



*Strategic  
Business  
Innovator*

# **SBI Holdings, Inc. 2014 Information Meeting**

**November 28    Nagoya**

**December 4    Tokyo**

**December 5    Osaka**

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

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

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

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

# Today's Program

**Part I: SBI Group's 15 Year History  
Since Its Establishment**

**Part II: Explanations for the Key Questions**

**Part III: Q&A**

# **Part I: SBI Group's 15 Year History Since Its Establishment**

- 1. SBI Group's Corporate Mission and Profile**
- 2. SBI Group's Stated Business Building Concepts and the Resulting Progress**

# 1. SBI Group's Corporate Mission and Profile

# The Origin of the SBI Group

## —The SBI Group’s Five Corporate Mission Statements

### Sound Ethical Values

We shall undertake judgments on actions based not only on whether they conform to the law or profit the company, but also whether they are socially equitable.

### Financial Innovator

We will transcend traditional methods and bring financial innovations to the forefront of the financial industry, utilizing opportunities provided by the powerful price-cutting forces of the Internet and developing financial services that further enhance benefits for customers.

### New Industry Creator

We will work to become the leader in creating and cultivating the core industries of the 21st century.

### Self Evolution

We will continue to be a company that evolves of its own volition by forming an organization that flexibly adapts to changes in the operating environment and incorporates corporate “Ingenuity” and “Self-transformation” as part of its organizational DNA.

### Social Responsibility

We will ensure that each company in the SBI Group recognizes its social responsibilities as a member of society, while fulfilling the demands of its stakeholders, contributing to the betterment of society.

# SBI Holdings' Transition Since Its Founding

(Established on July 8, 1999)

	Establishment 1999	End of Sept. 2014
Employees (cons.)	55	<b>5,150</b>
Operating revenues (cons.)	0	<b>JPY 232.8bn</b> (FY2013)
Consolidated subsidiaries	0	<b>141</b>
Publicly owned companies	0	<b>6</b> (including SBIH) Peak time: 11 (FY2007)
Capital	JPY 50m	<b>JPY 81.7bn</b>
Net assets	JPY 50m	<b>JPY 394.2bn</b>

# Principal SBI Group Companies



## Financial Services Business

**SBI証券**  
(SBI SECURITIES)  
[Online securities]

**SBI Japannext**  
[Proprietary trading system]

**SBI Sumishin Net Bank**  
[Internet bank]

**MORNINGSTAR**  
[Investment trusts ratings]

**SBI Insurance**  
[Internet nonlife insurance]

**SBI Liquidity Market**  
[Provision of market infrastructure to FX trading]

**SBI Card**  
[Credit card]

**SBI FXTRADE**  
[Pure-play FX broker]

**SBI マネープラザ**  
(SBI MONEY PLAZA)  
[Operation of "Face-to-face" shops]

**A diversified line of financial services**

## Asset Management Business

**SBI Investment**  
[Venture capital fund management]

**SBI Capital**  
[Buyout fund management]

**SBI Asset Management**  
[Investment advisory]

**SBI Ven Capital Pte. Ltd.**  
[Singaporean subsidiary]

**Overseas bases,  
GP of overseas funds**

**Fund management,  
investment advisory  
services, etc.**

## Biotechnology-related Business

**SBI Pharma**  
[Development of 5-ALA related products (pharmaceutical business)]

**SBI ALApromo**  
[Sales of 5-ALA related products]

**SBI Biotech**  
[R&D of pharmaceuticals]

**Investee companies**

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

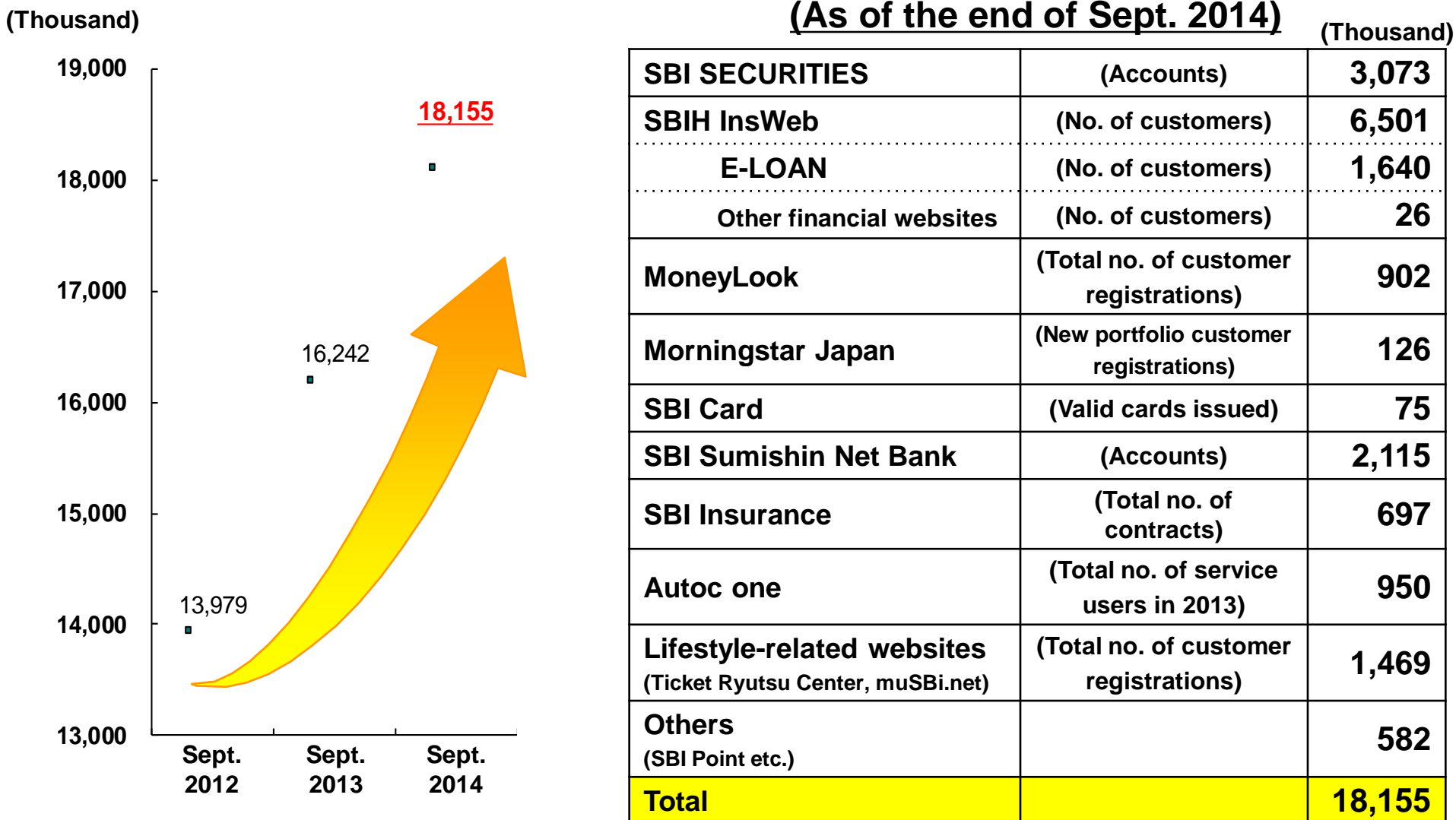


# Rapidly Expanding the SBI Group's Customer Base



## Breakdown of the Customer Base

(As of the end of Sept. 2014)



\* Repetition customers between Group companies are counted double while it is omitting repetition in each service site when it can be recognized as a unique user.

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

## **2. SBI Group's Stated Business Building Concepts and the Resulting Progress**

# The SBI Group's Fundamental Business Building Concepts

- (1) Formation of “Business Ecosystem” and Establishment of “Structural Differentiation”**
- (2) Adherence to the “Customer-centric Principle”**
- (3) Creation of a “Network Value”**

# **Fundamental Concept (1)**

## **Formation of “Business Ecosystem” and Establishment of “Structural Differentiation”**

# Age of the Internet and Structural Differentiation

Structural differentiation is an winning factor in the age of the Internet

**Before the Internet**

**After the Internet**

Competition drivers

- Differentiation of “prices”
- Differentiation of “service quality”
- Differentiation of “product diversity”

Competition drivers

- “Structural differentiation”**
- (1) Securing of an advantage in terms of organizational strategy
  - (2) Further improvement in the level of customer satisfaction
  - (3) Creation of “network value”

Other companies may be easily promoted to keep pace, resulting in excessive competition

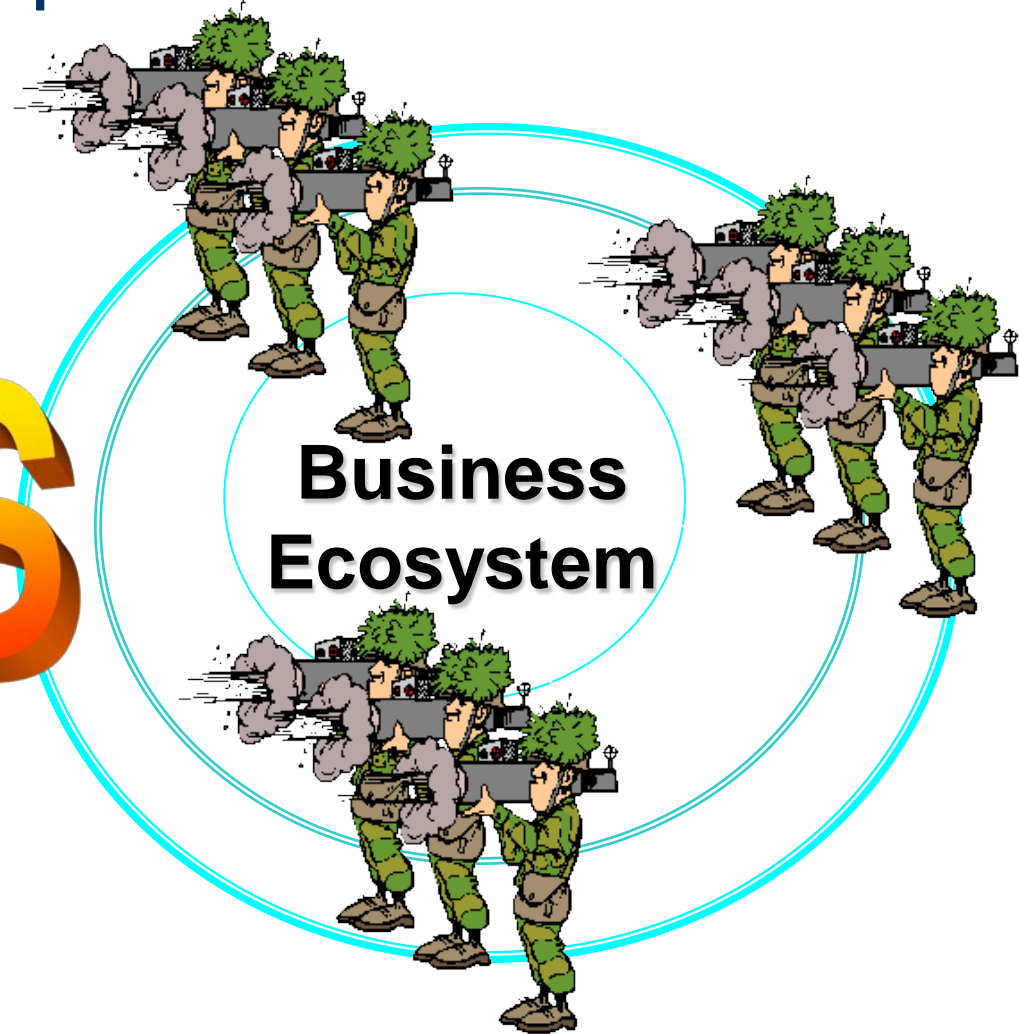
A company can build its own competitive advantage without being caught in excessive competition

**Assembling a Business Ecosystem is the Most Effectual and Powerful “Structural Differentiation,” and is Essential to Achieving an Overwhelming Competitive Edge in Today’s Internet-driven Marketplace**



**Single  
Enterprise**

**VS**

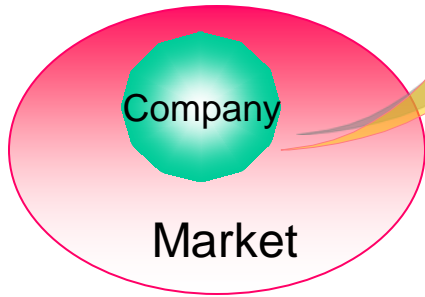


**No company can compete and win by itself!**

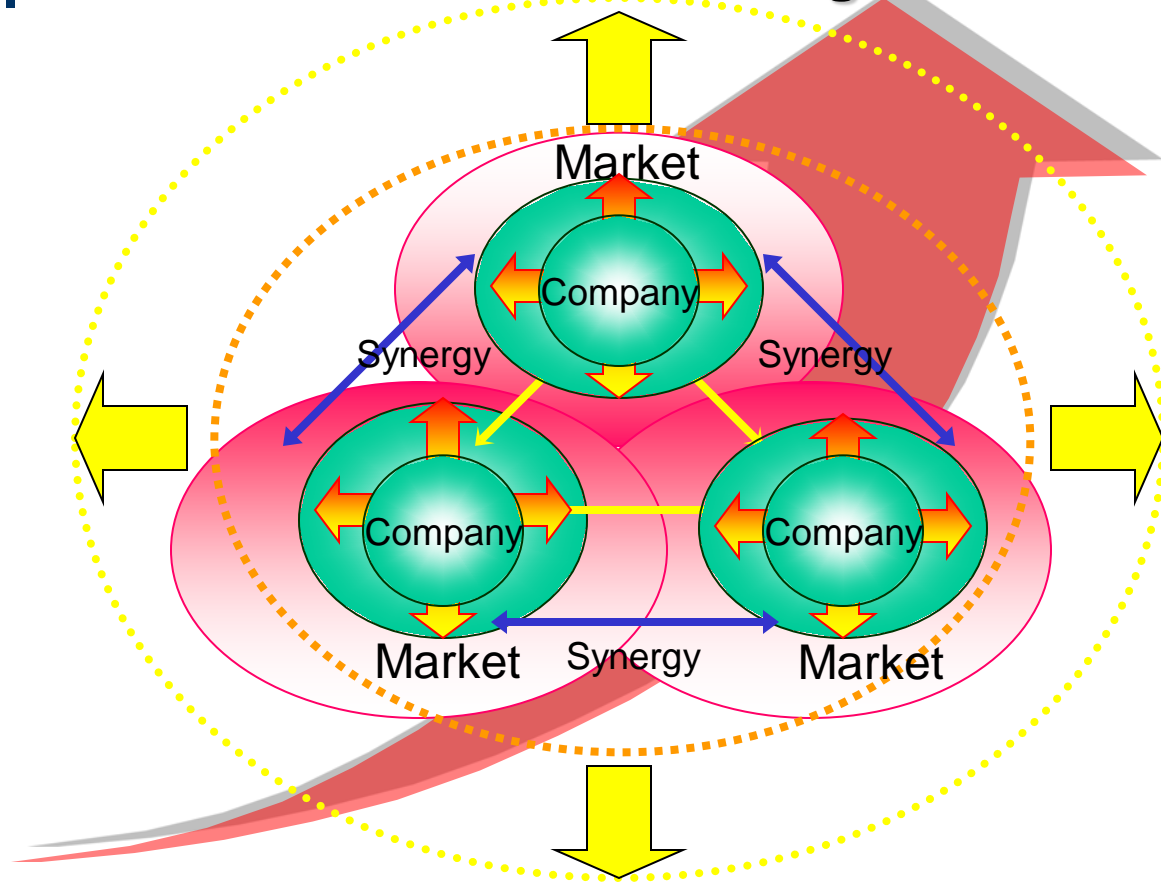
**Assembling and Expanding the Business Ecosystem Produces Positive Synergies among the Constituent Companies. This Process Also Creates a Mutual Evolution Process in Each Company's Market to Support Rapid Growth.**

**Growth potential:  
Significant**

**Growth potential: Small**



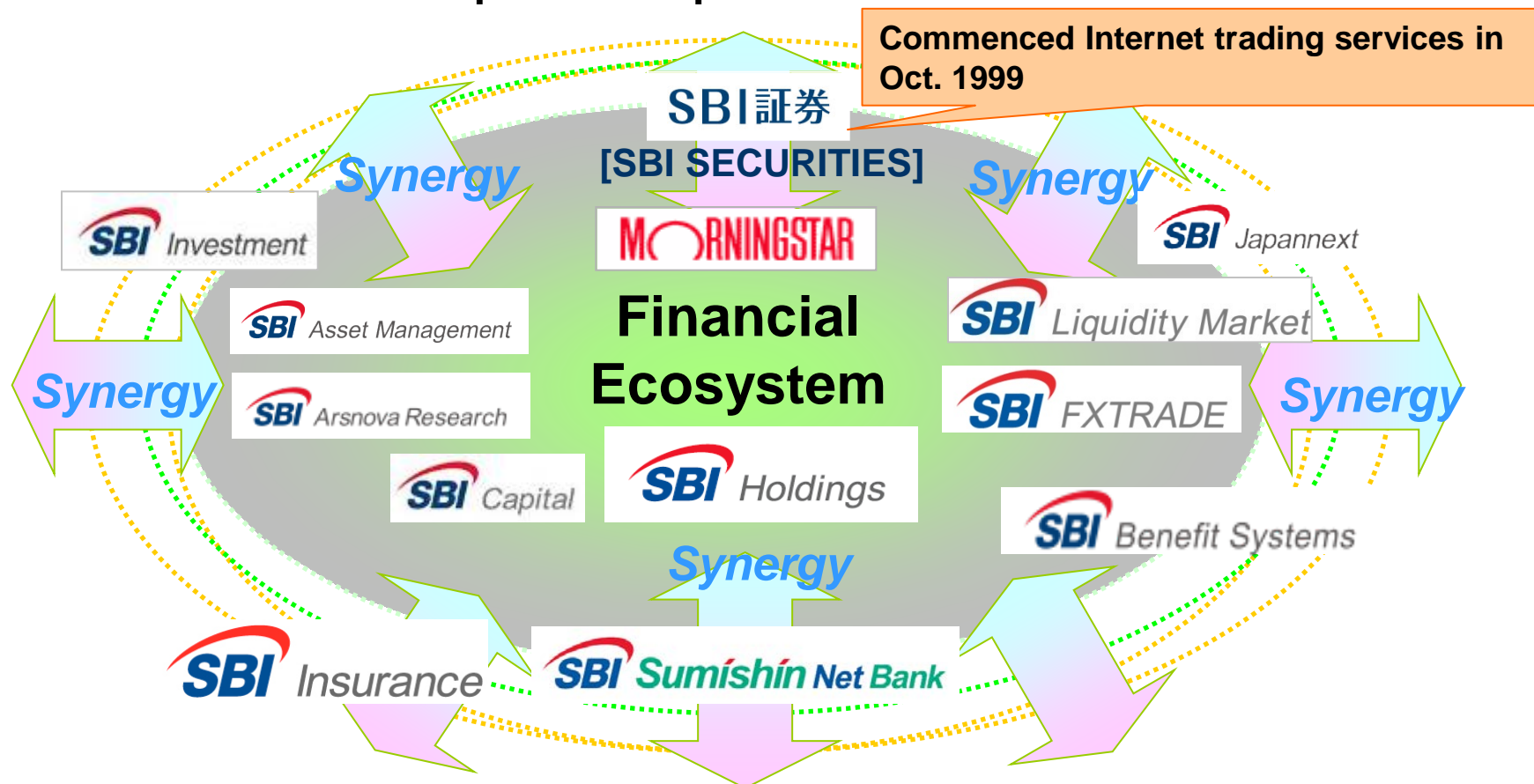
A company as a single economic entity



A "business ecosystem" in which a variety of constituent companies work together to achieve mutual evolution

# SBI Group's Establishment of a Financial Ecosystem

The SBI Group established a financial ecosystem by launching a variety of businesses, starting with the securities business and the establishment of joint ventures with prominent partners in the financial sector



**A globally unique Internet-based financial conglomerate that offers a one-stop service is established**



## Examples of Synergistic Effects Produced through the Formation of a Financial Business Ecosystem:

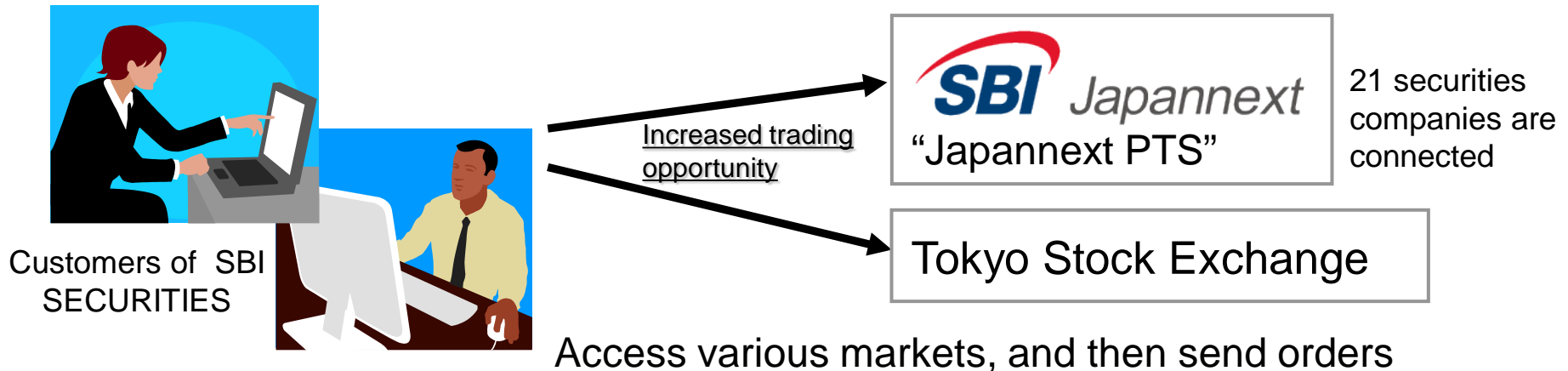
- (i) SBI SECURITIES and SBI Japannext**  
(Commenced PTS operations in Aug. 2007)
- (ii) SBI SECURITIES and SBI Sumishin Net Bank**  
(Commenced operations in Sept. 2007)
- (iii) SBI Insurance and the SBI Group Companies**  
(Commenced operations in Jan. 2008)
- (iv) SBI Liquidity Market and the SBI Group Companies**  
(Commenced operations in Nov. 2008)
- (v) SBI MONEY PLAZA and Group Companies**  
(Commenced operations in June 2012 under this new structure)
- (vi) Various Securities-related Services with SBI SECURITIES as the Core**

# (i) SBI SECURITIES and SBI Japannext ①

## SBI証券

[SBI SECURITIES]

Started night-time trading in Aug. 2007 / Started daytime trading in Dec. 2008

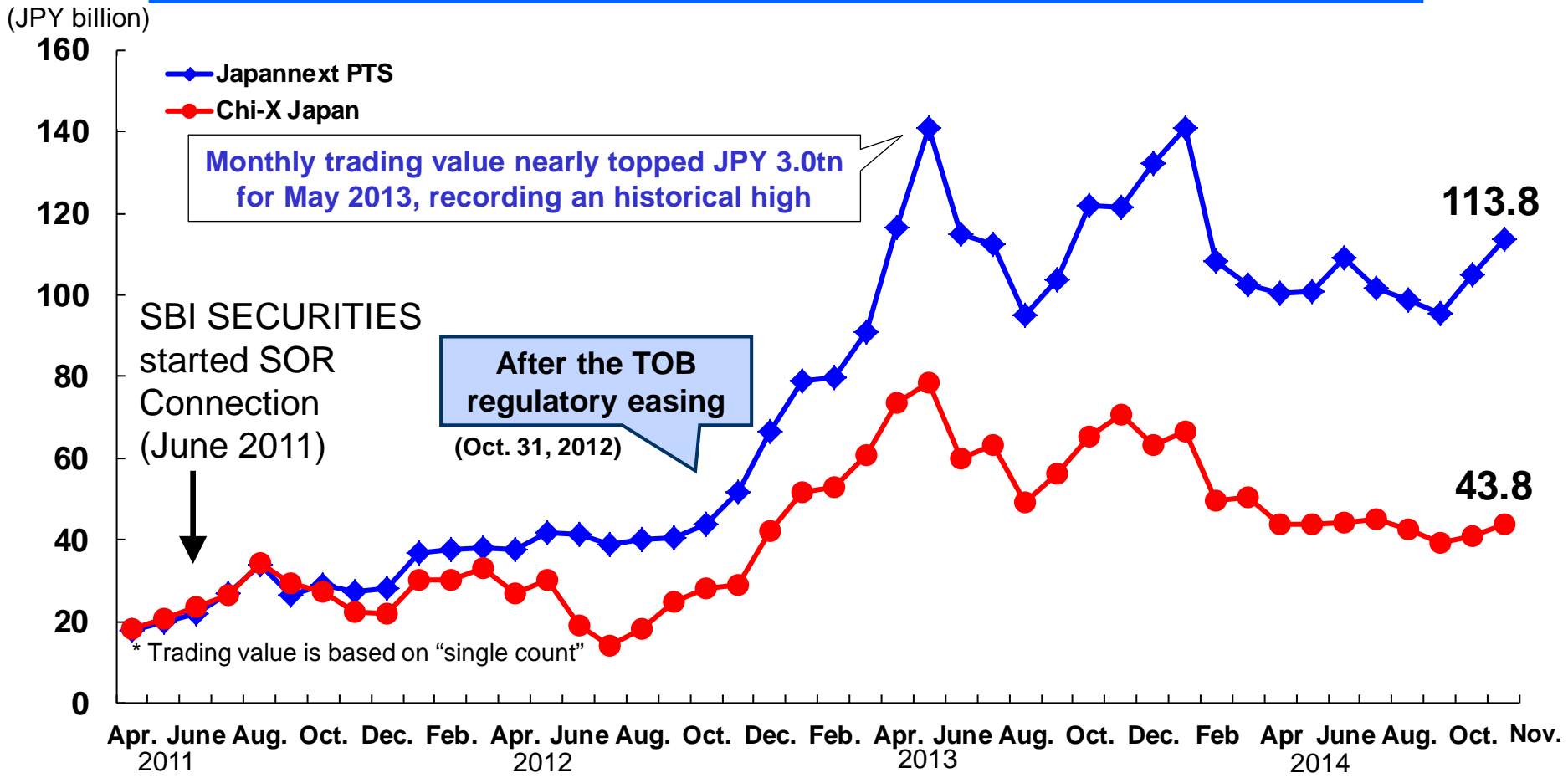


Since prices vary in each market, customers interested in realizing better prices will utilize the PTS market

SBI SECURITIES started “Smart Order Routing” service in June 2011. Under this system, an order is automatically placed at the most favorable market selected from among multiple markets.

# Average Daily Trading Value at Japannext PTS Surged

**Ratio of Japannext PTS to 1<sup>st</sup> section of the TSE (%)**  
**4.1** (FY2012) → **4.9** (FY2013) → **5.5** (1H FY2014)



**TOB (take-over-bid) regulation**  
 The regulation obliges investors who acquire more than 5% of a company through off-exchange transactions, or for investors who already own more than 5% that decide to increase their holdings, to conduct a takeover bid. This had hindered large institutional investors from utilizing the PTS.

Source: Compiled by SBIH from information on websites of each company and Reuters

# (i) SBI SECURITIES and SBI Japannext ②

Aside from promoting the SOR (smart-order-routing) system by utilizing the PTS, SBI SECURITIES and SBI Japannext are also heightening cooperation to provide new services

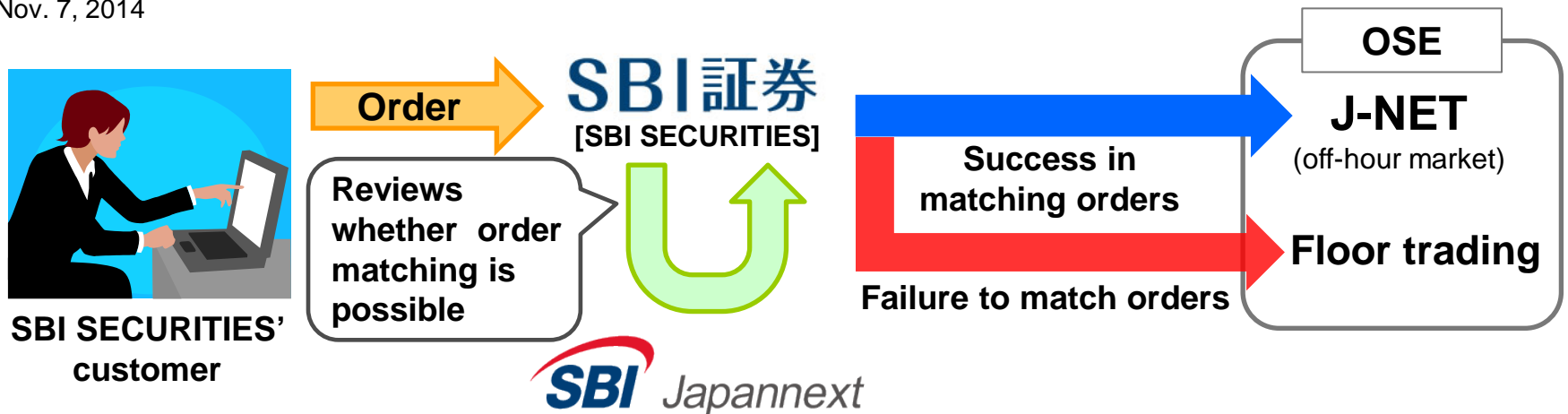


Launch of **J-NET Cross-trading Service** for futures and options trading

First-ever  
in Japan!!

Provision of opportunities to trade at more favorable prices than floor trading by utilizing the J-NET (off-hours market) trading system for Nikkei 225 Futures and Nikkei 225 mini (beginning Oct. 14, 2014)

\* Compiled by SBIH  
as of Nov. 7, 2014



## (ii) SBI SECURITIES and SBI Sumishin Net Bank

Asset  
Management

Deposit &  
Settlement

**SBI証券**

[SBI SECURITIES]

**Synergy**

**SBI Sumishin Net Bank**

*Examples of Affiliation Services:*

### Aggregation functions

Simultaneous display of accounts of SBI Sumishin Net Bank and SBI SECURITIES. Easy access to stock trading platform of SBI SECURITIES, with one click on the Bank's stock information page

### Automatic transfer services for additional margin deposits

Automatic cash transfer from a yen savings account at SBI Sumishin Net Bank to an account at SBI SECURITIES when additional margin deposits are needed

### SBI Hybrid Deposits (Automatic deposits and withdrawals of stock trading deposits)

SBI Hybrid Deposit balance can be integrated into available deposit balance for stock trading, margin trading, and actual receipt of stock purchased at SBI SECURITIES

### One-time account opening




One-time account opening at both SBI Sumishin Net Bank and SBI SECURITIES

**Solid customer base of SBI SECURITIES contributes to an increase in the number of accounts and deposit amount at SBI Sumishin Net Bank**

# No. 1 in Deposit Amount and Balance of Loans Among Domestic Pure-play Internet Banks

## ~Pure-play Internet Banks' Financial Results for 1H FY2014~

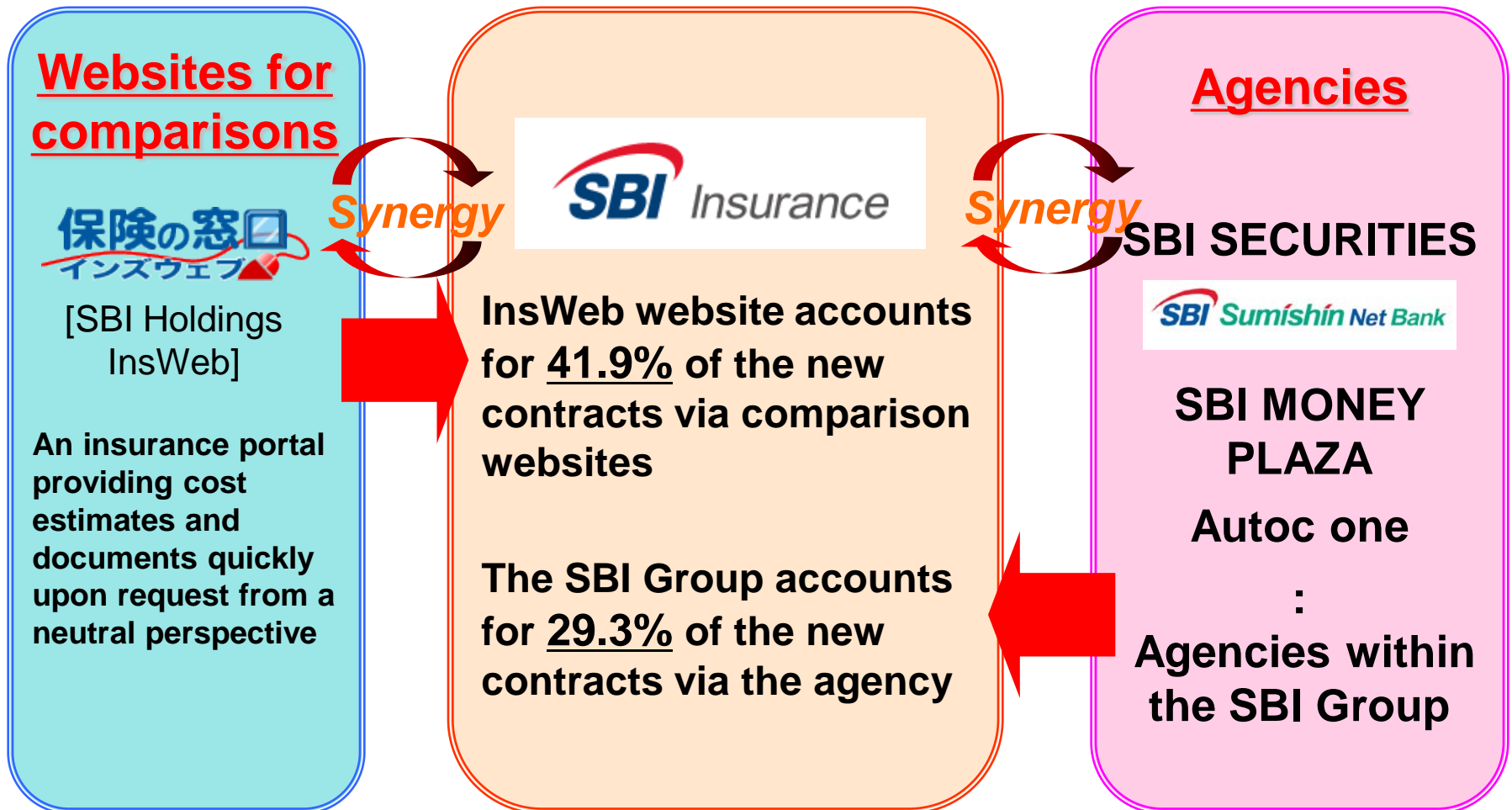
JPY billion; parenthetic figures are YoY % change. The number of accounts is in thousands.

	Date of operation started	Deposit amount	Balance of loans	Number of accounts	Ordinary income
<b>SBI Sumishin (cons.)</b>	<b>Sept. 2007</b>	 <b>3,394.6</b>	 <b>1,708.8</b>	<b>2,115 (16.6)</b>	 <b>7.5 (27.6)</b>
<b>Daiwa Next</b>	<b>May 2011</b>	<b>2,561.0</b>	<b>138.1</b>	<b>953 (16.5)</b>	<b>5.1 (214.2)</b>
<b>Sony Bank (cons.)</b>	<b>June 2001</b>	<b>1,824.7</b>	<b>1,092.1</b>	<b>1,010 (7.4)</b>	<b>3.3 (-9.1)</b>
<b>Rakuten</b>	<b>July 2001</b>	<b>1,118.4</b>	<b>298.7</b>	<b>4,771 (8.2)</b>	<b>4.7 (35.2)</b>
<b>Jibun</b>	<b>July 2008</b>	<b>662.1</b>	<b>79.0</b>	<b>1,802 (15.1)</b>	<b>0.8 (-39.5)</b>
<b>The Japan Net</b>	<b>Oct. 2000</b>	<b>550.0</b>	<b>38.5</b>	<b>2,725 (7.8)</b>	<b>1.1 (-63.3)</b>

Note: Amounts are rounded to the nearest 100 million yen or thousand accounts. The date of operation started indicates to the month each started business. The number of accounts is as of the end of Sept. 2014.

### (iii) SBI Insurance and Group Companies

SBI Group companies, including SBI SECURITIES and the insurance comparison website “InsWeb,” through their respective customer bases, become a sales channel that exerts synergy effects that contribute to SBI Insurance’s business expansion.



