

# **SBI Holdings, Inc. 2019 Information Meeting**

**May 27**

**Tokyo**

**May 29**

**Osaka**

**June 3**

**Nagoya**

**June 5**

**Yokohama**

**June 7**

**Fukuoka**



**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. FY2018 consolidated performance**
- 2. What sort of efforts are being made to strengthen recession resiliency and the realization of high profit growth?**
- 3. Regarding the sudden change in the business environment, and the corresponding new measures**



# **Q1. FY2018 consolidated performance**



# FY2018 Consolidated Performance (IFRS)

## -Consolidated Performance Highlights-

- FY2018 revenue increased 4.3% year-on-year to JPY 351.4bn, profit before income tax expense increased by 15.6% year-on-year to JPY 83.0bn and profit attributable to owners of the Company was JPY 52.5bn, up 12.6% year-on-year, which all achieved historical highs, since the adoption of IFRS in FY2012
- Recorded historical highs, in spite of the booking of impairment losses of JPY 7.4bn in the Biotechnology-related Business and JPY 2.3bn in the Others category, in order to reduce future potential operational risks, as in the previous fiscal year
- Aggressive shareholder returns will be implemented with an annual dividend of JPY 100 per share, including JPY 5 for the 20th anniversary commemorative dividend  
(Total shareholder return ratio: 80.7%, Dividend payout ratio: 43.2%)



# FY2018 Consolidated Performance (IFRS)

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

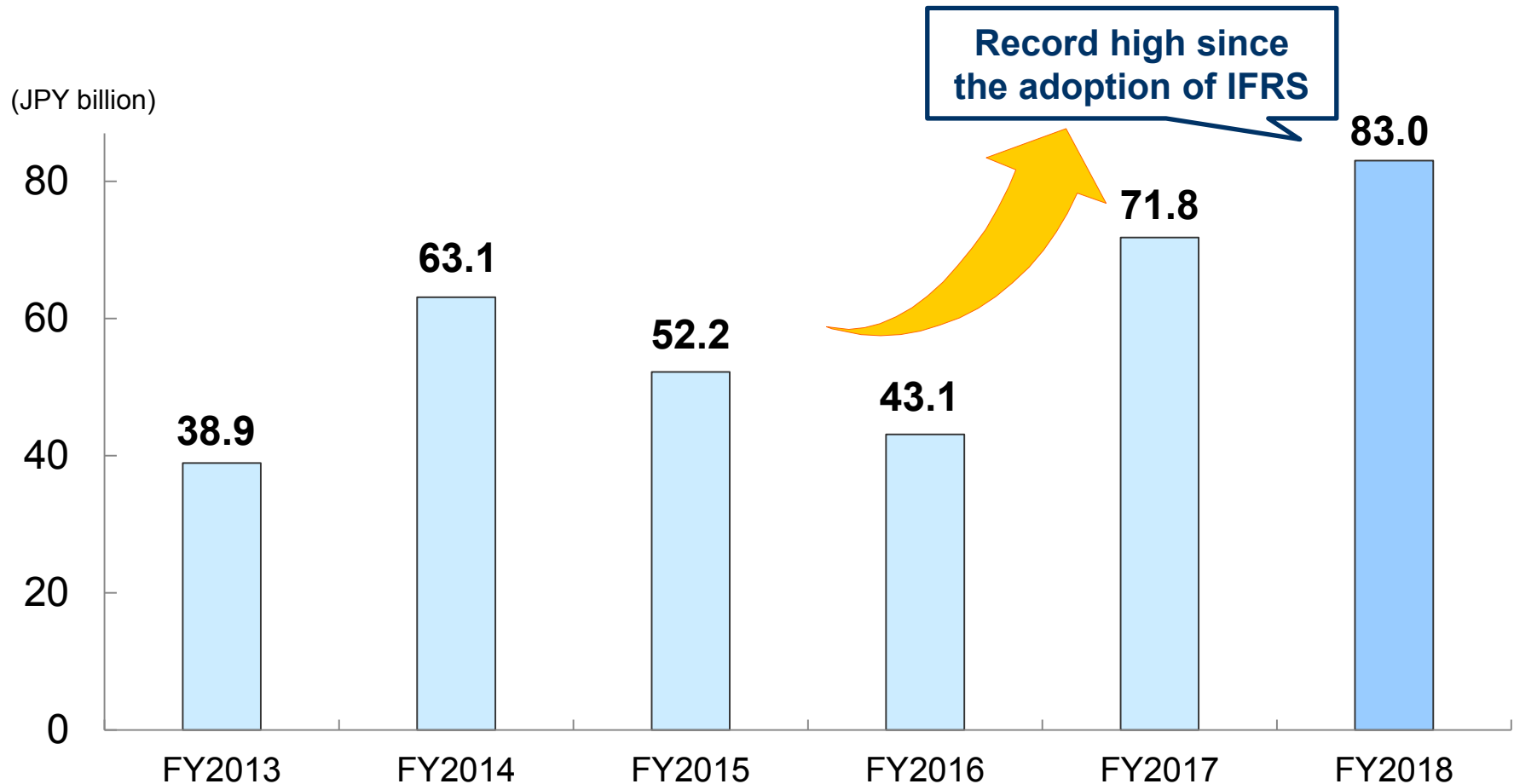
**[Year-on-year comparison]**

(Unit: JPY million)

	<b>FY2017</b> (Apr. 2017 – Mar. 2018)	<b>FY2018</b> (Apr. 2018 – Mar. 2019)	<b>YoY % change</b>
<b>Revenue</b>	<b>337,017</b>	<b>Record high</b> <b>351,411</b>	<b>+4.3</b>
<b>Profit before income tax expense</b>	<b>71,810</b>	<b>Record high</b> <b>83,037</b>	<b>+15.6</b>
<b>Profit for the period</b>	<b>55,958</b>	<b>Record high</b> <b>67,277</b>	<b>+20.2</b>
<b>Profit attributable to owners of the Company</b>	<b>46,684</b>	<b>Record high</b> <b>52,548</b>	<b>+12.6</b>
<b>ROE (%)</b>	<b>11.6</b>	<b>11.9</b>	<b>+0.3</b>



# Consolidated Profit before Income Tax Expense (IFRS) for the Past Six Years



**In FY2018, following the previous fiscal year, while booking impairment losses of JPY 7.4bn in the Biotechnology-related Business and JPY 2.3bn in the Others category, in order to reduce future potential operational risks, recorded historically high profits since the adoption of IFRS**



# Implements Aggressive Shareholder Returns, with a Total Shareholder Return Ratio of 80.7% and Dividend Payout Ratio of 43.2%

[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 per share

	End of 2Q	Year-end	Full-year	Payout ratio (%)
FY2018	<b><u>JPY 20</u></b> (Ordinary dividend: JPY 20)	<b><u>JPY 80</u></b> (Ordinary dividend: JPY 75) (Commemorative dividend: JPY 5)	<b><u>JPY 100</u></b> (Ordinary dividend: JPY 95) (Commemorative dividend: JPY 5)	<b><u>43.2</u></b>
FY2017	<b>JPY 15</b> (Ordinary dividend: JPY 15)	<b>JPY 70</b> (Ordinary dividend: JPY 70)	<b>JPY 85</b> (Ordinary dividend: JPY 85)	<b>38.5</b>

## ■ Share repurchase

**Conducted share repurchase of approx. JPY 19.4bn (8 million shares) from Nov. 28, 2018 to Jan. 9, 2019**



# Shareholder Return Results for the Past Five Fiscal Years

		FY2014	FY2015	FY2016	FY2017	FY2018
Dividend	Full-year dividend per share	<b>JPY 35</b>	<b>JPY 45</b>	<b>JPY 50</b>	<b>JPY 85</b>	<b><u>JPY 100</u></b>
	Payout ratio (%)	<b>16.6</b>	<b>28.0</b>	<b>31.4</b>	<b>38.5</b>	<b>43.2</b>
	Sum of dividend payouts (JPY bn)	<b>7.6</b>	<b>9.4</b>	<b>10.2</b>	<b>18.7</b>	<b>23.0</b>
Share repurchase amount (JPY bn)		<b>10.0</b>	<b>5.0</b>	<b>8.0</b>	<b>—</b>	<b>19.4</b>
Total shareholder return amount (JPY bn)		<b>17.6</b>	<b>14.4</b>	<b>18.2</b>	<b>18.7</b>	<b>42.4</b>
Total shareholder return ratio (%)		<b>38.5</b>	<b>42.2</b>	<b>55.9</b>	<b>40.1</b>	<b>80.7</b>



# Following the Previous Fiscal Year, will Conduct Shareholder Benefits for FY2018

[Details of shareholder benefits] \* Shareholders listed or recorded in the shareholder register as of Mar. 31, 2019 are eligible.

Details \ Qualified shareholders	Shareholders who have <u>held shares for more than 1 year</u> and who hold <u>1,000 (10 units) or more shares</u> as of Mar. 31, 2019	For shareholders other than the left column, those who hold <u>100 shares (1 unit) or more</u> , as of Mar. 31, 2019
ALA PLUS Gold (90 capsules)	<u>One</u>	<u>One</u>
ALA PLUS Karada Shape (20 packages)	<u>One</u>	<u>One</u>
“Hatsugagenmai no Sokojikara” (160g)	<u>Three</u>	<u>Three</u>
ALA PLUS Gold (270 capsules)	<u>One</u>	—
ALA PLUS Cosmetic Series (ALA PLUS Moisturizing Cream, ALA PLUS Essential Lotion, ALA PLUS Deep Cleansing Gel, ALA PLUS Pure Clay Wash, ALA PLUS Body Cream Alapi)	<u>One each</u>	—

				
ALA PLUS Gold (90 capsules)	ALA PLUS Karada Shape (20 packages)	“Hatsugagenmai no Sokojikara” (160g)	ALA PLUS Gold (270 capsules)	ALA PLUS Cosmetic Series

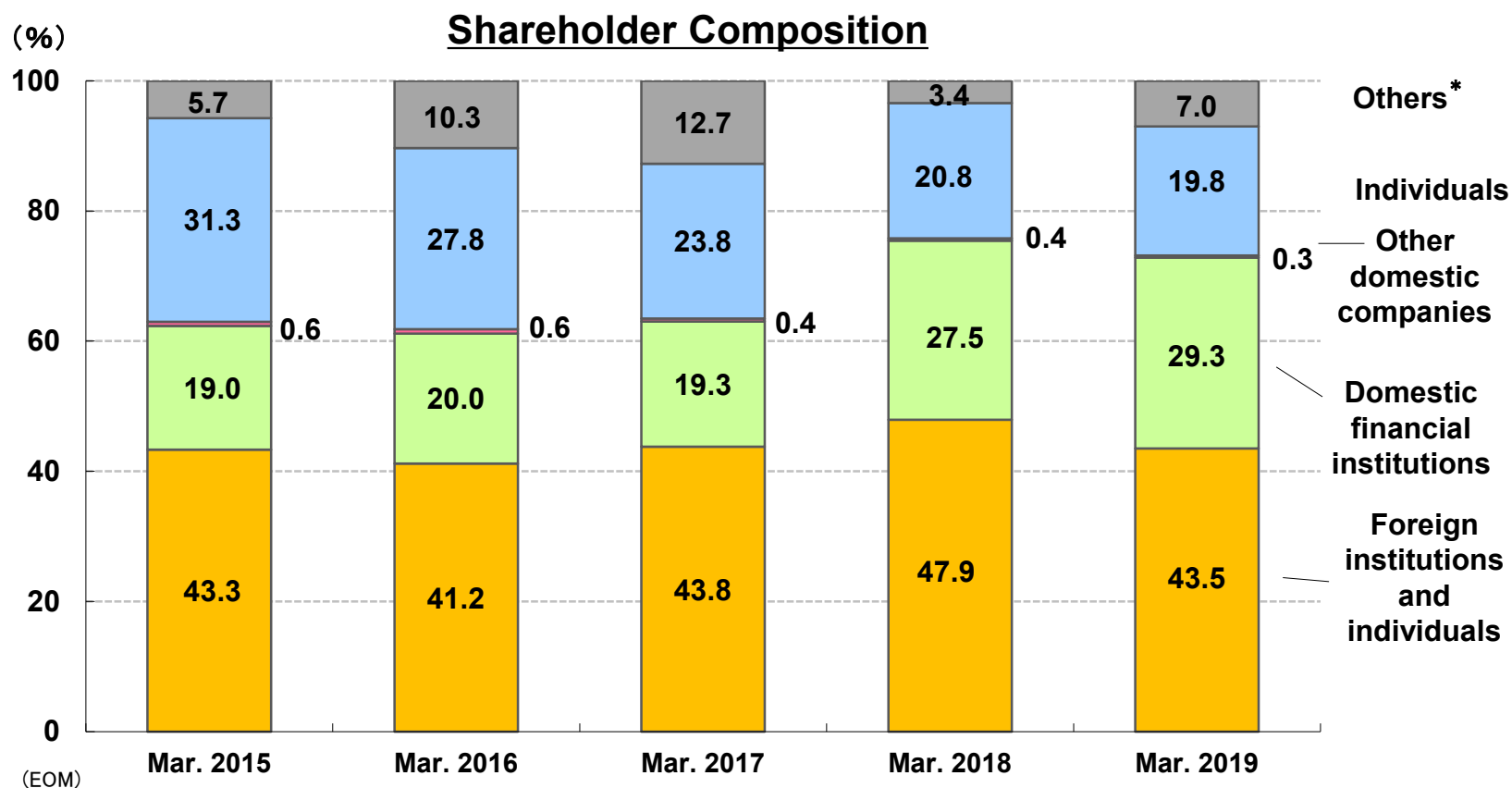
With the diversification in the Company’s shareholder composition, since there are some shareholders who decline to receive shareholder benefits, considering the donation of a portion of a amount partially equivalent to that through a fund planned to be established by the JSDA

\* In addition, all shareholders, including those who hold less than 1 unit (1–99 shares), will receive 1 discount coupon for a preferential discount of 50% from the regular prices of all SBI ALApromo dietary supplements and cosmetics.



# SBI Holdings' Shareholder Composition

- ◆ The total number of shareholders is 121,424, of which the number of shareholders who hold 1 unit or more is 51,814
- ◆ Shareholding ratio of domestic and foreign institutional investors is 72.8%, and the substantive shareholding ratio of domestic and foreign institutional investors, excluding treasury stock, is at 75.5%



\* "Others" include treasury stock (3.5%)



# **[Business Overview of Each Segment]**



# -Segment Result Highlights-

## [Financial Services Business]

- Both the securities-related and banking-related businesses recorded historically high profits, owing to a steady increase in profits.  
Profit before income tax expense significantly increased by 4.2% year-on-year, to be JPY 66.6bn

## [Asset Management Business]

- Owing to a significant profit increase from SBI SAVINGS BANK of South Korea, as well as the recording of valuation gains from investments in the Fintech Fund, etc., recorded profit before income tax expense of over JPY 50bn for two consecutive fiscal years

## [Biotechnology-related Business]

- At Quark and Kubota Pharmaceutical Holdings, an equity method affiliate, owing to a review of the respective pipeline development plans, realized an impairment loss of JPY 7.4bn, to reduce future potential operational risks
- Quark continues to advance its clinical trials as a promising bio-venture, with multiple Phase III drugs in its pipeline, along with a pipeline drug that is under discussion with the U.S. FDA to transition into NDA procedures, and is also contemplating an IPO timing
- SBI ALApromo and photonamic increased the sales of their self-developed products, where SBI ALApromo and photonamic increased their profit before income tax expense by 6.5 and 7.4 times, respectively, on a year-on-year basis, making a great progress toward the segment's future profitability

## [Others]

- SBI Virtual Currencies achieved a full-year profitability
- An impairment loss of JPY 2.3bn was recorded in certain businesses, in order to reduce potential risks and expenses in the future, for the purpose of achieving an early profitability in the near future



# FY2018 Performance by Segment (IFRS)

[Year-on-year comparison]

(Unit: JPY million)

## Revenue

## Profit before Income Tax Expense

	FY2017 (Apr. 2017– Mar. 2018)	FY2018 (Apr. 2018– Mar. 2019)	YoY % change	FY2017 (Apr. 2017– Mar. 2018)	FY2018 (Apr. 2018– Mar. 2019)	YoY % change / YoY change
Financial Services Business	217,272	229,239	+5.5	63,888	66,568	+4.2
Asset Management Business	117,572	118,631	+0.9	56,491	51,107	-9.5
Biotechnology- related Business	4,199	3,729	-11.2	-37,252	-19,179	+18,073

\* 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)

- **FY2018 consolidated financial results is as follows: While the individual brokerage trading value of the two markets combined decreased by 16.3% as compared to the same period of the previous fiscal year, achieved record highs in operating income and in all other profit categories due to the steady expansion of businesses other than stock brokerage commissions, such as underwriting and sales commissions offering, and trading income**
- **As SBI SECURITIES' number of accounts, customers' deposit assets and the share of individual stock brokerage trading value has significantly surpassed its online brokerage competitors, transitioning to a new phase to fully compete with the major face-to-face securities companies**



# SBI SECURITIES FY2018

## Consolidated Results (J-GAAP)

**-Operating revenue and all the profit items recorded historical highs-**

**[Year-on-year comparison]**






(Unit: JPY million)

	<b>FY2017</b> (Apr. 2017 – Mar. 2018)	<b>FY2018</b> (Apr. 2018 – Mar. 2019)	<b>YoY % change</b>
Operating Revenue	<b>116,716</b>	<b>Record high</b> <b>122,537</b>	<b>+5.0</b>
Net Operating Revenue	<b>106,997</b>	<b>Record high</b> <b>114,402</b>	<b>+6.9</b>
Operating Income	<b>53,570</b>	<b>Record high</b> <b>55,349</b>	<b>+3.3</b>
Ordinary Income	<b>53,798</b>	<b>Record high</b> <b>55,404</b>	<b>+3.0</b>
Profit attributable to owners of the Company	<b>36,812</b>	<b>Record high</b> <b>37,865</b>	<b>+2.9</b>



# SBI SECURITIES' Overwhelming Position

[FY2018 results]

	Share of individual stock trading value (%)		Number of accounts (thousand)	Deposit assets (JPY trillion)	Operating income (JPY million)
		of which, individual margin trading			
<b>SBI (cons.)</b>	 <b>36.2</b>	 <b>37.1</b>	 <b>4,631</b>	 <b>13.0</b>	 <b>55,349</b>
<b>Rakuten *1 (cons.)</b>	<b>19.2</b>	<b>20.2</b>	<b>3,205</b>	<b>5.6</b>	<b>18,810</b>
<b>Matsui</b>	<b>10.3</b>	<b>12.5</b>	<b>1,184</b>	<b>2.3</b>	<b>13,451</b>
<b>kabu.com</b>	<b>8.9</b>	<b>10.4</b>	<b>1,118</b>	<b>2.2</b>	<b>5,881</b>
<b>Monex *2 (cons.)</b>	<b>5.2</b>	<b>4.1</b>	<b>1,818</b>	<b>4.1</b>	<b>2,727</b>

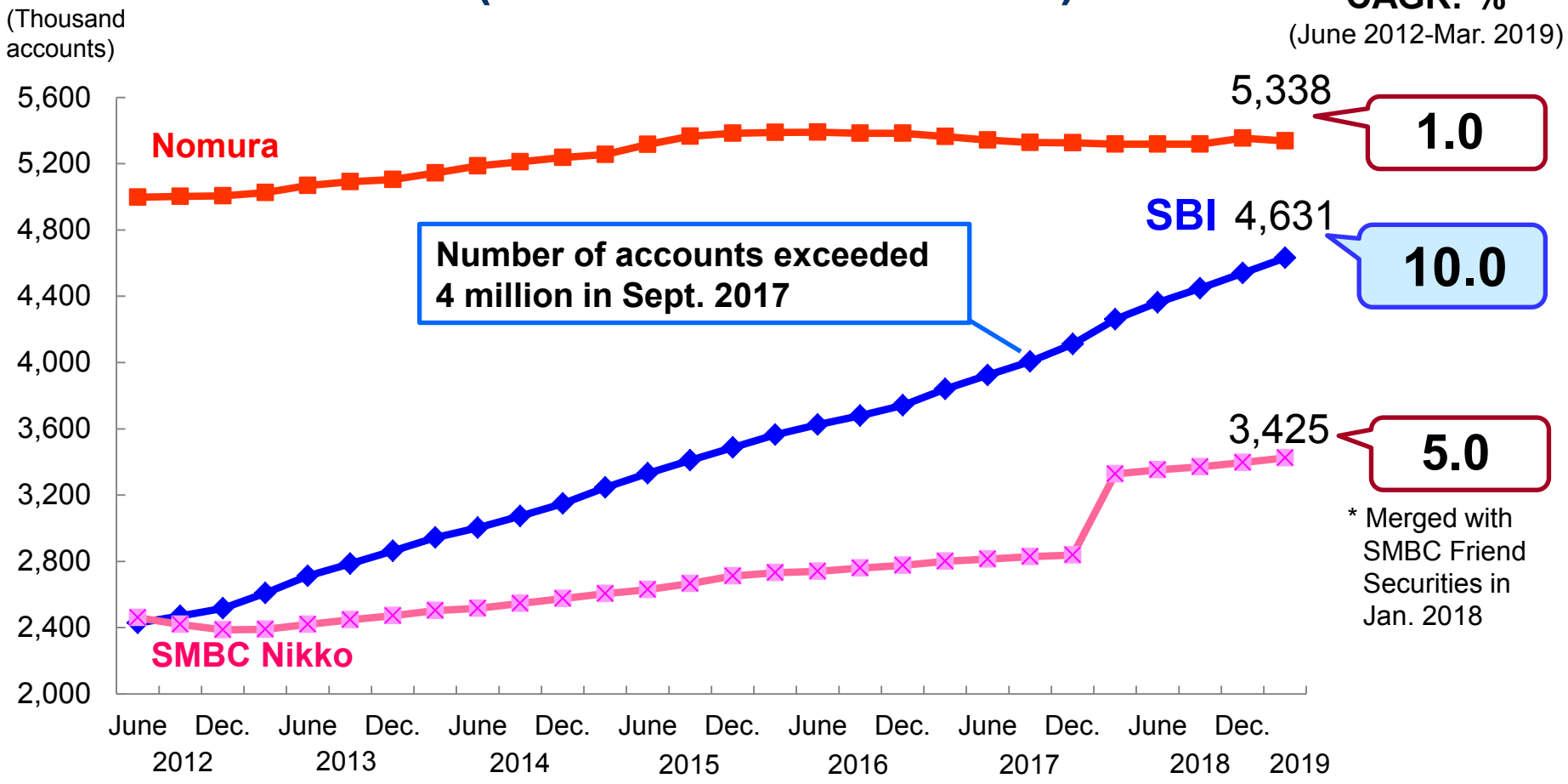
\*1 Since Rakuten changed the term of its fiscal year from FY2018, the figure above is for the corresponding period of Apr. 2018-Mar. 2019.

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

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



# Number of Accounts of SBI SECURITIES and 2 Major Face-to-face Securities Companies (June 2012 – Mar. 2019)



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

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



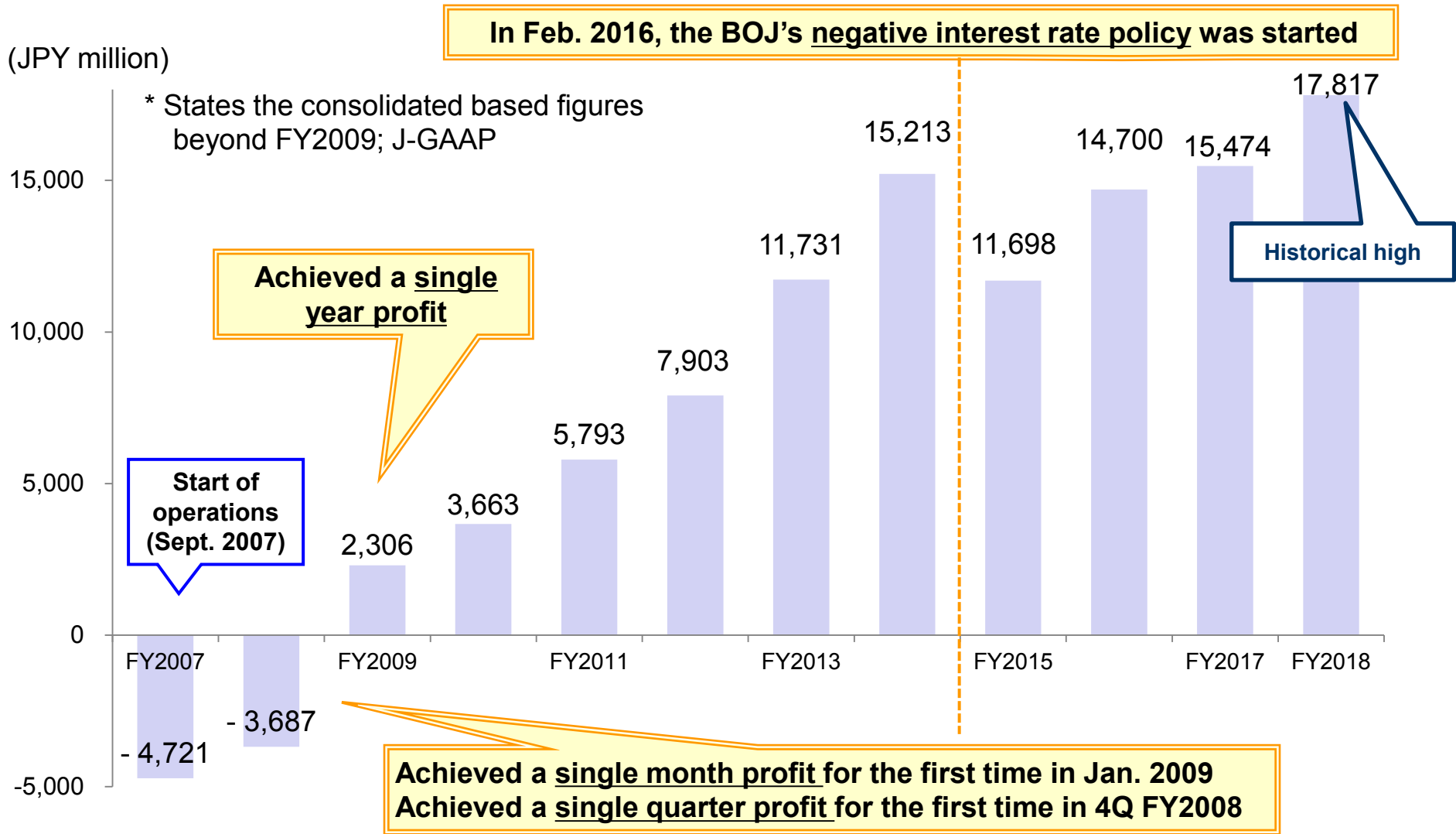
## **② Banking-related business (SBI Sumishin Net Bank)**

- **SBI Holdings' equity in earnings of SBI Sumishin Net Bank, based on IFRS for FY2018 was JPY 7,249m, up 92.3% year-on-year, owing to the expansion of the housing loans and profits through investment of bond investments, etc.**
- **Ordinary income based on J-GAAP for FY2018 recorded an historical high of JPY 17,817m**
- **As of the end of Mar. 2019, accounts steadily increased to approx. 3.54 million accounts, with the balance of deposits exceeding JPY 5tn on Apr. 12, 2019, to overwhelmingly surpass its competitors**



# Change in SBI Sumishin Net Bank's Ordinary Income (J-GAAP) after Start of Operations

Ordinary income based on J-GAAP for the FY2018 was a record high of JPY 17,817m.

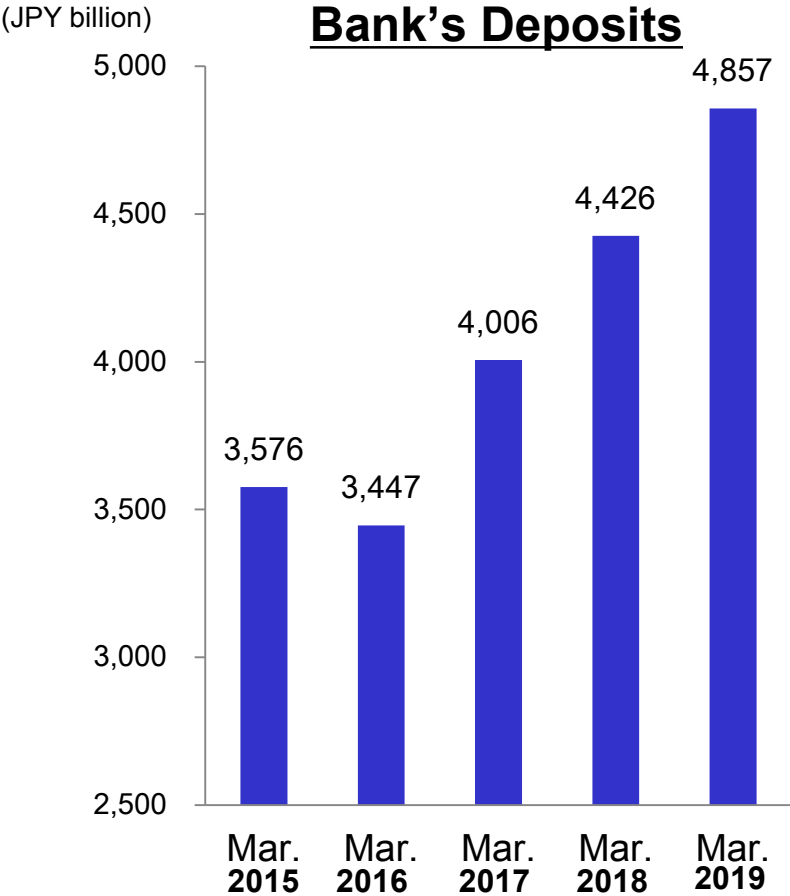




# Deposits as of the End of Mar. 2019 was Approx. JPY 4.9tn, to Significantly Surpass its Competitors

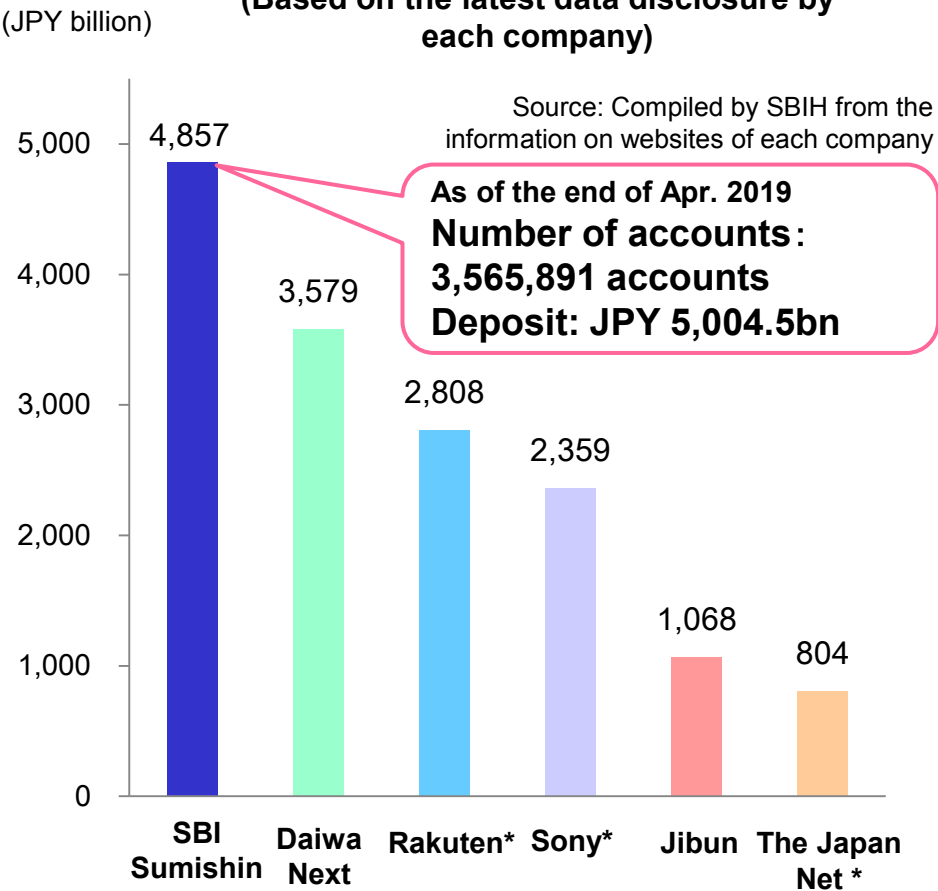
**Number of accounts: 3,542,980 / Deposits: JPY 4,857.1bn  
(as of the end of Mar. 2019)**

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



**Deposits of 6 Internet Banks**

(Based on the latest data disclosure by each company)



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

\*As of the end of Mar. 2019



## The Balance of Deposits is 20rd Among 76 Banks, which Includes Regional Banks and New Entrant Banks

Balance of deposits increased by JPY 579bn from that of the end of Mar. 2018, to improve the ranking by 8 spots

### Ranking by deposits

(JPY billion)

(Regional Banks, New Entrant Banks and Pure-play Internet Banks) (\*As of the end of Mar. 2019.)

Rank	Bank name	Deposits	Change <sup>*1</sup>
1	Bank of Yokohama	14,320.9	+548.0
2	Chiba Bank	12,333.4	+316.4
3	Bank of Fukuoka	10,447.2	+264.1
4	Shizuoka Bank	9,877.7	+338.0
5	Joyo Bank	8,729.2	+220.2
6	Nishi-Nippon City Bank	7,901.5	+228.3
7	77 Bank	7,440.6	-32.4
8	Hiroshima Bank	7,262.9	+79.4
9	Bank of Kyoto	7,092.1	+204.0
10	Gunma Bank	6,808.5	+139.4
11	Hachijuni Bank	6,746.9	+148.5
12	Chugoku Bank	6,639.9	+216.3
13	Hokuriku Bank	6,520.5	+126.1
14	Ashikaga Bank	5,709.2	+179.4
15	Shinsei Bank	5,636.3	-153.0

Rank	Bank name	Deposits	Change
16	Juroku Bank	5,504.2	+50.1
17	Iyo Bank	5,247.1	+147.5
18	Toho Bank	5,196.0	-33.8
19	Ogaki Kyoritsu Bank	5,037.4	+128.1
20	SBI Sumishin Net Bank <sup>*2</sup>	5,004.5	+578.5
21	Senshu Ikeda Bank	4,990.4	+36.4
22	Yamaguchi Bank	4,935.3	+85.8
23	Nanto Bank	4,917.5	+90.6
24	Hyakugo Bank	4,883.0	+160.1
25	Shiga Bank	4,854.7	+165.0
26	Hokkaido Bank	4,790.7	+141.8
27	Daishi Bank	4,684.8	+43.4
28	Kiraboshi Bank <sup>*3</sup>	4,539.1	-
29	Higo Bank	4,455.6	-128.8
30	Musashino Bank	4,131.0	+94.9

Rank	Bank name	Deposits	Change
31	Hyakujushi Bank	3,960.2	-3.2
32	Kiyo Bank	3,927.7	+38.3
33	Kagoshima Bank	3,868.9	+95.5
34	San-in Godo Bank	3,835.9	-173.3
35	Daiwa Next	3,578.9	+72.9
36	Hokkoku Bank	3,543.9	+175.3
37	Kinki Osaka Bank <sup>*4</sup>	3,346.2	+96.2
38	Suruga Bank	3,165.7	-924.0
39	Aozora Bank	3,068.7	+212.4
40	Bank of Iwate	2,957.4	-122.7

\*1 Change in deposit balance from of the end of Mar. 2018

\*2 The deposits of SBI Sumishin Net Bank and Daiwa Next Bank is as of the end of Apr. 2019.

\*3 On May 1, 2018, Tokyo Tomin Bank and ShinGinko Tokyo were merged with Yachiyo Bank as a successor bank under the name Kiraboshi Bank.

\*4 Merged with Kansai Urban Bank on Apr. 1, 2019, to become Kansai Mirai Bank, and since the financial statements as of the end of Mar. 2019 have not been disclosed, the deposit balance as of the end of Sep. 2019 is used.

