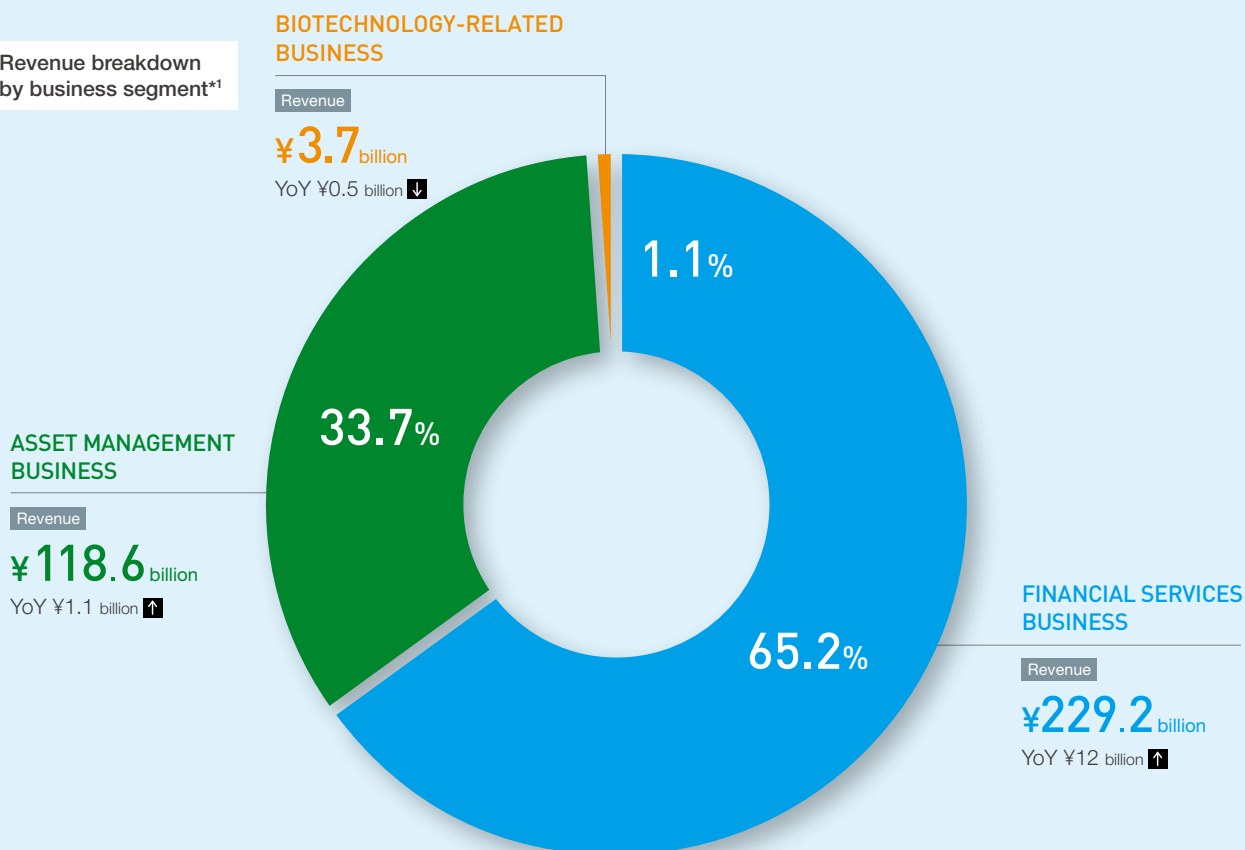


## At a Glance

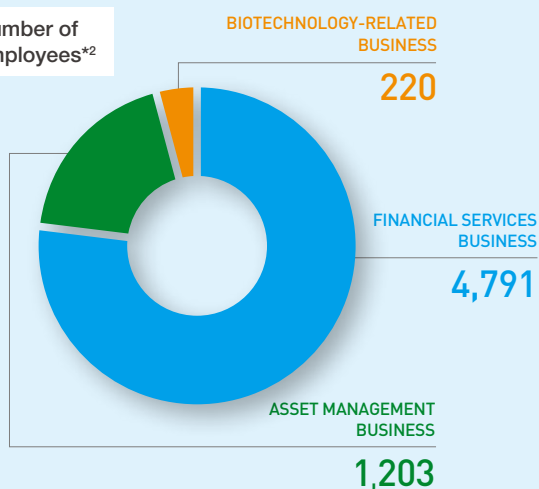
Overview of the SBI Group's Business Operations (FY2018)

