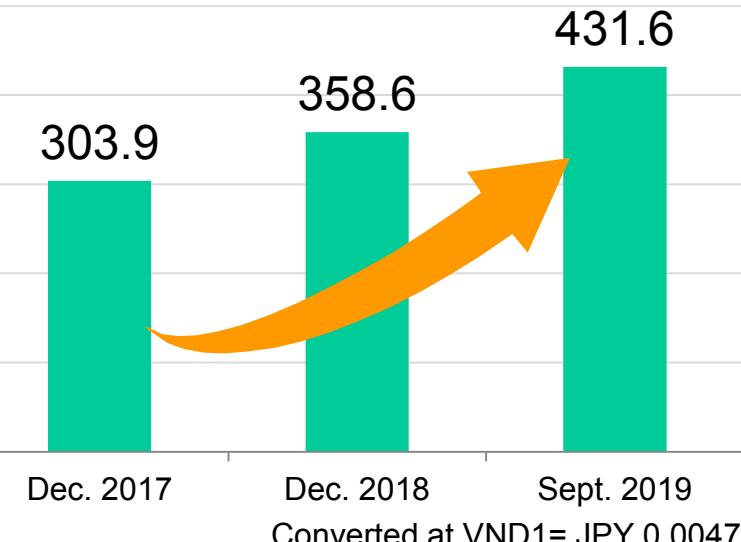
< Trend of profit before income tax expense >



<JPY billion>

<Trend of Deposit Balance>

<JPY billion>



The Brand of SBI Bank in Russia is Gradually Spreading, and the Credit Balance of its Corporate Customers has Increased Significantly. Endeavors to Win More Customers to Achieve Profitability in the Next Fiscal Year



SBI Bank

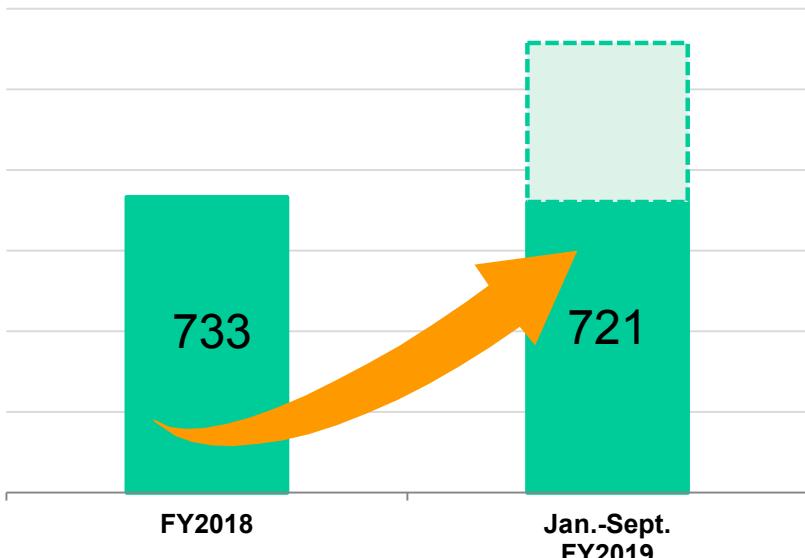
(SBI Group's shareholding: 100.0%)

Strategic Business Innovator

- A Russian commercial bank holding a full license
- It has been expanding its service steadily with the launch of “Sboikrug,” a banking app for families

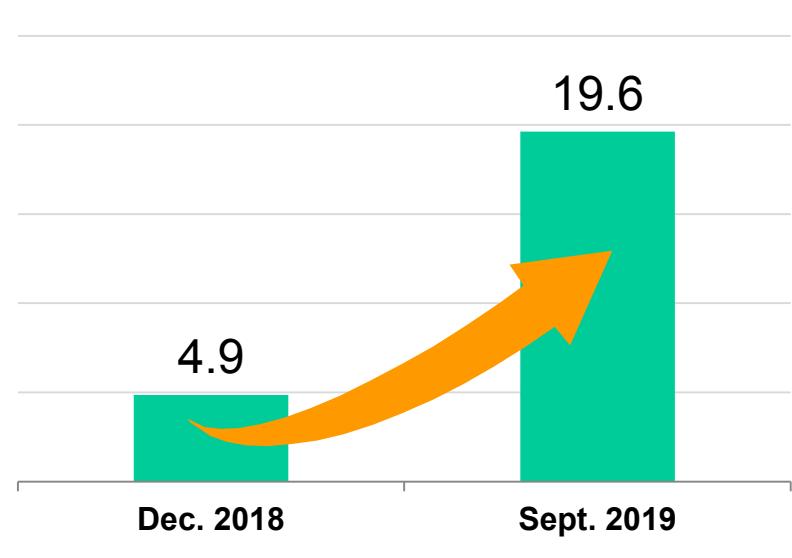
<Gross profit margin trend
(Russian accounting standards) *>

<JPY million>



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

<JPY billion>



* Converted at RUB 1 = JPY 1.70

In Nov., SBI Group Plans to Acquire a 70% Stake in Ly Hour Microfinance Institution of Cambodia.

Ly Hour MI has Already Obtained a Bank License from Cambodia's Central Bank, and Plans to Enter the Banking Business in Dec., Following a Capital Increase



Ly Hour Microfinance Institution PLC.

(Company name will be changed to SBI LYHOUR BANK PLC.)

- Ly Hour MI is part of the Ly Hour Group in Cambodia, which operates money exchange, residential property development, fund transfers and casualty insurance
- No. 8 in microfinance total assets ranking (as of Dec. 2018)



- Cambodia continues to enjoy high economic growth of around 7% over the previous year, and is a promising market that is expected to maintain its growth rate, as its domestic and inbound demand continues to grow
- Moving forward, the SBI Group's fintech expertise will be utilized primarily in the retail sector, to expand its services by taking advantage of synergies with other companies of the Ly Hour Group

Morningstar Japan's Financial Results for 1H FY2019

Achieved a year-on-year increase for the tenth consecutive fiscal year
 in ordinary income and net income,
 to record historical high in the eighth consecutive fiscal year

Consolidated Results (J-GAAP)

(Unit: JPY million)

	1H FY2018 (Apr. 2018 – Sept. 2018)		1H FY2019 (Apr. 2019 – Sept. 2019)		YoY % change
	Amount	Income margin (%)	Amount	Income margin (%)	
Net Sales	3,230	-	3,333	-	+3.2
Operating Income	905	28.0	865	26.0	-4.4
Ordinary Income	981	30.4	1,013	30.4	+3.3
Net Income	645	20.0	685	20.6	+6.1

**SBI Bond Investment Management, a Joint Venture with PIMCO,
One of the World's Largest Bond Management Companies,
Achieved a Full-Year Profit**

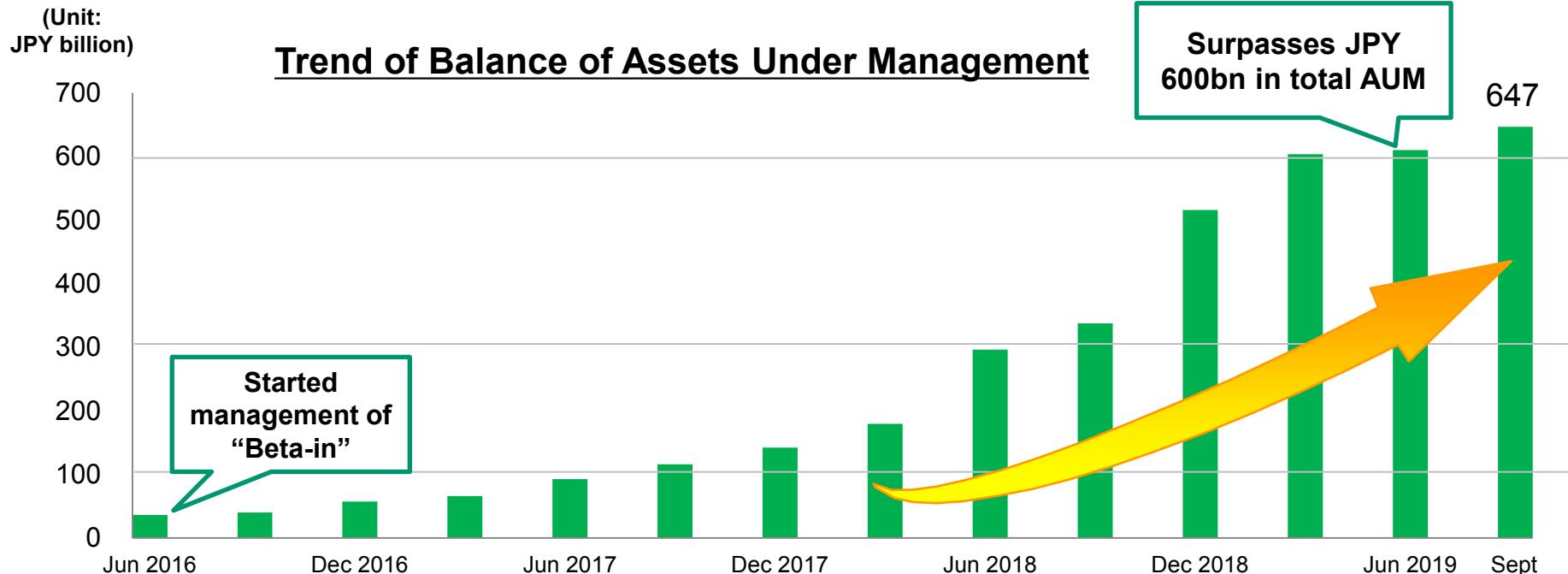


-Assets under management increased steadily to approx. JPY 650bn-



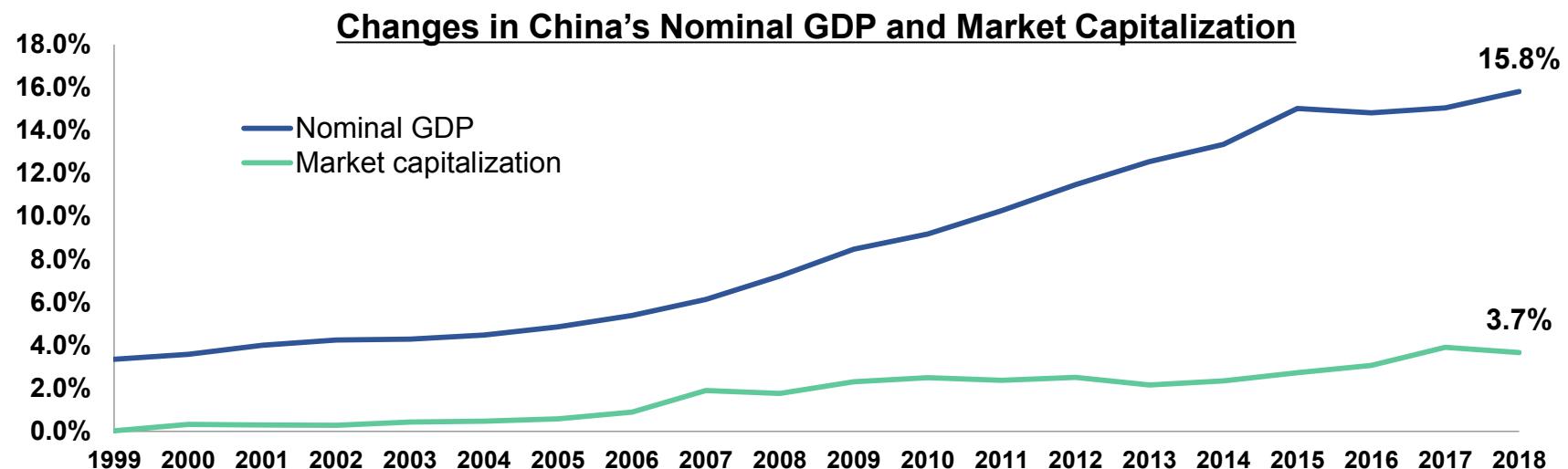
Bond Investment Management (Established in Dec. 2015)

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



SBI Asset Management Applied for a QFII (Qualified Foreign Institutional Investor) Qualification, Which is Expected to be Acquired in Early Dec., to Invest in China A Shares

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



* Term : 1999 ~ 2018 (annual)

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

* Source for market capitalization is MSCI ACWI

Source: Compiled by Morningstar Japan

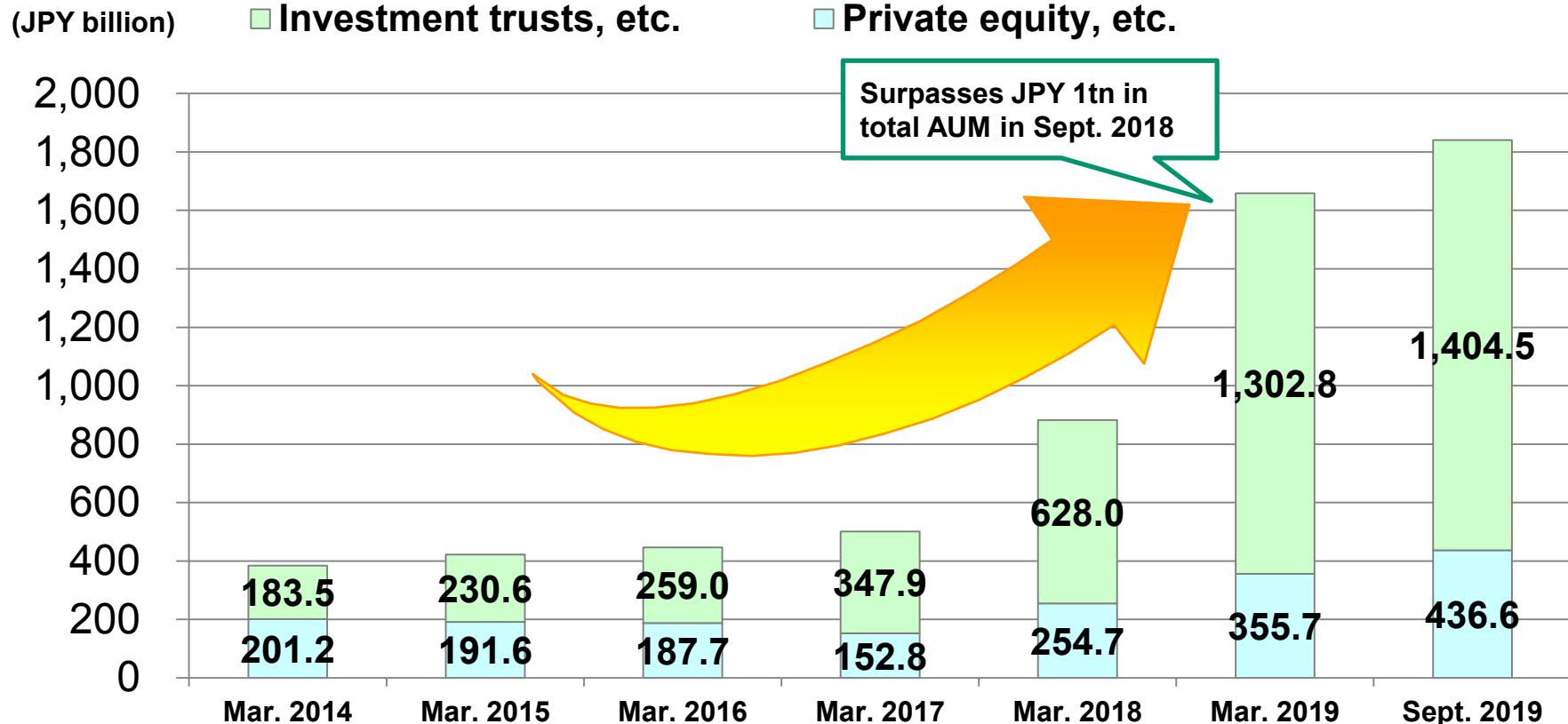
Provide high-quality funds that incorporate potentially high growth market shares

- Early Dec. 2019: QFII qualification expected
- End of Jan.: Opening securities trading accounts at Shanghai Stock Exchange and at Shenzhen Stock Exchange are expected
- Early Feb. 2020: "China A-share Fund" is expected to be offered in Japan

SBI Group's Assets Under Management Continues to Steadily Increase



-Endeavoring to increase assets under management to JPY 5tn within 2 to 3 years-



*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.

1H FY2019 Summary

3. Biotechnology-related Business

A decision by the U.S. Food and Drug Administration (FDA) on the transition to a New Drug Application (NDA) process for U.S.-based Quark's prophylaxis of delayed graft function (DGF) in kidney transplants is expected to be finalized in Dec. 2019, at which time a partial or complete sale, or an IPO of U.S.-based Quark will be considered.

Thereafter, no additional material investments will be made in this segment going forward, other than for SBI Biotech and 5-ALA-related business

In the Biotechnology-related Business, from the Viewpoint of Business Selection and Concentration, Completely Sold Shares of Kubota Pharmaceutical Holdings During 1Q FY2019

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

(JPY million)

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

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

(JPY million)

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

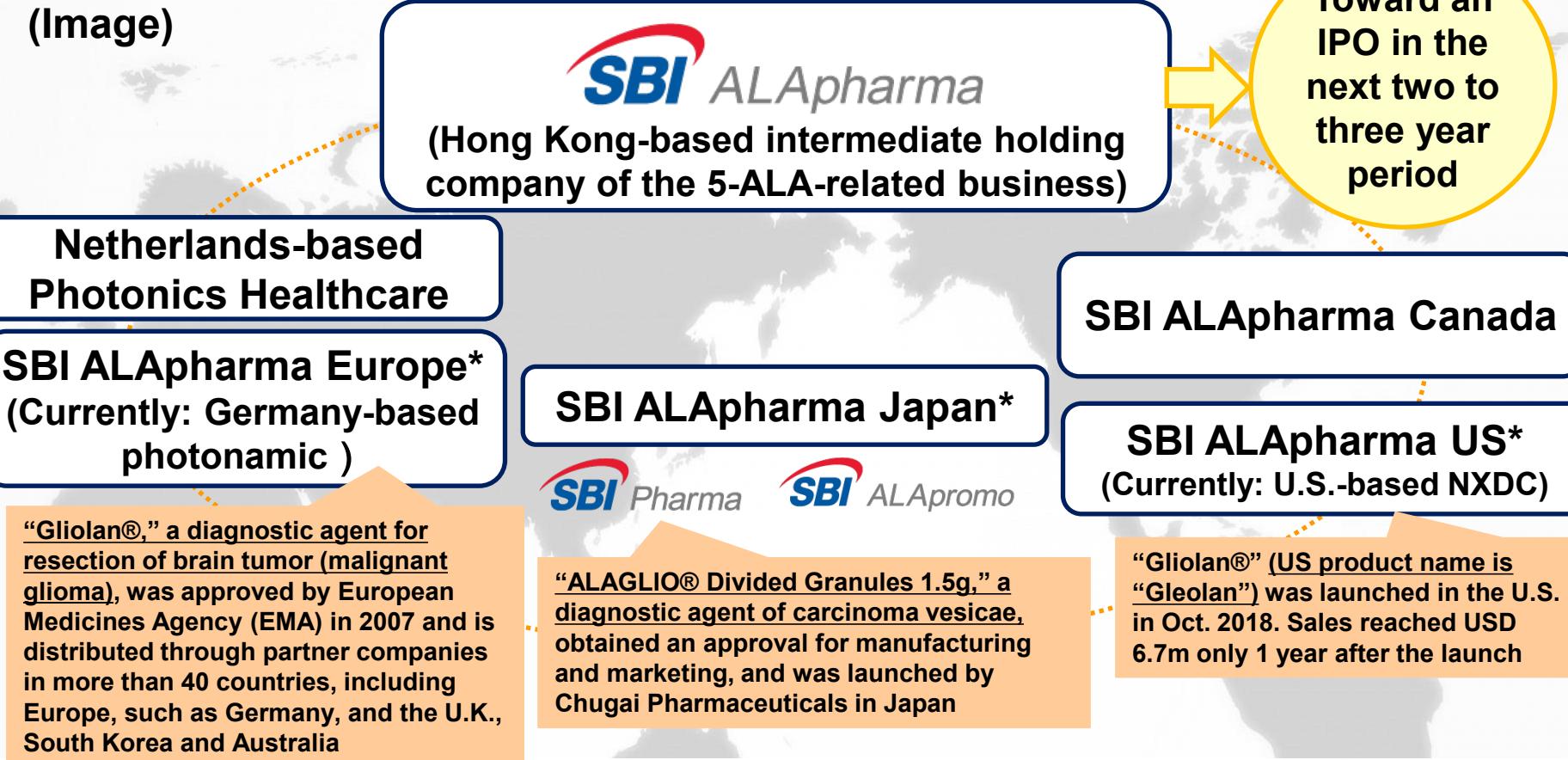
*SBI Biotech was profitable owing to the receipt of the final year subsidy from AMED, etc.

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

5-ALA-related Business Continues to Steadily Progress Domestically and Abroad

-Established a global organizational structure for the 5-ALA-related business, toward an eventual IPO-

(Image)



Optimize management resources in the 5-ALA-related businesses on a global basis.

*Provisional name

Established SBI ALApharma Canada, and Acquired the Oncology Business of MolecuLight

- Reached an agreement on the acquisition of an oncology business with MolecuLight that had an existing partnership with photonamic
- The patient is administered PDD (photodynamic diagnostics) drugs that contains 5-ALA manufactured by photonamic. Then, under the illumination of blue excitation light from a medical device (fluorescence imaging device) from MolecuLight, the tumor section emits pink fluorescence, which helps the surgeon distinguish tumor tissue from normal tissue
- MolecuLight and photonamic are conducting joint research in the breast cancer field with University Health Network, one of North America's largest public healthcare R&D organizations. Through the above acquisition, the SBI Group will move forward with the results of the joint research, and in the near future, the SBI Group will obtain indications for PDD drugs in the breast cancer field, and the Group will start global sales of the fluorescence imaging device.



Will consolidate and strengthen equipment technologies and know-how that play an important role in the field of light dynamics, which is one of the cores of the 5-ALA-related business, to SBI ALApharma Canada

photonamic Affiliates Netherlands-based Photonics Healthcare as its Subsidiary

Photonics Healthcare B.V.

- Developed “COMET” a medical device that measures oxygen in cells
- Medical device “COMET” acquires CE mark*
(* A conformity mark given to products that meet the standards of all EU member countries)
- Since “COMET” utilizes 5-ALA to measure oxygen in cells, it had been partnering with photonamic

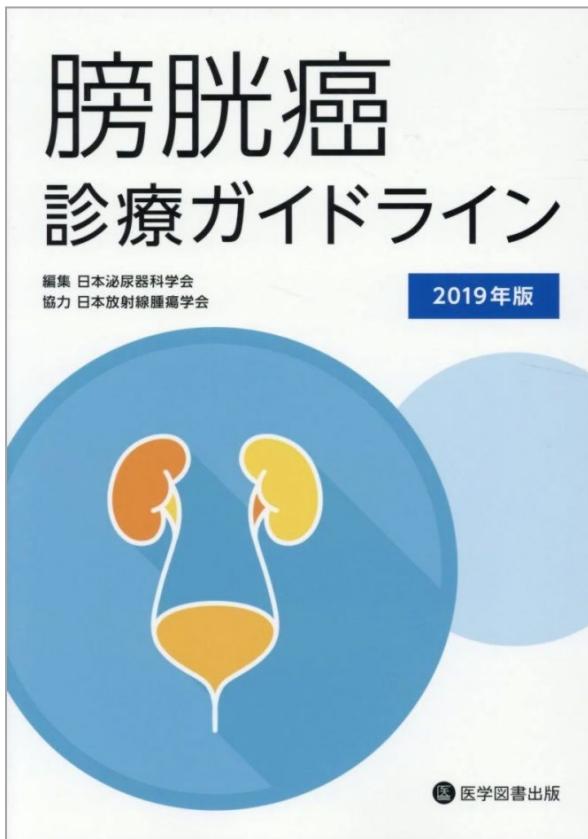
In cells, mitochondria use oxygen and create the protoporphyrin IX (PP IX) specifically after introduction of 5-ALA

→PP IX emits fluorescence after excitation with a short light beam by “COMET,” and the duration of the “afterglow” is dependent on oxygen concentration in the cells. This characteristic allows the determination of oxygen concentration. (**The world’s first non-invasive measurement**)

→ This oxygen concentration measurement has already been tested in more than 20 clinical trials at several hospitals

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

<*Diagnostic Guidelines for Bladder Cancer 2019*>



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

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

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

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

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

Progress in the Main Pipeline of Pharmaceutical Products Utilizing 5-ALA

Fields	Pipeline projects	Current status			
		Phase I	Phase II	Phase III	Application
Diagnostic agent (PDD)	1 Peritoneal dissemination of gastric cancer* (by SBI Pharma)		Phase III is underway		Scheduled to complete in Dec. 2019
Drug to treat	2 Cisplatin nephropathy protection (by SBI Pharma)		Phase II is underway		Scheduled to complete in Sept. 2020
	3 Mitochondrial diseases* (by SBI Pharma)		Phase III is underway		Scheduled to complete in Jan. 2021
	4 Cardiac ischemia-reperfusion injury* (by SBI Pharma)	Under preparation for Phase II			Scheduled by each university hospital at Oxford, Leicester, Birmingham, and Cambridge in the UK
	5 Brain tumors* (by photonomic)	Under preparation for Phase II			

*Investigator-led trial

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

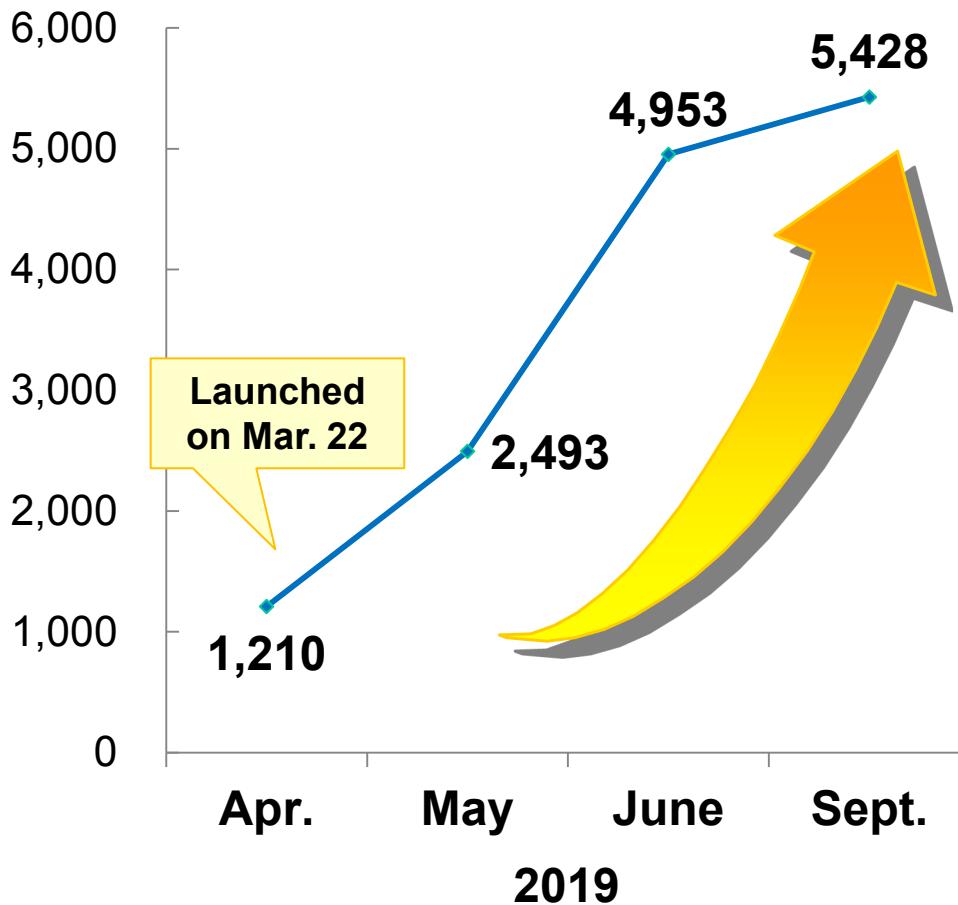
Strengthening the promotion of “ALA PLUS Fukai Nemuri”

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



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

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



Accelerating the Development of New Foods with Functional Claims

Offering of foods with functional claims:

On sale

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

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

Improvement in the quality of sleep

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

Improvement in the exercise capacity

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

Under development

Planning submission on or after FY2019

Recovery from fatigue

(Hiroshima Univ.)

Male menopause improvement

(Juntendo Univ.)

Fatigue reduction after exercising

(Juntendo Univ.)

ALA + salacia-derived salacinol

Increase metabolism while suppressing sugar absorption

(Hiroshima Univ.)