# Growing steadily to become No. 1 at Major Direct Insurance Companies



[Comparison of Auto Insurance Premium Income]

(JPY million)

	Date of operation started	FY2010
Sony Assurance	Sept. 1999	65,516
AXA GENERAL INSURANCE	July 1999	33,271
Mitsui Direct	June 2000	32,688
Zurich Insurance	July 1986*1	27,894
American Home Direct	Dec. 1960	17,143
Sonpo 24	Mar. 2001	10,697
<b>SBI Insurance</b>	<b>Jan. 2008</b>	<b>10,069</b>
SAISON AUTOMOBILE&FIRE	Apr. 1983	7,755
E.design Insurance	June 2009	2,856

	FY2012
Sony Assurance	74,406
AXA	38,136
Mitsui Direct	34,735
Zurich	31,337
<b>SBI Insurance</b>	<b>19,501</b>
American Home	15,078
Sonpo 24	12,890
SAISON	10,893
E.design	10,523

	1H FY2014
Sony Assurance	40,671 (1Q: 20,920)
AXA	22,280 (1Q: 11,477)
Mitsui Direct	17,110 (1Q: 8,749)
Zurich	16,873 (1Q: 8,544)
<b>SBI Insurance</b>	<b>12,776</b> <b>(1Q: 6,566)</b>
SAISON	9,049 (1Q: 5,136)
E.design	7,823 (1Q: 4,176)
Sonpo 24	6,820 (1Q: 3,560)
American Home	N/A (1Q: 3,353)

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

\*1 Establishment of Japan Branch

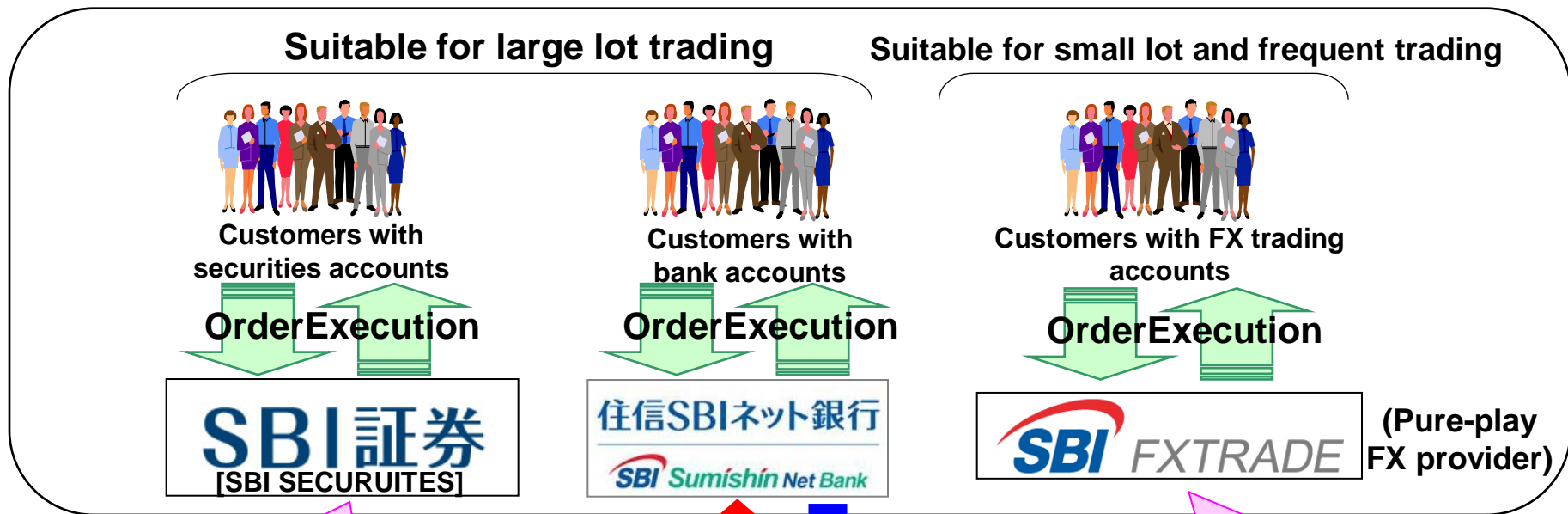


# (iv) SBI Liquidity Market and Group Companies

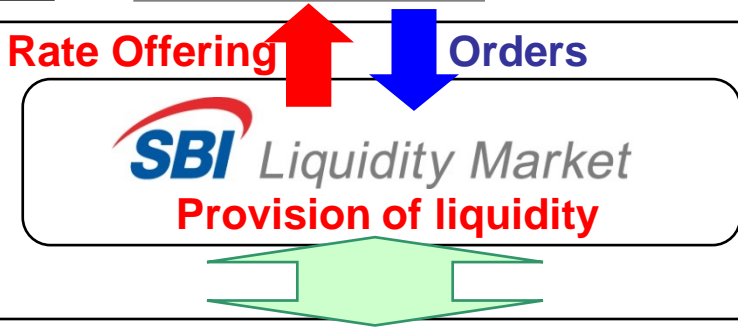


SBI Liquidity Market provides market infrastructure for FX trading

[Structure]



No. of FX trading accounts: 371,849 (as of the end of Sept. 2014)



No. of accounts: 67,786  
 Deposits: JPY 20.4bn (as of the end of Sept. 2014)

Counter Parties: Major western financial institutions and domestic leading banks (27 companies in total)

The SBI Group's (SBI SECURITIES, SBI FXTRADE and SBI Sumishin Net Bank)  
 Total Number of Accounts and Customer Deposit Assets are One of  
 the Largest in the OTC FX Industry



**Number of FX Trading Accounts** (Accounts)

No.	Company name	Number of accounts
1	SBI Group	499,783
2	DMM.com	406,995
3	Gaitame.com	383,361
4	GMO CLICK	363,904
5	YJFX	296,806
6	MONEY PARTNERS	245,880
7	Traders Securities	232,791
8	Hirose FX	172,665
9	FX PRIME by GMO Corporation	152,059
10	Central Tanshi FX	150,847
11	MONEY SQUARE JAPAN	74,670
12	Ueda Harlow	51,550
	Other (1 company)	56,469
	<b>Total</b>	<b>3,087,780</b>

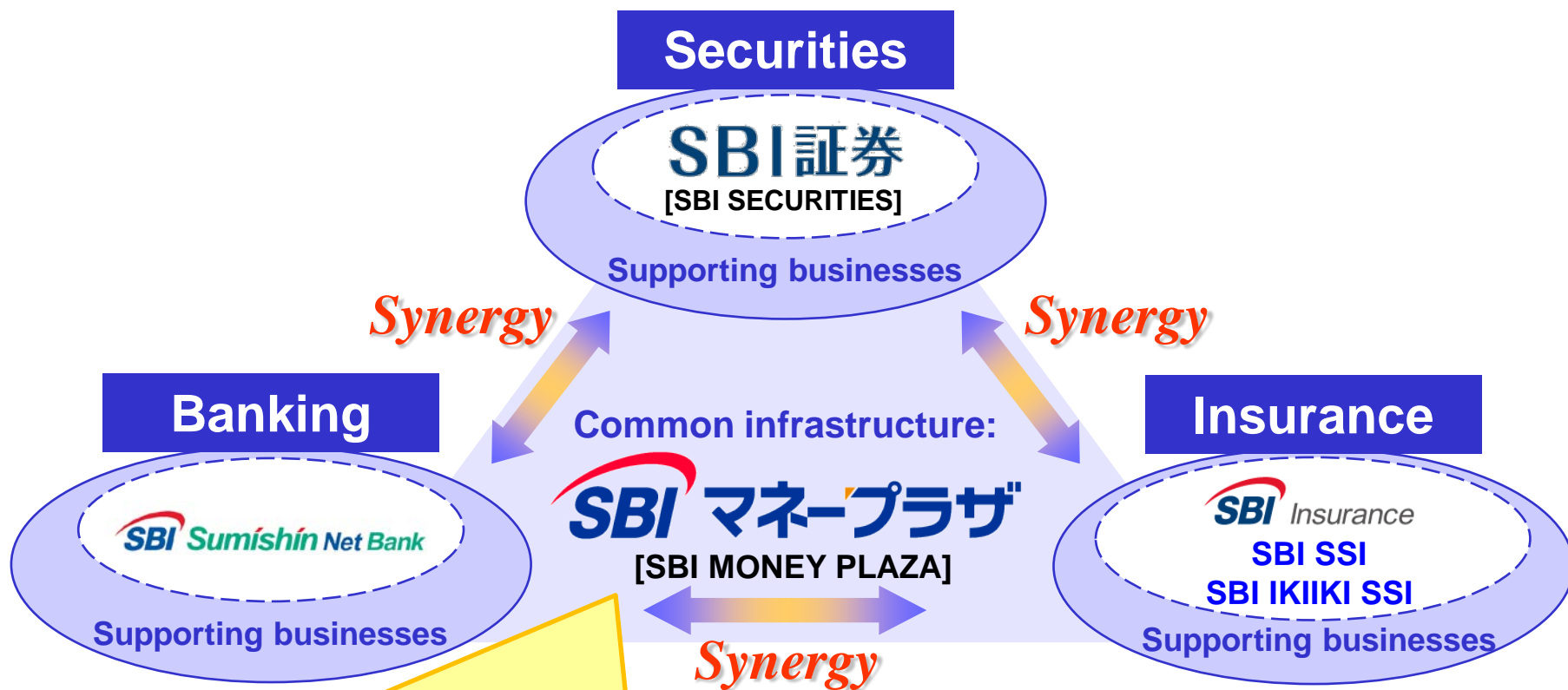
**Customers' Deposit Assets** (JPY million)

No.	Company name	Amount
1	SBI Group	153,416
2	GMO CLICK	106,919
3	Gaitame.com	103,666
4	YJFX	87,466
5	DMM.com	86,580
6	Central Tanshi FX	59,839
7	MONEY SQUARE JAPAN	54,877
8	MONEY PARTNERS	45,649
9	Hirose FX	24,949
10	FX PRIME by GMO Corporation	15,521
11	Traders Securities	13,484
12	Ueda Harlow	11,829
	Other (1 company)	8,711
	<b>Total</b>	<b>772,906</b>

# (v) SBI MONEY PLAZA and Group Companies

## — A Vision of “SBI MONEY PLAZA”

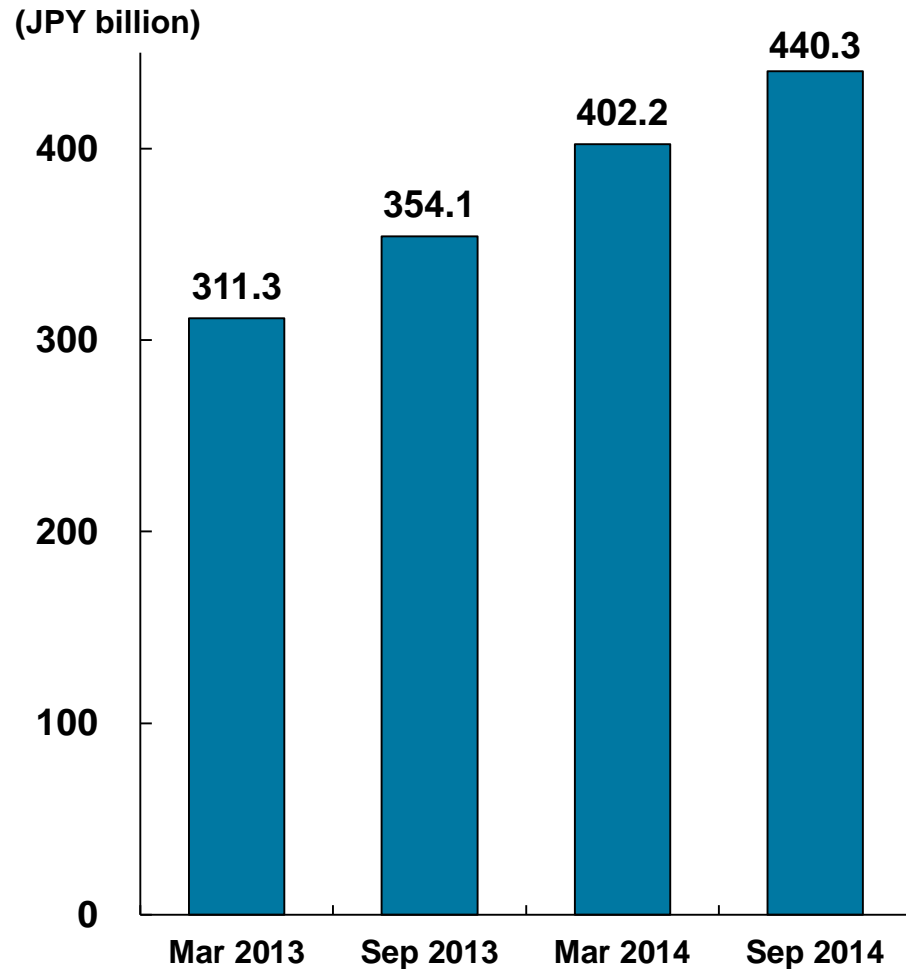
As a common infrastructure for the three core businesses, developed a financial one-stop service at bricks-and-mortar shops, which handles various financial products both within and outside of the SBI Group



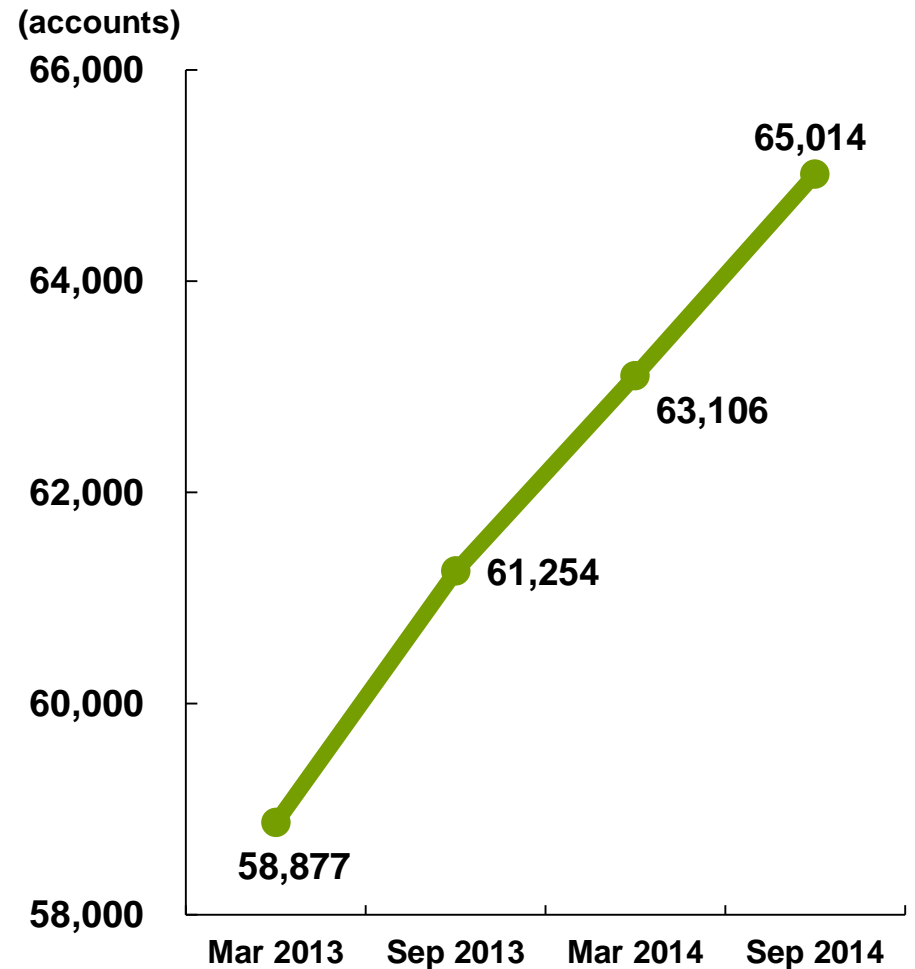
Securities, insurance, housing loan, solar power-related, tax-saving, and ordinary/term deposit products (under consideration)

# Rapidly Increasing SBI MONEY PLAZA's Customer Base

## Customers' Deposit Assets



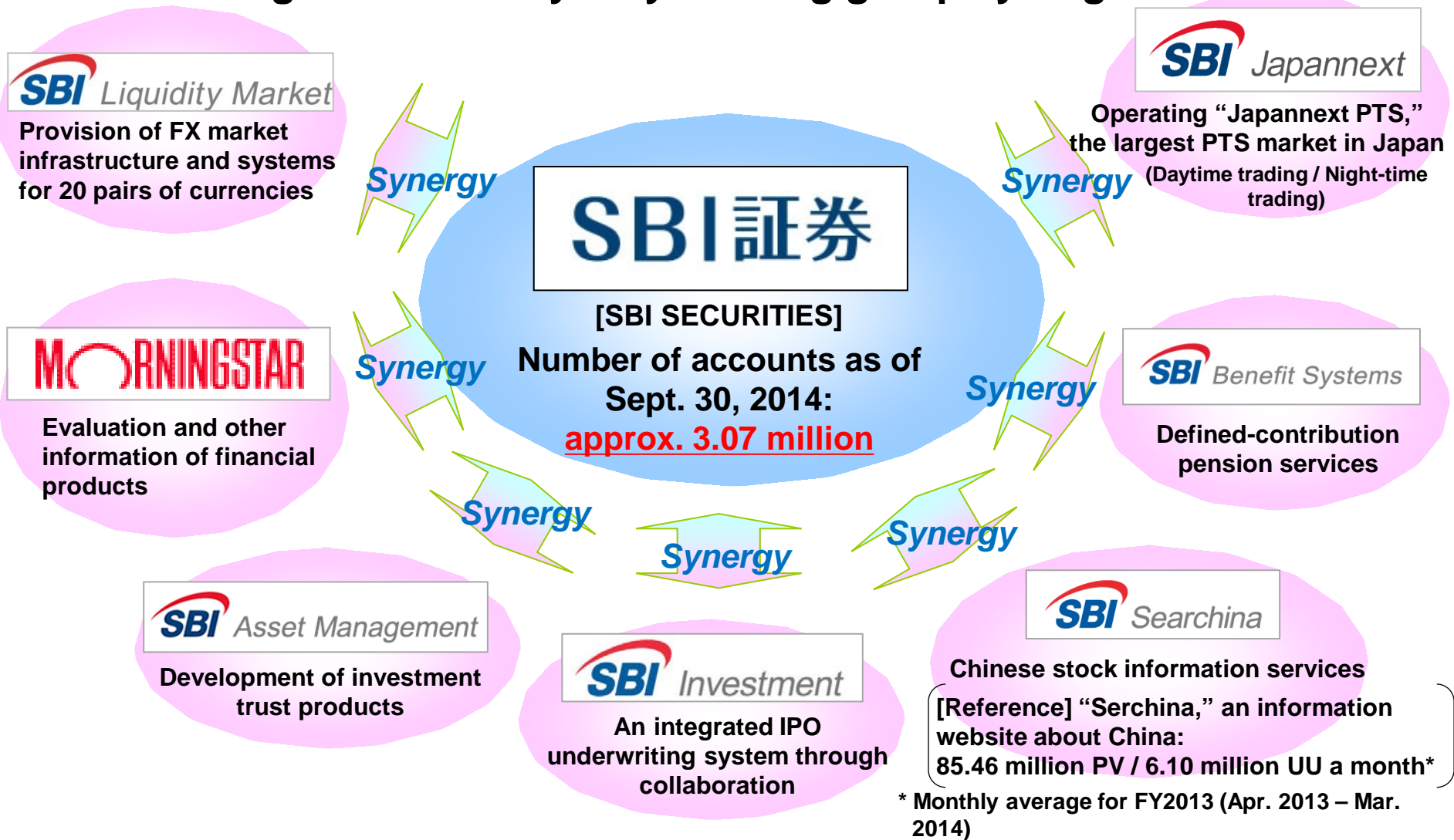
## Number of Accounts



**Targeting expansion of shops network to 500**  
(Currently 406 shops as of Oct. 31, 2014)

# (vi) Various Securities-related Services with SBI SECURITIES as the Core

Striving to enhance competitiveness through differentiation and to grow further by fully utilizing group synergies



# Established a Solid Business Base Capable of Generating Profits in an Adverse Market Environment



## SBI SECURITIES' Ranking in the Securities Industry Post-Lehman's Fall (FY2008)

### Ranking by Net Operating Revenue

(JPY billion)

1	Nomura	312.6
2	Mitsubishi UFJ	229.9
3	Nikko	217.5
4	Daiwa	199.5
5	Mizuho	98.3
6	Shinko	93.5
7	Okasan	53.2
8	SMBC Friend	42.8
9	<b>SBI</b>	<b>42.1</b>
10	Tokai Tokyo	41.6
11	Mizuho Investors	34.7
12	Matsui	24.4
13	Monex	21.0
14	Rakuten	20.6
15	kabu.com	14.9

### Ranking by Net Income

(JPY billion)

1	<b>SBI</b>	<b>10.1</b>
2	Matsui	6.9
3	kabu.com	3.6
4	Tokai Tokyo	2.4
5	SMBC Friend	1.5
6	Okasan	-1.8
7	Monex	-2.1
8	Rakuten	-3.6
9	Shinko	-13.4
10	Nikko	-14.6
11	Mizuho Investors	-25.0
12	Mizuho	-34.4
13	Mitsubishi UFJ	-45.4
14	Daiwa	-85.0
15	Nomura	-708.1

\*1 Compiled from information disclosed by securities companies with over JPY 20bn in net operating revenue and five online brokers

\*2 On a consolidated basis, except as to the companies with no consolidated subsidiary

\*3 Figures of Nomura are based on the U.S. accounting standard, and Net Revenue is substituted for Net Operating Revenues (after deduction of financial expense)

\*4 Figures of Nikko are based on the sum of Nikko Cordial Securities and Nikko Citigroup

# **Fundamental Concept (2)**

## **Adherence to the “Customer-centric Principle”**

# Power Shift to Consumers

Customers are becoming wiser

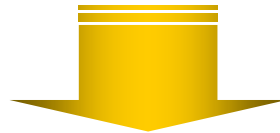
**Internet**



**Information barriers like trouble, time, and cost are disappearing**



**Enabling more and more customers to have a detailed knowledge of commodity, service and other related information, and make wise purchase selections**

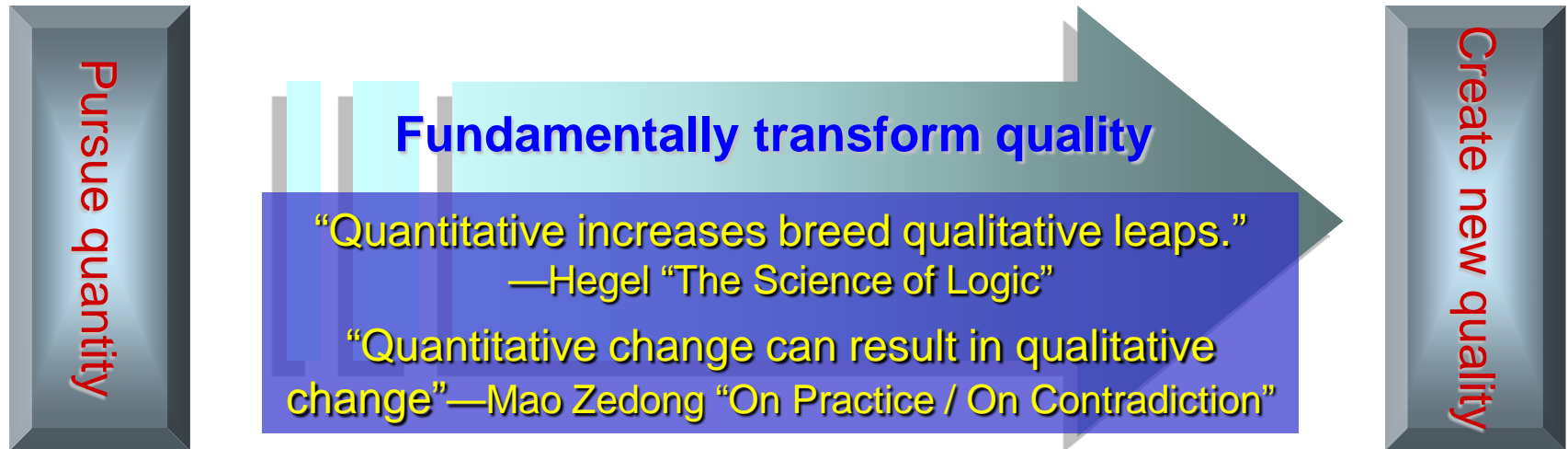


**Consumer sovereignty**  
**Customer-centric market**

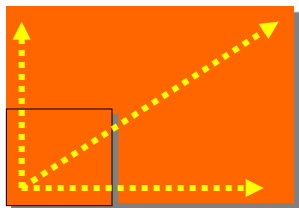


# Shared Strategy for the SBI Group's Internet Finance Businesses: Quantity Determines Quality

## Dialectic: Quantity transforms quality



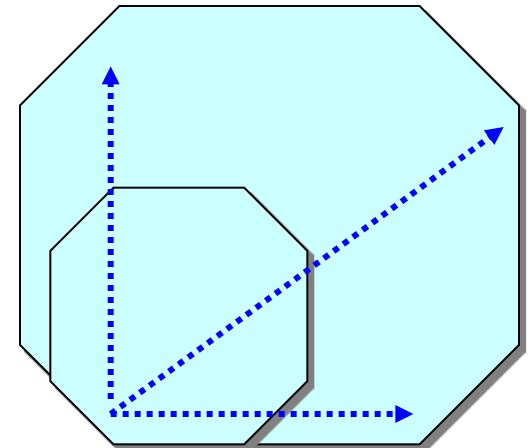
Increase the quantity of a certain discrete entity



### Quantity transforms quality

A quantitative change in a certain discrete entity leads to a qualitative transformation and creates a discrete entity that possesses the new quality. As new qualitative activity, the transformed discrete entity then follows the new quantitative transformation process.

Expand as a new discrete entity



# Customer Base Diversity and Rapidly Expanding Transaction Volume



## Create new quality

### SBI証券 [SBI SECURITIES]

- Expand the customer base from active users to beginners



- Strengthen compliance
- Strengthen transaction system
- Offer margin trading and futures options trading
- Develop investment trading tools
- Sell financial products other than stocks
- Introduce commission rate plan options

- Rapidly expand transaction volume



- Strengthen system stability
- Systemize office operations
- Use outsourcing effectively
- Increase underwriting requests from issuers
- Increase the ordinary profit rate

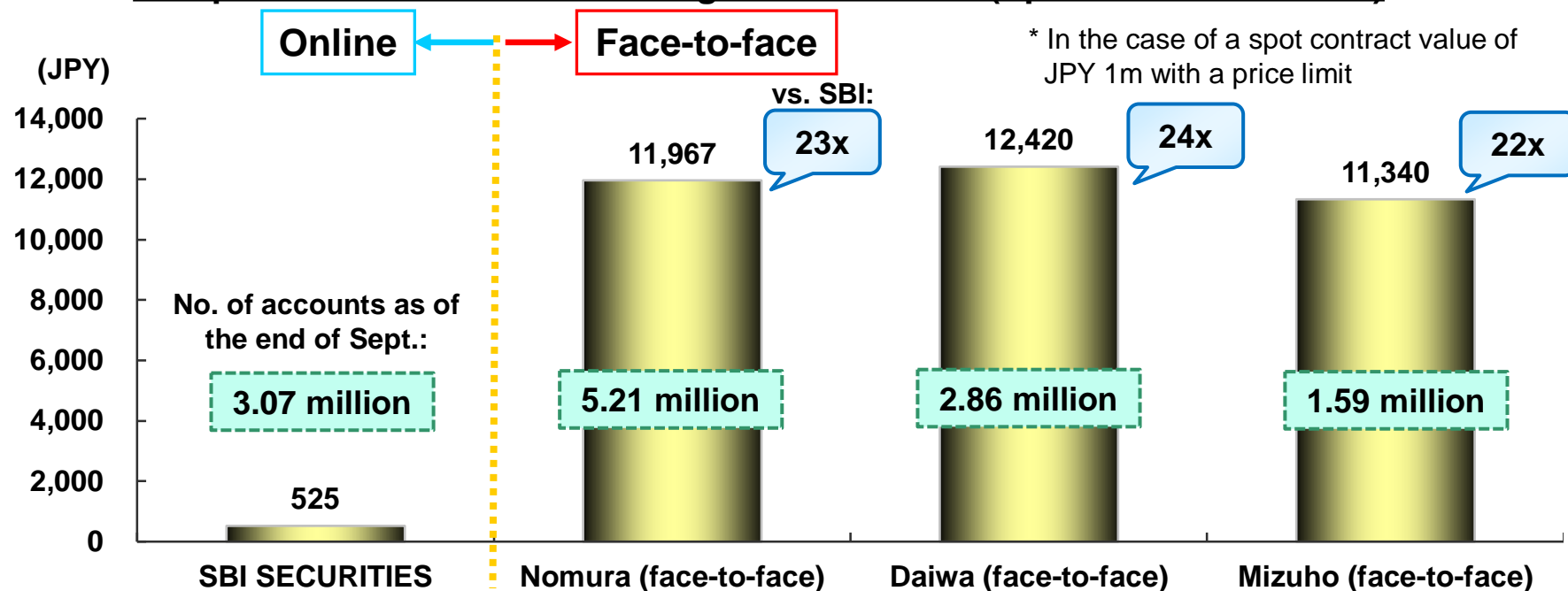
# Adherence to the “Customer-centric Principle”

## — ① SBI SECURITIES



SBI SECURITIES realized a momentous reduction of brokerage commissions by offering overwhelmingly low trading commissions

### Comparison of the Stock Brokerage Commissions (Spot and Limit Orders)



Contract value	SBI SECURITIES	Nomura (face-to-face)	Daiwa (face-to-face)	Mizuho (face-to-face)
JPY 1m	525	11,967	12,420	11,340
JPY 3m	994	29,247	31,428	28,620
JPY 5m	994	45,879	50,436	44,820

\* 1. The above figures represent commissions on the contracted amount per order in a spot trade with a price limit.

2. Special promotional commissions are not included.

3. Commission systems differ depending on each firm. Figures above are just an example of them.

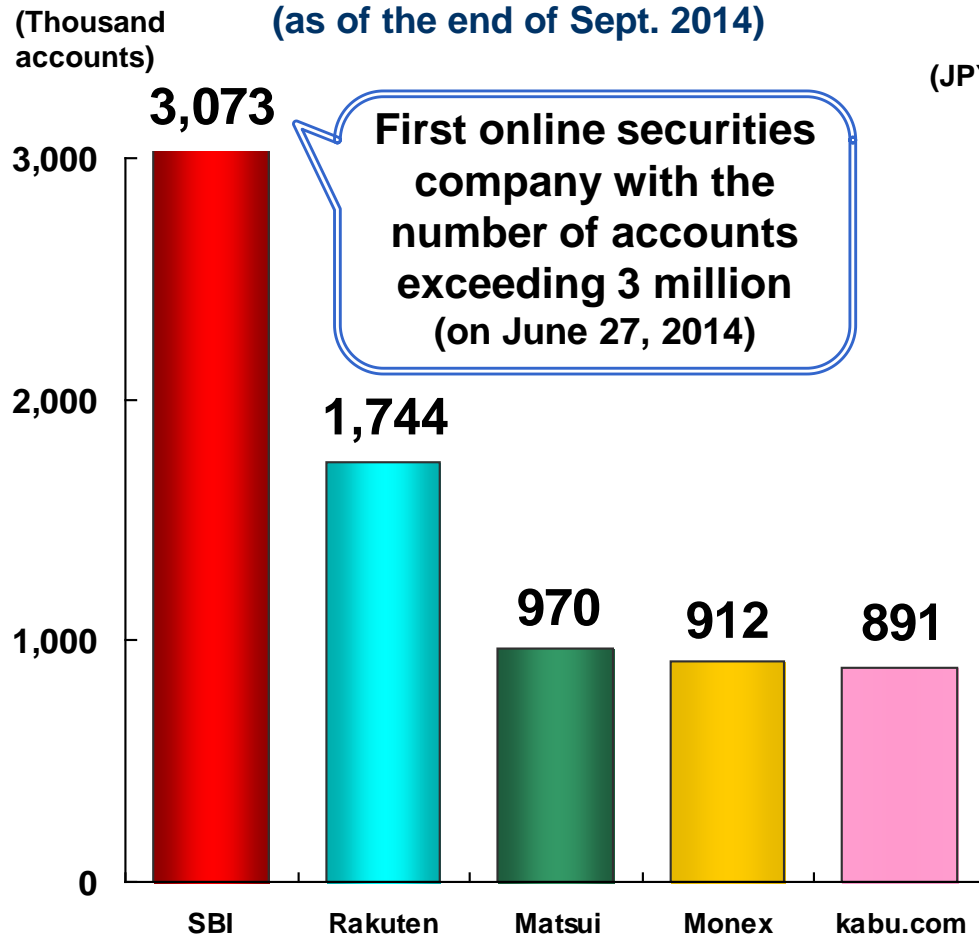
4. Compiled by SBIH from disclosed information of each company (No. of accounts for Nomura Securities and Daiwa securities are those with deposits)

(as of Oct. 2014)

# Attained an Overwhelming Customer Base

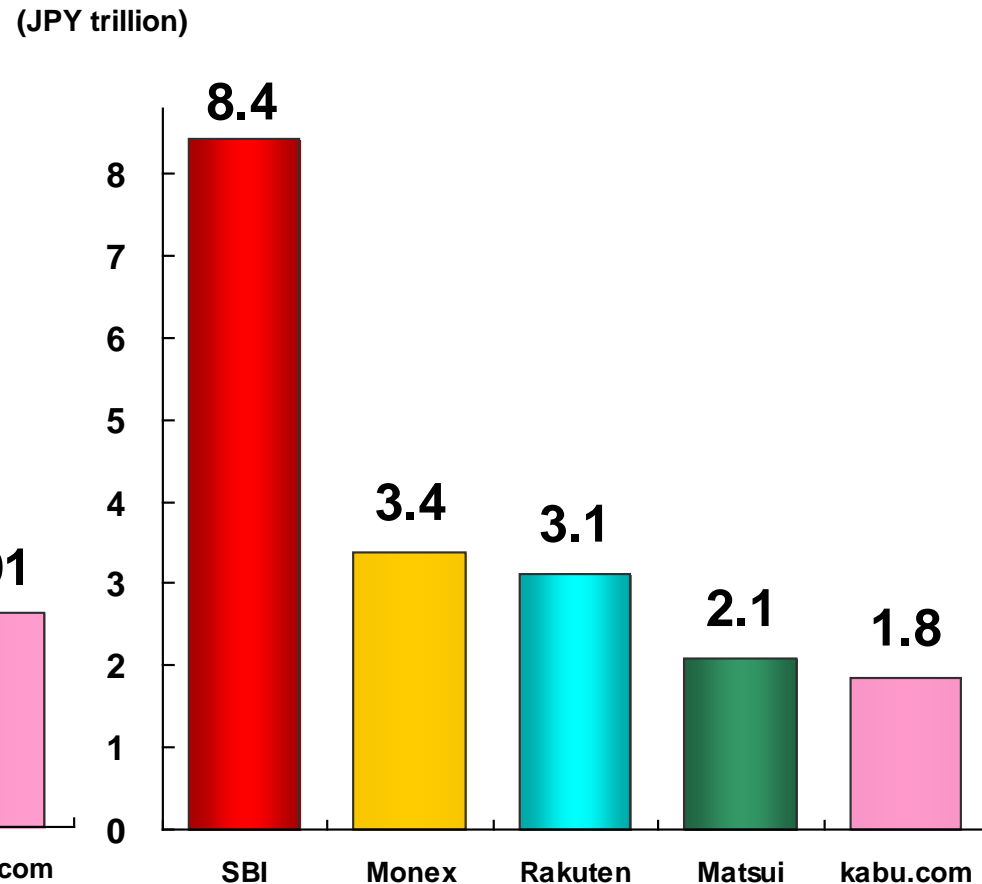
## Customer Accounts of 5 Online Securities Companies

(as of the end of Sept. 2014)



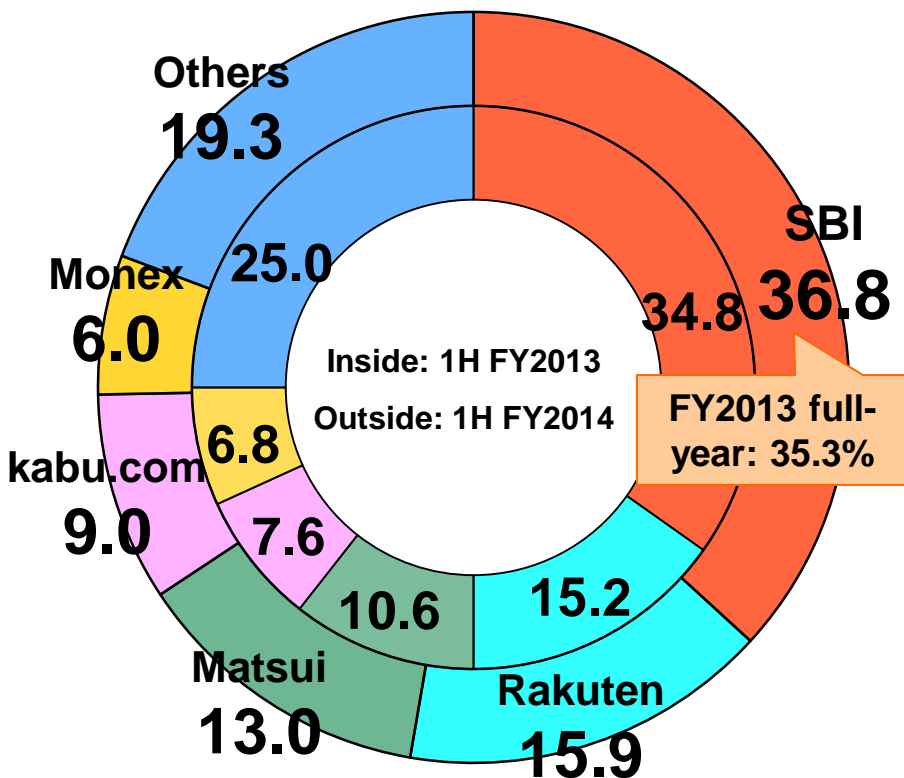
## Customers' Deposit Assets of 5 Online Securities Companies

(as of the end of Sept. 2014)

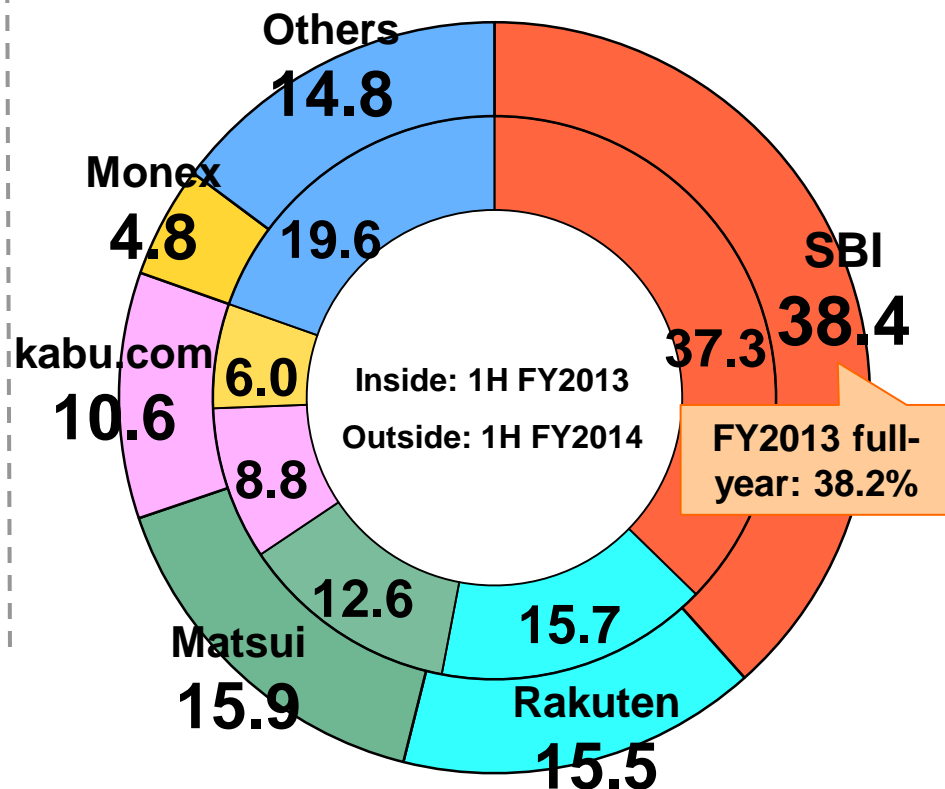


# Secured an Overwhelming No. 1 Ranking in the Share of Individual Stock Trading

Share of Individual Stock  
Trading Value (%)  
1H FY2014  
(Apr. 2014-Sept. 2014)



(of which) Share of Individual Margin  
Trading Value (%)  
1H FY2014  
(Apr. 2014-Sept. 2014)



Source: Compiled by SBI SECURITIES based on Tokyo Stock Exchange and JASDAQ materials and websites of each company

\* The whole individual stock trading value and individual margin trading value are the sum of 1st and 2nd section of the Tokyo and Nagoya Stock Exchange, respectively.

