



*Strategic  
Business  
Innovator*

# **Current Management Information Briefing**

**June 29, 2017**

**Yoshitaka Kitao**

**Representative Director, President & CEO**

**SBI Holdings, Inc.**

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

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

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

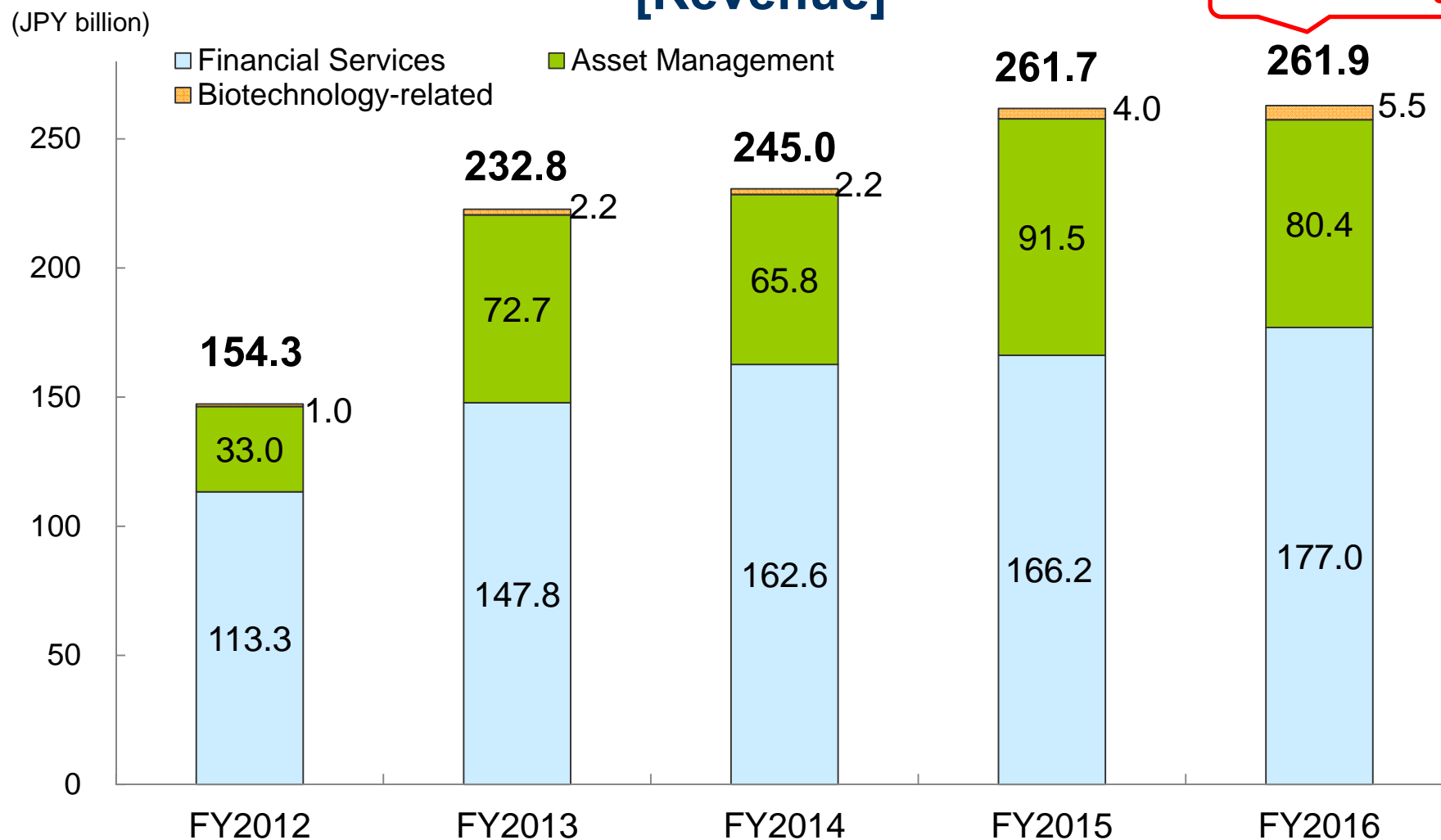
**Note: Fiscal Year (“FY”) ends March 31 of the following year**

- I. SBI Group's Financial Results for the Past Five Years**
  
- II. Various Measures for the Next Generation Based on the Changes in the Business Environment**

# I. SBI Group's Financial Results for the Past Five Years

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# Consolidated Financial Results for the Past Five Fiscal Years (IFRS) [Revenue]

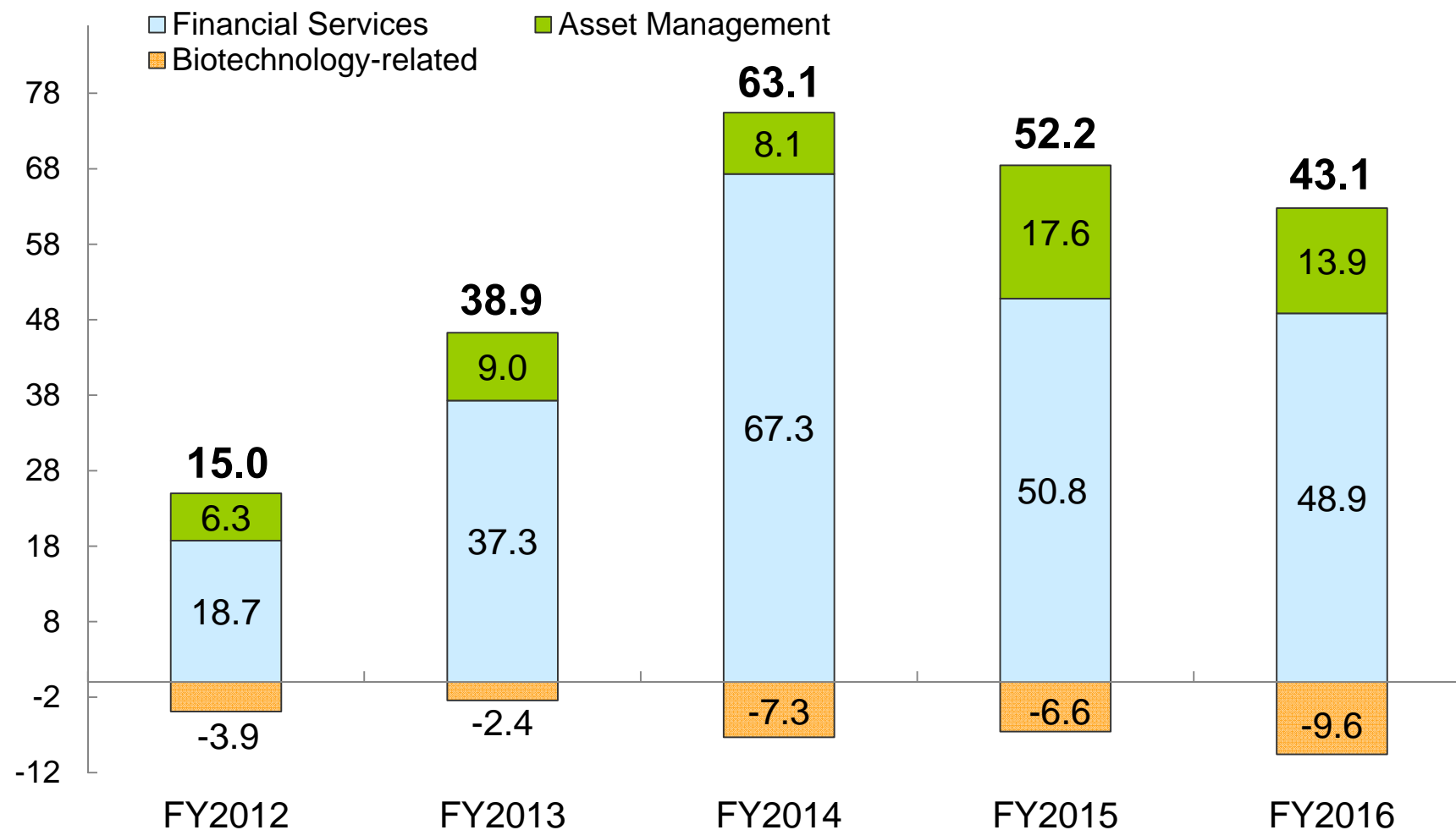


\* Abovementioned figures are before elimination of the inter-segment transactions. Also, since there are Group companies that have been transferred from one segment to another, the abovementioned figures reflect disclosed figures during each fiscal year, therefore, there may be some discrepancies

# Consolidated Financial Results for the Past Five Fiscal Years (IFRS)

## [Profit before income tax expense]

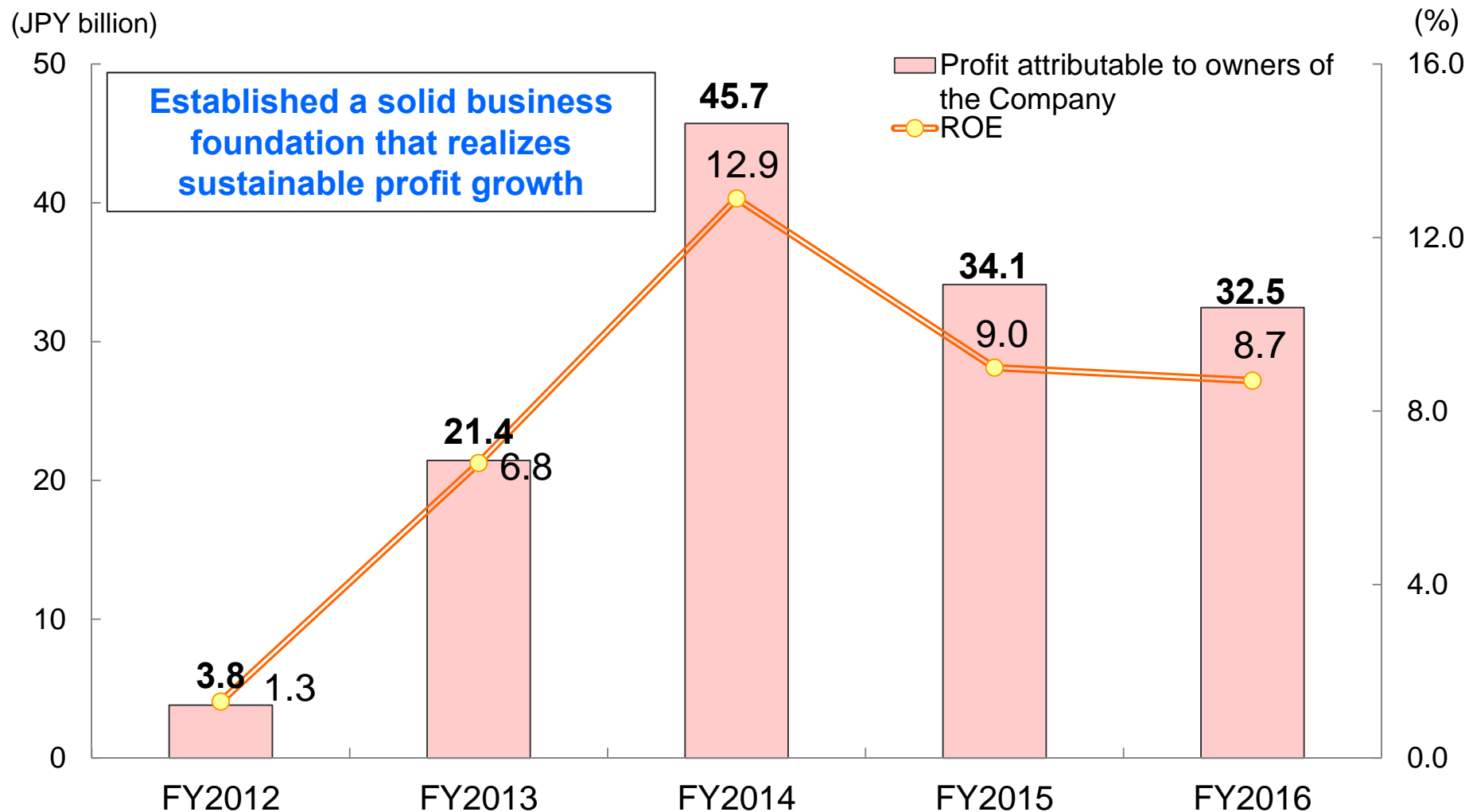
(JPY billion)



\* Abovementioned figures include profit or loss not allocated to specific business segments and inter-segment eliminations. Also, since there are Group companies that have been transferred from one segment to another, the abovementioned figures reflect disclosed figures during each fiscal year, therefore, there may be some discrepancies

# Consolidated Financial Results for the Past Five Fiscal Years (IFRS)

## [Profit attributable to owners of the Company / ROE]



## **(1) Financial Services Business**

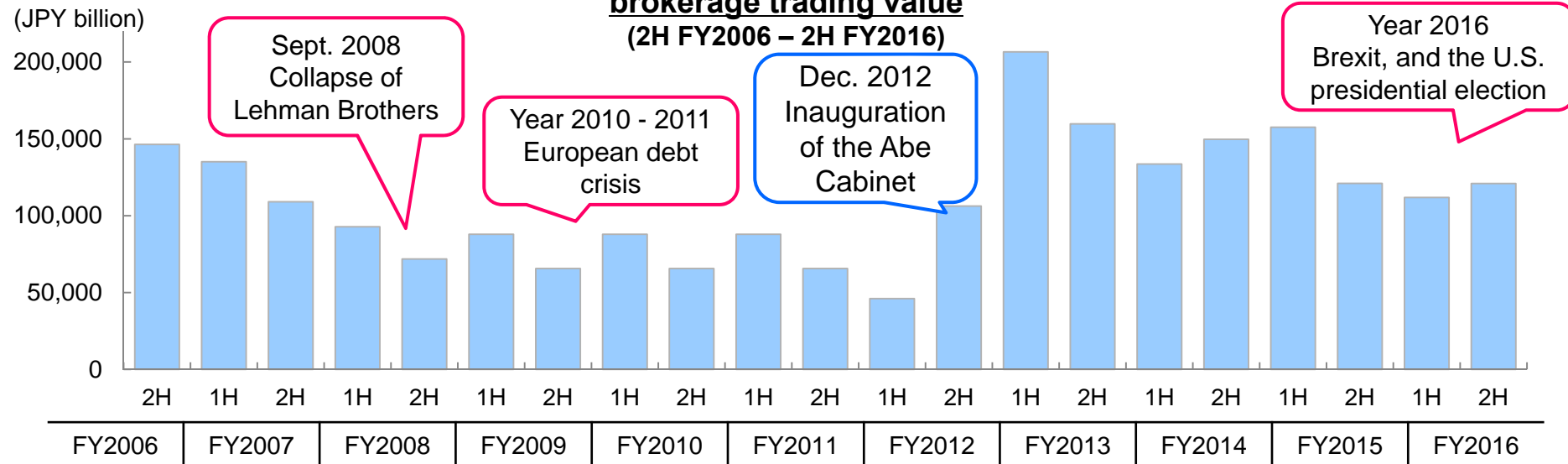
- In order to shift to a profit structure that is much more resistant to a recessionary environment in a declining stock market phase, a steady business diversification was promoted for the past 10 years**
- Other non-securities financial services businesses, including banking, insurance and FX have steadily grown**
- With the exception of subsidiaries that have been established within the past two years, all of the companies have achieved profitability and have further strengthened their profit growth trend**



# The SBI Group's Business Portfolio Diversification Progression



## 3 Market total (Tokyo, Osaka, Nagoya), semiannual individual stock brokerage trading value (2H FY2006 – 2H FY2016)



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

Source: Compiled by SBIH from disclosed data from TSE

### -Major initiatives implemented in the Financial Services Business-

Sept. 2007	Launch of SBI Sumishin Net Bank	Aug. 2014	Sold former SBI Mortgage
Jan. 2008	Launch of SBI Insurance	Feb. 2015	Acquired current SBI Life Insurance
Nov. 2008	Launch of SBI Liquidity Market	July 2015	Established SBI BITS
May 2012	Launch of SBI FXTRADE	Feb. 2016	Started new sales at SBI Life Insurance
June 2012	Launch of SBI MONEY PLAZA	May 2016	Established SBI Ripple Asia
Mar. 2013	Acquired current SBI IKI IKI SSI	Sept. 2016	Acquired Nihon SSI
		Nov. 2016	Established SBI Virtual Currencies

# Other Non-securities Financial Services Businesses, Including Banking, Insurance and FX have Steadily Grown

## Profit before income tax expense of major Financial Services Business companies (IFRS)

(JPY million)

	FY2012	FY2013	FY2014	FY2015	FY2016
SBI SECURITIES (non-cons.)	11,623	33,344	34,828	37,850	33,043
FX business (SBI LM, SBI FXT)	1,369	3,160	4,741	5,200	5,734
SBI Sumishin Net Bank*	1,622	2,062	5,196	3,385	3,185
Net profit based on J-GAAP	4,779	7,116	9,998	8,413	9,873
Insurance business	-5,105	-3,601	28	265	1,920

## [Total loss amount incurred by unprofitable subsidiaries (excluding those established within the past 2 years)]

(JPY billion)

	FY2012	FY2013	FY2014	FY2015	FY2016
<b>Total loss amount</b>	-8.9	-9.2	-3.0	-1.1	0.0

SBI FXT: Full-year profitability

SBI Card: Disposal  
SBI Insurance, SBI Remit: Full-year profitability

SBI Social Lending: Full-year profitability

\* Presents equity in earnings of affiliates.

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

## **(2) Asset Management Business**

- **The Asset Management Business' FY2016 profit before income tax expense (IFRS basis) was JPY 13.9bn**
- **In FY2016, among the investee companies, 10 companies were IPO'd and 4 companies were M&A'd**
- **Since becoming a subsidiary of the Group, SBI SAVINGS BANK of South Korea's business performance improved significantly, to now support the financial results of the Asset Management Business**

# Asset Management Business' Financial Results Breakdown



(IFRS, JPY billion)

	FY2012	FY2013	FY2014	FY2015	FY2016
<b>Revenue</b>	<b>33.0</b>	<b>72.7</b>	<b>65.8</b>	<b>91.5</b>	<b>80.4</b>
<b>Profit before income tax expense</b>	<b>6.3</b>	<b>9.0</b>	<b>8.1</b>	<b>17.6</b>	<b>13.9</b>
Profit/loss from the change in fair value and profit/loss on sales of investment securities	<b>9.1</b>	<b>9.4</b>	<b>-4.3</b>	<b>16.1</b>	<b>6.8</b>

(Reference) 5 Major venture capitals' FY2016 consolidated financial results (JPY billion)

(All except SBIH are based on J-GAAP)	Top line	Bottom line
<b>SBI Holdings</b>	<b>80.4</b>	<b>13.9</b>
JAFCO	27.8	11.0
Dream Incubator	14.5	0.1
Japan Asia Investment Company	4.6	0.5
Future Venture Capital	0.3	-0.4

# FY2016 IPOs and M&As of the SBI Group Investee Companies



	Full-year FY2012	Full-year FY2013	Full-year FY2014	Full-year FY2015	Full-year FY2016	Full-year FY2017 prospects
<b>IPO·M&amp;A deals</b>	<b>12</b>	<b>12</b>	<b>14</b>	<b>16</b>	<b>14</b>	<b>20</b>

In FY2016, 10 companies were IPO'd and 4 companies were M&A'd

EXIT Date	Company	Market (Country)	EXIT Date	Company	Market (Country)
July 25	SKCS	KONEX (South Korea)	Nov. 29	Sinqi	China GEM (China)
Aug. 1	Kadmon Holding LLC	NYSE (U.S.)	Dec. 16	Sincere	TSE Mothers
Aug. 8	Carver Korea	M&A	Dec. 20	Renet Japan Group	TSE Mothers
Sept. 19	GL Pharm Tech	M&A	Dec. 21	GRACE TECHNOLOGY	TSE Mothers
Sept. 21	Taraashna Services Private Limited	M&A	Jan. 10	CIS	M&A
Sept. 29	YOUCEL	KONEX (South Korea)	Jan. 24	Eubiologics	KOSDAQ (South Korea)
Nov. 11	SUGENTECH	KONEX (South Korea)	Feb. 23	RENOVA	TSE Mothers

## SBI SAVINGS BANK's Net Income Trend (Based on K-GAAP)

-Business performance improved dramatically after consolidation in Mar. 2013-

(KRW billion)

	Fiscal year ended June 30 2013	Fiscal year ended June 30 2014	Fiscal year ended June 30 2015	Fiscal year ended Dec. 31, 2015 (irregular financial results for six months)	Fiscal year ended Dec. 31 2016
<b>SBI</b>	<b>-529.2</b>	<b>-329.2</b>	<b>20.2</b>	<b>17.2</b>	<b>74.0</b>
<b>OK</b>	<b>-5.7<sup>*1</sup></b>	<b>-8.1</b>	<b>-16.0</b>	<b>5.9</b>	<b>9.2</b>
<b>HK</b>	<b>9.0</b>	<b>21.3</b>	<b>57.3</b>	<b>30.1</b>	<b>10.5</b>
<b>JT Chinae</b>	<b>-27.6</b>	<b>-27.0</b>	<b>1.4</b>	<b>7.1</b>	<b>25.2</b>
<b>Welcome</b>	<b>-2.4<sup>*2</sup></b>	<b>-12.6</b>	<b>15.7</b>	<b>19.5</b>	<b>35.2</b>
<b>Hyundai</b>	<b>-59.2</b>	<b>-9.5</b>	<b>35.3</b>	<b>56.5</b>	<b>37.5</b>

- **FY 2016 profit before income tax expense attributable to SBI Holdings based on IFRS was JPY 5.6bn**
- **1Q FY2017 net income based on K-GAAP was KRW 20.4bn**

\*1 Irregular financial results for four months, owing to establishment on Feb.15 2013

\*2 Irregular financial results for two months, owing to establishment on Apr.12 2013

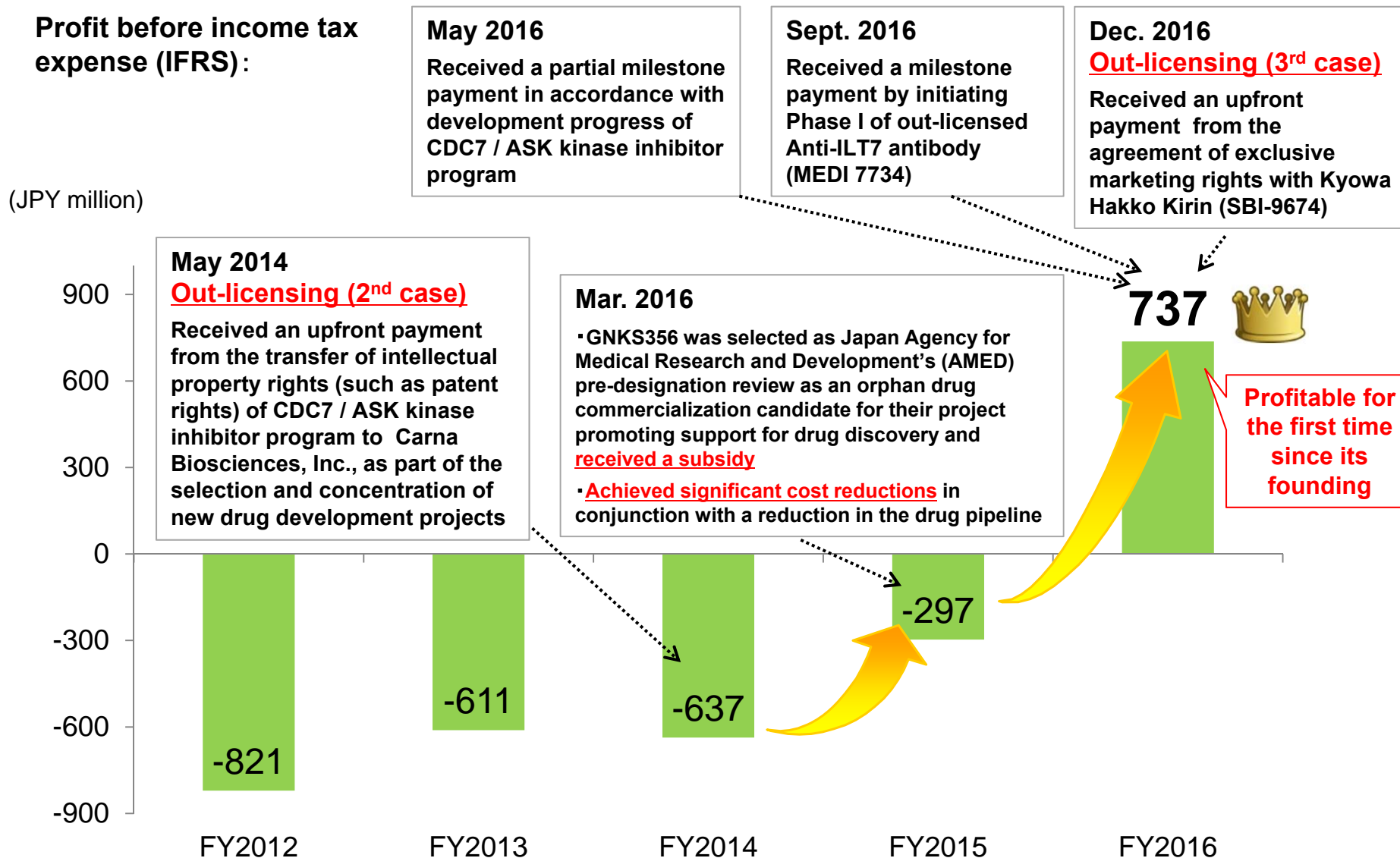
### **(3) Biotechnology-related Business**

- **Owing to milestone payments and out-licensing revenues, both SBI Biotech and SBI Pharmaceuticals achieved their first full-year profitability since their establishment**

# 5 Years Transition of Biotechnology-related Business ①

## (SBI Biotech, established in 2007)

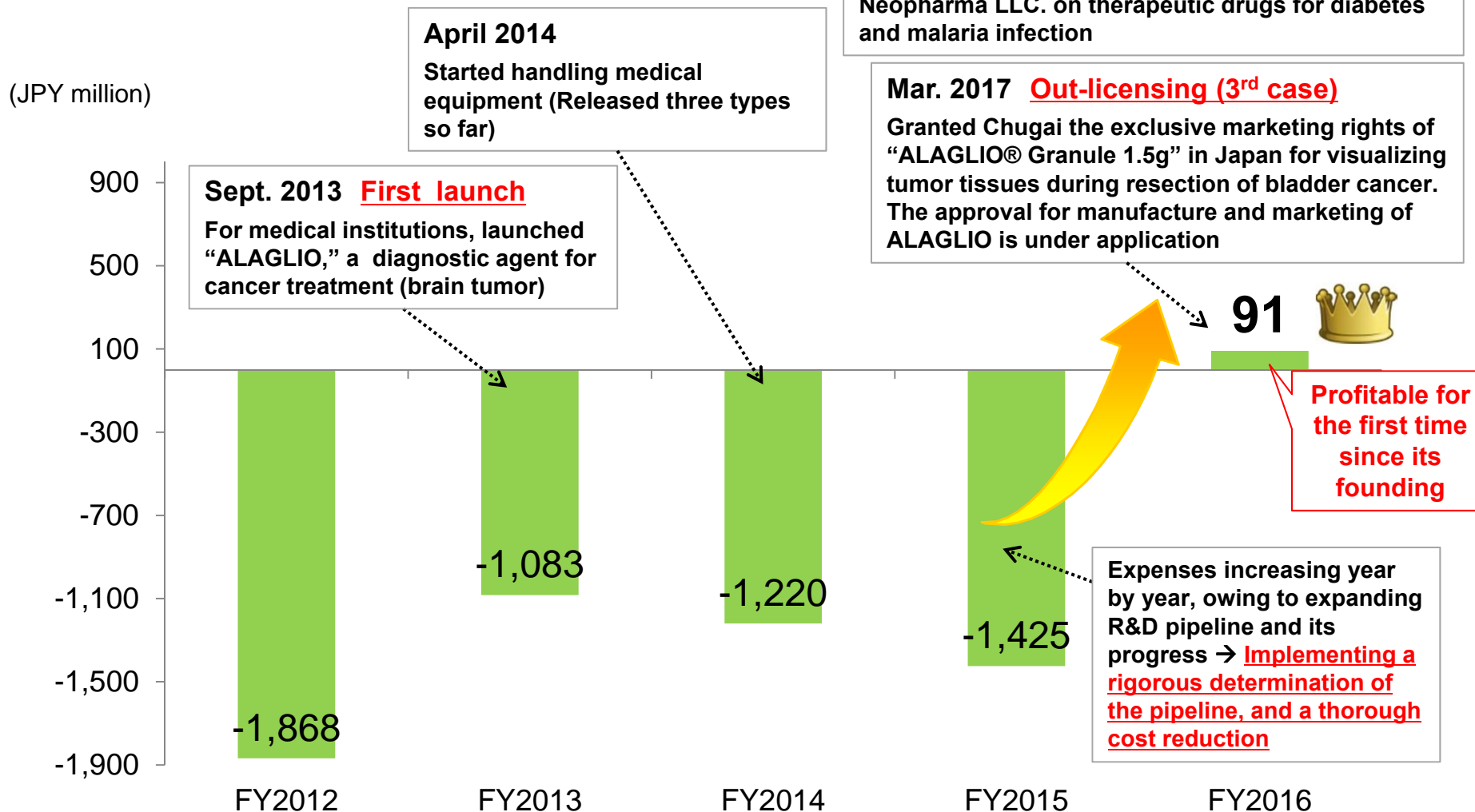
Profit before income tax expense (IFRS):





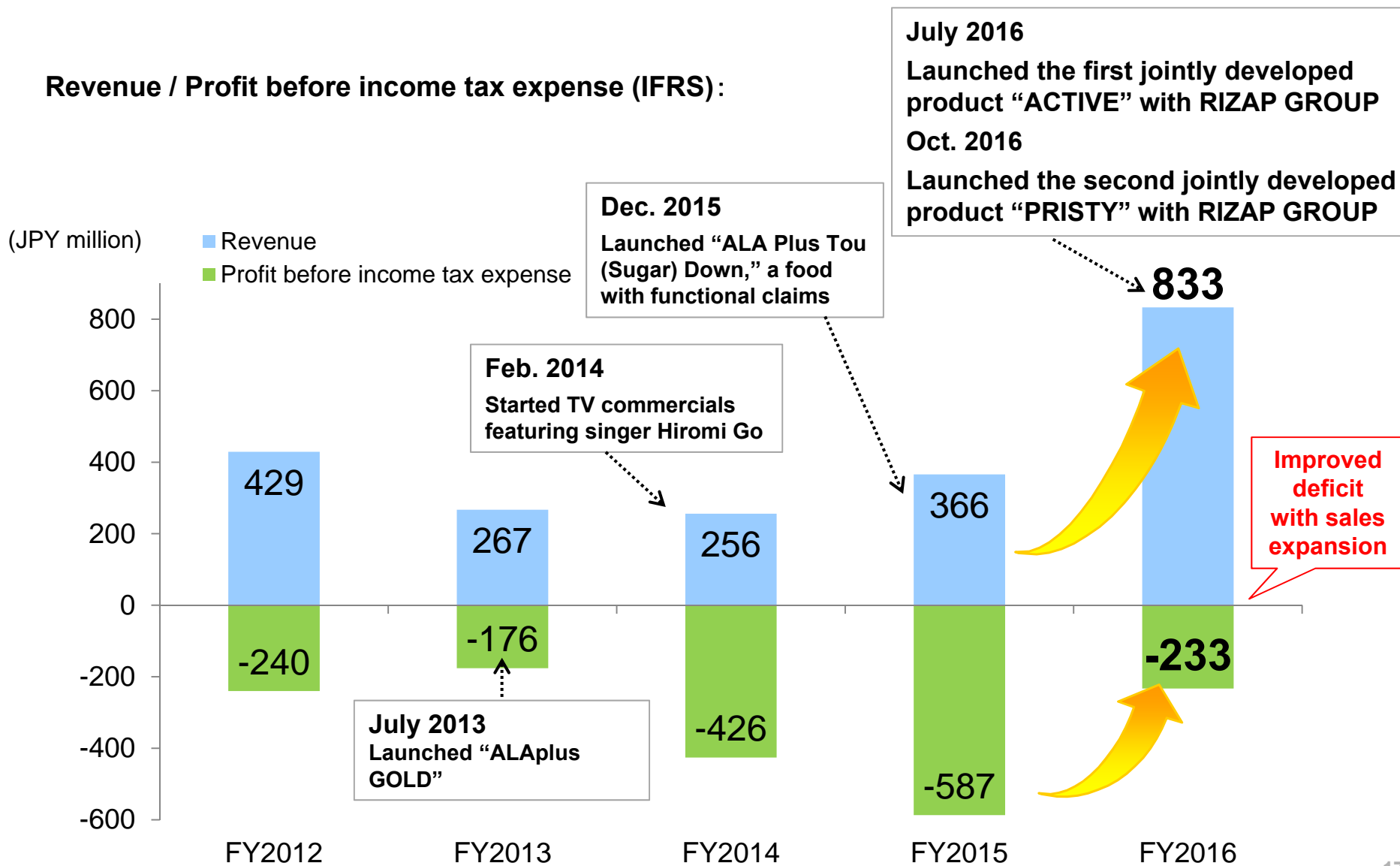
# 5 Years Transition of Biotechnology-related Business ② (SBI Pharmaceuticals, established in 2008)

Profit before income tax expense (IFRS):



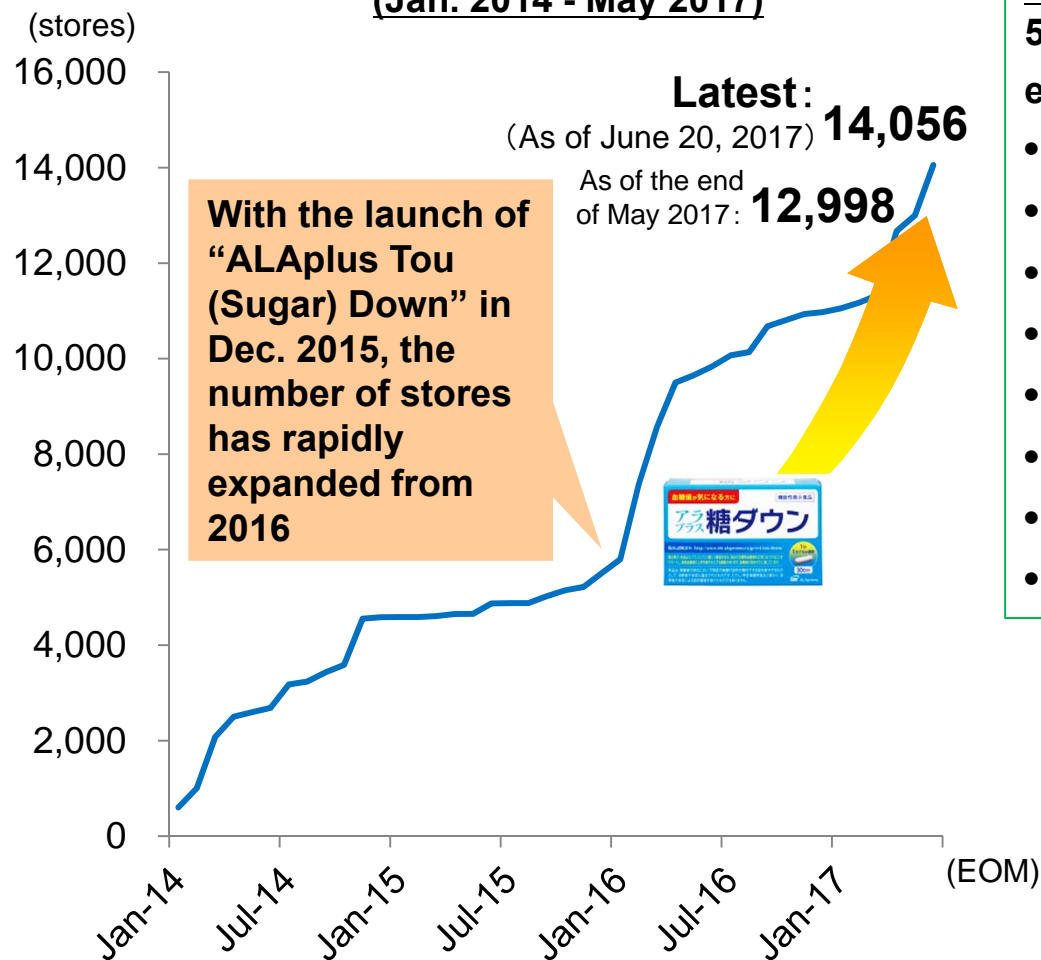
# 5 Years Transition of Biotechnology-related Business<sup>③</sup> (SBI ALApromo, established in 2012)

Revenue / Profit before income tax expense (IFRS):



# Number of Domestic Stores that Offer Health Foods Containing 5-ALA are Increasing Steadily, and Now Exceed 14,000

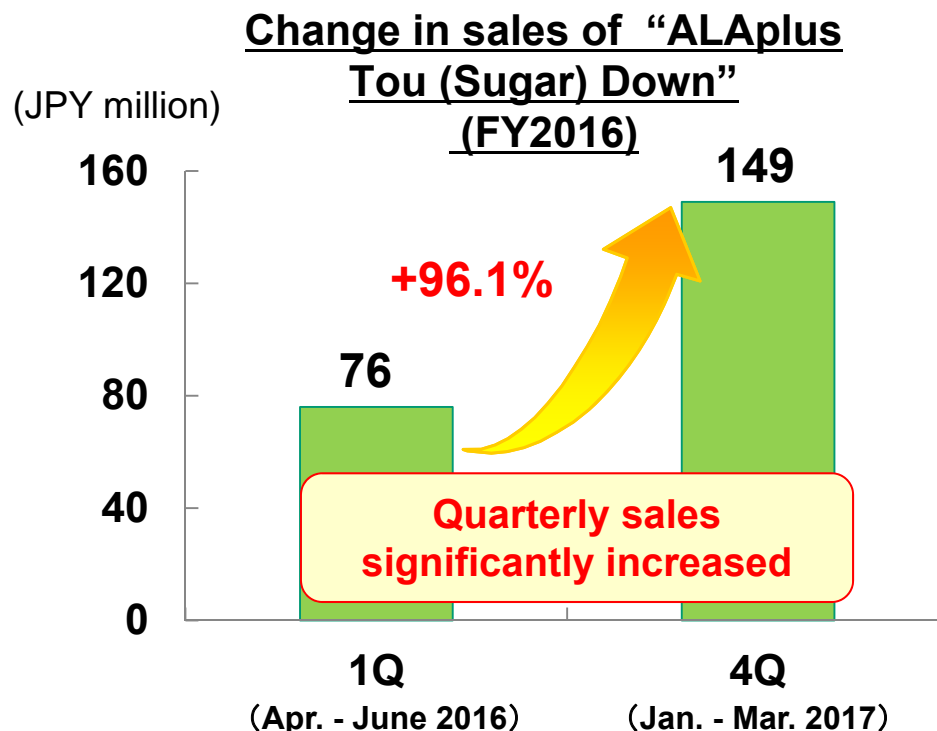
**Number of stores that offer SBI ALA promo products (Jan. 2014 - May 2017)**



- The leading drug store chains started selling 5-ALA products:**
- e.g.
- Tsuruha Holdings approx. 1,310 stores
  - Welcia approx. 1,300 stores
  - cocokara fine 973 stores
  - FUJIYAKUHIN approx. 890 stores
  - Sundrug approx. 820 stores
  - COSMOS Pharmaceutical 802 stores
  - SUGIYAKUHIN 138 stores
  - Matsumoto Kiyoshi 1,114 stores **NEW!!**

Expanding sales by offering sales promotion measures and POPs that meet the needs of each drug store, as the **occupancy rate of the stores increase**

## Sales of Foods with Function Claims “ALApplus Tou (Sugar) Down” Increasing Steadily



### Recent prizes received by “ALApplus Tou (Sugar) Down”:

- The 29th Hit Products and Spotlight Products Awards  
Won the “Excellence Award for the Hit Item Awards (in the category of health foods/supplements)”  
(announced in Jan. 2017)
- The 1st Foods with Function Claims / Market Contribution Grand Prize  
Received “Award for the shining naming and promotion”  
(announced in Dec. 2016)

**Among the 952 foods with function claims received by the Consumer Affairs Agency, “ALApplus Tou (Sugar) Down” (30 capsules) was ranked 15th and 10 capsules was ranked 29th in sales, in Apr. 2017 (Published in the June 2017 issue of the monthly magazine “H&B Retail”)\* Ranked in for 14 consecutive months since Mar. 2016**

\*Source: “TRUE DATA” by CUSTOMER COMMUNICATIONS, Ltd. “TRUE DATA” is a standard database, taking statistics about information on consumer purchase in drugstores and supermarkets in Japan, which consists of purchase information on approx. 50 million people in Japan, covering gender and age span

## R&D Expenses and Investments of the Biotechnology-related Business

- R&D expenses of Quark will peak in FY2017 and is expected to decrease afterward

[Trend of expected R&D expenses]

FY ending Dec. 2016*	FY ending Dec. 2017	FY ending Dec. 2018	FY ending Dec. 2019
approx. USD 60m	approx. USD 72m	approx. USD 62m	approx. USD 37m

- For the entire Biotechnology-related Business, will distinguish between “must have” and “nice to have” pipeline developments, according to medical needs and progress in R&D, to actualize a thorough cost reduction
- Moving forward, the SBI Group will avoid making new investments into new fields as much as possible, and instead focus on the existing high growth potential businesses, such as in SBI Biotech and the 5-ALA-related business

\*The result for FY2016 is preliminary results, which is not subject to an audit by the auditor

# [Summary of the past years (1)]

## **Financial Services Business**

- **With the completion of the establishment of the Internet-based financial ecosystem and thorough pursue of “Customer-centric Principle,” all subsidiaries and business divisions achieved profitability, with the exception of subsidiaries that have been established within the past two years. Also, owing to synergies and mutual evolution exerted among the ecosystem component companies, FY2016 revenue achieved an historical high, growing to a business segment capable of high profit levels in spite of adverse market conditions**

