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PRESENTATION

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Please allow me to make a presentation while seated. Despite the very hot weather, thank you very much for this big turnout. And I would like to extend my hearty gratitude for your support to our group. Now without further ado, let me present the results of the first quarter.

First, some numbers. The revenue JPY 92.127 billion or 0.9% up, minus 4.9% down quarter-on-quarter. Pretax profit JPY 20.217 billion year-on-year down 29.5%, on a quarter-on-quarter basis that's 0.4%. As to profit for the period, JPY 13.705 billion, minus 32.8% year-on-year, minus 37.6% quarter-on-quarter. Profit attributable to owners of the company, JPY 11.677 billion, minus 34.7% year-on-year and minus 15.6% quarter-on-quarter. So some negative numbers for the first time in a long time, but just within expectation, therefore, in the first quarter.

The market itself went down by 22% in terms of the turnaround, and the securities business has been impacted, and we need to secure some profit. And as to the Financial Services Business, the revenue went up by 2.2%, but the pretax profit down 15.6%, but only by 15.6% down because -- and asset management business impacted by market and by FX, minus 29.4% down for pretax profit, but times 4 will translate into more than JPY 50 billion or so. And though we expected some increase in the first quarter, but some of them were delayed to the second quarter, so these numbers are based on very certain numbers. And Asset management business, based on that, that is doing very well. And as Nikkei newspaper this morning said, Mr. San went to Indonesia. And so Indonesia is his target. And Tokopedia, we had many shares of that SIAISON might buy the shares and that would improve the valuation of our holding, the same story for Alibaba. And so it's very fortunate for us, and we invested very early on, and we are getting some benefits. Biotechnology related business, we are waiting for the financial -- actually the ultimate results and 5-ALA business is expanding very smoothly. And 2020, 2021 being the targets that we will IPO the 5-ALA related business.

Some highlights. As I mentioned earlier, the securities business, whatever happens to the business due to the market we endeavored to limit the negative impact, and we have been engaged in various initiatives for that.

And the SBI SECURITIES, the percentage in the revenue is around 38% or so, so much less than 50%. And so when the securities business, that is declining, first of all, that pace of decline is much slower than other peers. And we have the insurance including the short-term short amount the insurance business that is expanding and also the net banking business is also expanding the asset management business. The SBI Savings Bank of South Korea is growing its profit. And as I mentioned earlier, at this moment already in the second quarter, JPY 13 billion or so, at minimum, contribution will come. And 2020 and 2021, the IPOs will continue, FinTech funds, A&B funds, SBI A&B fund, the Blockchain fund, those IPOs will continue. As to biotechnology-related business, the DGF related drug might get the approval for NDA process. And once it happens, valuation will go up. In AKI, following that move, we attract many investors. So we have a great deal of expectation for the biotechnology-related business as well.

Digital asset-related to business. We are very likely to make big profits here because the digital-asset ecosystem has almost been completed. Also, as to crypto-asset, the market decline has hit the bottom. It's not writing seriously, but maybe it is hitting the bottom and reversing the trend from



downturn to upturn. So under such circumstances SBI under VC Trade and SBI Crypto mining, these 2 entities are contributing greatly to the group. SBI VC Trade has been transferred to be affiliated with SBI SECURITIES from the second quarter. Monex and GMO have already reflected this type of business in their consolidated results, but that will happen, in our case, from the second quarter. So this will further differentiate ourselves from the peers. And of course, the market is difficult to read. Compared to the traditional securities, the volatility is higher. But how we are going to build the mechanism to make profits based on our wisdom, that is what we are trying to do. And now the SBI SECURITIES business contribution to consolidated profit has significantly declined, currently standing at 38.5% business overview of each segment, starting with the securities business.

Now the individual brokerage trading value, minus 22.9% year-on-year. So it's getting difficult to make profits. But operating revenue declined only by 10% at JPY 27.464 billion, so keeping a very high level. And the operating income, minus 35.7%, was JPY 9,266 million, but compared to the peers, it is much better. As to the ordinary income, JPY 9,351 million, and profit attributable to owners of the company JPY 6,175 million.

And looking at the operating revenue computation, the commission went down only 13.4%, and that market itself is coming down, and the underwriting sales commissions are declining. While the trading revenue increased, not only FX-related gain, but also the foreign currency denominated bonds, and the wholesale trading revenue increased.

So retail only -- from retail-only to the wholesale, this shift for the SBI SECURITIES is happening. Now the performance comparison of major securities companies was announced. The results, and we have the top with JPY 9,266 million; and SMBC Nikko with JPY 5,336 million, minus 67%; and GMO with JPY 2,936 million at #3, including the crypto-asset business; and Rakuten minus 57.1% with JPY 2,261 million; and Matsui JPY 1,915 million, minus 53.7%; Monex, JPY 1,215 million. Looking at the first quarter, only JPY 1.1 billion in 2019 fiscal year. So they started with small number. And with some addition from the Cryptocurrency business and Iwai Cosmo, kabu.com; and Okasan with a bit of a stretch, JPY 1 million.

Finally, the black number, Ichiyoshi minus JPY 239 million; Mitsubishi UFJ JPY 4,301 million in negative. And tomorrow, on the 31st of July, Nomura, Daiwa, Mizuho, Tokai Tokyo will make announcements, and the results are yet to be seen.

And one thing clear from this table, the old business model doesn't work anymore. Nomura Securities in their announcement today, 13.8% or so of the NRI was sold. And so they are going to do some of the share buyback. And I had to laugh about it. About JPY 75 billion or so of the sales proceeds that will be added in the second quarter. But their stake in the NRI will go down to 23%. So remainder is the real estate on the public market. And Nomura has been eroding under their assets, and so they are only making profits from the sale of their assets. And that's exactly what's happening.

Probably in the second quarter, Nomura will close about 30 branches, I don't know through -- maybe through consolidation and with some cost savings. And this buyback -- share buyback that they announced with JPY 150 billion proceeds that should be used for the next moves, and that is the most important thing that the management should think. And now JPY 1.2 trillion or so are the market cap. On that level, the only thing that they can think about is share buyback. And I think it's a great misjudgment. I was working at Nomura in the past. And I feel really sorry about that. If they consign JPY 150 billion with us, I will find a way to use that amount of money in an effective manner. I really don't know what they are doing, what -- I should maybe stop criticizing other entities. But since I used to work at that entity, that's how I felt.



