

Synergy

Strengthening the Competitiveness of the Domestic Financial Services Business

The SBI Group will further accelerate the customer base expansion fueled by the upturn in the stock market

The SBI Group's domestic Financial Services Business has positioned securities, banking and insurance as the three core businesses, and provides highly competitive financial products and services that take maximum advantage of the Internet.

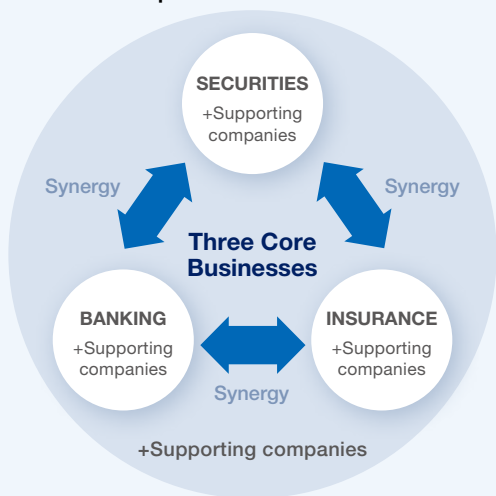
With the continuing evolution of the Internet in the form of higher speed, ubiquitous access and expanding means of expression, the Internet is certain to more deeply penetrate society, even in areas where it was not previously utilized, and may be used for increasingly diverse purposes and occasions.

We will respond to such changes in the business environment and realize dramatic growth at each Group company by steadfastly adhering to the "Customer-centric Principle" that has guided the Group since its founding.

First, SBI SECURITIES has recently increased its customer base significantly, supported by a tailwind from the uptrend in the stock market since the end of 2012 and the easing of margin trading regulations in January of this year. Meanwhile, the number of online brokerage trading accounts in Japan topped 18.16 million at the end of March 2013, increasing at a compound annual growth rate of 35.5%.

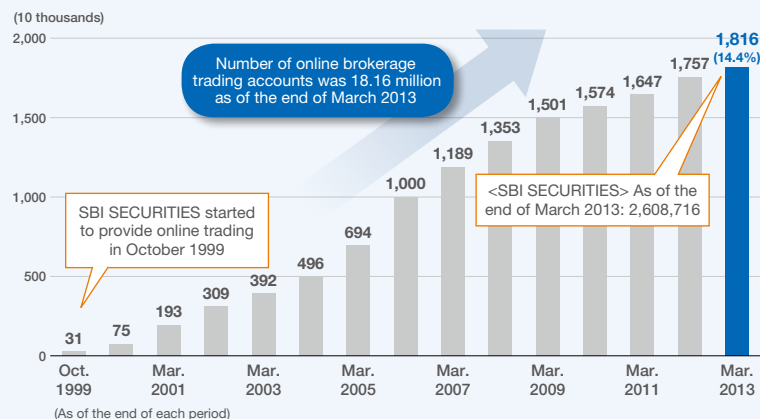
The five major online securities companies accounted for a 71.2% share of total individual stock brokerage trading value in FY2012. SBI SECURITIES alone accounted for a 33.2% share, maintaining its substantial share advantage over its competitors. Although online securities companies handle an overwhelming share of stock trades executed, considerable room remains for their expansion of market share, in terms of deposit assets. Assets of customer accounts of Japan's five major online securities companies totaled ¥14.6 trillion as of the end of March 2013, a mere 19.3% of the shares held by

Domestic Financial Services Business of the SBI Group



Number of Online Brokerage Trading Accounts

(October 1999—March 2013)



Source: Japan Securities dealers association, "Survey of Online Trading" (March 2013), records began in October 1999

individuals in Japan, so the online securities companies are likely to strengthen their market presence with respect to deposit assets as well.

An analysis of SBI SECURITIES' customers by age reveals that a high proportion of customers, namely nearly 40%, are younger people in their 20s and 30s, people familiar with the Internet since childhood who are set to begin building their financial assets in earnest. At the same time, IT literacy has recently been increasing among seniors, who account for two-thirds of face-to-face transactions. Investment activity by these seniors, who tend to have spare time and financial assets, is set to increase, and SBI SECURITIES must further develop its business also with this age group.

In view of the favorable prospects for further expansion of trading volume and the customer base, SBI SECURITIES will further strengthen its business ecosystem by maximizing synergies with the Group companies such as SBI Liquidity Market, which provides market infrastructure for FX trading, SBI Japannext, which operates the largest PTS in Japan, and SBI MONEY PLAZA.