## **Asset Management Business**

- **Owing to Morningstar Japan’s sustainable profit growth and SBI SAVINGS BANK’s rapid business turnaround, a constant profit source that underpins this business segment has been established**
- **Through the continued establishment of new funds, both domestically and abroad, such as the FinTech Fund, established a structure that will bear future fruit**
- **Realize the transition from Japan’s SBI to the World’s SBI through investments, where the overseas assets under management has become significantly greater than that of the domestic market**

## **[Summary of the past years (2)]**

### **Biotechnology-related Business**

- **SBI Biotech and SBI Pharmaceuticals successfully achieved profitability on a non-consolidated basis, owing to the out-licensing of their drug pipeline**
  - **Quark, a subsidiary of SBI Biotech, has two products at the Phase III stage in its drug discovery pipeline, along with a significantly increased cost for clinical trials, but those costs will peak in FY2017, subside in FY2018 and shrink significantly in FY2019**
  - **SBI ALA Hong Kong (consolidated basis) is the intermediate holding company of the 5-ALA-related business, and expects a steady increase in the sales of foods with function claims, along with other health foods and cosmetics, and a steady progress of its drug pipeline clinical trials for peritoneal dissemination of gastric cancer, mitochondrial diseases and cardiac ischemia-reperfusion injury**
- ➔ Progressing steadily toward profitability in the Biotechnology-related Business**

## The SBI Group's Vision Established in May 2013

- In the Financial Services Business, as a financial conglomerate with securities, banking and insurance as its core businesses, the financial ecosystem will be fine-tuned to complete an ecosystem that will generate steady earnings
- In the Asset Management Business, by increasing the overseas assets under management, develop into a global private equity firm that invests both domestically and internationally
- In the Biotechnology-related Business, which is a core 21st century growth industry, domestically and internationally promote the development and sales of pharmaceutical drugs, health foods and cosmetics, to establish it as a new core business of the Group



**As indicated in the abovementioned summary, the Group's medium-term vision which was established in May 2013, was fully achieved**



## **II. Various Measures for the Next Generation Based on the Changes in the Business Environment**

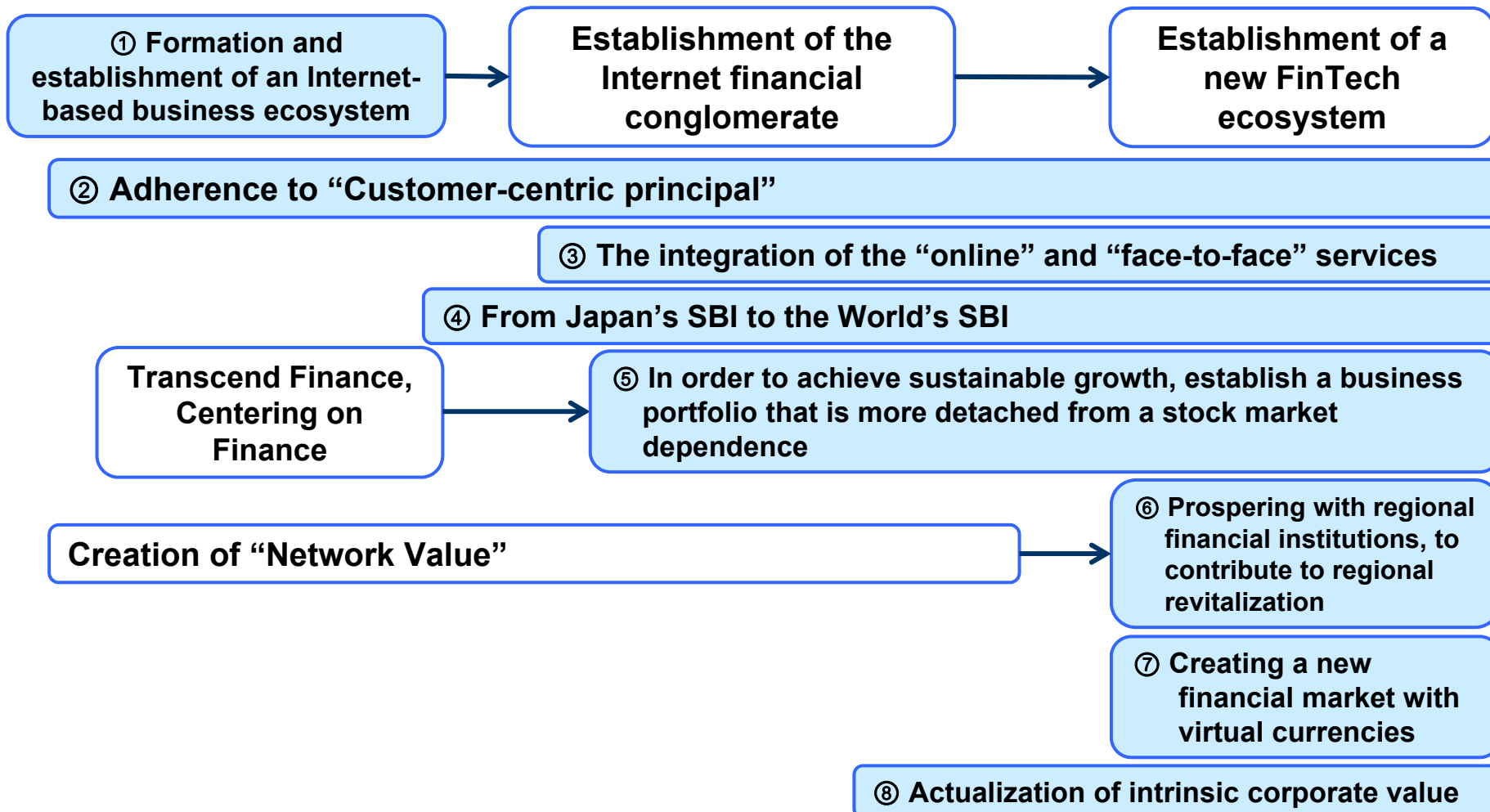
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# Promoting Business Strategy that Captures Changing Trends



1999 (Established)	2004	2009	2014	2016
<ul style="list-style-type: none"> <li>• The Financial Big Bang in Japan</li> <li>• The Internet Revolution</li> </ul>	<ul style="list-style-type: none"> <li>• Trade Balance and Income Balance Reversal in Japan</li> </ul>	<ul style="list-style-type: none"> <li>• The collapse of Lehman Brothers</li> </ul>	<ul style="list-style-type: none"> <li>• Abenomics</li> </ul>	<ul style="list-style-type: none"> <li>• Advent of FinTech</li> <li>• Policy change of financial administration</li> </ul>

## Main catchphrases of business strategy:



# ① Formation and establishment of an Internet-based business ecosystem

# The Business Ecosystem

**The most desirable form of an organization that possesses the requisite efficiency and competitiveness in the pursuit of the realization of future financial services**

**A business ecosystem is an economic community based on the interaction of organizations and individuals.**



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

# Organizational View Based on Complexity Knowledge

## Two complexity propositions

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



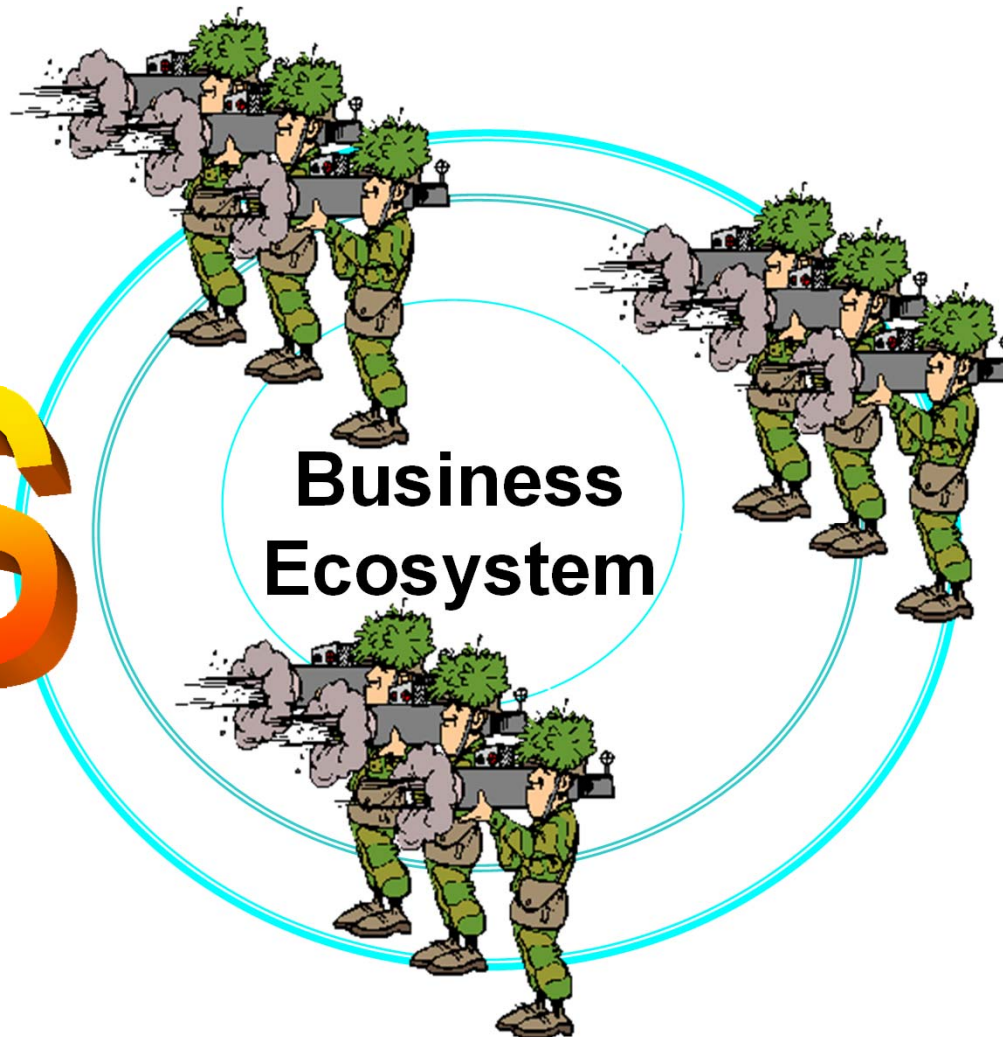
**In order to realize a high growth potential, there are synergy effects and mutual evolutionary effects that a single-role enterprise cannot achieve, that will require the establishment of a new organizational form, the “business ecosystem.”  
Such a business ecosystem will function most effectively and provide competitive advantages in the Internet era**

# Assembling a Business Ecosystem in Today's Internet-driven Marketplace is a Basic Condition to Achieve an Overwhelming Competitive Edge



**Single  
Enterprise**

**VS**

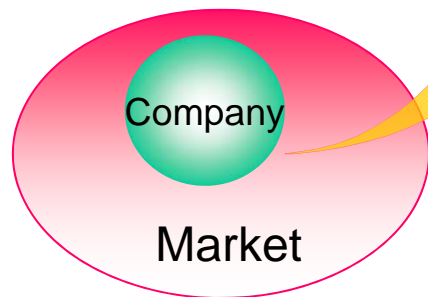


**No company can compete and win by itself!**

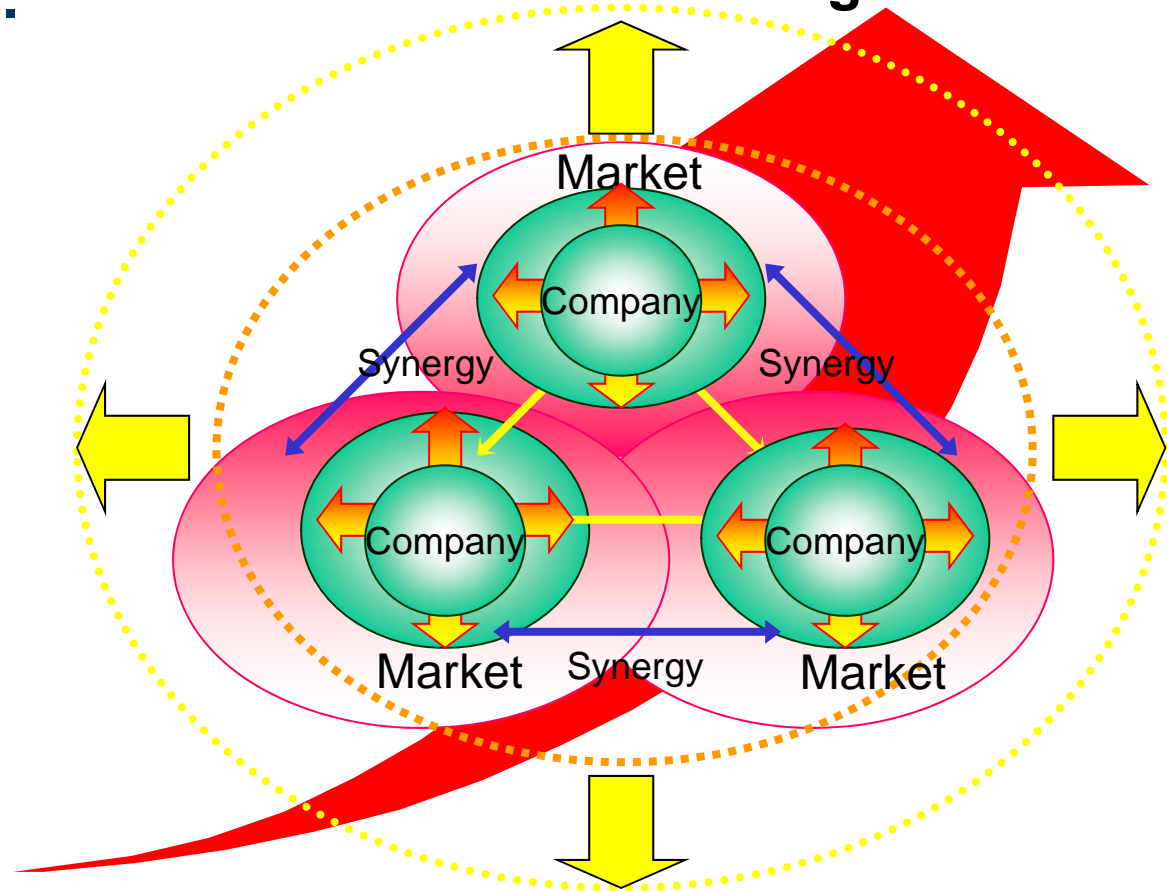
**Assembling and Expanding the Business Ecosystem Produces Positive Synergies among the Constituent Companies. This Process Also Creates a Mutual Evolution Process in Each Company's Market to Support Rapid Growth.**

**Growth potential:  
Significant**

**Growth potential: Small**



A company as a single economic entity



A "business ecosystem" in which a variety of constituent companies work together to achieve mutual evolution

# Completed the Establishment of a Globally Unique Internet-based Financial Conglomerate (FinTech 1.0) in 16 Years Since Its Inception

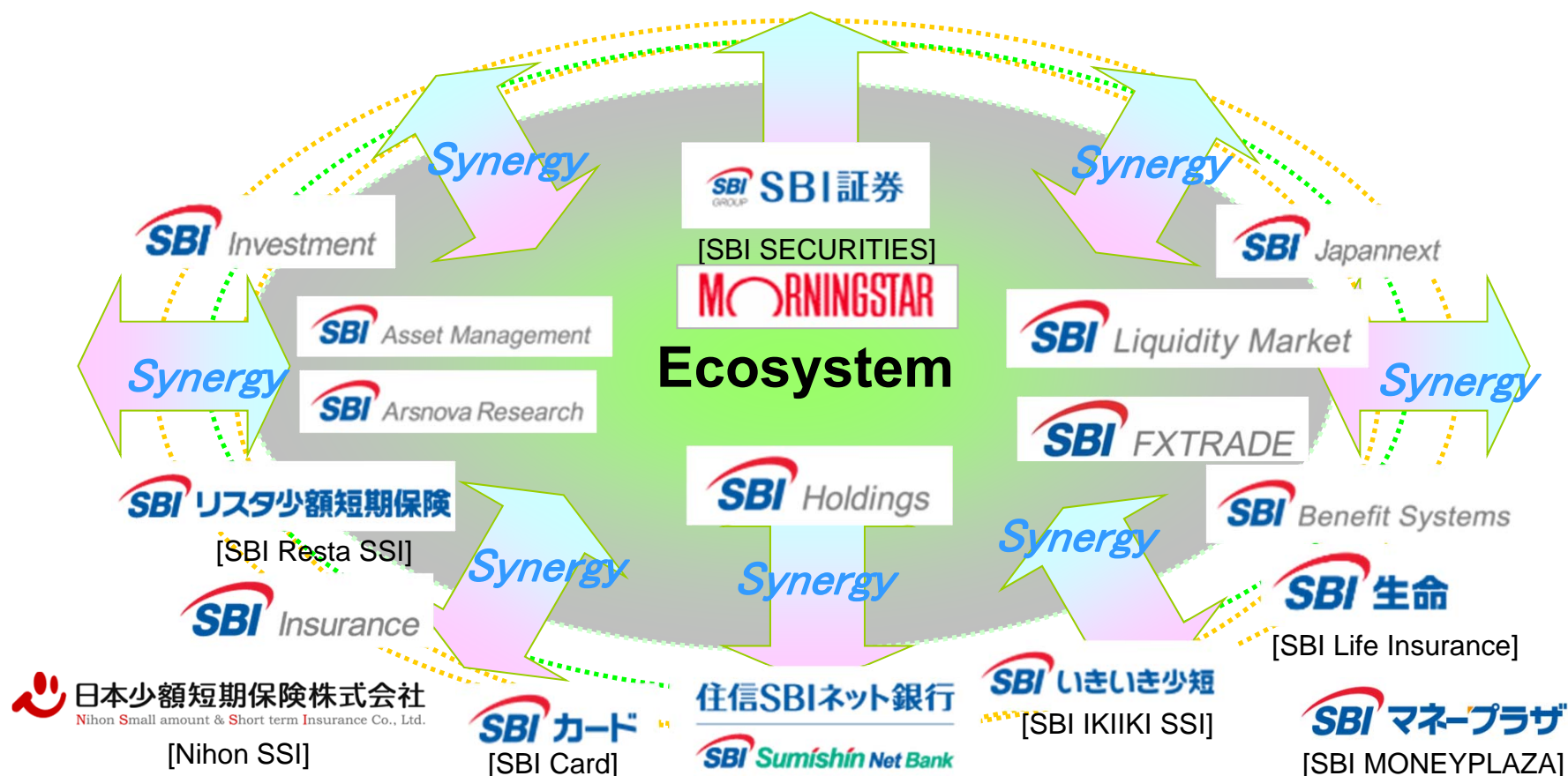


Oct. 1999: SBI SECURITIES commenced online trading service

Sept. 2007: SBI Sumishin Net Bank commenced business

Jan. 2008: SBI Insurance commenced business

Feb. 2016: SBI Life Insurance launches the sales of its products





# The SBI Group's Conceptualization of the Evolution of FinTech

Along with the explosive expansion of the Internet, the SBI Group established its Financial Ecosystem 16 years after its founding

-FinTech 1.0-

- Utilizing elemental technologies such as AI (Artificial Intelligence), big data, IoT, robotics, etc., within the established online financial ecosystem
- Utilizing blockchain with the conventional web-based online financial ecosystem

-FinTech 1.5-

Providing innovative financial services, with blockchain as a core technology

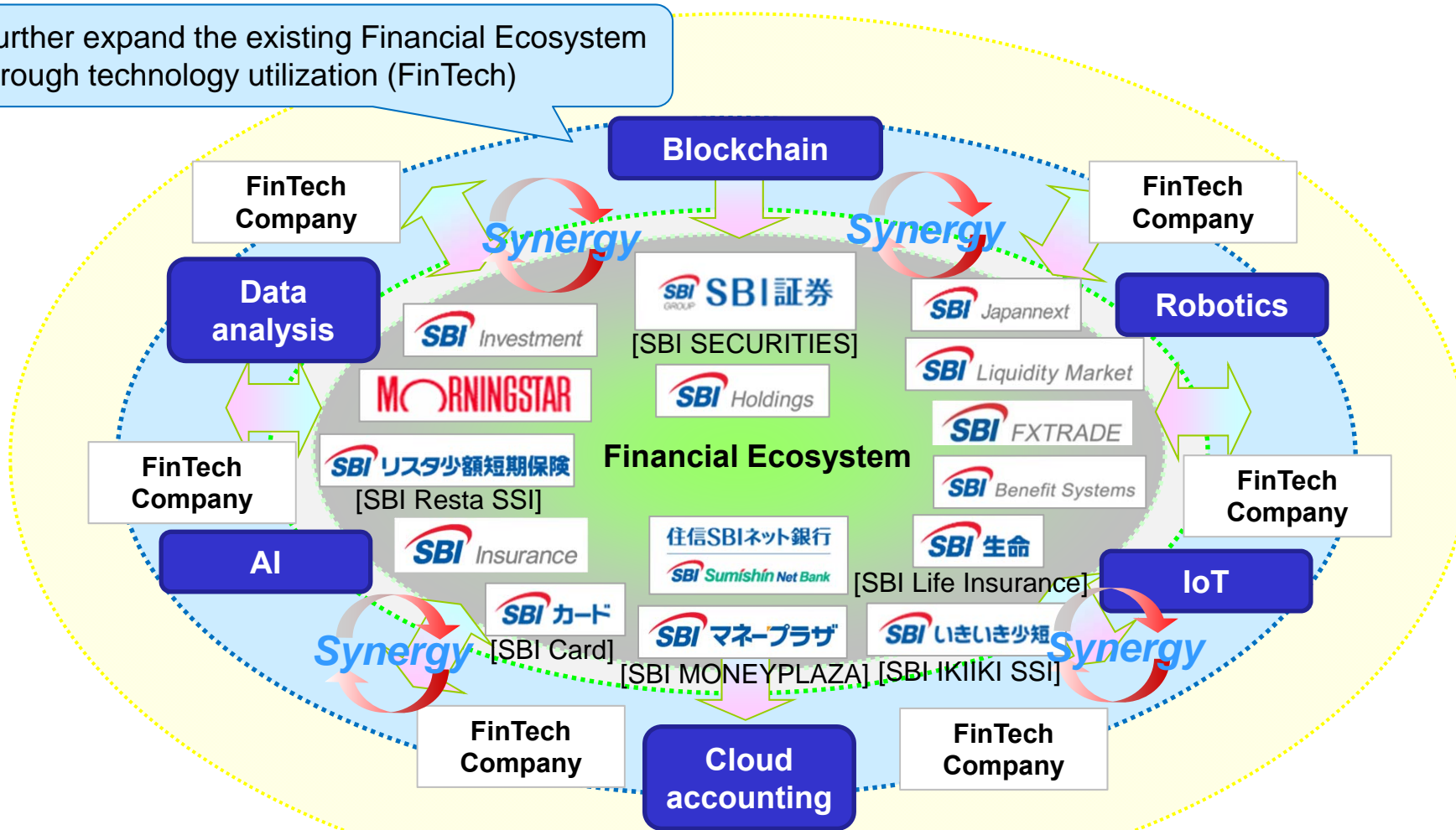
→ Completion of the Blockchain Financial Ecosystem

-FinTech 2.0-

# Establishment of the New FinTech Eco System within 3 years

~Responding to the Era of FinTech 2.0 vs 1.0~

Further expand the existing Financial Ecosystem through technology utilization (FinTech)



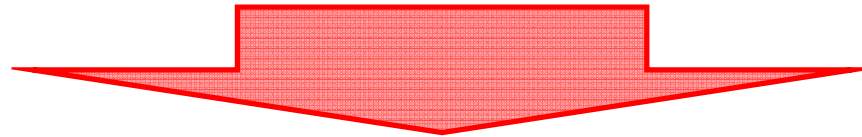
The “New FinTech Ecosystem” will utilize blockchain technology as its core, to endeavor in providing innovative financial services through a joint development of applications with FinTech companies, which connect with conventional financial systems

- ② Adherence to the “Customer-centric Principal”**
- i. Since its inception, SBI has consistently adhered to the “Customer-centric Principle”**
  - ii. The policy authorities also are now requesting the financial industry to thoroughly become “customer-oriented,” in response to the changing times**

**i. Since Its Inception in 1999, SBI has Consistently Adhered to the “Customer-centric Principle”**



**Adherence to the “Customer-centric Principle”**



**Thorough pursuit of services from a truly customer perspective**

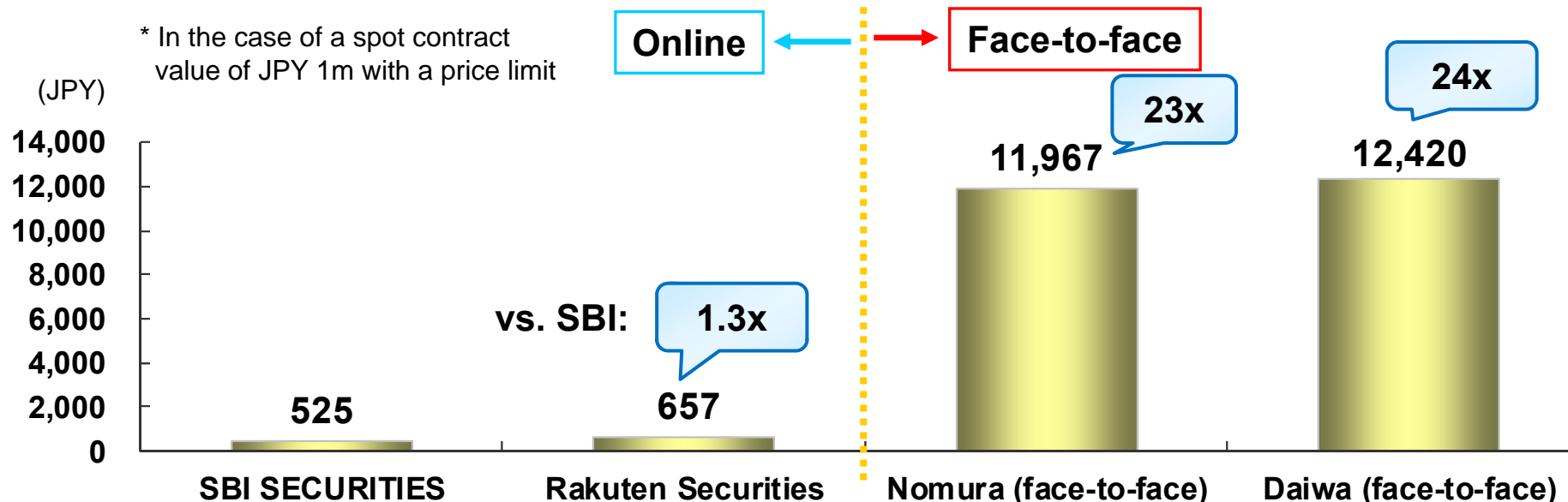
- ① **Services with low commissions and favorable interest rates**
- ② **Services that enables convenient comparison of financial products**
- ③ **Services with cost transparency for customers**
- ④ **Services with high security and reliability**
- ⑤ **Provision of abundant and high quality financial products from a neutral position**
- ⑥ **Provision of advantageous trading opportunities ... etc.**

# Services with Low Commissions and Favorable Interest Rates -1

## -SBI SECURITIES' Momentous Reduction of Brokerage Commissions-

SBI SECURITIES realized a momentous reduction of brokerage commissions by offering overwhelmingly low trading commissions

Comparison of the Stock Brokerage Commissions (Spot and Limit Orders)



Contract value	SBI SECURITIES	Rakuten Securities	Nomura (face-to-face)	Daiwa (face-to-face)
JPY 1m	525	657	11,967	12,420
JPY 3m	994	1,244	29,247	31,428
JPY 5m	994	1,244	45,879	50,436

\* 1. The above figures represent commissions on the contracted amount per order in a spot trade with a price limit. As for Rakuten, the commissions are for "one shot course."  
 2. Special promotional commissions are not included.  
 3. Commission systems differ depending on each firm. Figures above are just an example of them.

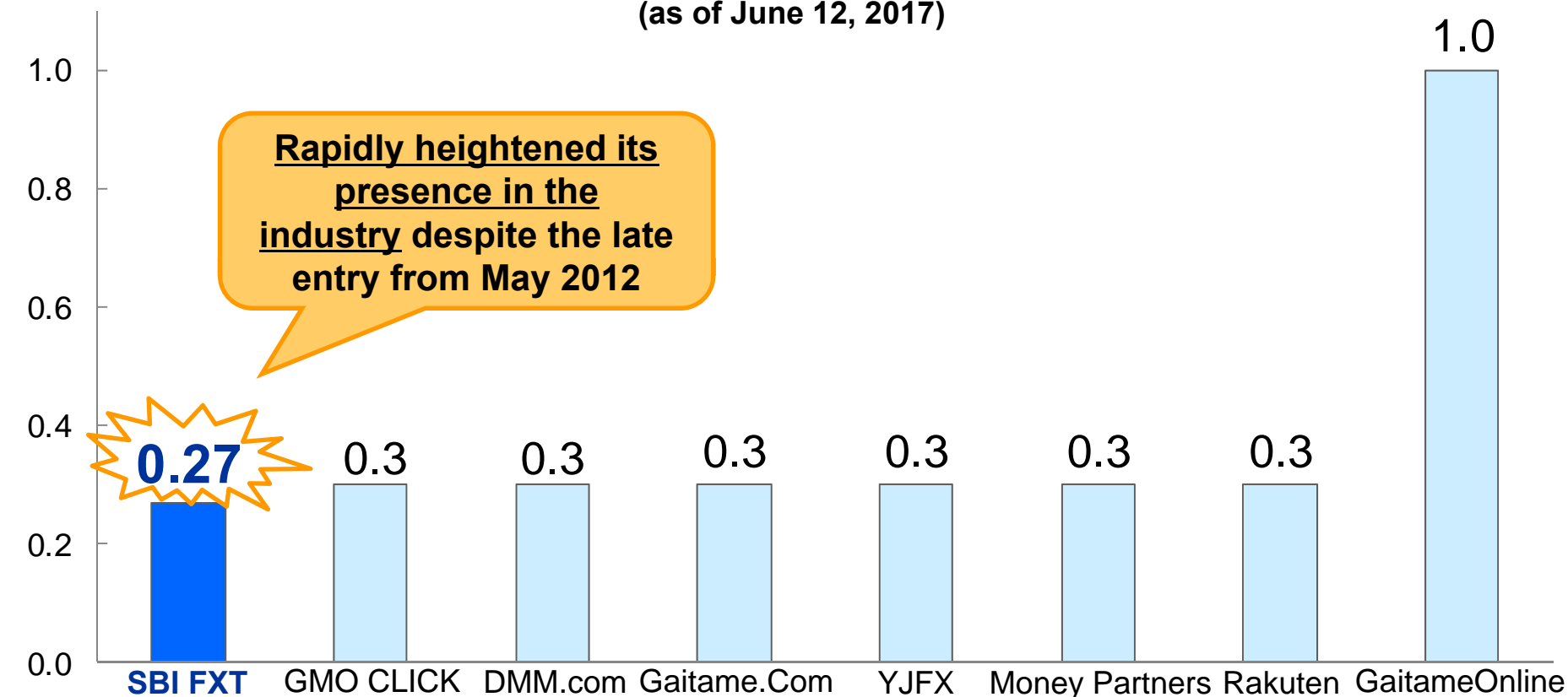
# Services with Low Commissions and Favorable Interest Rates -2

## -SBI FXTRADE Offers the Industry's Narrowest Level of Spreads-

### Comparison of the Spread for USD/JPY Pair with Major FX Companies (under 10 thousand currency unit)

(Unit: JPY 0.01)

(as of June 12, 2017)



\* Spread of SBI FXTRADE differs depending on order lot. (When loss-cut is executed, the narrowing spread will be applied.)

\* Spreads are basically fixed, but there are some cases that actual spread differs from indicated ones due to market's sudden change and other external factors. However, the change in SBI FXTRADE's spread is the industry's minimum level .

# Services with Low Commissions and Favorable Interest Rates -3



## -SBI Sumishin Net Bank Offers Favorable Interest Rates-

Owing to lower personnel and operating costs, favorable interest rates can be offered, as compared to major city banks that operate branches nationwide

**Example: Comparison of term deposit interest rates**

### Average of 3 major city banks

	Less than JPY 3m			JPY 3m or more		
Term of deposit	1 year	3 years	5 years	1 year	3 years	5 years
Interest (%)	0.010	0.010	0.010	0.010	0.010	0.010

住信SBIネット銀行

**20 times**

	Less than JPY 3m			JPY 3m or more		
Term of deposit	1 year	3 years	5 years	1 year	3 years	5 years
Interest (%)	0.200	0.020	0.020	0.200	0.020	0.020

(\*) Yearly rate, before taxes. As of June 12, 2017. Based on SBIH's research

# Services with Low Commissions and Favorable Interest Rates -4

## -SBI Insurance Offers Lower Premium Insurance to Maximize Customers' Merit-

The Diamond weekly “Auto Insurance Premium Ranking”  
(35-years-old, Gold licence, 6th class, New contracts)

: Direct insurance product

# : Started operation after 1998

	Company	Car insurance premium (JPY)*
1	<b><u>SBI Insurance #</u></b>	<b><u>30,580</u></b>
2	Zurich Insurance	31,700
3	AXA GENERAL INSURANCE #	31,910
4	E.design Insurance #	32,450
5	Saison Automobile & Fire Insurance	36,080
6	Sony Assurance #	36,420

7	Mitsui Direct #	36,830
8	Secom General Insurance	37,250
9	Asahi Fire & Marine Insurance	44,290
10	Sonpo 24 #	47,500
11	Sompo Japan Nipponkoa Insurance	51,230
12	Tokio Marine & Nichido Fire Insurance	51,460

\*Insurance Premium Terms and Conditions

•Vehicle type: Honda N-BOX G-L Package (4WD) (model: DBA-JF2) new vehicle, equipped with immobilizer. New vehicle discount and immobilizer discount applied if available, road assistance service included. Ordinary vehicle with deductible of ¥50,000 (first claim) / ¥100,000 (second claim and after), total loss incidental expense attached. •Policy start date: Apr. 1, 2017 •First year registration: March 2017 •Policyholder: individual (male, Tokyo resident) •Purpose of use: daily use/leisure •Annual driving distance: 5,000 km •Driver's license color: gold •Bodily injury (to others)/property damage coverage: no limit (zero deductible) •Personal injury: 50 million yen (only while in the insured vehicle) •Vehicle damage: not covered •Passenger injury: not covered •Drivers: unlimited •Attorney expense rider: applied if available •Payment method: lump sum •Insurance period: 1 year

•Discounts: Automatically applied discounts such as prior year no-claims discount applied •Internet discount, no-instrument discount, early signing discount, and other discounts available to everyone applied

\*Internet discount applied: AXA Non-Life, Mitsui Direct, E.design Insurance, Saison Automobile, Sonpo 24, Zurich Insurance, Secom General Insurance, SBI Insurance, Sony Assurance

\*No-instrument discount applied: Mitsui Direct, E.design Insurance, Saison Automobile, Zurich Insurance, Secom General Insurance, SBI Insurance, Sony Assurance

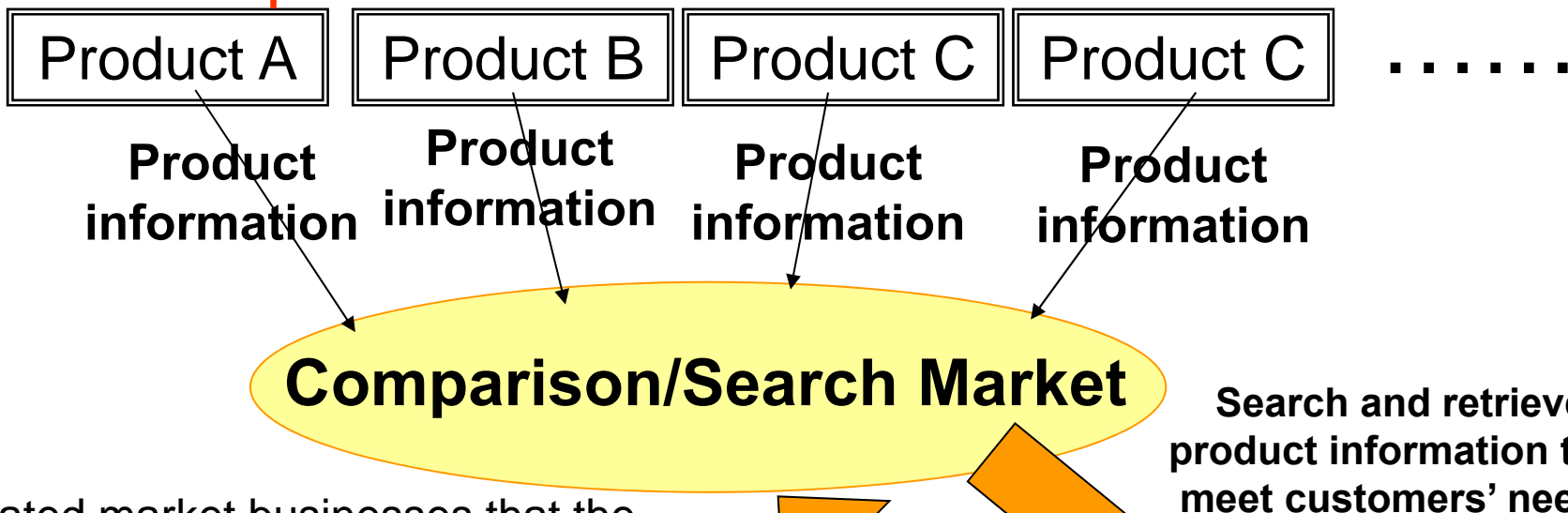
\*Early signing discount applied: Saison Automobile, Zurich Insurance, Sonpo 24

(Source: Excerpt from “The Diamond Weekly Apr. 29/May 6, 2017”)



# A Service that Conveniently Compares and Lists Financial Products

**-Established Comparison/Search Market on the Internet-**  
By offering an objective comparison/evaluation information service as a neutral third party, provides customers with the opportunity of selecting products and services that meet their own needs



Related market businesses that the Group has established:

- **Morningstar Japan** (Since Mar. 1998)  
Rating and evaluation of investment trust
- **E-loan** (Since May 1999)  
Loan comparison site
- **InsWeb** (Since Dec. 1998)  
Insurance products comparison site

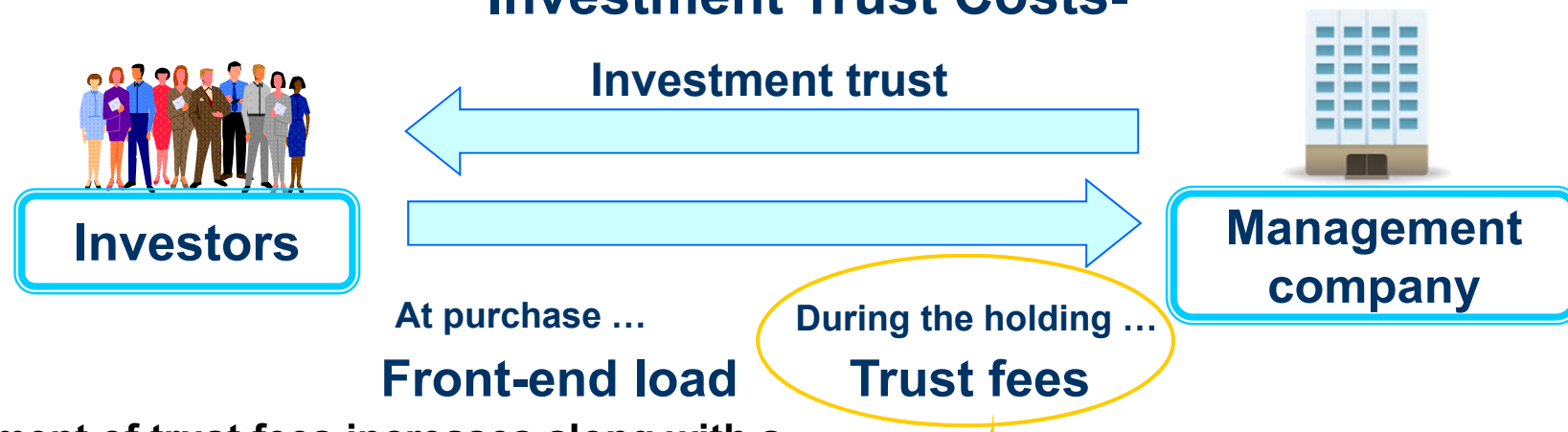
Enter individual needs



# Services with Cost Transparency for Customers



## -SBI SECURITIES Implements “Visualization” Initiative for Investment Trust Costs-



Payment of trust fees increases along with a lengthened holding period, negatively affecting the investor’s ultimate investment returns

In 2007, advocated the “**Commission Fee Revolution**,” and through the former SBI Fund Bank, by offering indices focused on cost borne by customers, such as “Zero-return principal\*1” and “Cost ratio\*2,” **implemented the cost “visualization” initiative**

Currently at SBI SECURITIES, 2,505 investment trusts are available, which is Japan’s largest product offering of investment trusts, of which **1,149 are no-load funds** (as of June 8, 2017)

\*1 Indicates how much of the initial principal (100) will decrease when the fund is redeemed after several years due to major costs borne by customers, including the purchasing fee, trust fee, and trust asset reserve, with the presumption of the daily return on assets as zero

\*2 Indicates the rate of decline of zero-return principal on an annual basis by holding period

# Services with High Security and Reliability

## -SBI FXTRADE Offers Stable Pricing, Even During the Occurrence of Events that may Significantly Impact the FX Market-

Through SBI Liquidity Market, [continuing to provide trading opportunities with a commitment to stable pricing](#), demonstrating superior competitiveness even in a volatile market environment

e.g. ①: FX trading companies' trading status during the time "Brexit" intentions became evident (June 24, 2016)

