

## Interview with SBI Holdings CEO Yoshitaka Kitao

1. FY2010 Performance and Business Environment
2. SBI Group Businesses: Tracking the Major Trends
3. Two Concepts for Enhancing the Profit Structure



### 1. FY2010 Performance and Business Environment



Please discuss the SBI Group's FY2010 performance and the business environment.



Although we continued to face a difficult business environment, owing to our continued efforts to enhance the profitability of the domestic businesses and the aggressive overseas business expansion since 2005, we successfully increased our sales and profits.



- ① While the business environment remained severe, the SBI Group achieved sales and profit growth.
- ② Net income per share (EPS) increased, even after public share offerings to increase capital.
- ③ Performance of the Asset Management Business was driven by overseas earnings.

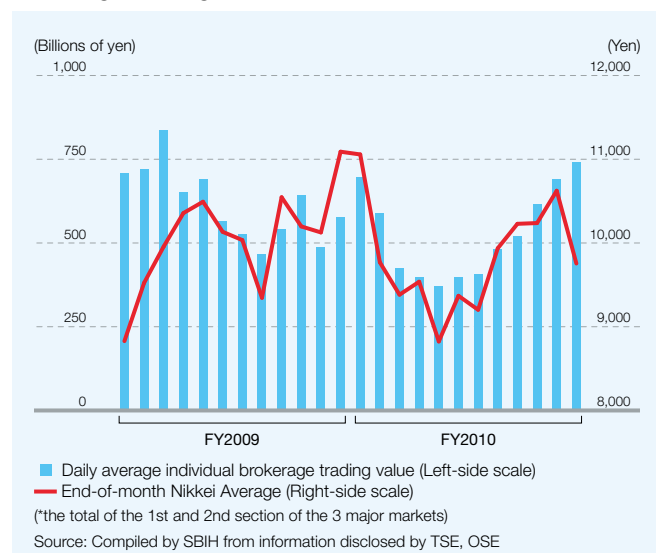
The economic environment both in and outside Japan became increasingly uncertain during the fiscal year, with the occurrence of the Great East Japan Earthquake of March 2011, along with the democracy movements in the Middle East and North African regions that first began in Tunisia. The Nikkei Stock Average, adversely affected by the earthquake, declined sharply and ended the fiscal year ending in March 2011 down 12% from the previous year to ¥9,755. Although the average daily stock trading value by individual investors bottomed out in August 2010, it continued its overall descent, falling 16.3% from the previous fiscal year. Since reaching its peak in 2006, the Japanese IPO market has continued to stagnate. New listings totaled a mere 23 companies in FY2010 for all domestic stock markets, reflecting the continuing difficult

environment of the venture capital business.

On the other hand, despite the uncertainty caused by the democracy movement in the Middle East, the overseas stock markets were led by the high-growth potential markets of the emerging countries. Led by the Chinese and Hong Kong markets, both the number of new IPO listings and the amount of funds raised in the global IPO markets recorded a sharp recovery.

In this environment, we continued to diversify not only our general business portfolio, but also the earnings sources of individual businesses, while successfully accelerating business development in Japan and the overseas markets. As a result, in FY2010 we increased our sales and profits, as consolidated operating revenues increased 13.3% year-on-year to ¥141.1 billion,

### Change in Nikkei Average and Average Daily Individual Brokerage Trading Value



operating income surged 160.3% to ¥8.9 billion, ordinary income jumped 216.8% to ¥3.5 billion, net earnings rose 93.0% to ¥4.5 billion, and EBITDA increased 40.4% to ¥22.1 billion. Ordinary income was much lower than operating income, owing to a ¥1.3 billion increase in foreign exchange losses due to the progressive appreciation of the yen versus the Korean won and the U.S. dollar, and an increase of ¥0.8 billion in interest payments due to an increase in the amount of bond issuance.

EPS (Net earnings per share) was recorded at ¥236.1, a 68.3% increase from the previous fiscal year, despite an 18.5% dilution resulting from the public offering of shares to increase capital in June 2010.

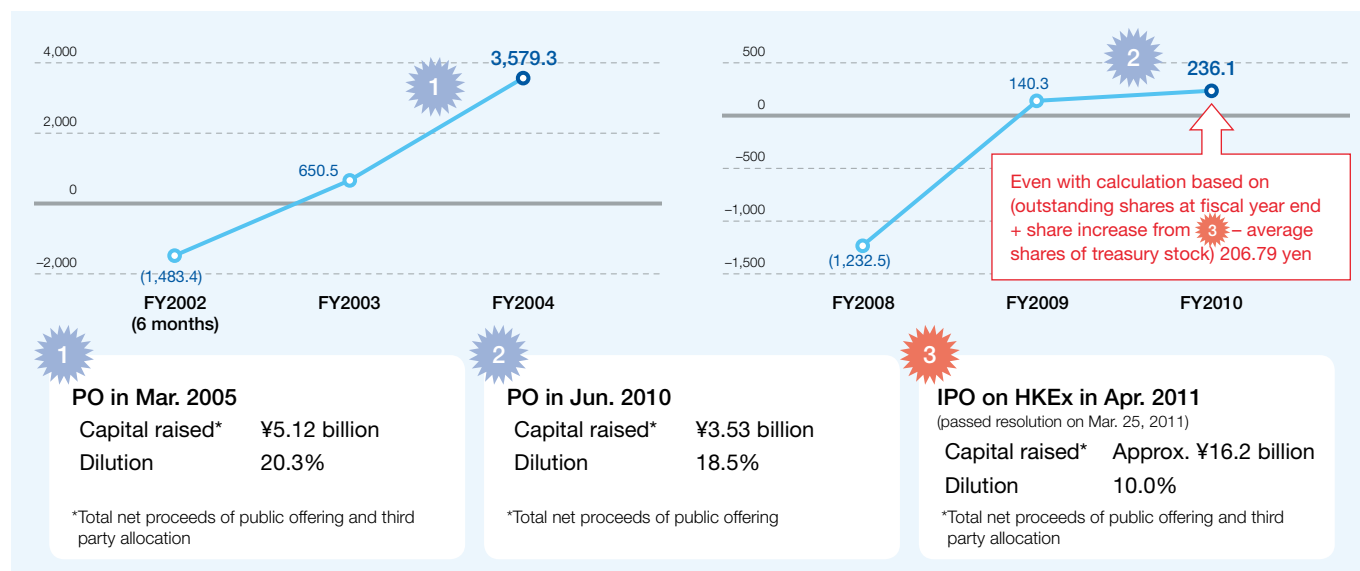
With regards to our main businesses, the number of IPOs and M&A deals by the SBI Group's investee companies increased from 11 companies in the previous fiscal year to 17 companies, continuing the substantial recovery of the Asset Management Business. Amid the stagnant domestic IPO market, overseas investments contributed significantly to earnings, as 16 of the 17 companies were involved in IPOs or M&A deals in overseas markets. In particular, the New Horizon Fund I, that began operations in 2005 continued its stellar performance, contributing ¥3.3 billion to operating income. The incubation of other overseas funds also progressed smoothly, and as a result, operating income of the Asset Management Business rose 276.5%, to ¥9.6 billion.

