



*Strategic  
Business  
Innovator*

*- Daiwa Investment Conference Tokyo 2018 -*

# **Endeavors to Further Improve Business Performance and to Increase Corporate Value**

**March 7, 2018**

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SBI Holdings, Inc.**

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

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

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

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

# I. The SBI Group's profile

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**Since its inception in 1999, led Japan's development of the Internet finance**

# SBI Holdings' Comparison to Its Time of Establishment

(Established on July 8, 1999)

	Establishment 1999	End of December 2017
Employees (cons.)	55	<b>5,219</b>
Revenues (cons.)	0	<b>JPY 261.9bn</b> (FY2016) <b>Historical High</b>
Consolidated subsidiaries	0	<b>194</b> (Including consolidated partnerships) (In case of including equity method companies: 232)
Publicly owned companies	0	<b>5</b> (including SBIHD) Peak time (FY2007): 11
Capital	JPY 50m	<b>JPY 81.7bn</b>
Net assets	JPY 50m	<b>JPY 484.8bn</b>

# Principal SBI Group Companies(Excerpt)

**SBI Holdings**

TSE  
First  
Section

## Financial Services Business

**SBI FINANCIAL SERVICES**  
[Intermediate Holding Company]

**SBI証券**  
(SBI SECURITIES)

[Comprehensive online securities]

**住信SBIネット銀行**

**SBI Sumishin Net Bank**

[Internet bank]

**SBI マネープラザ**  
(SBI MONEY PLAZA)

[Operation of face-to-face shops]

**SBI Japannext**

[Proprietary trading system]

**SBI Liquidity Market**

[Provision of market infrastructure to FX trading]

**SBI FXTRADE**

[Pure-play FX broker]

**SBI Ripple Asia**

[Settlement platform provider]

**SBI Insurance Group** [Insurance holding company]

**SBI Insurance**

[Internet nonlife insurance]

**SBI 生命**

(SBI Life Insurance)  
[Life insurance]

**SBI いきいき少短**  
(SBI IKI IKI SSI)

[Small-amount, short-term Insurance]

A diversified line of financial services

## Asset Management Business

**SBI Capital Management**  
[Intermediate Holding Company]

**SBI Investment**

[Venture capital fund management]

**SBI Ven Capital**

[Singaporean subsidiary]

**SBI SAVINGS BANK**

[Korean savings bank]

Overseas bases,  
GP of overseas funds,  
Overseas financial  
institutions, Investee  
companies

Venture capital, Overseas financial services businesses

**SBI Global Asset Management**  
[Intermediate Holding Company]

**MORNINGSTAR**

[Investment trusts ratings]

**SBI Asset Management**

[Investment advisory]

**MORNINGSTAR**

ASSET MANAGEMENT

[Investment advisory]

**SBI Bond Investment Management**

**SBI Bond Investment Management**  
[Investment management]

The Group's asset management

## Biotechnology-related Business

**SBI ALApharma**  
[Intermediate Holding Company]

**SBI Pharma**

[Development of 5-ALA-related products (pharmaceutical business)]

**SBI ALApromo**

[Sales of 5-ALA-related products]

**photonamic**

[5-ALA-related pharmaceutical firm in Germany]

**SBI Biotech**  
**Quark**

[R&D of pharmaceuticals]

Development, manufacturing and sales of pharmaceuticals, health foods and cosmetics

## **II. The SBI Group's Endeavors to Increase Its Corporate Value through Evolution and Enhancement**

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- 1. SBI Holdings' FY2017 consolidated results are steady**
- 2. Backdrop that supports the steady performance**
- 3. Various factors that will contribute to the Group's further improvement of business performance and an increase in corporate value, beyond the next fiscal year**

# **1. SBI Holdings' FY2017 consolidated results are steady**

# 9M FY2017 Consolidated Performance (IFRS)

## Achieved Solid Results

[Year-on-year]

(Unit: JPY million)

	9M FY2016 (Apr.–Dec. 2016)	9M FY2017 (Apr.–Dec. 2017)	YoY % change
Revenue	193,570	247,125	+27.7
Profit before income tax expense	33,405	50,623	+51.5
Profit for the period	21,877	41,142	+88.1
Profit attributable to owners of the Company	25,134	36,465	+45.1

### [Consolidated Performance Highlight]

With reference to a portion of the Biotechnology-related business, impairment losses of approx. JPY 24.2bn were appropriately booked, owing to the result of clinical trials and changes in the business plan, but the overall 9M FY2017 revenue increased 27.7% year-on-year to JPY 247.1bn, profit before income tax expense increased by 51.5% year-on-year to be JPY 50.6bn and profit attributable to owners of the Company was JPY 36.5bn, up 45.1% year-on-year, which achieved significant increase in both revenue and profit



# In the Financial Services Business, All Companies, with the Exception of Those Established Within the Past Two to Three Year Period, Sustained Profitability

Profit before income tax expense of major Financial Services

Business companies (IFRS)

(JPY million)

	FY2013	FY2014	FY2015	FY2016	9M FY2017
Simple sum of SBI SECURITIES and the FX business (SBI LM, SBI FXT)	36,504	39,569	43,050	38,777	35,484
SBI Sumisin Net Bank* (Net profit based on J-GAAP)	2,062 (7,116)	5,196 (9,998)	3,385 (8,413)	3,185 (9,873)	2,949 (6,928)
Insurance business	-3,601	28	265	1,920	2,311

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

(JPY billion)

	FY2013	FY2014	FY2015	FY2016
Total loss amount	-9.2	-3.0	-1.1	0

With the exception of companies that were established within the past two to three years, all companies are profitable

SBI FXT: Full-year profitability

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

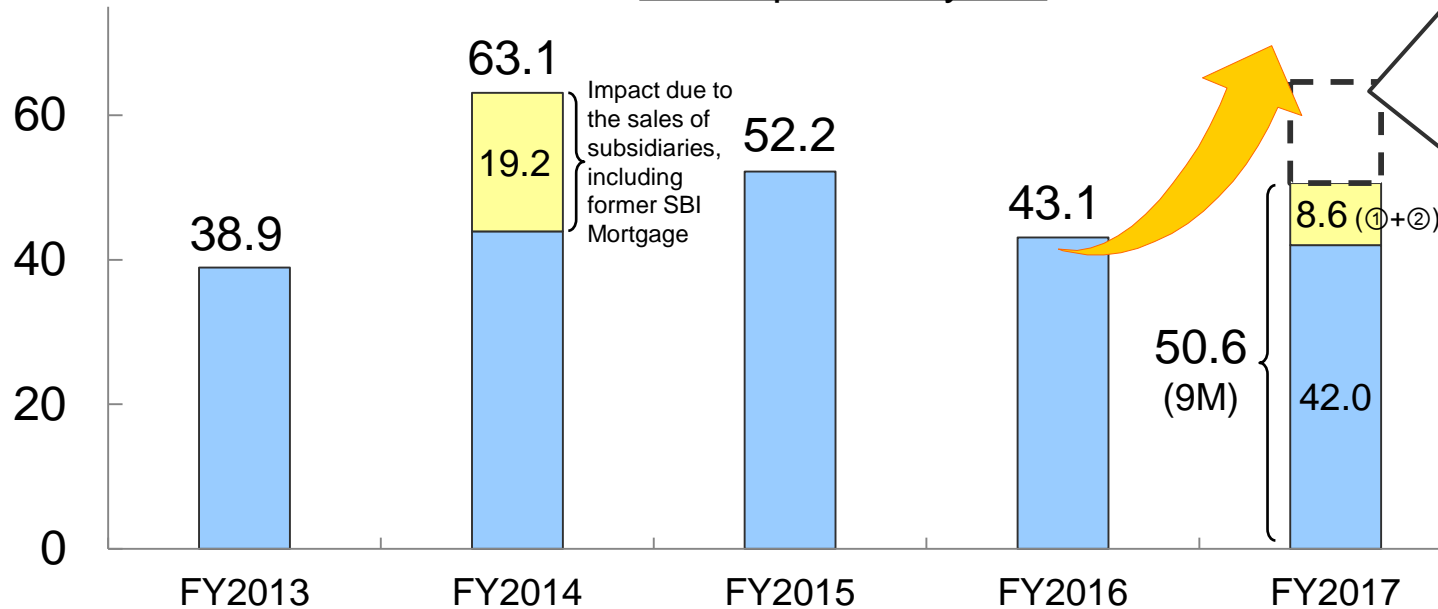
SBI Social Lending: Full-year profitability

\* Given that it is an equity method company with an equity stake of 50%, presents equity in the earnings of an affiliate

# Since the Adoption of IFRS in FY2012, the Full-year FY2017 Results are Expected to Achieve Record Highs

Consolidated profit before income tax expense (IFRS)  
for the past five years

(JPY billion)



Excluding temporary factors ① and ② below, a profit of JPY 42bn was recorded for the 9M results. For Q4, [a profit of about JPY 14bn](#), a figure equivalent to that of three months, owing primarily to contributions from the Financial Services Business and SBI SAVINGS BANK, [is expected to be recorded](#)

\* Profit/loss from the change in fair value, and one-time effects, are not included in the consideration

FS Business	37.3	67.3	50.8	48.9	46.7
AM Business	9.0	8.1	17.6	13.9	43.1
Bio-related	-2.4	-7.3	-6.6	-9.6	-31.6
					<b>9M results</b>

① Includes profit from the change in fair value of JPY 32.8bn

② Includes impairment loss of approx. JPY 24.2bn

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

[Reference] Consolidated profit before income tax expense for full-year FY2017 (forecast)

Japan Company Handbook Winter 2018: **JPY 53bn** / Nikkei Kaisha Joho PREMIUM: **JPY 55bn**

# A View of 4Q FY2017, which is Expected to Result in a Steady Performance

## ■ SBI証券 [SBI SECURITIES]

For the 9M FY2017 consolidated financial results (J-GAAP), operating revenue and all profit items recorded historical highs

(JPY billion)	9M FY2017	Sum of Jan. and Feb. 2018 (preliminary figure)
Operating income (cons.)	<b>37.7</b>	<b>9.6</b>



**Based on the 9M FY2017 results, it is forecasted to exceed the historical high of JPY 39.9bn recorded in FY2015**

## ■ SBI SAVINGS BANK

SBI SAVINGS BANK of South Korea's incorporated profit before income tax expense (IFRS) for 9M FY2017 was JPY 11.1bn, to maintain a significant profit increase trend



Recorded approx. JPY 920m\* (IFRS; monthly preliminary figure) in Jan. 2018, to continue its steady performance

\* Converted at KRW 1 = JPY 0.10

- With the anticipated IPO of RPA Holdings (scheduled on Mar. 27, 2018), an investee company of the FinTech Fund and a company which SBI SECURITIES will serve as its lead managing underwriter, as well as the scheduled share transfer of an investee company to a third party, significant contribution to the profit is expected in the Asset Management Business

# Based on the Basic Policy for Shareholder Returns, a Further Dividend Increase is Expected for FY2017

[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

In accordance to the abovementioned basic policy for shareholder return, it was determined that an annual dividend for FY2017 of JPY 70 per share, as a minimum\*, would be implemented

In this case, the total dividend payouts is equivalent to approx. 42% of 9M FY2017 profit attributable to owners of the Company of JPY 36.5bn.

As the 4Q FY2017 performance continues to positively progress, a further upward revision is expected

## ■ Dividend forecast (result) per share

	End of 2Q	Year-end	Full-year
FY2017 (forecast)	<b><u>JPY 15</u></b> (result)	<b><u>JPY 55+</u></b>	<b><u>JPY 70+</u></b>
FY2016 (result)	<b>JPY 10</b>	<b>JPY 40</b>	<b>JPY 50</b>

\* Reference: Dividend forecast per share for FY2017

Japan Company Handbook Winter 2018: **JPY 50-55** / Nikkei Kaisha Joho PREMIUM: **JPY 55**

- 2. Backdrop that supports the steady performance**
  - (1) With the completion of the Internet-based business ecosystem, financial services companies within the ecosystem are mutually exerting substantial synergistic effects through mutual evolution**
  - (2) SBI SAVINGS BANK achieved a significant profit increase through an increase in its balance of the performing loans, approx. JPY 480bn as of the end of Feb. 2018, and a decrease in the overall delinquency ratio**

# **(1) With the completion of the Internet-based business ecosystem, financial services companies within the ecosystem are mutually exerting substantial synergistic effects through mutual evolution**

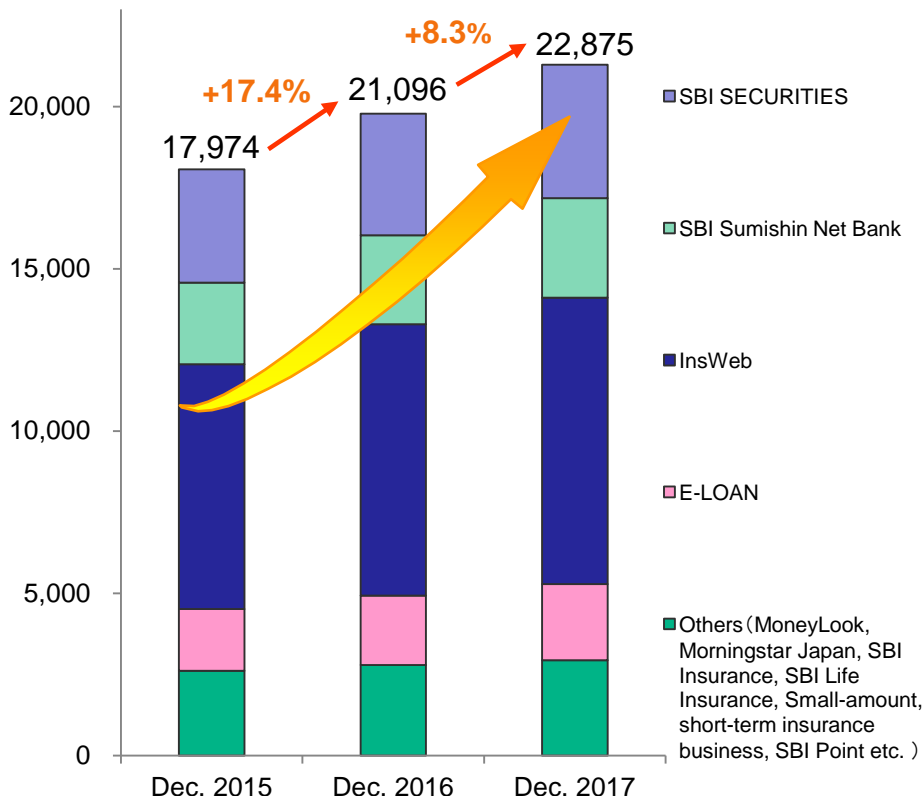
- ① SBI SECURITIES, the Group's cash cow, is steadily developing business domains primarily in the corporate business, in addition to the retail business, where it maintains an overwhelming position**
- ② At SBI Sumishin Net Bank, will increase the customer base by enhancing services with high customer benefits, as well as diversify its investment sources**
- ③ Insurance-related business companies are strengthening the sales of various insurance products (fire insurance, group credit insurances), by thoroughly pursuing Group synergies with SBI Sumishin Net Bank**
- ④ Financial services companies are creating new revenue growth opportunities by proactively adopting FinTech**



# The SBI Group's Customer Base Rapidly Expanded in a Short Period of Time, Owing to the Thorough Pursuit of the Customer-centric Principle and Group Synergies

## Changes in customer base of major Group companies (Dec. 2015 – Dec. 2017)

(Thousand)



## Breakdown of the customer base (Dec. 2015 – Dec. 2017)\*1, 2

		Dec. 2015	Dec. 2016	Dec. 2017
<b>SBI SECURITIES</b>	(No. of accounts)	<b>3,487</b>	<b>3,742</b>	<b>4,110</b>
<b>SBI Sumishin Net Bank</b>	(No. of accounts)	<b>2,522</b>	<b>2,746</b>	<b>3,064</b>
<b>SBIH InsWeb</b>	(No. of customers)	<b>7,544</b>	<b>8,364</b>	<b>8,834</b>
<b>E-LOAN</b>	(No. of customers)	<b>1,905</b>	<b>2,144</b>	<b>2,345</b>
<b>MoneyLook</b>	(Total no. of customer registrations)	<b>928</b>	<b>936</b>	<b>942</b>
<b>Morningstar Japan</b>	(Total no. of service users)*3	<b>602</b>	<b>681</b>	<b>768</b>
<b>SBI Insurance</b>	(Total no. of contracts)*4	<b>815</b>	<b>905</b>	<b>981</b>
<b>SBI Life Insurance</b>	(Total no. of contracts)	<b>111</b>	<b>109</b>	<b>109</b>
<b>Small-amount, short-term insurance business</b>	(Total no. of contracts)	<b>61</b>	<b>569</b>	<b>612</b>
<b>Others (SBI Point etc.)</b>	-	<b>759</b>	<b>901</b>	<b>1,112</b>
<b>Total</b>		<b>17,974</b>	<b>21,096</b>	<b>22,875</b>

(Thousand)

\*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.



# SBI SECURITIES' Overwhelming Position

[9M FY2017 results]

**Approx. 4.23 million accounts**  
(as of the end of Feb. 2018)

	Share of individual stock trading value (%)		Number of accounts (thousand)	Deposit assets (JPY trillion)	Operating income (JPY million)
		of which, individual margin trading			
<b>SBI (cons.)</b>	 <b>34.9</b>	 <b>36.4</b>	 <b>4,110</b>	 <b>12.6</b>	 <b>37,708</b>
<b>Rakuten *1 (cons.)</b>	<b>16.2</b>	<b>16.7</b>	<b>2,372</b>	<b>4.9</b>	<b>14,926</b>
<b>Matsui</b>	<b>11.4</b>	<b>14.3</b>	<b>1,122</b>	<b>2.6</b>	<b>13,099</b>
<b>kabu.com</b>	<b>8.8</b>	<b>10.4</b>	<b>1,078</b>	<b>2.4</b>	<b>5,526</b>
<b>Monex *2 (cons.)</b>	<b>5.3</b>	<b>3.7</b>	<b>1,742</b>	<b>4.3</b>	<b>5,607</b>

\*1 The number of accounts for Rakuten is the figure as of the end of Sept. 2017.

