

## SBI Holdings, Inc. 2018 Information Meeting

November 21 Tokyo

November 26 Nagoya

November 29 Osaka



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



## **Today's Program**

Part I: Explanations for the Key Questions

Part II: Q&A



## **Part I: Key Questions**

- 1. 1H FY2018 consolidated performance
- 2. What efforts are being strengthened to further increase the Company's market capitalization?
- 3. What is your assessment of the economic environment surrounding the SBI Group since the second half?
- 4. Measures to realize existing financial businesses' sustainable future high growth
- 5. What are the two new ecosystems that will support the SBI Group's next dramatic growth?
- 6. What is the progress of the Biotechnologyrelated Business?



## Q1. 1H FY2018 consolidated performance

### **Consolidated Performance Highlights**



- 1H FY2018 revenue increased 24.8% year-on-year to JPY 176.8bn, profit before income tax expense increased by 95.4% year-on-year to JPY 54.2bn and profit attributable to owners of the Company was JPY 33.6bn, up 64.8% year-on-year, which achieved significant increase in both revenue and profit. All profit items under profit before income tax expense achieved historical highs for a half-year period, since the adoption of IFRS in FY2012
- As for profit before income tax expense by segment, the Financial Services Business was JPY 35.2bn, up 18.7% year-on-year, and the Asset Management Business increased 2.6 times year-on-year to JPY 29.8bn, 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 and photonamic increased their profit before income tax expense to 3.9 times and 5.5 times, on a year-on-year basis, respectively, owing to an increase in the sales of self-developed products

## 1H FY2018 Consolidated Performance (IFRS)



### -Achieved historical highs since the adoption of IFRS in FY2012-

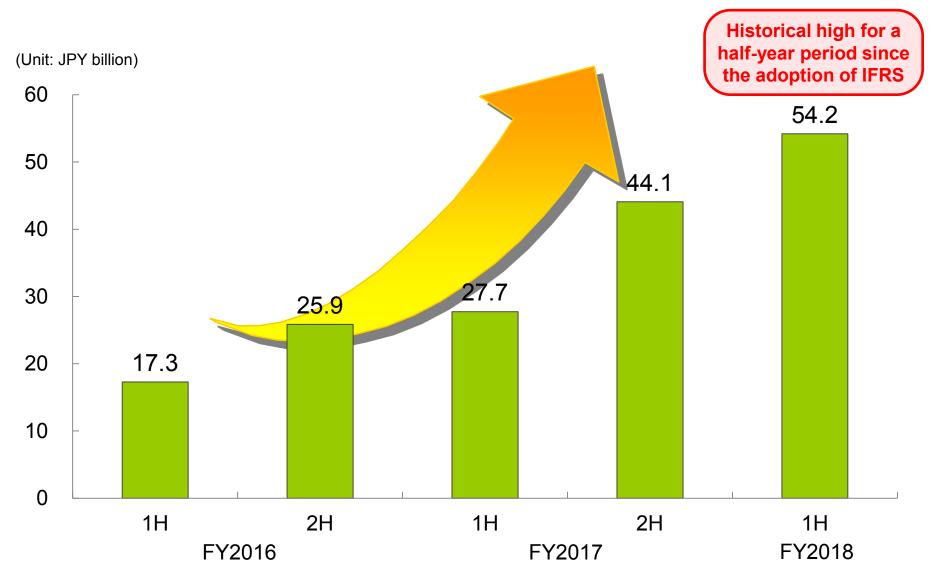
[Year-on-year comparison]

(Unit: JPY million)

	1H FY2017 (Apr. 2017 – Sept. 2017)	<b>1H FY2018</b> (Apr. 2018 – Sept. 2018)	YoY % change
Revenue	141,679	176,753	+24.8
Profit before income tax expense	27,737	Record high 54,195	+95.4
Profit for the period	19,108	Record high 40,062	+109.7
Profit attributable to owners of the Company	20,385	Record high 33,588	+64.8



## Consolidated Profit Before Income Tax Expense Since FY2016, on a Half-year Basis



## Owing to Steady Earnings, an Interim Dividend of JPY 20 Per Share was Declared, for an Increase of JPY 5

### [Basic policy for shareholder return]

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

### Dividend forecast (result) per share

	End of 2Q	Year-end	Full-year
FY2018 (forecast)	<u>JPY 20</u>	N/A	N/A
FY2017 (result)	JPY 15	JPY 70	JPY 85



# Having Comprehensively Considered the Recent Weak Stock Market Conditions and the Current Company Share Price Trend, Resolved to Repurchase Shares

Class of shares to be repurchased	Common stock
Number of shares to be repurchased	Up to 8 million shares (3.39% of total issued shares outstanding, excluding treasury stock)
Total cost of shares to be repurchased	Up to JPY 20bn
Period for share repurchase	From Nov. 28, 2018 to Feb. 15, 2019
Method of share repurchase	Market purchase on the Tokyo Stock Exchange



## [Business Overview of Each Segment]



## 1H FY2018 Performance by Segment (IFRS)

#### [Year-on-year]

(Unit: JPY million)

#### Revenue

## Profit before Income Tax Expense

	1H FY2017 (Apr. 2017– Sept. 2017)	1H FY2018 (Apr. 2018– Sept. 2018)	YoY % change	1H FY2017 (Apr. 2017– Sept. 2017)	1H FY2018 (Apr. 2018– Sept. 2018)	YoY % change / YoY change
Financial Services Business	102,742	113,976	+10.9	29,642	35,176	+18.7
Asset Management Business	38,188	61,619	+61.4	11,579	29,776	+157.2
Biotechnology- related Business	1,860	1,766	-5.1	-8,604	-4,802	+3,802

<sup>\*</sup> Figures are before elimination of the inter-segment transactions.



## (1) Financial Services Business

- ① Securities-related business (SBI SECURITIES)
- ② Banking-related business (SBI Sumishin Net Bank)
- ③ Insurance-related business (SBI Insurance Group)



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

- Consolidated results for 1H FY2018 <u>achieved historical</u> <u>highs in operating revenue and all profit items</u>, owing to the steady expansion of businesses other than stock brokerage commissions, such as financial revenues, underwriting and sales commissions offering, and trading gains
- 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, transitioning to a new phase to fully compete with the major face-to-face securities companies



## SBI SECURITIES 1H FY2018 Consolidated Results (J-GAAP)

-Operating revenue and all the profit items <u>recorded</u> <u>historical highs</u>-

[Year-on-year comparison]

(Unit: JPY million)

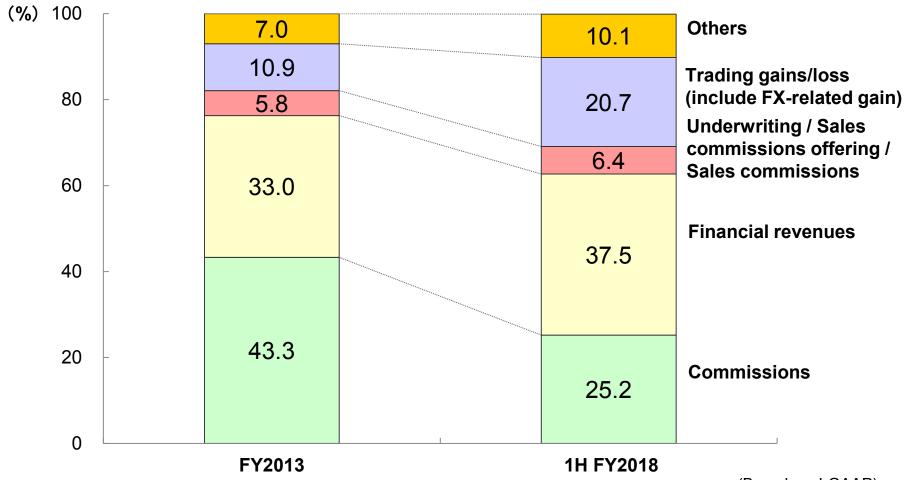
	1H FY2017 (Apr. 2017 – Sept. 2017)	1H FY2018 (Apr. 2018 – Sept. 2018)	YoY % change
Operating Revenue	52,880	60,394	+14.2
Net Operating Revenue	48,198	56,735	+17.7
Operating Income	22,949	27,942	+21.8
Ordinary Income	22,973	27,885	+21.4
Profit attributable to owners of the Company	15,970	19,223	+20.4

#### **11 SBI SECURITIES**



### Changes in SBI SECURITIES' Operating Revenue Structure GROUP

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



#### **1 SBI SECURITIES**

## Positioning of SBI SECURITIES in the Securities Industry SECURITIES -Comparison with the Major Face-to-face Securities-

#### Operating income (J-GAAP)

(Unit: JPY million; Year-on-year % changes are shown in the parentheses)

#### [FY2017]

-	-		
1	Nomura Holdings (US-GAAP)	328,158	(+1.7)
2	Daiwa Securities Group	135,058	(+13.4)
3	SMBC Nikko	89,690	(+18.3)
4	Mitsubishi UFJ	63,222	(-1.4)
5	SBI	53,570	(+41.1)
6	Mizuho	42,620	(-43.2)

#### [1H FY2018]

1	Daiwa Securities Group	37,667	(-38.7)
2	SMBC Nikko	32,738	(-18.4)
3	SBI	27,942	(+21.8)
4	Mizuho	23,172	(+6.8)
5	Mitsubishi UFJ	20,998	(-21.0)
6	Nomura Holdings (US-GAAP)	14,110	(-91.2)

<sup>\*</sup> Since Nomura Holdings adopts US-GAAP, presents "profit before income tax expense" for the purpose of convenience

#### ◆ Net income (J-GAAP)

#### [FY2017]

1	Nomura Holdings (US-GAAP)	219,343	(-8.5)
2	Daiwa Securities Group	110,579	(+6.3)
3	SMBC Nikko	63,705	(+35.7)
4	Mitsubishi UFJ	43,193	(-12.0)
5	SBI	36,812	(+32.4)
6	Mizuho	35,751	(-81.0)

#### [1H FY2018]

٠.				
	1	Daiwa Securities Group	36,286	(-29.3)
	2	SMBC Nikko	27,925	(-3.2)
	3	Mizuho	21,508	(+25.5)
	4	SBI	19,223	(+20.4)
	5	Mitsubishi UFJ	15,363	(-13.4)
	6	Nomura Holdings (US-GAAP)	-6,010	(-105.5)



## **SBI SECURITIES' Overwhelming Position**

#### [1H FY2018 results]

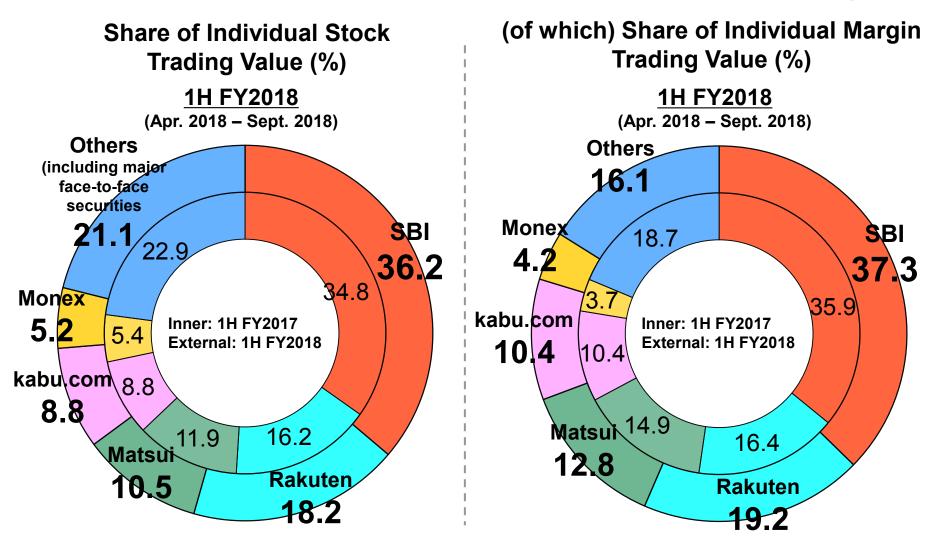
	Share of inditrading v	ividual stock /alue (%)	Number of	Deposit	Operating
		of which, individual margin trading	accounts (thousand)	assets (JPY trillion)	income (JPY million)
SBI (cons.)	36.2	37.3	<b>2</b> 4,448	<b>2</b> 13.6	27,942
Rakuten *1 (cons.)	18.2	19.2	2,858	5.5	10,382
Matsui	10.5	12.8	1,157	2.6	7,787
kabu.com	8.8	10.4	1,103	2.4	3,766
Monex *2 (cons.)	5.2	4.2	1,793	4.4	1,652

<sup>\*1</sup> Since Rakuten changed the term of its fiscal year from FY2018, the figure above is for the corresponding period of Apr.-Sept. 2018

<sup>\*2</sup> The amount of "Operating income" represented above is "The amount equivalent to operating income" disclosed by Monex.



### SBI SECURITIES' Share of Individual Stock Trading



<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>

<sup>\*</sup> 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

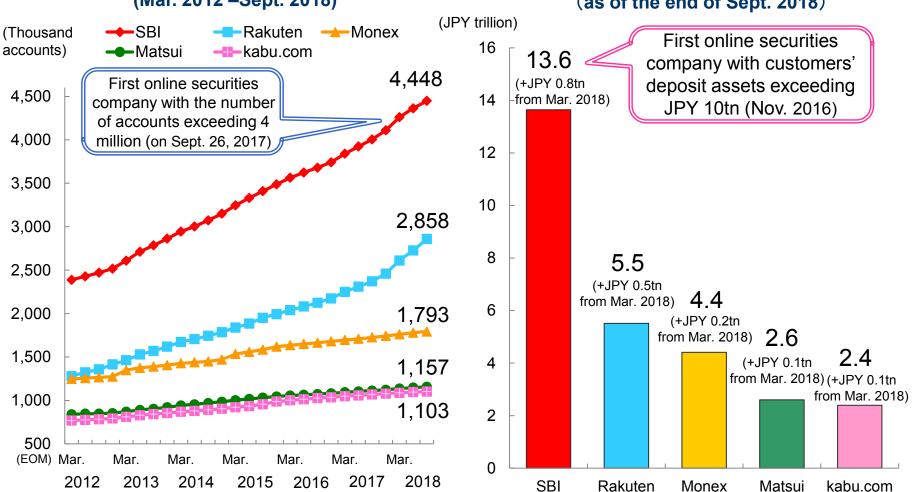
## SBI SECURITIES Attains an Overwhelming Customer Base



[Number of Accounts and Amount of Customer Asset]



#### Customers' Deposit Assets of 5 Major Online Securities Companies (as of the end of Sept. 2018)



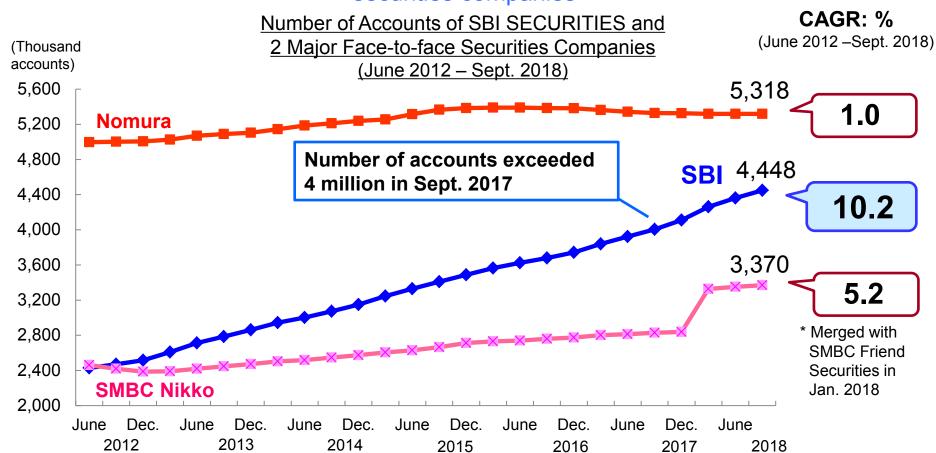
Source: Compiled by SBIH from the information on websites of each company.

