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PRESENTATION

Yoshitaka Kitao - *SBI Holdings, Inc. - Chairman of the Board, President & CEO*

Here is Kitao. Thank you very much for joining us today despite the cold weather, despite your tight schedule. Thank you very much for the big turnout. I would like to extend my hearty gratitude to your continuous support to our group on this occasion. Thank you very much.

So the 3 months FY 2018 results with revenue and quarterly income and the other profit attributable to owners of the company. In all items, though we hit the record high in the financial industry, no other company had such a good result with so many record highs. Maybe I'm wrong because I have not checked all the companies' results, but the other business environment changed very drastically in the third quarter. And it is in such environment that we are seeing lots of changes. We will see many changes.

In a sense, I have these documents developed with some assumptions. I'm going to touch upon details later on our group and others.

What is the difference? Why we are hitting record highs and not the others? And so this document is based on that analysis of the factors of our success. Before the results coming out from the other companies, I could even imagine that will be the case.

Probably in the fourth quarter, the difference might be even greater. And of course, there could be some different developments between China and the U.S. trade friction. And what will be the outcome by the end of February, maybe that it will not end. And what about Brexit? It is such in chaos. And what about North Korea? Probably in February, there will be the summit meeting, Tokyo meeting. We cannot see the other path to dismantle the path to the nuclear armaments.

And in the U.S., the Congress is twisted between the other Senate and the other Congress. And also in Japan, the general elections would be very difficult ones. And this year, the announced -- the some -- the prediction based on the other Chinese wisdom, and it is going to be confused.

And as you can see, revenue up 3%; and the pretax profit, JPY 62,906,000,000 or up 24.3%; profit over the period JPY 45,302,000,000, up 10.1%; profit attributable to owners of the company, JPY 38,718,000,000 or up 6.2%.

By segment, Financial Services Business. The revenue increased by 7.8%, and the pretax income 4.1%.

Asset Management Business, there are some names with the share prices went down toward the end of last year. But before that, the prices were much higher, so we incurred some -- the decrease as you can see here. But still, we have JPY 33,612,000,000 of the pretax profit. That's the key.

Biotechnology-related business, it will take some time to harvest the fruits here. So with the IPO or the disposal, before seeing the actual profit or sales part of the pipeline, that could produce some -- the immediate profits.

But for example, 5-ALA business as a whole, in 2 years' time or so, we think that we can do IPO. And as to Quark, again, we think that we can IPO Quark as well. The -- listening to the U.S. broker, for example, that's what we anticipate. So that rather, we'd like to focus on IPO rather than selling right away.

As to the other shareholder return, the total shareholder return ratio of 40% stays as a minimum, and the DPS was JPY 20 for the first 2 quarter and year-end not available yet, but the number will not be bad, I think. So we are in a disruption, and we believe that many of our businesses will have the big -- the values, and we might see that some of those expected -- the businesses will be missed out in some cases. But as to the year-end dividend, after the share buyback of JPY 19.4 billion, regardless of this buyback, we'd like to set the year-end dividend.



Please look at this -- the page for the shareholder benefits. The JSDA is now preparing to establish a fund, and we are going to make some of the donation out of the part of the amount to be used for the shareholder benefits, and that would be part of the SGA activities. That is my idea. And so we'd like to contribute to that scheme.

Looking at our shareholders, 80% are institutional shareholders. And the institutional shareholders do not or cannot receive those shareholder benefits. Only retail shareholders receive those shareholder benefits. So based on such situation of the institutional investors, we'd like to make some contribution to some entities, organizations such as the UN through the JSDA and its fund so that we can make some contribution to SGAs of different countries.

So Analysis of Factors that Enabled the Realization of Sustained Growth in Business Performance as the Yen Appreciated and the Global Stock Markets Declined. First, the Financial Services Business.

So starting with operating revenue through the end of -- the bottom line, we achieved double-digit growth. And of course, we hit historical highs for all the other -- for the other profit items. And compared to the first 9 months, 11.5% decline for the brokerage trading value year-on-year. But still our -- the operating income increased by 13.6%.

This is the comparison of operating income. There might be some extraordinary losses observed with some entities, so we choose -- chose, with intention, to use operating income, not the net income, to compare with major securities companies to see the reality of other major securities companies.

SBI up 1% for the third quarter alone. But on the 9 months basis, up 13.6%. The Rakuten, Matsui, kabu.com, Monex and the Nomura whether they were -- they are in the big red numbers, the minus 59.8% for Daiwa, minus 64.7% for SMBC Nikko. Mizuho was not good for the third quarter only. So for all the other players, third quarter was not a good quarter except SBI.

And the other -- for the 9 months basis, 13.6% up for SBI, Rakuten, up 3.7%; Matsui, minus 14.2%; and kabu.com, up 1.9%; Monex, minus 46.5%; Nomura, the JPY 62 billion or more negative; and the Daiwa, minus 47%; SMBC Nikko, minus 38%.

So this time, Nomura, being in this state, there's a news release here. It says as follows: Instinet, Lehman Brothers, the goodwill, JPY 81.4 billion of goodwill losses. And JPY 81 billion is booked as wholesale and other expenses.

The next sentence, it goes as follows: The fiscal year 2018 up to the first quarter and the wholesale business, the status and the business -- the model should be transformed -- and the business model should be transformed, this article says. And the changes will accelerate going forward. So that's the analysis about Nomura. I agree with this statement.

What is going to drive those changes? As you can see here, on the 9 months basis, all the online securities, some of them are showing positive growth and the face-to-face securities are all in negative. The other 5 securities firms listed by Nikkei only, the other face-to-face securities. But yet I'm saying that the key securities firms will change.

I complained to the Nikkei newspaper because they list only face-to-face securities companies when they list securities companies. So indeed, I just read the analysis by the Nomura. And SBI SECURITIES overwhelming position. This is the -- all the other Internet companies back in fiscal year [20 -- the '14,] I said, that the competition with the other net Internet companies has already ended, and this is the securities -- SBI SECURITIES share of individual stock trading, for the stock trading value, SBI has 36.3%. And for margin trading value, SBI has 37.4%. And the large securities companies decreased the share from 23.4% to 20.7%. That is the category of others, including major face-to-face securities.

