

SBI Holdings, Inc. 2016 Information Meeting

May 23

Tokyo

May 27

Osaka

May 30

Nagoya

The items in this document are provided as information related to the financial results and the business strategy of the SBI Group companies and not as an invitation to invest in the stock or securities issued by each company.

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Today's Program

**Part I: Explanations for the
Key Questions**

Part II: Q&A

Part I: Key Questions

- 1. Summary of the FY2015 consolidated financial results**
- 2. How do you see the current business environment surrounding the SBI Group?**
- 3. Considering the current business environment, what are the focused measures to be undertaken for FY2016?**
- 4. What are the med- and long-term business strategies that have been implemented to sustain continued high growth?**
- 5. Management's thoughts on SBI Holdings' shareholder returns and the current shareholder composition**

- 1. Summary of FY2015 consolidated financial results**
 - (1) FY2015 consolidated performance**
 - (2) Highlights of FY2015 consolidated performance**

(1) FY2015 consolidated performance

FY2015 Consolidated Performance (IFRS)

(Unit: JPY million)

	FY2014 (Apr. 2014 - Mar. 2015)	FY2015 (Apr. 2015 - Mar. 2016)	YoY % change
Revenue	247,423	261,744 Historical high	+5.8
Profit before income tax expense	63,067	52,227	-17.2
Profit for the period	39,314	36,666	-6.7
Profit attributable to owners of the Company	45,721	34,115	-25.4
Ratio of profit equity attributable to the owners of the Company (R O E, %)	12.9	9.0	-3.9 p.

FY2015 Profit before Income Tax Expense Increased 19.1% Year-on-year, in Comparison with Figures Excluding the One-time Effect from the Sales of ARUHI (formerly SBI Mortgage) and SBI Life Living Recorded in FY2014

[FY2015 Period Consolidated Performance (IFRS: Year-on-year)]

(Unit: JPY million)

	FY2014 (Apr. 2014 - Mar. 2015)	FY2015 (Apr. 2015 - Mar. 2016)	YoY % change
Revenue excluding the previous FY's special factors	221,072	261,744	+18.4
Profit before income tax expense excluding the previous FY's special factors	43,840	52,227	+19.1

Special factors of FY2014 consolidated financial results (IFRS)

(Unit: JPY million)

	Revenue	Profit before income tax expense
Effect from the sale of ARUHI (formerly SBI Mortgage)	20,322	17,065
Effect from the sale of SBI Life Living	6,029	2,162
Total	26,351	19,227

FY2015 Revenue by Segment (IFRS) ^{*1}

[Year-on-year]

(Unit: JPY million)

	FY2014 (Apr. 2014 - Mar. 2015)	FY2015 (Apr. 2015 - Mar. 2016)	YoY % change
Financial Services Business	160,093 ^{*2}	159,012	-0.7
Figures excluding the effect from the sale of ARUHI (formerly SBI Mortgage)	139,771	159,012	+13.8
Asset Management Business	71,316 ^{*2}	98,725	+38.4
Biotechnology- related Business	2,183	4,021	+84.3
Others	15,731	2,259	-85.6
Figures excluding the effect from the sale of SBI Life Living	9,702	2,259	-76.7

^{*1} Figures are before elimination of inter-segment transactions

^{*2} Revenue for FY2014 decreased by JPY 4,607m in the Financial Services Business, and increased by JPY 5,001m in the Asset Management Business, owing to the segment transfer of Morningstar Japan and other companies from the Financial Services Business to the Asset Management Business segment
(Difference of JPY 394m is eliminated as inter-segment transactions)

FY2015 Profit before Income Tax Expense by Segment (IFRS)

[Year-on-year]

*1
(Unit: JPY million)

	FY2014 (Apr. 2014 - Mar. 2015)	FY2015 (Apr. 2015 - Mar. 2016)	YoY change (YoY % change)
Financial Services Business	66,524 ^{*2}	50,458	-16,066 (-24.2)
Figures excluding the effect from the sale of ARUHI (formerly SBI Mortgage)	49,459	50,458	+999 (+2.0)
Asset Management Business	8,917 ^{*2}	17,996	+9,079 (+101.8)
Biotechnology-related Business	-7,310	-6,572	+738 (—)
Others	2,779	-835	-3,614 (—)
Figures excluding the effect from the sale of SBI Life Living	617	-835	-1,452 (—)

