

# **SBI Holdings, Inc.**

## **Financial Results**

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

**October 26, 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 1H FY2017 consolidated financial results**
- 2. Business overview of each segment**
- 3. Focused initiatives from the 2H of the fiscal year to achieve further evolution in each business field**

# **1. Summary of 1H FY2017 consolidated financial results**

# Highlights of the 1H FY2017 consolidated financial results

- 1H FY2017 revenue increased 16.8% year-on-year to JPY 141.7bn, profit before income tax expense increased by 60.5% year-on-year to be JPY 27.7bn and profit attributable to owners of the Company was JPY 20.4bn, up 43.6% year-on-year, which achieved significant increase in both revenue and profit
- The Financial Services Business, owing to its business diversification and expanded sales channels, along with the improved operational efficiency and sophistication garnered through the implementation of FinTech technologies, with the exception of those businesses which were founded in the past two to three year period, all businesses were profitable and continue to be profitable, with revenue up 21.0% and profit before income tax expense up 17.3% year-on-year, respectively
- In the Asset Management Business, along with a steady growth in the profits of SBI SAVINGS BANK of South Korea, and the establishment of a new fund and IPOs from the existing funds, including the FinTech Fund, contributed to a significant increase of approx. 4x the profit before income tax expense, on a year-on-year basis
- In the Biotechnology Business, the businesses are also producing favorable results, with substantive revenues associated with the achievement of milestones scheduled to be recorded sometime between 4Q FY2017 and 1H FY2018, along with a potential FY2018 IPO of Quark, this business segment as a whole is steadily moving toward profitability
- Owing to a steady 1H FY2017 performance, along with the Company's forecast of potential favorable results in 2H FY2017, an interim dividend of JPY 15 per share was declared, for an increase of JPY 5

# 1H FY2017 Consolidated Performance (IFRS)

[Year-on-year]

(Unit: JPY million)

	<b>1H FY2016</b> (Apr. 2016 – Sept. 2016)	<b>1H FY2017</b> (Apr. 2017 - Sept. 2017)	<b>YoY % change</b>
<b>Revenue</b>	<b>121,284</b>	<b>141,679</b>	<b>+16.8</b>
<b>Profit before income tax expense</b>	<b>17,286</b>	<b>27,737</b>	<b>+60.5</b>
<b>Profit for the period</b>	<b>10,109</b>	<b>19,108</b>	<b>+89.0</b>
<b>Profit attributable to owners of the Company</b>	<b>14,194</b>	<b>20,385</b>	<b>+43.6</b>

# 1H FY2017 Revenue by Segment (IFRS)

[Year-on-year]

(Unit: JPY million)

	<b>1H FY2016</b> (Apr. 2016 – Sept. 2016)	<b>1H FY2017</b> (Apr. 2017 - Sept. 2017)	<b>YoY % change</b>
<b>Financial Services Business</b>	<b>84,945</b>	<b>102,742</b>	<b>+21.0</b>
<b>Asset Management Business</b>	<b>34,945</b>	<b>38,188</b>	<b>+9.3</b>
<b>Biotechnology-related Business</b>	<b>2,027</b>	<b>1,860</b>	<b>-8.2</b>

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

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

[Year-on-year]

(Unit: JPY million)

	<b>1H FY2016</b> (Apr. 2016 – Sept. 2016)	<b>1H FY2017</b> (Apr. 2017 - Sept. 2017)	<b>YoY change</b> (% change / amount)
<b>Financial Services Business</b>	<b>25,264</b>	<b>29,642</b>	<b>+17.3</b>
<b>Asset Management Business</b>	<b>2,912</b>	<b>11,579</b>	<b>+297.6</b>
<b>Biotechnology-related Business</b>	<b>-5,178</b>	<b>-8,604</b>	<b>-3,426</b>

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

# Owing to Steady Earnings, an Interim Dividend of JPY 15 Per Share was Declared, for an Increase of JPY 5

## [Basic policy for shareholder return]

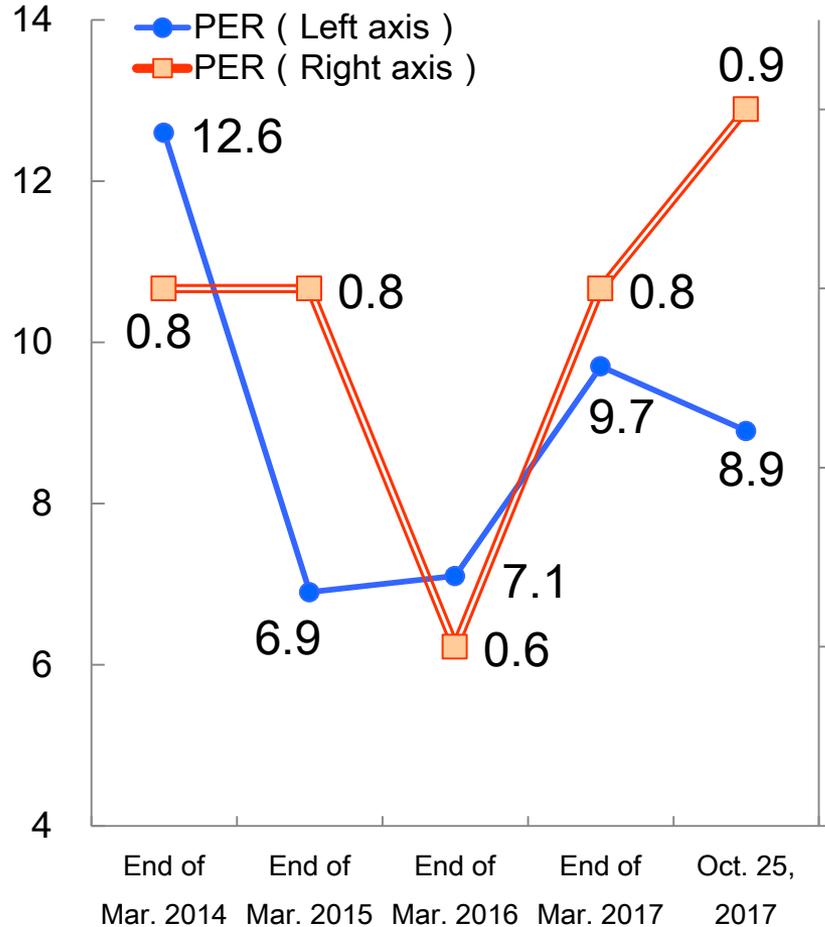
Conduct shareholder returns with a target of achieving a total shareholder return ratio, as calculated by the sum of dividend payouts and share repurchase costs, of **40% as a minimum**

### ■ Dividend forecast (result) per share

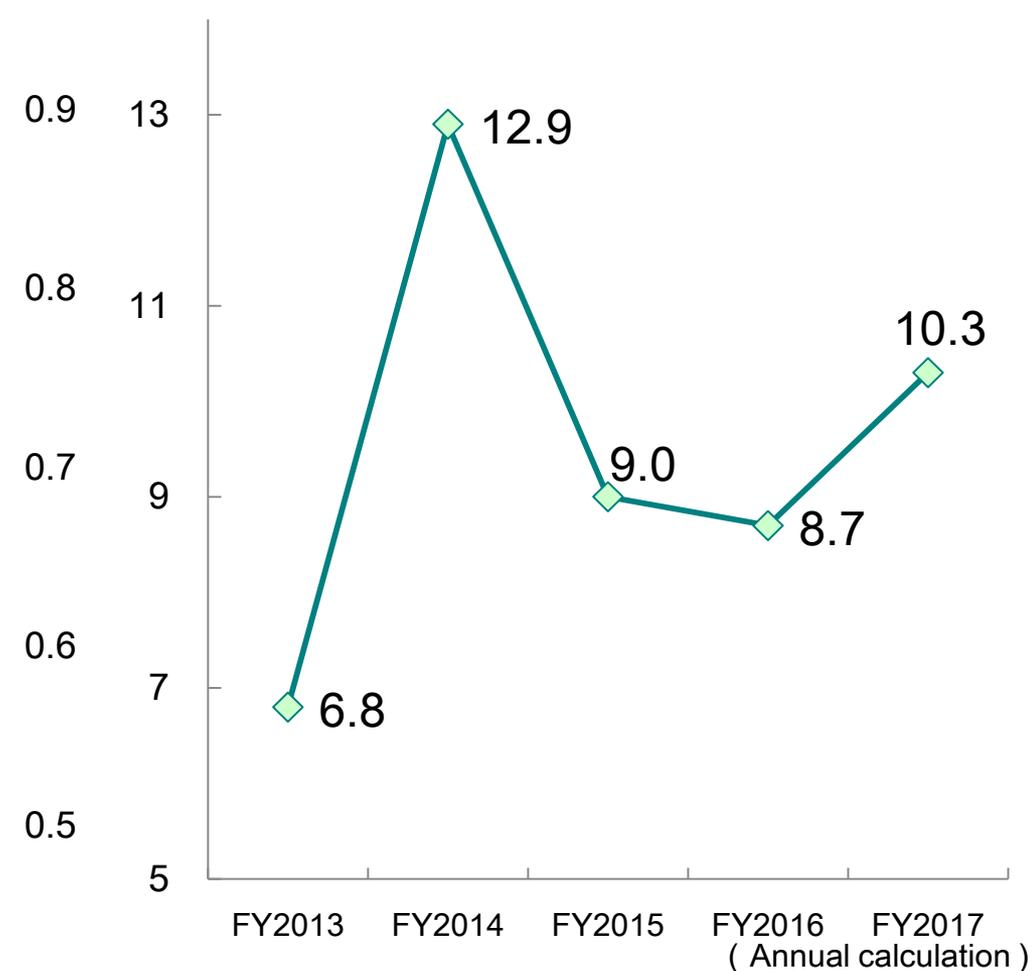
	End of 2Q	Year-end	Full-year
<b>FY2017</b>	<b><u>JPY 15</u></b>	TBD	TBD
<b>FY2016</b>	JPY 10	JPY 40	JPY 50

# Changes in SBI Holding's Key Management Indicators

## (X) Changes in PER and PBR



## (X) (%) Changes in ROE



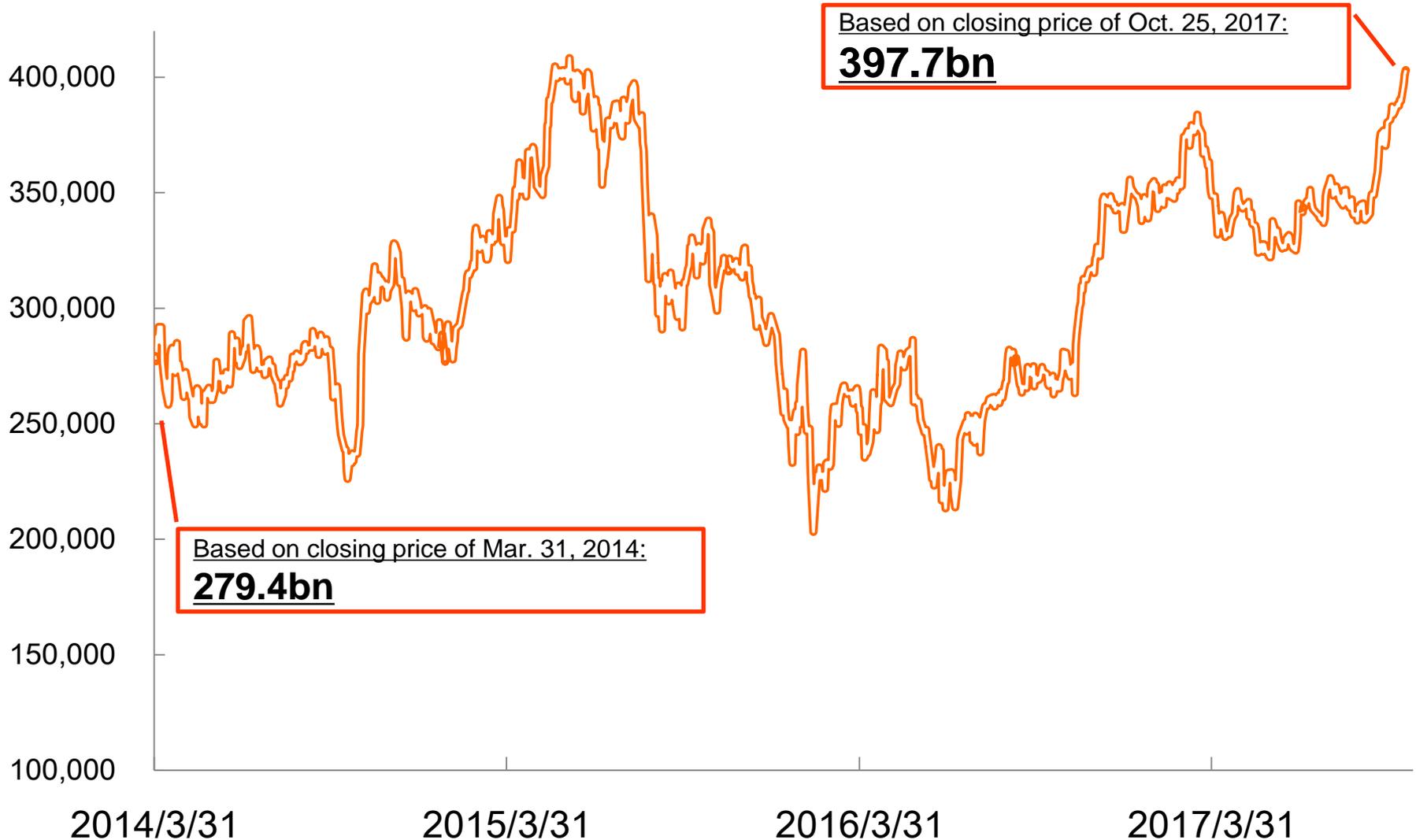
\*1 Oct 25, 2017 PER and PBR are calculated based on doubled EPS of 1H FY2017 (JPY 99.98) and BPS at the end of 2Q FY2017.

\*2 ROE (annual calculation) for FY2017 is calculated based on doubled profit for the year attributable to owners of the company of 1H FY2017.

# SBI Holding's Market Capitalization

**Market Capitalization** (Based on closing price of Oct. 25, 2017) **397.7bn**

(JPY million)



# Issuance of Euro Yen Convertible Bonds (Bonds with Stock Acquisition Rights)

-Resolved on Aug. 29, 2017-

The bond issuance was determined, as it was possible to raise funds with a zero coupon, with the paid-in amount exceeding the face value

	<b>Zero Coupon Convertible Bonds due 2020</b>	<b>Zero Coupon Convertible Bonds due 2022</b>
Aggregate issue amount	<b>JPY 20.0bn</b>	<b>JPY 30.0bn</b>
Due	<b>Three years</b> (Redemption date: Sept. 14, 2020)	<b>Five years</b> (Redemption date: Sept. 14, 2022)
Coupon	<b>0%</b>	<b>0%</b>
Amount to be paid	<b>101.0% of the principal amount of the Bonds</b>	<b>101.0% of the principal amount of the Bonds</b>
Conversion price	<b>JPY 1,745</b> Conversion premium to the closing date's share price (JPY 1,505): 15.95%	<b>JPY 1,730</b> Conversion premium to the closing date's share price (JPY 1,505): 14.95%

# Use of Proceeds

## 1. JPY 30bn for the redemption of Euro Yen Convertible Bonds due 2017, issued in Nov. 2013



Since Euro Yen Convertible Bonds due 2017 have been fully converted into common shares by Oct. 24, 2017 (conversion price: JPY 1,419.9), the need for redemption became unnecessary, and going forward, the proceeds will be applied as funding for lending to and investments in the Asset Management Business and Biotechnology-related Business, as well as for repayment of debt.

Treasury shares held (average acquisition price of JPY 1,136, as of the end of Aug. 2017) were used as the allotted shares for the conversion

## 2. As treasury stock acquisition fund, JPY 20bn

Period for share repurchase: Aug. 30, 2017 to Nov. 30, 2017



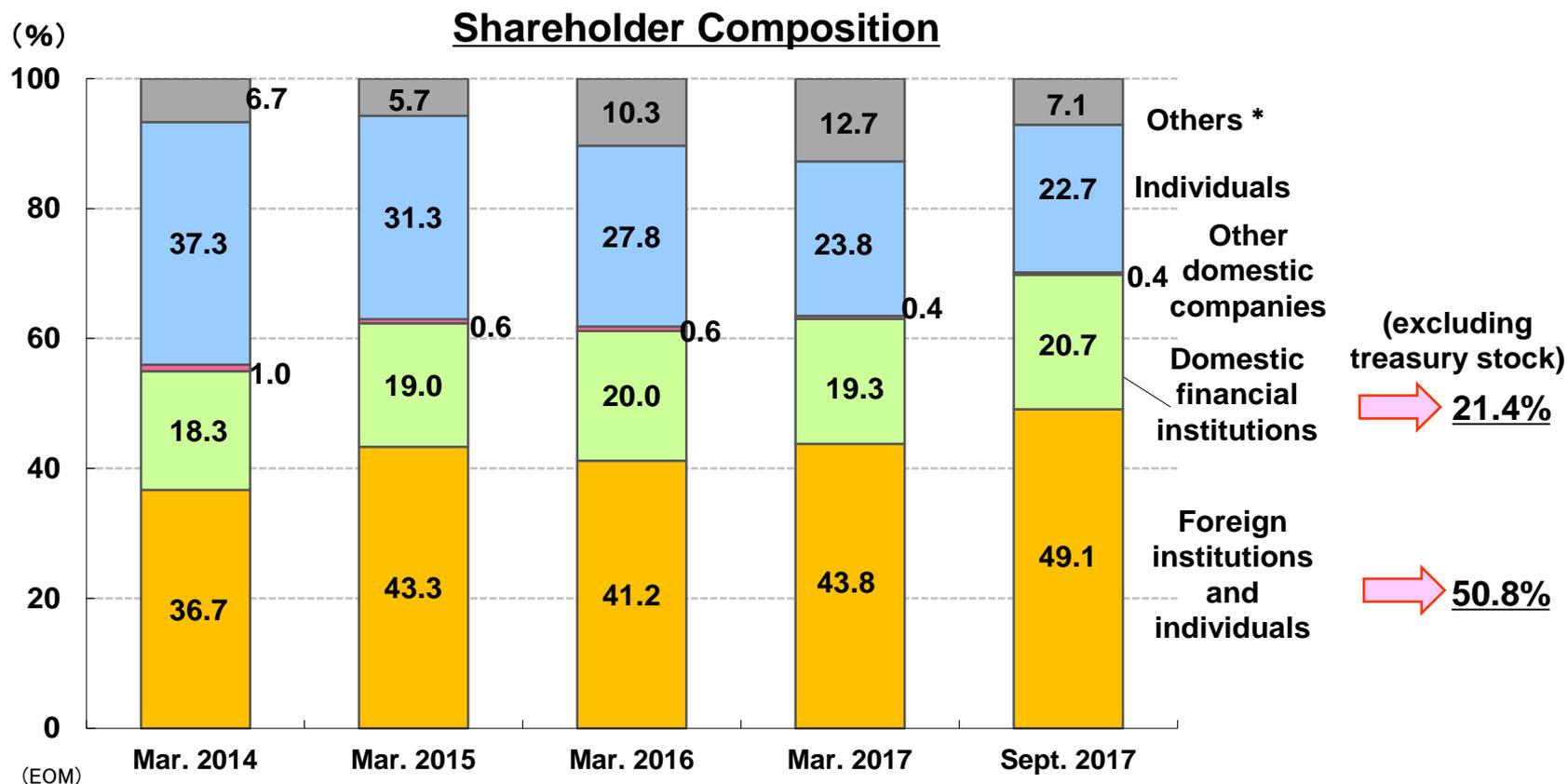
Total share repurchased amount as of the end of Sept. 2017:

JPY 9.6bn (6,318,500 shares, equivalent to 2.8% of total issued shares outstanding)

Number of treasury shares: 7,479,540 shares (as of the end of Sept. 2017)

# SBI Holdings' Shareholder Composition

- ◆ The total number of shareholders is 128,246, of which the number of shareholders who hold 1 unit or more is 76,902
- ◆ Shareholding ratio of domestic and foreign institutional investors is 69.8%, and the substantive shareholding ratio of domestic and foreign institutional investors, excluding treasury stock, is at 72.2%
- ◆ Appropriation of treasury stock to convert convertible bonds issued in 2013, reduced the treasury stock ratio from 9.3% (as of March 31, 2017) to 3.3%.



## **2. Business overview of each segment**

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

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

## ① Securities-related business

- **1H FY2017 operating revenue of JPY 52.9bn was an historical high on a half-year basis, along with all the profit items achieving record highs as well**
- **Owing to the diversification of services and products, as well as the sophistication of business fields, SBI SECURITIES has established an overwhelming position in the online securities industry.**  
**Going forward, by further expanding and developing its business domain, it will transition to a new phase to fully compete with the major face-to-face securities companies**

# SBI SECURITIES 1H FY2017

## Consolidated Results (J-GAAP)

**-Operating revenue and all the profit items recorded historical highs on a half-year basis-**

[Year-on-year]

(Unit: JPY million)

	<b>1H FY2016</b> (Apr. 2016 – Sept. 2016)	<b>1H FY2017</b> (Apr. 2017 - Sept. 2017)	<b>YoY % change</b>
Operating Revenue	<b>42,437</b>	<b>52,880</b>	<b>+24.6</b>
Net Operating Revenue	<b>39,473</b>	<b>48,198</b>	<b>+22.1</b>
Operating Income	<b>17,797</b>	<b>22,949</b>	<b>+29.0</b>
Ordinary Income	<b>17,834</b>	<b>22,973</b>	<b>+28.8</b>
Profit attributable to owners of the Company	<b>13,880</b>	<b>15,970</b>	<b>+15.1</b>

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

[Year-on-year]

(Unit: JPY million)

		1H FY2016 (Apr. 2016 – Sept. 2016)	1H FY2017 (Apr. 2017 – Sept. 2017)	YoY % change
Online securities	<b>SBI (cons.)</b>	<b>17,797</b>	<b>22,949</b>	<b>+29.0</b>
	<b>Monex *1 (cons.)</b>	<b>127</b>	<b>3,100</b>	<b>+2,333.9</b>
	<b>Rakuten (cons.)</b>	<b>8,610</b>	<b>8,931</b>	<b>+3.7</b>
	<b>Matsui</b>	<b>7,320</b>	<b>7,996</b>	<b>+9.2</b>
	<b>kabu.com</b>	<b>3,280</b>	<b>2,856</b>	<b>-12.9</b>
Face-to-face	<b>Nomura *2 (cons.)</b>	<b>144,539</b>	<b>160,482</b>	<b>+11.0</b>
	<b>Daiwa (cons.)</b>	<b>57,342</b>	<b>61,420</b>	<b>+7.1</b>
	<b>SMBC Nikko (cons.)</b>	<b>29,572</b>	<b>40,108</b>	<b>+35.6</b>

\*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

# Competition with Online Securities Companies is Finished

-SBI SECURITIES is No.1 in the share of individual stock trading value, number of accounts, deposits and profitability-

[1H FY2017 results]

	Share of individual stock trading value (%)		Number of accounts (thousand)	Deposit assets (JPY trillion)	Operating income (JPY million)
		of which, individual margin trading			
<b>SBI (cons.)</b>	 <b>34.8</b>	 <b>35.9</b>	 <b>4,005</b>	 <b>12.0</b>	 <b>22,949</b>
<b>Rakuten *1 (cons.)</b>	<b>16.2</b>	<b>16.4</b>	<b>2,250</b>	<b>4.6</b>	<b>8,931</b>
<b>Matsui</b>	<b>11.9</b>	<b>14.9</b>	<b>1,113</b>	<b>2.5</b>	<b>7,996</b>
<b>kabu.com</b>	<b>8.8</b>	<b>10.4</b>	<b>1,068</b>	<b>2.3</b>	<b>2,856</b>
<b>Monex *2 (cons.)</b>	<b>5.4</b>	<b>3.7</b>	<b>1,726</b>	<b>4.1</b>	<b>3,100</b>

\*1 The number of accounts for Rakuten is the figure as of the end of Mar. 2017.

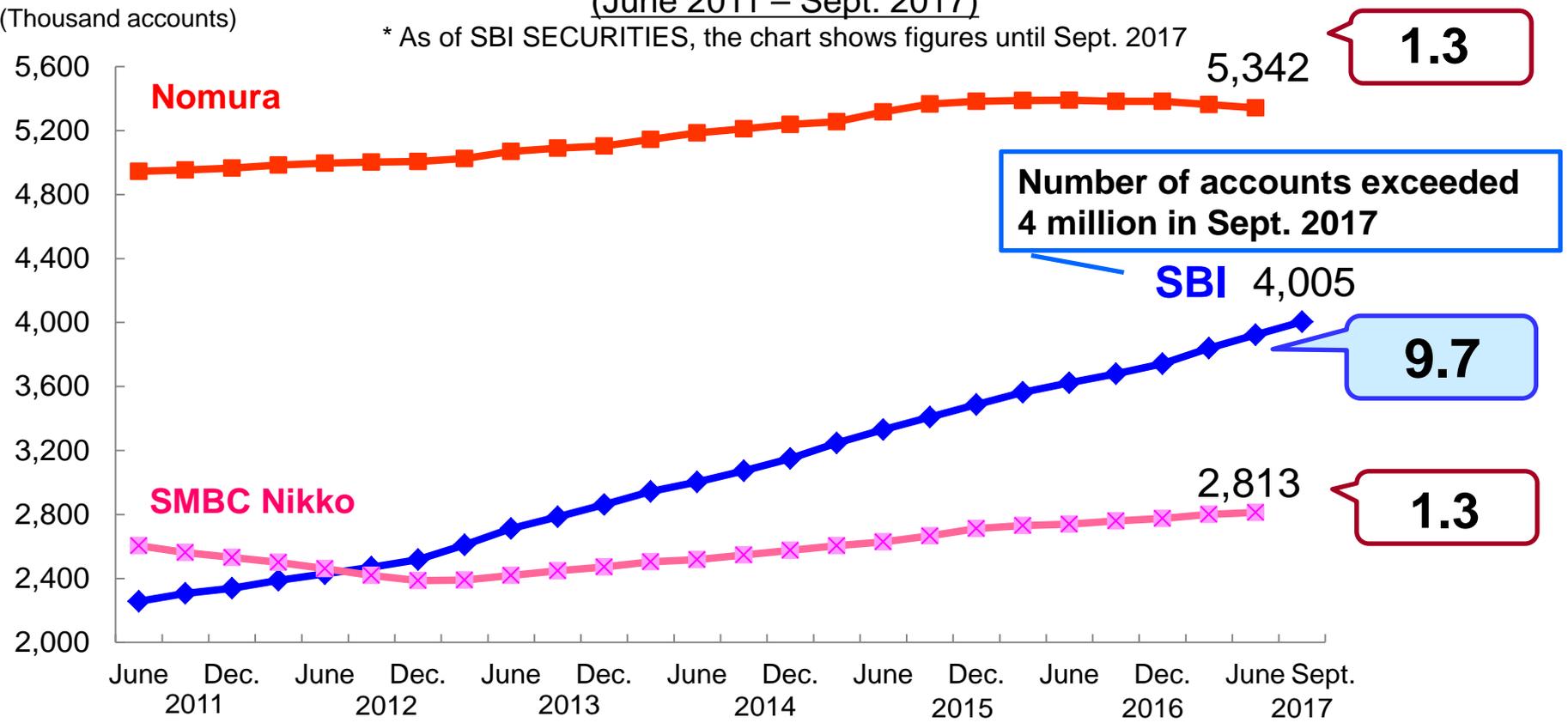
\*2 The amount of "Operating Income" is "The amount equivalent to operating income" disclosed by Monex.

# Number of Accounts have Reached a Level that is Competitive with Major Face-to-face Securities Companies

## SBI SECURITIES overtook Daiwa Securities' number of accounts in June 2017

Number of Accounts of SBI SECURITIES and 3 Major Face-to-face Securities Companies (June 2011 – Sept. 2017)

**CAGR: %**  
(June 2011 - June 2017)



**As of the end of Mar. 2017, Daiwa Securities' number of accounts totaled 3,866 thousand accounts, with a CAGR at 2.3% during the period from June 2011 to Mar. 2017**

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

# **Through the diversification of products and the expansion of business domains, transitioning to a new phase to fully compete with the major face-to-face securities companies**

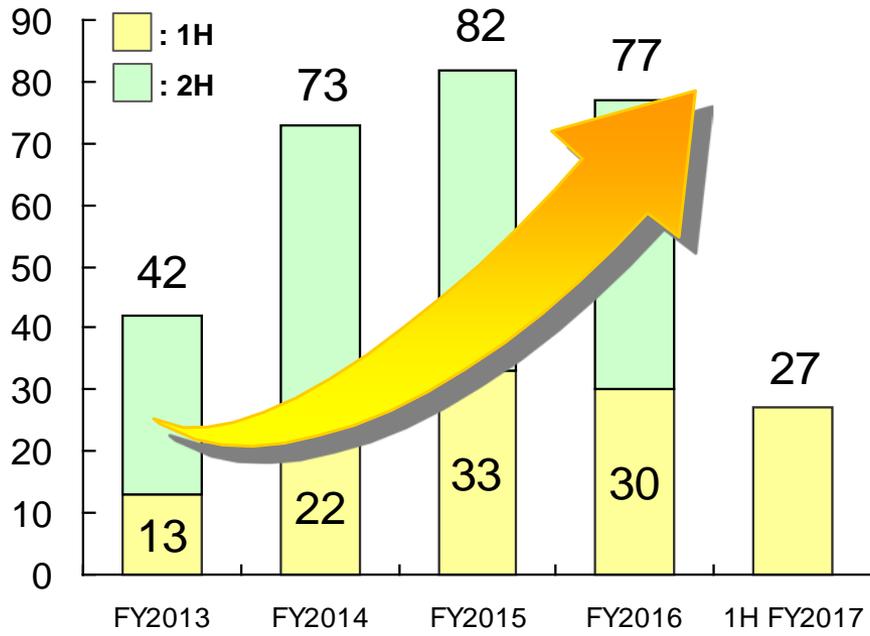
- (i) Further enhancing the corporate business**
  - **Continually expand the underwriting business for equities and bonds**
  - **Through the Financial Institutional Sales Dept., advancing business opportunities with the financial institutions**
  - **Enhancing new business opportunities with regional financial institutions**
- (ii) Firmly strengthening the iDeCo business that promotes the flow “from savings to asset formation”**
- (iii) Supporting investors’ asset formation, through the provision of multiple robo-advisor services that utilizes new FinTech technologies**
- (iv) Initiated the trading of Japanese Government Bonds on PTS**

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

## -Underwriting share of 96% is an industry leading figure-

Number of IPOs Underwritten by SBI SECURITIES

(No. of companies)



Lead underwriting	5	8	8	13	3
Lead underwriting ranking (Ratio)	No. 3 (9.4%)	No. 5 (9.3%)	No. 5 (8.5%)	No. 5 (14.9%)	No. 5 (10.7%)

IPO Underwriting Ranking (Apr. 2017 – Sept. 2017)

28 companies were listed during the period

Company name	No. of cases	Underwriting share (%)
<b>SBI</b>	<b>27</b>	<b>96.4</b>
SMBC Nikko	20	71.4
Mizuho	16	57.1
Ace	14	50.0
Iwai Cosmo	12	42.9
Monex	11	39.3
Ichiyoshi	11	39.3

\* 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.

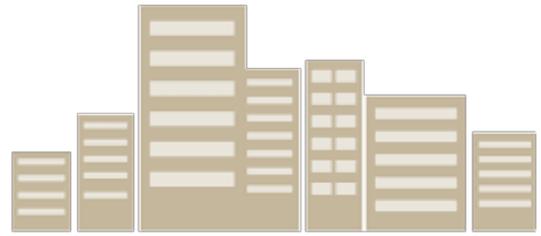
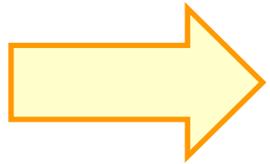
\* The above figures do not include consignments, and is based on listing dates. The figures exclude brokerage sales and REITs.  
 \* The number of IPOs does not include issues listed on TOKYOAIM.

# SBI SECURITIES' Financial Institutional Sales Dept. is Endeavoring to Increase the Number of Customer Financial Institutions, and to Expand Transactions



[SBI SECURITIES]

Financial Institutional Sales Dept.



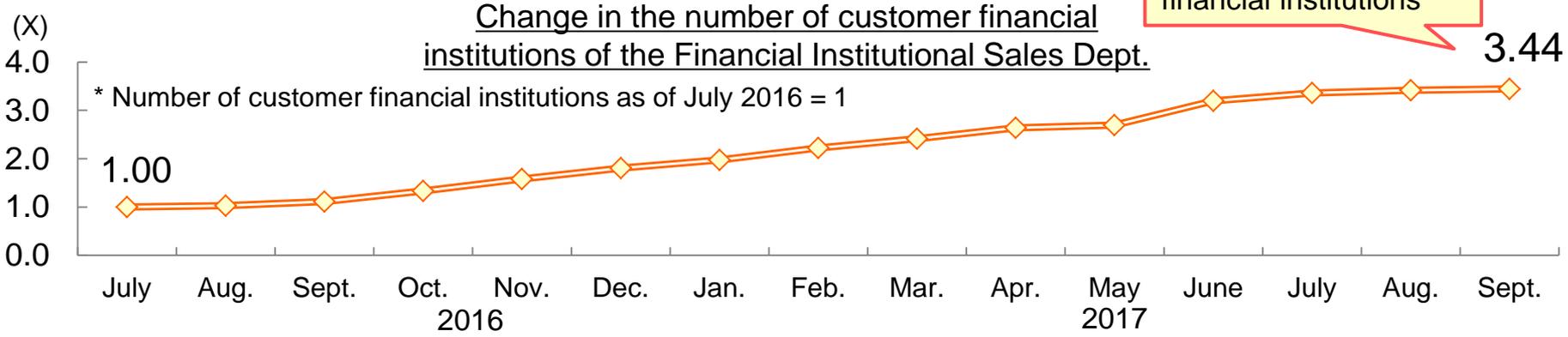
Financial institutions

SBI SECURITIES has been promoting self-origination of structured bonds, and originated and distributed a total amount of JPY 15bn \*(Dec. 2015 – Sept. 2017)

Distribution of structured bonds, domestic and overseas investment trusts, as well as bond transactions

Distributed financial instruments to 124 financial institutions

\* Includes structured bonds toward retail customers



[Results of strengthening the business structure for financial institutions, including the establishment of the Financial Institutional Sales Dept.]