And we are ranked #2 in terms of number of accounts following Nomura. And from the June 2012 to December 2018, we increased the number of accounts by 10.2%. But Nomura increased only by 1%. And Daiwa, they did not even announce as of the end of March 2017 after we exceeded their record -- their number. And the SMBC Nikko, after the merger, some -- they increased, but they are almost flattish. And the business strategies that created competitive advantages to its competitors, what are the strategies?



First of all, the diversification of the business. And as a result of that, the dependence on stock brokerage commission declined comparing fiscal year 2013 and the fiscal year 2018 for 9 months basis. Now it declined to 25.3% financial revenues, underwriting sales commissions offerings, sales commissions, and trading gains and losses increased.

So there we are more -- we are less vulnerable to the changes in the equity market. Of course, though we are impacted, but it is not as direct as before. Now it is FX status.

SBI Group -- SBI SECURITIES, SBI FXTRADE and SBI Sumishin Net Bank total number of accounts and customer deposit assets. Now we have JPY 234,699,000,000 of customers deposit assets, it's an overwhelming number. In terms of number of accounts, as of the end of November 2017, we exceeded 1 million accounts. Now it stands at 1,163,000 accounts. So it is a very steep line. It shows that we are making tremendous growth.

The OTC market for the other group's 3 companies, namely SBI Liquidity Market, achieved record highs before allocation in all items.

And this is the Comparison of Monthly Operating Revenue with Listed Pure-play FX Companies. The blue is SBI Liquidity Market and other 3 companies. The blue is dominant. Why such different? Well, the high liquidity is the key and the creditworthiness, our creditworthiness. Now we have the 31 domestic and overseas financial institutions are connected. The largest of this market. And we have industry's narrowest spreads. And we have industry's best swap point level. And we also have unique FX-related product. And we are launching other new product one after another, and now we have FX trading possible withheld share certificates as collateral. So we are collaborating with SBI SECURITIES to launch these products.

Now the SBI Group's FX Business' Recent Favorable Performance. So the January 3 and the January 4, and we look at average daily trading volume, and I was surprised. This is for the SBI Liquidity Market. So the -- for January, we anticipate the achievement of an operating income before allocation more than 2x the 9-month period monthly average. So if the other equity is not bad and then FX, and/or the cryptocurrency, I am not in -- panicked about the cryptocurrency. When you look at the market, we cannot hurry to invest in a crypto market. And so we can invite our customers to the more appropriate market for the time being.

The wholesale, and we are doing underwriting of IPOs and the IPO underwriting ranking from April 2018 to December 2018, 74 companies were listed during this period. Among which, we are involved in 70 deals, in some cases, as the lead company -- lead manager, so underwriting share of SBI is 94.6%, and we served as lead managers for 10 companies. Back in the fiscal year 2017, it was 6 companies.

For POs, for the -- we underwrote 16 POs and a 10.8% increase in the underwritten amount. And we are going to expand our PO of the business and the corporate bond underwriting business. We see that of SoftBank, the underwriting amount was huge, and we could sell that properly. Because we have huge customer bases, we can deal with the big amount. So with the underwriting of 17 corporate bonds, the underwriting amount for 9 months in fiscal year 2018 increased by 3.7x year-on-year. And currently, we are focusing on underwriting newly issued public bonds including utility bonds.

Now the Focused on Efforts to Strengthen Alliances with Financial Institutions, including regional financial institutions. So for the regional revitalization, we believe that we need to strengthen regional -- the financial institution. So the transformation of the activities or behavior should happen with technology. That's what we have been advocating, and now it is spreading more and more. The regional banks and the regional financial institutions, we have relationship with them.

And it's a very natural cause that the -- for the 3 -- compared to fiscal year 2017, we -- the equity trading was 1.7x for the 9 months fiscal year 2018 or investment trust, 1.8x, and newly issued and existing bond transactions, 2.3x. So the strengthening -- the regional financial institutions will contribute to profit level.

I say to my salespeople, "When you lose your ambition to get profit and when you think rather to contribute to the revitalization of this country and of the regions of this country, end result will be good. The heaven will give us the benefit." That's what we -- what I think and what I tell to my people.

So for M&A matching as well as business succession support services, we would like to put a lot of emphasis on this so that we can be of help in revitalizing the economies of regional cities.

So TRANBI, which is an M&A matching platform. Although there are a lot of small deals, we will work with them and support M&A matching. This has more effect where we establish SBI regional business succession fund. And in some cases, it's not matching. But if we believe a company is good, if the company is profitable, we could acquire the company. And furthermore, we could make the company better. And maybe we can integrate the companies we invested into so that we could establish a new business model, and then we can bring them to market or we can exit from the investment. This is a type of regional business succession fund that we would like to establish, and we are going to support the regions that go beyond the regions. By increasing the sales of national strategic products and et cetera, further expanded the retail business space which was already in a dominant position.

So what are national strategic products? They are iDeCo and NISA. From savings to asset formation, the Chief Cabinet Secretary has been talking about this on many occasions and so has the Prime Minister. This is a national strategy. We would like to follow the strategy of the nation so that we can promote it on our part.

So from May 19, 2017, we made administered fees completely free of charge and we did this in a selfless way. From then on, however, the number of accounts increased substantially. And compared to 2017 end of May, at the end of November 2018, the number of iDeCo accounts totaled 251,840, and the CAGR was 50.9%. Comparing December 2018 with March 2014, the balance of investment trust for 401(k) grew by 38% on a CAGR basis.

October 4 is the day of investment. In an associate's meeting, we were talking about what we should do, and I said, "Why don't you make administrative fees completely free of charge?" Because I said, "We can do that." Then, on the investor -- investment day, you will receive a bulk of orders. Other companies do not engage in these things.

If the Security and Brokers Association takes the lead in making fees free of charge, that may be an issue. However, if respective companies do so, not talking about the employees buying something, they're not really able to increase their business. They need to do something that's more dynamic and different. I think that's what management needs because that's what's always crossing my head at least.

