



*Strategic
Business
Innovator*

SBI Holdings, Inc. 2016 Information Meeting

November 22	Tokyo
November 25	Osaka
November 30	Nagoya

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: Explanations for the
Key Questions**

Part II: Q&A

Part I: Key Questions

- 1. 1H FY2016 consolidated financial results**
- 2. How do you see the business environment surrounding the SBI Group for the second half-year?**
- 3. To continue to with the ongoing business growth of the current stage, what measures will be undertaken for the second half, and into the next fiscal year?**
- 4. What are the mid- to long-term business strategies for the sustainable expansion of corporate value?**
- 5. What is the progress of the Biotechnology-related Business, including the 5-ALA-related business that is expected to achieve its first full-year profitability?**
- 6. What are the management's thoughts on SBI Holdings' shareholder returns and the current shareholder composition?**

1. 1H FY2016 consolidated financial results

(1) Highlights of 1H FY2016 results

(2) Summary of 1H FY2016 consolidated financial results

(3) Overview of each segment

(1) Highlights of 1H FY2016 results

➤ Financial Services Business

With the exception of those Financial Services Business companies established within the past 1-2 year period, nearly all of the companies have established a profit structure that enables sustained profitability.

Moreover, the strengthening of earnings capacity is becoming more evident as the years pass since their establishment

➤ Asset Management Business

Fund raising for the domestic and overseas funds is proceeding smoothly, and going forward, the operating performance of the funds, centering on the FinTech Fund, is expected to further improve

➤ Biotechnology-related Business

There is steady progress in the enhancement of the drug pipeline, with each company's clinical trials moving along smoothly, leading to high expectations for the future. Furthermore, the 5-ALA-related business is forecasted to achieve its first full-year profitability this fiscal year

(2) Summary of 1H FY2016 consolidated financial results

- **The Financial Services Business' profit before income tax expense increased 1.0% year-on-year, owing to the sound growth of FX, banking and insurance businesses, despite the sluggish stock market, as compared to the previous corresponding period**
- **For the Asset Management Business, SBI SAVINGS BANK's stable revenue base, resulting from the accumulation of performing loans balance, contributed to the increase in the business' profit before income tax expense year-on-year**
- **In the Biotechnology-related Business, the losses widened, owing to the increase in cost due to the steady progress in multiple clinical trials at Quark, including two Phase III pipeline drugs. On the other hand, SBI Biotech and the 5-ALA-related business achieved profitability in the 1H FY2016, respectively**
- **Following the previous fiscal year, an interim dividend of JPY 10 per share will be paid**

1H FY2016 Consolidated Performance (IFRS)



[Year-on-year]

(Unit: JPY million)

	1H FY2015 (Apr. – Sept. 2015)	1H FY2016 (Apr. – Sept. 2016)	YoY % change
Revenue	115,183	121,284	+5.3
Profit before income tax expense	19,906	17,286	-13.2
Profit for the period	13,215	10,109	-23.5
Profit attributable to owners of the Company	13,162	14,194	+7.8
ROE (%) (annualized)	3.5 (7.0)	3.9 (7.8)	+0.4p. (+0.8p.)

1H FY2016 Revenue by Segment (IFRS)

[Year-on-year]

(Unit: JPY million)

	1H FY2015 (Apr. – Sept. 2015)	1H FY2016 (Apr. – Sept. 2016)	YoY % change
Financial Services Business	78,154	83,563	+6.9
Asset Management Business	33,297	36,327	+9.1
Biotechnology-related Business	3,341	2,027	-39.3
Others	1,759 *1	353	-79.9

*1 In the Housing and Real Estate Business, which the Group has been exiting, recorded gain on sales of real estate holdings.

*2 Figures are before elimination of the inter-segment transactions.

1H FY2016 Profit before Income Tax Expense by Segment (IFRS)



[Year-on-year]

(Unit: JPY million)

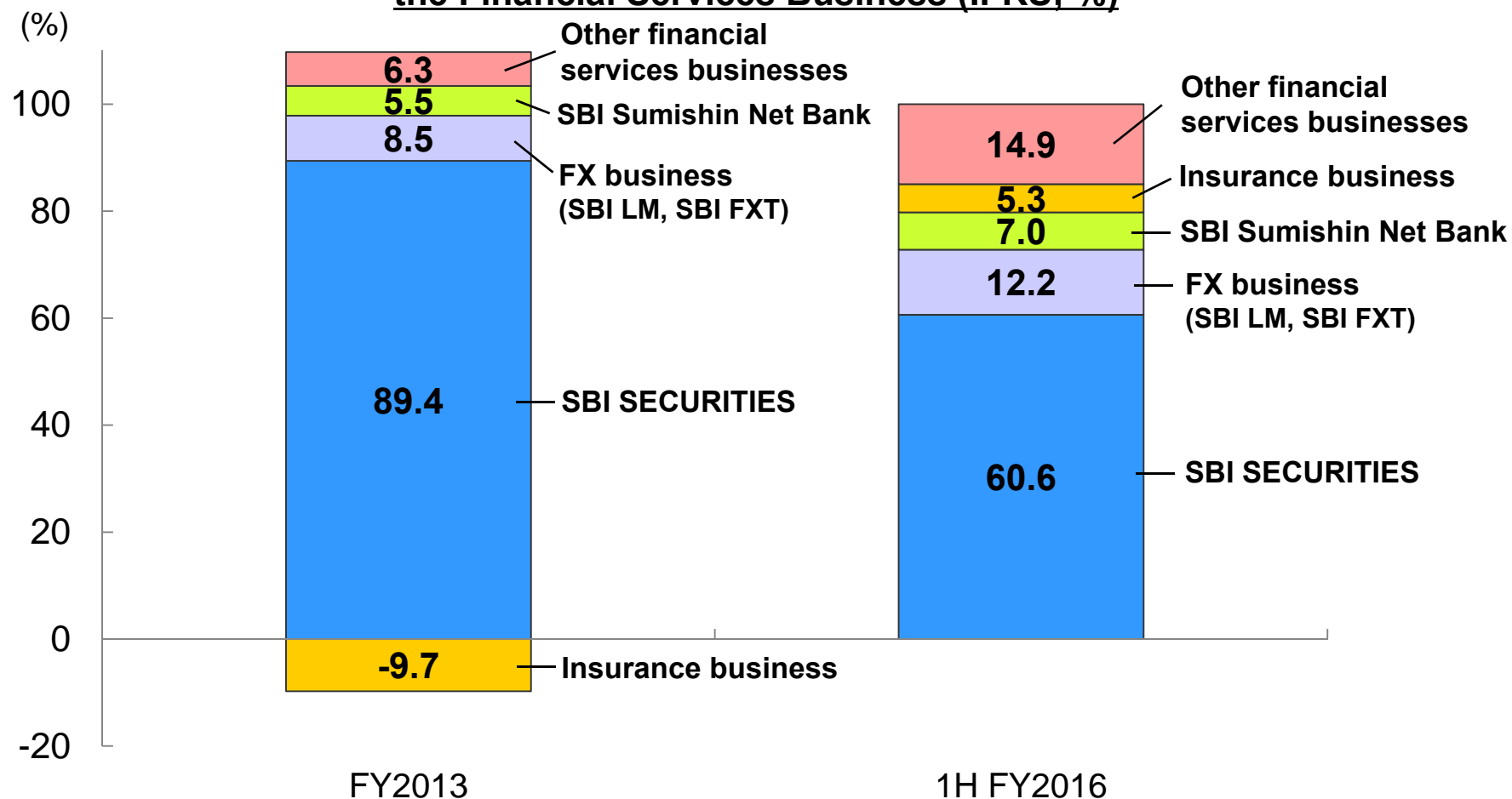
	1H FY2015 (Apr. – Sept. 2015)	1H FY2016 (Apr. – Sept. 2016)	YoY % change
Financial Services Business	25,059	25,298	+239 (+1.0)
Asset Management Business	-262	2,877	+3,139 (—)
Biotechnology-related Business	-242	-5,178	-4,936 (—)
Others	-345 *1	-542	-197 (—)

*1 In the Housing and Real Estate Business, which the Group has been exiting, recorded gain on sales of real estate holdings.

*2 Figures are before elimination of the inter-segment transactions.

Other Non-securities Financial Services Businesses, Including Banking, Insurance and FX have Steadily Grown

Composition ratio of profit before income tax expense of
the Financial Services Business (IFRS; %)



(3) Overview of each segment

① Financial Services Business

② Asset Management Business

③ Biotechnology-related Business

- ① Financial Services Business**
 - i. Securities-related business**
 - ii. Banking-related business**
 - iii. Insurance-related business**

i. Securities-related business

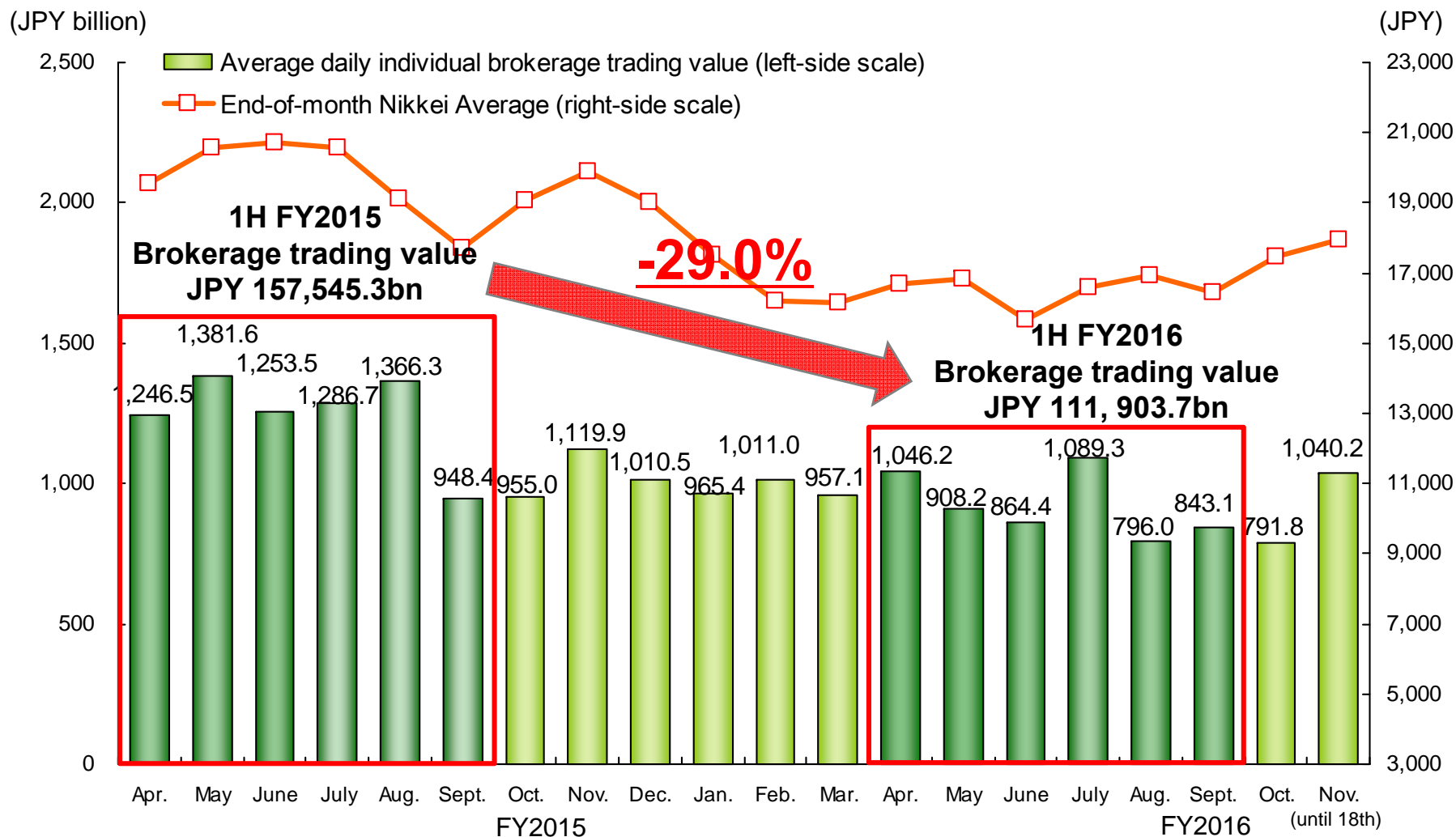
- **Despite the fact that the individual stock brokerage trading value of the Tokyo and Nagoya stock markets decreased 29.0% year-on-year, that of SBI SECURITIES' commissions decreased by only 15.7% year-on-year. On the other hand, profit attributable to owners of the Company for 1H FY2016 increased by 12.8% year-on-year due to the favorable increase of trading gains**
- **SBI Liquidity Market's operating income before allocation for 1H FY2016 was approx. JPY 6.8bn, up 1.9% year-on-year, recording a half-year historical high**
- **Along with the SBI SECURITIES' number of accounts, customers' deposit assets and the share of individual stock brokerage trading value, the Group's FX trading accounts and deposit assets ranked No. 1 in the industry as well, overwhelmingly surpassing its competitors**

i. Securities-related business:



Trend of the Average Daily Individual Brokerage Trading Value

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)

Source: Compiled by SBIH from disclosed data from TSE

SBI SECURITIES 1H FY2016 Consolidated Results (J-GAAP)

[Year-on-year]

(Unit: JPY million)

	1H FY2015 (Apr. 2015 – Sept. 2015)	1H FY2016 (Apr. 2016 – Sept. 2016)	YoY % change
Operating Revenue	44,368	42,437	-4.4
Net Operating Revenue	40,829	39,473	-3.3
Operating Income	20,127	17,797	-11.6
Ordinary Income	20,121	17,834	-11.4
Profit attributable to owners of the Company	12,302	13,880	+12.8

i. Securities-related business: SBI SECURITIES

Positioning of SBI SECURITIES in the Securities Industry (1H FY2016; J-GAAP)



Net Income Ranking (1H FY2016)

(Unit: JPY billion)

1	Mizuho *1	131.3	(+239.1)
2	Nomura (US-GAAP)	108.0	(-6.3)
3	Daiwa	55.0	(-20.5)
4	MUFJ	27.2	(-1.2)
5	SMBC Nikko	22.0	(-25.3)
6	SBI	13.9	(+12.8)
7	Rakuten	6.8	(-2.8)
8	Matsui	5.1	(-40.8)
9	Okasan	4.8	(-24.0)
10	Tokai Tokyo	4.4	(-43.6)
11	kabu.com	3.0	(-38.9)
11	Kyokuto	3.0	(+29.7)
13	Takagi	2.0	(+195.2)
14	Ichiyoshi	1.0	(-31.8)
15	IwaiCosmo	0.6	(-71.8)
15	SMBC Friend	0.6	(-57.2)
17	Marusan	0.3	(-81.5)
18	Mito	0.1	(-88.4)
19	Monex (IFRS)	-0.1	(Deficit)
20	Toyo	-1.7	(Deficit)

*1 As for Mizuho, owing to the reorganization of Group companies, recorded JPY 45.2bn of extraordinary income due to the disposal of Mizuho Securities USA to Mizuho Bank.

*2 Previous year QoQ % change and YoY % change are shown in the parentheses.

Source: Compiled by SBIH from the information on websites of each company. 16

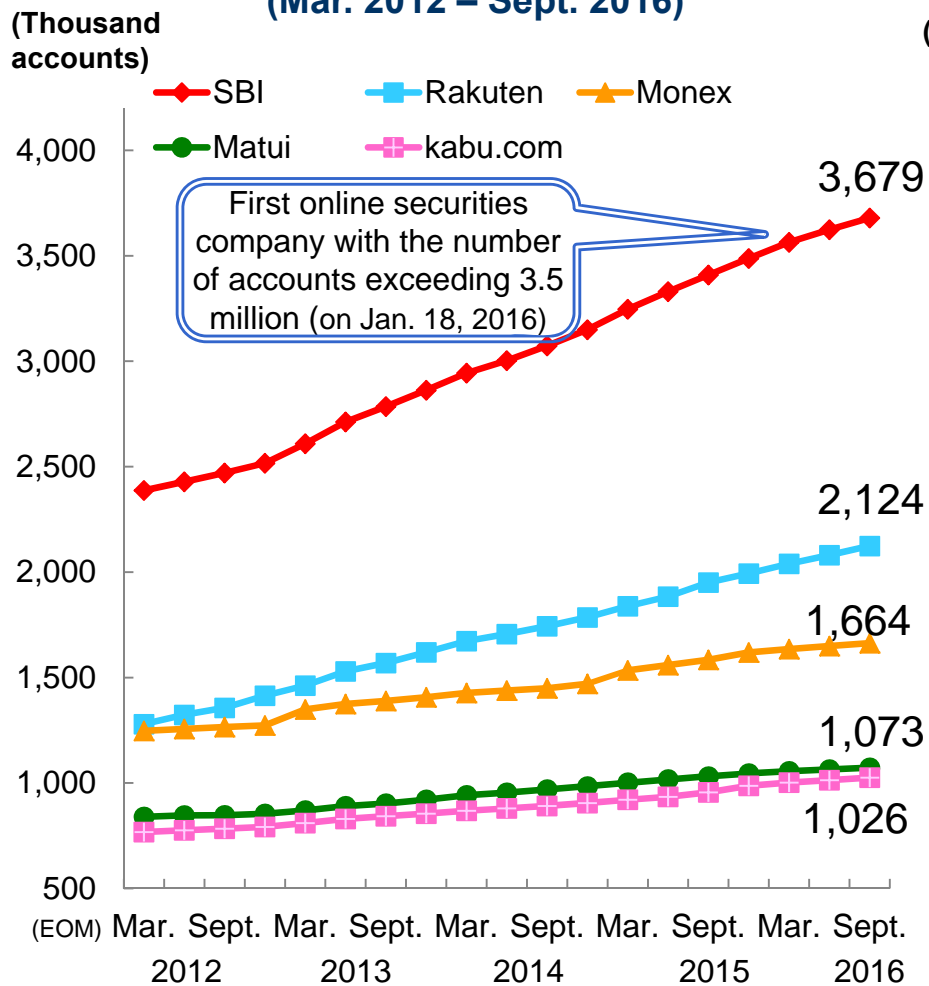
i. Securities-related business: SBI SECURITIES



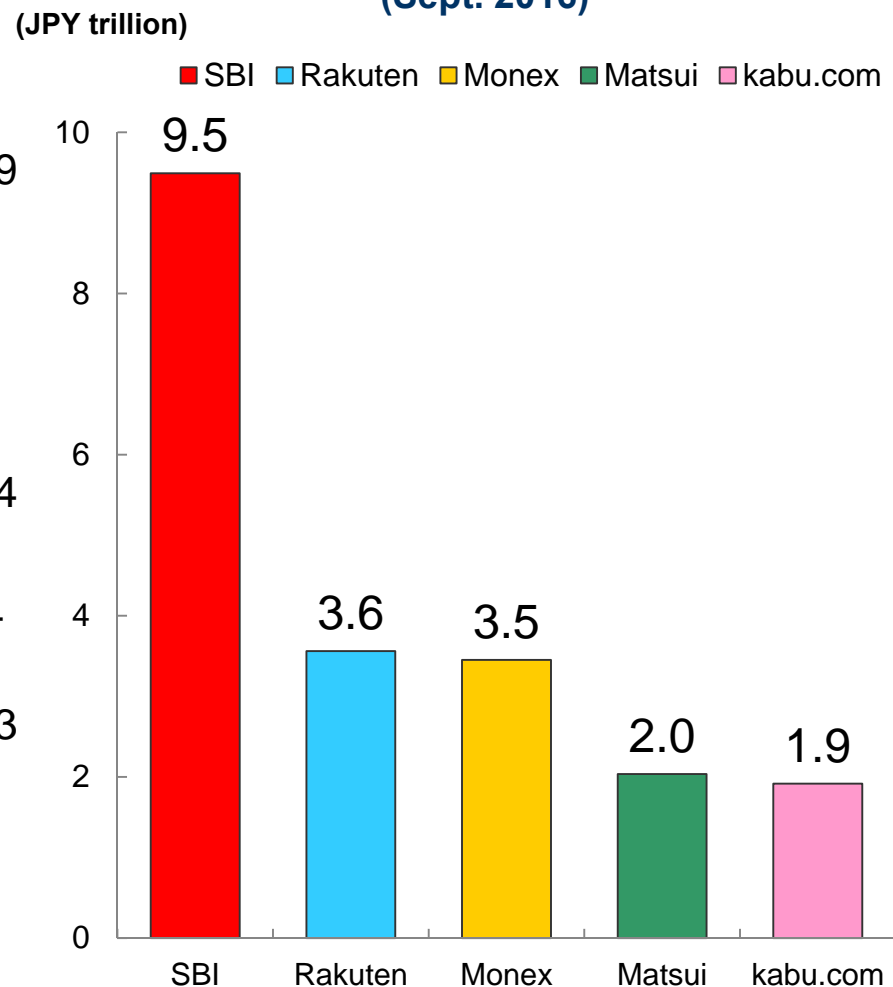
SBI SECURITIES Attains an Overwhelming Customer Base

[Number of Accounts and Amount of Customer Asset]

Customer Accounts of 5 Major Online Securities Companies
(Mar. 2012 – Sept. 2016)



Customers' Deposit Assets of 5 Major Online Securities Companies
(Sept. 2016)



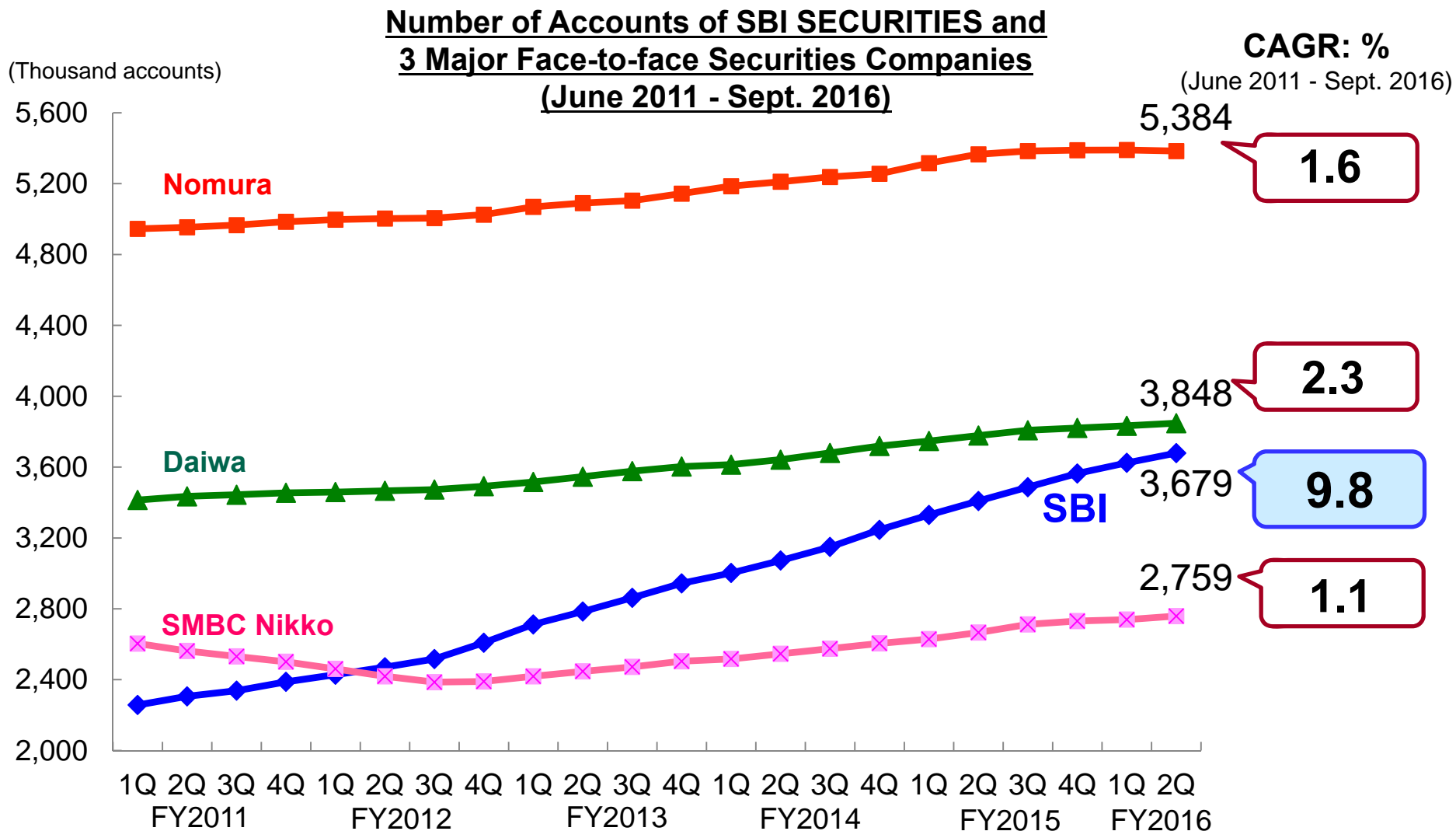
Source: Compiled by SBIH from the information on websites of each company.

i. Securities-related business: SBI SECURITIES



SBI SECURITIES is Chasing Major Face-to-face Securities in the Number of Accounts

Is it possible to overtake Daiwa's number of brokerage accounts within FY2017?

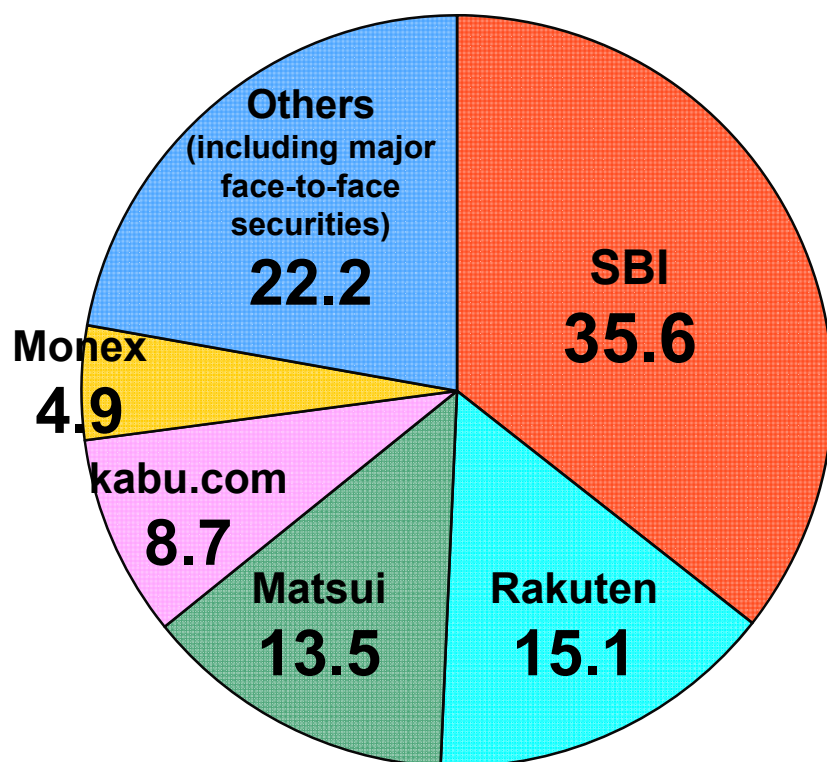


SBI SECURITIES' Share of Individual Stock Trading

Share of Individual Stock Trading Value (%)

1H FY2016

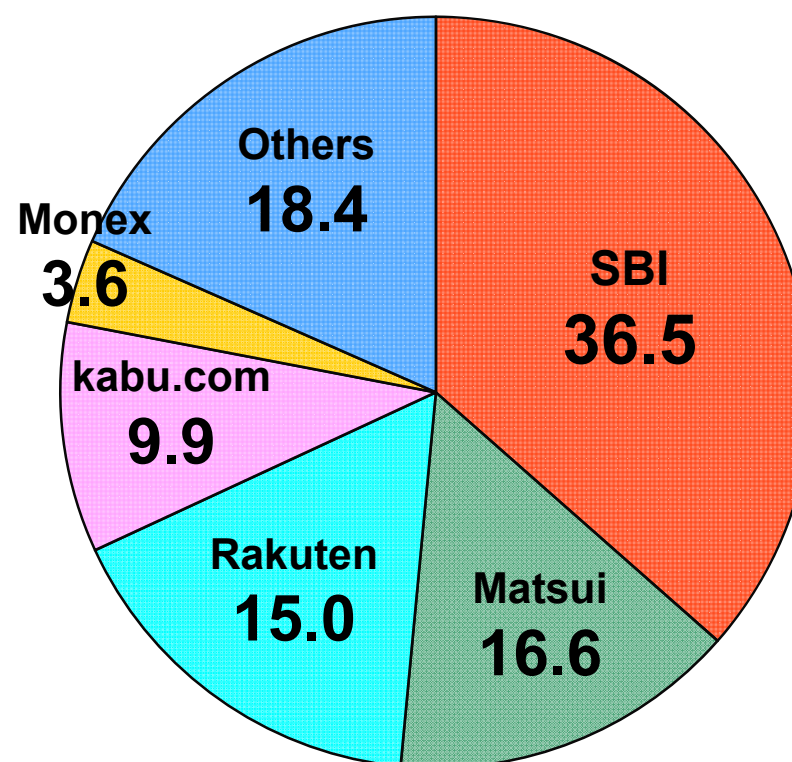
(Apr. 2016 – Sept. 2016)



(of which) Share of Individual Margin Trading Value (%)

1H FY2016

(Apr. 2016 – Sept. 2016)



<From 1Q FY2016, shares are calculated with the individual stock trading value and individual margin trading value of both the 1st and 2nd sections of the Tokyo and Nagoya Stock Exchanges, including that of ETF and REIT trading value, respectively>

* Shares are calculated by dividing each company's individual stock trading value or individual margin trading value with the whole individual stock trading value and individual margin trading value of the 1st and 2nd section of the Tokyo and Nagoya Stock Exchange, including that of ETF and REIT trading value, respectively

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

i. Securities-related business: SBI SECURITIES



Succeeded at Attaining New Customers through NISA

(Sept. 2016)	SBI *1	kabu.com	Matsui *1	Nomura *1	Daiwa
No. of NISA accounts *2	<u>900,000</u>	130,000	110,000	1,710,000	760,000

*1 Includes the number of Junior NISA accounts *2 Amounts are rounded to the nearest JPY 10 thousand.

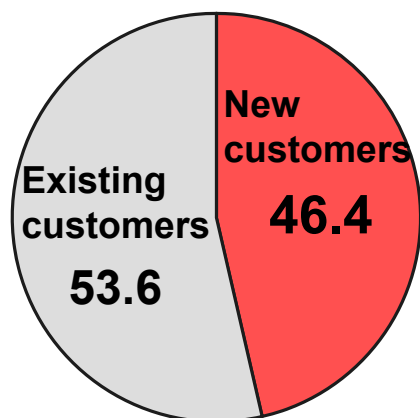
*3 The number of accounts are as of the end of Sept. 2016, compiled by SBIH from the information on website of each company.

SBI SECURITIES' number of Junior NISA accounts reached 20 thousand accounts as of Sept. 2016, accounting for about 1/3 of Japan's entire Junior NISA accounts

Comparison of Customer Attributes

SBI SECURITIES(%)

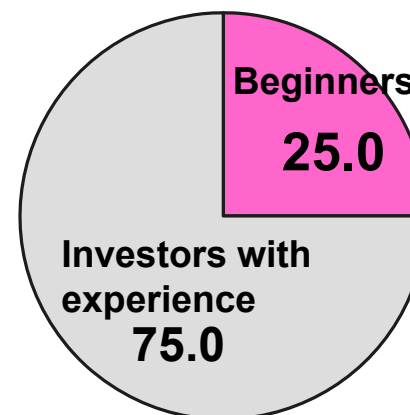
(As of the end of Sept. 2016)



Number of new customers opening NISA accounts account for **46%**, and within that **66.6%** are beginner investors

Entire Securities Industry (%)

(As of the end of June 2016)



* "Beginners" represent investors who opened their accounts after Apr. 2013; equivalent to SBI SECURITIES' "New customers".

Source: JSDA

■ Active account ratio of **65.0%** (Among the entire securities industry, the ratio is **59.1%**)

i. Securities-related business: SBI Liquidity Market, SBI FXTRADE

The SBI Group's (SBI SECURITIES, SBI FXTRADE and SBI Sumishin Net Bank) Total Number of Accounts and Customer Deposit Assets have Overwhelmingly Surpassed That of Its Competitors in the OTC FX Industry



Number of FX Trading Accounts (Sept. 2016)

No.	Company name	Number of accounts
1	SBI Group	824,540
2	DMM.com	533,427
3	GMO CLICK	456,103
4	Gaitame.com	430,018
5	YJFX	313,325
6	MONEY PARTNERS	286,494
7	Traders Securities	276,595
8	Monex Securities	230,118
9	Hirose FX	212,393
10	FX PRIME by GMO Corporation	168,494
11	Central Tanshi FX	163,318
12	MONEY SQUARE JAPAN	100,452
13	FXTrade Financial	64,121
14	Ueda Harlow	53,024
	Other (1 company)	61,015
	Total	4,173,437

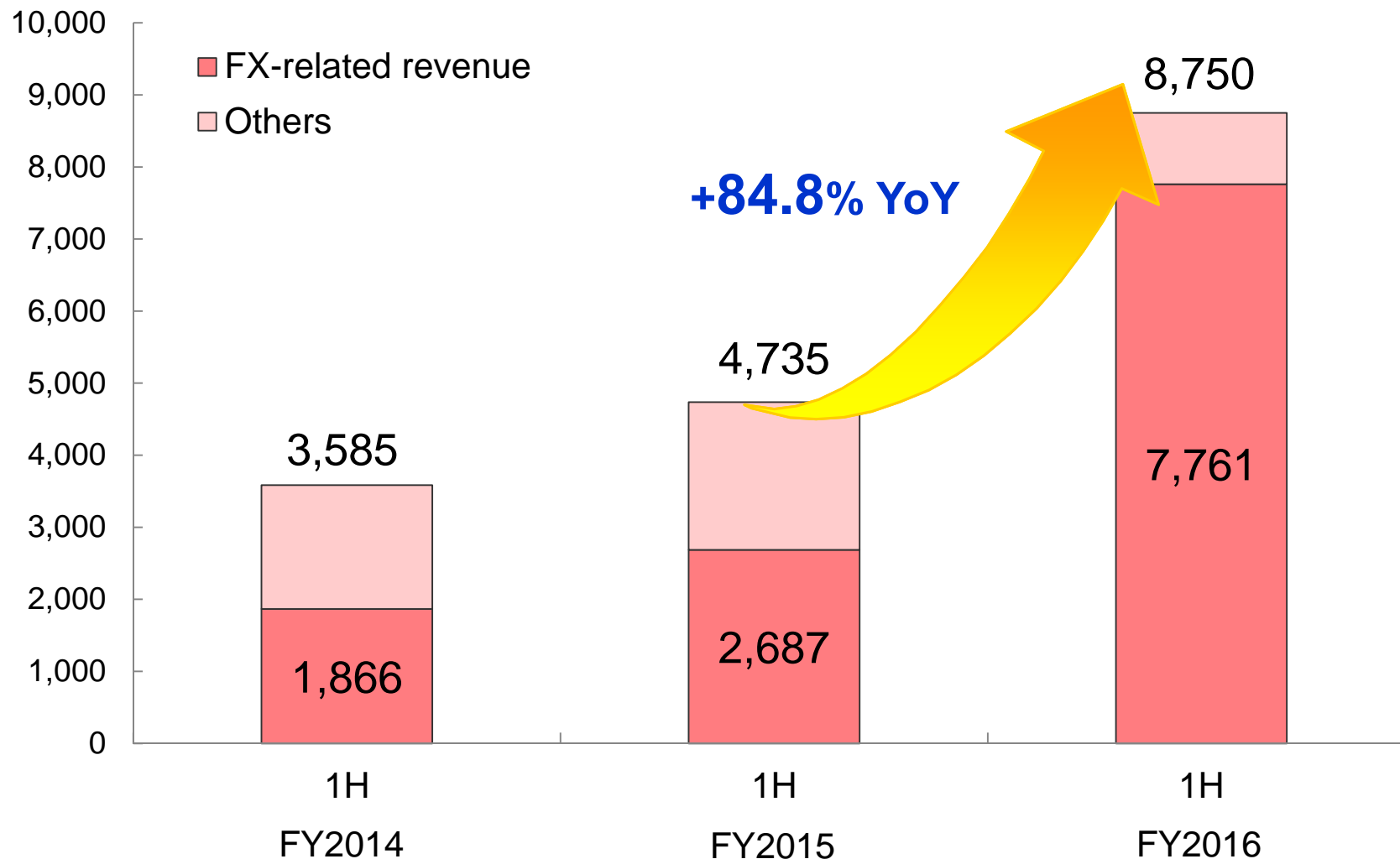
Customers' Deposit Assets Raking (Sept. 2016)

No.	Company name	Amount (JPY million)
1	SBI Group	155,276
2	GMO CLICK	118,144
3	Gaitame.com	112,321
4	DMM.com	95,316
5	YJFX	94,737
6	MONEY SQUARE JAPAN	65,983
7	Central Tanshi FX	65,109
8	MONEY PARTNERS	58,608
9	Hirose FX	36,379
10	FX PRIME by GMO Corporation	15,748
11	Traders Securities	12,256
12	Ueda Harlow	11,997
	Others (2 company)	10,264
	Total	852,138

Source: Yano Research "Monthly Research on 17 Major FX Trading Companies.