	Trading status
<b>SBI FXTRADE</b> * Up to 1m currency unit	<b>Spread of USD/JPY: JPY 0.18 at most</b> <b>Spread of GBP/JPY: JPY 1.85 at most</b>
Company A	<b>Disconnection of rate delivery</b> for approx. 1 minute and a half
Company B	Spread of USD/JPY: <b>JPY 3 at most</b> Spread of GBP/JPY: <b>JPY 8 at most</b>
Company C	<b>Delay in updating the rates</b> for approx. 2 minutes

e.g. ②: FX trading companies' trading status after the U.S. presidential election (Nov. 9, 2016)

	Trading status
<b>SBI FXTRADE</b> * Up to 1m currency unit	<b>Spread of USD/JPY: JPY 0.058 at most</b>
Company A	Spread of USD/JPY: <b>JPY 0.073 at most</b>
Company B	Spread of USD/JPY: <b>JPY 0.141 at most</b>

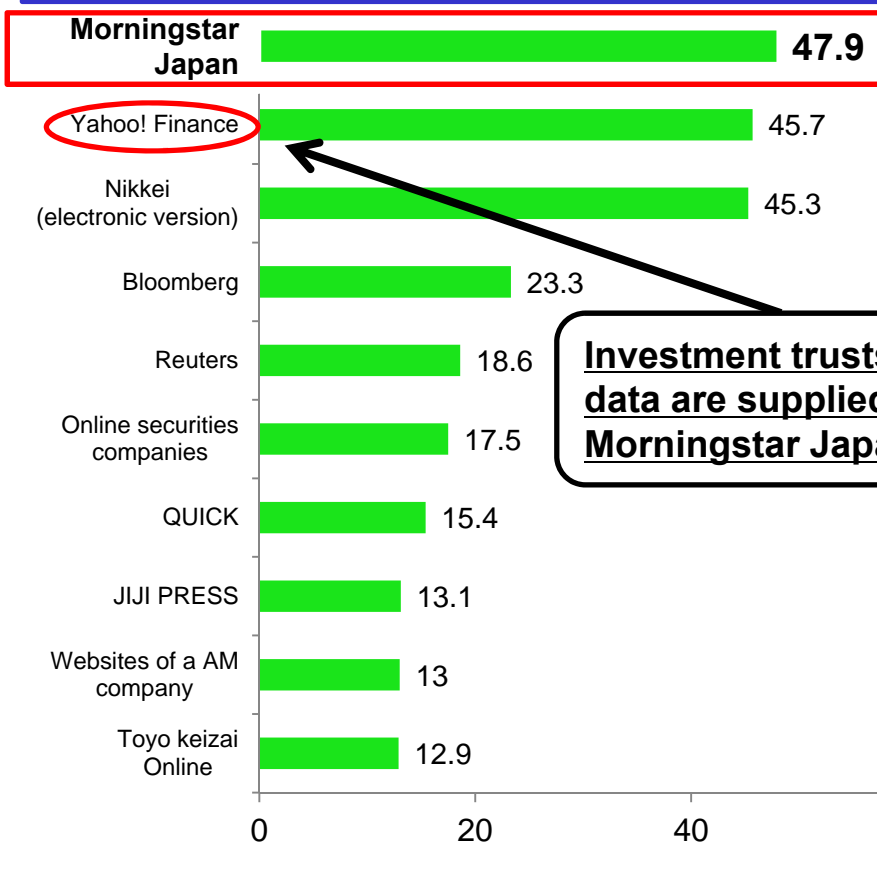
# Abundant and High Quality Financial Products from a Neutral Position -1



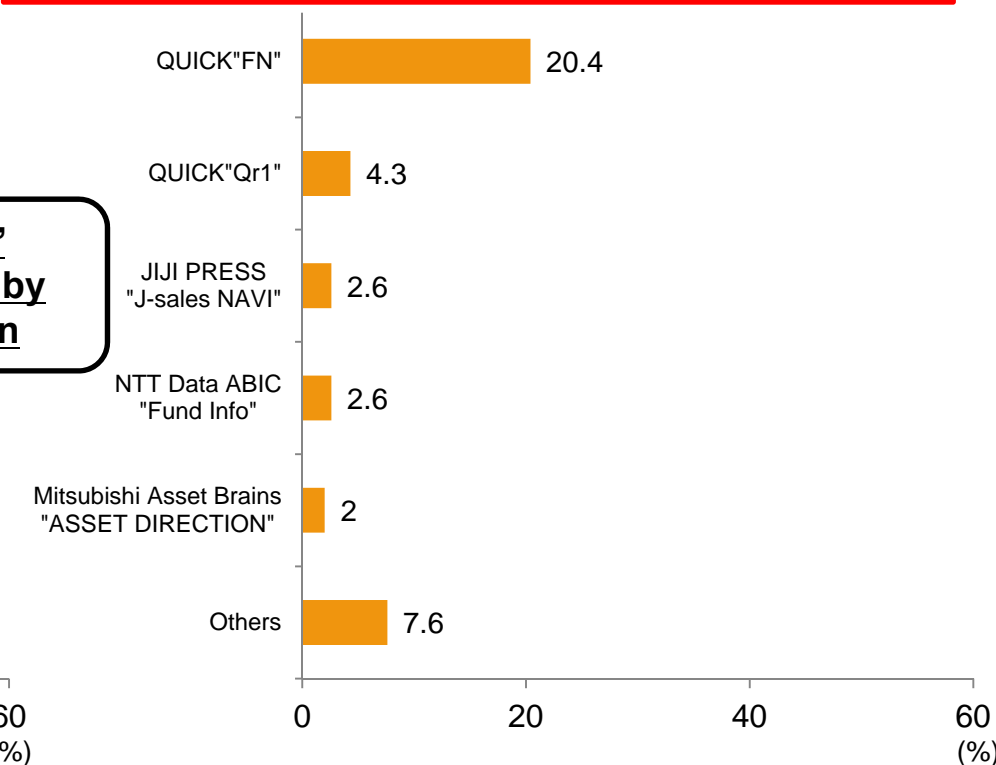
## Morningstar Japan's Information Tool Receives Industry's No.1 Ranking

**Smartphone application that investment trustees use to collect financial information**

**Tablet application that investment trustees use on the site**



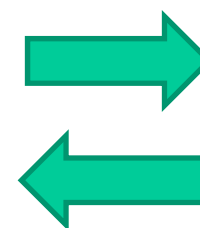
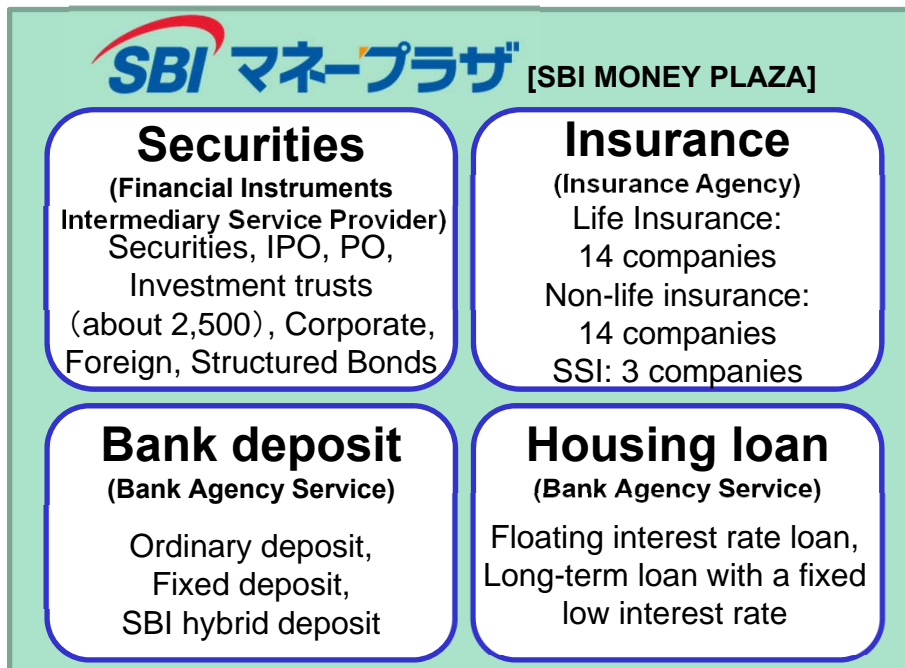
**Investment trusts' data are supplied by Morningstar Japan**



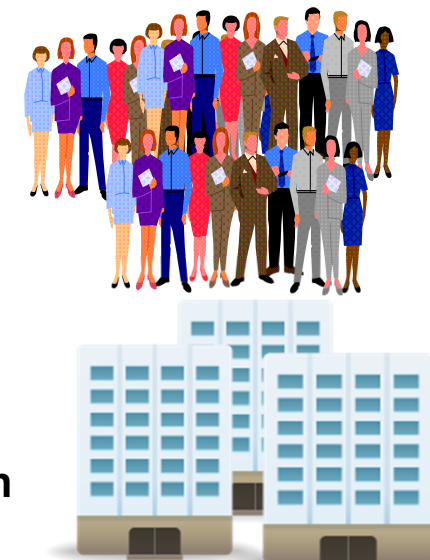
Source: The Institute of Financial Literacy "Survey on investment trustees' utilization situation of smartphone and tablet"  
 •Research period: Mar. 2 - Mar. 24 in 2017 •Research target: Sales companies of investment trusts (banks, post offices, credit unions, and securities companies) •Number of valid respondents: 493

# Abundant and High Quality Financial Products from a Neutral Position -2

## -SBI MONEY PLAZA Offers Various Financial Products from Both Within and Outside of the Group from a Neutral Standpoint-



**In response to various customer needs, provides an one stop solution**



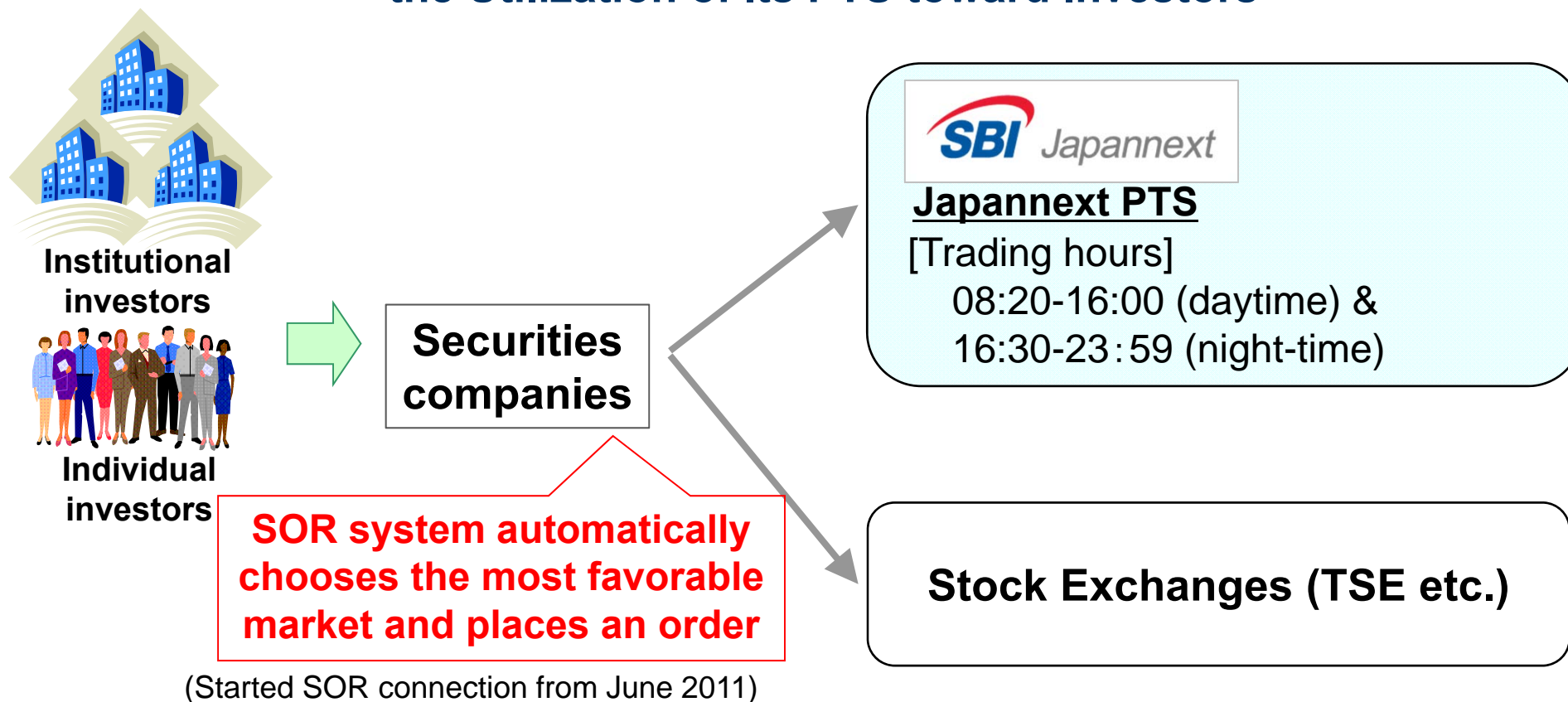
### **-Endeavoring to provide further customer-centric services, established an in-house IFA system-**

As fiduciary duties are becoming more thoroughly required, from the standpoint of independence and neutrality, the role played by the IFA, which advises investment management according to the needs of customers who are investors, is thought to become increasingly important.

At SBI MONEY PLAZA, employee IFAs provide consulting based on the customers' perspective with a high degree of freedom, to establish an environment that will provide more customer-oriented services

# Advantageous Trading Opportunities

-SBI Japannext Offers an Advantageous Transaction Cost through the Utilization of Its PTS toward Investors-



- When deals are executed on PTSs, the commission is approx. 5% cheaper than on the exchanges
- Customers' investment performance will be enhanced through this benefit

# Continuously Achieving a High Customer Satisfaction Assessment [SBI SECURITIES]

 <b>1<sup>st</sup></b>	<p><b>“Oricon customer satisfaction ranking” of 2016 [Online securities comprehensive ranking] &lt;Evaluation item&gt;</b></p> <p>8 items, such as “ease of trading,” “commissions,” “analytics tools” and “variety of products”</p>	<b>For 10 years! First ever</b>
 <b>Highest Award for the Category</b>	<p><b>“CCJA 2016” Received the highest award for “Best Operation” category</b></p>	<b>For 6 years! First ever</b>
 <b>Chairman’s Prize</b>	<p><b>Japan Telecom Users Association 20<sup>th</sup> Corporate Telephone Response Contest in 2016</b></p>	<b>Prized 7 years in a row!</b>
	<p><b>“2016 CRM Best practice award ” Received “FujiSankei Business I award”</b></p>	



# Continuously Achieving a High Customer Satisfaction Assessment [SBI Sumishin Net Bank]



**1<sup>st</sup>** “Oricon customer satisfaction ranking” of 2016  
[Online banking]

**6<sup>th</sup> time  
3 years in  
a row!**



**1<sup>st</sup>** “Oricon customer satisfaction ranking” of 2016  
[Bank FX trading ]



**1<sup>st</sup>** “15th Nikkei Financial Institution Ranking”  
Customer Satisfaction by generations 50s



**1<sup>st</sup>** JMA Research  
“Assessment of Mortgage Products” by mortgage  
personnel

**For the  
first time!**

Appraised as No. 1 among the 7 banks (\*) in all 5 categories, which were: “Mortgage which you want to utilize,” “Mortgage which you want to recommend,” “Mortgage which interest is attractive,” “Mortgage which has best collection of ancillary services,” and “Mortgage which is reliable in an emergency.”

\* The comparison among 4 city banks (The Bank of Tokyo-Mitsubishi UFJ, Mizuho Bank, Sumitomo Mitsui Banking Corporation and Resona Bank) and 3 Internet banks (SBI Sumishin Net Bank, Sony Bank and Rakuten Bank)



# Continuously Achieving a High Customer Satisfaction Assessment [SBI Insurance]



1<sup>st</sup>

“Oricon customer satisfaction ranking” of 2016  
Auto Insurance Category  
“Auto Insurance Premium Satisfaction”

For 8  
years !



1<sup>st</sup>

Kakaku.com / Auto Insurance (Satisfaction)  
Ranking (2017)  
Premium Section

For 8  
years !



HDI-Japan HDI’s Call-center Customer Satisfaction  
Ratings 2016  
Top “three-star” rating in the Support Portal  
(Official Website)

For 5  
years !

- ii. The policy authorities also are now requesting the financial industry to thoroughly become “customer-oriented,” in response to the changing times**
  - a. Pursuing a customer-oriented business operation (as a fiduciary duty) conducted by the financial administration**
  - b. Strongly promoting the shift “from Savings to Asset Formation”**
  - c. The SBI Group’s focus on developing and promoting strategic products and services for the new financial era**

# Policy Change of the Financial Administration by Financial Services Agency of Japan (JFSA)

Japanese financial institutions will be asked to make major changes

July 2015 – (After Mr. Nobuchika Mori assumes the office of the Commissioner of the Financial Services Agency):

## Previous financial administration :

The JFSA places a greater emphasis on “banking soundness” while focusing on capital adequacy ratio and the nonperforming loan ratio → **Maintaining the soundness of financial institutions was top priority**

The first policy change since 1998 when the predecessor Financial Supervisory Agency was established

## 2015-2016 Strategic Directions and Priorities (published Sept. 2015)

The JFSA “aims to realize a better flow of funds in order to contribute to the sustainable growth of the economy” and **will set a goal for the “business and economic growth and asset formation,” as the highest priority**

-A first mention of FinTech in this policy-

## 2016-2017 Strategic Directions and Priorities (published Oct. 2016)

Calls on financial institutions to “pursue the best way to provide financial products and services that serve customer interests,” and to promote a **customer-oriented business operation (as a fiduciary duty)**

- a. Pursuing a customer-oriented business operation (as a fiduciary duty) conducted by the financial administration

## The Financial Services Agency (FSA) Comprehensively Examines the Posture of the Financial Institutions Toward the Customer-oriented Approach

e.g.1 FSA requests disclosure of commissions on insurance products that banks sell as a distribution point



(Mar. 20, 2016; The Nihon Keizai Shimbun )

e.g.2 FSA requests financial institutions for routine disclosures of whether they are selling appropriate investment products from a customer-oriented approach, from various angles



(Apr. 9, 2017; Nikkei Veritas)

### **A customer-oriented business operation (as a fiduciary duty)**

“Fiduciary duty” refers to the obligation borne by fiduciaries under trust agreements and other agreements in common law. It is important for all financial institutions that engage in the sale of financial instruments, advice, product development, asset management, investment to recognize their respective roles and strive for customer-oriented business operations in the interest of stable asset formation for Japanese customers. It is considered problematic that this is not necessarily the reality of the business operations of Japanese financial institutions

b. Strongly promoting the shift “from Savings to Asset Formation”



## Why the Shift “from Savings to Asset Formation” has not Progressed in Japan?

It may be primarily because the customer-oriented financial products have not yet been offered, as most Japanese investment trust management companies are affiliates of securities and banks which sell their own products

(e.g.) Japan and U.S. comparison of well-selling investment trusts

Rank	Primary investment target	Investment type	Settlement periods	Average sales commission (Tax excluded)	Annualized trust fee average (Tax excluded)	The last decade average of annualized rate of returns	
Japan	1	US REIT	Active	Monthly	3.20%	1.53%	-0.11%
	2	Global REIT	Active	Monthly			
	3	US REIT	Active	Monthly			
	4	Global stocks	Active	Monthly			
	5	US lower-rated bonds	Active	Monthly			
U.S.	1	US stock index	Index	Quarterly	0.59%	0.28%	5.20%
	2	World stock index (except for the U.S.)	Index	Quarterly			
	3	US stock index	Index	Quarterly			
	4	US stocks	Index	Yearly			
	5	US bond index	Index	Monthly			

# Expectations for Asset Management as a Growth Strategy

## -An Earnest Move to Shift “from Savings to Asset Formation”-



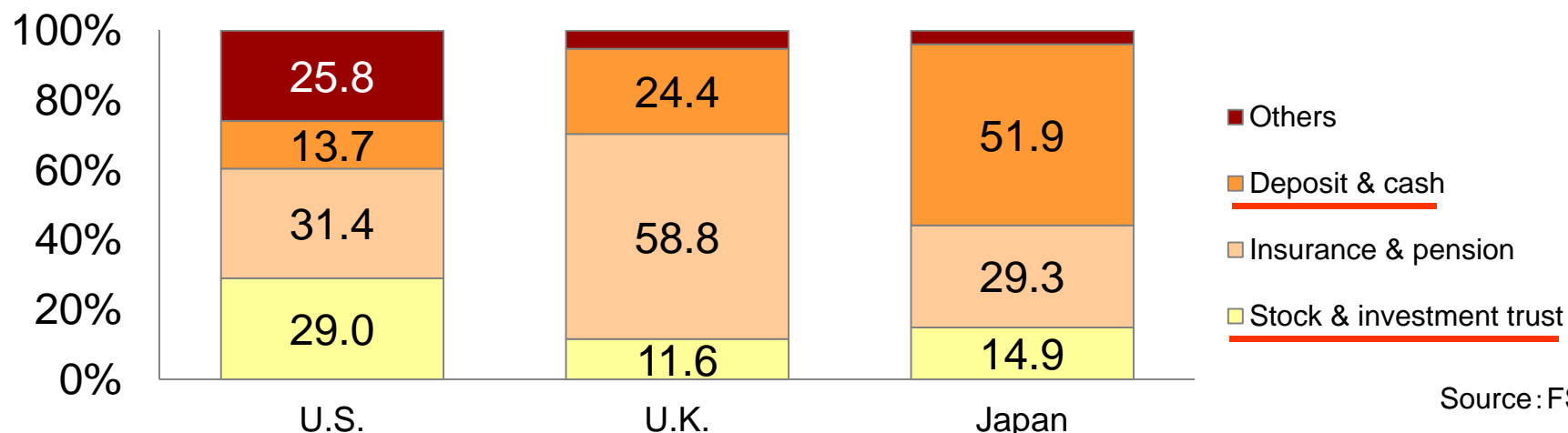
### 2016-2017 Strategic Directions and Priorities (published Oct. 2016)

Key policies for “increasing the welfare of the Japanese people through the sustainable growth of corporations and the economy and stable asset formation”

- Strive for a “shift to financial flows that realize stable asset formation by the people” and undertake “promotion of long-term, cumulative diversified investments by households” and “establishment and inculcation of customer-oriented business operations by financial institutions, etc. (fiduciary duty).”
- “FinTech developments are expected to substantially change the shape of finance,” and existing financial institutions are expected to “upgrade their settlement infrastructure and utilize new financial technologies” for “transformation of the finance industry and markets through advancement of IT technologies.”

### Household financial asset composition ratio of each country

(as of the end of 2015)

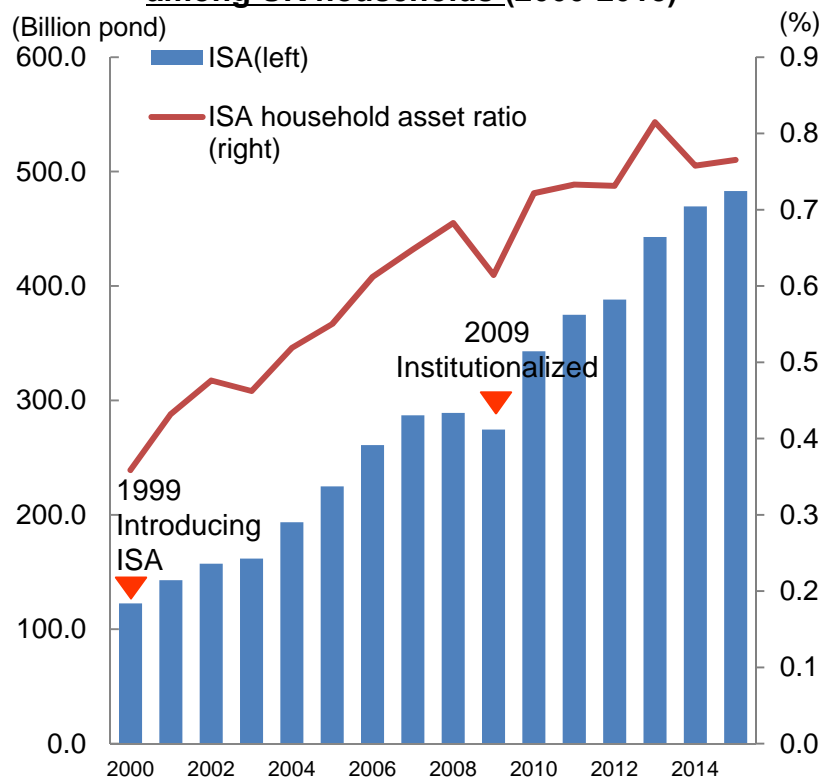


Source: FSA

As asset management reforms continue, more approaching the asset formation structure of the U.S. and the UK

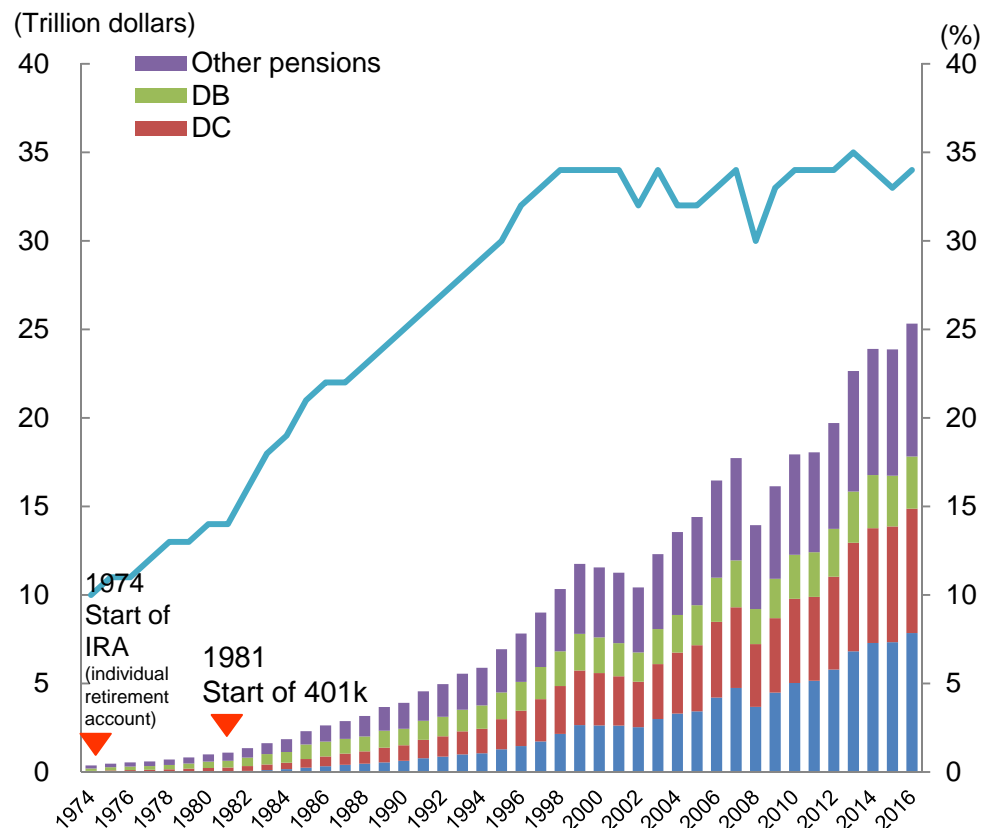
# Acceleration of Individual Asset Formation through the Introduction of Private Pension Plans in the UK and the U.S.

**Trend in balance of ISA (Individual Savings Account) among UK households (2000-2015)**



Source: Office for National statistics "Occupational Pension Schemes Survey, 2015," and The Japan Securities Dealers Association "About such as operational situation of the UK's ISA"

**Trend of U.S. household pensions (1974- 2016)**



Source: Investment Company Institute "The U.S. retirement market, fourth quarter 2016"

**The SBI Group is also aggressively expanding its businesses related to NISA and iDeCo, which are supported by the government as an initiator to promote the nation's stable asset formation**

- c. The SBI Group's focus on developing and promoting strategic products and services for the new financial era**
  - (1) NISA (Tax exempt system for small investment)**
  - (2) iDeCo (Individual Defined Contribution Pension)**
  - (3) Supporting the neophyte investors' asset formation**



# SBI SECURITIES has Succeeded in Acquiring New Customers for NISA, and Continues a Steady Increase



(Mar. 2017)	SBI *1	kabu.com	Matsui *1	Nomura *1	Daiwa
No. of NISA accounts *2	<u>970,000</u>	140,000	120,000	1,750,000	780,000

\*1 Includes the number of Junior NISA accounts \*2 Amounts are rounded to the nearest JPY 10 thousand.

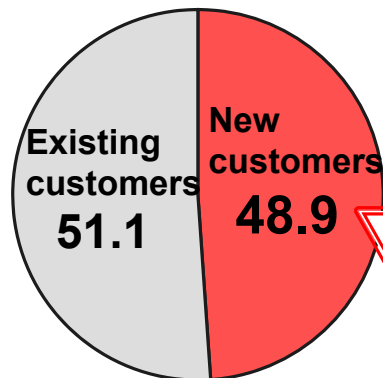
\*3 The number of accounts are as of the end of Mar. 2017, compiled by SBIH from the information on website of each company

**SBI SECURITIES' number of Junior NISA accounts reached 26 thousand accounts as of Mar. 2017, accounting for approx. 30% of the ten major securities firms' Junior NISA accounts**

## Comparison of NISA's Customer Attributes

### SBI SECURITIES(%)

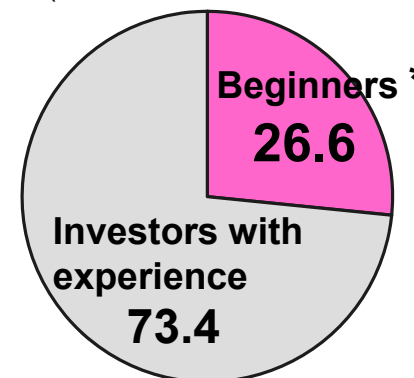
(As of the end of Mar. 2017)



Number of new customers opening NISA accounts account for **49%**, and within that **66.5%** are beginner investors

### Entire Securities Industry (%)

(As of the end of Dec. 2016)



\* "Beginners" represent investors who opened their accounts after Apr. 2013

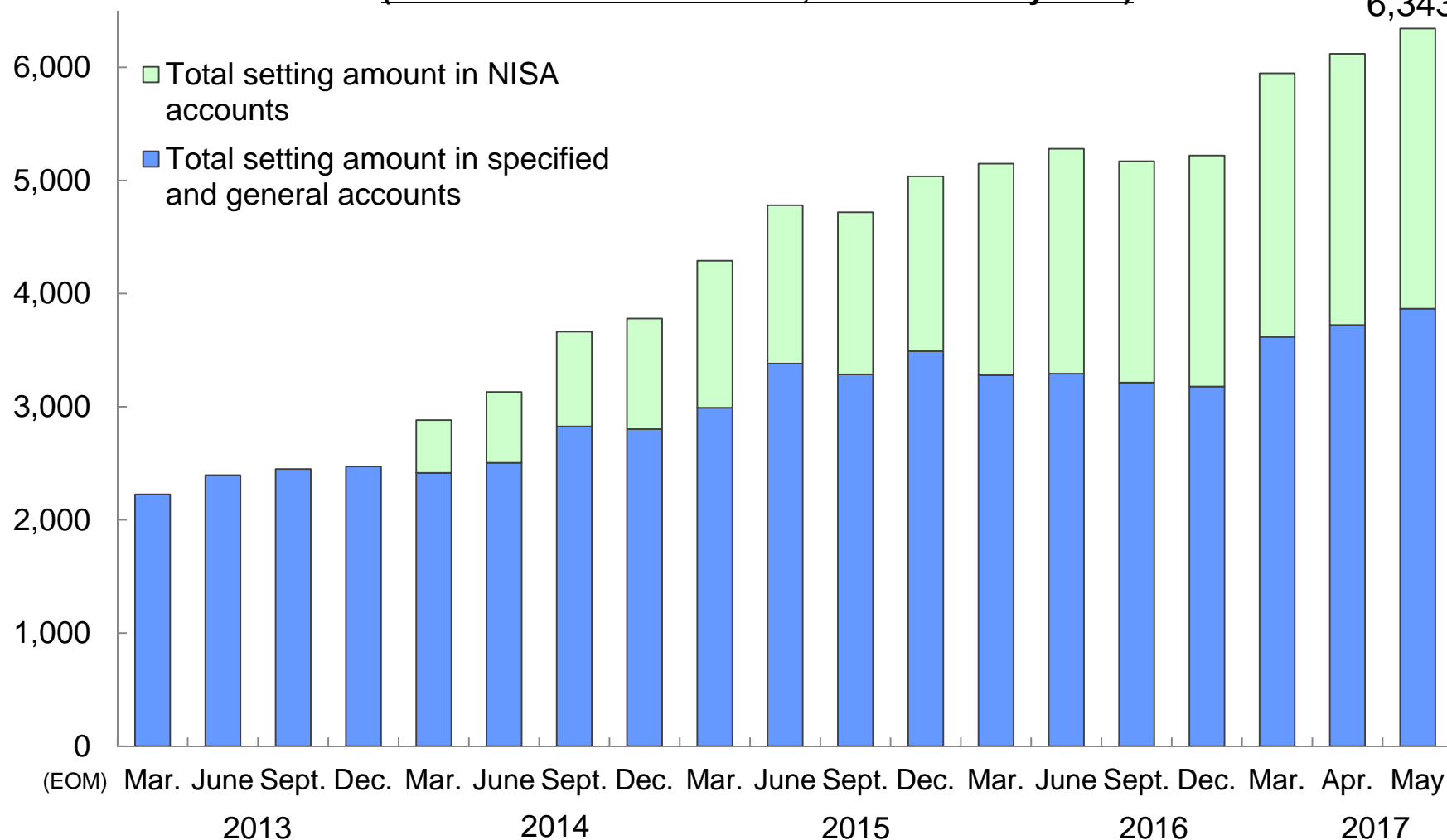
Source: JSDA

■ Active account ratio of **65.3%** (Among the entire securities industry, the ratio is **60.7%**)

# SBI SECURITIES' Monthly Total Periodic Investment Trust Setting Amount Exceeded JPY 6bn in Apr. 2017

**Ceiling for Periodic Investment Trust Setting Amount**  
(as of the end of each month; Mar. 2013 - May 2017)

(JPY million)



## (2) Further Strengthening the Individual Defined Contribution (iDeCo) Pension Business

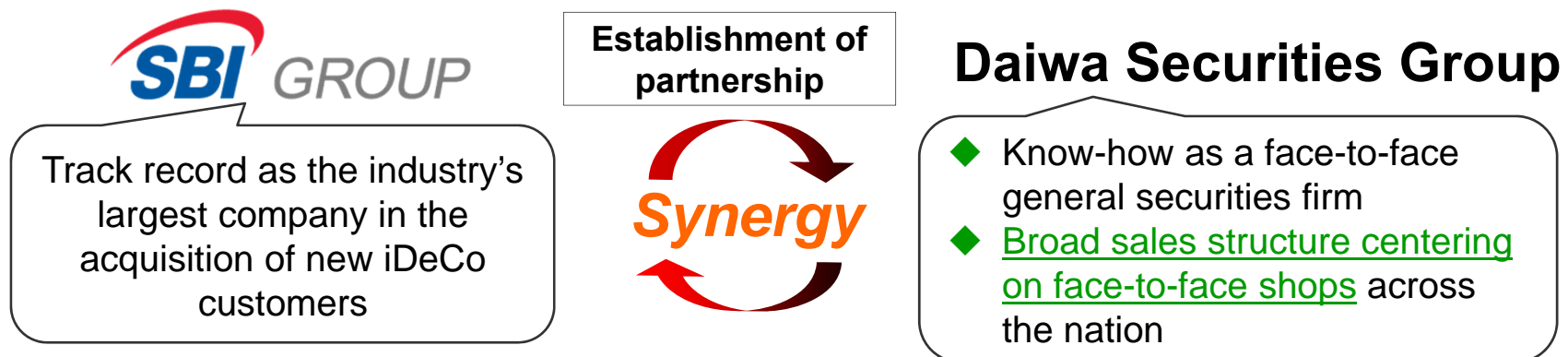
From Jan. 2017, almost all active working generations, including public employees and housewives over 20 years old and under 60 years old, are able to join, resulting in the expansion of the expected market size from [approx. JPY 1.2tn, as of the end of Mar. 2016, to JPY 6tn in the next 10 year period](#) (according to FIL Investments)

- ◆ SBI SECURITIES' **administrative fees** are **completely free of charge** from May 19, 2017

In order to encourage more individual investors to continuously use iDeCo on a low cost basis, SBI SECURITIES **waives account management fees, the enrollment fee and fund transfer fees**, regardless of the pension assets balance, **for all customers**

**The number of applications received one week after the waiver of the fees increased by 60%, as compared to the week before the fee waivers**

- ◆ In order to further expand the iDeCo market, also offers products with high customer benefits, through the [integration of the management resources of the Daiwa Securities Group and the SBI Group](#)



# Expansion of Service to Promote Utilization of iDeCo

- **Providing “SBI-iDeCo Robo”** to support the selection of investment products for iDeCo plan

Efforts to support neophyte investors to comfortably make important asset formation decisions for eventual retirement

By answering simple questions such as age, investment experience and risk orientation, a recommended investment style is suggested

Selection of customer’s interested financial product categories

Suggests 1-3 specific investment products



“SBI-iDeCo Robo” screenshot

- **Established “iDeCo online,” a site dedicated to individual defined contribution pension (iDeCo) for women** considering asset formation

- Posts articles that explain in an easy-to-understand manner, iDeCo’s institutional content, and how to start and operate iDeCo
- Planning the posting of many useful articles for women regarding future asset formation



### (3) Supporting the Neophyte Investors' Asset Formation



#### ① SBI SECURITIES

#### -Partnering with WealthNavi-



WEALTHNAVI

(Venture investee company of the FinTech Fund)

- Approx. 80% of SBI SECURITIES' new customer accounts are neophyte investors (Aggregated data for Apr. 2016 - Mar. 2017)
- According to a questionnaire, the majority of SBI SECURITIES' customers answered that they would like to use robo-advisors



WealthNavi for SBI SECURITIES

Partnering with WealthNavi, launched "WealthNavi for SBI SECURITIES," a customized robo-advisors service on Jan. 31, 2017

- ✓ A leading-edge asset management service for investors who desire medium- and long-term stable asset growth that automates all asset management processes based on a highly objective and transparent financial algorithm
- ✓ The handling fee is low, levied at an annual rate of 1% of the account balance, and simple, with no other fees required

**Combined balance of customer assets with "WealthNavi for SBI**

**Sumishin Net Bank" → Exceeded JPY 10bn** (as of June 11, 2017)

(SBI SECURITIES: approx. JPY 8.0bn in four months; SBI Sumishin Net Bank: approx. JPY 2.0bn in three months)

**Approx. 20,000 applications received in total**

SBI SECURITIES is preparing a partnership with MONEY DESIGN Co., Ltd.