\*2 The amount of "Operating Income" is "The amount equivalent to operating income" disclosed by Monex.

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

# Developing the Corporate Business by Focusing on Increasing Transactions with Financial Institutions and the IPO Underwriting Business

Underwriting share of 93.7% is an industry leading figure

Established the Financial Institutional Sales Dept. in July 2016, to strengthen the business structure for financial institutions

IPO Underwriting Ranking (Apr. 2017 –Dec. 2017)

63 companies were listed during the period

Company name	No. of cases	Underwriting share (%)
SBI	59	93.7
SMBC Nikko	48	76.2
Mizuho	41	65.1
Daiwa	29	46.0
Monex	29	46.0
Nomura	27	42.9
Ace	27	42.9

**SBI SECURITIES significantly increased transactions with its customer financial institutions of a total of 151 companies** (as of Dec. 31, 2017)

Increase in cumulative transaction volume for 9M FY2017

Equity trading **+53.6% YoY**

Investment trusts **+1,490.1% YoY**

Newly-issued bond transactions **+865.6% YoY**

Existing bond transactions **+186.3% YoY**



Began to underwrite newly-issued municipal bonds or public bonds, the business area that SBI SECURITIES had previously not been able to participate in

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

\* The number of underwritten issues represents both lead managed underwritings and syndicate participation.

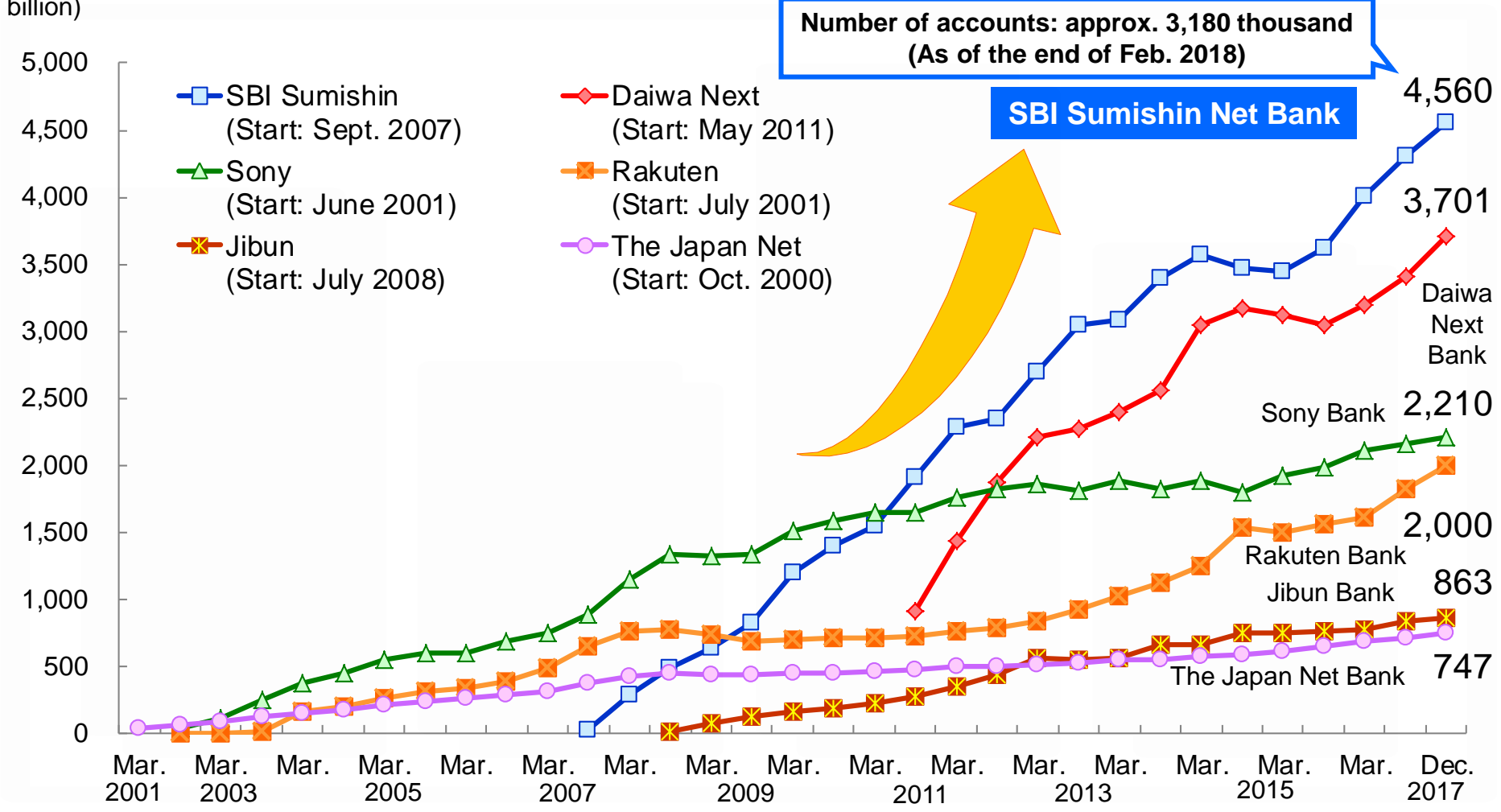
\* The data was compiled by SBIH based on each company's published information.

# SBI Sumishin Net Bank's Customer Base is Increasing at an Accelerated Pace

## Pure-play Internet Banks' Deposits Since Establishment (\*)

(Mar. 2001- Dec. 2017)

(JPY billion)

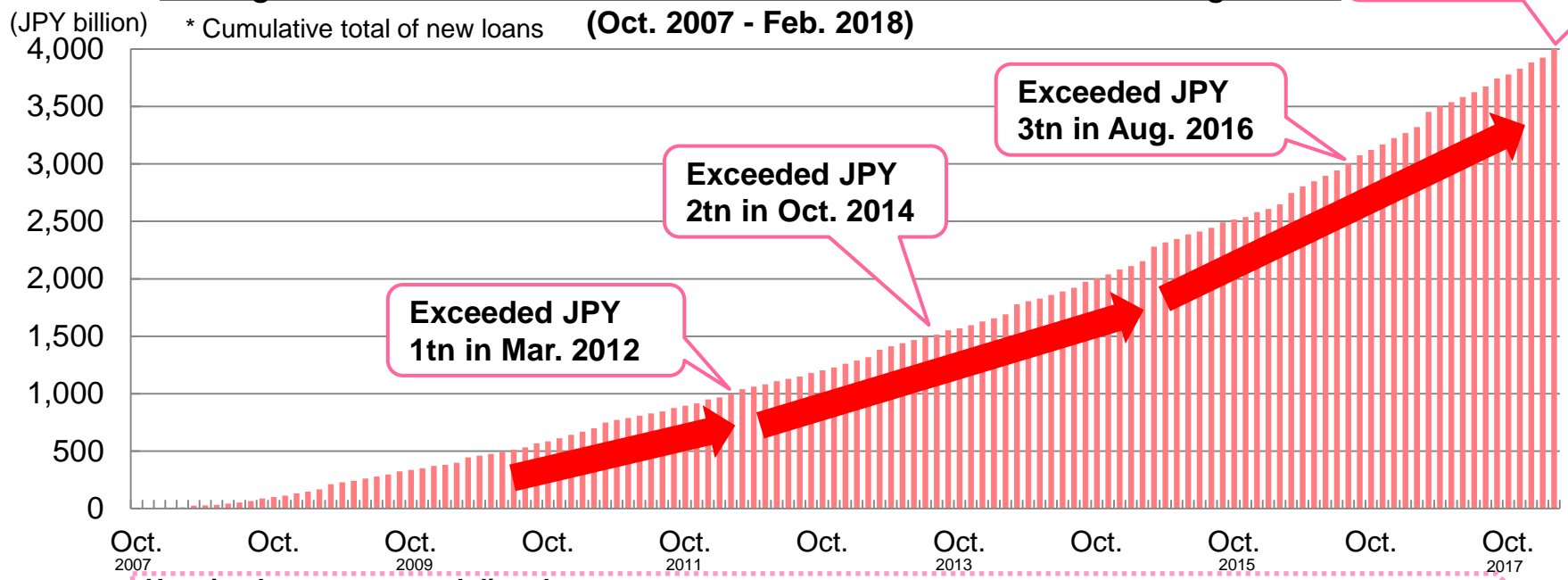


\* Compiled by SBIH from the published materials of the noted banks, with each origin denoting the earliest available data of deposit balance amount, since the establishment of the respective banks.

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

Change in cumulative total of SBI Sumishin Net Bank's housing loans\*

Exceeded JPY 4tn on Feb. 23, 2018



Sept. 2007

Housing loans processed directly by SBI Sumishin Net Bank  
Via alliance with real estate companies

Jan. 2012

Banking agency business for Sumitomo Mitsui Trust Bank  
"Internet Exclusive Housing Loan"

Mar. 2015

Banking agency specialized product  
"MR. Housing Loan REAL"

Sept. 2015

Long-term fixed rate product  
"Flat 35"

Further improved customer convenience with the launch of the Internet conclusion type application service for group credit life insurance directed to "Internet Exclusive Housing Loan" applicants in June 2016

# Starting with SBI Insurance in 2008, the Insurance Business will Flourish through the Diversification within the Insurance Domain

SBI Insurance Group has the following 5 subsidiaries



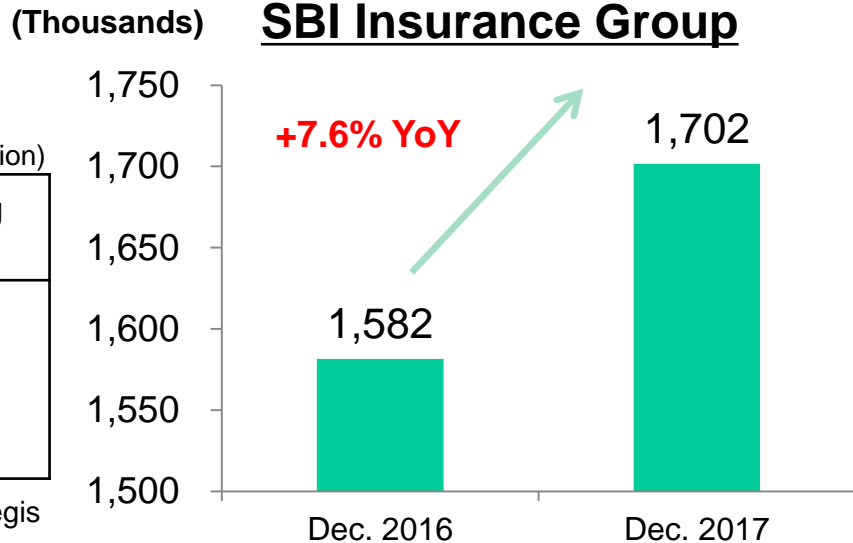
## SBI Insurance Group's financial results (IFRS)

(Unit: JPY million)

	9M FY2016	9M FY2017	Increasing rate (%)
<b>Profit before income tax expense</b>	1,403	2,311	+64.7

\* Simple sum of financial results of each insurance company under the aegis

## The number of contracts in SBI Insurance Group



# Thorough Pursuit of Group Synergy in the Insurance Business

住信SBIネット銀行

Housing loans

SBI Sumishin Net Bank



SBI GROUP SBI損保  
[SBI Insurance]

Fire insurance

SBI 生命  
[SBI Life Insurance]

Group credit life insurance

## ① SBI Insurance “SBI fire insurance”

Since it is possible to choose only the required contents of compensation from an extensive range of options based on individual needs, when compared with the conventional package-type of fire insurance, it becomes possible to keep premiums at minimal levels\*

\* Differing in terms of contracts and contents of compensation

## ② SBI Life Insurance “Group credit life insurance” “Group credit disability income insurance”

- Supporting economic burden on loan repayment in case of an emergency or when you become unable to work
- Providing fulfilling special agreement, such as advanced medical treatment special contract and long-term disability compensation special contract

**Given SBI Sumishin Net Bank’s achievements, advancing initiatives to expand sales channels to regional financial institutions**

**④ Financial services companies are creating new revenue growth opportunities by proactively adopting FinTech**

- (i) Creating new financial services through alliances between the FinTech Fund investee companies and the SBI Group financial services businesses**
- (ii) The SBI Group companies are accelerating the adoption of cutting-edge technologies and services, including AI and blockchain, in order to increase operational efficiencies**

**(i) Creating new financial services through alliances between the FinTech Fund investee companies and the SBI Group financial services businesses**



# Provision of Robo-advisor Services at SBI SECURITIES and SBI Sumishin Net Bank

■ Partnering with **WEALTHNAVI** (Venture investee company of the FinTech Fund)

 **SBI証券** Launched “WealthNavi for SBI SECURITIES” on Jan. 31, 2017  
[SBI SECURITIES]

**Customer assets: JPY 28.1bn, Number of accounts: approx. 37 thousand**  
(as of Feb. 28, 2018)

➤ SBI MONEY PLAZA begins mediation of face-to-face services (Jan. 15, 2018)

**住信SBIネット銀行** 

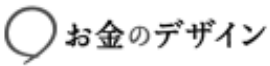
Launched “WealthNavi for SBI Sumishin Net Bank” on Feb. 28, 2017

**Customer assets: JPY 9.5bn, Number of accounts: approx. 10 thousand**  
(as of Feb. 28, 2018)

Approx. 60% of customer assets of the robo-advisors services provided by WealthNavi\* of JPY 65.3bn (as of Feb. 28, 2017) are accounted for by the services provided by the SBI Group

\* The total of “WealthNavi,” “WealthNavi for SBI SECURITIES,” “WealthNavi for SBI Sumishin Net Bank,” “WealthNavi for ANA,” and “WealthNavi for Sony Bank”

# Each Group Company Promotes Partnerships with the FinTech Fund Investees to Provide New Financial Services



Money Design

SBI SECURITIES and SBI Sumishin Net Bank offers robo-advisors services "THEO+"



Nestegg

Collaborating on an automatic savings service "finbee" at SBI Sumishin Net Bank and SBI SECURITIES



Money Forward

Offering household book application and automatic savings service "Siratama" provided by the company at SBI Sumishin Net Bank



Global Mobility Service

SBI Social Lending established a loan fund utilizing the IoT terminal developed by the company



free

Providing services for simplifying procedures for company establishment at SBI Sumishin Net Bank



minkabu

Providing a portfolio created based on its own for the theme share investment service offered by SBI SECURITIES

**(ii) The SBI Group companies are accelerating the adoption of cutting-edge technologies and services, including AI and blockchain, in order to increase operational efficiencies**

**Case 1: Initiatives to utilize AI**

**Case 2: Initiatives to utilize blockchain**

# Case 1: Initiatives to Utilize AI

## ■ SBI証券 [SBI SECURITIES]

- Conducted demonstration tests with NEC regarding application of AI for the trade review operation for stocks, etc.
- Started Know Your Customer (“KYC”) operations related to “My Number,” using OCR (Optical Character Reading System) equipped with AI provided by Double Standard

## ■ Liquidity Market [SBI FXTRADE]

- Jointly develop AI chatbot to respond automatically to inquiries from users of FX trading service with Microsoft Japan

## ■ 住信SBIネット銀行 [SBI Sumishin Net Bank]

- Introduction of advanced screening method for mortgage using AI Technology
- Testing a hybrid chat service capable of AI and manned correspondence for customer inquiries
- Utilizing NEC's AI technology to undertake the development of a monitoring system with upgraded countermeasures against unauthorized transfers
- In collaboration with Hitachi, preparing for the development of a screening service for financial institutions, utilizing AI

## Case 2: Initiatives to Utilize Blockchain

### ■ **SBI証券** [SBI SECURITIES]

- Collaborating with IBM Japan for the verification of the applicability of blockchain to the financial market infrastructure for bond processing operations

### ■ **住信SBIネット銀行** [SBI Sumishin Net Bank]

- Succeeded in Japan's first blockchain demonstration test for accounting operations

### ■ **SBI BITS** *SBI Holdings*

- Partnering with NEC, Conducting demonstration tests that target the Application of blockchain for Know Your Customer (“KYC”) operations

**(2) SBI SAVINGS BANK achieved a significant profit increase through an increase in its balance of the performing loans, approx. JPY 480bn as of the end of Feb. 2018, and a decrease in the overall delinquency ratio**

# Net Income Achieved an Historical High, Including the Period before Consolidation in 2013, Based on K-GAAP

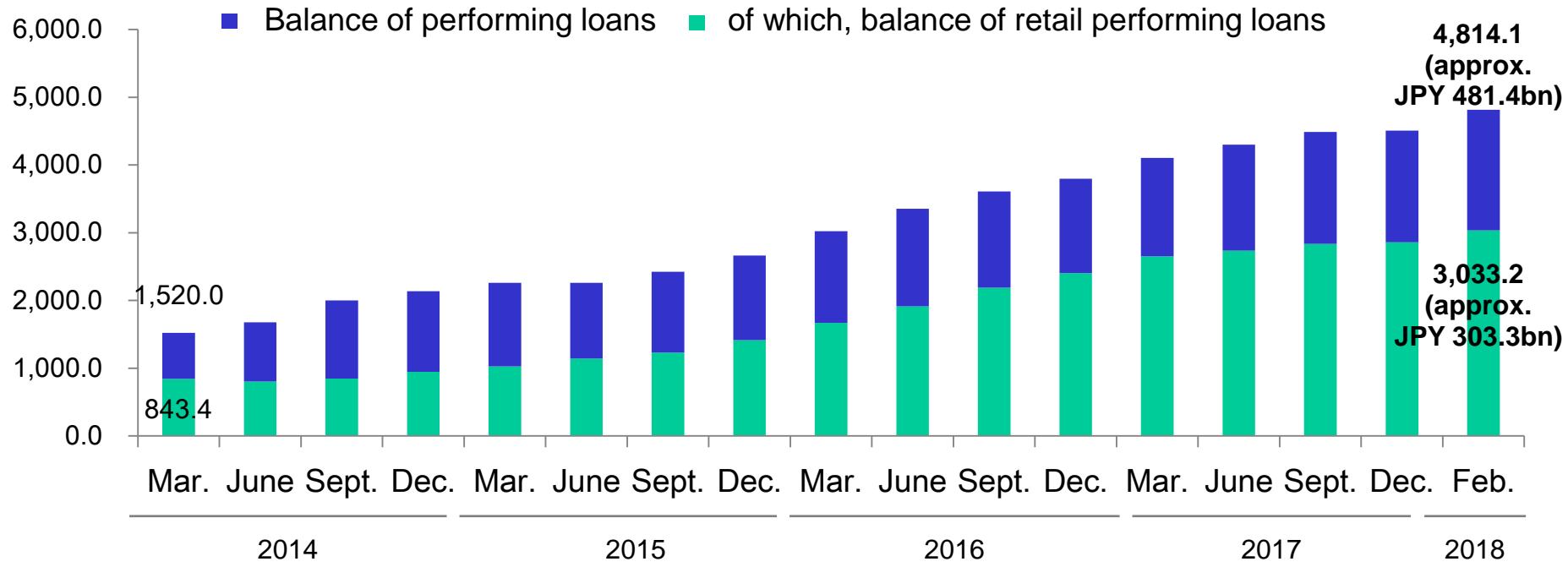
(KRW billion)

