

# FINANCIAL SERVICES

## FINANCIAL SERVICES BUSINESS

### Leveraging FinTech and Other New Technologies, to Strengthen Earning Capacity through the Evolution of the Financial Ecosystem

#### Principal Companies

Intermediate Holding Company: SBI FINANCIAL SERVICES

SBI SECURITIES  
SBI Liquidity Market  
SBI FXTRADE  
SBI MONEY PLAZA  
SBI Benefit Systems  
SBI BITS  
SBI Japannext  
SBI Sumishin Net Bank  
SBI Insurance Group (Insurance holding company)  
SBI Insurance  
SBI Life Insurance  
SBI Resta SSI  
SBI IKI IKI SSI  
Nihon SSI  
SBI FinTech Solutions (formerly SBI AXES)  
SBI Remit  
SBI Social Lending  
SBI Business Solutions  
SBI Ripple Asia

#### Full-year Profit before Income Tax Expense of the Major Businesses of the Financial Services Business (based on IFRSs)

(Millions of yen)

	FY2015	FY2016
SBI SECURITIES (non-consolidated)	37,850	33,043
FX business (SBI Liquidity Market, SBI FXTRADE)	5,200	5,734
SBI Sumishin Net Bank*	3,385	3,185
Insurance business	265	1,920

\*Share of results of associates using the equity method  
Owing to the difference in IFRSs and JGAAP for asset assessment criteria, the profit amount is different from that based on JGAAP

#### Principal Initiatives in FY2016 and Future Priority Measures

##### Securities-related Business

- With the goal of expanding the corporate business, strengthening the stock and bond underwriting businesses, as well as creating a Financial Institutional Sales Dept., in order to deliver a variety of asset management products to financial institutions
- Focusing on business expansion in government-supported NISA and iDeCo fields, as a way to promote the shift "from savings to asset formation"
- Promoting the offering of new asset management services, through alliances with FinTech venture investee companies
- Targeting full-fledged introduction of blockchain into securities operations, by promoting demonstration tests and internal developments
- At SBI Japannext, preparations are underway for the launch of a JGB trading service utilizing the PTS, and trading volume is expected to increase, owing to the removal of margin trading restrictions for stocks on the PTS

##### Banking-related Business

- Continuing to build healthy balances in housing loans, centering on Internet Exclusive Housing Loan
- Enhancing customer convenience by starting an Internet conclusion type application service for group credit life insurance
- In addition to creating highly convenient services resulting from an expansion of the API economy through alliances with FinTech companies in and outside of the Group, moving to full-scale offering of a business loan service that leverages commercial transaction data

##### Insurance-related Business

- Started operations at SBI Insurance Group, an insurance holding company
- In non-life insurance, started sales of fire insurance, and is developing sales initiatives to pursue Group synergy
- In life insurance, developed a new group credit life insurance product, and started providing it to borrowers who take out housing loans at SBI Sumishin Net Bank
- Expanding the small-amount, short-term insurance business through the acquisition of Nihon SSI

## SECURITIES-RELATED BUSINESS

Through the Diversification of Revenue Sources, which We Focused on in the Medium-term, Established a Business Foundation that Ensures a High Level of Profits and is Capable of Withstanding Declines in the Stock Market



### Operating Revenue Reaches a Record High, as a Result of Diversifying Revenue Sources

SBI SECURITIES' consolidated financial results (JGAAP) for FY2016 resulted in operating revenue reaching another record high of ¥90.5 billion, up 0.8% year-on-year, with operating income of ¥38.0 billion, down 4.8% year-on-year, and net profit attributable to owners of the Company of ¥27.8 billion, down 1.0% year-on-year.

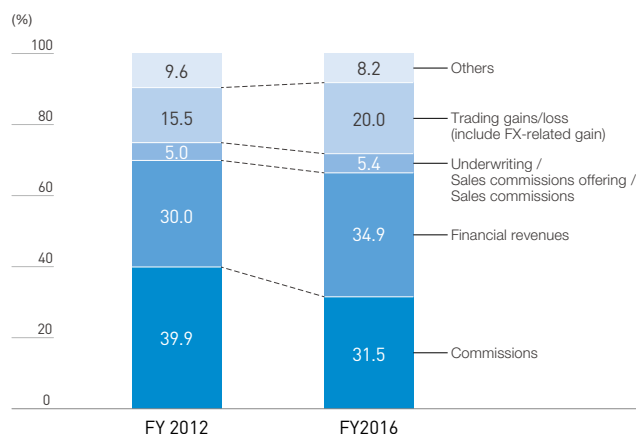
The business environment for the fiscal year was characterized by the continuation of a mild recovery in Japan, while an uncertain outlook hovered over the U.S. and Europe, owing to the political situation. Under these circumstances, the total individual stock brokerage trading value on the Tokyo and Nagoya Exchanges registered a sharp drop of 16.4% year-on-year. Nevertheless, despite the 9.1% year-on-year fall to ¥28.5 billion for SBI SECURITIES' brokerage commission income on individual stock brokerage trading, trading gains were up 37.1% year-on-year to ¥18.1 billion, as the result of increased foreign exchange

trading, which carried operating revenue at SBI SECURITIES to a record high. Accordingly, the diversification of the business' revenue source has lessened the dependency on commissions from individual stock brokerage trading.

The total number of accounts at SBI SECURITIES as of March 31, 2017, grew by 280,000 year-on-year to 3.84 million, while assets on deposit totaled ¥10.8 trillion. The number of accounts was not only the absolute top among online securities, but also ranked third overall in the Japanese securities industry, including face-to-face securities companies. The pace of growth in the number of accounts has been at a high level (a compound annual growth rate of 9.7% between June 30, 2011 and March 31, 2017), resulting in the expectation that SBI SECURITIES' customer accounts will shortly surpass that of second-ranked Daiwa Securities Co., Ltd., who leads by only a few multiples of 10,000.

Our share of the individual stock brokerage trading value at the end of the fiscal year was 34.7%, while the share of individual stock brokerage trading value for margin trading was at 35.9%. As for the margin transaction open balance, it was ¥799.2 billion,

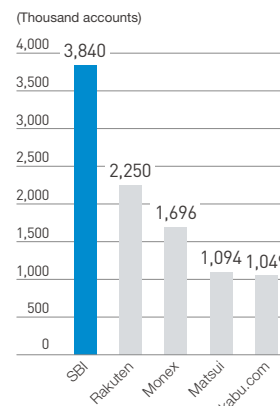
### Changes in SBI SECURITIES' Operating Revenue Structure



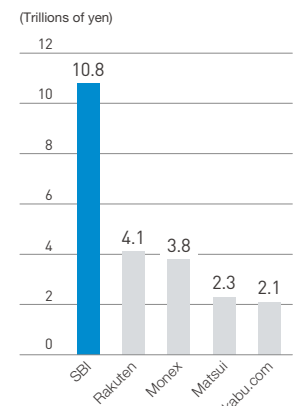
\*Based on JGAAP

### Number of Accounts and Amount of Customer Deposit Assets at Five Online Securities Companies

#### [Number of Accounts] (As of March 31, 2017)



#### [Customer Deposit Assets] (As of March 31, 2017)



Sources: Compiled by SBI SECURITIES from information on each company's website

a 17.9% increase from the previous fiscal year end, leading to the financial revenue for the fiscal year remaining high at ¥31.5 billion.