1H FY2019 Summary

4. Digital asset-related business

SBI VC Trade, which became a subsidiary of SBI SECURITIES from July of this year, has continued its steady performance, and **SBI Crypto**, which performs crypto-asset mining, has maintained its profitability. Other crypto asset-related businesses are in preparation, in anticipation of the revisions in the Financial Instruments and Exchange Act, and in the Payment Services Act, which are scheduled to be enacted in Apr. 2020

SBI VC Trade 1H FY2019 Performance

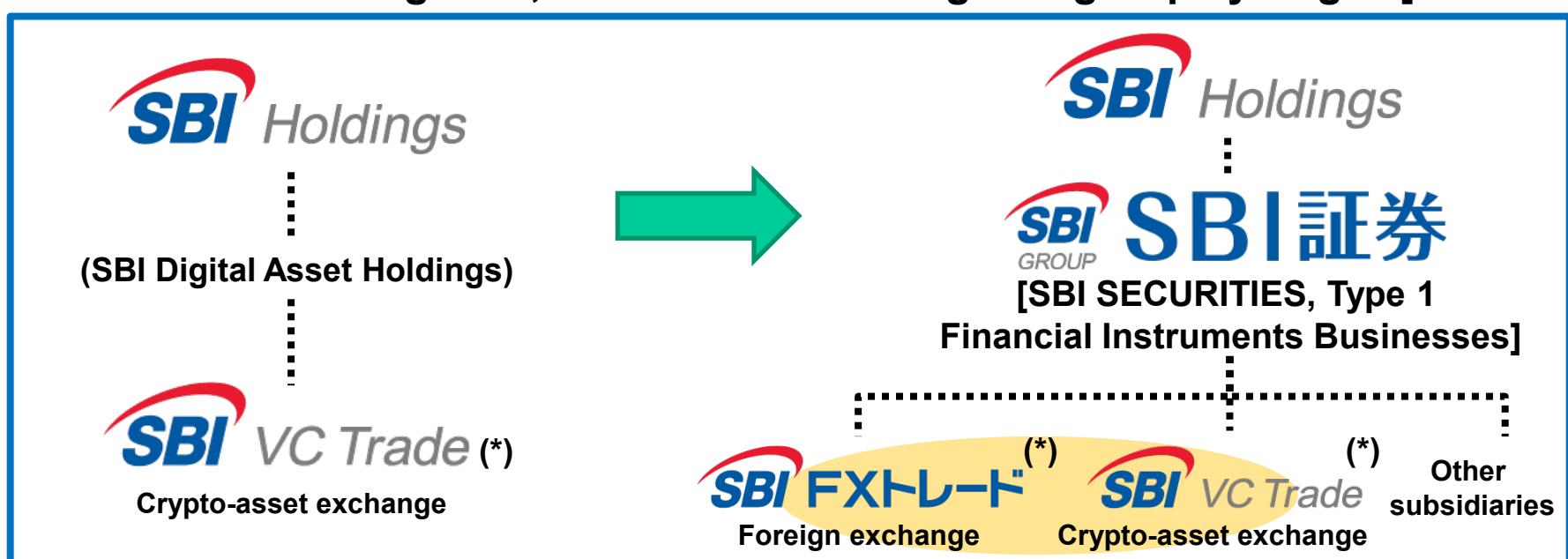
-Continuing to contribute significantly to consolidated performance, since 1Q-

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

(Unit: JPY million)

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

[SBI VC Trade has been transferred to be affiliated with SBI SECURITIES, in order to develop and provide new services under revised Financial Instruments and Exchange Act, and to further strengthen group synergies]



Prospects for the Provision of the SBI Group's Crypto-asset Services to Individual Customers, Utilizing Group Synergies



Sept.
2017 July
2018 Dec. 2018
~ Jan. 2019 July
2019 ~ Mar.
2020

Smartphone app

CFD service

Business expansion through joint campaign and marketing

Financial Instruments and Exchange Act, and Payment Services Act, revised

Accepting general account applications

Acceptance of cryptocurrency deposits and withdrawals

Registered for cryptocurrency exchange and trading business

Developing the business based on the impact legal revisions will have on operational services and business design



[SBI FXTRADE]

Crypto-asset mining:

An Increase in the Scale of Crypto-asset Mining is Expected, owing to New Miner Operations within the Year, along with In-house Miner Operations Next Year



(Crypto-asset mining)

(Unit: JPY million)

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

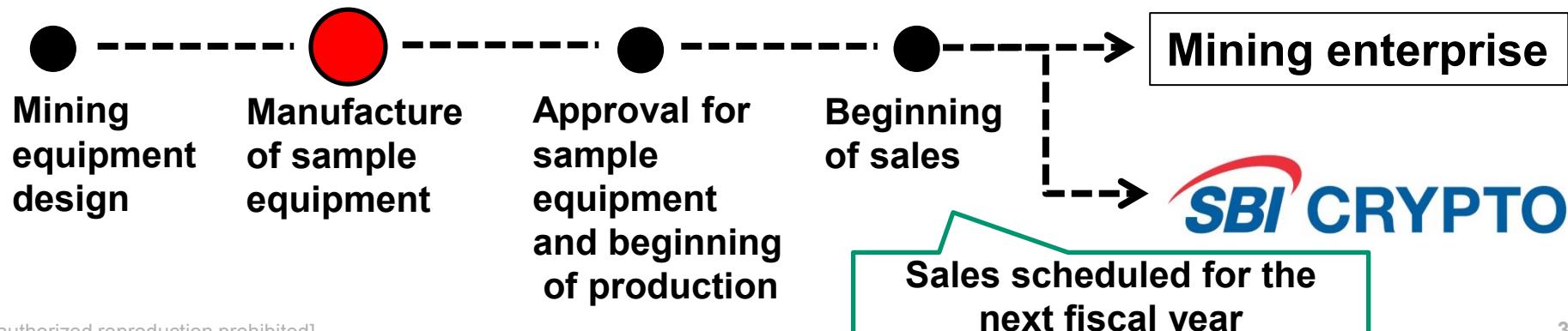
New miners will become active at 2 new sites in 3Q FY2019



Mining Chip (Development of mining chips and systems)

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

Development status of the miners



Established the Japan Security Token Offering Association for the Practical Use of STO

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

- As of its establishment on Oct. 1, 2019, 6 companies participated, namely SBI SECURITIES, kabu.com Securities, Daiwa Securities, NOMURA SECURITIES, MONEX and Rakuten Securities
- Preparations are underway to obtain certification as a self-regulatory organization in the spring of 2020

Revision of the law regarding STO

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



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

The Role of STO as Envisioned by the SBI Group

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”

Morningstar Japan to Gift XRP as the Shareholder Benefit for 1H FY2019

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

<Expecting on the practicality and asset-value of XRP, the SBI Group companies are considering to gift shareholders XRP through similar schemes (as a shareholder benefit program)>



Shareholder
(about 15,000 person)



Morningstar Japan's app
“My Virtual Currencies”

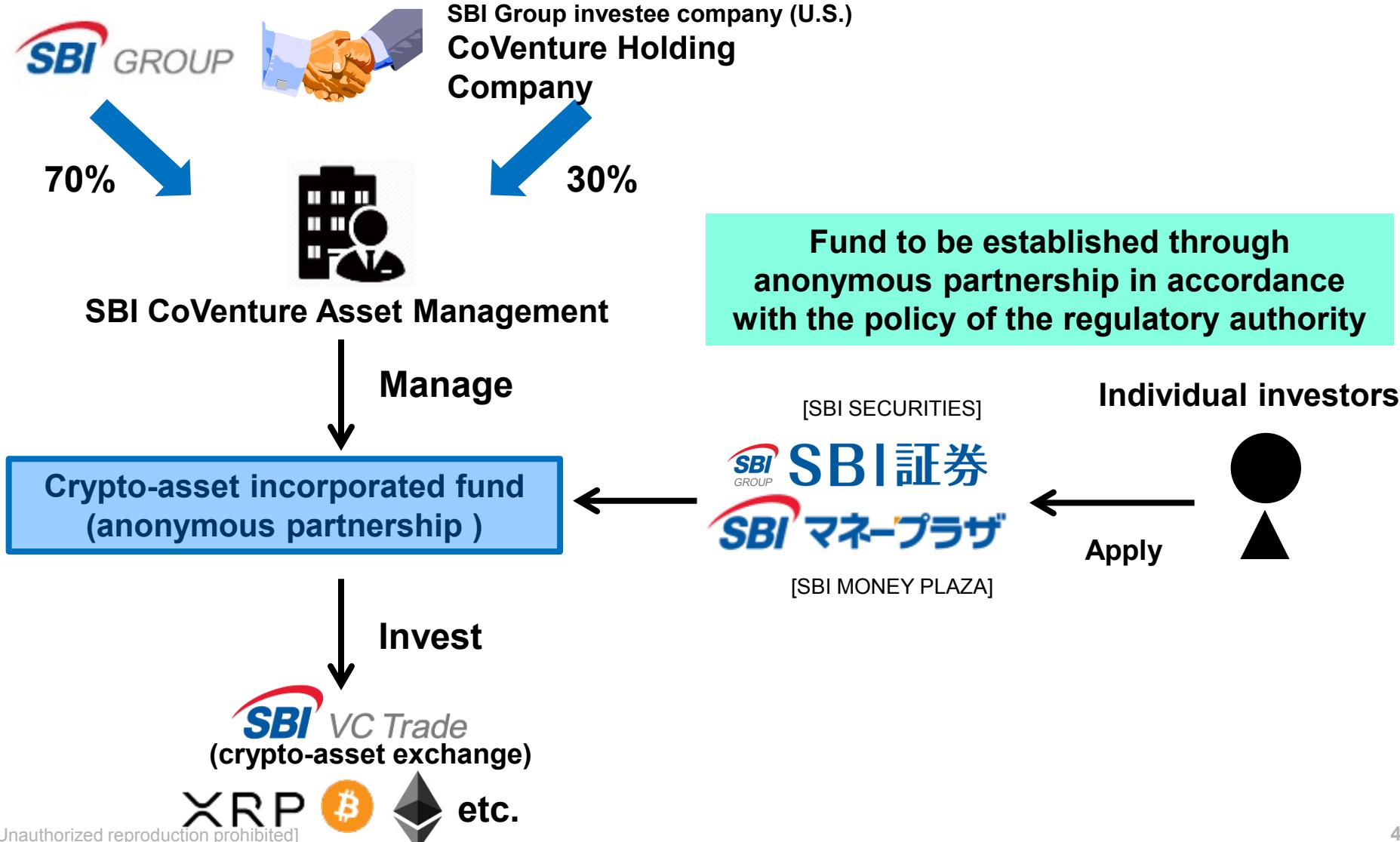


Shareholders will download the Morningstar “My Virtual Currency” app, open an SBI VC Trade account, and start trading the XRP

Increase in the DL of the app

Increase in the number of SBI VCT accounts

Crypto-asset Incorporated Fund to be Established through Anonymous Partnership Mechanism in Accordance with the Policy of the Regulatory Authorities



SBI Group, Cooperating with U.S. Clear Markets, is Accelerating Efforts to Create a Swap Market to Expand Actual Demand for Crypto-assets



Clear Markets began presales of collateral token for crypto-asset swap at an exchange in Singapore. The crypto-asset swap market is steadily moving forward



Invest



[U.S. company, electronic trading services for over-the-counter derivatives]

Clearmarkets

Establishment of crypto-asset swap market

Preparations are under way to conduct crypto-asset swaps using the sandbox system by the end of the year



Institutional investor

Crypto-asset hedging, such as swap trading, is necessary for risk control when handling crypto-assets

II . The SBI Group's evolving and progressing business strategy that captures new trends in financial services

- 1. Further collaborative creation with regional financial institutions**
- 2. Realize next-generation financial services, and strengthen alliances with cross-industry companies, to further improve customer benefits**
- 3. Efforts to establish a remittance and settlement system with the potential to become a global standard for the international remittance and trade finance businesses**

1. Further collaborative creations with regional financial institutions

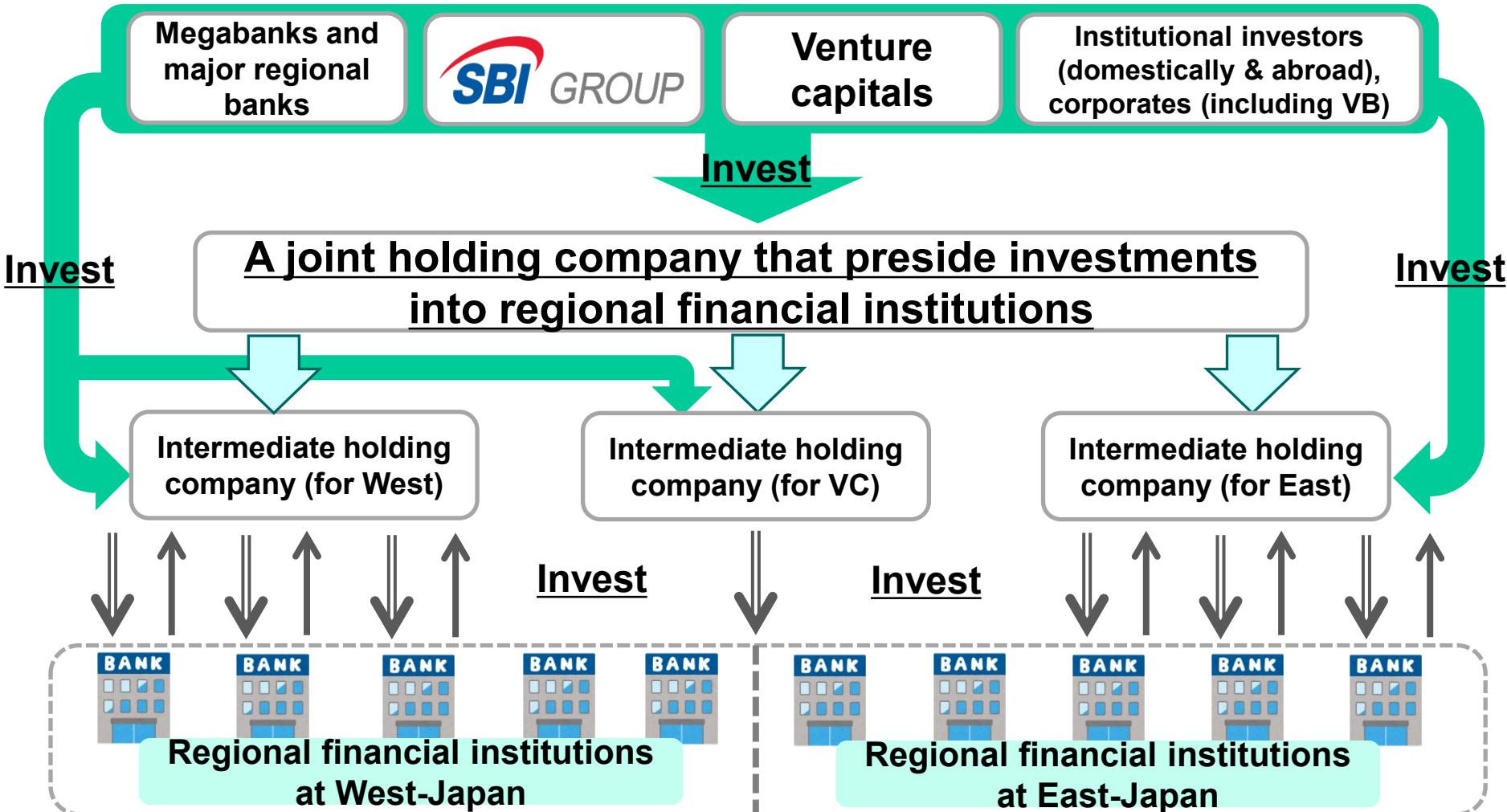
- (1) Will establish a jointly held holdings company with various investors, including financial institutions, to promote the “4th megabank concept,” where a system will be established in which participants in the concept will operate with a kindred spirit of mutual support to strengthen the profitability of regional financial institutions
- (2) With the SBI Group taking a capital stake in the regional financial institutions with which it has business ties, each Group company has been incentivized to more actively support the business operations of such institutions

- (1) Will establish a jointly held holdings company with various investors, including financial institutions, to promote the “4th megabank concept,” where a system will be established in which participants in the concept will operate with a kindred spirit of mutual support to strengthen the profitability of regional financial institutions**
- ① Basic measures to realize the “4th megabank concept”**
- ② In order to implement the above basic measures, the SBI Group is promoting alliances with outside companies to enhance its supporting functions**

Establish a Jointly Held Holdings Company, to Develop a System to Manage Regional Financial Institutions as One Community

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

<Image of the new company>



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



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

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

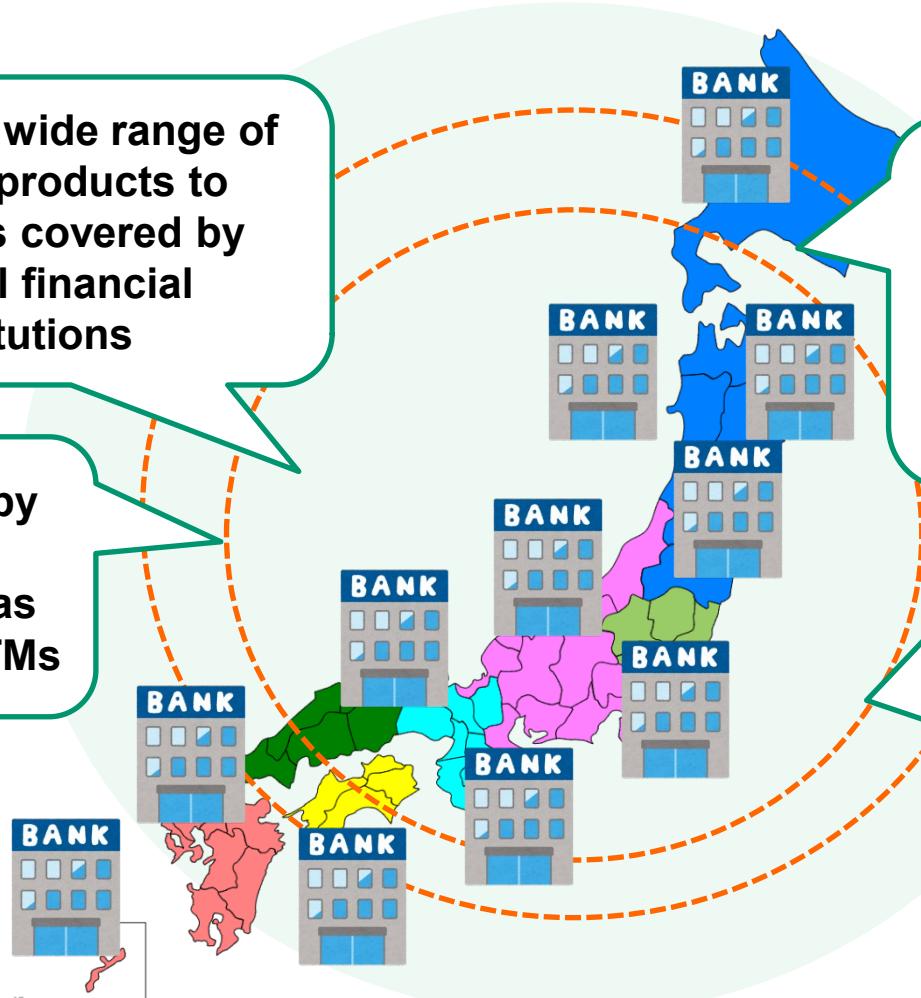
“4th megabank concept”

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

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

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

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



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

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

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



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



Established SBI DigiTrust in Oct. 2019

2017: PoC at Japan Exchange Group

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

2018: Establishment of the Securities Consortium

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

2019: Establishment of a joint venture (SBI DigiTrust)

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

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



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



Advantages

- DLT Corda
- SSO platform
- Security design
- Relationship with the financial industry
- Knowledge of financial industry trends



66% 34%



Advantages

- Multi-factor authentication tech (including biometrics)
- AI development
- eKYC tool
- Knowledge of similar projects / laws

SBI DigiTrust

Information management platform service (tentative)

- **AI risk-based certification support** Web behavior, private DB score, fraudulent transaction history, anti-social info, identification results, etc.
- **Multi-factor authentication** 2-factor authentication, biometric authentication, authentication by SNS, FIDO etc.

Service offer

SBI Group

Money Tap

SBI 証券
[SBI SECURITIES]

住信SBIネット銀行

SBI Sumishin Net Bank

SBI Remit

Service offer

Non-SBI companies (financial institutions, non-financial companies)

Regional financial institutions

Megabank

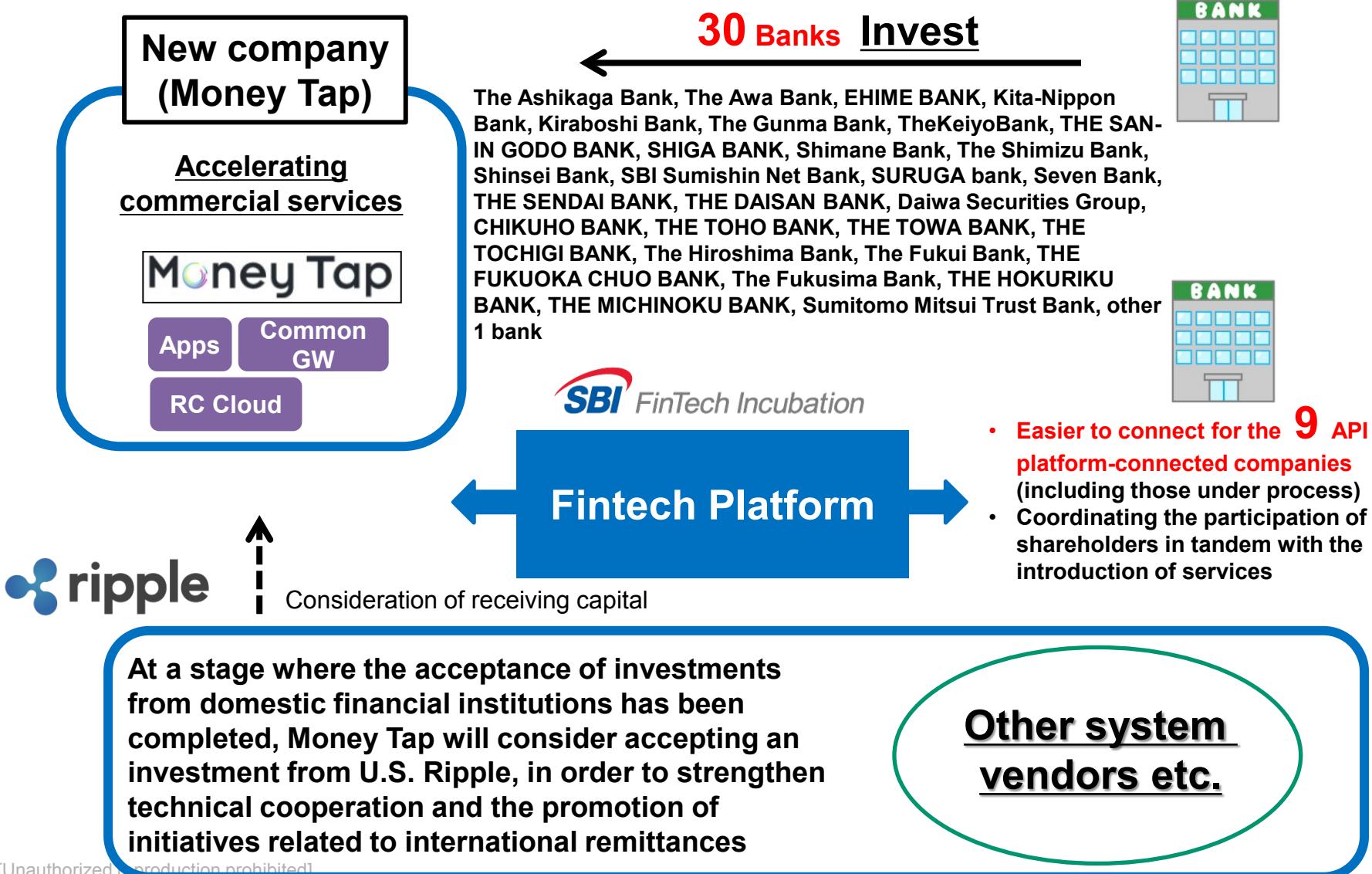
E-commerce

Cashless

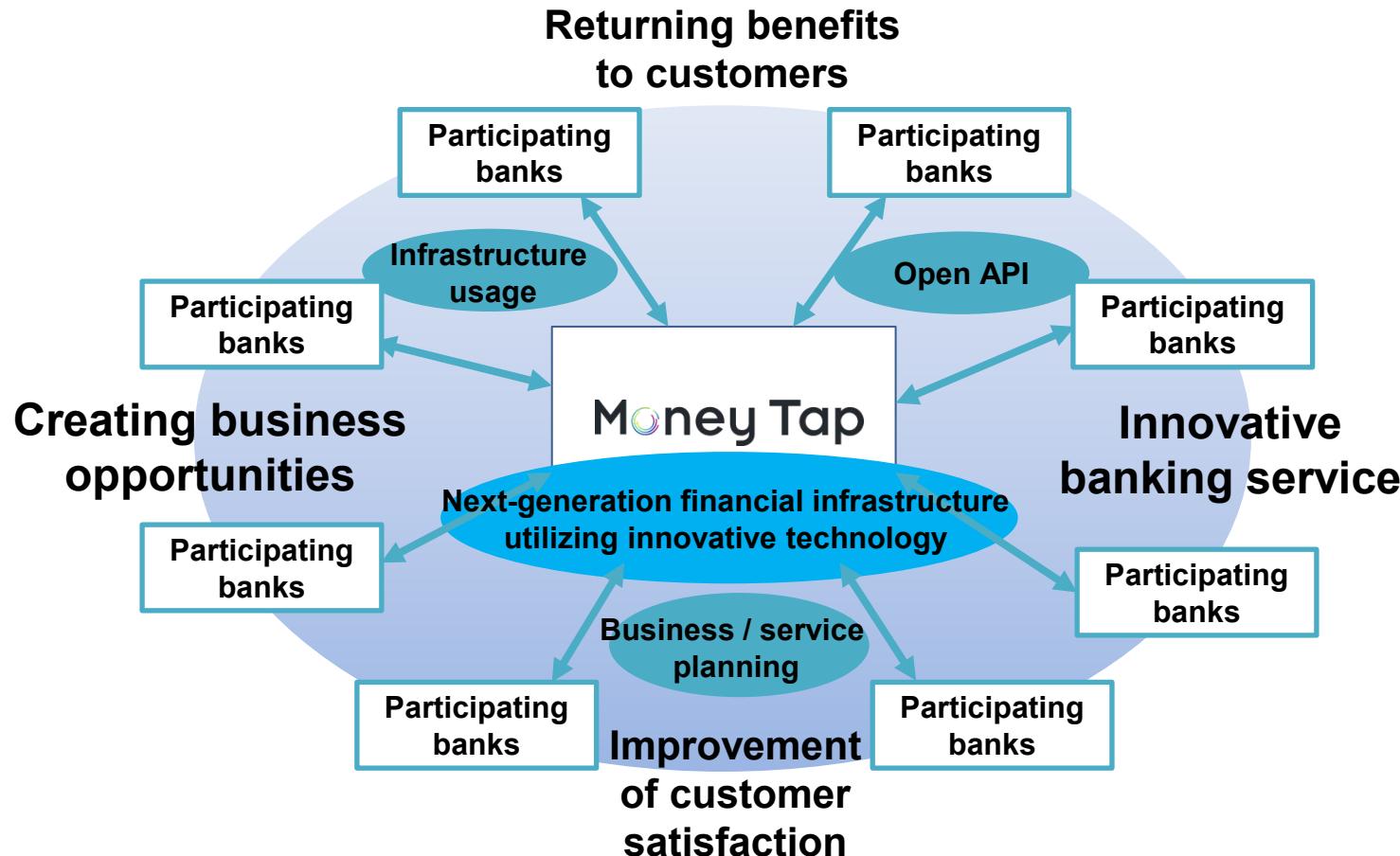
(ii) Establishment of next-generation infrastructure for money transfer by Money Tap

(ii) Establishment of next-generation infrastructure for money transfer by Money Tap

**As of Sept. 2019, 30 Banks Participate in Capital of Money Tap.
Additionally, 9 Companies Using the Fintech Platform Run by SBI FinTech Incubation can Use Money Tap via API-based Connectivity**



Establishment of an Ecosystem by Money Tap Co., Ltd.