## Net Income (Based on K-GAAP)

Fiscal year ended June 30 2013a	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	Fiscal year ended Dec. 31 2017
-529.2	-329.2	20.2	17.2	74.0	88.9

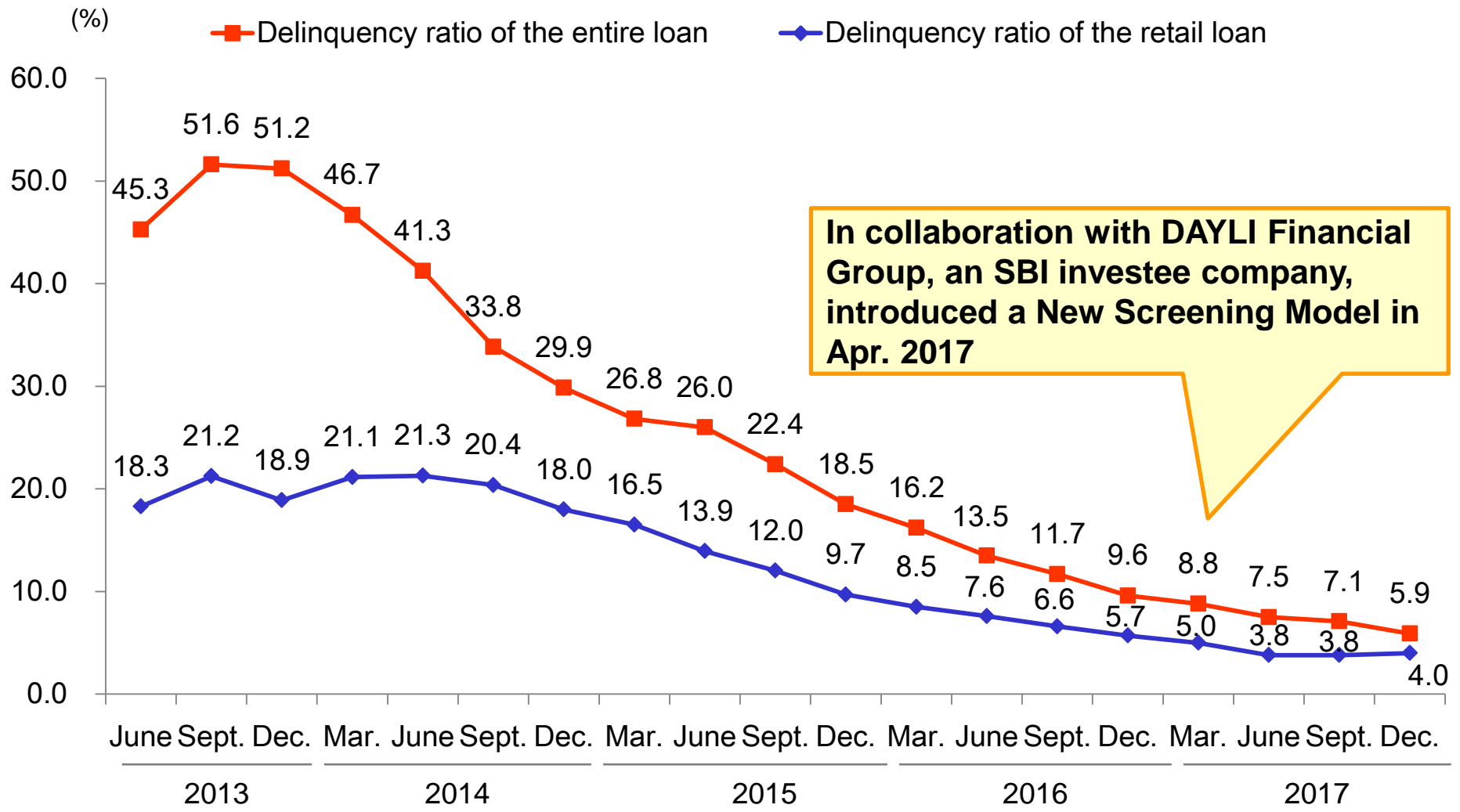
## Balance of Performing Loans(Based on K-GAAP)\*

(KRW billion)



\*Converted at KRW 1 = JPY 0.10 30

# Overall Delinquency Ratio Decreased Dramatically, and Remains at a Low Level



\*Based on K-GAAP



### **3. Various factors that will contribute to the Group's further improvement of business performance and an increase in corporate value, beyond the next fiscal year**

- (1) Monetization in the Biotechnology-related Business**
- (2) Investee company IPOs from the FinTech Fund, established in Dec. 2015, is getting clustered together**
- (3) Establishment of two new funds, the "SBIAI&Blockchain Fund" and "SBI Regional Bank Value Creation Fund"**
- (4) Expectations are for an earnings contribution in a short period of time from the establishment of a cryptocurrency ecosystem, and the development of cryptocurrency-related businesses**
- (5) Steadily advancing efforts toward the actualization of intrinsic corporate value**

## **(1) Monetization in the Biotechnology-related Business**

- ① U.S.-based Quark, a consolidated subsidiary of the SBI Group (economic interest: 95.5%), is in preparations for a spring 2018 listing**
- ② In the 5-ALA-related business, SBI ALApromo expects to achieve its first profitability on a single fiscal year basis. From FY2018, further sales expansion through the introduction of new 5-ALA-related products (pharmaceuticals, health foods, foods with functional claims) in Japan and abroad are expected**

# Quark\*, the U.S. Company, in Preparations for a Spring 2018 Listing

\*Economic shareholding of the SBI Group: 95.5%

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

- QPI-1002: Delayed graft function in kidney transplantation (Licensing partner: Novartis International AG)
- QPI-1007: Non-arteritic anterior ischemic optic neuropathy (NAION) (Licensing partner: Biocon Ltd of India)



**In addition to the above, Phase II for acute kidney injury (AKI) was completed successfully, therefore, Quark is preparing for Phase III**

**If Quark has three products at the Phase III stage in its drug discovery pipeline, it will satisfy the conditions for a NASDAQ market public listing, and so is currently in the process of selecting a lead managing underwriter, in preparation for an IPO on the U.S. NASDAQ market**

**→Preparing for a spring listing at a rapid pace**

# ② 5-ALA-related business

## Drug Pipelines Including Ethical Pharmaceuticals Utilizing 5-ALA under the SBI Group

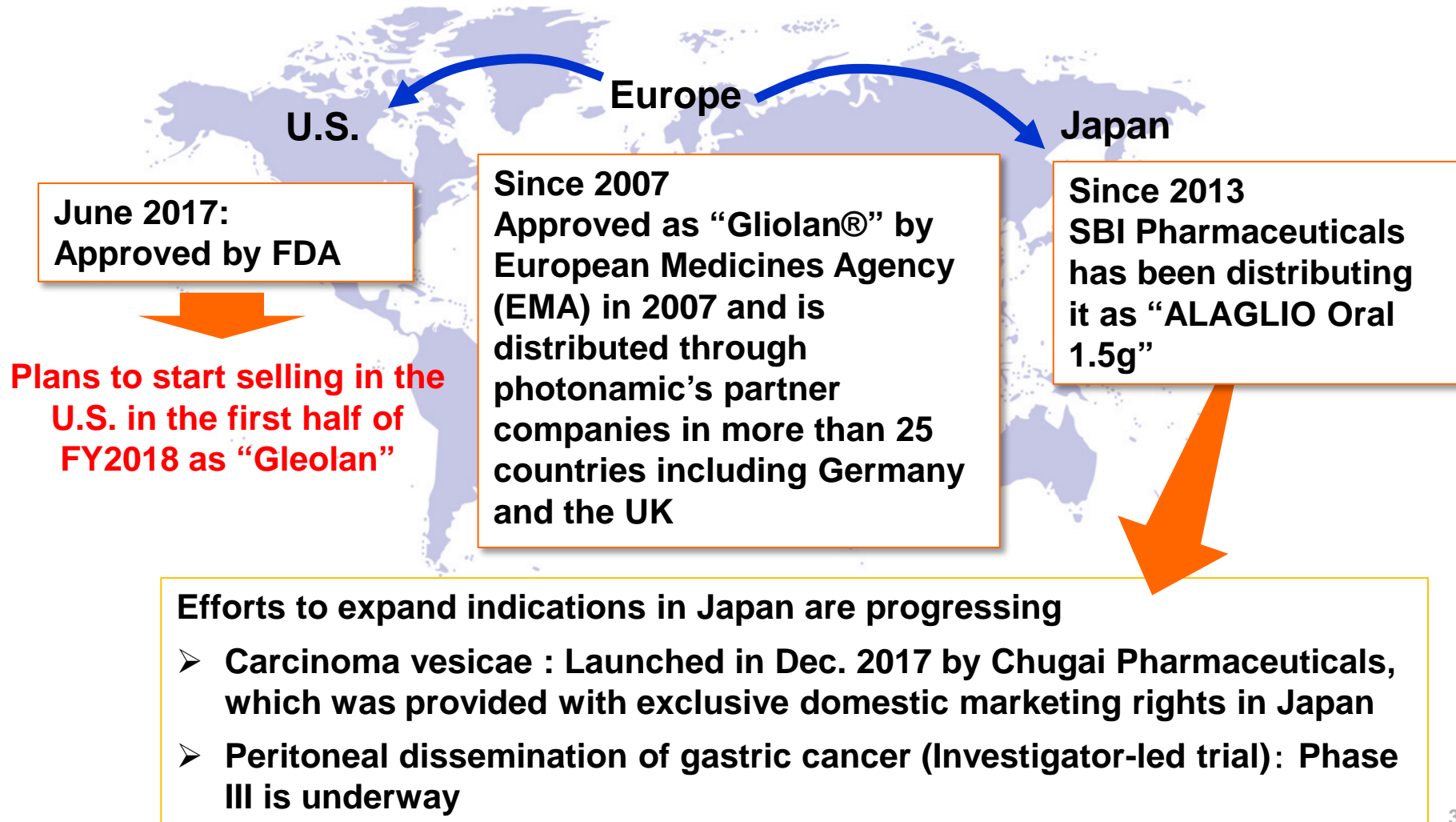
### Out-licensing (Total 4 cases) :

- ✓ “ALAGLIO® Internal Medicine 1.5g,” diagnostic agent for cancer treatment (Malignant Glioma) (Launched in Sept. 2013)
- ✓ Therapeutic drugs for diabetes and malaria infection (to Neopharma, UAE pharmaceutical company, in Oct. 2016)
- ✓ “ALAGLIO® Divided Granules 1.5g,” diagnostic agent for cancer treatment (carcinoma vesicae) (to Chugai Pharmaceuticals with exclusive domestic marketing rights in Japan, in Mar. 2017)

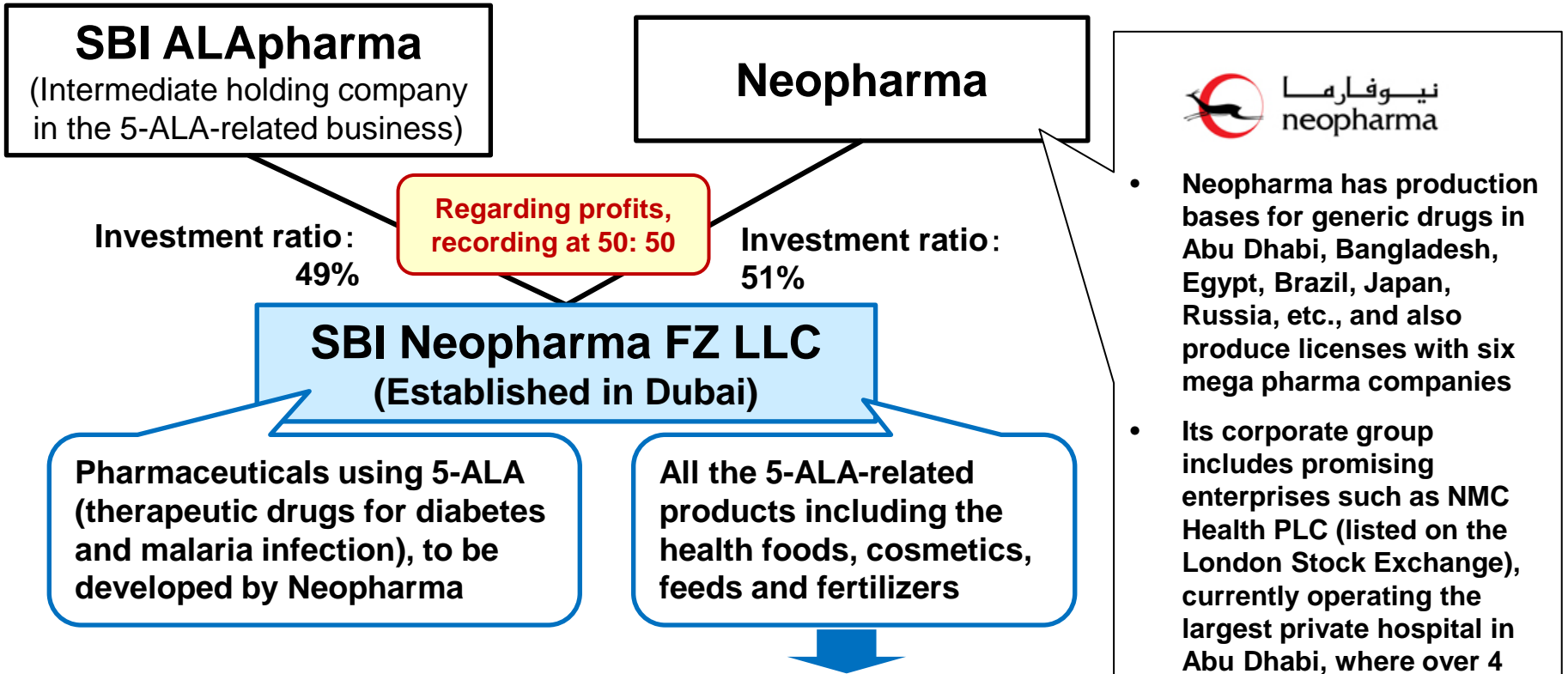
Fields		Pipeline projects	Current status				Prospects for the next three years
			Phase I	Phase II	Phase III	Application	
Diagnostic agent (PDD)	1	Carcinoma vesicae	Launch (in Dec. 2017)				Launch → <b>Achieved</b>
	2	Peritoneal dissemination of gastric cancer*	Preparation for Phase III is underway				Completed Phase III / Out-licensing
Drug to treat	3	Cisplatin nephropathy protection	Phase II is underway				Completed Phase II
	4	Mitochondrial diseases*	Preparation for Phase III is underway <span style="border: 1px solid black; padding: 2px;">Considering an out-licensing</span>				Completed Phase III / Out-licensing
	5	Cardiac ischemia-reperfusion injury*	Preparation for Phase II is underway <span style="border: 1px solid black; padding: 2px;">Scheduled by Oxford University and Birmingham University Hospital in the U.K.</span>				Conducting Phase II
Photodynamic therapy (PDT)	6	Brain tumors* (by photodynamic, a wholly owned subsidiary)	Preparation for Phase II is underway				Conducting Phase II

\*Investigator-led trial

# “Gliolan®” Developed by photonamic, a Wholly Owned German-based Subsidiary of SBI ALApharma (Intermediate Holding Company in the 5-ALA-related Business in Hong Kong), will be Launched in the U.S. in the First Half of FY2018



# In FY2018, SBI Neopharma Plans to Launch the Health Food “NatuALA” in more than 20 Countries Worldwide



- Neopharma has production bases for generic drugs in Abu Dhabi, Bangladesh, Egypt, Brazil, Japan, Russia, etc., and also produce licenses with six mega pharma companies
- Its corporate group includes promising enterprises such as NMC Health PLC (listed on the London Stock Exchange), currently operating the largest private hospital in Abu Dhabi, where over 4 million patients visit per year
- Established Neopharma Japan as a Japan base of Neopharma group in 2016

➤ **Launched the sales of 5-ALA-related health foods in the Middle East from May 2017**

➤ **Sales in FY2017 (fiscal year ending Dec. 31, 2017) : Approx. JPY 120m \*approximate values**

➤ **In preparations for registration applications of health foods in over 80 countries worldwide**

# SBI ALApromo Expects to Achieve Its First Profitability on a Single Year Basis, and is Accelerating the Development of New Foods with Functional Claims

## SBI ALApromo's offering of foods with functional claims

On sale

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

Cognitive improvement

“ALAPlus Tou (Sugar) Down” utilizing 5-ALA (10 and 30 day supplies)  
(Launched in Dec. 2015)

“SBI Ginkgo Bilboa” utilizing ginkgo bilboa  
(Launched in Dec. 2017)

Under development



Planning submission to the Consumer Affairs Agency within FY2017

Premium product utilizing high levels of 5-ALA

Improvement in the exercise capacity for the elderly  
(Shinshu Univ.)

Improvement in the quality of sleep  
(Hawaii Univ.)