SBI SECURITIES steadily increased the number of new customers acquired for individual type defined contribution pension plans, iDeCo, and became the cumulative industry leader in October 2018, exceeding -- surpassing Tokio Marine. Also for NISA, we have been growing substantially the number of accounts. The difference between ourselves and Nomura is shrinking. When you look at the attributes of new customers, 60.1% of customers opening NISA accounts. Within that, 68.1% are beginning investors. So about 40% of people are people who are beginner investors. However, they have opened an account with us. And for Junior NISA accounts, we have 57,000 accounts recorded.

For SBI SECURITIES's Monthly Total Periodic Investment Trust Setting Amount in December 2018, it was JPY 12.2 billion. It went down somewhat. However, high levels are maintained. And when you look at the breakdown, the weight of NISA has become larger and larger. That is why strategic products need to be focused upon.

PTS, the lifting of the ban on margin trading is poised to happen. The TSE was protecting its own interest, and they were stopping this from happening. They are still complaining about it. I cannot forgive them. It's for the investors, it's for general investors. We think this is something good for them. We are going to do this selflessly. However, they are only trying to protect self-interests, and they are a listed company. However, they look as if they have an official face, and they're trying to impede what we are trying to do. If the ban is lifted, which is yet to happen, currently, there are 32 securities companies who are participating, Rakuten, Matsui, kabu.com securities join PTS trading as well.

Next is the banking-related business portion. February 1 results are going to come out so I can't speak much about this part. However, with regards to our equity and earnings on IFRS basis, it went up by 12.7% year-on-year. It was JPY 3,323,000,000, so it's a 50-50 joint venture, so we get 1/2.

However, for Q3 numbers, compared to the previous year, it has improved quite nicely. For March 2018, we already reached record high profits. This fell due to the BOJ and negative rate policy that was introduced in this year. However, then after, we saw a significant improvement as you

can see here in ordinary income. And steadily, deposits reached approximately JPY 4.7 trillion. With regards to the number of accounts, 3,454,758 is what we've reached. So we've been seeing steady growth in this regard as well.

With regards to the balance of deposits and our -- where we rank. SBI Sumishin Net Bank ranks 25th. It says 4-7-4-0, JPY 4.7 trillion.

Balance of deposits increased by JPY 318 billion from that of the end of March 2018. And these numbers are as of January 29. So others may see a rise in deposits as well.

But if -- as of January 29, our deposits stands at JPY 4.8377 trillion, which means that our rank should be higher. So we have this amount of deposits already. And the reason why we were able to grow this far is because of our strategies and our armament, our tools, meaning online, high-tech or FinTech 1.5 technology that we've been applying. The technology we've been employing and our strategies are going to change the industry.

We -- back in 1999, we started our online broker business. And by using the technology, with -- by using the significant pricing power of the Internet and by additionally introducing technology, we were able to come this far.

And of course, you need meticulous strategies. Others may use similar systems like ourselves. However, we were able to create a great difference. And the reason why is because of our strategies. I think management is all about strategy and about technology. Management -- our strategy is wisdom and technology is the weapon you have. So these are the 2 things that will greatly change the world.

Business strategies that created competitive advantages to its competitors. First is providing housing loans with attractive merchantability through multiple sales channels.

So with regards to the balance of housing loans, we are at JPY 3,562,000,000,000. As of December 25, we are at JPY 4.7 trillion on a cumulative basis. CAGR has been 62.5% comparing March 2018 with March 2008. It's amazing that we've been able to grow at this level. It is a growth industry. It is a significant growth industry.

Why was this possible? By applying our wisdom, by using 3 sales channels. One is direct housing loans processed by SBI Sumishin Net Bank and others through alliances with real estate companies and also having banking agency specialized products called MR. Housing Loan REAL. And we also have banking agency business for Sumitomo Mitsui Trust Bank. And we also have a long-term fixed-rate product as well.

The housing loan corporation has been extending this, and we sell this product as well. And the rates for floating rates are lower than others as you can see here.

Also, we have been developing face-to-face shops of partner companies and have been able to sales channels -- we have been able to expand our sales channels. We have our own channels as well as channels through our close partners, and we will continue to increase the numbers going forward.

And from a technology point of view, API linkage, we were the first that introduced this in Japan, amongst banks that is. And we have been actively been utilizing new technologies, and we strongly promoted the transition to FinTech 1.5.

So FinTech 2.0 or blockchain technology utilizing business models is what I am trying to accomplish internally, and I'm telling my people to realize this. For example, NestEgg finbee through API linkage as well as Mametasu from WealthNavi, MoneyForward SiraTama with -- through which you are able to accumulate savings inadvertently. And also WealthNavi, we are offering API linkage, and customer assets is JPY 16.1 billion. And if you add this together with other robo-advisor services, it's JPY 19.4 billion. And we have been offering Money Tap which is a money transfer service. We believe this will be a huge weapon that will change the world going forward. My head is full of Money Tap right now or about to be filled with Money Tap.

Here are some new initiatives utilizing AI. We've been working on this from 2017. Together with NEC, we've been doing joint development. We'll be doing so with other companies as well. Together with NEC, we've been doing a monitoring system for counter measures against unauthorized

transfers. And also with Liquid, we've been working on Liquid's AI and face authentication technology and also introduction of screening methods using AI technology for the Internet exclusive housing loans. And together with Hitachi, we have signed an MOU for the establishment of a JV to provide an AI screening service.

The joint venture we said, it will offer advanced AI screening service to a number of financial institutions. And also, I mentioned and talked about doing transaction lending. And initially, we weren't able to grow numbers. And we decided that we shouldn't rely on people, so -- and we should do it alone in adding new functions. And Lending One now has been expanding. We added a recommendation model, and the borrowing terms are notified automatically. The people who see this may be able to see whether the terms are better or not, and they might be keener to borrow money. So compared to July 1, we've been able to grow the outstanding loan trend by 13.3x.

Next is RPA, robotic process automation. JPY 232 million in cost reduction has been realized. On an hour equivalent basis, we cut the number of working hours by 77,196 hours. The government is talking about works on reform. And they're talking about people leaving and taking vacation all the time. But that doesn't lead to higher productivity. In order to raise productivity, these kinds of technologies need to be implemented in order to realize better efficiency in work.

Insurance-related business, SBI Insurance Group. Thanks to your support, we have been able to go public, and its consolidated group performance. Now this is preliminary figures. The official figures will be on February 13. In terms of ordinary revenue, it was increased by 8.5%. Ordinary profit increased by 26.2%.

