

Financial Services Business

Principal Companies

Intermediate Holding Company:
SBI FINANCIAL SERVICES

SBI SECURITIES

SBI Japannext

SBI Liquidity Market

SBI Sumishin Net Bank

SBI Insurance

SBI MONEY PLAZA

Morningstar Japan

SBI Holdings

(Financial Services Business Division)



The SBI Group has grown by capturing the tide of two major trends, the development and popularization of the Internet and financial deregulation, and by providing highly competitive financial products and services that take maximum advantage of the Internet. We have positioned securities, banking and insurance as the three core businesses in the Financial Services Business segment, and are further accelerating the pace of growth by maximizing synergies among these businesses.

Financial Results for FY2013

As a result of the success of various measures implemented to bolster profitability, coupled with the tailwind provided by buoyant stock markets, in FY2013 the Financial Services Business recorded a 30.4% year-on-year increase in operating revenue to ¥147.8 billion, and a 99.0% increase in profit before

income tax expense to ¥37.3 billion.

By company, SBI SECURITIES, SBI Japannext, SBI MONEY PLAZA, Morningstar Japan, and SBI Sumishin Net Bank recorded record-high income, while SBI FXTRADE and SBI SSI attained full-year profitability for the first time since their establishment.

Major Group Companies' Results

(Millions of yen)

		FY2012	FY2013
SBI SECURITIES (JGAAP)	Operating revenue	43,401	74,298
	Operating income	11,478	32,799
SBI Liquidity Market (JGAAP)	Operating revenue	7,743	10,524
	Operating income	1,518	1,901
SBI FXTRADE (JGAAP)	Operating revenue	289	1,900
	Operating income (loss)	(145)	1,263

		FY2012	FY2013
SBI Insurance (JGAAP)	Ordinary revenue	19,164	22,906
	Ordinary income (loss)	(7,543)	(5,783)
SBI MONEY PLAZA (JGAAP)	Operating revenue	2,207	4,063
	Operating income	36	1,054
SBI Sumishin Net Bank (JGAAP)	Ordinary revenue	40,204	47,296
	Ordinary income	7,903	11,731

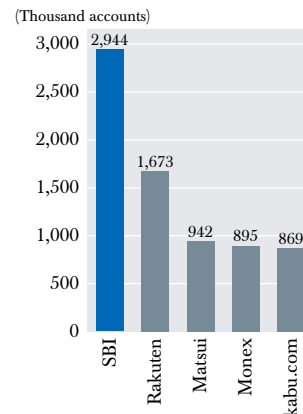
SBI SECURITIES: Achieving High Levels of Income from Diversification of Earnings Sources

In the consolidated business results for FY2013 (JGAAP), SBI SECURITIES achieved a record-high performance in operating revenue and all profit categories, recording operating revenue of ¥74.3 billion, up 71.2% year-on-year, operating income of ¥32.8 billion, up 185.7%, and net income of ¥18.1 billion, up 168.3%.

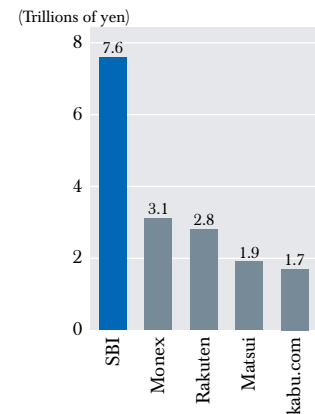
The context of this record-setting performance is that the domestic stock markets continued to remain firm, which led to a sharp increase in securities trading. Also, within the adverse business environment that followed upon the collapse of Lehman Brothers, SBI SECURITIES had established a revenue base that is more resilient to the stock market fluctuations, by diversifying its earnings sources through the expansion of its product offerings to products other than domestic equities, such as foreign exchange margin trading, investment trusts and foreign bonds. This resulted in the achievement of further dramatic growth, as the stock markets continued their recovery.

Number of Accounts and Amount of Customer Deposit Assets at Five Online Brokers

[Number of Accounts]
(As of March 31, 2014)



[Customer Deposit Assets]
(As of March 31, 2014)



Sources: Compiled by the Company from information on each company's websites



Masato Takamura

Representative Director and
President of SBI SECURITIES
Co., Ltd.