*1 Figures are before elimination of inter-segment transactions

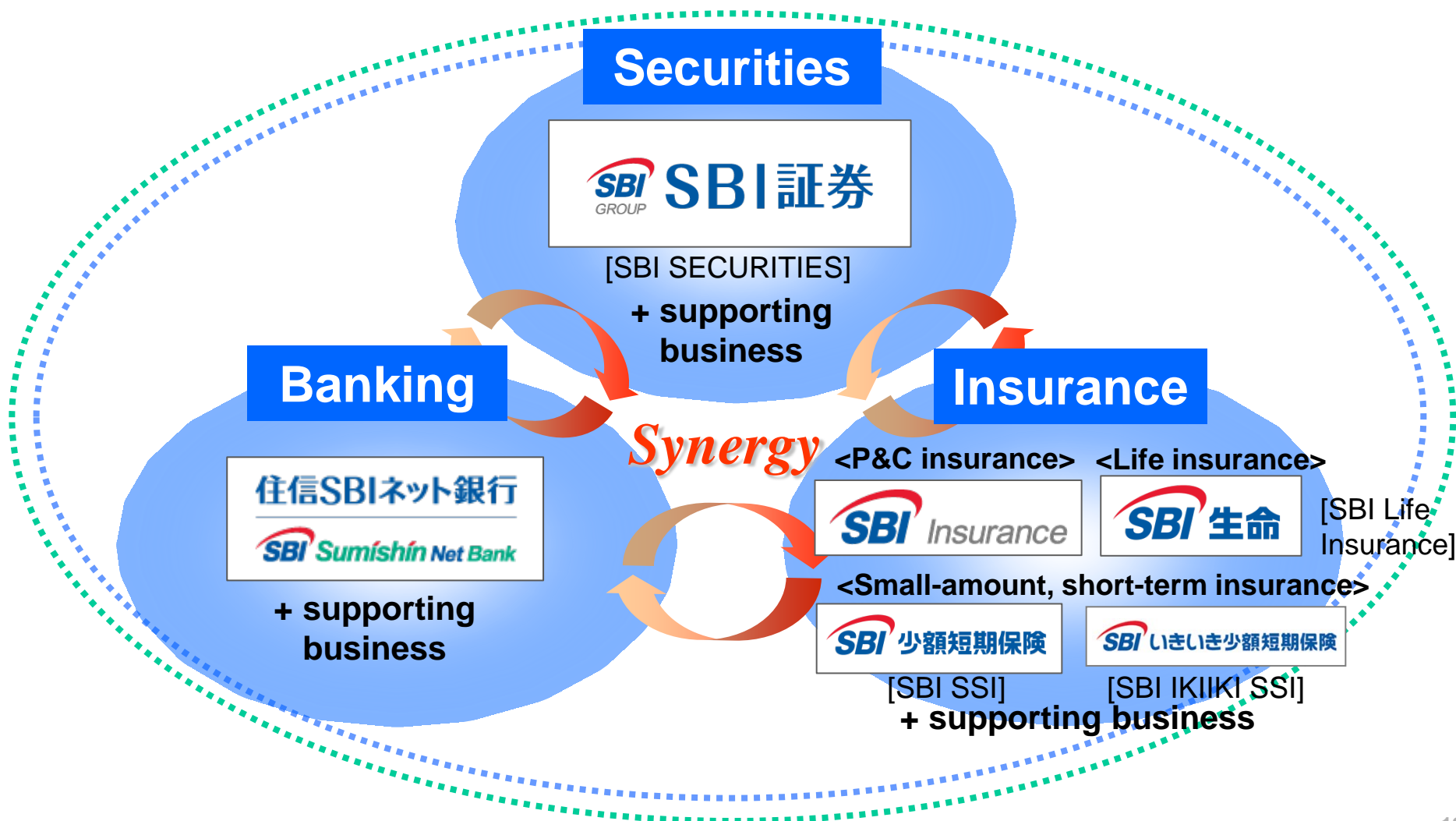
*2 Profit before income tax expense for FY2014 decreased by JPY 785m in the Financial Services Business, and increased by JPY 785m in the Asset Management Business, owing to the segment transfer of Morningstar Japan and other companies from the Financial Services Business to the Asset Management Business segment