As for NISA, a tax-deferred mechanism for small investments introduced in January 2014, and Junior NISA, a program applying to minors that started in April 2016, SBI SECURITIES holds approximately 970,000 accounts as of March 31, 2017, putting it in a second place position overall in the securities business, including the major face-to-face securities companies. Although the NISA program seeks to attract new investment demand, participation at all securities companies from people with no previous investment experience remains below 30%. On the other hand, at SBI SECURITIES, new investors account for nearly 50% of all customers opening a NISA account, with beginner investors making up 66.5% of those new customers, thereby fulfilling the major role as a destination for placing NISA investments. At SBI SECURITIES, 65.3% of all NISA accounts are being used, which is above the industry average of 60.7%, making it a feature point.

## **Strengthening Systems and Product Marketability for Further Diversification of Revenue Sources**

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While taking advantage of the overwhelming customer base and sales capability that was established in the retail business, SBI SECURITIES is endeavoring to achieve higher growth through diversification of its product offerings, as well as through the expansion of its proprietary sales channels. Specifically with regard to iDeCo, an individual defined contribution pension plan whose market scale is expected to undergo a significant expansion through a general broadening in 2017 of almost all active working generations that are eligible to participate in the national pension plan, is being placed along with NISA as a major strategic product and a catalyst backed by the government's promotion of the shift "from savings to asset formation." In order to expand its iDeCo business, the SBI Group has formed a capital and business alliance with the Daiwa Securities Group, which has a wide-reaching sales system that includes a network of retail premises covering the entire country. In order to encourage more individual investors to take advantage of iDeCo, in May 2017, SBI SECURITIES changed its management fees for iDeCo to completely free of charge. Also, in June 2017, it incorporated SBI MONEY PLAZA as a subsidiary, a company that operates franchising of face-to-face shops covering the entire country. Among the financial intermediaries of SBI SECURITIES, SBI MONEY PLAZA boasts the largest scale of operations. In the future, while increasing synergies with SBI MONEY PLAZA, SBI SECURITIES will accelerate its business expansion with the goal of becoming a comprehensive securities company.

On the other hand, the corporate business, while seeking to expand its stock and bond underwriting, in an effort to increase its revenue, will start sales of various asset management products covering domestic and foreign bonds, as well as investment trusts. These products will be directed at financial institutions through the newly created Financial Institutional Sales Dept. In our business for financial institutions, as the first alliance case of securities intermediaries with regional banks, SBI SECURITIES

started a financial instruments intermediary service with The Shimizu Bank, Ltd., in March 2017. The company will be actively expanding its alliance relationships with regional financial institutions, and cultivating local clients. In addition, in terms of IPO underwriting, SBI SECURITIES was involved in the underwriting of 77 companies out of the 87 companies that listed on the Japanese stock exchanges during the fiscal year, accounting for an 88.5% participation ratio that kept it in the top position within the industry. Going forward, we plan to bolster our corporate business, not only through IPOs, but also through secondary public offerings of already listed companies.

On top of this, SBI SECURITIES will be creating new financial businesses as part of our aggressive activities to put new technology to use. In October 2016, an agreement was concluded for a business alliance with WealthNavi Inc., a FinTech venture and a SBI Group investee company. In January 2017, the alliance started to offer a customized robo-advisor service called "WealthNavi for SBI SECURITIES." Together with other alliances, including one with MONEY DESIGN Co., Ltd., we are establishing a support system for asset formation by neophyte investors. We are also moving forward on demonstration tests and internal developments, with an eye on full-scale introduction of blockchain in the securities business. In order to further develop the results of the demonstration tests, we have initiated the examination of a finance platform service to be designed along a collaborative eco-system model with other financial institutions.

With respect to the securities-related group company outside of SBI SECURITIES, SBI Japannext, the operator of a PTS (Proprietary Trading System), a unique system that offers after-hours and daytime trading in the Japanese stock market, plans to provide JGB trading through its PTS by the fall of 2017, and if regulations on margin trading of stocks are lifted on the PTS in the future, then we would expect an increased utility of the PTS that would lead to a further expansion of the trading volume.

## **Foreign Exchange Trading at the SBI Group Remains Healthy**

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In foreign exchange trading, the total foreign exchange trading accounts among SBI SECURITIES, SBI FXTRADE and SBI Sumishin Net Bank at the end of the fiscal year was 910 thousand, with total assets on deposit of ¥171.4 billion, a result that greatly surpassed all competitors. Against the backdrop of this overwhelming business foundation, the trading value has been strong at SBI Liquidity Market, which provides a foreign exchange market function and trading infrastructure. Operating income before allocation (JGAAP) to each of the SBI Group companies involved in trading grew 3.9% year-on-year, to a record high of ¥13.0 billion in FY2016. SBI FX, which was established as a Hong Kong overseas affiliated company in 2015, started a business for corporate clients in February 2017. By promoting expansion related to foreign exchange in Asia, SBI Liquidity Market has greatly improved the liquidity of foreign exchange trading in its business. Our goal is to establish an OTC market that boasts the world's highest liquidity.

## BANKING-RELATED BUSINESS

### The Mainstay Housing Loans Product Continues to Perform Well, Surpassing Competitors' Performance, while FinTech Based New Revenue Sources are being Created

Noriaki Maruyama

SBI Sumishin Net Bank, Ltd.  
Representative Director  
and President



#### Overwhelms the Competitors with a Deposit Balance that Exceeds ¥4 Trillion

SBI Sumishin Net Bank is a 50:50 joint venture between SBI Holdings and Sumitomo Mitsui Trust Bank, Limited, the largest trust bank in Japan. Since the commencement of its business, the bank's business base has steadily expanded. During the fiscal year, it added 240 thousand new accounts to reach a total of 2.83 million customer accounts, while the deposit balance grew ¥559.7 billion to ¥4,006.1 billion, as of March 31, 2017.

SBI Sumishin Net Bank is diversifying its asset management in response to the increase in the deposit balance. For its core product of housing loans, its principal offerings are the Internet Exclusive Housing Loan, which it provides as an agent for Sumitomo Mitsui Trust Bank, Limited, and MR. Housing Loan REAL, a banking agency specialized product. The bank also started a full-scale offering of the Flat 35 product in September 2015, through an alliance with the Japan Housing Finance Agency. In this way, SBI Sumishin Net Bank has expanded its product offering, and now provides an Internet conclusion type application service for group credit life insurance, covering customers applying for an Internet Exclusive Housing Loan. As a result of progress on initiatives with high customer utility, the bank has received strong support from its customers, and the housing loans balance surpassed ¥3.6 trillion in June 2017.

As loans for retail customers, particularly housing loans, continued their solid trend and revenue rose from market-related transactions, SBI Sumishin Net Bank's financial results for the FY2016 (JGAAP) were favorable, resulting in ordinary revenue maintaining the same level as the previous fiscal year at ¥57.9 billion, ordinary income increasing 25.6% year-on-year to ¥14.7 billion, and profit attributable to owners of the Company rising 17.3% year-on-year to ¥9.9 billion. SBI Holding's equity in earnings of SBI Sumishin Net Bank (IFRSs) amounted to ¥3.2 billion for the fiscal year.