#### **(1) SBI SECURITIES**

## 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 <u>3,886</u> thousand accounts, with a <u>CAGR at 2.5%</u> during the period from June 2012 to Mar. 2017

<sup>\*</sup> Daiwa has not disclosed its figures beyond Mar. 31, 2017



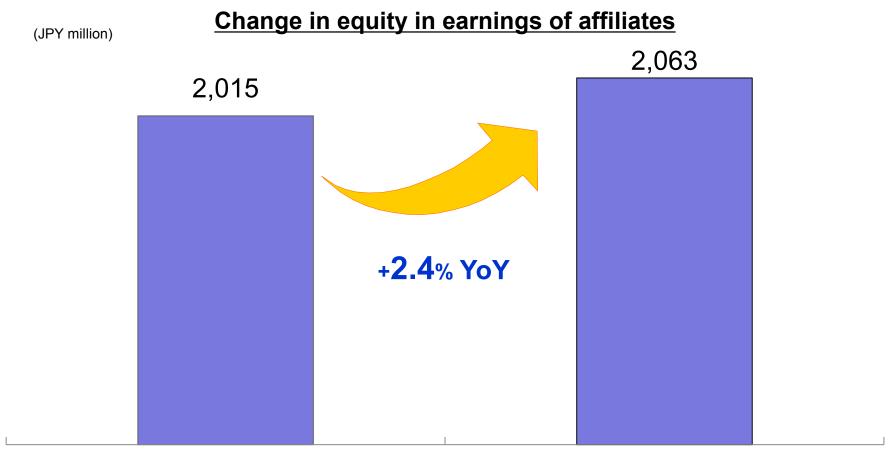
## ② Banking-related business (SBI Sumishin Net Bank)

- SBI Holdings' equity in earnings of SBI Sumishin Net Bank, based on IFRS for 1H FY2018 was JPY 2,063m, up 2.4% yearon-year, owing to the expansion of the housing loans and profits through investment of bond investments, etc.
- Ordinary income based on J-GAAP for 1H FY2018 was JPY 7,893m, exceeding that for the 1H FY2017 (JPY 7,063), and has continued to steadily increase



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

SBI Holdings' equity in earnings of SBI Sumishin Net Bank based on IFRS for 1H FY2018 was JPY 2,063m, up 2.4% year-on-year



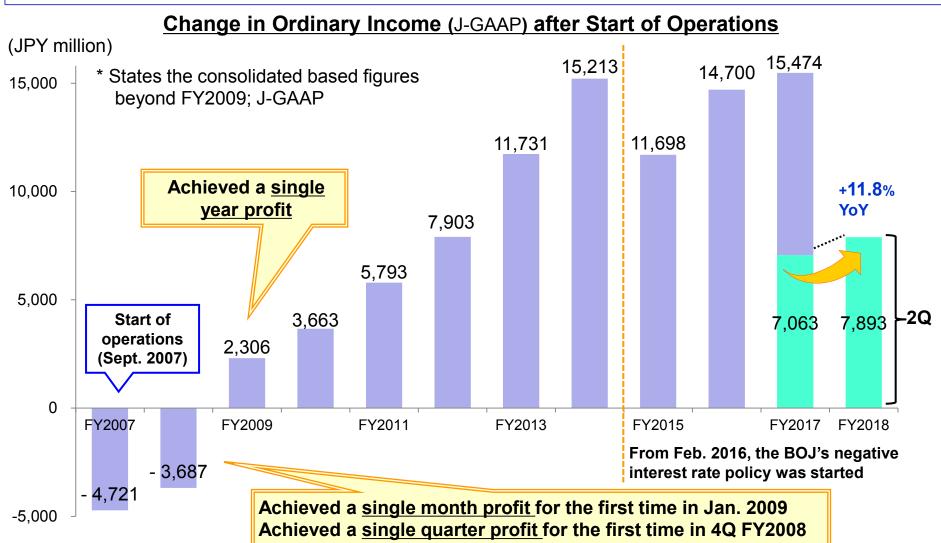
1H FY2017 1H FY2018

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's Ordinary Income is Steadily Increasing

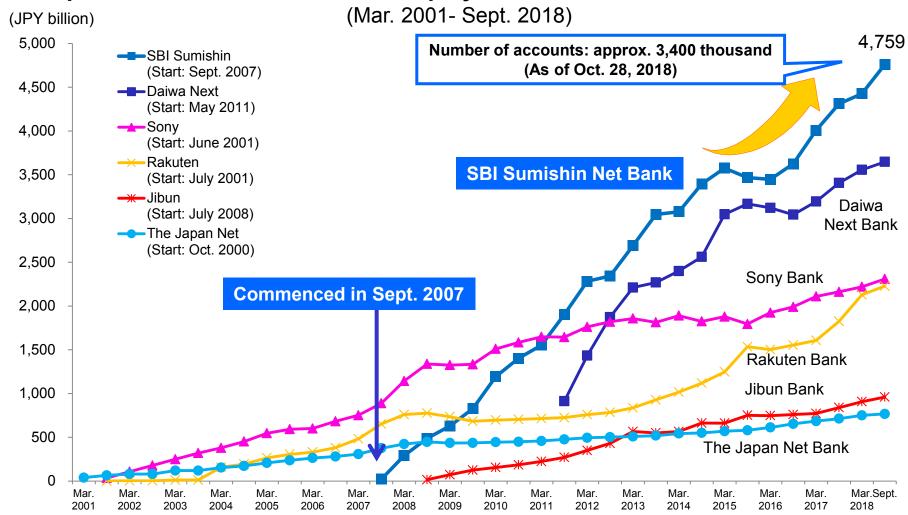
Ordinary income based on J-GAAP for 1H FY2018 was JPY 7,893m, up 11.8% year-on-year





### SBI Sumishin Net Bank's Accelerating Increase in Customer Accounts

<u>Deposit Balances of Internet Pure-play Banks Since Their Establishment</u> (\*)



<sup>\*</sup> 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 SBI Sumishin Net Bank**

## SBI Sumishin Net Bank Expanded its Business Scale in a Short Period of Time Since its Commencement in Sept. 2017, and the Balance of Deposits is 24th Among 76 Banks, which Includes Regional Banks and New Entrant Banks

#### Ranking by deposits

(JPY billion)

(Regional Banks, New Entrant Banks and Pure-play Internet Banks) (\* As of the end of Sept. 2018.)

Rank	Bank name	Listing	Deposits
1	Bank of Yokohama	*	13804.1
2	Chiba Bank	1	12032.2
3	Bank of Fukuoka	*	10066.3
4	Shizuoka Bank	*	9681.3
5	Joyo Bank	*	8557.3
6	Nishi-Nippon City Bank	*	7826.3
7	77 Bank	1	7322.2
8	Hiroshima Bank	<b>✓</b>	7158.7
9	Bank of Kyoto	1	6985.1
10	Gunma Bank	1	6658.9
11	Hachijuni Bank	1	6619.5
12	Hokuriku Bank	*	6416.8
13	Chugoku Bank	1	6383.2
14	Shinsei Bank	1	5785.8
15	Ashikaga Bank	*	5549.1

Rank	Bank name	Listing	Deposits
16	Juroku Bank	<b>✓</b>	5526.1
17	lyo Bank	1	5057.8
18	Toho Bank	<b>✓</b>	5047.6
19	Yamaguchi Bank	*	4959.6
20	Senshu Ikeda Bank	*	4944.5
21	Ogaki Kyoritsu Bank	<b>✓</b>	4935.7
22	Nanto Bank	1	4904.8
23	Hyakugo Bank	1	4772.8
24	SBI Sumishin Net Bank	n/a	4758.5
25	Shiga Bank	1	4745.5
26	Hokkaido Bank	*	4691.9
27	Daishi Bank	1	4598.0
28	Kiraboshi Bank	1	4588.1
29	Higo Bank	*	4423.6
30	Musashino Bank	<b>✓</b>	4030.4

ernet Banks) (* As of the end of Sept. 2018.)					
Rank	Bank name	Listing	Deposits		
31	Hyakujushi Bank	<b>✓</b>	4018.7		
32	Kiyo Bank	<b>✓</b>	3923.3		
33	San-in Godo Bank	<b>✓</b>	3850.2		
34	Daiwa Next	*	3597.5		
35	Kagoshima Bank	*	3438.6		
36	Suruga Bank	<b>✓</b>	3415.9		
37	Hokkoku Bank	✓	3395.1		
38	Kinki Osaka Bank	*	3346.2		
39	Aozora Bank	<b>√</b>	2955.5		
40	Bank of Iwate	✓	2909.7		

<sup>\*</sup> Bank holding companies or financial holding companies are listed

<sup>\*</sup> Amounts are rounded to the nearest JPY 100 million (Source: websites of each company)



Newspaper article



## ③ Insurance-related Business (SBI Insurance Group)

- SBI Insurance Group's consolidated ordinary revenue for 1H FY2018 (based on J-GAAP), was adversely affected by natural disasters, etc., at SBI Insurance and SBI Nihon SSI, so was limited to JPY 31,563m, with ordinary income of JPY 654m, however, the forecast for the full-year has not changed
- SBI Insurance Group's total number of inforce contracts steadily increased, reflecting contributions from associated operating companies



## **SBI Insurance Group's Performance**

## SBI Insurance Group's Consolidated Results (J-GAAP)

	1H FY2018 (Result) (Apr. 1, 2018 to Sept. 30, 2018)
Ordinary revenue	31,563
Ordinary profit	654
Profit attributable to parent of the Company	204

#### [Reference: Forecast for full year]

(No change from published figures on Sept. 27, 2018)

(Unit: JPY million)

	FY2017 (Result) (Apr. 1, 2017 to Mar. 30, 2018)	FY2018 (Forecast) (Apr. 1, 2018 to Mar. 30, 2019)
Ordinary revenue	62,186	66,000
Ordinary profit	1,059	1,750
Profit attributable to parent of the Company	724	770

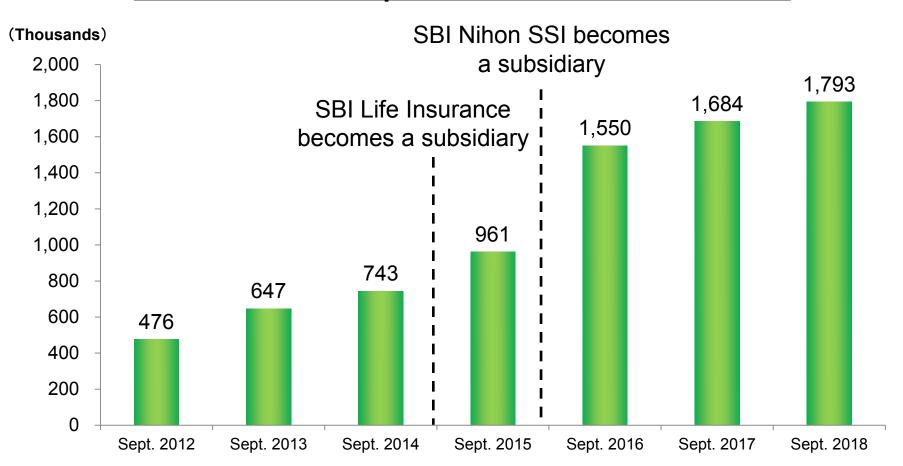
<sup>\*</sup> The SBI Insurance Group is just starting to prepare interim financial statements this fiscal year and thus has no stated consolidated earnings for the same period in previous years.

**③ SBI Insurance Group:** 



## SBI Insurance Group's Total Number of Inforce Contracts Steadily Increased

### SBI Insurance Group's trend in number of contracts



**③ SBI Insurance Group: SBI Insurance's customer base** 

## SBI Insurance Maintained a High Rate of Increase in Contracts of Approx. 10% Per Annum, to Record Over 1 Million Contracts

#### **SBI Insurance's Total Number of**

#### **Net Combined Ratio**



	1H FY2016	1H FY2017	1H FY2018
Loss ratio*1	79.4	77.3	<u>78.0</u>
Operating expenses ratio*2	13.2	11.6	<u>11.8</u>
Combined ratio (Net base)	92.6	88.9	<u>89.9</u>

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

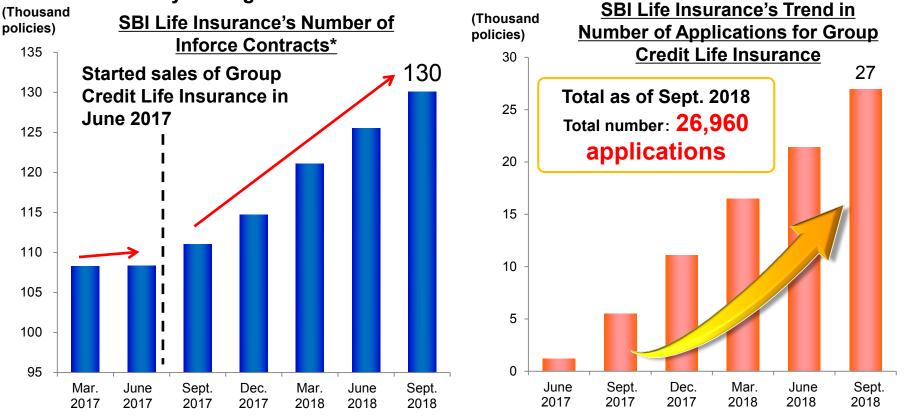
<sup>\*2</sup> Operating expenses ratio (%) = (Commissions and Collection costs + Operating expenses and general and administrative expenses related to insurance underwriting) / Net insurance premium income written X 100

**③ SBI Insurance Group: SBI Life Insurance's customer base** 

## SBI Life Insurance's Total Number of Inforce Contracts SBI Continues to Increase at a High Rate, Since the Start of Group Credit Life Insurance Sales

> SBI Life Insurance's total number of inforce contracts recorded a high growth rate of 17.1% on an year-on-year basis

Group Credit Life Insurance, sales of which began in June 2017, contributed significantly to an increase in the total number of contracts, concomitantly with an expansion in the business by the regional financial institution



<sup>\*</sup> Includes number of applications for Group Credit Life Insurance



## (2) Asset Management Business

- Investments from the Fintech Fund, etc., contributed to valuation gains and favorable results
- SBI SAVINGS BANK of South Korea's profit before income tax expense (based on IFRS incorporation at SBI Holdings) increased 29.6% year-on-year to approx. JPY 9.1bn
- Morningstar Japan achieved an year-on-year increase for the ninth consecutive fiscal year in operating income and ordinary income, to record historical highs for the seventh consecutive fiscal year

### **Performance Overview of the 1H FY2018**



(IFRS, JPY billion)

		1H FY2017 (Apr. 2017 – Sept. 2017)	1H FY2018 (Apr. 2018 – Sept. 2018)	YoY % change
Revenue		38.2	61.6	+61.4
Pro	fit before income tax expense	11.6	29.8	+157.2
	SBI SAVINGS BANK	7.0	9.1	+29.6
	Profit/loss from the change in fair value and profit/loss on sales of investment securities	4.9	19.5	+296.2



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

	1H FY2018
Listed Securities	3.0
<u>Unlisted Securities</u>	16.5

### **IPOs of the SBI Group Investee Companies**



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

#### In FY2018, 12 companies were IPO'd

EXIT Date	IT Date Company	Market	<b>EXIT Date</b>	Company	Market
Apr. 19, 2018	r. 19, 2018 TienPhong Commercial Joint Stock Bank	HOSE	Sept. 21, 2018	GTGwellness Co., Ltd.	KOSDAQ
June 7, 2018	ne 7, 2018 Powernet Technology Corp.	KOSDAQ	Sept. 26, 2018	BroadBand Security	JASDAQ
June 19, 2018	ne 19, 2018 Writeup	TSE Mothers	Sept. 27, 2018	SBI Insurance Group	TSE Mothers
June 27, 2018	ne 27, 2018 IPS	TSE Mothers	Oct. 19, 2018	LogicBio Ltd.	NASDAQ
July 24, 2018	y 24, 2018 Bank of Innovation	TSE Mothers	Nov. 9, 2018	Cellivery Therapeutics,	KOSDAQ
Sept. 13, 2018	ot. 13, 2018 Mullion	JASDAQ	Nov.14, 2018		KOSDAQ
June 7, 2018 June 19, 2018 June 27, 2018 July 24, 2018	Joint Stock Bank Powernet Technology Corp. ne 19, 2018 Writeup ne 27, 2018 IPS y 24, 2018 Bank of Innovation	KOSDAQ TSE Mothers TSE Mothers TSE Mothers	Sept. 26, 2018 Sept. 27, 2018 Oct. 19, 2018	Ltd. BroadBand Security SBI Insurance Group LogicBio Ltd.	JASDAQ TSE Mothers

#### [Planned IPO schedule of fintech investee companies]

Already decided on investments into 67 companies

(Total investment amount to be approx. <u>JPY 24.0bn</u> through the Fintech Fund and approx. <u>JPY 18.5bn</u> by SBI Holdings)

Year 2018: 2; Year 2019: 10; Year 2020: 18; After Year 2021: 19;

The number of companies assumed to be sold to third parties: 8; TBD: 7

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

<sup>\*</sup> In the case where an investee company conducts a share exchange or a merger with a public company, it is described as "M&A."

<sup>\*</sup> Subsidiary IPO and M&As are also included.

## Morningstar Japan's Financial Results for 1H FY2018



Achieved an year-on-year increase for the <u>ninth consecutive fiscal year</u> in operating income and ordinary income, to record historical high in the <u>seventh consecutive fiscal year</u>

#### **Consolidated Results (J-GAAP)**

1	Unit:	IPY	mil	lion)
1	OTHE.	JII	111111	11011 <i>)</i>

	1H FY (Apr. 2017 –		1H FY2018 (Apr. 2018 – Sept. 2018)		YoY %
	Amount	Income margin (%)	Amount	Income margin (%)	change
Net Sales	2,848	-	3,230	-	+13.4
Operating Income	863	30.3	905	28.0	+4.8
Ordinary Income	910	32.0	981	30.4	+7.7
Net Income	614	21.6	645	20.0	+5.0



### (3) Biotechnology-related Business

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



(JPY million)

		1H FY2017 (Apr. – Sept. 2017)	1H FY2018 (Apr. – Sept. 2018)	
SBI Biotech		-169	41	1
Quark Pharmaceuticals ("Quark")		-3,951	-3,791	2
თ -ALA-r business	SBI Pharmaceuticals	-374	-668	3
თ -ALA-related business	SBI ALApromo	36	142	4
ated	photonamic	79	432	⑤

- SBI Biotech was profitable in the first half of the year, owing to the receipt of the final year subsidy from AMED, etc.
- Quark expects a reduction in clinical trial costs in the second half
- SBI Pharmaceuticals temporarily increased its deficit in the first half, as its pipeline progressed and the related development costs increased
- <u>SBI ALApromo increased its profit before income tax expense by 3.9 times the previous year's first half,</u> owing to an increase in 5-ALA-related product sales, etc.
- photonamic's sales of "Alacare," a drug that treats actinic keratosis, and "Gliolan®," a diagnostic
  agent for cancer treatment (malignant glioma), increased significantly, along with a first shipment to
  the U.S., to contribute to a profit before income tax expense of 5.5 times the previous year's first half

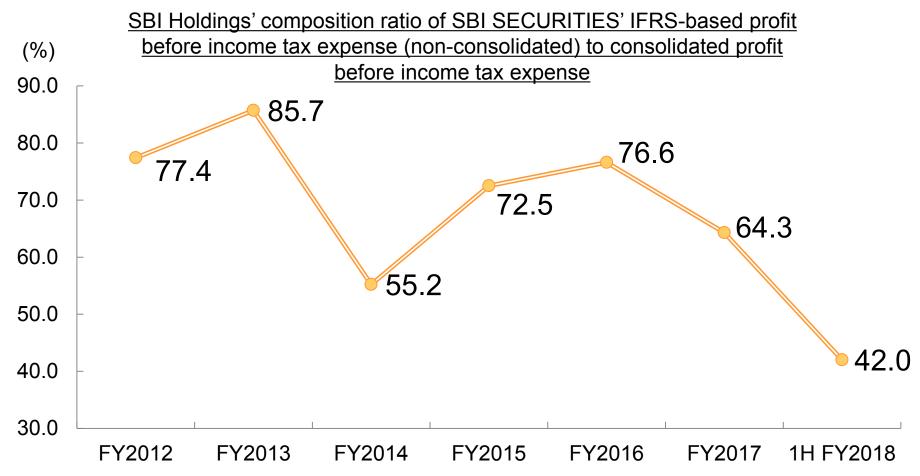


- Q2. What efforts are being strengthened to further increase the Company's market capitalization?
  - (1) SBI Holdings' stock price should no longer be categorized as a securities company
  - (2) The SBI Group's growth rate significantly exceeds that of all financial sectors
  - (3) Proactive implementation of IR activities to individual investors
  - (4) Endeavor the actualization of intrinsic corporate value
  - (5) Progress of the SBI Group's Vision

## (1) SBI Holdings' Stock Price Should No Longer Be Categorized as a Securities Company



-SBI Holdings' securities business' contribution to consolidated profits already accounts for less than half of the profits-



The transition to a revenue base that is less affected by stock market fluctuations continues to progress

## (2) The SBI Group's Growth Rate Significantly Exceeds that of All Financial Sectors



	PER (X)*1, 2	(Reference) PBR (X)*1, 3
SBI Holdings	8.6	1.3

CAGR (%)\*4 (FY2014 – FY2016) **17.0** 



#### [Average PER, PBR by sector]

(As of Oct. 2018; Source: Japan Exchange Group)

	PER (X)	(Reference) PBR (X)
TSE 1st Section (All industries)	16.7	1.2
Banks	10.3	0.4
Securities and commodities	10.1	0.9
Insurance	15.4	1.1
Other financials	10.8	0.9
Information and communication	24.9	2.3
Pharmaceutical	24.7	1.9

•	<u> </u>	
	R (%) */ 1 – FY201	
1	17.1	
•	0.9	
1	15.0	
	9.8	
1	12.8	
1	16.4	
	8.4	

<sup>\*1</sup> PER and PBR are calculated based on the closing share price as of Nov. 28, 2018.

