

SBI Holdings, Inc.

Financial Results

**for the Three-month Period Ended June 30, 2018
(Fiscal Year Ending March 31, 2019)**

July 31, 2018

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

- I. 1Q FY2018 Consolidated Performance**
- II. Business Overview of Each Segment**
- III. Various Measures to Promote Further Expansion of Business Performance, by Strengthening the Business Foundation**

I. 1Q FY2018 Consolidated Performance

[Consolidated Performance Highlights]

- **1Q FY2018 revenue increased 32.5% year-on-year to JPY 91.3bn, profit before income tax expense increased by 94.3% year-on-year to JPY 28.7bn and profit attributable to owners of the Company was JPY 17.9bn, up 48.9% year-on-year, which achieved significant increase in both revenue and profit**
- **As for profit before income tax expense by segment, the Financial Services Business was JPY 17.0bn, up 19.2% year-on-year, and the Asset Management Business increased 3.2 times year-on-year to JPY 17.7bn, both leading the performance expansion as the Group's two pillars**
- **In the Biotechnology-related Business, along with the advancement of pharmaceutical research and development at Quark and SBI Pharmaceuticals, development costs such as clinical trial expenses were recorded.
SBI ALApromo increased its sales to 41.1% year-on-year, and profit before income tax expense for 1Q FY2018 increased to JPY 38m**

1Q FY2018 Consolidated Performance (IFRS)

[Year-on-year comparison]

(Unit: JPY million)

	1Q FY2017 (Apr. 2017 - June 2017)	1Q FY2018 (Apr. 2018 - June 2018)	YoY % change
Revenue	68,917	91,334	+32.5
Profit before income tax expense	14,750	28,665	+94.3
Profit for the period	10,312	20,394	+97.8
Profit attributable to owners of the Company	12,006	17,879	+48.9

1Q FY2018 Performance by Segment (IFRS)

[Year-on-year]

(Unit: JPY million)

Revenue

Profit before Income Tax Expense

	1Q FY2017 (Apr. 2017– June 2017)	1Q FY2018 (Apr. 2018– June 2018)	YoY % change	1Q FY2017 (Apr. 2017– June 2017)	1Q FY2018 (Apr. 2018– June 2018)	YoY % change / YoY change
Financial Services Business	50,423	56,301	+11.7	14,238	16,972	+19.2
Asset Management Business	18,406	34,440	+87.1	5,520	17,737	+221.3
Biotechnology- related Business	652	887	+36.1	-2,841	-2,712	+129

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

II. Business Overview of Each Segment

1. Financial Services Business

**(1) Securities-related business
(SBI SECURITIES)**

**(2) Banking-related business
(SBI Sumishin Net Bank)**

**(3) Insurance-related business
(SBI Insurance, SBI Life Insurance,
Three SSI companies)**

(1) Securities-related business (SBI SECURITIES)

- ① Performance overview of the 1Q FY2018**
- ② Background of securities-related business' performance expansion**

① Performance overview of the 1Q FY2018

- Consolidated results for 1Q FY2018 achieved a significant increase in both revenue and profit, owing to the steady expansion of businesses other than stock brokerage commissions, such as financial income, underwriting and sales commissions offering, and trading income
- As SBI SECURITIES' number of accounts, customers' deposit assets and the share of individual stock brokerage trading value has significantly surpassed its online brokerage competitors, sequentially transitioning to a new phase to fully compete with the major face-to-face securities companies

SBI SECURITIES 1Q FY2018

Consolidated Results (J-GAAP)

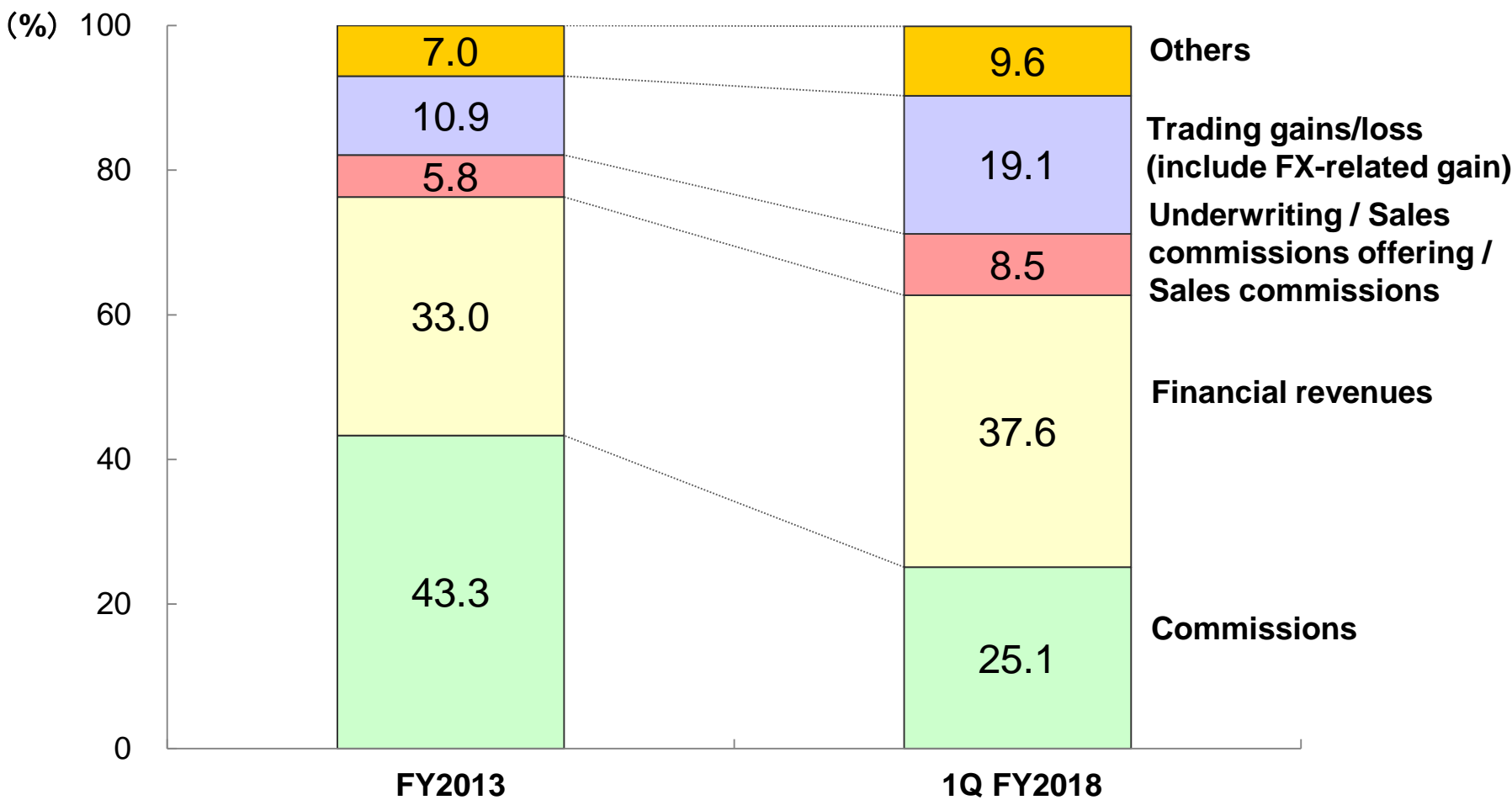
[Year-on-year comparison]

(Unit: JPY million)

	1Q FY2017 (Apr. 2017 - June 2017)	1Q FY2018 (Apr. 2018 - June 2018)	YoY % change
Operating Revenue	25,358	30,544	+20.5
Net Operating Revenue	23,327	28,908	+23.9
Operating Income	10,631	14,420	+35.6
Ordinary Income	10,665	14,388	+34.9
Profit attributable to owners of the Company	7,606	9,926	+30.5

Changes in SBI SECURITIES' Operating Revenue Structure

Owing to the diversification of its revenue stream, dependence on stock brokerage commissions declined compared to 5 fiscal years ago, and businesses other than stock brokerage commissions, such as financial revenues, underwriting and sales commissions offering, and trading gains/losses centered on the FX-related revenue have expanded



(Based on J-GAAP)

Comparison of Major Securities Companies' Quarterly Net Income (J-GAAP; YoY)

[Year-on-year comparison]

(Unit: JPY million)






		1Q FY2017 (Apr. 2017 – June 2017)	1Q FY2018 (Apr. 2018 – June 2018)	YoY % change
Online securities	SBI (cons.)	7,606	9,926	+30.5
	Monex *1 (cons.)	441	1,196	+171.2
	Rakuten (cons.)	3,172	3,489	+10.0
	Matsui	2,780	2,930	+5.4
	kabu.com	1,423	1,544	+8.5
Face-to-face	Nomura *2 (cons.)	56,856	5,223	-90.8
	Daiwa (cons.)	19,395	18,534	-4.4
	SMBC Nikko (cons.)	14,491	14,996	+3.5

*1 Since Monex adopts IFRS, the relevant figures above are based on IFRS.

*2 Figures for Nomura are based on US-GAAP

SBI SECURITIES' Overwhelming Position

[1Q FY2018 results]

	Share of individual stock trading value (%)		Number of accounts (thousand)	Deposit assets (JPY trillion)	Operating income (JPY million)
		of which, individual margin trading			
SBI (cons.)	 35.9	 37.4	 4,362	 13.0	 14,420
Rakuten *1 (cons.)	17.6	18.6	2,611	5.2	5,272
Matsui	10.9	13.4	1,147	2.5	4,136
kabu.com	8.8	10.5	1,096	2.4	2,128
Monex *2 (cons.)	5.3	4.2	1,780	4.3	1,102

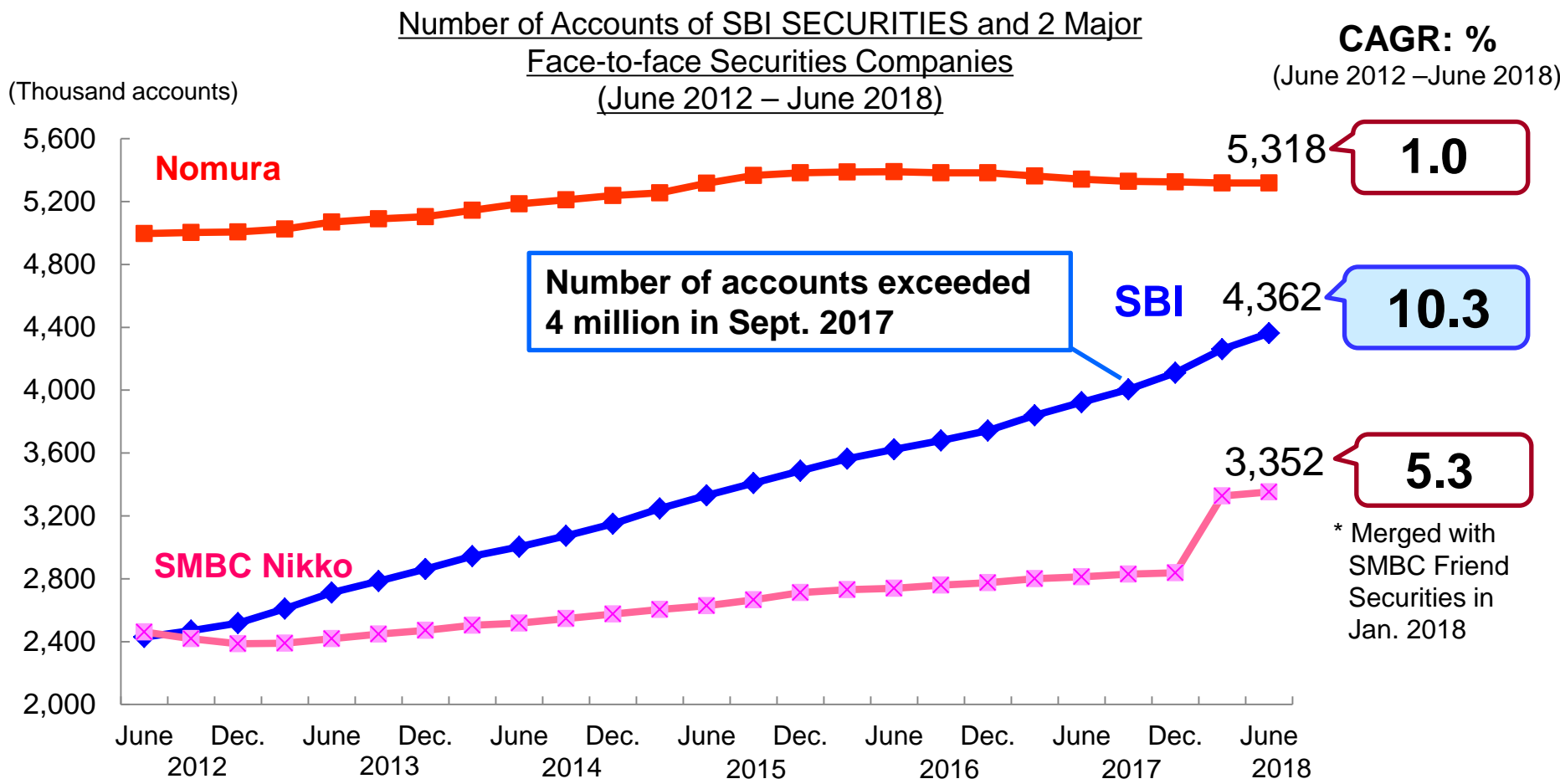
*1 Since Rakuten has not disclosed its figures beyond Mar. 31, 2018, The number of accounts is the figure as of the end of Mar. 2018.

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

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

In Terms of Number of Accounts, SBI SECURITIES Ranks Second in the Industry, Following Nomura

The number of accounts is at a competitive level with the major face-to-face securities companies



As of the end of Mar. 2017, Daiwa Securities' number of accounts totaled 3,886 thousand accounts, with a CAGR at 2.5% during the period from June 2012 to Mar. 2017

② Background of securities-related business' performance expansion

- (i) Strengthened the sales of iDeCo and NISA, which the government regards as a trigger to promote the flow “from savings to asset formation”
- (ii) In order to enhance the corporate business, focused on brokerage services to financial institutions, as well as the equity and bond underwriting businesses for both primary and secondary market offerings, which further strengthened the comprehensive capacity of the business
- (iii) In addition to expanding its revenue base, further improved customer benefits through the provision of new services that utilize advanced technologies of FinTech

Further Strengthening the Individual Defined Contribution (iDeCo) Pension Business

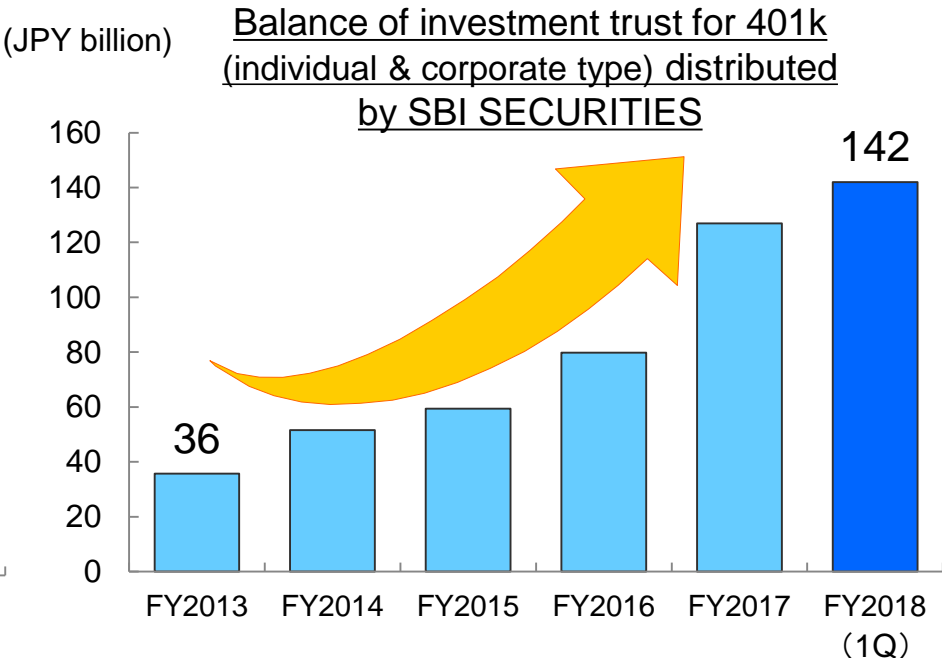
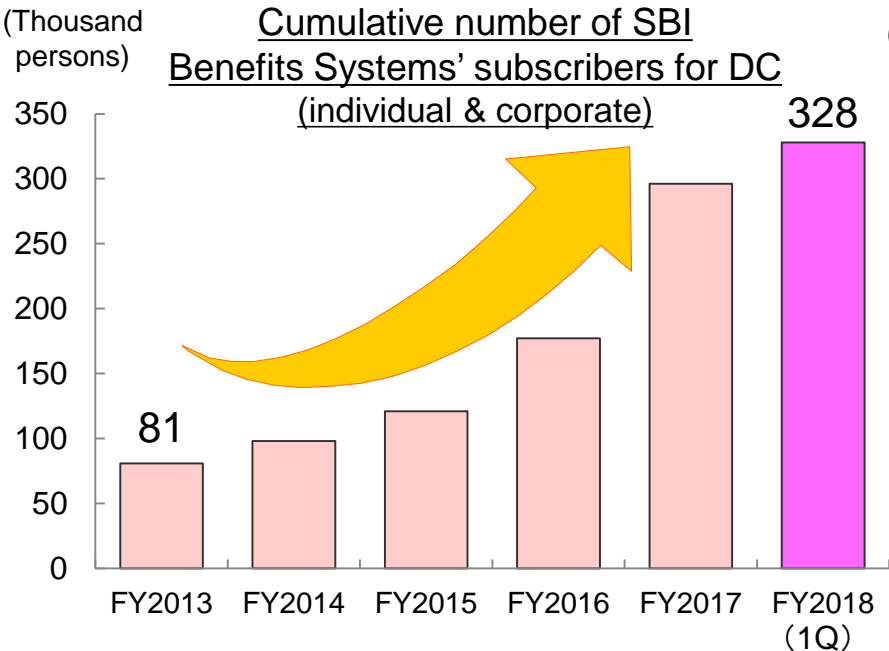
The SBI Group has been focused on the Individual Defined Contribution (iDeCo) pension business, well before the expectations for market size expansion as a result of institutional revisions as of Jan. 2017, through SBI Benefit Systems, which was established in 2001



◆ SBI SECURITIES' administrative fees are completely free of charge from May 19, 2017, as to further expand iDeCo business



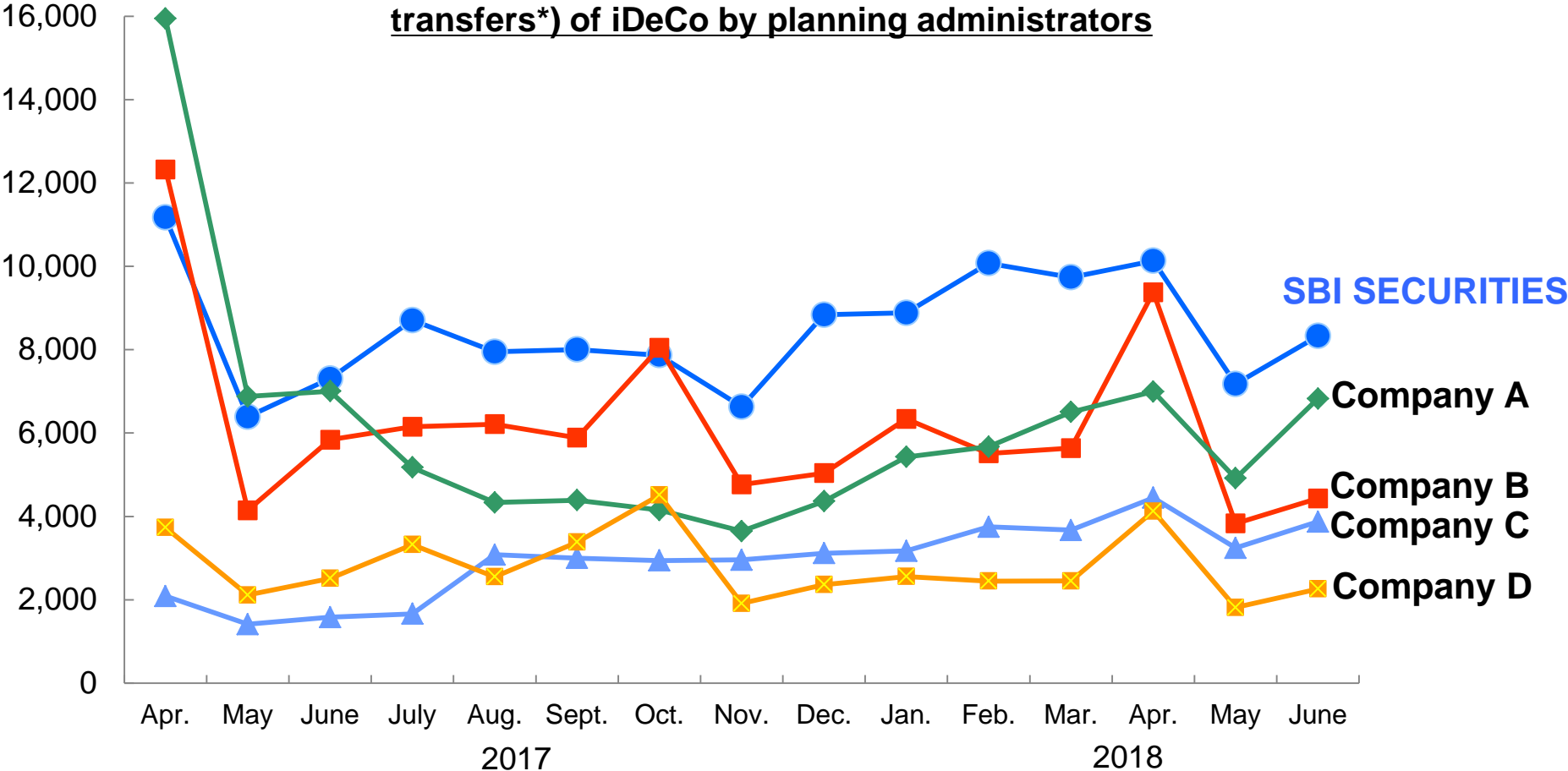
At the end of May 2018, the number of iDeCo accounts totaled 216,398, which is approx. 1.8x larger than at the end of May 2017



SBI SECURITIES has become an Industry Leader in Terms of the Number of New Customers Acquired for Individual-type Defined Contribution Pension Plans (iDeCo)

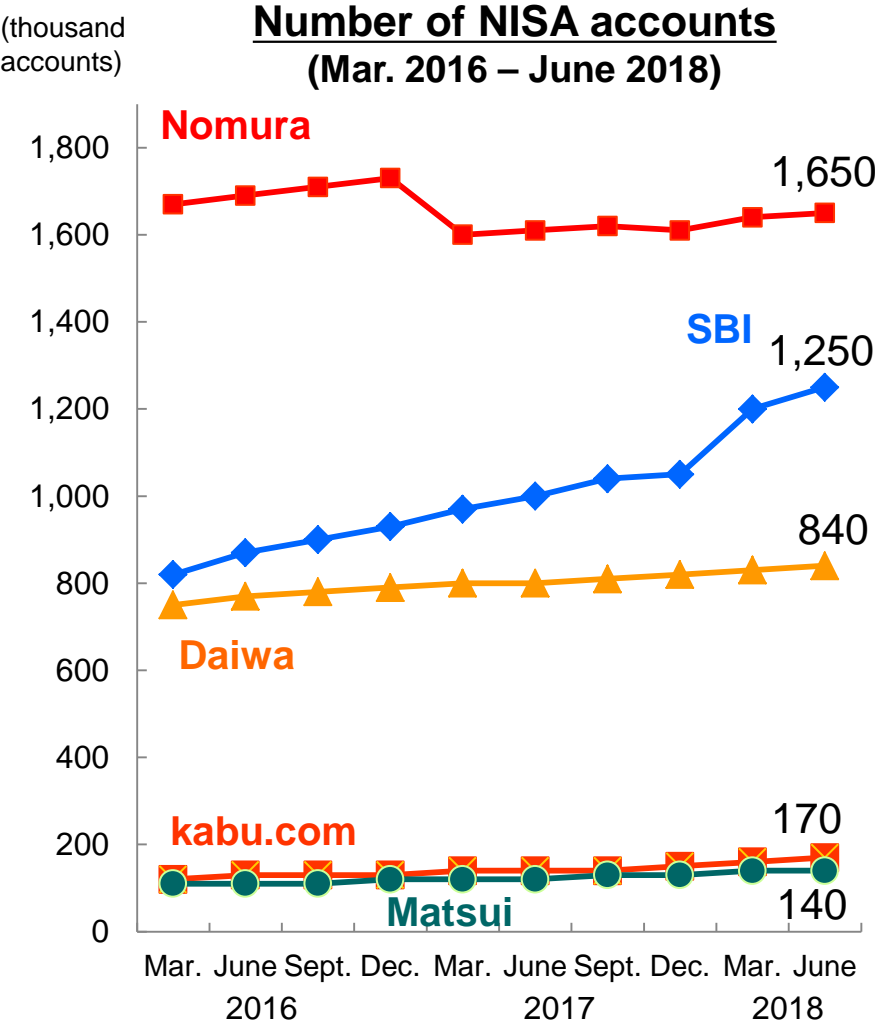
(No. of customers)

Number of monthly acquired customers (new subscribers & transfers*) of iDeCo by planning administrators

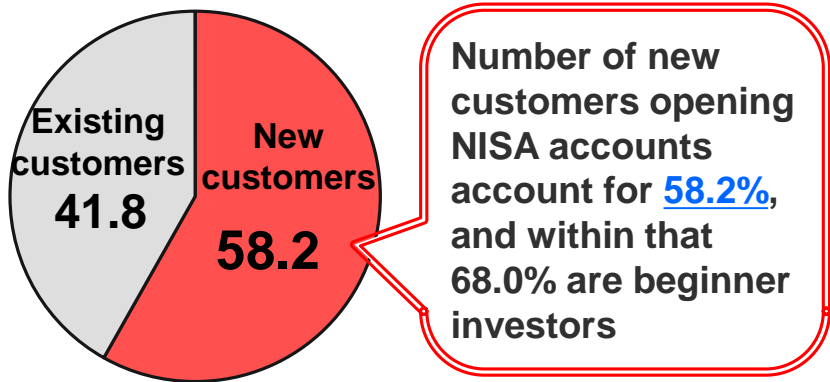


* Cumulative total number of new subscribers and transfers announced by the National Pension Fund Association, which include overlapping persons who has newly subscribed and also transferred to iDeCo.
Source: Briefing paper of the National Pension Fund Association (partially includes estimates by SBI)

Through the Successful and Continued Steady Acquisition of New Customers of NISA, the Number of Accounts is Now Approaching Nomura



NISA's customer attribute of SBI SECURITIES (%)

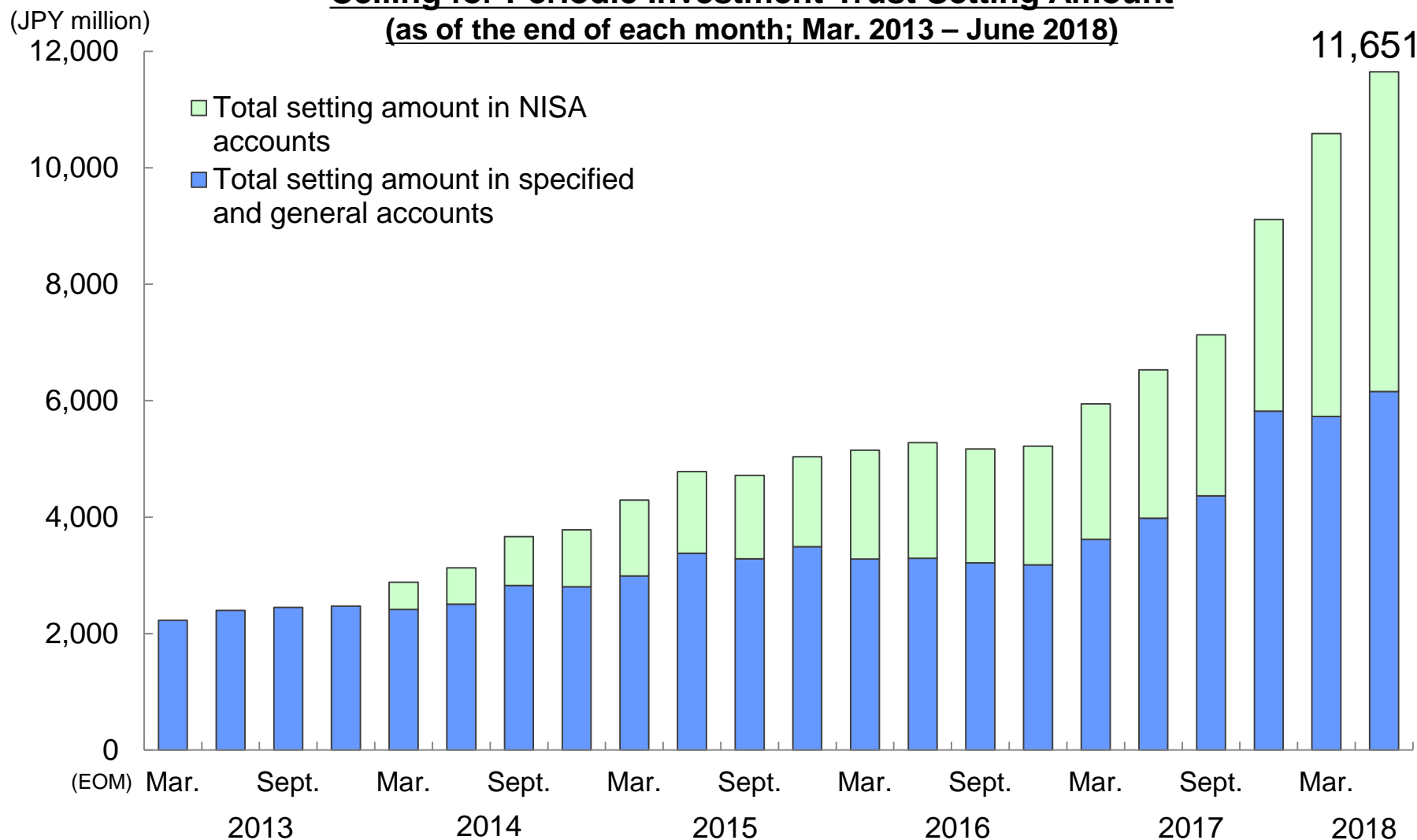


■ SBI SECURITIES' number of Junior NISA accounts reached 50 thousand accounts, accounting for approx. 30% of the entire securities industry's Junior NISA accounts

■ SBI SECURITIES' active NISA account ratio: 41.7%

*1 Includes the number of Junior NISA accounts
*2 Amounts are rounded to the nearest JPY 10 thousand.
*3 The number of accounts are as of the end of June 2018, compiled by SBIH from the information on website of each company.

* Active account ratio is calculated based on the total accounts since Jan. 2018



Endeavoring to Expand the Corporate Business by Continuing to Strengthen the IPO Underwriting Business, and Expanding the PO Underwriting Business

Underwriting share of 100% is an industry leading figure

IPO Underwriting Ranking (Apr. 2018–June 2018)

20 companies were listed during the period

Company name	No. of cases	Underwriting share (%)
SBI	20	100.0
SMBC Nikko	17	85.0
Mizuho	17	85.0
Monex	11	55.0
Okasan	9	45.0
Kyokuto	8	40.0
Iwai Cosmo	8	40.0
Ichiyoshi	8	40.0

* 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.

PO underwriting business

In addition to the underwriting of RIZAP's public offering as a lead underwriting manager in June 2018, owing to 6 other POs, the underwriting amount for 1Q FY2018 increased by 46.5x year-on-year



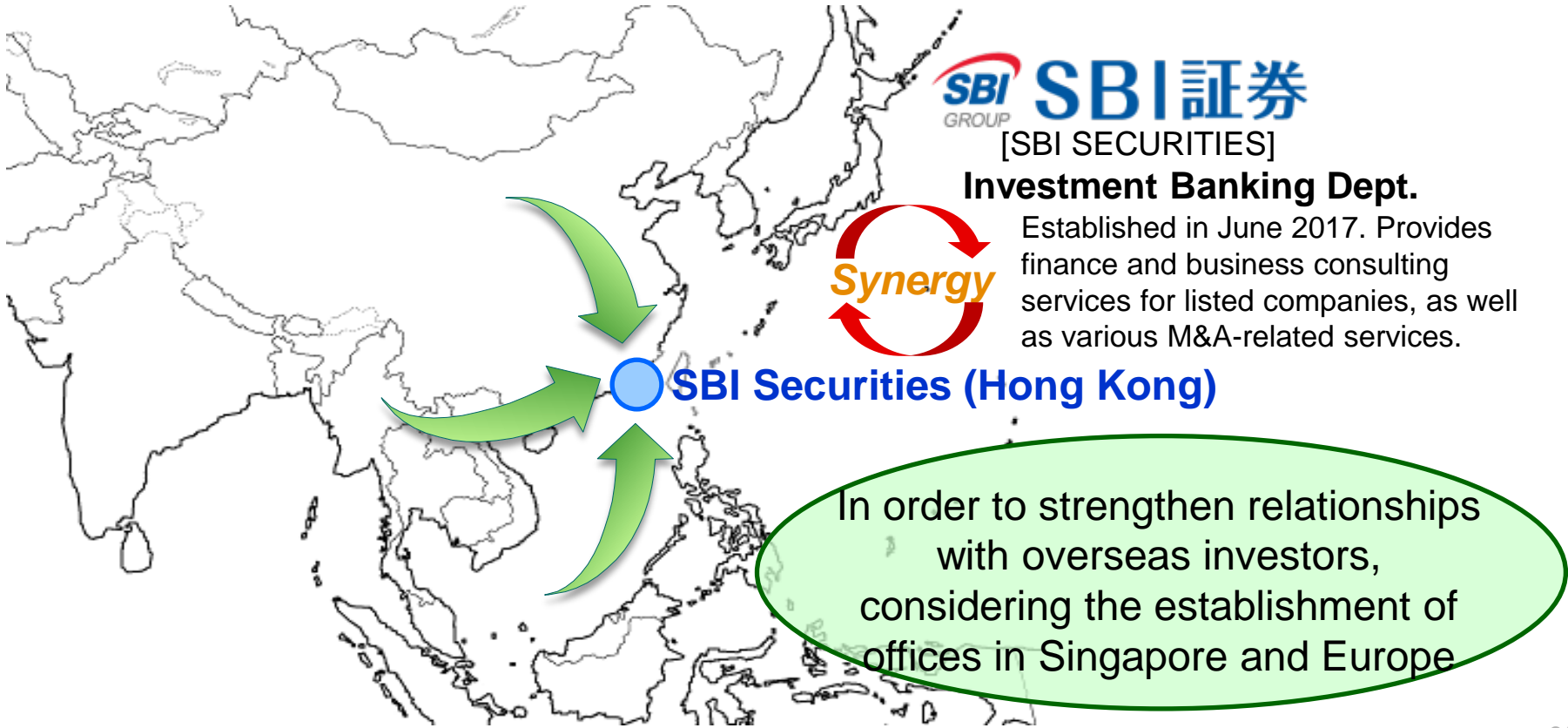
Will endeavor to strengthen the PO underwriting business by continuously focusing on acquiring lead underwriting mandates

Corporate bond underwriting business

With the underwriting of seven corporate bonds in total, including that of SoftBank, the underwriting amount for 1Q FY2018 increased by 3.2x year-on-year

Begin a Full-scale Development of the Corporate Business Overseas

SBI Securities (Hong Kong) of Hong Kong, which was established in June 2015, will correspond to the global financing needs of domestic customer companies, in conjunction with SBI SECURITIES' Investment Banking Dept.



