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# Leaping Forward to Contribute Higher Value

Further evolutionary challenges toward a  
sustained expansion of corporate value

Since its establishment, the SBI Group has consistently adhered to the “Customer-centric Principle,” and along with a business strategy that befits the trend of the times, has been able to expand its business scale. Currently, an enhancement of earnings capacity is being sought by a thorough pursuit of the business “Selection and Concentration,” along with the continued maintenance of a level of investments required to realize further growth, with an increasing management emphasis on shareholder returns. The SBI Group is committed to the attainment of further rapid growth through continued self-evolution, as well as to steadfastly increase its corporate value.

# 01

## FY2014 Review

Along with operating revenue and operating income significantly exceeding the historical highs, ROE was recorded at 12.9%, which was a significant improvement over the previous fiscal year, and surpassed the current milestone target of 10%

The fiscal year ended March 31, 2015 (FY2014) commemorated the 15th year anniversary since the founding of the SBI Group, as well as the milestone year for the transition from a growth phase to a new dramatic growth phase.

With reference to the domestic and overseas stock markets that have a major impact on the investment and securities businesses, domestically, share prices initially softened owing to a slump in consumer spending after the consumption tax hike in April 2014. However, positive trends emerged in the second half of the fiscal year, with the Nikkei Stock Average recovering its pre-Lehman Brothers collapse levels, primarily owing to the additional monetary easing that was announced by the Bank of Japan in October 2014, as well as the recovery in corporate performance owing to the continued weakness of the yen on the foreign exchange markets, as a backdrop. There was also an increase in the number of domestic IPOs (excluding TOKYO PRO Market listings) to 86 companies, which was 33 companies more than for the previous fiscal year.

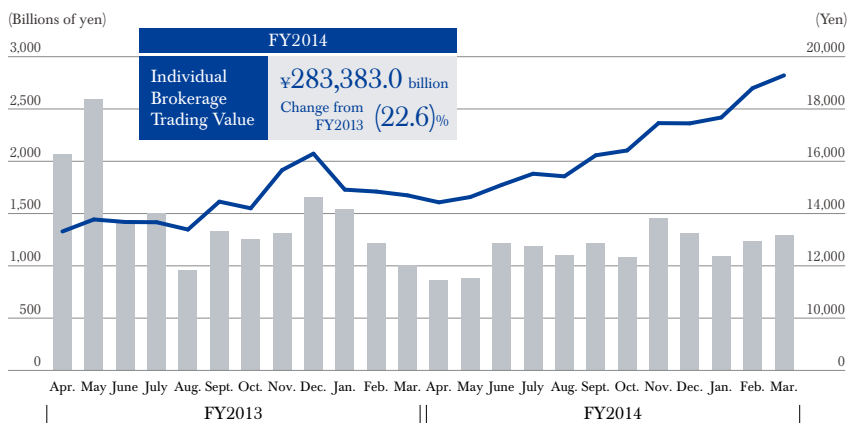
On the other hand, in the overseas markets, despite the moves toward the normalization of the U.S. monetary policy,

and the uncertainties surrounding the economic outlook for Europe and some emerging countries, the major stock markets continued their firm trend, and the number of IPOs increased significantly.

Under such circumstances, the consolidated financial results for SBI Holdings, based on the International Financial

Reporting Standards (IFRSs), showed significant growth in revenue and profits for FY2014. Operating revenue increased by 5.3% year-on-year in FY2014 to ¥245.0 billion, and operating income was 61.5% higher at ¥68.2 billion, which is not only the highest since the adoption of the IFRSs in FY2012, but also substantially higher than the past record high under the Japanese accounting standards (JGAAP). Profit before income tax expense was 62.1% higher year-on-year at ¥63.1 billion, and profit attributable to owners of the Company more than doubled with a 113.3% increase to ¥45.7 billion. Return on shareholders' equity (ROE), which is calculated as the ratio of profit to equity attributable to the owners of the Company, reached 12.9%, which is substantially higher than the previous fiscal year's figure of 6.8%, and well above the current milestone target of 10%.

Average Daily Individual Brokerage Trading Value\* / End-of-month Nikkei Stock Average



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

Source: Compiled by the Company from disclosed data from TSE

## To Our Stakeholders

By segment, in the Financial Services Business, almost all the major group companies, including SBI SECURITIES, SBI Japannext, SBI Liquidity Market, SBI FXTRADE, SBI MONEY PLAZA, Morningstar Japan, and SBI Sumishin Net Bank, set new record highs in terms of profits. In addition, companies operating at a loss, such as SBI Insurance and SBI Card, substantially reduced their losses, resulting in profit before income tax expense for this segment to increase by 80.5% year-on-year, to ¥67.3 billion.