Planning submission to the Consumer Affairs Agency in FY2018

Recovery from fatigue  
(Hiroshima Univ.)

Improvement of sports training effect  
(Juntendo Univ.)

Male menopause improvement  
(Juntendo Univ.)

## (2) Investee Company IPOs from the FinTech Fund, Established in Dec. 2015, is Getting Clustered Together

### 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 invested**
- **Investment destination: Venture companies with superior technology in the FinTech field**

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

Already decided on investments into **68** companies

(Total investment amount to be approx. **JPY 23.5bn** through the FinTech Fund and approx. **JPY 15.0bn** by SBI Holdings)

**Year 2017: 1; Year 2018: 4; Year 2019: 16; After Year 2020: 32; TBD: 15**



### **(3) Establishment of two new funds, the “SBI AI&Blockchain Fund” and “SBI Regional Bank Value Creation Fund”**

- ① The establishment of the SBI AI&Blockchain Fund and the CVC funds in various fields, with an anticipated near-term high performance realization**
- ② Through the establishment of the SBI Regional Bank Value Creation Fund, pursuing synergetic effects between regional financial institutions and the SBI Group**

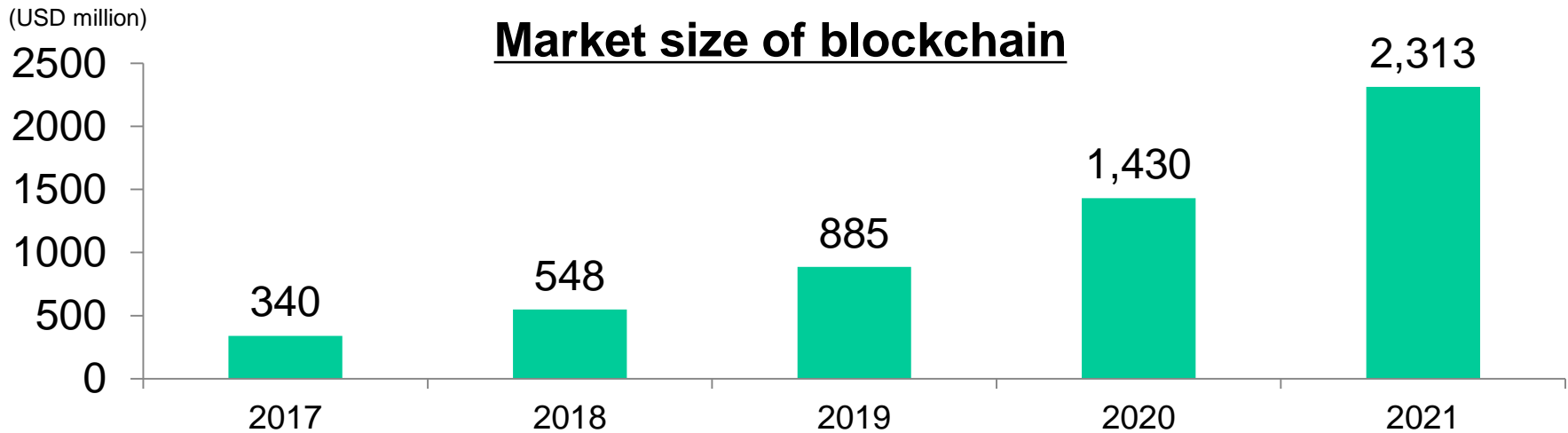
- ① **The establishment of the SBI AI&Blockchain Fund and the CVC funds in various fields, with an anticipated near-term high performance realization**

## **Established a New Fund “SBI AI&Blockchain Fund” in Jan. 2018, which Primarily Invests in AI and Blockchain Fields**

### **SBI AI&Blockchain LPS**

- **Investment activities began on the scale of JPY 20bn initially. Total amount of ultimate investment commitment will be expanded to about JPY 50bn yen**
- **Investors: Existing investors of the FinTech Fund, financial institutions including overseas companies, corporations, institutional investors, etc.**
- **Investment target: Promising venture companies mainly in AI and blockchain fields**

# As blockchain will be Utilized in Non-financial Fields as well, the Market Size is Expected to Continue to Expand



Source: statista

## Examples of utilization of blockchain

Industry		Examples
Financial		Cryptocurrency, cloud funding, remittance, stock trading, and etc.
Non financial	Medical	Electric carte, genomic data
	Judicial	Smart contract
	Real estate	Registration management, lease contract
	Retail	Supply chain management, pre-paid card, reward (point system)
	Administration	Personal identifier, family register management, voting, and etc.

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



**CB INSIGHTS**

(A research company that provides company information database)

## Most active corporate blockchain investors (Announced in Oct. 2017)

Investor	Rank	Select Companies
<b>SBI Holdings</b>	<b>1</b>	<b>Orb, R3, Ripple, Coinplug, Veem, Wirex, bitFlyer,</b>
<b>Google</b>	<b>2</b>	<b>Storj Labs, Blockchain, Ripple, LedgerX, Bitcoin, veem</b>
<b>Overstock.com</b>	<b>3</b>	<b>Settlemint, Factom, Ripio, Symbiont, Bitt, Peernova</b>
<b>Citi</b>	<b>4</b>	<b>Digital Asset, R3, Axoni, Conbalt, Chain</b>
<b>Goldman Sachs</b>	<b>5</b>	<b>Digital Asset, R3, Axoni, Circle</b>

Source: CB Insights, "Blockchain Investment Trends In Review"

# By 2030, Japan's AI Market Size to Expand to Approx. JPY 2tn

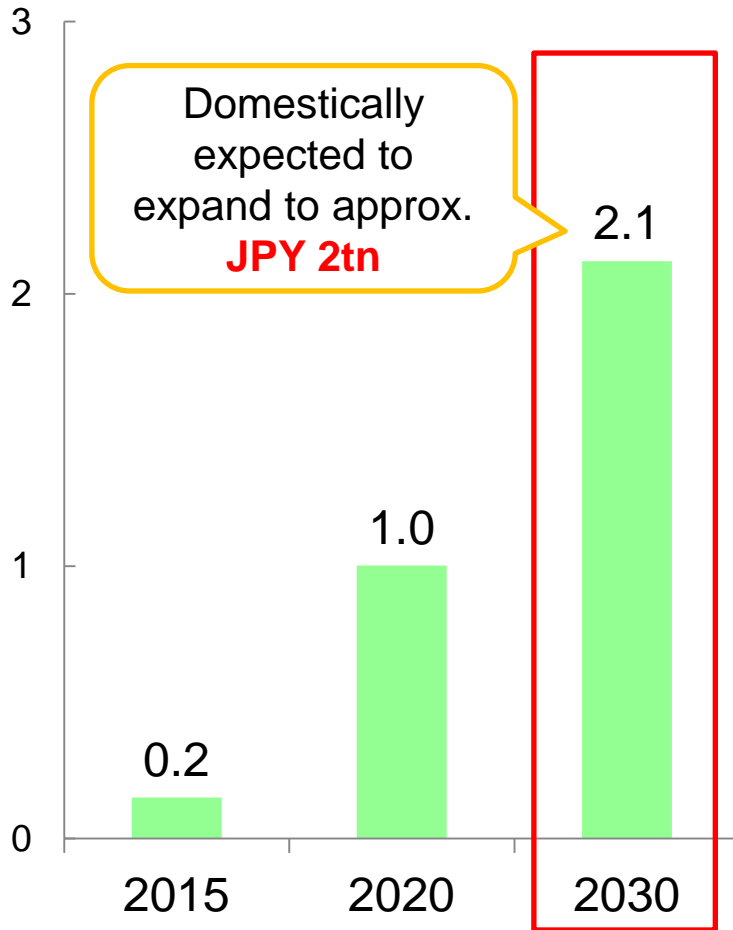
In the global market, market size is estimated to expand to over JPY 6tn by 2025

## Market size of AI-related industry

## Future of AI utilization in each industry

(Unit: JPY trillion)

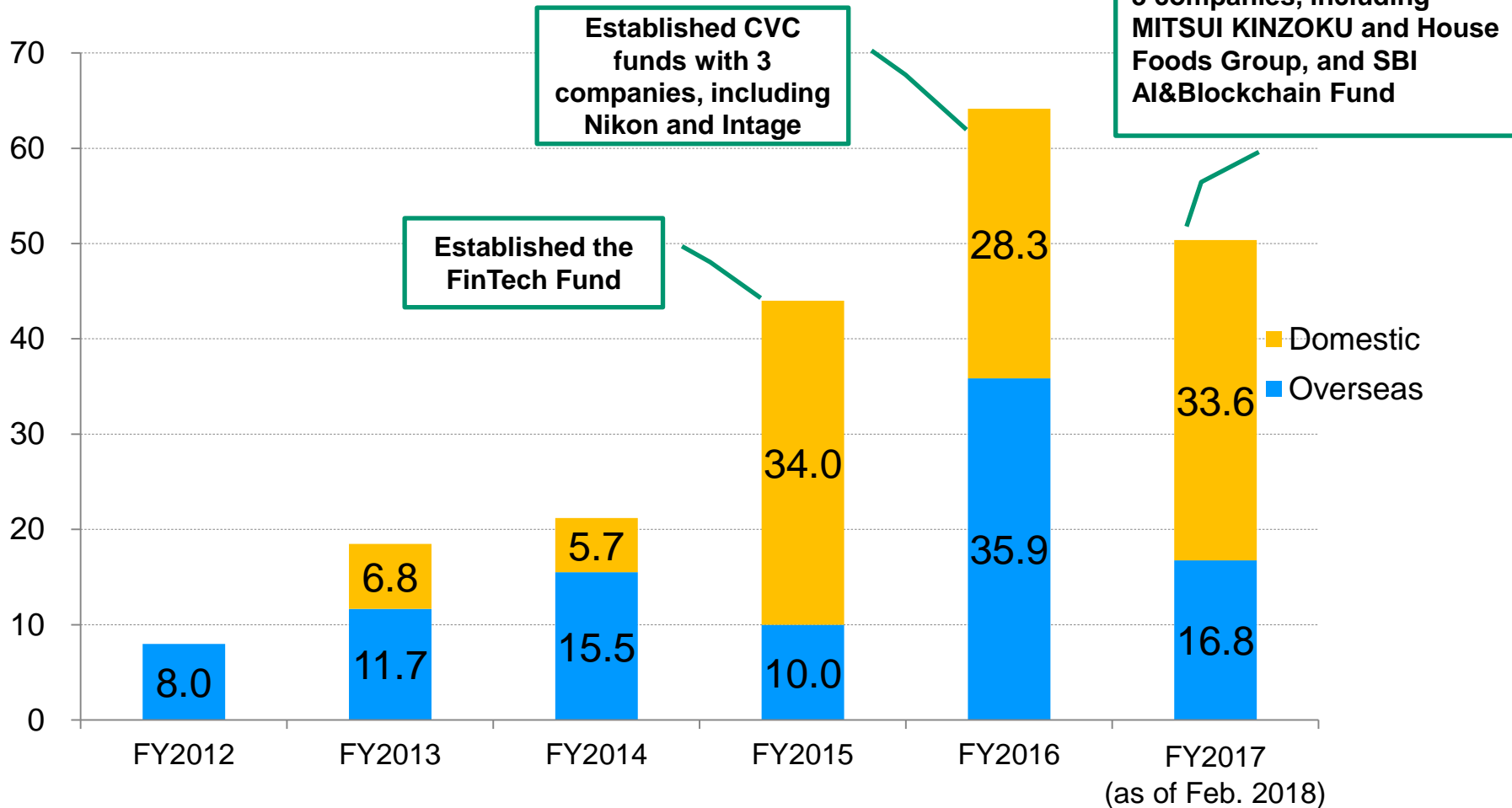
in Japan



Industry	Summary
<b>Transport, distribution</b>	Automated driving (trucks, taxis, car sharing, etc.) Automation of warehouse operations (automated picking)
<b>Wholesale, retail</b>	Advancement of e-commerce and the use of visual information in providing recommendation information Reception systems by means of face authentication
<b>Manufacturing</b>	Simplification of robotic control, progress in automation of advanced technologies
<b>Civil engineering, construction</b>	Automated operation of construction equipment (including responding to complex situations in emergencies)
<b>Financial</b>	Expansion of the FinTech business, such as robo-advisors
<b>Life</b>	Call center automation ⇒ Chatbots Robotization of cleaning, security, monitoring, etc.
<b>Advertisement</b>	Sophistication of advertising technology
<b>Information</b>	SNS monitoring systems Cyberattack countermeasure, monitoring, and defense systems for individuals and companies
<b>Electric, gas, telecommunication</b>	Advanced automation and optimization and traffic control in the energy management sector, such as home energy management systems (HEMS)
<b>Medical, welfare</b>	Gene analysis and new drug development Diagnostic imaging systems and medical advice applications Surgical assistance robots ⇒ da Vinci
<b>Entertainment</b>	Automation of event management Foreign language support
<b>Education</b>	Systems that provide learning support for students and teaching support for teachers Career path advisors

# With the Perspective of Short-term High Performance Potentiality, Aggressively Established Multiple New Funds in the Investment Business since FY2015

(JPY billion) Commitment amount of funds established in each fiscal year



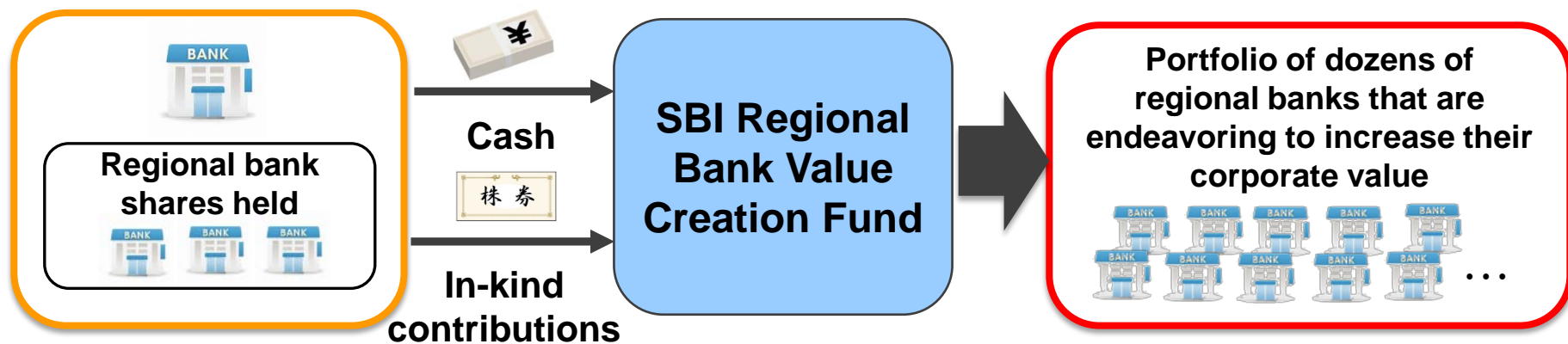
\* Converted at USD 1 = JPY 110, KRW 1 = JPY 0.1, RMB1=JPY17

**② Through the establishment of the SBI Regional Bank Value Creation Fund, pursuing synergetic effects between regional financial institutions and the SBI Group**



# Established “SBI Regional Bank Value Creation Fund” in Jan. 2018 that Invests in Regional Financial Institutions which are Likely to Improve Their Corporate Values

- Privately placed investment trust offered to qualified institutional investors
- With regard to the investment, in addition to cash investments, in-kind contributions of regional bank shares, of which the Fund may target to acquire, are possible
- Supports further enhancement of the investee regional financial institutions' corporate values, by assisting in the introduction and support of FinTech by the SBI Group



For both cash investments and in-kind contributions\*, [additional purchase applications will be accepted on a monthly basis, expecting to further increase the fund size to up to JPY 100bn](#)

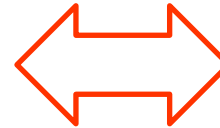
\* In-kind contribution will be accepted into the Fund at the value of the application date's closing share price

**Through the utilization of the Fund, also assist in eliminating the cross-shareholdings of the regional financial institutions, leading to an effective utilization of capital and the strengthening of governance at the regional financial institutions**

# Undervalued Regional Financial Institutions

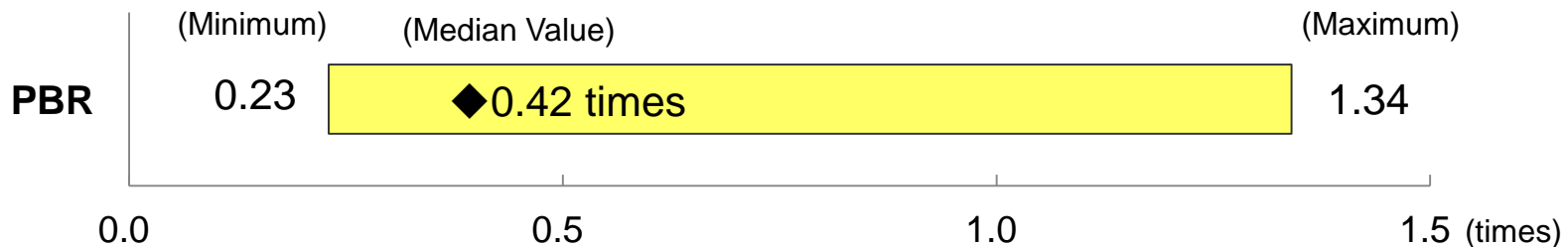
## ■ PBR by industry (as of the end of Feb. 2018)

**TOPIX: 1.4**  
**Securities and commodities: 1.0**  
**Other financials: 1.1**



**Banks are undervalued at 0.5**

### PBR of listed regional banks and second-tier regional banks (as of Mar. 5, 2018)








	<b>Total</b>	Number of banks that invested in the FinTech Fund	Number of banks participating in The Japan Bank Consortium
PBR under 0.5 times	<b>62</b>	<b>21</b>	<b>31</b>
PBR over 0.5 and under 1.0 times	<b>18</b>	<b>7</b>	<b>10</b>
PBR over 1.0 times	<b>2</b>	<b>0</b>	<b>1</b>






\*1 As for regional banks that have merged, PBRs of the holding companies are used for the calculation