In the Brokerage & Investment Banking Business, SBI SECURITIES recorded an increase in the sales of investment trusts and foreign bonds. Additionally, SBI Liquidity Market which has rapidly grown since its inception, continued to contribute to earnings from its foreign exchange margin (FX) trading operations. However, owing to the impact of a decrease in the individual stock trading value that resulted in a 14.8% decline in stock brokerage commissions, operating income declined 34.7% to ¥6.1 billion, after posting a ¥5.9 billion goodwill amortization expense.

In the Financial Services Business, a ¥0.5 billion operating loss was recorded, owing primarily to operating deficits in the consumer credit and card business. However, other businesses in this segment performed solidly, with SBI VeriTrans and other listed subsidiaries achieving double digit profit growth from the previous fiscal year.

In the Housing and Real Estate Business, owing to strong performances by SBI Mortgage, which provides long-term fixed-rate housing loans, and SBI Life Living's Internet media business, operating income substantially increased 286.4% to ¥3.4 billion.

### Net Income per Share After Public Offering (Upon split of shares/Yen)





Please discuss the FY2010 company's financials.



Through a public offering in June 2010, we increased our equity capital by ¥35.3 billion. Owing to this, our equity ratio as of March 31, 2011 was 30.2% (46.5% after eliminating the effect of asset and liability accounts specific to securities companies). Also, an increase in capital from listing depository receipts of our shares on the Hong Kong Stock Exchange in April has further improved our sound financial position.



- ① SBI Holdings increased its equity capital by a total of ¥51.5 billion through two public offerings, further solidifying its sound financial position.
- ② In the future, SBI Holdings will utilize the Hong Kong capital market to finance some of the funds for overseas operations by yuan-dominated bonds, etc., to reduce its currency risk.

SBI Holdings strengthened its equity capital base through public offerings in 2010 and 2011, to better position ourselves to develop businesses in pursuit of our continued future growth. With the June 2010 public offering, 3.11 million new shares were issued, raising a total of approximately ¥35.3 billion. The offering was oversubscribed by about 10 times, and by over 20 times if only the demand from overseas institutional investors was counted. In April 2011, in conjunction with the listing on the Hong Kong Stock Exchange, we issued Hong Kong depository receipts (HDRs) of our common shares. The offer price for one HDR equaling 0.1 common share was HK\$80.23, or approximately ¥876. Including a capital increase through a third-party allocation, we issued a total of 20 million HDRs, and raised a total amount of approximately ¥16.2 billion. This increase in capital pushed our equity ratio even higher and further improved our sound financial position.

The funds raised through these two public offerings will be primarily allocated for direct investments into promising companies in Japan. Additionally, they will be used to invest in emerging Asian countries and other countries with high growth potential through overseas funds jointly operated with prominent local partners. Furthermore, we will allocate capital to investments in or loans to overseas financial institutions, as well as to our financial services subsidiaries offering their services primarily over the Internet, such as Internet banking or Internet non-life insurance businesses.

Our recent listing on the Hong Kong Stock Exchange has secured our access to the Hong Kong capital market, which attracts investors from around the world. By procuring funds for overseas operations by issuing yuan-denominated bonds or other means, we plan to reduce our currency risk and to diversify our fund procurement method.

**<SBI Holdings' Benchmarks of Financial Soundness>**

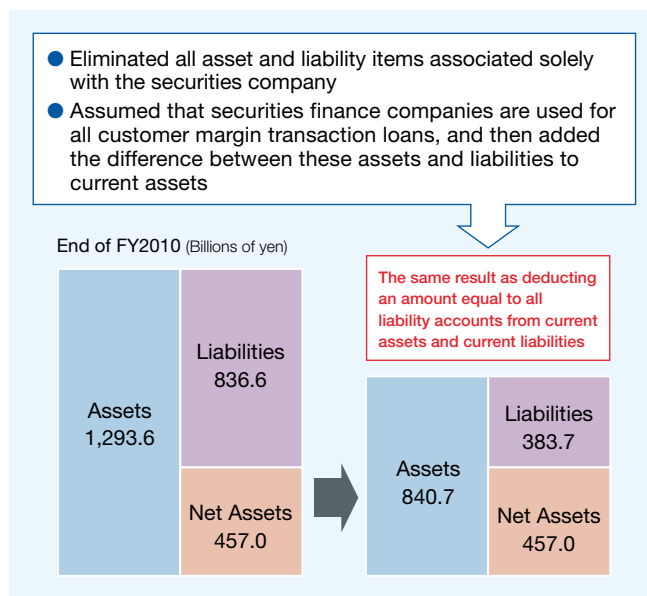
Owing to our subsidiary SBI SECURITIES, our consolidated balance sheet includes assets held in customer securities accounts, which are inflated due to the inclusion of margin transaction assets and deposits of current assets. Also included are margin transaction liabilities and customers' security deposits for current liabilities, all of which will distort the usual measures of analyzing a

company's true present underlying financial condition.

Therefore, we have deducted SBI SECURITIES' customer assets as of March 31, 2011, to calculate the financial indicators that more accurately reflect the financial soundness in our balance sheets. The result of which is a current ratio of 175.7% (131.8% prior to deduction), an interest bearing debt ratio of 54.1% (same 54.1% prior to deduction) and an equity ratio of 46.5% (30.2% prior to deduction), each exceeding the so-called benchmarks of financial soundness.

Going forward, we will continue to be cognizant of our financial needs, while strategically investing for the future and maintaining our sound financial condition.

**Features of SBI Holdings' Consolidated Balance Sheet**



## 2. SBI Group Businesses: Tracking the Major Trends



Please discuss initiatives that were undertaken to implement the SBI Group's core management strategy of "Tracking the Major Trends."



Recognizing two major trends, the Internet revolution and the financial Big Bang in Japan, the SBI Group entered the online securities business in 1999. Additionally, as a "New Industry Creator," our Asset Management Business through the INTERNET TECHNOLOGY FUND (having an initial commitment of ¥150.5 billion), along with some other funds, invested strategically in Internet companies to promote the industry.



