



*Strategic  
Business  
Innovator*

# **SBI Holdings, Inc.**

## **Financial Results**

**for the Three-month Period Ended June 30, 2017  
(Fiscal Year Ending March 31, 2018)**

**July 27, 2017**

**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**

- 1. Summary of 1Q FY2017  
consolidated financial results**
- 2. Overview of each segment and  
presently focused initiatives**
- 3. Medium- and long-term initiatives  
for sustainable growth**

# 1. Summary of 1Q FY2017 consolidated financial results



- 1Q FY2017 period revenue increased 7.7% year-on-year to JPY 68,917m, profit before income tax expense increased by 45.6% year-on-year to be JPY 14,750m and profit attributable to owners of the Company was JPY 12,006 m, up 55.5% year-on-year, which achieved increase in both revenue and profit
- In the Financial Services Business, which has established a stable revenue base, owing primarily to the favorable growth in the securities business' financial results, revenue increased 2.0% and profit before income tax expense increased 7.5% year-on-year, respectively
- In the Asset Management Business, SBI SAVINGS BANK of South Korea, which achieved strong financial results and supported the entire segment's results, lead to a 75.2% year-on-year increase in profit before income tax expense
- In the Biotechnology-related Business, R&D expenses increased due to the steady progress in multiple clinical trials at Quark, including two Phase III pipeline drugs. On the other hand, owing to the brisk sales of 5-ALA-related products at SBI ALApromo, which is endeavoring to achieve profitability in FY2017, losses decreased
- The proportion that SBI SECURITIES accounts for in the consolidated profit before income tax expense of the Financial Services Business has declined, manifesting SBI's transition from a "comprehensive financial group strong in securities" to a "balanced comprehensive financial group."

# 1Q FY2017 Consolidated Performance (IFRS)

[Year-on-year]

(Unit: JPY million)

	<b>1Q FY2016</b> (Apr. 2016 - June 2016)	<b>1Q FY2017</b> (Apr. 2017 - June 2017)	<b>YoY % change</b>
<b>Revenue</b>	<b>63,966</b>	<b>68,917</b>	<b>+7.7</b>
<b>Profit before income tax expense</b>	<b>10,134</b>	<b>14,750</b>	<b>+45.6</b>
<b>Profit for the period</b>	<b>5,135</b>	<b>10,312</b>	<b>+100.8</b>
<b>Profit attributable to owners of the Company</b>	<b>7,722</b>	<b>12,006</b>	<b>+55.5</b>

# 1Q FY2017 Revenue by Segment (IFRS)

[Year-on-year]

(Unit: JPY million)

	<b>1Q FY2016</b> (Apr. 2016 - June 2016)	<b>1Q FY2017</b> (Apr. 2017 - June 2017)	<b>YoY % change</b>
<b>Financial Services Business</b>	<b>42,027</b>	<b>50,423</b>	<b>+20.0</b>
<b>Asset Management Business</b>	<b>22,026</b>	<b>18,406</b>	<b>-16.4</b>
<b>Biotechnology- related Business</b>	<b>308</b>	<b>652</b>	<b>+111.5</b>

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

# 1Q FY2017 Profit before Income Tax Expense by Segment (IFRS)



[Year-on-year]

(Unit: JPY million)

	<b>1Q FY2016</b> (Apr. 2016 - June 2016)	<b>1Q FY2017</b> (Apr. 2017 - June 2017)	<b>YoY change</b> (% change / amount)
<b>Financial Services Business</b>	<b>13,249</b>	<b>14,238</b>	<b>+7.5</b>
<b>Asset Management Business</b>	<b>3,152</b>	<b>5,520</b>	<b>+75.2</b>
<b>Biotechnology-related Business</b>	<b>-3,530</b>	<b>-2,841</b>	<b>+689</b>

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

# SBI is Transitioning from a “Comprehensive Financial Group Strong in Securities,” to a “Balanced Comprehensive Financial Group”



Change in SBI SECURITIES' ordinary income (J-GAAP) and the proportion in the Financial Services Business' profit before income tax expense (Unit: JPY million)

FY2006		FY2013		FY2016		1Q FY2017
24,571 (90.5%)	➡	32,743 (87.8%)	➡	37,973 (77.7%)	➡	10,665 (74.9%)

- ✓ In FY2015, SBI Insurance achieved full-year profitability
- ✓ In FY2016, with the exception of subsidiaries that have been established within the past two years, all of the companies have achieved profitability

**Also, owing to the diversification of earnings sources at SBI SECURITIES, the adverse financial results has certainly been suppressed**

## Transitioning to a “balanced comprehensive financial group”

\* While the proportion for FY2006 reflects the figure of SBI SECURITIES' ordinary income (J-GAAP) against the operating income (J-GAAP) of the current Financial Services Business, following the change in segment, figures for FY2013, FY2016 and 1Q FY2017 represent that of SBI SECURITIES' ordinary income (J-GAAP) against the Financial Services Business' profit before income tax expense (IFRS)



## **2. Overview of each segment and presently focused initiatives**

## **(1) Financial Services Business**

- ① Securities-related business**
- ② Banking-related business**
- ③ Insurance-related business**

## **① Securities-related business**

- i. SBI SECURITIES' performance overview of the 1Q FY2017**
- ii. Highlights of the securities-related business**

## **i. SBI SECURITIES' performance overview of the 1Q FY2017**

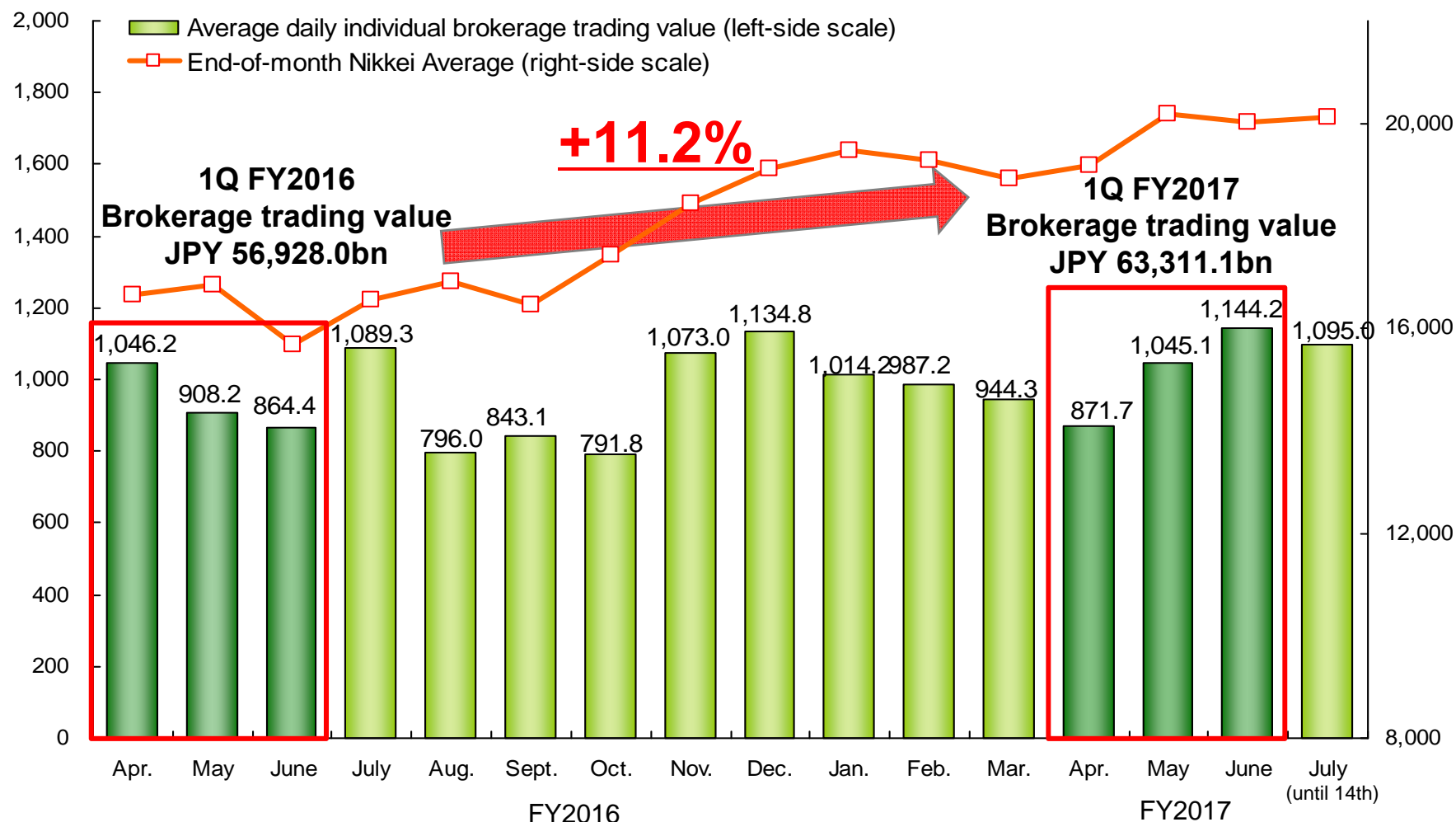
- In addition to the increase in stock brokerage commissions, owing to the firm market environment as compared to the corresponding period of the previous year, profit from other than flow-type business expanded, which led to the achievement of an increase in both revenue and profit
- 1Q FY2017 operating revenue of JPY 25.4bn was an historical high on a quarterly basis, along with net operating revenue, operating income and ordinary income achieving record highs as well

# Trend of the Average Daily Individual Brokerage Trading Value

Average daily individual brokerage trading value (2 Market total \*)

(JPY billion)

(JPY)



\* Japanese stocks listed on Tokyo Stock Exchange and Nagoya Stock Exchange  
(Including TSE Mothers, JASDAQ and NSE Centrex)

Source: Compiled by SBIH from disclosed data from TSE

# SBI SECURITIES 1Q FY2017

## Consolidated Results (J-GAAP)

**-Operating revenue, net operating revenue, operating income and ordinary income recorded historical high on a quarterly basis-**

**[Year-on-year]**

(Unit: JPY million)

	1Q FY2016 (Apr. 2016 – June 2016)	1Q FY2017 (Apr. 2017 – June 2017)	YoY % change
Operating Revenue	<b>22,320</b>	<b>25,358</b>	<b>+13.6</b>
Net Operating Revenue	<b>20,903</b>	<b>23,327</b>	<b>+11.6</b>
Operating Income	<b>10,225</b>	<b>10,631</b>	<b>+4.0</b>
Ordinary Income	<b>10,270</b>	<b>10,665</b>	<b>+3.8</b>
Profit attributable to owners of the Company	<b>8,660 *</b>	<b>7,606</b>	<b>-12.2</b>

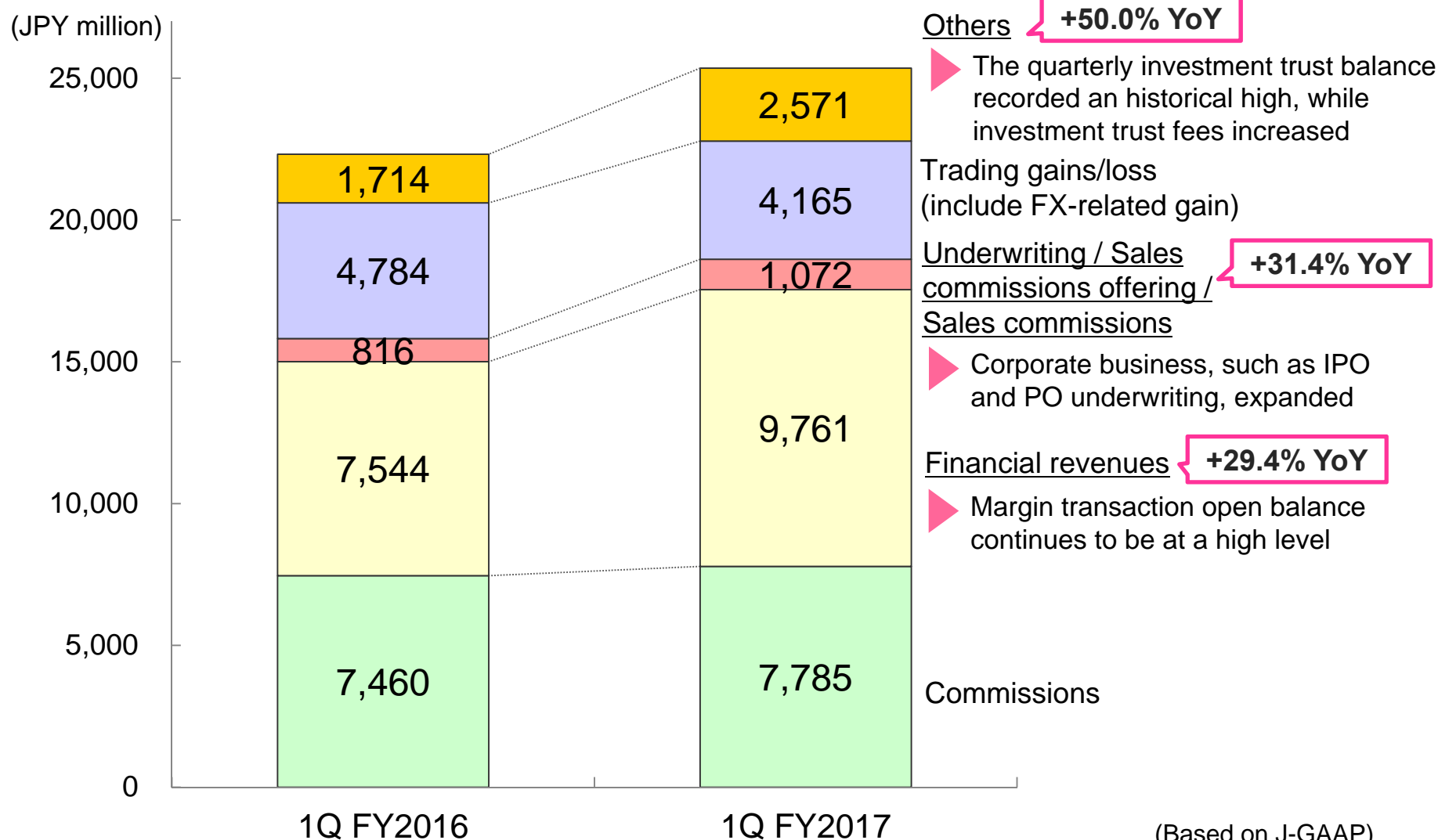
\* Recorded "Reversal of reserve for financial products transaction liabilities" of JPY 2,088m as extraordinary income in 1Q FY2016

①-i. Securities-related business:

# SBI SECURITIES' Operating Revenue Structure



Owing to the diversification of its earnings sources, not only stock brokerage commissions, but businesses other than stock brokerage commissions, such as the financial revenues and investment trust fee businesses expanded



## Comparison of Major Securities Companies' Operating Income (J-GAAP; YoY)

[Year-on-year]

(Unit: JPY million)

		1Q FY2016 (Apr. 2016 – June 2016)	1Q FY2017 (Apr. 2017 – June 2017)	YoY % change
Online securities	SBI (cons.)	10,225	10,631	+4.0
	Monex *1 (cons.)	516	1,020	+97.5
	Rakuten (cons.)	5,155	4,522	-12.3
	Matsui	4,028	3,964	-1.6
	kabu.com	2,002	1,189	-40.6
Face-to-face	Nomura *2 (cons.)	62,765	77,443	+23.4
	Daiwa (cons.)	28,019	21,422	-23.5
	SMBC Nikko (cons.)	14,870	19,811	+33.2

\*1 Since Monex adopts IFRS, the relevant figures above are based on IFRS. The amount of “Operating Income” is “The amount equivalent to operating income” disclosed by Monex.

\*2 Figures for Nomura are based on US-GAAP, presenting the “profit before income tax expense” for convenience



①-i. Securities-related business:

# Positioning of SBI SECURITIES in the Securities Industry

(Net income; J-GAAP)



FY2006			FY2016			1Q FY2017		
(JPY billion)			(JPY billion)			(JPY billion)		
1	Nomura (US-GAAP)	175.8	1	Nomura (US-GAAP)	239.6		Nomura (US-GAAP)	56.9
2	Daiwa	92.7	2	Mizuho	188.6		Daiwa	19.4
3	MUFJ	44.4	3	Daiwa	104.1		SMBC Nikko	14.5
4	Nikko Cordial	40.1	4	MUFJ	49.1		Tokai Tokyo *3	13.2
5	Mizuho	27.0	5	SMBC Nikko	46.9		MUFJ	9.8
6	Shinko	21.9	6	SBI	27.8		SBI	7.6
7	Matsui	13.4	7	Rakuten	12.0		Rakuten	3.2
8	SMBC Friend	12.9	8	Tokai Tokyo	12.0		Matsui	2.8
9	Mizuho Investors	12.2	9	Matsui	10.7		GMO CLICK	1.6
10	SBI E*TRADE	11.9	10	Okasan	10.5		kabu.com	1.4
11	Tokai Tokyo	10.7	11	GMO CLICK	6.2		Okasan	1.3
12	Monex	9.5	12	kabu.com	6.0		SMBC Friend	0.9
13	Rakuten	6.9	13	SMBC Friend	0.8		Monex (IFRS)	0.4
14	kabu.com	6.1	14	Monex (IFRS)	0.3		Mizuho	N/A
15	Okasan	4.7						
16	Ichiyoshi	3.8						

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

\*1 Abstracts the figures of securities companies with over JPY 20bn in net operating revenue and five online securities companies

\*2 On a consolidated basis, except as to the companies with no consolidated subsidiary

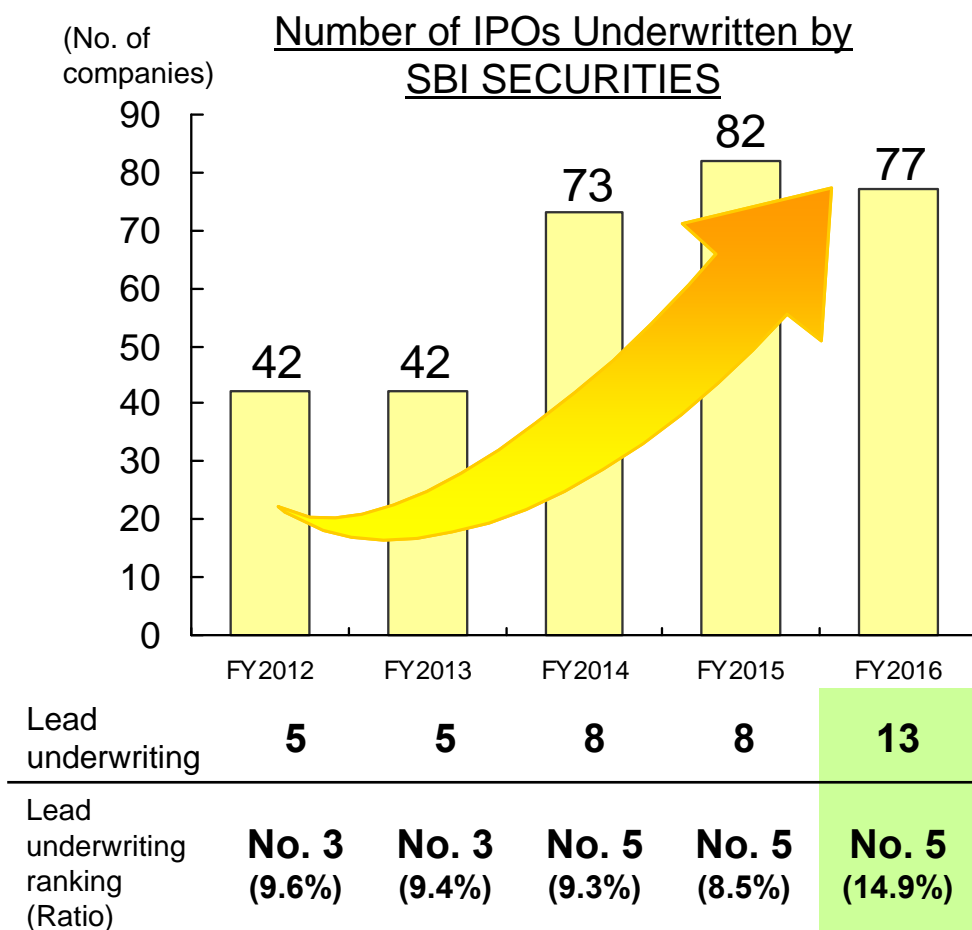
\*3 As for Tokai Tokyo, recorded JPY 11.160m of negative goodwill as extraordinary income

## **ii. Highlights of the securities-related business**

- a. In order to expand the corporate business, in addition to strengthening the underwriting business for equities and bonds, distributing various investment products to financial institutions through the Financial Institutional Sales Dept.**
- b. Strengthened the sales of NISA and iDeCo, which the government strongly supports as an initiator to promote the flow “from savings to asset formation”**
- c. Supporting the neophyte investors’ asset formation, through the proactive provision of robo-advisor services that utilizes new FinTech technologies**
- d. Endeavoring the realization of operational efficiencies, through the utilization of blockchain in the securities business**

①-ii-a. Expansion of the corporate business:

# Endeavoring to Expand the Corporate Business by Enhancing the IPO and PO Underwriting Businesses



\* The above figures do not include consignments, and is based on listing dates.  
 The figures exclude brokerage sales and REITs.  
 \* The number of IPOs does not include issues listed on TOKYOAIM.

## IPO Underwriting Ranking (Apr. 2017 - June 2017)

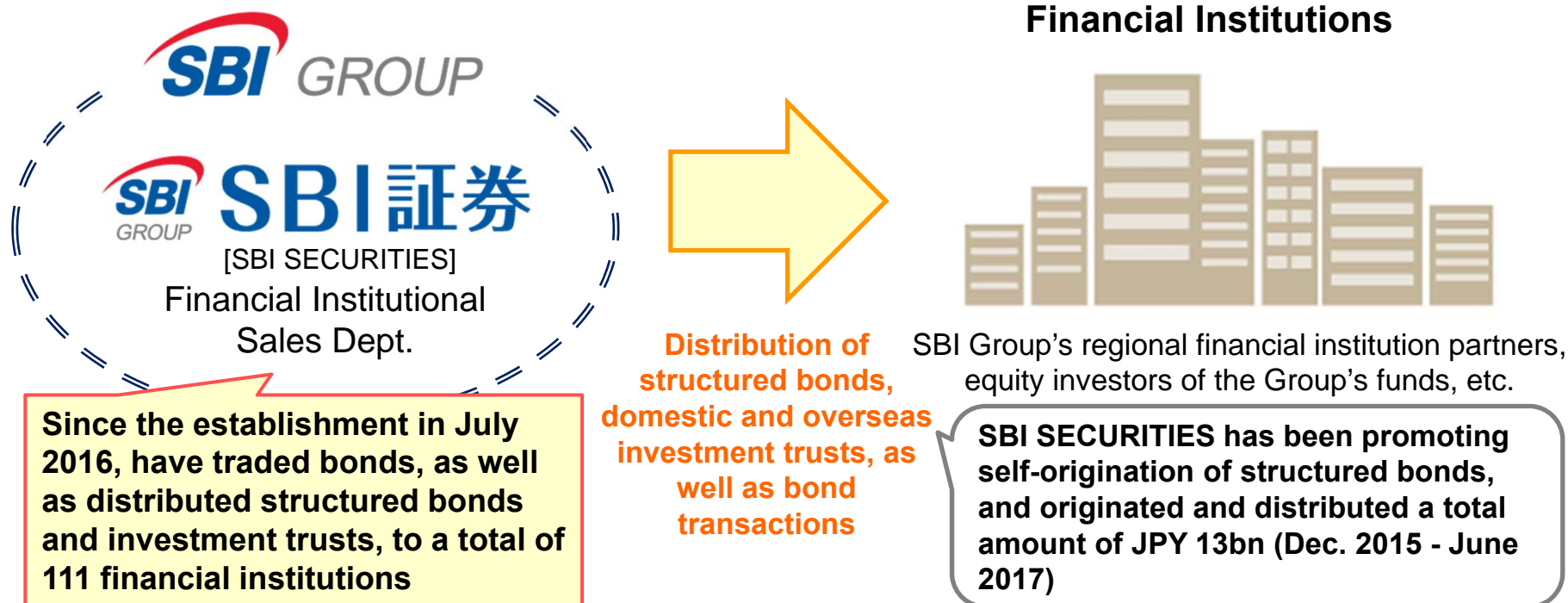
12 companies were listed during the period

Company name	No. of cases	Underwriting share (%)
SBI	11	91.7
SMBC Nikko	10	83.3
Mizuho	8	66.7
Iwai cosmo	6	50.0
Ace	6	50.0
Nomura	6	50.0
Okasan	5	41.7

\* 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.

Since the beginning of the present fiscal year, underwrote approx. JPY 18bn of newly issued bonds thus far

## SBI SECURITIES is Promoting the Distribution of Domestic and Overseas Bonds, as well as Investment Trusts to Around 50 Regional Financial Institutions



By thoroughly utilizing the Group's network, **strengthening the development of new corporate customers, including insurance companies and regional financial institutions**

①-ii-a. Expansion of the corporate business:



## SBI SECURITIES Provides Financial Instruments Intermediary Services to Regional Financial Institutions, in Order to Capture the Asset Formation Needs of Regional Customers



Financial instruments  
intermediary services

**Regional financial  
institutions**

Supporting the asset formation process of each regional customer, through the provision of various financial products and services with high customer benefits, based on the “Customer-centric Principle”



Regional financial institutions’  
customers

[Specific examples]

- Started providing financial instruments intermediary services with The Shimizu Bank (Mar. 2017)  
SBI SECURITIES’ first alliance case with a regional bank for intermediary brokerage services
- Started providing financial instruments intermediary services with The Ehime Bank (July 2017)



Planning further alliances with over ten regional banks, with a continuous focus on the development of regional customers.

Going forward, considers to associate regional financial institutions with SBI MONEY PLAZA, in order to jointly establish premises

# At SBI Japannext, through Lifting of the Ban on Margin Trading of Stocks on the PTS, being under Consideration, Offering an Highly Beneficial Trading Market



- ◆ The only PTS operator that provides daytime and nighttime trading in the Japanese stock market
- ◆ The number of participating securities companies totaled 30 (as of June 30 2017)

- In preparations for the trading of Japanese government bonds on the proprietary trading system (PTS) PTS, having received an approval from the relevant authorities on Apr. 5, 2017, for the commencement of services planned by Sept. 2017
- Planning the start of operations in Sept. 2017, with major overseas market makers and major domestic securities companies (including foreign firms) that are considering participation

## Lifting of the Ban on Margin Trading of Stocks on the PTS

- ✓ On June 28, 2017, the Working Group on PTS Margin Trading of the Japan Securities Dealers Association published a report and announced that an outline agreement had been reached among the interested parties concerning the issues set out in a report of the Market Working Group of the Financial System Council.
- ✓ SBI Japannext will show leadership and continue its consideration with interested parties of issues other than those taken up in the report (securities lending transaction scheme, short-selling regulations, etc.).
- ✓ Major online securities companies have begun connection procedures to the PTS, in anticipation of the lifting of the ban on margin trading of stocks on the PTS



**With the lifting of the ban on margin trading, an increase in the trading volume for both institutional and individual investors is expected**

①-ii-b. Strengthening the sales of NISA and iDeCo, which are strategic products



## SBI SECURITIES has Succeeded in Acquiring New Customers for NISA, and Continues a Steady Increase

(June 2017)	SBI * <sub>1</sub>	kabu.com	Matsui * <sub>1</sub>	Nomura * <sub>1</sub>	Daiwa
No. of NISA accounts * <sub>2</sub>	<u>1,000,000</u>	140,000	120,000	1,610,000	790,000

\*<sub>1</sub> Includes the number of Junior NISA accounts \*<sub>2</sub> Amounts are rounded to the nearest JPY 10 thousand.

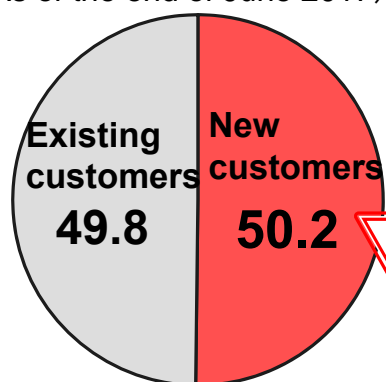
\*<sub>3</sub> The number of accounts are as of the end of June 2017, compiled by SBIH from the information on website of each company.

SBI SECURITIES' number of Junior NISA accounts reached 30 thousand accounts as of June 2017, accounting for approx. 30% of the ten major securities firms' Junior NISA accounts

### Comparison of NISA's Customer Attributes

#### SBI SECURITIES(%)

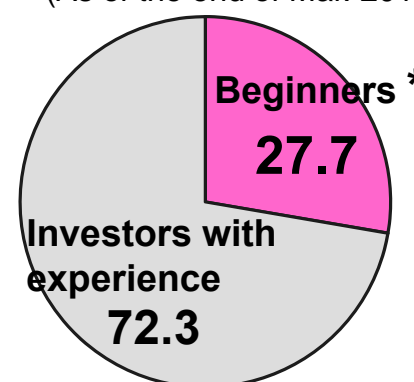
(As of the end of June 2017)



Number of new customers opening NISA accounts account for 50%, and within that 66.7% are beginner investors

#### Entire Securities Industry (%)

(As of the end of Mar. 2017)



\* "Beginners" represent investors who opened their accounts after Apr. 1, 2013

Source: JSDA

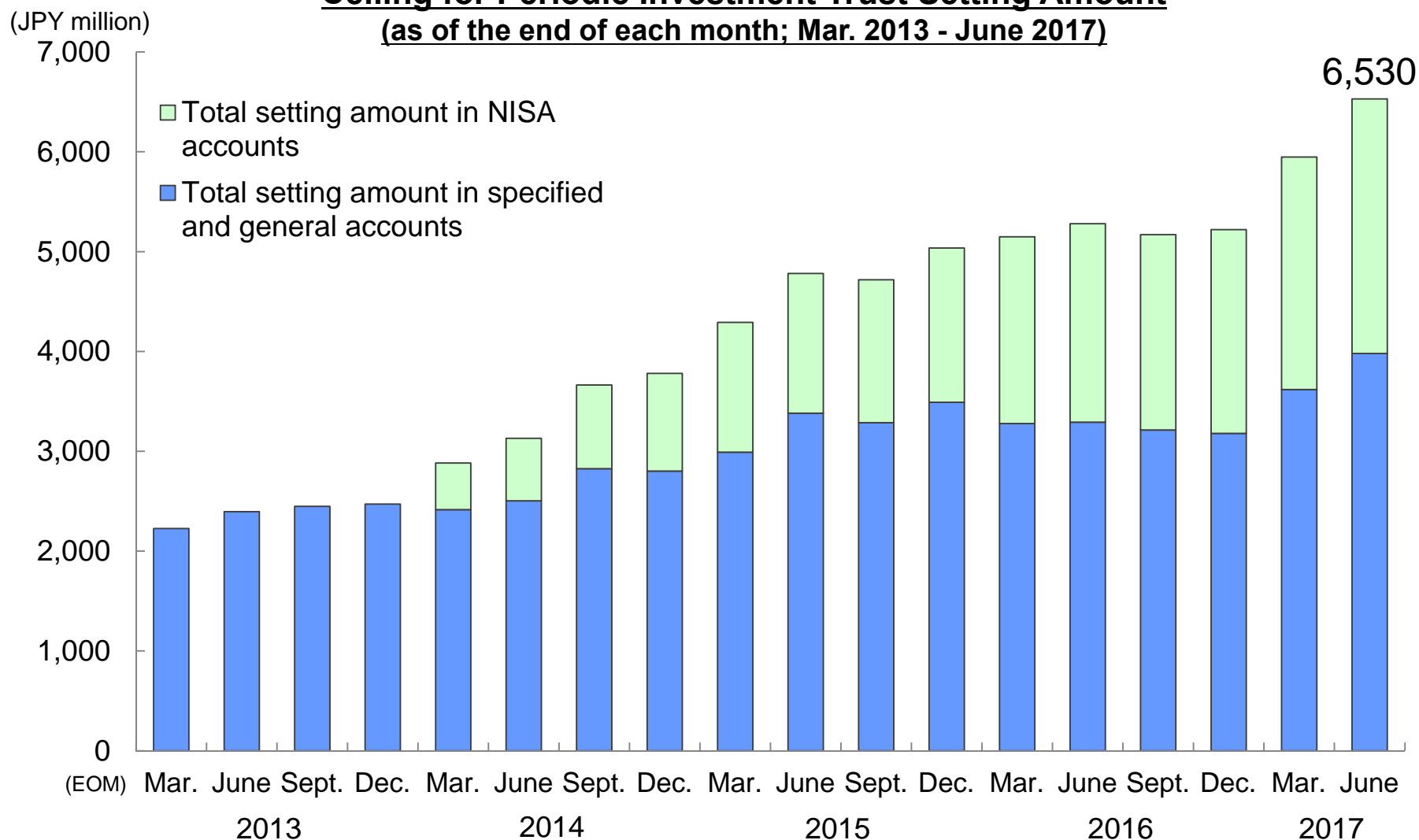
■ Active account ratio of 65.6% (Among the entire securities industry, the ratio is 61.0%)

①-ii-b. Strengthening the sales of NISA and iDeCo, which are strategic products



## SBI SECURITIES' Monthly Total Periodic Investment Trust Setting Amount Reached JPY 6.5bn in June 2017

**Ceiling for Periodic Investment Trust Setting Amount**  
(as of the end of each month; Mar. 2013 - June 2017)





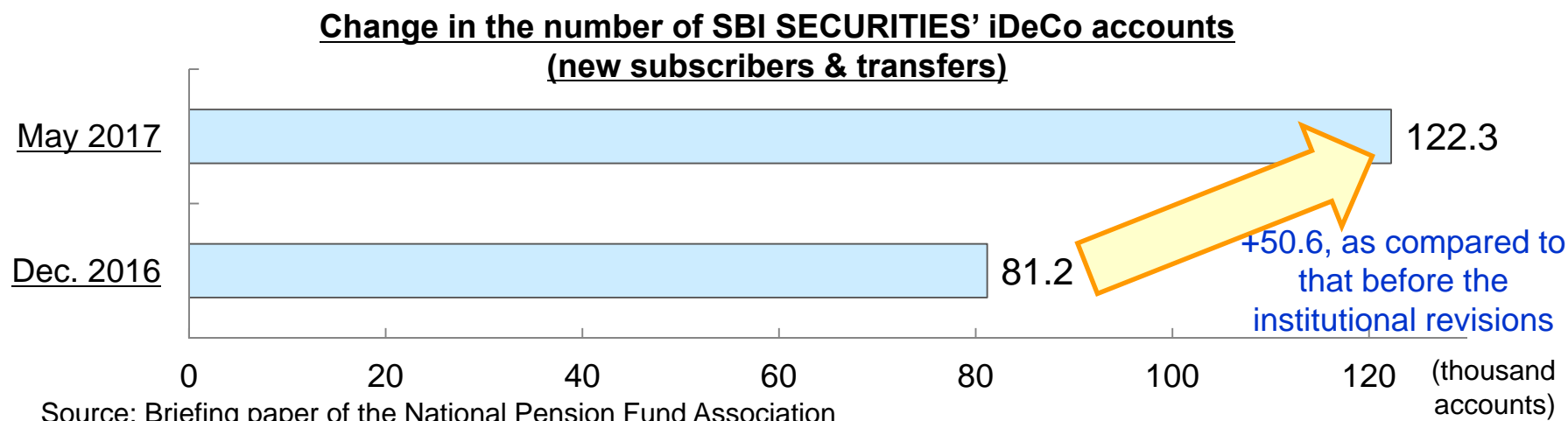
## Further Strengthening the Individual Defined Contribution (iDeCo) Pension Business

The SBI Group has been focused on the Individual Defined Contribution (iDeCo) pension business, well before the expectations for market size expansion as a result of institutional revisions as of Jan. 2017, through SBI Benefit Systems, which was established in 2001

- ◆ SBI SECURITIES' administrative fees are completely free of charge from May 19, 2017

In order to encourage more individual investors to continuously use iDeCo on a low cost basis, SBI SECURITIES waives account management fees, the enrollment fee and fund transfer fees, regardless of the pension assets balance, for all customers

The number of applications received one week after the waiver of the fees increased by 60%, as compared to the week before the fee waivers



## Expansion of Services to Promote Utilization of iDeCo

- **Providing “SBI-iDeCo Robo”** to support the selection of investment products for iDeCo plan

**Efforts to support neophyte investors to comfortably make important asset formation decisions for eventual retirement**

By answering simple questions such as age, investment experience and risk orientation, a recommended investment style is suggested

Selection of customer's interested financial product categories

Suggests 1-3 specific investment products



“SBI-iDeCo Robo” screenshot

- **Established “iDeCo online,” a site dedicated to individual defined contribution pension (iDeCo) for women** considering asset formation

- Posts articles that explain in an easy-to-understand manner, iDeCo's institutional content, and how to start and operate iDeCo
- Planning the posting of many useful articles for women regarding future asset formation



## In Collaboration with FinTech Venture Companies, Providing Robo-advisor Services, to Support the Neophyte Investors' Asset Formation Process

- Approx. 80% of SBI SECURITIES' new customer accounts are neophyte investors
- According to a questionnaire, the majority of SBI SECURITIES' customers answered that they would like to use robo-advisors

### ■ WEALTHNAVI (Venture investee company of the FinTech Fund)



WealthNavi for  
SBI SECURITIES

Partnering with WealthNavi, launched “WealthNavi for SBI SECURITIES,” a customized robo-advisors service on Jan. 31, 2017

- ✓ A leading-edge asset management service for investors who desire medium- and long-term stable asset growth that automates all asset management processes based on a highly objective and transparent financial algorithm
- ✓ The handling fee is low, levied at an annual rate of 1% of the account balance, and simple, with no other fees required

**Customer assets: JPY 10.8bn** (as of July 25, 2017)

**Approx. 19,000 applications received**

### ■ 〇お金のデザイン [MONEY DESIGN] (Venture investee company of the FinTech Fund)

Partnering with MONEY DESGN, provides “THEO+ SBI SECURITIES,” a customized robo-advisors service from July 26, 2017

①-ii-d. Striving to realize operational efficiency through the utilization of blockchain:



## To Promote Blockchain on a Full-scale Basis to the Securities Business, Advancing Demonstration Tests and In-house Developments



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

### [Challenges toward the practical use]

- Short-term: Technology immaturity, discovery of appropriate application for business
- Medium-term: Formulation of standardized specifications and industry-wide review of business operations
- Long-term: Review of regulations, establishment of governance of distributed systems

### [Anticipated effects]

- Business automation and efficiency improvement through distributed systems premised on integration of business operations
- Cost reduction from construction of a business model that eliminates intermediaries that exist in current business
- Inexpensive systems infrastructure realized through rejection of over-specification and acceptance of a new approach

Considering applying multiple technologies, including blockchain,  
by utilizing verification results, know-how, etc., gained from the  
abovementioned demonstration tests, in the financing process of  
venture companies

## **② Banking-related business**

- i. Performance overview of the 1Q FY2017**
- ii. Highlights of the Banking-related business**

## **i. Performance overview of the 1Q FY2017**



- **SBI Holdings' equity in earnings of SBI Sumishin Net Bank based on IFRS for 1Q FY2017 was JPY 864m**  
\* 1Q FY2017 financial results announcement is scheduled for July 28, 2017
- **Both deposits amount and balance of loans overwhelmingly surpassing its competitors**
- **In the ranking of deposit, SBI Sumishin Net Bank is 28th among 76 banks including regional banks and new entrant banks**

# Both Deposits Amount and Balance of Loans Overwhelmingly Surpassing its Competitors



## Pure-play Internet Banks' Financial Results of FY2016

Unit: JPY billion  
The number of accounts is in thousands.