(2) Highlights of FY2015 consolidated performance

- ① In the Financial Services Business, the domestic financial ecosystem was completed, and its profitability has significantly increased through the creation of synergies and mutual evolution**
- ② The near completion of the business “Selection and Concentration” also contributed to the increase in profitability**
- ③ In the Asset Management Business and the Financial Services Business, transitioning to a stage of development and growth, by acting in concert and mutually supporting each other**
- ④ In the Biotechnology-related Business, with the launch of “ALA Plus Tou (Sugar) Down,” a food with functional claims containing 5-ALA, resulting in a rapid sales growth, entering into a monetization phase**

- ① In the Financial Services Business, the domestic financial ecosystem was completed, and its profitability has significantly increased through the creation of synergies and mutual evolution**
- The results of SBI SECURITIES, which is the largest “cash cow” of the Financial Services Business, achieved record high profits for three consecutive periods**
 - SBI Insurance and SBI Remit, which were unprofitable business entities, achieved first full-year profitability**
 - Other major Financial Services Business companies also achieved record high profits**

With the Three Core Businesses, Consisting of the Securities, Banking and Insurance Businesses, Exerting Mutually Synergistic Effects and Achieving Mutual Evolution, the Financial Services Business has Completed a System which Embodies Competitive Advantages and Differentiates Itself from Its Competitors



SBI SECURITIES, which has Promoted a Diversification of Its Earnings Sources, Recorded Historical Highs in Operating Revenue and in All Profit Categories for Three Straight Fiscal Years

SBI SECURITIES FY2015 Period Consolidated Results (J-GAAP) [Year-on-year] (Unit: JPY million)

	FY2014 (Apr. 2014 - Mar. 2015)	FY2015 (Apr. 2015 - Mar. 2016)	YoY % change
Operating Revenue	77,577	89,786	+15.7
Net Operating Revenue	72,188	82,906	+14.8
Operating Income	34,680	39,881	+15.0
Ordinary Income	34,736	39,889	+14.8
Profit attributable to owners of the Company	20,127	28,087	+39.5

* Since SBI SECURITIES discloses its financial results on a consolidated basis from FY2015, the figures and YoY changes presented above are based on the non-consolidated results for FY2014

Positioning of SBI SECURITIES in the Securities Industry

(4Q FY2015 & full-year FY2015)

(Unit: JPY billion)

Net Income Ranking (4Q FY2015)

1	Daiwa	21.3	(-44.7)
2	Mizuho	10.8	(-32.5)
3	SBI	9.4	(+72.5)
4	MUFJ	8.7	(-4.3)
5	Rakuten	4.9	(+40.1)
6	Matsui	2.8	(-39.4)
7	SMBC Nikko	1.9	(-89.5)
8	Okasan	1.8	(-8.2)
9	Tokai Tokyo	1.7	(-55.7)
10	GMO CLICK	1.4	(+18.6)
10	kabu.com	1.4	(-41.3)
12	Kyokuto	0.6	(-57.7)
13	Aizawa	0.4	(-55.1)
14	Ichiyoshi	0.3	(-55.7)
14	Marusan	0.3	(-54.1)
14	Monex (IFRS)	0.3	(-78.1)
17	SMBC Friend	0.2	(-78.0)
17	IwaiCosmo	0.2	(-76.0)
19	Mito	-0.06	(Deficit)
20	Toyo	0.5	(Deficit)
21	Nomura (US-GAAP)	-19.2	(Deficit)


Net Income Ranking (FY2015)