Now the SBI VC Trade, that will be the subsidiary of the SBI SECURITIES. So this is the comparison of operating income. As you can see here, the JPY 2.2 billion added in the first quarter -- in the first quarter, it is not added, but if we assume with this addition for the SBI SECURITIES, that will be JPY 11.473 billion. And GMO Financial Holdings and Monex, the crypto business is already reflected, but the numbers are small, JPY 549 million and JPY 147 million compared to JPY 2.2 billion of the SBI VC Trade. So the decline in the operating profit of the securities will be only minus 17.9% with SBI VC Trade.

The SBI SECURITIES overwhelming position, I am not so interested in the relative comparison because we will pursue absolute values. That's a big shift on our part. This is not the time for the simple comparison, relative comparison whether market is good or bad, especially when the market is bad. It is about how to find the value of a business to be justified and how to improve the value. When the market is good, people do not tend to think about it. So that's why I am not so interested in the relative comparison. The absolute value up is the key, what kind of securities business is needed.

We are not just a securities company anymore. Our other stock number is 8473. It's the ticker number, 8473, but we are not just the securities company. As I said earlier, the comprehensive financial service. It's not just about the various lines of businesses. It is organically fused with each other to create some valuable things. The number of accounts is increasing for the SBI SECURITIES. Within 2 years' time, we will exceed Nomura's number. We are growing by about 10%, and the CAGR is less than 1%. Nomura's CAGR is less than 1%. It is just a question of time, and we will be #1 in terms of number of accounts among the 5 large net companies. The total stock is only 25%. But in other words, we are already 25% of market. The lead company positions of SBI and the IPOs that we underwritten will continue to grow. These new companies will continue to grow. And, of course, as a lead manager, we have the shares and the stock will continue. The JPY 50 trillion of the deposit that I have been encouraging Takamura-san to achieve it as early as possible. And to do that, we need to focus more on bonds. And Nomura expands its deposits through the mid-range, the JGBs. And in my mind, the securities strategy is about how to increase this type of bonds. And also, the financial institutional sales department, that is growing, and relationships with the other regional financial institutions should be much stronger. And not only that financial institutional sales department, the overall financial, corporate, wholesale section should be larger. Rather than relying on the IPOs, the shift from primary to secondary for the wholesale side should happen.

In addition, from the underwriting to other wholesale business; for example, M&As, that should be stronger. So these that will form next security strategy. The ongoing focus initiatives for sustained business growth that are less influenced by changes in the external environment. This is the IPOs of focus, and we will continue to focus on that. And the underwriting share from April to June, there are 17 companies which were listed, and we participated in all of the 17. For some of them, the lead managers, namely for 3 companies that we participated as lead managers. So the underwriting share is 100%. In the second quarter, it is going to be 100% again. So for the IPO, we are very strong -- we are growing very strongly.

And as to the secondary, there was PO underwriting business, so the number of POs underwritten at the same level, there were 5 POs, and 1 of 5 that we participated as the lead manager, and we are focusing on utilities bonds and other corporate bonds. And in the first quarter, for the fiscal year 2019, it increased by 53% year-on-year.

So this is for March '18 first quarter, if we benchmark it at 1, equity trading was 2.6x larger. And for newly issued and existing bond transactions, benchmarking against first quarter 2017 as 1, it was 4.4x larger in first quarter 2019. And we started structured bonds as well. And currently, the



cumulative amount is JPY 76.7 billion, so we are steadily growing this business as well. 15 years ago, foreign-affiliated companies were making the products, and we were just distributing them. So it was like a calmer end fishing where the birds go into the river and eat fish and then the people who are controlling the calmer ends will take the fish away. So our margins were very low. So basically, all of the good profitability was taken away by the foreign-affiliated companies in the past. But we decided that we are going to make our own products and sell them by ourselves.

Our distribution power is now absolute. So financial instruments intermediate services with regards to customer deposit assets, it has went up by 4.9x, compared to June 2018, a number of accounts have went up by 2.6x. So we have been offering financial instruments intermediate services to regional financial institutions. And as a larger strategy of SBI Group, one of the targets we have is regional revitalization, and through that we are trying to strengthen regional financial institutions. And as specific strategies at SBI SECURITIES, we are offering financial instruments intermediary services.

Now together with a total of 35 regional financial institutions, we are offering financial instrument intermediate services, and that is why customer deposit assets have went up by 4.9x, and number of accounts went up by 2.6x. We also made SBI Neo Mobile Securities. This was quite costly. And SBI SECURITIES weighed on their performance as well. However, whether we were going to find this organization or not at this timing, I believe was a very critical decision. We would like to target the acquisition of 500,000 accounts at an earlier stage. And as of July 29, it was 64,359 accounts.

Every month, month-after-month, we are seeing an increase in accounts. And with regards to points or T-Points, we are utilizing this for marketing purposes.

With regards to our ecosystem, we want to connect them together so that we could do efficient marketing. So a connected ecosystem means FX trading, as well as VC trading or VC Trade. We are looking at similar customer attributes, or in other words, companies that have a younger customer base are the entities that we are focusing on so as to increase the number of customers. And we are looking at the common customer segment, and we are trying to transfer them from A to B to C. If they don't have an account in one entity, we want to entice them to open an account in another entity. For example, in FX Trade, 1 person might be doing margin trading, but maybe FX is not doing well, and that person may be encouraged to do some virtual currency trading as well. We want to be able to offer a flexible option for the younger customer base. And we would like to take full advantage of T-Points, so that they could invest into crypto-assets in the future. Make do derivative investments as well as do FX trading as well, and also Money Tap. This is a small-lot remittance service. So it can be large lot, but many young people use this service, and we would like to enable the use of T-Point. So basically, we would like to refer customers to each of these services, and have the services partner together. And we would like to start this accordingly.

Customer transfer or mutual customer referrals. There is a typo in Japanese. Basically, we're talking about cross-selling. We also have synergy plans between mobile securities and crypto-asset exchanges. This is to be introduced. We are going to do a crypto-asset granting campaign upon opening an account as well as a crypto-asset granting campaign per transaction amount. We are currently developing the system so that this can start as soon as possible.



