



Through the Continual
Process of Self-evolution,
We will Rapidly Move Forward
into a New Phase of Growth

NEW DIMENSION

Yoshitaka Kitao

Representative Director,
President & CEO

The focus of the SBI Group since its founding has been the establishment of an Internet-based financial ecosystem with securities, banking and insurance as the three core financial business domains. As we completed the establishment of the ecosystem, synergies and mutual evolution among our business segments were reflected in our results for the fiscal year ended March 31, 2018 (FY2017), where both consolidated revenue and profits reached historical highs since the adoption of IFRSs in FY2012.

The creation of FinTech, through the convergence of the Internet and financial services has been a focus for the SBI Group since its founding, as we have achieved growth by aggressively utilizing new technologies. Today, we are on the threshold of a new phase of growth driven by the emergence of leading-edge technologies, such as AI, blockchain, distributed ledger technology (DLT), big data, IoT and robotics. In step with the evolution of these technologies, we will work toward sustained business expansion and social transformation, through the three processes of investing in promising venture companies, the adoption of new technologies by the SBI Group and the diffusion of technologies across multiple industries.

Past Challenges

Establishing an Unique Business Ecosystem, through the Convergence of the Internet and Finance

Since its founding in 1999, the SBI Group has focused on the high affinity between financial services and the rapid spread of the Internet, and through the utilization of IT, we have created a new level business model. Our goal from the outset was to establish a financial ecosystem^①. Beginning with the online securities business, we progressively expanded into banking and non-life insurance, and completed our ecosystem in 2016 with the start of the life insurance business operations. We have continued to expand our customer base by always prioritizing the interests of our customers under the “Customer-centric Principle,” and by working toward the further evolution and deepening of our ecosystem through the pursuit of synergies among business segments and companies within the SBI Group.

A stream of next-generation technologies is now being developed, including AI, blockchain, big data, IoT and robotics. This environment offers excellent opportunities for a new phase of growth and success for the SBI Group, which has achieved continual growth by pioneering the use of new technologies. We have declared our intention to migrate to FinTech 2.0^②, and having completed the establishment of our Internet-based financial ecosystem, we have now started to channel resources into the utilization of next-generation technologies. As a part of this transition, we established the FinTech Fund in December 2015. The creation of this fund, with total investment commitments of ¥30 billion, marked the start of our efforts to discover and incubate FinTech-related companies. By the end of July 2018, the SBI Group had committed to invest a total of ¥40.5 billion, including approximately ¥24 billion from the FinTech Fund, and about ¥16.5 billion from SBI Holdings and other companies, in 67 FinTech startup companies. As more and more of these FinTech startups reach the IPO stage, we anticipate major contributions to the augmentation of our financial performance.

Our investments in these FinTech startup companies will contribute to our financial results through valuation gains resulting from improvements in the value of investees, and through gains on sales, including IPOs and M&A activities. In addition to such direct contributions to our performance, we will also enhance our competitiveness by applying leading-edge technologies developed by these companies to the SBI Group's financial businesses, resulting in the expansion of services and efficiency improvements. These activities will lead to a contribution to the earnings of our investee companies, thereby leading to an increase in the investment profits of the SBI Group. Such benefits are already steadily materializing in the securities, banking and insurance businesses.

We also advanced initiatives to follow-up the FinTech Fund, and in January 2018 established the SBI AI&Blockchain Fund. AI and blockchain are highly promising technologies for use not only in the financial sector, but also in a wide range of other industries. We launched the Fund initially with ¥20 billion in investment commitments, but this was ultimately increased to ¥60 billion. We have already decided to invest around ¥8.7 billion in 22 companies from the SBI AI&Blockchain Fund, and when investments by SBI Holdings are included, the total comes to approximately ¥13.0 billion as of the end of July 2018.

Biotechnology is one of the core industries of the 21st century, and the Biotechnology-related Business will be a key driver for the growth of the SBI Group over the medium- to long-term future. Quark Pharmaceuticals, a U.S. subsidiary of the SBI Group, has three products in its drug discovery pipeline that have reached Phase III, and the company is now preparing for an IPO on the U.S. NASDAQ Market. In Hong Kong, SBI ALApharma and its affiliated companies are developing business operations centering on the use of the amino acid 5-Aminolevulinic Acid (5-ALA) in pharmaceuticals, health foods, cosmetics and other products. Although the upfront investments into these companies were substantive, their development and marketing capabilities and the potential of their products have improved markedly, and we expect them to contribute steadily to profits from FY2018 onwards.