<sup>\*2</sup> EPS of 1H FY2018 is used to calculate the PER. \*3 BPS of the end of Sept. 2018 is used to calculate the PBR.

<sup>\*4</sup> Presents the CAGR of profit attributable to owners of the Company during FY2014 to FY2016.



## (3) Proactive implementation of IR activities to individual investors

### Changes in SBI Holdings' Shareholder Composition SBI

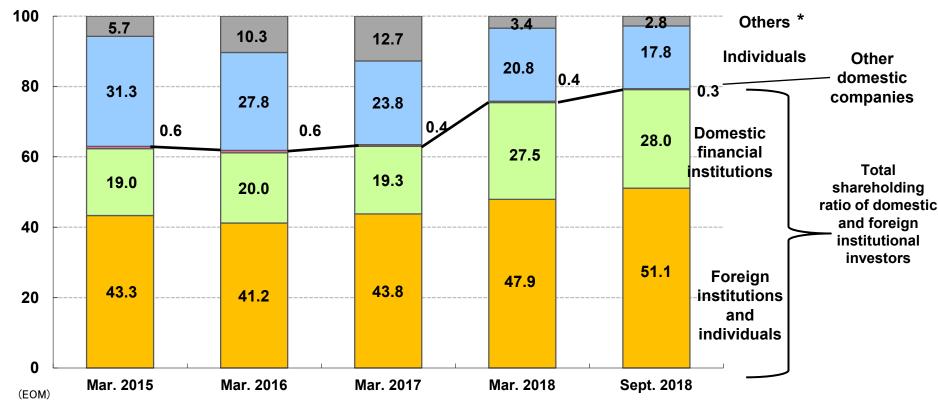


- The total number of shareholders is 115,011, of which the number of shareholders who hold 1 unit or more is 67,720
- Shareholding ratio of domestic and foreign institutional investors increased to 79.1%, whereas individual investors' holdings decreased to 17.8%



(%)

To reach the Company's ideal composition of individual shareholders increasing to about 30%, with Japanese institutional investors and foreign investors also holding about 30% each, the SBI Group will be promoting initiatives towards individual investors



## In Addition to Steady Results and Long-term Expectations, Shareholders and Increase their Number

- 1. Proactive disclosure
- Hold Information Meetings (twice a year, in 3 major cities)
- Timely distribution of presentation materials for results briefing, etc., through video streaming
- Planning to resume video streaming through SBI channel

3. Attractive shareholders benefits

#### 2. High dividends

- 4. Expanding contacts with individuals and improving the name recognition of SBI Holdings
- Provide SBI Group companies' products and services
- BS Fuji "Konokuni no Yukusue 2" Video production and broadcasting. (Every Saturday, 18:00-18:30, JST, from Apr. 2018)

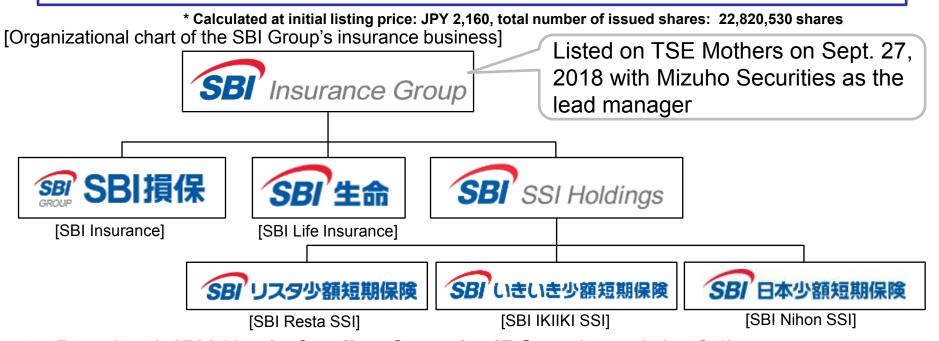
To become a more attractive company for individual investors



## (4) Endeavor the actualization of intrinsic corporate value

# SBI Insurance Group, which Listed on the TSE Mothers on Sept. 27, 2018, was the First Step in the Listing of Subsidiary Companies, to Actualize the Intrinsic Corporate Value of Its Subsidiaries

Although the value of the insurance business as evaluated by the Company was conventionally assumed to be zero, its value was immediately actualized upon its listing (based on initial price: JPY 49.3bn\*)



- ➤ Received JPY 8bn in funding from the IPO and used the full amount to underwrite the capital increase of SBI Insurance
- Building a rock-solid financial foundation by raising SBI Insurance's solvency margin from 350% to over 700%

## In Keeping with the Initial Public Offering Strategy of Group Subsidiaries, Will Continue to Endeavor to Actualize Intrinsic Corporate Value

<u>Transitioning to become a more easily understandable company, through the manifestation of intrinsic corporate value</u>

#### [Basic policy on IPO strategies of subsidiary companies]

- When the company's business value is barely recognized by the equity market and if it is possible to visualize its value by listing the said company, which will eventually lead to the increase of the Company's corporate value
- If it is necessary for the company to improve its IT infrastructure and other largescale capital investments on an ongoing basis, or to increase its capital due to a business that requires a large amount of working capital
- In the development of domestic banking and insurance businesses through subsidiaries, <u>if a flexible</u> <u>establishment of an operational system is necessary to preserve managerial freedom</u> under the Japanese legal system → (e.g.) SBI Insurance Group
- If the company is <u>required to maintain a neutral position</u> in the business that it conducts
   → (e.g.) Morningstar Japan: Listed on NASDAQ Japan (currently TSE JASDAQ) in June 2000
- When the company creates little synergies between itself and other Group companies, and from the <u>perspective</u> of the Group's overall business portfolio, if it would be beneficial for the company to publicly offer its shares so that its shareholder value could be actualized, or if the <u>company's significance</u> in the overall Group strategy <u>has deteriorated</u>

#### [List of subsidiaries that are considering listing]

Company name	Business overview
SBI Capital Management	Intermediate holding company of the Asset Management Business
SBI Biotech	R&D etc. of pharmaceuticals
Quark Pharmaceuticals (Quark)	R&D etc. of pharmaceuticals
SBI ALApharma	Intermediate holding company of the ALA-related Business



### (5) Progress of the SBI Group's Vision

## Progress of the SBI Group's Vision (modified in Apr. 2018) ①



• Develop the Financial Services, Asset Management and Biotechnology-related Businesses, so that the profit before income tax expense composition by segment in three years will be 5:4:1, while that in five years will be 5:3:2, respectively.

[Consolidated profit before income tax expense (IFRS) by segment: 1H FY2018]

FS business	AM business	Biotechnology-related
35.2	29.8	-4.8
(Composition: 6)	(Composition: 5)	(Composition: -1)

(JPY billion)

### Segment forecast

Expansion of business performance due to the completion of the financial ecosystem and steady growth in each business

Along with the continuing profit growth at SBI SAVINGS BANK, Fintech investee IPOs will begin in earnest, leading to an expectation for high levels of profit

Profitability achievement is within scope, owing to the progress in Quark's anticipated IPO, along with an increase in the sales of the 5-ALA-related products, both domestically and abroad

- Note 1: The abovementioned is a vision that the Company seeks to achieve in the medium-term, and since there will be changes in the business environment, there cannot be any guarantees on the achievement of the vision.
- Note 2: The abovementioned is based on a premise that the world economic situation will not dramatically deteriorate within the next five years.
- Note 3: The abovementioned differs from any medium-term management plans or performance targets

## Progress of the SBI Group's Vision (modified in Apr. 2018) ②



- Targeting consolidated profit before income tax expense of over JPY 100bn within the next year or two
- 1H FY2018 consolidated profit before income tax expense (IFRS): JPY 54.2bn
- Maintain ROE above 10%
- 14.38% \*Annual calculation (calculated based on doubled profit for the year attributable to owners of the company of 1H FY2018)
- Annual dividend to the level of JPY 100 per share
- The annual dividend for FY2017 is JPY 85 per share (End of 2Q : JPY 15, Year-end : JPY 70)
  The interim dividend for FY2018 is JPY 20 per share
- Will endeavor to achieve a market cap of JPY 1tn, by actualizing intrinsic corporate value



(Based on the closing price on Nov. 28, 2018)

Peak market cap.: JPY 863.5bn

(Year's intraday high: JPY 3,655 \*as of Oct. 2, 2018)

\*Calculated based on the total number of shares outstanding, not including treasury stocks, as of the end of Sept. 2018

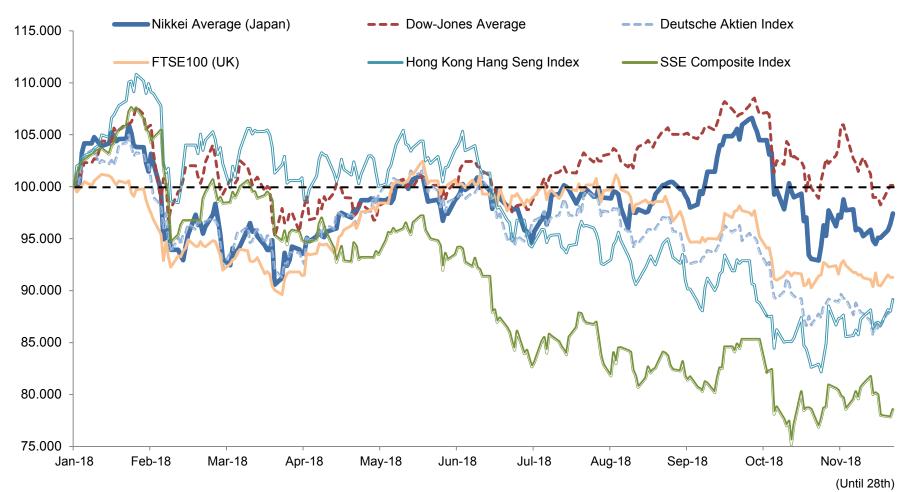
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- Note 3: The abovementioned differs from any medium-term management plans or performance targets



# Q3. What is your assessment of the economic environment surrounding the SBI Group since the second half?

# Concerns Regarding the U.S - China Trade War, etc., SBI Led to a Decline in World Economic Activity, Primarily Affecting the Chinese Stock Market, with the Outlook Remaining Uncertain

Major country stock market index trends \*



## As Predicted, the U.S. Midterm Elections Resulted in a "Divided Congress," where the Majority Groups Differ in the Senate and the House of Representatives



Dems retake House majority for the first time in 8 years. GOP keeps Senate majority, leaving Congress with different House and Senate majorities, resulting in a divided Congress. Trump's "America First" policy faces uncertain future as administration faces strict oversight.

Newspaper article

(Nov. 8, 2018, Nikkei morning edition)

#### ■Trump administration avoids a crushing defeat in the midterms

For US President Donald Trump, what was necessary for this midterm election was to avoid a devastating defeat, rather than a victory. (Abbrev) The pain incurred by Mr. Trump was not so different from that which usually occurs in the first midterm election after a president's inauguration. (Nov. 7, 2018, WSJ Japan)

#### ■Bipartisan Support for a Hardline China Policy

Even though the GOP lost its House majority, the Trump administration's hardline stance toward China is not likely to change. This is because the logic of vigilance towards China's challenge to US supremacy has also spread through the Democratic party. (Abbrev)

Democrats may pressure the Trump administration not to go easy on China with half measures. (Nov. 8, 2018, Nikkei morning edition)

# As the Central Banks of the U.S. and Europe Tighten Show Their Monetary Easing Policy, the Bank of Japan is Seeking an Exit Strategy

■ Consensus around further rate hikes at the FRB (Nov. 11, 2018, Nikkei Veritas)

The US Federal Reserve Board (FRB) <u>indicates a middle-road scenario of one more rate hike in</u> <u>2018, three in 2019, and one in 2020</u>. With these rate hikes projected before the presidential election, the policy rate could rise above the 3% neutral rate. (Abbrev) <u>In the run-up to the election, Trump repeatedly stated displeasure with the FRB rate hikes.</u> Seeing the US exposed to the risk of a recession, Trump pushed back against the FRB. (Abbrev) However, the FRB is not turning from its path of rate increases. On the 8th, the Federal Open Market Committee (FOMC) released in a new statement <u>"further rate increases are justified,"</u> confirming rate increases for Dec. onward.

■ ECB reiterates "end of easing by year end" (Oct. 25, 2018, Nikkei online edition)

The Board of Governors of the European Central Bank (ECB) met on the 25th and <u>resolved to</u> <u>maintain the current direction of ending quantitative easing by the end of the year</u>. President Draghi pointed out that negotiations to raise wages are proceeding well and reaffirmed the scenario in which prices start rising over time. "There is a softening in activity. There is also a softening in survey data. But on whether we will change our scenario, the answer is 'No."

■ Deadlocked BOJ faces a series of demands to revise course. (Nov. 4, 2018, Nikkei Veritas)

A heightened sense of a monetary policy stalemate at the Bank of Japan (BOJ). (Abbrev) Large-scale easing has focused attention on side effects: the sudden eruption of trade frictions and policy being deprived of room to maneuver against the risk of a global economic slowdown.

## Meanwhile, There are Some Bright Signs for the Japanese Economy such as the Issuance of TPP11, Japan-Europe EPA, Japan-China Cooperation, etc.



(Nov. 1, 2018, Nikkei morning edition)

(Oct. 27, 2018, Nikkei morning edition)

Newspaper article

Newspaper article

Both governments, which confirmed the establishment of a new stage relationship at the Japan - China summit meeting on the 26th, will accelerate practical cooperation mainly in the economic field. Normalizing the situation called to be the worst after the war, and make it a symbol of a new relationship named "cooperation from competition."

Newspaper article

(Nov. 7, 2018, Nikkei morning edition)

The agreement of 11 countries participating in the Trans-Pacific Partnership Agreement (TPP) called "TPP 11" came into effect on Dec. 30, and a huge free trade zone is born in the Asia-Pacific region. (Abbrev) The population of the region is about 500 million people, the gross domestic product (GDP) in the trade zone is USD 11.38tn, which is about 13% of the entire world. (Abbrev) The government estimates that Japan will raise GDP by about JPY 8tn per year, leading to the creation of 460,000 jobs.

The government cabineted the draft approval of the Economic Partnership Agreement (EPA) and related bills with the European Union (EU), and submitted them to the Diet on the 6th. A huge economic zone which accounts for about 30% of the world's gross domestic product (GDP) and about 40% of the trade value will be born if it comes into force.

## In Oct. 2019, a Consumption Tax Increase is Scheduled to Become Effective, so the Japanese Government is Now Considering Countermeasures in Preparation for the Economic Slowdown Owing to the Tax Increase

■ Consumption tax to be raised as scheduled to 10% in Oct. 2019

At an extraordinary cabinet meeting on the 15th, Prime Minister Shinzo Abe reasserted that the consumption tax increase to 10% will go into effect as scheduled in Oct. 2019. He directed the cabinet members to mobilize on all measures to address the tax increase and to bring to bear their full power. The government and ruling party will work through the end of the year on measures that will lighten the impact on the economy. (Nov. 16, 2018, Nikkei morning edition)

■ Tax increase projected to cause rush demand followed by a reactive decline

Each month, the Japan Center for Economic Research releases its ESP forecast survey, a consensus forecast of private economists. (Abbrev) The survey is depicting a growth path in which (the real growth rate) will reach 2% in July to Sept. due to the effect of rush demand, but will then fall in reaction by -3.4% in Oct. to Dec. (Abbrev) However, compared to the previous tax increase, only a third foresee the GDP gap rate as negative.

