

# Asset Management Business

In Addition to Investments into High Growth Fields such as FinTech, Focusing Efforts on Strengthening Asset Management Capabilities



## Principal Companies

Intermediate Holding Company: SBI Capital Management

SBI Investment

SBI VEN CAPITAL

SBI Investment KOREA

SBI SAVINGS BANK

Intermediate Holding Company: SBI GLOBAL ASSET MANAGEMENT

Morningstar Japan

SBI Asset Management

SBI Bond Investment Management

## Priority Measures

### > Venture Capital Business

- SBI Investment established the FinTech Fund, to increase investments into FinTech and other new technologies
- Pursuing planned establishment of a new fund that will increase the corporate value of regional financial institutions through the support of FinTech introduction to those institutions
- Utilizing the SBI Group's global network to support the overseas expansion of FinTech investee companies

### > Asset Management Services Business

- Internal restructuring to strengthen the Group's asset management structure by establishing SBI GLOBAL ASSET MANAGEMENT, as an intermediate holding company
- Established SBI Bond Investment Management with PIMCO, an asset management company, to start the management of bond funds
- Promoting global asset allocation through alliances with domestic and international asset management companies, and conducting arbitrage to benefit from the interest rate differentials between Japan and abroad
- With the continued uncertainties in the world economies, planning the offering of a real-time gold trade service as a safe harbor asset

### > SBI SAVINGS BANK

- SBI SAVINGS BANK of South Korea steadily increased performing loans in the retail field
- Endeavor to improve the delinquency rates by eliminating bad debt to further strengthen earning capacity

## Full-year Performance of the Asset Management Business by Major Business Lines (based on IFRSs)

### Private Equity Investment

SBI Investment and funds under its aegis (Billions of yen)

	FY2014	FY2015
Revenue	(0.1)	18.8
Profit before income tax expense	(7.4)	11.7

### Overseas Financial Services Business

SBI SAVINGS BANK and other overseas companies (Billions of yen)

	FY2014	FY2015
Revenue	41.7	43.2
Profit before income tax expense	14.3	4.6

### Asset Management Services Business

Morningstar Japan and other companies (Billions of yen)

	FY2014	FY2015
Revenue	3.6	4.1
Profit before income tax expense	1.2	1.4

## Promoting Venture Investments in Japan and Abroad, and Increasing the Value of Investee Companies through Effective Incubation Capabilities

Katsuya Kawashima

SBI Investment Co., Ltd.  
Representative Director and  
President



### The SBI Group's Assets Under Management (As of March 31, 2016)

Private equity, etc. **¥ 266.3 billion**

(Including ¥83.0 billion of both cash and commitment amount to be paid in<sup>\*3</sup>)

(Billions of yen)

Breakdown by industry		Breakdown by region	
IT / Internet	26.2	Japan	73.9
Biotechnology / Health / Medical	56.8	China	22.3
Services	9.0	Korea	26.7
Materials / Chemicals	2.5	Taiwan	1.6
Environmental / Energy	19.8	Southeast Asia	5.8
Retail / Food	13.5	India	5.2
Construction / Real estate	2.1	U.S.	43.9
Machine / Automobile	4.5	Others	3.8
Finance	37.2		
Others	11.4		
Total	183.3	Total	183.3

Investment trust, etc. **¥ 259.0 billion<sup>\*4</sup>**

(Billions of yen)

Investment trusts	180.6
Investment advisories	74.4
Investment companies	4.0

<sup>\*1</sup> Calculated by the exchange rate as of the end of March 2016.

<sup>\*2</sup> Amounts are rounded to the nearest ¥100 million.

<sup>\*3</sup> Composed of cash in funds and unpaid capital, which is to be paid on a capital call.

<sup>\*4</sup> As for the funds that SBI Asset Management provides investment instruction to, if Morningstar Asset Management provides investment advisory services, assets are recorded in both "Investment trusts" and "Investment advisory," respectively, and such overlapping amounts totaled ¥26.6 billion.