Maximizing Group Synergies in Pursuit of Differentiation and Increased Competitiveness

Since the initiation of its Internet trading services in 1999, SBI SECURITIES has established itself as the leader in the online securities industry in the number of accounts, stock brokerage trading value share and customer deposit assets, while adhering to its corporate mission of the “Customer-centric Principle.”

Primarily owing to the easing of margin trading regulations in January 2013, along with the tailwind of a buoyant stock market, the FY2013 business environment continued to remain favorable. Also, the Nippon Individual Savings Account (NISA) system was introduced in January 2014, and investments for the purpose of long-term wealth building are expected to increase, and within this business environment, we will endeavor to further expand the customer base and increase our competitiveness.

To achieve this, we will seek to offer a wide range of services that will truly meet customer needs while continuing to reinforce synergies with the SBI Group companies, as with SBI Sumishin Net Bank, with which we have already demonstrated powerful synergies. In particular, by fully utilizing the face-to-face sales channel of SBI MONEY PLAZA and the independent financial advisors (IFA), whose network has been expanded through a collaboration with approximately 200 financial products brokers, our approach to potential customers who cannot be reached by the online securities services alone will be strengthened.

Although we already offer the broadest range of products in the online securities industry, we will continue to further expand and upgrade our product offerings, and by strengthening our position as the industry leader in the corporate IPO underwriting business of the last several years, we will endeavor to further differentiate ourselves from our competitors.

Financial Services Business

Full-year stock brokerage trading value at SBI SECURITIES was ¥130 trillion and brokerage commissions were ¥32.2 billion, respectively 2.6 times and 1.9 times the prior-year levels.

As a result of a further increase in margin trading, which was attributable to factors including the easing of margin trading regulations in January 2013, financial revenue was ¥24.6 billion, which was 1.9 times the prior-year level, and outstanding open interest credit balance remained at high levels. Underwriting, offering and sales commissions were up 99.0% year-on-year to ¥4.3 billion. Furthermore, as a result of strong sales of investment trusts, investment trust fees increased 33.0% to ¥2.9 billion, and the investment trust balance at the fiscal year-end reached ¥843.9 billion, both record highs. The number of IPOs underwritten was an industry high 42, and SBI SECURITIES solidified its position as the industry leader by underwriting 79.3% of the total number of IPOs.

SBI SECURITIES has maintained its overwhelming advantage over competitors in terms of its customer base, with the number of accounts rising to 2.94 million, and the amount of customer deposit assets reaching ¥7.6 trillion as of March 31, 2014, and the full-year individual stock brokerage trading value share was recorded at 35.3%, along with a 38.2% share of the individual margin trading value. Also, the number of accounts surpassed the 3 million mark in June 2014.

With reference to the usage status of the Nippon Individual Savings Account (NISA) system that was introduced in January 2014, as of March 31, 2014, the number of NISA accounts was approximately 410,000 with the corresponding customer deposit assets at ¥77.5 billion. When viewed in terms of customer demographics, 23.1% of all customers were new account openers, among whom 64.4% were first-time investors, which is an extremely high level of new customer acquisitions, as compared to our competitors. Also in terms of age group, more than half of the customers are aged 20-49, indicating that SBI SECURITIES has been successful in capturing new investors who are primarily young adults who will become serious about building their future wealth.

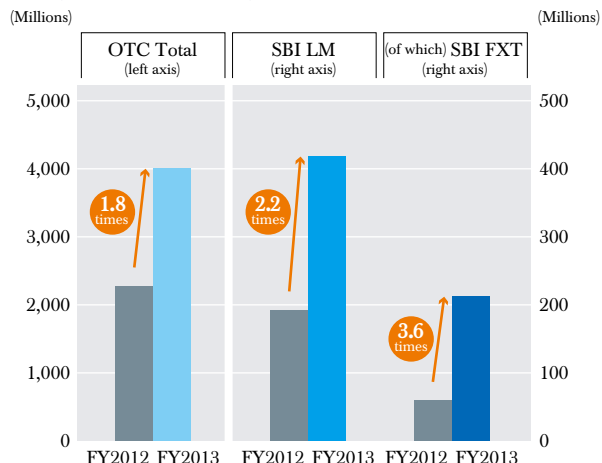
Additionally, subsidiaries that generate powerful synergies with the securities business are steadily expanding their scale of operations.