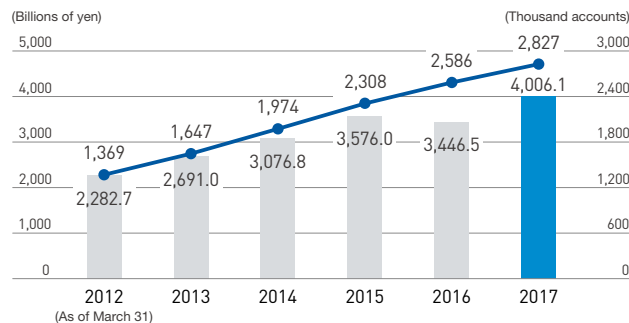
#### Launching New Products and Services through API Connection

A major policy of the banking-related business is to expand the API economy by forming alliances with investee companies of the SBI Group. As part of this policy, the business started its first alliance using Japan's first upgraded API\* with finbee in December 2016, an automatic savings service offered by NestEgg, Inc. Also, in February 2017 it started providing "WealthNavi for SBI Sumishin Net Bank," a customized robo-advisor service offered by WealthNavi, Inc. This service is the first domestic initiative to achieve a reference API intended for using an identity confirmation. Then, in March 2017, it launched the first service in Japan involving an API connection to a transfer linked function, as well as business loans with an alliance with Money Forward, Inc. Thereafter, in April 2017, it started an API connection to a transfer linked function with freee, cloud-based accounting software offered by freee K.K.

Business loan services, a promising new source of revenue, leverages FinTech by using commercial transaction data. In October 2016, the bank started offering the Lending 1 service for the 7,591 member credit card merchants (as of March 31, 2017) that use the credit card payment service of Zeus, a wholly owned subsidiary of SBI FinTech Solutions (formerly SBI AXES). Lending 1 enables loans to be executed in the shortest processing time of one day from application to execution, providing a prompt response to the aggressive financing needs arising from credit card merchants.

\*A method of connection, which enables service providers to transfer between primary accounts and sub-accounts, without holding a login ID, password, or personal information of a user.

Deposits and the Number of Accounts at SBI Sumishin Net Bank



■ Deposits (left axis) ● Number of accounts (right axis)

\* Amounts are rounded to the nearest ¥100 million



## INSURANCE-RELATED BUSINESS

### Reorganizing the Group's Insurance Business, while Preparing for a Public Listing



### Consolidating the Group's Insurance Businesses under an Insurance Holding Company

The SBI Group had been endeavoring to reorganize the insurance business under an insurance holding company, and in March 2017, upon receiving approval from the relevant authorities, the preparatory company began operations as SBI Insurance Group.

Insurance company reorganizations and mergers are proliferating in the Japanese insurance industry, owing to the shrinking of the insurance market amidst a declining population, and the changing needs of consumers. In response, insurance products and sales channels are expected to diversify or develop into hybrid structures. The current reorganization places six companies that operate insurance businesses, namely SBI Insurance, SBI Life Insurance, SBI SSI Holdings, SBI Resta SSI, SBI IKIKI SSI, and Nihon SSI, within SBI Insurance Group. The purpose of this move is to lift corporate value by reducing costs and exploiting synergies through the consolidation of management functions, in light of the outlook. SBI Insurance Group intends to establish an insurance group for the new era, which develops and offers insurance products and services that provide greater benefit to customers by conducting integrated business operations within SBI Insurance Group, by promoting corporate alliances outside of the Group, and applying FinTech. In addition,

discussions are currently underway that will lead to a stock exchange listing of SBI Insurance Group.

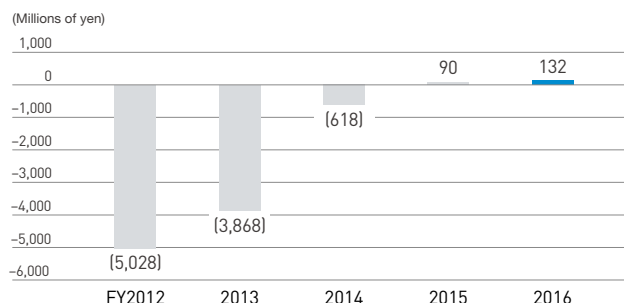
### Steadily Expanding the Business Scale of Non-life Insurance, Life Insurance and SSI Companies

With regard to the status of the insurance businesses at the end of the fiscal year ended March 31, 2017, SBI Insurance's auto insurance, in terms of the number of outstanding policies, grew 11% as compared to that of March 31, 2016, to 910 thousand policies, while insurance premium income was maintained at a high growth rate of 12% year-on-year, to ¥32.2 billion. The combined ratio, on a direct insurance basis, fell 4.4 percentage points to 91.2%, allowing the company to sustain a position to more comfortably generate profits.

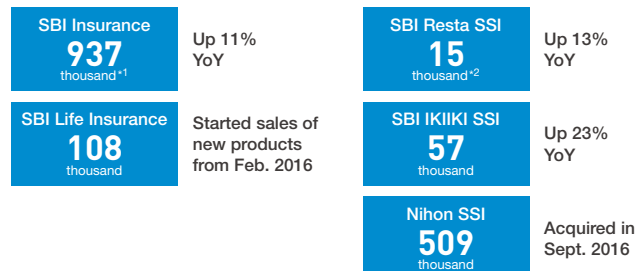
By continuing to maintain its double-digit growth in the number of policies, SBI Insurance must include a corresponding policy reserve in its financial reporting. Nevertheless, the company was able to extend its positive figure in profit before income tax expense (IFRSs) that was first achieved in FY2015, after nine years of operation, to ¥132 million, a 46.7% year-on-year increase.

Moreover, as a core support for new revenue, the company developed a fire insurance product that keeps premium costs down by reducing sales costs, and it has started sales with

#### SBI Insurance's Profit before Income Tax Expense (based on IFRSs)



#### Number of Contracts of the Group's Insurance Companies (As of March 31, 2017)



\*1 Including number of auto insurance policies at SBI Insurance

\*2 Number of Earthquake Indemnity Insurance Resta

SBI Sumishin Net Bank, which handles a large volume of housing loans.

At SBI Life Insurance, reduced costs and stable investment management have made up for the rising costs accompanying new product sales, and ordinary income (JGAAP) for the fiscal year therefore rose 8% year-on-year to ¥1.6 billion. The company developed a new group credit life insurance product as a crucial future strategy, and it has begun full-scale marketing of this product to borrowers who take out housing loans with SBI Sumishin Net Bank, and has also started mutual sales with SBI Insurance as it develops measures in pursuit of Group synergies. SBI Life Insurance is also actively supporting FinTech applications. Examples include a tie-up with FINC Inc., a healthtech venture, on developing personal insurance products to suit individual customers' risks and characteristics, and the launch of health management products that cover self-insured policyholders.

In the small-amount, short-term insurance (SSI) business,

through the acquisition in September 2016 of Nihon SSI, which sells home content insurance to renters and insurance for motorcycles and bicycles, the business has turned into an SSI group that handles a wide variety of insurance products, from the first to the third sector. In the SSI field, the related Group companies all expanded steadily during the fiscal year. SBI Resta SSI, which provides earthquake indemnity insurance, increased its number of policies in this market by 13% year-on-year to 15 thousand, SBI IKIKI SSI, which offers mortality insurance and medical insurance, grew its policy count by 23% year-on-year to 57 thousand, and Nihon SSI had a 7% annual growth in policies to 509 thousand contracts. Also, the SSI business will continue to expand its product offering, such as pet insurance, which SBI IKIKI SSI is proceeding to develop, conditioned on approval by the relevant authorities, along with strengthening sales capabilities by such activities as mutual cross-selling among the three SSI companies.