Profit, because we are increasing group credit life insurance sales, we have made provisions for reserve for dividends to policyholders which has increased, and therefore the level of net income hasn't grown as much as the growth rate of the ordinary profit or revenue. So once you have more housing loans, then there will be more group credit life insurance increase. So again, if you sign up with life insurance, there's increase in credit life insurance. So we have not changed our guidance, but you will see a result later on.

In terms of policies in force, it has increased steadily. Again, this strategy with -- enhancing on our competitive advantage. So using this opportunity to go public, we established very idea of sales channel through utilizing our growth synergies based on the analysis of group's big data. We need to really work on utilizing big data.

So where are the deep relationships? We need to capture the trend of the customers. So maybe we can send out e-mails. So we need to build sales strategies on a detailed manner.

And thanks to this effort, we have been accessing group's 24.74 million customers base. So overall group is growing, and big data is increasing as a result of that. And we need a capability and experience to analyze that big data has grown. And this leads to good results. So it's all about technology.

ELEMENT is a great German company. We collaborate with ELEMENT. And through this partnership, we will be able to take in their know-how on developing insurance products. And in particular, in short-term insurance scheme, we will be able to develop new products. So this is -- short-term insurance is an area where you're able to launch new products relatively easily.

Now we also formed alliance with TANITA HEALTH LINK. When I was starting on this life insurance, I always was interested in personalized items. Things that are linked to health management. So for example, if you're healthy, we'll be able to give you a discount. So for example, we stepped up furthermore. We partnered with Kindai University, and we looked at to see what anticancer treatment will work on this part of gene? So again -- and this will be utilized in development of new insurance products.

And SBI Insurance company and SB C&S, that's the SoftBank company -- SoftBank Technology and Bosch have worked together to capture driving attributes, driving data, scoring, emergency calls, these are all major functions. Through these, we can offer more personalized auto insurance. In few years, I think telematics will only be possible with automobile.



And we also want to provide sales support of customer-oriented most optimal insurance product. I think when you think about the insurance agent business, and different insurance companies are bringing these different products. And I think in Japan, there's just an excess insurance in Japan. So we need to revise that. We need to rebalance that portfolio to optimize the success of insurance. And that surplus can be redistributed to savings and investments, so it's a very rational insurance. And I am promoting this to regional banks as well. Of course, we will adopt it in our company as well.

In Asset Management Business. Again, I believe Asset Management Business, in particular, have received most impact in terms of fair value. This is minus JPY 2.5 billion. And of course, the unlisted securities are affected by it too, but we are investing relatively good companies so the impact isn't that big here. And since it's unlisted, we're not worried about share prices. Of course, maybe it's bought out by someone. Maybe there's a potential for a large increase in valuation. That's the world of unlisted companies or securities.

But then, even then, JPY 32.8 billion became JPY 20.1 billion. This is JAFCO's consolidated results. This is down by minus 60% in profit. The total net sales was down minus 5.7%. Of course, they're adopting different accounting standard. But just in terms of size, let's say, with the SBI SAVINGS BANK, it's an incomparable size. I would say, among the Japanese venture capitals, we are the most powerful, most promising investor. I think it can be -- even position us in such a way.

So we are projecting in the 20-or-so companies in FY 2018, so we should have [3 more] by the end of March. And in terms of business strategies that create competitive advantage to our competitors.

So we focused on companies that have growth potential. So FinTech, AI, blockchain, we are very thrilled in investing in this area. FinTech fund, we collected JPY 30 billion and invested in 67 companies. And with FinTech funds, spent JPY 24 billion. But from SBI Holdings, we invested JPY 18.5 billion. Together, it was JPY 42.5 billion that's been invested in FinTech companies, and these will exit one after another. Of course, some may not go public, some are being actually sold before they go public. And this is actually very profitable too.

And also, SBI, AI and blockchain fund, we call this SBI A&B Fund. 130 companies have already participated, and we have 56 regional banks are participating. It's now -- like JPY 60 billion now and some larger investors said, "We don't want this to be any larger." So it was JPY 50 billion, but now this was increased to JPY 60 billion, and JPY 55 billion -- excuse me, JPY 25 billion has been invested in 55 companies already. So this is where it's most profitable, and the discernment is really the key.

If you add the investment from SBI Holdings, it's JPY 36.5 billion (sic) [JPY 35 billion]. So investment into growth area has accelerated since 2016. If you compare SBI and JAFCO, this is how we are different just in terms of the number of companies we have invested in and the size.

And also, as for the companies that we have invested in already, CB Insights have actually given us a great evaluation of it. We are basically #1 investor in ranking.

And CVC, Corporate Venture Capital. In 2 years, we have already gathered JPY 50 billion altogether. Nikon, INTAGE, Mitsui Metals, House, Subaru, in all these different industries we invested.

They -- these are the companies -- excuse me, they are not investees, but they are our CVC partners which have trusted us and we look -- are dependent on our discernment, and they have gone along with us.

Again, Nikkei Keizai Shimbun has been always been introducing companies as NEXT Unicorn and they have this list. And among the top 30 ranked companies, 18 are investee companies of us. And so we have been investing in these companies at a very early stage. Nikkei has given estimated corporate value. So these are the companies that we are investing like freee, Sansan, et cetera. When these go public, our business will be profitable. And if our fund can be profitable, then the regional banks which invested in this fund, all the investors will be happy. And then, we will be able to form another fund, and they will be willing to invest once again.

So the venture companies which we have invested in, thanks to us, have this much value added to them. So this is a situation where everything is good in all aspects, and we need to have that kind of environment all the time.



SBI SAVINGS BANK in South Korea. Their earnings capabilities have been strengthened. In FY 2018, January through December, they have grown by 47.4% year-on-year. And in terms of performing loans, especially in retail, it has been growing very nicely. Delinquency rate is only 4.0%. In retail loans, it's only 3.6%. And the total balance is over -- JPY 580.3 billion. This bank was just about to go bankrupt. But we invested. In 3 years or less, we revitalized this company. And many investors are interested in buying this. They're asking us to sell this company to them.