In Collaboration with FinTech Startup Companies, Further Improving Customer Benefits by Providing New Services that Utilize Advanced Technologies



WealthNavi for
SBI SECURITIES

Provision of “**WealthNavi for SBI SECURITIES**” that customizes
WealthNavi’s robo-advisor service

Customer assets: JPY 35.2bn (as of July 27, 2018)

Number of account: approx. 45 thousand

- ✓ 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

◆ Provision of small amount theme-based investment service
“Theme-Killer!,” whose portfolio is created based on minkabu’s
unique analysis

(2) Banking-related business (SBI Sumishin Net Bank)

- ① Performance overview of the 1Q FY2018**
- ② Background of banking-related business' performance expansion**

① Performance overview of the 1Q FY2018

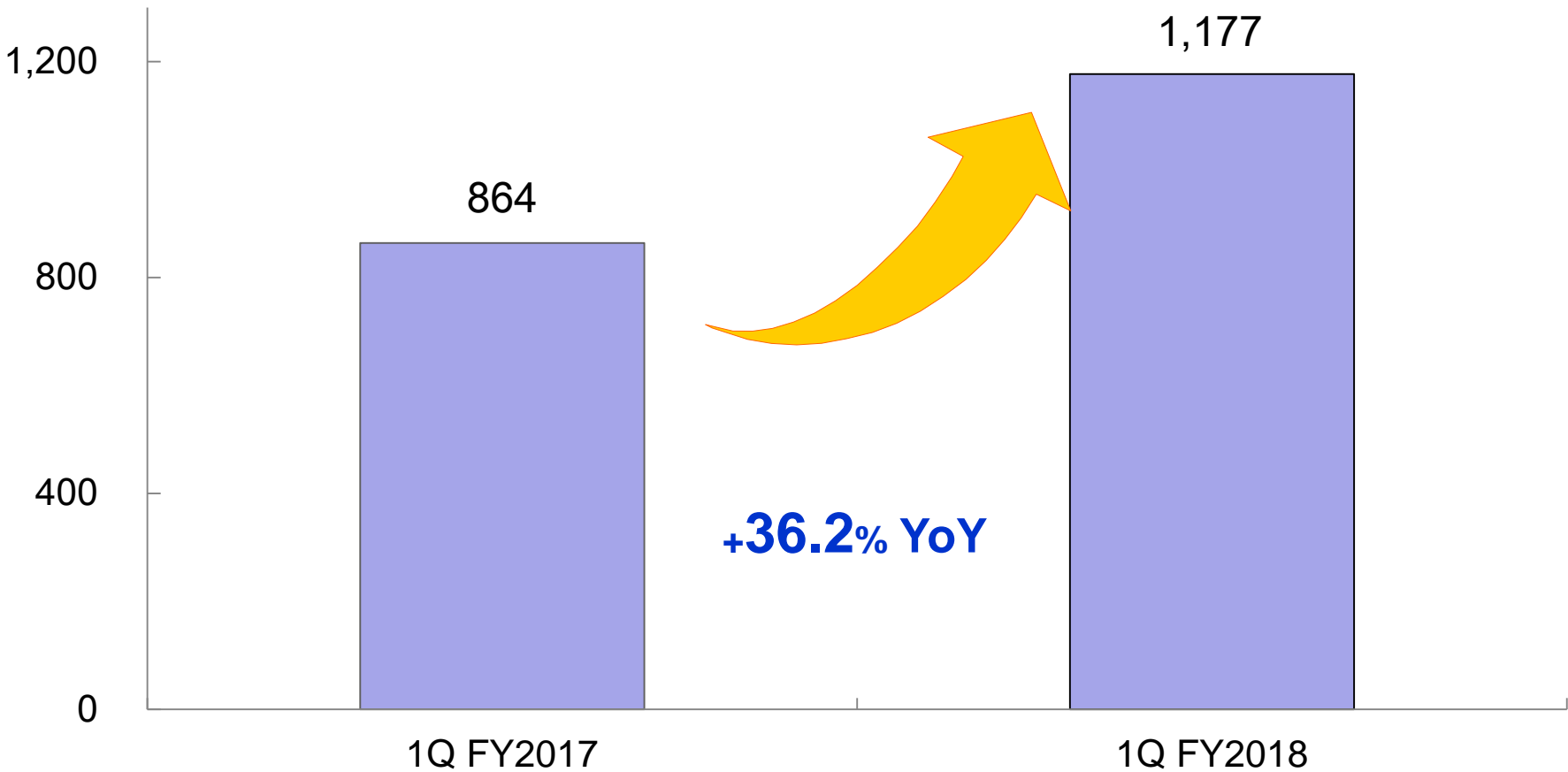
- **SBI Holdings' equity in earnings of SBI Sumishin Net Bank, based on IFRS for 1Q FY2018 was JPY 1,177m, up 36.2% year-on-year, owing to the expansion of the housing loans and profits through investment of bond investments, etc.**
- **As of the end of June. 2018, accounts steadily increased to approx. 3.30 million accounts, with deposits exceeding approx. JPY 4.6tn, overwhelmingly surpassing its competitors**

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

SBI Holdings' equity in earnings of SBI Sumishin Net Bank based on IFRS for 1Q FY2018 was JPY 1,177m, up 36.2% year-on-year

(JPY million)

Change in equity in earnings of affiliates

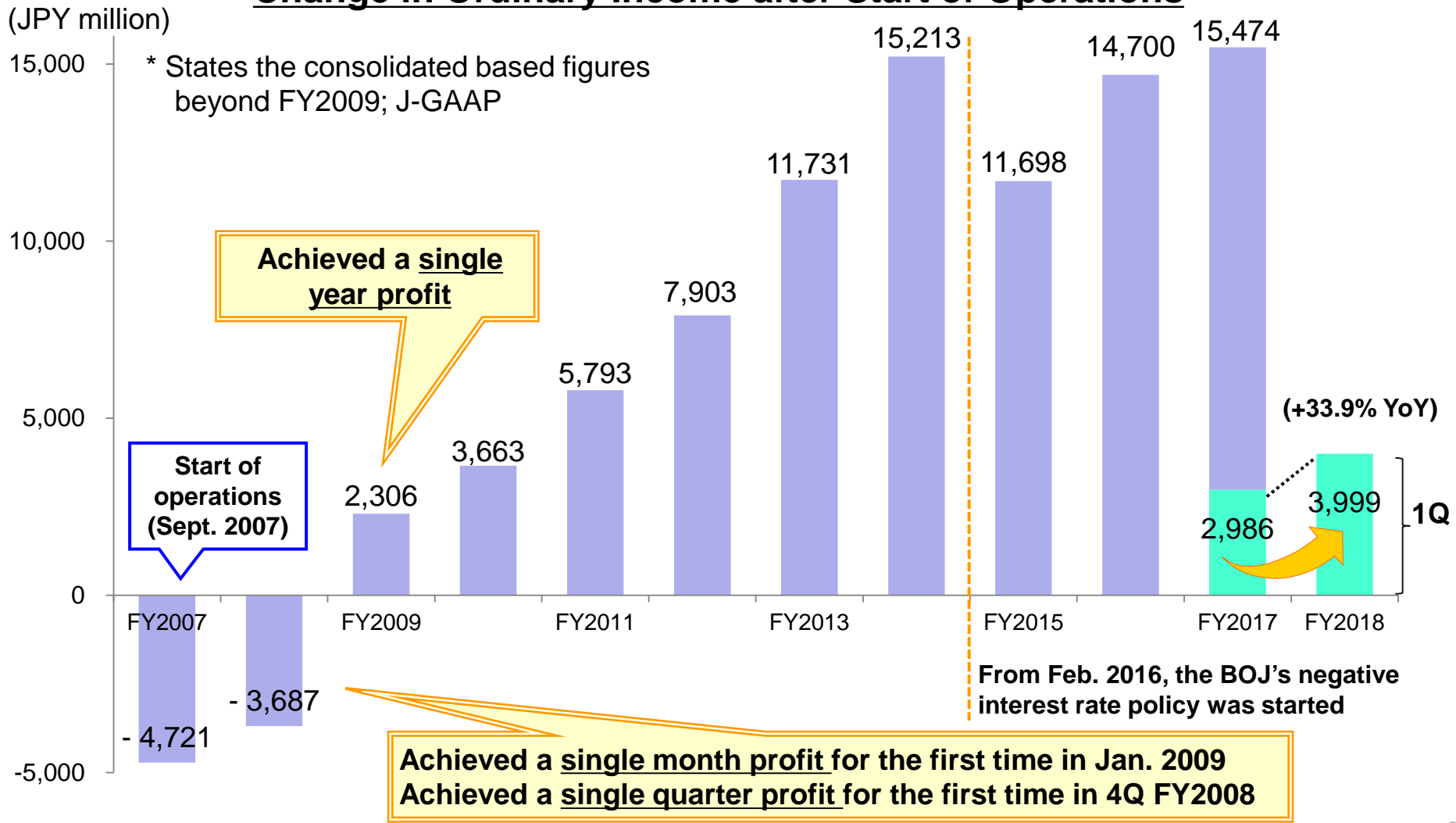


Note: Owing to the difference in IFRS and J-GAAP for asset assessment criteria, the figures differ from that disclosed based on J-GAAP.

SBI Sumishin Net Bank Steadily Expands its Ordinary Income

Ordinary income for 1Q FY2018 achieved JPY 4.0bn, an increase of 33.9% year-on-year

Change in Ordinary Income after Start of Operations

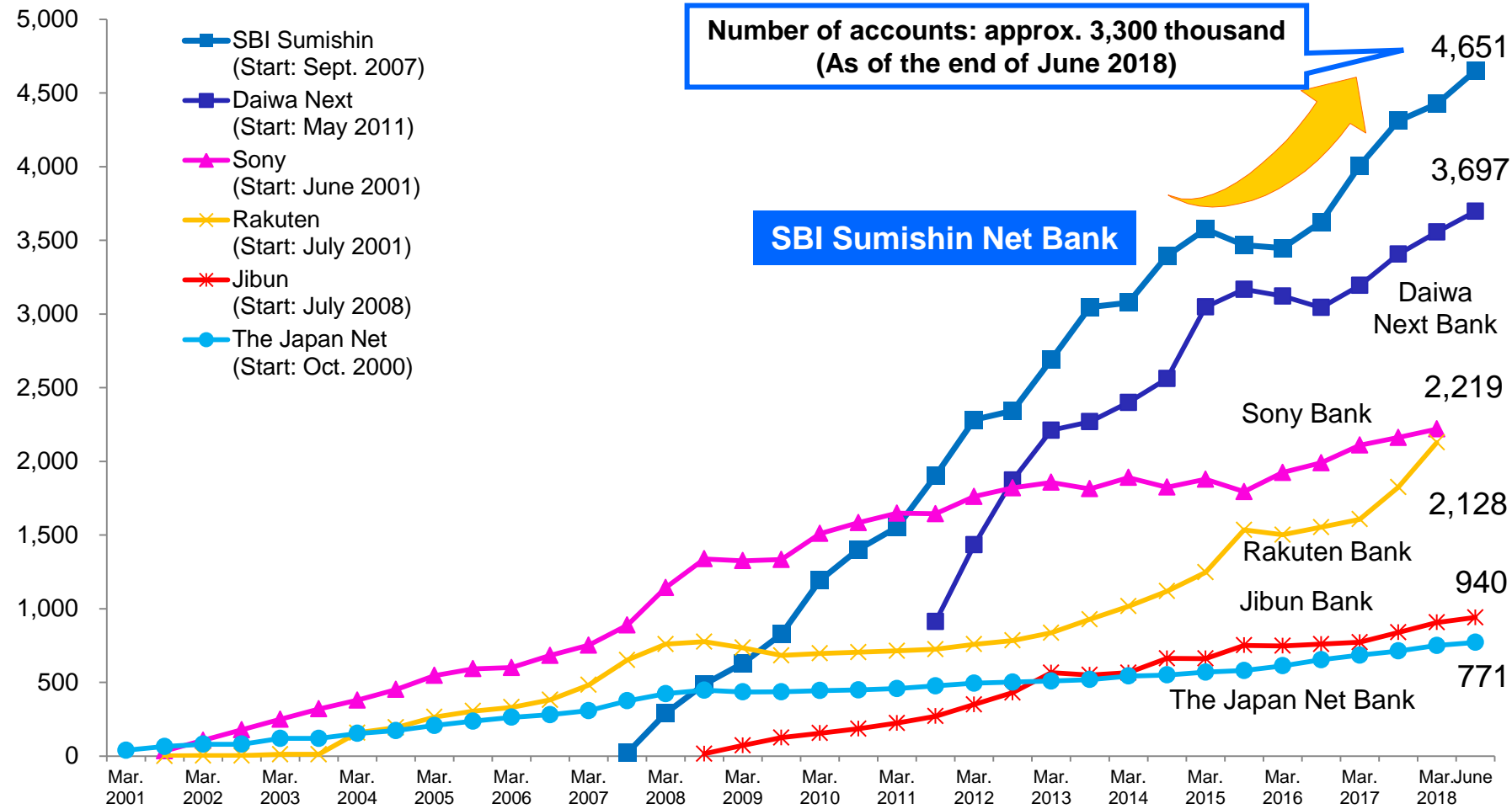


SBI Sumishin Net Bank's Customer Base is Increasing at an Accelerated Pace

Pure-play Internet Banks' Deposits Since Establishment (*)

(Mar. 2001- June 2018)

(JPY billion)



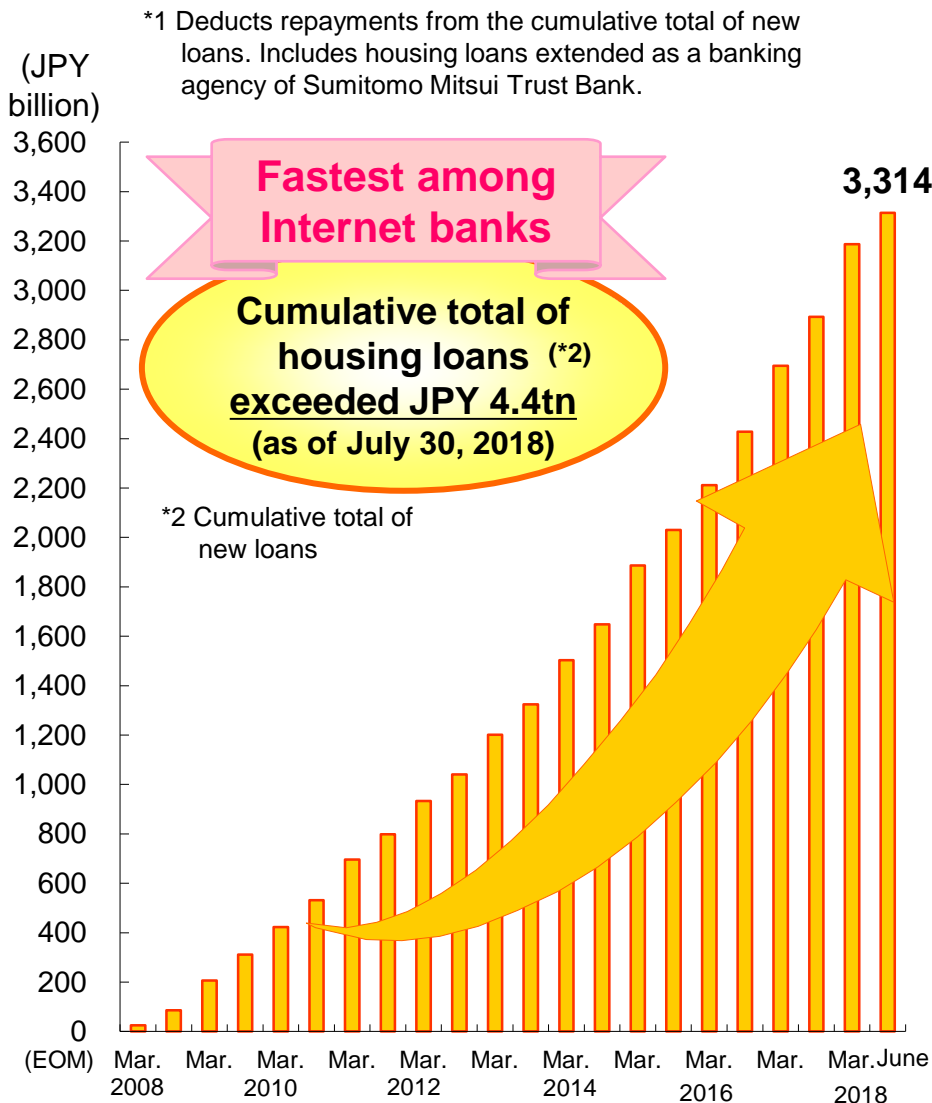
* Compiled by SBIH from the published materials of the noted banks, with each origin denoting the earliest available data of deposit balance amount, since the establishment of the respective banks.

② Background of banking-related business' performance expansion

- (i) The cumulative total of housing loans has steadily increased, owing to the diversification of products and sales channels**
- (ii) Provision of innovative new services with high customer benefits contribute to an increase in customer inflow**

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

Change in Balance of Housing Loans *1
(Mar. 2008 - June 2018)



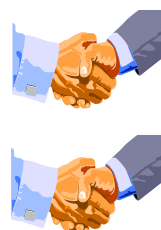
SBI Sumishin Net Bank's housing loans business:

- ① Housing loans processed directly by SBI Sumishin Net Bank
 - Via alliance with real estate companies (from Sept. 2007)
 - Banking agency 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 increase customer convenience by raising the maximum lending amount of MR. Housing Loan REAL and affiliate housing loans from ¥100 million to ¥200 million beginning in July 2018.

Owing to the Expansion of the Sales Channels of the Face-to-face Shops of Partner Companies, Further Strengthening the Housing Loans Business

住信SBIネット銀行 



Good Mortgage

From Jan. 2017

MX Mobiling

From Oct. 2017

I. F. Create

From Mar. 2018

Accounts for 20.3% of the loan execution amount via banking agencies * Result of Apr. 2018 – June 2018

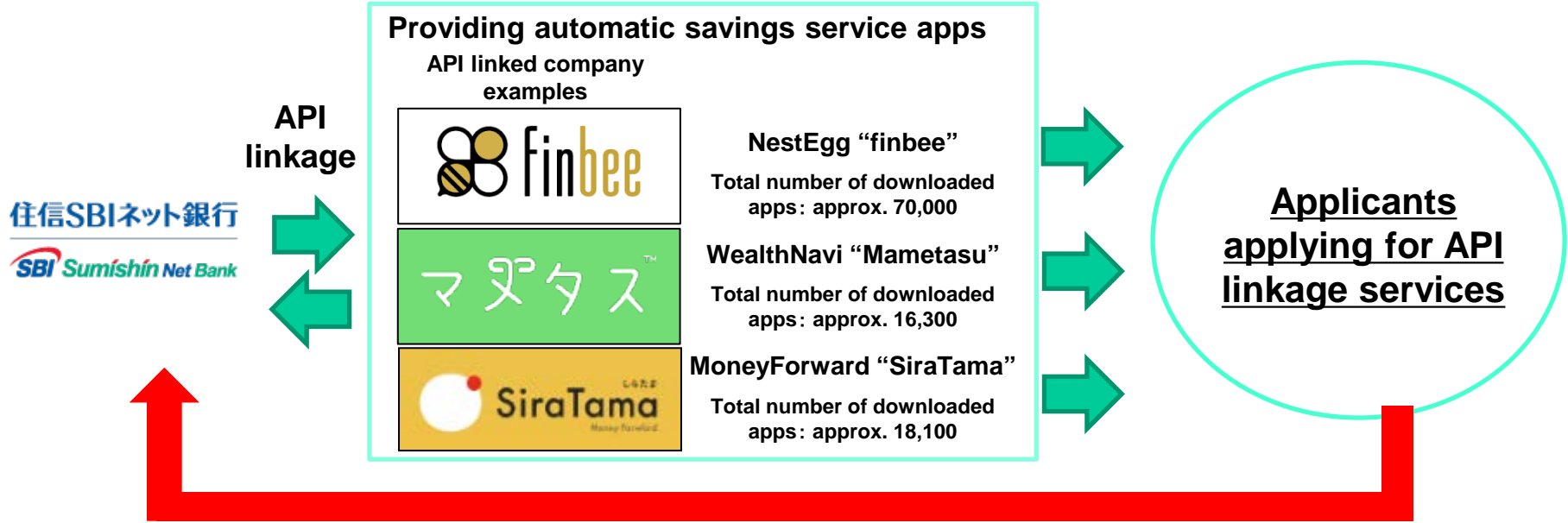
- ◆ In order to improve customer convenience, established shops near train terminal stations, such as Otemachi Station, Ikebukuro Station and Shinjuku Station, which are also open for business on weekends
- ◆ Professional staff with abundant knowledge will guide customers to products and plans that meet their requests
- ◆ On a face-to-face basis, customer questions will be answered and procedures will be followed
- ◆ On July 19, 2018, “Shibuya Loan Plaza,” managed by MX Mobiling, opened for business

New Service through API Linkage Contributes to New Customer Inflow

- ◆ Initiated Japan’s first API linkage with Money Forward, which provides automated household accounting and asset management services, along with cloud-type accounting software, etc. (Mar. 2016)
- ◆ Furthermore, through the API linkage with various companies, providing services with high customer benefits



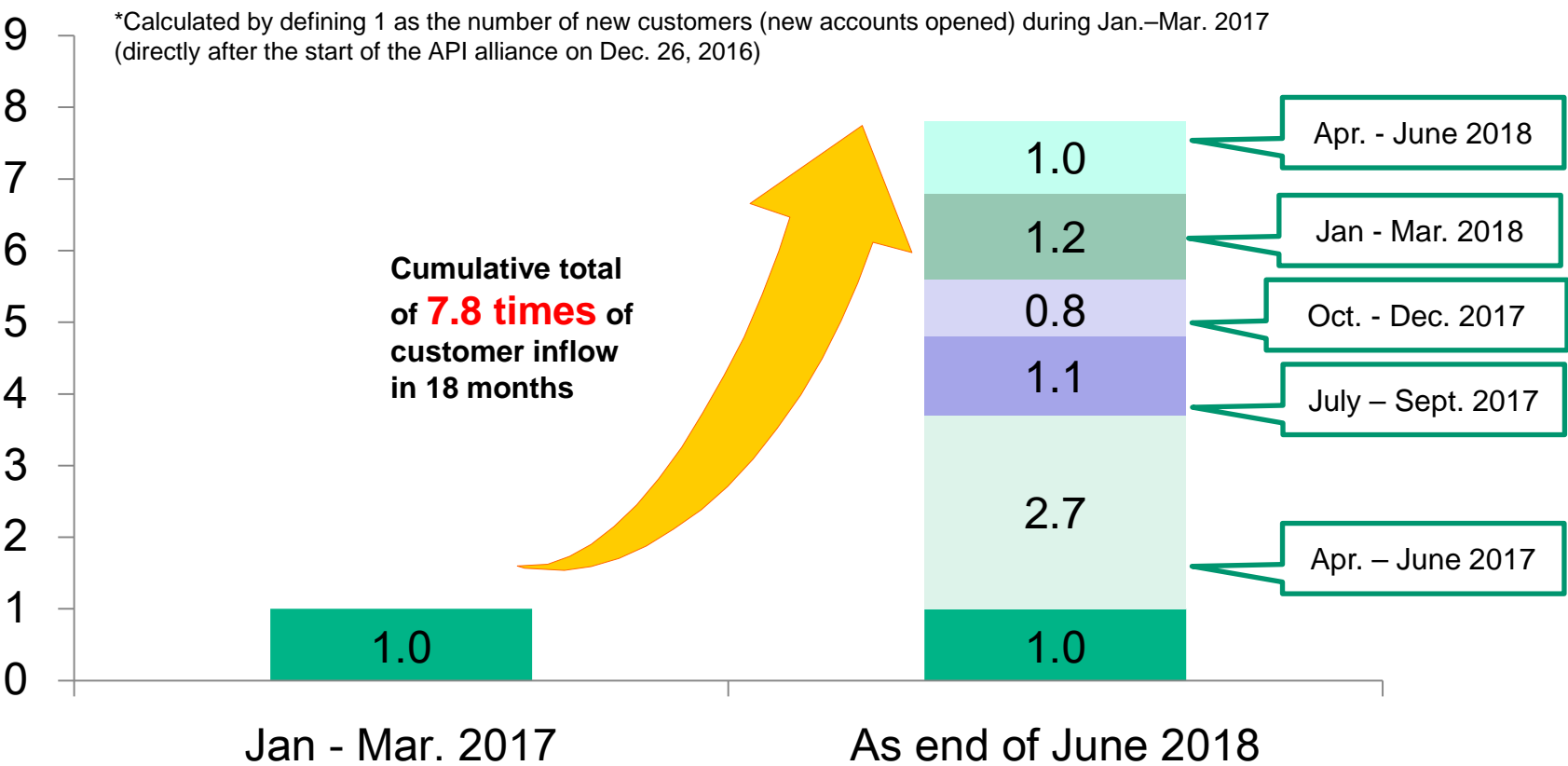
Customers wishing to utilize any of the API linkage services open an account with SBI Sumishin Net Bank



New account openings at SBI Sumishin Net Bank

(Example) Continuous Customer Inflow, Owing to API Linkage with Automatic Savings Service App, “finbee”

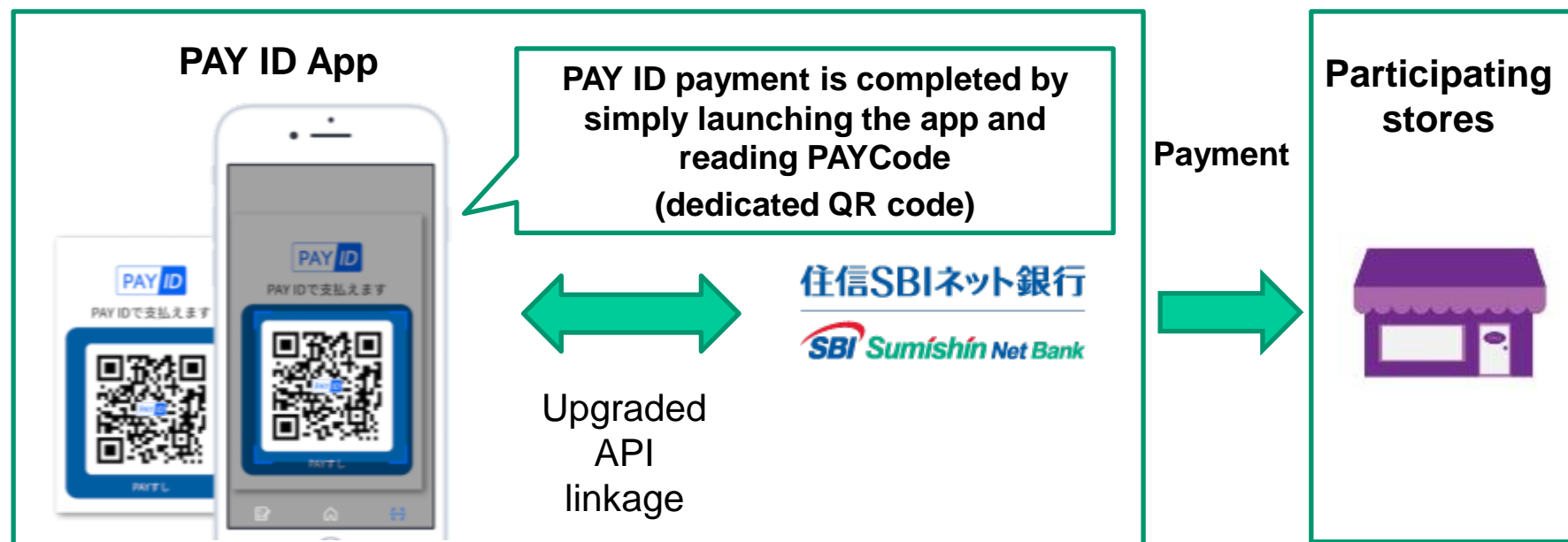
Customer inflow (account opening) upon API linkage with automatic savings service app “finbee”



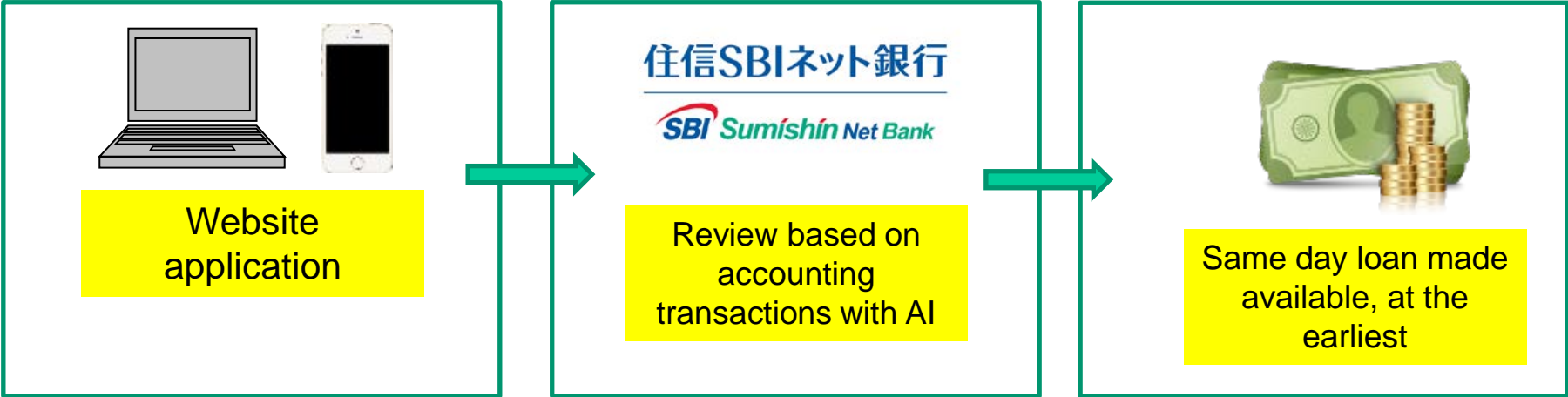
Due to the provision of services through the API alliance, the number of new customers increased, contributing to the competitive superiority of SBI Sumishin Net Bank

SBI Sumishin Net Bank Initiates the Offering of a Payment Service by “PAY ID,” QR Code Payment Mobile App

- From May 25, 2018, SBI Sumishin Net Bank started offering an immediate account payment service for specific customers through the “PAY ID,” QR code payment app, provided by Pay, Inc.
- Registered users of “PAY ID” exceed 1 million users, and can be utilized at more than 500,000 participating stores nationwide
- This is the first instance of providing an upgraded API in the mobile payment area for SBI Sumihsin Net Bank



Provide Business Loan Services Based on Accounting Transactions, in Cooperation with Settlement Agencies



- ◆ About 50% of corporations opening an account are in the establishment stage(*) *Within 1 year of the date of founding, as of June 2018
- ◆ Even in this stage, when it is hard to open a corporate account at other banks, corporations can open one at SBI Sumishin Net Bank



Enabling financial support for companies at various stages

Promoting alliance strategy with companies outside of the Group for business loan services based on accounting transactions

Services Utilizing Robo-advisors, and New Initiatives that Incorporate AI

Robo-advisors

◆ Provision of WealthNavi's "WealthNavi for SBI Sumishin Net Bank"

Customer assets: JPY 13.4bn,
Number of accounts: approx. 14 thousand
(as of July 27, 2018)

AI

- ◆ Introduction of advanced screening method for mortgage using AI Technology (Nov. 2017)
- ◆ Testing a hybrid chat service capable of AI and manned correspondence for customer inquiries (Nov. 2017)
- ◆ In collaboration with Hitachi, discussions have started on the creation of a screening service for financial institutions, utilizing AI (Dec. 2017)
- ◆ In collaboration with NEC, a monitoring system for countermeasures against unauthorized transfers, utilizing NEC's AI technology, was introduced (Apr. 2018)
- ◆ Initiated review and adoption of online identity verification (KYC) procedure, utilizing Liquid's AI and face authentication technology (July 2018)

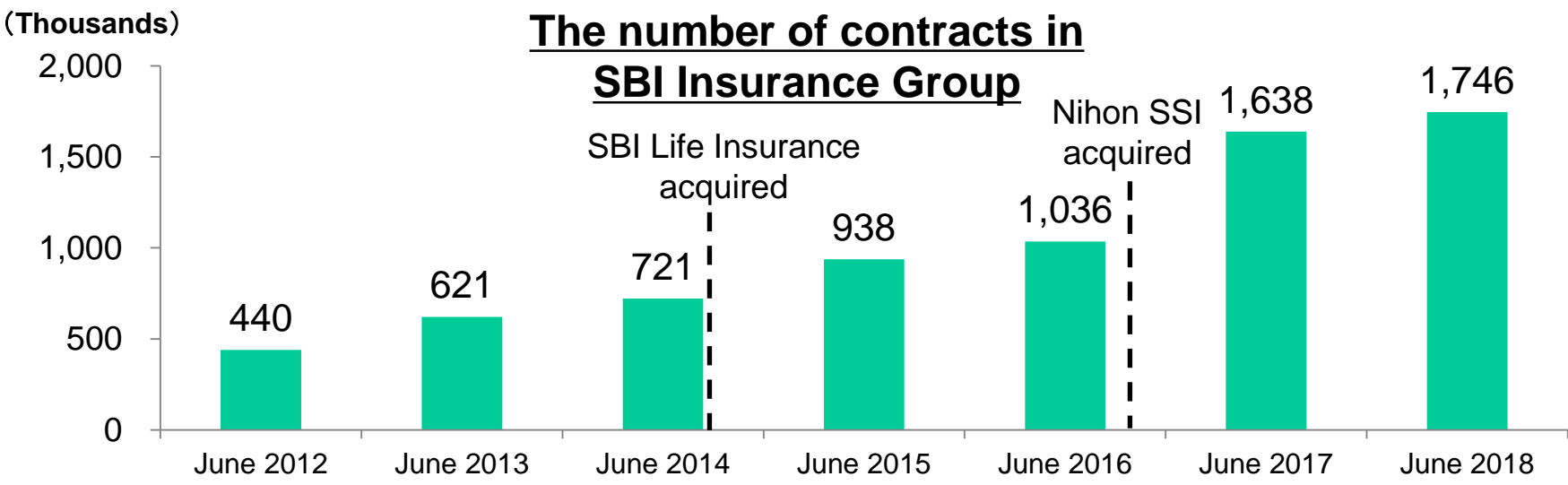
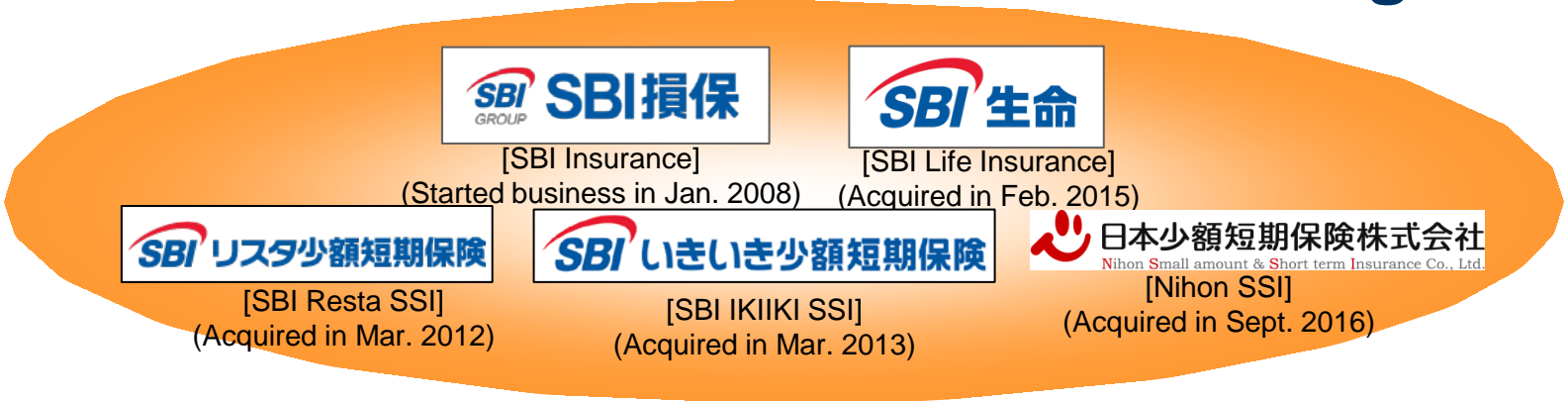
(3) Insurance-related business (SBI Insurance, SBI Life Insurance, Three SSI companies)

- ① Performance overview of the 1Q FY2018**
- ② Background of insurance-related business' performance expansion**

① Performance overview of the 1Q FY2018

- The insurance holding company, SBI Insurance Group's affiliated companies have steadily expanded their in-force contract totals
- SBI Insurance has increased sales of highly evaluated auto insurance products, along with sales of cancer and fire insurance, and the number of in-force contracts has increased to approx. 1 million contracts
- SBI Life has had a significant increase in insurance applications, since the commencement of group credit life insurance sales in June 2017
- Small-amount, short-term insurance business steadily expands its business scale

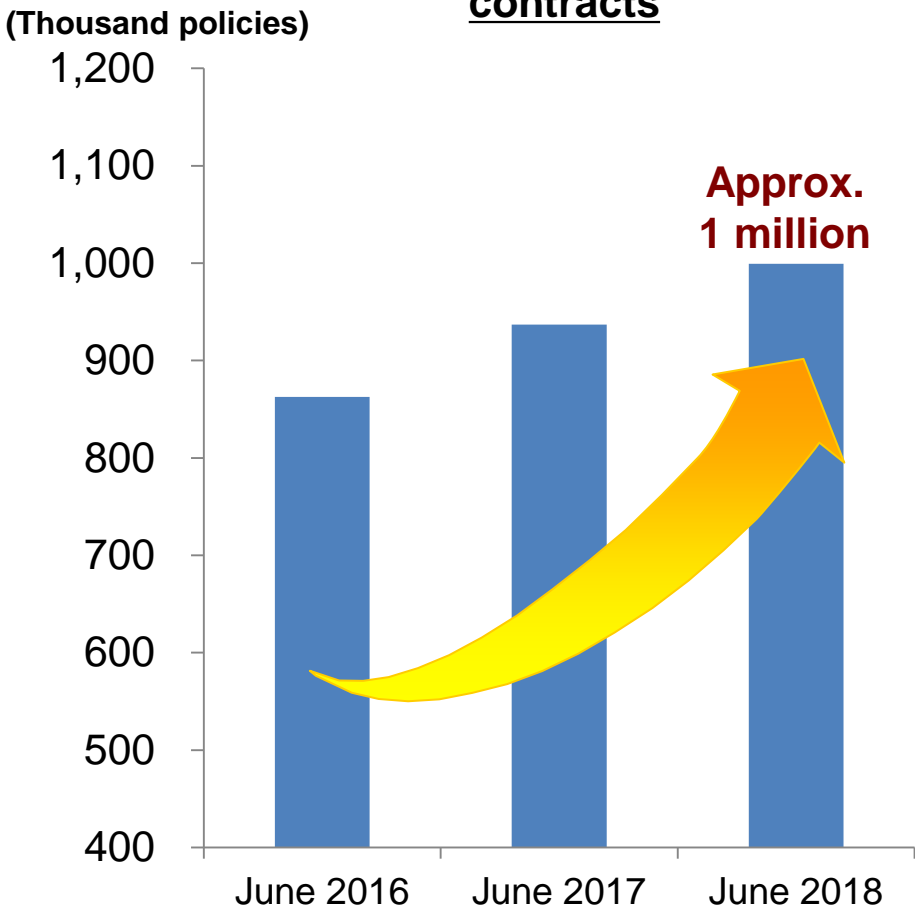
Started Insurance Business with SBI Insurance in 2008, and Continuing to Grow through the Diversification of Insurance Offerings



SBI Insurance's Number of Contracts Increased Steadily

Due to High Evaluation on Products and Partnership with Regional Financial Institutions

SBI Insurance's total number of contracts



Net Combined Ratio

	1Q FY2016	1Q FY2017	1Q FY2018
Loss ratio*1	76.7	75.3	<u>72.3</u>
Operating expenses ratio*2	12.5	9.4	<u>9.5</u>
Combined ratio (Net base)	89.2	84.7	<u>81.8</u>

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

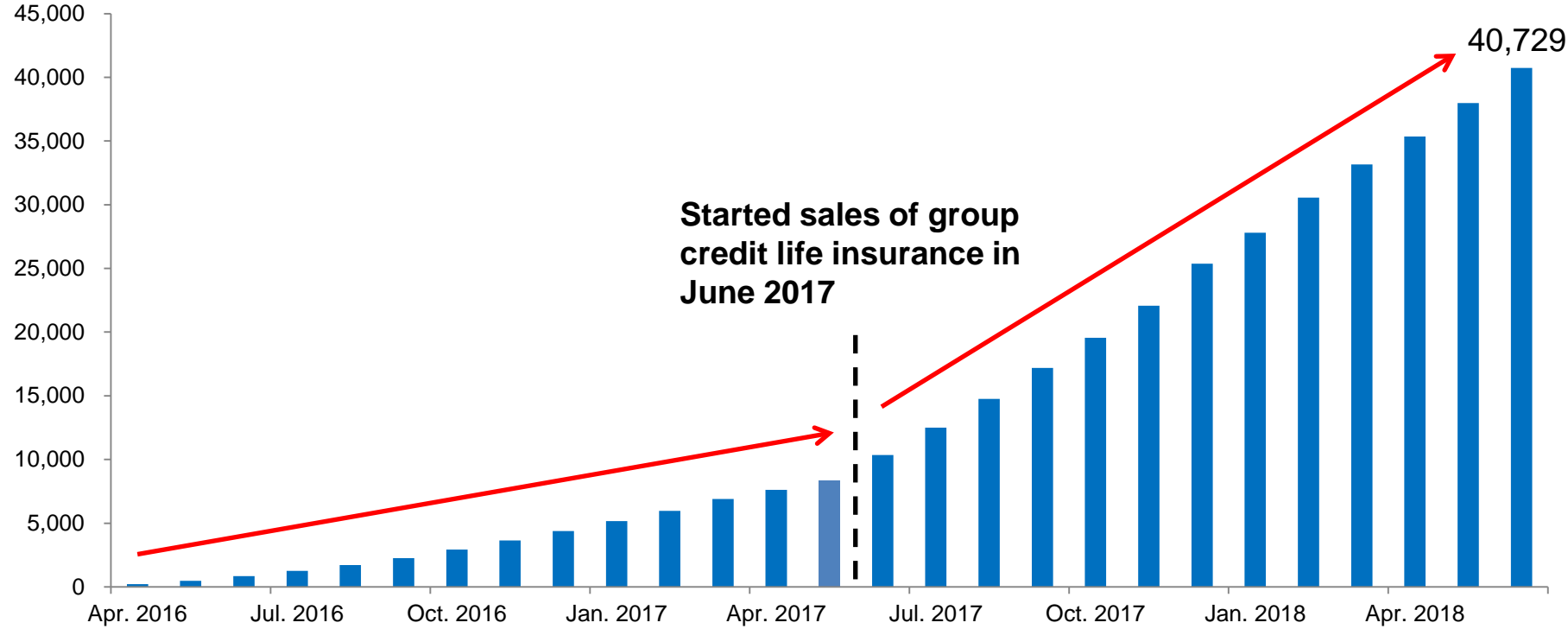
*2 Operating expenses ratio (%) = (Commissions and Collection costs + Operating expenses and general and administrative expenses related to insurance underwriting) / Net insurance premium income written X 100