### (3) Supporting the Neophyte Investors' Asset Formation



#### ② SBI SumishinNet Bank

-New Asset Management Service Based on Objective and Highly Transparent Financial Algorithms through a Collaboration with WealthNavi-

住信SBIネット銀行

SBI Sumishin Net Bank



WEALTHNAVI

(Venture investee company of the FinTech Fund)

Launched “WealthNavi for SBI Sumishin Net Bank,” a customized robo-advisors service on Feb. 28, 2017

- ◆ Implementation of a direct login from SBI Sumishin Net Bank’s website to WealthNavi’s website through SSO (Single Sign-On)
- ◆ As the first Japanese bank, provides a prompt identity confirmation that utilizes API

WealthNavi launched the “Mametasu,” a small amount asset management app that conducts asset management through automatically accumulated funds that are the equivalent to change resulting from daily spending (from May 24, 2017)

\* Currently available only to customers who have a “WealthNavi for SBI Sumishin Net Bank” account, and have registered for the automatic funding

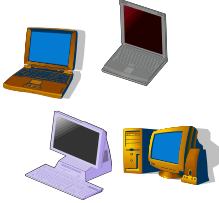


## ③ The integration of the “online” and “face-to-face” services




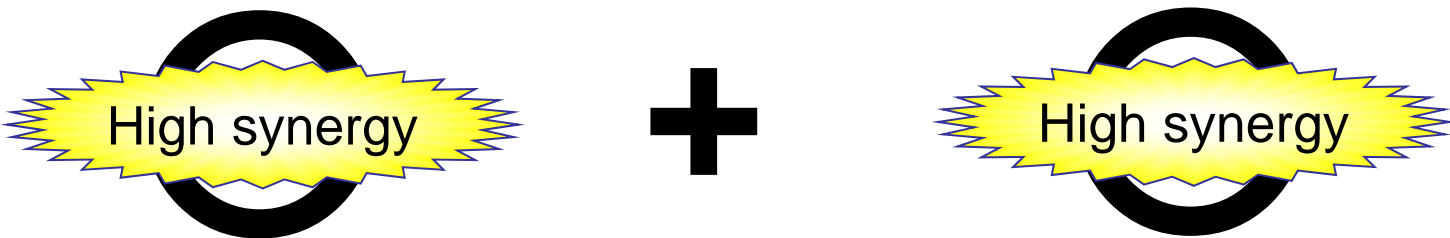
# Business Structure Utilizing the Strengths of Both Online and Face-to-face Channels

**Online**




**Strength: Ability to attract customers**  
(Stock trading/Deposit/Mortgage loan/Auto insurance, etc.)

**Individual investors**

**Face-to-face**



**Strength: Sales force, Product explanation capability**  
Face-to-face sales  
Wholesale unit

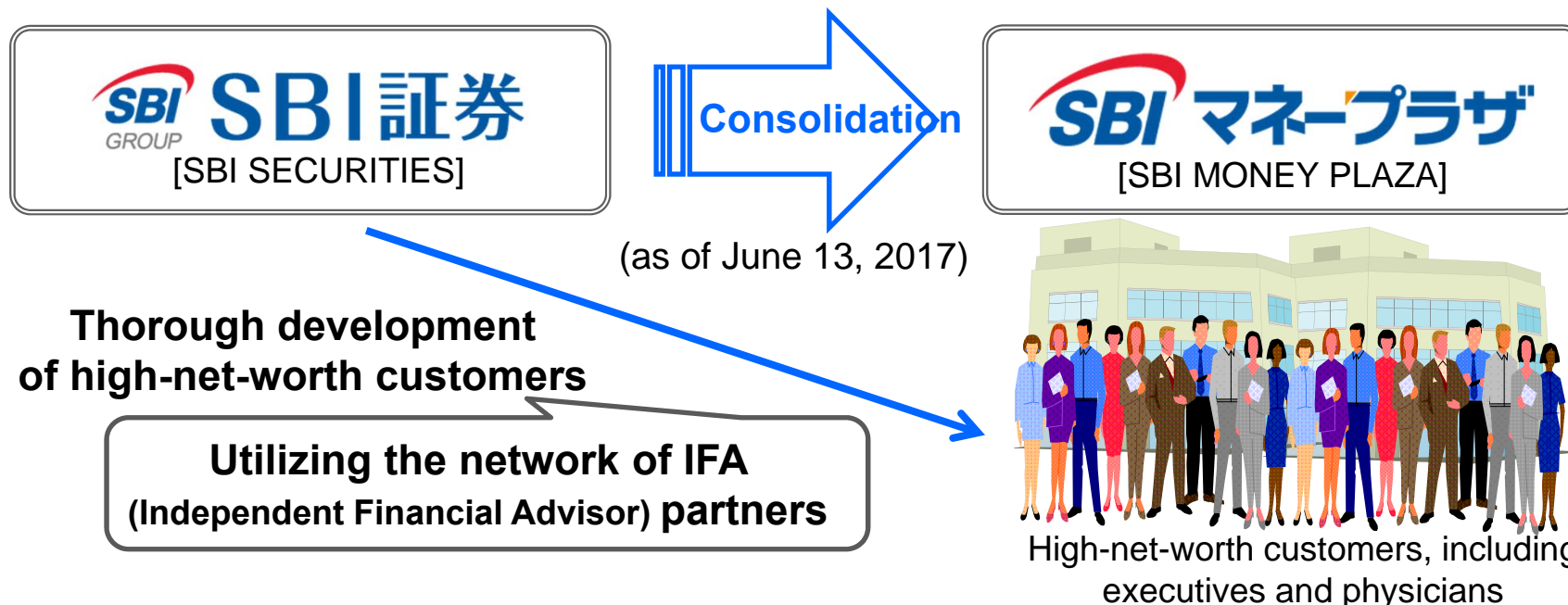
**Strength: Fund-raising capability, Investment acumen**  
Investment management unit,  
such as dealers




## **Case study of the SBI Group's integration of online and face-to-face services:**

- i. At SBI SECURITIES (online), further strengthening wealth management, in accordance with the consolidation of SBI MONEY PLAZA (face-to-face)**
- ii. Strengthening the sales power of the Group's products (online) by SBI MONEY PLAZA (face-to-face)**
- iii. Diversification of asset management (face-to-face) at SBI Sumishin Net Bank (online)**
- iv. SBI Life Insurance utilizes both online and face-to-face channels to distribute its insurance products**
- v. Strengthening asset management structure to develop (face-to-face) and distribute (online) new products**

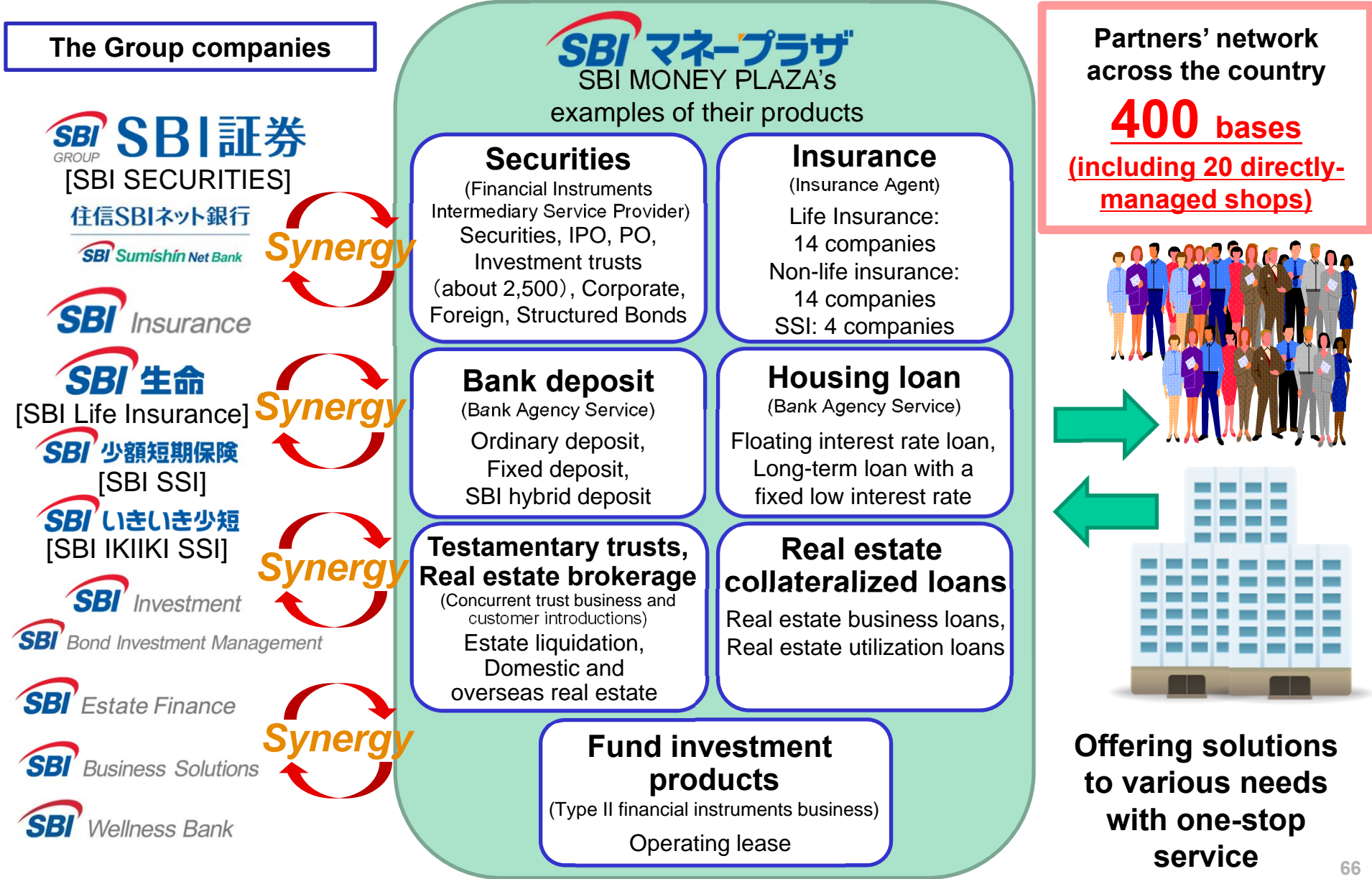
# At SBI SECURITIES, Further Strengthening Wealth Management, in Accordance with the Consolidation of SBI MONEY PLAZA



As SBI SECURITIES moves toward becoming a general securities firm, with the further strengthened collaboration with SBI MONEY PLAZA, which provides the ability to respond to needs such as business succession, inheritance and donation services, a [continued diversification and development of additional high-net-worth individual customer base becomes possible, and the diversification of customer base will proceed](#)

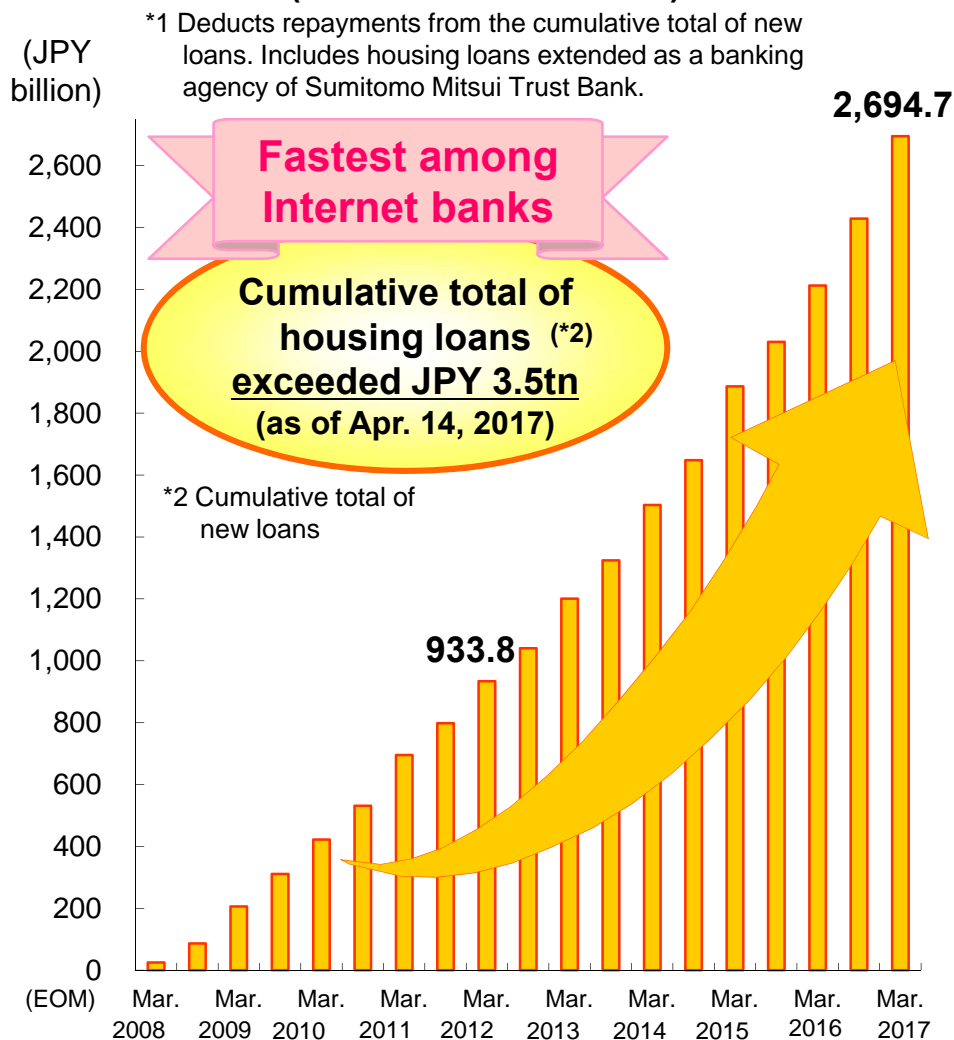
 Maximum utilization of SBI MONEY PLAZA's sales network centering on high-net-worth customers will [lead to an expansion of SBI SECURITIES' corporate business](#)

# SBI MONEY PLAZA is Expanding Its Handling of Products, in Order to Meet Customers' Various Needs



# SBI Sumishin Net Bank's Housing Loan Business is Diversifying Its Asset Management through its Parent Company Sumitomo Mitsui Trust Bank and Other Affiliated Face-to-face Shops

## Change in Balance of Housing Loans \*1 (Mar. 2008 - Mar. 2017)



## 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)
- Face-to-face service counter specialized product "MR. Housing Loan REAL" (from Mar. 2015)

-  "SBI MONEY PLAZA"
- **A R U H I**
- "Shinjuku Loan Plaza" operated by GOOD MORTGAGE Co., Ltd.

### 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)

Case study (iv): Utilizing both the online and face-to-face channels to sell life insurance products  
**SBI Life Insurance Fully Utilizes Group Synergies, such as the Face-to-face Channel, to Sell Whole Medical Insurance, Term Insurance, and Group Credit Life Insurance**



	[Internet channel]	[Face-to-face channel]
<b>Group companies</b>	<p> <b>SBI証券</b> [SBI SECURITIES] Number of accounts: 3,840 thousand</p> <p> <b>SBI損保</b> [SBI Insurance] Number of contracts: 937 thousand</p> <p> <b>SBI いきいき少額短期保険</b> [SBI IKI IKI SSI] Number of customers: 570 thousand</p> <p> <b>SBI リスタ少額短期保険</b> [SBI SSI] Number of customers: 150 thousand</p> <p> <b>日本少額短期保険株式会社</b> [Nihon SSI] <small>Nihon Small amount &amp; Short term Insurance Co., Ltd.</small> Number of customers: 509 thousand</p> <p> 住信SBIネット銀行 <small>SBI Sumishin Net Bank</small> Number of accounts: 2,827 thousand</p> <p> 保険の窓口 インズウェブ [InsWeb] Number of contracts: 8,514 thousand</p>	<p><b>Face-to-face insurance shop</b></p> <p> <b>SBI マネープラザ</b> [SBI MONEY PLAZA] Hoken Minaoshi Honpo (Operated by the subsidiary of NEWTON FINANCIAL CONSULTING, Inc.)</p> <p>Mitsubachihoken (SBI's shareholding percentage of its operating company: 14.02%)</p> <p><b>Call center</b></p> <p><b>NEWTON FINANCIAL CONSULTING, Inc.</b> (SBI's shareholding percentage: 20.93%)</p> <p><b>Financial Agency Inc.</b> (SBI's shareholding percentage: 37.93%)</p>
<b>Specific measures</b>	<ul style="list-style-type: none"> <li>➤ Utilize their mail magazine</li> <li>➤ Publish introductory content on their HP</li> <li>➤ Implement cold call (SBI Insurance, SBI IKI IKI SSI)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Hold seminars (SBI MONEY PLAZA)</li> <li>➤ Raise sales agents' product recognition through training, etc.</li> </ul>

\*1: SBI's shareholding percentage corresponds to a total percentage, which include dilutive shares, based on the IFRS criteria for subsidiary companies and subsidiary funds of the Group (As of Mar. 31, 2017)

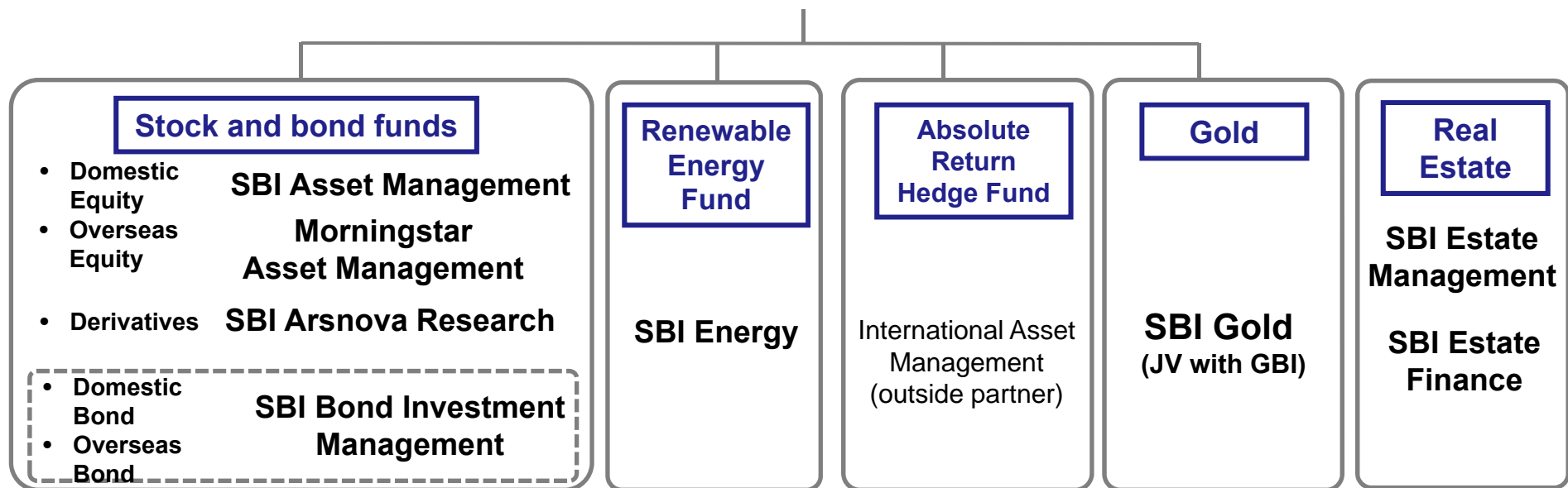
\*2: The numbers of accounts, contracts and customers are as of the end of Mar. 2016

Case study (v): Strengthening asset management structure to develop and distribute new products



# Asset Management Services Business has Nearly Completed the Construction of its Business Structure, to Further Promote the Diversification of Investment Products

## GLOBAL ASSET MANAGEMENT



**Individual Investors**



**Institutional Investors**





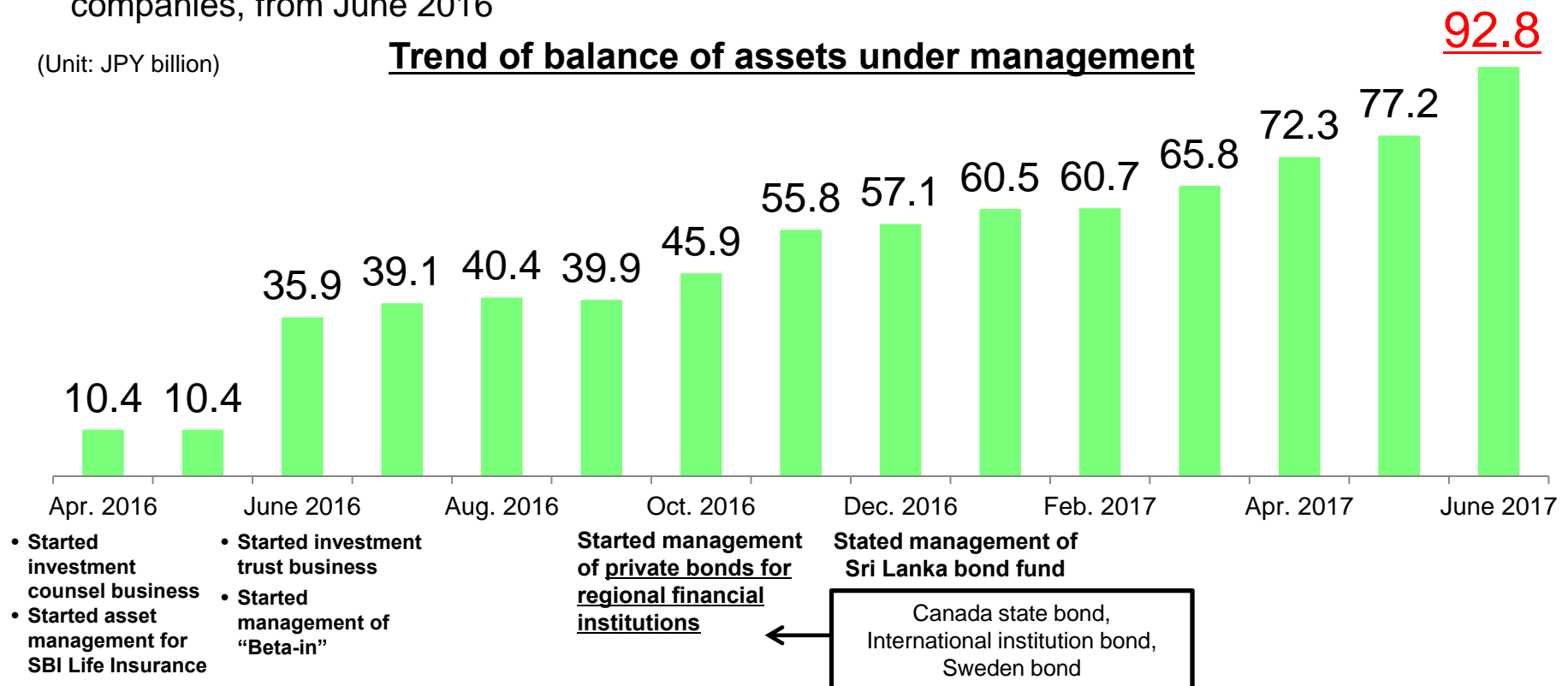
# SBI Bond Investment Management (co-founded with PIMCO) has Steadily Increased Its Balance since the Start of Operations in Apr. 2017

**SBI** 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
- With the registration as an investment management business completed in Mar. 2016, initiated the establishment and management of a publicly offered investment trust, “SBI-PIMCO Japan Better Income Fund (Beta-in),” which invests in foreign currency denominated bonds issued by Japanese companies, from June 2016

(Unit: JPY billion)

**Trend of balance of assets under management**



## ④ From Japan's SBI to the World's SBI



# Investment Business in China was Initiated in 2005



In order to minimize China risk, jointly established a fund with a local partner



**TEMASEK**  
**HOLDINGS**

A governmental investment institution in Singapore

**Established in May 2005**

**New Horizon Fund**  
(Total commitment amount: USD 100m SBI Group's shareholding:50%)

## <Investment Performance of New Horizon Fund as of the end of Mar. 2017>

(Unit: companies)	Portfolio investees	EXITed investees	Multiple (X)	IRR
Fund 1	11	11	6.9	79%
Fund 2 (in operation)	19	16	3.0	26%
Fund 3 (in operation)	19	8	2.1	20%

# Accelerate Investments into China, through JV Funds with Universities



An investee subsidiary  
of Tsinghua University  
Group

**SBI & TH VC Fund** (Established in Jan. 2008)

**Total commitment amount: USD 34.5m**



Strategic investment division  
under Beijing University  
Group

**SBI & BDJB China Fund**

**Total commitment amount: USD 100m**



Industry group  
under the aegis of  
Fudan University

**Fudan University Fund**

(Established in June 2012)

**Total commitment amount: USD 33.5m (offshore)**

**: USD 18m (onshore)**



Large state-owned information  
company directly under the  
Shanghai Municipal  
Government

**Shanghai Yidian Fund**

(Established in Dec. 2016)

**Total commitment amount: USD 33m**

## In South Korea, SBI Investment KOREA (formerly Korea Technology Investment) was Absorbed as an Equity Method Affiliated Company in 2010, to Expand Investments



- For funds that were decided to be established in 2016, the total amount of capital commitment for the funds on a cumulative basis reached approx. KRW 346.0bn (approx. JPY 31.1bn)
- Invested approx. KRW 106.6bn (approx. JPY 9.5bn) in South Korean venture companies last year

\* KRW1 = JPY 0.09

**SBI Investment Korea received each of these prizes upon the evaluation of its investment performance results**



**2017 Korea Venture Capital Awards (announced in Feb. 2017)**

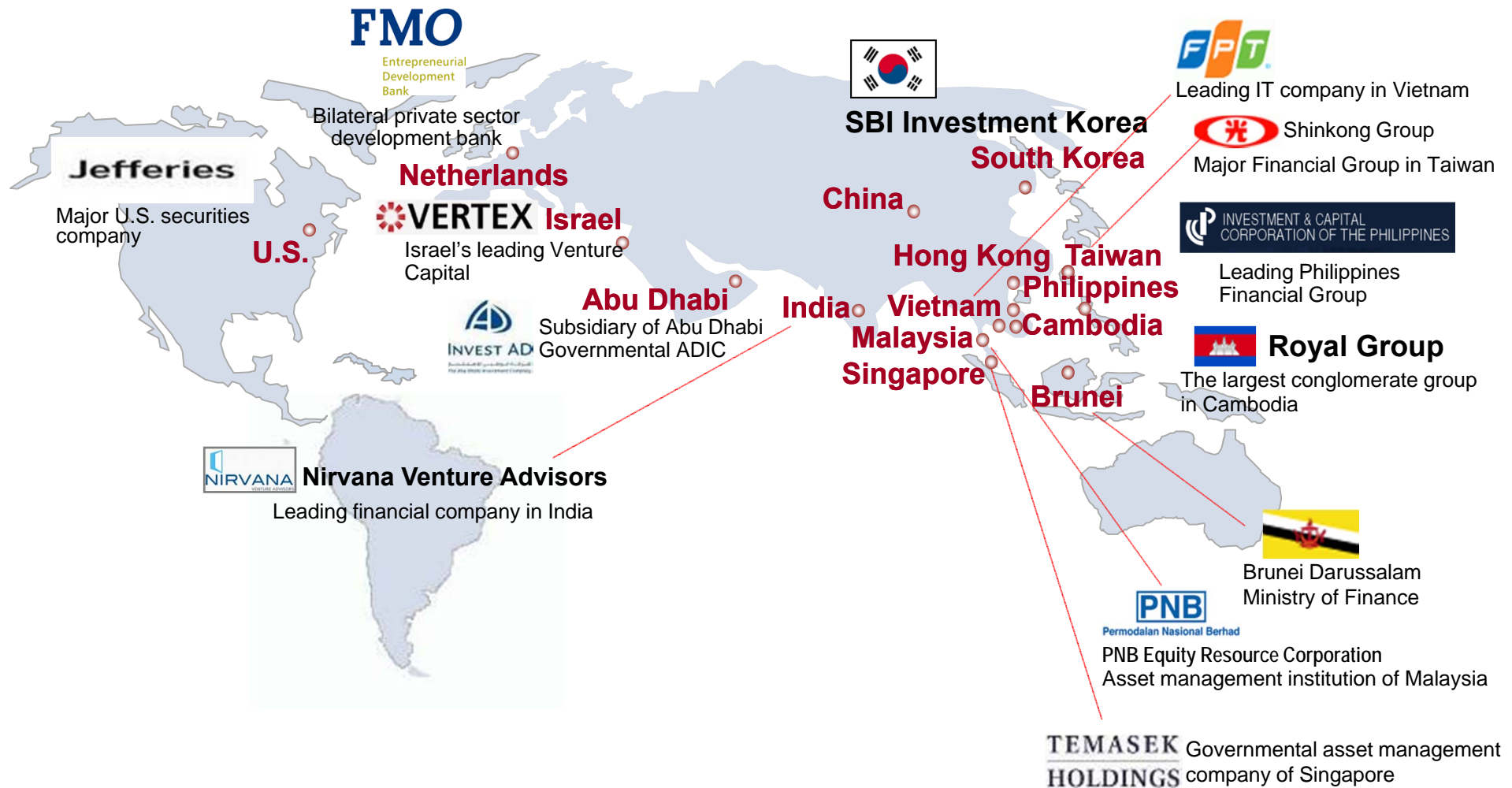
**Won the Best Venture Capital House Award**



**2017 Korea Venture Investment Summit (announced in Feb. 2017)**

**Won the Small and Medium Business Administration Award (Maximum Investment Department)**

# Establishing a Global Investment Structure through the Formation of JV Funds with Prominent Local Partners Around the World



# Continued Fund Raising Promotion Focused on the Asian Region



- In Taiwan and Brunei, started operation of No. 2 Fund



**SBI & Capital 22 Fund No.2** (Established in Apr. 2016)  
Total commitment amount: USD 22.5m



**SBI-Islamic Fund No.2** (Established in Oct. 2016)  
Total commitment amount: USD 60m

- Started operation of a new fund with Vertex, a venture capital in Israel



**SBI JI Innovation Fund LP** (Established in Dec. 2016)  
Total commitment amount: USD 30m

**Furthermore, in preparation for the establishment of the Israel ICT Investment Fund, which will be jointly managed by several leading partners**

# Successful Cases of Direct Investments in Asian Financial Institutions where High Growth is Expected ①: China



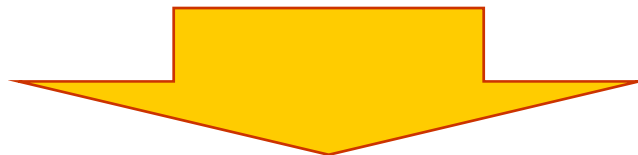
## Tianan Property Insurance Co. Ltd.



Invested approx. JPY 4.6bn (June 2011)

SBI Group's shareholding at time of investment: 5.74%

- ◆ Established in 1994
- ◆ Ranks among the top 10 P&C insurance companies in mainland China for insurance premium income
- ◆ Provides various insurance services including auto insurance



Already recovered approx. JPY 2.3bn by selling approx. 20% of the shares held

# Successful Cases of Direct Investments in Asian Financial Institutions where High Growth is Expected ②: South Korea



**E\*TRADE Korea** Invested approx. JPY 4.3bn, including capital increase

Dec. 1999: Established as the first Internet pure-play securities company in South Korea  
June 2004: Acquired by the SBI Group  
Feb. 2007: Listed on the KOSDAQ market in South Korea  
Sep. 2008: Gained approx. JPY19.7bn of profit on sales of investment securities through stock transfer

**Investment return: 4.58x**



**Kyobo Life Insurance**



Feb. 2007: Acquired 4.99% of issued shares (approx. JPY18bn)  
Sept. 2007: Gained approx. JPY 21.3bn of profit on sales of investment securities through stock transfer

**Investment return: 1.18x**

# Successful Cases of Direct Investments in Asian Financial Institutions where High Growth is Expected ③: Cambodia



ធនាគារ ភ្នំពេញ ពាណិជ្ជ  
Phnom Penh Commercial Bank

- ◆ Invested in Phnom Penh Commercial Bank when it opened in Sept. 2008
- ◆ Invested approx. USD 22m



In 2016, sold the business to a consortium led by Jeonbuk Bank of South Korea

**(Investment return: approx. 2.5x)**



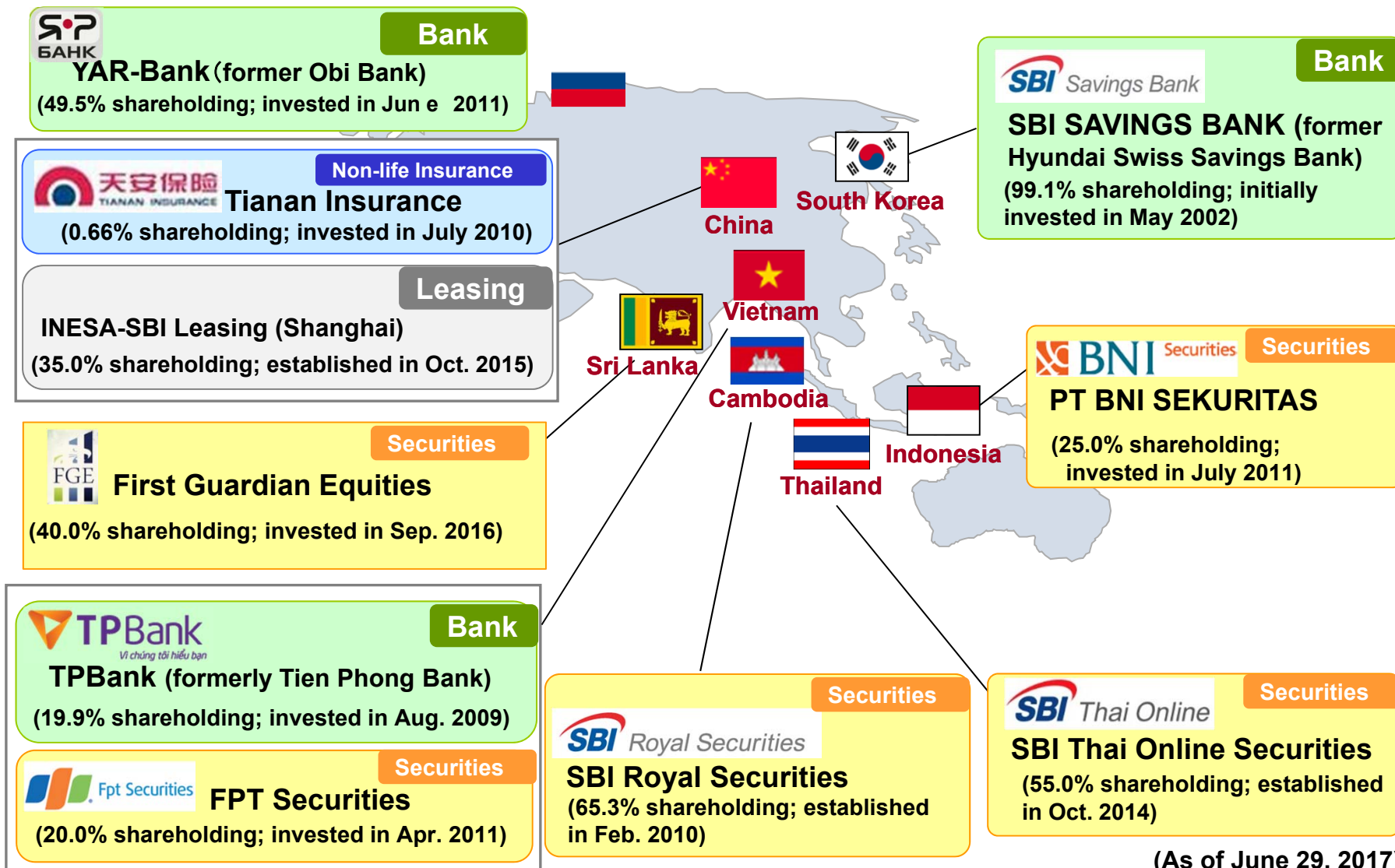
Royal Securities

- ◆ SBI Royal Securities is the only Japanese full-service general brokerage firm in Cambodia that has obtained a full license for the securities business from the Cambodian government.
- ◆ SBI Group's shareholding: 65.3% (As of June 2017)

SBI Royal Securities served as a lead manager for the IPO of Phnom Penh SEZ Co., Ltd in Mar. 2016 (fourth company to be listed in Cambodia), as did the Sihanoukville Autonomous Port, which itself was IPO'd on June 8, 2017 (fifth company to be listed), for which SBI Royal Securities also served as lead manager for the IPO, and will continue to promote its business as a lead manager, as well as its other services relating to initial public offerings



# Promote Financial Services Business in the Asian Region by Utilizing the Know-how Accumulated in Japan



(As of June 29, 2017)

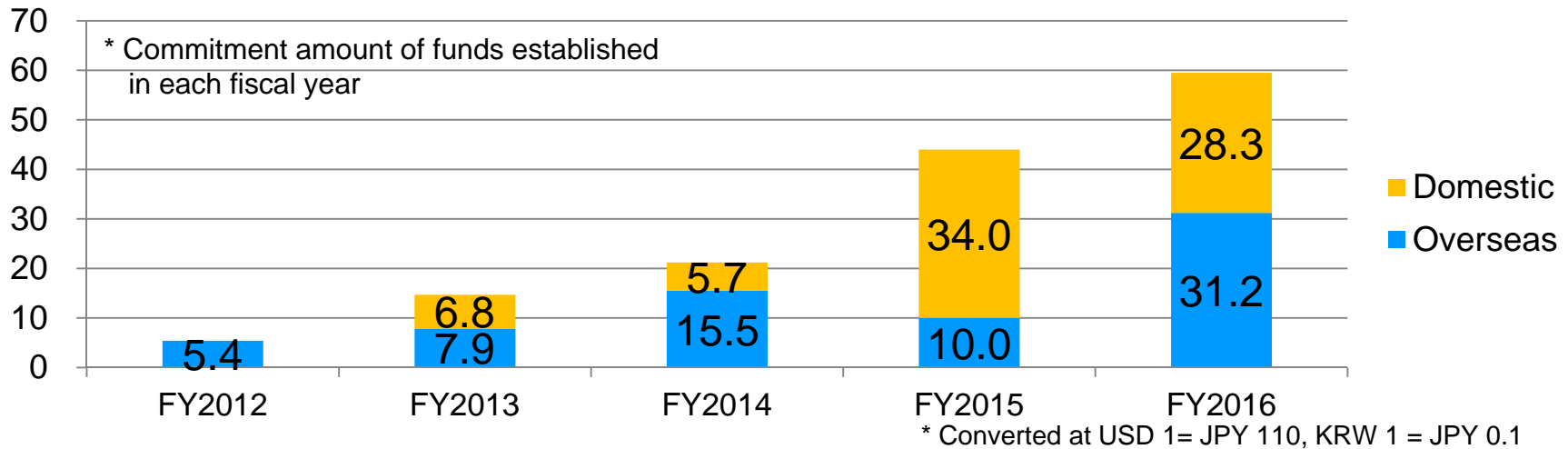
\* SBI's shareholding percentage corresponds to a total percentage based on the IFRS criteria for subsidiary companies and subsidiary funds of the Group

# The SBI Group's Trend in Assets Under Management

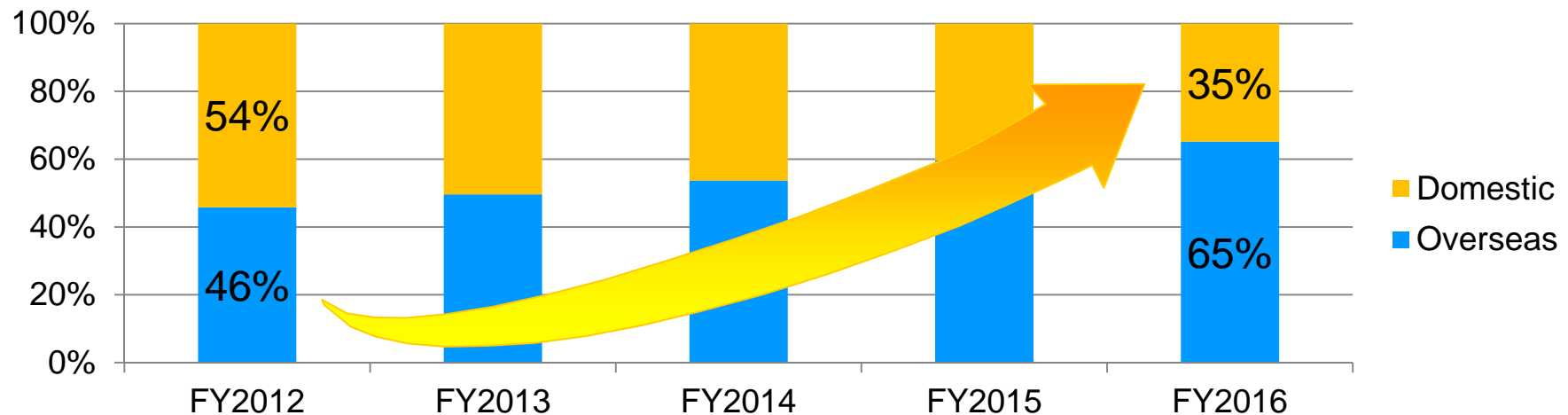


## The Group's portion of overseas assets under management expanded to 65%

(Trend in total commitment amount; JPY billion)



(Trend in percentage of domestic and overseas assets under management)

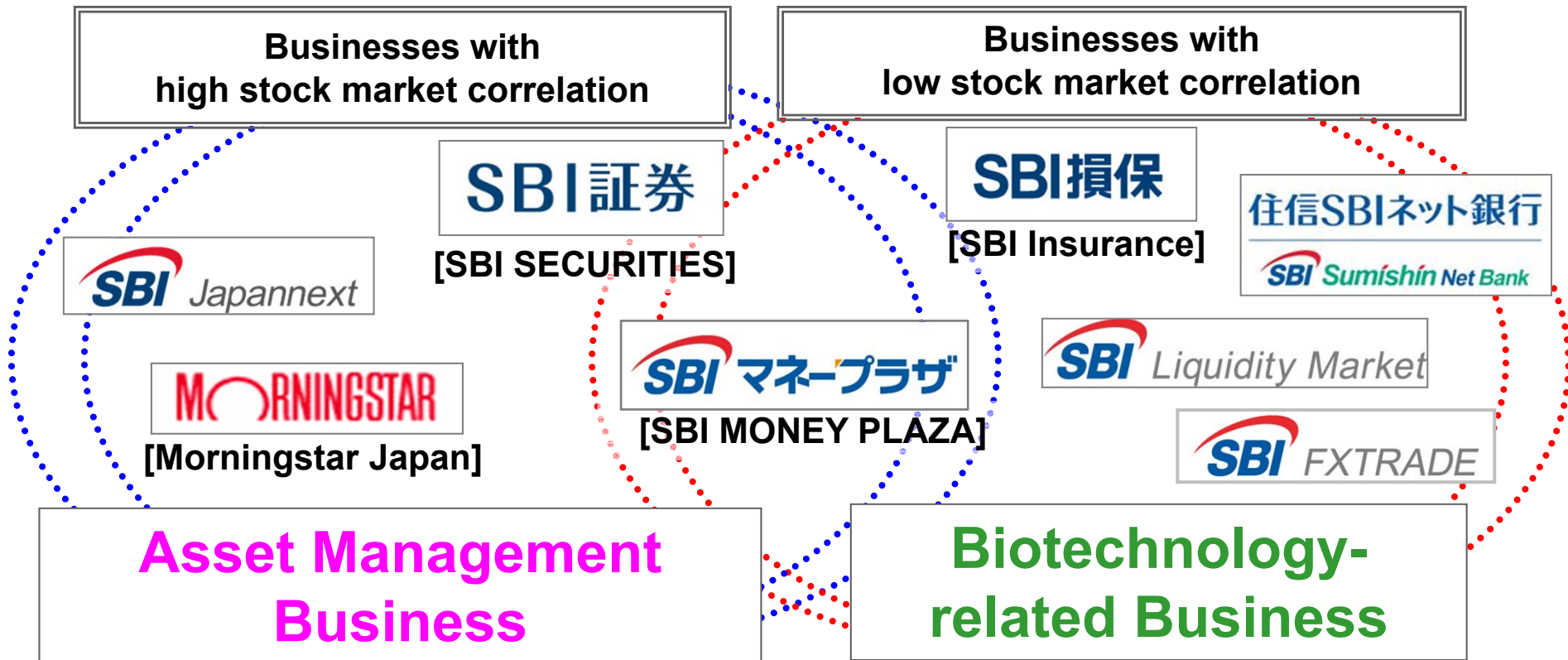


\* Calculated by the exchange rate as of the end of Mar. 2017

- ⑤ Establishing a business portfolio that breaks away from a stock market dependence**
  - i. In the Financial Services Business, along with advancing into the banking and insurance businesses, SBI SECURITIES has also diversified its revenue stream by developing and offering new services and products**
  - ii. In the Asset Management Business, by expanding the investment regions overseas, promoting a geographical risk diversification**
  - iii. Entry into different industries**
    - Entry into the Biotechnology-related Business–**

# Developing a Business Portfolio with Low Stock Market Correlation

Establishing a business portfolio consisting of businesses with both “high” and “low” stock market correlation



Exit from a business portfolio dependent on the stock market, to achieve steady profits

Additionally, each business has been diversifying its earnings sources, so as to minimize their stock market correlation



i. Advance into banking and insurance businesses in the Financial Services Business (SBI Sumishin Net Bank)



## Pure-play Internet Banks' Financial Results of FY2017

Unit: JPY billion

The number of accounts is in thousands.