\*2 Uses PBRs of 82 companies with the exception of The Kinki Osaka Bank which is an affiliate of Resona Holdings

# By Further Strengthening Relationships with Regional Financial Institutions in Various Business Fields, SBI Group Companies will Contribute to the Enhancement of Their Corporate Values ①

	<ul style="list-style-type: none"> <li>• Increase transactions with regional financial institutions through the Financial Institutional Sales Dept.</li> <li>• Providing financial intermediary services to 13 regional financial institutions. (Including the addition of 10 companies, 5 companies which have informally decided and 5 companies that are almost certain to collaborate, will endeavor to partner with a total of 30+ companies by the end of Mar. 2018)</li> </ul>
	<ul style="list-style-type: none"> <li>• Co-management of an in-branch shop with The Shimizu Bank. Furthermore, another company has informally decided to launch</li> <li>• Business partnerships with 34 regional financial institutions for investor introductions for the fund business</li> </ul>
	<ul style="list-style-type: none"> <li>• SBI Insurance's fire insurance will be handled at 4 regional financial institutions</li> </ul>
	<ul style="list-style-type: none"> <li>• SBI Life's group credit life insurance and the group credit disability income insurance with all disease security will be introduced at two of the regional financial institutions. Other banks are also positively considering the introduction as well</li> </ul>
	<ul style="list-style-type: none"> <li>• 61 financial institutions in total, including 43 regional financial banks, are participating in The Japan Bank Consortium</li> </ul>

## By Further Strengthening Relationships with Regional Financial Institutions in Various Business Fields, SBI Group Companies will Contribute to the Enhancement of Their Corporate Values ②

	<ul style="list-style-type: none"> <li>• In cooperation with Japan IBM, supporting the introduction of FinTech services at regional financial institutions. Multiple financial institutions have decided on an introduction to these services, with several other financial institutions considering to follow their lead</li> </ul>
	<ul style="list-style-type: none"> <li>• Providing cloud services for 14 regional banks</li> </ul>
	<ul style="list-style-type: none"> <li>• In partnership with 47 regional banks, to introduce loan products</li> </ul>
	<ul style="list-style-type: none"> <li>• Providing tablet app “Investment Trust INDEX” to financial institutions, including 41 regional banks. The cumulative number of units offered is 49,305 units, as of the end of Dec. 2017</li> </ul>
	<ul style="list-style-type: none"> <li>• 28 regional financial institutions invested in the FinTech Fund</li> <li>• The SBI AI&amp;Blockchain Fund, which is the successor fund to the FinTech Fund, was newly funded by the Yamaguchi Financial Group, along with several regional financial institutions. An increase in the number of financial institutions that will invest is expected, going forward</li> </ul>

# Entering Insurance Consulting Support Service, Utilizing Technology Possessed by Group Invested FinTech Venture Companies



An investee company of the FinTech Fund

**Finance App Co.  
(Switzerland)**

## Finance App Co.

The company is an InsurTech company which offers Wefox, an insurance product management app, to insurance brokers. Its platform provides an environment that enables brokers to manage all insurance products, and build customers' portfolio on the app. In addition, the company promotes API connections with insurance companies, and has developed a system that enables the policyholder to easily claim insurance payments to its insurance company via smartphone.

Preparing a new insurance consulting service business, by developing and customizing an insurance diagnostic tool for local financial institutions that utilizes AI and big data that recommends an optimal insurance product for each customer

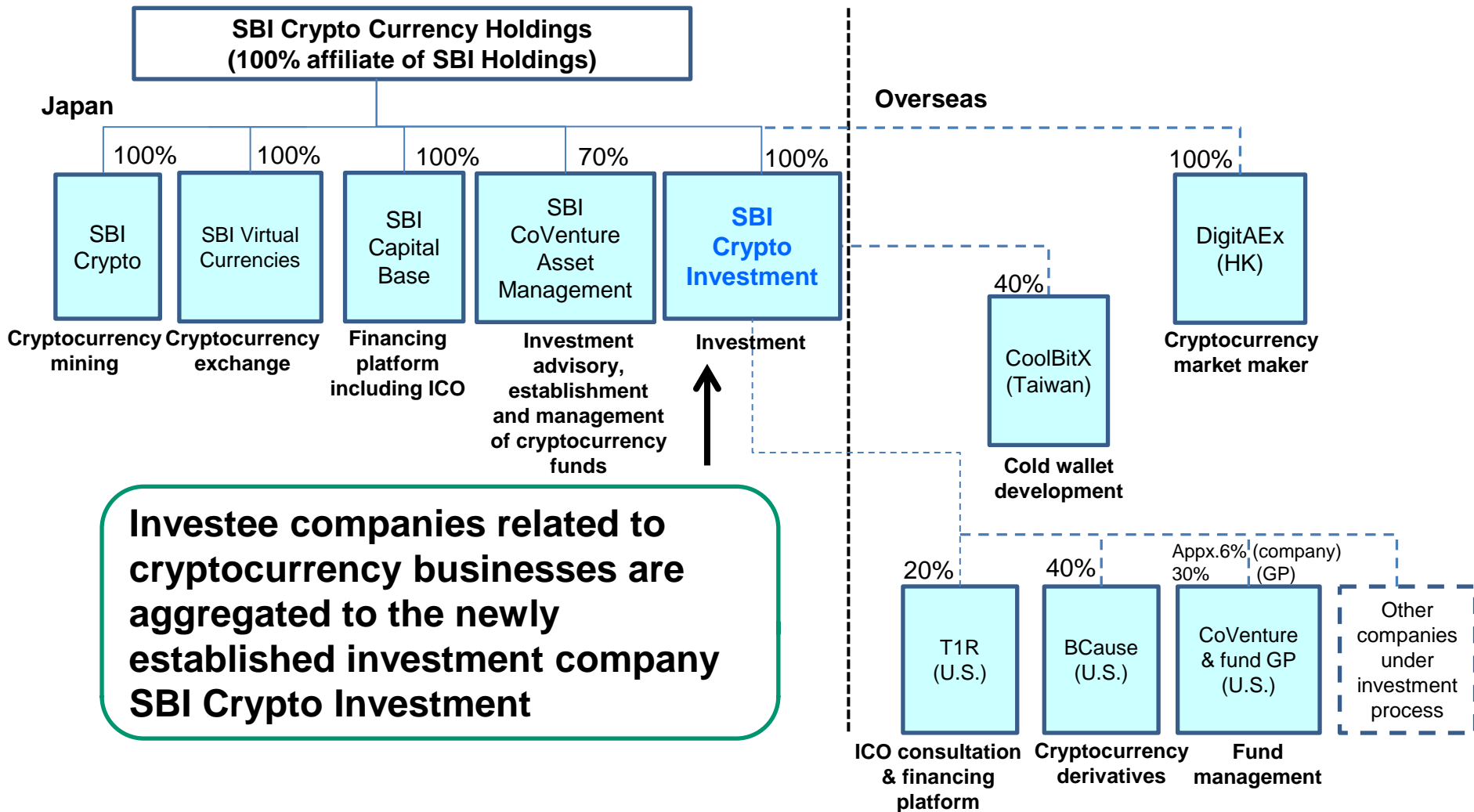
By enhancing the customer benefits of insurance products for regional financial institutions, in addition to strengthening sales capabilities and improving profitability, supporting an adherence to fiduciary duty

## **(4) Expectations are for an earnings contribution in a short period of time from the establishment of a cryptocurrency ecosystem, and the development of cryptocurrency-related businesses**

- ① With the cryptocurrency ecosystem that was initiated in 2016 steadily expanding, a relatively immediate synergistic mutual evolution may be expected**
- ② SBI Crypto Currency Holdings', which is an intermediate holding company for cryptocurrency businesses, prospective projects with an high probability of future investment and/or business alliances**
- ③ Foreseeable direction of the expansion of the cryptocurrency ecosystem**

# ① With the Cryptocurrency Ecosystem that was Initiated in 2016 Steadily Expanding, a Relatively Immediate Synergistic Mutual Evolution may be Expected

[SBI Group's Organizational Structure for the Cryptocurrency Ecosystem]



## ② SBI Crypto Currency Holdings’, which is an Intermediate Holding Company for Cryptocurrency Businesses, Prospective Projects with an High Probability of Near-term Investment and/or Business Alliances

Company	Location	Business
Company A	Europe	Development of hot wallet solution
Company B	Europe	Development of cold wallet solution
Company C	Korea	IT security related business
Company D	U.S.	Management of ICO platform
Company E	Taiwan	Blockchain service provider

**Promote the expansion of the cryptocurrency ecosystem through investments into venture companies with superior technical capabilities**



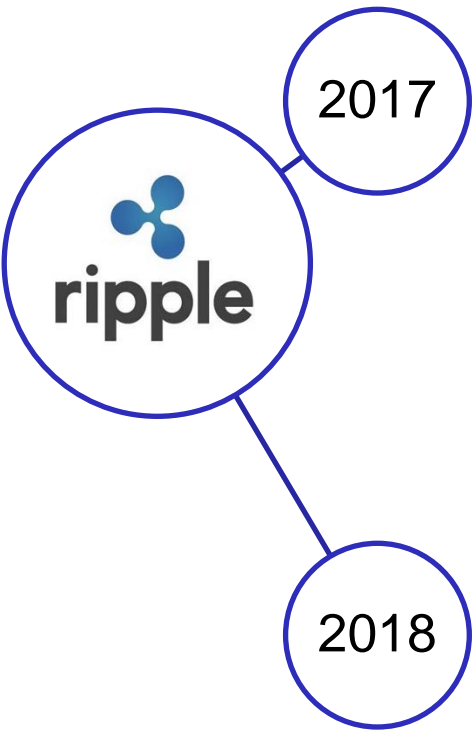
- ③ Foreseeable direction of the expansion of the cryptocurrency ecosystem**
- (i) Strengthen initiatives to expand the actual demand for cryptocurrency**
  - (ii) Strengthen the security of Wallet, which has become a bottleneck factor, and expand the investment and alliances to further develop KYC-related technologies**
  - (iii) Vigorously promote cryptocurrency exchange platforms, both domestically and overseas, and the mining business**
  - (iv) Along with ICO-related business, preparing for ICO through SBI Crypto Currency Holdings during the next fiscal year**

- (i) Strengthen initiatives to expand the actual demand for cryptocurrency**
  - a. Utilization for remittance**
  - b. Utilization for trade finance**
  - c. Utilization for settlement/payment**

a. Utilization for remittance



# Actual Remittance and Demonstration Tests Utilizing Ripple’s Solution Steadily Expanded to Countries Around the World

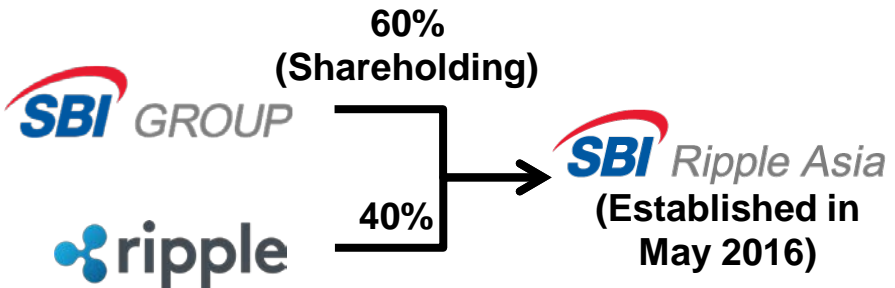


<b>Feb. 1</b>	National Bank of Abu Dhabi announced the use of Ripple’s solution
<b>June 29</b>	Launched a remittance services between SBI Remit(Japan) and Siam Commercial Bank (Thailand)
<b>July 10</b>	Demonstration tests (PoC) by the Bank of England
<b>Oct. 12</b>	International remittance between the U.S. and Mexico by Cualix, a Mexican financial institution
<b>Nov. 16</b>	The U.S. American Express’s partnership with Santander UK to send BtoB cross-border payments
<b>Nov. 22</b>	Start remittance between Axis Bank (based in India) and SCB (based in the U.K.) Start remittance between Axis Bank (based in India) and RAKBANK (based in UAE)
<b>Dec. 15</b>	Collaborative tests began between 37 Japanese banks (members of The Japan Bank Consortium) and the Korean banks Woori Bank and Shinhan Bank
<b>Dec. 18</b>	Thai Bank of Ayudhya supports remittance by a major Korean petrochemical company
<b>Jan. 11</b>	MoneyGram, one of the world’s largest money transfer companies, announced to use of Ripple’s solution and Ripple’s digital asset “XRP”
<b>Jan. 18</b>	Woori Bank announced a secondary remittance test between Japan - Korea
<b>Jan. 31</b>	Santander UK will release an app utilizing xCurrent in Q1, which will be usable in Spain, Brazil, UK and Poland (2017 earnings presentation)
<b>Feb. 14</b>	Saudi Arabian Monetary Authority (SAMA) signed an agreement with Ripple
<b>Feb. 21</b>	2 banks (Itaú Unibanco of Brazil, IndusInd of India) and 3 remittance providers (Beetech of Brazil, Zip Remit of Canada, LianLian of China) joins RippleNet
<b>Mar. 1</b>	Cambridge Global Payments begins pilot program of xRapid

a. Utilization for remittance



# Established SBI Ripple Asia in May 2016, with Ripple, to Bring About a “Remittance Revolution” in Asia



Established “The Japan Bank Consortium”

- 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 SBI Group has dispatched Directors to Ripple, to actively participate in the development of Ripple’s business**

Participating Financial Institutions (61 banks, in alphabetical order):

City banks and others (13 banks)	Reginal banks & Second-tier regional banks (43 banks)
ORIX Bank, The Shoko Chukin Bank, Shinkin Central Bank, Shinsei Bank, The Norinchukin Bank, The Nomura Trust and Banking, Mizuho FG, Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, The Bank of Tokyo-Mitsubishi UFJ, Mitsubishi UFJ Trust and Banking Corporation, Japan Post Bank, Resona Bank	Aomori Bank, THE AKITA BANK, Ashikaga Bank, The Awa Bank, The Senshu Ikeda Bank, THE IYO BANK, The Bank of Iwate, The Ehime Bank, Oita Bank, The Bank of Okinawa, The Gunma Bank, The Keiyo 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 Tokyo Star Bank, THE TOHO BANK, The Towa Bank, THE TOCHIGI BANK, The Bank of Nagoya, THE NISHI-NIPPON CITY BANK, THE HACHIJUNI BANK, The Hyakugo Bank, Hiroshima Bank, The Fukui Bank, North Pacific Bank, Hokuriku Bank, The Michinoku Bank, The Musashino Bank, The Yachiyo Bank, The Yamagata Bank, The Yamaguchi Bank, Bank of Yokohama, Bank of The Ryukyus
Online banks (5 banks)	
AEON Bank, SBI Sumishin Net Bank, Seven Bank, Sony Bank, Daiwa Next Bank	

# Utilizing The Japan Bank Consortium's Distributed Ledger Technology (DLT) for a Remittance Revolution

Technology verification by financial institutions participating in The Japan Bank Consortium

- **Mar. 2017 Completed development of RC Cloud\***  
Confirmed that the foreign exchange and domestic exchange remittance functions operate in a PoC environment
- **Dec. 2017 Completed development of RC Cloud 2.0**  
Looking ahead to commercialization, strengthened security and fault tolerance, etc.
- **Dec. 2017 Conducted Japan-Korea remittance tests**
  - Conducted remittance test between two leading financial institutions in South Korea (Woori Bank and Shinhan Bank), as well as between 37 of the financial institutions participating in the consortium (Dec. 2017)
  - “RC Cloud” was utilized on the Japan side

\*RC Cloud: A remittance platform that centrally handles domestic and foreign settlements utilizing DLT

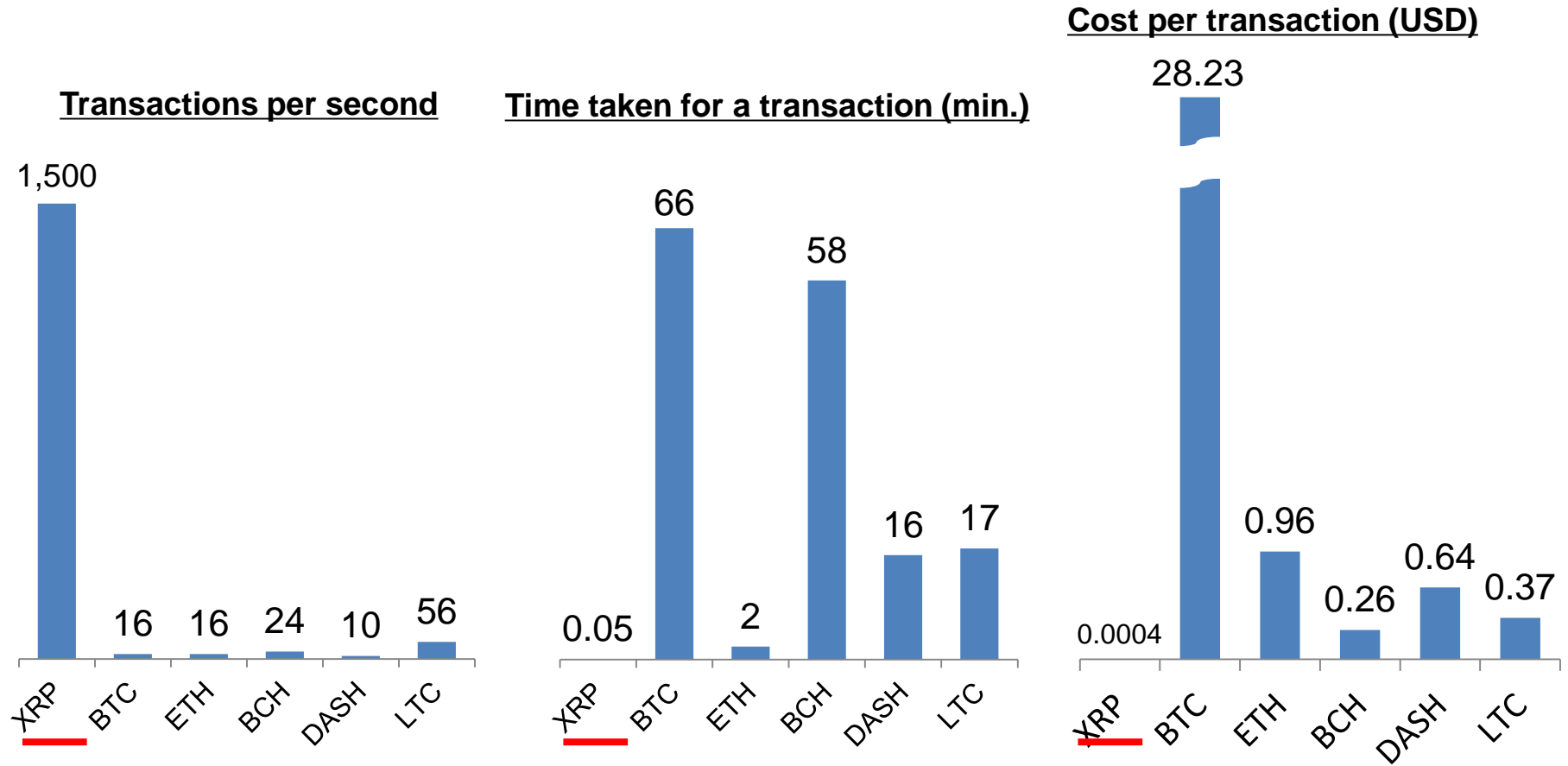
## Future Plans

- **Scheduled to start commercial use by banks of RC Cloud 2.0, which was completed in Dec. 2017, in the domestic exchange around summer 2018**
- **Add participating banks, engage in shared GW development, and develop a shared app for remittance as needed**