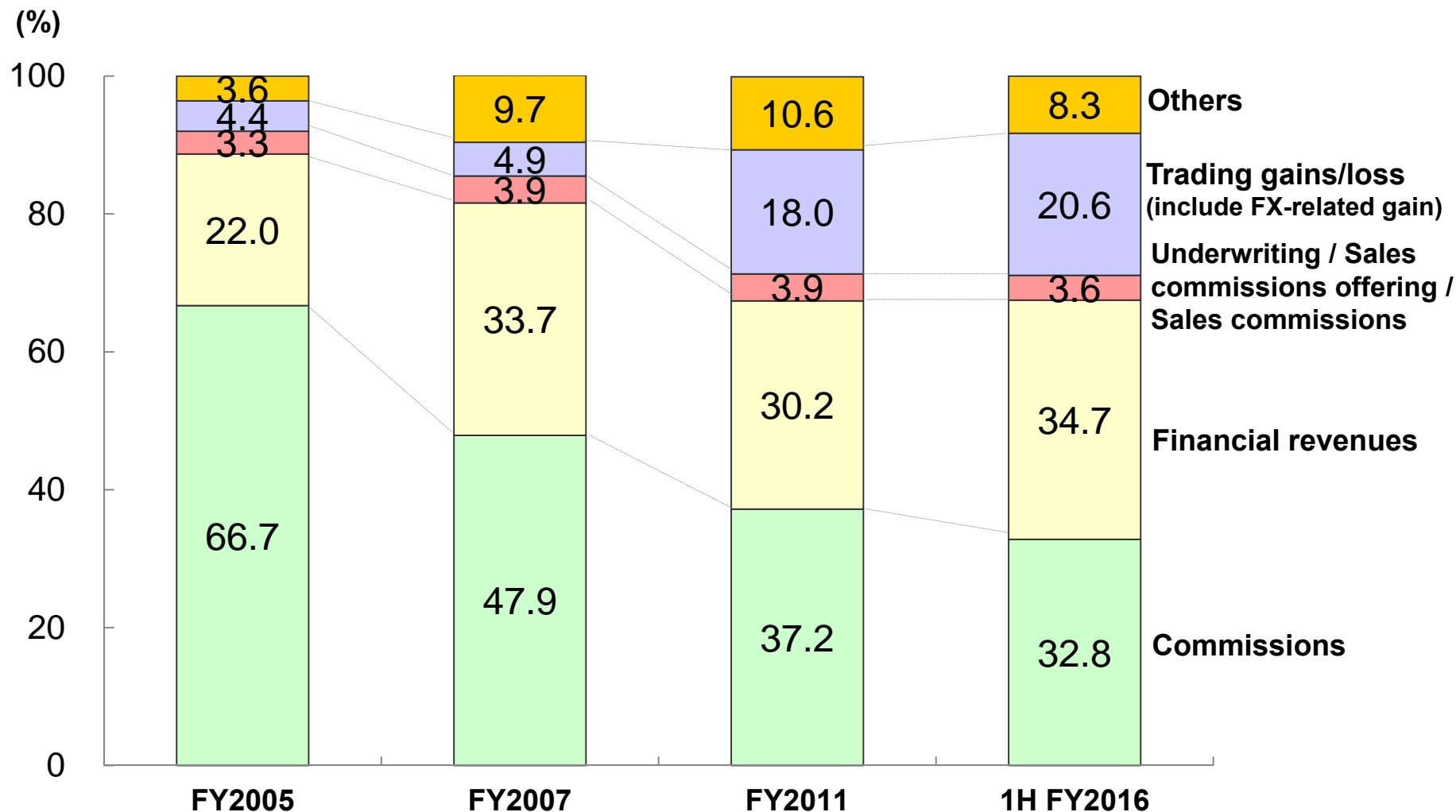
SBI SECURITIES' Trading Gains and Loss Trend

(Unit: JPY million)



Changes in SBI SECURITIES' Operating Revenue Structure

Owing to the diversification of its earnings sources, dependence on stock brokerage commissions halved



ii. Banking-related business

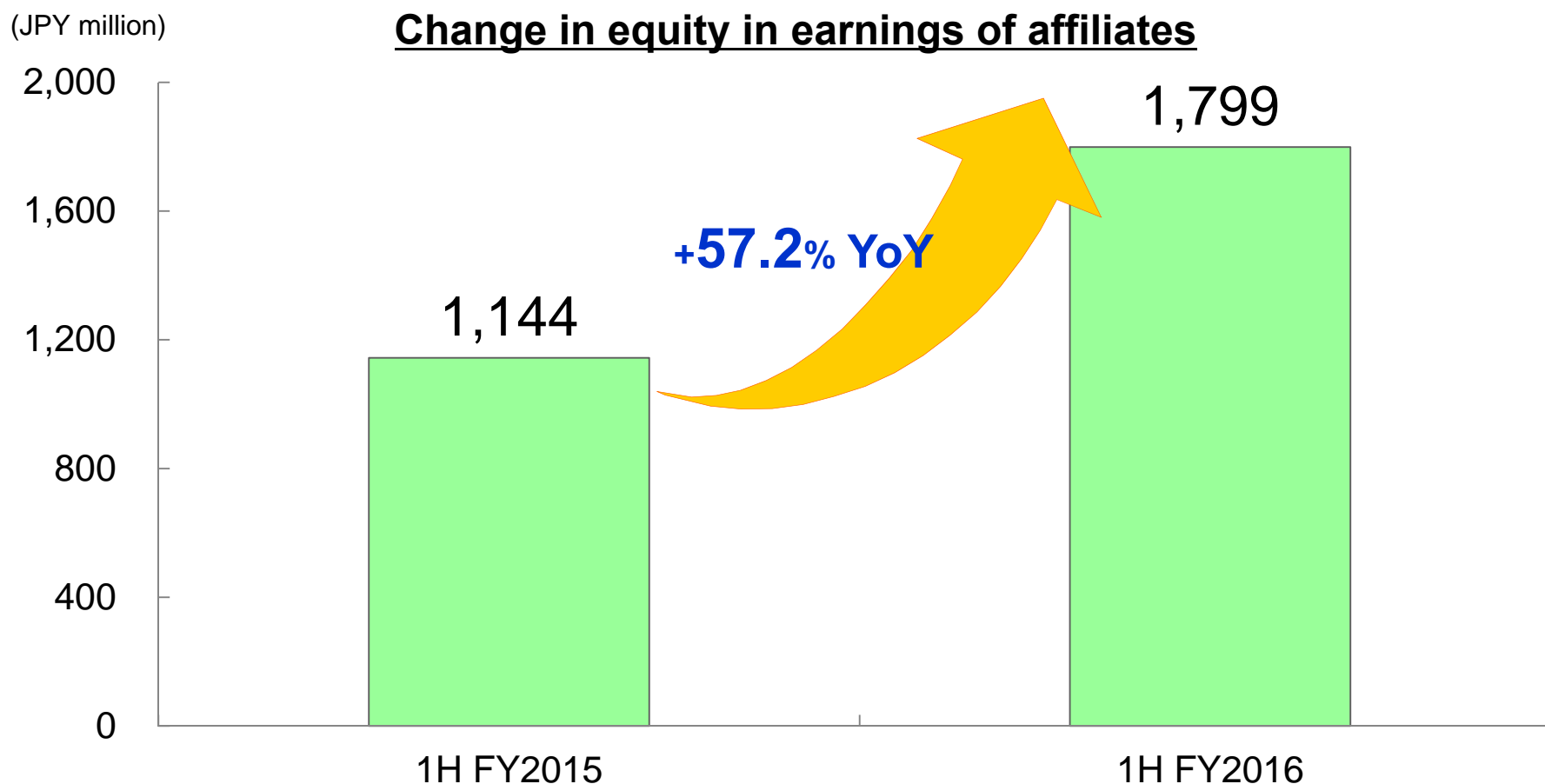
- SBI Holdings' equity in earnings of SBI Sumishin Net Bank based on IFRS for 1H FY2016 was JPY 1,799m
 - * SBI Sumishin Net Bank's 1H FY2016 ordinary profit (based on J-GAAP) was JPY 7,133m
- As of the end of Sept. 2016, accounts steadily increased to approx. 2.69 million accounts, with deposits of approx. JPY 3.6tn
- While the balance of housing loans continues to steadily expand, primarily with the “Internet Exclusive Housing Loan” product, further improved customer convenience with the launch of the Internet conclusion type application service for group credit life insurance
- Balance of card loans grew favorably with the reduced minimum interest rate in June 2016, and specific purpose loans products also steadily contributed to the balance, advancing the diversification of investment sources

ii. Banking-related business: SBI Sumishin Net Bank



Change in SBI Sumishin Net Bank's Financial Results (IFRS)

SBI Holdings' equity in earnings of SBI Sumishin Net Bank based on IFRS for 1H FY2016 was JPY 1.8bn, up 57.2% year-on-year





Note: Owing to the difference in IFRS and J-GAAP for asset assessment criteria, the figures differ from that disclosed based on J-GAAP.

Pure-play Internet Banks' Financial Results of 1H FY2016

Unit: JPY billion

The number of accounts is in thousands.

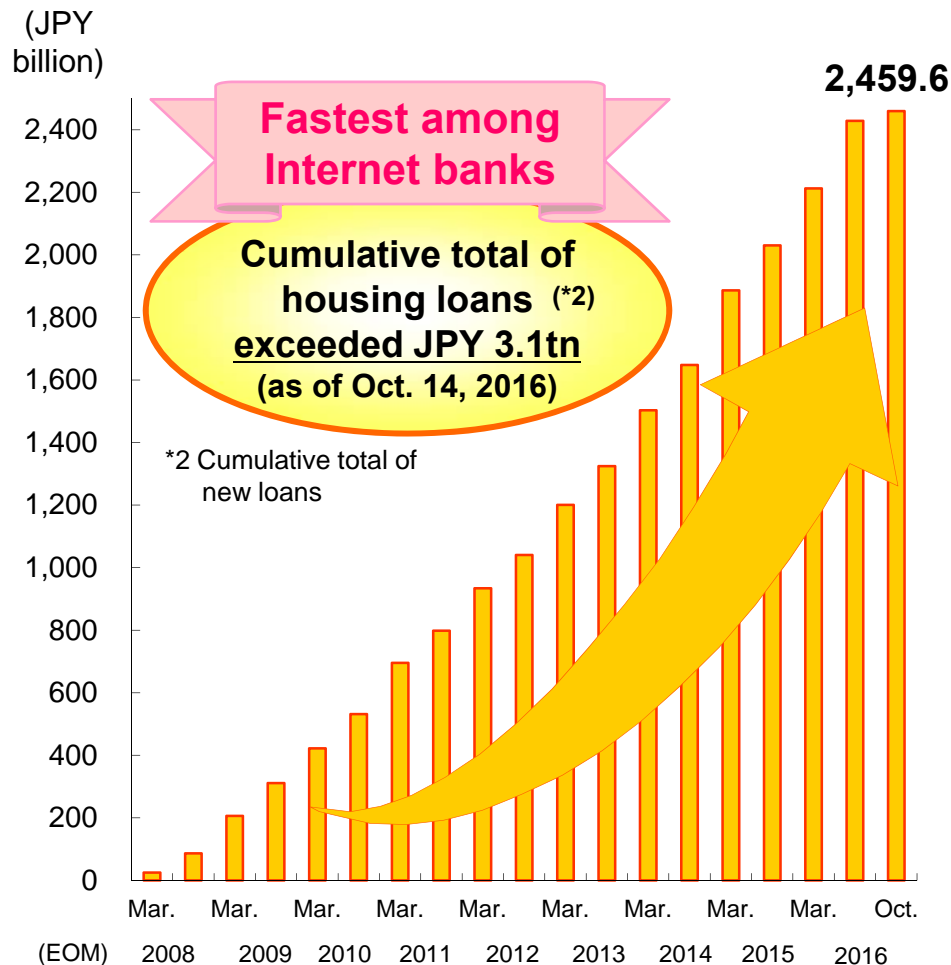
	Date of operation started	Deposit amount	Balance of loans	Number of accounts	Ordinary income
SBI Sumishin (cons.)	<u>Sept. 2007</u>	 <u>3,624.3</u>	 <u>2,155.8</u>	<u>2,689</u>	<u>7.1</u>
Daiwa Next	May 2011	3,043.4	369.4	1,174	1.9
Sony Bank (cons.)	June 2001	1,986.6	1,406.7	1,190	1.8
Rakuten (cons.)	July 2001	1,552.9	548.4	5,569	8.9
Jibun	July 2008	759.6	219.6	2,271	1.0
The Japan Net	Oct. 2000	652.8	56.5	3,335	1.5

Note: Amounts are rounded to the nearest 100 million yen or thousand accounts. The number of accounts is as of the end of Sept. 2016.

Diversification of Loans with Deposits Accumulating

Change in Balance of Housing Loans *1 (Mar. 2008 - Oct. 2016)

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



SBI Sumishin Net Bank's housing loans business:

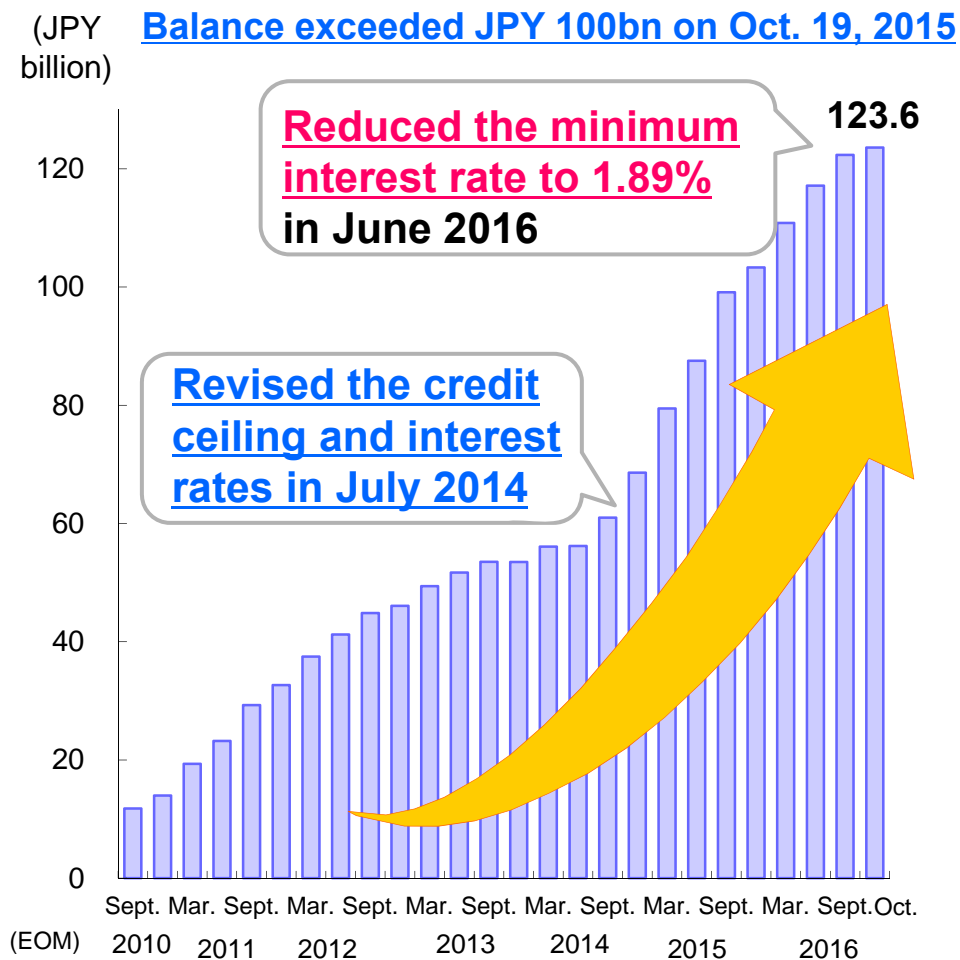
- ① **Housing loans processed directly by SBI Sumishin Net Bank**
 - Via alliance with real estate companies (from Sept. 2007)
 - Banking agency specialized product "MR. Housing Loan REAL" (from Mar. 2015)
- ② **Banking agency business for Sumitomo Mitsui Trust Bank "Internet Exclusive Housing Loan"** (from Jan. 2012)
- ③ **Long-term fixed rate product "Flat 35"** (from Sept. 2015)

Further improved customer convenience with the launch of the Internet conclusion type application service for group credit life insurance directed to "Internet Exclusive Housing Loan" applicants in June 2016

SBI Sumishin Net Bank's Loan Offerings, Such as Card Loans and Specific Purpose Loans Steadily Expanding

Changes in the Balance of Card Loans

(Sept. 2010 - Oct. 2016)



Specific purpose loans

(as of the end of Oct. 2016)

Service launched in May 2013



Balance: JPY 14.7bn

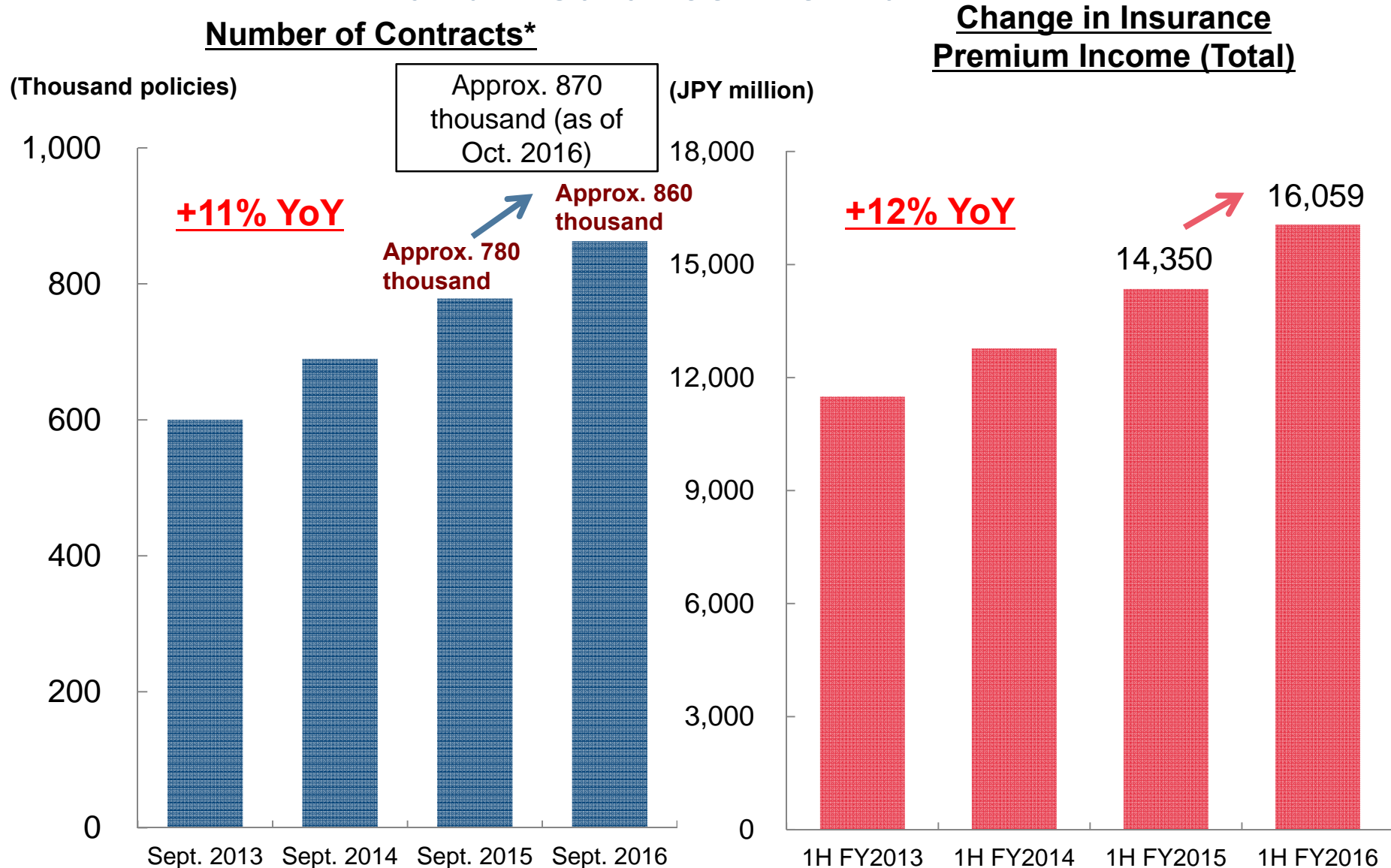
Balance of loans increased 1.3 times YoY

In addition to the card loans, which topped a balance of JPY 100bn, the specific purpose loan balance is also steadily increasing

iii. Insurance-related business

- **SBI Insurance's auto insurance business continues to rapidly expand with the number of contracts up 11%, and direct premium written up 12% year-on-year, respectively**
- **SBI Insurance's profit before income tax expense based on IFRS was JPY 54m**
- **SBI Insurance's combined ratio (based on direct figures) greatly decreased to 86.8%**
- **SBI Life Insurance has sustained a strong business performance**
- **Number of contracts at small-amount, short-term insurance companies steadily increases**

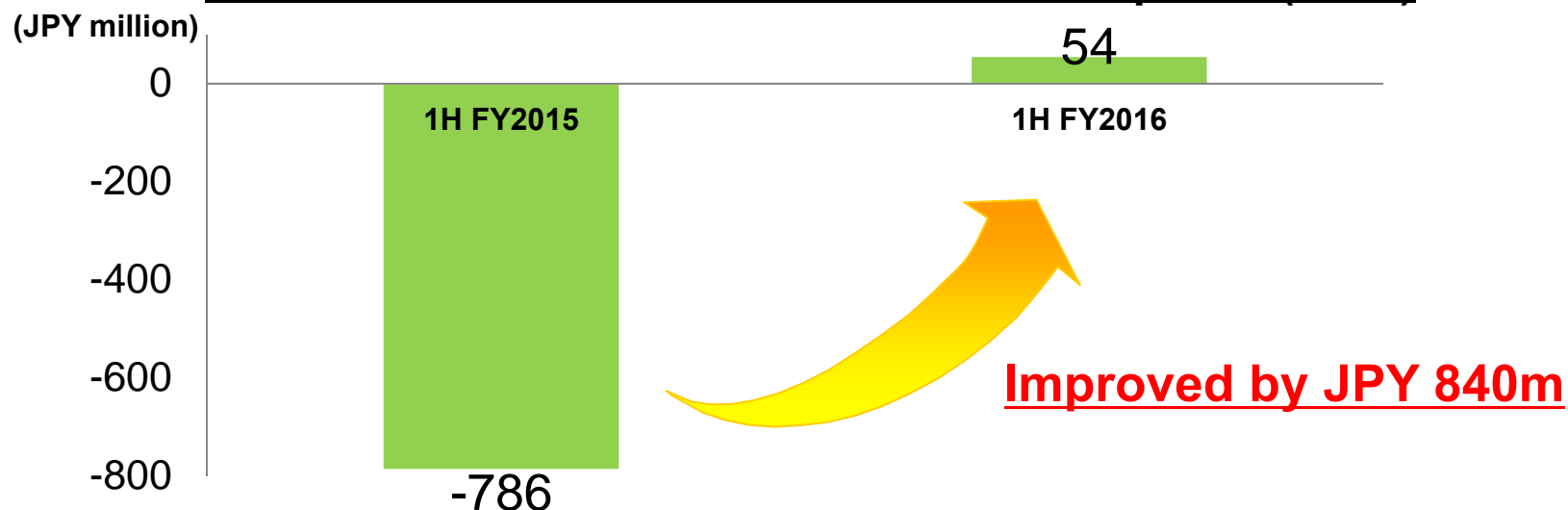
SBI Insurance's Number of Auto Insurance Contracts and Insurance Premium



* Includes new contracts that were paid by the end of the month, but becomes effective the following month or later

SBI Insurance Financial Results for 1H FY2016

SBI Insurance Profit before Income Tax Expense (IFRS)



Combined Ratio (Based on Direct Figures)

(Unit: %)	1H FY2015	1H FY2016	YoY Change
Loss ratio^{*1}	70.6	<u>68.4</u>	<u>-2.2</u>
Operating expenses ratio^{*2}	20.8	<u>18.4</u>	<u>-2.4</u>
Combined ratio	91.4	<u>86.8</u>	<u>-4.6</u>

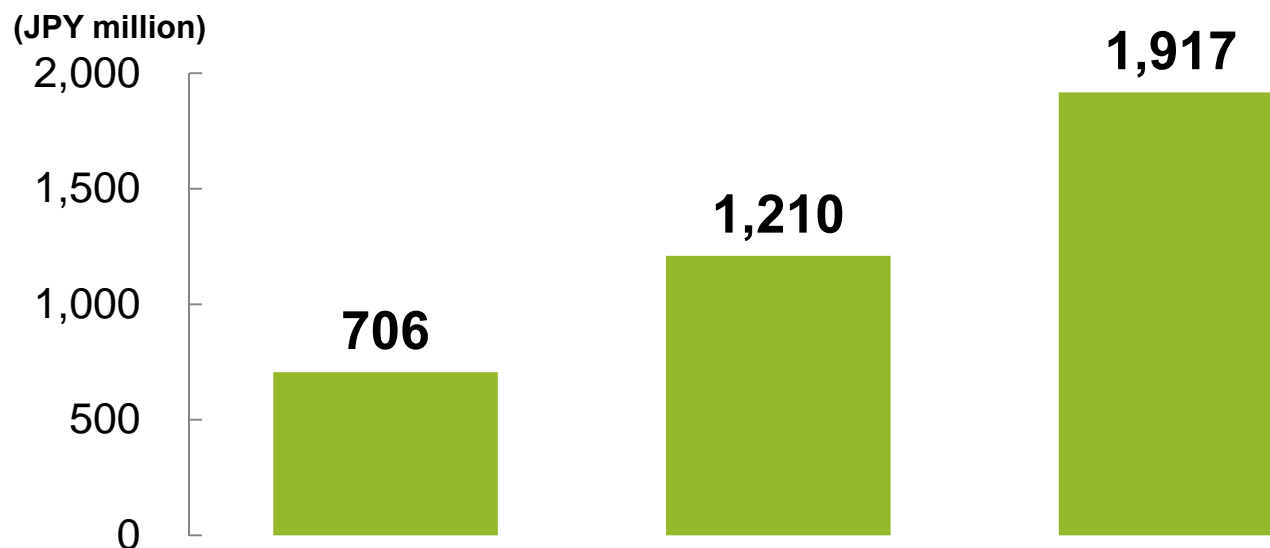
*1 Loss ratio (%) = (Direct net insurance payment + Loss adjustment expenses) / Direct premium written X 100

*2 Operating expenses ratio (%) = (Operating expenses except for reinsurance commissions) / Direct premium written X 100

*3 Percentages in the table above are based on direct figures

SBI Life Insurance Financial Results for 1H FY2016

The Trend of Ordinary Income*



* Based on J-GAAP

Solvency margin ratio(%)	1,130.5	1,418.4	1,221.5
	1H FY2014	1H FY2015	1H FY2016

The number of contracts: approx. 110 thousand
(annualized premium: JPY 8,357m)

*As of Sept. 30, 2016

iii. Insurance-related business: Small-amount, short-term insurance



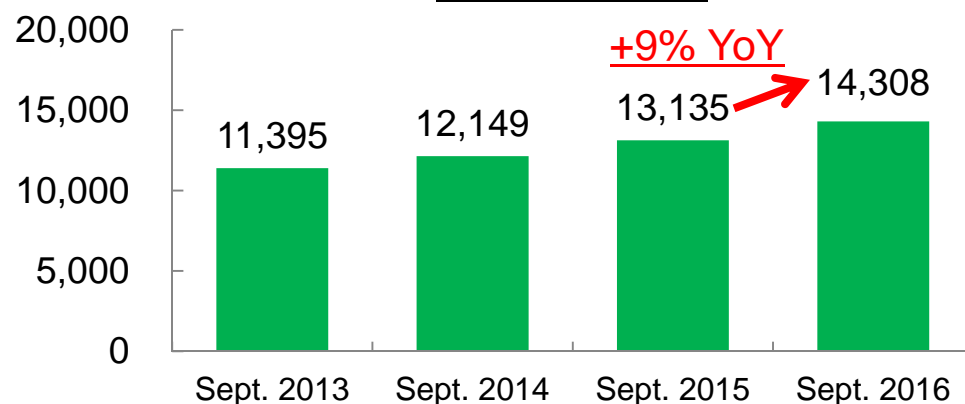
Number of Contracts of the Small-amount, Short-term Insurance Companies



[SBI Resta SSI: Earthquake indemnity insurance]

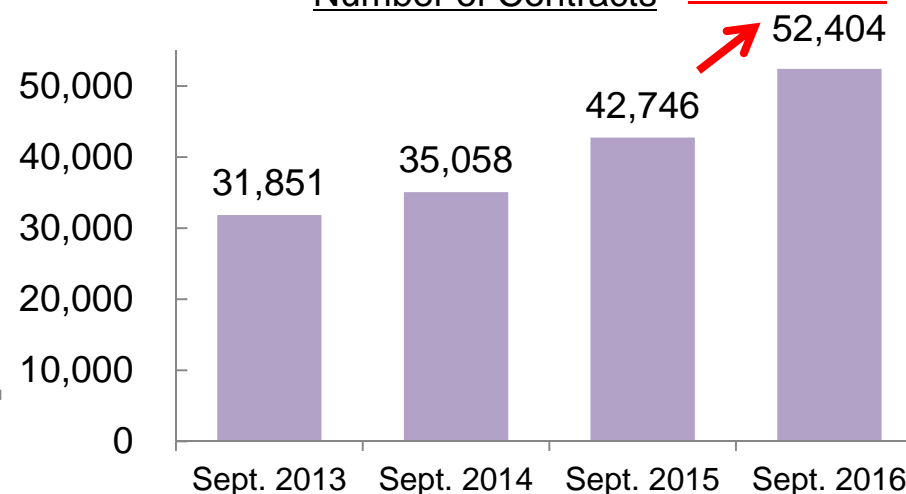
* SBI SSI plans to change its registered name to SBI Resta SSI on Nov. 1, 2016

Number of Contracts of Earthquake Indemnity Insurance Resta



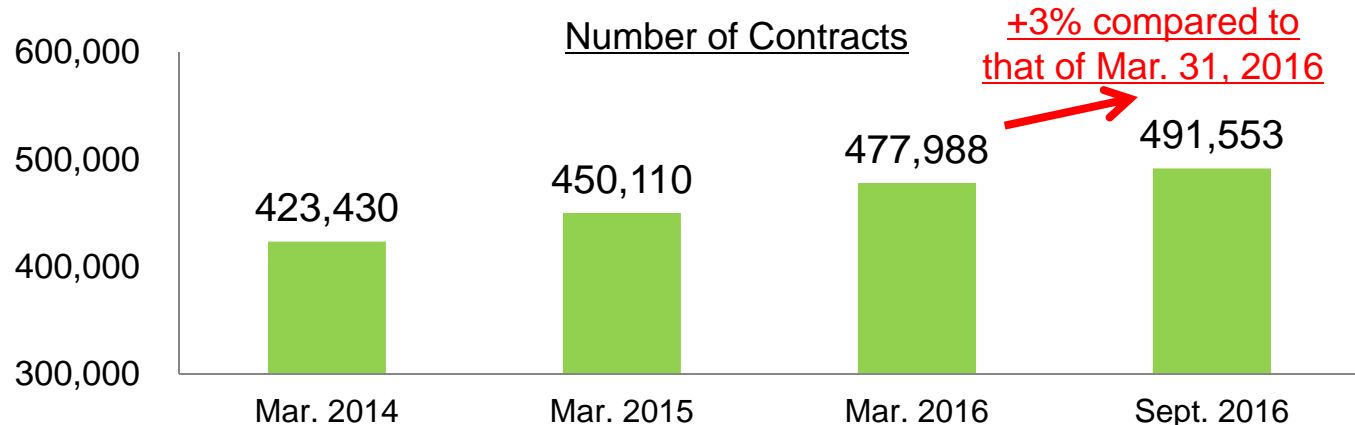
[SBI IKI IKI SSI: Death insurance, Medical insurance]

Number of Contracts **+23% YoY**



Nihon Small amount & Short term Insurance Co., Ltd.