KEYWORDS

① Financial ecosystem:

A business ecosystem is an economic community supported by an organizational structure and human resources, each of which influences the other. Recognizing the need for this type of structure to achieve a competitive advantage in the Internet era, the SBI Group has built a financial ecosystem with securities, banking and insurance businesses as its three core business areas.

② Migration to FinTech 2.0:

As distributed ledger technology (DLT) and blockchain become more sophisticated, applications based on these technologies will support the provision of revolutionary financial services. These advances are expected to lead to the FinTech 2.0 era, with blockchain as the core technology. The SBI Group is preparing for migration to the fully developed blockchain-based financial ecosystem of the FinTech 2.0 era.

Future Evolution

KEYWORDS

③ Robotic Process Automation (RPA)

RPA refers to the use of artificial intelligence (AI) or machine learning, a technology by which AI learns through repetition, for the purpose of performing mainly back-office white-collar tasks.

Accelerating the Shift to Mobile Services in the Financial Ecosystem

When the SBI Group first began to provide online financial services, the Internet was accessed mainly via personal computers. These days, however, smartphones and tablets that can be used remotely are being used more actively than personal computers. Therefore, the SBI Group's various financial services are now being rapidly developed to be distributed as applications (apps) that are designed to allow access via mobile devices.

Under these circumstances, in April 2018, Morningstar Japan, which has an established track record in the area of mobile services, released a cryptocurrency app called "My Cryptocurrencies." This app will provide information such as price information, ranking, related articles, etc., for more than 1,600 cryptocurrencies. Owing to this app, users will have access to a wide range of information whenever and wherever they may want it, which will contribute to the soundness and creditability of the cryptocurrency market.

In Addition to Enhancing Competitiveness by Proactively Utilizing Innovative Technologies, Advance the Diffusion of Innovative Technologies to Companies Outside of the SBI Group

In order for the SBI Group to evolve to a new level of development, the traditional slogan of "Focusing on Finance to Transcend Finance," will continue to be an important part of our philosophy.

As measures for the future evolution of our financial business, we will first utilize the overwhelming size of our combined customer base in all financial services provided through our financial ecosystem, including the core areas of securities, banking and insurance, to expand our market share and achieve profit growth.

The SBI Group has adopted the utilization of innovative technologies as a driving force for growth since its founding. We have continued these efforts with the innovative technologies of this new era, including AI, blockchain and robo-advisors. We will utilize these technologies to differentiate ourselves from our competitors, by enhancing service usability and achieving greater compatibility between the existing financial services provided by the SBI Group and our customers' lifestyles. Many of the new technologies that are emerging today are useful for improving business efficiency, and I am especially interested in RPA③. We adopted this technology in 2016, and are now accelerating our efforts across the entire SBI Group to integrate this technology. SBI Sumishin Net Bank has been



Our Unchanging Stance of "Focusing on Finance to Transcend Finance."

progressively advancing the use of RPA since January 2017. Today, the bank has implemented three types of RPA systems in 90 tasks, and as a result, it has succeeded in improving work efficiency improvements equivalent to approximately 48,000 hours per year (as of May 31, 2018). Moving forward, it plans to apply RPA to another 200 business processes in various organizational units, and anticipates cost savings amounting to ¥1 billion over five years.

Additionally, RPA has already been adopted by SBI Insurance, Morningstar Japan and SBI Holdings, while SBI SECURITIES, SBI Life Insurance and SBI Investment are automating various routine tasks. We have also started preparations for the establishment of a company to introduce efficiency improvements based on RPA and AI, both within and beyond the SBI Group.

We regard the introduction of leading-edge technologies, such as RPA and AI, as a priority not only for the SBI Group, but also for all other companies. Therefore, we established SBI Neo Financial Services^④ to drive further diffusion of these innovative technologies, which will lead to the creation of a new ecosystem made up of FinTech-related joint ventures and other organizations. We will also supply new products and services based on technologies developed by the SBI Group's investees and partners to various users, such as regional financial institutions. For example, we are supporting the regional financial institutions to adopt FinTech by supplying banking applications with user interfaces and experiences customized for individual regional financial institutions, developed by the U.S. company Moven^⑤. Through initiatives such as these, we will accelerate the adoption of advanced technologies by our partner financial institutions.