\* Amounts are rounded to the nearest JPY 100 million (Source: Websites of each company)



### **③ Insurance-related business (SBI Insurance Group)**

- **SBI Insurance Group's consolidated ordinary revenue for FY2018 increased 6.8% year-on-year to JPY 66,388m, along with a 17.6% year-on-year increase in profit attributable to owners of the Company to JPY 851m, despite the impact of natural disasters, etc., at the non-life insurance business**
- **SBI Insurance Group's total number of inforce contracts continued to steadily increase, with an annual average growth rate (CAGR) calculated from Mar. 2014 of 22.2%**



# SBI Insurance Group's Performance

Consolidated results for FY2018 (J-GAAP)

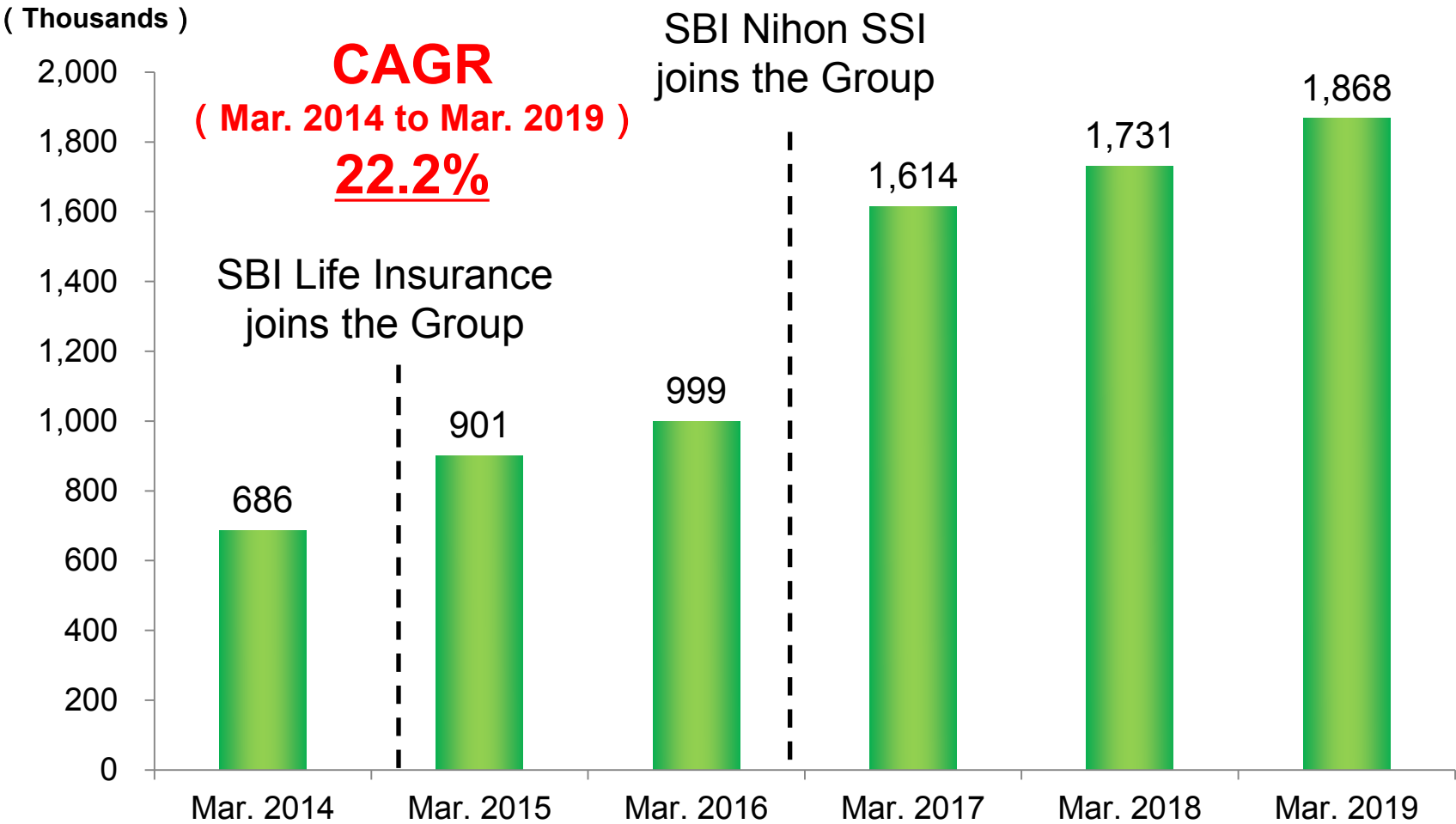
(Unit: JPY million)

	<b>FY2017</b> (Apr. 1, 2017 to Mar. 31, 2018 )	<b>FY2018</b> (Apr. 1, 2018 to Mar. 31, 2019)	<b>YoY % change</b>
<b>Ordinary revenue</b>	<b>62,186</b>	<b>66,388</b>	<b>+6.8</b>
<b>Ordinary profit</b>	<b>1,059</b>	<b>2,131</b>	<b>+101.2</b>
<b>Profit attributable to parent of the Company*</b>	<b>724</b>	<b>851</b>	<b>+17.6</b>

\* As SBI Life Insurance's Group Credit Life Insurance sales increased, provision for reserve for dividends to policyholders increased, and the level of net income attributable to shareholders of the parent company remained low as compared to ordinary income

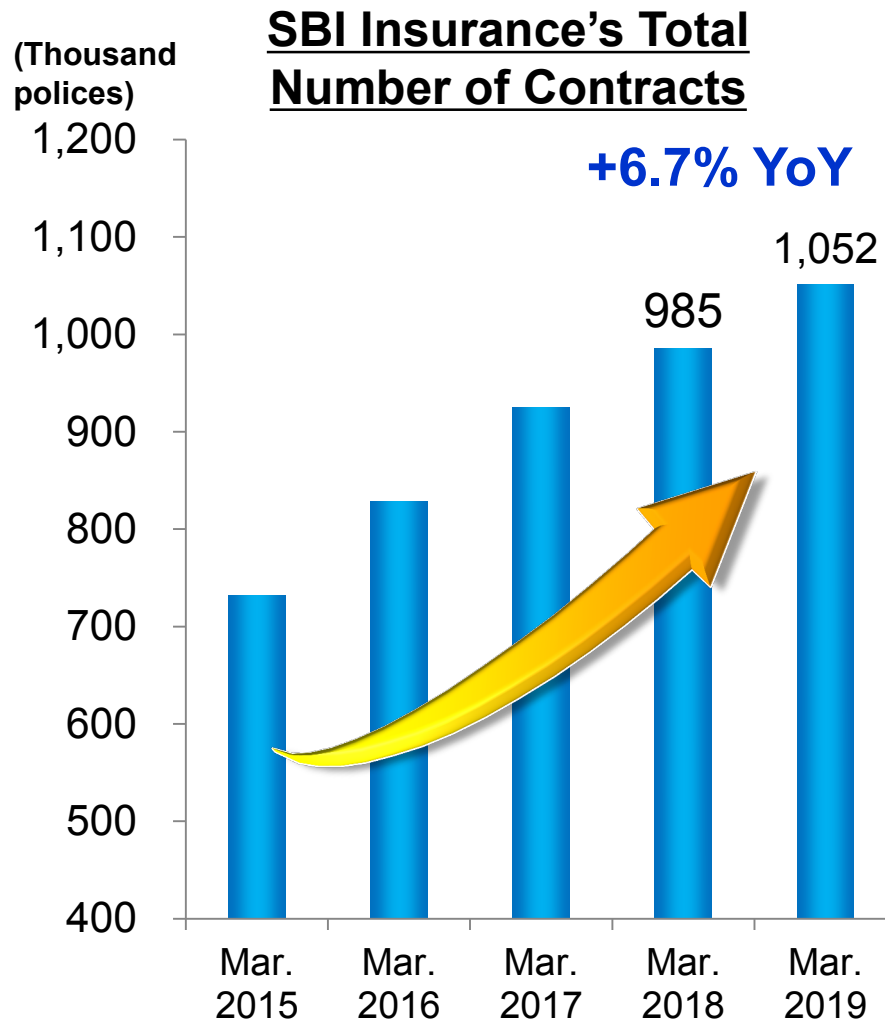


# SBI Insurance Group's Total Number of Inforce Contracts





# SBI Insurance’s Total Number of Contracts and Net Combined Ratio



**Net Combined Ratio**

	FY2016	FY2017	FY2018
Loss ratio*1	82.5	80.7	<u>84.1</u>
Operating expenses ratio*2	14.2	11.2	<u>14.3</u>
Combined ratio (Net base)	96.7	91.9	<u>98.4</u>

The combined ratio declined owing to the impact of typhoons and other natural disasters

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

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



# Sales of Cancer Insurance at SBI Insurance were Particularly Strong

## SBI Insurance's Cancer Insurance

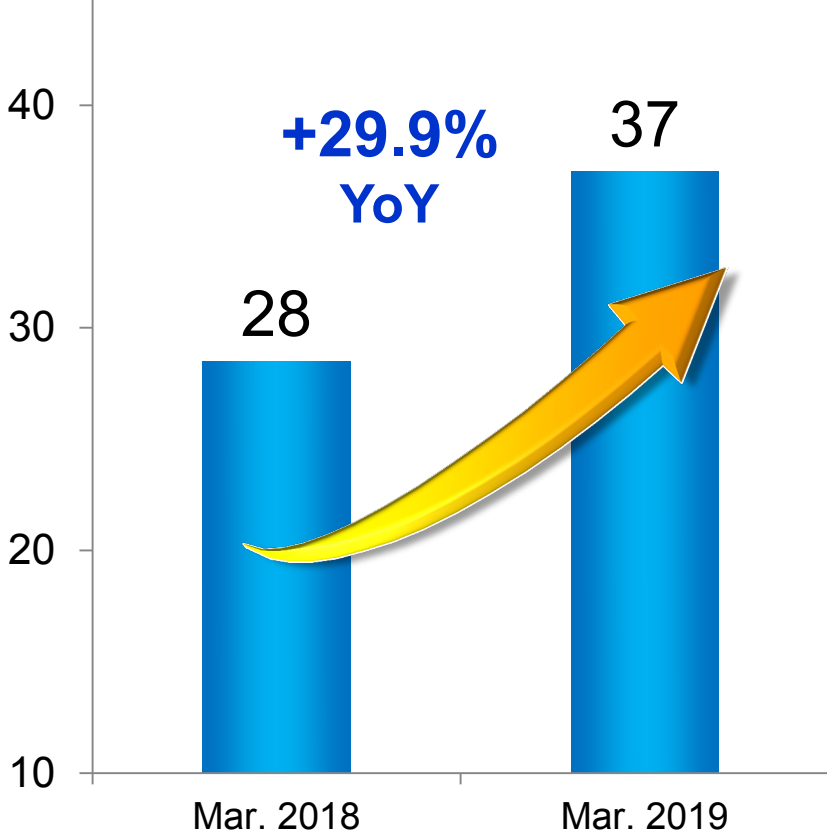
- Compensation for actual cancer treatment and surgery cost (indemnity compensation)
- Covers advanced medical care and self-funded medical care



 AskDoctors  
An AskDoctor's confirmed product  
87 of 100 doctors rated this as "Would recommend"

\* Data from AskDoctors, June 2018 (an online survey of 100 doctors who mainly work in core cancer centers designated by the MHLW)  
"AskDoctors confirmed products"—products and services bearing this mark must meet certain standards after evaluation by physicians associated with M3 Inc., the operator of M3.com, the largest Japanese healthcare provider portal site at over 250,000 members.

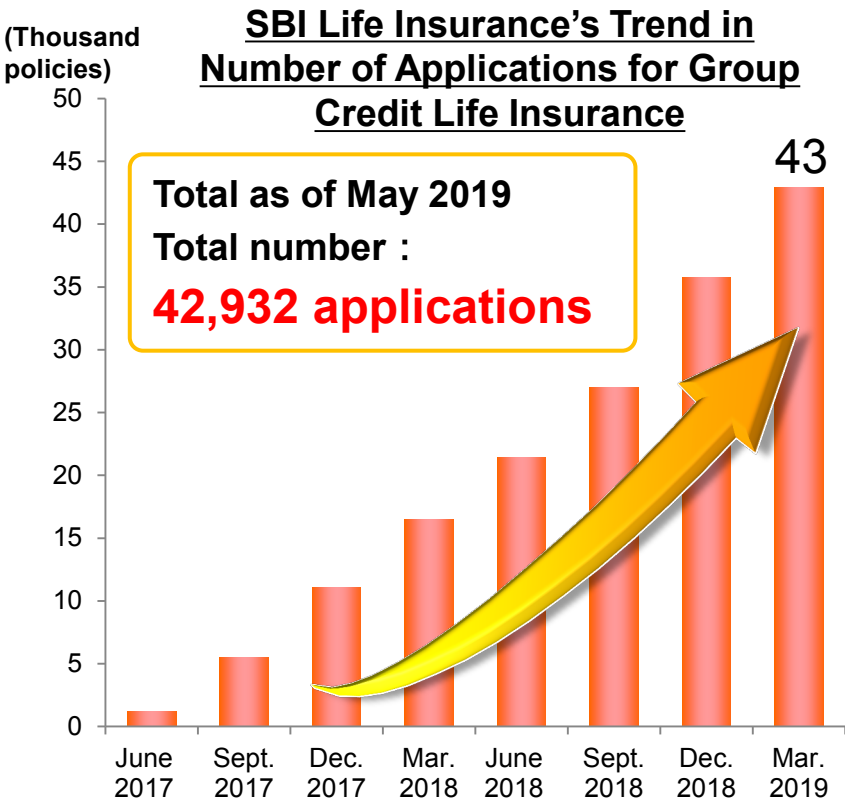
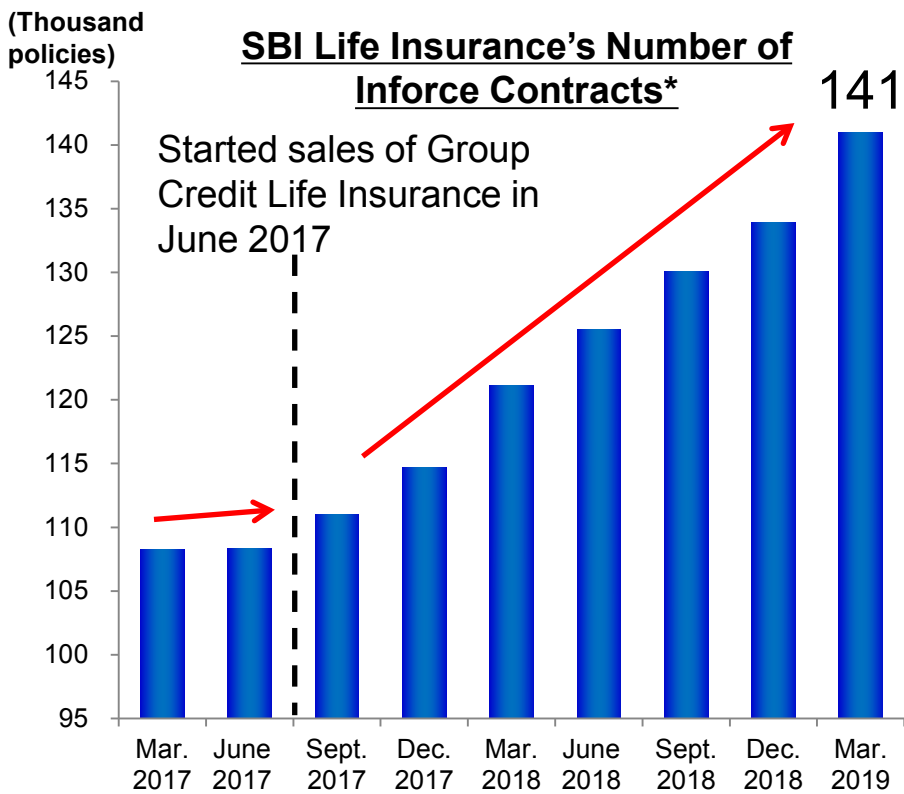
(Thousand policies) SBI Insurance's Number of Contracts of Cancer Insurance





# SBI Life Insurance’s Total Number of Inforce Contracts and Number of Applications for Group Credit Life Insurance

- SBI Life Insurance’s total number of inforce contracts recorded a high growth rate of **+16.4%** 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



\* Includes number of applications for Group Credit Life Insurance



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

- **Gains and losses from the change in the fair value evaluation of investees, from funds such as the Fintech Fund and SBI A&B Fund, etc., remain at a high level, as in the previous fiscal year**
- **SBI SAVINGS BANK of South Korea's profit before income tax expense (based on IFRS incorporation at SBI Holdings) increased by 24.6% year-on-year to JPY 17.5bn**



# Asset Management Business' Financial Results for FY2018

(IFRS, JPY billion)

	FY2017	FY2018	YoY % change
Revenue	117.6	118.6	+0.9
Profit before income tax expense	56.5	51.1	-9.5
SBI SAVINGS BANK	14.0	17.5	+24.6
Profit/loss from the change in fair value and profit/loss on sales of investment securities	44.4	33.7	-24.1



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

	FY2018
<u>Listed Securities</u>	14
<u>Unlisted Securities</u>	323



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

	Full-year FY2017	Full-year FY2018	For FY 2019, IPOs and M&A deals are expected to remain at or higher levels
<b>IPO・M&amp;A deals</b>	<b>13</b>	<b>20</b>	

**In FY2018, 19 companies were IPO'd and one was M&A'd**

EXIT Date	Company	Market	EXIT Date	Company	Market
Apr. 19, 2018	TienPhong Commercial Joint Stock Bank	HOSE	Nov. 9, 2018	Cellivory Therapeutics, Inc.	KOSDAQ
June 7, 2018	Powernet Technology Corp.	KOSDAQ	Nov. 14, 2018	Novarex Co., Ltd.	KOSDAQ
June 19, 2018	Writeup	TSE Mothers	Nov. 21, 2018	PharmAbcine Inc.	KOSDAQ
June 27, 2018	IPS	TSE Mothers	Nov. 28, 2018	Neofect Co., Ltd.	KOSDAQ
July 24, 2018	Bank of Innovation	TSE Mothers	Dec. 20, 2018	WYSIWYG STUDIOS CO., LTD.	KOSDAQ
Sept. 13, 2018	Mullion	JASDAQ	Dec. 21, 2018	PORT	TSE Mothers
Sept. 21, 2018	GTGwellness Co., Ltd.	KOSDAQ	Dec. 25, 2018	VELTRA	TSE Mothers
Sept. 26, 2018	BroadBand Security	JASDAQ	Jan. 31, 2019	Neosem, Inc.	M&A
Sept. 27, 2018	SBI Insurance Group	TSE Mothers	Feb. 11, 2019	Chunbo Co., Ltd.	KOSDAQ
Oct. 19, 2018	LogicBio Therapeutics, Inc.	NASDAQ	Mar. 19, 2019	Minkabu The Infonoid Co Ltd	TSE Mothers

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

\* Subsidiary IPOs and M&As are also included.



# **Exit Results and Planned Schedule of 67 Investee companies (Total amount of investment: approx. JPY 44bn) of the Fintech Fund (Total commitment amount: JPY 30bn), etc. -Monetization Phase in Progress-**

## **<Exit results>**

**Already IPO'd: 4**

**Already exited through an equity sale to third party: 3**

## **<Planned IPO schedule>**

**Year 2019: 4   Year 2020: 18   After Year 2021: 23**

**Scheduled exits by sales to third party: 4**

**TBD: 11**





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



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

(JPY million)

		FY2017	FY2018
SBI Biotech		-432	-166
Quark Pharmaceuticals (“Quark”)		-7,902	-8,193
5-ALA-related business	SBI Pharmaceuticals	42	-1,395
	SBI ALApromo	40	 263
	photonamic	55	 412

- SBI Biotech decreased the deficit in FY2018, owing to the receipt of the final year subsidy from AMED, etc.
- Quark recorded development costs such as clinical trial expenses in accordance with the advancement of pharmaceutical research and development
- SBI Pharmaceuticals recorded loss before income tax expense of approximately JPY 1.4bn, owing to a decrease in milestone income and an increase in late-stage development costs, along with the advancement of pharmaceutical research and development
- SBI ALApromo achieved full-year profitability for the second consecutive year, 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 resection of brain cancer (malignant glioma), increased significantly, to contribute to a profit before income tax expense of 7.4 times the previous year



# Reduce Potential Risks to Improve Future Profitability

**-Recorded impairment loss owing to review of pipeline development plans, etc.-**

**Profit before Income Tax Expense of the Biotechnology-related Business**  
**for FY2018 (IFRS)**

(JPY million)

	FY2017	FY2018
Total of the Biotechnology-related Business	-37,252	-19,179
Of which was drug pipeline impairment loss	-26,985	-7,417

Major factors:

- Quark : Approx. JPY 5.7bn
- Kubota Pharmaceutical Holdings (Equity method associate) : Approx. JPY 21.1bn

Major factors:

- Quark : Approx. JPY 2.9bn
- Kubota Pharmaceutical Holdings (Equity method associate) : Approx. JPY 4.6bn

**In the Biotechnology-related Business, from the viewpoint of business selection and concentration, sold shares of Kubota Pharmaceutical Holdings**

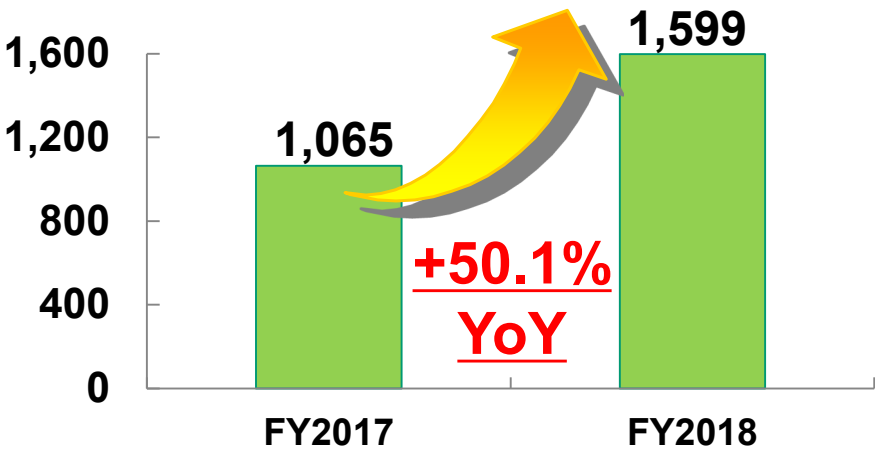




# Sales of Four Foods with Functional Claims Including “ALA PLUS Tou (Sugar) Down,” Germinated Brown Rice, Health Foods and Cosmetics Continued to be Strong

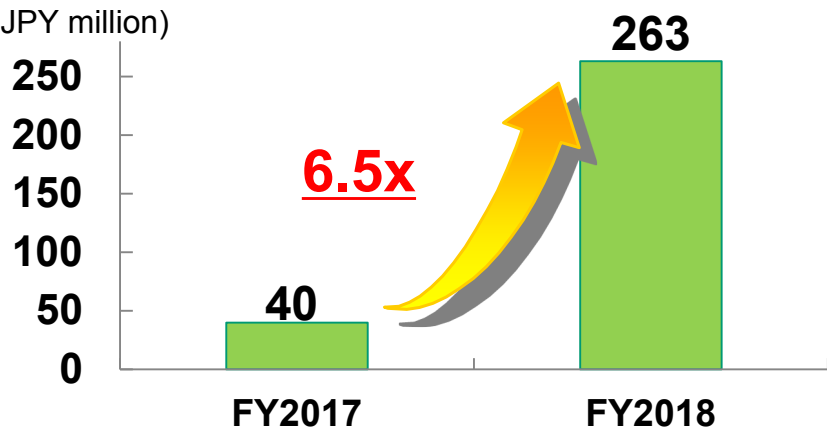
\* Based on IFRS  
(JPY million)

Revenue (IFRS)



Profit before Income Tax Expense (IFRS)

(JPY million)



## -SBI ALApromo’s offering products-

Foods with Functional Claims (4 items)
<ul style="list-style-type: none"><li>ALA PLUS Tou (Sugar) Down</li><li>ALA PLUS Tou (Sugar) Down Rich</li><li>ALA PLUS Fukai Nemuri</li><li>SBI Ichoha</li></ul>
Health Foods (4 items)
<ul style="list-style-type: none"><li>ALA PLUS Gold</li><li>ALA PLUS CoQ10</li><li>ALA PLUS Sports High Performance</li><li>ALA PLUS Karada Shape</li></ul>
Cosmetics (4 items)
ALA PLUS Cosmetic Series <ul style="list-style-type: none"><li>Deep Cleansing Gel</li><li>Pure Clay Wash</li><li>Essential Lotion</li><li>Moisturizing cream</li></ul>
Germinated Brown Rice (1 items)
Hatsugagenmai no Sokojikara

New acceptance of “ALA PLUS Karada Genki,” by the Consumer Affairs Agency is scheduled to be released in Sept. Also developing 4 more products



# SBI ALApromo Wins “Rising Star Award” at QVC Vendor Excellence Awards

## About the “Rising Star Award”

Commends a company that has launched a brand that has grown significantly in the past two years on “QVC,” a televised shopping service that broadcasts live retail programming 24 hours a day

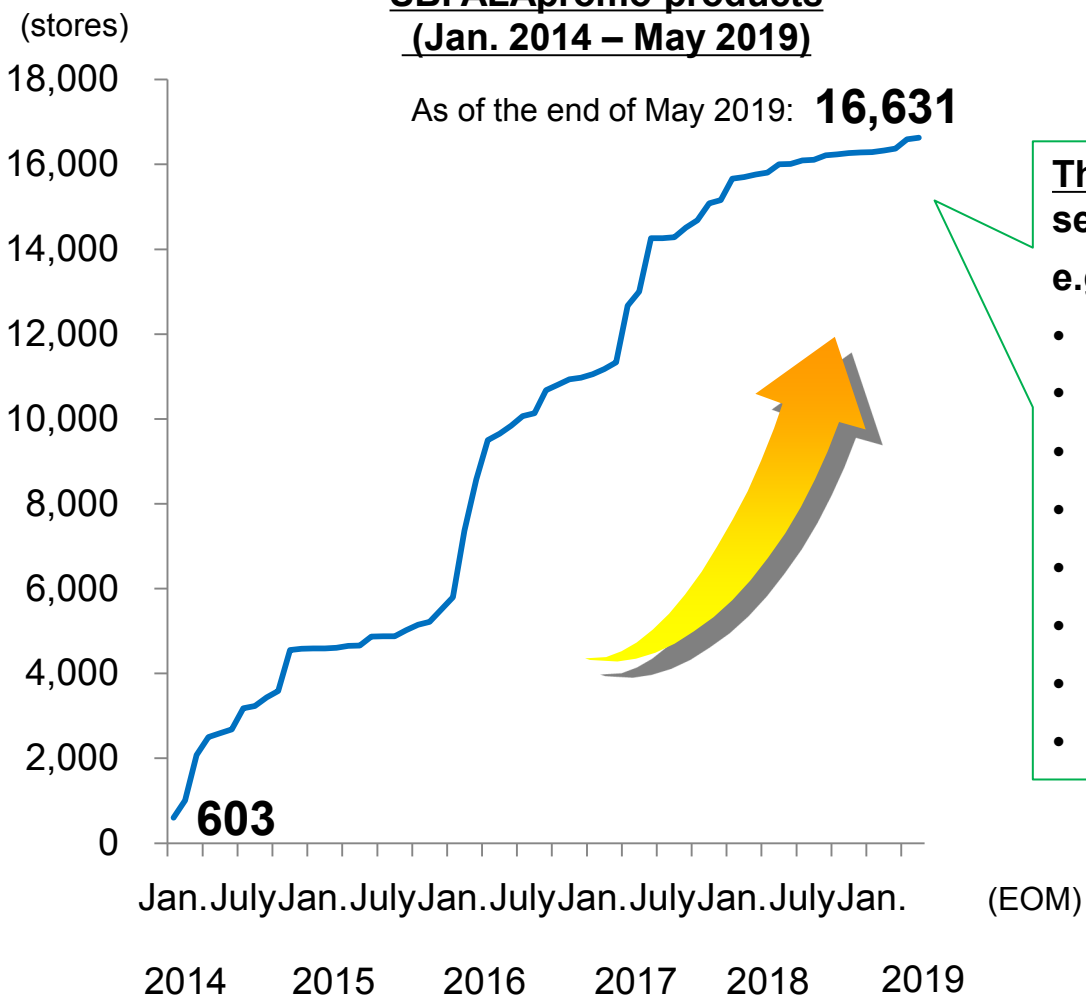


“ALA PLUS Tou (Sugar) Down” is the only product available on QVC with the functional inclusion component of 5-ALA as a food with functional claims, and is a product that challenges the “blood sugar level,” which is considered to be a difficult category, but was well received by QVC customers along with a high product purchase rate, and was evaluated as a “popular product with high future expectations,” which lead to the award



# Number of Domestic Stores that Offer Health Foods Containing 5-ALA are Increasing Steadily

Number of stores that offer  
SBI ALApromo products  
(Jan. 2014 – May 2019)



- The leading drug store chains started selling 5-ALA products:  
e.g.
- Welcia 1,602 stores
  - Tsuruha Holdings 1,430 stores
  - Matsumoto Kiyoshi 1,191 stores
  - cocokara fine 1,062 stores
  - COSMOS Pharmaceutical 969 stores
  - FUJIYAKUHUIN approx. 890 stores
  - Sundrug approx. 820 stores
  - SUGIYAKUHUIN 799 stores



# **[Progress of the SBI Group's Vision]**



# Progress of the SBI Group's Vision 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.

\*Revised on April 26, 2018

[Consolidated profit before income tax expense (IFRS) by segment] (JPY billion)

FS business	AM business	Biotechnology-related
<b>66.6</b> (Composition: 7)	<b>51.1</b> (Composition: 5)	<b>-19.2</b> (Composition: -2)

**Segment  
forecast  
beyond  
FY2019**

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

High profit level is expected by full-scale exit such as IPOs of fintech companies invested from the Group funds

While recording impairment losses, in order to reduce future potential risks, significant progress toward profitability of the entire segment is envisioned by expanding sales of 5-ALA-related products in Japan and abroad.  
Keys are FDA (US) approval to move to new drug application (NDA) of Quark's QPI-1002 for DGF and results of Phase III clinical trials of QPI-1007 for NAION

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 ②

- Targeting consolidated profit before income tax expense of over JPY 100bn within the next year or two

▶ FY2018 consolidated profit before income tax expense (IFRS): JPY 83.0bn

- Maintain ROE above 10%

▶ Achieved 11.9% in FY2018.  
Beyond FY2019, will endeavor to realize ROE over 10%

- Annual dividend to the level of JPY 100 per share

▶ The annual dividend for FY2018 is JPY 100 per share, including a commemorative dividend of JPY 5 for the 20th anniversary since the founding

- Will endeavor to achieve a market cap of JPY 1tn, by actualizing intrinsic corporate value

▶ JPY 620.5bn

(Based on the closing price on May 28, 2019)

▶ Peak market cap: JPY 800.6bn

(The closing price on Oct. 1, 2018: JPY 3,565)

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

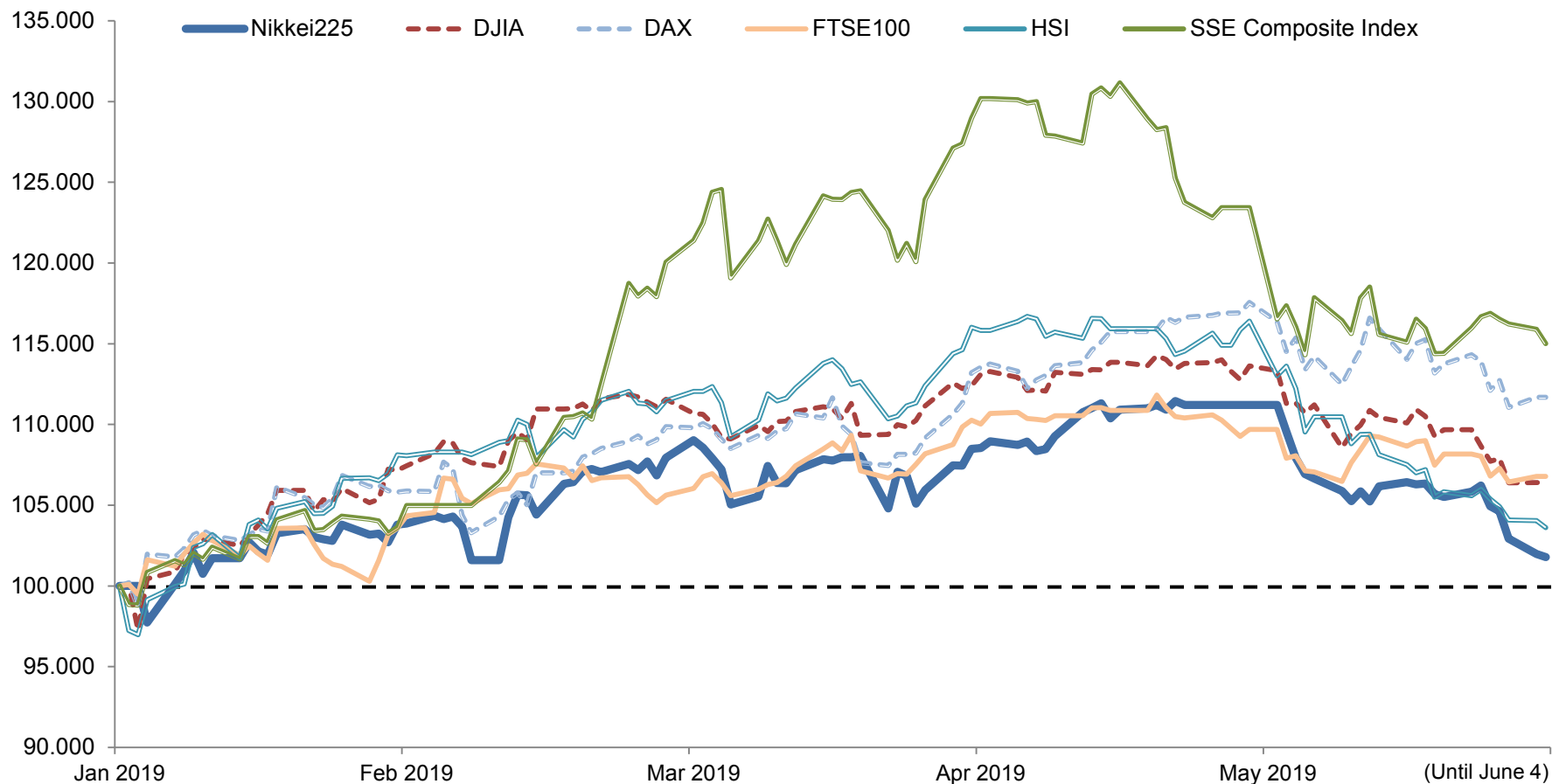


**Q2. What sort of efforts are being made to strengthen recession resiliency and the realization of high profit growth?**



# The Global Economy was on a Recovery Trend, but has become Unstable Owing to the U.S.-China Trade Friction and the Global Economic Uncertainties

## Major country stock market index trends \*



\* An index of the value at Jan. 1, 2019 indexed as 1



# China's Economic Slowdown Also Affects Japan

## ■ China's real GDP growth rate in 2018 falls to its lowest level in 28 years

The National Bureau of Statistics of China announced on the 21st that the country's gross domestic product (GDP) rose 6.6% year-on-year in real terms in 2018. The growth rate shrank 0.2 points from 2017. **This was the first slowdown in two years, leading to the lowest level since 1990, when the economy slumped owing to the Tiananmen Square incident. The growth rate for the current quarter of Oct. - Dec. 2018 has fallen to 6.4%.**

In addition to debt reductions by local governments and companies, the impact of the trade war with the U.S. was also felt. Growth will continue to slow in 2019, owing to the broadening effects of the trade war where exports are likely to fall further.

(Jan. 21, 2019; Nikkei online edition)

Newspaper article

## ■ Japan's economic assessment indicates “deterioration” for the first time in 6 years, with weakness in the coincident index and external demand

On the 13th, the Cabinet Office said for **the first time in 6 years and 2 months that the economy is “aggravation” based on the diffusion index of March for business sentiment.** The decline reflected a drop in production and exports due to sluggish external demand. (Abbrev) **China's economic slowdown caused by trade friction between United States and China has reduced exports to Asia,** pushing down the Japanese economy.

