



BEGINNING OF THE NEXT INNOVATION



The SBI Group has been able to achieve sustainable growth until now by swiftly capturing the trend of the times, and by establishing a “business ecosystem” that spans a wide range of industries that allows the pursuit of synergies between businesses, which in turn has allowed inter-Group synergistic and mutual evolution that has led to a competitive differentiation from its competitors.

Today, the Group is transitioning to a stage where it will expand and grow while it exerts favorable effects on its two supporting pillars, the Financial Services Business and the Asset Management Business. Moving forward, through the promotion of proactive investments into promising venture companies in the evolving new technology fields of FinTech, IoT, AI and big data, these new technologies will be immediately utilized by the Group’s financial services businesses to increase their competitiveness and to distinguish themselves from their competitors.

In addition, in the 5-ALA-related business, the research and development on a variety of pharmaceutical products have steadily progressed, and the health foods and cosmetics businesses are also steadily expanding, so a global business system is being established to solidify the earning capacity of this business. New challenges toward the realization of sustainable growth for the SBI Group have already begun.

Pursuing Sustainable Growth

through Investments into the 21st Century
Growth Industries, as well as by the Group's
Own Business Development in the Same Fields

Until now, the SBI Group, in accordance with its fundamental business building concepts, has expanded its investments into the 21st century growth industries such as the IT industry, and through the establishment of numerous Internet-based financial services companies that utilize such technologies, has realized a comprehensive Internet-based financial ecosystem that has enabled a dramatic organizational growth.

By expanding the business domain in this way, where operating entities are established in parallel with venture investments, mutually beneficial effects are realized that makes sustainable growth possible.

Financial Services Business

Establishment of an Internet-based Financial Ecosystem in Japan

The SBI Group initially entered the diverse financial services sector in the online securities business, and through the establishment of an Internet-based financial ecosystem, has promoted the creation of synergies and mutual evolution between the Group's operating companies, in order to realize a competitive advantage that distinguishes itself from its competitors. To date, the Group has established a globally unique financial conglomerate that utilizes the Internet as its main business channel, which positions Japan's No. 1 retail online securities business in terms of its overwhelming customer base, banking business and insurance business as the three core components of the Financial Services Business. Moreover, away from services available on the Internet, through an aggressive development of a face-to-face shop managed on a franchise system, SBI MONEY PLAZA, which provides

financial services both online and on a face-to-face basis, was established to provide optimal financial products to meet the needs of individual customers, and has received high customer satisfaction.

In this way, while growth was achieved by thoroughly exploiting synergies within the financial ecosystem, the Asset Management Business' focused investments into the IT field contributed significantly to the development of the Financial Services Business. Among the investee companies in the IT sector, there are many with leading-edge technologies, and the utilization of those technologies and expertise within the Group will enable the creation and offering of distinctive financial services, which is the result of a virtuous cycle between the Financial Services Business and the Asset Management Business.

Asset Management Business

Investments into the 21st Century Growth Industries

Since its founding in 1999, in order to put into practice the management philosophy of becoming a “New Industry Creator,” the SBI Group has made focused investments in the IT and biotechnology sectors, which are the 21st century growth industries. Also, since 2005, in order to diversify risk and pursue higher growth, the Group jointly established a number of overseas funds and developed a global structure with prominent local partners in emerging countries with high growth potential, primarily in Asia, and is in the process of promoting the establishment of an overseas financial ecosystem through the transference of the online financial business expertise and knowledge that were developed in Japan.

The SBI Group has been focused on the IT field since its establishment, and has actively invested in and nurtured numerous venture companies since the dawn of the Internet era in Japan.

At the same time, the Group has developed a wide variety of its own financial services utilizing the Internet as the main channel, leading to an accumulation of knowledge of the IT field in the form of technologies and expertise. This knowledge was the basis for the sound investments in the IT sector, and has led to the achievement of the high performance funds that were established since the second half of the 1990s. Presently, the development of new technologies is accelerating, and within the FinTech, IoT, AI, big data and related fields that is attracting global attention, the Asset Management Business is not only proactively investing in venture companies in these fields, but also has realized a virtuous cycle by introducing appropriate new technologies of these venture companies to the Financial Services Business, to develop new services and improve business efficiencies.