## OTHER FINANCIAL SERVICES BUSINESS

### The Group's FinTech-related Companies Pushes Ahead on Business Expansion

SBI FinTech Solutions (formerly SBI AXES), which has been expanding its payments business since the dawn of the Internet era, is a holding company with general payment services providers Zeus and AXES Payment under its aegis. As a result of the high affinity between these e-commerce businesses and FinTech, the SBI Group conducted a restructuring in April 2017, in which the three FinTech-related businesses of SBI Remit, SBI Social Lending and SBI Business Solutions were reorganized into subsidiaries of SBI FinTech Solutions. The dual purpose of this move was to accelerate growth by focusing on the existing e-commerce payment business together with FinTech-related businesses, and to enhance corporate value by rolling out services with high utility to customers.

SBI Remit, which operates an international remittance business, newly under SBI FinTech Solutions, is able to transfer money to over 200 countries and regions in 10 minutes at the earliest. It maintains alliances with MoneyGram International, Inc., a major international remittance provider in the U.S., and major financial institutions located throughout Asia. The money transfer services between SBI Remit and The Siam Commercial Bank Public Company Limited, the largest private bank in Thailand, makes use of the next generation settlements platform (Ripple Solution) from Ripple of the U.S., to provide international remittance services founded on distributed ledger technology, with plans to employ virtual currencies in settlements.

SBI Social Lending provides social lending services that connect investors to borrowers through the Internet. Its activities include construction finance for renewable energy generating facilities, and finance for lesser-developed countries, such as the Philippines. A balance is maintained between these social activities and social contributions, with an expected operating return of roughly 6% to 7% and an achievement of social return. As a result, the operating loan balance at the end of the fiscal year ended March 31, 2017, surpassed ¥10 billion to reach ¥11.2 billion, resulting in its first full-year profitability since its establishment. Furthermore, all subsidiaries in the Financial Service Business are profitable, except for those subsidiaries established in the past two years.

SBI Ripple Asia is a joint venture with Ripple of the U.S., an investee company of the SBI Group that develops a next generation settlement platform. This venture is promoting the building of domestic and next generation international remittance systems that enable a large reduction in remittance costs, and facilitates a 24-hour real-time payment system. SBI Ripple Asia serves as the organizer of the "The Japan Bank Consortium" composed of 61 participating financial institutions in Japan (as of July 2017). The consortium has completed demonstration tests of a settlement platform (RC Cloud) that can centrally manage domestic exchange, in addition to foreign exchange services. This is a Japan-originated and world-first initiative, which implements the next generation payments platform in the cloud, namely "Ripple Solution," which is scheduled to initiate commercial use before the end of 2017.

# ASSET MANAGEMENT

## ASSET MANAGEMENT BUSINESS

Strengthening the Business Foundation to Expand Asset Management to a Global Scale, and to Secure Sustainable Profit Sources

### Principal Companies

Intermediate Holding Company: SBI Capital Management

SBI Investment  
SBI FinTech Incubation  
SBI Ven Capital  
SBI Investment KOREA  
SBI SAVINGS BANK

Intermediate Holding Company: SBI GLOBAL ASSET MANAGEMENT

Morningstar Japan  
SBI Asset Management  
SBI Bond Investment Management  
SBI Gold

### Full-year Performance of the Asset Management Business by Major Business Lines (based on IFRSs)

#### Private Equity Investment

SBI Investment and funds under its aegis (Billions of yen)

	FY2015	FY2016
Revenue	18.8	10.7
Profit before income tax expense	11.7	4.1

#### Overseas Financial Services Business

SBI SAVINGS BANK and other overseas companies (Billions of yen)

	FY2015	FY2016
Revenue	43.2	52.2
Profit before income tax expense	4.6	6.1

#### Asset Management Services Business

Morningstar Japan and other companies (Billions of yen)

	FY2015	FY2016
Revenue	4.1	4.3
Profit before income tax expense	1.4	1.4

### Principal Initiatives in FY2016 and Future Priority Measures

#### Venture Capital Business

- Expansion of investments in FinTech, and other new technology fields at SBI Investment through the FinTech Fund
- Total capital commitment of up to ¥25.0 billion for the jointly established corporate venture capital (CVC) funds, as well as the establishment of an anticipated new CVC fund in FY2017
- Promotion of investments abroad, utilizing the Group's established global network

#### Asset Management Services Business

- SBI Bond Investment Management established and operates a bond fund, with lower trust fees than the average bond fund of the same category
- Morningstar Japan provides investor-oriented financial information from a neutral, objective perspective as a business that supports customer-oriented business operations
- Promoting the enhancement of the asset management capabilities of partner regional financial institutions, through joint establishment of an asset management company that utilizes the SBI Group's expertise

#### SBI SAVINGS BANK

- SBI SAVINGS BANK of South Korea achieved a record high net income (KGAAP) for the fiscal year ended December 31, 2016
- In partnership with DAYLI Financial Group Inc. (formerly Yello Financial Group Inc.), introduced a screening model that utilizes FinTech technology

## VENTURE CAPITAL BUSINESS

### The Concept of “from Japan’s SBI to the World’s SBI” Being Realized through Investments. Establishing a Strategic Investment Structure to Ensure Future Investment Recovery

#### Katsuya Kawashima

SBI Investment Co., Ltd.  
Representative Director  
and President

SBI Capital Management  
Co., Ltd.  
Representative Director  
and President



### Expansion of Venture Investments Domestically and Abroad

SBI Investment is a core company of the Asset Management Business that operates and manages venture capital funds. Since its establishment in 1999, the SBI Group has expanded its venture investments, primarily in the IT, biotechnology and environmental/energy sectors, which are positioned as the core industries of the 21st century. The Group has invested in a cumulative total of 1,242 companies in Japan and abroad, as of March 31, 2017, of which 214 companies completed either IPOs or M&A deals, resulting in a high exit ratio of 17.2%. The cumulative number of investee companies of venture capital funds operated and managed by SBI Investment is 746, as of March 31, 2017, of which 143 companies had exited, resulting in an exit ratio of 19.2%.

The Group’s assets under management, including private equity, amounted to ¥147.6 billion (excluding both cash and committed amounts to be paid in), as of March 31, 2017. The proportion of overseas assets under management is 65%, indicating that the concept of “from Japan’s SBI to the World’s SBI” is being realized through investments.

The SBI Group as a whole currently operates 20 funds in Japan and 32 funds overseas (as of the end of June 2017). The Group executed investments totaling ¥42.5 billion in 133 companies in FY2016, including investments through these funds.

In Japan, the Group is actively investing in the FinTech field, primarily through the industry’s first FinTech Fund, established in December 2015 with a total commitment amount of ¥30.0 billion,

including participation by 28 regional financial institutions, Mizuho Bank, Ltd. and SoftBank Group Corp. The SBI Group has already decided to invest ¥15.0 billion from the Fund, and ¥11.0 billion from SBI Holdings and other funds (as of the end of June 2017), in a total of 49 FinTech venture companies. Also, the Group has jointly established CVC funds with a total of three companies, including INTAGE HOLDINGS Inc. and Nikon Corporation, and each partner company is actively investing in venture companies that offer promise of business synergies.

Overseas, the SBI Group is investing aggressively, and in FY2016 the Group started operations of No. 2 Funds in Taiwan and Brunei, and the operation of a new fund in partnership with Vertex Ventures in Israel. In South Korea, SBI Investment KOREA is increasing the commissioned fund management business.