Further Strengthening Alliances with Regional Financial Institutions, to Realize Synergies with the SBI Group's Financial Segment

One of the SBI Group's founding missions is to contribute to society by using new technologies to provide customers with highly convenient financial services. In recent years, we have supported the revitalization of regional financial institutions by providing them with the SBI Group's technologies, know-how and expertise in the field of FinTech, thereby also contributing to regional

development through this process.

Regional financial institutions will face challenging conditions in the short-term, medium-term and long-term future, owing to Japan's current negative interest rate policy, financial innovations driven by FinTech and social changes resulting from the demographic aging and population decline. However, if the regional economic decline continues, there is the real risk of a generalized decline in Japan's economic level. This is the reason that the SBI Group is determined to contribute to the creation of a virtuous cycle linking the financial sector, residents and industries, by contributing to the revitalization of regional financial institutions, helping regional residents to achieve sustained asset accumulation, and thereby by contributing to the rejuvenation of regional industries. If we can enhance the asset management capabilities and operating efficiency of regional financial institutions, along with the attractiveness of their products, regional residents will have more money to use for asset formation and for consumption. This will enhance the earning capacity of regional industries, resulting in upward trends in employment and the demand for funds, which is the big picture that I have envisioned.

One of the initiatives that we have already implemented is our partnering through SBI SECURITIES in the area of financial products brokerage services. By the end of June 2018, we had formed partnerships with approximately 30 regional financial institutions. In recent years, regional financial institutions have increasingly expanded into the securities business, as a way of diversifying their customer services. However, they face major hurdles, including their limited ability to offer attractive products. Cooperating with SBI SECURITIES has dramatically alleviated this problem. Moreover, a key priority for SBI SECURITIES is the provision of products that help to enhance the investment performance of regional financial institutions, through its Financial Institutional Sales Dept.

These initiatives have also led to a new approach based on the joint operation of SBI MONEY PLAZA^⑥. The first co-managed shop was opened in Shizuoka Prefecture in October 2017, as a joint outlet of SBI MONEY PLAZA and the Shizuoka Bank. Located in the Shizuoka Bank's Hamamatsu Higashi Branch, the new shop has started to offer and provide a wide range of financial products, including securities-related products and insurance, for the benefit of local customers. In the five months between November 2017 and March 2018, assets on deposit

KEYWORDS

④ SBI Neo Financial Services:

Our goal is to drive the increased dissemination of advanced technologies to our Group companies by working through this company to create a new ecosystem consisting of joint ventures with the SBI Group's investee companies, such as SBI FinTech Incubation, as well as the Israeli company Decentralized Mobile Applications, which provides the PayKey mobile banking and remittance service, and the Swiss company FinanceApp, which supplies the Wefox insurance product introduction application for insurance brokers.

⑤ Moven (U.S.):

This SBI Group investee company provides customized mobile banking applications to partner banks on a white label basis. SBI and Moven have established a 70:30 joint venture.

⑥ SBI MONEY PLAZA:

We are building a nationwide network of SBI MONEY PLAZA shops as shared infrastructure for the Financial Services Business. These shops handle securities, insurance, deposits and housing loans as the face-to-face retailing arm of the SBI Group. By the end of June 2018, there were 415 locations.

at this co-managed shop increased by 4.3 times, and revenue by 9.2 times. This dramatic improvement in performance has led to increased inquiries from other regional financial institutions, and in June 2018 another co-managed shop was established with the CHIKUHO BANK in Fukuoka Prefecture. SBI MONEY PLAZA has also stepped up its efforts to offer products to the corporate clients and the high-net-worth individual customers of the regional financial institutions.

We have also established SBI Regional Revitalization Asset Management, through joint investments by regional financial institutions and the SBI Group. As of June 30, 2018, 16 banks are participating. The mission of the new company is to support regional financial institutions in the management of assets entrusted by customers, as well as their own assets, while also contributing in other areas, such as human resource development. Resources invested in the company by the SBI Group include asset management know-how, fund information obtained through our global networks, and support for investment education and marketing.

Focus on Quickly Growing Assets Under Management

The SBI Group includes companies operating in the securities, banking and insurance businesses, and we believe that improvements in the asset management performance of these Group companies will lead to greater customer satisfaction, and the expansion of our customer base. So, we are enhancing the organizational structure of the asset management services business, by establishing management institutions to provide diversified investment products that go beyond Japanese and foreign stocks and bonds. Such products will be made available not only to our Group companies, which are expanding their total assets under management, but also to partner regional financial institutions.