SBI Japannext's proprietary trading system (PTS), Japannext PTS, has the participation of more than 20 securities firms, including the leading Japanese and foreign securities firms, and ranks second to the Tokyo Stock Exchange in terms of trading volume, making it the largest PTS in Japan in terms of trade execution. During the year under review, trading by institutional investors, as well as by individual investors on

Japannext PTS became increasingly active, where monthly trading reached a record high of nearly ¥3 trillion in May 2013, and a single day trading value record high of ¥192.0 billion was recorded in January 2014. As a result, SBI Japannext recorded an operating income increase of 3.9 times year-on-year to ¥0.9 billion (JGAAP). In order to enhance the public awareness of a PTS, SBI Japannext is preparing a 2015 IPO with Daiwa Securities as its lead underwriter.

SBI Liquidity Market, which provides a market function for FX trading, recorded operating income before allocation of profits to SBI SECURITIES, SBI Sumishin Net Bank and SBI FXTRADE, of ¥8.5 billion (JGAAP), which is a record high since the introduction of leverage regulations (in August 2010 and August 2011). SBI FXTRADE, established in May 2012 as a pure-play FX trading services provider, offers favorable trading terms for its customers by providing the industry's narrowest level of spreads on all major currency pairs. As a result, customer deposit assets exceeded ¥16.0 billion, and the number of accounts reached approximately 50,000 as of March 31, 2014, allowing the company to achieve full-year profitability, and to eliminate its cumulative loss in its second year of operation. The ability to grow in such a short period of time is the result of a commitment to offer appealing products and services, along with its efforts to strengthen synergies with the Group companies. The SBI Group is outgrowing the overall industry growth, in terms of total trading volume, through SBI Liquidity Market, which provides market infrastructure for FX trading within the Group, SBI SECURITIES, which provides FX trading services primarily

Change in FX Trading Volume



* Counts 10,000 currency units as 1

Source: Material announced by the Financial Future Association of Japan

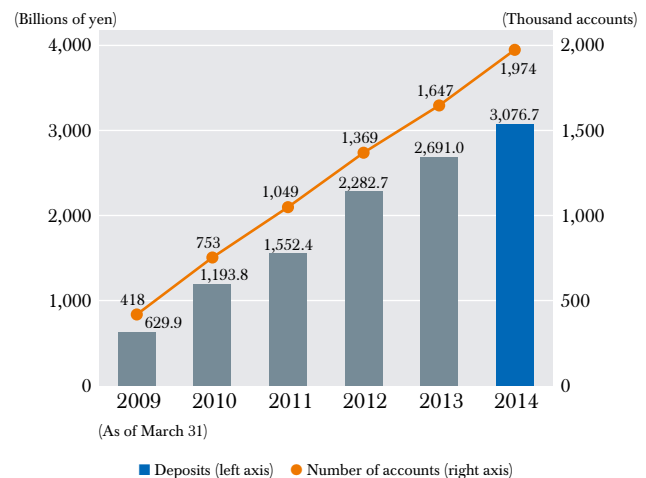
for customers that engage in large trades, and SBI FXTRADE, which provides services to customers who engage in small, frequent trades. SBI Liquidity Market's share of the overall over-the-counter (OTC) FX trading rose to 10.5% in FY2013, and the SBI Group's total number of accounts and customer deposit assets are among the highest in the OTC FX industry.

SBI Sumishin Net Bank: The Only Pure-Play Internet Bank to Achieve Ordinary Income Exceeding ¥10.0 Billion

SBI Sumishin Net Bank, is a 50:50 joint venture between Japan's largest trust bank, Sumitomo Mitsui Trust Bank and SBI Holdings, and is Japan's only pure-play Internet bank with a deposit balance exceeding ¥3 trillion. SBI Sumishin Net Bank and SBI SECURITIES have collaborated to offer a service for automatic deposits and withdrawals of stock trading deposits through SBI Hybrid Deposits, which now has over 900,000 users, attesting to the existence of powerful synergies between the Group companies, which has contributed to an increase in the bank's deposit balance and the number of accounts. As of March 31, 2014, the number of accounts totaled 1.97 million, and the balance of loans to individual customers was ¥1,378.8

billion. Furthermore, the number of accounts surpassed the 2 million mark in May 2014.

Deposits and the Number of Accounts at SBI Sumishin Net Bank



* Amounts are rounded to the nearest ¥100 million or thousand accounts.



Noriaki Maruyama

Representative Director and
President of SBI Sumishin
Net Bank, Ltd.