(Nov. 2, 2018, Nikkei morning edition)

## ■ Collecting input from each industry on the ruling party's amendments to the tax system, with focus on policy towards the consumption tax increase

The ruling party will consider measures to lower taxes on the purchase of homes and automobiles and to prevent business operators from pushing the tax increase portion onto their prices. (Abbrev) The automobile industry has raised its voice that "a tax reduction would be preferred." (Abbrev) The housing industry has asserted the "need for expansion" with respect to a system of lower taxes that would lighten the tax burden according to the home loan balance. (Abbrev) The Komeito party has advanced the idea of a reduced tax rate that removes the application of the tax increase to food items. (Oct. 19, 2018, Nikkei morning edition)



- Q4. Measures to realize existing financial businesses' sustainable future high growth
  - (1) Securities-related business
  - (2) Banking-related business
  - (3) Insurance-related business
  - (4) Venture capital business
  - (5) Asset management-related business
  - (6) Overseas financial business



### (1) Securities-related business

- ① Further expanding the sales of iDeCo and NISA, which the government regards as a trigger to promote the flow "from savings to asset formation"
- 2 Through the continued expansion of the corporate business to strengthen the comprehensive capacity of the business, focusing on the equity and bond underwriting businesses, both for primary and secondary issuances
- Through the Financial Institutional Sales Dept., expand brokerage services to financial institutions
- ④ Endeavoring to further increase the volume of FX transactions within the Group
- Strengthening the acquisition potential of the younger generation, through the provision of a new "Mobile First" service

(1) Securities-related business: ① Strengthening the sales of NISA and iDeCo, which are national strategic products



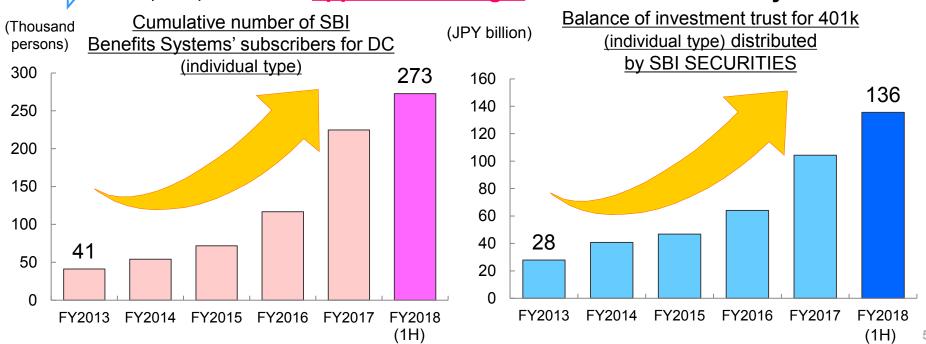
## Further Strengthening the Individual Defined Contribution (iDeCo) Pension Business

The SBI Group has been <u>focused on the Individual Defined Contribution (iDeCo) pension</u> <u>business</u>, 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' <u>administrative fees</u> are <u>completely free of charge</u> from May 19, 2017, as to further expand iDeCo business

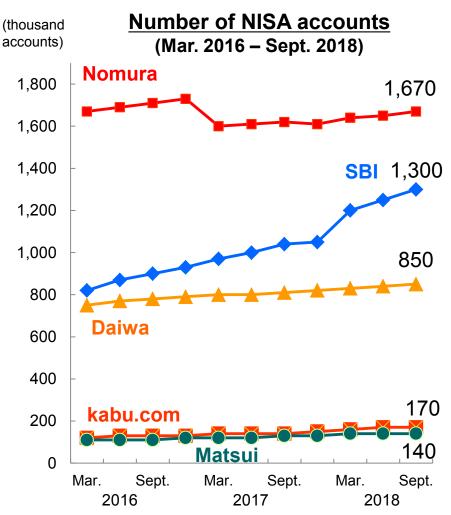


At the end of Sept. 2018, the number of iDeCo accounts totaled 241,210, which is approx. 2.0x larger than at the end of May 2017



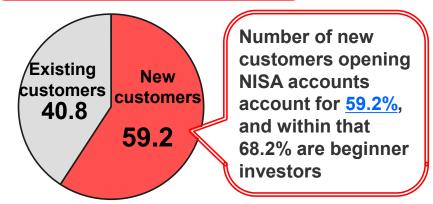
(1) Securities-related business: ① Strengthening the sales of NISA and iDeCo, which are national strategic products

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



- \*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 Sept. 2018, compiled by SBIH from the information on website of each company.

NISA's customer attribute of SBI SECURITIES (%)



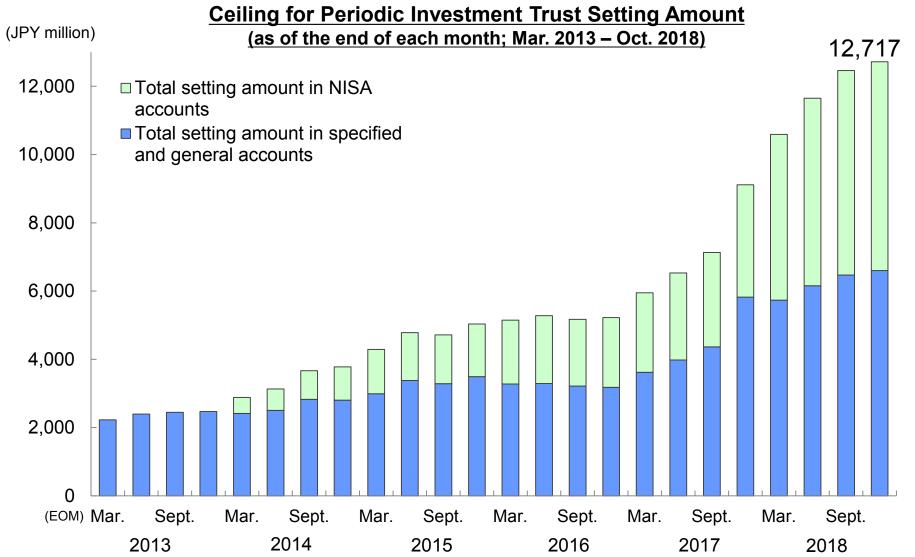
- SBI SECURITIES' number of Junior NISA accounts reached <a href="54">54 thousand accounts</a>, <a href="mailto:accounting">accounting for approx. 30%</a> of the entire securities industry's Junior NISA accounts
- SBI SECURITIES' active NISA account ratio: 45.5%

<sup>\*</sup> Active account ratio is calculated based on the total accounts since Jan. 2018

(1) Securities-related business: ① Strengthening the sales of NISA and iDeCo, which are national strategic products



## SBI SECURITIES' Monthly Total Periodic Investment Trust Setting Amount in Oct. 2018 was JPY 12.7bn



(1) Securities-related business: ① Strengthening the sales of NISA and iDeCo, which are national strategic products



#### By Providing a Robo-adviser Service, in Collaboration with a FinTech Startup Company, Supporting Neophyte **Investors' Asset Formation**







(Venture investee company of the FinTech Fund)



WealthNavi for SBI SECURITIES

Provision of "WealthNavi for SBI SECURITES" that customizes WealthNavi's robo-advisor service

Customer assets: JPY 37.4bn (as of Nov. 27, 2018)

Number of account: approx. 50 thousand



Combined with WealthNavi for SBI Sumishin Net Bank's customer assets, a total of JPY 52.3bn. This would comprise approx. 50% of WealthNavi's entire customer assets.

- ✓ A leading-edge asset management service for investors who desire mediumand 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

(1) Securities-related business: ② Expand the corporate business to further strengthen comprehensive capacity

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

Underwriting share of <u>97.7% is an industry leading figure</u>

IPO Underwriting Ranking (Apr. 2018–Sept. 2018)

44 companies were listed during the period

The second secon			
Company name	No. of cases	Underwriting share (%)	
SBI	43	97.7	
Mizuho	35	79.5	
SMBC Nikko	33	75.0	
Monex	20	45.5	
Iwai Cosmo	19	43.2	
Okasan	19	43.2	
Ace	18	40.9	
Ichiyoshi	17	38.6	

<sup>\*</sup> The above IPOs represent issues underwritten in Japan only and do not include additional secondary offerings or overseas issues.

Will co-lead the underwriting of SoftBank's communications subsidiary IPO, scheduled for Dec. 2018

#### PO underwriting business

Owing to 15 POs, including one as lead underwriting manager, the <u>underwriting</u> <u>amount for 1H FY2018 increased by 10.8%</u> <u>year-on-year</u>



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

#### Corporate bond underwriting business

With the underwriting of eleven corporate bonds in total, including that of SoftBank, the <u>underwriting amount for 1H FY2018</u> increased by 2.9x year-on-year

<sup>\*</sup> The number of underwritten issues represents both lead managed underwritings and syndicate participation.

<sup>\*</sup> The data was compiled by SBIH based on each company's published information.

(1) Securities-related business: ③ Expansion of brokerage services to financial institutions

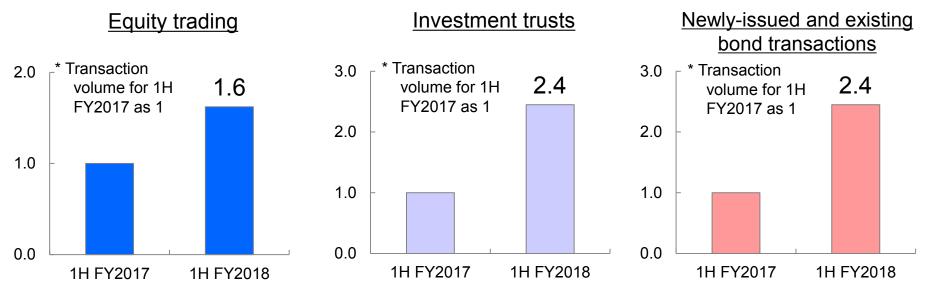
# SBI SECURITIES' Financial Institutional Sales Dept. Provides Various Financial Instruments, Such as Investment Trusts, as well as Equity and Bond Transactions, to its Customer Financial Institutions of a Total of 224 Companies\*1



SBI SECURITIES is strengthening the distribution of structured bonds (self-origination and distributed a total amount of JPY 52.9bn\*2 (Dec. 2015 – Sept. 2018)), domestic and overseas investment trusts, as well as bond transactions

\*1 As of the end of Sept. 2018 \*2 Includes structured bonds toward retail customers

-Transaction volume for 1H FY2018 with financial institutions-



- ◆ Rapidly increased the underwriting of newly-issued municipal bonds and public bonds
- Structured bond and foreign bond transactions with financial institutions are steadily increasing

(1) Securities-related business: 4 Increase in trading volume of the FX-related business

## SBI Liquidity Market, which Serves as the OTC Market GROUP for the Group's 3 Companies, Achieved Record Highs

[Year-on-year comparison (J-GAAP; consolidated base)]

(Unit: JPY million)

	1H FY2017 (Apr. 2017 – Sept. 2017)	1H FY2018 (Apr. 2018 – Sept. 2018)	YoY % change
Operating revenue	6,698	Record high 9,225	+37.7
Operating income before allocation	4,535	Record high 7,070	+55.9
Operating income	1,990	Record high 3,394	+70.5
Profit before income tax expense	1,989	Record high 3,421	+72.0
Net income	1,387	Record high 2,372	+71.0

<sup>\*</sup> Operating income before allocation represents the amount before its allocation of profits to affiliated companies: SBI SECURITIES, SBI Sumishin Net Bank and SBI FXTRADE

#### (1) Securities-related business: 4 Increase in trading volume of the FX-related business

The SBI Group's (SBI SECURITIES, SBI FXTRADE and SBI Sumishin Net Bank) Total SBI 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 - Sept. 2018) (Thousand accounts) SBI Group 1.130 Exceeded 1 million accounts 1,100 (as of the end of Nov. 2017) 1,000 900 800 DMM.com 700 600 **GMO CLICK** 500 Gaitame.com 400 **YJFX** 300 200 Jan. Apr. July Oct. Jan. Apr. July Oct. Jan. Apr July

2017

2018

2016

**Customers' Deposit Assets Raking (Sept. 2018)** 

No.	Company name	Amount (JPY million)
1	SBI Group	232,593
2	GMO CLICK	148,217
3	DMM.com	132,876
4	Gaitame.com	114,252
5	YJFX	106,380
6	MONEY PARTNERS	62,707
7	Central Tanshi FX	58,192
8	Hirose FX	46,567
9	Traders Securities	20,532
10	FX PRIME by GMO Corporation	17,500
11	Ueda Harlow	10,738
	Others (2 companies)	11,327
	Total	961,881

(1) Securities-related business: (5) Provision of new "Mobile First" service

## Jointly Established a Smartphone Dedicated Securities GROUP Company for the Younger Generation, with CCC Marketing on Oct. 30, 2018





### **CCC MARKETING**

Newspaper article

Newspaper article

(Oct. 31, 2018; Nikkei morning edition)

(Oct. 31, 2018; NIKKAN KOGYO SHIMBUN)

#### **SBI Neo Mobile Securities**

Smartphone Securities that provides smartphone dedicated stock trading, etc.

[Shareholding ratio]

SBI SECURITIES: 95%, CCC Marketing: 5%

[Products handled]

Domestic stocks, robo-advisor service "WealthNavi"

#### [Service outline]

- Point investment, to purchase financial products using T-Points
- Unique investment information utilizing T-Point purchase data
- > UI/UX dedicated to smartphone trading
- Low commission system

<sup>\*</sup> On Oct. 30, 2018, established SBI Neo Mobile Securities Preparatory Company. Company name will be changed post registered as Type I Financial Instruments Business.

(1) Securities-related business: ⑤ Provision of new "Mobile First" service



### "Mobile First" Service Deployment, Primarily by SBI Neo Mobile Securities



#### **SBI Neo Mobile Securities**





Sending younger generation customers acquired through the T-Point economic zone to financial ecosystem constituent companies

Younger generation



T-POINT TSUTAYA SoftBank Yahoo! Japan



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

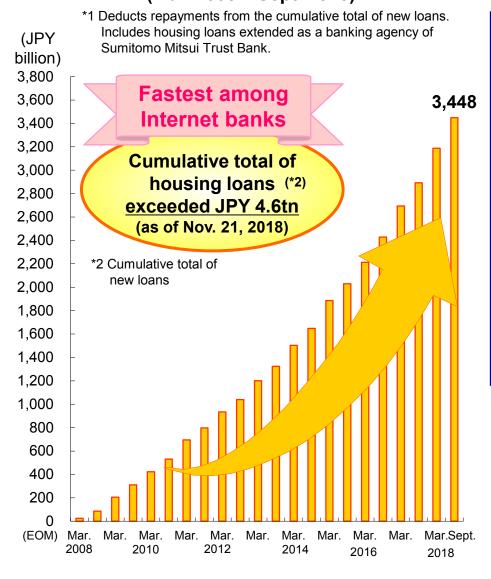
- ① Expanding the sales channel through the face-to-face shops of partner companies
- ② Through an alliance with JAL, further expanding the customer base and issuing an international brand prepaid card
- ③ Providing new services through API linkage
- 4 Along with the increase of Chinese tourists, SBI Sumishin Net Bank started to add "WeChat Pay," a Chinese mobile settlement service, for its line of business in addition to "ALIPAY"

#### (2) SBI Sumishin Net Bank: ① Housing loans

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

#### SBI GROUP

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

### Renewed the Internet Exclusive Housing Loan's merchantability from Oct. 2018

- Interest rate reduction through an account opening at Sumitomo Mitsui Trust Bank
- · Abolished additional various cost interest rates
- Introduction of examination method using AI technology

(2) SBI Sumishin Net Bank: ① Housing loans

## Expanding the Sales Channel through the Face-to-face Shops of Partner Companies









**Good Mortgage** 

From Jan. 2017

**MX** Mobiling

From Oct. 2017

I.F.CREATE

From Mar. 2018

Yoshida Tsushin

From Sept. 2018

**SBI MONEY PLAZA** 



**ARUHI** 

- ◆ 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
- On a face-to-face basis, customer questions will be answered and procedures will be followed
- On Oct. 4, 2018, "Umeda Loan Plaza," managed by Good Mortgage, opened for business

(2) SBI Sumishin Net Bank: ② Issuing of prepaid card by alliance with JAL



## Through an alliance with JAL, Further Expanding the Customer GROUP Base and Promoting the Provision of New Services



Established a JV with 3 companies

## Joint Venture JAL Payment Port Established on Sept. 19, 2017 Contribute to the provision of advanced fintech services

- On Nov. 29, 2018, JAL Payment Port started to accept the new JAL Global WALLET card, which adds a MasterCard prepaid card function for JAL Mileage Bank members and it has started offering advice to general customers on opening a SBI Sumishin Net Bank account
- Pre-charged cards can be used for cashless purchase of goods at participating international brand locations; no credit needed
- Holders of an SBI Sumishin Net Bank account can use a real-time electronic funds transfer function and make charges to JAL Global WALLET more conveniently than before



### Provision of Convenient New Services with API Linkage

- ◆ 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)
- Customers wishing to utilize any of the API linkage services open an account with SBI Sumishin Net Bank
- Currently, over 300 banking services are API linked



API linked apps examples

#### **Automatic savings service**



NestEgg "finbee"



MoneyForward "SiraTama" Money transfer service



"Money Tap"

Furthermore, through the API linkage with fintech companies, providing services with high customer benefits

(2) SBI Sumishin Net Bank: (4) Addition of "WeChat Pay" service

## Along with an Increase in the Flow of Chinese Tourists, SBI Sumishi Net Bank Added "WeChat Pay," a Chinese Mobile Settlement Service to Its Offering, in Addition to "ALIPAY"



- Offers a stress-free shopping experience to Chinese users by introducing WeChat Pay, which is used each month by over 800 million people in China
- ◆ Also partnering with CYUI of China, to leverage the company's marketing abilities (coupon issuance, etc.) seamlessly in Japan, to differentiate services and increase participating outlets, such as major railway operators, hotel chains, restaurants, clothing chains, travel agencies, etc. Planning on increasing access to merchants dealing in a wide range of industries, to guide users in China to such outlets to promote increased utilization











Forming member stores / Marketing to users

- **Provides settlement app**
- "WeChat Pay" is a mobile settlement service, which is associated with "WeChat," China's largest communication app provided by Tencent of China
- Now an essential part of the payment infrastructure in China, users can pay for products and services through the WeChat Pay app at participating stores

(2) SBI Sumishin Net Bank: (4) Addition of "WeChat Pay" service



# Promoting an Increase in the Number of Stores in Japan that can Accommodate the Settlement Services of 2 of China's Mobile Payment Companies, which Account for Greater than 90% Market Share

- ◆ The Japan Tourism Agency has drafted a tourism vision of 40 million foreign tourists in 2020 (5x 2012 figures) and 60 million by 2030 (7x 2012 figures) \*1
- ◆ The total consumption by Chinese tourists in Japan account for about 40% of the total domestic consumption by tourists visiting Japan ∗₂

\*1 "Tourism Vision to Support the Future of Japan," Japan Tourist Agency, 2016

\*2 Consumption Trend Survey for Foreigners Visiting Japan, Japan Tourist Agency







## (3) Insurance-related business

- ① Dedicated to further improving customer convenience, through the adoption of advanced technologies and collaborations with partners
- ② Through investments into venture companies and health-related companies, providing services and insurance products that are based on Al and database utilization
- ③ Continuing the promotion of mutual cross-selling, through the small-amount, short-term insurance business

(3) Insurance-related business: ① Improving customer satisfaction by adopting technology and collaborating with partner companies

## SBI Life Insurance's Expansion of Its Products and Customer Base, through Proactive Adoption of Innovative Technologies - Personalized insurance -







#### **FiNC Technologies**

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







◆ Devised a system for presenting the optimal anti-cancer treatment to a patient, based on cancer gene(\* 1,2) panel testing enhanced by Al. Conducted gene analysis and research for patients undergoing cancer treatment at Kindai University Hospital, with the future aim of using the system in the formation of insurance products to reduce the cost burden

Clinical trials for 30 patients undergoing treatment at Kinki University Medical School Hospital began on May 14

- \*1 Research on this product development is premised on not having collection and use of genetic information at the exam administered when subscribing to insurance or when paying insurance.
- \*2 Genes analyzed are ones with a pathological abnormality component and are different from the genes that transmit parental traits to a child."

(3) Insurance-related business: ② Investment for new product development, etc.



