

FINANCIAL SERVICES BUSINESS



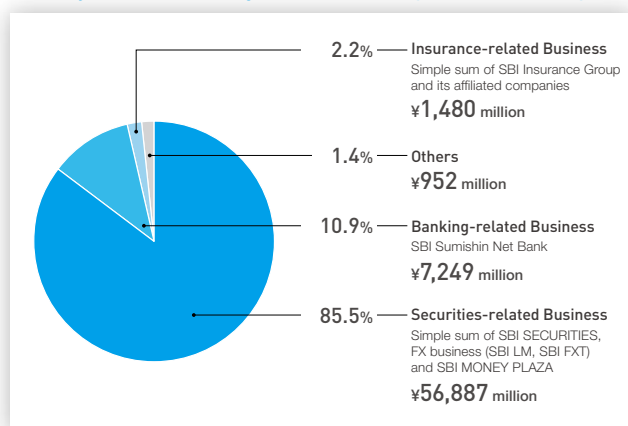
Expanding the Customer Base through the Diversification of Operations, Products and Services, and the Cultivation of Alliances

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.