Biotechnology-related Business

Preparations for a Global Business Structure to Monetize the Business

In the biotechnology field, while the SBI Group will focus on the investment and nurturing of promising bio-venture companies, and will pursue stable sustained growth, biotechnology itself has been positioned as a high-priority business segment, and through the establishment of subsidiaries, the Group has embarked into the Biotechnology-related Business on an operating basis. The SBI Group is engaged in the Biotechnology-related Business through three main subsidiaries. SBI Biotech, established in 2007, develops new medical care and pharmaceutical products through the utilization of its leading-edge biotechnologies. In the 5-ALA-related business, SBI Pharmaceuticals, established in 2008, is engaged in the research, development and manufacture of pharmaceuticals, health foods and cosmetics using 5-ALA, and SBI ALApromo, established in 2012, distributes health foods and cosmetics containing 5-ALA in Japan.

The Biotechnology-related Business contributes to healthy living through the research, development and manufacture of pharmaceuticals, health foods and cosmetics, moreover the pharmaceutical industry is said to be a defensive sector that is resistant to economic fluctuations, and may be considered a sector that is conducive to stable profit generation, since profit margins are higher than that of other business sectors in Japan. Furthermore, in the 5-ALA-related business, which is expected to drive the medium- and long-term growth of the SBI Group, the application of the active ingredient 5-ALA in a wide range of fields is attracting considerable attention, and the number of joint research and business partners in Japan and overseas are increasing. Going forward, the integration of the research structure to accelerate the globalization process, and the strengthening of the sales structure for pharmaceuticals, health foods and other products will be accomplished in Japan and abroad.

Business Expansion through the Utilization of New Technologies Including FinTech that is Gathering Global Interest

The utilization of new IT technologies represented by FinTech, centering on blockchain technology, IoT, AI and big data in businesses is becoming a major global trend, leading to a revolution in conventional financial services. While businesses that are adopting FinTech are on the rise in Europe and the U.S., the SBI Group is endeavoring to offer innovative financial services by establishing a New FinTech Ecosystem through collaborations with promising venture companies in these new fields.

Launch of the FinTech Fund

The Financial Industry's First and Largest FinTech Fund, in Terms of Asset Size, which will Contribute to the Industry

Takeshi Goto

SBI Investment Co., Ltd.
Director & Senior Managing
Executive Officer



The Launch of a Fund at the Dawn of a New Era

In the overseas, FinTech ventures are being formed one after another, especially in Europe and the U.S., as investments into this field continues to grow year after year. Although the domestic FinTech industry is in its early days, the Japanese government has focused its attention on FinTech's potential as a pillar of future growth, leading this industry to be one of the business fields that is expected to take a "great leap forward" since the Japanese Financial Big Bang.

In order to take advantage of this opportunity, the SBI Group launched the FinTech Fund in December 2015, to proactively invest in promising FinTech companies in Japan and abroad. With a total capital commitment of ¥30 billion, the Fund's equity investors include a number of financial institutions, including Mizuho Financial Group, Inc., Sony Financial Holdings Inc., The Dai-ichi Life Insurance Company, Limited, The Bank of Yokohama, Ltd., and The Ashikaga Bank, Ltd., as well as companies such as the SoftBank Group Corp. that have a high affinity with FinTech and are anticipating business synergies through their participation. In the future, the SBI Group will also collaborate with its overseas business partners to implement an overseas expansion of FinTech technologies that originates from Japan.

Two Funds to Support Implementation of FinTech

Investments into venture companies from the FinTech Fund commenced in December 2015, and over 10 company investments have already been made as of June 2016, with plans to invest in over 100 companies in Japan and abroad. The FinTech Fund will make its investments with the benefit of the SBI Group's investment track record, experience and online finance business expertise, and will also cooperate with major IT vendors to support the open innovation between the Fund's equity investors and investee companies, to promote the introduction and utilization of new FinTech-related technologies and services, while boosting the value of the investee companies. In support, the Group companies will liaise with the investee companies to conduct demonstration tests of their FinTech technologies and services, to build a system that encourages the Fund's equity investors to smoothly introduce FinTech technologies, while minimizing the initial cost of introduction.