	Date of operation started	Deposit amount	Balance of loans	Number of accounts	Ordinary income
<b>SBI Sumishin</b> (cons.)	<u>Sept. 2007</u>	 <b><u>40,061</u></b>	 <b><u>23,492</u></b>	<b><u>2,827</u></b>	<b><u>147</u></b>
<b>Daiwa Next</b>	May 2011	<b>31,937</b>	<b>5,589</b>	<b>1,213</b>	<b>36</b>
<b>Sony Bank</b> (cons.)	June 2001	<b>21,096</b>	<b>15,396</b>	<b>1,240</b>	<b>50</b>
<b>Rakuten</b> (cons.)	July 2001	<b>16,066</b>	<b>6,410</b>	<b>5,825</b>	<b>191</b>
<b>Jibun</b>	July 2008	<b>7,717</b>	<b>3,272</b>	<b>2,426</b>	<b>17</b>
<b>The Japan Net</b>	Oct. 2000	<b>6,847</b>	<b>620</b>	<b>3,492</b>	<b>29</b>

Note: Amounts are rounded to the nearest 100 million yen or thousand accounts. The number of accounts are as of the end of Mar. 2017.

i. Advance into banking and insurance businesses in the Financial Services Business (SBI Insurance)



## Comparison of Auto Insurance Premiums among Direct Insurance Companies

[Auto insurance premium comparison]

(JPY million)

	Date of operation started	FY2009		FY2012		FY2016
Sony Assurance	Sept. 1999	59,849	Sony Assurance	70,712	Sony Assurance	90,001
AXA GENERAL INSURANCE	July 1999	32,054	AXA	35,261	AXA	48,824
Mitsui Direct	June 2000	30,689	Mitsui Direct	33,830	Mitsui Direct	37,143
Zurich Insurance	July 1986*1	27,945	Zurich Insurance	30,126	Zurich	36,900
American Home Direct	Dec. 1960	17,365	American Home Direct	16,594	SBI Insurance	32,158
Sonpo 24	Mar. 2001	9,820	SBI Insurance	14,288	SAISON	28,599
SAISON AUTO-MOBILE&FIRE	Apr. 1983	8,202	Sonpo 24	11,810	E.design	25,723
SBI Insurance	Jan. 2008	4,713	SAISON AUTO-MOBILE&FIRE	7,990	Sonpo 24	13,132
E.design Insurance	June 2009	1,100	E.design Insurance	5,140		

\* Figures for E.design are net premiums written, those of others are direct net premiums written. (Source: Disclosure from each company and etc.)

\* Establishment of Japan Branch

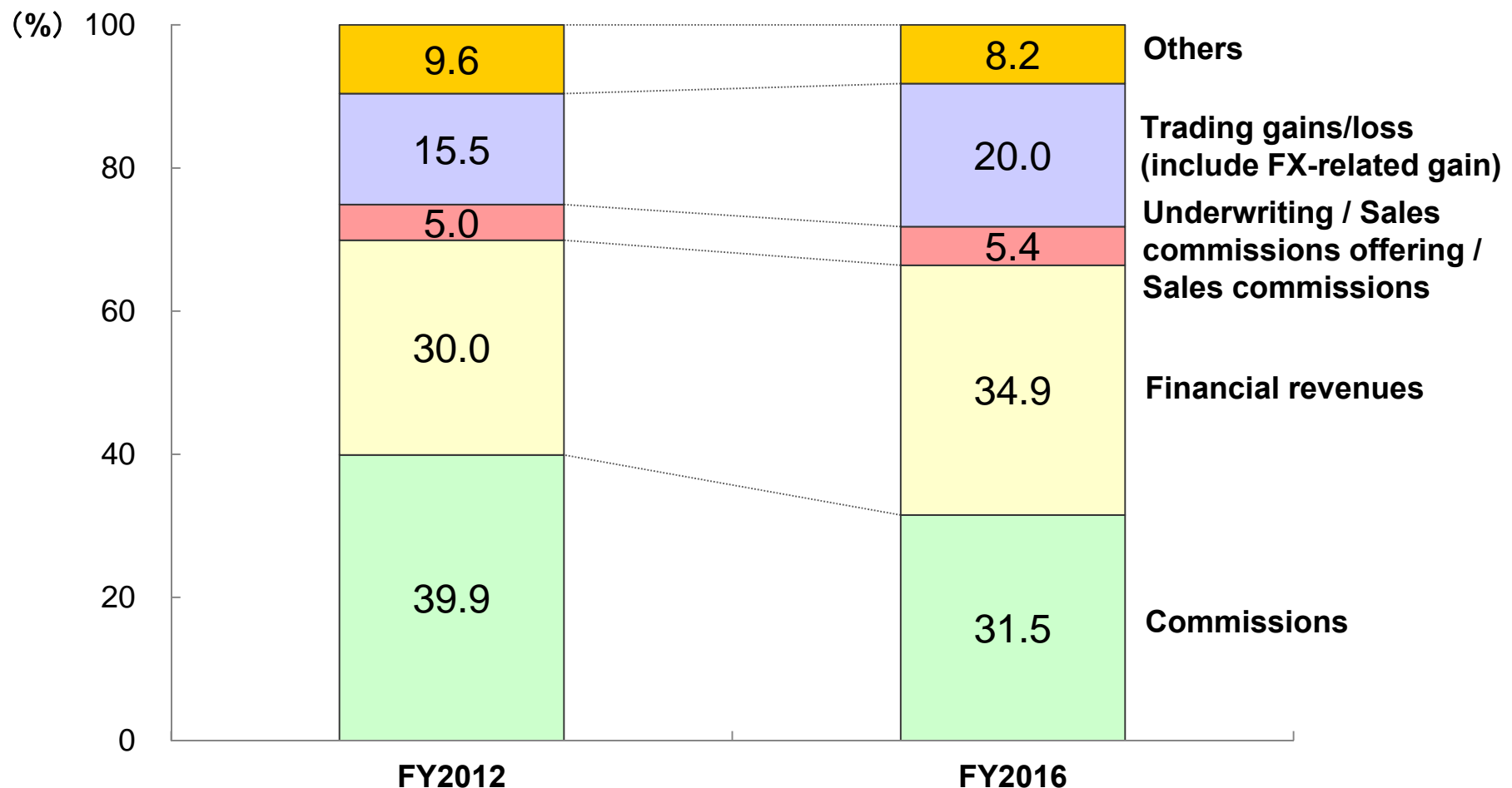
\* American Home Direct is excluded from the list, since it stopped sales activities for new contracts on Apr. 1, 2016

i. Diversification of revenue stream in the Financial Services Business (SBI SECURITIES)



## Changes in SBI SECURITIES' Operating Revenue Structure

Owing to the diversification of its revenue stream, dependence on stock brokerage commissions declined, and businesses other than stock brokerage commissions, such as financial revenues and trading gains/losses centered on the FX-related revenue have expanded

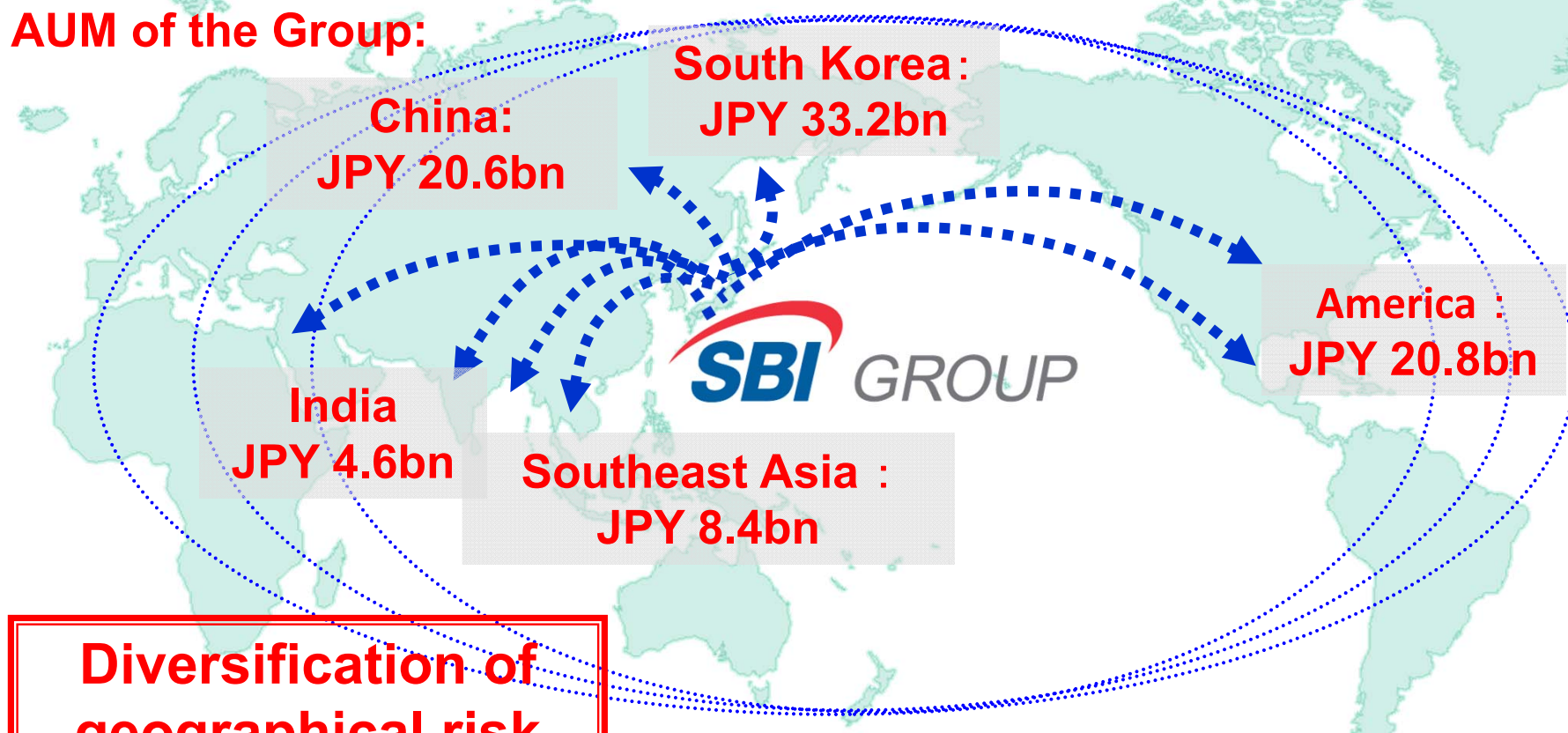


(Based on J-GAAP)



## ii. In the Asset Management Business, by Expanding the Investment Regions Overseas, Promoting a Geographical Risk Diversification

**AUM of the Group:**



**Diversification of geographical risk**

- Diversification of country risk
- Diversification of currency risk

**Developing businesses in several countries and regions allows working capital to be diversified**

\*The asset under management that is already invested as of the end of Mar. 2017. (Excluding cash and uncalled capital)



iii. Entry into different industries



## Entry into Biotechnology Business with Lower Linkage to the Stock Market

Entered the Biotechnology-related Business through the establishment of subsidiaries, to effectuate continued stable sustainable growth

Jan. 2007~

Enters drug creation business



Joint drug creation bio-venture firm with partners across Japan, the U.S., China, South Korea and Israel

Achieved the first full-year profitability in FY2016

Apr. 2008~

5-ALA (5-aminolevulinic acid) related businesses



The world's first pharmaceutical company engaged in the development of drugs, and the manufacturing and sales of cosmetics and health foods using 5-ALA

Achieved the first full-year profitability in FY2016



Distributor of cosmetics, health foods using 5-ALA (Apr. 2012~)

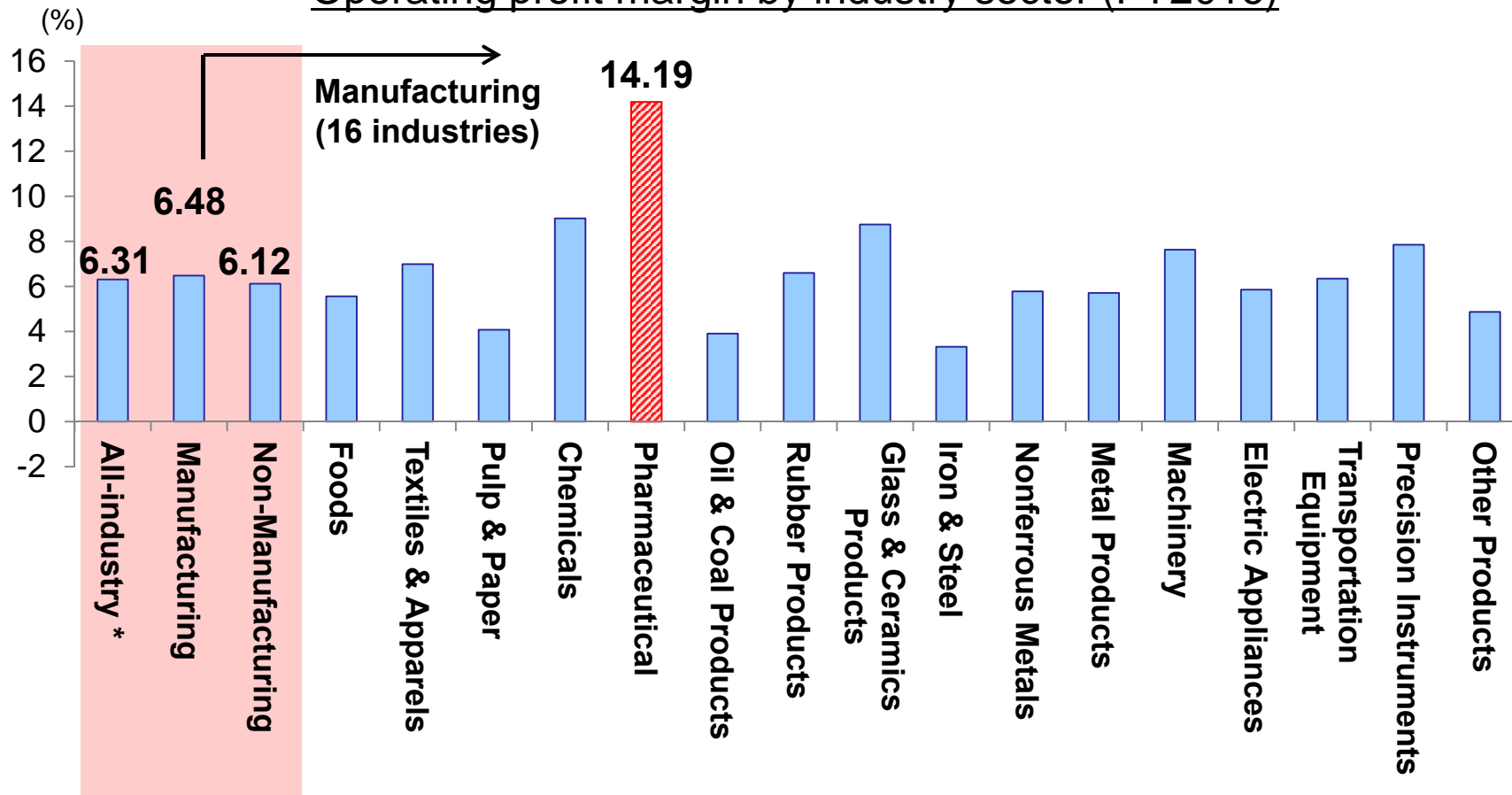
Expects to be profitable in FY2017

**With the 5-ALA-related business as the core, SBI Biotech and SBI Biotech's subsidiary Quark are preparing for their IPOs**

# The Pharmaceutical Business is a Defensive Sector Business with a Lower Correlation to Economic Trends, but with Higher Profit Margin Expectations

**Among the 16 industry sectors of Manufacturing, operating profit margin for Pharmaceuticals is at a high level of 14.19%**

Operating profit margin by industry sector (FY2016)



\* The aggregated number of all industries is 2,149 companies, which excludes 157 companies belonging to the financial business

Source: JAPAN EXCHANGE GROUP "Summary of Earnings Digests by Listed Companies"

# Expanding the Development Areas to Related Fields Centering on Strictly Selected Pipelines



## Mechanism that PPIX accumulates in cancer

Utilizing the mechanism that cancer cells can not metabolize 5-ALA to heme and **5-ALA accumulates as protoporphyrin IX (PPIX) in cancer cells**

### Development at the clinical phase

#### Diagnostic agent (PDD)

- ① Brain tumor: Launched
- ② Carcinoma vesicae: In application for production approval
- ③ Peritoneal dissemination of gastric cancer: Preparation for Phase III is underway

### Ongoing development themes

Additional treatment of other types of cancer

Development of photodynamic therapy (PDT)

#### Cancer screening by urinalysis (PDS)

Part of the accumulated porphyrin flows into body fluids such as blood and urine, so the presence or absence and size of cancer cells can be estimated by measuring the amount of porphyrin in body fluid

## Mechanism by which ALA is a raw material of heme

Application of cell activation and antioxidant effect produced by heme synthesized from 5-ALA incorporated into cells

### Development at the clinical phase

Mitochondrial diseases (Preparation for Phase III is underway)

Cisplatin nephropathy protection (Preparation for Phase II is underway)

Cardiac ischemia-reperfusion injury (Preparation for Phase II is underway)

Diabetes (Out-licensed)

Malaria infection (Out-licensed)

### R&D topics under way

Parkinson's disease

Alzheimer disease

Prevention of severe influenza

Diabetic nephropathy

## Progress of Business Projects with Neopharma and the Prospects for Contributions to SBI Pharmaceuticals

Projects	Current status	Expectations about future profitability
<b>Therapeutic drugs for diabetes</b> (to Neopharma)	Phase II/III clinical trials will be conducted at other overseas medical institutions →Phase II protocol will be approved soon	<b>Receipt of milestone payments after the start of Phase III</b>
<b>Therapeutic drugs for malaria infection</b> (to Neopharma)	Started development at the National Institute of Malaria Research in India in cooperation with Neopharma →Phase II protocol will be approved soon	
<b>Overseas sales</b>	Established a joint venture, “SBI Neopharma FZ-LLC,” in Dubai	<b>Plan to first launch health foods in the Middle East and Russia in 2Q FY2017</b>

# SBI ALA promo Expects to be Profitable in FY2017



## Examples of specific measures in the future:

- Further sales expansion of a hit product “ALA Plus Tou (Sugar) Down”  
(including an increase in regular customers for direct sales and the number of stores)
- Launch of new products utilizing 5-ALA that appeal to various customers :
  - “Meno. STOP” (Supplement focusing on female-specific hormone balance)
  - “Body Shape” (Increased sugar and fat metabolism with double effect of 5-ALA and carnitine)
- Launch of foods with functional claims based on R&D for every fiscal year
  - FY2017: A food with functional claims utilizing 5-ALA for recovery from fatigue (Institution conducting clinical trials: Hiroshima Univ.)
  - FY2018: A food with functional claims for male menopause improvement (Juntendo Univ.)
  - FY2019: A food with functional claims for improved motor functions (Juntendo Univ.)
- Expansion of supplements utilizing ingredients other than 5-ALA, and general food products  
(considering changing the company name)
  - As a first step, launch of a food with functional claims utilizing ginkgo bilboa
  - Started R&D on germination brown rice from FY2017, toward a launch in FY2018
- Development of skincare products in the mail-order market
  - Striving to achieve profitability by launching products for cleansing and facial wash in FY2017, adding beauty essence in FY2018
- Development of OEM business (OEM: Original Equipment Manufacturer: Manufacturing another company’s product under their own name or branding)
  - Actively developing OEM for health foods and cosmetics
  - Launch of “ALApplus 75” utilizing high level of 5-ALA, only available in clinics (launched on May 16, 2017)

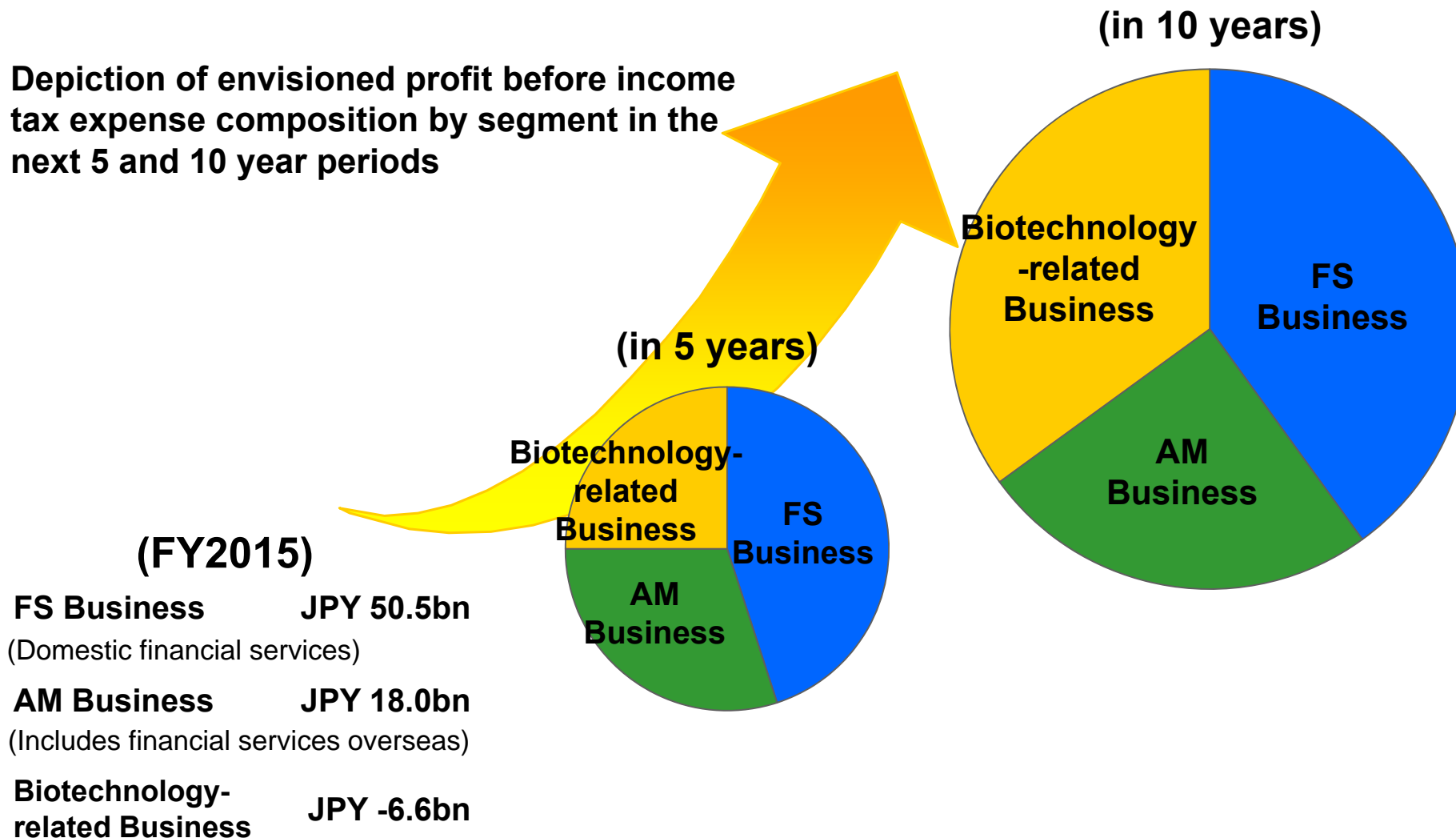
Launched  
on May 15

**Regarding cosmetics utilizing 5-ALA, scientific studies by Professor Hiroyuki Kobayashi of Juntendo University School of Medicine is under way**

# SBI's Med- and Long-term Vision

~By promptly achieving profitability in the Biotechnology-related Business, and sustaining growth to realize the vision~

Depiction of envisioned profit before income tax expense composition by segment in the next 5 and 10 year periods



**⑥ Prospering with regional financial institutions, to contribute to regional revitalization**

# SBI Group's Big Picture

**National strategy: Promoting regional revitalization initiatives**

**Reforming the regional financial institutions with SBI developed strategy (Strategy), and the means that SBI provides (Technology)**

**-Regional revitalization initiatives from the financial sector-**

**Bringing about social changes with new FinTech technologies**

**Through a revitalization of the regional economy, will spread the initiatives to the rest of the nation**

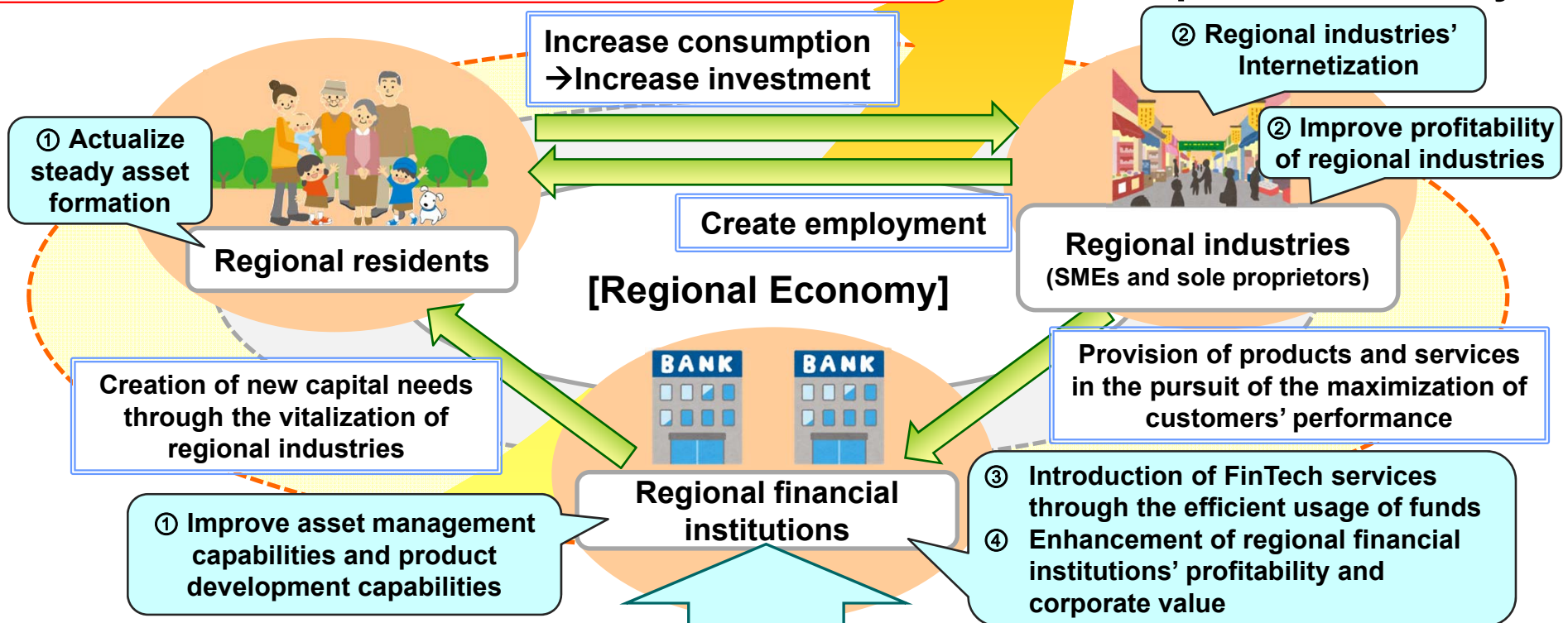


# Regional Financial Institutions will Adapt to Environmental Changes, through the Development of a Truly Customer-oriented Business Model, which will in turn Lead to the Creation of a Virtuous Cycle that will Contribute to the Japanese Economic Growth



**With the vitalization of the regional economy, a “Regional Revitalization” will be realized, which is a national strategy**

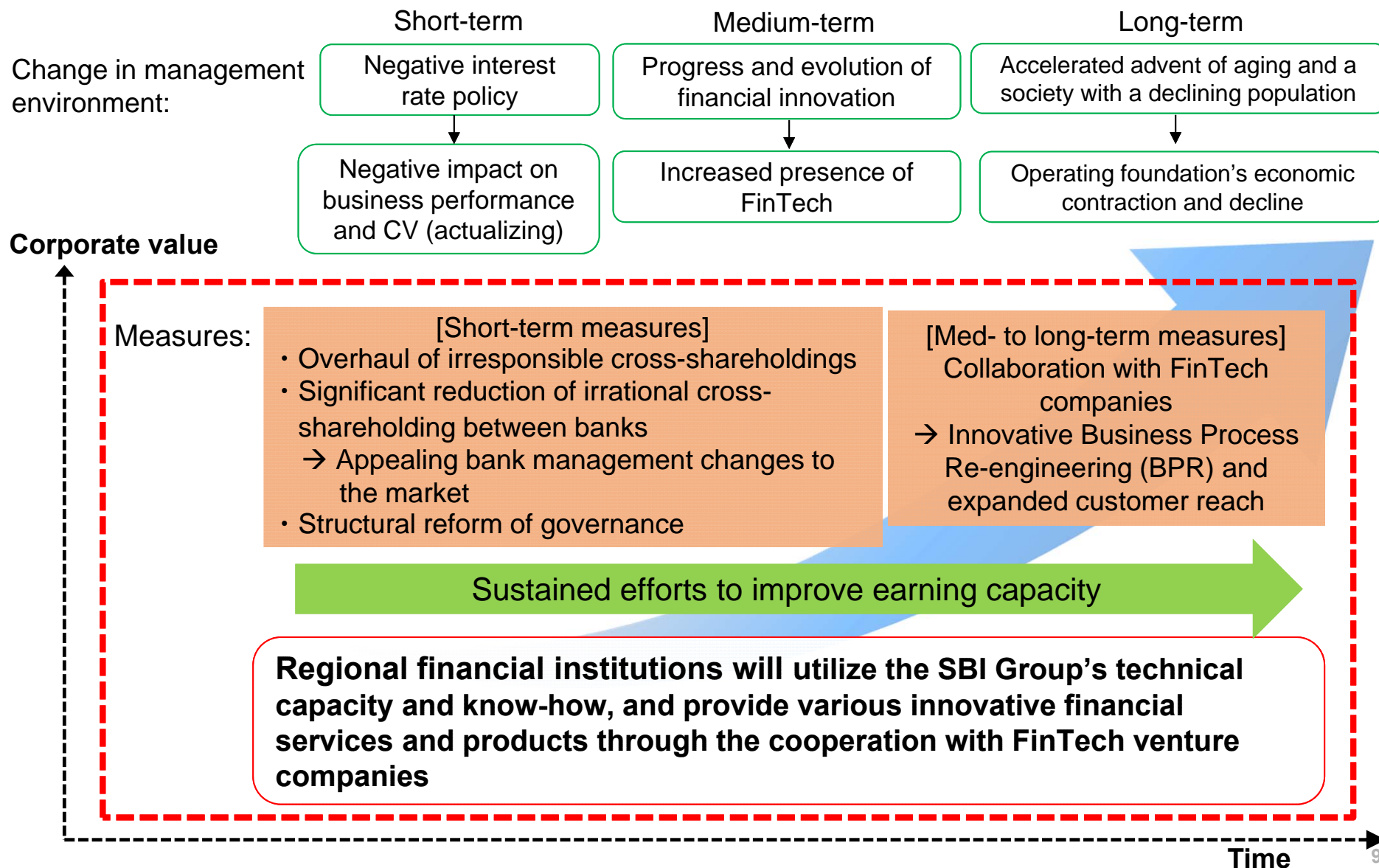
## Growth of the Japanese economy



Various management resources of the **SBI GROUP**

- |   |   |   |  |
|---|---|---|--|
| ① Asset management systems and product development capabilities | ② Various technologies centered on IT by venture investee companies | ③ New financial services at low cost with high customer benefits, utilizing FinTech | ④ SBI Regional Bank Value Creation Fund, to improve the corporate value of the regional financial institutions |
|---|---|---|--|

# Roadmap for Regional Financial Institutions' Corporate Value Enhancement



# **By Fully Utilizing the SBI Group's Business Resources, will Contribute to Regional Revitalization, which is a National Strategy**



## **[Concrete Plan]**

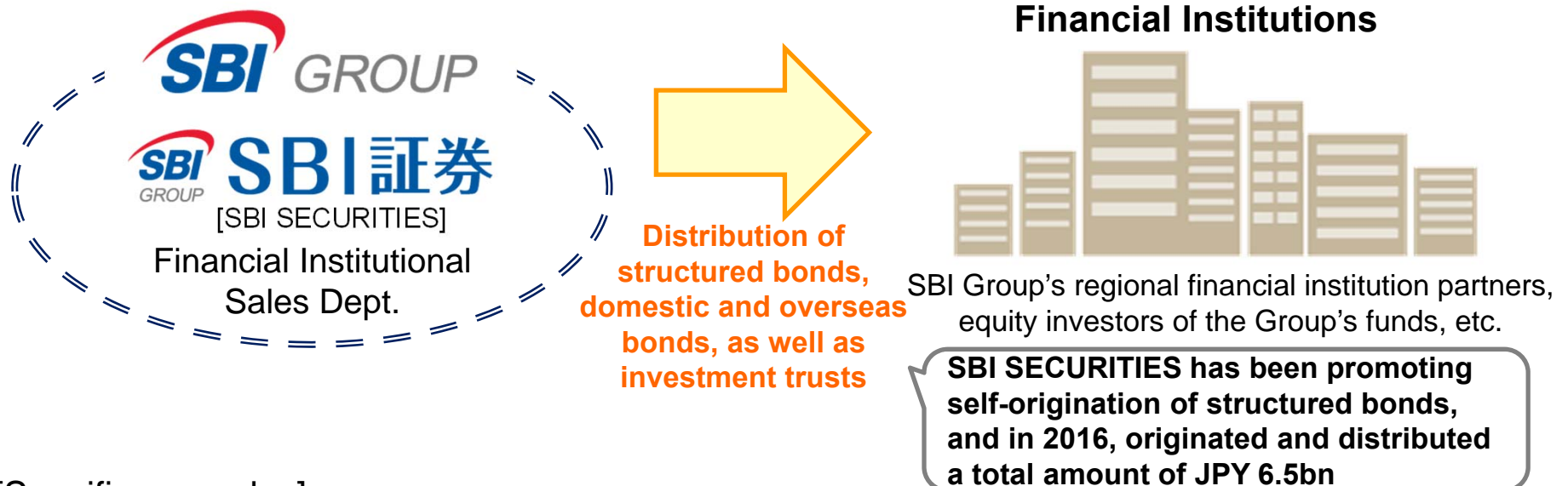
- i. Through the utilization of the SBI Group's substantive asset management systems and product development capabilities, regional financial institutions will be able to improve its asset management capabilities, as well as offer various financial products in pursuit of the customer-oriented approach**
- ii. By encouraging collaborations with venture companies of the SBI's FinTech Fund and other IT-related funds, promoting the introduction of new financial businesses with high customer benefits at the regional financial institutions**
- iii. By establishing a next generation remittance system in Japan to bring about a "Remittance Revolution," SBI will contribute to the service improvement for regional customers, in collaboration with regional financial institutions**
- iv. Through the planned "SBI Regional Bank Value Creation Fund," expect to vitalize regional financial institutions that play a role in regional revitalization**
- v. Expanding investment and financing to financial institutions in the Asia region in collaboration with regional financial institutions**

- i. Through the utilization of the SBI Group's substantive asset management systems and product development capabilities, regional financial institutions will be able to improve its asset management capabilities, as well as offer various financial products in pursuit of the customer-oriented approach**

# SBI SECURITIES' Financial Institution Dept. Provides Various Financial Products toward Financial Institutions Partners, who are Equity Investors in the FinTech Fund and the Planned SBI Regional Bank Value Creation Fund, as well as to Investee Regional Financial Institutions



Promoting the distribution of domestic and overseas bonds, as well as investment trusts to around 50 regional financial institutions

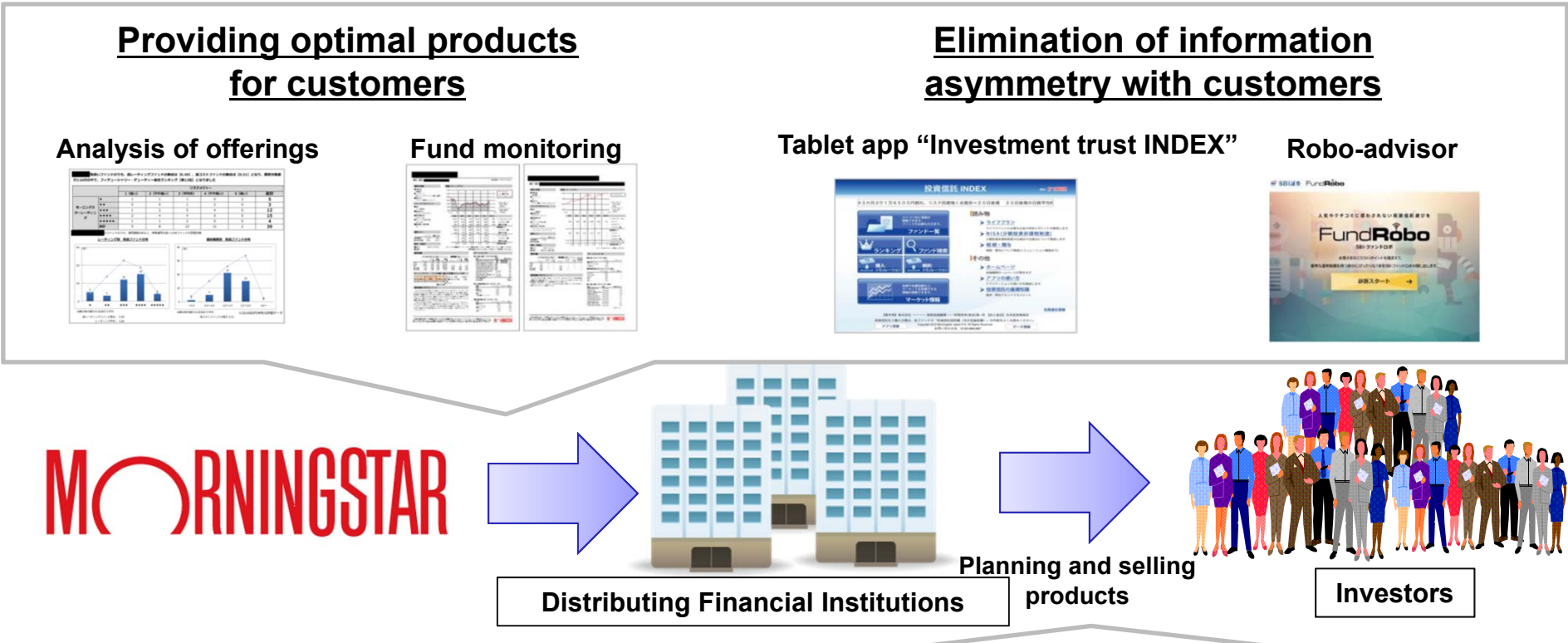


[Specific examples]

- Started providing financial instruments intermediary services with The Shimizu Bank, from Mar. 2017  
SBI SECURITIES' first alliance case with a regional bank for intermediary brokerage services, and through other planned alliances with over ten regional banks in the near future, will focus on the further development of customers

# Toward the Investors' Appropriate Asset Formation, Morningstar Japan Supports the Thoroughness of the Financial Institutions' Fiduciary Duty Fulfillment

Morningstar Japan will continue to engage in activities ensuring financial institutions' due performance of their fiduciary duty as a priority business—in accordance with the company's business philosophy ever since its founding: “Contribute to investor wealth formation by providing an abundance of unbiased financial information from a neutral, objective perspective.”



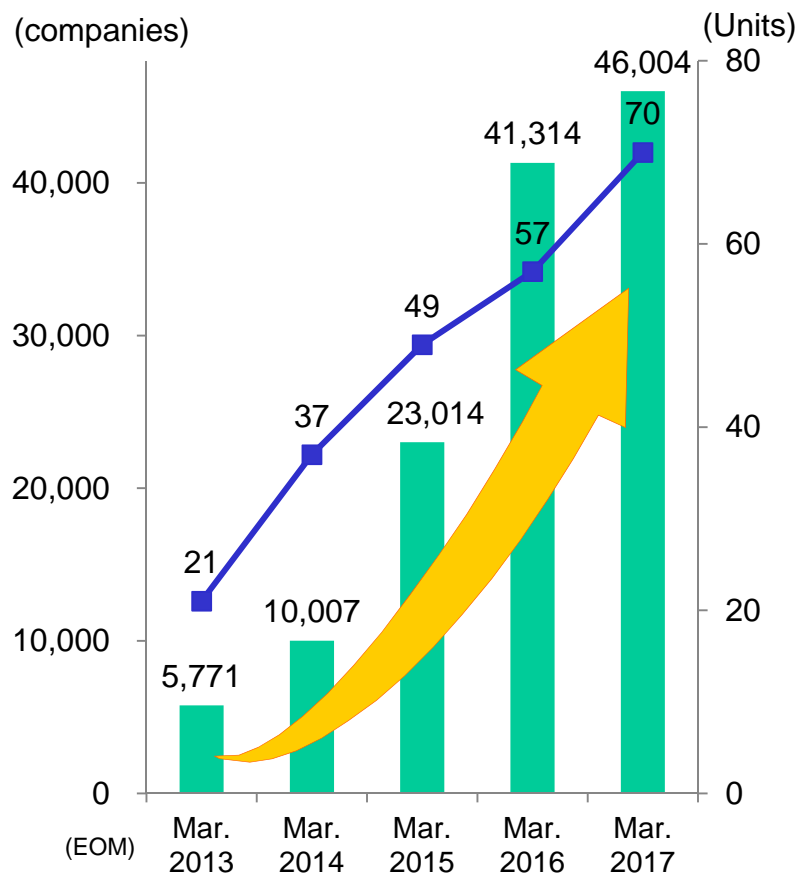
**Supporting the provision of thorough fulfillment of fiduciary duty**  
**By strengthening the planning and sales capabilities of products that serve customers' interests, will contribute to the performance improvement of the financial institutions**



# A Tablet App Offered by Morningstar Japan, on the Back of the Need for Fiduciary Duty Fulfillment

As a tool for financial institutions' asset management advisors to make better proposals to their investors, the tablet app "Investment Trust INDEX" steadily increased the number of providing companies and units

**Tablet app trend of providing companies and units**



## Tablet app "Investment Trust INDEX"

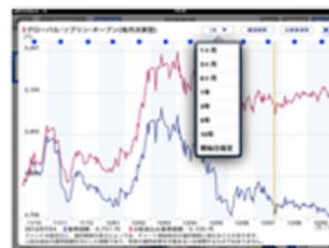


The latest financial information can be carried, additionally it is possible to display charts of portfolios of each fund, and simulations of asset management by touch operation.