(May 13, 2019; Nikkei online edition)



- (1) Consistently promoted business selection and concentration from 2010 to date**
- (2) Conducted timely reviews of the business portfolio, from the perspective of recession resiliency and profit growth**
- (3) Expand customer base through diversification of operations, products and services, along with the expansion of alliances, etc.**



# **(1) Consistently promoted business selection and concentration from 2010 to date**



# Various Past Measures of “Selection and Concentration” of Business ①

## Promoting the “Brilliant Cut Initiative”

Brilliant Cut: Designed to be the most beautiful and brilliant type of diamond. Diamond glitters most when polished in 58 facets

**Focusing more on higher profitability** rather than expansion of group scale,  
**58 vital entities were selected** from over 100 entities

Promoting “Selection and Concentration” in the following phases

### First Phase (from July 2010):

The primary goal was each company's turning profitable in operating income, and companies that failed to achieve the goal in 3 years were to be liquidated or sold

### Second Phase (from Apr. 2011):

Examined each company's earnings capacity by taking into account B/S, C/F situation as well as changes in operating income

### Third Phase (from Mar. 2012):

Examine each company's synergy with the three core businesses (securities, banking and insurance business), in Financial Services Businesses, in addition to the earnings capacity, and concentrate resources solely on those businesses with strong synergies



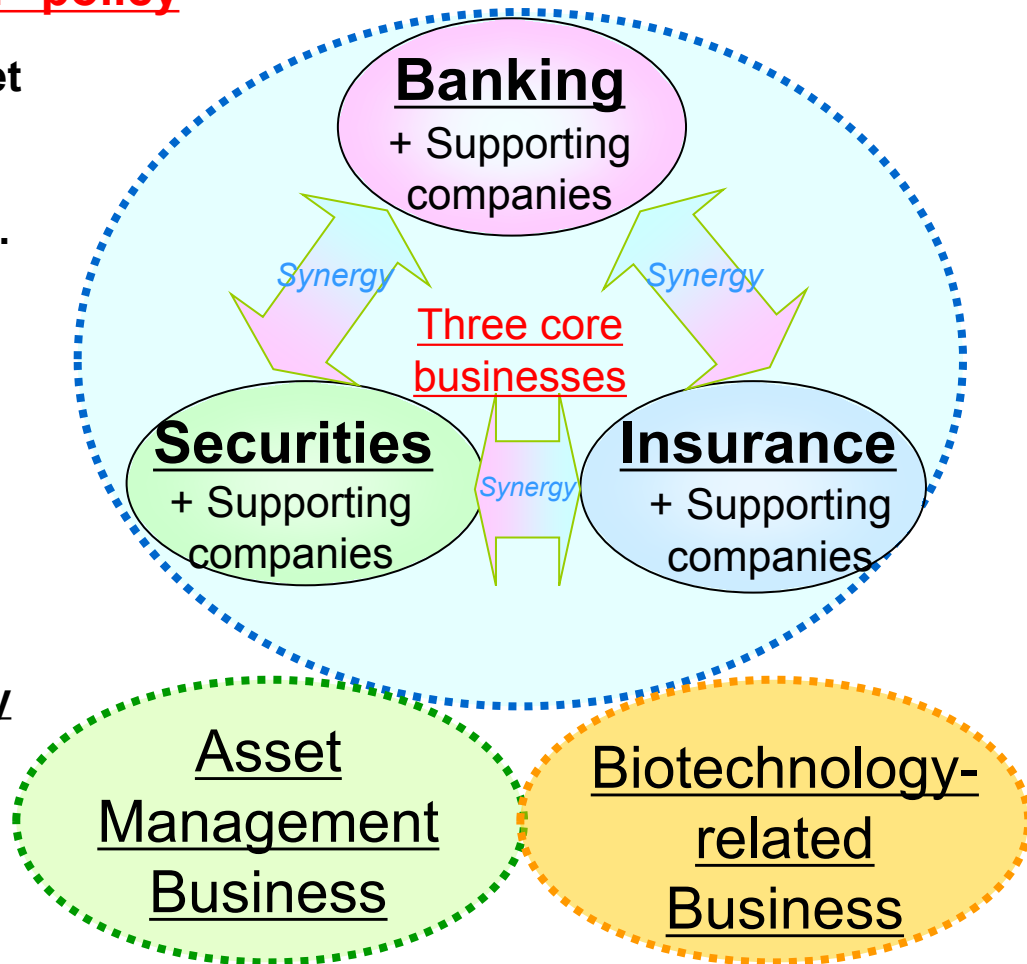
# Various Past Measures of “Selection and Concentration” of Business ②

From Apr. 2012, shifting to a Group organizational structure that mainly will be comprised of the Financial Services Business, the Asset Management Business and the Biotechnology-related Business

## Basic “Selection and Concentration” policy

- The Financial Services Business, Asset Management Business and Biotechnology-related Business are defined as the three major businesses. As a general rule, regardless of their profitability, businesses and companies involved in other fields should be sold, integrated with other Group companies, or IPO'd.
- Basic “Selection and Concentration” policy for the Financial Services Business is based on whether a business provides meaningful synergy with one of the core businesses of securities, banking or insurance.
- Overlapping businesses will generally be consolidated

## Financial Services Business



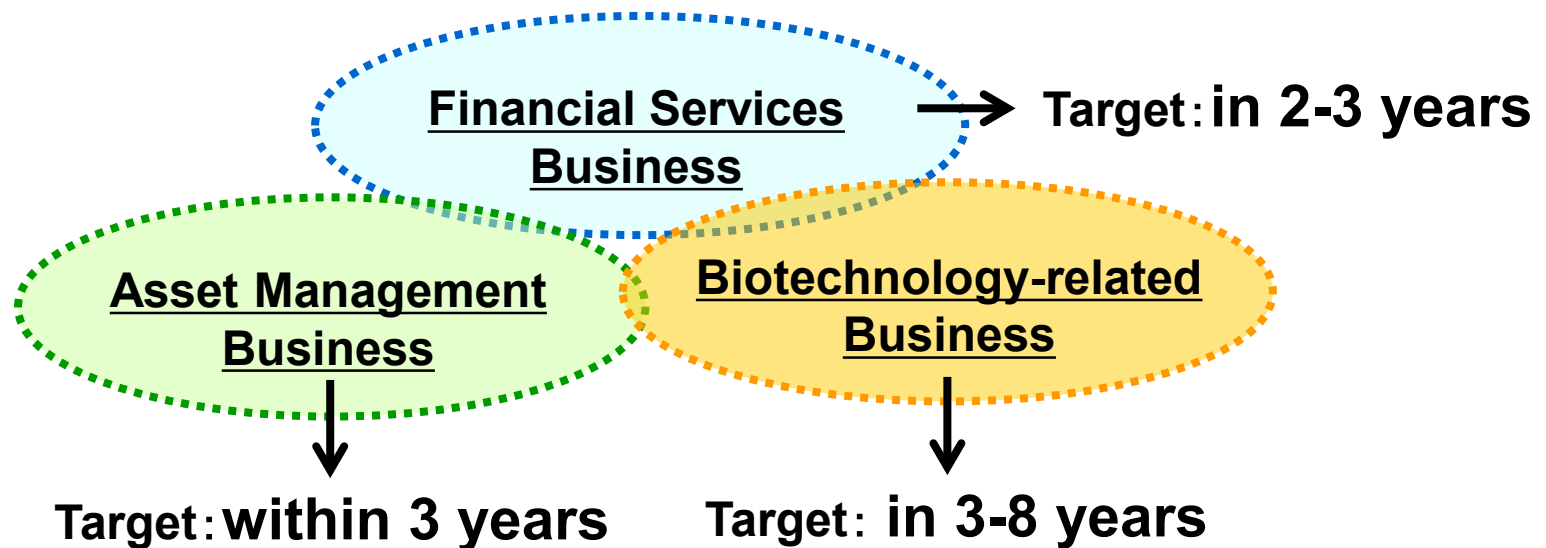


# Future Basic “Selection and Concentration” Policy

## (from Apr. 2019)

- **Setting a time span for each company in the business portfolio of the three major businesses, to determine the business continuity or early withdrawal, from the viewpoint of cash flow, return on invested capital (ROI), return on equity (ROE) and level of synergies between group companies**
- **Also, for previous strategic investments, the determination will be made on whether to continue holding or selling shares**
- **For newly established companies and acquired companies, continuity determinations, IPOs or withdrawals from the businesses will be determined in the following time span**

### Three Major Businesses of the SBI Group





**(2) Conducted timely reviews of the  
business portfolio, from the perspective  
of recession resiliency and profit growth  
-Securities-related business-**



# Review of Business Portfolio in the Securities-related Business

-Implemented an organizational restructuring, in order to establish a business structure that is less affected by the external environment-

■ **SBI SECURITIES absorbed SBI Liquidity Market and SBI FXTRADE as subsidiaries in Oct. 2015**

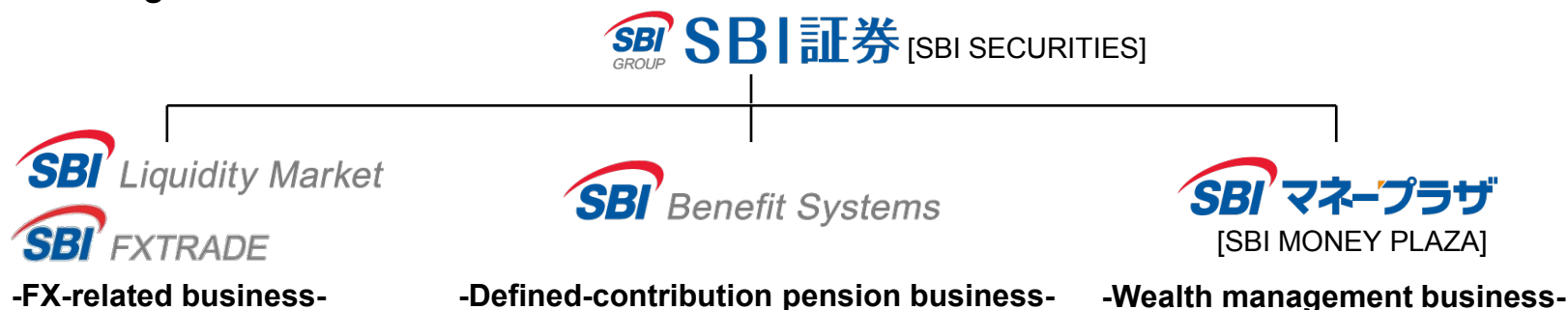
➡ Enhancing synergy effects with SBI Liquidity Market, in order to create a dynamic business collaboration to [further strengthen and expand the FX trading services](#)

■ **SBI SECURITIES absorbed SBI Benefit Systems as a subsidiary in Oct. 2016**

➡ By establishing an integrated business management system, will [further strengthen the defined contribution pension business focused on iDeCo](#)

■ **SBI SECURITIES absorbed SBI MONEY PLAZA as a subsidiary in June 2017**

➡ [Endeavoring to expand SBI SECURITIES' corporate business](#) through the maximum utilization of SBI MONEY PLAZA's sales network, centering on high-net-worth customers





**(3) Expand customer base through diversification of operations, products and services, along with the expansion of alliances, etc.**

- ① Securities-related business**
- ② Banking-related business**
- ③ Insurance-related business**
- ④ Asset Management Business**



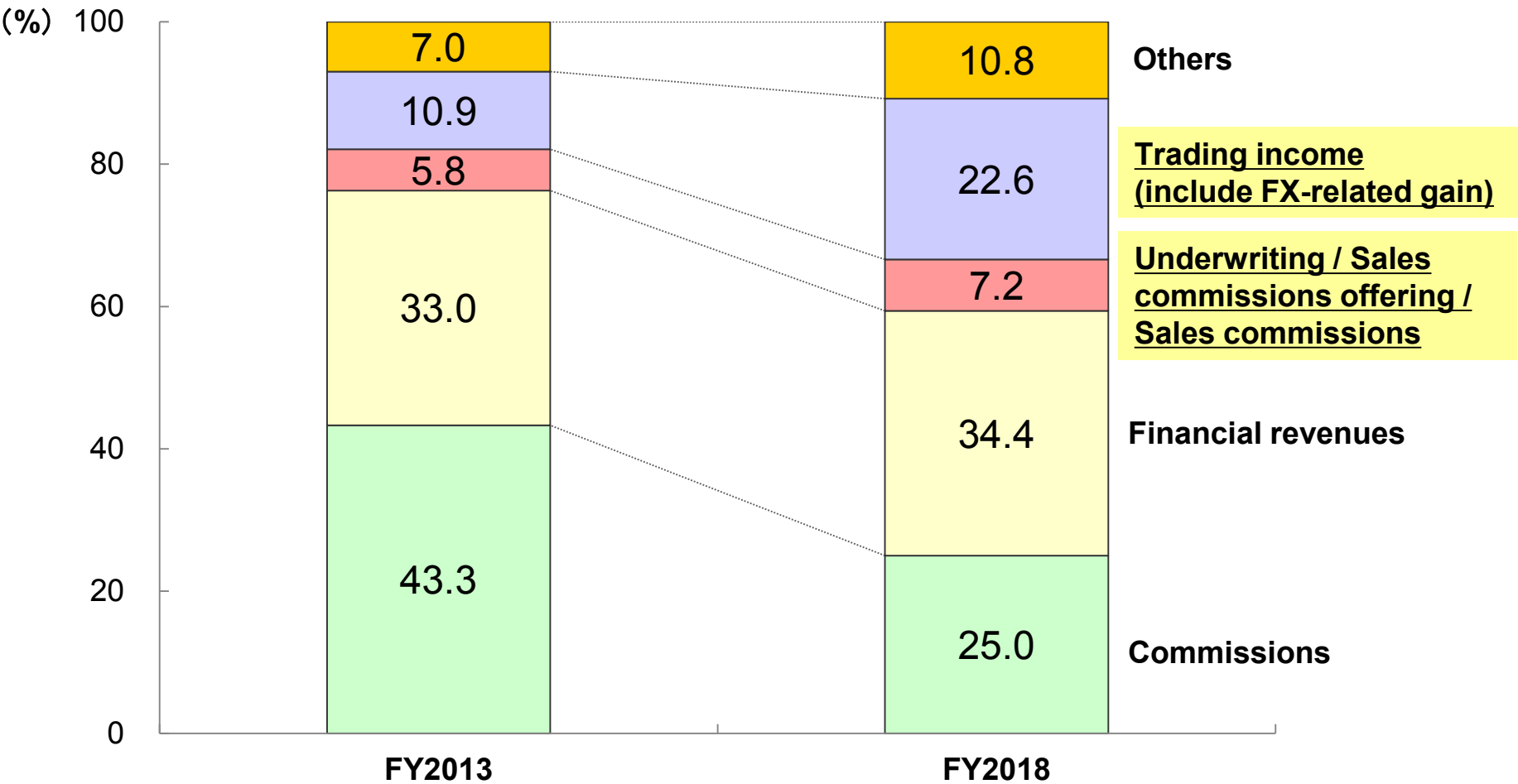
## **① Securities-related business**

- (i) Diversification of operations contributed to a sustainable business growth less affected by the external environment**
  - a. Growth of FX-related business from the development of competitively advantaged services**
  - b. Expanding the corporate business by focusing on the equity and bond underwriting businesses for both primary and secondary market issuances, leveraging the formidable dominance within the retail business**
- (ii) Through the Financial Institutional Sales Dept., expand brokerage services to financial institutions**
- (iii) Strengthening the sales of NISA and iDeCo, which are national strategic products**



# Changes in SBI SECURITIES' Operating Revenue Structure

Owing to the diversification of its revenue stream, dependence on stock brokerage commissions significantly declined compared to 5 fiscal years ago, and businesses other than stock brokerage commissions, such as underwriting and sales commissions offering due to the expansion of the corporate business, and trading income centered on the FX-related revenue have expanded



(Based on J-GAAP)

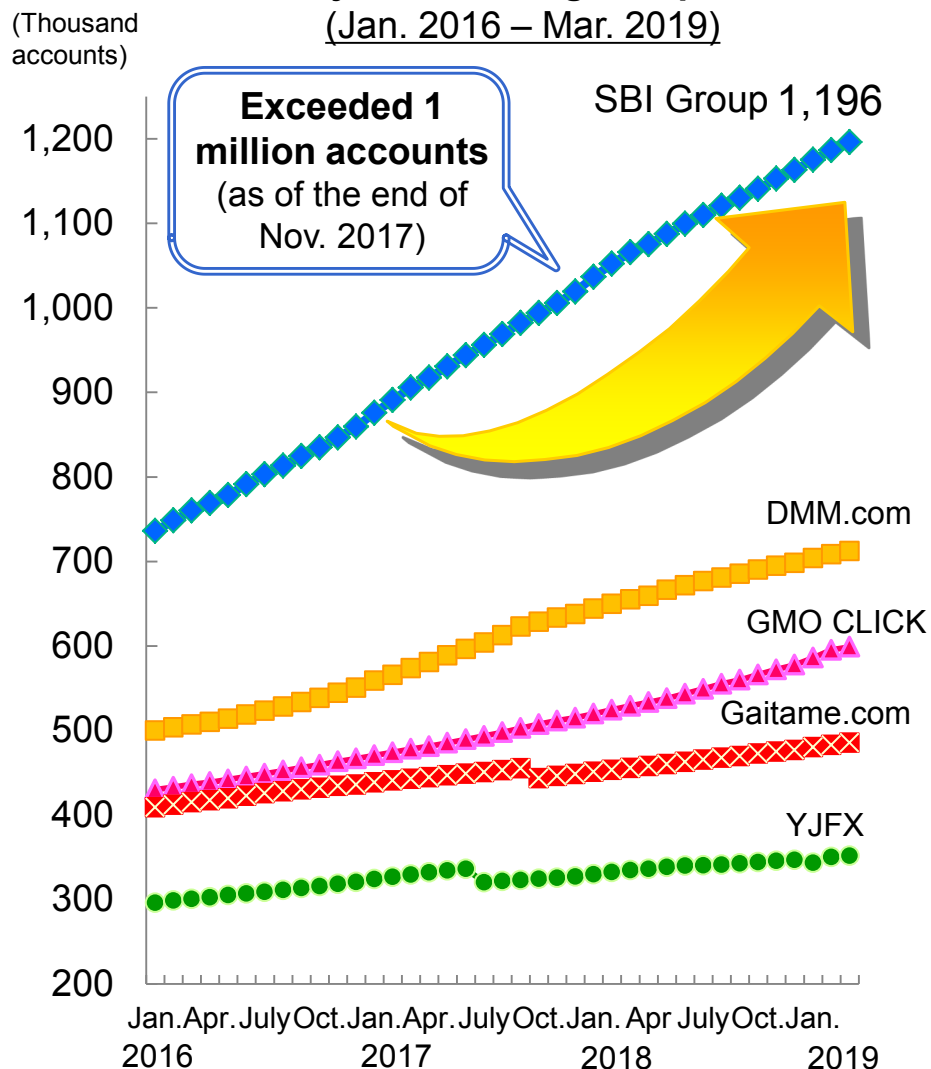


# ①-(i)-a. Expansion of the FX-related business

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

### Changes in number of accounts among 5 major FX Trading Companies

(Jan. 2016 – Mar. 2019)



### Customers' Deposit Assets Ranking (Mar. 2019)

No.	Company name	Amount (JPY million)
1	<b>SBI Group</b>	<b>234,485</b>
2	GMO CLICK	155,938
3	DMM.com	121,330
4	Gaitame.com	110,801
5	YJFX	103,118
6	MONEY PARTNERS	62,557
7	Central Tanshi FX	60,169
8	Hirose Tusyo	45,685
9	Traders Securities	32,739
10	FX PRIME by GMO Corporation	17,980
11	Ueda Harlow	10,232
	<b>Others (2 companies)</b>	<b>12,100</b>
	<b>Total</b>	<b>967,134</b>

\* Source: Yano Research "Monthly Research on 16 Major FX Trading Companies. 56



# SBI Liquidity Market's Performance Significantly Increased to Achieve Record Highs

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

(Unit: JPY million)

	<b>FY2017</b> (Apr. 2017 – Mar. 2018)	<b>FY2018</b> (Apr. 2018 – Mar. 2019)	<b>YoY % change</b>
<b>Operating revenue</b>	<b>14,770</b>	<b>Record high</b> <b>20,732</b>	<b>+40.3</b>
<b>Operating income before allocation</b>	<b>10,632</b>	<b>Record high</b> <b>16,310</b>	<b>+53.4</b>
<b>Operating income</b>	<b>4,831</b>	<b>Record high</b> <b>7,728</b>	<b>+59.9</b>
<b>Profit before income tax expense</b>	<b>5,184</b>	<b>Record high</b> <b>7,805</b>	<b>+59.7</b>
<b>Net income</b>	<b>3,408</b>	<b>Record high</b> <b>5,412</b>	<b>+58.1</b>

\* Operating income before allocation represents the amount before its allocation of profits to participating companies of SBI Liquidity Market's OTC market: SBI SECURITIES, SBI Sumishin Net Bank and SBI FXTRADE



# SBI Group's Global Deployment of the FX Business

By proactively incorporating the overseas FX trading liquidity into the Group, will endeavor to establish the world's most liquid OTC market

SBI Liquidity Market provides FX trading services to five South Korean firms, namely Korea Investment & Securities, SHINHAN INVESTMENT, KIWOOM Securities, Samsung Futures and Hana Financial Investment

Japan  
SBI Liquidity Market  
SBI FXTRADE

Hong Kong  
BYFX HK

Business commenced  
in Feb. 2017

Provision of FX-related services to  
overseas institutional investors

Cayman Islands

BYFX Global  
AN SBI GROUP MEMBER COMPANY

Business commenced  
in Sept. 2018

Provision of FX and CFD products, such  
as royal metals, oil and stock price  
indices to overseas individual investors

- BYFX's number of accounts, trading volume and customer assets as of May 2019 rapidly increased by 3x, 9x each, respectively, compared to that of Feb. 2019, to show a steady increase in its business
- By redeveloping the Group's in-house developed system to one that is tailored to overseas investors' needs, providing a stable trading environment
- Given the trading volume of currency pairs not against the yen comprising over 90%, and with the provision of CFD products, including royal metals, oil and stock price indices, realized diversification in liquidity



# ①-(i)-b. Expand the corporate business to further strengthen comprehensive capacity

## Enhancing the Corporate Business to Further Strengthen the Comprehensive Capacity of the Securities Business, by Focusing on the Equity and Bond Underwriting Businesses for Both Primary and Secondary Market Offerings

**Underwriting share of 94.7% is an industry leading figure**

IPO Underwriting Ranking (Apr. 2018–Mar. 2019)

95 companies were listed during the period

Company name	No. of cases	Underwriting share (%)
SBI	90	94.7
Mizuho	69	72.6
SMBC Nikko	66	69.5
Okasan	45	47.4
Monex	42	44.2
Ace	42	44.2
Nomura	38	40.0
Ichiyoshi	38	40.0

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

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

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

- Co-led the underwriting of SoftBank's communications subsidiary IPO in Dec. 2018
- During the Apr.-Mar. 2019 period, SBI SECURITIES underwrote 11 companies as lead manager (\*FY2017: 6 companies)

### PO underwriting business

Owing to 20 POs, including one as lead underwriting manager, the underwriting amount for FY2018 was at the same level as that of FY2017



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

### Corporate bond underwriting business

With the underwriting of 21 corporate bonds in total, including that of SoftBank, the underwriting amount for FY2018 increased by 2.3x year-on-year



Will focus on underwriting newly-issued public bonds, including utilities bonds



# Through SBI SECURITIES' Financial Institutional Sales Dept., Expanded Brokerage Services to Its Customer Financial Institutions, which Total 265 Companies\*1



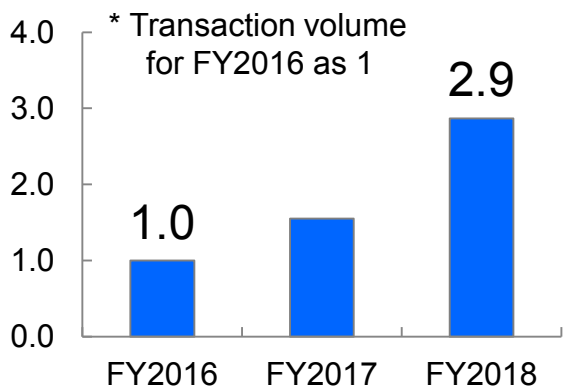
[SBI SECURITIES]  
Institutional investors sales  
division, including Financial  
Institutional Sales Dept.

SBI SECURITIES is strengthening the distribution of structured bonds (self-origination and distributed a total amount of JPY 67.0bn\*2 (Dec. 2015 – Mar. 2019)), domestic and overseas investment trusts, as well as bond transactions

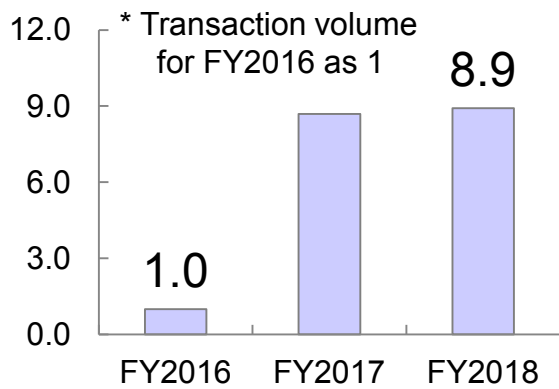
\*1 As of the end of Mar. 2019    \*2 Includes structured bonds toward retail customers

## -Transaction volume for FY2018 with financial institutions-

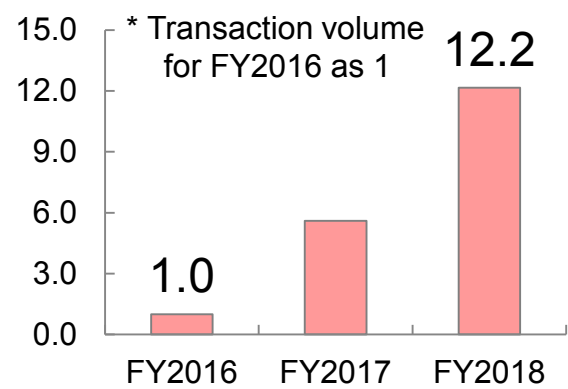
Equity trading



Investment trusts



Newly-issued and existing bond transactions



- ◆ Strengthening equity and investment trust sales for domestic and overseas institutional investors
- ◆ Structured bond and foreign bond transactions with regional financial institutions are steadily increasing



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

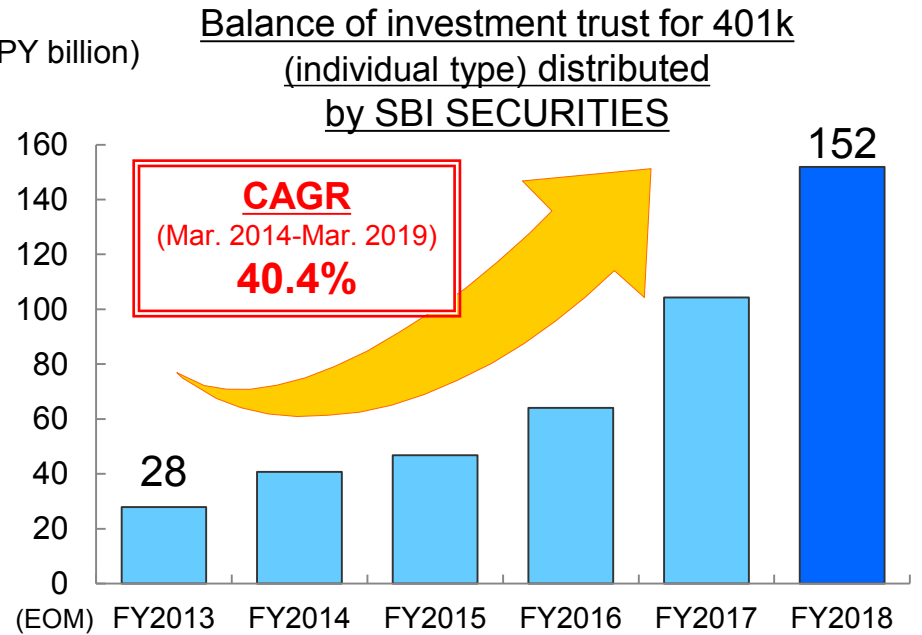
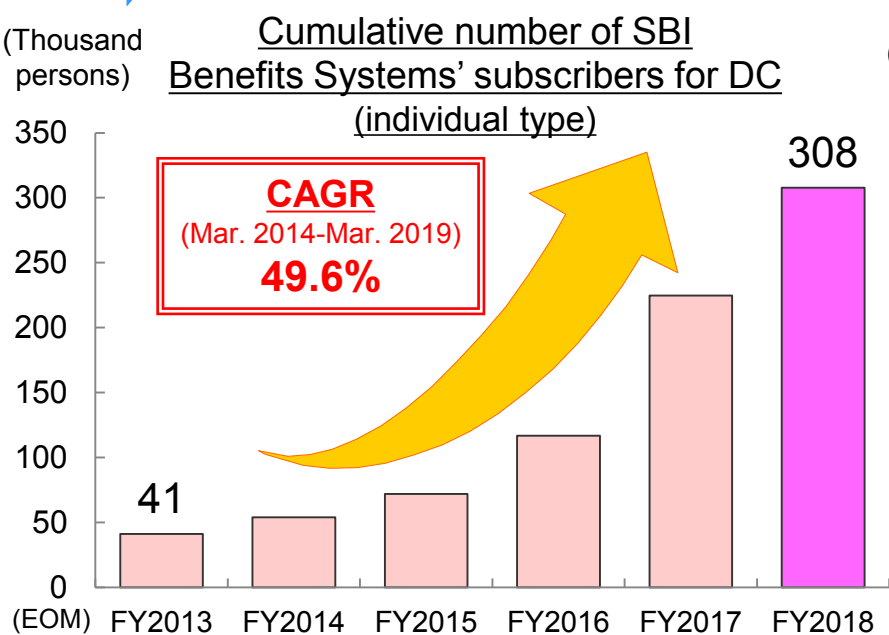
The SBI Group has been focused on the Individual Defined Contribution (iDeCo) pension business, well before the expectations for the market size expansion as a result of revisions in the regulation as of Jan. 2017, through SBI Benefit Systems, which was established in 2001



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



**At the end of Feb. 2019, the number of iDeCo accounts totaled 267,071, which is approx. 2.2x larger than that of the end of May 2017**

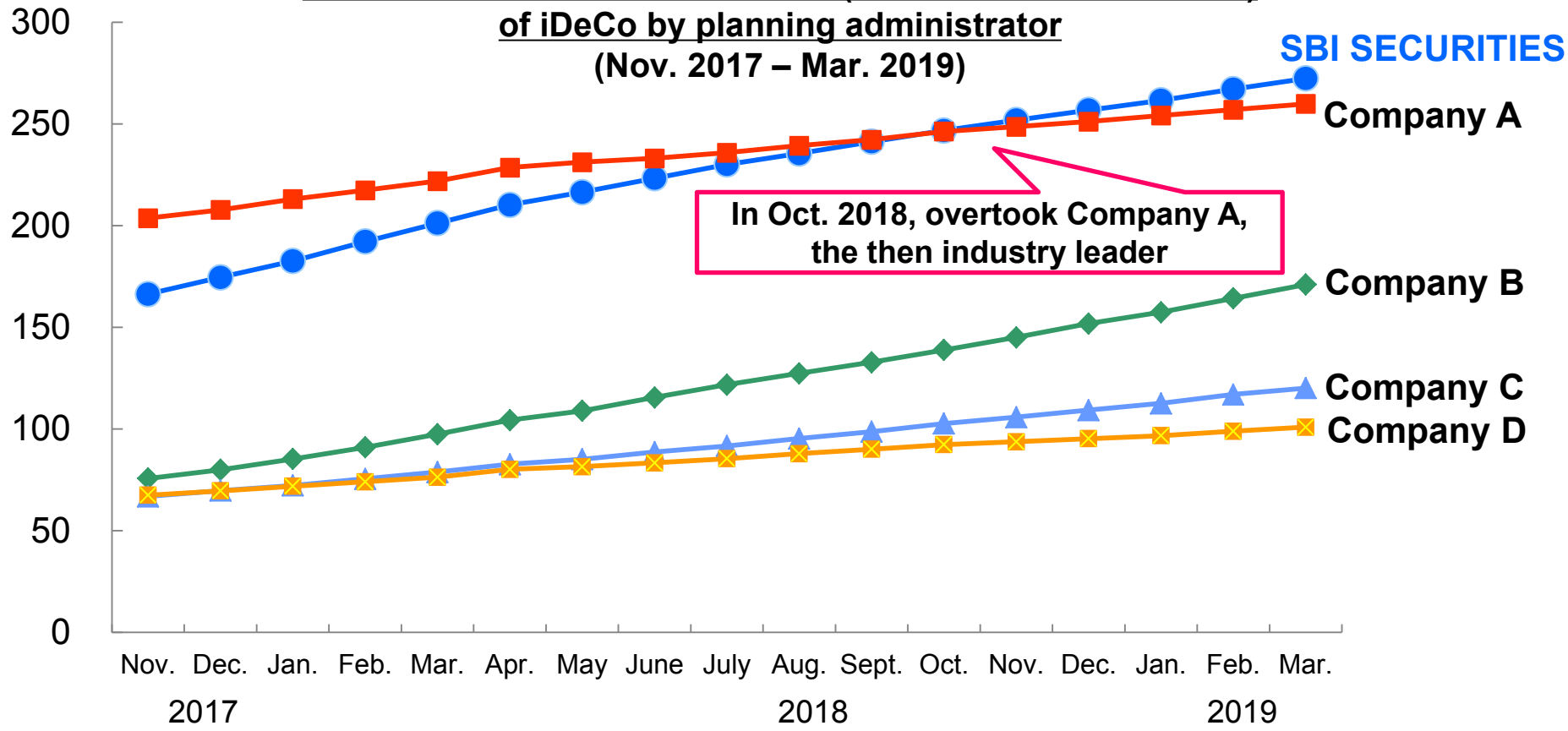




# SBI SECURITIES Steadily Increased the Number of New Customers Acquired for Individual-type Defined Contribution Pension Plans (iDeCo), and became the Cumulative Industry Leader in Oct. 2018

(No. of thousand customers)

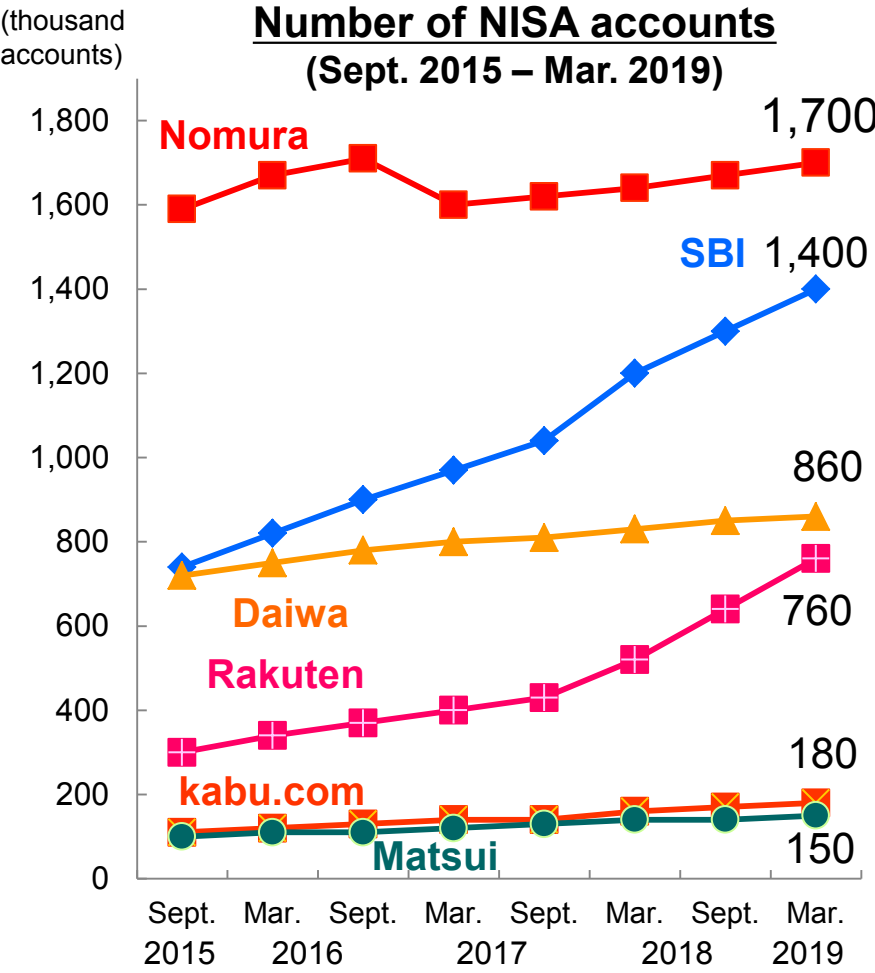
Cumulated number of customers (subscribers & transfers\*)  
of iDeCo by planning administrator  
(Nov. 2017 – Mar. 2019)



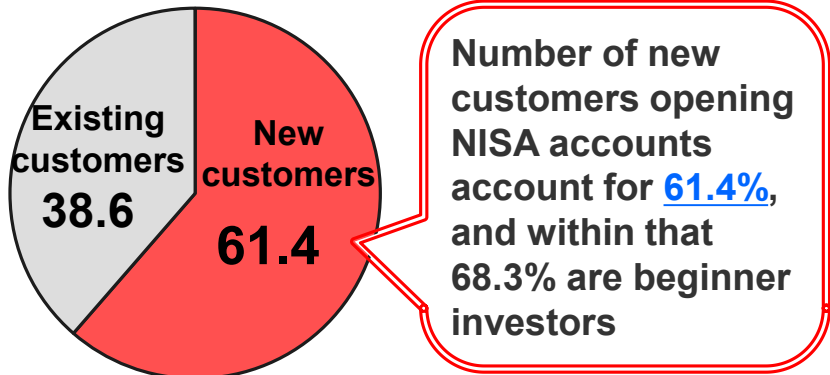
\* Cumulative total number of subscribers and transfers announced by the National Pension Fund Association  
Source: Briefing paper of the National Pension Fund Association (partially includes estimates by SBI)



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



NISA's customer attribute of SBI SECURITIES (%)



■ SBI SECURITIES' number of Junior NISA accounts reached **62 thousand accounts**, accounting for approx. 30% of the entire securities industry's Junior NISA accounts

■ SBI SECURITIES' active NISA account ratio: **30.0%**

\* Active account ratio is calculated based on the total accounts since Jan. 2019

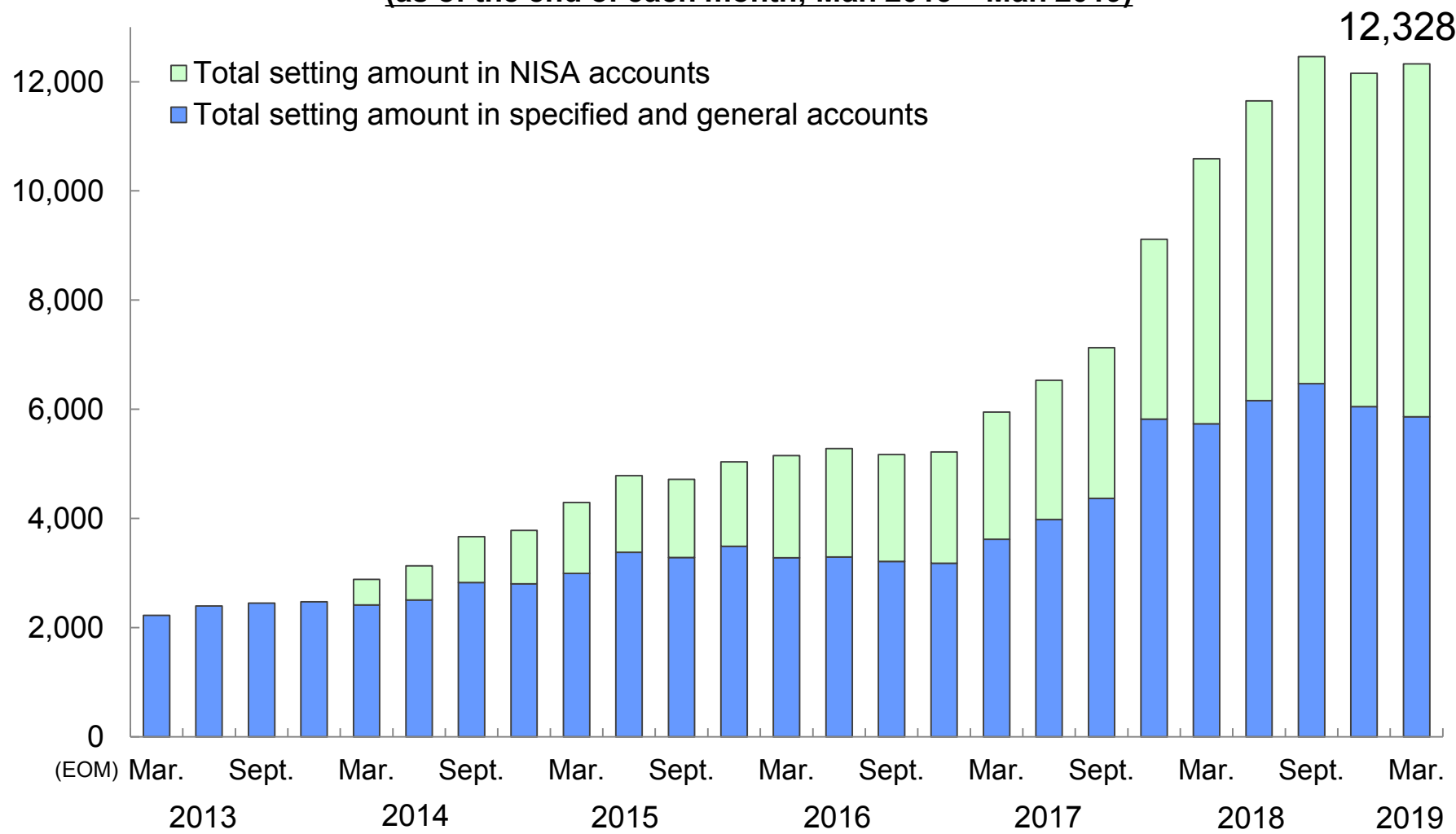
\*1 Includes the number of Junior NISA accounts  
\*2 Amounts are rounded to the nearest JPY 10 thousand.  
\*3 The number of accounts are as of the end of Mar. 2019, compiled by SBIH from the information on website of each company.