- 1 Started an online securities business, anticipating the advent of the Internet and reformation of Japan's financial system
- 2 Recognition that the asset building of the Internet generation leads to further growth in the future
- 3 Focused investment in growth fields as a "New Industry Creator"

### <The Continuing Expansion of Online Financial Services>

We believe that to achieve business success, it is of the utmost importance to track major trends. For example, there were two major trends in the online securities business. The first was the advent of the Internet and the second the reformation of the Japanese financial system through the deregulation of stock brokerage commissions in October 1999. This was the so-called Financial Big Bang, about 20 years behind similar reforms in the United States, and about 10 years behind those of the United Kingdom.

In order to fully participate in these major trends, the predecessor of SBI SECURITIES, E\*TRADE SECURITIES, provided online stock trading services. With the rapid growth of the online stock trading market, the total number of online brokerage accounts at Internet securities companies increased by about 50 times over an 11 year period until September 2010. Similarly, the number of accounts at Internet-only online banks increased by about 100 times over a period of 10 years until March 2011.

### <A Highly Internet-literate Generation Enters the Life-stage of Asset Expansion>

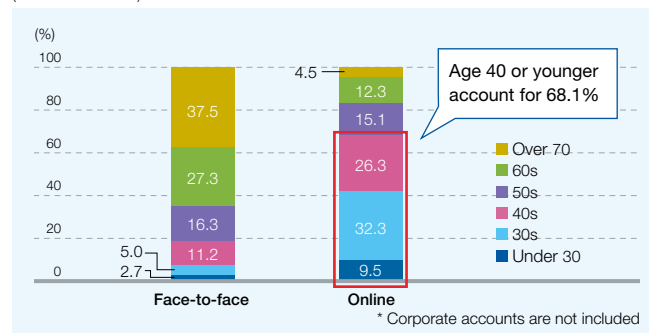
In the past 10 years, the diffusion rate for financial transactions utilizing the Internet has grown significantly, but it is expected to grow even greater in the coming years. With the commercial use of the Internet having started in Japan in 1992, the generation that grew up intimately comfortable with the Internet since childhood has, from around 2010, started to become more fully engaged in consumption and financial activity on the Internet. Analyzing the customer base of SBI SECURITIES by sales channel as of the end of March 2011, it becomes apparent that older customers accounted for a larger proportion of customers with face-to-face accounts, while the online trading customers were mostly of a younger generation, especially in the 30 to 40 year old age group.

Currently, deposit assets are overwhelmingly greater at the traditional securities companies that target the older generation as those at the online securities companies. However, this will change, owing to the beginning of asset building by the younger generation, and the passing of assets from the older generation to the younger, be it through inheritance or otherwise. So, with the passage of time, the assets of our core customer base of

individuals in their 40s and younger will continue to increase. Under such expectations, the SBI Group is proceeding with business developments that will take full advantage of the power of the Internet, and will continue to further develop our financial service offerings.

### <Concentrated Investments as a "New Industry Creator">

#### Breakdown of SBI SECURITIES' Customers' Age by Channel (as of March 2011)



With regard to our investment business, under the basic principle of the SBI Group's management philosophy of "We will work to become the leader in creating and cultivating leading industries of the 21st century," we have concentrated our investments in IT, biotechnology, environment and energy, and the financial sector. On the Internet, simultaneous to our foray into the online financial services business, we established the INTERNET TECHNOLOGY FUND, with ¥150.5 billion in initial commitment to invest in the field, and thereby contributed to the creation of Japan's Internet industry. In biotechnology, which will become a core industry for the next generation, we are investing through biotechnology and life science related funds that amount in total to about ¥25.7 billion. At the same time, with the goal of nurturing the pillar of a new business, the SBI Group itself has entered the business of discovering pharmaceutical agents through the establishment of SBI Biotech and SBI ALApromo.



What are the most important trends for the SBI Group over the next decade?



To become an epochal presence in the “Asian Century,” we are actively promoting business developments in China and other Asian emerging market countries to transition ourselves into the “World’s SBI.”



- ① Continuing with the transition from “Japan’s SBI” to the “World’s SBI,” the SBI Group is working to become an epochal presence in the “Asian Century.”
- ② The Group is building an investment framework based on joint venture funds with prominent local partners overseas.
- ③ The Group is developing overseas financial services businesses utilizing the network.

<The 21st Century, the “Asian Century”>

Reviewing Japan’s International Balance of Payments, while the trade balance is declining, the income balance is on an upward trend. With 2005 as the turning point, the income balance now exceeds the trade balance. This trend signifies the end of Japan as a country driven by foreign trade, and a transition into a country driven by investments. Meanwhile, emerging countries in Asia such as China will boost their presence in terms of economic scale and future growth potential. Looking at the global population composition by country and region, China has a population of 1.3 billion people, while India has a population of 1.2 billion people, indicating that Asia accounts for approximately 50% of the total world population. Asia’s growing prominence is evident from the perspective of its economic scale as well. Considering the nominal GDPs of the ASEAN+6 countries as representative of the Asian economy, their combined GDP is forecast to reach about \$24.4 trillion in 2015, passing NAFTA and the EU to become the world’s largest regional economy.

Taking these factors into full consideration, the SBI Group in 2005 determined the need for and implemented full-scale investments in China and other Asian emerging market countries. Accordingly, we will continue our transition from “Japan’s SBI” to

the “World’s SBI,” developing into a global corporation with its business axis in emerging market countries, with a particular focus in Asia.

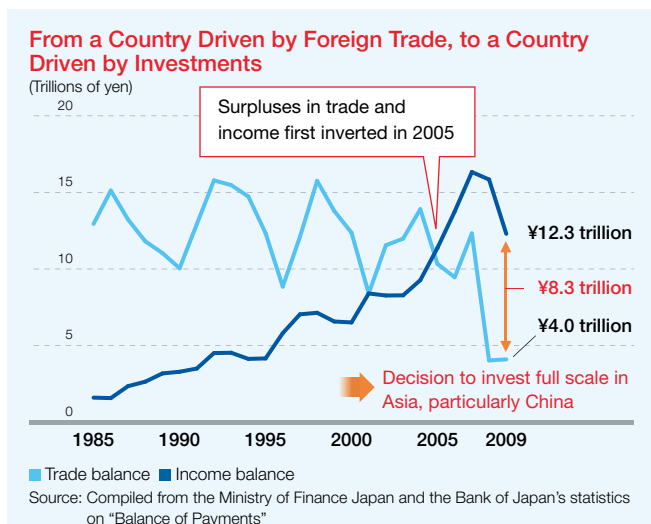
<Establishment of a Global Investment Framework Based on Alliances With Prominent Local Partners>

Our basic policy for developing the overseas investment fund business is to establish a system of joint operations with prominent local partners, taking into consideration the legal system, market characteristics and other features of each country or region. In order to invest in unlisted stocks in China, in 2005 we established the New Horizon Fund I jointly with the Temasek Group, an investment arm of the Singapore government. Beginning with this fund, we have been expanding our investments in notably high-growth emerging market countries by establishing joint venture funds with prominent financial institutions around the world, as well as with sovereign wealth funds.