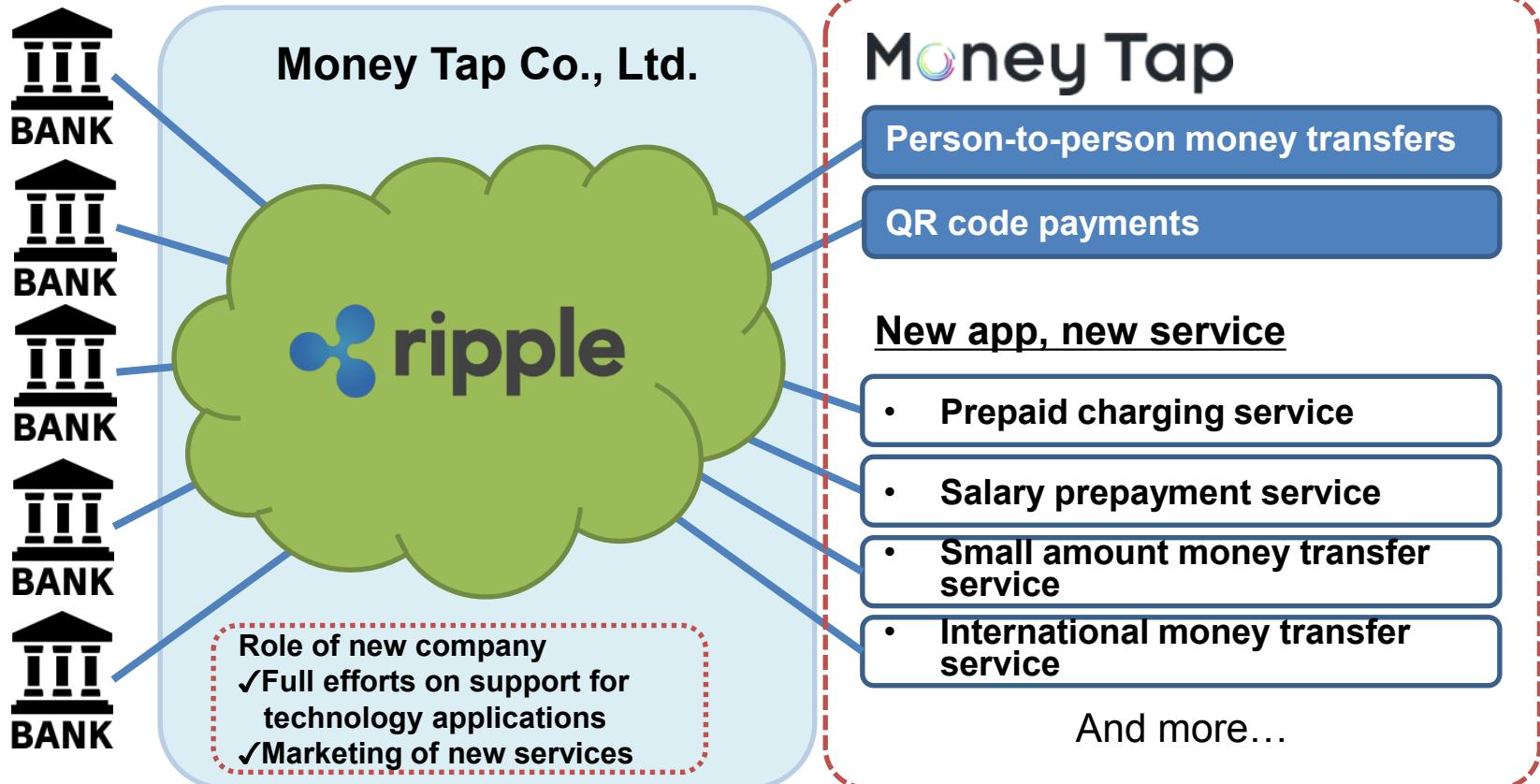


- ① Increases bank earnings and plows the money back into customer convenience
- ② Raises customer satisfaction and creates business opportunities
- ③ Enhances international competitiveness by acting as next-generation infrastructure
- ④ Furnishes an environment and foundation for sustainable innovation

Money Tap is responsible for the provision of a platform and marketing, and will support each participating bank's expanded utilization

Further Expandability of the Money Tap Function

Making free use of the Money Tap infrastructure; expanding business with
low cost and low stress



Benefits of network applications

- ✓Ability to purchase and pay in real-time
- ✓Building our proprietary payment apps
- ✓Digitizing money collection services

- ✓Diversifying the pay cycle
- ✓Coordinate with the authorities at low cost
- ✓Cash management between stores

QR Code Payment (Domestic)

¥ 0

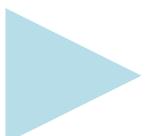
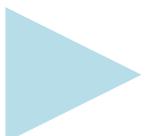
Initial costs

Deposit in the next day at the earliest

Sales-deposit cycle

0.5% ~

Low payment fees



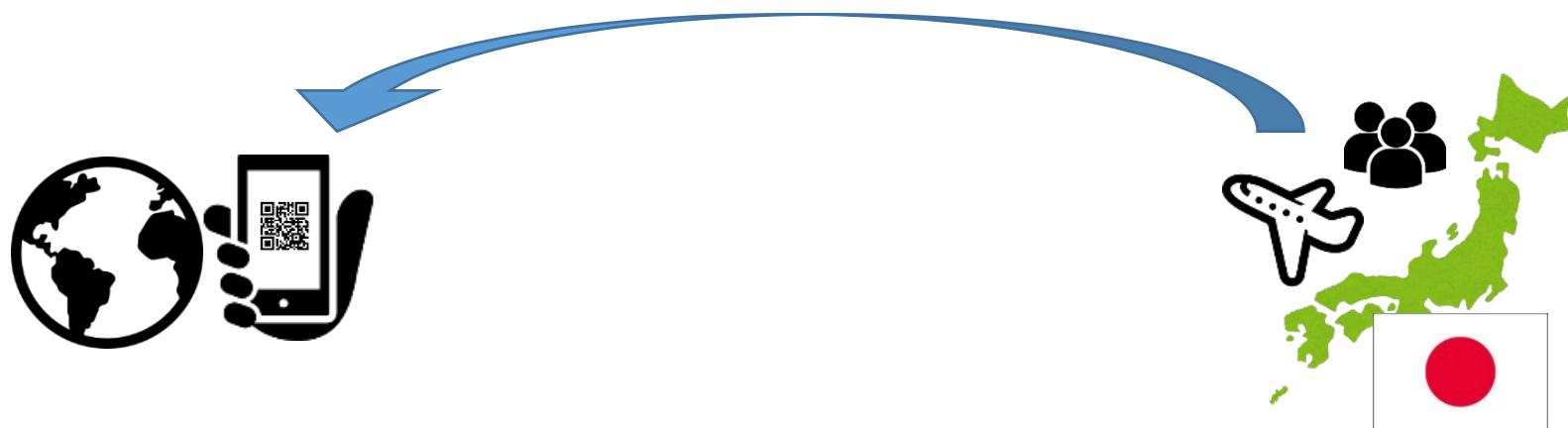
- Only to show the QR code at shops
- No need to buy or set up a special device
- Auto-deposit in the day after payment at the earliest
- Credit cards generally have twice-monthly deposits
- Credit cards generally charge 3 - 5%
- Private-type QR payments often near 3% (“Free” campaigns also charge fees after campaign ends)
- Portion over 0.5% goes to profits

Initiated PoC at stores for SBI Group employees

Eliminates triple difficulties of card payments for the merchants, and benefits SMEs through a cashless process

QR Code Payment (Abroad)

Sequentially partner with overseas commercial banks to expand Money Tap network, enabling users to pay at local merchants using QR code when the users visit the country



Scheduled for launch in 2020 with major commercial banks in Southeast Asia

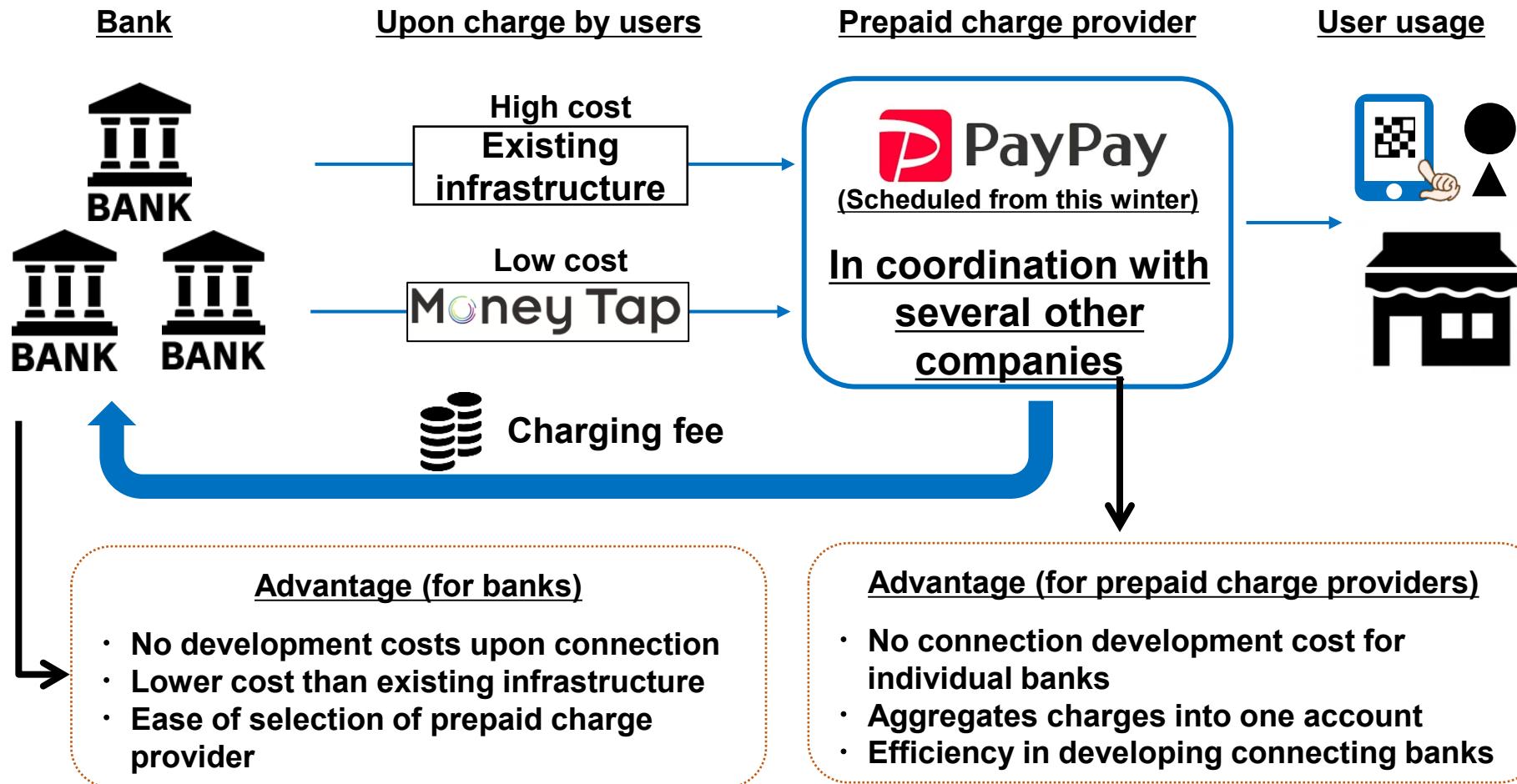
Advantage for banks

- ✓ Providing value-added services
- ✓ Commission income

(iii) Business alliance with SoftBank affiliates -Connection between Money Tap and PayPay-

Money Tap to Connect with PayPay from this Winter

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



(iv) As a partner of Google's digital skills training program “Grow with Google,” will promote the digitalization of regional communities

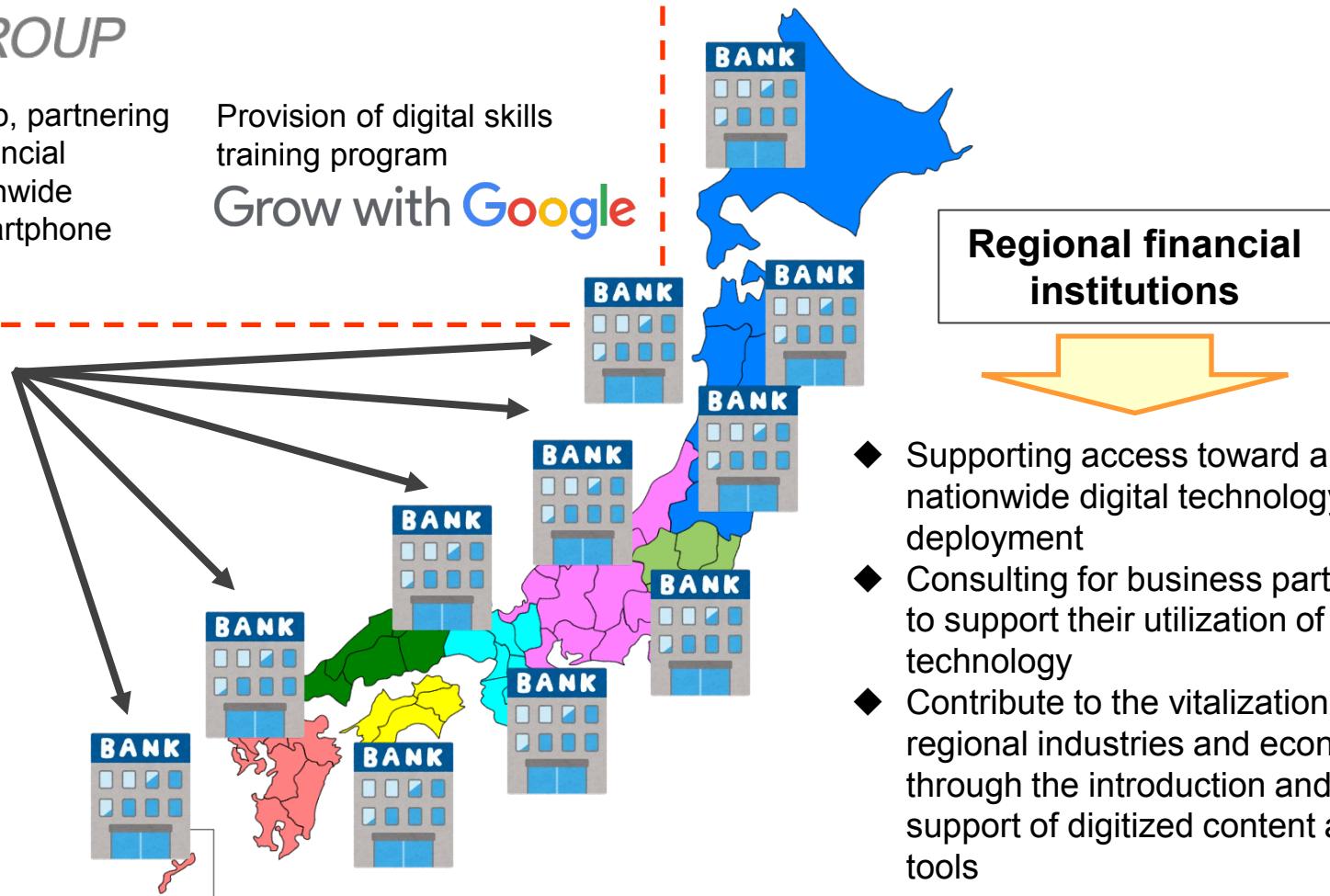
The SBI Group, in Partnership with Google's Digital Skills Training Program "Grow with Google," will Promote Regional Revitalization in Collaboration with Regional Financial Institutions



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

Provision of digital skills training program

Grow with Google



- (2) With the SBI Group taking a capital stake in the regional financial institutions with which it has business ties, each Group company has been incentivized to more actively support the business operations of such institutions

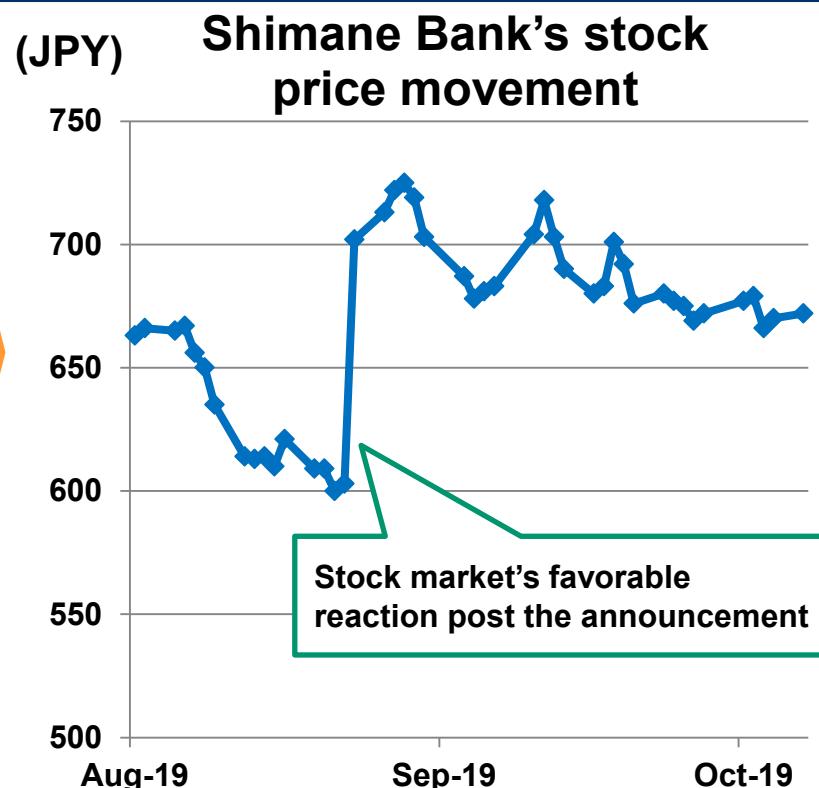
SBI Group and Shimane Bank Announced a Capital and Business Alliances on Sept. 6



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

<Business alliance details>

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



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



Booked a forward-thinking loss toward the turnaround of its earnings structure

1. Loss on restructuring of marketable securities portfolio (approx. JPY 1.7bn)
2. Loss on impairment of fixed assets due to restructuring of locations (approx. JPY 200m)



Simultaneously announced a revised financial forecast (FY2020/consolidated)
(JPY million)

	Ordinary revenue	Ordinary profit	Profit attributable to owners of the Company
Previously announced forecast (A)	8,320	460	310
Revised forecast (B)	7,590	-2,180	-2,380
Increase / decrease amount (B - A)	-730	-2,640	-2,690
Increase / decrease rate (%)	-8.7	-573.9	-867.7

Shimane Bank Announces Further Collaborations to Enhance Corporate Value, on October 29, 2019



[SBI MONEY PLAZA]

<Basic agreement on operation of co-managed shops>

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



<Basic agreement for the offering of new housing loans>

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



[SBI SECURITIES] <Business alliance regarding the M&A>

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

Various measures to solve management's encountered issues and to improve corporate value, of Shimane Bank and regional financial institutions that will form capital and business alliances with the SBI Group

- (i) Enhancement of market operations
- (ii) Increased investment opportunities
- (iii) Revitalizing the local economy, and expanding the regional financial institutions' business
- (iv) Expansion of the customer base
- (v) Efficient operations
- (vi) Effective use of real estate

(i) Enhancement of Market Operations

Issues facing regional banks

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

Measures to resolve issues

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

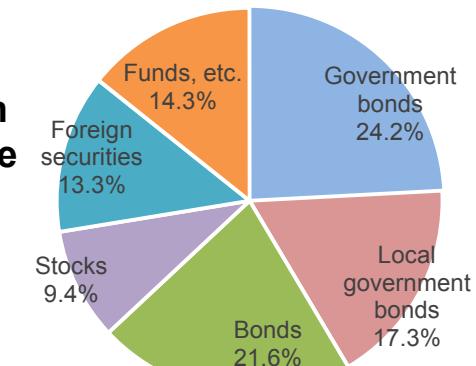
■ Available SBI Group management resources and network

 **SBI Asset Management**
Invests primarily in domestic equity funds

 **SBI ボンド・インベストメント・マネジメント**
Investment trust management primarily for bond management

 **SBI 地方創生アセットマネジメント**
Investment trust management for regional financial institutions

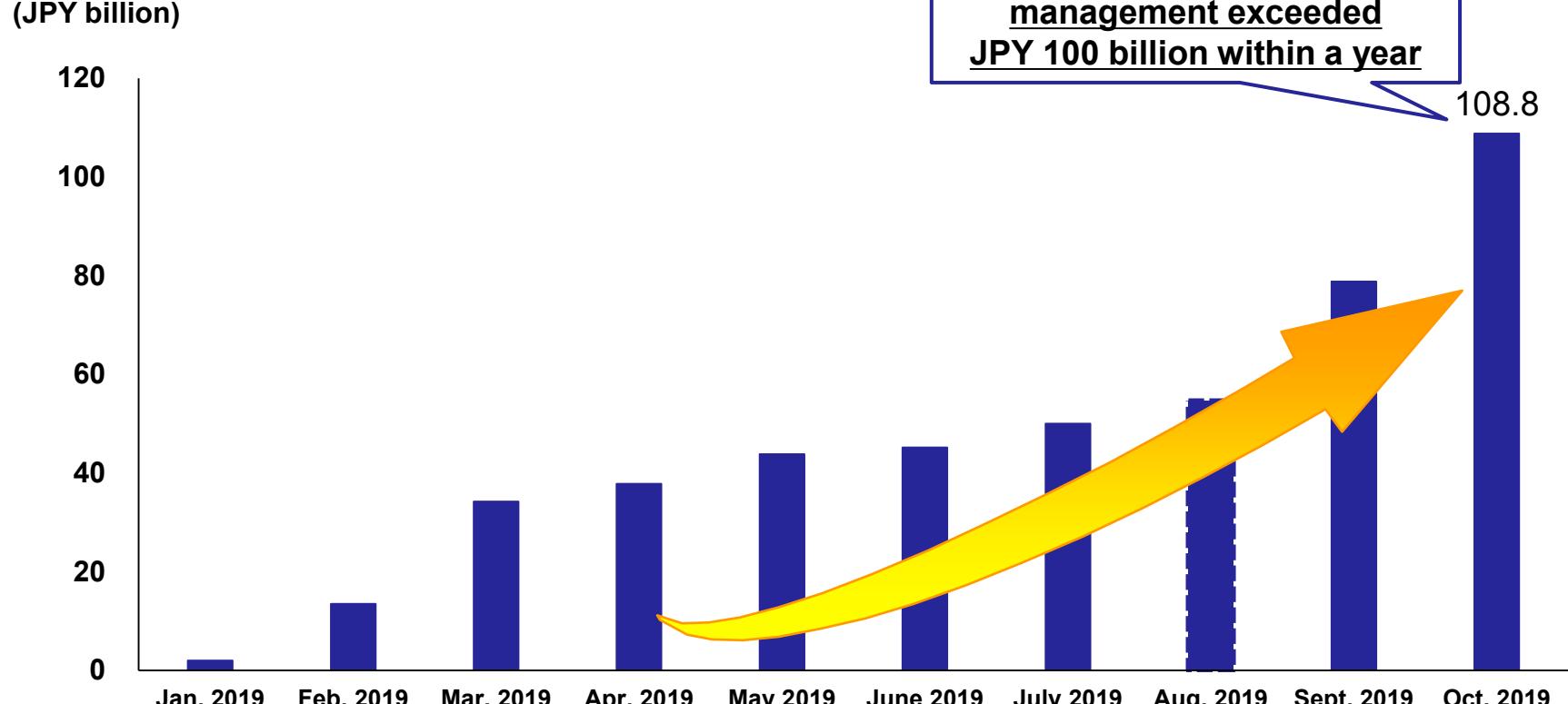
Securities holding status
of regional banks
(End of Mar. 2019)



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

Assets Under Management of SBI Regional Revitalization Asset Management Co-invested by 37 Regional Financial Institutions Exceeded JPY 100bn

- Offering superior products at low cost (e.g. U.S. municipal bonds, mortgage securities)
- Appropriately respond to a challenging environment by reviewing investment portfolios and carrying out advanced risk management



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

(ii) Increased Investment Opportunities

Issues facing regional banks

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

Measures to resolve issues

- Ferreting out new domestic and overseas investment loan destinations that meet certain criteria
- Available SBI Group management resources and network



Abundant network with domestic and foreign startup companies



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



SBI LYHOUR BANK

Commercial banks to be deployed in Cambodia



Major securities company in Indonesia

(iii) Revitalizing the Local Economy, and Expanding the Regional Financial Institutions' Business



Issues facing local banks

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

Measures to resolve issues

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



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



SBI 地域事業承継投資株式会社

Operate SBI regional business succession fund



Abundant network with domestic and foreign startup companies

The escalating issue of business succession

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

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

(iv) Expansion of the Customer Base



Issues facing local banks

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

Measures to resolve issues

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

■ Available SBI Group management resources and networks



Providing white-label banking app



Providing the Fintech Platform (API Foundation)



Web promotion support and AI examination by Big Data Office



Already providing asset management advice tools to 68 regional financial institutions



Already provides intermediary financial instruments services to 36 regional financial institutions



Already established eight co-managed shops with regional banks



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

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

-3 other regional financial institutions have internally decided to form an alliance-



Financial instruments
intermediary services

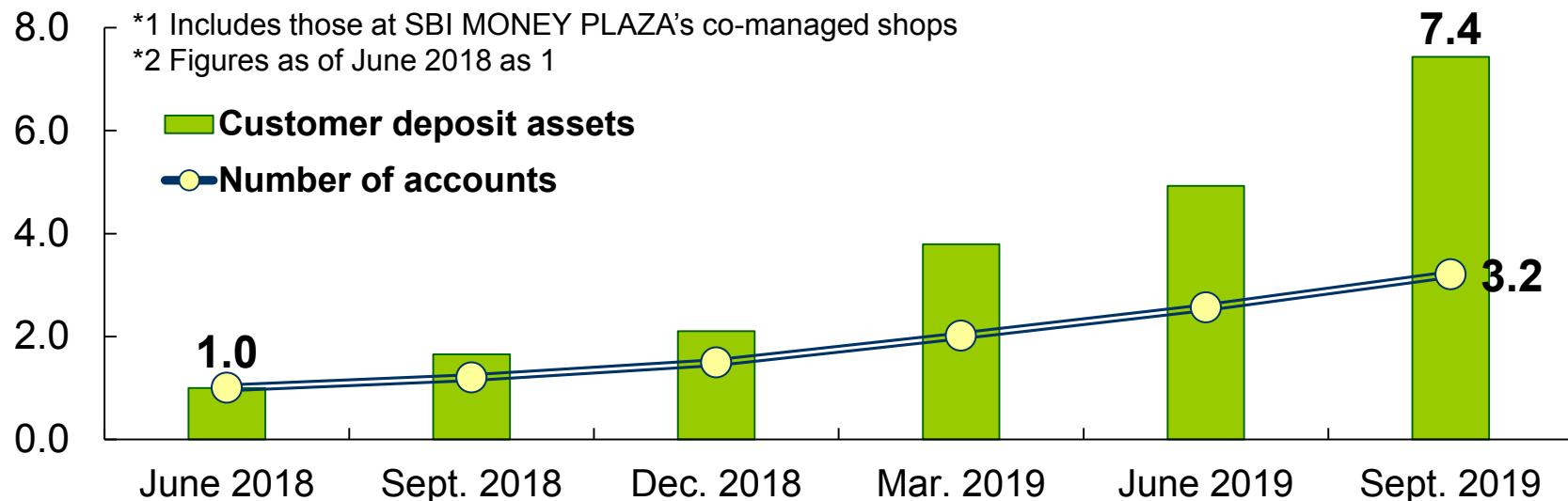
Regional financial
institutions

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



Regional financial
institutions' customers

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

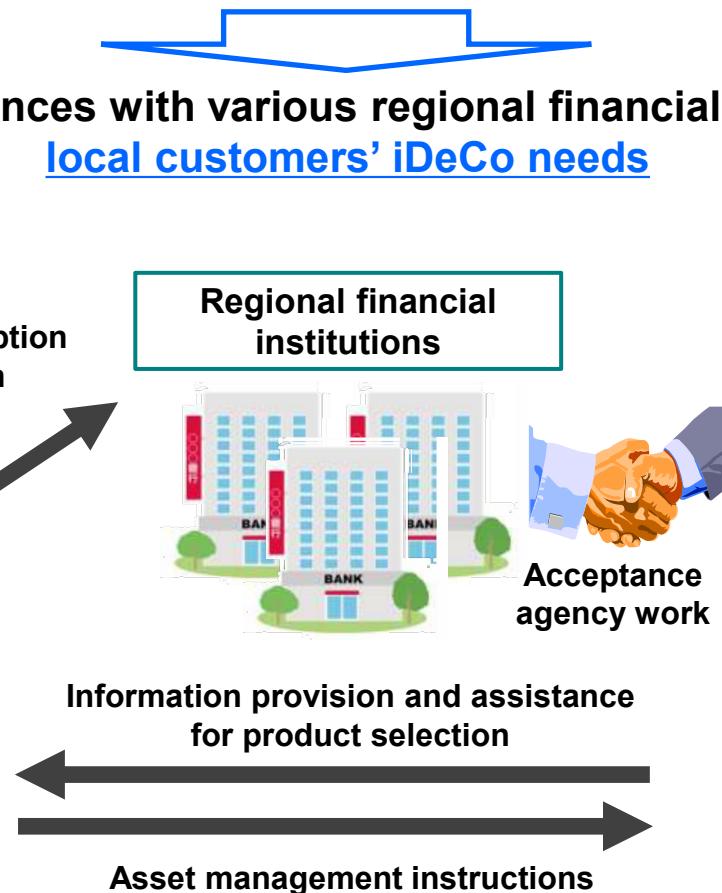


Advancing the Expansion of Sales of iDeCo by Partnering with Regional Financial Institutions

[Circumstances surrounding regional financial institutions]

While regional financial institutions regard iDeCo as one of the attractive products to provide to their customers, the number of regional financial institutions considering a retreat from the iDeCo business is increasing, since the operational management expense cost burdens are not insignificant

Through strengthened alliances with various regional financial institutions, will meet the local customers' iDeCo needs



Cumulative total of 300 thousand iDeCo subscribers as the industry's No. 1 (as of Aug. 31, 2019)



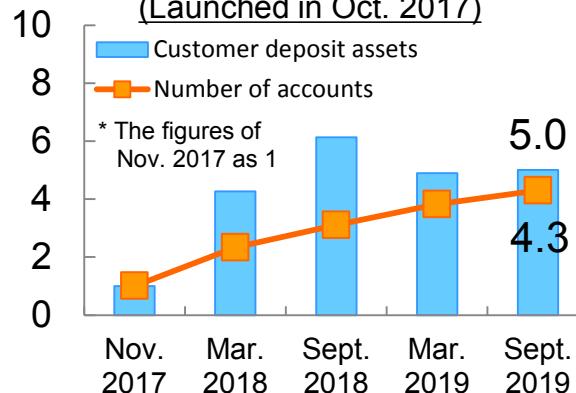
Co-managed Shops with Regional Financial Institutions have Rapidly Increased Their Number of Accounts and Customers' Deposit Assets

Co-managed shops with The Keiyo Bank and Kirayaka Bank has been launched in Sept. and Oct. 2019, respectively

→ Established 8 co-managed shops in total (Plans to establish 5 more co-managed shops, including that with Shimane Bank)

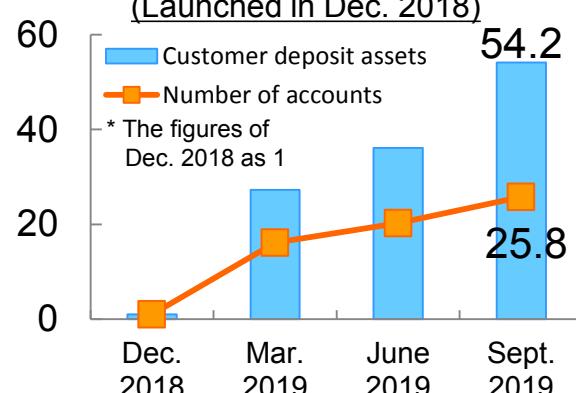
Shimizu Bank

(Launched in Oct. 2017)



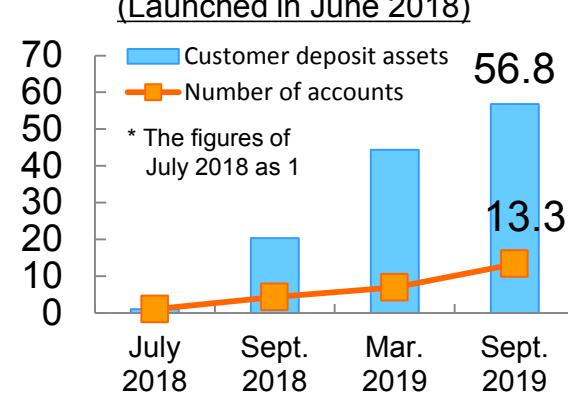
EHIME BANK

(Launched in Dec. 2018)



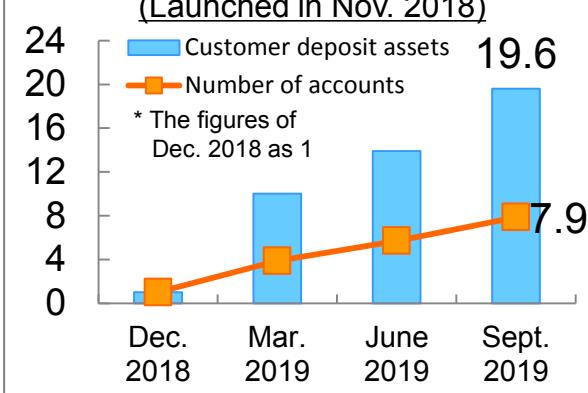
CHIKUHO BANK

(Launched in June 2018)



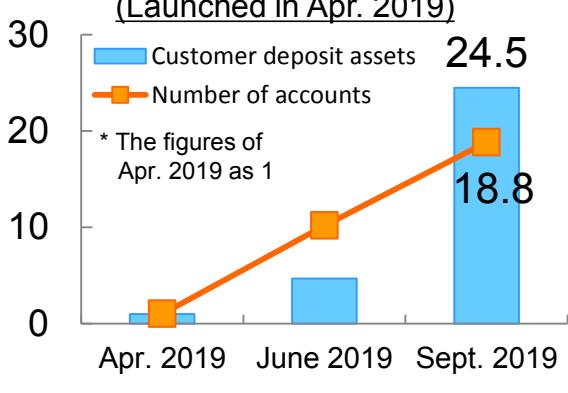
THE SENDAI BANK

(Launched in Nov. 2018)