# SBI GROUP AT A GLANCE

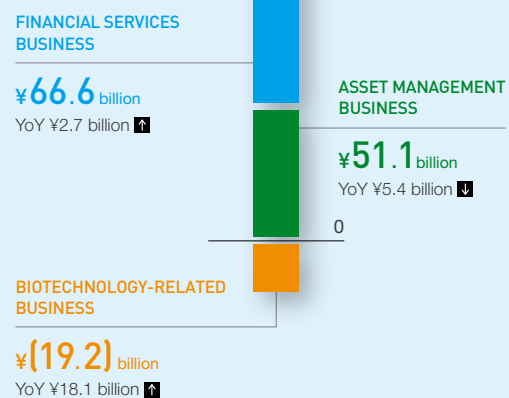
Revenue breakdown  
by business segment\*1



Number of  
employees\*2



Profit before income  
tax expense



\*1 The ratio of revenue breakdown by business segment is presented as the composite ratio of the total revenue of Financial Services Business, Asset Management Business and Biotechnology-related Business.

\*2 Excluding 225 people, such as shared group employees.

## FINANCIAL SERVICES BUSINESS

Provision of innovative, highly convenient financial products and services via the Internet

### [Main Businesses]

- Securities-related business
- Banking-related business
- Insurance-related business



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## ASSET MANAGEMENT BUSINESS

Investment in startup companies in Japan and abroad in fields including IT and biotechnology, and provision of asset management-related services

### [Main Businesses]

- Venture capital business
- Overseas financial services business
- Asset management services business



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## BIOTECHNOLOGY-RELATED BUSINESS

Research and development, manufacture and sales of pharmaceuticals, health foods and cosmetics in collaboration with various business partners

### [Main Businesses]

- Research and development of medical treatments and pharmaceutical products that utilize leading-edge biotechnologies
- Research and development, manufacture and sales of pharmaceuticals, health foods and cosmetics containing 5-ALA



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# FINANCIAL SERVICES BUSINESS



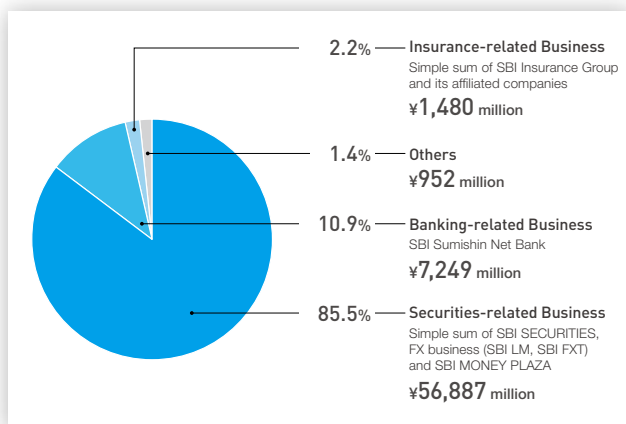
Expanding the Customer Base through the Diversification of Operations, Products and Services, and the Cultivation of Alliances

## Principal Companies

Intermediate Holding Company: SBI FINANCIAL SERVICES

SBI SECURITIES	SBI Insurance Group (Insurance holding company)
SBI Liquidity Market (SBI LM)	SBI Insurance
SBI FXTRADE (SBI FXT)	SBI Life Insurance
SBI VC Trade	SBI IKIKI SSI
SBI MONEY PLAZA	SBI Nihon SSI
SBI NEOMOBILE SECURITIES	SBI Resta SSI
SBI Benefit Systems	JAPAN ANIMAL CLUB
SBI Social Lending	SBI FinTech Solutions
SBI BITS	SBI Remit
SBI Japannext	SBI Business Solutions
SBI Sumishin Net Bank	SBI Ripple Asia
SBI NEO FINANCIAL SERVICES	Money Tap