SBI Life Insurance Increases the Total Number of Insurance Applications, Accompanied by Strong Sales of Group Credit Life Insurance

- **Solvency margin ratio: 1,172.2%** *As of the end of Mar. 2018
- **The number of contracts: approx. 110 thousand (annualized premium: JPY 7,131m)** *As of the end of June 2018

(The number of applications)

SBI Life Insurance’s total number of insurance applications

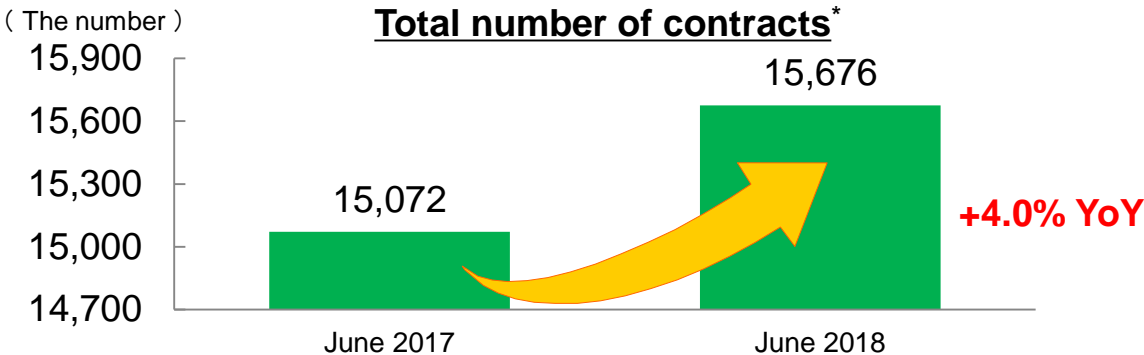


Small-amount, Short-term Insurance Business Steadily Expands Its Business Scale

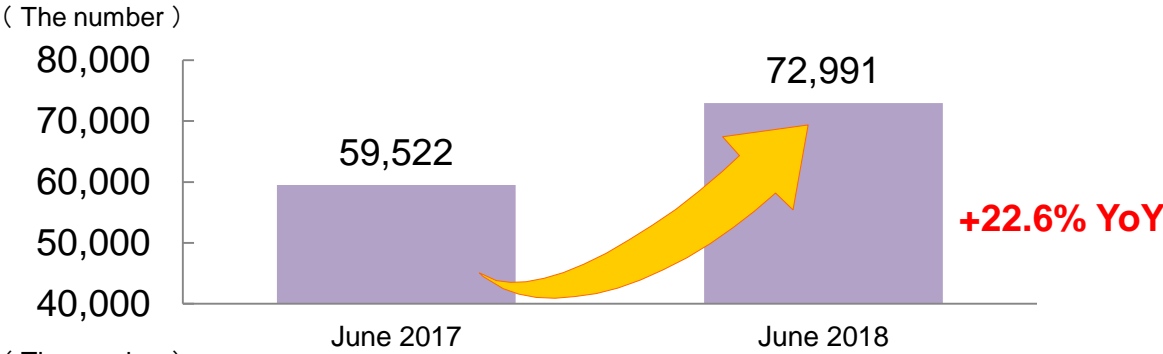
Offering a variety of products from the 1st to 3rd categories,
with expanding a more expansive strategy



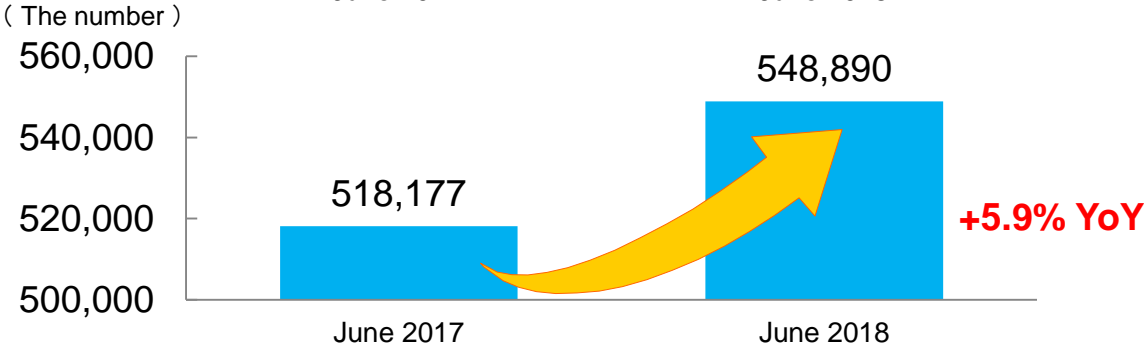
[SBI Resta SSI:
Earthquake indemnity
insurance]
2nd category



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



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



* SBI Resta SSI applies the number of earthquake indemnity insurance

② Background of insurance-related business' performance expansion

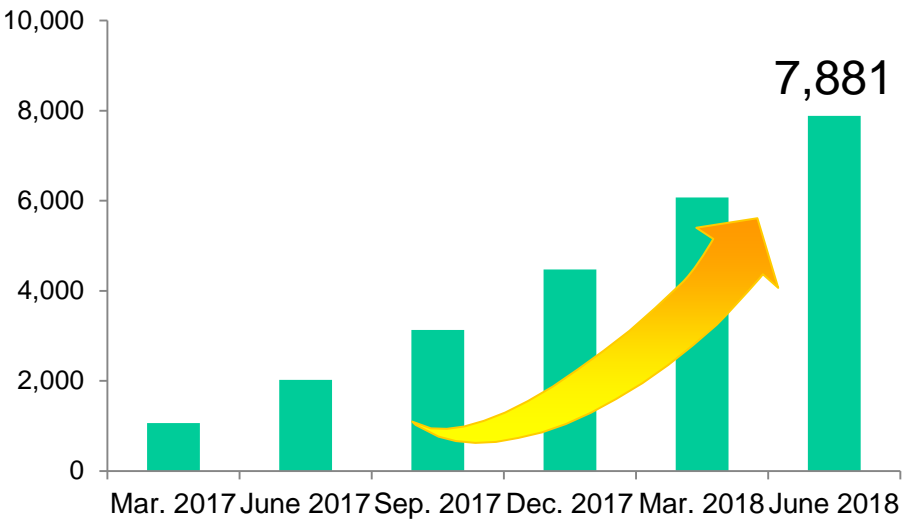
- (i) Expansion of sales contributed to growth in the number of contracts**
- (ii) Expecting further growth by expanding collaborations with regional financial institutions**
- (iii) Pursues the provision of products with high customer satisfaction, by adopting advanced technologies, and collaborating with partner companies**
- (iv) In the small-amount, short-term insurance business, product diversity was expanded through mutual cross-selling**

SBI Insurance’s Fire Insurance has Steadily Increased Its In-force Contracts, owing to Its Highly Flexible Compensation Content and Diversified Sales Channel

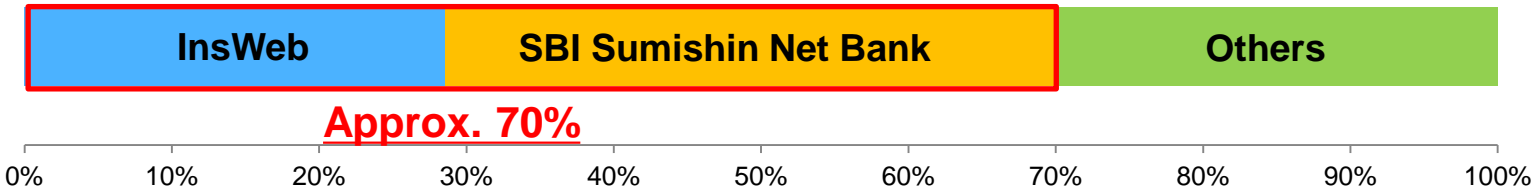


- It’s possible to freely choose and customize contents of compensation from an extensive range of options, in addition to essential compensation, including fire, lightning and explosion coverage
- Unique discounts are available, such as a nonsmoker discount and all-electric housing discount

The number of fire insurance contracts
(Number of contracts)



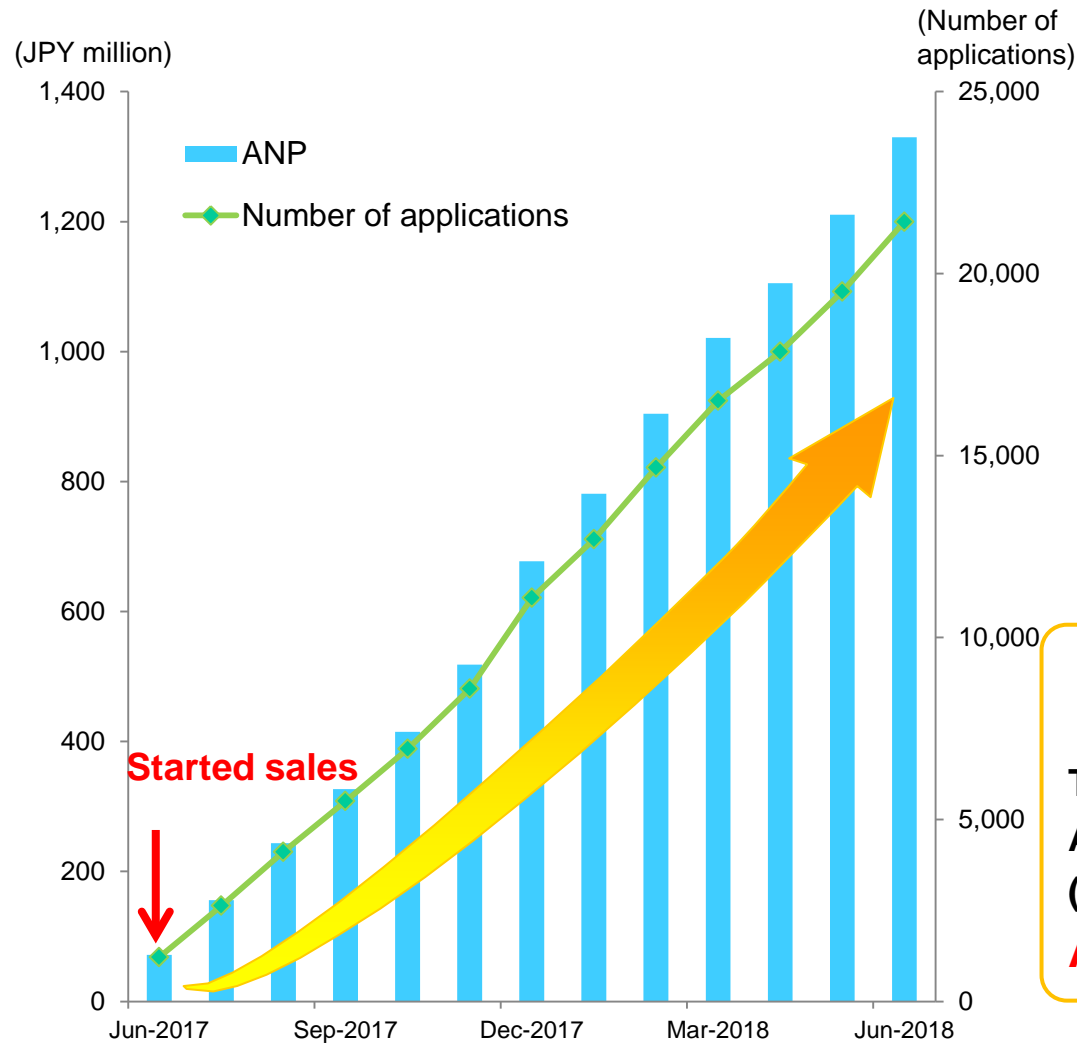
June 2018 fire insurance acquisition ratio by sales channel



In addition to synergies with the SBI Group companies, diverse sales channels were established, including collaborating with regional financial institutions

Steadily Increasing Number of Applications and Estimated ANP of SBI Life Insurance Group Credit Life Insurance

-Sales would increase greatly through its adoption into housing loans of regional financial institutions-



Local partner financial institution

- Hanno-Shinkin Bank (From June 1, 2018)
- Toyota Shinkin Bank (From Sept. 2018)
- Yamaguchi Financial Group* (Scheduled to start handling this autumn)

* Will also be handled by The Yamaguchi Bank, Momiji Bank and THE KITAKYUSHU BANK under Yamaguchi FG

Total as of June 2018

* Based on applications

Total number: 21,420 applications

Approximate ANP
(annualized new business premium):
Approx. JPY 1,330m

SBI Insurance has Proactively Adopted Technology and Collaborated with Companies, to Further Improve Customer Convenience



◆ **Safety support car/ASV discounts introduced** *ASV: Advanced safety vehicle

Safety support car/ASV discounts introduced for the first time in direct insurance for damages in response to the development and adoption of cars equipped with AEB (autonomous emergency braking) and evaluated with regard to the risk reduction effects of vehicles with advanced safety. Applied to policy periods starting on or after Jan. 1, 2018

◆ **SBI Insurance’s “Cancer Insurance” was certified as an AskDoctor’s Confirmed product**

“SBI Insurance’s cancer insurance free medical treatment type (cancer treatment cost insurance)” was certified for the first time in the insurance industry as a “doctor confirmed product” in the Web survey conducted by member doctors of M3, Inc. A survey of 100 doctors directly involved in the medical treatment of cancer was conducted, regarding SBI Insurance’s cancer insurance, whether or not they “Will recommend to others,” and 87% of doctors replied “I would like to recommend to others.”

◆ **Industry-first introduction of Apple Pay payment for auto insurance**

Introduced Apple Pay as a convenient and safe payment option that does not require entering credit card information for car insurance from SBI Insurance

SBI Life Insurance’s Expansion of Its Products and Customer Base, through Proactive Adoption of Innovative Technologies

- Personalized insurance -



FiNC inc.

A technology venture company specializing in mobile health

- ◆ As an incentive to join the insurance and to promote disease prevention, providing health management apps for all SBI Life Insurance policy holders, to continuously monitor the health status of its customers



ADWELL, inc.

Venture company developing health management apps

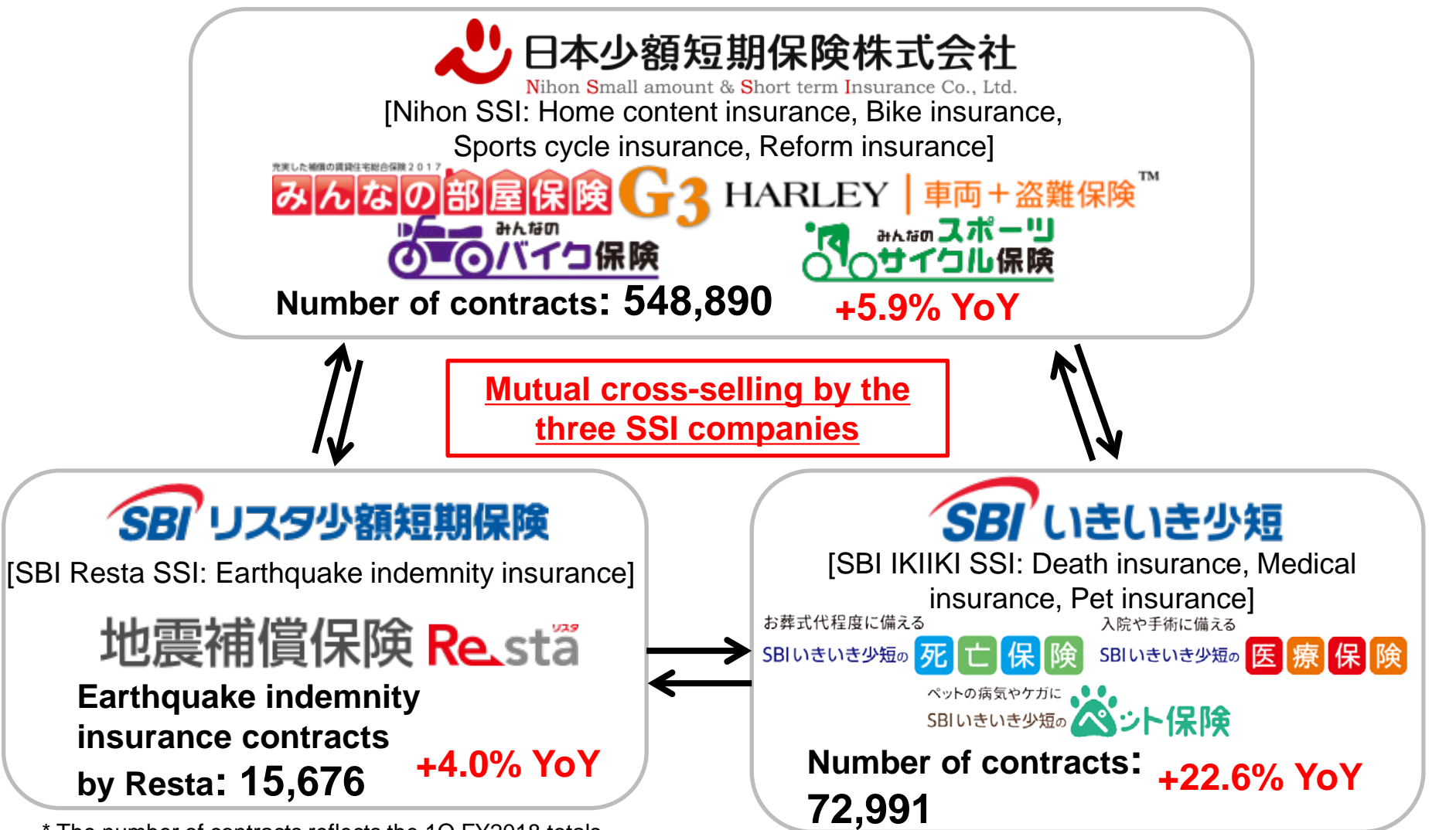
- ◆ In addition to discussing business collaboration possibilities with a Group investee company ADWELL, developing health management apps, along with researching and developing new insurance products with enterprises involved in health promotion, where premiums will vary according to the policyholder’s health status



You are what you eat.
アドウェル株式会社

ADWELL is a healthcare venture company which develops “SHIRUTASU,” a health management app that supports nutrition management, by analyzing nutrition tendencies from purchase data

By Utilizing the Advantages of the SSI Business, which can Offer a Variety of Products from the 1st to the 3rd Categories, the Three SSI Companies have Initiated a Cross-selling of Products



* The number of contracts reflects the 1Q FY2018 totals

2. Asset Management Business

- ① Performance overview of the 1Q FY2018**
- ② The Asset Management Business' favorable performance and affecting factors**

① Performance Overview of the 1Q FY2018

Profit before income tax expense increased by approx. 3 times, as compared with the same period last year (IFRS, JPY billion)

	1Q FY2017 (Apr. 2017 – June 2017)	1Q FY2018 (Apr. 2018 – June 2018)	YoY % change
Revenue	18.4	34.4	+87.1
Profit before income tax expense	5.5	17.7	+221.3
SBI SAVINGS BANK	3.9	3.8	-3.3
Profit/loss from the change in fair value and profit/loss on sales of investment securities	1.6	12.2	+651.5



Details of profit/loss from the change in fair value and profit/loss on sales of investment securities in 1Q FY2018

	1Q FY2018
<u>Listed Securities</u>	4.7
<u>Unlisted Securities</u>	7.4

Owing to the amendment of IFRS 9 in South Korea, changes in the method of calculating the allowance for doubtful accounts for financial assets impacted the result (JPY -900m)

② The Asset Management Business' favorable performance and affecting factors

- (i) In addition to the rise in stock prices of some listed companies, valuation gains from investee companies of the FinTech Fund etc., contributed to the favorable results**
- (ii) The commitment amount of “SBI A&B Fund” established in Jan. 2018 reached JPY 50bn, and was extended to the maximum amount of JPY 60bn. Investment activity is steadily proceeding, and investments in 22 companies (JPY 8.7bn) have already been decided to make**
- (iii) Promoting the establishment of CVC funds, as well as the establishment of funds overseas**
- (iv) In the asset management field, SBI Bond Investment Management's investment balance has rapidly expanded to over JPY 300bn**
- (v) SBI SAVINGS BANK of South Korea maintained favorable results with profit before income tax expense (IFRS) of JPY 3.8bn, despite the impact of the amendment of IFRS 9 (JPY -900m)**

IPOs and M&As of the SBI Group Investee Companies

-From 2018 onward, a full-fledged listing of FinTech companies is expected-

	Full-year FY2017	Full-year FY2018 prospects
IPO・M&A deals	13	Over 20

In FY2018, 5 companies were IPO'd

EXIT Date	Company	Market
Apr. 19, 2018	TienPhong Commercial Joint Stock Bank	HOSE
June 7, 2018	Powernet Technology Corp.	KOSDAQ
June 19, 2018	Writeup	TSE Mothers
June 27, 2018	IPS	TSE Mothers
July 24, 2018	Bank of Innovation	TSE Mothers

[Planned IPO schedule of FinTech investee companies]

Already decided on investments into **67** companies

(Total investment amount to be approx. JPY 24.0bn through the FinTech Fund and approx. JPY 16.5bn by SBI Holdings)

Year 2018: 2; Year 2019: 9; Year 2020:23; After Year 2021: 22; TBD: 8

Additionally, 3 companies (including 1 company which was IPO'd in 2017) were already exited through an equity sale

ii. The “SBI AI&Blockchain Fund” (common name: SBI A&B Fund), which was Established in Jan. 2018, Primarily Invests in the AI and Blockchain Field, and was Slated for a JPY 50bn Fund Raise, but was Capitalized at the Maximum Limit of JPY 60bn

SBI AI&Blockchain LPS

- Initial investment tranche began at JPY 20bn. Total funds raised reached JPY 50bn, and subsequently increased to the maximum limit of JPY 60bn
- Investors: Over 40 regional financial institutions, as well as institutional investors, corporate pension funds, etc., totaling over 100 companies
- Investment target: Promising venture companies mainly in AI and blockchain fields



Already decided to invest approx. JPY 8.7bn into 22 companies through SBI AI&Blockchain Fund

(Including SBI Holdings’ investment, the total investment amounts to approx. JPY 13.0bn)

Joint Establishment of a CVC* Fund with Subaru Corporation (Announced on July 10, 2018)

Jointly establishing a private fund “SUBARU-SBI Innovation Fund”



**Investment track record and
experience in the growth fields**



**Challenge to create innovations
in mobility society**

Management company: SBI Investment

Investment Target: Promising start-up companies in Japan and overseas that are expected to generate business synergies in SUBARU's existing and prospective business areas.

Fund size : up to JPY 10bn

**In the previous two fiscal years prior to the end of the term,
established 6 CVC funds totaling JPY 40bn, with companies such as
Mitsui Mining, House Food Group, etc.**

***Abbreviation for Corporate Venture Capital**

Promoting Establishment of New Funds Overseas

- Established new funds in China and Malaysia



SBI-Xueda Educational Fund (Established in June 2018)
Initial total commitment amount: CNY 180m (approx. JPY 2.88bn)



OSK-SBI Dynamic Growth Fund (Established in July 2018)
Initial total commitment amount: USD 20m (approx. JPY 2.24bn)

In Russia, SBI Holdings will establish a cooperative system, including the founding of joint funds with the Russian government fund, “Russian Direct Investment Fund (RDIF),” and the major conglomerate “Iliev Group,” which manages and operates commercial real estate

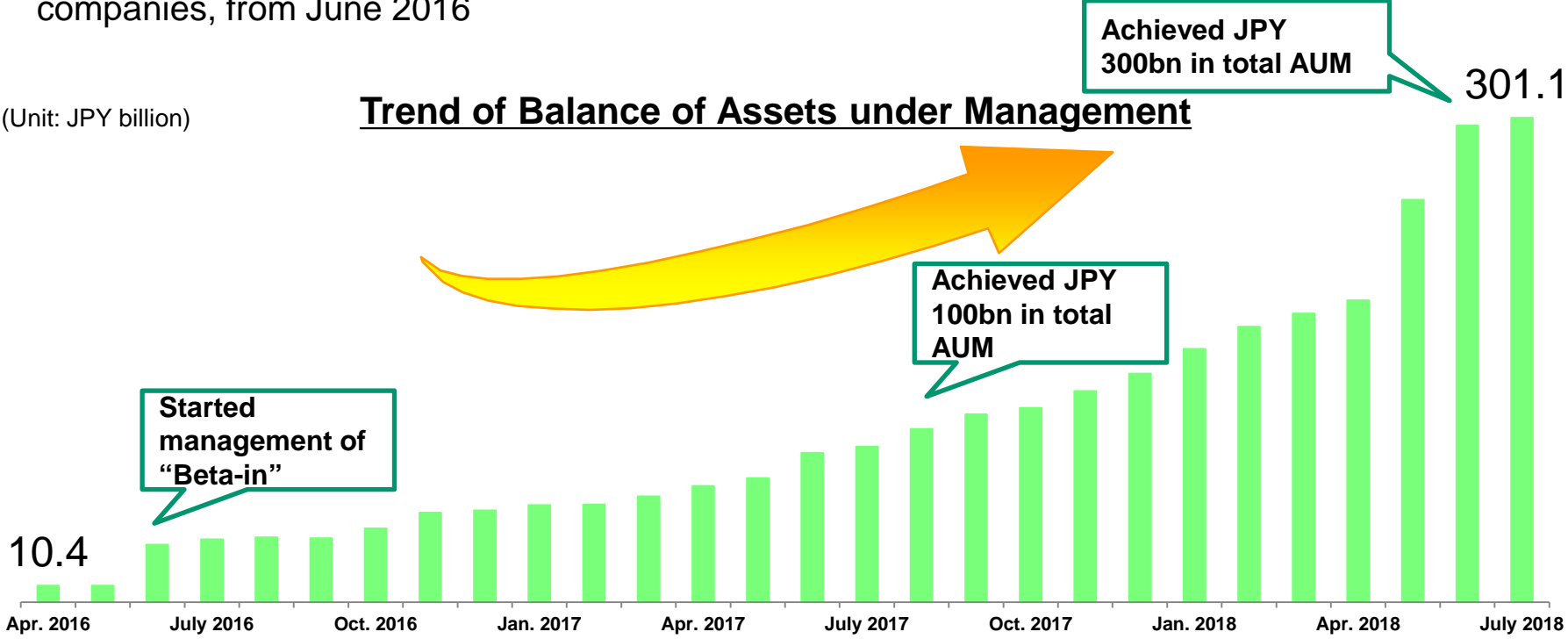
SBI Bond Investment Management (Co-founded with PIMCO, One of the World’s Largest Bond Investors) has Steadily Increased Its Balance to Over JPY 300bn

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

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

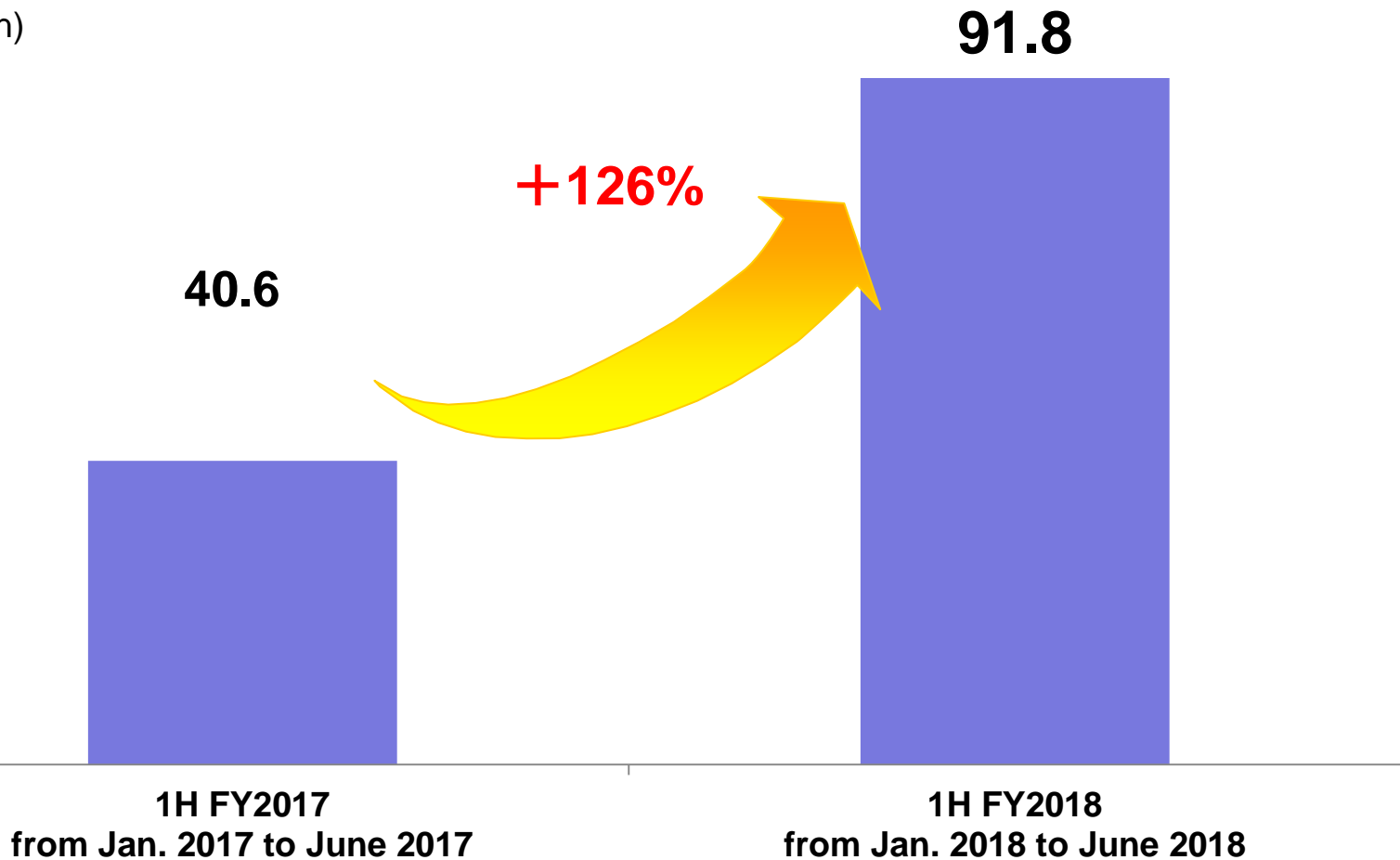
(Unit: JPY billion)

Trend of Balance of Assets under Management



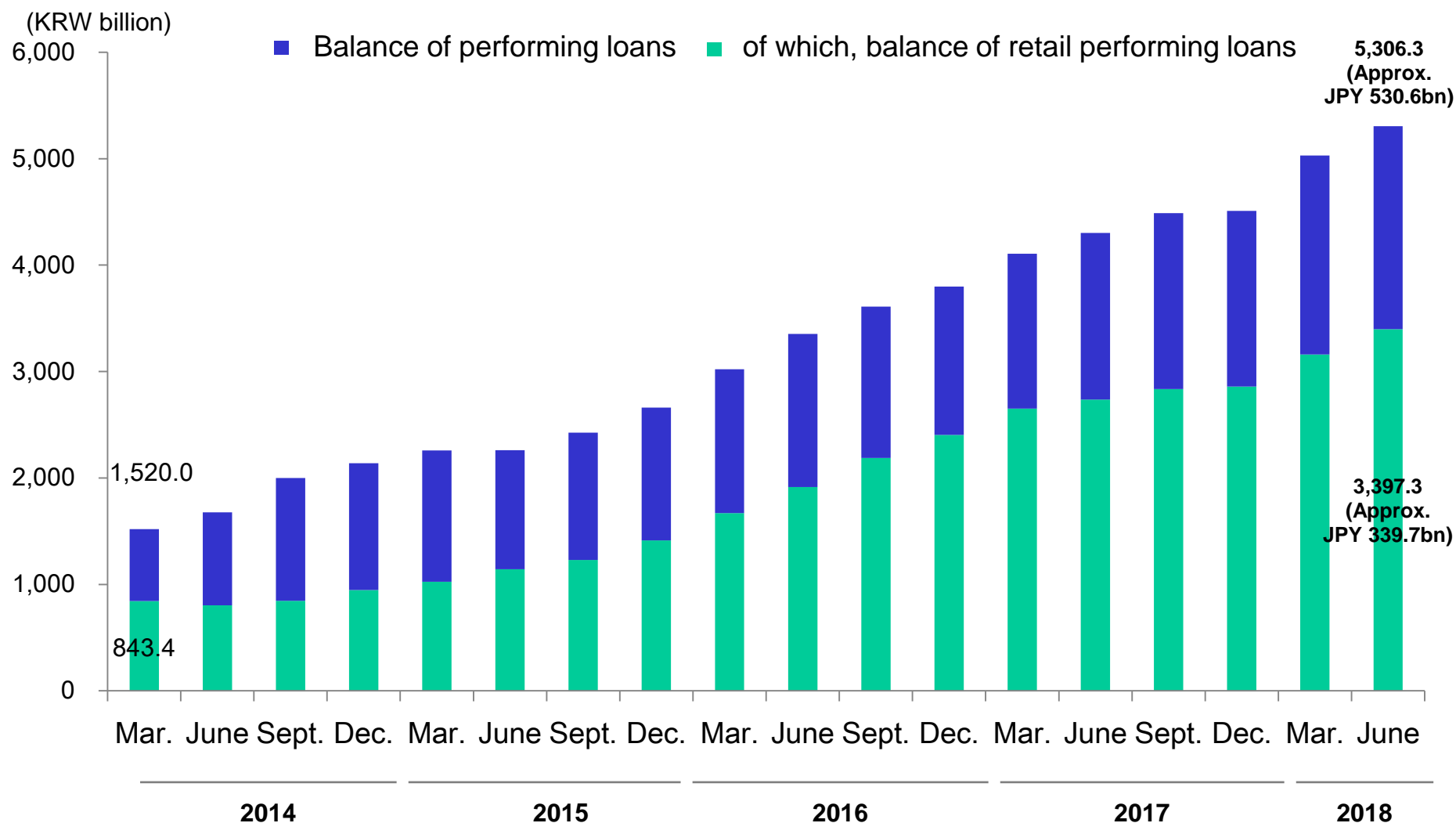
Net Income of SBI SAVINGS BANK (Based on K-GAAP)

(KRW billion)



Balance of Performing Loans (Based on K-GAAP)

- Steadily expanding balance of performing loans centered on retail loans
- The delinquency rate of the entire loan is low at 5.1% (4.3% for retail loan)



3. Biotechnology-related Business

- **Along with the advancement of pharmaceutical research and development, development costs such as clinical trial expenses increased in 1Q FY2018**
- **SBI ALApromo increased its sales to 41.1% year-on-year, and profit before income tax expense for 1Q FY2018 increased to JPY 38m**

1Q FY2018 Profit before Income Tax Expense of the Biotechnology-related Business (IFRS)

(JPY million)

		1Q FY2017 (Apr. - June 2017)	1Q FY2018 (Apr. - June 2018)	
SBI Biotech		-90	-76	
Quark Pharmaceuticals (“Quark”)		-1,966	-2,337	①
SBI ALA-related business	SBI Pharmaceuticals	-167	-314	②
	SBI ALApromo	-7	38	③
	photonamic	49	267	④

- ① Quark’s 1Q FY2018 deficit increased, owing to an increase in clinical trial costs for the pipeline drugs in Phase III. There are three Phase III pipeline drugs, but two are in the final phase of Phase III, so a reduction in development cost is expected in the second half
- ② SBI Pharmaceuticals, which is expanding steadily this fiscal year, temporarily expanded its deficit in 1Q FY2018 as pipeline progressed and development cost increased
- ③ SBI ALApromo’s 1Q FY2018 steadily increased by approx. 41.1% year-on-year
- ④ photonamic’s sales of “Alacare,” a drug that treats actinic keratosis, and “Gliolan®,” a diagnostic agent for cancer treatment (malignant glioma), increased significantly to contribute to a profit before income tax of 5.4 times that of the same period of the previous year

(1) SBI Biotech

SBI Biotech expects to reverse its deficit situation after FY2018, and maintain profitability through the continued development of its existing drug pipeline, as well as through the process of newly out-licensing its drug pipeline

	Licensing partner(timing)	Adaptation disease	Progress	
MEDI7734 (Anti-ILT7 antibody)	Viela Bio* (Sept. 2008)	Myositis	Phase I	A single dose Phase I study has been completed, and the results are being analyzed
SBI-9674	Kyowa Hakko Kirin (Dec. 2016)	Autoimmune diseases	Pre-clinical (Kyowa Hakko Kirin promoting development)	Further receipt of milestone payments in accordance with development progress is also expected
Cdc7 inhibitor	Carna Biosciences (May 2014)	Cancers	Pre-clinical (plan to apply for clinical trial in 2018)	Carna Biosciences entered into an out-licensing agreement with Sierra Oncology. Further receipt of milestone payments in accordance with development progress is also expected
GNKS356	Independently	Autoimmune diseases (Psoriasis / Systemic Lupus Erythematosus (SLE))	Pre-clinical	The subsidy period of AMED's (Japan Agency for Medical Research and Development) project of promoting support for drug discovery on orphan drugs ended in March, 2018. Considering next steps based on the research results of the subsidy period
SBI-3150	Independently	Autoimmune diseases (Various diseases caused by pDC / activated B cells)	Pre-clinical	Using the advantages of the development concept, <u>we are continuously engaged in negotiating with several companies for out-licensing</u>

*A new company specializing in inflammation and autoimmune disease, spun out from MedImmune, LLC., a subsidiary of AstraZeneca

(2) Quark

- Since Quark and SBI Biotech are required to end the parent company – subsidiary relationship in order to IPO individually, they have been reorganized within the SBI Group, and Quark is transitioning from a wholly owned subsidiary of SBI Biotech to an affiliated company (Feb. 2018)
- Economic shareholding of the SBI Group is 95.5%
- Upon IPO, Quark is expected to be completely separated from SBI Biotech

-Drug discovery pipeline progress-

	Licensing partner	Adaptation disease	Progress	
QPI-1002	Novartis International AG	Delayed graft function in kidney transplantation (DGF)	<u>Phase III</u>	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)	NEW!! <u>Phase III</u>	<u>Started Phase III clinical trials in July 2018. Planning expansion of clinical trials to 115 facilities worldwide</u>
QPI-1007	Biocon Ltd of India	Non-arteritic anterior ischemic optic neuropathy (NAION)	<u>Phase III</u>	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)	Quark is reviewing its development plans, since candidate substances with expected higher effects for AMD have been found, and discussing clinical trial for the next step

There are three Phase III pipeline drugs, but two are in the final phase of Phase III, so a reduction in development cost is expected in the second half

Quark in Preparations for Listing

Since Quark has three products at the Phase III stage in its drug discovery pipeline, it will satisfy the conditions for a NASDAQ Market public listing, therefore it is currently in preparation for an IPO on the U.S. NASDAQ Market

→Planning to be listed on the NASDAQ Market within FY2018


By having three Phase III pipeline drugs, Quark is expected to be a unicorn company (a startup with a USD 1bn plus valuation)

(3) SBI Pharmaceuticals

Launch and out-licensing by SBI Pharmaceuticals (Total 5 cases):