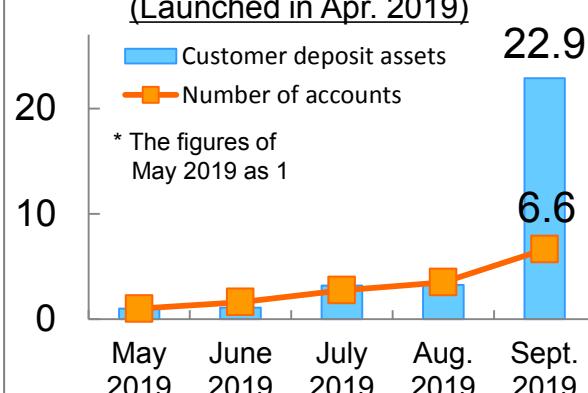
THE MIE BANK

(Launched in Apr. 2019)

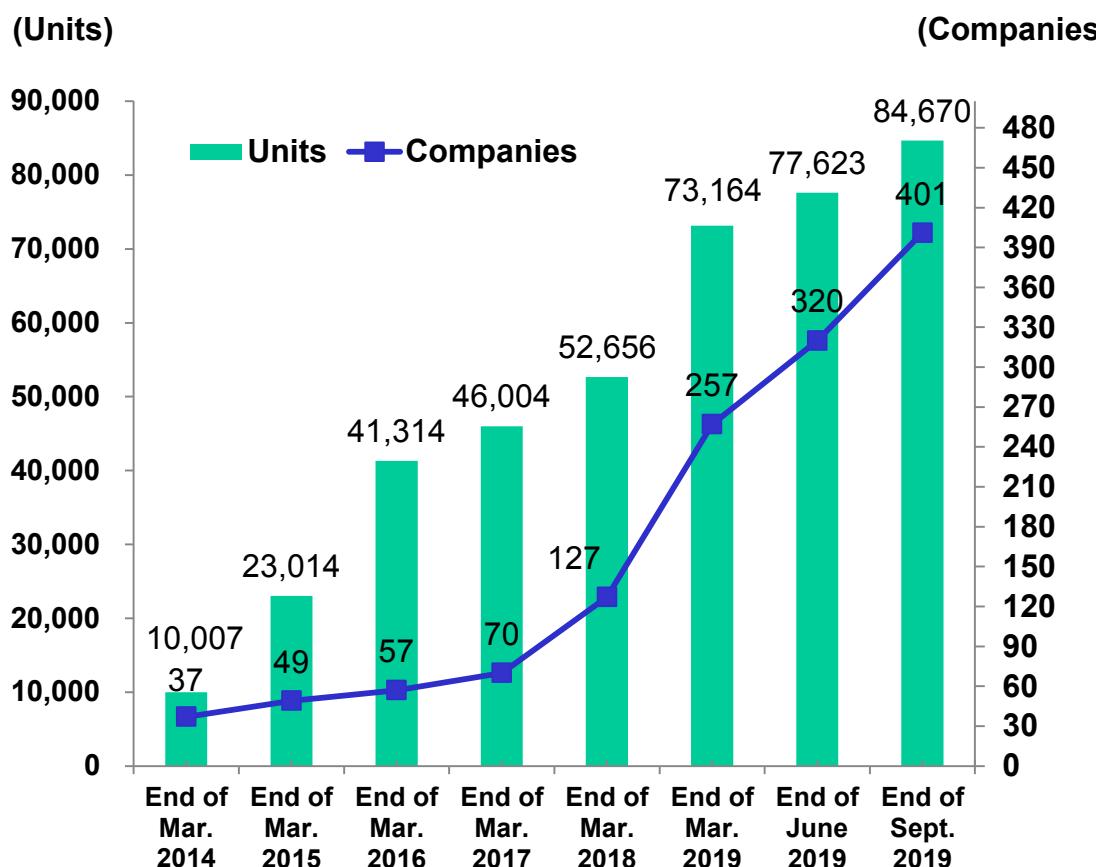


THE TOWA BANK

(Launched in Apr. 2019)

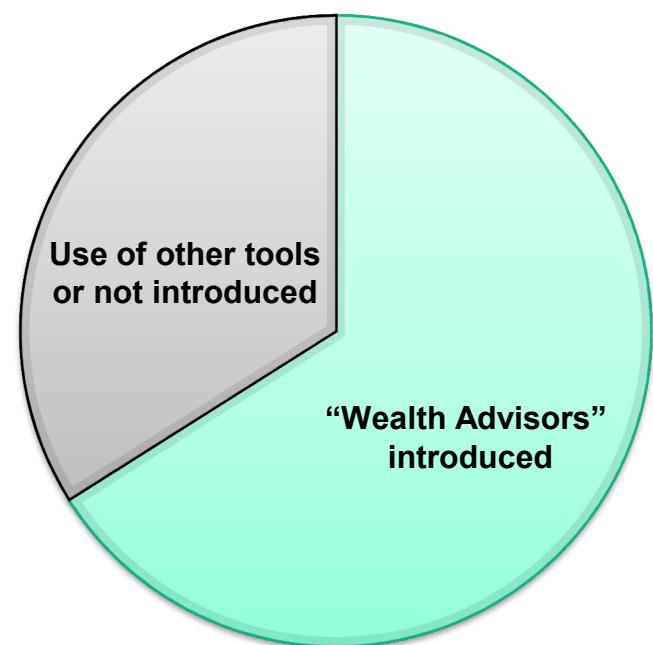


A Total of 84,670 Tablets Installed with the App “Wealth Advisors” Provided by Morningstar Japan have been Delivered to 401 Companies, Including 68 Regional Financial Institutions (As the end of Sept. 2019)



Market share of regional banks

68 of 103 regional banks have adopted the application
(Market share 66%)



Morningstar Japan Actively Sponsors the “Asset Management Seminar” for Individual Investors in Local Regions

<Hokkaido>



【May 12, 2019 : Sapporo】

Venue: Sapporo Grand Hotel

Visitor: 604**Sponsors: 14 companies****■To be held in local areas**

<Yokohama>



【Scheduled on Nov. 24, 2019】

Venue: Shin Yokohama Prince Hotel

Visitor: 700 (anticipated)**Sponsors: currently 7 companies**

<Tochigi>



The Ashikaga Bank

【June 2, 2019 : Tochigi】

Venue: Hotel Higashinihon Utsunomiya

Visitor: 370**Sponsors: 10 companies**

<Nagasaki>

The Shinwa Bank,
The Eighteenth Bank

【June 23, 2019 : Nagasaki】

Venue: THE MARCUS
SQUARE NAGASAKI**Visitor: 528****Sponsors: 19 companies**

<Kumamoto>



The Kumamoto Bank

【Aug. 18, 2019 : Kumamoto】

Venue: Hotel Nikkou Kumamoto

Visitor: 181**Sponsors: 20 companies**

<Niigata>

<Shiga>



第四銀行



北越銀行



第四北越証券

<Shiga>



滋賀銀行

【Scheduled on Nov. 24, 2019】

Venue: TOKI MESSE

Visitor: 400 (anticipated)**Sponsors: 6 companies**

【Scheduled in Feb. 2020】

Venue: Lake Biwa Otsu Prince Hotel

Visitor: 300 (anticipated)**Sponsors: wanted**

(v) Efficient Operations

Issues facing local banks

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

Measures to resolve issues

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



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

(vi) Effective Use of Real Estate

Issues facing local banks

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

Measures to resolve issues

- Planning to establish a consortium with several real estate companies, to utilize the real estate owned by regional financial institutions
- Consider proposals such as attracting office buildings and call centers, to increase the value of real estate held and collateralized real estate
- Support the sales of unused real estate and real estate owned by business partners
- Consider proposals for structured finance, etc., utilizing real estate

■ Available SBI Group management resources and networks



Consulting for call center business

2. Realize next-generation financial services and strengthen alliances with cross-industry companies to further improve customer benefits

- (1) Advancing the Neo-securities initiative, which portends the next-generation securities business
- (2) SBI Sumishin Net Bank actively promotes various measures for the realization of Neo-bank
- (3) Alliance with Z Holdings Corporation, which owns Yahoo Japan

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

Neo-securities initiative

= Waiving trading commissions and partial costs that investors currently incur

U.S. Example: Robinhood

-Financial platforms that offer apps which allow users to easily trade stocks and crypto-assets without fees are making rapid progress-

- ◆ At the end of July 2019, the company was valued at approx. USD 7.6bn (JPY 820bn)
- ◆ The number of accounts has already exceeded 4 million
- ◆ **No trading fees**, earning revenue from monthly premium plan

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



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



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



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

In the U.S., the trend to waive fees for stock trading by major online securities companies, including Charles Schwab and E*TRADE, is accelerating

Timeline for the Realization of the Neo-securities Initiative

Endeavoring to completely waive fees at the SBI Group's securities-related business companies, within a 3 year plan

As a first step, SBI SECURITIES' night-time PTS trading and SBI NEOMOBILE SECURITIES' trading fees will be waived

First round

Second round

Third round



No fees charged
for night-time
PTS trading



No fees charged
for stock trading



No fees charged for
physical stock trading
and margin trading

[Measures for the advancement of the Neo-securities initiative]

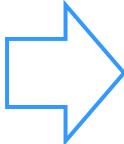
- ① Further improve the positioning of the retail business, which has a dominant presence
 - (i) Continuously focus further on acquiring new customers, through services such as NISA and iDeCo, which are already free of fees
 - (ii) By leveraging SBI NEOMOBILE SECURITIES as a driver of the Neo-securities initiative, will acquire younger generation users
- ② Establishment of a business structure that is less dependent on stock brokerage commissions
 - (i) Growing the corporate business by focusing on the equity and bond underwriting businesses, for both primary and secondary market issuance, as well as the M&A business
 - (ii) Expanding brokerage services to financial institutions, through the Financial Institutional Sales Dept.
 - (iii) Revenue contributions from the FX and crypto-asset exchange businesses
- ③ Advancing profitability improvements from the further increase in PTS trading, improvements in transaction matching at dark pool transactions, increase of interest income and advancement of the lending business with institutional investors due to the rise in open interest credit balance, incurring from the significant increase in trading volume and liquidity associated with fee-free trading, along with cost reduction through the promotion of AI and RPA usages

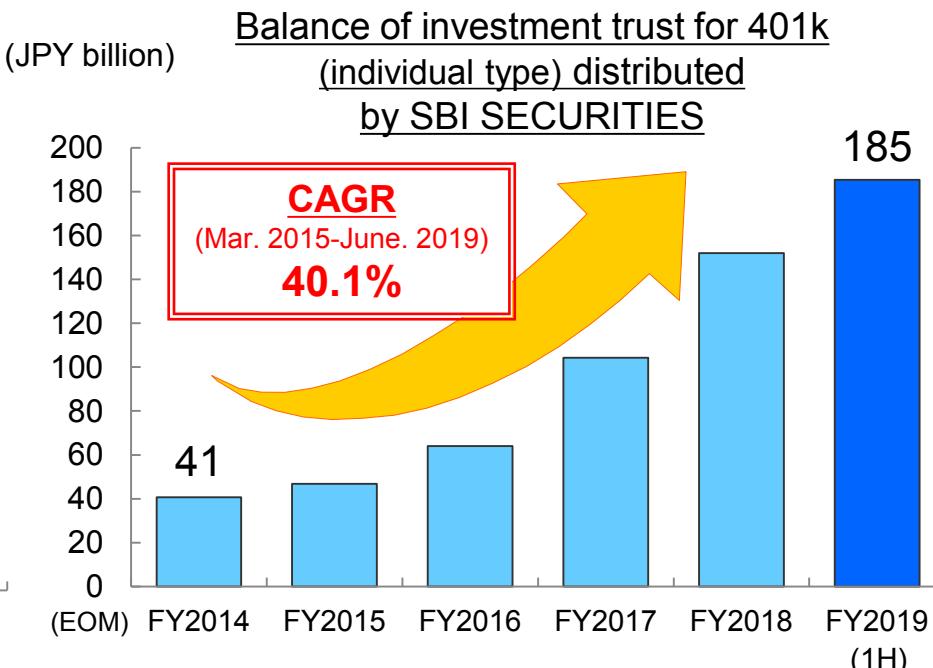
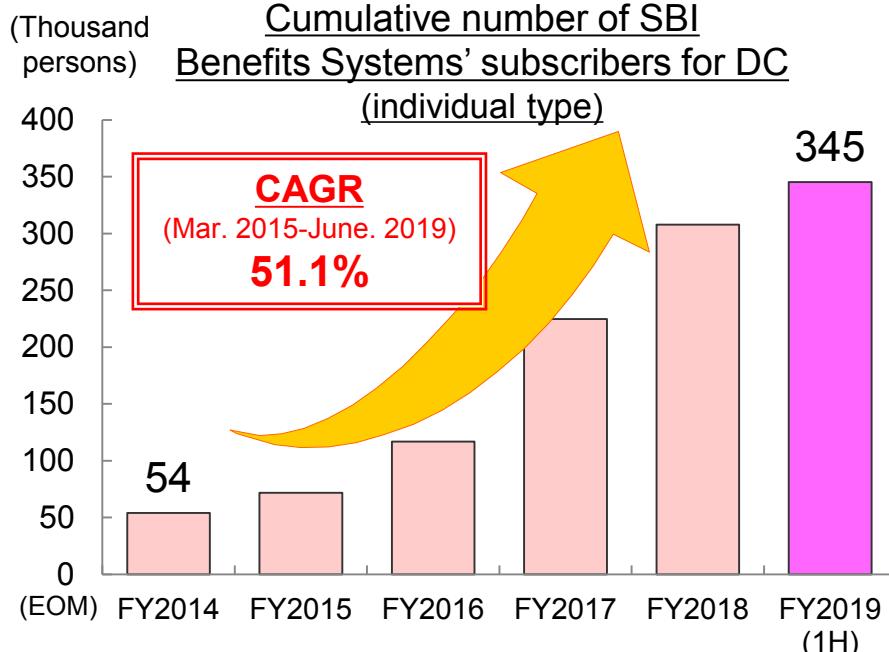
- ① **Further improve the positioning of the retail business, which has a dominant presence**
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 - (ii) **By leveraging SBI NEOMOBILE SECURITIES as a driver of the Neo-securities initiative, will acquire younger generation users**

Further Strengthening the Individual Defined Contribution (iDeCo) Pension Business

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

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

 At the end of Aug. 2019, the number of iDeCo accounts totaled 299,946, which is approx. 2.5x larger than that of the end of May 2017

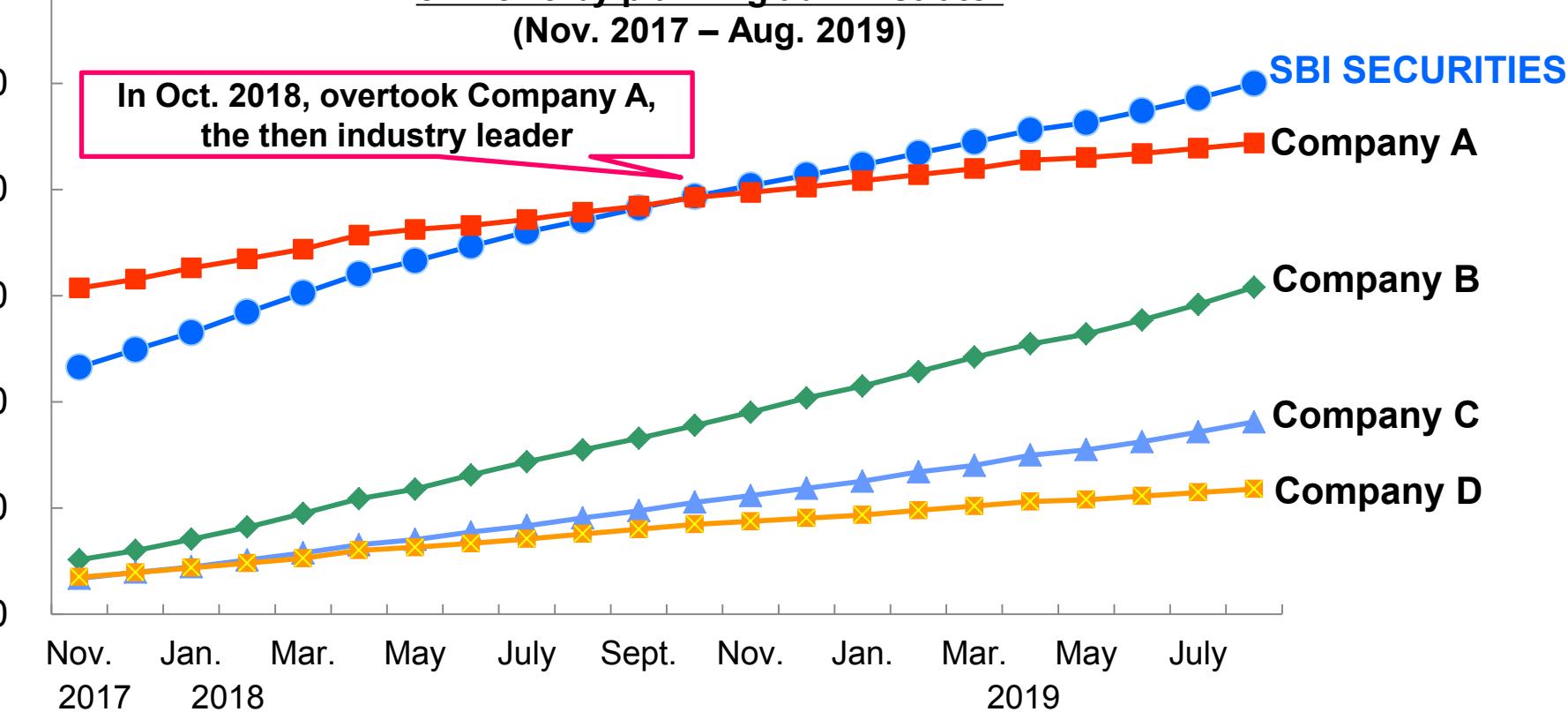


SBI SECURITIES Steadily Increased the Number of New Customers Acquired for Individual-type Defined Contribution Pension Plans (iDeCo), and became the Cumulative Industry Leader in Oct. 2018

(No. of thousand customers)

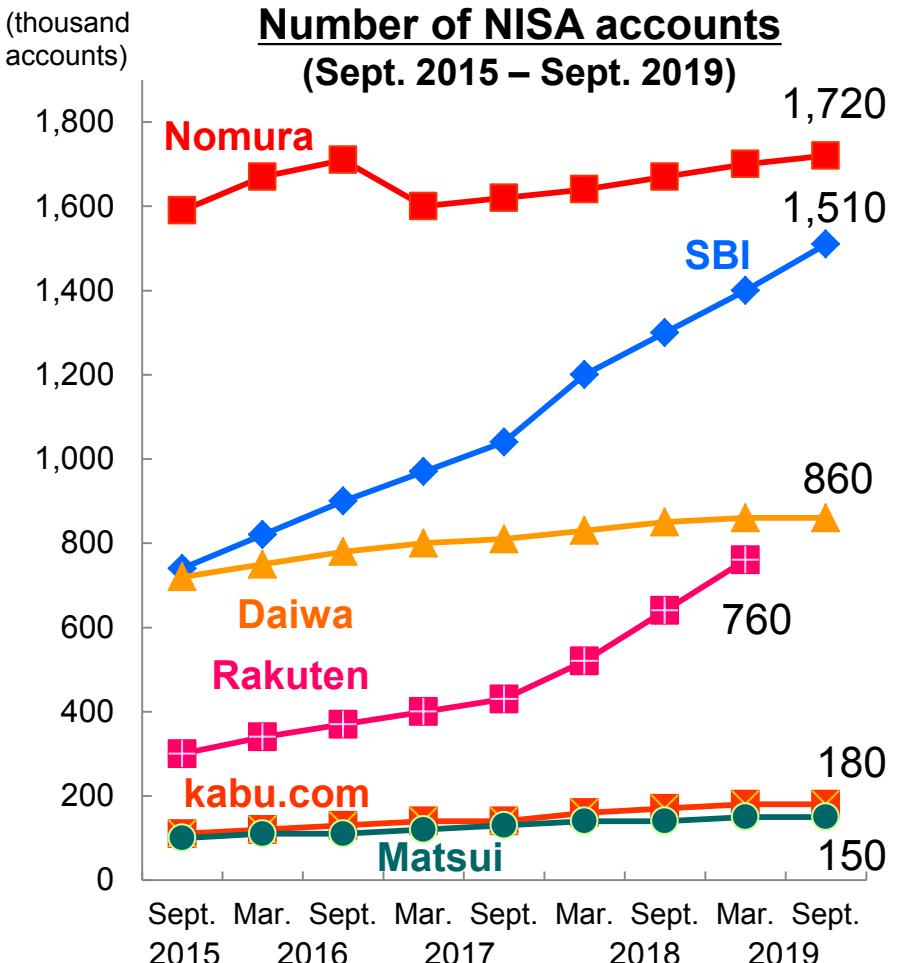
Cumulated number of customers (subscribers & transfers*) of iDeCo by planning administrator
 (Nov. 2017 – Aug. 2019)

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



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

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

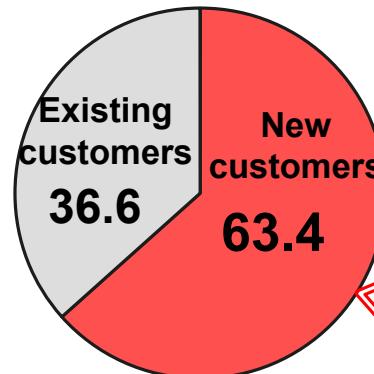


*1 Includes the number of Junior NISA accounts

*2 Amounts are rounded to the nearest JPY 10 thousand.

*3 The number of accounts are as of the end of Sept. 2019, compiled by SBIH from the information on website of each company. As for Rakuten the number of accounts is as of the end of Mar. 2019

NISA's customer attribute of SBI SECURITIES (%)



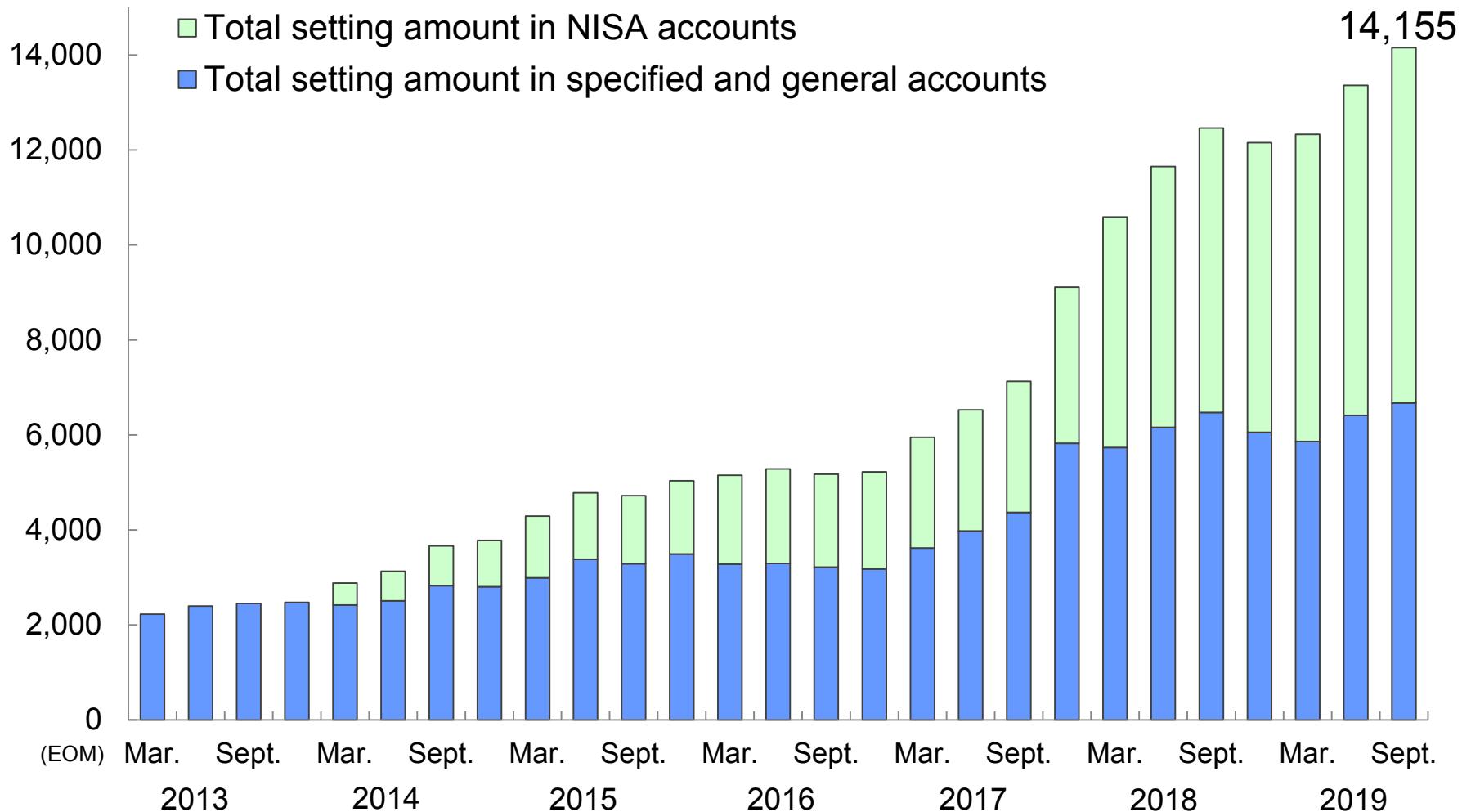
Number of new customers opening NISA accounts account for 63.4%, and within that 68.7% are beginner investors

SBI SECURITIES' number of Junior NISA accounts reached 70 thousand accounts, accounting for approx. 30% of the entire securities industry's Junior NISA accounts

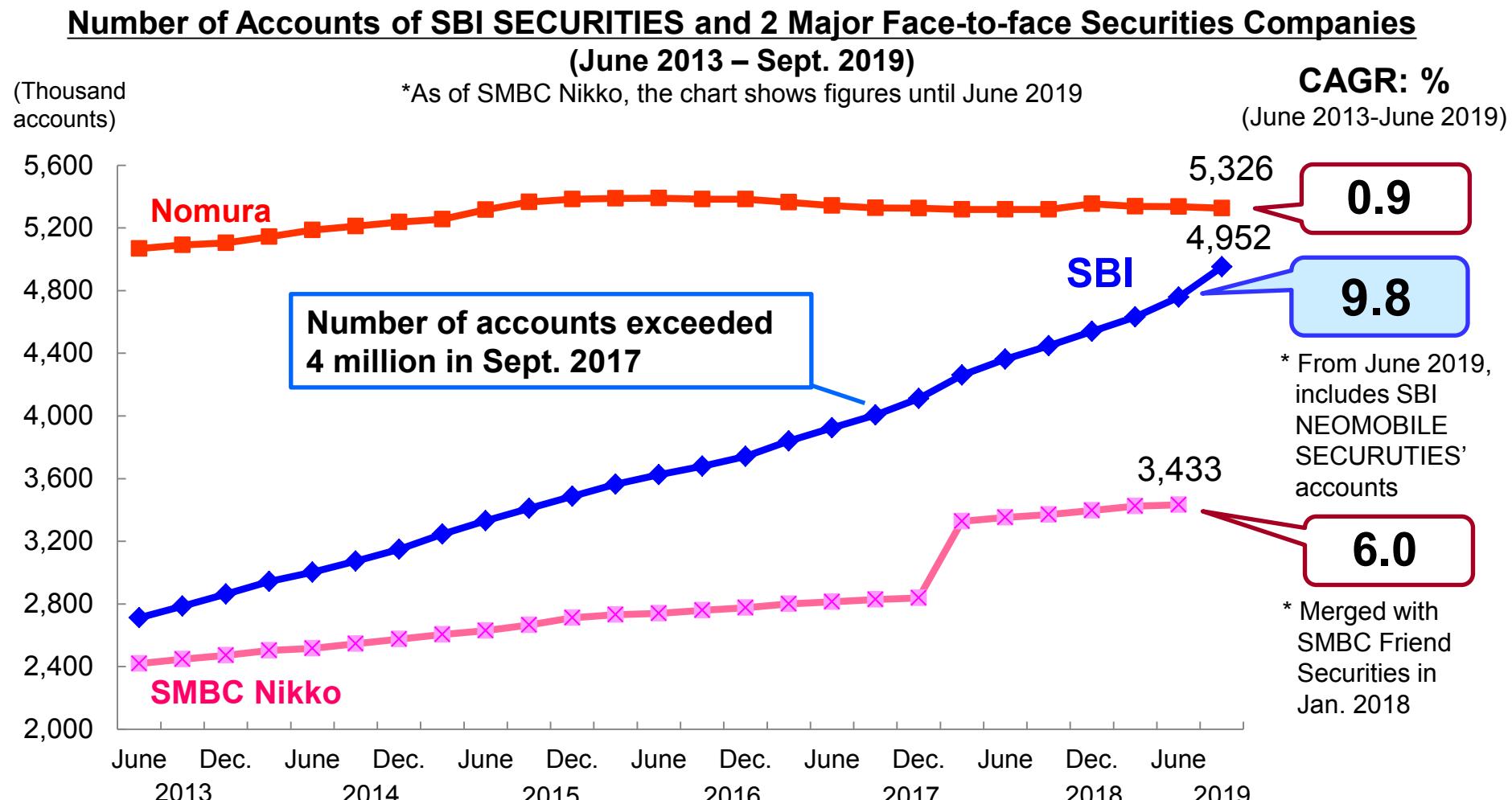
Ceiling for Accumulated Mutual Fund Setting Amount

(As of the end of each month; Mar. 2013 – Sept. 2019)

(JPY million)



Current Goal is to Triple the Number of Accounts



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

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

(ii) By leveraging SBI NEOMOBILE SECURITIES as a driver of the Neo-securities initiative, will acquire younger generation users

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



SBI証券
[SBI SECURITIES]