# Efficient Remittance by Combination of Ripple's DLT, Inter Ledger Protocol (ILP), and Cryptocurrency XRP

## ➤ Cryptocurrency XRP

A digital asset managed by Ripple that enables cost reduction in international remittance by combining cryptocurrency XRP with ILP



Source: Ripple, Dec. 2017

## Dissemination of Remittances Using Distributed Ledger Technology through Partnership with Overseas Companies



**DAYLI** Intelligence

A FinTech company associated with South Korea investee company Yello Mobile

- **Launch full-scale sales expansion of remittance solution utilizing DLT for financial institutions in South Korea**



 **coinplug**

A Investee company of the FinTech Fund

- **Established a JV, “SBI Cosmoney” which will provide international remittance services between South Korea and other countries**
- **On Jan. 3, 2018, registration of a small sum money exchange and transfer business was completed**

**Continue the Remittance Revolution through alliances with overseas companies that possess high technology and experience**

## Cross-industry Initiatives Utilizing Distributed Ledger Technology

### -Launch of Credit Card and Securities Industry Consortium-



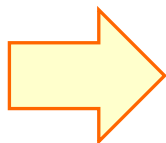
Distributed ledger technology (DLT), although having started as a core technology for cryptocurrency, has the potential to increase the stability, flexibility and efficiency of financial institutions' systems in a wide range of applications

#### Card consortium (Announced in Dec. 2017)

- Founding members: 8 entities including CREDIT SAISON, JCB and Sumitomo Mitsui Card
- In addition to cryptocurrency issuance and point management, will endeavor the utilization for identity verification (KYC), anti-money laundering, single sign-on, etc.

#### Securities consortium (Announced in Jan. 2018)

- Founding members: 19 entities including SBI SECURITIES, NOMURA SECURITIES, Daiwa Securities and Rakuten Securities
- Will endeavor the utilization of DLT technology for identity verification (KYC), anti-money laundering (AML), etc.



**Expand the scope of application beyond the banking industry, and will endeavor to reduce cost by improving customer convenience and operational efficiency for the entire financial industry**



# Launched Full-scale Participation in R3 Led Blockchain Project



- ◆ More than 100 consortium members (banks, securities companies, central banks and regulating authorities) and more than 70 technology partner companies are participating in the consortium led by R3, a U.S.-based company.
- ◆ The world's largest working group utilizing blockchain to improve the efficiency of the financial markets

## Major investment company to R3:

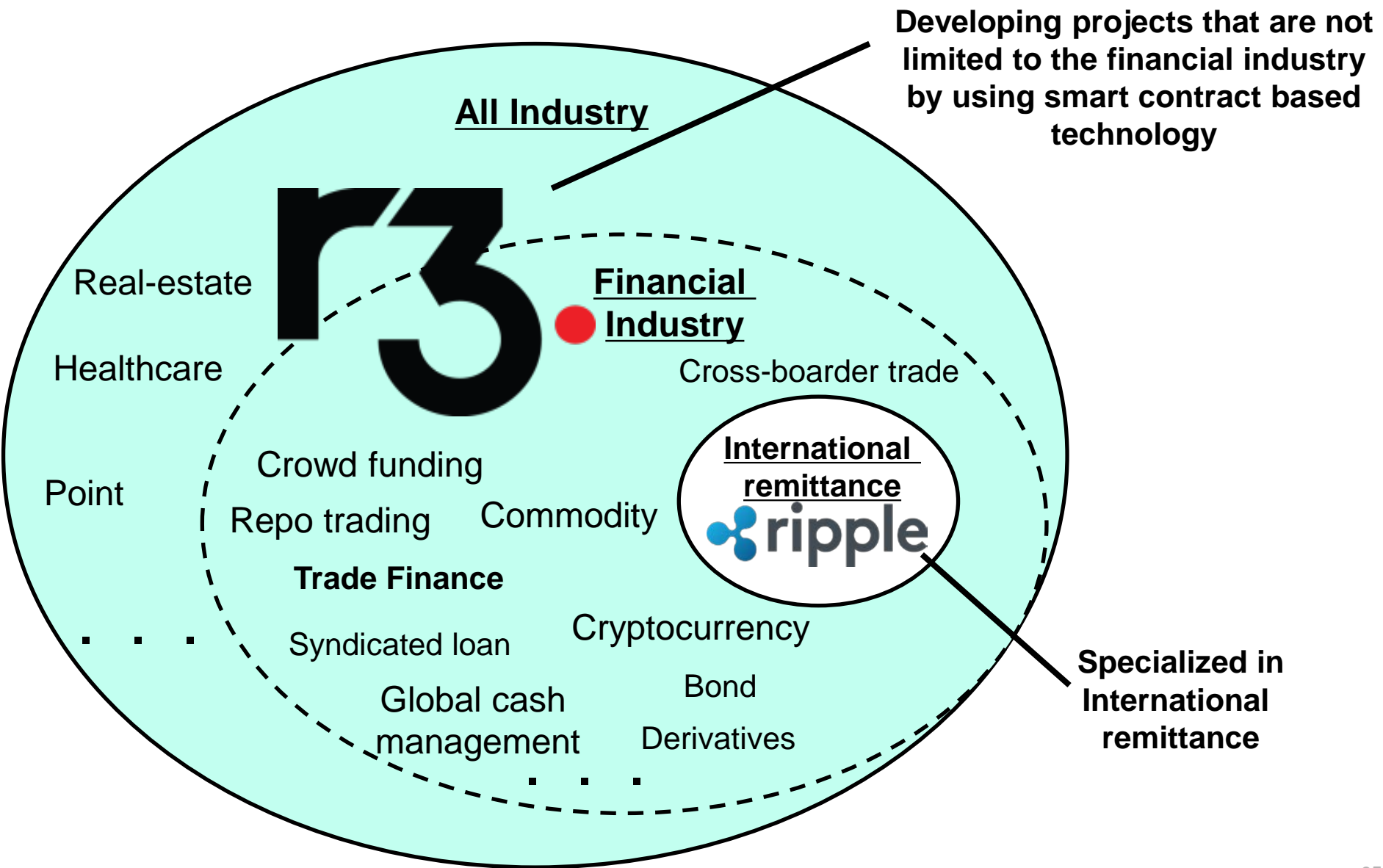
<b>Oversea Companies</b>	Wells Fargo, Bank of America Merrill Lynch, HSBC Holdings, Citigroup, BNP Paribas etc.
<b>Japanese Companies</b>	<b>SBI Group</b> , Mitsubishi UFJ Financial Group, Sumitomo Mitsui Financial Group, Mizuho Financial Group, Nomura Holdings, Head quarters of Daiwa Securities Group etc.

 **Corda is a distributed ledger technology (DLT) platform and an infrastructure network**

**The SBI Group is currently the largest outside shareholder of R3, and is the only Japanese company to have dispatched executives**

In order to promote the use of Corda in Japan, the SBI Group provided training programs for domestic financial institutions in Nov. 2017, in lieu of R3

# Business Area Separation of Ripple and R3



# Trade Finance Settlement Period Reduction

Trade finance transactions requires a few days to settle, since there are over 10 task steps to be completed between 3 parties, the importer, the exporter and the bank mediating the settlement

Upon the application of Corda, a distributed ledger technology, it will simplify trade finance



◆ Distributed ledger technology, mainly developed by R3 (open-sourced in Nov. 2016)

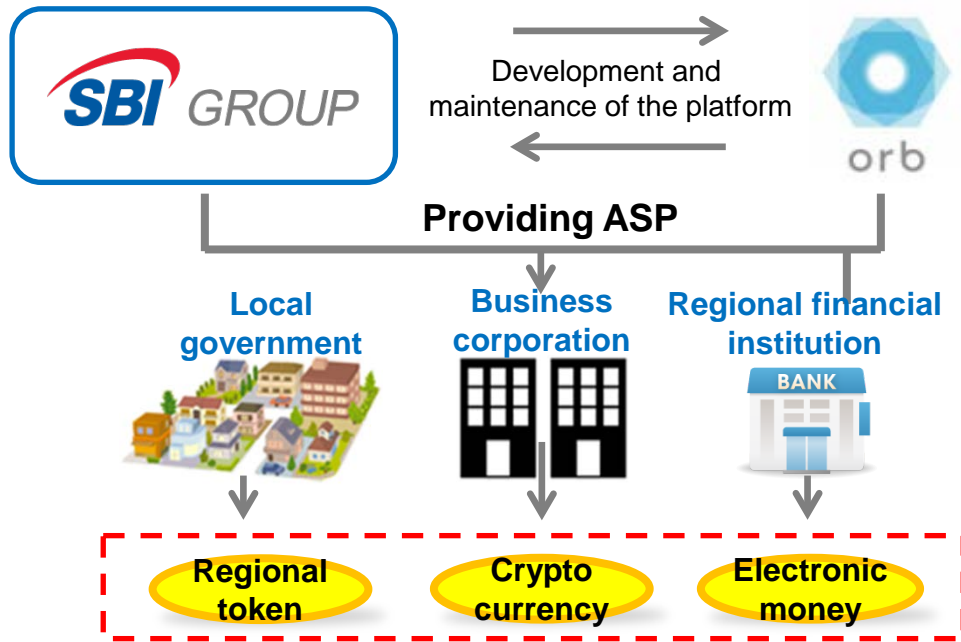
- Simplify document preparation and mailing procedures by utilizing distributed ledger technology and electronically sharing the export documents of exporters among importers, banks, and other involved parties.
- Simplify written communication among various involved parties, such as exporters, importers, transport operators, insurance companies, port operators, and financial institutions.

**UBS, in its own trials, has successfully shortened its trade finance transaction period from a week to an hour, or 1/168th of the previous time**

# Development of the “S Coin Platform,” a Platform for Issuing Original Settlement Coins

## [About the S Coin Platform]

- Used by local governments / companies / regional financial institutions etc. to issue coins, including cryptocurrency or prepaid electronic money, for settlement use
- The issuer designs and publishes a unique payment coin in accordance with their needs
- Settlement platform striving to reduce settlement cost and the use of cash significantly by providing original settlement coin



## UC UC CARD Example of UC Card

- Engaging in a PoC by issuing “UC Daiba Coin”
- UC Daiba Coin is a prepaid local coin that can be settled, transferred and charged via smartphone. The PoC is intended to research the possibility and usefulness of blockchain / DLT in the settlement field

**(ii) Strengthen the security of Wallet, which has become a bottleneck factor, and expand the investment and alliances to further develop KYC-related technologies**

- (ii) Strengthen the security of Wallet, which has become a bottleneck factor, and expand the investment and alliances to further develop KYC related technologies

## Strengthen the Security of Wallet, which has Become a Bottleneck Factor, and Expand the Investment and Alliances to Further Develop KYC Related Technologies

### Security measures

- Cryptocurrency exchange platforms suffer from DDos / cyber attacks globally, so advanced security is essential
- The role of the wallet function, with a high level of robustness becomes important for the prevention of cryptocurrency theft

### Korean cryptocurrency platform YouBit

- Dec. 19, 2017, owing to a second hacking attack during the year, **lost 17% of total assets and filed for bankruptcy proceedings**

### Domestic cryptocurrency exchange platform “Coincheck”

- On Jan. 26, 2018, 523m NEM (JPY 58bn on that day’s rate) was stolen through an illegal access, part of the problem was attributed to a management issue at Wallet

### Issues of Coincheck

- Managed NEM in an environment connected to the Internet (external) only with hot wallet
- Furthermore, did not use the multi-sig contracts recommended by the NEM Foundation, among other rudimentary problems

### Domestic cryptocurrency exchange platform “Zaif” (by Tech Bureau)

- During an on-site inspection by the Financial Services Agency, a system malfunction occurred where cryptocurrencies were able to be bought and sold at JPY 0


(ii) Strengthen the security of Wallet, which has become a bottleneck factor, and expand the investment and alliances to further develop KYC related technologies

## SBI Group's Committed Alliances (including JVs) for the Advancement of Wallet Security

**Considering that the security issues of MTGOX and CoinCheck are thought to be due to the vulnerability of wallet, promoting the adoption of technologies from the following companies that provide an extremely high security level**

nChain, U.K.	Strategic partnership on cryptocurrency security and BCH
CoolBitX, Taiwan	Cold wallet service provider on blockchain assets
Company A, Korea	Development of dynamic security
Company B, Europe	Hot wallet service provider on blockchain assets

**SBI has acquired 40% of CoolBitX, and will utilize its products in the cryptocurrency ecosystem, including SBI Virtual Currencies**



Cold wallet "CoolWallet" by CoolBitX

\* Includes agreement on verbal or preparing the contracts

**In addition to thorough risk management within its organization, the SBI Group promotes further security enhancement through the acquisition of advanced technologies of external companies**

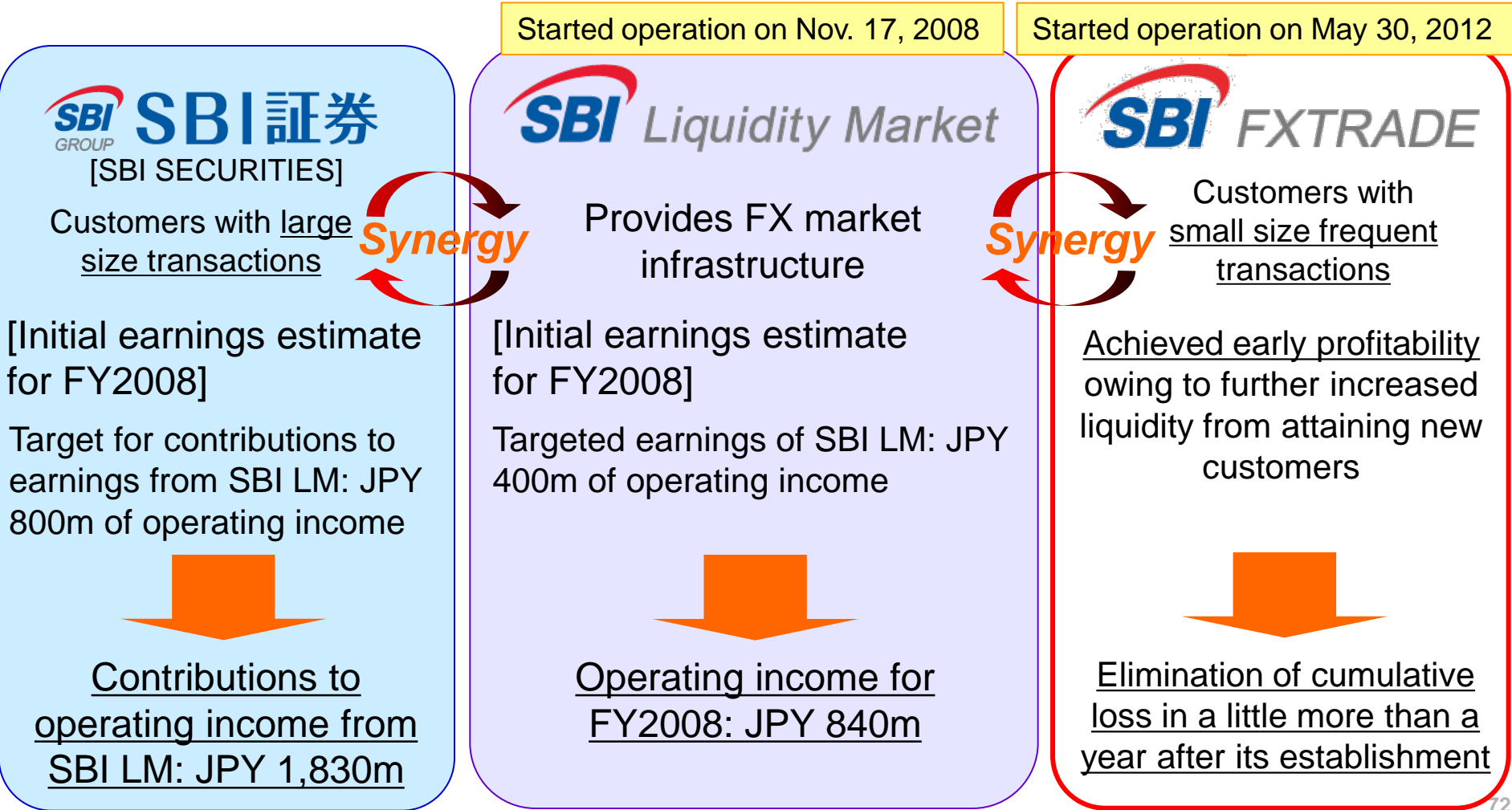
- (iii) Vigorously promote cryptocurrency exchange platforms, both domestically and overseas, and the mining business**
  - a. Cryptocurrency exchange platforms domestically and abroad**
  - b. Mining business**