By the end of March 2018, total assets under management by the SBI Group had reached approximately ¥840 billion, for a year-on-year increase of 1.7 times. This growth reflects the rapid expansion of assets under management by SBI Bond Investment Management, which was established as a joint venture with the world-leading U.S. bond investment management company PIMCO. Another factor has been the accelerating establishment of various private equity funds, including CVC funds. Our goals going forward are to expand this total to ¥1

trillion within one year and ¥5 trillion within three years, through M&As, the establishment of joint ventures and other strategies.

Steadily Progressing Initiatives in Cryptocurrency and other Digital Assets

The SBI Group was an early pioneer in the field of digital assets, including cryptocurrencies, which have become the focus of intense public interest in recent years. In 2016, we acquired approximately 10% of the shares in the U.S. company Ripple, which is leading the development of XRP, the third-largest cryptocurrency in terms of market capitalization after Bitcoin and Ethereum. We also jointly established SBI Ripple Asia, and since then, we have focused on the utilization of digital asset technologies. Specifically, we have created “The Japan Bank Consortium,” with the participation of megabanks and regional banks representing approximately 80% of the total outstanding deposits in Japan. And through this initiative, we are building an infrastructure that will unify domestic and foreign currency transactions, which will allow money to be transferred in real time, 24 hours a day, using blockchain and distributed ledger technology (DLT).

Currently, we are building a digital asset ecosystem based on companies affiliated with SBI Digital Asset Holdings, including the cryptocurrency mining company SBI Crypto and SBI Virtual Currencies, which exchanges cryptocurrencies, and the investment company SBI Crypto Investment. SBI Holdings, SBI Investment and SBI Crypto Investment are further enhancing this ecosystem by investing in venture companies with advanced technological development capabilities. At the same time, we will actively pursue synergies between this ecosystem based on digital assets and our existing financial ecosystem, so that we can further expand our customer base while always giving first priority to the interests of our customers under the “Customer-centric Principle.”

SBI Virtual Currencies was registered for the cryptocurrency exchange business in September 2017. In June 2018 it launched the VCTRADE cryptocurrency spot trading service, for which over 20,000 customers had registered in advance to open accounts. In July 2018, it began accepting general applications for new accounts. In addition to providing the narrowest spreads in the industry, SBI Virtual Currencies provides a world-class trading environment based on the

matching engine developed by NASDAQ, a major securities exchange in the U.S. That system has already established a track record in the proprietary trading system (PTS) operated by SBI Japannext. We will work to ensure profitability as quickly as possible by referring customers from SBI SECURITIES, SBI Sumishin Net Bank and SBI Liquidity Market (including SBI FXTRADE), and other companies. Given the compelling size of our existing customer base, we believe that as soon as the SBI Group begins to engage in the cryptocurrency exchange business in earnest, we will quickly emerge as the industry leader.

As in other business areas, we will consistently apply the “Customer-centric Principle” to the digital asset business by minimizing fees. We are also aware that the most important factor for cryptocurrency trading is security, including wallet technology. In addition to the adoption of innovative technologies developed by venture companies outside of the SBI Group, we have also focused on partnering with SECOM Trust Systems, and other companies. We have invested in and partnered with a number of companies with promising security technologies, including the Taiwanese company CoolBitX, Sepior in Denmark and Everspin in South Korea. We will apply the “Customer-centric Principle” by using these technologies to raise the standard of security in cryptocurrency trading.

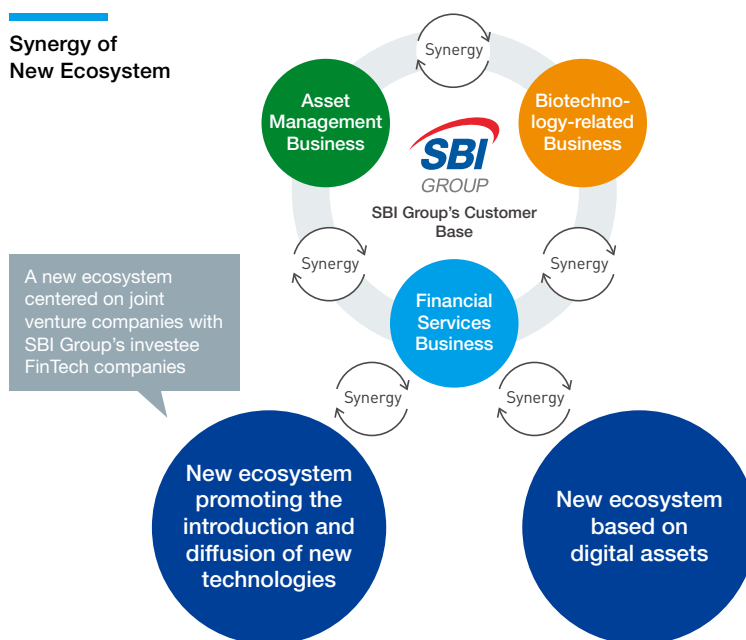
Biotechnology-related Business Progresses toward a Profit Contribution

Since recognizing biotechnology as a core industry of the 21st century, we have continually invested in the Biotechnology-related Business, and this business is now producing steady growth, and will soon contribute to earnings.