	Date of operation started	Deposit amount	Balance of loans	Number of accounts	Ordinary income
<b>SBI Sumishin (cons.)</b>	<b>Sept. 2007</b>	 <b><u>4,006.1</u></b>	 <b><u>2,349.2</u></b>	<b><u>2,827</u></b>	<b><u>14.7</u></b>
<b>Daiwa Next</b>	<b>May 2011</b>	<b>3,193.7</b>	<b>558.9</b>	<b>1,213</b>	<b>3.6</b>
<b>Sony Bank (cons.)</b>	<b>June 2001</b>	<b>2,109.6</b>	<b>1,539.6</b>	<b>1,240</b>	<b>5.0</b>
<b>Rakuten (cons.)</b>	<b>July 2001</b>	<b>1,606.6</b>	<b>641.0</b>	<b>5,825</b>	<b>19.1</b>
<b>Jibun</b>	<b>July 2008</b>	<b>771.7</b>	<b>327.2</b>	<b>2,426</b>	<b>1.7</b>
<b>The Japan Net</b>	<b>Oct. 2000</b>	<b>684.7</b>	<b>62.0</b>	<b>3,492</b>	<b>2.9</b>

Note: Amounts are rounded to the nearest 100 million yen or thousand accounts. The number of accounts are as of the end of Mar. 2017.

# Ranking in Deposits (Regional Banks, New Entrant Banks and Pure-play Internet Banks)



**SBI Sumishin Net Bank is 28th among 76 banks including regional banks and new entrant banks**

(JPY billion)

Rank	Bank name	Listing	Deposits
1	Bank of Yokohama	* <sub>1</sub>	13,155.2
2	Chiba Bank	✓	11,565.8
3	Bank of Fukuoka	* <sub>1</sub>	9,641.4
4	Shizuoka Bank	✓	9,304.1
5	Joyo Bank	* <sub>1</sub>	8,240.4
6	Nishi-Nippon City Bank	* <sub>1</sub>	7,399.0
7	77 Bank	✓	7,364.3
8	Hiroshima Bank	✓	6,992.5
9	Bank of Kyoto	✓	6,657.8
10	Gunma Bank	✓	6,497.4
11	Hachijuni Bank	✓	6,402.0
12	Chugoku Bank	✓	6,201.9
13	Hokuriku Bank	* <sub>1</sub>	6,095.5
14	Shinsei Bank	✓	5,618.9
15	Juroku Bank	✓	5,352.5

Rank	Bank name	Listing	Deposits
16	Ashikaga Bank	* <sub>1</sub>	5,332.6
17	Toho Bank	✓	5,236.8
18	Iyo Bank	✓	5,006.9
19	Senshu Ikeda Bank	* <sub>1</sub>	4,848.3
20	Ogaki Kyoritsu Bank	✓	4,775.9
21	Yamaguchi Bank	* <sub>1</sub>	4,755.0
22	Nanto Bank	✓	4,747.7
23	Hyakugo Bank	✓	4,552.0
24	Shiga Bank	✓	4,519.8
25	Daishi Bank	✓	4,489.4
26	Hokkaido Bank	* <sub>1</sub>	4,479.7
27	Higo Bank	* <sub>1</sub>	4,281.0
28	SBI Sumishin Net Bank	n/a	4,188.0
29	Hyakujushi Bank	✓	4,020.8
30	Suruga Bank	✓	3,959.2

Rank	Bank name	Listing	Deposits
31	Musashino Bank	✓	3,951.8
32	San-in Godo Bank	✓	3,949.2
33	Kiyo Bank	✓	3,829.9
34	Kagoshima Bank	* <sub>1</sub>	3,630.3
35	Kinki Osaka Bank	* <sub>1</sub>	3,235.7
36	Hokkoku Bank	✓	3,191.7
37	Daiwa Next	* <sub>2</sub>	3,193.7
38	Bank of Iwate	✓	3,056.1
39	Yamanashi Chuo Bank	✓	2,801.7
40	Aozora Bank	✓	2,731.9

\*1 Bank holding company is listed

\*2 Financial holding company is listed

\* As of the end of Mar. 2017.

The number of SBI Sumishin Net Bank is as of May 6, 2017.

\* Amounts are rounded to the nearest JPY 100 million

(Source: websites of each company)



## ii. Highlights of the Banking-related business

- a. As like SBI SECURITIES, expanded the provision of robo-advisor services, and provided asset management services utilizing automatic savings services and automatically accumulated funds that are equivalent to change resulting from daily spending, to support the individual investors' asset formation process
- b. Strengthening the business loan service, based on accounting transactions, in cooperation with settlement agencies and cloud accounting service companies, both within and outside of the Group
- c. Implementing revised offerings and utilizing promotional measures, in order to achieve profitability in the credit card business

## Also at SBI Sumishin Net Bank, Expanding Asset Formation Services with Robo-advisors

### ■ WEALTHNAVI (Venture investee company of the FinTech Fund)

Launched “WealthNavi for SBI Sumishin Net Bank,” a customized robo-advisors service on Feb. 28, 2017

- ◆ Implementation of a direct login from SBI Sumishin Net Bank's website to WealthNavi's website through SSO (Single Sign-On)
- ◆ As the first Japanese bank, provides a prompt identity confirmation that utilizes API

The balance of customer assets

**Exceeded JPY 2.9bn** (as of July 25, 2017)

\* Amounts are rounded to the nearest JPY 100 million

### ■ お金のデザイン [MONEY DESIGN] (Venture investee company of the FinTech Fund)

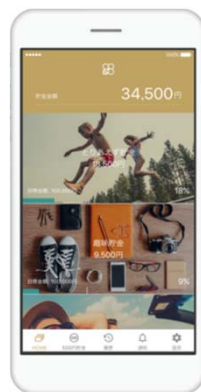
Provides “THEO+ SBI Sumishin Net Bank,” a customized robo-advisors service by MONEY DESIGN Co., LTD. from July 26, 2017

## Provision of Automatic Savings Services, and Asset Management Services Using Change from Daily Spending for Individual Customers, to Support Effortless Asset Formation

From Nov. 2016



Started a collaborative service using Japan's first upgraded API\*



- NestEgg's "finbee" is an automatic savings service that enables effortless and reliable automatic savings
- As each user sets a savings goal, with their determination of how much to deposit and the timing (e.g. credit card settlements), it becomes possible to automatically deposit money into their SBI Sumishin Net Bank linked savings account

From May 2017



"Mametasu"



- WealthNavi's "Mametasu" is an asset management service through automatically accumulated funds that are the equivalent to change resulting from daily spending

\* Currently available only to customers who have a "WealthNavi for SBI Sumishin Net Bank" account, and have registered for the automatic funding

\* API (Application Programming Interface)

Mechanism to enable the managing of data and software functions from an outside program source. An upgraded API is a connection method between systems that enables transactions, such as transfers, between a primary account and a specific-purpose account without service providers having access to the user's login ID, password, or personal information

## Business Loan Service, Based on Accounting Transactions, in Cooperation with Settlement Agencies and Cloud Accounting Service Companies, Both Within and Outside of the Group

住信SBIネット銀行

 **SBI** Sumishin Net Bank



-  **ZEUS** Settlement service provider  
Credit Payment Service  
\* 100% subsidiary of SBI Fintech Solutions
-  **Money Forward**  
(Money Forward's MF cloud series)



**LENDING**   
Business loan service “LENDING 1”

Loan applications  
cumulative total: **160**  
(as of June 30, 2017)

Since the service is processed completely online, the shortest processing time of one day from application to execution of lending is possible, enabling a quick and prompt response to the financing needs arising from credit card merchants and cloud accounting service users

- In Dec. 2016, formed a business alliance with Coiney, Inc. that offers a credit card settlement service which uses smartphones and tablet devices, named “Coiney”
- Expanding alliance partnerships by entering into alliances with cloud accounting services such as freee and A-SaaS

②-ii-c. Improving the earnings structure in the credit card business



**In Order to Achieve Profitability in the Credit Card Business,  
Improving the Earnings Structure through the Implementation of  
Product Revision, and the Utilization of Promotional Measures**

# MIRAINO CARD

ミライノ カード

- SBI Sumishin Net Bank will issue the cards
- Plan to start receiving application from Nov. 2017
- Depending on the usage level, may be eligible for free transfer fees and ATM fees, through the “Smart Program,” subject to a ranking judgment

	Current SBI Card	MIRAINO CARD
QUICPay <sup>TM</sup> *	Not equipped	Equipped
IC chip	Not equipped	Equipped
Point return ratio	0.5% - 1%	<b>Uniformity 1%</b> (In the case of MIRAINO CARD's payment will be charged from SBI Sumishin Net Bank's account)
Card brand	Master Card	<b>JCB</b> (Also, plan to issue “Master Card” brand cards, as soon as possible)

\* A convenient payment method which users can pay simply by holding their cards over a scanner in alliance shops.

**Improving the earnings structure through revised offerings, and  
fundamental overhaul of the business flow**

### **③ Insurance-related business**

- i. Performance overview of the 1Q FY2017**
- ii. Highlights of the Insurance-related business**

## **i. Performance overview of the 1Q FY2017**

- **With the progress in business expansion, such as the acquisition of Nihon SSI, overall revenues of the insurance business and the number of in-force contracts have steadily increased**
- **SBI Insurance's profit before income tax expense increased by 50.0%, to JPY 567m on an IFRS basis**
- **At SBI Life Insurance, as the sales of new products, including group credit life insurance increases, there has been a reversal from the decrease in the number of in-force contracts, owing to cancellations of such contracts before the acquisition, as compared with the end of Mar. 2017**
- **Small-amount, short-term insurance business steadily expands its business scale**

# Insurance Business (SBI Insurance Group)

## Financial Results for 1Q FY2017



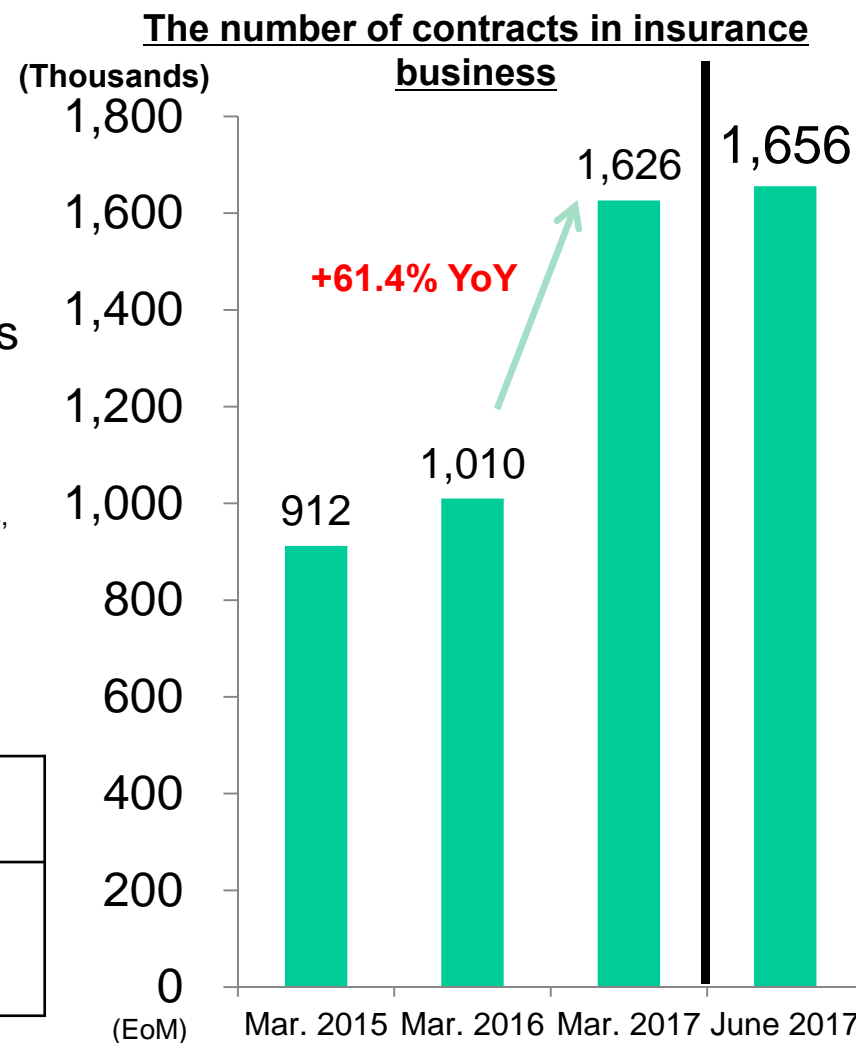
- Started operations in Mar. 2017 as an insurance holding company, which consolidated 6 Group insurance companies
- With Mizuho Securities as the lead underwriter, IPO preparations are ongoing

\* 6 companies include SBI Insurance, SBI Life Insurance, SBI SSI Holdings, SBI Resta SSI, SBI IKIiki SSI, Nhon SSI.

### Financial results of the overall Insurance business (IFRS)

(Unit: JPY million)	1Q FY2016	1Q FY2017	Increasing rate (%)
<b>Profit before income tax expense</b>	920	1,381	50.1

\* Simply sum of 1Q financial results of each insurance company

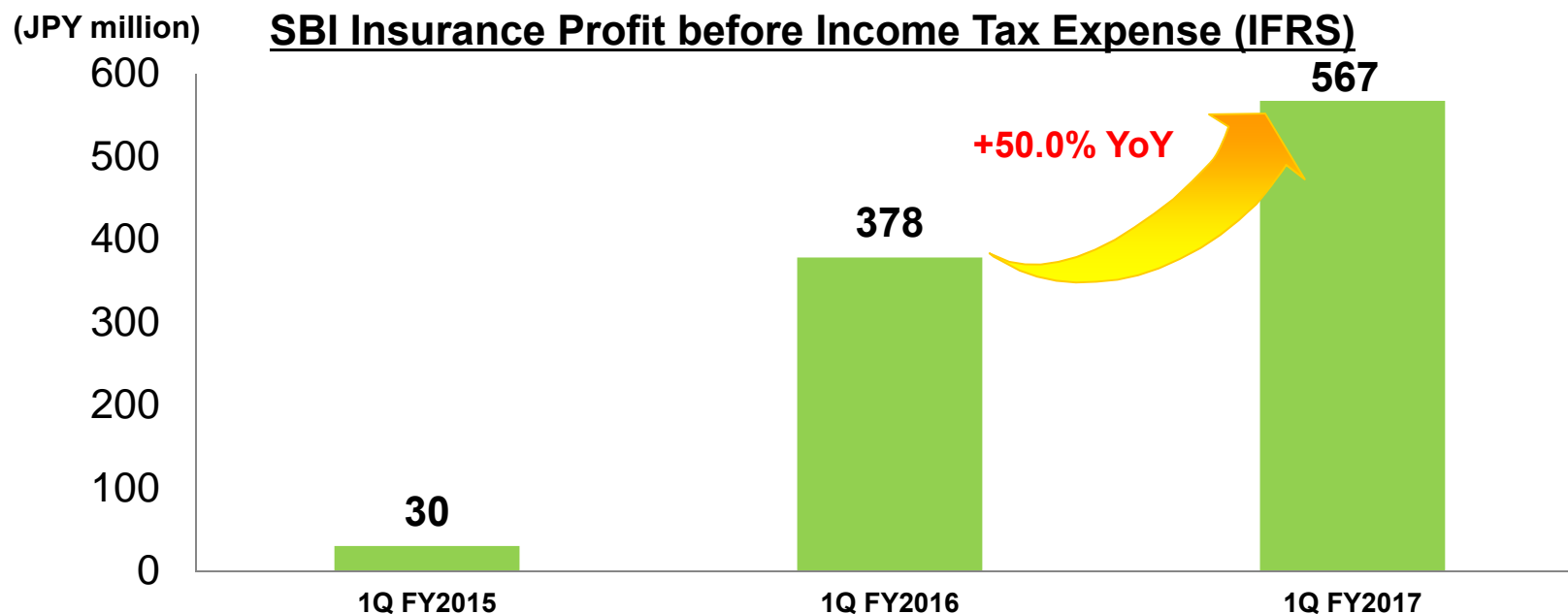


With the progress in business expansion, such as the acquisition of Nihon SSI, overall revenues of the insurance business and the number of in-force contracts have steadily increased



③ Insurance-related business: SBI Insurance

# SBI Insurance Financial Results for 1Q FY2017



**Combined Ratio (Based on Direct Figures)**

(Unit: %)	1Q FY2015	1Q FY2016	1Q FY2017
Loss ratio <sup>*1</sup>	69.2	63.6	<u>67.2</u>
Operating expenses ratio <sup>*2</sup>	20.5	17.9	<u>17.6</u>
Combined ratio	89.7	81.5	<u>84.8</u>

\*1 Loss ratio (%) = (Direct net insurance payment + Loss adjustment expenses) / Direct premium written X 100

\*2 Operating expenses ratio (%) = (Operating expenses except for reinsurance commissions) / Direct premium written X 100

\*3 Percentages in the table above are based on direct figures

\* Influenced by such as advance of payment of large insurance claim

### ③ Insurance-related business: SBI Insurance



## Comparison of Auto Insurance Premiums among Direct Insurance Companies

[Auto insurance premium comparison]

(JPY million)

	Date of operation started	FY2009
Sony Assurance	Sept. 1999	59,849
AXA GENERAL INSURANCE	July 1999	32,054
Mitsui Direct	June 2000	30,689
Zurich Insurance	July 1986* <sup>1</sup>	27,945
American Home Direct	Dec. 1960	17,365
Sonpo 24	Mar. 2001	9,820
SAISON AUTO-MOBILE&FIRE	Apr. 1983	8,202
SBI Insurance	Jan. 2008	4,713
E.design Insurance	June 2009	1,100

FY2012	
Sony Assurance	70,712
AXA	35,261
Mitsui Direct	33,830
Zurich Insurance	30,126
American Home Direct	16,594
SBI Insurance	14,288
Sonpo 24	11,810
SAISON AUTO-MOBILE&FIRE	7,990
E.design Insurance	5,140

FY2016	
Sony Assurance	90,001
AXA	48,824
Mitsui Direct	37,143
Zurich	36,900
SBI Insurance	32,158
SAISON	28,599
E.design	25,723
Sonpo 24	13,132

\* Figures for E.design are net premiums written, those of others are direct net premiums written. (Source: Disclosure from each company and etc.)

\* Establishment of Japan Branch

\* American Home Direct is excluded from the list, since it stopped sales activities for new contracts on Apr. 1, 2016

## SBI Life Insurance Financial Results for 1Q FY2017 (J-GAAP)

### Financial Results (1Q FY2017)

- Preliminary ordinary loss (based on J-GAAP): JPY 53m
  - Solvency margin ratio: 1,165.5% \*As of Mar. 31, 2017
  - **The number of contracts: approx. 110 thousand (annualized premium: JPY 7,645m)**
- Temporarily in a deficit in the current quarter, owing to the cost of starting the sales of a group credit life insurance product, but anticipations are for a full-year profitability
  - The applications for group credit life insurance, sales of which started in June 2017, steadily increased to 1,205 (252 contracts executed in 1Q) applications, reversing the decrease in the number of contracts owing to the cancellation of in-force contracts before the acquisition

### (Reference) Comparison of financial results for FY2016

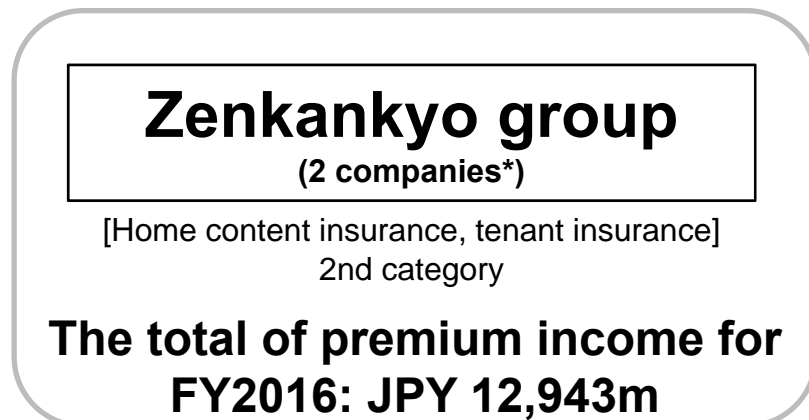
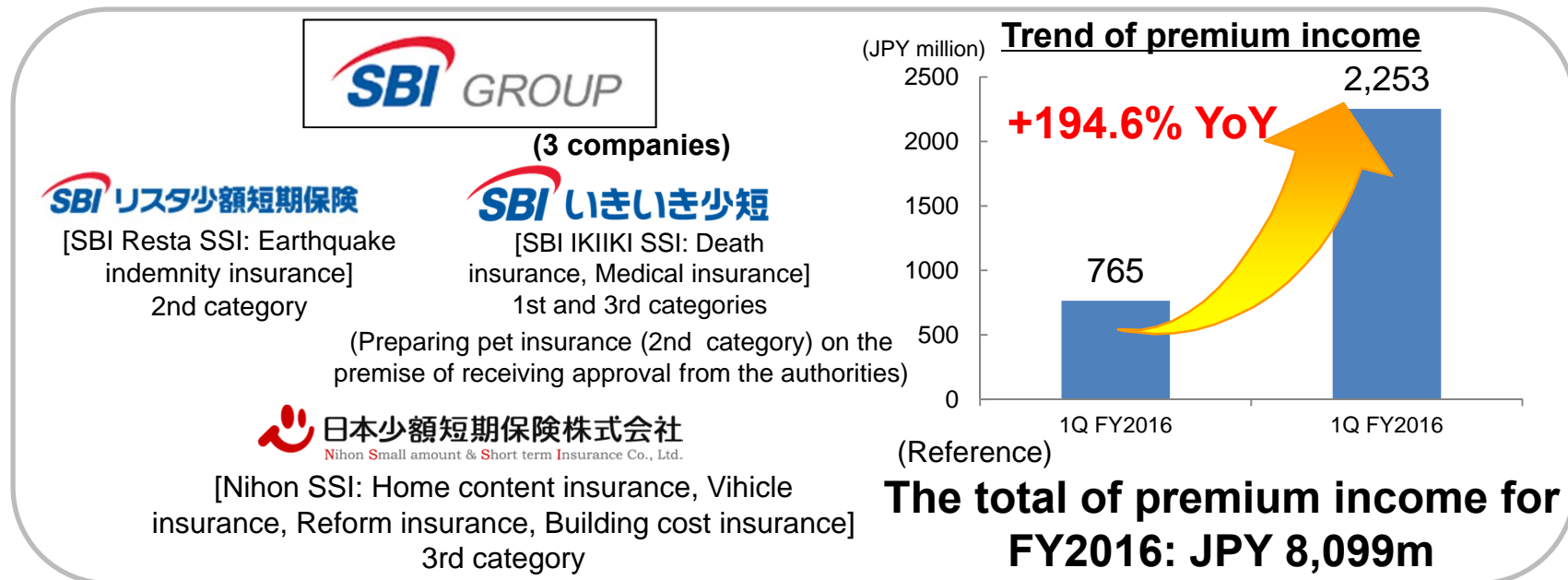
(Unit: JPY million)	SBI Life Insurance	Lifenet Insurance	AXA Direct Life Insurance
Annualized premium	7,799	10,033	3,624
Ordinary profit and loss	1,625	-2,031	-3,633

③ Insurance-related business: Small-amount, short-term insurance business

# Small-amount, Short-term Insurance Business Steadily Expands Its Business Scale



Listed corporate name as part of 3 major SSI groups, and offering a variety of products from the 1st to 3rd categories, with advantageous capabilities for a more expansive strategy, in comparison to other groups



\* The current number is 3 companies, owing to acquisition of Net Life Kasai SSI Co., Ltd. In May 2017

## **ii. Highlights of the Insurance-related business**

- a. Thoroughly pursuing Group synergies with SBI Sumishin Net Bank, in the sales of SBI Insurance's fire insurance and SBI Life Insurance's group credit life insurance**
- b. To accelerate the development of personalized insurance, SBI Life Insurance is extending the range of FiNC's healthcare application offer to all insured**

③-ii-a. Strengthening the sales of new products, with pursuing group synergy

## Thoroughly Pursuing Group Synergies between SBI Sumishin Net Bank and the Insurance Business, where the Number and Outstanding Balance of Housing Loans are Steadily Increasing



### “SBI Fire Insurance”

- Customized content compensation can be freely adjusted according to need
- Unique discounts, matched to lifestyles, such as “nonsmoker discount” and “all-electric housing,” are available

Endeavoring a full-scale launch of fire insurance sales at SBI Sumishin Bank, to further increase the number of contracts



### “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

Including new contracts, expecting premiums of approx. JPY 2bn for this fiscal year

③-ii-b. initiatives for development of personalized insurance



## SBI Life Insurance Expands the Range of FiNC's Healthcare Application Offer to All Insured, in order to Accelerate the Development of Personalized Insurance



FiNC inc.  
A healthtech venture company  
specializing in prevention,  
healthcare, and technology



FiNC app

- “Know”

Accumulation of life log/ Various tests and analyses based on evidence

- “Improve”

Implementation of personalized nutrition and exercise programs and solutions

- “Continue”

Utilization of SNS and chats of experts and celebrities, courteous treatment for gym use, and consulting by expert matching

**By expanding the targeted service population, further promote health management and health habits of the insured, and by considering the health status of each of the insured and their lifestyle improvement efforts from time to time, a “personalized insurance” can be designed for an applicable insurance content and service**

## **(2) Asset Management Business**

- ① Performance overview of the 1Q FY2017**
- ② Highlights of the Asset Management Business**



## ① Performance overview of the 1Q FY2017

- The Asset Management Business's 1Q FY2017 profit before income tax expense (IFRS basis) was JPY 5.5bn, up 75.2% year-on-year
- SBI SAVING BANK of South Korea maintained its strong performance, owing to an accumulation of performing loans balance and a decrease in the delinquency ratio, to drive the entire segment's results

# Asset Management Business' Financial Results Breakdown

(IFRS, JPY billion)

	1Q FY2016	1Q FY2017	YoY % change
Revenue	22.0	18.4	-16.4
Profit before income tax expense	3.2	5.5	+75.2
<u>SBI SAVINGS BANK</u>	1.4	3.9	+171.3
Profit/loss from the change in fair value and profit/loss on sales of investment securities	-0.9	1.6	—



Details of profit/loss from the change in fair value  
and profit/loss on sales of investment securities in 1Q FY2017

	1Q 2017
<u>Listed Securities</u>	1.0
<u>Unlisted Securities</u>	0.6

## **② Highlights of the Asset Management Business**

- i. In FY2017, 24 investee companies, including investees from the FinTech Fund, are expected to be IPO'd or M&A'd**
- ii. Promoting aggressive investment in growth fields, such as FinTech and overseas**
- iii. In FY2017, will complete investments for the FinTech Fund, and will establish its successor fund, tentatively named "SBI AI & Blockchain Fund (abbrev. name: SBI A&B Fund)," to invest in AI and the blockchain fields**

## FY2017 Prospective IPOs and M&As of the SBI Group Investee Companies

	Full-year FY2016	Full-year FY2017 prospects
IPO・M&A deals	14	24

In FY2017, 1 company was IPO'd and 2 companies were M&A'd

EXIT Date	Company	Market (Country)
Apr.11	ChemOn	M&A
Apr.18	Toebox Korea	M&A
July 20	Crossfor	TSE JASDAQ

**With the scheduled IPO of FinTech investee companies, an increase in the value of the managed fund is expected**

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

Already decided on investments into 52 companies

(Total investment amount to be approx. JPY 17bn through the FinTech Fund and approx. JPY 11bn by SBI Holdings)

Year 2017: 2; Year 2018: 4; Year 2019: 13; After Year 2020: 21; TBD: 12

ii. Aggressive investment in growth fields:

## Investments Made in the Field of New Technological Innovations through the FinTech Fund



### Blockchain

orb  
 Orb, Inc. (Japan)

QUOINE  
 QUOINE Pte. Ltd. (Japan)

bitFlyer  
 bitFlyer, Inc. (Japan)

ripple  
 Ripple Labs Inc. (U.S.)

r3  
 r3 (U.S.)

coinplug  
 Coinplug, Inc (Korea)

### Robo-advisor

WEALTHNAVI  
 WealthNavi Inc. (Japan)

お金のデザイン  
 MONEY DESIGN Co., Ltd. (Japan)

### IoT/Security

BeaconBank  
 unerry, inc. (Japan)

GMS  
 Global Mobility Service, Inc. (Japan)

Cacco inc.  
 Cacco Inc. (Japan)

ARGUS  
 Argus CyberSecurity Ltd. (Israel)

COCON  
 COCON Inc. (Japan)

### Remittance/Exchange

veem  
 Formerly Align Commerce  
 Veem Inc. (U.S.)

wirex  
 Wirex Ltd. (U.S.)

Kyash  
 Kyash Inc. (Japan)

episode six  
 Episode Six Ltd. (U.S.)

### Banking API

solarisBank  
 solarisBank AG (Germany)

Moneytree  
 Moneytree K.K. (Japan)

### Big data

TREASURE  
 Treasure Data, Inc.(U.S.)

GiXo  
 GiXo Ltd. (Japan)

### Accounting/PFM

Money Forward  
 Money Forward, Inc. (Japan)

free  
 free K.K. (Japan)

### Payment

infcurion group  
 infcurion, Inc (Japan)

BASE  
 BASE, Inc. (Japan)

pafidy  
 Exchange Corporation Holdings Ltd. (Japan)

LIQUID  
 Liquid. Inc. (Japan)

omise  
 Omise Co., Ltd. (Thailand)

ORIGAMI  
 Origami Inc. (Japan)

Coiney  
 Coiney Inc. (Japan)

### Loan/Factoring

SoFi  
 Social Finance Inc.(U.S.)

FUND BOX  
 FUND BOX Ltd (U.S.)

taralite  
 taralite(Indonesia)

### AI

KOKOPELLI incubate  
 KOKOPELLI incubate inc. (Japan)

GenericSolution  
 Generic Solution Corp. (Japan)

COGENT LABS  
 Cogent Labs (Japan)

### Crowd-funding

Ms music securities  
 Music Securities, Inc. (Japan)

Crowd Realty  
 Crowd Realty, Inc. (Japan)

CAMPFIRE  
 CAMPFIRE, Inc. (Japan)

### Other FinTech

CompareAsia Group  
 Compare Asia Group Limited, (Hong Kong)

FinLeap  
 FinLeap GmbH (Germany)

ASTRO SURI HOLDINGS INC.  
 Astro SURI Holdings Inc. (Japan)

minkabu  
 Minkabu, Inc. (Japan)

finbee  
 NestEgg, Inc. (Japan)

PLANET TABLE  
 Food Innovators' Platform  
 Planet Table Inc. (Japan)

Goodpatch  
 Goodpatch Inc. (Japan)

**Will continue to aggressively invest into this field**

## Accelerating Investments in Growth Areas Overseas

### ① FinTech Fund

#### Example of investee: FinLeap(Germany)

-Specialized in the FinTech field, establishing venture companies of their own and provides essential support for incubation. Under their aegis, included are SBI Group investee companies solarisBank and Clark, which manages an insurance comparison business.

#### Example of investee: CompareAsiaGroup(Hong Kong)

-Managing C to C marketplace offering financial products and services such as credit card, loan or insurance in Southeast Asia

### ② SBI-FMO Fund

#### Example of investee: Instarem(Singapore)

-Offering International online money transfer service, having licenses for remittance in Asian countries

### ③ SBI JI Innovation Fund

#### Example of investee: LogicBio(U.S.)

-LogicBio develops gene therapies using adeno-associated virus (aav) vectors. The company has licensed its technology from Stanford University and has an exclusive license.

- iii. In FY2017, will complete investments for the FinTech Fund, and will establish its successor fund, tentatively named “SBI AI & Blockchain Fund (abbrev. name: SBI A&B Fund),” to invest in AI and the blockchain fields**
  - a. Investment performance of the FinTech Fund in the AI and blockchain fields**
  - b. Both technologies will expand from the financial field into other industry fields and continue to evolve**

## The SBI Group is Promoting Investments into AI and Blockchain Fields through the FinTech Fund, etc.

<Investment made in the field of blockchain>



BLOCKCHAIN MOST ACTIVE CORPORATE INVESTORS (May 10, 2017)

Investor	Rank	Select Companies
SBI Investment	1	Orb, Veem, bitFlyer, Coinplug, Omise, Ripple, R3
Google Ventures	2	Storj Labs, Veem, LedgerX, Ripple, Bitcoin
Overstock.com	2	Settlemint, Factom, Ripio, Bitt, PeerNova
Goldman Sachs	2	CoolBitX, ChainLab, BitKan, RootStock, Simplex
Banco Santander	5	Digital Asset, Elliptic, Ripple, Cambridge Blockchain
CME Ventures	6	Digital Currency, Filament, Ripple
JP Morgan Chase	6	Digital Asset, R3, Axoni


Source: CB Insights, "CORPORATE TRENDS IN BLOCKCHAIN"

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

<Investment made in the field of AI>



KOKOPELLI incubate inc.  
(Japan)



Generic Solution Corp.  
(Japan)



Cogent Labs  
(Japan)

**AI and blockchain technology are expected to be utilized not only in the FinTech field, but also in a wide range of fields, such as healthcare and IoT**



SBI AI & Blockchain Fund\* (abbrev. name: SBI A&B Fund) will be newly established



iii-b. AI and blockchain will expand into other industry fields

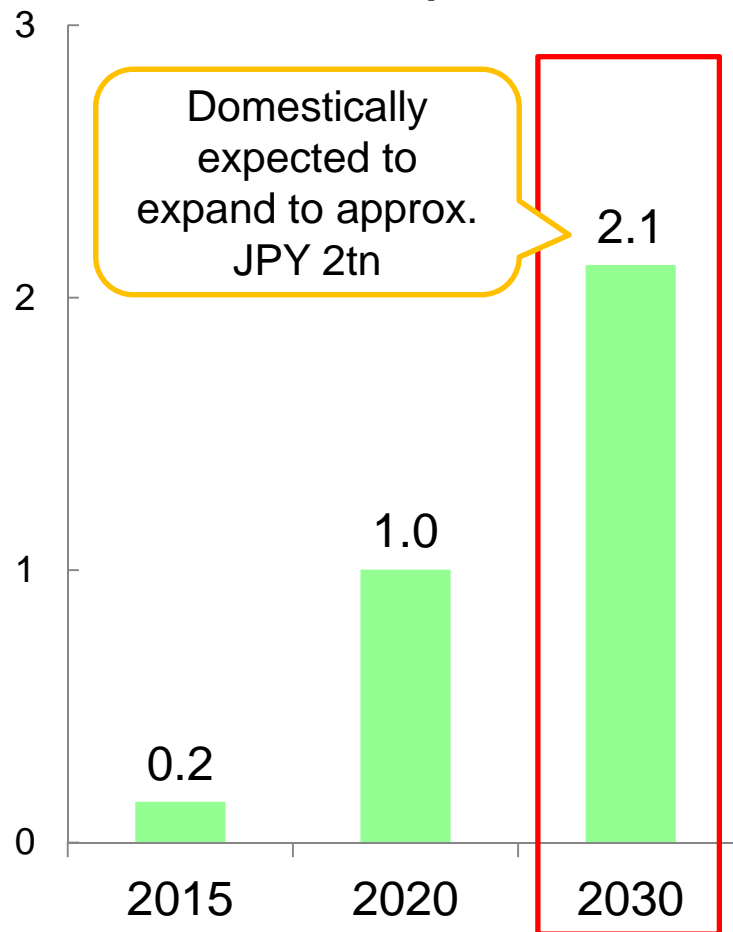
## By 2030, Japan's AI Market Size to Expand to Approx. JPY 2tn

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

### Market size of AI-related industry

#### in Japan

(Unit: JPY trillion)



### Future of AI utilization in each industry

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

Source: Fuji Chimera Research Institute "2016 AI Business General Survey"  
EY Institute "Creation and Destruction of management brought by AI"

## Examples of AI Applications

### Surgery support robot, “da Vinci”

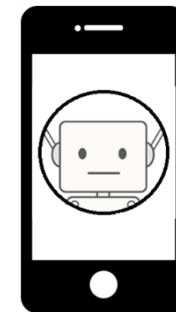
Enabling advanced endoscopic surgery, with endoscope camera and robot arm



Currently, approximately 1,500 units are operating in the U.S and in Europe, and is being introduced into Italy, Germany, France, etc. as well.

**In the world, “da Vinci” surgery is performed in 32 countries, and the cumulative clinical use has already exceeded 780,000.**

### Chatbot



Question

Answer



A conversation program in which AI automatically answers correctly, instead of human beings

**Major IT vendors also competing for development**

Company name	Chatbot name
amazon	Alexa
apple	Siri
Facebook	M
google	Google Assistant
Microsoft	Zo.ai

### **National Cancer Center Japan and NEC** **real-time endoscopic diagnosis support system**

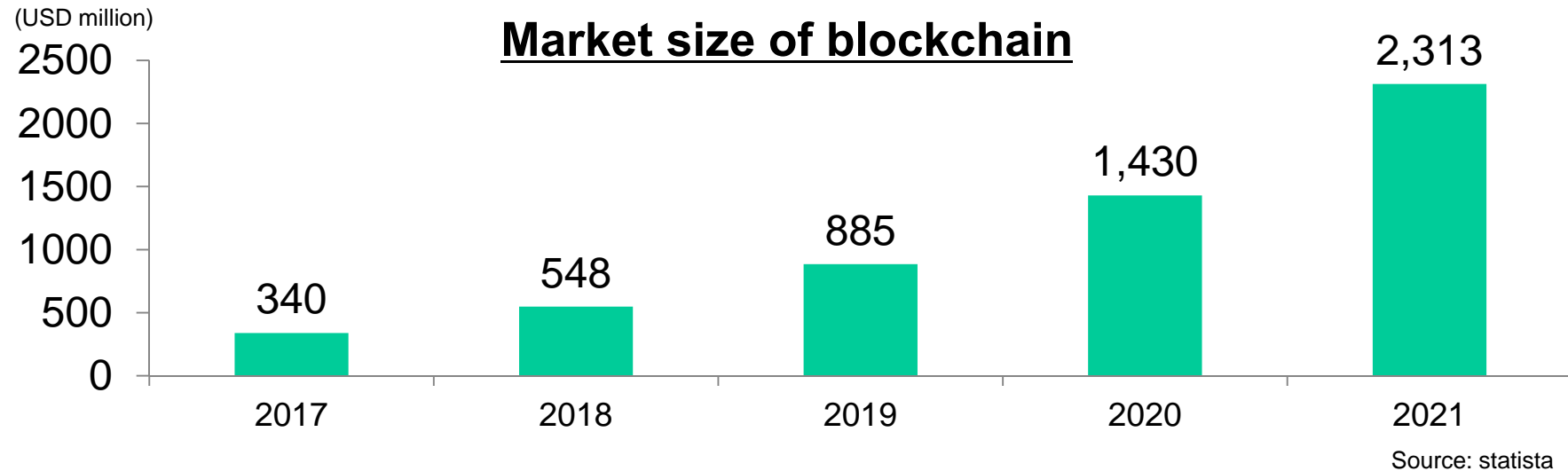
**Development of a system that uses AI to detect 98% of colon cancer and precancerous lesions (neoplastic colonic polyps)**

Analyzing endoscopic images (still images and video) from some 5,000 cases of colon cancer and precancerous lesions (neoplastic colonic polyps) imaged at the National Cancer Center Japan as learning data using NEC the WISE (NEC’s AI technologies)

Expected to contribute to the prevention and early detection of colorectal cancer

iii-b. AI and blockchain will expand into other industry fields

## Market Size for Blockchain is Expected to Increase by 8-fold in the Next 5 Years



**As blockchain will be utilized in non-financial fields as well, the market size is expected to continue to expand**

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.