# SBI SECURITIES' Monthly Total Accumulated Mutual Fund Setting Amount in Mar. 2019 was JPY 12.3bn

**Ceiling for Accumulated Mutual Fund Setting Amount**  
**(as of the end of each month; Mar. 2013 – Mar. 2019)**

(JPY million)





## **② Banking-related business**

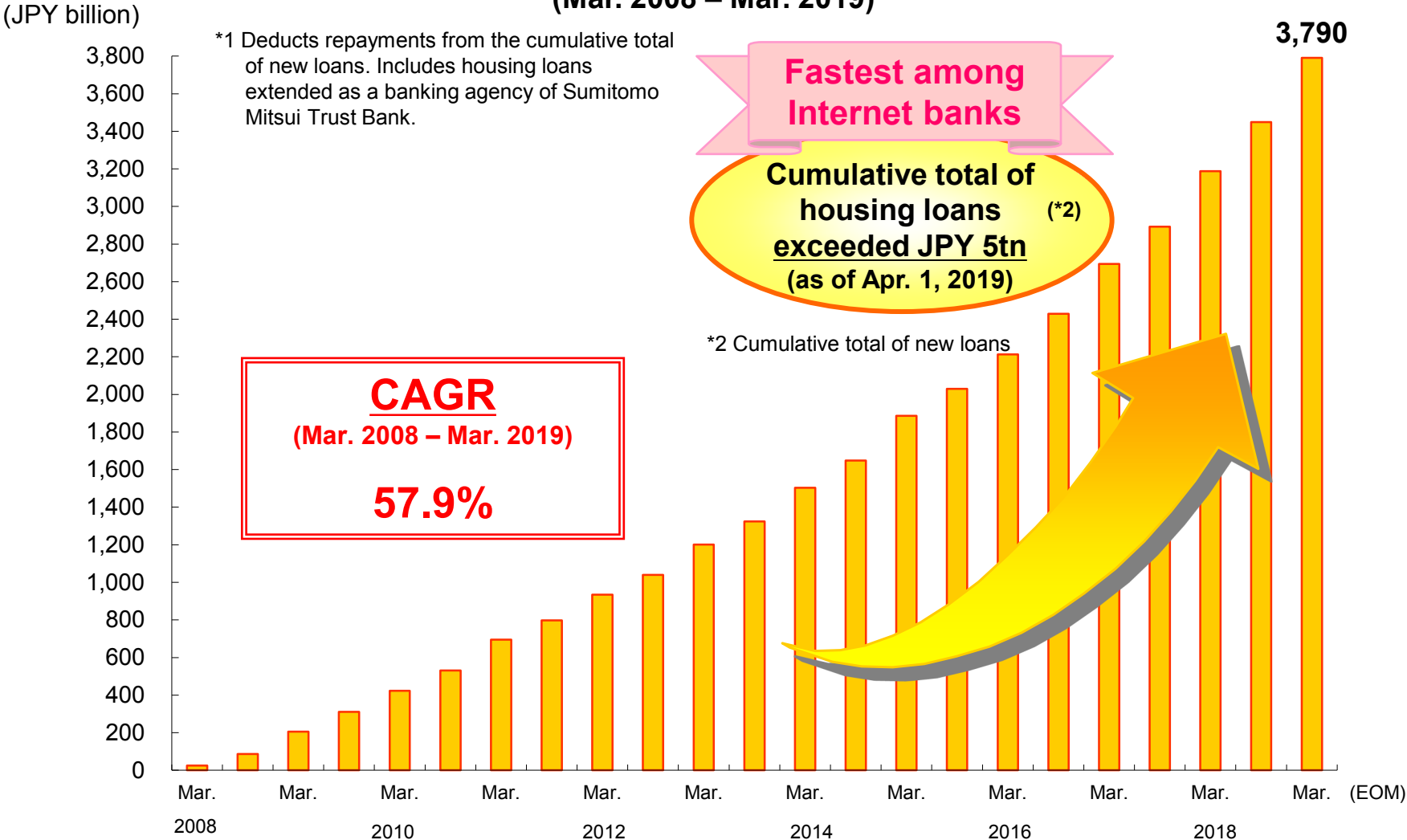
- (i) Providing housing loans with attractive merchantability through multiple sales channels**
- (ii) Strengthening the payment business with the acquisition of payment gateway's company, expansion of the acquiring business, etc.**



# ②-(i) Housing loans

Owing to Attractive Interest Rates and Highly Beneficial Customer Services, the Cumulative Total of Housing Loans has Steadily Increased ①

## Change in Balance of Housing Loans \*1 (Mar. 2008 – Mar. 2019)





## ②-(i) Housing loans

# Owing to Attractive Interest Rates and Highly Beneficial Customer Services, the Cumulative Total of Housing Loans has Steadily Increased ②

## SBI Sumishin Net Bank's product offerings of housing loans

### ① Housing loans processed directly by SBI Sumishin Net Bank

- Via alliance with real estate companies (from Sept. 2007)

➔ On Feb. 6, 2019, launched “Hi Loan,” a housing loan with total illness insurance, in alliance with Asahi Kasei Homes Corporation and SBI Sumishin Net Bank

- 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)

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

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

### ③ Long-term fixed rate product “Flat 35” (from Sept. 2015)



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



**Good Mortgage**  
From Jan. 2017

**I.F.CREATE**  
From Mar. 2018

**SBI MONEY PLAZA**  
**SBI マネープラザ**

**MX Mobiling**  
From Oct. 2017

**Yoshida Tsushin**  
From Sept. 2018

**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 inquiries will be answered and procedures will be followed



## To Strengthen the Payment Business, Planning on the Complete Acquisition of NetMove Corporation, which Provides Payment Gateway Services

住信SBIネット銀行

 **SBI** Sumishin Net Bank



 **NetMove**  
CORPORATION

### NetMove Corporation

- NetMove Corporation possesses **advanced system design and development capabilities** for settlement and security services, etc.
- NetMove Corporation provides **highly secure payment services**, such as acquiring the first provider certification in Japan of “PCIP2PE solution,” and “PCIP2PE component,” as defined by “PCISSSC,” the credit card industry security standardization organization

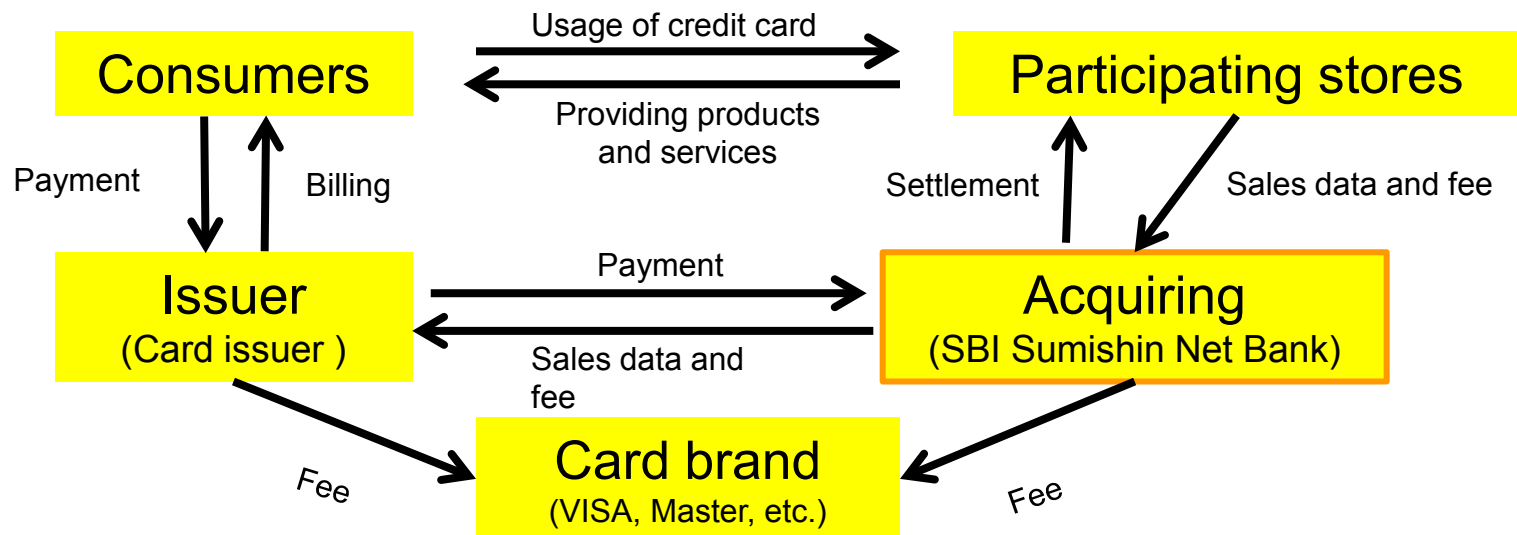
### NetMove business conditions and effects of its acquisition

- ◆ By riding the cashless wave, NetMove has raised its earnings forecast for FY2019
- ◆ FY2019 profit contribution expected to exceed amortization of goodwill from the M&A
- ◆ SBI Sumishin Net Bank intends to reduce costs, such as in administration & processing, with demonstrated synergies from making NetMove a wholly owned subsidiary



## In the Acquiring Operations Business, the Number of Participating Stores Increased to Approx. 15,000 Stores. Continue to Promote Synergy with Settlement Companies and Expand Sales Activities

- Expanding the acquiring operations, which make advance payments for product charges to merchant members based on vouchers for card usage at merchant outlets
- Commission income is up as merchants grow in tandem with the addition of new partners
- From Apr. 2019, cultivation of merchants is being enhanced in the run-up to start of the cashless transaction and consumer point redemption system following the consumption tax hike in Oct.
- Linked transaction data from merchant outlets is put to use in transaction lending, setting lending terms (available borrowing amounts and borrowing ratios) based on daily sales



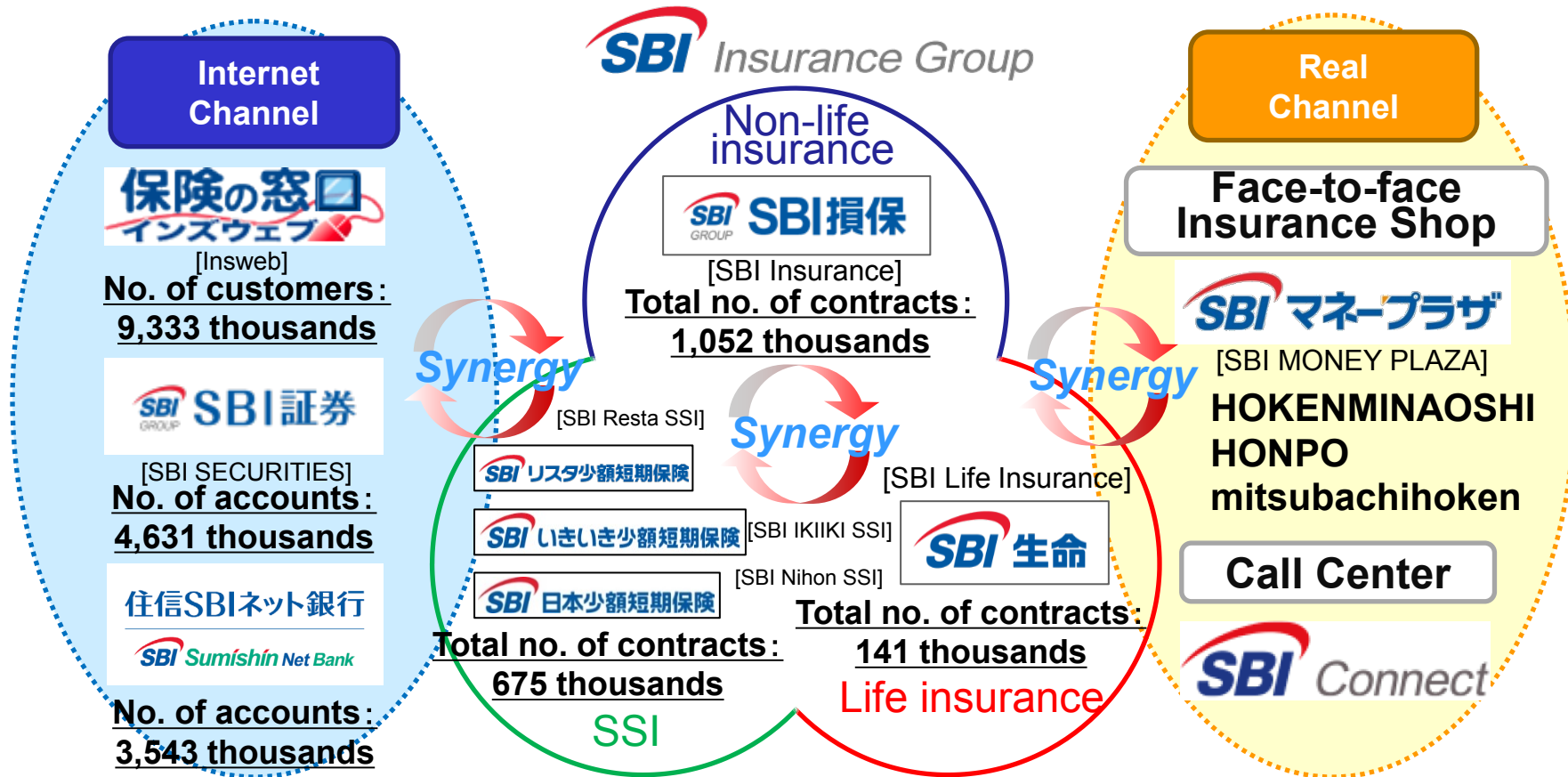


### **③ Insurance-related business**

- (i) Expand sales of insurance products by leveraging the SBI Group's diverse sales channels and big data**
- (ii) Promote discontinuous business expansion by pursuing Group synergies, and implementing efficient management with acquired companies through M&A deals**



## (i) Expand Sales of Insurance Products by Leveraging the SBI Group's Diverse Sales Channels and Big Data



**About 70% of the applications for “SBI Insurance’s Fire Insurance” in FY2018 were from SBI Group companies and services**

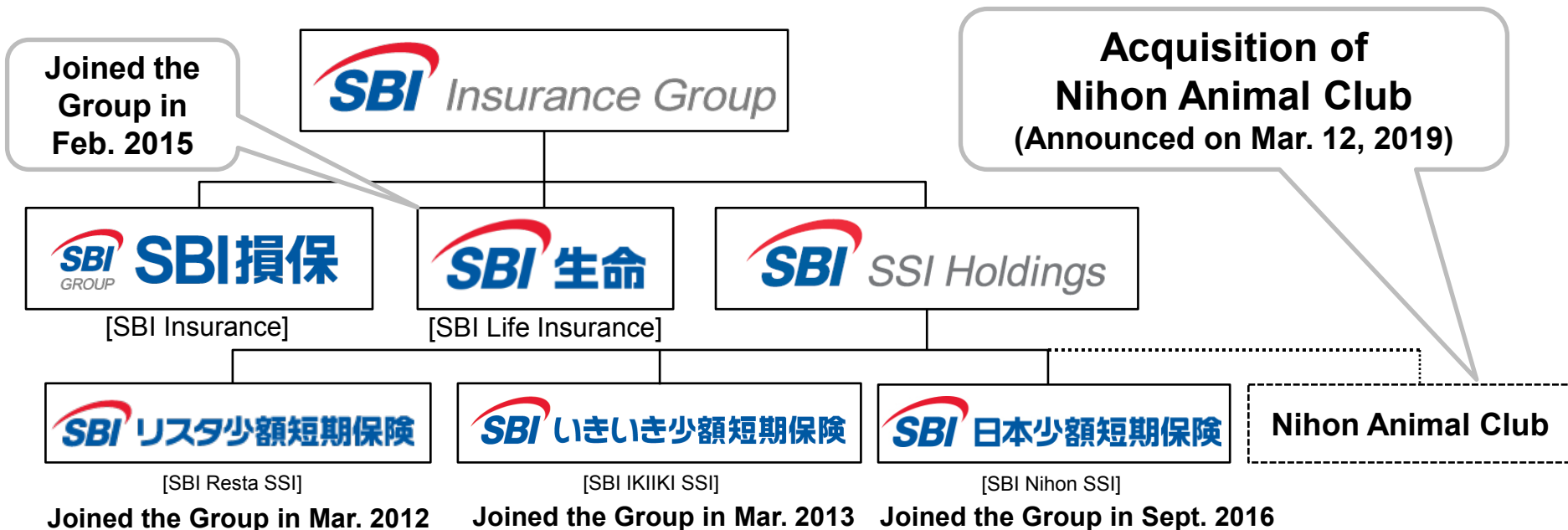
\* The number of retained customer information, the number of accounts and the number of inforce contracts, are as of the end of Mar. 2019

\* In cases where the customer is not identified as the same person at each service site and overlapping customers within the Group companies, are double counted



## (ii) Promote Discontinuous Business Expansion by Pursuing Group Synergies and Implementing Efficient Management with Acquired Companies Through M&A Deals

### [Structure of the SBI Insurance Group]



**Nihon Animal Club is a small-amount, short-term insurance company which has approximately 1,000 agencies and specializes in selling insurance products face-to-face at pet shops, etc.**

**Sales through the Internet and real channels will be promoted going forward**



## **④ Asset Management Business**

- (i) In the overseas financial services business, owing to contributions from the SBI SAVINGS BANK of South Korea and the TP Bank of Vietnam, among others, contributed significantly to raising the segment's profits, through the expansion of assets and the promotion of efficient management**
- (ii) The Group's assets under management, consisting of various financial products, such as private equity, investment trusts, listed stocks, CBs, etc., will be further expanded to create a stable source of earnings for the future**



# SBI SAVINGS BANK of South Korea Ranks First, in Terms of Both Total Assets and Net Income in the Industry

(KRW billion)

Comparison of Financial Results of  
Savings Banks for FY2018 (K-GAAP)

	Total Asset	Net Income
SBI	7,510.1	131.0
OK	5,362.2	95.7
Korea Investment	2,888.7	56.3
Eugene	2,438.0	38.3
Pepper	2,403.1	8.5
Welcome	2,390.8	63.3
JT Chinae	2,389.8	26.4
OSB	2,164.8	24.0
Acuon	2,142.4	17.6
Moa	1,796.1	48.6

Comparison of Financial Results of  
Regional Banks for FY2018 (K-GAAP)

	Total Asset	Net Income
Busan	52,611.9	346.4
Kyongnam	37,937.0	169.0
Kwangju	23,029.2	153.3
Jeonbuk	17,412.8	100.5
Jeju	5,968.2	27.4

Comparison of Financial Results of  
Internet Banks for FY2018 (K-GAAP)

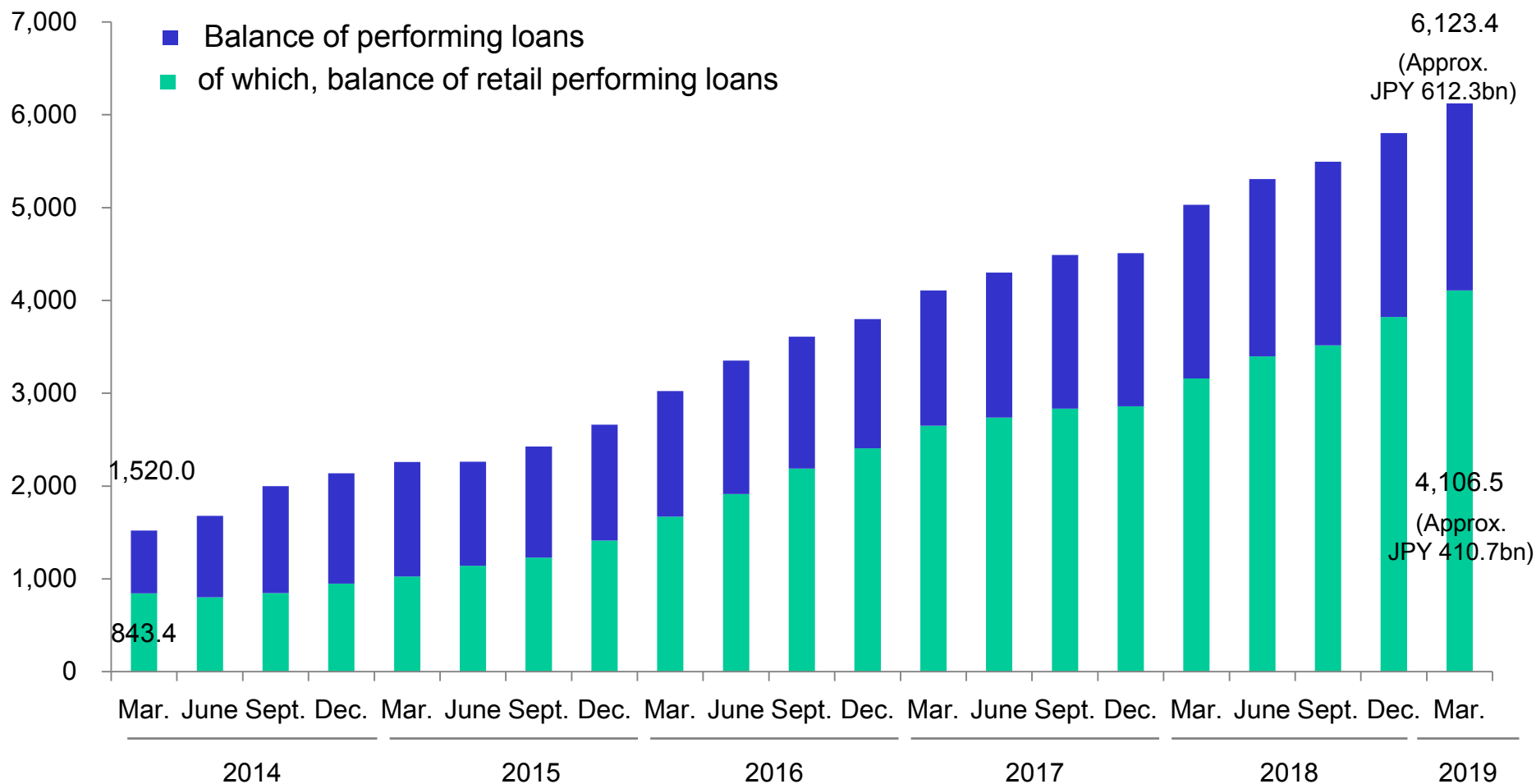
	Total Asset	Net Income
Kakao	12,126.7	-20.9
K Bank	2,184.6	-79.6



## 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 3.9% (3.8% for retail loan)

(KRW billion)



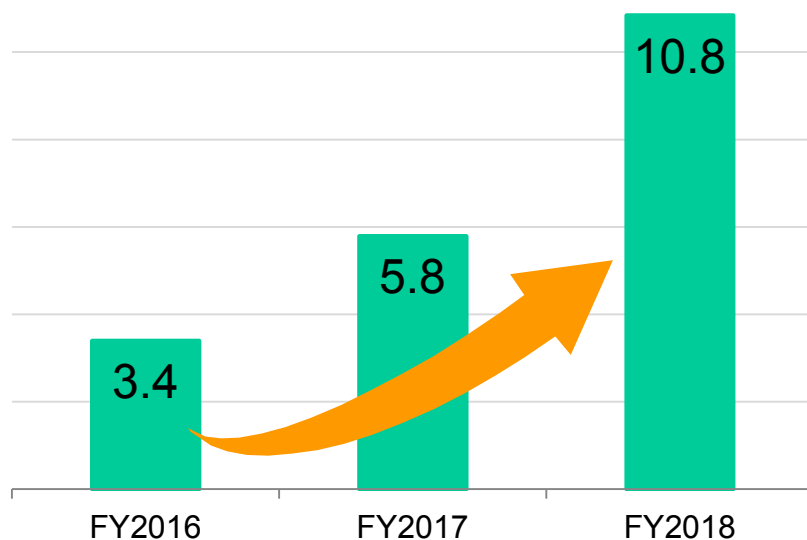


# TP Bank in Vietnam Continues Its Growth Trend

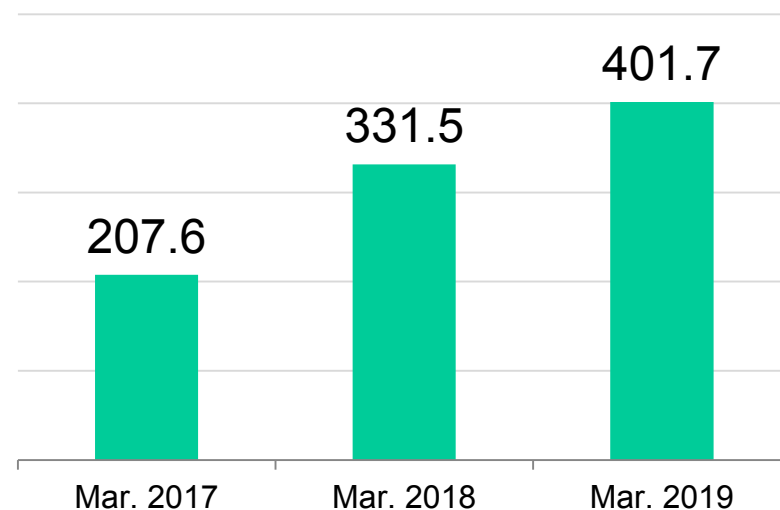


- Invested in Aug. 2009 (SBI Group's shareholding: 19.9%)
- The market capitalization is approx. JPY 89.8bn (as of Apr. 19, 2019)
- Introducing cutting-edge technologies, to rapidly expand its business, which is focused on the retail business
- Starting fingerprint recognition-based self-service cash withdrawal at LiveBank, a 24-hour/365-day unattended banking service

<Trend of profit before income tax expense> <JPY billion>



<Trend of Loans Balance> <JPY billion>



\* Converted at VND 1 = JPY 0.0048



# **The Fintech Fund Established in Dec. 2015, has Already Decided to Invest Approx. JPY 25bn, and the Investment Phase was Completed**

## **FinTech Business Innovation LPS**

- **Total commitment amount is JPY 30bn**
- **Fund investor: 28 regional banks including Bank of Yokohama, Ashikaga Bank, THE SAN-IN GODO BANK and Kiyo Bank, as well as Mizuho Bank and SoftBank**
- **Investment destination: Startup companies with superior technology in the fintech field**




**Already decided on investments into 67 companies  
(Total investment amount to be approx. JPY 25bn through the  
Fintech Fund and approx. JPY 19bn by SBI Holdings)**



**“SBI AI&Blockchain Fund” (common name “SBI A&B Fund”) Established in Jan. 2018, Accelerates Investments in Promising Startup Companies**  
**-SBI A&B Fund has Decided to Invest Approx. JPY 33bn-**

## **SBI AI&Blockchain LPS**

- **Initially started investing with JPY 20bn. JPY 60bn in investment capital was raised, to complete the investor solicitation process**
- **Investors: Approx. 130 companies, including 56 regional financial institutions, institutional investors, major financial institutions, and corporate pension funds, etc.**
- **Investment target: Promising startup companies mainly in AI and blockchain fields**

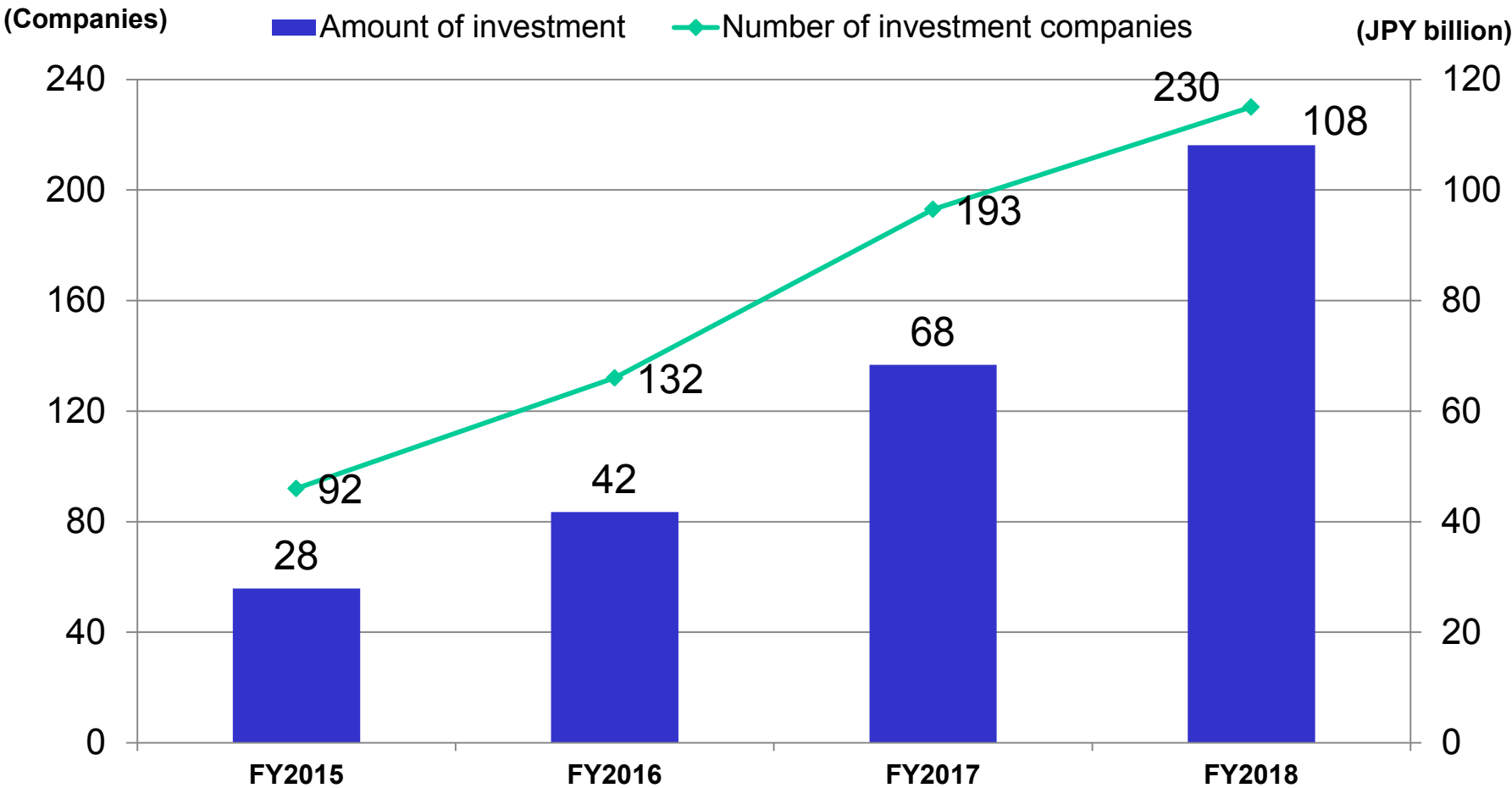


**The SBI AI&Blockchain Fund has already committed to investing about JPY 33.5bn in a total of 75 companies (approx. JPY 44bn, when including investments by SBI Holdings)**



# Since FY2015, Invested a Total of More Than JPY 240bn, in Order to Contribute to Profits Over the Medium- to Long-term

<Change in number of investment companies and amount of investment>





# Assets Under Management of the SBI Group

(As of the end of Mar. 2019)

**Private equity, etc. JPY 355.7bn** <sup>(\*)1</sup> (Excluding JPY 113.3bn of both cash and commitment amount to be paid in) <sup>(\*)2</sup>

Breakdown of operating investment securities by Industry	Amount
Internet/AI/IoT	86.2
Fintech services	43.0
Digital Asset/Blockchain	48.6
Finance	43.9
Biotechnology/Health/Medical	11.7
Environmental/Energy	3.4
Machine/Automobile	6.3
Services	7.0
Retail/Food	1.3
Materials/Chemicals	3.9
Construction/Real estate	1.3
Others	1.1
Equity interests in external and non-consolidated funds	25.0
<b>Total</b>	<b>282.6</b>

Breakdown of operating investment securities by region	Amount
Japan	107.3
China	23.0
Korea	4.3
Southeast Asia	50.0
India	1.3
U.S.	50.0
Europe	19.4
Others	27.3
<b>Total</b>	<b>282.6</b>

Investment from non-consolidated Group management funds	Amount
Corporate venture capital (CVC)	8.5
Others (Oversea JV fund, etc.)	64.6
<b>Total</b>	<b>73.1</b>

**Investment trusts, etc. JPY 1,302.8bn** <sup>(\*)3</sup>

Investment trusts	969.4
Investment advisory	333.4

\*1 Private equity investment balance comes from the balance for operating investment securities included in consolidated reporting plus the investment balance from funds (such as CVC funds) removed from consolidation due to the SBI Group's low investment ratios in the corresponding funds, which the SBI Group run as the GP.

\*2 Composed of cash in funds and unpaid capital which is to be paid on a capital call.