PTS, finally. Finally, we have been resisting so hard. There have been so many efforts to try to delay this. But now, finally, this is going to be realized, which is PTS margin trading. It is going to be deregulated. The number of brokers that are participating right now are 33 who joined PTS trading. And due to the deregulation of margin trading, we are expecting that trading volume is likely to increase.

From my point of view, this is the next step. This, as well as in the future. By utilizing the dark pool, commissions can be zeroed out. If everything becomes zeroed out, and if we switch to a platform business, that is my ideal, that is what I am envisioning. If we are able to realize this, no one will be able to compete against us. Ultimately, it's like the Robin Hood style, Japan version. I'm sure Robin Hood would come to Japan sooner or later, but we want to tell them that it's going to be too late when they decide to enter.

Next is the banking-related business. Results are to be announced. It's going to be tomorrow, I believe. SBI Holdings' equity in earnings of SBI Sumishin Net Bank was up by 68.7% year-on-year at JPY 1.985 billion, but results are going to be announced tomorrow.

The BOJ started negative interest rates. At this point in time, we saw a dip of ordinary income at that point in time. But then after, in March 2019, we reached the highest ordinary income, and we hope that this fiscal year will be even higher than that. Also, deposits as of end of June 2019 was approximately JPY 5 trillion. As of July 28, it was JPY 5.2044 trillion. Also for the number of accounts, it was 3,652,274. Steadily, we are exceeding competitors overwhelmingly, whether it be deposits or the number of accounts. We would like to ensure that we continue to grow this base. So we've now exceeded JPY 5 trillion in deposits. When you compare against other regional banks, such as Yokohama, we are currently 20th in Ranking.

Regional Financial Institute, since they have a 50-year, 100-year history, and they are going through consolidation these days. Compared to ourselves, we are new. However, we have been able to grow substantially. It really is proof that the power of online or the Internet is quite big.

If you grow deposits, obviously, we need to manage the deposits. One of our pillars is mortgage loans. We have increased mortgage loan balance to exceed JPY 5 trillion. For Sumitomo Mitsui Bank, which is our partner, we are working together, trust bank that is, we are working together to consider how we can grow this business by turning part of the business into a fee-based business and for flat 35 long-term fixed rate products. When we were doing the previous entity of ARUHI, we were originally the #1 player, and ARUHI is already #1 nowadays. And we basically want to exceed them someday in the future.

Actively advancing various measures to expand the business base towards sustainable growth. It's the next topic.

So through physical channels, we would like to expand mortgage sales. So we would like to -- we are having partnerships. ARUHI is one of the companies, but we basically have partnerships, whether it be Ikebukuro Station or Shinjuku Station or Otemachi Station, at these types of terminal stations, we have more than 30 shops that are open over the weekend, so as to improve customer convenience. In this way, we are striving to grow housing loans. And deposits can be managed in this regard. That has continued to grow.



And also, NetMove. We've made an announcement that we were going to acquire the company, and we did make that acquisition, which is a payment gateway service. The performance is steady. And for the first half results, it is expected that they are going to exceed their business plan. And over the full year, they are expected to contribute to our earnings. And the fiscal year 2019 profit contribution is expected to exceed amortization of goodwill from the M&A. So we are not that worried about goodwill amortization now.

As for the acquiring operations business, if 2018 June is 1, in June this year, it was 5.3x more with regards to the number of participating stores. The participating stores are increasing, business is expanding and commission income is increasing.

So steady realization of the Neo-bank Concept. In the Nikkei, today, this was mentioned. Recruit Zexy or Asahi Kasei Homes Financial, we are partnering with these entities. We also have other partners, and the partners are increasing. There are announcements that are yet to be made in this way, the Neo-bank Concept. Basically, the functions that are held by banks, we would like to basically break them down and offer them separately and commonize the customer base, increase the number of customers by doing so. And we would like to continue to promote unbundling. I think this is one of the directions that the banking industry is going to head towards going forward. So that is why we call this the Neo-bank Concept. Under this concept, we will continue to grow the number of partners and expand our customer base and consider various types of business opportunities.

So releasing APIs. Sumishin Net Bank, SBI Sumishin Net Bank did this for the first time. Now an API with over 300 functions has been released. To that end, the release of APIs is overwhelming others and many partnerships have been concluded. And through this business is being extended. One of them is our partnership with JAL, which stands out among other partnerships. JAL has a mileage program, and they have 31.7 million in their customer base, and our customer base is 25.7 million as of June 2019. So they have quite a vast customer base. So we would like to basically capture the opportunities through their customer base. It's a MasterCard prepaid function that is attached. It's a card called JAL Global WALLET that we issued, and we are seeing a steady growth.

So going through the insurance-related business, as you can see over here, so this is the preliminary basis. The consolidated results will be on the 8th of August. The ordinary revenue has gone up so and so; but ordinary profit has gone up by 45.3%; profit attributable to the parent of the company has gone up by 42%. And in terms of the CAGR for the SBI Insurance Group because we are going to conduct mergers and acquisitions, and then the other day, we have bought a company called JAPAN ANIMAL CLUB, and we're going to increase the number of companies and we're going to increase the inforce contracts.

So in terms of the compound annual growth rate, it's 21.5% from March 2014 to 2019 -- June 2019.

So we will be going forward to -- measures to further expand business scale, improve customer satisfaction. So this is a discontinuous business expansion through M&A. So we want to go up 1 stage, and to be able to do so, we are focusing on SSIs. So this SSI Insurance, so they are engaged in a lot of areas. So in terms of new product development compared to non-life insurance and life insurance, ordinary types of things, it's quite easy. So it is very easy to develop new products. So they have the benefit in that area. So we want to be very flexible and dynamic to efficiently expand our customer base.



In terms of the look at the small-amount short-term insurance business and look at it as a group, in terms of the total number of payments, because we have bought annual club, so it's going to go over JPY 2.483 billion. So basically, Tokyo Marine Group is #3, and then, we are following the Zenkankyo Group.

You can see that in terms of the premiums, we are going to increase that. So in terms of the growth rate, it's 10.8%. In terms of the compound annual growth rate, it's 10.8%. We are the highest.

And going to the RPA versus digitization, in terms of the various insurance businesses, we are going forward in these initiatives as well.

In terms of the Asset Management business, as I said before, overall, the market has gone down. But we have not gone down as far as the market. I think what supported this was SBI Savings Bank. This is the Korean Savings Bank. So this has grown more than 30%. So because in terms of the revenue, it's JPY 31.8 billion; and profit before income tax is JPY 12.5 billion.