## **Demonstration Experiments to Introduce Blockchain in Various Countries and Industries are Proceeding, and there are Cases where Operations are Already in Progress**

### **Medical**

-FDA and IBM (USA) → Medical data management using blockchain

The US Food and Drug Administration (FDA) announced research using IBM Watson in 2017. It seeks to discover a method for safely sharing EHR (electronic health records) and data from clinical trials, gene sequences, and wearable terminals using blockchain technology.

### **Real estate**

-Bitflyer and Sekisui House → Information management for residential contracts, etc. using blockchain

Start of construction and operation of a blockchain-based information management system for residential contracts, etc. in rental housing, with the objective of completion during fiscal 2017. As the next step, blockchain-based rental housing service provision in the Sekisui House Group in 2020

### **Administration**

- Government of Dubai → Public document management using blockchain

Objective of transitioning all government public documents to a system that uses blockchain by 2020. Government and private-sector are collaborating in actively utilizing blockchain technology, such as formation of the Global Blockchain Council (GBC). They seek vitalization of economic activities in urban areas and are promoting administrative efficiency and construction of a smart city.

- Estonian Government → “e-Residency”

Residency service, which makes it possible to allow non-Estonian residents to issue Estonia's digital ID. It is also possible to record and authenticate social contracts, such as marriage, birth certificates and business, on the blockchain.

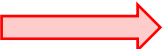
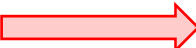
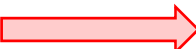
### **(3) Biotechnology-related Business**

- ① Business overview of the 1Q FY2017**
- ② Highlights of the Biotechnology-related Business**

# 1Q FY2017 Profit before Income Tax Expense of the Biotechnology-related Business (IFRS)

**-Loss before income tax expense of 5-ALA-related business decreased year-on-year-**

(JPY million)

		1Q FY2016 (Apr. - June 2016)	1Q FY2017 (Apr. - June 2017)
SBI Biotech		364	-90
Quark Pharmaceuticals (“Quark”)		-2,827	-1,965
5-ALA-related business		-474	 -152
	SBI Pharmaceuticals	-215	-167
	SBI ALApromo	-171	 -7
	photonamic *Consolidated in Jan. 2016	-71	 49
	SBI ALA Hong Kong	-17	-3
	Suzhou Yian Biotech	0	-24

- With SBI ALApromo’s sales for 1Q FY 2017 steadily increasing by approx. 1.6-fold that of the previous year, loss before income tax expense decreased significantly
- photonamic achieved profitability, owing to the receipt of milestone payments on the sale of a drug for treating actinic keratosis “Alacare,” from partner companies

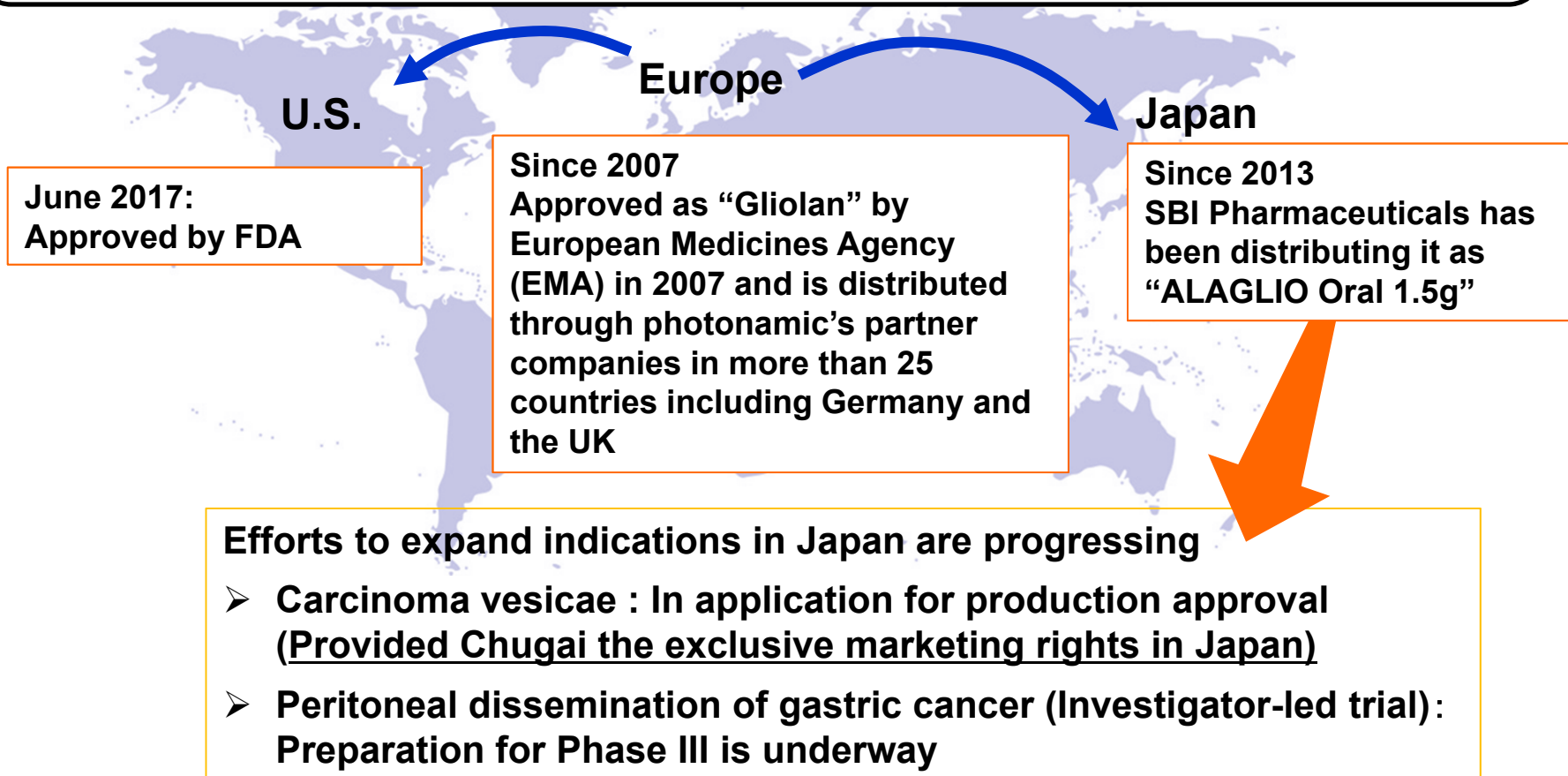
## **② Highlights of Biotechnology-related Business**

- i. Intraoperative diagnostic agent for cancer using 5-ALA was approved by the US Food and Drug Administration (FDA), establishing a worldwide sales network  
(SBI Pharmaceuticals・photonamic)**
- ii. Sales of health foods containing 5-ALA in the domestic and overseas markets steadily expanded  
(SBI Neopharma・SBI ALApromo)**
- iii. Toward early profitability of SBI ALApromo**

## Intraoperative Diagnostic Agent for Cancer Using 5-ALA was Approved by the US Food and Drug Administration (FDA), Establishing Worldwide Sales Network

### Intraoperative diagnostic agent using 5-ALA :

An oral administration diagnostic drug for photodynamic diagnosis (“PDD”), which visualizes tumor tissues for resection of malignant glioma

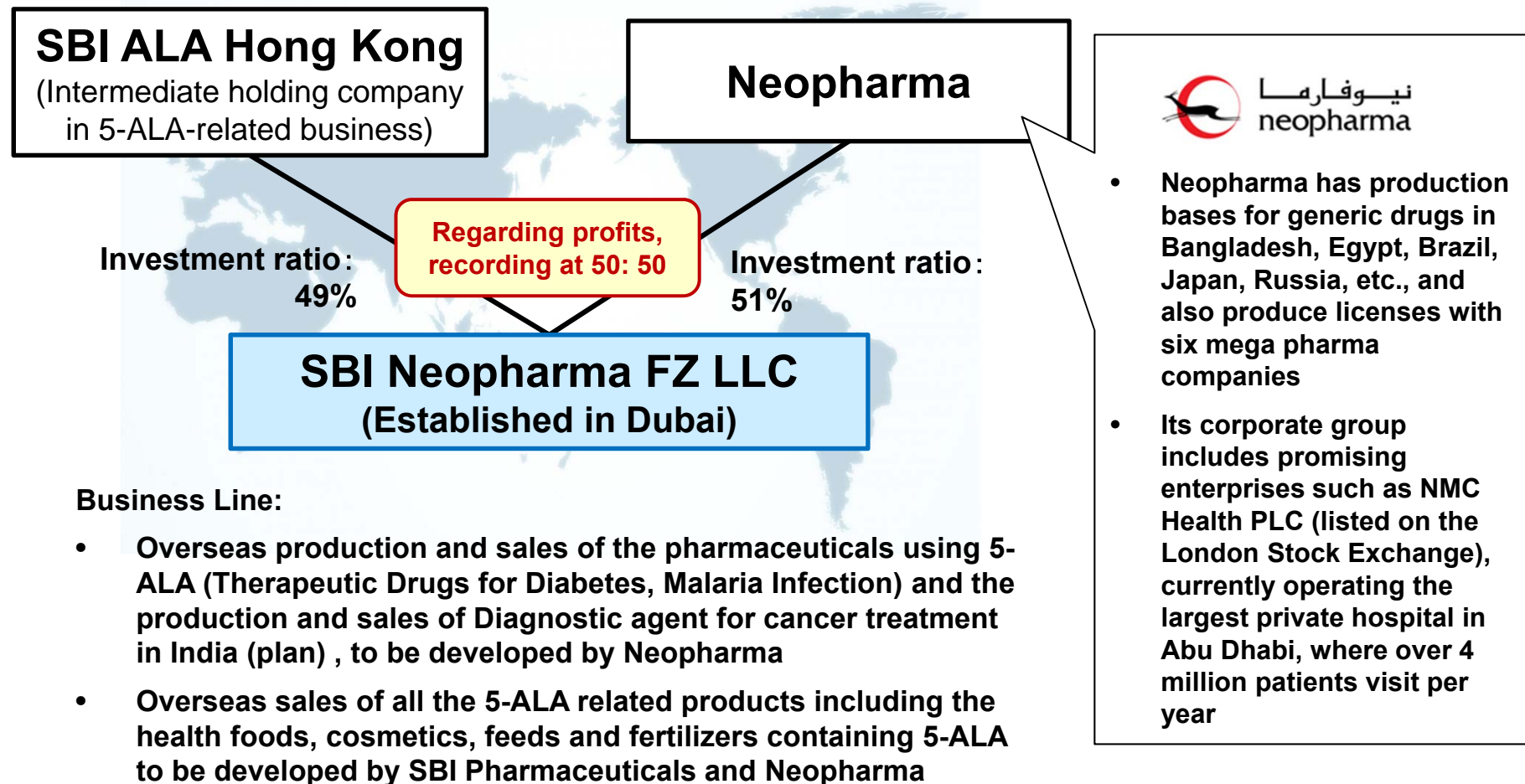




- ii. Expanding the sales of health foods containing 5-ALA in domestic and abroad  
(Overseas-SBI Neopharma):

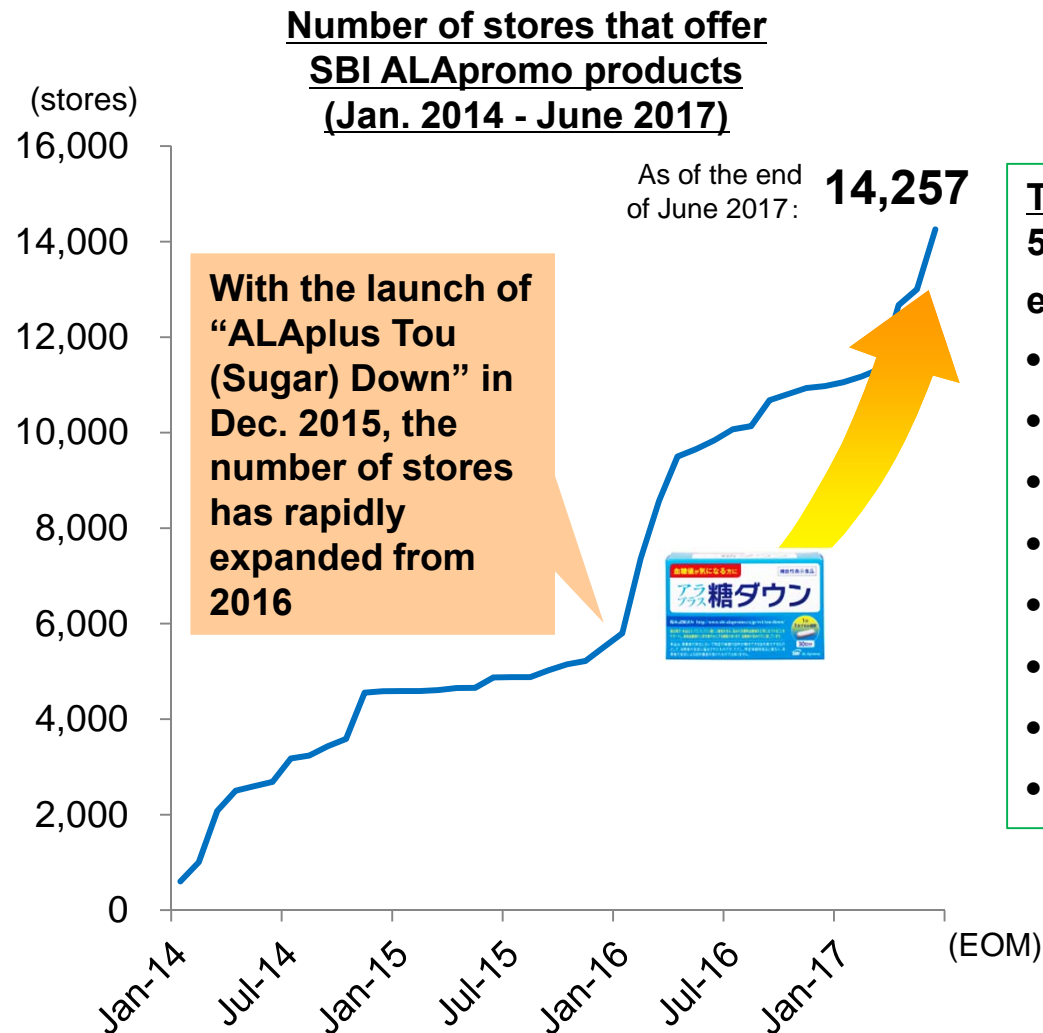
## Co-founded a Distribution Company for 5-ALA-related Products, with Neopharma, Inc., an UAE Pharmaceutical Company

**First launch health foods in the Middle East from May 2017**



ii. Expansion of sales of health foods containing 5-ALA in domestic and overseas  
(Domestic・SBI ALApromo):

## Number of Domestic Stores that Offer Health Foods Containing 5-ALA are Increasing Steadily, and Now Exceed 14,000



**The leading drug store chains started selling 5-ALA products:**

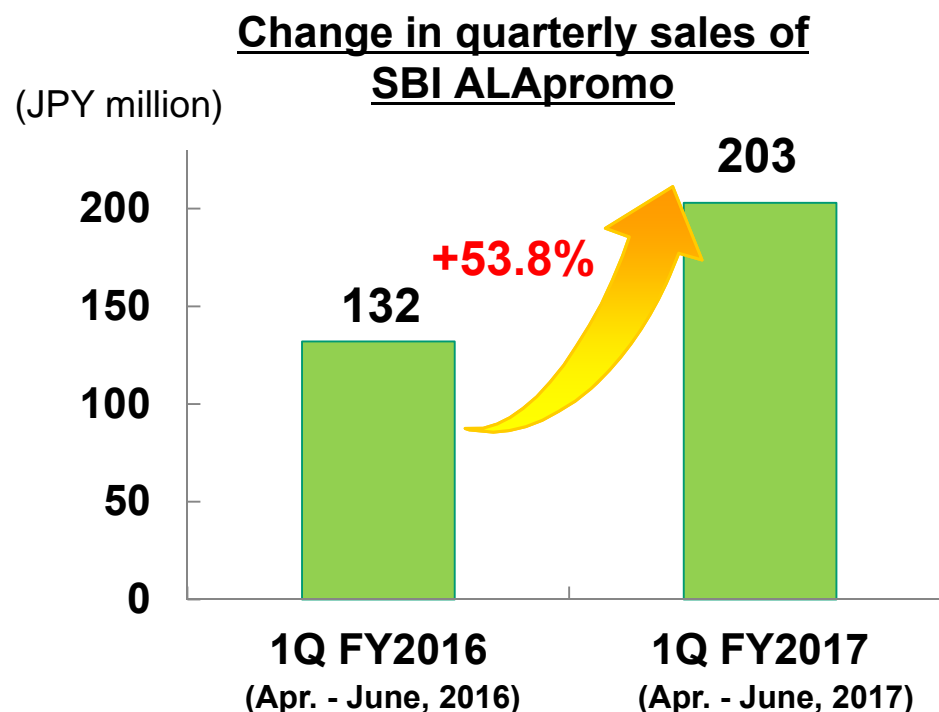
e.g.

- Tsuruha Holdings approx.1,310 stores
- Welcia approx. 1,300 stores
- Matsumoto Kiyoshi 1,114 stores **NEW!!**
- cocokara fine 973 stores
- FUJIYAKUHHIN approx. 890 stores
- COSMOS Pharmaceutical 827 stores
- Sundrug approx. 820 stores
- SUGIYAKUHHIN 138 stores

ii. Expansion of sales of health foods containing 5-ALA in domestic and overseas  
(Domestic・SBI ALApromo):



## Sales of Foods with Function Claims “ALApplus Tou (Sugar) Down” Increasing Steadily



### Products launched in FY2017:

- **ALApplus Meno.Stop (since May)**  
A supplement containing a high concentration of 20 nutrient ingredients in 5 tablets and capsules (1 packet)  
\*Product name derivation: menopause
- **ALApplus Body Shape (since July)**  
Contains carefully selected ingredients beneficial in creating an ideal body, including L-Carnitine, selected for fat-burning capacity, α-lipoic acid, salacia, and lactoferrin

Among approx. 1000 foods with function claims received by the Consumer Affairs Agency, **“ALApplus Tou (Sugar) Down” (30 capsules) was ranked 8th and 10 capsules was ranked 23th in sales, in May 2017** (Published in the July 2017 issue of the monthly magazine “H&B Retail” )\* **Ranked in for 15 consecutive months since Mar. 2016**

\*Source: “TRUE DATA” by CUSTOMER COMMUNICATIONS, Ltd. “TRUE DATA” is a standard database, taking statistics about information on consumer purchase in drugstores and supermarkets in Japan, which consists of purchase information on approx. 50 million people in Japan, covering gender and age span

## Development Status of New Foods with Function Claims Containing 5-ALA by SBI ALApromo

### Development Status of New Foods with Function Claims Containing 5-ALA

	FY2017	FY2018	FY2019
Purpose of clinical trials	Recovery from fatigue	Improvement of sports training effect	Male menopause improvement
Institution conducting clinical trials	Hiroshima Univ.	Juntendo Univ.	Juntendo Univ.
Current status	Conducting clinic trials	Preparing for clinic trials	Preparing for clinic trials

SBI ALApromo has further increased its sales of the hit product “ALA Plus Tou (Sugar) Down” (including an increase in regular customers for direct sales and the number of stores), and will launch new products utilizing 5-ALA (ex. “ALApplus Body Shape”), and will launch new foods with function claims, to establish a profitable foundation even after the next fiscal year

### **3. Medium- and long-term initiatives for sustainable growth**

- (1) Expansion of new businesses that adopts FinTech-related technology in various fields, in the Group's various business domains, to establish a new FinTech ecosystem (Fintech 2.0)**
- (2) Thoroughly utilizing the SBI Group's management resources to realize regional revitalization, through the invigoration of the regional financial institutions**
- (3) Having generally established a global network to become "the World's SBI," will now transition to a phase of enhancing the overseas financial services business**
- (4) Preparing the IPO and etc., of 6 subsidiaries to actualize intrinsic corporate value**

- (1) Expansion of new businesses that adopts FinTech-related technology in various fields, in the Group's various business domains, to establish a new FinTech ecosystem (Fintech 2.0)**
  - ① Promoting the utilization of distributed ledger technology, which is the core technology of the FinTech 2.0 era**
  - ② Expanding the API economy in collaboration with investee companies**
  - ③ Promoting utilization of AI in the SBI Group's various business fields**

- ① Promoting the utilization of distributed ledger technology, which is the core technology of the FinTech 2.0 era**
  - (i) Utilizing the technology of Ripple, a capital and business partner of the SBI Group, in order to reduce costs and improve the efficiency of the domestic and cross-border remittance**
  - (ii) Creating a new financial market for virtual currencies**
  - (iii) Strengthening alliance with R3**

**(i) Utilizing the technology of Ripple, a capital and business partner of the SBI Group, in order to reduce costs and improve the efficiency of the domestic and cross-border remittance**



# Invested in Ripple in 2016



(SBI Group's shareholding: 11.05%)

- Development of a digital asset “XRP”
- Development of a next-generation settlement platform for remittance
  - It is possible to reduce the cost and shorten the time for settlement since there is no intermediary bank
- Ripple's global payments network currently has the participation of more than 80 of the world's major financial institutions including the SBI Group

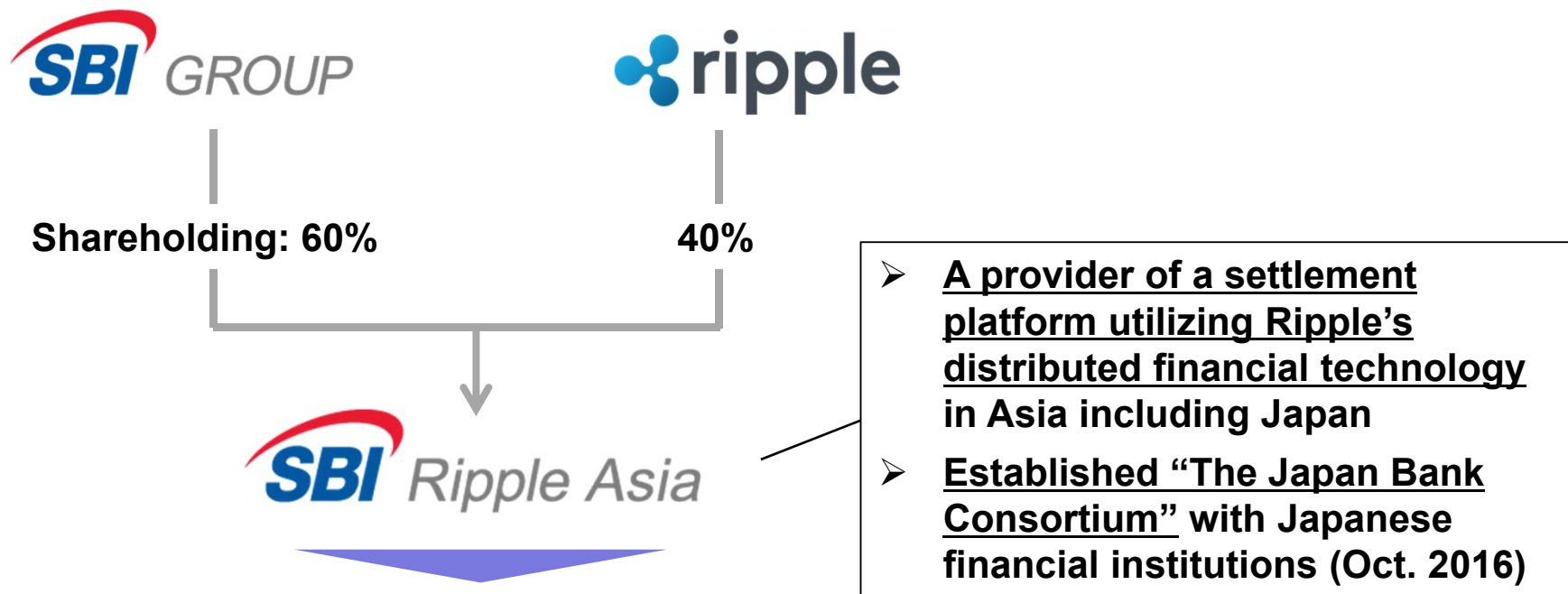
## Comparison of XRP and Bitcoin used for overseas remittance:

	Bitcoin	XRP	Compared with Bitcoin:
Time for settlement	1+ hours	4 sec	1/900
Transactions per second	6	1500	Over 250x
Average transaction cost	USD 0.48	USD 0.0003	1/1600

Source: Ripple

**The usefulness of the digital asset “XRP” that may become a global infrastructure, will be more appreciated**

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



### Targets of “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

# Participating Financial Institutions in “The Japan Bank Consortium,” Established Primarily by the SBI Group



With the new participation of Sumitomo Mitsui Banking Corporation and JAPAN POST BANK, participating financial institutions in “The Japan Bank Consortium” **increased to 61 banks** (president bank: Resona Bank, secretariat: SBI Ripple Asia, SBI Holdings)

Expanding to occupy 80% of the total deposits in major domestic banks and regional banks

Participating Financial Institutions (61 banks):

Reginal banks & Second-tier regional banks (43 banks)		Online banks (5 banks)	Others (13 banks)
Regional banks (35 banks)	The second-tier regional banks (8 banks)		
Aomori Bank, THE AKITA BANK, Ashikaga Bank, The Awa Bank, The Senshu Ikeda Bank, THE IYO BANK, The Bank of Iwate, Oita Bank, The Bank of Okinawa, The Gunma 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 TOHO BANK, THE NISHI-NIPPON CITY BANK, THE HACHIJUNI BANK, The Hyakugo Bank, Hiroshima Bank, The Fukui Bank, Hokuriku Bank, The Michinoku Bank, The Musashino Bank, The Yamagata Bank, The Yamaguchi Bank, Bank of Yokohama, Bank of The Ryukyus	The Ehime Bank, The Keiyo Bank, The Tokyo Star Bank, The Towa Bank THE TOCHIGI BANK, The Bank of Nagoya North Pacific Bank, The Yachiyo Bank	AEON Bank, SBI Sumishin Net Bank, Seven Bank, Sony Bank, Daiwa Next Bank,	ORIX Bank, The Shoko Chukin Bank Shinkin Central Bank, Shinsei Bank, The Norinchukin Bank, Mizuho FG, <b>SMBC</b> , Sumitomo Mitsui Trust Bank, BTMU, MUTB, The Nomura Trust and Banking, <b>JAPAN POST BANK</b> , Resona Bank

\*As of July 27, 2017

# Schedule for Commercial Use in “The Japan Bank Consortium”

Pilot project by domestic financial institutions participating in “The Japan Bank Consortium”

**Mar. 2017 Completion of construction of RC Cloud**

Confirmed that participating financial institutions were able to execute domestic and cross-border money transactions on RC Cloud, which is powered by Ripple Solution, in a pilot environment

## <Schedule for commercial use>

**Autumn - Winter in 2017:**

**Start of commercial use for cross-border payments**

Commercial use of cross-border payments between domestic financial institutions participating in “The Japan Bank Consortium” and overseas financial institutions joining Ripple’s global remittance network will be starting within the year

**Within FY2017:**

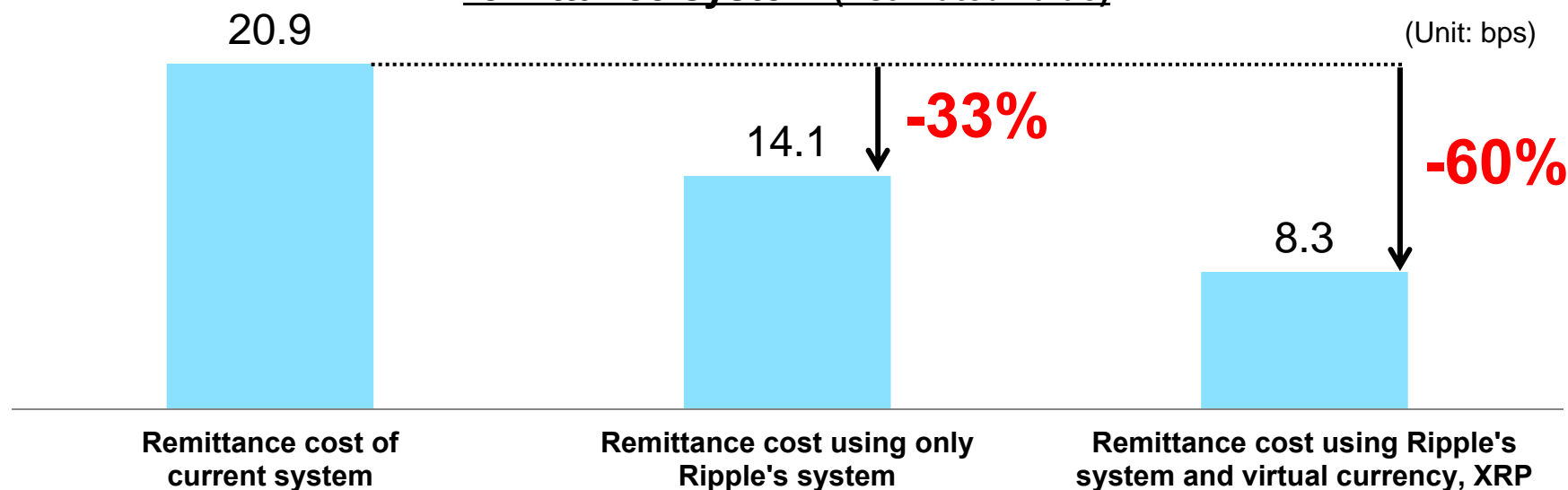
**Initial launch of commercial use for domestic payments**

**After that: Expansion of commercial use for domestic payments**

# Drastic Reduction of Remittance Cost in International Remittance System Utilizing Ripple's Settlement Platform

Generally, international remittance is 20.9 bps against the settlement amount, whereas international remittance utilizing XRP, Ripple's virtual currency, through Ripple's system is 8.3 bps, or a 60% cost reduction

Example of cost reduction by Ripple's international remittance system (Estimated value)



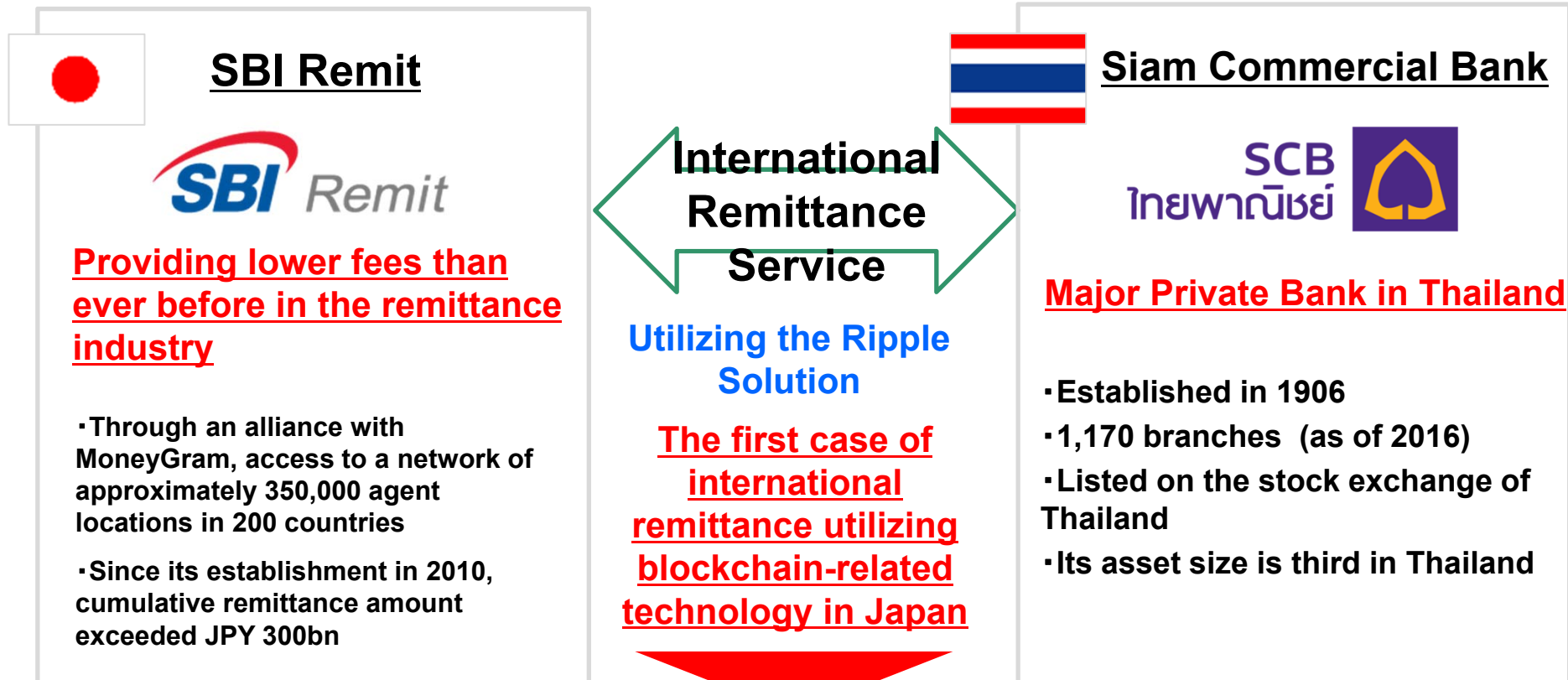
\* Source: Ripple Insight (Feb. 23, 2016)

\* Remittance costs include the spread, currency hedging, operation costs and settlement costs

# Launched the First Remittance Service in Asia by Utilizing the Solution of Ripple between Japan and Thailand



-Realized between financial institutions participating in Ripple's global remittance network-



“The Japan Bank Consortium” plans to concretely consider the introduction of a commercial payment service with Asian financial institutions, as well

# The Bank of England Conducted a Joint Proof of Concept Utilizing Ripple's Interledger Protocol

The Bank of England (BoE): Through its Fintech Accelerator, BoE selected Ripple earlier this year to test whether blockchain could enable the “Global RTGS\*” capability

\*RTGS: Abbreviation for Real Time Gross Settlement. A funds transfer system where money transfer takes place from one bank to another on a “real time” basis, and “gross” basis, with settlement in the “real time” meaning that the transaction happens almost immediately

- ✓ The BoE's PoC specifically looked at how Ripple's solution, ILP, could support the synchronisation of cash movements made using two simulated RTGS systems utilizing the open-source Interledger Protocol
- ✓ Ripple's solution showed promise in enabling RTGS systems which seamlessly support interoperability globally

The BoE says that “the PoC was a useful exercise to develop the Bank's understanding of synchronisation and possible technical solutions.”

# The Federal Reserve Announced Its Two Years of Work

- The Federal Reserve released its Faster Payments Task Force's action plan for bringing faster payments to the United States
- Highlighting Ripple's ability to underpin the next generation of cross-border payments

The Task Force brought together a diverse group of 320 stakeholders – including banks, regulators, end users and technology companies – to create a roadmap for modernizing the U.S. payments infrastructure

The Task Force established a set of effective criteria for faster payments. Proposals for ways to fulfill the criteria were assessed by McKinsey.

## **The McKinsey assessment gave high marks to Ripple noting:**

“Ripple enables financial institutions the ability to operate cross-border payments faster than the 2-4 days common today.”

“The solution bolsters the certainty of the cross-border payment experience by providing end-to-end transaction visibility to banks, as well as settlement confirmation.”

“Ripple enables more transparency in the total cost of a payment to the payee prior to authorization, if participating banks are willing to provide this transparency.”