**FY2018 Profit before Income Tax Expense of the Major Businesses by Business Area (Based on IFRSs)**



## Principal Initiatives in FY2018 and Future Priority Measures

### ➤ Securities-related Business

- SBI NEOMOBILE SECURITIES, which offers smartphone-based stock trading and other services, commenced its operation in April 2019, and is promoting further expansion of its customer base by targeting investment novices and the younger generation
- SBI Liquidity Market became increasingly more active in its efforts to acquire liquidity from overseas FX transactions, such as through the provision of FX trading services to South Korean financial institutions
- SBI SECURITIES acted as co-lead manager in the IPO of a communications subsidiary of SoftBank Group Corp, as it enhances its IPO/PO underwriting business, in order to strengthen the development of its corporate business
- Expanded the brokerage business to client financial institutions through the Financial Institutional Sales Department

### ➤ Banking-related Business

- Other than via Internet channels, further expanded sales channels for housing loans via face-to-face sales at locations of partner companies
- NetMove, a company providing payment gateway services, became a wholly owned subsidiary to upgrade the payment services business
- In the acquiring business, the further development of the member stores is being aggressively pursued, for the run-up to the start of cashless transactions and consumer point redemption system, following the consumption tax increase
- Launched JAL Global WALLET, a travel prepaid card, as a joint business with Japan Airlines in November 2018. Also promoting neo-bank initiatives to provide banking functions to major outside corporations

### ➤ Insurance-related Business

- As part of the process to actualize intrinsic corporate value, SBI Insurance Group, the holding company that oversees the insurance business within the SBI Group, was newly listed on the Tokyo Stock Exchange Mothers Market in September 2018
- Expanded the sales of insurance products by leveraging the SBI Group's diverse sales channels and big data
- Acquired JAPAN ANIMAL CLUB, a small-amount, short-term insurance company specializing in pet insurance, in June 2019

## The Increasing Customer Base of the Banking and Insurance-related Businesses

Following SBI Life Insurance's full-fledged resumption of its underwriting business in 2016, the SBI Group's Financial Services Business completed the establishment of its financial ecosystem, consisting of securities, banking and insurance, which was its long-standing goal. By leveraging this customer base, all Group companies were able to actively promote their business expansion in FY2018.

As a pure-play Internet bank, SBI Sumishin Net Bank, which is No. 1 in deposit balance among domestic banks in its category, further widened its lead over its competitors, by, among other things, having its deposit balance exceed ¥5 trillion in April 2019. One area that has been growing since the Bank of Japan started its negative interest rate policy is the housing loan business. It has maintained steady growth by presenting attractive interest rates, promoting services that further enhance benefits for customers and expanded its sales channels through partner companies that develop face-to-face sales.

In October 2018, specialized departments were established, such as the Neo-bank Department, to promote neo-bank initiatives that provide banking functions to outside corporations as a financial platform, and to advance discussions toward alliances with several major companies. As an example, JAL Payment Port, which was jointly established with Japan Airlines in 2017, launched the JAL Global WALLET, a prepaid travel card in November 2018. This card is extremely easy to use when traveling abroad, combining Mastercard's prepaid card and currency exchange functions to the basic functions and services of a JAL Mileage Bank Card. In this way, new services will be created that cannot be created by banks alone.

In April 2019, NetMove, which develops businesses such as credit card settlement services, became a wholly owned subsidiary, and it will work to establish a system that provides payment service functions in the cashless market, where much growth is expected. The company excels at designing and developing highly secure online payment systems, and intends to provide highly superior payment services through an integration with SBI Sumishin Net Bank's technology.

The SBI Insurance Group was established in March 2017, as a holding company to oversee the insurance businesses, and was listed on the TSE Mothers Market in September 2018 to actualize its corporate value. The total number of policies held by each operating company continues to expand steadily, and the compound annual growth rate (CAGR) from the end of March 2014 was 22.2%. Moving forward, the SBI Group will further expand the sales of a variety of insurance products, by leveraging the Group's diverse sales channels and big data, while also promoting discontinuous business expansion through M&As.

Note: For details on the securities-related business, please refer to "Executive Messages: Toward Further Growth in the Securities Business" on page 22.

## Evolution of the Financial Services Business Utilizing Fintech

In recent years, the SBI Group has focused on business expansion and efficiency improvements by utilizing new technologies, and has achieved various positive results. SBI SECURITIES offers "WealthNavi for SBI SECURITIES," a customized robo-advisor service provided by WealthNavi (an investee company of the Group), and has expanded its customer deposit assets. With regard to AI, we are promoting its adoption in a number of business areas, including trade review operations for stocks, know-your-customer (KYC) operations, and at call centers. In addition, SBI SECURITIES conducted verification of the applicability of blockchain to the financial market infrastructure for bond processing operations. Robotic process automation (RPA) was also introduced into such areas as back office work for customer relations, for which the annual estimated cost reduction is ¥104 million, and the estimated time saving is 34,920 hours per year.