If you look at the Asset Management business alone, this is our performance. For your reference, we show you the JAFCO sales revenue, JPY 2.2 billion. So it's a decline of JPY 52.2 billion. Operating profit is just JPY 300 million. It's a decline of 86.8%. So this is a slightly different accounting standards between us and JAFCO, so this may be some impact of this. But in any case, we are, by far, leading JAFCO. So we are the biggest Japanese venture capital company, that is our company.

So this is the IPOs, M&As of SBI Group Investees companies. It would -- so a fiscal year 2019 prospect is over 25. We said that initially it will be over 30, but because of Kitao-san, are you going to announce that, and maybe you should reduce the number. So I, myself, think we can exceed 30. But basically, this relies on the market. So we will be conservative. So that's the reason why we're saying 25.

The Fintech fund and the AI&B fund, so 147 companies. So this will be JPY 96 billion of -- JPY 94 billion of investment. So the FinTech fund, JPY 25 billion; AI&B, JPY 41 billion; from the SBI Holdings Co-investment, JPY 28 billion. So total, it's JPY 94 billion of investment. So you can see that by far, we are the largest venture capital and we are focusing in these domains.

So because we have this type of investment in Libra. It hopes that -- they're hoping that SBI will become a member. So FinTech companies and venture capitals are the members of Libra. So financial services will be the kind of crypto-assets. These are companies that engage in crypto assets or card companies. These are various companies that are in the Libra alliance. But these segments, within these segments. I think they will be very thankful if we, companies like us, will be engaged. But we are just discussing and deliberating. They have been approaching us.



Going to the exit results, 4 and 3 each, you can see here. From this point onwards, so we're going to see a lot of IPOs. 2020, 19; 2021, 37. So in this 2 years, I think there's going to be a lot of value that is going to be created. So AI and Blockchain. And then various FinTech technologies. So this value is going to be enhanced, and I think this is very promising.

Just going to the SBI Savings Bank. So this is the comparison between net income under K-GAAP, 19% increase between the first half of last year and this year. So this is the balance performing loans. So the performing loans for FY 2015, KRW 2,258 billion. So that was about KRW 2 trillion. That has become KRW 6.421 trillion. So that's about JPY 642 billion approximately, in Japanese yen. So that is the asset size that has become. So in terms of the retail loans, there has been huge contribution.

So if we look at the delinquency, overall, it's 3.3%. While retail loans is 3.6% delinquency rate. So it's a very healthy situation. So we want to further expand the customer base. So they are using mobile terminals and offering various financial services. They are using a Cider Bank. So using a mobile terminal, you can open the accounts, you can apply for loans, this can be handled 24 hours a day, 365 days a year, and support the smartphone-based biometric authentication. So Korea, in FinTech, is advanced. In some areas, it's more advanced than Japan. So loan application screening, I think, Korea has been ahead of us.

Well, I think, basically, Korea, they were able to do it so smoother in Korea. So in terms of the biotechnology-related business, there has been more loss because we have completely sold Kubota Pharmaceutical Holdings. And we have generated a loss of JPY 1,352 million in losses. So we have been able to sever our contact with Kubota Pharmaceuticals. We will never invest in this company again. So I think, basically, we have been fully being able to learn through our losses to Kubota Pharmaceuticals and we will sever our contact with them.

So Quark. So the new drug applications at the end of July is going to be applied. We're going to apply for that. And FDA is going to conduct the applications. So ALA is going to -- is going very smoothly. And towards -- this thing will be going forward.

Photonamic, in the first quarter, I think we have been seeing a lot of good results. But April to June, it's at a loss. I think there is going to be a large lot sale that has been already defined from autumn onwards, so the full year, they will be able to maintain positive trend. So again, I said about this before. So Kubota Holdings, JPY 1.352 billion, excluding that, so that's a minus JPY 2.527 billion. I think the loss has declined a bit. So this excluding one-off elements. So the loss has declined a bit.

In terms of the biotechnology-related business development costs, so JPY 7.9 billion, JPY 8.1 billion, it is still at a high level in terms of development costs. So JPY 8.193 billion was the development costs. So AKI, the Phase III clinical test, is going to end. So I think, basically, the development cost is going to go down. And I think basically, we just have to wait for the results.

From SBI Pharmaceuticals, we will be preparing for the listing. So we're going to reduce the costs. We have been having alliances with various universities, and we have subsidized the development cost for the universities. And I think this was in exchange to the information that was given to us. But we have consolidated and we have prioritized our spending. We want to focus on our spending. So we are going to prioritize our development, and we're going to do so. So we are going to review over JPY 500 million of this initial development costs.

In terms of the review of development costs, we want to further enhance our sales, and we want to do out-licensing to pharmaceuticals both in Japan and overseas. We're going to do -- go forward with this. And for the global organizational structure, it's going to be set up. And we are going to explain furthermore.

For the ALA promo, so in terms of the foods with functional claims including showing business sales with the profit before the tax is going to -- is increasing. And in terms of the -- [we have been a] (inaudible) this has also gone commercial. And going commercial, this is going well. In terms of the health food and cosmetics and germinated brown rice. Well, again, this is food. So Hatsugagenmai no Sokojikara this is germinated brown rice. The product lineup is expanding.

And now we have 16,829 drug stores selling 5-ALA health foods. Most of the other lab stores offer the products. Now in the bio-related business, advancing profit improvements through each initiative toward an early profitability. SBI Biotech, here, they are not engaged in the clinical trial, but it is the out-licensing of the business. So basically, cost is not high. The Carina Bio, the Kyowa Kirin, these are the other licensing partners. And the GNKS356, SBI-3150 and we are planning the out-licensing. It's very likely to happen.

As to the Quark Pharmaceuticals, the CSR, the corporate research report is going to be presented as of the end of July. And within this year, the results will be issued upon the determination -- the transition to the NDA process. A partial or complete sale of the shares of the Quark on IPO will be considered. So with that, the biotechnology-related expense will significantly decrease. But it will be basically the investment through funds. And basically, it will be centering around 5-ALA business going forward. And the biotech-related business that will be IPO-ed as well as 5-ALA. So that the burden on the parent company will be limited.