### Fund outline



### Chart function



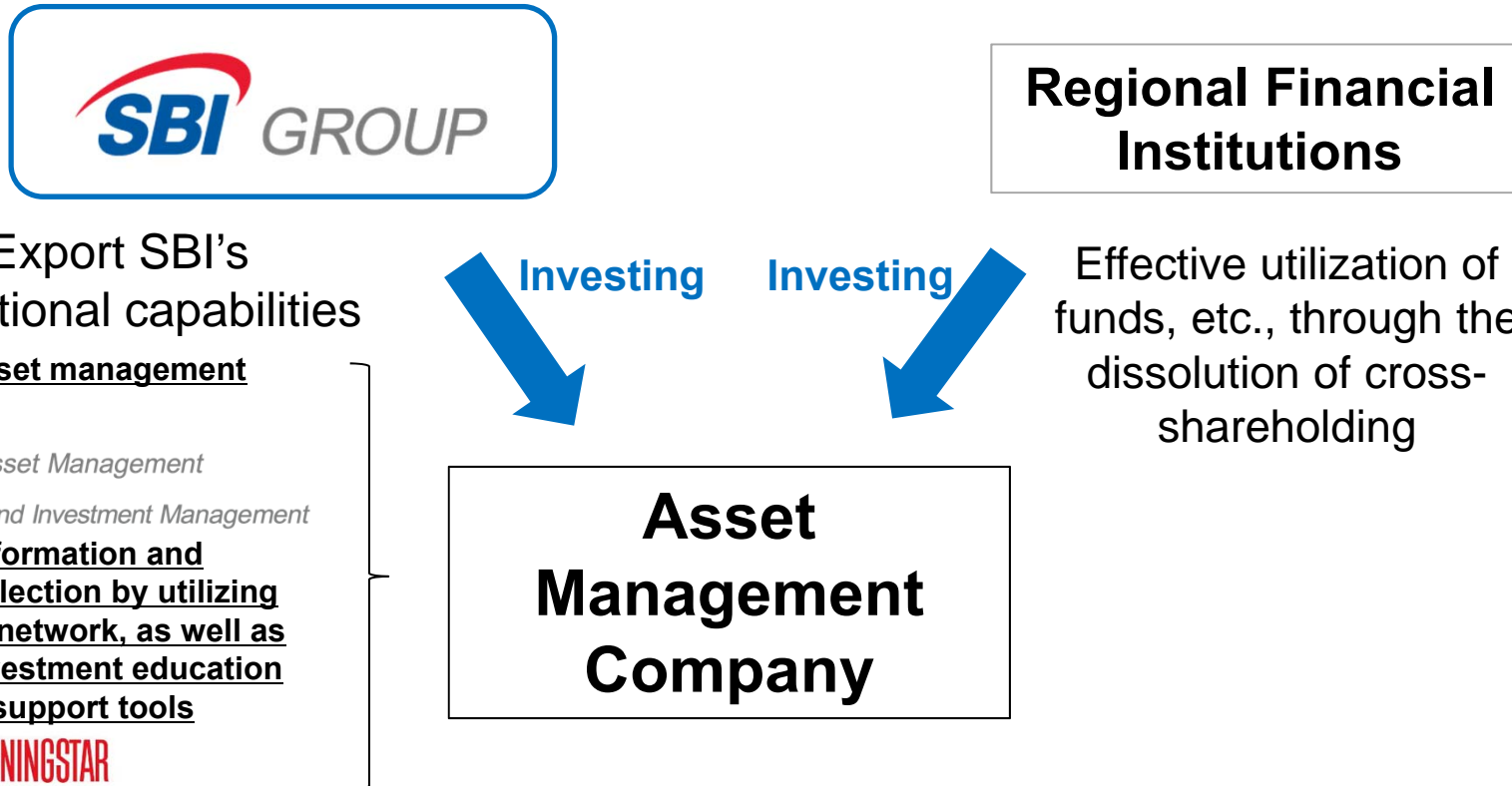
### Market information



### Fund comparison and combination functions



# Establishing an Asset Management Company that Utilizes the Abundant Investment Know-how that the SBI Group has Cultivated thus far, in Collaboration with Regional Financial Institutions, to Practice Its Fiduciary Duties



By establishing a cooperative framework between the regional financial institutions and the SBI Group, with its extensive know-how and expertise related to asset management, it will lead to an improvement of the regional financial institutions' asset management capabilities



# At SBI Japannext, by Improving the Convenience of Its PTS for Investors, Offering an Highly Beneficial Trading Market



- ◆ The only PTS operator that provides daytime and nighttime trading in the Japanese stock market
  - ◆ The number of participating securities companies totaled 30 (as of Mar. 31, 2017)
- In preparations for the trading of Japanese government bonds on the proprietary trading system (PTS) for overseas market makers and major brokers, having received an approval from the relevant authorities on **Apr. 5, 2017**, for the commencement of services planned by Sept. 2017

## Lifting of the Ban on Margin Trading of Stocks on the PTS

- ✓ A policy of permitting margin trading on the PTS was articulated by the Financial System Council's Working Group on Financial Markets in a report issued in Dec. 2016.
- ✓ The Working Group on PTS Margin Trading of the Japan Securities Dealers Association is discussing making preparations for off-exchange investor-focused margin trading
- ✓ In addition to the existing participating securities companies, requests from multiple other online securities companies to connect to the PTS were received, resulting in a total of over 30 companies expected to connect to the PTS for the margin trading of stocks

➡ **With the lifting of the ban on margin trading, an increase in the trading volume for both institutional and individual investors is expected**

- ii. By encouraging collaborations with venture companies of the SBI's FinTech Fund and other IT related funds, promoting the introduction of new financial businesses with high customer benefits at the regional financial institutions**
  - a. To support regional revitalization, will introduce venture investee companies from the FinTech Fund to regional financial institutions**
  - b. In collaboration with IBM Japan, establishing a support system for FinTech services at regional financial institutions**
  - c. In order to promote the regional financial institutions' conversion to FinTech, will propose the SBI Group's introductory examples of FinTech services**

- a. To support regional revitalization, will introduce venture investee companies from the FinTech Fund to regional financial institutions**

# In 2015, Established “FinTech Fund,” the Industry’s First FinTech Fund, that Aggressively Invests in FinTech-related Companies



## FinTech Business Innovation LPS

- Total commitment amount is JPY 30bn
- Fund investor: 28 regional banks including Bank of Yokohama, Ashikaga Bank, THE SAN-IN GODO BANK and Kiyo Bank, as well as Mizuho Bank and SoftBank
- Investment destination: Anticipating investing in 100 or more venture companies with superior technology in the FinTech field

Already decided on investments into **49 companies**

(Total investment amount to be approx. **JPY 15bn** through the FinTech Fund and approx. **JPY 11bn** by SBI Holdings)

**[Planned EXIT schedule of FinTech investee companies]**

**2017:2; 2018:4; 2019:12; After 2020:21; TBD:10**

<Estimated valuation of FinTech-related investee companies of the SBI Group, which were mentioned in the article “Finding Unicorn companies in Japan” by The Nihon Keizai Shimbun>

Company name	Business	Establishment	Valuation
free	Development of accounting software	2012	JPY 31.5bn
Money Forward	Provision of Personal Financial Management (PFM)	2012	JPY 23.0bn
bitFlyer	Operation of a bitcoin trading website	2014	JPY 20.0bn

# Investments Made in the Field of New Technological Innovations through the FinTech Fund



## Blockchain

orb  
 Orb, Inc. (Japan)

QUOINE  
 QUOINE Pte. Ltd. (Japan)

bitFlyer  
 bitFlyer, Inc. (Japan)

ripple  
 Ripple Labs Inc. (U.S.)

r3  
 r3 (U.S.)

coinplug  
 Coinplug, Inc (Korea)

## Robo-advisor

WEALTHNAVI  
 WealthNavi Inc. (Japan)

お金のデザイン  
 MONEY DESIGN Co., Ltd. (Japan)

## IoT/Security

BeaconBank  
 unerry, inc. (Japan)

GMS  
 Global Mobility Service, Inc. (Japan)

Cacco inc.  
 Cacco Inc. (Japan)

ARGUS  
 Argus CyberSecurity Ltd. (Israel)

COCON  
 COCON Inc. (Japan)

## Remittance/Exchange

veem  
 Formerly Align Commerce  
 Veem Inc. (U.S.)

WIREX  
 Wirex Ltd. (U.S.)

Kyash  
 Kyash Inc. (Japan)

Episode Six Ltd.  
 Episode Six Ltd. (U.S.)

## Banking API

solarisBank  
 solarisBank AG (Germany)

Moneytree  
 Moneytree K.K. (Japan)

## Big data

TREASURE  
 Treasure Data, Inc.(U.S.)

GiXo  
 GiXo Ltd. (Japan)

## Accounting/PFM

Money Forward  
 Money Forward, Inc. (Japan)

free  
 free K.K. (Japan)

## Payment

infcurion group  
 infcurion, Inc (Japan)

BASE  
 BASE, Inc. (Japan)

pafidy  
 Exchange Corporation Holdings Ltd. (Japan)

LIQUID  
 Liquid, Inc. (Japan)

omise  
 Omise Co., Ltd. (Thailand)

ORIGAMI  
 Origami Inc. (Japan)

Coiney  
 Coiney Inc. (Japan)

## Loan/Factoring

SoFi  
 Social Finance Inc.(U.S.)

FUNDBOX  
 FUND BOX Ltd (U.S.)

taralite  
 taralite(Indonesia)

## AI

KOKOPELLI incubate  
 KOKOPELLI incubate inc. (Japan)

GenericSolution  
 Generic Solution Corp. (Japan)

COGENT LABS  
 Cogent Labs (Japan)

## Crowd-funding

Ms music securities  
 Music Securities, Inc. (Japan)

Crowd Realty  
 Crowd Realty, Inc. (Japan)

CAMPFIRE  
 CAMPFIRE, Inc. (Japan)

## Other FinTech

Compare Asia Group Limited,  
 (Hong Kong)

ASTRO SURI HOLDINGS INC  
 Astro SURI Holdings Inc. (Japan)

minkabu  
 Minkabu, Inc. (Japan)

finbee  
 NestEgg, Inc. (Japan)

PLANET TABLE  
 Food Innovators' Platform  
 Planet Table Inc. (Japan)

Goodpatch  
 Goodpatch Inc. (Japan)

**Will continue to aggressively invest into this field**

# The SBI Group Received the World's Top Class Ranking for Investments into the FinTech Field



(A research company that provides company information database)

## BLOCKCHAIN MOST ACTIVE CORPORATE INVESTORS (May 10, 2017)

Investor	Rank	Select Companies
<b>SBI Investment</b>	<b>1</b>	<b>Orb, Veem, bitFlyer, Coinplug, Omise, Ripple, R3</b>
<b>Google Ventures</b>	<b>2</b>	<b>Storj Labs, Veem, LedgerX, Ripple, Bitcoin</b>
<b>Overstock.com</b>	<b>2</b>	<b>Settlemint, Factom, Ripio, Bitt, PeerNova</b>
<b>Goldman Sachs</b>	<b>2</b>	<b>CoolBitX, ChainLab, BitKan, RootStock, Simplex</b>
<b>Banco Santander</b>	<b>5</b>	<b>Digital Asset, Elliptic, Ripple, Cambridge Blockchain</b>
<b>CME Ventures</b>	<b>6</b>	<b>Digital Currency, Filament, Ripple</b>
<b>JP Morgan Chase</b>	<b>6</b>	<b>Digital Asset, R3, Axoni</b>

Source: CB Insights, "CORPORATE TRENDS IN BLOCKCHAIN"

Introduction case e.g. 1:

## Bank of Yokohama's Collaboration with FinTech Fund's Investee Venture Companies



**“HAMAGIN Super Business Loan Service partnering with free”:**

With the data provision from free, as the first regional bank, launched a loan service that utilizes data of cloud-based accounting software

**Bank of Yokohama**



**Moneytree Moneytree**

**“Issho Tsucho by Moneytree”:**

Displays Bank of Yokohama and other multiple bank account information in an integrated fashion



**KOKOPELLI incubate**

**KOKOPELLI incubate**



**Cacco inc.**

**Cacco**

Organized a Business-Academia consortium toward the realization of a business loan service, based on accounting transactions

**SBI Investment has accepted a seconded employee from the Bank of Yokohama since June 2016**

Introduction case e.g. 2:

## THE SAN-IN GODO BANK and Orb's Demonstration Test for E-money Using Blockchain

With Orb's technical assistance, THE SAN-IN GODO BANK performed a demonstration test for the usage of E-money (Gogin Coin) using blockchain (Announced on Nov. 10, 2016)

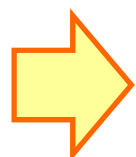
**THE SAN-IN  
GODO BANK**



(Venture investee company of the FinTech Fund)

**[Outline of the demonstration test]**

**Payments for the bank employees' spending at cafeterias and kiosks of THE SAN-IN GODO BANK's headquarter were conducted by the Gogin Coin**



**Considering the possibility of applying blockchain for banking operations, such as for settlements and contract administration**

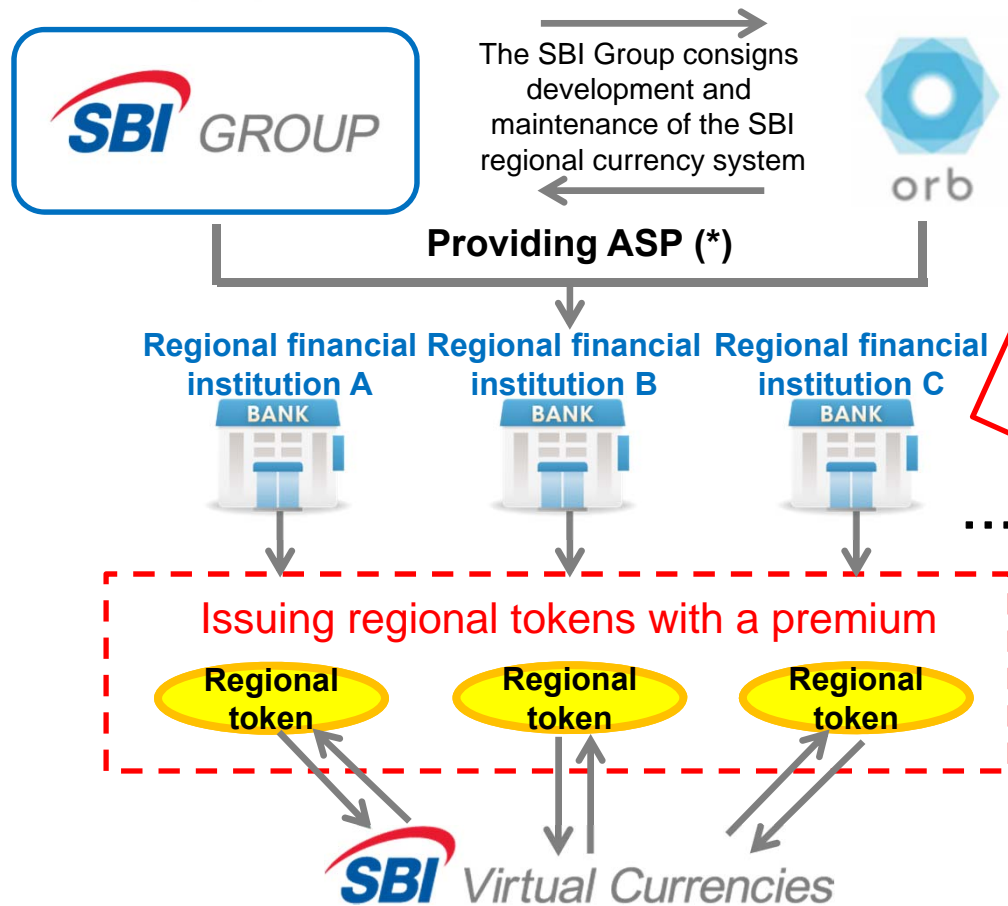


# Promoting the Realization of Financial Businesses Contributing to Regional Revitalization, by Providing a Platform for Issuing Regional Tokens with Orb



■ **Description of business:** Offering the new platform of finance and commerce market, utilizing blockchain

Promotes a project for the issuance and sales support of regional currencies through the utilization of blockchain



\* ASP: A service that enables the utilization of software remotely via the Internet

## Securing financial institution's premium funds

e.g.

**Local government**



SBI Energy establishes electric generation plants (SPC) in cooperation with local governments (e.g. Small hydro generation, Solar power generation)

- As a part of the resource, making profits from selling electricity through feed-in tariffs for renewable energy
- Financial institutions will implement project finance for the power generation business, funded in part by the generated profits

\*Regional token: Substitute currencies, claim receipts and vouchers distributed within the region

# Structure of Solar Sharing Implemented by SBI Energy Can be Utilized as a Part of the Resource of Regional Tokens

## -An example of solar sharing in Sosa City, Chiba-

### “Solar Sharing (farming type solar power generation)”

Solar sharing is an arrangement for erecting a support framework on farmland and mounting photovoltaic power generation equipment to engage in solar power generation, while continuing to farm. It is attracting attention as a model that contributes to solving the nationwide problem of abandoned fields and helps to promote agriculture, while producing energy for local consumption and vitalizing local economies

### Sosa Solar Sharing Limited Liability Company (a power generation operator)

Members: SBI Energy, Johnan Shinkin Bank, regional companies, and etc.

Returning a part of revenue from sales of electric power to the region as a support fund



Local governments



Farmers



Sosa City, Chiba

This project’s expected annual output is **approx. 1,424 MWh (20-year average)**, sufficient to serve **approx. 288 households\*1**. It will contribute to CO<sub>2</sub> reduction of approx. **718t-CO<sub>2</sub>/kWh\*2**.

\*1 Estimated taking average annual power consumption of an average household as 4,936 kWh, based on Japan Photovoltaic Energy Association Labeling Guidelines

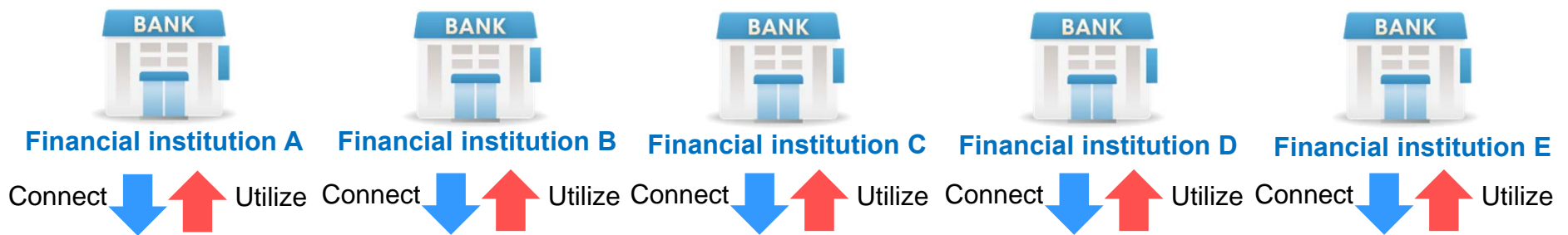
\*2 CO<sub>2</sub> reduction effect of photovoltaic power generation facilities: estimated based on a crystalline silicon solar cell CO<sub>2</sub> reduction effect of 504.5g-CO<sub>2</sub>/kWh

## b. In Collaboration with IBM Japan, Establishing a Support System for FinTech Services at Regional Financial Institutions



Proposing an assortment of FinTech venture companies' services and systems to regional financial institutions

Minimizing regional financial institutions' introductory costs through joint developments



### “FinTech platform”

Managed by SBI FinTech Incubation (JV of SBI and IBM Japan)

Approx. 30% of first-tier regional banks use IBM Japan as their main vendor



**SBI Investment FinTech companies**

Front-end application	Blockchain
Lending	Big data
AI	Settlement
Authentication / Security	

住信SBIネット銀行 <b>SBI Sumishin Net Bank</b>	
<b>SBI GROUP SBI証券</b> [SBI SECURITIES]	<b>SBI Liquidity Market</b>
<b>SBI Insurance</b>	<b>SBI 生命</b> [SBI Life Insurance]
<b>MORNINGSTAR</b>	

- c. In order to promote the regional financial institutions' conversion to FinTech, will propose the SBI Group's introductory examples of FinTech services**

## Introductory examples: 1



# Business Loan Service, Based on Accounting Transactions, in Cooperation with Settlement Agencies and Cloud Accounting Service Companies, Both Within and Outside of the Group

住信SBIネット銀行

SBI Sumishin Net Bank



- ZEUS Settlement service provider  
Credit Payment Service  
\* 100% subsidiary of SBI AXES
- Money Forward  
(Money Forward's MF cloud series)



# LENDING

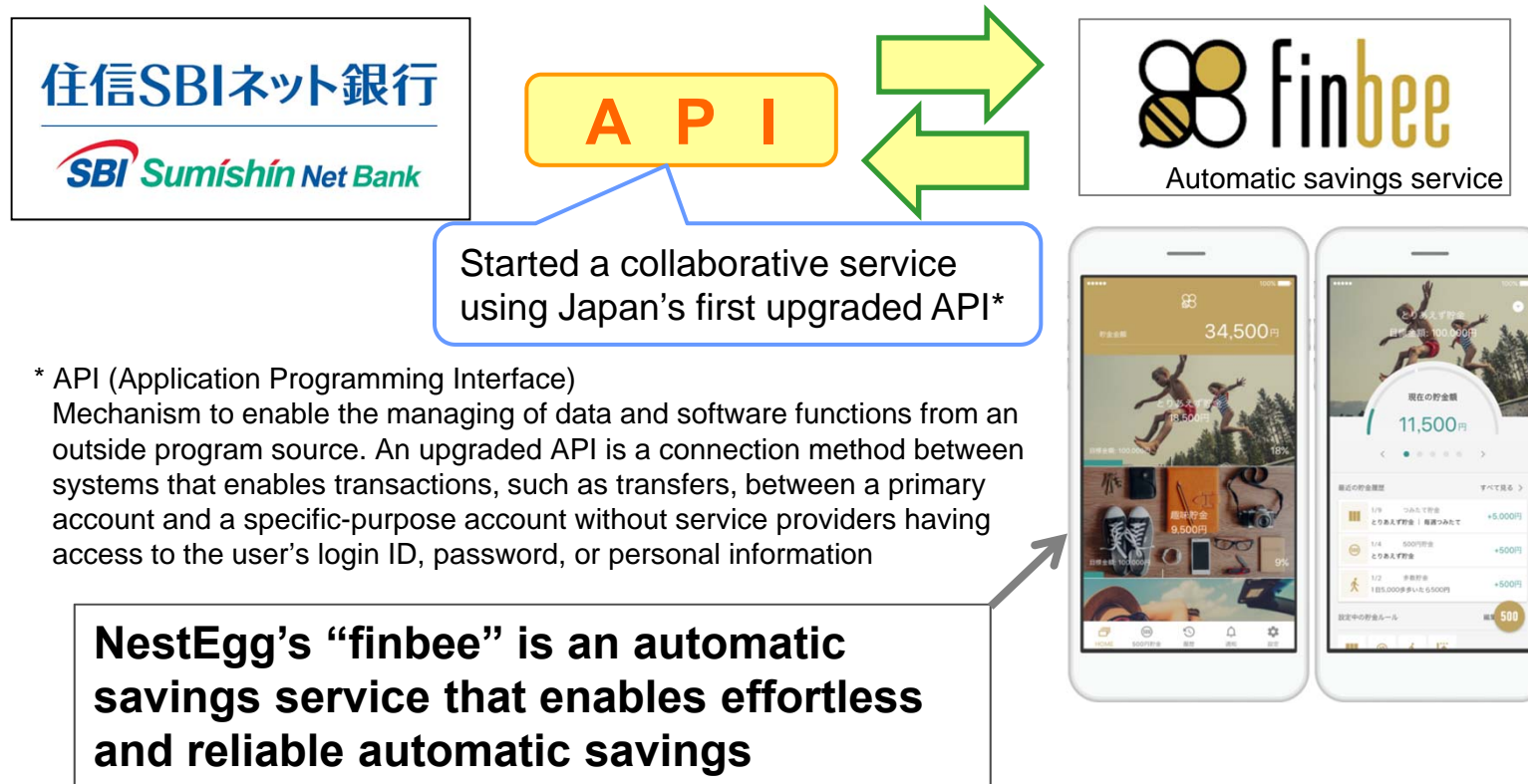
Business loan service “LENDING 1”

Since the service is processed completely online, the shortest processing time of one day from application to execution of lending is possible, enabling a quick and prompt response to the financing needs arising from credit card merchants and cloud accounting service users

- In Dec. 2016, formed a business alliance with Coiney, Inc. that offers a credit card settlement service which uses smartphones and tablet devices, named “Coiney”
- Expanding alliance partnerships by entering into alliances with cloud accounting services such as freee and A-SaaS

## Introductory examples: 2

# Automatic Savings Service Linked to SBI Sumishin Net Bank's Account, through Collaboration with an Investee Company



As each user sets a savings goal, with their determination of how much to deposit and the timing (e.g. credit card settlements), it becomes possible to automatically deposit money into their SBI Sumishin Net Bank linked savings account

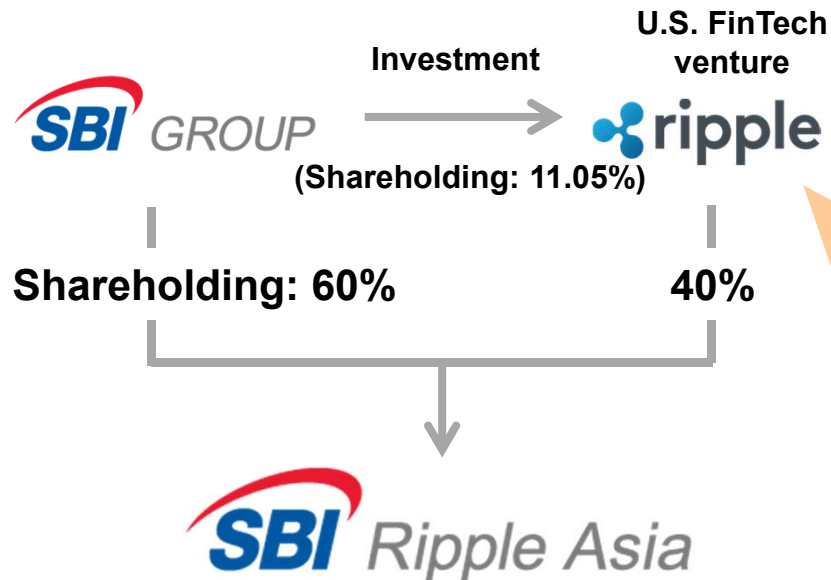
- iii. By establishing a next generation remittance system in Japan to bring about a “Remittance Revolution,” SBI will contribute to the service improvement for regional customers, in collaboration with regional financial institutions**



# Established SBI Ripple Asia on May 18, 2016, with Ripple Labs, Inc., which is Developing a Next Generation Settlement Platform



- Aggressively working on “Beyond Blockchain”-



## Ripple's technology base:

- A provider of a settlement platform utilizing Ripple's distributed financial technology in Asia including Japan
- The Japan Bank Consortium was established with Japanese financial institutions (Oct. 2016)

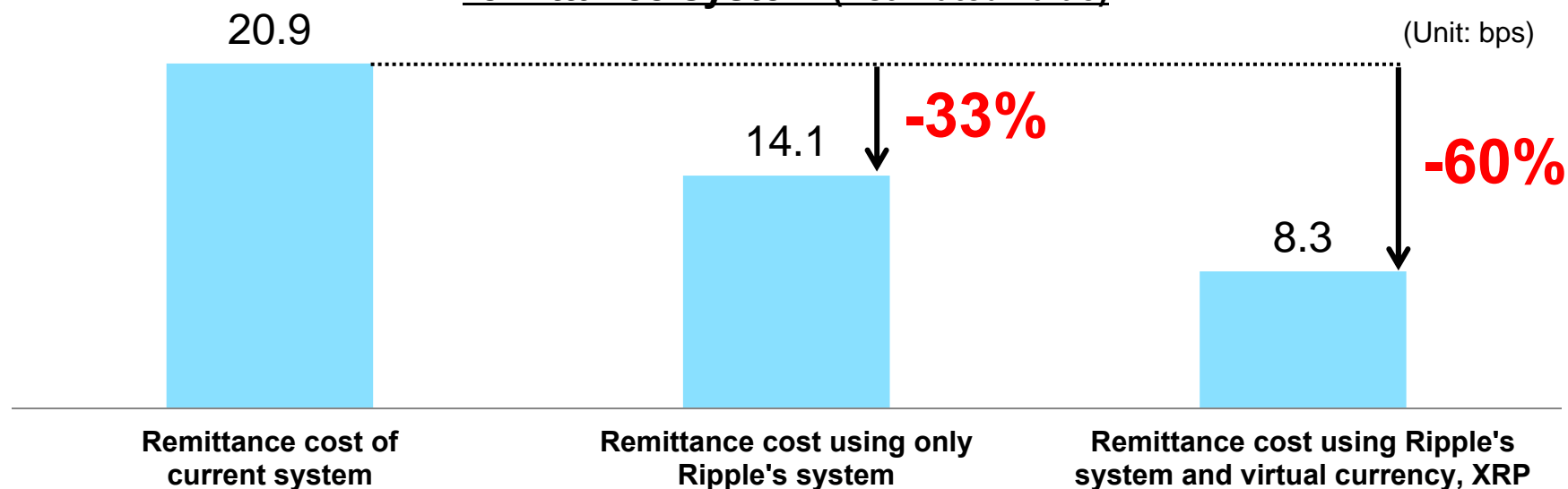
- It is based on the payment system (ILP: Interledger Protocol) that connects the ledgers under the concept of distributed ledger technology, which can further advance interbank settlements more closely
- Unlike Bitcoin based on blockchain, ILP is even faster (within 1 second) to complete processing



# Drastic Reduction of Remittance Cost in International Remittance System Utilizing Ripple's Settlement Platform

Generally, international remittance is 20.9 bps against the settlement amount, whereas international remittance utilizing XRP, Ripple's virtual currency, through Ripple's system is 8.3 bps, or a 60% cost reduction

Example of cost reduction by Ripple's international remittance system (Estimated value)



\* Source: Ripple Insight (Feb. 23, 2016)

\* Remittance costs include the spread, currency hedging, operation costs and settlement costs

# “Remittance Revolution” by Establishing a Next Generation Remittance System in Japan

- ✓ Established **the Japan Bank Consortium** with domestic financial institutions (secretariat: SBI Group) **to centralize domestic and cross-border remittance** utilizing blockchain-related technology (distributed ledger technology)
- ✓ With new working groups on commercialization and advanced experiments of blockchain and virtual currency from FY2017, it will make continued progress **towards commercialization by comprehensively examining multiple aspects including system development, operation, risk and standardization**
- ✓ The Consortium plans to **use virtual currencies utilizing blockchain to verify the time and convenience required for remittance between banks**

Centralize domestic and foreign payments  
Reducing operation costs

Settlement on a real-time basis, 24 hours a day

Reducing payment infrastructure costs  
Reducing banks' payment costs

Reducing customers' commission fees

# The Japan Bank Consortium Attracts Attention

Newspaper article

*At present, banks use a system run by the Japanese Bankers Association for domestic money transfers. Some estimates suggest that a virtual-currency-based system would cost roughly a tenth of what banks now shoulder for developing and maintaining the association's system.*

Newspaper article

*(May 4, 2017; Chiba Nippo )*

*(Apr. 27, 2017; The Nihon Keizai Shimbun)*

*There is a possibility that the commission fees to other banks will be less than 10 yen from several hundred yen, and it is also an advantage that it will reach the counterparty immediately at night or on holidays. ...Mr. Okita, President of SBI Ripple Asia (Tokyo) serving as the secretariat, said that “Increasing the use of bank remittances will also lead to the development of new services.”*

# The Japan Bank Consortium

## (Established in Oct. 2016)

**Participating financial institutions in “The Japan Bank Consortium”**  
**increased to 59 banks** (president bank: Resona Bank, secretariat: SBI  
 Ripple Asia, SBI Holdings)

Participating Financial Institutions (59 banks):

Reginal banks & Second-tier regional banks (43 banks)		Online banks (5 banks)	Others (11 banks)
Regional banks (35 banks)	The second-tier regional banks (8 banks)		
Aomori Bank, THE AKITA BANK, Ashikaga Bank, The Awa Bank, The Senshu Ikeda Bank, THE IYO BANK, The Bank of Iwate, Oita Bank, The Bank of Okinawa, The Gunma Bank, San-in Godo Bank , THE SHIGA BANK, The Shikoku Bank, 77bank, The Shimizu Bank, The Juroku Bank, Suruga Bank, The Daishi Bank, The Chiba Bank, The Chiba Kogyo Bank, The Chugoku Bank, Tsukuba Bank, THE TOHO BANK, THE NISHI-NIPPON CITY BANK, THE HACHIJUNI BANK, The Hyakugo Bank, Hiroshima Bank, The Fukui Bank, Hokuriku Bank, The Michinoku Bank, The Musashino Bank, The Yamagata Bank, The Yamaguchi Bank, Bank of Yokohama, Bank of The Ryukyus	The Ehime Bank, The Keiyo Bank, The Tokyo Star Bank, The Towa Bank THE TOCHIGI BANK, The Bank of Nagoya North Pacific Bank, The Yachiyo Bank	AEON Bank, SBI Sumishin Net Bank, Seven Bank, Sony Bank, Daiwa Next Bank,	ORIX Bank, The Shoko Chukin Bank Shinkin Central Bank, Shinsei Bank, The Norinchukin Bank, Mizuho FG, Sumitomo Mitsui Trust Bank, BTMU, MUTB, The Nomura Trust and Banking, Resona Bank

# The Japan Bank Consortium Successfully Completed a Pilot Implementation of “RC Cloud,” a Unified Platform for Both Domestic and Cross-border Payments



**Completed a pilot implementation of “RC Cloud,” which is a Japan-originated and the first initiative in the world. “RC Cloud” is a cloud-hosted platform on a unified platform by utilizing “Ripple solution”**

Confirmed that participating financial institutions were able to execute domestic and cross-border money transactions on RC Cloud, which is powered by Ripple solution, in a pilot environment

## <Schedule for commercial use>

Until Mar. 2017

Completion of construction of RC Cloud

Summer-Winter in 2017

Start of commercial use for cross-border payments

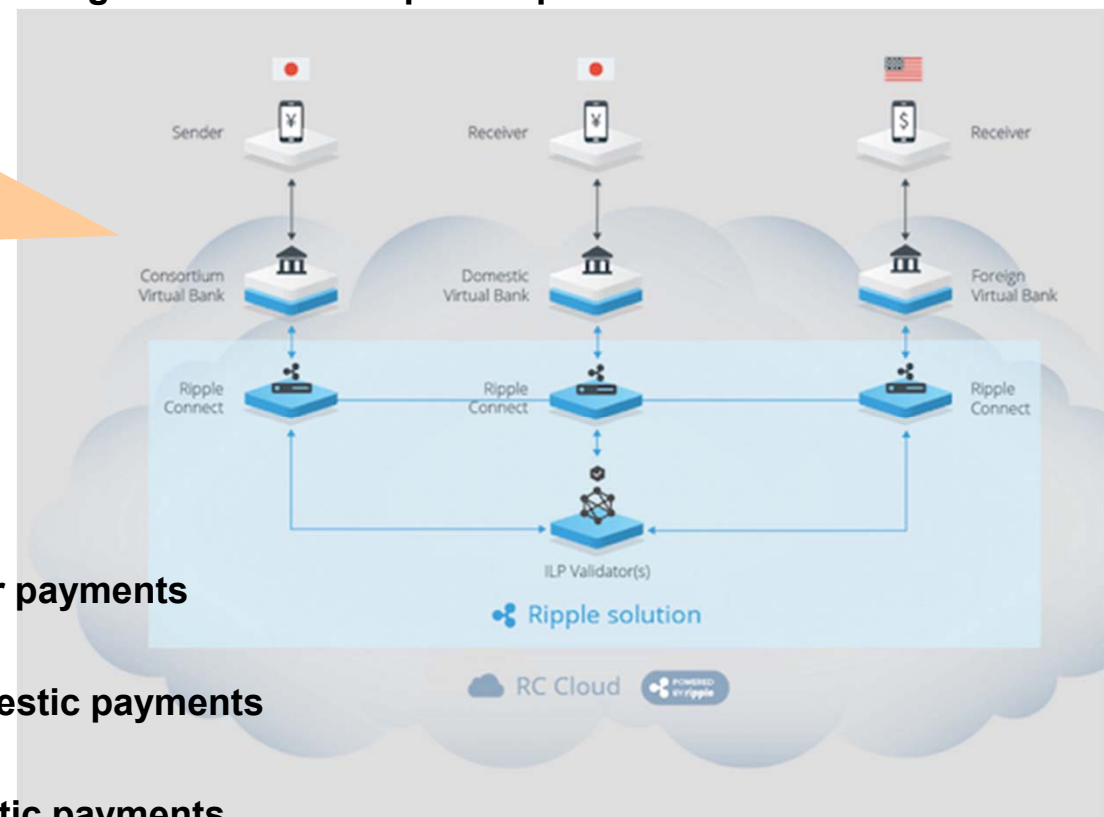
Within FY2017

Initial launch of commercial use for domestic payments

After that

Expansion of commercial use for domestic payments

Image of “RC Cloud” pilot implementation:



# Ten More Financial Institutions Join Ripple's Global Payments Network\*

(Announced on Apr. 26, 2017)

## New participating financial institutions:

1. MUFG
2. BBVA (Banco Bilbao Vizcaya Argentaria)
3. SEB (Skandinaviska Enskilda Banken )
4. Akbank
5. Axis Bank
6. YES BANK
7. **SBI Remit**
8. Cambridge Global Payments
9. Star One Credit Union
10. eZforex.com

**Currently, over 75 banks are participating**

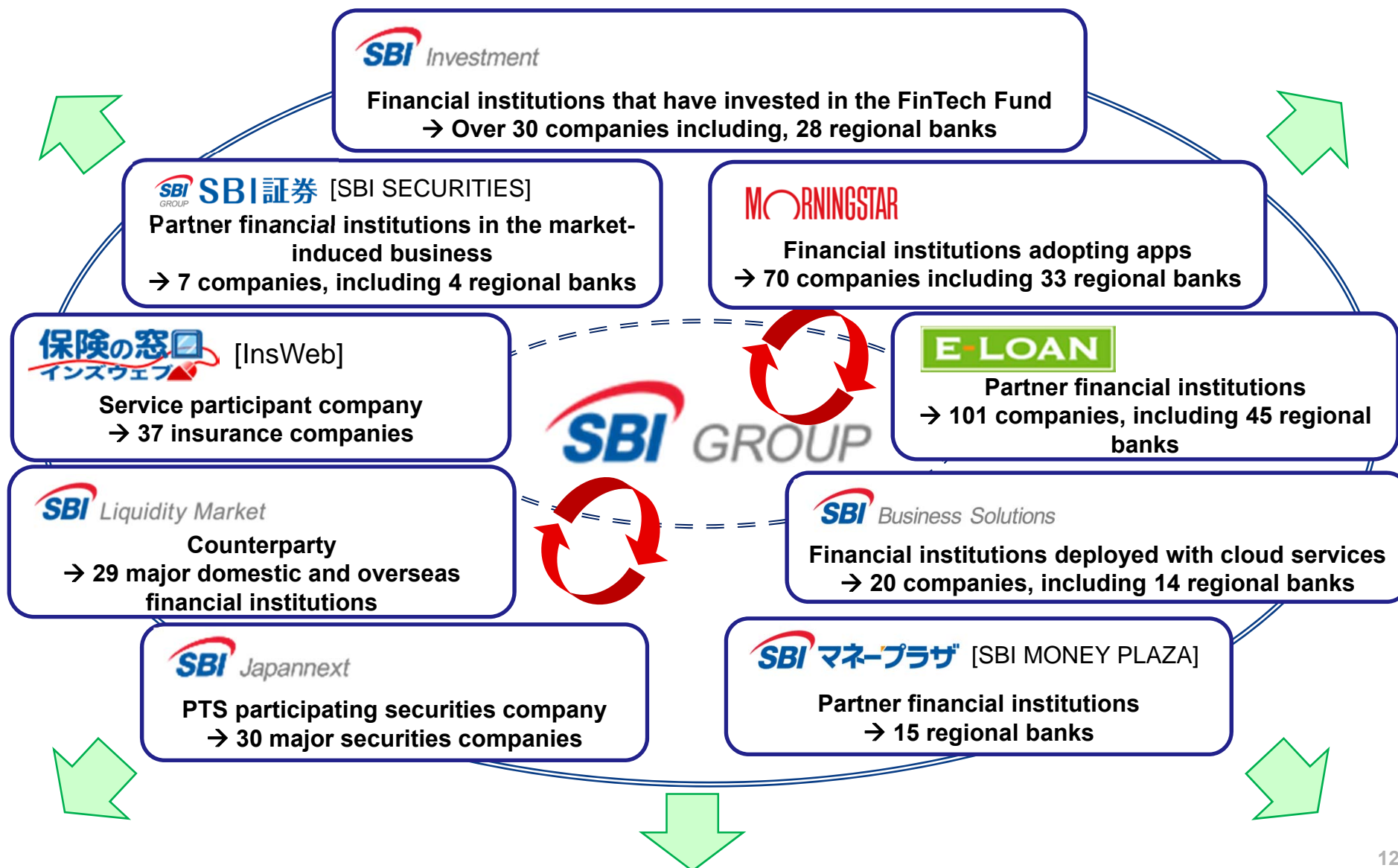
\*A network of financial institutions utilizing Ripple

### Comment by Bank of Tokyo-Mitsubishi UFJ:

“We are very pleased to be working with Ripple to provide new types of payments services to change our customers’ experience using the power of the blockchain technology. To demonstrate our commitment to the technology, we are joining the Japan Bank Consortium to collaborate with other Japanese banks move to commercial use of Ripple’s global network. I do believe we can bring our experience from the Japan Bank Consortium to the Global Payments Steering Group.”

