



*Strategic  
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**- Daiwa Investment Conference Tokyo 2019 -**

# **Sustaining an Increase in Corporate Value**

**March 6, 2019**

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SBI Holdings, Inc.**

**The items in this document are provided as information related to the financial results and the business strategy of the SBI Group companies and not as an invitation to invest in the stock or securities issued by each company.**

**None of the Group companies guarantees the completeness of this document in terms of information and future business strategy.**

**The content of this document is subject to revision or cancellation without warning.**

**Note: Fiscal Year (“FY”) ends March 31 of the following year**

- I. Overview of the SBI Group**
- II. The SBI Group's Foreseeable Overall Strategy for Sustainable Growth**

# I. Overview of the SBI Group

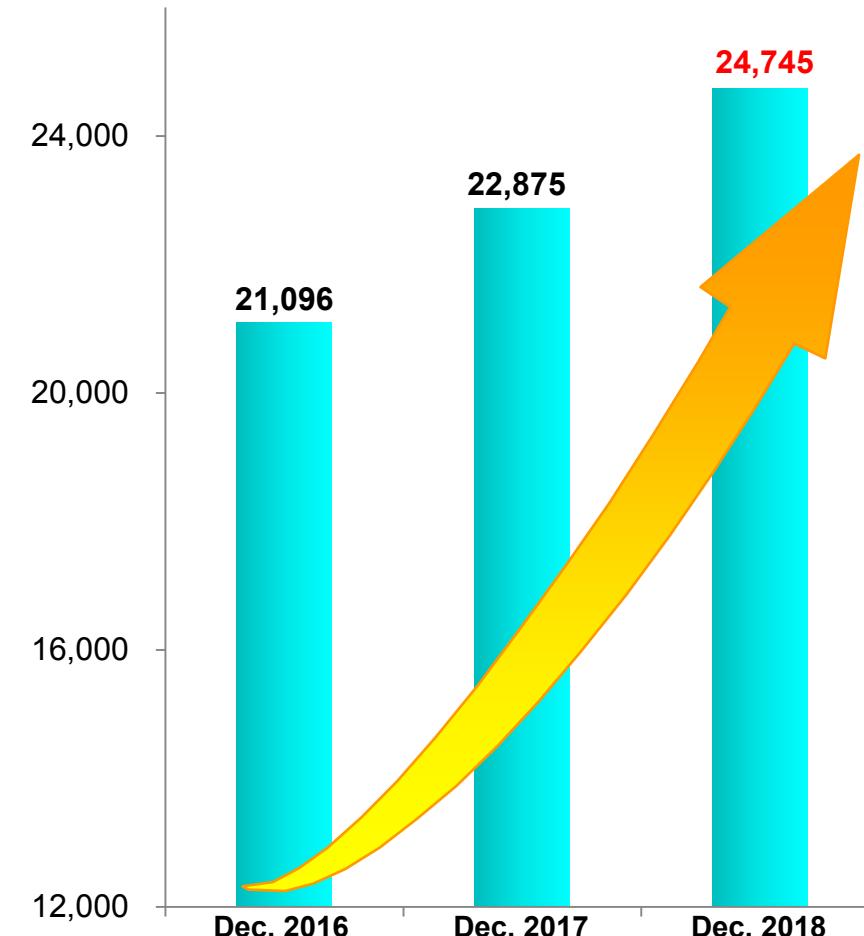
# SBI Holdings' Comparison to Its Time of Establishment

(Established on July 8, 1999)

	Establishment 1999	End of Dec. 2018
Employees (cons.)	55	6,263
Revenues (cons.)	0	JPY 337.0bn (FY2017) <span style="border: 1px solid red; padding: 2px;">Historical High</span>
Consolidated subsidiaries	0	217 (Including consolidated partnerships) (In case of including equity method companies: 253)
Publicly owned companies	0	6 (including SBIHD) Peak time (FY2007): 11
Capital	JPY 50m	JPY 92.0bn
Net assets	JPY 50m	JPY 447.3bn

# The SBI Group's Customer Base

(Thousand)



## Breakdown of the Customer Base

(As of the end of Dec. 2018)<sup>\*1,2</sup>

(Thousand)

SBI SECURITIES	(No. of accounts)	4,540
SBIH InsWeb	(No. of customers)	9,219
E-LOAN	(No. of customers)	2,519
MoneyLook	(Total no. of customer registrations)	945
Morningstar Japan	(Total no. of service users ) <sup>*3</sup>	875
SBI Sumishin Net Bank	(No. of accounts)	3,455
SBI Insurance	(Total no. of contracts) <sup>*4</sup>	1,033
SBI Life Insurance	(Total no. of contracts)	134
Others (SBI Point etc.)		2,025
<b>Total</b>		<b>24,745</b>

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

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

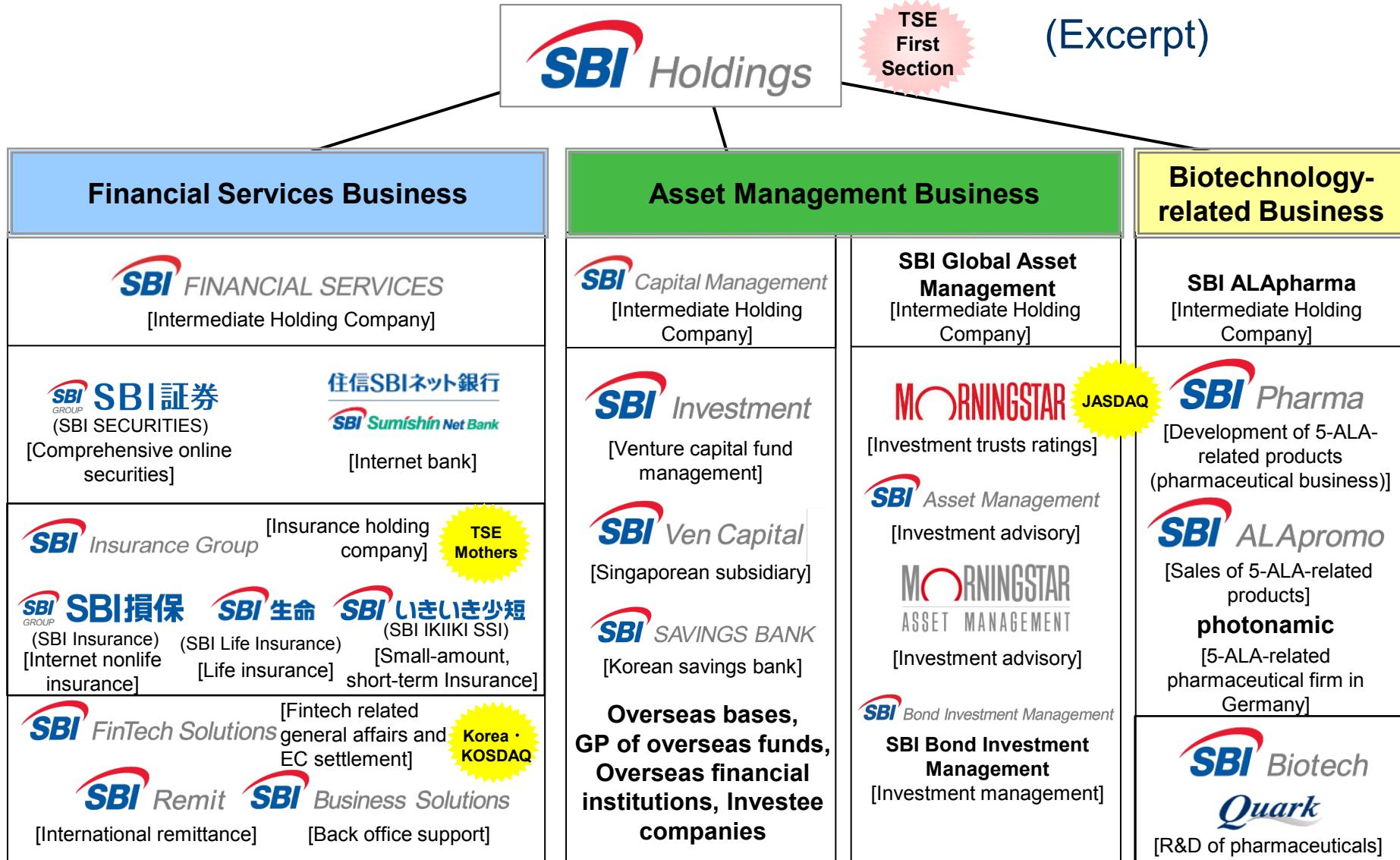
\*3 Includes the number of smartphone app downloads, as provided by Morningstar

\*4 The total number of contracts of SBI Insurance excludes continuing contracts, expiring contracts and early-withdrawals.

# Three Major Businesses and Principal Companies of the SBI Group



(Excerpt)



A diversified line of financial services

Venture capital, Overseas financial services businesses

The Group's asset management

Development, manufacturing and sales of pharmaceuticals, health foods and cosmetics

# 9M FY2018 Consolidated Performance (IFRS)

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

[Year-on-year comparison]

(Unit: JPY million)

	9M FY2017 (Apr. 2017 – Dec. 2017)	9M FY2018 (Apr. 2018 – Dec. 2018)	YoY % change
Revenue	247,125	254,586 <span style="border: 1px solid red; padding: 2px;">Record high</span>	+3.0
Profit before income tax expense	50,623	62,906 <span style="border: 1px solid red; padding: 2px;">Record high</span>	+24.3
Profit for the period	41,142	45,302 <span style="border: 1px solid red; padding: 2px;">Record high</span>	+10.1
Profit attributable to owners of the Company	36,465	38,718 <span style="border: 1px solid red; padding: 2px;">Record high</span>	+6.2

# SBI SECURITIES is the No.1 in the Share of Individual Stock Trading Value, Number of Accounts, Deposits and Profitability

[9M FY2018 results]

	<b>Share of individual stock trading value (%)</b> <small>of which, individual margin trading</small>		<b>Number of accounts (thousand)</b>	<b>Deposit assets (JPY trillion)</b>	<b>Operating income (JPY million)</b>
<b>SBI (cons.)</b>	 <b>36.3</b>	 <b>37.4</b>	 <b>4,540</b>	 <b>11.9</b>	 <b>42,846</b>
<b>Rakuten *1 (cons.)</b>	<b>18.7</b>	<b>19.7</b>	<b>3,017</b>	<b>5.1</b>	<b>15,474</b>
<b>Matsui</b>	<b>10.3</b>	<b>12.4</b>	<b>1,170</b>	<b>2.2</b>	<b>11,245</b>
<b>kabu.com</b>	<b>8.8</b>	<b>10.3</b>	<b>1,110</b>	<b>2.1</b>	<b>5,632</b>
<b>Monex *2 (cons.)</b>	<b>5.2</b>	<b>4.2</b>	<b>1,807</b>	<b>3.8</b>	<b>3,000</b>

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

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

# SBI Sumishin Net Bank is No. 1 in Deposit Balance and Balance of Loans Among the Pure-play Internet Banks

[9M FY2018 results]

JPY billion; parenthetic figures are YoY % change.  
The number of accounts is in thousands.

	Date of operation started	Deposit amount	Balance of loans	Number of accounts	Ordinary income/loss
<b>SBI Sumishin (cons.)</b>	<u>Sept. 2007</u>	 <b>47,440</b>	 <b>32,809</b>	<b>3,455</b>	<b>12.0</b>
Daiwa Next	May 2011	<b>35,411</b>	<b>14,583</b>	<b>1,353</b>	<b>5.7</b>
Sony Bank (cons.)	June 2001	<b>23,366</b>	<b>16,736</b>	<b>1,420</b>	<b>7.0</b>
Rakuten (cons.)	July 2001	<b>24,806</b>	<b>9,070</b>	<b>7,025</b>	<b>20.5</b>
Jibun	July 2008	<b>10,063</b>	<b>6,665</b>	<b>3,380</b>	<b>1.4</b>
The Japan Net	Oct. 2000	<b>8,165</b>	<b>771</b>	<b>3,975</b>	<b>1.6</b>

Note: Amounts are rounded to the nearest 100 million yen or thousand accounts. The number of accounts is as of the end of Dec. 2018.

The number of accounts for Sony Bank is as of the end of Sept. 2018.

# Steady Growth for SBI Insurance in the Direct Non-life Insurance Industry

[Auto insurance premium comparison (Based on J-GAAP)]

(JPY million)

	Date of operation started	FY2009			FY2012			FY2017
<b>Sony Assurance</b>	Sept. 1999	<b>59,849</b>		<b>Sony Assurance</b>	<b>70,712</b>		<b>Sony Assurance</b>	<b>98,123</b>
<b>AXA GENERAL INSURANCE</b>	July 1999	<b>32,054</b>		<b>AXA</b>	<b>35,261</b>		<b>AXA</b>	<b>50,103</b>
<b>Mitsui Direct</b>	June 2000	<b>30,689</b>		<b>Mitsui Direct</b>	<b>33,830</b>		<b>Zurich Insurance</b>	<b>38,634</b>
<b>Zurich Insurance</b>	July 1986 <sup>*1</sup>	<b>27,945</b>		<b>Zurich Insurance</b>	<b>30,126</b>		<b>Mitsui Direct</b>	<b>37,349</b>
<b>American Home Direct</b>	Dec. 1960	<b>17,365</b>		<b>American Home Direct</b>	<b>16,594</b>		<b>SBI Insurance</b>	<b>34,194</b>
<b>Sonpo 24</b>	Mar. 2001	<b>9,820</b>		<b>SBI Insurance</b>	<b>14,288</b>		<b>SAISON AUTO-MOBILE&amp;FIRE</b>	<b>33,741</b>
<b>SAISON AUTO-MOBILE&amp;FIRE</b>	Apr. 1983	<b>8,202</b>		<b>Sonpo 24</b>	<b>11,810</b>		<b>E.design Insurance</b>	<b>27,961</b>
<b>SBI Insurance</b>	Jan. 2008	<b>4,713</b>		<b>SAISON AUTO-MOBILE&amp;FIRE</b>	<b>7,990</b>		<b>Sonpo 24</b>	<b>12,215</b>
<b>E.design Insurance</b>	June 2009	<b>1,100</b>		<b>E.design Insurance</b>	<b>5,140</b>			

\* Figures for E.design are net premiums written, those of others are direct net premiums written. (Source: Disclosure from each company)

\* Establishment of Japan Branch

\* American Home Direct is excluded from the list, since it stopped sales activities for new contracts on Apr. 1, 2016

## II. The SBI Group's Foreseeable Overall Strategy for Sustainable Growth

1. Accelerating the transition to Fintech 1.5-2.0
2. Contributing to regional revitalization through collaboration with regional financial institutions
3. Establishment of a new ecosystem based on digital assets
4. Expanding worldwide sales of the SBI Group's security solutions, through alliances and such, with internal and external partners that have sales capabilities in software, devices, etc.
5. Promotion of “Mobile First”
6. Effective expansion of customer base through alliances with various companies
7. Actualization of the intrinsic corporate value

## **1. Accelerating the transition to Fintech 1.5-2.0**

- (1) The SBI Group's conceptualization of the evolution of fintech**
- (2) The SBI Group's basic strategy to quickly incorporate technological changes to expand its businesses, through alliances with other companies**
- (3) Examples of each entity's individual strategy within the overall strategy**

# (1) The SBI Group's Conceptualization of the Evolution of Fintech

Along with the explosive expansion of the Internet, the SBI Group established its Financial Ecosystem 16 years after its founding in 1999

## -Fintech 1.0-

- Utilizing elemental technologies such as AI (Artificial Intelligence), big data, IoT, robotics, etc., within the established online financial ecosystem
- Utilizing blockchain with the conventional web-based online financial ecosystem

## -Fintech 1.5-

Providing innovative financial services, with blockchain as a core technology

→ Completion of the Blockchain Financial Ecosystem

## -Fintech 2.0-

# The World of FinTech 2.0 is Entirely Different from the World of Fintech 1.0 & 1.5

## Fintech 1.0 & 1.5

- Web presence is essential
- Exchanging information worldwide through the web
- New solutions for financial services utilizing the web are developed (Fintech 1.5)
- Blockchain can be practically utilized on the web
- Distributed Ledger Technology(DLT) is also advancing

## Fintech 2.0

- Blockchain is the core technology
- Enables an exchange of value on the Internet
- Web is not necessarily required

<Fintech 1.0>

<Fintech 1.5>

<Complete Fintech 2.0>

Conventional web application

New web applications utilizing various elemental technologies

A blended application of blockchain and the web

**Proprietary blockchain applications**

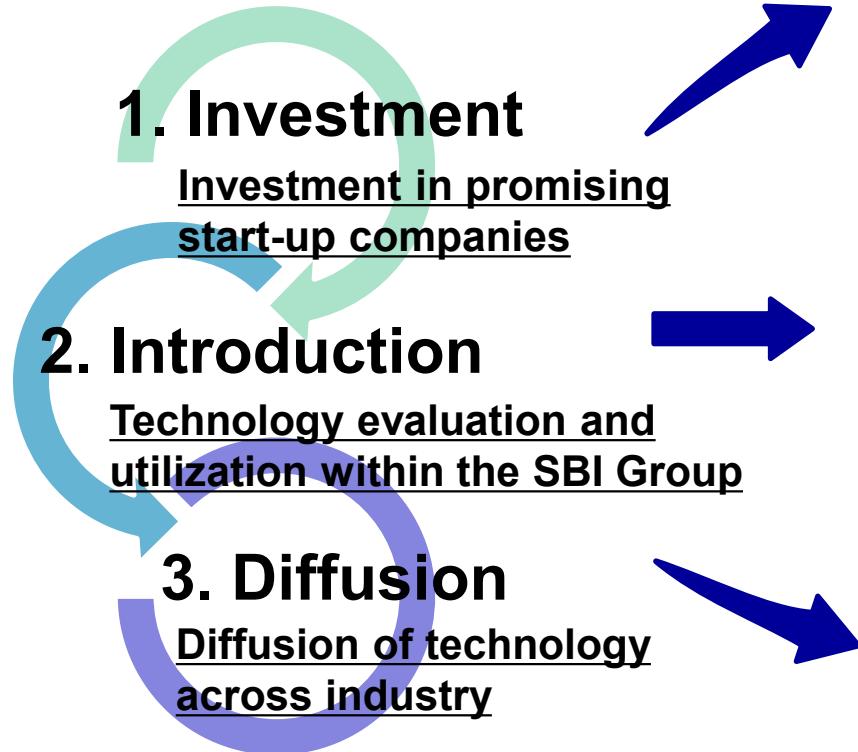
**World Wide Web**

**Blockchain**

**Internet**

## (2) The SBI Group's Basic Strategy to Quickly Incorporate Technological Changes to Expand Its Businesses, through Alliances with Other Companies

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



### Mechanism within the SBI Group

#### Investment business in private equity business centered on SBI Holdings and SBI Investment

- Focused investment strategy specializing in growing fields
- Providing capital, knowledge and strategies

#### Financial Services Business

- Fintech 1.5: Start utilizing Web-based blockchain by leveraging the existing corporate ecosystem
- Fintech 2.0: Develop proprietary blockchain applications

#### All businesses in the SBI Group

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

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

### (3) Examples of each entity's individual strategy within the overall strategy

- ① Active investments into fintech startup companies, through the establishment of funds
- ② Each SBI Group company will promote the improvement of customer benefits, through the further diversification of products and the optimization of business processes by adopting new fintech services

- ① **Active investments into fintech startup companies, through the establishment of funds**  
**-SBI Investment-**