As to the SBI ALA Pharma, we have Hong Kong-based intermediate holding company within a few years and we will plan IPO SBI ALA Pharma Japan, SBI ALA Pharma Europe and SBI ALA Pharma U.S., the subsidiary, and then SBI ALA Pharma Canada.

In Canada, we are going to acquire a certain division of the company, the investment mandate is not so big, and it will be based on the other milestone agreements so that, initially, the amount will be very limited. And this acquisition of a division that is related to the gynecologic cancer, especially breast cancer, it's a very interesting company, Gliolan, 5-ALA related, the drug. You take it, and you take the breast cancer surgical operation. And about 25% of the patients that will have the other cancer, again, in western countries, generally speaking, but when you take 5-ALA and when you visualize cancer, because it becomes red, for example, due to the different frequencies, the color could be blue. In any case, the different colors, we visualize cancer. So that would have facilitated the surgical operation. So the demand for the use of 5-ALA in that way is very high. And handy device will be added that you can use just the hand, not both of your hands, but just one of your hands, holding that device for the photodynamic usage. It's very handy. The device has been developed by this company. And that part of the business is our target.



The SBI Pharmaceuticals for the peritoneal dissemination of gastric cancer, Phase III, that will be completed in December 2019.

Cisplatin nephropathy protection. When you take cisplatin, it gives damage on the liver. And the Phase II will be completed in September 2020. And if it becomes successful, and then we will go to Phase III.

And as to mitochondrial disease, Phase III is underway to be completed in January 2021. It's the genetic disease. So there is no other drug available.

And cardiac ischemia-reperfusion injury, the Oxford, Leicester, Birmingham, Cambridge University Hospitals are prepared to do the clinical test.

And as to photodynamic therapy for brain tumors, which are not operable, and you make a small hole and using the light, then using 5-ALA, you damage the cancer. And the Munich University in Germany is very advanced in this area.

In the U.S., NXDC, it's 100% subsidiary is authorized as photonamic, the 100% in the subsidiary in the U.S. and already exceeded the USD 5 million of the end of July in terms of revenue. Well, it's a very good thing. So in the U.S., it will be a problem if you do not use it. In Japan, it's opposite. Even if it's a good thing, it will not be a problem even if you do not use it. It is just at the discretion of the doctors. But in the U.S., if it's a good thing available for you, you will be blamed if you do not use it. You will be sued even. So that's the situation in the U.S. So the market -- as a market, I think, the U.S. will be the better market for us though that we are talking about the drug that's derived from Japan.

Now so the ALA PLUS Fukai Nemuri, please try it. And as to the ALA PLUS Karada Active to be launched in October 2019 to improve exercise capacity. And in consumer sales agency, that has accepted the other filing to be launched in October 2019. And in FY 2019, the recovery from fatigue, male menopause improvement, fatigue reduction after exercising, increased metabolism while suppressing sugar absorption. This is the ALA PLUS salacia derived salacinol, are under development.

Now moving on to digital asset-related business. As I mentioned earlier, JPY 2.2 billion was still profit from VC Trade -- SBI VC Trade. And SBI Crypto, the mining player, JPY 844 million, the pretax profit is booked. So the total JPY 3 billion of the profit.

And next, various initiatives to further increase profits of the digital asset related to businesses. First, there is the revision of the Financial Instruments and Exchange Act to strengthen the group synergy. The SBI VC Trade will be -- is under SBI SECURITIES to be treated as Type 1 financial instruments of the businesses. And the restart, this -- the crypto-asset leverage trading, will be in the regime of this new device, are active. So the synergies with SBI FXTRADE, FX OTC derivatives are the other service providers. And so the crypto-asset leverage trading, OTC derivative trading, service is likely to be treated as Type 1 financial instruments businesses.



So if you cannot comply with this revised act, you cannot survive. This is self-regulated. The group for which I served as one of the trustees, but I withdrew myself from that position because I've been saying the following, the current Chairperson and the Vice-Chairperson, they started as 2 different groups, and they were not in good terms. So I served as intermediary. And by putting another Vice-Chairman, though I tried to merge the 2 groups. And then these 2, the Vice-Chairman, they were subject to the business improvement order, including bitFlyer. So these 2, the Vice-Chairman, had to withdraw from their positions because of these problems surrounding Bitcoin and others. But the remaining Chairperson, [Okemason] is not engaged in the exchange of the business, and his entity not engaged in Exchange business, is it okay for him to continue to be in the Chairman's position? From my views, his moves are not really reasonable. And the FSA feels very sorry about the situation. And I encouraged to increase the number of the trustees. Outside trustees also exist, and I insisted that the number of outside trustees and internal trustees, at least, should be the same. Tentatively, 13 other trustees and by changing the articles of incorporation that we planned to increase the number of trustees by 1, and that 1 will be the outside trustee. And then the group, the self-regulated industry group opted for 12 other trustees rather than 13 or 14 trustees. So under such circumstances, I judged that this group -- this industry group is not good at all. The problems will continue. Points, I don't know the exact amount, I don't know, JPY 3.2 billion or JPY 3.3 billion, there was a problem. So this self-regulated industry went to FATF, F-A-T-F, saying that the FATF regulation was too severe, and that made me very angry. I said that we need to be regulated as strictly as FATF does. If not, there will be no sound cryptocurrency exchanges in Japan. And the subsidiary of the other company, which is knowledgeable about the Financial Instruments and Exchange Act, should be involved. Such entities should be involved, and Rakuten and Monex are included. And I withdrew from the position of trustees because this group did not try to accommodate my request. So again, the other company of the other Chairperson of this self-regulated industry group is not involved in the exchange business. The FSA says, "please do something." It's Japanese FSA that has asked SBI to do something about the situation that we have seen many problems, the industry betrayed many customers. But those people of the self-regulated group are willing to continue to do the same thing. We need to comply with the Financial Instruments and Exchange Act. That is my message. And as to STO, this group is willing to do STO as well under their umbrella. Of course, not. That is not possible. That will be messy.

And then the JSDA should do that, maybe not. The current Japanese Association of Dealers, JSDA; JSDA includes the traditional securities funds Nomura, Daiwa and SBI as well. And all of us has just one vote, and the STO should not be managed by the JSDA either. That's why I wanted to establish a different organization. Basically, Rakuten, kabu.com or Monex, with these players, we should develop the market and organization. Because at least, they are knowledgeable about the technology, they are knowledgeable about the other Financial Instruments and Exchange Act.