In addition, the Group is planning the establishment of a fund, provisionally named the Regional Bank Value Creation Fund, which will endeavor to raise the corporate value of local and regional financial institutions, through the introduction and support of FinTech services. This new fund is targeting a total commitment capital amount of at least ¥50 billion, and will package solutions that will be jointly developed by the SBI Group and the FinTech-related investee companies, and in cooperation with IT vendors the Group is considering the proposal of such solutions to the regional financial institutions, including the fund's equity investors.

Forming a FinTech Consortium

The new wave of FinTech is an important technological innovation that will impact the future for the SBI Group, as well as for all Japanese financial companies. Therefore, the SBI Group has initiated the establishment of the SBI FinTech Consortium, which will pursue the overseas expansion of new FinTech technologies and services in a range of financial fields originating from Japan.

The SBI FinTech Consortium will endeavor to develop a globally applicable Japan-origin FinTech service that is based on the assemblage of FinTech technologies possessed by participating companies, with an affordable initial implementation cost. Along with major financial institutions, in order for FinTech, including blockchain technology, to be utilized in a wide range of financial fields, the development of application software that connects FinTech elemental technology to traditional financial systems becomes necessary. An immense amount of time and investment would be required, if such work were to be done completely by a single entity. However, through an alliance of companies possessing FinTech technology, an efficient provision of complex services becomes possible, along with a swift and less costly initial implementation by financial institutions, which may lead to the possibility of a dramatic market scale expansion.

The first meeting of the SBI FinTech Consortium was held in May 2016, with 38 participants representing top management of domestic and overseas FinTech venture companies that have taken on the front-line challenges. Many opinions were



exchanged, and the meeting was closed on a high note. The SBI Group will endeavor to enroot the FinTech business as one of Japan's leading industries, while collaborating with the equity investors in the FinTech Fund as well.

Utilization of FinTech Technologies at the SBI Group

Until now, the SBI Group had achieved its dramatic growth through the establishment of an Internet-based financial ecosystem, but moving forward, within a five year period the establishment of a New FinTech Ecosystem is planned, which will incorporate FinTech-related technologies with a blockchain technology nucleus. Toward the realization of this goal, the SBI Group's Financial Services Business is proactively promoting the implementation of FinTech technology demonstration tests to stimulate practical technological innovations.

SBI Sumishin Net Bank performed Japan's first full-scale performance demonstration test for the potential application of blockchain technology to the Bank's mission-critical accounting system on a load-resistant, tamper-resistant and cost-effective basis. The Bank will continue to examine the technology's application in the areas of personal identification and authentication, as well as for the accounting system. Additionally, the development of a transaction based lending service for SMEs and self-proprietors who utilize cloud accounting services that are supplied by FinTech partner companies has begun, and the eventual inclusion of big data analysis and AI into these services, along with other joint developments with consortium

members, will proceed accordingly. SBI SECURITIES has also participated in demonstration tests for the utilization of blockchain technology in the securities business, while SBI Liquidity Market is proceeding with an examination of product development utilizing this technology, with expectations of introducing those during FY2016. Moreover, SBI Ripple Asia, a joint venture with Ripple Labs of the U.S., which is developing the foundation for next-generation settlements, was established in May 2016, and the joint venture is in the process of establishing a new international money remittance system utilizing blockchain technology. Further, the SBI Group consists of many businesses that have a high affinity with new technologies such as FinTech, so they will also be working toward the commercialization of new products and services.

