

# FINANCIAL SERVICES BUSINESS



Increasing Profitability by Leveraging New Technologies and Expanding the Existing Customer Base by Creating Synergies with Digital Asset-related Business

## Principal Companies

Intermediate Holding Company: SBI FINANCIAL SERVICES

SBI SECURITIES  
 SBI Liquidity Market (SBI LM)  
 SBI FXTRADE (SBI FXT)  
 SBI MONEY PLAZA  
 SBI Benefit Systems  
 SBI BITS  
 SBI Japannext  
 SBI Sumishin Net Bank  
 SBI Insurance Group (Insurance holding company)  
 SBI Insurance  
 SBI Life Insurance  
 SBI Resta SSI  
 SBI IKIIKI SSI  
 Nihon SSI  
 SBI FinTech Solutions  
 SBI Remit  
 SBI Social Lending  
 SBI Business Solutions  
 SBI Ripple Asia

## Full-year Profit before Income Tax Expense of the Major Businesses of the Financial Services Business (based on IFRSs)

	(Millions of yen)	
	FY2016	FY2017
Simple sum of SBI SECURITIES, FX business (SBI LM, SBI FXT) and SBI MONEY PLAZA	40,752	54,125
SBI Sumishin Net Bank*	3,185	3,770
Simple sum of SBI Insurance Group and its affiliated companies	1,881	2,263

\* Share of the profit results of associates accounted for using the equity method. Owing to the difference in IFRSs and JGAAP for asset assessment criteria, the profit amount is different from that based on JGAAP

## Principal Initiatives in FY2017 and Future Priority Measures

### Securities-related Business

- Strengthened collaboration with regional financial institutions through the Financial Institutional Sales Dept., and expanded the underwriting business for newly issued municipal bonds and public bonds
- Established an Investment Banking Dept., and started to offer various M&A services in addition to financing and business consulting
- As a step toward further expansion of our iDeCo business, waived all iDeCo asset management fees as of May 2017
- Through the steady expansion of the customer base by the acquisition of new NISA customers, the monthly total periodic investment trust settlement amount exceeded ¥10 billion in February 2018

### Banking-related Business

- Through proactive release of APIs to expand collaboration of services with FinTech startups of the SBI Group's investee companies and others, started offering automatic savings service and asset management services using daily change that targets younger customers.
- In the housing loan business, steadily expanded transaction amount through sales channel expansion
- Started a membership campaign for the new "MIRAINO CARD" credit card
- Promoting business process efficiency through introduction of robotic process automation (RPA)

### Insurance-related Business

- "SBI Insurance's Fire Insurance" contributed to the growth in the number of insurance policies, through the pursuit of Group synergies, along with the promotion of housing loans to regional financial institutions
- Started sales of group credit life insurance products at SBI Life Insurance, which has also been adopted by regional financial institutions
- Expanded the product offering in the small-amount, short-term insurance business, with offerings such as pet insurance to steadily grow the scale of business

## Envisaging Greater Revenue Opportunities by Introducing Leading-edge Technology

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The SBI Group is working to expand financial services that utilize leading edge technologies, through collaborations with its investee companies.

SBI SECURITIES offers “WealthNavi for SBI SECURITIES,” a customized robo-advisor service provided by WealthNavi, and has steadily expanded the scale of this service. In blockchain, working with IBM Japan, SBI SECURITIES is verifying the feasibility of using blockchain in financial market infrastructure, such as for processing bonds, etc. In AI, together with NEC Corporation, the company has started a proof of concept (PoC) testing for applying AI to trade review operations for stocks, and have also started know-your customer (KYC) operations using optical character recognition (OCR) equipped with AI from Double Standard.

SBI Sumishin Net Bank has introduced AI in the screening of housing loans. In customer service, it is making a trial introduction of a hybrid chat service that switches seamlessly between a staffed customer-facing service and an AI-driven one. Also, working jointly with Hitachi, the bank is considering the creation of an AI-based screening service for financial institutions. SBI Sumishin Net Bank has also become the first bank in Japan to publicly release its APIs (application programming interfaces), and through proactive API collaborations with investee companies and others, is offering a series of asset management services that target younger customers.

In the insurance business, SBI Insurance has set up a Safety Support Car Discount/ASV Discount that assesses the reduced risk of advanced safety vehicles (ASVs), which is the first direct insurance service of its kind. SBI Insurance is also starting to accept simple cost estimates based only on an image of the automobile using the LINE messaging app, an Automobile Insurance Image Policy, which is an industry first. The company is also engaged in the development of personalized insurance that calculates insurance fees to reflect the policyholder’s risks and characteristics, by utilizing technologies of the IoT area, such as telematics, or these related to autonomous driving. At SBI Life Insurance, through an alliance with FINC, a technology venture specializing in mobile health, it has started providing a health management app for all policyholders as an incentive for joining its insurance, and to promote preventive health care for subscribers. In collaboration with startup companies and other enterprises, SBI Life Insurance is also developing a new insurance product that sets premiums in accordance with the policyholder’s health. Also, in collaboration with Kindai University, the company is engaged in combining cancer genome analysis with AI, an industry first in Japan.

In these ways, the SBI Group is applying advanced technology for the continual development and offering of products and services that are highly useful to customers, in order to raise the profitability of each business.

## Driving the Financial Sector by Launching Cross-industry Consortia

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This initiative not only capitalizes on the leading-edge technologies of the SBI Group, but also utilizes such technologies across industry sectors. SBI Ripple Asia, a joint venture with Ripple of the U.S. for the development of a next-generation remittance platform, organized “The Japan Bank Consortium.” The consortium completed a trial of the RC Cloud 2.0 remittance platform that uniformly handles domestic and foreign currency exchange, and in March 2018 developed Money Tap, a money transfer app for smartphones via connection to RC Cloud 2.0. This money transfer service has already entered operating trials, and will be offered by SBI Sumishin Net Bank, Resona Bank and SURUGA bank, with commercialization slated for after the summer of 2018.

In addition to The Japan Bank Consortium, in 2018, the SBI Group has established two other consortia which engage in the application of leading-edge technology, such as AI and distributed ledger technology, throughout the financial sector. One is the Card Consortium, which addresses credit card applications for the issuance of cryptocurrency and the tracking of loyalty points, as measures for the sharing and/or prevention of KYC and anti-money laundering (AML) challenges. The second is the Securities Consortium, which addresses the standardization of KYC and AML measures. By being engaged in cross-industry initiatives in this way, the SBI Group is contributing to the improvement of customer benefits and streamlining operational efficiencies for the entire financial sector.

## Expanding the Customer Base of the Various Financial Services Companies, through the Pursuit of Synergies with the Digital Asset-related Business

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SBI Virtual Currencies, which started a cryptocurrency spot trading service in June 2018, is thoroughly pursuing synergies both within and outside of the Group, to work toward achieving profitability in a relatively short period of time upon the start of full-scale services.

Of customers engaged in cryptocurrency transactions, 85% are in their 20’s to 40’s\*. This is a relatively younger generation than the customer distribution of the SBI Group, so we believe that the customer base of the Financial Services Business can be greatly expanded by thoroughly pursuing synergies with the digital asset-related business. By doing so, the various financial services companies are likely to experience a new customer flow centered primarily on the younger generation customers.

\*According to a survey of the Japan Cryptocurrency Business Association (As of March 2018)