In the Asset Management Business,

although the Group recorded losses resulting from share price declines of the listed stocks held, and the loss from the changes in the fair value of the U.S. shale gas-related stocks owing to the decline in crude oil prices, SBI Savings Bank of South Korea recorded profit before income tax expense of ¥16.7 billion, which was an increase of approximately 4.2 times from the previous fiscal year. As a result, profit before income tax expense for this segment was 9.5% lower year-on-year at ¥8.1 billion.

With reference to the Biotechnology-related Business, primarily owing to an

one-time loss resulting from the partial revaluation of a pipeline asset of a subsidiary of SBI Biotech, the results remained negative, with a loss before income tax expense of ¥7.3 billion. However, steady progress was made toward the achievement of profitability in this segment, owing to the meaningful increase in shipments of health foods and cosmetics containing 5-ALA, as a result of television advertising and an increase in the number of pharmacies and other outlets that handle these products, as well as an increase in the products offered.

# 02

## New Challenges for the Three Major Businesses

The SBI Group will continue its efforts to strengthen its profitability throughout the entire Group, with new initiatives in each business segment

## Promoting new initiatives in the Financial Services Business as a financial services innovator

In February 2015, the SBI Group re-entered the life insurance business through the acquisition of SBI Life Insurance (formerly PCA Life Insurance) as a consolidated subsidiary, completing the domestic financial

## Topics for the Year

2014

- Apr.** **Biotechnology-related Business**  
Started sales of a Aladuck LS-DLED, a bicolor medical LED light source.
- May** **Financial Services Business**  
The number of accounts at SBI Sumishin Net Bank surpassed 2 million.
- Asset Management Business**  
Entrusted by South Korean government affiliated institutions to manage funds including “KONEX Market Vitalization Fund” and “Overseas Expansion Platform Fund.”
- June** **Asset Management Business**  
Entrusted by South Korean government affiliated institutions to manage funds including “Digital Contents Fund” and “2014 KIF Fund.”
- Financial Services Business**  
The number of accounts at SBI SECURITIES surpassed 3 million.

- June** **Financial Services Business**  
SBI Insurance earned its first quarterly profit since its founding.
- Corporate**  
Information Meetings (briefings for individual shareholders) held in Tokyo, Osaka, and Nagoya.
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- Aug.** **Corporate**  
SBI Mortgage (currently ARUHI) share transfer completed.

- Oct.** **Asset Management Business**  
SBI Savings Bank merged with its subsidiary banks.
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- Nov.** **Financial Services Business**  
The balance of deposits at SBI Sumishin Net Bank reached the ¥3.5 trillion milestone.
- Dec.** **Corporate**  
Information Meetings (briefings for individual shareholders) held in Tokyo, Osaka, and Nagoya.

ecosystem consisting of the three core businesses of securities, banking and insurance. The synergies that this financial ecosystem creates may be considered one of the Group's most important strengths, and going forward, various steps will be taken to further strengthen this financial ecosystem.

In the securities business, while endeavoring to maintain its position as the leading online securities company in terms of the customer base, including the number of accounts and customer deposit assets, as well as in stock brokerage trading value share and profitability, SBI SECURITIES has already far surpassed the major face-to-face securities companies in the retail business in Japan. Therefore, the Group believes that SBI SECURITIES has moved beyond competition with other online securities companies in Japan, and that in order to pursue a strategy to rank among the major face-to-face securities companies, it must now move to further expand its corporate business, including underwriting, distribution and trading, as well as to further strengthen the rapidly growing retail business.

In the banking business, SBI Sumishin Net Bank has announced that SBI Card will become its subsidiary as of October 2015, and this will allow SBI Sumishin Net Bank

to make a full-fledged entry into the credit card business, which it expects to cultivate as one of its core businesses.

In the insurance business, SBI Insurance is expecting the realization of a full-year profitability for FY2015, and is progressing toward the expansion of its product offerings through the development of fire insurance, in addition to its auto insurance. With the establishment of SBI Life Insurance, preparations are underway for the resumption of efforts to attract new policyholders, as the Group considers a foray into the reinsurance business to strengthen the earnings capacity of the insurance companies. Additionally, considerations are being made for the establishment of an insurance holding company, to improve the operating efficiency of the insurance business, as well as to maximize Group synergies for this business.

### The Asset Management Business' thorough pursuit of scale expansion and improvements in investment quality

In the venture capital business, management is endeavoring to expand its operational

scale through the establishment of a ¥15.0 billion flagship fund in Japan, and preparations are already underway for the establishment of Number 2 Funds, which are bigger than the existing Number 1 Funds overseas, through capital contributions from outside investors.

In the overseas financial services business, SBI Savings Bank of South Korea has completed its business revitalization efforts, and along with changes in its management structure and measures to expand its credits, is now pursuing a growth strategy toward the realization of an early IPO.