Vietnam TP Bank, we invested them -- in them at a very early stage. And because of the regulation, we invested only 19.9%, but this is growing remarkably. This is driven by the growth of Asia, and it's just going on that ride.

If you look back on our high growth period and also in China as well, if you look at it by industry, it's always financial institutions that's always at the top of market cap. And when that expands and when that grows and it trickles down into manufacturing sector, and that's how the economy has taken off. And it's a panel for growth. So that's why you need to make sure you're able to invest in the financial institutions at an early stage, and that's what we have been doing. It's finally giving out a nice result.

Russia. I guess Russia is in a very difficult state at this point in time in many ways. For example, there's sanction. But between Japan, I think you're beginning to see some improvement. We can expect them to revert 4 islands, maybe 2, possibly. Maybe that's even difficult. But in one way or another, we want the relationship between Russia and Japan to be better. Now this is the Russian government fund, RDIF and Japanese JBIC, Japan Bank of International Corporation. It's subsidiary called JBIC IG Partners. Both of them have agreed to invest in SBI Bank, and this was mentioned in Mr. Abe's statement. So you have to look at the opportunity. We achieve money. We take 100% full-fledged bank. We acquired that in terms of rankings, it's BBB and its outlook is stable.

The SBI Group's AUM, which is our focus because Asset Management for financial institution that should be the strategic market. And we reached JPY 1 trillion. We have reached JPY 1 trillion a long time ago, and we will target at JPY 5 trillion. And the CAGR, our CAGR is a 27.5%. Our private equity really in cash and deposit -- the deposit and the receivables are not included, the pure investment cash. And now it is more than JPY 1.2 trillion. And with Asakura-san being the head, we are reorganizing our Asset Management, the organization. And for that, and we are going to put Morningstar as partially listed.

And as to SBI regional revitalization asset management, as many as 33 regional financial institutions are investing in us. And both for the other sales fund management and the customer asset management that we work together, and the human resources development is part of the area that we support them. So code 7-5-3, that's the nickname for our SBI regional revitalization world high dividend stock fund with currency hedging. We have already started to sell it.

As to SBI bond investment cofounded with PIMCO, one of the world's largest bond investors. And SBI Bond Investment Management had steadily increased its balance to over JPY 516 billion, which surprised PIMCO people, and they are so happy to have this joint venture with us. It's natural that they think that way. In most of the cases, for example, numbered asset products, probably, we are the one who is selling most of that product as well. The selling capability of ours is tremendous.

Now moving on to Biotechnology-related business. The SBI Biotech had received the AMED subsidiary reduced the deficit and Quark, SBI Pharmaceuticals. The other -- the pipeline is increasing. That increased the negative number cost but the other of course, this cost part that will decrease.

And the other SBI Pharmaceuticals, some increase in pipeline, so negative number. And the SBI ALApromo, the big positive, the number, selling the healthy food products. And photonamic, which is a German company that we bought, now it is operating in the positive number. So the drugs that treat actinic keratosis, which if remain untreated, that it will cause the cancer, skin cancer and also selling a diagnostic agent for resection of brain cancer. So in 2 years or so, there will be IPO.

Now efforts of each operating company steadily progress towards making the segment profitable. SBI Biotech. The licensing partners, there are 3 products. One of them is Kyowa Hakko, and the Carna Biosciences, this is for colorectal cancer that will be applied for Phase I with FDA in the U.S. And we have 2 cases for independent R&D, and that includes the psoriasis and systemic lupus erythematosus or SLE, so-called the self-immune

diseases. And if the immune system is weak, you will have cancer, and if it is too strong, that's not too good either. So you need to strike the good balance.

Now the U.S.-based Quark. Some of the shares were sold. And in a sense, they're struggling, but I still think that they're very promising. Why? Because this -- their nucleic acid drugs or the small interfering RNA, they are developing such nucleic acid drugs so that it will inhibit the creation of protein. So these are the small interfering RNA is one of the latest drug discovery areas. This is the lower molecular, the drug, which is less expensive, and the other high -- but still high specificity and the high efficacy products, they're expensive and high, the side effect. So this is the combination of the low molecular drugs and the antibiotics, and that is nucleic acid drugs.

And I think this -- I think there's only the one, which is already in the market. We kind of struggled because we thought that -- we had expected that we would pass the other Phase III. I was really upset because we were using exactly -- if you -- we used exactly the same protocol as Phase I, we would be successful.

But as to the Quark, we used 26 hours for the minimum cold storage time, but we declined it to 10 hours. That was a stupid act. So that deduced the effectiveness. So this change in the protocol is the main reason that the -- our Phase III, that was not successful.

So if we had used 26 hours minimum cold storage time, then these 156 patients, which represents 26% out of the 594 subjects, we have demonstrated a similar relative risk reduction in DGF incidence and severity. So we are going to have the meeting with the FDA, and they agreed to meet with us in late March. The date is already fixed. I'm not going to mention the date. And the meeting minutes will be provided from the FDA within 30 days from the date of that meeting.

Novartis International AG intends to maintain the exclusive negotiation rights of the granted -- the license -- the agreement. They have milestone agreement for the other 2 -- the product and the other. They would like to continue to have the relationship.

And as to acute kidney injury, market is far greater. So the licensing -- the fee is very reasonable and the other with the milestone payment, is that justifiable? So that's what we are going to negotiate with them.

The good news is, as a result of the Phase III, we now know that the good protocol will show that this drug is actually very effective, and that would help the negotiation with Novartis International. So with this -- for the acute kidney injury, AKI, and for NAION, we have 2 elements in the other Phase III, so that's -- we can IPO, and we are preparing for that. And that there are some offers to buy. And in any case, after the meeting with the FDA, then I am going to make the final decision on that.

Now SBI Pharmaceuticals under setting of 5-ALA. And as to the peritoneal dissemination of gastric cancer and the scheduled to complete Phase III in September 2019. As to the cisplatin nephropathy protection, with cisplatin, there is a big burden on the kidney, and so it could lead to a malfunction. And the Phase II is going to be completed in January 2021.

Mitochondrial diseases, that there is no drug and the baby dies in the 16 months or the 19 months because of the mitochondrial diseases because if you lack mitochondria, you cannot produce energy. And so the babies with this disease die very soon. And there's no other treating drug yet, and that's what we would like to produce, the drug to treat this disease.

