

Administrative Action Issued to SBI SECURITIES—Limited Impact on Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the administrative action taken today against SBI SECURITIES Co., Ltd. (security code: -).

- (1) SBI SECURITIES Co., Ltd. (the "Company") received an administrative action today from Financial Services Agency (FSA) for forming an artificial market price that does not reflect actual market conditions by fluctuating the opening market price of three initially publicly offered (IPO) shares for which the Company acted as the lead managing securities company in the initial public offering during the period from December 2020 to September 2021. In addition to a seven-day suspension order for the acceptance of entrustment accompanied with solicitation related to purchase and sales of such IPO shares on the day of IPO, the company was ordered to formulate a business improvement plan that included clarification of responsibilities, including management, and strengthening of its management framework and internal control environment.
- (2) JCR believes that the administrative action will have a limited impact on the Company's rating. The level of revenue from the suspended business is small. Even if institutional investors temporarily refrain from doing business with the Company, JCR believes that the impact on the earnings will be small because of the low weighting of its corporate business. In addition, the period of business suspension is short, and retail online transactions are not subject to the business suspension order. JCR does not expect any significant damage to the Company's reputation and considers the risk of damage to the Company's client base to be small. The formation of artificial market price through stock price manipulation that was the subject of the administrative action was caused by a problem with the internal control system. JCR will pay close attention to the business improvement plan that the Company will formulate, especially its efforts to strengthen its compliance system.

Kengo Sakaguchi, Akira Minamisawa

<Reference>

Issuer: SBI SECURITIES Co., Ltd.

Long-term Issuer Rating: A Outlook: Stable

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