# SBI SECURITIES Continuously Achieving a High Customer Satisfaction Assessment



**1<sup>st</sup>**

“Oricon customer satisfaction ranking” of 2014  
[Online securities comprehensive ranking]

**For 8 years!!**

<Evaluation item>

12 items, such as “commissions & dealing cost,” “easy account opening,” “variety of products,” “provision of Information” and “analytics tools,” etc.

## Customer Service Center



HDI (Help Desk Institute) Certification in 2014  
[Securities Industry]  
“Call-center Contact Ranking”  
Achieved the highest rank “three stars”

**For 5 years!!**



**Highest Award for the Category**

“CCJA 2014” (11<sup>th</sup> Contact Center Award)  
Received the highest award for “Best Operation” category

**For 4 years!!  
First ever**



**Chairman's Prize**

Japan Telecom Users Association  
18<sup>th</sup> Corporate Telephone Response Contest in 2014

**Prized 4 years in a row!!**

## Official Website



HDI (Help Desk Institute) Certification in 2014  
[Securities Industry]  
“Support Portal Raking (Official Website)”  
Achieved the highest rank “three stars”

**5<sup>th</sup> time  
4 years in a row!!**

# Adherence to the “Customer-centric Principle”

## — ② SBI Sumishin Net Bank

### Offering Favorable Interest Rates

Owing to lower personnel and operating costs, favorable interest rates can be offered, as compared to major city banks that operate branches nationwide

#### Example: Comparison of term deposit interest rates

##### Average of 3 major city banks

	Less than JPY 3m			JPY 3m or more		
Term of deposit	1 year	3 years	5 years	1 year	3 years	5 years
Interest (%)	0.025	0.030	0.037	0.025	0.030	0.047



↓ 5.2 times

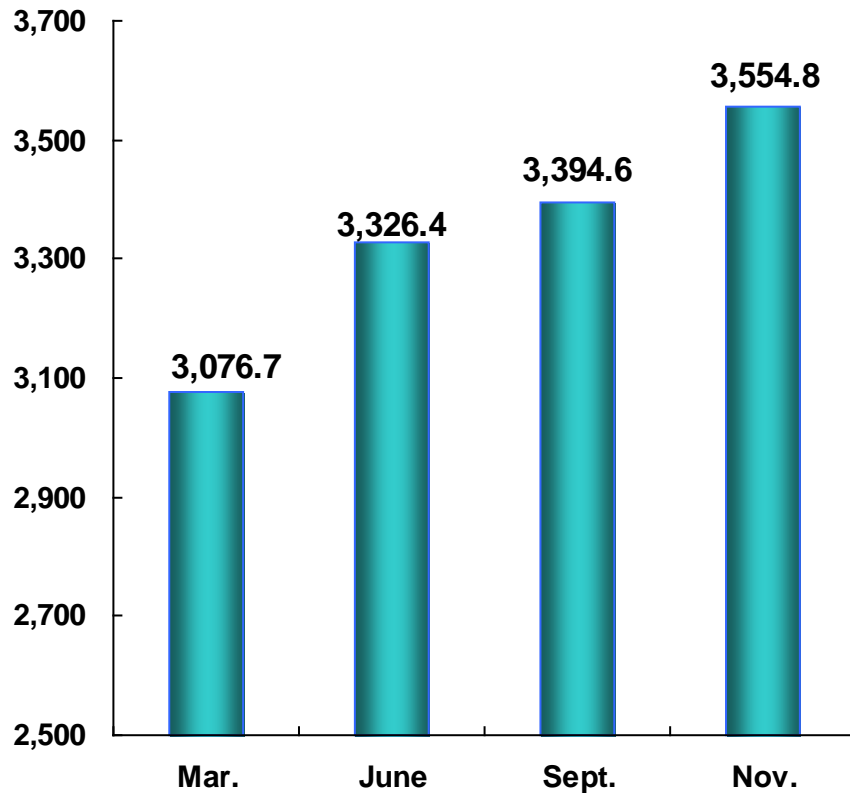
	JPY 1m or more and less than JPY 3m			JPY 3m or more		
Term of deposit	1 year	3 years	5 years	1 year	3 years	5 years
Interest (%)	0.130	0.140	0.190	0.130	0.140	0.190

# Deposit Balance Surpassed JPY 3.5tn

**Number of accounts: 2,169,686 / Deposits: JPY 3,554.8bn  
(as of the end of Nov. 2014)**

## Change in Deposits

(JPY billion)

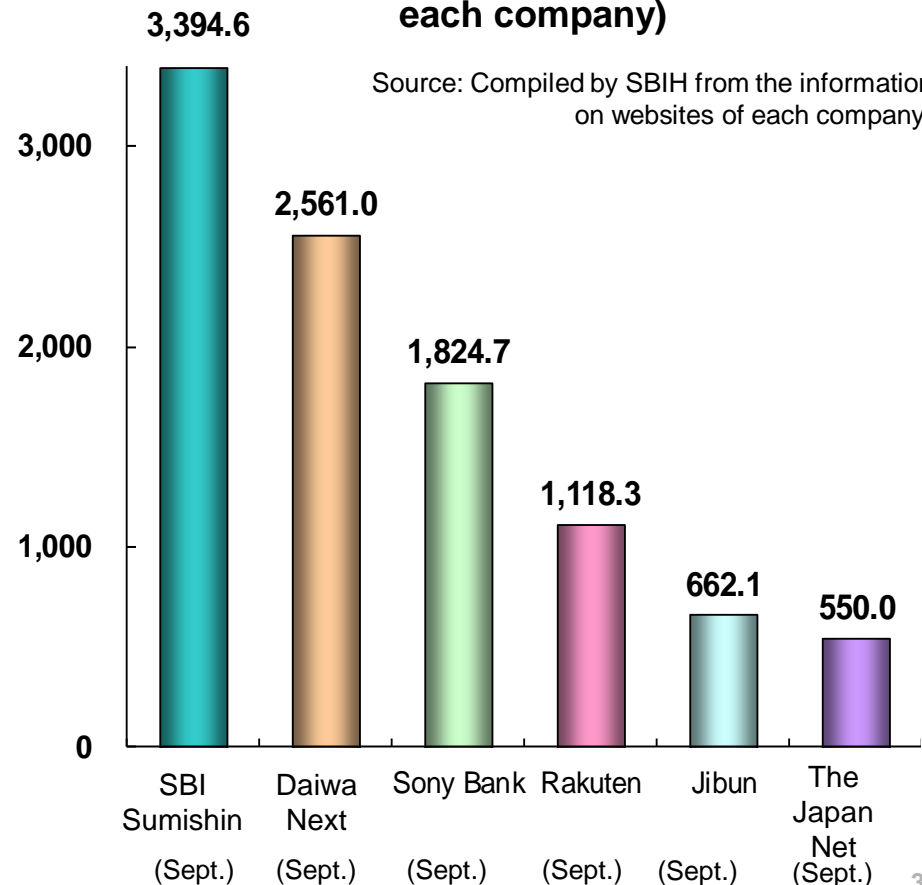


2014

## Deposits of 6 Internet Banks

(JPY billion)

(Based on latest data disclosed by each company)



\* Amounts are rounded to the nearest JPY 100 million

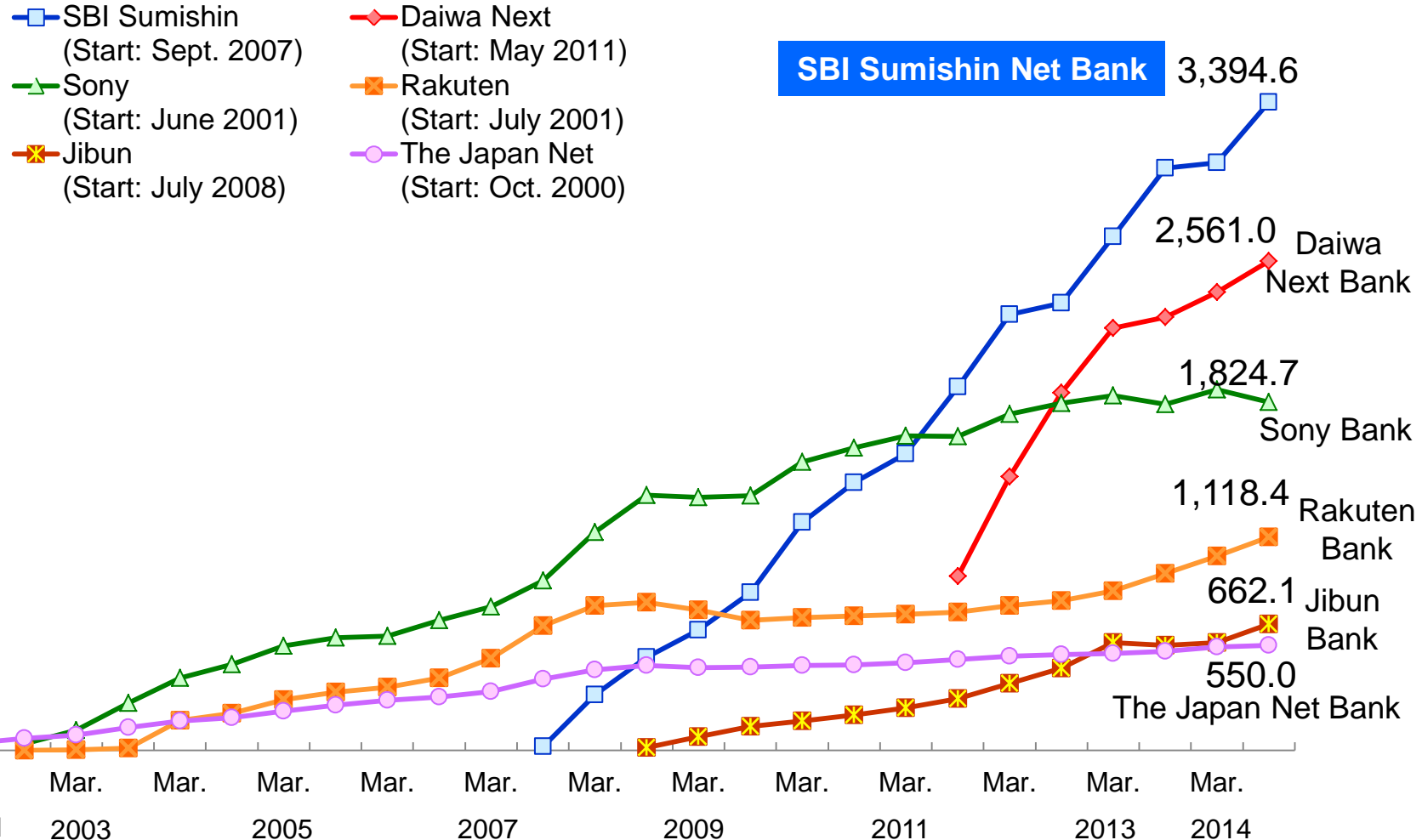


# Deposit Trends of the Pure-play Internet Banks

## Pure-play Internet Banks' Deposits Since Establishment (\*)

(Mar. 2001-Sept. 2014)

(JPY billion)



\* Compiled by SBIH from the published materials of the noted banks, with each origin denoting the earliest available data of deposit balance amount, since the establishment of the respective banks.

# SBI Sumishin Net Bank Continuously Achieving a High Customer Satisfaction Assessment

	<b>1<sup>st</sup></b> “Oricon customer satisfaction ranking” of 2014 [Online banking]	<b>4<sup>th</sup> time</b>
	<b>1<sup>st</sup></b> JCSI Customer Satisfaction Survey (Japanese Customer Satisfaction Index) Banking industry	<b>For 6 years!</b>
	<b>1<sup>st</sup></b> “10th Nikkei Financial Institution Ranking” Customer Satisfaction by generations, 20s and 30s	<b>For 2 years!</b>
	<b>1<sup>st</sup></b> JMA Research “Assessment of Mortgage Products” by mortgage personnel	<b>For the first time!</b>

Appraised as No. 1 among the 7 banks (\*) in all 5 categories, which were: “Mortgage which you want to utilize,” “Mortgage which you want to recommend,” “Mortgage which interest is attractive,” “Mortgage which has best collection of ancillary services,” and “Mortgage which is reliable in an emergency.”


\* The comparison among 4 city banks (The Bank of Tokyo-Mitsubishi UFJ, Mizuho Bank, Sumitomo Mitsui Banking Corporation and Resona Bank) and 3 Internet banks (SBI Sumishin Net Bank, Sony Bank and Rakuten Bank)

# Adherence to the “Customer-centric Principle” — ③ SBI Insurance

**SBI Insurance ranks highest in all cases categorized in “Having no auto insurance” for representative examples of generations: age 26, age 35 and age 60.**

**The Diamond Weekly “Auto Insurance Premium Ranking”  
(35-year-old, 6th class, New contracts)**

	Company	Car insurance premium (JPY)*
1	SBI Insurance #	<u>28,830</u>
2	Zurich Insurance	34,320
3	Secom General Insurance	36,060
4	Mitsui Direct #	36,430
5	Saison Automobile & Fire Insurance	36,630

 : Direct insurance company  
# : Started operation after 1998

6	E.Design Insurance #	37,140
7	AXA GENERAL INSURANCE #	38,010
8	American Home Direct	41,820
9	Sony Assurance #	47,900
10	Sonpo 24 #	49,100

(Source: Excerpt from “The Diamond Weekly Apr. 5, 2014”)

\*Insurance Premium Terms and Conditions

•Vehicle type: Toyota Aqua / Model: NHP10 •Policy start date: Apr. 1, 2014 (1-year policy, lump-sum payment) •Policyholder: individual (male) •Age/grade conditions: age of insured person: 35, Tokyo residence, , gold driver’s license, grade 6, new policy •Purpose of use: daily use/leisure •Annual driving distance: 10,000 km •Bodily injury/property damage coverage: unlimited •Vehicle damage: not covered •Personal injury: 50 million yen, accidents outside the vehicle also compensated •Passenger injury: not covered (additional coverage of 5 million yen for Zurich only) •Drivers: policyholder and spouse only (spouse’s age and driver’s license color the same as those of the policyholder, Tokyo residence, ) •Discounts: Long-term discount and user restriction discount not applied •Other:

\*Application of Internet discount: SBI, American Home, Secom, Saison, Mitsui Direct, E-design, Zurich, AXA, Sony \*Application of policy non-issuance discount: SBI, American Home, Secom, Saison, E-design, Mitsui Direct, NIPPONKOA, Sony . \*Refusal to answer: Kyoei Fire & Marine Insurance, ZENROSAL, Daido Fire & Marine, Nissin Fire & Marine, The Fuji Fire & Marine, AIU, National Mutual Insurance Federation of Agricultural Cooperatives.

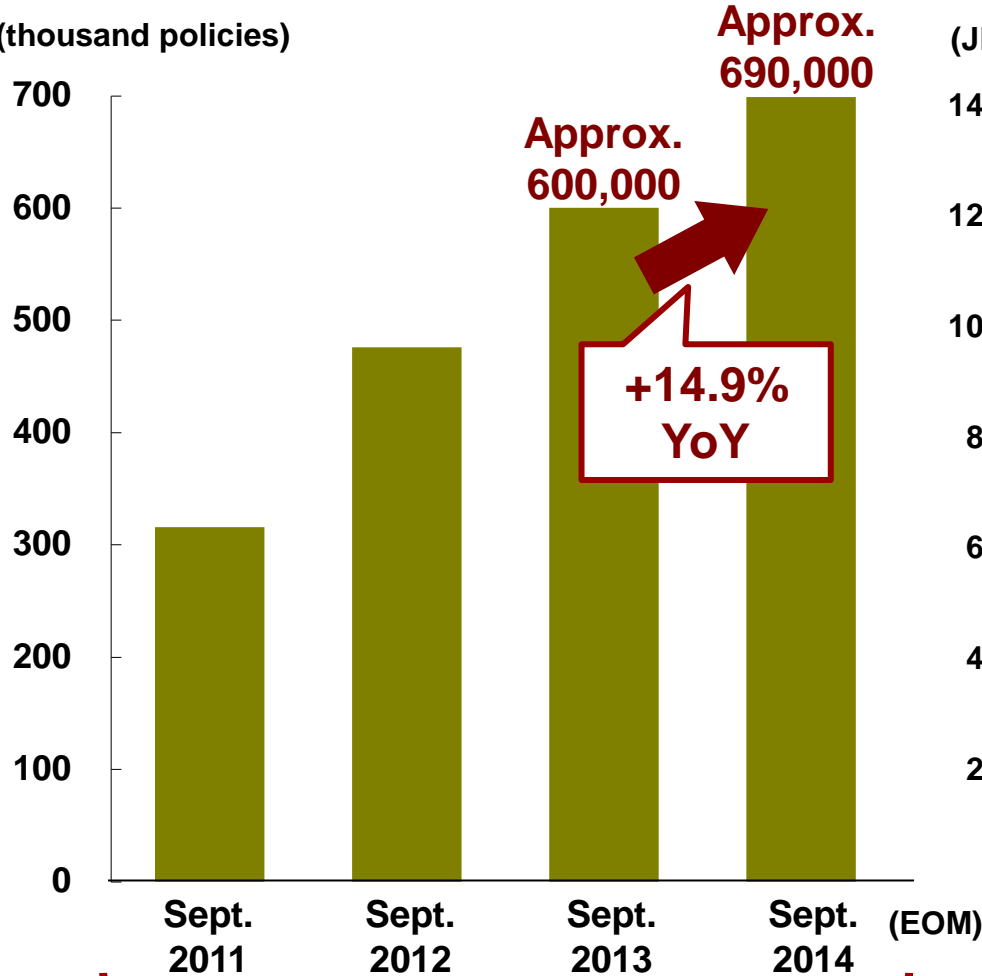
Companies of which insurance products are compared: SBI Insurance, Mitsui Direct, Saison, Secom, Zurich, Sonpo 24, E.Design Insurance, American Home Direct, AXA GENERAL INSURANCE, Generali, Sony, Asahi Fire & Marine Insurance, Aioi Nissay Dowa, Mitsui Sumitomo, Sompo Japan, NIPPONKOA and Tokio Marine & Nichido Fire.

# Change in Number of Auto Insurance Contracts and Insurance Premium of SBI Insurance



## Number of Contracts (Written Basis\*)

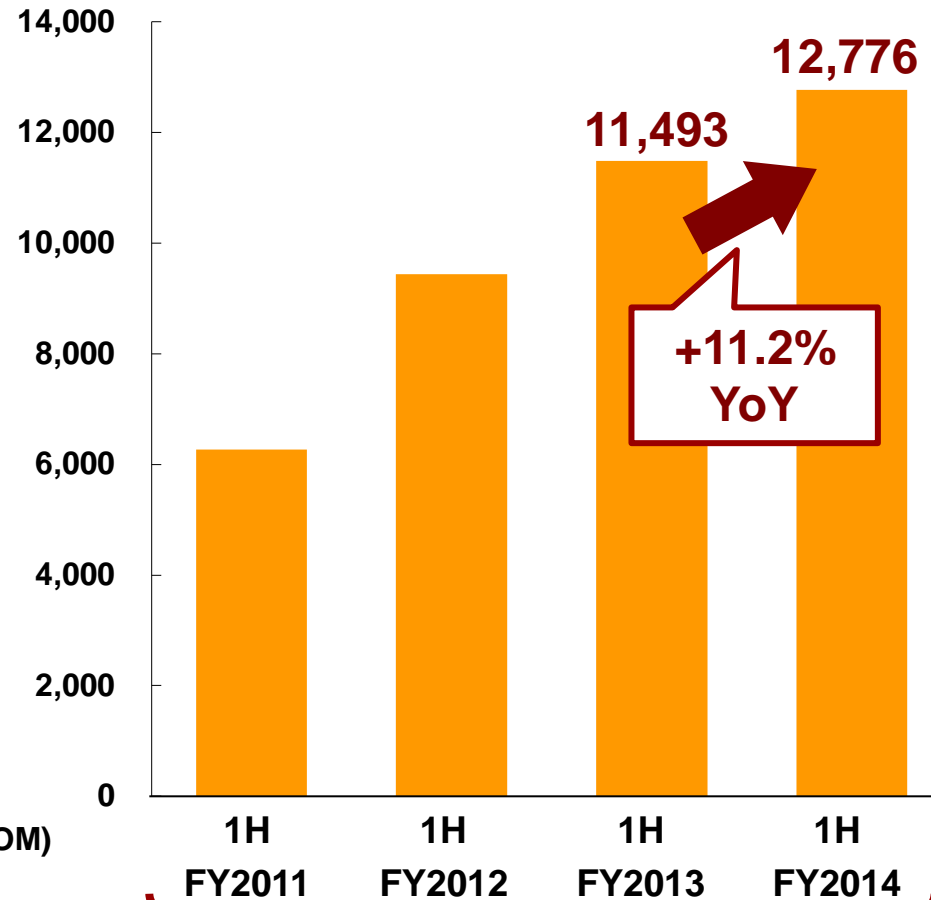
(thousand policies)



**Compound Annual Growth Rate: 29.7%**

## Insurance Premium Income

(JPY million)



**Compound Annual Growth Rate: 26.8%**

\* Written basis: completion of receipt of insurance premium, excluding continuing contracts, expired continuing contracts and cancelled contracts.

# SBI Insurance Continuously Achieving a High Customer Satisfaction Assessment

## SBI損保の自動車保険

Auto Insurance



1<sup>st</sup>

**Diamond Weekly**  
“Auto Insurance Premium Ranking”

\* In the Apr. 5, 2014 special issue

No. 1 for all surveyed patterns of insurance without physical damage coverage!

**For 6  
years !**



1<sup>st</sup>

**Oricon customer satisfaction ranking FY 2015**  
Auto Insurance Category  
“Auto Insurance Premium Ranking”

**For 6  
years !**



1<sup>st</sup>

**Kakaku.com / Auto Insurance Satisfaction Ranking**  
(2014) Premium Section

**For 5  
years !**

## Official Website



**HDI-Japan HDI's Call-center Customer Satisfaction**  
Ratings 2014 Top “three-star” rating in the  
Support Portal (Official Website) Category

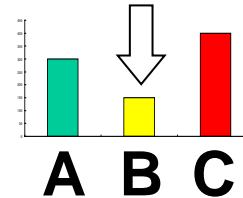
**For 3  
years !**

# **Fundamental Concept (3)**

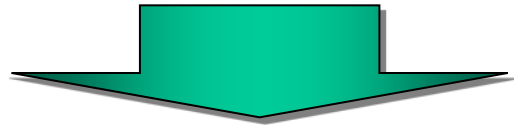
## **Creation of a “Network Value”**

# From Pursuit of Value to Pursuit of Network Value

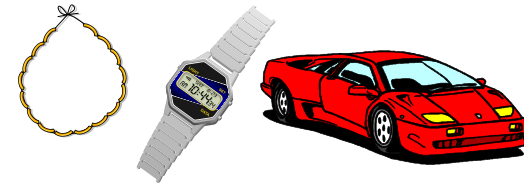
Pursuit of Price



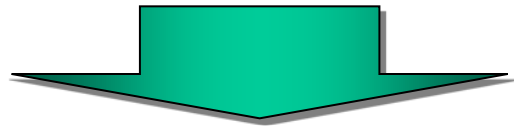
Cheap product  
Cheap service



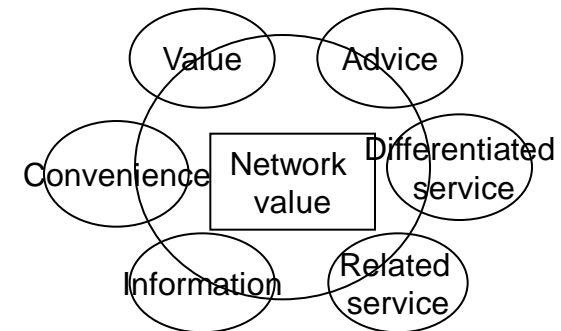
Pursuit of Value



Simple principle value of a product or a service



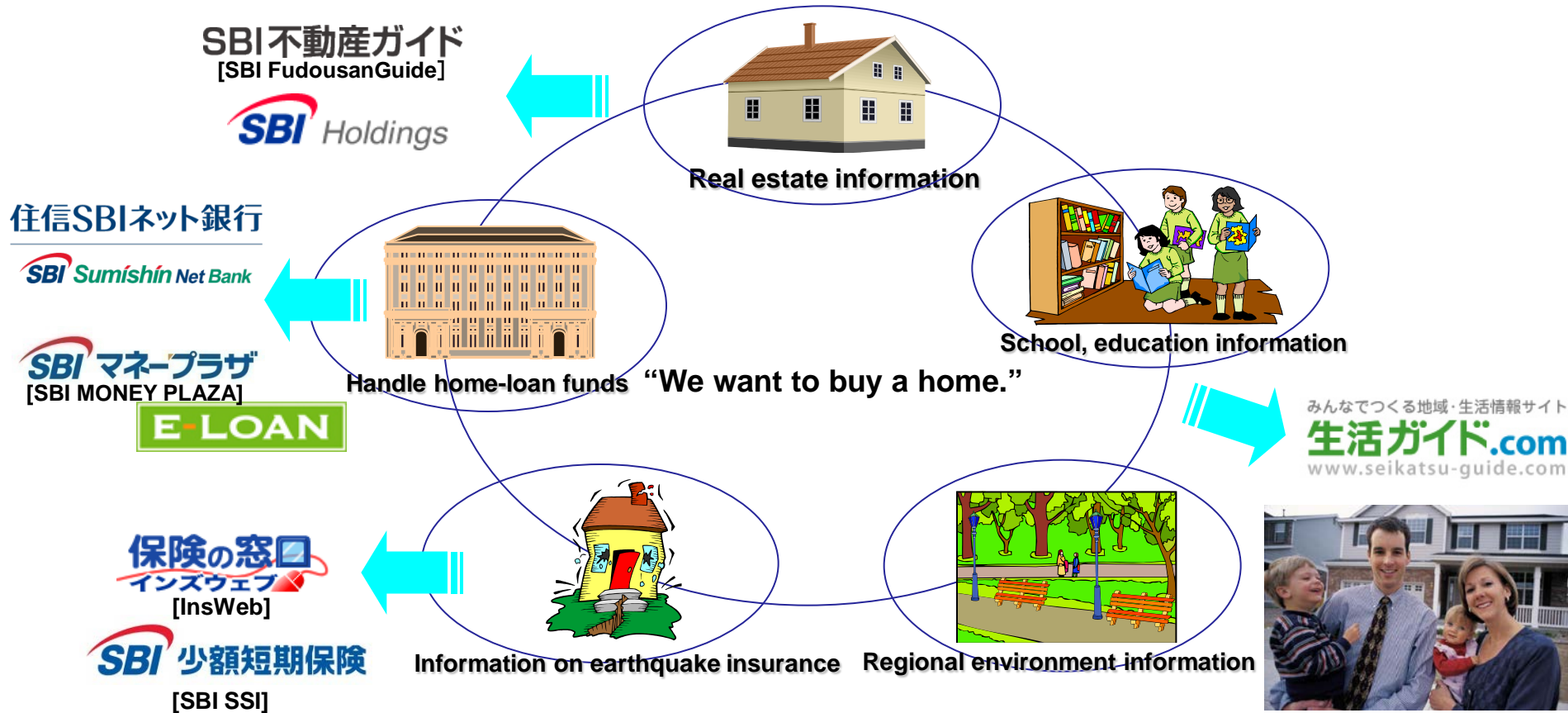
**Pursuit of Network Value**



Create added value for customers by offering combined information and asset services

# Network Value Creation

## Example: “We want to buy a home”



For people with the will and desire to purchase a home, we have established a network that provides all of the relevant related information, which may lead to a potential home purchase.



## **Part II: Key Questions**

- 1. How should the 1H FY2014 financial results be interpreted?**
- 2. What are SBI management's numerical targets?**
- 3. What is the SBI Group's future growth strategy?**

# **1. How should the 1H FY2014 financial results be interpreted?**

## [Key Points for 1H FY2014 Consolidated Results]

- ① 1H FY2014 operating income achieved a record high
- ② Financial Services Business achieved record-high half-year operating revenue and 1H operating income
- ③ Four major companies in the Financial Services Business achieved record-high profits, and the earnings capacity increased as a whole
- ④ 2Q FY2014 recorded a significant increase in revenue and profit compared to 1Q FY2014
- ⑤ 2Q FY2014 recorded a significant increase in quarterly revenue and profit, compared to 1Q FY2014 in all segments

# 1H FY2014 Operating Income Achieved a Record High

[1H FY2014 Consolidated Performance (IFRS)]

(Unit: JPY million)

	1H FY2013 (Apr.–Sept. 2013)	1H FY2014 (Apr.–Sept. 2014)	YoY % change
Operating revenue	128,114	113,303	-11.6
Operating income	34,467	Achieved record high 34,915	+1.3
Profit before income tax expense	32,997	32,498	-1.5
Profit for the period	18,583	20,609	+10.9
Profit attributable to owners of the Company	17,570	25,787	+46.8

# Financial Services Business Achieved Record-high Half-year Operating Revenue and 1H Operating Income (1)

[1H FY2014 Operating Revenue by Segment (IFRS)]

(Unit: JPY million)

	1H FY2013 (Apr.–Sept. 2013)	1H FY2014 (Apr.–Sept. 2014)	YoY % change
Financial Services Business	72,582	Achieved record high 84,276	+16.1
Asset Management Business	49,933	25,180	-49.6
Biotechnology-related Business	1,486	827	-44.4
Others (Primarily Housing and Real Estate Business)	4,933	3,786	-23.3

\* Figures are before elimination of inter-segment transactions

# Financial Services Business Achieved Record-high Half-year Operating Revenue and 1H Operating Income (2)

[1H FY2014 Profit Before Income Tax Expense by Segment (IFRS)] (Unit: JPY million)

	1H FY2013 (Apr.–Sept. 2013)	1H FY2014 (Apr.–Sept. 2014)	YoY % change
Financial Services Business	18,556	Achieved record high profit 38,266	+106.2
Asset Management Business	18,205	-557	—
Biotechnology-related Business	-748	-1,751	—
Others (Primarily Housing and Real Estate Business)	771	646	-16.2

\* Figures are before elimination of inter-segment transactions

## Four Major Companies in the Financial Services Business Achieved Record-high Profits, and the Earnings Capacity Increased as a Whole (1)

[Profit before Income Tax Expense]

(Based on IFRS, Unit: JPY billion, Amounts are rounded to the nearest JPY 100 million)

	1H FY2013 (Apr.–Sept. 2013)	1H FY2014 (Apr.–Sept. 2014)	YoY change
SBI SECURITIES	16.9	15.2	-1.7
SBI Japannext	0.5	Achieved record high profit → 0.5	0.0
SBI Liquidity Market	0.7	1.1	+0.4
SBI FXTRADE	0.3	Achieved record high profit → 0.5	+0.2
SBI Insurance	-1.8	Significant improvement → -0.3	+1.5

# Four Major Companies in the Financial Services Business Achieved Record-high Profits, and the Earnings Capacity Increased as a Whole (2)

[Profit before Income Tax Expense]

(Based on IFRS, Unit: JPY billion, Amounts are rounded to the nearest JPY 100 million)

	1H FY2013 (Apr.–Sept. 2013)	1H FY2014 (Apr.–Sept. 2014)	YoY change
SBI MONEY PLAZA	0.6	Achieved record high profit → 0.7	+0.1
SBI Card	-1.5	Significant improvement → -0.6	+0.9
SBI Mortgage (Shares transferred in Aug. 2014)	1.9	1.0 [Profit for 4 months]	-0.9
SBI Sumishin Net Bank (Shares of results of associates using the equity method)	-0.2 *	Achieved record high profit → 1.8	+2.0

\* For 1Q FY2013, SBI Sumishin Net Bank recorded loss on revaluation of securities based on IFRS, due to the devaluation of treasuries held. Therefore the amount are different from that based on J-GAAP.



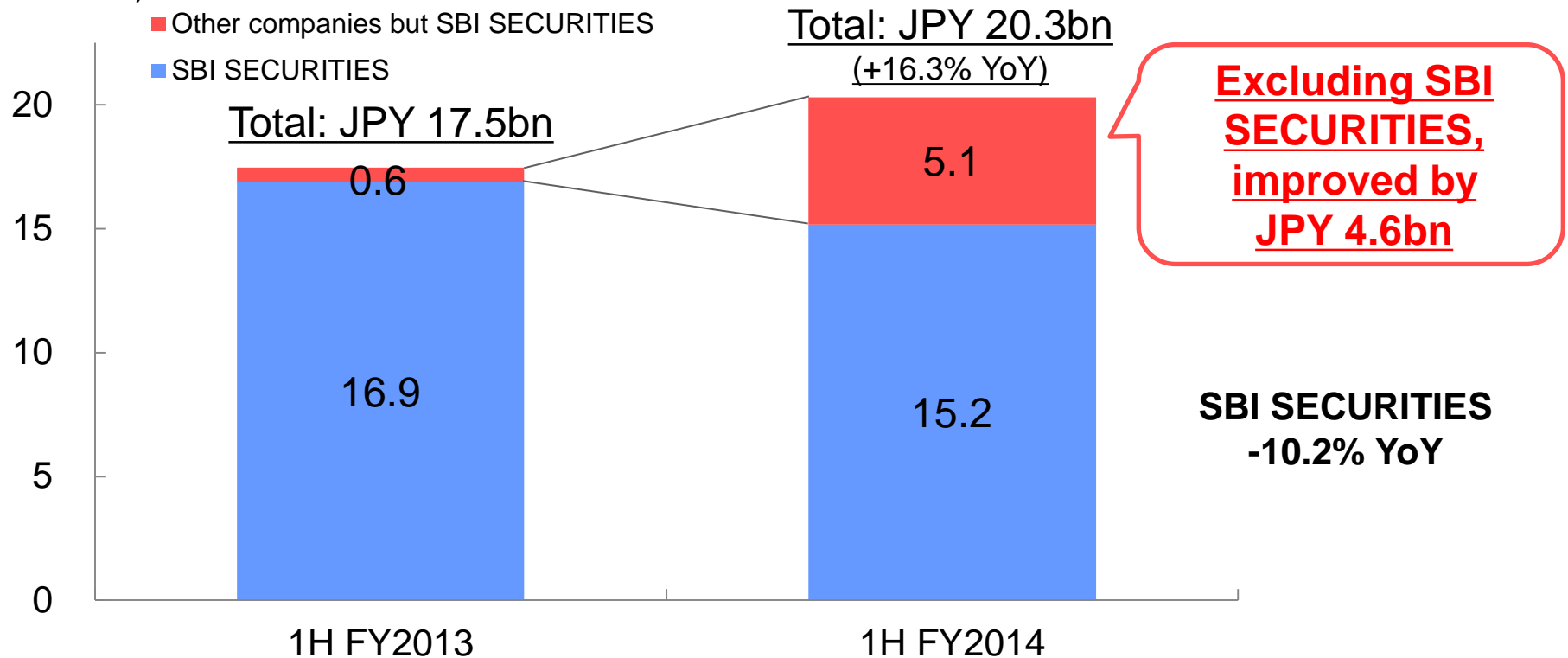
# Four Major Companies in the Financial Services Business Achieved Record-high Profits, and the Earnings Capacity Increased as a Whole (3)

Change in profit before income tax expense, excluding the results of SBI Mortgage and the gain on its sales in Aug. (\*)

(JPY billion)

■ Other companies but SBI SECURITIES

■ SBI SECURITIES



Even if SBI Mortgage's results were set aside, the essential earnings power improved, as the profit before income tax expense was recorded at JPY 20.3bn, up 16.3% year-on-year

\* Profit before income tax expense excluding each 1H results of SBI Mortgage and consolidated adjustment, as well as the gain on sales of SBI Mortgage's shares

# 2Q FY2014 Recorded a Significant Increase in Revenue and Profit Compared to 1Q FY2014

[Quarter-on-quarter]

(Unit: JPY million)

	1Q FY2014 (Apr.–June 2014)	2Q FY2014 (July–Sept. 2014)	QoQ % change
Operating revenue	44,413	68,890	+55.1
Operating income	5,195	29,720	+472.1
Profit before income tax expense	4,166	28,332	+580.1
Profit for the period	2,312	18,297	+691.3
Profit attributable to owners of the Company	6,908	18,879	+173.3

## 2Q FY2014 Recorded a Significant Increase in Quarterly Revenue and Profit, Compared to 1Q FY2014 in All Segments (1)

[Operating Revenue; Quarter-on-quarter]

(Unit: JPY million)

	1Q FY2014 (Apr.–June 2014)	2Q FY2014 (July–Sept. 2014)	QoQ % change
Financial Services Business	33,242	51,034	+53.5
Asset Management Business	9,940	15,240	+53.3
Biotechnology-related Business	177	650	+268.2
Others (Primarily Housing and Real Estate Business)	1,584	2,202	+39.0

\* Figures are before elimination of inter-segment transactions

# 2Q FY2014 Recorded a Significant Increase in Quarterly Revenue and Profit, Compared to 1Q FY2014 in All Segments (2)

[Profit Before Income Tax Expense; Quarter-on-quarter]

(Unit: JPY million)

	1Q FY2014 (Apr.–June 2014)	2Q FY2014 (July–Sept. 2014)	QoQ % change / amount
Financial Services Business	9,534	28,732	+201.4
Asset Management Business	-2,304	1,747	+4,051
Biotechnology-related Business	-1,248	-503	+744
Others (Primarily Housing and Real Estate Business)	311	335	+7.8

\* Figures are before elimination of inter-segment transactions

# Key Points for Each Segment's 1H FY2014 Results -1

## ① Financial Services Business

1H operating revenue increased 16.1% and profit before income tax expense increased 106.2% year-on-year.