### The SBI Group’s Assets Under Management <sup>\*1,2</sup> (As of March 31, 2017)

#### Private equity, etc. ¥253.7 billion

(Including ¥106.1 billion of both cash and commitment amount to be paid in<sup>\*3</sup>)

(Billions of yen)

Breakdown by industry		Breakdown by region	
IT / Internet	38.0	Japan	51.4
Biotechnology / Health / Medical	15.0	China	20.6
Services	10.8	South Korea	33.2
Materials / Chemicals	1.4	Taiwan	1.0
Environmental / Energy	13.9	Southeast Asia	8.4
Retail / Food	8.9	India	4.6
Construction / Real estate	1.0	U.S.	20.8
Machine / Automobile	6.2	Europe	1.5
Finance	37.5	Others	6.0
Others	14.9		
Total	147.6	Total	147.6

#### Investment trust, etc. ¥282.1 billion<sup>\*4</sup>

(Billions of yen)

Investment trusts	188.9
Investment advisories	88.6
Investment companies	4.6

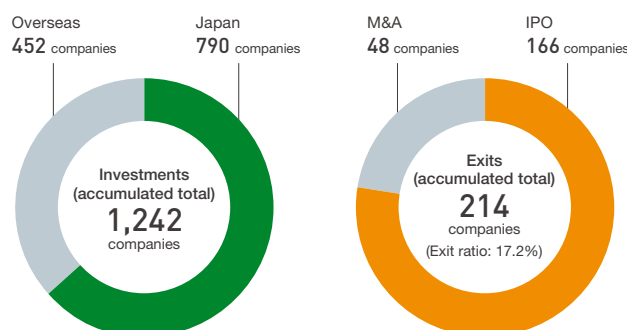
<sup>\*1</sup> Calculated by the exchange rate as of the end of March 2017.

<sup>\*2</sup> Amounts are rounded to the nearest ¥100 million.

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

<sup>\*4</sup> As for the 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 ¥30.0 billion.

### Number of SBI Group’s Investments and Exits





## Focusing on the Enhancement of Investee Companies' Value, to Realize High Fund Management Performance

SBI Investment has also been enhancing its system to effectively support the growth of its investee companies. Following the investment, the company takes a full hands-on approach to help develop the investee companies, with proposals of strategies appropriate to their business stage to help build internal controls, as well as by dispatching executives as directors.

When an investee company reaches the IPO stage, SBI Investment leverages SBI SECURITIES and SBI MONEY PLAZA's operations, with their overwhelming customer base, and for overseas expansion it will call upon the Group's overseas offices and network of prominent local partners, to proactively assist in

the value enhancement of the investee company, through to its public offering stage.

In the FinTech field in particular, the SBI Group seeks to increase the corporate value of both the regional financial institutions and FinTech investee companies, by supporting the introduction of FinTech to regional financial institutions, through SBI FinTech Incubation, a joint venture established with IBM Japan, Ltd. We believe that the utilization of FinTech will strengthen the earning power of regional financial institutions. At the same time, FinTech venture companies can expect an increase in the number of users of their services that will lead to higher sales, which will contribute to the improvement of the FinTech Fund's performance.

The IPO market in Japan was firm in FY2016, and the SBI Group's investee companies completed ten IPOs and four M&A deals.

### Results of Investee Company IPOs and M&A Deals in FY2016

Number of companies	Date	Company	IPO / M&A	Business description	Head office location
Japan: 4 companies Overseas: 10 companies	July 2016	SKCS Co., Ltd.	IPO (KONEX)	Manufacture of optical films	South Korea
	August 2016	Kadmon Holdings LLC	IPO (NYSE)	Manufacture and sales of therapeutics for hepatitis C; development and sales of therapeutics for psoriasis, pulmonary fibrosis, lung cancer, and type 2 diabetes	U.S.
	August 2016	Carver Korea Co., Ltd.	M&A	Manufacture of cosmetics	South Korea
	August 2016	GL PharmTech Corp.	M&A	Development of generic drugs and improved versions of marketed drugs	South Korea
	September 2016	Taraashna Services Private Limited	M&A	Bank agency services	India
	September 2016	Youcel Inc.	IPO (KONEX)	Manufacture of cosmetics	South Korea
	November 2016	Sugentech Inc.	IPO (KONEX)	Research and development of pharmaceuticals	South Korea
	December 2016	Sinqi Pharmaceutical Co., Ltd.	IPO (ChiNext)	Pharmaceutical company	China
	December 2016	Sincere Co., Ltd.	IPO (TSE Mothers)	Manufacture and sales of contact lenses	Japan
	December 2016	ReNet Japan Group, Inc.	IPO (TSE Mothers)	Door-to-door purchase type reuse business, recycling business of "urban mine" resources (small appliances)	Japan
	December 2016	Grace Technology, Inc.	IPO (TSE Mothers)	Production, digitization, and online distribution of product manuals and other technical documents	Japan
	January 2017	Creative & Innovative System Corporation	M&A	Manufacture and sales of rechargeable batteries	South Korea
	January 2017	EuBiologics Co., Ltd.	IPO (KOSDAQ)	Contract research and manufacture of cholera vaccine therapeutics and biologics	South Korea
	February 2017	RENOVA Inc.	IPO (TSE Mothers)	Power generation business utilizing sunlight, wind, geothermal, biomass, and other renewable energy sources	Japan

## ASSET MANAGEMENT SERVICES BUSINESS

### In Light of the “Customer-oriented Business Operations” as Required for Financial Institutions, Enhancing Investment Products and Investment Services

#### Supporting the Adherence to the “Customer-oriented Business Operations”

In the asset management services business, the SBI Group is enhancing various investor-oriented investment products and services, to ensure “customer-oriented business operations” as called for by the Financial Services Agency. SBI Bond Investment Management, a bond investment company established jointly with U.S.-based Pacific Investment Management Company, LLC (PIMCO), started operations of a publicly offered investment trust, SBI-PIMCO Japan Better Income Fund (short name: Beta-In), in June 2016. The fund's trust fee of 0.572% is substantially lower than the category average of 1.01%\*. As a result, the fund ranked 1st in initial investment amount in the bond division, for the period from April to September 2016. The Group also partnered with U.S.-based Gold Bullion International LLC (GBI), to jointly establish SBI Gold, a company that provides information services related to gold and platinum. In July 2017, SBI SECURITIES initiated a service that enables individual investors in Japan to engage in real-time 24-hour, spot physical gold trading using a precious metals trading platform provided by GBI.

Morningstar Japan provides valuation information on financial products from a neutral, objective perspective and supports

Tomoya Asakura

Morningstar Japan K.K.  
Representative Director &  
President

SBI GLOBAL  
ASSET MANAGEMENT  
Co., Ltd.  
Representative Director,  
President and CEO



financial institutions in ensuring “customer-oriented business operations.” The utilization of the tools that Morningstar Japan provides enables financial institutions and their sales personnel to propose products that truly contribute to the benefit of customers, and to strengthen their sales capabilities as well. For this reason, Morningstar Japan's applications are the most frequently utilized apps by investment trust sales professionals, as a tool for gathering financial information and providing explanations to customers. In addition, the number of major financial institutions and companies introducing Morningstar Japan's robo-advisor investment tools, which apply AI to provide asset management advice, is dramatically increasing. As a result of these developments, Morningstar Japan's revenue in FY2016 increased for five consecutive years, rising 2.6% year-on-year to ¥4.8 billion, and achieved higher operating income, ordinary income and net income for eight consecutive years.

Furthermore, the SBI Group will contribute to regional revitalization in the area of asset management, by strengthening the asset management capabilities of regional financial institutions through high capital efficiency and performance, along with establishing a joint asset management company that utilizes the Group's accumulated expertise in asset management, with regional financial institutions.