[Nihon SSI: Home content insurance, Bike insurance, Bicycle insurance, Reform insurance]



② Asset Management Business

- Profit before income tax expense of the 1H FY2016 for the Asset Management Business increased JPY 3,139 million year-on-year
- SBI SAVINGS BANK of South Korea's profitability for the period increased steadily through the accumulation in the balance of performing loans, and the improvement in the delinquency ratio

Asset Management Business' Financial Results Breakdown

(IFRS, JPY billion)

	1H FY2015	1H FY2016
Revenue	33.3	36.3
Profit before income tax expense	-0.3	2.9
Profit/loss from the change in fair value and profit/loss on sales of investment securities	-1.5	-2.9



**Details of profit/loss from the change in fair value
and profit/loss on sales of investment securities in 1H FY2016**

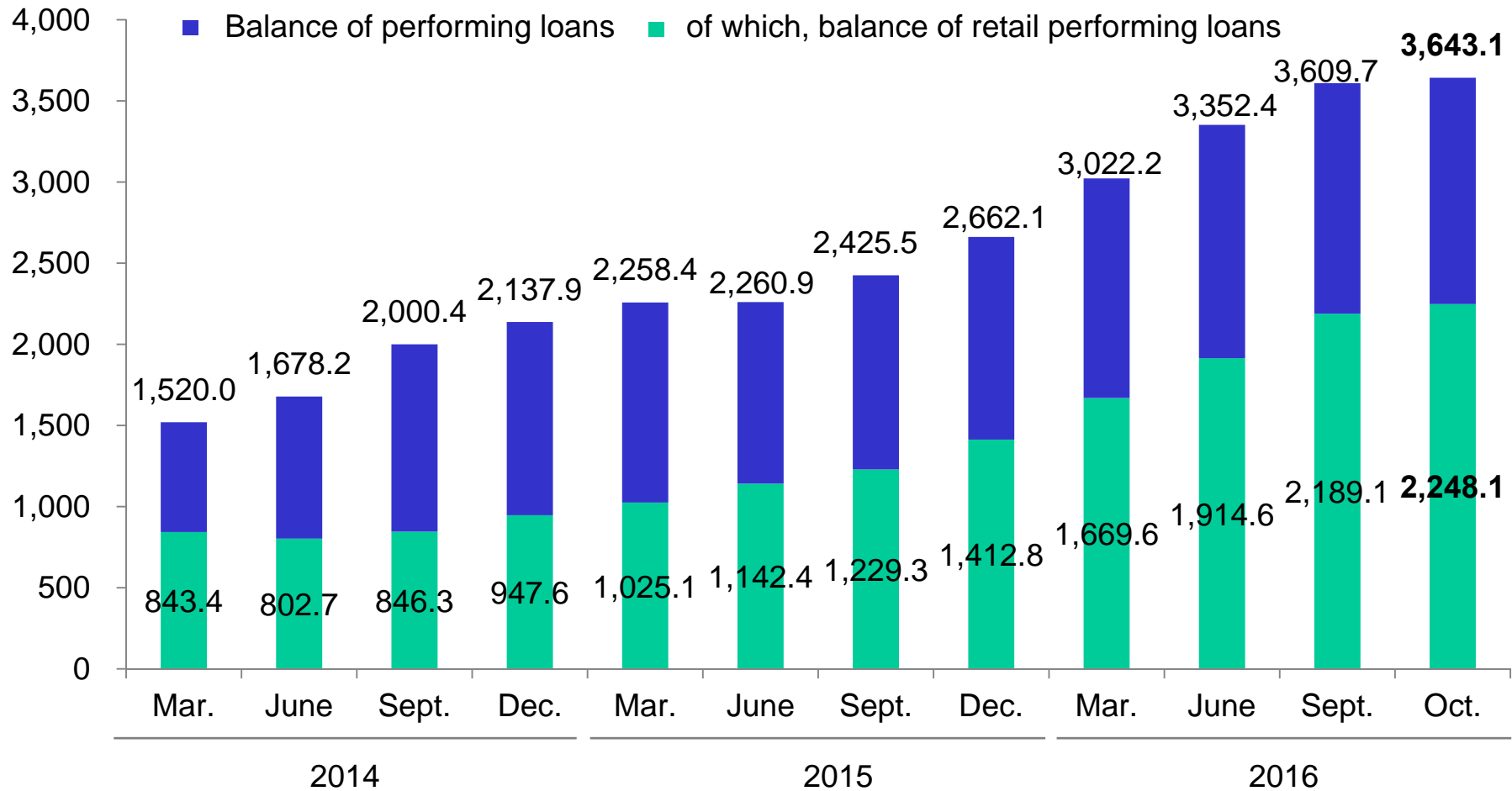
(JPY billion)

	1H FY2016
<u>Domestic Securities</u>	2.1
<u>Overseas Securities</u>	-5.0

SBI SAVINGS BANK of South Korea's Balance of the Retail Performing Loans Increased Significantly

Balance of Performing Loans*

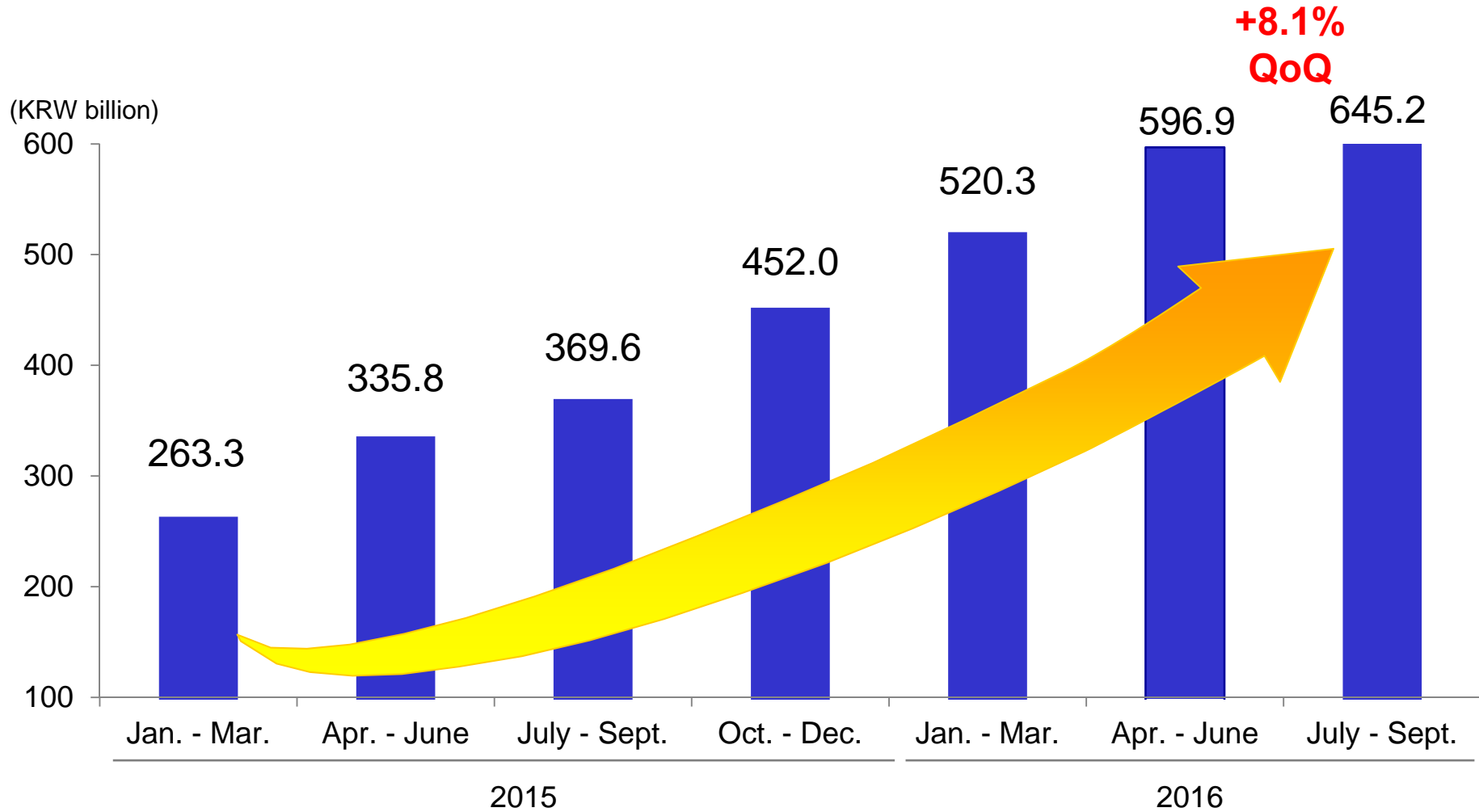
(KRW billion)



* Based on K-GAAP

Change in Retail Credits Since Jan. 2015*

~Medium interest rate credit loan product “Cyder (interest rates: 6.9%~13.5%),” released in Dec. 2015, increased steadily~

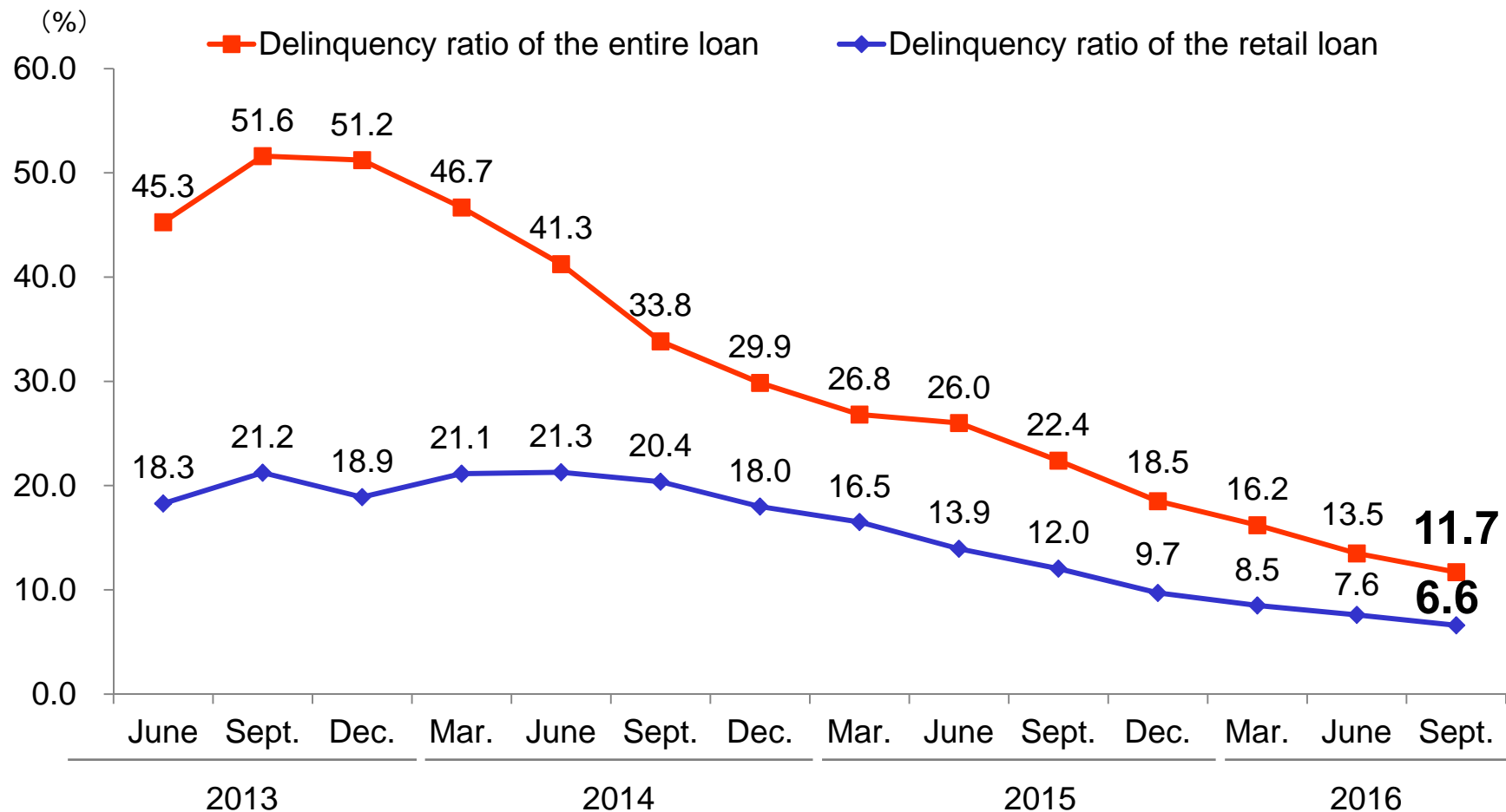


* Based on K-GAAP

Change in Delinquency Ratio

Endeavoring to reduce the overall delinquency ratio to less than 10% by the end of 2016

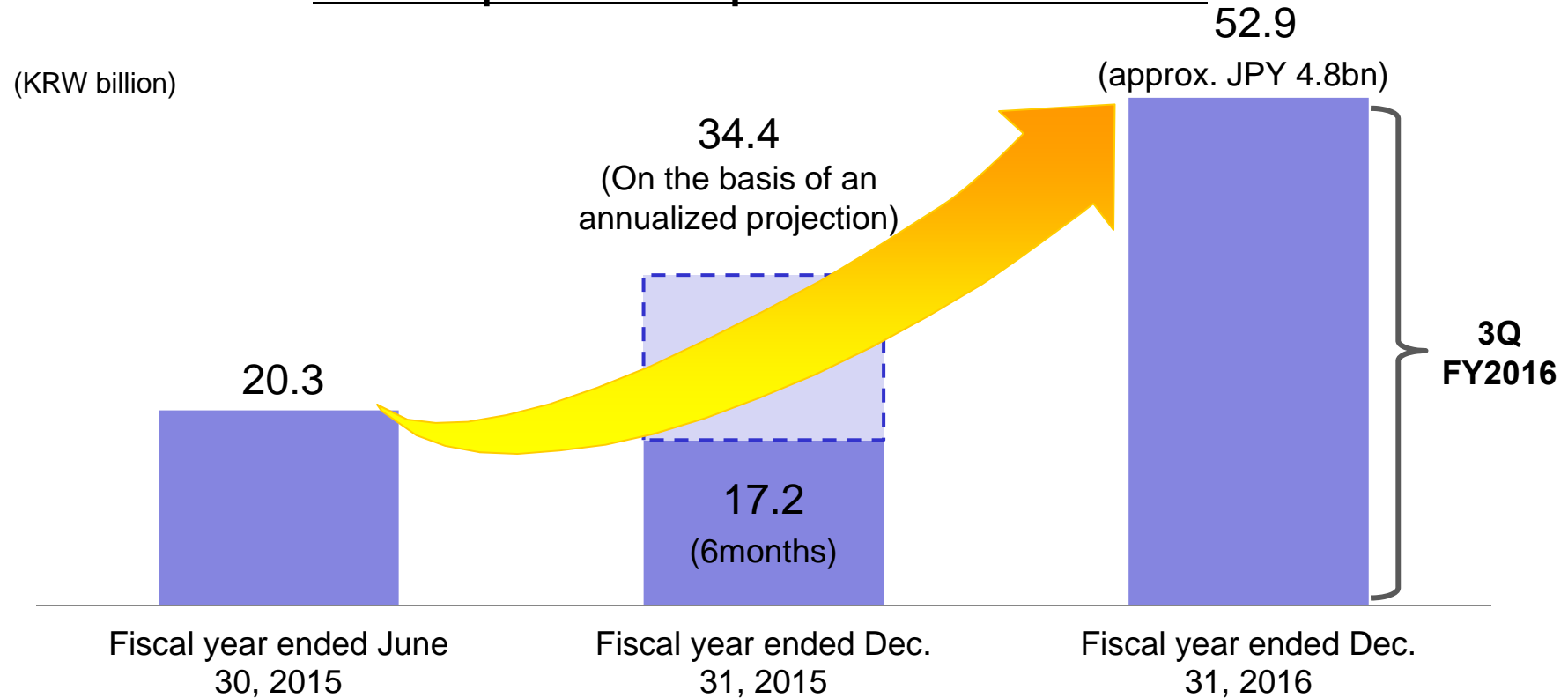
Advancing a screening model upgrade project utilizing FinTech technology with the Yello Financial Group. Compared to existing models, a reduction in delinquent customers has already been verified with this model.



* Based on K-GAAP

Profitability for the Period Increased Steadily through the Accumulation of the Balance of Performing Loans and Improvement of Delinquency Ratio

Trend of profit for the period based on K-GAAP



By eliminating the nonperforming loans carried on the books before becoming a subsidiary during this fiscal year, will improve the earnings capacity and expand corporate value, and a partial sale of equity or an IPO in the future will be considered.

*1 The result for 3Q FY2016 is preliminary results, which is not subject to an audit by the auditor




*2 Irregular accounting for 6 months, owing to a change in terms for the fiscal year ended Dec. 2015, because of an amendment to the law

* Converted at KRW 1 = JPY 0.09 39

③ Biotechnology-related Business

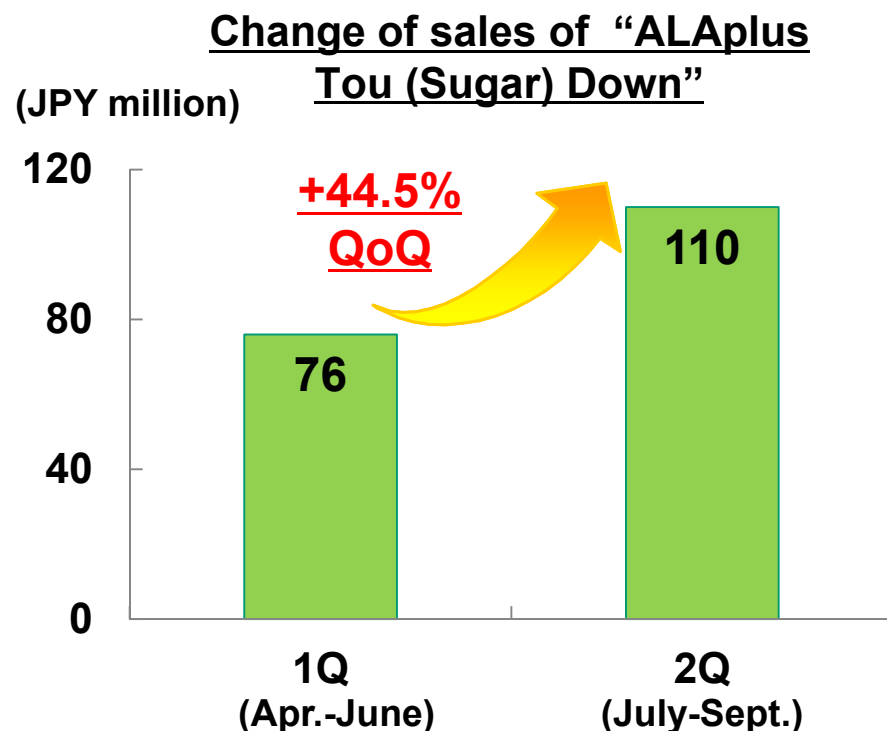
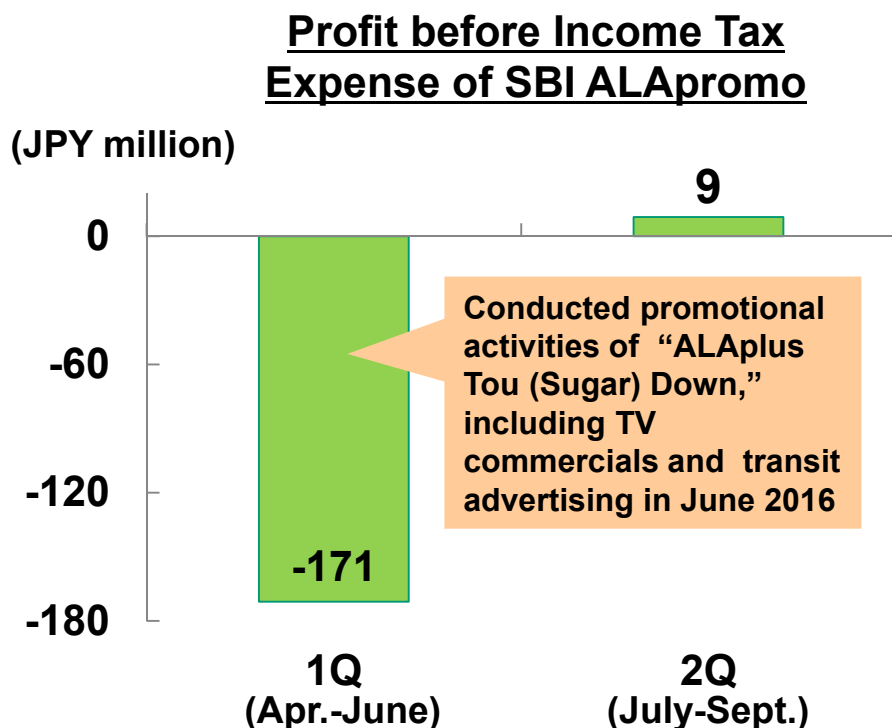
Profit before Income Tax Expense of the Biotechnology-related Business for 1H FY2016 (IFRS)

(JPY million)

		1H FY2015		1H FY2016
Total of the Biotechnology-related Business		-242		-5,178
SBI Biotech		-157	① →	 550
Quark Pharmaceuticals (“Quark”)		496	② →	-5,084
5-ALA-related business		-689		 54
	SBI Pharmaceuticals	-557	③ →	 299
	SBI ALApromo	-54		-162
	photonamic *Consolidated in Jan. 2016	-		-21
	SBI ALA Hong Kong	-1		-34
	Suzhou Yian Biotech	-77		-28
Others/consolidation adjustments		108		-697

- ① **SBI Biotech achieved profitability on a quarterly basis in 2Q FY2016, as well as in 1Q, resulting in a profitability for 1H FY2016, owing to milestone payments that resulted from progress in clinical trials, among other factors**
- ② **Quark recorded a year-on-year increase in 1H FY2016 loss before income tax expense owing to higher expenses at a time of favorable progress with several clinical trials, including two Phase III trials, as well as foreign exchange losses of the JPY dominated loans (approx. JPY 1.2bn) due to the strong yen**
- ③ **SBI Pharmaceuticals achieved profitability, owing to milestone payments from the out-licensing of diabetes and malaria therapeutics**

SBI ALApromo Expects to Achieve Profitability on a Single-year Basis in This Fiscal Year



Among the 509 foods with function claims received by the Consumer Affairs Agency, “ALAplus Tou (Sugar) Down” (30 capsules) was ranked 20th and 10 capsules was ranked 21st in sales, in Sept. 2016 (Published in the Nov. 2016 issue of the monthly magazine “H&B Retail”)*

*Source: “TRUE DATA” by CUSTOMER COMMUNICATIONS, Ltd. “TRUE DATA” is a standard database, taking statistics about information on consumer purchase in drugstores and supermarkets in Japan, which consists of purchase information on approx. 50 million people in Japan, covering gender and age span

2. How do you see the business environment surrounding the SBI Group for the second half-year?

Basic Policies of the Incoming Trump Administration



Area	Policies of the Incoming Trump Administration
Trade	<ul style="list-style-type: none"> •Withdrawal from the Trans-Pacific Partnership (TPP) •Declaration of intent to renegotiate and abolish the North American Free Trade Agreement (NAFTA)
Public Finance	<ul style="list-style-type: none"> •Increases in infrastructure investment and the defense budget •1% annual reduction in expenditures other than healthcare and pensions, which account for a third of government expenditures
Tax	<ul style="list-style-type: none"> •Corporate income tax reduction (35% → 15%) •Income tax simplification and reduction, inheritance tax abolition
Immigration	<ul style="list-style-type: none"> •Promise to build a wall along the border with Mexico •Declaration of intent to prohibit immigration from countries “compromised by terrorism” •Repatriation of more than 11 million illegal immigrants <p>→ Adjusted to a stance of first deporting 2 to 3 million criminals (Nov. 14, 2016, Nikkei Online Edition)</p>
Healthcare	<ul style="list-style-type: none"> •Repeal and replacement of the Affordable Care Act (Obamacare) <p>→ Adjusted to a suggestion that keeping parts of and amending the current law is also possible (Nov. 13, 2016, Nikkei Online Edition)</p>
Security	<ul style="list-style-type: none"> •Withdrawal of U.S. forces unless Japan and Korea substantially increase their share of the burden of stationing costs <p>→ Adjusted to a stance that both countries should appropriately bear the costs since the stationing of forces is linked to regional peace and stability and securing of the interests of both Japan and the U.S. (Nov. 14, 2016, NHK)</p>

→ Attention also focused on the FOMC interest rate hike decision

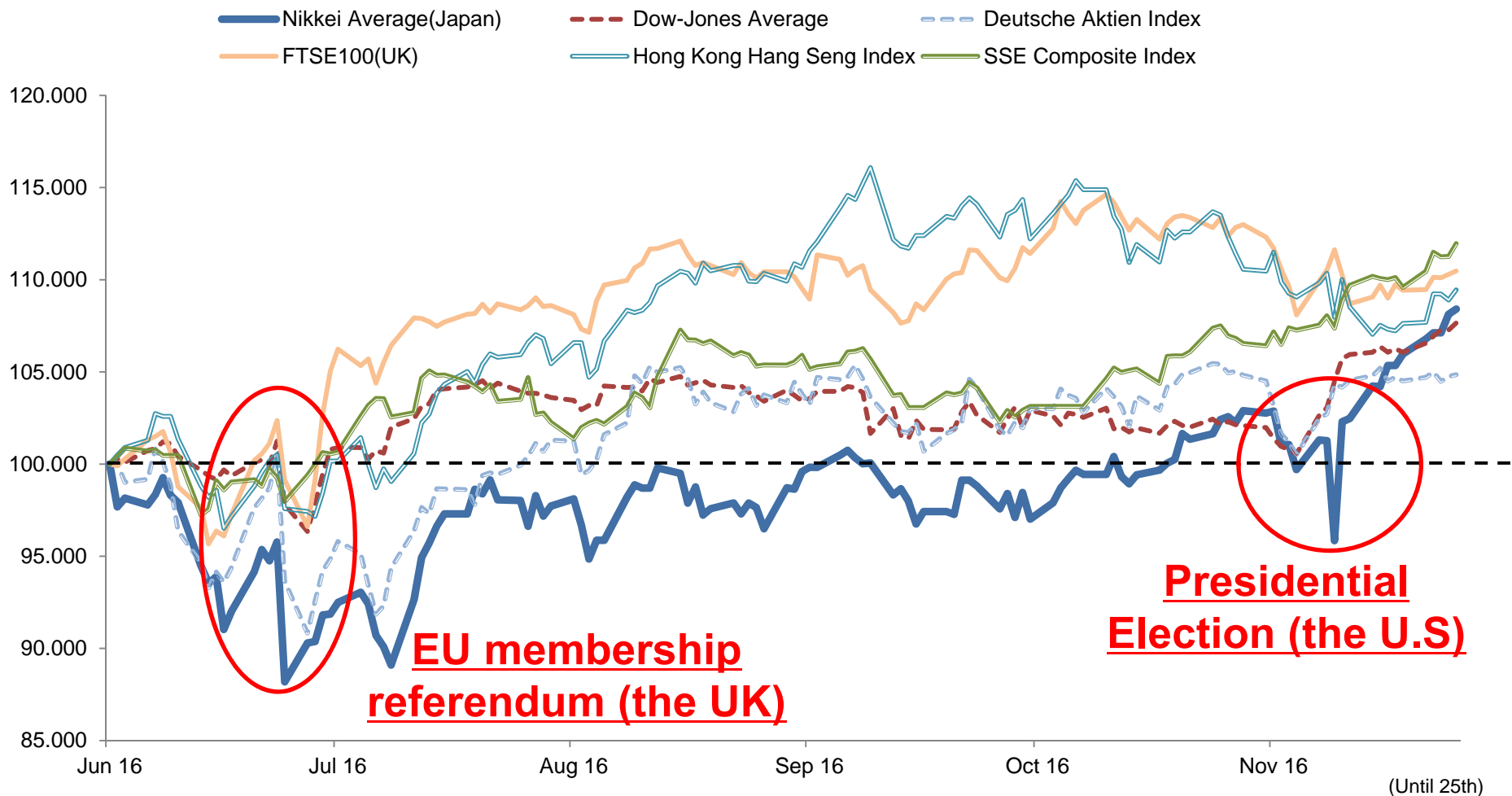
Source: Reuters (Nov. 10, 2016)

■ FRB chair says interest rate hike could come “relatively soon,” hinting at an increase next month (Nov. 18, 2016, *The Nippon Keizai Shimbun* morning edition)

Although Republican Donald Trump won the U.S. presidential election, market conditions remain strong, with U.S. stock prices reaching record highs. Federal Reserve Board (FRB) Chairwoman Janet Yellen stressed, “The (Federal Open Market) Committee judged that the case for an increase in the target range had continued to strengthen and that such an increase could well become appropriate relatively soon if incoming data provide some further evidence of continued progress toward the Committee’s objectives.”

Owing to the Speculative Confusion Caused by Brexit and the U.S. Presidential Election, Nervousness Ruled the Major Country Stock Markets

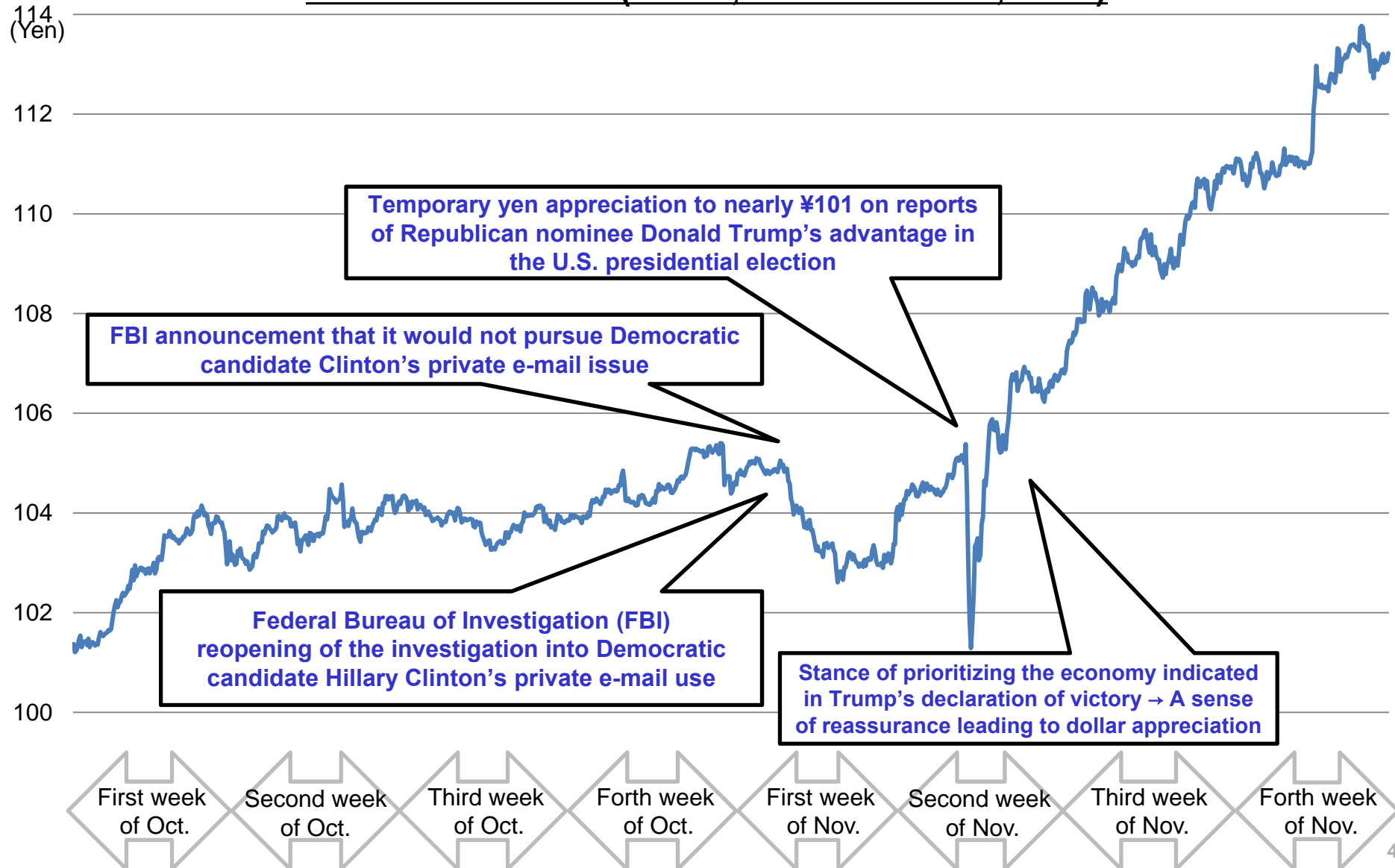
Major country stock market index trends *



* An index of the value at June 1, 2016 indexed as 1

Owing to the Frequent Swings in the U.S. Presidential Election, the Currency Market Reacted Actively

Trend of USD/JPY (Oct. 3, 2016 ~ Nov. 25, 2016)



Following the Results of the U.S. Presidential Election, the Improving Japanese Market

■ Surge in share prices/Sharp yen depreciation

(“About-face in anxiety, market reversal”/Nov. 11, 2016, *The Nippon Keizai Shimbun* morning edition)

Anxiety in global markets about Mr. Donald Trump, winner of the U.S. presidential election, is rapidly easing. Trump’s aggressive policy approach has led to an increase in U.S. long-term interest rates, yen depreciation, and high stock prices.

In response to Trump’s extremely forceful statement of “We will ... have the strongest economy,” the yen exchange rate fell to the ¥106 range until the night of Nov. 10, the lowest level in some three and a half months.

(The yen plunged into the ¥110 range on Nov. 18, reaching ¥110.12 at 6:00 am.)

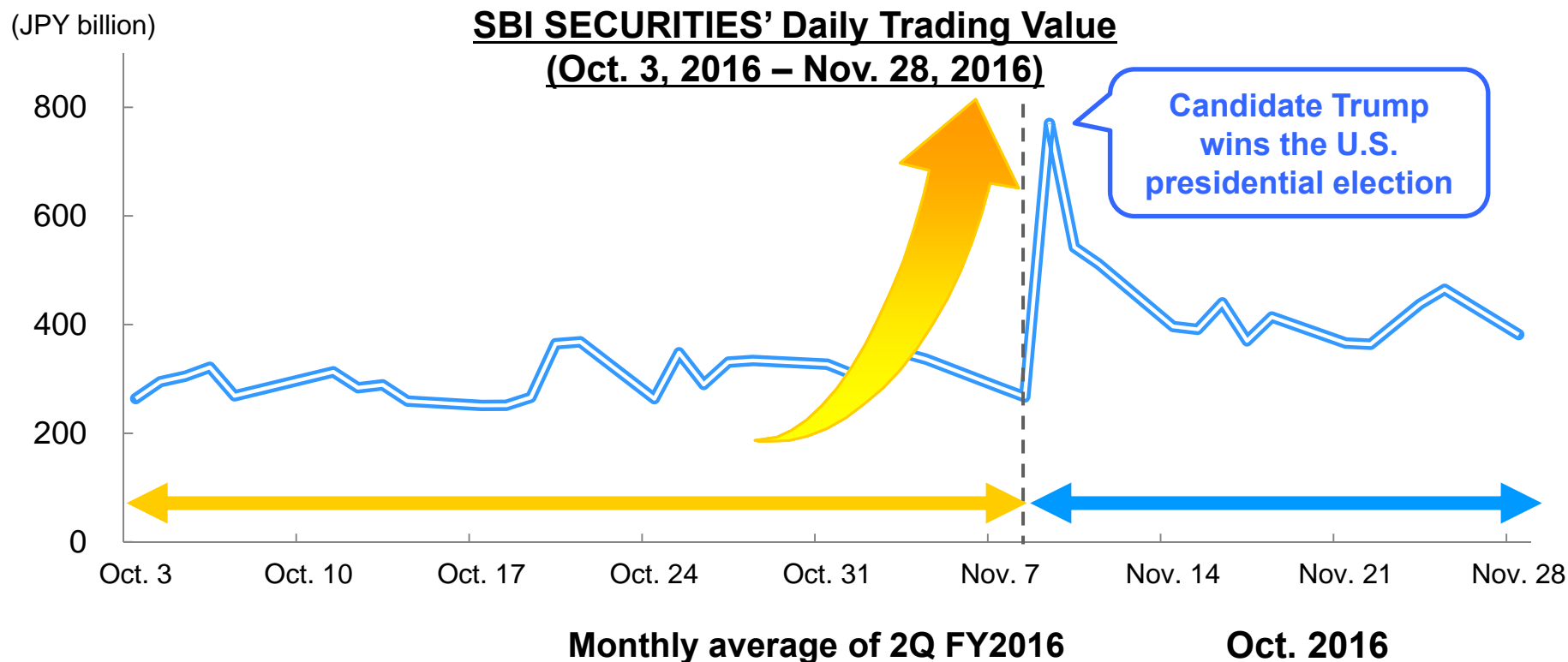
■ How long will the “Trump market” continue?

(Nov. 15, 2016, *Fuji Sankei Business Eye*)

In the financial markets, the “Trump market” continues amid expectations for the economic policies of U.S. President-elect Donald Trump. In Tokyo markets on the 14th, the beginning of the week, the yen continued to weaken and stock prices further advanced. For three consecutive days, the Nikkei average closed at its highest level in some nine months.

As things now stand, attention is focused on Mr. Trump’s large-scale tax cuts and infrastructure investments, and while the positive aspects of Trump’s economic policies have been priced into the markets, the negative aspects have been only to a lesser extent.

Situation within the Increased Market Volatility Environment, Owing to the U.S. Presidential Election [SBI SECURITIES]



Operating income (Cons.) :

* Based on J-GAAP

JPY 2.5bn



JPY 3.1bn

Average daily trading value surged by approx. 2x since November 9, 2016, compared to that preceding the U.S. presidential election day

Situation within the Increased Market Volatility Environment, Owing to the U.S. Presidential Election [FX-related business]

FX-related revenue that SBI Liquidity Market recorded on Nov. 9, 2016, the U.S. presidential election day (JST), was approx. 5x that of a normal day

■ SBI Liquidity Market

- In Oct. 2016, SBI Liquidity Market recorded operating income before allocation of approx. JPY 1bn, an increase of 5.5%, compared to the monthly average of 2Q FY2016

■ SBI FXTRADE

- Based on the allocated operating income, SBI FXTRADE recorded a single month operating income of approx. JPY 0.2bn in Oct. 2016, an increase of 17.7%, compared to the monthly average of 2Q FY2016

Although the Cautionary Feeling of the UK's Withdrawal from the EU has Softened, the Recovery Outlook for the European Economy is Still Far Away

■ British pound at highest level in a month (Nov. 6, 2016, *Nikkei Veritas*)

A U.K. court ruled that Parliamentary approval is necessary for the European Union (EU) withdrawal procedure, and a sense of anxiety over a “hard Brexit,” which does not take into consideration the negative effects on the economy, has eased. The Bank of England's (the U.K. central bank) move away from another interest rate cut also led to buying of sterling. For the present, brakes have been applied to the post-Brexit decision weakening of the pound.