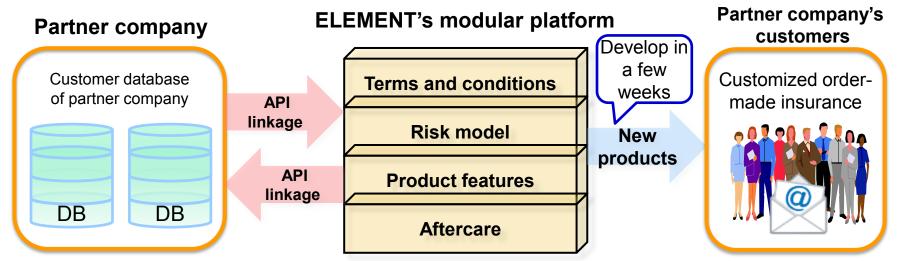
# Endeavoring to Introduce and Proliferate Insurance, Utilizing State-of-the-art Technology, from an Investment in ELEMENT Insurance AG, of Germany





ELEMENT (Germany)

◆ ELEMENT runs a B-to-B-to-C business that rapidly develops insurance products using a modular design and development platform. Without contact with the final consumer, it offers insurance by leveraging the branding and sales channels of its own customers' businesses



In small-amount and short-term insurance, where new product offerings are under filing, we seek to quickly develop insurance products that match customers' needs by incorporating the know-how of ELEMENT's product development platform

(3) Insurance-related business: ② Investment for new product development, etc.



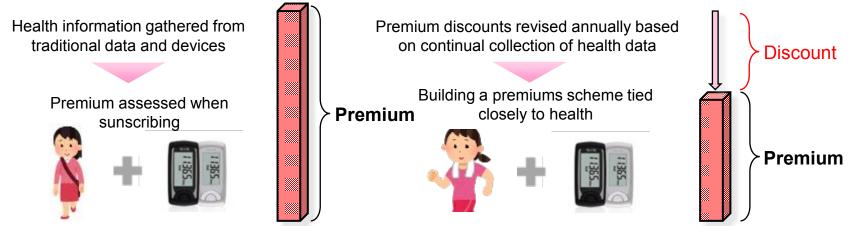
## SBI Life Insurance will Endeavor to Create New Products through an Investment into TANITA HEALTH LINK, and the Subsequent Utilization of Al and Pertinent Database



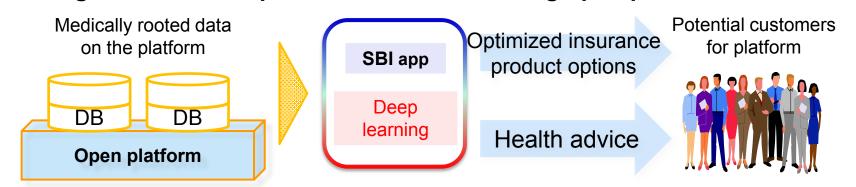




Health-group life insurance linked to data from health management devices



Rolling out insurance products & services using open platforms



(3) Insurance-related business: ③ Cross-selling by the three SSI Companies

## 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



[SBI Nihon SSI: Home content insurance, Bike insurance, Sports cycle insurance, Reform insurance]









Mutual cross-selling by the three SSI companies





[SBI Resta SSI: Earthquake indemnity insurance]

地震補償保険 Restä





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

SBIいきいき少短の 死 亡 保 険 SBIいきいき少短の 医 療 保 険





## (4) Venture capital business

- ① Active investments in emerging countries, such as in the Asian region
- ② Focused investments into growth fields, such as AI, blockchain, biotechnology, etc., which will be the next generation core industry

(4) VC business: ① Active investments in emerging countries, such as in the Asian region



### **Establish JV Funds with Leading Local Partners** Worldwide for Active Investing, Primarily in Asia



Educational group developing National financial group private cram schools

\* The assets under management that is already invested as of the end of Sept. 2018. (Excluding cash and uncalled capital)

Asia



## Establish JV Funds with Leading Local Partners in Russia, to Establish an Investment Structure





Russian Direct Investment Fund (RDIF)

Russian government fund

- Signed a co-investment basic agreement in May 2018
- As a first step in the joint investment, invested in Sovcombank, which ranks third in total asset size, among Russian private banks





#### **lliev Group**

A major Russian conglomerate, with assets in commercial real estate that it manages and operates, valued at over USD 10bn

 Signed a memorandum of understanding on strategic alliances, including the investment business, through the establishment of a co-investment fund in July 2018



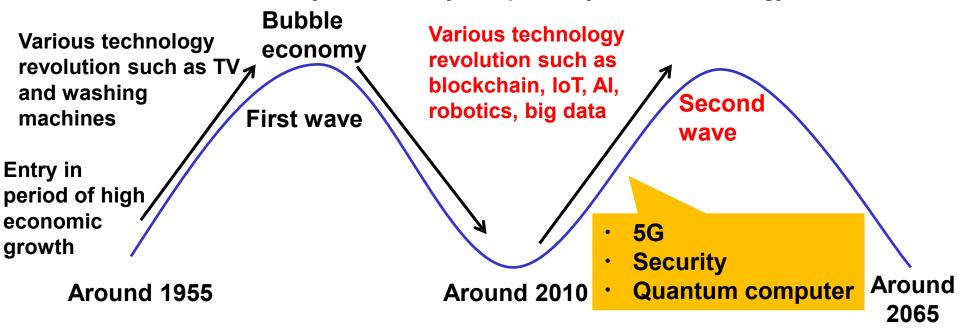
② Focused investments into growth fields, such as AI, blockchain, biotechnology, etc., which will be the next generation core industry (4) VC business: ② Focusing investments into growth fields that will be the next generation core industry



# New Technologies, Including Blockchain, Al, IoT, Robotics, Big Data, Quantum Computing etc., that are Expected to Dramatically Expand Its Markets, are Emerging One After Another

In the Kondratieff cycle\*, it is considered that a new cycle of innovations have currently been entered into

\* Economic business cycle of 50-60 years primarily due to technology revolution



(4) VC business: ② Focusing investments into growth fields that will be the next generation core industry



Established the "SBI Al&Blockchain Fund (Common Name: SBI A&B Fund)" in Jan. 2018, as a Successor Fund to the Fintech Fund (Established in Dec. 2015), to Increase Investments in Growth Fields, such as Al and Blockchain

### **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 Al and blockchain fields

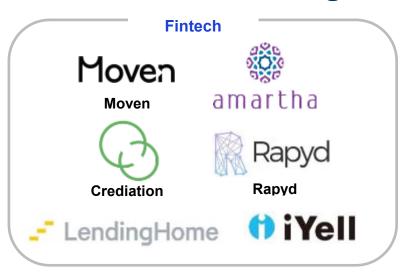
Already decided to invest approx. JPY 20.5bn into 43 companies through SBI Al&Blockchain Fund

(Including SBI Holdings' investment, the total investment amounts to approx. JPY 28.0bn)

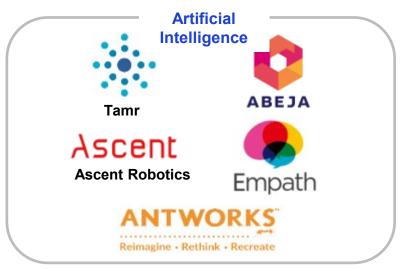
(4) VC business: ② Focusing investments into growth fields that will be the next generation core industry



## Investment Performance in Innovative Technologies through the SBI A&B Fund

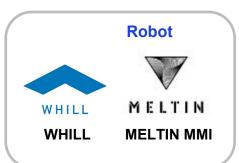














### (5) Asset management-related business

~Expanding assets under management through M&A and the establishment of a joint venture~

#### (5) Asset management-related business

### Established "SBI Regional Revitalization Asset Management," an Asset Management Company, through a Joint Investment -Total investment participation by 27 banks-



Issue: Faced with operational difficulties, owing to prolonged negative interest rate policy

Investing

#### Utilize SBI's resources

 Know-how about asset management





- Abundant fund information by utilizing the global network
- investment education and sales support tools







#### Regional financial institutions

#### <Participating banks>

THE Aomori BANK, The Ashikaga Bank, EHIME BANK, THE SENDAI BANK, CHIKUHO BANK, THE TOWA BANK, The Bank of Kochi, THE DAITO BANK, THE TOHO BANK, THE TOTTORIBANK, THE KAGAWA BANK, Kita-Nippon Bank, TAISHO Bank, THE TOKUSHIMA BANK, THE FUKUOKA CHUO BANK. THE HOWA BANK, THE SHIMIZU BANK, The Tohoku Bank, FUKUSHIMA BANK, The Hokuetsu Bank, The Miyazaki Taiyo Bank, Yamaguchi Financial Group (THE YAMAGUCHI BANK, THE MOMIJI BANK, THE KITAKYUSHU BANK), THE BANK OF SAGA, THE KANAGAWA BANK, Shimane bank

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

Initiated acceptance for the first publicly offered investment trust "SBI Regional Revitalization -World High Dividend Stock Fund," (with currency hedging), tentative name: 7, 5 - 3, from Nov. 20

### Planning Conversion of a U.S. Asset Management Company, "Carret Asset Management," into a Subsidiary, to Expand the Overseas Asset Management System

#### **SBI Holdings**

#### SBI GLOBAL ASSET MANAGEMENT

Intermediate holding company in the Asset management-related services business SBI Group's shareholding:: 100%

#### **Morningstar Japan**

SBI Group's shareholding: 47.61%

**Carret Asset Managemant** 

SBI Asset Management

Leverages SBI Group

network know-how to

highly innovative asset

management products

develop and provide

**SBI Bond Investment** Management

SBI Regional **Revitalization Asset** Management

A U.S. asset management company, with which Morningstar Japan agreed establishment of making it its subsidiary, announced on Aug 29, 2018, and negotiating. AUM of JPY 284.2bn\*

> SBI Group's shareholding: 100%

JV with PIMCO, world's No.1 bond investment manager, it provides lowcost actively managed securities funds

JV with 27 regional financial institutions formed to bolster their asset management

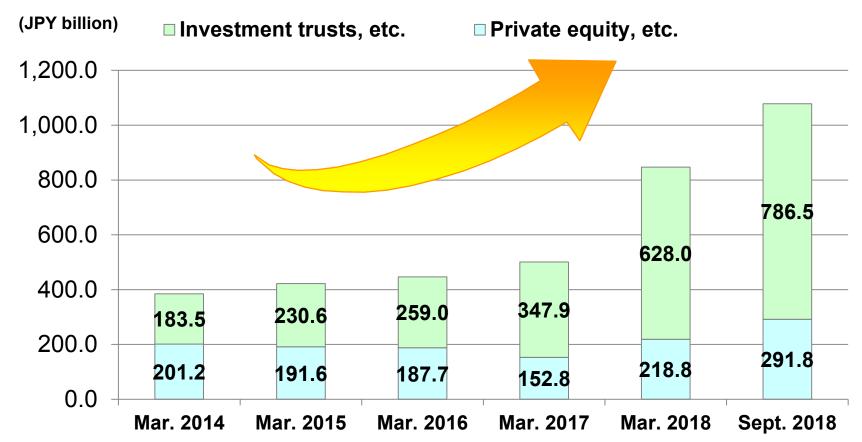
SBI Group's shareholding: 67%(plans)

SBI Group's shareholding: 90%

SBI Group's shareholding: 68%

#### (5) Asset management-related business

# Endeavoring to Expand Assets Under Management to JPY 5tn GROW Level through M&A and the Establishment of a Joint Venture Company ~Achieved the target of JPY 1tn within one year, set at the beginning of the term~



<sup>\*1</sup> Calculated by the exchange rate as of the end of Mar. each year

<sup>\*2</sup> Amounts are rounded to the nearest JPY 100m

<sup>\*3 &</sup>quot;Private equity, etc." includes neither cash nor commitment amount to be paid in.

<sup>\*4 &</sup>quot;Investment trusts, etc." are the sum of amounts of investment trusts and investment advisors. 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, so there are some overlapping amounts



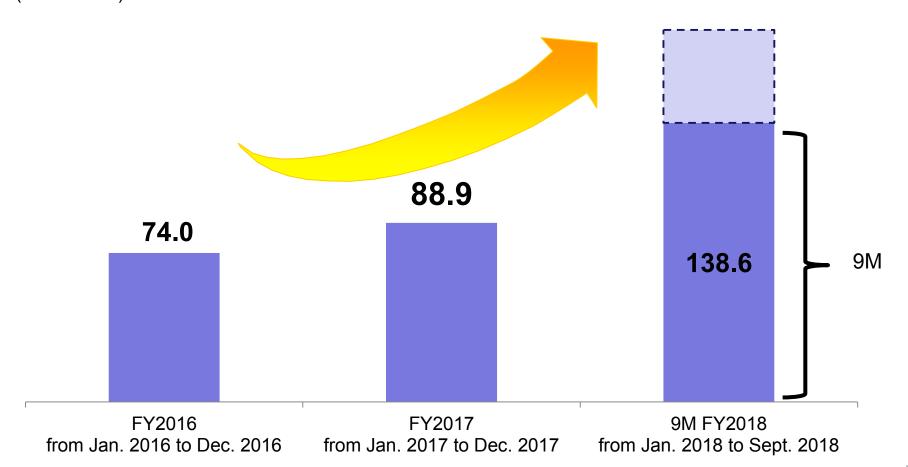
### (6) Overseas financial business

- ① Overseas financial subsidiaries sharpening focus on expanding their business foundation
- ② Through minority investments in financial institutions of Southeast Asia, benefiting from the fruits of economic growth of each invested country

(6) Overseas financial business: ① Overseas financial subsidiaries further focus on expanding their business foundation

# SBI SAVINGS BANK of South Korea's Net Income (based on K-GAAP) for the Full-year Ended Dec. 2018 is Expected to Reach an Historical High

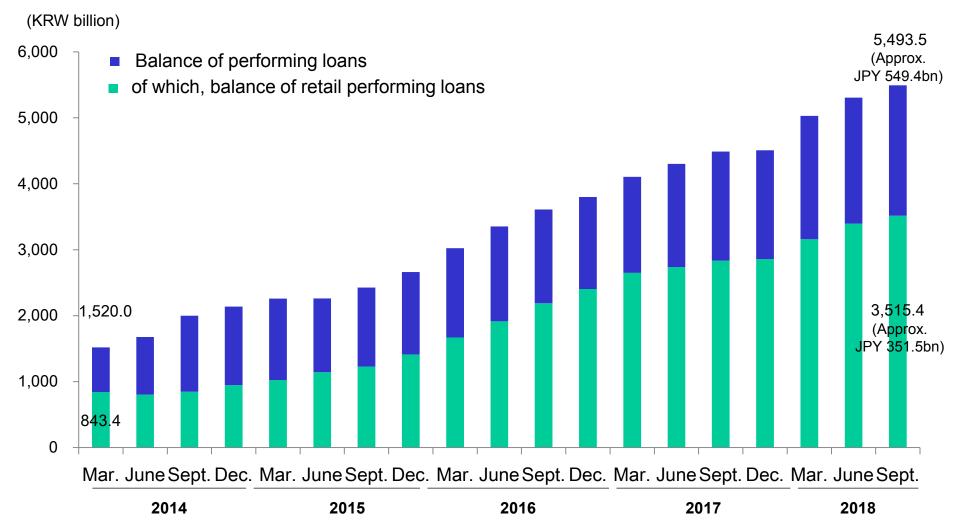
Acquired "A -" (outlook "stable") rating from the Korean credit rating agency "Korea Credit Rating" (KRW billion)



(6) Overseas financial business: ① Overseas financial subsidiaries further focus on expanding their business foundation

## **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 4.4% (3.8% for retail loan)



(6) Overseas financial business: ① Overseas financial subsidiaries further focus on expanding their business foundation



## Financial Subsidiaries in Russia, Cambodia and Thailand are also Focused on Expanding Their Business Base



- A Russian commercial bank holding a full license
- "BBB –" credit rating (outlook "stable") from the ACRA rating agency in Russia
- Entered into a collaboration with the Skolkovo Innovation Center, founded by former Russian Prime Minister Medvedev, to create a "Russian Silicon Valley." Promoting utilization of technologies and services of leading Russian fintech companies
- SBI Royal Securities SBI Royal Securities (SBI Group's shareholding: 65.3%)
- SBI Royal Securities is the only Japanese full-service general brokerage firm in Cambodia that has obtained a full license for the securities business from the Cambodian government
- In the brokerage business, the share of stock brokerage trading value was No.1 (As of Sept. 2018: 34.6%)
- In addition to the underwriting of initial public offerings (fifth company to be listed and SBI Royal Securities served as lead manager for 2 companies' IPOs among 5 listed companies in Cambodia), the company is the lead manager for the first bond listing in Cambodia



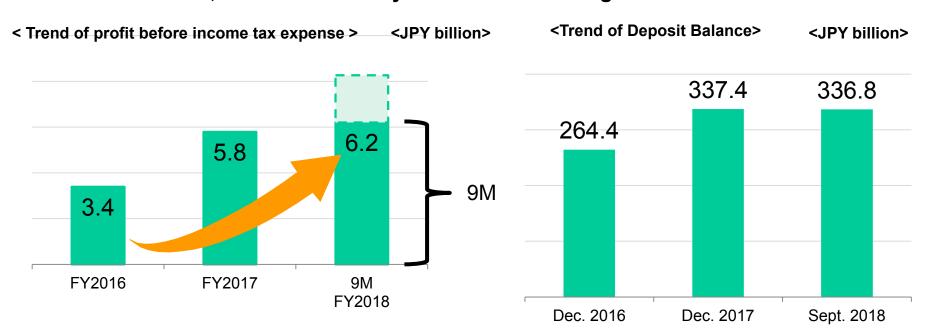
- The first internet securities company in Thailand
- Providing share and derivative transactions to local investors, including Japanese residents in Thailand

(6) Overseas financial business: ② Minority investment in financial institutions in Southeast Asia

### TP Bank in Vietnam Continues Its Growth Trend



- Invested in Aug. 2009 (SBI Group's shareholding: 19.9%)
- The market capitalization is approx. JPY 79.4bn (as of Oct. 26, 2018)
- Introducing cutting-edge technologies, to rapidly expand its business, which is focused on the retail business
- Starting fingerprint recognition-based self-service cash withdrawal at LiveBank, a 24-hour/365-day unattended banking service



(6) Overseas financial business: ② Minority investment in financial institutions in Southeast Asia

# Investing Early in Securities Companies in Vietnam and Indonesia, in Anticipation of an Expansion of the Securities Markets of Southeast Asia