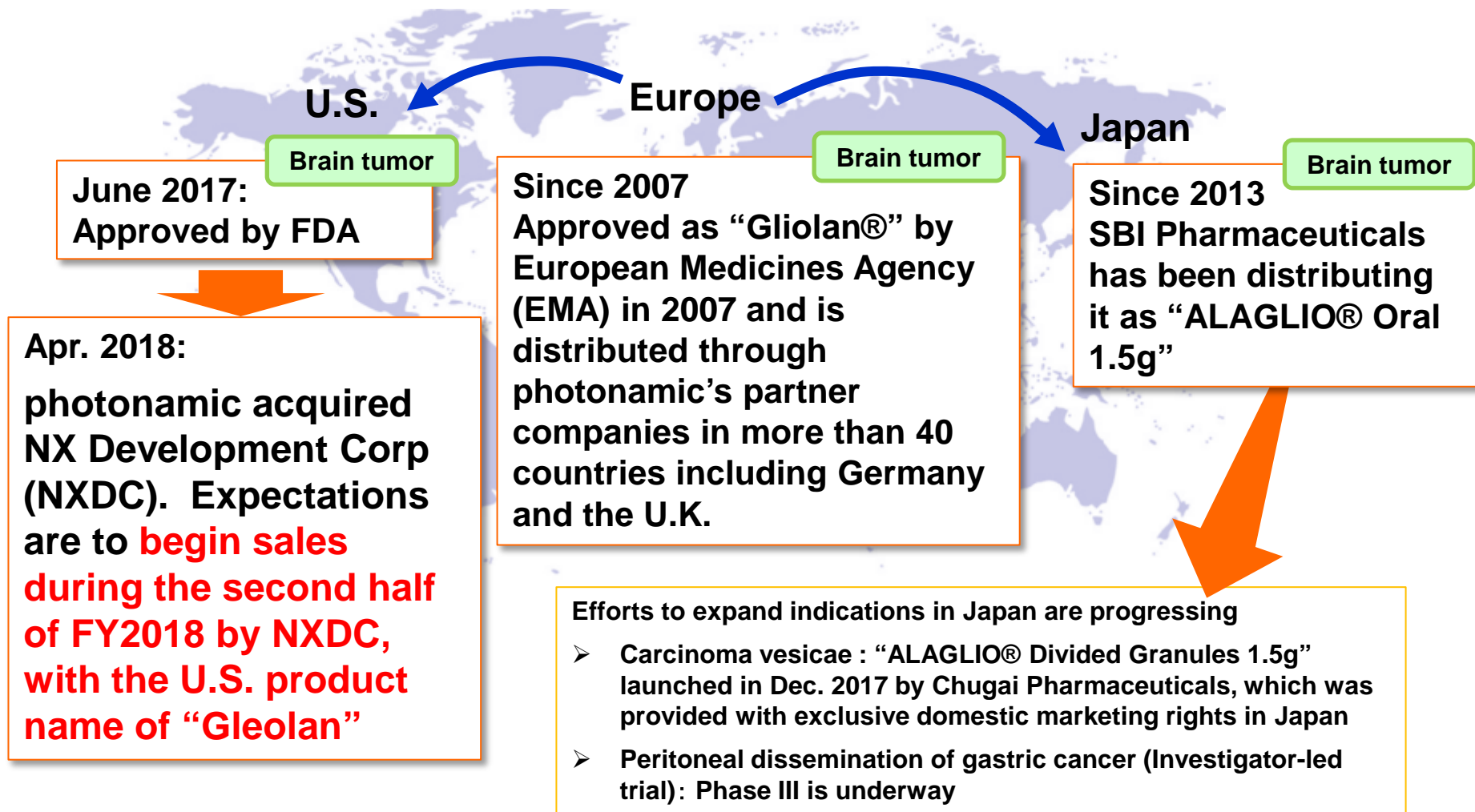
- ✓ Sept. 2013: Launched “ALAGLIO® Oral 1.5g,” diagnostic agent for cancer treatment (Malignant Glioma)
- ✓ Oct. 2016: Licensing out therapeutic drugs for diabetes and malaria infection to Neopharma, UAE pharmaceutical company
- ✓ Dec. 2017: Launched “ALAGLIO® Divided Granules 1.5g,” diagnostic agent for cancer treatment (carcinoma vesicae) in Japan by Chugai Pharmaceuticals, which SBI Pharmaceuticals provided with exclusive domestic marketing rights in Japan
- ✓ Mar. 2018: Out-licensed the development, manufacturing and sales rights of “ALAGLIO® Divided Granules 1.5g” and 5-ALA-related pharmaceuticals to be developed in the MENA region and India to the Neopharma Group (SBI Neopharma, a joint venture between SBI and Neopharma will exclusively distribute)

-Drug Pipelines Utilizing 5-ALA under the SBI Group- *Investigator-led trial

Fields		Pipeline projects	Current status				Prospects for the next three years
			Phase I	Phase II	Phase III	Applica-tion	
Diagnostic agent (PDD)	1	Carcinoma vesicae	Launch (in Dec. 2017)				Launch → Achieved 
	2	Peritoneal dissemination of gastric cancer*	Preparation for Phase III is underway				Completed Phase III / Out-licensing
Drug to treat	3	Cisplatin nephropathy protection	Phase II is underway				Completed Phase II
	4	Mitochondrial diseases*	Phase III is underway				Completed Phase III / Out-licensing
	5	Cardiac ischemia-reperfusion injury*	Preparation for Phase II is underway				Conducting Phase II
Photodynamic therapy (iPDT)	6	Brain tumors* (by photodynamic)	Preparation for Phase II is underway				Conducting Phase II

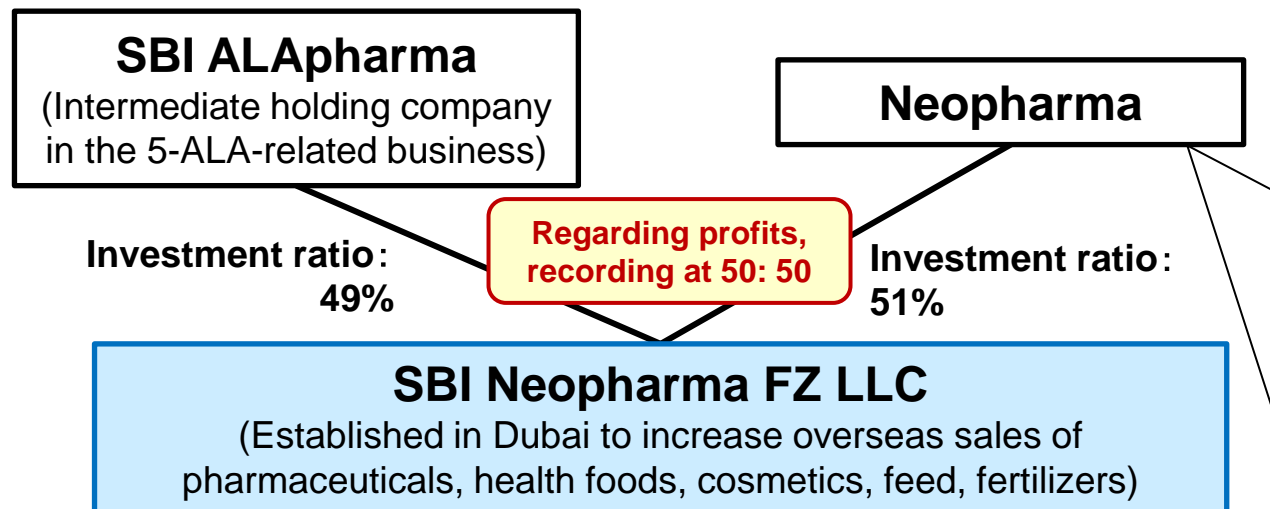
(4) photonamic

“Gliolan®” developed by photonamic, a wholly owned German-based subsidiary of SBI ALApharma, will be distributed by NXDC in the U.S. in the second half of FY2018



(5) SBI Neopharma

In FY2018, SBI Neopharma plans to launch the health food “NatuALA” in more than 20 countries worldwide



- A corporation established in U.A.E. in 2003 to manufacture and market pharmaceuticals. Presently Neopharma is one of the largest pharmaceutical company in the MENA region with presence in over 50 countries
- Owns generic drug production licenses of 14 companies, including mega-pharma companies, at 7 global sites
- 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

Scope of products:

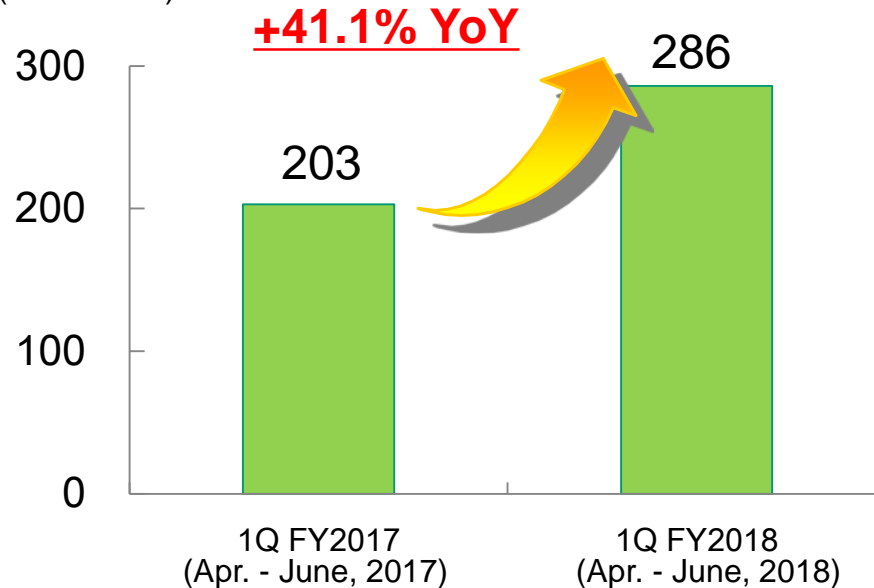
Pharmaceuticals	Therapeutic drugs for diabetes and malaria infection utilizing 5-ALA, to be developed by Neopharma (Out-licensing to Neopharma in Oct.,2016)
	Pharmaceuticals including “ALAGLIO® Divided Granules 1.5g” in the territory of MENA and India (to Neopharma, in March 2018)
Health foods	5-ALA-related products (health foods, cosmetics, feeds and fertilizers) →Launched the sales of 5-ALA-related health foods in the Middle East from May 2017 Sales in FY2017 (fiscal year ended Dec. 31, 2017) : Approx. JPY 120m *approximate values →In preparations for registration applications of health foods in over 80 countries worldwide. In FY2018, SBI Neopharma plans to launch the health food “NatuALA” in more than 20 countries worldwide

(6) SBI ALApromo

Profit before income tax expense for 1Q FY2018 approaches the level of the previous term (JPY 40m)

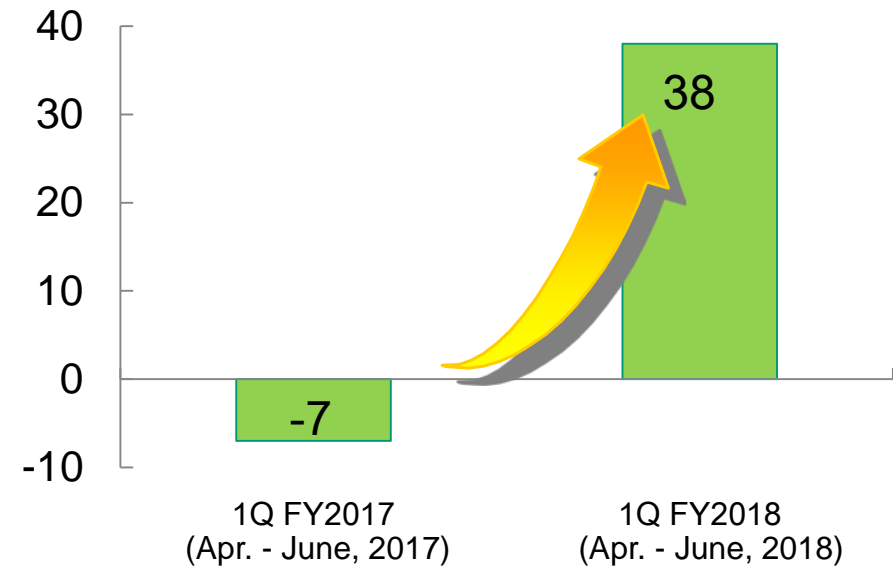
Revenue (IFRS)

(JPY million)



Profit before Income Tax Expense (IFRS)

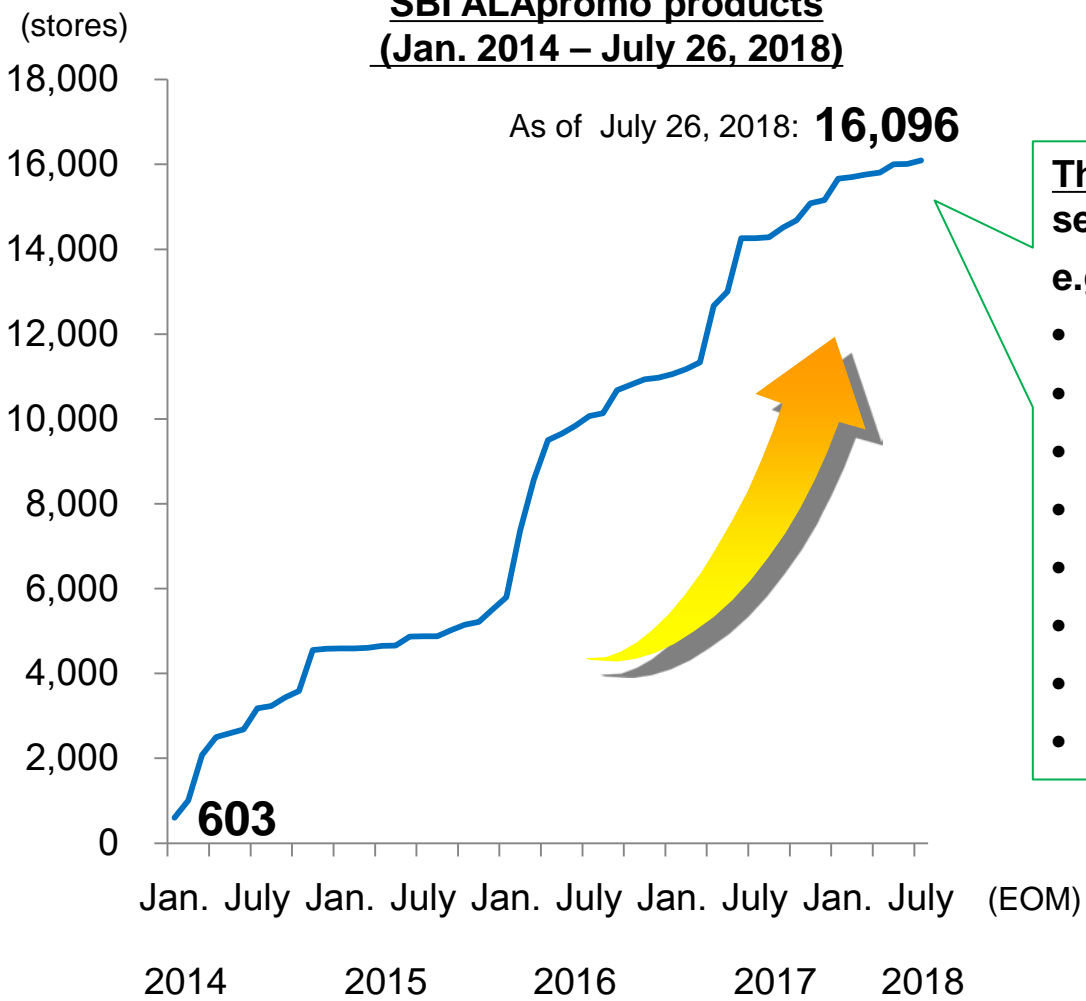
(JPY million)



Among over 1,000 foods with functional claims received by the Consumer Affairs Agency, “ALAplus Tou (Sugar) Down” (30 capsules) was ranked 8th in sales, in May 2018. (July 2018 issue of the monthly magazine “H&B Retail”)*
Ranked in top 30 for 27 consecutive months since Mar. 2016

Number of Domestic Stores that Offer Health Foods Containing 5-ALA are Increasing Steadily, and Now Became Over 16,000 Stores

Number of stores that offer
SBI ALApromo products
(Jan. 2014 – July 26, 2018)



- The leading drug store chains started selling 5-ALA products:
- e.g.
- Tsuruha Holdings 1,424 stores
 - Welcia 1,552 stores
 - Matsumoto Kiyoshi 1,191 stores
 - cocokara fine 1,062 stores
 - FUJIYAKUHHIN approx. 890 stores
 - COSMOS Pharmaceutical 934 stores
 - Sundrug approx. 820 stores
 - SUGIYAKUHHIN 792 stores

Product Expansion during the Current Fiscal Year

➤ **Cosmetics for moisturizing utilizing 5-ALA: “ALApplus Cosmetic Series”**

Deep Cleansing Gel and Pure Clay Wash were released on July 18 for the full-scale launch of skincare products utilizing 5-ALA



➤ **Expansion of general food products**

Plan to launch a new product of germination brown rice, which started R&D and commercialization on from FY2017, in Sept. 2018

Accelerating the Development of New Foods with Functional Claims

SBI ALApromo’s offering of foods with functional claims

On sale

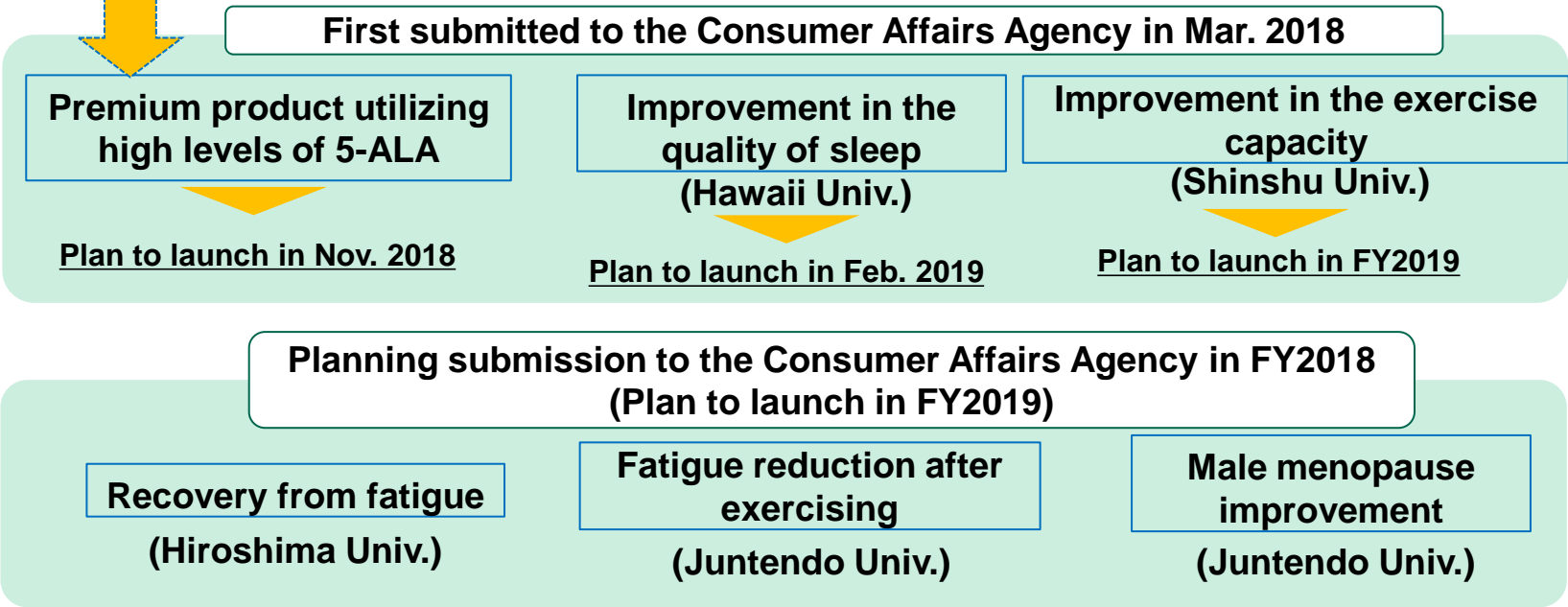
Function to improve high levels of fasting blood glucose levels and postprandial glucose levels

“ALAPlus Tou (Sugar) Down” utilizing 5-ALA (10 and 30 day supplies)
(Launched in Dec. 2015)

Cognitive improvement

“SBI Gingko Bilboa” utilizing ginkgo bilboa
(Launched in Dec. 2017)

Under development



4. By Promoting the Introduction of RPA (Robotic Process Automation) Throughout the Group, will Accelerate Operational Efficiency and Service Improvements

Examples of RPA adoption by each Group company, and the corresponding annual reduction prospects

	Estimated cost reduction (JPY thousand / 1 year)	Estimated time saving reduction (Hour / 1 year)	
SBI Holdings	4,595	222	Incorporates into more than 15 tasks at Administration & Human Resource Dept., Finance Dept. and E-Loan Dept., etc.,
SBI SECURITIES	144,263	48,088	Incorporated RPA for back office work of customer relations and compliance related matters
SBI Sumishin Net Bank	159,105	54,396	Incorporates into a total of 123 tasks, including back-office jobs related to housing loans and card loans
SBI Insurance	68,432	23,640	Selected 268 potential tasks for RPA incorporation
Morningstar Japan	80,910	26,972	Utilizes RPA for input of various data, along with creation of market news articles

- PoC tests for RPA introduction are underway at SBI MONEY PLAZA and SBI Life Insurance
- SBI Process Innovator is conducting RPA introduction support services within and outside the Group

Summary of Performance in FY2017 and 1Q FY2018

Promotion of the following basic strategies contributed significantly to the realization of current favorable performance

- Basic Strategy ① Pursuit of the “Customer-centric Principal,” and substantive expansion of the customer base**
- Basic Strategy ② Thorough pursuit of synergies among the constituent companies, upon the establishment of the Financial Services Business ecosystem (FinTech 1.0). Moreover, proactively adopted financial services that incorporates new technologies (FinTech 1.5) to further create a mutual evolution among the Group companies**
- Basic Strategy ③ Promoting three processes of, “Investment” (investment in startup companies), “Adoption” (advanced technology utilization within the SBI Group), and “Diffusion,” to further strengthen alliances with regional financial institutions, and to promote mutual business opportunities with regional financial institutions**

III. Various Measures to Promote Further Expansion of Business Performance, by Strengthening the Business Foundation

- 1. While contributing to the regional revitalization through strengthened alliances with regional financial institutions, expanding the Group's regional operations**
- 2. Creating synergies through the establishment of a new ecosystem based on digital assets**
- 3. By utilizing new technologies, the SBI Group continues to strongly promote its slogan of "Focusing on Finance to Transcend Finance"**

1. While contributing to the regional revitalization through strengthened alliances with regional financial institutions, expanding the Group's regional operations

-The regional revitalization project that the SBI Group is promoting is transitioning to the Phase 2 stage-

Phase 1

Contributing to the enhancement of the regional financial institutions' corporate value, through the utilization of existing management resources, including the products and services, of the SBI Group

Phase 2

- Through the newly established SBI Neo Financial Services, promote the utilization of new technologies by the regional financial institutions**
- Promote technologies and services owned by FinTech investee startups, etc., to SMEs, in order to revitalize regional industries**

Phase 1

Contributing to the enhancement of the regional financial institutions' corporate value, through the utilization of existing management resources, including the products and services, of the SBI Group

- ① Financial Services Business**
- ② Asset management services business**
- ③ Mediating the formation of alliances with investee startup companies**

SBI SECURITIES Provides Financial Instruments Intermediary Services to Regional Financial Institutions, in Order to Correspond to the Asset Formation Needs of Regional Customers
-Alliances with 30 banks in total are announced-



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”



[Alliances with 30 banks]

<u>The Shimizu Bank</u>	<u>The Ehime Bank</u>	<u>CHIKUHO Bank</u>	<u>The Keiyo Bank</u>
<u>The Tokyo Tomin Bank</u>	<u>The Aomori Bank</u>	<u>The Fukui Bank</u>	<u>THE SAGA KYOEI BANK</u>
<u>Bank of The Ryukyus</u>	<u>The Awa Bank</u>	<u>The Towa Bank</u>	<u>THE NAGANO-KEN SHINKUMI BANK</u>
<u>THE SENDAI BANK</u>	<u>Kirayaka Bank</u>	<u>The Akita Bank</u>	<u>THE KANAGAWA BANK</u>
<u>Aichi Bank</u>	<u>FUKUSHIMA BANK</u>	<u>Kita-Nippon Bank</u>	<u>The Kiyo Bank</u>
<u>The Miyazaki Taiyo Bank</u>	<u>THE HOWA BANK</u>	<u>THE OKAZAKI SHIKIN BANK</u>	<u>The Tohoku Bank</u>
<u>THE NAGANO BANK</u>	<u>SHIMANE BANK</u>	<u>MINAMI NIPPON BANK</u>	<u>THE BANK OF KOCHI</u>
<u>THE MIE BANK</u>	<u>The Daisan Bank</u>		

SBI SECURITIES' Financial Institutional Sales Dept. Provides Various Financial Instruments, Such as Investment Trusts , as well as Equity and Bond Transactions, to its Customer Financial Institutions of a Total of 202 Companies*₁

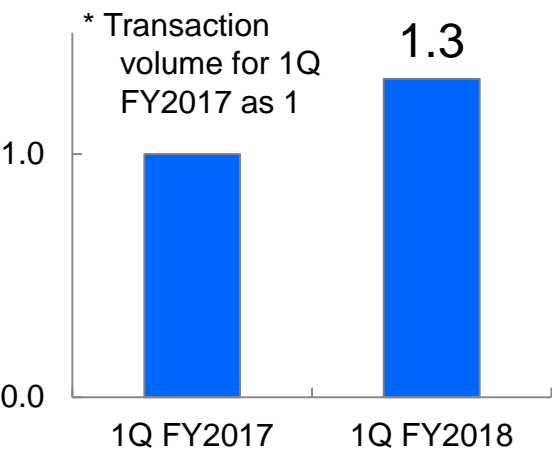


SBI SECURITIES is strengthening the distribution of structured bonds (self-origination and distributed a total amount of JPY 39.5bn*₂ (Dec. 2015 – June 2018)), domestic and overseas investment trusts, as well as bond transactions

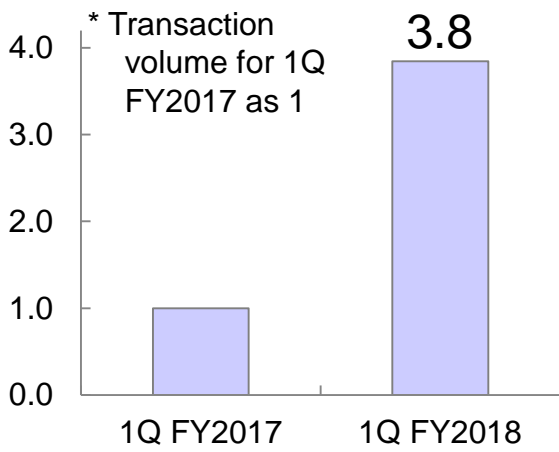
*₁ As of the end of June 2018 *₂ Includes structured bonds toward retail customers

-Transaction volume for 1Q FY2018 with financial institutions-

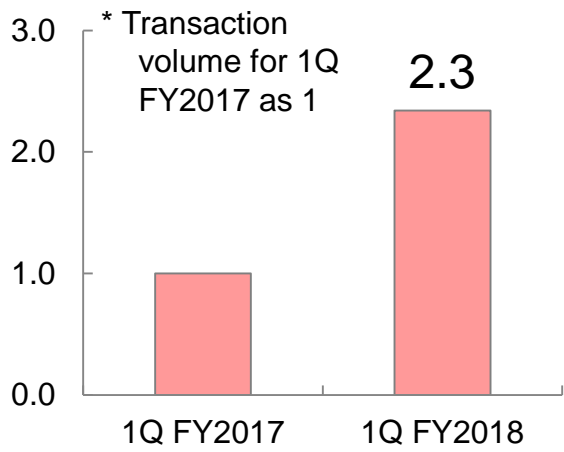
Equity trading



Investment trusts



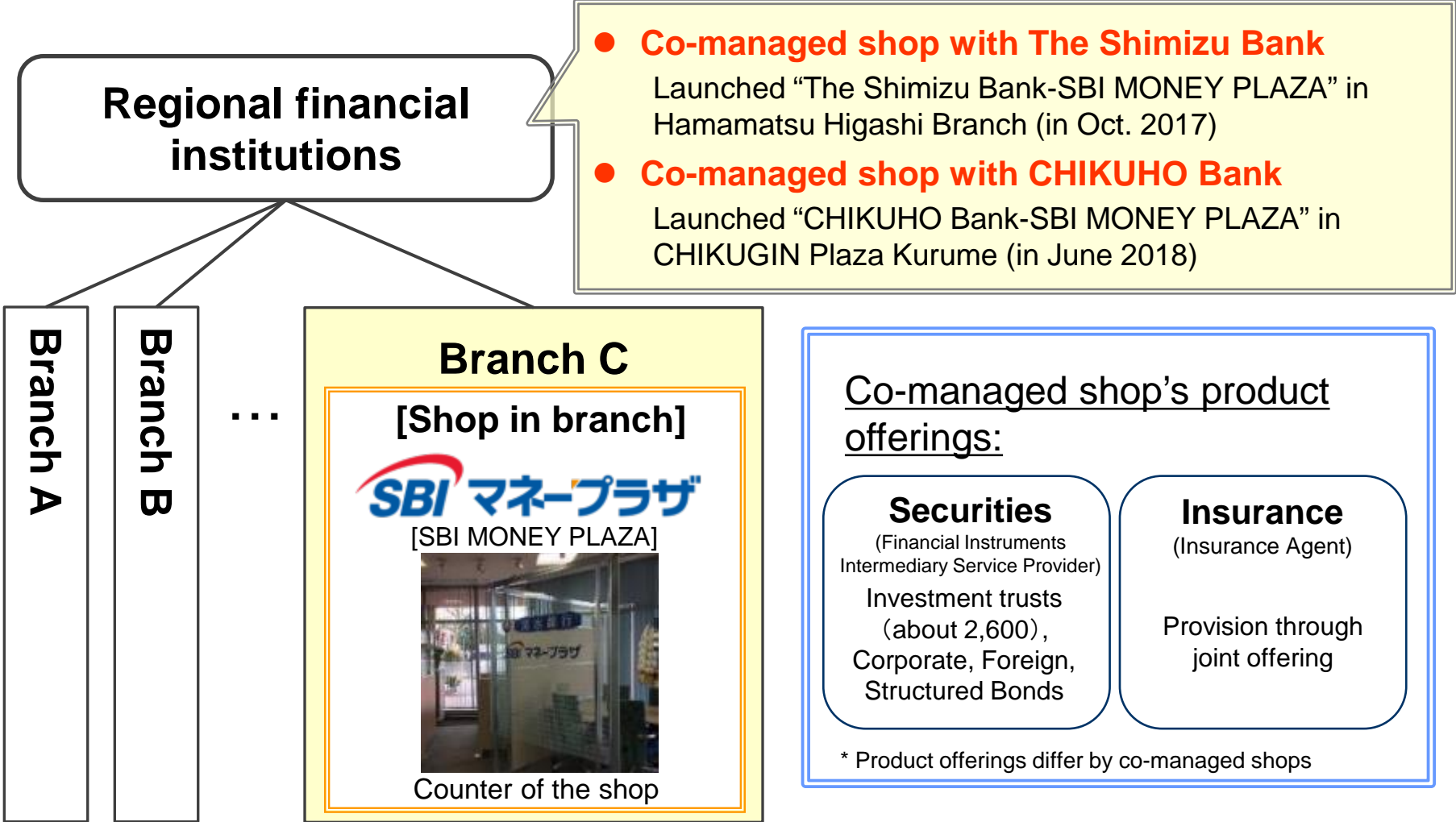
Newly-issued and existing bond transactions



- ◆ Rapidly increased the underwriting of newly-issued municipal bonds and public bonds
- ◆ Implemented the first foreign bond transaction with institutional investors

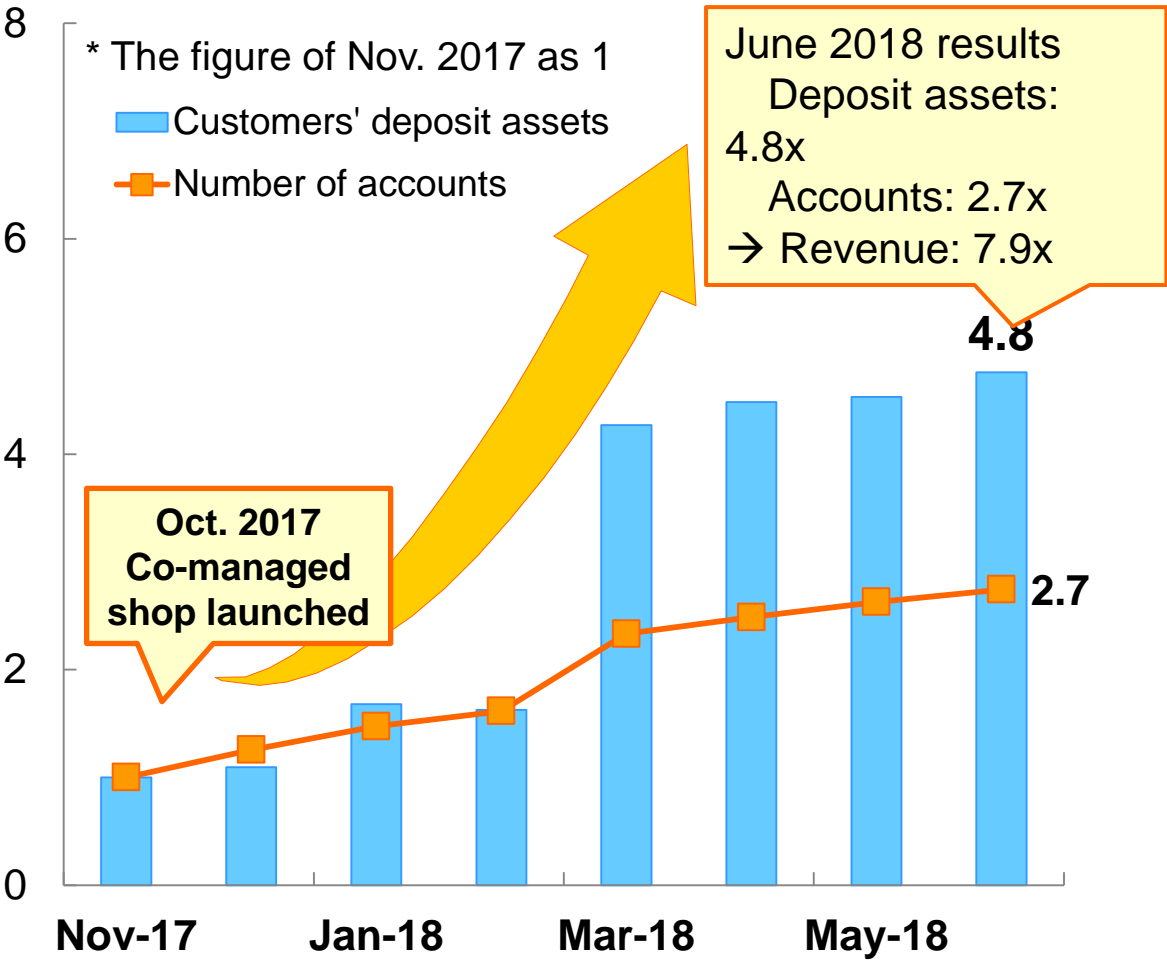
SBI MONEY PLAZA Launched Co-managed Shops with Regional Financial Institutions, The Shimizu Bank and CHIKUHO Bank

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



At the Co-managed Shop with The Shimizu Bank, Revenue Increased, along with a Steadily Expanding Number of Accounts and Customers' Deposit Assets

Monthly trend of customers' deposit assets and number of accounts



With a similar model for regional financial institutions, advance

- ① New co-managed stop openings
- ② SBI MONEY PLAZA's existing directly managed shops to be revamped into co-managed shops

Strengthen the earning capacity of regional financial institutions

SBI MONEY PLAZA, through Business Alliances with 35 Regional Financial Institutions, Provides Products for Corporations and Wealthy Individuals



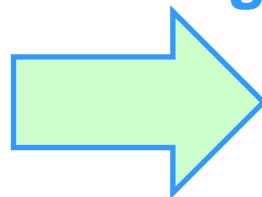
Regional financial institutions

Accounting measures and inheritance preparation products

- ✓ **Operating lease**
- ✓ **Insurance products**
- ✓ **Real estate small-lot trust beneficiary rights ... etc.**



Offering



Regional financial institutions' customer corporations and wealthy individuals

Several Regional Financial Institutions, et al., Determined to Introduce SBI Insurance's Products

SBI損保



**Regional financial
institutions, etc.**

SBI Insurance will develop the local customer base by
offering convenient and diverse insurance products



Customers

◆The Okazaki Shinkin Bank (From June 25, 2018)

As a first for credit unions, the “SBI Insurance Fire Insurance” website was administered, a website which is optimal for individual customers to freely customize their necessary compensation content

◆THE TAIKO BANK (From July 2, 2018)

As a first for regional banks, the “SBI Insurance's Cancer Insurance” website was administered, a website that compensates for the actual cost from advanced medical care, to treatment not covered by health insurance on the website

◆AEON Bank (From July 27, 2018)

Started administering “SBI Insurance's Auto Insurance” online

8 companies (of which 4 are regional financial institutions), including the 3 banks above, decided to adopt SBI Insurance's products, and plans are for sales to start shortly

SBI Life Insurance's Group Credit Life Insurance Adoption by Regional Financial Institutions, including Regional Banks, Continues Smoothly

◆Yamaguchi Financial Group (Announced on July 27, 2018)

As the first partnership with regional banks, in July, SBI Life Insurance's Group Credit Life Insurance was agreed to be adopted for mortgage loans by The Yamaguchi Bank, Momiji Bank and THE KITAKYUSHU BANK, which is under the auspices of the Yamaguchi Financial Group. Plans are for the adoption to begin this fall.