CCC MARKETING

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

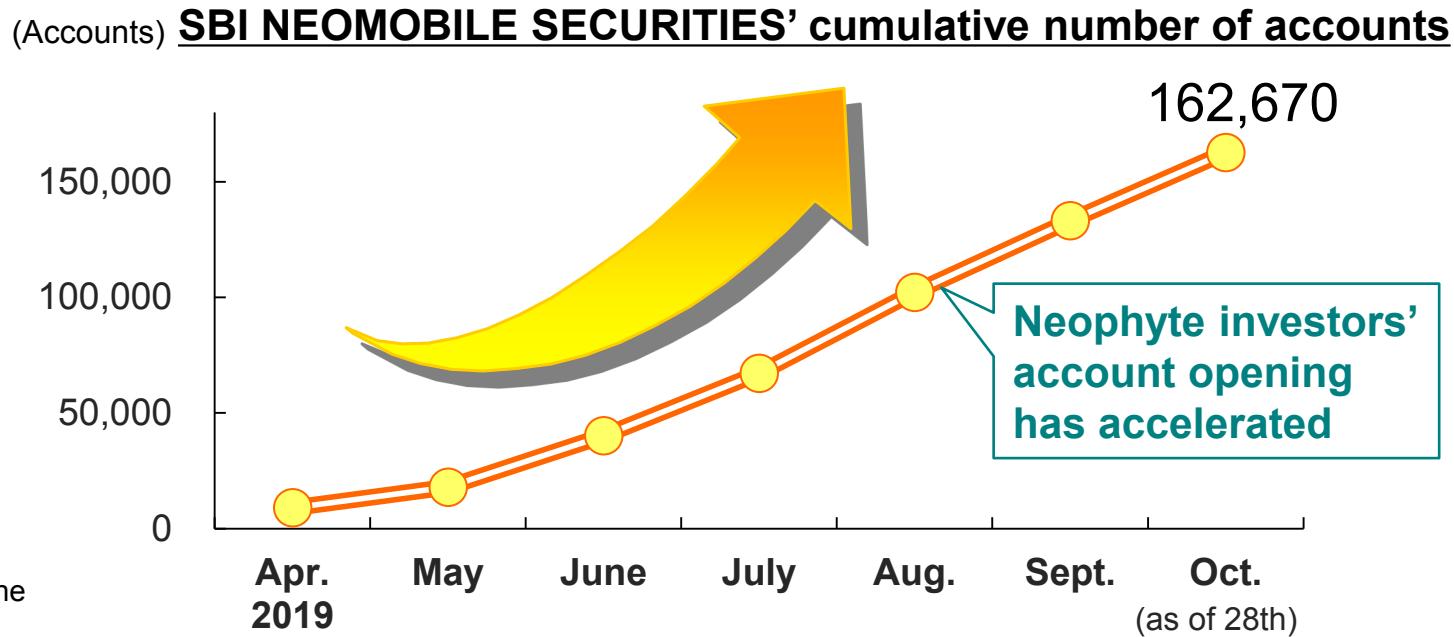
ネオモバ
[Neo-Moba]



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



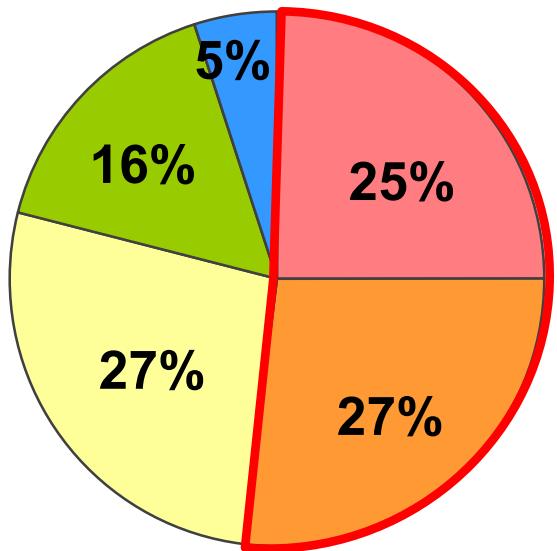
Also provides a smartphone app as its trading channel



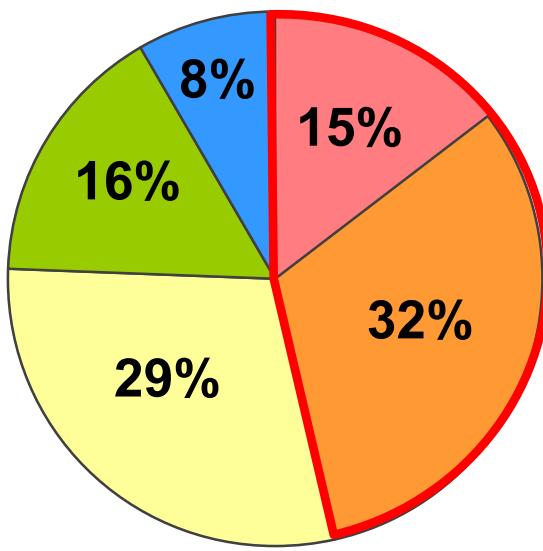
**Accomplished 160 thousand accounts within 6 months since its launch.
Targeting the acquisition of 500 thousand accounts at an early stage**

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

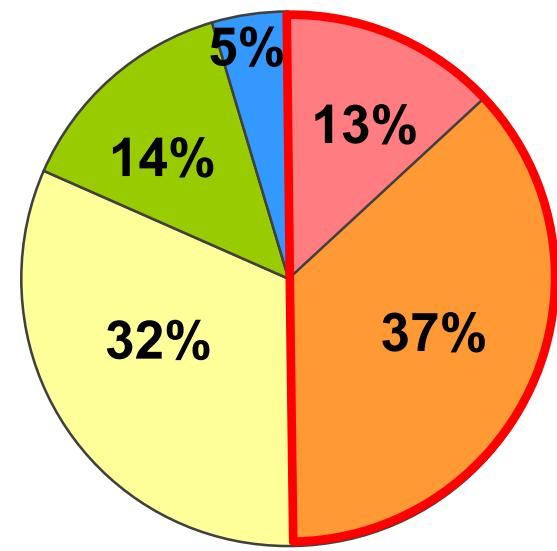
SBI NEOMOBILE SECURITIES's customer base



SBI FXTRADE's customer base



SBI VC Trade's customer base



■ Under 20's ■ 30's ■ 40's ■ 50's ■ Over 60's



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

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

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



[SBI NEOMOBILE SECURITIES]

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



Crypto-assets
T-Point
Investment
**T-Point
program**



Crypto-asset transactions under a highly secure trading environment

Money Tap deposit

Introduction of Money Tap to T-Point program participant shops

Money Tap

Small-lot remittance without charging

Money Tap

Synergy

Customer transfer

Money Tap deposit



FX trading with the industry's narrowest spreads

Crypto-asset derivative investment

An Example of Cooperation to Acquire New Young Customers

SBI
GROUP



Begun from August 23rd



For customers of SBI NEOMOBILE SECURITIES, upon opening new account at SBI VC Trade

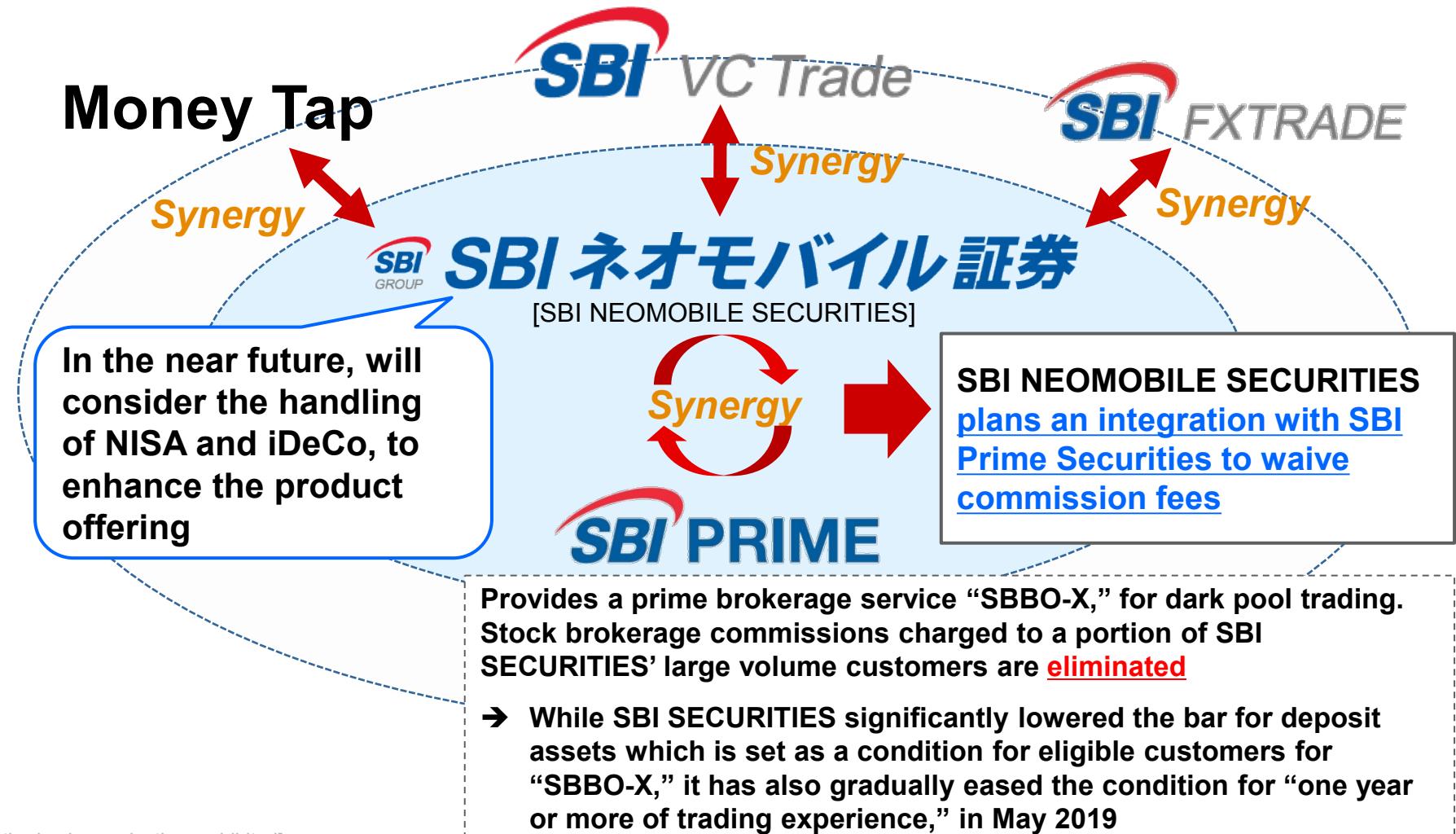
1. Gift of JPY 1000 worth XRP
2. XRP cashback based on transaction volume (up to JPY 200,000)

- SBI VC Trade and SBI NEOMOBILE SECURITIES to expand acquiring of new accounts
- SBI VC Trade and SBI NEOMOBILE SECURITIES to raise its awareness

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



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

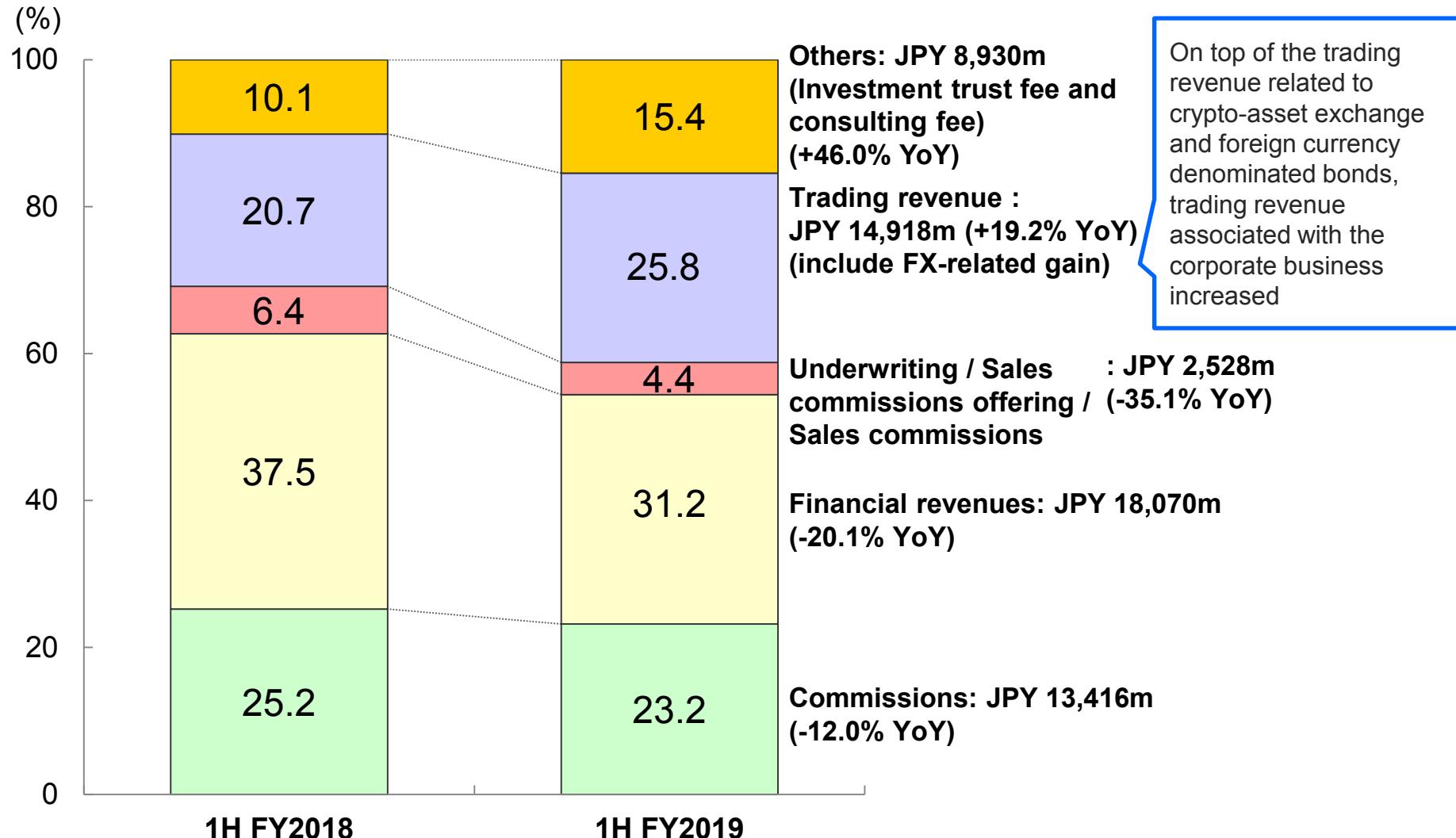


- ② **Establishment of a business structure that is less dependent on stock brokerage commissions**
 - (i) **Growing the corporate business by focusing on the equity and bond underwriting businesses, for both primary and secondary market issuance, as well as the M&A business**
 - (ii) **Expanding brokerage services to financial institutions, through the Financial Institutional Sales Dept.**
 - (iii) **Revenue contributions from the FX and crypto-asset exchange businesses**

SBI SECURITIES' Operating Revenue Composition

SBI
GROUP

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



②-(i) Enhancement of the corporate business

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

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

Underwriting share of 100% is an industry leading figure

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

29 companies were listed during the period

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

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

PO underwriting business

Underwrote 9 POs, including one as lead underwriting manager



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

Corporate bond underwriting business

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



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

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

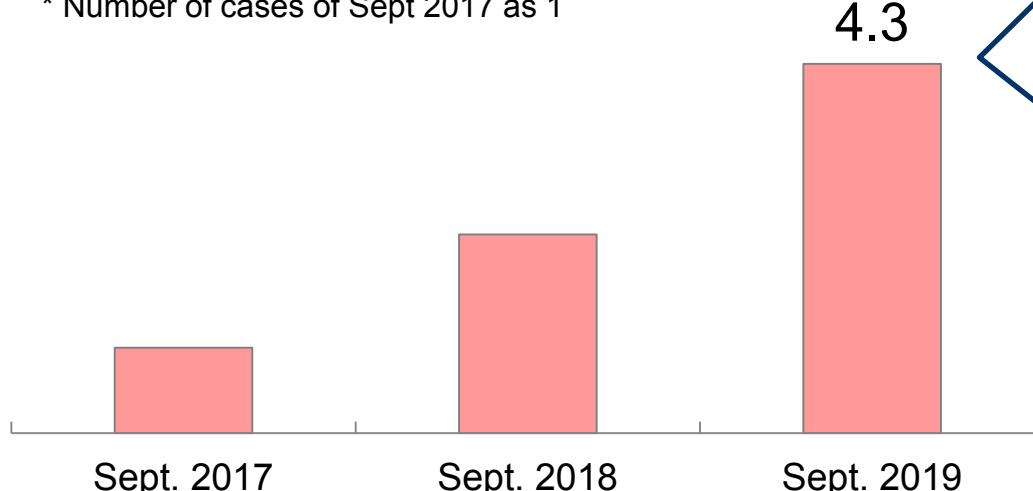
* The data was compiled by SBIH based on each company's published information.

The Investment Banking Dept., which Offers M&A Advisory Services to Increase the Corporate Value of Listed and Unlisted Companies, has Consulted for Approx. 120 Companies* since Sept. 2017, to Steadily become a Profit Source of the Corporate Business

*As of Sept. 2019

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

* Number of cases of Sept 2017 as 1



SBI証券
[SBI SECURITIES]

Investment
Banking Dept.

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

Also supports business succession cases through M&A activities

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

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

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

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



Business Succession Advisory Office, M&A Advisory Dept.



TRANBI

M&A Online platform “TRANBI”

Specializes in matching small-scale cases

Proposal of a speedy and low-cost business succession

Seller

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

Buyer



Corporations endeavoring to expand new businesses

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

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



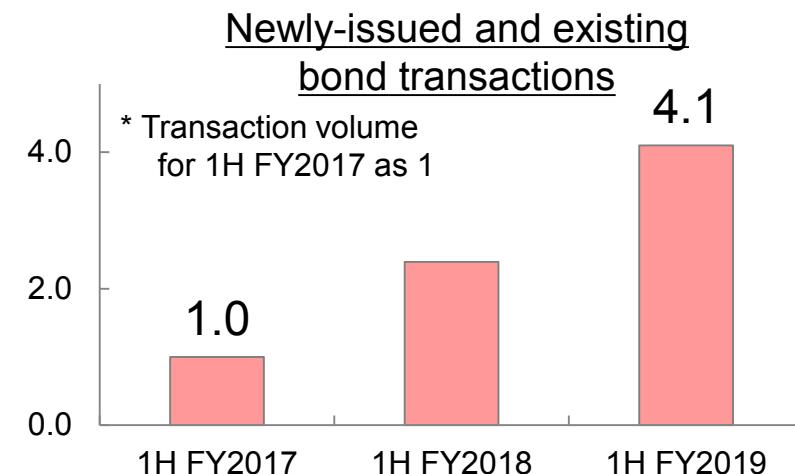
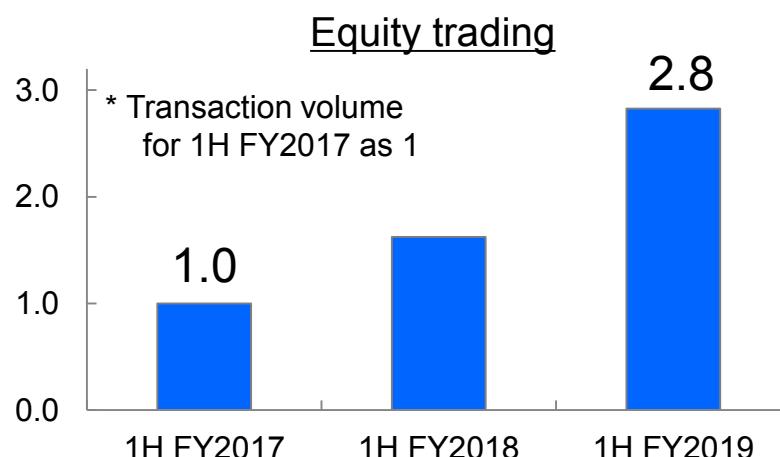
[SBI SECURITIES]

Institutional investors sales division, including Financial Institutional Sales Dept.

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

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

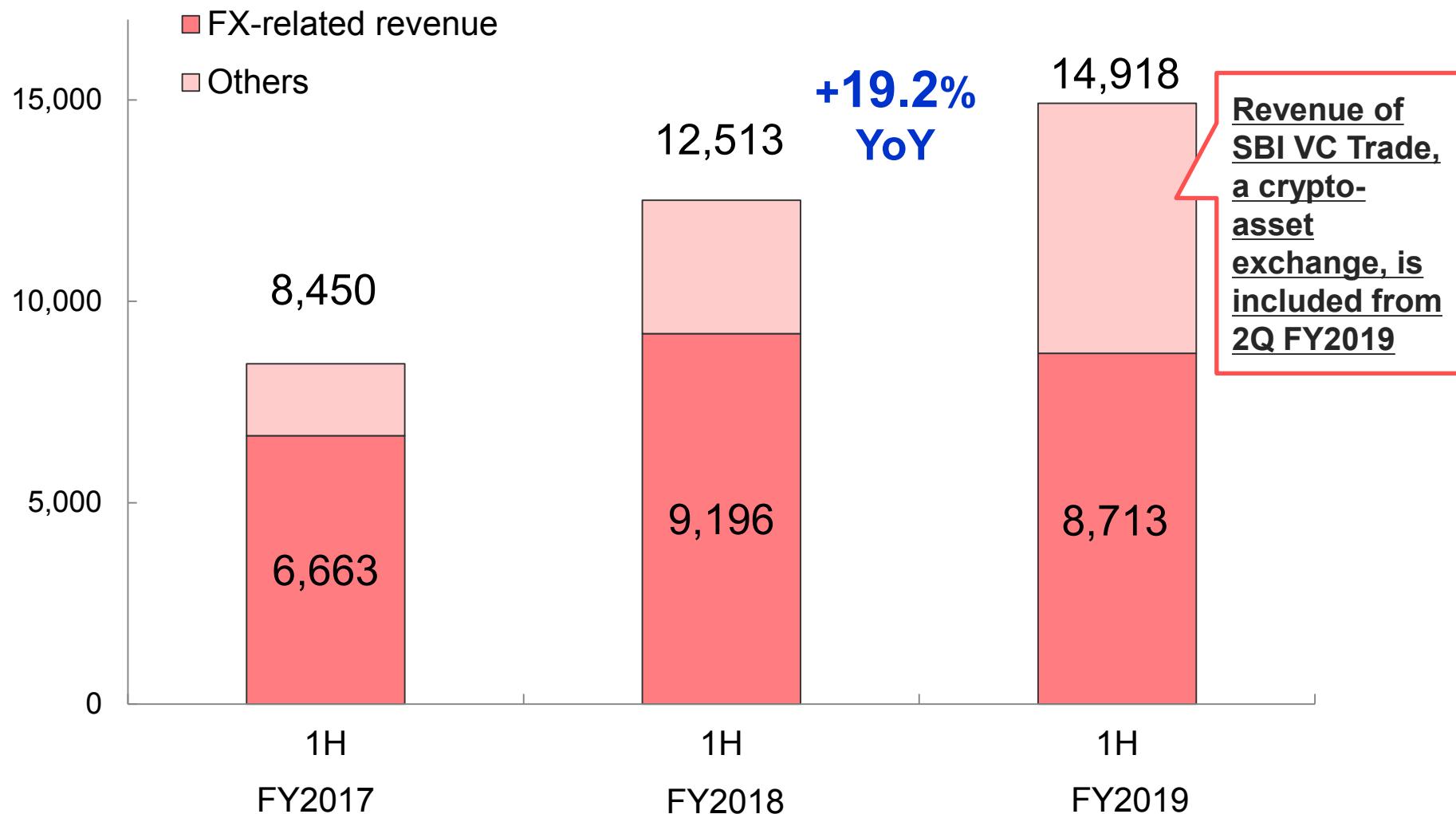
-Transaction volume for 1H FY2019 with financial institutions-



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

SBI SECURITIES' Trading Income Trend

(Unit:
JPY million)



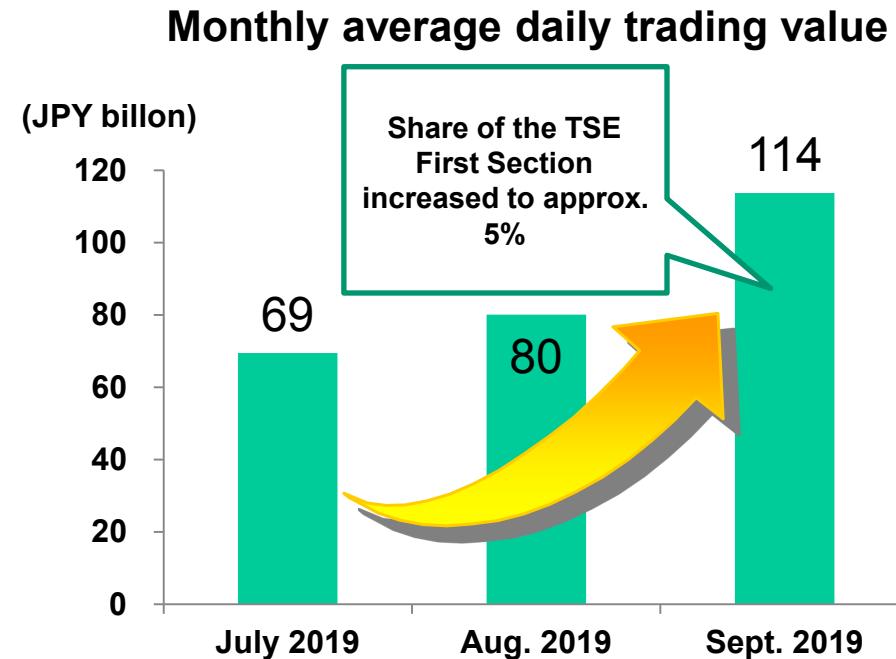
- ③ **Advancing profitability improvements from the further increase in PTS trading, improvements in transaction matching at dark pool transactions, increase of interest income and advancement of the lending business with institutional investors due to the rise in open interest credit balance, incurring from the significant increase in trading volume and liquidity associated with fee-free trading, along with cost reduction through the promotion of AI and RPA usages**

Focused on Expanding PTS Transactions to Minimize Customers' Trading Cost

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

<Advantages of using SBI Japannext's PTS>

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

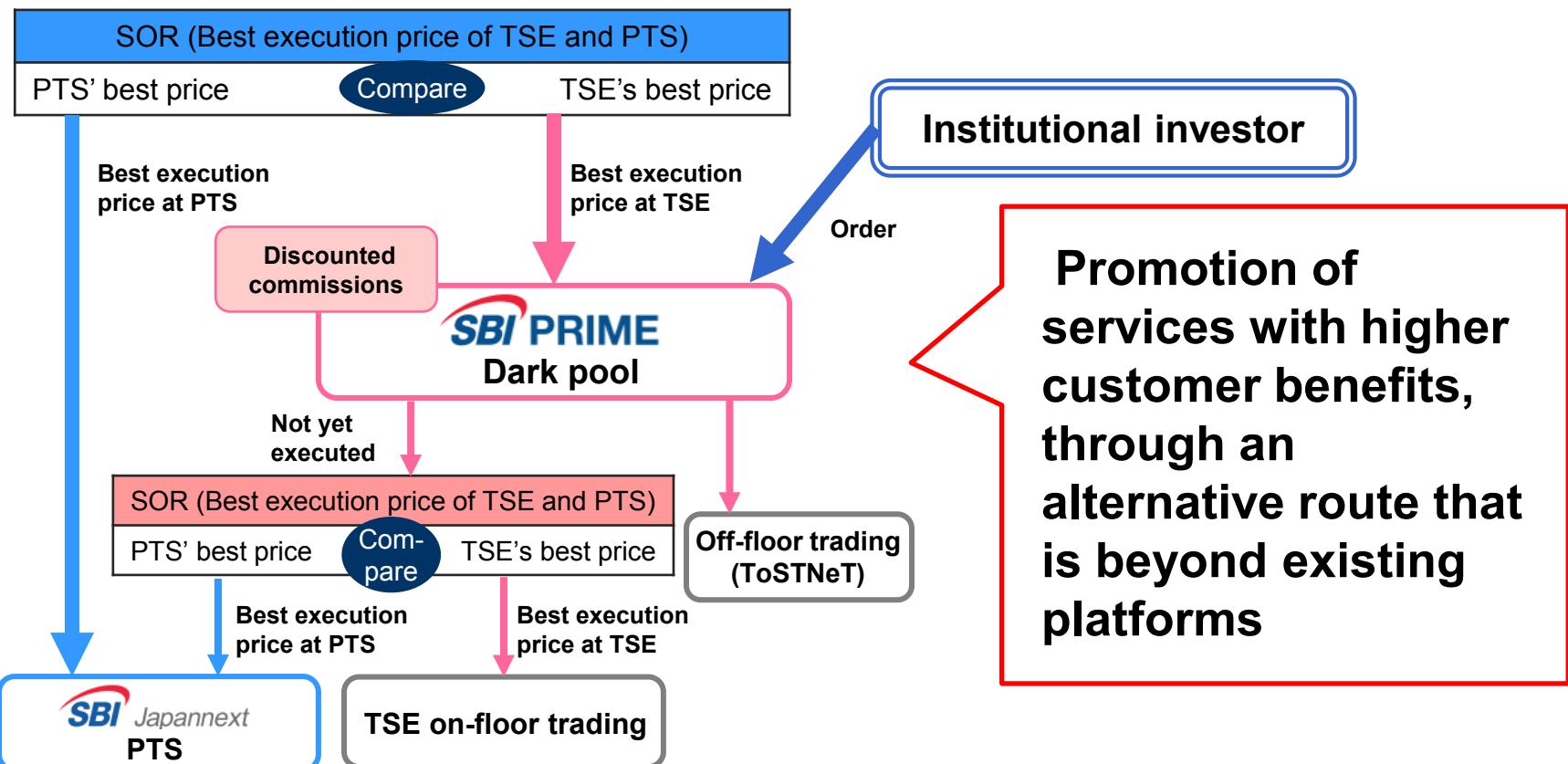


Moving forward, Internet securities companies other than SBI SECURITIES are planning to offer margin trading at PTS's, which leads to an expectation for a further market share increase

SBI PRIME SECURITIES Provides “SBBO-X” (Dark Pool Transactions)

SBI PRIME SBBO (SBI Best Bid Offer)-X:

- **Stock brokerage commissions waived** for certain large customers of SBI SECURITIES
- **Instantly searches for best terms and conditions** amongst the TSE's off-floor trading system ToSTNet, TSE collaborating with SBI SECURITIES (on-floor trading), PTS (by SBI Japannext Securities), and SBBO-X for **best order execution**

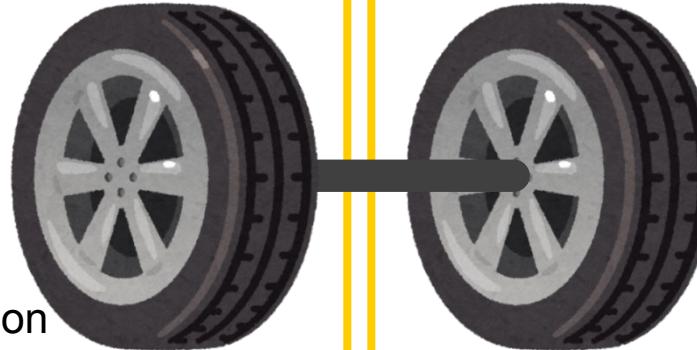


High Profitability will be Maintained even after the Neo-securities Initiative is Realized

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

Improvements in earning capacity

- Increased trading at SBI Japannext's PTS, where the number of participating securities companies continues to increase, along with an expansion of the collocation business
- Improvements in transaction matching at PTS and SBI PRIME SECURITIES' dark pool owing to enhanced algorithms
- Along with the increase in open interest credit balance from the expansion of margin trading, increase of interest income and advancement of the lending business with institutional investors



Cost reduction

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



Reduction in outsourcing costs

(2) SBI Sumishin Net Bank actively promotes various measures for the realization of Neo-bank

- ① Expand the customer base through proactive alliances
- ② Steady progress in the joint venture with alliance partner JAL
- ③ Expanding the payment business on the back of the cashless trend

Thorough Promotion of Neo-bank through Alliances with Companies with Strong Customer Bases

Partner

Japan Airlines

Recruit Zexy Navi

Asahi Kasei Homes Financial Corporation

Etc.