a. Cryptocurrency exchange platforms domestically and abroad

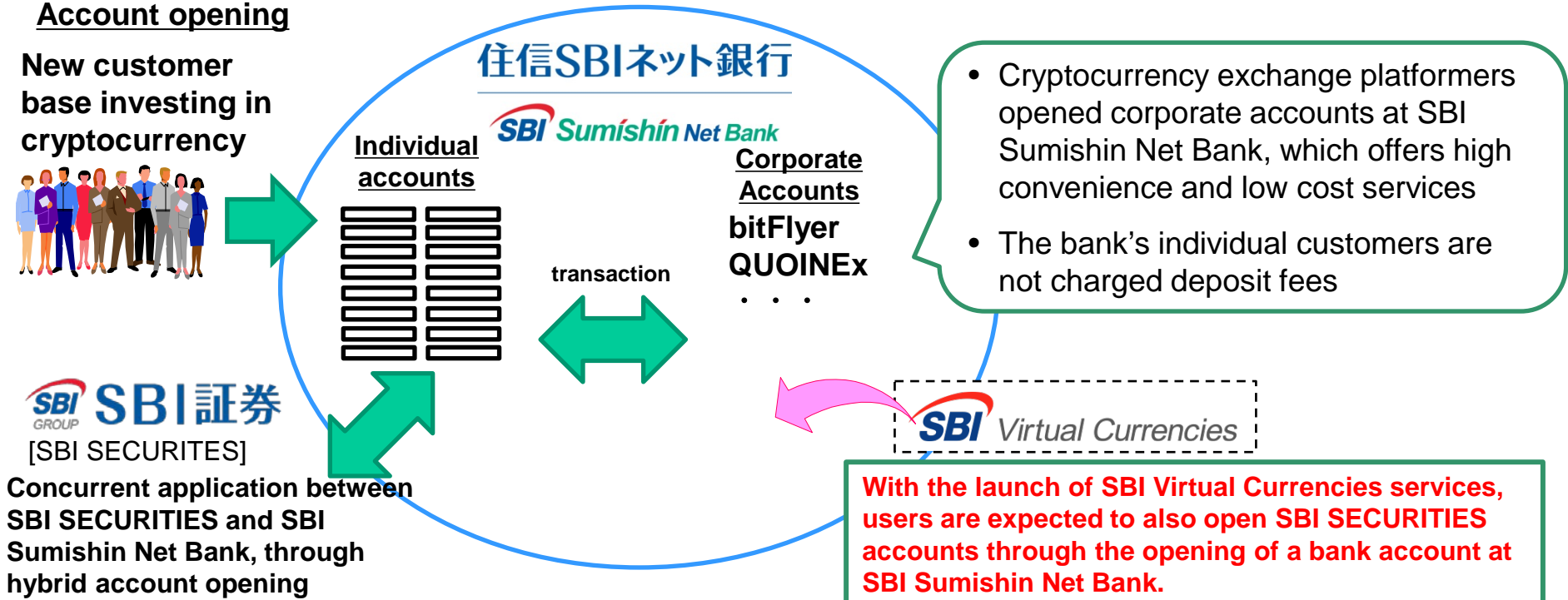
# Since the Launch of the FX-related Business, Synergies with SBI SECURITIES were Generated. Similar Synergies are Expected to be Generated with the Cryptocurrency Exchange

Increase in liquidity of SBI LM that covers the transactions provides for profitable contributions to customers of both SBI SECURITIES and SBI FXTRADE

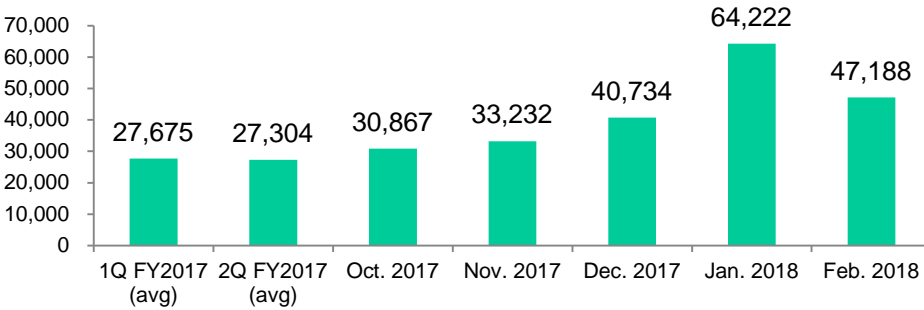


# Thoroughly Pursuing Synergies between the Cryptocurrency Exchange and the Existing Financial Ecosystem

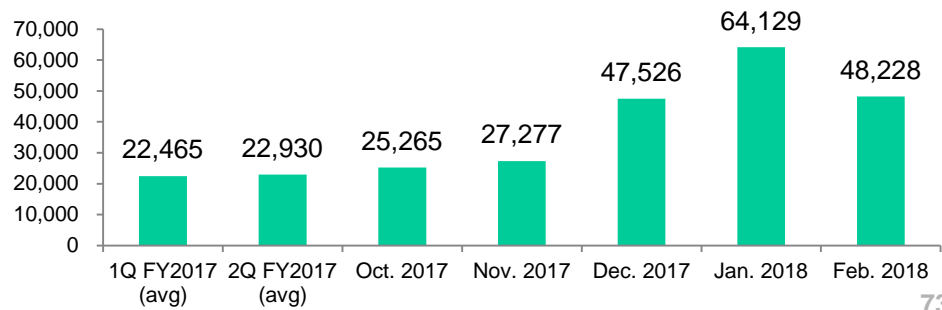
[One factor in the recent increase in the number of accounts at SBI Sumishin Net Bank and SBI SECURITIES]



Number of monthly increased accounts (SBI SECURITIES)



Number of monthly increased accounts (SBI Sumishin Net Bank)



## **SBI Virtual Currencies Started Providing Pilot Sales of XRP on a Sales Model Service Basis from Jan. 30**



**Sep. 29, 2017 Registered for cryptocurrencies' exchange and trading business**

**Jan. 30, 2018 Started pilot sales of XRP, to limited customers, with sales model service**

**Starting date of the exchange model services for XRP, Bitcoin Cash and Bitcoin will be decided based on the G20 discussions (Mar. 19-20), the response of the JFA and other exchanges to CoinCheck's troubles, regulatory trends of the various governments, and the establishment of self-regulatory organizations**

### **Cryptocurrency exchange platforms' various challenges: U.S. Kraken case**

- **Jan. 2018: A bug was discovered in the system upgrade, and trading was halted for 48 hours**
- **Feb. 2018: SWIFT was suspended, owing to an AML measure on legal-currency-backed cryptocurrency Tether (1 USD = 1 USDT)**

# Established Global Market Maker DigitAEX in Hong Kong, to Provide Global Market Functions for Various Cryptocurrencies Circulating Around the World

**DigitAEX Limited.**  
(established in Hong Kong)

**From Jan. 30, 2018,  
collaborations on XRP sales has started  
with SBI Virtual Currencies**

**Multi Virtual Currencies**



... etc.

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

**Domestic exchange market**

**SBI** Virtual Currencies

**Exchange**

**Service**

**Digital Asset Management**

**Product**

Develop and provide augmented services utilizing various cryptocurrencies, as well as transaction services, such as bitcoins and XRP



**Investors**

# The Launch of Bitcoin Cash (BCH) Mining

SBI Crypto (established in Aug. 2017 )

Conduct mining business overseas primarily for Bitcoin Cash (BCH)

## Mining base

- Started mining at a overseas location from Jan. 2018, and in preparation with another overseas location to start within 2018
- Considering opening a third location abroad

## Reasons to hold BCH

- In order to improve the mining activity unevenly conducted at a single region
- SBI Group's functional reinforcement in the cryptocurrency ecosystem, ensuring liquidity, and for clearing purposes
- Contribute to the development of BCH as an active miner (transaction authorizer)

## Mining status

- SBI Crypto's mining share is 4.1% (as of Mar. 5)
- By expanding the mining base from one to three, will endeavor to acquire a total mining share of 30%

- (iv) In addition to the ICO-related business, SBI Crypto Currency Holdings is preparing for its ICO during FY2018**
  - a. Launch of first domestic ICO rating business**
  - b. ICO consultation and promotion business**
  - c. Design tokens with various considerations in mind, including legal, institutional and economic aspects**

## Morningstar Japan Initiating Japan's First ICO (Initial Coin Offering) Rating Business

What is an initial coin offering (ICO)?

The term refers to a means for companies to raise funds for the purpose of developing cryptocurrencies or a sale conducted for the purpose of circulating to investors the new cryptocurrency (token) after it is generated.

Although an ICO resembles a stock IPO (initial public offering), since no listing screening is performed by an exchange or securities company, it is possible for the issuing company to quickly raise funds.

Although the number of investors participating in ICOs is increasing because participation is simple, there is no safety net and few reliable information sources. In addition, scam ICOs exist, and the current situation is not conducive to accurate investment decisions.

To meet ICO needs, will commence rating of cryptocurrencies and ICOs



- ◆ Provide cryptocurrency ratings based on neutral and objective analytical evaluation
- ◆ Rate not only ICOs, but also cryptocurrencies that are already traded
- ◆ Evaluate management personnel, products, and the like using unique evaluation methods\* based on issuer white papers.

\*Application of investment trust and bond rating evaluation methods and expertise

**Promoting business in cooperation with  
SBI CapitalBase projects**



## Morningstar Japan Concludes Strategic Business Alliance with U.S.-based CoinDesk, One of the Major Cryptocurrency Media Companies

Business alliance to provide information related to cryptocurrencies and blockchain in various forms



CoinDesk

### ■ Business alliance content

- Distribution of news and price information on cryptocurrencies, released in the U.S. and Japan
- Co-host worldwide cryptocurrency conference (Consensus) in Japan and Asia

### ■ About CoinDesk

- Cryptocurrency news media, started in 2013
- In addition to providing news, collects and discloses Bitcoin Price Index that is connected by API, to companies such as the Financial Times
- 10mn users and 50mn page views per month were recorded
- There were 600thousand followers on SNS, and 150thousand email magazine subscribers, etc



# ICO Consultation Business by Establishment of SBI CapitalBase and Investment into Outer Companies

 *CapitalBase* (Oct. 11 2017 established)

**Pre-registration of ICO platform and consultation meeting from Feb. 9**

ICO  
(Planned start around spring 2018)

- Provision of a new fundraising method that utilizes cryptocurrencies

Angel investor matching platform

- A pre-VC round fundraising environment

Bonds (private placement bonds)

- Fundraising that makes possible stock dilution and maintenance of the founder's ownership interest

Crowd funding, M&As

- Other methods to raise funds cooperating on their stage

**COIN THEORY** (T1R, Feb. 2 2018 invested)

In the U.S., CoinTheory provides comprehensive consultation services on ICO token issuance, including the post-issuance distribution support and marketing, as well as the provision of security measures

- Expected to manage 6 token issuances (USD 400m, approx. JPY 42.8bn) by 2Q 2018

c. Design tokens with various considerations in mind, including legal, institutional and economic aspects

# Consideration of ICO by SBI Crypto Currency Holdings, Discussing with Relevant Authorities

- ① **Service-backed token**
  - The token holders will be able to use services provided by companies under the aegis of SBI Crypto Currency Holdings for free or under favorable conditions for a certain period of time, depending on their holding volume
- ② **Asset-backed token**
  - Token will be backed by all assets, including issuer's intellectual property (IP)
  - In the case of capital gains garnered through an IPO, for companies within the aegis, will consider distributing some of the capital gains according to their holding volume
  - Value of the issuer and the value of the token are linked

## Current issues in token issuance

Registration based on Laws & Regulations	Accounting	Overseas business	Others
<ul style="list-style-type: none"> <li>▪ Depending on the mechanism, it may be subject to regulation by the Financial Instruments Clearing Law and the Exchange Act, and there is the possibility that it may be subject to an approval as a Type II Financial Instruments Business, and a PTS (Private Trading System) Business Operation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Accounting treatment after token issuance has not been determined</li> <li>▪ Metaps, which issued a token in 2017, is still in discussions with PwC on its accounting treatment</li> </ul>	<ul style="list-style-type: none"> <li>▪ There are countries which have banned ICOs, such as China and Korea, and the U.S., which is treating asset-backed tokens as securities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Careful considerations are required for various requirements, including coordination with authorities, revenue impact on business (Revenue) and tax aspects (Taxation)</li> </ul>

Will endeavor to raise several tens of billions of JPY through the ICO, to become a model for other companies

## **(5) Steadily advancing efforts toward the actualization of intrinsic corporate value**

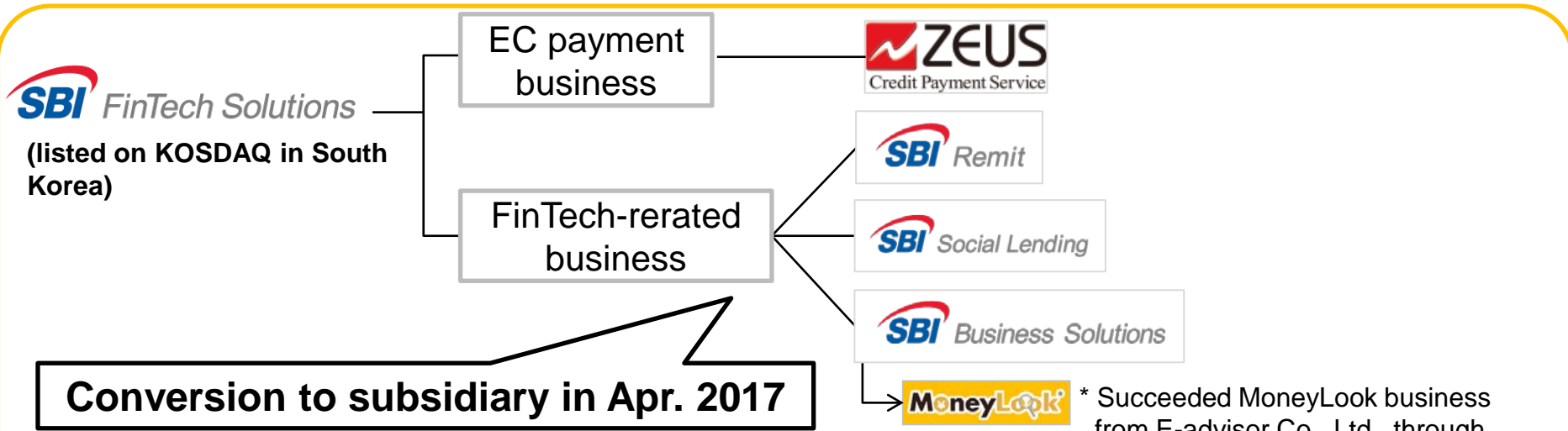
- ① A successful case of actualization of intrinsic corporate value through restructuring**
- ② Promoting the listing of subsidiaries to further actualize intrinsic corporate value**

# ① A successful case of actualization of intrinsic corporate value through restructuring

# Restructured the Company Listed on KOSDAQ in South Korea (formerly SBI AXES) as SBI FinTech Solutions, by Aggregating Three FinTech-related Companies of the SBI Group

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

\* SBI AXES have changed its corporate name to SBI FinTech Solutions from July 1, 2017

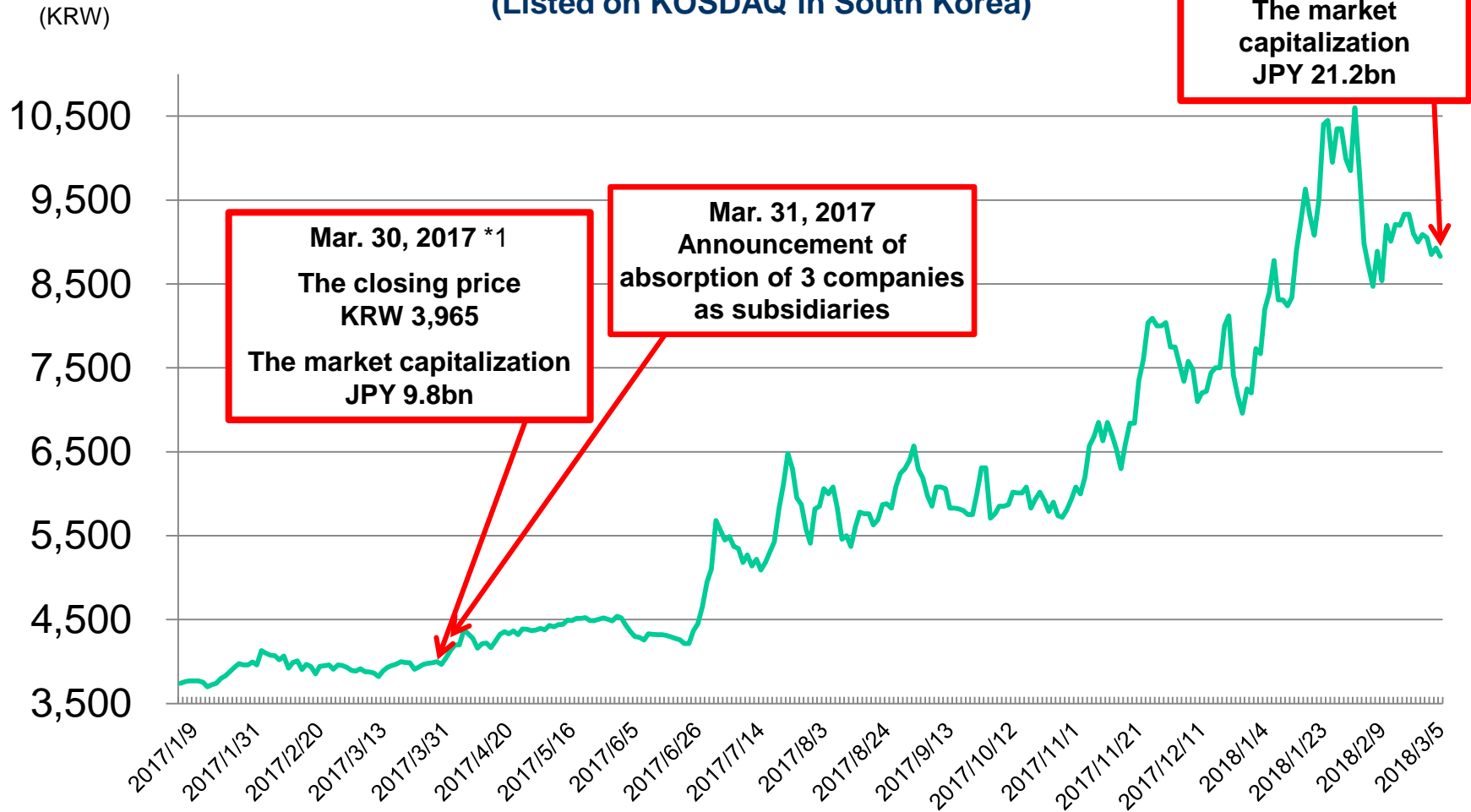


SBI FinTech Solution's subsidiary ZEUS has already commenced FinTech services through a collaboration with SBI Sumishin Net Bank, offering business loan services. Going forward, primarily owing to the consolidation of the three companies, the company will further expand its FinTech business