<Progress in the Overseas Development of Financial Services Businesses>

In the expansion of our financial services businesses overseas, we are fully leveraging the network built through our investment business to invest in financial institutions, primarily in Asia. We have already invested in banks, securities companies, and insurance companies in countries such as China, Vietnam, Cambodia, and Sri Lanka, to steadily solidify our overseas presence. SBI Phnom Penh Securities, for example, was the first Japanese financial institution to receive approval for a full license for securities business in Cambodia. Following the opening of the Cambodia Stock Exchange (currently in the preparation stage), SBI Phnom Penh Securities plans to begin operating its securities businesses, including underwriting and stock brokerage services. In addition, it expects to develop a global business utilizing our Group network. This business will include such services as underwriting public listings of national companies and selling Cambodian shares in Japan in collaboration with SBI SECURITIES. SBI Phnom Penh Securities has already been appointed lead manager for the IPO of Sihanoukville Autonomous Port (PAS), the state-owned company that the Cambodian Ministry of Economy and Finance plans to list following the opening of the Cambodian Stock Exchange. This attests to the successful implementation of our overseas expansion of our financial services business.

Change in Trade Balance and Income Balance in Japan



Additionally, SBI SECURITIES has acquired a 25% stake in PT BNI Securities of Indonesia, which belongs to a financial group led by PT. Bank Negara Indonesia (Persero) Tbk., the first government-owned and the fourth largest bank in Indonesia. While SBI SECURITIES will provide PT BNI Securities with its online operational know-how, it also plans to offer its customers an opportunity to invest in notably high-growth Indonesian stocks through PT BNI Securities. Also, the SBI Group plans to further expand its collaboration with the BNI Group in various businesses in Indonesia.

Furthermore, the SBI Group has also taken a 2.74% stake in the issued shares of Kingston Financial Group Limited, the holding company of a major Hong Kong financial group primarily active in the securities business. A fundamental agreement on a strategic business alliance in the financial sector, primarily in Hong Kong and mainland China has been reached, and we plan to collaborate in a

wide range of businesses in these markets. These businesses will include a joint operation of investment funds, providing financial services over the Internet, and support for Hong Kong listings of companies that our Group has invested in.

#### <Contribution of Overseas Business to FY2010 Profits>

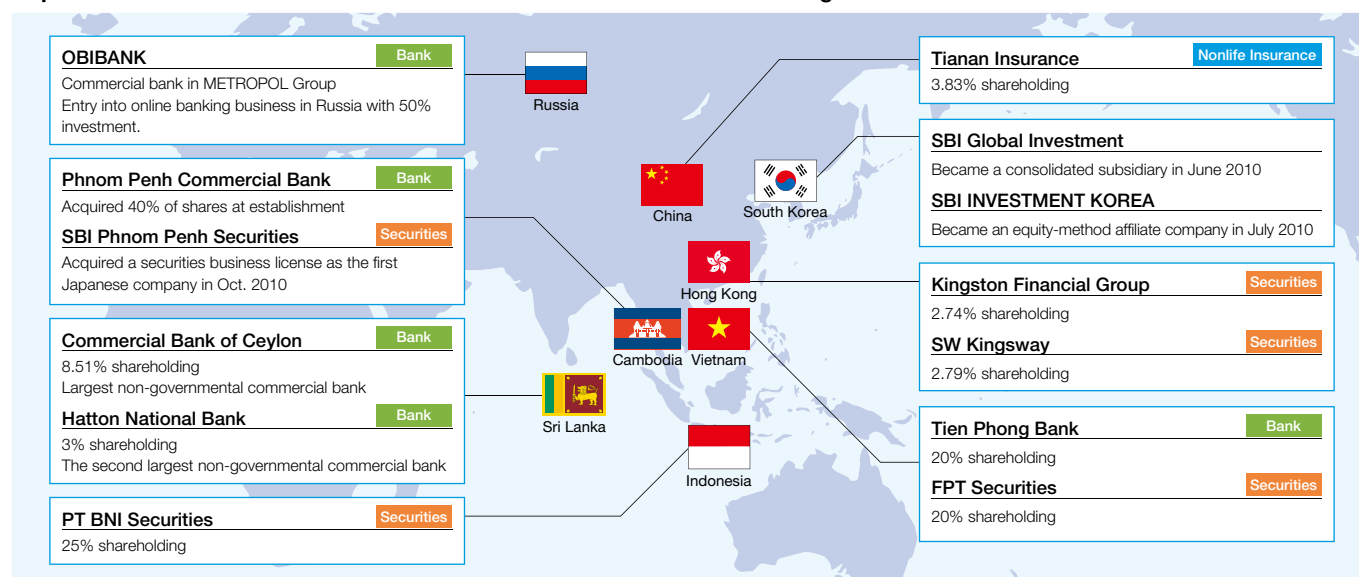
The overseas business development that we have pursued since 2005 is steadily producing tangible results, and has already contributed substantially to our business performance. In our Asset Management Business, foreign stocks accounted for 91.2% of our revenue from operational investment securities in fiscal year 2010. Similarly, in our Financial Services Business, the overseas business generated 32.1% of our ordinary income, reflecting our steady transition into a global company.