### Active Venture Investments Domestically and Abroad

As a "New Industry Creator," SBI Investment is a core company in the Asset Management Business, and manages venture capital funds under a corporate philosophy that calls for it to play a leading role in the development of the industry through the creation and incubation of new core industries of the 21st century. The SBI Group, since its establishment in 1999, has expanded its venture investments in IT and biotechnology, which are positioned as the core industries of the 21st century, and as of March 31, 2016, the SBI Group had invested in a cumulative total of 1,132 companies in Japan and abroad. Of these, 200 companies either completed an IPO or completed M&A deals, to result in a high performance exit ratio of 17.7%. Among these, those that SBI Investment itself was responsible for the investment and management totaled 688 companies, with an exit for 138 companies, resulting in an exit ratio of 20.1%, as of March 31, 2016.

In FY2015, the SBI Group executed investments totaling ¥27.9 billion in 92 companies, and of these investments, ¥18.5 billion went to 48 companies in IT and biotechnology, or in the financial sector which fundamentally has a close affinity to the Internet. Additionally, SBI Investment established the FinTech Fund, to proactively invest in IT-related financial services companies and IT-related FinTech companies.

The Group's assets under management, including private equity, amounted to ¥183.3 billion (excluding both cash and commitment amount to be paid in), as of March 31, 2016. By region, assets under management in Japan totaled ¥73.9 billion, followed by the U.S. with ¥43.9 billion, South Korea with ¥26.7 billion, and China with ¥22.3 billion, as approximately 60% was invested overseas, particularly in Asia, which is a special unseen advantage that is not found at other Japanese venture capital companies. This is based on a global investment structure, with collaborations with about 20 prominent local partners, established to facilitate the early discovery of promising overseas investee companies.

## Value Enhancement of Investee Companies Supported by the Entire Group

SBI Investment has established an effective support system for investee companies, whereupon after an investment it takes a full hands-on approach to help develop that company, through proposals of strategies appropriate to their business stage, helping build internal controls and by dispatching executives as directors.

When an investee company reaches the IPO stage, SBI Investment leverages SBI SECURITIES and SBI MONEY PLAZA with their overwhelming customer base, and for overseas expansion it will call upon the Group's overseas offices and network of prominent local partners, to proactively assist in the

value enhancement of the investee company, through to its public offering stage. Within the FinTech field, the SBI FinTech Consortium was established for collaboration purposes between the Group companies and the FinTech investee companies, as well as to implement an active matching between the investee companies and the fund's investors, who are financial institutions and operating companies, in order to enhance the value of the investee FinTech companies.

Although it is a latecomer to the business, through such a proprietary system, SBI Investment commands a significant presence. In FY2015, the number of IPOs or M&A deals involving investee companies of the SBI Group totaled 16, with 5 in Japan and 11 in South Korea and Taiwan. For FY2016, the total number of IPOs and M&A deals is expected to total 24.

### Results of IPO and M&A Deals on Investee Companies in FY2015

Number of companies	Date	Company	IPO / M&A	Business	Head office
Japan: 5 companies Overseas: 11 companies	April 2015	SanBio Co., Ltd.	IPO (TSE Mothers)	Research, development, manufacture and sales of regenerative cell pharmaceuticals	Japan
	April 2015	CRE, Inc.	IPO (TSE 2nd Section)	Comprehensive services for commercial real estate, focusing on logistics facilities (real estate leasing, management, brokerage, development, effective utilization, construction, asset management)	Japan
	May 2015	GenoFocus, Inc.	IPO (KOSDAQ)	Development of industrial enzymes	Korea
	June 2015	Corestem, Inc.	IPO (KOSDAQ)	Research and development of stem cell therapies	Korea
	June 2015	Biocore Co., Inc.	IPO (KONEX)	CRO (analysis, vitality, clinical) services, dielectric analysis, and development of dielectric analysis products	Korea
	June 2015	U-Tech Co., Ltd.	IPO (KOSDAQ)	Mobile device light guide plates and mold frames for BLU (Black Light Unit)	Korea
	July 2015	Natural FNP, Inc.	IPO (KONEX)	Wholesale distribution of processed foods	Korea
	July 2015	Plumbline Life Sciences, Inc.	IPO (KONEX)	Manufacture of veterinary drugs	Korea
	August 2015	Fine-tech Co., Ltd.	IPO (KOSDAQ)	BLU (Back Light Unit), TSP (Touch Screen Panel), and LCD modules for mobile phones	Korea
	September 2015	Boditechmed, Inc.	IPO (KOSDAQ)	In vitro diagnostic systems	Korea
	September 2015	Brangista Inc.	IPO (TSE Mothers)	Electronic magazines business and solutions for e-commerce operators	Japan
	November 2015	MG MED, Inc.	IPO (KOSDAQ)	Molecular diagnostic services using gene chips and manufacture of diagnostic reagents	Korea
	December 2015	Vision Inc.	IPO (TSE Mothers)	Sale of office equipment and communications equipment, and overseas WiFi router rental service	Japan
	December 2015	Egis Technology Inc.	IPO (TPEX)	Development and manufacture of fingerprint authentication security products	Taiwan
	December 2015	SOCIALWIRE CO., LTD.	IPO (TSE Mothers)	Press release distribution business and rental office business	Japan
	February 2016	Qurient Co., Ltd.	IPO (KOSDAQ)	Pharmaceutical research and development	Korea