- SBI SECURITIES' underwriting share of Japan Post's follow-on equity offering significantly increased to 1.04% as compared to that of 0.39% at the timing of Japan Post's IPO
- Began to underwrite newly issued municipal bonds or public bonds, the business area that SBI SECURITIES had previously not been able to participate in

## SBI SECURITIES Provides Financial Instruments Intermediary Services to Four Regional Financial Institutions, in Order to Correspond to 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”



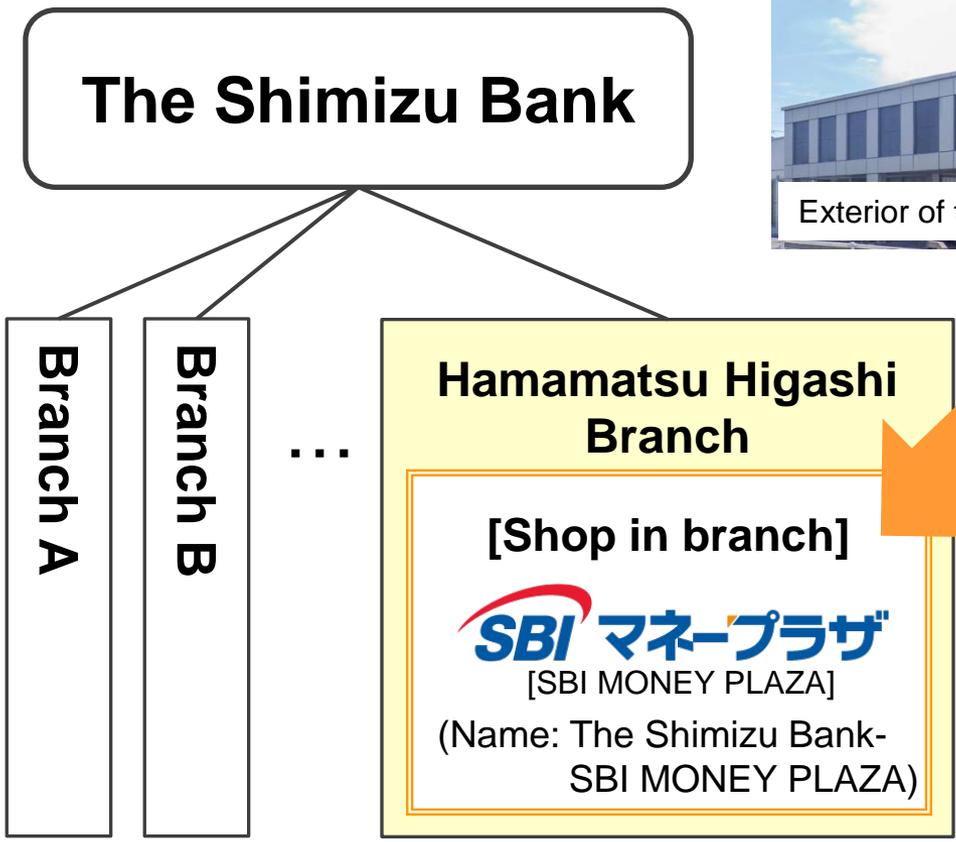
- Started providing financial instruments intermediary services with **The Shimizu Bank** (Mar. 2017)  
SBI SECURITIES' first alliance case with a regional bank for intermediary brokerage services
- Started providing financial instruments intermediary services with **The Ehime Bank** (July 2017)
- Started providing financial instruments intermediary services with **CHIKUHO BANK** and **The Keiyo Bank** (Oct. 2017)



Planning to **form alliances with a total of 25 regional banks** by Mar. 2018, with a continuous focus on the development of regional customers

# SBI MONEY PLAZA Launched Its First Co-managed Shop with a Regional Financial Institution, The Shimizu Bank, in Oct. 2017

At the co-managed shop, which serves as an one-stop shop, a variety of financial products, such as securities-related products, insurance products and fund investment products that are handled by SBI MONEY PLAZA will be proposed and offered to regional customers



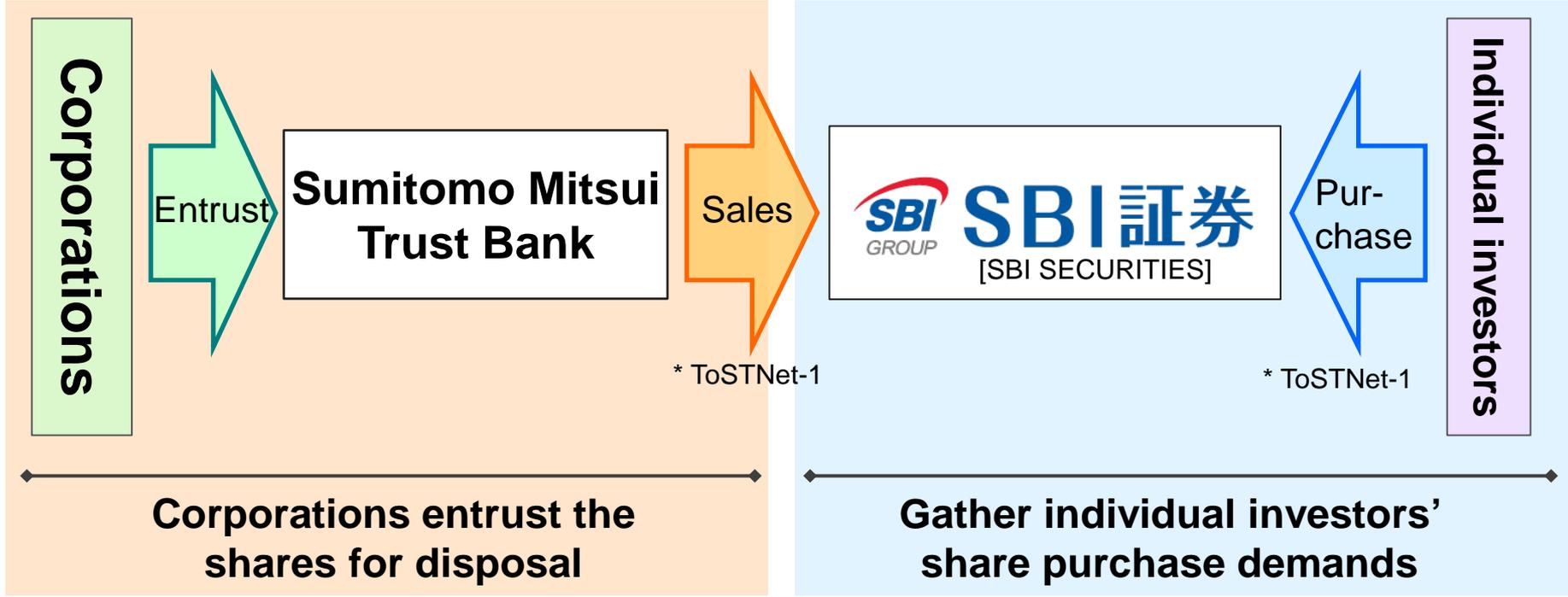
**SBI MONEY PLAZA's product offerings:**

<b>Securities</b> (Financial Instruments Intermediary Service Provider) Investment trusts (about 2,500), Corporate, Foreign, Structured Bonds	<b>Insurance</b> (Insurance Agent)  Joint offering
<b>Real estate brokerage</b> (Customer introductions)  Domestic and overseas real estate	<b>Fund investment Products</b> (Type II financial instruments business) Operating lease, Real estate small-lot trust beneficiary rights

**Considering the establishment of co-managed shops with multiple regional financial institutions**

# Initiation of a Stock Block Sale and Entrustment/Off-floor Trading Service, Jointly Developed with Sumitomo Mitsui Trust Bank -Supporting the unwinding of corporate cross-shareholdings-

- [A trust product designed to assist in selling strategic shareholdings](#) held by companies [to individual investors](#)
- A convenient venue for business corporations thinking of selling their strategic shareholdings, and the provision of a previously unavailable trading opportunity for individual investors



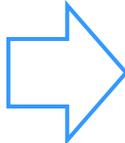
**Declining impact of share price will be suppressed, owing to the off-market bulk disposal of stocks**

(ii) Strongly promoting the iDeCo pension business

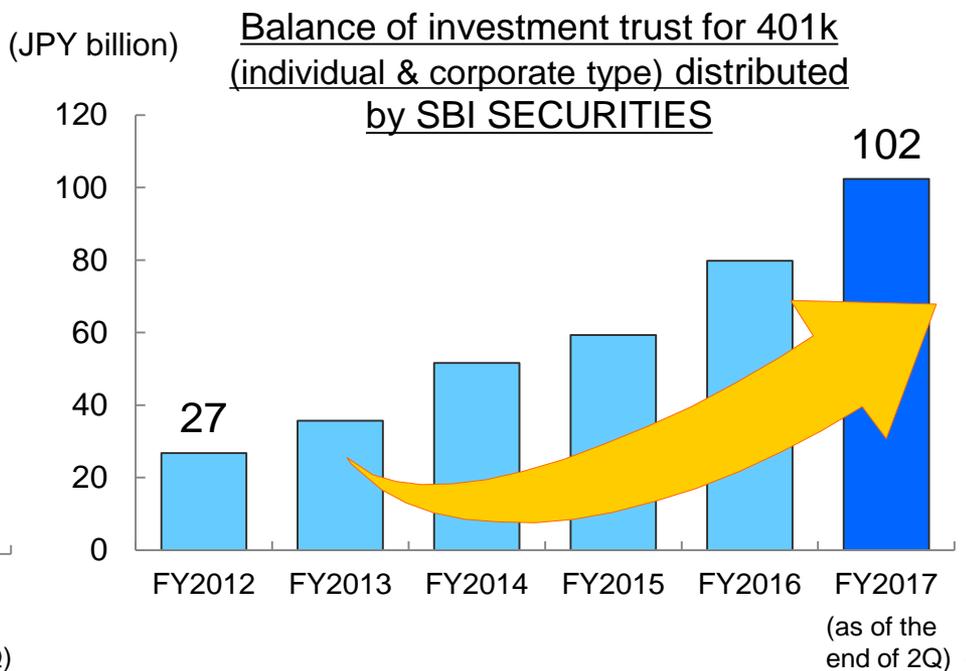
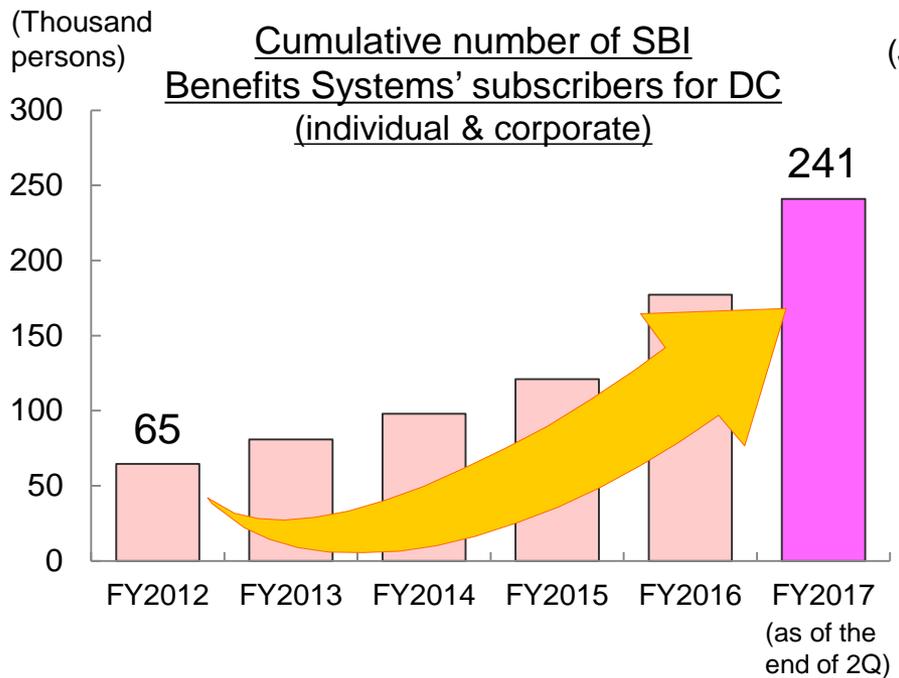
# Further Strengthening the Individual Defined Contribution (iDeCo) Pension Business

In order to further expand the iDeCo pension business, SBI SECURITIES has **waived its iDeCo administrative fees** from May 19, 2017

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



**SBI SECURITIES' monthly average number of acquired subscribers and transfers from June to Aug. 2017 was 7,600 accounts, approx. 1.3x that of May 2017, which leads the industry**



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

-Since the launch of the service, customer assets and the number of accounts have increased significantly-

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



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

WealthNavi for SBI SECURITIES

**Customer assets: JPY 17.4bn** (as of Oct. 24, 2017)

**Approx. 26,000 accounts**

## 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

**Customer assets: JPY 1.9bn, Number of accounts: approx. 9,100**

(as of Oct. 24, 2017)

THEO+SBI SECURITIES and THEO+SBI Sumishin Net Bank together opened over 10,000 accounts (Oct. 10, 2017) in about two months after the service was launched

## SBI Japannext, through the Launch of a Japanese Government Bond PTS, Endeavors to Enhance Functions as an Alternative 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 Sept. 30, 2017)
- Started operations of the proprietary trading system (PTS) “B-market” for Japanese Government Bonds
  - Enables executions that are faster, cheaper, and more transparent than the traditional OTC market
  - Major securities companies have already completed their connections to the PTS system, with expectations of other connections to the system going forward

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

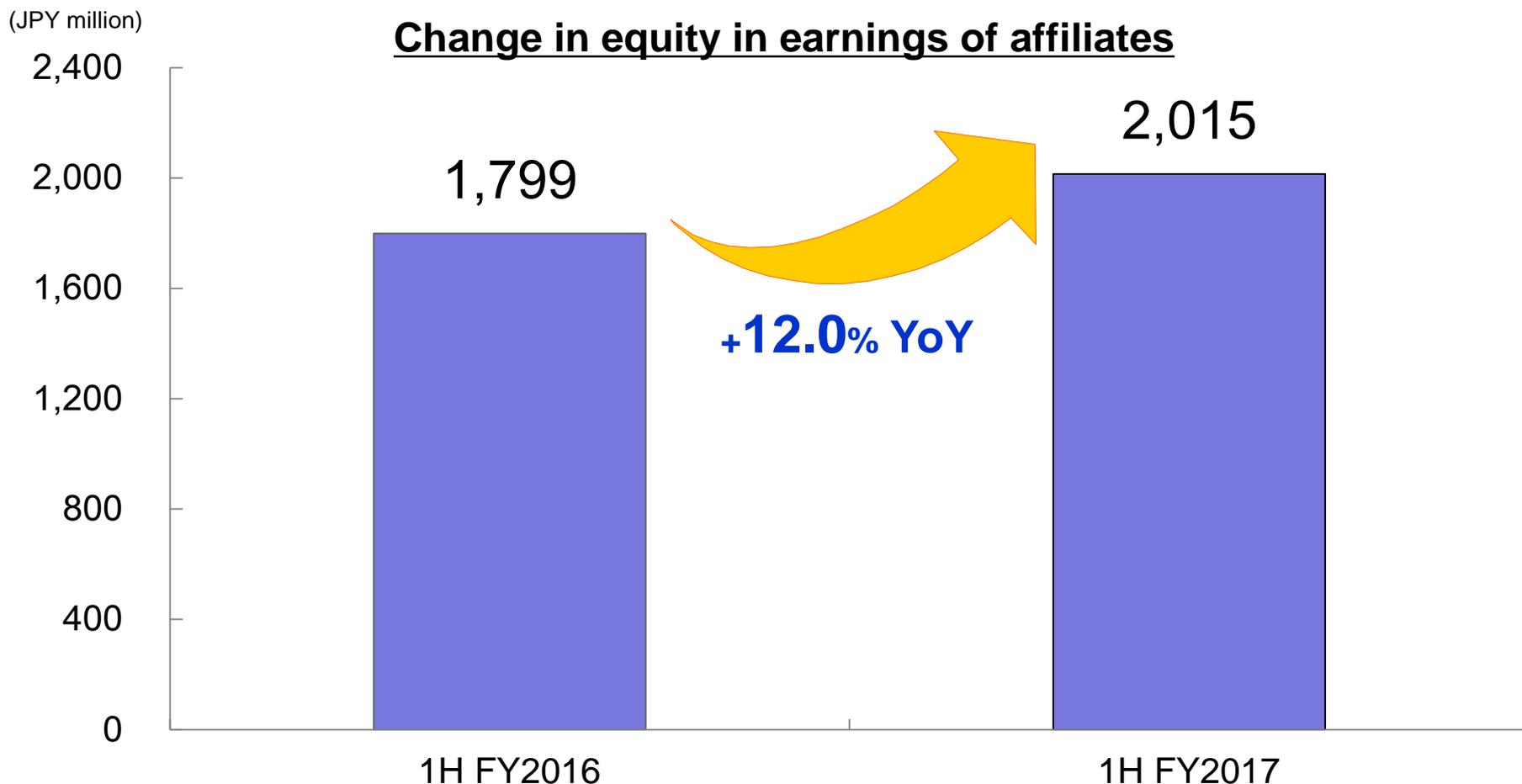
- ✓ SBI Japannext is awaiting agreements between exchanges and securities companies, after having taken the initiative to offer the most beneficial scheme for investors
- ✓ Details of business regulations are under discussion with the authorities
- ✓ Major online securities companies have begun connection procedures to the PTS, in anticipation of the lifting of the ban on margin trading of stocks on the PTS

## ② Banking-related business

- **SBI Holdings' equity in earnings of SBI Sumishin Net Bank, based on IFRS for 1H FY2017 was JPY 2,015m, up 12.0% year-on-year, owing to the expansion of the housing loans and profits through investment of bond investments, etc.**
  - \* 1H FY2017 financial results announcement is scheduled for Nov. 10, 2017
- **As of the end of Sept. 2017, accounts steadily increased to approx. 2.96 million accounts, with deposits exceeding JPY 4.3tn, overwhelmingly surpassing its competitors**
- **Active introduction of FinTech technology in various services**

# Change in SBI Sumishin Net Bank's Financial Results (IFRS)

SBI Holdings' equity in earnings of SBI Sumishin Net Bank based on IFRS for 1H FY2017 was JPY 2.0bn, up 12.0% year-on-year

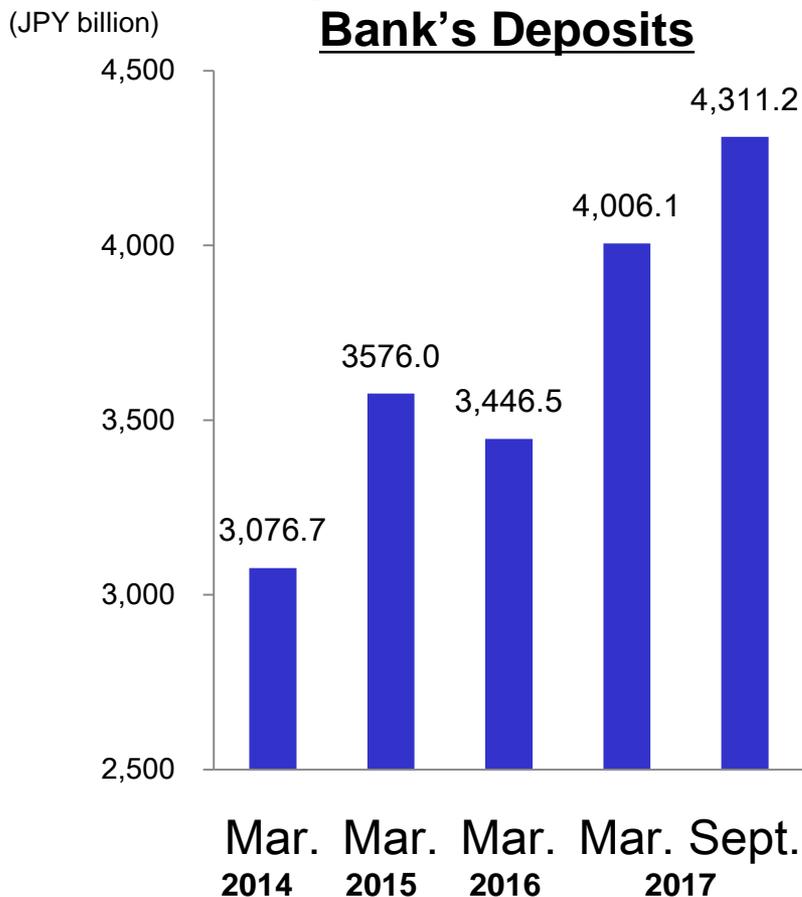


Note: Owing to the difference in IFRS and J-GAAP for asset assessment criteria, the figures differ from that disclosed based on J-GAAP.

# Deposits as of the End of Sept. 2017: Approx. JPY 4.3tn

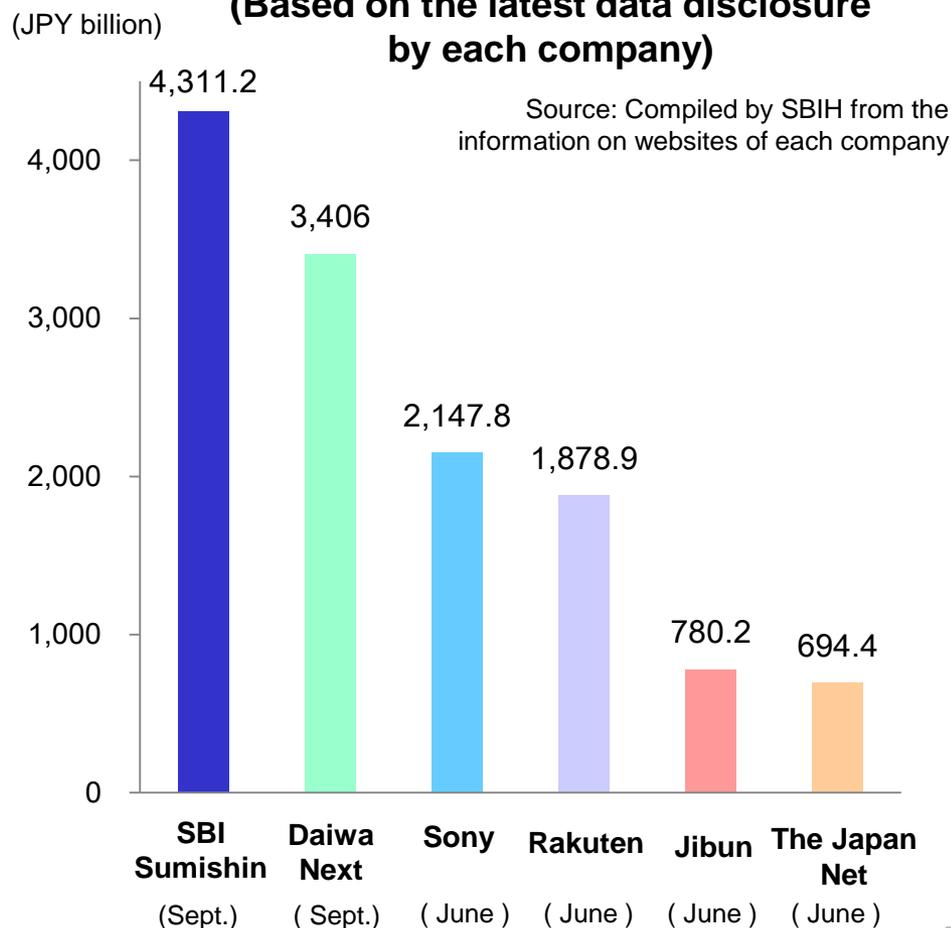
**Number of accounts: 2,963,591 / Deposits: JPY 4.3tn  
(as of the end of Sept. 2017)**

**Change in SBI Sumishin Net Bank's Deposits**



**Deposits of 6 Internet Banks**

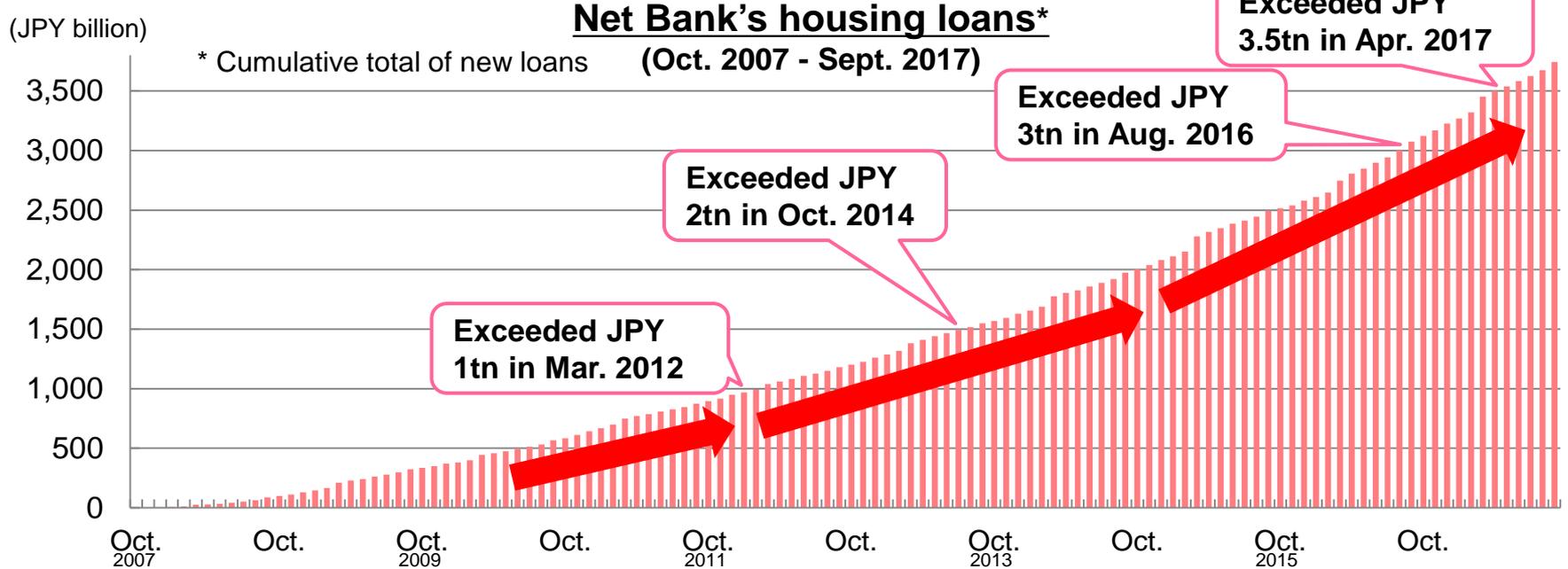
**(Based on the latest data disclosure by each company)**



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

# Cumulative Total of Housing Loans has Rapidly Increased, Owing to Attractive Interest Rates and Highly Beneficial Customer Services

## Change in cumulative total of SBI Sumishin Net Bank's housing loans\*



**Sept. 2007** Housing loans processed directly by SBI Sumishin Net Bank Via alliance with real estate companies

**Jan. 2012** Banking agency business for Sumitomo Mitsui Trust Bank "Internet Exclusive Housing Loan"

**Mar. 2015** Banking agency specialized product "MR. Housing Loan REAL"

**Sept. 2015** Long-term fixed rate product "Flat 35"

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

# In the Banking-related Business, Further Strengthening Housing Loans Business through the Expansion of the Sales Channel at Face-to-face Shops

- ◆ “Shinjuku Loan Plaza,” a face-to-face shop operated by Good Mortgage, started the sales of banking agency specialized housing loans product “MR. Housing Loan REAL,”<sup>\*1</sup> and the sales of the long-term fixed rate product “Flat 35”<sup>\*2</sup>.
- ◆ From Oct. 26, 2017, “Ikebukuro Loan Plaza”, a face-to-face shop operated by MX Mobiling, also started the sales of these housing loans.

<sup>\*1</sup> From, Jan. 26, 2017 <sup>\*2</sup> From Feb. 1, 2017

住信SBIネット銀行 **Good Mortgage**  
**MX Mobiling**

**MR. 住宅ローンREAL**

“MR. Housing Loan REAL”

The sales of the long-term fixed rate product

**“Flat 35”**



Face-to-face customers

## **Collaborating with FinTech venture companies to proactively promote the expansion and diversification of advanced services**

- (i) Expanding asset formation services with robo-advisors**
- (ii) Provision of automatic savings services, and asset management services using change from daily spending for individual customers, to support effortless asset formation**
- (iii) Provision of business loan services, based on accounting transactions, in cooperation with settlement agencies and cloud accounting service companies, both within and outside of the group**

## 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 4.7bn** (as of Oct. 24, 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

The balance of customer assets

**Exceeded JPY 0.6bn** (as of Oct. 24, 2017)

(ii) Automatic savings services

# Provision of Automatic Savings Services, and Asset Management Services Using Change from Daily Spending for Individual Customers, to Support Effortless Asset Formation ①

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

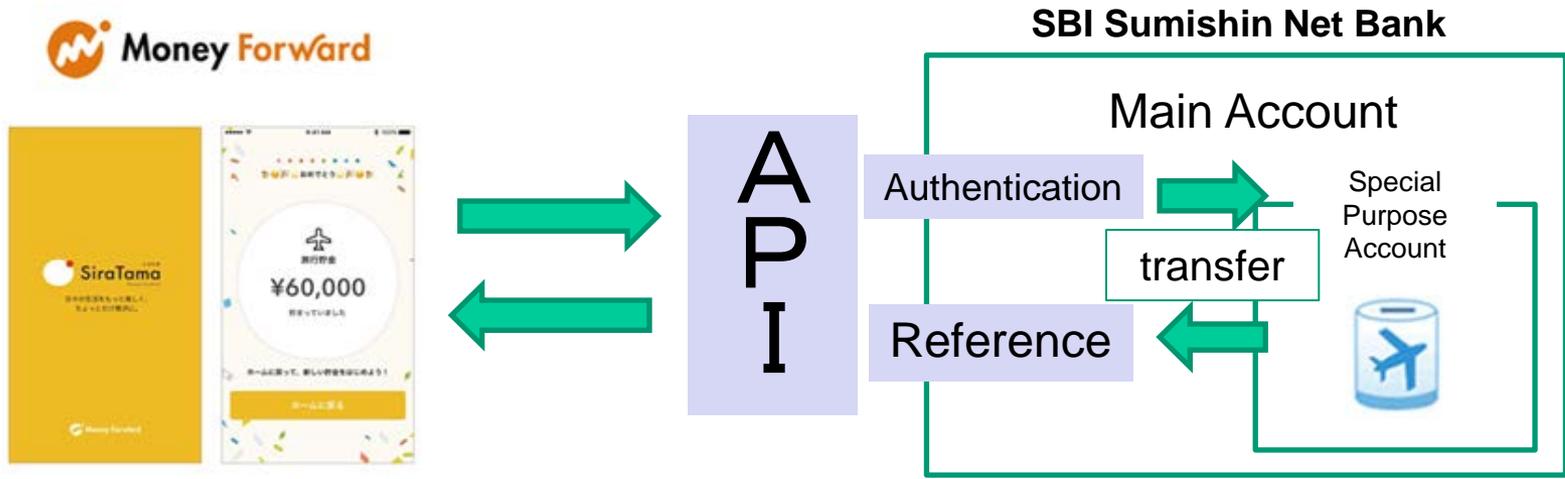
\* API (Application Programming Interface) Mechanism to enable the managing of data and software functions from an outside program source. An upgraded API is a connection method between systems that enables transactions, such as transfers, between a primary account and a specific-purpose account without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

# Provision of Automatic Savings Services, and Asset Management Services Using Change from Daily Spending for Individual Customers, to Support Effortless Asset Formation ②

From Sept. 2017



• Money Forward’s “Shiratama” is an automatic savings service that enables effortless and reliable automatic savings through data cooperation between SBI Sumisin Net Bank’s account and household accounting services, “Money Forward for SBI Sumishin Net Bank” and “Money Forward.”