#### Funds Established Through Alliances with Prominent Overseas Partners

Fund name (country)	Launch period	Partners	Commitment amount	SBI Group's investment ratio	Fund name (country)	Launch period	Partners	Commitment amount	SBI Group's investment ratio
New Horizon Fund 1 (China)	May '05	Temasek Group investment company for the Singaporean government)	\$100 million	50.0%	PNB-SBI ASEAN Gateway Fund (Malaysia)	Dec. '09	PNB Equity Resource Corporation (a wholly owned subsidiary of the Malaysian governmental investment management company)	\$50 million	50.0%
SBI & TH VC Fund (China)	Jan. '08	Tsinghua Holdings (a company of the Tsinghua University Group in Beijing)	\$34.5 million	87.1%	SBI-METROPOL Investment Fund (Russia)	Nov. '10	IFC METROPOL (a major integrated financial group in Russia)	\$100 million	50.0%
SBI & BDJB China Fund (China)	Feb. '08	Peking University Beida Jade Bird Group (the strategic investment arm of Peking University)	\$100 million	50.1%	SBI Islamic Fund (Brunei)	Jun. '10	Brunei Darussalam, Ministry of Finance	\$59.5 million	50.0%
Fudan University Fund (China)	Late '11 (tentative)	Fudan University (Shanghai)	\$23-69 million	33.3%	SBI-Jefferies Asia Fund (Asia)	Jul. '10	Jefferies Group, Inc. (major U.S. securities company)	\$50 million	80.0%
SBI Zhaoxin Fund (China)	Mar. '09	China Merchants Securities, Resource Capital China, China CITIC Bank	Offshore: approx. \$20.5 million (SBI-H) Onshore: approx. \$ 9 million* (China)		Jefferies-SBI USA Fund (USA)	Jun. '10	Jefferies Group, Inc (major U.S. securities company)	\$150 million	50.0%
SBI & Capital 22 JV Fund (Taiwan)	Oct. '08	Founder of a Taiwanese IT company	\$22.5 million	66.7%	INVEST AD/SBI AFRICA FUND (North and central African countries)	Jan. '11	Invest AD (a subsidiary of the Abu Dhabi Investment Council)	\$75 million	50.0%
Vietnam Japan Fund (Vietnam)	Apr. '08	FPT (The Corporation for Financing and Promoting Technology, Vietnam's largest high-tech company)	\$81.6 million	96.2%	INVEST AD/SBI TURKEY FUND (Turkey)	Within '11 (tentative)	Invest AD (a subsidiary of the Abu Dhabi Investment Council)	\$100 million	50.0%
					Brazil Fund (Brazil)	Late '11 (tentative)	Jardim Botânico Investimentos (an asset management firm in Brazil)	\$125 million	50.0%

\* Conversions effected using exchange rates as of the end of March 31, 2011 (1USD = 6.5483 RMB, 1USD = 20,903 Vietnamese dong, 1USD = 1.2602 Singapore dollars)

#### Capital Investment in Overseas Financial Institutions Centered on Asian Region



Q

What type of overseas business structure do you plan to establish in order to become the “World’s SBI”?

A

In order to further develop businesses focused overseas, we have decided to establish a second head office in Hong Kong, to supervise the Group’s overseas business activities, procure funds for overseas investments, etc. We plan to transfer some head office functions to Hong Kong within the next six months.

Points

- ① Establishing a second head office in Hong Kong for the supervision of overseas operations
- ② In April 2011, SBI Holdings became the first company based in Japan to be listed on the Hong Kong Stock Exchange.
- ③ Management companies were established in Dalian and London to supervise operations in China and Europe, respectively.



<Establishing a Second Head Office in Hong Kong>

In order to plan for a transition of the SBI Group into a truly global organization, I believe it is necessary, while developing businesses, to at the same time develop human resources and an organizational structure that are locally focused.

In particular, we are moving forward with preparations to place a function in Hong Kong to oversee the group’s business activities outside Japan. In principle, Tokyo will manage operations within Japan, and Hong Kong will be responsible for all overseas businesses. In addition, we are considering inviting individuals from among our JV fund partners and other prominent companies to become outside directors for our Hong Kong subsidiary. Also, SBI Holdings (Tokyo HQ) itself has appointed to its Board of Directors four additional members who are responsible for the Group’s overseas activities. Furthermore, with respect to personnel appointments for our overseas businesses, rather than dispatch employees from Japan, we would like to create a process by which we actively hire locally in each country in which we operate.

<The First Company Based in Japan to be Listed in Hong Kong>

The Hong Kong capital market is utilized by institutional investors worldwide to access stocks and bonds denominated in the Chinese yuan, and over half of the participants are composed of non-resident investors. With China’s economic power, and the Hong Kong Stock Exchange’s aggressive recruitment of foreign

companies to list, the Hong Kong Stock Exchange was ranked first in the world in terms of IPO fund procurement in 2009 and 2010, increasing its importance as a global financial center.

Under these circumstances, SBI Holdings listed Hong Kong Depository Receipts (HDRs) of its common shares on the Hong Kong Stock Exchange in April 2011, the first for a company based in Japan. Furthermore, this is the third case for a company not based in Hong Kong or China to dual list on the Hong Kong Stock Exchange and another stock exchange.

For our future overseas investments and fund raising for overseas businesses, we will utilize the Hong Kong capital market. We plan to reduce our exposure to foreign exchange risk and to diversify our fund procurement process by issuance of yuan denominated bonds, thereby fully utilizing the Hong Kong capital market, which continues to gain in its global prominence.

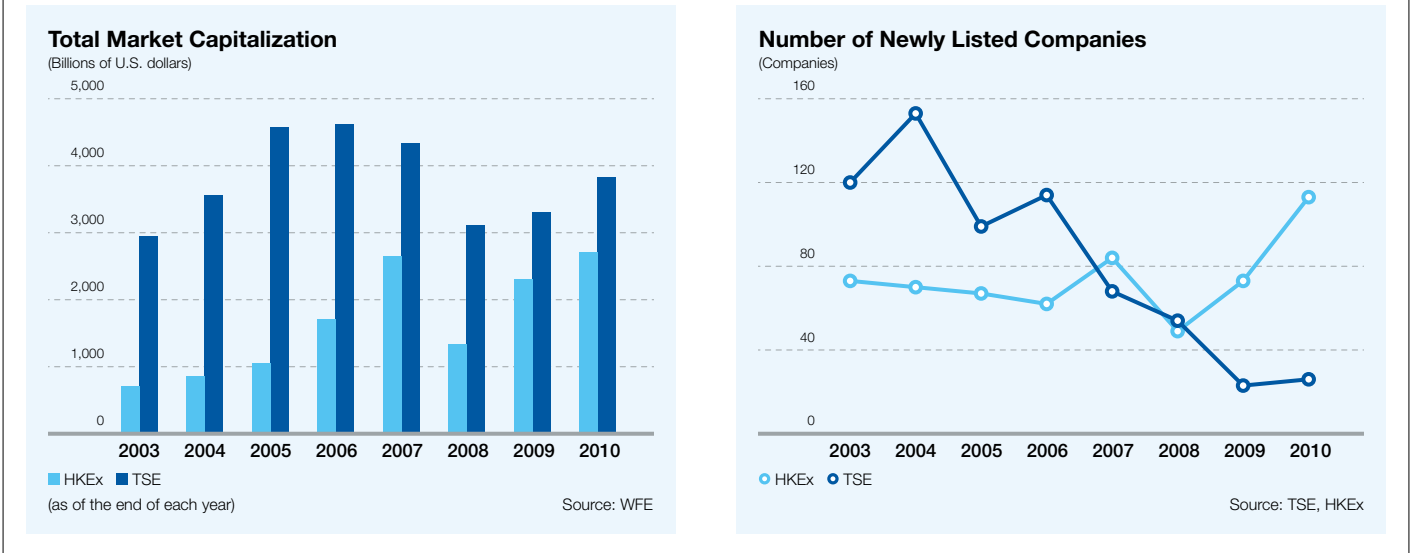
<The Expanding Global Branch Network of the SBI Group>