- iv. Through the planned “SBI Regional Bank Value Creation Fund,” expect to vitalize regional financial institutions that play a role in regional revitalization**

# The SBI Group Companies are Already Collaborating with Many Domestic and Overseas Financial Institutions, and will Endeavor to Further Strengthen Their Relationships and Partnerships, Moving Forward





# Strengthening Cooperation with the Regional Financial Institutions through the FinTech Fund and “The Japan Bank Consortium”



## Participating Financial Institutions of The Japan Bank Consortium (Regional banks & Second-tier regional banks : 43 banks)

THE AKITA BANK, The Bank of Iwate, The Awa Bank, Oita Bank, The Bank of Okinawa, The Gunma Bank, THE SHIGA BANK, 77bank, The Juroku Bank, SURUGA bank, The Daishi Bank, The Chiba Bank, The Chiba Kogyo Bank, The Chugoku Bank, The Tokyo Star Bank, The Bank of Nagoya, The Nishi-Nippon City Bank, The Hachijuni Bank, The Fukui Bank, The Musashino Bank, The Yamagata Bank, The Yamaguchi Bank

Aomori Bank, Ashikaga Bank, The Senshu Ikeda Bank, THE IYO BANK, The Ehime Bank, The Keiyo Bank, San-in Godo Bank , The Shikoku Bank, The Shimizu Bank, Tsukuba Bank, THE TOHO BANK, The Towa Bank, THE TOCHIGI BANK, The Hyakugo Bank, Hiroshima Bank, North Pacific Bank, Hokuriku Bank, The Michinoku Bank, The Yachiyo Bank, Bank of Yokohama, Bank of The Ryukyus

The Kita-Nippon Bank, The Kiyo Bank, The Bank of Kochi, The Daisan Bank, The Tokushima Bank, Nagano Bank, The Hokuto Bank

## Regional Financial Institutions Investing in the FinTech Fund (28 banks)

**Others (16 banks)**  
ORIX Bank,  
The Shoko Chukin Bank,  
Shinkin Central Bank,  
Shinsei Bank,  
The Norinchukin Bank,  
Mizuho Bank,  
Sumitomo Mitsui Trust Bank,  
The Bank of Tokyo-Mitsubishi UFJ  
Mitsubishi UFJ Trust and Banking Corporation  
The Nomura Trust and Banking,  
Resona Bank,  
AEON Bank,  
SBI Sumishin Net Bank,  
Seven Bank,  
Sony Bank,  
Daiwa Next Bank

# Toward Further Strengthening the Relationships with Regional Financial Institutions

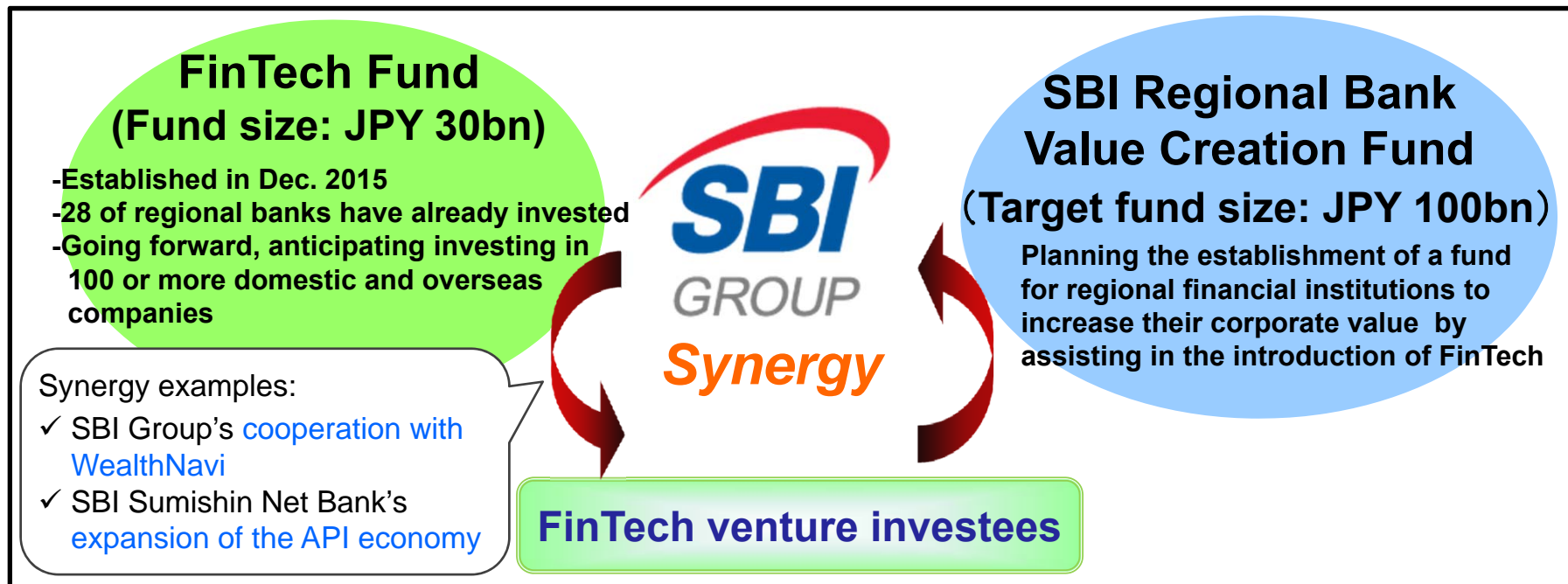
Planning the establishment of a new fund (target fund size: JPY 100bn) for regional financial institutions, to increase their corporate value

- ✓ Raising capital from financial institutions for a new fund, in order to invest in promising regional financial institutions that are capable of improving corporate governance and increasing corporate value, through the provision of FinTech support by the SBI Group
- ✓ By utilizing the fund to eliminate interbank cross-shareholdings, an effective utilization of capital becomes possible



# Through the SBI Group's Support for the Introduction of FinTech, Realizes Increase in Both the Regional Financial Institutions' and the FinTech Investees' Corporate Values

-Will lead to the realization of a higher management fund performance-



Enhance profitability of regional financial institutions by utilizing FinTech

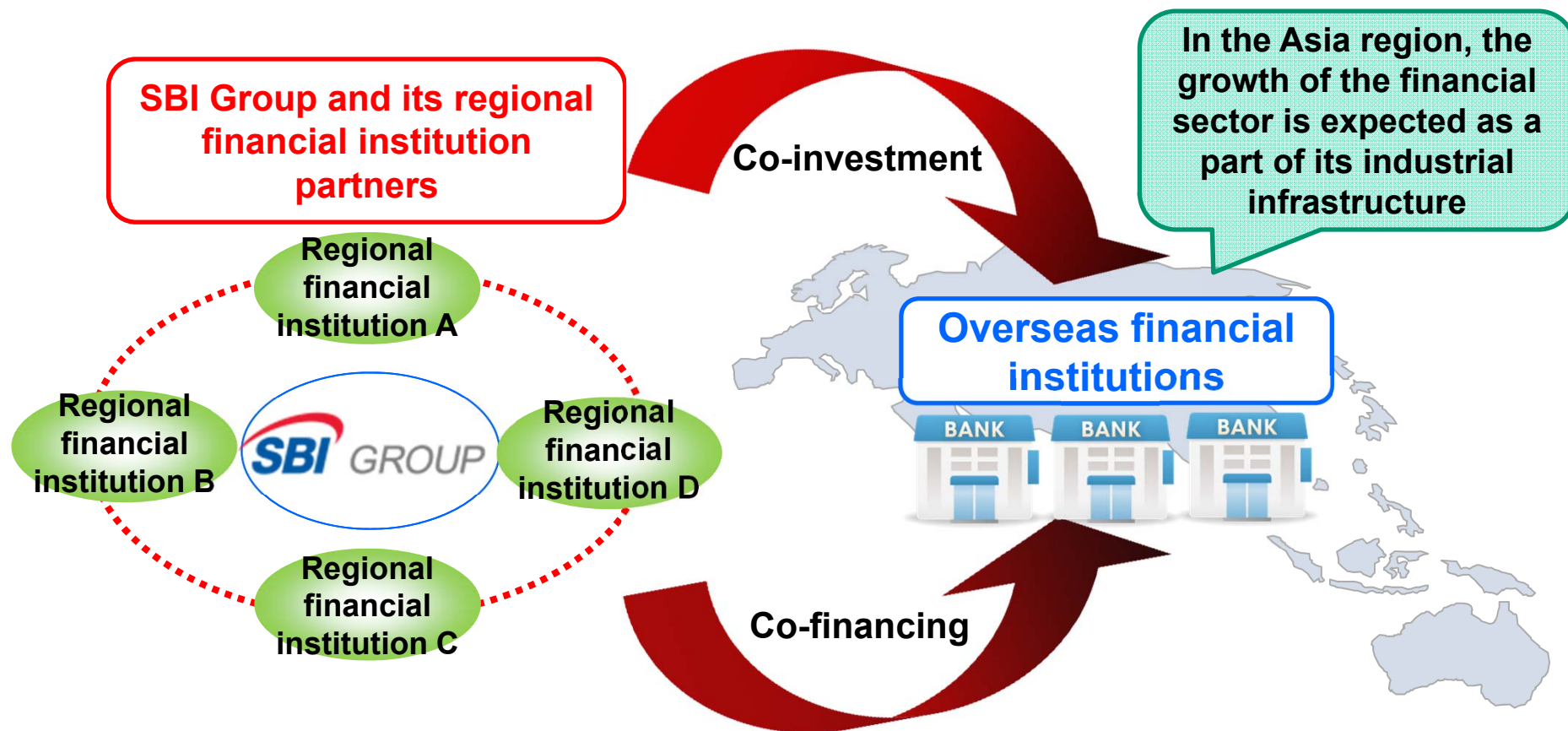
FinTech ventures' revenue will increase as the number of users of their services increase

Through an increase in the corporate value of the investee companies, will realize a higher management fund performance

By providing packaged software jointly developed by the SBI Group and FinTech companies, will lead to the creation of a distribution market, as well as a reduction in the introductory costs

- v. Expanding investment and financing to financial institutions in the Asia region in collaboration with regional financial institutions**

**By Utilizing the SBI Group's Expertise in Overseas Investment and Financing, in Collaboration with Regional Financial Institutions will Invest or Finance in Overseas Financial Institutions, Primarily in Asia, to Expand the Overseas Financial Ecosystem**



- ✓ By leveraging the SBI Group's overseas network, will provide regional financial institutions with overseas investment and financing opportunities
- ✓ Through the alliance with regional financial institutions, expanding the Group's businesses on a global basis

## ⑦ **Creating a new financial market with virtual currencies**

# The SBI Group's Capital and Business Partner, Ripple\*, Develops Digital Asset "XRP"



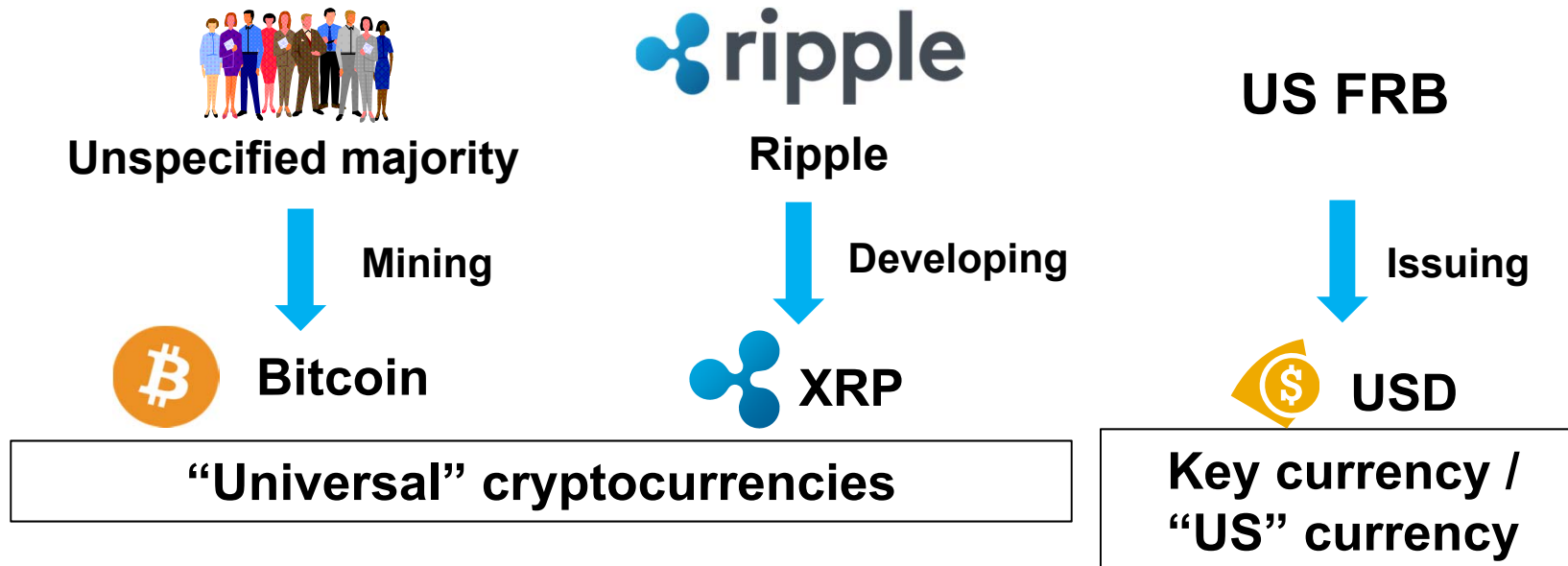
\*SBI Group's shareholding: 11.05%

## Comparison of XRP and major cryptocurrency:

	Bitcoin	XRP	Compared with Bitcoin:
Time to settlement	1+ hours	4 sec	1/900
Transactions per second	3-6	1000	Over 160x
Average transaction cost	USD 0.48	USD 0.0003	1/1600

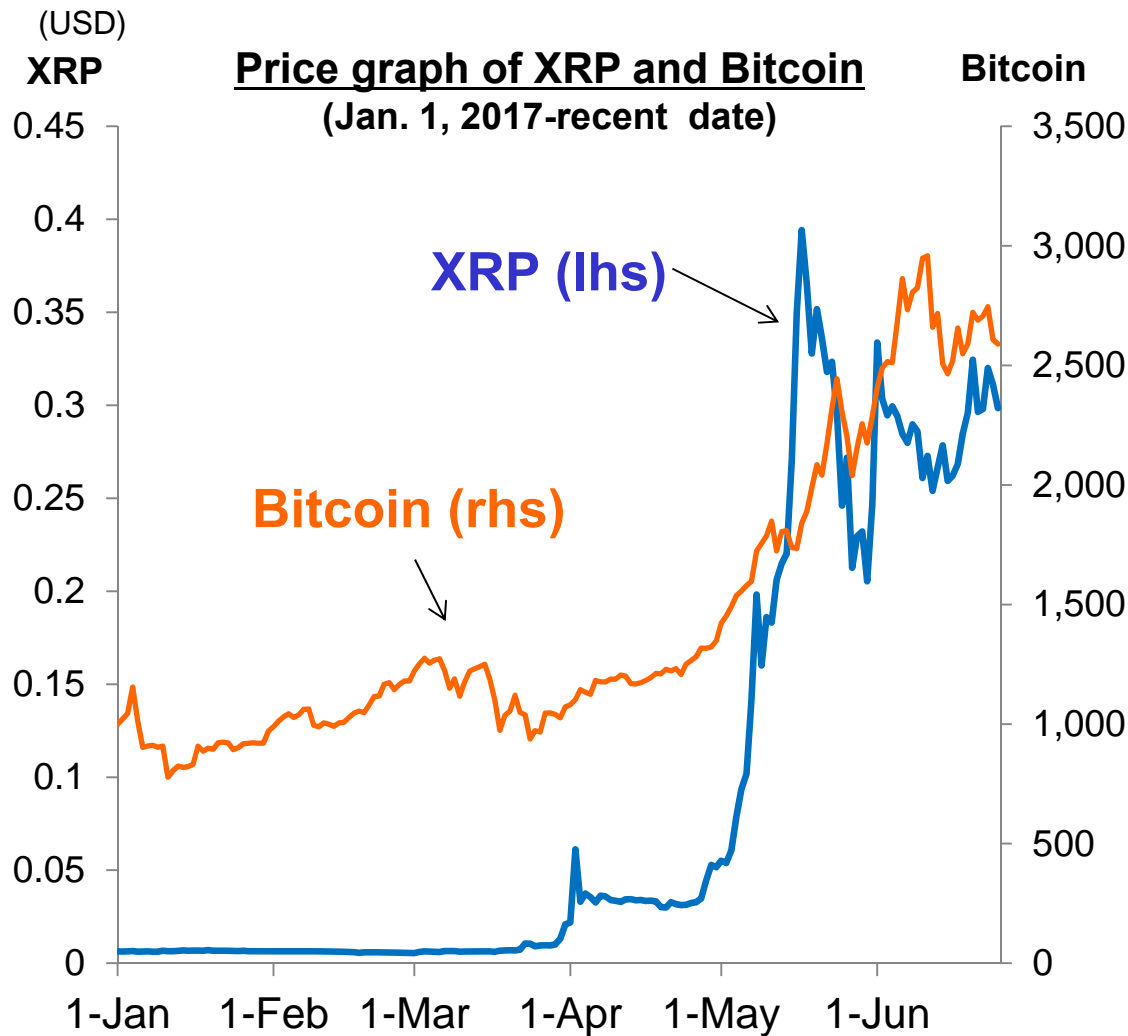
Source: Ripple

## Issuance and development entity of each currency:

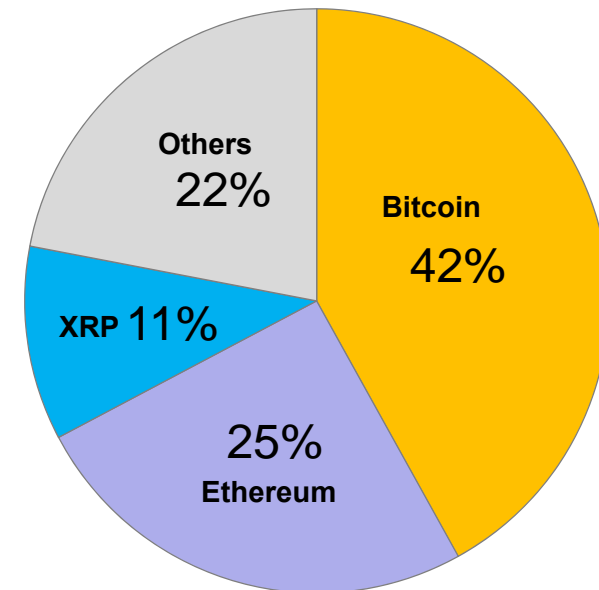


# Virtual Currency Market Overview

“Bitcoin’s total market capitalization share of the entire virtual currency market fell sharply from 90% in early Mar., temporarily falling below 40%.”  
 “The virtual currency market is still immature. Currently, the power chart of nearly 800 kinds of virtual currencies have not been settled” (June 25, 2017 The Nihon Keizai Shimbun)



**Market capitalization ratio of virtual currency**



**Total market size expanded to approx. JPY 10tn**

\*As of June 27, 2017, source: CoinMarketCap 135



# Discussion on Accounting Rules for Virtual Currencies

Newspaper article

**“The Accounting Standards Board of Japan (ASBJ), which establishes Japanese accounting standards, opened a practical response special committee, and began full-scale discussions on the accounting rules for virtual currencies. The secretariat presented the idea of recording virtual currencies at fair value .**

**(Abbrev) As for the amount of virtual currencies that the virtual currency exchange receives from customers, it also indicated that it is appropriate to record it on the assets of the balance sheet (BS) in the same way as cash, as well as to record the liabilities of the same amount.”**

*(June 22, 2017 The Nihon Keizai Shimbun)*

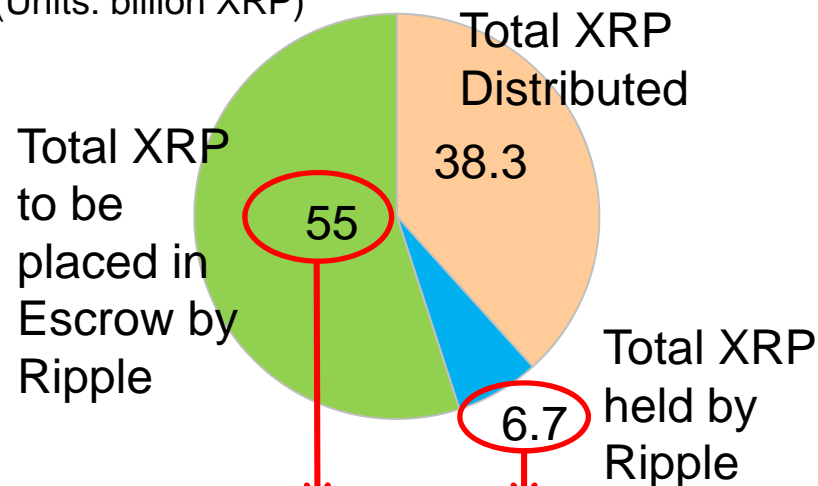
# The Current Situation of Ripple's XRP



- ✓ There's a total of 100 billion XRP in existence
- ✓ Ripple holds XRP to ensure liquidity of XRP
- ✓ In May 2017, Ripple announced to committee to place 55 billion XRP into a cryptographically-secured escrow account by the end of 2017

## <XRP liquidity situation>

(Units: billion XRP)



**Ripple owns about 61% = approx. USD 15bn**

\*Converted at 1 XRP=USD 0.2547 (As of June 26, 2017 at 5:00 PM)

Converting the SBI Group's shareholding (manifest basis)...nearly JPY 193bn

# The SBI Group Participates on a Full-fledged Basis in a Blockchain Project Led by R3

## -Strengthening the cooperation to utilize blockchain-

- ◆ This consortium led by the U.S. R3 currently has the participation of more than 80 of the world's major financial institutions
- ◆ This represents the world's largest working group that is endeavoring towards the optimization of the financial markets, utilizing blockchain
- ◆ The SBI Group participated in Exodus, a project to compare and evaluate distributed ledgers that R3 leads. The project implemented a verification with other financial institutions, toward commercialization of Corda, a distributed ledger technology for financial institutions, which became open-sourcing in Nov. 2016
- ◆ R3 and twelve of its consortium member banks trialed interbank cross-border payments with Ripple's digital asset XRP



[The SBI Group, along with other major financial institutions of the world, will promote Corda as a global standard in the financial field](#)

### Main financial institutions participating in R3's project

UBS, KBC, US Bank, Well Fargo, Mizuho Bank, Scotiabank, BNPP, SBI, Natixis, ING, Deutsche Bank, OP Financial, ITAU, SGX, MAS, MUFG, CTBC, CMB, Nomura, Western Asset Management, Intesa Sanpaolo, RBC\*

\* As of Apr. 2017

**SBI is proactively promoting the validation of the technology for incorporation into the Financial Services Business**

# The SBI Group becomes the Largest Outside Shareholder of R3, and Dispatches a Director, to Further Strengthen Cooperation

(Announcement on May 2017)



Newspaper article

**r3.** Raises USD 107m from over 40 consortium participant companies

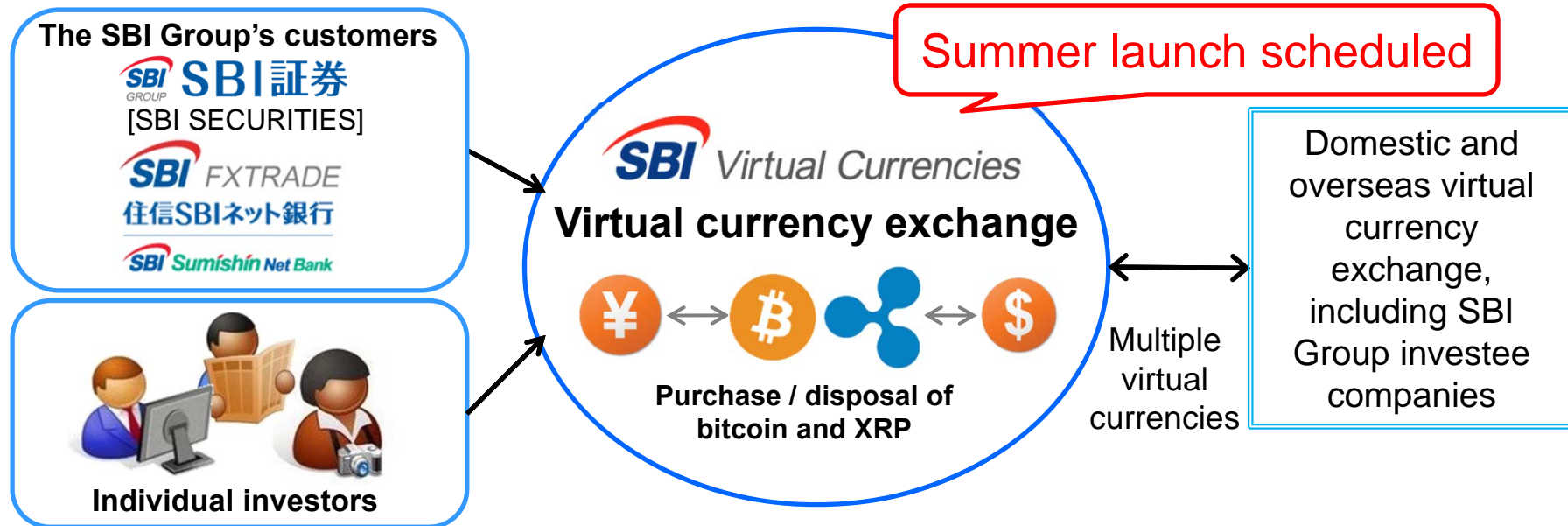
Major investment company to R3:

Overseas	Wells Fargo, Bank of America Merrill Lynch, HSBC, Citi, BNP Paribas, and others
Japan	The SBI Group, Mitsubishi UFJ Financial Group (MUFG), Sumitomo Mitsui Banking Corporation, Mizuho, Nomura, Daiwa Securities Group

**The SBI Group became the largest outside shareholder of R3 to further strengthen cooperation in the utilization of distributed ledger technology**

(May 24, 2017 The Nihon Keizai Shimbun)

# In Cooperation with Domestic and Overseas Virtual Currency Exchanges, Including FinTech Fund Investee Companies, Preparing the Provision of Services Utilizing Various Virtual Currencies



Following the enforcement of the Payment Services (Amendment) Act, considering the **provision of services utilizing various virtual currencies, including bitcoin and Ripple's XRP**, by sequentially advancing the cooperation between virtual currency exchanges domestically and overseas

[Offering services (planned)]

- ◆ Exchange and trading services for various virtual currencies, including bitcoin and XRP, as well as regional tokens\*
  - ➡ Considering the handling, not only of virtual currencies with floating exchange rates, but also of coins with exchange values of JPY 1 or USD 1
- ◆ Exchange of SBI Coin (tentative name), which will be developed within the Group, with various virtual currencies, such as cash, SBI Points and gold

→ SBI Coin: Plans to play a role as a **bridge currency for various digital assets** and inter-business settlements

\*Regional token: Substitute currencies, claim receipts and vouchers distributed within the region

# Preparing the Establishment of a New Virtual Currency Exchange Market that Enables the Exchange and Trading Services of Various Virtual Currencies Distributed Around the World

## Global virtual currency exchange market

New virtual currency exchange **SBI MAX** (tentative name)

### *Multi Virtual Currencies*



As an exchange market that is extremely secure and open to the world, will acquire the global liquidity of multiple and diverse virtual currencies, which may become a global common currency with regional universality



## Domestic exchange market

 *SBI Virtual Currencies*

Preparing the provision of services utilizing various virtual currencies, including bitcoin and XRP, dedicated to domestic individual investors



Investors around the world, including Japan

## ⑧ Actualization of intrinsic corporate value



# Subsidiary Company Listing Strategy Trend

-12 companies listed since the establishment of the Group-

1999-2007

**Policy: Promoting listing of subsidiary companies to ensure growth funds**

Develop Group subsidiaries into companies capable of launching IPOs as soon as possible. As autonomous, independent companies, subsidiaries that complete IPOs fully utilize their own financing capabilities to undertake self-propagation without placing financial demands on the parent company

2007-2015

Securities exchanges signal a suppressive stance toward parent-subsidary listings in “TSE stance on the listing of companies that have parent companies,” announced by the Tokyo Stock Exchange in June 2007, and “Securities exchanges’ stance related to the listing of core subsidiaries,” announced jointly by stock exchanges in Oct. 2007

Changed the policy and decided basically not to list subsidiary companies conducting core businesses, in order to promote financial conglomerate management

**SBI SECURITIES, which is the largest “cash cow” of the Group, became a wholly owned subsidiary (Aug. 2008)**

2015-

Parent-subsidary listing of Japan Post Group (Nov. 2015)

Started to reconsider the IPOs of subsidiary companies





# Actualizing the Intrinsic Corporate Value in Light of the Initial Public Strategies of the Group Subsidiaries



## [Basic policy on IPO strategies of subsidiary companies]

- If it is preferable to actualize the intrinsic corporate value by listing the company toward the visualization of major businesses' value
- If it is necessary for the company to improve its IT infrastructure and other largescale capital investments on an ongoing basis, or to increase its capital due to a business that requires a large amount of working capital
- In the development of domestic banking and insurance businesses through subsidiaries, if a flexible establishment of an operational system is necessary to preserve managerial freedom under the Japanese legal system
- If the company is required to maintain a neutral position in the business that it conducts  
→ (e.g.) Morningstar Japan: Listed on NASDAQ Japan (currently TSE JASDAQ) in June 2000
- When the company creates little synergies between itself and other Group companies, and from the perspective of the Group's overall business portfolio, if it would be beneficial for the company to publicly offer its shares so that its shareholder value could be actualized, or if the company's significance in the overall Group strategy has deteriorated

## [List of subsidiaries that are considering listing and others]

Company name	Business overview
SBI FinTech Solutions (Listed on the KOSDAQ market)	Aggregate FinTech related companies within the Group
SBI Insurance Group	Govern the insurance businesses within the Group
SBI Capital Management	Intermediate holding company of the Asset Management Business
SBI Biotech	R&D etc. of pharmaceuticals
Quark Pharmaceuticals (Quark)	R&D etc. of pharmaceuticals
SBI ALA Hong Kong	Intermediate holding company of the Biotechnology-related Business

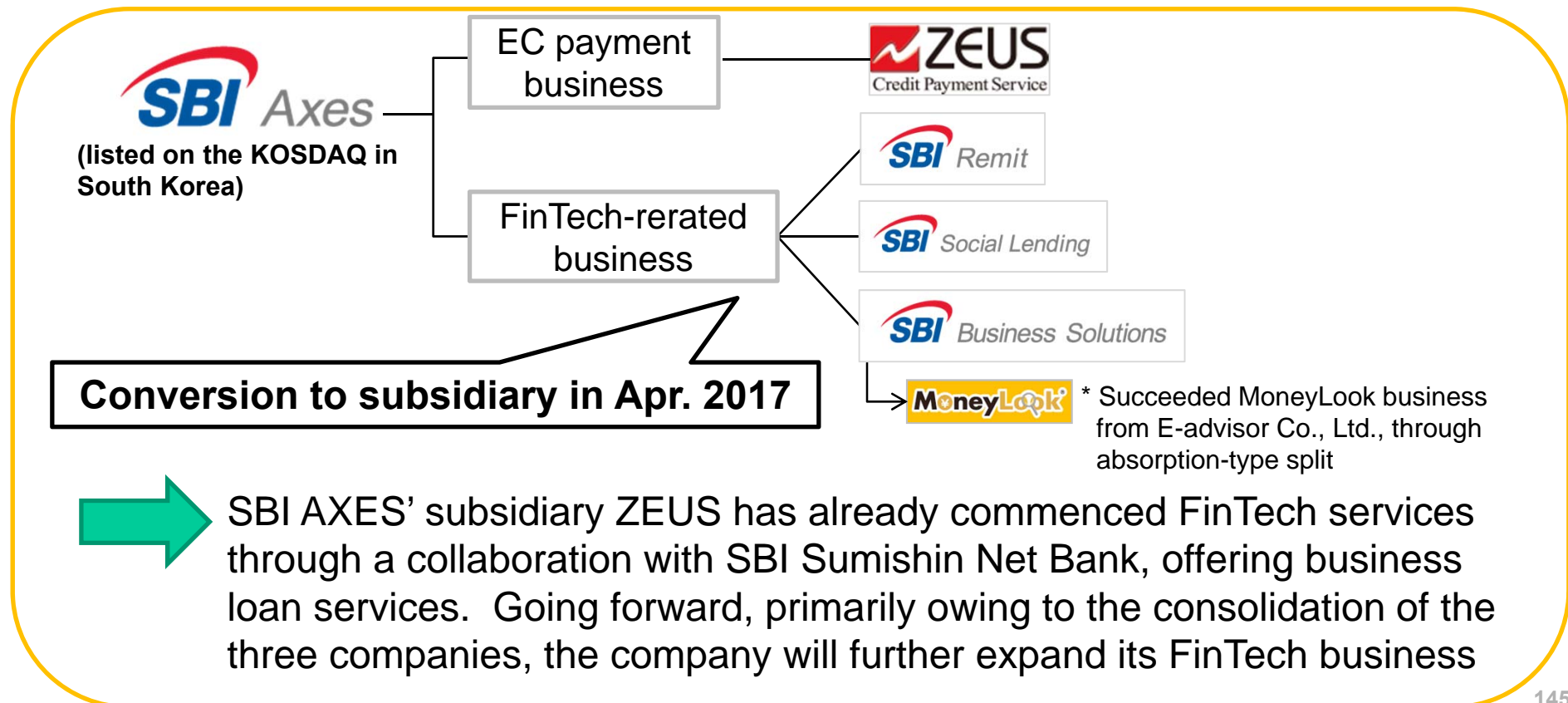
① SBI FinTech Solutions:



# Reorganizing SBI AXES as SBI FinTech Solutions, by Aggregating Three FinTech-related Companies of the SBI Group

Given that the preexisting SBI AXES' EC payment business has high affinity with FinTech, the company will expand its business as the newly formed SBI FinTech Solutions

\* SBI AXES plans to change corporate name to SBI FinTech Solutions from July 1, 2017



① SBI FinTech Solutions:

## Initiatives of Three Acquired FinTech-related Companies



- Provide international remittance service that can complete remittances in 10 minutes at shortest
- Prepare utilization of international remittance service based on blockchain, with settlement in virtual currencies



- Provide a service that ties borrowers and investors via the Internet
- Focus on building a P2P platform



- Provide cloud service for accounting and settlement of expenses, and account aggregation software that corresponds to over 1,530 financial institutions
- Strive to provide highly valued services utilizing FinTech, through API connection etc.

SBI AXES will endeavor to further enhance corporate value by accelerating its growth by placing these at the core of its operation, as well as by developing services with high customer benefits through the aggressive adoption of new elemental technologies

# SBI AXES' Stock Price Trend

SBI AXES is listed on the KOSDAQ Market of the Korea Exchange



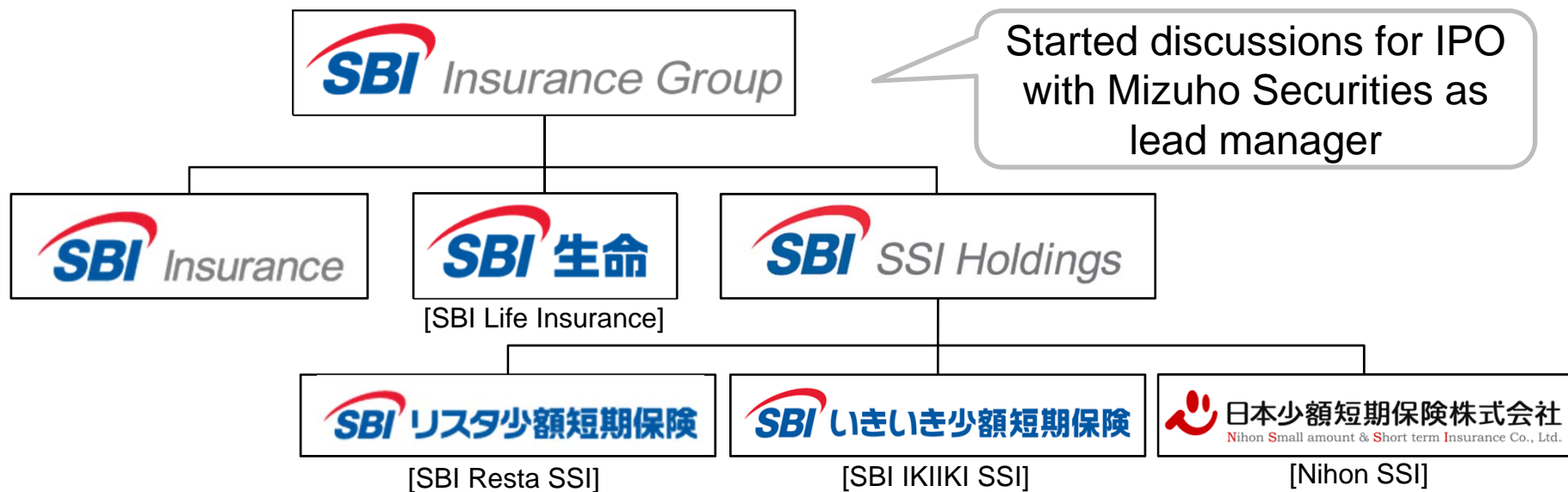
② SBI Insurance Group (insurance holding company):



## SBI Insurance Group Started Its Operations on Mar. 31, 2017, and is Considering an IPO as an Insurance Holding Company

SBI Insurance Holding Company Planning Co., Ltd., which was established as a preparatory insurance holding company, obtained approval from the relevant regulators, and was subsequently reorganized on Mar. 31, 2017 with a company name change to SBI Insurance Group Co., Ltd., to start its operations

[Organizational chart of the SBI Group's insurance business]



As an insurance group led by the SBI Insurance Group, will endeavor to become a new era insurance group, by working on measures such as allying with companies outside of the Group and utilizing FinTech, as well as by promoting efficient management

## As Soon as Preparations are Completed, SBI Capital Management's IPO will be Considered, an Intermediate Holding Company of the Asset Management Business



**Business overview: Specializing in the Group's asset management business, with an efficient and central management of funds and foreign exchange for the said business**

### Primary subsidiary companies (plan):



**Operate and manage venture capital funds**

**GP of overseas funds**

**Operate and manage overseas venture capital funds**

**Overseas financial institutions**

**SBI SAVINGS BANK etc.**

## SBI Biotech's Listing Considerations

**-Achieved profitability on a single-year non-consolidated basis in FY2016 for the first time since its founding-**

- SBI Biotech has proprietary platforms concerning plasmacytoid DC (pDC), considered as the “control tower” of the immune system, as its drug discovery target, and the future development of revolutionary cancer and autoimmune disease therapies through immune control may be expected
- Already succeeded in out-licensing three pipeline products to pharmaceutical companies at an early stage
  - ① MEDI7734 (Anti-ILT7 antibody) : Out-licensing to MedImmune, LLC., a subsidiary of AstraZeneca
  - ② SBI-9674 : Out-licensing to Kyowa Hakko Kirin Co., Ltd
  - ③ Cdc7 inhibitor : Out-licensing to Carna Biosciences, Inc.
- Out-licensed pipeline assets are expected to sequentially advance to the clinical trial stage, and if drug discovery pipeline monetization steadily progresses, establishment of a value chain will be within range



**In order to realize SBI Biotech's sole IPO, separating its wholly owned subsidiary Quark, and selecting a lead managing underwriter to initiate listing discussions**

## Preparing for an IPO of Quark, a Wholly Owned Subsidiary of SBI Biotech Since Dec. 2012

Quark has two products at the Phase III stage in its drug discovery pipeline

- QPI-1002: Kidney transplantation (DGF) (Licensing partner: Novartis International AG)→Phase III scheduled to end by Dec. 2019 (Total milestone payments: USD 670m, \*approx. JPY 70bn)
- QPI-1007: Non-arteritic anterior ischemic optic neuropathy (NAION) (Licensing partner: Biocon Ltd of India)→Phase III scheduled to end by July 2019 (Earning royalties after marketing)

In the process of spinning off Quark from SBI Biotech, for an independent listing of each entity