## **(ii) Creating a new financial market for virtual currencies**

# The Comparison of Distributed Ledger Technology

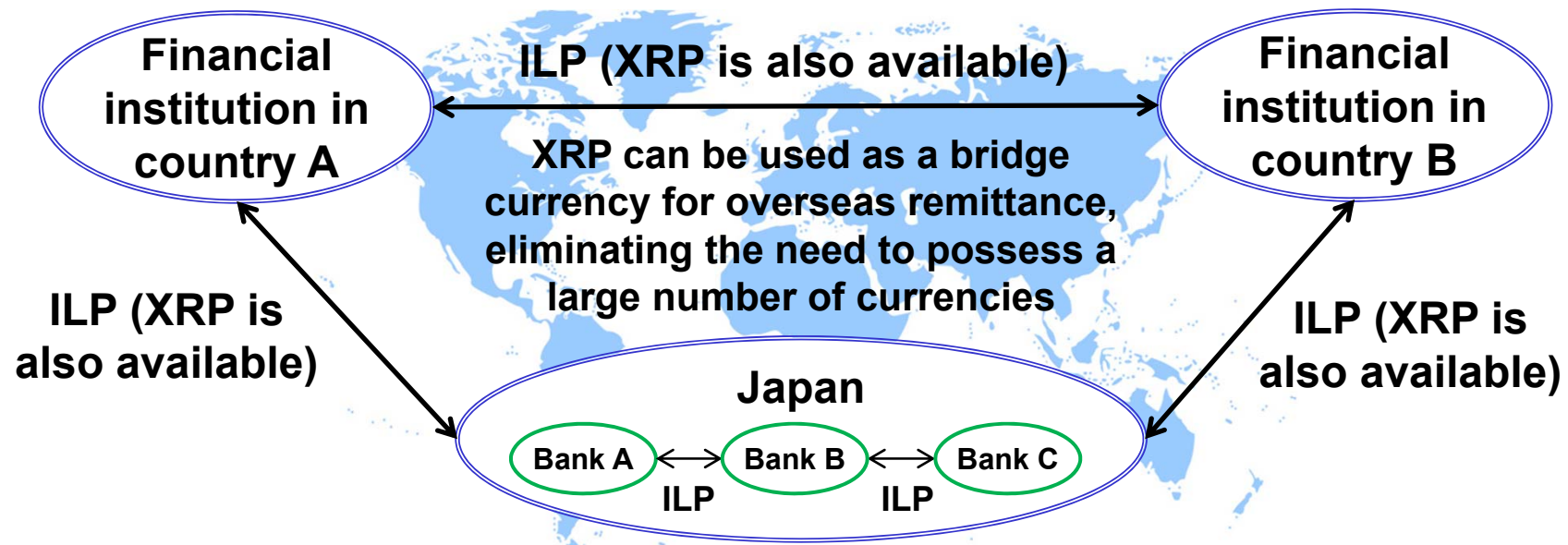
	<b>Public</b> (Open network participation)		<b>Permissioned</b> (Permissioned network participation, with groups forming consortia)				
	<b>No specific management entity</b>		<b>There is a specific entity to participate aggressively in development and management</b>				
	<b>Bitcoin</b>	<b>Ethereum</b>	<b>XRP Ledger</b>	<b>ILP</b>	<b>Hyperledger</b>	<b>R3 (Corda)</b>	<b>EEA</b>
<b>General outline</b>	<ul style="list-style-type: none"> <li>Developed by Satoshi Nakamoto</li> <li>Targeted at transactions independent of governments and central banks</li> </ul>	<ul style="list-style-type: none"> <li>A platform for executing smart contracts</li> <li>Use of the virtual currency ETH in transactions</li> </ul>	<ul style="list-style-type: none"> <li><b>A network for distributing XRP, a virtual currency operated and controlled by Ripple</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Protocol for connecting ledgers developed for international payments</b></li> </ul>	<ul style="list-style-type: none"> <li>Development of distributed ledger tech for commercial use</li> <li>Multiple projects exist, such as Fabric and Iroha.</li> </ul>	<ul style="list-style-type: none"> <li>Dedicated distributed ledger platform for financial transactions</li> </ul>	<ul style="list-style-type: none"> <li>Ethereum, specifically for corporate use</li> </ul>
<b>Main users</b>	<ul style="list-style-type: none"> <li>Virtual currency exchanges</li> <li>Settlement and payment firms</li> </ul>	<ul style="list-style-type: none"> <li>Virtual currency exchanges</li> <li>ICO service providers</li> </ul>	<ul style="list-style-type: none"> <li><b>Virtual currency exchanges</b></li> <li><b>Gateway</b></li> </ul>	<ul style="list-style-type: none"> <li><b>More than 75 financial institutions around the world</b></li> </ul>	<ul style="list-style-type: none"> <li>Consortium of companies that use Hyperledger software</li> </ul>	<ul style="list-style-type: none"> <li><b>More than 80 financial institutions around the world</b></li> </ul>	<ul style="list-style-type: none"> <li>Consortium of companies for the purpose of EEA use</li> </ul>
<b>Main form of use</b>	<ul style="list-style-type: none"> <li>Virtual currency transactions using Bitcoin</li> <li>Use for settlement at retailers</li> </ul>	<ul style="list-style-type: none"> <li>ETH transactions</li> <li>ICO and DAO platforms</li> </ul>	<ul style="list-style-type: none"> <li><b>Payments using the virtual currency XRP</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Ripple Solution (payments between banks that have introduced the software)</b></li> </ul>	<ul style="list-style-type: none"> <li>Envisioned use for specific projects, such as finance, manufacturing, and real estate</li> </ul>	<ul style="list-style-type: none"> <li>Financial transactions in general, such as trade finance and derivatives</li> </ul>	<ul style="list-style-type: none"> <li>To be decided</li> </ul>

# Ripple Provides a Hybrid Technology that Combines ILP and XRP Ledger

## Ripple's technology base

- **XRP Ledger**: It does not have a mining (PoW: proof of work) mechanism like bitcoin, and approves consensus (transaction approval) between distributed ledgers only at a specific node, where transactions are confirmed at a speed that can also be used for financial transactions
- **ILP (Interledger Protocol)**: A payment system that connects the ledgers, which can further advance interbank settlements more closely

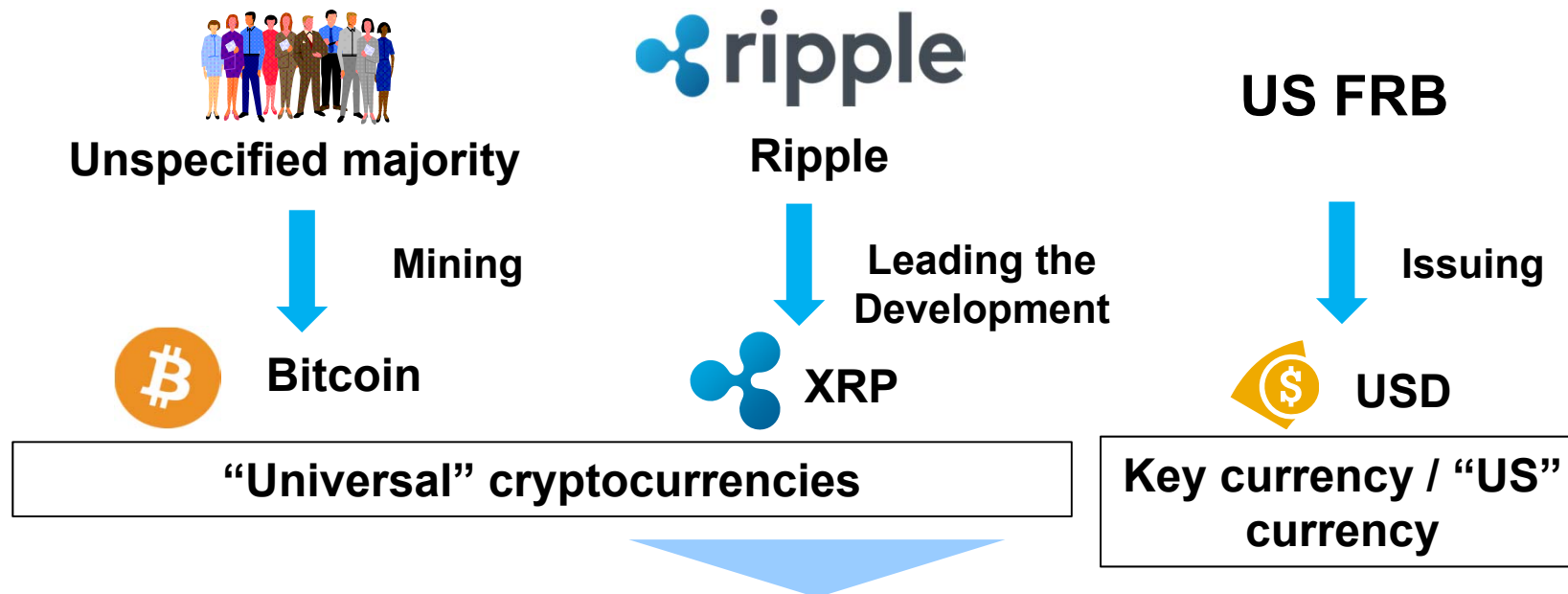
## Ripple can build an hybrid-type remittance system, that combines ILP and XRP Ledger



# The SBI Group's Capital and Business Partner, Ripple, Leads the Development of a Digital Asset "XRP"



Comparison of XRP and major cryptocurrency:



Example of the development of the latest function on XRP Ledger:

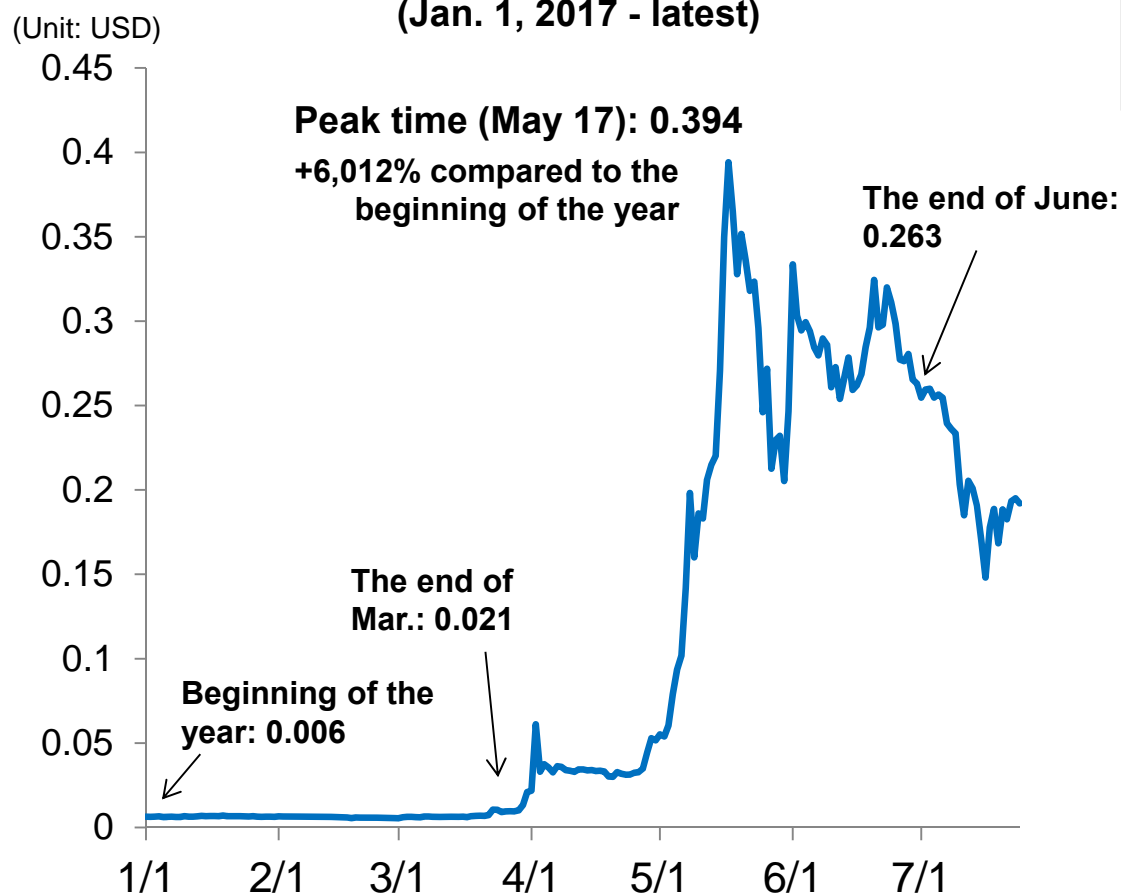
Since XRP Ledger is an open network, everyone can copy the code base and propose new functions (it runs on the network after voting by the validator), but Ripple plays a central role in carrying out performance improvement measures, to increase the number of transactions per second from 1,000 to 1,500

# Current Status and Prospects of the Cryptocurrency Market ① XRP

From Ripple Insights  
“XRP market report”

## Trend of the XRP price

(Jan. 1, 2017 - latest)



(Note) 1Q: Jan. 2017 - Mar. 2017  
2Q: Apr. 2017 - June 2017

- XRP finished the quarter at USD 0.263, a stunning QoQ increase of 1,159% and YTD growth of 3,977%.
- As it pertains to XRP's use case, the most compelling market evolution in the second quarter was the growth in volume generally, and of fiat volumes specifically.

\* As of July 25, 2017  
Source: CoinMarketCap

# XRP Liquidity Situation



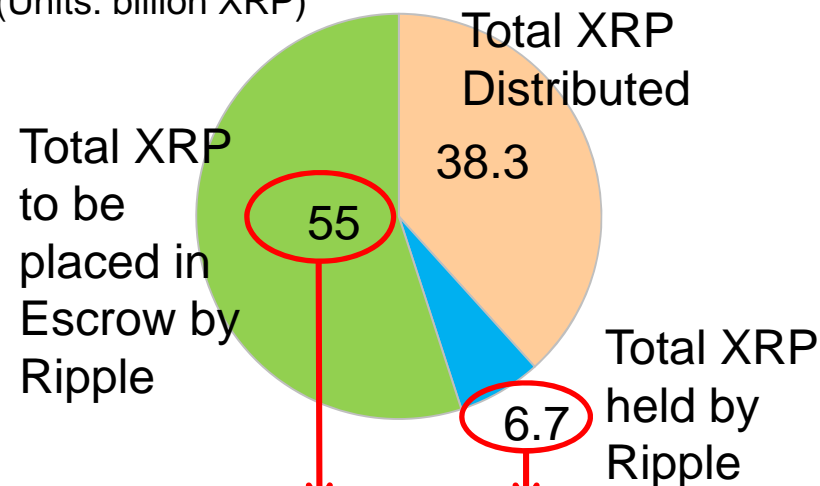
Leading the development of XRP



- ✓ There's a total of 100 billion XRP in existence since the start of XRP Ledger
- ✓ In order to promote the liquidity of XRP, Ripple utilizes its own XRP
- ✓ In May 2017, Ripple announced to committee to place 55 billion XRP into a cryptographically-secured escrow account by the end of 2017

## <XRP liquidity situation>

(Units: billion XRP)



**Ripple owns about 61%  
= approx. USD 11bn**

\*Converted at 1 XRP=USD  
0.178104 (As of July 25, 2017)

Converting the SBI Group's shareholding  
(manifest basis)...nearly JPY 130bn

# Increased Trading Volume, Owing to Easier Access to XRP

XRP is available at the following exchanges:

Kraken:  
Major in the US

Bitstamp:  
Major in Europe

Coinone: Major in Korea

Bitso: Major in Mexico

Will also be handled  
by SBI Virtual  
Currency in the future



In Q1, XRP/BTC contributed to approx. 85% of total daily volume. In Q2 that number dropped to 63%. On the other hand, from April to June, XRP/FIAT volumes expanded (XRP/FIAT volumes in Q2 were 21 times greater than XRP/BTC volumes in Q1)

By working with a greater number of exchanges across different countries to list XRP, we can better serve the growing demand for global payments

# The Current Situation and Prospects of Cryptocurrency Market ② Bitcoin Split Fuss of Bitcoin

**Beginning: Decrease in speed due to rapid increase in transaction volume, longer time to establish deal, increase in fee**

**Implementing SegWit (Improving performance decreasing the amount of data in a block) softfork in July 23**

## **Suspending deposit and withdrawal of bitcoin**

**Exchanges avoid confusion, some of them restarted**

**Domestic major exchanges suspended deposit and withdrawal of coins July 23.**

Newspaper  
article

*(July 24, 2017; Sankei Shimbun Morning Edition)*

## **No confusion of bitcoin suspension**

**Not occurred big confusion at present, because Japan Cryptocurrency Business Association (JCBA), which domestic 13 exchanges join, released deal suspension in advance**

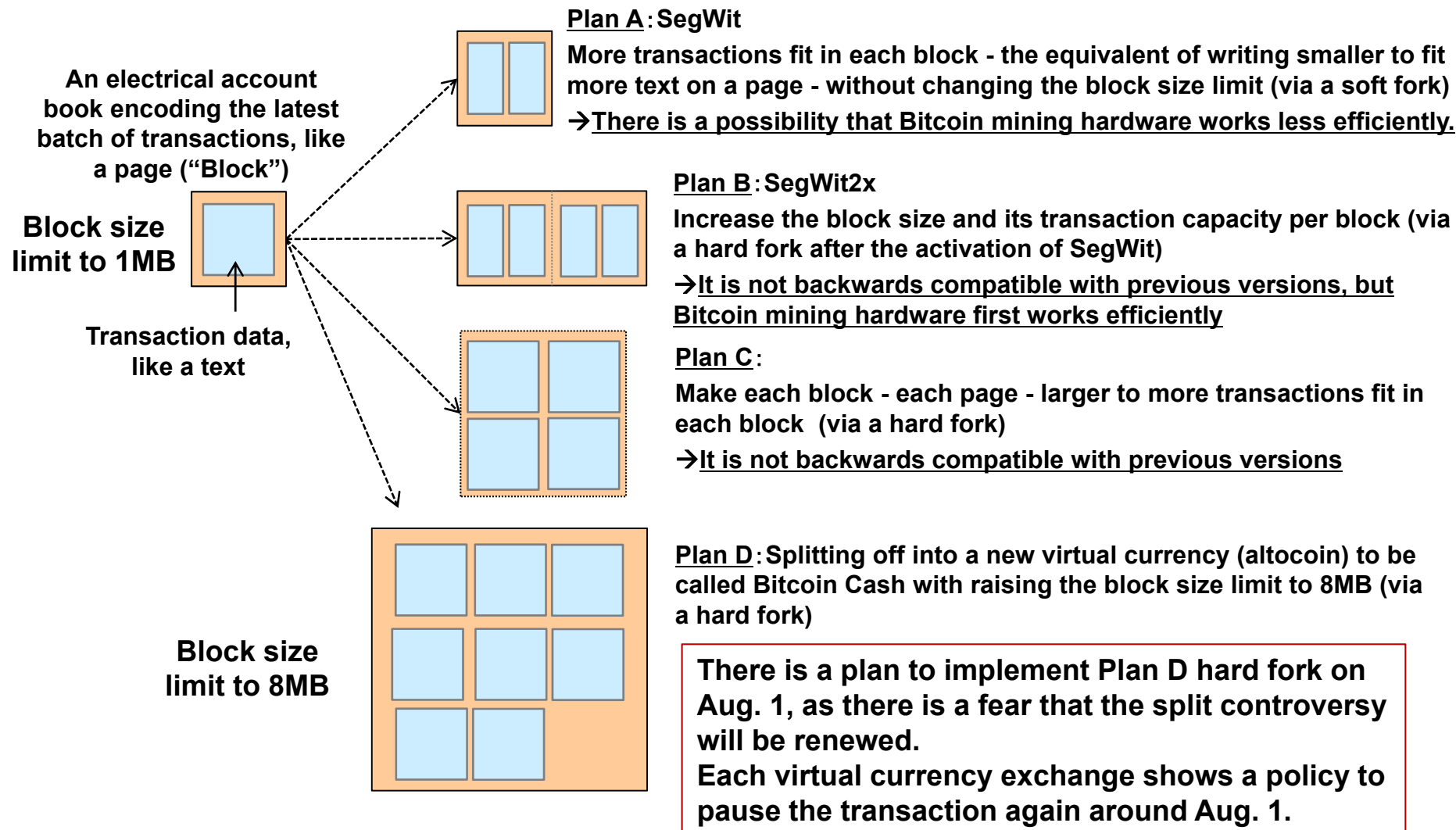
Newspaper  
article

*(July 24, 2017; The Nihon Keizai Shimbun Morning Edition)*



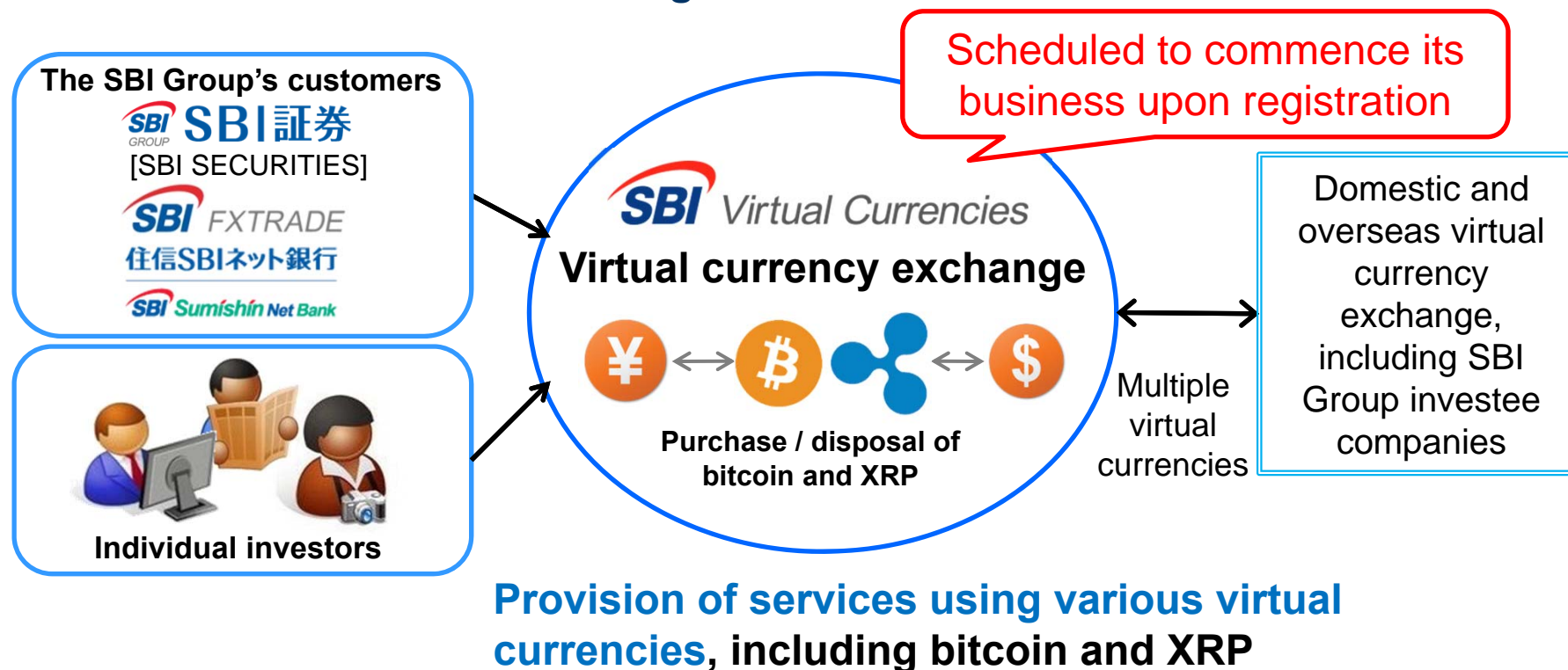
# Possibility of a Renewal of the Bitcoin Split Controversy

Multiple proposals on how to update the underlying technology for Bitcoin (illustrated below):



# SBI Group Entering into the Virtual Currency Trading Business

In cooperation with domestic and overseas virtual currency exchanges, including FinTech Fund investee companies, preparing the provision of services utilizing various virtual currencies



Following the enforcement of the Payment Services (Amendment) Act, with reference to the service offerings for the SBI Group companies, is establishing an exchange structure that offers liquidity for various virtual currencies, by sequentially advancing the cooperation between virtual currency exchanges domestically and overseas

# Pursuing Convenience and Public Interest that is Lacking in Conventional Financial Service, by Developing and Proposing Services which Utilizes Virtual Currencies' Features



Preparing to sequentially provide services, including virtual currency trading services, in conjunction with the development of use cases of virtual currencies

## ◆ Virtual currencies

Following the enforcement of the Payment Services (Amendment) Act, considering the **provision of services utilizing various virtual currencies, including bitcoin and Ripple's XRP**, by sequentially advancing the cooperation between virtual currency exchanges domestically and overseas

## ◆ Regional tokens

Exchange and trading services for various virtual currencies, including bitcoin and XRP, as well as regional tokens\*



Considering the handling, not only of virtual currencies with floating exchange rates, but also of coins with exchange values of JPY 1 or USD 1

## ◆ Group coin

Exchange of SBI Coin (tentative name), which will be developed within the Group, with various virtual currencies, such as cash, SBI Points and gold

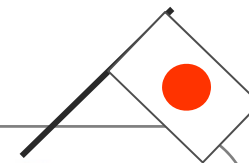
→ SBI Coin: Plans to play a role as a **bridge currency for various digital assets** and inter-business settlements

\*Regional token: Substitute currencies, claim receipts and vouchers distributed within the region



**By undertaking the development of services with high public interest,  
will propose an ideal form of virtual currency**

# Preparing the Establishment of a New Virtual Currency Exchange Market that Enables the Exchange and Trading Services of Various Virtual Currencies Distributed Around the World



## Global virtual currency exchange market

New virtual currency exchange

**SBI MAX** (tentative name)

### Multi Virtual Currencies



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

Plans to be established in Hong Kong

## Domestic exchange market

 *Virtual Currencies*

*Exchange*

*Service*

*Digital Asset Management*

*Product*

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



Investors around the world, including Japan

### **(iii) Strengthening alliance with R3**

# The SBI Group Participates on a Full-fledged Basis in a Blockchain Project Led by R3



## -Strengthening the cooperation to utilize blockchain-

- ◆ This consortium led by the U.S. R3 currently has the participation of more than 80 of the world's major financial institutions
- ◆ This represents the world's largest working group that is endeavoring towards the optimization of the financial markets, utilizing blockchain
- ◆ SBI is participating in LEIA2, a project led by R3 which verifies the identity management by utilizing distributed ledgers. Also, consideration with other financial institutions for the commercialization of Corda, a distributed ledger technology for financial institutions, which became an open-source in Nov. 2016, is progressing



R3, along with other major financial institutions of the world, will promote Corda as a global standard in the financial field

### Main financial institutions participating in R3's project

UBS, KBC, US Bank, Well Fargo, Mizuho Bank, Scotiabank, BNPP, SBI, Natixis, ING, Deutsche Bank, OP Financial, ITAU, SGX, MAS, MUFG, CTBC, CMB, Nomura, Western Asset Management, Intesa Sanpaolo, RBC\*

\* As of Apr. 2017

**SBI is proactively promoting the validation of the technology for incorporation into the Financial Services Business**

# The SBI Group Becomes the Largest Outside Shareholder of R3, and Dispatches a Director, to Further Strengthen Cooperation

(Announcement on May 2017)



**Raises USD 107m from over 40 consortium participant companies**

**Major investment company to R3:**

<b>Overseas</b>	<b>Wells Fargo, Bank of America Merrill Lynch, HSBC, Citi, BNP Paribas, and others</b>
<b>Japan</b>	<b>The SBI Group, Mitsubishi UFJ Financial Group (MUFG), Sumitomo Mitsui Banking Corporation, Mizuho, Nomura, Daiwa Securities Group</b>



**R3 will use the funds to accelerate technology development and expand strategic partnerships for product deployment. R3's efforts will be focused on Corda, R3's DLT platform for regulated financial institutions, and its infrastructure network**

**The SBI Group became the largest outside shareholder of R3 to further strengthen cooperation in the utilization of distributed ledger technology**

## **② Expanding the API economy in collaboration with investee companies**



# Prior to Governmental Policies, the SBI Group has been Promoting Various API Collaborations with Venture Companies Involved in Technology Development



On May 26, 2017, the Diet passed a bill to amend the Banking Act to require banks and credit banks to make efforts with respect to open API

## SBI Sumishin Net Bank's case example, preceding governmental policies

Start	Affiliation Company	Service
Dec. 2016	NestEgg	Automatic savings service“finbee” (Collaborative service using Japan’s first upgraded API*)
Feb. 2017	WealthNavi	Robo-Advisor service (Japan’s first usage of API in identity confirmation)
Mar.	Money Forward	Automatic household account book service, asset management service, transfer service linked function using API with cloud-based accounting software and business loan service based on accounting transactions
Apr.	Freee	Transfer service linked function using API with cloud-based accounting software
Sept. (plan)	SBI Business Solutions	Plural transfer service linked function using API with cloud-based accounting software

API (Application Programming Interface)

Mechanism to enable the managing of data and software functions from an outside program source.

\* An upgraded API is a connection method between systems that enables transactions, such as transfers, between a primary account and a specific-purpose account without service providers having access to the user's login ID, password, or personal information

## **③ Promoting utilization of AI in the SBI Group's various business fields**

# Started Providing Robo-advisors Services as an Asset Formation Service, to Further Expand the Business



## ■ WEALTHNAVI

(Venture investee company of the FinTech Fund)



Launched “WealthNavi for SBI SECURITIES,”  
a customized robo-advisors service on Jan. 31, 2017

住信SBIネット銀行



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

Combined balance of customer assets expanded to JPY 13.8bn

\* Amounts are rounded to the nearest JPY 100 million (as of July 25, 2017)



(Venture investee company of the FinTech Fund)



“THEO+ SBI SECURITIES”

住信SBIネット銀行



“THEO+ SBI Sumishin Net Bank ”

Launched from each company on July 26, 2017

# Morningstar Japan Offers a Robo-advisor Asset Management Tool, to Major Financial Institutions

- **17 companies** are using Morningstar's robo-advisor management tool
- Besides introducing to the financial institutions that sell investment trusts, providing customized tools for participants in the defined contribution pensions for the first time in Japan

## Examples of service receivers

**SBI SECURITIES, Mizuho Bank, GAIA, ASATSU-DK (defined contribution pension)**



**SBI SECURITIES**



**ASATSU-DK**

A service for members of defined contribution pensions

**By 2020, it is predicted that the outstanding balance of robo-advisors worldwide will amount to **JPY 242tn**<sup>(\*)1</sup>, with expectations of continued future business expansion**

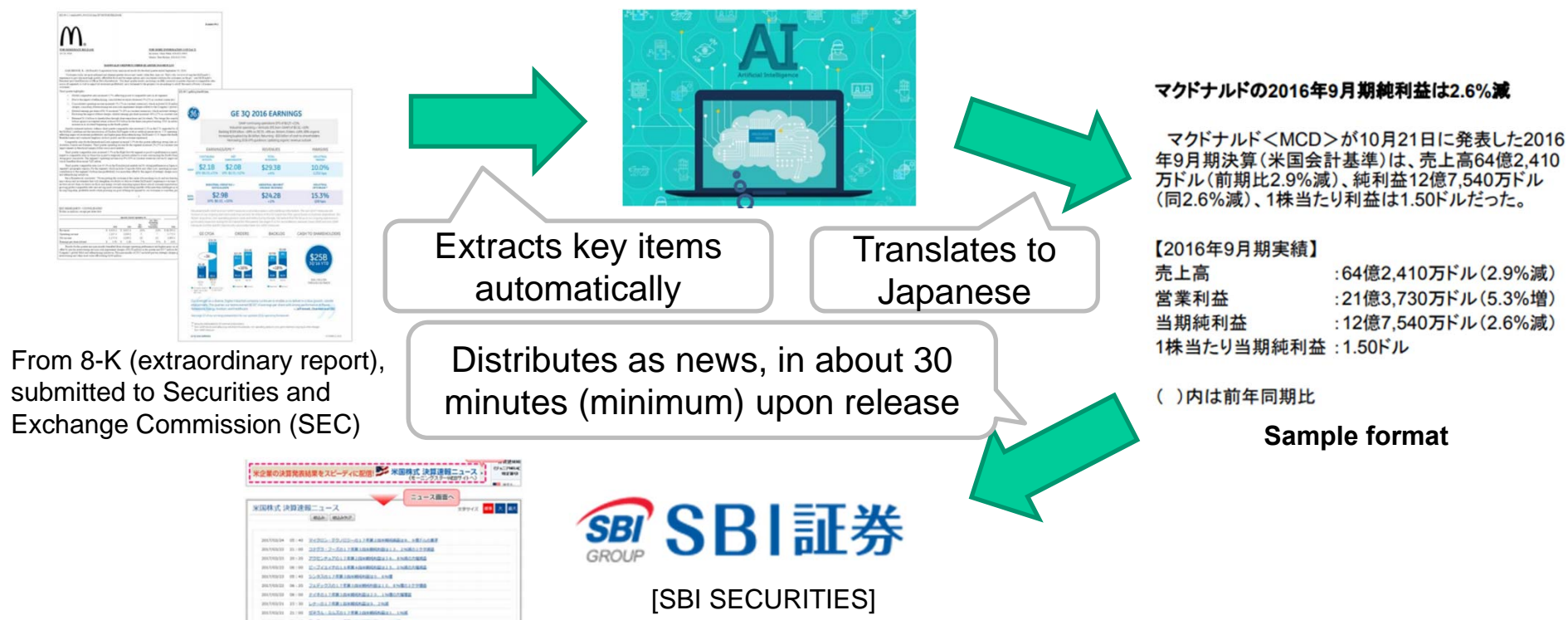
\*1 Source: A.T.Kearny (2015) Hype vs. Reality: The Coming Waves of "Robo" Adoption

\*2 Robo-advisors' outstanding balance includes temporary cash positions, etc

\*3 Converted at USD 1 = JPY 110

# Morningstar Japan Starts Offering the First U.S. Stock Brief Bulletin News Service in Japan Utilizing AI

Key items from Form 8-K (extraordinary report), that is submitted to the U.S. Securities and Exchange Commission (SEC), such as sales and earnings per share, are extracted by the AI and automatically translated into Japanese and distributed as news, and is now being offered as a service at SBI SECURITIES



**Contributing to domestic investors' asset management, by providing accurate information on the rising U.S. stock market, where there is little information available in Japanese**

## SBI Liquidity Market and SBI FXTRADE are Partnering with Microsoft Japan to Develop a FX Trading Service Utilizing AI

SBI Liquidity MarketSBI FXTRADE

## Microsoft Japan

**Joint development of an AI that automatically responds to inquiries from SBI FXTRADE's service users**

**With Microsoft Japan's AI know-how, will complement and improve the current customer support services through a real-time response to customers' various inquiries, by introducing a chatbot\* that is equipped with deep learning functions**

\* Chatbot: A computer program which conducts automated conversations with the users



**Endeavoring to realize a response level similar to that of humans, which will also be available in the evenings and on holidays**

## **SBI SAVINGS BANK Collaborated with the DAYLI Financial Group (formerly Yello Financial Group) to Prevent Bad Debts, and has Utilized a New Screening Model Based on FinTech Technology from Apr. 2017**



**SBI SAVING BANK**



A digital financial service company composed of many FinTech start-ups in South Korea, with an affiliated subsidiary that provides big data solutions for financial institutions through the utilization of machine learning technology

- **Through the utilization of machine learning technology, it becomes possible to further discriminate customer creditworthiness.**
- **By back data testing, it was confirmed that there were customers who can be extracted as potentially good customers, who were previously not able to get a loan based on the existing screening model**

**KRW 2.0bn increase in loans (+2.9%) due to a new screening model**  
**In addition, zero delinquencies among newly approved loans**

**(2) Thoroughly utilizing the SBI Group's management resources to realize regional revitalization, through the invigoration of the regional financial institutions**



# Restructuring Movement at the Regional Banks, to Improve Management Efficiency and Profitability



Reorganization through management integration, etc., becoming active nationwide

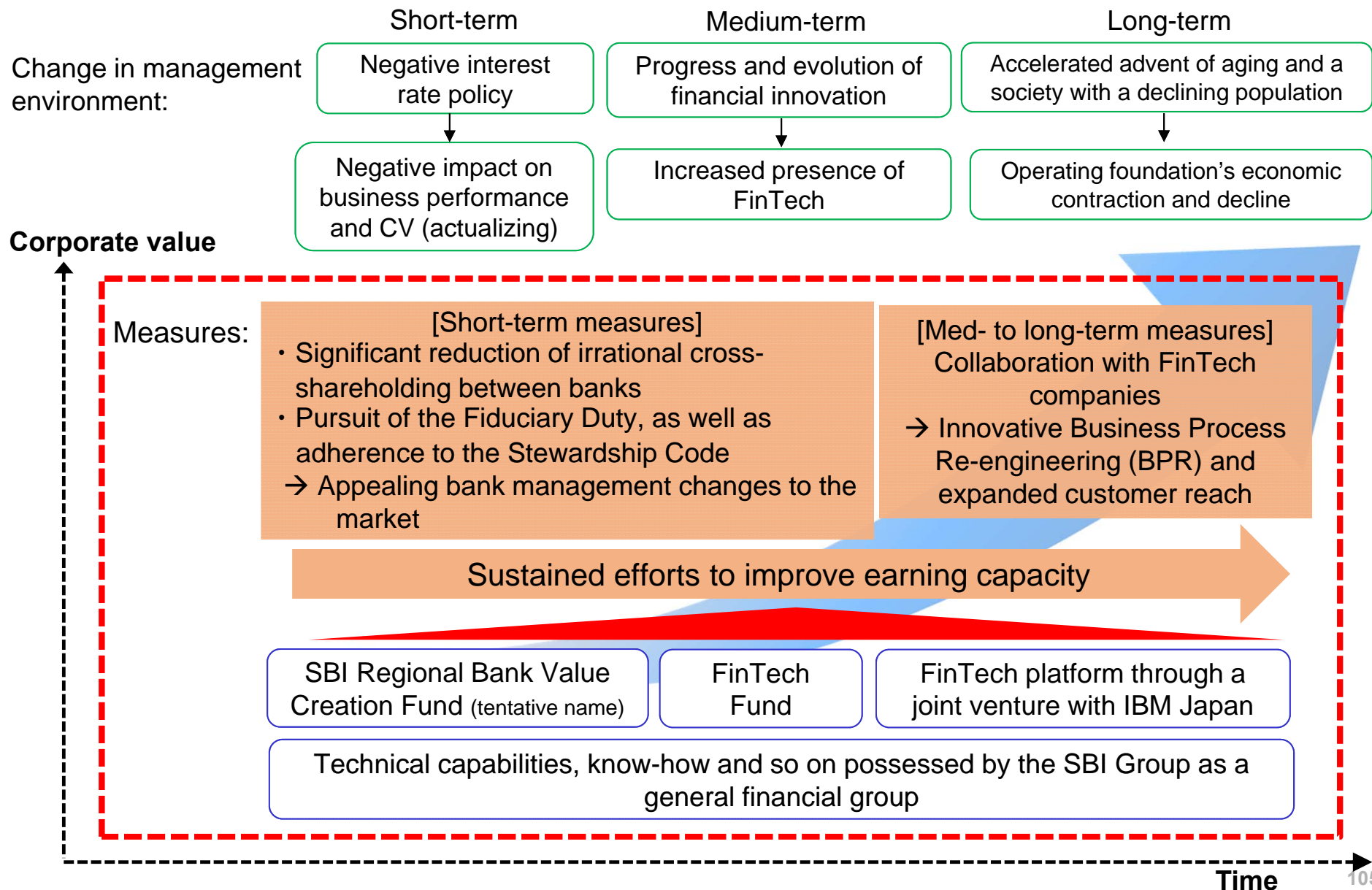
Alliance	Nov. 2016	A comprehensive alliance between 4 banks in Shikoku (The Awa Bank, The Hyakujushi Bank, The Iyo Bank, The Shikoku Bank)
Merger	May 2018 (planned)	The establishment of Kiraboshi Bank by 3 bank under the banner of Tokyo TY Financial Group (The Tokyo Tomin Bank, The Yachiyo Bank, ShinGinko Tokyo)
Management integration through a holding company format	Apr. 2016	Inauguration of Concordia Financial Group by The Bank of Yokohama, and HIGASHI-NIPPON BANK
	Oct. 2016	Inauguration of Mebuki Financial Group by The Joyo Bank and The Ashikaga Bank
	Mar. 2017	Basic agreement of business integration by 3 banks, which are Kansai Urban Banking Corporation, The Minato Bank, Kinki Osaka Bank)
	Oct. 2017 (postponed)	Implementation of business integration by Fukuoka Financial Group and The Eighteenth Bank