\*3 For funds that SBI Asset Management provides investment instruction to, if Morningstar Asset Management provides investment advisory services, assets are recorded in both "Investment trusts" and "Investment advisory," respectively, and such overlapping amounts totaled JPY 43.6bn

\*4 Calculated by the exchange rate as of the end of Mar. 2019

\*5 Amounts are rounded to the nearest JPY 100m



**SBI Bond Investment Management, a Joint Venture with Pimco,  
One of the World's Largest Bond Management Companies,  
Achieved a Full-Year Profit**

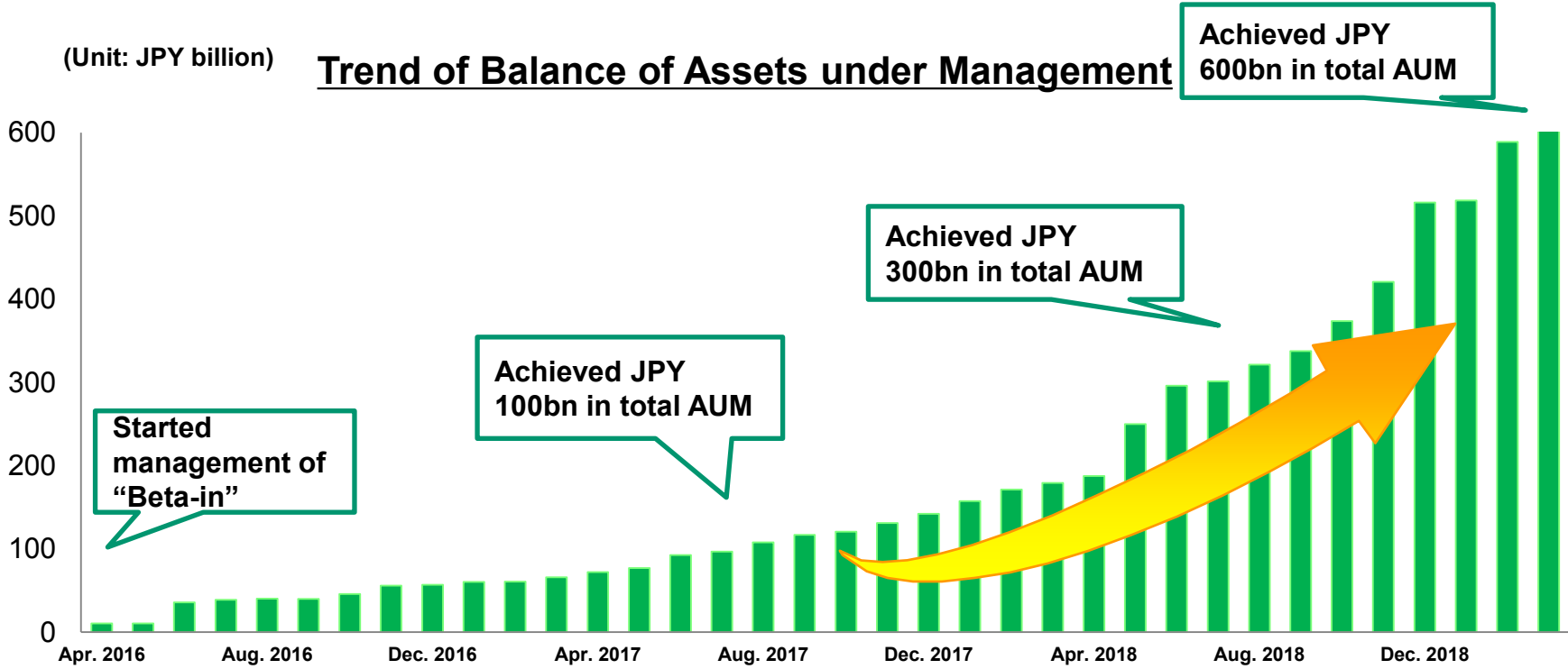
**-Assets under management increased by more than JPY 400bn  
in 1 year to a total of more than JPY 600bn-**

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

- Developing a low-cost active corporate bond fund by applying the highly active bond management capabilities of PIMCO and the technology of the SBI Group
- Despite the continued difficult bond investment environment, owing to high exchange hedging costs, SBI Bond Investment Management has consistently provided low cost simple products

(Unit: JPY billion)

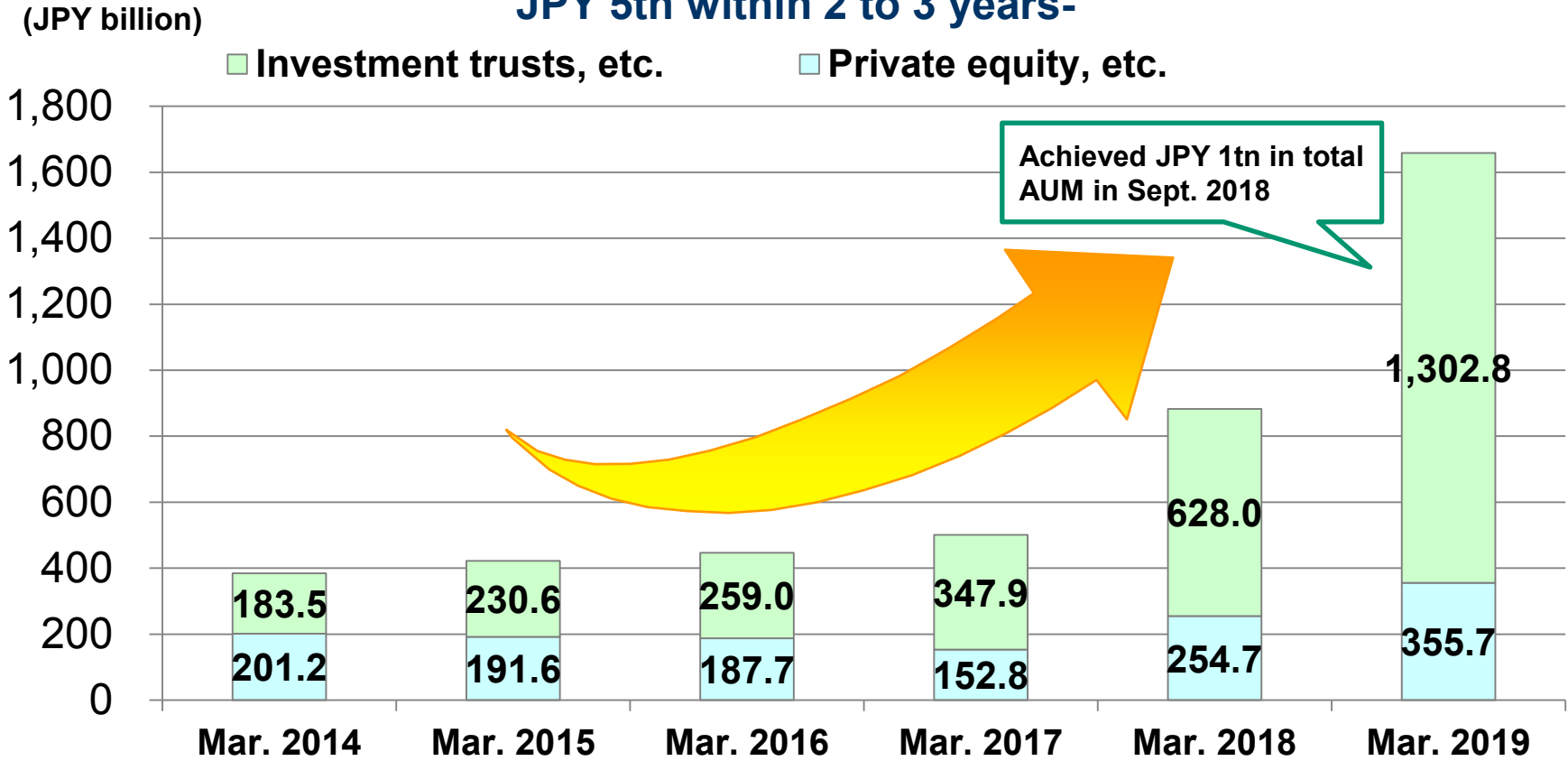
**Trend of Balance of Assets under Management**





# SBI Group's Assets Under Management Continues to Steadily Increase

-Endeavoring to increase assets under management to JPY 5tn within 2 to 3 years-



\*1 Calculated by the exchange rate as of the end of each month \*2 Amounts are rounded to the nearest JPY 100m

\*3 "Private equity, etc." includes neither cash nor commitment amount to be paid in. Through Mar. 2017, unlisted stocks invested from investment partnerships and other entities, which had no market prices, were estimated at cost (impairment prices are applied for the stocks for which impairment losses have been recorded). After Mar. 2018, however, these stocks have been estimated at fair value.

\*4 "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.



**Q3. Regarding the sudden change in  
the business environment, and the  
corresponding new measures**



- (1) The financial industry's great fluctuation period, owing to prolonged negative interest rates and the digital shift**
- (2) In the Asset Management Business, focused investments in technological innovation fields with high growth potential**
- (3) In the Biotechnology-related Business, developing new drug discovery areas, etc., with R&D progressing steadily**
- (4) The SBI Group's digital asset businesses are expected to become profitable, as institutional investors begin full-scale entry into the crypto-asset (cryptocurrency) market**



# **(1) The financial industry's great fluctuation period, owing to prolonged negative interest rates and the digital shift**

- ① Traditional Financial Institutions Facing Difficult Business Conditions**
- ② “Mobile First” movement is rapidly advancing among the younger generation**
- ③ SBI Group's businesses are consistently ahead of the digital shift, through the adoption of new fintech technologies**
- ④ The new stage of value co-creation between the SBI Group and the regional financial institutions**



# Traditional Financial Institutions Facing Difficult Business Conditions

**-Performance comparison with other securities companies (J-GAAP)-**

## FY2017 Net Income

Nomura *1 (cons.)	219,343	(-8.5)
Daiwa (cons.)	110,579	(+6.3)
SMBC Nikko (cons.)	63,705	(+35.7)
Mitsubishi UFJ (cons.)	43,193	(-12.0)
<b>SBI (cons.)</b>	<b>36,812</b>	<b>(+32.4)</b>
Mizuho (cons.)	35,751	(-81.0)
Tokai Tokyo (cons.)	25,397	(+111.8)
Rakuten (cons.)	13,102	(+9.1)
Matsui	12,908	(+20.7)
GMO (cons.)	6,922	(+12.4)
Monex *2 (cons.)	6,730	(+2,158.4)
kabu.com	6,355	(+5.5)
Okasan (cons.)	5,852	(-44.2)
Ichiyoshi (cons.)	4,994	(+128.8)
Iwai Cosmo (cons.)	4,726	(+41.5)

## FY2018 Net Income

(Unit: JPY million, %)

Daiwa (cons.)	63,813	(-42.3)
<b>SBI (cons.)</b>	<b>37,865</b>	<b>(+2.9)</b>
SMBC Nikko (cons.)	34,700	(-45.5)
Mitsubishi UFJ (cons.)	25,141	(-41.8)
Rakuten *3 (cons.)	12,066	(-7.9)
Matsui	9,562	(-25.9)
GMO *4 (cons.)	6,555	(-5.3)
Mizuho (cons.)	4,377	(-87.8)
kabu.com	4,295	(-32.2)
Iwai Cosmo (cons.)	4,148	(-12.2)
Ichiyoshi (cons.)	1,674	(-66.5)
Monex *2 (cons.)	1,181	(-82.5)
Tokai Tokyo (cons.)	1,079	(-95.7)
Okasan (cons.)	853	(-85.4)
Nomura *1 (cons.)	-100,442	(—)

\*1 Figures for Nomura are based on US-GAAP \*2 Figures for Monex are based on IFRS

\*3, 4 Since they changed the term of its fiscal year from FY2018, the figures above are for the period of Apr. 2018-Mar. 2019, respectively.

\*5 Previous YoY % change are shown in the parentheses.

\*6 Abstracts the figures of securities companies with over JPY 20bn in net operating revenue and five online securities companies.



# Traditional Financial Institutions Facing Difficult Business Conditions

-Performance comparison with other bank (J-GAAP)- (Unit: JPY million, %)

## FY2017 Net Income

### Mega Banks

MUFG (cons.)	<b>989,664</b>	(+6.8)
SMBC (cons.)	<b>734,368</b>	(+3.9)
Mizuho (cons.)	<b>576,547</b>	(-4.4)

### Internet Banks

Seven Bank (cons.)	<b>25,301</b>	(+0.7)
Rakuten Bank (cons.)	<b>16,433</b>	(+21.4)
SBI Sumishin Net Bank (cons.)	<b>10,447</b>	(+5.8)
AEON BANK (cons.)	<b>8,006</b>	(-46.6)
Sony Bank (cons.)	<b>4,722</b>	(+42.8)
Daiwa Next Bank (cons.)	<b>2,917</b>	(+20.7)
Japan Net Bank	<b>2,091</b>	(+1.0)
Jibun Bank	<b>1,074</b>	(-41.0)

## FY2018 Net Income

### Mega Banks

MUFG (cons.)	<b>872,689</b>	(-11.8)
SMBC (cons.)	<b>726,681</b>	(-1.0)
Mizuho (cons.)	<b>96,566</b>	(-83.2)

### Internet Banks

Seven Bank (cons.)	<b>19,039</b>	(+15.8)
Rakuten Bank (cons.)	<b>13,236</b>	(-47.6)
SBI Sumishin Net Bank (cons.)	<b>11,975</b>	(+14.6)
AEON BANK (cons.)	<b>8,727</b>	(+9.0)
Sony Bank (cons.)	<b>6,357</b>	(+34.6)
Daiwa Next Bank (cons.)	<b>4,695</b>	(+60.9)
Japan Net Bank	<b>1,892</b>	(+76.2)
Jibun Bank	<b>1,124</b>	(-48.0)

The major banks released FY2018 results on May 15. A prolonged low interest rate environment and falling stock prices impacted net business profit, an indicator for a bank's main operations. **The five groups saw a fall of 13.2% YoY to JPY 1.79tn—the fourth straight annual decline.** Net income fell 24.0% to JPY 2.04tn for its second straight year. **As a result of structural reform, including a reduction in the number of domestic retail branches, Mizuho FG took a large loss of JPY 695.4bn. Excluding Sumitomo Mitsui Trust Holdings, four groups had profit declines.** (Mainichi Shimbun; morning edition; May 16, 2019)



# Traditional Financial Institutions Facing Difficult Business Conditions

-70% of listed regional banks experienced an year-on-year decline in sales and profits-

■ **A bleak future from the limits of an interest rate-reliant profit structure with population decline on top**

Regional banks' earnings environment grows increasingly harsh. **Of the 78 publicly traded regional banks, second-tier regional banks, and groups, 55 (70%) reported net losses for FY2018.** Due to effects of ultra-low interest rates, core businesses were unable to grow earnings, and the worsening earnings at loan customers swelled the cost of non-performing loans by 3x the prior year amount. As domestic expansion continues, it brings into relief the situation at unprofitable regional banks.

**Commission income** including that for lending and investment trust sales **brought down main business profit (net profit in core businesses) by 6% to JPY 1.1899tn.** The BOJ's negative interest rate policy caused average rates on regional banks' long-term loans to fall below the 1% barrier. Some regional banks saw their loan spreads fall into minus territory.

Newspaper article

(May 16, 2019, Nikkei web edition)



## **② “Mobile First” movement is rapidly advancing among the younger generation**

**-SBI Neo Mobile Securities, which provides securities services using T Points, commenced its business operations in Apr. 2019-**



# SBI Neo Mobile Securities, which Targets Investment Novices and the Younger Generation, Commenced Its Business in Apr. 2019



CCC MARKETING

Developing a marketing business based on data of T-Point, a common point service



## Feature of ネオモバ [Neo-Moba]

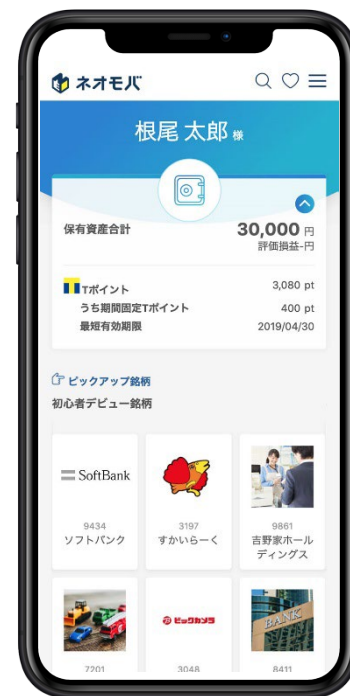
Japan's first \*1  
stock trading using  
**T-Points**  
is available

Trading of a  
single share  
of stock  
is possible  
(Odd-lot shares)

Unlimited transactions  
for a monthly charge  
of **JPY 200**~ (before tax) \*2  
① 200pts of T-Point granted  
② 1pt of T-Point granted per usage fee of  
JPY 100 (before tax)

**“WealthNavi for Neo-Moba,”** a fully automated asset  
formation service can be afforded from JPY 10,000

Targeting the acquisition of 500 thousand  
accounts at an early stage



\*1 Compiled by T-Point Japan (as of Mar. 31, 2019) \*2 When the monthly trading value is under JPY 500,000



# SBI Neo Mobile Securities and CCC Marketing's Joint Service Launch Press Conference was Held on Apr. 10, 2019

Screen design utilizing UI/UX, in order to provide a more familiar feel and broaden the base of individual investors



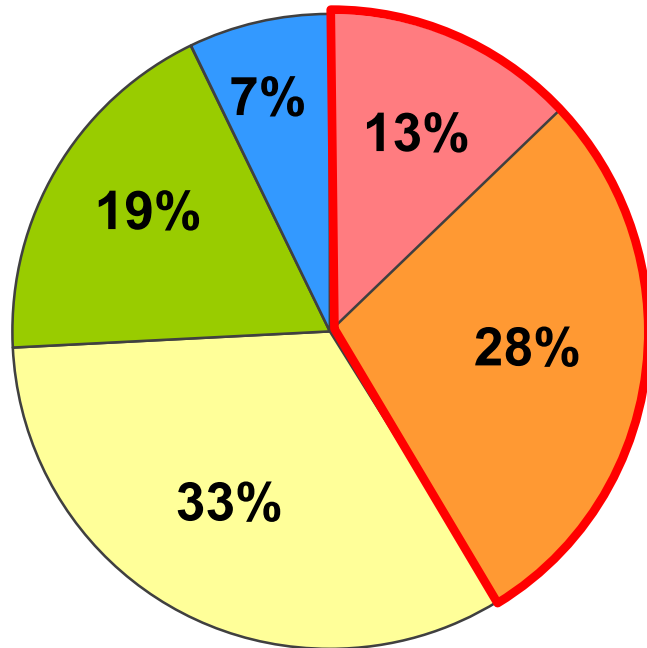
Ms. Masa Takahashi was invited as a guest to perform a T Point investment demonstration, and to experience T Point trading





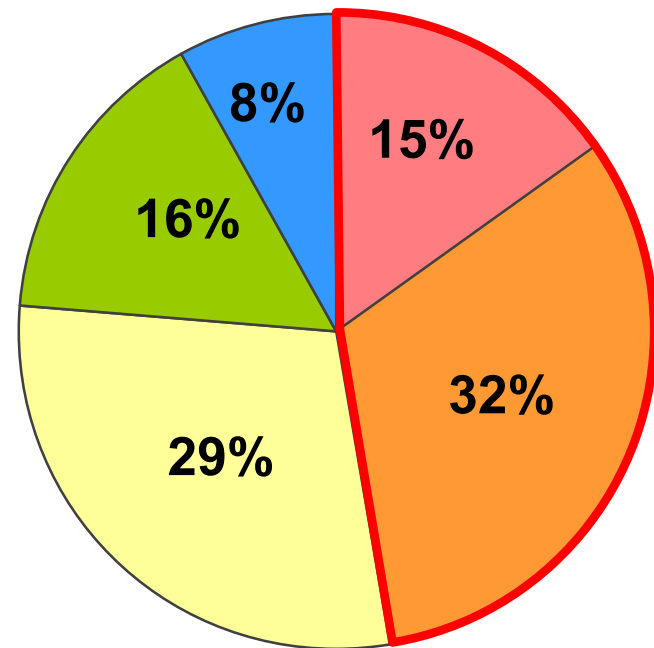
# SBI Neo Mobile Securities and SBI FXTRADE Both Possess a Customer Base Centered on the Younger Generation

SBI Neo Mobile's customer base



■ 20's ■ 30's ■ 40's ■ 50's ■ Over 60's

SBI FXTRADE's customer base



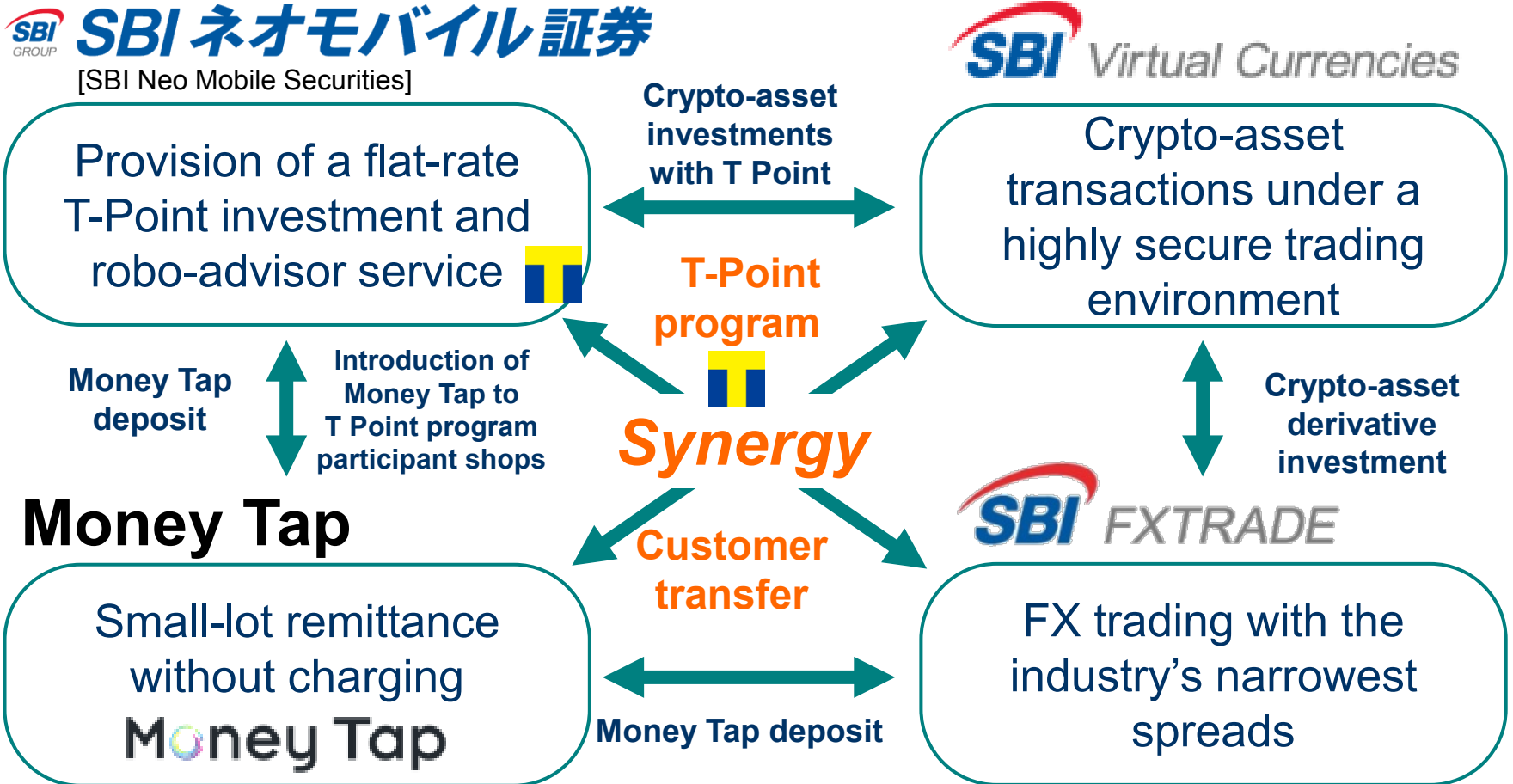
■ 20's ■ 30's ■ 40's ■ 50's ■ Over 60's



- Age group between the 20's and 30's comprise over 40% of the total
- The proportion of customers in their 20's is relatively large as compared to the other SBI Group customers



# Will Thoroughly Pursue Group Synergies, in Order to Acquire New Customers, Especially the Younger Generation



**Endeavoring the development of mutual customer transfers between each business, and service collaborations as mentioned above**



**③ SBI Group's businesses are consistently ahead of the digital shift, through the adoption of new fintech technologies**

- (i) Securities-related business**
- (ii) Banking-related business**
- (iii) Insurance-related business**



# The SBI Group Accelerates the Process of Investing, Adopting and Diffusing, to Quickly Incorporate Technological Advancements

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

Already committed to investing approx. JPY 88bn in fields of technological innovation mainly from the Fintech Fund and SBI A&B Fund

### 1. Investment

Investment in promising startup companies

### 2. Adoption

Technology evaluation and utilization for applicability within the SBI Group

### 3. Diffusion

Diffusion of technology across industry

## 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

- Fintech 1.5: 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 subsidiaries and affiliates providing new technologies, etc.
- Strengthen alliances with companies outside of the Group

***Promote sustainable business expansion and social change through investment, adoption and diffusion processes at each stage, according to technological developments***



# At SBI SECURITIES, Provides a Robo-adviser Asset Formation Service



SBI証券

[SBI SECURITIES]



WealthNavi

(Investee company of the Fintech Fund)

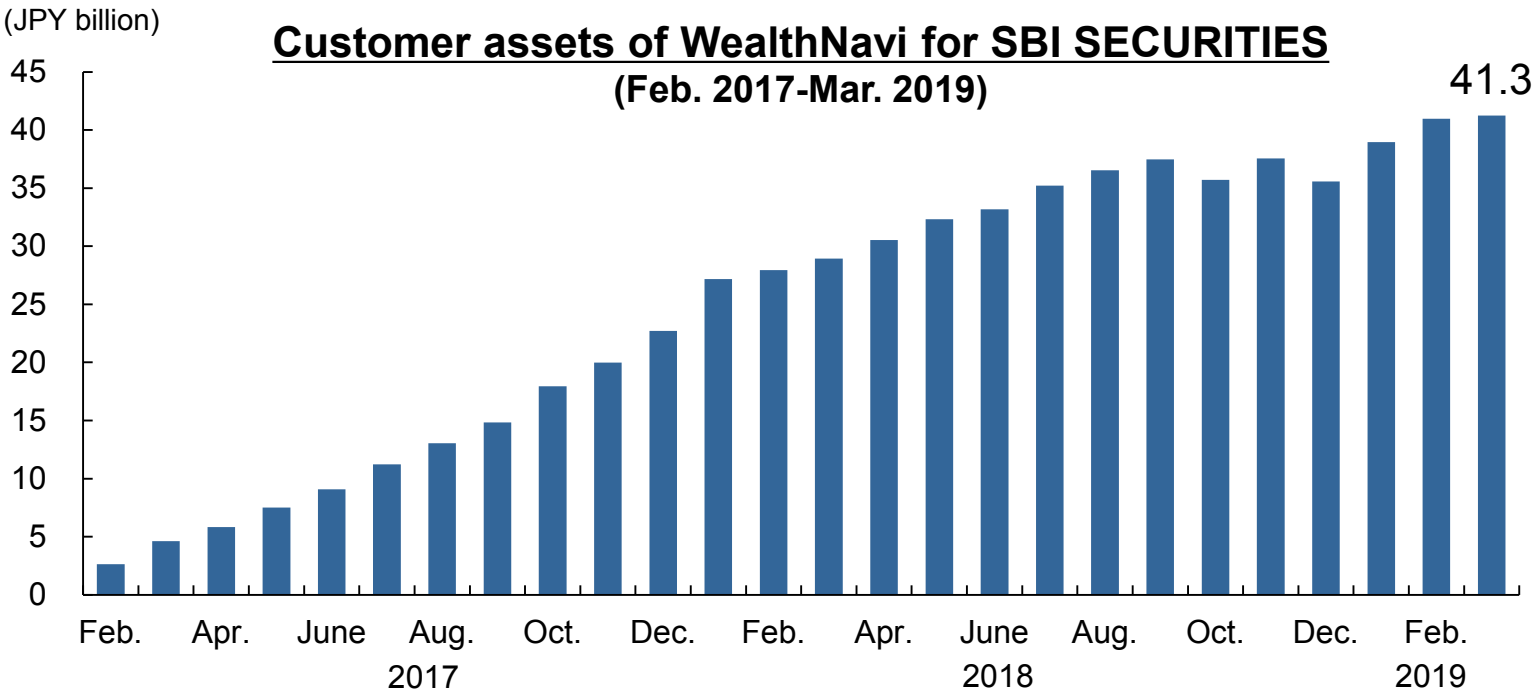
Provision of “**WealthNavi for SBI SECURITIES**” that customizes  
WealthNavi’s robo-advisor service

Number of account:  
approx. 56 thousand

**Customer assets: JPY 41.9bn** (as of May 23, 2019)



WealthNavi for  
SBI SECURITIES





# At SBI SECURITIES, Promoting the Utilization of Advanced Technologies, Including AI, Blockchain and RPA

## AI

- ◆ Conducted demonstration tests with NEC regarding application of AI for the trade review operation for stocks, etc.
- ◆ Started Know Your Customer (“KYC”) operations related to “My Number,” using OCR (Optical Character Reading System) equipped with AI provided by Double Standard
- ◆ Introduced a speech recognition and text mining tool utilizing AI for call center operations
- ◆ Jointly developed an AI chatbot to respond automatically to inquiries from users of FX trading service with Microsoft Japan

## Blockchain

- ◆ SBI SECURITIES collaborated with IBM Japan for the verification of the applicability of blockchain to the financial market infrastructure for bond processing operations

## RPA

- ◆ Incorporated RPA for back office work of customer relations and compliance related matters  
(Estimated cost reduction: JPY 83m/year; Estimated time saving reduction: 27,540 hours/year)



# The Utilization of Advanced Technologies at SBI Sumishin Net Bank

## Robo-adviser Service

◆ Provision of “WealthNavi for SBI Sumishin Net Bank,” WealthNavi’s robo-advisor service

Customer assets: JPY 18.3bn,  
Number of accounts: approx. 20 thousand  
(as of May 23, 2019)

## AI

- ◆ In collaboration with NEC, a monitoring system for countermeasures against unauthorized transfers, utilizing NEC’s AI technology, was introduced (Apr. 2018)
- ◆ Initiated review and adoption of online identity verification (KYC) procedure, utilizing Liquid’s AI and face authentication technology (July 2018)
- ◆ Introduction of examination method using AI technology for the Internet exclusive housing loans (Oct. 1, 2018)
- ◆ Established a JV, “Dayta Consulting,” to provide an AI screening service with Hitachi (May 30, 2019)



# SBI Sumishin Net Bank Partnered with Hitachi to Establish a JV that Provides an High Performance AI Screening Service for Financial Institutions

住信SBIネット銀行



**Credit administration know-how**

- Personal loans (Housing and Cards)
- Business loans (Transaction lending service)



Hitachi, Ltd.

**Advanced AI Technology**

- Mechanism to avoid over-learning
- Avoiding “black box syndrome”

## Establishment of a JV to provide high-performance AI screening service

- On May 30, Hitachi’s new artificial intelligence technology, “Hitachi AI Technology/Prediction of Rare Cases” and SBI Sumishin Net Bank’s data handling technology know-how were combined to establish a new JV, “Dayta Consulting,” which provides an AI screening service
- From Oct. 2019, planning to provide high-performance AI screening service for mortgages to multiple financial institutions. Within 2 to 3 years, expect to service dozens of other financial institutions, as well as starting sales activities
- Plans to expand applicable fields for AI screening services, such as the transaction lending service that supports advance screening based on fund settlement information, and detailed screening of card loans to avoid borrowers with multiple debts



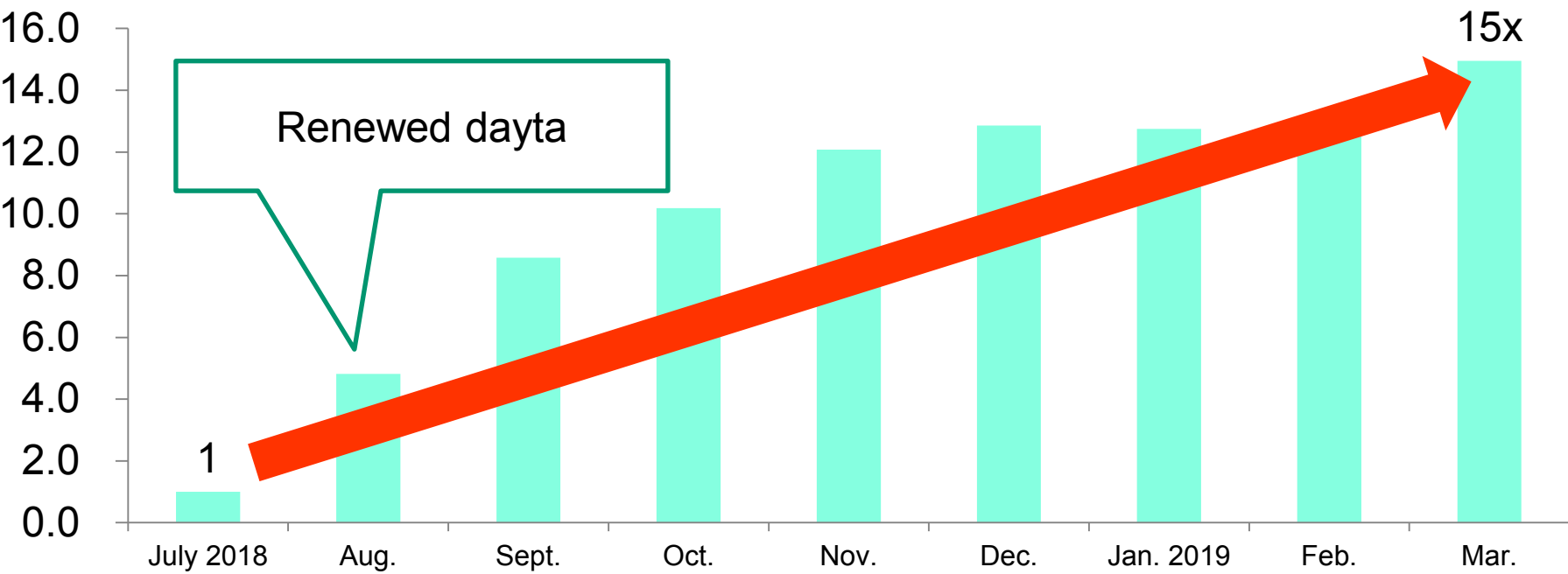
# Expanding the Transaction Lending Service, Built on a Recommendation Model that Automatically Communicates Borrowing Terms

- Renewed the transaction lending service, “dayta,” from Aug. 2018. The first service by a bank to send monthly notices about borrowing terms according to usage conditions at corporate accounts
- Able to complete closings online and borrow on the same day at the earliest without need for in-person talks or paper settlement documents

\*The product name was changed from "Rendering One" to "dayta" on May 16, 2019.