# 28 Regional Financial Institutions Invested in the FinTech Fund Established in Dec. 2015

-Already transitioned from the investment phase to the monetization phase-

## FinTech Business Innovation LPS

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



Already decided on investments into **67** companies  
(Total investment amount to be approx. JPY 24.0bn through the FinTech Fund and approx. JPY 18.5bn by SBI Holdings)



Additionally, 3 companies (including 1 company which was IPO'd in 2017) were already exited through an equity sale

[IPO performance and planned IPO schedule of Fintech investee companies]

Year 2018: 2; Year 2019: 6; Year 2020: 21; After Year 2021: 21;  
Scheduled exits by sales to third party: 5; TBD: 9

**Established the “SBI AI&Blockchain Fund (Common Name: SBI A&B Fund)” in Jan. 2018, as a Successor Fund to the Fintech Fund, to Increase Investments in Growth Fields, such as AI and Blockchain**

### **SBI AI&Blockchain LPS**

- Initial investment tranche began at JPY 20bn.  
Total commitment amount reached JPY 60bn, and the fund raising process has been completed
- Investors: 56 regional financial institutions, as well as institutional investors, corporate pension funds, etc., totaling approx. 130 companies
- Investment target: Promising startup companies mainly in AI and blockchain fields



**Already decided to invest approx. JPY 25.0bn into 55 companies through SBI AI&Blockchain Fund**

**(Including SBI Holdings' investment, the total investment amounts to approx. JPY 35.0bn)**

# The SBI Group Received the World's Top Class Ranking for Investments into the Fintech Field



(A research company that provides company information database)

## Most active corporate blockchain investors (Oct. 2017)

Investor	Rank	Select Companies
SBI Holdings	1	Orb, R3, Ripple, Coinplug, Veem, Wirex, bitFlyer
Google	2	Storj Labs, Blockchain, Ripple, LedgerX, Buttercoin, veem
Overstock.com	3	Settlement, Factom, Ripio, Symbiont, Bitt, Peernova
Citi	4	Digital Asset, R3, Axoni, Cobalt, Chain
Goldman Sachs	5	Digital Asset, R3, Axoni, Circle

Source: CB Insights, "Blockchain Investment Trends In Review"

- ② **Each SBI Group company will promote the improvement of customer benefits, through the further diversification of products and the optimization of business processes by adopting new fintech services**
  - (i) **SBI SECURITIES**
  - (ii) **SBI Sumishin Net Bank**
  - (iii) **SBI Insurance Group**
  - (iv) **SBI Insurance**
  - (v) **SBI Life Insurance**

# By Providing a Robo-adviser Service, in Collaboration with a FinTech Startup Company, Supporting Neophyte Investors' Asset Formation



WealthNavi for  
SBI SECURITIES



(Venture investee company of the FinTech Fund)

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

**Customer assets: JPY 41.0bn** (as of Feb. 28, 2019)

**Number of account: approx. 53 thousand**

- ✓ A leading-edge asset management service for investors who desire medium- and long-term stable asset growth that automates all asset management processes based on a highly objective and transparent financial algorithm
- ✓ The handling fee is low, levied at an annual rate of 1% of the account balance, and simple, with no other fees required

- ◆ **Provision of small amount theme-based investment service “Theme-Killer!,” whose portfolio is created based on minkabu’s unique analysis**

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

## AI

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

## Blockchain

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

## RPA

- ◆ Incorporated RPA for back office work of customer relations and compliance related matters

(Estimated cost reduction: JPY 83m/year; Estimated time saving reduction: 27,540 hours/year)

# Promoting the Utilization of Advanced Technologies at SBI Sumishin Net Bank

## Robo-adviser Service

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

Customer assets: JPY 17.3bn

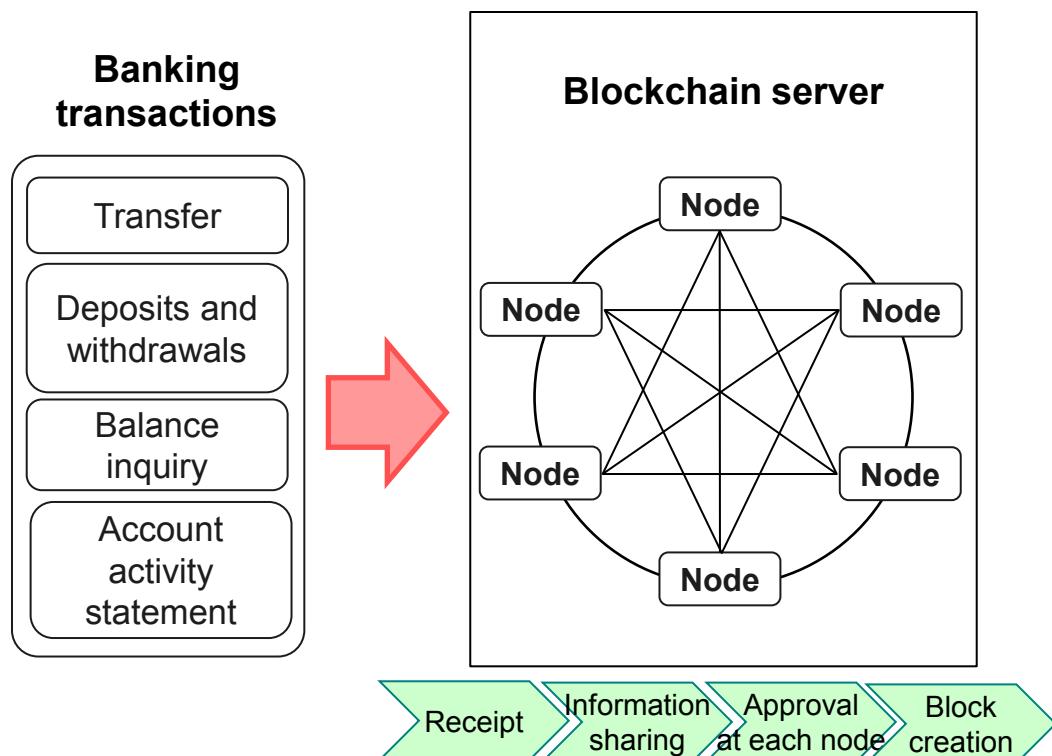
Number of account: 19 thousand

(as of Feb. 28, 2019)

## AI

- ◆ Testing a hybrid chat service capable of AI and manned correspondence for customer inquiries (Nov. 2017)
- ◆ In collaboration with NEC, a monitoring system for countermeasures against unauthorized transfers, utilizing NEC's AI technology, was introduced (Apr. 2018)
- ◆ Initiated review and adoption of online identity verification (KYC) procedure, utilizing Liquid's AI and face authentication technology (July 2018)
- ◆ Introduction of examination method using AI technology for the Internet exclusive housing loans (Oct. 1, 2018)
- ◆ MOU signed for the establishment of a JV to provide an AI screening service with Hitachi (Jan. 29, 2019)

# SBI Sumishin Net Bank Succeeded in Japan's First Blockchain Demonstration Test for Accounting Operations



## [Verification points of the test]

### Tolerance to stress

Without servers going down, responded to an assumed mass transaction amount from 2.5 million accounts

### Tolerance to falsification

High tolerance to data falsification

### Cost-effectiveness

Potential of cost reduction in the areas of procuring infrastructure equipment, establishing middleware and maintenance

 [Estimated cost reduction effect: 9~15%](#)

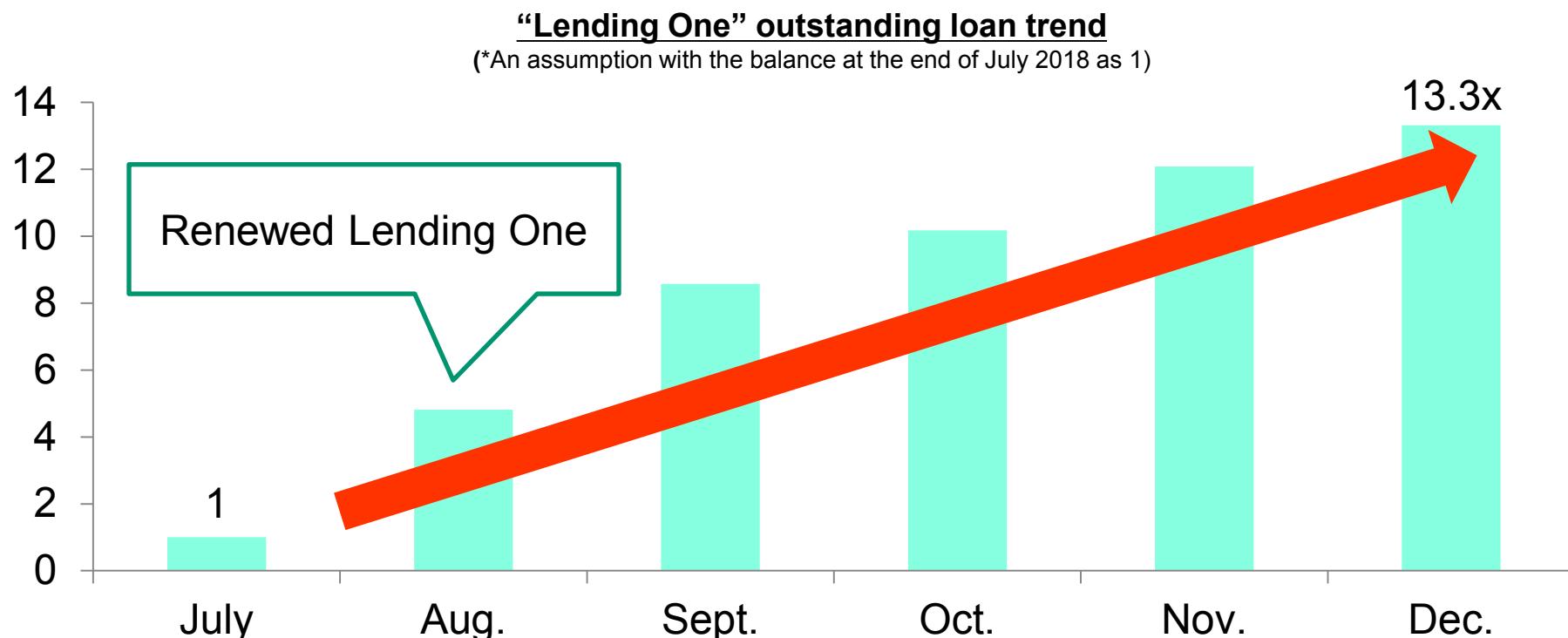
## Provision of Convenient New Services with API Linkage

### API

- ◆ Initiated Japan's first API linkage with Money Forward, which provides automated household accounting and asset management services, along with cloud-type accounting software, etc. (Mar. 2016). Currently, over 300 banking services are API linked
- ◆ An increase in cases where customers wishing to utilize any of the API linkage services open an account with SBI Sumishin Net Bank
- ◆ The prepaid card, "JAL Global WALLET," issued by JAL Payment Port\*, provides yen/foreign currency charge functions through real time account transfers from SBI Sumishin Net Bank accounts, utilizing API linkages (Nov. 2018)  
\* JAL Payment Port is a joint venture established by JAL SBI FinTech (a joint venture of JAL and SBI Holdings), JAL and Sumishin SBI Net Bank
- ◆ The remittance app "Pring" started providing real time account charge functions utilizing API linkages (Jan. 2019)

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

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



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

-Developed robots have improved efficiency by reducing 6,433 hours of monthly work-

Reduction status of 90 tasks through the utilization of RPA \*As of Dec 2018

	Estimated cost reduction (JPY million / 1 year)	Estimated time saving reduction (Hour / 1 year)
Processes related to housing loans	156	51,948
Processes related to card loans	27	8,964
Processes related to client work	14	4,812
Processes against financial crime	9	3,096
Others	25	8,376
Total	232	77,196

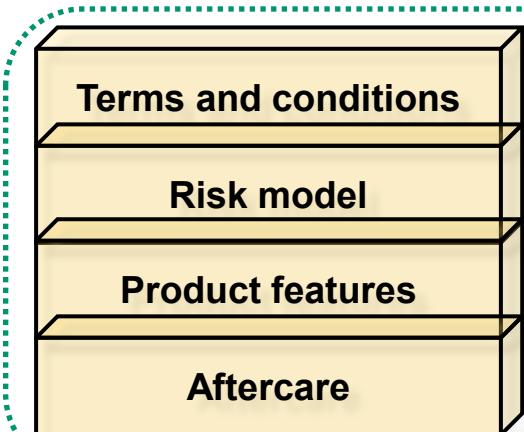
## In Collaboration with ELEMENT, an Investee Startup Company of the SBI Group, Absorbing the Know-how of Developing Insurance Products in a Short Period of Time Utilizing State-of-the-art Technology



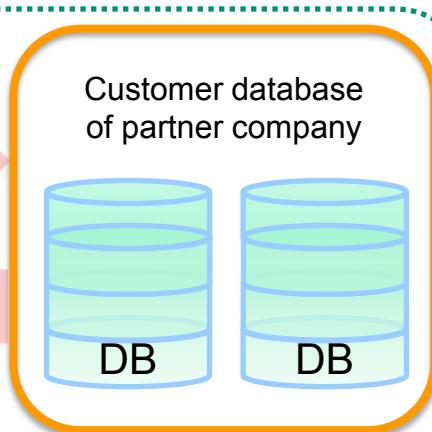
**ELEMENT  
(Germany)**

- ◆ ELEMENT runs a B-to-B-to-X business that rapidly develops insurance products using a modular design and development platform. Without contact with the final consumer etc., it offers insurance by leveraging the branding and sales channels of its partner companies'

**ELEMENT's modular platform**



**Partner company**



**Partner company's customers**



**Incorporate ELEMENT's product development platform know-how in the field of small-amount short-term insurance, where new products offerings are required to be filed, in order to develop insurance products that meet the customers' needs in a short period of time**

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



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



SB C&S Corp.

SoftBank Technology Corp.

Bosch Corporation

## Key Features

- Acquisition of driving data
- Grasping driving characteristics/scoring
- Emergency call in case of accident

## Usage

- Insert into car cigarette socket
- Connect to smartphone via Bluetooth, to transmit to server via the app

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

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

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

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

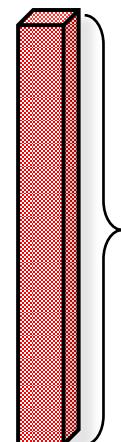


株式会社 タニタヘルスリンク

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

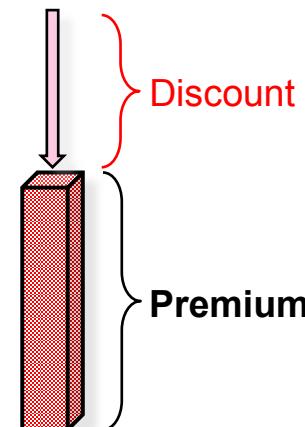
Health information gathered from traditional data and devices

Premium assessed at the timing of subscription



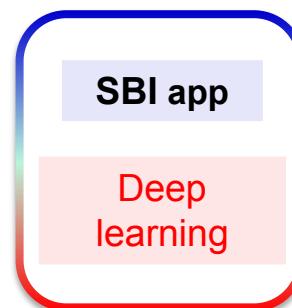
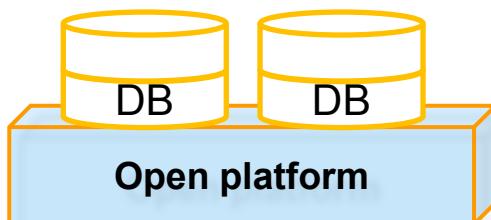
Premium discounts revised annually based on continual collection of health data

Building a premiums scheme tied closely to health



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

Medically rooted data on the platform



Optimized insurance product options

Health advice

Potential customers for platform



## **2. Contributing to regional revitalization through collaboration with regional financial institutions**

- (1) The SBI Group's big picture for regional revitalization**
- (2) Specific examples of the SBI Group's overall strategy to revitalize regional financial institutions**
- (3) Examples of each entity's individual strategy within the overall strategy**

# (1) The SBI Group's Big Picture for Regional Revitalization

**National strategy:** Promoting regional revitalization initiatives

**Reforming the regional financial institutions with strategies developed by SBI (Strategy), and the means that SBI provides (Technology)**

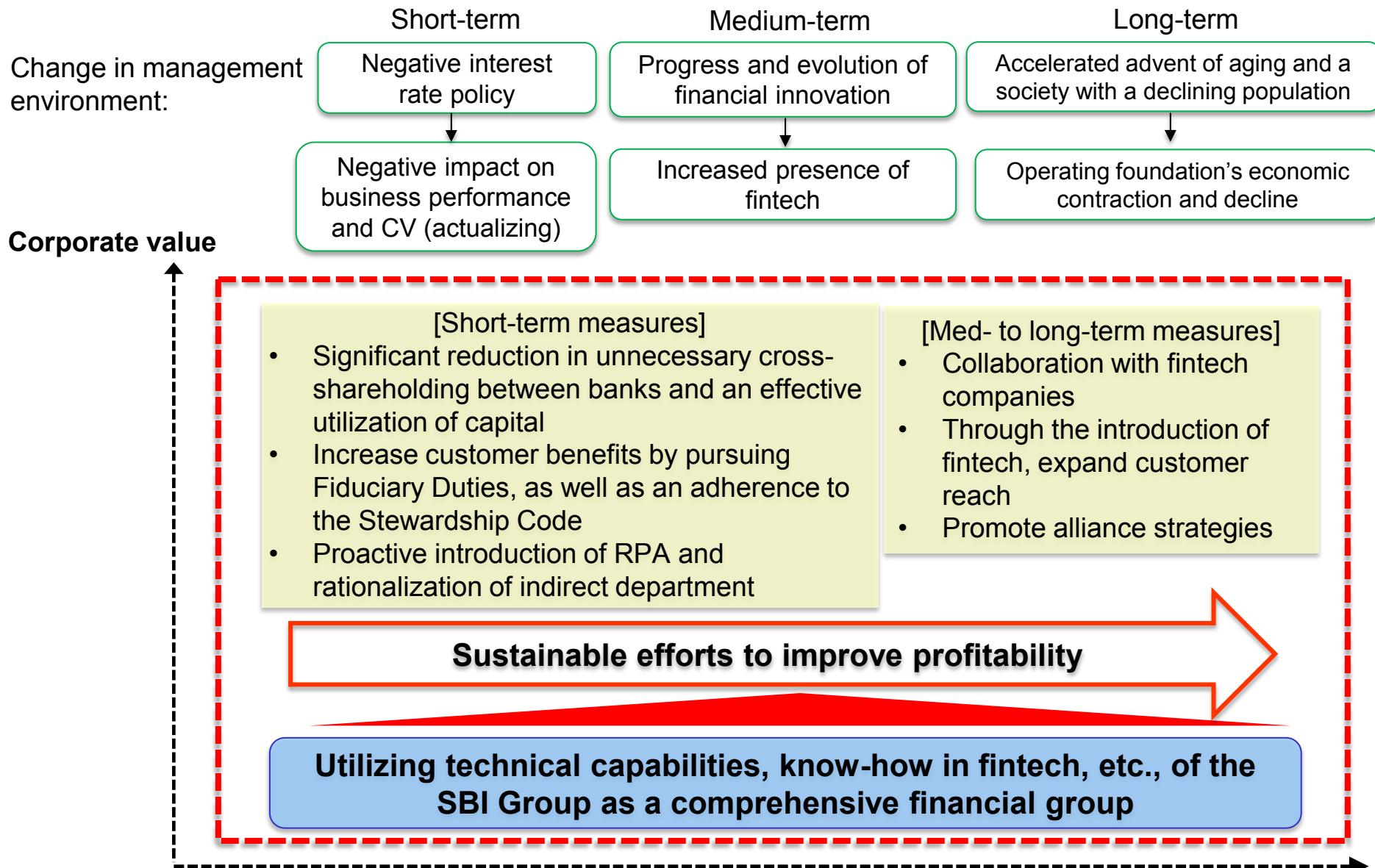
**-Regional revitalization initiatives from the financial sector-**