\* Average for the international bond active fund category (based on Morningstar Japan)

## SBI SAVINGS BANK

### Substantive Improvement in Business Performance Since becoming a Subsidiary, and Developing into an Operation that Underpins Segment Performance

SBI SAVINGS BANK, which became a consolidated subsidiary in March 2013, merged with three affiliated banks in October 2014, to become the largest savings bank in South Korea in terms of assets. Its main customers are individuals, self-proprietors and small- to medium-size enterprises. Since becoming a subsidiary, it has steadily accumulated performing loans, mainly in the retail sector, and its delinquency rate declined sharply to 8.8% overall

and to 5.0% for retail loans only, as of the end of March 2017, and the soundness of its operating base is continuing to improve. As a result, the bank achieved a record high net income (KGAAP) of KRW 74.0 billion in the fiscal year ended December 31, 2016, becoming South Korea's largest savings bank in terms of profit.

In April 2017, the bank introduced a new initiative, a screening model that utilizes AI, developed in collaboration with DAYLI Financial Group Inc. (formerly Yello Financial Group Inc.), a South Korean digital financial services company, which is also a portfolio company of the Group. This model uses machine learning to more elaborately discriminate the creditworthiness of customers, making it possible to uncover potential high-value customers from among customers deemed ineligible for loans under the existing model.

# BIOTECHNOLOGY-RELATED

## BIOTECHNOLOGY-RELATED BUSINESS

With Each Company in a Full-scale Monetization Phase, Two Companies have Achieved Their First Single-year Profitability since Their Establishments

### Principal Companies

Intermediate Holding Company: SBI ALA Hong Kong

SBI Biotech	photonamic
Quark Pharmaceuticals	Suzhou Yian Biotech
SBI Pharmaceuticals	SBI Neopharma
SBI ALApromo	

### Full-year Profit before Income Tax Expense of the Biotechnology-related Business (based on IFRSs)

	(Millions of yen)	
	FY2015	FY2016
SBI Biotech	(297)	737
Quark Pharmaceuticals	(2,572)	(8,270)
5-ALA-related business	(3,471)	(298)
SBI Pharmaceuticals	(1,425)	91
SBI ALApromo	(587)	(233)
photonamic (consolidated in Jan. 2016)	38	(41)
SBI ALA Hong Kong	(65)	(69)
Suzhou Yian Biotech	(1,432)	(46)

### 5-ALA-related Products

#### Ethical drug



ALAGLIO®  
Granule 1.5g

#### Health foods and cosmetics



ALAplus /  
ALAplus Gold



ALAplus Sports  
High-performance



ALAplus Tou (Sugar) Down



ALAplus Cosmetic Series

### Principal Initiatives in FY2016 and Future Priority Measures

#### SBI Biotech, Quark Pharmaceuticals

- SBI Biotech achieved its first single-year profitability on a non-consolidated basis, owing to the receipt of milestone payments from its multiple drug pipeline, and an upfront payment for out-licensing to Kyowa Hakko Kirin Co., Ltd.
- On the other hand, Quark Pharmaceuticals, a wholly owned subsidiary of SBI Biotech, experienced a sharp increase in R&D expenses as a result of steady progress in multiple clinical trials, including two Phase III trials. However, R&D expenses are expected to decline after peaking in the fiscal year ending December 2017
- SBI Biotech and Quark Pharmaceuticals are planning their respective stock exchange listings

#### SBI Pharmaceuticals

- SBI Pharmaceuticals received upfront payments for the out-licensing of its multiple R&D pipeline, and accordingly recorded its first single-year profitability
- There has been steady progress in the R&D pipeline for clinical trials for an orally administered diagnostic reagent for photodynamic diagnosis ("PDD") utilizing 5-ALA, for peritoneal dissemination of gastric cancer, and a therapeutic drug for mitochondrial diseases, as well as for other diseases
- Revenue contributions are expected from a joint business with Neopharma LLC, a global pharmaceutical company based in the United Arab Emirates

#### SBI ALApromo

- A steady increase in the number of stores offering health foods utilizing 5-ALA, centering on "ALAplus Tou (Sugar) Down," Japan's first food with function claims containing 5-ALA
- Owing to an increase in the number of subscribers for direct sales, sales increased by approximately 2.3 times from the previous year
- Endeavoring to achieve profitability in FY2017, by promoting the development of new foods with function claims containing 5-ALA, as well as new products and cosmetics containing ingredients other than 5-ALA

## SBI BIOTECH

### Achieved First-time Profitability from Successful Monetization Initiatives, with Steady Progress in the Drug Pipeline

#### Takeshi Irie

SBI Biotech Co., Ltd.  
Representative Director  
and President



### SBI Biotech Achieved Its First-time Profitability on a Single-year Non-consolidated Basis

SBI Biotech is a bio-venture engaged in the development of medical treatments and innovative new drugs for intractable diseases, such as cancer and autoimmune disorders. In FY2016, the company achieved its first full-year profitability since its founding, recording profit before income tax expense (IFRSs) of approximately ¥0.7 billion on a non-consolidated basis. Factors contributing significantly to the achievement of profitability were the strengthening of the business base through drug pipeline restructuring, coupled with substantial cost-cutting, and a receipt of a portion of milestone payments accompanying the initiation of a Phase I clinical trial for an Anti-ILT7 antibody (MEDI7734) out-licensed to U.S.-based MedImmune, LLC, a subsidiary of a major pharmaceutical company AstraZeneca PLC, and the receipt of an upfront payment upon conclusion of an exclusive license agreement concerning SBI-9674 with Kyowa Hakko Kirin Co., Ltd.

The immunotherapy drugs the company seeks to discover and develop are drugs for the treatment of diseases through action on the human immune system. The field of autoimmune

disorders represents the fourth largest market after cancer, diabetes and pain, and in light of the attention focused on immunotherapy drugs following the success of the immunotherapy drug OPDIVO in the field of cancer therapy, further development is considered certain. To take advantage of the current momentum, SBI Biotech has selected a lead managing underwriter, and began discussions in preparation for an individual IPO.

### Quark Pharmaceuticals is Preparing for its Own Exchange Listing

Quark Pharmaceuticals, a wholly owned subsidiary of SBI Biotech, possesses superior technology in the field of small interfering RNA (siRNA), and is making steady progress with clinical trials for multiple drugs in its development pipeline. These include two drugs in Phase III of development, a preventive agent for the failure of kidney function following an organ transplant (QPI-1002, licensed to Novartis International AG of Switzerland), and a drug indicated for non-arteritic anterior ischemic optic neuropathy (QPI-1007, licensed to Biocon Ltd. of India). Since Quark has two drug discovery pipeline in Phase III development, it fully satisfies the requirements for an IPO on the NASDAQ market in the U.S., and is currently making preparations for an exchange listing.