◆Hanno-Shinkin Bank (from June 1, 2018)

Hanno-Shinkin Bank, headquartered in Hanno City of Saitama Prefecture, operates its business in an area with high demand for housing, introduced SBI Life Insurance's group credit life insurance as an insurance product to meet diverse needs in June 2018

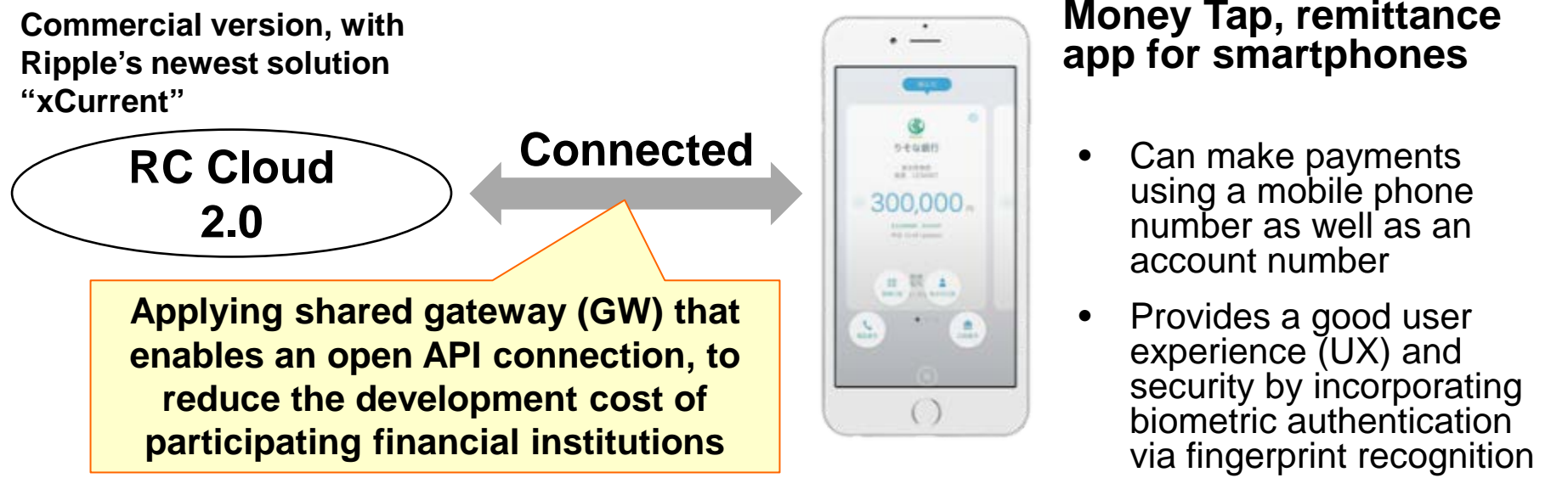
◆Toyota Shinkin Bank (from Sept. 2018 (scheduled))

As the first regional financial institutions in the Tokai area, partnered with Toyota Shinkin Bank. SBI Life Insurance's Group Credit Life Insurance will be adopted from Sept. 2018, as an insurance product to meet the diverse needs in a region with high demand for housing

SBI Life Insurance continues to proactively promote sales to regional financial institutions, and several more institutions have decided on the adoption during FY2018

“Money Tap,” the Remittance App for Smartphones Developed by “The Japan Bank Consortium,” which SBI Ripple Asia Serves as Secretariat

SBI Sumishin Net Bank, SURUGA Bank and Resona Bank will first engage in operational tests, and then will endeavor to have the app released after this summer

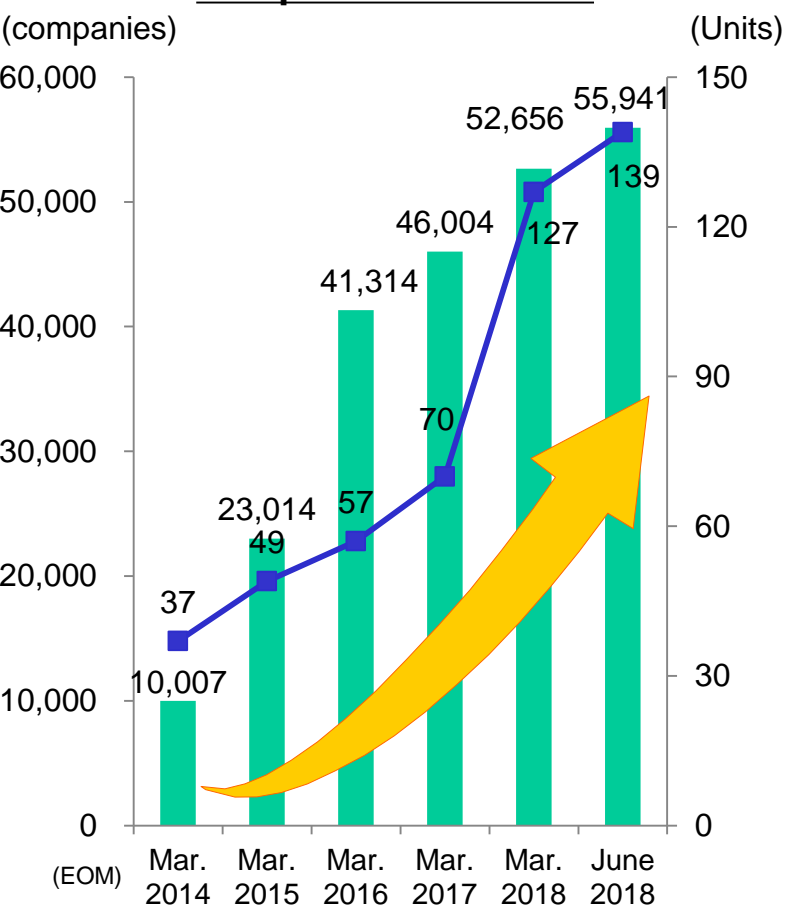


Offers a welcoming environment where users can make real-time money transfers safely

As a Tool to Make Better Proposals for Local Investors, Morningstar Japan Offers the Tablet App “Investment Trust INDEX,” to Regional Financial Institutions

A total of 55,941 tablets have been delivered to 139 companies, including 50 regional financial institutions

Tablet app trend of providing companies and units



■ Tablet app “Investment Trust INDEX”

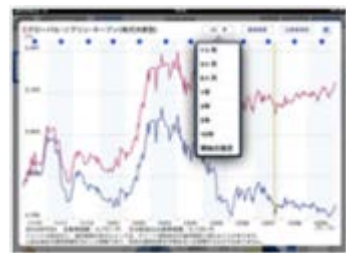


The latest financial information can be carried, additionally it is possible to display charts of portfolios of each fund, and simulations of asset management by touch operation

Fund outline



Chart function



Market information



Fund comparison and combination functions



SBI Asset Management Established “SBI Regional Bank Value Creation Fund” that Invests in Regional Financial Institutions which are Likely to Improve Their Corporate Values

- Privately placed investment trust offered to qualified institutional investors
- With regard to the investment, in addition to cash investments, in-kind contributions of regional bank shares, of which the Fund may target to acquire, are possible
- Supports further enhancement of the investee regional financial institutions' corporate values, by assisting in the introduction and support of FinTech by the SBI Group

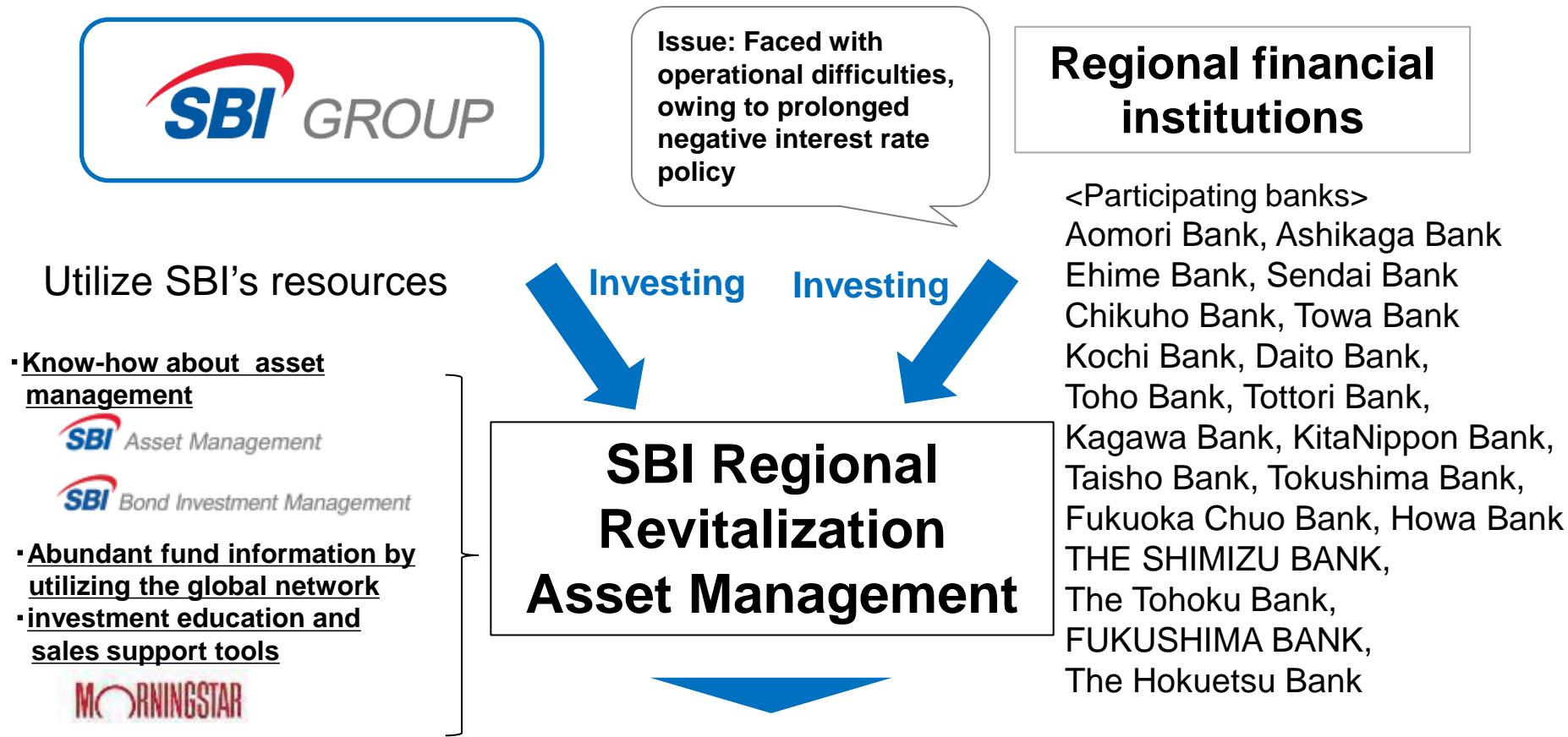


For both cash investments and in-kind contributions*, additional purchase applications will be accepted on a monthly basis, expecting to further increase the fund size to up to JPY 100bn

* In-kind contribution will be accepted into the Fund at the value of the application date's closing share price

Through the utilization of the Fund, also assist in eliminating the cross-shareholdings of the regional financial institutions, leading to an effective utilization of capital and the strengthening of governance at the regional financial institutions

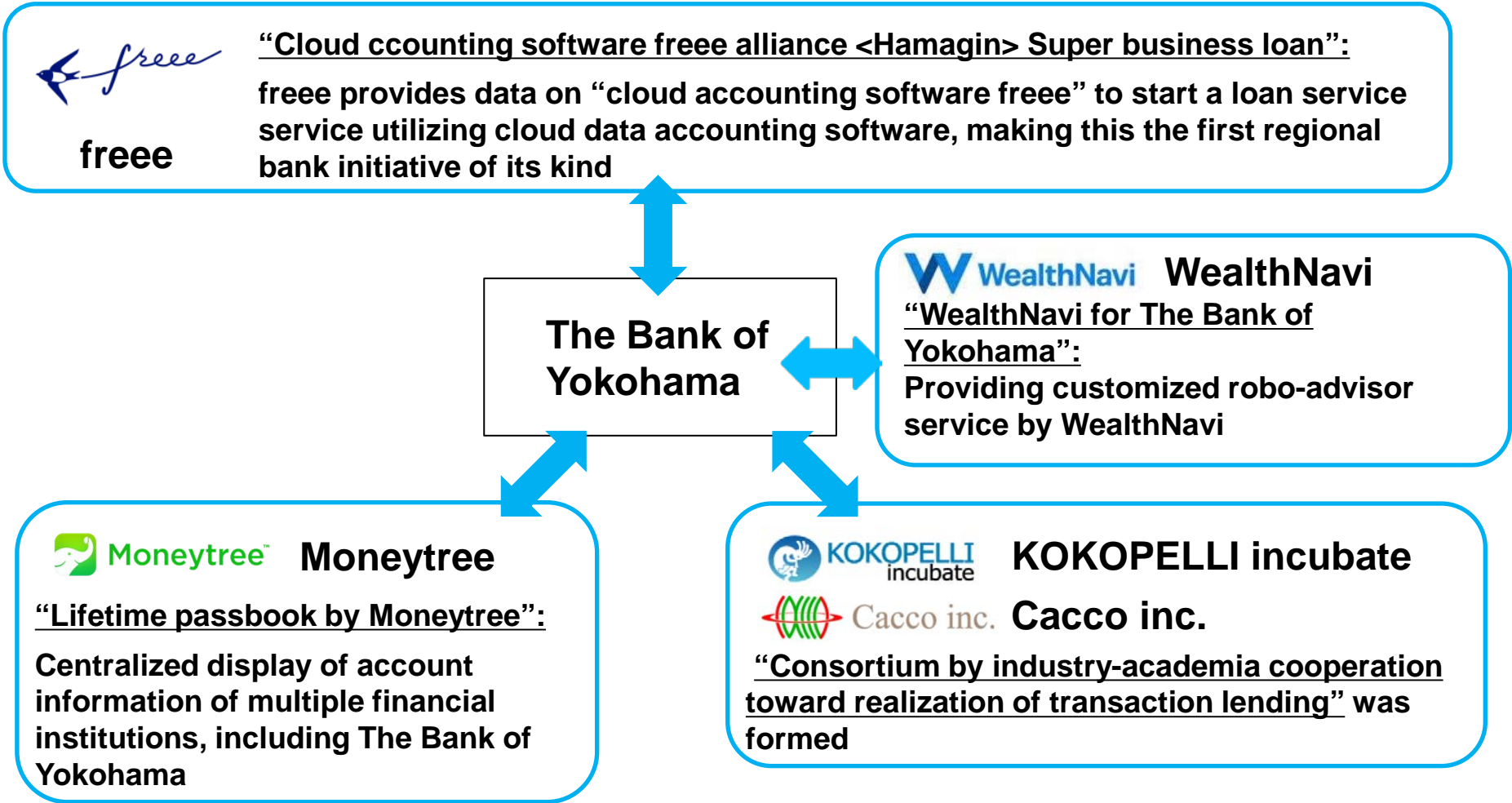
Established “SBI Regional Revitalization Asset Management,”
an Asset Management Company, through a Joint Investment
-Total investment participation by 20 banks-



Will support the regional financial institutions that are investors, from both customer asset management and self fund management perspectives, as well as the development of human resources who will be responsible for the operational practices at each bank

Mediating case1 :

Collaboration between The Bank of Yokohama and Investee Venture Companies from the FinTech Fund et al



Mediating case2:

Business Partnership between The Shimizu Bank and BASE, which Provides an E-commerce Platform

- Promote initiatives for regional revitalization centering on internet business support -

(Investee Venture Company
of the FinTech Fund)

The Shimizu Bank



[Partnership details]


- Support PR for products of the Shizuoka Prefecture through content, events and seminars on the shopping application “BASE”
- Establishment of a website to disseminate the culture of Shizuoka Prefecture
- Provide ID payment service “PAY ID,” etc.

Phase 2

- **Through the newly established SBI Neo Financial Services, promote the utilization of new technologies by the regional financial institutions**
- **Promote technologies and services owned by FinTech investee startups, etc., to SMEs, in order to revitalize regional industries**

Contributing to the Revitalization of Regional Financial Institutions and Regional Industries (SMEs / Individual Business Owners) by Utilizing the Various Operational Resources of the SBI Group

Financial field

 : JV partner or Investee or alliance partner (including planned party)

a. Nationwide deployment and advancement of services of the regional financial institutions

SBI Neo Financial Services

New ecosystem promoting the introduction and diffusion of new technologies



(FinTech platform)



(Automatic household account book)

DAYLI Financial Group

(Screening service utilizing AI)

Moven

(“NeoBank” platform)

infcurion group

(Saving app “finbee”)

Moneytree

(Asset management app)

LendingHome

(Online mortgage platform)

Decentralized Mobile Applications

(Mobile banking remittance service “Paykey”)

DriveWealth

(Service that makes it easy to make small amount investments using mobile devices)

WealthNavi

(Robo-advisor service)

FinanceApp

(Insurance consulting support service “WeFox”)

HITACHI

(Screening service utilizing AI)

NEC

(Monitoring system for countermeasures against unauthorized transfers, utilizing AI)

eToro

(Social trade platform)

OneCnnect (Ping An group)

(FinTech platform)

Non-financial sectors

: JV partner or Investee or alliance partner (including planned party)

b. Revitalize SMEs through IT utilization

BASE

(EC platform)

ABEJA

(AI platform)

PAY

(a subsidiary of BASE)

(QR code payment)

freee

(Accounting automation / Cloud accounting)

Origami

(Smart phone payment)

Planet Table

(Production distribution support platform)

Music Securities

(Cloud funding)

Paidy

(Online payment)

Payke

(Multilingual product information scanning app utilizing barcode)

GiXo

(Big data)

c. Business succession support

TRANBI

(M&A matching platform)

d. Regional economic revitalization through power generation project

SBI ENERGY

(Development of renewable energy)

Common sectors

e. Operational efficiency / Improvement / Rationalization

SBI Process Innovator
(BPR-RPA)

AntWorks

(AI-RPA platform)

f. Improvement of UI/UX

Gómez™

(Website evaluation · consulting)

Goodpatch

(UI/UX design)

g. Security

SBI BITS

(System development)

Liquid

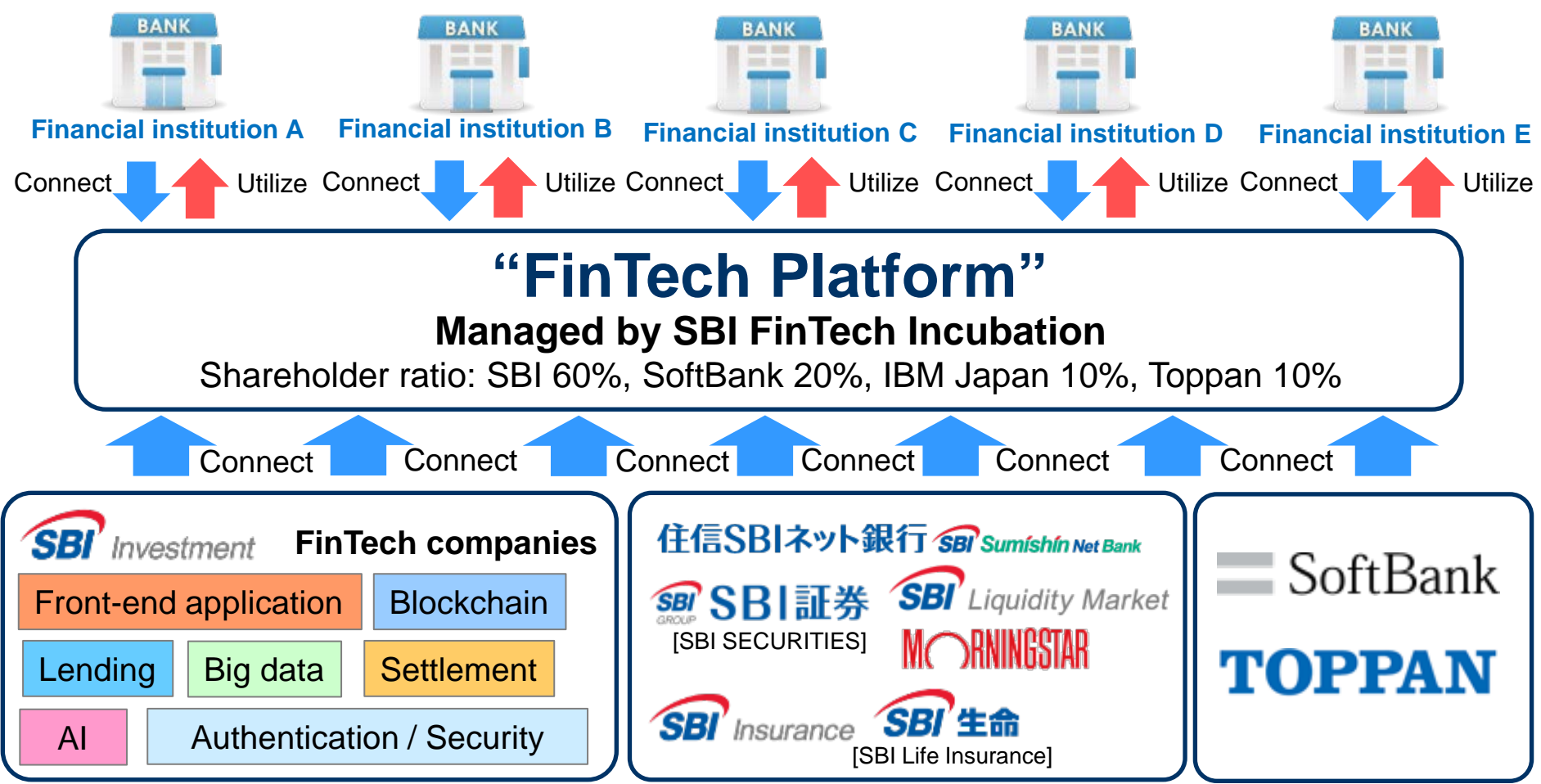
(Biometrics)

Cacco

(Fraud detection)

(Example 1) Collaborating with Vendor Companies, which has Close Relationships with Regional Financial Institutions, to Establish a Support System for FinTech Services

2 banks introduced the platform, with 2 more making arrangements



By assorting FinTech venture companies' services and systems, minimizing regional financial institutions' introductory costs

(Example 2) With Moven of the U.S., Offering a Banking App Specialized in Mobile UI/UX



(An investee company of the SBI Group)

- Established in 2011, and started business in 2013 as the first mobile-based bank in the world
- A representative of the “Neobanks*,” which provides mobile optimized banking applications for affiliated financial institutions
- Moven’s banking apps are full-service banking solutions that allow customers to complete financial transactions on their mobile devices. They are optimized for mobile devices and designed for intuitive operation
- Moven has partnered with various banks, including The Toronto-Dominion Bank of Canada (TD Bank) and Westpac Banking Corporation in New Zealand, and has developed and introduced customized mobile apps for them.



 *Moven Asia* SBI and Moven joint venture / shareholding ratio 7:3 (planned)

Through SBI Moven Asia, optimally customize Moven’s services to meet regulations, practices and the needs in Asia, as well as provide mobile banking applications to partner financial institutions

* NeoBanks are FinTech companies that do not register with the authorities as a banking, provide partnerships with existing financial institutions, and provide new value to depositors. They build unique interface on mobile device platform of partner financial institution and provide online payment systems and cash flow management functions.

(Example 3) Customer-oriented Optimal Sales Support for Insurance Products

An insurance consulting support platform is under development by the Group



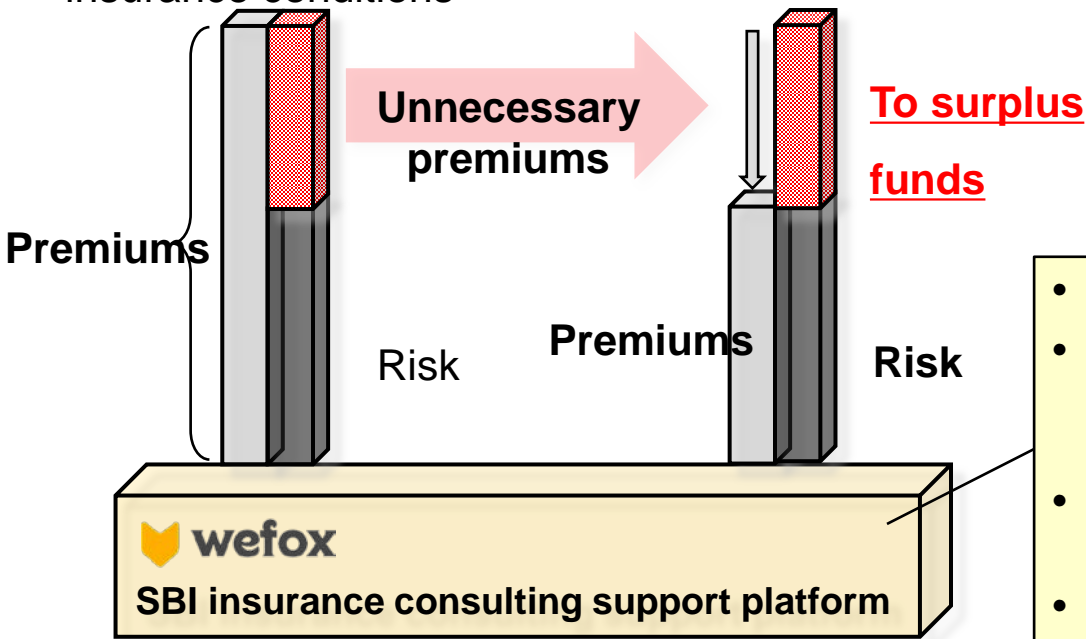
(An investee company of the FinTech Fund)

**Finance App Co.
(Switzerland)**

- The company is an InsurTech company which offers Wefox, an insurance product management app, to insurance brokers
- WeFox provides an environment that enables brokers to manage all insurance products, and build customers' portfolio on the app

Overview of insurance consulting support platform

Problem: Surplus insurance conditions

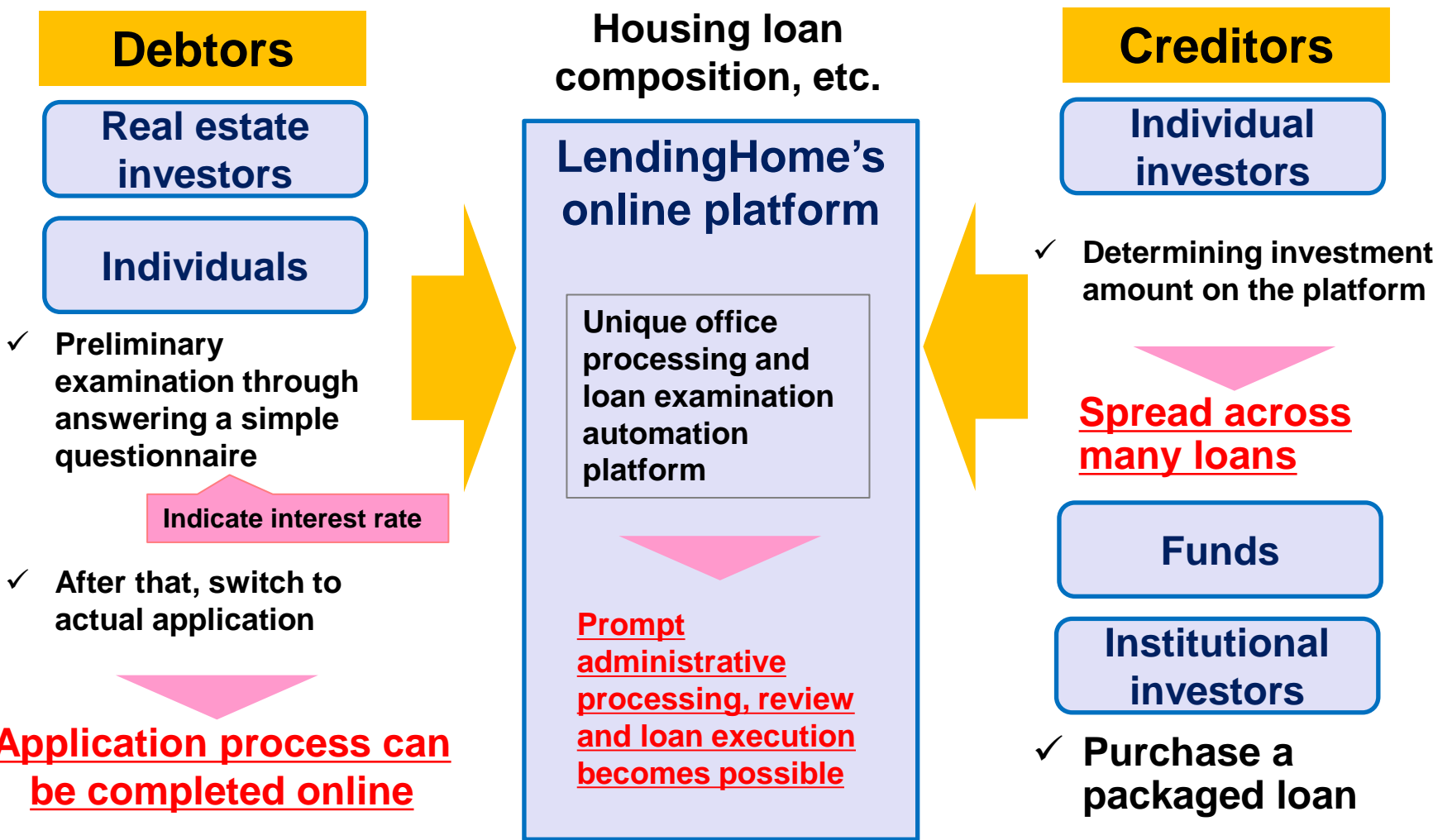


By rebalancing the portfolio of all customer financial assets:

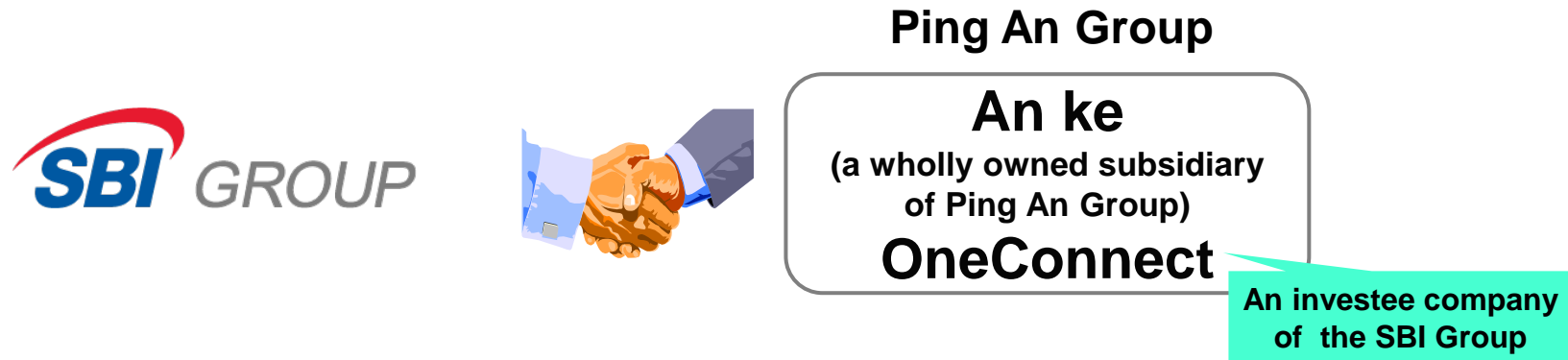
- ① Surplus insurance is optimized
- ② Surplus funds are redistributed as savings and investments

- AI insurance portfolio analysis
- Proprietary insurance scoring (recommendations) model based on customer experience
- Marketing automation & data-driven marketing support
- Operation efficiency support

(Example 4) Introduction of LendingHome's (U.S.) Technology to Improve Business Efficiency through the Automation of the Majority of Processes for Home or Real Estate Loans, from Receipt of Applications, to Approval Review and Disbursal of the Loan



(Example 5) Establishing a Joint Venture with the Ping An Group in China to Contribute to the Utilization of New Technologies at the Regional Financial Institutions



- The Ping An Group provides one of the world’s more advanced financial services, including such financial services as insurance, banking and investments
 - OneConnect provides FinTech solutions that extend from front to back office operations, to over 2,300 financial institutions
-
- Establish a joint venture company to promote OneConnect’s services to regional financial institutions.
 - Utilizing the Ping An Group’s network in China, support the regional financial institutions’ entry into China

Example: Provide Services such as a Platform Enabling Regional Business Operators to Easily Open Online Shops (EC sites) with no Upfront Expenses or Monthly Usage Fees



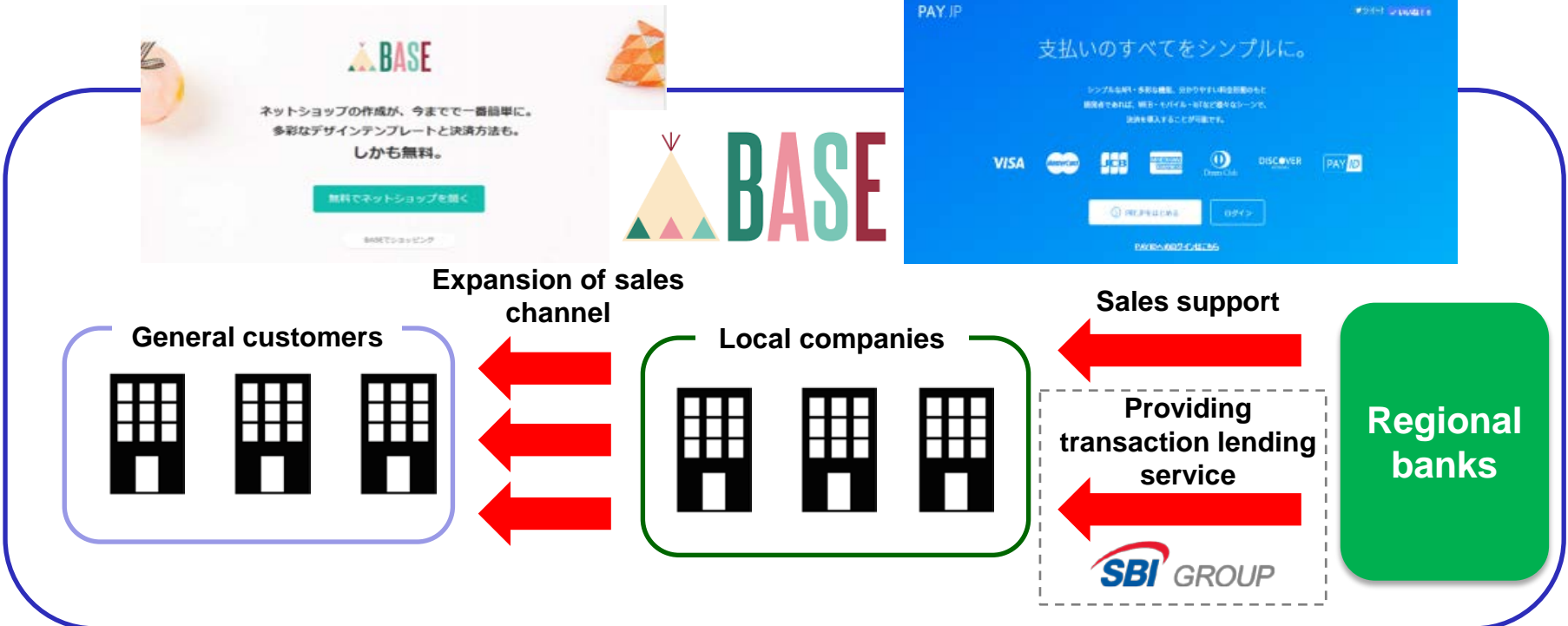
BASE, Inc.
Business description: [Operates EC shopping mall and clearing business](#)

BASE constructs EC sites free of charge and promotes expansion of business partner sales channels. It provides transaction lending using settlement data.

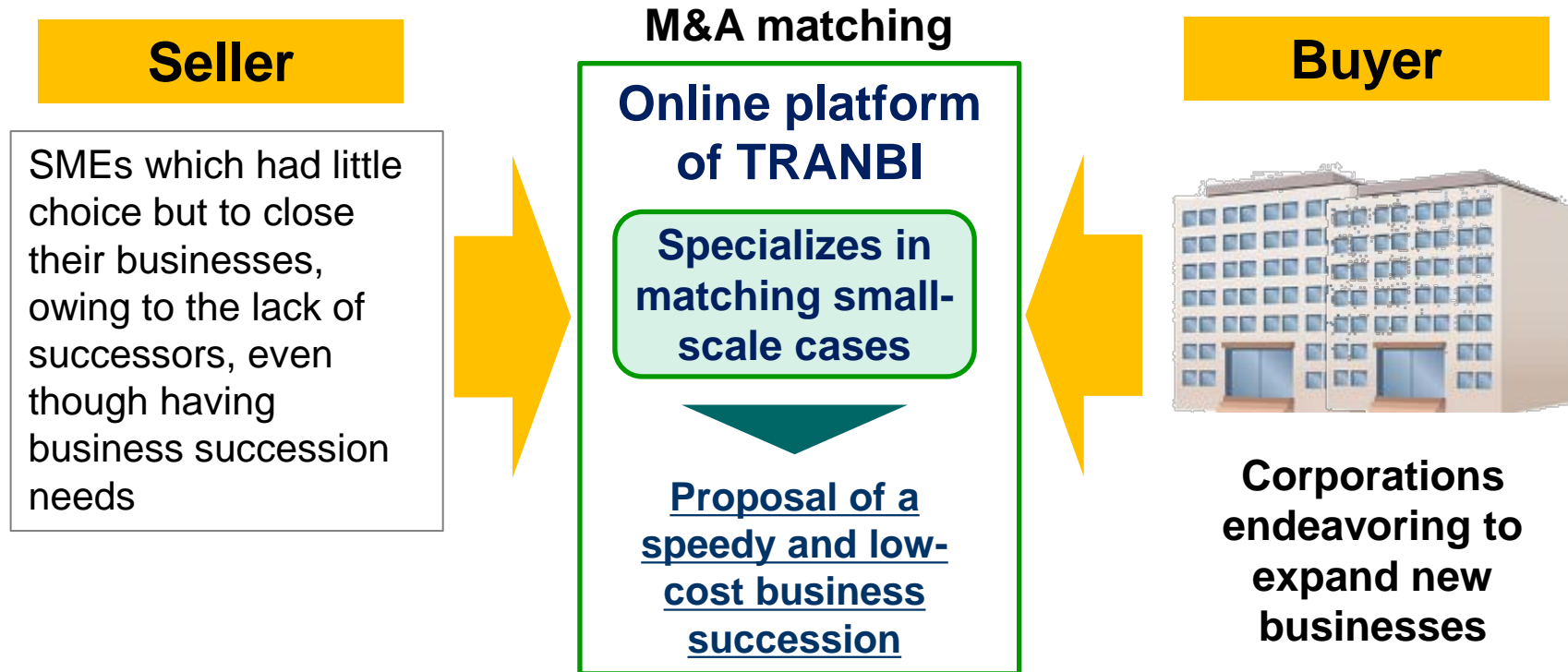
Free EC site construction system



Clearing business



(Example) Provide a Speedy and Low-cost Business Succession Service to SMEs through the Business Succession M&A Matching Platform of TRANBI



Contributes to solving issues associated with various local SMEs' business succession needs

(Example) SBI Energy Contributes to the Revitalization of the Regional Economy through the Power Generation Business, Utilizing Regional Resources, such as Solar, Hydropower and Small Wind Power Generation

-An example of solar sharing in Sosa City, Chiba Prefecture-

“Solar Sharing (farming type solar power generation)”
 Solar sharing is an arrangement for erecting a support framework on farmland and mounting photovoltaic power generation equipment to engage in solar power generation, while continuing to farm. It is attracting attention as a model that contributes to solving the nationwide problem of abandoned fields and helps to promote agriculture, while producing energy for local consumption and vitalizing local economies

Sosa Solar Sharing Limited Liability Company
 (a power generation operator)
 Members: SBI Energy, Johnan Shinkin Bank, regional companies, and etc.

Returning a part of revenue from sales of electric power to the region as a support fund



Sosa City, Chiba
 This project's expected annual output is **approx. 1,424 MWh (20-year average)**, sufficient to serve **approx. 288 households^{*1}**. It will contribute to CO₂ reduction of approx. **718t-CO₂/kWh^{*2}**.

Will contribute to regional revitalization through the dissemination of renewable energy, which also resolves the utilization of abandoned farmland, and will support the stabilization of farmers' earnings.