Initial coin offering already has had many problems. Those problems should be stopped. So I took the initiative to make the exchange in this area. Well, there is a person who is kind of dramatic in the organization, which is willing to establish the market or exchange market for this, but we have already started initiatives and applications involved, and FSA has been also involved. In other words, there should be a group of experts. And experts, legal experts should also be there. If not, it will be just messy.

So as to cryptocurrency projects, that's mind-boggling for us. So in our case, we are going to start the exchange service business for order book service as of the end of July. That's scheduled for July 31 for order book service for Crypto-asset. The currency pairs; XRP in JPY, BTC/JPY and Ethereum/JPY.

So going forward, the cryptocurrency -- cryptocurrency, that is also possible and also various foreign currencies, FXTRADE, liquidity markets are dealing with these different currencies, and that should also be the scope of the new exchange service as well going forward.



After the FATF inspection in autumn, we would like to start full-fledged campaign. The FSA will encourage FATF to come to SBI. So especially for money laundering, know your customer, do we need to focus on these things to be fully prepared for this initiative.

And as to the mining side, as I have been saying for quite some time, SBI Mining Chip has been established and aligned with the U.S. company to make new chips, very, very effective ones. And with low utility cost, we are going to operate SBI Crypto and the mining business. So we are going to start 2 sites in 2019, closing 1 and the other 3 sites. That will be the basis of the transfer and the hashing power will be like 4.3x, 4.8x stronger. So the 30% global share continues to be our target.

Already, a major mining vendor has approached us with a considerable amount of money. So once the act is revised, and it will be going to effect in April next year. And once that happens, promptly we are going to start Crypto-asset Incorporated Fund Business and the SBI SECURITIES, MONEY PLAZA that we'll sell. And maybe 25% could be Crypto-assets or less. And for this initiative, the other CoVenture Holding Company in the U.S. has become a partner to establish SBI-CoVenture Asset Management. We need asset manager for securities, and we need experts for Crypto-assets as well. And that's what we have prepared.

And as to the STO, in April 2020 and onwards, the STO will be valid. And so the disclosure rules and business regulations will apply. And we'd like to be the first case of STO. And if the Tokyo Stock Exchange doesn't list it, we will go overseas and we are going to bring it back to Japan from the overseas, and we are working with some lawyers as well. Then we are doing very stringent legal check to do that.

And next, the accelerating efforts to create a swap market for Crypto-assets. And our investing company Clearmarkets is working with us to establish Crypto-asset swap trading market so that the fund institutional investors can participate. As the other article, there was an article in The Wall Street Journal on the CFTC, The U.S. Commodity Futures Trading Commission, and the other JFSA have proclaimed a U.S.-Japan mutual recognition agreement on an OTC derivative trading platform. CFTC's order of exception, the Clearmarkets has been named as one company that could be covered by mutual recognition. And for that, we have invested in Clearmarkets. So once the order is issued, then we will work on this.

The SBI Group's business strategy that captures new trends in Financial Services. We have to hurry. I'm running out of time. Contributing to the development of a cashless society through the utilization of Money Tap. It's not like a hotel, it's our meeting room. So we could have this meeting forever.

So for Money Tap. Back in October 2016, the Japan Bank Consortium started. So technological development started here for Money Tap. A consortium turned into a company in March this year, and various types of measures have been implemented there since. We would like to basically establish a public infrastructure through Money Tap. POC-wise, March 2017 is when we conducted it and commercialized since October 2018. But we transitioned to a new company, Money Tap Company, and I decided not to attach SBI at the top of the company name. So we established a company in March 2019. And on May 28, we registered as Electronic Payment Service Provider. Then on June 18, Money Tap Company Limited had an organization meeting. In July 1, 2019, Money Tap related assets were transferred from SBI Ripple Asia to Money Tap. So now as a new company, we are able to engage in various types of initiatives. We have a freer hand.

So centered around regional financial institutions, we have acted for investments. Many of them were members of the consortium. Now we have about 25 capital participating banks, and 8 are API platform connected. So Money Tap, there are 33 banks that have ability to utilize Money Tap, and we are expecting this number to rise. So that's where we are. And we're expecting major banks as well to invest going forward.

We were talking about the JCOM -- J-Coin, and Mcoin and so forth, but what has happened around it, we are not seeing any signs of development. It was about teaming up with 60-something regional banks, but no regional bank has been taking action. However, in our case, they are shareholders of the company, and they are committed to take action. That is why we had a shareholder meeting, the organization meeting the other day. And also on this platform, Ripple, which I am member executive of, we are trying to invite their investment too and new technology for international remittances. We want Money Tap to be able to accommodate international remittances. So we created a mechanism basically, and this is going to be expensive for those people who are becoming shareholders. In the later stage, will cost them more. But it may contribute to xRapid using XRP. It can be your virtual currency as well. But please pay a higher cost. And evolution of technology going forward should be included into this container. And people have approved to do so. So we would like to make this practical increasingly going forward. That's why, together with Mr. Kawashima and Mr. Takamura, founder of SBI SECURITIES, and Mr. Asakura and I related to asset management, are all going to be involved in this, and we will work together so that we can make this service be practical. And we also need to reinforce the system development team.

Amongst the regional banks. Well, I'll explain this leader. So Money Tap. It's a swish-type solution. Swish type is a service that was developed by 6 banks in Sweden, and now it's the 11 major banks that are developing it. Penetration is over 60% already in Sweden, and Denmark has an adoption rate of 65%, and Norway also has a high adoption rate. So it's mainly happening in Nordic countries, but even Thailand has a higher penetration rate and U.S. as well. And Singapore has a high penetration rate as well. So it's the next-generation financial infrastructure, and the world is leaning towards this direction increasingly. So we would like to ensure that we promote this in Japan.

And the swish-type solution has already been justified or validated in countries like Sweden. And person-to-person money transfers can be enabled with Money Tap. But not only that, at low cost, various types of new services can be provided, such as prepaid charging services, salary prepayment services as well as small-amount money transfer services and international money transfer services. There are many various types of things that you could do. Ability to purchase and pay in real time. Also, we can promote cashless together with the local government authorities.

We would like to be concluding partnerships, and I'm sure that the government related to Money Tap, we hope that we can work with the government so that they will be interested. So with Money Tap, we would like to turn it into a large social infrastructure.