### R&D Pipeline Sponsored by SBI Biotech

	Licensing partner (timing)	Adaptation disease	Progress	
MEDI7734 (Anti-ILT7 antibody)	MedImmune, LLC.* (Sept. 2008)	Autoimmune disorders (Systemic Lupus Erythematosus (SLE), Sjogren's Syndrome, Dermatomyositis, etc.) (Systemic Lupus)	Phase I	MedImmune, LLC. is conducting Phase I clinical trial. SBI Biotech recorded an allotted milestone payment in 2Q FY2016 (undisclosed amount)
SBI-9674	Kyowa Hakko Kirin Co., Ltd (Dec. 2016)	Autoimmune disorders	Pre-clinical (Kyowa Hakko Kirin promoting development)	Conducted license agreements at the end of 2016 SBI Biotech received an upfront payment and recorded it in 3Q FY2016 (undisclosed amount) *Further receipt of milestone payments due to development progress is also expected
Cdc7 inhibitor	Carna Biosciences, Inc. (May 2014)	Cancers	Pre-clinical (plan to apply for clinical trial in 2017)	Carna Biosciences, Inc. entered into an out-licensing agreement with Sierra Oncology, Inc. ●SBI Biotech received a partial milestone payment in June 2016 *Further receipt of milestone payments due to development progress is also expected
GNKS356	Independently	Psoriasis / Systemic Lupus Erythematosus (SLE)	Pre-clinical	Selected as Japan Agency for Medical Research and Development's (AMED) project of promoting support for drug discovery on orphan drugs (from FY2015 to FY2017) ●Received subsidies (up to ¥200 million per fiscal year) and promoting R&D
SBI-3150	Independently	Various diseases caused by pDC / activated B cells	Pre-clinical	Using the advantages of the development concept, we are actively engaged in out-licensing activities

\*Subsidiary of AstraZeneca PLC



## 5-ALA-RELATED BUSINESS

### Pursuing the Potential of 5-ALA in Ethical Pharmaceuticals, and Expanding the Product Offering of Foods with Function Claims Containing 5-ALA

#### Achieved Out-licensing of Three 5-ALA-related Drugs

SBI Pharmaceuticals has focused on the utility of 5-Amino-levulinic Acid (5-ALA), a natural amino acid, and since its establishment in 2008 has conducted research and development for the utilization of 5-ALA in a broad range of fields, including pharmaceuticals, health foods and cosmetics, in collaboration with more than 90 research organizations in Japan and abroad.

The company launched “ALAGLIO® Oral 1.5g,” the first drug containing 5-ALA, in September 2013 for use in surgery to remove malignant glioma, a type of brain tumor. “ALAGLIO® Oral 1.5g” is Japan’s first orally administered intraoperative diagnostic agent for use with these tumors, and sales in the domestic market are steadily increasing. In October 2016, SBI Pharmaceuticals out-licensed its R&D pipeline for the first time, by concluding two exclusive license agreements with Neopharma LLC, a global pharmaceutical company based in the United Arab Emirates. One license is for a drug for the treatment of diabetes for which Phase II and Phase III clinical trials are planned to be conducted by overseas medical institutions. The other license is for a drug for the treatment of malaria that SBI Pharmaceuticals is developing at the National Institute of Malaria Research in India, in cooperation with Neopharma LLC. The protocol for a Phase II clinical trial for this drug is expected to be approved soon. SBI Pharmaceuticals also plans to out-license an intraoperative diagnostic agent for brain tumors to Neopharma LLC as well. SBI Neopharma, which was established in Dubai of the Middle East, in March 2017 as a joint venture between the SBI Group and Neopharma LLC, is progressing toward the overseas sales of drugs for diabetes and malaria infection, which was out-licensed to and developed by Neopharma LLC using 5-ALA, along with health foods, cosmetics, feeds and fertilizers, developed by SBI Pharmaceuticals and Neopharma LLC.

Furthermore, in March 2017, SBI Pharmaceuticals concluded the third out-licensing agreement with Chugai Pharmaceutical Co., Ltd., granting exclusive marketing rights in Japan for “ALAGLIO® Granule 1.5g,” for the purpose of visualizing tumor tissues during resection of bladder cancer, for which a manufacture and sales approval is under application. Owing to the strict selection of the R&D pipeline and rigorous cost-cutting, as well as the contribution of these upfront payments from out-licensing, SBI Pharmaceuticals achieved profitability in FY2016 for the first time



**Tohru Tanaka**

SBI Pharmaceuticals Co., Ltd.  
Representative Director,  
Senior Executive Vice President

**Yasushi Takezaki**

SBI ALApromo Co., Ltd.  
Representative Director and  
President

since its founding, recording profit before income tax expense of ¥0.1 billion (IFRSs).

Other R&D pipeline projects are also progressing favorably. SBI Pharmaceuticals is preparing for Phase III physician-led clinical trials for a diagnostic reagent for peritoneal dissemination of gastric cancer and a therapeutic drug for mitochondrial diseases, and expects completion of Phase III development and an out-licensing within three years. It has completed a Phase II physician-led clinical trial for a therapeutic drug cisplatin nephropathy protection, and is preparing for a Phase II corporate-initiated trial. It also plans to conduct a Phase II physician-led clinical trial of 5-ALA for preventing cardiac ischemia-reperfusion injury, at Oxford University and University Hospitals Birmingham in the U.K.

#### Business Expansion Leveraging the Momentum of the Major Hit Product “ALAplus Tou (Sugar) Down”

SBI ALApromo, which plans, manufactures, and sells cosmetics and health foods containing 5-ALA, sells its products through more than 14,000 drugstores and pharmacies nationwide, on an official online shop, as well as through other channels. Since its establishment in 2012, the company has steadily expanded its product offering and distribution network. In particular, “ALAplus Tou (Sugar) Down,” a food with function claims launched in December 2015, has become a major hit, and SBI ALApromo's revenue in FY2016 surged 2.3 times compared to FY2015.

“ALAplus Tou (Sugar) Down” has attracted a great deal of attention, winning the “Excellence Award for the Hit Item Awards (in the category of health foods and supplements category)” in the 29th Hit Products and Spotlight Products Awards, sponsored by DRUG Magazine and the Yachiyo-kai, as well as the “Award for the Shining Name” in the 1st Foods with Function Claims/Market Contribution Grand Prize, sponsored by Monthly H&B Retail. In the April 2017 foods with function claims sales rankings (Monthly H&B Retail June 2017 edition), “ALAplus Tou (Sugar) Down 30 Capsules” ranked 15th among 952 foods with function claims, making the rankings for fourteen consecutive months since March 2016. The popularity of “ALAplus Tou (Sugar) Down” contributed to an expansion of the number of stores offering SBI ALApromo's health foods containing 5-ALA, increasing sharply from 603 in January 2014 to more than 14,000 in June 2017.

SBI ALApromo will endeavor to further increase sales through sales promotion measures that are adapted to the needs of individual drugstores, as well as the provision of POP materials.

Going forward, SBI ALApromo will undertake to further boost sales of “ALApplus Tou (Sugar) Down” by increasing the number of customers who regularly purchase from direct sales, and further increase the number of offering stores. At the same time, it has begun offering new products containing 5-ALA for specific needs, launching in May 2017 “ALApplus Meno. STOP,” a supplement focused on the particular hormone balance of women, and in July 2017, launched “ALApplus Body Shape,” which focuses on the metabolism of sugar and fat through the combination of 5-ALA and carnitine. Furthermore, the company is implementing clinical trials with Hiroshima University, Juntendo University and other institutions, for the purpose of offering new foods with function claims each fiscal year to follow “ALApplus Tou (Sugar) Down,” and is also planning to offer supplements and ordinary food products made with ingredients other than 5-ALA. It has begun research on a food with function claims containing ginkgo biloba, and on germinated brown rice as its first products that do not contain 5-ALA, which it plans to commercialize by FY2018. In addition, SBI ALApromo has set its sights on achieving full-year profitability in FY2017, by also aggressively engaging in an OEM business for health foods and cosmetics.