- (i) Diversification of revenue sources at SBI SECURITIES is progressing, and decline in profit before income tax expense at SBI SECURITIES was only 10% despite a 35% decline year-on-year in average daily individual stock brokerage trading value.
- (ii) Steady expansion of the banking, insurance and other businesses resistant to the effects of the stock market contributed to an increase in earnings capacity.
- (iii) Further cost reduction and pursuit of synergies at each company resulted in significant improvement in the profitability of the unprofitable companies.
- (iv) Financial Services Business' degree of dependence to the stock market declines steadily.

# Key Points for Each Segment's 1H FY2014 Results -2



## ② Asset Management Business

Because of the adoption of International Financial Reporting Standards (IFRS), change in share prices of listed securities held at the end of each quarter has a significant impact on business performance. **Gain on the partial sales of shares held, coupled with strong performance from SBI Savings Bank**, contributed significantly to the performance of the Asset Management Business.

- (i) SBI Savings Bank, which became a consolidated subsidiary in Mar. 2013 and is already contributing significantly to business performance, is making aggressive business moves, including opening branches and introducing new products.
- (ii) Sixteen IPOs or M&As of SBI Group investee companies are expected in FY2014.

## ③ Biotechnology-related Business

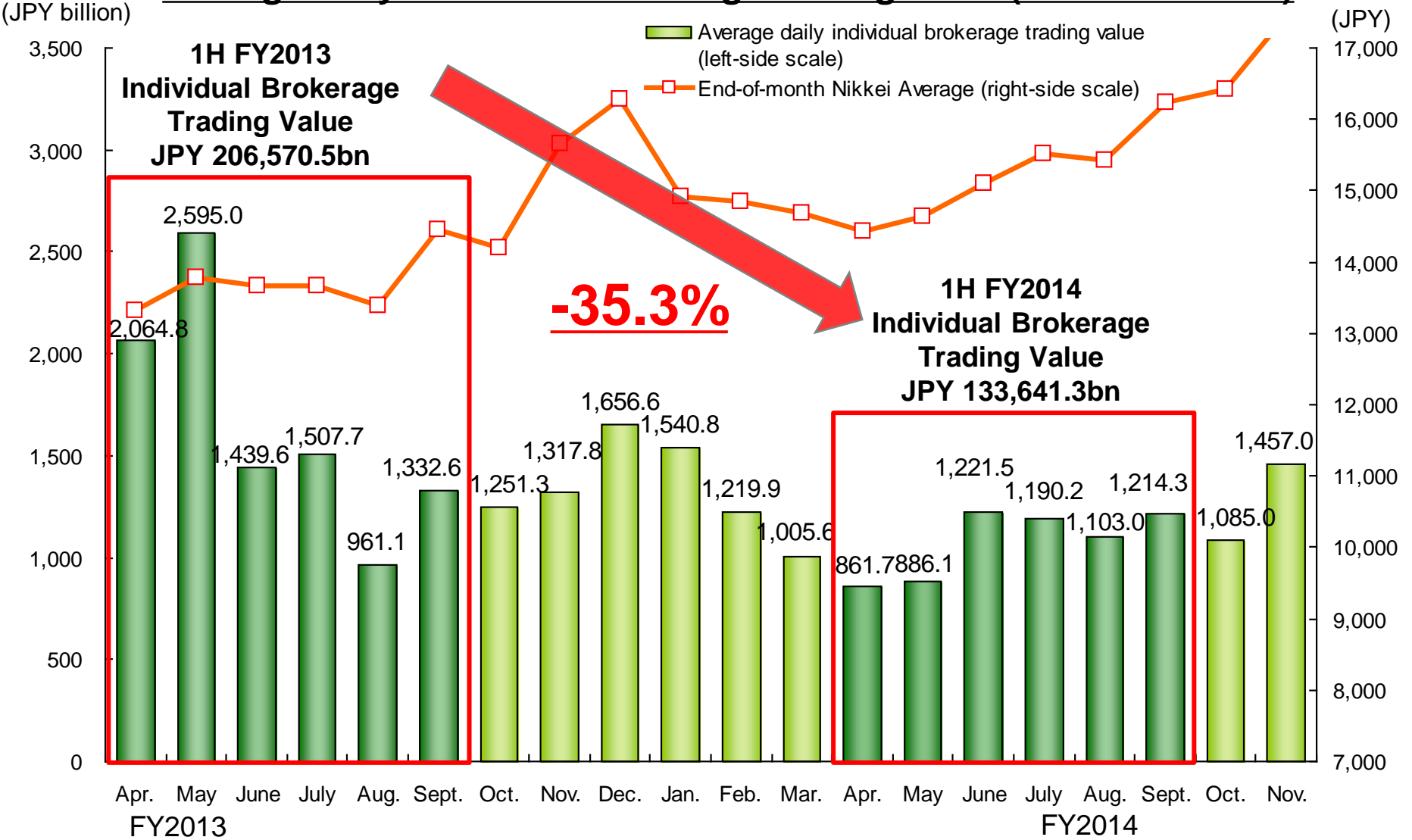
**Enhanced promotion** in Japan and overseas in pursuit of future sales expansion of health foods and cosmetics that contain 5-ALA.

# ① Financial Services Business



# Average Daily Individual Brokerage Trading Value Trended Lower as Compared to FY2013

**Average daily individual brokerage trading value (2 market total \*)**



\*Japanese Stocks listed on Tokyo Stock Exchange and Nagoya Stock Exchange (Including TSE Mothers, JASDAQ and NSE Centrex)

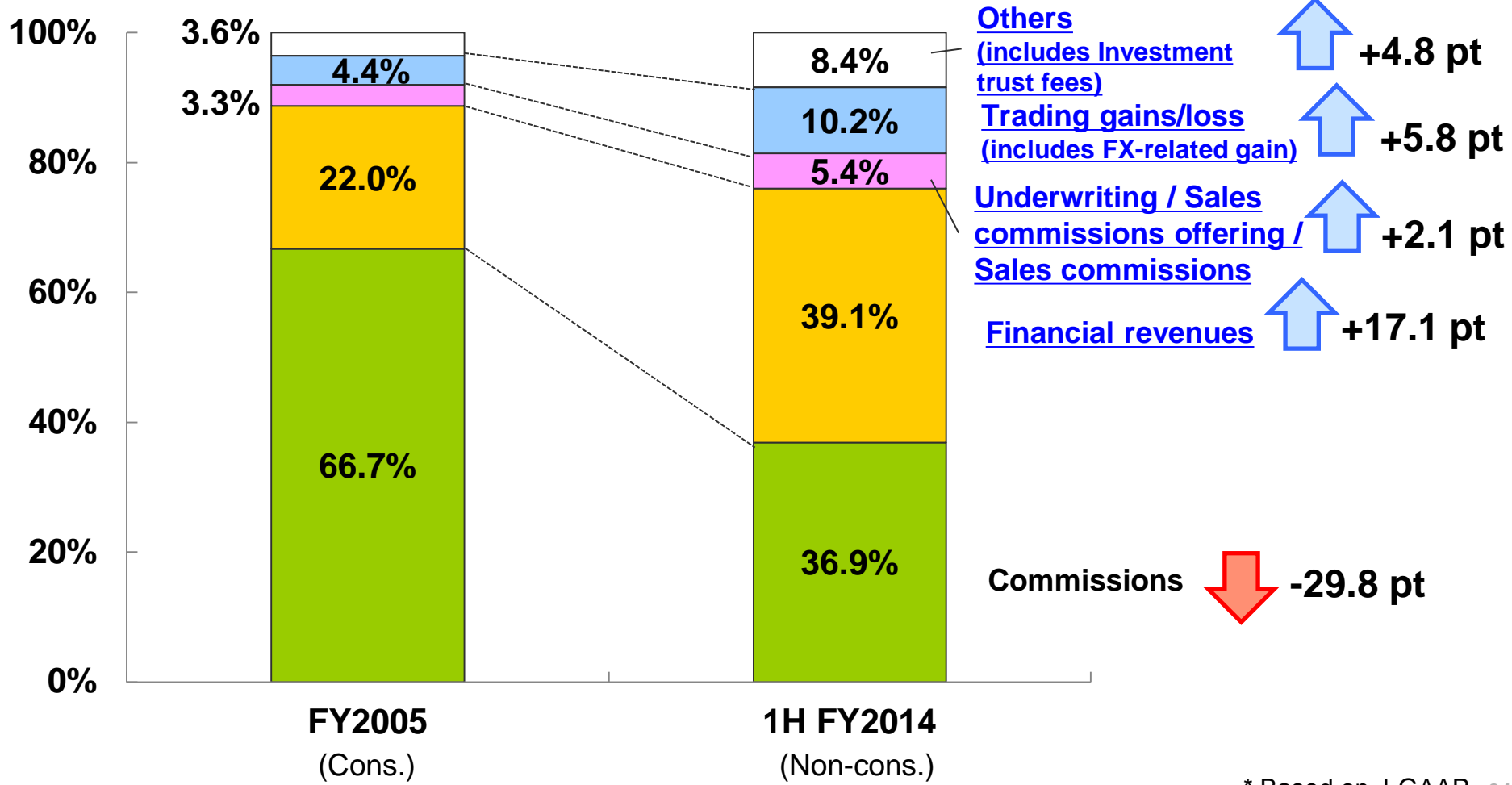




# Diversification of SBI SECURITIES' Earnings Sources

Owing to the diversification of earnings sources, revenue from stable revenue generating products such as financial revenue and investment trust fees contributed to support the financial results.

Changes in SBI SECURITIES' Operating Revenue Structure



\* Based on J-GAAP 64

# Performance Comparison of Major Online Securities Companies (J-GAAP)

(Unit: JPY million)

	Operating Revenue	YoY % change	Operating Income	YoY % change	Net Income	YoY % change
<b>SBI</b>	<b>35,055</b>	<b>-7.4</b>	<b>14,990</b>	<b>-11.3</b>	<b>8,737</b>	<b>-4.9</b>
<b>Monex (*1) (cons.)</b>	<b>22,843</b>	<b>-22.0</b>	<b>2,251</b>	<b>-75.6</b>	<b>-304</b>	<b>—</b>
<b>Rakuten (*2) (cons.)</b>	<b>20,511</b>	<b>-14.7</b>	<b>8,720</b>	<b>-28.2</b>	<b>5,721</b>	<b>-13.9</b>
<b>Matsui</b>	<b>16,309</b>	<b>-26.5</b>	<b>10,308</b>	<b>-34.0</b>	<b>6,469</b>	<b>-31.4</b>
<b>kabu.com</b>	<b>10,622</b>	<b>-14.5</b>	<b>4,207</b>	<b>-33.0</b>	<b>3,246</b>	<b>-9.6</b>

\*1 From full year FY2012, Monex adopted IFRS, so the relevant figures above are based on IFRS. The amount of “Operating Income” is “The amount equivalent to operating income” disclosed by Monex

\*2 Although the figures of 1H FY2014 disclosed by Rakuten are non-consolidated figures, the year-on-year % changes are calculated using the consolidated results of 1H FY2013.

# Performance Comparison with Brick-and-mortar Securities Companies (J-GAAP)

(Unit: JPY million)

	Operating Revenue	YoY % change	Operating Income	YoY % change	Net Income	YoY % change
<b>SBI</b>	<b>35,055</b>	<b>-7.4</b>	<b>14,990</b>	<b>-11.3</b>	<b>8,737</b>	<b>-4.9</b>
<b>Nomura (*1)</b> (cons.)	<b>912,974</b>	<b>-2.2</b>	<b>—</b>	<b>—</b>	<b>72,732</b>	<b>-30.1</b>
<b>Daiwa (*2)</b> (cons.)	<b>304,357</b>	<b>-8.3</b>	<b>75,600</b>	<b>-26.2</b>	<b>71,465</b>	<b>-23.0</b>
<b>SMBC Nikko</b> (cons.)	<b>156,475</b>	<b>-19.0</b>	<b>35,237</b>	<b>-45.3</b>	<b>24,002</b>	<b>-41.8</b>
<b>Okasan</b> (cons.)	<b>45,960</b>	<b>-15.4</b>	<b>12,800</b>	<b>-36.8</b>	<b>7,276</b>	<b>-35.2</b>
<b>Tokai Tokyo</b> (cons.)	<b>38,989</b>	<b>-22.3</b>	<b>11,250</b>	<b>-39.0</b>	<b>8,498</b>	<b>-41.3</b>

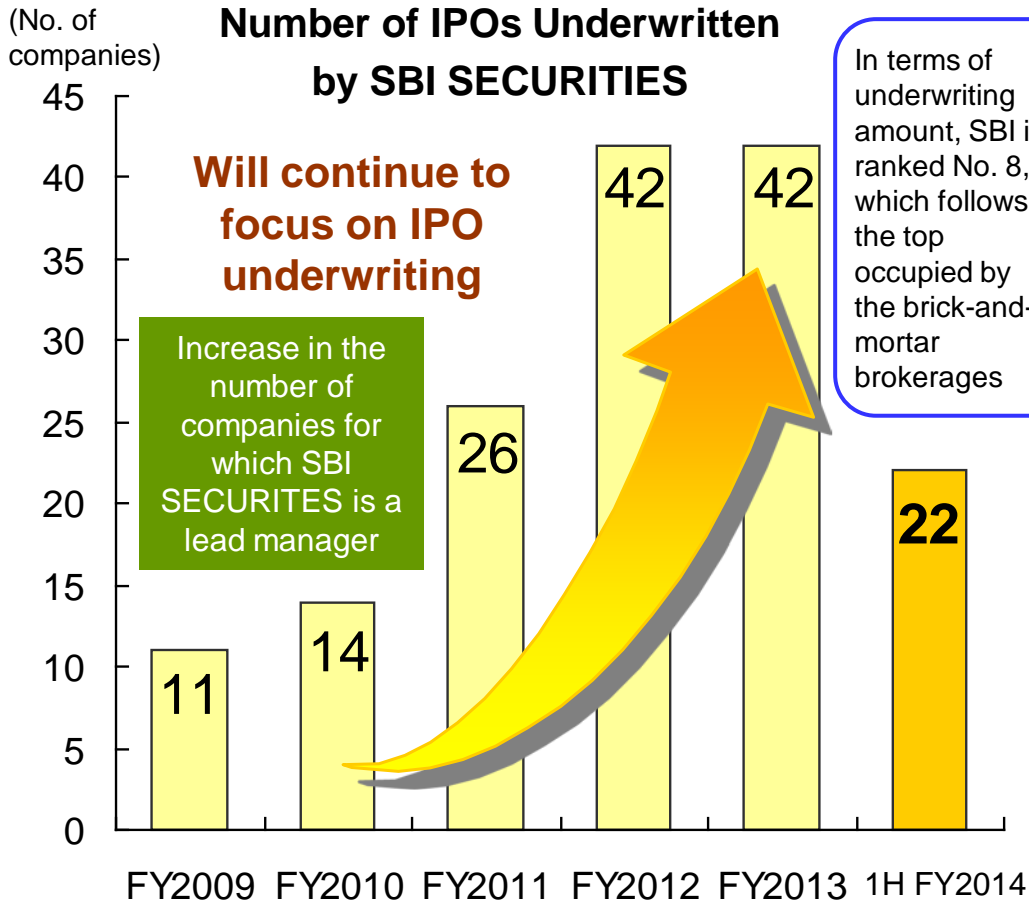
\*1 Figures for Nomura are based on US-GAAP.

\*2 For Daiwa, the effective tax rate is expected to be low until the end of FY2014, owing to loss carried forward

Source: Compiled by SBIH from the information on websites of each company.



# SBI SECURITIES Enhances Its Corporate Business by Expanding the IPO Underwriting Business ~ Continuously the Industry Leader in IPO Underwriting ~



**Will continue to focus on IPO underwriting**

Increase in the number of companies for which SBI SECURITIES is a lead manager

In terms of underwriting amount, SBI is ranked No. 8, which follows the top occupied by the brick-and-mortar brokerages

## IPO Underwriting Ranking (1H FY2014)

26 companies were listed during the period

Company name	No. of cases	Underwriting share (%)
SBI	22	84.6
Mizuho	19	73.1
Nomura	18	69.2
SMBC Nikko	14	53.8
Monex	14	53.8
Ichiyoshi	13	50.0
Daiwa	13	50.0
Okasan	10	38.5

Lead managers	FY2009	FY2010	FY2011	FY2012	FY2013	1H FY2014
	1	0	1	5	5	2

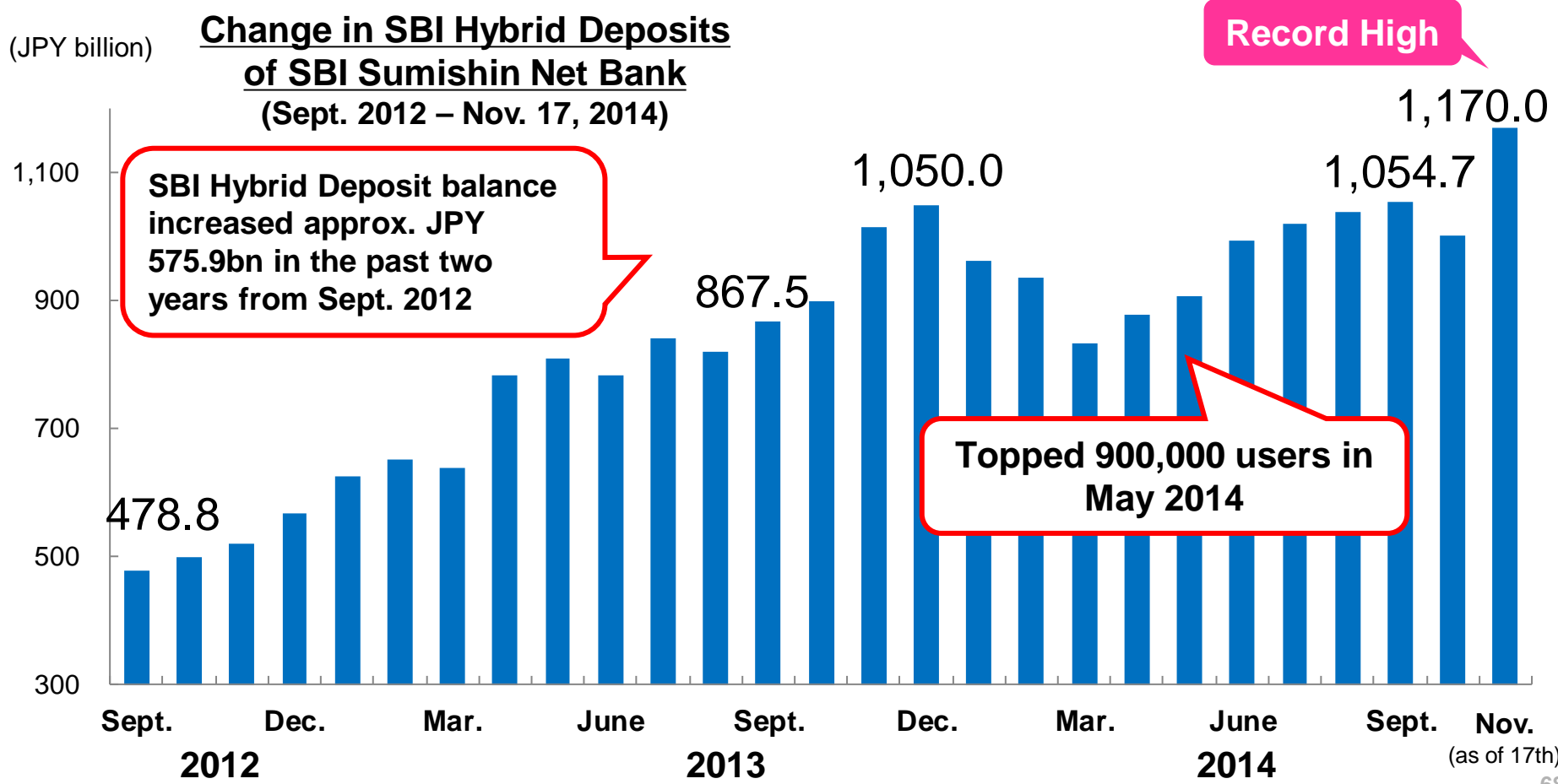
\* The above figures do not include consignments. Based on listing date. The figures exclude brokerage sales and REITs.  
\* The number of IPOs does not include issues listed on TOKYOAIM.

\* The above IPOs represent issues underwritten in Japan only and do not include additional secondary offerings or overseas issues.  
\* The number of underwritten issues represents both lead managed underwritings and syndicate participation.  
\* The data was compiled by SBIH based on each company's published information.



# Synergy with SBI SECURITIES Contributed to the (SBI Hybrid Deposit) Growth of Deposits

**SBI Hybrid Deposits (Automatic deposits and withdrawals of stock trading deposits) :**  
 SBI Hybrid Deposit balance can be integrated into available deposit balance for stock trading, margin trading, and actual receipt of stock purchased at SBI SECURITIES



# Diversification of Loans with Deposits Accumulating

**Cumulative total of auto loans (JPY 268.4bn\*) and balance of card loans (JPY 64.3bn\*) also expanded** \* as of the end of Oct. 2014

## Change in Balance of Housing Loans \*1 (Mar. 2008 – Oct. 2014)

\*1 Deducts repayments from the cumulative total of new loans. Includes housing loans extended as a banking agency of Sumitomo Mitsui Trust Bank

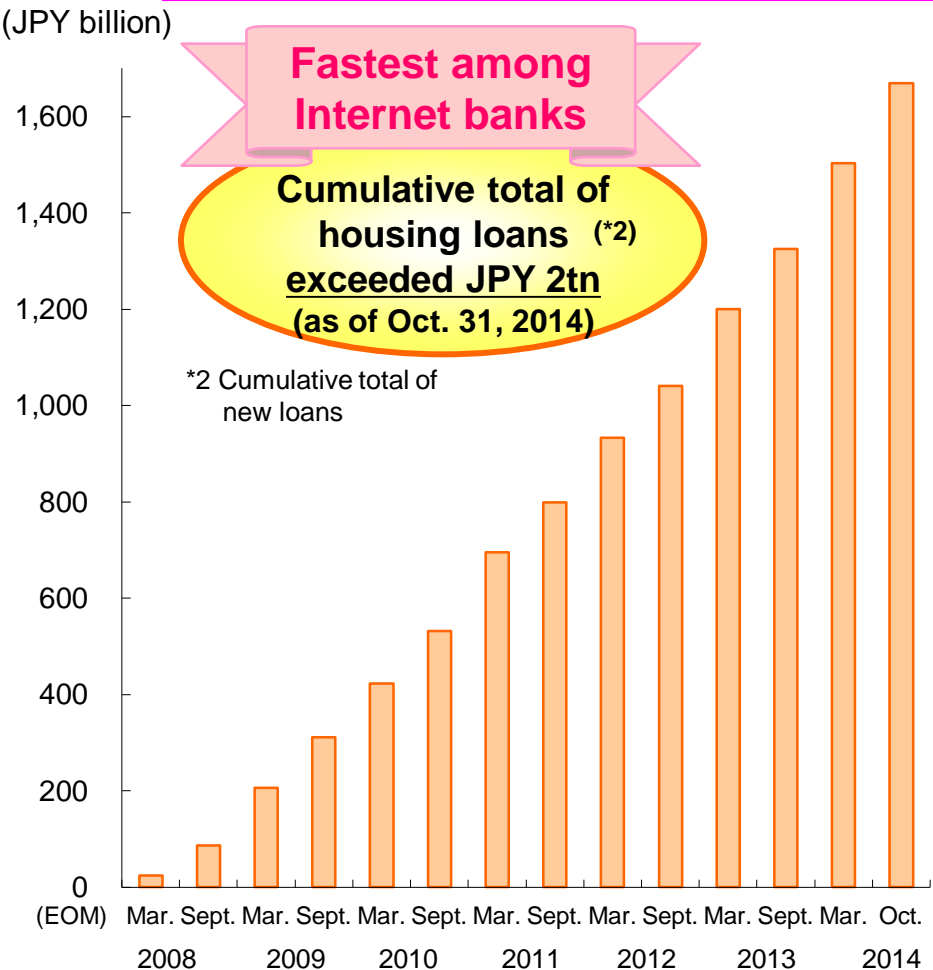
**JPY 1,669.5bn** (as of the end of Oct. 2014)

### SBI Sumishin Net Bank's housing loans business:

- ① Housing loans processed directly by SBI Sumishin Net Bank
  - Via alliance with real estate companies (from Sept. 2007)
  - "Mr. Housing Loan" (from Nov. 2013)
- ② Banking Agency Business for Sumitomo Mitsui Trust Bank (from Jan. 2012)



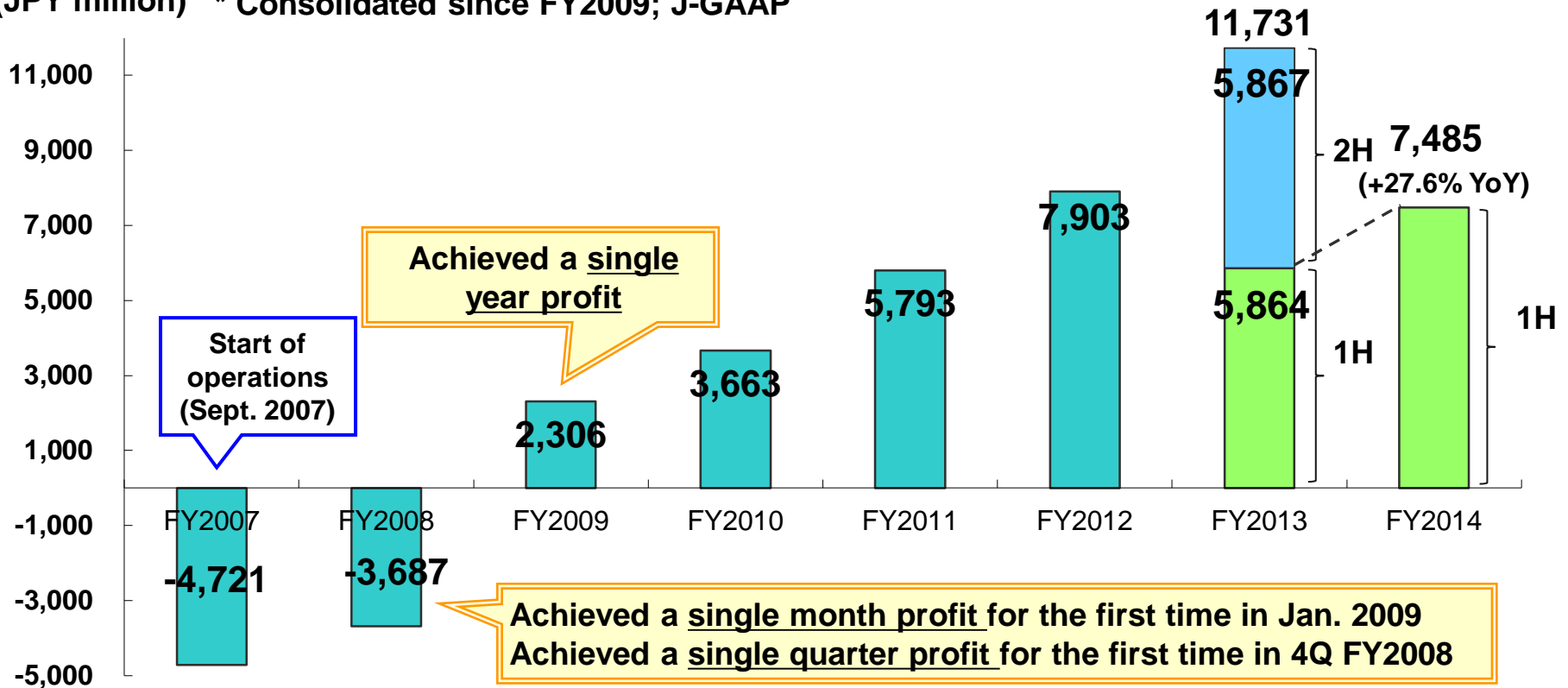
**Owing to the increase in new loans for "Mr. Housing Loan," the balance of new housing loans for ① of 1H FY2014 increased 113.1% YoY**



# SBI Sumishin Net Bank's 1H FY2014 Consolidated Results (J-GAAP)

## Change in Ordinary Income after Start of Operations

(JPY million) \* Consolidated since FY2009; J-GAAP



**Ordinary income for 1H FY2014 significantly increased to JPY 7.5bn, up 27.6% year-on-year**

# Progressing Smoothly to a Full Year Profitability in FY2015

SBI Insurance profit before income tax expense (IFRS) (Unit: JPY billion)

	FY2013	FY2014
1Q (Apr. – June)	-0.7	0.1
2Q (July – Sept.)	-1.1	-0.4
3Q (Oct. – Dec.)	-0.7	—
4Q (Jan. – Mar.)	-1.4	—

[Since 2011]  
Executed various measures to increase profitability including drastic overhaul of reinsurance and outsourcing




[1Q FY2014]  
Achieved its first quarterly profitability



[FY2015]  
Targeting full-year profitability in FY2015 on an IFRS consolidated base



## The Combined Ratio Continued at Below 100%, and is in a Declining Trend

	FY2013 (%)		1H FY2014 (%)
<b>Combined ratio*1</b>	98.8		<b><u>94.6</u></b>
<b>Net operating expenses ratio*2</b>	26.4		<b>22.8</b>
<b>Net loss ratio*2</b>	72.4		<b>71.8</b>

\*1 Combined ratio: An index reflecting profitability of nonlife insurance companies. The ratio of the sum of insurance premium payment and expense to insurance premium income.

\*2 Net operating expenses ratio (%) = (Operating and general administrative expenses + Agency commission and brokerage) / Net premium Income X 100

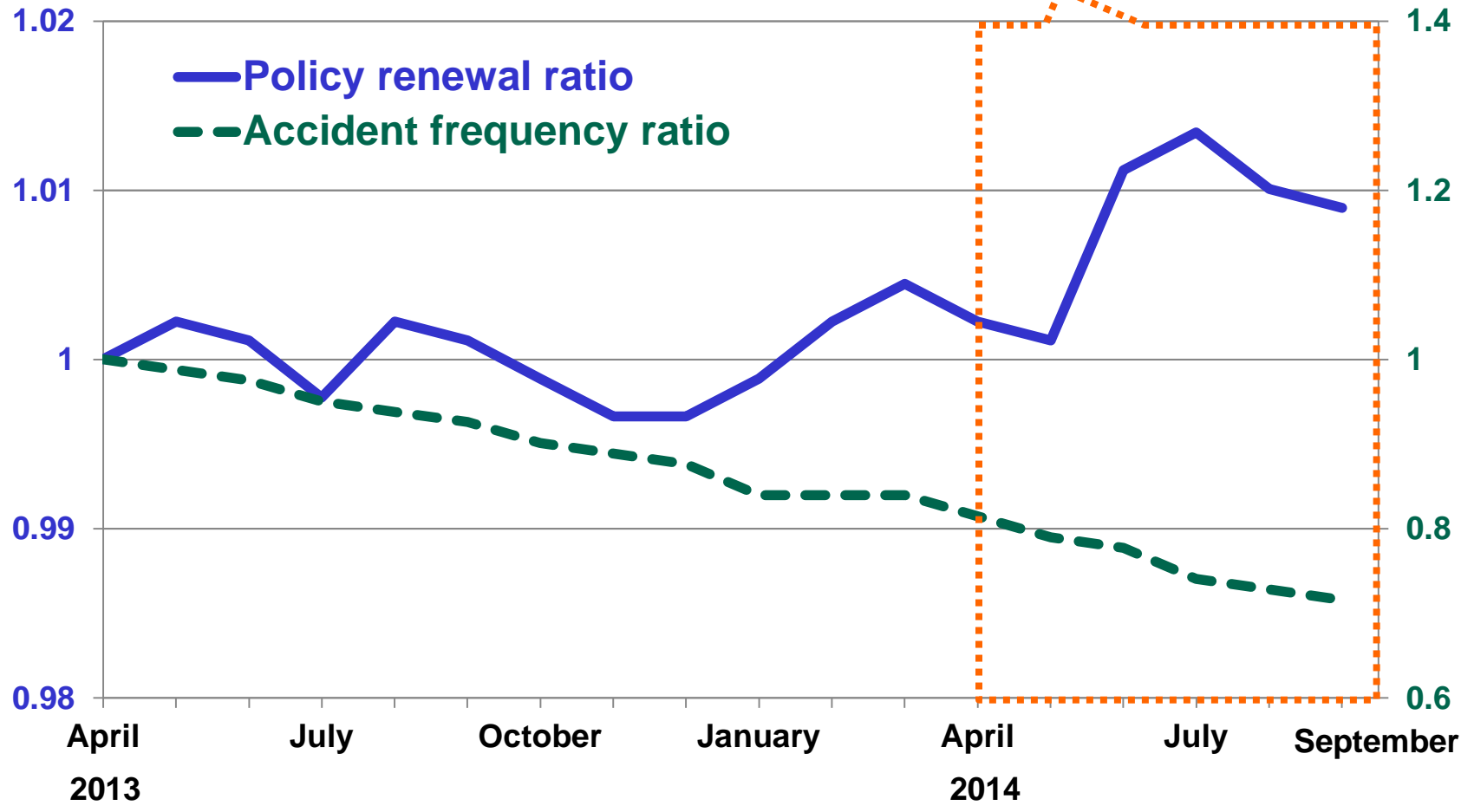
Net loss ratio (%) = (Net claims paid + Loss adjustment expenses) / Net premium Income X 100



# Policy Renewal Ratio Increased and Accident Frequency Ratio Decreased

**SBI Insurance Policy renewal ratio and accident frequency ratio (April 2013 = 1)**

**Both indices improved in 1H FY2014**



\* Policy Renewal Ratio = Number of new policies signed in the current month / Number of policies maturing in the previous month

\* Accident Frequency Ratio = (Number of accident claims received – number of claims waived or indemnified) / Number of vehicles on which premiums were earned

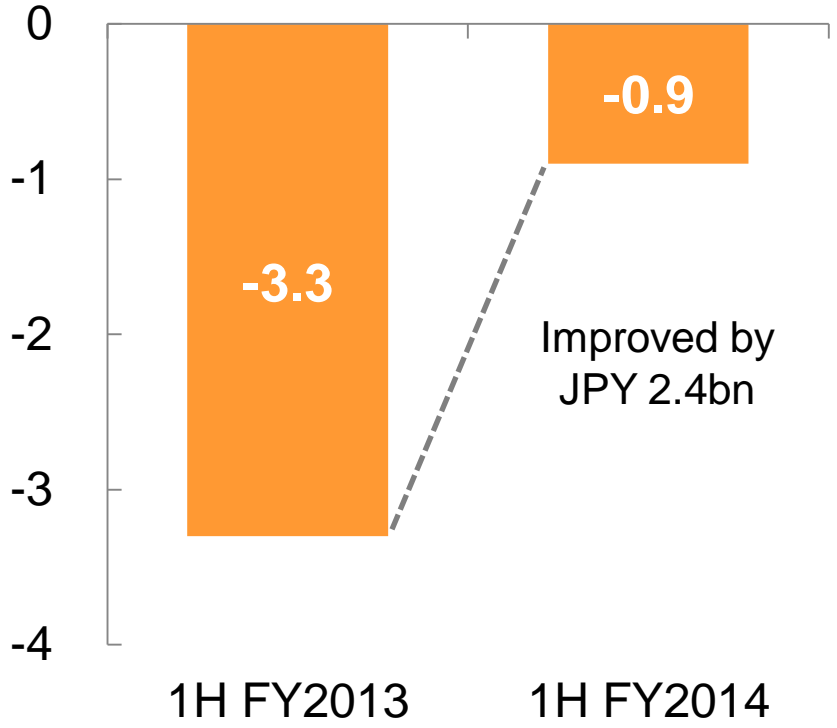


# Further cost reduction and pursuit of synergies at each company resulted in significant improvement in the profitability of the unprofitable companies

Compared to 1H FY2013, the total sum of the loss before income tax expense of the two major unprofitable subsidiaries in the Financial Services Business reduced by JPY 2.4bn.