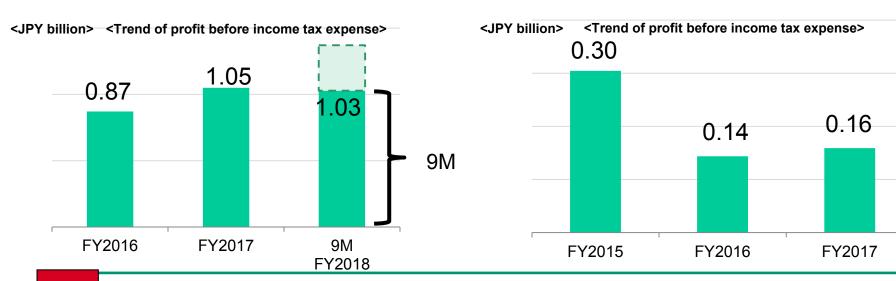
#### **FPT Securities**

- Invested in April 2011 (SBI Group's shareholding: 20.0%)
- A securities company affiliated with the FPT Group, the largest IT company in Vietnam
- Manages brokerage and advisory businesses



#### **BNI SEKURITAS**

- Invested in July 2011 (SBI Group's shareholding: 25.0%)
- Securities company that is primarily engaged in the brokerage business
- Implements collaborative research on next-generation financial services utilizing blockchain and Al, with Bank Negara, Indonesia's fourth largest state-owned bank



Taralite (Fintech Fund investee since May 2017), which develops online lending for small businesses in Indonesia, is steadily growing its business

<sup>\*</sup> Converted at VND 1 = JPY 0.0048



## Also Invested in E-commerce Companies and Expanded the Business Domain in the Southeast Asia Region



#### Sendo

Additional investment in Aug. 2018 (SBI Group's shareholding: 20.8%)

Fair value as of the end of Sept. 2018 was approx. 1.8 times as much as the investment's book value

- Manages one of the biggest C-to-C marketplace "Sendo" in Vietnam, having over 0.3 million registered merchants selling close to 10.0 million SKUs
- Its amount sold increases steadily since its establishment in 2012 as its volume of businesses on e-commerce having grown up to rank 2nd in Vietnam
- Provides wallet and online payment for users



#### **Tokopedia**

SBI Group's shareholding: 1.96%

Fair value as of the end of Sept. 2018 is approx. 4.9 times as much as the investment's book value

- Manages one of the biggest C-to-C marketplace in Indonesia, having over 1.5 million registered merchants selling close to 50 million SKUs
- Tokopedia is the largest digital goods platform in Indonesia and today offers wallet, fintech and official stores on its marketplace platform



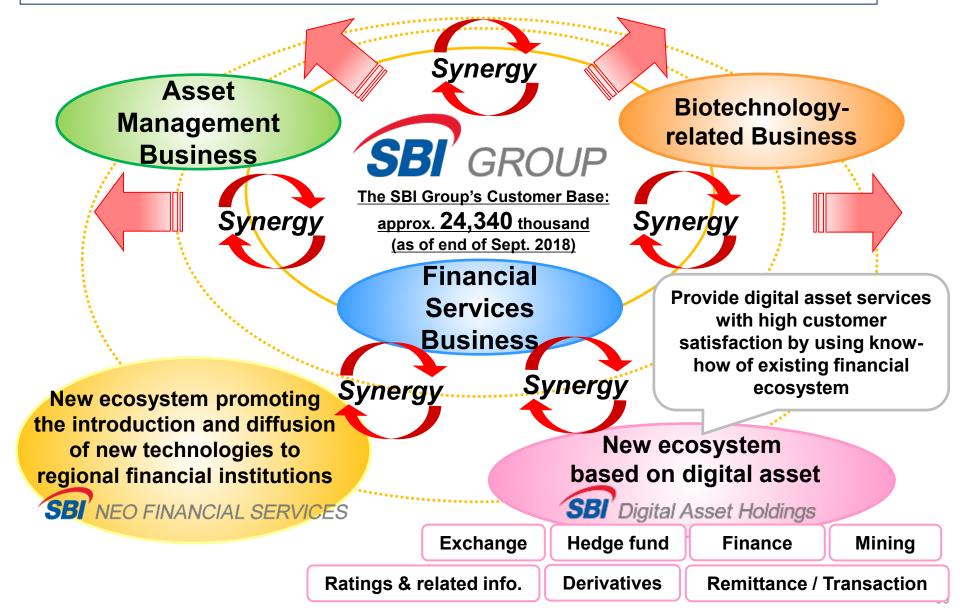
# Q5. What are the two new ecosystems that will support the SBI Group's next dramatic growth?

- (1) New ecosystem centered on SBI Neo Financial Services promoting the introduction and diffusion of new technologies to regional financial institutions
- (2) New ecosystem based on digital asset

#### Further Development of the SBI Group's Business Ecosystem



Existing ecosystems and new ecosystems are organically combined to create synergistic effects, which cannot be realized by a single company



## The SBI Group's Basic Strategy



## -Advancing business expansion by quickly incorporating technology evolution-

## Three processes of the SBI Group's basic strategy

#### 1. Investment

Investment in promising startup companies

#### 2. Introduction

Technology evaluation and utilization within the SBI Group

#### 3. Diffusion

<u>Diffusion of technology</u> <u>across industry</u>

#### Mechanism within the SBI Group

Investment business in private equity business centered on SBI Holdings and SBI Investment

- Focused investment strategy specializing in growing fields
- Providing capital, knowledge and strategies

#### **Financial Services Business**

- <u>Fintech 1.5</u>: Start utilizing Web-based blockchain by leveraging the existing corporate ecosystem
- Fintech 2.0: Develop proprietary blockchain applications

#### All businesses in the SBI Group

- Establishment of SBI Neo Financial Services that provides new technologies, etc.
- Strengthen alliances with companies outside of the Group



(1) New ecosystem centered on SBI Neo Financial Services promoting the introduction and diffusion of new technologies to regional financial institutions

Support for regional revitalization through SBI Neo Financial Services
-Creating value together with regional financial institutions-



## Creating value together with regional financial institutions

Contributing to regional revitalization through strengthened alliances with regional financial institutions, and expanding the Group's regional operations



-Formation of an ecosystem centered on SBI Neo Financial Services-

#### Phase 1

Strengthening the relationship between regional financial institutions, by 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

- ① Support the restructuring of regional financial institutions' business model, through the newly established SBI Neo Financial Services
- ② Promote technologies and services owned by fintech investee startups, etc., to SMEs, in order to enliven regional industries



#### Phase 1

Strengthening the relationship between regional financial institutions, by 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

- (i) SBI SECURITIES
- (ii) SBI MONEY PLAZA
- (iii) SBI Insurance
- (iv) SBI Life Insurance

#### (i) SBI SECURITIES

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

-Plans to form alliances with 36 banks in total by the end of Mar. 2019-



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]

The Shimizu Bank	The Ehime Bank	CHIKUHO Bank	The Keiyo Bank
Kiraboshi Bank	The Aomori Bank	The Fukui Bank	THE SAGA KYOEI

Bank of The Ryukyus The Awa Bank The Towa Bank

THE SENDAI BANK Kirayaka Bank The Akita Bank

Aichi Bank FUKUSHIMA BANK Kita-Nippon Bank

The Miyazaki Taiyo THE HOWA BANK THE OKAZAKI SHIKIN BANK BANK

SHIMANE BANK BANK

The Daisan Bank

MINAMI NIPPON BANK

THE NAGANO-KEN SHINKUMI BANK

THE KANAGAWA BANK

The Kiyo Bank

The Tohoku Bank

THE BANK OF KOCHI

THE NAGANO BANK
THE MIE BANK

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### SBI MONEY PLAZA Launched Three Co-managed Shops with Regional Financial Institutions





Planning to newly launch a co-managed shop with The Ehime Bank in

Dec. 2018

Regional financial institutions

Co-managed shop with The Shimizu Bank Launched "The Shimizu Bank-SBI MONEY PLAZA" in Hamamatsu Higashi Branch (in Oct. 2017)

- Co-managed shop with CHIKUHO BANK Launched "CHIKUHO BANK-SBI MONEY PLAZA" in CHIKUGIN Plaza Kurume (in June 2018)
  - Co-managed shop with THE SENDAI BANK Launched "THE SENDAL BANK-SBI MONEY PLAZA" in the Sales Department of its Head Office (in Nov. 2018)

Branch D

**Branch** 

### **Branch C**

[Shop in branch]



Counter of the shop

#### Co-managed shop's product offerings:

#### **Securities**

(Financial Instruments Intermediary Service Provider) Investment trusts

(about 2,600). Corporate, Foreign, Structured Bonds

#### Insurance

(Insurance Agent)

Provision through joint offering

Variety of financial products on an onestop basis will be proposed and offered to regional customers

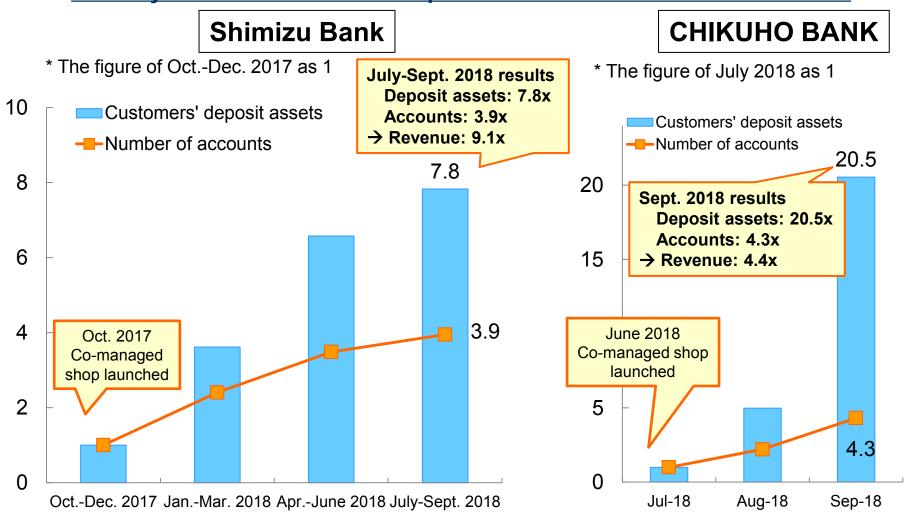
\* Product offerings differ by co-managed shops

#### (ii) SBI MONEY PLAZA



The Co-managed Shops with The Shimizu Bank and CHIKUHO BANK, have Rapidly Increased Their Number of Accounts and Customers' Deposit Assets, along with an Increase in Revenue

Monthly trend of customers' deposit assets and number of accounts



(iii) SBI Insurance

# Several Regional Financial Institutions, etc., Determined to Introduce SBI Insurance's Products





Regional financial institutions, etc.



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

### < Partners of SBI Insurance >

Financial institutions

The Okazaki Shinkin Bank (From June 25, 2018)

"SBI Insurance Fire Insurance"

**THE TAIKO BANK** (From July 2, 2018)

"SBI Insurance's Cancer Insurance"

**AEON Bank** (From July 27, 2018)

"SBI Insurance's Auto Insurance"

UCS (From Nov. 26, 2018)

"UCS actual amount guaranteed cancer insurance"

**Business corporations** 

HTB Energy (From Oct. 19, 2018)

"HTB Energy's Cancer Insurance"

Shikoku Electric Power (From Oct. 22, 2018)

"Shikoku Electric Power's Cancer Insurance"

**EPARK** 

"SBI Insurance's Auto Insurance"

"SBI Insurance's Cancer Insurance"

16 companies (of which 7 are financial institutions), including the 7 companies above, <u>decided to adopt SBI Insurance's products</u>, <u>and plans are for sales to start shortly</u>

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

◆The Bank of Okinawa (scheduled to be available from Dec. 2018)

The partnership with The Okinawa Bank was announced on Nov. 16, as the first regional partner bank in Okinawa Prefecture

◆Yamaguchi Financial Group (from Nov. 20, 2018)

As the first partnership with regional banks, <u>SBI Life Insurance's Group Credit Life Insurance was adopted</u> for mortgage loans by The Yamaguchi Bank, Momiji Bank and THE KITAKYUSHU BANK, which is under the auspices of the Yamaguchi Financial Group.

◆SEIBU SHINKIN BANK (from Oct. 1, 2018)

Partnering with SEIBU SHINKIN BANK, as a regional financial institution partner in the metropolitan area

8 banks, including 5 banks mentioned above, have decided to adopt, or have started sales of SBI Life Insurance's Group Credit Life Insurance. While SBI Life Insurance continues to proactively promote the sales of the Group Credit Life Insurance, primarily to regional financial institutions nationwide, over 10 institutions are now considering adoption, with 2 already having decided the adoption



### Phase 2

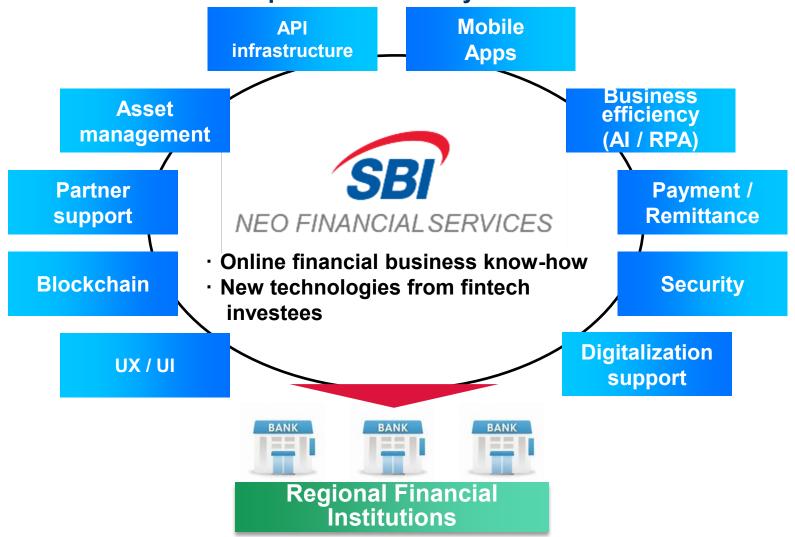
- ① Support the restructuring of regional financial institutions' business model, through the newly established SBI Neo Financial Services
- ② Promote technologies and services owned by fintech investee startups, etc., to SMEs, in order to revitalize regional industries



- ① Support the restructuring of regional financial institutions' business model, through the newly established SBI Neo Financial Services
  - (i) Supporting the introduction of technologies of SBI Investment's fintech-related investee companies
  - (ii) Promoting the establishment of joint ventures to localize and implement solutions of overseas fintech companies, some of which will be covering entire Asia

# Newly Established SBI Neo Financial Services will Provide SBI Diverse Solutions toward the Revitalization of Regional Financial Institutions

-Will employ over 40 personnel, primarily young talented individuals, to improve the sales system-



# (i) Supporting the Introduction of Technologies of SBI Investment's Fintech-related Investee Companies







**Banking API** 

solarisBank (Germany)

solarisBank

Moneytree<sup>\*</sup>





**Payment** 

group

Generic Solution Corp. (Japan)

株式会社数理ホールディングス

SURI Holdings Inc. (Japan)

BASE, Inc. (Japan)

omise

Omise







SF Holdings (Russia)



M infcurion

KOKOPELLI (Japan)

cinnamon

Cinnamon Inc. (Japan)

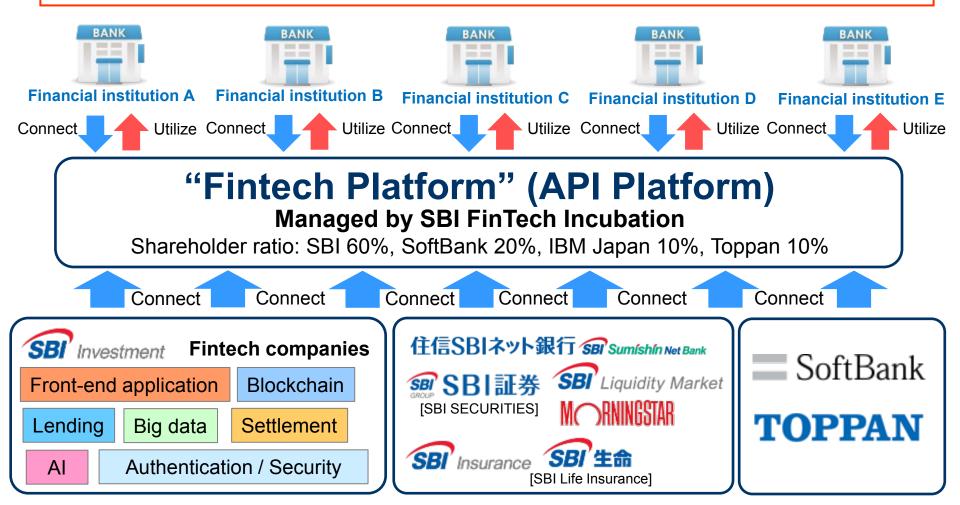
infcurion, Inc (Japan)





# Providing a Scalable and Functional API Platform at Low SB Cost, to Support the Introduction of Services and Systems of Fintech Startup Companies

3 banks introduced the platform, with 2 more making arrangements



Also planning to offer a white label mobile app with a wealth of menus

# (ii) Promoting the Establishment of Joint Ventures to Localize and Implement Solutions of Overseas Fintech Companies, Some of which will be Covering Entire Asia





Platform / app to support insurance consulting pport sales of customer-centr

Support sales of customer-centric optimal insurances

To be established in Jan. 2019

Mobile banking app UI / UX based on

behavioral psychology

**Established** 



Reimagine • Rethink • Recreate

Business process automation platform by Al and RPA Enhancing business efficiency

To be established by the end of 2018



Banking services on keyboard

Proceeding final adjustment



World's first dynamic security
Runs different source codes each time

**Established** 



#### **Automation of housing loan process**

Automate from preliminary examination to loan application

To be established in Jan. 2019

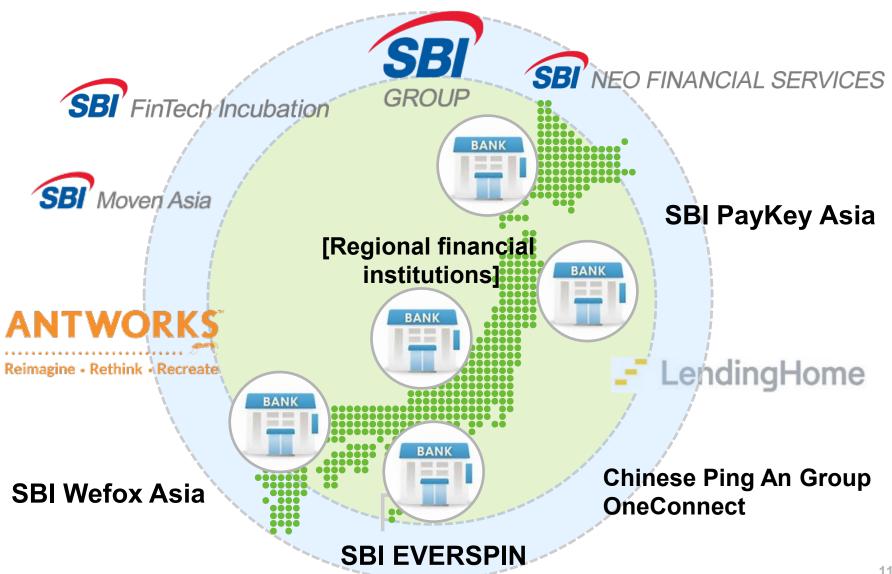


IT technology platform

Provides a comprehensive fintech platform installed by 2000 financial institutions in China