On the other hand, there are cases where integration is shown to be difficult

**The Fair Trade Commission postponed an integration between Fukuoka Financial Group and The Eighteenth Bank indefinitely, manifesting a cautious attitude toward the integration, owing to a prefectural financing market share concern**

**Under such circumstances, measures to improve corporate value other than regional bank restructuring will be required**

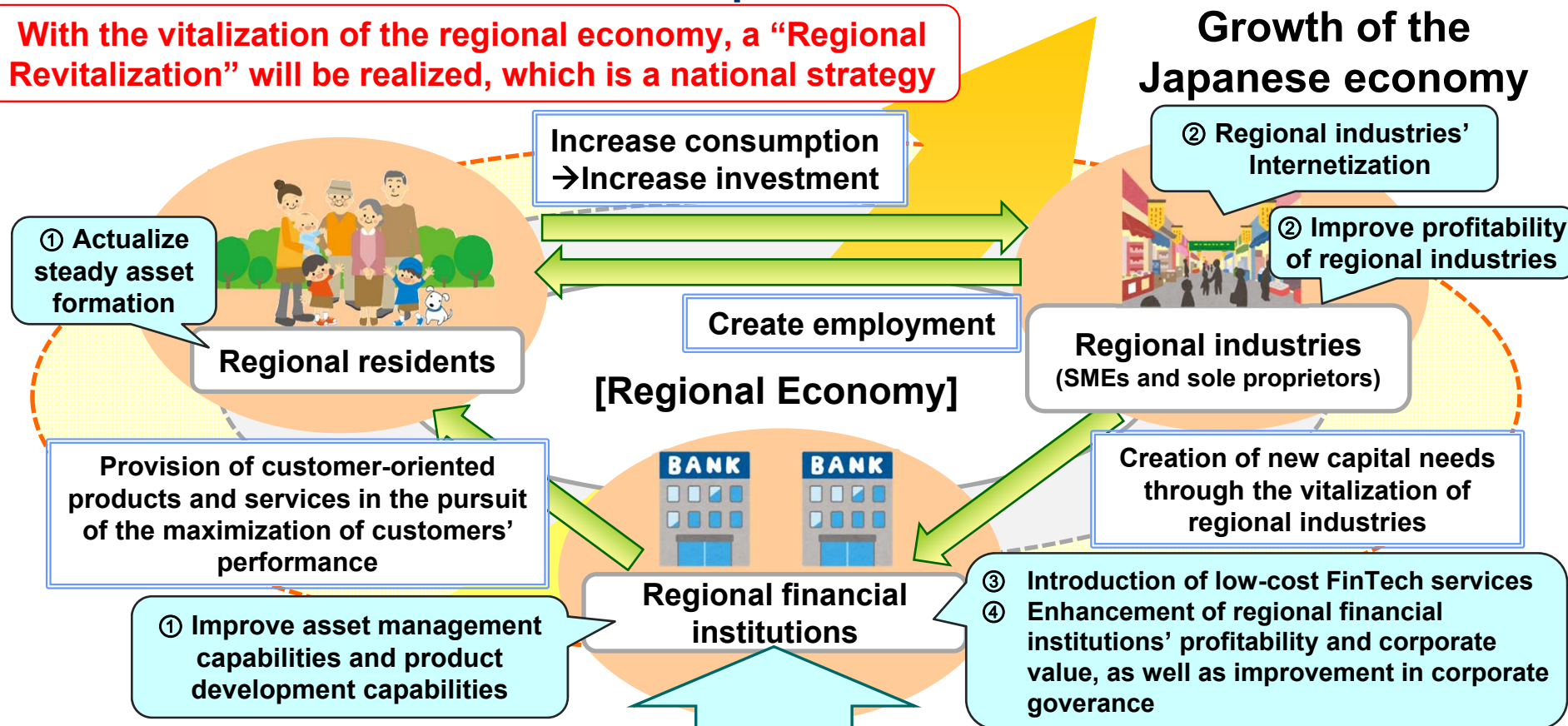
# Roadmap for Regional Financial Institutions' Corporate Value Enhancement



# Regional Financial Institutions will Adapt to Environmental Changes, through the Development of a Truly Customer-oriented Business Model, which will in turn Lead to the Creation of a Virtuous Cycle that will Contribute to the Japanese Economic Growth



With the vitalization of the regional economy, a “Regional Revitalization” will be realized, which is a national strategy



Various management resources of the **SBI GROUP**

① Asset management systems and product development capabilities

② Know-how relevant to various technologies or online businesses

③ New financial services at low cost with high customer benefits, utilizing FinTech

④ SBI Regional Bank Value Creation Fund, to improve the corporate value of the regional financial institutions

# **Regional Financial Institutions will Better Solve Various Issues that They will Face, by Strengthening Their Relationship with the SBI Group**

[The SBI Group's solution proposals for regional financial institutions (examples)]

- ① **Plans to establish the SBI Regional Bank Value Creation Fund (tentative name), to contribute to the elimination of cross-shareholdings and the improvement in corporate governance**
- ② **By partnering with the SBI Group companies, regional financial institutions will be able to develop a new customer base, and to provide various Group financial products on a one-stop basis**
- ③ **In partnership with regional financial institutions, jointly establish an asset management company that utilizes SBI's extensive investment know-how that has been cultivated thus far, to improve asset management capabilities**
- ④ **Through the utilization of funds and the collaboration with IBM Japan, establish a support system for FinTech services at regional financial institutions**
- ⑤ **With the enforcement of the revised banking act, will support the regional financial institutions' direct investments into FinTech ventures**

## Planning the Establishment of a New Fund to Enhance the Corporate Value of the Regional Financial Institutions

- ✓ By utilizing the fund to eliminate interbank cross-shareholdings, an effective utilization of capital becomes possible
- ✓ Raise capital through cash or in-kind contributions for the new fund from major financial institutions, such as major city banks and major institutional investors, to endeavor to increase the corporate value of the regional financial institutions, of which the Fund has acquired shares, through the support system for FinTech and etc. by the SBI Group



- ② **By partnering with the SBI Group companies, regional financial institutions will be able to develop a new customer base, and to provide various Group financial products on a one-stop basis**
  - (i) Current state of regional financial institutions**
  - (ii) SBI MONEY PLAZA**
  - (iii) SBI SECURITIES**
  - (iv) Insurance business companies**



② - (i) Present state of the regional financial institutions:



## The Regional Financial Institutions' Current Situation Regarding Pure-play Online Branches

**Among the 105 total regional banks, currently only 65 pure-play online branches are provided, with limited financial products offered**

### Examples of financial product offerings:

	Deposit	Investment Trust	Bond	Stock	Life Insurance	Non-life Insurance	Foreign Exchange
Bank A	○ Ordinary, fixed and foreign currency deposits	○ 108 types	×	×	×	×	×
Bank B	○ Ordinary, fixed and foreign currency deposits	×	×	×	×	×	×
Bank C	○ Ordinary, fixed and foreign currency deposits	○ 65 types	×	×	×	×	×
Bank D	○ Ordinary and fixed deposits	×	×	×	×	×	×

**Diversification of financial product offerings is essential in improving profit per customer and customer satisfaction**

② - (i) Present state of the regional financial institutions:



## The SBI Group's Joint Operation Example: Suruga Bank SOFTBANK Branch

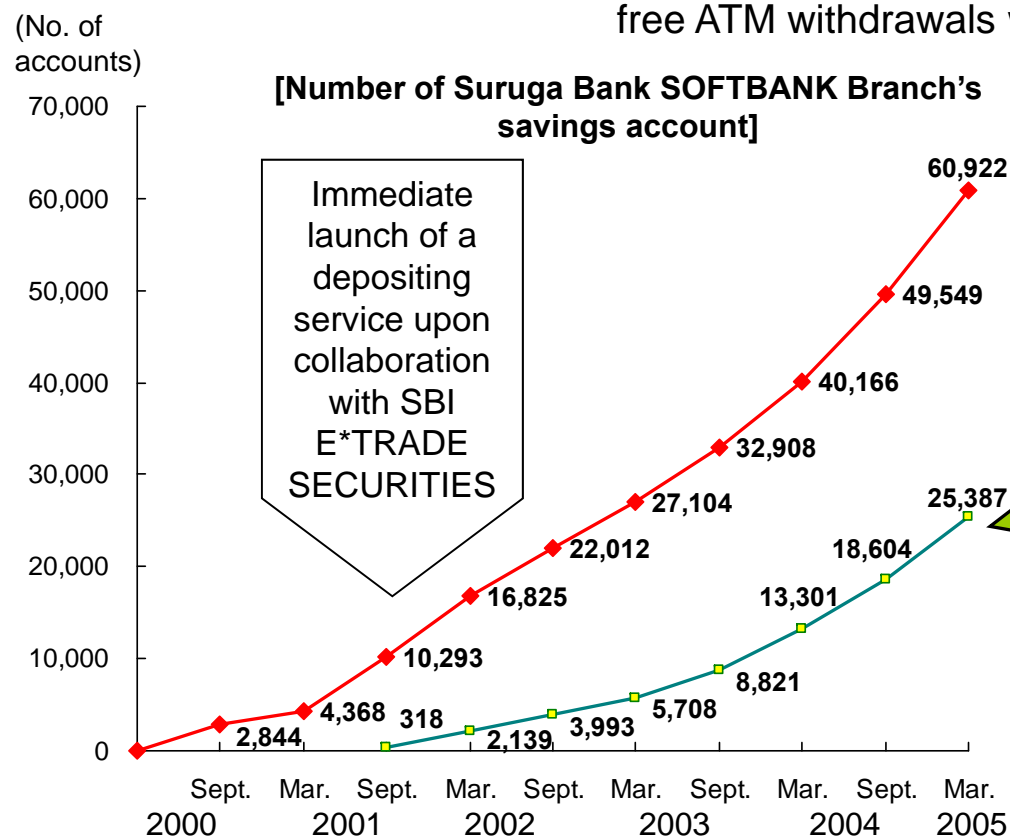
In Apr. 2000, SBI E\*TRADE SECURITIES (currently SBI SECURITIES) jointly established Suruga Bank SOFTBANK Branch with Suruga Bank. At the time, this branch was at the top among the entire Suruga Bank branches, in terms of the growth rate in the number of customers

**E\*TRADE**  
J A P A N



[Suruga Bank  
SOFTBANK Branch]

Immediately upon the collaboration, a deposit service and services such as fee free ATM withdrawals were instituted



Aug. 2001; Achieved profitability on a monthly-basis in a short span of time, in one year and four months

FY2001; Achieved full-year profitability in two years and since then, continued to stay profitable

of which, SBI E\*TRADE SECURITIES' customers (approx. 40%)

As of the end of Aug. 2007, the total number of accounts reached 223,405, with deposit balance of JPY 20.5bn

\* In Sept. 2007, owing to SBI Sumishin Net Bank's start of operations, dissolved partnership with Suruga Bank



② - (i) Present state of the regional financial institutions:

# The Regional Financial Institutions' Current Situation



## Regarding their Asset Management Business

**Of the 105 regional banks, 22 have a securities subsidiary under their aegis, but with limited online capabilities**

The number of regional banks with a securities subsidiary:

	The number of regional banks with a securities subsidiary
First-tier regional banks	21 banks of all 64 banks
Second-tier regional banks	1 bank of all 41 banks

The number of SBI SECURITIES' investment trust offerings :  
Publicly offered investment trusts number over 2,526, including over 1,165 no-load investment trusts.  
Both are the largest in Japan.  
(as of July 19, 2017)

Examples of products offered:

	Able to trade via the Internet	The number of investment trusts	Able to buy IPO stocks
Securities A	○ (necessary to apply at face-to-face shops)	307	○
Securities B	○	119	○
Securities C	○	135	○
Securities D	○ (necessary to apply at face-to-face shops)	185	×

## Expanding Revenue Opportunities through Collaboration with SBI MONEY PLAZA

	<b>Banking</b>	<b>Securities</b> (Equity and investment trusts)	<b>Insurance</b> (Auto, cancer, earthquake indemnity, death and medical insurance)	<b>Other financial instruments</b> (FX)
<b>Online</b>	<b>(ii) –a. Internet base branch (SBI MONEY PLAZA branch)</b> (A virtual branch within the branch network)			
<b>Face-to-face</b>	Regional financial institutions' current business domain	<b>(ii) –b. Face-to-face channel “SBI MONEY PLAZA”</b> (Collaboration with SBI MONEY PLAZA)		

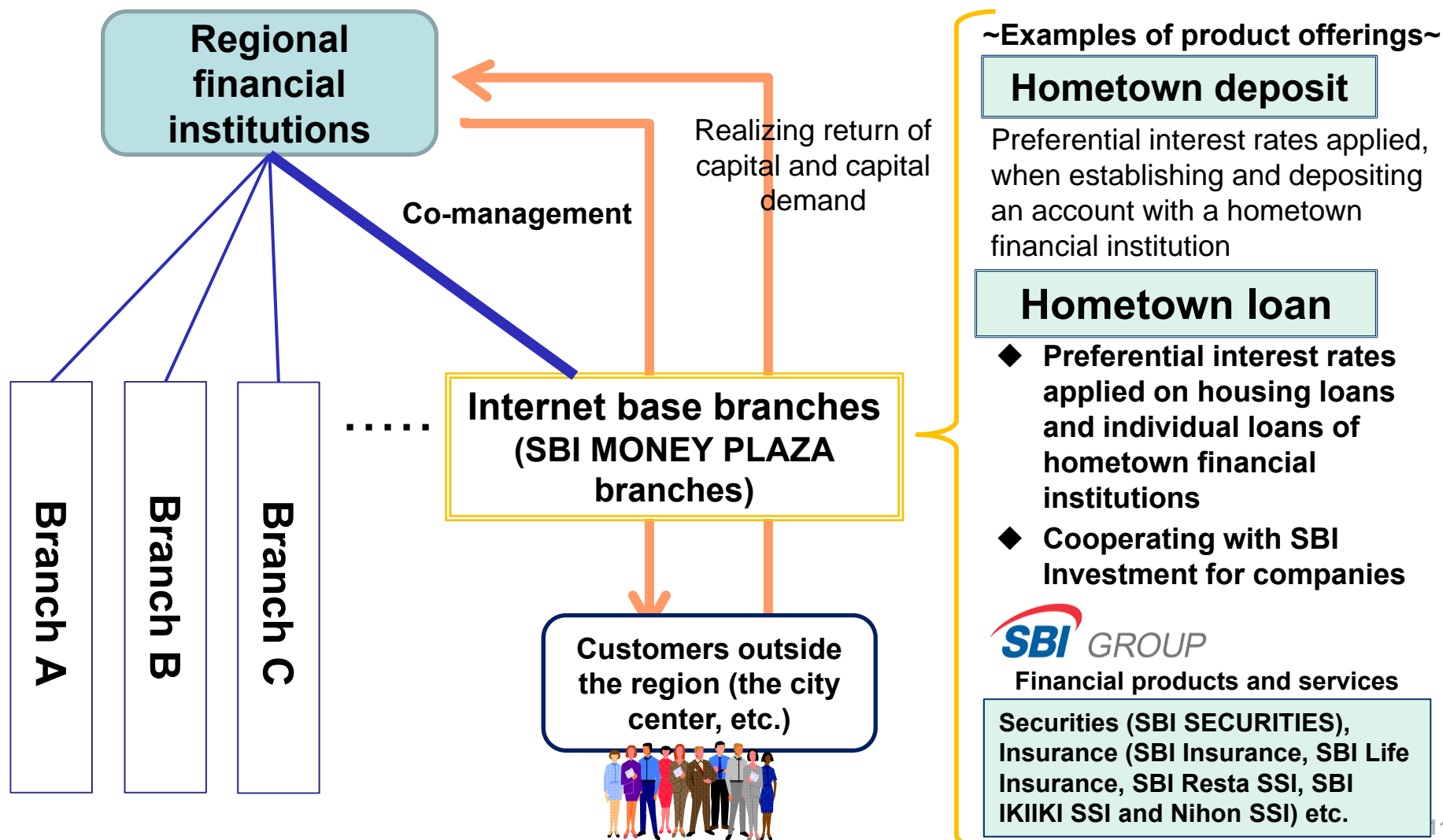
Regional financial institutions cannot accomplish full-scale entry into the Internet or the securities and insurance business domains only through realignment among themselves



Strengthening of online services and enhancement of its product offerings of securities, insurance and other businesses are necessary to meet customer needs

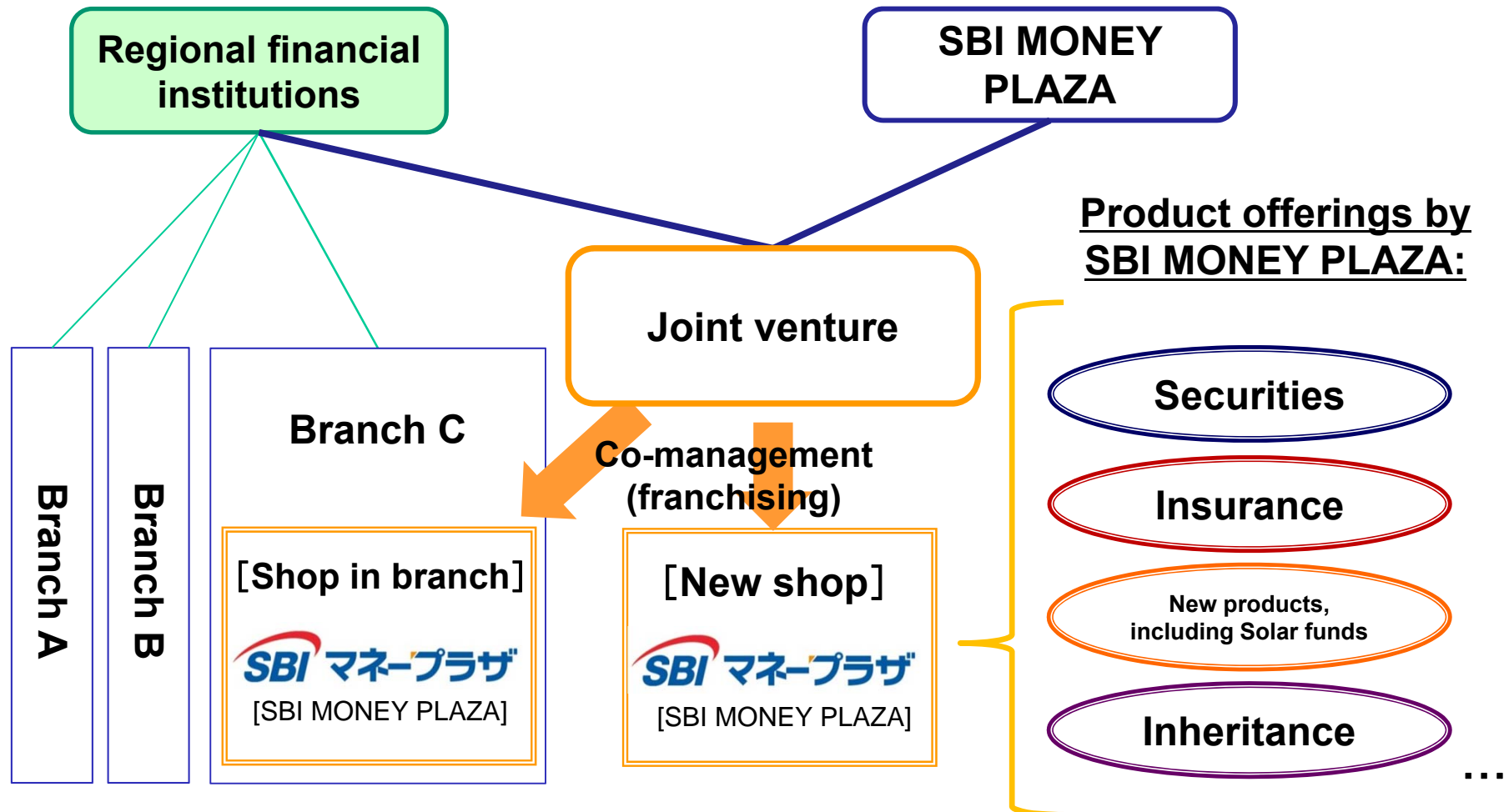
## Establishing Internet-based Branches, Co-managed with SBI MONEY PLAZA Inside the Regional Financial Institutions

Realizing the capital and capital demands flowing back from urban areas, through preferential interest rate measures, such as “hometown deposit” and “hometown loan”



## Expanding Financial One-stop Shop, SBI MONEY PLAZA, through a Joint Venture

Through a joint venture, which will be a face-to-face shop that offers, along with the securities-related and insurance products handled by SBI MONEY PLAZA, various other products such as solar-related products, it becomes possible to provide customers with a one-stop shop with a variety of financial products



## ②-(iii) Cooperating with SBI SECURITIES



# Providing a Full Range of Securities-related Products through Financial Instruments Intermediary Services with SBI SECURITIES

- With regional financial institutions serving as an intermediary brokerage, customers will be able to trade securities via the Internet
- In this way, enables the regional financial institutions to provide its customers online services of the product offerings of SBI SECURITIES, which is the largest online securities company



- Online trading
- Provision of system



Brokerage agency



[Example of alliance]



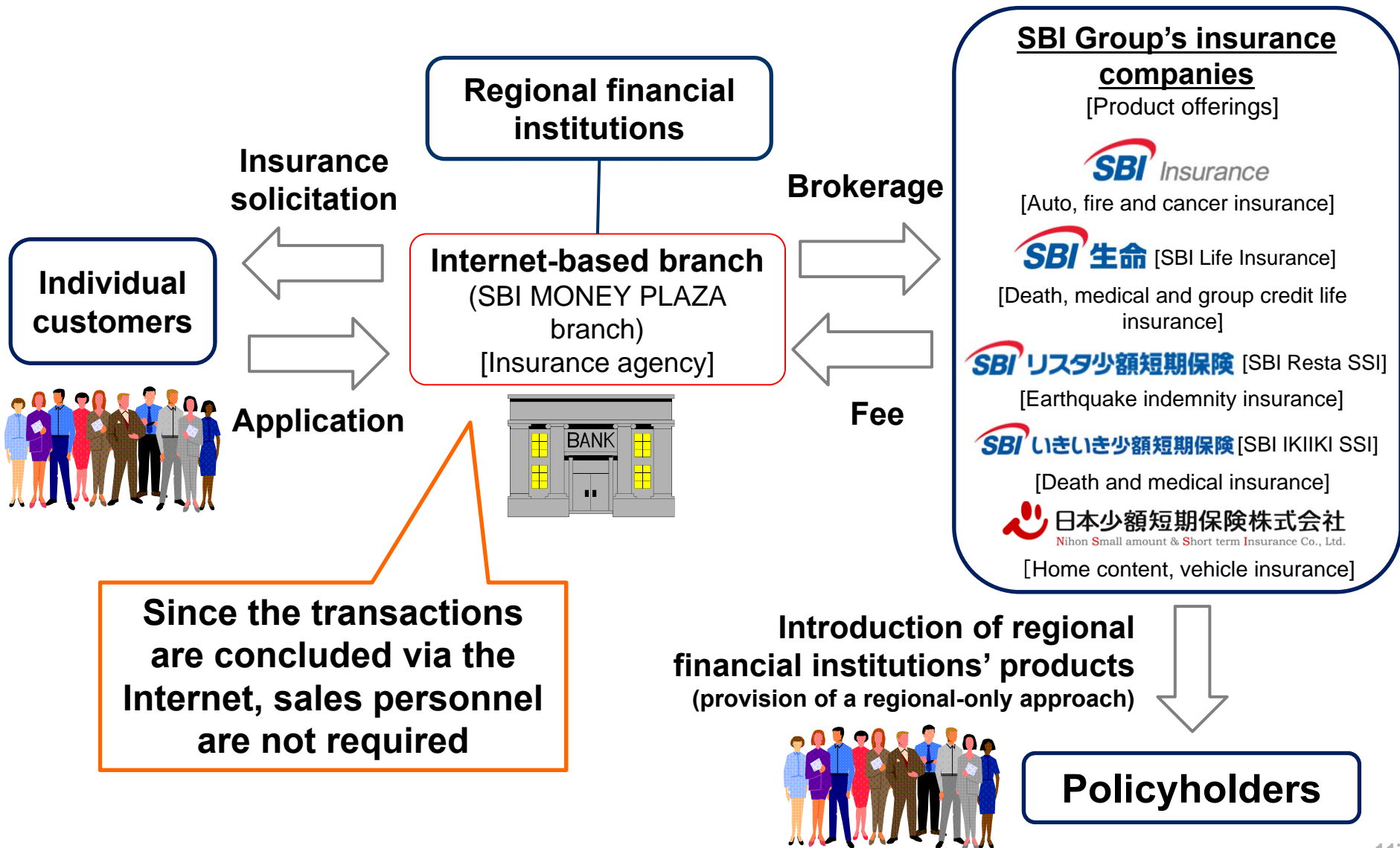
[SBI SECURITIES]



- The Shimizu Bank (Mar. 2017)
- The Ehime Bank (July 2017)

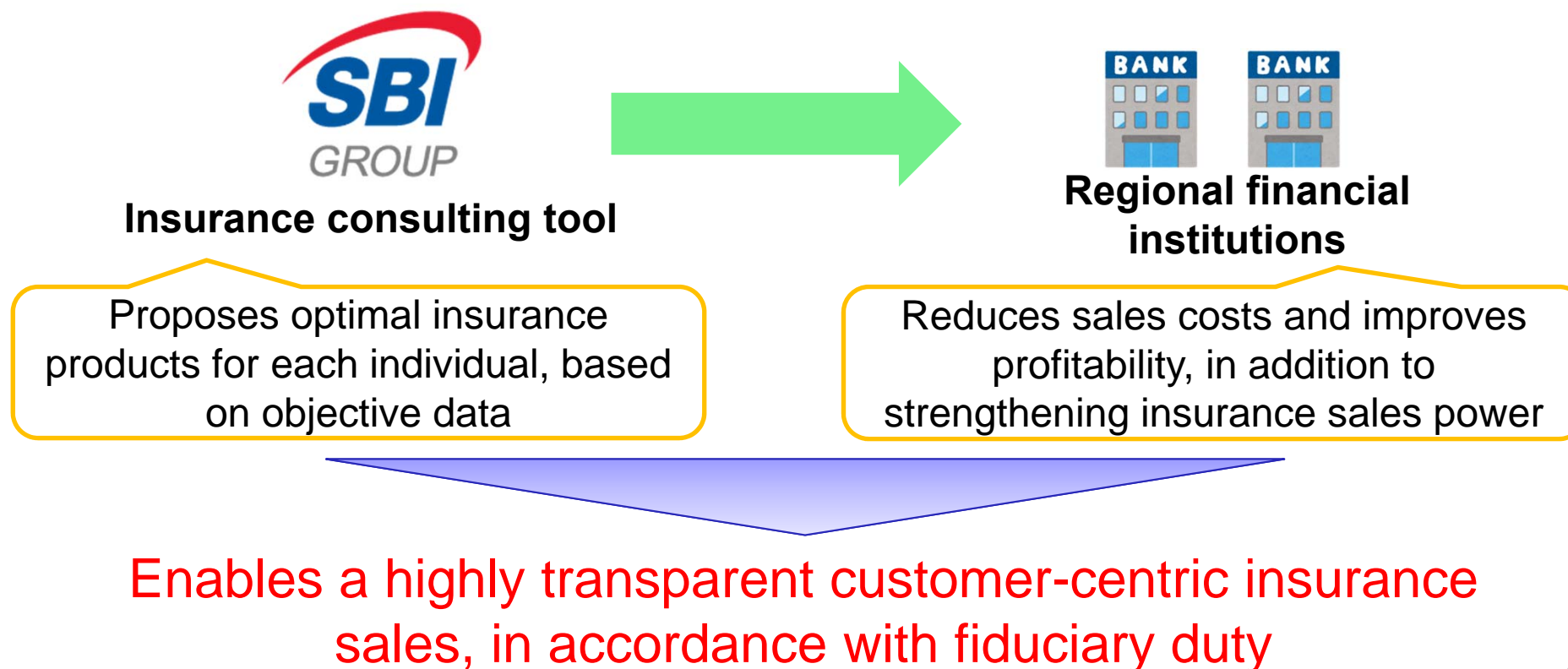
②-(iv) Cooperating with Insurance Business Companies

## By Utilizing the Internet-based Branches as an Agency of the SBI Group Insurance Companies, can Meet Diversified Customer Needs



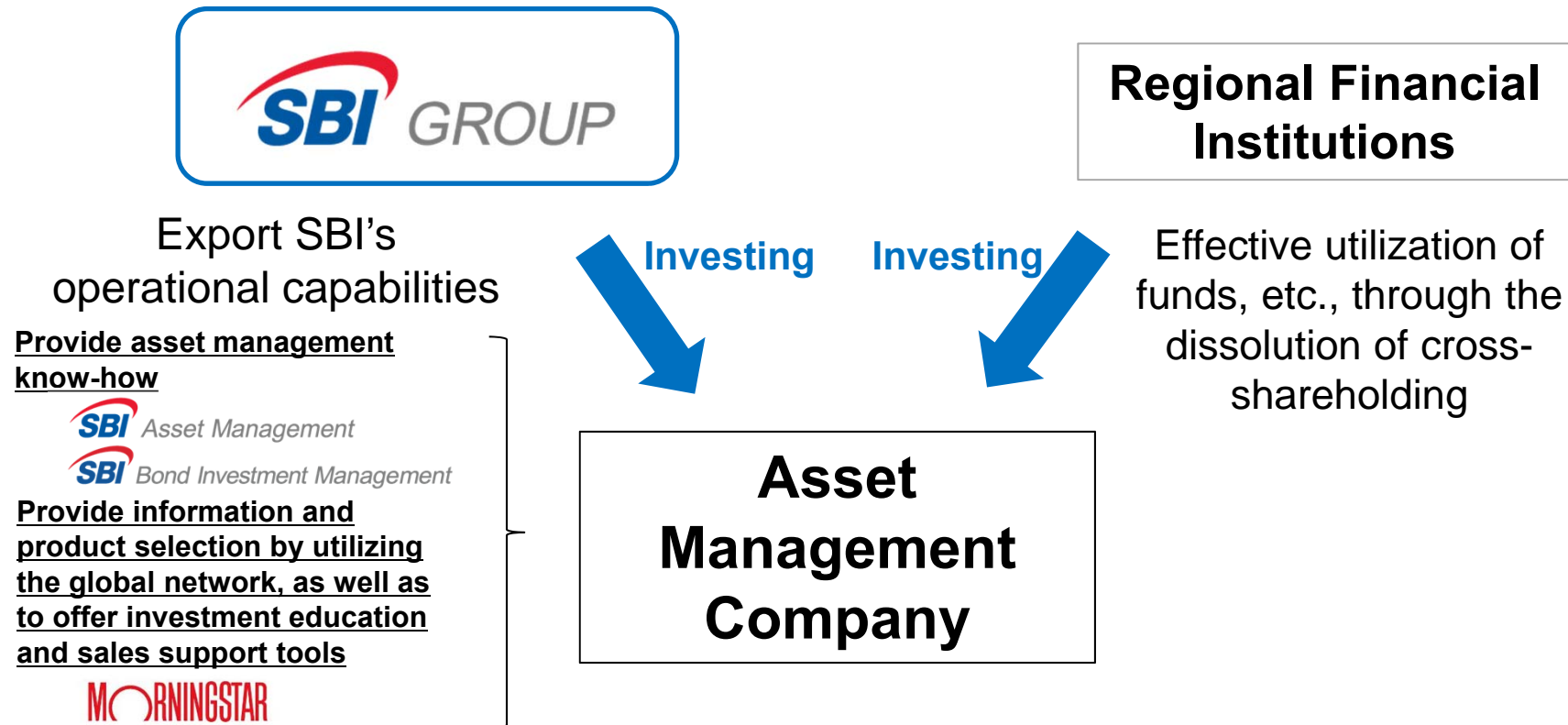
## The Insurance Consulting Service, Under Development by the Group, will Contribute to the Sales of Optimal Customer-centric Insurance Products from the Introduced Financial Institutions

Preparing a new insurance consulting service business, with an insurance diagnostic tool that utilizes AI and big data that will recommend the optimal insurance product for each individual





③ In partnership with Regional Financial Institutions, Jointly Establish an Asset Management Company that Utilizes SBI's Extensive Investment Know-how that has been Cultivated thus far, to Improve Asset Management Capabilities



By establishing a cooperative framework between the regional financial institutions and the SBI Group, with its extensive know-how and expertise related to asset management, it will lead to an improvement of the regional financial institutions' asset management capabilities



# SBI Bond Investment Management (co-founded with PIMCO) has Steadily Increased Its Balance since the Start of Operations in Apr. 2017

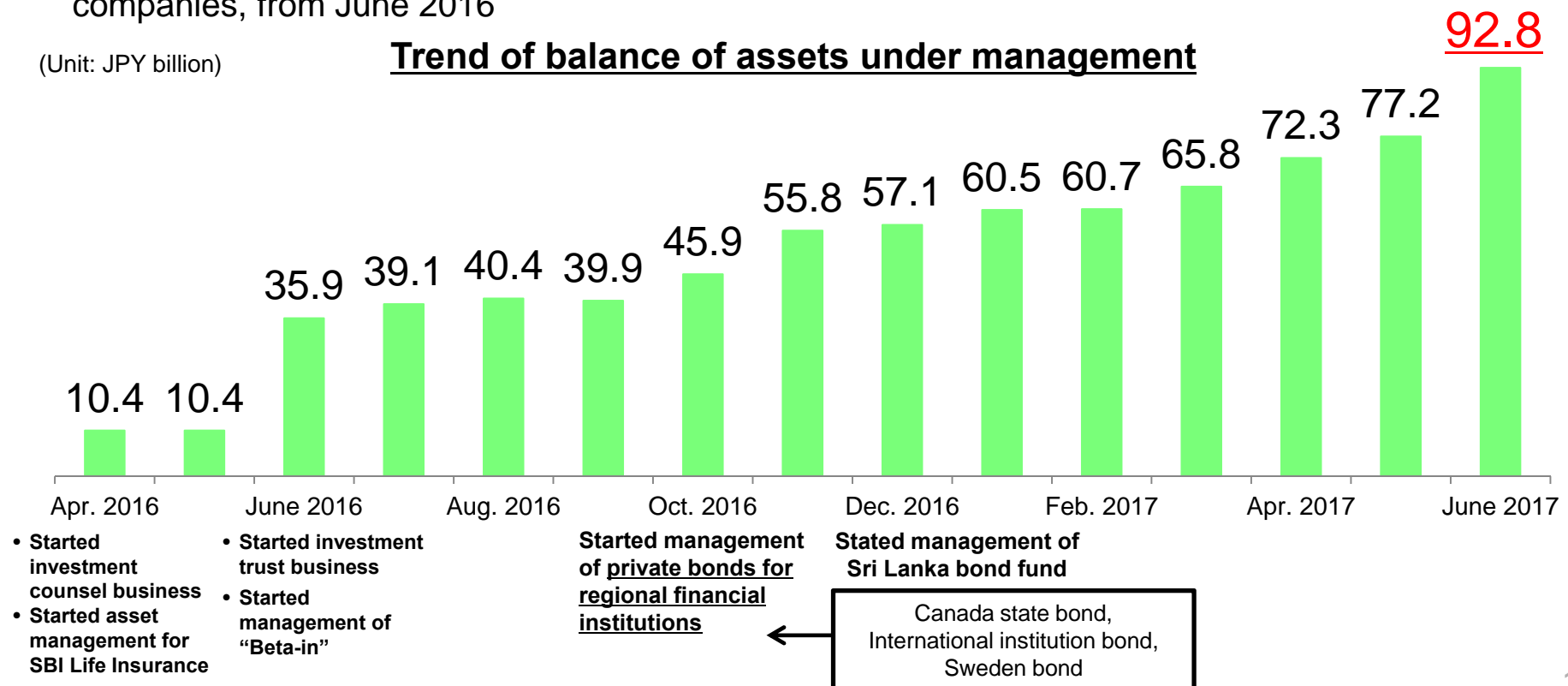


**SBI Bond Investment Management** (Established in Dec. 2015)

- Developing a low-cost active corporate bond fund by applying the highly active bond management capabilities of PIMCO and the technology of the SBI Group
- With the registration as an investment management business completed in Mar. 2016, initiated the establishment and management of a publicly offered investment trust, “SBI-PIMCO Japan Better Income Fund (Beta-in),” which invests in foreign currency denominated bonds issued by Japanese companies, from June 2016

(Unit: JPY billion)

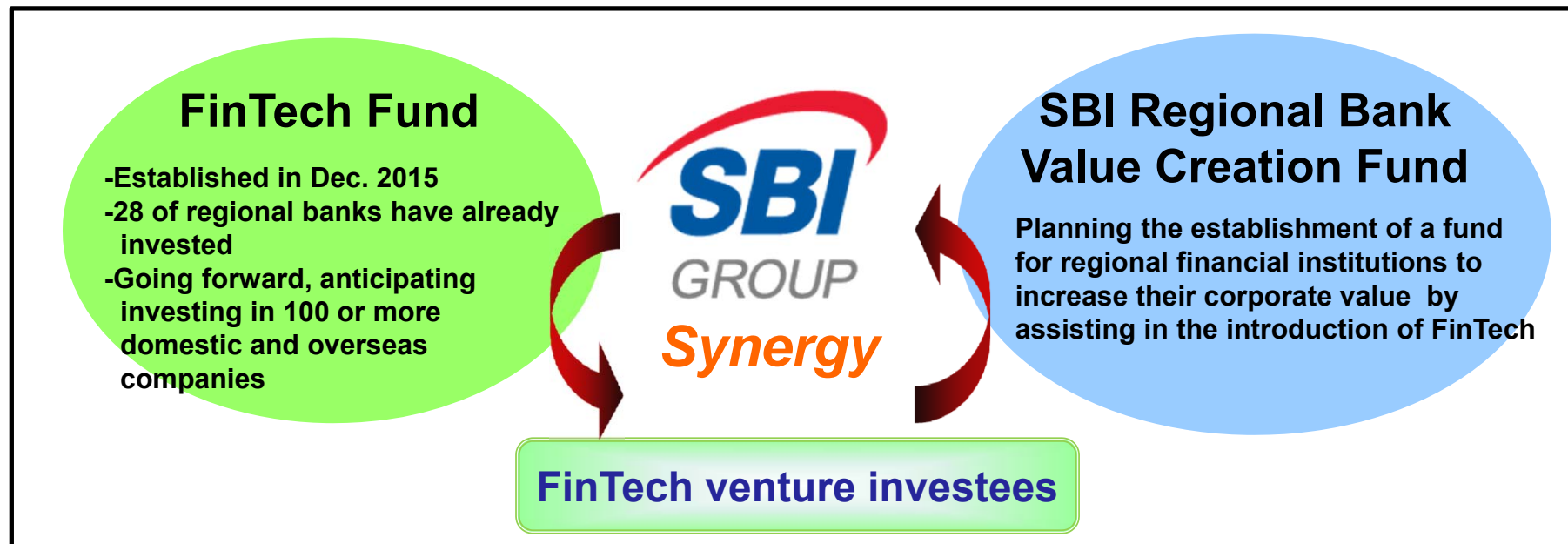
## Trend of balance of assets under management