With regard to the Brexit procedure, it is possible that the judicial ruling will be overturned by the Supreme Court, to which the U.K. government has appealed, and a serious advance in sterling remains a distant prospect.

■ Euro area 2017 growth rate forecast/Revised downward to 1.5%

(Nov. 10, 2016, *The Nippon Keizai Shimbun* morning edition)

Although gradual economic recovery in the euro zone continues, it has been pointed out that future risk factors are increasing, notably heightened political uncertainties, such as the U.K. Brexit negotiations, and a worldwide trade slump.

The 2017 real growth rate forecast for the U.K., a non-euro area EU member state, has been sharply reduced to 1.0%. The reason is that the sense of uncertainty about future prospects accompanying the Brexit decision is strong, and this will affect investment and other matters. It has also been pointed out that, depending on the prospects of the coming Brexit negotiations, a downward revision may become necessary.

Although the Influence of the U.S. Presidential Election is Expected to be Strong, Japan's Economic Community is in a Cautious Mode



■ Tailwind for the Bank of Japan's 2% inflation target, Japan-U.S. interest rate differential and yen depreciation (Nov. 20, 2016, Nikkei Veritas)

The background to yen depreciation is the expansion in the Japan-U.S. interest rate differential accompanying an increase in U.S. long-term interest rates. Based on policy expectations, upward pressure on U.S. long-term interest rates is expected to continue.

At the same time, after the election of Mr. Donald Trump as the next U.S. president, the Bank of Japan indicated a stance of holding down yields on Japanese government bonds, which have risen in step with U.S. long-term interest rates.

■ Tailwind for Prime Minister Abe/Real possibility of a “Trump dissolution” (Nov. 18, 2016, Nikkei Online Edition)

“Instability in the U.S. is increasing, and the Abe Administration, which imparts a sense of stability, is gaining support. This is a positive Trump effect.” In view of these circumstances, there was talk of possible re-emergence of prospects for an early Lower House dissolution if the approval rate increases. However, the Trump effect, which is currently providing a tailwind for Abe's approval rate, cannot be predicted after Mr. Trump actually takes office as president next January. If he adopts exclusionary, protectionist policies as promised, Abe may find himself in no position to dissolve the Lower House.

■ Concerns about Mr. Trump's policies/Expectations in financial circles for a course correction (Nov. 18, 2016, Kyodo News)

There have been many expressions of concern from economic circles about the future impact of U.S. President-elect Trump's policies on the Japanese economy. At a press conference held on the 17th, Japanese Bankers Association Chairman Takeshi Kunibe (president of Sumitomo Mitsui Banking Corporation) expressed the concern that “Protectionist trade policies and calls for a weak dollar may increase.” Although he pointed out that “If an inclination toward trade protection spreads globally, it may depress the growth rates of a majority of countries,” he also indicated a sense of expectation concerning Mr. Trump's indication of a forward-looking stance toward public spending, saying “The financial and economic environment may change (in a positive direction).”

The Japanese Government's Northern Territory Issue Resolution and the TPP Entry Effectuation will be Difficult to Realize

■ “It won’t be an easy path” to a peace treaty between Japan and Russia/The two countries remain far apart (Nov. 21, 2016, Nikkei Online Edition)

President Vladimir Putin of Russia said of peace treaty negotiations with Japan, including the Northern Territories issue, that **“It won’t be an easy path,” acknowledging that Japan and Russia remain far apart in their positions. Japan has not wavered in its cautious stance on joint economic activities that would implicitly recognize Russian sovereignty over the four northern islands.** The view that **“Japan intends to promote even greater economic cooperation to make progress in the territorial dispute”** (Japan-Russia diplomatic source) has also been expressed.

■ APEC/Cooperation toward TPP survival

(Nov. 21, 2016, *The Nippon Keizai Shimbun* morning edition)

According to an explanation from the Japanese government, **many leaders attending the TPP summit expressed their intention to proceed with domestic ratification procedures.** However, **it remains true that it will be difficult to put the TPP into force.** **A number of remarks about putting the TTP into effect without the U.S., a subject not discussed at the TPP summit on the 19th, were expressed by leaders of various countries at another venue.** Prime Minister John Key of New Zealand, the only participating country to have completed legislative approval of the TPP, pointed out at the APEC summit on the 19th that **there are benefits even without U.S. participation.** President Pedro Pablo Kuczynski of Peru, host country of the APEC summit, has also stated, **“It can be replaced with a similar deal without the United States.”**

3. To continue to with the ongoing business growth of the current stage, what measures will be undertaken for the second half, and into the next fiscal year?

- (1) Owing to a significantly improved debt financing environment because of the negative interest rate policy, pursuing revenue opportunities through global arbitrage**
- (2) Promoting the diversification of products and services in each of the financial services businesses, in order to achieve further growth and strengthened earnings capacity**
- (3) In the venture capital business, increasing the operational scale by advancing fund raising through the establishment of new funds, such as the CVC (Corporate Venture Capital) Fund, both in Japan and abroad**

- (1) Owing to a significantly improved debt financing environment because of the negative interest rate policy, pursuing revenue opportunities through global arbitrage**
- ① Improvement of debt financing environment under the negative interest rate policy**
 - ② Promoting global diversification of investments and financing, by utilizing the interest rate arbitrage between Japan and abroad**

① Improvement of debt financing environment under the negative interest rate policy



Since the Introduction of the Negative Interest Rate Policy, SBI Holdings' Procurement Interest Rate for Straight Bonds has Significantly Decreased

Before the introduction of the negative interest rate policy

Issued date	Term	Rate	Issued amount	Objective
Aug. 2013	3 years	2.15%	JPY 30bn	Individual investors
Dec. 2014	3 years	2.00%	JPY 30bn	Individual investors

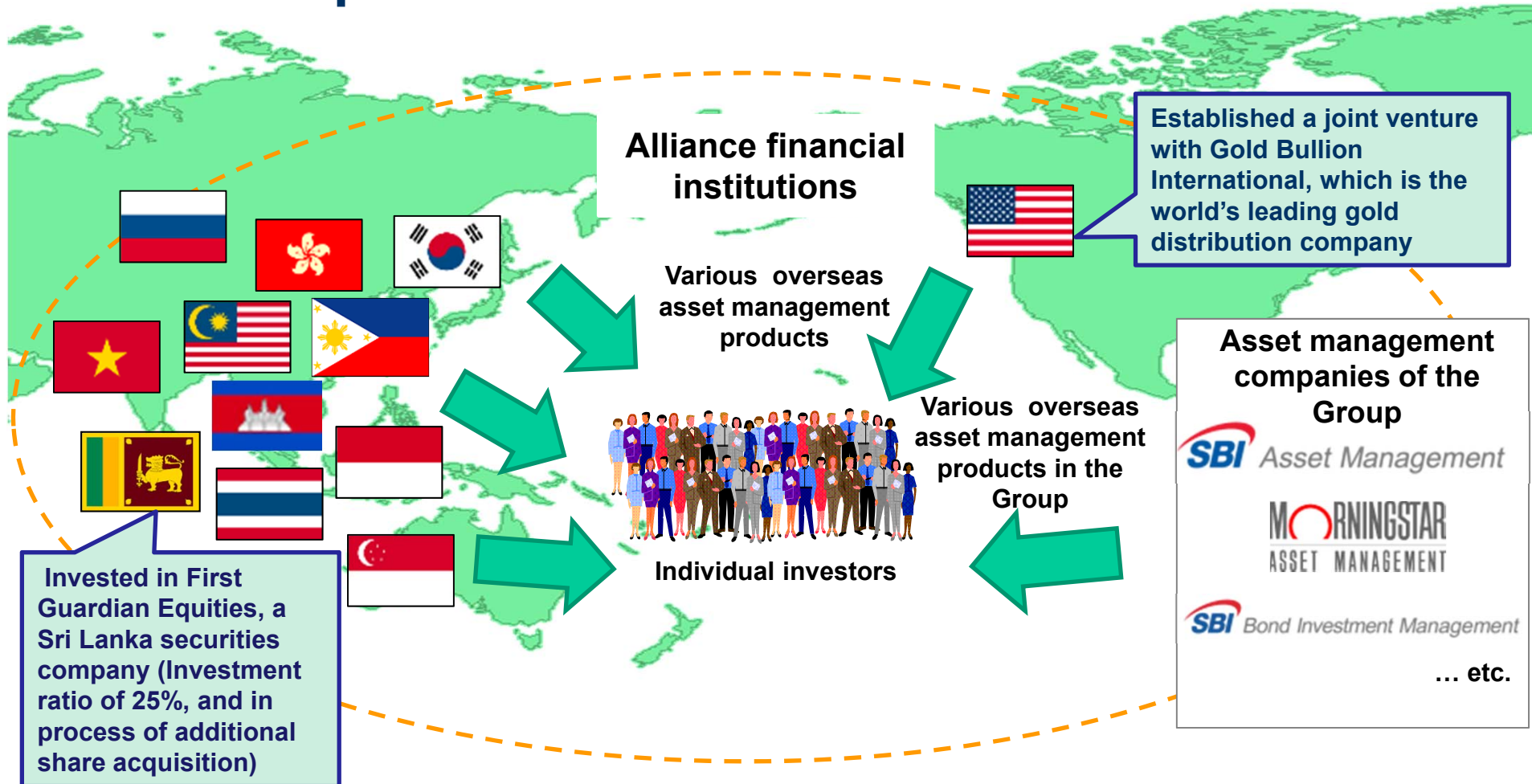
After the introduction of the negative interest rate policy

Issued date	Term	Rate	Issued amount	Objective
Mar. 2016	3 years	1.10%	JPY 15bn	Institutional investors
Apr. 2016	2 years	0.75%	JPY 5bn	Individual investors
June 2016	5 years	0.85%	JPY 16bn	Institutional investors
Sept. 2016	3 years	0.55%	JPY 14bn	Institutional investors

- As for the issuance in Mar. 2016, despite the difficult environment in determining the interest rate levels, owing to the short time frame since the introduction of the negative interest rate policy, the rate was nearly halved to 1.10% from 2.00% in Dec. 2014.
 - ➔ Furthermore, the interest rate level dropped significantly to 0.55% as of Sept. 2016, or nearly a quarter of the previous interest rate level, adding to fund management difficulties
- In addition to the three-year term bonds, issued a five-year term bond with low-interest rates, and realized an extended debt term

- ② Promoting global diversification of investments and financing by utilizing the interest rate arbitrage between Japan and abroad**
 - i. Proactively promoting global asset allocation leveraged by the alliances with overseas financial institutions, as well as the Group's overseas network**
 - ii. Advancing the introduction of services that exploit the arbitrage capabilities between Japan and abroad**

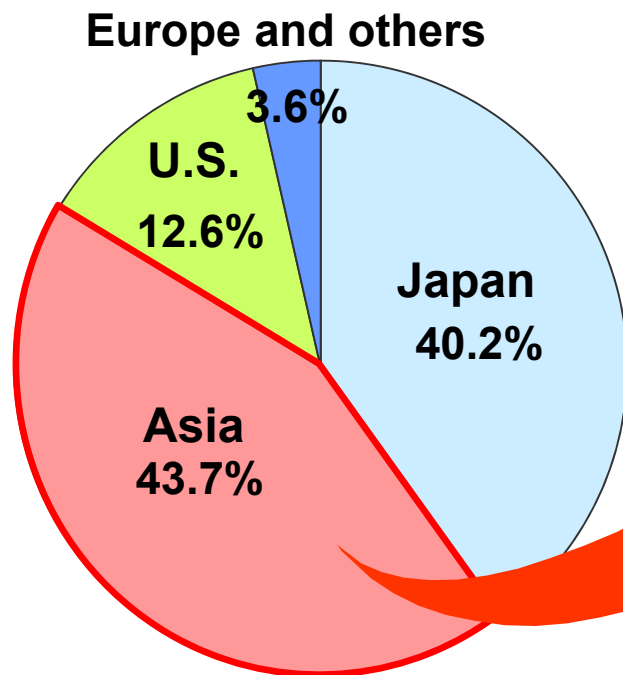
Strengthening the Global Asset Allocation Structure, to Improve Clients' Portfolio Performance



SBI's Utilization of International Arbitrage for the Investment and Financing Businesses

Revenue expansion through the implementation of investments and financing from mature markets to high economic growth potential markets

- (e.g.)
- Low-interest rate market → High-interest rate markets
 - Low-growth economy → High-growth economies



The SBI Group's AUM is globally diversified in Asia, the U.S. and Europe, with overseas AUM in China and emerging Asian countries accounting for 43.7% of the total AUM

* The assets under management that is already invested as of the end of Sept. 2016. (Excluding cash and uncalled capital)

Promoted global diversification of investments and financing, by establishing a global investment and financing structure, centering on Asia, through the formation of JV funds with prominent local partners around the world

②- ii. Utilization of arbitrage capabilities between Japan and abroad



Advancing the Introduction of Services that Utilize the Arbitrage Capabilities between Japan and Abroad

Highly profitable services, taking advantage of higher interest rates overseas and utilizing lower interest rate capital from Japan

e.g. 1: Introduction of margin transaction in SBI Thai Online



e.g. 2: Considering the sales of Sri Lankan government bonds, a high-yield bond product



Through an alliance with First Guardian Equities, planning to sell asset management products centering on short-term Sri Lankan government bonds with an high-yield of approx. 10%, to individual investors

(2) Promoting the diversification of products and services in each of the financial services businesses, in order to achieve further growth and strengthened earnings capacity

- ① Securities-related business**
- ② Banking-related business**
- ③ Insurance-related business**

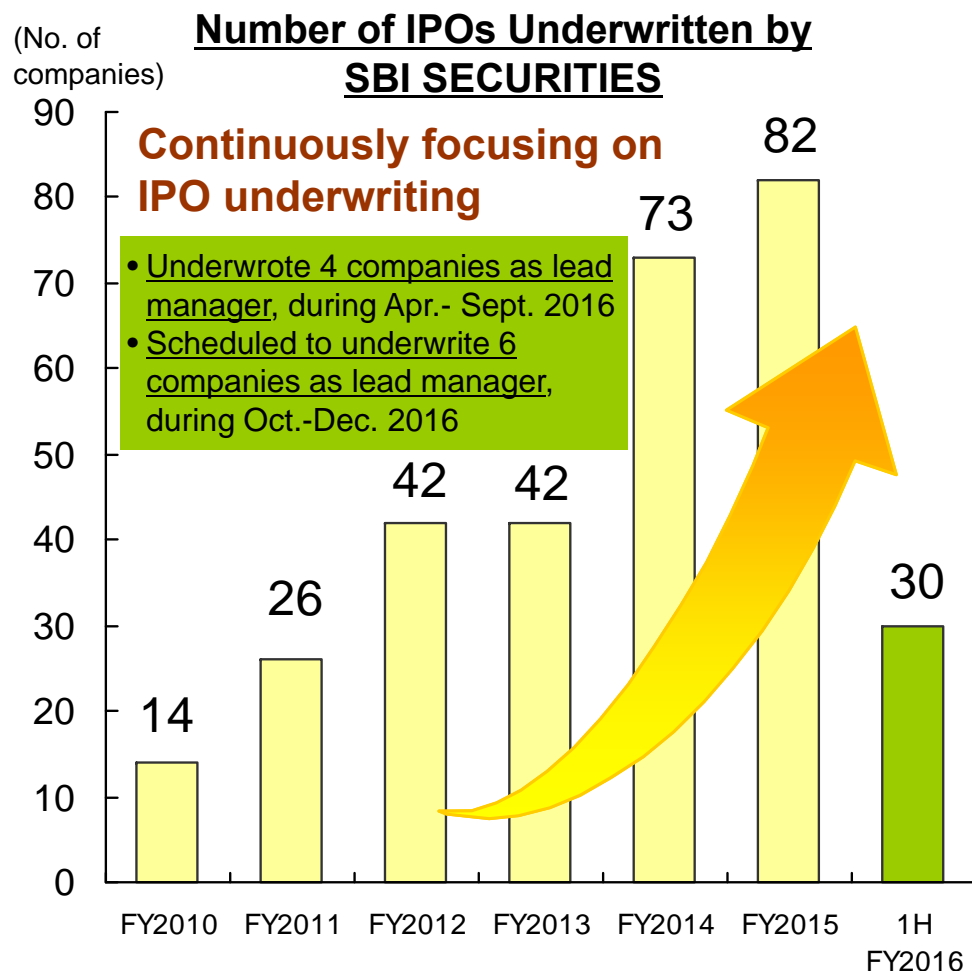
① Securities-related business

- i. Expanding the corporate business through the enhancement of the equity and bond underwriting businesses, and selling various asset management products to financial institutions through the newly established Financial Institutional Sales Dept.
- ii. Promoting the utilization of Defined Contribution Pension (Individual type) that is expected to expand owing to the legal changes scheduled for 2017
- iii. Strengthening the sales of various investment trusts, including the international bond active fund, which was developed through a partnership with PIMCO
- iv. Offering a real-time gold trading service to domestic individual investors through an alliance with GBI of the U.S
- v. SBI Japannext is advancing initiatives to enhance the convenience of its PTS trading
- vi. Improving profitability by significantly reducing system costs through the in-house system development by SBI BITS

①- i. Expansion of the corporate business:



SBI SECURITIES is an Industry Leader in Terms of the Number of IPOs Underwritten



* 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.

IPO Underwriting Ranking (Apr. - Sept. 2016)

33 companies were listed during the period

Company name	No. of cases	Underwriting share (%)
SBI	30	90.9
SMBC Nikko	27	81.8
Mizuho	22	66.7
Daiwa	15	45.5
Monex	13	39.4
Okasan	12	36.4

* 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.

With about 100 IPOs expected in 2016, the IPO and PO underwriting businesses will continue to expand

①- i. Expansion of the corporate business:



In Order to Enhance the Business with Financial Institutions, Newly Established the Financial Institutional Sales Dept. in July 2015

By thoroughly utilizing the Group's network, **strengthening the sales structure to financial institutions, including insurance companies and regional financial institutions**



Financial Institutions



SBI Group's regional financial institution partners, equity investors of the FinTech Fund, etc.

Example of the financial instruments developed by SBI Bond Investment Management

○ Japan's first* foreign currency-denominated domestic investment trust (privately placed) * Compiled by SBIH

- Establishing of Japan's first foreign currency-denominated domestic investment trust and planned provision to qualified institutional investors
- Alleviating the cost and information gathering burden on investors and addressing to the expanding investor needs for foreign currency-denominated assets

○ Privately placed fund that invests mainly in Canadian provincial bonds → **Plans to operate over JPY 10bn in 2016**

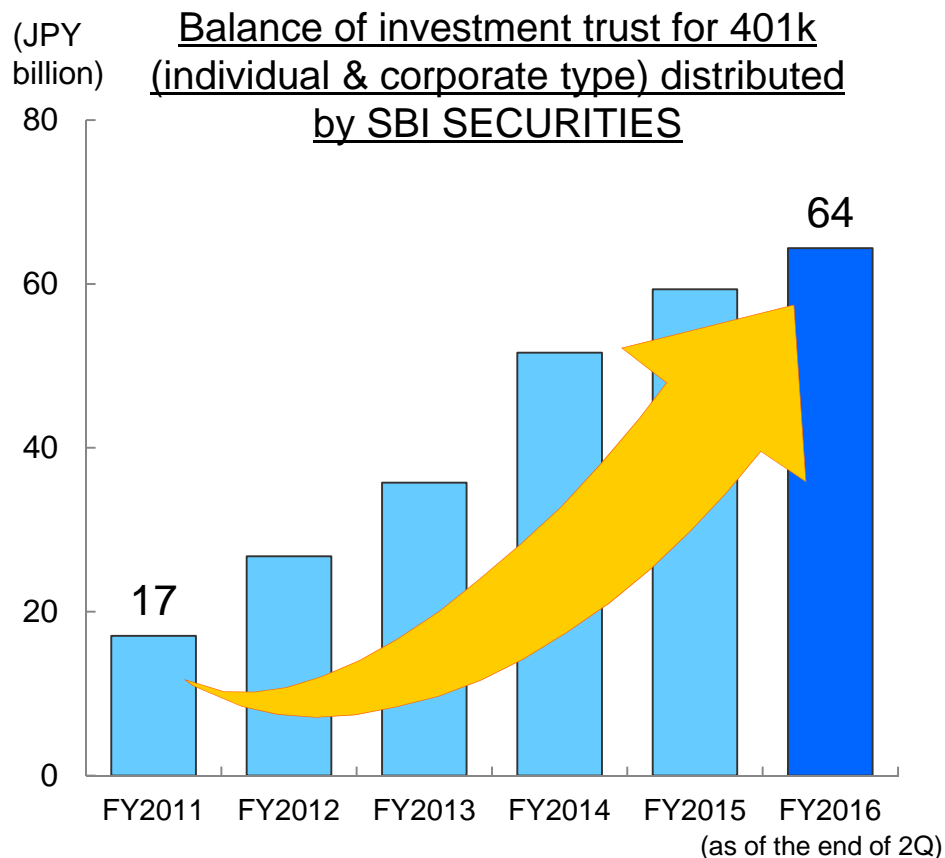
- Currency-hedged investments in highly rated (AA and above), low-risk Canadian provincial bonds
- Maintaining attractive yield levels at a time of declining yields net of currency hedge costs on U.S. dollar-denominated bonds due to rising currency hedge costs

①- ii. Promoting the utilization of defined contribution pension (individual type):



Promoting the Utilization of Individual Type Defined Contribution Pension (iDeCo) that is Expected to Expand, Owing to a Revision in the Legal System Scheduled in 2017

Targets, which is now limited to self-employed individuals, its family members and employees of companies without corporate pension plans, will be expanded to the entire working generation that joins the National Pension Plan from 2017



From Apr. 2016
Significantly expanded the investment products for individual-type pension plan



From Sept. 2016
Start of a campaign that waives account management fees, the enrollment fee, fund transfer fees and the fee for changing planning administrators

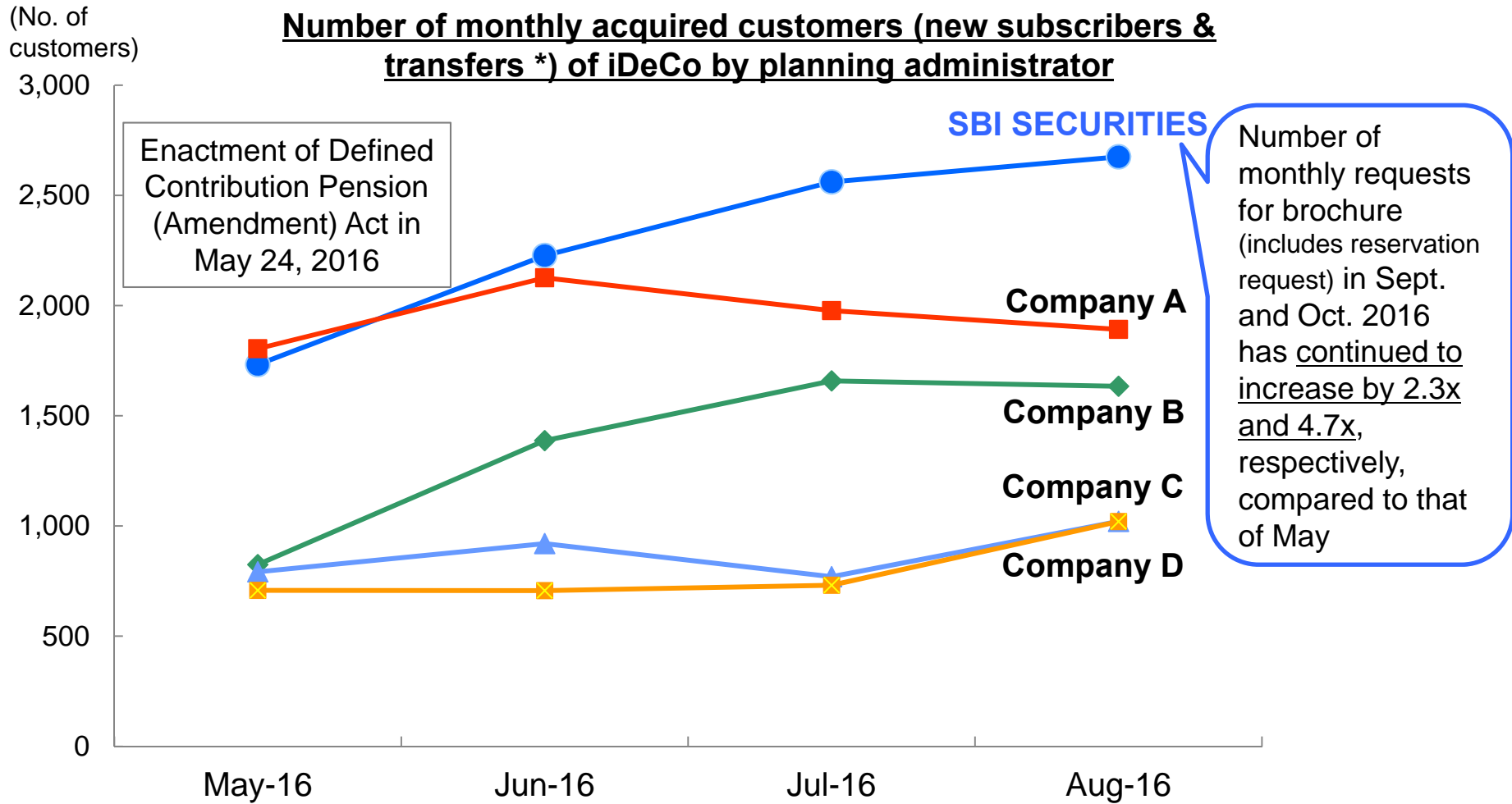


From Nov. 2016
Scheduled expansion of investment products for individual-type defined contribution pension plans (iDeCo)

①- ii. Promoting the utilization of defined contribution pension (individual type):



SBI SECURITIES has become an Industry Leader in Terms of the Number of New Customers Acquired for Individual-type Defined Contribution Pension Plans (iDeCo)



* Cumulative total number of new subscribers and transfers announced by the National Pension Fund Association, which include overlapping persons who has newly subscribed and also transferred to iDeCo.

Source: Briefing paper of the National Pension Fund Association (partially includes estimates by SBI)

①- iii. Strengthening the sales of investment trusts of international bond:



SBI Bond Investment Management, a Joint Venture with PIMCO, the World's Largest Bond Management Company, Develops and Sells the Low-cost International Bond Active Fund

 *Bond Investment Management* (Established in Dec. 2015)

- Developing a low-cost active corporate bond fund by applying the high active bond management capabilities of PIMCO and technology of the SBI Group
- The total assets of the SBI Group, entrusted to PIMCO is JPY 50bn (as of Sept. 30, 2016)

○Establishing and managing SBI-PIMCO Japan Better Income Fund

- The objective is to secure stable returns by investing in foreign-exchange-hedged foreign-currency-denominated bonds expected to provide comparatively high yields among corporate bonds issued by Japanese companies with high credit ratings
- The fund's trust fee of 0.572% are substantially lower than the average of 1.01% for the international bond active fund category (based on Morningstar data)

◆ The ranking of initial investment amount for the Apr.-Sept. 2016 period (Bond division)

	Fund	Management company	Initial investment amount (JPY million)	Trust fee (%)
1	SBI-PIMCO Japan better income fund	SBI Bond Investment Management	1,092.2	0.572
2	PineBridge Japanese Corporate Bond Fund Denominated in Foreign Currencies 2016-07	PineBridge Investments	315.1	1.000
2	Nissay BEA Union Investment Asia Bond Selection Quarterly Settlement	Nissay Asset Management	306.7	1.641

①- iv. Offering a real-time gold trade service to domestic individual investors:

Establishing SBI Gold, to Offer a Real-time Gold Trading Service



Establishing a joint venture with Gold Bullion International, which is the world's leading gold distribution company, and planning to offer a real-time gold trading service, in the midst of rising demand for gold as an asset without credit risk



SBI Gold

Established on Oct. 27, 2016

- ◆ A joint venture with Gold Bullion International, which is the world's leading gold distribution company
- ◆ Planning to provide a platform function enabling real-time 24-hour spot physical gold trading for individual investors in Japan
- ◆ Planning to expand services for institutional investors, whose gold holding ratios are increasing

Gold Bullion International LLC.:

GBI provides a platform enabling investors to trade assets in the form of precious metals at optimal prices in its unique market through precious metal dealers. In addition to such trading system, GBI provides integrated services from storage and delivery to insurance and audit of gold, and GBI's platform has a proven track record of being adopted by major financial institutions all over the world, such as The Royal Mint, UBS, and Merrill Lynch, as their gold trading platforms.

SBI Japannext is Promoting Efforts to Improve Convenience in PTS



◆ SBI Japannext is the only PTS operator that offers its services, both during the day and in the evening in the Japanese stock market, with a participant of 30 securities companies (as of Sept 30, 2016)

- **Preparing for an extension of night-time trading session from Feb. 2017, by moving the starting time forward from 7pm to 4:30pm**
- **SBI Japannext is preparing for trading of Japanese government bonds using its proprietary trading system (PTS) to leverage its expertise in PTS operation in stock markets with the goal of providing fair trading opportunities for all participants in the Japanese government bond market (institutional investors, foreign investors, brokers, etc.) Subject to an approval from relevant authorities, planning the start of services from Mar. 2017**

With the Lifting of the Ban on Margin Trading of Stocks on the PTS, a Further Improvement for the Convenience of the PTS is Anticipated

–Toward lifting of the ban on margin trading outside the TSE/Financial Services Agency

At a Financial System Council meeting held on the 9th, the Financial Services Agency (FSA) indicated a policy of lifting the ban on proprietary trading outside the Tokyo Stock Exchange (TSE) with respect to margin trading involving buying stocks using money borrowed from securities firms. Although the FCA currently approves this trading only on stock exchanges, it will expand trading venues on the condition that mechanisms to prevent excessive speculation are created. Approval of margin trading, frequently used by individuals, by means of proprietary trading will promote competition among markets, since proprietary trading enables flexible setting of business hours, such as nighttime or early morning trading hours.

Specifically, the FSA will approve proprietary trading systems (PTS) independently operated by securities firms. Hereafter, the focus will be the creation of a framework for self-regulation, such as who will decide to suspend trading when a problem has occurred. Currently, the TSE accounts for 90% of stock trading. Margin trading is frequently used by individual investors, and it is thought that lifting the ban on margin trading through PTS will further increase investor convenience.

Nov. 9, 2016, Nikkei Online Edition

①- vi. Reducing system costs in order to increase profitability:



Reducing System Costs through the Establishment of an In-house System Development Company, to Promote the Development of the SBI Group's Unique System for Internal and External Use



* "BITS" stands for
Better IT Solutions

- ◆ Systems company that develops and structures online financial systems for the internal and external use
- ◆ Of the 235 employees, 140 are highly skilled foreign IT section staff (as of Sept. 30, 2016), responsible for the advanced in-house system development
- ◆ Closely cooperating with SBI SECURITIES by mutually dispatching executives
- ◆ In anticipation of a business expansion in China, established a Hong Kong subsidiary, and is considering to acquire tradeWin DALIAN, subject to permission and authorization granted by relevant authorities

- **SBI SECURITIES is reducing the number of various system vendors by sequentially switching the current vendors to SBI BITS**

15 vendors  **Presently has reduced to 6 vendors**
(as of the end of June 2016)

- Through the utilization of SBI BITS, further promote the in-house system development, including developing successor trading tools to HYPER SBI that possess a high degree of customer convenience, within the next fiscal year

SBI SECURITIES will endeavor to **reduce its system cost to major external system vendors by at least 20% within a two year period**, by sequentially aggregating the systems' commissions to SBI BITS

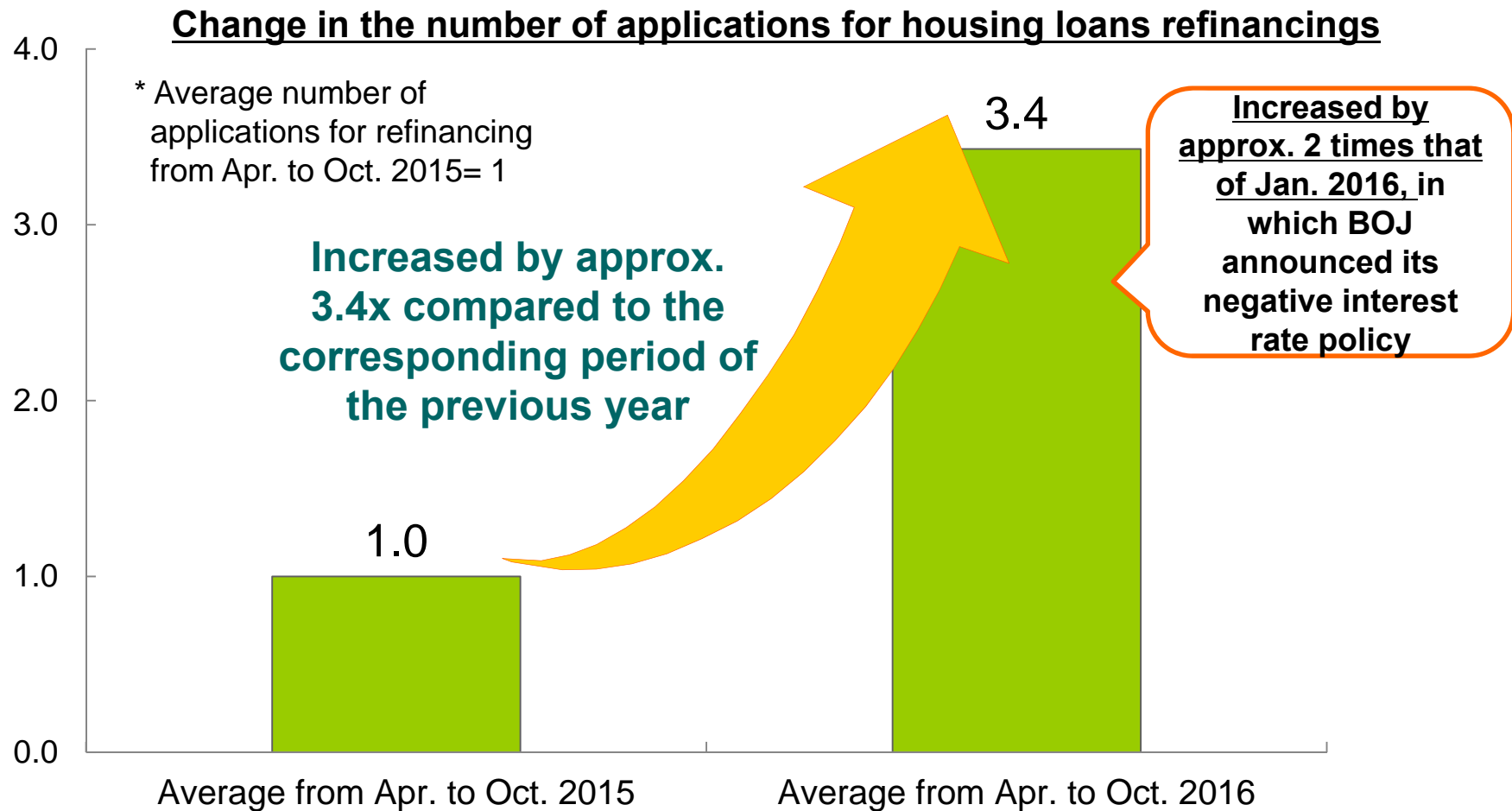
② Banking-related business

- i. **Focuses on capturing the escalating housing loan refinancing demand upon the announcement of negative interest rate policy**
- ii. **Launched “LENDING 1,” a business loan service based on accounting transactions, toward credit card merchants as a new earnings source**

②- i. Capturing the increasing housing loans refinancing demand:



Capturing the Increasing Housing Loans Refinancing Demand, Upon the Announcement of the Negative Interest Rate Policy



②- ii. Launch of a business loan service:



Launched “LENDING 1,” a Business Loan Service Based on Accounting Transactions, for Credit Card Merchants

~From Oct. 3, 2016, along with the credit card merchant acquiring business, offering the service to 7,263 credit card merchants that utilize credit card settlement services of ZEUS~

住信SBIネット銀行

SBI Sumishin Net Bank



SBI Axes

Settlement service provider

ZEUS
Credit Payment Service

* 100% subsidiary of SBI AXES

The number of merchants :
7,263 (As of Sept., 2016)

LENDING 1

Business loan service “LENDING 1”



ZEUS's credit card merchant clients



Online application



Screening of loans based on daily accounting transaction data



Loan of money

Since the service is processed completely online, from application to execution within one day at the earliest, a quick and prompt response can be applied to the financing needs arising from the credit card merchants' aggressive business expansion

③ Insurance-related business

- i. SBI Insurance initiated the sales of a new fire insurance product**
- ii. SBI Life is expanding its sales initiatives by thoroughly utilizing the Group channels, and is also expanding the development of new services and products**
- iii. Further expanding the SSI business through the acquisition of Nihon SSI**

③- i. Insurance business:



SBI Insurance Allows a Free Choice for the Contents of Compensation for the “SBI Fire Insurance,” which Became Available for Purchase from Oct.