To be established by the end of 2018

# Supporting Nationwide Deployment and Advancement of the Services of the Regional Financial Institutions, through Various Financial Instruments and Services by Utilizing Domestic and Overseas Fintech Solutions





② Promote technologies and services owned by fintech investee startups, etc., to SMEs, in order to revitalize regional industries

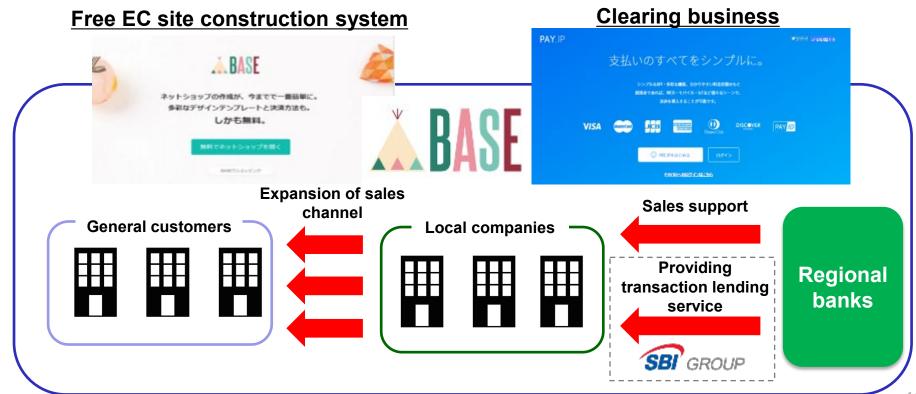
# Provide Services such as a Platform Enabling Regional Business Operators to Easily Open Online Shops (EC Sites) with No Upfront Expenses or Monthly Usage Fees



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



# Examples of Measures to Revitalize Regional Industries **SBI** by Utilizing Technologies and Services of

**Investee Fintech Ventures** 







### Payke, Inc.

- Can read the product's barcode on the smartphone and view any information on the product in your native language
- Available at a low cost, and the attractiveness of products can be appealed through forwarded messages to foreigners visiting Japan

### Writeup.co.,Ltd.

- Provide management support services for small and medium businesses, through subsidies and automatic grant-in-aid acquisition services
- The latest subsidy information will be data recorded, so that proposals may be automatically processed according to a diagnosis of the company

### Liquid Inc.

- Solved speed bottleneck problem through fingerprint authentication, and shortened data matching time to 0.0003 seconds
- Expectations are high as a solution for foreign visitors in regions with low credit settlement introductory rates

機械学習インデックス検索+逐次検索



ש	ツン人快来+坯从快来					
	INDEX/D	RESULT				
	ID:****	-				
	ID:****	-				
	ID:****	0				





## (2) New ecosystem based on digital asset

# Creating More Efficient and Customer-beneficial Future with Digital Assets and Blockchain

- ① Digital asset financial ecosystem approaching completion
- ② Partial launch of new financial services utilizing digital assets and blockchain



# Strategies for Expanding and Developing Cryptocurrency Markets

### Supporting expansion of actual demands in cryptocurrencies

- Advancing the usage for remittances, trade finance, settlements & payments
  - ✓ Promoting use in settlements via cryptocurrencies (XRP, Bitcoin Cash, Own-token) for the SBI Group's EC-related investee companies and partners
- Introduction of SBI Group's S Coin Platform to the regional financial institutions
- Creating a track record in cryptocurrency through investment in domestic and overseas venture companies involved in the business and new product developments using cryptocurrency

## Offering new cryptocurrency trading opportunities to institutional investors

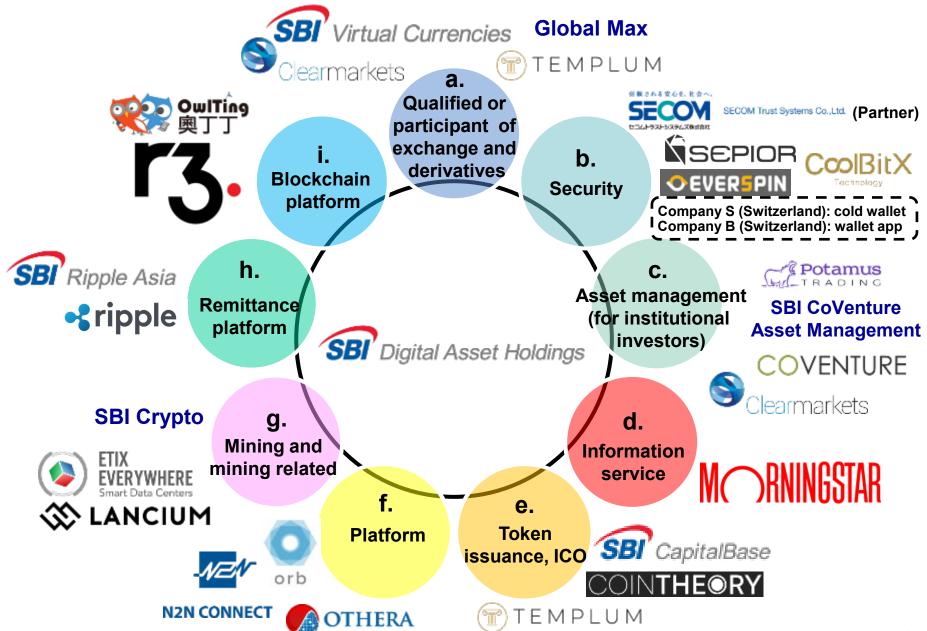
- Establishing a fund assembled from cryptocurrencies (SBI CoVenture Asset Management)
- Supplying market information on cryptocurrency (Morningstar Japan)
- Creating a cryptocurrency derivatives market



① Digital asset financial ecosystem approaching completion

### **New Financial Ecosystem based on Digital Asset**





### Investment Status of Companies that Comprise the Digital Asset Ecosystem -1



### i. 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		

#### ii. 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) Adjusting		Cold wallet development	
Company B (Switzerland) Adjustin		Development of wallet app	

### iii. Asset management (for institutional investor)

CoVenture (U.S.) 6% Fund GP under CV 25%		Digital asset hedge fund management	
SBI CoVenture Asset Management 70%		SBI Group	
Clear Markets (U.S.)	20% (maximum)	Online SWAP trading system	
Potamus (U.S.)	15%	Broker-dealer	

### Investment Status of Companies that Comprise the Digital Asset Ecosystem -2,

#### iv. Information service

Company	Investment	Business
Morningstar Japan	47.6%	SBI Group

### v. 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	

#### vi. Platform

Othera (U.K.)	20%	Securitized receivables by blockchain	
Orb	Not disclosed	Development of DLT platform	
N2N (Malaysia)	19.9%	Global trading hub including cryptocurrencies	

#### vii. 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	

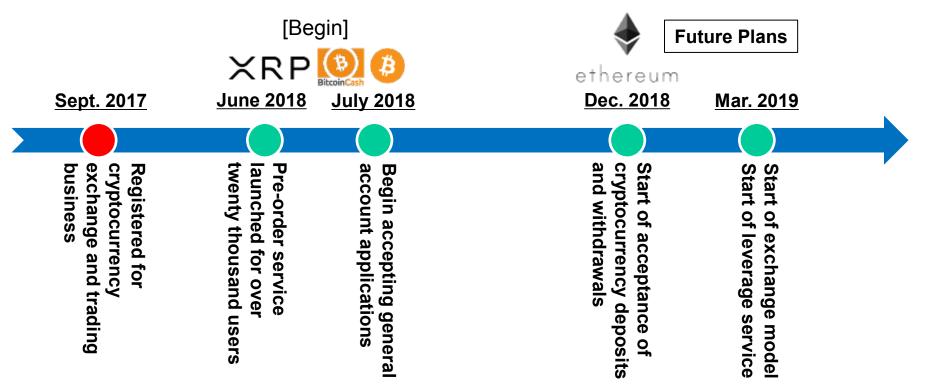
#### viii. Remittance platform

Ripple (U.S.) About 10%		Domestic and international remittance	
SBI Ripple Asia	60%	SBI Group	

#### ix. Blockchain platform

R3 (U.S.)	Not disclosed	Management of international DLT ecosystem
Obook Holdings (Taiwan)	20%	Blockchain for hotel management and food tracking

# SBI Virtual Currencies Implements a Variety of Services and Functions to Meet User Needs



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

With the self regulating organization being certificated on Oct. 24, and will consequently endeavor to promote service development, etc., based on those self regulating guidelines discussed

## ii. Security Regarding Security Vulnerability Countermeasures





### SBI GROUP

### 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

### Response on general security

- <u>Sepior (Denmark)</u>
   Cryptographic key management system specialized for the cloud
- Everspin (South Korea)

  Development of a dynamic security system
- <u>Liquid (Japan)</u> Cloud-type personal identification and settlement service
- SBI BITS
   Developed an AI face authentication app utilizing deep learning
- <u>SECOM Trust Systems</u>
   Collaboration in distributed management (entrustment) of private key

### The SBI Group's security measures

- ✓ SBI Security Solutions will develop aggregated security solutions from the technology of these investee companies and introduce them into SBI Group companies
- ✓ Planning to consolidate technologies from the SBI Group and these investee companies and sell the solutions through partners in Japan and overseas

## Investing in Sepior of Denmark, a Developer of Key GROUP Management as a Service (KMasS) on the Cloud

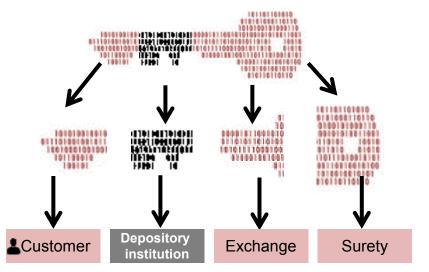


## Sepior (Denmark)

- Provides services for the creation and management of encryption keys used in data encryption
- Sepior's services enable encryption keys to be managed across multiple clouds

### Storage Management **Enterprise Key** Authentication Generation Management Restoration Auditing Security

Online security through distributed management of crypto key



# **Establishment of a Joint Venture with Korean Everspin that Develop Dynamic Securities**





100%

**ASEAN** 

100%

U.S.

Establish subsidiaries and branches in regions other than a part of the Asia-Pacific region and operate worldwide

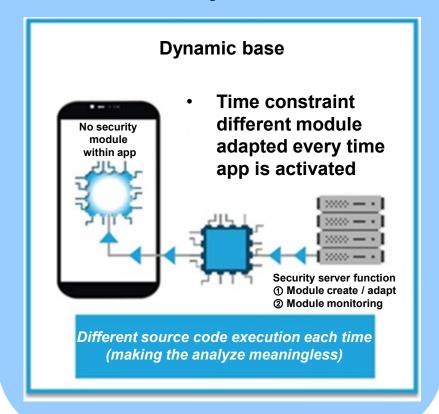
Europe

100%

100%

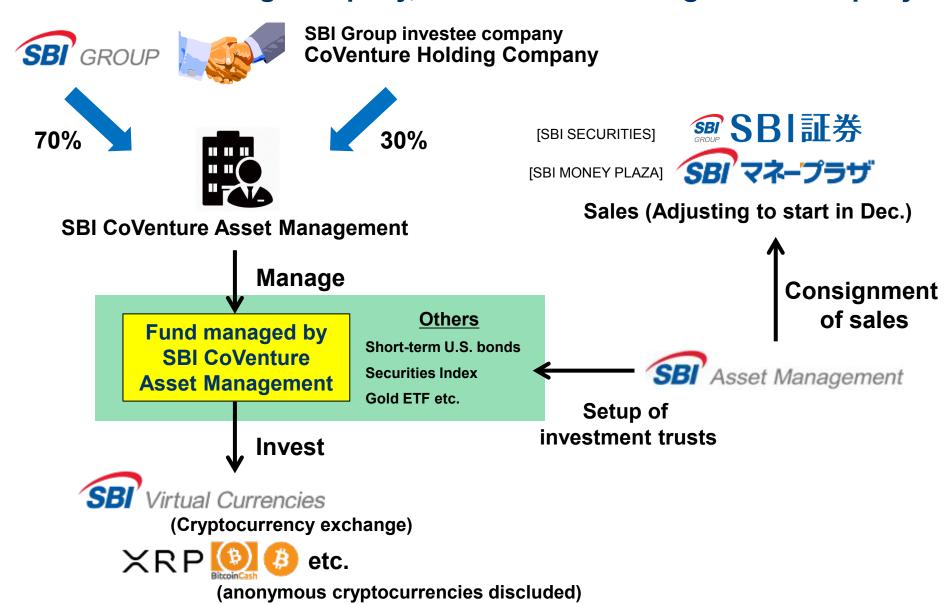
**Africa** 

# Everspin invented a security solution that changes code every time



iii. Asset management (for institutional investor)

## Accelerating Cryptocurrency Fund Business with CoVenture Holding Company, an U.S. Asset Management Company





- ② Partial launch of new financial services utilizing digital assets and blockchain
  - (i) "Money Tap," the remittance app for smartphones
  - (ii) S Coin Platform
  - (iii) Sharing fraudulent transaction data with the "Japan Payment Card Consortium"

(i) "Money Tap," the remittance app for smartphones

# "Money Tap," a Remittance App for Smartphones Utilizing DLT, was Released by The Japan Bank Consortium

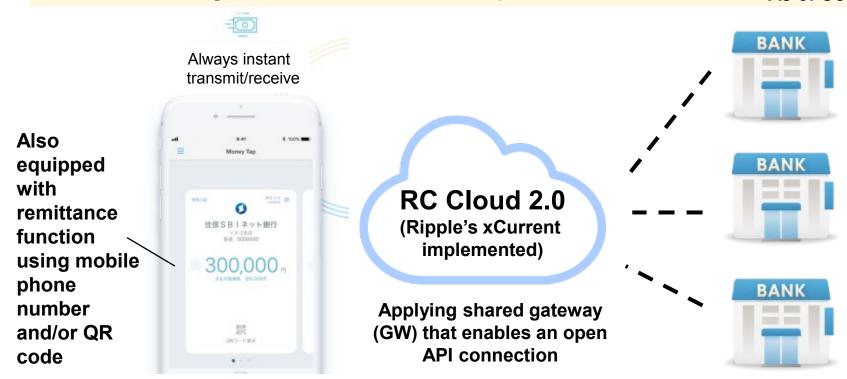


Available on App Store and Google Play from Oct. 4

(i) "Money Tap," the remittance app for smartphones

# Through "Money Tap," the Provision of an Environment that Allows Users to Safely, Remotely and Comfortably Remit Money Between Individuals

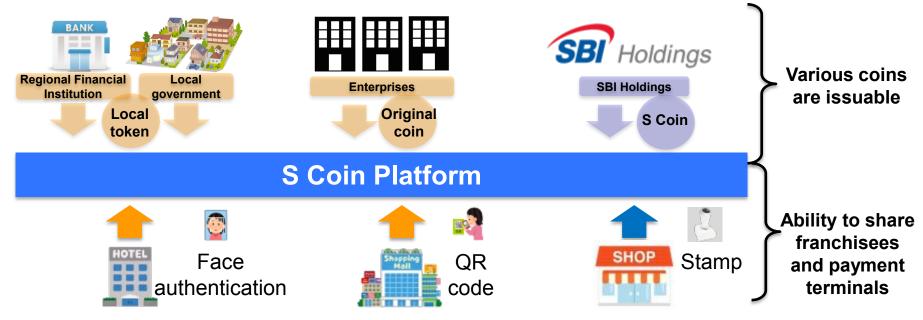
- In connection with 3 banks (SBI Sumishin Net Bank, SURUGA Bank and Resona Bank)
- A smartphone app that provides a free of charge, 24/365 inter-bank remittance application
- In addition to account number designation remittances, mobile phone number designation remittance is also possible





# 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 <u>cryptocurrencies</u>
  - ✓ 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 <u>participants will be able to acquire a</u> nationwide settlement network with little effort



### S Coin Platform Issuance Example -1

Conducted a PoC, starting on Apr. 2018 as a part of research on use of new settlements infrastructure, issuing UC Daiba Coin using blockchain and DLT.