SBI Biotech is developing revolutionary drugs for the treatment of previously incurable conditions, such as autoimmune diseases. The company is endeavoring to shift from negative to positive results from FY2018 onwards, and anticipates maintaining positive yearly financial results by licensing out existing and new pipeline drugs.

Quark Pharmaceuticals is an U.S. bio-venture and a SBI Group subsidiary. It has developed advanced small interfering RNA (siRNA) technology, and is making good progress with clinical trials of its pipeline products. The company already has two products at the Phase III clinical trial stage,

Synergy of New Ecosystem



Existing Ecosystems and New Ecosystems are Organically Combined to Create Synergistic Effects, which Cannot be Realized by a Single Company

and has newly started Phase III work for another product. With three products at the Phase III stage, the company will more than meet the criteria for listing on the NASDAQ Market in the U.S., and is now making preparations for an IPO offering. We expect that this listing will occur during FY2018.

Several companies, including SBI Pharmaceuticals and SBI ALApromo, are engaged in the development, manufacture and sales of pharmaceuticals, health foods, cosmetics and other products based on the amino acid 5-Aminolevulinic Acid (5-ALA). The 5-ALA-related business is showing steady growth, and returned a positive financial result for the first time in FY2017. photonamic, a subsidiary of our Hong Kong-based intermediate holding company SBI ALApharma, has developed Gliolan®⁷, which will go on sale in the U.S. in the second half of the FY2018. Also, SBI Neopharma, a joint venture with Neopharma, an UAE pharmaceutical company, has expanded its activities on a global scale, and is preparing to market 5-ALA-related health foods in over 20 countries.

We will use this momentum to drive further improvements in the earnings performance of the Biotechnology-related Business, through continuing efforts to enhance both product potential and marketing capabilities.

KEYWORDS

7 Gliolan®:

Gliolan® is an intraoperative diagnostic agent utilizing 5-ALA, and has a past record of sales in more than 40 countries worldwide through photonamic's sales partners. In Japan, SBI Pharmaceuticals has been selling it as "ALAGLIO® Oral 1.5g." The product will be sold under the name "Gleolan" in the U.S.

Enhancing Our Corporate Value through a Virtuous Cycle of Customer Value, Shareholder Value and Human Capital Value

Enhancing Corporate Value and Increasing Shareholder Returns in the Medium- to Long-term

The SBI Group believes that corporate value is built on a foundation of customer value, and that together with shareholder value and human capital value, when the three values are merged into a virtuous cycle, corporate value will consequently increase. The expansion of customer value leads to the improvement of financial performance, which enhances shareholder value and allows us to attract talented individuals, resulting in an

improvement in our human capital value. By maintaining this virtuous cycle, we will endeavor to improve our corporate value over the medium- to long-term.

The SBI Group's basic policy for shareholder returns is to achieve a minimum total shareholder return ratio, which is based on the sum of dividend payments and share repurchases, of 40%. In line with this policy, we set the annual dividend for FY2017 at ¥85, resulting in a total shareholder return ratio of 40.1%.

Under our new policy on shareholder returns, which will be applied from FY2018, the minimum total shareholder returns target, calculated as the sum of dividend payments and share repurchases, will remain to be 40% of profit for the year attributable to the owners of the Company. However, the actual amount returned to shareholders will be determined by the adjustment of consolidated profit before income tax expense, including the deduction of gains or losses on fair value valuations of operational investment securities that do not involve cash flows, depending on the level of those gains or losses as a percentage of consolidated profit before income tax expense. We hope that shareholders will understand this change as a measure to improve corporate value, while balancing shareholder returns against the need to take up challenges in new fields in an evolving business environment.