As for regional revitalization through the revitalization of regional financial institutions, I have been talking about this all along. So we have been going through Phases 1 and 2, and now we're finally reaching Phase 3. Actually, in my head, I'm already thinking about Phase 4, and it's been finalized in my head. But I'm not going to make those announcements today.

Phase 1. So this is basically where our management resources are being utilized by regional financial institutions, so that we can serve regional customers and have them experienced our diverse range of products, our low-cost products, products that have good performance. So SBI SECURITIES have alliances with 35 companies, with which they offer financial instruments, intermediate services and we are expecting 3 more, which has been internally decided, so that will bring up the tally to 38.



For iDeCo, due to the JPY 20 million shortage of pension problem, I'm sure that iDeCo customers are growing by 1.5x to 2x, and we are seeing a steady increase of iDeCo as well as NISA.

So when people start to recognize what's happening, people will start to prepare for the future. And they are able to benefit from tax breaks if they subscribe to NISA or iDeCo, and that is why they are being chosen due to the current trends. Also for MONEY PLAZA, we have co-managed shops together with other regional banks. Right now, with Shimizu, CHIKUHO, Sendai, Ehime, Mie and Towa bank, we have 6 co-managed shops. The number of accounts and deposit assets continue to grow steadily. When the regional banks see this trend. Having co-manage shop with SBI would be a prerequisite for other banks as well. They will be encouraged because it's all about the numbers. You don't need a sales pitch. All you have to do is show them the numbers.

So with regards to our SBI Insurance products, we have convenient and diverse insurance products available, and here, we show 8 banks -- financial institutions and business corporations, 8 of them. And I think it's -- this comes in handy when we are developing business corporations. But I mentioned the challenges we would like to achieve through the securities business, and one of them was to focus on business corporations. This applies for both life insurance as well as the non-life insurance business.

So we would like to refer our securities products to our customers as well. So including the 8 companies that I mentioned above, 42 companies have decided to adopt SBI Insurance products or have plans to start sales shortly. The total number of contracts from partners is shown here. When you index against September 2018 as one, June 2019 was 38.9x more, also for Credit Life Insurance.

SBI Life Insurance Group has been adopted and are being sold or going to be sold at 13 banks. We will be aggressive with our sales. And currently, 10 banks are considering adoption with 4 already deciding to adopt. So this will add up to 17 in total. And there are banks that are still considering, and I'm sure the number will increase going forward. So this business is growing as well.

A number of applications from customers of regional financial institutions increased more than 25x by the end of June 2019. So next this morning starts in selling Investment Trust products, they are asking us to use the tablet app. The number of tablets have been increasing, and they are developing it to more companies. The total of tablets are 77,623 that they have delivered, which includes 62 regional financial institutions, which is basically most of them.

So here is Phase 2, so for the restructuring of regional financial institutions business model, primarily through the newly established SBI Neo Financial Services. So centered around Neo Financial Services, we are trying to support the restructuring of the regional financial institutions business model. This ecosystem is pretty much close to finalization. And this is a fintech platform. SoftBank, IBM have a stake in this platform, and Money Tap is included in the API base. So various investees in the API base can be connected together, and it's going to be enabled at regional banks as well. There are 5 companies that already implemented, 6 that are in the process and 10 are expected to adopt. So this will all continue to grow as well. So it's probably going to be a considerable number in the future.

We're thinking about 1 more business opportunity here. One of the issues that regional banks carry if they are not able to update their systems because they don't have revenue-producing power. So if they introduce a new IT system, it will cost them massive investments. Therefore, we have been delaying the process. So we want to manage to have them update their system. So why don't we do something about it? And we could lease it to them and connect our systems together and we can receive a rental fee in return. So we could generate a fee business out of this. So that's what we are envisioning. Whether we were going to do it under this platform or under a different company, it's something that we're considering.

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. So a lot of new companies are developing, for instance, AntWorks is in Singapore for RPA-OCR. So this is, by far, an excellent tool of SoftBank. As division fund was thinking about investing in this and I think, basically, introduce a CEO, but I'm going to promote this very strongly. So the SoftBank people, looking at this, it seems that it's far beyond what they have been investing in. So in terms of cognitive machine reading, so this is machine learning, so this is AI-based OCR.

So Everspin. So this is a Korean company. This is a world first dynamic security solution for mobile apps. So I think, basically, the facade is going to change, even though you are going -- strictly going through the security, then you'll not be able to go in. So I think basically, we have used a white hacker to be able to hack the system. So basically, it could be hacked in very easily. So this is the current situation about security.

So data analysis. Solidware, a practical and easy-to-use solution and that automates and simplifies machine learning technology through an AI-based data analysis platform.

Small-lot remittance, that's Money Tap.

Insurance RoboAdvisor, WeFox. So this will be a joint venture. They're going to be multi-step-up business.

And fintech platform. So this is a scalable and functional low-cost API, and infrastructure required in the API era. So this is a fintech platform that referred to banking applications. So as a white label, we're going to offer banking applications, fintech SaaS platform. So this is based in Hong Kong. So [PEM]. This is the biggest security company in China, and I think this will be one of the top 5 insurance companies in the world. So this is one connect as a subsidiary. This is based in Hong Kong. And we have put equity in this company, and we are going to set up a joint venture with this company.

And then mortgage loan platform. So this is LendingHome, a U.S. company. So basically, you receive the applications, approval review and disbursement can be automated.



And keyboard banking. This is an Australian company, I think. They have the unique keyboard app and have a messenger service platform. So this is a seamless payment platform. So these are the things that we're going to push ahead. This is strengthening the business succession support services to regional small and medium business owners. So 1.47 million companies. So in 25 years, we have not been able to find those. So 70 years old is said to be determined age of the management. So 7 -- 70 years old, I mean, when you are beyond 70 years old, when you're not able to find a successor, this 1.27 million companies of those. So there's a lot of profitable companies. What are they going to do? About half of these companies are profitable.

So there is matching site TRANBI. We have an alliance with them. So this is not sufficient. So we are going to set up SBI Regional Business Investment Fund. And this will be JPY 100 billion fund, and we are going to invest in these separate companies. And we will be supporting them on hands on. So with the venture companies, we're going to -- by the reason from them and hands-on support, we will revitalize them and, for instance, combining these 2 companies, or them, for instance, to some companies will be listed. So we're going to use a huge amount of know-how, this 1.47 million companies. This is as a government mission, this is very important because if we don't do this, we're going to lose GDP and we're going to lose employment. So this is 1.47 million companies worth of improvements that we're talking about.