**Bringing about social changes with new fintech technologies**



**Through a revitalization of the regional economy, will spread the initiatives to the rest of the nation**

# Measures for Regional Financial Institutions to Improve Profitability

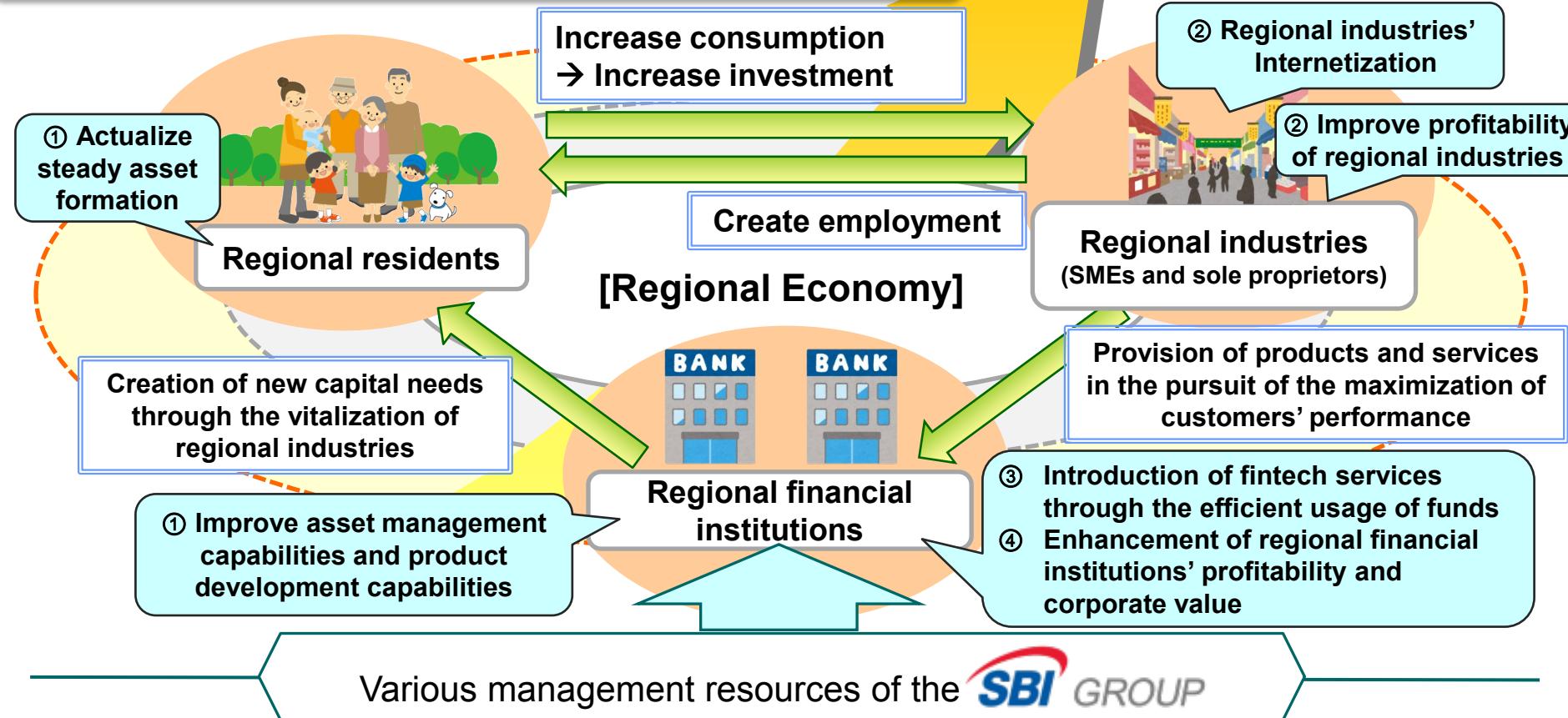


# Regional Financial Institutions will Adapt to Environmental Changes, through the Development of a Truly Customer-oriented Business Model, which will Lead to the Creation of a Virtuous Cycle that will Contribute to the Japanese Economic Growth



With the vitalization of the regional economy, a “Regional Revitalization” will be realized, which is a national strategy

## Growth of the Japanese economy



① Asset management systems and product development capabilities

② Various technologies centered on IT by venture investee companies

③ New financial services at low cost with high customer benefits, utilizing fintech

④ SBI Regional Bank Value Creation Fund, to improve the corporate value of the regional financial institutions

## (2) Specific examples of the SBI Group's overall strategy to revitalize regional financial institutions

- ① Providing a platform (API Platform) to support the adoption of fintech startup companies' services and systems to financial institutions
- ② Established SBI Neo Financial Services to revamp the business model of regional financial institutions, through the use of new technologies
- ③ Thoroughly promote Money Tap as an innovative service with high customer benefits for financial institutions
- ④ To encourage the adoption of advanced solutions of overseas fintech companies to internal and external financial institutions, promoting the localization of such products through the establishment of JVs and business alliances

# ① Providing a Platform (API Platform) to Support the Adoption of Fintech Startup Companies' Services and Systems to Financial Institutions



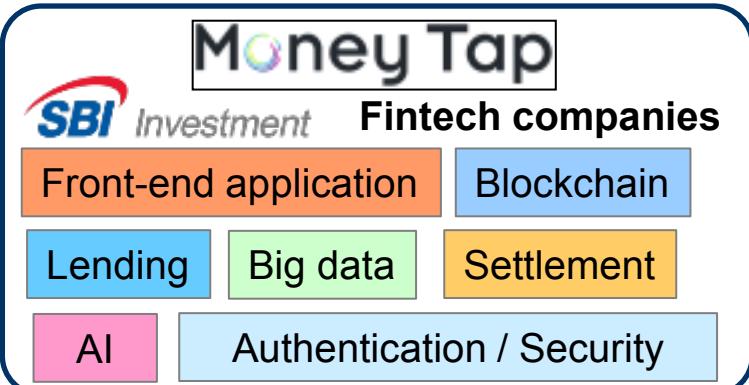
3 companies have adopted, 4 companies are in the process of adopting, and 3 companies are under agreement to adopt



## "Fintech Platform" (API Platform)

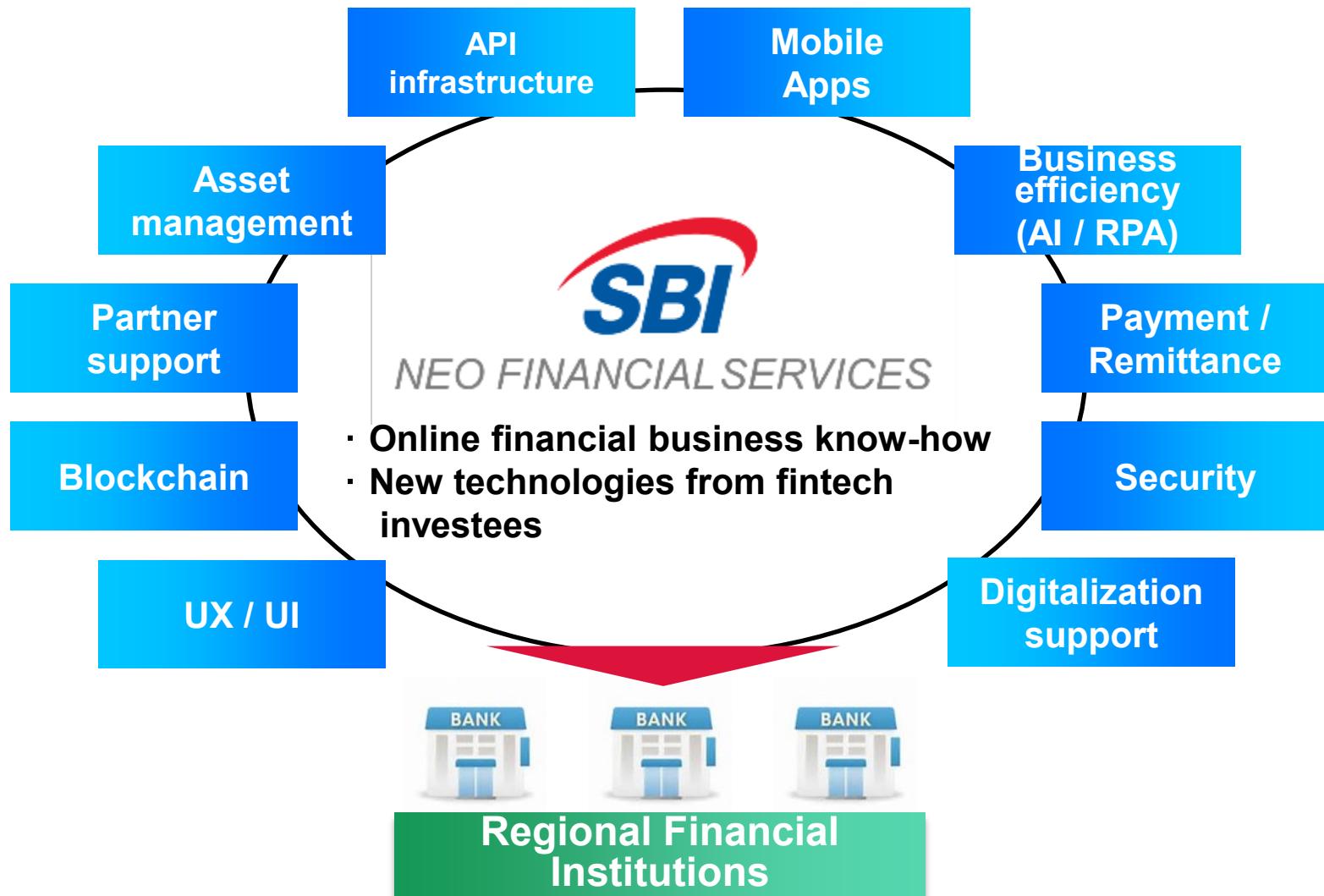
Managed by SBI FinTech Incubation

Shareholder ratio: SBI 60%, SoftBank 20%, IBM Japan 10%, Toppan 10%



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

## ② Established SBI Neo Financial Services to Revamp the Business Model of Regional Financial Institutions, through the Use of New Technologies

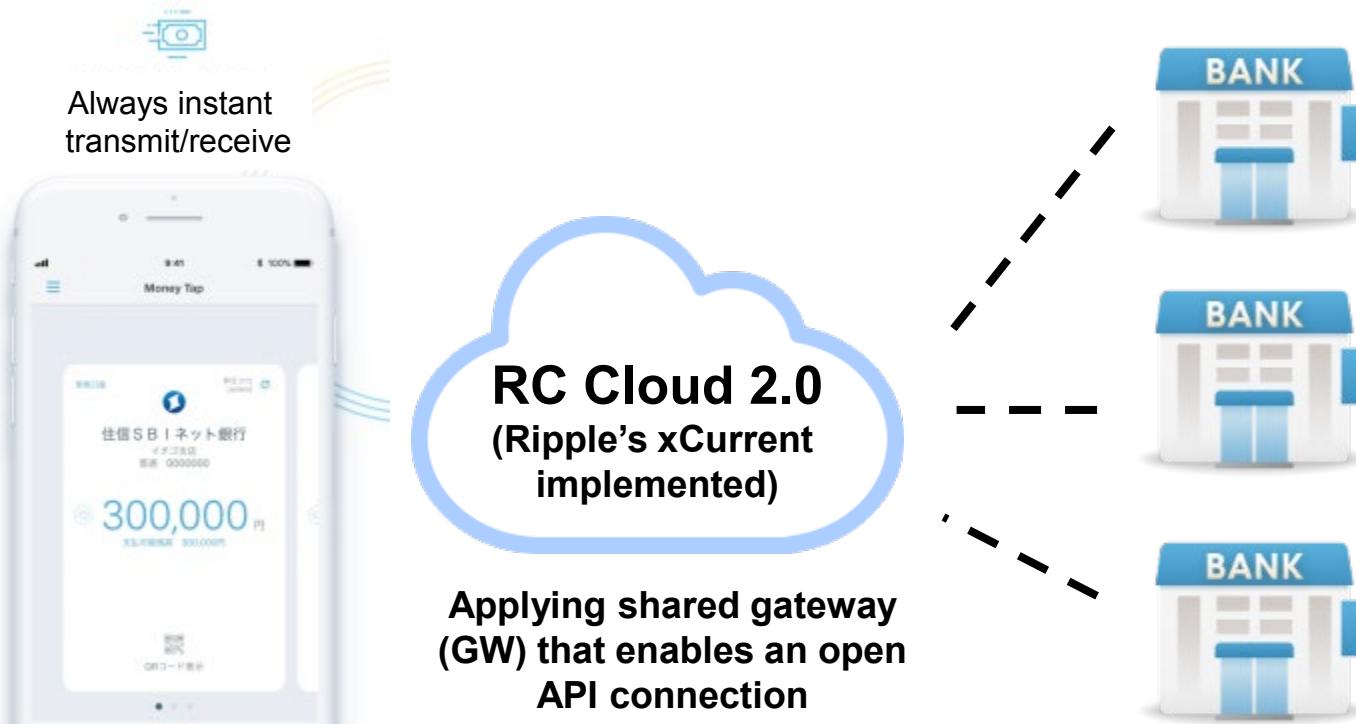


### ③ Thoroughly Promote Money Tap as an Innovative Service with High Customer Benefits for Financial Institutions



~ Provision of an environment that allows connected-bank users to safely, remotely and comfortably transfer money between individuals ~

- In addition to account number designation remittances, mobile phone number designation remittance is also possible
- A smartphone app that provides a free of charge, 24/365 inter-bank remittance application
- In connection with 3 banks (SBI Sumishin Net Bank, SURUGA Bank and Resona Bank)\*. Extensive efforts will be made to have more banks connected to the app.
- In order to further improve convenience, contemplating the addition of FX remittance function and the use of XRP at the time of implementation, with an inspection from various angles, including legal maintenance, etc.



# Money Tap: About Future Scalability



## UXs that do not require account opening and charging

- As it is directly connected to a bank account, there is no need to open a prepaid account or charge in advance like other services. (Available as long as you have a supported bank account)
- Other services may not accept withdrawal of charged electronic money, or may require a fee upon withdrawal, but Money Tap does not require any such fee

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

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

## Initiatives led by banks / electronic settlement agents

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

## Low structural cost owing to no charges, with no necessary account transfers

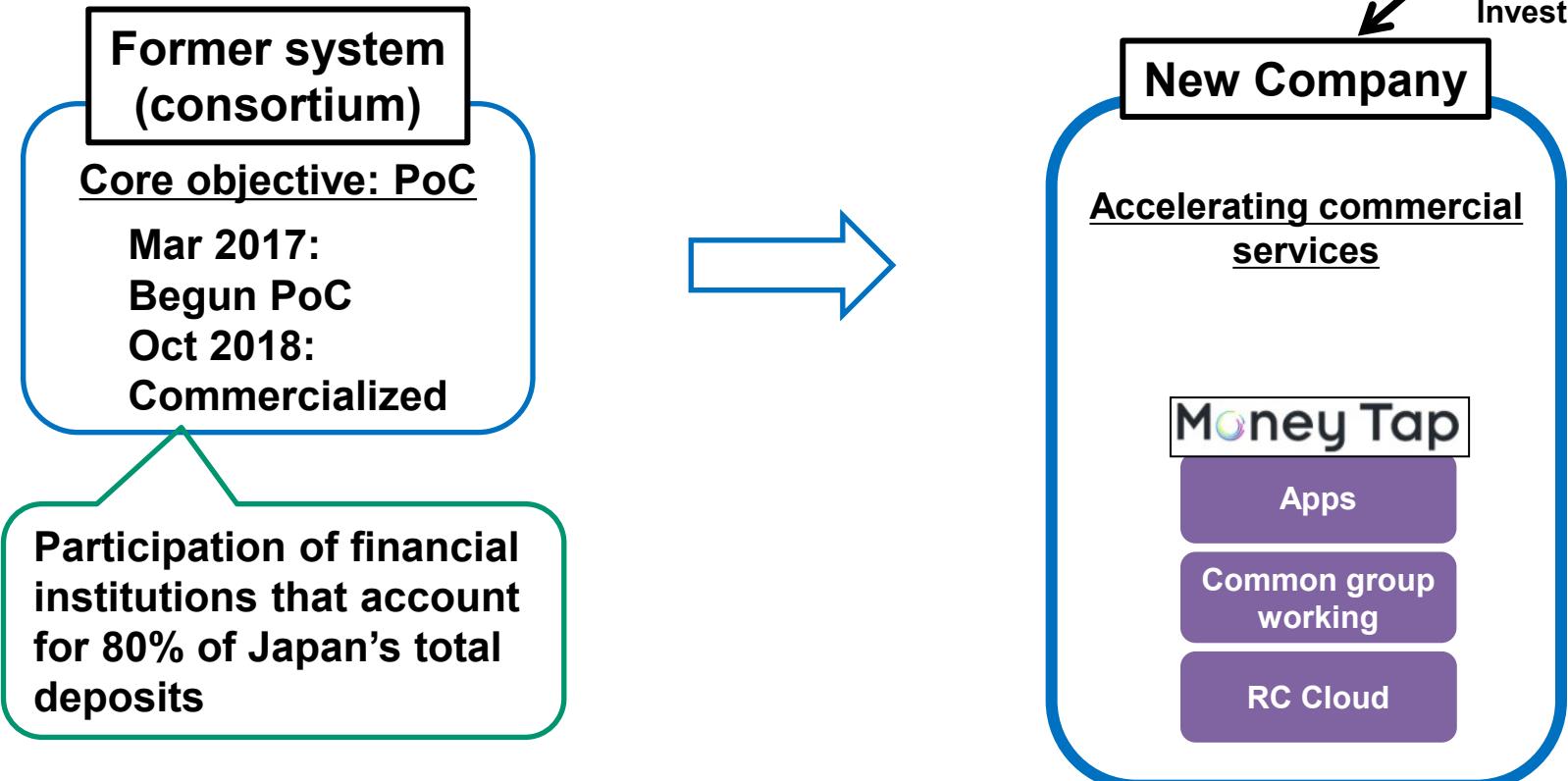
- Other companies' services are expensive, owing to costs from credit card offerings
- In the case of bank account linkage, most banks use online banking, and the cost is about JPY 5 -10 per transaction

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

# In Order to Firmly Promote the Money Tap Business, the Consortium is Under Preparation for Transitioning to a Company Structure



The SBI Group, and financial institutions have expressed an intention to participate as shareholders



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

# At the New Company, Promote QR Code Merchant Payment Services by Money Tap

## 1. Free of initial cost

- Use of QR code (MPM) eliminates the need for a dedicated terminal

## 2. Low fee for the merchants

- A debit-type settlement, with no charge fee
- Service provided by the industry's lowest merchant fee level

## 3. Short lead time for deposits

- Ultimately will enable real time receipt
- Initially, next-business-day receipt (depends on the merchant contract)

**Eliminates triple difficulties of card payments for the merchants**

④ To Encourage the Adoption of Advanced Solutions of Overseas Fintech Companies to Internal and External Financial Institutions, Promoting the Localization of Such Products through the Establishment of JVs and Business Alliances



**World's first dynamic security**  
Runs different source codes each time

Established SBI EVERSPIN in Nov. 2018



Reimagine • Rethink • Recreate  
**Business process automation platform by AI and RPA**  
**Enhancing business efficiency**

Signed an agreement to convert SBI Antworks Asia into a joint venture in Feb. 2019 (Share transfer planned in Mar.)