Progress on and Revision of Our Medium- to Long-term Vision

The SBI Group announced its medium- to long-term vision in July 2017. We have since revised part of this vision to reflect our excellent results in FY2017. One change relates to



Balancing Shareholder Returns Against the Need to Take Up Challenges in New Fields

the contributions of each segment to consolidated profit before income tax expense. Originally we stated that we would work to build a structure in which the relative contributions from the Financial Services Business, Asset Management Business and Biotechnology-related Business would be 6:3:1 after three years, and 6:2:2 after five years. However, while we still anticipate growth in the Financial Services Business, we will pursue greater business diversification, and have therefore adjusted the projected contribution ratios to 5:4:1 after three years, and 5:3:2 after five years. This change reflects a growth trend in the earnings of the SBI SAVINGS BANK in the Asset Management Business, the prospect of high profits from our forward investment in venture capital businesses in the FinTech field, and the emergence of positive financial results from the Biotechnology-related Business.

The second change relates to our goal of achieving consolidated profit before income tax expense of over ¥100 billion within 2–3 years from 2017. Our consolidated profit before income tax expense reached ¥71.8

billion in FY2017, and we now expect to achieve the target within the next one to two year period.

The third change concerns the level of our market capitalization. Our goal was to double our market capitalization, which was around ¥330 billion when we announced our vision. However, it was already approaching ¥600 billion by the end of March 2018, and as we anticipate further business expansion going forward, will work toward a market capitalization target of ¥1 trillion, and accelerate our existing efforts to actualize our intrinsic corporate value.

The SBI Group will continue to endeavor to reach greater heights. To all of our shareholders and investors, we sincerely appreciate your continued guidance and support.

Yoshitaka Kitao

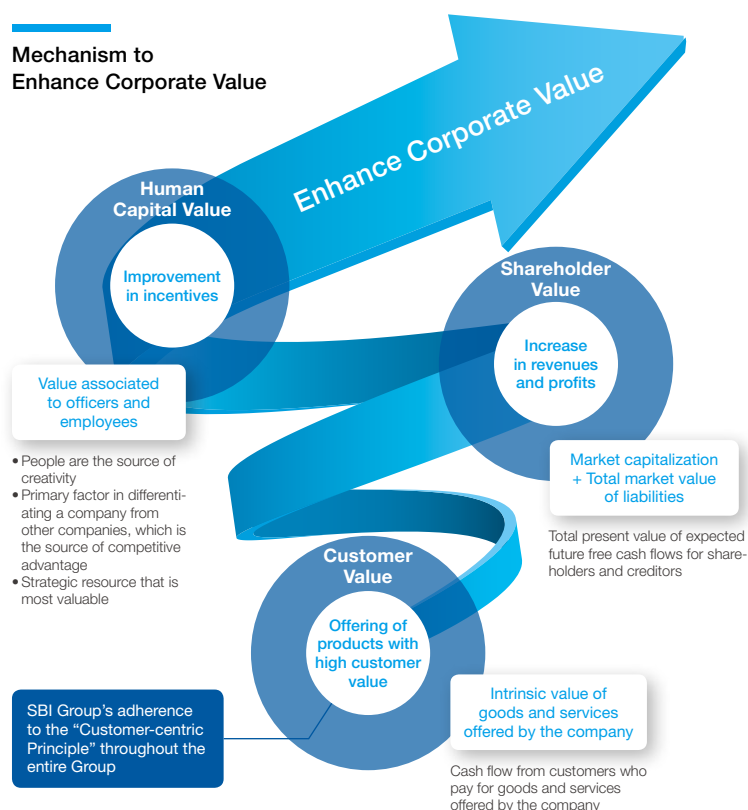
Representative Director,
President & CEO

KEYWORDS

Actualization of intrinsic corporate value:

One of our priorities is to actualize the latent corporate value of Group companies through listing. In addition to the aforementioned Quark Pharmaceuticals, we are also working toward the listing of our insurance holding company, SBI Insurance Group, and the intermediate holding companies SBI Capital Management and SBI ALApharma. We also plan to spin off the SBI Group's asset management operations into a new asset management company, which we will eventually list after rapidly expanding the scale of business through dynamic M&A activities. We also plan to list our equity method associates.

Mechanism to Enhance Corporate Value



SBI Group's Vision (revised on April 26, 2018)

- ▶ 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.
- ▶ Targeting consolidated profit before income tax expense of over ¥100 billion within the next year or two
- ▶ Maintain ROE above 10%
- ▶ Annual dividend to the level of ¥100 per share
- ▶ Endeavor to achieve a market cap of ¥1 trillion by actualizing intrinsic corporate value