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

**Lending 1**  
From Oct. 3, 2016

**Payment 2**  
From July 31, 2017

**LENDING**

**PAYMENT 2**

住信SBIネット銀行

**ZEUS**  
Credit Payment Service

**Settlement service provider**

\* 100% subsidiary of SBI Fintech Solutions

**Money Forward's MF cloud series**

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

住信SBIネット銀行

**ZEUS**  
Credit Payment Service

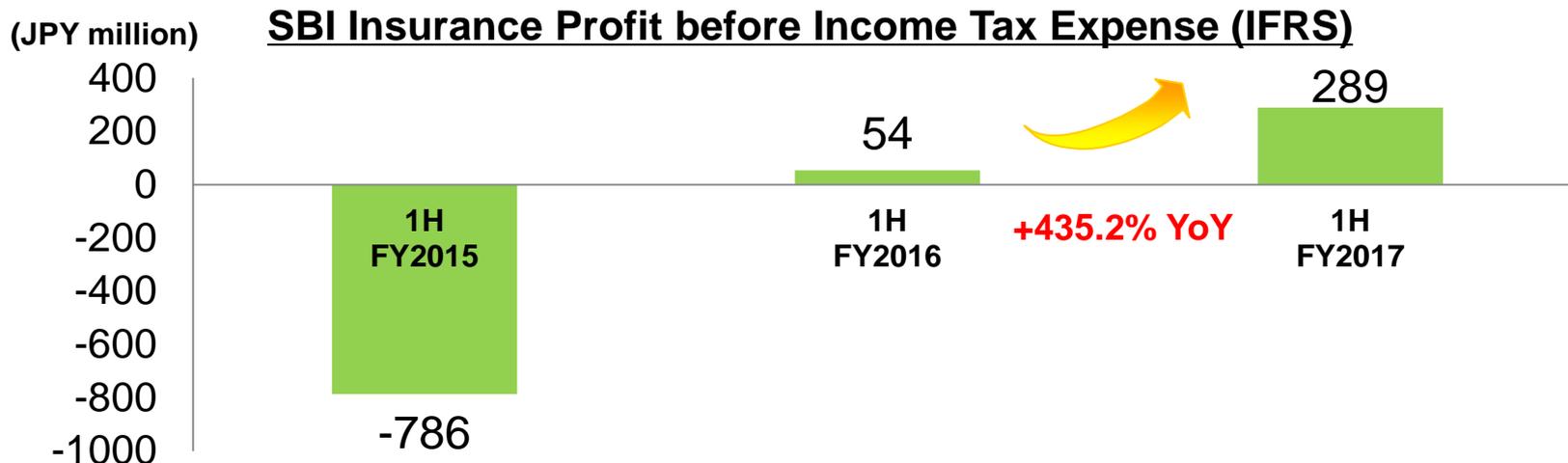
A high-value-added business loan service for merchants using the ZEUS credit card payment service that pays the sales amount charged to credit cards, minus a prescribed fee, after two business days from the date of sale

## **③ Insurance-related business**

- (i) SBI Insurance**
- (ii) SBI Life Insurance**
- (iii) Small-amount, short-term insurance business**

## **(i) SBI Insurance**

# SBI Insurance Financial Results for 1H FY2017



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

(Unit: %)	1H FY2015	1H FY2016	1H FY2017
<b>Loss ratio<sup>*1</sup></b>	70.6	68.4	<u>69.2</u>
<b>Operational cost ratio<sup>*2</sup></b>	20.8	18.4	<u>18.7</u>
<b>Combined ratio</b>	91.4	86.8	<u>87.9</u>

### **Reasons for the rise in the combined ratio**

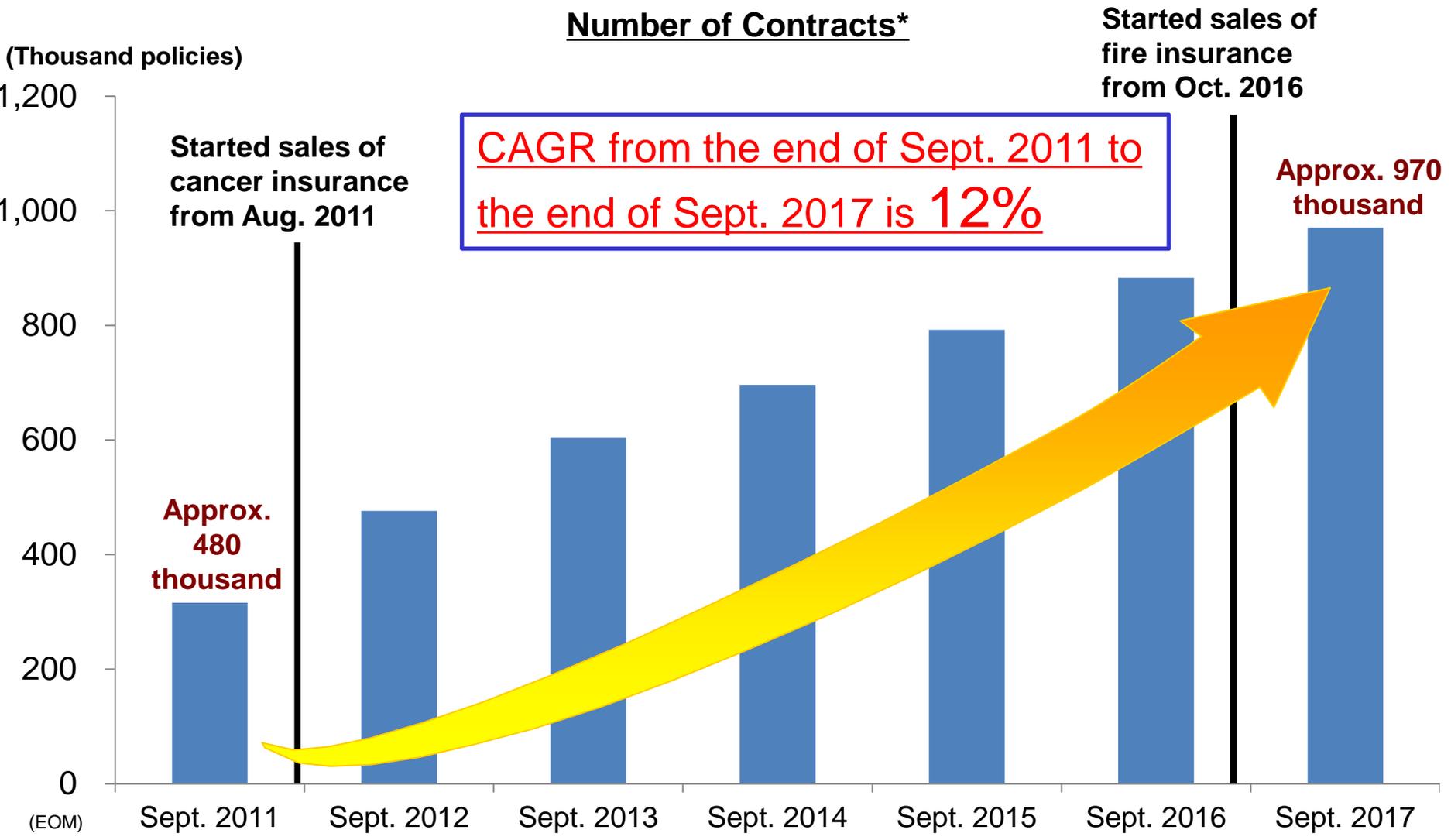
- **Loss ratio: Payments for major insurance claims**
- **Operational cost ratio: Newly included operational expenses for fire insurance, sales of which started in Oct. 2016**

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

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

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

# The Number of SBI Insurance's Contracts Steadily Increases



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

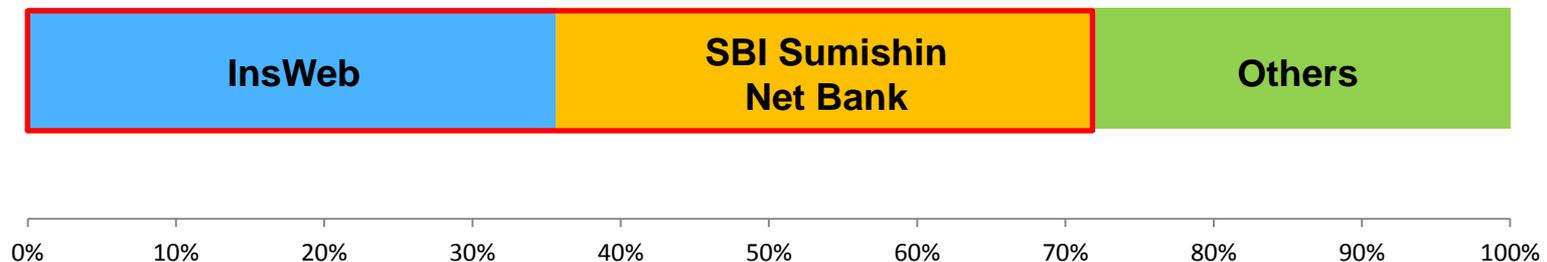
# Started Sales of SBI Insurance's Fire Insurance as a New Products Offering

Thoroughly pursuing Group synergies, with SBI Sumishin Net Bank, which handles a significant amount of housing loans, and InsWeb which is an insurance comparison site



- It's possible to freely choose and customize contents of compensation from an extensive range of options, in addition to essential compensation, including fire, lightning and explosion coverage
- Unique discounts are available, such as a nonsmoker discount and all-electric housing discount

## Sept. 2017 Acquisition ratio of fire insurance through sales channel



Approx. 70% of fire insurance applications in Sept. 2017 were accounted for from the inflows of the above Group company or service

## **(ii) SBI Life Insurance**

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

## Financial Results (1H FY2017)

Owing to the cost of launching the sales of a group credit life insurance product, temporarily recorded a deficit in the previous quarter, but still recorded a surplus for the first half

- Preliminary ordinary loss (based on J-GAAP): JPY 123m
- Solvency margin ratio: 1,212.6% \*As of June 30, 2017
- The number of contracts: approx. 114 thousand

## (Reference) Comparison of financial results for FY2016

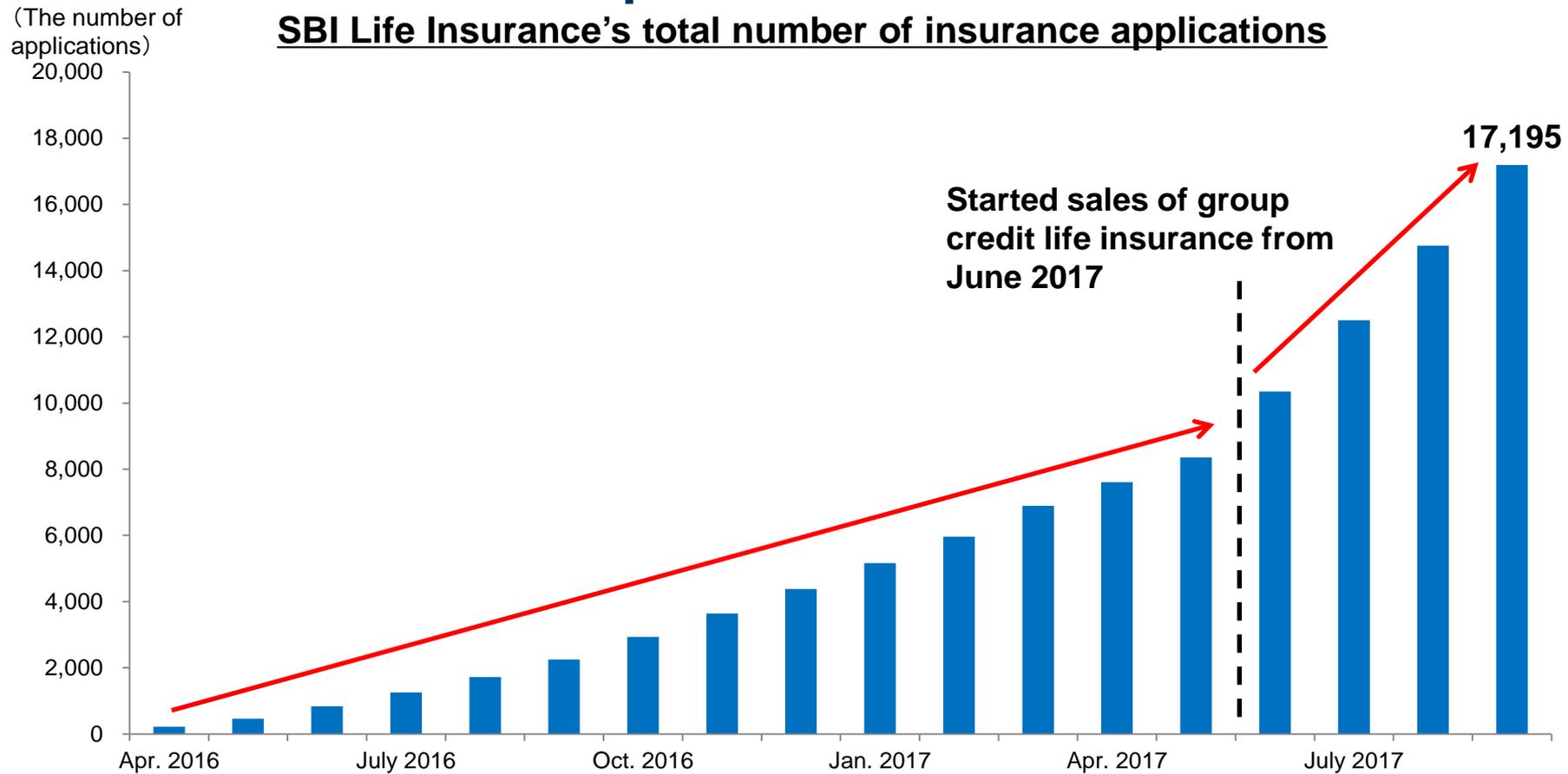
(Unit: JPY million)	SBI Life Insurance	Rakuten Insurance	Lifenet Insurance	AXA Direct Life Insurance
Start of operation	Feb. 2016	Oct. 2008*1	May 2008	Apr. 2008*2
Ordinary profit and loss	1,625	1,357	-2,031	-3,633
Total assets	131,484	34,661	31,934	9,324

\*1 Start of operation of AIRIO Life Insurance, which was succeeded to business from a voluntary mutual aid, and opened as a new life insurance company

\*2 Start of operation of SBI AXA Life Insurance

# SBI Life Insurance's Number of Applications Accelerated for New Products, Owing to the Launch of the Group Credit Life Insurance

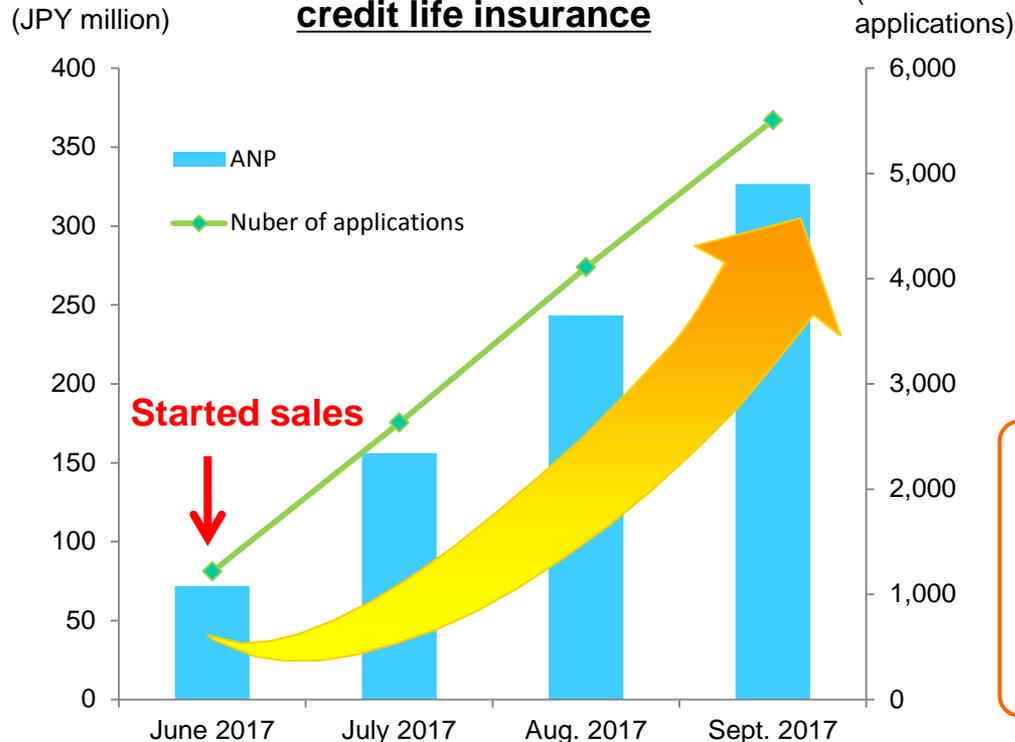
**SBI Life Insurance's total number of insurance applications**



With regard to the number of new contracts, sales of the group credit life insurance, which was launched in June 2017, had a positive effect as the total increased significantly

# SBI Sumishin Net Bank's Housing Loan is Accompanied by SBI Life's Advanced Medical Treatment Special Contract and the Group Credit Disability Income Insurance with All Disease Security, which are Both Selling Well (Sales launched in June 2017)

**Trend in number of applications and approximate ANP of group credit life insurance**



Housing loans that SBI Sumishin Net Bank underwrites

- Housing loan via alliance with real estate companies
- MR. Housing Loan REAL
- Flat 35
- MR. Package Loan

**Totals as of Sept. 2017 \* based on applications**  
**Total number: 5,504**  
**Approximate ANP (annualized premium):**  
**Approx. JPY 327m**

**Proactively promoting business activities with regional financial institutions, with multiple companies concretely considering introductions in the next fiscal year**

## **(iii) Small-amount, short-term insurance business**

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



Offering a variety of products from the 1st to 3rd categories, with expanding a more expansive strategy



[SBI Resta SSI: Earthquake indemnity insurance]  
2nd category

**Number of Contracts of Earthquake Indemnity Insurance Resta: 15,258**



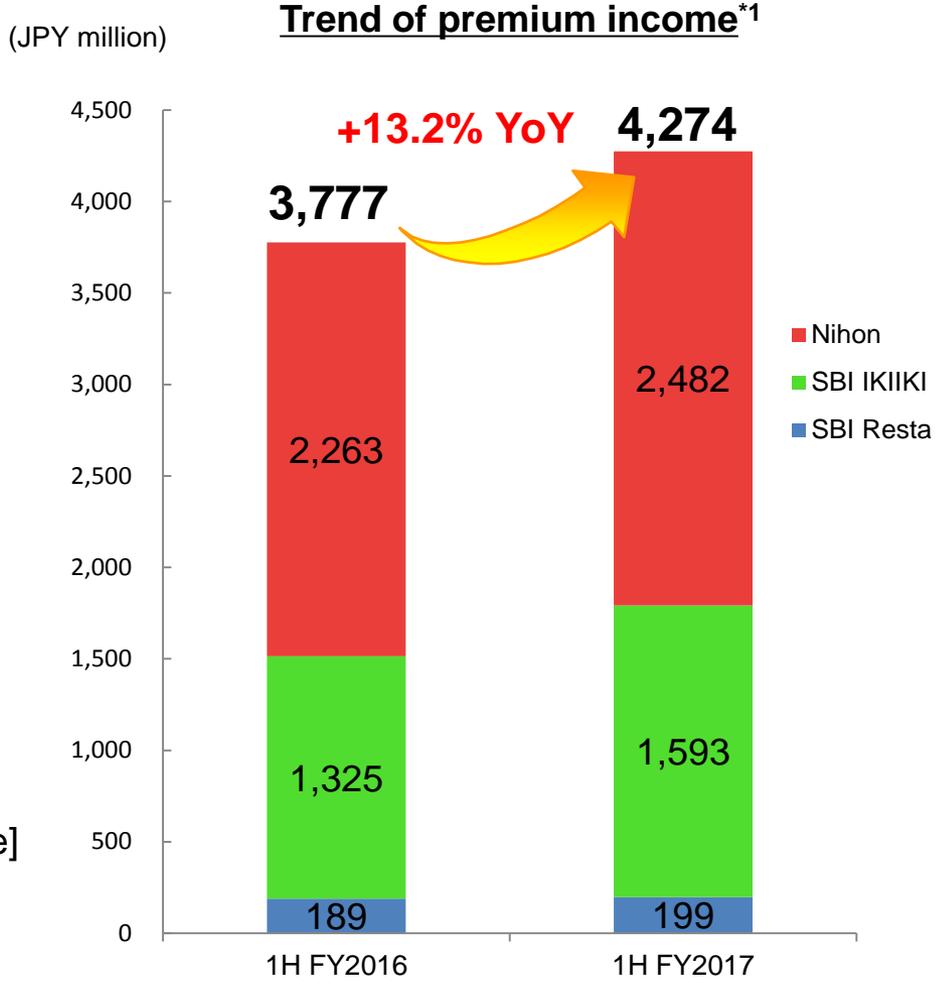
[SBI IKIIKI SSI: Death insurance, Medical insurance, Pet insurance]  
All categories

**Number of contracts: 63,445**



[Nihon SSI: Home content insurance, Vehicle insurance, Reform insurance, Building cost insurance]  
2nd category

**Number of contracts: 524,155**



\* Simply sum of 1H financial results of each SSI company

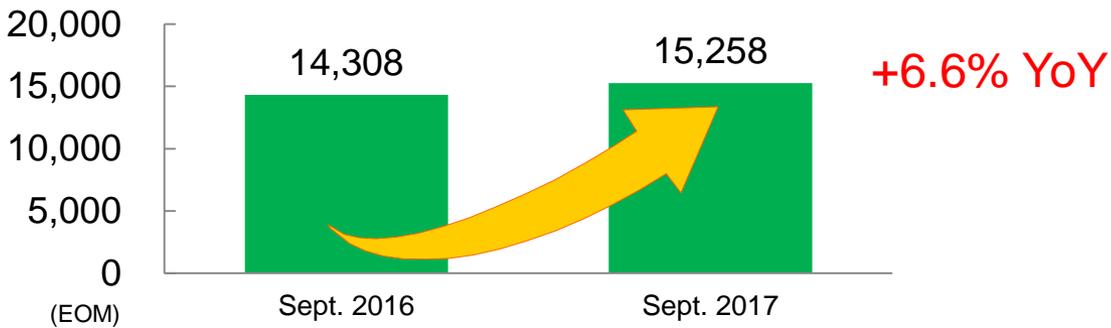
# Number of Contracts of the Small-amount, Short-term Insurance Companies

## Steadily increasing the number of contracts in each SSI companies

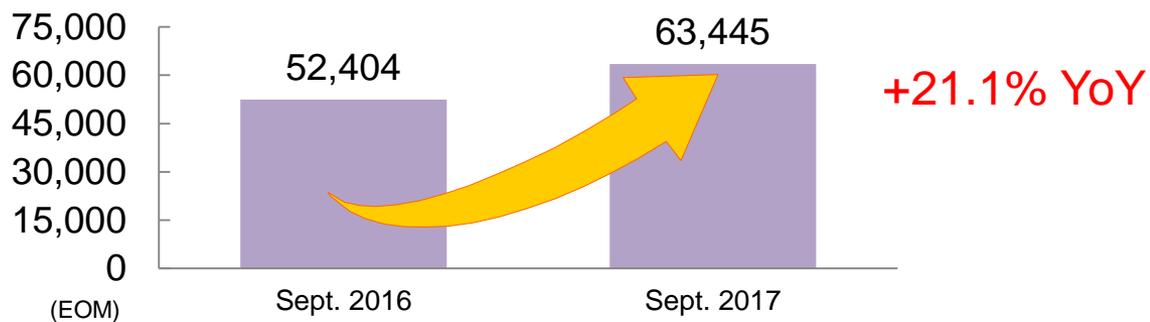


Acquired in Mar. 2012

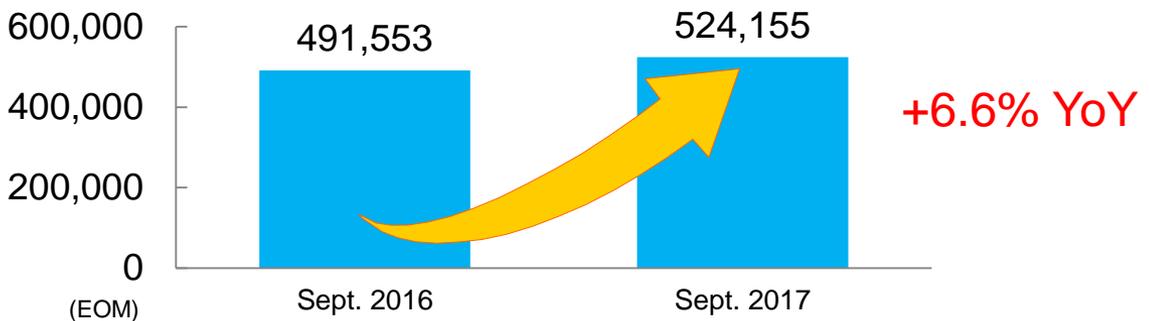
\* Number of Contracts of Earthquake Indemnity Insurance Resta



Acquired in Mar. 2013



Acquired in Sept. 2016



## SBI IKI KI SSI Started Sales of Pet Insurance, with the SSI Industry's Lowest Premiums, from Sept. 19, 2017

- 85.6% of pet owners answered, "A pet is like a family member." \*1
- On the other hand, in Japan the penetration rate of pet insurance is approx. 6%. \*2
  - ➔ This is low compared to the penetration rate of 25% in the U.K. (based on The Small Amount & Short Term Insurance Association of Japan data).

The need to provide considerate medical care, even to pets is growing.



- Comprehensive policy includes coverage of inpatient, surgery, and outpatient service medical costs, no limit on the number of benefit payments, and no maximum amount per day.
- Insurance can be continued for the pet's lifetime, and premiums do not increase from age 12 onward.

**Through the use of the Internet, dramatically reduced costs to realize the SSI industry's lowest premiums\*3**



SBI Insurance responded to various needs, and started handling pet insurance from the launch date, in order to pursue Group synergies

\*1 Questionnaire survey of SBI IKI KI SSI policyholders (Dec. 2016 to Jan. 2017)

\*2 SBI IKI KI SSI estimate calculated by dividing the combined sums of policies in-force at the end of fiscal 2016 of two non-life insurers offering pet insurance and The Small Amount & Short Term Insurance Association by the number of dogs and cats owned according to Japan Pet Food Association data

\*3 In comparison with dog (toy poodle) and cat pet insurance products of nine insurance companies and other providers that can be purchased online and for which the following terms and conditions are comparable, as of Sep. 1, 2017

## **(2) The Asset Management Business, where investments in the FinTech field are transitioning to the monetization phase**

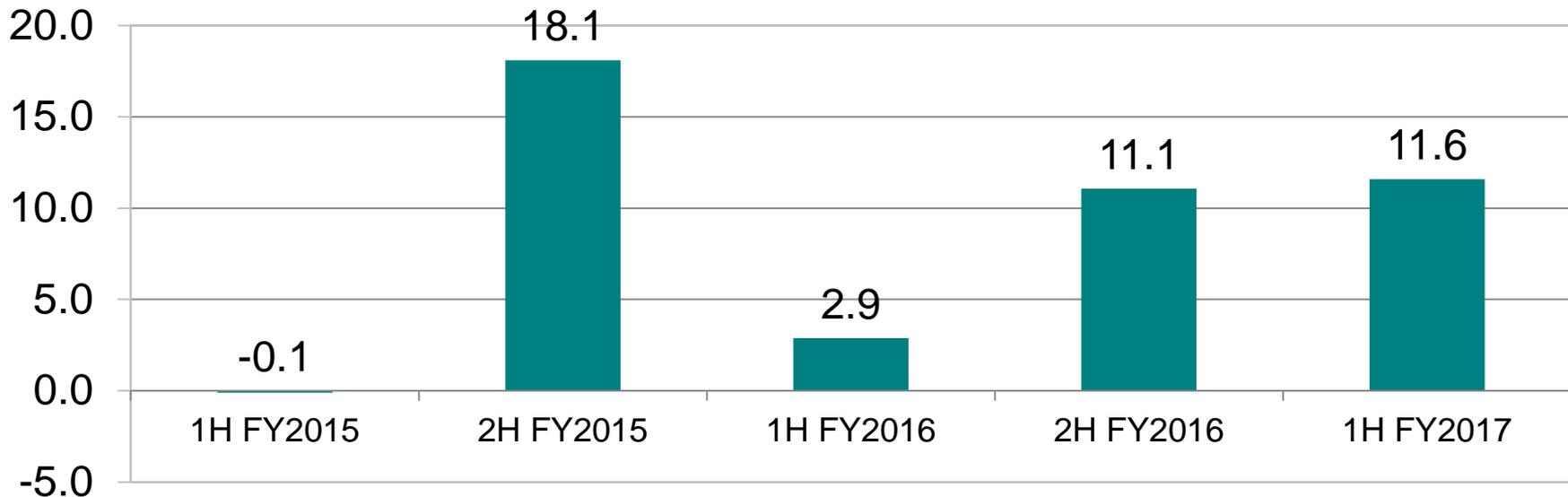
- **Since FY2014, aggressively promoted the establishment of funds such as the FinTech Fund, CVC Funds and South Korea's SBI Investment KOREA Trustee Fund, to expand the scale of operations both domestically and abroad**
- **Money Forward was IPO'd as the first FinTech investee company, as the focused investments in the FinTech field transitions into the next phase toward a contribution to the financial results**
- **SBI SAVINGS BANK of South Korea continues its profit growth through an accumulation of performing loans, along with the improvement in its delinquency ratio**

# Asset Management Business' Financial Results Breakdown

(IFRS, JPY billion)

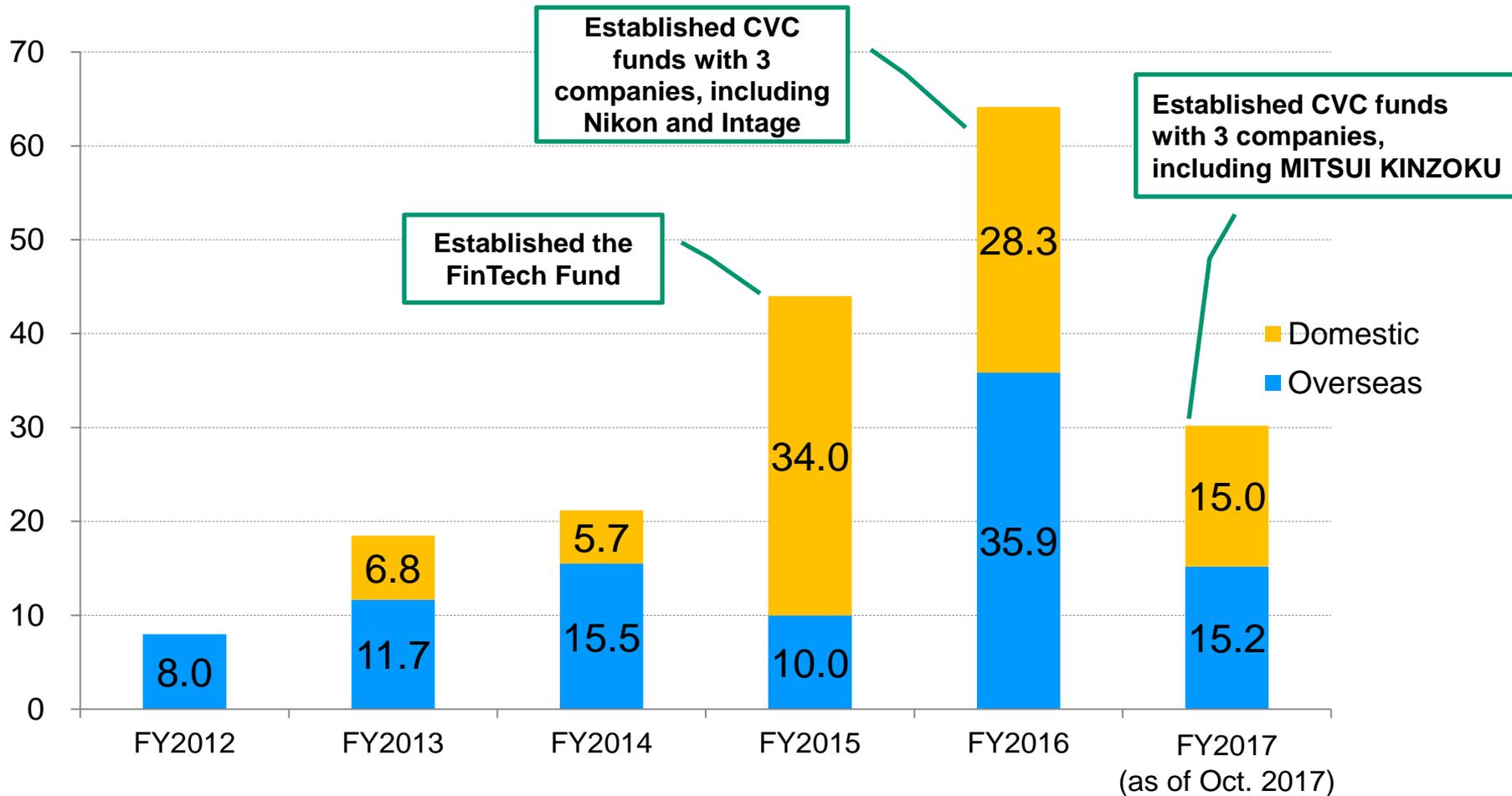
	1H FY2016	1H FY2017	YoY % change
Revenue	34.9	38.2	+9.3
Profit before income tax expense	2.9	11.6	+297.6

(IFRS, JPY billion) **Trend of profit before income tax and expense**



# Through the Establishment of the FinTech Fund and CVC Funds, Strengthening the Investment Structure with a View Toward Future Harvest

(JPY billion) Commitment amount of funds established in each fiscal year



\* Converted at USD 1 = JPY 110, KRW 1 = JPY 0.1, RMB1=JPY17

# Owing to the Revitalized Venture Investing by Business Companies, Strengthening the Support System of the CVC Fund

## ○Nikon (announced on July 4, 2016)

### **Jointly establishing a private fund “Nikon-SBI Innovation Fund”**

Investment target: Promising venture companies in Nikon’s current business and new service areas

Fund size: up to JPY 10bn

## ○Intage Holdings (announced on Oct. 17, 2016)

### **Jointly establishing a private fund “INTAGE Open Innovation Fund”**

Investment target: Promising venture companies in Intage’s current business, new service areas and intra-venture businesses

Fund size: up to JPY 5bn

## ○MITSUI KINZOKU (announced on Sept. 1, 2017)

### **Jointly establishing a private fund “Mitsui Kinzoku-SBI Material Innovation Fund”**

Investment target: Promising material related venture companies in Japan and abroad, with expected synergies with MITSUI KINZOKU’s current business

Fund size: up to JPY 5bn

SBI Investment established a specialized department for CVC funds in Apr. 2016, in order to strengthen the support system for CVC funds, and in the previous fiscal year a fund of JPY 10bn was established, along with two JPY 5bn CVC funds which were established in the current fiscal year

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



(A research company that provides company information database)

## Most active corporate blockchain investors (Oct. 2017)

Investor	Rank	Select Companies
<b>SBI Holdings</b>	<b>1</b>	<b>Orb, R3, Ripple, Coinplug, Veem, Wirex, bitFlyer,</b>
<b>Google</b>	<b>2</b>	<b>Storj Labs, Blockchain, Ripple, LedgerX, Buttercoin, veem</b>
<b>Overstock.com</b>	<b>3</b>	<b>Settlemint, Factom, Ripio, Symbiont, Bitt, Peernova</b>
<b>Citi</b>	<b>4</b>	<b>Digital Asset, R3, Axoni, Conbalt, Chain</b>
<b>Goldman Sachs</b>	<b>5</b>	<b>Digital Asset, R3, Axoni, Circle</b>

Source: CB Insights, "Blockchain Investment Trends In Review"

# FinTech Investee Companies are Planning IPOs, One After Another

## [Planned EXIT schedule of FinTech investee companies]

Already decided on investments into **61** companies

(Total investment amount to be approx. **JPY 20bn** through the FinTech Fund and approx. **JPY 12bn** by SBI Holdings)

Year 2017: 1; Year 2018: 6; Year 2019: 15; After Year 2020: 26; TBD: 13

## Money Forward was listed on TSE Mothers as the first of the FinTech investee companies



Managing “Money Forward,” an automated household account service for individuals, and “MF Cloud” series, a cloud-based accounting service for SMEs

Public offering price	Initial share price
JPY 1,550	JPY 3,000

The initial share price exceeded the public offering price by 94%, reflecting the high expectations for FinTech stocks

# SBI Investment KOREA Expands the Management of Funds in South Korea

- For funds that were established in 2016, the total amount of capital commitment for the funds on a cumulative basis reached approx. KRW 334.9bn (approx. JPY 33.49bn)
- Continuing promotional efforts for the entrustment of fund management from the government agencies of South Korea

## **SBI-Growth Ladder Konex Vitalization Fund No.2**

(Established in Sept. 2017)

Total commitment amount: KRW 36.4bn (approx. JPY 3.64bn)

## **SBI KwangMyung 1st Private Equity Fund**

(Established in Sept. 2017)

Total commitment amount: KRW 15.6bn (approx. JPY 1.56bn)

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

	Full-year FY2016	Full-year FY2017 prospects
IPO·M&A deals	14	21

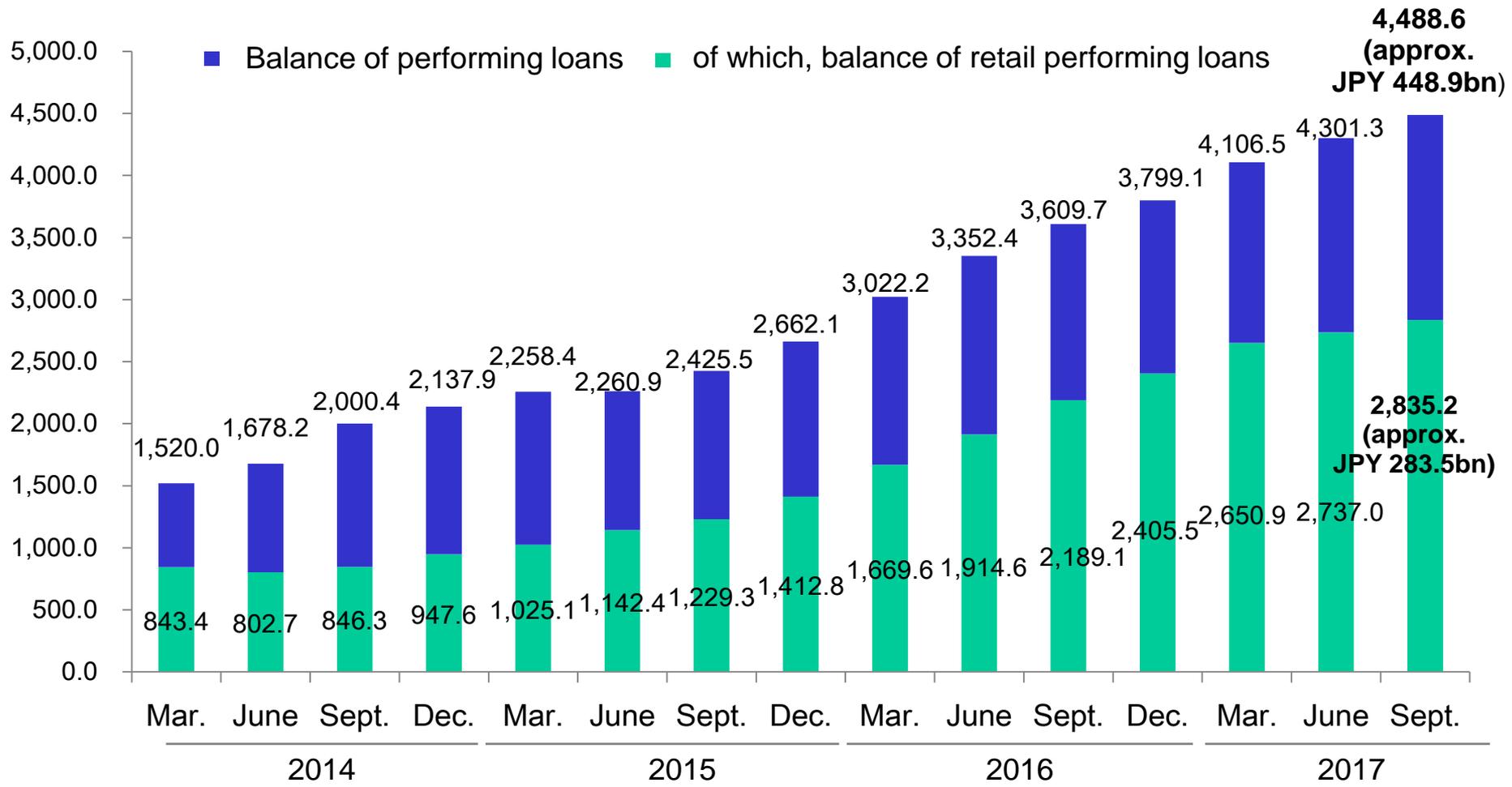
In 1H FY2017, 8 companies were IPO'd and 3 companies were M&A'd