Also, owing to the dramatic increase in the total assets managed by the Group, considerations are being made for the establishment of a company that will preside over the assets managed, with the intention of restructuring and strengthening the Group-level asset management organization.

### The Biotechnology-related Business is pursuing an early profitability realization, led by the 5-ALA-related business, which has already transitioned to the monetization phase

In the Biotechnology-related Business, SBI

## 2014/2015

**Dec.** **Biotechnology-related Business**  
 Patent obtained relating to use of 5-ALA as the active ingredient of a prophylactic/ameliorating agent for adult diseases.



**Jan.** **Biotechnology-related Business**  
 Patent licensing agreement concluded with Cosmo Oil.

**Financial Services Business**  
 SBI Sumishin Net Bank's cumulative total of housing loans exceeded ¥2.1 trillion.

**Feb.** **Financial Services Business**  
 PCA Life Insurance (currently SBI Life Insurance) converted into a consolidated subsidiary.

**Biotechnology-related Business**  
 Started sales of the medical light source "Violet LD Light Source Alcedo LS-VSD."



**Corporate**  
 SBI Life Living share transfer completed.

**Asset Management Business**  
 Investment company established jointly with Finansa, a comprehensive financial group in Thailand.

**Mar.** **Financial Services Business**  
 Bank agency business started at SBI MONEY PLAZA.

**Asset Management Business**  
 Memorandum of understanding on a business alliance signed with Rizal Commercial Banking Corporation, a leading financial institution in the Philippines.

**Biotechnology-related Business**  
 ALApi full-body moisturizing cream launched.



Pharmaceuticals has conducted global R&D collaborations for 5-ALA with over 90 research organizations, and as a result, steady progress has been made in various fields, including clinical trials in preparation for the use of 5-ALA-based pharmaceutical products in Japan and abroad. Moving

forward, an early stage profitability will be sought through an alliance strategy that includes the licensing-out of technology to major companies in the health food business. Additionally, SBI Biotech, which is seeking to realize an IPO, has been working with leading research organizations in

several countries on promising medical and pharmaceutical R&D pipelines, utilizing leading-edge technology.

# 03

Further Implementation of Business “Selection and Concentration”  
to Realize a Sustainable Increase in Corporate Value

## Shifting from a scale expansion emphasis for the completion of an Internet-based financial ecosystem, to a system that emphasizes profitability and shareholder returns

The SBI Group has established the world’s first Internet-based financial conglomerate that includes an array of businesses, such as securities, banking and insurance, as well as prioritized the establishment of a business ecosystem domestically and abroad by transferring the financial ecosystem to other countries, especially in Asia. Since FY2010, through the thorough pursuit of business “Selection and Concentration,” a transition to a management approach that emphasizes profitability has been enacted, and moving forward there will be a further emphasis on shareholder returns.

The business “Selection and Concentration” strategy includes IPOs, the sale of non-core businesses, and an in-depth restructuring of the Group’s internal organization. Since FY2011, these efforts, which include the sale of subsidiaries, have resulted in the recovery of funds totaling over ¥45.0 billion, and in FY2014, approximately ¥16.6 billion was recovered through the sale of real estate holdings. Through intensively investing part of the recovered cash into the Group’s three core businesses, a significant improvement in the performance of loss-making companies, and a substantive increase in the earnings of profitable companies were realized, thereby further strengthening the

Group-wide earnings potential. In FY2015, the ownership of SBI Card will be transferred to SBI Sumishin Net Bank, as a part of the continued commitment to the ongoing process of business “Selection and Concentration.”

Furthermore, the strong business performance in FY2014 was reflected in the shareholder returns, with ordinary dividend increased by ¥10, to ¥30 per share. In order to commemorate the 15th year anniversary of the founding of the SBI Group, a ¥5 commemorative dividend was implemented, bringing the full-year dividend total for FY2014 to ¥35, a year-on-year increase of ¥15. Additionally, owing to the repurchase of shares worth approximately ¥10.0 billion during May and June 2015, which was equivalent to 2.6% of the total issued shares outstanding, the total shareholder returns, including dividends and the share repurchases, amounted to approximately ¥17.6 billion, which equates to a total shareholder return ratio of 38.5%.

As the Group aspires to achieve its next stage ROE milestone target of 15% and shareholder return ratio of 40%, a balanced allocation of profits and cash generated for future investments and shareholder return will be strategized, in order to

further strengthen the Group’s earnings capacity.

In FY2015, as the Group enters into a new growth phase of rapid expansion and evolution, it will implement an array of measures to achieve a sustainable increase in corporate value. As such, the continued support of all shareholders will be greatly appreciated, as the SBI Group will continue to undertake new challenges.

**Yoshitaka Kitao**

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