In addition to providing "WealthNavi for SBI Sumishin Net Bank," with regard to AI utilization, SBI Sumishin Net Bank adopted a monitoring system which was jointly developed with NEC in April 2018, and in October of that year introduced AI for the screening of Internet-exclusive housing loans. In May 2019, a joint venture company, Dayta Consulting, was established with Hitachi, with whom a series of joint demonstration tests to develop an advanced AI screening service had been conducted. With regard to AI screening services, such services are planned to be provided from October 2019, after which consideration will be given to expanding the scope of coverage, for example to the screening of card loans and transaction lending services. RPA was also adopted, which resulted in the reduction of 6,970 hours of monthly work.

In the insurance-related business operations, SBI Insurance is also promoting the adoption of RPA, while conducting proof of concept (PoC) tests for the purpose of providing telematics services based on driving behavior data, in a partnership that includes SoftBank Technology and Bosch. By investing in TANITA HEALTH LINK, SBI Life Insurance is working on the development of new products and services, including life insurance linked to information obtained from health management devices.

As a cross-Group initiative in August 2012, the SBI Group established the Big Data Office within SBI Holdings (the CEO's office is currently spearheading big data), and has been strengthening collaborations between companies to utilize the customer data from each business, focusing on securities, banking and insurance. In March 2019, as the first part of a "bigger data (data that combines SBI Group's big data and external data) utilization initiative," AI using alternative data (data that quantifies the market sentiment indicators for financial assets) was developed, and was adopted by SBI Liquidity Market's risk management covering exchange rate fluctuations. In the years to come, we will promote the planning and development of AI that utilizes bigger data throughout the Financial Services Business.

# ASSET MANAGEMENT BUSINESS



Accelerating Venture Investments and Strengthening  
the Overseas Financial Services Business By Expanding the Global Network

## Principal Companies

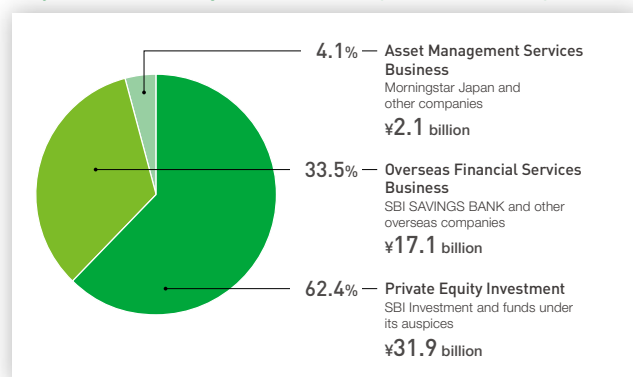
Intermediate Holding Company: SBI Capital Management

SBI Investment	SBI SAVINGS BANK
SBI FinTech Incubation	SBI Investment KOREA
SBI VEN CAPITAL	SBI Royal Securities
SBI Hong Kong Holdings	SBI Thai Online Securities
SBI (China)	SBI Bank
SBI & TH (Beijing) Venture Capital Management	BNI SEKURITAS
SBI Ventures Malaysia	

Intermediate Holding Company: SBI GLOBAL ASSET MANAGEMENT

Morningstar Japan	SBI Regional Revitalization Asset Management
SBI Asset Management	SBI ENERGY
Carret Asset Management	SBI Estate Finance
SBI Alternative Investments	
SBI Bond Investment Management	

**FY2018 Profit before Income Tax Expense of the  
Major Businesses by Business Area (Based on IFRSs)**



## Principal Initiatives in FY2018 and Future Priority Measures

### ➤ Venture Capital Business

- The Fintech Fund was established in December 2015 with committed capital of ¥25 billion, and the investment phase was completed
- The SBI AI&Blockchain Fund was established in January 2018, and is accelerating investments in promising startup companies
- Invested a cumulative total of more than ¥240 billion since FY2015, to contribute to profits over the medium- to long-term
- Established SBI Regional Business Investment, which initiated fund-raising for the establishment of a business succession fund