Change in the total sum of profit/loss before income tax expense of the two major unprofitable subsidiaries (IFRS)

(JPY billion)



Change in the amount of loss at each company

(JPY billion)

	1H FY2013	1H FY2014
SBI Insurance	-1.8	-0.3
SBI Card	-1.5	-0.6

## ② Asset Management Business

# Quarterly Financial Results of the Asset Management Business

(IFRS, JPY billion)

	FY2013				FY2014	
	1Q (Apr. 2013– June 2013)	2Q (July 2013– Sept.2013)	3Q (Oct. 2013– Dec. 2013)	4Q (Jan. 2014– Mar. 2014)	1Q (Apr. 2014– June 2014)	2Q (July 2014– Sept. 2014)
<b>Operating revenue</b>	39.0	10.9	9.1	13.7	9.9	15.2
<b>Profit before income tax expense</b>	21.9	-3.7	-5.3	-4.0	-2.3	1.7
<b>Profit/loss from the change in fair value and profit/loss on sales of investment securities</b>	22.8	-4.8	-5.4	-3.2	-5.6	-0.8
ReproCELL	20.7	-7.7	-2.0	-3.9	0.3	-0.3
Acucela	—	—	—	-1.5	-3.6	-0.9
WH Group	—	—	—	—	—	-2.8
Others	2.1	2.9	-3.4	2.2	-2.3	3.2
<b>SBI Savings Bank</b>	0.8	1.2	1.1	1.0	5.0	2.7
<b>Others</b>	-1.7	-0.1	-1.0	-1.8	-1.7	-0.2

# SBI Savings Bank Recorded Profit Before Income Tax Expense of Approx. JPY 7.7bn, Contributing to the Asset Management Business' Results

## 1H FY2014 Results

(SBIH's consolidated accounts basis; IFRS)

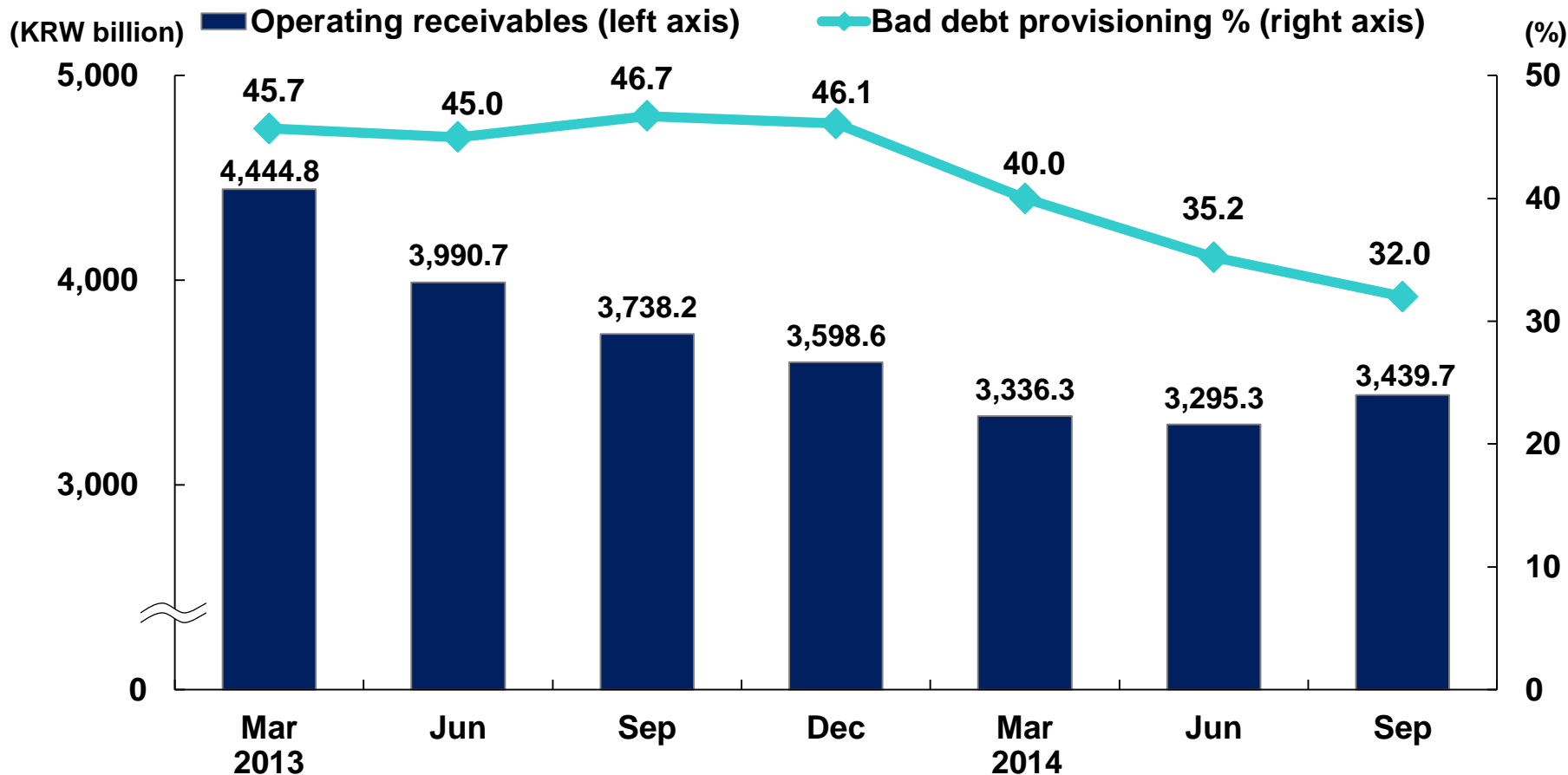
(JPY million)

	1H FY2013	2H FY2013	1H FY2014	YoY % change
Operating revenue	20,065	16,487	18,857	-6.0
Operating income	2,356	2,272	7,933	+236.7
Profit before income tax expense	1,969	2,041	7,659	+289.0

- Steady debt collection continued in a firm real estate market
- Possibility of attaining a quarterly profit in the Oct.-Dec. 2014 period on a K-GAAP basis

# Since Mar. 2013, when SBI Savings Bank was Converted into a Consolidated Subsidiary, Focused Efforts Produced Steady Progress in Restoring the Bank's Soundness

## Operating receivables (based on IFRS)



- ✓ The balance of operating receivables increased
- ✓ Bad debt provisioning ratio declined, as bad debts decreased

## Owing to the Progress in Restructuring, Adopting an Aggressive Management Approach to Strengthening Sales Activities

- ◆ Implemented mergers and integration between SBI Savings Bank, the parent company, and its three affiliated banks, effective Oct. 31, 2014, in order to enhance management efficiency. Additionally, promoting online banking services.
- ◆ Restructuring the branch network with a focus on highly populated areas
- ◆ Continuously introducing new products, to service a broad set of customer needs.
- ◆ Targeting an early stage IPO

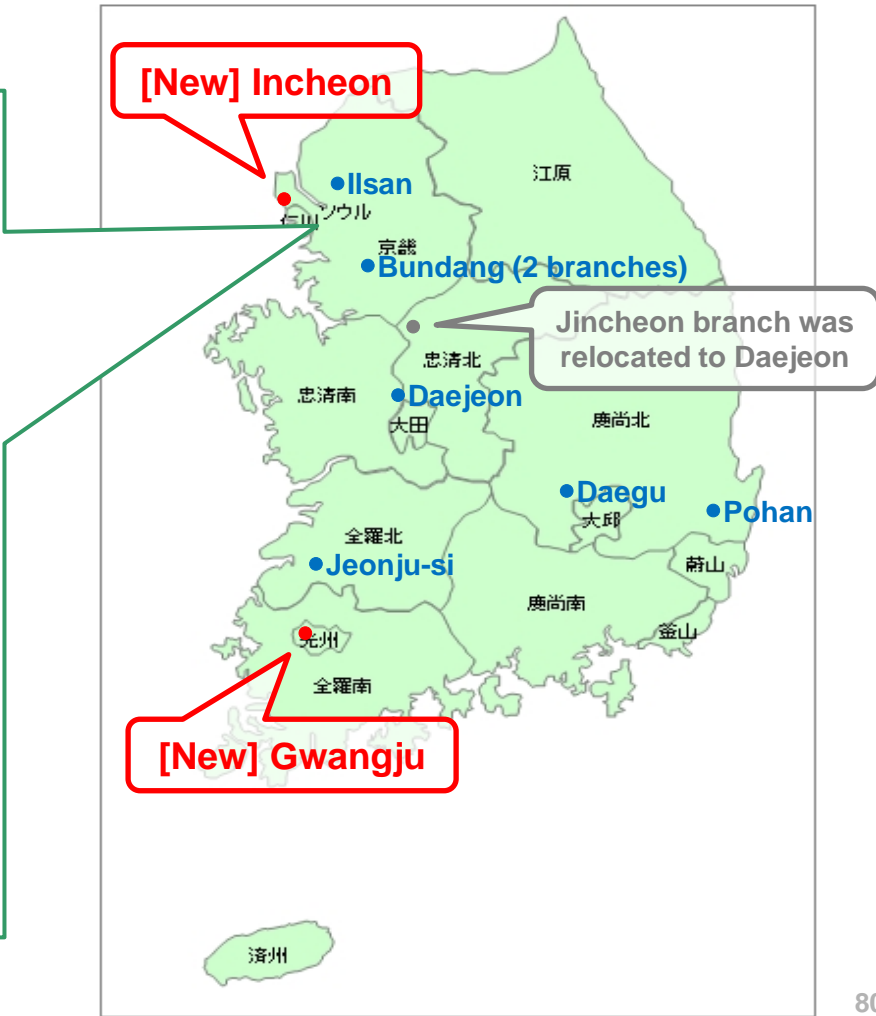


**To become the No. 1 savings bank both in name and actuality**



# Branch Network Restructuring

- Two new branches opened in Nov. 2014, in Incheon and Gwangju
- Subject to approval from relevant authorities, will continue to actively open new branches with a focus on highly populated areas
- Unprofitable branches will be closed or relocated



## ③ Biotechnology-related Business

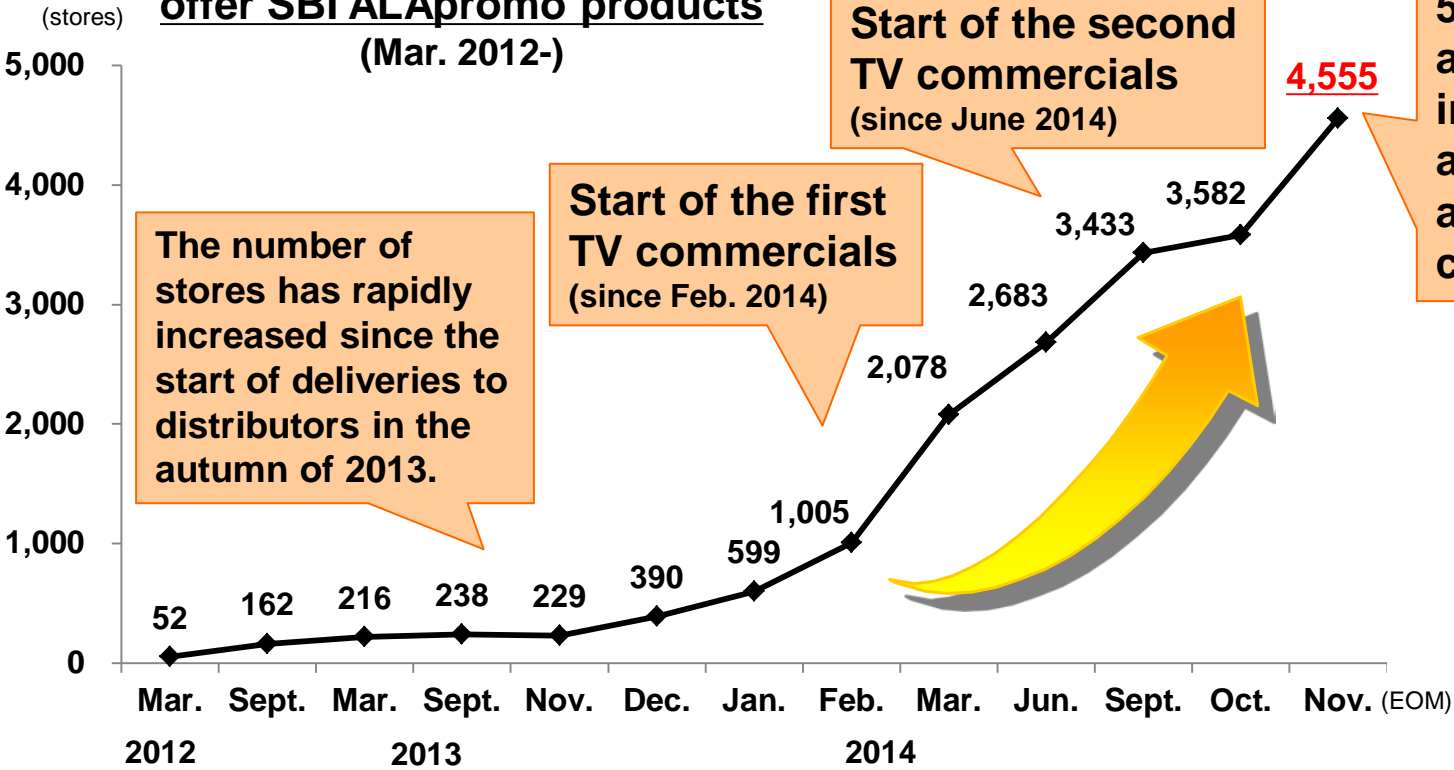
③ Biotechnology-related Business:

# Enhancing Promotion of Health Foods for the Domestic and Overseas Market, to Drive Sales Growth in the 5-ALA Related Businesses (i)

Promotion including TV commercials and POP display at drugstores of the ALAPlus series featuring singer Hiromi Go stepped up

**Consulting pharmacies and drugstores nationwide that offer SBI ALA promo products topped 4,500 stores**

**Change in the number of stores that offer SBI ALA promo products (Mar. 2012-)**



The number of stores has rapidly increased since the start of deliveries to distributors in the autumn of 2013.

Start of the first TV commercials (since Feb. 2014)

Start of the second TV commercials (since June 2014)

Stores that started the introduction of 5-ALA products are rapidly increasing, such as TSURUHA drug, a major drugstore chain (From Nov. 2014)

③ Biotechnology-related Business:

# Enhancing Promotion of Health Foods for the Domestic and Overseas Market, to Drive Sales Growth in the 5-ALA Related Businesses (ii)

## Supplements

### (e.g.) ALAPlus Series



**ALAPIus GOLD**



**ALAPIus**

### ALAPIus Beauty Series



**ALAPIus CoQ10**  
(Containing 5-ALA and CoQ10)



**ALAPIus Biotin**  
(Containing 5-ALA and Biotin)

## Cosmetics

### ALAPIus series



**Essential lotion**



**Moisturizing cream**

A new ALAPIus GOLD product in different potency and a full-body moisturizing cream (planned product name: ALAPi) are being developed, and existing cosmetics are being renewed, with planned further product line enhancement.

## Other companies released products containing SBI Pharmaceuticals' 5-ALA

**Bi Chocola Enrich**  
(Exclusive Supplement for mail-order by Eisai Co., Ltd)



**L'ala Solomon series**  
(Cosmetics)



**Genostyle series**  
(Cosmetics)



**Start sales of health foods containing of 5-ALA at local pharmacies in Bahrain**

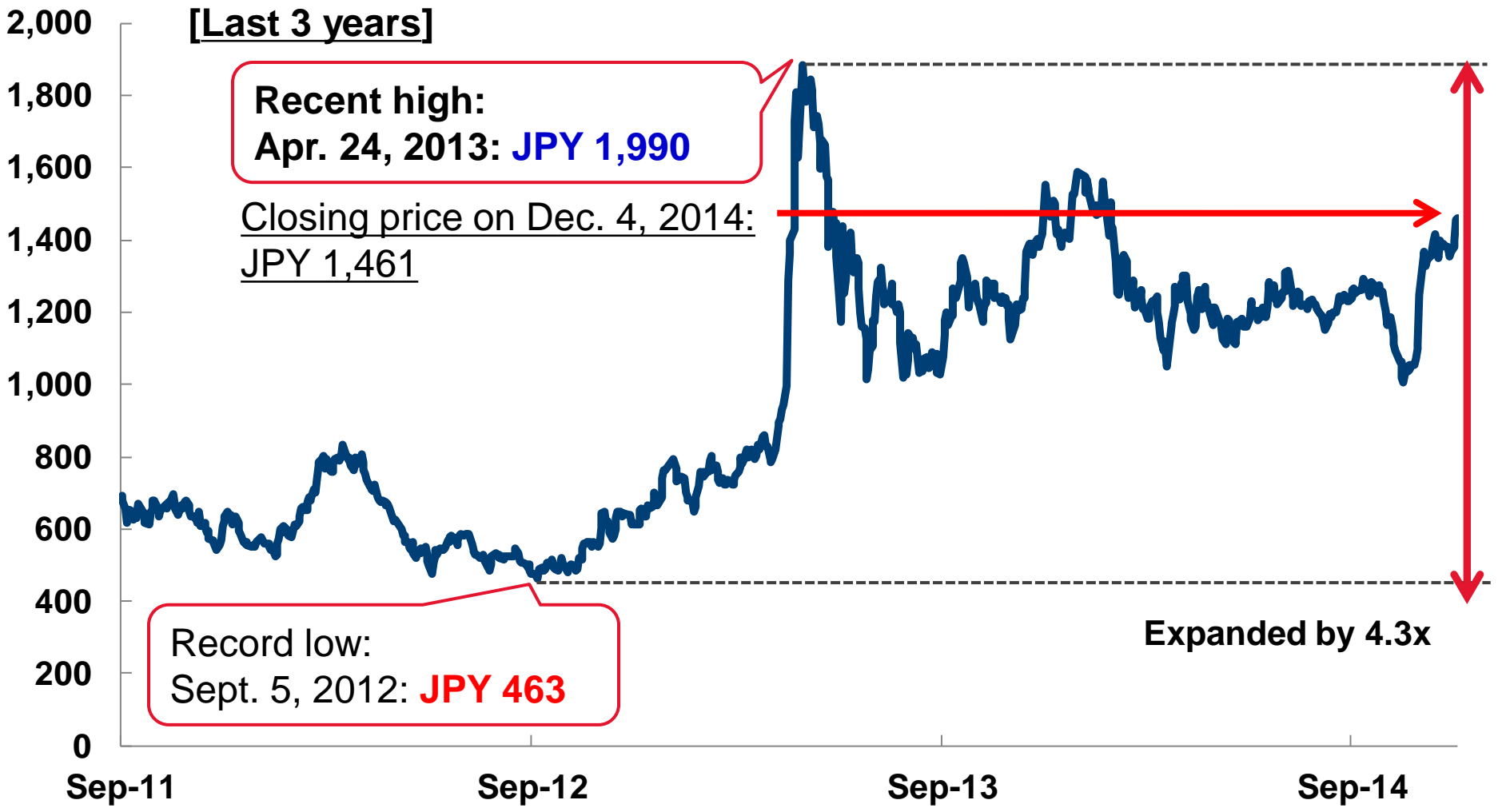
## **2. What are SBI management's numerical targets?**

- (1) SBI Holdings' stock price**
- (2) Prioritized management numerical targets**
- (3) Initiatives to improve the return on equity ratio (ROE)**
- (4) Dividend**



# SBI Holding's Recent Stock Price

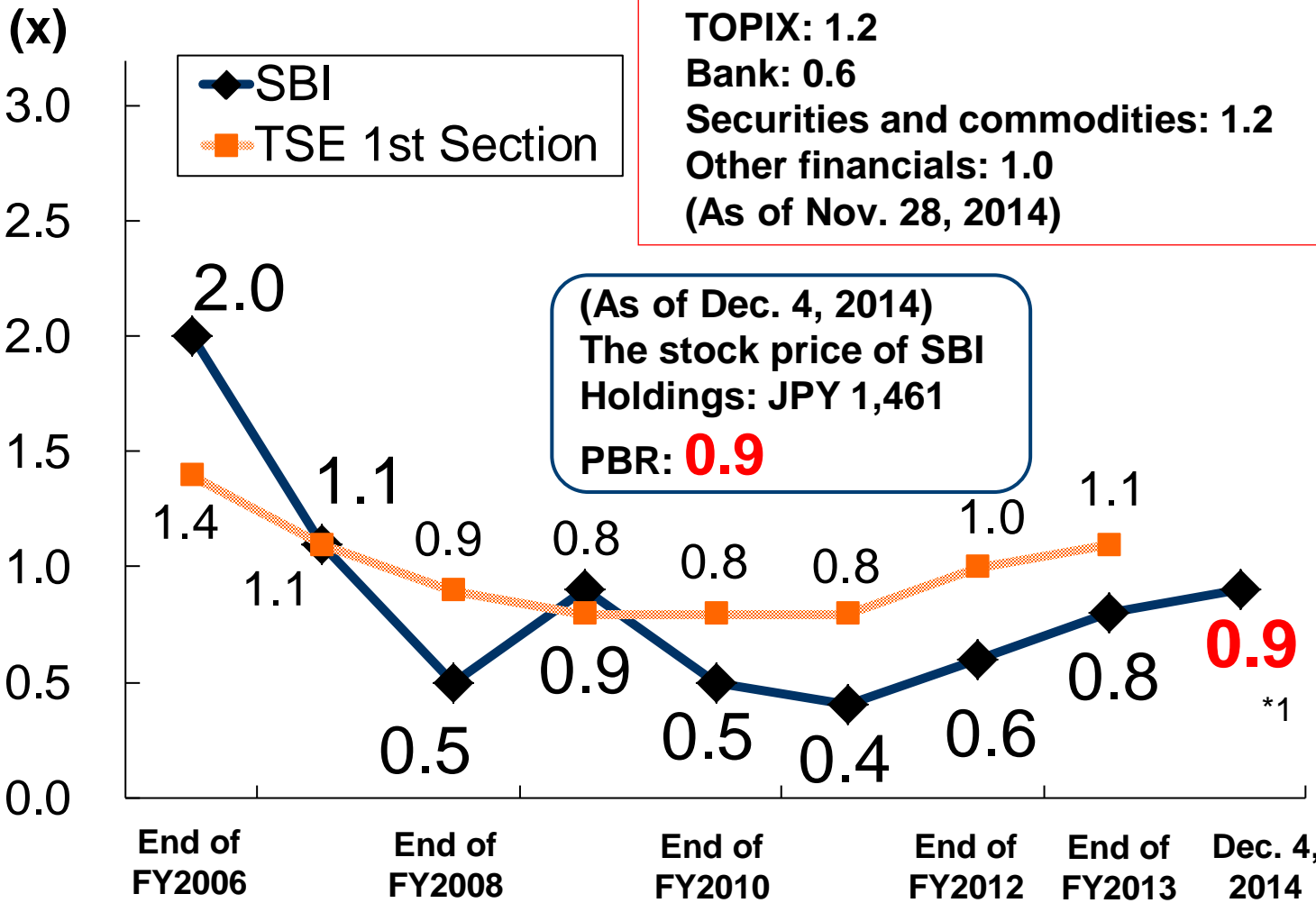
Market cap (based on the closing price on Dec. 4, 2014): **JPY 328.1bn**





# Change in PBR of SBI Holdings

PBR = Closing price at the end of FY / Net assets per share at the end of FY



SBI Holdings' PER based on the EPS of 1H FY2014 is **12.3**<sup>\*2</sup> (As of Dec. 4, 2014)

[Reference]  
SBI Holdings' PER based on forecast EPS

PER:  
**14.9** (Nikkei Kaisha Joho)  
**10.5** (Japanese company handbook)

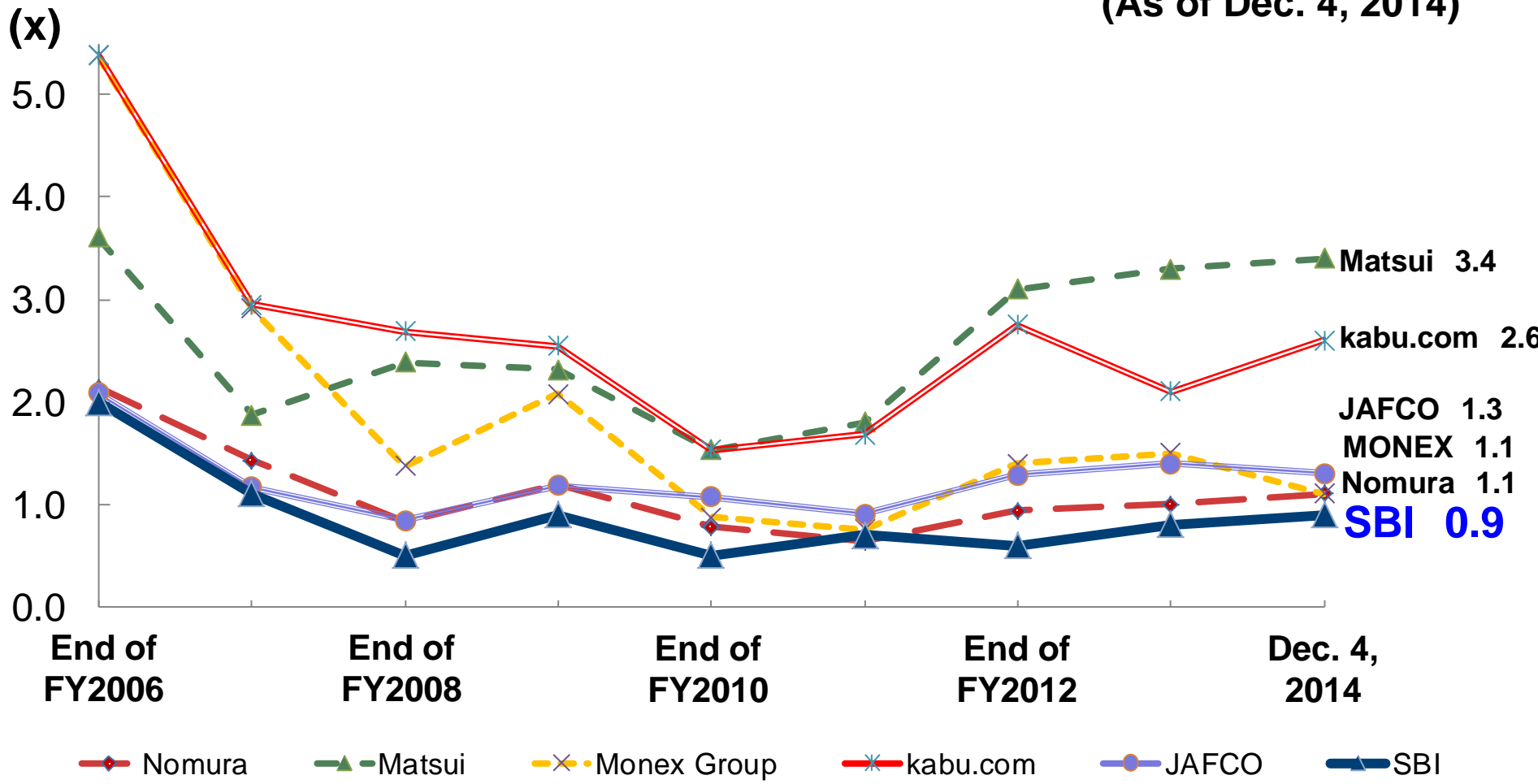
<sup>\*1</sup> PBR of SBI Holdings for Dec. 4, 2014 is calculated based on the BPS of the end of Sept. 2014.  
<sup>\*2</sup> For convenience, EPS of 1H FY2014 (JPY 119.11) is used to calculate SBI Holdings' PER.  
 Note: PBR of SBI Holdings prior to FY2011 is calculated based on J-GAAP BPS.



# PBR Comparison with Competitors

PBR = Closing price at the end of FY / Net assets per share at the end of FY

(As of Dec. 4, 2014)



\*PBR for Dec. 4, 2014 is calculated based on the BPS of the end of Sept. 2014.

\*PBR of Monex and SBI Holdings prior to FY2011 are calculated based on J-GAAP BPS.



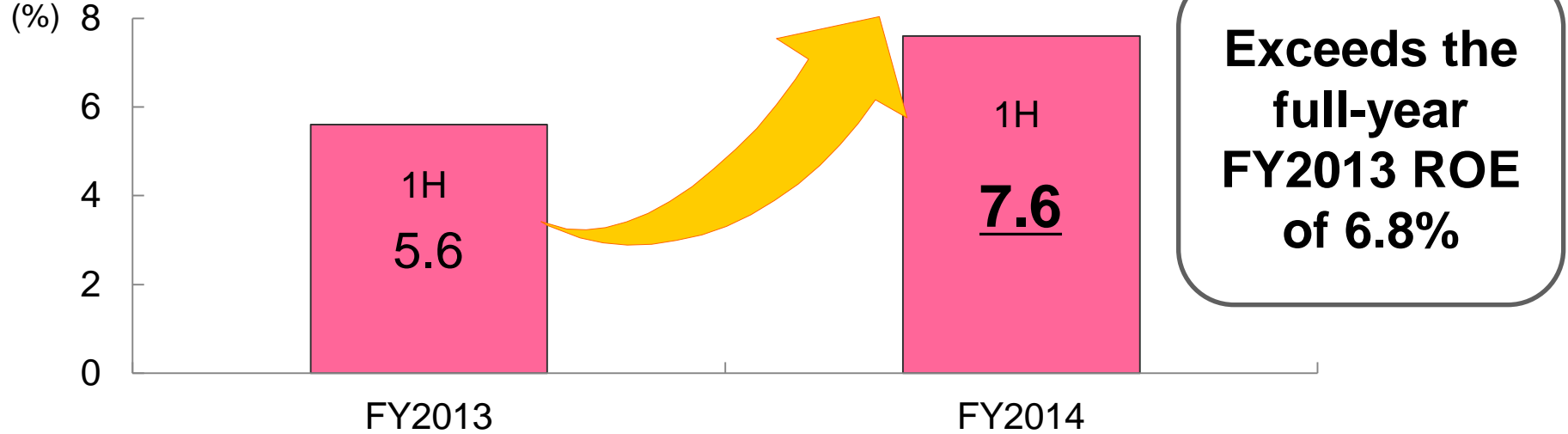
# Endeavoring to Improve ROE

## ROE for 1H FY2014 Already at Levels that Exceed Full-year FY2013 Results

◆ ROE for 1H FY2014:

7.6%

Change in ROE



**First target a 10% ROE, and then endeavor further improvement**

### Pre-Lehman Shock ROE Levels

- ◆ Average for FY2003 to FY2006: **20.7%**
- ◆ Peak during the period (FY2004): **29.0%**

## Stock Market Increasingly Preoccupied with Returns on Equity (ROE)

### Growing interest among institutional investors

*“ROE is one of the most important investment indicators for foreign institutional investors ...(Abbrev)... Of the more than JPY 15tn that has poured into Japanese stocks since the start of the Abenomics market, around JPY 10tn has been invested in high-ROE stocks.”*

*“In fiscal 2013, the average ROE of stocks listed on the first section of the Tokyo Stock Exchange was around 8.6%. ROE rose by just over 3 points compared with fiscal 2012 but was still low compared with averages of around 15% for European companies and 20% for U.S. companies.”*

Newspaper article

(The evening edition of The Nikkei on Nov. 25, 2014)

Newspaper article

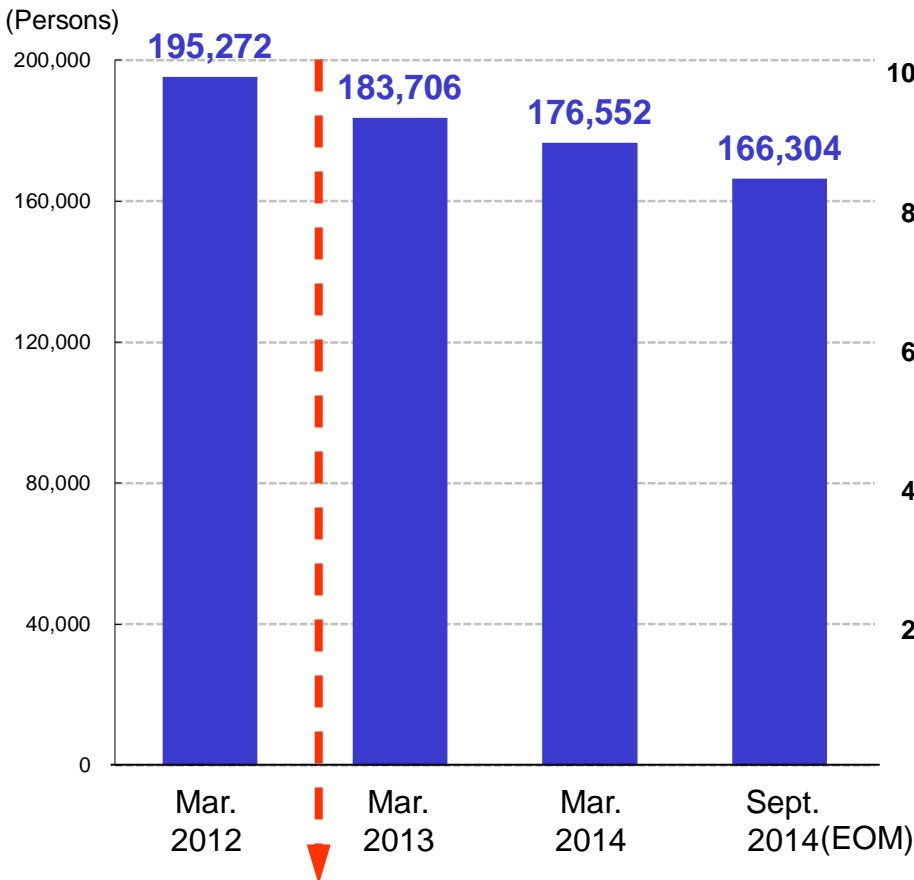
(The evening edition of The Nikkei on Nov. 26, 2014)

# SBI Holdings' Shareholder Composition

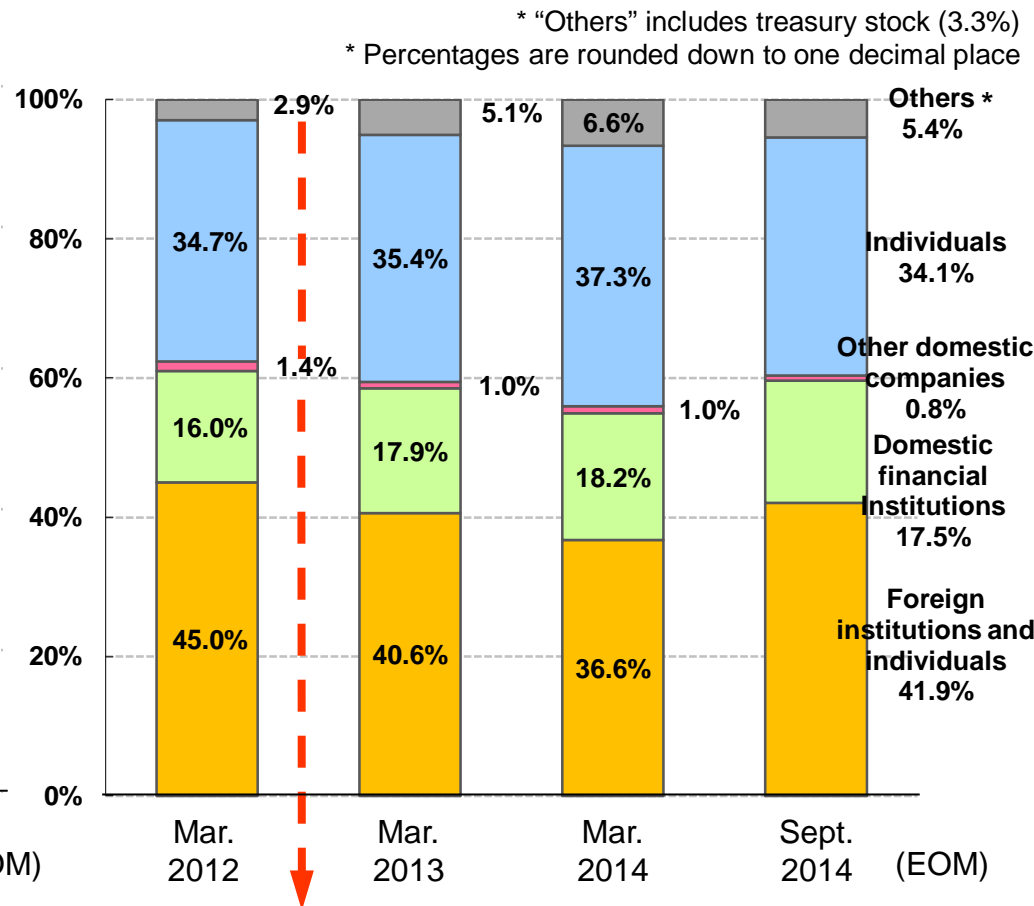


- Foreign investors have held about 40% of the shares.
- Adopted a share unit system, and set the share unit number as 100 shares as of Oct. 2012, and consequently minority shareholders have decreased.

## Number of Shareholders



## Shareholder Composition

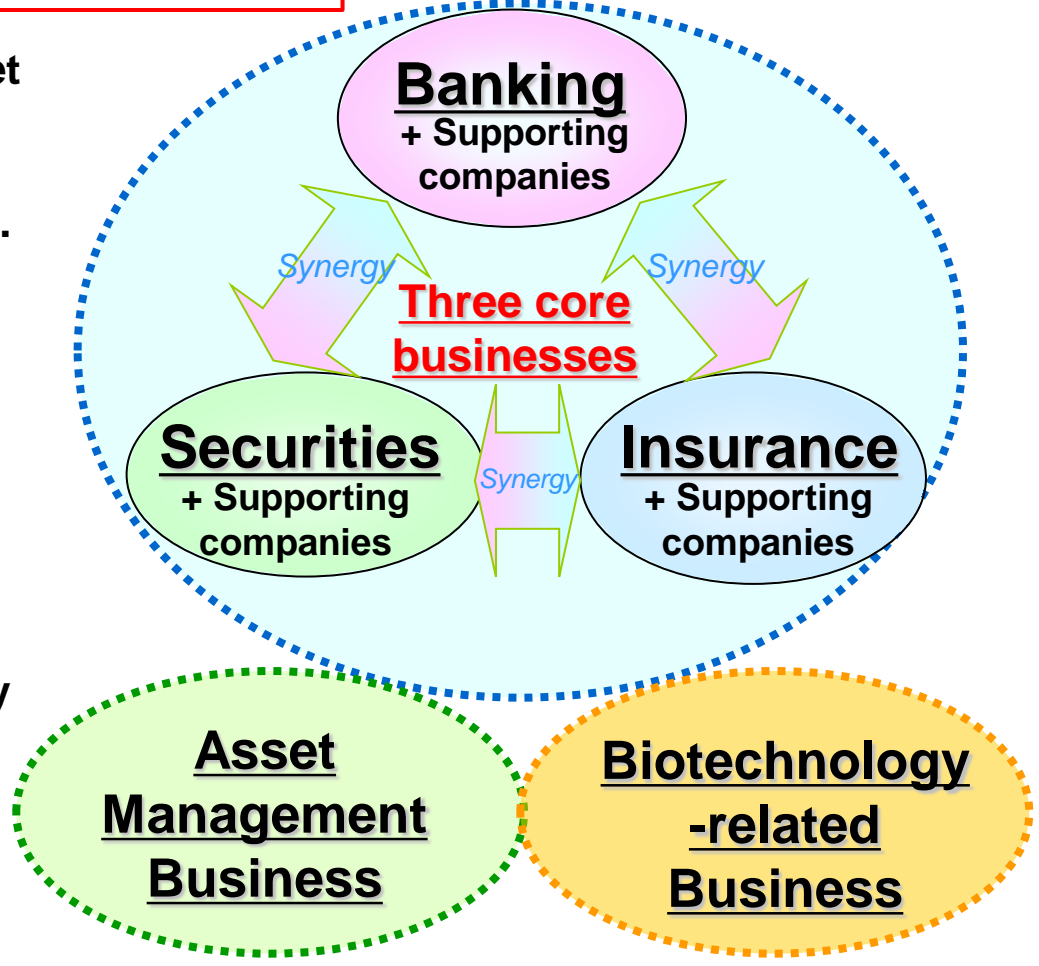


**On Oct. 1, 2012, conducted a 10-for-1 stock split, and adopted a share unit system.**

# Promotion of Business “Selection and Concentration”

## Basic "Selection and Concentration" policy

- The Financial Services Business, Asset Management Business and Biotechnology-related Business are defined as the three major businesses. As a general rule, regardless of their profitability, businesses and companies involved in other fields should be sold, integrated with other Group companies, or IPO'd.
- Basic “Selection and Concentration” policy for the Financial Services Business is based on whether a business provides meaningful synergy with one of the core businesses of securities, banking or insurance.
- Overlapping businesses will generally be consolidated



Further pursue business “Selection and Concentration” through EXITs of investee companies that are currently consolidated subsidiaries

## Generation of Cash Flow and Strengthening of the Financial Base

To maximize cash flow, the sale, IPO and integration with other Group companies of the non-core businesses will be prioritized

IPOs will be implemented after value is maximally increased, through measures including reorganizations within the Group

Generated cash will be appropriated to strengthen businesses with high return on invested capital, and to improve various financial ratios

### Endeavoring to Improve ROE

Share repurchases will also be considered appropriately

## Examples of Generating Cash Flow through “Selection and Concentration” (i)

- ① Selling subsidiaries that are not expected to generate meaningful synergies with one of the three core businesses

**Principal examples**

- SBI VeriTrans (currently VeriTrans), Wall Street Journal Japan and SBI Capital Solutions
- In Aug. 2014, sold SBI Mortgage which is listed on KOSPI Market in South Korea



Recovered more than JPY 36.0bn, on a total basis, since Mar. 2012

- ② Listing subsidiaries, on either the domestic or foreign markets, deemed not synergistic with one of the three core businesses

- SBI AXES (SBI Group's share: 75.0%)

\* SBI's shareholding percentage corresponds to a total percentage based on the IFRS criteria for subsidiary companies and subsidiary funds of the Group.