Since it is possible to choose only the required contents of compensation from an extensive range of options based on individual needs, when compared with the conventional package-type of fire insurance, it becomes possible to keep premiums at minimal levels*

* Differing in terms of contracts and contents of compensation



- It's possible to freely choose and customize contents of compensation from an extensive range of options, in addition to essential compensation, including fire, lightning and explosion coverage
- Unique discounts are available, such as a non-smoker discount and all-electric housing discount

By thoroughly pursuing synergies with SBI Sumishin Net Bank and ARUHI (formerly SBI Mortgage), both of which handles substantive housing loans, planning to start full-scale sales at SBI Sumishin Net Bank



Results of housing loans
(Oct. 2007- Mar. 2016)
Total number : 110,464
Number of newly acquired
(Apr.-Mar. 2016)
: 16,900

Results of housing loans
(July 2001- Mar. 2016)
Total number :
approx. 140,000
Number of newly acquired
(Apr.-Mar. 2016)
approx. 20,000

ARUHI
SBI Group's shareholding*:
10.32%

* Ratio of voting rights for ARUHI Group Co., Ltd., the holding company of ARUHI. SBI Group's shareholding percentage corresponds to a total percentage based on the IFRS criteria for subsidiary companies and subsidiary funds of the Group. (As of the end of Sept. 2016)

③- ii. Life insurance business:



SBI Life Insurance is Newly Developing Group Credit Life Insurance, and is also Expanding Its Sales Initiative of Pre-existing Insurance Products, by thoroughly Utilizing the Group Channels

New product development

➤ Preparing full-scale sales of group credit life insurance, which was developed as an important product for the future, at SBI Sumishin Net Bank

⇒ In the short term, contribution to earnings will be low owing to the policy reserve requirements, but will become a major earnings source in the mid- to long-term

➤ FiNC's health management app was launched on Nov. 30, 2016 for policyholders, as an incentive for insurance coverage and the promotion of disease prevention for subscribers

➤ Keeping to expand sales promotions by utilizing Group's face-to-face and online channels

Sales promotions

	[Online channel]	[Face-to-face channel]	
Group companies	 [SBI SECURITIES] Number of accounts: 3,679 thousand	 SBI Sumishin Net Bank Number of accounts: 2,689 thousand	<p>Face-to-face Insurance shop</p> [SBI MONEY PLAZA] Hoken Minaoshi Honpo (Operated by a subsidiary of NEWTON FINANCIAL CONSULTING, Inc.) Mitsubachihoken (SBI's shareholding percentage of its operating company: 25.76%) <p>Call center</p> NEWTON FINANCIAL CONSULTING, Inc. (SBI's shareholding percentage: 20.03%) Financial Agency Inc. (SBI's shareholding percentage: 37.93%)
	 [SBI Insurance] Number of contracts: 883 thousand	 [Insweb] Number of customers: 8,264 thousand	
	 [SBI IKI IKI SSI] Number of contracts: 52 thousand	 [SBI Resta SSI] Number of customers: 14 thousand	
	 Nihon Small amount & Short term Insurance Co., Ltd. [Nihon SSI] Number of customers: 492 thousand		

*1: SBI's shareholding percentage corresponds to a total percentage, which include dilutive shares, based on the IFRS criteria for subsidiary companies and subsidiary funds of the Group (As of Sept. 30, 2016)

*2: The numbers of accounts, contracts and customers are as of the end of Sept. 2016

③- iii. Small-amount, short-term insurance :



Further Expanding the SSI Business through the Acquisition of Nihon SSI (Sept. 2016)

In comparison to other SSI groups, offering a variety of products from the 1st to 3rd categories, with advantageous capabilities for a more expansive strategy

 リスタ少額短期保険

[SBI Resta SSI: Earthquake indemnity insurance]

地震補償保険 **Re.sta**

* SBI SSI plans to change its registered name to SBI Resta SSI on Nov. 1, 2016

Number of contracts of earthquake indemnity insurance Resta*: 14,308

 いきいき少短

[SBI IKI IKI SSI: Death insurance, Medical insurance]

お葬式代程度に備える

SBIいきいき少短の **死 亡 保 険**

入院や手術に備える

SBIいきいき少短の **医 療 保 険**

Number of contracts*: 52,404

 日本少額短期保険株式会社
Nihon Small amount & Short term Insurance Co., Ltd.

[Nihon SSI: Home content insurance, Bike insurance, Bicycle insurance, Reform insurance]

みんなの部屋保険 G2

HARLEY | 車両 + 盗難保険™

みんなのバイク保険

BICYCLE保険

Number of contracts*: 491,553

* As of Sept. 30

Implementing initiatives toward further growth, by the pursuit of synergies, including the three SSI companies' sales alliances

(3) In the venture capital business, increasing the operational scale by advancing fund raising through the establishment of new funds, such as the CVC (Corporate Venture Capital) Fund, both in Japan and abroad

Joint Establishment of a CVC Fund (Total of up to JPY 25bn)

Vitalization of operating companies to promote the development of new businesses through investments in venture companies with potential business synergies

○ Nikon (announced on July 4, 2016)

Jointly establishing a private fund “Nikon-SBI Innovation Fund”

Management company: SBI Investment

Investment target: Promising venture companies in Nikon’s current business and new service areas

Fund size: up to JPY 10bn

○ Intage Holdings (announced on Oct. 17, 2016)

Jointly establishing a private fund “INTAGE Open Innovation Fund”

Management company: SBI Investment

Investment target: Promising venture companies in Intage’s current business, new service areas and intra-venture businesses

Fund size: up to JPY 5bn

Also, a JPY 10bn scale CVC Fund was established in June 2016

SBI Investment KOREA Expands the Management of Funds in South Korea

SBI Investment KOREA is already managing funds that total KRW 157.0bn (JPY 14.1bn) in 2016, and including funds that are in the process of being established as of Sept. 2016, the cumulative total will amount to up to KRW 337.0bn (JPY 30.3bn)

SBI Cross-Border Advantage Fund

Total commitment amount (minimum): KRW 80.0bn (approx. JPY 7.2bn)

Investment target: Venture companies in South Korea, which are endeavoring to expand overseas

SBI Growth Strategy M&A Fund

Total commitment amount (minimum) : KRW 100.0bn (approx. JPY 9.0bn)

Investment target: Medium-sized companies in South Korea, which are endeavoring to grow through M&A

* Converted at KRW 1 = JPY 0.09

FY2016 Prospective IPO and M&A Deals

15 Investee IPO and M&A deals are expected in the 2H

	Full-year FY2015	Full-year FY2016 prospects
IPO·M&A deals	16	19

In FY2016, 2 companies were IPO'd and 2 companies were M&A'd

EXIT Date	Company	Market (Country)
July 25	SKCS	KONEX (South Korea)
Aug. 1	Kadmon Holding LLC	NYSE (U.S.)
Aug. 8	Carver Korea	M&A
Sept. 19	GL Pharm Tech	M&A

4. What are the mid- to long-term business strategies for the sustainable expansion of corporate value?

- (1) Promote the establishment of the “New FinTech Ecosystem” (FinTech 2.0) by promptly adopting the technological innovations in finance within the next 3 years**
- (2) The SBI Group will strengthen its alliances with the regional financial institutions to embody a “win-win” relationship**
- (3) Actualization of intrinsic corporate value through IPOs**

(1) Promote the establishment of the “New FinTech Ecosystem” (FinTech 2.0) by promptly adopting the technological innovations in finance within the next 3 years

- ① **Through the FinTech Fund, promote investments into FinTech venture companies that are standard-bearers of the new technological innovations**

“FinTech Fund,” Established as the Industry’s First Fund to Invest in FinTech-related Companies



FinTech Business Innovation LPS

- Total commitment amount is JPY 30bn
- Fund investor: Over 20 of regional banks including Bank of Yokohama, Ashikaga Bank, San-in Godo Bank and Kiyo Bank, as well as Mizuho Bank and SoftBank invested
- Investment destination: Anticipating investing in 100 or more venture companies with superior technology in the FinTech field

Already decided on investments into 27 companies, including investments already made in freee, BitFlyer and Cacco (Total investment amount to be over JPY 7.0bn through the FinTech Fund and over JPY 7.0bn by SBI Holdings)



- ◆ Financial institutions that have invested may jointly study the feasibility of the technology and services of the FinTech companies, to consider the reduction of an initial investment, as well as an early adoption
- ◆ Establishing the structure to support the adoption of FinTech services and technology, through the cooperation with major IT vendors and FinTech-related companies

Investments Made in the Field of New Technological Innovations through the FinTech Fund



Blockchain technology



Orb, Inc. (Japan)



Ripple Labs Inc. (U.S.)



QUOINE Pte. Ltd. (Japan)



bitFlyer, Inc. (Japan)



Coinplug, Inc (Korea)

IoT (Internet of Things)



Argus CyberSecurity Ltd. (Israel)



Indegy Ltd. (Israel)



Global Mobility Service, Inc. (Japan)

Big data



GiXo Ltd. (Japan)



Generic Solution Corporation (Japan)



Treasure Data, Inc. (U.S.)



KOKOPELLI incubate inc. (Japan)

Payment



infcurion group, Inc. (Japan)



BASE, Inc. (Japan)



Omise Co., Ltd. (Thailand)



Exchange Corporation Holdings Ltd. (Japan)

Crowd-funding



Music Securities, Inc. (Japan)

Robo-advisor



WealthNavi Inc.

Other FinTech



Money Forward, Inc. (Japan)



free K.K. (Japan)



FUNDBOX LTD.(U.S.)



Cacco Inc. (Japan)



Cacco inc.



Planet Table Inc. (Japan)

Will continue to aggressively invest into this field

As for the FinTech Fund, will also Actualize a Virtuous Cycle for the Asset Management and the Financial Services Businesses, to Endeavor an Early Exit for the FinTech Investee Companies

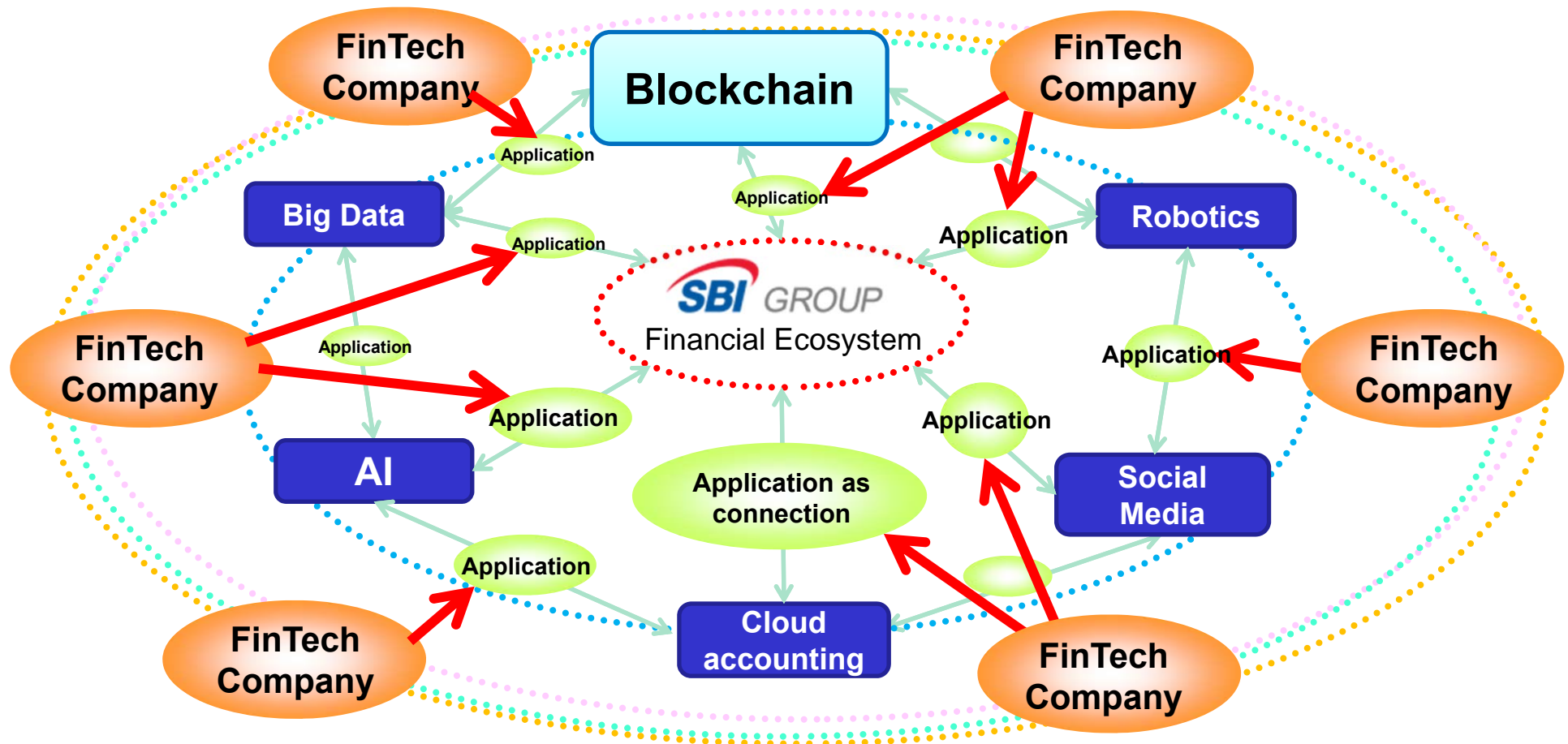
<Planned EXIT schedule of FinTech investee companies >
 2017: 3 2018: 4 2019: 5 After 2020: 12 TBD: 3

<Estimated valuation of FinTech-related investee companies of the SBI Group, which were mentioned in the article “Finding Unicorn companies in Japan” by The Nihon Keizai Shimbun>

Company name	Business	Establishment	Valuation
freee	Development of accounting software	2012	JPY31.5bn
Money Forward	Provision of Personal Financial Management (PFM)	2012	JPY23.0bn
bitFlyer	Operation of a bitcoin trading website	2014	JPY20.0bn

Responding to the Era of FinTech 2.0 vs 1.0

~Establishment of the New FinTech Eco System within 3 years~



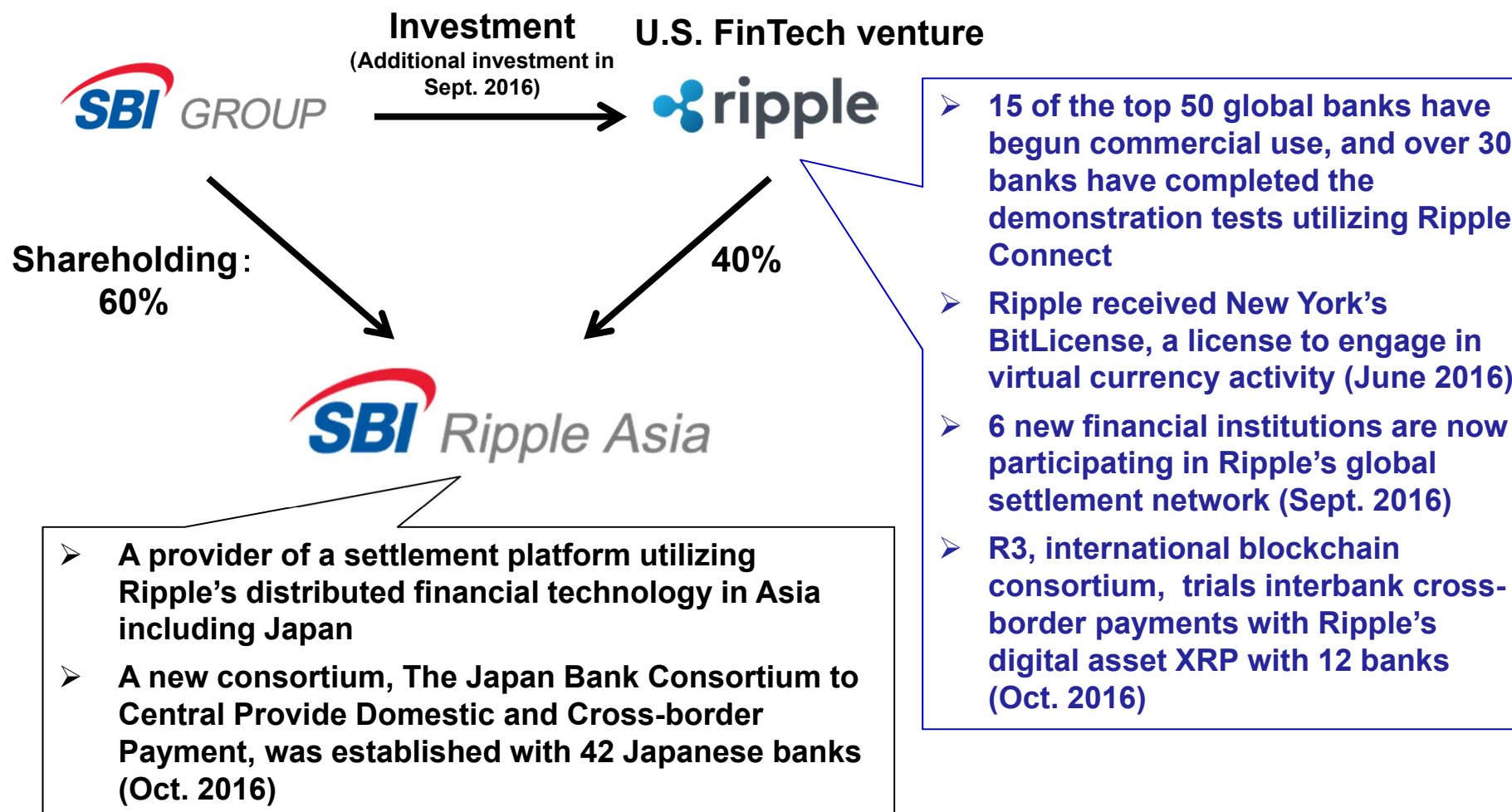
The “New FinTech Ecosystem” will utilize blockchain technology as its core, to endeavor in providing innovative financial services through a joint development of applications with FinTech companies, which connect with conventional financial systems

② Proactively utilize new technologies possessed by the investee venture companies into the Financial Services Business, for the establishment of the “New FinTech Ecosystem”

[The SBI Group’s utilization of FinTech technologies in its services will begin immediately upon the completion of demonstration tests]

Established SBI Ripple Asia on May 18, 2016, with Ripple Labs, Inc., which is Developing a Next Generation Settlement Platform

- Aggressively working on “Beyond Blockchain”-



Examples of the Introduction of FinTech in the SBI Group Companies – (i) SBI SECURITIES



- Participated in the demonstration tests conducted to utilize blockchain technology in the stock market by the Japan Exchange Group, in collaboration with IBM Japan and NRI
- For the operating process of bonds, from issuance to redemption, initiated demonstration tests toward the utilization of blockchain technology in collaboration with IBM Japan
- Launched “SBI-FundRobo,” a supporting tool in selecting investment trusts, on July 21, 2016



The individual's answers to queries, such as age, investment experience and risk-taking behavior, as well as the country and financial product he/she is interested in



Morningstar Japan's latest evaluation data



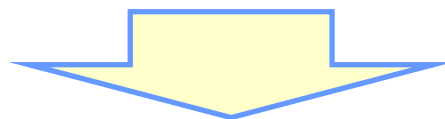
Proposes an investment trust that suits the individual's investment style

Partnered with WealthNavi, which Supports the Neophyte Investors' Asset Formation



WEALTHNAVI

- **Approx. 80%** of SBI SECURITIES' new customer accounts are **neophyte investors** (Aggregated data for Apr. - Sept. 2016)
- According to a questionnaire, **the majority** of SBI SECURITIES' customers **answered that they would like to use robo-advisors**



[Examples of partnership]

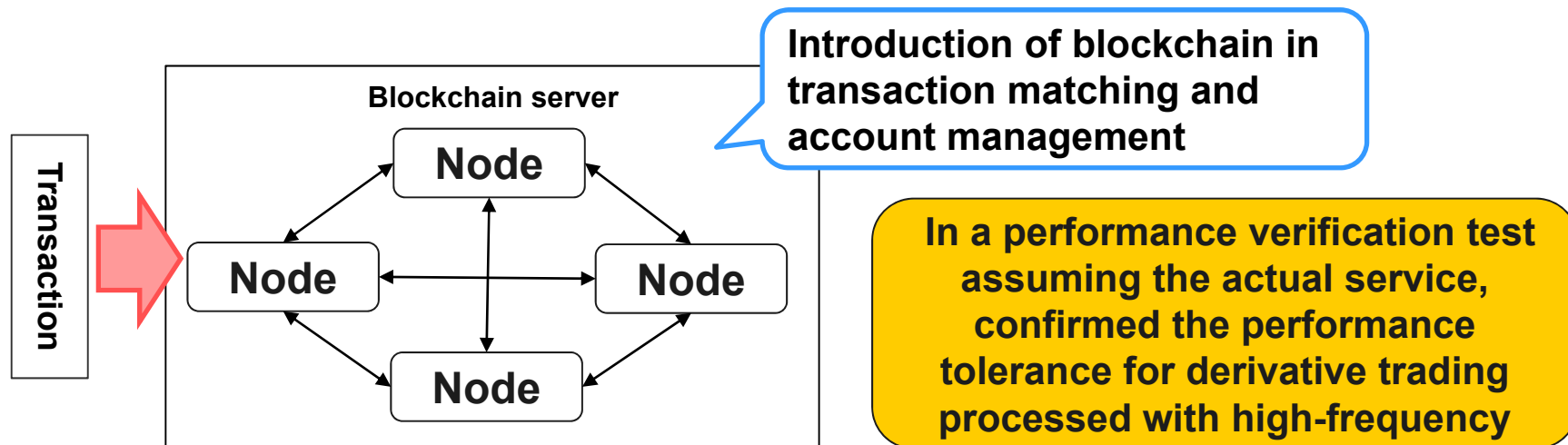
- Planning the implementation of a direct login from SBI SECURITIES' website to WealthNavi's website through SSO (Single Sign-On)
Revenue generated by the SSO will be split with WealthNavi at a valid ratio
- Planning to provide WealthNavi's smartphone app to SBI SECURITIES' customers, as well as to create a cross-linkage (link installed) between both companies' smartphone app

Examples of the Introduction of FinTech in the SBI Group Companies – (ii) SBI Liquidity Market



Progressing the consideration of a derivative trading service utilizing blockchain technology, toward a possible launch in FY2016

In conjunction with SBI BITS, a system development company, verified the possibility of a **trading infrastructure utilizing blockchain technology**

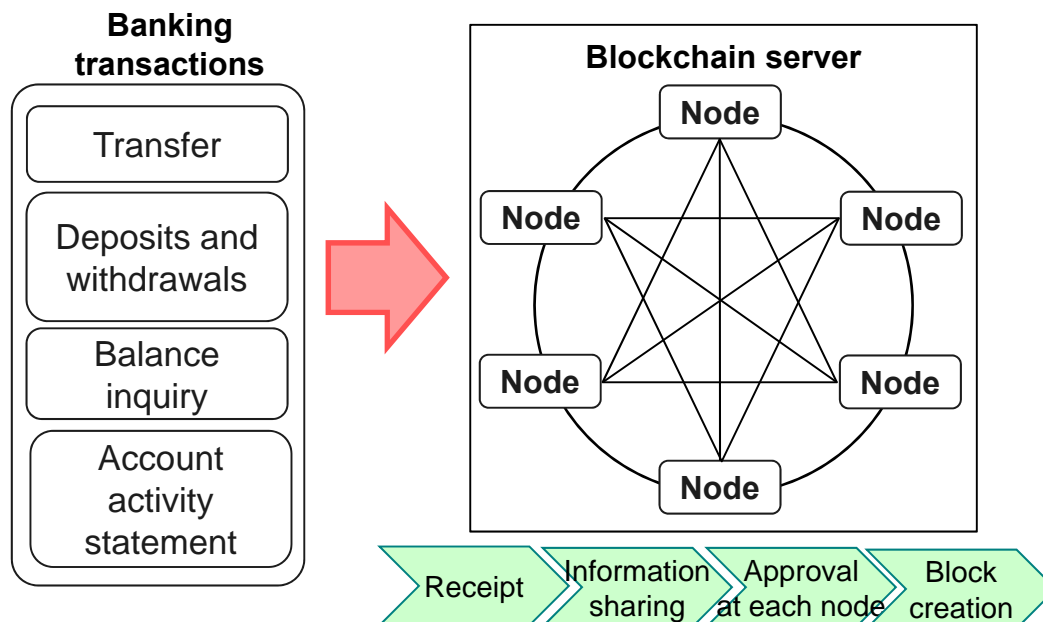


Examples of the Introduction of FinTech in the SBI Group Companies – (iii) SBI Sumishin Net Bank



Succeeded in Japan's first blockchain demonstration test for accounting operations

住信SBIネット銀行 SBI Sumishin Net Bank



[Verification points of the test]

Tolerance to stress

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

Tolerance to falsification

High tolerance to data falsification

Cost-effectiveness

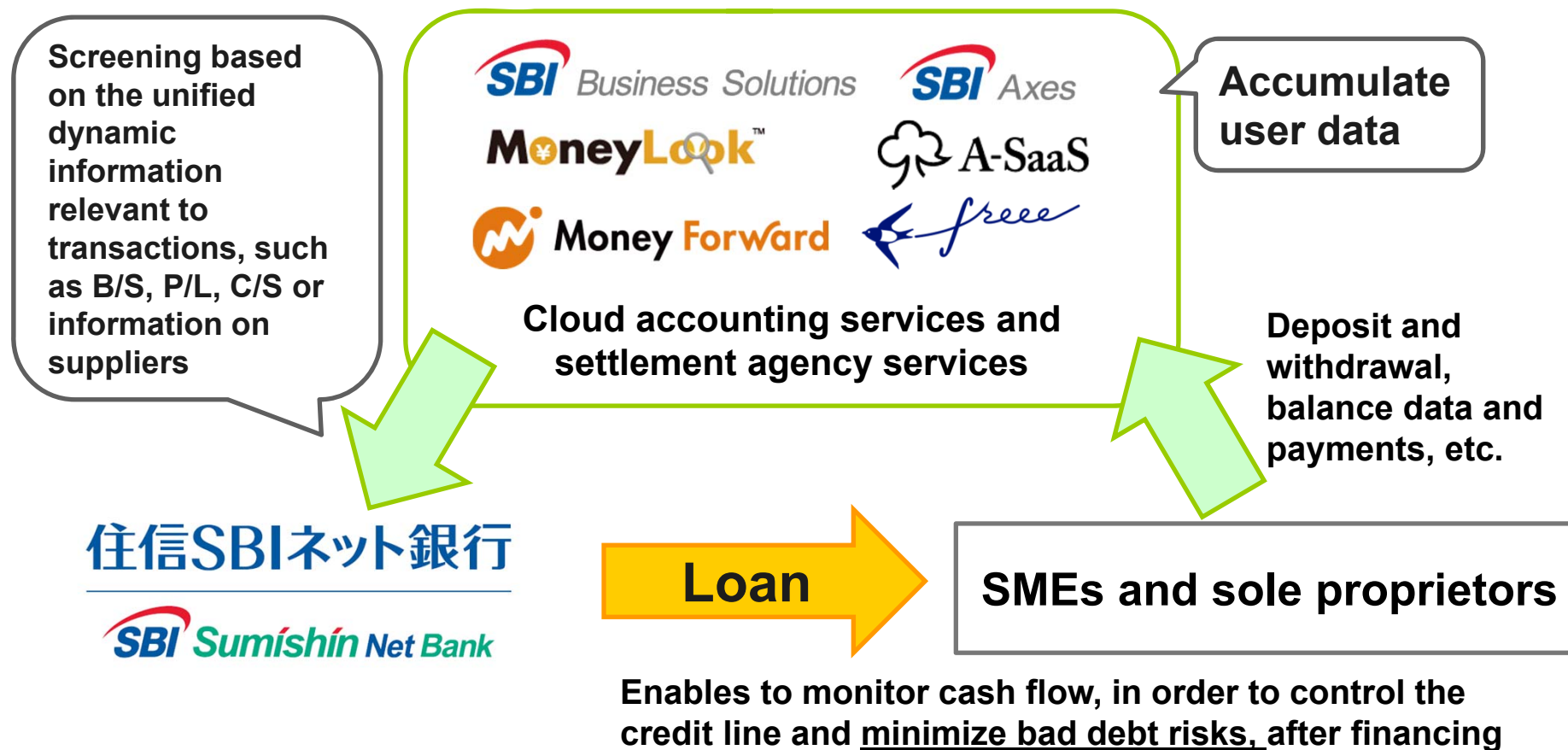
Potential of cost reduction in the areas of procuring infrastructure equipment, establishing middleware and maintenance

Estimated cost reduction effect: 9~15%

Moving forward, through various peripheral application functions outside of blockchain technology, will support the next generation accounting system that the SBI Group is jointly developing with partner FinTech companies, in order to minimize development costs

Planning the initiation of demonstration tests to utilize blockchain technology for the authentication and settlement systems within the year, in collaboration with Sumitomo Mitsui Trust Bank and Escrow Agent Japan, in order to eliminate the administrative workload related to payment and settlement operations

Advancing the Development of an Accounting Transaction Based Loan Business for SMEs and Sole Proprietors, by Utilizing the Settlement Agency Services and Cloud Accounting Services Offered by Partner FinTech Companies



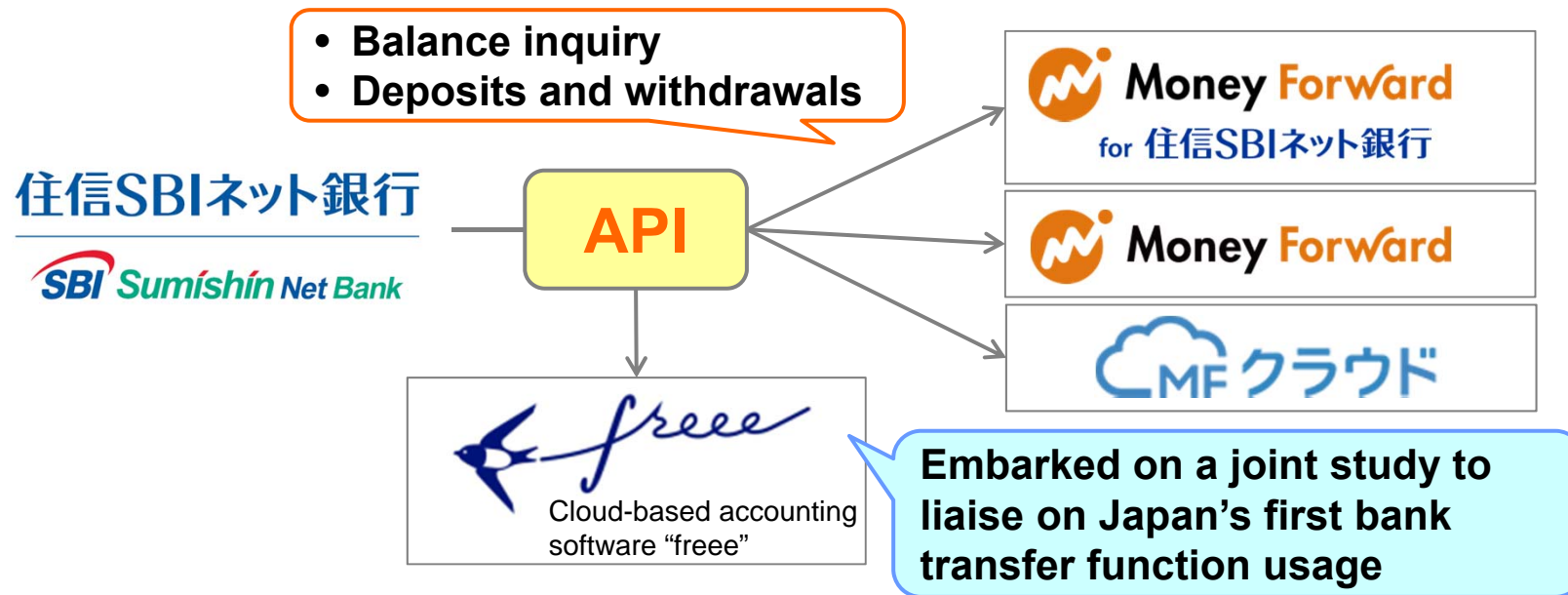
Considering the development of a new credit line model which incorporates big data analysis and AI, based on user data of partner FinTech companies

SBI Sumishin Net Bank's Growth of the API Economy, a Key Component for Further Acceleration of FinTech

API (Application Programming Interface)

Mechanism to enable the managing of data and software functions from an outside program source

➤ Official start of the API connection with Money Forward and free



➤ Advancing the development and provision of an automatic savings service utilizing the API foundation, in collaboration with the infcurion group



Supporting Customers' Asset Formation in Cooperation with WealthNavi

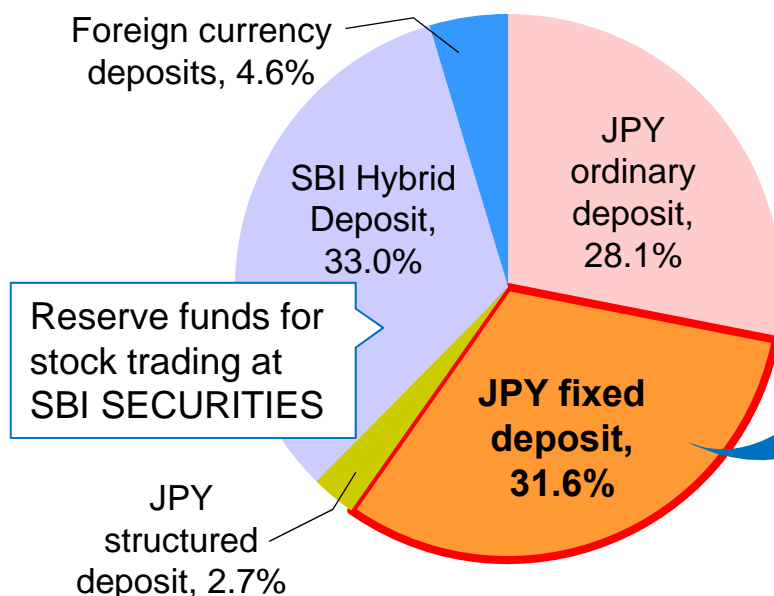
住信SBIネット銀行

SBI Sumishin Net Bank



WEALTHNAVI

Breakdown of SBI Sumishin Net Bank's deposits



Reserve funds for stock trading at SBI SECURITIES



Provision of asset formation services by robo-advisor



Balance of fixed deposit: JPY 1,146.8bn (as of the end of Sept. 2016)

Promote a shift from savings to investments

SBI Sumishin Net Bank, in a partnership with WealthNavi, will provide smartphone apps, and is considering the development of Japan's first small-amount asset management service in conjunction with settlements of Visa debit with cash cards

* Subject to permission and authorization granted by relevant authorities in Japan

Examples of the Introduction of FinTech in the SBI Group Companies – (iv) Insurance Business (SBI Insurance & SBI Life Insurance)



Developing personalized insurance products, where premiums are tailored and calculated according to each policy holder's risk and characteristics by utilizing telematics technology and wearable devices

Example of SBI Insurance:



Through a cooperation with ZMP and GMS, developing a personalized insurance product to calculate premiums according to mileage and driving behavior results