### ➤ Overseas Financial Services Business

- SBI SAVINGS BANK of South Korea ranks first in the industry in terms of total assets and net income
- Since becoming a wholly owned subsidiary, Russia's SBI BANK has steadily expanded its operations
- Opened Berlin Representative Office and Philippines Representative Office to expand overseas businesses

### ➤ Asset Management Services Business

- SBI Bond Investment Management achieved full-year profitability
- The SBI Group's total assets under management surged, primarily in investment trusts and topped ¥1 trillion in September 2018
- Morningstar Japan is planning a listing change from the TSE JASDAQ to the TSE First Section

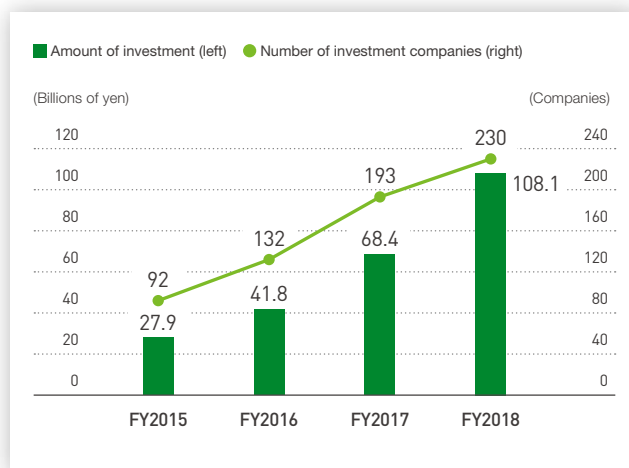


## Proactive Venture Investments through the Establishment of Funds

Since FY2015, the SBI Group has been actively investing in business domains that are achieving rapid growth by means of new technologies, with such investments having been made through the Fintech Fund (established in December 2015, total commitment amount of ¥30 billion), which is geared toward investing in promising startup companies in the fintech field, and the SBI AI&Blockchain Fund (established in January 2018, total commitment amount of ¥60 billion), which targets startup companies in the AI and blockchain fields, as well as those involved in closely related areas such as IoT, robotics and the sharing economy. Up to and including the fiscal year ended March 31, 2019, the amount of investments through these funds, etc. has reached a cumulative total of more than ¥240 billion, and some of the investees from the Fintech Fund have already conducted their IPOs. Following the 13 SBI Group investee companies that concluded IPOs and M&As in FY2017, in FY2018 20 companies also concluded IPOs and M&As.

For some time, the SBI Group has also been focused on bringing together major companies and startups through venture investments, while simultaneously supporting the enhancement of their competitiveness and business expansion, through open innovation between large companies and the companies in which investments were made. One such case is corporate venture capital (CVC). In recent years, a variety of companies have focused on CVC as an investment that will enhance their competitiveness. In the case of SBI Investment, a total of ¥50 billion in CVC funds have been established and managed (as of the end of March 2019) with 7 companies, including NIKON, SUBARU and HOUSE FOODS GROUP.

### Change in Amount of Investment and Number of Investment Companies



## The Overseas Financial Services Business Continues to Steadily Expand

The Asset Management Business of the SBI Group is developing a range of overseas financial services businesses. SBI SAVINGS BANK of South Korea, which became a consolidated subsidiary in March 2013, is steadily expanding its balance of performing loans centered on retail loans, and its overall loan delinquency rate at the end of March 2019 remained low at 3.9% (3.8% for retail loans only). Its total assets of KRW 7,510.1 billion and net income of KRW 131.0 billion (fiscal year ended December, 2018, K-GAAP) places SBI SAVINGS BANK of South Korea in the dominant No. 1 position in the industry.

Similarly, upon becoming a wholly owned subsidiary in August 2017, SBI Bank, a commercial bank in Russia, has also steadily expanded its corporate business, starting with financial services to local companies in Russia, and has been improving its business results. In January 2019, the Russian Direct Investment Fund (RDIF), the sovereign wealth fund of Russia, and the Russia-Japan Investment Fund (RJIF), which was launched by RDIF, the Japan Bank for International Cooperation (JBIC) and JBIC IG Partners, reached an agreement with SBI Holdings to invest in SBI Bank. Jointly with the RedStone Group (the brand name for new business groups of the Iliev Group, a strategic partner of SBI Holdings in Russia), SBI Holdings also signed a basic agreement to support the indoor leisure complex operator ROUND ONE's expansion into Russia. In the years ahead, SBI Bank will accelerate collaboration with local strategic partners, leverage the SBI Group's fintech strengths in the provision of financial products and services with high customer benefits, and promote businesses that will link Russian and Japanese small- and mid-size companies, with the objective of expanding Japan-Russia businesses.