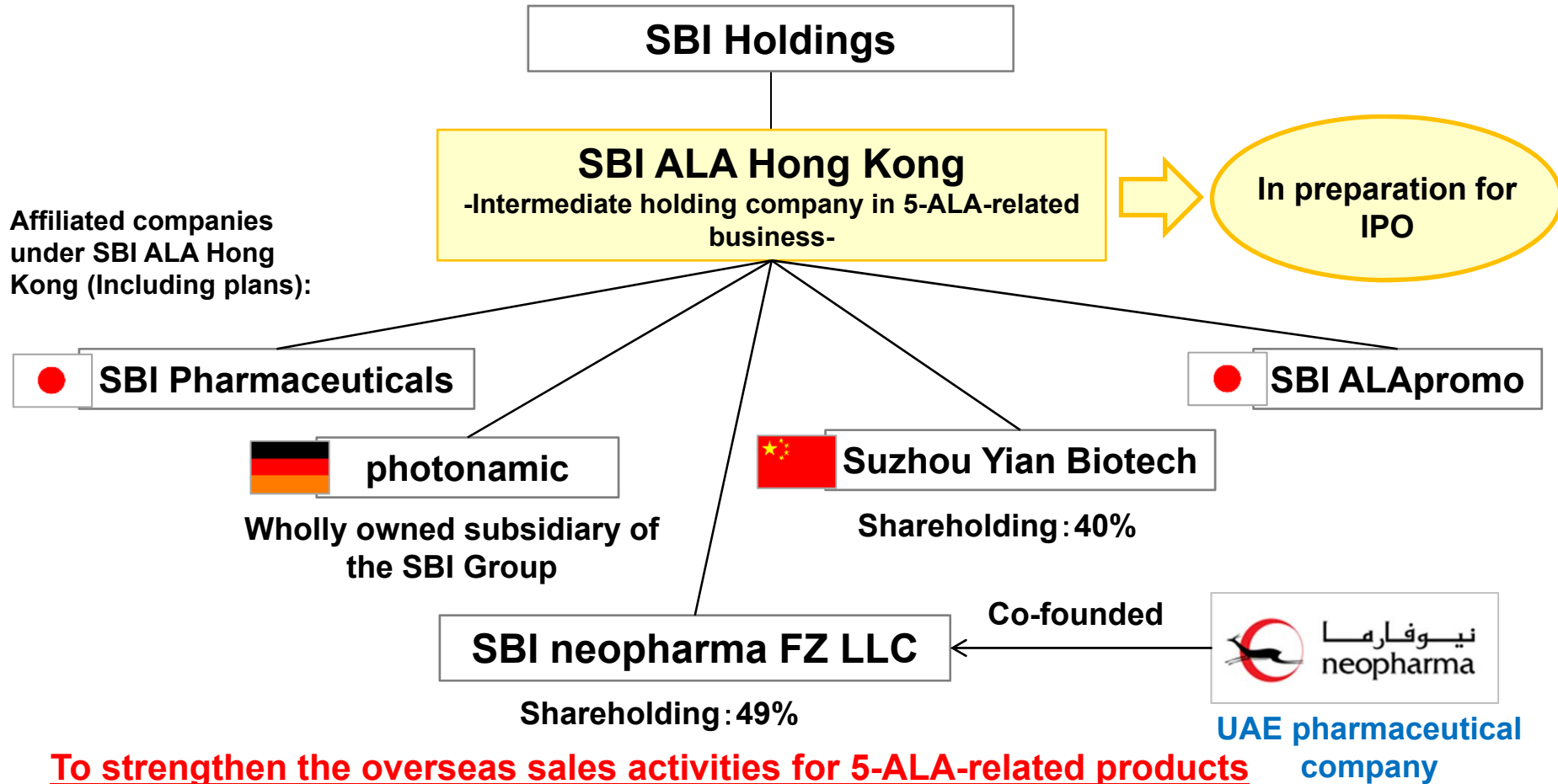
Since Quark has two products at the Phase III stage in its drug discovery pipeline, it has satisfied the conditions for a public offering on the NASDAQ market. Continuing discussions with several securities firms in preparation for an IPO on the U.S. NASDAQ market, including preparations such as IPO application documentation



⑥ SBI ALA Hong Kong :



# SBI ALA Hong Kong, an Intermediate Holding Company Involved in the 5-ALA-related Business, will be Considered for an IPO



**Business line:**

- Overseas sales of the pharmaceuticals using 5-ALA (therapeutic drugs for diabetes, malaria infection and diagnostic agent for brain tumor treatment (plan)) to be developed by Neopharma
- Overseas sales of all the 5-ALA-related products including health foods, cosmetics, feeds and fertilizers containing 5-ALA to be developed by SBI Pharmaceuticals and Neopharma

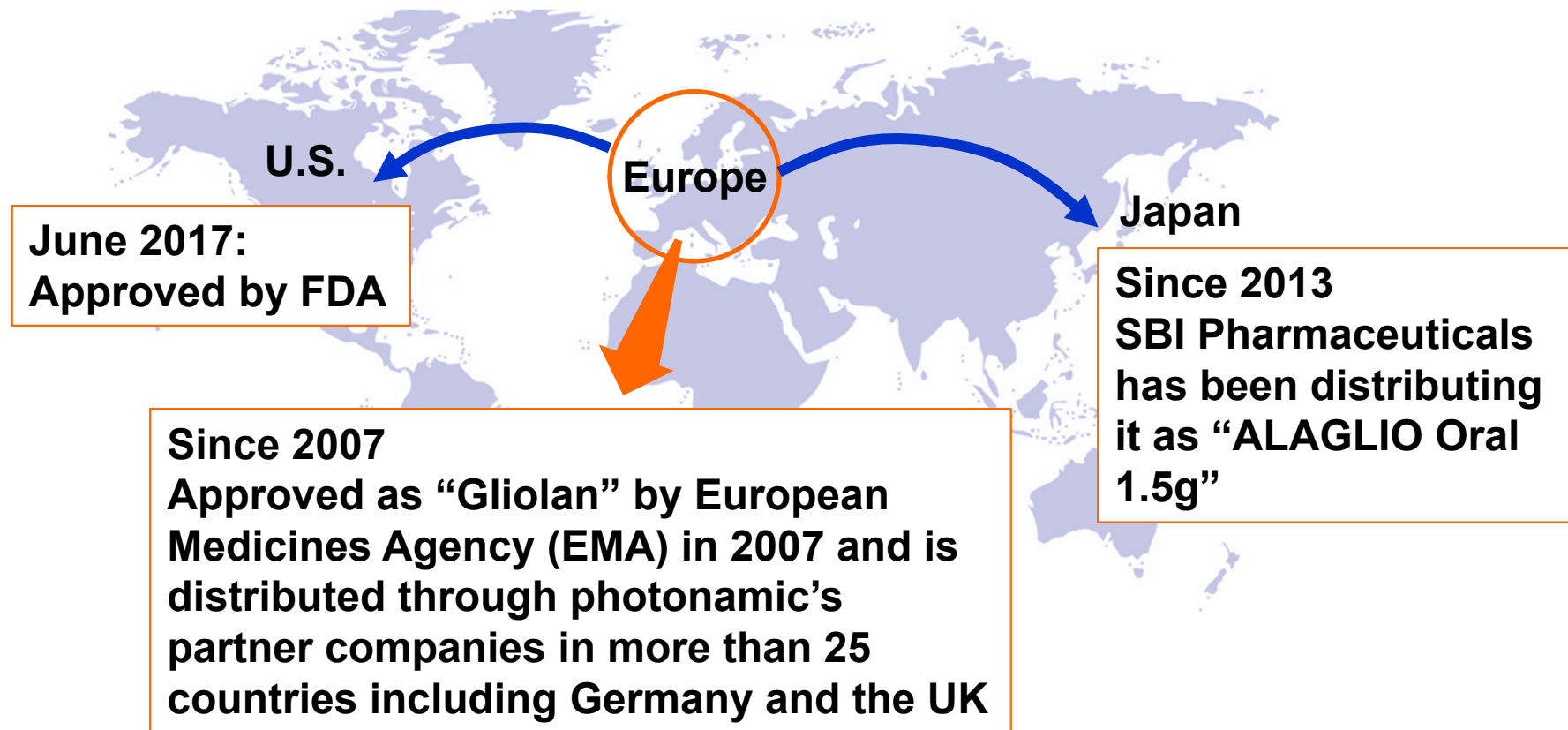
## U.S. Food and Drug Administration(FDA) Approved Prescription Drug Developed by Germany's photonamic



photonamic

### Approved as an intraoperative imaging agent:

An oral administration diagnostic drug for photodynamic diagnosis (“PDD”), which visualizes tumor tissues for resection of malignant glioma



# Shareholder returns

# In FY2016, Continued to Conduct Active Shareholder Returns Initiated from the Previous FY2015



## [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 per share

	End of 2Q	Year-end	Full-year
<b>FY2016</b>	<b><u>JPY 10</u></b>	<b><u>JPY 40</u></b>	<b><u>JPY 50</u></b>
<b>FY2015</b>	<b>JPY 10</b>	<b>JPY 35</b>	<b>JPY 45</b>

### ■ Share repurchase

**Implemented a share repurchase of approx. JPY 8.0bn, during Aug. 3 to Sept. 5, 2016, of SBI shares**

# Shareholder Return Results for the Past Five Fiscal Years



		FY2012	FY2013	FY2014	FY2015	FY2016
Dividend	Full-year dividend per share	<b>JPY 10</b>	<b>JPY 20</b>	<b>JPY 35</b>	<b>JPY 45</b>	<b>JPY 50</b>
	Sum of dividend payouts (JPY bn)	<b>2.2</b>	<b>4.3</b>	<b>7.6</b>	<b>9.4</b>	<b>10.2</b>
Share repurchase amount (JPY bn)		<b>—</b>	<b>—</b>	<b>10.0</b>	<b>5.0</b>	<b>8.0</b>
Total shareholder return amount (JPY bn)		<b>2.2</b>	<b>4.3</b>	<b>17.6</b>	<b>14.4</b>	<b>18.2</b>
Total shareholder return ratio (%)		<b>56.9</b>	<b>20.2</b>	<b>38.5</b>	<b>42.2</b>	<b>55.9</b>

# Following the Previous Fiscal Year, will Conduct Shareholder Benefits for FY2016

## [Details of FY2016 shareholder benefits]

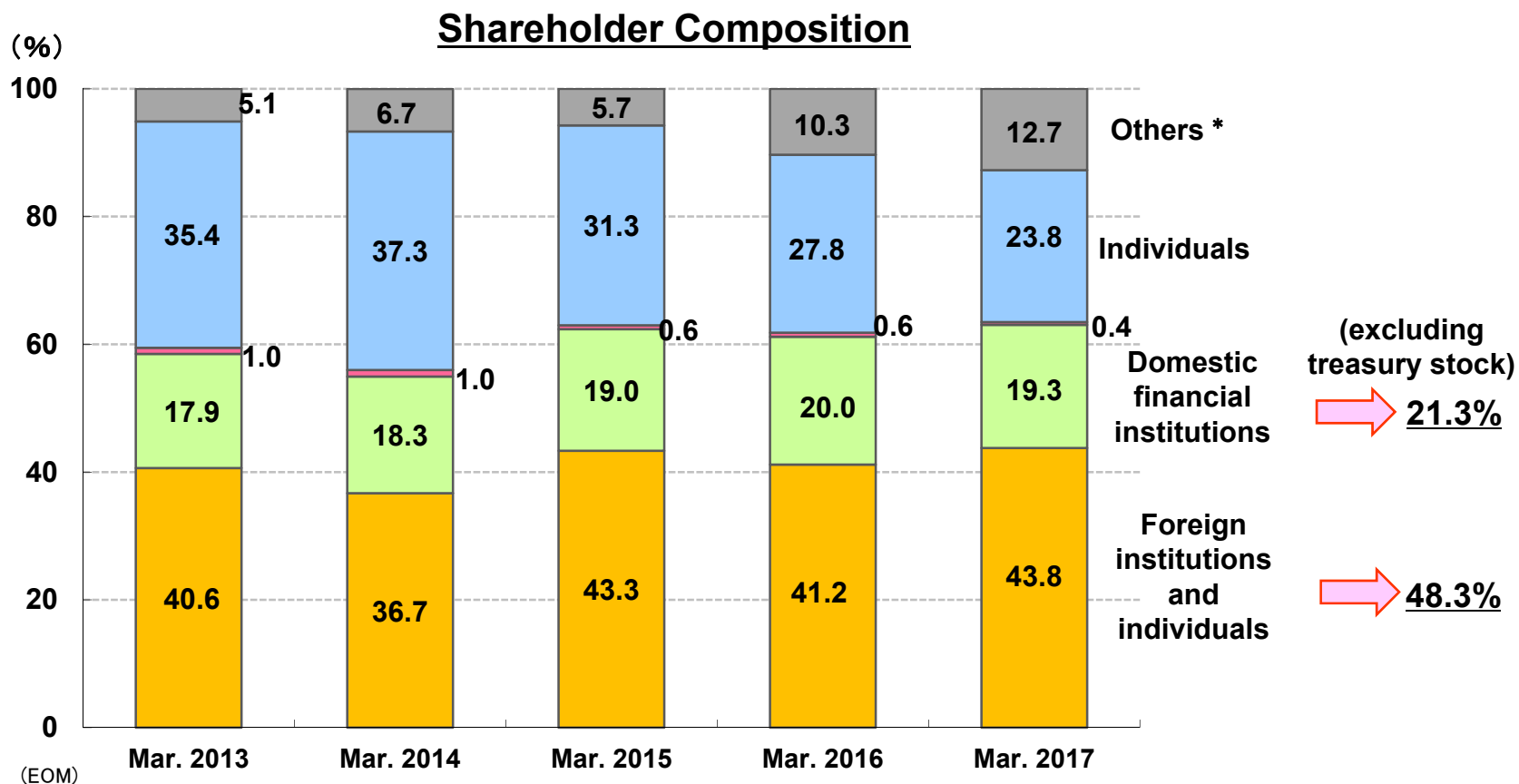
\* Shareholders listed or recorded in the shareholder register as of Mar. 31, 2017 are eligible.

<p>Details</p> <p>Qualified shareholders</p>	 <p>“ALApplus GOLD (90 capsules)” (priced at JPY 9,800 (incl. tax))</p>	 <p>“ALApplus Tou (Sugar) Down (10 capsules)” (priced at JPY 1,944 (incl. tax))</p>	 <p>“ALApplus GOLD (270 capsules)” (priced at JPY 24,300 (incl. tax))</p>	 <p>ALApplus Moisturizing Cream (priced at JPY 12,000 (incl. tax))</p>
<p>Shareholders who have <u>held shares for more than 1 year</u> and who hold <u>1,000 (10 units) or more shares</u> as of Mar. 31, 2017</p>	<p><b><u>1 pack</u></b></p>	<p><b><u>2 packs</u></b></p>	<p><b><u>1 pack</u></b></p>	<p><b><u>1 pack</u></b></p>
<p>For shareholders other than the above, those who hold <u>100 shares (1 unit) or more</u>, as of Mar. 31, 2017</p>	<p><b><u>1 pack</u></b></p>	<p><b><u>1 pack</u></b></p>	<p>—</p>	<p>—</p>

\* In addition, **all shareholders, including those who hold less than 1 unit (1–99 shares), will receive 1 discount coupon for a preferential discount of 50%** from the regular prices of all SBI ALApromo dietary supplements and cosmetics.

# SBI Holdings' Shareholder Composition

- ◆ The total number of shareholders is 133,067, of which the number of shareholders who hold 1 unit or more is 80,290
- ◆ Shareholding ratio of domestic and foreign institutional investors is 63.0%, and the substantive shareholding ratio of domestic and foreign institutional investors, excluding treasury stock, is at 69.5%



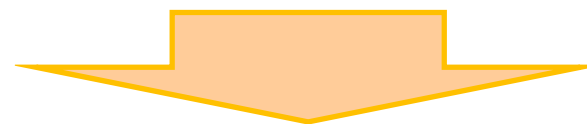
\* "Others" include treasury stock (9.3%) 158

# About “Practical FinTech Learning from Successful Companies” (Author: Yoshitaka Kitao) on Sale in Mar. 2017



A book that explains the emergence of new financial businesses and the recent trends caused by major environmental changes in the financial industry, as well as introducing advanced and successful examples of SBI investee companies

On sale from Mar. 23, 2017 (Nikkei Publishing Inc.)



Planning to publish translated versions in the U.S., China, South Korea and Vietnam within the year



# [Appendix]

## **(1) The Company's method in calculating the estimated corporate value**

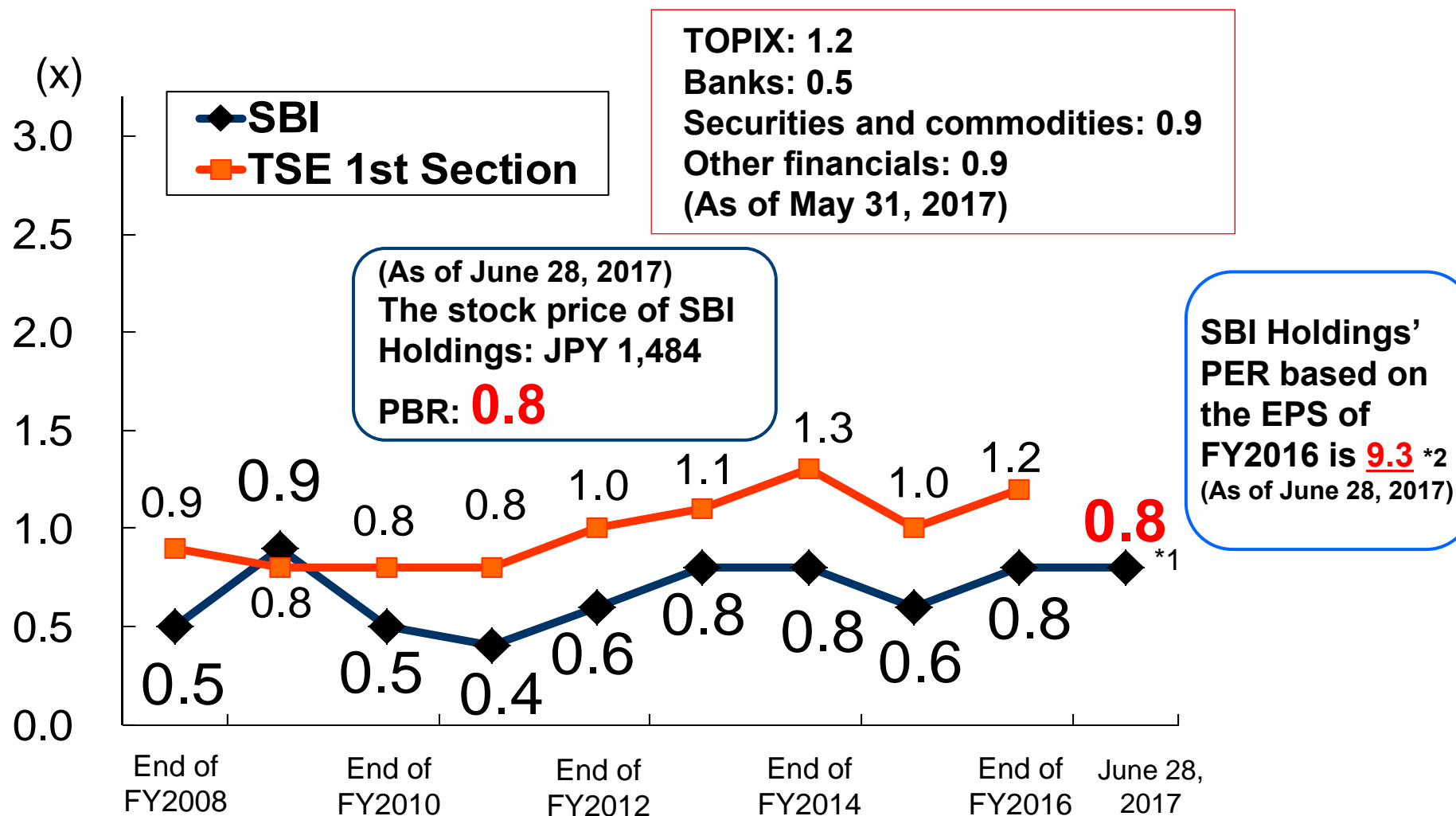
# SBI Holding's Recent Stock Price

**Market cap** (based on the closing price of June 28, 2017): **JPY 333.3bn**



# Change in PBR of SBI Holdings

PBR = Closing price at the end of FY / Net assets per share at the end of FY



\*1 PBR of SBI Holdings for June 28, 2017 is calculated based on the BPS of the end of Mar. 2017.

\*2 EPS of FY2016 (JPY 159.38) is used to calculate SBI Holdings' PER.

Note: PBR of SBI Holdings prior to FY2011 is calculated based on J-GAAP BPS.

# Corporate Value by Business Segment Valuation

## Each Business Segment Valuation is Conservatively Estimated

■ **Sum of the values by segment** (as of June 28, 2017) (JPY billion)

	Valuation of each segment (theoretical value)
<b>Financial Services</b>	<b>628.2</b>
<b>Asset Management</b>	<b>223.4</b>
<b>Biotechnology-related</b>	<b>90.0</b>
<b>Subtotal</b>	<b>941.6 (+)</b>
<b>External Debt</b> (SBIH's non-consolidated-base borrowing recorded on the consolidated B/S as of Mar. 2017)	<b>-249.5</b>
<b>Sum Total</b>	<b>692.2 (+)*</b>

- Business valuation per share: **JPY 4,193**

- Business valuation per share after deduction of external debt: **JPY 3,082**

Out of the major Group companies, 11 are profitable companies that are not included in the above calculations (Total FY2016 Profit before Income Tax Expense: approx. JPY 4.4bn)

\* Since the figure is a simple sum of the values of each segment with interest-bearing liabilities of SBIH not taken into account in the calculation, the abovementioned business valuation per share does not show the theoretical stock price of SBIH.

# Valuation by Segment Estimated by SBI

## (1) Financial Services Business ① SBI SECURITIES -(i)

### ① SBI SECURITIES

Valuation is conservatively estimated at JPY 471.2bn

(based on the closing prices of June 28, 2017)

Estimation of the valuation is as follows:

Calculated according to the **Comparable Public Company Analysis**

Compares the market cap and profits of a comparable public company, Matsui Securities.

Valuation of SBI SECURITIES is calculated as the mean of the two values [(A) and (B)] resulting from the equations below

Matsui's PER (\*1) × SBI SECURITIES's Net Income (FY2016) ... (A)

Matsui's PBR (\*2) × SBI SECURITIES's Net Asset (\*3) (as of Mar. 31, 2017) ... (B)

\*1 PER of Matsui is calculated by its net income per share for FY2016.

\*2 PBR of Matsui is calculated by its BPS as of Mar. 31, 2017.

\*3 Represents SBI SECURITIES' balance of net asset excluding short-term loans receivable from SBIH

# Valuation by Segment Estimated by SBI

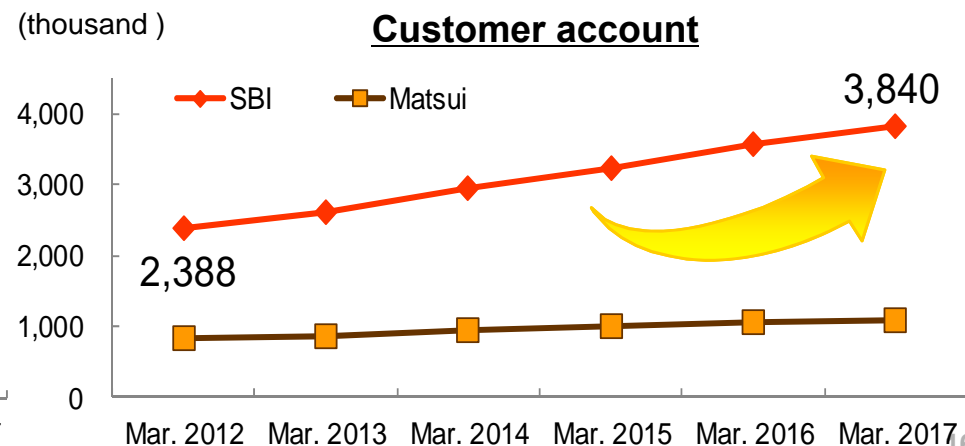
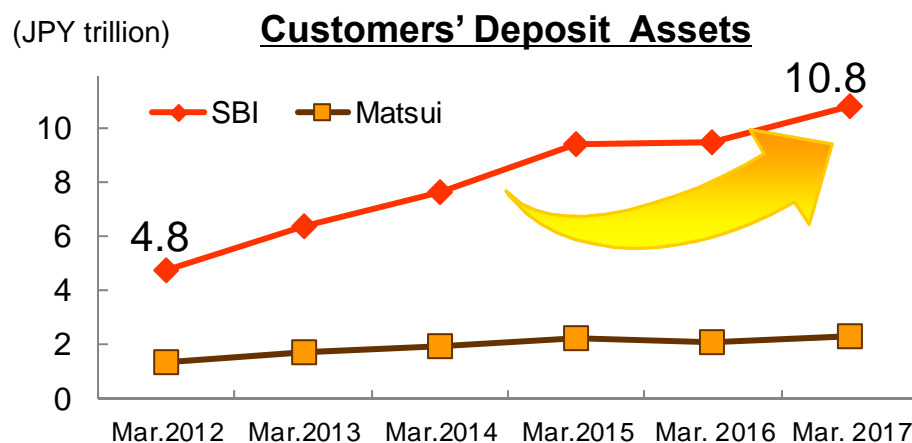
## (1) Financial Services Business ① SBI SECURITIES -(ii)

Is SBI SECURITIES' valuation reasonable?

### Comparison of SBI SECURITIES Matsui Securities

\*Calculated by the closing prices of June 28, 2017

(FY2016)	SBI SECURITIES	Matsui Securities
Valuation (market cap) *	JPY 471.2bn	JPY 235.7bn
Deposit assets (Mar. 2017)	<b>No.1</b> JPY 10.8tn	JPY 2.3tn
Number of accounts (As of the end of Mar. 2017)	<b>No.1</b> 3.84 million	1.09 million
Share of individual stock brokerage trading value	<b>No.1</b> 34.7%	13.0%
Operating income	<b>No.1</b> JPY 38.0bn (down 4.8% YoY)	JPY 14.9bn (down 31.3% YoY)



# Valuation by Segment Estimated by SBI

## (1) Financial Services Business ② SBI Sumishin Net Bank

### ② SBI Sumishin Net Bank

**Estimates the valuation of SBI Sumishin Net Bank with high growth potential in terms of profitability and scale at**

**JPY 116.2bn → JPY 58.1bn** (based on the closing prices of June 28, 2017)  
 (Shareholding of the SBI Group: 50.0%)

**Estimation of the valuation is as follows:**

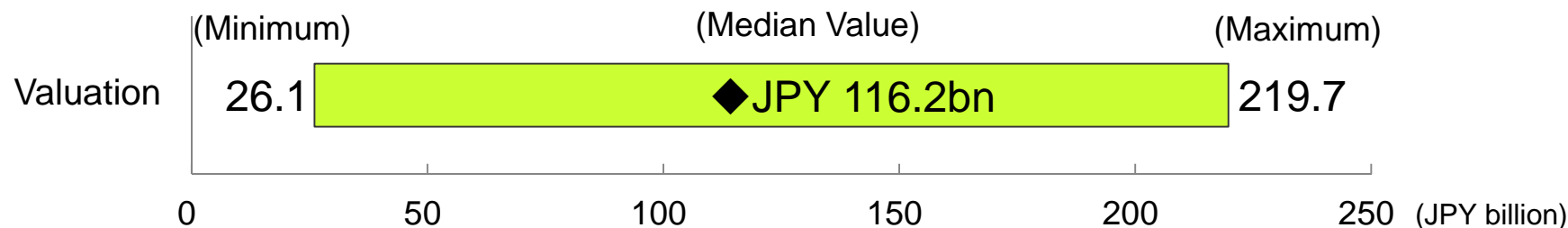
**Calculated according to the Comparable Public Company Analysis**

**Compares the profits of comparable public companies of which the deposit balance exceeds JPY 3tn as of the end of Mar. 2016**

**Median value of estimated PERs of listed local banks of which the deposit balance exceeds JPY 3tn (\*) × SBI Sumishin Net Bank's Net Income (FY2016)**

\* Compiled by the Company from the materials disclosed by the listed local banks of which the deposit balance exceeds JPY 3tn as of the end of Mar. 2016

### [Reference] Valuation distribution based on the abovementioned pro forma calculation





## Valuation by Segment Estimated by SBI (1) Financial Services Business ③ SBI Liquidity Market

### ③ SBI Liquidity Market (including SBI FXTRADE)

Valuation is estimated at **JPY 62.6bn** (based on the closing price of June 28, 2017)

Estimation of the valuation is as follows:

Calculated according to the **Comparable Public Company Analysis**

Compares the market cap and profits of comparable public companies, namely Money Partners, and Hirose FX

$$\frac{\{(Money\ Partner's\ PER + Hirose\ FX's\ PER)\}^{(*)}}{2} \times Net\ Income\ of\ SBI\ Liquidity\ Market\ (cons.)\ (FY2016)$$

\* PER of Money Partners and Hirose FX are calculated by its net income per share for FY2016.

### ④ SBI Japannext

Conservatively estimates the valuation of SBI Japannext at

**USD 150m** → **JPY 8.2bn** (based on the exchange rate as of June 28, 2017)  
(Shareholding of the SBI Group: 48.8%)

# Valuation by Segment Estimated by SBI

## (1) Financial Services Business



### ⑤ SBIH Comparison Website Business / ⑥ Other Financial Services Business

#### ⑤ SBIH Comparison Website Business

Valuation is estimated at **JPY 17.8bn** (based on the closing price of June 28, 2017)

Estimation of the valuation is as follows:

Calculated according to the **Comparable Public Company Analysis**

Compares the profits of comparable public companies, namely Kakaku.com

$$\frac{\{(Kakaku.com's\ PER + NEWTON\ FINANCIAL\ CONSULTING's\ PER)\}^{(*)}}{2} \times \text{Provisional amount of net Income of SBIH Comparison Website Business (FY2016)}$$

\* PER of Kakaku.com and NEWTON FINANCIAL CONSULTING are calculated by their net income per share for FY2016.

#### ⑥ Other listed subsidiary and an equity method company in this business segment

	SBI's shareholding pct. (%)	Classification	Listed market	Market cap (JPY billion)	SBI's equity interest of market cap (JPY billion)
<b>SBI AXES</b>	<b>73.8</b>	Consolidated subsidiary	KOSDAQ of KRX	<b>10.3*</b>	<b>7.6</b>
<b>SOLXYZ</b>	<b>23.4</b>	Equity method associate	TSE 1st	<b>11.3</b>	<b>2.6</b>
<b>Sum of the market cap of a listed subsidiary and an equity method associate</b>				<b>21.6</b>	<b>10.3</b>

(Based on the closing price of June 28, 2017. \*Calculated by the exchange rate as of June 28, 2017.)

\* SBI's shareholding percentage corresponds to a figure based on the IFRS criteria that excludes a percentage of outside shareholder's interest of subsidiary companies and subsidiary funds of the Group.

## Valuation by Segment Estimated by SBIH

### (1) Financial Services Business: Total Valuation of the Businesses

#### ① SBI SECURITIES

(based on the closing prices of June 28, 2017)

Upon comparison with similar listed companies calculated conservatively as **JPY 471.2bn**

#### ② SBI Sumishin Net Bank

(based on the closing prices of June 28, 2017)

Estimated the valuation of SBI Sumishin Net Bank that has high growth potential in terms of profitability and scale at JPY 116.2bn → **JPY 58.1bn** (Shareholding of the SBI Group: 50.0%)

#### ③ SBI Liquidity Market (cons.)

(based on the closing prices of June 28, 2017)

Upon comparison with similar listed companies calculated as **JPY 62.6bn**

#### ④ SBI Japannext

(based on the exchange rate of June 28, 2017)

Upon the conservative estimated valuation of USD 150m → **JPY 8.2bn**

(Shareholding of the SBI Group: 48.8%)

#### ⑤ SBI Comparison Website Business

(based on the closing prices of June 28, 2017)

Upon comparison with similar listed companies calculated as **JPY 17.8bn**

#### ⑥ Total market cap upon SBIH's shareholding of a listed subsidiary and an equity method company in this segment

The market cap of SBI AXES and SOLXYZ (Shareholding of the SBI Group) **JPY 10.3bn**

(based on the closing prices of June 28, 2017)

Total of the valuation above: **JPY 628.2bn** (The sum according to the SBI Group's shareholding)

# Valuation by Segment Estimated by SBIH



## (1) Financial Services Business

### ⑦ Other Financial Services Businesses (Profitable Entities)

There are many other profitable business entities in this segment

	Business lineup	Profit before income tax expense for FY2016 (JPY billion)	SBI's shareholding pct. (%)
<b>SBI MONEY PLAZA</b>	Insurance agency, financial instruments intermediary service provider, housing loan agency	<b>2.0</b>	<b>100.0</b>
<b>SBI Life Insurance *1</b>	Life insurance	<b>1.6</b>	<b>100.0</b>
<b>SBI Remit</b>	International money remittance service	<b>0.3</b>	<b>100.0</b>

Based on the “Selection and Concentration” policy for the Financial Services Business, regardless of profit contributions, a sale, an IPO or reorganizations within the Group of non-core businesses will be accelerated, though a judgment of the existence or strength of synergies with one of the three core businesses

 Proceeds generated may be appropriated to strengthen the three core businesses

\*1 Considering the particularity of life insurance business, presents the recurring income based on J-GAAP, not that of based on IFRS.

\*2 SBI's shareholding percentage corresponds to a total percentage based on the IFRS criteria for subsidiary companies and subsidiary funds of the Group. 171

# Valuation by Segment Estimated by SBIH

## (2) Asset Management Business -①

### Asset Management Business

Valuation for this segment is conservatively estimated at approx. JPY 223.4bn  
<Reference>

JAFCO's Market Cap: **JPY 212.3bn** (based on the closing price of June 28, 2017)

Valuation estimation is the sum of the valuation (i)-(iv) below.

(i) Value of holding securities (as of the end of Mar. 2017) Approx. JPY 109.7bn

Operational investment securities and other investment securities held are quarterly evaluated through fair value, and the calculated figure above reflects the fair value of SBIH's ownership

(ii) Value of SBI Investment (based on the closing price of June 28, 2017)

(\* Valuation excluding assets such as securities hold) Approx. JPY 19.9bn

Calculated according to the **Comparable Public Company Analysis**

Compares the market cap and profit of the comparable public company, JAFCO

Provisional amount of SBI Investment's net income that represents the actual status deducting expenses produced relevant to the holding company function held by it × JAFCO's PER (\*)

\*PER of JAFCO is calculated by the estimated net income per share for FY2017.

The estimated net income per share used in the calculation is the average between that of Japanese company handbook and Nikkei Kaisha Joho.

# Valuation by Segment Estimated by SBIH

## (2) Asset Management Business -②

(iii) Value of SBI SAVINGS BANK (based on the closing price of June 28, 2017)

Estimates the valuation of SBI SAVINGS BANK at JPY 76.4bn

→ JPY 75.6bn

(Shareholding of the SBI Group: 99.0%)

Estimation of the valuation is as follows:

Calculated according to the **Comparable Public Company Analysis**

Compares the asset sizes of comparable public companies, including savings banks and local banks in Korea

Median value of PBR of listed savings banks and local banks in Korea<sup>\*1</sup>

×

Balance of SBI SAVINGS BANK's substantive equity<sup>\*2</sup>  
(As of the end of Mar. 2017)

\*1 PBR of listed savings banks and local banks in Korea is calculated by recent equity per share

\*2 Balance of substantive equity is the SBI Savings Bank's equity considering goodwill

\*3 SBI's shareholding percentage corresponds to a figure based on the IFRS criteria that excludes a percentage of outside shareholder's interest of subsidiary companies and subsidiary funds of the Group.

# Valuation by Segment Estimated by SBIH

## (2) Asset Management Business- ③



(iv) Total market cap of listed subsidiaries and equity method associates

	SBI's share-holding pct. (%)	Classification	Listed market	Market cap (JPY billion)	SBI's equity interest of market cap (JPY billion)
Morningstar Japan	49.6	Consolidated subsidiary	TSE JASDAQ	27.8	13.8
SBI Investment KOREA	43.9	Equity method associate	KOSDAQ of KRX	10.1*	4.4
Sum of the market cap of a listed subsidiary and an equity method associate				37.9	<u>18.2</u>

(Based on the closing price of June 28, 2017. \*Calculated by the exchange rate as of June 28, 2017.)

\* SBI's shareholding percentage corresponds to a figure based on the IFRS criteria that excludes a percentage of outside shareholder's interest of subsidiary companies and subsidiary funds of the Group.

[Other profitable businesses of the Asset Management Business that are not included in the above valuation]

	Business lineup	Profit before income tax expense for FY2016 (JPY billion)	SBI's shareholding pct. (%)
SBI Estate Finance	Real estate secured loans	0.4	100.0

# Valuation by Segment Estimated by SBIH

## (3) Biotechnology-related Business



### Biotechnology-related Business


Each bioventure company has multiple promising pipelines, and the Biotechnology-related Business will become a core business that makes a substantial contribution through progress in areas including pharmaceutical clinical research in Japan and overseas.

**Total valuation of the Biotechnology-related Business is estimated at approx. JPY 90.0bn**

#### ① SBI Pharmaceuticals

Estimation of the valuation is as follows:

Market value at the point of partial transference of former SBI ALApromo's shares × Number of shares issued × SBIH's equity interest (excluding external holdings)

 **Based on SBIH's equity interest (84.9%; excluding external holdings) as of the end of Mar. 2017, the amount is calculated to be approx. JPY 63.7bn**

#### ② Kubota Pharmaceutical HD

	SBI's share-holding pct. (%)	Classification	Listed market	Market cap (JPY billion) (as of June 28, 2017)	SBI's equity interest of market cap (JPY billion)
Kubota Pharmaceutical HD	<b>38.2</b>	Equity method associate	TSE Mothers	<b>31.2</b>	<b>11.9</b>

#### ③ SBI Biotech (SBI's shareholding percentage\*: 87.6%)

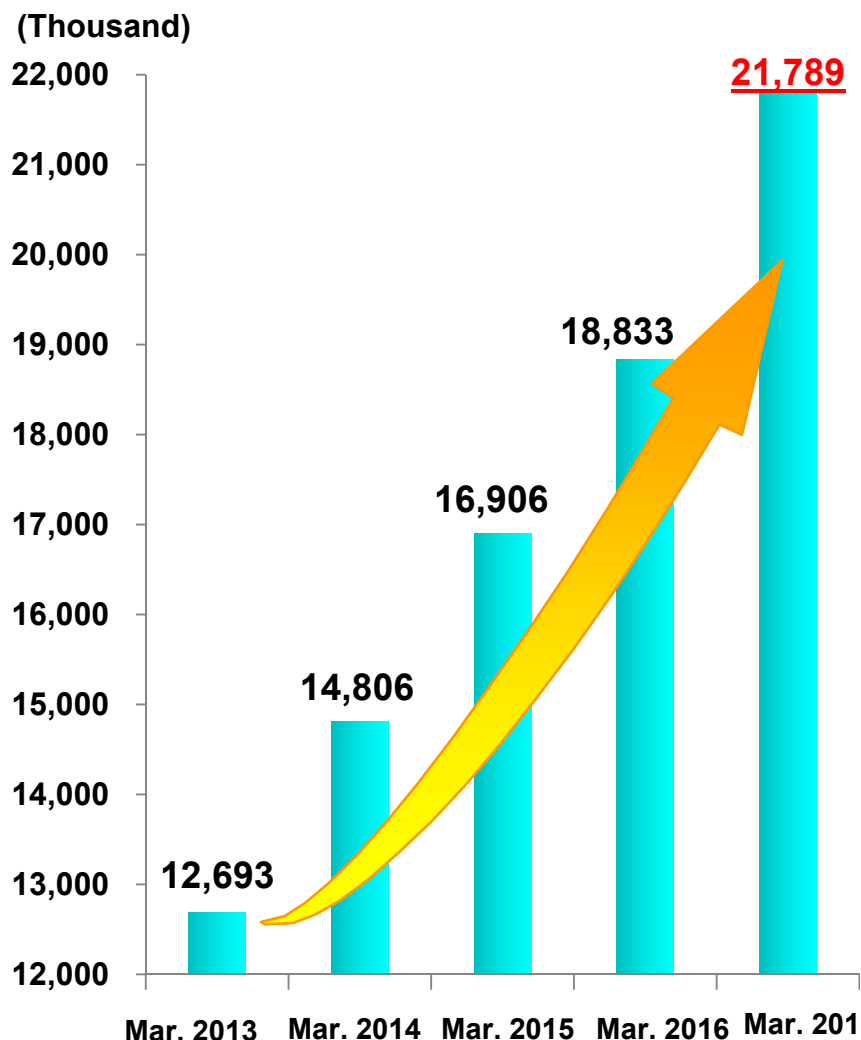
**Estimated value based on SBIH's shareholding of paid-in capital**

\* SBI's shareholding percentage corresponds to a figure based on the IFRS criteria that excludes a percentage of outside shareholder's interest of subsidiary companies and subsidiary funds of the Group.



## **(2) 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



## Breakdown of the Customer Base

(As of the end of Mar. 2017)<sup>\*1,2</sup> (Thousand)

SBI SECURITIES	(No. of accounts)	3,840
SBIH InsWeb	(No. of customers)	8,514
E-LOAN	(No. of customers)	2,210
MoneyLook	(Total no. of customer registrations)	938
Morningstar Japan	(Total no. of service users) <sup>*3</sup>	865
SBI Card	(Valid cards issued)	71
SBI Sumishin Net Bank	(No. of accounts)	2,827
SBI Insurance	(Total no. of contracts) <sup>*4</sup>	937
SBI Life Insurance	(Total no. of contracts)	108
Others (SBI Point etc.)		1,479
<b>Total</b>		<b>21,789</b>

\*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. 2013	Mar. 2014	Mar. 2015	Mar. 2016	Mar. 2017
Consolidated subsidiaries (companies)	<b>144</b>	<b>139</b>	<b>142</b>	<b>147</b>	<b>166</b>
Consolidated partnerships (partnerships)	<b>34</b>	<b>36</b>	<b>31</b>	<b>31</b>	<b>21</b>
Total consolidated subsidiaries (companies)	<b>178</b>	<b>175</b>	<b>173</b>	<b>178</b>	<b>187</b>
Equity method companies (companies)	<b>38</b>	<b>38</b>	<b>39</b>	<b>33</b>	<b>36</b>
Total Group companies (companies)	<b>216</b>	<b>213</b>	<b>212</b>	<b>211</b>	<b>223</b>

## Number of consolidated employees

	Mar. 2013	Mar. 2014	Mar. 2015	Mar. 2016	Mar. 2017
Total employees (persons)	<b>5,007</b>	<b>5,352</b>	<b>6,094</b>	<b>5,480</b>	<b>4,455*</b>

\* Since NARUMIYA INTERNATIONAL was excluded from the Group, the number of employees decreased

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