Thorough Promotion of Neo-bank through Alliances with Companies with Strong Customer Bases

API foundation



- Discussions are underway with more than 10 major companies on specific schemes
- For transaction lending services, announcement is soon to be made regarding partnerships with large businesses that have recurring relationships with many SMEs

Providing banking functions

Deposit function

Services tailored to customer needs



Settlement function

Expansion of the acquirer business in addition to various card businesses



Financing function

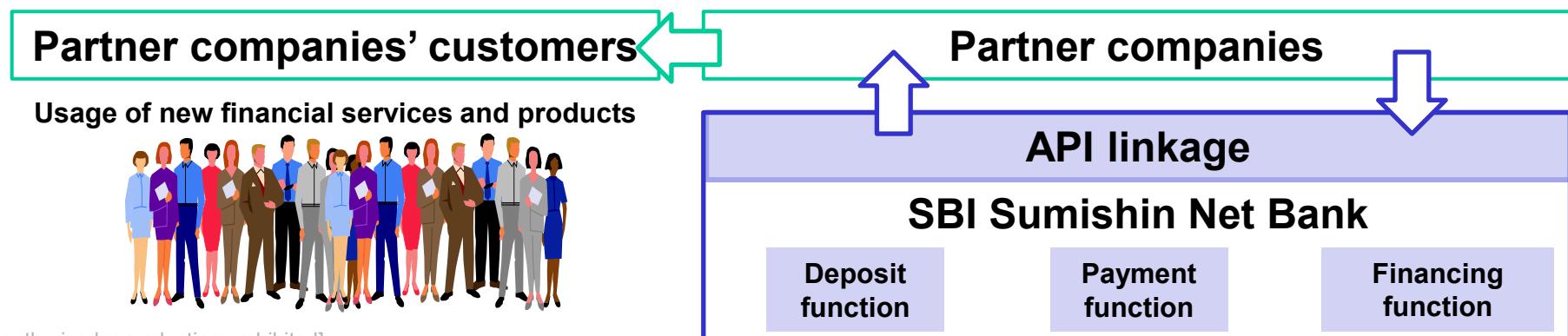
Providing convenient housing loans and transaction lending services that leverage the company's customer base



SBI Sumishin Net Bank's Neo-bank Initiative is being Steadily Realized

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

- ◆ Planning to provide a banking function, or banking as a service (BaaS), to large outside corporations to promote unbundling
- ◆ When a partner company customer uses the service of the partner company, SBI Sumishin Net Bank offers the accompanying bank service, and establishes a system that enables the service to be used smoothly and comfortably in cooperation with the partner company
- ◆ In order to realize the Neo-bank initiatives, bank agency contracts were entered into by Recruit Zexy Navi, Asahi Kasei Homes Financial, etc., in order to be able to provide SBI Sumishin Net Bank's mortgage loans
- ◆ A basic agreement was reached with Hamee, which operates Japan's largest e-commerce platform "Next Engine," to create a transaction lending service for e-commerce companies
- ◆ In order to provide new banking services as well as housing loans, in discussions on specific scheme with more than 10 large vendors



① Expand the customer base through proactive alliances



SBI Sumishin Net Bank's Rapidly Expanding API Collaboration

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

Examples of SBI Sumishin Net Bank's API linkage

2015

Aug.

2016

Mar.

2017

2018

2019

Announced provision of API linkage

Commenced Japan's first API linkage with Money Forward




Crowd accounting software "freee"



WealthNavi
for 住信SBIネット銀行
WealthNavi for SBI Sumishin Net Bank


MF Crowd Expense



経費Bank

Keihin Bank



JAL Global WALLET




Keihin Bank II



Currently, an API with over 300 functions has been released

弥生会計ラインアップ
YAYOI Kaikai Line-up

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

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

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



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



NetMove Corporation

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

NetMove's business progress

- ◆ In line with the advancements between the public and private sectors toward a cashless society, 1H FY2019 results are anticipated to come in beyond the business plan
- ◆ Enhancing the functions of multi-payment terminals, and started to support Alipay and WeChatpay from July. From Aug., planning to increase the settlement amount by supporting traffic electronic money such as Suica

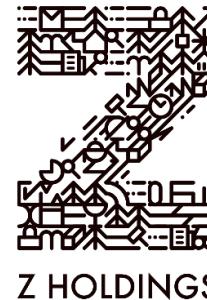
(3) Alliance with Z Holdings Corporation, which owns Yahoo Japan

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



SBI Group's Customer Base

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



Number of monthly users

67,430 thousands*

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



Z financial

The fields of business alliance

Securities

FX

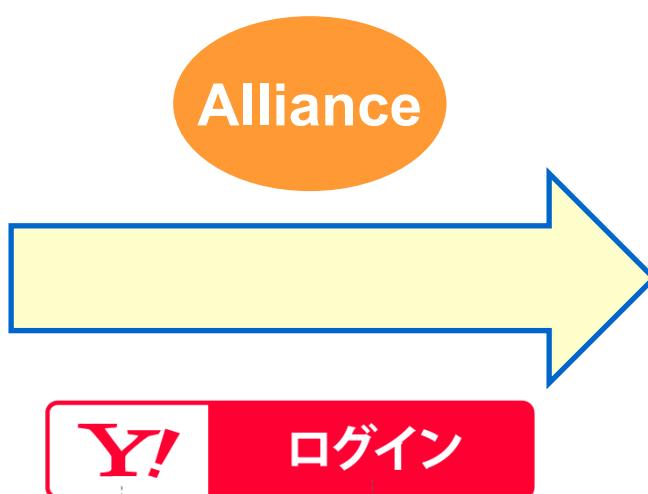
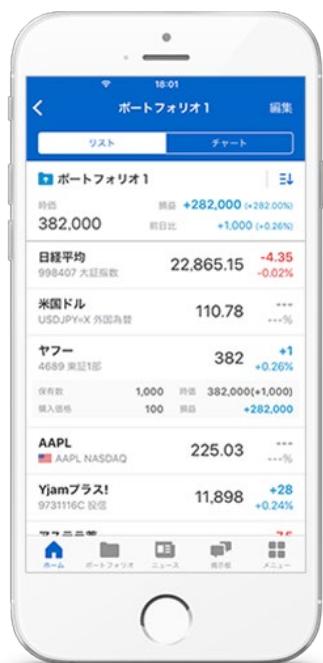
Bank

Business Alliance in Securities Business

-SBI SECURITIES and Yahoo! Japan Finance-



Providing a seamless securities trading environment



YAHOO! ファイナンス
[Yahoo! Japan Finance]

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Account opening

Stock trading

**Linkage of
portfolio functions**

Single sign-on

Business Alliance in FX and Banking Businesses

FX Business

Improve profitability by increasing FX liquidity and sharing know-how



Alliance

Start cover transaction



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



Bank A



Bank B

Banking Business

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

Alliance

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



住信SBIネット銀行

[SBI Sumishin Net Bank]

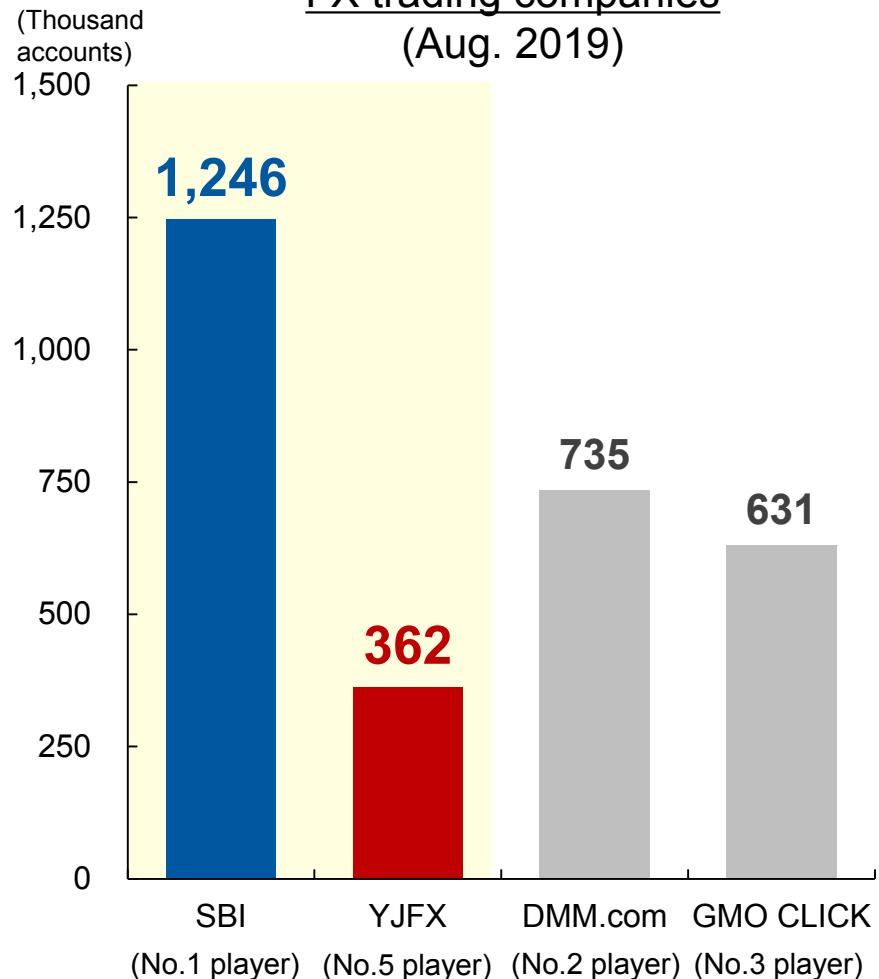


ジャパンネット銀行

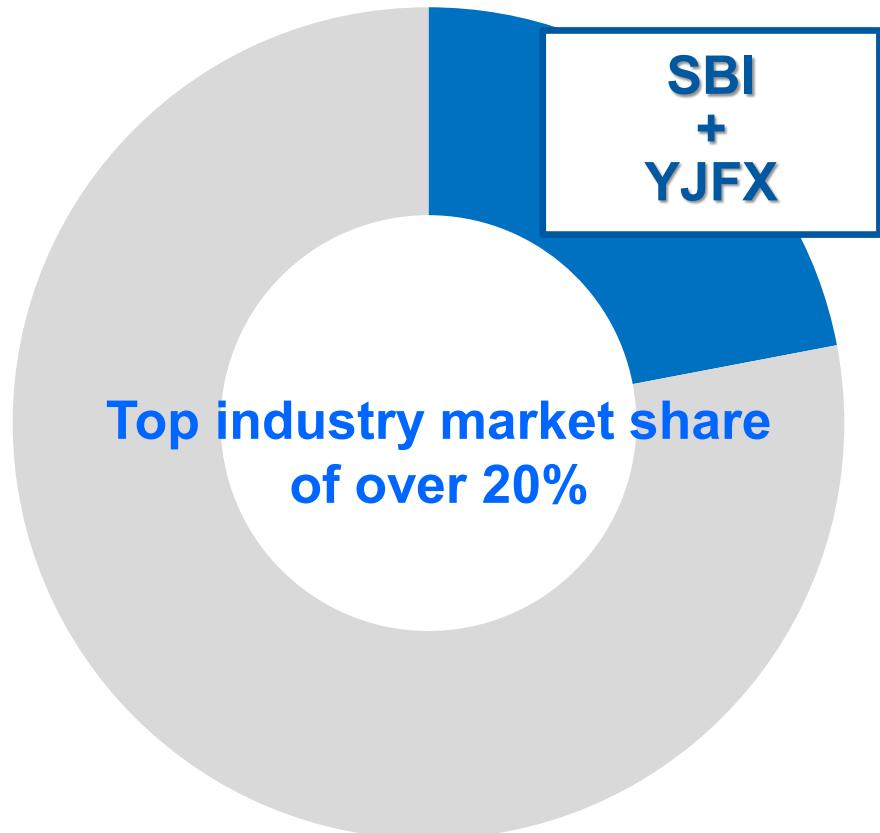
[The Japan Net Bank]

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

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



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



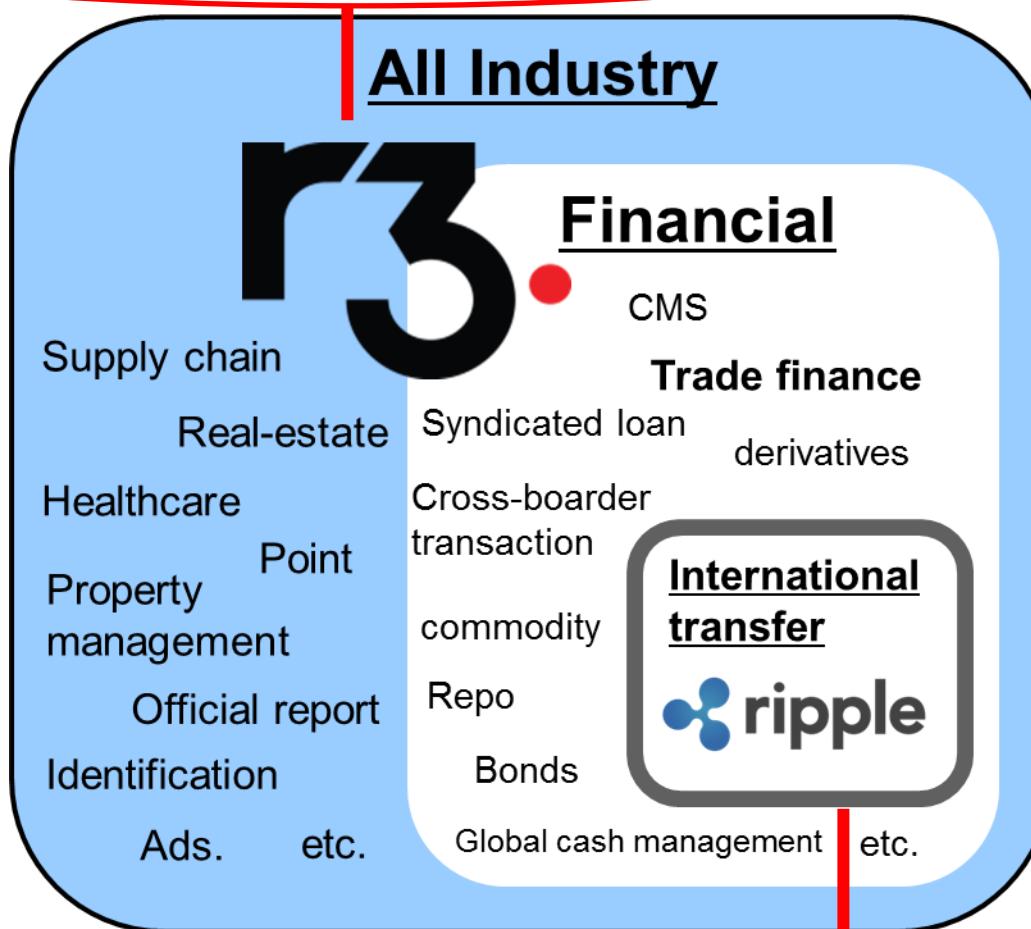
*Source: Yano Research "Monthly Research on 17 Major FX Trading Companies"

3. Efforts to establish a remittance and settlement system with the potential to become a global standard for the international remittance and trade finance businesses

- (1) SBI Remit, one of Japan's largest remittance companies, further advances the use of Ripple's distributed ledger technology (DLT)**
- (2) Expansion of use case for R3's DLT platform “Corda”**

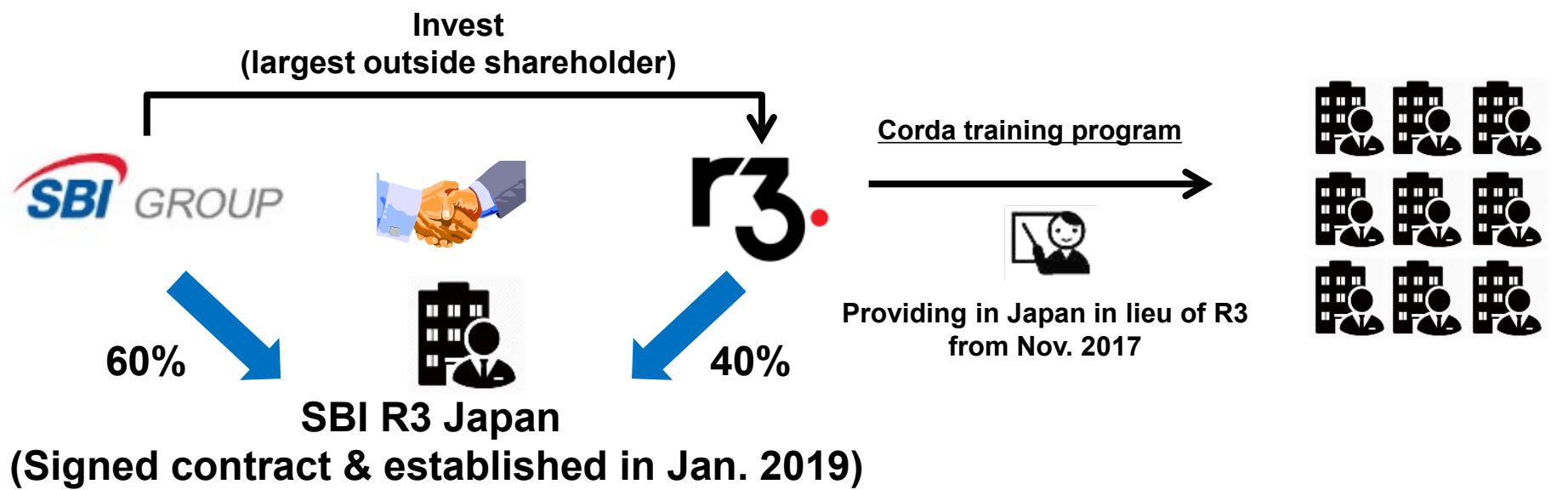
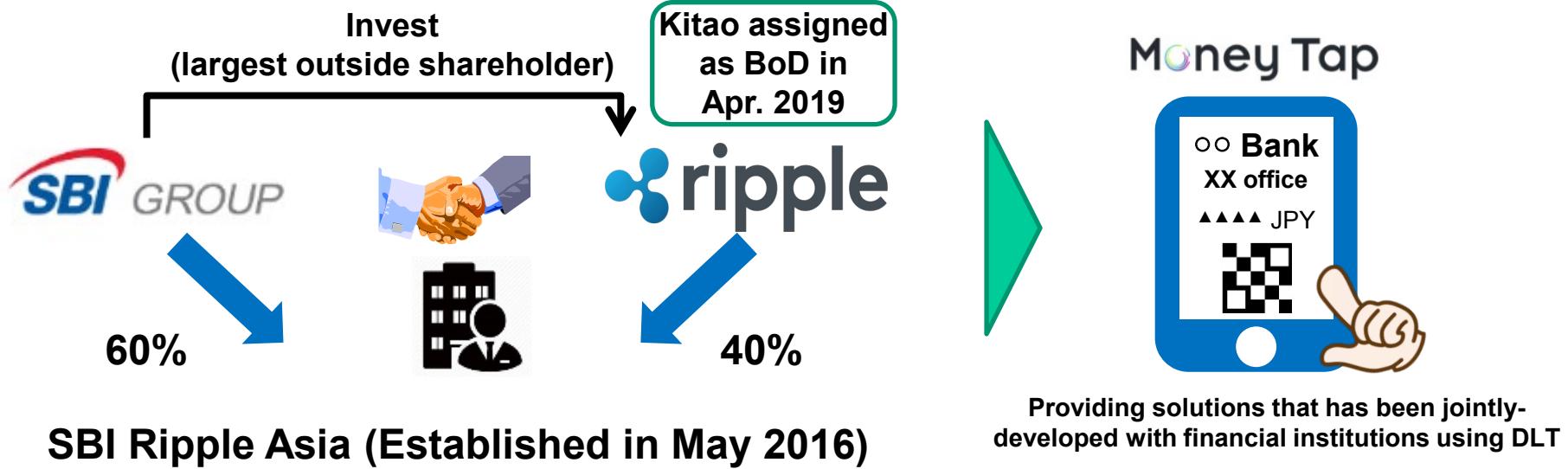
Promote Establishment of Settlement System that Utilize Affinity of R3 and XRP

Using technology based on the R3's smart contract, participants from various industries are developing diverse projects



Specialized in
international remittance

Establishing Joint Venture with Both Ripple and R3, Companies with DLT Closest to a Global Standard



(1) SBI Remit, one of Japan's largest remittance companies, further advances the use of Ripple's distributed ledger technology (DLT)

Ripple Accelerates Ripple Network Expansion in International Remittances Utilizing its Self-developed DLT



Invest
(largest outside shareholder)



Invest (60%)



Invest (40%)

Investment alliance

Entered into a USD 50m investment partnership to utilize crypto asset XRP for international remittance solutions

A wholly owned subsidiary

Alliance

Partner MoneyGram's remittance network in more than 200 countries and territories



SBI Group companies engaged in international remittance Plan international remittance using xRapid

Operating in the USD 600bn global remittance market

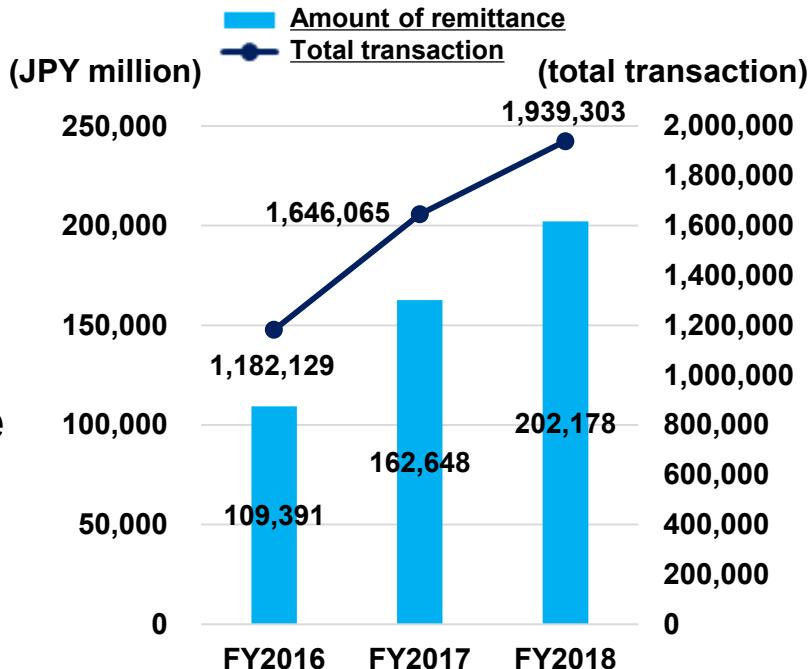
SBI Remit, One of Japan's Largest Remittance Company, Promoting the Further Use of Ripple's DLT



Established in Dec. 2010

- ✓ Since its inception, SBI Remit has been using the MoneyGram network to send money overseas to more than **200 countries and regions**, and to about **350,000 locations** worldwide
- ✓ Amount of remittance exceeded JPY **750bn** (as of Sept. 2019)

Total transaction and amount of remittance



For remittances from Japan to banks in Southeast Asia, in which the SBI Group invests, developing a system using xCurrent (in the future, xRapid) in collaboration with SBI Remit, SBI Ripple Asia and several banks in Southeast Asia

SBI Ripple Asia to cover nearly 50% of the overall Ripple Network once the connection is activated

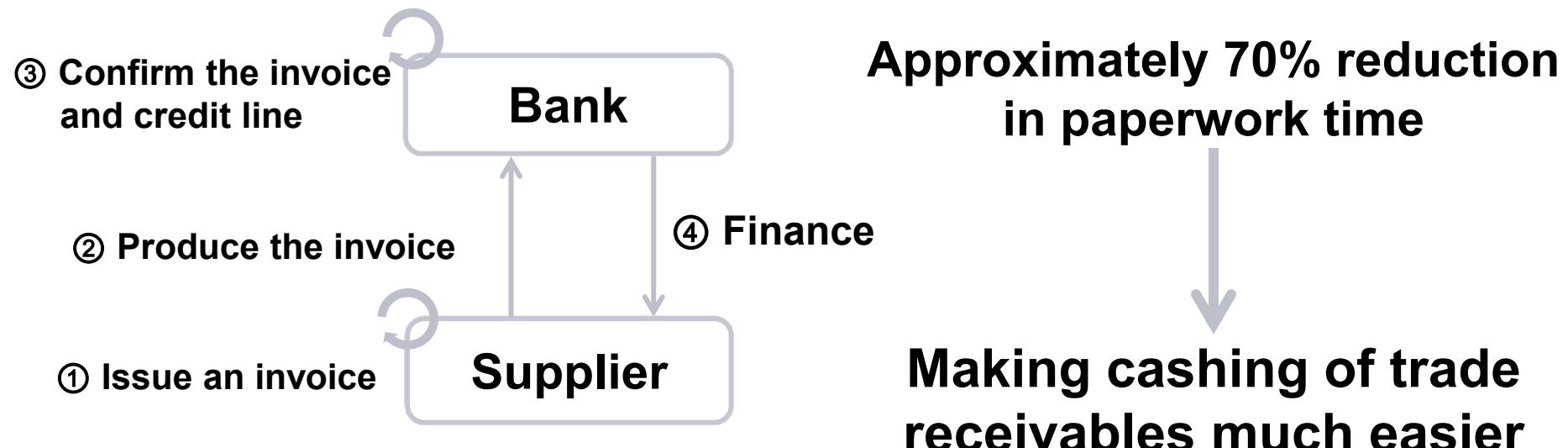
(2) Expanding use cases of R3's DLT platform “Corda”

- ① Trade finance
- ② Issuance of digital currency in white label method

① Trade Finance Project to be Commercialized in 2019

-SBI R3 Japan and Sumitomo Mitsui Banking Corporation co-promoting in Japan-

- Marco Polo is intended to achieve labor-saving through paperless, real-time and easy access in trade business.
- More than 25 major financial institutions including **Sumitomo Mitsui Bank** are participating in the consortium “Marco Polo Network”



② SBI Group supports digital currency issuance by white label method

- (i) UC DAIBA Coin (Apr. 2018)
- (ii) NISEKO Pay (Nov. 2018)
- (iii) TOKOWAKA Coin (Aug. 2019)



Until now, we have used the technology of domestic investee company (Orb). However, we will deploy digital currency using a mechanism by Corda and distribute digital tokens on several areas

Examples of Digital Currencies in which SBI Group Supported in Developing the System

(i) UC DAIBA Coin (Apr. 2018)



Issuance of coins and operation of the management system



Issuance of coins and payment and settlement operations

Face authentication and Stamp authentication



(ii) NISEKO Pay (Nov. 2018)



- ✓ At a ski resort, resolving inconvenience of carrying cash, by cashless payment

(iii) TOKOWAKA Coin (Aug. 2019)

-Investee company of the SBI Group, which together with SBI Holdings, supports the regional currency “TOKOWAKA Coin,” issued by CHIKUHO BANK-



- “TOKOWAKA Coin” can be used at restaurants in Munakata City, and will be used to revitalize local communities by stimulating consumption
- The campaign was held for nine days, from Aug. 23-31, for visitors from inside and outside the city

Promoting the issuance of regional currencies in other regions in partnership with regional financial institutions

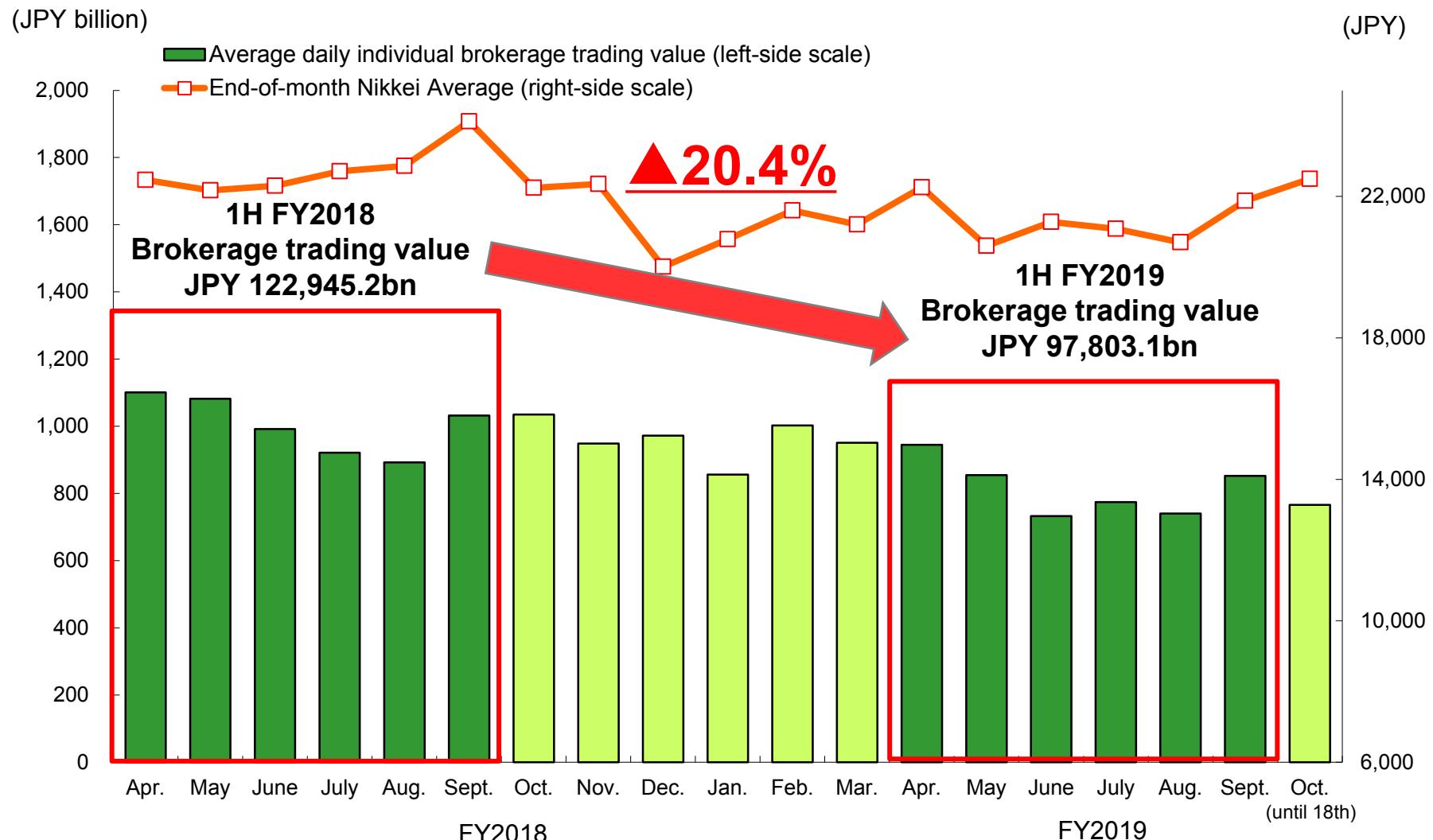
[Appendix]