EXIT Date	Company	Market (Country)
Apr. 11	ChemOn	M&A
Apr. 18	Toebox Korea	M&A
July. 20	Crossfor	TSE JASDAQ
Aug. 3	SHARINGTECHNOLOGY	TSE Mothers
Aug. 4	Motrex	KOSDAQ
Sept. 14	Pearl Abyss	KOSDAQ
Sept. 15	SAMCO	KOSDAQ
Sept. 19	Global Tax Free	M&A
Sept. 27	UTI Korea	KOSDAQ
Sept. 29	Money Forward	TSE Mothers
Sept. 29	YAS	KOSDAQ

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

## Balance of Performing Loans\*

(KRW billion)



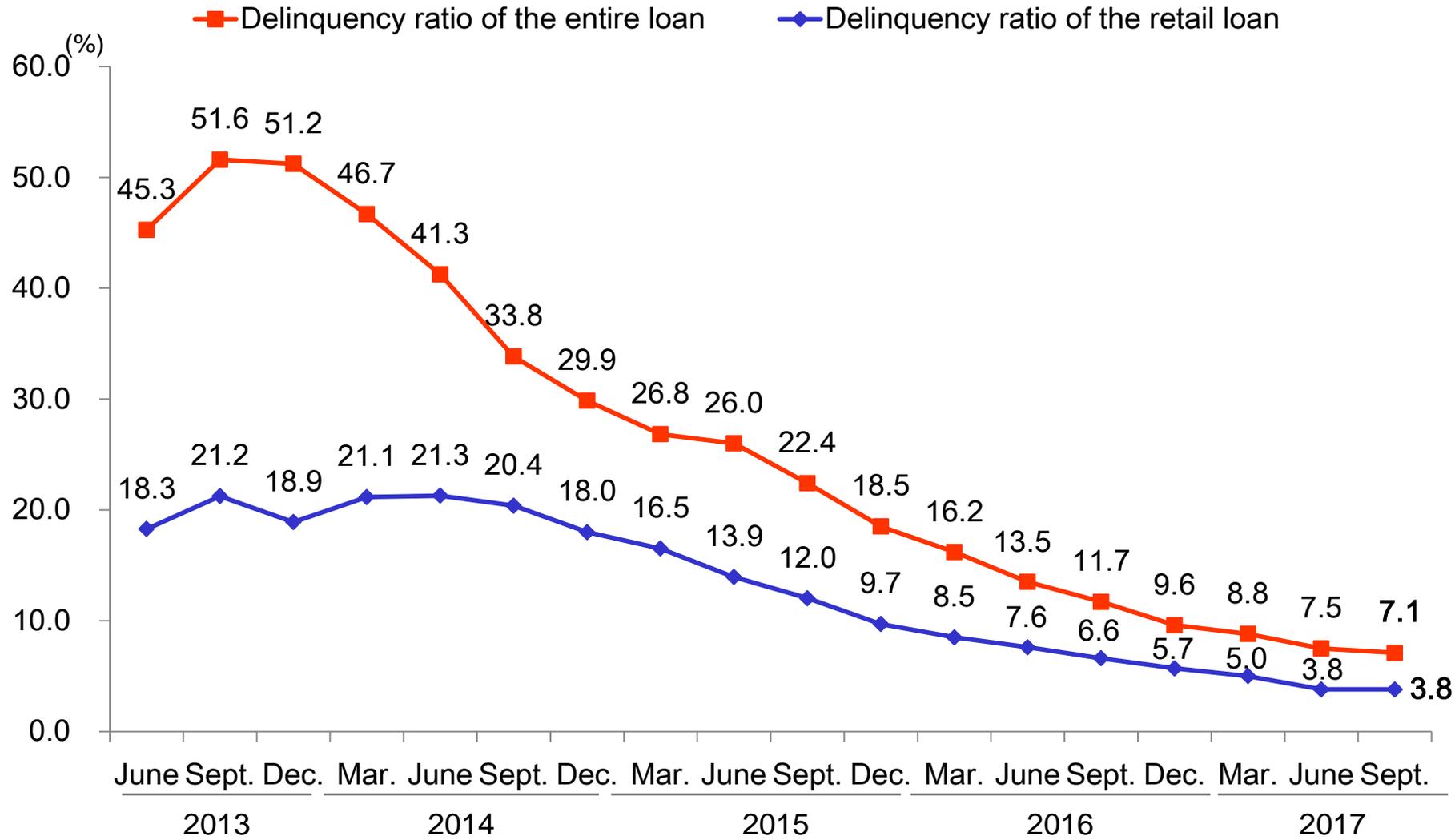
**4,488.6**  
(approx. JPY 448.9bn)

**2,835.2**  
(approx. JPY 283.5bn)

\* Based on K-GAAP

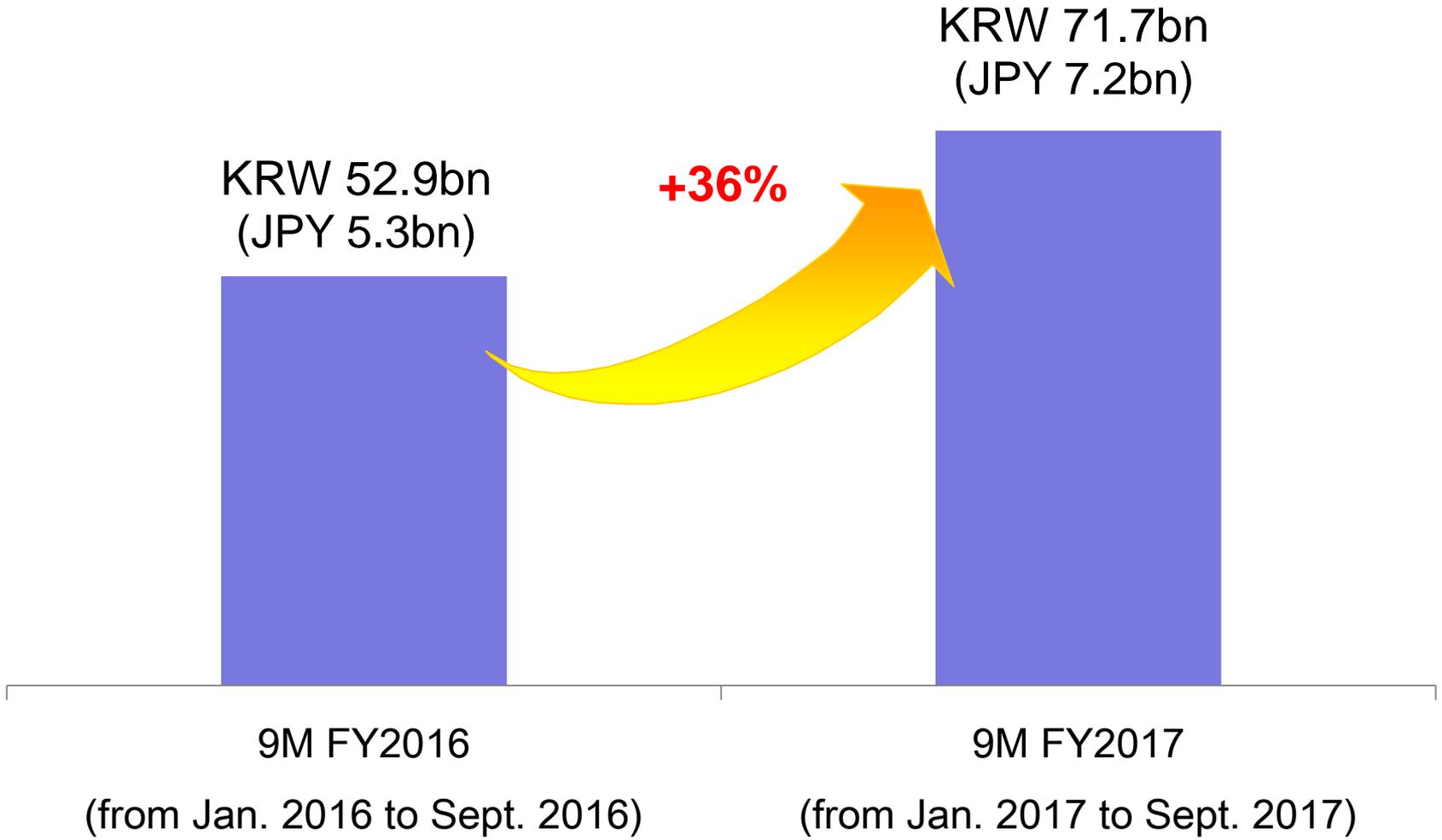
\*Converted at KRW 1 = JPY 0.10

# Overall Delinquency Ratio Decreased Dramatically



\*Based on K-GAAP

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



\*Converted at KRW 1 = JPY 0.10 63

### **(3) Biotechnology-related Business showing signs of profitability**

- **SBI Biotech has already out-licensed three pipeline products at an early stage, and is actively engaged in a fourth out-licensing possibility with several companies (for the treatment for autoimmune diseases)**
- **SBI Pharmaceuticals obtained the manufacturing and marketing approvals for a photodynamic diagnostic agent for carcinoma vesicae, “ALAGLIO Divided Ganules 1.5g,” which is scheduled to be released by Chugai Pharmaceuticals within this year. SBI Pharmaceuticals have now launched two intraoperative diagnostic agents since the start of its pharmaceuticals business**
- **photonamic, a wholly owned subsidiary of the SBI Group, has already launched two products, a diagnostic agent for cancer treatment (brain tumor) “Gliolan” and a drug for treating actinic keratosis “Alacare”**
- **The U.S. Food and Drug Administration (FDA) approved “Gliolan” developed by photonamic (June 2017). They plan to start selling in the U.S. where demand is high, in the next fiscal year.**
- **SBI Neopharma, established to strengthen the overseas sales activities of 5-ALA-related products, launched the sales of health foods in the Middle East from May 2017. Next year, it is expected to sell in more than 10 countries worldwide**
- **SBI ALApromo has steadily expanded the sales of health foods containing 5-ALA in the domestic market, and achieved a profit on a half-year basis in 1H FY2017**

# ① SBI Biotech (Established in 2007)

- Jan. 2007      Entering drug creation business through the establishment of SBI Biotech
- Sept. 2008      **Out-licensing (1<sup>st</sup> case)**  
Conclusion of a licensing and collaboration agreement with MedImmune, a subsidiary of AstraZeneca, to develop and commercialize a treatment of systemic lupus erythematosus (SLE) and other autoimmune diseases
- Dec. 2012      Making Quark Pharmaceuticals (“Quark”) as a wholly owned subsidiary
- May 2014      **Out-licensing (2<sup>nd</sup> case)**  
Transfer of intellectual property rights (such as patent rights) of CDC7 / ASK kinase inhibitor program to Carna Biosciences, Inc., as part of the selection and concentration of new drug development projects
- Dec. 2016      **Out-licensing (3<sup>rd</sup> case)**  
Conclusion of an exclusive license agreement with Kyowa Hakko Kirin Co., Ltd. for SBI-9674, a therapeutic agent for autoimmune diseases (at pre-clinical stage)
- FY2016      **Achieved profitability on a single-year for the first time since its founding**

Preparing for an IPO

# SBI Biotech's Drug Discovery Pipeline Progress

## -Promoting out-licensing at an early stage-

	Licensing partner(timing)	Adaptation disease	Progress	
<b>MEDI7734 (Anti-ILT7 antibody)</b>	<b>MedImmune, LLC. (Subsidiary of AstraZeneca) (Sept. 2008)</b>	<b>Autoimmune diseases</b> (Systemic Lupus Erythematosus (SLE), Sjogren's Syndrome, Dermatomyositis, etc.)	<b>Phase I</b>	<b>MedImmune is conducting Phase I clinical trial.</b>
<b>SBI-9674</b>	<b>Kyowa Hakko Kirin Co., Ltd (Dec. 2016)</b>	<b>Autoimmune diseases</b>	<b>Pre-clinical (Kyowa Hakko Kirin promoting development)</b>	<b>Further receipt of milestone payments in accordance with development progress is also expected</b>
<b>Cdc7 inhibitor</b>	<b>Carna Biosciences, Inc. (May 2014)</b>	<b>Cancers</b>	<b>Pre-clinical (plan to apply for clinical trial in 2017)</b>	<b>Carna Biosciences entered into an out-licensing agreement with Sierra Oncology. Further receipt of milestone payments in accordance with development progress is also expected</b>
<b>GNKS356</b>	<b>Independently</b>	<b>Autoimmune diseases</b> (Psoriasis / Systemic Lupus Erythematosus (SLE))	<b>Pre-clinical</b>	<b>Selected as Japan Agency for Medical Research and Development's (AMED) project of promoting support for drug discovery on orphan drugs (from FY2015 to FY2017). Received subsidies (up to JPY 200m per fiscal year) and promoting R&amp;D →<u>We are engaged in discussing with several companies for out-licensing</u></b>
<b>SBI-3150</b>	<b>Independently</b>	<b>Autoimmune diseases</b> (Various diseases caused by pDC / activated B cells)	<b>Pre-clinical</b>	<b>Using the advantages of the development concept, <u>we are engaged in discussing with several companies for out-licensing</u></b>

# SBI Biotech's IPO

- 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**

## ② Quark

- SBI Biotech acquired a 100% ownership in Dec. 2012, to make Quark a wholly owned subsidiary
- Even at the latest, a separation from SBI Biotech at the beginning of next year is planned

### -Drug discovery pipeline progress-

	Licensing partner	Adaptation disease	Progress	
QPI-1002	Novartis International AG	Kidney Transplantation (DGF)	Phase III	Conducting final clinical trials at 75 institutions, mainly in the U.S., as well as in Canada, Germany, Brazil and other countries.
		Acute kidney injury (AKI)	Phase II (Completion)	Complemented clinical trials at 40 institutions, mainly in the U.S. and Germany <b>QPI-1002 meets primary &amp; multiple secondary endpoints</b>
QPI-1007	Biocon Ltd of India	Non-arteritic anterior ischemic optic neuropathy (NAION)	Phase II / III	Conducting final Phase III clinical trials at 66 institutions, mainly in the U.S. and Europe.
PF-655	Pfizer Inc.	Glaucoma, Diabetic macular edema (DME) and Age-related macular degeneration (AMD)	Phase IIa (Completion)	Preparing clinical trial for the next step

Total milestone payments: USD 670m (including pre-receipt)

# Results from a Phase II Study of QPI-1002 for the Prevention of Acute Kidney Injury (AKI) Following Cardiac Surgery

## Points of the results from a Phase II study

- QPI 1002 meets primary & multiple secondary endpoints
- A statistically significant reduction in AKI incidence following cardiac surgery was demonstrated
- First multicenter Phase II clinical study with an investigational drug for the prevention of AKI to meet primary endpoint
- QPI-1002 appears to be well tolerated with no safety issues identified

**Dr. Bruce A. Molitoris, Distinguished Professor of Medicine and Cellular and Integrative Physiology Indiana University School of Medicine and past president of the American Society of Nephrology, said:**

**“AKI is one of the major complications following cardiac surgery and is associated with increased hospitalization, development of chronic kidney disease and higher post-surgical mortality. There is currently no approved treatment for the prevention of AKI. The results of the Quark QRK-209 study are encouraging and bring us closer to having a treatment that would reduce AKI incidence which represents a significant advance in patient care.”**

# Advanced Medical Care Focused on the Kidney Attracts Attention

**-NHK Special “Jintai (The Human Body)”-  
“Kidney” decides your life span  
(broadcasted on Oct. 1, 2017)**

Excerpts from the program:

- ✓ The kidneys receive information from various organs and exquisitely control the blood constituents. It is exactly what is called the key of the “human body network”
- ✓ One study analyzing medical papers around the world showed that one in five out of all hospitalized patients developed “Acute Kidney Injury (AKI),” and was exposed to the risk of life



Regarding the developed siRNA compound “QPI-1002” (Quark granted an exclusive worldwide license option to Novartis International AG, Switzerland), Quark successfully completed a Phase II study to evaluate the efficacy and safety of QPI-1002, for the prevention of acute kidney injury (AKI) following major cardiac surgery

## For the Consolidated Financial Results, Recorded a Temporary Loss, Owing to an Asset Revaluation on One of Quark's Pipeline Drugs, PF-655

	Licensing partner	Adaptation disease	Progress	
<b>PF-655</b>	<b>Pfizer Inc.</b>	<b>Glaucoma, Diabetic macular edema (DME) and Age-related macular degeneration (AMD)</b>	<b>Phase IIa (Completion)</b>	<b>Preparing clinical trial for the next step</b>

For PF-655, there is a possibility of substitution with age-related macular degeneration (AMD), so Quark is reviewing its development plans, since candidate substances with expected higher effects have been found. Therefore, a temporary loss (approx. JPY 3.1bn) was recorded for the consolidated financial results, owing to a revaluing of a part of the intangible assets that were previously recorded

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

	1H FY2016 (Apr. – Sept. 2016)	1H FY2017 (Apr. – Sept. 2017)
<b>Total of the Biotechnology-related Business</b>	<b>-5,178</b>	<b>-8,604</b>
<b>Of which, partial write-down of Quark's pipeline</b>		<b>-3,103</b>

(JPY million)

# ③ 5-ALA-related Business (Start in 2008)

- Apr. 2008 Established SBI Pharmaceuticals
- Oct. 2009 Business alliance between SBI Pharmaceuticals and medac in German
- Apr. 2012 Change in organization structure of 5-ALA-related business (Pharmaceutical: SBI Pharmaceuticals / Distributer of supplements and cosmetics: SBI ALApromo)
- Apr. 2012 Agreement with Bahrain Government for the promotion of the 5-ALA Business
- Sept. 2013 SBI Pharmaceuticals launched “ALAGLIO,” a diagnostic agent for cancer treatment (brain tumor)
- Jan. 2016 Make photonamic a wholly owned subsidiary. photonamic is engaged in the development of drugs that use 5-ALA in Europe, Australia and the U.S.  
→ photonamic already launched a diagnostic agent for cancer treatment (brain tumor) “Gliolan” and a drug for treating actinic keratosis “Alacare”
- Oct. 2016 First out-licensing by SBI Pharmaceuticals (Total 2 cases)  
Concluded an exclusive license agreement with Neopharma LLC. on therapeutic drugs for diabetes and malaria infection
- Mar. 2017 Out-licensing by SBI Pharmaceuticals (3<sup>rd</sup> case)  
Granted Chugai the exclusive marketing rights of “ALAGLIO® Granule 1.5g” in Japan for visualizing tumor tissues during resection of bladder cancer.
- Mar. 2017 Established SBI Neopharma with Neopharma LLC. to strengthen the overseas sales activities on 5-ALA-related products → In preparations for registration applications of health foods in over 80 countries worldwide
- FY2016 SBI Pharmaceuticals achieved profitability on a single-year for the first time since its founding
- June 2017 The U.S. Food and Drug Administration (FDA) approved “Gliolan” developed by photonamic
- Sept. 2017 Obtained the manufacturing and marketing approvals for a photodynamic diagnostic agent for carcinoma vesicae, “ALAGLIO Divided Ganules 1.5g,”

## SBI Pharmaceuticals Obtained the Manufacturing and Marketing Approvals for a Photodynamic Diagnostic Agent for Carcinoma Vesicae, “ALAGLIO Divided Ganules 1.5g” -Scheduled to be released by Chugai Pharmaceuticals within this year-

### Photodynamic diagnostic agent for carcinoma vesicae:

The world-first orally administered formulation for photodynamic diagnosis (PDD) for the purpose of visualizing the non-muscle invasive bladder cancer at the operation of the transurethral resection of the bladder tumor (TURBT)

\*Designated as an orphan drug

This Agent is dissolved in water and orally administered to the patient 3 hours (range: 2 - 4 hours) before the insertion of a cystoscope to the bladder

Then blue light is irradiated inside the bladder and this procedure emits red fluorescence at the site of tumor lesion and elevates the visibility of the lesion

- This is thought to make it easy to distinguish even minute cancer and flat cancer that cannot easily be visible by the conventional method with white light source only
- Resecting tumor lesion as much as possible at the initial treatment of the non-invasive bladder cancer is expected to be clinically useful to prevent progression and recurrence of bladder cancer after the operation

# Establishing a Worldwide Sales Network of 5-ALA-based Intraoperative Diagnostic Agent for Cancer



**June 2017:  
Approved by FDA**



**Plans to start selling in the U.S. in the next fiscal year**

**Since 2007  
Approved as “Gliolan” by  
European Medicines Agency  
(EMA) in 2007 and is  
distributed through  
photonamic’s partner  
companies in more than 25  
countries including Germany  
and the UK**

**Since 2013  
SBI Pharmaceuticals  
has been distributing  
it as “ALAGLIO Oral  
1.5g”**



**Efforts to expand indications in Japan are progressing**

- **Carcinoma vesicae : Obtained the manufacturing and marketing approval (Provided Chugai the exclusive marketing rights in Japan)  
→Scheduled to be released by Chugai Pharmaceuticals within this year**
- **Peritoneal dissemination of gastric cancer (Investigator-led trial):  
Phase III is underway**

# SBI Neopharma Launched the Sales of 5-ALA-related Health Foods in the Middle East from May 2017

**SBI ALA Hong Kong**  
(Intermediate holding company in 5-ALA-related business)

**Neopharma**

Investment ratio :  
49%

**Regarding profits, recording at 50: 50**

Investment ratio :  
51%

**SBI Neopharma FZ LLC**  
(Established in Dubai)

- Overseas production and sales of the pharmaceuticals using 5-ALA (therapeutic drugs for diabetes and malaria infection) and the production and sales of diagnostic agent for cancer treatment in India (plan), to be developed by Neopharma
- Overseas sales of all the 5-ALA-related products including the health foods, cosmetics, feeds and fertilizers containing 5-ALA to be developed by SBI Pharmaceuticals and Neopharma

- Neopharma has production bases for generic drugs in Abu Dhabi, Bangladesh, Egypt, Brazil, Japan, Russia, etc., and also produce licenses with six mega pharma companies
- Its corporate group includes promising enterprises such as NMC Health PLC (listed on the London Stock Exchange), currently operating the largest private hospital in Abu Dhabi, where over 4 million patients visit per year
- Established Neopharma Japan as a Japan base of Neopharma group in 2016

**In preparations for registration applications of health foods in over 80 countries worldwide**

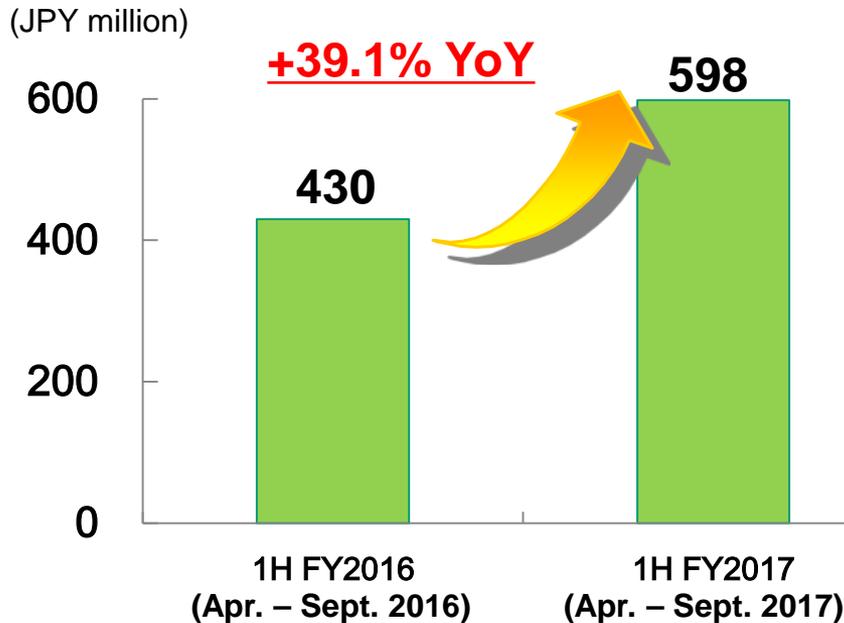


**In FY2018, it is expected to sell in more than 10 countries worldwide**

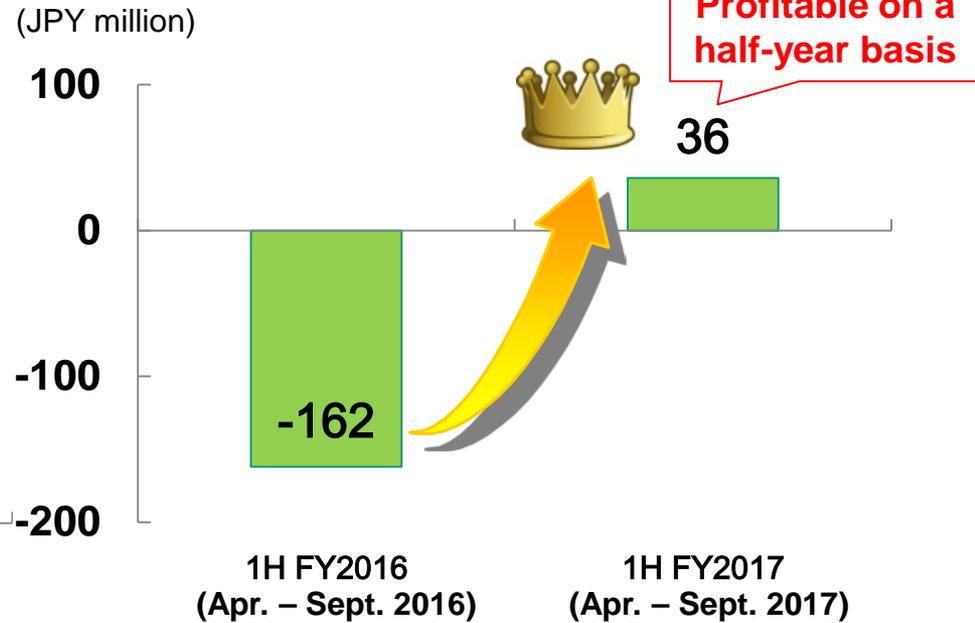
# SBI ALApromo\* Achieved Profitability on a Half-year Basis in 1H FY2017

\*Distributor of 5-ALA-related products including supplements and cosmetics

Revenue



Profit before Income Tax Expense



**Among approx. 1000 foods with functional claims received by the Consumer Affairs Agency, “ALAplus Tou (Sugar) Down” (30 capsules) was ranked 9th in sales, in Aug. 2017. (Published in the Oct. 2017 issue of the monthly magazine “H&B Retail” ) \* Ranked in for 18 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

# Steadily Enhancing SBI ALApromo's Product Offerings

## 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 75 (since May)

A supplement containing higher levels of 5-ALA, only available in clinics

### ➤ ALApplus Body Shape (since July)

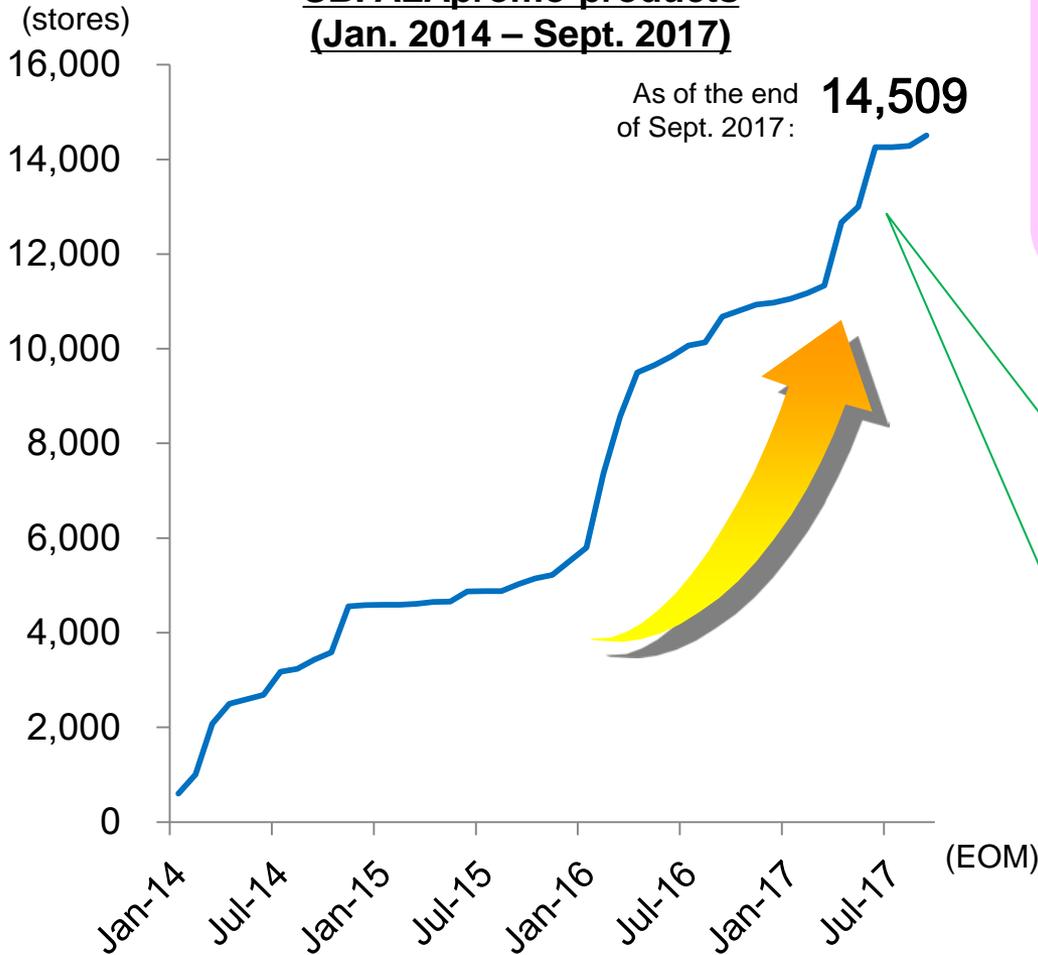
Contains carefully selected ingredients beneficial in creating an ideal body, including L-Carnitine, selected for fat-burning capacity,  $\alpha$ -lipoic acid, salacia, and lactoferrin



③ 5-ALA-related Business (SBI ALApromo):

# Number of Domestic Stores that Offer Health Foods Containing 5-ALA are Increasing Steadily, and Now Exceed 14,500 Stores

**Number of stores that offer SBI ALApromo products (Jan. 2014 – Sept. 2017)**



**The sales of “ALApplus Body Shape,” launched on July 12, 2017, has been strong, and the number of introduction store has topped 4,000 stores**

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

**e.g.**

- Tsuruha Holdings approx. 1,424 stores
- Welcia approx. 1,300 stores
- Matsumoto Kiyoshi 1,114 stores
- cocokara fine 973 stores
- FUJIYAKUHIN approx. 890 stores
- COSMOS Pharmaceutical 838 stores
- Sundrug approx. 820 stores
- SUGIYAKUHIN 335 stores

# Accelerating Development of Foods with Functional Claims, for Continued Product Diversification

## Foods with functional claims utilizing ingredients other than 5-ALA:

**Cognitive improvement**  
Plans to launch the “SBI Gingko Bilboa” utilizing ginkgo bilboa, in Dec. 2017

Accepted by Consumer Affairs Agency (Oct. 25, 2017)

Started R&D on germination brown rice from FY2017

## Foods with functional claims containing 5-ALA, under development:

Preparing for submission to the Consumer Affairs Agency in FY2017

Improvement in the exercise capacity for the elderly (Shinshu Univ.)

Improvement in the quality of sleep (Hawaii Univ.)

Planning submission to the Consumer Affairs Agency in FY2018

Recovery from fatigue (Hiroshima Univ.)

Improvement of sports training effect (Juntendo Univ.)

Male menopause improvement (Juntendo Univ.)