Example of SBI Life Insurance:

Starting the provision of a health management app for insurance policyholders from Nov. 30, as an incentive to join the insurance, as well as for disease prevention

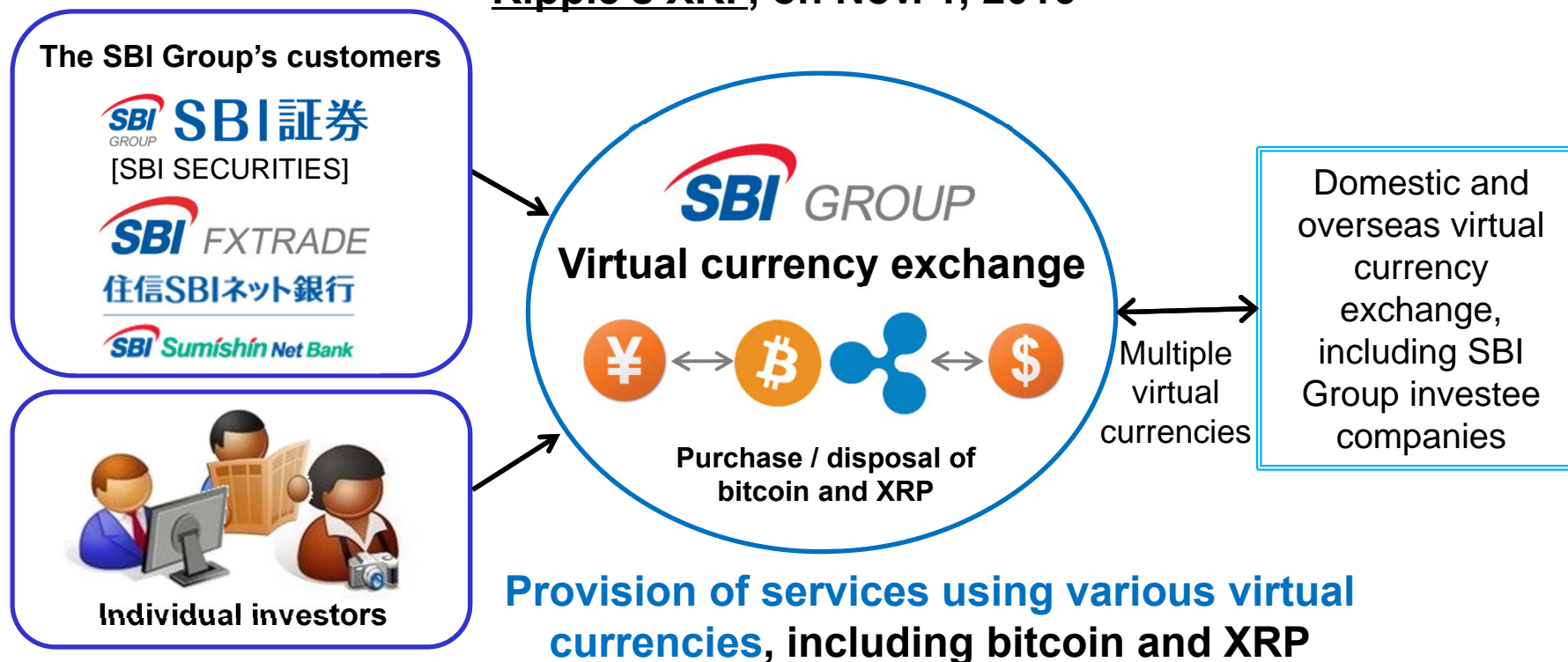


By obtaining and analyzing data that is necessary to develop personalized insurance products, and through the continued monitoring of the individual's health status, will endeavor to achieve an evolution in insurance products

Examples of the Introduction of FinTech in the SBI Group Companies – (v) SBI Virtual Currencies



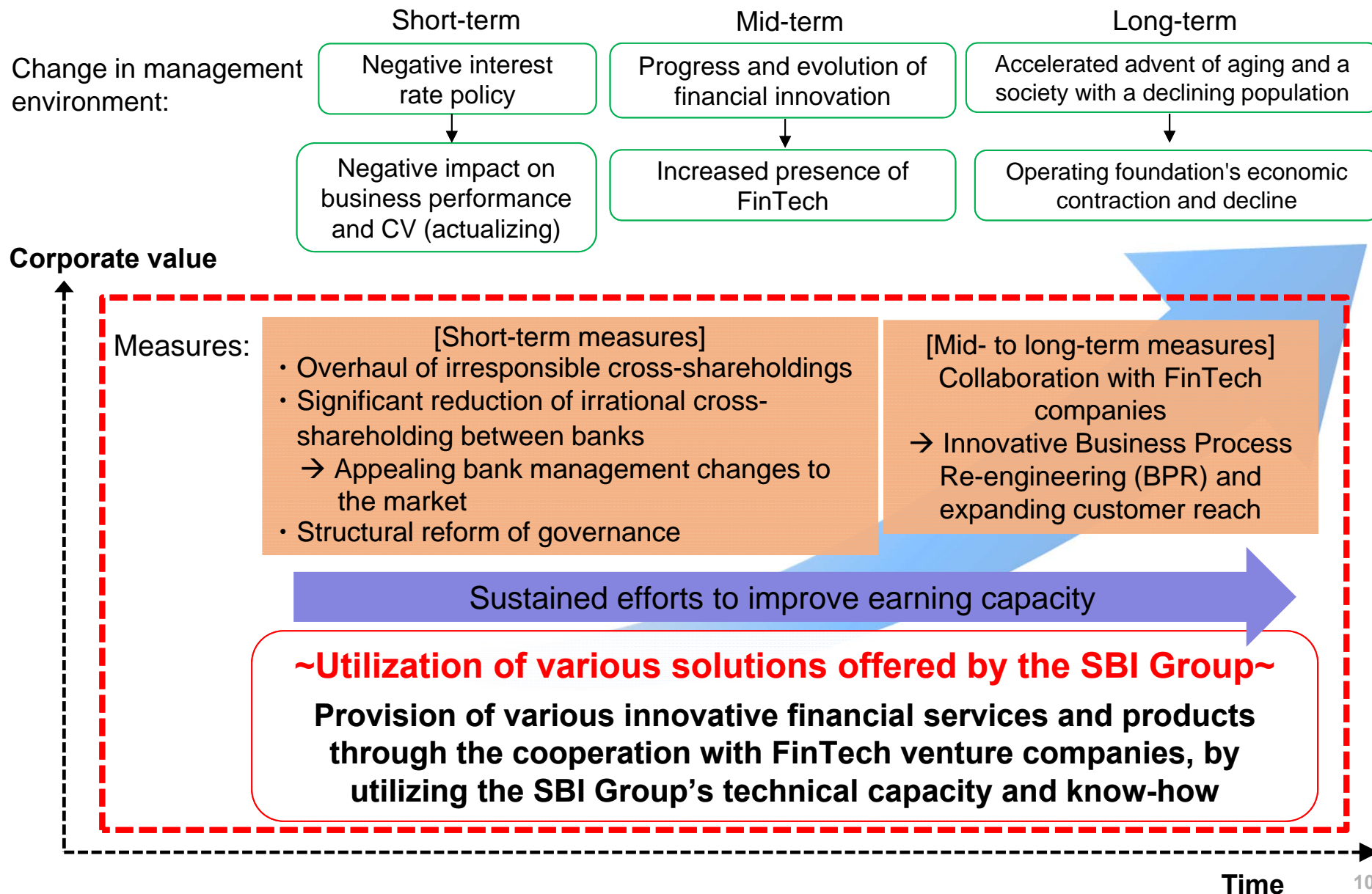
Scheduled to establish SBI Virtual Currencies, a company providing exchange and trading services of virtual currencies, including bitcoin and Ripple's XRP, on Nov. 1, 2016



In anticipation of the enforcement of the Payment Services (Amendment) Act, with reference to the service offerings for the SBI Group companies, considering the establishment of an exchange structure that offers liquidity for various virtual currencies, by sequentially advancing the cooperation between virtual currency exchanges domestically and overseas

(2) The SBI Group will strengthen its alliances with the regional financial institutions to embody a “win-win” relationship

Roadmap for Regional Financial Institutions' Corporate Value Enhancement



Regional Financial Institutions will Better Solve Various Issues that They will Face, by Strengthening Their Relationship with the SBI Group

[The SBI Group's solution proposals for regional financial institutions (examples)]

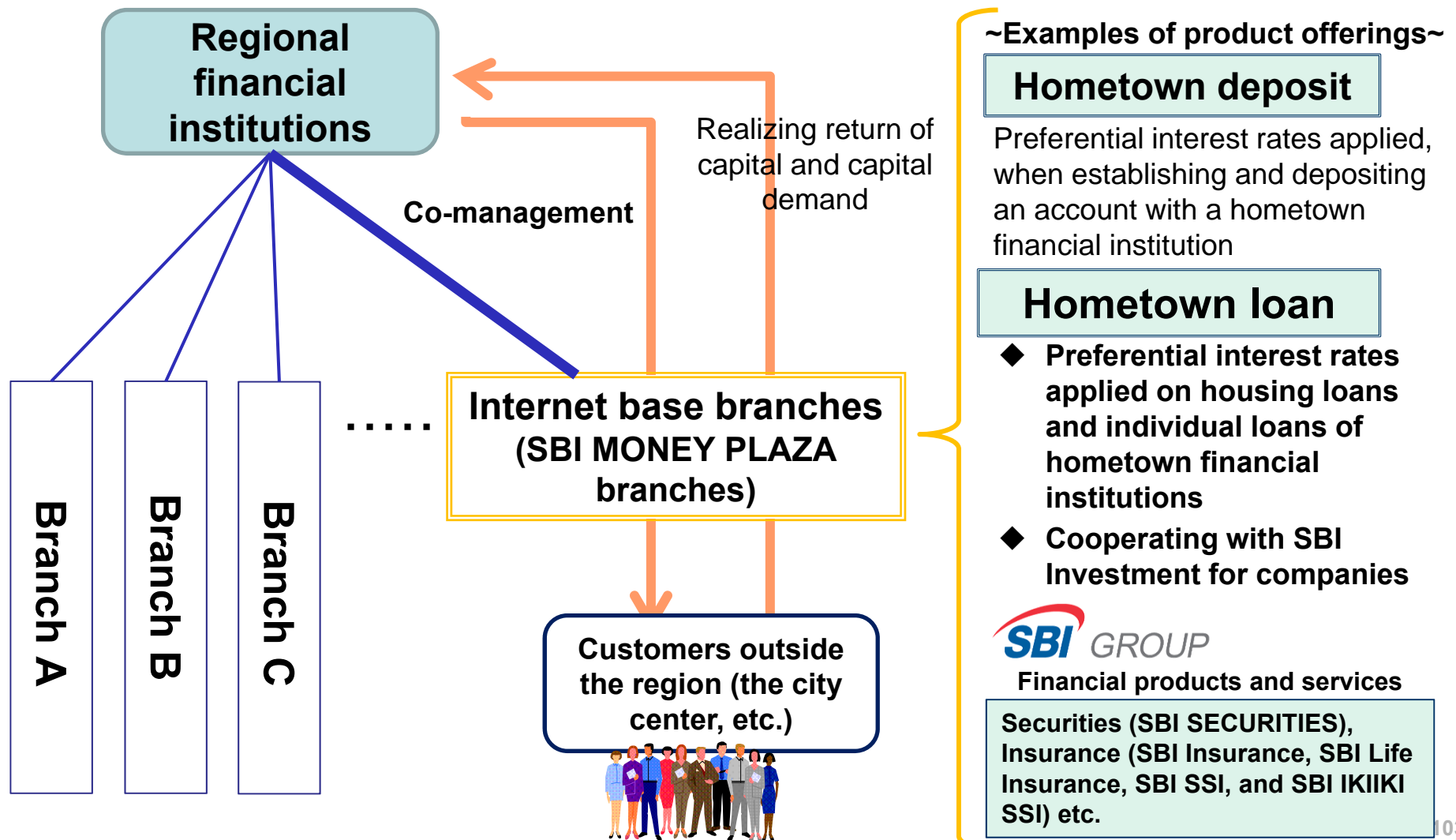
- ① By partnering with SBI MONEY PLAZA, it becomes possible to develop a new customer base, and to provide various financial products on a one-stop basis**
- ② Through the establishment of the “Regional Bank Value Creation Fund” (provisional name), proposing a solution to the dissolution of cross-shareholding and a new financial business that utilizes FinTech technology**
- ③ Financial institutions, by significantly reducing the domestic exchange transactions (bank transfers, etc.) fees by utilizing the blockchain technology that the SBI Group will develop, will ensure their competitive advantage**
- ④ By leveraging the SBI Group's overseas network, provide overseas investment and lending opportunities**

① Cooperating with SBI MONEY PLAZA (i):



Approaching New Customers through the Co-management of Internet Based Branches Established Inside Regional Financial Institution

Realizing the capital and capital demands flowing back from urban areas, through preferential interest rate measures, such as “hometown deposit” and “hometown loan”

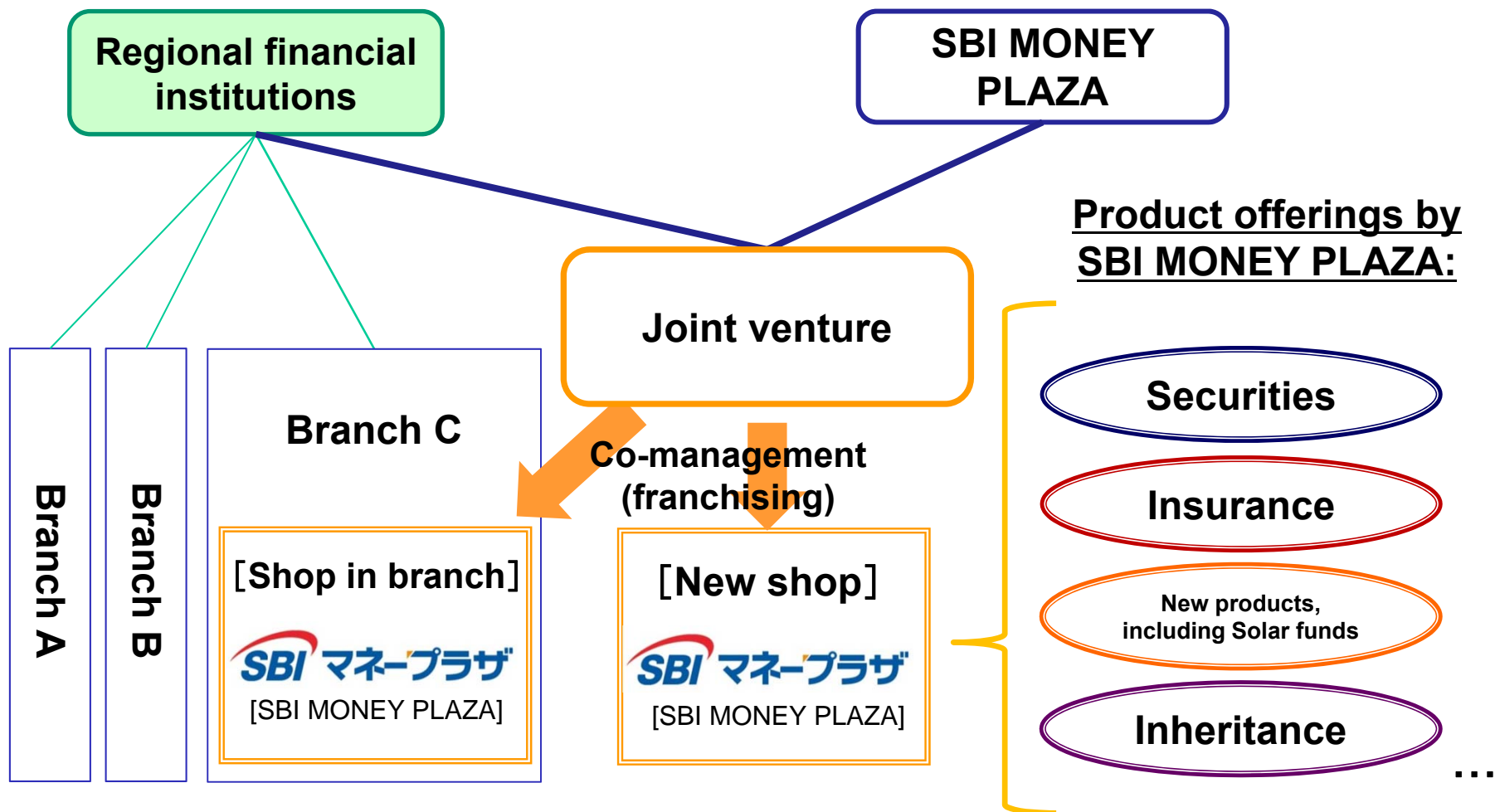


① Cooperating with SBI MONEY PLAZA (ii):



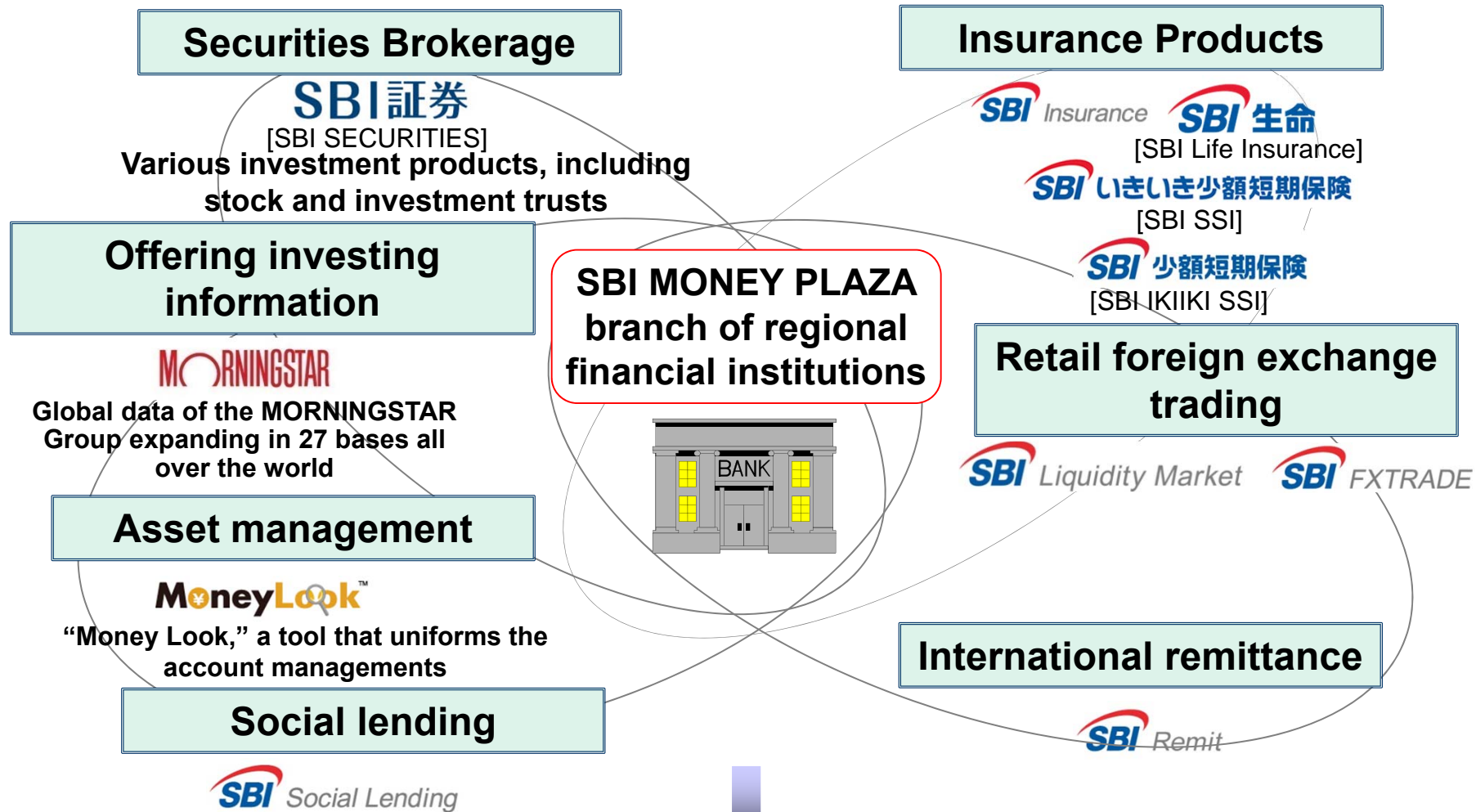
Expanding Financial One-stop Shop, SBI MONEY PLAZA, through a Joint Venture

Through a joint venture, which will be a face-to-face shop that offers, along with the securities-related and insurance products handled by SBI MONEY PLAZA, various other products such as solar-related products, it becomes possible to provide customers with a one-stop shop with a variety of financial products



① Cooperating with SBI MONEY PLAZA (iii):

Various Lines of Products and Services through the SBI Group's Business Ecosystem Enables the Enhancement of Competitiveness of SBI MONEY PLAZA Branch of Regional Financial Institutions

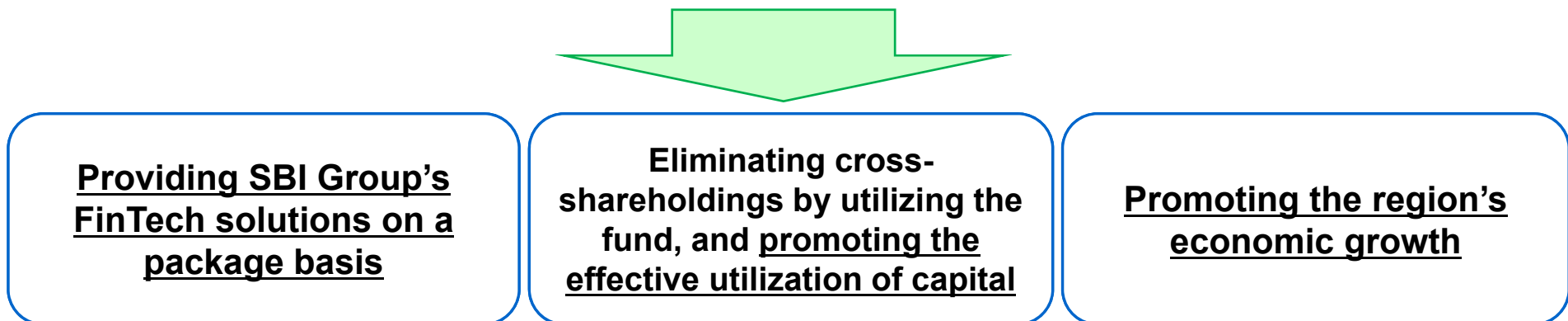
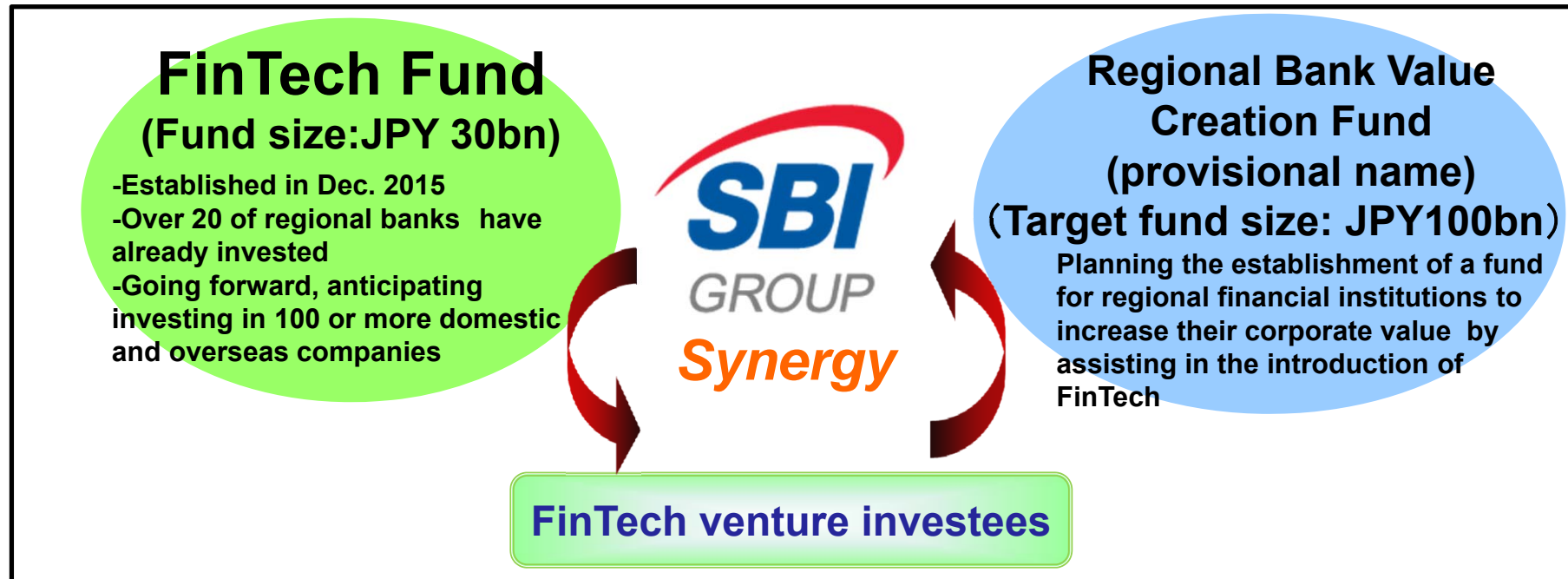


Implementing the expansion of innovative services, and the enhancement of earnings power at financial institutions

② Increasing financial institutions' corporate value through new funds (i):



By Introducing an Advanced Banking Model through the New Fund, Endeavoring an Enhancement of the Regional Financial Institutions' Corporate Value

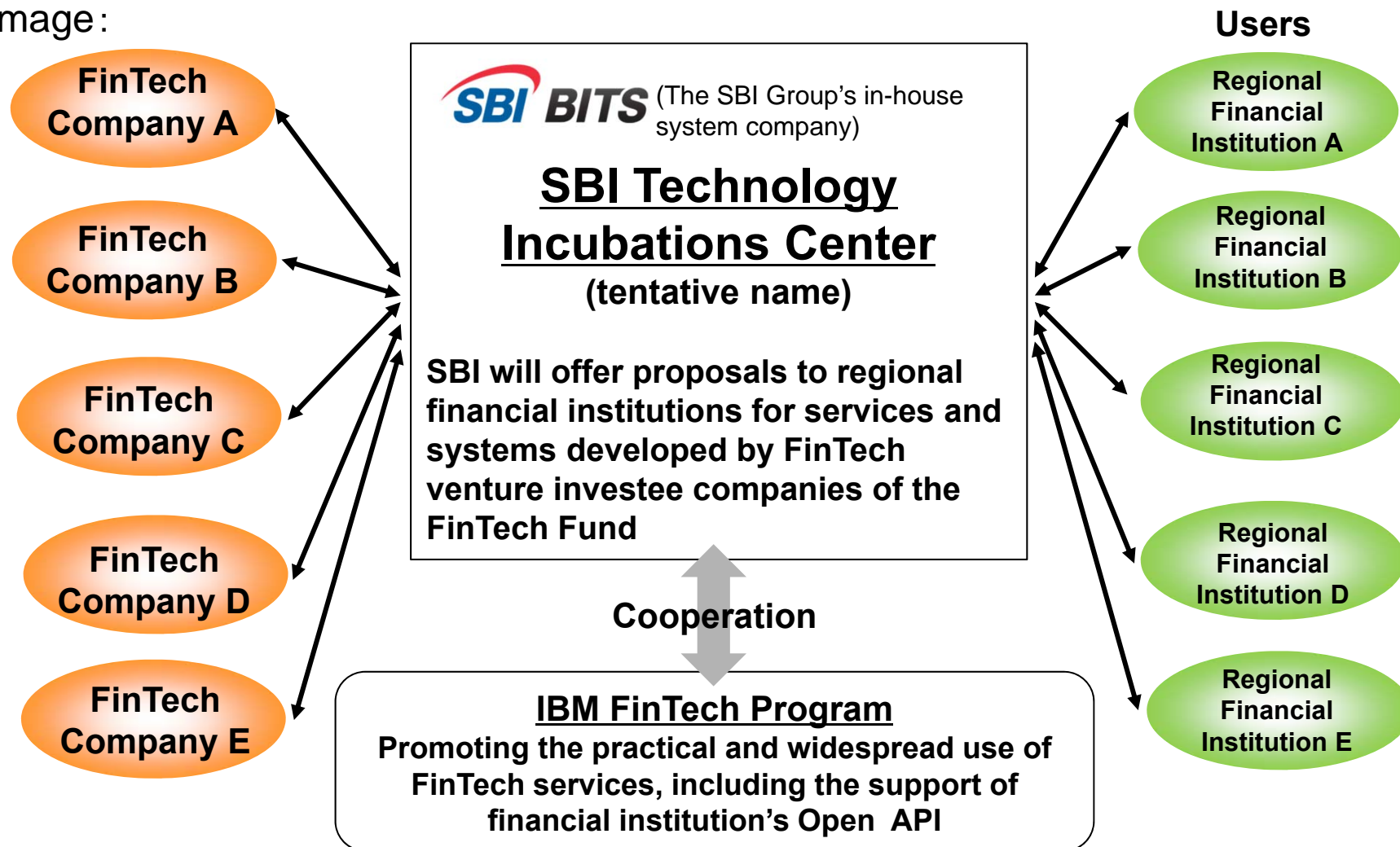


- ② Increasing financial institution's corporate value through new funds (ii) Promoting introduction of FinTech technologies:

Promote the Introduction of FinTech Services to Regional Financial Institutions through the Establishment of a Support System

Minimizing introductory costs through joint developments

Image:



- ② Increasing financial institution's corporate value through new funds (ii) Promoting introduction of FinTech technologies:



E.g. 1) In an Effort to Promote Financial Institutions' FinTech Services, SBI will Propose Assorted Services Developed by the Group's Investee FinTech Companies



Examples of the assorted services



Blockchain technology

Promotes a project for the issuance and sales support of regional currencies through the utilization of blockchain technology



Payment

Providing a platform (EMALL) that easily enables local businesses to launch an online shop



Crowd-funding

Introducing a service that supports financing for businesses, which plays a role in the local economy, by regional financial institutions and local municipalities

Other FinTech



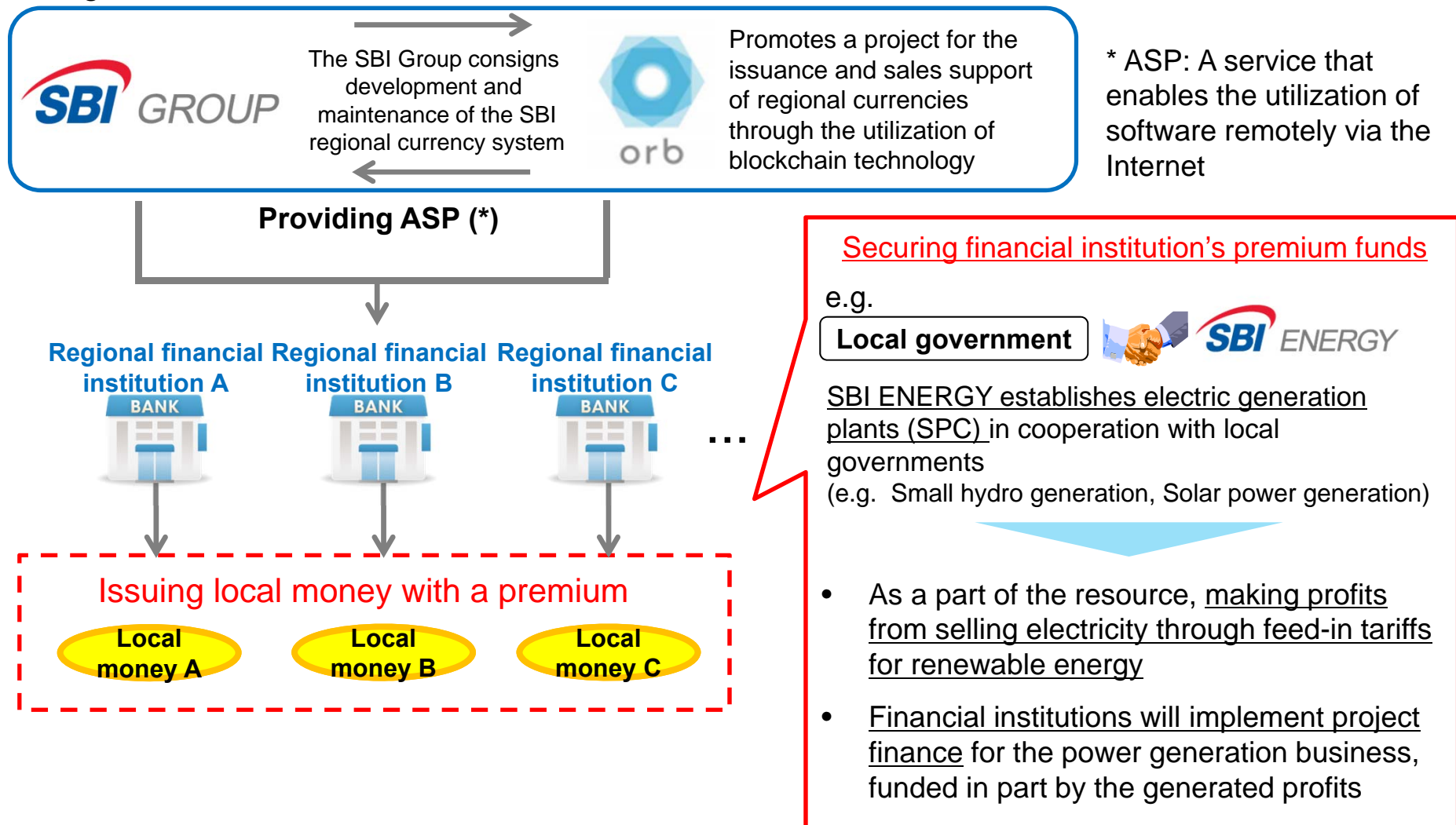
Considering the launch of a combined service for cash and payment measures for the agriculture and product distribution sectors, which are major businesses in the local economy

② Increasing financial institution's corporate value through new funds (ii) Promoting introduction of FinTech technologies:



**E.g. 2) Promoting the Realization of Financial Businesses
Contributing to Regional Revitalization, by Providing a Platform
for Issuing Regional Currencies**

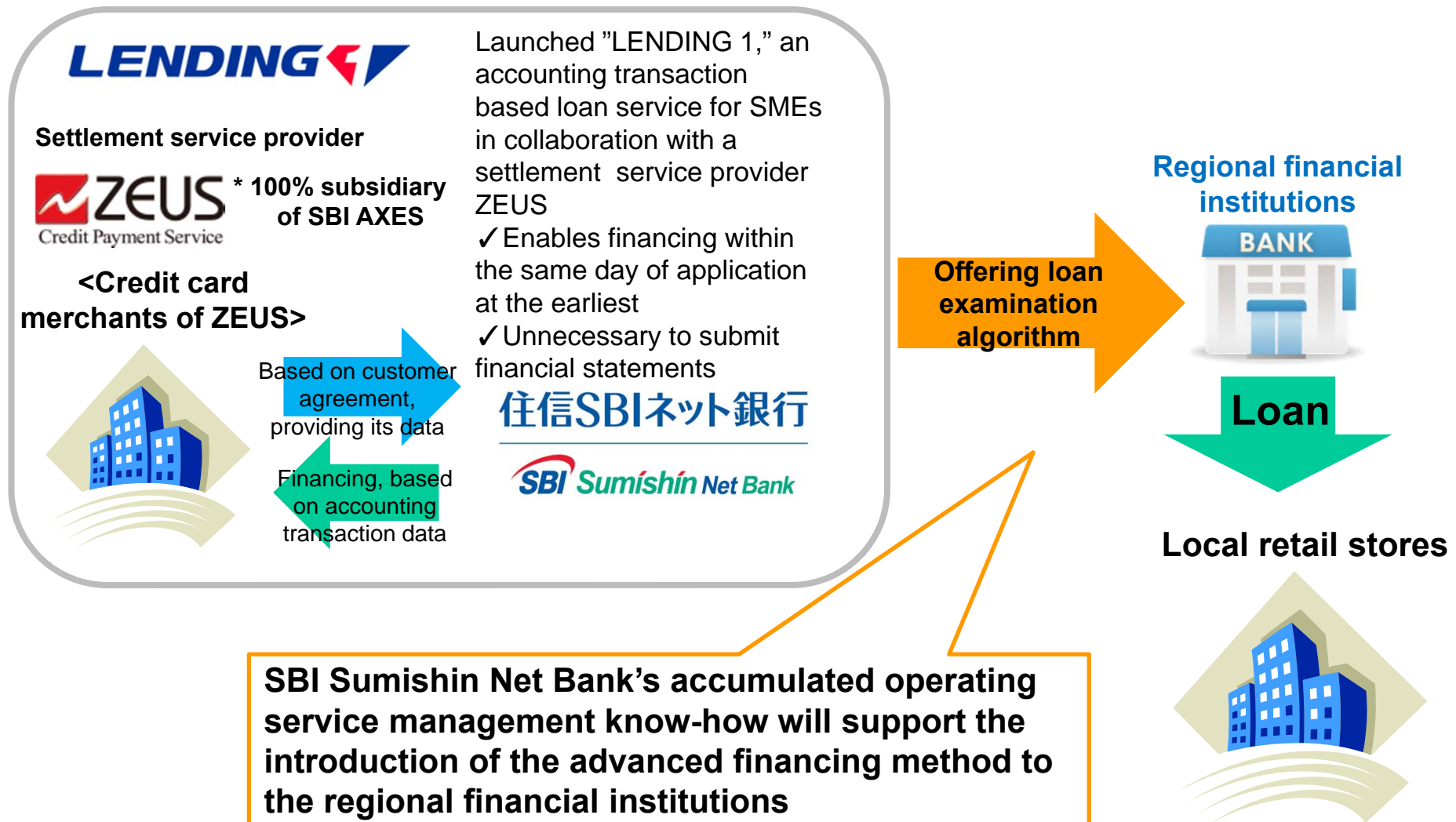
Image:



- ② Increasing financial institution's corporate value through new funds (iii) Promoting introduction of FinTech technologies:



E.g. 3) Providing the Know-how for Advanced Financing Methods, such as Accounting Transaction Based Loan Services to Regional Financial Institutions



③ Significant reduction of the domestic exchange transactions (bank transfers, etc.) fees :



Regional Financial Institutions, by Significantly Reducing the Domestic Exchange Transactions (Bank Transfers, etc.) Fees by Utilizing the Next Generation Remittance System that the SBI Group will Develop, will Ensure their Competitive Advantage

[Comprehensive transfer fees for corporations (per 1, including tax)] (As of July 20, 2016)

(Unit: JPY)	Addressed to other banks		Addressed to head and branches of own bank	
	Average of 3 major mega banks	(Reference) SBI Sumishin Net Bank	Average of 3 major mega banks	(Reference) SBI Sumishin Net Bank
Less than 30,000	<u>576</u>	165	216	<u>51</u>
30,000 or more	<u>792</u>	258	432	<u>51</u>

Low-cost strategy is one of SBI Sumishin Net Bank's differentiating factors versus other banks



Contribute to the improvement of the services of partner financial institutions, by significantly reducing the domestic transaction fees through the utilization of blockchain technology

③ Significant reduction of the domestic exchange transactions (bank transfers, etc.) fees :



“Remittance Revolution” by Establishing a Next Generation Remittance System

- The SBI Group started a trial for cross-border payments with Mizuho Financial Group
- A new consortium was established in Oct. 2016 with 42 banks, including The Bank of Yokohama and SBI Sumishin Net Bank, **to centralize domestic and foreign exchange utilizing blockchain**

Highlights of the Consortium that centralizes domestic and foreign exchange utilizing blockchain:

- ✓ **Centralizing domestic and foreign payments**, by replacing the current exchange network using Zengin System and SWIFT with a strategy utilizing Ripple’s platform
- ✓ Enables **transfers on a 24 hours a day, 365 days a year real-time basis**, in advance of the planned latter half 2018 introduction of Zengin’s “More Time System”
- ✓ **Developing a new market** for super low value (less than JPY 1,000) payments, and **as a counter to non-bank payment methods**

Centralize domestic and foreign payments
Reducing operation costs

Settlement on a real-time basis, 24 hours a day

Reducing payment infrastructure costs
Reducing Banks’ payment costs

Reducing customers’ commission fees

③ Significant reduction of the domestic exchange transactions (bank transfers, etc.) fees :



“The Japan Bank Consortium to Central Provide Domestic and Cross-border Payment” Participating Financial Institutions

A new consortium, whose secretariat is SBI Ripple Asia, was established in Oct. 2016, originally with 42 banks, including The Bank of Yokohama and SBI Sumishin Net Bank.