The SBI Group plans to establish a China business management (investment type) company to oversee operations in the Dalian High-tech Industrial Zone. The benefits of establishing a business management company include being able to perform sales activities, and quickly respond to investment opportunities that are not possible with a Representative Office. Also, the company will be positioned to receive financial tax incentives, and introductions to potential alliance partners. By establishing this company, we will be able to pursue the expansion and efficiency enhancements in



A Hong Kong Stock Exchange billboard announces the listing of SBI Holdings’ HDRs

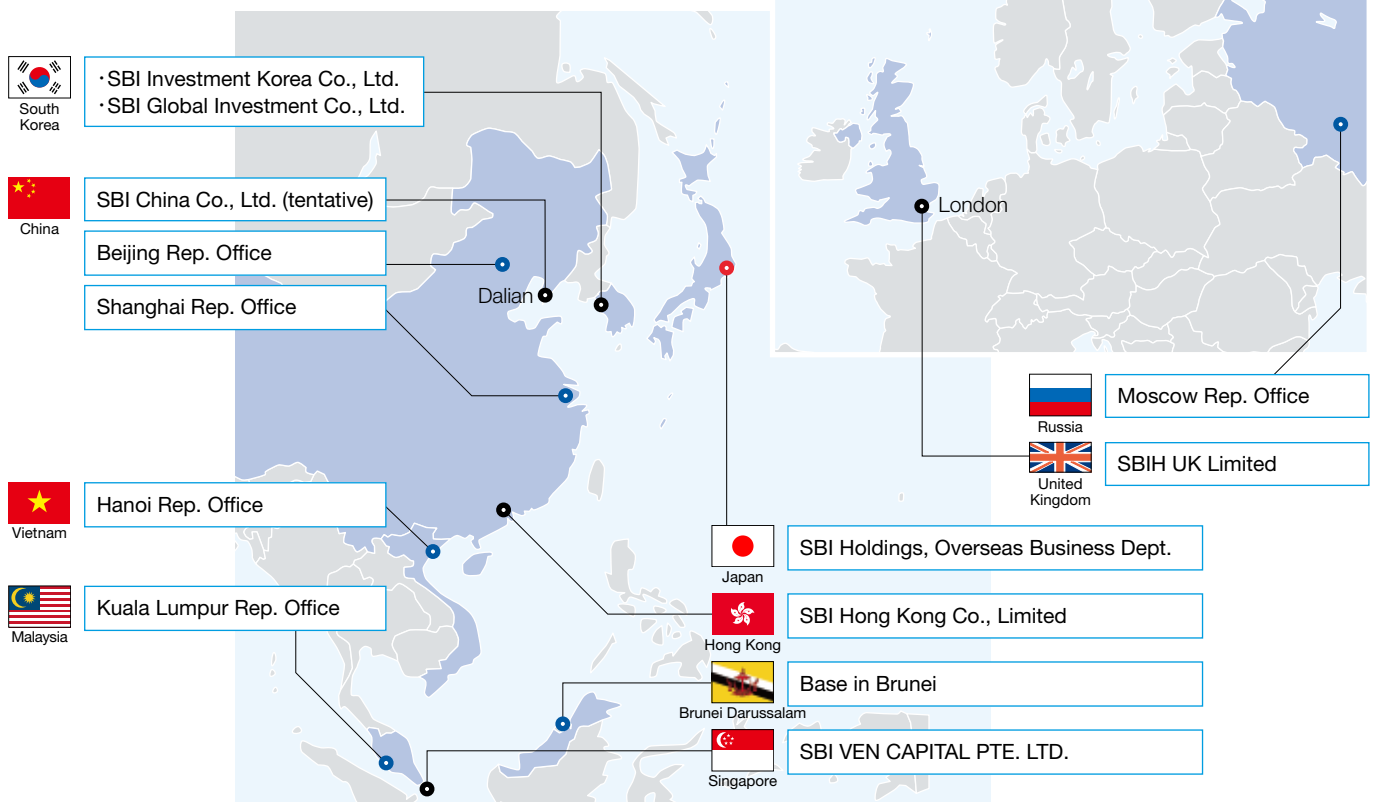
### Comparison of the Hong Kong Exchange and the Tokyo Stock Exchange



our investment and financial services businesses in China. Furthermore, in April 2011, a European business management company was established in London. This was to consolidate and manage the SBI Group's assets in Europe, as well as to oversee the operation of funds in Europe, such as the Russia Fund. Also,

benefits of establishing this company in London include being able to invest in European financial institutions, developing Internet services businesses and improving our ability to gather information in Europe.

### Expanding and Enhancing the Overseas Network of Business Bases





### 3. Two Concepts for Enhancing the Profit Structure



What is the progress of the Pentagon Management business strategy for the financial services business?



The Pentagon Management strategy is progressing very well, as our thorough pursuit of synergies among our core businesses has spurred growth in our Group customer base. In addition, we established a system development company jointly with LG CNS, part of the Korean LG Group, for the purpose of enhancing the SBI Group's system infrastructure.



- ① The thorough pursuit of synergies among various activities with a focus on the five core businesses
- ② Enhancing the Group's infrastructure through system development and face-to-face store openings



#### <Leveraging Synergies to Support Growth of the SBI Group>

In March 2010, we announced the Pentagon Management business strategy for the financial services business to thoroughly pursue synergistic effects within the SBI Group. As a self-evolving organization that has continuously accepted new challenges to secure meaningful future growth, we are strategically advancing to the next stage of our evolutionary development to secure our future.