### **3. Focused initiatives from the 2H of the fiscal year to achieve further evolution in each business field**

- (1) Promoting initiatives to actualize intrinsic corporate value**
- (2) Proactively strengthening alliances outside of the Group companies, to create win-win relationships**
- (3) Creating new alliances to realize a win-win relationship with companies outside of the SBI Group in several fields, through the establishment of the “SBI Regional Bank Value Creation Fund” (tentative name) and others**
- (4) Endeavor to establish a new financial ecosystem based on cryptocurrency, through the simultaneous entry into various future promising cryptocurrency-related businesses**
- (5) To realize a “zero stock brokerage commission fee,” bring about a “Platform Revolution” in the securities-related business**

# **(1) Promoting initiatives to actualize intrinsic corporate value**

- ① Enhance the corporate value of SBI FinTech Solutions through a restructuring**
- ② Promoting the IPO of subsidiaries to actualize intrinsic corporate value**

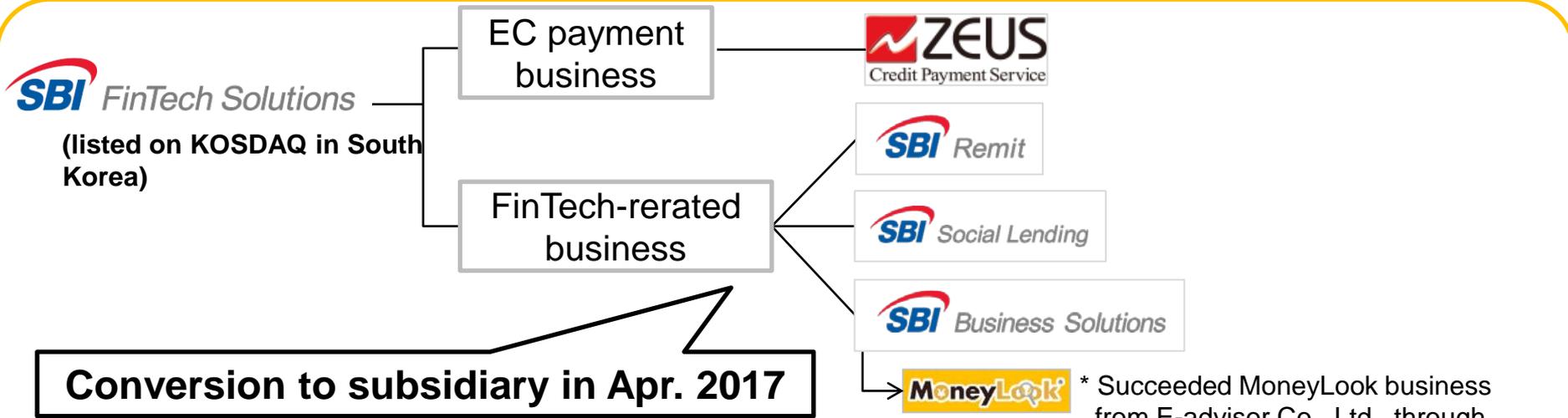
**① Enhance the corporate value of SBI  
FinTech Solutions through a restructuring**

① Enhance the corporate value of SBI FinTech Solutions through a restructuring:

# Restructured the Company Listed on KOSDAQ in South 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



\* Succeeded MoneyLook business from E-advisor Co., Ltd., through absorption-type split



SBI FinTech Solution's subsidiary ZEUS has already commenced FinTech services through a collaboration with SBI Sumishin Net Bank, offering business loan services. Going forward, primarily owing to the consolidation of the three companies, the company will further expand its FinTech business

# 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 solution of Ripple

### SBI Social Lending



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

### Back Office Support Business

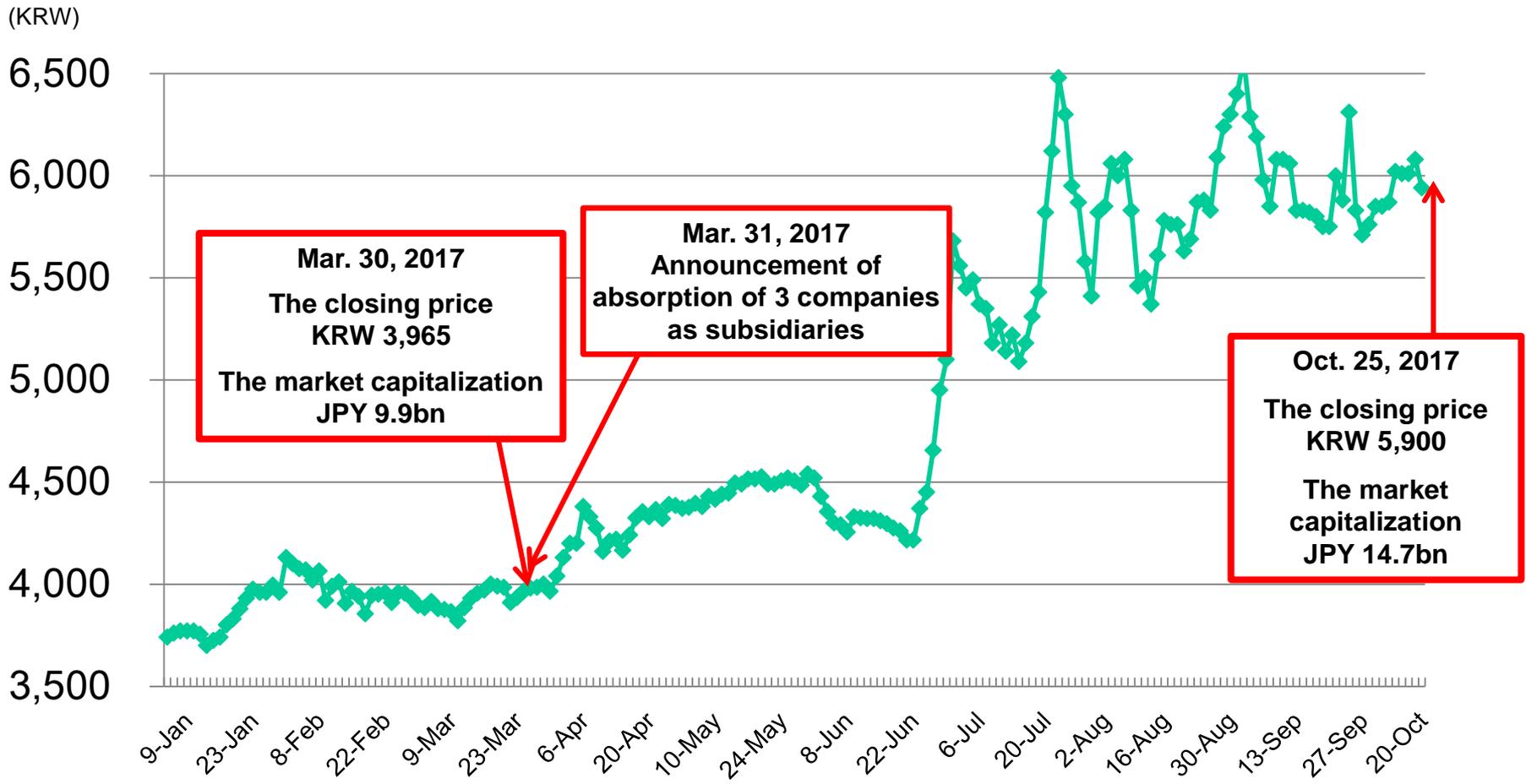
#### SBI Business Solutions



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

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

\* 1H FY2017 financial results announcement is scheduled for Nov. 14, 2017



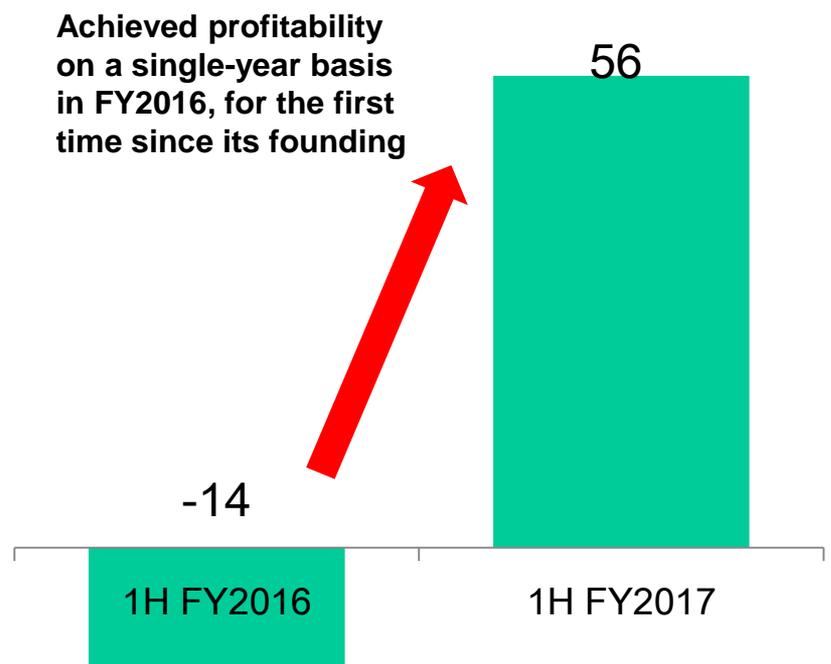
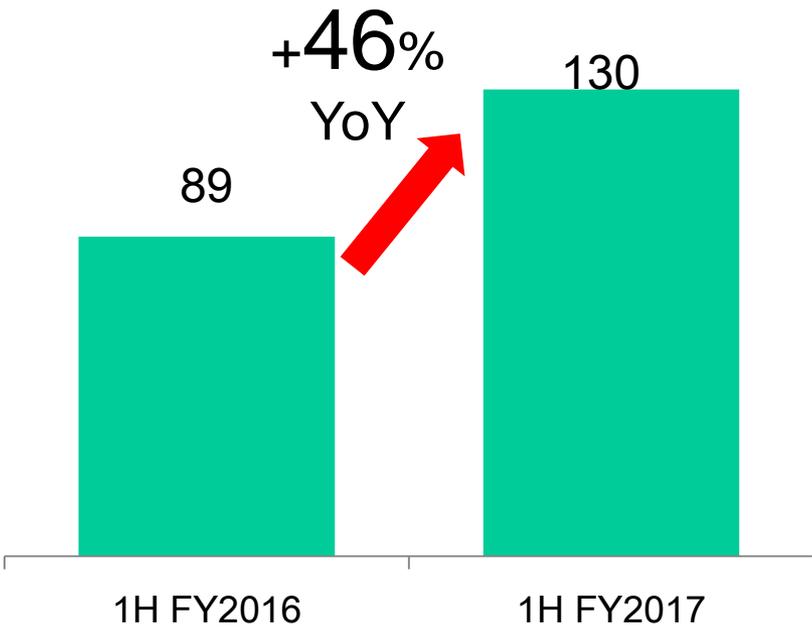
\* KRW 1 = JPY 0.100915 (As of 25, Oct. 2017)

# SBI FinTech Solutions' Converted Subsidiaries, SBI Remit and SBI Social Lending, Expanded Their Respective Business Performances

Change in profit attributable to owners of parent company

**SBI Remit**

**SBI Social Lending**



(JPY million)

## **② Promoting the IPO of subsidiaries to actualize intrinsic corporate value**

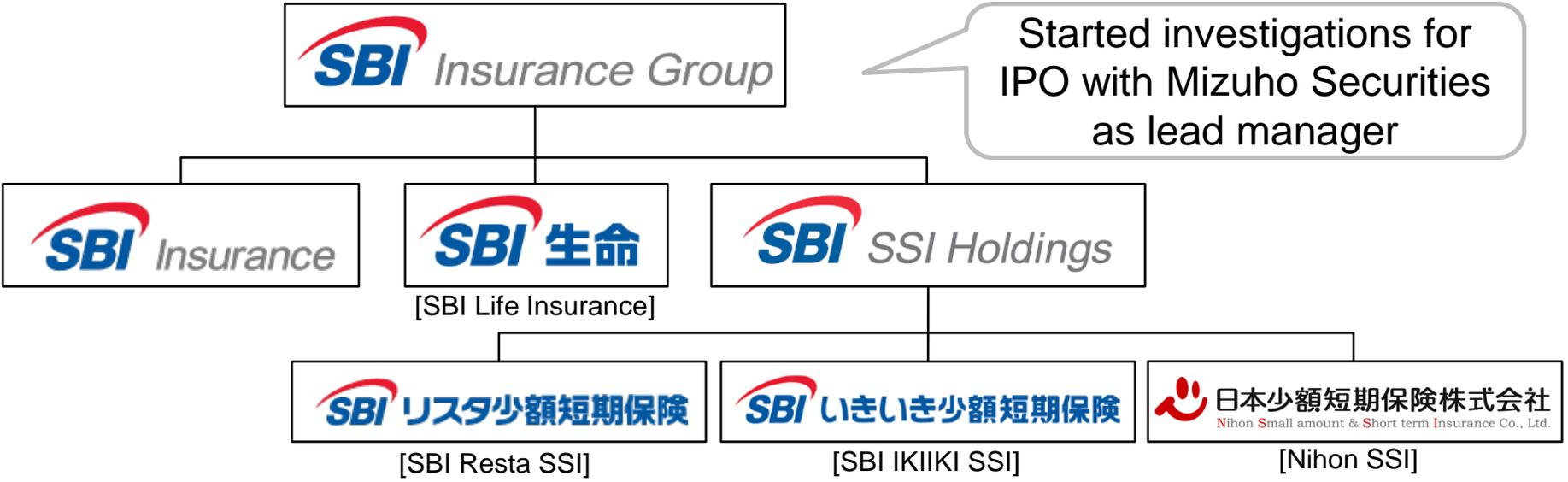
- (i) SBI Insurance Group  
(insurance holding company)**
- (ii) Quark**

(i) SBI Insurance Group (insurance holding company):

# SBI Insurance Group Started Its Operations on Mar. 31, 2017, and will Endeavor an Oct. 2018 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

(i) SBI Insurance Group (insurance holding company):



# Started Insurance Business with SBI Insurance in 2008, and Continuing to Grow through the Diversification of Insurance Offerings

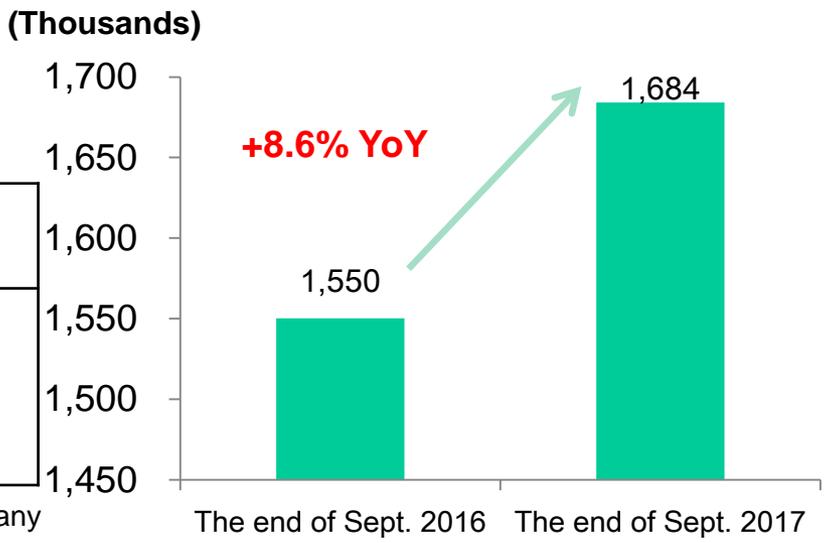


## Financial results of the overall Insurance business (IFRS)

(Unit: JPY million)	1H FY2016	1H FY2017	Increasing rate (%)
<b>Profit before income tax expense</b>	1,400	1,798	+28.4

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

## The number of contracts in insurance business



# 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)
- QPI-1007: Non-arteritic anterior ischemic optic neuropathy (NAION) (Licensing partner: Biocon Ltd of India)



**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, and is now in the process of selecting a lead managing underwriter in preparation for an IPO on the U.S. NASDAQ market**

**→Planning a 1H 2018 listing**

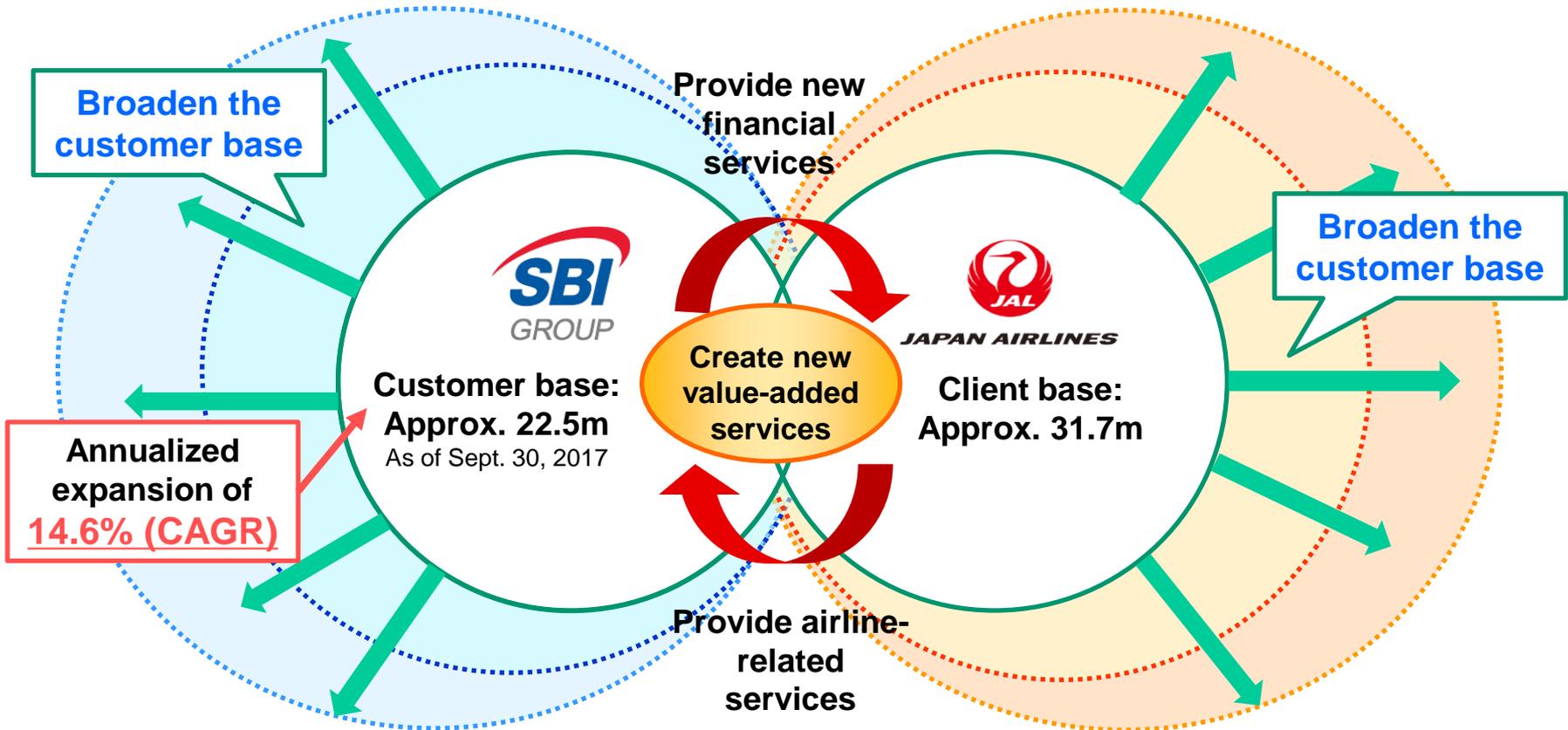
## **(2) Proactively strengthening alliances outside of the Group companies, to create win-win relationships**

- ① Through an alliance and joint projects with Japan Airlines (JAL), will dramatically broaden the customer base of both companies**
- ② Promoting the active utilization of blockchain technology to improve operational efficiency in various industries and supporting activities to build awareness of the technologies themselves**

**① Through an alliance and joint projects with Japan Airlines (JAL), will dramatically broaden the customer base of both companies**

# Long-term Dramatic Expansion of Both Companies' Customer Base

Dramatically expand the customer bases of both companies over the long-term and contribute to the further growth of their respective core businesses by utilizing their strengths and customer bases and providing options that enable the customers of both companies to conveniently and simply use the combined products and services through such features as single sign-on.



# SBI Group and JAL Established a JV, to Promote the Introduction of FinTech-related Innovative Services

  
**JAPAN AIRLINES**

Shareholding:

**49%**



Shareholding:

**51%**



Joint venture company **JAL SBI FinTech** (established on Sept. 1, 2017)

## Contribute to providing advanced FinTech services

- ◆ Assist with construction of a financial services business as a new earnings pillar for JAL through networking with the SBI Group's approx. 50 FinTech investee companies and collaborating with SBI Group companies.
- ◆ Also considering assistance with API collaboration with the SBI Group's FinTech investee companies

# Joint Development by the SBI Group and JAL for the Time Being

Utilizing the SBI Group’s knowledge, know-how and expertise in the financial business to provide new financial services for JAL’s customers

## Phase 1 initiative:

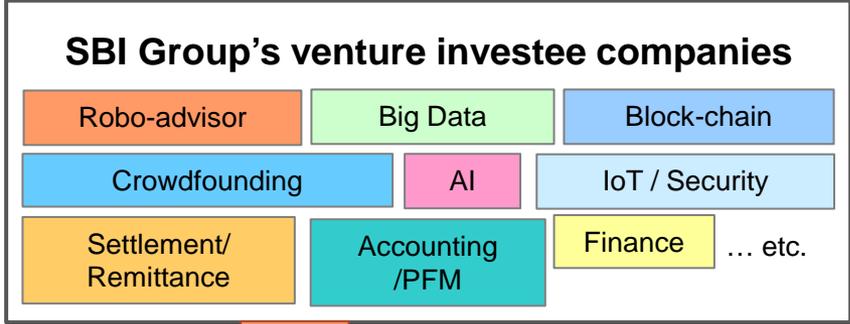
Entry into the international brand prepaid card business

## Phase 2 initiative:

Support of collaborative ventures between JAL and FinTech venture companies in which the SBI Group has equity investments and alliances



**SBI Group’s venture investee companies**



Provide financial functions



Provide system construction

International-brand prepaid card  
**Joint Venture Company**  
**“JAL Payment Port”**



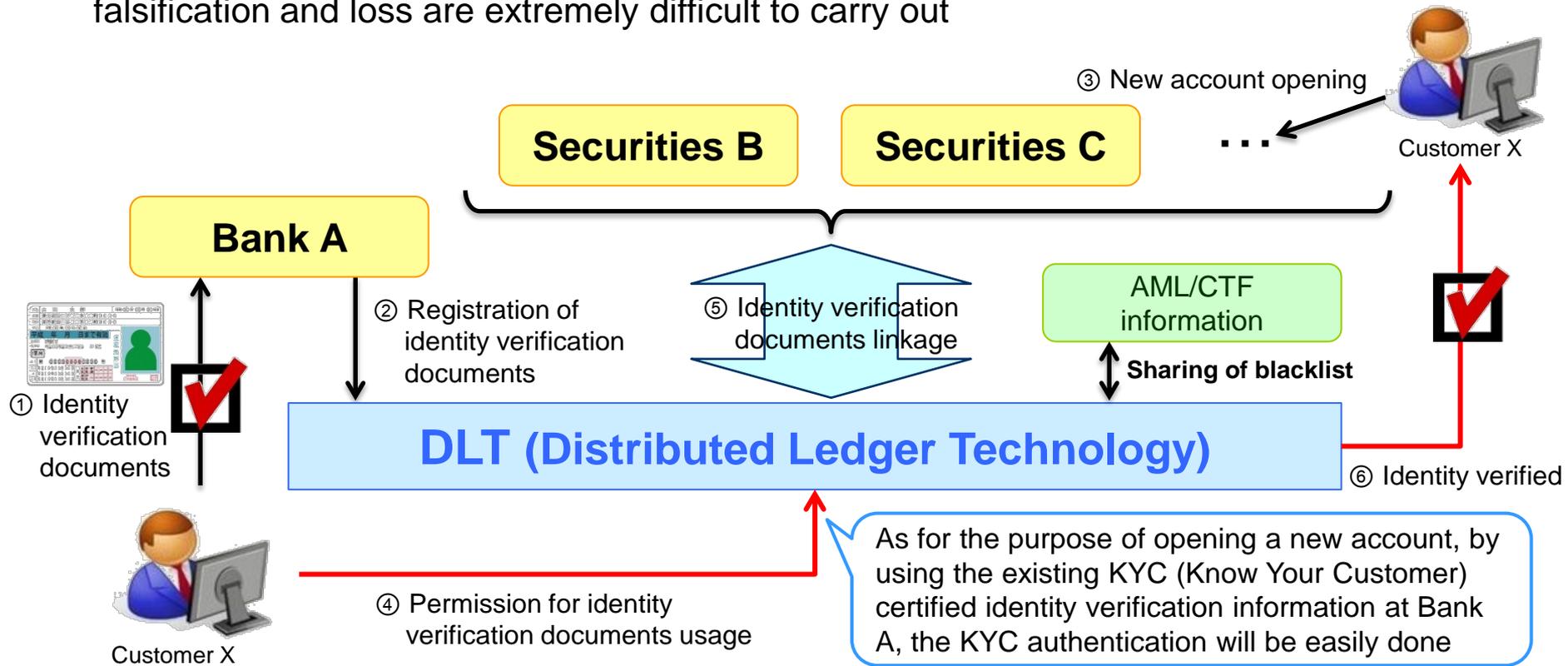
**JAPAN AIRLINES**

Introduce FinTech venture companies and support cooperation

**② Promoting the active utilization of blockchain technology to improve operational efficiency in various industries and supporting activities to build awareness of the technologies themselves**

# Partnering with NEC, the SBI Group Conducts Demonstration Tests that Target the Application of Blockchain for Know Your Customer (“KYC”) Operations

- ◆ Within the framework of Japan Exchange Group’s “PoC on applicability of Distributed Ledger Technology to Capital Market Infrastructure,” NEC, SBI Holdings and SBI BITS are conducting demonstration tests with 14 participating financial institutions
- ◆ In order to improve customer convenience and streamline the securities firm’s operations at the point of an account opening, endeavoring to promptly and safely share KYC information among securities firms, by leveraging the feature of blockchain where data falsification and loss are extremely difficult to carry out



# 24 Companies Beyond the Industry Gathered, to Start the “Beyond Blockchain Technical Program”

**A joint research with participating companies endeavoring to acquire systematic knowledge on blockchain, distributed ledger technology and cryptocurrency, to train engineers specialized in related technologies**



## Provided programs

- Blockchain / DLT engineer training workshops, including xCurrent
- Validation environment for xCurrent etc.
- Technology verification on cryptocurrency XRP
- Study meetings with external lecturers specialized in related technology
- Participation in a conference
- Others



**(3) Creating new alliances to realize a win-win relationship with companies outside of the SBI Group in several fields, through the establishment of the “SBI Regional Bank Value Creation Fund” (tentative name) and others**

- ① Through the “SBI Regional Bank Value Creation Fund” (tentative name), expect to vitalize regional financial institutions that play a role in regional revitalization**
- ② Establishing a next generation remittance system to bring about a “Remittance Revolution” by “The Japan Bank Consortium,” which contributes to the service improvement for customers**
- ③ Preparing for the establishment of the “SBI AI & Blockchain Fund (abbrev. name: SBI A&B Fund),” to invest in AI and the blockchain fields**

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

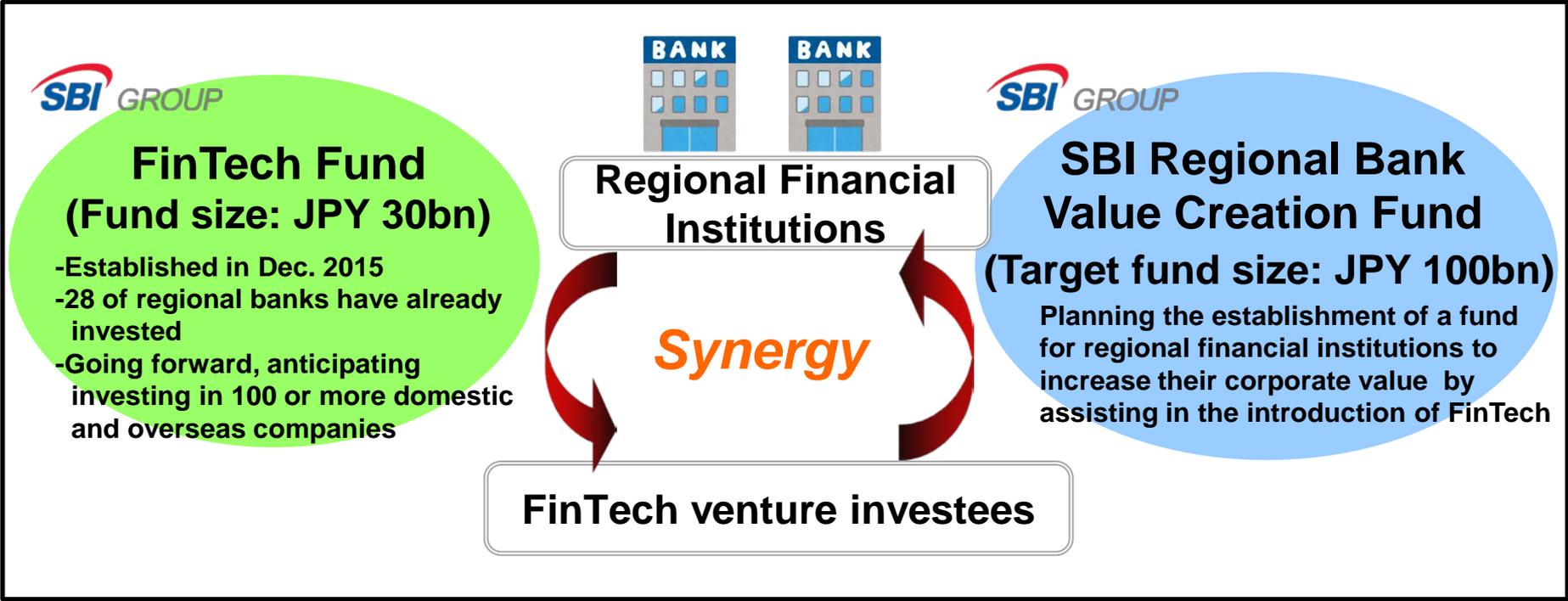
- ✓ By utilizing the fund to eliminate interbank cross-shareholdings, an effective utilization of capital becomes possible
- ✓ Raise capital through cash or in-kind contributions for the new fund from major financial institutions, such as major city banks and major institutional investors, to endeavor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



Settlor company: SBI Asset Management  
Sales company: SBI SECURITIES

① Establishment of the “SBI Regional Bank Value Creation Fund” (tentative name):

# Realization of “Sampo Yoshi” (Benefit for All Three Sides) for Regional Financial Institutions, FinTech Ventures and the SBI Group



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, the SBI Group will realize a higher management fund performance

② “Remittance Revolution” by “The Japan Bank Consortium”:

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

**-Participating financial institutions in “The Japan Bank Consortium” increased to 61 banks-**

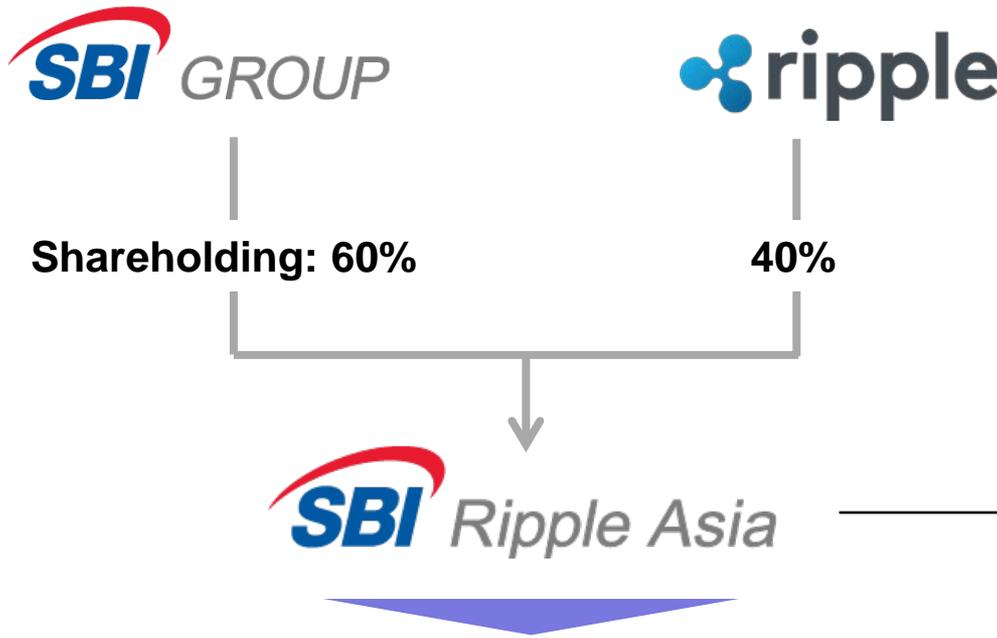
Participating Financial Institutions (61 banks):

City banks and others (13 banks)	Online banks (5 banks)	Regional banks & Second-tier regional banks (43 banks)
ORIX Bank, The Shoko Chukin Bank, Shinkin Central Bank, Shinsei Bank, The Norinchukin Bank, The Nomura Trust and Banking, Mizuho FG, Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, The Bank of Tokyo-Mitsubishi UFJ, Mitsubishi UFJ Trust and Banking Corporation, Japan Post Bank, Resona Bank	AEON Bank, SBI Sumishin Net Bank, Seven Bank, Sony Bank, Daiwa Next Bank	Aomori Bank, THE AKITA BANK, Ashikaga Bank, The Awa Bank, The Senshu Ikeda Bank, THE IYO BANK, The Bank of Iwate, The Ehime Bank, Oita Bank, The Bank of Okinawa, The Gunma Bank, The Keiyo 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 Tokyo Star Bank, THE TOHO BANK, The Towa Bank, THE TOCHIGI BANK, The Bank of Nagoya, THE NISHI-NIPPON CITY BANK, THE HACHIJUNI BANK, The Hyakugo Bank, Hiroshima Bank, The Fukui Bank, North Pacific Bank, Hokuriku Bank, The Michinoku Bank, The Musashino Bank, The Yachiyo Bank, The Yamagata Bank, The Yamaguchi Bank, Bank of Yokohama, Bank of The Ryukyus

\*Alphabetical order in the Japanese language / as of Oct. 26, 2017

② “Remittance Revolution” by “The Japan Bank Consortium”:

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



Ripple is a U.S. FinTech venture and Ripple’s global payments network currently has the participation of more than 100 of the world’s major financial institutions including the SBI Group (the SBI Group’s Shareholding: 10.5%)

- A provider of a settlement platform utilizing Ripple’s distributed financial technology in Asia including Japan
- Established “The Japan Bank Consortium” with Japanese financial institutions (Oct. 2016)

## 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**

## 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 xCurrent (formerly “Ripple Solution”), in a pilot environment



### <Schedule for commercial use>

#### Within FY2017:

- 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 FY2017

- Initial launch of commercial use for domestic payments

After that: Expansion of commercial use for domestic payments

## Preparing the Establishment of a New Fund which Invests Primarily in the AI and Blockchain Categories

Scheduled to establish a successor fund to the FinTech Fund, which will be named the SBI AI & Blockchain Fund (common name: SBI A&B Fund), during this fiscal year

- ✓ Against a backdrop of increased investment in AI ventures overseas, there is an uptrend in the number of venture companies that provide AI solutions for financial services, which are highly compatible with AI and expected to have many business opportunities
- ✓ The market size of Japan’s IoT sector is forecast to increase from approx. JPY 520bn in FY2015 to JPY 3.2tn in FY2022 (Source: Nomura Research Institute)
- ✓ The size of the blockchain market is forecast to increase about eightfold in the coming five years to approx. USD 2.3bn (approx. JPY 250bn) as utilization, even in non-financial sectors, progresses (Source: statista)



Investments from “A&B Venture” will broadly include AI, IoT and healthcare, sharing economy, and robotics, some of which will be peripheral categories

# The Utilization of Blockchain also Extends to Non-financial Industries

## Real estate industry

### Sekisui House

- Organizing a system which manages real estate information utilizing blockchain
- Collaborate with bitFlyer, to utilize blockchain for the first time in Japan’s real estate industry

### LIFULL

- Utilize blockchain for the management of real estate information
- Started demonstration experiments from Sept. 2017, in collaboration with Tech Bureau, for eventual commercialization purposes

## Music industry

### Spotify, a major company offering an online music distribution service

- Acquired Mediachain, a startup involved in blockchain
- In the future, planning to pay royalties to a wide range of music rights holders, utilizing blockchain

## Medical industry

Focused on accuracy and advanced security level. Through information utilization, optimal treatment for each patient becomes possible. According to an IBM survey, 90% of medical institutions will make some investment related to blockchain in 2018.