④ Support for introduction of FinTech



**Through the SBI Regional Bank Value Creation Fund (tentative name), which will be Newly Established, will Support the Introduction of Technologies and Services of the Investee Companies of the FinTech Fund to the Regional Financial Institutions with Capital Ties**



Enhance profitability of regional financial institutions by utilizing FinTech

FinTech ventures' revenue will increase as the number of users of their services increase

Through an increase in the corporate value of the investee companies, will realize a higher management fund performance

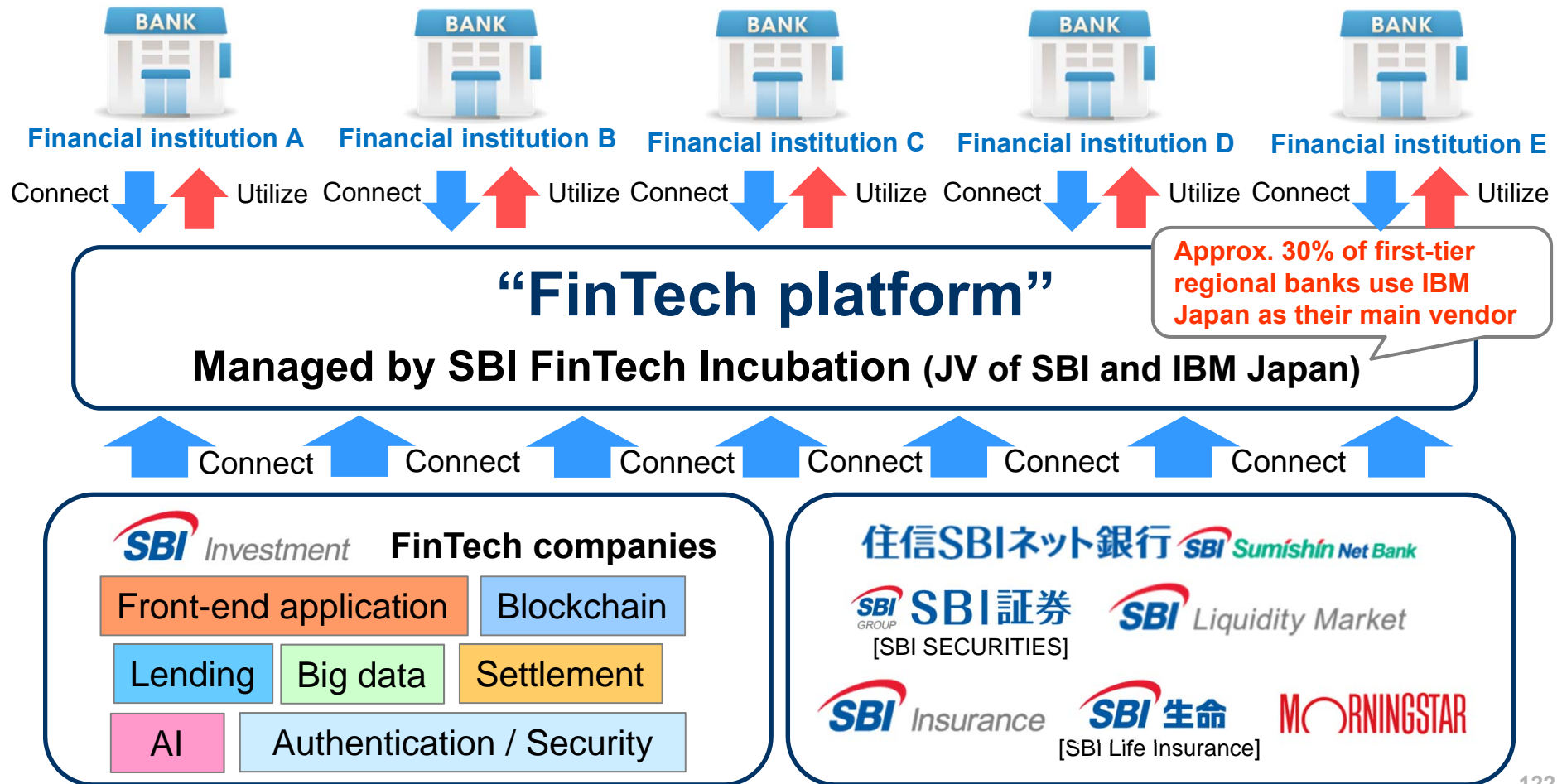
④ Support for introduction of FinTech



## Collaborating with IBM Japan, which has Close Relationships with Regional Financial Institutions, to Establish a Support System for FinTech Services

Proposing an assortment of FinTech venture companies' services and systems to regional financial institutions

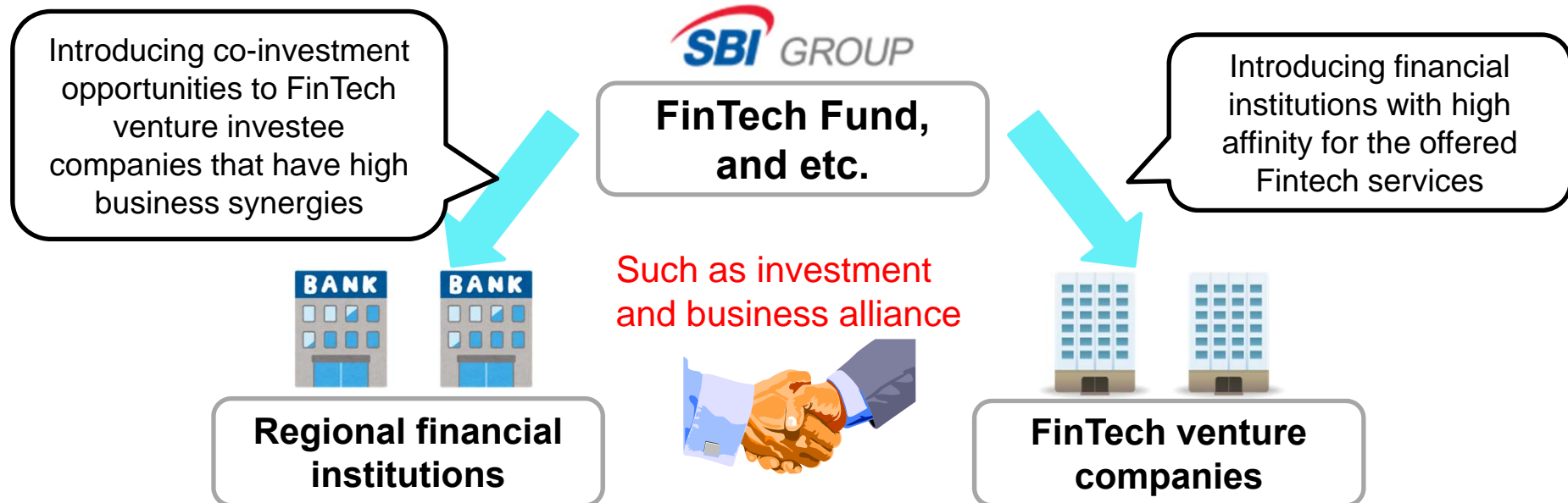
Minimizing regional financial institutions' introductory costs through joint developments



## ⑤ With the Enforcement of the Revised Banking Act, will Support the Regional Financial Institutions' Direct Investments into FinTech Ventures

Because the restriction on equity investment in finance-related IT companies by banking groups (the “5% rule”) was relaxed by amendment of the Banking Act, it is possible for regional financial institutions to actively adopt advanced technologies through equity investments or business tie-ups with FinTech ventures.

An example of an introduction made between a regional financial institution and promising venture investee companies of the SBI Group



**Supporting the creation of a win-win relationship, where the competitiveness of both companies are enhanced**

**(3) Having generally established a global network to become “the World's SBI,” will now transition to a phase of enhancing the overseas financial services business**

# Accumulated Know-how of Overseas Operations through Investments into Asian Financial Institutions, where High Growth is Expected Investment Track Record ①: China



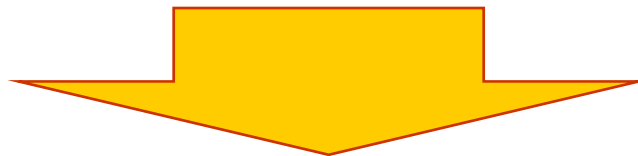
**Tianan Property Insurance Co. Ltd.**



**Invested approx. JPY 4.6bn (June 2011)**

**SBI Group's shareholding at time of investment: 5.74%**

- ◆ **Established in 1994**
- ◆ **Ranks among the top 10 P&C insurance companies in mainland China for insurance premium income**
- ◆ **Provides various insurance services including auto insurance**



**Already recovered approx. JPY 2.3bn by selling approx.  
20% of the shares held**

# Accumulated Know-how of Overseas Operations through Investments into Asian Financial Institutions, where High Growth is Expected

## Investment Track Record ②: South Korea



**E\*TRADE Korea** Invested approx. JPY 4.3bn, including capital increase

Dec. 1999: Established as the first Internet pure-play securities company in South Korea  
June 2004: Acquired by the SBI Group  
Feb. 2007: Listed on the KOSDAQ market in South Korea  
Sept. 2008: Gained approx. JPY19.7bn of profit on sales of investment securities through stock transfer

**Investment return: 4.58x**



**Kyobo Life Insurance**



Feb. 2007: Acquired 4.99% of issued shares (approx. JPY18bn)  
Sept. 2007: Gained approx. JPY 21.3bn of profit on sales of investment securities through stock transfer

**Investment return: 1.18x**

**Accumulated Know-how of Overseas Operations  
through Investments into Asian Financial Institutions,  
where High Growth is Expected  
Investment Track Record ③: Cambodia**



**Phnom Penh Commercial Bank**



**ធនាគារ ភ្នំពេញ ពាណិជ្ជ**  
Phnom Penh Commercial Bank

- ◆ Invested in Phnom Penh Commercial Bank when it opened in Sept. 2008
- ◆ Invested approx. USD 22m
- ◆ The SBI Group held 47.62% of the shares at the time of sale



**In 2016, sold the business to a consortium led by Jeonbuk  
Bank of South Korea  
(Investment return: approx. 2.5x)**



# Focus on Enhancing the Globally Expanded Business Foundation



Business	Company name	Country	Shareholdings*	Investment/ Establishment
Bank	SBI SAVINGS BANK	South Korea	99.0%	Invested in May 2002
	TPBank	Vietnam	19.9%	Invested in Aug. 2009
	YAR-Bank <b>NEW!!</b>	Russia	49.5% → Scheduled to be a 100% subsidiary	Invested in June 2011
	solarisBank	Germany	9.48%	Invested in Mar. 2017
Securities	SBI Royal Securities	Cambodia	65.3%	Established in Feb. 2010
	BNI SEKURITAS	Indonesia	25.0%	Invested July 2011
	FPT Securities	Vietnam	20.0%	Invested Apr. 2011
	SBI Thai Online Securities	Thailand	59.5%	Established in Oct. 2014
	First Guardian Equities	Sri Lanka	40.0%	Invested in Sept. 2016
E-commerce	Sendo	Vietnam	18.0%	Invested in Dec. 2014
	Tokopedia	Indonesia	2.39%	Invested in May 2012

\* SBI's shareholding percentage includes equity of funds managed by the SBI Group  
(as of the end of June 2017)

## Bank Cases ①: South Korea



### SBI SAVINGS BANK (Shareholdings:99.0%)

- Business performance improved dramatically after consolidation in Mar. 2013

#### <Net income trend(Based on K-GAAP)>

(KRW billion)

	Fiscal year ended June 30 2013	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
<b>SBI</b>	-529.2	-329.2	20.2	17.2	74.0
<b>OK</b>	-5.7 <sup>*1</sup>	-8.1	-16.0	5.9	9.2
<b>HK</b>	9.0	21.3	57.3	30.1	10.5
<b>JT Chinae</b>	-27.6	-27.0	1.4	7.1	25.2
<b>Welcome</b>	-2.4 <sup>*2</sup>	-12.6	15.7	19.5	35.2
<b>Hyundai</b>	-59.2	-9.5	35.3	56.5	37.5

\*1 Irregular financial results for four months, owing to establishment on Feb.15 2013

\*2 Irregular financial results for two months, owing to establishment on Apr.12 2013

## Bank Cases ②: Vietnam

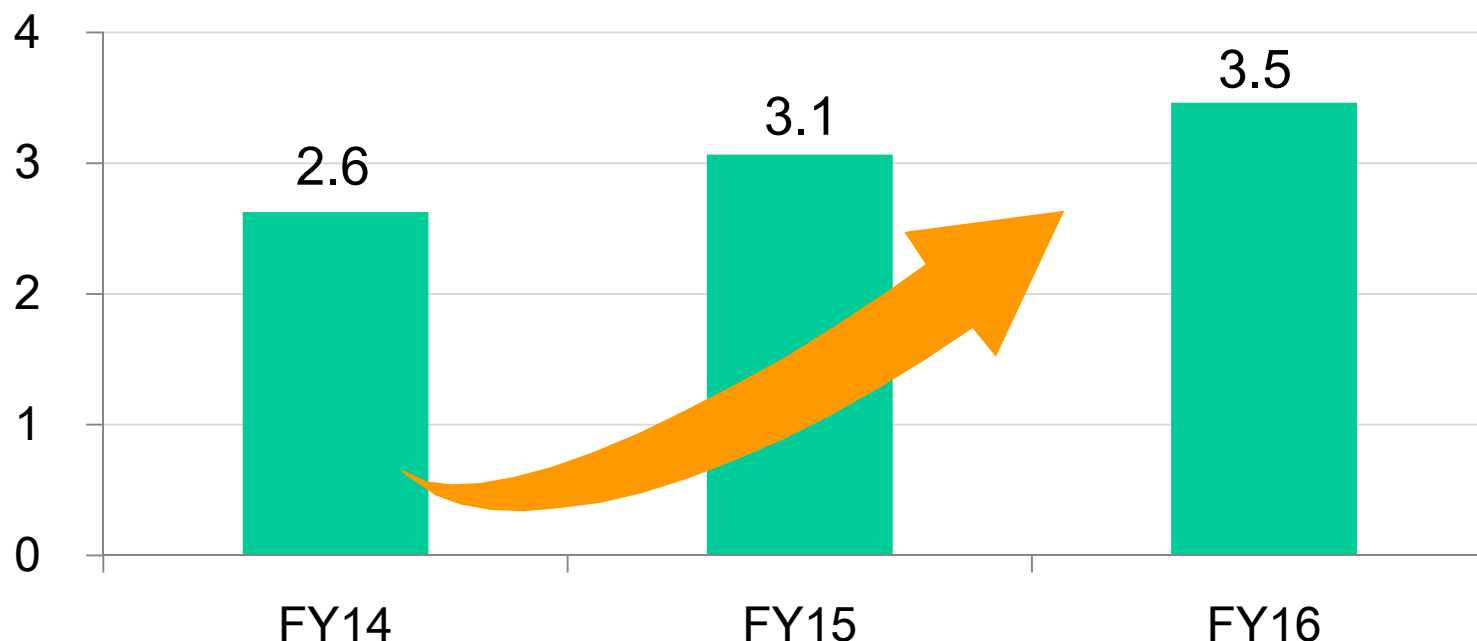


### TPBank (SBI Group's shareholding: 19.9%)

- Providing retail and wholesale banking, primarily in Hanoi and Ho Chi Minh City, with a focus on expanding services to Japanese companies and Japanese residents in Vietnam
- Profit level growing steadily

< The trend of profit before income tax expense >

(JPY billion)



\* Converted at VND 1 = JPY 0.0049

Note: Fiscal Year ("FY") ends December of the corresponding year

## Bank Cases ③: Russia

### Increasing Shareholding Ratio, Focusing on Growth of Banking Business



#### YAR Bank

- Providing credit card settlement services, debit cards, deposits, and payments, primarily for individual customers
- Capital stock: RUB 800m (approx. JPY 1.48bn\*)

\* Converted at RUB 1 = JPY 1.85

#### Disclosed today

The SBI Group purchased METROPOL and etc.'s shares (50.5%), for YAR Bank to become a wholly owned subsidiary

The company name will be changed to a SBI brand in the future



By utilizing SBI Groups' know-how of online financial services and the technologies of investee ventures, endeavor further growth

## Securities Companies Cases ①: Cambodia

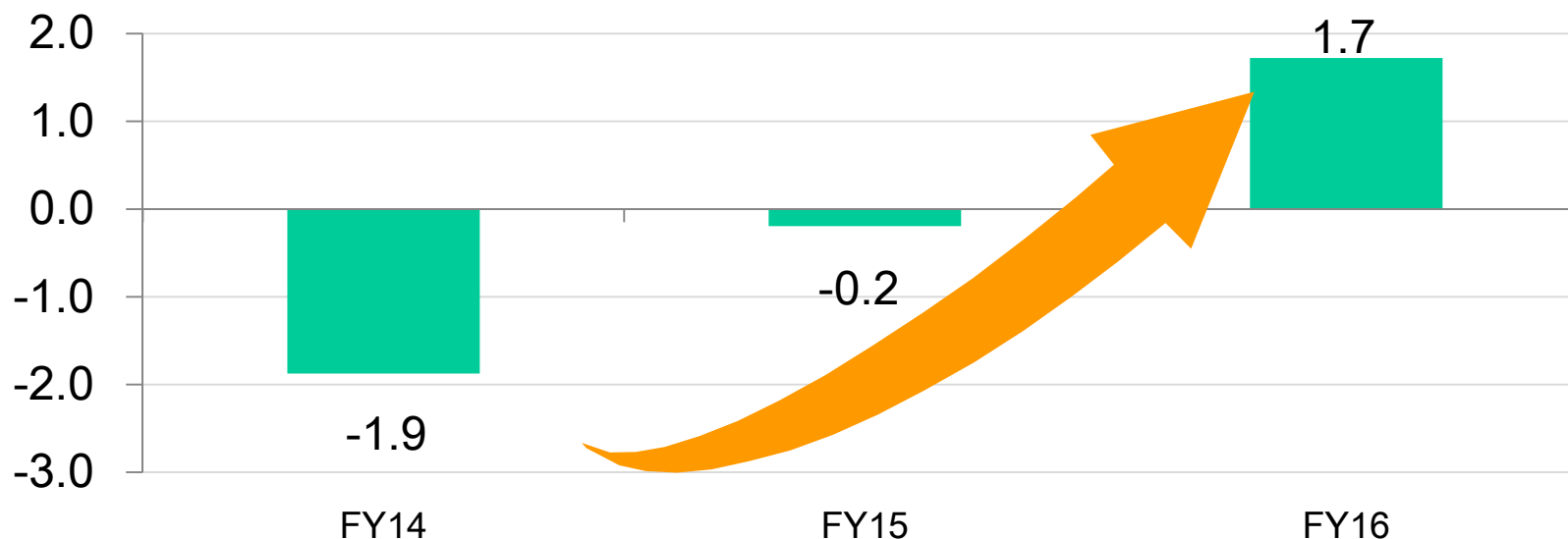


### SBI Royal Securities (SBI Group's shareholding: 65.3%)

- SBI Royal Securities is the only Japanese full-service general brokerage firm in Cambodia that has obtained a full license for the securities business from the Cambodian government.
- The Sihanoukville Autonomous Port was IPO'd on June 8, 2017, for which SBI Royal Securities served as lead manager for the IPO (fifth company to be listed and SBI Royal Securities served as lead manager for 2 companies' IPO among 5 listed companies in Cambodia)

#### < The trend of profit before income tax expense >

(USD million)



Note: Fiscal Year ("FY") ends December of the corresponding year

## Securities Companies Cases ②: Indonesia

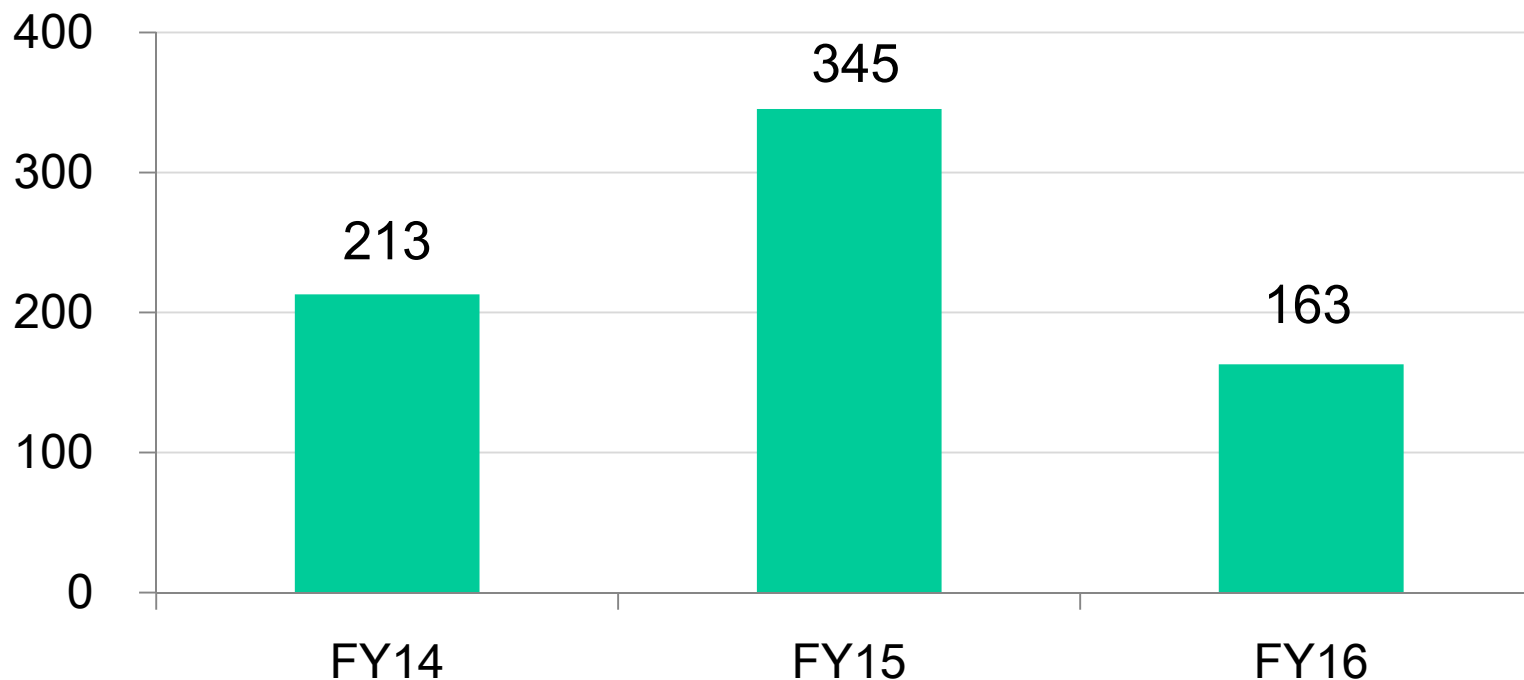


### **BNI SEKURITAS(SBI Group's shareholding: 25.0%)**

- Securities company that is primarily engaged in the brokerage business
- Implements collaborative research on next-generation financial services utilizing blockchain and AI, with Bank Negara, Indonesia's fourth largest state owned bank

#### < The trend of profit before income tax expense >

(JPY million)



\* Converted at IDR 1 = JPY 0.0084

Note: Fiscal Year ("FY") ends December of the corresponding year

## Securities Companies Cases ③: Vietnam

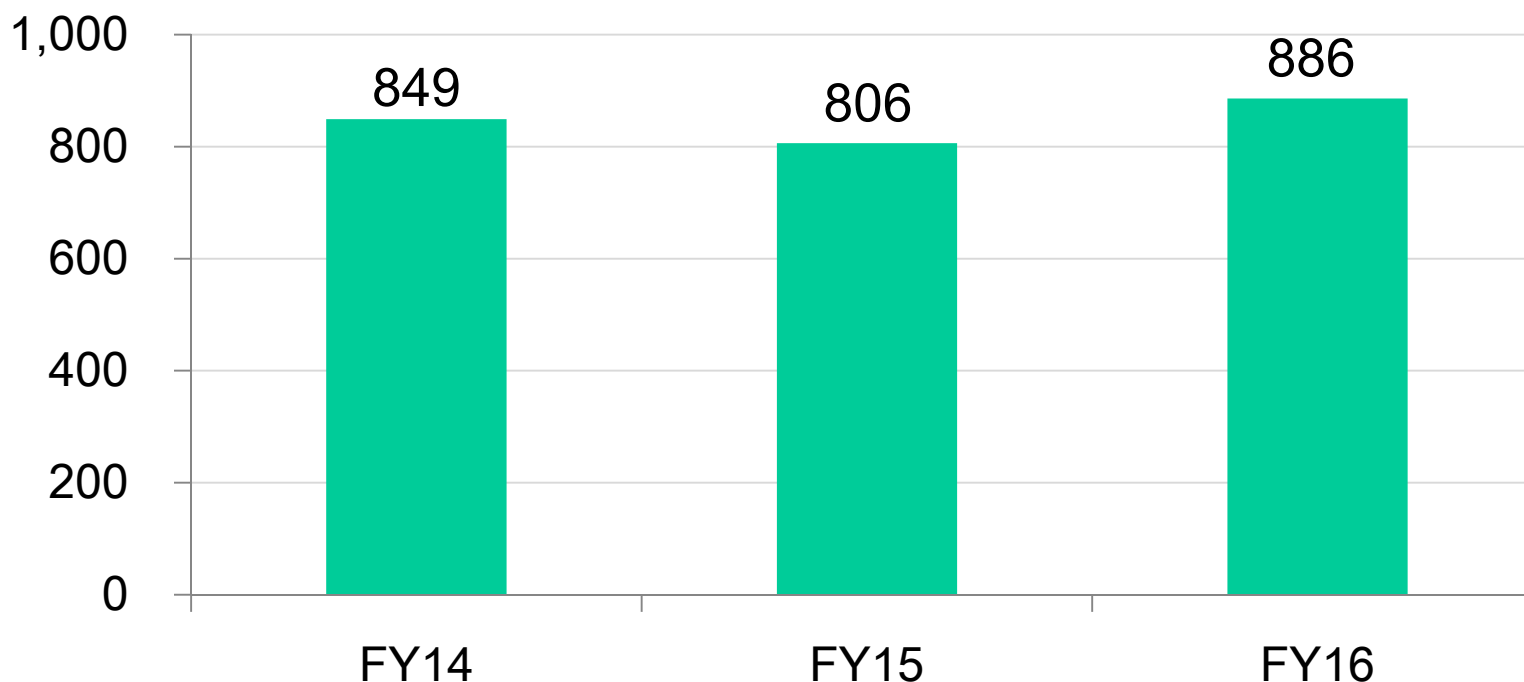


### FPT Securities(SBI Group's shareholding: 20.0%)

- Securities company, which manages brokerage and advisory business
- Stable profit level

< The trend of profit before income tax expense >

(JPY billion)



Note: Fiscal Year ("FY") ends December of the corresponding year

## Securities Companies Cases ④: Thailand and Sri Lanka



### **SBI Thai Online Securities (SBI Group's shareholding: 59.5%)**

- The first internet securities company in Thailand
- Providing share and derivative transactions to local investors, including Japanese residents in Thailand



### **First Guardian Equities Securities (SBI Group's shareholding: 40.0%)**

- The First Guardian Equities Securities has obtained a license for stock brokerage and dealer business business from the Colombo Stock Exchange in Sri Lanka.
- With the First Guardian Equities Securities as broker, the SBI Group began to acquire stocks of listed companies on Sri Lanka Market

**In Sri Lanka, the SBI Group is considering a new investment into a securities company**



# Cases of E-commerce: Vietnam, Indonesia



## **SendoTokopedia (shareholding: 18.0%)**

- **Manages C-to-C marketplace “Sendo” in Vietnam and offers various products mainly for young people in 20s and 30s, such as apparel products**
- **Its amount sold increases steadily as its volume of businesses on e-commerce having grown up to rank 2nd in Vietnam**



## **Tokopedia (shareholding: 2.39%)**

- **Manages one of the biggest C-to-C marketplace in Indonesia, having over 1.5M registered merchants selling close to 40 million SKUs**
- **Tokopedia is the largest digital goods platform in Indonesia and today offers wallet, FinTech and official stores on its marketplace platform**
- **Tokopedia is expected to further grow as a result of the rapid growth of the e-commerce market in Indonesia**
- **The SBI Group invested in Taralite, financing for merchants opening shops in Tokopedia**

\* SBI's shareholding percentage includes equity from funds managed by the SBI Group

## **(4) Preparing the IPO and etc., of 6 subsidiaries to actualize intrinsic corporate value**

- ① SBI FinTech Solutions (Listed on the KOSDAQ market)**
- ② SBI Insurance Group (Insurance Holding Company)**
- ③ SBI Capital Management**
- ④ Quark Pharmaceuticals (Quark)**
- ⑤ SBI Biotech**
- ⑥ 5-ALA-related business**

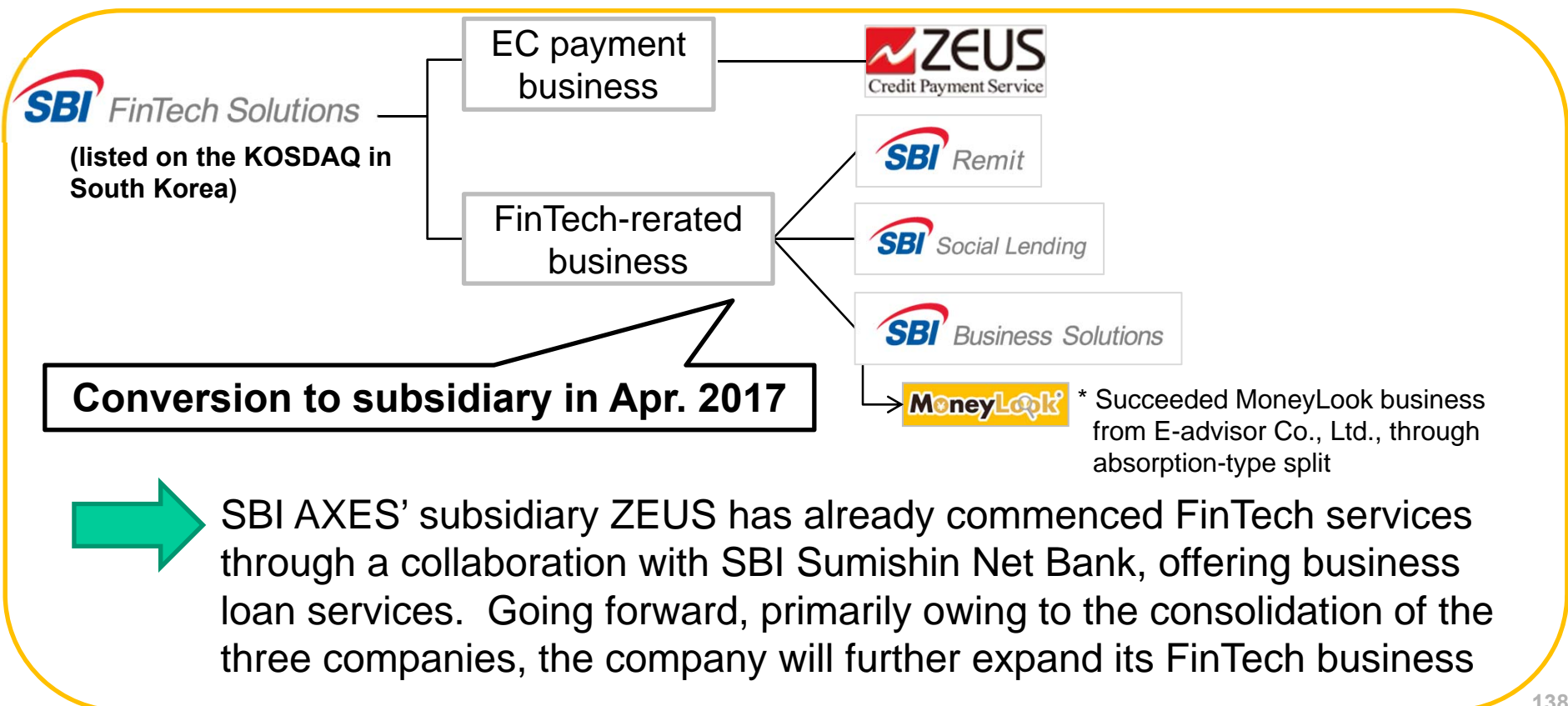
① SBI FinTech Solutions:



## Restructured the Company Listed on the KOSDAQ in 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



## Subsidiary Companies of SBI FinTech Solutions

### -Principal Businesses and FinTech services-

#### Settlement Business

**ZEUS**



- ◆ Provides an online settlement service for various settlement methods on an one-stop basis
- ◆ Launched a business loan service, based on accounting transactions, in cooperation with SBI Sumishin Net Bank

#### Financial Business for Individual Customers

**SBI Remit**



- ◆ Provides fast, secure international remittance service with low fees, utilizing the Internet
- ◆ Launched a remittance service between Japan and Thailand, with the first utilization in Asia of the Ripple Solution

#### SBI Social Lending



- ◆ Provides social lending service that connects investors and borrowers through the Internet

#### Back Office Support Business

##### SBI Business Solutions



- ◆ Provides back office support services
- ◆ Plan to offer comprehensive transfer service, by utilizing API connection with SBI Sumishin Net Bank

① SBI FinTech Solutions:



## SBI FinTech Solutions Established a JV, which Provides International Remittance Services between Korea and Other Countries of the World, with a Venture Investee Company of the FinTech Fund

- On July 18, Korea's legal revision allowed entry into the international remittance business with the registration of a Small Sum Money Exchange and Transfer Business.
- With more than 2 million foreigners in Korea, the size of the potential international remittance market is over JPY 1.2tn



(Listed on KOSDAQ in South Korea)

SBI Remit, a subsidiary of SBI FinTech Solutions, has the know-how for marketing to foreign residents, as well as a network with Asian financial institutions, etc.

### Coinplug, Inc. (Korean company)

Venture investee company of the FinTech Fund

Coinplug holds advanced FinTech-related technologies on virtual currencies, blockchain and etc.