And as to cardiac ischemia reperfusion injury, which is taken before the surgical operation, and we are preparing for Phase II for that. And for brain tumors, that has been used for the diagnostic agent.

And as to iPDT, photodynamic therapy. For example, 3 centimeters big -- the cancer tumor, and you use the photodynamic therapy to treat it and the Newham University, that is already seeing some good result. And Osaka University, they're playing an important role there in that effort.

Next, the German-based photonamic. Their performance is improving and the NX Development Corp., which is now a wholly owned subsidiary of photonamic is also doing very well. So as to the diagnostic agent now, it is a drug in the U.S., and we are selling it after the approval of the FDA. And we started selling it in October 2018. And only in 3 months, the sales amount exceeded USD 1 million, only in 3 months after the launch.

In Europe, in more than 40 countries, this photonamic product is on the sale. And in Japan, with the name of ALAGLIO that we are selling it.

Next, SBI ALApromo, the revenue increased by 31.1% year-on-year. This is revenue and pretax profit. The 3.9x year-on-year are exceeding JPY 200 billion. And the skin care series, the ALAplus Cosmetic Series moisturizer, there's some new launches. And Hatsugagenmai no Sokojikara, that's the name of the other product. I eat it too. And it's very good for your health because when it is the germinating, that produces most of the other energy, and it contains most of our promo and GABA as well. And our products have much more GABA included -- contained in the products.

And now the number of domestic stores selling the 5 other health foods exceeded 16,000 stores.

Next, that we are going to accelerate the development of new foods with functional claims. ALA Tou Down Rich -- ALAplus Tou Down Rich was launched in November 2018, and the other SBI Ginkgo Bilboa utilizing ginkgo bilboa, which is good for cognitive function, that was also launched.

In Europe, the ginkgo's effect was witnessed already for many, many years. And cooperating with the Hawaii University, we will improve the quality of sleep, and planning to launch a product for that. And the Shinshu University, the collaboration for exercise capacity improvement data product. And for the recovery from fatigue, with Hiroshima University. And with Juntendo University, male menopause improvement. And for the other fatigue reduction after exercising for Juntendo University. And to increase metabolism while suppressing sugar absorption, that is with Hiroshima University. So that's the combination of ALA and salacia-derived salacinol.

And we are reorganizing the organization for the IPO into 2 to 3 years. And we established the SBI ALApharma in Hong Kong, and which is going to be IPO-ed. And under SBI ALApharma, we are going to have SBI ALApharma Japan and SBI ALApharma Europe, which is currently called the photonamic. And as to the NXDC in the U.S. will be called SBI ALApharma U.S. And there's one -- another candidate of the company with which we are going to treat the area of the breast cancer.

Next, SBI Group's focus initiatives to achieve sustainable growth. Promoting development of new markets by entering into new fields and through various alliances.

Number one, established SBI Security Solutions mainly to grow sales of security solutions portfolio companies and both inside and outside the SBI Group. Offering solutions that incorporate proprietary technology and outside leading-edge technology.

SBI BITS, better IT solution, hiring more than 1,000 people, including people in Dalian, and we will expand the business in Vietnam and Taiwan. And there are many people with PhD degree, and all with the computer science degree. And now the language they use is English. So 60% of the employees are non-Japanese. And I was surprised to see so many non-Japanese and they are all excellent.

So proprietary technology and outside leading-edge technology will be used, and carrying our sales strategies independently as well as coordinating with various partners with strong sales abilities. So for example, with Hitachi or Fujitsu. And you see, we did not have much relationship, or Softbank didn't have much relationship in this area, but we are aggressively expanding the relationship, paying based on the sales, the performance.

And now offering solutions that incorporate proprietary technology and as a leading-edge technology. First, SBI Security Solutions, in collaboration with partners provide security solutions in Japan and abroad. So it's a total comprehensive cybersecurity solutions are offered by our established entity. And we are going to use such technology. If not, that will be a trouble. So that's a very important technology that -- they're not just us, but we would like to sell it all over the nation. And for that, we need footwork. So we need partner companies to sell it overseas.

SBI Security Solutions scheduled services are as follows. First, wallet services, hot, cold -- the wallet service players and the cryptocurrency, the assets, the managed B2B service and Know Your Customer services, all leveraging R3's Corda to design a high resistance to falsification. And we are going to sell it as well. Or for anti-money laundering or CFT, officially, it is about combating the financing of terrorism. Counterfinancing terrorism was the description in the past. But now, it is changed to combating the financing of terrorism in the document of [the IFA], for example.

So for the wallet and for general security, we made a variety of investments, and we would like to make use of our investments. There are some key ones here. 49% investments were made at the Sepior in Denmark. They have the cryptographic key management system service. It's KMaaS,

Key Management as a Service. That's what they engage in. It's a great solution, and their services enable encryption keys to be managed across multiple clouds. This is remarkable.

Everspin from South Korea. By having a joint venture, we would like to sell a lot of their solutions. We wanted to look into their technology. We want to be active. They wanted to be aggressive, and we welcome that statement. So we concluded an agreement. And then, we were able to tell that the services for financial institutions can be hacked quite easily. I think this applies to all financial institutions, but the technology they offer at Everspin is great because their securities solution is dynamic. The codes change every time. The source codes that are executed is different each time, so you can't analyze it. So even if you try to hack it, it changes every single time. So we would like to basically sell this globally.

Furthermore, in the cybersecurity space, as you can see, we will engage with partners through which, we will sell our products. So we have a global sales strategy that we are going to establish. So for us, this is new, which is likely to turn into a very big business.

Through SBI Neo Financial Services, we have mentioned that we are going to create an ecosystem through this company, and we are making good developments. In various fields, our young people have been seconded, 23 of them. And they're actively developing sales to regional financial institutions with various solutions. We would like them to master this business so that they can market the solutions to regional financial institutions. It's not just about selling, but we will be able to restructure regional financial institutions if they implement these solutions. Basically, these solutions are for the best of regional financial institutions. That's what we are going to propose an offer to them.