UC Card conducted coin issuance and settlements, while SBI overseed 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

Coin issuance & settlement

\*Image: facial / stamp authentication





### S Coin Platform Issuance Example -2



Starting from Oct. 2018, SBI Holdings begun PoC with SBI employees and nearby stores in preparation for the commercialization of S Coin. The PoC strives to drastically reduce settlement costs through a settlement infrastructure utilizing DLT

Settlement by stamp authentication



Availability area:
 Izumi Garden Tower stores and Office Famima





2 ways of charging S Coin

#### (1) Charge by credit card

Likewise UC Daiba Coin, using Coiney's technology, users can purchase S coin by simply entering card information



<supporting brand>



#### (2) Charging actual money

Exchange cash for S coin using a new experimental terminal being developed by Glory. Display a QR code on a smartphone and let the terminal authenticate



### S Coin Platform Issuance Example -3



From Nov. 2018, initiated the PoC process for cashless transaction app "NISEKO Pay," in the Hiraru area of Niseko district in Hokkaido. With the goal to revitalize the regional economy throughout the Niseko area, which has been drawing much attention as a global ski resort in recent years

#### Smartphone app, QR settlement image





In the future, with a smartphone access to the local currency, convenient stays at the most economical prices will be realized without having to carry a wallet

Action plans

Revitalization of regional activities through bonus payments

②Acquisition of sponsorship money through donations

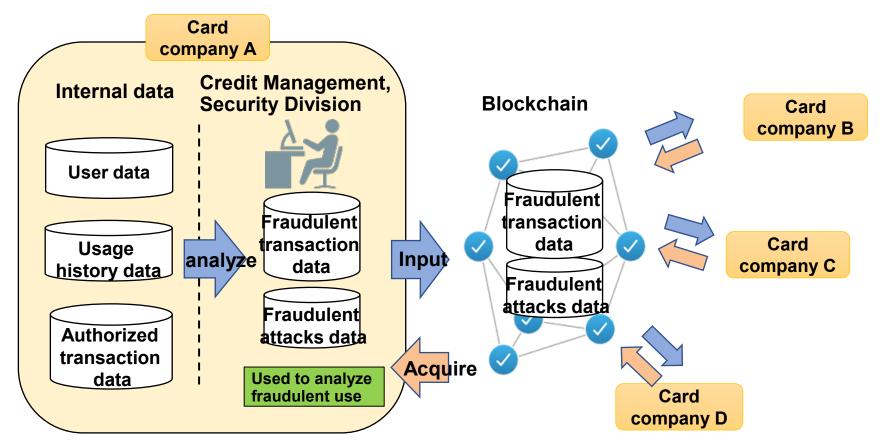




- Cashless ski resorts that eliminate the inconvenience of having to carry cash
- ✓ A role model of the future establishment of town tourism promotion developments utilizing local currencies

(iii) Sharing fraudulent transaction data with the "Japan Payment Card Consortium"

### **PoC Initiation Utilizing DLT at the "Japan Payment Card** Consortium," of which SBI Ripple Asia Serves as Secretariat Efficient sharing of information with the appropriate scope and content



9 participants: American Express International, Inc., AEON CREDIT SERVICE CO., LTD., EPOS Card Co., Ltd., Orient Corporation, CREDIT SAISON CO., LTD., JCB Co., Ltd. TOYOTA FINANCE CORPORATION, Sumitomo Mitsui Card Co., Ltd., SUMITOMO MITSUI TRUST CLUB CO., LTD.

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# Q6. What is the progress of the Biotechnology-related Business?

- (1) Status of pharmaceutical research and development
- (2) Sales promotion of 5-ALA-related products (health foods and cosmetics) in Japan and abroad



- (1) Status of pharmaceutical research and development
  - ① U.S.-based Quark
  - **② SBI Biotech**
  - **3 SBI Pharmaceuticals**
  - **4** German-based photonamic

## ① U.S.-based Quark



### (SBI Group's economic shareholding interest is 95.5%)

## Results regarding the Phase III clinical trials for Quark's "QPI-1002," for delayed graft function in kidney transplants (DGF)

- As it turned out, the primary endpoint for QPI-1002 for the prevention of DGF was not met
- The results of this study showed that <u>changes in the protocol</u>, from the Phase II clinical trial which was a good result, such as reducing the minimum cold storage time before transplantation in the ischemic status of the transplanted kidney from 26 to 10 hours, <u>seems to be mainly attributed to Phase III</u>, but <u>156 patients where its cold storage time was longer than 24 hours (\*corresponding to about 26% out of 594 subjects) demonstrated a similar relative risk reduction in DGF incidence and severity to that seen in the Phase II study, indicating the utility of QPI-1002</u>
- Quark plans to discuss with the U.S. Food and Drug Administration (FDA) to continue
   Phase III in a protocol centered on the subject group
   Regarding Phase III clinical trials of DGF, if consultation with FDA progresses, it is considering its implementation after Quark's IPO
- Novartis International AG <u>intends to maintain the exclusive negotiation rights of the granted license agreement</u>, and Quark will negotiate with them on its conditions for maintaining the contract etc., based on the final analysis of Phase III results, the status of the consultation progress with the FDA, and others

## **Quark's Ongoing Drug Discovery Pipeline**



	Licensing partner	Adaptation disease	Progress	
QPI-1002	Novartis International AG	Acute kidney injury (AKI)	Phase III	Started Phase III clinical trials in July 2018. Planning expansion of clinical trials to 115 facilities worldwide
QPI-1007	Biocon Ltd of India	Non-arteritic anterior ischemic optic neuropathy (NAION)	Phase III	<ul> <li>Conducting final Phase III clinical trials at 66 institutions, mainly in the U.S. and Europe. Upon administration to the final subject, the final results will become known in Oct. 2020, after a follow-up period of 1 year</li> <li>FDA approved to shorten the follow-up period from 12 to 6 months, and the results are expected to be earlier</li> </ul>
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

Since Quark has two products at the Phase III stage in its drug discovery pipeline, it is currently in preparation for an IPO

### ② 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	
VIB7734 (Anti-ILT7 antibody)	Viela Bio* (Sept. 2008)	Myositis		A single dose Phase I study has been completed, and preparing plans for future clinical trial study
SBI-9674	SBI-9674 Kyowa Hakko Kirin (Dec. 2016) Autoimmune diseases		Pre-clinical	Kyowa Hakko Kirin is conducting development. Further receipt of milestone payments in accordance with development progress is expected
Cdc7 inhibitor	Carna Biosciences (May 2014)	NEW!! Colorectal cancers	Phase I / II (plan)	Development is in progress at Sierra Oncology, which out-licensed with Carna Biosciences. Submitted its IND to FDA. Receipt of milestone payments in accordance with development progress is expected
GNKS356	Independently	Autoimmune diseases (Psoriasis / Systemic Lupus Erythematosus (SLE))	Pre-clinical	Received subsidies from AMED (Japan Agency for Medical Research and Development) drug discovery promotion project, and acquired various data. Started activities for future development and tie-ups based on the research results
SBI-3150	Independently	Autoimmune diseases (Various diseases caused by pDC / activated B cells)	Pre-clinical	Continuously engaged in negotiating with several companies for out-licensing

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

### **3 SBI Pharmaceuticals**



Duration of drug development in Japan (pre-clinical to application):

Avg. 9.2 years

Source: "Current status and issues of bio-ventures" by METI, in Nov. 2017

<u>Products launched by SBI Pharmaceuticals</u>:

(Established in Apr. 2008)

- Sept. 2013:

  "ALAGLIO® Oral 1.5g,"

  diagnostic agent for cancer treatment (Malignant Glioma)
- ② Dec. 2017:

  "ALAGLIO® Divided Granules 1.5g," diagnostic agent for cancer treatment (carcinoma vesicae) → Marketed in Japan by Chugai Pharmceuticals, which SBI Pharmaceuticals provided with exclusive domestic marketing rights in Japan

#### -Drug Pipelines Utilizing 5-ALA under the SBI Group-

Fields		Pipeline projects	Current status			
			Phase I	Phase II	Phase III	Applica- tion
Diagnostic agent (PDD)	1	Peritoneal dissemination of gastric cancer*	Phase	 e III is underway 		
	2	Cisplatin nephropathy protection	Phase II is un	derway		
Drug to treat	3	Mitochondrial diseases*	Phase II	  I is underway		
	4	Cardiac ischemia- reperfusion injury*	Preparation for Phase II is underway	Universit	ed by Oxford y and Birming	
Photodynamic therapy (iPDT)	5	Brain tumors* (by photonamic)	Preparation for Phase II is underway	Universit	<mark>y Hospital in t</mark>	the U.K.

Prospects for the next year
Completed Phase III / Out-licensing
Conducting Phase II
Conducting Phase III / Out-licensing
Conducting Phase II
Conducting Phase II

<sup>\*</sup>Investigator-led trial

## 4 German-based photonamic-Advanced into the U.S. market in Oct. 2018-



#### photonamic:

- ✓ Established in Mar. 2002 (Head office : Germany)
- ✓ Business : Development and sale of diagnostic and therapeutic drugs that use 5-ALA, primarily in Europe
- √ A wholly owned subsidiary of SBI ALApharma



#### **Products launched by photonamic:**

- ① "Alacare," a drug that treats actinic keratosis
- "Gliolan®," a diagnostic agent for cancer treatment (malignant glioma)

Gliolan's global expansion route:

U.S.

**Brain tumor** 

June 2017:

Approved by FDA

#### Oct. 2018:

NX Development Corp (NXDC), a wholly owned subsidiary of photonamic from Apr. 2018, began sales with the U.S. product name of "Gleolan" 16

**Europe** 

**Since 2007** 

Approved as "Gliolan®" by European Medicines Agency (EMA) in 2007 and is distributed through photonamic's partner companies in more than 40 countries including Germany and the U.K.

Japan

**Brain tumor** 

Brain tumor

**Since 2013** 

SBI Pharmaceuticals' product name:

"ALAGLIO® Oral 1.5g"



- (2) Sales promotion of 5-ALA-related products (health foods and cosmetics) in Japan and abroad
- **1 Sales environment in Japan (SBI ALApromo)**
- ② Sales environment overseas (SBI Neopharma)



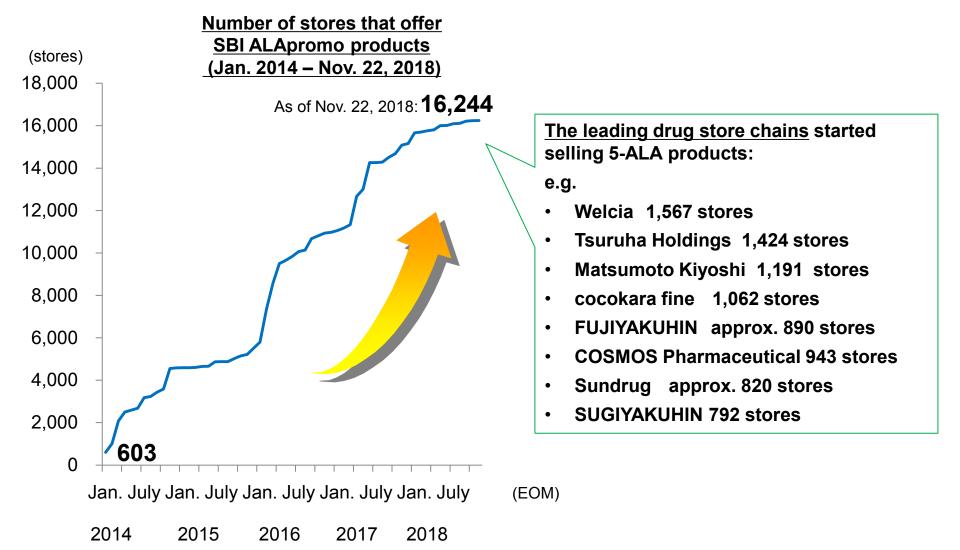
## SBI ALApromo Continues to Develop and Launch New Products in Japan

-New products already launched during FY2018- \* In order by release date

Cosmetics	For a full-scale launch of "ALAplus Cosmetic Series," skincare cosmetics for moisturizing utilizing 5-ALA, launched "Deep Cleansing Gel and Pure Clay Wash," in July 2018	ALAPLIS  ALAPLES  MAPPINS  STORY  ALAPLES  MAPPINS  ALAPLES  MAPPINS  ALAPLES  ALAPL	
General Foods	Launched "Hatsugagenmai no Sokojikara" on Oct. 11, 2018, which is a germinated brown rice developed under collaboration with the National Cerebral and Cardiovascular Center	3回 SM MEST VUーX  栄養 キュッと  ・ 発芽する	
	Using our own 5-ALA-based germination technology to allow germination to proceed "until it is properly sprouted," we have succeeded in the development of sprouted brown rice with a high nutritional value centered on GABA	要の 要素の 要素の の の の の の の の の の の の の の	
Foods with functional claims	Launched "ALAPlus Tou (Sugar) Down Rich" on Nov. 1, 2018, a food with functional claims utilizing high levels of 5-ALA	アラス 糖ダウン レッチ	



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



## Accelerating the Development of New Foods with Functional Claims



#### 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 gingko bilboa (Launched in Dec. 2017)

1

Premium product utilizing high levels of 5-ALA "ALAPlus Tou (Sugar) Down Rich"

Launch on Nov. 1, 2018

First submitted to the Consumer Affairs Agency in Mar. 2018

Improvement in the quality of sleep

(Hawaii Univ.)

Plan to launch in Feb. 2019

Improvement in the exercise capacity
(Shinshu Univ.)

Plan to launch in FY2019

Planning submission in FY2018

Recovery from fatigue

Male menopause improvement

(Hiroshima Univ.)

(Juntendo Univ.)

**Planning submission in FY2019** 

Fatigue reduction after exercising

(Juntendo Univ.)

ALA+ salacia-derived salacinol

Increase metabolism while suppressing sugar absorption

(Hiroshima Univ.)

2 Sales environment overseas (SBI Neopharma)



## SBI Neopharma Plans to Launch the Health Food "NatuALA" in More than 80 Countries Worldwide

### SBI ALApharma

(Intermediate holding company in the 5-ALA-related business)

Investment ratio: 49%

Regarding profits, recording at 50: 50

Investment ratio: 51%

Neopharma

#### SBI Neopharma FZ LLC

(Established in Dubai to increase overseas sales of pharmaceuticals, health foods, cosmetics, feed and fertilizers)

#### Scope of products:

Pharmace uticals	①Therapeutic drugs for diabetes and malaria infection utilizing 5-ALA, to be developed by Neopharma (Out-licensing to Neopharma in Oct. 2016)
	②Pharmaceuticals including "ALAGLIO® Divided Granules 1.5g" in the territory of MENA and India (to Neopharma, in Mar. 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  → In preparations for registration applications of health foods in over 80 countries worldwide.  In the Middle East, following the UAE, registered in Bahrain, Jordan and Oman, and in the Southeast Asia, in Cambodia and Myanmar, and in Africa, in Mauritius and Kenya. Sales are scheduled to start in the registered countries

## SBI Pharma Out-licensing

(Pharmaceuticals ①② in the following tables)

- 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



### [Appendix] 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



4,448

9,136

2,479

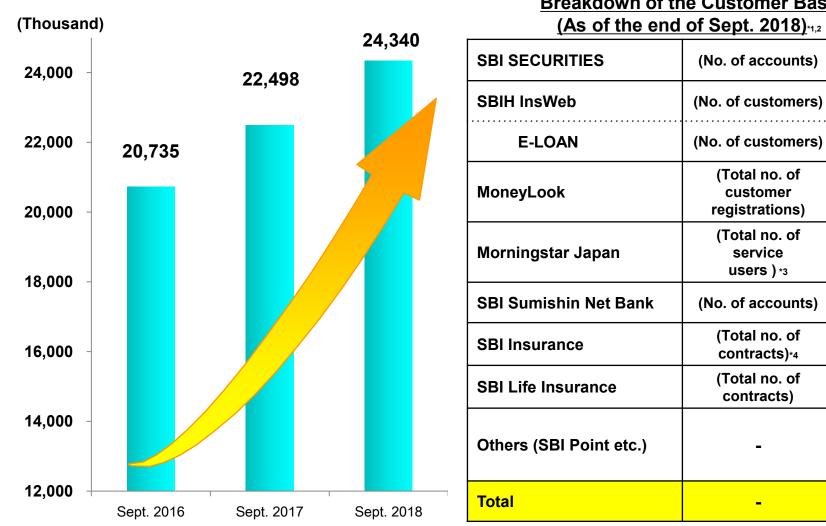
945

855

3,374

1,015

130



Breakdown of the Customer Base	<u>}</u>
(As of the end of Sept. 2018) <sub>4,2</sub>	(Thousand)

(Total no. of

customer

(Total no. of

service users ) \*3

(Total no. of

contracts)\*4 (Total no. of

contracts)

14,000 -					Others (SBI Point etc.)		1,958
12,000	Sept. 2016	Sept. 2017	Sept. 2018		Total	-	24,340
	that customers who a	e not identified	l as the same per	rson wit	hin each service website and over	apping customers amon	g the Group

<sup>\*2</sup> The number of customers of the Group companies which were excluded from consolidation, owing to reorganization, is not included in the figures for the past customer bases.

<sup>\*3</sup> Includes the number of smartphone app downloads, as provided by Morningstar

<sup>\*4</sup> 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	Sept. 2018
Consolidated subsidiaries (companies)	180	193
Consolidated partnerships (partnerships)	17	16
Total consolidated subsidiaries (companies)	197	209
Equity method companies (companies)	33	36
Total Group companies (companies)	230	245

#### Number of consolidated employees

	Mar. 2018	Sept. 2018
Total employees (persons)	5,391	6,030

#### Market Cap. Ranking of Companies Established in 1999



No.	Code	Market	Company name	Establishment	Market Cap. (JPY mil)
1	8473	TSE1	SBI Holdings, Inc	July 8, 1999	616,703
2	3436	TSE1	SUMCO CORPORATION	July 30, 1999	498,879
3	2432	TSE1	DeNA Co., Ltd.	Mar. 4, 1999	318,812
4	4924	TSE1	Ci:z Holdings Co., Ltd.	Feb. 26, 1999	285,489
5	8703	TSE1	kabu.com Securities Co., Ltd.	Nov. 19, 1999	148,704
6	6055	TSE1	JAPAN MATERIAL CO., LTD.	Dec. 3, 1999	129,124
7	6235	TSE1	OPTORUN Co.,Ltd.	Aug. 25, 1999	109,076
8	2484	JQS	Yume no Machi Souzou linkai Co., Ltd.	Sept. 9, 1999	103,563
9	8922	TM	Japan Asset Marketing Co.,Ltd.	Sept. 2, 1999	92,958
10	8934	TSE1	Sun Frontier Fudousan Co., Ltd.	Apr. 8, 1999	57,727
11	2461	TSE1	F@N Communications, Inc.	Oct. 1, 1999	53,928
12	2491	TSE1	ValueCommerce Co., Ltd.	Sept. 3, 1999	51,534
13	2752	JQS	Fujio Food System Co., Ltd.	Nov. 11, 1999	46,459
14	7774	JQG	Japan Tissue Engineering Co., Ltd.	Feb. 1, 1999	42,559
15	4563	TM	AnGes, Inc.	Dec. 17, 1999	41,031
16	7169	JQS	NEWTON FINANCIAL CONSULTING, Inc.	Dec. 15, 1999	37,278
17	9517	TSE1	erex Co.,Ltd.	Dec. 8, 1999	35,060
18	3678	TSE1	MEDIA DO HOLDINGS Co., Ltd.	Apr. 1, 1999	32,405
19	2471	JQS	S-Pool,Inc.	Dec. 1, 1999	28,247
20	3778	TSE1	SAKURA Internet Inc.	Aug 17, 1999	22,347

Yahoo! Finance, closing price of Nov. 28, includes treasury shares



## http://www.sbigroup.co.jp/english/