**Keyboard banking function**  
Banking services on keyboard

Proceeding final adjustment



**Platform / app to support insurance consulting**

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

Established SBI wefox Asia in Jan. 2019



**Automation of housing loan process**

Automate from preliminary examination to loan application

Proceeding final adjustment



金融壹账通  
one connect



**IT technology platform**

Provides a comprehensive fintech platform installed by 2000 financial institutions in China

Proceeding final adjustment

### (3) Examples of each entity's individual strategy within the overall strategy

- ① Contribute to the improvement of corporate value of regional financial institutions, through the utilization of products and services, etc., at existing SBI Group financial entities
- ② Strengthening the business succession support services to regional small and medium business owners

- ① **Contribute to the improvement of corporate value of regional financial institutions, through the utilization of products and services, etc., at existing SBI Group financial entities**
  - (i) **SBI SECURITIES**
  - (ii) **SBI MONEY PLAZA**
  - (iii) **SBI Sumishin Net Bank**
  - (iv) **SBI Insurance**
  - (v) **SBI Life Insurance**
  - (vi) **SBI Regional Revitalization Asset Management**

# SBI SECURITIES Provides Financial Instruments Intermediary Services to 32 Regional Financial Institutions, in Order to Correspond to the Asset Formation Needs of Regional Customers

-Plans to form alliances with 38 banks in total by the end of Mar. 2019-



Financial instruments  
intermediary services

Regional financial  
institutions

The number of accounts and deposit assets via financial instruments intermediary services increased 2.6x and 8.6x year-on-year, respectively.  
 \* Includes those at SBI MONEY PLAZA's co-managed shops



Regional financial  
institutions' customers

## [Alliances with 32 companies]

The Shimizu Bank	The Ehime Bank	CHIKUHO Bank	The Keiyo Bank	Kiraboshi Bank
The Aomori Bank	The Fukui Bank	THE SAGA KYOEI BANK	Bank of The Ryukyus	The Awa Bank
The Towa Bank	THE NAGANO-KEN SHINKUMI BANK	THE SENDAI BANK	Kirayaka Bank	The Akita Bank
THE KANAGAWA BANK	Aichi Bank	FUKUSHIMA BANK	Kita-Nippon Bank	The Kiyo Bank
The Miyazaki Taiyo Bank	THE HOWA BANK	THE OKAZAKI SHIKIN BANK	The Tohoku Bank	THE NAGANO BANK
SHIMANE BANK	MINAMI NIPPON BANK	THE BANK OF KOCHI	THE MIE BANK	The Daisan Bank
YM Life Planning (Affiliate of Yamaguchi Financial Group)		The Osaka City Shinkin Bank		

In collaboration with Shinkin Central Bank, launched a financial instruments intermediary scheme" (Jan. 2019). As the first step, started an alliance with The Osaka City Shinkin Bank

# Started a Face-to-face Financial Instruments Intermediary Services with an Affiliated Financial Products Intermediary of the Yamaguchi Financial Group

-First alliance with a regional financial group with a securities subsidiary-



[SBI SECURITIES]



**YM Life Planning**

(Affiliate of Yamaguchi Financial Group)

Initially, will start with four shops which includes the head office, with the scale of business to be expanded sequentially

## Partnership details

- Induce customers to open general securities accounts at SBI SECURITIES via “Hoken Hiroba+,” a face-to-face shop of YM Life Planning and its website
  - Provision of SBI SECURITIES’ financial instruments and services, including the accumulated-type investment trusts
- Collaborate at seminars periodically held at “Hoken Hiroba+”

Enhancing the long-term accompanying-type of consulting services from a life planning perspective

# SBI MONEY PLAZA, through Business Alliances with 52 Regional Financial Institutions, Provides Products for Corporations and Wealthy Individuals



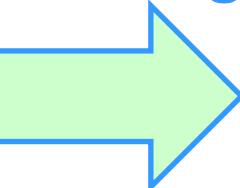
Regional financial institutions

Accounting measures and inheritance preparation products

- ✓ Operating lease
- ✓ Insurance products
- ✓ Real estate small-lot trust beneficiary rights ... etc.



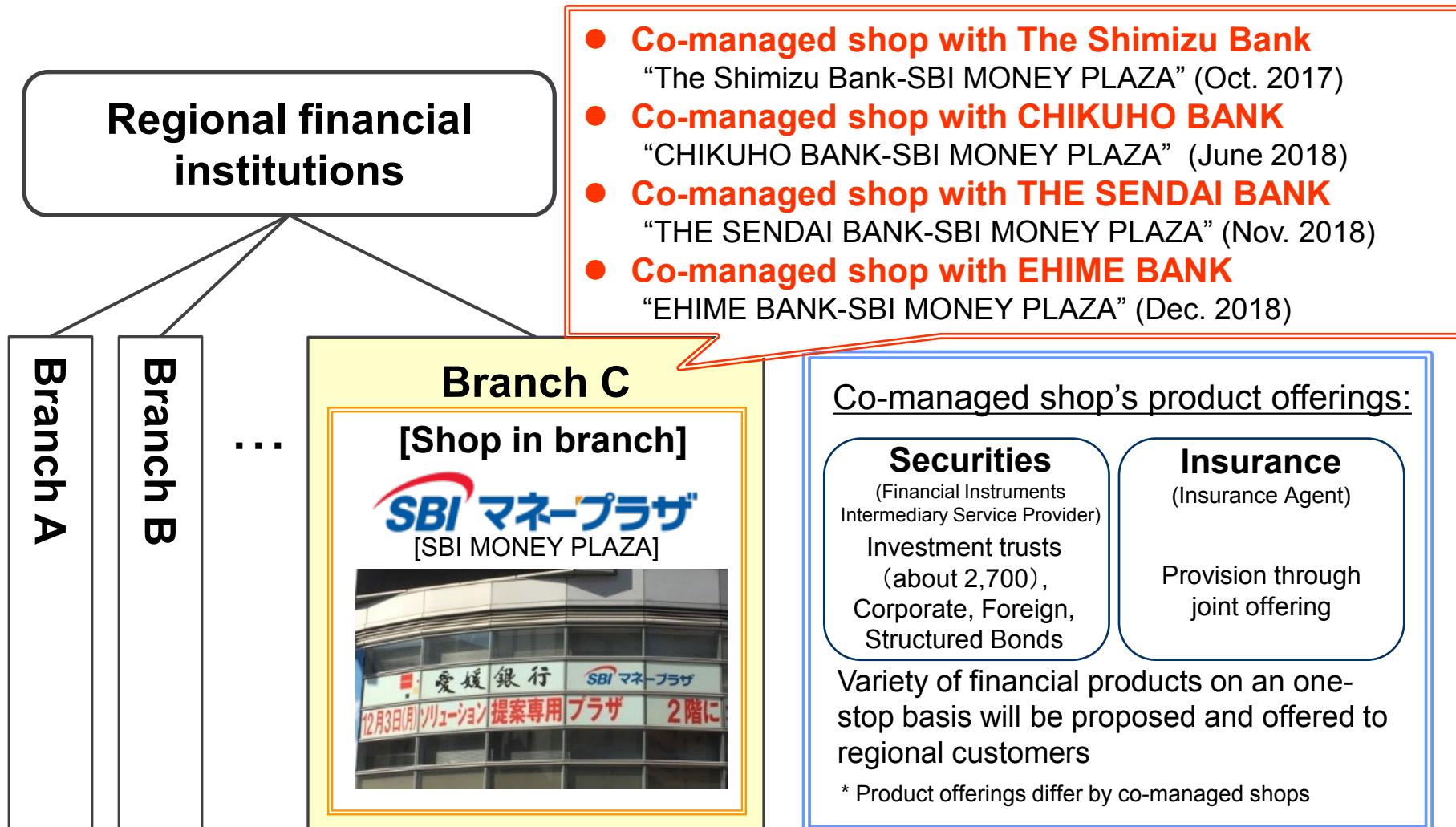
Offering



Regional financial institutions' customer corporations and wealthy individuals

# SBI MONEY PLAZA Launched Four Co-managed Shops with Regional Financial Institutions

**Scheduled to launch a co-managed shop with THE MIE BANK in Apr. 3, 2019.**  
 Discussions are made to newly launch four co-managed shops in FY2019



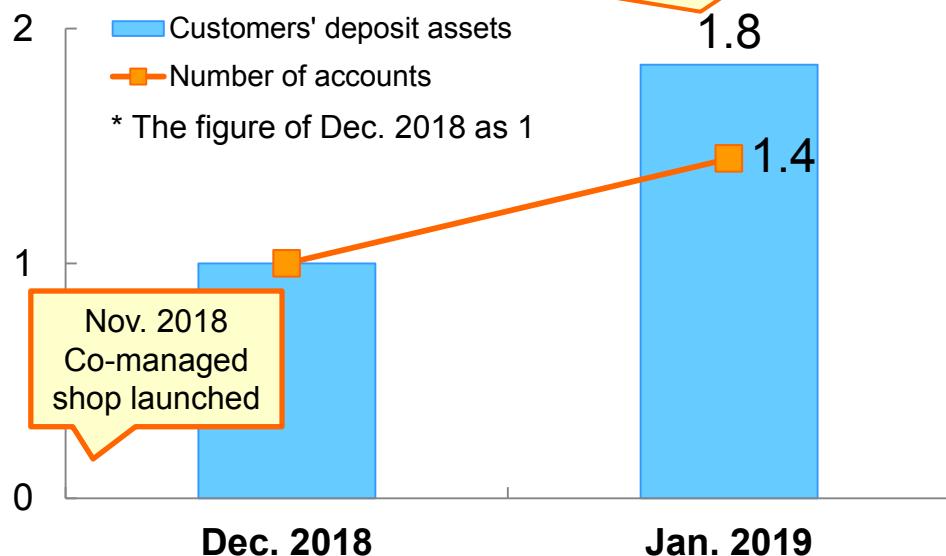
# The Co-managed Shops with Regional Financial Institutions have Rapidly Increased Their Number of Accounts and Customers' Deposit Assets, along with an Increase in Revenue

Trend of customers' deposit assets and number of accounts

## THE SENDAI BANK (Launched in Nov. 2018)

Jan. 2019 results

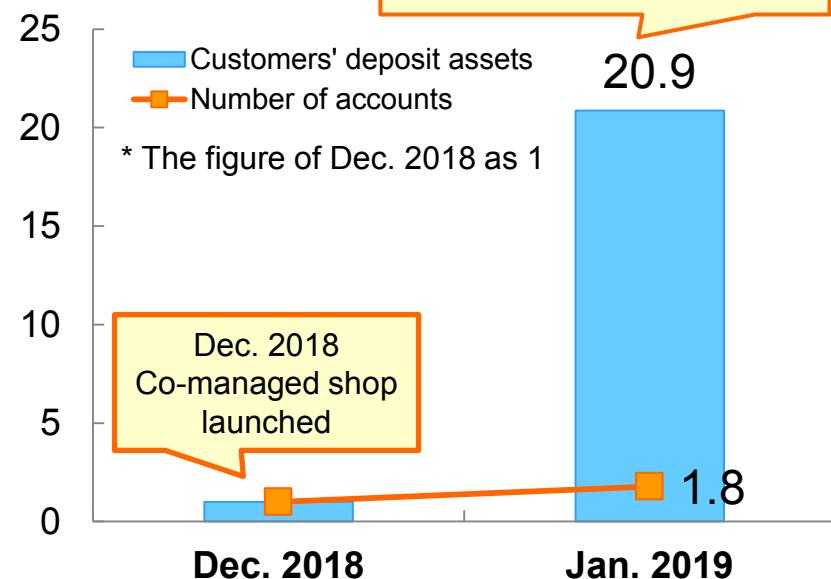
Deposit assets: 1.8x, Accounts: 1.4x  
 → Revenue: 2.2x



## EHIME BANK (Launched in Dec. 2018)

Jan. 2019 results

Deposit assets: 20.9x  
 Accounts: 1.8x



## Shimizu Bank (Launched in Oct. 2017)

Dec. 2018 results (The figure of Nov. 2017 as 1)  
 Deposit assets: 6.1x, Accounts: 3.4x, Revenue: 12.2x

## CHIKUHO BANK (Launched in June 2018)

Dec. 2018 results (The figure of July 2018 as 1)  
 Deposit assets: 31.8x, Accounts: 6.1x, Revenue: 4.6x

# Preparing the Establishment of a JV to Provide an High-performance AI Screening Service for Financial Institutions with Hitachi

住信SBIネット銀行

 **SBI Sumishin Net Bank**

## Credit administration know-how

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



**Hitachi, Ltd.**

## Advanced AI Technology

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

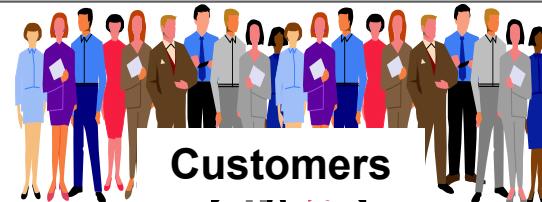
## Establishment of a JV to provide high-performance AI screening service

- On Jan. 29, Hitachi and SBI Sumishin Net Bank entered a basic agreement to form a joint venture providing AI screening services, which combine the technology and know-how of Hitachi’s new AI “Hitachi AI Technology/Prediction of Rare Case” with SBI Sumishin Net Bank’s data handling technology
- From Oct. 2019, planning to provide high-performance AI screening service for mortgages to multiple financial institutions, such as regional financial institutions. Within 2 to 3 years, expect to service dozens of other financial institutions
- Plans to expand applicable fields for AI screening services, such as the transaction lending service that supports advance screening based on fund settlement information, and detailed screening of card loans to avoid borrowers with multiple debts

# Several Regional Financial Institutions, etc., Decided to Introduce SBI Insurance's Products



Regional financial institutions, etc.



SBI Insurance will develop the local customer base by offering convenient and diverse insurance products

## < Partners of SBI Insurance >

Financial institutions

**The Okazaki Shinkin Bank** (From June 25, 2018)

“SBI Insurance Fire Insurance”

**THE TAIKO BANK** (From July 2, 2018)

“SBI Insurance’s Cancer Insurance”

**AEON Bank** (From July 27, 2018)

“SBI Insurance’s Auto Insurance”

**UCS** (From Nov. 26, 2018 to Dec. 25, 2018)

“UCS actual amount guaranteed cancer insurance”

Business corporations

**HTB Energy** (From Oct. 19, 2018)

“HTB Energy’s Cancer Insurance”

**Shikoku Electric Power** (From Oct. 22, 2018)

“Shikoku Electric Power’s Cancer Insurance”

**EPARK**

“SBI Insurance’s Auto Insurance”,

“SBI Insurance’s Cancer Insurance”

**Last One Mile Co., Ltd.** (From Dec. 3, 2018)

“Marutto Cancer Insurance”

**23 companies (of which 8 are financial institutions), including  
the 8 companies above, decided to adopt SBI Insurance’s products,  
and plans are for sales to start shortly**

## Customer Inflows Increased Owing to Steady Growth in the Adoption of SBI Life Insurance's Group Credit Life Insurance by Regional Financial Institutions, Including Regional Banks

<SBI Life Insurance's partner regional financial institutions>

The Yamaguchi Bank (Yamaguchi)

Hanno Shinkin Bank (Saitama)

Momiji Bank (Hiroshima)

TOYOTA SHINKIN Bank (Aichi)

THE KITAKYUSHU BANK (Fukuoka)

SEIBU SHINKIN BANK (Tokyo)

The Bank of Okinawa (Okinawa)

The Kanagawa Shinkin Bank (Kanagawa)

Kyoei Credit Union(Niigata)

Nagano Shinkin Bank (Nagano)

10 banks mentioned above have decided to adopt, or have started sales of SBI Life Insurance's Group Credit Life Insurance. While SBI Life Insurance continues to proactively promote the sales of the Group Credit Life Insurance, primarily to regional financial institutions nationwide, over 10 institutions are considering adoption, with 3 already decided to adopt

Compared to the 2Q FY2018 (end of Sept.), the total number of applications from customers of regional financial institutions increased more than 14 times in the 3Q FY2018 (end of Dec.), partly owing to the transfer of existing contracts

# Established “SBI Regional Revitalization Asset Management,” an Asset Management Company, through a Joint Investment -Total investment participation by 35 banks-



Announcement for the 35<sup>th</sup> participant will be shortly made

## Regional financial institutions

### <Participating banks>

THE Aomori BANK, The Ashikaga Bank, EHIME BANK, THE SENDAI BANK, CHIKUHO BANK, THE TOWA BANK, The Bank of Kochi, THE DAITO BANK, THE TOHO BANK, THE TOTTORIBANK, THE KAGAWA BANK, Kita-Nippon Bank, TAISHO Bank, THE TOKUSHIMA BANK, THE FUKUOKA CHUO BANK, THE HOWA BANK, THE SHIMIZU BANK, The Tohoku Bank, FUKUSHIMA BANK, The Hokutsu Bank, The Miyazaki Taiyo Bank, Yamaguchi Financial Group (THE YAMAGUCHI BANK, THE MOMIJI BANK, THE KITAKYUSHU BANK), THE BANK OF SAGA, THE KANAGAWA BANK, Shimane bank, The Yamagata Bank, Ogaki Kyoritsu Bank, FIRST BANK OF TOYAMA, THE NAGANO BANK, The Akita Bank, NANTO BANK, MINAMI NIPPON BANK

Utilize SBI's resources

- Know-how about asset management

 *SBI Asset Management*

 *SBI Bond Investment Management*

- Abundant fund information by utilizing the global network
- Investment education and sales support tools

 MORNINGSTAR



Will support the regional financial institutions that are investors, from both customer asset management and self fund management perspectives, as well as the development of human resources who will be responsible for the operational practices at each bank

Initiated acceptance for the first publicly offered investment trust “SBI Regional Revitalization - World High Dividend Stock Fund,” (with currency hedging), tentative name: 7, 5 - 3, from Nov. 20