**(4) Endeavor to establish a new financial ecosystem based on cryptocurrency, through the simultaneous entry into various future promising cryptocurrency-related businesses**

**Basic view on the establishment of a cryptocurrency based ecosystem:**

**The establishment of an ecosystem that addresses the various current issues of cryptocurrency and its markets**

## **① SBI Group's Efforts to Solve the Problems within the Cryptocurrency and its Markets**

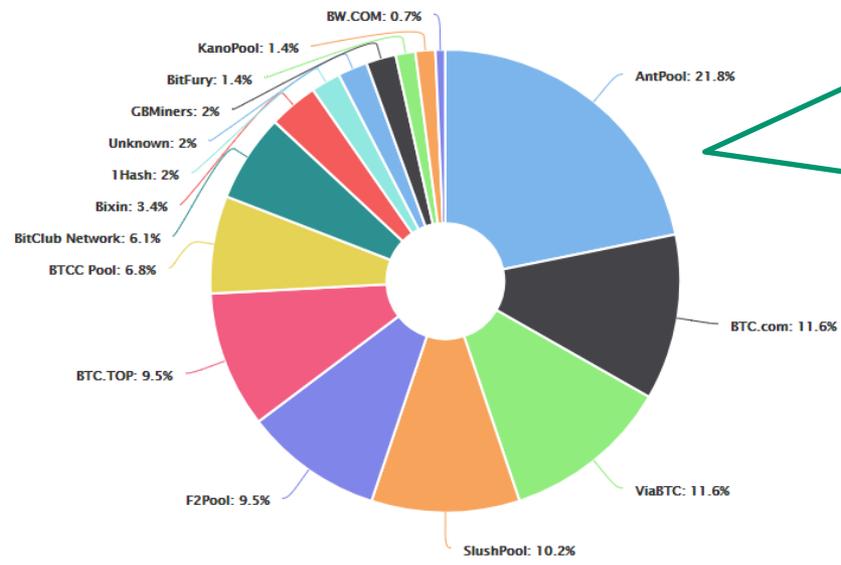
- (i) Entering into cryptocurrency mining, an activity unevenly distributed in China**
- (ii) Establishing means of cryptocurrency utilization that satisfies actual demand, to stabilize its volatility**
- (iii) Contributing to market stabilization by providing new trading opportunities in cryptocurrency for institutional investors**
- (iv) Contribution to the creation of sound market structure**
- (v) Establishment of a dominant cryptocurrency exchange platform, amid other platforms, based on the "Customer-centric Principle"**

**(i) Entering into cryptocurrency mining, an activity unevenly distributed in China**

# Market Stabilization by Entering into Cryptocurrency Mining Business

**SBI Crypto (established in Aug. 2017 )**  
**In preparations for Bitcoin Cash mining overseas, also collaborating with U.S. BCause**

- For cryptocurrencies (such as bitcoins, etc.) adopting the Proof of Work algorithm, there is a “51% attack” risk, from a malicious group of miners who control the majority of the network’s mining power
- Presence of a cryptocurrency “stable shareholder” will stabilize the market
- **The SBI Group will acquire cryptocurrency share through mining, in order to stabilize the market**



About the 51% attack

- 5 out of 6 top Bitcoin mining pools are China-based, and the share totals over 60%
- Eliminating market instability is essential for the stable development of the cryptocurrency market

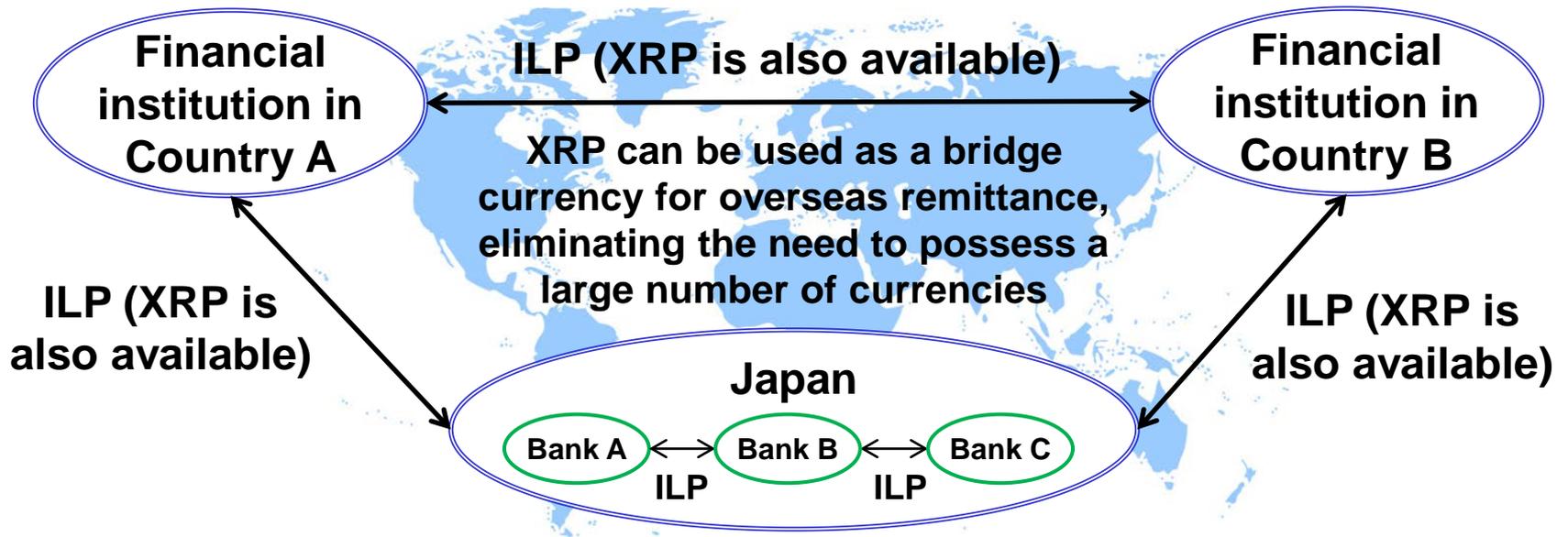
Source : Blockchain.info, as of Oct. 13<sup>th</sup>

- (ii) Establishing means of cryptocurrency utilization that satisfies actual demand, to stabilize its volatility**
  - a. Utilization for remittance**
  - b. Utilization for trade finance**
  - c. Utilization for settlement/payment**

# 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

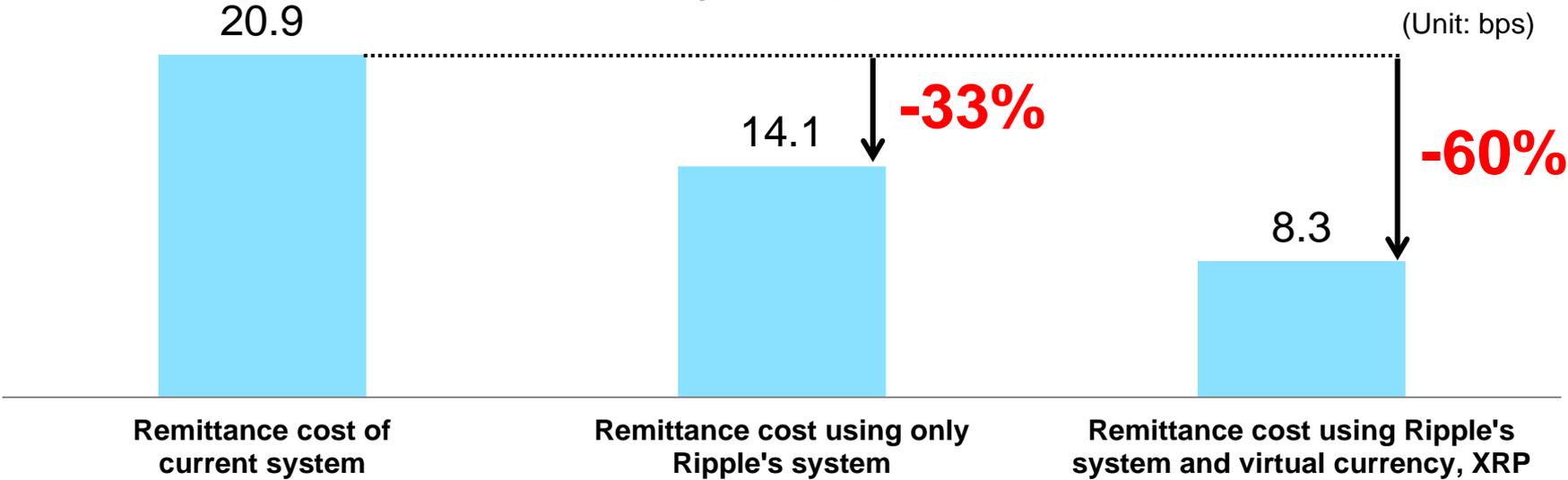
## Ripple can build an hybrid-type remittance system, that combines ILP and XRP Ledger



# Drastic Reduction of Remittance Cost in International Remittance System Utilizing Rpple's Cryptocurrency, XRP

Generally, international remittance is 20.9 bps against the settlement amount, whereas international remittance utilizing XRP, Ripple's cryptocurrency, 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

# Comparison of XRP of Ripple and Bitcoin

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

Source: Ripple

# Launch Full-scale Sales Expansion of Remittance Solution Utilizing DLT for Financial Institutions in South Korea



## SBI Ripple Asia



A joint venture with Ripple in the U.S.

- Offering innovative remittance solutions for financial institutions, primarily in Japan and other Asian countries

Launch full-scale entry into South Korea



## DAYLI Intelligence



A FinTech company associated with South Korea investee company Yello Mobile

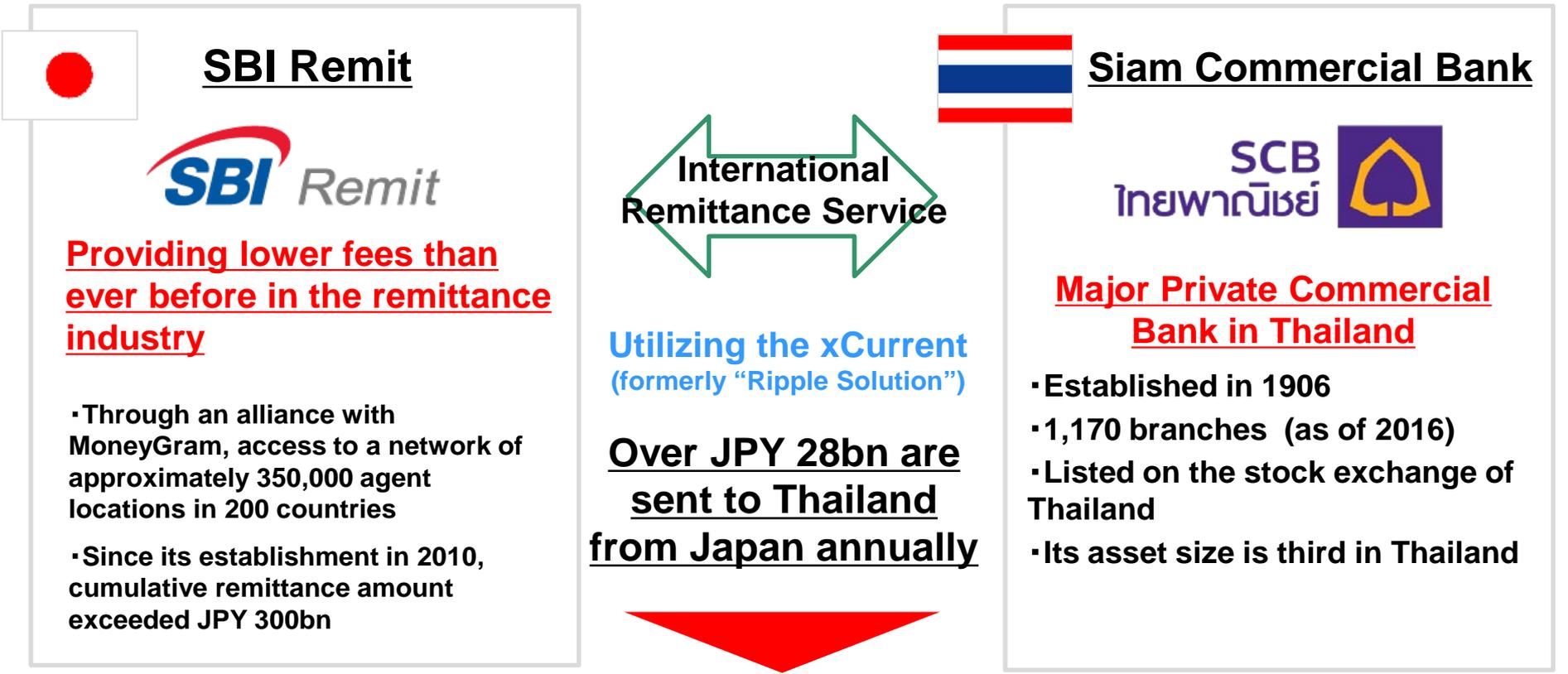
- Possesses abundant knowledge and advanced technologies, including blockchain, with a domestic track record in South Korea

Will endeavor the realization of efficient international remittances between Japan and South Korea, and between South Korea and other countries

## DAYLI Intelligence's track record

- An **independent technology partner** of the finance and investment industry's blockchain commercialization consortium, in which 25 Korean securities companies participate
- A **project in which DAYLI Intelligence is involved was adopted for a pilot blockchain project** selected by South Korea's Ministry of Science, ICT and Future Planning (the equivalent of Japan's Ministry of Education, Culture, Sports, Science and Technology)
- Conclusion of a business cooperation agreement concerning issuance of a digital currency with Woori Bank, a major Korean bank

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



**The first case of international remittance utilizing blockchain-related technology in Japan**

**The solution reduced remittance period, from Japan to Thailand, from 1~2 business days to 2~5 seconds**

a. Utilization for remittance

# 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 cryptocurrencies, blockchain and etc.

Shareholding:  
**90%**

Shareholding:  
**10%**



## SBI Cosmoney

Established on Aug. 1, 2017

Expecting to start the service as soon as registration of a small sum money exchange and transfer business is completed

# Trade Finance Settlement Period Reduction

**Trade finance transactions requires a few days to settle, since there are over 10 task steps to be completed between 3 parties, the importer, the exporter and the bank mediating the settlement**

**Upon the application of Corda, a Distributed Ledger Technology developed for financial institutions, it will simplify trade finance**



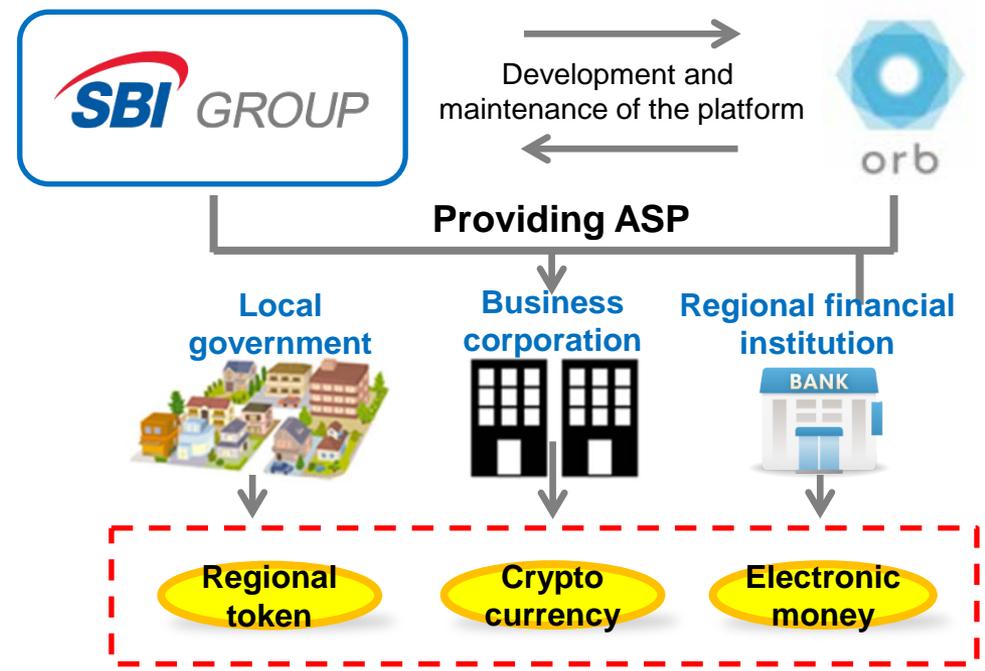
◆ Distributed Ledger Technology, mainly developed by R3, for financial institutions' use (open-sourced in Nov. 2016)

- Simplify document preparation and mailing procedures by utilizing distributed ledger technology and electronically sharing the export documents of exporters among importers, banks, and other involved parties.
- Simplify written communication among various involved parties, such as exporters, importers, transport operators, insurance companies, port operators, and financial institutions.

**UBS, in its own trials, has successfully shortened its trade finance transaction period from a week to an hour, or 1/168th of the previous time**

# Development of the “S Coin Platform,” an Original Coin Issuing Platform that is to be used by Local Governments, Business Companies, Regional Banks, etc.

- S Coin Platform can be used to issue many types of digital coins to be used as settlement method, including cryptocurrency or prepaid electronic money
- Settlement platform striving to **reduce settlement cost and the use of cash significantly by providing original settlement coin**



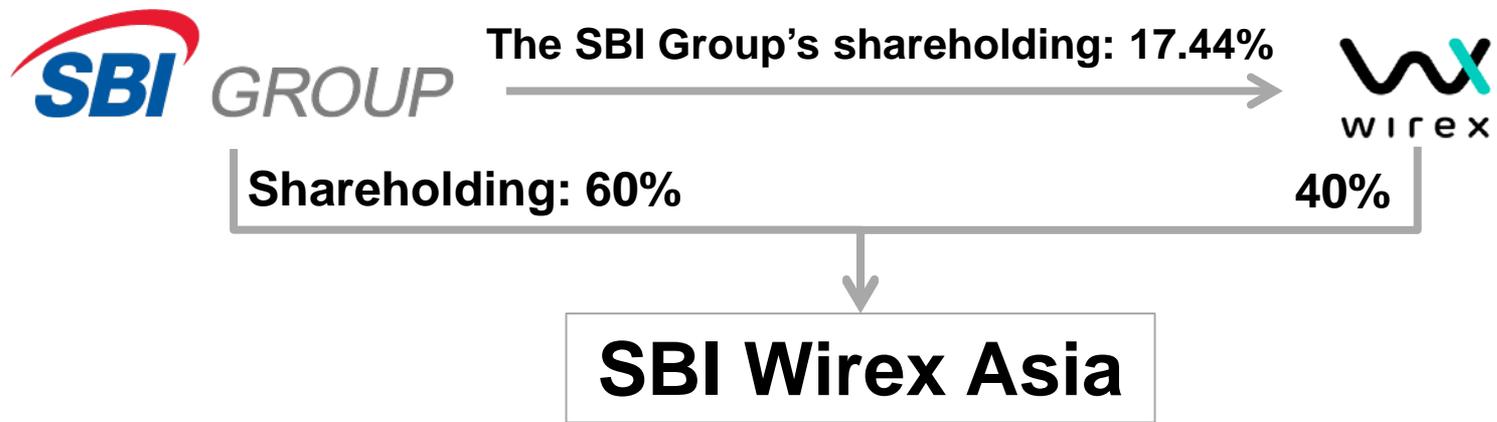
Orb  
Offering a new platform of finance and commerce market, utilizing blockchain

**The issuer designs and publishes a unique payment coin in accordance with their needs**

**SBI** Virtual Currencies  
(Cryptocurrency exchanges)

# Cryptocurrency Utilization for Settlements/Payments

Establishing a joint venture company “SBI Wirex Asia,” with a U.K. FinTech venture company “Wirex,” which provides cryptocurrency payments



### Wirex

- This payment service enables the user to instantly exchange cryptocurrencies to legal tenders, including U.S. dollars or Euros, on a Wirex application, and with the “Wirex Card,” which is issued by Wirex, the user can use such legal tenders on the Visa Card networks around the world, including ATMs and credit card merchants
- Wirex’s transaction reached over USD 1bn, and its service had over 900 thousand customers in 130 countries across the world

### SBI Wirex Asia

- In addition to issuing cryptocurrency payment cards in Japan, will develop other co-businesses in the field of cryptocurrencies, DLT and payments

- (iii) Contributing to market stabilization by providing new trading opportunities in cryptocurrency for institutional investors**
  - a. Management of cryptocurrency hedge funds**
  - b. Creation of cryptocurrency derivative market**

## Accelerating Cryptocurrencies Fund Business with CoVenture Holding Company, an Asset Management Company in the U.S.

In order to stabilize the volatility in cryptocurrencies, the participation of institutional investors who make long term investments, are expected

CoVenture Holding Company



**CoVenture Holding Company, LLC:**

The company is a boutique asset management company focused on investments in emerging asset classes, and has delivered **significant performance in venture company investments, and in direct lending funds.**

The company teams up with investors and advisors with expert knowledge of cryptocurrencies. The company thus plans to **set up and manage investment funds that invest in cryptocurrency as a new strategic investment asset.**



**Going forward, in collaboration with CoVenture, will establish fund business under the following three points**

- ◆ Capital investment in CV
- ◆ Capital investment in a management company of cryptocurrency funds to be set up by CV
- ◆ Establishment of a joint venture, which name is “SBI CoVenture Asset Management,” that will set up cryptocurrency funds and provide investment advisory and intermediary services, including marketing, in Japan

# Entering the Cryptocurrency Derivative Market



## SBI Holdings



- Expanding various businesses for organizing new financial ecosystem related to cryptocurrencies

Investing in 40%



## BCause LLC



- A FinTech startup in the U.S.
- Offering a service related to cryptocurrency derivatives in the U.S.

Will endeavor to provide a sound development of the cryptocurrency market, by supplying cryptocurrency derivatives to individuals and institutional investors

## About BCause

- **Organizing cryptocurrency's ecosystem in the U.S. market**, including an exchange for spot trading of cryptocurrencies, a platform for bitcoin mining, and the management of an association of derivatives clearing
- Proceeding with an application for the acquisition of a Designated Contract Market (DCM) for a derivatives exchange to the Commodity Futures Trading Commission (CFTC), and if it is realized, it is expected to become the **first retail cryptocurrency derivatives exchange in the U.S.**

## **(iv) Contributing to the creation of a sound market structure**

- a. Management of cryptocurrency portal site that provides cryptocurrency-related and ICO rating information**
- b. Promotion of the issuance of ICO and cryptocurrency bonds by companies specialized in cryptocurrency finance**

a. Management of cryptocurrency portal site that provides cryptocurrency-related and ICO rating information

# Morningstar Japan's Cryptocurrency Portal Website

- Aggregated information on countless existing cryptocurrencies and domestic cryptocurrency exchange platforms for investors
- Launched on Oct. 19, 2017, and the information will become more enhanced

**Market cap. ranking of cryptocurrencies**  
JPY denominated, USD denominated switching, sorting function, etc.

**Price comparison of major domestic exchange platforms (Bid, Ask)**  
comparison of price, transaction fees

No.	通貨名	時価総額(億円)	取引所平均価格(円)	前日比(24H) %	前週比 %	供給量	シンボル
1	Bitcoin	73,232	441,833.12	+7.24	-6.8	16,574,662	BTC
2	Ethereum	30,107	31,790.95	+3.28	-5.37	94,703,721	ETH
3	Bitcoin Cash	8,738	52,662.06	+7.98	-13.53	16,593,250	BCH
4	Ripple	7,933	20.69	+1.73	-14.77	99,994,523,265	XRP
5	Litecoin	3,177	5,995.24	+6.81	-21.05	52,996,332	LTC
6	Dash	2,731	36,096.33	-1.35	+0.28	7,566,056	DASH
7	NEM	2,393	26.58	+12.17	-7.34	8,999,999,999	XEM
8	IOTA	1,802	64.84	+6.65	-3.99	2,779,530,283	MIOTA
9	Monero	1,643	10,877.32	+0.75	-14.26	15,102,011	XMR
10	Ethereum Classic	1,240	1,295.94	+9.71	-22.84	95,650,433	ETC
11	OmiseGO	1,152	1,171.53	+2.14	-15.22	140,245,398	OMG
12	NEO	1,110	2,220.91	-1.62	-11.44	100,000,000	NEO
13	BitConnect	882	13,099.29	+6.42	-8.17	7,764,511	BCC
14	Link	793	705.00	+10.24	-8.01	112,428,225	LSK

取引所	出来高(24H)	Bid	Ask	取引手数料	信用取引レバレッジ	先物取引レバレッジ
bitFlyer	118,822BTC	436,351.00円	436,500.00円	0.01~0.15%	最大15倍	最大15倍
coincheck	39,158BTC	438,581.00円	438,725.00円	0%	最大5倍	なし
Zaif	4,540BTC	436,645.00円	437,000.00円	-0.01%	最大7.77倍	最大25倍
BTCBOX	2,014BTC	431,660.00円	432,325.00円	0.2%	最大3倍	なし
QUOINEX	1,851BTC	437,752.57円	437,972.80円	0%	最大25倍	
kraken	5BTC	435,345.00円	439,001.00円	0~0.26%		
bitbank	17BTC	435,503.00円	439,750.00円	BTC/JPY -0.05~0.05% アルトコイン -0.05~0.25%	なし	20倍

**Eliminate information asymmetry, and increase investors by lowering participation hurdles in the market**

- a. Management of cryptocurrency portal site that provides cryptocurrency-related and ICO rating information

## Morningstar Japan Initiating Japan's First ICO (Initial Coin Offering) Rating Business (Service launch expected in Dec. 2017)

What is an initial coin offering (ICO)?

The term refers to a means for companies to raise funds for the purpose of developing cryptocurrencies or a sale conducted for the purpose of circulating to investors the new cryptocurrency (token) after it is generated.

Although an ICO resembles a stock IPO (initial public offering), since no listing screening is performed by an exchange or securities company, it is possible for the issuing company to quickly raise funds.

Although the number of investors participating in ICOs is increasing because participation is simple, there is no safety net and few reliable information sources. In addition, scam ICOs exist, and the current situation is not conducive to accurate investment decisions.

To meet ICO needs, will commence rating of cryptocurrencies and ICOs

- ◆ Provide cryptocurrency ratings based on neutral and objective analytical evaluation
- ◆ Rate not only ICOs, but also cryptocurrencies that are already traded
- ◆ Evaluate management personnel, products, and the like using unique evaluation methods\* based on issuer white papers.

\*Application of investment trust and bond rating evaluation methods and expertise

**To support the investment judgment of domestic  
and overseas investors**

b. Promotion of the issuance of ICO and cryptocurrency bonds by companies specialized in cryptocurrency finance

# Supporting SME's Finance Utilizing FinTech, Including ICO (Initial Coin Offering)

**SBI CapitalBase** (Established on Oct. 11, 2017)

- Seeks to propose optimal funding plans adapted to company growth stages, activate the venture ecosystem, and nurture new industries through development and operation of a fundraising platform for venture companies and SMEs.

<p><b>ICOs</b>  <b>Provision of a new fundraising method that utilizes cryptocurrencies</b>  <b>Planned start around spring 2018</b></p>	<p><b>Bonds (private placement bonds)</b>  <b>Fundraising that makes possible stock dilution and maintenance of the founder's ownership interest</b></p>
<p><b>Angel investor matching platform</b>  <b>A pre-VC round fundraising environment</b></p>	<p><b>Crowd funding, M&amp;As</b></p>

**SBI GROUP X Group collaboration**



Considering the support of ICO utilizing S Coin by the SBI Group

- (v) Establishment of a dominant cryptocurrency exchange platform, amid of other platforms, based on the “Customer-centric Principle”**
  - a. Preparing for the launch of a large-scale cryptocurrency exchange platform**
  - b. Management of the cryptocurrency exchange both domestically and abroad**

## Endeavoring the Creation of a Large-scale Cryptocurrency Exchange Platform



### System development

- The cryptocurrency market has dramatically expanded, with the total market capitalization of the four largest cryptocurrencies of bitcoin, ethereum, ripple (XRP), and bitcoin cash, having grown 8.6x since the beginning of the year
- A system maintenance that can cope with such a rapid increase in transaction volume is indispensable



### Security measures

- Cryptocurrency exchange platforms suffer from DDos / cyber attacks globally, so advanced security is required
- The role of the wallet function, with a high level of robustness becomes important for the prevention of cryptocurrency theft



### Cryptocurrency possession

- The SBI Group will endeavor to acquire cryptocurrencies, for the further development of products and services, and to secure market liquidity. This includes the mining of BTC/BCH, and investments into U.S. Ripple (Shareholding: 10.5%).



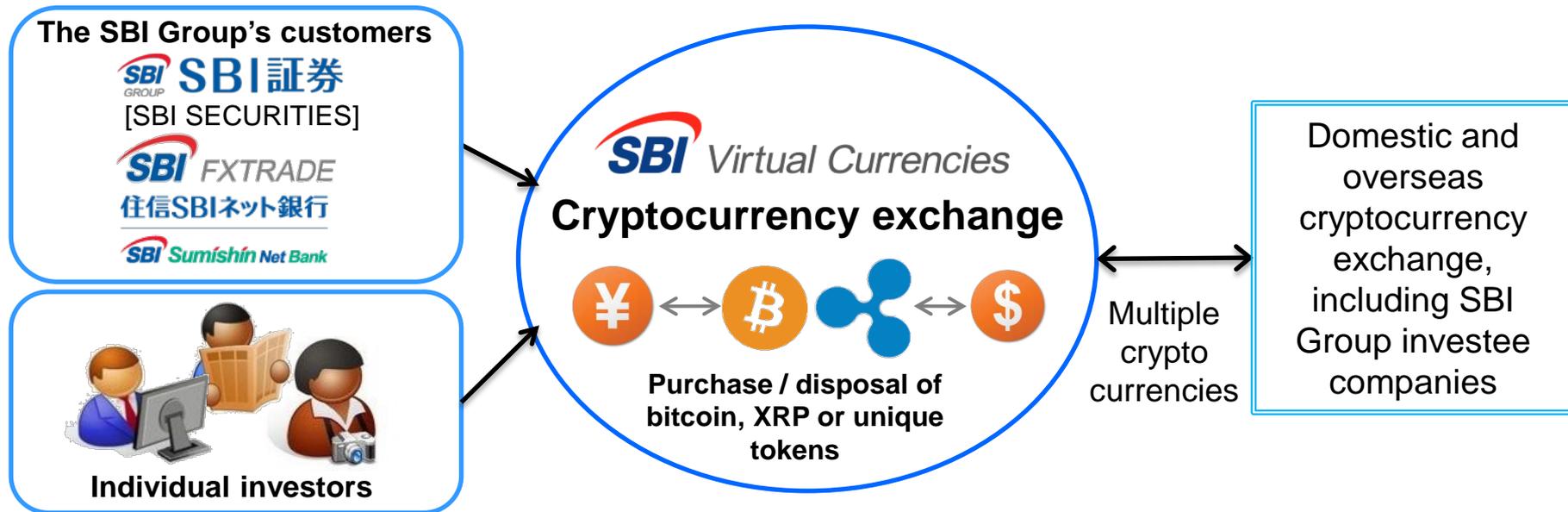
### Information provision

- Pursuing user convenience by providing cryptocurrency-related information

**Every possible measures will be taken to ensure that secure and safe service will be provided**

# About Domestic Cryptocurrency Exchange Platform

Cryptocurrency Exchange Registration achieved (Sept. 29, 2017)



**Currently waiting for the appropriate timing to start the service, where the key decision factors are the progress of SBI Crypto's mining, along with the division situation of hard fork**

# Bitcoin Breakup Caused by Delay in the Processing Speed, Owing to an Increase in Transactions

## Bitcoin specification

Block size of 1MB

Volume of info per transaction

## SegWit (Aug. 24<sup>th</sup>)

Block size of 1MB

- Same block-size, slimmer data
- Soft-forked

## SegWit2x (Nov.)

Block size of 2MB

- Increase ledger and streamlining data
- Incompatible with conventional bitcoin owing to block size



## Bitcoin Gold launched (Oct. 24<sup>th</sup>)

Block size of 1MB

- Mining algorithm changed
- Cannot be mined by ASICs



## Bitcoin Cash launched (Aug. 1<sup>st</sup>)

Block size of 8MB

- Increased block-size
- Same data-size

b. Operation of the cryptocurrency exchange platform in Japan and overseas

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



Preparing to sequentially provide services, including cryptocurrency trading services, in conjunction with the development of use cases of cryptocurrencies

### ◆ Cryptocurrencies

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

### ◆ Regional tokens

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

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

### ◆ Group coin

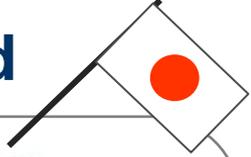
Exchange of Tokens issued using S Coin Platform, with various cryptocurrencies, such as cash, SBI Points and gold

➔ Token issued using S Coin Platform: 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

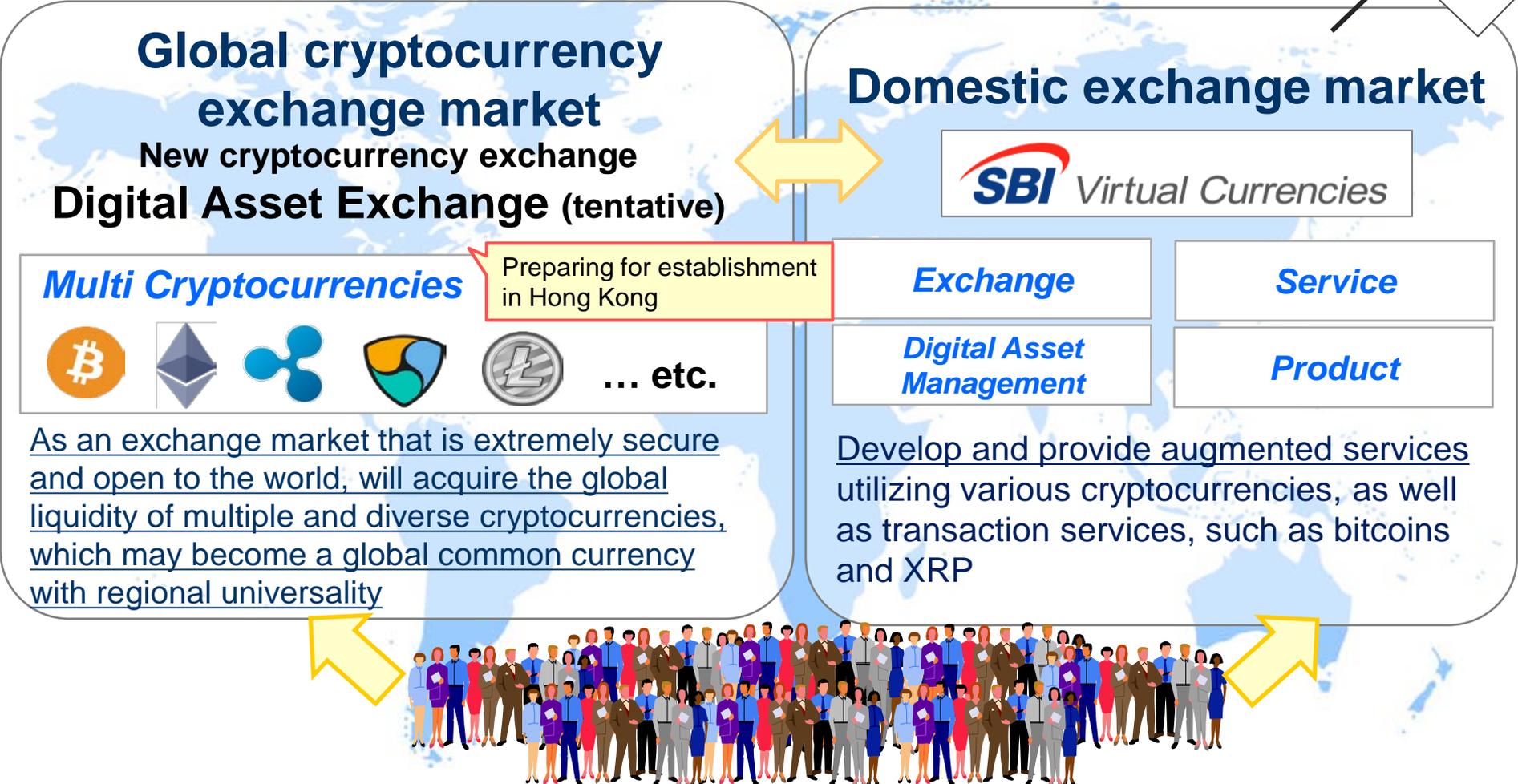


**By undertaking the development of services with high public interest, will propose an ideal form of cryptocurrency**



b. Operation of the cryptocurrency exchange platform in Japan and overseas

# Preparing the Establishment of a Cryptocurrency Exchange Platform in Hong Kong that Enables the Exchange and Trading Services of Various Cryptocurrencies Distributed Around the World