(1) Securities-related business (SBI SECURITIES)

1H FY2019 performance overview

- In 1H FY2019, whereas a sluggish market environment resulted in a decrease of 20.4% in individual brokerage trading value of the two markets combined, as compared to the same period of the previous fiscal year, SBI SECURITIES' stock brokerage commissions only decreased by 12.0% year-on-year. On the other hand, owing to the inclusion of SBI VC Trade, an affiliate that operates a crypto asset exchange, trading revenue increased by 19.2% year-on-year to result in an operating revenue decline of only 4.2% year-on-year
- Although SBI NEOMOBILE SECURITIES' initial costs related to its business commencement in Apr. 2019 adversely affected SBI SECURITIES' consolidated results, the company's account acquisition has been accelerating, so a continual expansion of the entire securities-related customer base going forward is expected

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



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

Source: Complied by SBIH from disclosed data from TSE

SBI SECURITIES 1H FY2019

Consolidated Results (J-GAAP)

[Year-on-year comparison]

(Unit: JPY million)

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

SBI SECURITIES' Overwhelming Position

[1H FY2019 results]

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

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

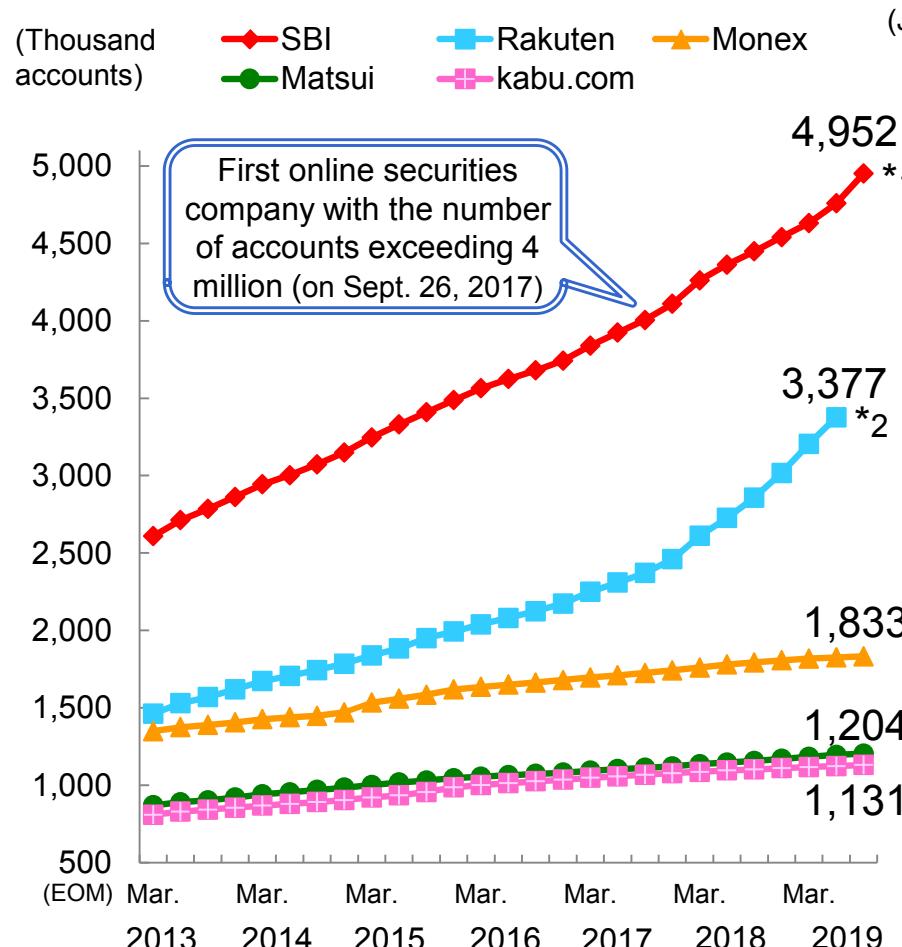
*2 Since Rakuten changed the term of its fiscal year from FY2018, the figure above is for the corresponding period of Apr. 2019-Sept. 2019. Also, the number of accounts is as of the end of June 2019.

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

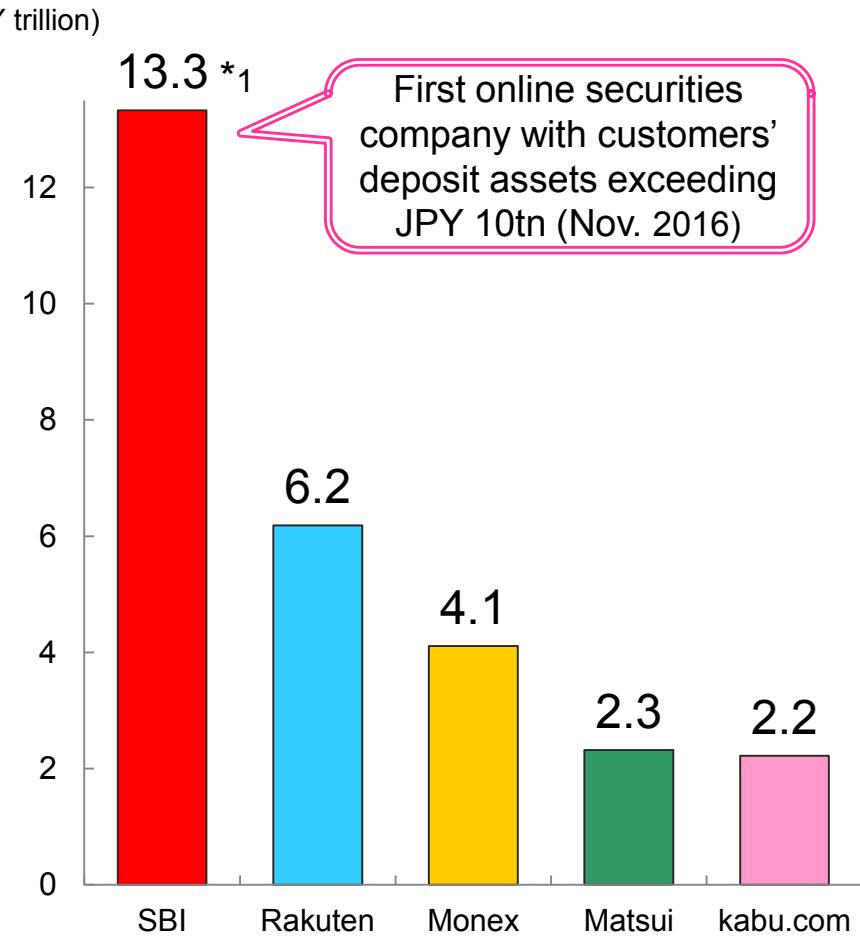
SBI SECURITIES Attains an Overwhelming Customer Base

[Number of Accounts and Amount of Customer Asset]

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



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



*1 As for SBI, includes SBI NEOMOBILE SECURITIES' number of accounts from June 2019.

*2 Rakuten's number of accounts is as of June 30, 2019.

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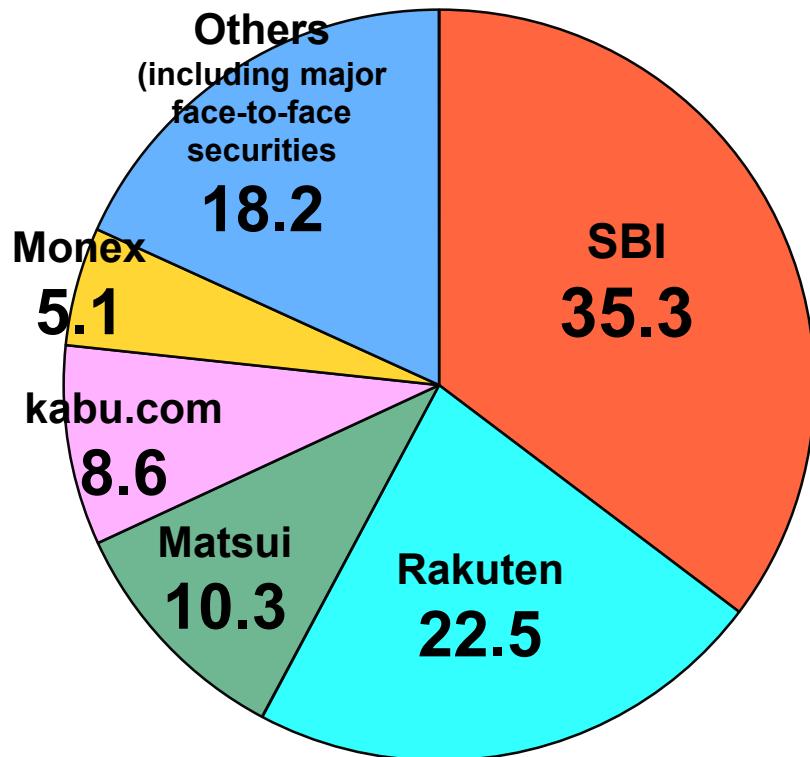
Source: Compiled by SBIH from the information on websites of each company. 136

SBI SECURITIES' Share of Individual Stock Trading

Share of Individual Stock
Trading Value (%)

1H FY2019

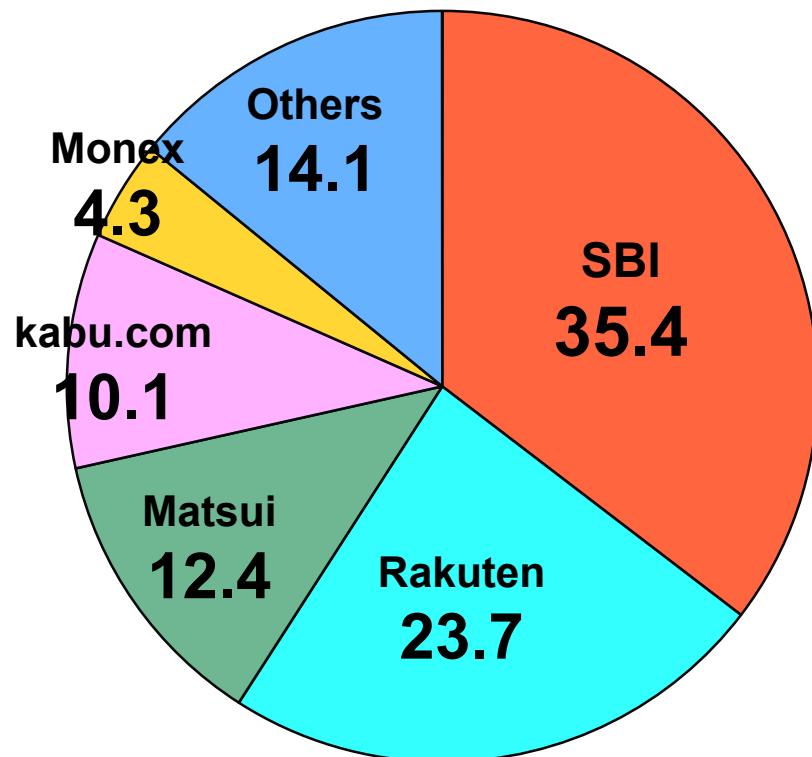
(Apr. 2019 – Sept. 2019)



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

1H FY2019

(Apr. 2019 – Sept. 2019)



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

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

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

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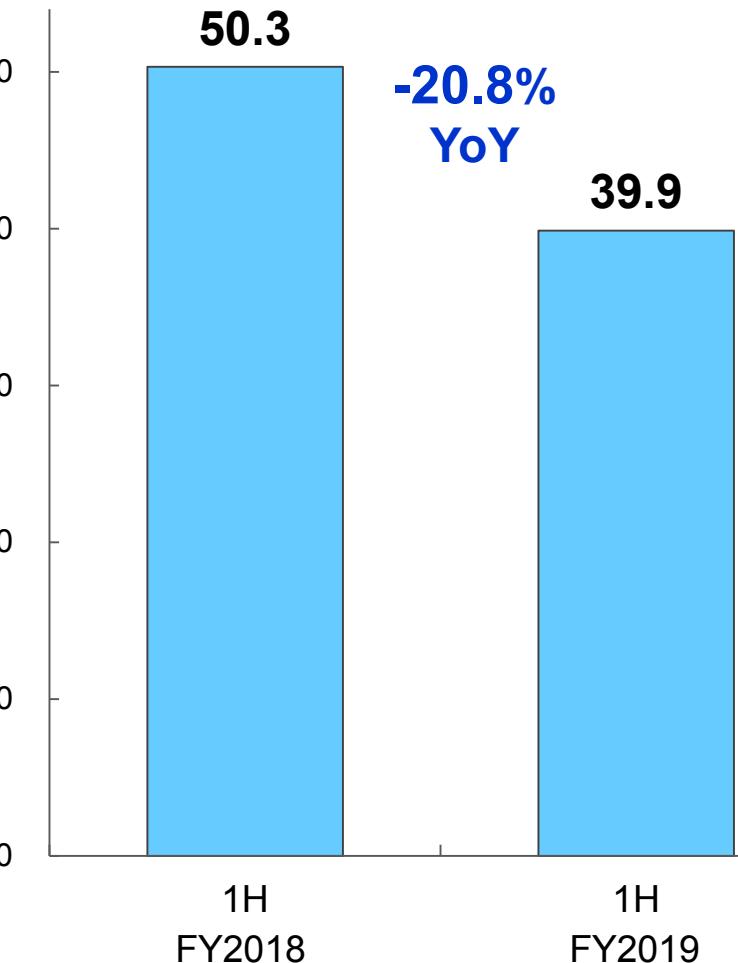
SBI SECURITIES' Stock Brokerage Trading Value and Commissions

Stock Brokerage Trading Value

(JPY trillion)

50.3

-20.8%
YoY

39.9

Commissions

(JPY million)

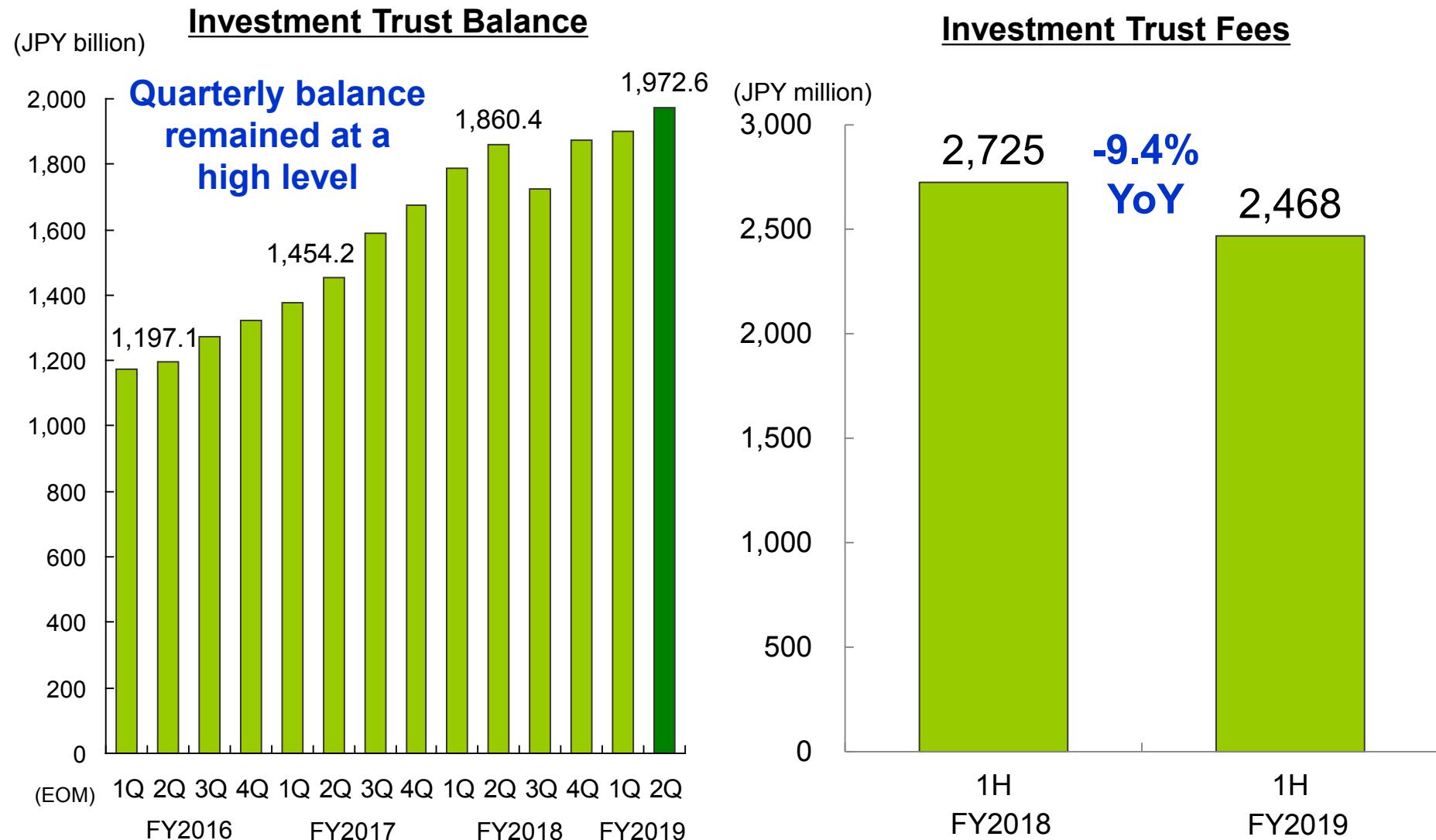
15,239

-12.0%

YoY

13,416

SBI SECURITIES' Investment Trust Balance and Investment Trust Fees are Both Record Level

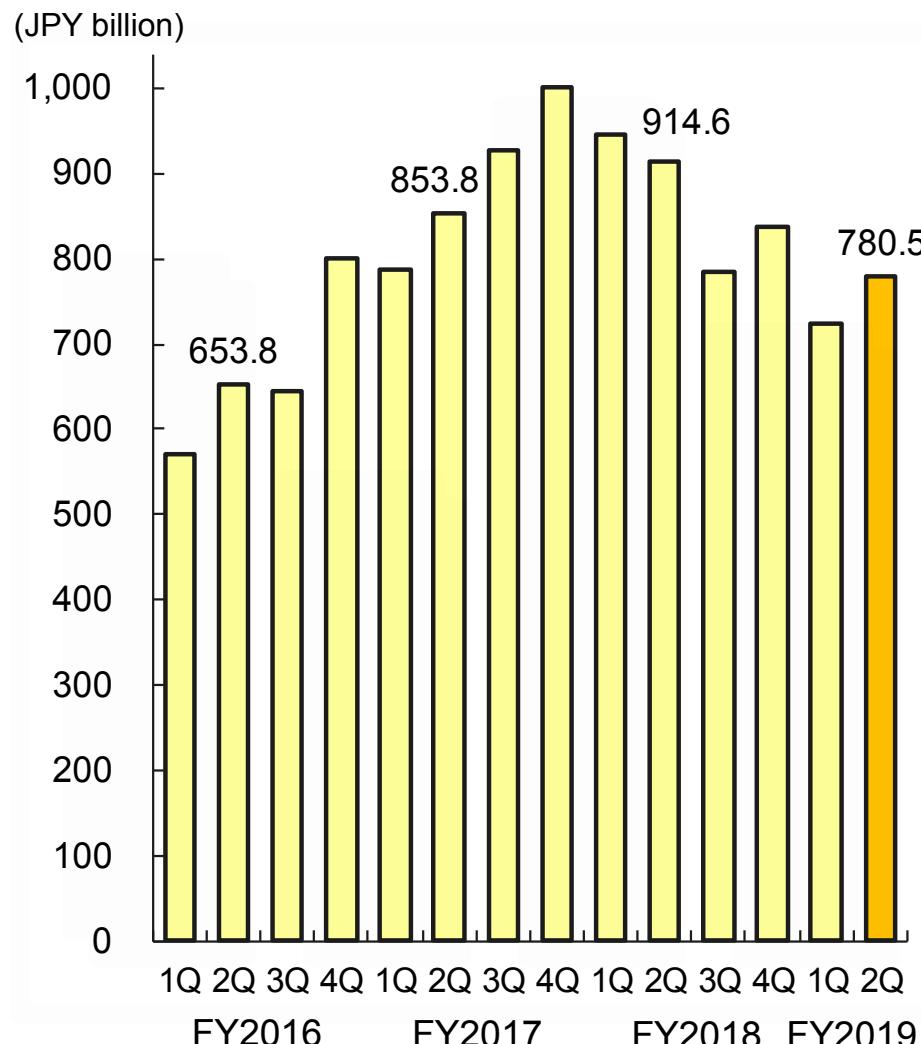


* Includes MMF, deposits of Chinese Fund and deposits of face-to-face accounts.

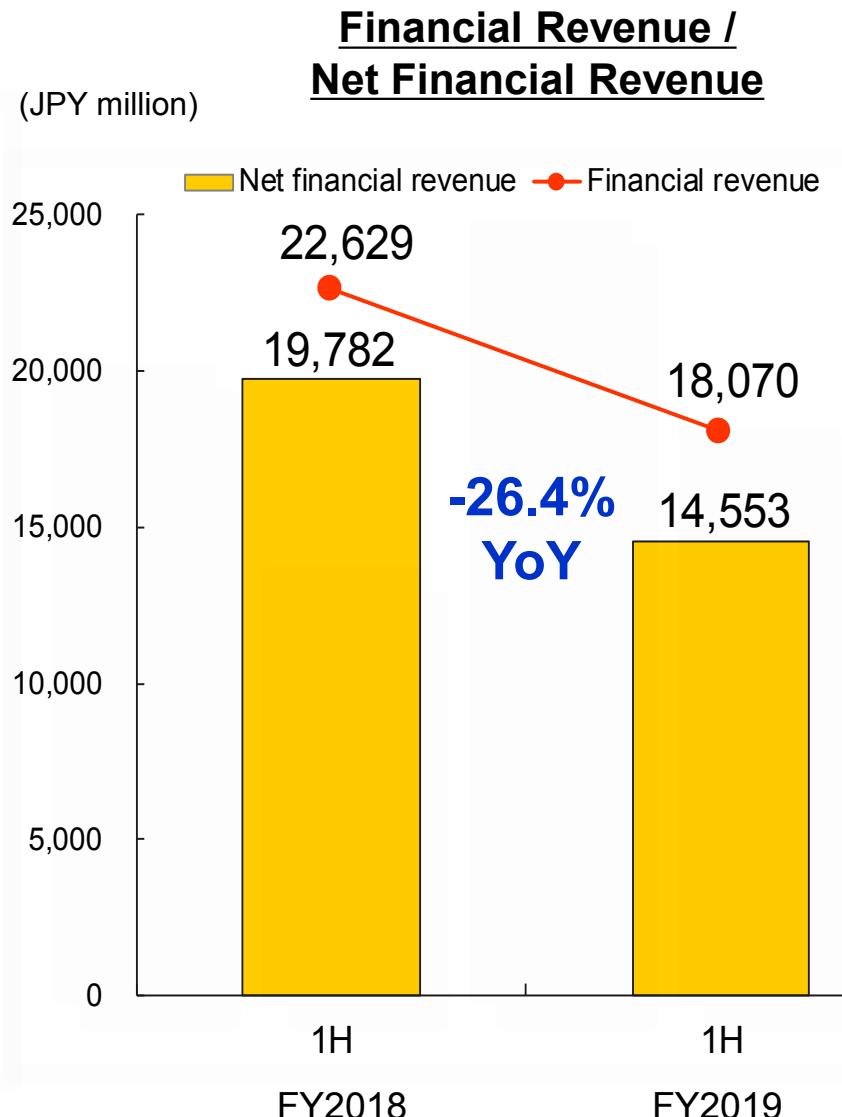
* Investment trust fees is included in "Other commission received". * Trust fee excludes MRF.

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

Open Interest Credit Balance (EOM)



Financial Revenue / Net Financial Revenue



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

1H FY2019 performance overview

- **SBI Holdings' equity in earnings of SBI Sumishin Net Bank, based on IFRS for 1H FY2019 was JPY 3,729m, up 80.7% year-on-year, owing to the expansion of the housing loans and profits through investment of bond investments, etc.**

* 1H FY2019 financial results (J-GAAP) announcement is scheduled for Nov. 15, 2019

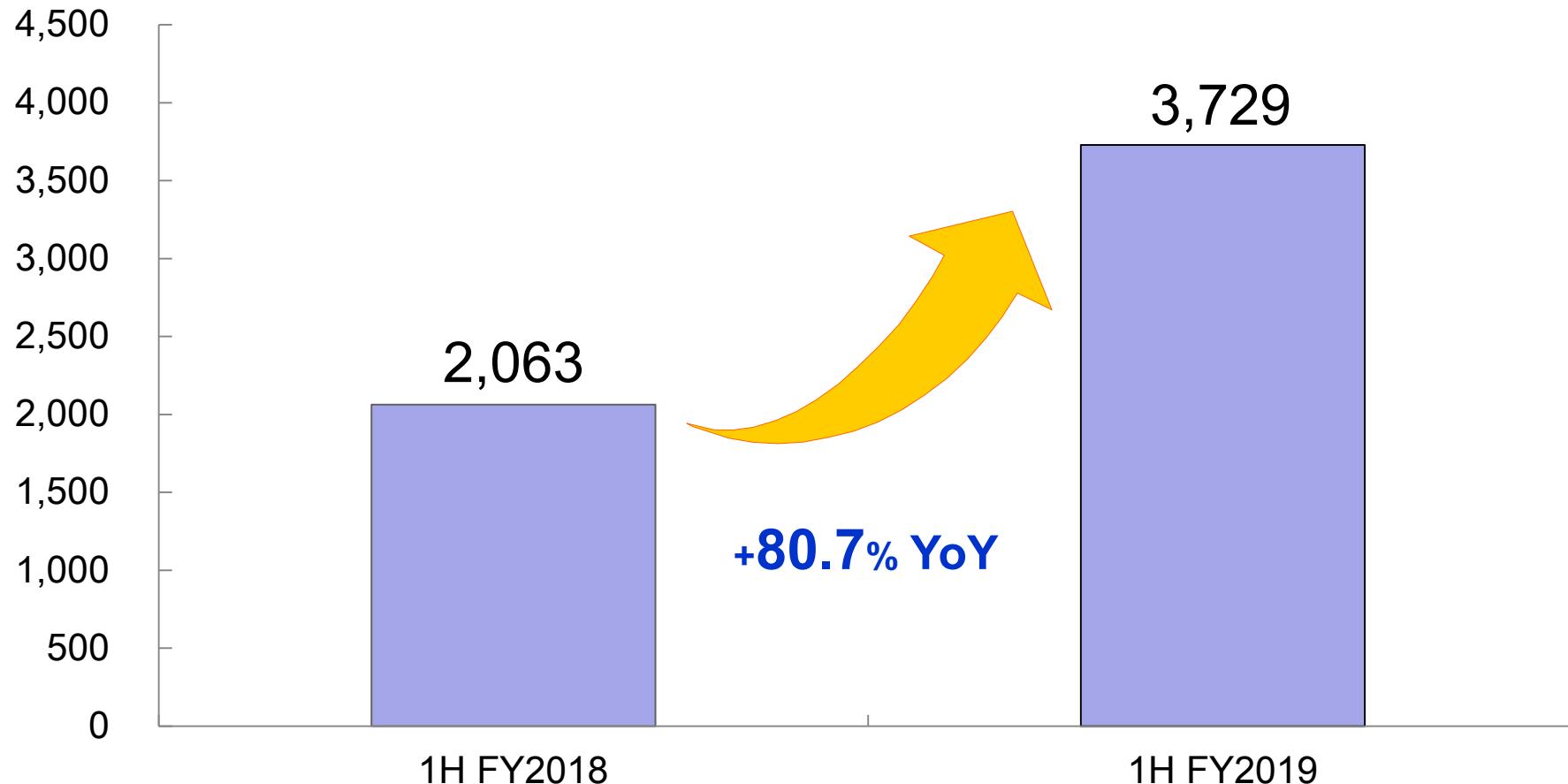
- **As of the end of Sept. 2019, accounts steadily increased to approx. 3.71 million accounts, with deposits exceeding approx. JPY 5.2tn**

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

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

(JPY million)

Change in equity in earnings of affiliates

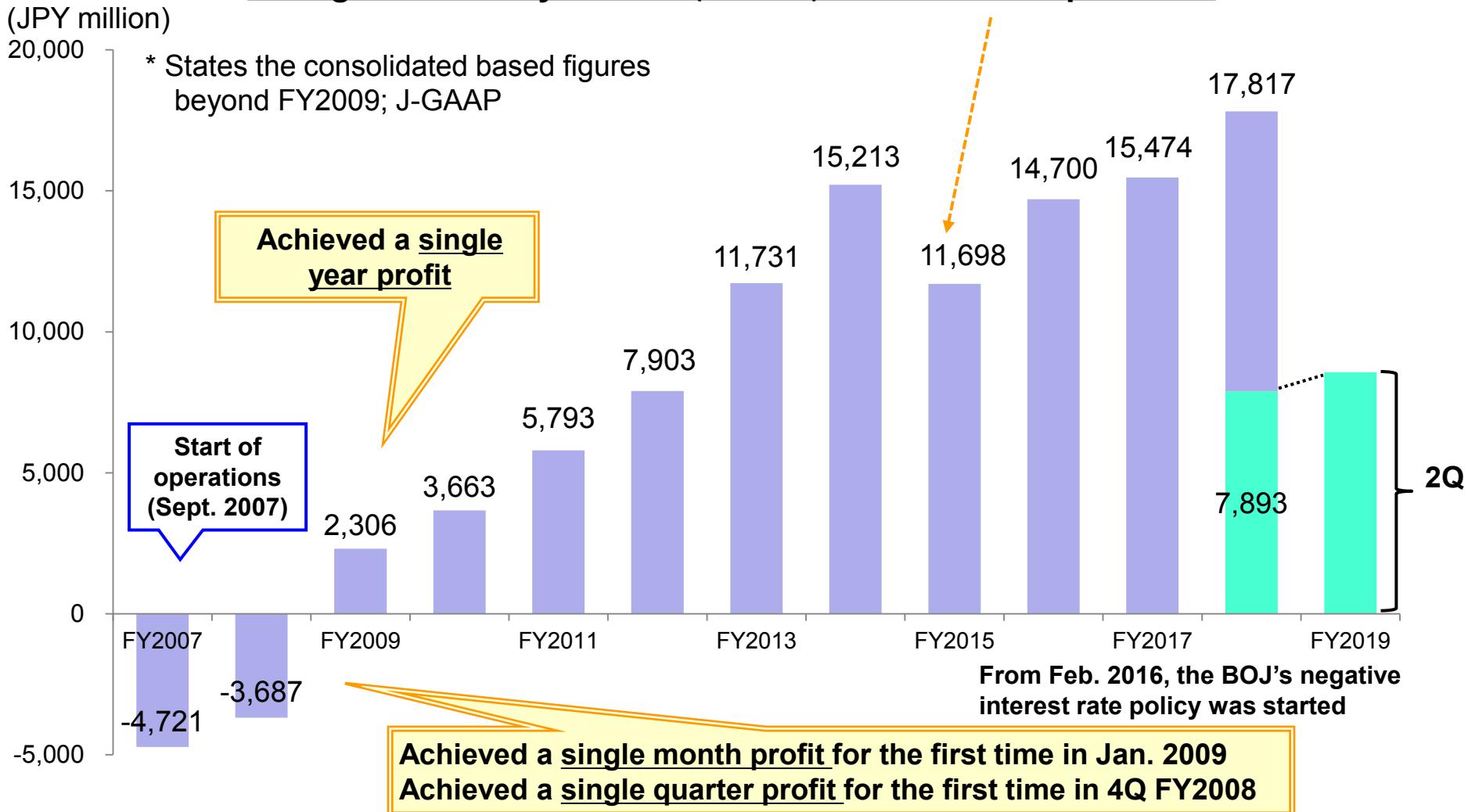


Note: Owing to the difference in IFRS and J-GAAP for asset assessment criteria, the figures differ from that disclosed based on J-GAAP.