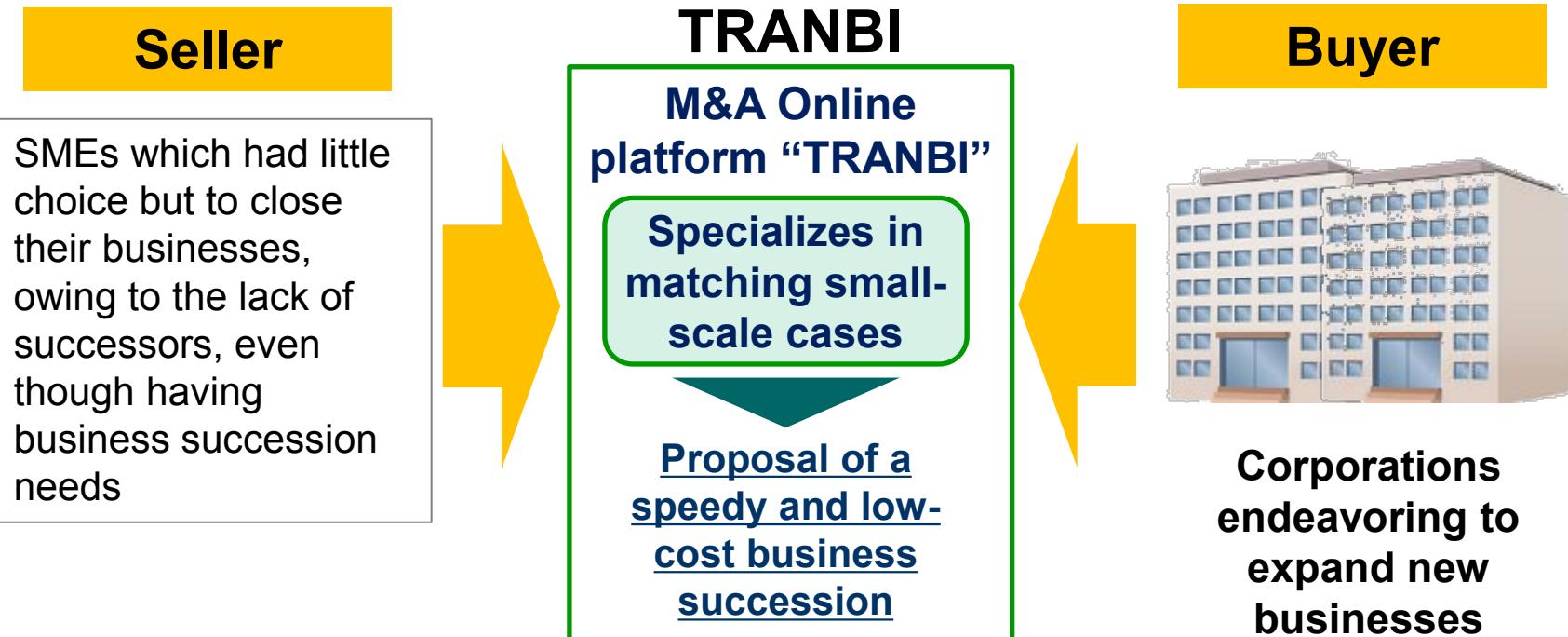
② **Strengthening the business succession support services to regional small and medium business owners**

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

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



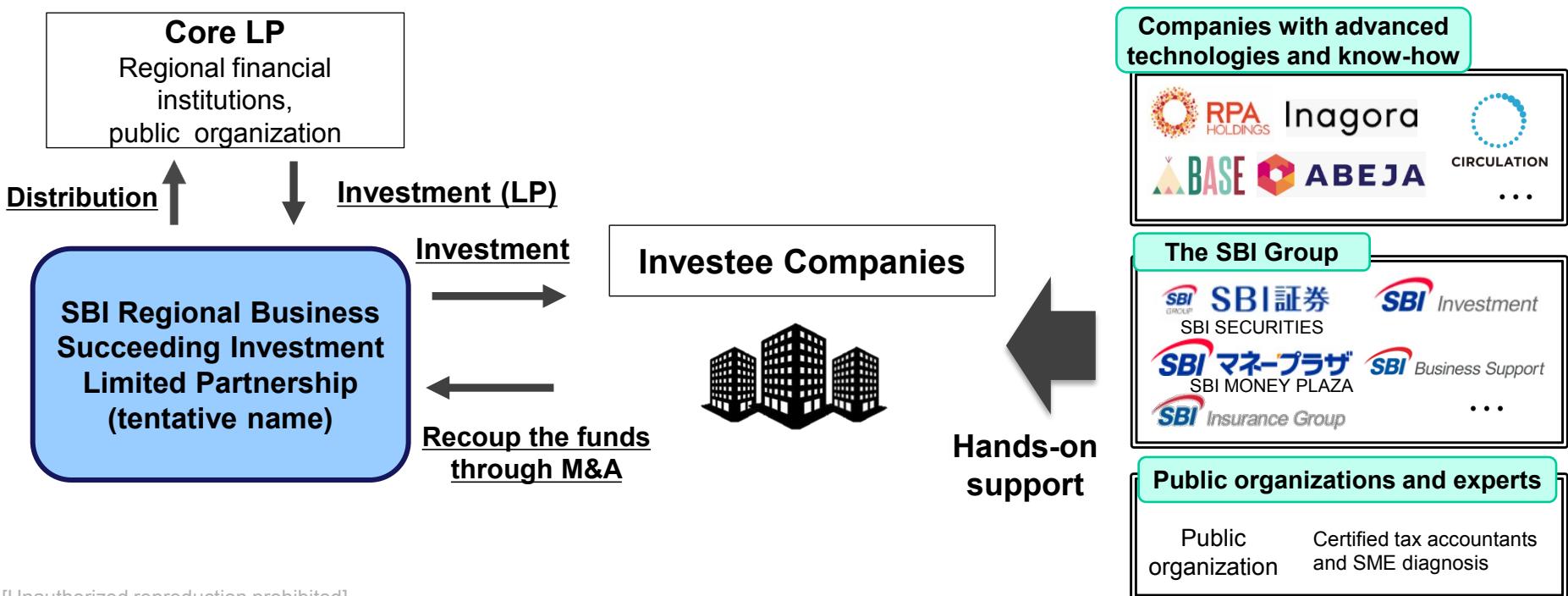
Business Succession Advisory Office, Investment Banking Dept.



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

# The SBI Group will Initiate the Solicitation of Funds from this Spring, Primarily to Regional Financial Institutions, for the Establishment of the SBI Regional Business Succession Fund (tentative name) to Support Business Succession Nationwide

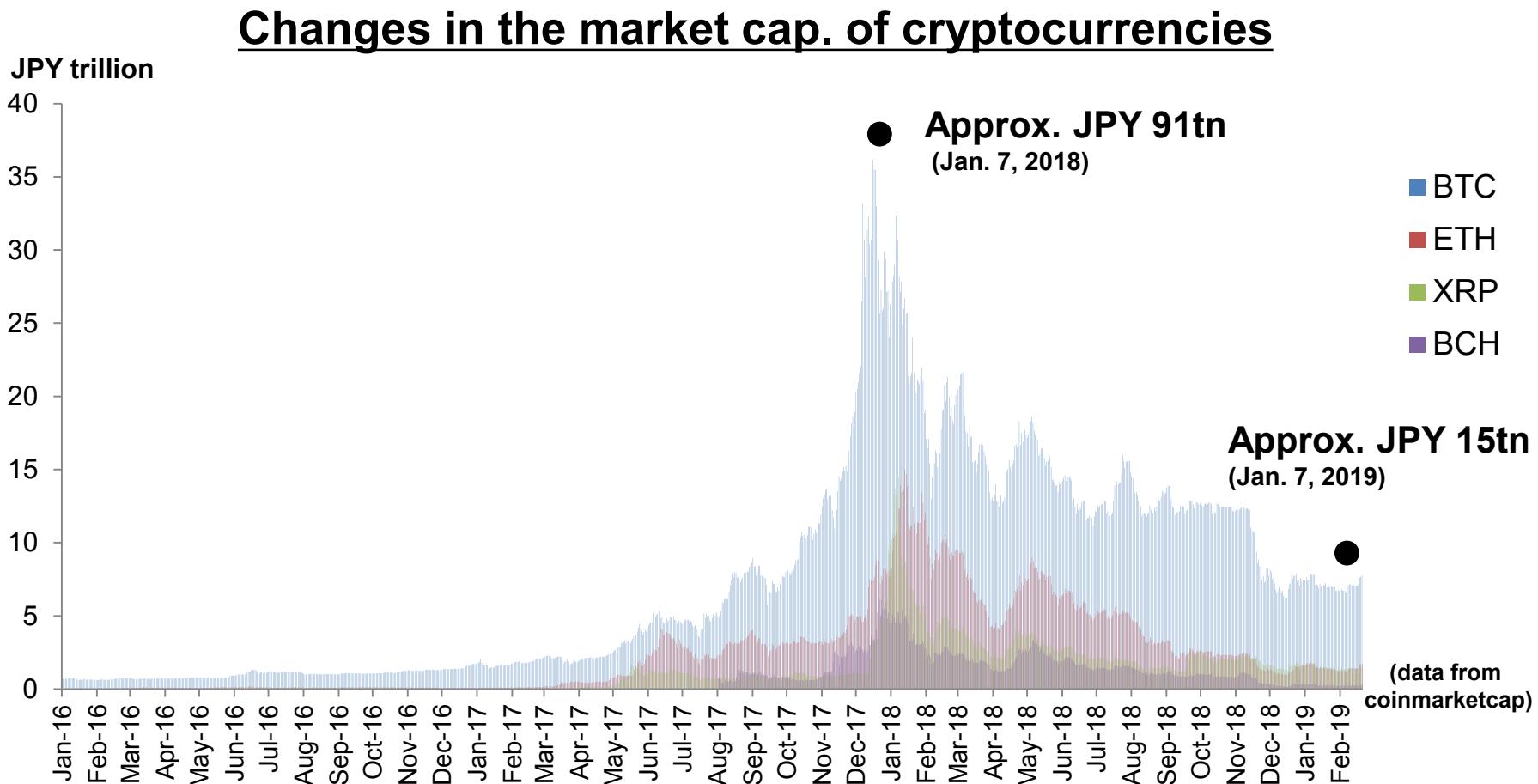
- Support for business succession of midsize or smaller companies in Japan, regardless of region
- Support for raising corporate value of various companies by leveraging the SBI Group and SBI network
- Aiding coordination and integration that extends beyond the local region of portfolio companies
- SBI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



### **3. Establishment of a new ecosystem based on digital assets**

- (1) Comprehending the environment pertaining to cryptocurrency and blockchain**
- (2) Examples of each entity's individual strategy within the overall strategy**

# (1) Comprehending the Environment Pertaining to Cryptocurrency and Blockchain

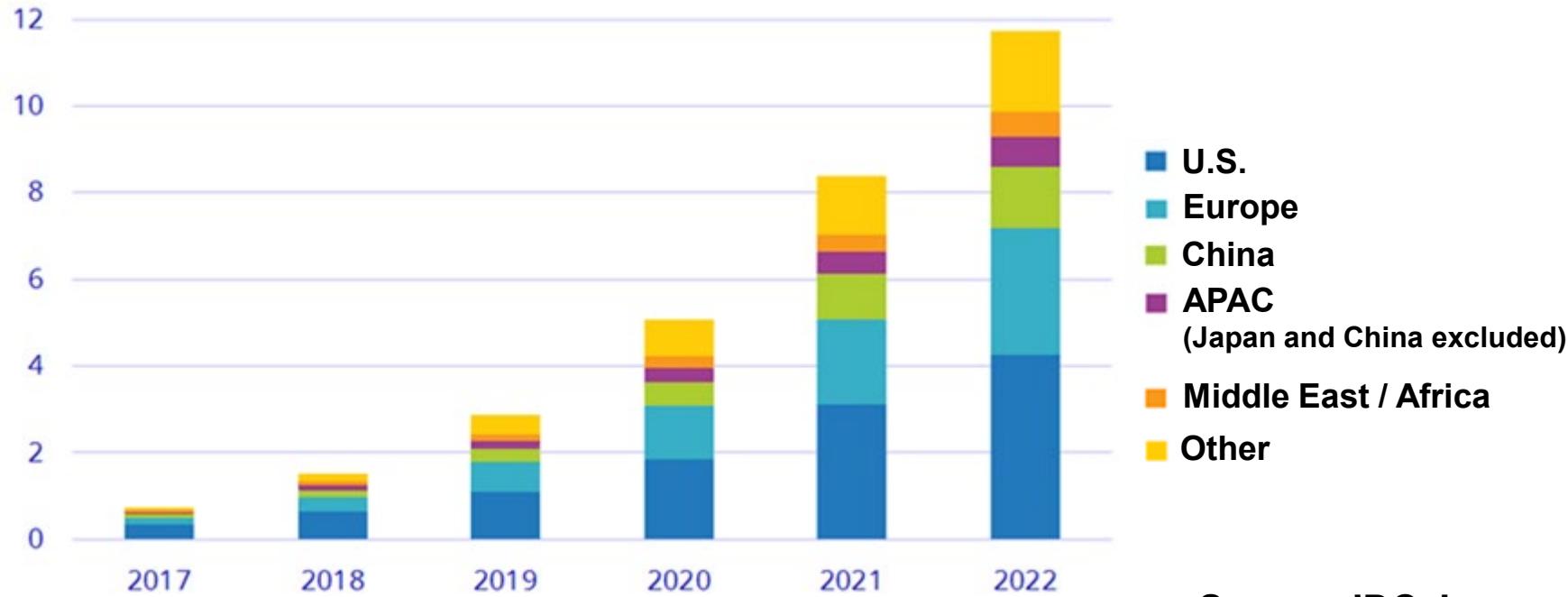


Cryptocurrency is moving from a speculation-centered approach to a stage in which **actual demand and practicality** are pursued

# The Increased Utilization of Blockchain Technology

## Blockchain Market Spending Forecast (By Major Regions), 2017 – 2022

USD billion



Source: IDC Japan

### Financial sector

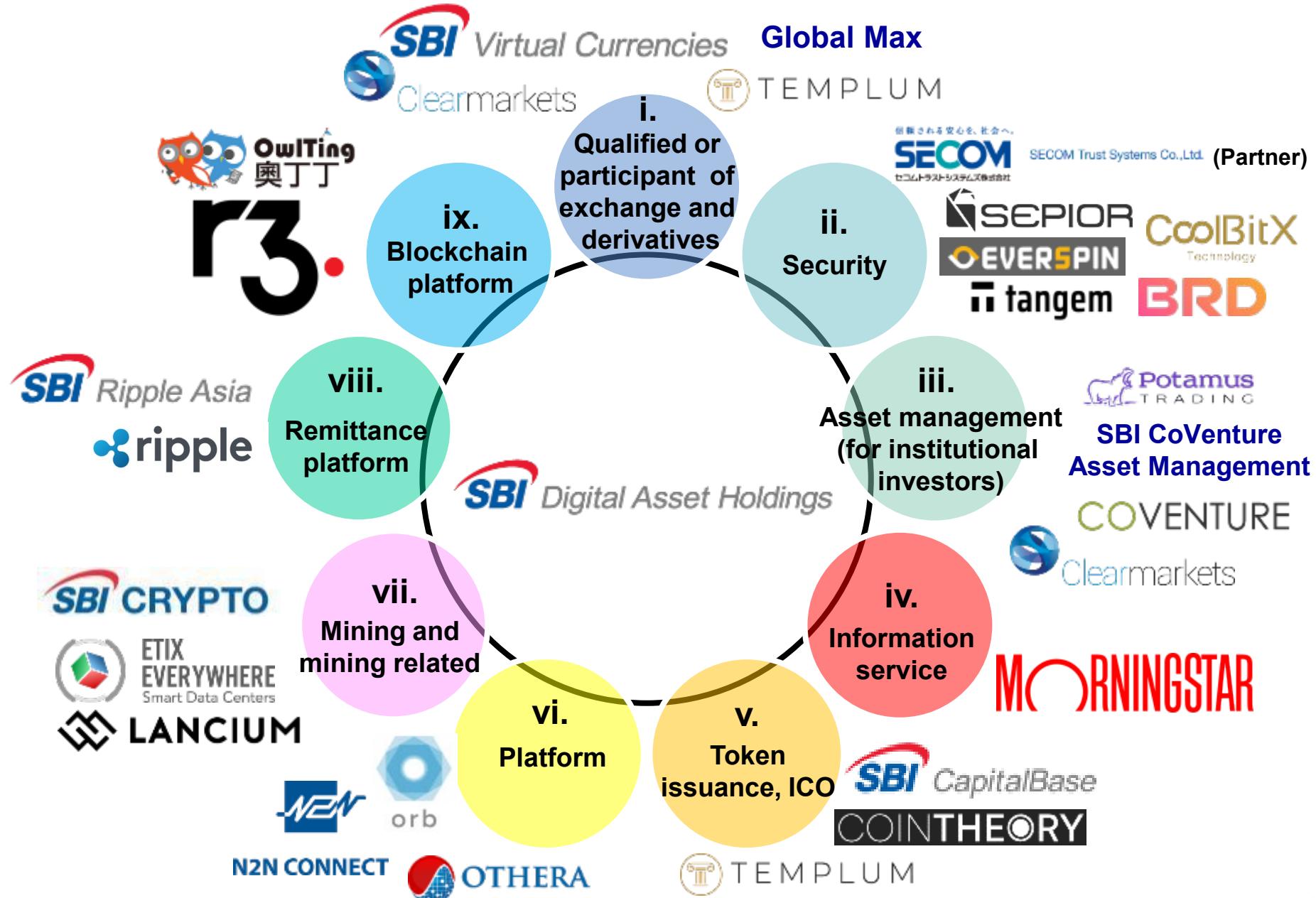
Cross-border settlement, trade finance / post-trade settlement, compliance, custody (management of securities etc.), / asset management

### Distribution /service sector

Supply chain, asset / product management, history management etc.

**Domestically, companies including megabanks and general trading companies are promoting PoCs and practical applications**

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

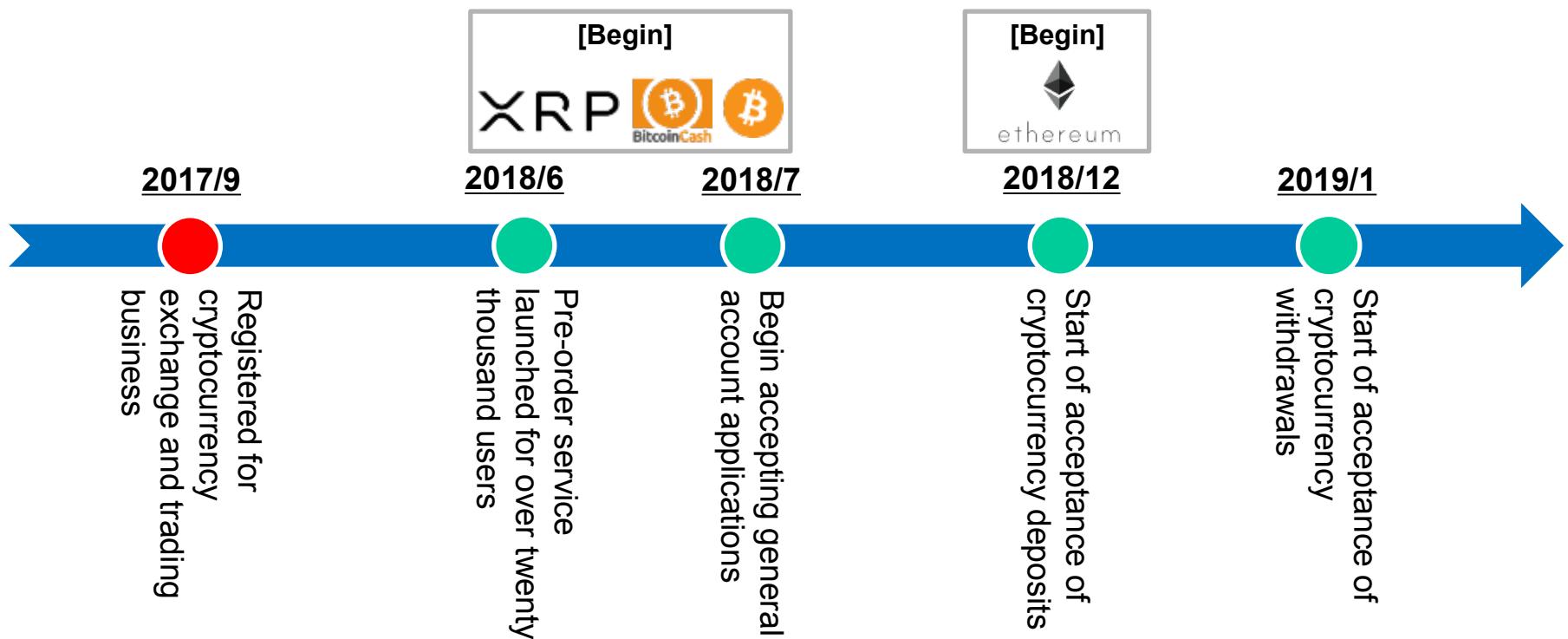


## **(2) Examples of each entity's individual strategy within the overall strategy**

- ① Cryptocurrency exchanges and fund businesses incorporating cryptocurrencies**
- ② Full-scale efforts towards increasing financial services using Ripple's XRP and R3's Corda**