## Global cryptocurrency exchange market

New cryptocurrency exchange

### Digital Asset Exchange (tentative)

#### Multi Cryptocurrencies



Preparing for establishment in Hong Kong

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

## Domestic exchange market



<b>Exchange</b>	<b>Service</b>
<b>Digital Asset Management</b>	<b>Product</b>

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

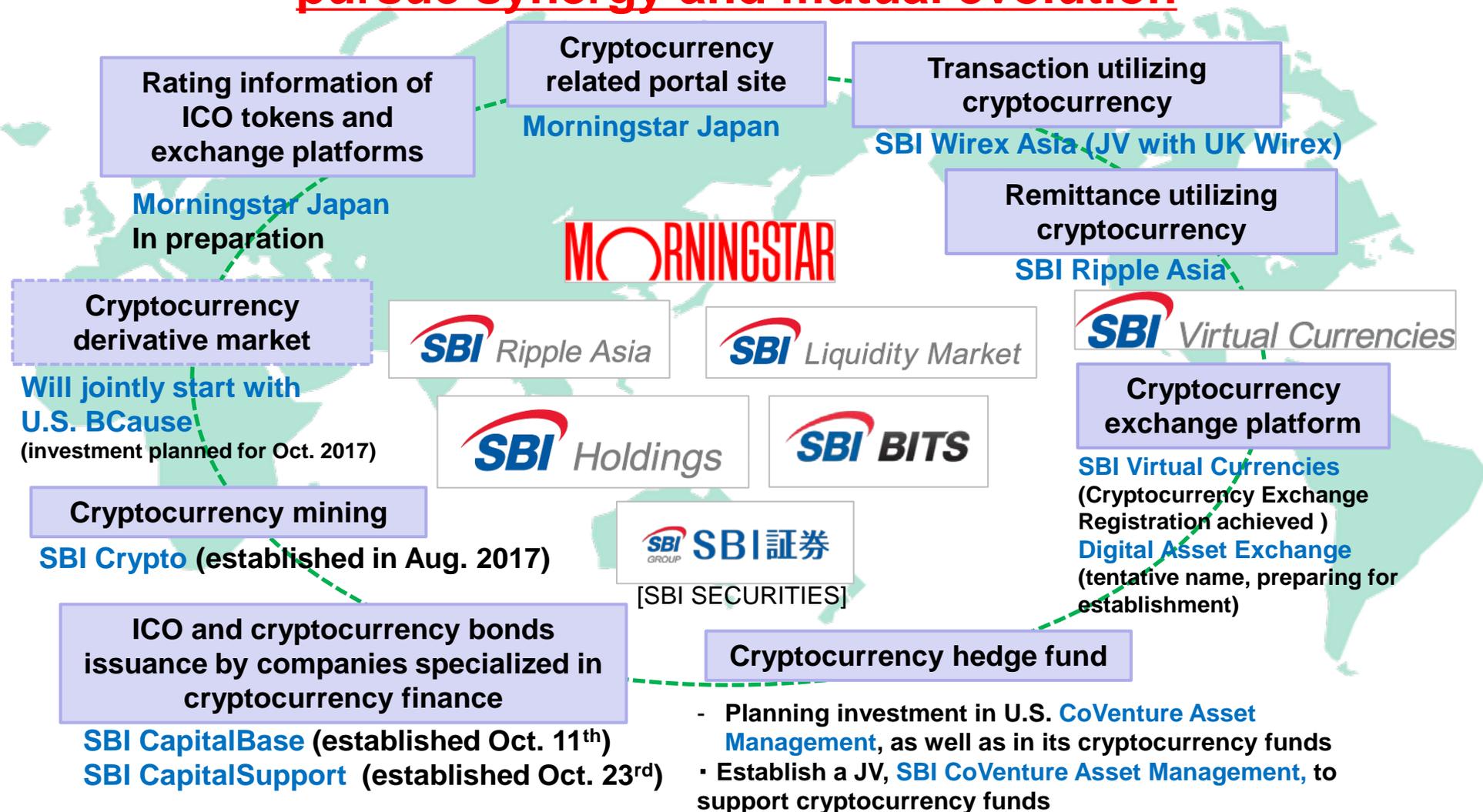


Investors around the world, including Japan

## ② Establishment of a New Financial Ecosystem based on Cryptocurrency

# Establishment of a New Financial Ecosystem Based on Cryptocurrency

Each Business will be developed simultaneously to pursue synergy and mutual evolution



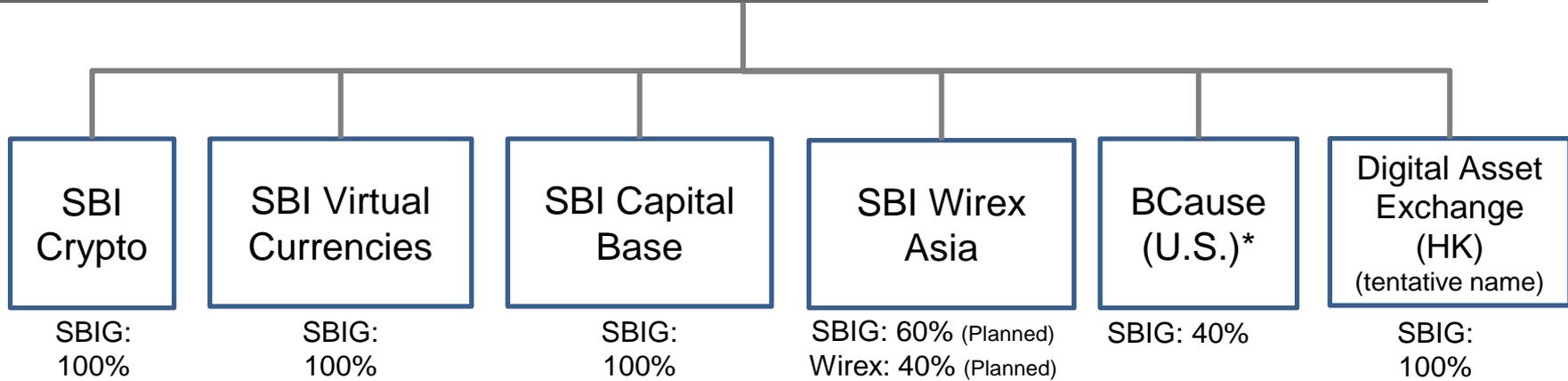


# Organizing an Efficient Structure of Business Management, by Assembling Cryptocurrencies-related Business

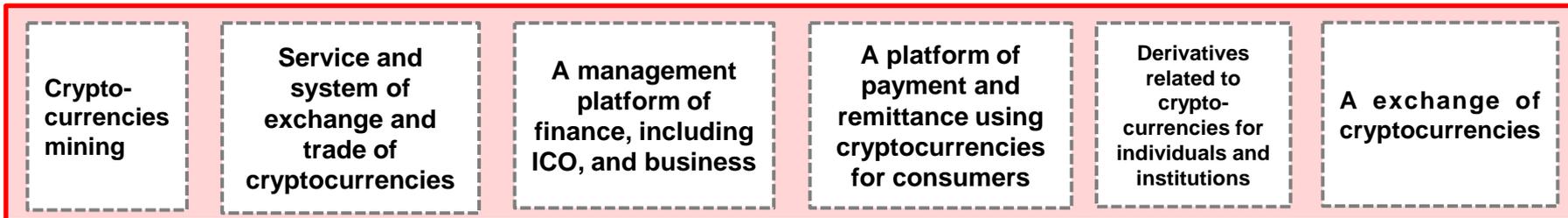
Established SBI Cryptocurrency Holdings as an intermediate holding company of this business, and started full-scale establishment of cryptocurrency ecosystem

## SBI Cryptocurrency Holdings (tentative name)

Business assembly (Planned)



Business



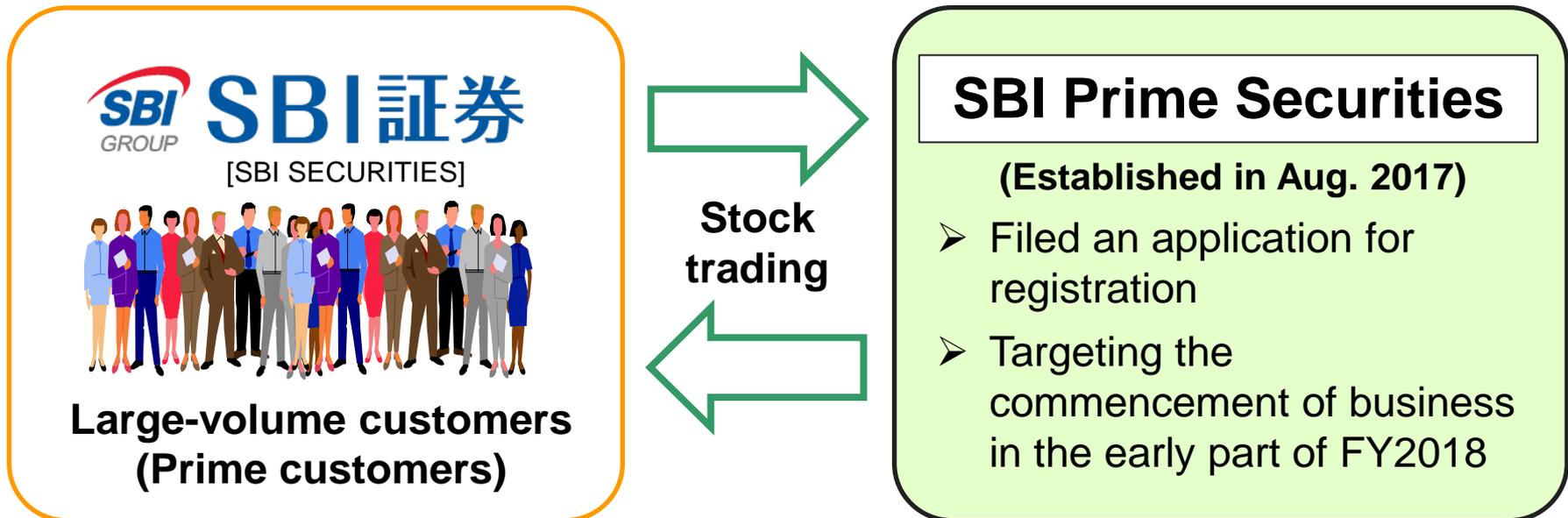
\* Planning to invest via SPC, which will be established in the U.S. because the company is LLC

**(5) To realize a “zero stock brokerage commission fee,” bringing about a “Platform Revolution” in the securities-related business**

# Established SBI Prime Securities to Provide Prime Brokerage Services at SBI SECURITIES

Through a platform provided by SBI Prime Securities, will offer prime brokerage services for SBI SECURITIES' large-volume customers

➔ Stock brokerage commissions charged to large-volume customers will be eliminated



# By Investing in and Collaborating with U.S.-based Companies, Endeavoring to Offer Stock Brokerage Commission-free Services

## Institutional investors



In discussion of an investment and an alliance

### U.S. Company T

A company providing solutions toward HFTs, such as an order matching system based on high-performance algorithm

Endeavoring to provide a stock brokerage commission-free service by utilizing Company T's trading platform based on high-performance algorithm and high-speed SOR

## Individual investors



In discussion of an investment and an alliance

### U.S. Company D

A company offering an easy-to-use fractional share investing service through mobile devices for individual investors

Endeavoring to realize a fractional share investing service, an easily available anytime-anywhere service that uses mobile devices, at zero stock brokerage commissions

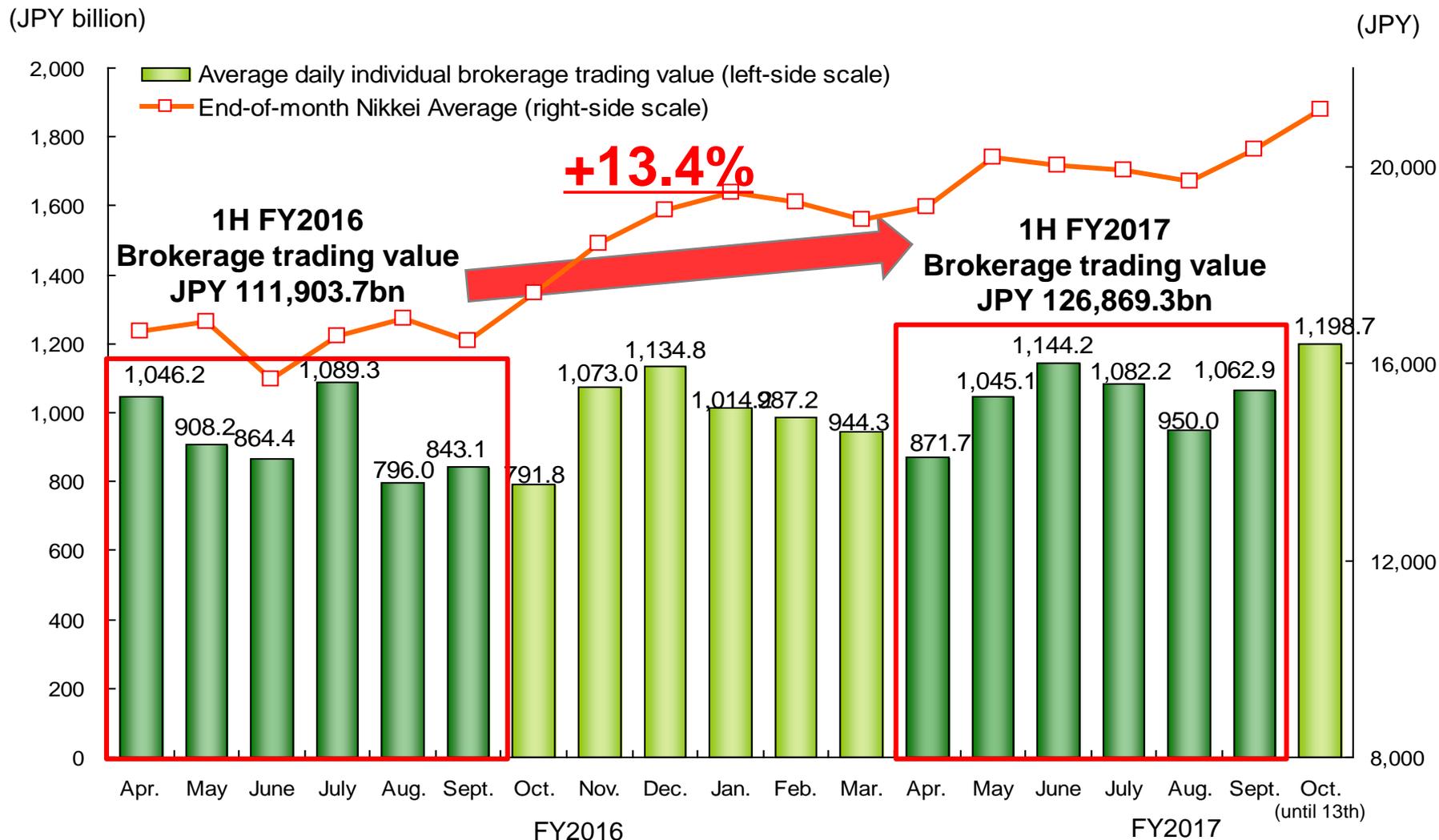
# [Appendix]

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

- ① SBI SECURITIES**
- ② FX-related business**
- ③ SBI Sumishin Net Bank**

# Trend of the Average Daily Individual Brokerage Trading Value

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



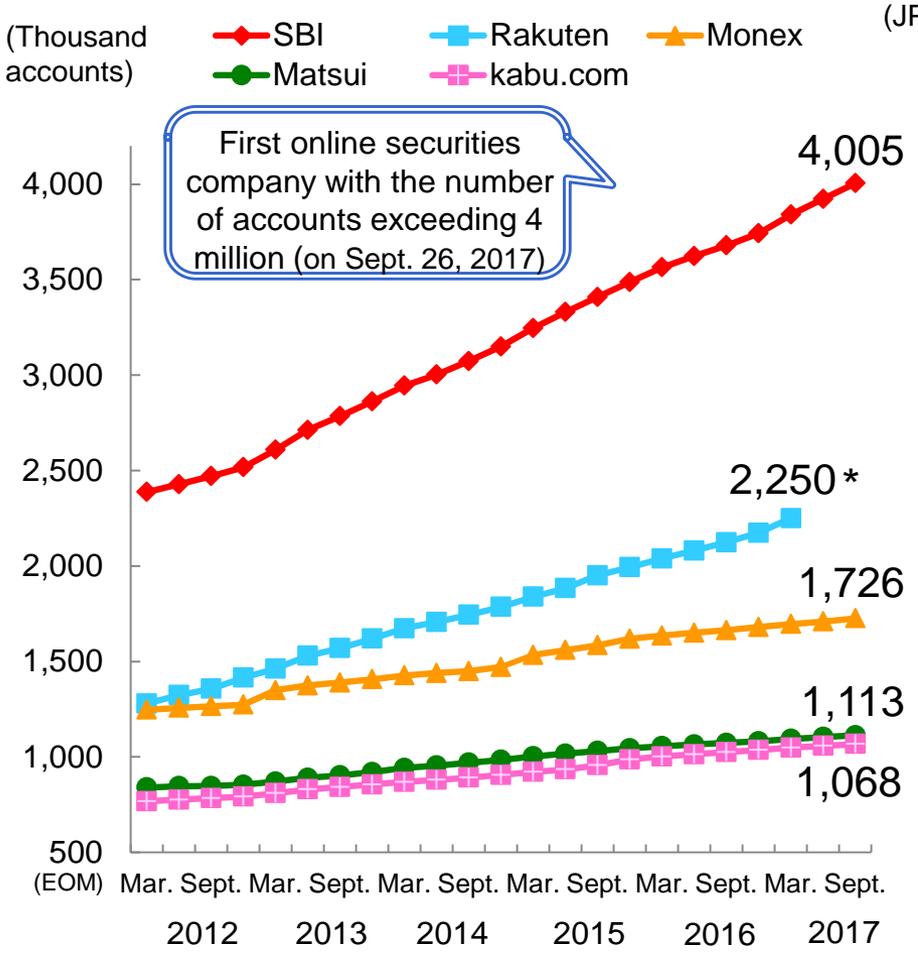
\* Japanese stocks listed on Tokyo Stock Exchange and Nagoya Stock Exchange (Including TSE Mothers, JASDAQ and NSE Centrex)

Source: Compiled by SBIH from disclosed data from TSE

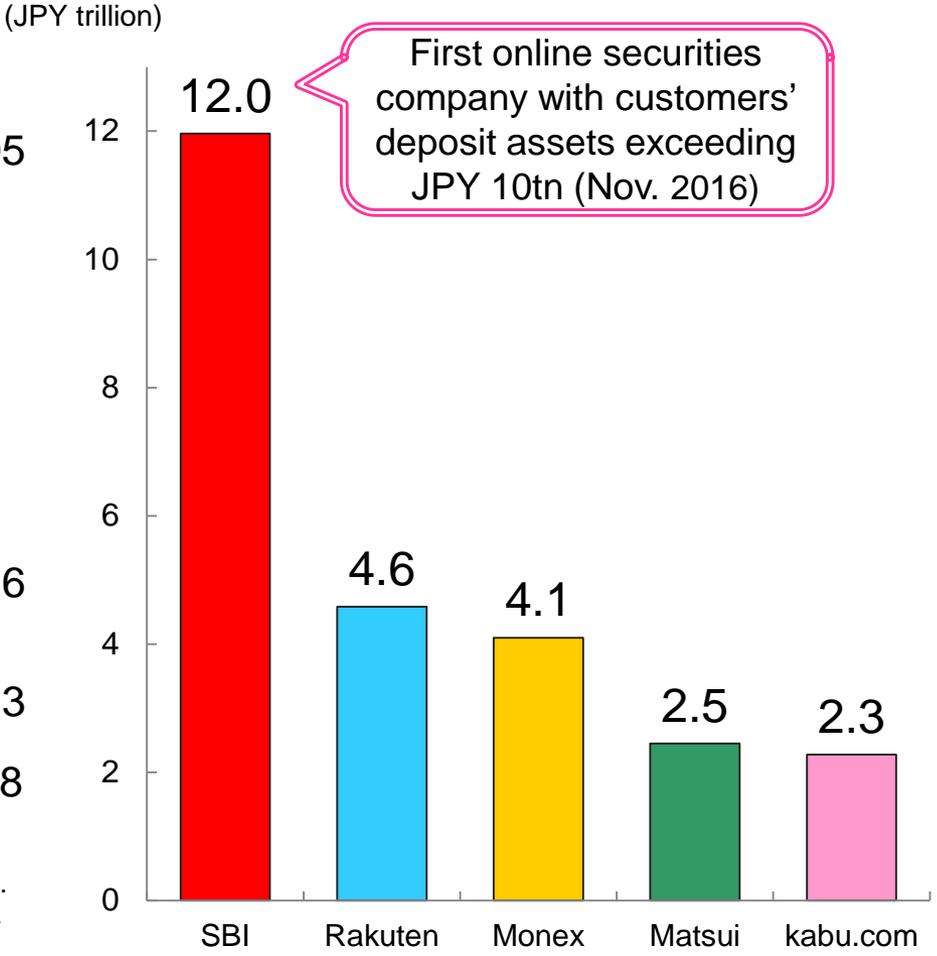
# SBI SECURITIES Attains an Overwhelming Customer Base

[Number of Accounts and Amount of Customer Asset]

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



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

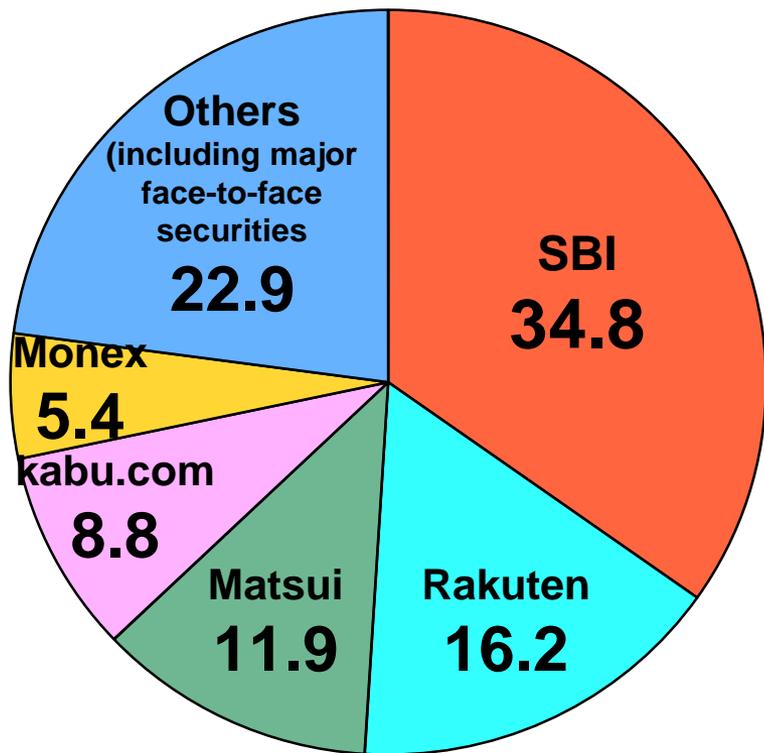


\* Rakuten has not disclosed its figures beyond Mar. 31, 2017.  
Source: Compiled by SBIH from the information on websites of each company.

# SBI SECURITIES' Share of Individual Stock Trading

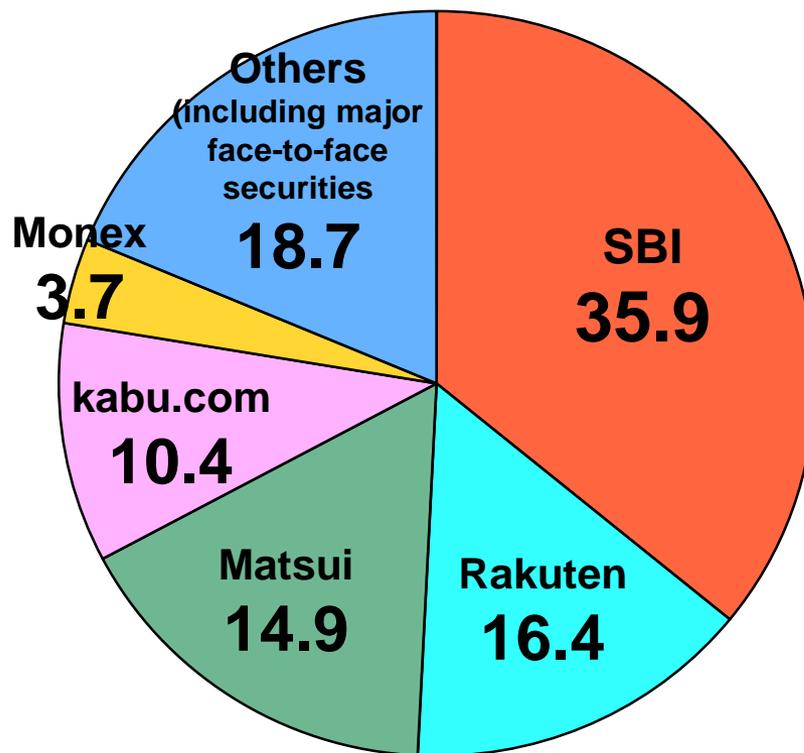
## Share of Individual Stock Trading Value (%)

**1H FY2017**  
(Apr. 2017 – Sept. 2017)



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

**1H FY2017**  
(Apr. 2017 – Sept. 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>

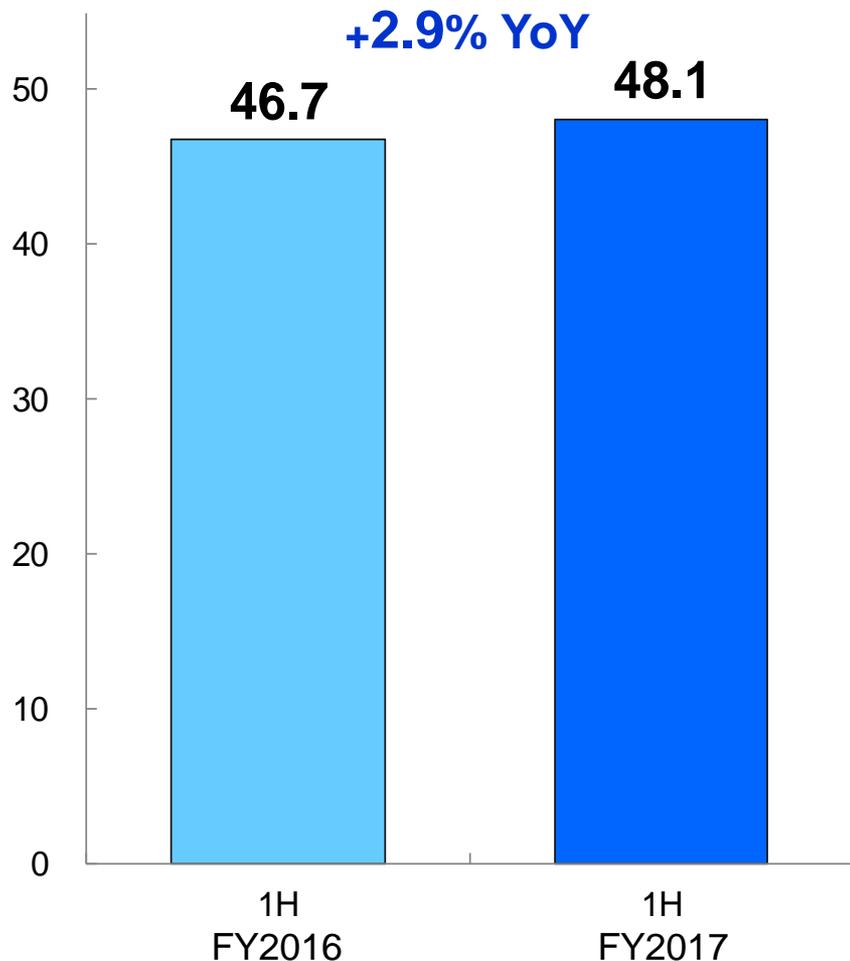
\* Shares are calculated by dividing each company's individual stock trading value or individual margin trading value with the whole individual stock trading value and individual margin trading value of the 1st and 2nd section of the Tokyo and Nagoya Stock Exchange, including that of ETF and REIT trading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

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

# SBI SECURITIES' Stock Brokerage Trading Value and Commissions

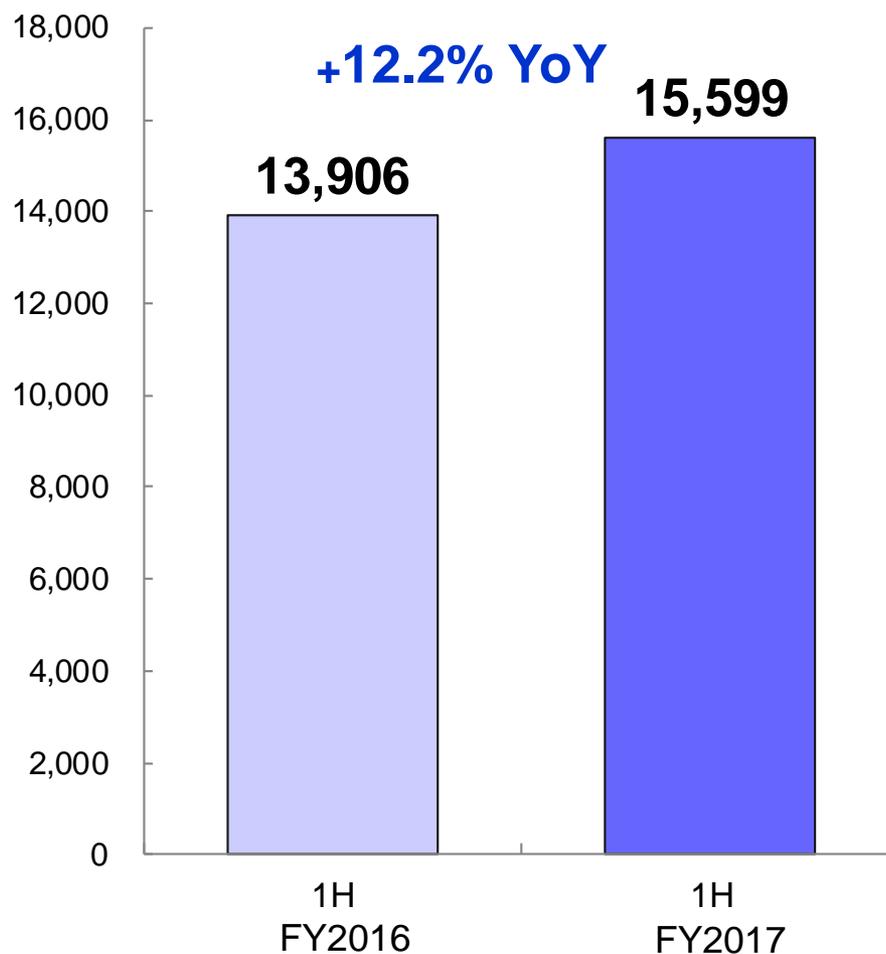
### Stock Brokerage Trading Value

(JPY trillion)



### Commissions

(JPY million)

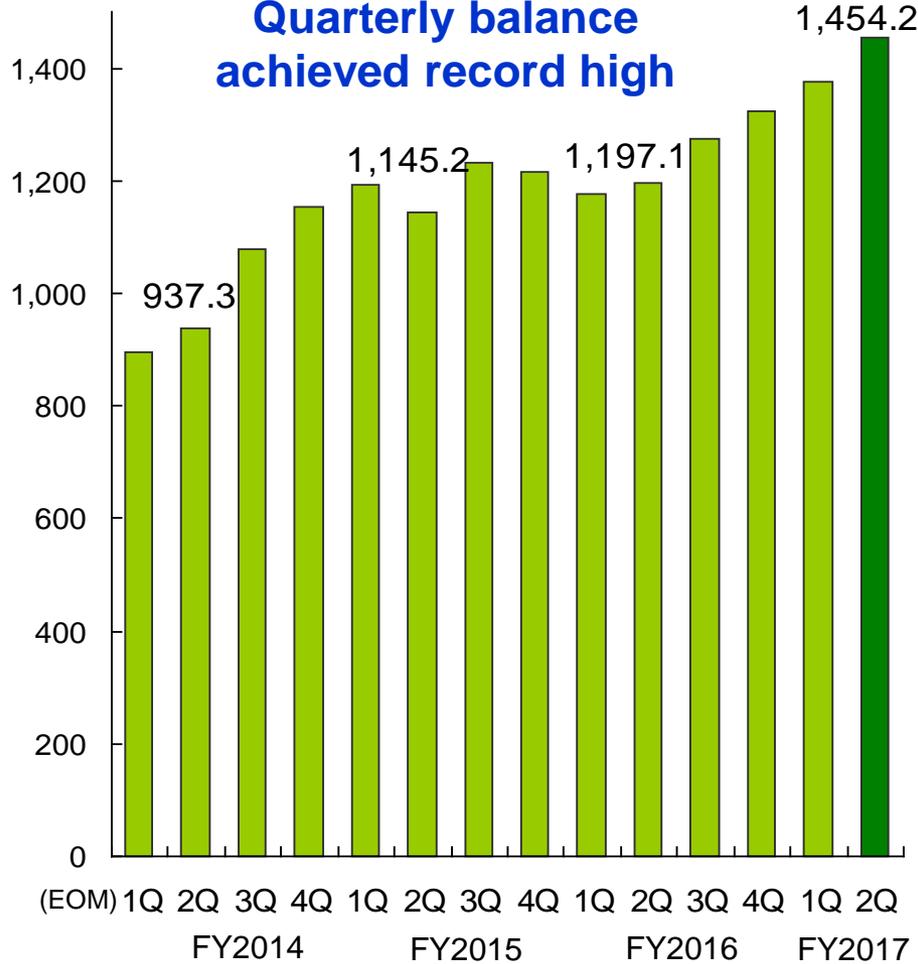


# SBI SECURITIES' Investment Trust Balance and Investment Trust Fees are Both Record Level

**Investment Trust Balance**

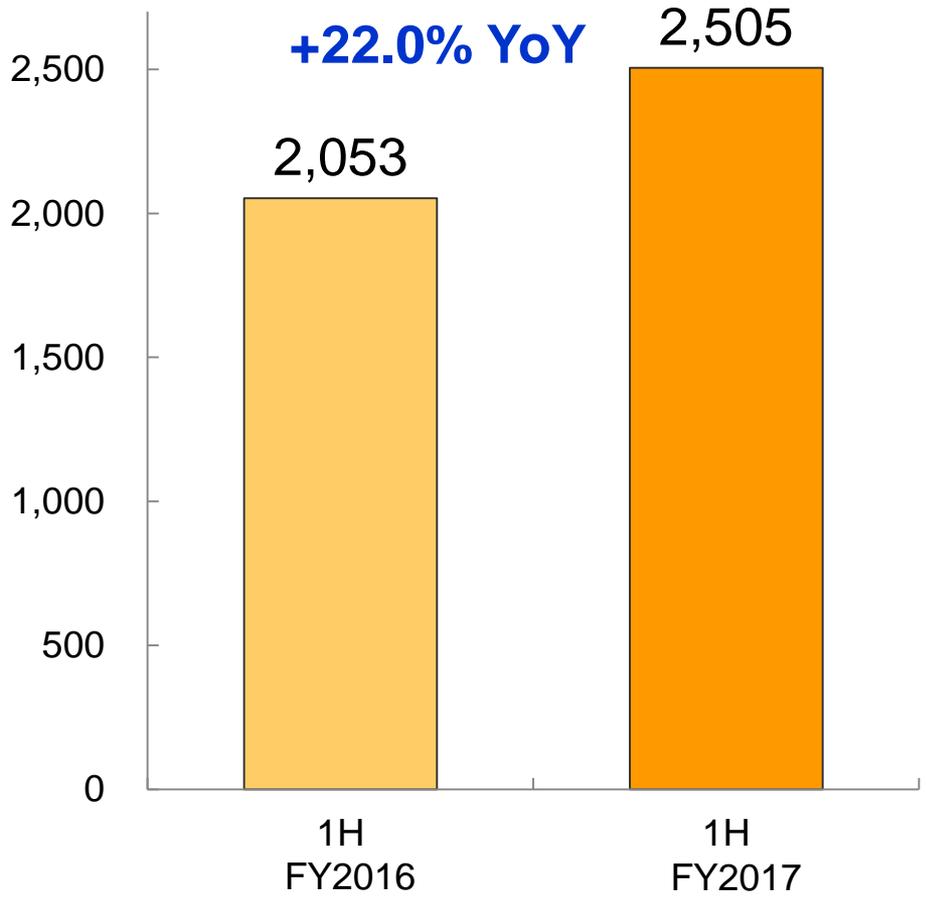
(JPY billion)