Since August 2009, the SBI Group has also been investing in TP Bank in Vietnam, as a strategic investee company, in anticipation of a high level of growth, and having reached a loan balance of ¥400 billion as of March 31, 2019, its basic growth trend is continuing. As of the end of June 2019, its market capitalization had also increased to more than ¥90 billion, and it is rapidly expanding its retail-centered business by introducing leading-edge technologies. These include providing unattended banking services 24 hours a day, 365 days a year and fingerprint recognition-based self-service cash withdrawals.

Taking full advantage of these results, the SBI Group will continue to focus its management resources on the high-growth Asian financial sector.

Note: For details on the venture capital business, please also refer to "Executive Messages: Regional Revitalization through the Investment Business" on page 20. For the Asset Management Services business, please refer to "Executive Messages: Expansion of the Asset Management Structure" on page 23.

# BIOTECHNOLOGY-RELATED BUSINESS



On a Steady Path toward Profitability and the Expansion of the 5-ALA-related Business

## Principal Companies

Intermediate Holding Company: SBI ALApharma

SBI Pharmaceuticals  
SBI ALApromo  
photonamic  
NX Development Corp.  
SBI Biotech  
Quark Pharmaceuticals

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

(Millions of yen)

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

Note: Excluding impairment losses of drug pipeline, etc.

## Principal Initiatives in FY2018 and Future Priority Measures

### > SBI Biotech

- Losses narrowed owing to the receipt of the final year subsidy from Japan Agency for Medical Research and Development (AMED)
- Development of out-licensed pipeline products is proceeding at a healthy pace. Planning to achieve and sustain full-year profitability through the out-licensing of new pipeline technology

### > Quark Pharmaceuticals

- U.S.-based Quark Pharmaceuticals continues its discussions with the FDA on moving a drug, which targets delayed graft function (DGF) in kidney transplants, to the new drug application (NDA) process. At the time the NDA is approved, an IPO, a partial or complete sale of its shares will be considered
- Phase III clinical trials continue for a drug pipeline product targeting acute kidney injury (AKI)

### > 5-ALA-related Business

- U.S.-based NX Development Corp., a subsidiary of German-based photonamic, started U.S. sales of "Gleolan," an intraoperative diagnostic agent for brain tumors, in October 2018
- SBI ALApromo started sales of "ALA PLUS Fukai Nemuri (Deep Sleep)," a food with functional claims containing 5-ALA, in March 2019

## 5-ALA-related Products

### Ethical drug



ALAGLIO®  
Divided Granules 1.5g

### Health foods and cosmetics



ALA PLUS  
Tou (Sugar) Down



ALA PLUS Fukai Nemuri  
(Deep Sleep)



ALA PLUS  
Gold



ALA PLUS  
Karada Shape



ALA PLUS  
Sports High-performance



ALA PLUS  
Cosmetic Series

## Strong Progress in Drug Discovery for 5-ALA-related Pharmaceuticals

In the Biotechnology-related Business, profit expectations are high over the medium- to long-term for pharmaceuticals utilizing 5-Aminolevulinic Acid (5-ALA). Although, drug discovery and product commercialization requires time and sustained effort, in FY2018 various results indicated steady progress toward future profitability in the segment overall.

SBI Pharmaceuticals is a company that conducts R&D and the manufacturing of health foods and drugs containing 5-ALA. In September 2013, it started sales of “ALAGLIO® Oral 1.5g,” a photodynamic intraoperative diagnostic agent for malignant glioma (a type of brain tumor) treatment as its first pharmaceutical product. In December 2017, it commercialized “ALAGLIO® Divided Granules 1.5g,” a photodynamic intraoperative diagnostic agent for carcinoma vesicae (a type of bladder cancer). Chugai Pharmaceuticals was granted exclusive marketing rights in Japan for “ALAGLIO® Divided Granules 1.5g,” and is currently selling the product domestically.