Moving forward, participating financial institutions are expected to increase

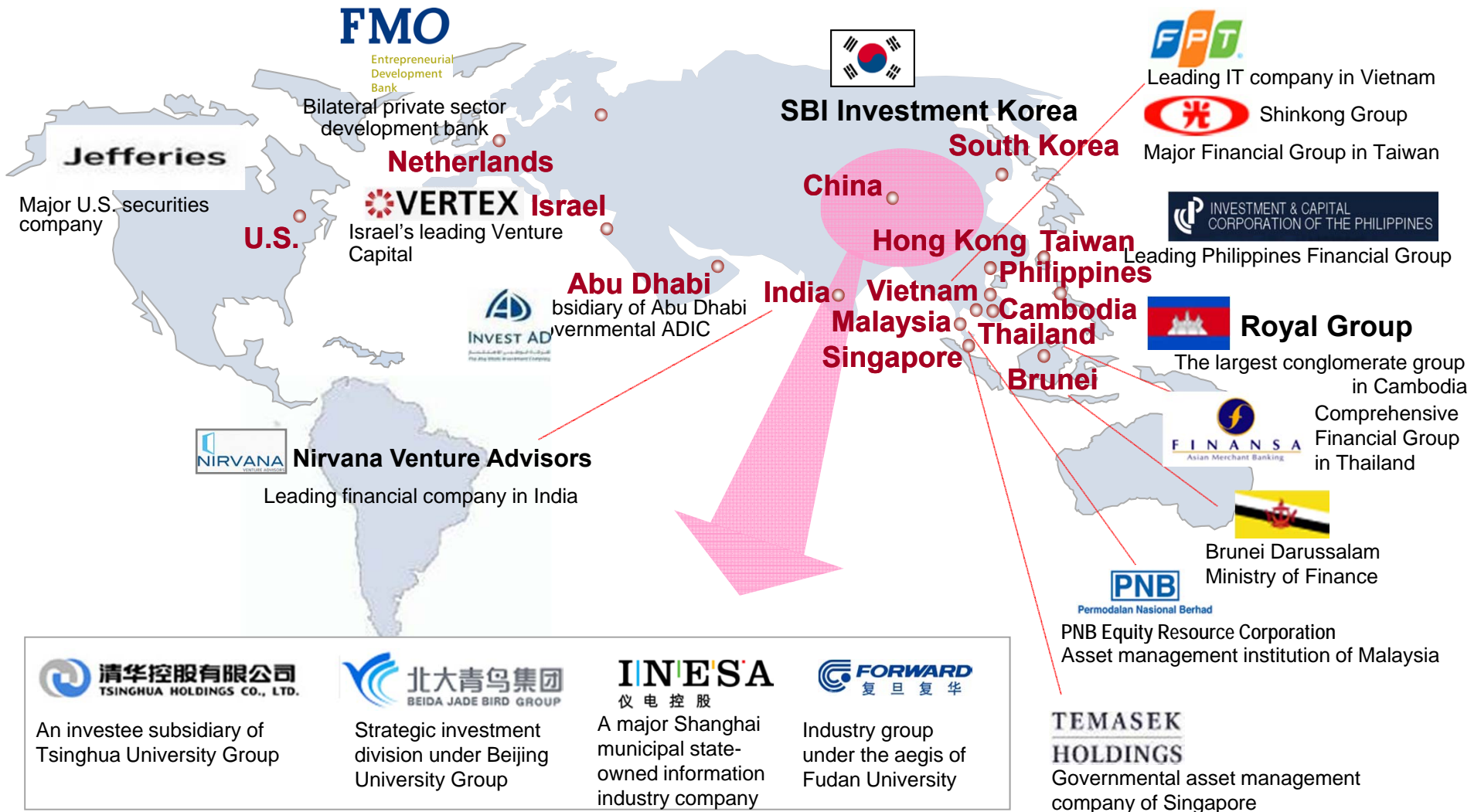
Financial institutions participating at the time of inauguration in Oct. 2016 (42 banks):

Reginal banks & Second-tier regional banks (30 banks)		Online banks (5 banks)	Others (7 banks)
Regional banks (26 banks)	The second-tier regional banks (4 banks)		
Aomori Bank, Ashikaga Bank, The Awa Bank, The Senshu Ikeda Bank, THE IYO BANK, The Gunma Bank, San-in Godo Bank , The Shikoku Bank, 77bank, The Shimizu Bank, The Juroku Bank, The Daishi Bank, The Chiba Bank, The Chugoku Bank, Tsukuba Bank, THE TOHO BANK, THE NISHI-NIPPON CITY BANK, THE HACHIJUNI BANK, Hiroshima Bank, Hokuriku Bank, The Michinoku Bank, The Musashino Bank, The Yamagata Bank, Bank of Yokohama, Bank of The Ryukyus, Other (1 bank)	The Keiyo Bank, THE TOCHIGI BANK, North Pacific Bank and Other (1 bank)	AEON Bank, SBI Sumishin Net Bank, Sony Bank, Daiwa Next Bank, Other (1 bank)	Shinsei Bank, Sumitomo Mitsui Trust Bank, Resona Bank, Others (4 banks)

④ Providing opportunities for overseas investments and lending:

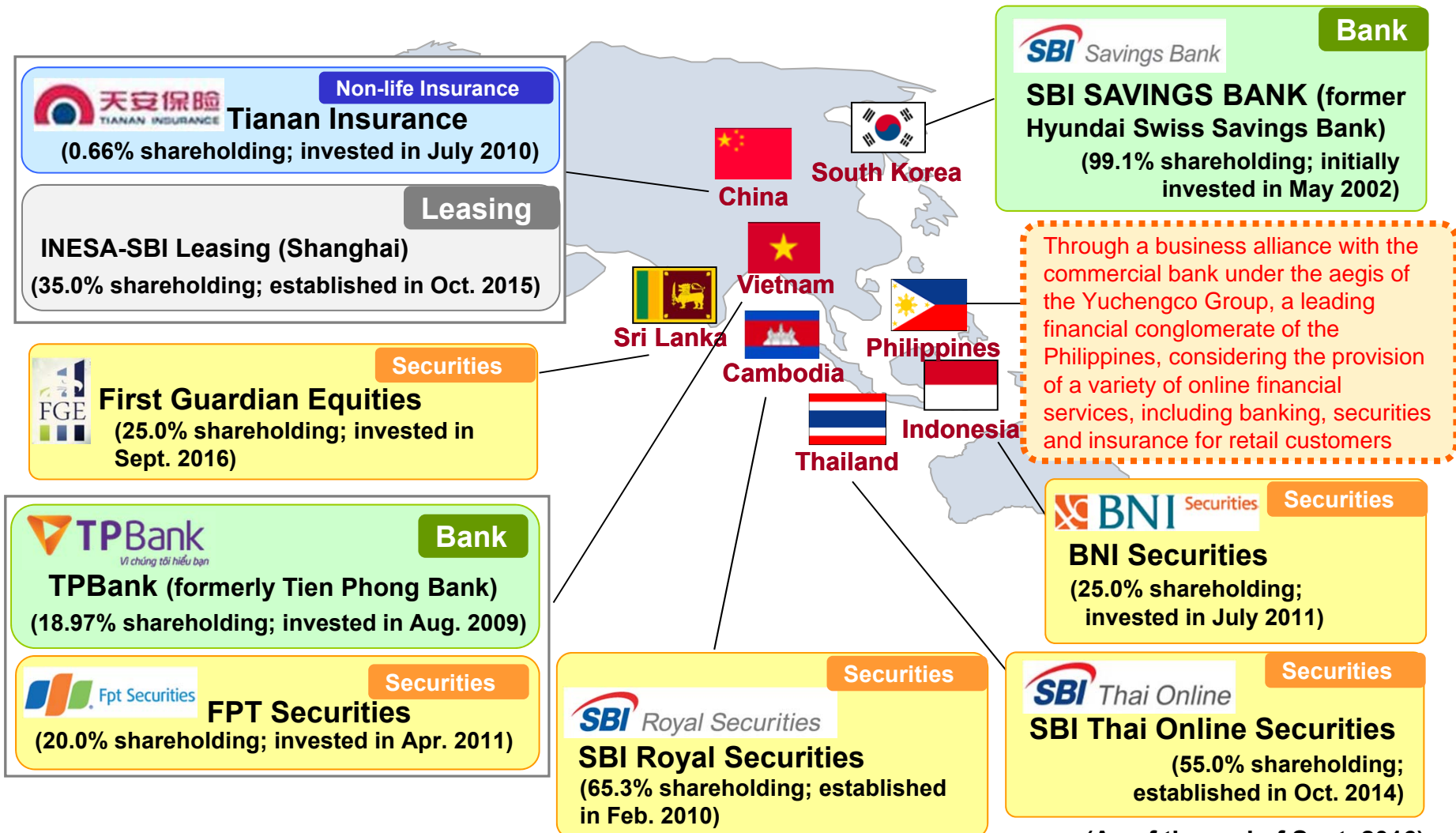


By Utilizing the Group's Global Network, Providing Regional Banks with Overseas Investments and Lending Opportunities



④ Providing opportunities for overseas investments and lending:

Partnership with the SBI Group's Affiliated Financial Institutions Centering on Asia



(As of the end of Sept. 2016)

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

(3) Actualization of intrinsic corporate value through IPOs

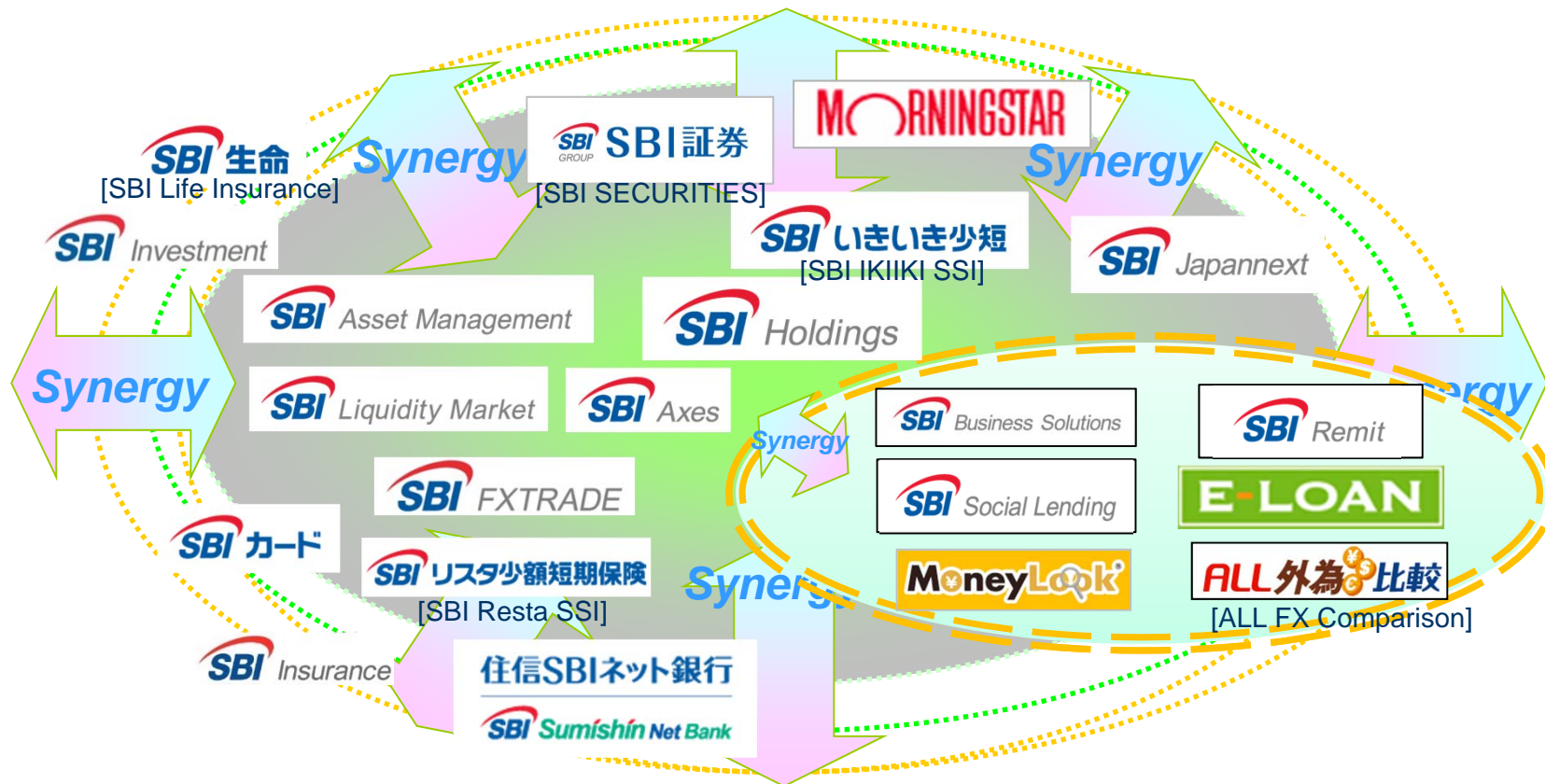
- ① SBI FinTech Solutions (tentative name)**
- ② SBI Biotech**
- ③ Quark Pharmaceuticals (Quark)**
- ④ Insurance holding company**

① SBI FinTech Solutions (tentative name):



Establishment of SBI FinTech Solutions (tentative name) that Integrates FinTech-related Companies within the SBI Group

Synergies will be pursued between Group companies having high affinity in areas such as “Client attributes,” “Product offerings” and “Providing means,” leading to the creation of a company that will become exchange listed, but may also consider alliances and/or M&A with external companies



Group Companies and Businesses that Compose SBI FinTech Solutions (Tentative Name)

Group companies that can utilize virtual currency and blockchain technology



- Providing extremely low-cost international remittance services



- Providing a service that ties borrowers and investors via the Internet

Group companies providing other FinTech-related service



- Providing cloud service for accounting and settlement of expenses



- Account aggregation software corresponding to over 1,530 financial institutions

SBIH's business division which requires neutrality, and can utilize big data technology



- Providing research, comparison and application services for various loan products, from one of Japan's largest available loan data bases



- Comparison website of FX trading

SBI Biotech's Listing Considerations

- SBI Biotech has proprietary technologies concerning plasmacytoid DC (pDC), considered as the “control tower” of the immune system, as its drug discovery target, and through the utilization of these unique technologies the future development of revolutionary cancer and autoimmune disease therapies may be expected
- Out-licensed pipeline assets are expected to sequentially advance to the clinical trial stage, and if drug discovery pipeline monetization steadily progresses, establishment of a value chain will be within range



In order to realize SBI Biotech's sole IPO, separating wholly-owned subsidiary Quark, and selecting a lead managing underwriter to initiate listing discussions

IPO of Quark, a Wholly-owned Subsidiary of SBI Biotech since Dec. 2012

Quark has two products at the Phase III stage in its drug discovery pipeline

- QPI-1002: Kidney transplantation (DGF) (Licensing partner: Novartis International AG) → Phase III scheduled to end by Dec. 2019 (Total milestone payments: USD 670m, *approx. JPY 70bn)
- QPI-1007: Non-arteritic anterior ischemic optic neuropathy (NAION) (Licensing partner: Biocon Ltd of India) → Phase III scheduled to end by July 2019 (Earning royalties after marketing)

R&D expenses will peak in FY2017 and is expected to decrease afterward

<Expected R&D expenses after FY2017>

FY2017	FY2018	FY2019
approx. USD 72m	approx. USD 62m	approx. USD 37m

Considering the restructuring of SBI Biotech and Quark for individual listings

Since Quark has two products at the Phase III stage in its drug discovery pipeline, it has satisfied the conditions for a public offering on the NASDAQ market. Continuing discussions with several securities firms in preparation for an IPO on the U.S. NASDAQ market, including preparations such as IPO application documentation.

④ Insurance holding company:



In Preparations for the Establishment of an Insurance Holding Company, Established a Group-Wide Project Team for This Purpose

The Group will establish an insurance holding company in order to maintain flexibility in the administration of Group companies and realize efficient management that increases insurance business synergies by engaging in integrated operation of the nonlife, life, and small-amount, short-term insurance companies.



By advancing FinTech initiatives, will endeavor to establish a new era insurance group

5. What is the progress of the Biotechnology-related Business, including the 5-ALA-related business that is expected to achieve its first full-year profitability?

(1) SBI Biotech

(2) Quark Pharmaceuticals (Quark)

(3) 5-ALA-related business

SBI Biotech's Progress of Drug Pipelines

	Licensing partner	Adaptation disease	Progress	
MEDI7734 (Anti-ILT7 antibody)	MedImmune, LLC. (Subsidiary of AstraZeneca)	Autoimmune diseases (Dermatomyositis, Polymyositis, Sjogren's Syndrome, Systemic Lupus Erythematosus (SLE), Systemic Scleroderma)	Phase I (Beginning of dosage)	MedImmune initiated Phase I clinical trial in 2Q FY2016. SBI Biotech received an allotted milestone payment (undisclosed amount)
GNKS356	Independently	Psoriasis / Systemic Lupus Erythematosus (SLE)	Pre-clinical	Selected as Japan Agency for Medical Research and Development's (AMED) pre-designation review as an orphan drug commercialization candidate for their project promoting support for drug discovery (from FY2015 to FY2017) *Maximum subsidy: JPY 200m per fiscal year
SBI 3150/9674	Independently	Autoimmune diseases	Non-public	In the final out-licensing negotiation process
Cdc7 inhibitor	Carna Biosciences, Inc.	Cancers	*	Intellectual property rights assigned to Carna Biosciences in June 2014. Carna Biosciences entered into an out-licensing agreement with ProNai Theapeutics, and accordingly SBI Biotech received a partial milestone payment (in June 2016). Further receipt of milestone payments in accordance with development progress at Carna Biosciences is also expected

SBI Biotech expects to achieve profitability on a single-year non-consolidated basis in this fiscal year for the first time since its founding, by promoting monetization of its drug discovery pipelines, through out-licensing (including joint research)

Progress in Principal Drug Pipelines of Quark

	Licensing partner	Adaptation disease	Progress	
QPI-1002	Novartis International AG	Kidney Transplantation (DGF)	Phase III (Beginning of dosage)	Initiated clinical trials at 75 institutions, mainly in the U.S., as well as in Canada, Germany, Brazil and other countries. <u>Total milestone payments: USD 670m (including pre-receipt)</u>
		Acute kidney injury (AKI)	Phase II (Beginning of dosage)	Initiated clinical trials at 40 institutions, mainly in the U.S. and Germany
QPI-1007	Biocon Ltd (India's Major Pharmaceutical Company)	Non-arteritic anterior ischemic optic neuropathy (NAION)	Phase II / III (Beginning of dosage)	Initiated clinical trials at 66 institutions, mainly in the U.S. and Europe. Started first patient dosing in India (Announced on June 23, 2016)
		Acute angle closure glaucoma	Phase II (Completion)	Completion in June 2015 of a small-scale clinical trial (46 patients) conducted in Vietnam and Singapore
PF-655	Pfizer Inc.	Glaucoma	Phase IIa	Start of Phase IIa protocol finalization
		Diabetic macular edema (DME)	Completed Phase IIa (Completion)	Upon the initiation of clinical trials for glaucoma, the launch of a revised development plan will be expected

(3) 5-ALA-related business:



Drug Pipelines Including Ethical Pharmaceuticals Utilizing 5-ALA under the SBI Group

Already launched: Diagnostic agent for cancer treatment (Brain tumor) “ALAGLIO” (by SBI Pharmaceuticals) and “Gliolan” (by photonamic, *a wholly-owned subsidiary of the SBI Group), and drug for treating actinic keratosis “Alacare” (by photonamic)

Pipeline drugs	Progress
Diagnostic agent for cancer treatment (carcinoma vesicae)	Completion of an SBI corporate trial (Phase III) and <u>planning to submit for approval</u> in FY2016
Diagnostic agent for cancer treatment (peritoneal dissemination of gastric cancer)	<u>An investigator-led trial (Phase II)</u> led by Osaka Univ. <u>is underway</u>
Drug to treat cancer chemotherapy-induced nephropathy	An investigator-led trial (Phase II) at Saitama Medical University as a therapeutic for cancer chemotherapy-induced anemia was successfully completed. Moving forward, the clinical trial purpose was changed from a focus on anemia therapeutics to nephropathy therapeutics, in order to meet medical needs. <u>Preparation for a corporate trial (Phase II) is underway</u>
Drug to treat mitochondrial diseases	<u>An investigator-led trial (Phase II)</u> based on a Phase II and III trial plan was <u>completed</u> at Saitama Medical University, and is in the process of analyzing the explorative trial result. Based on this result, start of a confirmatory study (Phase III) will soon be judged
Preventing cardiac ischemia-reperfusion injury	<u>Application for an investigator-led trial (Phase II)</u> , planned to be conducted jointly by Oxford University and Birmingham University Hospital in the U.K. was <u>approved by The Medicines and Healthcare Products Regulatory Agency (MHRA)</u> , and the project is awaiting an approval from the <u>Oxford University ethics committee</u>
Photodynamic therapy (PDT) for brain tumors	<u>Planning an investigator-led trials</u> at pediatric neurosurgery centers in Muenster and Munich, Germany and 4 hospitals in Japan. SBI Pharmaceuticals and photonamic are cooperating in the development of this new technology

(3) 5-ALA-related business:

Ethical Pharmaceuticals Utilizing 5-ALA Attracts Attention Abroad [“Gliolan” by photonamic]



***The Australian*, a daily national newspaper in Australia, on Nov. 11, 2016 reported that leading neurosurgeons are calling for a national roll-out of a federal government funding, and a local company has applied to the Medical Services Advisory Committee, to have Gliolan (product name in Japan: ALAGLIO) listed for reimbursement for use as a diagnostic agent for cancer treatment (brain tumor), as a standard care in Australia**

Newspaper article

Selected extracts

“About 1900 brain cancer care are diagnosed each year in Australia and about 50 per cent are glioblastoma multiform (GBM), a stage-four disease that Gliolan targets”

“Specialised Therapeutics, which distributes the drug in Australia, has made a submission to the Medical Services Advisory Committee to have Gliolan listed for reimbursement”

(3) 5-ALA-related business: SBI Pharmaceuticals



Concluded an Exclusive License Agreement with Neopharma LLC., a Manufacturer and Distributor in the U.A.E (on Therapeutic Drugs for Diabetes and Malaria Infection)



نيوفارما
neopharma

Concluded an exclusive license agreement for therapeutic drugs for diabetes and malaria infection, utilizing 5-ALA

- A manufacturer and distributor in the U.A.E
- Its corporate group includes promising enterprises such as NMC Health PLC (listed on the London Stock Exchange), currently operating the largest private hospital in Abu Dhabi, where over 3 million patients visit per year



SBI Pharmaceuticals received an upfront payment, and will receive milestone payments through the progression of future developments

- The efficacies of 5-ALA have already been confirmed in cultured cells and animal models in the development for the therapeutic drugs to treat diabetes and malaria infection. The Phase I study conducted in the U.K. was completed and the safety in healthy subject has been confirmed
- The development of Malaria treatment drugs started at the National Institute of Malaria Research in India in cooperation with SBI and Neopharma, and Phase II/III clinical trials for drugs to treat diabetes will be conducted at other overseas medical institutions

(3) 5-ALA-related business: SBI Pharmaceuticals



Patents Held by SBI Pharmaceuticals in Japan (Total of 37 Patents)

20 patents were acquired by 2014, including those for an external agent for the skin, male infertility treatment, antimalarial drug, whose active ingredient is 5-aminolevulinic acid or a derivative thereof, and adult disease prophylactic and/or improving agent whose active ingredient is 5-aminolevulinic acid or a derivative thereof, or a salt thereof

<Patents obtained after 2015: **17 patents**>

The name of the invention	Registration date	Co-applicants
Treatment for allergic rhinitis	Mar. 20, 2015	National Hospital Organization
Agent for preventing and/or treating veisalgia	Sept. 18, 2015	Single application
Treatment agent and/or prophylactic agent for side effects of cancer drugs	Oct. 9, 2015	Kochi Univ.
Erythropoietin production accelerator	Oct. 9, 2015	Tohoku Univ.
Tumor diagnostic agent	Nov. 13, 2015	Single application
Photodynamic therapy or diagnostic agent, using infrared-spectrum light	Dec. 18, 2015	Tokyo Institute of Technology
An agent for treating and preventing cancer anemia	Feb. 12, 2016	Single application
An agent for the treatment and prevention of chronic kidney disease	Feb. 12, 2016	Single application
Photodynamic diagnosis agent and photobleaching-prevention agent	Feb. 12, 2016	Tokyo Institute of Technology
Photodynamic therapy using a photosensitizer or 5-ALAs	Feb. 19, 2016	Single application
Device to identify cancer metastasis in the sentinel lymph node	Feb. 26, 2016	Single application
Immune tolerance inducer	Mar. 25, 2016	National Center For Child Health And Development
Enhancer of survival of transplanted organ	Apr. 1, 2016	National Center For Child Health And Development
Prophylactic/therapeutic agent for influenza virus infection	Apr. 22, 2016	Tokushima Univ.
Prophylactic and/or therapeutic agent for radiation damage	Apr. 22, 2016	The Univ. of Tokyo
PDT effect enhancing agent	May 20, 2016	Kanazawa Univ. and Tokushima Univ.
Nuclear magnetic resonance diagnostic agent, and method for detecting or diagnosing state of cell, tissue or organ in subject using same	Aug. 5, 2016	Kumamoto Univ. and Univ. of Occupational and Environmental Health

(3) 5-ALA-related business: SBI Pharmaceuticals



Patents Held by SBI Pharmaceuticals overseas (Total of 21 Patents)

	The name of the invention (Co-applicants)	International registration (countries)
1	Composition for peeling (Single application)	German, Canada and other 2 countries
2	External preparation for the skin* (Single application) *including atopic dermatitis	U.S., China and other 12 countries
3	Health function improver (Cosmo Oil)	U.S., China and other 11 countries
4	Tumor diagnostic agent (Single application)	U.S., China and other 7 countries
5	Mitochondrial damage brain disorder treatment and diagnostic agent (Single application)	U.S., China and other 5 countries
6	Bladder cancer detection method (Kochi University)	U.S.
7	Male infertility treatment (Single application)	U.S., China and other 8 countries
8	Cancer thermotherapy action enhancer (Tokyo University of Agriculture)	U.S., German and other 4 countries
9	Antimalarial drug whose active ingredient is 5-aminolevulinic acid or a derivative thereof (The University of Tokyo)	U.S., Canada and other 2 countries
10	Adult disease prophylactic and/or improving agent whose active ingredient is 5-aminolevulinic acid or a derivative thereof or a salt thereof (Single application)	U.S., Korea and other 1 country
11	Urothelial cancer detection method (Kochi University)	German, U.K. and other 2 countries
12	Antimalarial drug whose active ingredient is alaremycin or a derivative thereof	U.S., German and other 3 countries
13	Photodynamic therapy or diagnostic agent, using infrared-spectrum light (Tokyo Institute of Technology)	China
14	Photodynamic therapy using a photosensitizer or 5-ALAs (Single application)	U.S.
15	Enhancer of survival of transplanted organ (National Center For Child Health And Development)	U.S., China and other 1 country
16	Prophylactic/therapeutic agent for influenza virus infection (Tokushima University)	U.S.
17	Treatment for allergic rhinitis (National Hospital Organization)	China
18	Agent for preventing and/or treating veisalgia (Single application)	Russia
19	An agent for the treatment and prevention of chronic kidney disease (Single application)	U.S.
20	Erythropoietin production accelerator (Tohoku Univ.)	U.S. Taiwan
21	Tumor diagnostic agent (Single application)	U.S.

Research Paper on the Safety and Usefulness of 5-ALA Published in the “Journal of Diabetes Research”



**Bahrain Defense Force
Hospital/Royal Medical Services**

SBI Pharmaceuticals and Bahrain Defense Force Hospital/Royal Medical Services conducted a food intervention test using the nutritional supplement comprising 5-ALA and sodium ferrous citrate (SFC), which is already on market with the approval of Bahrain National Health Regulatory Authority (NHRA), at high doses of 5-ALA (up to 200mg per day) and SFC (up to 229.42mg per day) in the patients living in Bahrain with type 2 diabetes mellitus who are taking concomitant antidiabetic medications

The abstract :

- The safety is confirmed to prescribe 5-ALA up to 200mg per day in 2 divided doses for the patients with type 2 diabetes mellitus who are taking concomitant antidiabetic medications
- HbA1c, which is supposed to be closely related to diabetes, showed in the group of 5-ALA and SFC a steady gradual decline during the study, and decreased by 0.8% at week 12; whereas in the group of placebo taking only existing medications for type 2 diabetes mellitus, HbA1c gradually decreased until week 6, but then turned to increase, causing the overall decrease by 0.5% at week 12
- In a group of patients unable to successfully control their blood glucose levels while being administered a sulfonylurea that promotes insulin secretion, HbA1c decreased by 0.95% as a result of administration of 5-ALA and SFC, and a combined effect was suggested

Management Policies on SBI Pharmaceuticals Toward the Realization of an Early Profitability

- **In light of factors such as medical needs and progress in R&D, rigorously divide projects in the development pipeline into “must have” and “nice to have” items and undertake rigorous cost reduction**
- **Progressing the out-licensing of technology in the fields of the pharmaceutical and food**

A large, orange, downward-pointing arrow with a slight gradient, pointing from the boxed list area towards the concluding text.

**Endeavoring to reach profitability this fiscal year,
owing to the plurality of out-licensing deals**

(Example of technology out-licensing discussions: PDD for carcinoma vesicae)

Number of Stores that Offer 5-ALA-related Health Foods are Increasing Steadily

Consulting pharmacies and drugstores that offer SBI ALApromo products:

10,808 stores *

Stores offering “ALApplus Tou (Sugar) Down” :

9,912 stores *

* As of the end of Oct. 2016

Continuously conducting efficient promotional activities, including intensive TV commercials for new sales areas

Since Aug. 2016



10 LAOX's stores, an electronics store, started selling 5-ALA products

→To capture increasing inbound consumption

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

e.g.

- **Welcia** approx. **1,070** stores
- **Tsuruha Holdings** approx. **1,310** stores
- **Sundrug** approx. **830** stores
- **cocokara fine** approx. **780** stores

In addition, Matsumoto Kiyoshi will start to sell 5-ALA products at 40 stores, with sequential expansion expectations

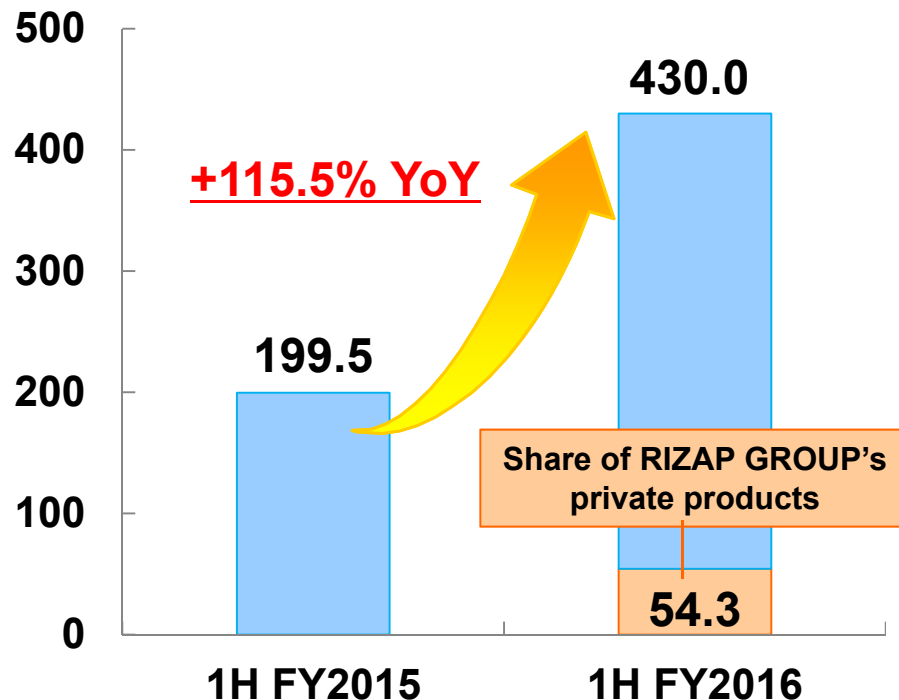
Collaborating with the RIZAP GROUP to Expand the Market for 5-ALA Products



RIZAP GROUP

Change of sales of SBI ALApromo

(JPY million)



- Launched a supplement containing 5-ALA, namely "ACTIVE," jointly developed by RIZAP and SBI ALApromo, for the members of RIZAP from July 2016
- PRISTY (an aging care supplement for women), a supplement containing 5-ALA, was launched on Oct. 28, 2016 as the second jointly developed product. Promotion by means of announcements and advertising directed at the RIZAP GROUP's 1.39 million direct sales customers is planned

Achieving 70% awareness of 5-ALA within 3 years

Development of Foods with Function Claims as a Key Strategy Category in 5-ALA-related Business

SBI ALApromo is preparing for the development of new foods with function claims, following “ALApplus Tou (Sugar) Down” for the domestic market

Candidates for development:

Helping relieve hangovers and fatigue (Hiroshima Univ.)