**Quarterly balance achieved record high**



**Investment Trust Fees**

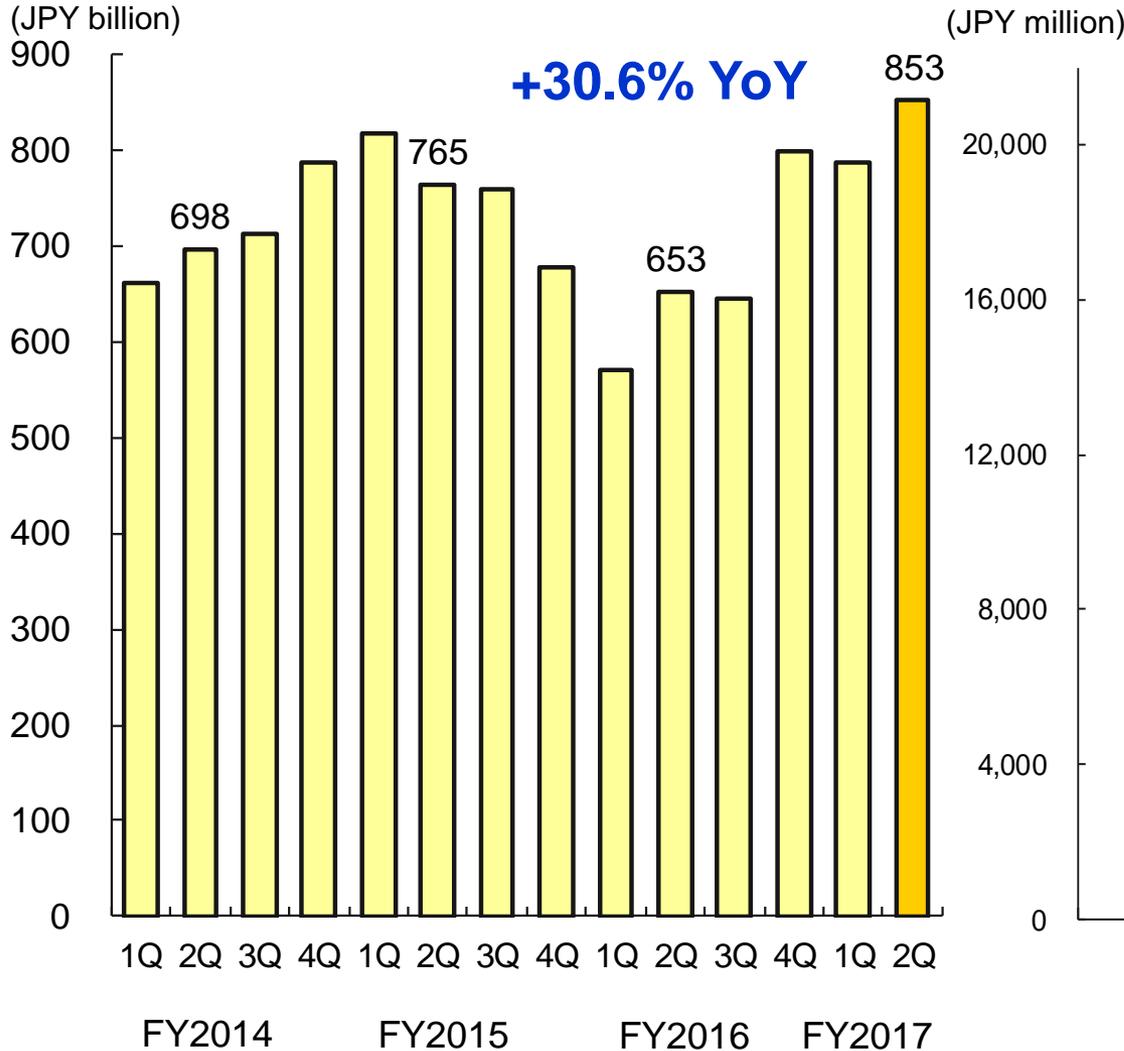
(JPY million)



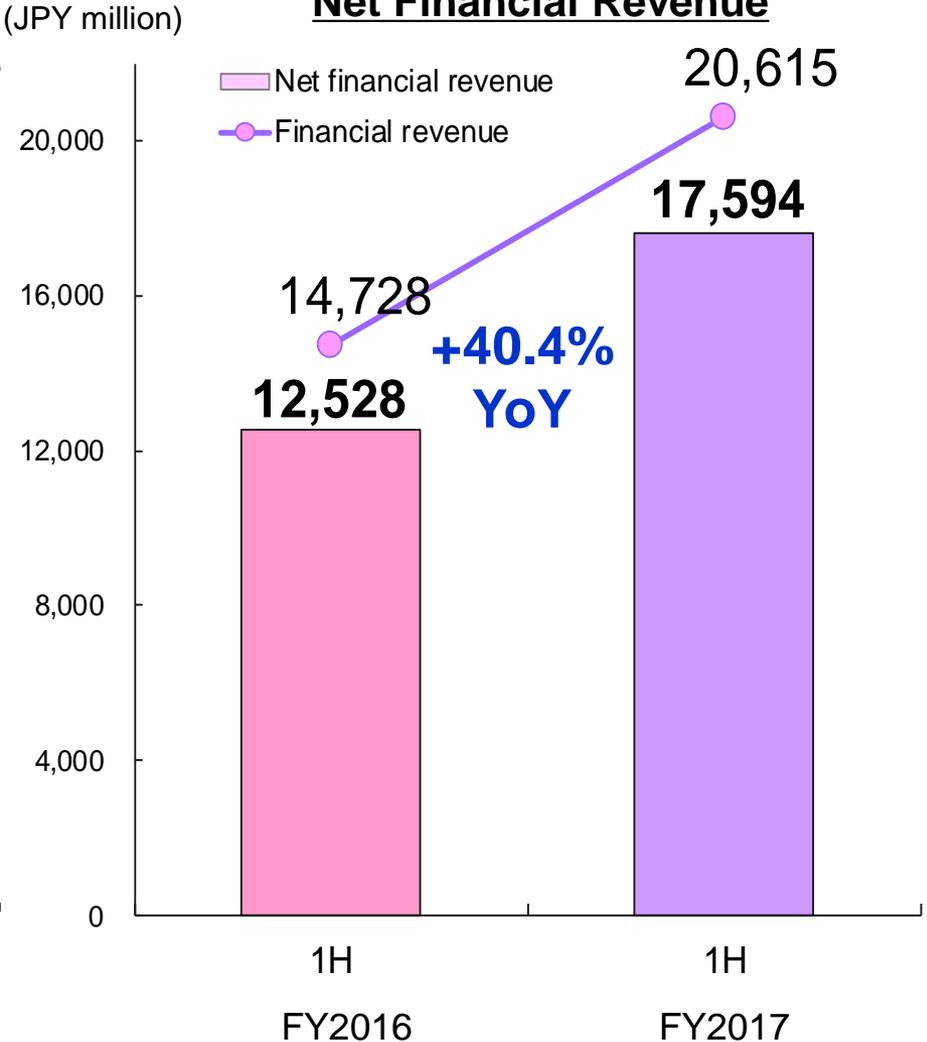
\* Includes MMF, deposits of Chinese Fund and deposits of face-to-face accounts.  
 \* Investment trust fees is included in "Other commission received".  
 \* Trust fee excludes MRF.

# SBI SECURITIES' Interest Credit Balance and Financial Revenue / Net Financial Revenue

**Open Interest Credit Balance (EOM)**

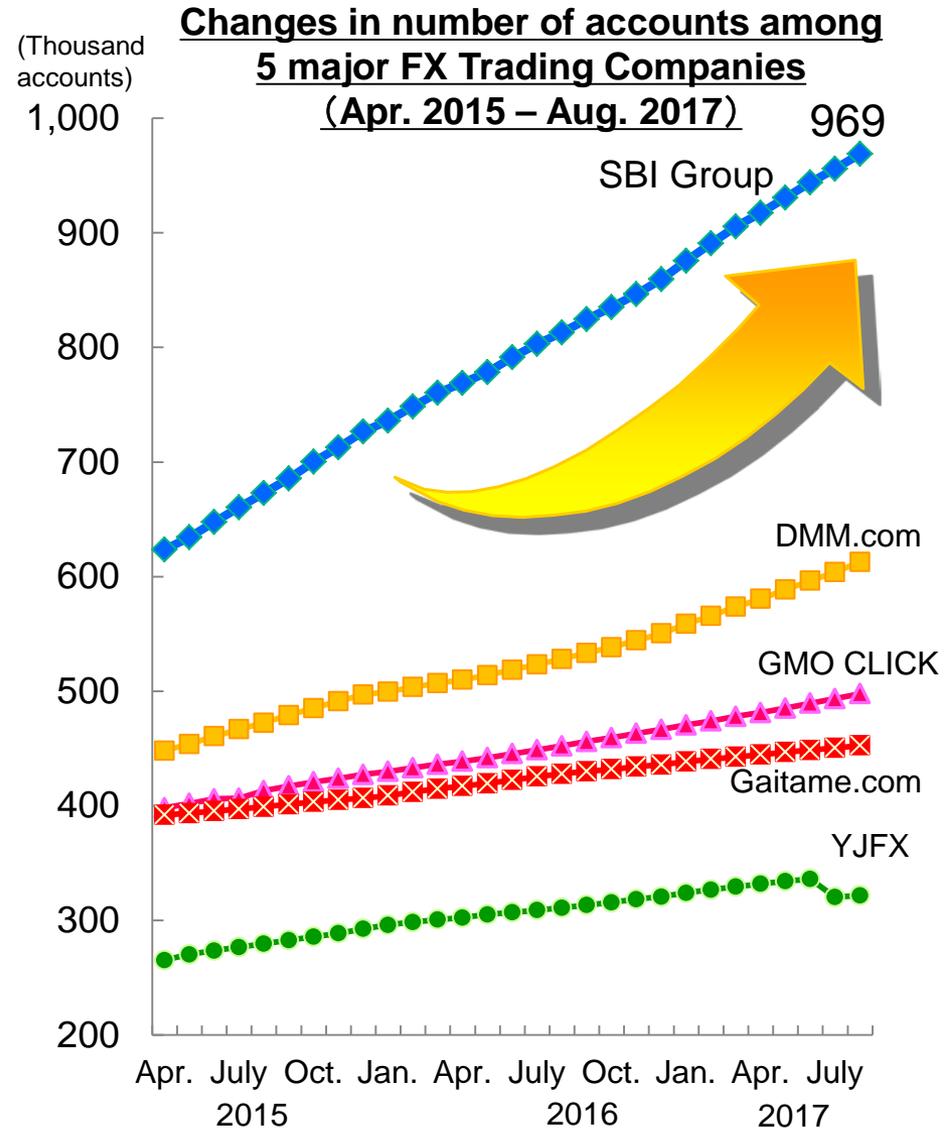


**Financial Revenue / Net Financial Revenue**



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



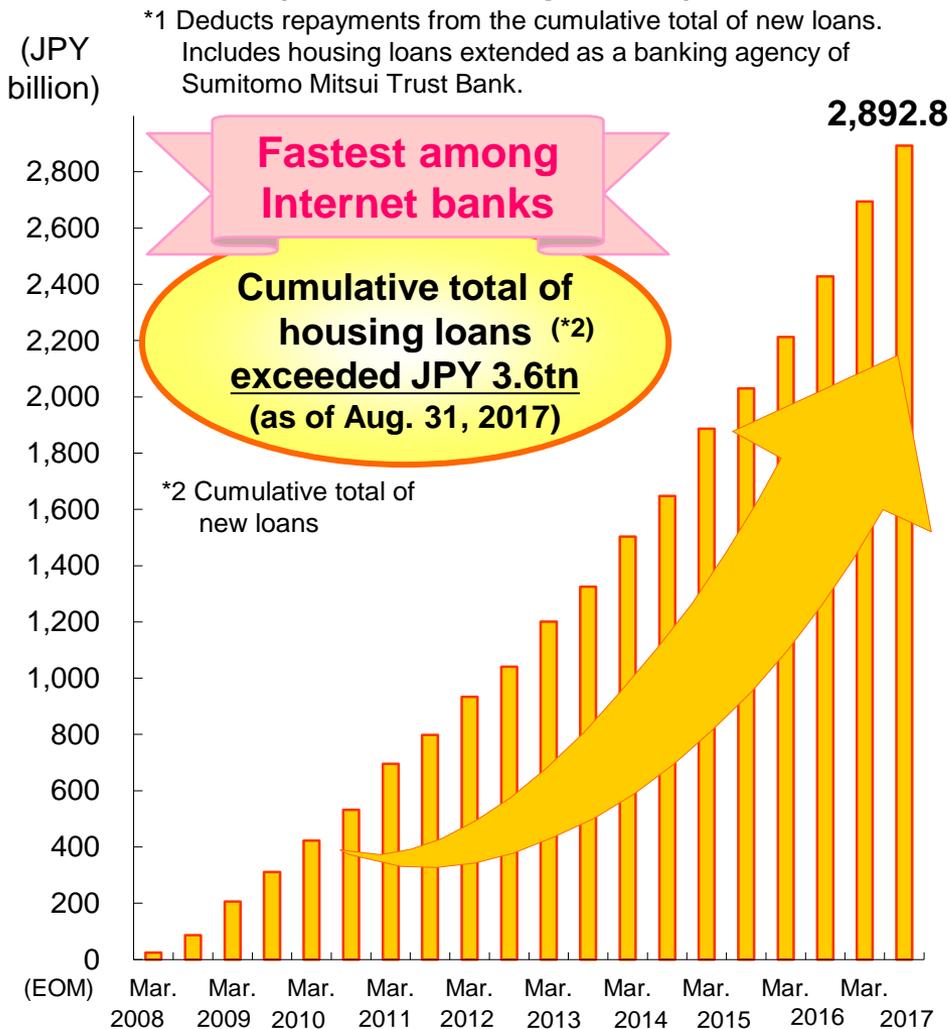
**Customers' Deposit Assets Raking (Aug. 2017)**

No.	Company name	Amount (JPY million)
1	<b>SBI Group</b>	<b>188,686</b>
2	GMO CLICK	137,578
3	Gaitame.com	114,934
4	DMM.com	111,370
5	YJFX	97,867
6	MONEY PARTNERS	63,253
7	Central Tanshi FX	63,144
8	Hirose FX	42,234
9	FX PRIME by GMO Corporation	16,654
10	Traders Securities	12,659
11	Ueda Harlow	11,428
	<b>Others (2 companies)</b>	<b>12,439</b>
	<b>Total</b>	<b>872,246</b>

\* Source: Yano Research "Monthly Research on 16 Major FX Trading Companies" 49

# Diversification of Loans with Deposits Accumulating

## Change in Balance of Housing Loans \*1 (Mar. 2008 – Sept. 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)

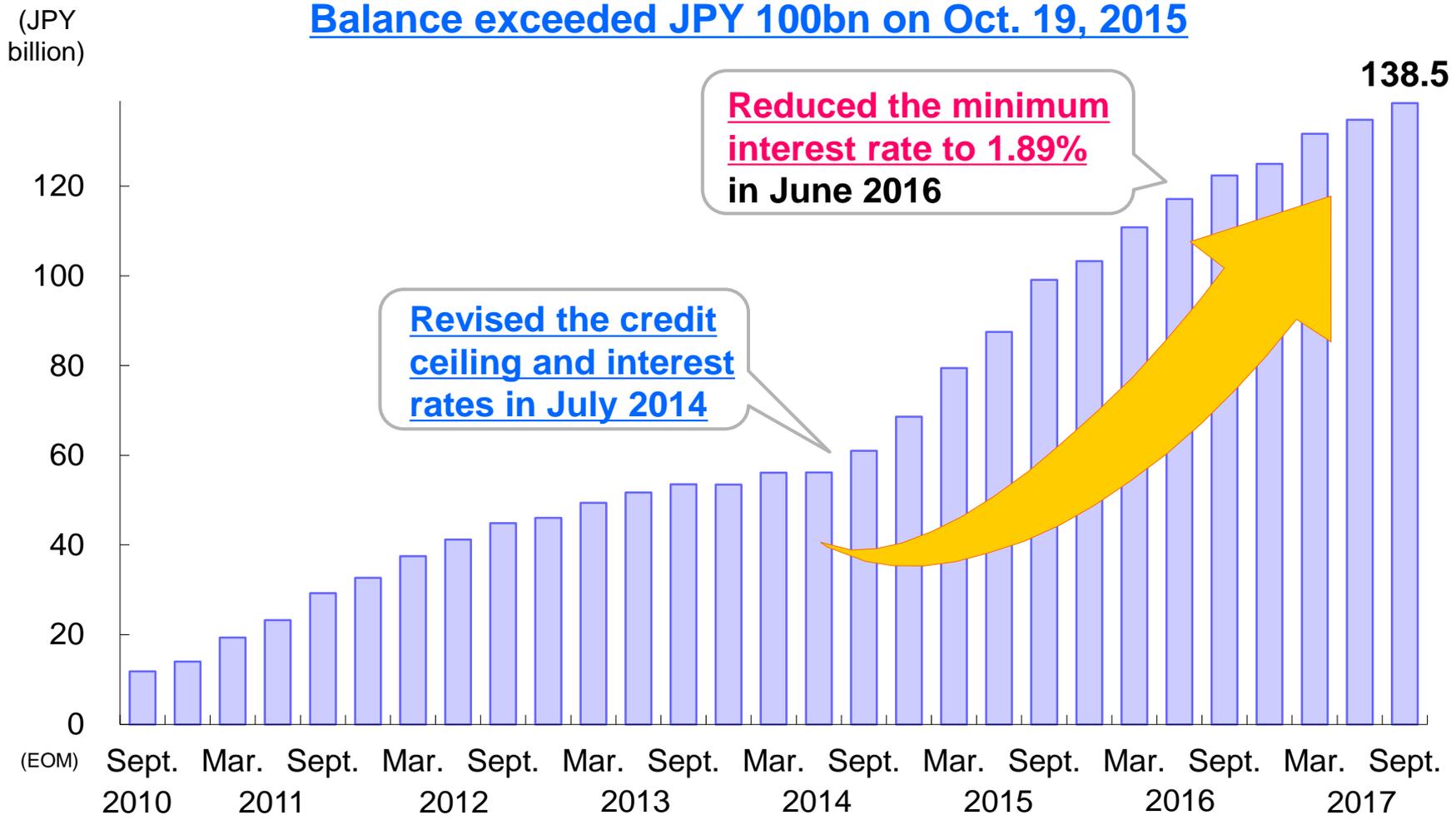
Further improved customer convenience with the **launch of the Internet conclusion type application service for group credit life insurance** directed to "Internet Exclusive Housing Loan" applicants in June 2016

# SBI Sumishin Net Bank's Card Loans Steadily Expanding

## Change in the Balance of Card Loans

(Sept. 2010 - Sept. 2017)

Balance exceeded JPY 100bn on Oct. 19, 2015



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

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

# Morningstar Japan's Financial Results for 1H FY2017

- For sales, achieved an year-on-year increase for the sixth consecutive fiscal year, to record an historical high
- In operating income, ordinary income and net income, achieved an year-on-year increase for the eighth consecutive fiscal year

## Consolidated Results (J-GAAP)

(Unit: JPY million)

	1H FY2016 (Apr. 2016 – Sept. 2016)		1H FY2017 (Apr. 2017 – Sept. 2017)		YoY % change
	Amount	Income margin (%)	Amount	Income margin (%)	
<b>Net Sales</b>	<b>2,347</b>	-	<b>2,848</b>	-	<b>+21.4</b>
<b>Operating Income</b>	<b>804</b>	<b>34.3</b>	<b>863</b>	<b>30.3</b>	<b>+7.4</b>
<b>Ordinary Income</b>	<b>821</b>	<b>35.0</b>	<b>910</b>	<b>32.0</b>	<b>+10.8</b>
<b>Net Income</b>	<b>553</b>	<b>23.6</b>	<b>614</b>	<b>21.6</b>	<b>+11.1</b>

# Assets Under Management of the SBI Group

(As of the end of Sept. 2017)

**Private equity, etc. JPY 272.6bn** (Including JPY 102.6bn of both cash and commitment amount to be paid in) (\*3)

Breakdown by Industry	Amount
IT/Internet	44.5
Biotechnology/Health/Medical	15.9
Services	12.9
Materials/Chemicals	1.3
Environmental/Energy	13.9
Retail/Food	7.4
Construction/Real estate	1.0
Machine/Automobile	11.1
Finance	46.1
Others	16.0
Total	170.0

Breakdown by region	Amount
Japan	60.6
China	20.2
Korea	37.6
Taiwan	1.6
Southeast Asia	9.9
India	5.1
U.S.	23.4
Europe	4.5
Others	7.2
Total	170.0

**Investment trusts, etc. JPY 492.4bn** (\*4)

Investment trusts	363.4
Investment advisory	129.0

\*1 Calculated by the exchange rate as of the end of Sept. 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 36.7bn

## **(3) 1H FY2017 business results of the Biotechnology-related Business**

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

(JPY million)

	1H FY2016 (Apr. – Sept. 2016)	1H FY2017 (Apr. – Sept. 2017)
SBI Biotech	550	-169
Quark Pharmaceuticals (“Quark”)	-5,084	-3,951
Partial write-down of Quark’s pipeline		① -3,103
5-ALA-related business	54	-326
SBI Pharmaceuticals	299	-374
SBI ALApromo	-162	②  36
photonamic *Consolidated in Jan. 2016	-21	 79
SBI ALA Hong Kong	-34	-27
Suzhou Yian Biotech	-28	-40

- SBI Holdings recorded a temporary loss of approx. JPY 3.1bn, owing to an asset revaluation of Quark’s pipeline drug PF-655
- With SBI ALApromo’s sales for 1H FY 2017 steadily increasing by approx. 1.4-fold that of the previous year, achieved profitability on a half-year basis

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

# Corporate Value by Business Segment Valuation

## Each Business Segment Valuation is Conservatively Estimated

■ **Sum of the values by segment** (as of Oct. 25, 2017) (JPY billion)

	Valuation of each segment (theoretical value)
<b>Financial Services</b>	<b>649.0</b>
<b>Asset Management</b>	<b>220.9</b>
<b>Biotechnology-related</b>	<b>72.6</b>
<b>Subtotal</b>	<b>942.5 (+)</b>
<b>External Debt</b> (SBIH's non-consolidated-base borrowing recorded on the consolidated B/S as of Sept. 2017)	<b>-303.1</b>
<b>Sum Total</b>	<b>639.4 (+)*</b>

- Business valuation per share: **JPY 4,197** ←

- Business valuation per share after deduction of external debt: **JPY 2,847** ←

**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 simply calculated by deducting SBI Holdings' non-consolidated-base external debt, from the subtotal of the values of each segment, 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 487.8bn**

(based on the closing prices of Oct. 25, 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 Sept. 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

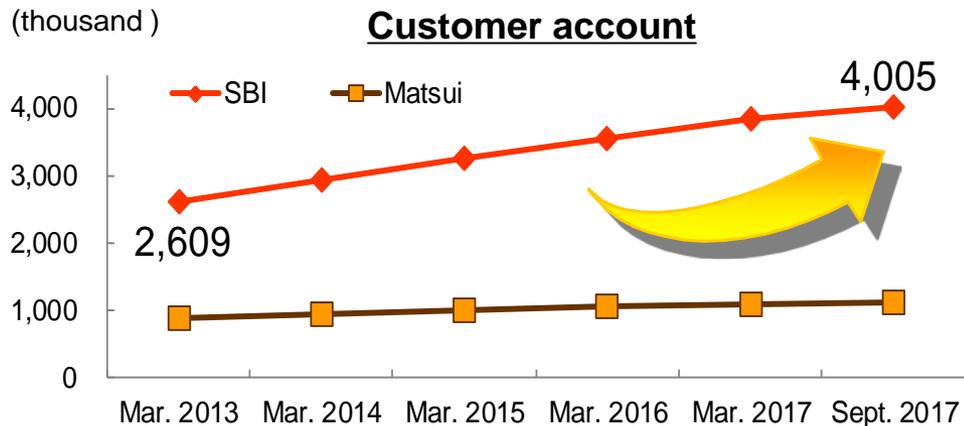
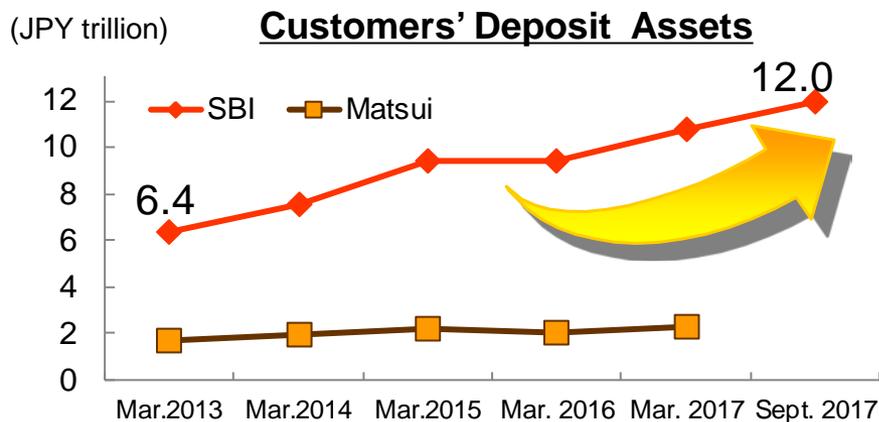
## (1) Financial Services Business ① SBI SECURITIES -(ii)

Is SBI SECURITIES' valuation reasonable?

### Comparison of SBI SECURITIES Matsui Securities

\*Calculated by the closing prices of Oct. 25, 2017

(1H FY2017)	SBI SECURITIES	Matsui Securities
Valuation (market cap) *	JPY 487.8bn	JPY 259.3bn
Deposit assets (Sept. 2017)	<b>No.1</b> JPY 12.0tn	JPY 2.5tn
Number of accounts (As of the end of Sept. 2017)	<b>No.1</b> 4 million	1.11 million
Share of individual stock brokerage trading value	<b>No.1</b> 34.8%	11.9%
Operating income	<b>No.1</b> JPY 22.9bn (up 29.0% YoY)	JPY 8.0bn (up 9.2% 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 134.0bn → JPY 67.0bn (based on the closing prices of Oct. 25, 2017)  
 (Shareholding of the SBI Group: 50.0%)

Estimation of the valuation is as follows:

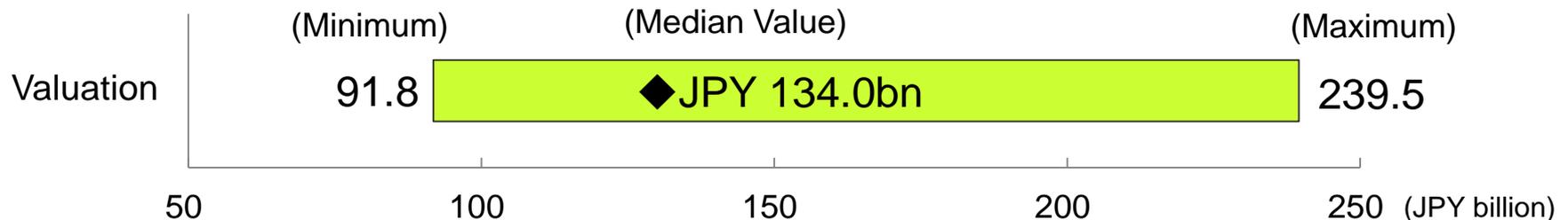
Calculated according to the **Comparable Public Company Analysis**

Compares the profits of comparable public companies of which the deposit balance exceeds JPY 4tn as of the end of Mar. 2017

Median value of estimated PERs of listed local banks of which the deposit balance exceeds JPY 4tn (\*) × 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 4tn as of the end of Mar. 2017

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



# Valuation by Segment Estimated by SBI

## (1) Financial Services Business

### ③ SBI Liquidity Market / ④ SBI Japannext

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

Valuation is estimated at **JPY 58.8bn** (based on the closing price of Oct. 25, 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

{(Money Partner's PER + Hirose FX's PER)}(\*)

2

× 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 8.3bn** (based on the exchange rate as of Oct. 25, 2017)

(Shareholding of the SBI Group: 48.8%)

# Valuation by Segment Estimated by SBI

## (1) Financial Services Business

### ⑤ SBIH Comparison Website Business / ⑥ SBI FinTech Solutions

#### ⑤ SBIH Comparison Website Business

Valuation is estimated at **JPY 15.6bn** (based on the closing price of Oct. 25, 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 SBI FinTech Solutions

	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>14.7*</b>	<b>11.4</b>

(Based on the closing price of Oct. 25, 2017. \*Calculated by the exchange rate as of Oct. 25, 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 Oct. 25, 2017)

Upon comparison with similar listed companies calculated conservatively as **JPY 487.8bn**

### ② SBI Sumishin Net Bank

(based on the closing prices of Oct. 25, 2017)

Estimated the valuation of SBI Sumishin Net Bank that has high growth potential in terms of profitability and scale at JPY 134.0bn → **JPY 67.0bn** (Shareholding of the SBI Group: 50.0%)

### ③ SBI Liquidity Market (cons.)

(based on the closing prices of Oct. 25, 2017)

Upon comparison with similar listed companies calculated as **JPY 58.8bn**

### ④ SBI Japannext

(based on the exchange rate of Oct. 25, 2017)

Upon the conservative estimated valuation of USD 150m → **JPY 8.3bn**

(Shareholding of the SBI Group: 48.8%)

### ⑤ SBI Comparison Website Business

(based on the closing prices of Oct. 25, 2017)

Upon comparison with similar listed companies calculated as **JPY 15.6bn**

### ⑥ SBI FinTech Solutions

The market cap of SBI FinTech Solutions (Shareholding of the SBI Group) **JPY 11.4bn**

(based on the closing prices of Oct. 25, 2017)

**Total of the valuation above: JPY 649.0bn** (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. 165

# Valuation by Segment Estimated by SBIH

## (2) Asset Management Business -①

### Asset Management Business

Valuation for this segment is conservatively estimated at approx. JPY 220.9bn

<Reference>

JAFCO's Market Cap: **JPY 175.4bn** (based on the closing price of Oct. 25, 2017)

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

(i) Value of holding securities (as of the end of Sept. 2017) Approx. JPY 118.1bn

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 Oct. 25, 2017)

(\* Valuation excluding assets such as securities hold) Approx. JPY 11.1bn

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 Oct. 25, 2017)

Estimates the valuation of SBI SAVINGS BANK at JPY 71.4bn

→ JPY 70.6bn

(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 Sept. 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 shareholding pct. (%)	Classification	Listed market	Market cap (JPY billion)	SBI's equity interest of market cap (JPY billion)
Morningstar Japan	49.5	Consolidated subsidiary	TSE JASDAQ	29.0	14.3
SBI Investment KOREA	43.9	Equity method associate	KOSDAQ of KRX	15.3*	6.7
Sum of the market cap of a listed subsidiary and an equity method associate				44.3	<u>21.0</u>

(Based on the closing price of Oct. 25, 2017. \*Calculated by the exchange rate as of Oct. 25, 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. (%)
SBI Estate Finance	Real estate secured loans	0.4	100.0

# Valuation by Segment Estimated by SBIH

## (3) Biotechnology-related Business

### Biotechnology-related Business

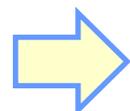
Each bioventure company has multiple promising pipelines, and the Biotechnology-related Business will become a core business that makes a substantial contribution through progress in areas including pharmaceutical clinical research in Japan and overseas.

**Total valuation of the Biotechnology-related Business is estimated at approx. JPY 72.6bn**

#### 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 Sept. 2017, the amount is calculated to be approx. JPY 63.7bn**

#### ② Kubota Pharmaceutical HD

	SBI's shareholding pct. (%)	Classification	Listed market	Market cap (JPY billion) (as of Oct. 25, 2017)	SBI's equity interest of market cap (JPY billion)
Kubota Pharmaceutical HD	<b>38.2</b>	Equity method associate	TSE Mothers	<b>22.7</b>	<b>8.7</b>

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

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

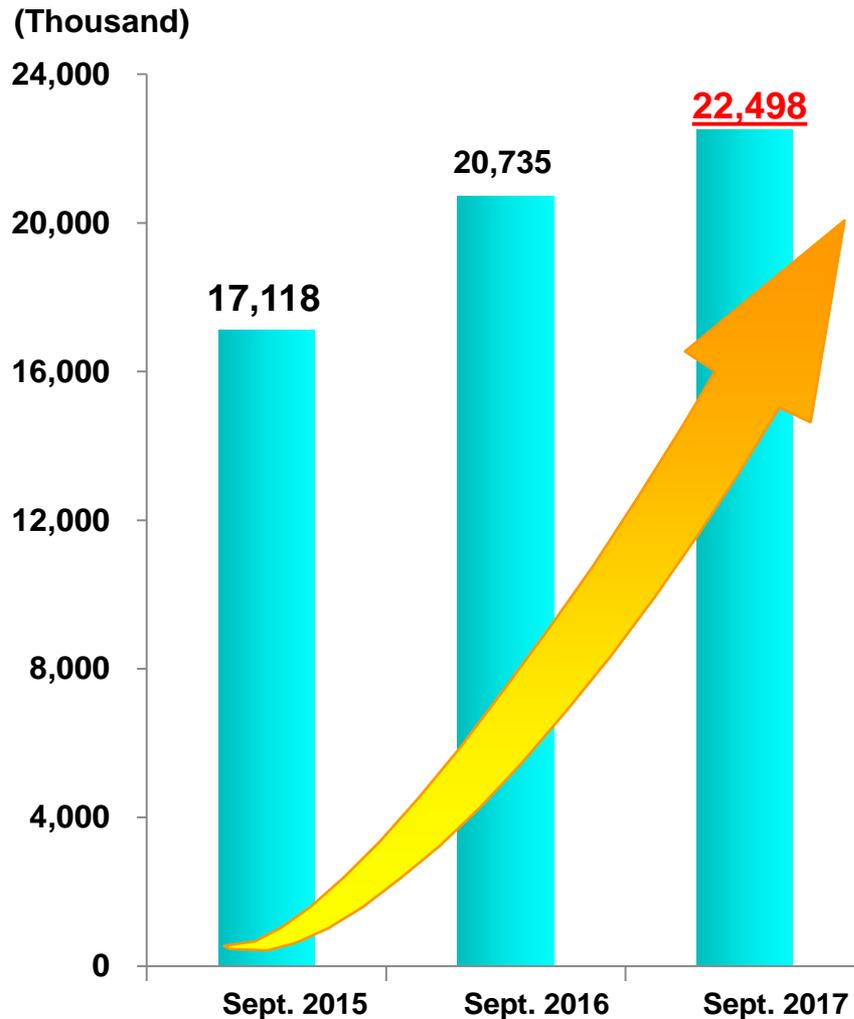
\* SBI's shareholding percentage corresponds to a figure based on the IFRS criteria that excludes a percentage of outside shareholder's interest of subsidiary companies and subsidiary funds of the Group.

## **(5) 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

## Breakdown of the Customer Base

(As of the end of Sept 2017)<sup>\*1,2</sup> (Thousand)



<b>SBI SECURITIES</b>	(No. of accounts)	<b>4,005</b>
<b>SBIH InsWeb</b>	(No. of customers)	<b>8,747</b>
<b>E-LOAN</b>	(No. of customers)	<b>2,305</b>
<b>MoneyLook</b>	(Total no. of customer registrations)	<b>941</b>
<b>Morningstar Japan</b>	(Total no. of service users) <sup>*3</sup>	<b>745</b>
<b>SBI Sumishin Net Bank</b>	(No. of accounts)	<b>2,964</b>
<b>SBI Insurance</b>	(Total no. of contracts) <sup>*4</sup>	<b>970</b>
<b>SBI Life Insurance</b>	(Total no. of contracts)	<b>114</b>
<b>3 companies of small-amount, short-term insurance business</b>	(Total no. of contracts)	<b>603</b>
<b>Others (SBI Point etc.)</b>		<b>1,105</b>
<b>Total</b>		<b>22,498</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	Sept. 2017
Consolidated subsidiaries (companies)	166	169
Consolidated partnerships (partnerships)	21	19
Total consolidated subsidiaries (companies)	187	188
Equity method companies (companies)	36	36
Total Group companies (companies)	223	224

## Number of consolidated employees

	Mar. 2017	Sept. 2017
Total employees (persons)	4,455	5,070

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