Special Feature:
Challenges in the Pursuit of Sustainable Growth

5-ALA-related Business Beginning Full-fledged Dramatic Growth Over the Medium- to Long-term

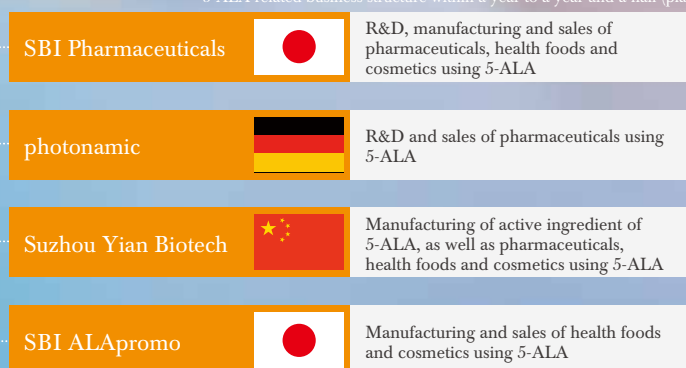
The Biotechnology-related Business is expected to be the growth driver for the SBI Group in the medium- to long-term, and the 5-Aminolevulinic Acid (5-ALA)-related business in particular is accelerating its expansion both domestically and abroad. With the inclusion of the German pharmaceutical company photonamic into the SBI Group in January 2016, the development of a global business system has proceeded and a full-fledged growth of the business in the medium- to long-term was initiated.

Newly establishing three new divisions



Aggregate the Group companies under the same aegis

* 5-ALA-related business structure within a year to a year-and-a-half (plan)



Global Business Ecosystem in 5-ALA-related Business

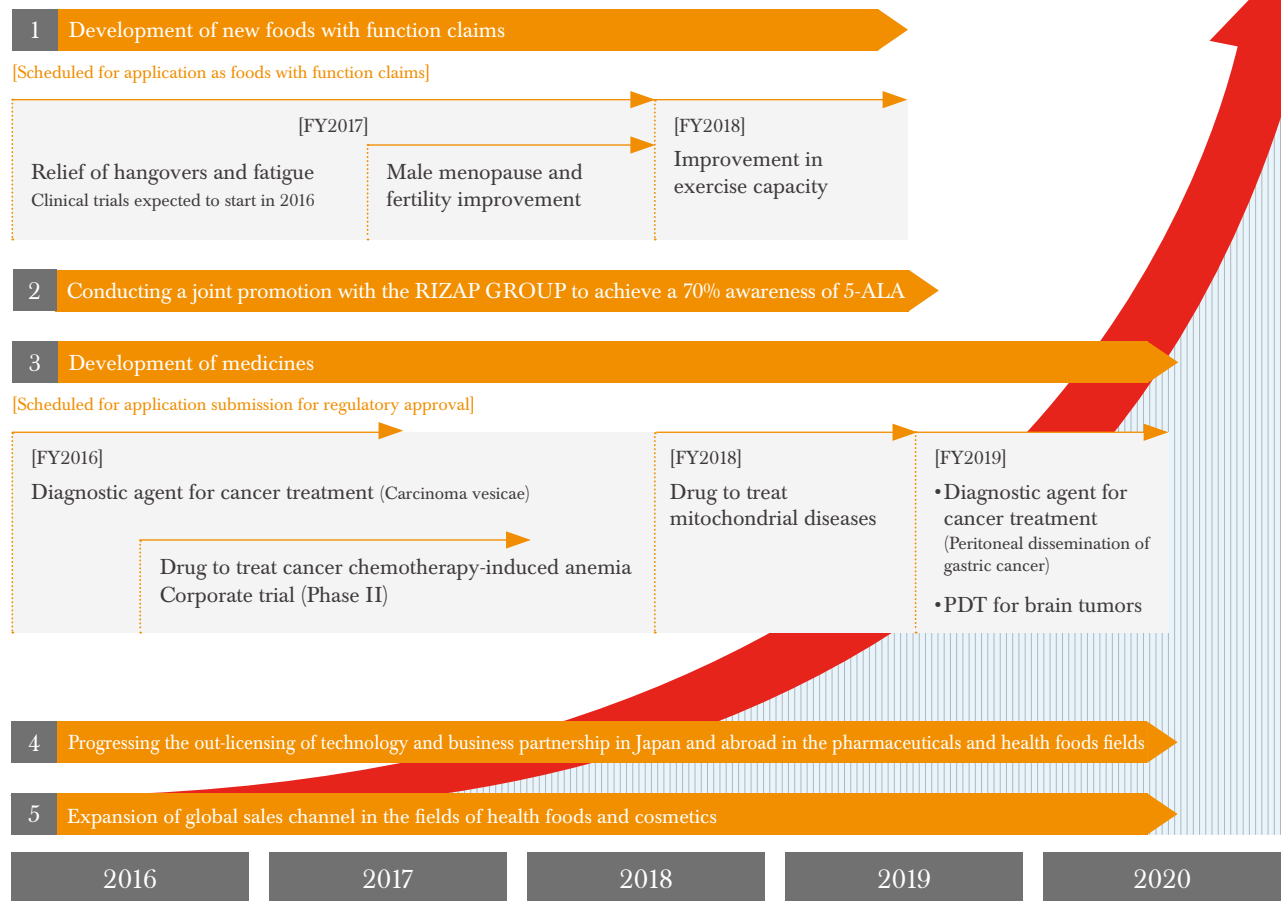
The 5-ALA-related business is endeavoring to reach early profitability, and as part of an effort to build an exclusive R&D system for 5-ALA-related pharmaceutical products, photonamic of Germany was incorporated as a wholly owned subsidiary of the SBI Group in January 2016. photonamic possesses a R&D foundation and pipeline in pharmaceuticals using 5-ALA, and has a global sales network in over 25 countries, primarily in Europe.