So Phase 3 -- so we're going into Phase 3. So this is the setting up a joint holding company for the regional financial institutions and manage them as one community. So from now on, we're going to find people that are going to invest in this intermediate holding company. Of course, we will be holding a controlling stake here, including Megabanks and the major regional banks, institutional investors and corporations. And here, we are going to be divided into 3. So this will be an intermediate holding company for West, and for venture capitals and for East. So these 3 holding companies is what we're going to set up. So these 3 companies will be conducting all the business from regional areas to or at Japan, and we're going to invest in various regional financial institutions.

Firstly, shareholder. In many ways, we are going to support them. But we are not going to control them. Each of the regional financial institutions will have their own intermediate holding company, and they will be integrated. They will come together. So they will be -- for instance, maybe if we put in 10, they can invest 1, so maybe they can become shareholders of these holding companies. So we're saying that let's work together. So they have a long-standing history at the regional areas. And they have this foundation in the regional areas. So they have to leverage that know-how in each of the regions. This foundation is very important. It's not something that we can discover there and build up by ourselves. So we want to utilize those type of know-how and foundations. At the same time, we want to set up a mechanism that we can do this all around Japan.

So we have some major venture companies. Some major institutions have come up and said -- approached us already. And conversely, some institutions swap money to put it from us. They are saying that -- some regional institutions say that they want investment coming from us, so they are lining up one after the other. So we have talked about this concept of FSA and they [confirmed] that this is wonderful. We are fully approving this.

So from the government, we're going to ask them to support us. So in terms of the [day], they have to put in a lot of money. So I think the politicians want to talk to them so that I can get their support. So this should be a nationwide or the government-wide project or else the regional financing institutions may disappear one after the other. And that will be certainly the case if things go this way. So the negative interest rate situation won't change that easily.



So Phase 4. I think this is going to be a wonderful thing. I am not going to disclose it today. But when the timing is right. I will say about it. So enhancing the asset management system, owing to the growing asset formation is in Japan and abroad as well as the increasing the intra-group assets. So in terms of the asset management, that will be the most growing area in the financial market. So about 52% of the individual financial assets are within banking asset deposits. But it's going to change immediately from now on.

So robotics is going to be used, robo-adviser is going to be used. So the WealthNavi -- as the salesman of WealthNavi, we have supported this company. So the customer assets is JPY 64.4 billion worth. In terms of number of accounts, 58,000.

iDeCo. I talked about this already. So this is the most strategic area. So in this area, we have been very focused on this from the past. From 2001, iDeCo started in 2001 and this 401(k) type of thing has been started in Japan, and from the 19th of May 2017 -- or May 19, 2017, the administrative fee was completely free of charge, and then this number of iDeCo accounts increased by 2.3x.

Service iDeCo. We're going to increase our new customers, entered into accumulating number of accounts. So in October 2018, in terms cumulative number of accounts became #1. #2 is Tokyo Marine, actually. So we could have become #1.

So the same thing with NISA. Again, within 2 years, I think we're going to overcome a number of securities. Our new customers is -- 62.3% of the NISA account openers are our customers and about 68.5% are beginner investors. They have never experienced investing. So they are very insecure about their future. And because they have this (inaudible) sales, so they're going to iDeCo and NISA because of this. So from the very early on, these 2 for the security market, will be the most important strategic products. I was very convinced of that. And I was very focused on becoming #1 in these 2 areas. And I think, basically, things have turned out exactly that way. So the Junior NISA accounts, 66,000 accounts. That is the approximately 30% of the entire securities industry's Junior NISA accounts. So that's with us.

So this goes with anything, but -- so this is -- actually, we have been engaging this before it has started. And we have a very clear vision of what's going to happen in the future. So you have to have those type of visions or else it will not work out, business will not work. In every area, everything should be calculated. And then if you look at the future -- the near future and execute measures, that's why you have to do. Of course, not everything will work. So for instance, my major strategies or policies, basically they work fine. So the things I have always said, how much was right and how much was wrong. I think if you just verify that, you'll be able to find out.

So because we have this NISA, the accumulated mutual funds setting amount, we can see that actually before the mutual fund is going down, the forex is going up. So they are establishing a solid asset management system that will cope with the increasing intra-Group assets.

So this is an asset class Morningstar, so some is going to be listed on the TSE first section, and we're going to establish the foundation for the asset management. So Morningstar, they have 47.61% of SBI Group shareholding, and with the SBI Asset Management Group, this will be 100% of shareholding of Morningstar Japan groups. And under that, there will be various funds and companies. But SBI Bond Investment Management,



the Morningstar group will be 10%, and we will be having 90% of shares. So when we set up a joint venture, PIMCO said that they wanted structure to be set as such.

So the [KRX] and PIMCO were back at that time, and We agreed on that. And as PIMCO, they have set up a joint venture with the Singaporean government a long time ago, but they just quit immediately. And since then within PIMCO's history, they said they will never set up a joint venture. However, PIMCO is going to said that what I was saying was very good, and we agreed upon this concept. And that's the reason why we set up a joint venture. And now this bond, SBI Bond Investment is more than JPY 600 billion.

And SBI Regional Revitalization Asset Management. So we have 58% of shares. Maybe we're going to reduce this to -- down to 50%, we want to maintain by 50%, and the regional banks and regional financial solutions are putting in capital here. So we're going to manage this together. Again, this is the concept that we have. So this is the joint venture with PIMCO over JPY 600 billion in total AUM. So in June 2016, we started this. And from June 2019, so we have exceeded JPY 110 billion. So this is quite surprising.

So the CEO has changed since I first started this initiative. So SBI Group's assets under management continues to steadily increase. So within 2 to 3 years, we reached JPY 5 trillion. So we are going to focus in Japan and abroad to focus on M&A. So London, if it goes to -- there's a lot of possibility, there's going to be a no-deal Brexit. I think maybe this will be a good asset manager that will be coming out from the situation. We're going to find those types of deals. So I think maybe I'm above my time of 5 to 6 minutes. But this ends my presentation. Thank you very much for your attention.

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