SBI Pharmaceuticals is continuing its efforts with multiple drug discovery pipeline products. In December 2019, it expects to complete Phase III trials of an intraoperative diagnostic agent for peritoneal dissemination of gastric cancer, and in September 2020 it expects to complete Phase II trials for its drug treatment for cisplatin nephropathy protection. A drug to treat mitochondrial diseases is also expected to be completed in January 2021, and is currently entering Phase III with clinical trials being conducted at each stage on its path to approval. Also, Phase II preparations are underway for a drug to treat cardiac ischemia-reperfusion injury, and a drug for photodynamic therapy for brain tumors.

Note: For more details on the Biotechnology-related Business's drug discovery pipeline, please refer to the fact sheet on pages 56–57.

## Commencement of U.S. Sales for an Intraoperative Diagnostic Agent for Brain Tumors Using 5-ALA

Strong sales continued for two core products of photonamic, a German company that in January 2016 became a wholly owned subsidiary of SBI ALApharma (an intermediate holding company in the 5-ALA-related business), and photonamic's profitability is also increasing steadily. The first product was “Gliolan®,” an intraoperative diagnostic agent for brain tumors, and the other was “Alacare,” a drug that treats actinic keratosis. Until now, photonamic has been predominantly engaged in the development and sales of products using 5-ALA, focusing on Germany, the U.K. and other European countries. In April 2018, it purchased its former partner, U.S.-based NX Development Corp., and started sales of “Gliolan” in October of the same year in the U.S. Favorable sales have produced a net sales amount of \$3.7 million over eight months. International expansion of “Gliolan®” is progressing in other regions with sales through local partners in over 40 countries, including South Korea and Australia.

## Strong Sales of Foods with Functional Claims and Planning a Global Reorganization

Recently, increased interest in foods with functional claims has been taking place in Japan, and SBI ALApromo has accelerated its development of products that contain 5-ALA as a functional ingredient.

The sale of “ALA PLUS Tou (Sugar) Down” began in December 2015, and this popular food with functional claims product helps normalize high fasting glucose levels, as well as moderates the elevation of postprandial glucose levels. In November 2018, sales began for “ALA PLUS Tou (Sugar) Down Rich,” which contains a greater amount of 5-ALA. Then in March 2019, “ALA PLUS Fukai Nemuri (Deep Sleep),” with a function for improving the quality of sleep, was newly placed on sale, and helped enrich our product offerings.

In addition, “ALA PLUS Karada Active,” which helps improve the efficiency and function of physical exercise, is scheduled to be released in October 2019. SBI ALApromo is also participating in joint research with various universities, and is moving forward on the development of new foods with functional claims, such as those for alleviating fatigue and improving the effects of male menopause.

As a result of further global expansion, the 5-ALA-related Business is planning a structural reorganization. Specific goals include an IPO of SBI ALApharma, the Hong Kong-based intermediate holding company, within two to three years. In addition to this, the SBI Group intends to carry out an organizational restructuring to optimize management resources at the 5-ALA-related business for those affiliated with SBI ALApharma, such as the Japanese business under SBI Pharmaceuticals and SBI ALApromo, the European business under photonamic of Germany, and the U.S. business under NX Development Corp. In other regions, business bases may be added through M&A activities.

### OTHER BUSINESSES

#### Digital Asset-related Business Targets Early Profitability

In the digital asset-related business, SBI VC Trade (formerly SBI Virtual Currencies) has been operating exchanges for crypto-assets since July 2018. By utilizing Group synergies, SBI VC Trade achieved profit before income tax expense of approximately ¥360 million in its first fiscal year (FY2018). After examining the company's services, including its leverage trading, SBI VC Trade underwent a segment change in July 2019, and will pursue sales activities under SBI SECURITIES, which runs the Type 1 Financial Instruments Businesses.

The Group is also actively mining crypto-assets. SBI Crypto, which is engaged in the mining of crypto-assets, operates highly efficient, reliable and sustainable mining businesses in cooperation with the SBI Group and its portfolio companies, and is building a comprehensive framework covering everything from hardware and software development, to the securing of locations and electric power. The laws, regulations and institutions related to crypto-assets are undergoing revisions and updates, and the SBI Group will take these revisions into account as it continues to provide services in response to various customer needs, and will make the preservation of customer assets its first priority.