## Further Acceleration of Global Business Expansion through SBI ALA Hong Kong, which is Planning a Public Listing

The SBI Group has begun considering an IPO for SBI ALA Hong Kong, an intermediate holding company that supervises the Group's principal 5-ALA-related subsidiaries. The holding company manages SBI Pharmaceuticals and SBI ALApromo, as well as photonamic of Germany, a company that engages in the development of drugs that use 5-ALA in Europe, the U.S. and Australia, that became a wholly owned subsidiary in January 2016, and Suzhou Yian Biotech of China. SBI ALA Hong Kong has now added SBI Neopharma under its aegis, enhancing its business portfolio in preparation for the IPO. SBI Neopharma was jointly established to strengthen overseas sales of 5-ALA-related products with Neopharma LLC, a company based in the United Arab Emirates, to which SBI Pharmaceuticals has out-licensed two R&D pipeline projects. In addition, an intraoperative imaging agent for malignant glioma developed by photonamic was approved by the U.S. Food and Drug Administration (FDA) in June 2017, and preparations are being made to expand the sales area.

### Drug Pipeline Including Ethical Pharmaceuticals Utilizing 5-ALA

Fields	Pipeline projects	Current status				Prospects for the next three years
		Phase I	Phase II	Phase III	Application	
Diagnostic agents (PDD)	① Carcinoma vesicae	Under application for production approval				Launch
	② Peritoneal dissemination of gastric cancer	Preparing for Phase III*				Completed Phase III / Out-licensing
Therapeutic drugs	③ Cisplatin nephropathy protection	Completed Phase I*	Preparing for a corporate trial (Phase II)			Completed Phase II
	④ Mitochondrial diseases*	Preparing for Phase III*		Considering an out-licensing		Completed Phase III / Out-licensing
	⑤ Cardiac ischemia-reperfusion injury	Preparing for Phase II*	Scheduled by Oxford University and Birmingham University Hospital in the U.K.			Conducting Phase II
Photodynamic therapy (PDT)	⑥ Brain tumors* (by photonamic, a wholly owned subsidiary)	Phase II is underway*				Conducting Phase II

\* Investigator-led trial

#### Out-licensing:

- ☐ Therapeutic drugs for diabetes and malaria infection (to Neopharma LLC, UAE pharmaceutical company, in October 2016)
- ☐ “ALAGLIO® Granule 1.5g,” diagnostic agent for cancer treatment (carcinoma vesicae) (to Chugai Pharmaceutical Co., Ltd. in March 2017)

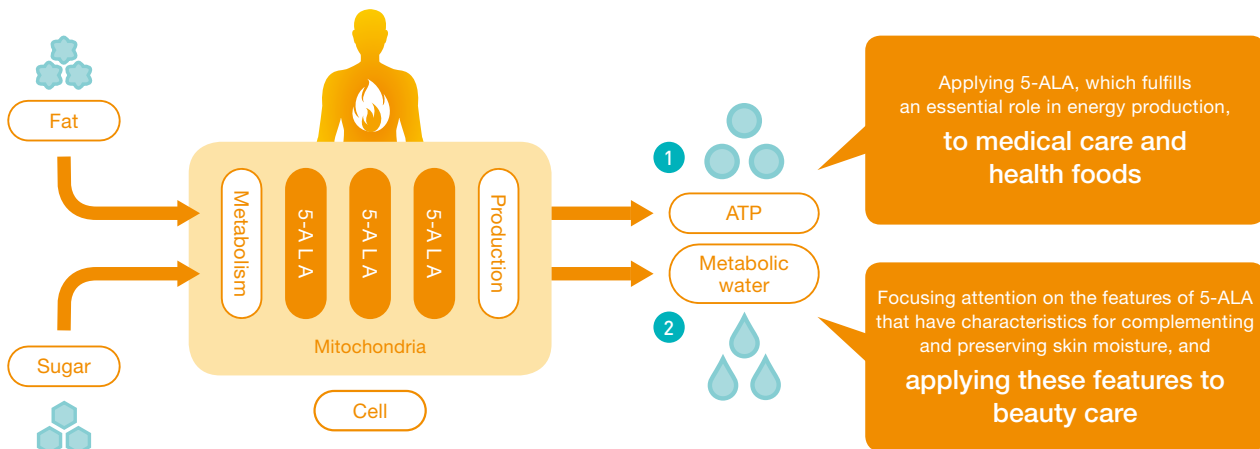
#### Already launched:

- ☐ Diagnostic agent for cancer treatment (brain tumor) “ALAGLIO® Oral 1.5g” (by SBI Pharmaceuticals)
- ☐ Same as above, “Gliolan” (by photonamic)
- ☐ Drug for treating actinic keratosis “Alacare” (by photonamic)

## What is 5-ALA (5-Aminolevulinic Acid)?

5-ALA is a type of natural amino acid contained in living cells of plants and animals. 5-ALA works to aid photosynthesis in plants, as well as to preserve energy production and moisture retention in humans and animals that plays an essential role in preserving health. Recent research confirms its usefulness in a variety of fields including beauty care, health and medical care, which results from a well-balanced ingestion of 5-ALA and minerals such as iron (Fe).

### Action of 5-ALA in Mitochondria, the “Energy Factory” of Cells



1

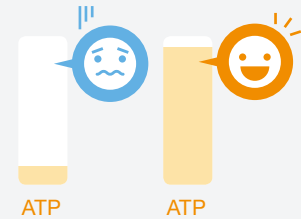
Inside the mitochondria, sugar and fat are metabolized and energy is produced in the form of ATP, which is indispensable to maintaining good health.

2

As a result of ATP production, metabolic water is produced for the crucial role in retaining the body's moisture

### ATP (Adenosine Triphosphate), a Health Barometer

ATP production efficiency is believed to atrophy as people age and their metabolism slows down. Fatigue and low activity will then occur as a result. In order to remain healthy, it is absolutely essential to maintain the mitochondrial function of producing ATP.



### A RESEARCHER DISCUSSES 5-ALA



**Kiwamu Takahashi**

SBI Pharmaceuticals Co., Ltd.  
Research and Development  
Department, Research and  
Development Division

5-ALA, which is essential for biological activities, is a substance with extremely high potential as a single substance that can be applied in various fields, including pharmaceuticals, health foods and cosmetics. "ALAGLIO® Oral 1.5g," an intraoperative diagnostic agent already on the market, is orally administered before surgery. When activated by light of a specific wavelength during surgical removal of malignant glioma, it illuminates only the malignant glioma and can improve resection accuracy. As a result, it has the potential to contribute to preventing cancer recurrence. In fact, an application has been filed for approval for its use as an intraoperative diagnostic agent for bladder cancer as well, and application in surgery for other cancers may be expected. At the same time, we are developing a therapeutic drug for mitochondrial diseases, which is an intractable disorder. No therapeutic agent for these diseases has yet been released on the market, and expectations are high for the drug currently under development at SBI Pharmaceuticals, which is the only promising candidate.



**Takeshi Hara**

SBI Pharmaceuticals Co., Ltd.  
Research and Development  
Department, Research and  
Development Division

5-ALA naturally occurs in plants and animals, and this safety makes it an excellent substance in terms of development speed. Although the probability of success in the field of drug development is generally considered to be low, I think that 5-ALA also offers high market introduction feasibility. Previously, awareness of 5-ALA was low, and we struggled to persuade researchers and physicians to participate in joint research. However, now that people have gradually become more aware of 5-ALA, we have received offers from universities and hospitals. In the future, I would like to utilize 5-ALA to contribute to the treatment of patients who suffer from diseases for which no treatment method yet exists, or for those that cures do exist, but are beyond complete recovery.