Solidifying the No. 1 Pure-play Internet Bank Status

Although SBI Sumishin Net Bank started operations in 2007 as a latecomer to the Internet banking industry, the bank has rapidly increased its customer base, deposit balance and loan balance, establishing itself at the top of the industry, as well as becoming the only pure-play Internet bank with a deposit balance exceeding ¥3 trillion. These results are attributable to the significant synergistic contributions between the two parent companies, such as the expansion of SBI Hybrid Deposits through the collaboration of a SBI Group company SBI SECURITIES, and the expansion of the Internet Exclusive Housing Loans that we provide as a banking agency of the Sumitomo Mitsui Trust Bank, as well as efforts to enhance customer convenience through our own initiatives based on the "Customer-centric Principle." These efforts have been well received, and we have been selected No. 1 in the banking industry for five consecutive years by the Japan Customer Satisfaction Index (JCSI), reflecting the support of many of our customers.

In order to improve the loan-to-deposit ratio, as one of our challenges going forward, we will strengthen our housing loan business, and will increase and expand our retail loan products that meet the needs of our customers. Also, by expanding our settlement business, we will endeavor to increase our customer convenience, and strive to earn a stable fee income. Through these activities, we will work to establish a stable income and customer base, and promote the stabilization and diversification of our fund management, while also continuing to enhance customer convenience to solidify our status as the No. 1 Internet bank.

Financial Services Business

The housing loans, which are the mainstay loan products, can be broadly divided into two products. First, there are the loans that SBI Sumishin Net Bank makes directly to its customers (Mr. Housing Loan), and second are the Internet Exclusive Housing Loans that we provide as a banking agency of the Sumitomo Mitsui Trust Bank. The combined volume of the two products has surpassed the ¥1.8 trillion mark.

Other loans are also increasing steadily. The unsecured personal loans (Net Loans) that carry an annual interest rate of 3.5%, which is the lowest level in the industry, increased by 13.6% year-on-year to ¥56.1 billion as of March 31, 2014, and the cumulative total of auto loans increased by 50.6% to ¥233.0 billion.

In response to an increasing trend in financial crime on the Internet, from February 2014, we initiated the offering of a smartphone authentication service (Smart Authentication), to provide a safe and worry-free banking environment for our customers.

As a result of these activities, in FY2013 ordinary revenue reached ¥47.3 billion, up 17.6% year-on-year, ordinary income was ¥11.7 billion, up 48.4%, and SBI Sumishin Net Bank became the only pure-play Internet bank in Japan with ordinary

income exceeding ¥10.0 billion. Net income increased by 48.8% to ¥7.1 billion. (All financial results are based on JGAAP.)

SBI Insurance: Maintaining High Growth in the Number of Contracts and Insurance Premium Income

SBI Insurance's mainstay product, auto insurance, has been increasing substantially through contracts of customers switching from other insurers, along with new customers, as auto insurance policies in force increased by 20.4% year-on-year to approximately 650,000 (completion and receipt of insurance premiums basis, excluding continuing, expired or cancelled policies) as of March 31, 2014, for a compound annual growth rate for the period from March 31, 2010 to March 31, 2014 of 48.5%. Similarly, insurance premium income in FY2013 rose by 18.7% year-on-year to ¥23.2 billion, and the compound annual growth rate from FY2009 to FY2013 of 48.9% reflects its rapid growth.

In addition, the profitability improvement measures we have implemented have been successful, and the combined ratio (the ratio of the sum of insurance premium payment and expense to insurance premium income) fell below 100% to 98.8% in FY2013.



Hiroyoshi Kido

Representative Director and
President of SBI Insurance
Co., Ltd.

Further Improving Profitability and Group Synergies to Solidify the Business Base

Since its founding in January 2008, SBI Insurance has offered its customers auto insurance with affordable premiums, by rigorously building a low-cost operation that takes maximum advantage of the Internet, and by drawing on the expertise and experience that the SBI Group has accumulated in the online financial services business. Furthermore, we have set forth a management policy of “winning customer trust,” and focused on qualitative improvements in services, such as the enhancement of our customer support structure. As a result, the number of policyholders has grown to over 650,000 as of March 31, 2014.