① A successful case of actualization of intrinsic corporate value through restructuring

# The Corporate Value Upon Business Restructuring Increased by Approx. 2.2 Times, as Compared to the Day before Its Announcement

## SBI FinTech Solutions' Stock Price Trend (Listed on KOSDAQ in South Korea)



\* Rounded to 3 decimal places. \*1 KRW 1=JPY 0.100 (As of Mar. 30, 2017), \*2 KRW 1=JPY 0.097 (As of Mar. 5, 2018)

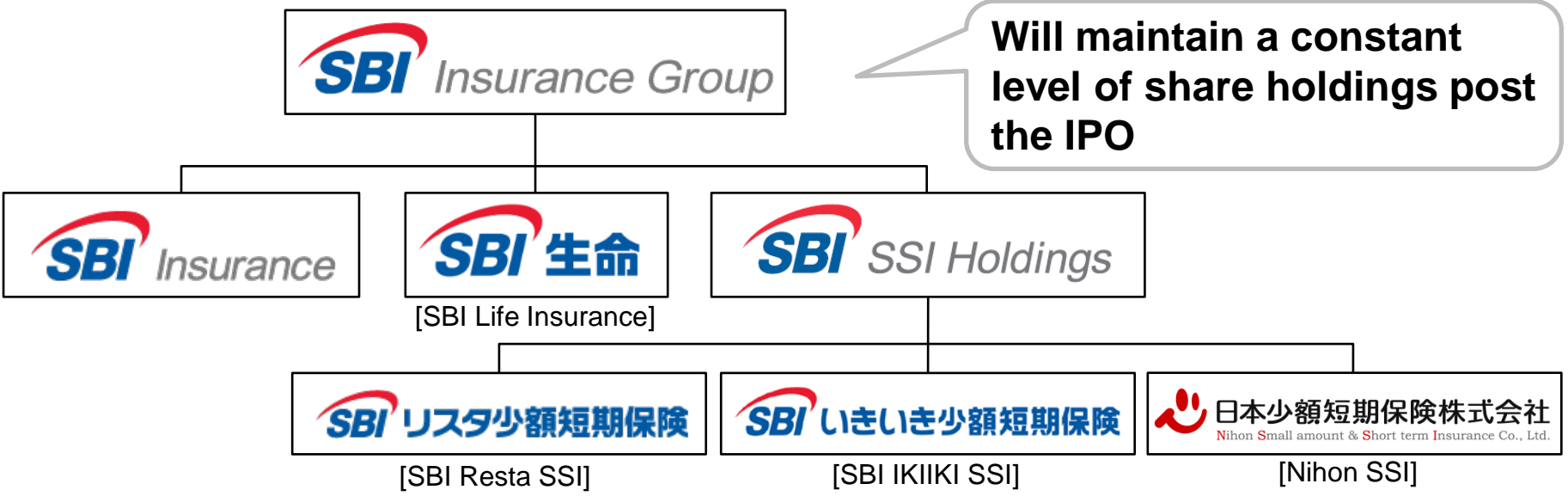
- ② Promoting the listing of subsidiaries to further actualize intrinsic corporate value**
  - (i) SBI Insurance Group (Insurance holding company)**
  - (ii) Other Group subsidiaries that are considering IPOs**

(i) SBI Insurance Group (insurance holding company):

# SBI Insurance Group, which Started Its Operations in Mar. 2017, will Endeavor 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



(ii) Other Group subsidiaries that are considering IPOs:

## Other Group Subsidiaries that are Preparing for an IPO, in Order to Actualize Intrinsic Corporate Value


### **SBI ALApharma (former SBI ALA Hong Kong)**

Business overview: Intermediate holding company of the 5-ALA-related business

In order to list within the next two years, SBI ALApharma completed the restructuring of its 5-ALA-related business under the SBI Group, namely SBI Pharmaceuticals, SBI ALApromo, photonamic, Suzhou Yian Biotech and SBI Neopharma, and is now preparing for the selection of a lead managing underwriter

### **[SBI Biotech]**

Business overview: R&D of pharmaceuticals

 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

### **[SBI Capital Management]**

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

**[The SBI Group's New Reality to be Achieved  
within the Next 2-5 Year Period]**

# The SBI Group's New Reality to be Achieved within the Next 2-5 Year Period, and Current Status ①

(Comments in the frame were announced on July 27, 2017)

- Develop the composition of the Financial Services, Asset Management and Biotechnology-related Businesses, so that the profit before income tax expense composition by segment in three years will be 6:3:1, while that in five years will be 6:2:2, respectively
- As a result, targeting the achievement of consolidated profit before income tax expense of over JPY 100bn in the next two to three years

9M FY2017 consolidated profit before income tax expense (IFRS): **JPY 50.6bn**

[Consolidated profit before income tax expense (IFRS) by segment] (JPY billion)

FS business	AM business	Biotechnology-related
46.7	43.1	-31.6
(Composition: 8)	(Composition: 7)	(Composition: -5)

Includes JPY 24.2bn of impairment loss on intangible fixed assets

## Segment forecast beyond FY2018

Expansion of business performance due to the completion of the financial ecosystem and steady growth in each business

Along with the continuing profit growth at SBI SAVINGS BANK, FinTech investee IPOs will begin in earnest

Profitability achievement is within scope, owing to the progress in Quark's drug pipeline and its anticipated IPO, along with an increase in the sales of the 5-ALA-related products, both domestically and abroad

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

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

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

# The SBI Group's New Reality to be Achieved within the Next 2-5 Year Period, and Current Status ②

(Comments in the frame were announced on July 27, 2017)

- Also giving consideration to capital efficiency, in order to stably realize ROE of over 10%

▶ **9.0% → Expects to achieve 10% for the full-year**

(Calculated based on profit for the year attributable to owners of the company of 9M FY2017)

- Annual dividend to the level of JPY 100 per share

▶ **An annual dividend for FY2017 is JPY 70+ per share is expected**

- Endeavor to double the market capitalization that is presently around JPY 330bn, by actualizing its intrinsic corporate value

▶ **JPY 547.0bn**

(Based on the closing price on Mar. 5, 2018)

▶ **Peak market cap. : JPY 639.1bn**

(Year's intraday high : JPY 2,846 \*as of Jan. 30, 2018)

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

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

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

## **[Appendix]**

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

# Corporate Value by Business Segment Valuation

## Each Business Segment Valuation is Conservatively Estimated

■ **Sum of the values by segment** (as of Mar. 5, 2018) (JPY billion)

	Valuation of each segment (theoretical value)
<b>Financial Services</b>	<b>718.5</b>
<b>Asset Management</b>	<b>269.6</b>
<b>Biotechnology-related</b>	<b>75.2</b>
<b>Subtotal</b>	<b>1,063.3 (+)</b>
<b>External Debt</b> (SBIH's non-consolidated-base borrowing recorded on the consolidated B/S as of Dec. 2017)	<b>-303.1</b>
<b>Sum Total</b>	<b>760.2 (+)*</b>

- Business valuation per share: **JPY 4,735**

- Business valuation per share after deduction of external debt: **JPY 3,385**

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 simply calculated by deducting SBI Holdings' non-consolidated-base external debt, from the subtotal of the values of each segment, 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 560.5bn

(based on the closing prices of Mar. 5, 2018)

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 Dec. 30, 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 Dec. 30, 2017.

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

# Valuation by Segment Estimated by SBI

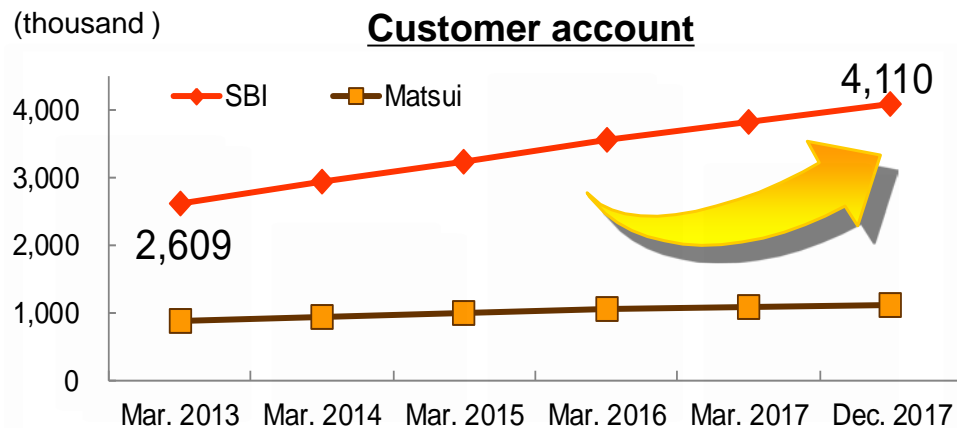
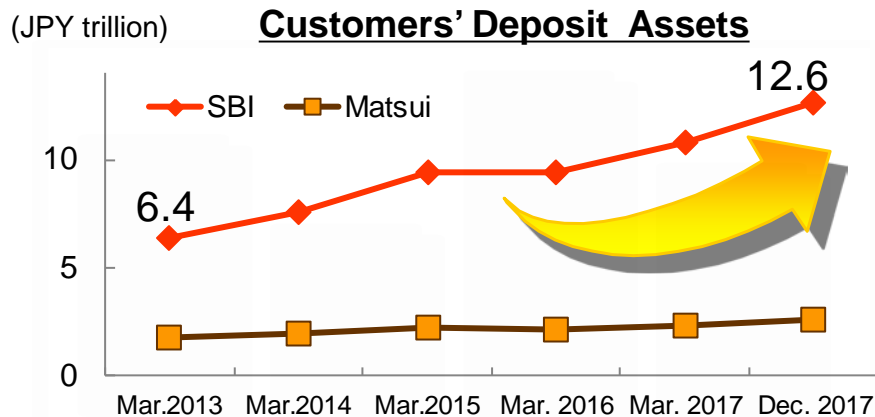
## (1) Financial Services Business ① SBI SECURITIES -(ii)

Is SBI SECURITIES' valuation reasonable?

### Comparison of SBI SECURITIES and Matsui Securities

\*Calculated by the closing prices of Mar. 5, 2018

(9M FY2017)	SBI SECURITIES	Matsui Securities
Valuation (market cap) *	JPY 560.5bn	JPY 263.7bn
Deposit assets (Sept. 2017)	<b>No.1</b> JPY 12.6tn	JPY 2.6tn
Number of accounts (As of the end of Sept. 2017)	<b>No.1</b> 4.11 million	1.12 million
Share of individual stock brokerage trading value	<b>No.1</b> 34.9%	11.4%
Operating income	<b>No.1</b> JPY 37.7bn (up 33.7% YoY)	JPY 13.1bn (up 17.7% YoY)





# Valuation by Segment Estimated by SBI

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

### ② SBI Sumishin Net Bank

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

JPY 118.0bn → JPY 59.0bn (based on the closing prices of Mar. 5, 2018)

(Shareholding of the SBI Group: 50.0%)

Estimation of the valuation is as follows:

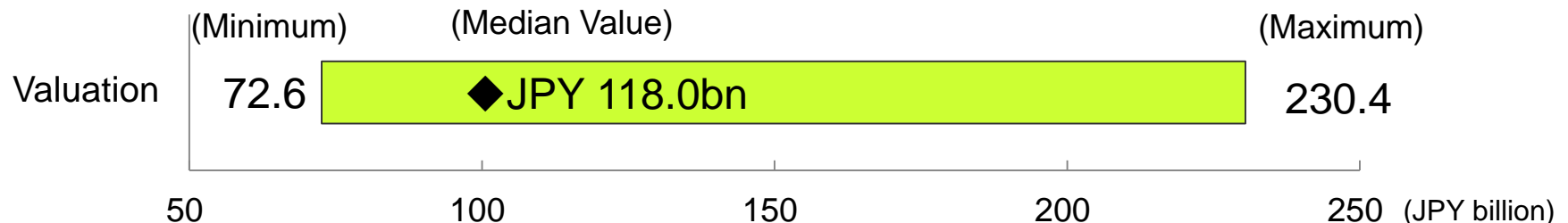
Calculated according to the **Comparable Public Company Analysis**

Compares the profits of comparable public companies of which the deposit balance exceeds JPY 4tn as of the end of Mar. 2017

Median value of estimated PERs of listed local banks of which the deposit balance exceeds JPY 4tn (\*) × 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 4tn as of the end of Mar. 2017

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



# Valuation by Segment Estimated by SBI

## (1) Financial Services Business

### ③ SBI Liquidity Market / ④ SBI Japannext

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

Valuation is estimated at **JPY 55.9bn** (based on the closing price of Mar. 5, 2018)

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

$\frac{\{(Money\ Partner's\ PER + Hirose\ FX's\ PER)\}^{(*)}}{2}$

× 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 7.7bn** (based on the exchange rate as of Mar. 5, 2018)

(Shareholding of the SBI Group: 48.8%)

# Valuation by Segment Estimated by SBI

## (1) Financial Services Business

### ⑤ SBIH Comparison Website Business / ⑥ SBI FinTech Solutions

#### ⑤ SBIH Comparison Website Business

Valuation is estimated at **JPY 18.9bn** (based on the closing price of Mar. 5, 2018)

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

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

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

#### ⑥ SBI FinTech Solutions

	SBI's shareholding pct. (%)	Classification	Listed market	Market cap (JPY billion)	SBI's equity interest of market cap (JPY billion)
SBI FinTech Solutions	<b>77.5</b>	Consolidated subsidiary	KOSDAQ of KRX	<b>21.2*</b>	<b>16.5</b>

(Based on the closing price of Mar. 5, 2018. \*Calculated by the exchange rate as of Mar. 5, 2018.)

\* 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 Mar. 5, 2018)

Upon comparison with similar listed companies calculated conservatively as **JPY 560.5bn**

### ② SBI Sumishin Net Bank

(based on the closing prices of Mar. 5, 2018)

Estimated the valuation of SBI Sumishin Net Bank that has high growth potential in terms of profitability and scale at JPY 118.0bn → **JPY 59.0bn** (Shareholding of the SBI Group: 50.0%)

### ③ SBI Liquidity Market (cons.)

(based on the closing prices of Mar. 5, 2018)

Upon comparison with similar listed companies calculated as **JPY 55.9bn**

### ④ SBI Japannext

(based on the exchange rate of Mar. 5, 2018)

Upon the conservative estimated valuation of USD 150m → **JPY 7.7bn**

(Shareholding of the SBI Group: 48.8%)

### ⑤ SBI Comparison Website Business

(based on the closing prices of Mar. 5, 2018)

Upon comparison with similar listed companies calculated as **JPY 18.9bn**

### ⑥ SBI FinTech Solutions

The market cap of SBI FinTech Solutions (Shareholding of the SBI Group) **JPY 16.5bn**

(based on the closing prices of Mar. 5, 2018)

**Total of the valuation above: JPY 718.5bn** (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. 100

# Valuation by Segment Estimated by SBIH

## (2) Asset Management Business -①

### Asset Management Business

Valuation for this segment is conservatively estimated at approx. JPY 269.6bn

<Reference>

JAFCO's Market Cap: **JPY 165.0bn** (based on the closing price of Mar. 5, 2018)

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

(i) Value of holding securities (as of the end of Dec. 2017) Approx. JPY 147.9bn

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 Mar. 5, 2018)

(\* Valuation excluding assets such as securities hold) Approx. JPY 10.5n

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 Mar. 5, 2018)

Estimates the valuation of SBI SAVINGS BANK at JPY 84.0bn

→ JPY 83.1bn

(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 Dec. 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 shareholding pct. (%)	Classification	Listed market	Market cap (JPY billion)	SBI's equity interest of market cap (JPY billion)
Morningstar Japan	49.4	Consolidated subsidiary	TSE JASDAQ	33.5	16.6
SBI Investment KOREA	43.9	Equity method associate	KOSDAQ of KRX	26.3*	11.5
Sum of the market cap of a listed subsidiary and an equity method associate				59.8	<u>28.1</u>

(Based on the closing price of Mar. 5, 2018. \*Calculated by the exchange rate as of Mar. 5, 2018.)

\* 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, excluding that of SBI Biotech and Quark, is conservatively estimated at approx. JPY 75.2bn**

#### ① SBI ALAlpha

(Intermediate holding company of the 5-ALA-related business that affiliates SBI Pharmaceuticals, SBI ALApromo, photonamic, etc.)

Estimation of the valuation is as follows:

Market value at the point of organizational restructuring of SBI ALAlpha's shares × Number of shares issued × SBIH's equity interest (excluding external holdings)



Based on SBIH's equity interest (95.5%; excluding external holdings) as of the end of Dec. 2017, the amount is calculated to be approx. JPY 67.6bn

#### ② Kubota Pharmaceutical HD

	SBI's shareholding pct. (%)	Classification	Listed market	Market cap (JPY billion) (as of Mar. 5, 2018)	SBI's equity interest of market cap (JPY billion)
Kubota Pharmaceutical HD	<b>38.1</b>	Equity method associate	TSE Mothers	<b>19.9</b>	<b>7.6</b>

\* 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.

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