- ① Cryptocurrency exchanges and fund businesses incorporating cryptocurrencies
  - (i) SBI Virtual Currencies
  - (ii) SBI CoVenture Asset Management

# SBI Virtual Currencies Implements a Variety of Services and Functions to Meet User Needs



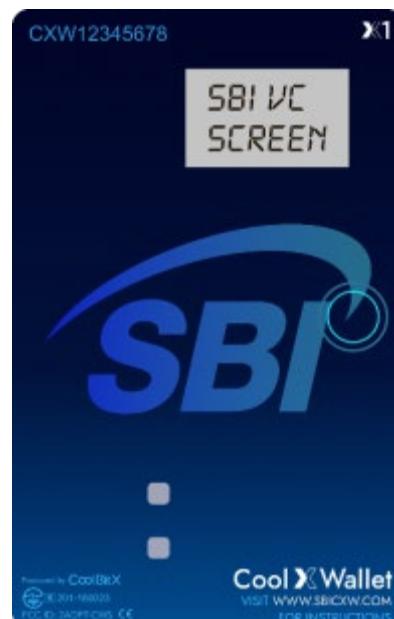
- Leverage trading: to be implemented after deliberation of margin requirements in the ordinary Diet session
- Exchange service: the scheduled beginning date was changed to July from Mar. 2019, in line with the introduction of private-cloud to enhance security in response to changes of the regulatory environment for leverage trading

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

# Wallets, Receipt & Delivery of Cryptocurrencies at VCTRADE

- Receipt service: VCTRADE allows users to receive cryptocurrency from other cryptocurrency exchange service wallets, etc.
  - Delivery service: Can send cryptocurrencies from VCTRADE to limited address of a **hardware wallet that is specified by SBI Virtual Currencies**
- From an AML/CFT perspective, linking users and specified wallets

Image of a hardware wallet “Cool X Wallet (CXW)”



Services of CXW

### CXW service

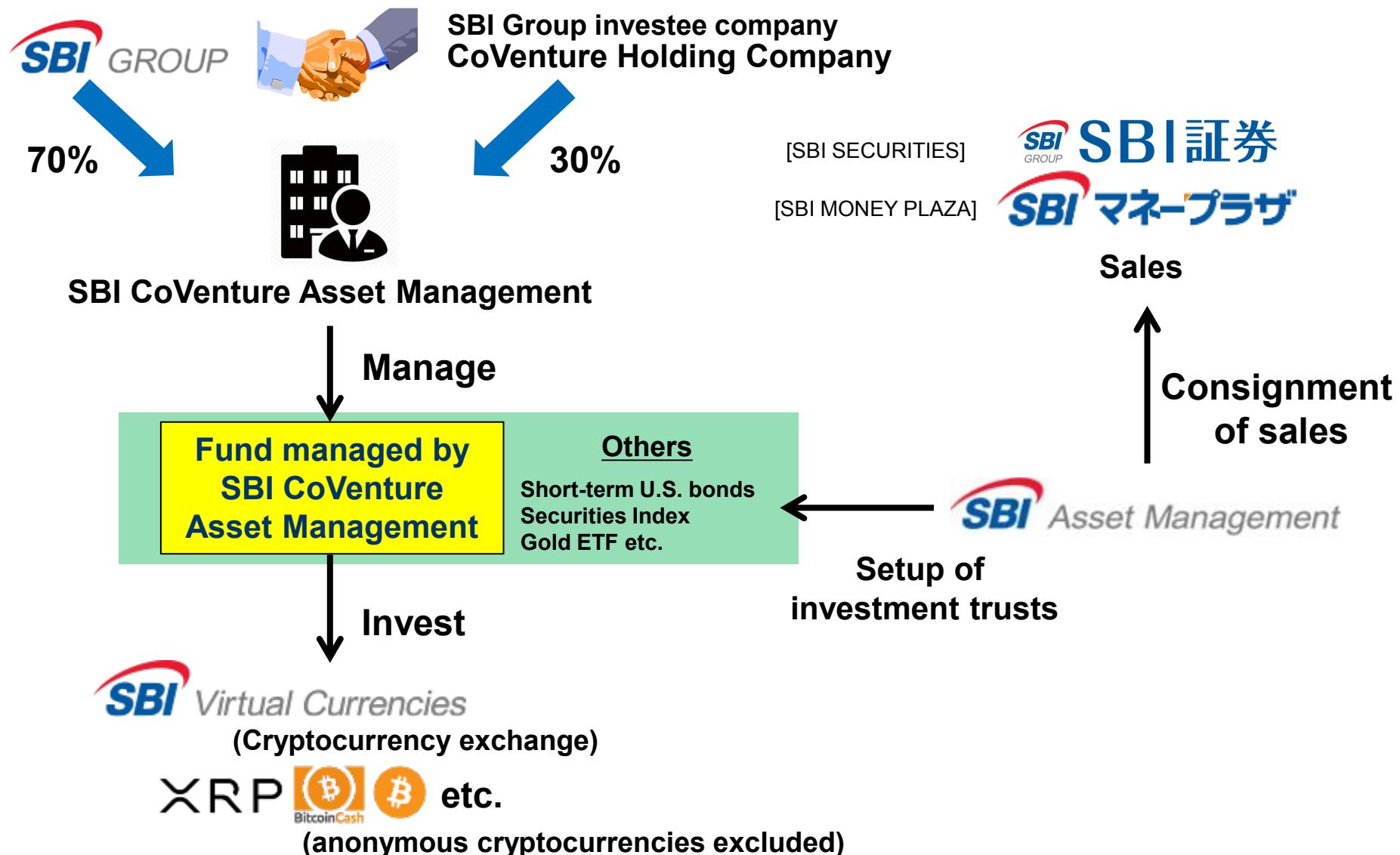
Provision of CXW associated with customer address

### CXW Cryptocurrency recovery service

Seed management service, reproduction of CXW's private key and recovery of cryptocurrency, in the event of loss or failure of CXW (requires CXW re-issuance)

## (ii) SBI CoVenture Asset Management

Cryptocurrency Fund Business with CoVenture Holding Company, an U.S. Asset Management Company, will Promptly Start when the New Legislation is Enacted



## ② Full-scale efforts towards increasing financial services using Ripple's XRP and R3's Corda

-Establishment of SBI R3 Japan-

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

## Money Tap



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



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



Corda training program



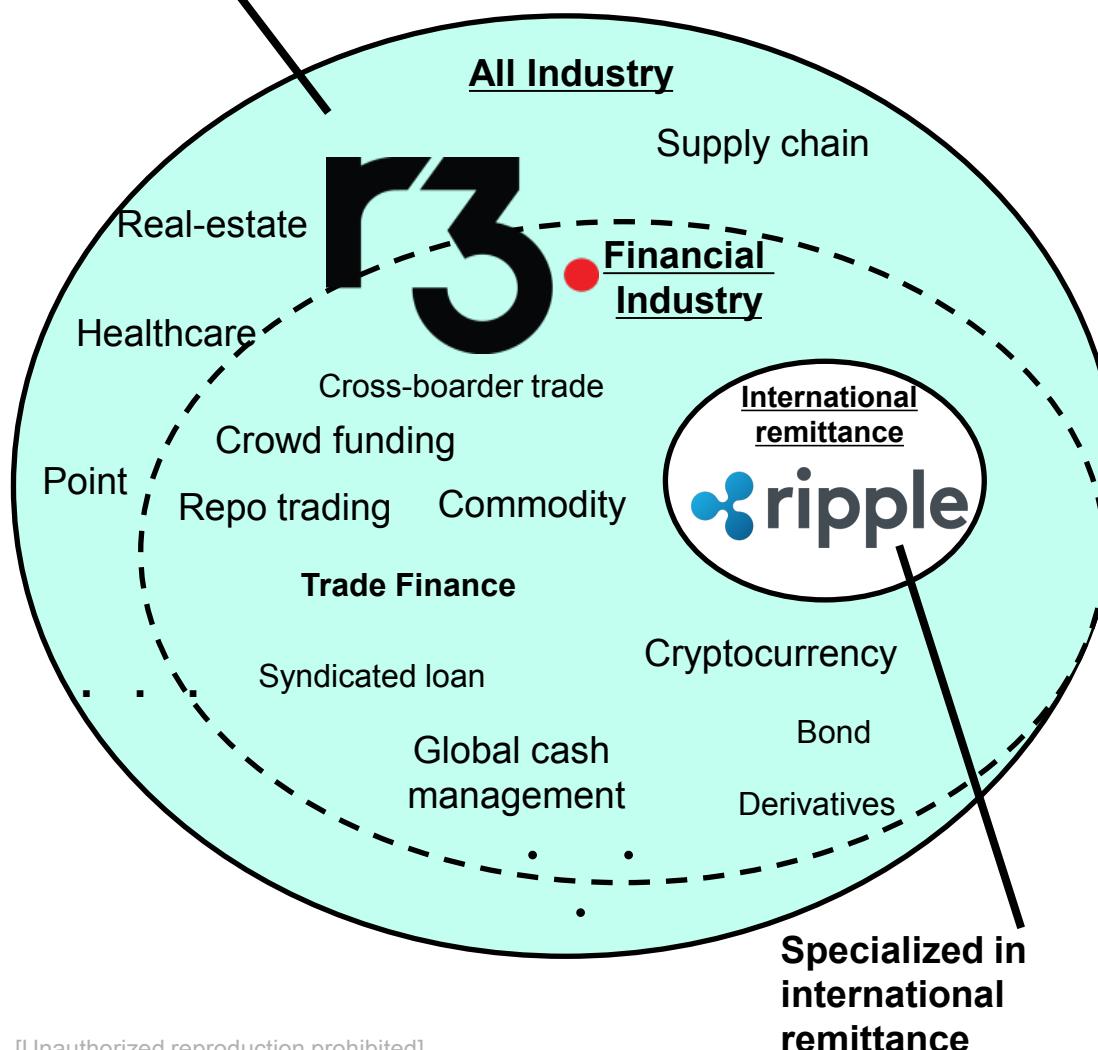
Providing in Japan in lieu of R3



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

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

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



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

Declared full-scale efforts to

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

Sept. 10, 2018

- Settlement announced between R3 and Ripple

Dec. 5, 2018

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

Jan. 29, 2019

- JV announced between SBI Holdings and R3

**R3–Ripple solution:**

**Become a global standard for financial operations such as international money transfers and trade finance**

# Promoting Utilization of Corda and XRP

## Utilization of R3's Corda

- **Corda Network**, launched in 2019, will allow application of smoother transfer of data and digital assets by connected banks and fintech companies

## Global settlements application “Corda Settler”

- **XRP**, as the first cryptocurrency supported by Corda Settler, demonstrates a high affinity with Corda
- Preparing transition of S Coin platform to a highly convenient global platform through the introduction of Corda Settler

## Future expansion

- Expanding the range of use and planning for adoption at Expo 2025 in Osaka, which will draw in people from around the world

## **4. Expanding worldwide sales of the SBI Group's security solutions, through alliances and such, with internal and external partners that have sales capabilities in software, devices, etc.**

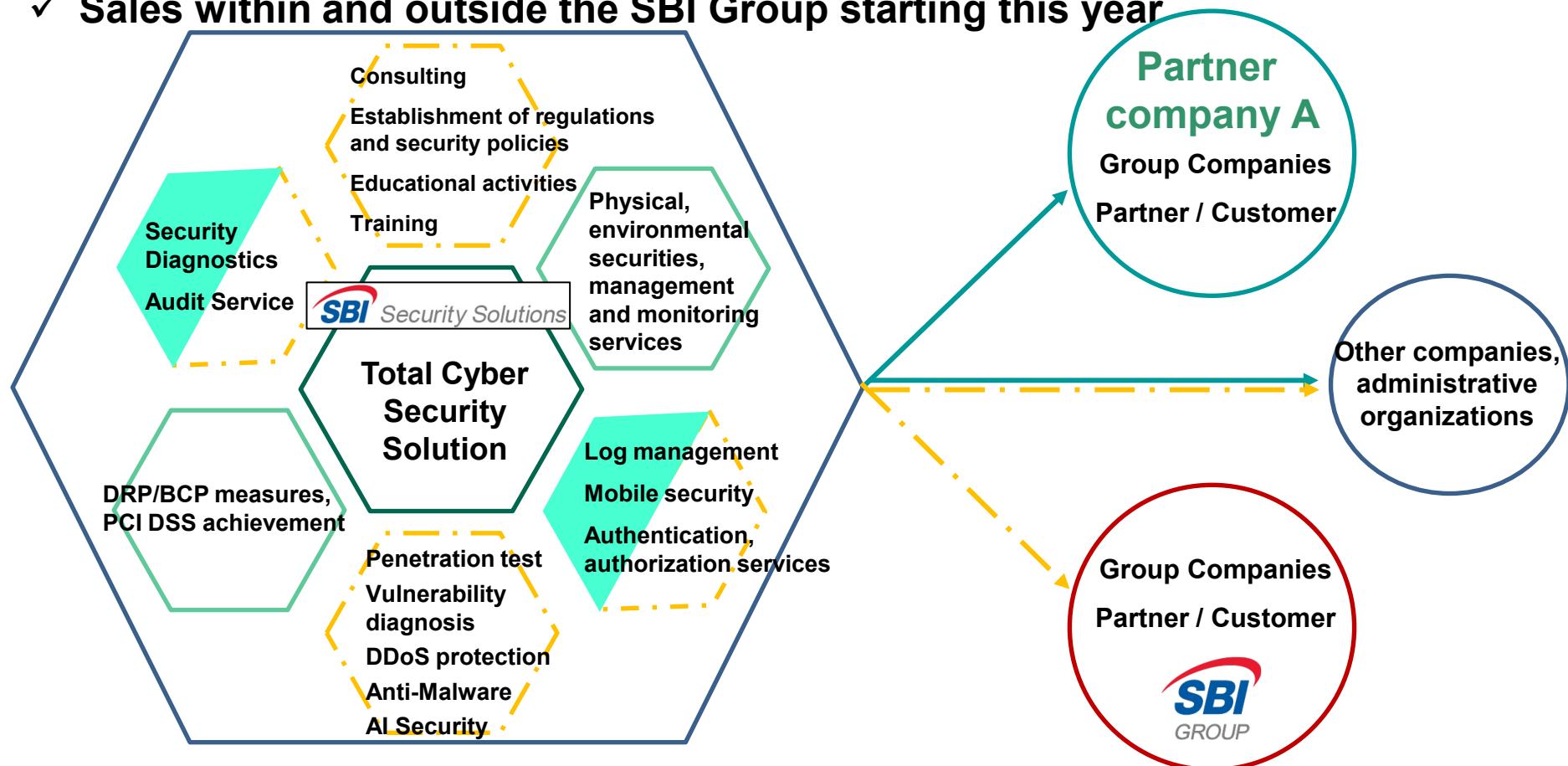
- Examples of each entity's individual strategy within the overall strategy**
- (1) Offering solutions that incorporate proprietary technology and outside leading-edge technology**
- (2) Carrying out sales strategies independently as well as coordinating with partners that have strong sales abilities**

## **(1) Offering solutions that incorporate proprietary technology and outside leading-edge technology**

- ① SBI Security Solutions**
- ② SBI EVERSPIN**

# SBI Security Solutions, in Collaboration with Partners, Provides Security Solutions in Japan and Abroad

- ✓ SBI Security Solutions offers products of the SBI Group's investee companies, and develops security solutions utilizing the technologies of such investee companies
- ✓ Sales within and outside the SBI Group starting this year



# SBI Security Solutions' Scheduled Services

## ① Wallet services

**B-to-B services to manage cryptocurrency assets of wallet vendors, cryptocurrency exchanges, etc.**

## ② KYC (Know Your Customer) services

- Establishing a “common customer base” where all personal information is managed as a whole, rather than just financial asset information (financial institution balances, statements, etc.) This base will leverage R3’s Corda to design a high resistance to falsification
- For AML/CFT\*, the ability to provide solutions at the FATF (Financial Action Task Force) level

\*Anti Money Laundering and Combating the Financing of Terrorism

# Full-scale Launch of the Joint Venture Established with Korean Everspin that Develops Dynamic Securities



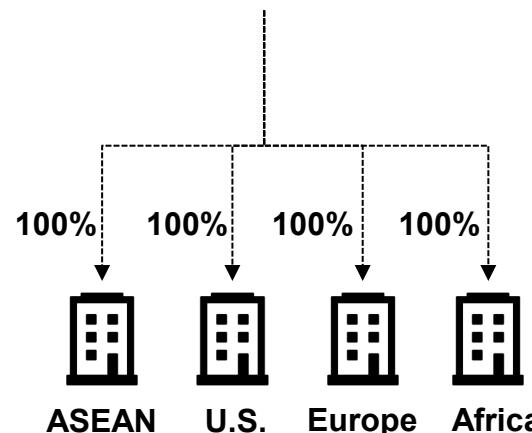
SBI Group investee company  
**EverSpin**

70%

30%



**SBI EVERSPIN (Japanese arm),  
established in Aug. 21, 2018**

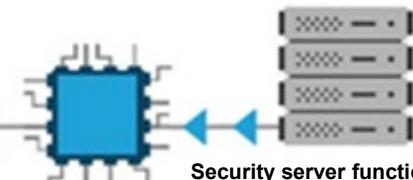
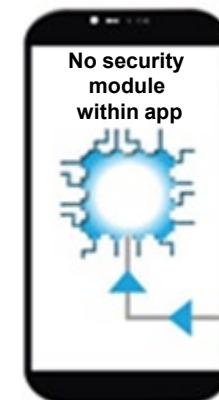


Establish subsidiaries and branches in regions other than a part of the Asia-Pacific region and operate worldwide