Shareholding:

90%

Shareholding:

10%

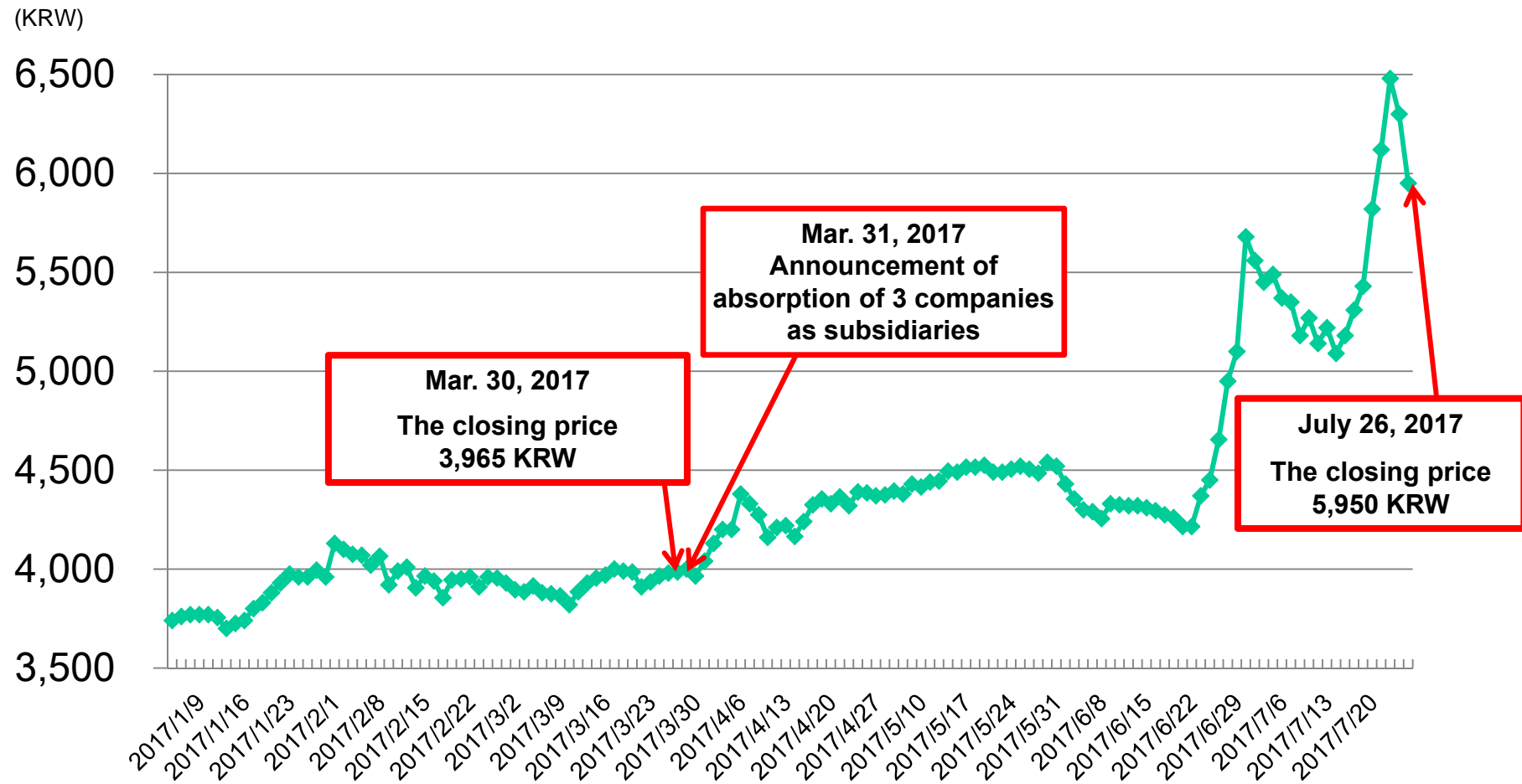


## SBI Cosmoney

Plan to start the service from Aug. 1, 2017

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

\* 1Q FY2017 financial results announcement is scheduled for Aug 3, 2017



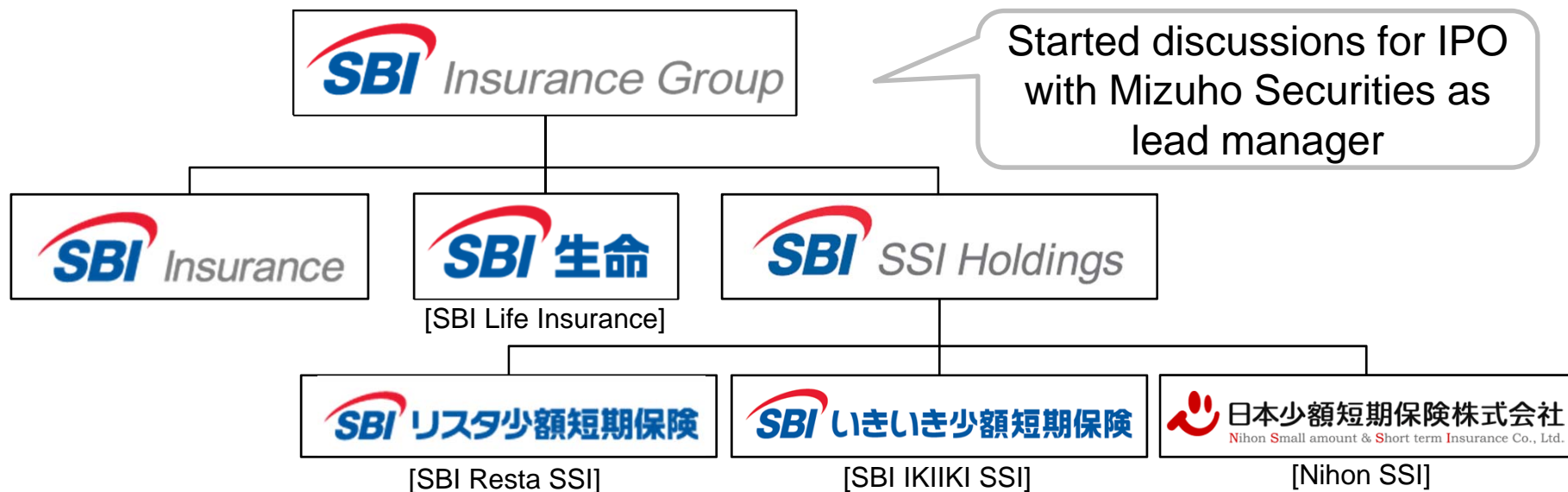
② SBI Insurance Group (insurance holding company):

## SBI Insurance Group Started Its Operations on Mar. 31, 2017, and is Considering 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

## **As Soon as Preparations are Completed, SBI Capital Management's IPO will be Considered, an Intermediate Holding Company of the Asset Management Business**



**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**

### **Primary subsidiary companies (plan):**



**Operate and manage venture capital funds**

**GP of overseas  
funds**

**Operate and manage overseas venture  
capital funds**

**Overseas financial  
institutions**

**SBI SAVINGS BANK etc.**



④ Quark:

## Progress in the Principle Drug Pipeline of Quark, which SBI Biotech Acquired a 100% Ownership in Dec. 2012, to Make It a Wholly Owned Subsidiary



**As the results of Phase II trials for QPI-1002 (AKI) were very positive, Quark is currently discussing the economic terms and conditions with Novartis International AG**

	Licensing partner	Adaptation disease	Progress	
<b>QPI-1002</b>	<b>Novartis International AG</b>	Kidney Transplantation (DGF)	Phase III	Conducting clinical trials at 75 institutions, mainly in the U.S., as well as in Canada, Germany, Brazil and other countries. (Phase III scheduled to end by Dec. 2019) Total milestone payments: USD 670m (including pre-receipt)
		Acute kidney injury (AKI)	Phase II (Completion)	Complemented clinical trials at 40 institutions, mainly in the U.S. and Germany
<b>QPI-1007</b>	<b>Biocon Ltd of India</b>	Non-arteritic anterior ischemic optic neuropathy (NAION)	Phase II / III	Conducting Phase III clinical trials at 66 institutions, mainly in the U.S. and Europe. (Phase III scheduled to end by July 2019)
<b>PF-655</b>	<b>Pfizer Inc.</b>	Glaucoma, Diabetic macular edema (DME) and Age-related macular degeneration (AMD)	Phase IIa (Completion)	Preparing clinical trial for the next step

## Quark's IPO

- Quark has two products at the Phase III stage in its drug discovery pipeline
  - QPI-1002: Kidney transplantation (DGF) (Licensing partner: Novartis International AG)  
→Phase III scheduled to end by Dec. 2019  
(Total milestone payments: USD 670m, \*approx. JPY 70bn)
  - QPI-1007: Non-arteritic anterior ischemic optic neuropathy (NAION) )  
(Licensing partner: Biocon Ltd of India)  
→Phase III scheduled to end by July 2019 (Earning royalties after marketing)



**In addition to the above, Phase II for acute kidney injury (AKI)  
was completed successfully**

**→Preparing for Phase III**

**Since Quark has three products at the Phase III stage in its drug discovery pipeline, it has satisfied the conditions for a public offering on the NASDAQ market. Continuing discussions with several securities firms in preparation for an IPO on the U.S. NASDAQ market, including preparations such as IPO application documentation**

## SBI Biotech is Also Considering an IPO

**-Achieved profitability on a single-year non-consolidated basis in FY2016 for the first time since its founding-**

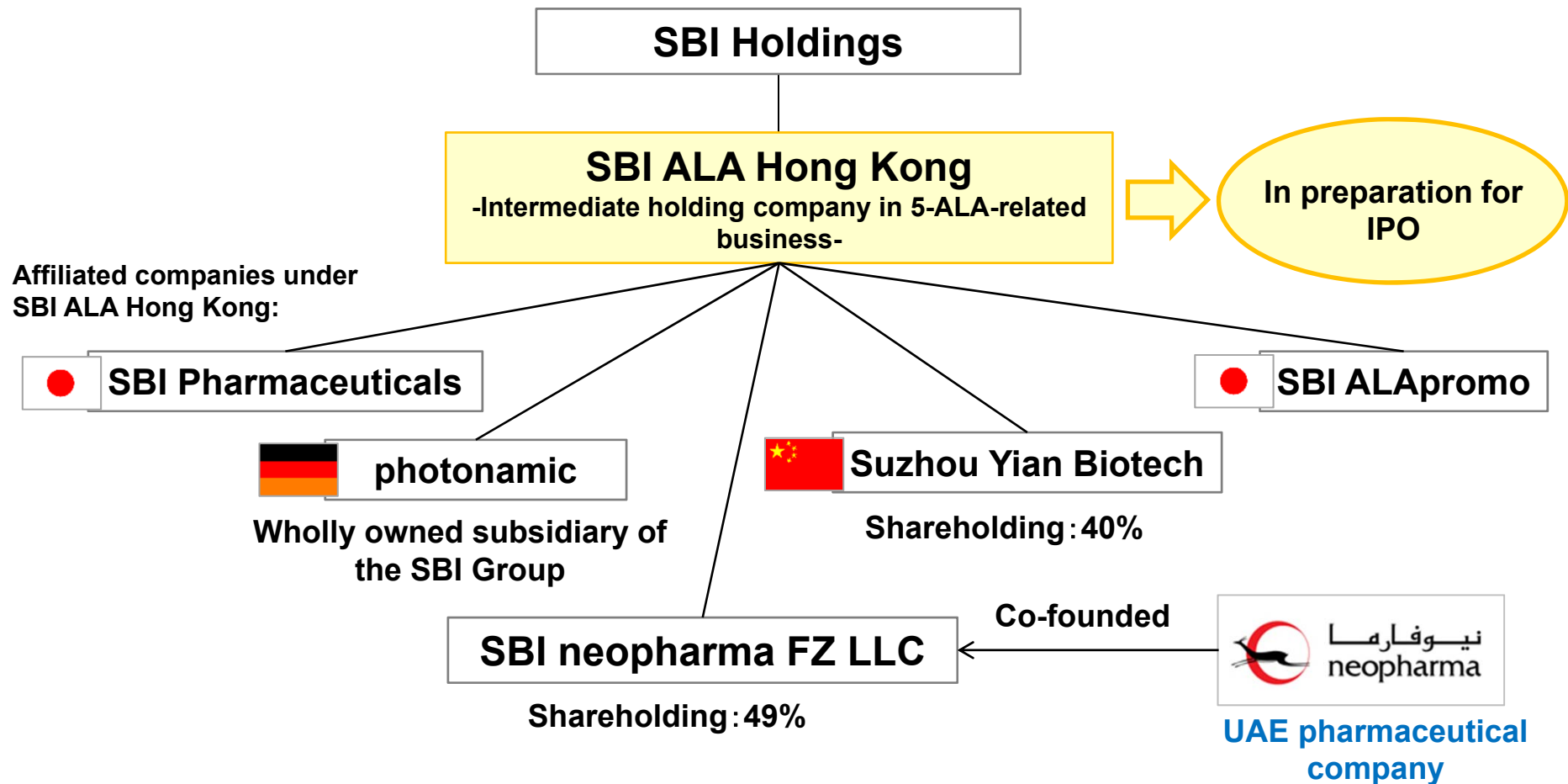
- SBI Biotech has proprietary platforms concerning plasmacytoid DC (pDC), considered as the “control tower” of the immune system, as its drug discovery target, and the future development of revolutionary cancer and autoimmune disease therapies through immune control may be expected
- Already succeeded in out-licensing three pipeline products to pharmaceutical companies at an early stage
  - ① MEDI7734 (Anti-ILT7 antibody) : Out-licensing to MedImmune, LLC., a subsidiary of AstraZeneca
  - ② SBI-9674 : Out-licensing to Kyowa Hakko Kirin Co., Ltd
  - ③ Cdc7 inhibitor : Out-licensing to Carna Biosciences, Inc.
- Out-licensed pipeline assets are expected to sequentially advance to the clinical trial stage, and if drug discovery pipeline monetization steadily progresses, establishment of a value chain will be within range



**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**

⑥ 5-ALA-related business:

## SBI ALA Hong Kong, an Intermediate Holding Company Involved in the 5-ALA-related Business, will be Considered for an IPO



SBI ALA Hong Kong completed the restructuring of the 5-ALA-related business under the SBI Group, and is preparing for the selection of an audit corporation and a lead managing underwriter

## **[The SBI Group's New Vision]**

# **[Summary of the past five years (1)]**

## **Financial Services Business**

- **With the completion of the establishment of the Internet-based financial ecosystem and thorough pursue of “Customer-centric Principle,” all subsidiaries and business divisions achieved profitability, with the exception of subsidiaries that have been established within the past two years. Also, owing to synergies and mutual evolution exerted among the ecosystem component companies, FY2016 revenue achieved an historical high, growing to a business segment capable of high profit levels in spite of adverse market conditions**

## **Asset Management Business**

- **Owing to Morningstar Japan’s sustainable profit growth and SBI SAVINGS BANK’s rapid business turnaround, a constant profit source that underpins this business segment has been established**
- **Through the continued establishment of new funds, both domestically and abroad, such as the FinTech Fund, established a structure that will bear future fruit**
- **Realize the transition from Japan’s SBI to the World’s SBI through investments, where the overseas assets under management has become significantly greater than that of the domestic market**

## **[Summary of the past five years (2)]**

### **Biotechnology-related Business**

- **SBI Biotech and SBI Pharmaceuticals successfully achieved profitability on a non-consolidated basis, owing to the out-licensing of their drug pipeline**
  - **Quark, a subsidiary of SBI Biotech, has two products at the Phase III stage in its drug discovery pipeline, along with a significantly increased cost for clinical trials, but those costs will peak in FY2017, subside in FY2018 and shrink significantly in FY2019**
  - **SBI ALA Hong Kong (consolidated basis) is the intermediate holding company of the 5-ALA-related business, and expects a steady increase in the sales of foods with function claims, along with other health foods and cosmetics, and a steady progress of its drug pipeline clinical trials for peritoneal dissemination of gastric cancer, mitochondrial diseases and cardiac ischemia-reperfusion injury**
- ➔ Progressing steadily toward profitability in the Biotechnology-related Business**

## **The SBI Group's Vision Established in May 2013**

- **In the Financial Services Business, as a financial conglomerate with securities, banking and insurance as its core businesses, the financial ecosystem will be fine-tuned to complete an ecosystem that will generate steady earnings**
- **In the Asset Management Business, by increasing the overseas assets under management, develop into a global private equity firm that invests both domestically and internationally**
- **In the Biotechnology-related Business, which is a core 21st century growth industry, domestically and internationally promote the development and sales of pharmaceutical drugs, health foods and cosmetics, to establish it as a new core business of the Group**



**As indicated in the abovementioned summary, the Group's medium-term vision which was established in May 2013, was fully achieved**



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



- Develop the businesses 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
- Also giving consideration to capital efficiency, in order to stably realize ROE of over 10%
- Annual dividend to the level of JPY 100 per share
- Endeavor to double the market capitalization that is presently around JPY 330bn, by actualizing its intrinsic corporate value

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.

Note 2: The abovementioned is set on the assumption that the global economic situation in the next five years does not drastically deteriorate.

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

## [Appendix]

## **(1) Business foundation of the Financial Services Business companies**

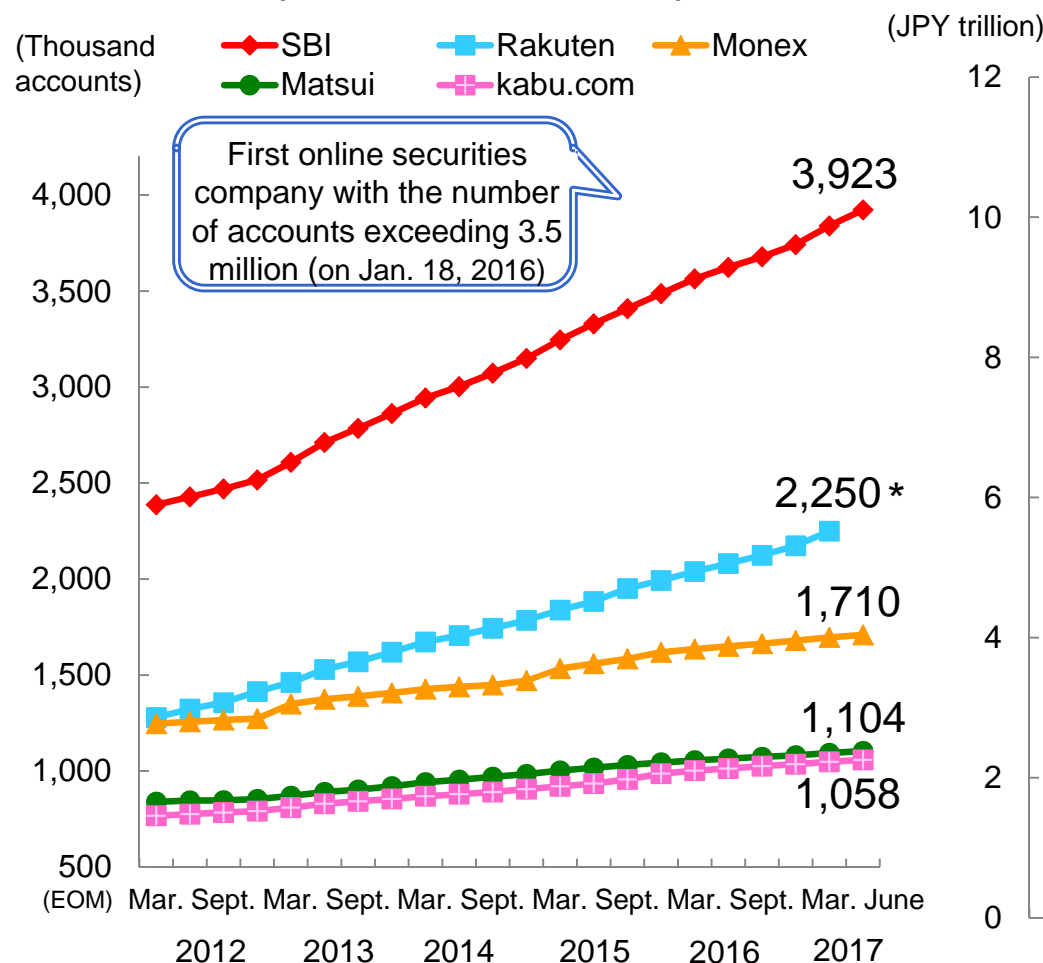
- ① SBI SECURITIES**
- ② FX-related business**
- ③ SBI Sumishin Net Bank**
- ④ SBI Insurance**
- ⑤ Small-amount, short-term insurance companies**

① SBI SECURITIES:

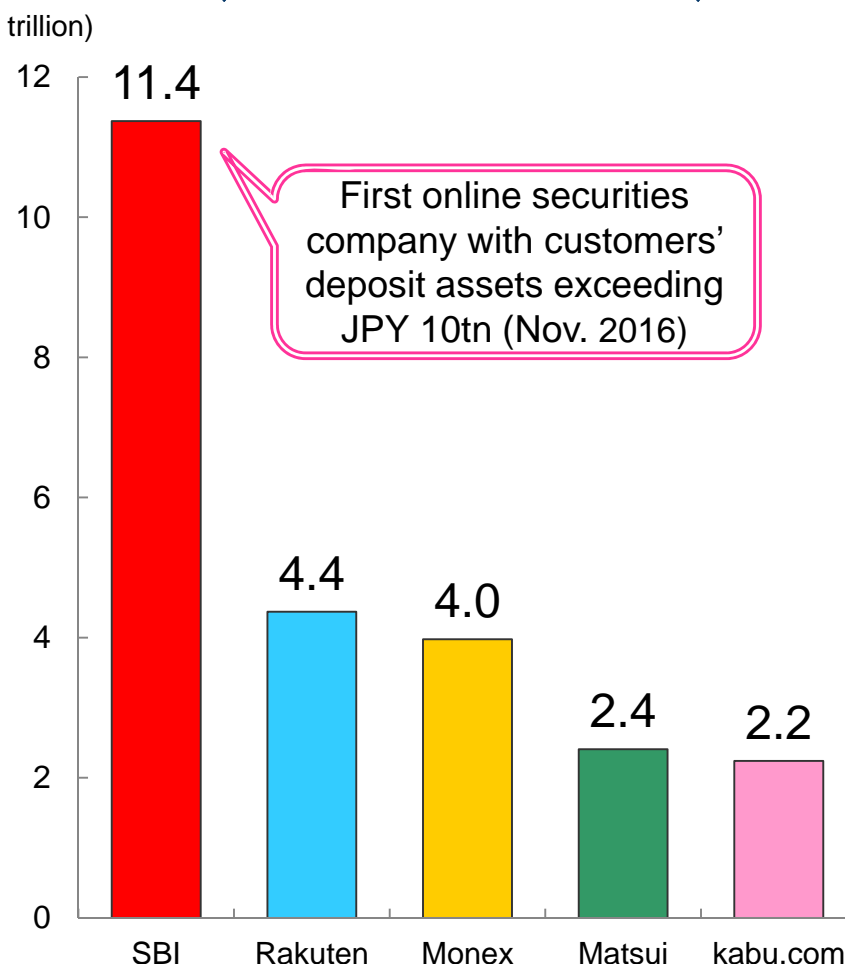
# SBI SECURITIES Attains an Overwhelming Customer Base

[Number of Accounts and Amount of Customer Asset]

**Customer Accounts of 5 Major Online Securities Companies**  
(Mar. 2012 – June 2017)



**Customers' Deposit Assets of 5 Major Online Securities Companies**  
(as of the end of June 2017)



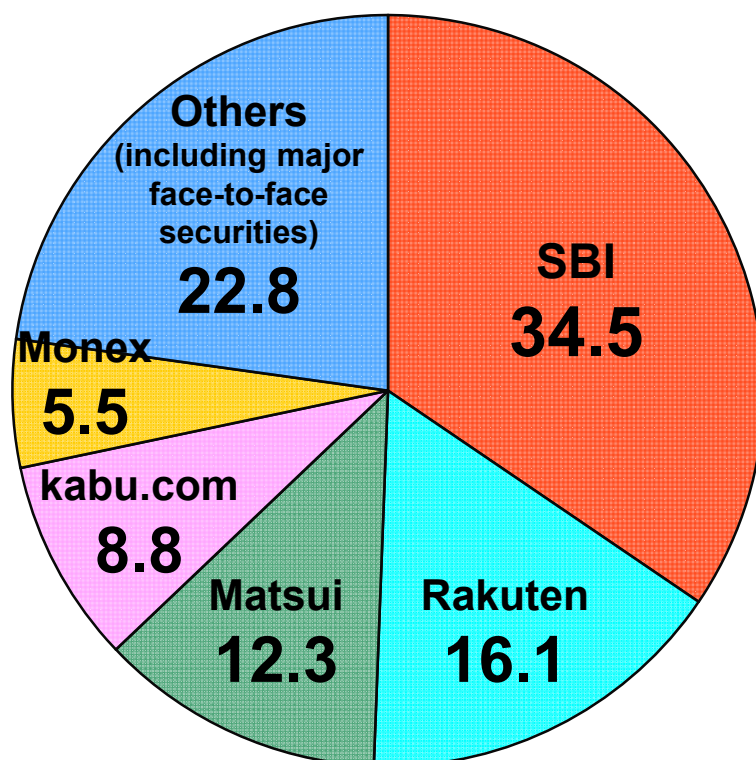
\* Rakuten has not disclosed its figures beyond Mar. 31, 2017.

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

# SBI SECURITIES' Share of Individual Stock Trading

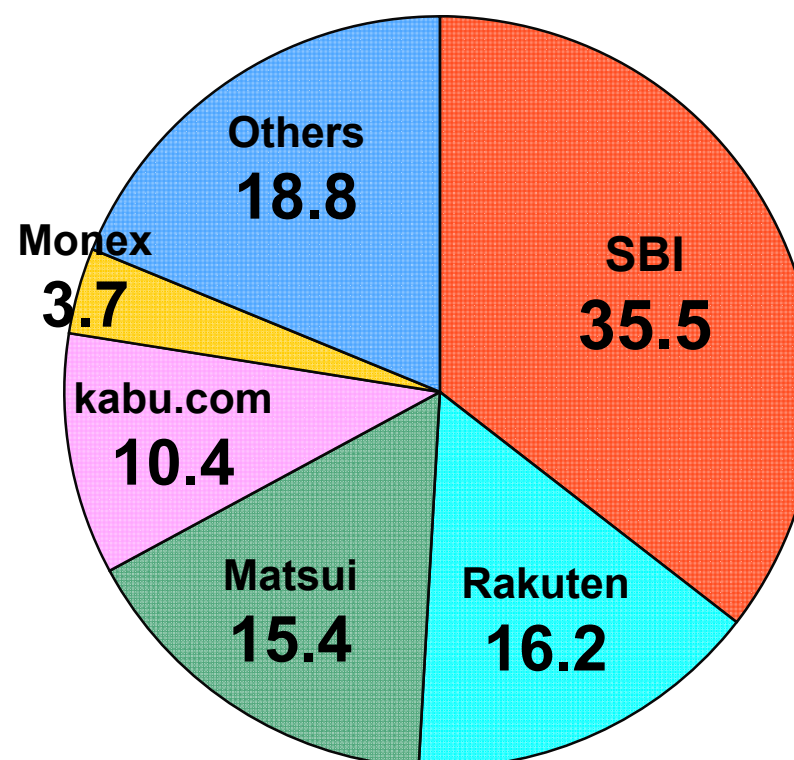
## Share of Individual Stock Trading Value (%)

**1Q FY2017**  
(Apr. 2017 – June 2017)



## (of which) Share of Individual Margin Trading Value (%)

**1Q FY2017**  
(Apr. 2017 – June 2017)



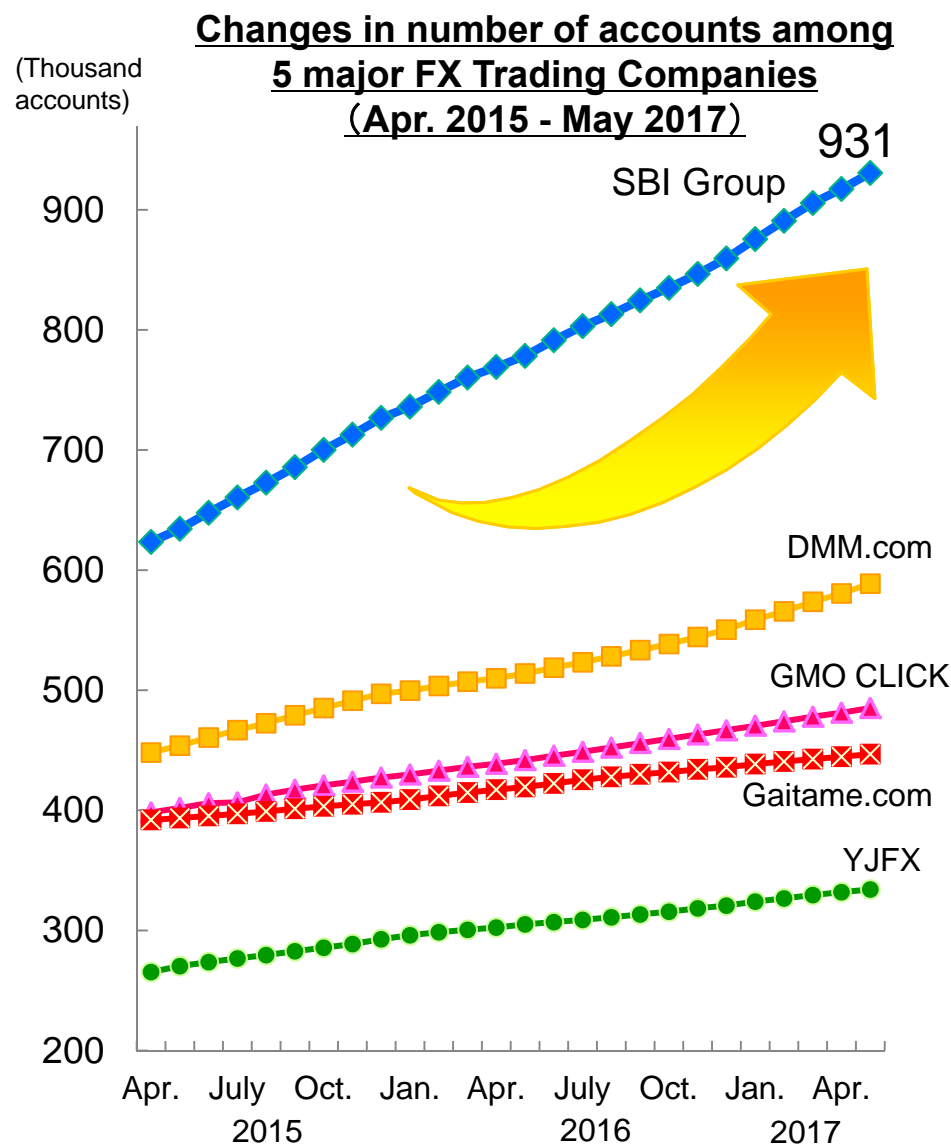
<From 1Q FY2016, shares are calculated with the individual stock trading value and individual margin trading value of both the 1st and 2nd sections of the Tokyo and Nagoya Stock Exchanges, including that of ETF and REIT trading value, respectively>

\* Shares are calculated by dividing each company's individual stock trading value or individual margin trading value with the whole individual stock trading value and individual margin trading value of the 1st and 2nd section of the Tokyo and Nagoya Stock Exchange, including that of ETF and REIT trading value, respectively

Source: Compiled by SBI SECURITIES based on Tokyo Stock Exchange and JASDAQ materials and websites of each company.

② FX-related business:

**The SBI Group's (SBI SECURITIES, SBI FXTRADE and SBI Sumishin Net Bank) Total Number of Accounts and Customer Deposit Assets have Overwhelmingly Surpassed that of Its Competitors in the OTC FX Industry**



**Customers' Deposit Assets Raking (May 2017)**

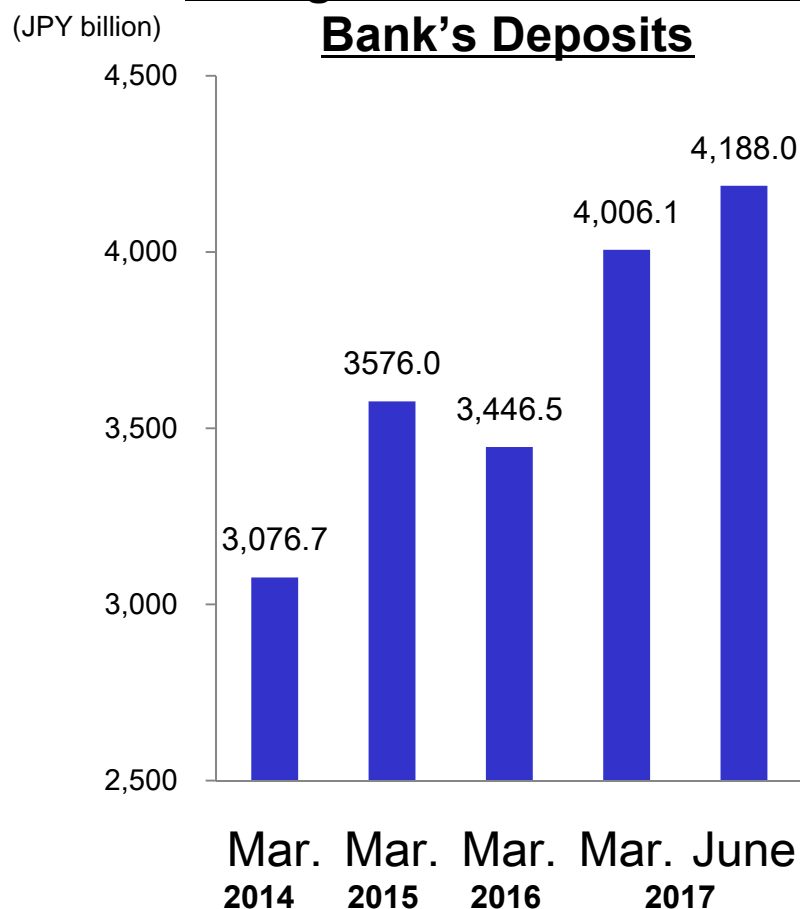
No.	Company name	Amount (JPY million)
1	<b>SBI Group</b>	<b>175,292</b>
2	GMO CLICK	124,202
3	Gaitame.com	112,450
4	DMM.com	102,354
5	YJFX	95,020
6	Central Tanshi FX	62,659
7	MONEY PARTNERS	61,529
8	Hirose FX	41,854
9	FX PRIME by GMO Corporation	16,103
10	Traders Securities	12,279
11	Ueda Harlow	11,229
	<b>Others (2 companies)</b>	<b>11,851</b>
	<b>Total</b>	<b>826,822</b>

\* Source: Yano Research "Monthly Research on 16 Major FX Trading Companies" 157

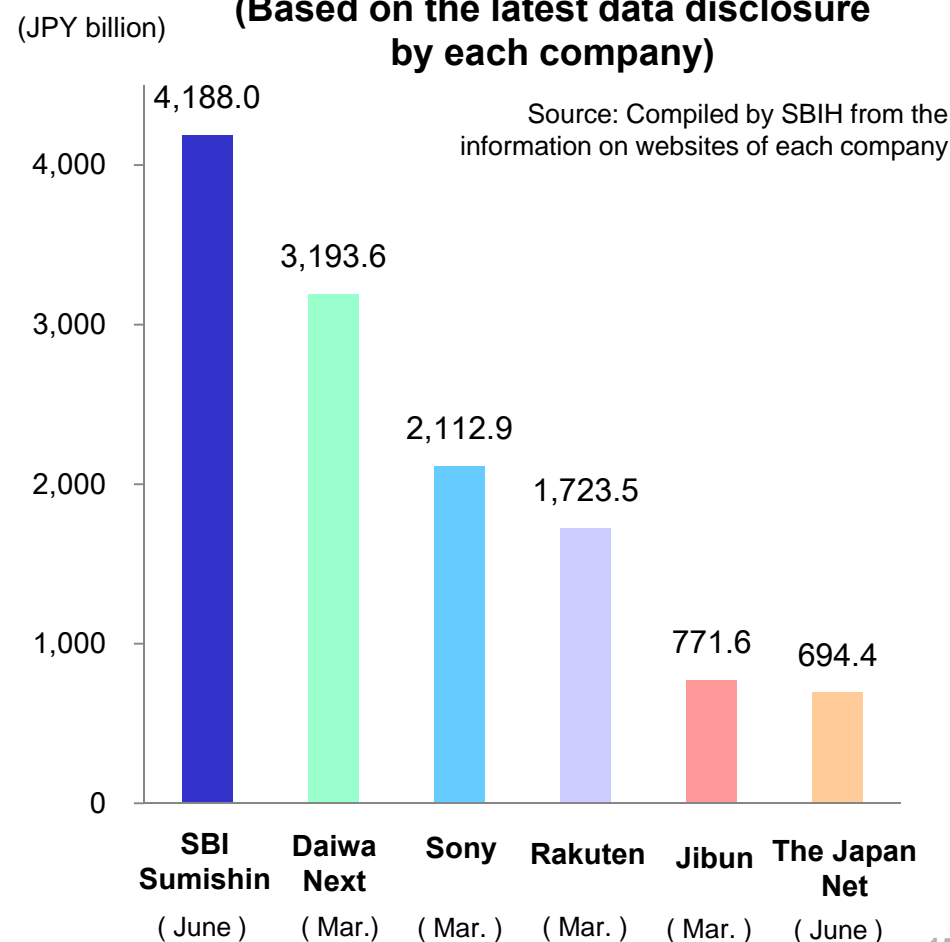
# Deposits as of the End of June 2017: Approx. JPY 4.2tn

**Number of accounts: 2,894,799 / Deposits: JPY 4.2tn  
(as of the end of June 2017)**

## Change in SBI Sumishin Net Bank's Deposits



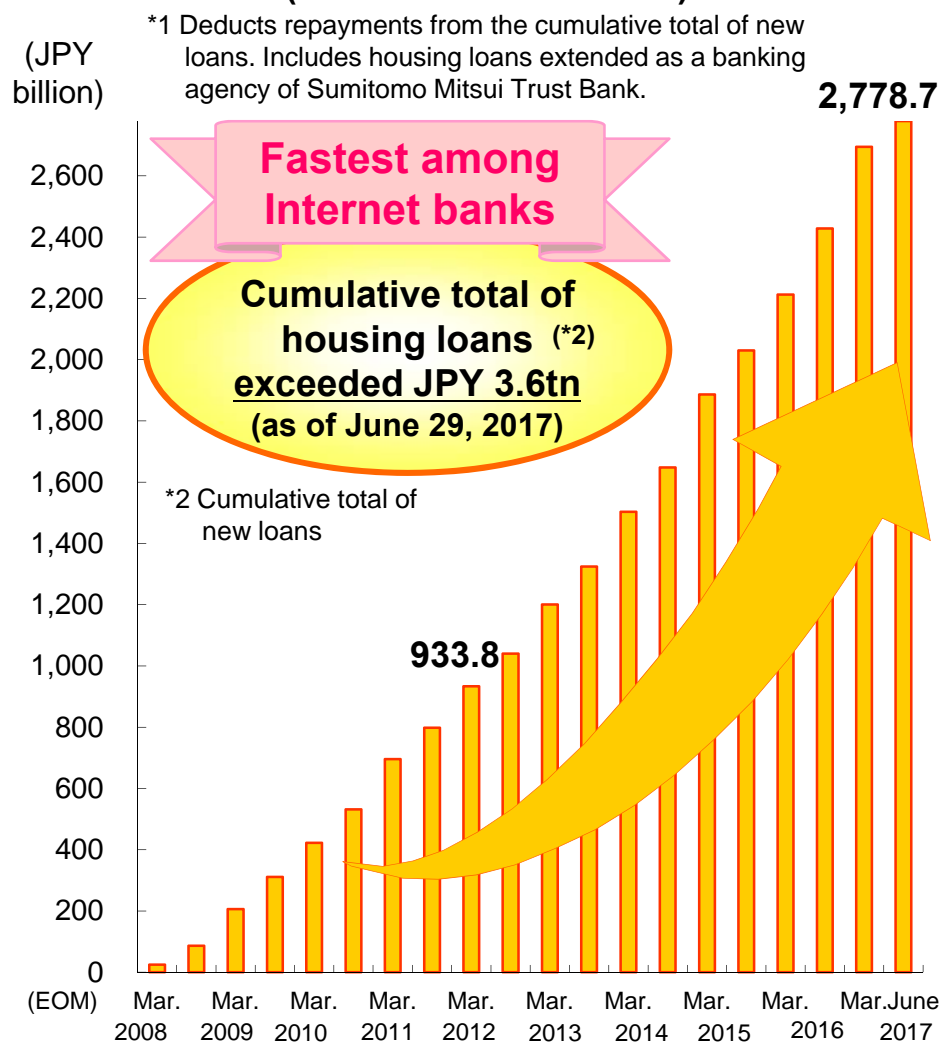
## Deposits of 6 Internet Banks (Based on the latest data disclosure by each company)



\* Amounts are rounded to the nearest JPY 100 million.