- ③ Reorganizations within the Group to manage businesses that have strong business relevancy

**Principal examples**

- Implementing reorganization of the face-to-face sales business of SBI SECURITIES, with SBI MONEY PLAZA as the managing entity
- Morningstar Japan absorbed both SBI Searchina and SBI Asset Management as its subsidiaries

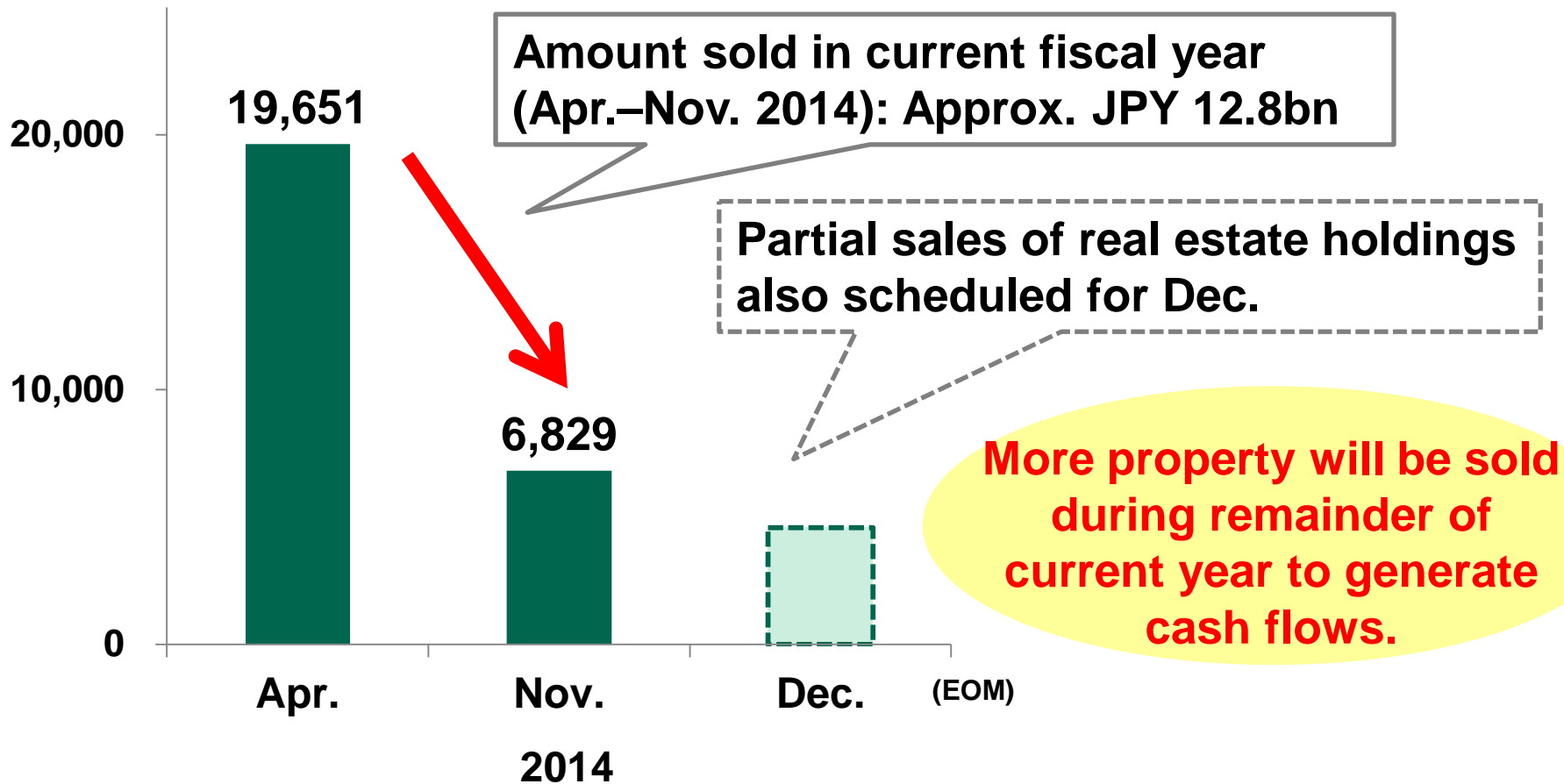
# Examples of Generating Cash Flow through “Selection and Concentration”( ii )

## ④ Sale of real estate holdings

### Change in real estate holdings

(From April, 2014)

(JPY million)



## **Outlook of the Group's Principal Businesses during and after 2H FY2014**

- ① SBI SECURITIES**
- ② SBI Japannext**
- ③ SBI Liquidity Market, SBI FXTRADE**
- ④ SBI Sumishin Net Bank**
- ⑤ SBI Insurance**
- ⑥ SBI MONEY PLAZA**
- ⑦ Asset Management Business**
- ⑧ SBI Savings Bank**

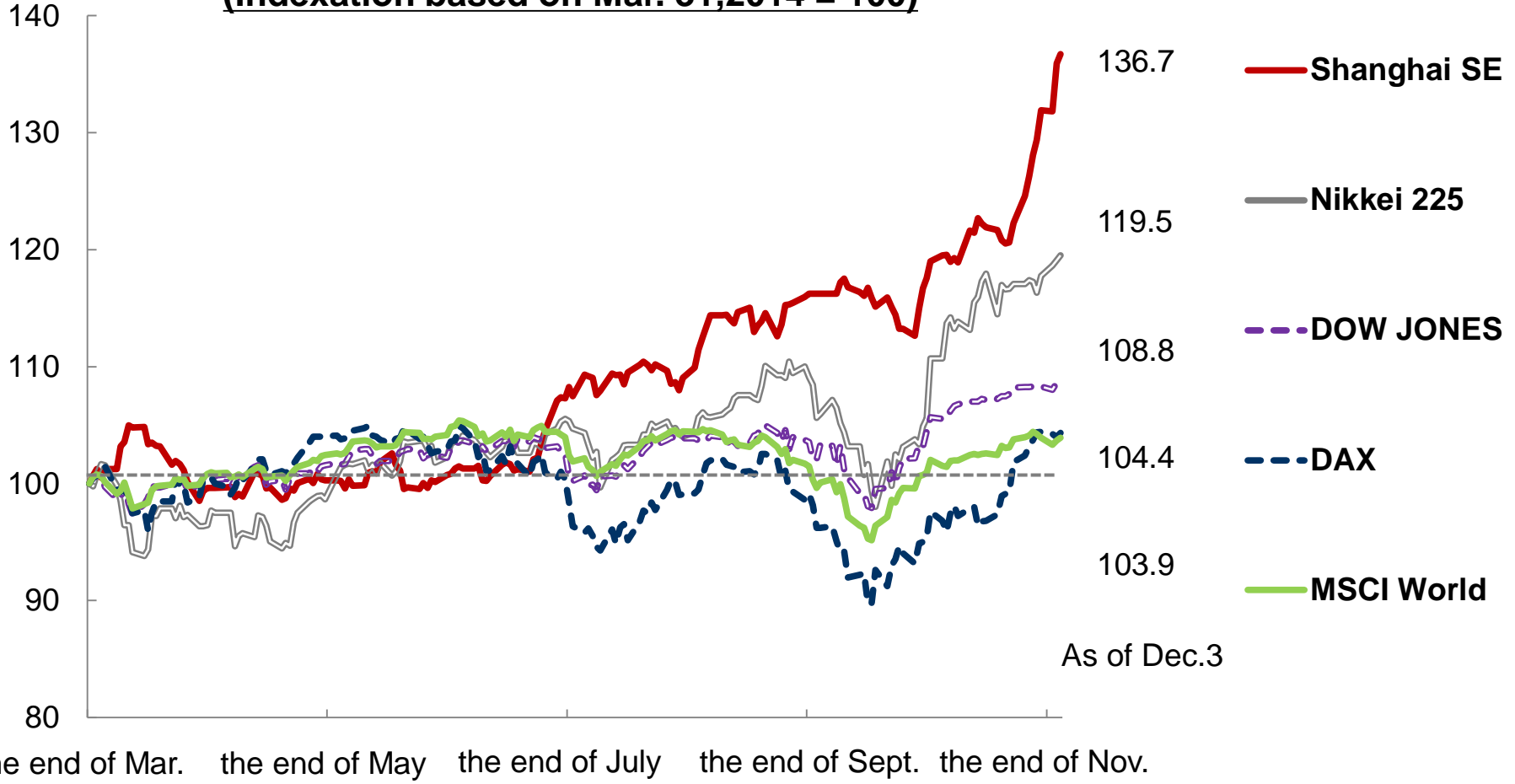




# Various Countries' Stock Indices Remain Robust in FY2014

Despite the actualization of geopolitical risks and the spread of Ebola Hemorrhagic Fever, various countries' stock indices have remained robust.

Change in major stock indices  
(Indexation based on Mar. 31, 2014 = 100)



## Chinese Zodiacal Characteristics of 2014 (Wood/Horse)

—From the SBI Group’s New Year Message (Jan. 6, 2014)—  
I would like to highlight three factors that are likely to be important in 2014, based on historical events in previous Wood/Horse years. First, as I have already mentioned, Wood/Horse years have tended to be years of global conflict, discord and war. These are not peaceful years. (Abbrev) Second, Wood/Horse years seem to have close links to nuclear technology and nuclear power. (Abbrev) Third, in the last Wood/Horse year, which was 60 years ago in 1954, the U.S. Dow reached 382.74 points, its highest level since the Great Crash of 1929. The Japanese and U.S. stock markets are both expected to surge and strengthen again this year.

—New Publication—

*Kyoun wo Tsukuru Kanshi no Chie* (Building Good Fortune through Knowledge of the Sexagenary Cycle) (to be published by Chichi Publication, mid-December, 2014)

The Sexagenary Cycle consists of 10 “Heavenly Stems” and 12 “Earthly Branches.” These are interpreted based on the meanings of the characters, historical records and other factors to reveal insights about changing trends.

## Key Points for 2H FY2014 Onwards ①: BOJ's Additional Monetary Easing

Newspaper article

“The consensus view in the market is that the trends toward higher stock prices, a weaker yen and rising bond prices will continue. Most observers expect the Nikkei average to rise to between JPY 17,500 and JPY 18,000 by the end of the fiscal year.

Of particular interest to the market is the Bank of Japan's policy of increasing ETF purchases to JPY 3tn per year. This is underpinning supply and demand and will tend to strengthen buyer confidence.”

Nikkei Veritas on Nov. 2, 2014

### Bank of Japan's asset purchase amount

	First easing (announced on Apr. 4, 2013)	Additional easing (announced on Oct. 31, 2014)
JGB	JPY 50tn / year	JPY 80tn / year
ETF	JPY 1tn / year	<b><u>JPY 3tn / year</u></b>
J-REIT	JPY 30bn / year	JPY 90bn / year

# Key Points for 2H FY2014 Onwards ②: Change in Portfolio Allocation of Government Pension Investment Fund (GPIF)

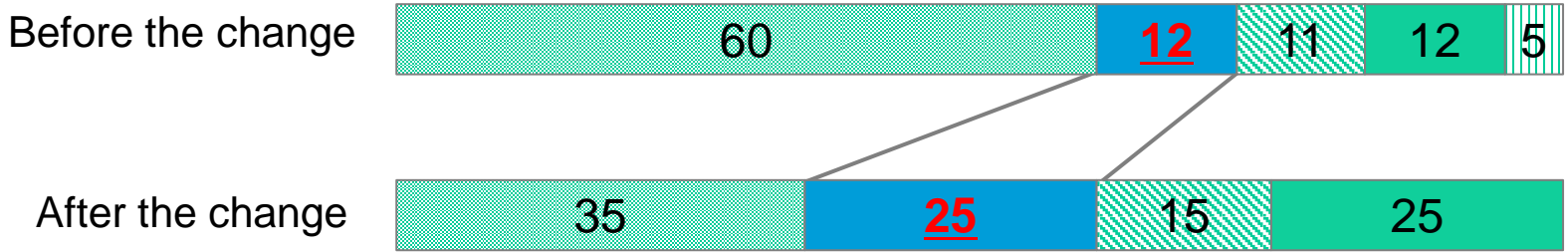
Newspaper article

“The GPIF is gradually increasing the percentage of Japanese stocks in its portfolio, and the weighting will reach over 17% by the end of June. If the percentage of Japanese stocks rises to 25%, the resulting purchases over the next few years will amount to an estimated JPY 6–7tn, although this will also depend on future price trends. The amount of purchasing could increase still further if other organizations, such as the Federation of National Public Service Personnel Mutual Aid Associations, follow suit.”

Nikkei Veritas on Nov. 2, 2014

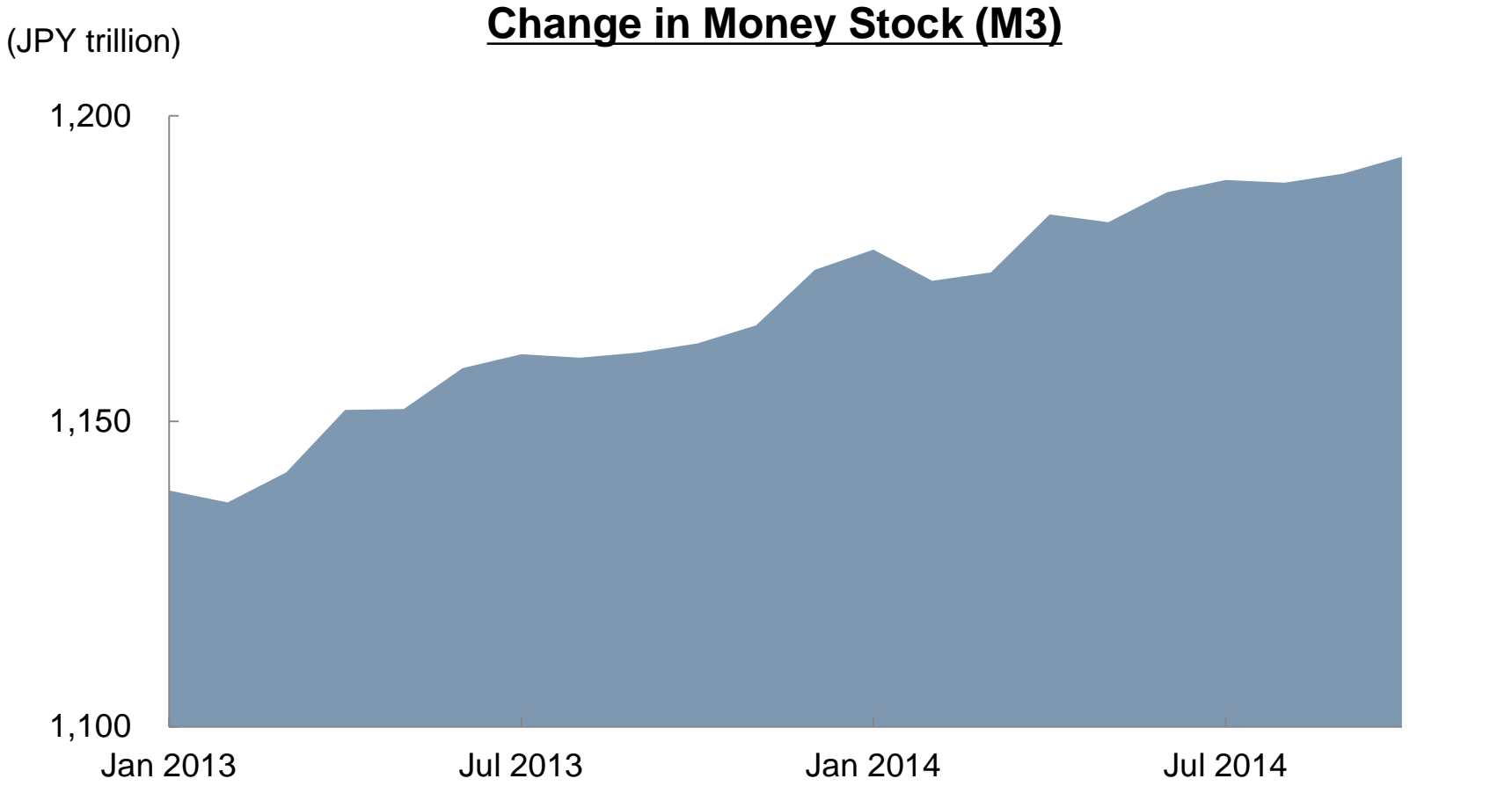
## Basic asset portfolio of GPIF (changed on Oct. 31, 2014)

- Domestic bonds
- Domestic stocks
- Foreign bonds
- Foreign stocks
- Short-term assets



# Key Points for 2H FY2014 Onwards ③: Increase in Money Stock

**Zero-interest rate policy and quantitative easing by BOJ have continuously increased the Money Stock, the total amount of money in Japan. It is expected that additional quantitative easing will lead to the yen's depreciation and higher stock prices.**



## Key Points for 2H FY2014 Onwards ④: Monetary Policies of Each Country

### U.S.

**The Quantitative Easing program 3 (QE3) ended in Oct. 2014.**  
The “normalization” of monetary policy, or the raising of the Federal Funds Rate, is expected to be done carefully while considering the impact on the world economy.

### China

Owing to the economic slowdown, the People's Bank of China conducted its first interest rate cut **in two years and four months.**

### EU


**ECB adopted negative interest rates for the first time among major central banks in June 2014.** It is predicted that the ECB may introduce quantitative easing in the near future.

### South Korea


**The Bank of Korea cut its key interest rate to a record-equaling low of 2.0%.** Monetary easing in Japan, China and EU is putting further pressure for interest rate cuts.

***“I wish to ask for the decision of the public regarding the point that we should postpone the raising of the consumption tax rate by 18 months and raise it to 10% without fail in Apr. 2017, and also regarding whether or not the economic policies and Growth Strategy we have been pursuing should be advanced further.”***

Prime minister, Shinzo Abe at a press conference on Nov. 18



**The Growth Strategy, which includes structural reform and deregulation, is a key point of the election, as well as the postponement of the consumption tax hike.**



**Another key point is whether the election will result in a political structure that is capable of easily implementing a growth strategy.**

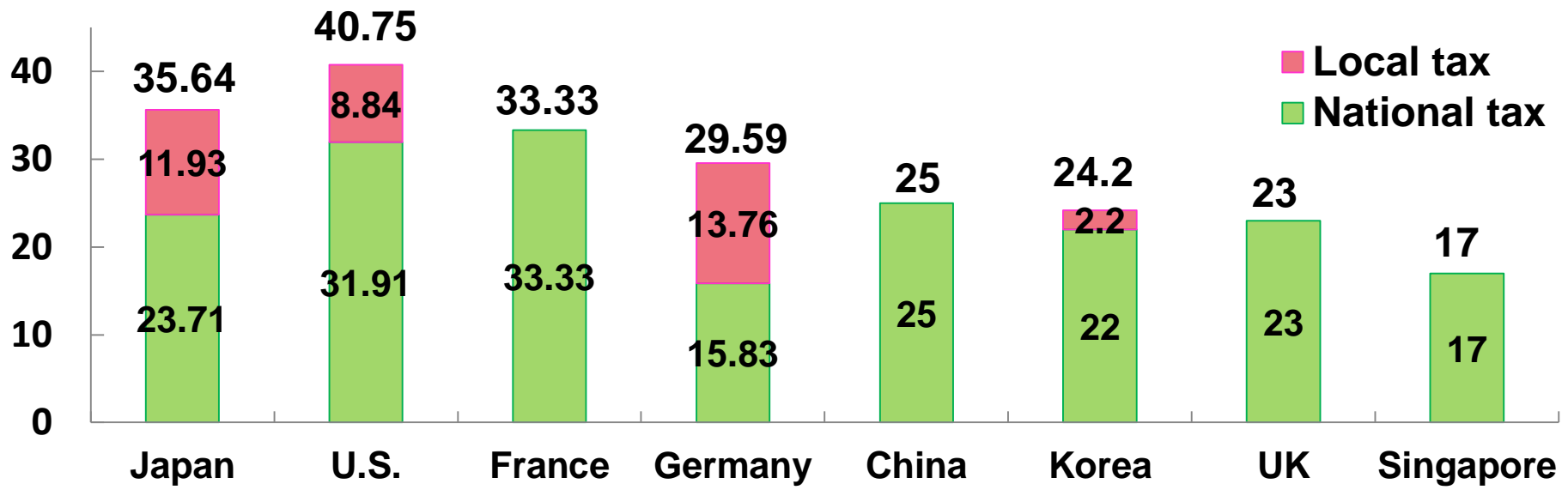
# Key Points for 2H FY2014 Onwards ⑥: Corporate Tax Cut

**Basic Policies for Economic and Fiscal Management (“big-boned policy”)** included a policy of lowering the effective corporate tax rate to less than 30% in stages from FY2015.



**The corporate tax cut continued to be included in the Liberal Democratic Party’s election pledge released on Nov. 25.**

Effective corporate tax rate comparison among countries



\* The figures of Japan, the U.S., Germany and Korea are based on those of Tokyo, California, a German average and Seoul, respectively.

\*Source: Ministry of Finance Japan (As of the end of Mar. 2014)



# Succeeded at Attaining New Customers through NISA

	End of Mar. 2014	End of Sept. 2014
Number of NISA accounts	approx. 410,000	<u>approx. 510,000</u>
Deposits	JPY 77,531m	<u>JPY 136,413m</u>

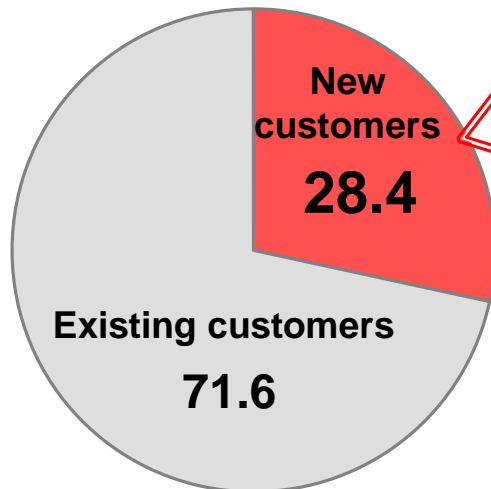
[Number of accounts of peers] (as of Sept. 30, 2014)

- ◆ Matsui 75,826
- ◆ kabu.com 84,852

SBI SECURITIES has approx. 550,000 accounts, and deposits of JPY 163.0bn (as of the end of Nov. 2014)

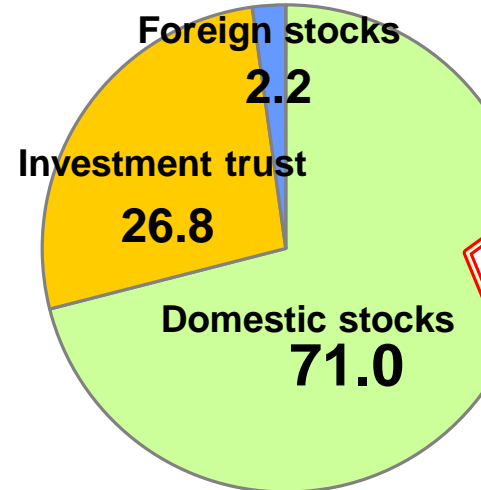
Usage situation of SBI SECURITIES' NISA accounts (as of the end of Sept. 2014)

## Breakdown by customer (%)



Over 28% of customers opening NISA accounts are new customers, and among those, 66.5% are beginner investors

## Breakdown by product (%)



Of the entire deposits in the NISA account, 71% consists of domestic stocks and 27% consists of investment trusts

- Persons age 20 to 49 make up 58.7% of customers opening NISA accounts (Among the major 10 securities companies, nearly 60% is over age 60 \*)
- Active account ratio of 50.2% (Among the major 10 securities companies, the ratio is 29%\*)

# Further Efforts to Acquire New Customers

## Services Designed to Attract More NISA Customers

First-ever in major online securities companies!

Support for prearranged transfers of NISA accounts from other financial institutions\*1

**SBI SECURITIES first to accept applications for a service sought by many customers**

\*1 At present, a NISA account cannot be moved to a different financial institution once it has been opened. However, a change to the tax system in 2014 will allow a NISA account to be moved to a different financial institution in one-year units during the term for which the account was established, subject to certain conditions and the completion of the required procedures (from Jan. 2015).

\*2 The claim that SBI SECURITIES is the first in the industry to offer this service is based on research carried out on Nov. 7, 2014.

**IR bus tour roadshow for female investors, where they visited and learned about the TSE and 8 start-up companies**

—Initiative to raise interest in the stock market and expand the investor base—

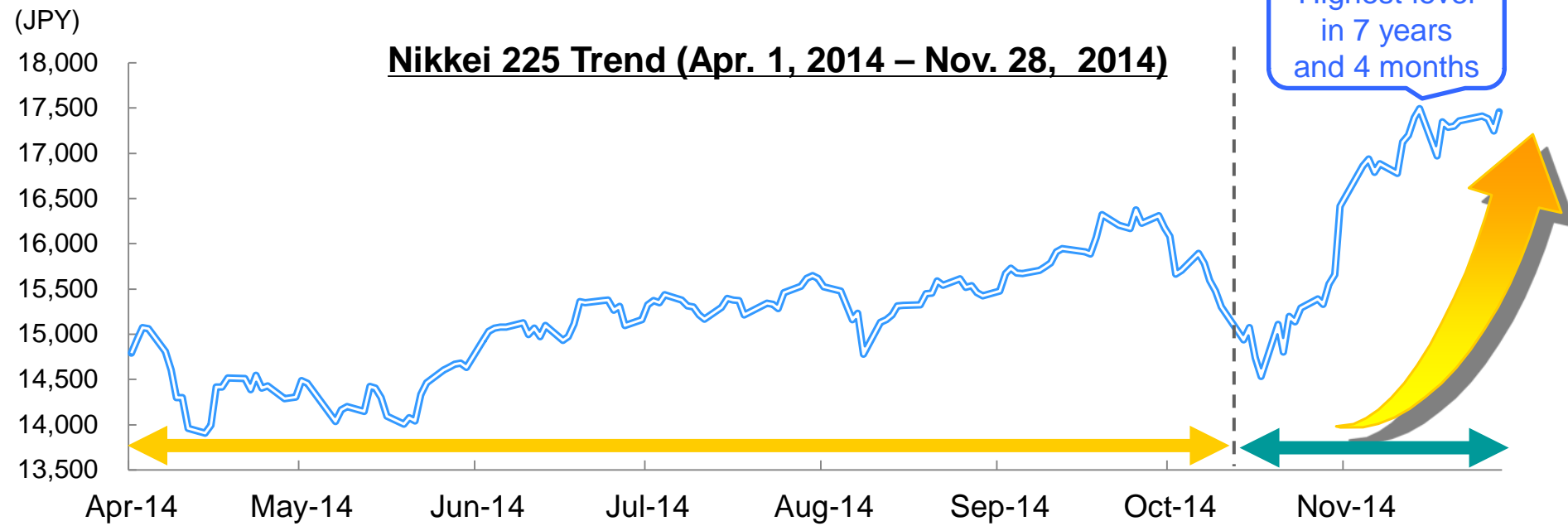


**Coverage in newspapers and news programs such as *World Business Satellite***



① SBI SECURITIES:

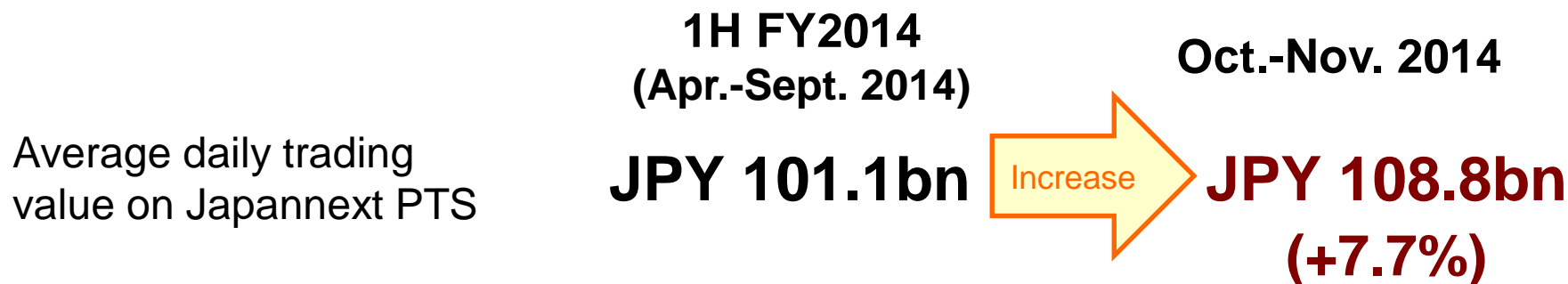
# Increase in Trading Volume Accompanied by Volatility Contributes to a Rise in the Income of the Securities Business



	<b>Monthly average of 1Q FY2014</b>	<b>Monthly average of 2Q FY2014</b>	<b>Monthly average of Oct.-Nov. 2014</b>
<b>Operating income</b>	<b>JPY 2.2bn</b>	<b>JPY 2.8bn</b>	<b>JPY 3.1bn *</b>
	<b>1H FY2014</b>	<b>Oct.-Nov. 2014</b>	
<b>SBI SECURITIES' average daily trading value</b>	<b>JPY 396.4bn</b>	<b>JPY 486.0bn (+22.6%)</b>	<p>[Daily trading value]</p> <p>Oct. 31: JPY 737.7bn</p> <p>Nov. 4: JPY 827.1bn</p> <p>Nov. 5: JPY 584.8bn</p>

\* Monthly average operating income for Oct.-Nov. 2014 is calculated from the actual figures of Oct., and preliminary figures of Nov. 106

## Trading Volume Surged, Owing to the Increased Volatility of the Stock Market



[Daily trading value during the booming stock market period]

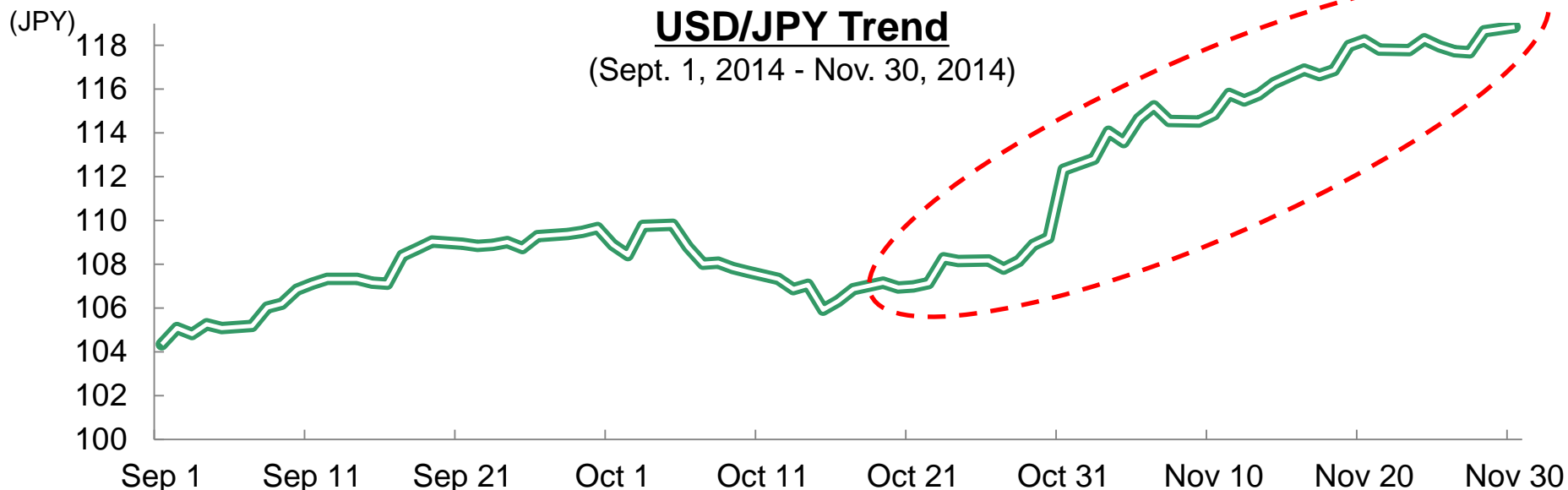
■ Oct. 31, 2014	<b>JPY 182.2bn</b>
■ Nov. 4, 2014	<b>JPY 181.6bn</b>
■ Nov. 5, 2014	<b>JPY 143.0bn</b>

Recorded monthly operating income in Oct.-Nov. 2014 of approx. JPY 0.1bn, an increase of approx. 3%, compared to the monthly operating income of 1H FY2015

\* Trading value is based on “single count” and the monthly operating income of Oct.-Nov. 2014 is calculated from the actual figure of Oct. and preliminary figure of Nov. based on J-GAAP.

# Foreign Exchange Market Significantly Fluctuated Due to BOJ's Additional Monetary Easing

## ■ SBI Liquidity Market / SBI FXTRADE



- ◆ In Oct. 2014, SBI LM achieved a record high single month revenue since its establishment, of approx. JPY 1.4bn in operating revenue, and recorded operating income before allocation of approx. JPY 1.2bn.
- ◆ Based on the allocated operating income, SBI FXT recorded a record high single month operating income of approx. JPY 0.2bn.

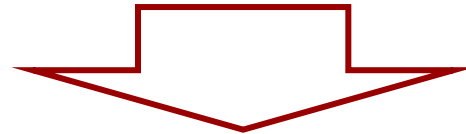
\* Based on J-GAAP

## Deposits Increased with the Increase in SBI Hybrid Deposits

**Number of accounts: 2,169,686 / Deposits: JPY 3,554.8bn**  
(as of the end of Nov. 2014)

Deposits increased from the end of Sept. 2014, owing to an increase in SBI Hybrid Deposits that exert synergies with SBI SECURITIES, with the backdrop of the buoyant stock market conditions during and after Oct.

Loans, primarily housing loans, are steadily increasing, as cumulative total of housing loans exceeded JPY 2tn at the end of Oct. 2014, after 7 years and a month since its launch



**Monthly ordinary income for Oct. 2014** (non-consolidated, based on J-GAAP), which significantly exceeded the bank's target, demonstrated a strong performance

# In Addition to the Expanding Auto Insurance Business, Cancer Insurance is also Growing

## [Auto insurance]

During and after Oct., the number of auto insurance contracts steadily increased, and reached approx. 700,000

Number of contracts:  
(as of the end of Oct. 2014)

**approx. 700,000**

(Written Basis\*1)

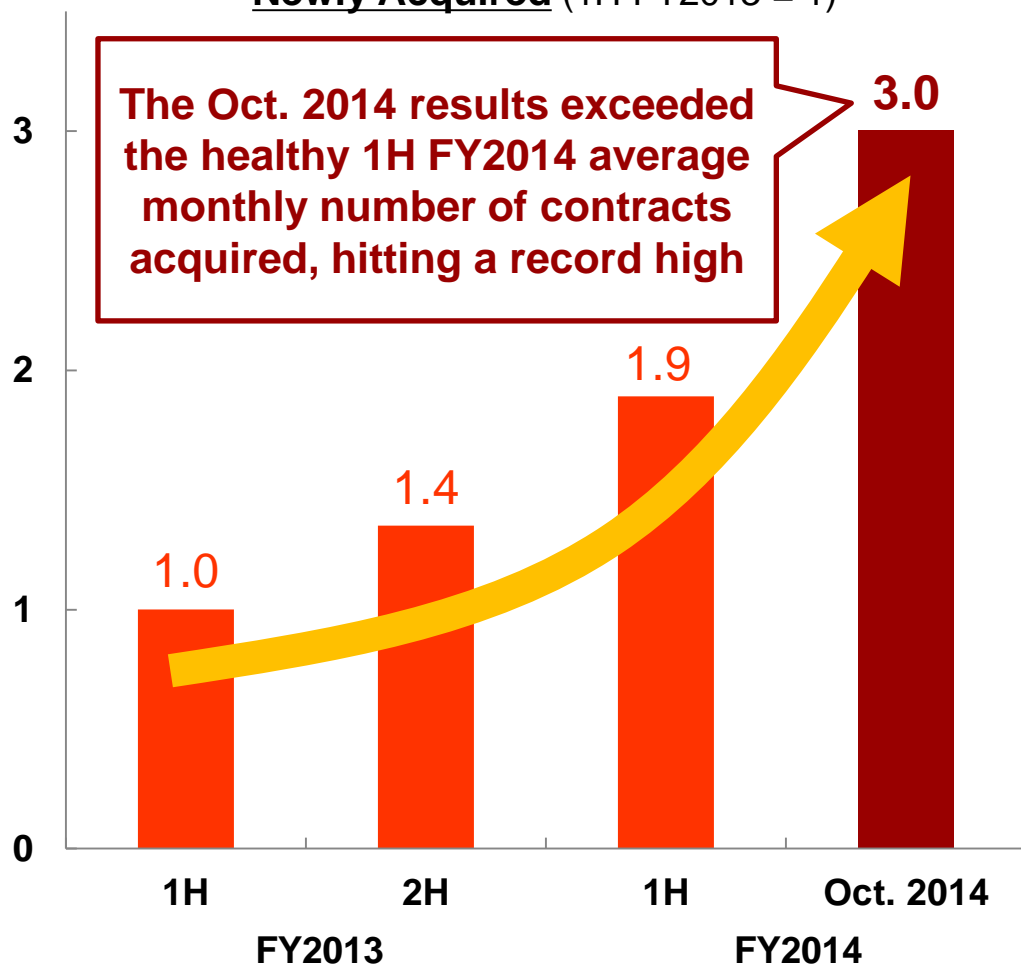
Insurance premium income:  
(Apr.-Oct. 2014 period)

**JPY 14,907m**

\*1 Written basis: completion of receipt of insurance premium, excluding continuing contracts, expired continuing contracts and cancelled contracts.