## “dayta” outstanding loan trend

(\*An assumption with the balance at the end of July 2018 as 1)





# Promoting the Improvement of Operational Efficiency by the Aggressive Introduction of RPA (Robotic Process Automation)

-Developed robots have improved efficiency by reducing 6,970 hours of monthly work-

Task reduction status through the utilization of RPA \*As of Mar. 2019

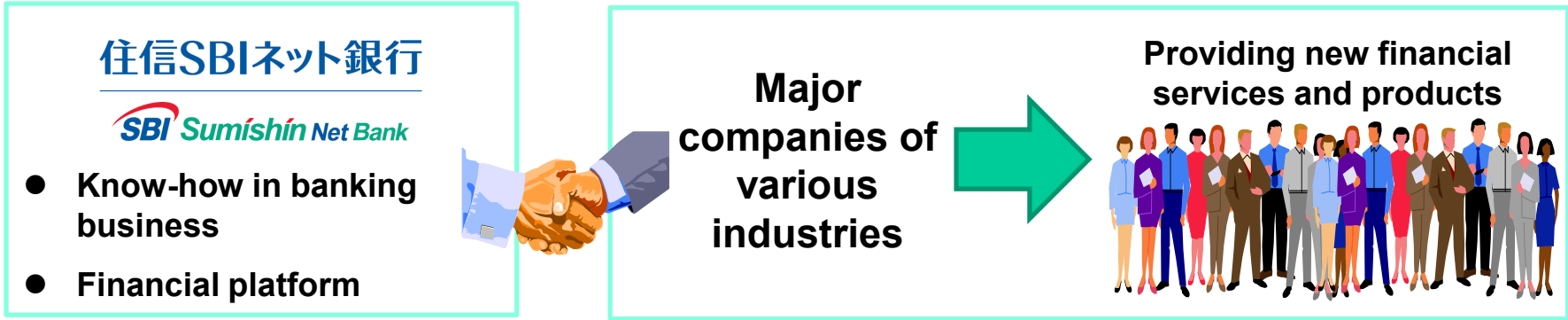
	Estimated cost reduction (JPY million / 1 year)	Estimated time saving reduction (Hour / 1 year)
Processes related to housing loans	165	55,068
Processes related to card loans	27	8,964
Processes related to client work	14	4,716
Processes against financial crime	18	5,880
Others	27	9,012
Total	251	83,640



# SBI Sumishin Net Bank Promotes Neo-bank Initiatives to Provide Banking Functions to External Major Companies as a Financial Platform

**-In addition to the preceding joint venture with JAL, in discussions with several other major companies-**

- ◆ Established Neo-bank Department in Oct. 2018
- ◆ Planning to provide a banking function, or banking as a service (BaaS), to large outside corporations to promote unbundling
- ◆ Creating new services that can not be handled by banks alone through forming alliances with a variety of operators
- ◆ Discussions on concrete ideas being held with large vendors





# Leading Overseas Neo-bank Cases

## DBS Bank

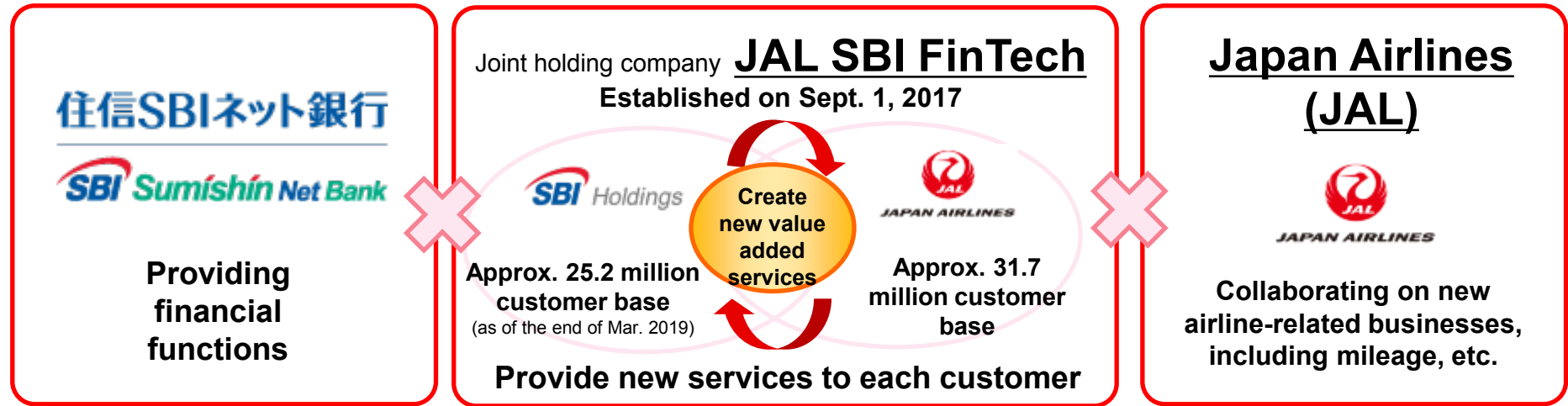
- A global financial institution represented in 18 countries worldwide, centered in Singapore
- Deposit amount of JPY 30,780 bn, with 24,000 employees
- Selected as the “World’s Best Digital Bank,” by Euromoney, the UK financial magazine, in 2016 and 2018
- Partnering with many companies in various industries to provide banking functions as an “invisible bank”
- Retail banking revenue growth of approximately 40%, between 2015 and 2018, driven by the Neo-bank strategy

### 【Examples of Alliance company and the service】

Alliance company	Industry	Summary of API linkage service
Century21	Real estate	Real estate app notifies home loan applicants of pre-qualification results within one minute
McDonald's	Fast food chain	Enable payment with DBS’s mobile payment service "PayLah!"
Tally	Accounting software (providing services to 8 million companies)	SME accounting software interoperation through real-time linkage between account information and revenues & expenditures
Grab	Dispatch service	Grab drivers get instant deposit of pay plus instant bank transfers to a DBS account



# Issued a Prepaid Card, “JAL Global WALLET” that can be Used Safely and Conveniently Overseas



## 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
- 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

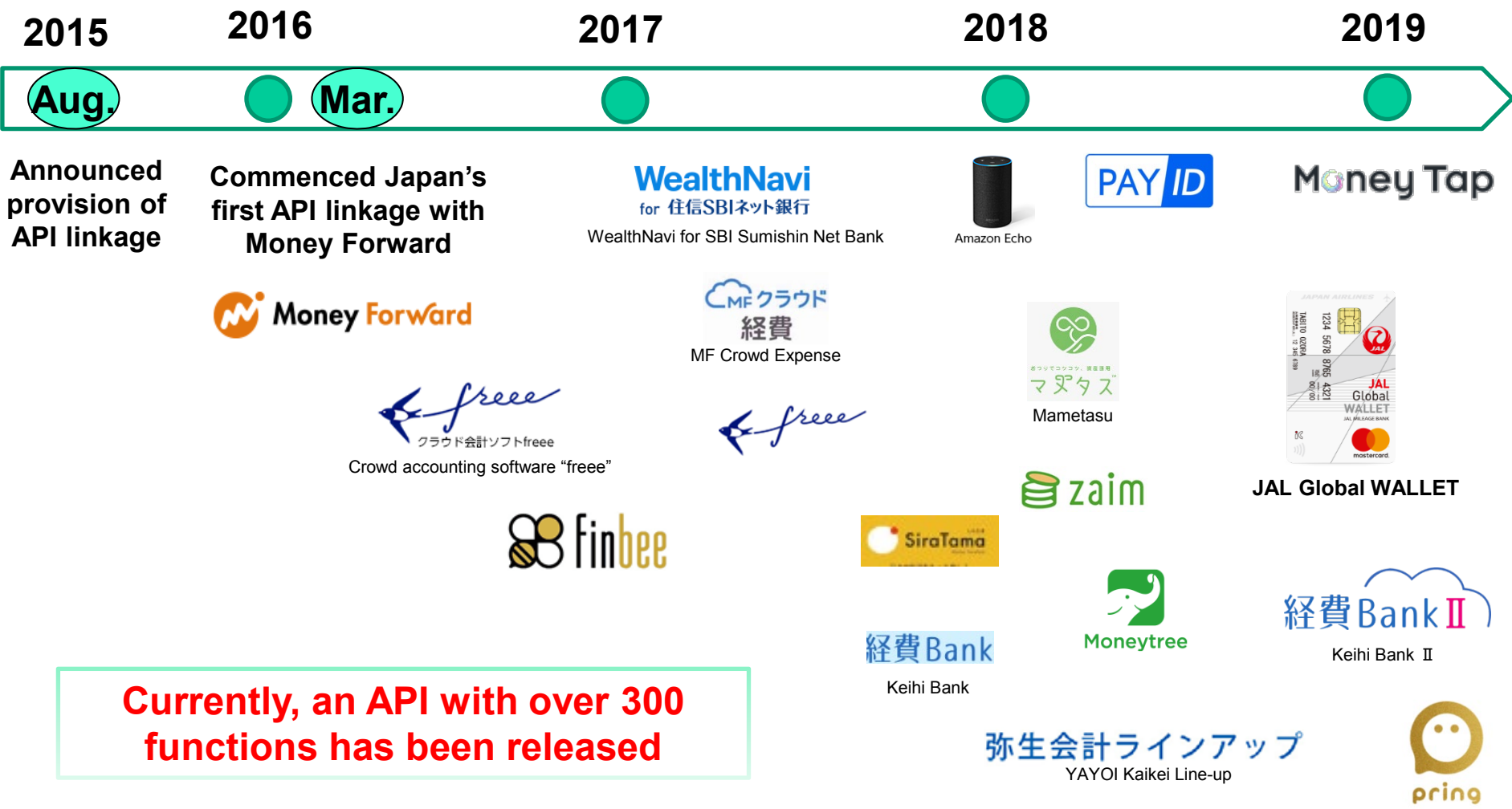


The image of JAL Global WALLET card design



# SBI Sumishin Net Bank Commenced the First API Linkage in Japan in 2016, to Provide Banking Functions for Service Users of External Companies

## Examples of SBI Sumishin Net Bank's API linkage



**Currently, an API with over 300 functions has been released**



# SBI Insurance Promotes RPA and Digitization

## RPA

- ◆ Adopted to customer-oriented office work and compliance-related clerical work  
(Estimated cost reduction: JPY 35m/year, Estimated time saving reduction: 12,014 hours/year)

## Digitization

- ◆ Adopted to automobile accident reception service on Line talk, enabling accurate information transmission through photo transmission and location information of the accident site
- ◆ Began testing telematics service, utilizing device developed by Bosch Corporation of Germany
- ◆ Adopted a service that allows users to check the time and location of load services
- ◆ By the adoption of the “receipt on ATM,” a certain amount of insurance claims, etc., may be received 24 hours, 365 days a year at the ATM of Seven Bank, or at the cash register of Seven Eleven Japan
- ◆ Adoption of OCR scanning system for the “accident certificate” issued by the Japan Safe Driving Center, which reads QR codes and automatically registers it to the damage survey system



# SBI Insurance Began Testing Telematics Services Based on Driving Behavior Data in Cooperation with External Companies



SB C&S Corp.  
SoftBank Technology Corp.  
Bosch Corporation



Devices developed by  
Bosch Corporation  
“Telematics eCall\*1 Plug”



GPS	加速度
・ 現在地	・ 3軸加速度データ
条件例	条件例
・ 概算速度	・ 交通事故
・ 運転方向	・ 運転技量判定
・ 運転エリア範囲	・ 特定のアクション
・ 地上、地下判定	・ 急ブレーキ
	・ 急発進
	・ 急旋回
	・ 停車
	・ 駐車
	・ 渋滞
	・ ハンドル操作
	・ 自動車の傾き
	・ 横転、坂道など

Considering the development of innovative services that improve safety and convenience, such as **telematics services**, through the utilization of a 3-axis acceleration sensor, **along with driving behavior data**, the use of the “Telematics eCall Plug,” that can **detect collision accidents**, and the “IoT Core Connect\*2”, that collects and accumulates data for analysis

\*1 Vehicle emergency call system that enables automatic reporting to emergency telephone numbers in the event of a vehicle collision

\*2 Platform services provided by SoftBank Technology Corp. that connect the services necessary for IoT utilization

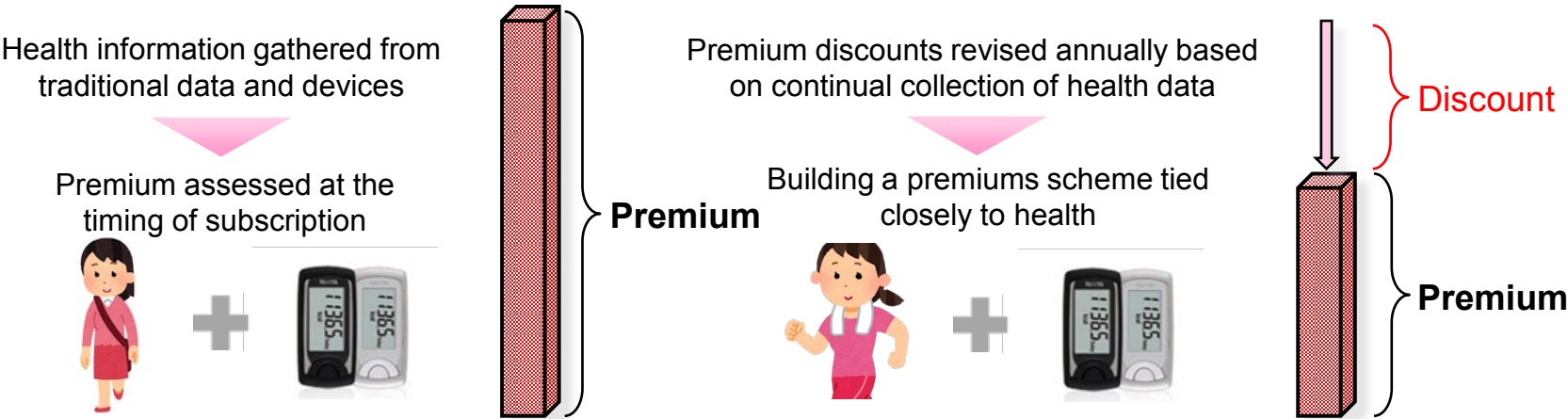


# SBI Life Insurance will Endeavor to Create New Products through an Investment into TANITA HEALTH LINK, and the Subsequent Utilization of AI and Pertinent Database

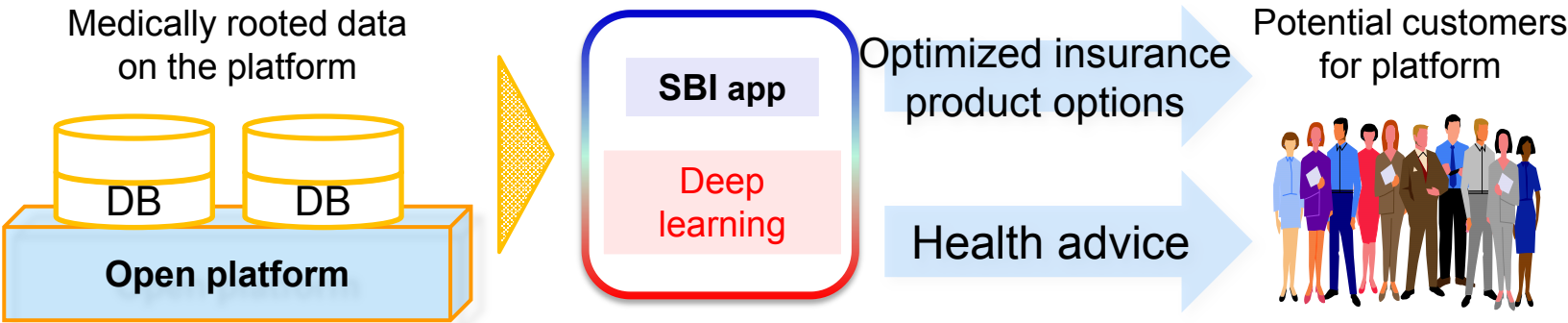


株式会社 タニタヘルスリンク

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



## ◆ Rolling out insurance products & services using open platforms





## **④ The new stage of value co-creation between the SBI Group and the regional financial institutions**



# **The new stage of value co-creation between the SBI Group and the regional financial institutions**

## **Phase 1**

**Contributing to the enhancement of corporate value of regional financial institutions through the utilization of products and services of the SBI Group's existing financial entities**

## **Phase 2**

**Support the restructuring of regional financial institutions' business model, primarily through the newly established SBI Neo Financial Services**

## **Phase 3** **New!**

**Establishing a joint holding company fully supported by the SBI Group, for the nationwide expansion of regional financial institutions, and developing a system in an integrated way to manage some operations, such as development and introduction of a common system for KYC and AML, joint introduction of fintech and sharing of financing opportunities in Japan and abroad, etc.**



## **Phase 1**

**Contributing to the enhancement of corporate value of regional financial institutions through the utilization of products and services of the SBI Group's existing financial entities**



# Example of Partnership Between SBI Group Companies and Regional Financial Institutions (i)



## -Securities-related fields-

	<ul style="list-style-type: none"> <li>Through the Financial Institutional Sales Dept., provides various financial instruments, such as investment trusts, as well as equity and bond transactions, to its customer financial institutions, which total 265 companies*  <small>*As of the end of Mar. 2019</small>            (Self-originated and distributed structured bonds amounted in a <u>total of JPY 67.0bn</u> (Dec. 2015 – Mar. 2019))</li> <li>Provides financial instruments intermediary services to 34 regional financial institutions, in order to support the asset formation of each regional customers, through the provision of various financial products and services with high customer benefits            (Other than the above, four regional financial institutions have internally decided to form an alliance)</li> </ul>
	<ul style="list-style-type: none"> <li>Established six co-managed shops with The Shimizu Bank, CHIKUHO BANK, etc., which proposes and offers SBI MONEY PLAZA's various financial instruments, such as securities-related and insurance products, on an one-stop basis to regional customers            (Under discussion to establish co-managed shops with three other regional banks)</li> <li>Through business alliances with <u>57 regional financial institutions</u>, provides accounting measures and inheritance preparation products for corporations and wealthy individuals</li> </ul>



# Example of Partnership Between SBI Group Companies and Regional Financial Institutions ( ii )




## -Insurance-related field-

 <p>[SBI Insurance]</p>	<ul style="list-style-type: none"> <li>• The Okazaki Shinkin Bank started handling “SBI Insurance’s Fire Insurance” on its website</li> <li>• THE TAIKO BANK started handling “SBI Insurance’s Cancer Insurance” on its website</li> <li>• AEON Bank started handling “SBI Insurance’s Auto Insurance” on its website</li> <li>• UCS started handling “UCS actual amount guaranteed cancer insurance”</li> <li>• 37 companies, including the financial institutions mentioned above, decided to adopt SBI Insurance’s products, and plans are for sales to start shortly</li> </ul>
 <p>[SBI Life Insurance]</p>	<ul style="list-style-type: none"> <li>• 11 banks have decided to adopt, or have started sales of SBI Life Insurance’s Group Credit Life Insurance (Hanno Shinkin Bank, TOYOTA SHINKIN Bank, The Kanagawa Shinkin Bank, The Yamaguchi Bank, Momiji Bank, THE KITAKYUSHU BANK, The Bank of Okinawa, Kyoei Credit Union, Nagano Shinkin Bank, SEIBU SHINKIN BANK, SBI Sumishin Net Bank)</li> <li>• Continuing to proactively promote the sales of the Group Credit Life Insurance to regional financial institutions, with over 10 institutions currently considering adoption, with 5 already having decided to adopt</li> </ul>



# Example of Partnership Between SBI Group Companies and Regional Financial Institutions (iii)

## -Investment and asset management-related fields-

	<ul style="list-style-type: none"> <li>• 28 regional financial institutions invested in the Fintech Fund</li> <li>• 56 regional financial institutions have invested in the SBI AI&amp;Blockchain Fund, which is the successor fund to the Fintech Fund</li> </ul>
	<ul style="list-style-type: none"> <li>• The tablet app “Investment Trust INDEX” has been <u>provided to a total of 257 companies, including 60 regional financial institutions, with the cumulative total number of offered units reaching 73,164, as of the end of Mar. 2019</u></li> </ul>
	<ul style="list-style-type: none"> <li>• Established “SBI Regional Bank Value Creation Fund” that invests in regional financial institutions which are likely to improve their corporate values</li> </ul>
<p><b>SBI Regional Revitalization Asset Management</b></p>	<ul style="list-style-type: none"> <li>• Established through a joint investment with regional banks, with the total investment participation reaching 35 banks</li> </ul>



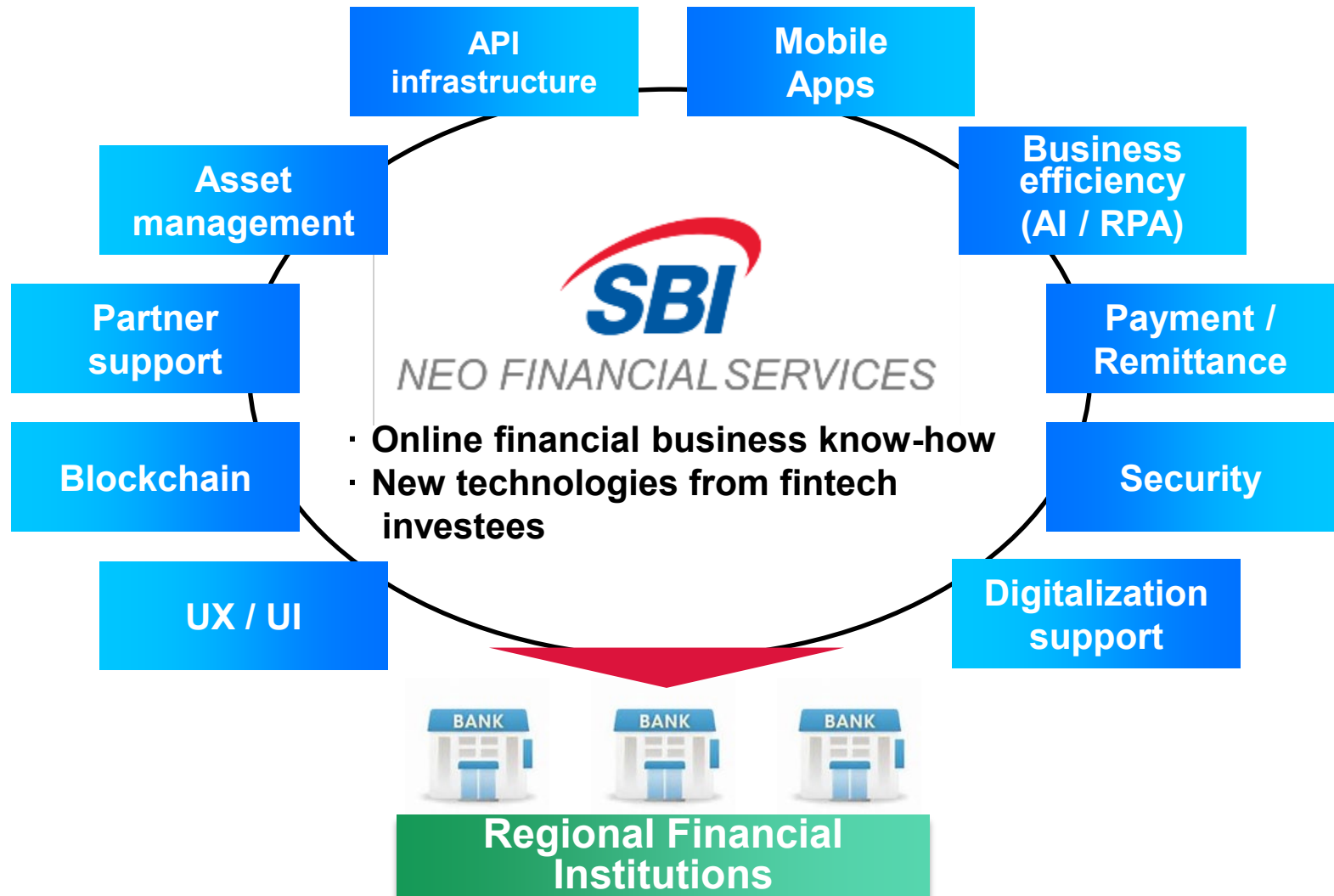
## **Phase 2**

**Support the restructuring of regional financial institutions' business model, primarily through the newly established SBI Neo Financial Services**

- (i) Providing a platform (API Platform) to support the adoption of fintech startup companies' services and systems to financial institutions**
- (ii) To encourage the adoption of advanced solutions of overseas fintech companies to internal and external financial institutions, promoting the localization of such products through the establishment of JVs and business alliances**
- (iii) Strengthening the business succession support services to regional small and medium business owners, through the establishment of a business succession fund**



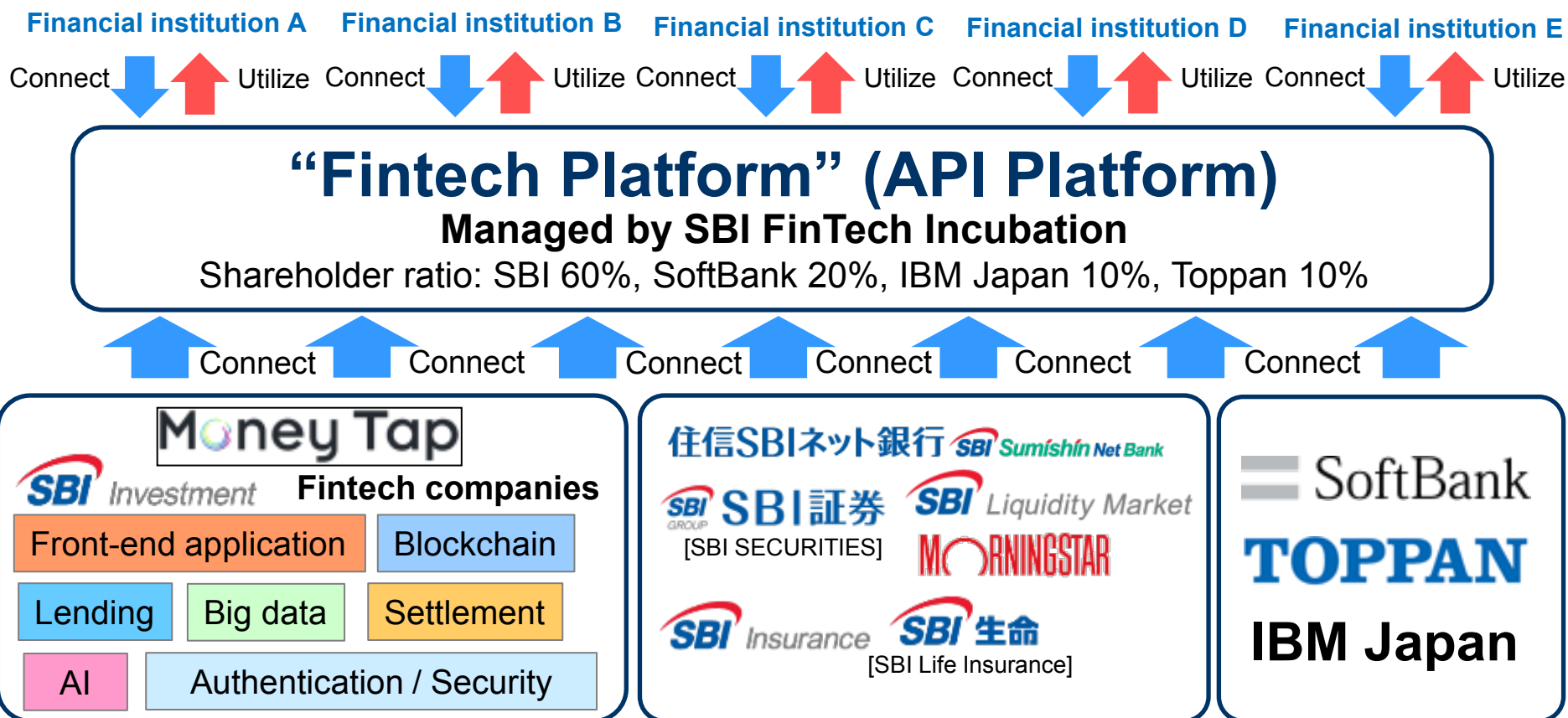
# Established SBI Neo Financial Services to Revamp the Business Model of Regional Financial Institutions, through the Use of New Technologies





# (i) Providing a Platform (API Platform) to Support the Adoption of Fintech Startup Companies' Services and Systems to Financial Institutions

**5 companies have adopted, and  
6 companies are in the process of adoption**



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



## (ii) List of Overseas Fintech Companies Promoting Localization through Establishment of Joint Ventures and Business Partnerships



**World's first dynamic security**

**Runs different source codes each time**

**Established SBI EVERSPIN in Nov. 2018**



Reimagine • Rethink • Recreate

**Business process automation platform by AI and RPA**

**Enhancing business efficiency**

**Converted SBI Antworks Asia to a joint venture in Apr. 2019**



**Automation of housing loan process**

**Automate the procedures from preliminary examination to loan application**

**Proceeding final adjustment for JV agreement**



**Platform / app to support insurance consulting**

**Support sales of customer-centric optimal insurances**

**Established SBI wefox Asia in Jan. 2019**



**IT technology platform**

**Provides a comprehensive fintech platform installed by 2,700 financial institutions in China**

**SBI OneConnect Japan, which was established in Mar. 2019, will soon become a joint venture**



**Keyboard banking function**

**Banking services on keyboard**

**Proceeding final adjustment**



**(iii) Strengthening the business succession support services to regional small and medium business owners, through the establishment of a business succession fund**



# In Collaboration with TRANBI, which Operates an M&A Matching Platform “TRANBI,” will Provide a Wide Range of Business Succession and M&A Opportunities

**-Strengthen the business succession support service to SMEs’ executive management-**



**SBI証券**

[SBI SECURITIES]

Business Succession Advisory Office, Investment Banking Dept.



**TRANBI**

**M&A Online  
platform “TRANBI”**

**Specializes in  
matching small-  
scale cases**

**Proposal of a  
speedy and low-  
cost business  
succession**

**Seller**

SMEs which had little choice but to close their businesses, owing to the lack of successors, even though having business succession needs

**Buyer**



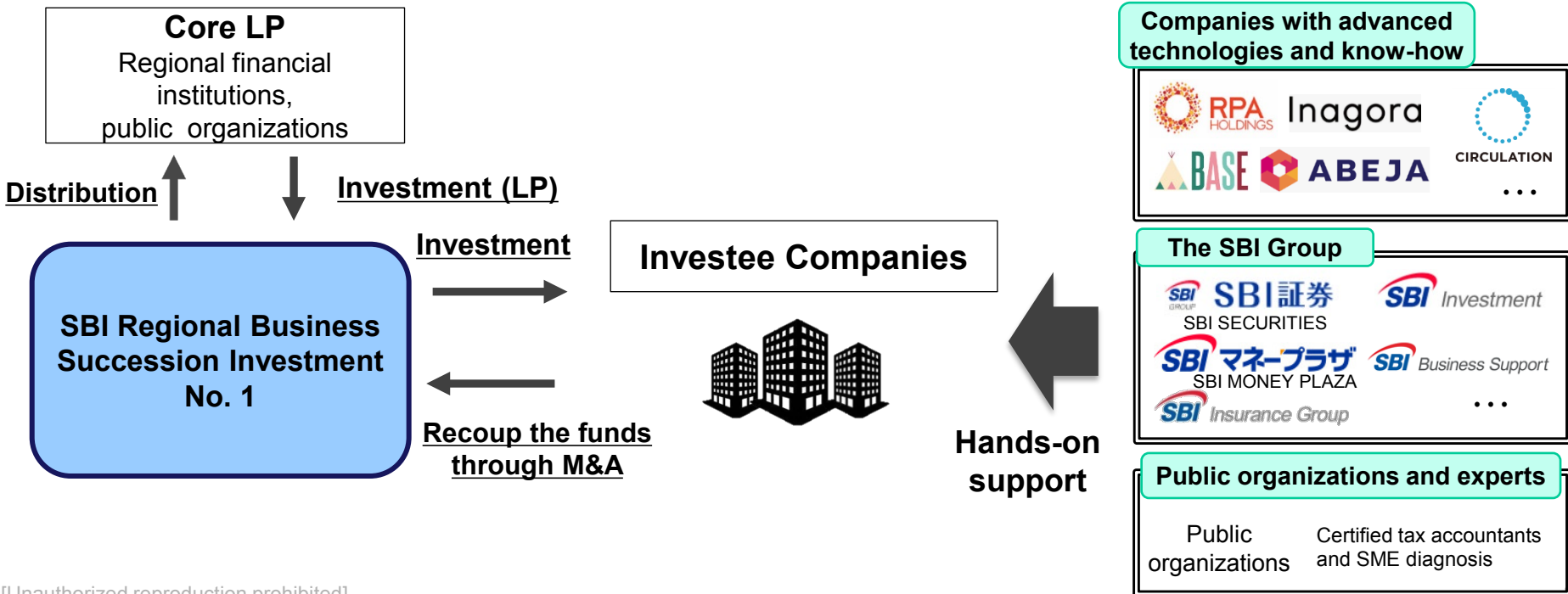
**Corporations  
endeavoring to  
expand new  
businesses**

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



# Established SBI Regional Business Investment as a Fund Management Company, and Initiated Fund Raising for the Business Succession Fund, in Order to Support Business Succession Nationwide

- Support for business succession of midsize or smaller companies in Japan, regardless of region
- Support for raising corporate value of various companies by leveraging the SBI Group and SBI network
- Aiding coordination and integration that extends beyond the local region of portfolio companies
- SBI Regional Business Succession Funds may also acquire management rights of investee companies





## **Phase 3**

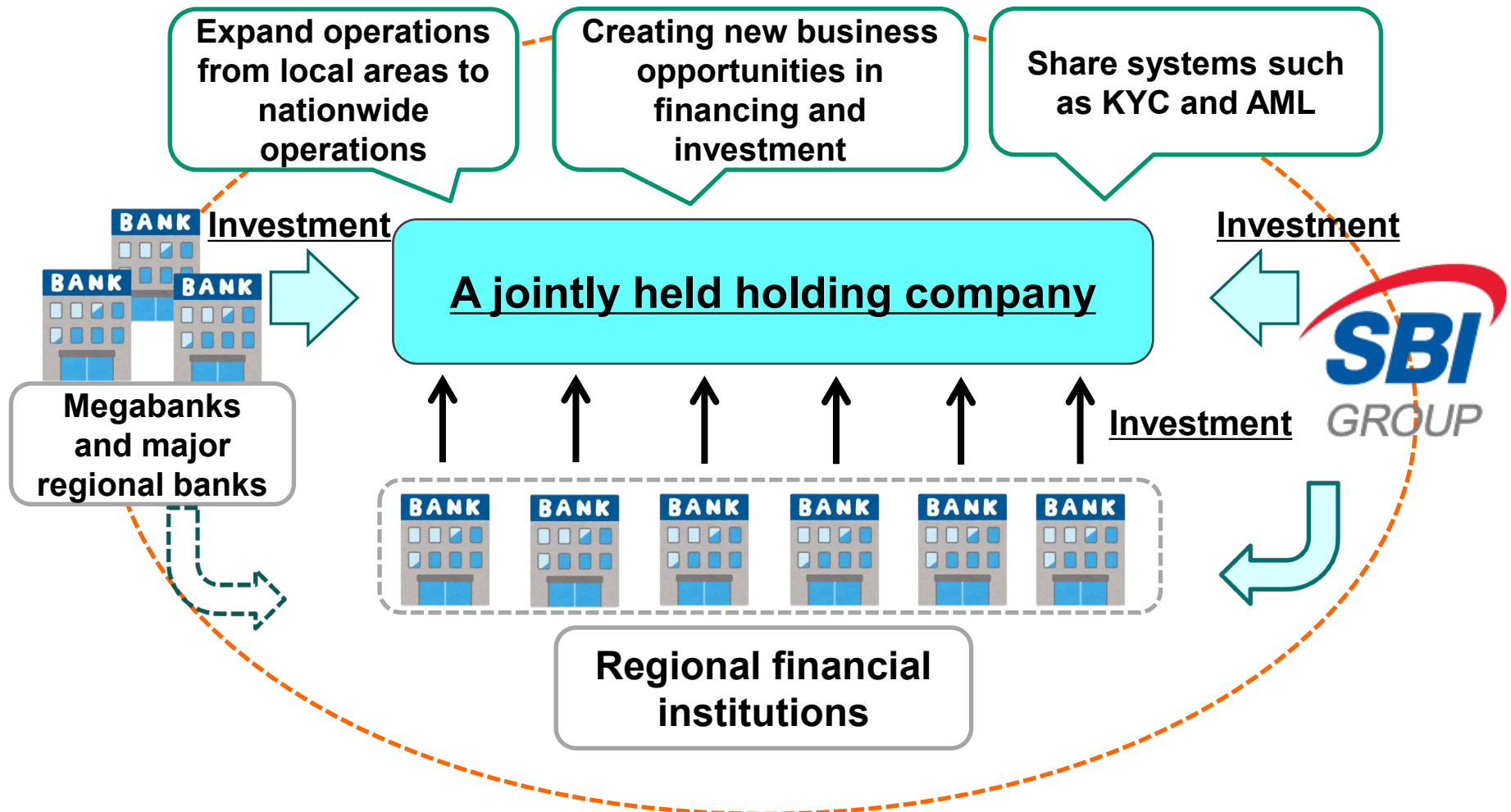
**Establishing a joint holding company fully supported by the SBI Group, for the nationwide expansion of regional financial institutions, and developing a system in an integrated way to manage some operations, such as development and introduction of a common system for KYC and AML, joint introduction of fintech and sharing of financing opportunities in Japan and abroad, etc.**



# Establish a Jointly Held Holdings Company, to Develop a System to Manage Regional Financial Institutions as One Community

-Aggressively contribute to improve the corporate value of regional financial institutions-

<Image of the new company>





**(2) In the Asset Management Business,  
focused investments in technological  
innovation fields with high growth potential**



# Examples of SBI Investment Investee Companies on Each Growth Sectors ①

## Blockchain / Crypto-asset



R3 Hold Co LLC (US)



Veem Inc. (US)



bitFlyer Holdings Inc. (US)



Orb Inc. (US)



Wirex Limited (UK)



Ripple Labs Inc. (US)



Omise Holdings Pte. Ltd (SGP)



BTC KoreaCom Corporation (KOR)



Fxcoin Inc. (SGP)



Othera Group (UK)



CoinPlug Inc. (KOR)



QUOINE Inc. (US)

## Crowdfunding / M&A



TRANBI Inc. (US)



CAMPFIRE Inc. (US)



Crowd Realty Inc. (US)



Music securities Inc. (US)



CROWD CREDIT Inc. (US)

## IT services



BIZREACH Inc. (US)



Sansan Inc. (JP)



MDR Inc. (JP)



JOLLY GOOD Inc. (JP)



Astamuse Inc. (JP)



NYLE Inc. (JP)



Yorisou Inc. (JP)



Creema Inc. (JP)



Thinca Inc. (JP)

## Lending



PT Amarta Mikro Fintek (ID)



SimpleFinance (RU)



PT Indonusa Bara Sejahtera (ID)



Lufax Holding Ltd (CN)



Social Finance Inc (US)



Venteny Pte Ltd (PH)



Crediation Inc. (US)

## Accounting / PFM / Banking API



Movencorp Inc. (US)



Finbee Inc. (US)



Flowaccount Company Limited (TH)



solarisBank AG (DE)



Free Inc. (US)



Moneytree Inc. (JP)

## Marketing / Media



Kaizen Platform Inc. (JP)



CompareAsia Group Capital Limited (HK)



PORT Inc. (JP)



every Inc. (JP)



Goodpatch Inc. (JP)



WILLGATE Inc. (JP)



Cyber Buzz Inc. (JP)



A1 Media Group Inc. (JP)



Moi Inc. (JP)



AI CROSS Inc. (JP)

## EC / Settlement



BASE Inc. (JP)



Liquid Inc. (JP)



Ralali Pte. Ltd (ID)



paidy Inc. (JP)



PT.TOKOPEDIA (ID)




ORIGAMI Inc. (JP)



Pring (ID)



Hey (ID)



Decentralized Mobile Applications Ltd (IL)

## Big Data



Rapyd Limited (ID)



Ubiregi Inc. (JP)



Episode Six Limited (HK)



Metro engines Inc. (US)



Tamr Inc. (US)



Treasure Data Inc. (UK)



Gixo Inc. (UK)



Sure Cash (SGP)



Infcurion Inc. (US)

## IoT / Security



Global Mobility Service Inc. (US)



Argus Cyber Security Ltd (UK)



Unerry Inc. (US)



Cacco Inc. (JP)



Aptpod Inc. (US)



ENABLER Inc. (US)



CSC Inc. (US)



Onfido Ltd (UK)



Cocon Inc. (JP)



PixelPin, Ltd. (UK)



EAGLYS Inc. (US)



Indegy Ltd (IL)



# Examples of SBI Investment Investee Companies on Each Growth Sectors ②



## Inbound / Cross Border EC

WAmazing Inc.