## SBI Sumishin Net Bank's Housing Loan Business is Diversifying Its Asset Management through its Parent Company Sumitomo Mitsui Trust Bank and Other Affiliated Face-to-face Shops

### Change in Balance of Housing Loans \*1 (Mar. 2008 - June 2017)



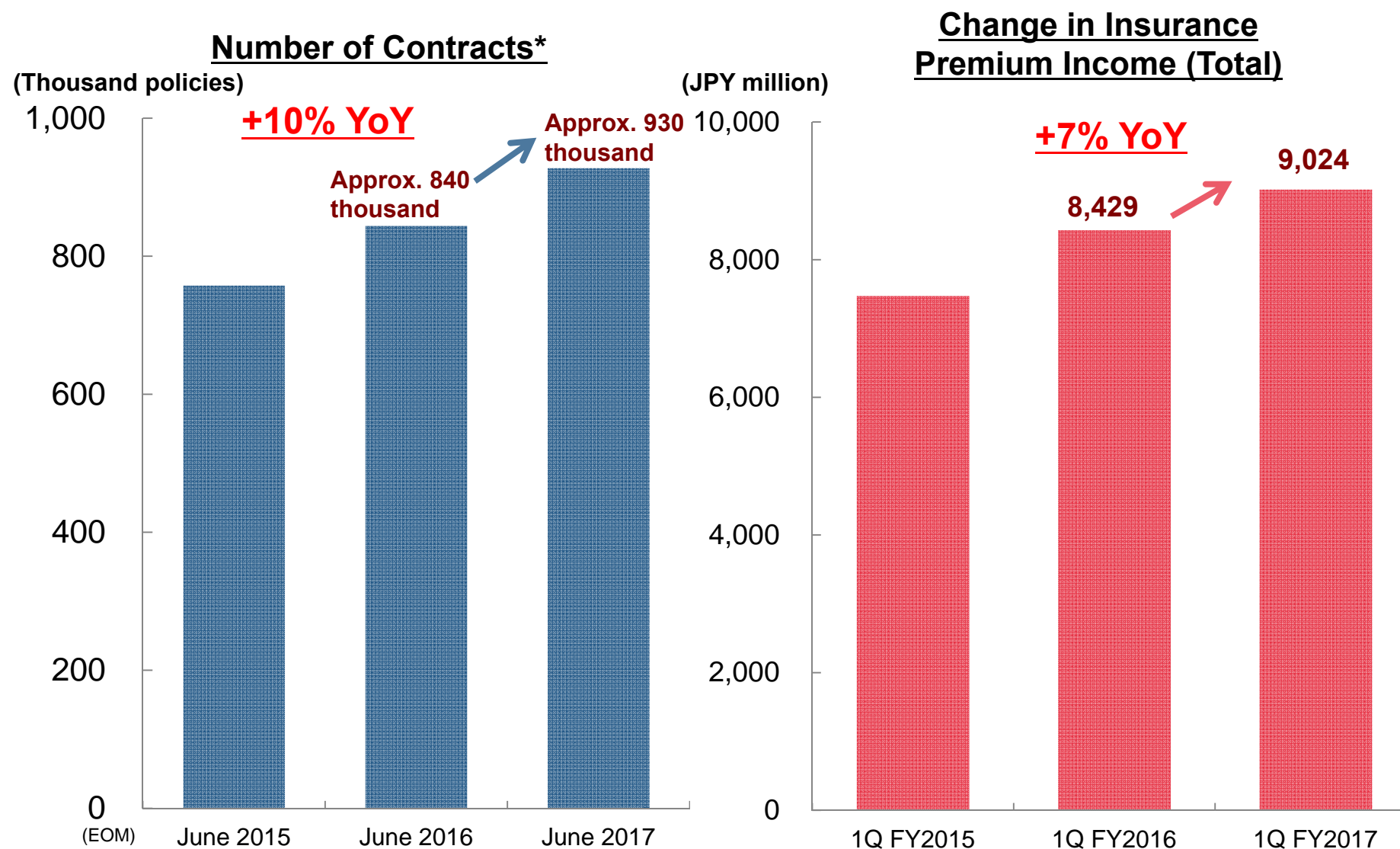
### SBI Sumishin Net Bank's housing loans business:

- ① **Housing loans processed directly by SBI Sumishin Net Bank**
  - Via alliance with real estate companies (from Sept. 2007)
  - Face-to-face service counter specialized product "MR. Housing Loan REAL" (from Mar. 2015)
- ② **Banking agency business for Sumitomo Mitsui Trust Bank "Internet Exclusive Housing Loan"** (from Jan. 2012)
- ③ **Long-term fixed rate product "Flat 35"** (from Sept. 2015)

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



# SBI Insurance's Number of Auto Insurance Contracts and Insurance Premium



\* Includes new contracts that were paid by the end of the month, but becomes effective the following month or later

⑤ Small-amount, short-term insurance business:



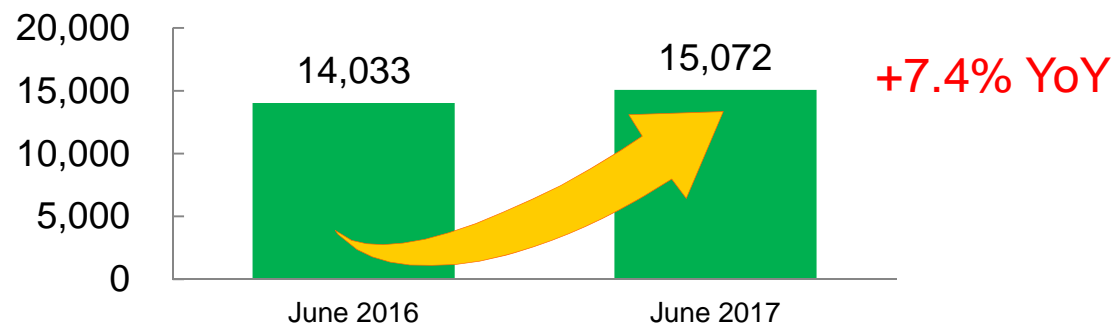
# Number of Contracts of the Small-amount, Short-term Insurance Companies

Steadily increasing the number of contracts in each SSI companies

**SBI リスタ少額短期保険**  
[SBI Resta SSI]

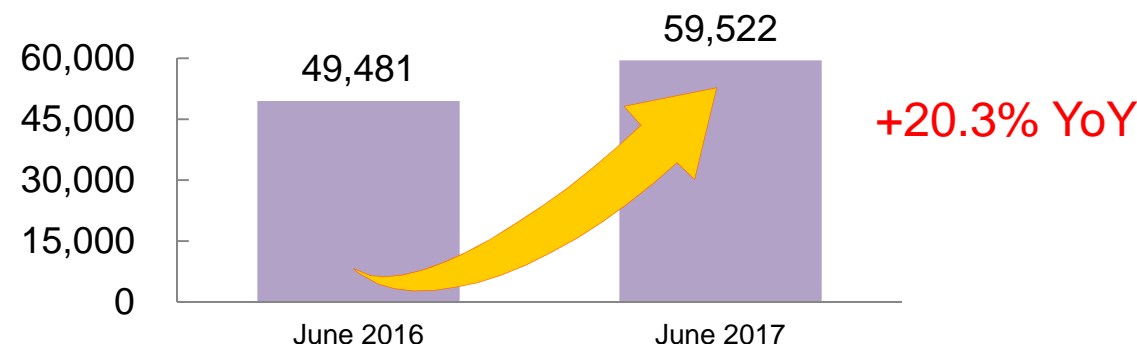
Acquired in  
Mar. 2012

\* Number of Contracts of  
Earthquake Indemnity Insurance Resta



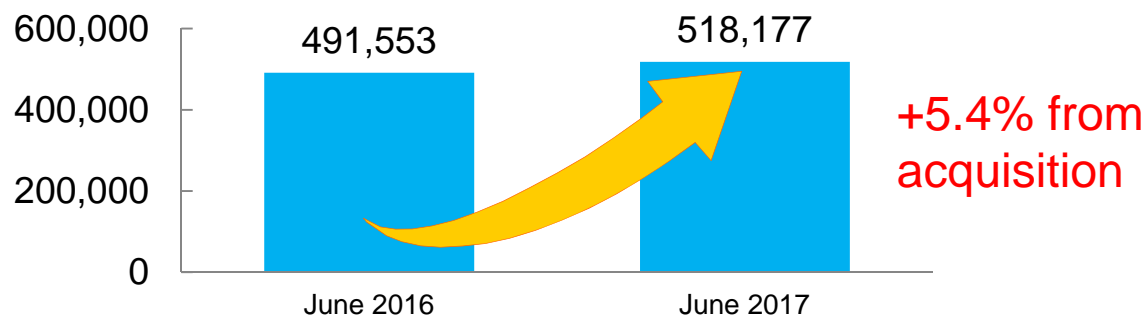
**SBI いきいき少額短期保険**  
[SBI IKIKI SSI]

Acquired in  
Mar. 2013



**日本少額短期保険株式会社**  
Nihon Small amount & Short term Insurance Co., Ltd.  
[Nihon SSI]

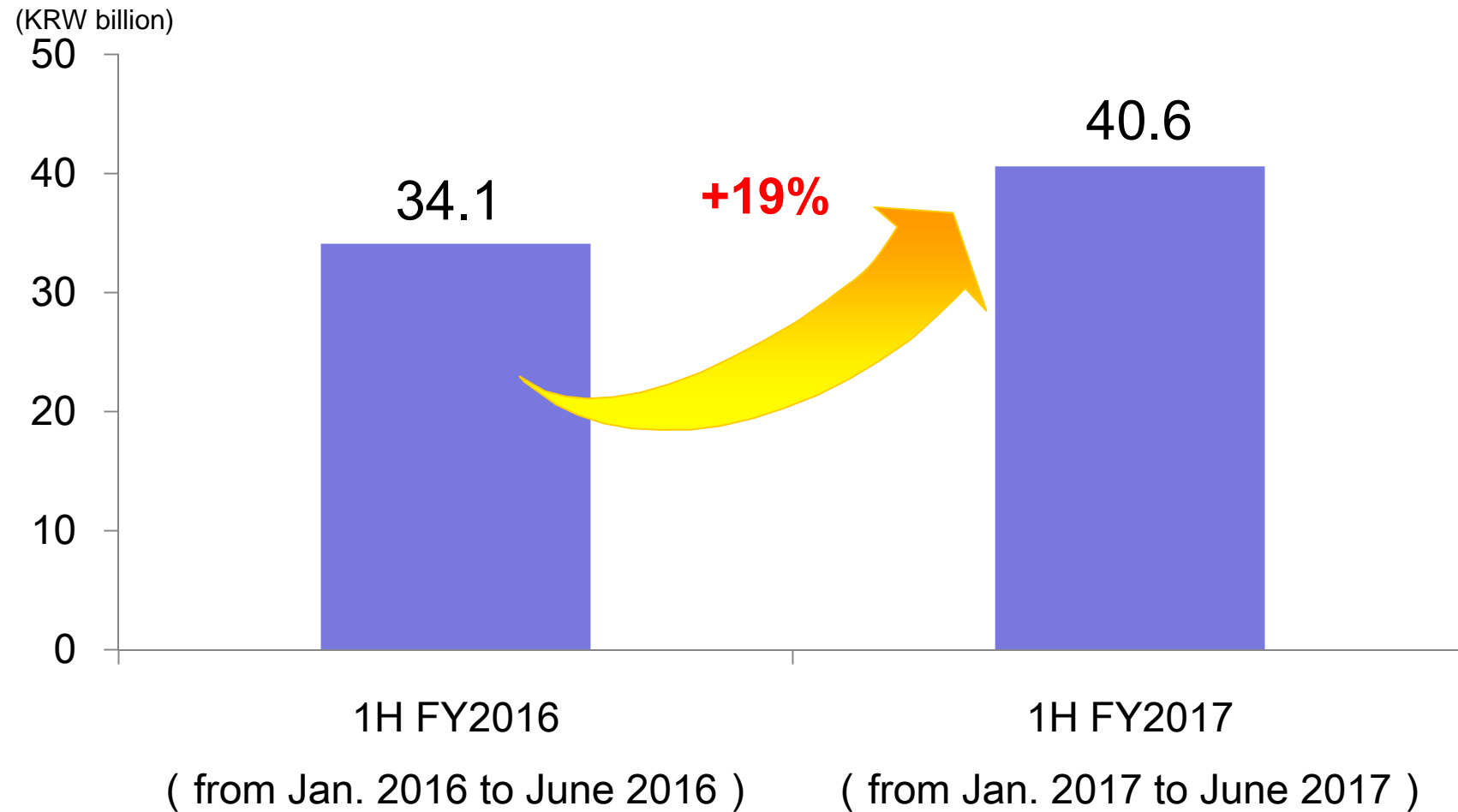
Acquired in  
Sept. 2016



## **(2) Results of major subsidiaries in the Asset Management Business**

- ① SBI SAVINGS BANK**
- ② Mornigstar Japan**
- ③ Statements of the SBI Group's assets under management**

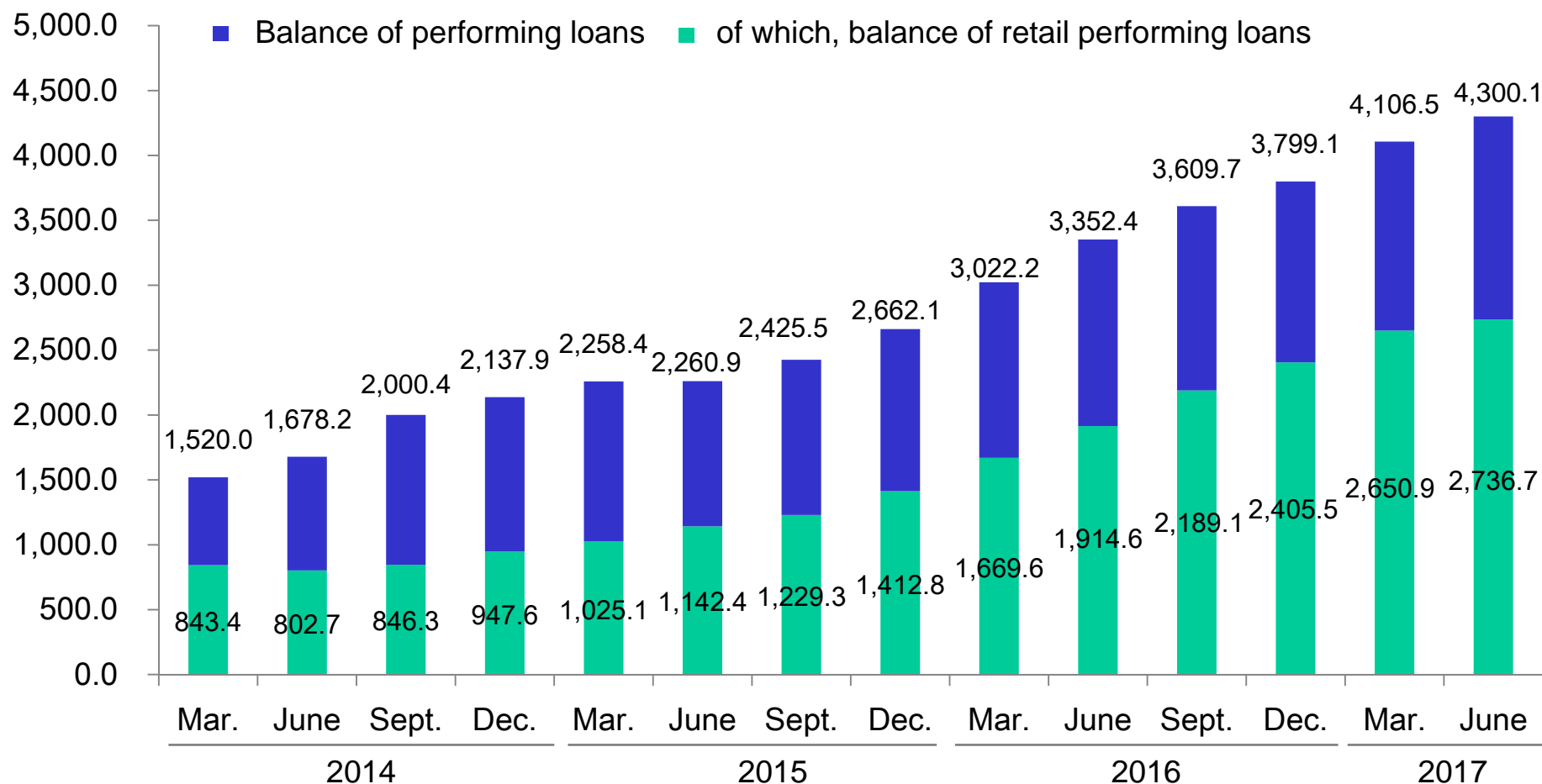
## SBI SAVINGS BANK's Net Income Trend (Based on K-GAAP)



# SBI SAVINGS BANK's Balance of the Retail Performing Loans Increased Significantly

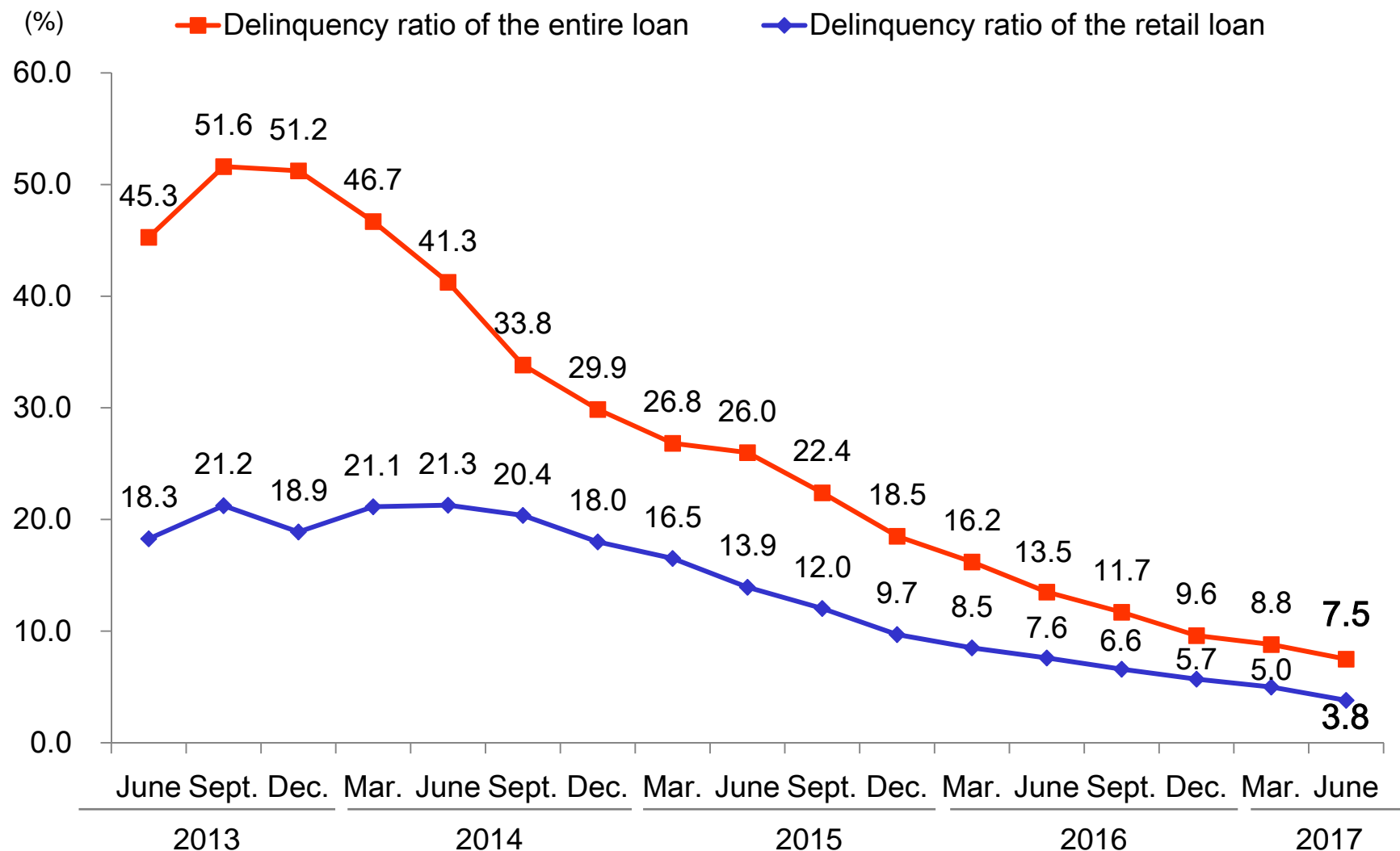
## Balance of Performing Loans\*

(KRW billion)



\* Based on K-GAAP

# Overall Delinquency Ratio Decreased Dramatically



\* Based on K-GAAP

# Morningstar Japan's Financial Results for 1Q FY2017

- Achieved sales and income increase on financial results for 1Q FY2017, with operating income, ordinary income and net income achieving an year-on-year increase for the eighth consecutive fiscal year, and recording an historical high

## Consolidated Results (J-GAAP)

(Unit: JPY million)

	1Q FY2016 (Apr. 2016 – June 2016)		1Q FY2017 (Apr. 2017 – June 2017)		YoY % change
	Amount	Income margin (%)	Amount	Income margin (%)	
Net Sales	1,280	-	1,551	-	+21.2
Operating Income	496	38.8	532	34.3	+7.4
Ordinary Income	496	38.8	535	34.5	+7.9
Net Income	334	26.1	356	23.0	+6.8

# Assets Under Management of the SBI Group

(As of the end of June 2017)

**Private equity, etc. JPY 251.4bn** (Including JPY 95.9bn of both cash and commitment amount to be paid in) (\*3)

Breakdown by Industry	Amount
IT/Internet	41.5
Biotechnology/Health/Medical	15.5
Services	11.2
Materials/Chemicals	1.2
Environmental/Energy	14.0
Retail/Food	8.3
Construction/Real estate	0.9
Machine/Automobile	7.4
Finance	39.6
Others	15.9
Total	155.5

Breakdown by region	Amount
Japan	54.3
China	20.0
Korea	33.5
Taiwan	1.1
Southeast Asia	9.2
India	4.2
U.S.	23.5
Europe	2.2
Others	7.3
Total	155.5

**Investment trusts, etc. JPY 410.8bn** (\*4)

Investment trusts	285.9
Investment advisory	120.2
Investment companies	4.7

\*1 Calculated by the exchange rate as of the end of June 2017

\*2 Amounts are rounded to the nearest JPY 100m

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

\*4 For 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 JPY 30bn



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

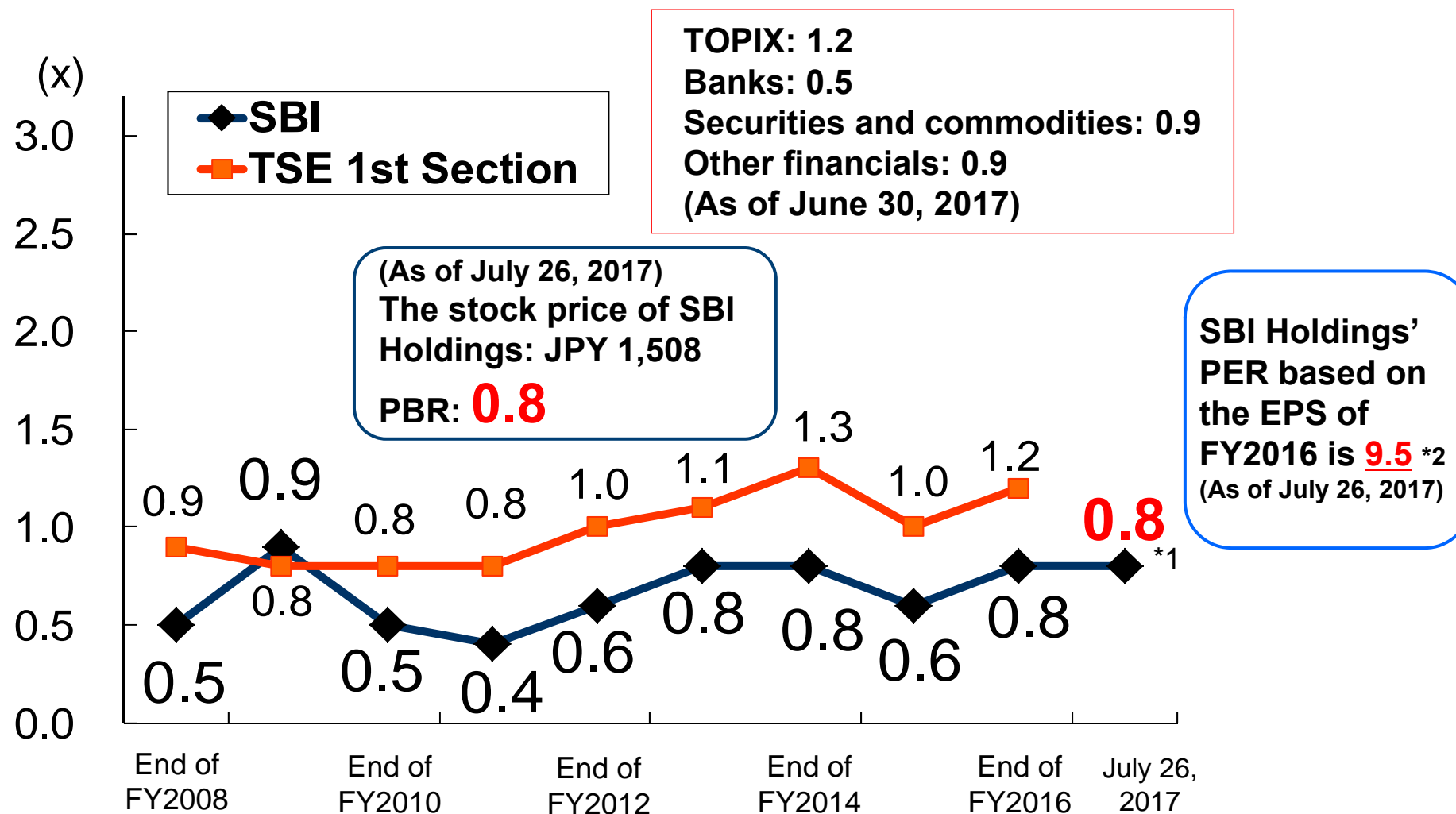
# SBI Holding's Recent Stock Price

**Market cap** (based on the closing price of July 26, 2017): **JPY 338.6bn**



# Change in PBR of SBI Holdings

PBR = Closing price at the end of FY / Net assets per share at the end of FY



\*1 PBR of SBI Holdings for July 26, 2017 is calculated based on the BPS of the end of Mar. 2017.

\*2 EPS of FY2016 (JPY 159.38) is used to calculate SBI Holdings' PER.

Note: PBR of SBI Holdings prior to FY2011 is calculated based on J-GAAP BPS.

# Corporate Value by Business Segment Valuation

## Each Business Segment Valuation is Conservatively Estimated



### ■ Sum of the values by segment (as of July 26, 2017) (JPY billion)

	Valuation of each segment (theoretical value)
Financial Services	634.8
Asset Management	227.4
Biotechnology-related	74.5
Subtotal	936.7 (+)
External Debt (SBIH's non-consolidated-base borrowing recorded on the consolidated B/S as of June 2017)	-277.5
Sum Total	659.2 (+)*

- Business valuation per share: **JPY 4,171**

- Business valuation per share after deduction of external debt: **JPY 2,936**

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 a simple sum of the values of each segment with interest-bearing liabilities of SBIH not taken into account in the calculation, 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 474.3bn

(based on the closing prices of July 26, 2017)

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 June 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 Mar. 31, 2017.

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

# Valuation by Segment Estimated by SBI

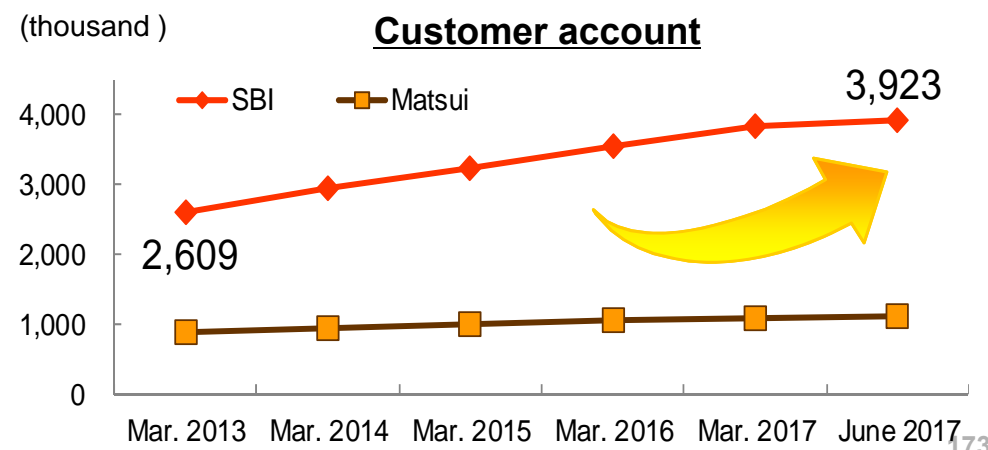
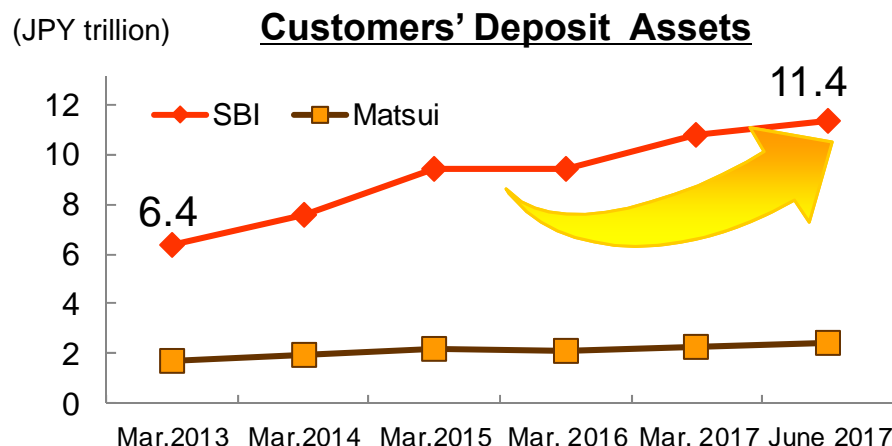
## (1) Financial Services Business ① SBI SECURITIES -(ii)

Is SBI SECURITIES' valuation reasonable?

### Comparison of SBI SECURITIES Matsui Securities

\*Calculated by the closing prices of July 26, 2017

(1Q FY2017)	SBI SECURITIES	Matsui Securities
Valuation (market cap) *	JPY 474.3bn	JPY 235.7bn
Deposit assets (June 2017)	No.1 JPY 11.4tn	JPY 2.4tn
Number of accounts (As of the end of June 2017)	No.1 3.92 million	1.1 million
Share of individual stock brokerage trading value	No.1 34.5%	12.3%
Operating income	No.1 JPY 10.6bn (up 4.0% YoY)	JPY 4.0bn (down 1.6% YoY)



## Valuation by Segment Estimated by SBI

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

#### ② SBI Sumishin Net Bank

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

**JPY 116.5bn → JPY 58.3bn** (based on the closing prices of July 26, 2017)  
 (Shareholding of the SBI Group: 50.0%)

**Estimation of the valuation is as follows:**

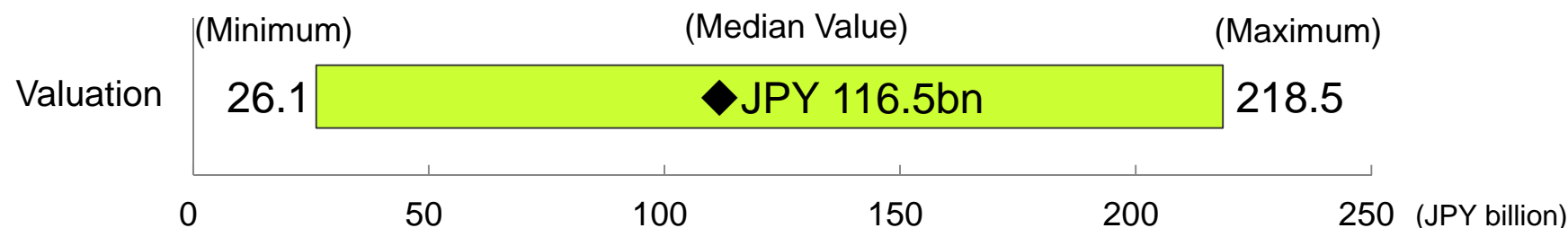
**Calculated according to the Comparable Public Company Analysis**

**Compares the profits of comparable public companies of which the deposit balance exceeds JPY 3tn as of the end of Mar. 2016**

**Median value of estimated PERs of listed local banks of which the deposit balance exceeds JPY 3tn (\*) × 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 3tn as of the end of Mar. 2016

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



## Valuation by Segment Estimated by SBI

### (1) Financial Services Business ③ SBI Liquidity Market

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

**Valuation is estimated at JPY 63.5bn** (based on the closing price of July 26, 2017)

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

$$\frac{\{( \text{Money Partner's PER} + \text{Hirose FX's PER} )\} (*)}{2} \times \text{Net Income of SBI Liquidity Market (cons.) (FY2016)}$$

\* 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 8.2bn** (based on the exchange rate as of July 26, 2017)  
(Shareholding of the SBI Group: 48.8%)



# Valuation by Segment Estimated by SBI



## (1) Financial Services Business

### ⑤ SBIH Comparison Website Business / ⑥ Other Financial Services Business

#### ⑤ SBIH Comparison Website Business

Valuation is estimated at **JPY 18.1bn** (based on the closing price of July 26, 2017)

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 Other listed subsidiary and an equity method company in this business segment

	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>12.7*</b>	<b>9.8</b>
<b>SOLXYZ</b>	<b>23.1</b>	Equity method associate	TSE 1st	<b>11.5</b>	<b>2.7</b>
<b>Sum of the market cap of a listed subsidiary and an equity method associate</b>				<b>24.2</b>	<b>12.5</b>

(Based on the closing price of July 26, 2017. \*Calculated by the exchange rate as of July 26, 2017.)

\* 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 July 26, 2017)

Upon comparison with similar listed companies calculated conservatively as **JPY 474.3bn**

#### ② SBI Sumishin Net Bank

(based on the closing prices of July 26, 2017)

Estimated the valuation of SBI Sumishin Net Bank that has high growth potential in terms of profitability and scale at JPY 116.5bn → **JPY 58.3bn** (Shareholding of the SBI Group: 50.0%)

#### ③ SBI Liquidity Market (cons.)

(based on the closing prices of July 26, 2017)

Upon comparison with similar listed companies calculated as **JPY 63.5bn**

#### ④ SBI Japannext

(based on the exchange rate of July 26, 2017)

Upon the conservative estimated valuation of USD 150m → **JPY 8.2bn**

(Shareholding of the SBI Group: 48.8%)

#### ⑤ SBI Comparison Website Business

(based on the closing prices of July 26, 2017)

Upon comparison with similar listed companies calculated as **JPY 18.1bn**

#### ⑥ Total market cap upon SBIH's shareholding of a listed subsidiary and an equity method company in this segment

The market cap of SBI FinTech Solutions and SOLXYZ (Shareholding of the SBI Group) **JPY 12.5bn**  
(based on the closing prices of July 26, 2017)

Total of the valuation above: **JPY 634.8bn** (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. 178

# Valuation by Segment Estimated by SBIH

## (2) Asset Management Business -①

### Asset Management Business

Valuation for this segment is conservatively estimated at approx. JPY 227.4bn  
<Reference>

JAFCO's Market Cap: **JPY 218.8bn** (based on the closing price of July 26, 2017)

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

(i) Value of holding securities (as of the end of Mar. 2017) Approx. JPY 111.7bn

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 July 26, 2017)

(\* Valuation excluding assets such as securities hold) Approx. JPY 20.5bn

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 July 26, 2017)

Estimates the valuation of SBI SAVINGS BANK at JPY 77.3bn

→ JPY 76.4bn

(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 June 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 share-holding pct. (%)	Classification	Listed market	Market cap (JPY billion)	SBI's equity interest of market cap (JPY billion)
<b>Morningstar Japan</b>	<b>49.5</b>	Consolidated subsidiary	TSE JASDAQ	<b>28.4</b>	<b>14.1</b>
<b>SBI Investment KOREA</b>	<b>43.9</b>	Equity method associate	KOSDAQ of KRX	<b>10.5*</b>	<b>4.6</b>
<b>Sum of the market cap of a listed subsidiary and an equity method associate</b>				<b>38.9</b>	<b><u>18.7</u></b>

(Based on the closing price of July 26, 2017. \*Calculated by the exchange rate as of July 26, 2017.)

\* 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. (%)
<b>SBI Estate Finance</b>	Real estate secured loans	<b>0.4</b>	<b>100.0</b>

# 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 is estimated at approx. JPY 74.5bn**

#### ① SBI Pharmaceuticals

Estimation of the valuation is as follows:

Market value at the point of partial transference of former SBI ALApromo's shares × Number of shares issued × SBIH's equity interest (excluding external holdings)



**Based on SBIH's equity interest (84.9%; excluding external holdings) as of the end of June 2017, the amount is calculated to be approx. JPY 63.7bn**

#### ② Kubota Pharmaceutical HD

	SBI's share-holding pct. (%)	Classification	Listed market	Market cap (JPY billion) (as of July 26, 2017)	SBI's equity interest of market cap (JPY billion)
Kubota Pharmaceutical HD	<b>38.2</b>	Equity method associate	TSE Mothers	<b>28.0</b>	<b>10.7</b>

#### ③ SBI Biotech (SBI's shareholding percentage\*: 87.6%)

**Estimated value based on SBIH's shareholding of paid-in capital**

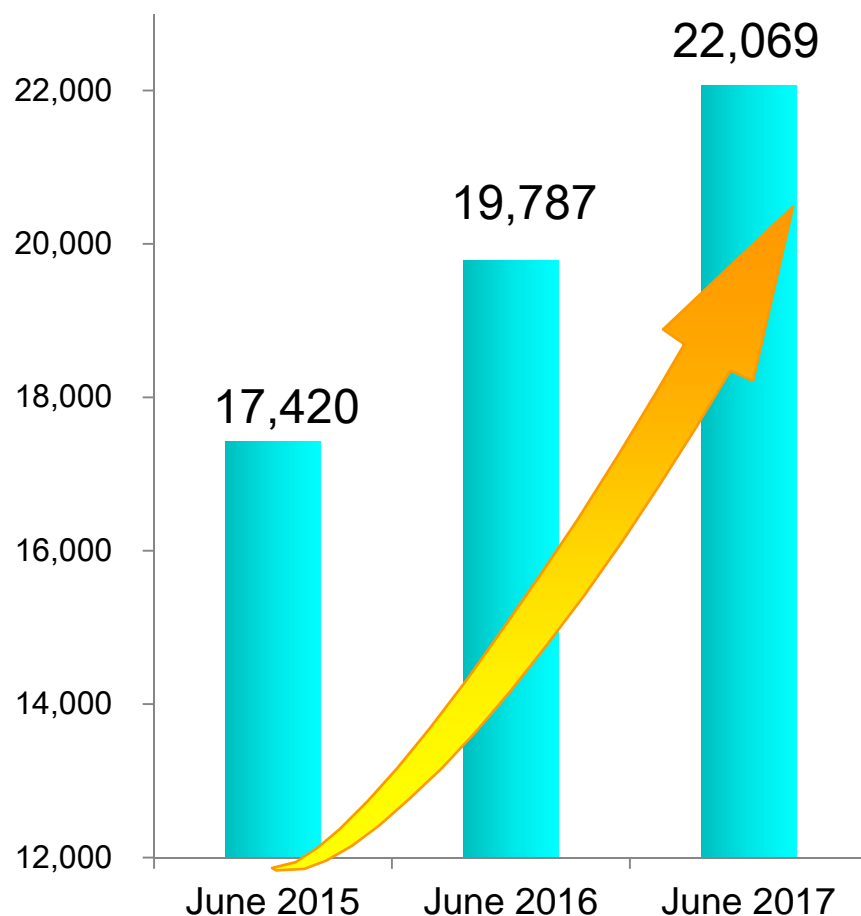
\* SBI's shareholding percentage corresponds to a figure based on the IFRS criteria that excludes a percentage of outside shareholder's interest of subsidiary companies and subsidiary funds of the Group.

## **(4) State of the Group**



## The SBI Group's Customer Base, which was Expanded through the Thorough Pursuit of the Customer-centric Principle and Group Synergies

(Thousand)



### Breakdown of the Customer Base

(As of the end of June 2017)\*1,2

(Thousand)

SBI SECURITIES	(No. of accounts)	3,923
SBIH InsWeb	(No. of customers)	8,634
E-LOAN	(No. of customers)	2,258
MoneyLook	(Total no. of customer registrations)	940
Morningstar Japan	(Total no. of service users ) *3	723
SBI Sumishin Net Bank	(No. of accounts)	2,895
SBI Insurance	(Total no. of contracts)*4	955
SBI Life Insurance	(Total no. of contracts)	108
3 companies of small-amount, short-term insurance business	(Total no. of contracts)	593
Others (SBI Point etc.)		1,041
<b>Total</b>		<b>22,069</b>

\*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.

# Number of Companies and Consolidated Employees of the SBI Group

## Number of Group companies

	Mar. 2017	June 2017
Consolidated subsidiaries (companies)	166	164
Consolidated partnerships (partnerships)	21	21
Total consolidated subsidiaries(companies)	187	185
Equity method companies (companies)	36	37
Total Group companies (companies)	223	222

## Number of consolidated employees

	Mar. 2017	June 2017
Total employees (persons)	4,455	4,701

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