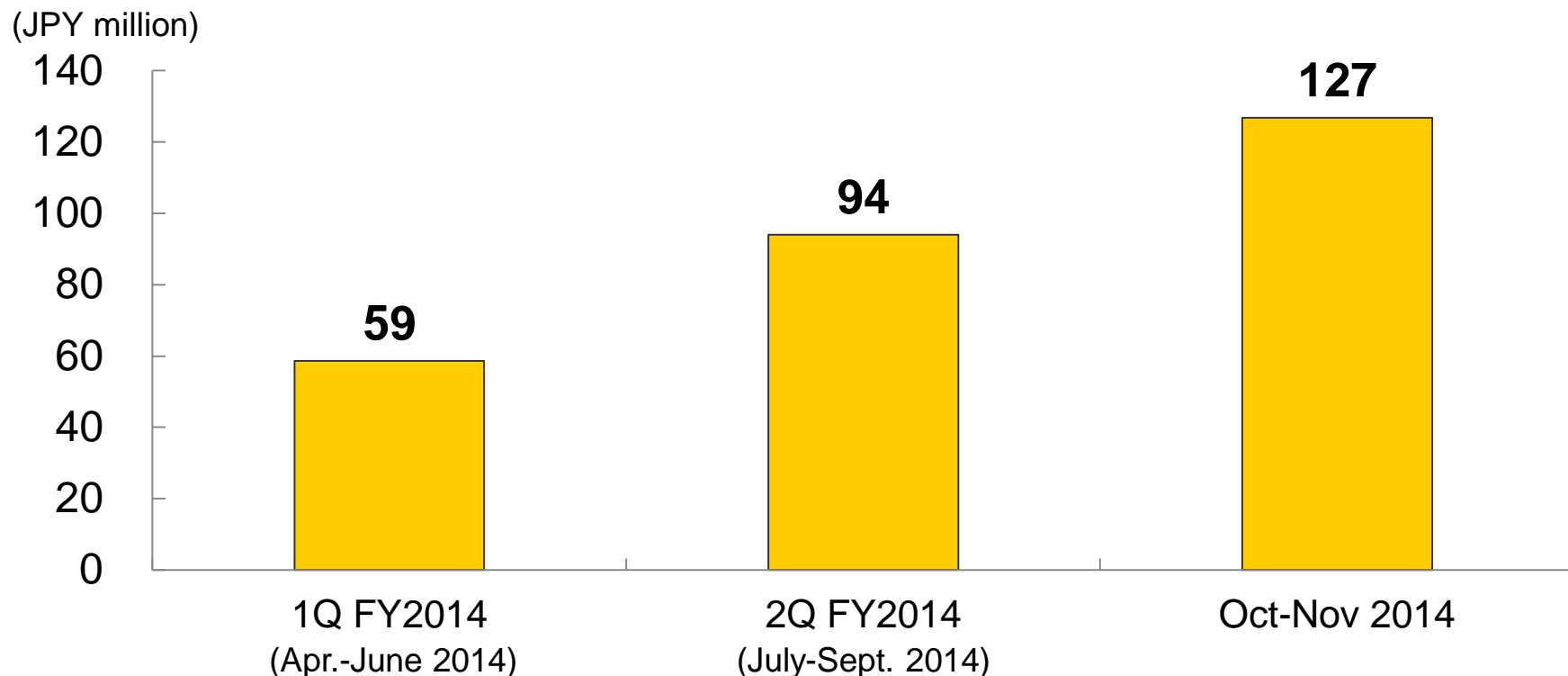
## [Cancer insurance (Launched in Aug. 2012)]

Average Monthly Number of Contracts Newly Acquired (1H FY2013 = 1)



# In Oct. and Nov. 2014, the Stock Market Volatility Increased, Leading to an Increase in Trading Activity, which Resulted in an Increase in Stock-related Revenue

Average monthly stock-related revenue in SBI MONEY PLAZA's securities business



**Considering launching a bank agency business in 2H FY2014, in an effort to further upgrade product offerings**

\* The figure for Oct.-Nov. 2014 is preliminary



## IPO and M&A Deals Prospect for FY2014

	Up to FY2012	FY2013 full year	FY2014 full year prospect
<b>IPO and M&amp;A deals*</b>	<b>167</b>	<b>14</b>	<b>16</b>

\* Includes portfolio companies (FY2009: 3 companies, FY2010: 6 companies, FY2013: 2 companies) of New Horizon Capital, the second fund, in which SBIH invests as a limited partner.

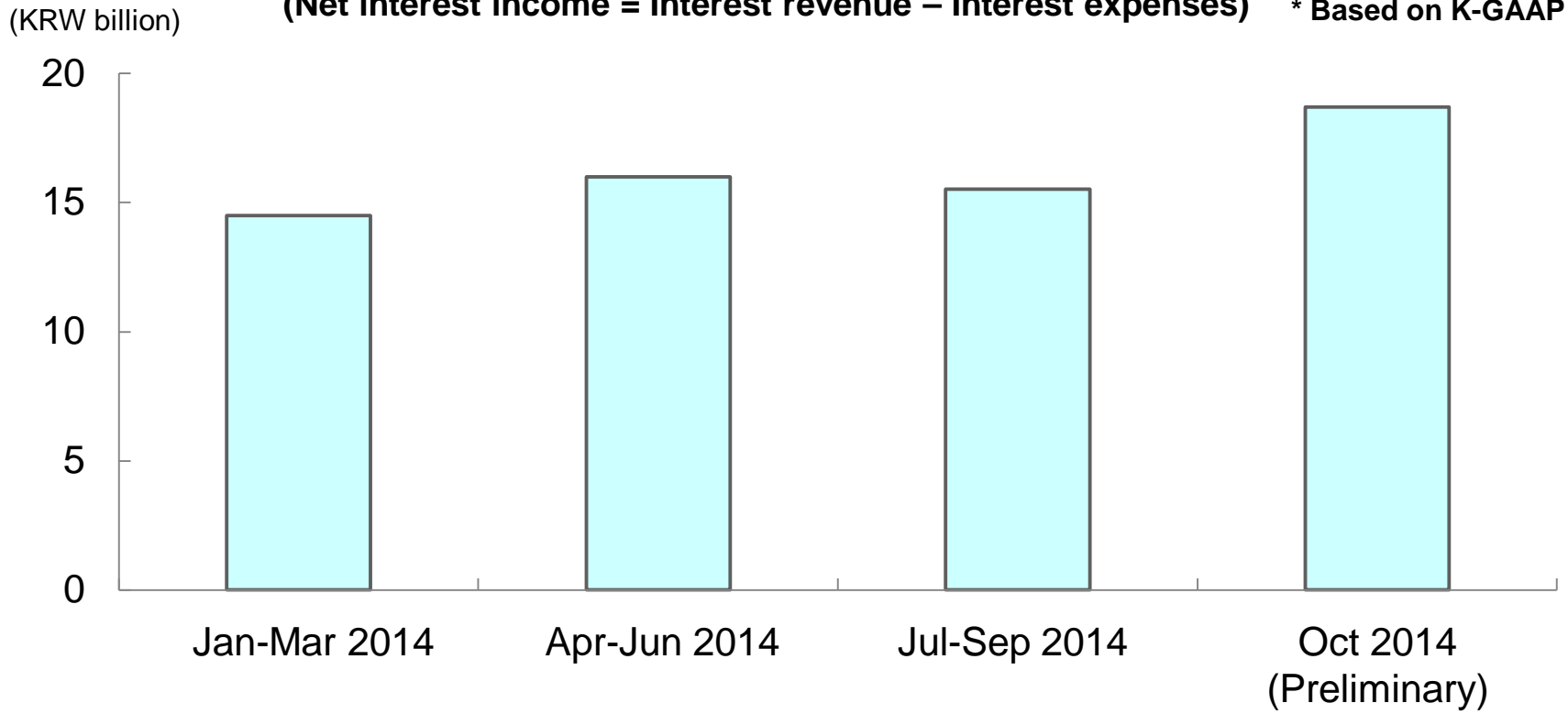
**In FY2014, seven companies have already conducted an IPO, and two companies were M&A'd**

EXIT Date	Company	Market (Country)
Apr. 2	Smart Navi Co.,Ltd.	M&A
June 16	NEWTON FINANCIAL CONSULTING, Inc.	TSE JASDAQ
July 23	Nippon View Hotel Co., Ltd.	TSE 2 <sup>nd</sup> Section
Aug. 5	WH Group Limited	Main board (Hong Kong)
Aug. 11	Pandora TV Co., Ltd	KONEX (Korea)
Sept. 15	GCS HOLDINGS, INC.	GTSM (Taiwan)
Sept. 25	RIBOMIC Inc.	TSE Mothers
Oct. 1	YAPPA Corporation	M&A
Oct. 22	Ceres inc.	TSE Mothers



# A Steady Increase in Net Interest Income is Expected, as Operating Receivables are Increasing, Owing to Strengthened Sales Activities

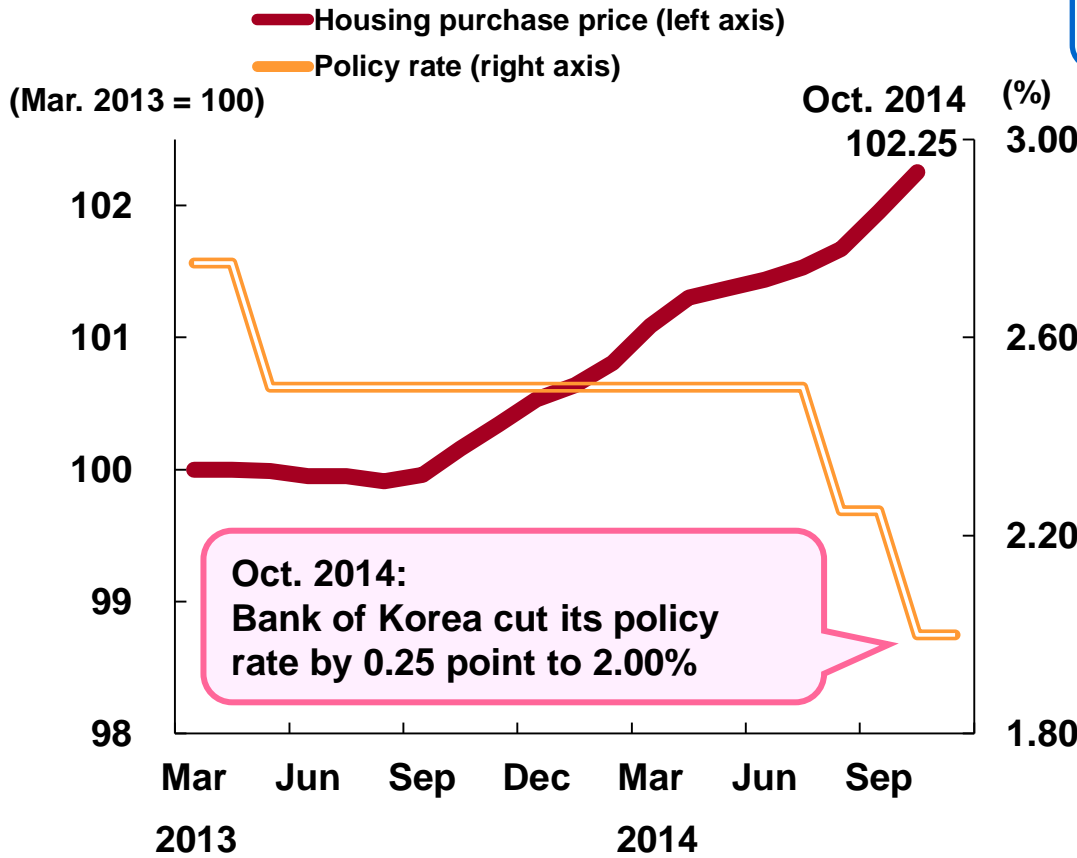
**Average Monthly Net Interest Income**  
(Net interest income = Interest revenue – Interest expenses) \* Based on K-GAAP



\* The figure for the July-Sept. 2014 period is unaudited, and therefore subject to change upon an audit by external auditors.

# South Korea's Policy Rate and Housing Purchase Price

### South Korean Housing Purchase Price Index (nationwide) / Policy Rate



Oct. 2014:  
Bank of Korea cut its policy rate by 0.25 point to 2.00%

Source: The Bank of Korea

There are some expectations in the market for further interest rate cuts.

**Bank of Korea to Cut Rate in December, Says Nomura — Market Talk**

*The Bank of Korea is likely to cut its policy rate by a quarter percentage point in Dec. to a record low of 1.75% (abbrev), says Nomura economist Kwon Young-un. (Abbrev) He expects the central bank to lower its base rate in Dec. and again in the first quarter of next year to 1.5%.*

(Nov. 12, 2014, Dow Jones)


**Bank of Korea's benchmark interest rate cut is expected to support the real estate market.**

## Issues Straight Bonds and Predetermine to Refinance the Existing Debt

**Issuance of straight bonds worth JPY 30.0bn in Nov. 2014  
(Term: 3 years and 2 months)**

### [Outline]

◆ Total amount of issue	JPY 30.0bn
◆ Interest rate	2.00%
◆ Maturity date	Jan. 30, 2018
◆ Underwriters	Daiwa Securities Co. Ltd., SBI SECURITIES Co., Ltd. and Mizuho Securities Co., Ltd.
◆ Rating	BBB (R&I)



**The whole proceeds from the issuance of the straight bonds are predetermined to be allocated for redemption of the existing bonds to be redeemed by the end of Jan. 2015.**

## Year-end Dividend for FY2014 is Forecasted to be JPY 25 Per Share, Up JPY 5 from the Previous Year

Dividends for shareholders of record as of the end of Mar. 2015

- ① Ordinary dividend: JPY 20 per share in consideration of the positive results for 1H FY2014
- ② Commemorative dividend: JPY 5 per share in commemoration of the Company's 15th anniversary



Payout ratio: 21.0%  
 \* Calculated by the 1H FY2014 EPS  
 [FY2013] 20.2%

### Forecasts JPY 25 per share, up JPY 5 from the previous year

If it is determined that a further return of profits is possible after taking into account the business performance in FY2014, SBIH will consider increasing the ordinary dividend.

[Dividend forecast (results) per share]

(Unit: JPY)	End of 2Q	Year-end	Full-year
<b>FY2014 (forecast)</b>	—	<b>25</b> (Ordinary dividend: 20) (Commemorative dividend: 5)	<b>25</b> (Ordinary dividend: 20) (Commemorative dividend: 5)
<b>FY2013 (results)</b>	—	<b>20</b>	<b>20</b>

Note: The dividend forecast shown above is an estimate made as of the current date. Actual dividend payments may differ from these forecasts due to various reasons.

## Trends in the Total Amount of Dividends

(Unit: JPY million)	Total amount of dividends
<b>FY2014 (IFRS) forecast *1</b>	<b>5,425</b>
<b>FY2013 (IFRS)</b>	<b>4,340</b>
<b>FY2012 (IFRS) *2</b>	<b>2,170</b>
<b>FY2011</b>	<b>2,207</b>
<b>FY2010</b>	<b>2,391</b>
<b>FY2009</b>	<b>1,676</b>
<b>FY2008</b>	<b>1,673</b>
<b>FY2007</b>	<b>13,579</b>
<b>FY2006</b>	<b>13,514</b>
<b>FY2005</b>	<b>7,337</b>
<b>FY2004</b>	<b>2,985</b>
<b>FY2003</b>	<b>1,784</b>

\*1 Calculated from the number of outstanding shares (excluding treasury stocks) as of the end of Sept. 2014.

\*2 Figures for the fiscal years up until FY2011 are based on J-GAAP. The Company introduced IFRS from FY2012. The Company executed a split of its shares at a ratio of 10 shares to 1 shares on Oct. 1, 2012.

# Corporate Value by Business Segment Valuation

Each Business Segment Valuation is Conservatively Estimated

■ Sum of the values by segment (as of Dec. 4, 2014) (JPY billion)

	Valuation of each segment (theoretical value)
Financial Services	502.9 (+)*
Asset Management	116.4
Biotechnology-related	62.7
Housing and Real Estate	31.2
<b>Sum total</b>	<b>713.2 (+)</b>

**Business valuation per share: JPY 3,176**

\* Other businesses including SBI MONEY PLAZA and SBI Guarantee are also profitable, but these businesses are not included in this valuation estimation.

**Of the major Group companies, 12 are profitable companies that are not included in the above calculations (Total FY2013 Operating Income: approx. JPY 1.6bn)**

\* As for specific formula, refer to the after-mentioned reference part.

### **3. What is the SBI Group's future growth strategy?**

- (1) Further Earnings Capacity Enhancement of the Financial Services Business**
- (2) Accelerated Overseas Development to Become the "World's SBI"**
- (3) The 5-ALA Related Business, which is Positioned as the SBI Group's Most Promising Growth Area**



# **(1) Further Earnings Capacity Enhancement of the Financial Services Business**

- ① Thorough pursuit of Group synergies**
- ② Endeavoring to expand the customer base**

# Promote Cost Reduction to Improve Earnings Capacity

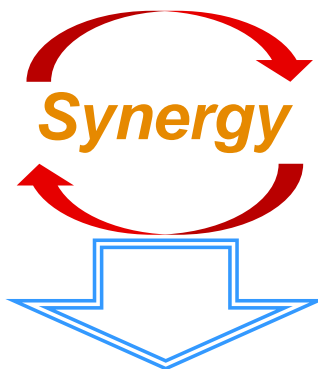
In terms to reduce system cost, SBI SECURITIES is enhancing its bond between SBI Japannext's IT Section

**SBI証券**

[SBI SECURITIES]

**IT Section: 45 persons**

\* Includes contract workers, assigned employees and temporary staff.  
Excludes subcontractors.



**SBI Japannext**

**IT Section: 41 persons**

**28 persons that account for nearly 70% are highly skilled foreign staff**

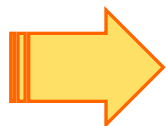
**Contributes to SBI SECURITIES' system upgrades**

**Reduction of system cost**

Utilization of data centers operated and managed by SBI Japannext

(partially aggregated)

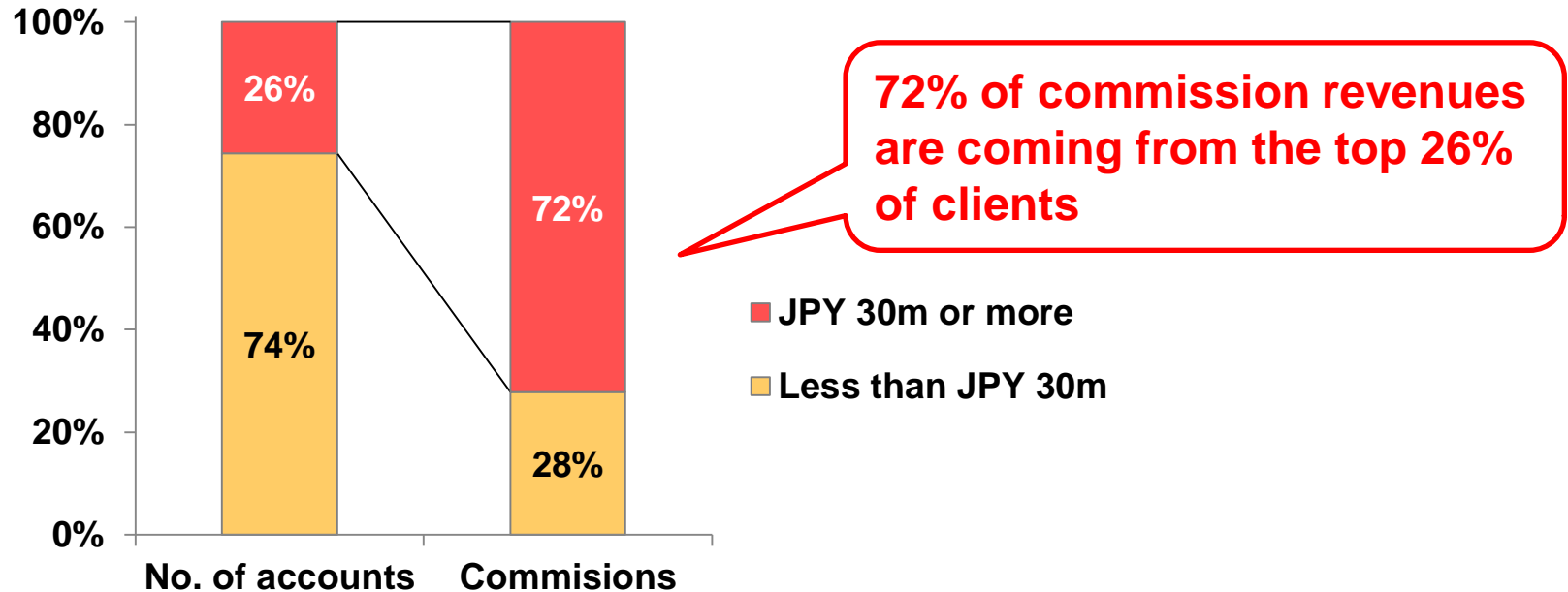
**Also considering the future aggregation of data centers related to mission critical systems**



**Planning to offer trading tools developed by SBI Japannext**

# SBI MONEY PLAZA Strengthens Services for High-net-worth Individuals in Collaboration with Group Companies Including SBI SECURITIES

**SBI MONEY PLAZA: Registered Financial Assets by Share**  
(Securities business, FY2013)



## Initiatives to Strengthen Businesses Targeting High-net-worth Individuals

- Introduction of ultra-high-net-worth individuals to SBI MONEY PLAZA by the Corporate Division of SBI SECURITIES. Meet client needs for business succession and inheritance services.
- SBI MONEY PLAZA meets needs that cannot be completely met by online services only, such as needs for consultation about investments, inheritance, and donations. Work to attract customers from Group companies through seminars and individual consultation.

# SBI Wellness Bank and the Group Companies

## SBI Wellness Bank provides members-only health management services “SBI Medical Spa Club”



### SBI Medical Spa Club

SBI Wellness Bank offers leading-edge preventive techniques, treatment, techniques, and aging care techniques with superb hospitality and provides members-only health management services beneficial for health promotion.



**Tokyo International Clinic**  
Opening: Feb. 2014  
Location: 9F, Pacific Century Place  
Marunouchi, 1-11-1 Marunouchi,  
Chiyoda-Ku, Tokyo (3 minutes on  
foot from Tokyo Station)



Examples of expected group synergy:

Services for high-net-worth clients



Initiatives for health maintenance



SBI Wellness Bank also endeavors to increase invitations to medical tourists from China through collaboration with Hangzhou SBI Wellness Management Co., Ltd., a joint venture company in China.

② Endeavoring to expand the customer base:

## New Synergies with Group Companies and SBI's Portfolio Companies

SBI MONEY PLAZA and SBI's portfolio company contribute to the solicitation of SBI Insurance's cancer insurance.

[SBI Insurance's cancer insurance]

**SBI損保のがん保険** **自由診療タイプ**



### Financial Agency, Inc.

(SBI Group's shareholding: 34.4%<sup>\*1</sup>)

Of the direct deal contracts<sup>\*2</sup> with SBI Insurance, those via Financial Agency account for 56.9%<sup>\*3</sup>

### マネープラザ [SBI MONEY PLAZA]

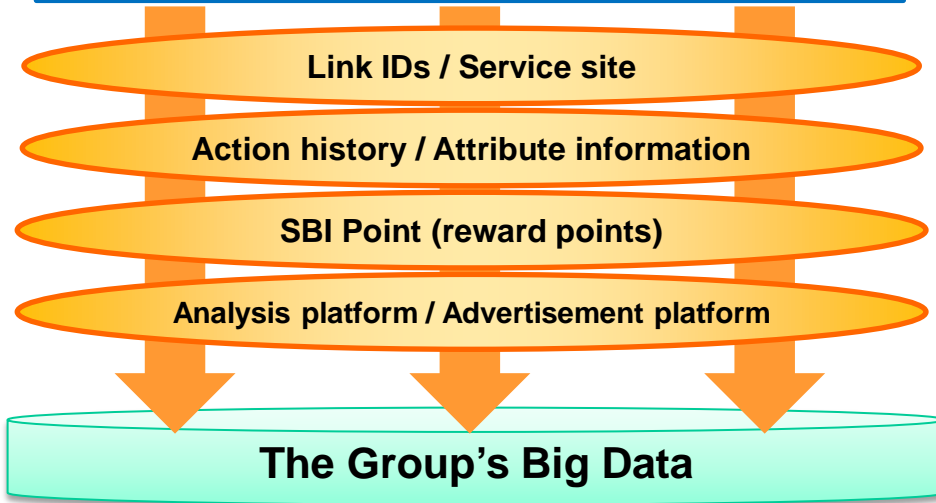
Mitsubachihoken Group

(SBI Group's shareholding: 48.5%<sup>\*1</sup>)

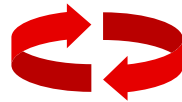
Of the contracts with the Insurance shops, those via SBI MONEY PLAZA and Mitsubachihoken account for 89.9%<sup>\*3</sup>

# Pursuit of Group Synergies through the Strategic Utilization of “Big Data”

## The SBI Group’s various services



Extensive data through the Group’s 18 million customers and approx. 580 million page views per month (as of Sept. 2014)



Formation of “Bigger Data” through partnerships with external companies

Big Data held by partner companies in other industries

## Establishment of “Group’s big data”

- Internal customer transfer through the utilization of common ID platform and the service site (to be launched)
- Linking IDs will be initiated at some companies in early 2015, and will be completed on a Group-wide basis by the end of 1H 2015
- Customer analysis based on action history and attribute information
- Customer loyalty program utilizing SBI Point

## Utilization of “Group’s big data”

- Establishment of an organization that aggregates personnel who utilize the Group’s data, and the sharing of each company’s expertise
- Data-driven decision making through cross-sectional data management
- Advertisement based on statistical analysis
- Establishment of analysis platform utilizing distributed environment (Hadoop)

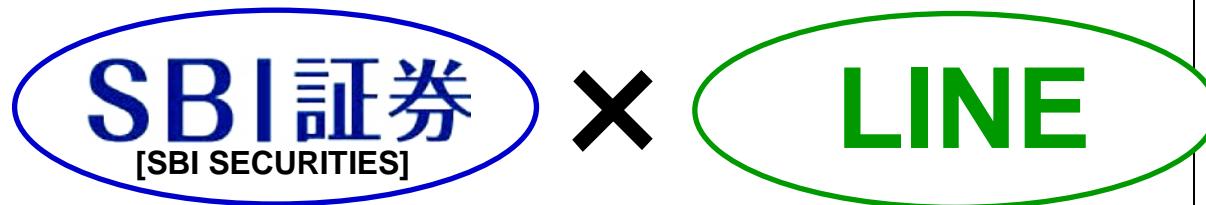
**Actualizing aggregation and enhancement of the Group’s customer base with a focus on linking IDs, and the creation of “network value” by utilizing the Group’s big data**

# Collaboration with Partner Companies in Other Industries

**First-ever in the brokerage industry!!**

\* Compiled by SBIH as of Nov. 7, 2014

## Securities Convergence Service Based on LINE Smartphone Application



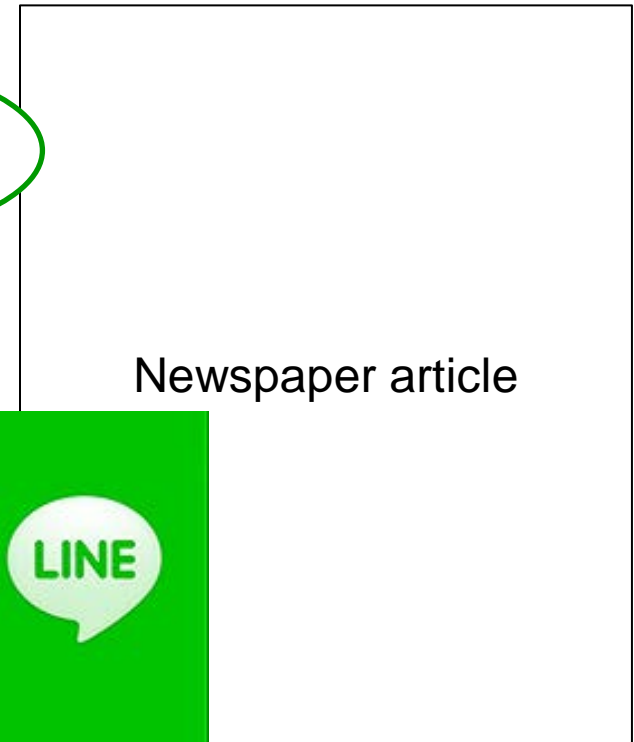
- From Aug. 19, 2014

**Official LINE accounts of SBI SECURITIES available**

- On Sept. 30, 2014

**LINE stock inquiry service launched**

\*Scope of inquiry service: Japanese stocks and ETFs, Nikkei average, TOPIX, dollar-yen rate, euro-yen rate



(Evening edition of The Nikkei on Aug. 12, 2014)

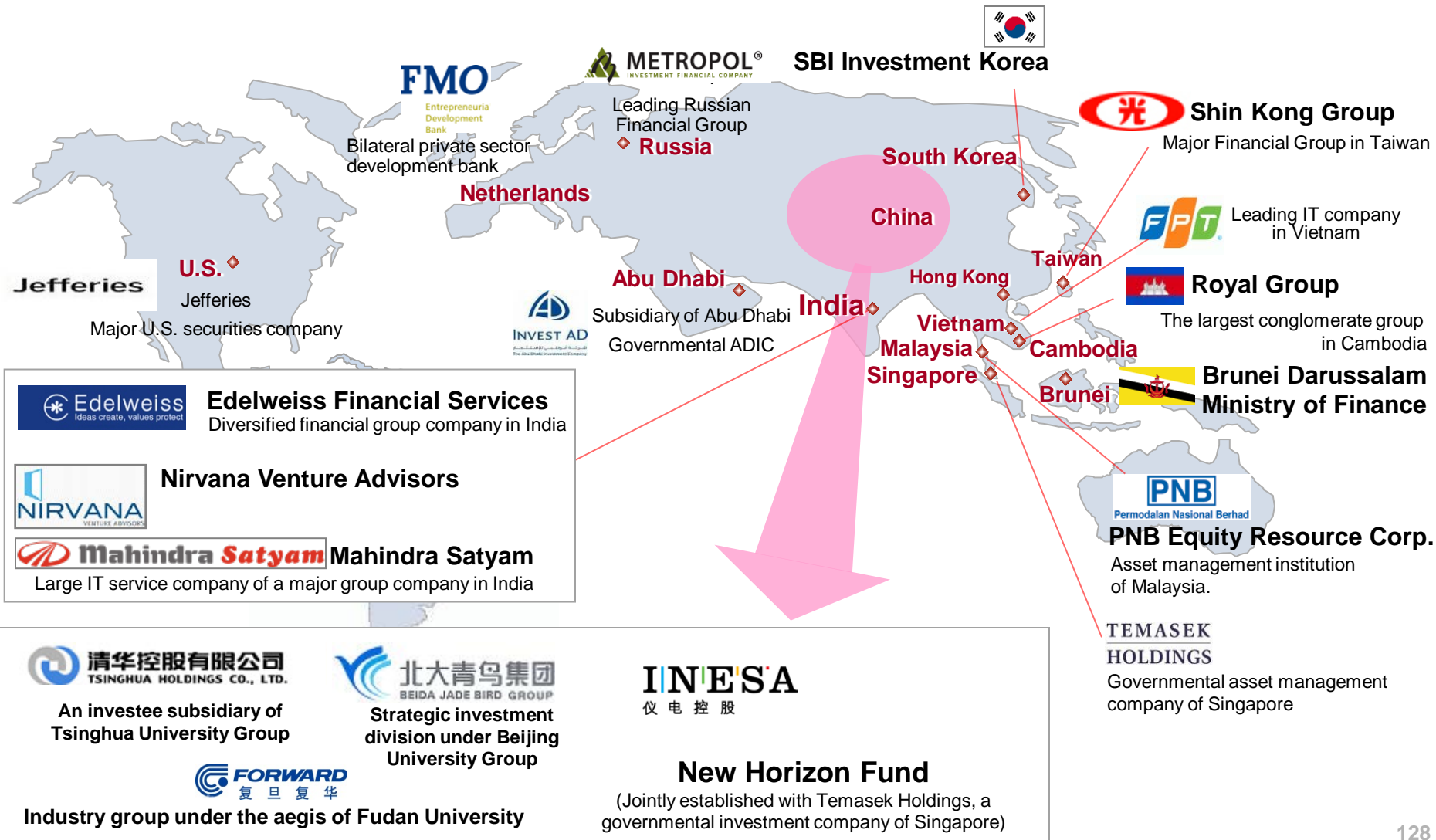
**Preparing for the initiation of a service to place orders for stock trading through LINE in Jan. 2015**

## **(2) Accelerated Overseas Development to Become the “World’s SBI”**

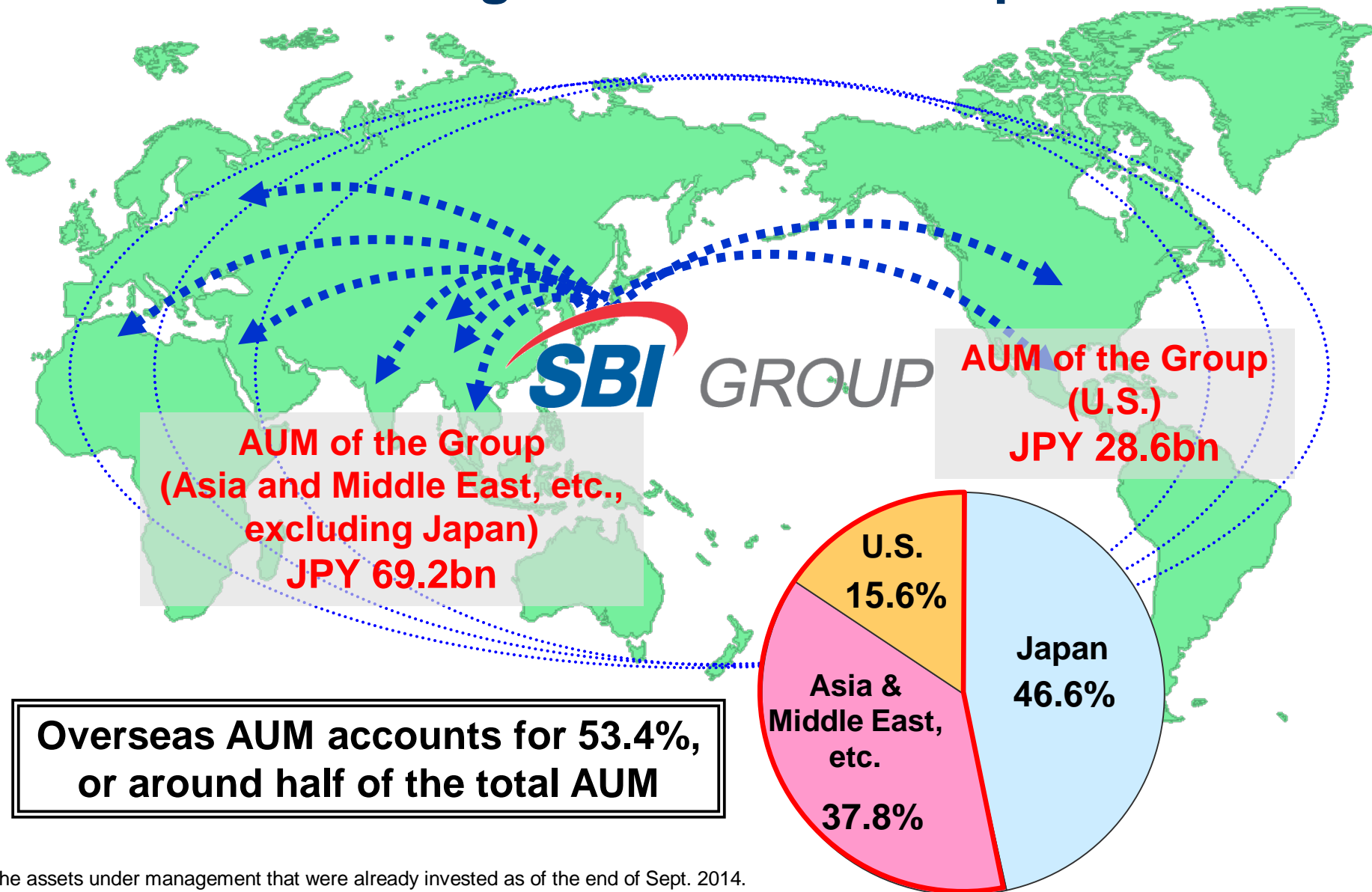


# Establishment of Global Investment Structure

Established global investment structure through formation of JV funds with local partners such as financial institutions, government agencies and universities