SBI Sumishin Net Bank's Ordinary Income has Steadily Increased

1H FY2019 financial results (J-GAAP) announcement is scheduled for Nov. 15, 2019

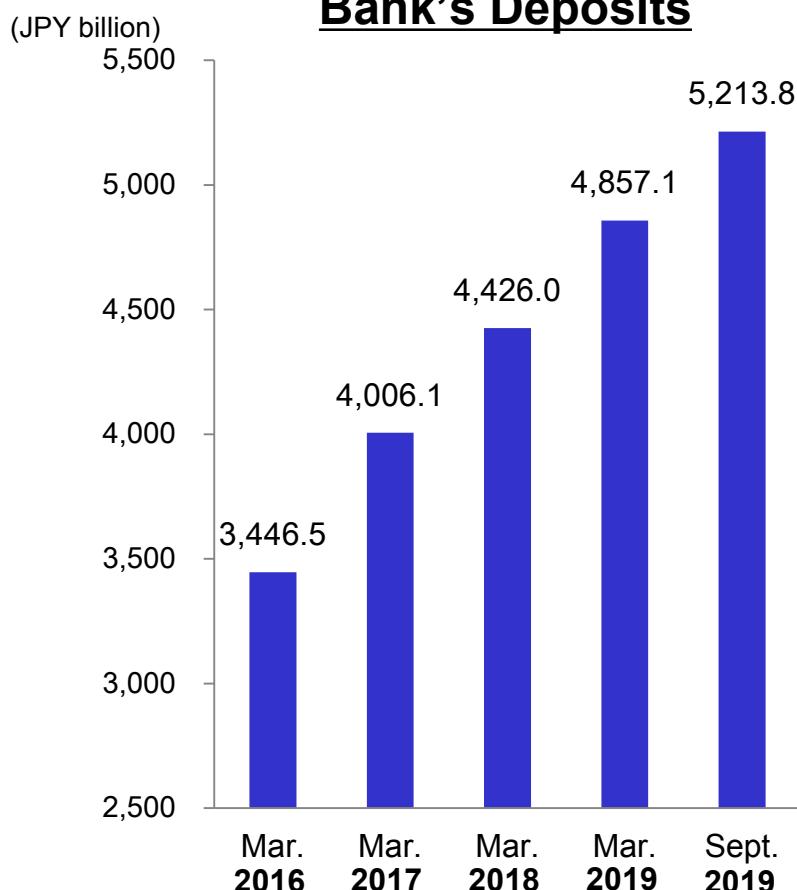
Change in Ordinary Income (J-GAAP) after Start of Operations



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

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

Change in SBI Sumishin Net
Bank's Deposits

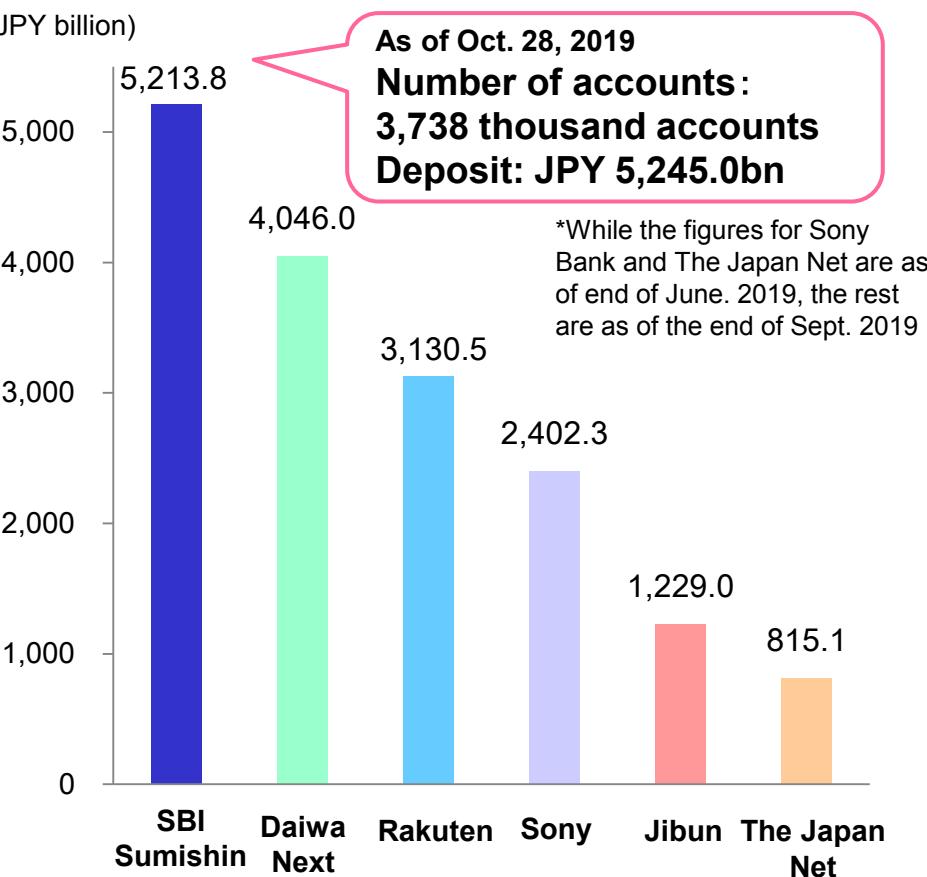


* Amounts are rounded to the nearest JPY 100 million.

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Deposits of 6 Internet Banks

(Based on the latest data disclosure by each company)

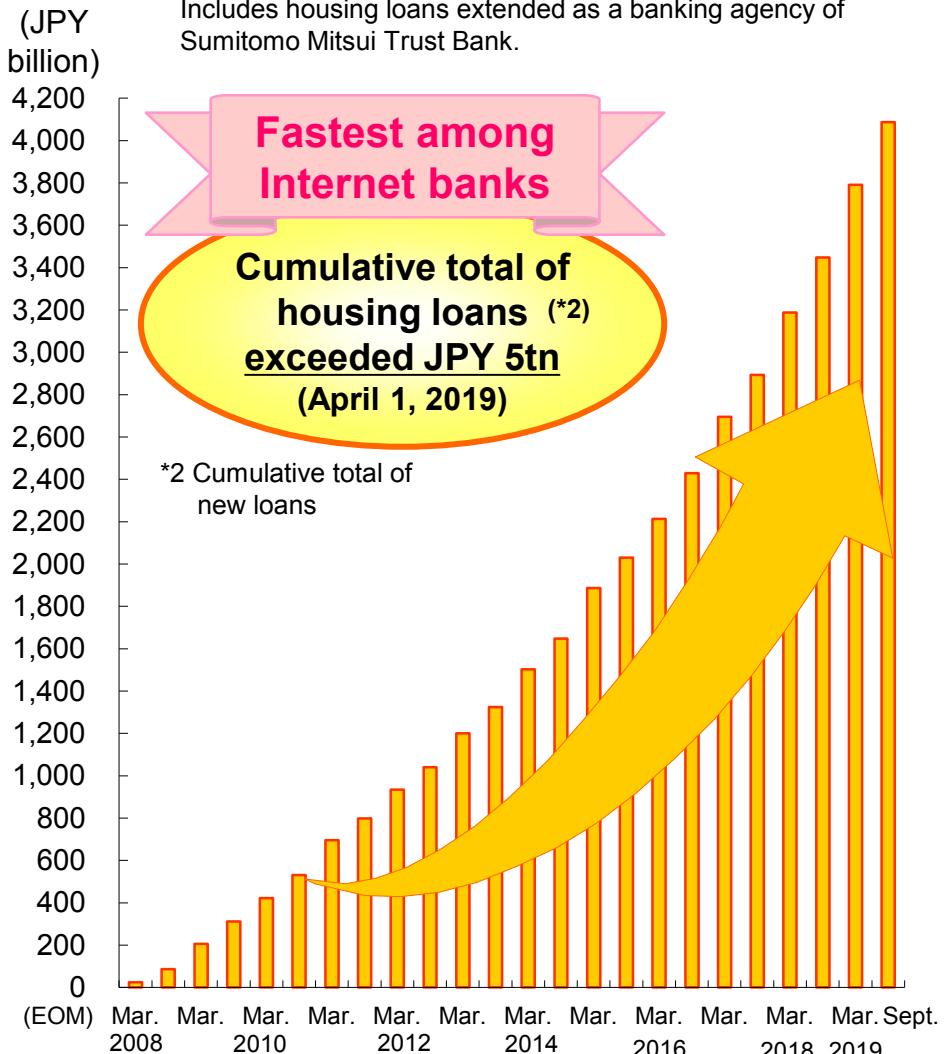


Owing to Attractive Interest Rates and Highly Beneficial Customer Services, the Cumulative Total of Housing Loans has Steadily Increased

Change in Balance of Housing Loans *1

(Mar. 2008 – Sept. 2019)

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



SBI Sumishin Net Bank's housing loans business:

- ① **Housing loans processed directly by SBI Sumishin Net Bank**
 - Via alliance with real estate companies (from Sept. 2007)
 - Banking agency specialized product “MR. Housing Loan REAL” (from Mar. 2015)
- ② **Banking agency business for Sumitomo Mitsui Trust Bank “Internet Exclusive Housing Loan”** (from Jan. 2012)
- ③ **Long-term fixed rate product “Flat 35” (from Sept. 2015)**

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

1H FY2019 performance overview

- **SBI Insurance Group's total number of inforce contracts exceeded 2 million, owing to the inclusion of the Japan Animal Club**
- **SBI Insurance Group's consolidated ordinary profit for 1H FY2019 (preliminary figures on a J-GAAP basis), increased 49.9% year-on-year to JPY 980m, reflecting a steady increase in the Group's total number of inforce contracts**
* Final consolidated figures for 1H FY2019 will be released on Nov. 13
- **Each insurance company steadily increased sales of a variety of highly competitive insurance products, in cooperation with regional financial institutions**

SBI Insurance Group's Performance (Preliminary Figures)

* Final consolidated figures for 1H FY2019 will be released on Nov. 13

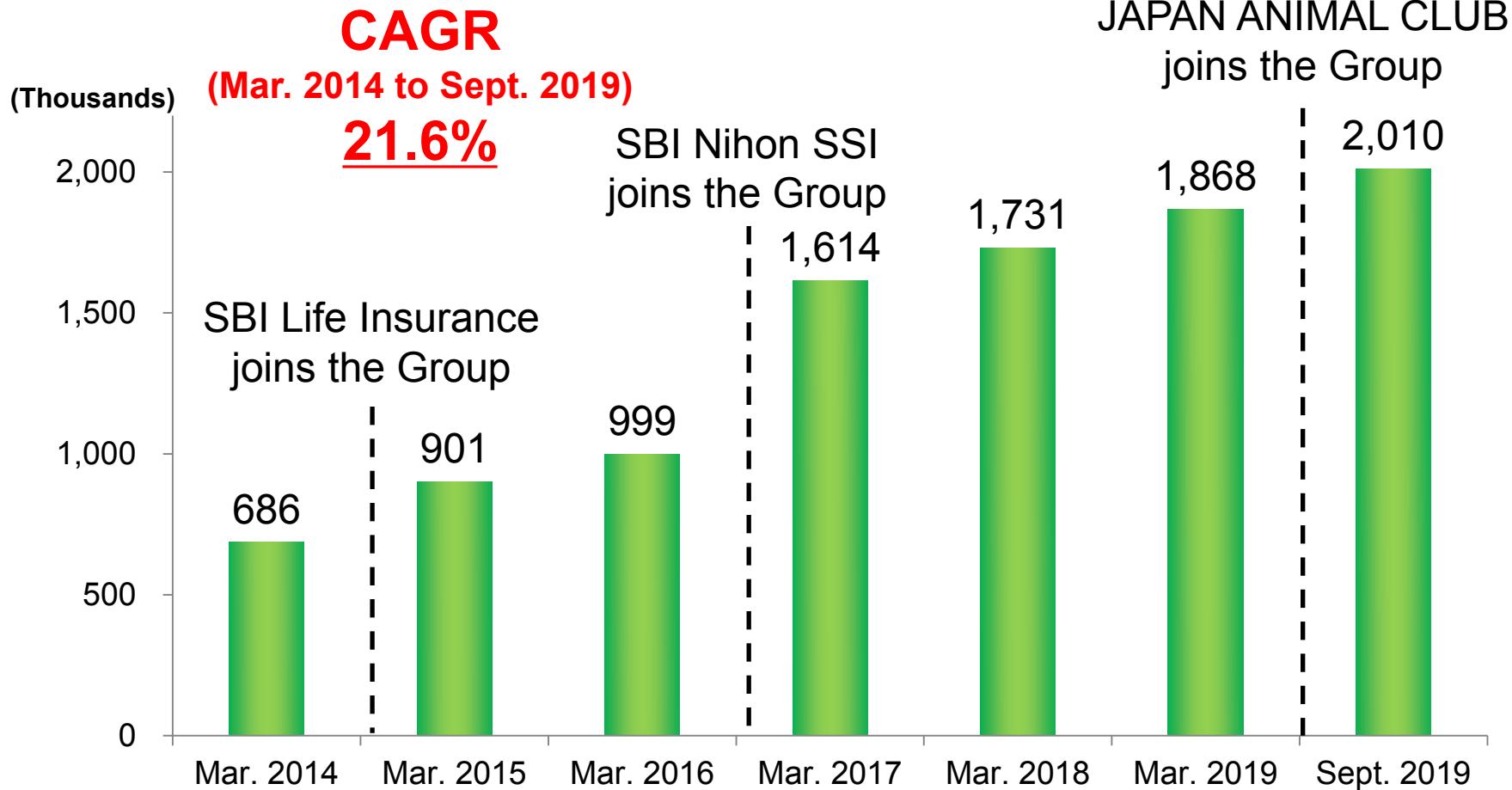
Consolidated results for 1H FY2019 (J-GAAP)

(Unit: JPY million)

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

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

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



SBI Insurance Expands Its Customer Base by Offering Convenient and Diverse Insurance Products through Regional Financial Institutions, etc.

Financial institutions

The Okazaki Shinkin Bank (From June 25, 2018)

“SBI Insurance Fire Insurance”

THE TAIKO BANK (From July 2, 2018)

“SBI Insurance’s Cancer Insurance”

AEON Bank (From July 27, 2018)

“SBI Insurance’s Auto Insurance”

NAGANO SHINKIN BANK (From June 21, 2019)

“SBI Insurance’s Cancer Insurance”

< Partners of SBI Insurance >

47 companies (of which 14 are financial institutions), including the 8 companies above, decided to adopt SBI Insurance’s products, and plans are for sales to start shortly

Business corporations

Shikoku Electric Power (From Oct. 22, 2018)

“Shikoku Electric Power’s Cancer Insurance”

Last One Mile Co., Ltd. (From Dec. 3, 2018)

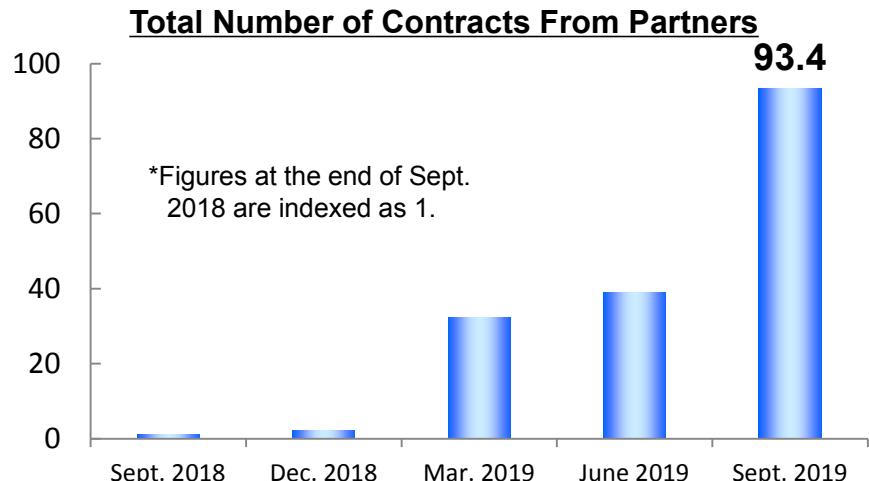
“Marutto Cancer Insurance”

CHUBU Electric Power (From Mar. 6, 2019 to Apr. 22, 2019)

“KATEENE Insurance,’ the Cancer Insurance”

TOKYU CARD (From May 20, 2019 to June 30, 2019)

“TOKYU CARD actual amount guaranteed cancer insurance”



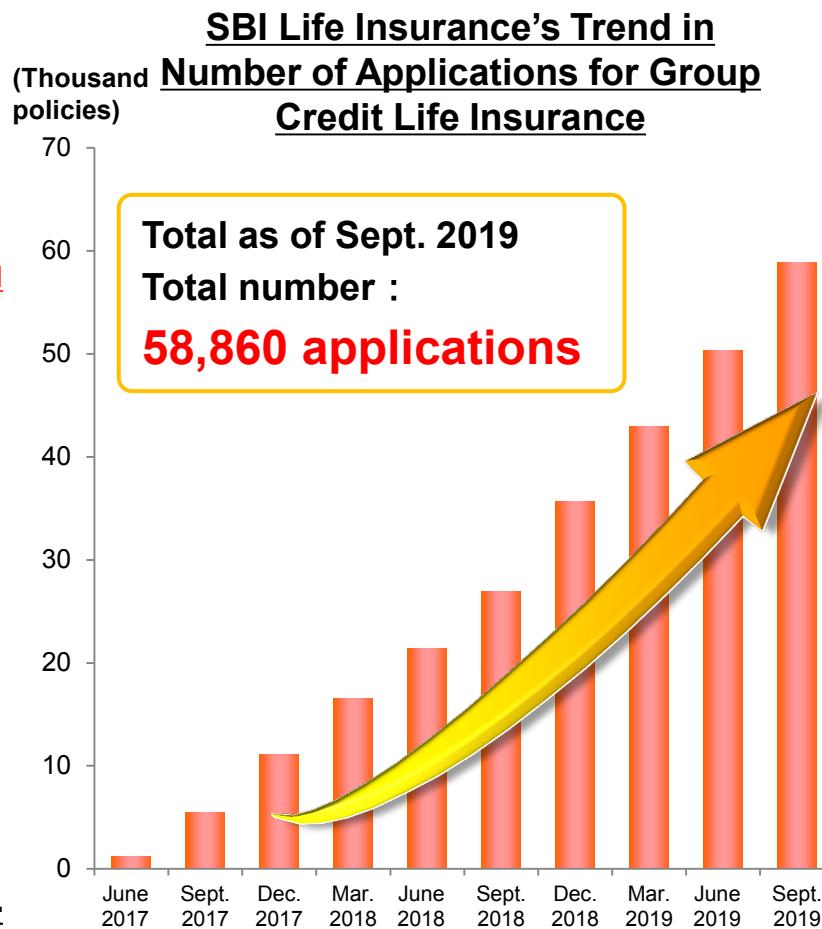
Steady Growth in the Adoption of SBI Life Insurance's Group Credit Life Insurance by Regional Financial Institutions, Including Regional Banks, is Contributing to Both the Competitiveness and Profitability of Partner Banks

<SBI Life Insurance's partner regional financial institutions, etc.>

<u>The Yamaguchi Bank</u>	<u>Hanno Shinkin Bank</u>	<u>Nagano Shinkin Bank</u>
<u>Momiji Bank</u>	<u>TOYOTA SHINKIN Bank</u>	<u>The TONO SHINKIN BANK</u>
<u>THE KITAKYUSHU BANK</u>	<u>The Kanagawa Shinkin Bank</u>	<u>THE IIDA SHINKIN BANK</u>
<u>The Bank of Okinawa</u>	<u>SEIBU SHINKIN BANK</u>	<u>Kyoei Credit Union</u>
<u>The Senshu Ikeda Bank</u>	<u>SBI Sumishin Net Bank</u>	

14 banks mentioned above have decided to adopt, or have started sales of SBI Life Insurance's Group Credit Life Insurance.

While SBI Life Insurance continues to proactively promote the sales of the Group Credit Life Insurance, primarily to regional financial institutions nationwide, over 10 institutions are considering adoption, with 4 already decided to adopt



(4) Assets Under Management of the SBI Group

(As of the end of Sept. 2019)



Private equity, etc. JPY 436.6bn (*1)

Operational investment securities Breakdown by Industry	Amount
IT/AI/IoT	123.2
Fintech Service	59.6
Digital Asset/Blockchain	50.8
Finance	65.5
Biotechnology/Health/Medical	16.6
Environmental/Energy	3.5
Machine/Automobile	8.7
Services	10.1
Retail/Food	2.4
Materials/Chemicals	3.9
Construction/Real estate	1.3
Others	1.1
Equity interests in external and unconsolidated funds	22.3
Total	369.1

(Excluding JPY 105.8bn of both cash and commitment amount to be paid in(*2))

Operational investment securities Breakdown by region	Amount
Japan	180.9
China	21.1
Korea	4.1
Southeast Asia	57.5
India	2.4
U.S.	47.0
Europe	25.2
Others	31.0
Total	369.1

Investments from unconsolidated Group managed funds	Amount
Corporate Venture Capital(CVC)	11.1
Others(as Overseas JV Fund)	56.4
Total	67.5

Investment trusts, etc. JPY1,404.5bn

Investment trusts	1111.5
Investment advisory	293.0

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

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

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

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

(5) Alliance Examples of SBI Group Companies and Regional Financial Institutions ①

-Securities-related business-

 <p>[SBI SECURITIES]</p>	<ul style="list-style-type: none"> Through the Financial Institutional Sales Dept., provides various financial instruments, such as investment trusts, as well as equity and bond transactions, to its customer financial institutions, which total 317 companies* *As of the end of Sept. 2019 (Self-originated and distributed structured bonds amounted in a <u>total of JPY 84.7bn</u> (Dec. 2015 – Sept. 2019)) Provides financial instruments intermediary services to 36 regional financial institutions, in order to support the asset formation of each regional customers, through the provision of various financial products and services with high customer benefits (Other than the above, 3 regional financial institutions have internally decided to form an alliance)
 <p>[SBI MONEY PLAZA]</p>  <p>SBI Leasing Services</p>	<ul style="list-style-type: none"> Established eight co-managed shops with The Shimizu Bank, CHIKUHO BANK, etc., which proposes and offers SBI MONEY PLAZA's various financial instruments, such as securities-related and insurance products, on an one-stop basis to regional customers (Under discussion to establish co-managed shops with five other regional banks) Along with SBI Leasing Services, through business alliances with <u>56 regional financial institutions</u>, provides accounting measures and inheritance preparation products for corporations and wealthy individuals

Alliance Examples of SBI Group Companies and Regional Financial Institutions ②

- Insurance-related Business -



 [SBI Insurance]	<ul style="list-style-type: none">The Okazaki Shinkin Bank started handling “SBI Insurance’s Fire Insurance” on its websiteTHE TAIKO BANK started handling “SBI Insurance’s Cancer Insurance” on its websiteAEON Bank started handling “SBI Insurance’s Auto Insurance” on its websiteNagano Shinkin Bank started handling “SBI Insurance’s Cancer Insurance” on its website14 financial institutions, including the above, and 33 leading local companies (total of 47 companies) have decided or agreed to adopt SBI Insurance’s products, and plans are for sales to start shortly
 [SBI Life Insurance]	<ul style="list-style-type: none">14 banks have decided to adopt, or have started sales of SBI Life Insurance’s Group Credit Life Insurance (Hanno Shinkin Bank, TOYOTA SHINKIN Bank, The Kanagawa Shinkin Bank, The Yamaguchi Bank, THE KITAKYUSHU BANK, Momiji Bank, SEIBU SHINKIN BANK, The Bank of Okinawa, Nagano Shinkin Bank, Kyoei Credit Union, THE IIDA SHINKIN BANK, The TONO SHINKIN BANK, The Senshu Ikeda Bank, SBI Sumishin Net Bank)Continuing to proactively promote the sales of the Group Credit Life Insurance to regional financial institutions, with over 10 institutions currently considering adoption, with 4 already having decided to adopt

Alliance Examples of SBI Group Companies and Regional Financial Institutions ③

-Investment and Asset Management-related Business-

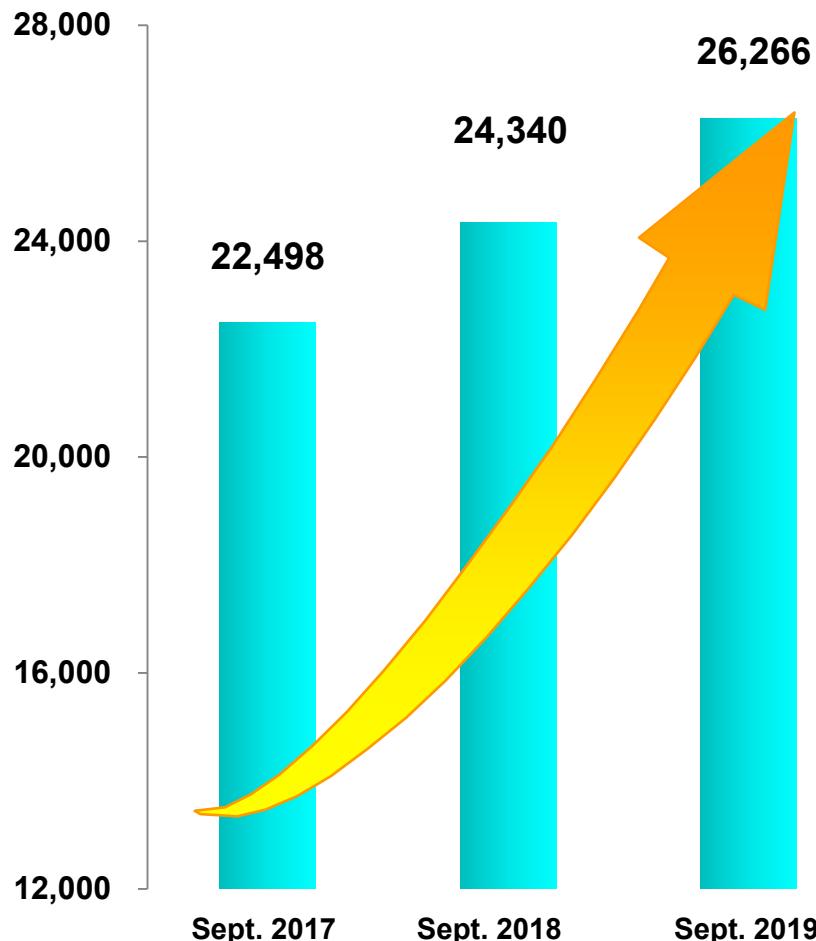
	<ul style="list-style-type: none"> • 28 regional financial institutions have invested in the Fintech Fund • 56 regional financial institutions have invested in the SBI AI & Blockchain Fund, which is a successor to the Fintech fund
	<ul style="list-style-type: none"> • A total of 84,670 tablet app “Wealth Advisors” have been delivered to 401 companies, including 68 regional financial institutions (As the end of Sept. 2019)
	<ul style="list-style-type: none"> • Established the SBI Regional Bank Value Creation Fund, to invest in regional financial institutions that are expected to increase their corporate value
SBI Regional Revitalization Asset Management	<ul style="list-style-type: none"> • Established through joint investment with regional financial institutions. Investment participation by banks increased to 37 banks • Assets under management exceeds JPY 100bn

(6) State of the Group

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



(Thousand)



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

(Thousand)

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

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

*2 Owing to the reorganization, customer numbers of the Group companies, which were excluded from consolidation, are not included in the figures for the past customer bases.

*3 Includes the number of smartphone app downloads, as provided by Morningstar

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

Number of Companies and Consolidated Employees of the SBI Group



Number of Group companies

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

Number of consolidated employees

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

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