^{*1} Estimated taking average annual power consumption of an average household as 4,936 kWh, based on Japan Photovoltaic Energy Association Labeling Guidelines
^{*2} CO₂ reduction effect of photovoltaic power generation facilities: estimated based on a crystalline silicon solar cell CO₂ reduction effect of 504.5g-CO₂/kWh

(Example) Provide a Platform to Automate Business Processes Using RPA/AI with AntWorks of Singapore

ANTWORKS™



Reimagine • Rethink • Recreate

(An investee company of the SBI A&B Fund)

- Platform that automates task processing by RPA (Robotic Process Automation)
- With its AI technology, it is possible to read data in non-unified format documents called non-standard format documents, which account for 90 percent of all in-company documents
- AntWorks has been providing its customers with its solution in a variety of industries from leading consulting service companies to financial services firms, such as major regional banks and insurers in India

Will soon establish a joint venture which will focus on countries in Asia, such as Japan, China, South Korea and Indonesia, to promote the introduction of AntWorks' services to domestic and overseas financial institutions, and business companies, etc.

Gómez®

- Heuristic analysis
- User survey
- Design, layout, development support

Consulting needs on the UI/UX side expand

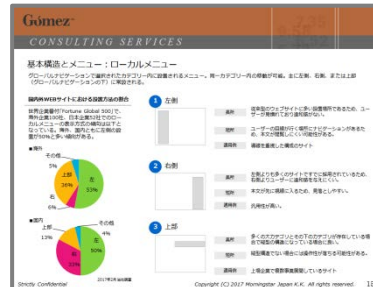
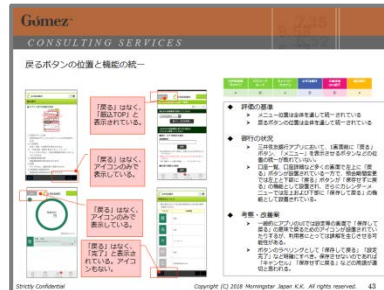
**Financial institution
web service support**

Digital strategy formulation

Life plan simulation introduction

Next generation Internet banking design

Adoption of various simulation tools



(Example) Provision of Robust Security Solutions Tailored to Mobile First Era

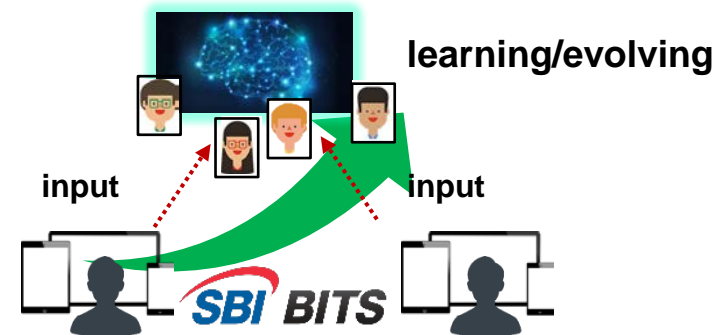
① Developed AI face authentication application using deep learning at SBI BITS

AI authentication by deep learning has exceptionally high accuracy

By absorbing data and self-learning, it will evolve with greater precision

[Misidentification rate]

Conventional face authentication ¹	0.1	%
Fingerprint authentication ²	0.002	%
AI face authentication	0.0003	%



② Invested in and established a joint venture with Everspin, a South Korea based company that develops and provides a dynamic security system



- ✓ Provides mobile applications with dynamic security module that changes with time
- ✓ Prevent mobile services and mobile applications from being hacked by applying dynamic security modules that changes every time you activate the app

[1] Wilson *et al.*, FRVT 2006 (2007)

[2] Touch ID by Apple (2017)

2. Creating synergies through the establishment of a new ecosystem based on digital assets

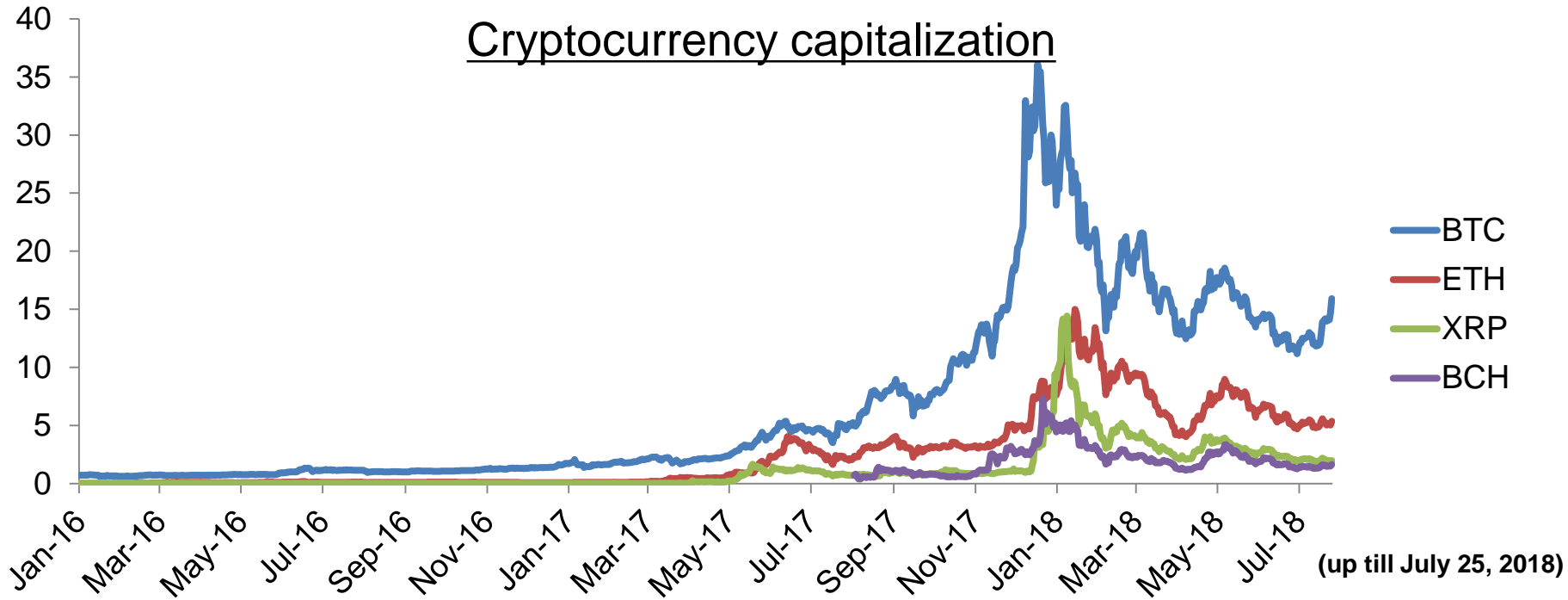
- (1) Expand investment into domestic and overseas digital asset-related ventures possessing high level technology, to form a robust digital asset ecosystem**
- (2) Pursuit of synergies within the digital asset ecosystem, and synergies with the existing financial ecosystem**
- (3) Necessary conditions for revitalization of cryptocurrency market**

Cryptocurrency Market Size is Expected to Expand as the Actual Demand Increases

-Some anticipate USD 40tn in the future-

Cryptocurrency capitalization

(trillion JPY)



Market capitalization

Cryptocurrency: JPY 33tn *1
Stock market: JPY 9,500tn *2

Transaction (yearly)

Cryptocurrency: JPY 301tn *3
Foreign exchange: JPY 185,785tn *4

*1 As of July 25, 2018

*2 As of the end of 2017, market cap of global stock market, from Nikkei Shimbun

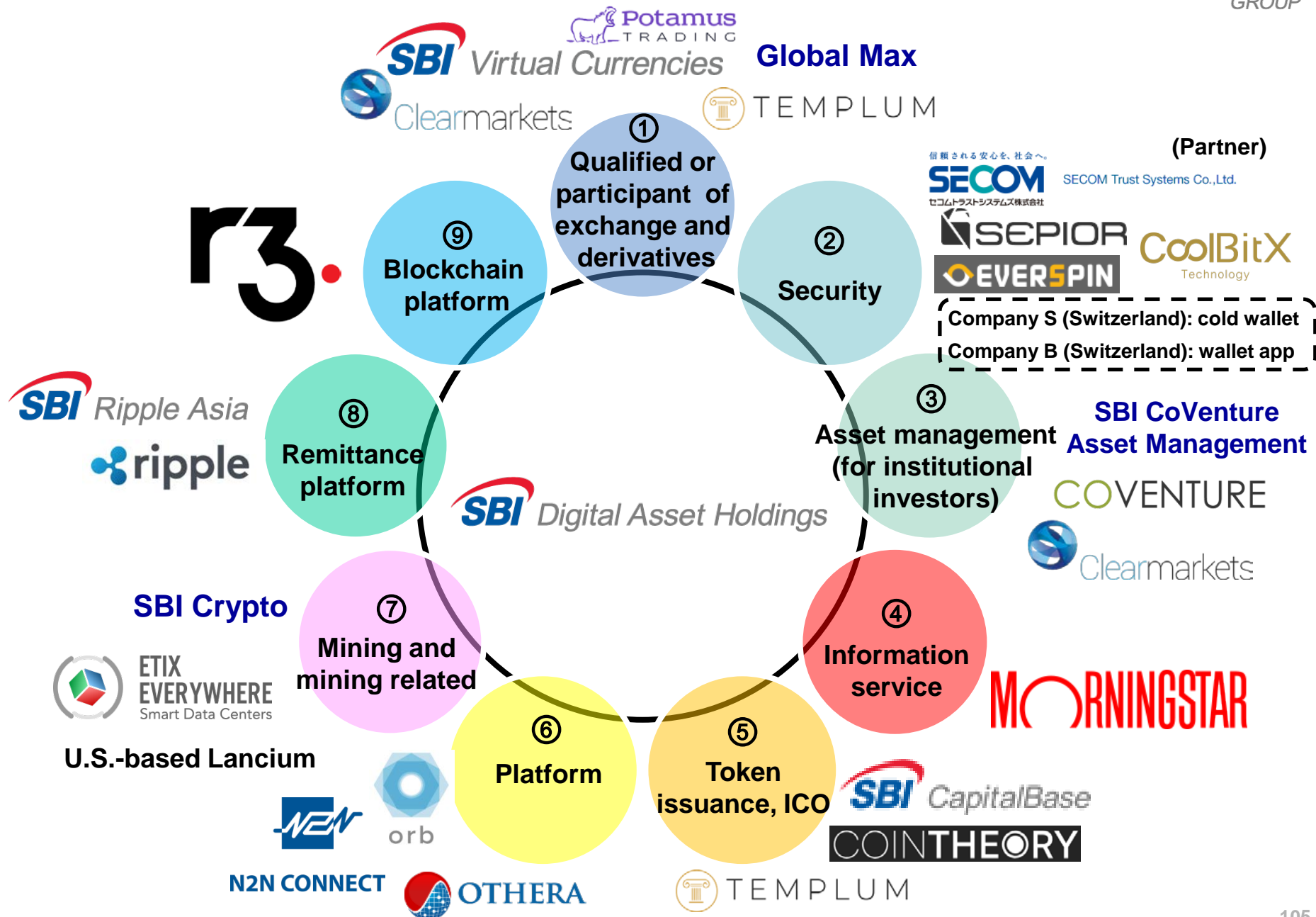
*3 As of 2017, estimated based on

Coinmarketcap data

*4 Calculated based on transaction volume of Apr. 2016, by reports from BIS

(1) Expand investment into domestic and overseas digital asset-related ventures possessing high level technology, to form a robust digital asset ecosystem

Digital Asset Ecosystem Approaching Completion



Investment Status of Companies that Comprise the Digital Asset Ecosystem ①

① Qualified or participant of exchange and derivatives

Company	Investment	Business
SBI Virtual Currencies	100%	SBI Group
Global Max (Hong Kong)	100%	SBI Group
Templum (U.S.)	4%	Secondary market for tokens
Clear Markets (U.S.)	20% (maximum)	Electric trading system for OTC derivatives
Potamus (U.S.)	15%	Broker-dealer

② Security

SECOM Trust Systems	Partner	Collaboration in distributed management (entrustment) of private key
CoolBitX (Taiwan)	40%	Provide cold wallet service for blockchain assets
Sepior (Denmark)	49%	Cryptographic key management system by cloud
Everspin (South Korea)	22%	Development of a dynamic security system
Company S (Switzerland)	25% (adjusting)	Cold wallet development
Company B (Switzerland)	Adjusting	Development of wallet app

③ Asset management (for institutional investor)

CoVenture (U.S.) Fund GP under CV	6% 30%	Digital asset hedge fund management
SBI CoVenture Asset Management	70%	SBI Group
Clear Markets (U.S.)	20%	Online SWAP trading system

Investment Status of Companies that Comprise the Digital Asset Ecosystem ②



④ Information service

Company	Investment	Business
Morningstar Japan	49.5%	SBI Group

⑤ Token issuance, ICO

Templum (U.S.)	4%	TAO (Tokenized asset offering) platform
T1R (U.S.)	20%	ICO consultation & financing platform
SBI CapitalBase	100%	SBI Group

⑥ Platform

Othera (U.K.)	20%	Securitized receivables by blockchain
Orb	Not disclosed	Development of DLT platform
N2N (Malaysia)	9%	Global trading hub including cryptocurrencies

⑦ Mining and mining related

SBI Crypto	100%	SBI Group
Etix (Luxemburg)	41%	Data center management
Lancium (Canada)	30%	Container mining facility operation by wind energy

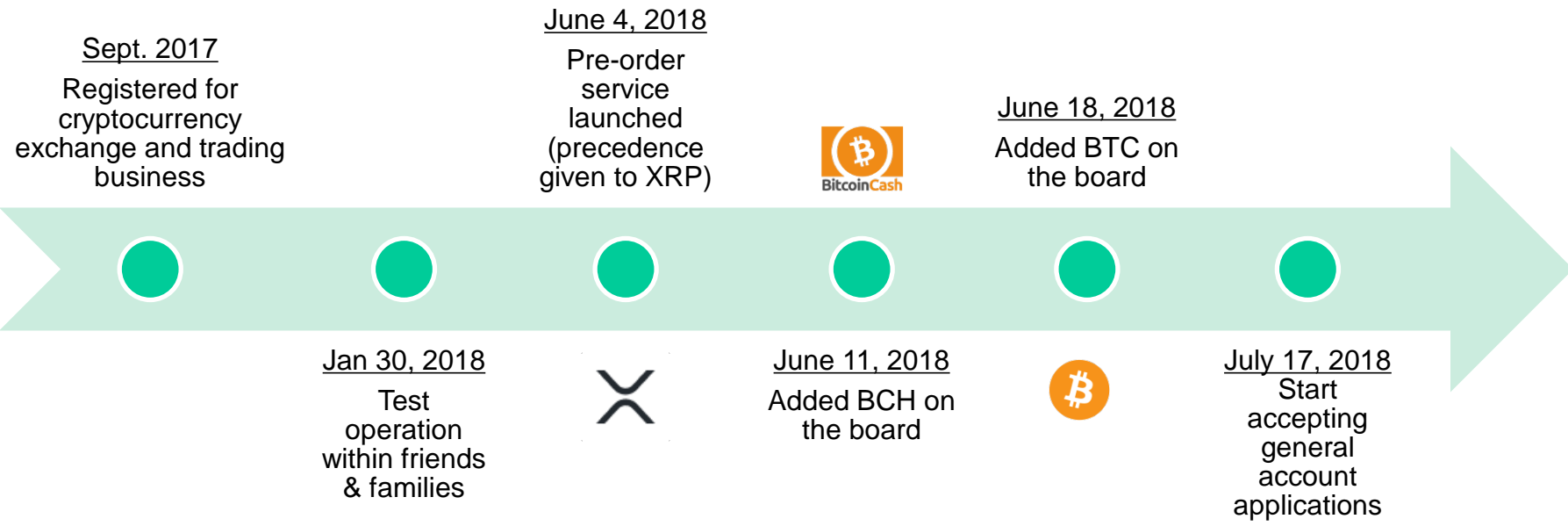
⑧ Remittance platform

Ripple (U.S.)	About 10%	Development of next-generation settlement platform
SBI Ripple Asia	60%	SBI Group

⑨ Blockchain platform

R3 (U.S.)	Not disclosed	Management of international DLT ecosystem
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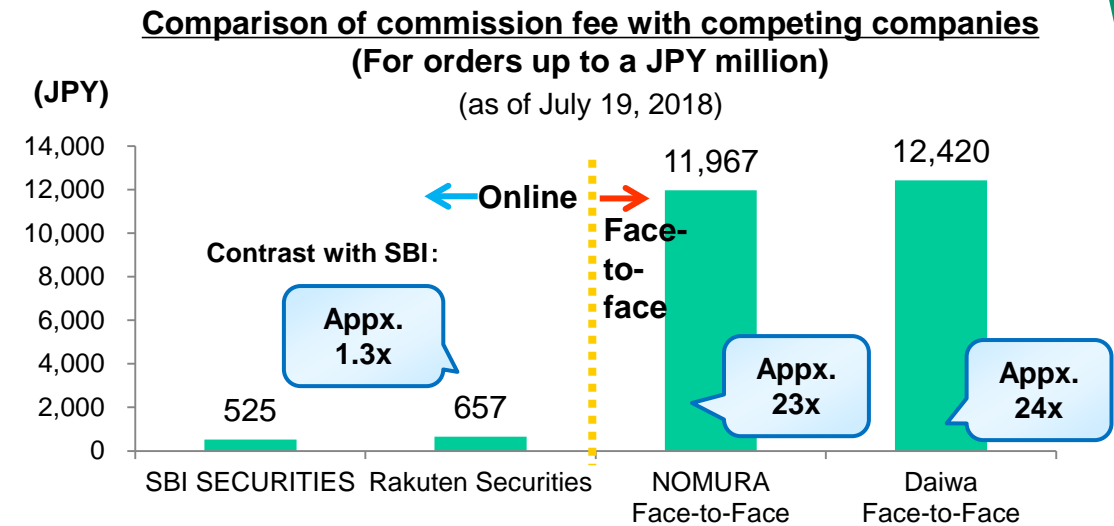
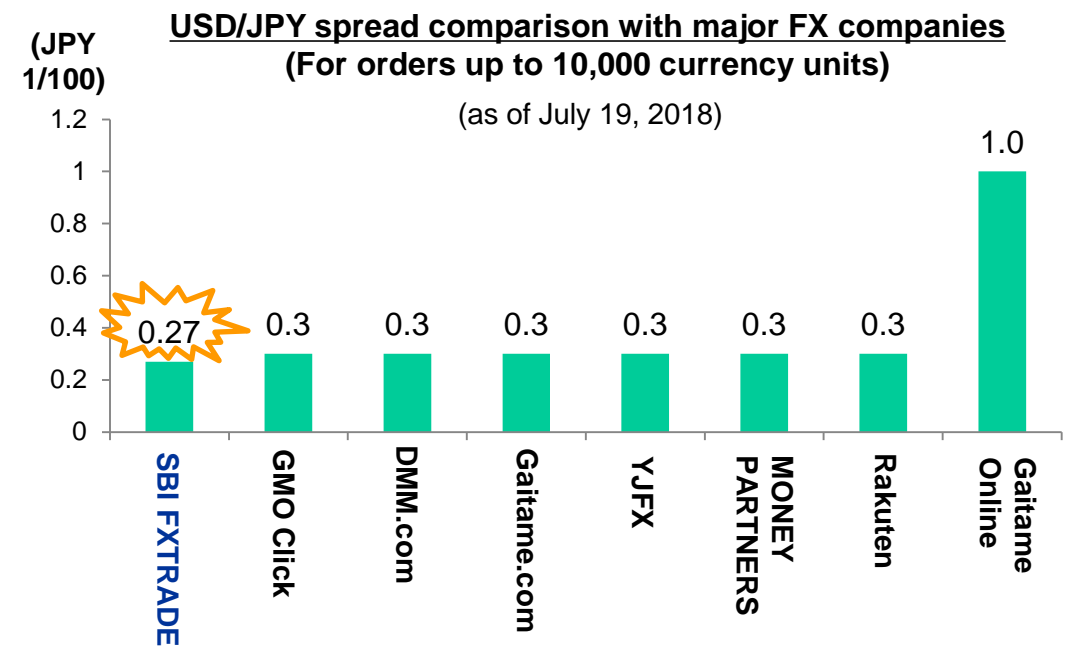
SBI Virtual Currencies Begun to Accept General Applications for New Accounts in July 2018



SBI Virtual Currencies provides the world's foremost trading environment by utilizing NASDAQ's trading system (matching engine), which has been successfully operated on SBI Japannext's PTS




Although SBI Virtual Currencies announced the July 17 start of acceptance of new account applications only on its website, the number of applications rapidly increased. It now plans to conduct promotions such as air TV commercials or further spread reductions.

SBI Virtual Currencies will become an Overwhelming No.1 Exchange Platform, by Providing the Narrowest Spreads



- SBI FXTRADE and SBI SECURITIES have **acquired an overwhelming position** by acquiring customers through the provision of high benefit customer services at a low cost
- SBI Virtual Currencies will likewise provide the narrowest spreads, as well as an high level of security, and will grow into an **overwhelming No. 1 position** within the industry

Cryptocurrency Spot Transaction Exchange Spread Comparison

			SBI VC	bitFlyer	GMO Coin	Zaif	Coin check	DMM bitcoin	FISCO
Spot transaction exchange	BTC	Spreads 	1.99%	2.34%	2.00%	11.62%	4.38%	2.69%	12.48%
		Bid	878,631	878,747	896,043	835,257	867,700	878,830	832,563
		Ask	896,292	899,531	878,299	938,345	906,530	902,830	943,376
	XRP	Spreads 	3.87%		10.00%		10.33%	4.76%	
		Bid	50.7		48.230		48.090	50.209	
		Ask	52.7		53.306		53.330	52.659	
	BCH	Spreads 	1.50%	7.25%	7.00%		10.32%	3.44%	
		Bid	92,801	92,943	90,403		89,650	92,677	
		Ask	94,205	99,937	96,961		99,403	95,918	

(BCH, XRP for DMM bitcoin is from leverage price)

(as of July 24, 2018, Compiled by SBIH)

SBI Virtual Currencies provides the narrowest spreads among spot transaction exchanges

Future Service Expansion Policy of SBI Virtual Currencies

Under preparation for launch in FY2018

- Cryptocurrency exchange service**
In addition to the spot trading service, provide a cryptocurrency exchange service using the Itayose (call auction) method

A plan to start commission-free trading of BTC, BCH and XRP on SBI Virtual Currencies' exchange service

Competitor exchange commission fees

bitFlyer	Coincheck	bitbank	Zaif
BTC 0.01 ~ 0.15% (depending on volume) BCH 0.20%	BTC free of charge	BTC, BCH, XRP free of charge (during campaign)	BTC free of charge BCH taker commission fee 0.3%
FISCO	BtcBox	QUOINEX	BitPoint
BTC free of charge BCH taker commission fee 0.3%	BTC 0.05% BCH 0.10%	BTC 0% BCH, XRP 0.25%	free of charge

(Compiled by SBIH; as of July 25, 2018)

- Cryptocurrency deposit and withdrawal service**
Provide a cryptocurrency deposit and withdrawal service with rigorous anti-money laundering and security measures.
- Start the handling of Ethereum (ETH)**

Regarding Security Vulnerability Countermeasures for the Cryptocurrency Exchange

-Strengthen collaborations with investee companies-

① Response on wallet

- nChain (U.K.)
Strategic alliance to support BCH and wallet security
- CoolBitX (Taiwan)
Provide cold wallet service for blockchain assets
- Company S (Switzerland)
Provide cold wallet service for blockchain assets
- Company B (Switzerland)
Development of hot wallet app

“CoolWallet” by CoolBitX



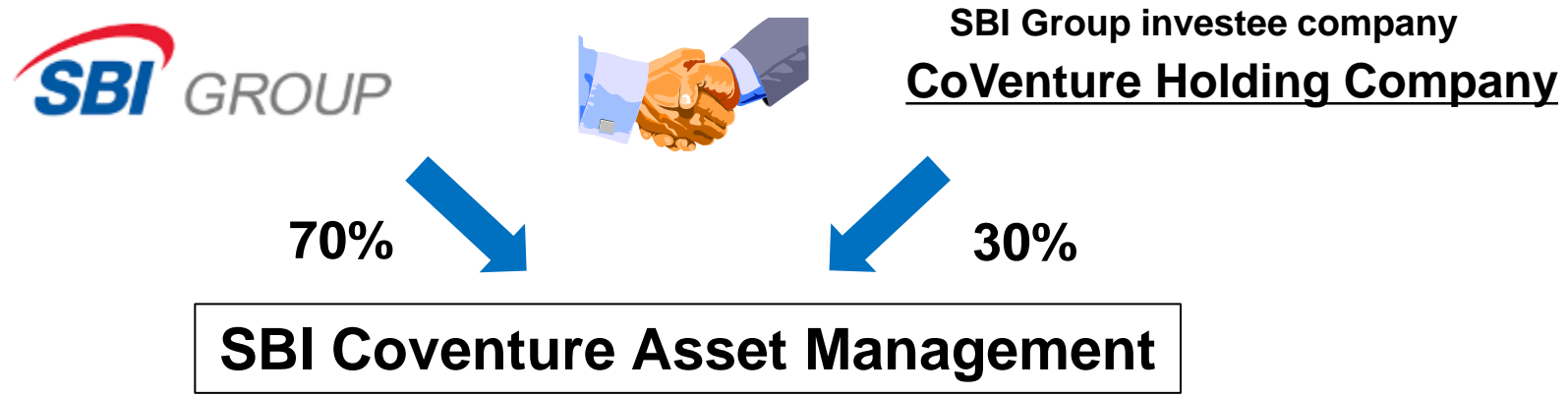
② Response on general security

- Sepior (Denmark)
Cryptographic key management system specialized for the cloud
- Everspin (South Korea)
Development of a dynamic security system
- Liquid (Japan)
Cloud-type personal identification and settlement service
- SBI BITS
Developed AI face authentication app utilizing deep learning
- SECOM Trust Systems
Collaboration in distributed management (entrustment) of private key

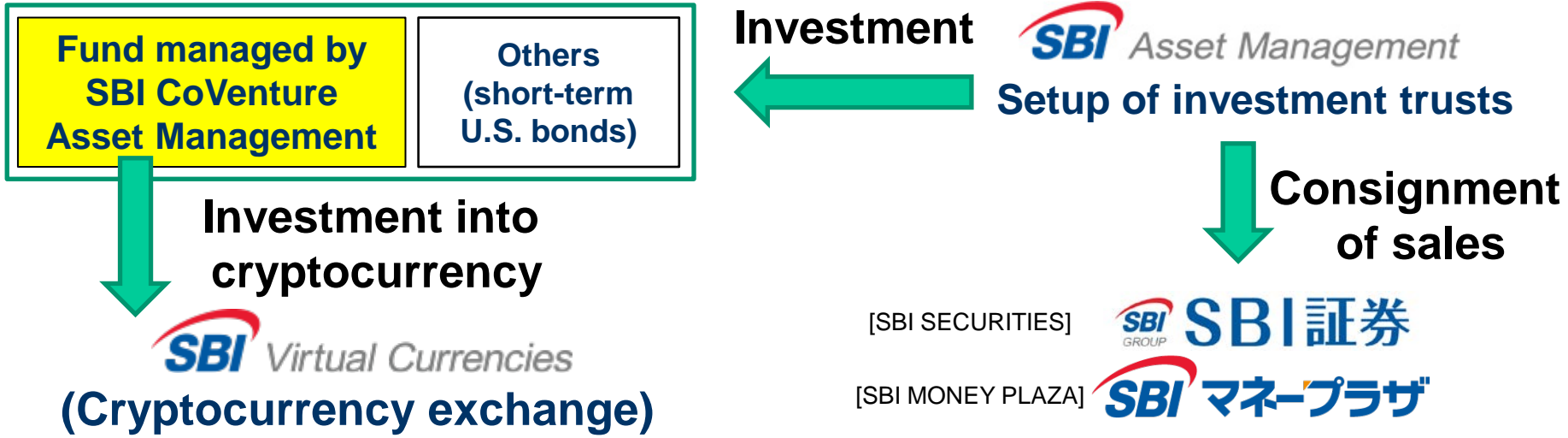
The SBI Group's security measures

- ✓ Within a year, SBI BITS will **develop aggregated security solutions from the technology of these portfolio companies and introduce them into SBI Group companies**
- ✓ Planning to soon set up SBI Security Solutions (provisional name), which will consolidate technologies from the SBI Group and these portfolio companies and sell the solutions through partners in Japan and overseas

**Accelerating Cryptocurrencies Fund Business with
CoVenture Holding Company, an U.S. Asset
Management Company
-Co-founded SBI CoVenture Asset Management-**



Product scheme



Clear Markets of the U.S. Plans to Start a Cryptocurrency Swap Trading Service



U.S.-based Clear Markets

(SBI Group equity interest: currently 12%, scheduled to additionally acquire up to 20%)

Clear Markets provides an over-the-counter derivatives electronic trading service in the U.S., U.K. and Japan. It plans to start up a cryptocurrency swap trading service using licenses already held *

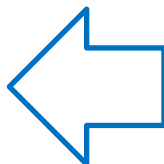
*

- Swap execution facility (SEF) license from the U.S. Commodity Futures Trading Commission (CFTC)
- Derivatives brokerage licenses in the U.K. and 32 countries in Europe
- “Financial Instruments Business Operator Engaged in Type I Financial Instruments Business” registration under the Financial Instruments and Exchange Act and electronic trading infrastructure provider license

Financial institutions



Cryptocurrency hedging is necessary for the handling of cryptocurrencies and financial instruments that use cryptocurrencies



Provide hedging means with cryptocurrency swap transaction services, etc.

Increased use of cryptocurrencies and cryptocurrency derivatives and liquidity improvement are expected

Morningstar Japan Offers Digital Asset Market Information



CoinDesk

■ Business alliance content

- Distribution of news and price information on cryptocurrencies, released in the U.S. to Japanese investors
- Co-host worldwide cryptocurrency conference (Consensus) in Japan and Asia



Firstly, translated articles will be provided through the smartphone app “My Cryptocurrencies,” released by Morningstar Japan

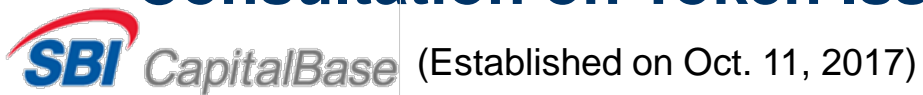


Listed price information and rankings of more than 1,600 cryptocurrencies

■ About CoinDesk

- Cryptocurrency news media, started in 2013
- In addition to providing news, collects and discloses Bitcoin Price Index that is connected by API, to companies such as the Financial Times
- 10 million users and 50 million page views per month were recorded. There are 600 thousand followers on SNS, and 150 thousand email magazine subscribers, etc.

Establishment of SBI CapitalBase that Provide Consultation on Token Issuance and Liquidation



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

[Services to be launched]

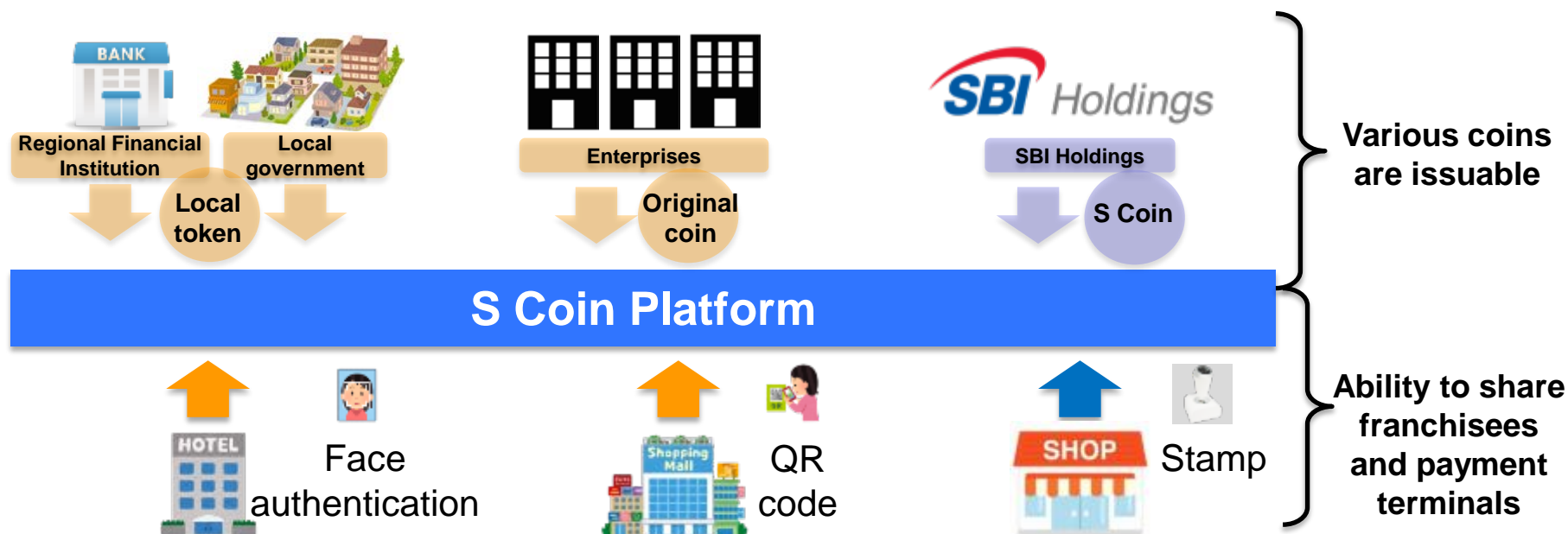
- ICO
Provision of a new fundraising method that utilizes cryptocurrencies
- Angel investor matching platform
A pre-VC round fundraising environment
- Bonds (private placement bonds)
Fundraising that makes possible stock dilution and maintenance of the founder's ownership interest
- Other
Crowd funding, M&As



Together with **U.S. T1R and Templum**, endeavour to handle and distribute a wide range of domestic and overseas projects

The SBI Group Provides the “S Coin Platform,” a Platform for Issuing Original Settlement Coins

- By using the S Coin platform:
 - ✓ Coins for payment can be easily issued, including cryptocurrencies
 - ✓ Many companies’ concepts can be rolled out on the same platform enabling mutual use and mutual customers among payment devices and a network of member outlets



➔ **With the increasing number of supporting companies and mutual use cases, the participants will be able to acquire a nationwide settlement network with little effort**

S Coin Platform Issuance Example

Starting in Apr. 2018 as a part of research on use of new settlements infrastructure, conducting a PoC of the local currency UC Daiba Coin (provisional name) using blockchain and DLT.

UC Card conducts coin issuance and settlements, while SBI oversees system operations for coin issuance and management, and Orb provides Orb DLT on which the system is based and develops peripheral functions



**Coin issuance &
system management**

- Issuing a prepaid type of local coin that can be settled, transferred and charged via smartphone
- For UC Card employees, at the UC Card office in Odaiba and neighboring restaurants, etc., it is possible to settle payments without cash, through facial or stamp authentication



UC CARD

**Coin issuance &
settlement**

*Image: facial / stamp authentication



Mining Status Centered on Bitcoin Cash (BCH)

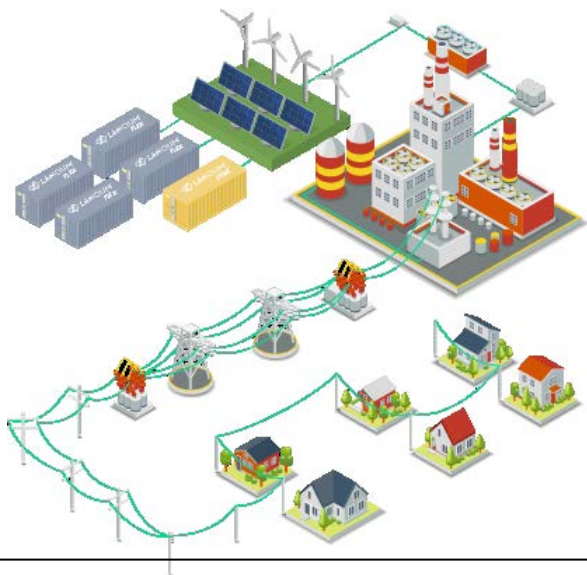
SBI Crypto (Established in Aug. 2017)

- Conduct mining business overseas primarily for Bitcoin Cash (BCH)
- Started mining at Virginia, U.S. in Jan. 2018, and at Sweden in July
- Plan to start operation of mining equipment at a data center in Iceland operated by an investee company Etix during 2Q FY2018 and shift to full-scale operation during 3Q, as well as promoting cooperation with a new investee company Lancium
- By collaborating with major companies, will develop high performance chips during FY2018, for both own-use and sales
- SBI Crypto's mining share is 4.3% (as of July 25, 2018)

Endeavor to eventually acquire a total mining share of 30% for BCH

Promoting Mining by Clean Energy

U.S.-based Lancium is developing a scheme for purchasing surplus electricity at wind farms in Texas and providing it at low prices. It will assemble a container-housed mining facility and provide it to the SBI Group.



SBI Crypto Investment



**Investment ratio:
approx. 30%**

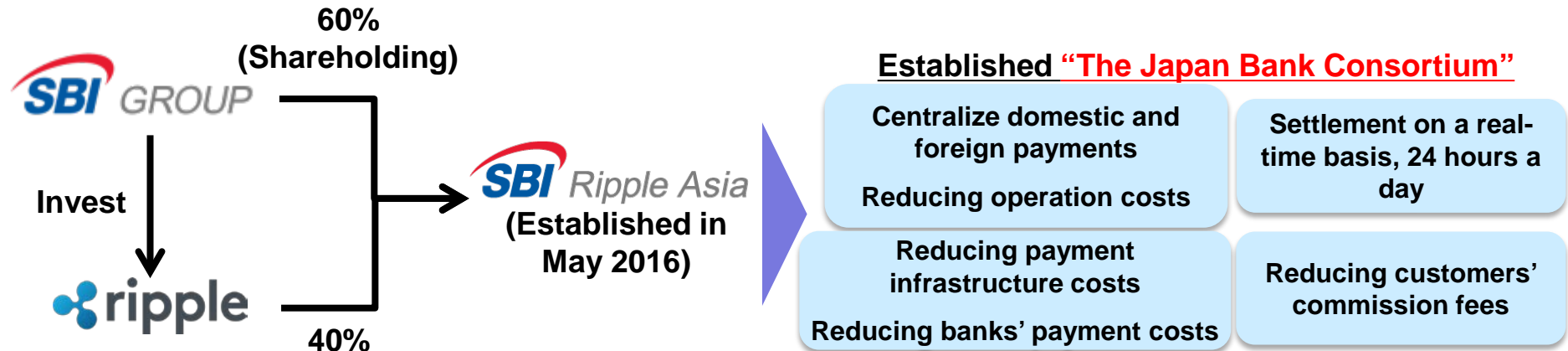
U.S. Lancium

Wind Farms in Texas

A Competitive Renewable Energy Zone (CREZ) was established in Texas in 2008. As a result of implementation of large-scale wind farm and transmission network development projects under the CREZ initiative, Texas has the highest wind power generation output value among the 50 states.