Online banking grows at a faster pace than online securities

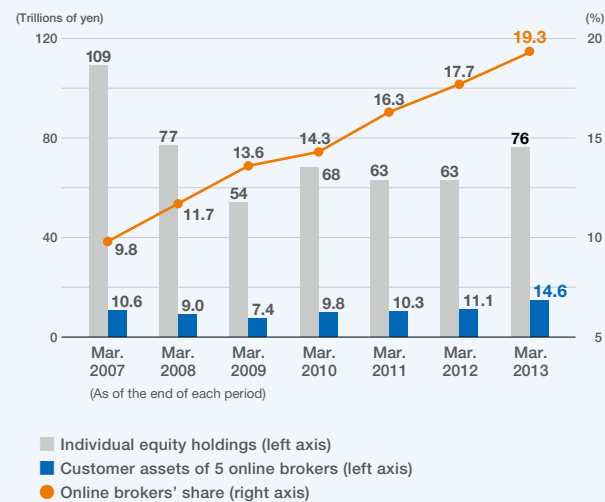
In the online banking business, the number of customer accounts at SBI Sumishin Net Bank is increasing in step with the number of new accounts acquired at SBI SECURITIES, reaching approximately 1.76 million at the end of July 2013, and the balance of deposits has grown to exceed ¥3.0 trillion.

The total number of accounts at the six pure-play Internet banks in Japan exceeded 11.51 million at the end of March 2013, for a compound annual growth rate of 49.8% since 2001, a pace of growth that outstrips that of online securities companies.

The example of developed countries in Europe and North America suggests that the shift in personal banking transactions from branch accounts to the Internet is likely to gain further impetus.

Furthermore, an analysis of SBI Sumishin Net Bank's customers by age reveals that younger people in their 20s and 30s account for nearly half (49%) of all customers. At the same time, the amount of deposits per person dramatically increases with age: on an index with the average amount for people in their 20s as 1, the amount is 2.3 for people in their 30s, 3.1 for people in their 40s and 4.1 for people in their 50s. As the financial assets of customers now in their 20s and 30s grow over time, financial transactions for the purpose of investing those assets can be expected to increase as well.

The Share of Individual Equity Holdings

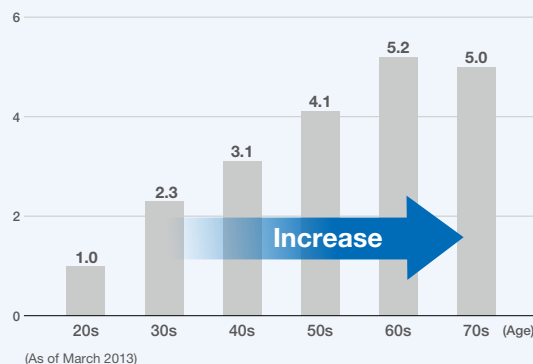


Source: Disclosed data from company websites and Bank of Japan "Flow of Funds"

In view of the anticipated increase in the amount of deposits, SBI Sumishin Net Bank will pursue investment stabilization and diversification by further enhancing and strengthening its business ecosystem. For instance, with regard to loans, in addition to housing loans offered through cooperating real estate companies, since January 2012 the bank has engaged in a fee business involving the sale of housing loans as a banking agency of one of its parent company, Sumitomo Mitsui Trust Bank, which has enabled it to earn stable fee income while reducing risk.

Deposits per Customer at SBI Sumishin Net Bank

*Indexed figures assuming a base value of 1 for deposits per retail customer in the 20s.



SPECIAL FEATURES

In the area of auto loans, SBI Holdings sold its entire shareholding in SBI Credit (currently Premium Financial Services) to an investment fund managed by a subsidiary of Marubeni Corporation, a general trading company. This move is expected to facilitate SBI Credit's business expansion into areas beyond auto loans, and to contribute to the diversification of investment alternatives at SBI Sumishin Net Bank.

SBI Insurance sets its sights on an IPO in FY2016.

In the insurance business, SBI Insurance has successfully expanded its operations. Since SBI Insurance became capable of solely assuming underwriting risk, owing to an increase in the number of insurance contracts, the company terminated its reinsurance agreement with Aioi Insurance (currently Aioi Nissay Dowa Insurance) at the end of March 2011, as well as the outsourcing agreement covering call center operations at the end of March 2012. As a result, the operating expense ratio dramatically decreased.

The advisory rate that insurance companies use as a guideline when deciding insurance premiums was revised in 2012 against a backdrop of factors, such as higher accident rates, and there is a growing trend to increase premiums among nonlife insurers. Accordingly, SBI Insurance raised its premiums by an average of 1% beginning April 2013, while maintaining price competitiveness. In addition, auto insurance product revisions in areas such as the suspension of the zero-100,000 yen self-payment (a payment method for a car accident of zero deductible for the first time, and 100,000 yen for the second time and thereafter) and covenants for comprehensive and collision insurance

are expected to bring further improvement in the loss ratio.