Male menopause and fertility improvement (Juntendo Univ.)

Improvement in the exercise capacity (Juntendo Univ.)

Scheduled for application as foods with function claims

Around Aug. 2017

FY2017

FY2018

6. What are the management's thoughts on SBI Holdings' shareholder returns and the current shareholder composition?

(1) Shareholder returns

(2) Current shareholder composition

For FY2016, Following the Previous Fiscal Year, an Interim Dividend of JPY 10 per Share will be Paid

[Dividend forecast (result) per share]

	End of 2Q	Year-end	Full-year
FY2016 (forecast)	<u>JPY 10</u>	TBD	TBD
FY2015 (result)	JPY 10	JPY 35	JPY 45



Implemented a share repurchase of approx. JPY 8.0bn, during Aug. 3 to Sept. 5, 2016, of SBI shares

Planning to achieve a shareholder return ratio, as calculated by the sum of dividend payouts and share repurchase costs, of about 40% for the fiscal year

Continuously Considering Shareholder Benefits for FY2016

(Reference) [Details of FY2015 shareholder benefits]

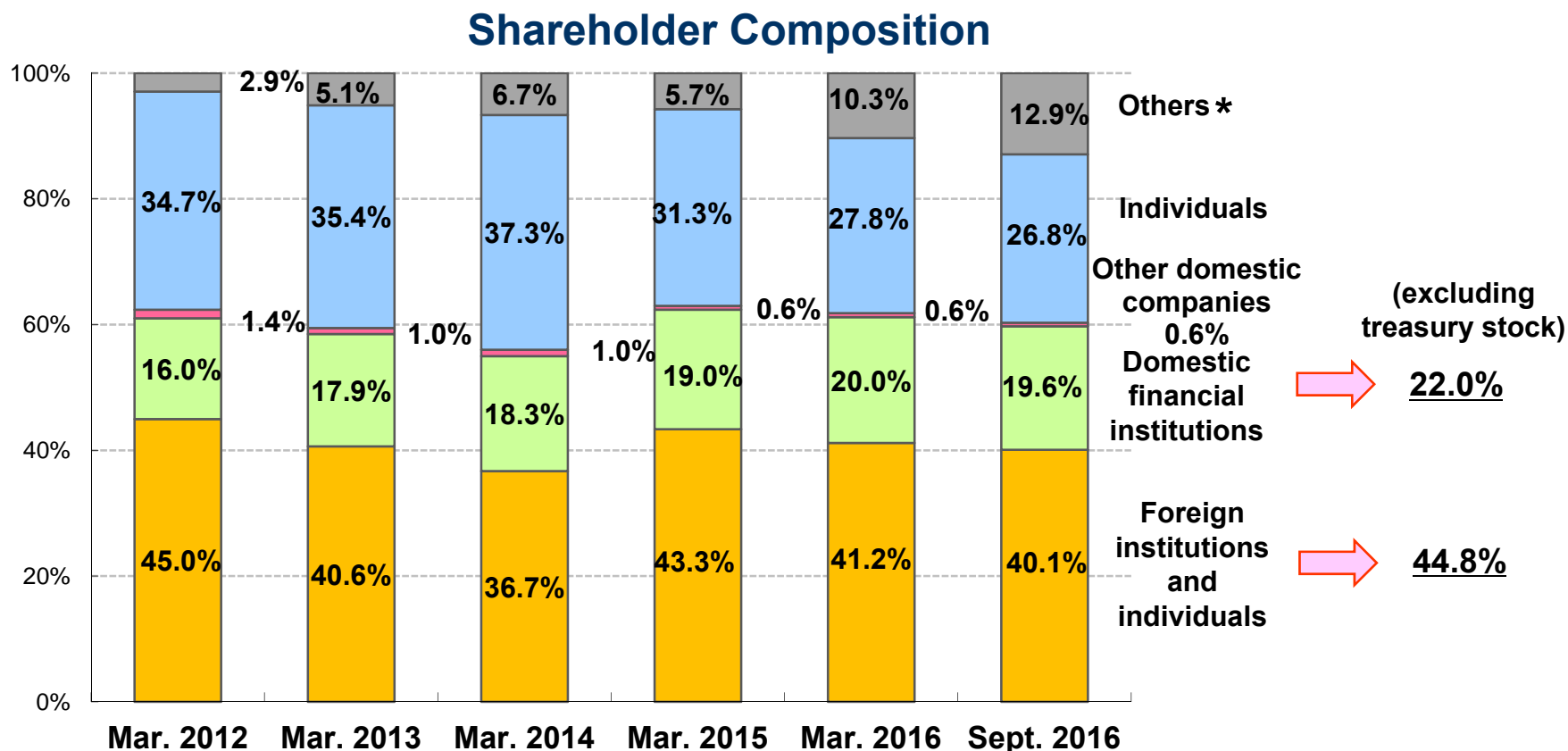
* Shareholders listed or recorded in the shareholder register as of Mar. 31, 2016 are eligible.

Details Qualified shareholders	 ALAPlus (priced at JPY 2,980 (incl. tax))	 ALAPlus GOLD (priced at JPY 9,800 (incl. tax))	 ALAPlus Essential Lotion (priced at JPY 8,400 (incl. tax))
Shareholders who have <u>held shares for more than 1 year</u> and who hold <u>1,000 (10 units) or more shares</u> as of Mar. 31, 2016	<u>2 packs</u>	<u>2 packs</u>	<u>1 pack</u>
For shareholders other than the above, those who hold <u>100 shares (1 unit) or more</u> , as of Mar. 31, 2016	<u>2 packs</u>	—	—

* In addition, **all shareholders, including those who hold less than 1 unit (1–99 shares), will receive 1 discount coupon for a preferential discount of 50%** from the regular prices of all SBI ALApromo dietary supplements and cosmetics.

(2) SBI Holdings' Shareholder Composition

- ◆ The total number of shareholders is 140,819, of which the number of shareholders who hold 1 unit or more is 86,231
- ◆ Shareholding ratio of domestic and foreign institutional investors is 59.7%, however the shareholding ratio of domestic and foreign institutional investors, excluding treasury stock, is 66.8%, a substantive increase from the 66.1% as of the end of Mar. 2016

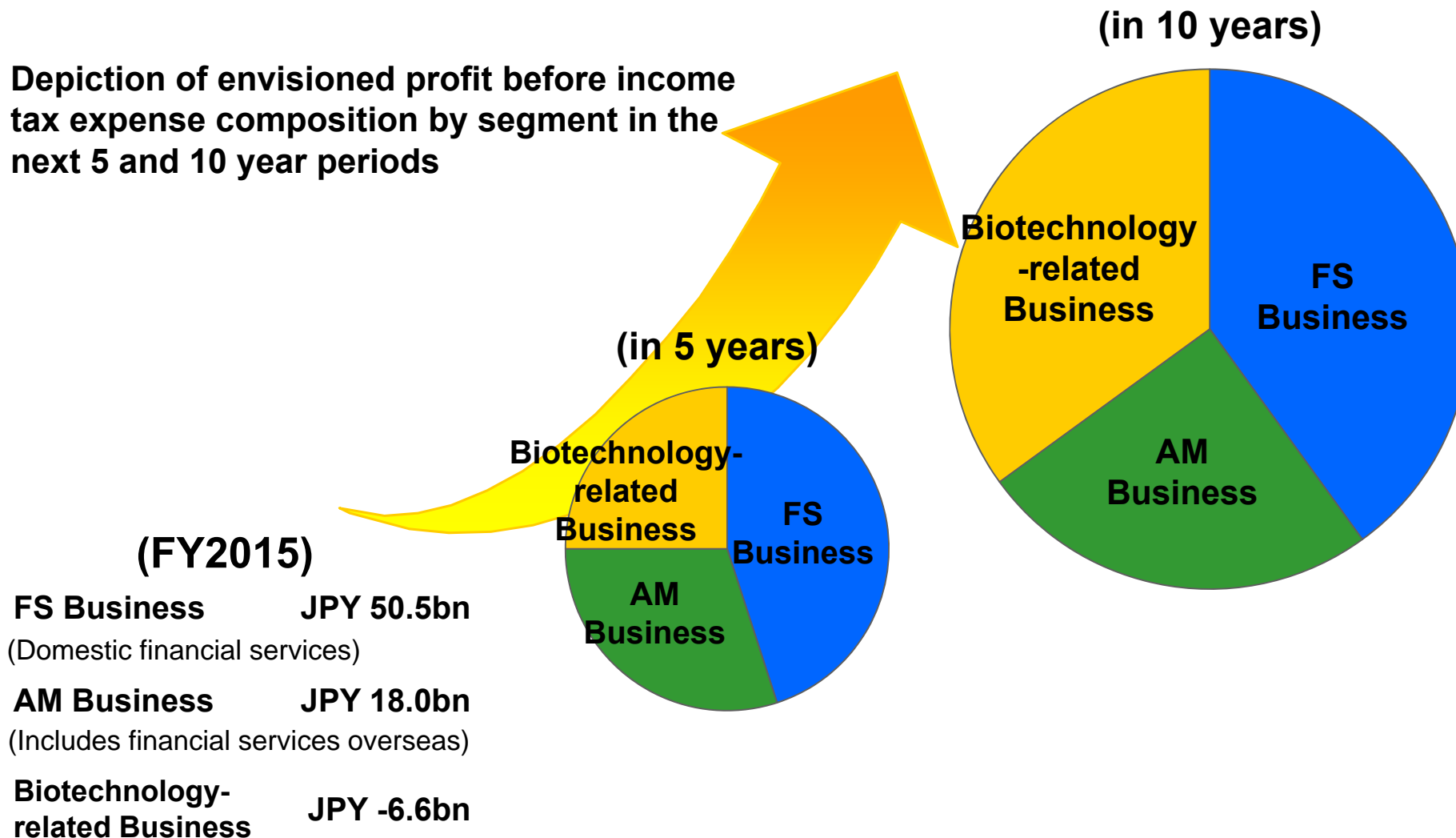


[Appendix]
**(1) SBI Group's medium- and long-term
future vision**

SBI's Mid- and Long-term Vision

~By promptly achieving profitability in the Biotechnology-related Business, and sustaining growth to realize the vision~

Depiction of envisioned profit before income tax expense composition by segment in the next 5 and 10 year periods



(2) The Company's current stock price, and the method in calculating the estimated corporate value

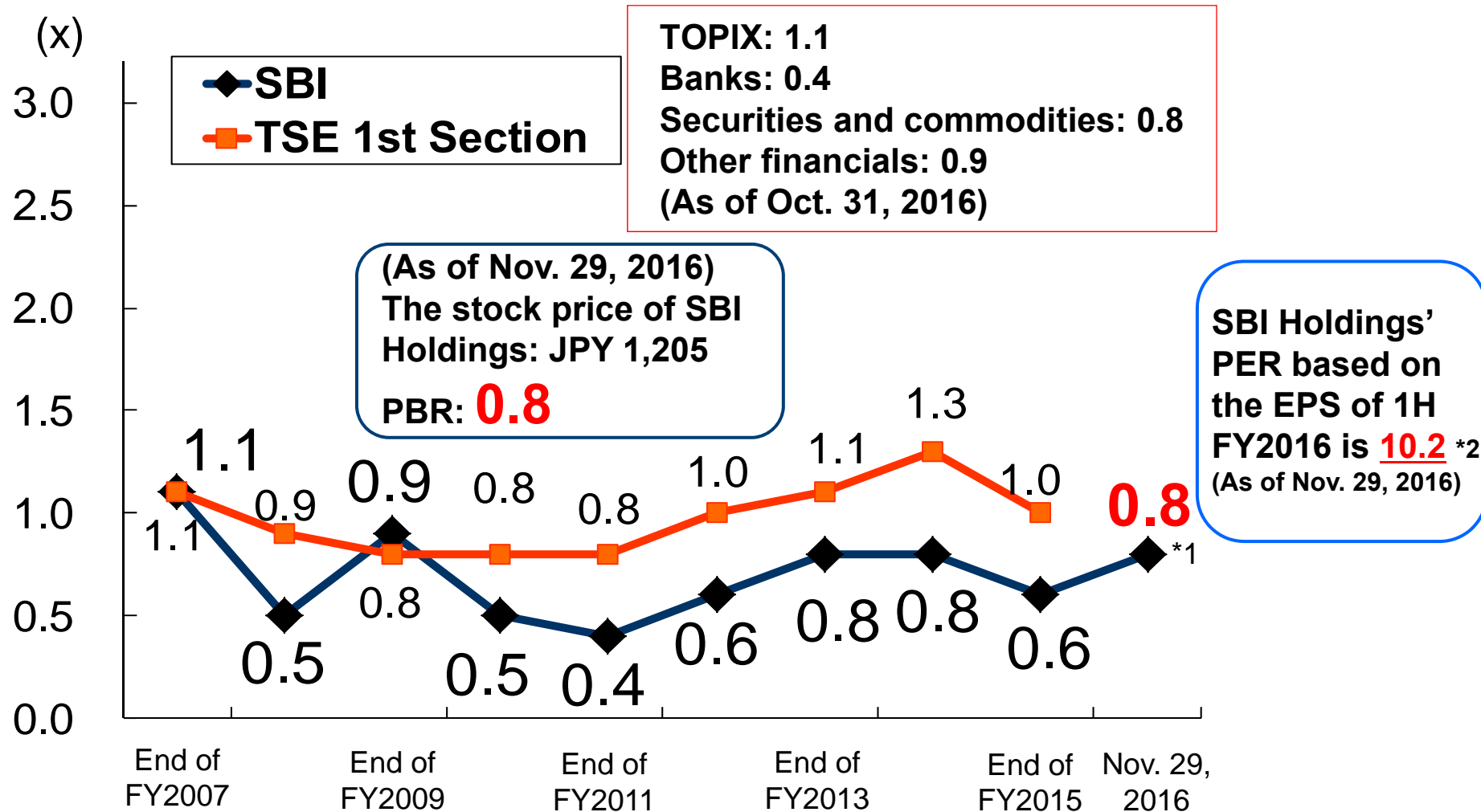
SBI Holding's Recent Stock Price

Market cap (based on the closing price of Nov. 29, 2016): **JPY 315.3bn**



Change in PBR of SBI Holdings

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



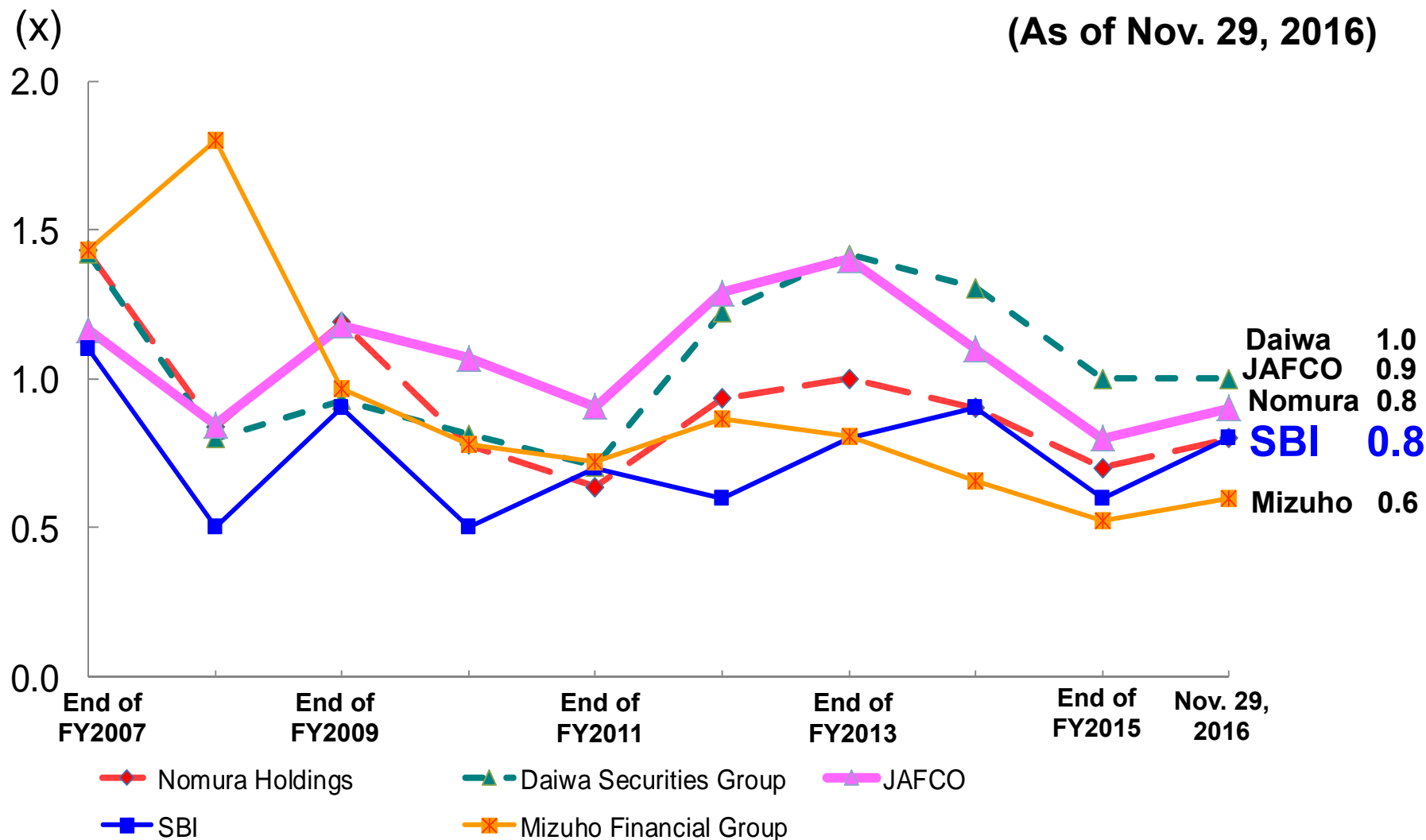
*1 PBR of SBI Holdings for Nov. 29, 2016 is calculated based on the BPS of the end of Sept. 2016.

*2 EPS of 1H FY2016 (JPY 68.92) 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



*PBR for Nov. 29, 2016 are calculated based on the BPS of the end of Sept. 2016.

*PBR of SBI Holdings prior to FY2011 is calculated based on J-GAAP BPS.

Corporate Value by Business Segment Valuation

Each Business Segment Valuation is Conservatively Estimated

■ Sum of the values by segment (as of Nov. 29, 2016) (JPY billion)

	Valuation of each segment (theoretical value)
Financial Services	510.0
Asset Management	183.8
Biotechnology-related	71.4
Subtotal	765.3 (+)
External Debt (SBIH's non-consolidated-base borrowing recorded on the consolidated B/S as of Sept. 2016)	-233.6
Sum Total	531.6 (+)*

- Business valuation per share: **JPY 3,408**

- Business valuation per share after deduction of external debt: **JPY 2,367**

Of the major Group companies, 11 are profitable companies that are not included in the above calculations (Total FY2015 Profit before Income Tax Expense: approx. JPY 3.0bn)

* Since the figure is a simple sum of the values of each segment with interest-bearing liabilities of SBIH not taken into account in the calculation, the abovementioned business valuation per share does not show the theoretical stock price of SBIH.

Valuation by Segment Estimated by SBI

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

① SBI SECURITIES

Valuation is conservatively estimated at JPY **385.8bn**

(based on the closing prices of Nov. 29, 2016)

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 (FY2015) ... (A)

Matsui's PBR (*2) × SBI SECURITIES's Net Asset (*3) (as of Sept. 30, 2016) ... (B)

*1 PER of Matsui is calculated by its net income per share for FY2015.

*2 PBR of Matsui is calculated by its BPS as of Sept. 30, 2016.

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

Valuation by Segment Estimated by SBI

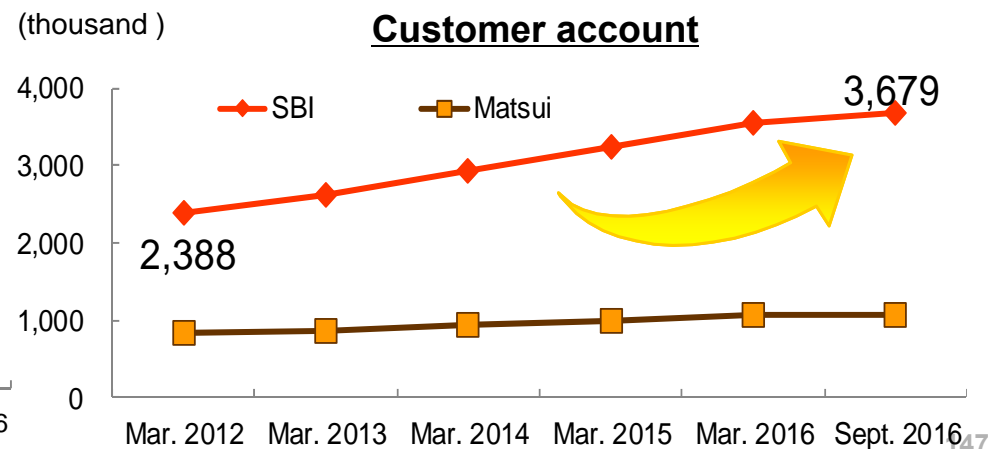
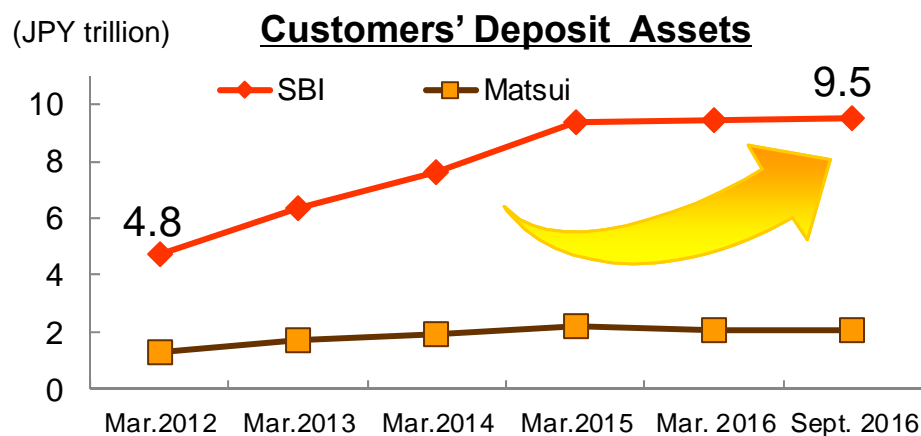
(1) Financial Services Business ① SBI SECURITIES -(ii)

Is SBI SECURITIES' valuation reasonable?

Comparison of SBI SECURITIES Matsui Securities

*Calculated by the closing prices of Nov. 29, 2016

(1H FY2016)	SBI SECURITIES	Matsui Securities
Valuation (market cap) *	JPY 385.8bn	JPY 227.4bn
Deposit assets (June 2016)	No.1 JPY 9.5tn	JPY 2.0tn
Number of accounts (As of the end of June 2016)	No.1 3.68 million	1.07 million
Share of individual stock brokerage trading value	No.1 35.6%	13.5%
Operating income	No.1 JPY 17.8bn (down 11.6% YoY)	JPY 7.3bn (down 39.8% 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 95.9bn → JPY 48.0bn (based on the closing prices of Nov. 29, 2016)

(Shareholding of the SBI Group: 50.0%)

Estimation of the valuation is as follows:

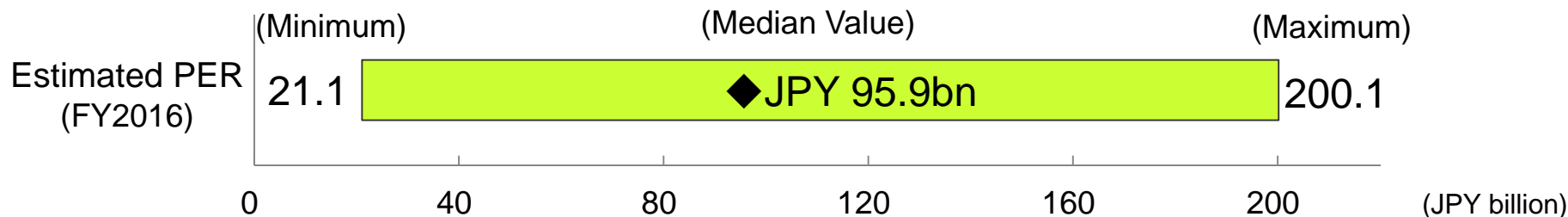
Calculated according to the Comparable Public Company Analysis

Compares the profits of comparable public companies of which the deposit balance exceeds JPY 3tn as of the end of Mar. 2016

Median value of estimated PERs of listed local banks of which the deposit balance exceeds JPY 3tn (*) × SBI Sumishin Net Bank's Net Income (FY2015)

* Compiled by the Company from the materials disclosed by the listed local banks of which the deposit balance exceeds JPY 3tn as of the end of Mar. 2016

[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 40.9bn** (based on the closing price of Nov. 29, 2016)

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

$$\frac{\{(Money\ Partner's\ PER + MONEY\ SQUARE\ JAPAN's\ PER)\}^{(*)}}{2} \times Net\ Income\ of\ SBI\ Liquidity\ Market\ (cons.)\ (FY2015)$$

* PER of Money Partners, MONEY SQUARE JAPAN and INVAST Securities is calculated by its net income per share for FY2015.

④ SBI Japannext

Conservatively estimates the valuation of SBI Japannext at

USD 150m → **JPY 8.2bn** (based on the exchange rate as of Nov. 29, 2016)
(Shareholding of the SBI Group: 48.8%)

Valuation by Segment Estimated by SBI

(1) Financial Services Business



⑤ SBIH Comparison Website Business / ⑥ Other Financial Services Business

⑤ SBIH Comparison Website Business

Valuation is estimated at **JPY 19.5bn** (based on the closing price of Nov. 29, 2016)

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

$$\frac{\{(\text{Kakaku.com's PER} + \text{NEWTON FINANCIAL CONSULTING' PER})\}^{(*)}}{2} \times \text{Provisional amount of net Income of SBIH Comparison Website Business (FY2015)}$$

* PER of Kakaku.com and NEWTON FINANCIAL CONSULTING is calculated by their estimated net income per share for FY2016.

⑥ Other listed subsidiary and an equity method company in this business segment

	SBI's shareholding pct. (%)	Classification	Listed market	Market cap (JPY billion)	SBI's equity interest of market cap (JPY billion)
SBI AXES	73.8	Consolidated subsidiary	KOSDAQ of KRX	8.0*	5.9
SOLXYZ	23.4	Equity method associate	TSE 1st	7.4	1.7
Sum of the market cap of a listed subsidiary and an equity method associate				15.4	7.6

(Based on the closing price of Nov. 29, 2016. *Calculated by the exchange rate as of Nov. 29, 2016.)

* 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 Nov. 29, 2016)

Upon comparison with similar listed companies calculated conservatively as **JPY 385.8bn**

② SBI Sumishin Net Bank

(based on the closing prices of Nov. 29, 2016)

Estimated the valuation of SBI Sumishin Net Bank that has high growth potential in terms of profitability and scale at JPY 95.9bn → **JPY 48.0bn** (Shareholding of the SBI Group: 50.0%)

③ SBI Liquidity Market (cons.)

(based on the closing prices of Nov. 29, 2016)

Upon comparison with similar listed companies calculated as **JPY 40.9bn**

④ SBI Japannext

(based on the closing prices of Nov. 29, 2016)

Upon the conservative estimated valuation of USD 150m → **JPY 8.2bn**

(Shareholding of the SBI Group: 48.8%)

⑤ SBI Comparison Website Business

(based on the closing prices of Nov. 29, 2016)

Upon comparison with similar listed companies calculated as **JPY 19.5bn**

⑥ Total market cap upon SBIH's shareholding of a listed subsidiary and an equity method company in this segment

The market cap of SBI AXES and SOLXYZ (Shareholding of the SBI Group) **JPY 7.6bn**

(based on the closing prices of Nov. 29, 2016)

Total of the valuation above: **JPY 510.0bn** (The sum according to the SBI Group's 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	Profit before income tax expense for FY2015 (JPY billion)	SBI's shareholding pct. (%)
SBI MONEY PLAZA	Insurance agency, financial instruments intermediary service provider, housing loan agency	1.8	100.0
SBI Life Insurance *1	Life insurance	1.5	100.0
SBI Benefit Systems	Operational management of defined-contribution pension	0.3	87.0

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

*1 Considering the particularity of life insurance business, presents the recurring income based on J-GAAP, not that of based on IFRS.

*2 SBI's shareholding percentage corresponds to a total percentage based on the IFRS criteria for subsidiary companies and subsidiary funds of the Group. 152

Valuation by Segment Estimated by SBIH

(2) Asset Management Business -①

Asset Management Business

Valuation for this segment is conservatively estimated at approx. JPY 183.8bn
<Reference>

JAFCO's Market Cap: **JPY 185.0bn** (based on the closing price of Nov. 29, 2016)

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

(i) Value of holding securities (at the end of June 2016) Approx. JPY 83.7bn

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 Nov. 29, 2016)

(* Valuation excluding assets such as securities hold) Approx. JPY 15.1bn

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 FY2016.

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

(iii) Value of SBI Savings Bank (based on the closing price of Nov. 29, 2016)

Estimates the valuation of SBI Savings Bank at JPY 68.5bn

→ JPY 67.8bn

(Shareholding of the SBI Group: 99.0%)

Estimation of the valuation is as follows:

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

Compares the asset sizes of comparable public companies, including savings banks and local banks in Korea

Median value of PBR of listed savings banks and local banks in Korea^{*1}

×

Balance of SBI Savings Bank's substantive equity^{*2}
(As of the end of Sept. 2016)

*1 PBR of listed savings banks and local banks in Korea is calculated by recent equity per share

*2 Balance of substantive equity is the SBI Savings Bank's equity considering goodwill

*3 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

(2) Asset Management Business- ③



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

	SBI's share-holding pct. (%)	Classification	Listed market	Market cap (JPY billion)	SBI's equity interest of market cap (JPY billion)
Morningstar Japan	49.6	Consolidated subsidiary	TSE JASDAQ	27.8	13.8
SBI Investment KOREA	43.9	Equity method associate	KOSDAQ of KRX	7.9*	3.5
Sum of the market cap of a listed subsidiary and an equity method associate				35.7	<u>17.3</u>

(Based on the closing price of Nov. 29, 2016. *Calculated by the exchange rate as of Nov. 29, 2016.)

* 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.

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

	Business lineup	Profit before income tax expense for FY2015 (JPY billion)	SBI's shareholding pct. (%)
SBI Estate Finance	Real estate secured loans	0.3	100.0

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 71.4bn

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. 2016, the amount is calculated to be approx. JPY 49.6bn

② Acucela

	SBI's shareholding pct. (%)	Classification	Listed market	Market cap (JPY billion)	SBI's equity interest of market cap (JPY billion)
Acucela	37.9	Consolidated subsidiary	TSE Mothers	40.5	15.4

③ SBI Biotech (SBI's shareholding percentage*: 39.2%)

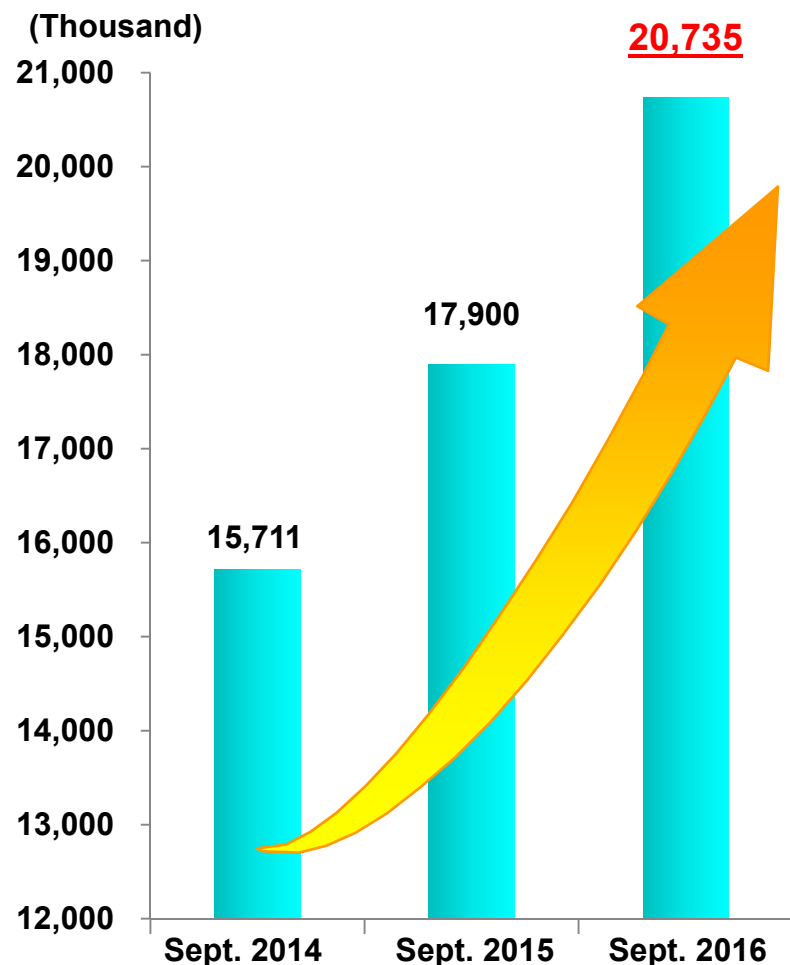
Estimated value based on SBIH's shareholding of paid-in capital

* 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.

(3) State of the Company

The SBI Group's Customer Base

Breakdown of the Customer Base (As of the end of Sept. 2016)^{*1,2}



		(Thousand)
SBI SECURITIES	(No. of accounts)	3,679
SBIH InsWeb	(No. of customers)	8,264
E-LOAN	(No. of customers)	2,094
MoneyLook	(Total no. of customer registrations)	934
Morningstar Japan	(Total no. of service users) ^{*3}	663
SBI Card	(Valid cards issued)	71
SBI Sumishin Net Bank	(No. of accounts)	2,689
SBI Insurance	(Total no. of contracts) ^{*4}	883
SBI Life Insurance	(Total no. of contracts)	109
Others (SBI Point etc.)		1,348
Total		20,735

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

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

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

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

Number of Companies and Consolidated Employees of the SBI Group



Number of Group companies

	Mar. 31, 2016	Sept. 30, 2016
Consolidated subsidiaries (companies)	147	150
Consolidated partnerships (partnerships)	31	30
Total consolidated subsidiaries (companies)	178	180
Equity method companies (companies)	33	36
Total Group companies (companies)	211	216

Number of consolidated employees

	Mar. 31, 2016	Sept. 30, 2016
Total employees (persons)	5,480	4,324 *

* Since NARUMIYA INTERNATIONAL was excluded from the Group, the number of employees decreased by 1,486 persons.

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