Our initiatives in pursuing synergies have been successful and apparent in many business areas. For instance, at SBI SECURITIES and SBI Sumishin Net Bank, two of our core businesses, about 40% of the customers who open a new account at SBI SECURITIES simultaneously open an account at SBI Sumishin Net Bank. On the other hand, about 40% of new SBI Sumishin Net Bank's customers set up an account at SBI SECURITIES. In June 2011, we terminated the sales of new Money Reserve Fund (MRF) at SBI SECURITIES to accommodate the money transference from the MRF to the SBI Hybrid Deposit offered by SBI Sumishin Net Bank. This measure is expected to accelerate the growth of the SBI Hybrid Deposits.

As an example of synergies between core and support businesses, users at the insurance portal "InsWeb" offered by SBI

Holdings now account for approximately 30% of new policies sold by SBI Insurance. Also, there is a growth in the number of new customers at SBI Insurance from SBI SECURITIES and SBI Sumishin Net Bank. Mutual marketing is clearly proving its effectiveness among SBI Group customers, who are highly literate in both the Internet and finance.

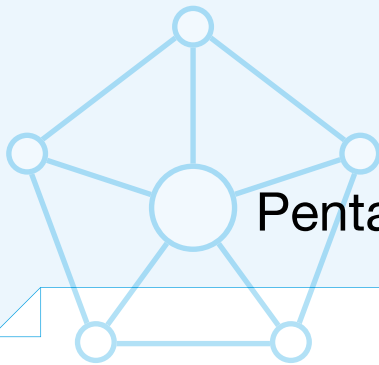
#### <Further Enhancing SBI Group's Infrastructure>

We are also cognizant of the need to enhance the Group infrastructure that supports the SBI Group businesses. For instance, SBI Money Plaza shops, a face-to-face channel that offers financial products from both within and outside of the Group, are being rolled-out aggressively. In February 2011, we established a joint venture with LG CNS to conduct a system development for our financial services, with the primary objective of realizing a substantial reduction in system costs for the SBI Group's wide-ranging financial services businesses.

As the systems division company of the LG Group, LG CNS, with a workforce of about 9,000 employees in eight countries, has an extensive experience in IT system developments for the financial services industry, including the securities business. We targeting a 25% to 40% reduction of system costs for our financial services from the current level of approximately ¥15 billion per annum.

#### <Further Growth Through the Constant Pursuit of Synergies>

The SBI Group, since its inception in 1999 as an Internet-based comprehensive financial group, has achieved dramatic growth through the establishment of a wide range of companies in the financial services industry. Moreover, we have established a globally unique "Internet-based financial conglomerate" consisting of securities, banking, insurance, etc. With the continued goal of sustaining growth for the SBI Group, we remain devoted to the development of mutual synergies across our core financial service businesses.



# Pentagon Management

Column

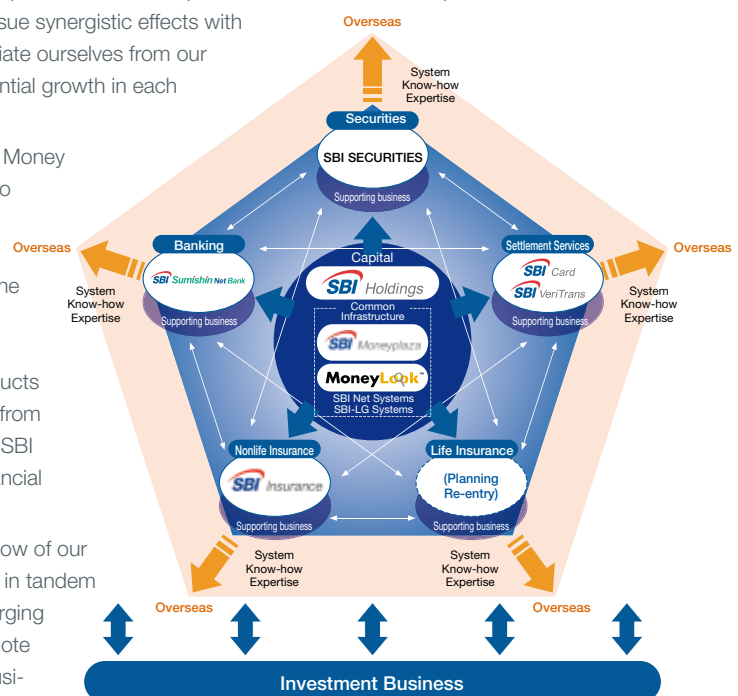
Pentagon Management targets exponential growth for the entire SBI Group, by positioning its five core businesses for enhanced synergistic effects. Furthermore, companies and businesses with support functions for the core businesses are positioned around each core business, to fully leverage synergies. This is the most significant feature of the SBI Group's Pentagon Management, and we believe it will be one of our greatest strengths in differentiating ourselves from our competitors.

We are advancing the integration of the online and face-to-face channels through SBI Money Plaza shops. SBI Money Plaza shops are our face-to-face shops that offer various financial products within and outside of the SBI Group, and serve as a mutual infrastructure business that will spur growth in the SBI Group. There are some customers who prefer to meet in person to discuss high-risk and high-value financial products, such as life insurance and mortgages. There are also customers, including senior citizens, who are not comfortable using the Internet. To meet such various needs, we will continue to endeavor to become Japan's largest financial product distributor, offering optimal financial products at a low cost to each and every customer, including those who are not highly literate with the Internet.

Moreover, we will gradually introduce the systems and know-how of our core competencies in the Internet financial services operations that were acquired in Japan to the BRICs, VISTA and other overseas emerging countries. This will be accomplished according to their respective countries' level of economic development, and the expansion of our "Pentagon" from Japan to the overseas markets. In doing so, we will closely watch the economic conditions in each country, and leverage our relationships with prominent local partners established through our investment business to promote our financial services businesses in the emerging market countries.

## What is Pentagon Management?

- 1 Our financial ecosystem consists of five core businesses among our financial services, namely securities, banking, nonlife insurance, life insurance (in preparation for re-entry) and settlement services.
- 2 Pentagon Management creates synergies by mutually linking core businesses to effect exponential growth for the entire Group.
- 3 Focusing on each core business, we will place affiliated companies and businesses that possess core business support functions, and aggressively pursue synergistic effects with each core business, in order to differentiate ourselves from our competitors, thereby promoting exponential growth in each core business.
- 4 The face-to-face channels, such as SBI Money Plaza, will be expanded across Japan, to serve as an infrastructure business that will propel growth in the five core businesses and advance the integration of the online and face-to-face services. SBI Money Plaza will work to provide, on a neutral basis, comparably superior products to customers whether the products are from inside or outside the Group, so that the SBI Group may become Japan's largest financial products distributor.
- 5 By introducing the systems and know-how of our core businesses accumulated in Japan, in tandem with the economic development of emerging countries, we will be positioned to promote the development of financial services business in those countries.