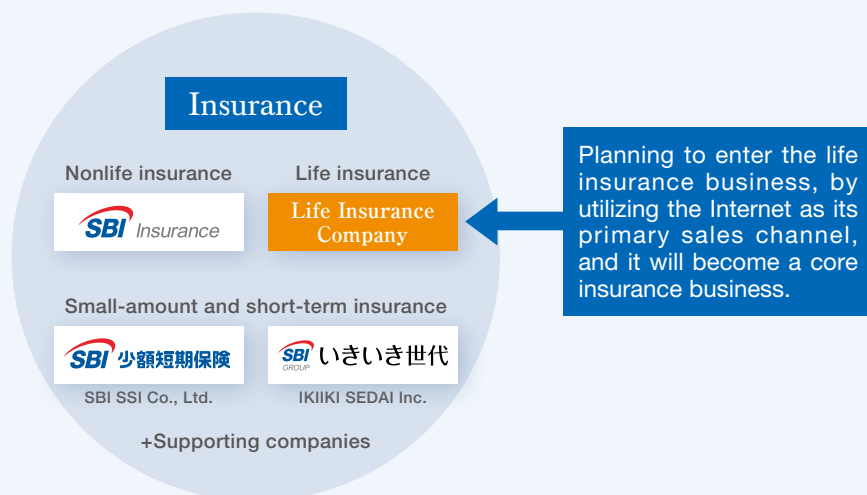
The combined ratio, the ratio of the sum of insurance premium payment and expense to insurance premium income, is ordinarily used as a measure of the profitability of nonlife insurers. As a result of a series of measures implemented to improve business expenses and the loss ratio, the combined ratio of SBI Insurance has come within range to be below 100% from FY2013 onward.

Furthermore, SBI Insurance has worked to enhance its product offering and strengthen its own line of insurance products, by introducing cancer insurance for medical treatments in August 2012, and a bicycle accident compensation covenant for auto insurance in April 2013, as well as offering fire insurance, earthquake compensation insurance and overseas travel insurance products from partner companies. SBI Insurance will work to increase the sales of its own auto insurance and cancer insurance products by utilizing SBI MONEY PLAZA's face-to-face sales channels.

By implementing these activities, SBI Insurance targets the achievement of an effective profitability on a quarterly basis (IFRSs consolidated basis) in FY2013, a full-year profitability in FY2015 and a FY2016 IPO.

In the insurance business, the Company has acquired all shares of IKIIKI SEDAI, a small-amount short-term insurance company that offers life insurance, and in July 2013, subject to the authorizations and such to be granted by the relevant authorities in Japan, the Company decided to acquire an 100% equity interest in PCA Life Insurance, a Japanese arm of Prudential plc. of the U.K. and convert it into a consolidated subsidiary. With this acquisition, the SBI Group will make a full-scale re-entry into the life insurance business.

The SBI Group's Insurance Business



SBI MONEY PLAZA further expands its shop network

SBI MONEY PLAZA expanded its network of face-to-face shops that offer securities, insurance and housing loans to 350 shops nationwide as of the end of June 2013. The addition of Insurance Clinic and Mitsubachi Insurance Farm shops operated by SBI Group investee companies brings the total to over

600 shops, far surpassing the number of shops operated by competitors in Japan. Sequential conversion of directly operated Insurance Clinic and Mitsubachi Insurance Farm shops to SBI MONEY PLAZA shops is planned.

SBI MONEY PLAZA will continue to expand its shop network to strengthen its sales capabilities.

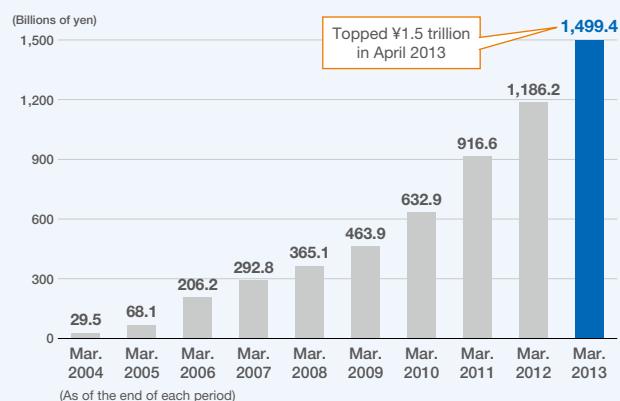
SBI Mortgage boosts its competitive strength through product diversification

SBI Mortgage was founded in 2001 as Japan's first mortgage bank, a financial institution specializing in housing loans using securitization as a financing instrument, and has achieved rapid growth by continuing to offer "Flat 35" long-term, fixed-rate housing loans in cooperation with the Japan Housing Finance Agency, at the industry's lowest interest rates.

To meet the diverse needs of customers, the company is focusing on developing its own products to complement "Flat 35" and seeks to further boost its competitive advantage by diversifying its product range.

SBI Mortgage became the first Japanese company to list its shares on the KOSPI Market of the Korea Exchange in April 2012, and is currently endeavoring to set up the first mortgage bank in South Korea.

SBI Mortgage's Outstanding Balance of Housing Loans



I previously handled customer inquiries concerning asset management at SBI SECURITIES, and was transferred to SBI MONEY PLAZA upon its launch. At the branch where I was initially assigned, I responded to inquiries from customers concerning insurance and asset management. Since insurance consultation is much more closely connected to customers' life planning than asset management, I felt a heavy burden of responsibility, and have become keenly aware that knowledge of a wide-range of products, not only asset management, is required to meet customers' needs. I am currently working in the Financial Advisory Department, visiting customers to offer proposals concerning asset management and insurance. When I receive a telephone call from a previous customer who wants to continue buying products from me, I feel joy and satisfaction that is unique to face-to-face sales.