**Everspin invented a security solution that changes code every time**

## Dynamic base

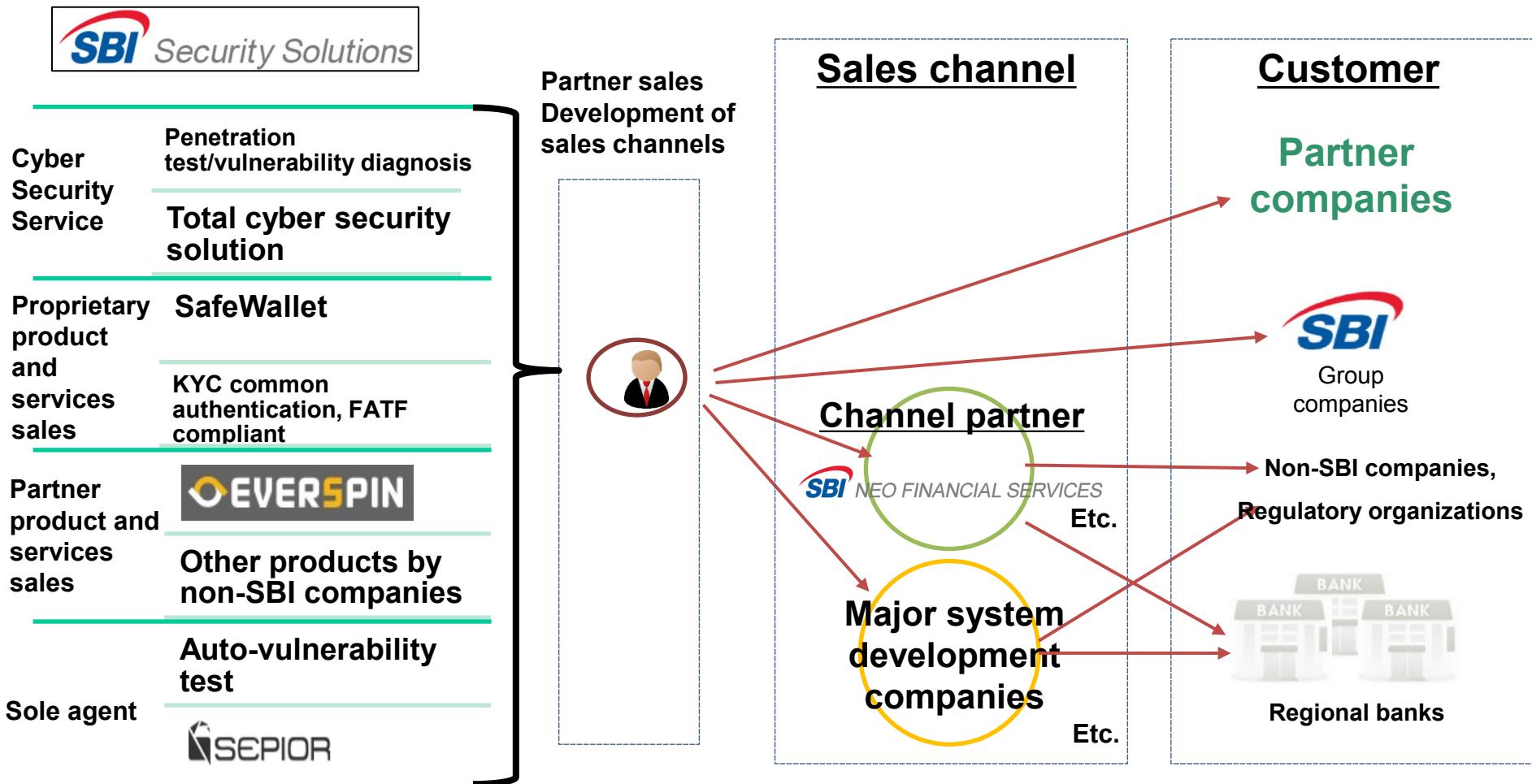
- Time constraint different module adapted every time app is activated



Security server function  
 ① Module create / adapt  
 ② Module monitoring

**Different source code execution each time  
(making the analyze meaningless)**

**Enhancing Sales of Security Solution Services and Products Not Only In-house, but Also Developing Sales Strategies in Cooperation with Various Partners with Significant Sales Forces Both in Japan and Abroad**



## **5. Promotion of “Mobile First”**

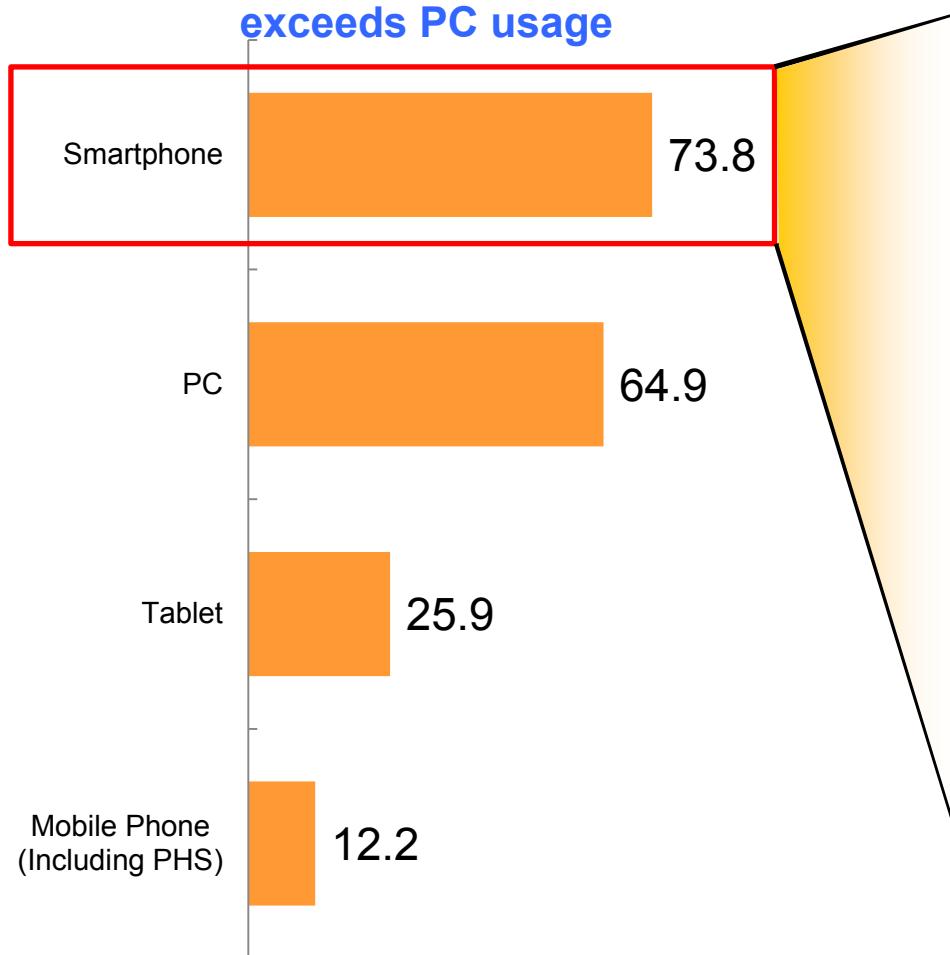
- Examples of each entity's individual strategy within the overall strategy

- (1) Aggressively promote financial transactions using mobile terminals that are quickly spreading at SBI Group companies
- (2) Established SBI Neo Mobile Securities in partnership with CCC Marketing, to target investment novices and the younger generation

## Smartphones are Diffusing Primarily Among Young People, Exceeding Personal Computers as Their Internet-based Device

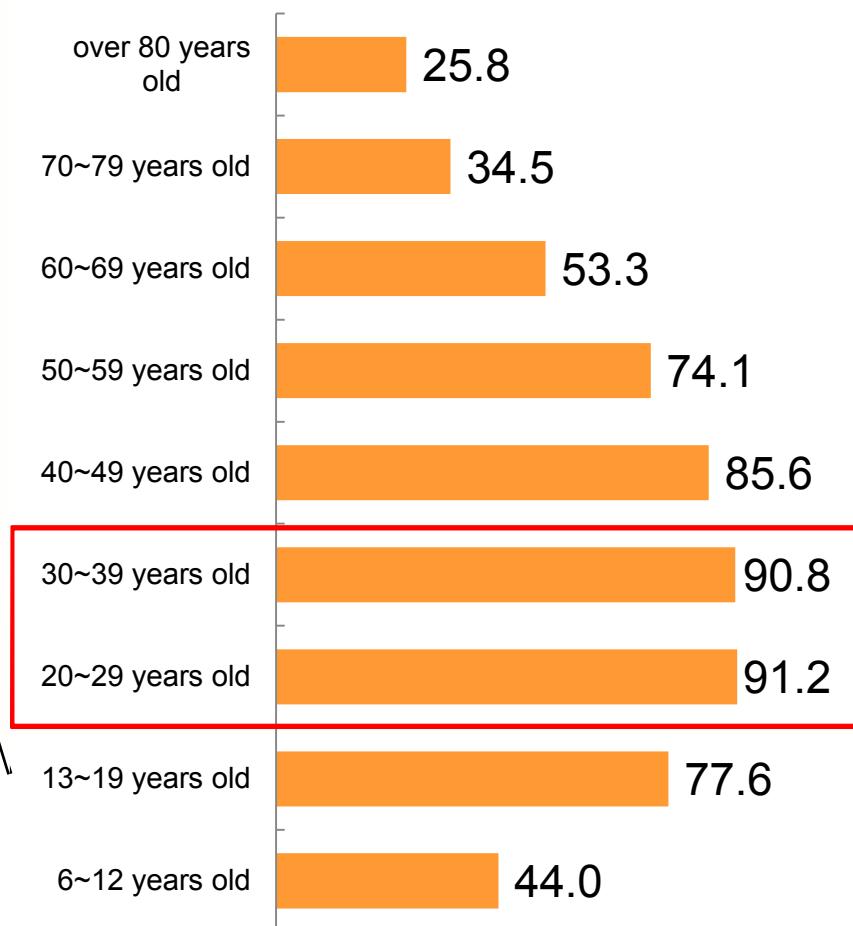
Internet Usage through Information and Communication Devices (2017: %)

**Internet usage through smartphones exceeds PC usage**



Internet Usage through Devices by Generation (2017: %)

**Among young people, over 90% utilization**



Source: MIC, "Communications Usage Trend Survey," 2017

# (1) Aggressively Promote Financial Transactions Using Mobile Terminals that are Quickly Spreading at SBI Group Companies

[SBI SECURITIES]



**9.9%**

(the end of Mar. 2014)

Percentage of trades utilizing smartphones

**34.8%**

(the end of Dec. 2018)



**45.4%**

(FY2014)

Percentage of loan applications through smartphone

**59.3%**

(FY2017)

[SBI FX TRADE]



**40.8%**

(the end of Mar. 2014)

Percentage of orders utilizing smartphones

**63.8%**

(the end of Jan. 2019)

[InsWeb.]



**27.2%**

(FY2014)

Percentage of estimate requests for multiple automobile insurance policies through smartphones

**44.9%**

(FY2017)

住信SBIネット銀行



**21.5%**

(the end of Mar. 2014)

Percentage of access to SBI Sumishin Net Bank's website through smartphones

**53.9%**

(the end of Dec. 2018)



**28.7%**

(the end of Dec. 2014)

Access percentage to SBI Insurance's website through smartphones

**59.0%**

(the end of Dec. 2018)

MORNINGSTAR

Percentage of access (users) of website through smartphones and smartphone Apps

**34.4%**

(the end of Mar. 2014)

**69.2%**

(the end of Dec. 2018)



**36.6%**

(the end of Dec. 2016)

Percentage of ordinary insurance applications through smartphones

**44.9%**

(the end of Dec. 2018)

## (2) Established SBI Neo Mobile Securities in Partnership with CCC Marketing, to Target Investment Novices and the Younger Generation -Commence Operations this Spring-



### CCC MARKETING

- Acquisition of younger generation
- New services dedicated to smartphones

- Expansion of the T-Point economic zone
- Member service enhancements

Applicable sales:  
**Over JPY 8tn**  
Annual number of T-membership:  
**67.88 million**  
Members in their 20s:  
**Over 10 million**  
\* Approx. 80% of Japanese in their 20s are T-Point members

### SBI Neo Mobile Securities

Shareholding: 95%

Shareholding: 5%

Smartphone dedicated stock trading, etc. (Smartphone Securities)

Product development

[Products handled] Domestic stocks, robo-advisor service "WealthNavi"  
[Service outline]

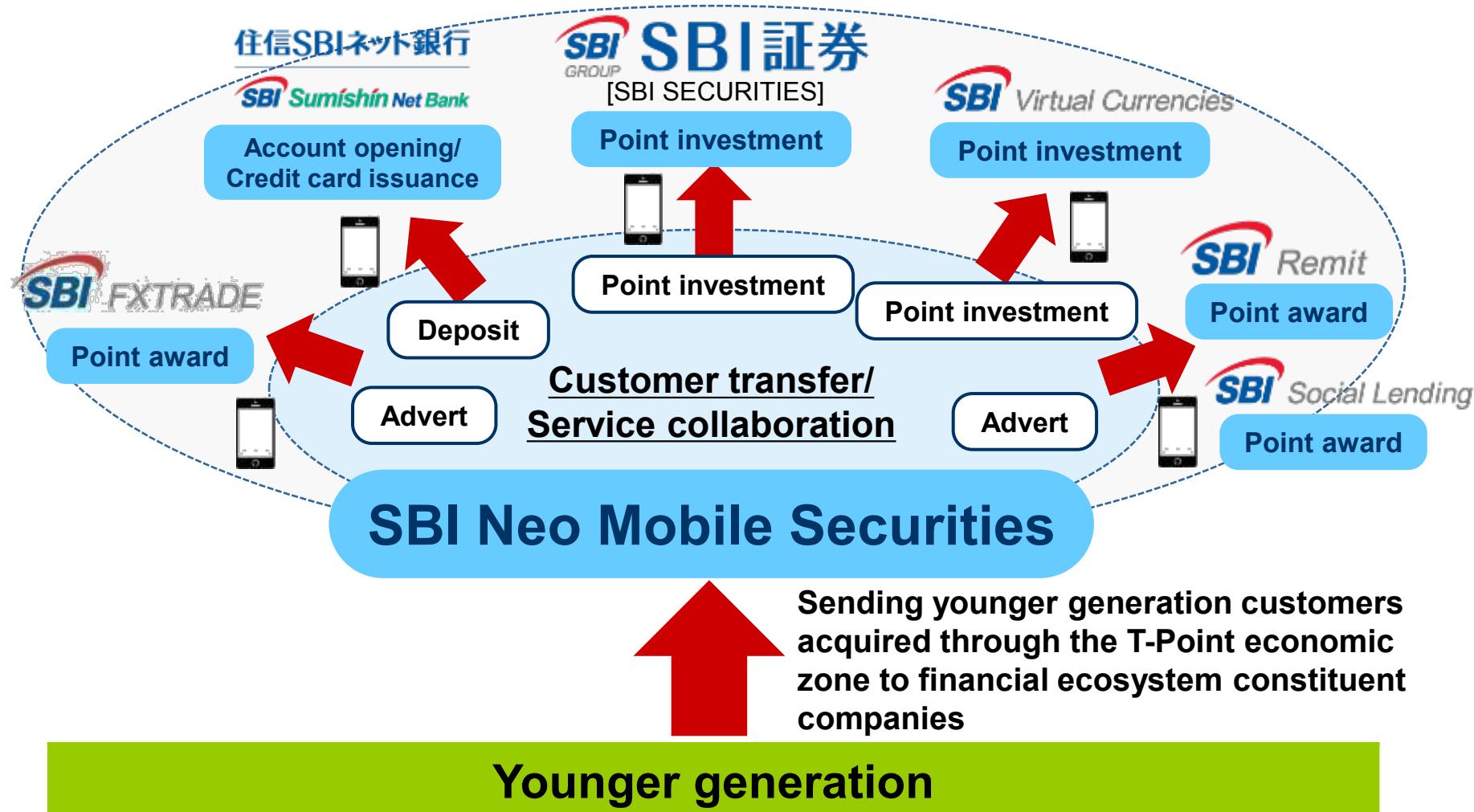
Provision of trading systems

- **Point investment**, to purchase financial products using T-Points
- Unique investment information utilizing T-Point purchase data
- UI/UX dedicated to smartphone trading
- **Low commission system**



T-Point data base

# “Mobile First” Service Deployment, Primarily by SBI Neo Mobile Securities



T-POINT

TSUTAYA

SoftBank

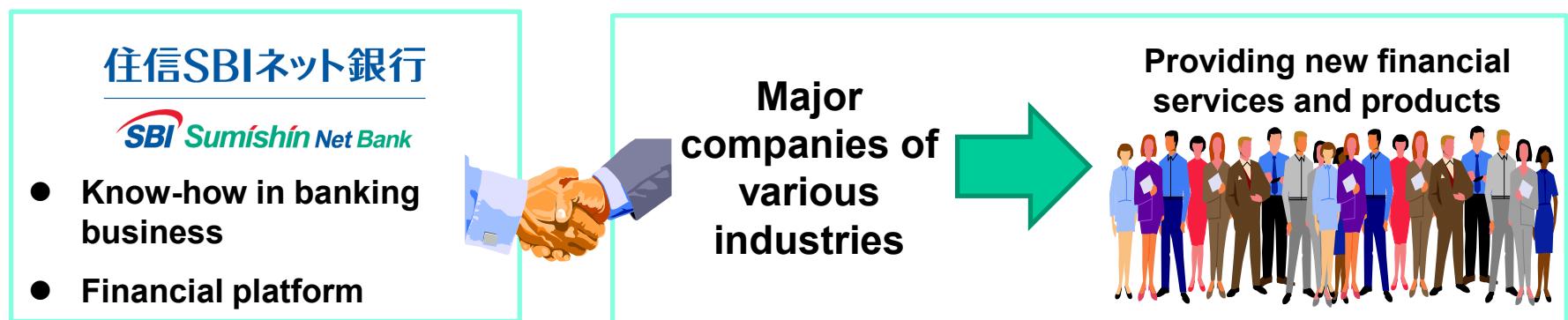
Yahoo! Japan

## **6. Effective expansion of customer base through alliances with various companies**

- Examples of each entity's individual strategy within the overall strategy**
- SBI Sumishin Net Bank promotes Neo Bank initiative to provide banking functions to external major companies as a financial platform**

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

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



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

-Exceeded 30,000 members over the two months following the launch-

**住信SBIネット銀行**

**SBI Sumishin Net Bank**

Providing financial functions

Joint holding company **JAL SBI FinTech**

Established on Sept. 1, 2017

**SBI Holdings**



Create new value added services

Approx. 24.7 million customer base  
(as of the end of Dec. 2018)

Approx. 31.7 million customer base

Provide new services to each customer

**Japan Airlines (JAL)**



**JAPAN AIRLINES**

Collaborating on new airline-related businesses, including mileage, etc.

**Established a JV with 3 companies**

**Joint venture JAL Payment Port** Established on Sept. 19, 2017  
Contribute to the provision of advanced fintech services

- On Nov. 29, 2018, JAL Payment Port started to accept the new JAL Global WALLET card, which adds a MasterCard prepaid card function for JAL Mileage Bank members and it has started offering advice to general customers on opening a SBI Sumishin Net Bank account
- Holders of an SBI Sumishin Net Bank account can use a real-time electronic funds transfer function and make charges to JAL Global WALLET more conveniently than before



The image of JAL Global WALLET card design

# To Strengthen the Payment Business, Planning on the Complete Acquisition of NetMove Corporation, which Provides Payment Gateway Services (Announced on Jan. 31, 2019)

住信SBIネット銀行

SBI Sumishin Net Bank



## NetMove Corporation

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

## Primary objectives of acquisition

- Creation of value added by combining SBI Sumishin Net Bank’s banking services utilizing advanced technologies, such as API and AI screening model, etc., with NetMove’s highly secure payment gateway service
- Improve SBI Sumishin Net Bank’s settlement service and infrastructure system
- Creation of SBI Sumishin Net Bank’s new security and communications-related services

## **7. Actualization of the intrinsic corporate value**

- (1) Consideration of the Company's corporate value**
- (2) Examples of each entity's individual strategy within the overall strategy**

# (1) Consideration of the Company's Corporate Value

## [Voice of some institutional investors]

- ◆ Since the Company is engaged in a wide range of businesses, including the financial services business, the venture capital business and the biotechnology-related business, it is difficult to understand the Company
  - ◆ Owing to the Company's wide range of businesses, it cannot be followed by one analyst, but must be followed by multiple analysts, and as such, a final evaluation among multiple analysts is difficult to be agreed upon
  - ◆ Although each is an attractive business, perhaps a conglomerate discount\* is applied, owing to the wide range of the Company's businesses
- ...etc.