Tokyo Otaku Mode Inc.

Payke Inc.

Logbar Inc.

Wovn Technologies Inc.

Inagora Holdings Inc.

## Life Science / Health Care

Quantum Biosystems Inc.

ATONARP Inc.

iHeart Japan Inc.

Cure App Inc.

Triple W Inc.

Dr.JOY Inc.

Finc Technologies Inc.

Holoeyes Inc.

Novocura Tech Health Services Pvt Ltd. (IN)

Sustainable Medicine  
Susmed Inc.

Sic Inc.

Sirutasu Inc.

## Environmental Energy / Bio

Spiber Inc.

K Pharma Inc.

GlyTech, Inc.

Minna-Denryoku Inc.

ELIYY Power Inc.

EDIGENE Inc.

Microwave Chemical Inc.

Setsuro Inc.

## Sharing Economy

SPACEMARKET Inc.

Rebase Inc.

## Space

AXELSPACE Inc.

Astroscale Inc.

## Real Estate Tech

LendingHome Corporation (UK)

iYell Inc.

WealthPark Inc.

## Insurance

ELEMENT Insurance AG (DE)

FinanceApp AG (CH)

## Robotics / Autonomous Car

WHILL Inc.

ZMP Inc.

RIVERFIELD Inc.

Veo Robotics Inc. (UK)

Rapyuta Robotics Inc.

Sdtech Inc.

Ascent Inc.

## Robo Advisor

WealthNavi Inc.

eToro Group Ltd (IL)

## AgriTech

DESAMIS Inc.

PLANET TABLE Inc.

## AI-related

RPA Holdings Inc.

ABEJA Inc.

Cinnamon Inc.

Antworks Pte. Ltd (SGP)

Empath Inc.

alt Inc.

Cogent Labs Inc.

DAYLI Financial Group Inc.

Suuri Holdings Inc.

LPixel Inc.

SKYDISC Inc.

Silot Limited (SGP)

Gorilla Technology Group Inc. (TW)

AI inside Inc.

Generic Solution Inc.

Oneconnect Financial Technology Co., Ltd (CN)

MINKABU THE INFONOID Inc.

FinLeap GmbH (DE)

KOKOPELLI Inc.

HACHIMENROPPi Inc.

IZUMI-IZM GROUP Inc.

FOODiSON Inc.

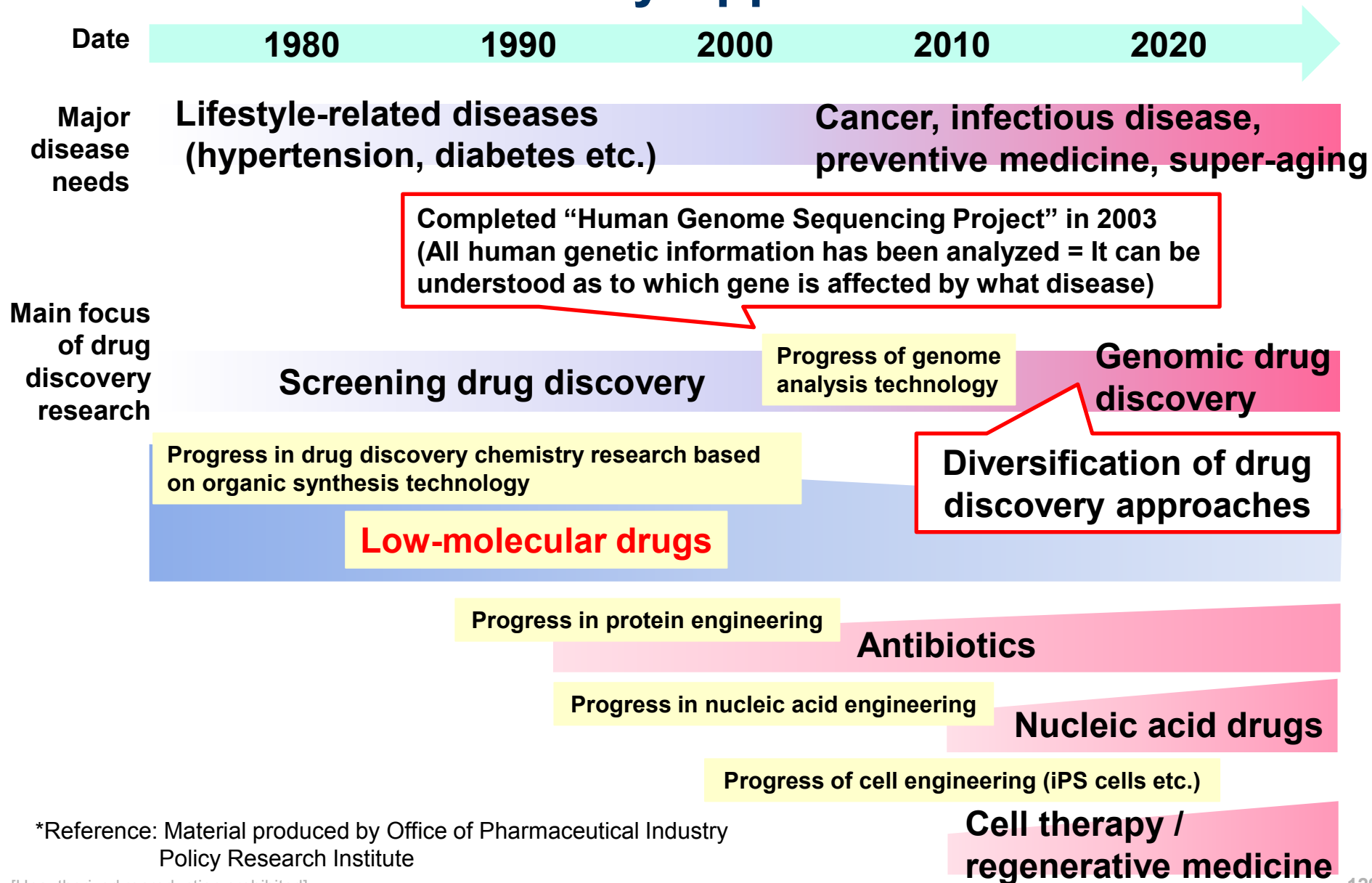


### **(3) In the Biotechnology-related Business, developing new drug discovery areas, etc., with R&D progressing steadily**

- ① SBI Biotech**
- ② U.S.-based Quark**
- ③ 5-ALA-related Business**



# Transition in Disease Needs and Drug Discovery Approaches

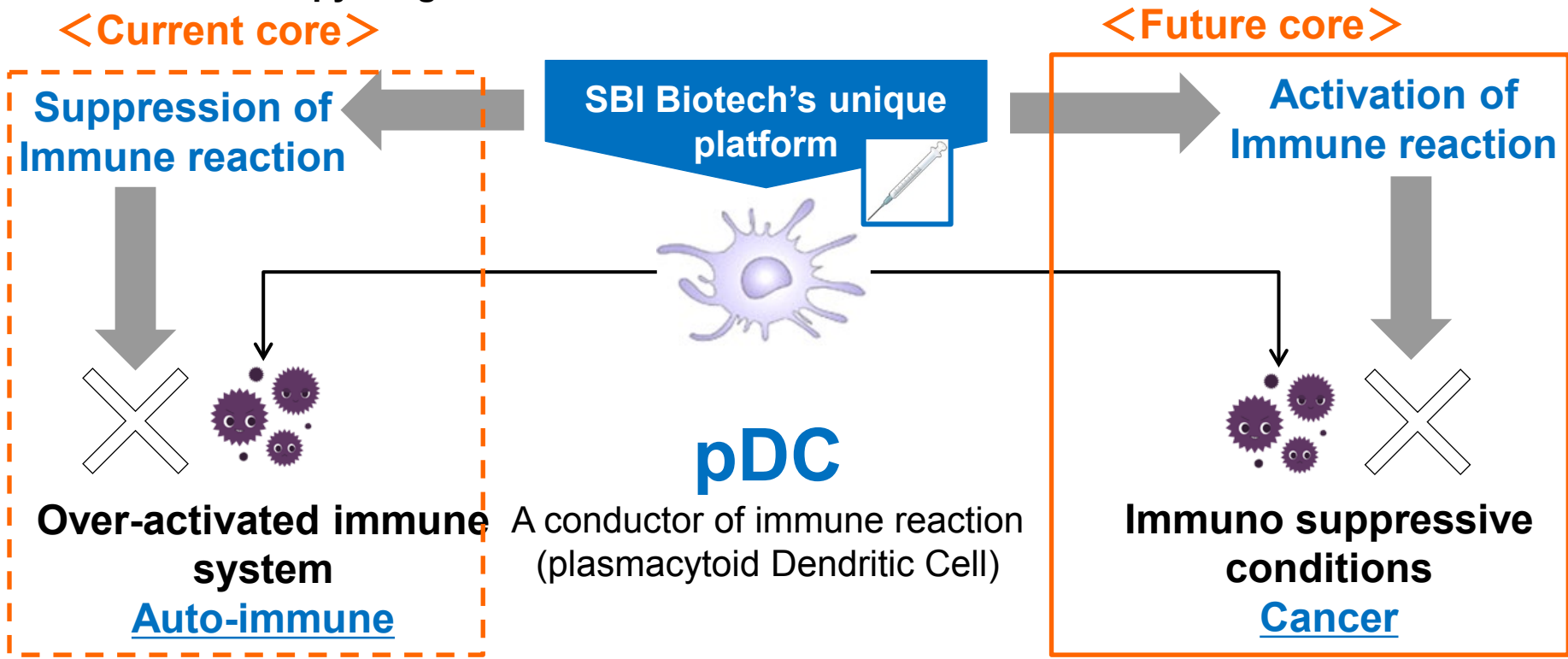




# SBI Biotech's Unique Platform

## “pDC Modulation” and its Application to “Cancer Immunotherapy”

- ▶ pDC (plasmacytoid Dendritic Cell) is a cell that controls the suppression and activation of the immune response, and the ability to specifically induce cytotoxic T cells (CTLs) to attack cancer cells. It is thought that it may be possible to treat cancer by modulating the pDC function to control the immune reaction against cancer
- ▶ During the past decade, SBI Biotech has developed an unique pDC modulation technology. With this expertise and experience, SBI Biotech will develop novel cancer immunotherapy drugs





# SBI Biotech's R&D Pipeline

With out-licensed pipelines progressing well, SBI Biotech expects to strengthen the revenue base by newly out-licensing pipelines to achieve and maintain full-year profitability

	Licensing partner (timing)	Adaptation disease	Progress	
VIB7734 (Anti-ILT7 antibody)	Viela Bio* (Sept. 2008)	Systemic lupus erythematosus, Cutaneous lupus erythematosus, Sjogren's syndrome, Scleroderma, Dermatomyositis	<b>NEW!!</b> <b>Phase Ib</b>	<u>Phase Ib (multiple dose study) is in progress following Phase Ia (single dose study). It will end in Sept. 2019.</u> Further receipt of milestone payments in accordance with development progress is expected
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)	Colorectal cancers	Phase I / II (plan)	Development is in progress at Sierra Oncology, which out-licensed with Carna Biosciences. Submitted its IND to FDA. Further receipt of milestone payments in accordance with development progress is expected
GNKS356	Independently	Psoriasis, Various fibrosis, Non-alcoholic steatohepatitis	Pre-clinical	Received subsidies from AMED (Japan Agency for Medical Research and Development) drug discovery promotion project, and acquired various data. <u>Promoting R&amp;D, out-licensing and tie-ups for optimization of target diseases based on the research results</u>
SBI-3150	Independently	Autoimmune diseases (Various diseases caused by pDC / activated B cells)	Pre-clinical	<u>Acquisition of various data showing the superiority of Dual targeting Concept targeting pDC and activated B cells is in progress.</u> Continuously engages in negotiating with several companies for out-licensing

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



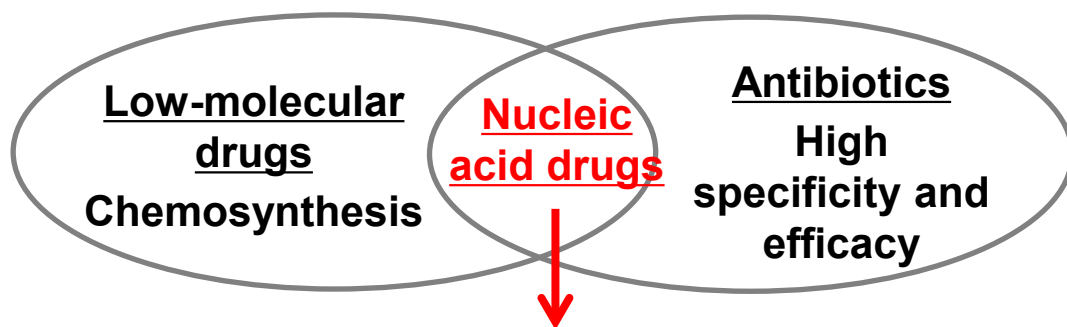
# U.S.-based Quark

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

## Developing nucleic acid drugs (siRNA)

**Nucleic acid drugs:** Enables drug discovery for target molecules (e.g. RNA and DNA) that was not possible for conventional low-molecular drugs and antibiotics

### Nucleic acid drugs: Benefits



High specificity and efficacy similar to antibiotics is promising; at the same time, can be manufactured by chemosynthesis, similar to low-molecular drugs

- New mechanism for **direct action** on genes that are the **cause of a disease**
- Targeting **hard-to-treat illnesses**, e.g. cancer, infections, and hereditary ailments
- Prospects for **fewer side effects and higher efficacy** than conventional drugs
- Can be manufactured at **lower cost** than today's mainstream antibiotics

**Hopes for becoming the next-generation molecularly targeted drugs to succeed antibiotics**

Reference: "Why nucleic acid drugs now: the next drug-making modality," Journal of Experimental Medicine (Jikken Igaku), Vol. 37, No. 1, Jan. 2019



# Quark's Ongoing Drug Discovery Pipeline at the Phase III Stage

	Adaptation disease	Progress	
QPI-1002	Delayed Graft Function in Kidney Transplants (DGF)	<b>Phase III (completed)</b>	While providing additional information to the U.S. FDA (Food and Drug Administration), by following a suggestion from the FDA, continuing discussions with the FDA on the transition to an NDA (New Drug Application) process. It is likely that the FDA's decision to move to an NDA procedure will be made within the next 6 month period
	Acute kidney injury (AKI)	<b>Phase III</b>	Started Phase III clinical trials in July 2018. Planning expansion of clinical trials to 115 facilities worldwide
QPI-1007	Non-arteritic anterior ischemic optic neuropathy (NAION)	<b>Phase II/III</b>	Phase III clinical trials are underway at 66 centers in the U.S. and Europe. <u>The FDA approved the shortening of the follow-up period after administration to the final subject from 12 months to 6 months, so the final results will become known in Apr. 2020</u> *Licensed out to Biocon Ltd of India

**With regard to DGF, in discussions with the FDA since late Mar. 2019 for the possibility of shifting to an NDA procedure, while Quark continues with its full-scale preparations for an IPO. Additionally, upon the determination of the NDA, a partial or complete sale of the shares of Quark or an IPO will be considered**

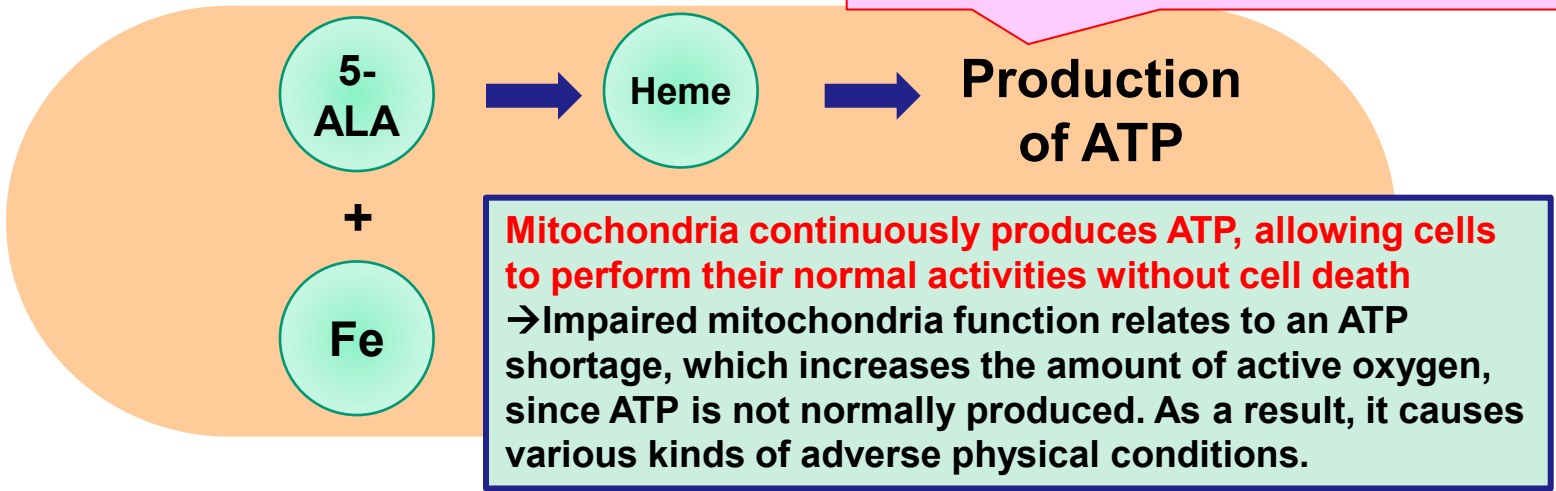


# The Principal Component ALA that the SBI Group is Advocating, has a Wide Range of Applications in Medical Drugs, Health Foods and Cosmetics

5-ALA = chemical name : “5-Amino Levulinic Acid”

## 5-ALA and energy generation in mitochondria

ATP(Adenosine Triphosphate):  
A common energy source for all organisms



5-ALA, a natural amino acid, is contained in all organisms. It is a precursor of heme, which is very important for energy production, and a fundamental substance of life



With reference to 5-ALA, while basic research on drugs to cure various diseases are proceeding, it is also being utilized in health foods and cosmetics. Also, with the elucidation of the physiological functions of 5-ALA, it is gaining attention for applications in a wide range of areas



# SBI Pharmaceuticals Engages in the Research and Development of 5-ALA-related Drugs

-Progress in the main pipeline of pharmaceutical products utilizing 5-ALA-

Fields		Pipeline projects	Current status			
			Phase I	Phase II	Phase III	Application
Diagnostic agent (PDD)	1	Peritoneal dissemination of gastric cancer*	Phase III is underway			Scheduled to complete in Oct. 2019
	2	Cisplatin nephropathy protection	Phase II is underway			Scheduled to complete in Sept. 2020
	3	Mitochondrial diseases*	Phase III is underway			Scheduled to complete in Jan. 2021
	4	Cardiac ischemia-reperfusion injury*	Under preparation for Phase II			Scheduled by each university hospital at Oxford, Leicester, Birmingham, and Cambridge in the UK
	5	Brain tumors* (by photodynamic)	Under preparation for Phase II			

\*Investigator-led trial



### ③ 5-ALA-related Business:

## Germany-based photonamic launched sales of 5-ALA related drugs in the US, following Europe

**-In the U.S. market, sales have been steady since the release in Oct. 2018-**  
photonamic:

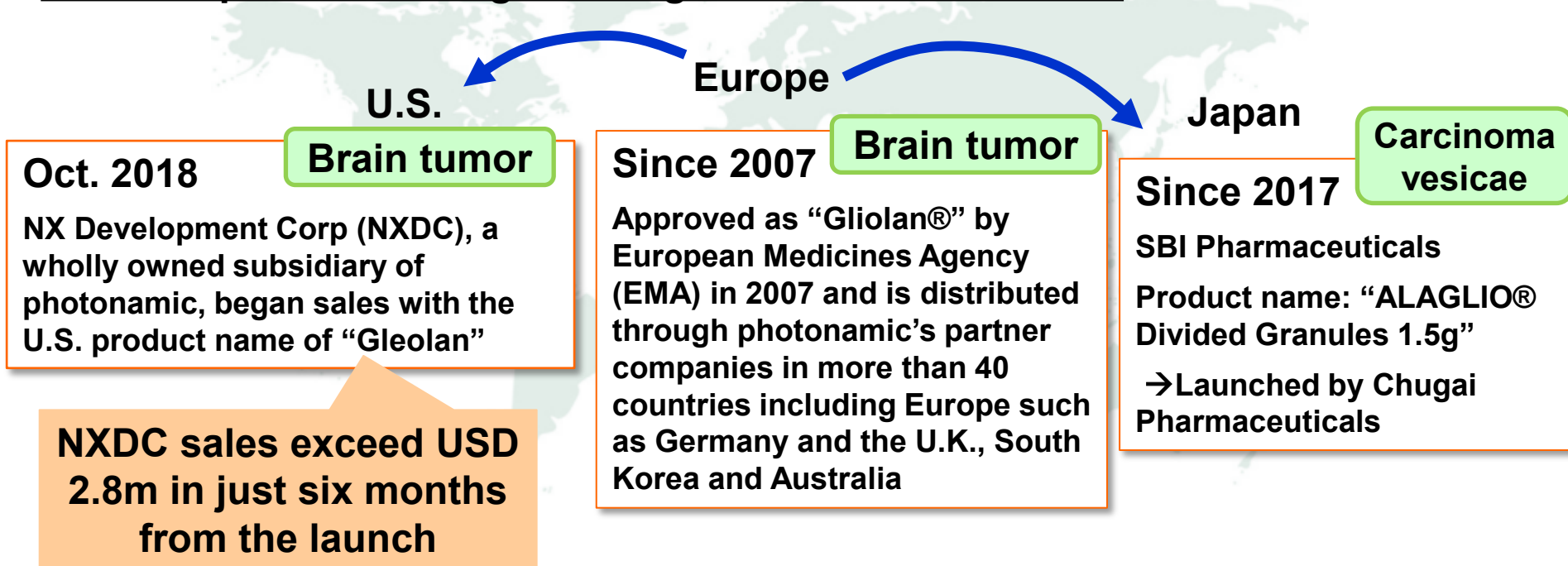
- ✓ Established in Mar. 2002 (Head office : Germany)
- ✓ Business: Development and sales of diagnostic and therapeutic drugs that use 5-ALA, primarily in Europe
- ✓ A wholly owned subsidiary of SBI ALApharma



### Products launched by photonamic:

- ① “Gliolan®,” a diagnostic agent for resection of brain tumor (malignant glioma)
- ② “Alacare,” a drug that treats actinic keratosis

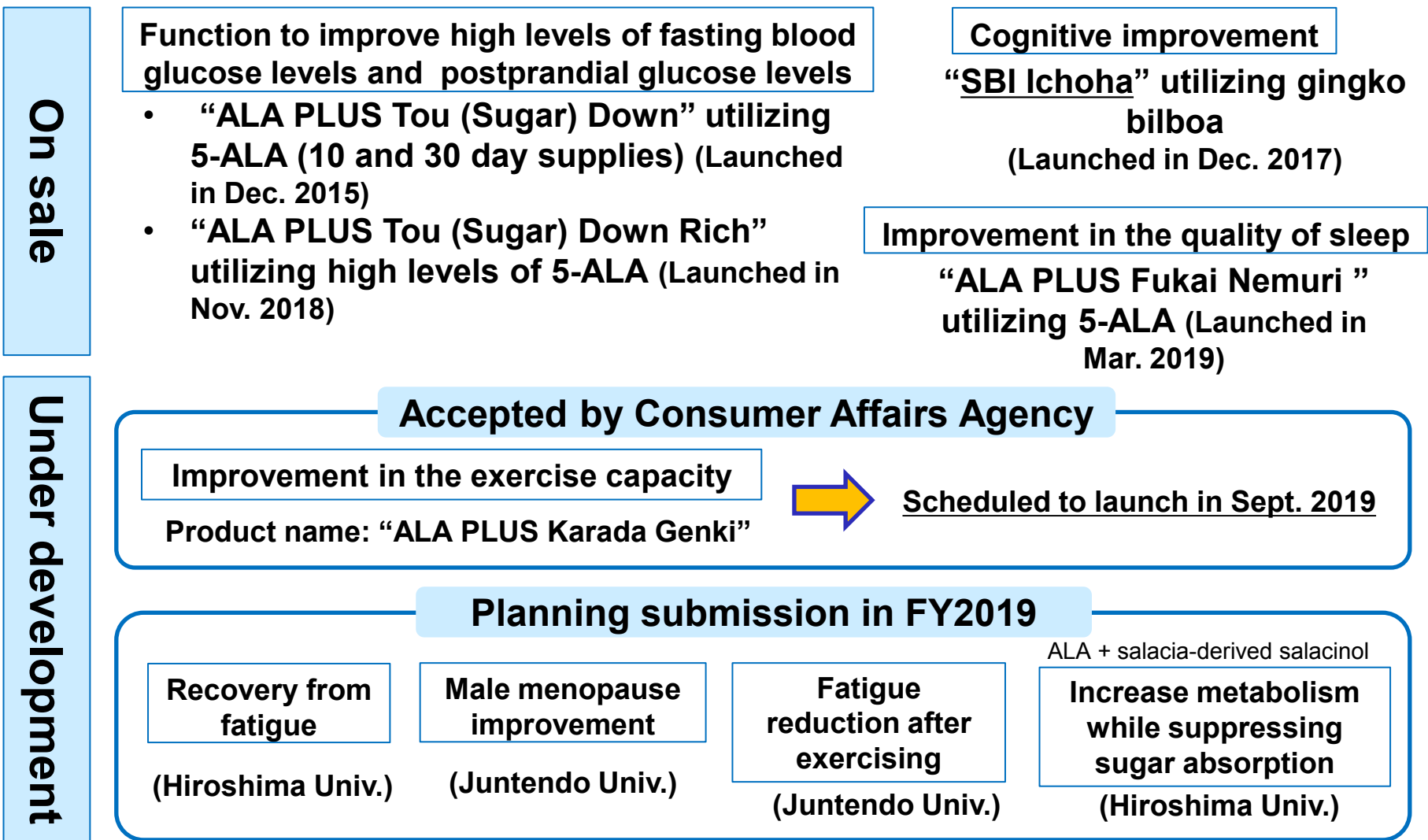
### Global expansion of diagnostic agent to visualize cancer:





# SBI ALApromo Accelerating the Development of New Foods with Functional Claims

Offering of foods with functional claims:

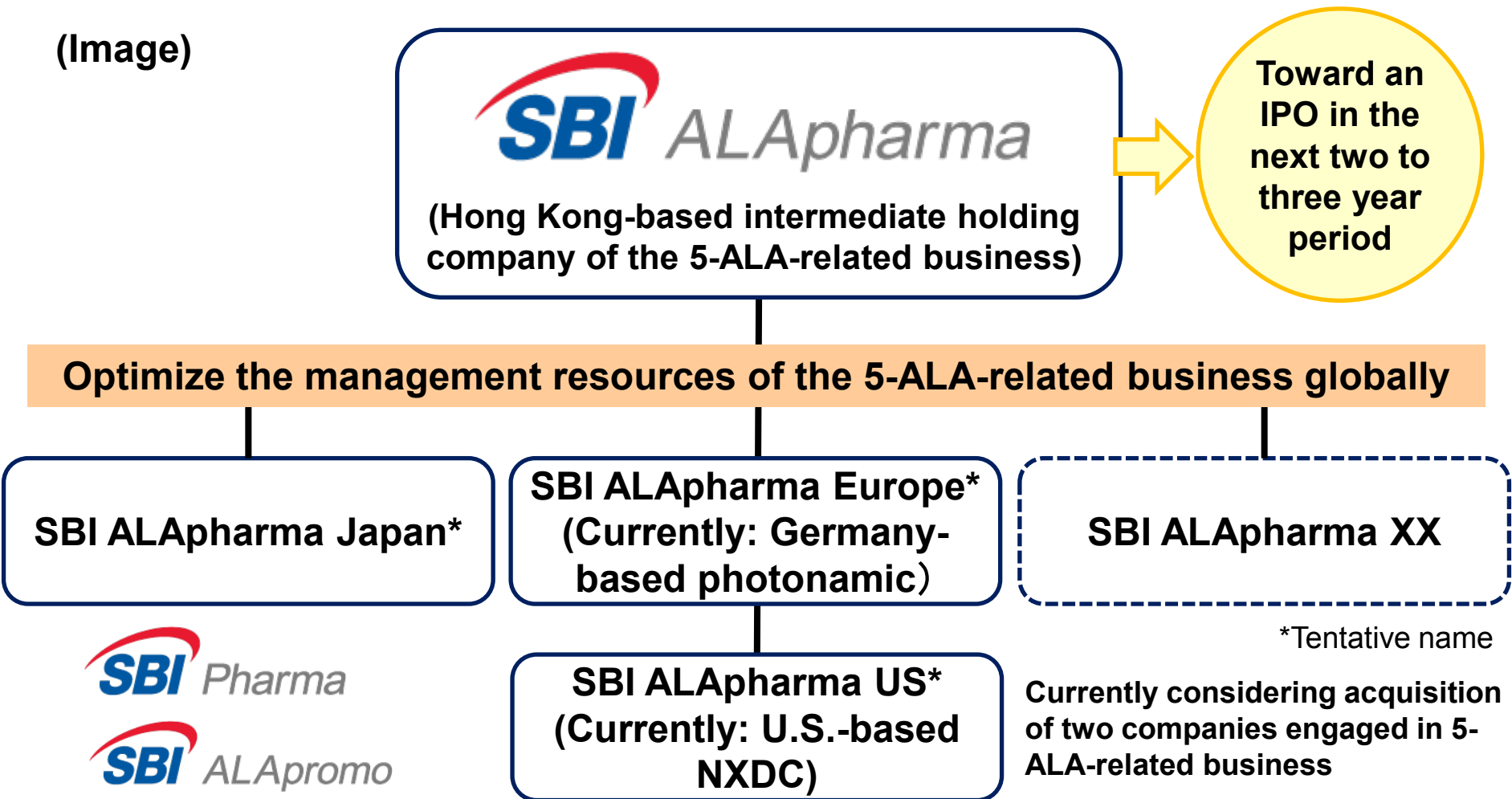




# In 5-ALA-related Business, Restructuring the Organizational Structure for an IPO in the Next Two to Three Year Period

Also considering strategic alliances and acquisitions with and of Western companies, to accelerate business expansion and to secure human resources

(Image)





- (4) The SBI Group's digital asset businesses are expected to become profitable, as institutional investors begin full-scale entry into the crypto-asset (cryptocurrency) market**
- ① Institutional investors' increasing expectations for crypto-assets (cryptocurrency)**
  - ② Progress in the digital asset-related businesses which were launched in 2016**
  - ③ New business that is in preparation to launch soon after this year's revisions in the crypto-asset-related regulations are announced**



# Changes in the Market Cap of Crypto-assets (Cryptocurrencies)



Crypto-asset is moving from a speculation-centered approach to a stage in which **actual demand and practicality** are pursued



# ① Institutional Investors' Increasing Expectations for Crypto-assets (Cryptocurrency)

- NEW RESEARCH FROM FIDELITY® FINDS INSTITUTIONAL INVESTMENTS IN DIGITAL ASSETS ARE LIKELY TO INCREASE OVER THE NEXT FIVE YEARS

(fidelity investments report, May 2, 2019)

## Surveyed

- 441 institutional investors in the U.S. including pensions, family offices, digital and traditional hedge funds, financial advisors, endowment and foundations

## Results

- 22% have already invested in digital assets
- 72% prefer to choose investment products involved in digital assets, going forward
- The study pointed out the importance of custodians related to digital assets

▶ Survey showed that traditional investors are also willing to invest in digital assets

- Global stock exchanges expecting money inflow into cryptocurrencies, expecting investment money flow by institutional investors

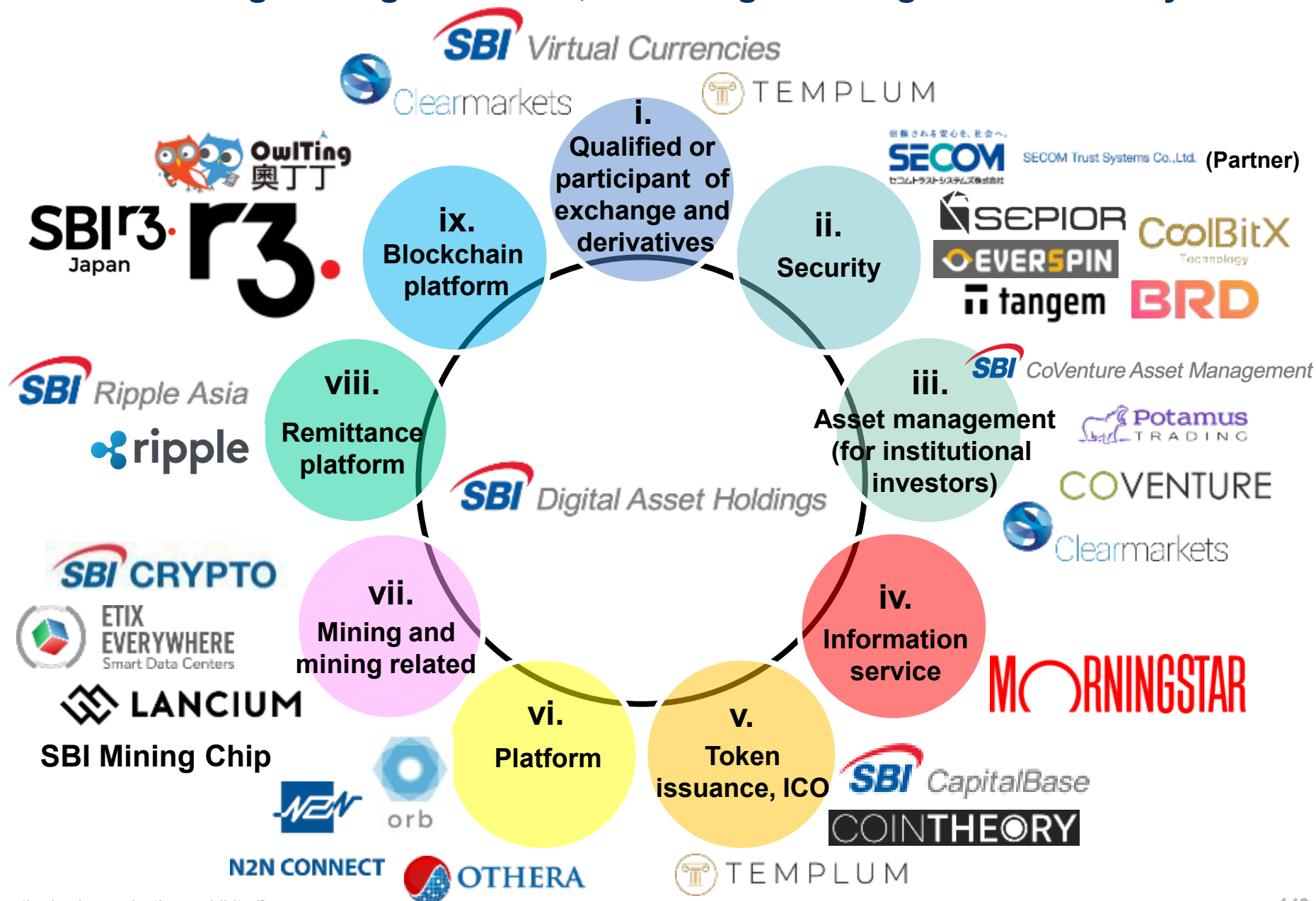
Global stock exchanges are approaching cryptocurrency. In addition to Nasdaq providing a trading system to cryptocurrency exchanges, the Intercontinental Exchange (ICE) has established a company to develop settlement infrastructure. Cryptocurrency may be regulated by each country, and may be widely utilized as assets backed by real estate and patents. Stock exchanges began to move in anticipation inflow of institutional money. (The Nikkei, Apr. 18, 2019)



- ② Progress in the digital asset-related businesses which were launched in 2016**
  - (i) Earnings forecast for the crypto-asset-related businesses**
  - (ii) Future initiatives for SBI Virtual Currencies that achieved a full-year profitability**
  - (iii) The mining business is expected to achieve profitability for the full-year**
  - (iv) Thoroughly promote Money Tap as an innovative service with high customer benefits for financial institutions**
  - (v) Full-scale efforts towards increasing financial services using Ripple's XRP and R3's Corda**



# The SBI Group has Established a New Financial Ecosystem Based on a Wide Range of Digital Assets, Including Exchanges and Security