Please explain the thinking behind the SBI Group's "Brilliant Cut Initiative" that was announced in July 2010.



With this initiative, the SBI Group has shifted to a management strategy that emphasizes sustained growth in earnings per share rather than growth in the scale of operations. The progress of this initiative will be measured by the profitability of the 58 major group companies and business units, where costs will be cut across the group, operations will be realigned, and other steps will be taken to create an organizational structure with enhanced profitability.



- ① The SBI Group pursues the "Brilliant Cut Initiative" to enhance the Group's profitability
- ② 58 major group companies and business units are selected for extensive measures to improve earnings
- ③ The Group will continue to reorganize businesses to increase the profitability of the entire organization

#### <Focused on Profitability, the SBI Group Advances to the Second Stage>

The decade following the SBI Group's establishment was stage one, emphasizing the importance of scale expansion and the formation of a business ecosystem. By adopting this policy, our group became a globally unique "Internet-based financial conglomerate," which operates securities, banking and insurance businesses that utilize the Internet as its main channel. Also, our global framework for investments in promising emerging market countries, primarily in Asia, through alliances with prominent local partners is near completion. Moreover, measures to develop financial services businesses in these emerging countries is also largely completed.

In consideration of this progress, we regard FY2011 and the several subsequent fiscal years as the period to advance to our second stage of development, which will emphasize growth in earnings per share (EPS). To achieve the goals of the "Brilliant Cut Initiative," management's focus will turn to an emphasis on earnings growth, in order to sustain the Company's continued EPS growth.

#### <From a Rough-cut Diamond to a Brilliant Cut Diamond>

We have selected 58 major group companies and business units for our "Brilliant Cut Initiative." Currently, we are polishing these

businesses for further earnings growth, by monitoring the earnings and financial condition of their activities. At the same time, we are taking measures to restructure the group's businesses and organizations, through mergers and in some cases acquiring full ownership of companies.

For example, Gomez Consulting was delisted to make it a wholly owned subsidiary of Morningstar Japan in April 2011, and Morningstar Japan subsequently merged Gomez Consulting on July 1, 2011. Combining these companies with similar businesses will lead to cost cutting and a stronger sales force. In August 2011, we plan to make SBI VeriTrans a wholly owned subsidiary. Japan's e-commerce market, where the company performs its business, has reached a saturation point. So, by unifying the operations of SBI VeriTrans into SBI Holdings, we expect to accelerate the overseas expansion of our e-commerce business.

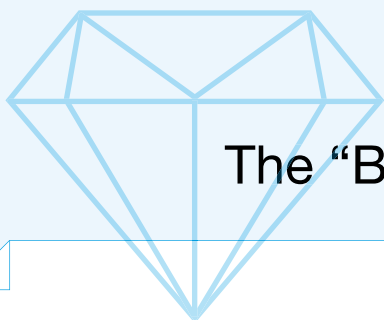
There are other initiatives. SBI Marketing merged Kensho TV, which operates a giveaway website. At SBI Asset Management, we revamped asset management operations and reorganized personnel systems. We also plan to sell our equity holding of HOMEOSTYLE, which offers beauty care services and products, and our credit card business will be thoroughly reviewed.

The SBI Group will continue to implement the "Brilliant Cut Initiative" with the goal of achieving consistent EPS growth.

#### The SBI Group's Major Business Entities Engaged in "Brilliant Cut Initiative"

The SBI Group's Major 51 Business Entities (Excl. 7 overseas local subsidiaries and representative offices)

	FY 2009		FY2010	
	Subsidiaries and divisions	Operating income (loss) (billions of yen)	Subsidiaries and divisions	Operating income (loss) (billions of yen)
SBI Holdings	—	0.2	—	4.3(+4.1)
Profitable companies and divisions	28	26.0	30(+2)	26.8(+0.8)
Unprofitable companies and divisions	12	-4.7	11(-1)	-7.1(-2.4)
Newly established or acquired companies	10	7 companies Group companies 3 companies Companies preparing for starting operation	9(-1)	SBI Global Investment (became a consolidated subsidiary in June 2010) achieved full-year profitability



## The “Brilliant Cut Initiative”

Column

### What is the “Brilliant Cut”?

The brilliant cut is one version of a diamond-cutting method used to produce the greatest possible brilliance. Light entering from the polished upper facets is refracted inside the diamond and reflected back from the rear facets through the top to the viewer. It is designed to be the most beautiful and brilliant type of diamond. The “brilliant cut,” which consists of 58 facets, was originally developed in 17th Century Venice, and was theorized in 1919 by Belgian-born mathematician Marcel Tolkowski as the most brilliant cut for a diamond.



### From Scale Expansion to Enhanced Profitability— The SBI Group’s “Brilliant Cut Initiative” Shifts Emphasis to Profitability

In the “Brilliant Cut Initiative,” each company and business unit of the SBI Group corresponds to the facet of a diamond.

Furthermore, the “58-facet brilliant cut” that produces the most sparkle in a diamond represents the 58 major companies and business units of the group. By forming a suitable-size business ecosystem, companies with their own individual brilliance can join forces to generate synergy effects and propel mutual progress. As a result, the integrated business ecosystem shines more brilliantly as one.

Toward the goal of the “Brilliant Cut Initiative,” the SBI Group is prioritizing earnings rather than growth in the scale of operations as in the past. In April 2011, we advanced from the first to second phase of this initiative. Phase-one only involved the confirmation of progress in profitability improvement based on changes in the operating income of group companies. During phase two, we will use a number of indicators in addition to operating income, such as ROE, ROI and EBITDA. Using multiple indicators will allow us to check the performance of group companies with regard to their balance sheets and cash flows, as well.

### Three-Year Basic Policy for the “Brilliant Cut Initiative”

By capturing synergies and carrying through with the Pentagon Management strategy in particular, we intend to generate further earnings growth at companies and business units that are profitable. For unprofitable operations, their requirement will be to turn a profit by September 2013, and newly established companies will have three years to turn a profit. Businesses with no prospects for becoming profitable will be liquidated or sold.

**Establishment** ... New business companies will not be established except for those currently under preparation.

**Acquisitions** ..... Target acquisition companies will be limited to companies that are both profitable and expected to bring great synergies with the SBI Group companies

### Further Cost Reductions at the Head Office

We will utilize the Hong Kong capital markets to diversify procurement methods of overseas investment funds and to reduce foreign currency risk exposure, thereby reducing fund procurement expenses. Further reductions in head office expenses are expected from establishing a second head office, which will facilitate global tax management and a reexamination of our workforce to further rationalize operating costs.