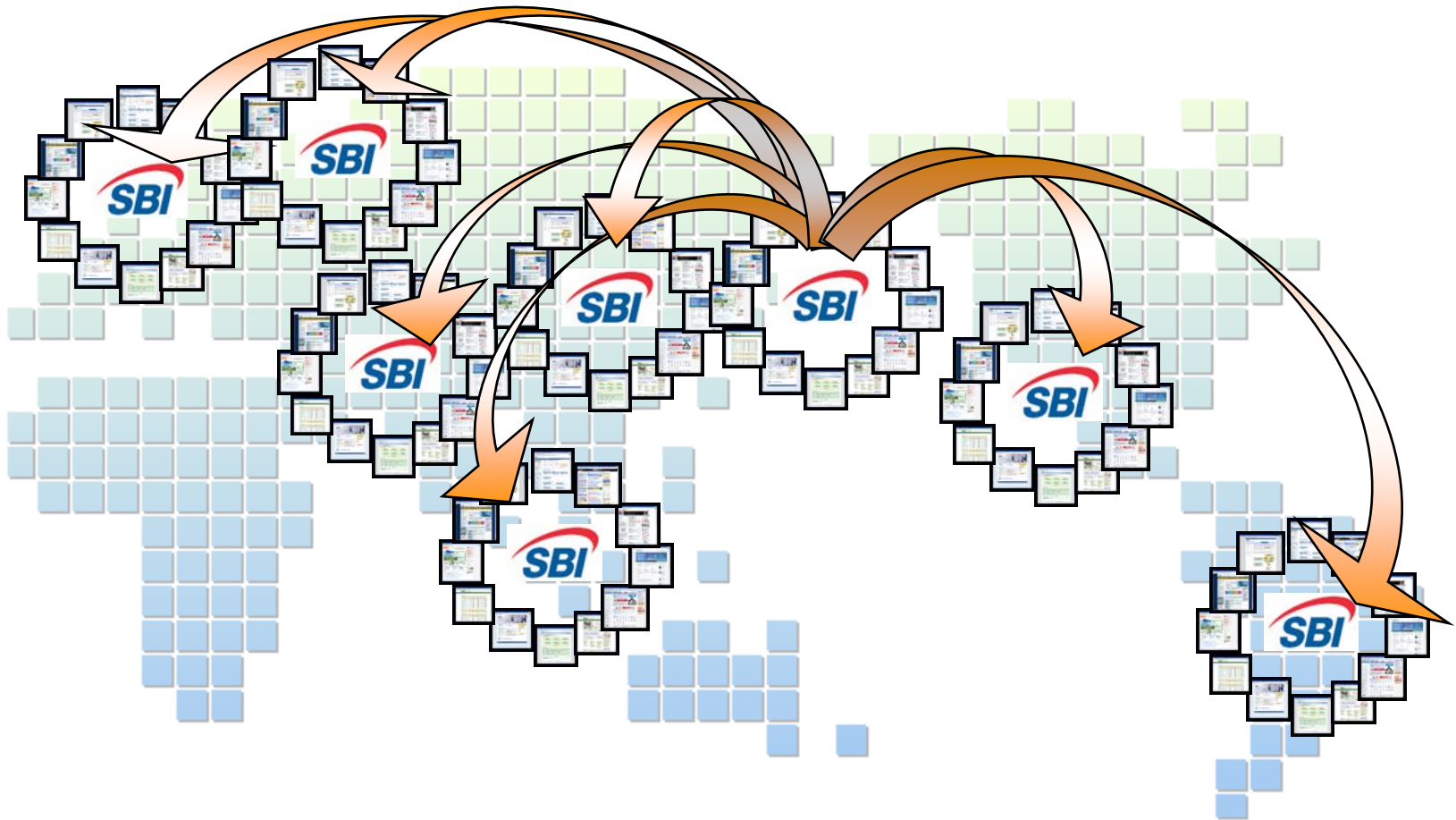


# Globally Diversified Assets Under Management of the Group



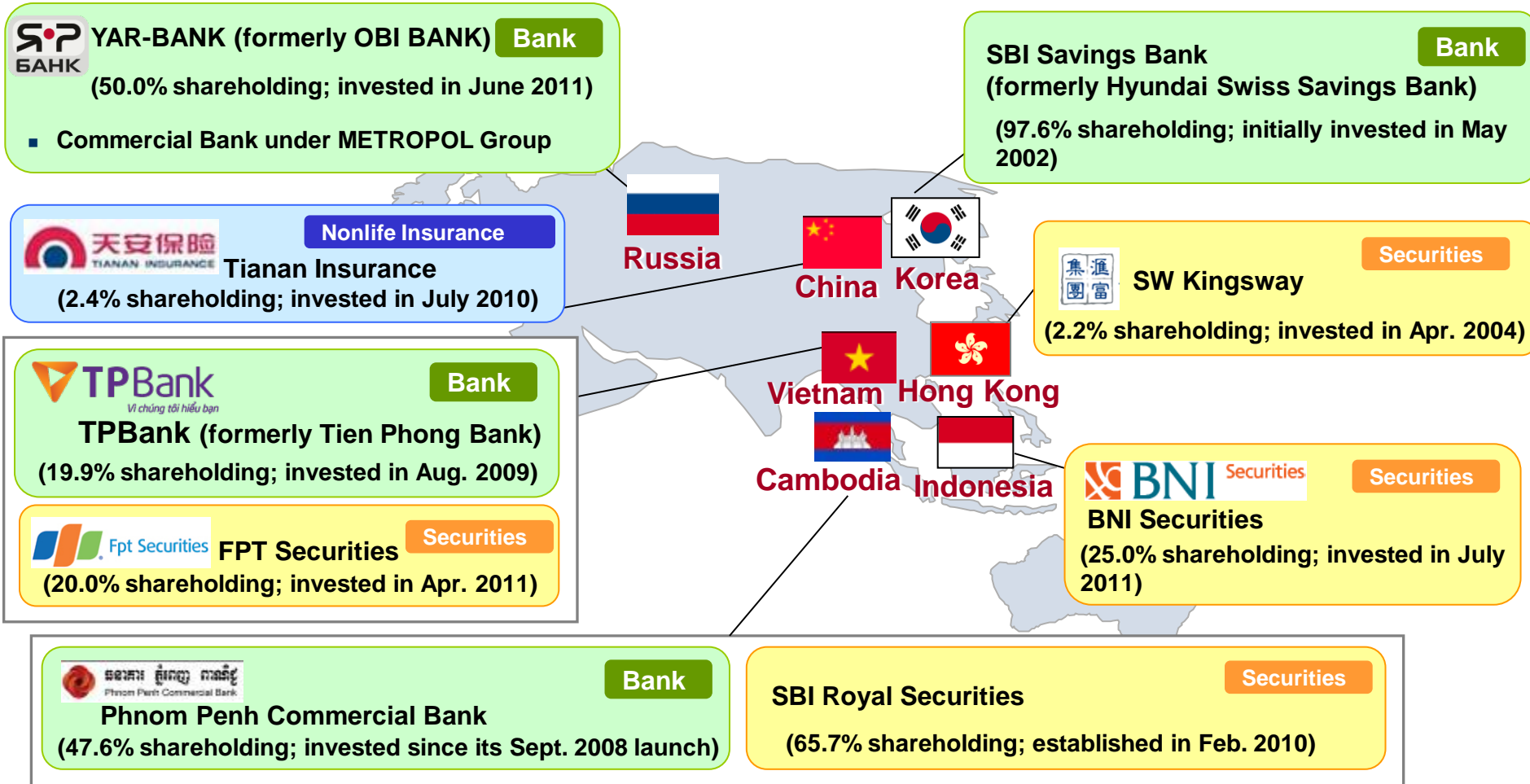
\*The assets under management that were already invested as of the end of Sept. 2014. (Excluding cash and uncalled capital)

# Transferring SBI Group's Internet Based Financial Ecosystem to Emerging Markets in Asia and Elsewhere, Utilizing Partnerships Built through the Establishment of Overseas JV Funds



# Financial Services Business Proliferating Primarily in Asia

(As of the end of Sept. 2014)



\* SBI's shareholding percentage corresponds to a total percentage based on the IFRS criteria for subsidiary companies and subsidiary funds of the Group. 131

# Through the Active Transference of the Cultivated Business Expertise and Knowledge Developed in Japan, the Overseas Financial Services Business is Being Profoundly Developed



## China

Preparing for development of an online financial ecosystem in China in collaboration with the New Hope Group and the Lujiazui Group

Established a preparation company in Mar. 2014, which is currently implementing a systems development, and is preparing for a license application



China's largest agribusiness operator established in 1982



Founded in 1990, a comprehensive financial and real estate group directly managed by the Shanghai Municipal Government

## Indonesia

BNI Securities started to offer an Internet trading system from the end of Feb. 2014, in collaboration with SBI SECURITIES which participated in the design and development of the system



By dispatching individuals with the appropriate experience in Japan to BNI Securities, and in cooperation with the parent company, BNI Bank, promoting the development of a rationalized management structure and an Internet trading system.

**Additionally, in preparation to launch an online securities service in a Southeast Asian country, through collaboration with a local company**

**(3) The 5-ALA Related Business, which is Positioned as the SBI Group's Most Promising Growth Area**

# SBI Itself Enters into the Biotechnology Business, a Designated 21 Century Growth Sector

**Biotechnology venture firms were established in and after 2007, and not only investing in the sector but also subsequently involved in the biotechnology business**

**Jan. 2007~**

Enters drug  
creation business



**SBI** *Biotech*

Joint drug creation bio-venture firm with partners across Japan, the U.S., China, South Korea and Israel

**Apr. 2008~**

5-ALA (5-aminolevulinic acid)  
related businesses



**SBI** *Pharma*

The world's first pharmaceutical company engaged in the development of drugs, and the manufacturing and sales of cosmetics and health foods using 5-ALA.



**SBI** *ALA promo*

Distributor of cosmetics, health foods using 5-ALA (Apr. 2012~)

**Clinical studies and trials with leading alliance partners both inside and outside of Japan have made progresses. SBI Pharmaceuticals endeavors to provide pharmaceuticals that satisfy the unmet medical needs of as many people as possible around the world.**

# Increased Attention on 5-ALA (5-aminolevulinic acid)

Excerpt of the information sites Joshi SPA!  
on Oct. 30, 2014

Article

**Attention, for those whose normal temperature is below 36°C!**

**5-ALA—a mysterious activating ingredient that will transform you into a bewitching beauty**

“Lifestyle changes designed to boost the basic metabolism are effective in raising the body temperature. One substance that assists this process is 5-ALA (5-aminolevulinic acid), a kind of amino acid. 5-ALA is present in the mitochondria of animal and plant cells, where its task is to produce the energy that we use to power our activities. By ingesting 5-ALA, we activate our mitochondria and stimulate our metabolism, causing our body temperature to rise.” (Comment from a female doctor in her thirties)



# Research on the Effects of 5-ALA on Various Target Illnesses is Proceeding

Target illnesses for which basic research and clinical research of 5-ALA and porphyrin are proceeding

## Photodynamic diagnosis and therapy

### Glioma (malignant glioma)

Product launched by SBI Pharmaceuticals

### Carcinoma vesicae

Doctor sponsored investigation has been ongoing at 5 universities, led by Kochi University. They are preparing for additional Phase III clinical testing.



The following target illnesses are under consideration for photodynamic diagnosis: prostate cancer, colon cancer, peritoneal dissemination, liver cancer, etc.

Solar keratoses (cancer of skin)  
photonamic GmbH & Co. KG in Germany sells in Europe



Photodynamic therapy

Cervical intraepithelial neoplasia Nagoya Univ.

## Chemotherapy-induced anemia

### Cancer chemotherapy-induced anemia

Phase I clinical testing completed in UK, Saitama Medical University has started Phase II

## Metabolic disease

### Diabetic disease

Bahrain Defense Force Royal Medical Service Hospital, Arabian Gulf Univ., RCSI, Hiroshima Univ., Univ. of Hawaii, etc.

### Chronic kidney disease

Kochi Univ., etc.

## Neurogenic disease

### Alzheimer's disease

Hokkaido Univ., etc.

### Parkinson's disease

Shimane Univ., etc.

## Others

### Mitochondrial diseases

Saitama Medical Univ., etc.

### Preventing nephrotoxicity by an anticancer agent

Kochi Univ. and Kawasaki Medical School

### Preventing the aggravation of influenza

Tokushima Univ., etc.

### Malaria

The Univ. of Tokyo, Tokyo Institute of Technology, and SBI Pharmaceuticals

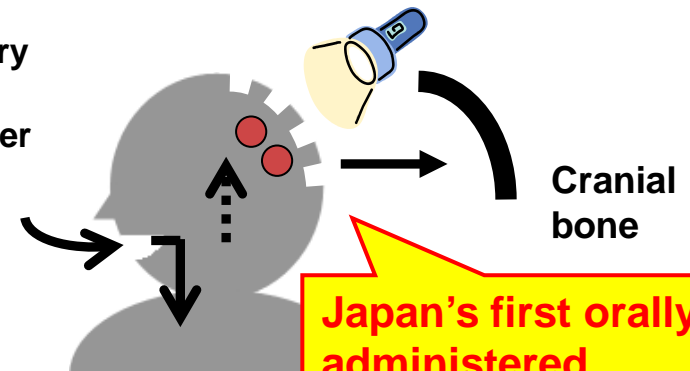
# R&D Progress in the Medical Field (1)

## -Diagnostic Agent for Cancer Treatment-

### Brain tumor

- ✓ Selling a diagnostic agent for malignant glioma, “ALAGLIO®” (from Sept. 2013)

- Mechanism:
- ① Oral administration of ALAGLIO® before surgery
  - ② Protoporphyrin, an active substance obtained from 5-ALA, accumulates in brain tumors (cancer cells).
  - ③ Illumination with a special light during surgery
  - ④ Only brain tumors (cancer cells) are illuminated in red.



### Carcinoma vesicae

Designated as an orphan drug

- ✓ Doctor sponsored investigation has been ongoing at 5 universities, led by Kochi University. They are preparing for additional Phase III clinical testing.  
→ Scheduled to submit an application for production and marketing approval to the Ministry of Health, Labour and Welfare in 2016
- ✓ Received the patent for mechanism of a diagnostic agent for bladder cancer [Patent applicant] SBI Pharmaceuticals Co., Ltd., Kochi University



**Endeavoring to increase the indications for ALAGLIO to include bladder cancer and will proceed with preparations for an NDA**

## R&D Progress in the Medical Field (2)

### -A Drug to Treat Cancer Chemotherapy-induced Anemia-

Dec. 2012 Phase I clinical testing started in UK



May 2013 Phase I clinical testing completed



Mar. 2014 Owing to Japan's cost advantages for clinical trials, Phase II clinical trials were initiated in Japan

Saitama Medical University, as the medical institution conducting the clinical trial, has started an investigator-led Phase II clinical trial, with Kitasato Academic Research Organization as the ARO

→ Administration in patients has already begun at Saitama Medical University, and follow-up is underway

## R&D Progress in the Medical Field (3)

### -Increasing Partner Medical Institutions for Drug Development Research and Clinical Research in Bahrain-

#### Partner institutions for clinical study of diabetes utilizing 5-ALA

- Diabetes Department of the Bahrain Defense Force Royal Medical Service Hospital

Received approval from the National Health Regulatory Authority (“NHRA”) in Bahrain to conduct clinical studies on type 2 diabetes at the Bahrain Defense Force Royal Medical Service Hospital and started administration on some subjects.

- Arabian Gulf University Hospital
- Royal College of Surgeons in Ireland - Medical University of Bahrain (RCSI) etc.

#### Partner institutions for clinical study on the utilization of 5-ALA in the photodynamic diagnosis

- Arabian Gulf University Hospital

- Performed the first successful surgical removal of bladder cancer in the world using 5-ALA as an intraoperative diagnostic drug, along with medical devices of SBI Pharmaceuticals. They have already succeeded in ten surgeries.
- Additionally, preparations are being made for the surgical removal of the cancer of the prostate.

- King Hamad University Hospital
- Royal College of Surgeons in Ireland - Medical University of Bahrain etc.

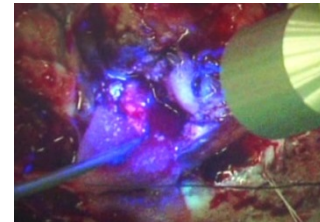
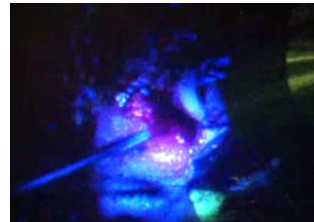
## Two Types of Medical Light Source Devices Developed by SBI Pharmaceuticals

### LED light source



Started sales of the bicolor medical LED light source Aladuck LS-DLED (from Apr. 2014)

Aladuck LS-DLED is the first medical device that SBI Pharmaceuticals sells in Japan



(Clinical images: Examples of use as light source for diagnosis of cancer)

### Laser light source



The violet LD light source Alcedo LS-VLD

Completion of registration of medical device, and preparing for sales in Japan

Business license for the sale and leasing of specially controlled medical devices obtained in Japan (Sept. 2013)

# Conclusion of Agreement on Joint Research between the University of Oxford (July 2014)

Joint research on the effectiveness of 5-ALA  
in preventing ischemia-reperfusion injury

SBI Group company with an  
UK based University

Newspaper article

Professor Houman Ashrafian, Associate Professor of Medicine and Head of Experimental Therapeutics, Radcliffe Department of Medicine, University of Oxford, our research partner, has shown the effectiveness of 5-ALA in preventing cardiac ischemia-reperfusion injury through preclinical models in mice, that preoperative administration of 5-ALA inhibits apoptosis of myocardial cells that occurs after ischemia-reperfusion injury.



(The Nikkei Business Daily newspaper on July 30, 2014)

**Planning to start an investigator-led Phase II clinical trial to assess**  
the effectiveness of 5-ALA in preventing a reduction in cardiac output\* after heart bypass surgery

(Phase II clinical trial will be implemented in department cardiothoracic surgery,  
University Hospitals Birmingham)

\* Volume of blood pumped per stroke

**Planning to jointly submit a test plan to the Medicines and Healthcare products  
Regulatory Agency (“MHRA”) by the end of the fiscal year**

# Osaka City University and SBI Pharmaceuticals Jointly Engaging in Application Research of 5-ALA and a Photodynamic Therapy Method

**World's first successful treatment of cutaneous ulcers infected with methicillin-resistant staphylococcus aureus (MRSA), a common hospital-acquired infection, by performing photodynamic therapy (PDT) using systemic administration of the natural amino acid 5-ALA and LED irradiation.**

**–By a group led by Assistant Professor Toshiyuki Ozawa, Department of Dermatology, Graduate School of Medicine, Osaka City University–**

**MRSA-infected cutaneous ulcers were prepared on the backs of mice and treated by performing PDT using systemic administration of 5-ALA and irradiation with a 410-nm wavelength violet-blue light-emitting diode (LED).**



**Disinfection of MRSA occurred. Wound healing was significantly promoted, with healing effects equivalent to that for uninfected ulcers obtained.**

Newspaper article

(The Nikkei Business Daily newspaper  
on Aug. 21, 2014)

**Since this treatment method does not give rise to new drug-resistant strains, expectations are high for use as a new treatment method for bacterial infection at a time when modern medicine is struggling with treatment of drug-resistant bacteria.**

## Accelerating 5-ALA Related Business in China ①

Sept. 2012:

Completion of the investment in Chinese bioventure Suzhou Yian Biotech Co., Ltd. (SBI Group's shareholding ratio: 40%)

**Business:**

- Manufacture of an active ingredient of 5-ALA
- Production of medicines, health foods and cosmetics that contain 5-ALA

### [Progress of the business]

- Steady Progress toward obtaining various licenses in China

The 5-ALA manufactured by Yian has already passed the safety and toxicity tests of a state designated institution, and meets the national standards of China.

(i) Materials license for containing 5-ALA in food products

→ Currently under review by the Ministry of Agriculture (equivalent to the Ministry of Agriculture, Forestry and Fisheries in Japan)

→ Upon completion of review by the Ministry of Agriculture, planning to submit to the Ministry of Health (equivalent to the Ministry of Health, Labour and Welfare in Japan)

(ii) Product license for health products planned to be sold

→ After efficacy trials, planning to submit to the China Food and Drug Administration (CFDA)

→ Expecting to obtain a products license in early 2015

- Completed construction of health food manufacturing plant

→ Selecting, procurement and set-up of equipment is under way



[Exterior of the plant]



## Accelerating 5-ALA Related Business in China ②

- Efficacy study of 5-ALA in the diabetes mechanism is moving forward at School of Life Sciences Fudan University. SBI Pharmaceuticals' CTO Toru Tanaka and CSO Motowo Nakajima were invited by Fudan University as visiting professors.
- Procedures underway on-site for the establishment of an import and sales company with the New Hope Group, China's largest agribusiness operator, which exclusively handles 5-ALA containing health foods from Japan, in the Shanghai Free Trade Zone.
- The joint venture with the New Hope Group in China will exclusively manage manufacturing and distribution of forages and fertilizers containing 5-ALA.  
→ Currently the efficacy test on fertilizers containing 5-ALA is being conducted by the New Hope Group.

### Future Plan:

Now negotiating with a Chinese company to out-license 5-ALA drug development technology as an entry into the pharmaceutical business

# [Appendix]

# Number of Companies and Consolidated Employees of the SBI Group

## Number of Group companies

	Mar. 31, 2014	Sept. 30, 2014
Consolidated subsidiaries (companies)	139	141
Consolidated partnerships (partnerships)	36	34
Total consolidated subsidiaries (companies)	175	175
Equity method companies (companies)	38	37
Total Group companies (companies)	213	212

## Number of consolidated employees

	Mar. 31, 2014	Sept. 30, 2014
Total employees (persons)	5,352	5,150

# Assets Under Management of the SBI Group

(As of the end of Sept. 2014)



## Private equity, etc. JPY 289.2bn (Including JPY 106.2bn of both cash and commitment amount to be paid in) (\*3)

Breakdown by Industry	Amount
IT/Internet	23.8
Biotechnology/Health/Medical	42.5
Services	18.0
Materials/Chemicals	2.6
Environmental/Energy	18.5
Retail/Food	14.0
Construction/Real estate	0.7
Machine/Automobile	8.6
Finance	32.0
Others	22.3
Total	183.0

Breakdown by region	Amount
Japan	85.2
China	31.4
Korea	21.3
Taiwan	1.9
Southeast Asia	10.0
India	1.9
U.S.	28.6
Others	2.8
Total	183.0

## Investment trusts, etc. JPY 199.3bn

Investment trusts	114.1
Investment advisory	81.6
Investment companies	3.6

\*1 Calculated by the exchange rate as of the end of Sept. 2014

\*2 Amounts are rounded to the nearest JPY 100m

\*3 Composed of cash in funds and unpaid capital which is to be paid on a capital call.

## **[Reference]**

**The Company's current stock price, and our method in calculating the estimated corporate value**

# Valuation by Segment Estimated by SBI

## (1) Financial Services Business ① SBI SECURITIES -(i)

### ① SBI SECURITIES

Valuation is conservatively estimated at JPY **330.2bn**

(based on the closing prices of Dec. 4, 2014)

SBIH's market cap as of Dec. 4 is likely to fall below the estimated valuation of SBI SECURITIES

Estimation of the valuation is as follows:

Calculated according to the **Comparable Public Company Analysis**

Compares the market cap and profits of a comparable public company, Matsui Securities.

Valuation of SBI SECURITIES is calculated as the mean of the two values [(A) and (B)] resulting from the equations below

Matsui's PER (\*1) × SBI SECURITIES's net income (FY2013) ... (A)

Matsui's PBR (\*2) × SBI SECURITIES's net asset (\*3) (as of Sept. 30, 2014) ... (B)

\*1 PER of Matsui is calculated by its net income per share for FY2013.

\*2 PBR of Matsui is calculated by its BPS as of Sept. 30, 2014.

\*3 Represents SBI SECURITIES' balance of net asset excluding short-term loans receivable from SBIH

# Valuation by Segment Estimated by SBI

## (1) Financial Services Business ① SBI SECURITIES -(ii) Holdings

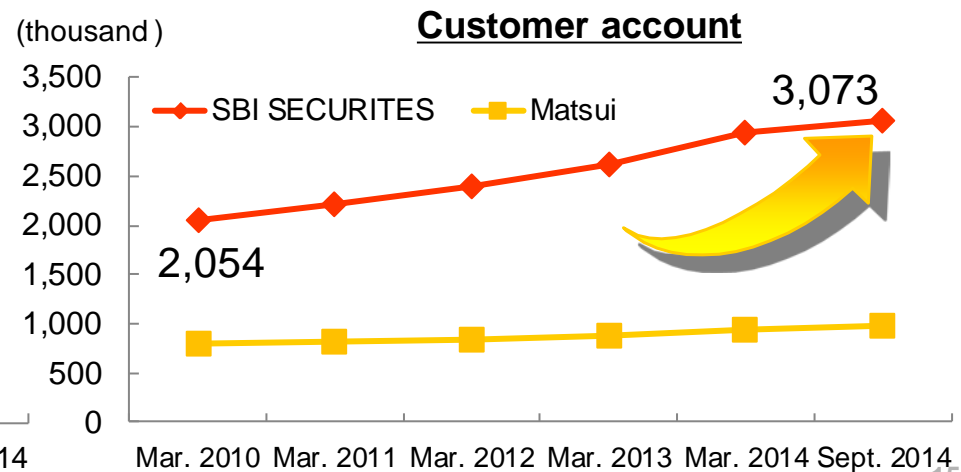
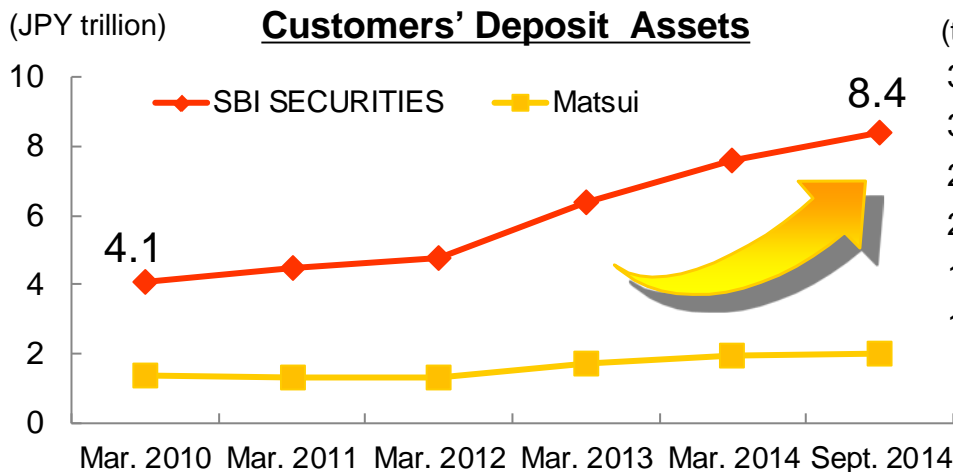


Is SBI SECURITIES' valuation reasonable?

### Comparison of SBI SECURITIES Matsui Securities

\*Calculated by the closing prices of Dec. 4, 2014

(1H FY2014)	SBI SECURITIES	Matsui Securities
Valuation (market cap) *	JPY 330.2bn	JPY 311.5bn
Deposit assets (Sept. 2014)	<b>No.1</b> JPY 8.4tn	JPY 2.1tn
Number of accounts (As of the end of Sept. 2014)	<b>No.1</b> 3.07 million	0.97 million
Share of individual stock brokerage trading value	<b>No.1</b> 36.8%	13.0%
Operating income	<b>No.1</b> JPY 15.0bn (down 11.3% YoY)	JPY 10.3bn (down 34.0% YoY)



# Valuation by Segment Estimated by SBI

## (1) Financial Services Business ② SBI Sumishin Net Bank

### ② SBI Sumishin Net Bank

Estimates the valuation of SBI Sumishin Net Bank with high growth potential in terms of profitability and scale at

JPY 167.2bn → JPY 83.6bn (based on the closing prices of Dec. 4, 2014)

(Shareholding of the SBI Group: 50.0%)

Estimation of the valuation is as follows:

Calculated according to the **Comparable Public Company Analysis**

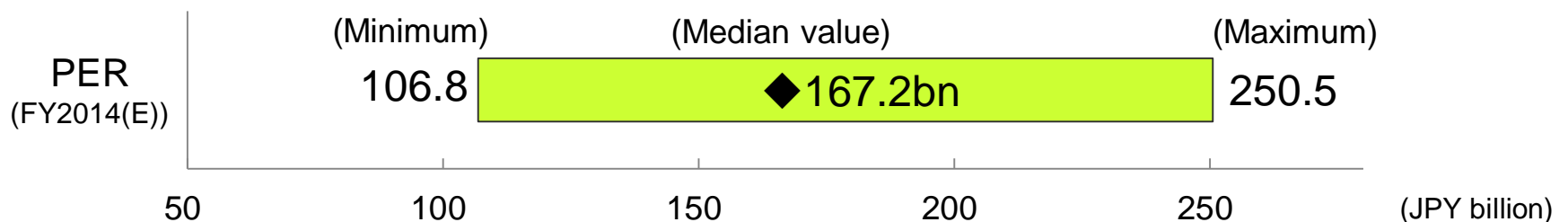
Compares the profits of comparable public companies of which the deposit balance exceeds JPY 3tn as of the end of Mar. 2014

Median value of estimated PERs of listed local banks of which the deposit balance exceeds JPY 3tn (\*1) × SBI Sumishin Net Bank's estimated net income (FY2014) (\*2)

\*1 Compiled by the Company from the materials disclosed by the listed local banks of which the deposit balance exceeds JPY 3tn

\*2 Estimated net income for FY2014 is calculated by doubling the 1H FY2014 net income

[Reference] Valuation distribution based on the abovementioned pro forma calculation





# Valuation by Segment Estimated by SBI

## (1) Financial Services Business ③ SBI Liquidity Market

### ③ SBI Liquidity Market (including SBI FXTRADE)

Valuation is estimated at **JPY 34.9bn** (based on the closing price of Dec. 4, 2014)

Estimation of the valuation is as follows:

Calculated according to the **Comparable Public Company Analysis**

Compares the market cap and profits of comparable public companies, namely Money Partners and MONEY SQUARE JAPAN

$\frac{\{(Money\ Partner's\ PER + MONEY\ SQUARE\ JAPAN's\ PER)\}^{(*)}}{2} \times Net\ income\ of\ SBI\ Liquidity\ Market\ (cons.)\ (FY2013)$

\* PER of Money Partners and MONEY SQUARE JAPAN is calculated by its net income per share for FY2013 .

<Reference> Acquisition of CyberAgent FX by Yahoo Japan (Jan. 31, 2013)

Acquired all shares of CyberAgent FX (16,200 shares) at **JPY 21.0bn**

CyberAgent FX (FY2011)		SBI Liquidity Market (FY2013)
JPY 8,498m	Operating revenue	JPY 10,524m
JPY 4,021m	Operating income	JPY 1,901m
JPY 2,289m	Net income	JPY 1,165m
JPY 9,067m	Net assets	JPY 4,087m

Operating  
income before  
allocation to SBI  
**SECURITIES**  
was JPY 8,527m

# Valuation by Segment Estimated by SBI

## (1) Financial Services Business ④ SBI Japannext

### ④ SBI Japannext

Estimates the valuation of SBI Japannext at JPY 36.8bn

→ JPY 19.4bn (based on the closing prices of Dec. 4, 2014)

(Shareholding of the SBI Group: 52.8%)

Estimation of the valuation is as follows:

Calculated according to the **Comparable Public Company Analysis**

Compares the profit of a comparable public company, namely Japan Exchange Group

Japan Exchange Group's PER (\*) × SBI Japannext's estimated net income (FY2014)

\* PER of Japan Exchange Group is calculated by the estimated net income per share for FY2014.

# Valuation by Segment Estimated by SBI

## (1) Financial Services Business

### ⑤ SBI Comparison Website Business / ⑥ Other Financial Services Business

#### ⑤ SBI Comparison Website Business

Valuation is estimated at **JPY 21.7bn** (based on the closing price of Dec. 4, 2014)

Estimation of the valuation is as follows:

Calculated according to the **Comparable Public Company Analysis**

Compares the profits of comparable public companies, namely Kakaku.com and WebCrew

$\frac{\{(Kakaku.com's\ PER + WebCrew's\ PER)\}}{2} \times$  Net income of SBI Comparison Website Business (FY2013)

2

\* PER of Kakaku.com and WebCrew are calculated by their estimated net income per share for FY2014.

#### ⑥ Other listed subsidiaries and equity method companies in this business segment

	SBI's shareholding pct. (%)	Classification	Listed market	Market cap (JPY billion)	SBI's equity interest of market cap (JPY billion)
Morningstar Japan	49.2	Consolidated subsidiary	JASDAQ	22.6	11.1
SOLXYZ	26.3	Equity method associate	JASDAQ	7.4	1.9
<b>Sum of the market cap of listed subsidiaries and equity method associates</b>				<b>30.0</b>	<b>13.1</b>

(Based on the closing price of Dec. 4, 2014.)

\* SBI's shareholding percentage corresponds to a figure based on the IFRS criteria that excludes a percentage of outside shareholder's interest of subsidiary companies and subsidiary funds of the Group.

# Valuation by Segment Estimated by SBIH



## (1) Financial Services Business: Total Valuation of the Businesses

### ① SBI SECURITIES

(based on the closing prices of Dec. 4, 2014)

Upon comparison with similar listed companies calculated conservatively as **JPY 330.2bn**

### ② SBI Sumishin Net Bank

(based on the closing prices of Dec. 4, 2014)

Estimated the valuation of SBI Sumishin Net Bank that has high growth potential in terms of profitability and scale at JPY 167.2bn → **JPY 83.6bn** (Shareholding of the SBI Group: 50.0%)

### ③ SBI Liquidity Market (cons.)

(based on the closing prices of Dec. 4, 2014)

Upon comparison with similar listed companies calculated as **JPY 34.9bn**

### ④ SBI Japannext

(based on the closing prices of Dec. 4, 2014)

Upon comparison with similar listed companies estimated the valuation at JPY 36.8bn → **JPY 19.4bn** (Shareholding of the SBI Group: 52.8%)

### ⑤ SBI Comparison Website Business

(based on the closing prices of Dec. 4, 2014)

Upon comparison with similar listed companies calculated as **JPY 21.7bn**

### ⑥ Total market cap upon SBIH's shareholding of other listed subsidiaries and equity method companies, in total 2 companies, in this segment

The sum of market caps of Morningstar Japan and SOLXYZ (Shareholding of the SBI Group) **JPY 13.1bn** (based on the closing prices of Dec. 4, 2014)

**Total of the valuation above: JPY 502.9bn** (The SBI Group's total shareholding)

# Valuation by Segment Estimated by SBIH

## (1) Financial Services Business

### ⑦ Other Financial Services Businesses (Profitable Entities)

There are many other profitable business entities in this segment

	Business lineup	Operating income for FY2013 (JPY billion)	SBI's shareholding pct. (%)
SBI MONEY PLAZA	Insurance agency, financial instruments intermediary service provider, housing loan agency	0.9	100.0
CEM Corporation	Real estate secured loans	0.5	79.7
SBI Guarantee	Various guarantee services including mainly the guarantee of nonpayment of rent	0.1	100.0

Based on the “Selection and Concentration” policy for the Financial Services Business, regardless of profit contributions, [a sale, an IPO or reorganizations within the Group of non-core businesses will be accelerated](#), though a judgment of the existence or strength of synergies with one of the three core businesses

 Proceeds generated may be appropriated to strengthen the three core businesses

# Valuation by Segment Estimated by SBIH



## (2) Asset Management Business

### ① Valuation Measuring Method

#### Asset Management Business

Valuation for this segment is estimated at JPY 116.4bn

<Reference>

JAFCO's Market Cap: **JPY 230.1bn** (based on the closing price of Dec. 4, 2014)

Valuation estimation is the sum of the valuation (i)-(iii) below.

(i) Value of holding securities (at the end of Sept. 2014) Approx. JPY 95.7bn

Operational investment securities and other investment securities held are quarterly evaluated through fair value, and the calculated number above reflects the fair value of SBIH's ownership

(ii) Value of SBI Investment (based on the closing price of Dec. 4, 2014)

(\* Valuation excluding assets such as securities hold) Approx. JPY 15.5bn

Calculated according to the **Comparable Public Company Analysis**

Compares the market cap and profit of the comparable public company, JAFCO

Provisional amount of SBI Investment's net income that represents the actual status deducting expenses produced relevant to the holding company function held by it × JAFCO's PER (\*)

\*PER of JAFCO is calculated by the estimated net income per share for FY2014.

The estimated net income per share used in the calculation is the average between that of Japanese company handbook and Nikkei Kaisha Joho.

# Valuation by Segment Estimated by SBIH



## (2) Asset Management Business

### ② Other Profitable Business Entities

(iii) Total market cap of listed subsidiaries and equity method associates

	SBI's shareholding pct. (%)	Classification	Listed market	Market cap (JPY billion)	SBI's equity interest of market cap (JPY billion)
<b>SBI AXES</b>	<b>42.7</b>	Consolidated subsidiary	KOSDAQ of KRX	<b>5.5*</b>	<b>2.3</b>
<b>SBI Investment Korea</b>	<b>43.9</b>	Equity method associate	KOSDAQ of KRX	<b>6.5*</b>	<b>2.8</b>
<b>Sum of the market cap of listed subsidiaries and equity method associates</b>				<b>12.0</b>	<b><u>5.1</u></b>

(Based on the closing price of Dec. 4, 2014. \*Calculated by the exchange rate as of Dec. 4, 2014.)

[Other profitable businesses of the Asset Management Business that are not included in the above valuation]

		Business lineup	Operating income for FY2013 (JPY billion)	SBI's shareholding pct. (%)
<b>Phnom Penh Commercial Bank</b>	<b>Overseas Business</b>	Commercial Bank	<b>0.5</b>	<b>47.6</b>

\* SBI's shareholding percentage corresponds to a figure based on the IFRS criteria that excludes a percentage of outside shareholder's interest of subsidiary companies and subsidiary funds of the Group.

# Valuation by Segment Estimated by SBIH

## (3) Biotechnology-related Business

### Biotechnology-related Business

Each bioventure company has multiple promising pipelines, and the Biotechnology-related Business will become a core business that makes a substantial contribution through progress in areas including pharmaceutical clinical research in Japan and overseas.

**Total valuation of the Biotechnology-related Business is estimated at approx. JPY 62.7bn**

#### ① SBI Pharmaceuticals

Estimation of the valuation is as follows:

Market value at the point of partial transference of former SBI ALApromo's shares × Number of shares issued × SBIH's equity interest (excluding external holdings)



Based on SBIH's equity interest (excluding external holdings) as of the end of Sept. 2014, the amount is calculated to be approx. JPY 46.6bn

Besides, the total shareholder value of this business includes the estimated shareholder value of 1 IPO scheduled company and 1 listed company, with the estimation based on SBIH's shareholding of paid-in capital and the market values of operational investment securities that SBIH owns.

#### ② Other companies in the Biotechnology-related Business

**SBI Biotech (SBI's shareholding percentage\*: 37.8%)**

Considering future strategies, which includes an IPO and M&A on the premise of strategic alliance

\* SBI's shareholding percentage corresponds to a figure based on the IFRS criteria that excludes from the total shareholding percentage (78.2%) the percentage of outside shareholder's interest of subsidiary companies and subsidiary funds of the Group.



# Valuation by Segment Estimated by SBIH

## (4) Housing and Real Estate Business

### Housing and Real Estate Business

Valuation for the Housing and Real Estate Business estimated at **approx. JPY 31.2bn**

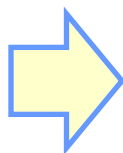
Estimation of the valuation is as follows:

Sum of the calculated value of the commercial real estate properties of SBIH as of the end of Sept. 2014 were calculated, along with SBI Life Living's market cap.

① Value of the commercial real estate properties

Asset Value = Balance of investment real estate + Balance of real estate included in tangible assets

(Balance of investment real estate for SBI Savings Bank and SBI Life Living are excluded)



As of the end of Sept. 2014, valuation is **approx. JPY 21.1bn**

② Market cap of a listed subsidiary in the Housing and Real Estate Business

	SBI's share-holding pct. (%)	Classification	Listed market	Market cap (JPY billion)	SBI's equity interest of market cap (JPY billion)
SBI Life Living	73.3	Consolidated subsidiary	TSE Mothers	13.9	<b><u>10.2</u></b>

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