The SBI Group has established an organizational structure that will leverage photonamic's R&D and sales network by centering activities at SBI ALA Hong Kong, an intermediate holding company, to exert global synergies in the 5-ALA-related business. The major 5-ALA-related subsidiaries within the Group will now come under the aegis of SBI ALA Hong Kong, along with the concentration of three functions, in order to strengthen the connections between each subsidiary. Specifically, Global R&D was established for the purpose of building an exclusive global R&D system, Global Marketing

was established with the responsibility for drafting domestic and overseas sales strategy, and Global Alliances and Out-licensing was established to promote technology out-licensing and business alliances in the pharmaceuticals and health foods fields, in Japan and abroad.

In this way, by establishing an organizational structure at SBI ALA Hong Kong, moving forward, a rigorous distinction will be made toward the research and development of drug pipelines using 5-ALA, which may be applied across a wide range of research for practical applications, and to thoroughly reduce cost and more readily reach profitability. In addition, by transitioning to profitability through the promotion of out-licensing of drugs and health foods to other companies, a public offering of SBI ALA Hong Kong will be endeavored.

Medium- to Long-term Growth Strategy



A Growth Strategy Focused on the Future

While the 5-ALA-related business accelerates its global expansion through the unification of its research system with photonic, along with the strengthening of the overseas pharmaceutical sales structure, technology out-licensing and business alliances will continue to be promoted on a global scale toward the establishment of a revenue base that leads to early profitability.

A key strategy toward the attainment of early profitability is to undertake the development of foods with function claims, and so in addition to the start of sales of ALAplus Tou (Sugar) Down, a product with low blood sugar benefits, in December 2015, new foods with function claims are in the process of being developed. Among these are products to relieve the aftereffects of alcohol consumption and fatigue, for which the Group expects to start clinical trials by year-end and plans to apply for approval in August 2017, and others are directed for the improvement of male menopause and fertility, as well as those to improve exercise capacity. While also focusing on the expansion of the product offerings, with the goal of improving the recognition rate of

the 5-ALA-related products to 70%, joint promotions with the RIZAP GROUP (formerly Kenkou Corporation) will be implemented. In the overseas, the business is proactively involved in the out-licensing and business tie-ups for its health foods and cosmetics, and has already started sales of health foods in Bahrain, Jordan and the Philippines, while continuing discussions in the UAE. Moreover, in Hong Kong negotiations are in place with local officials over the registration of 5-ALA phosphate as a cosmetic ingredient.

In pharmaceuticals, SBI Pharmaceuticals is in discussions regarding technology out-licensing of photodynamic diagnosis (PDD) for bladder cancer and for mitochondrial diseases. Additionally, R&D is being promoted for photodynamic therapy (PDT) and malaria, which is becoming a serious problem. In this way, the revenue base for the Biotechnology-related Business is being steadily established, and for the medium- to long-term it is expected to grow into one of the revenue pillars for the SBI Group.