Wind-powered mining in Mongolia is also under consideration

**Established “SBI Ripple Asia” with Ripple, in May 2016,
to Bring About a Remittance Revolution in Asia, through
the Practical Use of Distributed Ledger Technology**



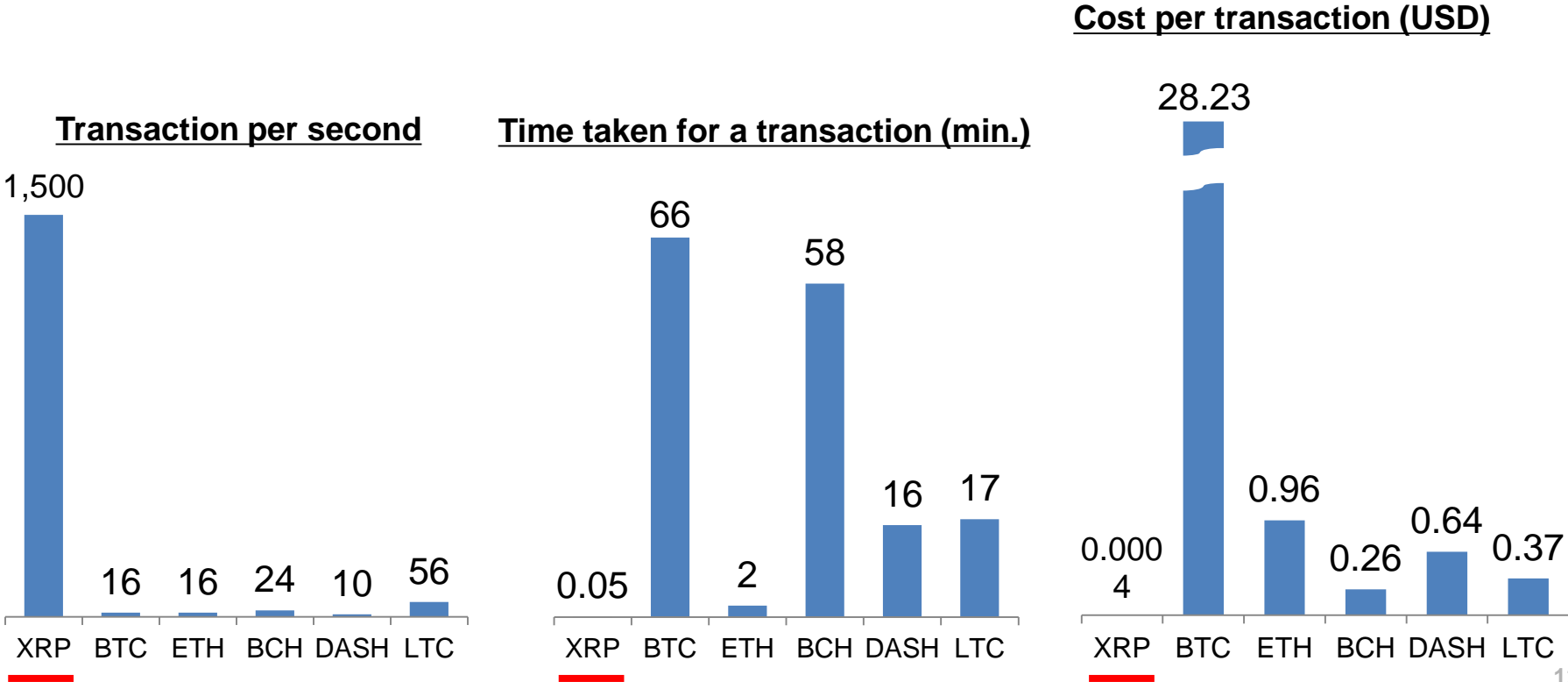
“The Japan Bank Consortium”

By leveraging new technologies such as blockchain and distributed ledger technology (DLT), the consortium, which consists of mega banks and regional banks with approx. 80% of Japan’s deposits, endeavors to construct a 24/7 remittance infrastructure operating in real time to centrally provide domestic and foreign exchange services. Introduction at banks and development of smartphone apps is now underway for the RC Cloud 2.0 money transfer platform equipped with xCurrent technology from Ripple of the US.

Next-generation Remittance Platform by U.S. Ripple, with Its Distributed Ledger Technology (DLT) “xRapid,” Reinforced by Digital Asset “XRP”



- Commission fee and transaction period shortens dramatically by excluding corresponding bank
- Over 100 financial institutions globally joins Ripple’s global remittance network



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



SBI Remit



Providing lower fees than ever before in the remittance industry

- Through an alliance with MoneyGram, access to a network of approximately 350,000 agent locations in 220 countries
- Since its establishment in 2010, cumulative remittance amount exceeded JPY 460bn



Utilizing the xCurrent
(formerly "Ripple Solution")

Over USD 250m are sent to Thailand from Japan annually



Siam Commercial Bank



Major Private Commercial Bank in Thailand

- Established in 1906
- 1,170 branches (as of 2016)
- Listed on the stock exchange of Thailand
- Its asset size is third in 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

R3 Corda - Trade Finance Settlement Period Reduction



- Invested (the largest outside shareholder)
- Dispatched director



- Ecosystem in which more than 200 companies, regulators, trade associations, etc., participate

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

- 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

The SBI Group's Investment in R3 and Efforts to Diffuse Corda



In addition to SBI, over 200 companies, regulating authorities, industry organizations worldwide, joins the ecosystem driven by R3



Nov. 2016 open-sourced the DLT for financial institutions which R3 leads the development

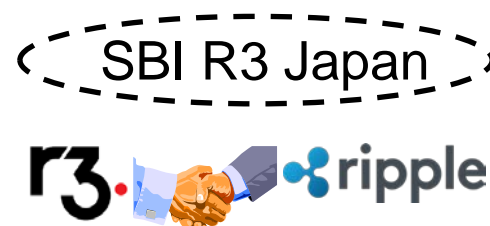
- The SBI Group's promotion of the utilization of Corda

SBI BITS, a system development company of the SBI Group, started providing a “Corda Training Program,” in lieu of R3 in Nov. 2017

- ✓ 29 companies have participated in the training (as of July 2018)
- ✓ Applications for trainings in Aug. is already full

- Suggestions to R3 by the SBI Group

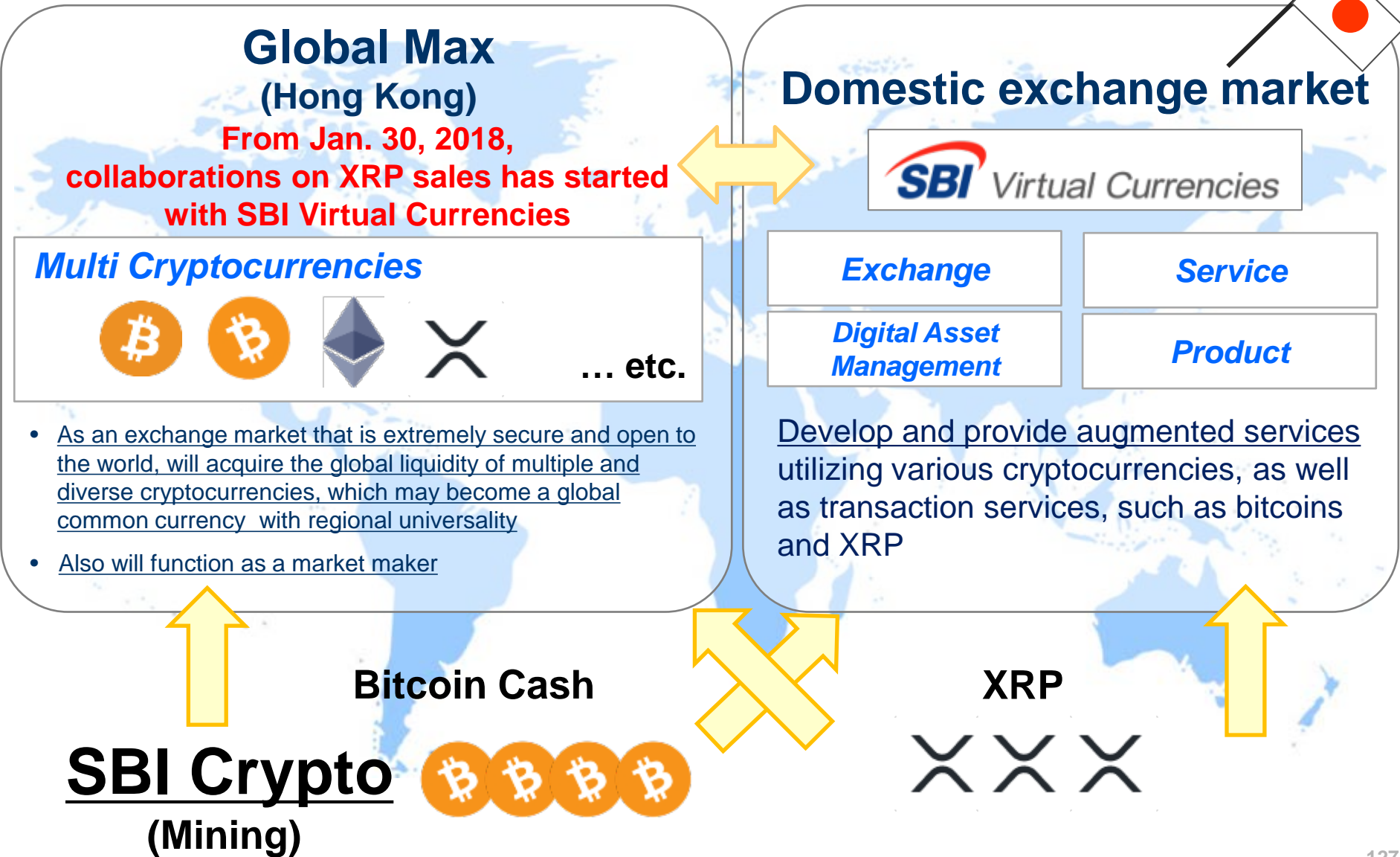
- i. Establishment of a joint venture company focused on Japan
- ii. Partnership between Ripple and R3



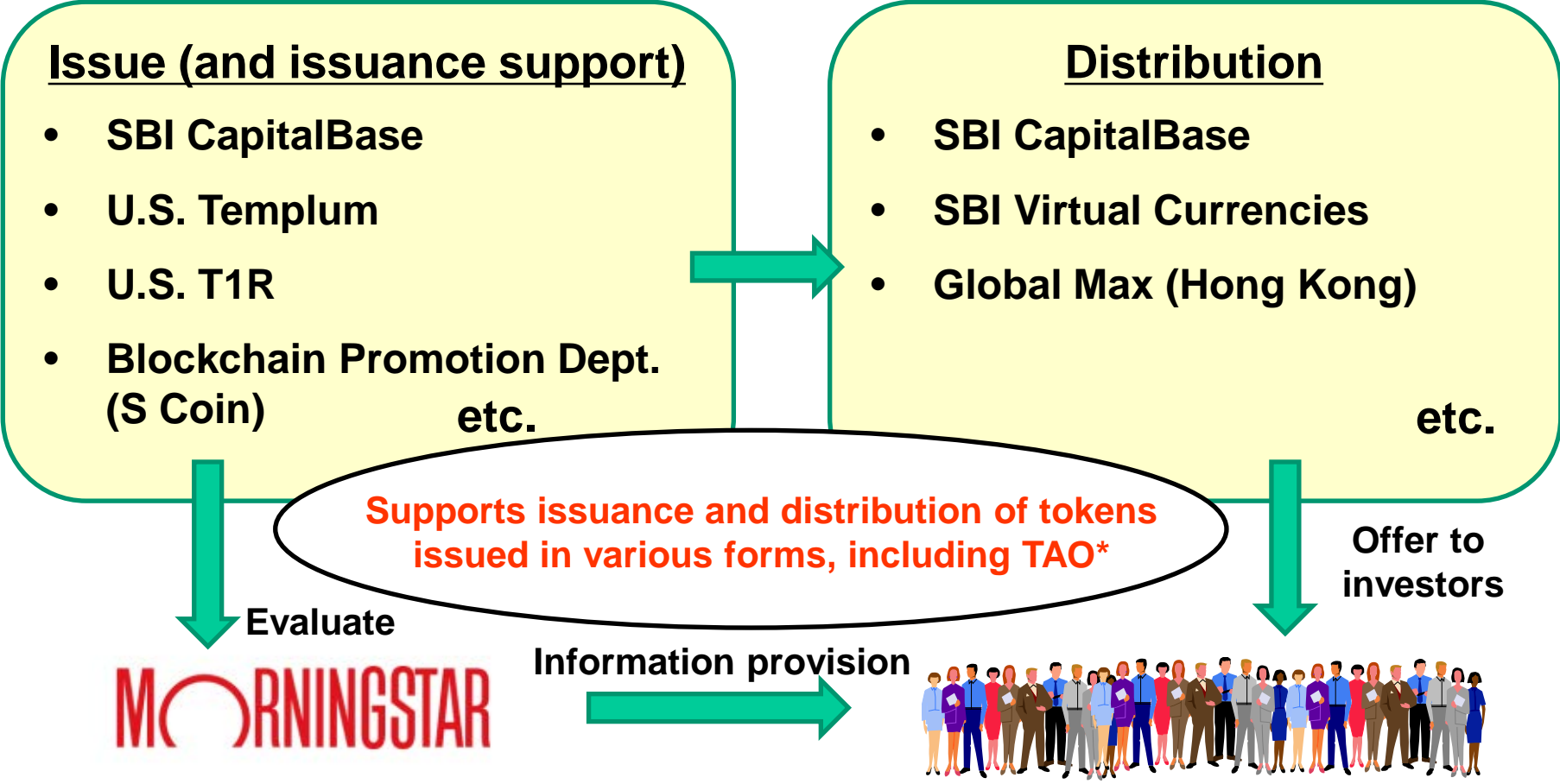
(2) Pursuit of synergies within the digital asset ecosystem, and synergies with the existing financial ecosystem

- ① Example of cryptocurrency exchange and mining**
- ② Digital token distribution concept**
- ③ Pursuit of Group synergies between the ecosystems**

Establishment of Cryptocurrency Supply System for Group Exchanges through Collaboration with Ripple and Mining by SBI Crypto



Digital Token Distribution Concept of the SBI Group



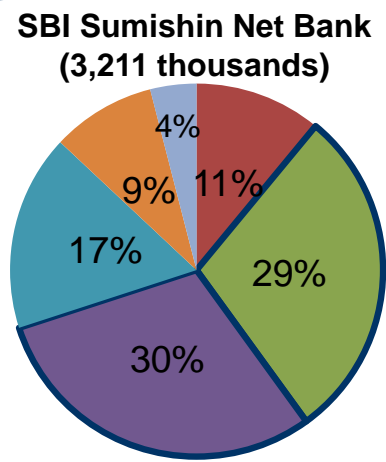
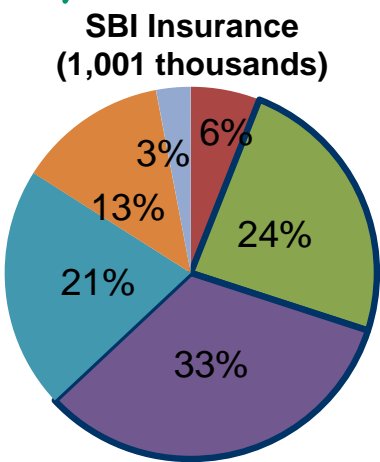
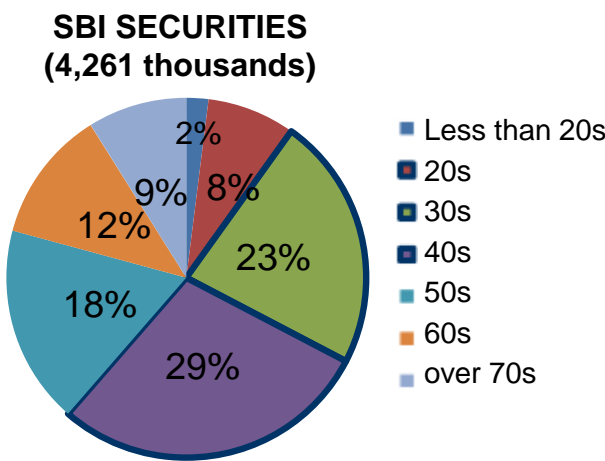
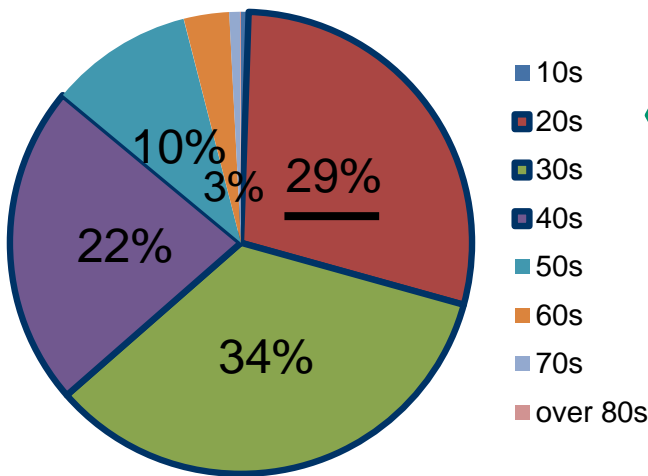
**Establish a reliable token market that covers
issuance to distribution**

*Tokenized Asset Offering: Method of raising funds by issuing token as securities

Expanding the Financial Business by Acquiring a New Customer Base Primarily of Younger Consumers, through the Digital Asset-related Business, and Pursuing Group Synergies Between Each Ecosystem

- New customer base that invests in cryptocurrency
- The core layer for spot trading is the age group between the 20's and 40's, which accounts for approx. 90% of the total
- Capture customers in their 20's, who comprise a relatively large proportion of the SBI Group's customers

(as of the end of Mar. 2018)
The SBI Group's Customer Base of 23,472 thousand



SBI Virtual Currencies will Pursue Synergies Within and Outside of the Group, to Endeavor to Generate Profits in the Near Term

- ◆ At the launch of full-scale services, expecting customer inflow from the SBI Group's customer base of 23.47 million, specifically, SBI SECURITIES with approx. 4.26 million accounts, SBI Sumishin Net Bank with approx. 3.21 million accounts, and SBI Liquidity Market, including SBI FXTRADE, with approx. 1.05 million accounts, etc.
- ◆ Through mutual collaborations between business ecosystems, endeavor to realize a seamless trading environment between existing financial ecosystem companies
- ◆ Unify customer age requirements for service usage, for a smooth customer transition

 *Virtual Currencies*



 **SBI証券**
[SBI SECURITIES]

住信SBIネット銀行
 *Sumishin Net Bank*

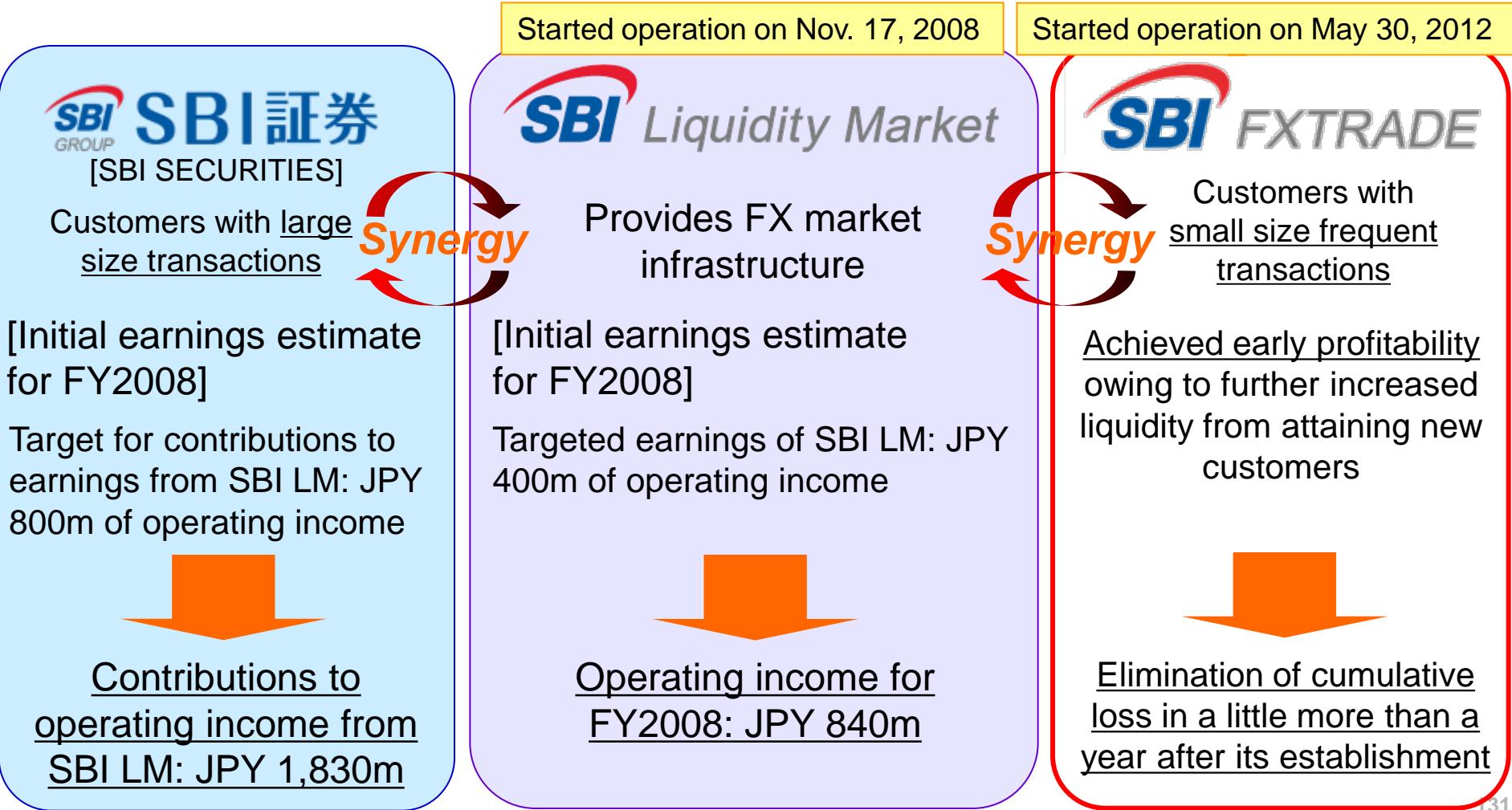
 *Liquidity Market* |  *FXTRADE*

③ Pursuit of Group synergies between the ecosystems



Since the Launch of the FX-related Business, Synergies with SBI SECURITIES were Generated. Similar Synergies are Expected to be Generated with the Cryptocurrency Exchange

Increase in liquidity of SBI LM that covers the transactions provides for profitable contributions to customers of both SBI SECURITIES and SBI FXTRADE



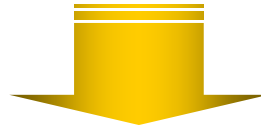
(3) Necessary Conditions for Revitalization of Cryptocurrency Market

- ① Certification of the Japan Virtual Currency Exchange Association as a self-regulatory organization
 - The FSA's approval of self-regulatory organization will accelerate the establishment of united industry rules
- ② Full-scale entry of institutional investors
 - Formulation of rules and provision of various products / trading methods will support the entry of major players, including foreign institutional investors
- ③ Resolution of the controversy over whether cryptocurrencies are securities by the SEC
 - The SEC has provisionally acknowledged that Ethereum (ETH) is not a securities. There is anticipation that if the SEC also acknowledges that Ripple's XRP is not a securities, exchange listings and use of cryptocurrencies for remittances will increase
- ④ Acceleration of initiatives practical international use
 - SBI Remit, Cambridge Global Payments, MoneyGram, Western Union, and other international remittance service providers are promoting the use of XRP for international remittances
 - Ripple announced the xSpring initiative to offer financial support for companies developing services and products that utilize the digital asset XRP and Ripple's technologies, to promote global digital asset utilization
- ⑤ SEC's approval of the cryptocurrency ETF
 - Similar approvals, not only in the U.S., but in other countries including Japan, to create greater liquidity

3. By utilizing new technologies, the SBI Group continues to strongly promote its slogan of “Focusing on Finance to Transcend Finance”

The SBI Group Continues to Strongly Promote its Slogan of “Focusing on Finance to Transcend Finance”

“Financial Innovator”



“Focusing on Finance to Transcend Finance”



As a “Strategic Business Innovator”

**Bringing about revolutionary social changes
by investing into innovative technologies, and
by diffusing new technologies across various
industries, beyond the financial sector as a
Strategic Business Innovator**

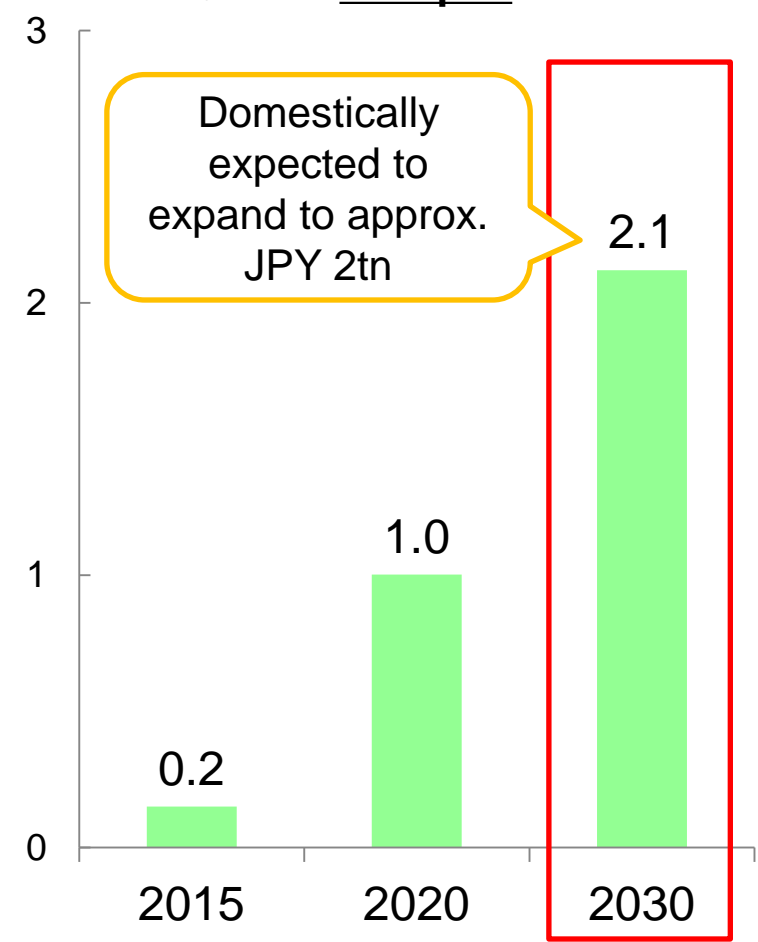
By 2030, Japan's AI Market Size to Expand to Approx. JPY 2tn

In the global market, market size is estimated to expand to over JPY 6tn by 2025

Market size of AI-related industry

in Japan

(Unit: JPY trillion)



Future of AI utilization in each industry

Industry	Summary
Transport, distribution	Automated driving (trucks, taxis, car sharing, etc.) Automation of warehouse operations (automated picking)
Wholesale, retail	Advancement of e-commerce and the use of visual information in providing recommendation information Reception systems by means of face authentication
Manufacturing	Simplification of robotic control, progress in automation of advanced technologies
Civil engineering, construction	Automated operation of construction equipment (including responding to complex situations in emergencies)
Financial	Expansion of the FinTech business, such as robo-advisors
Life	Call center automation ⇒ Chatbots Robotization of cleaning, security, monitoring, etc.
Advertisement	Sophistication of advertising technology
Information	SNS monitoring systems Cyberattack countermeasure, monitoring, and defense systems for individuals and companies
Electric, gas, telecommunication	Advanced automation and optimization and traffic control in the energy management sector, such as home energy management systems (HEMS)
Medical, welfare	Gene analysis and new drug development Diagnostic imaging systems and medical advice applications Surgical assistance robots ⇒ da Vinci
Entertainment	Automation of event management Foreign language support
Education	Systems that provide learning support for students and teaching support for teachers Career path advisors

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

Prediction by Associate Professor Michael A. Osborne, Who Conducts Research, such as on AI, at Oxford University, of the U.K.

“As the innovation of computers progresses with tremendous momentum, the work which was thought to be possible only for human beings is being replaced by a machine such as a robot. For example, unmanned and autonomous car such as “Google Car” will be available all over the world from now on. When that happens, taxi drivers and truck drivers will lose their jobs. This is only an example, and the work of a man replaced by a machine is very diverse. Based on data from the U.S. Department of Labor, I analyzed how many 702 job types will be automated by computer technology in the future. As a result, we concluded that in the next 10 to 20 years, the risk of automating the work of about 47% of total U.S. employees is high.”

Primarily “Disappearing occupation” and “Disappearing work”

Bank loan officers	Umpires, referees
Real estate brokers	Hosts and hostesses of restaurants, lounges and coffee shops
Insurance appraisers	Animal breeders
Telephone operators	Payroll and timekeeping clerks
Credit authorizers, checkers, and clerks	Ushers and ticket takers
Gaming dealers	Manicurists
Cashiers	Tax examiners and collectors
Paralegals and legal assistants	Hotel, motel, and resort desk clerks
Tax preparers	Claims adjusters, examiners, and investigators
Bookkeeping, accounting, and auditing clerks	Credit analysts
Telemarketers	Tailors
Data entry keyers	Door-to-door sales workers

Application Examples of AI in the Medical Field

Digestive Disease Center, Showa University Northern Yokohama Hospital and Olympus Corporation

Development of a colon cancer endoscopic diagnosis support system that utilizes AI

Development of endocytoscopy that combines a new type of endoscope and AI is progressing. With an endocytoscopy system, placing the tip of the endoscope in contact with the gastrointestinal tract makes it possible to capture highly magnified (approx. 500-fold) images. This makes possible detailed observation of the state of living cells, such as blood vessel state, red blood cell flow, and cell nucleus size and shape, using dyes.

The tumor (cancer, adenomatous polyp, etc.) or nontumor (hyperplastic polyp, etc.) diagnostic accuracy rate is approx. 89%, on a par with that of specialist physicians (91%) and significantly higher than that of non-specialists (76%).

RIKEN and National Cancer Center Hospital East joint research team

Establishment of a highly accurate automatic detection method for early-stage stomach cancer using AI

Devise a method for automatic detection of early-stage stomach cancer from endoscopic images using deep learning.

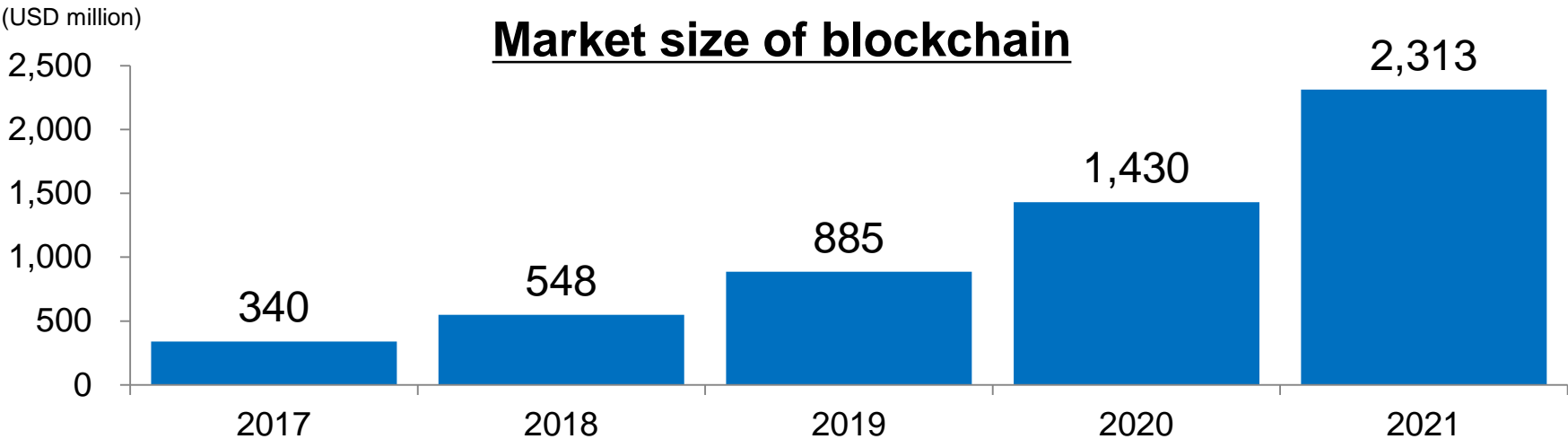
Adopt a new method of training using small amounts of learning data based on a convolutional neural network (CNN) classified using deep learning and, furthermore, apply a learning method called transfer learning to give the CNN the capability to detect early-stage stomach cancer. Verification results indicate sensitivity (percentage of correct identification of cancer in “cancer” images) of 80.0% and specificity (percentage of correct exclusion of cancer in “normal” images) of 94.8%.

The Financial Industry is Expected to Expand its Efforts to Utilize Blockchain

The blockchain area is expected to account for 20% of FinTech investments by financial institutions in 2021, up 5% than in 2017

Newspaper article

As Blockchain will be Utilized in Non-financial Fields as well, the Market Size is Expected to Continue to Expand



Source: statista

Examples of utilization of blockchain

Industry		Examples
Financial		Cryptocurrency, crowd funding, remittance, stock trading, and etc.
Non financial	Medical	Electric carte, genomic data
	Judicial	Smart contract
	Real estate	Registration management, lease contract
	Retail	Supply chain management, pre-paid card, reward (point system)
	Administration	Personal identifier, family register management, voting, and etc.

Utilization of Blockchain will Rapidly Spread into Other Industries



Real estate

- Through the mechanism of sharing highly reliable information utilizing blockchain, the recording and management of real estate information will be facilitated, optimizing real estate contracts with smart contracts and simplifying trade by the tokenization of real estate



Retail

- Many players, including trading companies, warehouses, wholesalers, restaurants, etc., are involved in the process from production to disposal of food
- By ensuring the legitimacy and consistency of the content through blockchain, it will become impossible to conduct acts of forgery in production areas



Medical

- Medical data is complicated and very confidential
- By linking data between medical institutions, it will lead to improvements in the overall healthcare system's capabilities, such as accurate diagnosis, effective treatment reviews and cost-effective medical provision

Application Example of Blockchain in Non-financial Sector



OBook (Taiwan)

(SBI's shareholding: 20%)

In addition to the world's first blockchain-based hotel management system (HMS) in Europe, the U.S. and Asia, centered in Taiwan, developed a food tracking system for the supply chain

Hotel Management System (HMS)

- The reservation reception at the hotel requires a reservation engine and a channel control system (consistency management to prevent double booking), in addition to the hotel management system
- A consistent HMS utilizing blockchain (smart contract) enables the hotel to considerably reduce its cost (in the case of a hotel with more than 100 rooms, the cost is calculated to be less than 50%)

Food tracking system

- World's first blockchain-based food tracking system
- In the supply chain where a large number of players interact, by tracking and sharing the food production data, etc., with the management system using blockchain, prevents mislabeling, etc.

