

ASSET MANAGEMENT BUSINESS



In Addition to Expanding Investments Abroad and in Leading-edge Technologies, Strengthening Support for Regional Financial Institutions in Japan

Principal Companies

Intermediate Holding Company: SBI Capital Management

SBI Investment	SBI Ventures Malaysia
SBI FinTech Incubation	SBI SAVINGS BANK
SBI VEN CAPITAL	SBI Investment KOREA
SBI Hong Kong Holdings	SBI Royal Securities
SBI (China)	SBI Thai Online Securities
SBI & TH (Beijing) Venture Capital Management	SBI Bank
	BNI SEKURITAS

Intermediate Holding Company: SBI GLOBAL ASSET MANAGEMENT

Morningstar Japan	SBI ENERGY
SBI Asset Management	SBI Gold
SBI Bond Investment Management	SBI Estate Finance
SBI Regional Revitalization Asset Management	

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

Private Equity Investment

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

	FY2016	FY2017
Revenue	10.7	47.2
Profit before income tax expense	4.1	40.9

Overseas Financial Services Business

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

	FY2016	FY2017
Revenue	52.2	63.1
Profit before income tax expense	6.1	13.4

Asset Management Services Business

Morningstar Japan and other companies (Billions of yen)

	FY2016	FY2017
Revenue	4.3	7.3
Profit before income tax expense	1.4	2.2

Principal Initiatives in FY2017 and Future Priority Measures

Venture Capital Business

- Contributed to earnings growth from investments focused on FinTech and overseas opportunities
- Earned top-class world ranking in blockchain investments (per CB Insights survey)
- Established SBI AI&Blockchain Fund as the successor core fund to the FinTech Fund
- Following the previous fiscal year, continued to focus on establishing CVC Funds, and have jointly raised seven funds to date, including newly formed funds with MITSUI MINING & SMELTING, HOUSE FOODS GROUP and Subaru Corporation

Overseas Financial Services Businesses

- SBI SAVINGS BANK of South Korea achieved record profits
- SBI Bank in Russia is developing a full array of financial services, including those incorporating FinTech

Asset Management Services Business

- Morningstar Japan released "My Cryptocurrencies," a mobile-optimized cryptocurrency information app
- SBI Asset Management won a grand prize in the General Division at the R&I Fund Awards 2018
- Established the SBI Regional Bank Value Creation Fund, to invest in regional financial institutions with favorable prospects for raising corporate value
- Through joint funding with regional financial institutions, established SBI Regional Revitalization Asset Management, an asset management company

Creating Value by Supporting Regional Financial Institutions

The SBI Group supports the creation of a virtuous cycle that contributes to regional revitalization, through strengthened alliances with regional financial institutions.

In January 2018, the SBI Group established the SBI Regional Bank Value Creation Fund, to invest in regional financial institutions with favorable prospects for raising corporate value. This Fund is a privately placed investment trust offered to qualified institutional investors, and allows investors to make in-kind contributions of shares in targeted regional banks, in addition to cash investments. For both cash investments and in-kind contribution of shares, the Fund can accept supplemental purchase requests each month, and is projected to expand in size up to ¥100 billion. The Fund supports the raising of corporate value at portfolio companies that are regional financial institutions, through the adoption and support of FinTech by companies such as SBI FinTech Incubation, which was established as a joint venture with IBM Japan. Utilization of this fund may lead to the elimination of cross-shareholdings by regional financial institutions, and thereby assist in the strengthening of governance and effective use of capital by these institutions.

Furthermore, SBI Regional Revitalization Asset Management, an asset management company funded through a joint investment with regional financial institutions, which utilizes the SBI Group's management resources, was founded in March 2018. As of June 30, 2018, 16 banks are already participating in this venture. The new company will be contributing to the improvement of asset management capabilities at the regional financial institutions. The company will support the participating regional financial institutions from the dual viewpoints of asset management of those entrusted by customers, as well as the management of their own assets, and will also support the development of the human resources responsible for asset management operations at each bank.

Focus on Expanding Group Assets Under Management

The SBI Group's asset management company, SBI Asset Management's assets under management grew significantly during the year, with net flows into its investment trusts during FY2017 growing by 14.7 times the previous year's value, a result that greatly exceeds the 3.2 growth multiple for all Japanese providers of investment trusts. In the case of SBI Bond Investment Management, a joint venture with PIMCO of the U.S., one of the world's foremost fixed income asset managers, its assets have also grown steadily.

Additionally, private equity was also very active, with the establishment of several new funds. During FY2017, SBI AI&-Blockchain Fund was established, which is a venture capital fund that will primarily be involved in AI and blockchain investments. Also, three corporate venture capital (CVC) funds were newly established so far, including those with MITSUI MINING & SMELTING, HOUSE FOODS GROUP and Subaru Corporation. These three new funds bring the total to seven CVC funds to date, capitalized at a total of ¥50 billion.

Through initiatives such as these, in investment trusts and private equity, the Group has rapidly expanded its assets under management, to a total of ¥846.8 billion, where the end-of-the-year balance is 1.7 times that of the corresponding figure of FY2016. Looking ahead, we plan to increase our assets under management to a new level, through activities such as M&As and the formation of joint ventures.

Expanding the Overseas Financial Services Business that are Advancing toward Profitability

As shown by the example of the SBI SAVINGS BANK of South Korea, a major building block in the Group's earnings source, there are excellent growth opportunities in the overseas financial services business. In August 2017, the Group converted SBI Bank (former YAR Bank), a commercial bank in Russia, to a wholly owned subsidiary. Through alliances with FinTech startup companies in which the SBI Group has invested, this move will allow the bank to offer innovative products and services that are highly beneficial to customers. In its corporate business, we have formed a business alliance with the Far East Investment and Export Agency, under the Ministry for Development of the Russian Far East, and HOKKAIDO CORPORATION for the benefit of small- and mid-size Japanese companies, who are considering entering the Russian market. In addition to offering business development expertise, this alliance is building a coherent set of services that can be offered together with financial services, including loans, deposits, foreign exchange and payments.

In Southeast Asia, with its promising future of high economic growth, we have opened a representative office in Jakarta, Indonesia, and are also preparing to set up a base in the Philippines. In this region, we are investing in startup companies in both e-commerce and the FinTech field, and plan to build upon the dramatic growth that we expect from the synergies created between the two types of companies. Meanwhile, we plan to expand business operations by linking up with local affiliates that we have established in Singapore and Malaysia. The SBI Group aspires to transition "from Japan's SBI to the World's SBI," and plans to bolster the overseas financial services business even more in the future.

Number of SBI Group's Investments and Exits