## Asset Management Services Business

### Enhancement of the Asset Management-related Services to Strengthen Earning Capacity

As part of an internal restructuring to enhance the entire Group's asset management structure, the asset management services business was formed within the Asset Management Business in November 2015, with SBI GLOBAL ASSET MANAGEMENT as an intermediate holding company.

Toward the enhancement of the asset management-related services, SBI Bond Investment Management was established as a joint venture with PIMCO of the U.S., one of the largest bond management companies, in December 2015. The joint venture commenced operations in April 2016, as it started the discretionary management of SBI Life Insurance's portfolio. Furthermore, in June 2016 the joint venture initiated the operation of a publicly offered investment trust, SBI-PIMCO Japan Better Income Fund (short name: Beta-In). Beta-In is a low-risk, low-cost actively managed bond fund developed by the synergy between PIMCO's high-level capability in actively managed bond funds and the SBI Group's Internet financial expertise, and by controlling foreign exchange risk, the fund invests in foreign-currency-denominated bonds issued by Japanese corporations with high creditworthiness.

In May 2016, the SBI Group reached a basic agreement on establishing a joint venture with SYZ Asset Management of Switzerland, a company with strengths in global asset allocation. Through this joint venture, the Group's asset management companies will have access to asset allocation advisory services that are necessary to develop investment products through optimal risk diversification, and products that will be developed for individual and institutional investors in Japan will be distributed through sales companies, such as SBI SECURITIES.

In addition, amidst the mounting uncertainty regarding the world economies, the demand for gold is rising as an asset without credit risk. The SBI Group has teamed up with Gold Bullion International of the U.S., which deals in real-time trading of gold, to conclude a memorandum of understanding on forming a joint venture offering a platform for real-time 24-hour spot physical gold trading for individual and institutional investors in Japan. This action expands the Group's asset management offering beyond that of simply stocks and bonds.

Morningstar Japan, which was transferred from the Financial Services Business to the Asset Management Business in FY2015, achieved significantly higher revenue and profits, including record highs in operating income, ordinary income and net income.

## SBI SAVINGS BANK

### Acquisition of New Loans is Steadily Increasing, and the Quality of Loans Held Continues to Improve

SBI SAVINGS BANK of South Korea, which became a consolidated subsidiary in FY2012, is expanding its savings bank business with individuals, self-proprietors, and small- to medium-size enterprises as its main customers. In October 2014, SBI SAVINGS BANK merged with three banks of its affiliate companies to become the largest savings bank in South Korea by assets today.

Shortly after becoming a subsidiary, the bank was impacted by non-performing loans acquired before its consolidation, however it has completed a revitalization process, and its earn-

ing capacity is now steadily improving. SBI SAVINGS BANK's performing loans are steadily increasing, particularly in the retail area, while retail credit acquisition has been growing in value at a rate of 10–20% per quarter, and with the Retail Mobile Credit Loan Product "Cyder" being introduced in January 2016, it has made a large contribution to the acquisition of new credit.

Furthermore, the soundness of the bank's credit-holdings has been on an improving trend. The delinquency rates as of March 31, 2016, was 16.2% overall, and for retail credit it improved to 8.5%. The bank's goal is to bring the overall rate under 10% by the end of 2016, and by clearing away non-performing loans during the current fiscal year ending in December 2016, the bank intends to achieve profits of 60 to 70 billion Korean won in the following fiscal year.