## Actualizing intrinsic corporate value through the promotion of initial public offerings of the SBI Group subsidiaries

\* Conglomerate discount : When comparing the entire company's corporate value to the simple sum of the intrinsic value of each business, the problem is that the entire corporate value would be less than the sum of each business value

## (2) Examples of each entity's individual strategy within the overall strategy

- In order to actualize the intrinsic corporate value, promoting the initial public offerings of Group companies
  - ① U.S.-based Quark
  - ② 5-ALA-related business
  - ③ Other Group subsidiaries

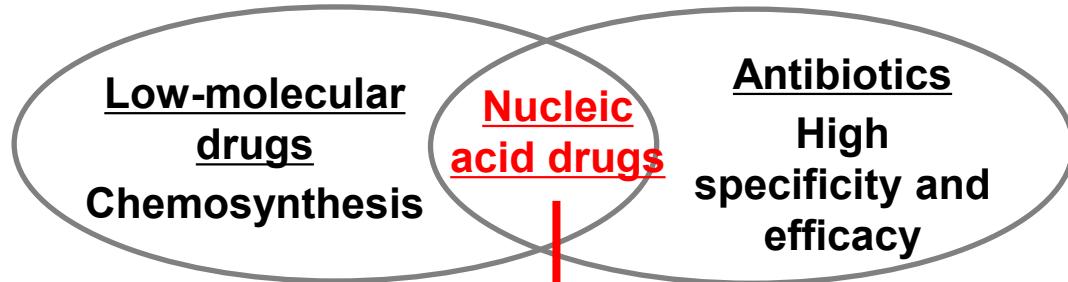
# ① U.S.-based Quark

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

## Developing nucleic acid drugs (siRNA)

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

### Nucleic acid drugs: Benefits



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

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

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

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

# Results Regarding the Phase III Clinical Trials for Quark's "QPI-1002," for Delayed Graft Function in Kidney Transplants (DGF)

- As it turned out, the primary endpoint for QPI-1002 for the prevention of DGF was not met
- The results of this study showed that changes in the protocol, from the Phase II clinical trial which was a good result, such as reducing the minimum cold storage time before transplantation in the ischemic status of the transplanted kidney from 26 to 10 hours, seems to be mainly attributed to Phase III. In fact, 156 patients where its cold storage time was longer than 24 hours (\*corresponding to about 26% out of 594 subjects) demonstrated a similar relative risk reduction in DGF incidence and severity to that seen in the Phase II study, indicating the utility of QPI-1002
- Quark plans to discuss with the U.S. Food and Drug Administration (FDA) to continue Phase III in a protocol centered on the subject group



As long as it is not affected by the partial government shutdown, an interview with the FDA is scheduled in late Mar. The meeting minutes will be provided from the FDA within 30 days from the date of the meeting.

- Novartis International AG intends to maintain the exclusive negotiation rights of the granted license agreement, and Quark will negotiate with them on its conditions for maintaining the contract etc., based on the final analysis of Phase III results, the status of the consultation progress with the FDA, and others

# Ongoing Drug Discovery Pipeline

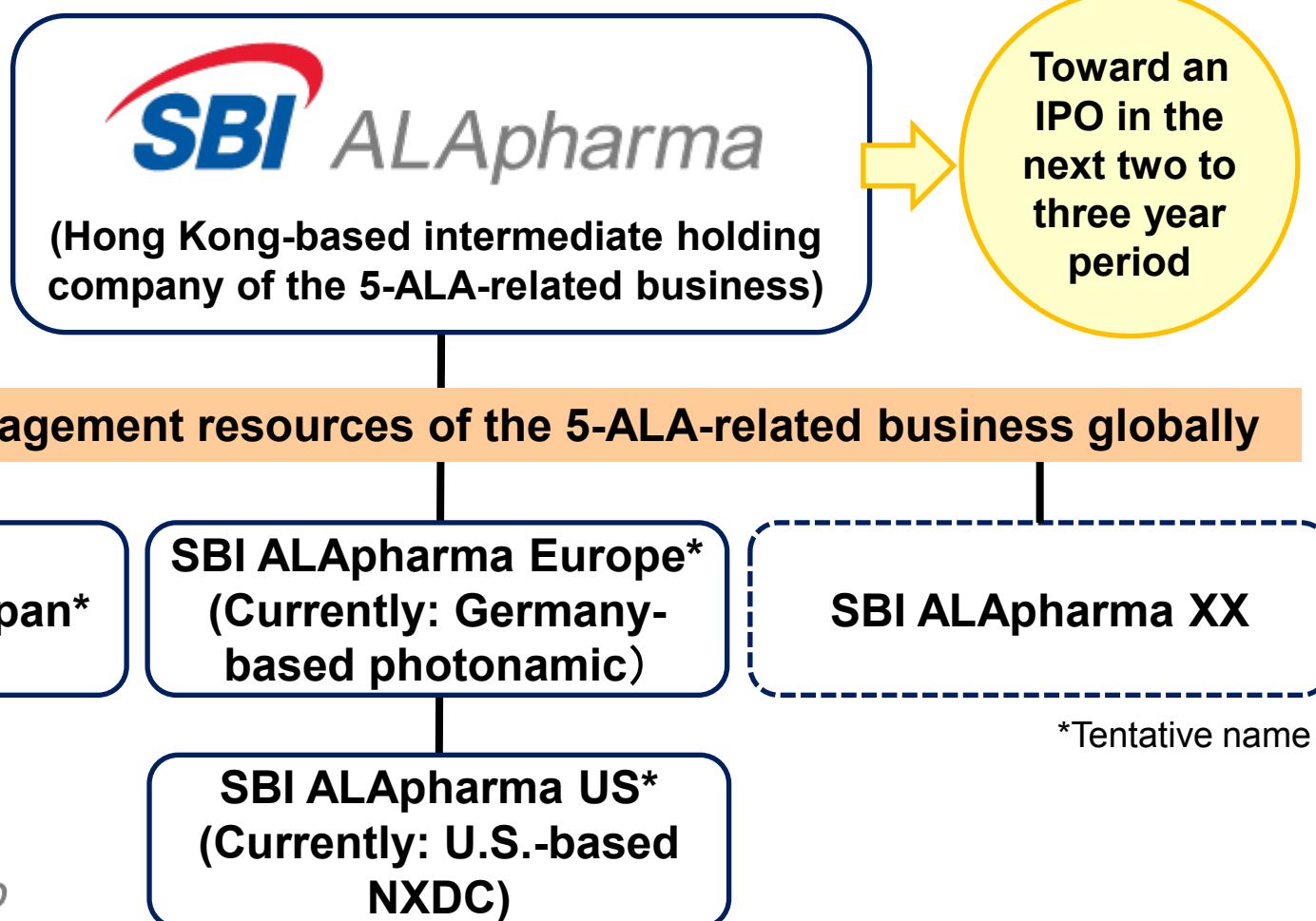
	Licensing partner	Adaptation disease	Progress	
QPI-1002	Novartis International AG	Acute kidney injury (AKI)	<u>Phase III</u>	Started Phase III clinical trials in July 2018. Planning expansion of clinical trials to 115 facilities worldwide
QPI-1007	Biocon Ltd of India	Non-arteritic anterior ischemic optic neuropathy (NAION)	<u>Phase III</u>	Phase III clinical trials are underway at 66 centers in the U.S. and Europe. <u>The FDA approved the shortening of the follow-up period after administration to the final subject from 12 months to 6 months, so the final results will become known in Apr. 2020</u>
PF-655	Pfizer Inc.	Glaucoma, Diabetic macular edema (DME) and Age-related macular degeneration (AMD)	Phase IIa (Completion)	Quark is reviewing its development plans, since candidate substances with expected higher effects for AMD have been found, and discussing clinical trial for the next step

Since Quark has two products at the Phase III stage in its drug discovery pipeline, it is currently in preparation for an IPO

## ② 5-ALA-related Business

-Restructuring the Organizational Structure for an IPO in the Next Two to Three Year Period-

(Image)



# SBI Pharmaceuticals

Duration of drug development in Japan (pre-clinical to application):  
**Avg. 9.2 years**

Source : "Current status and issues of bio-ventures" by METI, in Nov. 2017

**Products launched by SBI Pharmaceuticals :**  
(Established in Apr. 2008)

- ① Sept. 2013:  
“ALAGLIO® Oral 1.5g,” diagnostic agent for cancer treatment (malignant glioma)
- ② Dec. 2017:  
“ALAGLIO® Divided Granules 1.5g,” diagnostic agent for cancer treatment (carcinoma vesicae) → Marketed in Japan by Chugai Pharmaceuticals, which SBI Pharmaceuticals provided with exclusive domestic marketing rights in Japan

## -Drug Pipelines Utilizing 5-ALA under the SBI Group-

Fields	Pipeline projects	Current status			
		Phase I	Phase II	Phase III	Applica-tion
Diagnostic agent (PDD)	1 Peritoneal dissemination of gastric cancer*	Phase III is underway			Scheduled to complete in Oct. 2019
Drug to treat	2 Cisplatin nephropathy protection	Phase II is underway			Scheduled to complete in Sept. 2020
	3 Mitochondrial diseases*	Phase III is underway			Scheduled to complete in Jan. 2021
	4 Cardiac ischemia-reperfusion injury*	Under preparation for Phase II			Scheduled by Oxford University and Birmingham University Hospital in the U.K.
	5 Brain tumors* (by photonomic)	Under preparation for Phase II			

\*Investigator-led trial

# Germany-based photonamic

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

photonamic:

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



**Products launched by photonamic:**

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

**Global expansion route of the diagnostic agent for resection of brain cancer :**



Oct. 2018:

NX Development Corp (NXDC), a wholly owned subsidiary of photonamic, began sales with the U.S. product name of “Gleolan”

NXDC sales exceed USD 1m in just three months from the launch

Since 2007

Approved as “Gliolan®” by European Medicines Agency (EMA) in 2007 and is distributed through photonamic’s partner companies in more than 40 countries including Europe such as Germany and the U.K., South Korea and Australia

Japan

Since 2013

SBI Pharmaceuticals’ product name: “ALAGLIO® Oral 1.5g”

# Accelerating the Development of New Foods with Functional Claims

Offering of foods with functional claims:

On sale

Function to improve high levels of fasting blood glucose levels and postprandial glucose levels

- “ALA PLUS Tou (Sugar) Down” utilizing 5-ALA (10 and 30 day supplies) (Launched in Dec. 2015)
- “ALA PLUS Tou (Sugar) Down Rich” utilizing high levels of 5-ALA (Launched in Nov. 2018)

Cognitive improvement

“SBI Gingko Bilboa” utilizing gingko bilboa  
(Launched in Dec. 2017)

Under development

Improvement in the quality of sleep

(Hawaii Univ.)

Accepted by the Consumer Affairs Agency and scheduled to be launched on Mar. 22. at the product name “ALA PLUS Fukai Nemuri (Deep Sleep)”

First submitted to the Consumer Affairs Agency

Improvement in the exercise capacity  
(Shinshu Univ.)

Plan to launch in FY2019

Planning submission in FY2019

Recovery from fatigue

(Hiroshima Univ.)

Male menopause improvement

(Juntendo Univ.)

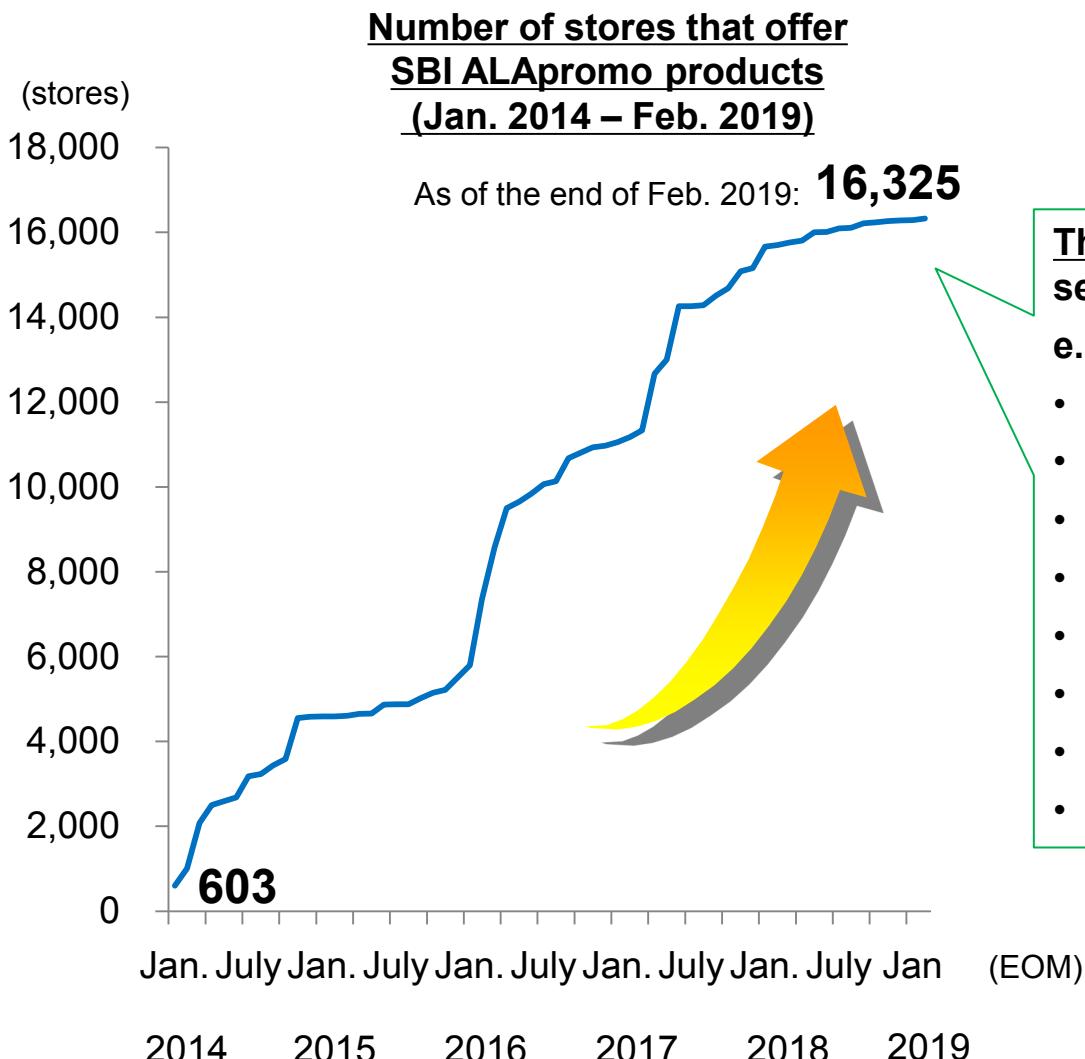
Fatigue reduction after exercising

(Juntendo Univ.)

ALA + salacia-derived salacinol

Increase metabolism while suppressing sugar absorption  
(Hiroshima Univ.)

# Number of Domestic Stores that Offer Health Foods Containing 5-ALA are Increasing Steadily, and Now Became Over 16,000 Stores



The leading drug store chains started selling 5-ALA products:

e.g.

- Welcia 1,602 stores
- Tsuruha Holdings 1,430 stores
- Matsumoto Kiyoshi 1,191 stores
- cocokara fine 1,062 stores
- COSMOS Pharmaceutical 964 stores
- FUJIYAKUHIN approx. 890 stores
- Sundrug approx. 820 stores
- SUGIYAKUHIN 799 stores

### ③ Other Group Subsidiary Companies that are Preparing for Initial Public Offerings, in order to Actualize Intrinsic Corporate Value

Planning listing change from the JASDAQ market to the TSE 1st Section

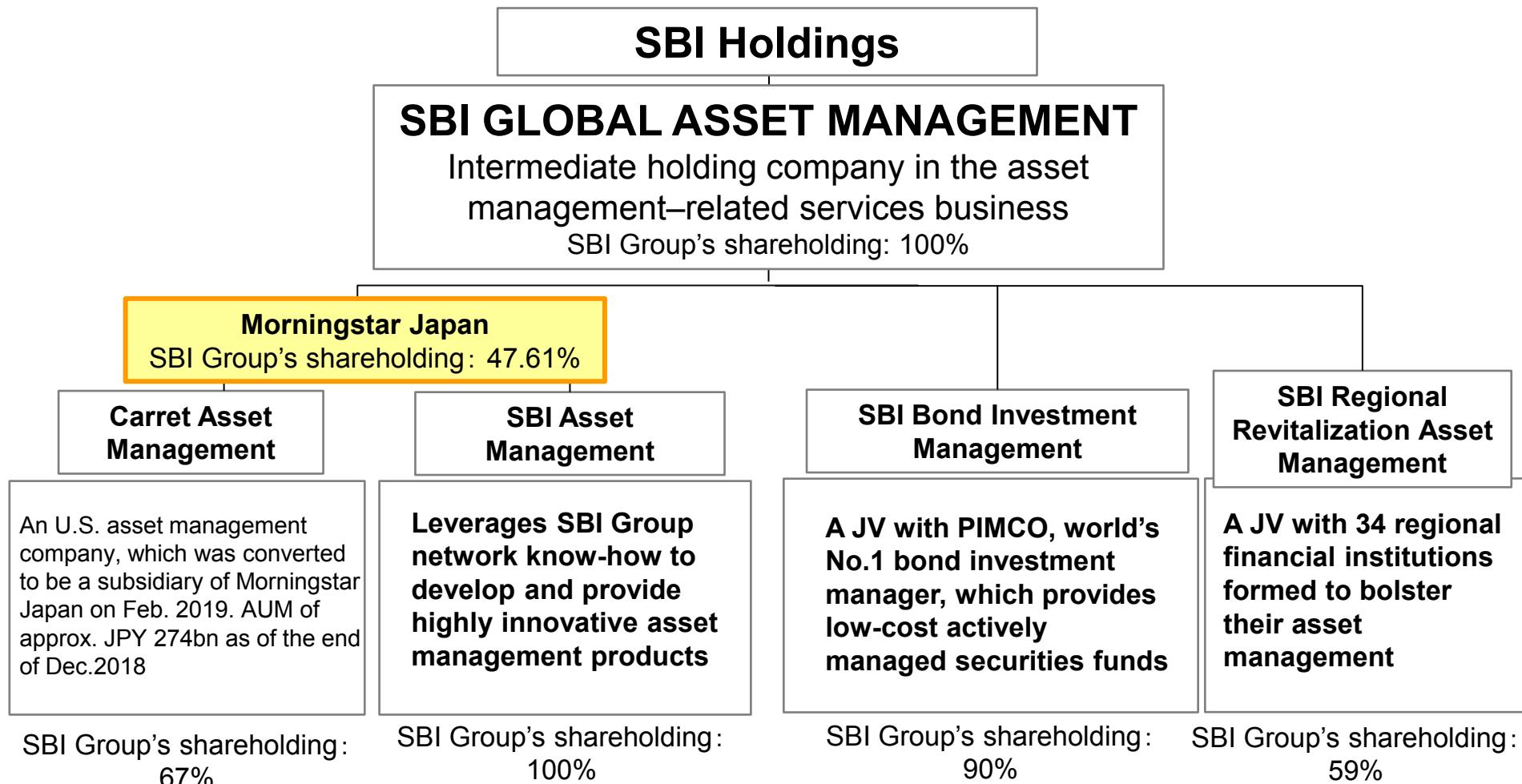


(Evaluation and information service on products and management of investment trusts)

#### ■ List of subsidiaries that are considering listing

Company name	Business overview
SBI Leasing Service	<b>Operating lease business</b>
SBI Capital Management	<b>Intermediate holding company of the Asset Management Business</b>
SBI Biotech	<b>R&amp;D etc. of pharmaceuticals</b>

# Moving Forward, the Asset Management-related Services Business will be Consolidated into Morningstar Japan, to Further Enhance the Asset Management System



\* As of the end of Feb. 2019

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