## (i) Earnings Forecast for the Crypto-asset-related Businesses

(JPY billion)	Accumulated investment amount	Profit before tax forecast for FY2019
<b>SBI Virtual Currencies Co., Ltd.</b> [Crypto-asset (Cryptocurrency) Exchange]	<b>Approx. 2.0</b>	<b>Approx. 3.0</b>
<b>SBI Alpha Trading Co., Ltd.</b> [Crypto-asset Market-Maker]	<b>Approx. 4.2</b>	<b>Approx. 0.7</b>
<b>SBI Crypto</b> [Mining]	<b>Approx. 6.6</b>	<b>Approx. 0.7</b>
<b>Total</b>	<b>Approx. 12.8</b>	<b>Approx. 4.4</b>



## **(ii) Future initiatives for SBI Virtual Currencies that achieved a full-year profitability**

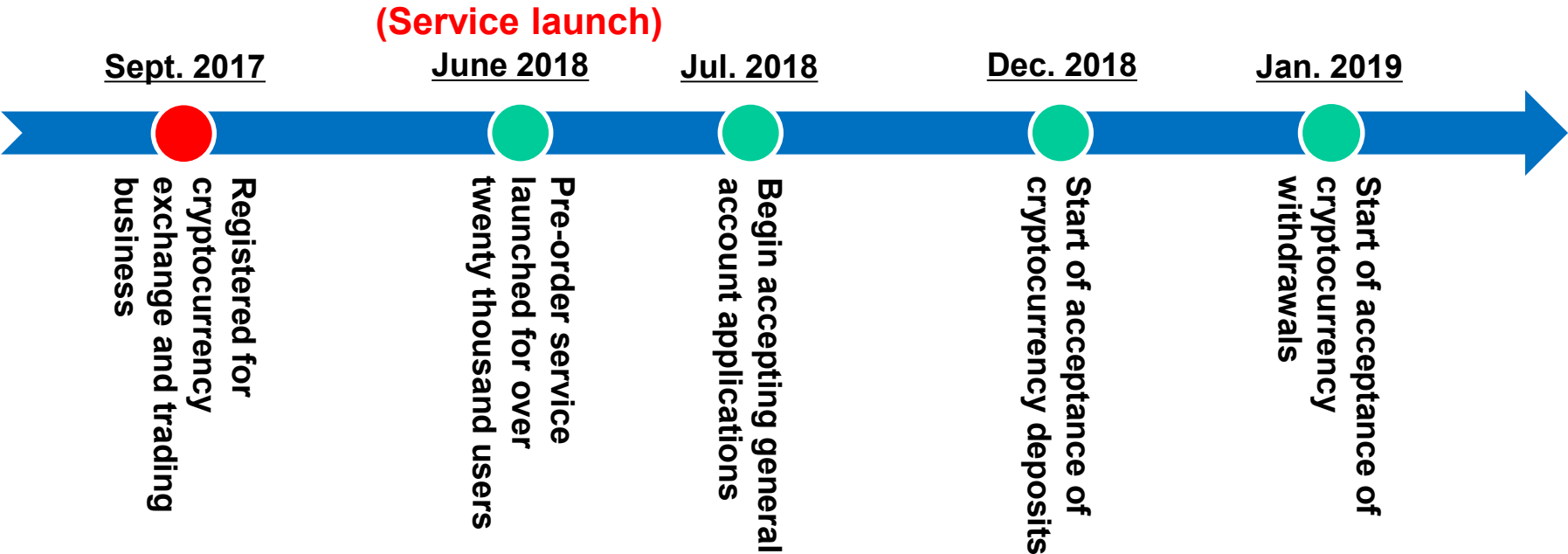


**SBI Virtual Currencies has Achieved a Full-year Profitability in the Initial Launch Year, by Thoroughly Utilizing Group Synergies**



**Achieved profitability in FY2018**

(Profit before income tax expense of approx. JPY 360m)





# Services that SBI Virtual Currencies will Commence Immediately Upon Changes in the Crypto-asset-related Laws and Regulations

- Exchange service**

In addition to complying with various regulations under the new law, private clouds will be introduced to enhance security. Therefore, the scheduled start date was changed from Mar. 2019 to July 2019
- Listing currency**

Listing currencies are decided upon internal rules including:

  - Market capitalization of more than JPY 500bn. (Small-size currencies are under risk of fraudulent transactions by 51% attack)
  - Does not have prospects of noxious hard-forks
  - Other factors including liquidity, safety and profitability

Contemplating a restructuring (including possible merger) with SBI FXTRADE, a FX OTC derivatives service provider, owing to the expected applicability of the provision of crypto-asset leverage trading (OTC derivatives trading) service, to be treated under Type 1 Financial Instruments Businesses

**Prioritizing customer asset protection, and continuously improving services**



**(iii) The mining business is expected to achieve profitability for the full-year**



# Established SBI Mining Chip for the Development and Manufacturing of Mining Chips and Systems

## Location & power resources



ETIX  
EVERYWHERE  
Smart Data Centers



LANCIUM

[Data center management,  
an SBI investee company]

[Mining by clean energy,  
an SBI investee company]

Expanding business in Europe, the  
U.S., Asia and other regions where  
electricity rates are low

➔ Through the diffusion of 5G and IoT going forward, the demand owing to the rapid increase of data transmission and reception is also expected

## Development & manufacture

***SBI Mining Chip Co., Ltd.***



Established solely to engage  
in mining chips/systems

Alliance with a major U.S.  
leading semiconductor company  
with a track record in this field

Through efficient, reliable and sustainable mining operations,  
the SBI Group will endeavor to gain a 30% hash rate to develop a sound  
and solid crypto-asset market

SBI Crypto's profit before income tax expense for Apr. (single month):  
JPY 100m

Full-year profitability may be reasonably expected to be achieved



**(iv) Thoroughly promote Money Tap as an innovative service with high customer benefits for financial institutions**



# Cashless Settlement is Spreading in Japan

## ■ 2 years ahead of government target of 40% cashless payment ratio

On the 11th, the Ministry of Economy, Trade and Industry (METI) decided to increase the ratio of "cashless settlement" paid by credit cards and electronic money to 40% by 2025. **Until now, the target was to be achieved by 2027, but it will be advanced by 2 years.** The ministry will set up a council of industry, government and academia by the summer to consider specific dissemination measures. The ministry plans to increase the ratio to 80% in the future by considering subsidies for card payment devices acquired by stores, tax breaks for consumers, etc. (Apr. 11, 2019, Nikkei online edition)

## ■ More than 100 payment service providers participate in The Point Reward Project associated with the tax hike

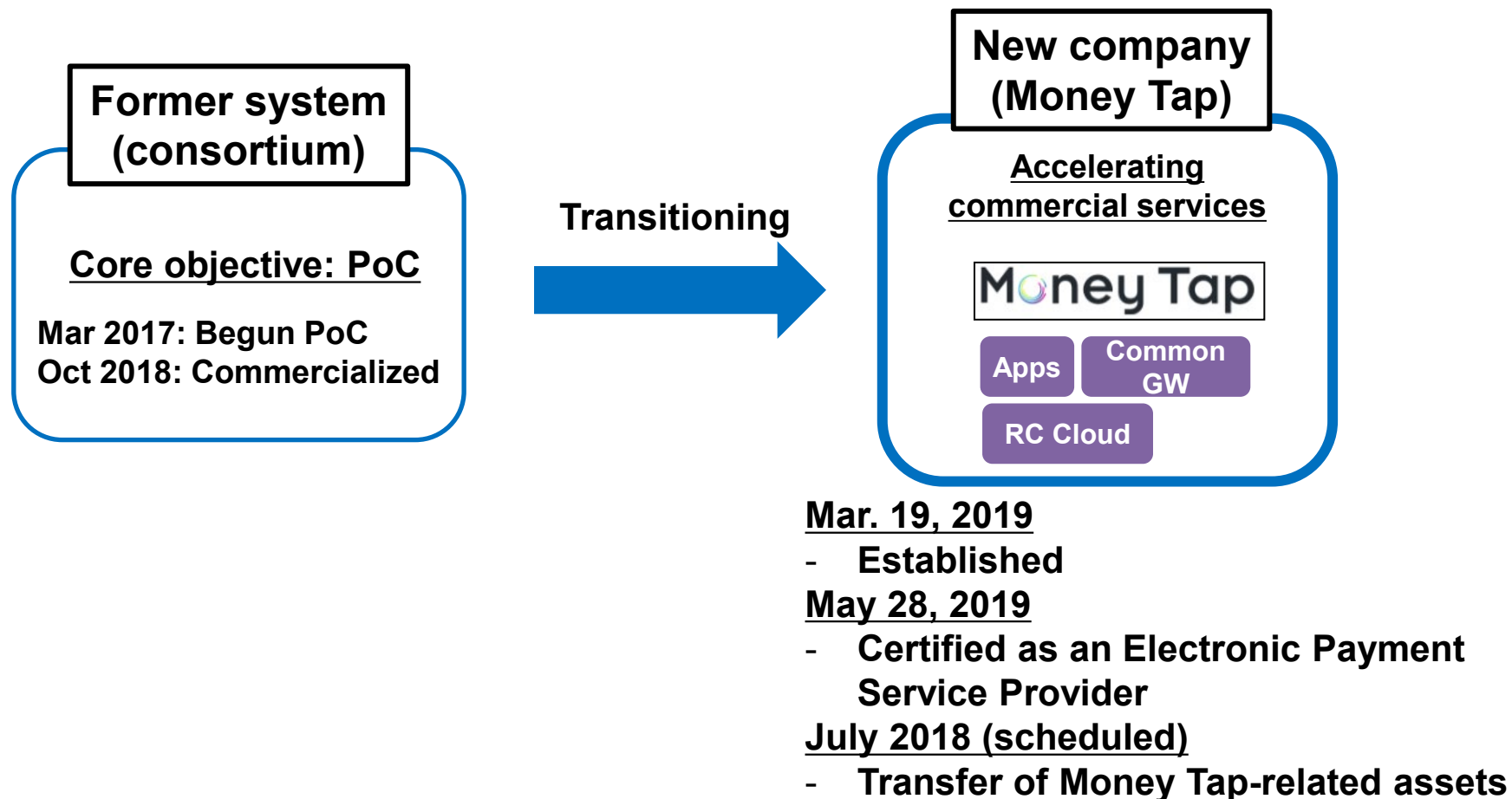
**The names of payment providers participating in the cashless payment, The Point Reward Project, associated with the consumption tax hike in October were announced** by METI on the 12th. (Abbrev) **At the moment, 116 companies are expected to participate.** (Abbrev) The Point Reward Project is a mechanism measure for small and medium-sized stores to return 5% to consumers, if they utilize credit cards or electronic money for their purchases of goods and services. Franchise stores will also return 2% to consumers. This will be implemented for 9 months, from Oct. 2019 to the end of June 2020. (Apr. 12, 2019, Nikkei online edition)

## ■ More than 80% of respondents to a consumer awareness survey replied that a cashless society would develop

Dentsu has compiled a survey on cashless payments. **Consumers who thought that "The world is moving toward a cashless society," increased to 86.9%.** Interest in cashless payments has been growing as the government moves toward The Point Reward Project for cashless payments, following the scheduled consumption tax hike in Oct. (Abbrev) **Even after the end of The Point Reward Project in June 2020, 74.1% of respondents replied that they "Will use a cashless settlement method."** (Apr. 24, 2019, NIKKEI BUSINESS DAILY)



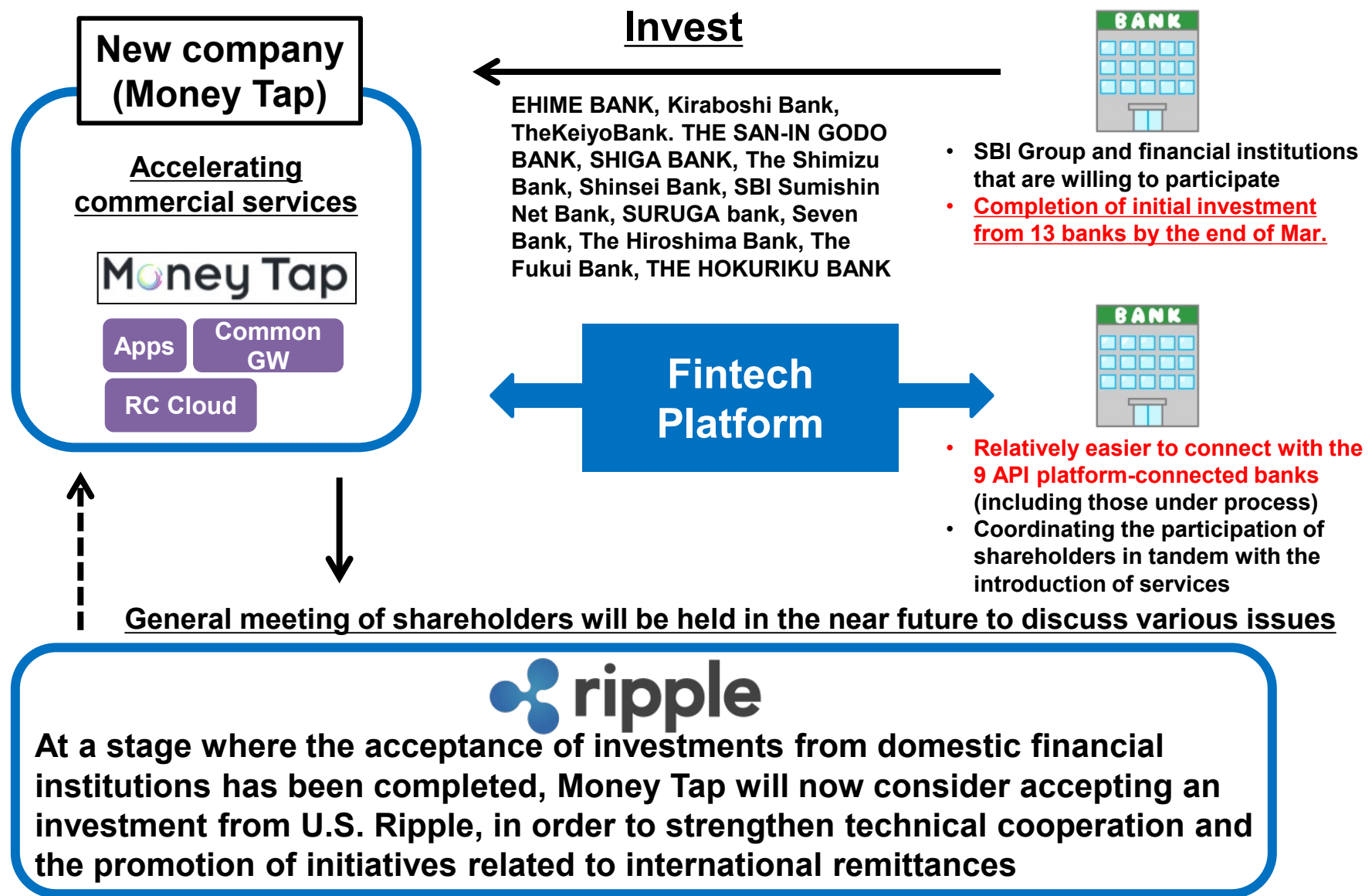
# In Order to Proactively Promote the Money Tap Business, the Consortium is Transitioning to a Company Structure ①



**By providing Money Tap solutions to as many financial institutions as possible at a low cost, will dramatically improve customer benefits**



# In Order to Proactively Promote the Money Tap Business, the Consortium is Transitioning to a Company Structure ②





## Money Tap's Superiority (Financial Institution Side) -Future Scalability and Feature-

### Transfer of existing banking transactions in addition to new demand

- Can easily transfer money between one's bank accounts, which has been done at ATMs up until now

### Initiatives led by banks / electronic settlement agents

- High external safety and reliability, owing to the banks being the main players
- Business scalability through banking license, including payroll and FX transfers

### Low structural cost since there is no need to charge or make account transfers

- Other companies' services that require pre-charging by credit card before use would cost high
- In the case of bank account linkage, most banks use online banking, and the cost is about JPY 5 -10 per transaction

Big data × Greater points of contact

- Settlement network utilizing Ripple's DLT "xCurrent" that does not require high maintenance costs, as with CAFIS
- Providing low-cost payment network 24/365 will significantly reduce payments by cash, which will save costs for banks by eliminating the need for ATMs
- No fee policy for small amount remittances (depending on the policy of each interconnecting bank)



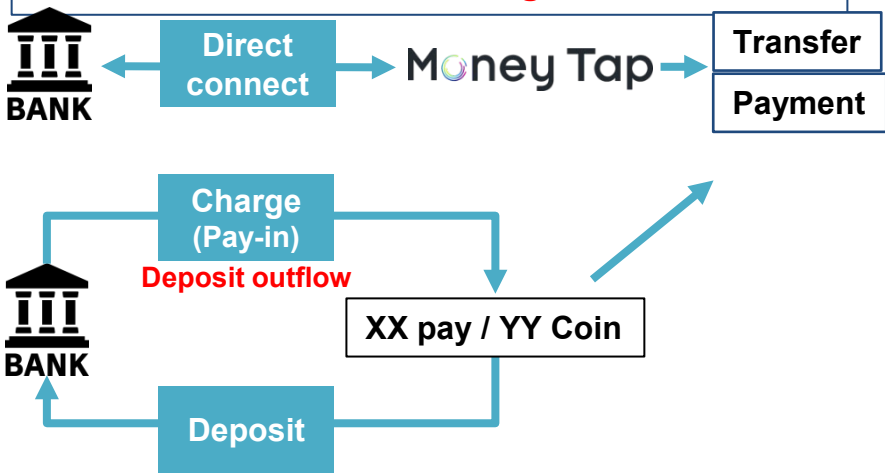
# Money Tap's Superiority (User Side)

## -Comparison with personal remittance service (XX pay / YY Coin)-

### Advantage ①

#### No charging necessary

- ✓ Compared to the pre-charge service Money Tap is offered **without effort** as it is linked directly to a bank account
- ✓ XX Pay/YY Coin require users to charge their account before they can make a money transfer or payment. **As a result, there will be a greater than necessary outflow from bank savings**

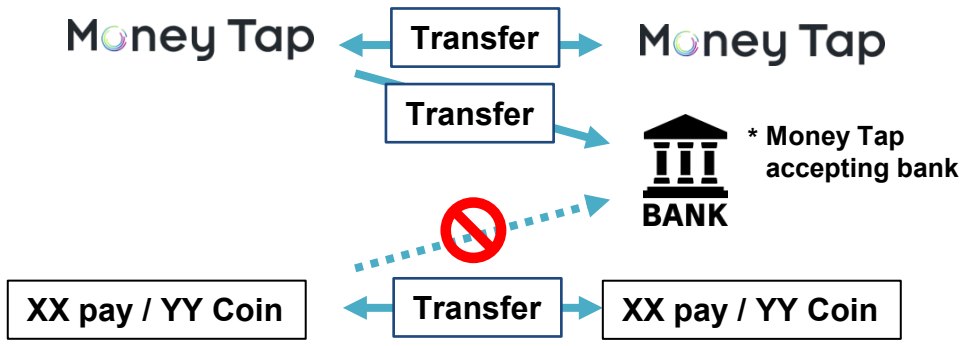


### Advantage ②

#### Counterpart does not need an app

- ✓ Money Tap enables direct money transfers to a bank account\* **even if the counterpart does not have the app**
- ✓ XX Pay/YY Coin can only send money between the same app

- Money Tap transfer methods
- Bank account (app required only for 1 side)
  - Phone number
  - QR code





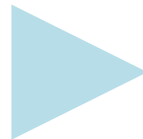
# Promote QR Code Merchant Payment Services Starting from 2019

**¥ 0**  
Initial costs



- Only to show the QR code shown at shops
- No need to buy or set up a special device

**Deposit as soon as the  
next day**  
Sales-deposit cycle



- Auto-deposit as soon as the day after payment
- Credit cards generally have twice-monthly deposits

**0.5% ~**  
Low payment fees



- Credit cards generally charge 3 - 5%
- Private-type QR payments often near 3% ("Free" campaigns also charge fees after campaign ends)
- Portion over 0.5% goes to profits

**Eliminates triple difficulties of card payments for the merchants, and benefits SMEs through a cashless process**



**(v) Full-scale efforts towards increasing financial services using Ripple's XRP and R3's Corda**

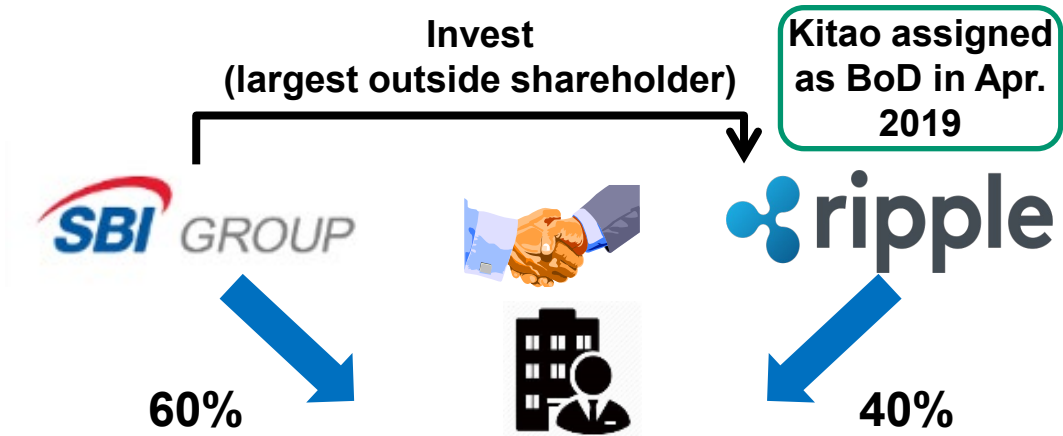


# Promoting Collaboration Between Ripple and R3, Companies with Technology Closest to a Global Standard

Money Tap



Providing solutions that has been jointly-developed with financial institutions using DLT



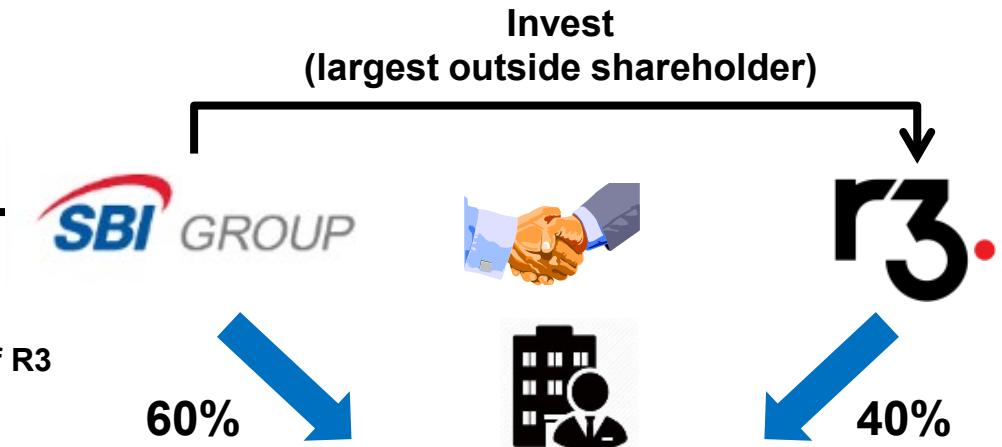
**SBI Ripple Asia (established in May 2016)**



Corda training program



Providing in Japan in lieu of R3 from Nov. 2017

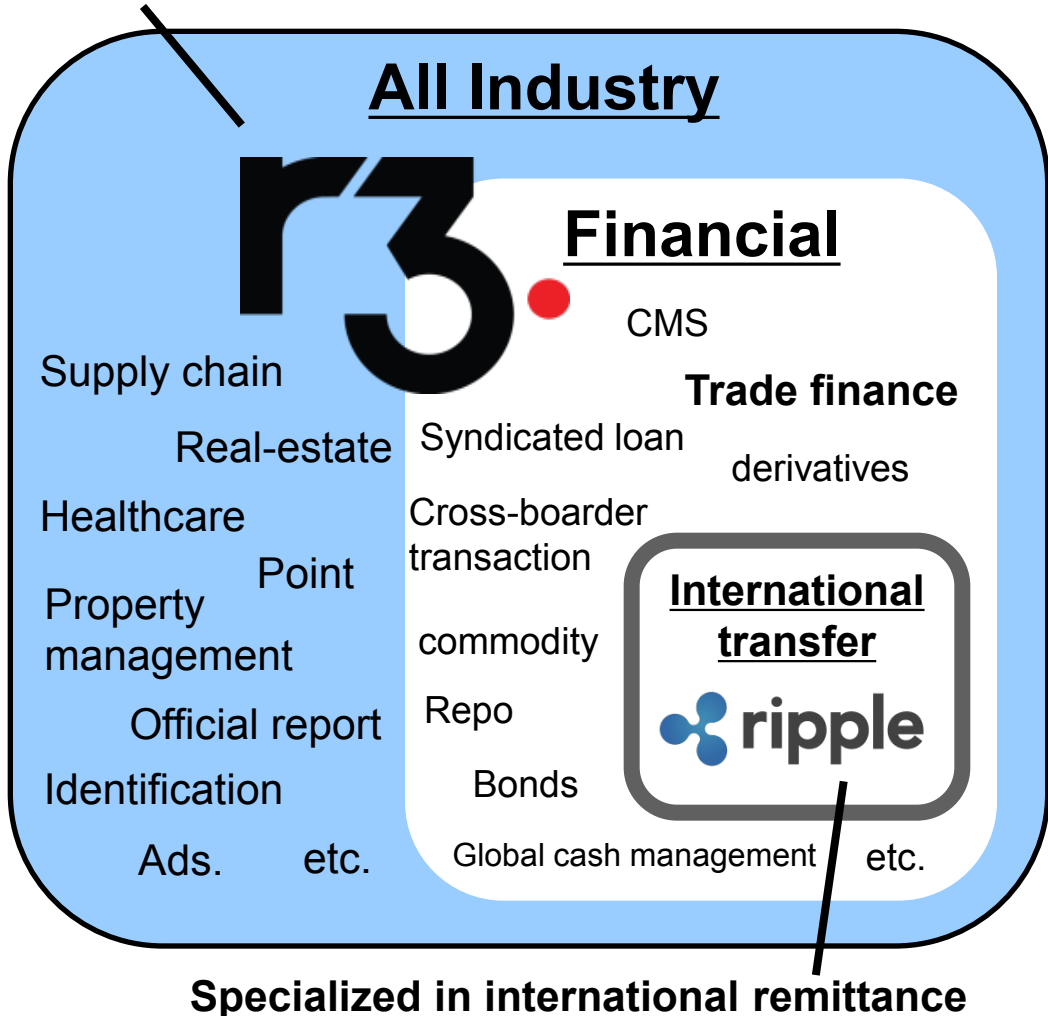


**SBI R3 Japan  
(signed contract & established in Jan. 2019)**



# Promote Establishment of Settlement System that Utilize Affinity of Company R3 and XRP

Developing projects that are not limited to the financial industry by using smart contract based technology



President Kitao's keynote talk at R3's CordaCon Tokyo in Mar. 2018

Declared full-scale efforts to

- Resolving the R3–Ripple legal dispute
- Developing financial services for use with Corda
- Leverage XRP using Corda

Sept. 10, 2018

- Settlement announced between R3 and Ripple

Dec. 5, 2018

- R3 releases XRP Settler that makes full use of XRP Ledger

Jan. 29, 2019

- JV announced between SBI Holdings and R3

**R3–Ripple solution:**

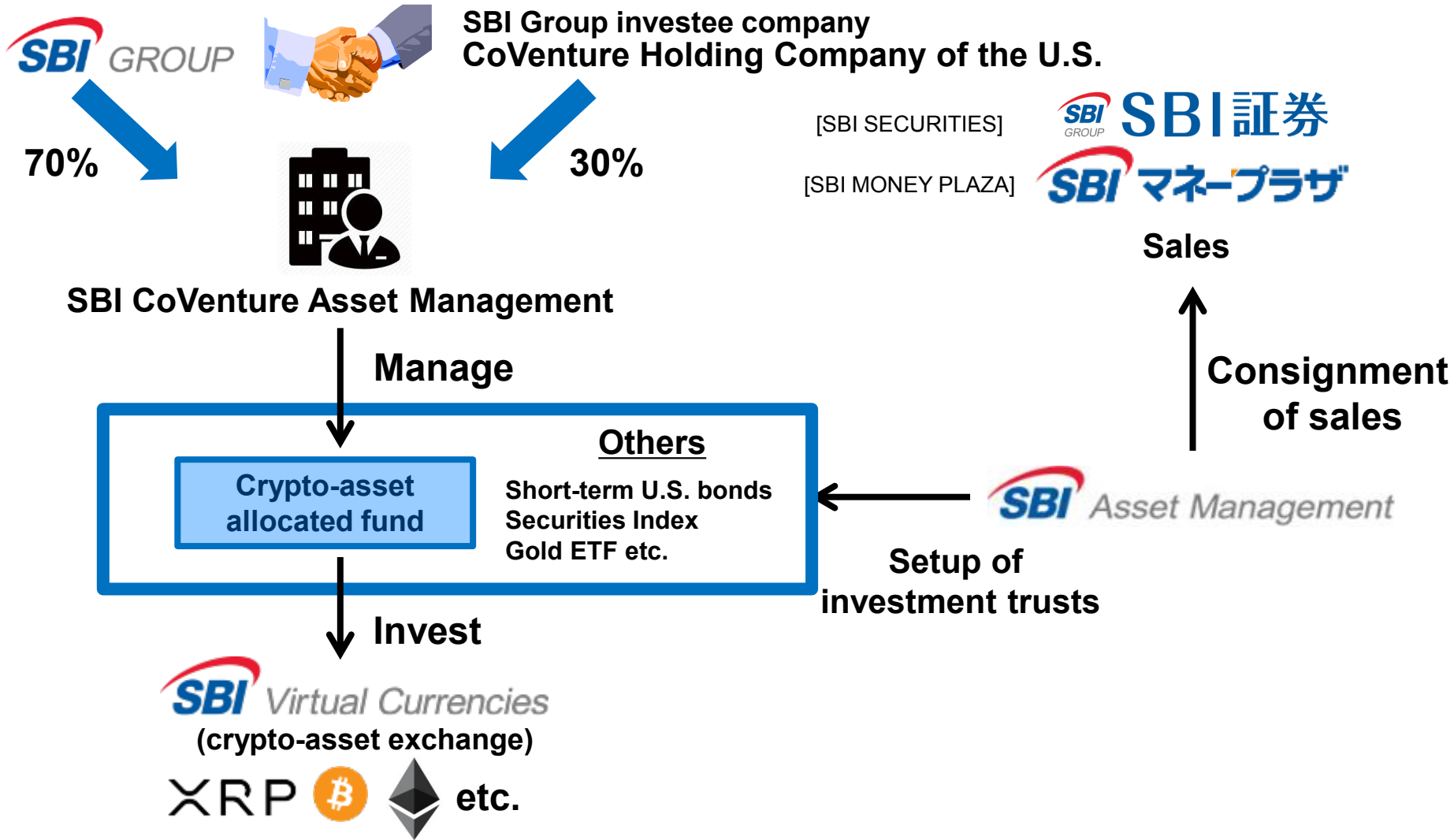
High potential to become a global standard for financial operations such as international money transfers and trade finance



- ③ New business that is in preparation to launch soon after this year's revisions in the crypto-asset-related regulations are announced**
  - (i) Establishment of a crypto-asset incorporated fund through a joint venture with U.S. CoVenture**
  - (ii) Considering a funding through a Security Token Offering (STO)**
  - (iii) Preparing the establishment of crypto-asset swap market**



# Preparations for a Crypto-asset Incorporated Fund Business was Completed, and the Establishment and Operation of the Fund will Promptly Begin Upon Final Revisions in the Law



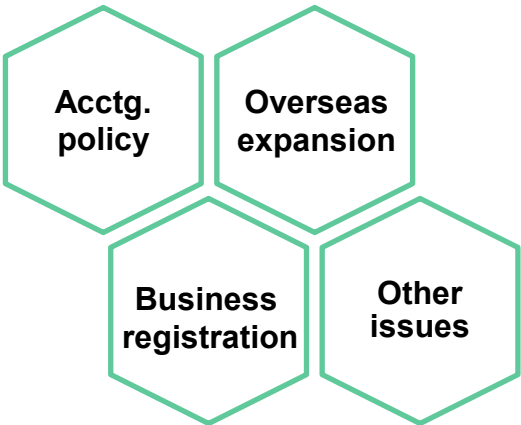


# Revisions to Crypto-asset-related Laws Expected by June 2019 would Expand Application of the Financial Instruments and Exchange Act to Financing Using Tokens

- Proposed revisions would establish and regulate transferable rights to electronic records (security tokens)
- Handling as a traditional “Paragraph 1 Security” would mean that disclosure rules and business regulations apply

Security Token Offering (STO) would become a valid financial instrument under the new law

Measures addressing issues surrounding STO implementation are clearing up



Considering large-scale financing by STO soon after the law revisions

- Overseas markets for tokens
- Solicited and sold by SBI SECURITIES, etc....





# Accelerating Efforts to Create a Swap Market to Expand Actual Demand for Cryptoassets



**Increased use and liquidity improvement of crypto-assets and crypto-asset derivatives are expected**



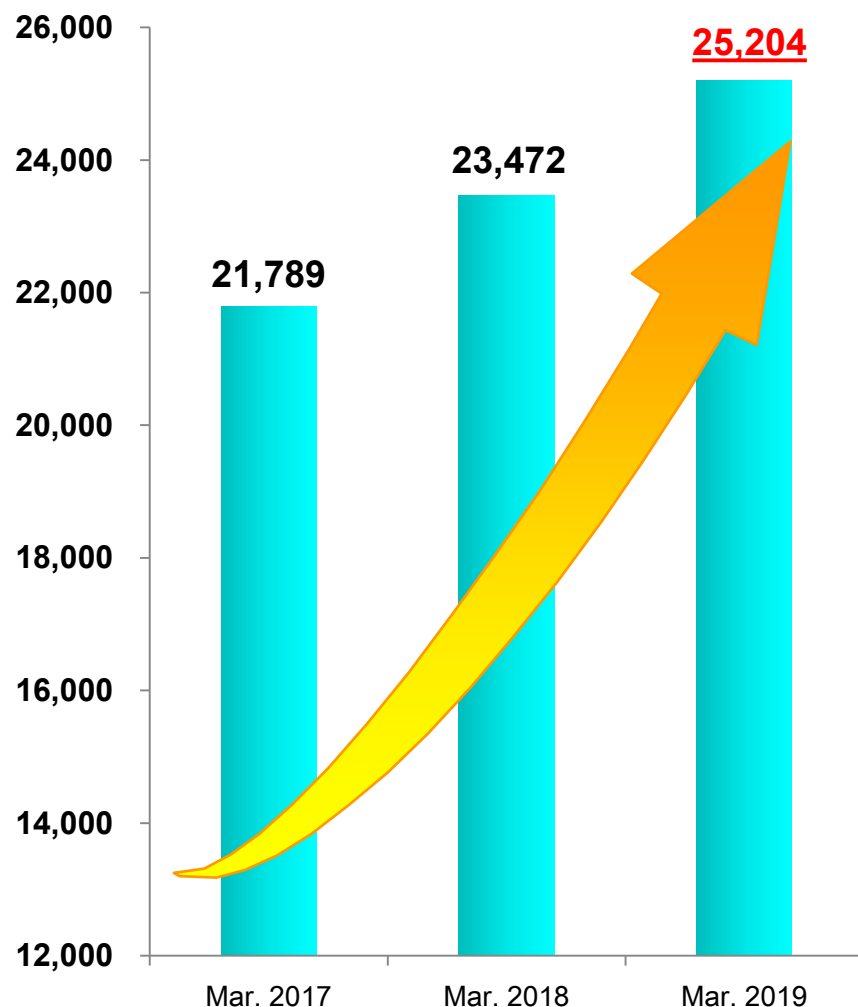
# **[Appendix]**

## **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

(Thousand)



## Breakdown of the Customer Base

(As of the end of Mar. 2019)<sup>\*1,2</sup> (Thousand)

SBI SECURITIES	(No. of accounts)	4,631
SBIH InsWeb	(No. of customers)	9,333
E-LOAN	(No. of customers)	2,572
MoneyLook	(Total no. of customer registrations)	946
Morningstar Japan	(Total no. of service users ) <sup>*3</sup>	895
SBI Sumishin Net Bank	(No. of accounts)	3,543
SBI Insurance	(Total no. of contracts) <sup>*4</sup>	1,052
SBI Life Insurance	(Total no. of contracts)	141
Others (SBI Point etc.)	-	2,091
<b>Total</b>	<b>-</b>	<b>25,204</b>

<sup>\*1</sup> The cases that customers who are not identified as the same person within each service website and overlapping customers among the Group companies are double counted.

<sup>\*2</sup> Owing to the reorganization, customer numbers of the Group companies, which were excluded from consolidation, are not included in the figures for the past customer bases.

<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	Mar. 2019
Consolidated subsidiaries (companies)	180	210
Consolidated partnerships (partnerships)	17	16
Total consolidated subsidiaries(companies)	197	226
Equity method companies (companies)	33	33
Total Group companies (companies)	230	259

## Number of consolidated employees

	Mar. 2018	Mar. 2019
Total employees (persons)	5,391	6,439



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