SBI FinTech Incubation provides an introduction of services of FinTech venture companies, including money transfer applications with IBM, Softbank and TOPPAN. With the a share of 60%, 20%, 10% and 10%, we created a FinTech platform, API platform. And in this, up until now, our investees apps have been implemented. However, one of the highlights now is going to be Money Tap that we are going to introduce. So if you adopt this API platform, automatically, you'll be able to use Money Tap for a low price. Of course, even if you don't adopt it, we will enable the use of Money Tap. Money Tap is excellent. That's what I think about Money Tap.

DLT technology. We invest into Ripple. We have an alliance with Ripple, and it's their DLT technology. And XRP will be implemented in the future, which will mean that quickly at low cost, instant interbank remittances will be enabled who are connected to the system. Up until now, remittances, all you were able to do was to be able to send by cash because the remittance fees were high. Therefore, if it's free of charge, 24/7, 365 days, that will be better, and that's what we try to accomplish through this app. It's not just account information, but you could also send money by knowing that other person's mobile phone number.

Currently, our bank is connected with SURUGA and Resona banks, but we would like to increase the number of connected banks swiftly, and we would like to thoroughly ensure that we expand the sales. I believe this can turn into a global opportunity, and that is the motivation we have behind this because Ripple is globalizing.

The 100 top leading banks in the world are saying that they are part of Ripple net, and they're saying they're going to use Ripple's DLT, xRapid are going to be probably be used by fund transfer companies increasingly this year. I think this will be leading to the practical use of XRP. For me, I think it will easily surpass bitcoin on a market cap basis. That's what I believe, and that's what I think will happen. For FX remittance, functions should be added as well for better convenience, and XRP use -- or xRapid use can be used for external remittances as well.

With regards to Money Tap's future, scalability, it's -- they are UXs that do not require account opening and charging, and transfer existing banking transactions in addition to new demand. Transactions that used to be done over ATMs can be done easier because this costs a lot of cost. I have a close acquaintance that is working on ATMs. However, I think this service will easily transfer money compared to ATMs and also initiatives led by banks, electronic settlement agents. We believe that this will develop into business scalability owing to bank licenses including payroll and foreign exchange transfers.

And also, Money Tap has a low structural cost owing to no charges with no unnecessary account transfers. There's no other service that's cheaper than this.



And in order to spread Money Tap, the Japan Bank Consortium is going to be converted into a new company. That's what we are hoping to do. I tend to believe Money Tap should be the name of the new company because we have the copyright.

In the Nikkei today, we have acquired a trademark. For DENSO International, they contributed this article, and they were talking about a Money Tap, but we -- our trademark is registered, so they shouldn't copy us. We hope to provide the financial institutions low cost Money Tap solutions, which will dramatically improve the customer benefit.

Inside my head, what I'm thinking is that even for water, convenience should be higher, and I think talking about financial institution incomes is something that we should discuss about later because it is going to be generated. Brokers reduced commissions substantially. It's a 23rd of Nomura, 24th of Daiwa, we cut our commissions this much. However, we are still profitable, and we are able to make money. 4.5 million accounts is what we have achieved.

Furthermore, in the retail market, we have dominant market share, which is in the range of 36%, 37%. So it's not about being shortsighted for short term gain, it's about long-termism. As long as you're customer-centric, profitability will accompany your efforts.

For a QR code, we would like to promote QR code merchant payment services by Money Tap because you won't need a dedicated terminal any longer, and you can lower fees for merchants. And a debit type settlement with no charge fee and services provided by the industry's lowest merchant fee level is going to be enabled. The lead time to deposit is short. Ultimately, we'll be able to enable real time receipts. We'll be able to completely eliminate the triple challenges of card payments for the merchants, so it's a positive for merchants too.

So for overseas FinTech companies, in order adopt advanced solutions, we will promote the localization of such products in Japan through the establishment of JVs and business alliances we have with EverSpin, Antworks. We have -- we will -- we are planning to set up SBI at workstations. We will probably announce that today or tomorrow. That's where we are right now.

For wefox, we have established a JV. And for LendingHome, PayKey, and OneConnect, we will set up joint ventures. And then throughout Japan, high customer benefit offering of smart products will be delivered. And regional financial institutions can become more activated and revitalized.

And we will also actively promote alliances with other industries. At SBI SECURITIES, we already have formed alliances with 38 banks in total. So we will be providing financial intermediary reserve, and we have alliances with 38 banks so far.

And with YMFG, we started a face-to-face financial instrument intermediary service with an affiliate of financial products intermediary of the Yamaguchi Financial Group. This is the first. I believe that other institutions will start to implement this as well, although they were hesitant in the past.

And also, for SBI MONEY PLAZA, operating leases, insurance products are being offered and comanaged shops with Shimizu Bank, Chikuho, Sendai Bank, Ehime Bank have now been so successful. All of them are generating great results.

Look at this chart. Comanaged shops launched in October 2017, and the number of accounts increased by 4.4x. And customers deposit assets increased by 5.6x. That's Shimizu Bank. For Chikuho Bank, the customer deposit assets increased by 31.8x and number of accounts, increased by 6.1x and revenue increased by 4.6x. And Sendai Bank, was just established in November 2018, with its comanaged shop, and the deposit assets increased by 1.7x, number of accounts 1.3x, and monthly revenue increased by 2.1x. When you look at this, people will be eager to open comanaged shops with us. So we are able to prove ourselves through our track record and to customers, we are selected by them.

So SBI Insurance, introducing our products. There are 8 financial institutions and 20 companies that have decided to adopt SBI Insurance products. And for our group credit insurance, this is increasing substantially as well, and there are 9 banks that have already decided to adopt. And there are also 10 institutions that are considering, with 3 already having adopted. And the number of applications from customers of regional financial institutions increased more than 14x. So these are the endeavors we will do more and more.



Another important is pioneering new markets through alliance with different industry partners. So this is Neo Mobile Securities. So this is joint venture between CCC Marketing, SBI SECURITIES. And this week, they just started operation.

Mobile First. So they we will refer younger generation customers acquired through the T-Point economic zone to financial ecosystem constituents.