From 2011, a series of measures to improve profitability were implemented, and in FY2013 the combined ratio was reduced to below 100%. Moving forward, we will endeavor to reduce the operating expense ratio and the loss ratio, by promoting further operating efficiencies and through rigorous risk management, and will simultaneously focus on service level improvements through the expansion and upgrade of our support structure.

Unlike other financial businesses, nonlife insurance is a business that requires a length of time to become profitable, but we have already achieved profitability in the first quarter of FY2014, and we will develop a stable business base by further improving profitability and deepening collaborations within the Group, with the objective of achieving full-year profitability on an IFRSs basis in FY2015.

SBI Insurance recorded a loss before income tax expense of ¥3.9 billion (on an IFRSs basis) for FY2013, which represents a year-on-year improvement of ¥1.1 billion. To reach a full-year profit on an IFRSs basis in FY2015, the company is undertaking further profitability improvement measures through the expansion of its product offerings to include insurance products other than auto insurance. In April 2014, it began selling its own cancer insurance in combination with cancer insurance products from other insurers. Offering products with different compensation details, and combining products to meet the needs of individual customers makes it possible to appeal to customers in new ways.

Also, the small-amount short-term insurance business has shown steady growth following their share acquisitions by the SBI Group. SBI SSI, which offers earthquake compensation insurance, has increased the number of contracts since it became a subsidiary in March 2012, and achieved full-year profitability in FY2013 for the first time since its establishment. SBI IKIIKI SSI (formerly IKIIKI SEDAI), which became a subsidiary in March 2013, offers medical insurance, medical insurance with relaxed underwriting conditions and death insurance. It, too, is achieving steady growth in the number of contracts in force and insurance premium income.

SBI MONEY PLAZA: Dramatic Growth in the Second Year of Operation

SBI MONEY PLAZA is the SBI Group's face-to-face sales channel. It operates a nationwide network of primarily

franchised SBI MONEY PLAZA face-to-face shops that offer securities, insurance and housing loans as a common infrastructure of the Financial Services Business. The number of shops was 361 as of March 31, 2014, and the company seeks to rapidly expand the network to 500 shops nationwide.

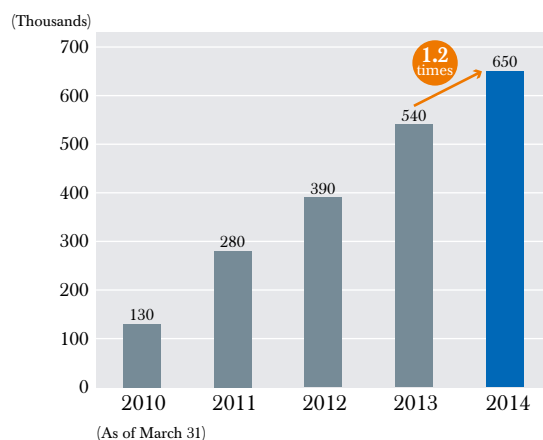
Customer deposit assets and the number of accounts have continued to rapidly increase since the start of operation in June 2012, and the company achieved operating profitability in FY2012, its first year of operation. Both revenue and income increased sharply in FY2013, with operating revenue increasing by approximately 1.8 times year-on-year to ¥4.1 billion, and operating income increasing by 29 times to ¥1.1 billion. (Both figures are based on JGAAP.)

Steady Growth from Other Businesses

Morningstar Japan provides rating information on investment trusts, and other financial products and websites. In FY2013, the company posted record-high operating income, ordinary income and net income (based on JGAAP). The company has achieved profit increases for ten consecutive years on a parent company basis (excluding consolidated subsidiaries).

In addition, SBI Holdings operates Japan's foremost financial comparison and estimate websites InsWeb and E-LOAN, and these businesses also continue to contribute to earnings as well.

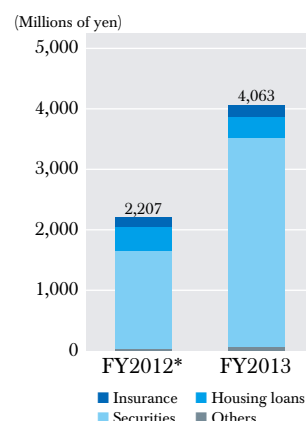
Number of Auto Insurance Contracts at SBI Insurance



* Completion and receipt of insurance premiums basis, excluding continuing, expired or cancelled policies

SBI MONEY PLAZA's Financial Results for FY2013 (JGAAP)

[Operating Revenue]



[Operating Income]