OBook operates its business globally

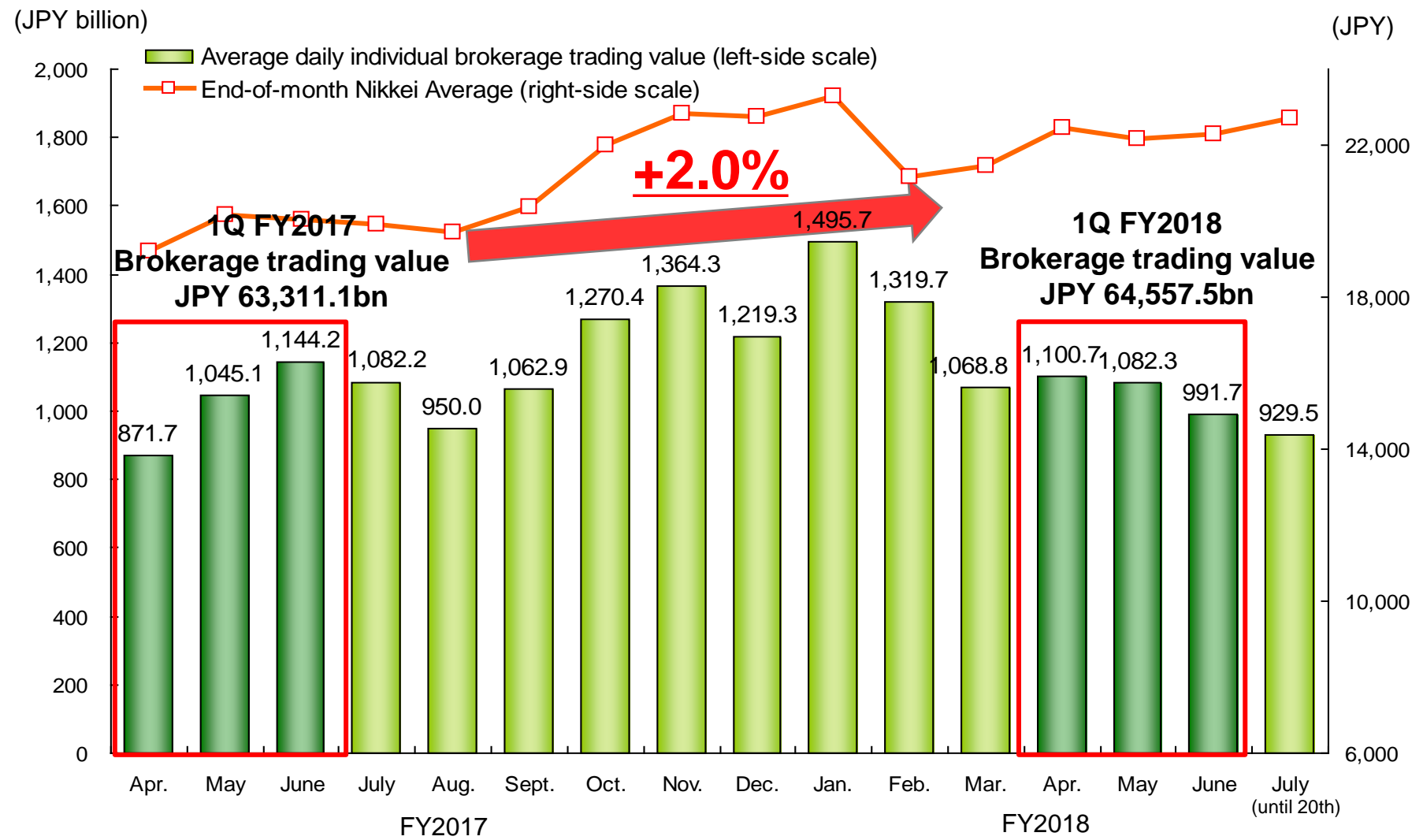


[Appendix]

(1) Business foundation of the securities-related business

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)

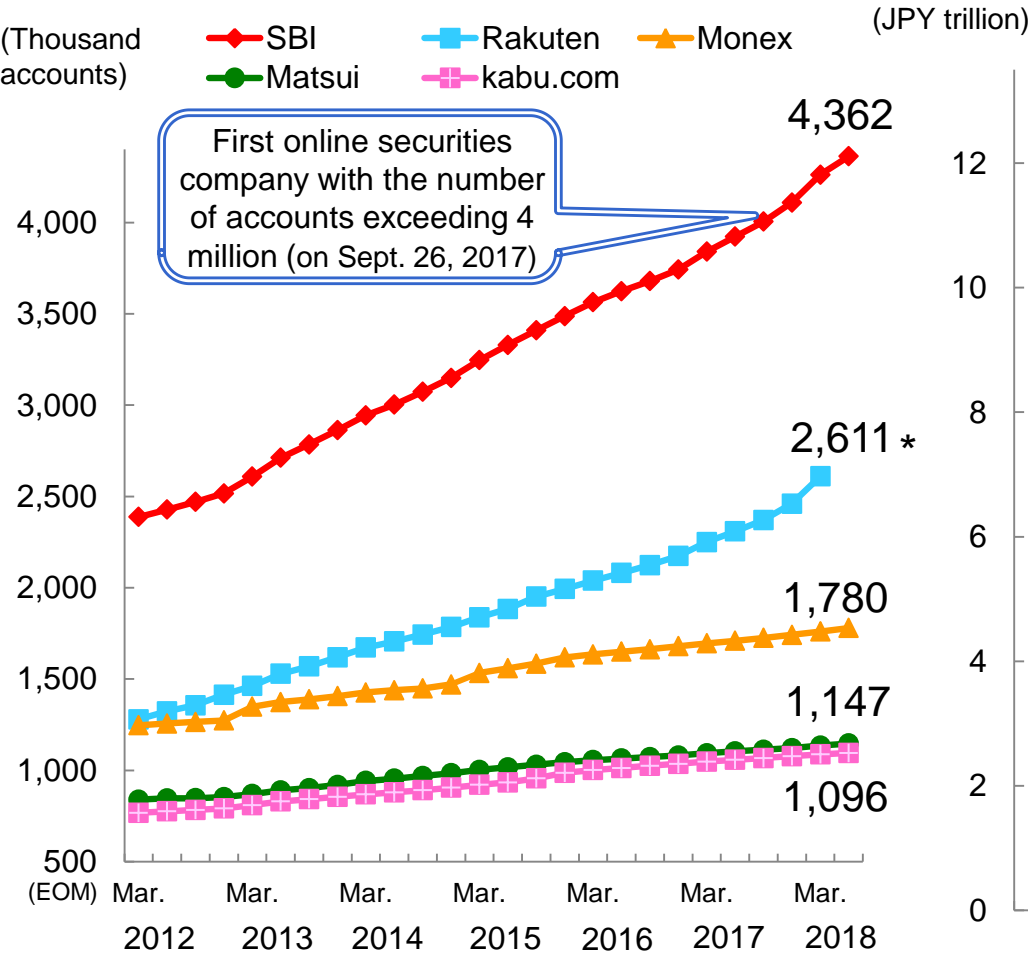
Source: Compiled by SBIH from disclosed data from TSE

SBI SECURITIES Attains an Overwhelming Customer Base

[Number of Accounts and Amount of Customer Asset]

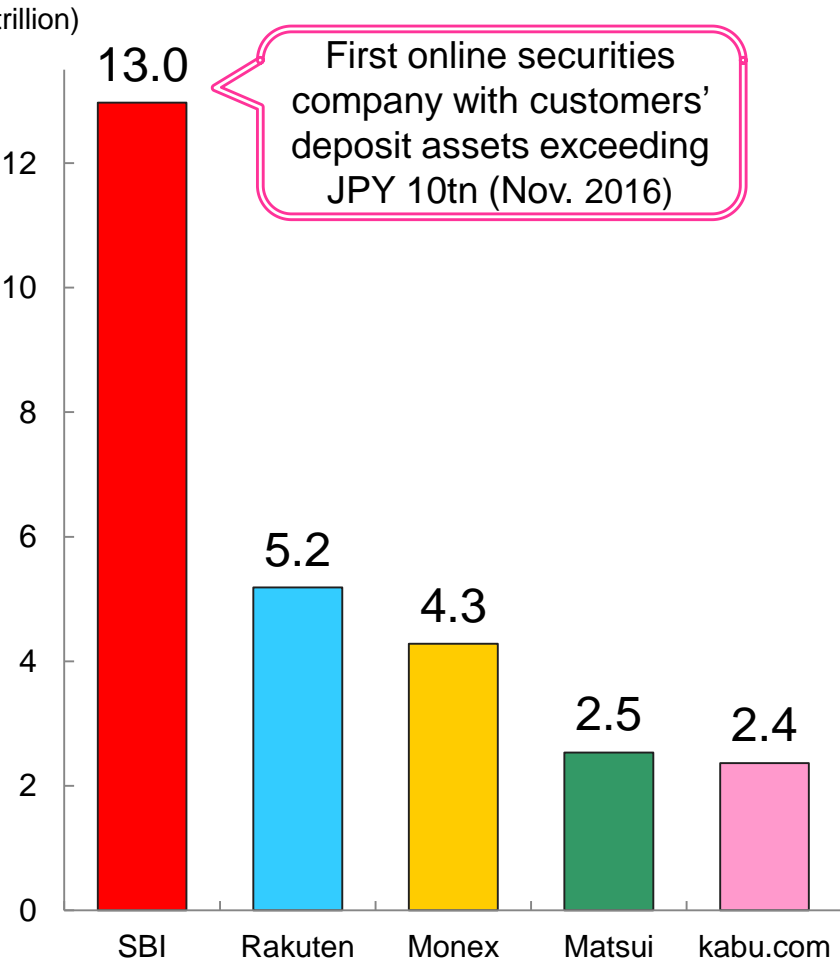
Customer Accounts of 5 Major Online Securities Companies

(Mar. 2012 –June 2018)



Customers' Deposit Assets of 5 Major Online Securities Companies

(as of the end of June 2018)

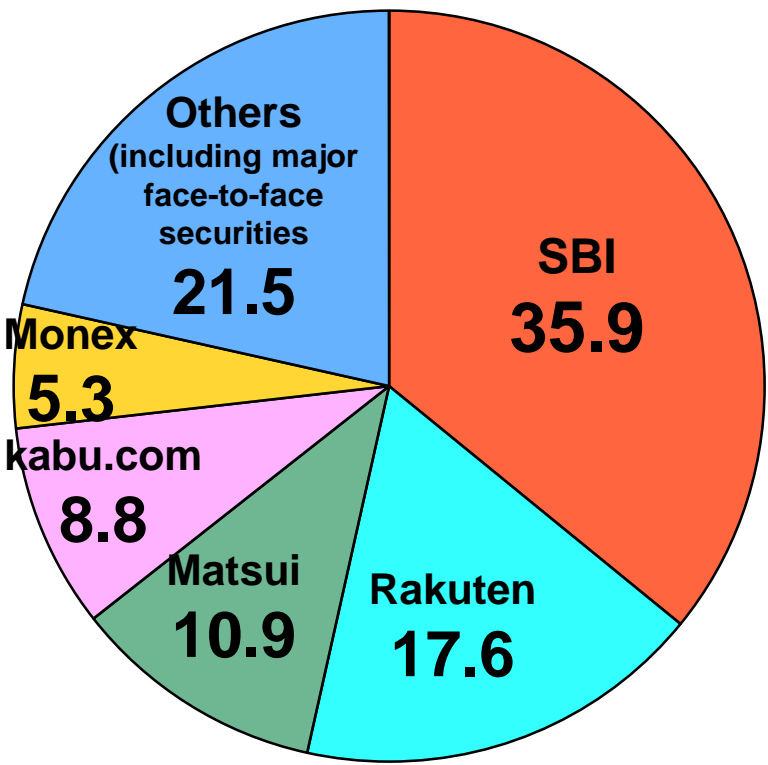


* Rakuten has not disclosed its figures beyond Mar. 31, 2018.
Source: Compiled by SBIH from the information on websites of each company.

SBI SECURITIES' Share of Individual Stock Trading

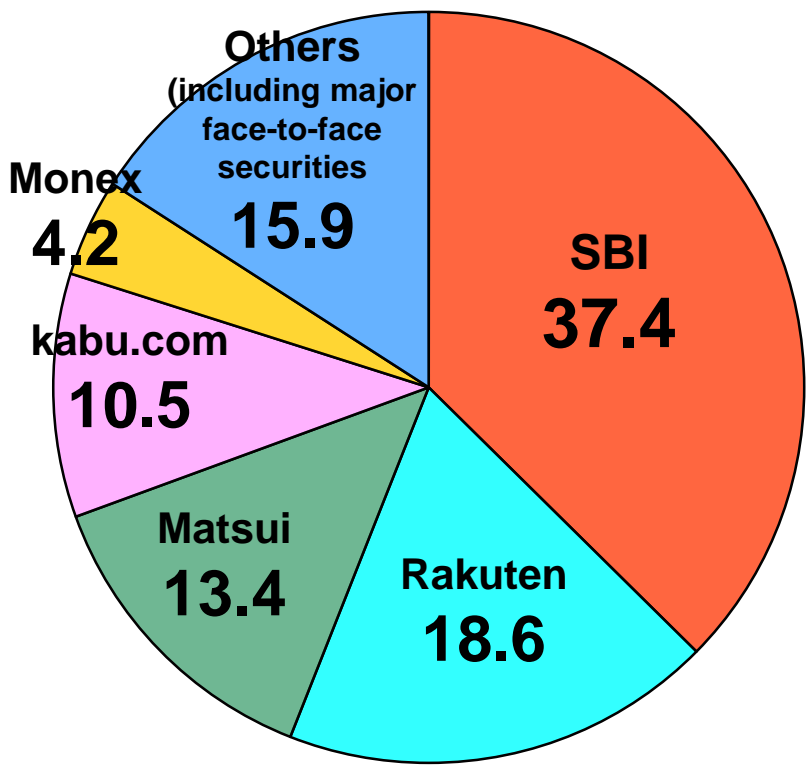
Share of Individual Stock Trading Value (%)

1Q FY2018
(Apr. 2018 – June 2018)



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

1Q FY2018
(Apr. 2018 – June 2018)



<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>

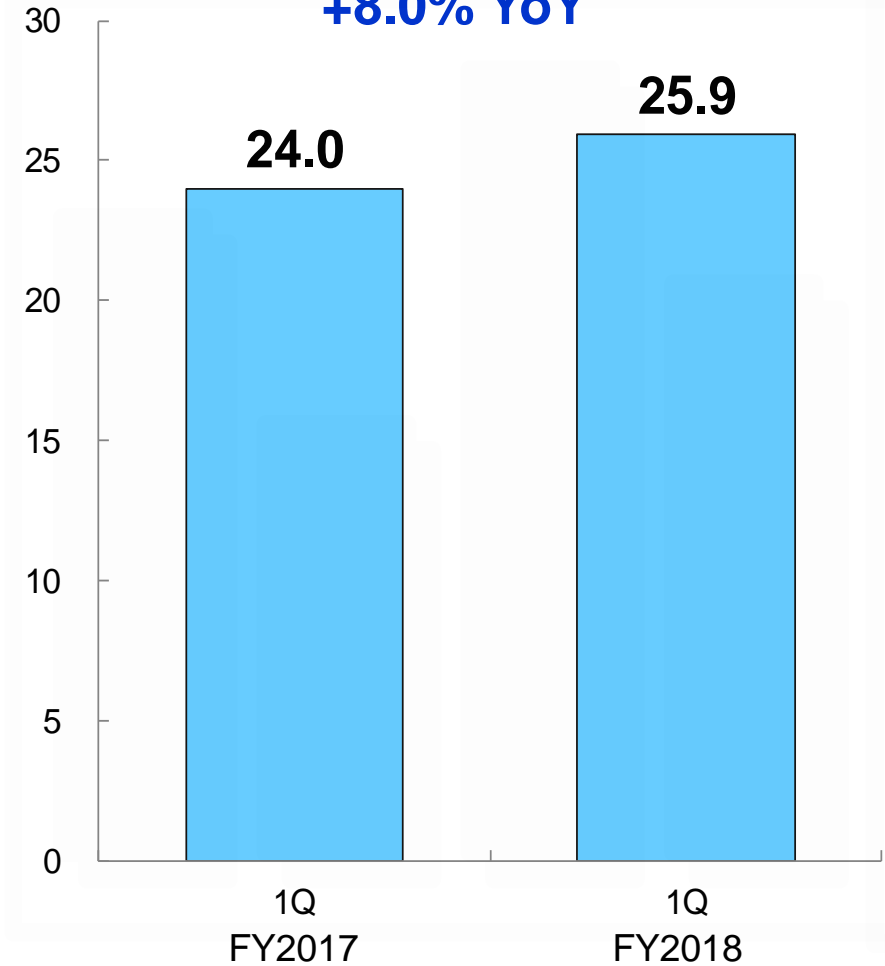
* Shares are calculated by dividing each company's individual stock trading value or individual margin trading value with the whole individual stock trading value and individual margin trading value of the 1st and 2nd section of the Tokyo and Nagoya Stock Exchange, including that of ETF and REIT trading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

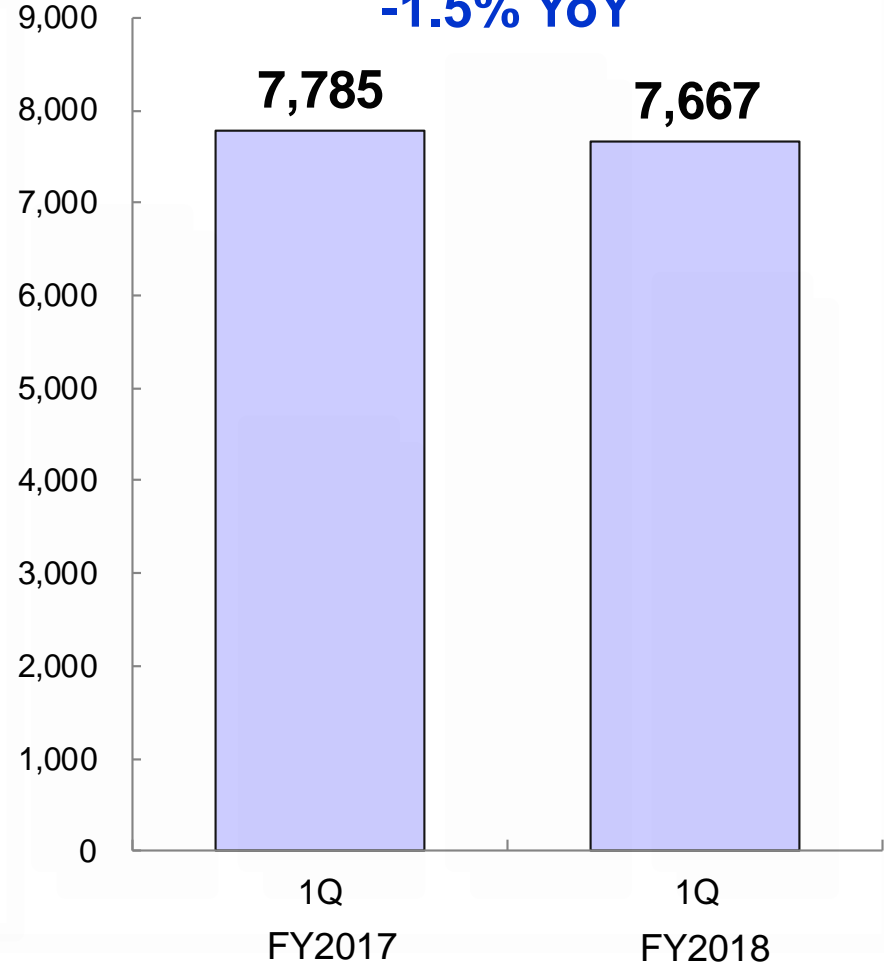
+8.0% YoY



Commissions

(JPY million)

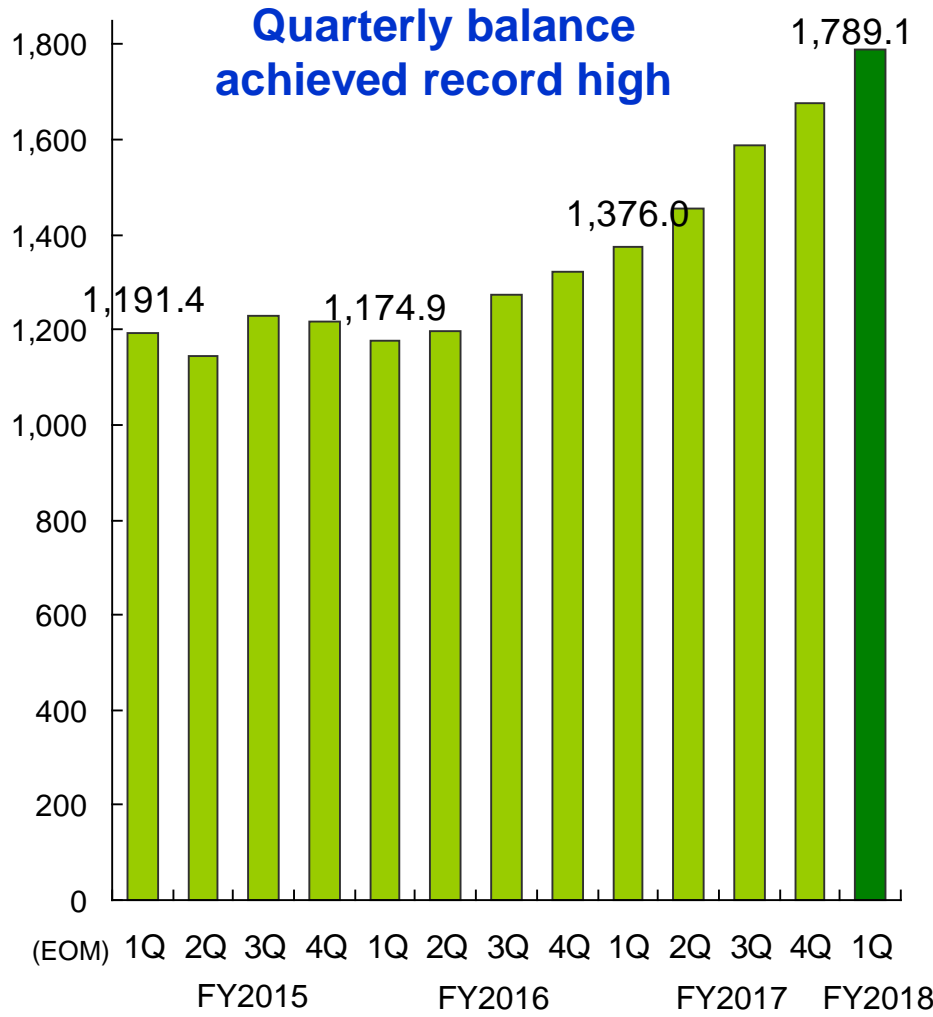
-1.5% YoY



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

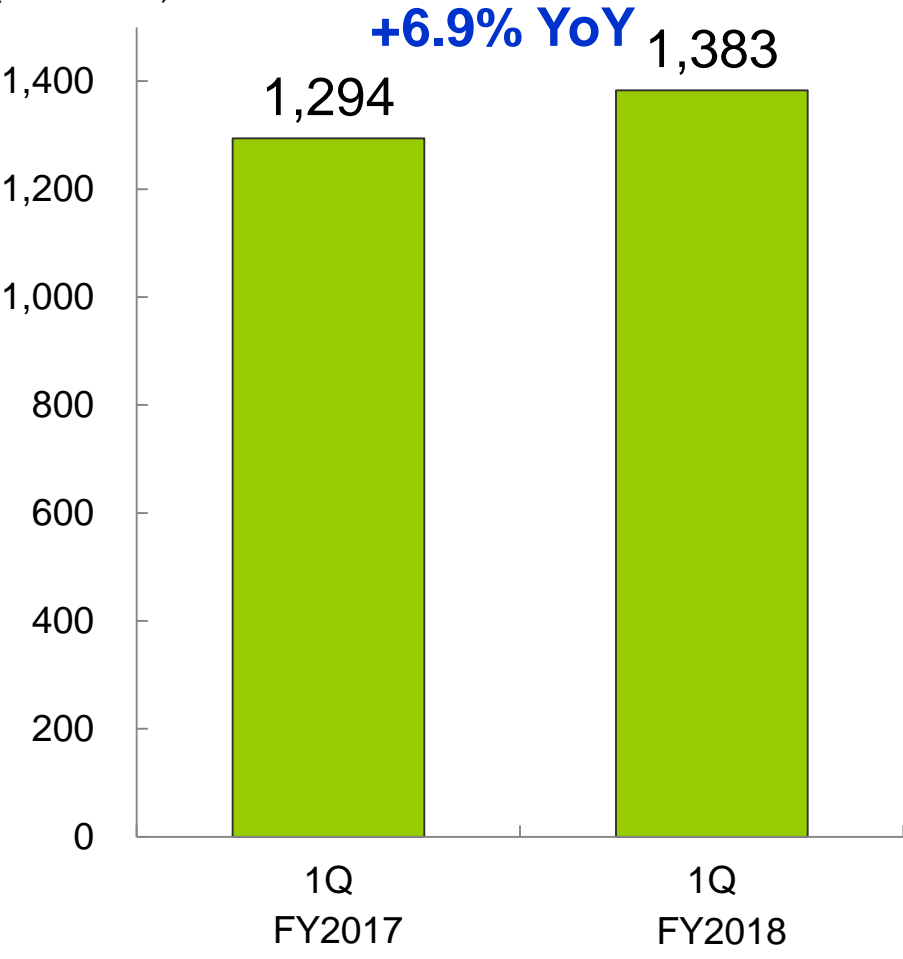
Investment Trust Balance

(JPY billion)



Investment Trust Fees

(JPY million)

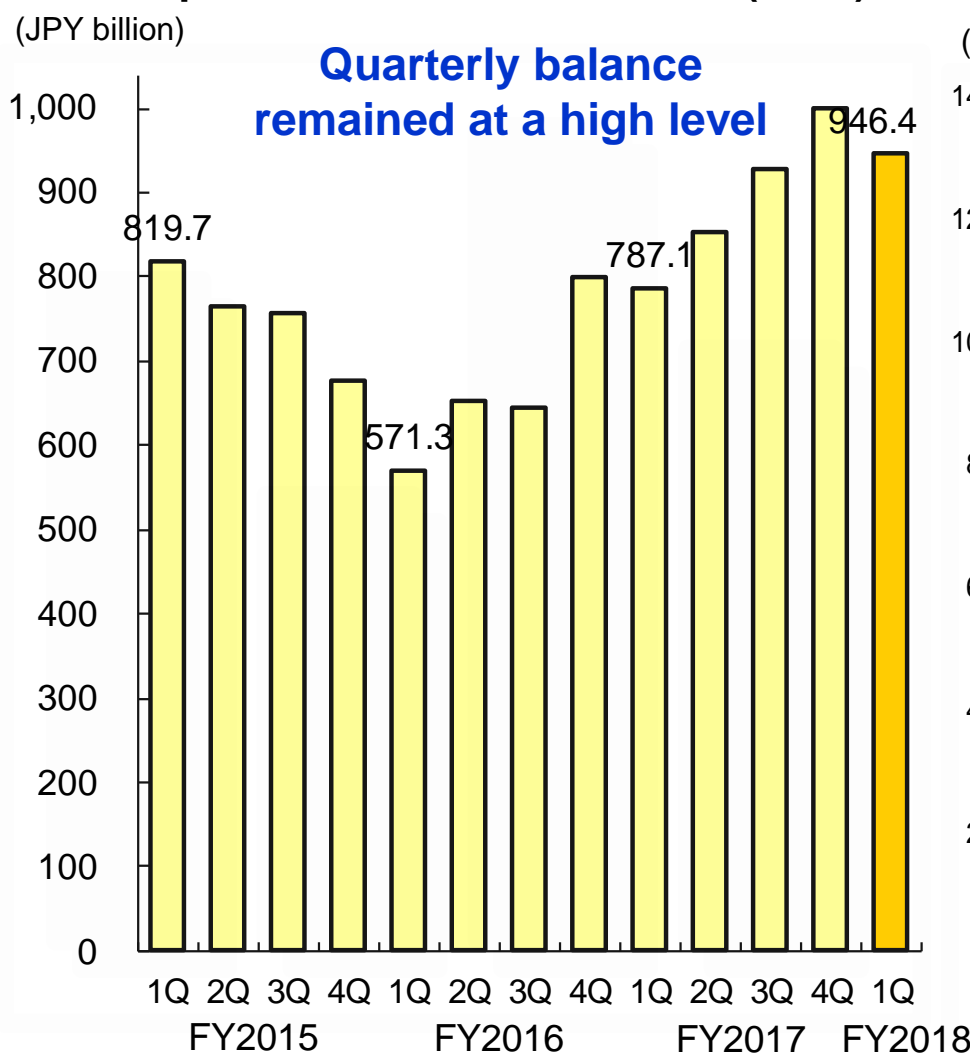


* Includes MMF, deposits of Chinese Fund and deposits of face-to-face accounts.
* Investment trust fees is included in "Other commission received".
* Trust fee excludes MRF.

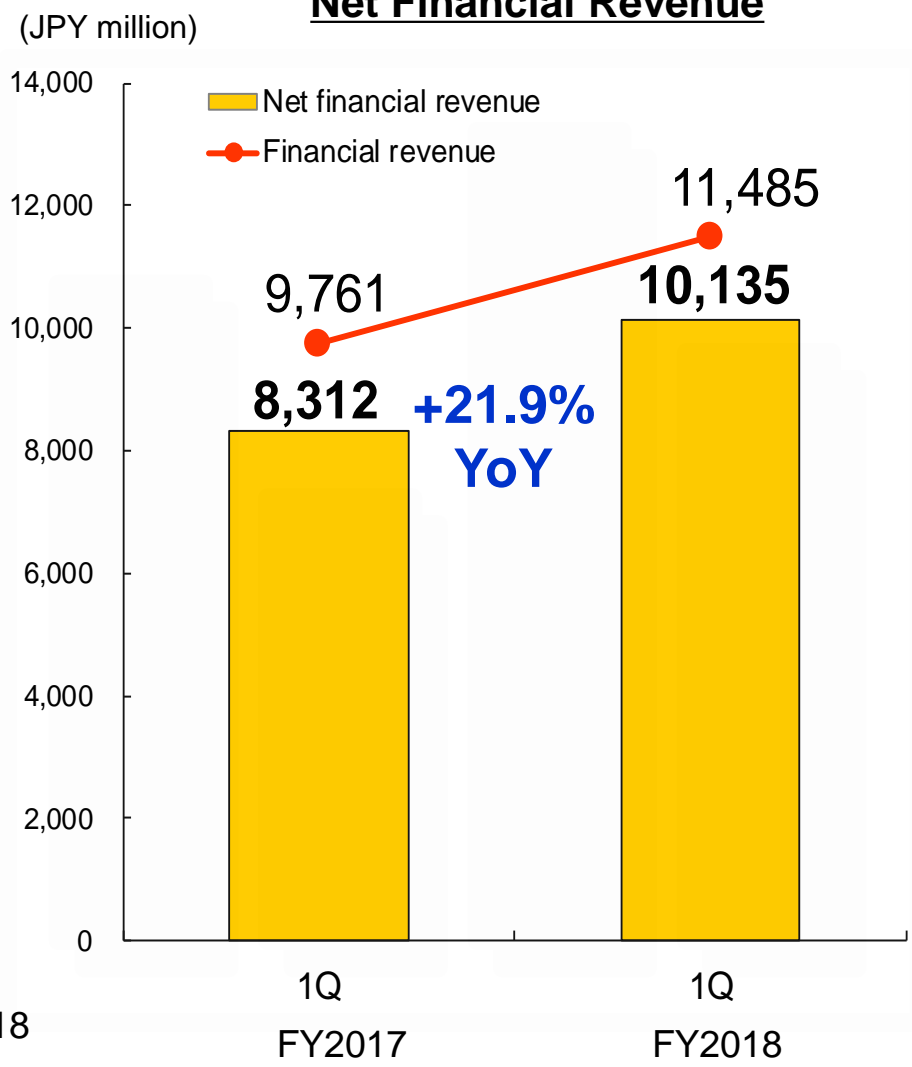
147

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

Open Interest Credit Balance (EOM)



Financial Revenue / Net Financial Revenue

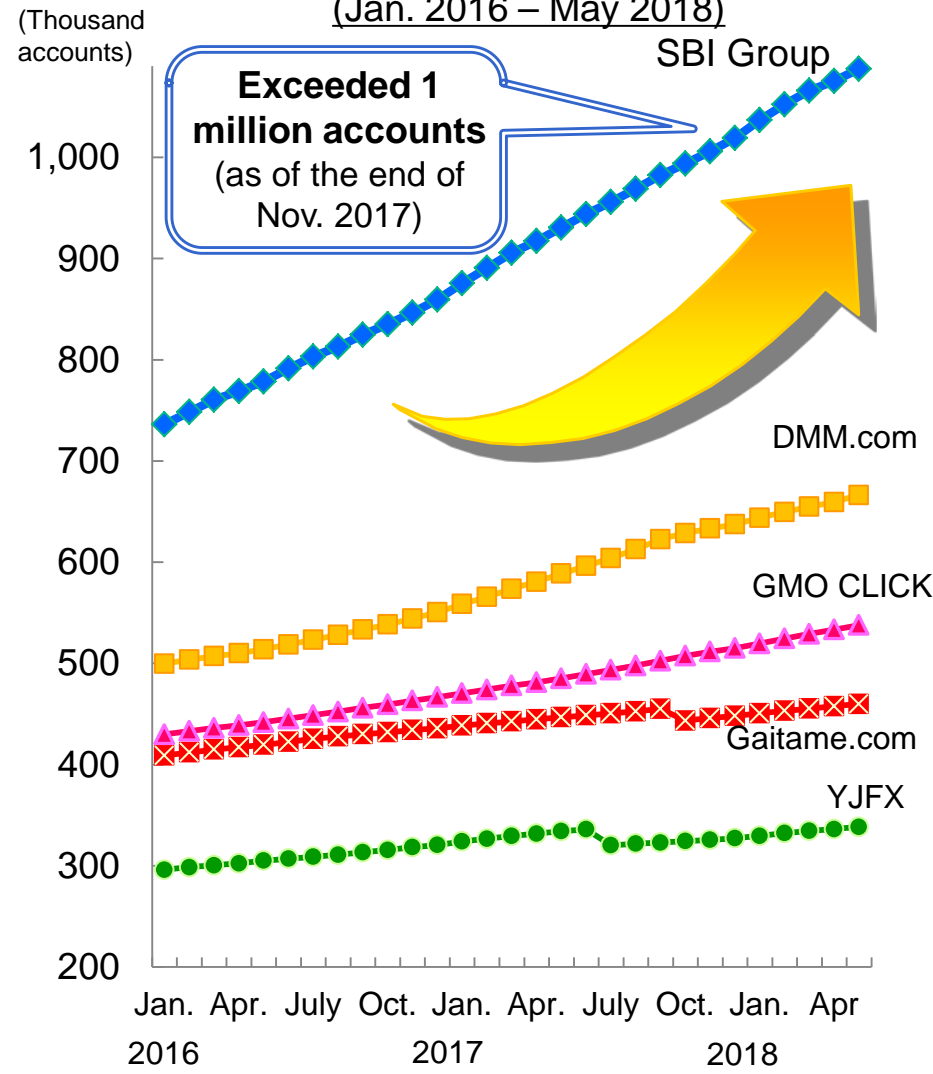


The SBI Group's (SBI SECURITIES, SBI FXTRADE and SBI Sumishin Net Bank) Total Number of Accounts and Customer Deposit Assets have Overwhelmingly Surpassed that of Its Competitors in the OTC FX Industry



Changes in number of accounts among 5 major FX Trading Companies

(Jan. 2016 – May 2018)



Customers' Deposit Assets Raking (May 2018)

No.	Company name	Amount (JPY million)
1	SBI Group	226,795
2	GMO CLICK	149,335
3	DMM.com	127,926
4	Gaitame.com	118,584
5	YJFX	105,143
6	Central Tanshi FX	61,817
7	MONEY PARTNERS	61,081
8	Hirose FX	47,894
9	FX PRIME by GMO Corporation	17,598
10	Traders Securities	13,990
11	Ueda Harlow	11,324
	Others (2 companies)	10,886
	Total	952,373

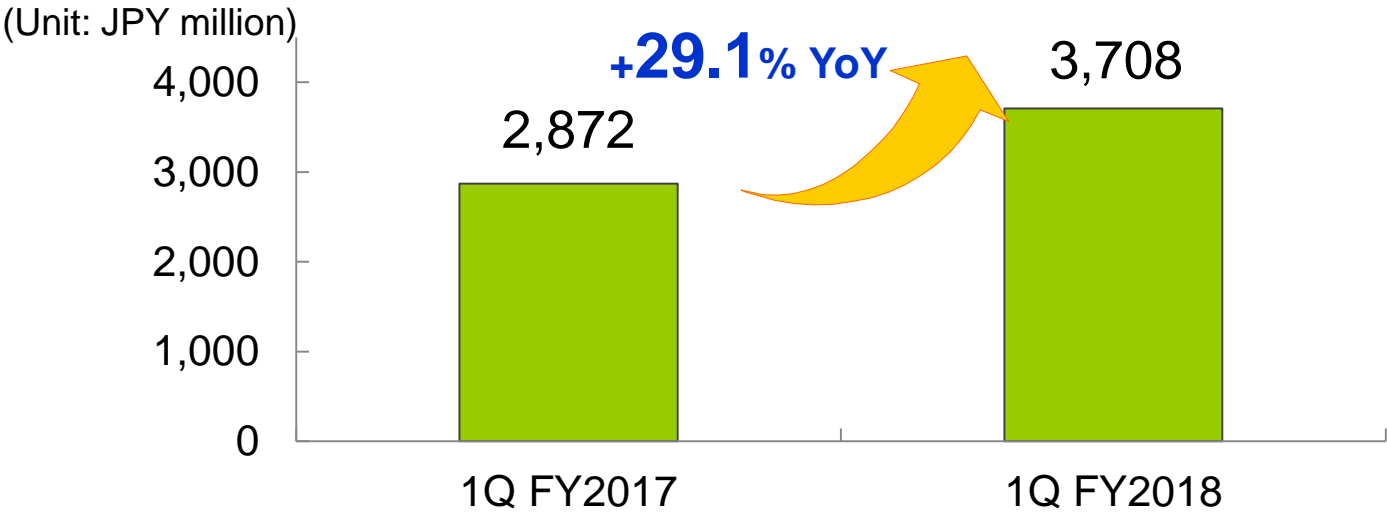
* Source: Yano Research "Monthly Research on 16 Major FX Trading Companies." 149

SBI Liquidity Market’s Operating Income Before Allocation is Steadily Performing

(Unit: JPY million)

	Establish- ment	Number of accounts	Deposits (JPY billion)	Operating income (J-GAAP)		YoY % change
				1Q FY2017	1Q FY2018	
SBI Group *1	Nov. 2008 [SBI LM]	1,099,470 (June 2018)	230.3 (June 2018)	2,872	3,708	+29.1
(SBI FXT)	May 2012	242,047 (June 2018)	52.0 (June 2018)	377	697	+84.9

Change of the SBI Liquidity Market’s Operating Income before Allocation *2



*1 Operating income of the SBI Group is SBI Liquidity Market’s operating income before allocation, which is the total amount of profits allocated to affiliated companies: SBI SECURITIES, SBI Sumishin Net Bank and SBI FXTRADE

*2 Operating income before allocation of the SBI Liquidity Market is operating income before allocation which represents the amount before its allocation of profits to affiliated companies: SBI SECURITIES, SBI Sumishin Net Bank and SBI FXTRADE

(2) Assets Under Management of the SBI Group (As of the end of June 2018)

Private equity, etc. JPY 387.1bn (Including JPY 117.0bn of both cash and commitment amount to be paid in) (*3)

Breakdown by Industry	Amount
IT/Internet	81.7
Biotechnology/Health/Medical	18.0
Services	20.5
Materials/Chemicals	4.2
Environmental/Energy	18.1
Retail/Food	10.3
Construction/Real estate	1.1
Machine/Automobile	12.7
Finance	91.0
Others	12.7
Total	270.1

Breakdown by region	Amount
Japan	84.6
China	21.5
Korea	53.7
Taiwan	1.6
Southeast Asia	31.2
India	5.1
U.S.	46.6
Europe	11.1
Others	14.7
Total	270.1

Investment trusts, etc. JPY 717.4bn (*4)

Investment trusts	569.6
Investment advisory	147.8

*1 Calculated by the exchange rate as of the end of June 2018

*2 Amounts are rounded to the nearest JPY 100m

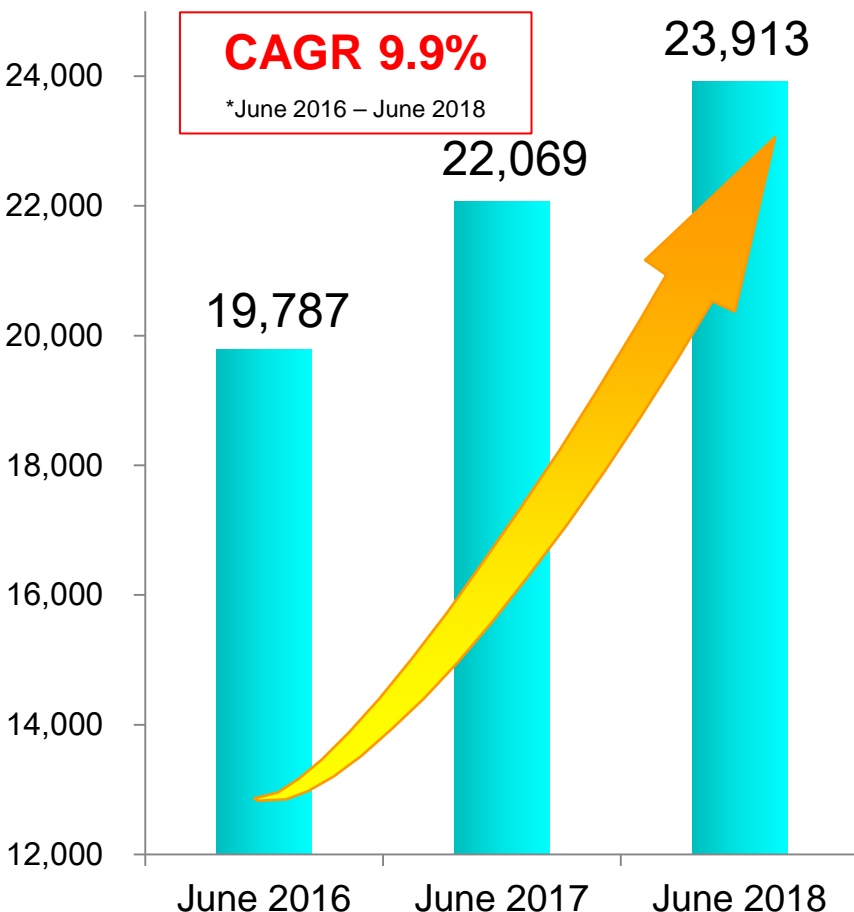
*3 Composed of cash in funds and unpaid capital which is to be paid on a capital call.

*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 40.7bn

(3) State of the Group

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

(Thousand)



Breakdown of the Customer Base

(As of the end of June 2018)*^{1,2} (Thousand)

SBI SECURITIES	(No. of accounts)	4,362
SBIH InsWeb	(No. of customers)	9,043
E-LOAN	(No. of customers)	2,435
MoneyLook	(Total no. of customer registrations)	944
Morningstar Japan	(Total no. of service users) * ³	832
SBI Sumishin Net Bank	(No. of accounts)	3,296
SBI Insurance	(Total no. of contracts)* ⁴	999
SBI Life Insurance	(Total no. of contracts)	109
Others (SBI Point etc.)	-	1,892
Total	-	23,913

*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. 2018	June 2018
Consolidated subsidiaries (companies)	180	189
Consolidated partnerships (partnerships)	17	16
Total consolidated subsidiaries(companies)	197	205
Equity method companies (companies)	33	36
Total Group companies (companies)	230	241

Number of consolidated employees

	Mar. 2018	June 2018
Total employees (persons)	5,391	5,539

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