And again, this is an alliance with JAL. As we have announced already, we have the 3 companies have formed a joint venture called the JAL Payment Port. It's Sumishin Net Bank and JAL SBI FinTech and JAL, the 3 companies have set up this joint venture. And Mastercard's prepaid settlement function has been added, and we will be able to offer this to JAL's mileage members.

This also -- you have been informed already. We see increasing number of inbound tourists by 2020. The aim is 40 million, but I'm sure we will exceed that. At 2030, it's 60 million, and 40% is Chinese. And Chinese tourists are using Alipay and WeChat Pay. These 2 payment methods comprise 90% of payment method -- share in China. So we want to be sure that the Chinese tourists are able to use this even in Japan right away.

And then SBI Sumishin Net Bank will promote Neo bank initiative to provide banking functions to external banks -- companies. So that would allow us to bundle, promote and bundle. And we will create new services that cannot be handled by other banks alone. So through forming alliances with variety of operators, so we unbundle, but then we bundle again. And I believe that, that will be how the banks will be in the future.

We announced this today. So this is NetMove Corporation. It's a payment gateway service. We made it 100% subsidiary. And NetMove Corporation possesses very sophisticated system design and developing capabilities, and it also offers highly secure payment services. And through this, we will be able to create added value by merging the Sumishin Net Bank's banking services, utilizing advanced technologies like API and AI, and also NetMove's highly secure payment gateway service. And we will be able to make settlement service and infrastructure, and we can also create new security and communication-related services.

And advancing the use of blockchain and other new technologies at individual group companies to accelerate the shift to FinTech 2.0.

When we promote big data, we established big data office in 2012. We had people from the major group companies send people from big data office, and we have big data committee, which I was part of, and we created this big data culture. We would like to do the same thing with the blockchain business. We will have 31 companies and departments and 43 members to be assigned to this committee, and they will meet and they will engage in different researches and businesses, making FinTech 2.0 more concrete through quick monetization of digital assets-related businesses in leading regions.

So economic -- this, excuse me, new financial ecosystem has been established for most part. We will see how the regulation will continue to change. And as we see the change, we will engage in new businesses.

As for SBI Virtual Currencies, in 2019 March, we aim to start the exchange model and start the leveraging of services. So we will, first of all, be licensed to be the exchange and then we will accept opening of the accounts and we will also start services of -- accepting cryptocurrency deposits. So this will be the speed.

And in the world of securities or actually, a rise commodity exchange, it's basically 80% by 20%. So we see the same thing with the cryptocurrency. I would say maybe that this market will fall by 80%. But I think it will change again, and that's -- because a lot of things can be a great trigger.

But first, we need to build a framework, a legal structure. The government needs to do that. Then that way, investors can feel secure and comfortable. And in order to secure that, we have -- be implementing different weapons that will provide security.

We also want to invite institutional investors to reduce the volatility of cryptocurrency. So for example, maybe 20%, 25% will be cryptocurrency and then maybe the rest can be ordinary bonds. So that's the sort of fund we can establish and market, that will be SBI SECURITIES. And so basically, the preparation is ready to take off, we just need to wait for the new legislation to be enacted.

Next is full scale efforts towards increasing financial services using R3's Corda and XRP use cases. So this was the litigation between the 2, but I have put utmost effort into having them reconcile and establish our R3 -- joint venture with R3, and this has been realized. So how do we realize this? It's -- well, 60%/40% share in this joint venture. We just released press release yesterday. We will establish SBI R3 in Japan.

R3 is participated by 300 companies, regulators and industry associations around the world. And Corda is a distributed ledger technology platform led by R3, open-sourced in 2016. In addition to this smart contract function as well.

And we have SBI R3 Japan. Basically, we are supporting provision introduction of Corda's license, arranged schemes and promote collaboration. What's important is merge R3 and Ripple and make sure that XRP is practically used. International money transfer, Ripple will be the main player. R3 will do other areas. And we can use R3's Corda in international remittance. But R3's Corda's settler and XRP has great affinity. So we can use the 2 together, then that's beneficial for Ripple.

SWIFT just announced that they will partner with R3 and use R3. Maybe that someone at Ripple is upset with that. But when I first heard this news, I thought it was great -- good news. I thought the markets will go up, and I was looking at the market year-over-year, and it has gone up by 14%, maybe it's about 13% now.

But when I saw it earlier, it was Ripple was doing much better. So in other words, SWIFT, they have a transaction of 15,000 every day, and they have 10,000 financial institutions part of it. And it was a mechanism that supported international [Fintechs] up until now. And SWIFT themselves recognize that they have reached their limits. The system that they have developed does not use blockchain. They're just using cloud funding and current infrastructure. They can't create the real platform. So that is why they are leaning towards Corda.

But what's important here is that SWIFT has given up on what they can do internally. They've done everything they can. We spent a lot of money on SWIFT, and if they can eliminate that, then it -- the cost can be reduced significantly for the financial positions. That's the era we're entering into.

S Coin platform. [Niseko] are neighboring places where we go have our lunches are already using S Coin, but maybe we can work together with the regional banks to create regional currency. And we will offer S Coin platform for them to do that.

But it's DLT that's being used at the S Coin -- current S Coin platform, but I'm thinking about transforming this to using R3 Corda. So because you have to have a global standard. If you use Corda Settler and with XRP embedded in it, so that's good for Ripple, for Corda R3 this is good. It's a win-win for environment, and we are the largest shareholders of both.

We are promoting XRP even at our exchange. So that's beneficial for all 3 parties. And I think it is the users, the consumers, that are the happiest of all. My dream is to have this adopted at the Expo 2025 in Osaka as a local regional currency. We will let this be known around the world in the pretty -- in the Osaka Expo, we had 650,000, and we believe there will about 300 million in this next expo. And if they use it in Japan, and they have this great experience, then they will be using this around the world as well.

This is Card consortium. SBI Ripple Asia is serving as the secretariat. They will start a PoC together using R3 Cordo. And ongoing efforts to actualize the intrinsic corporate value basically, as we have been saying, we will continue to list these companies.

One we have not mentioned so far is SBI Leasing Services, we will be quickly listing this -- SBI Capital Management, Biotech, Quark Pharmaceuticals, ALApharma.

So I went over time slightly because I said somewhat unrelated topics at the very beginning, but I think this is what I have for you today. Thank you very much.

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