1	Nomura (US-GAAP)	131.5	(-41.5)
2	Daiwa	116.8	(-21.3)
3	Mizuho	61.1	(+4.3)
4	MUFJ	43.2	(-15.2)
5	SMBC Nikko	42.1	(-35.0)
6	SBI	28.0	(+39.5)
7	Rakuten	15.2	(+18.8)
8	Matsui	14.7	(-5.2)
9	Tokai Tokyo	12.4	(-32.8)
10	Okasan	11.0	(-21.5)
11	kabu.com	8.0	(+4.9)
12	GMO CLICK	6.4	(+32.9)
13	SMBC Friend	5.3	(-54.9)
14	Monex (IFRS)	3.5	(+1.7)
15	IwaiCosmo	3.4	(-21.2)
16	Kyokuto	2.8	(-49.3)
17	Marusan	2.7	(-42.6)
18	Ichiyoshi	2.5	(-23.9)
19	Mito	1.9	(-20.2)
19	Aizawa	1.9	(-42.0)
21	Toyo	1.5	(-46.1)


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

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

SBI Insurance and SBI Remit, which were Unprofitable Business Entities, Achieved Their First Full-year Profitability since Their Establishment

 **SBI損保** (Non-life insurance: Started its business in Jan. 2008)

- In its ninth year of operation, the company achieved full-year profitability under IFRS for the first time through steady accumulation of insurance contracts, mainly automobile insurance, and rigorous cost reduction

 **SBI Remit** (International money remittance service: Started its business in Dec. 2010)

- Philippines bound remittances increased steadily
- Vietnam and China bound remittances rapidly increased

Profit before income tax expense (IFRS)

(Unit: JPY million, Amounts are rounded to the nearest JPY million)

	FY2014 (Apr. 2014 - Mar. 2015)	FY2015 (Apr. 2015 - Mar. 2016)	YoY change
SBI Insurance	-618	90	+708
SBI Remit	-137	111	+248

Other Major Financial Services Business also Achieved Record High Profits

Profit before income tax expense (IFRS)

(Unit: JPY million, Amounts are rounded to the nearest JPY million)

	FY2014 (Apr. 2014 - Mar. 2015)	FY2015 (Apr. 2015 - Mar. 2016)	YoY change (YoY % change)
SBI Liquidity Market	3,046	Historical High 3,303	+257 (+8.4)
SBI FXTRADE	1,695	Historical High 1,897	+202 (+11.9)
SBI Japannext	1,081	Historical High 1,493	+412 (+38.1)
SBI MONEY PLAZA	1,496	Historical High 1,751	+255 (+17.0)
SBIH Comparison Website Business	1,666	Historical High 1,756	+90 (+5.4)
SBI Benefit Systems	156	Historical High 251	+95 (+60.8)

Note: Owing to the difference in IFRS and J-GAAP for asset assessment criteria, the figures are different from that disclosed by each company

**② The near completion of the business
“Selection and Concentration” also
contributed to the increase in profitability**

Generation of Cash Flow through the “Selection and Concentration” Process

Sales and transfer of non-core subsidiaries

[Subsidiaries sold after Mar. 2012]

- SBI VeriTrans (currently VeriTrans), Wall Street Journal Japan, SBI Capital Solutions, SBI Mortgage (currently ARUHI) and SBI Life Living

[Subsidiaries sold and transferred in FY2015]

- SBI Card (transferred to SBI Sumishin Net Bank in Oct. 2015)
- Autoc One (Mar. 2016)



Recovered JPY 50bn in total through sales of subsidiaries, including partial sales, since Mar. 2012

Sales of real estate holdings

Continued the sales of real estate holdings, recovering a total of approx. JPY 17.8bn in FY2014 and FY2015. Will continue to promote the sales of the remaining real estate holdings, worth approx. JPY 3bn

The Business “Selection and Concentration” is almost Completed

Determined the sales of Phnom Penh Commercial Bank in Cambodia

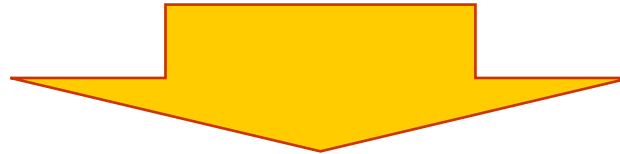


ធនាគារ ភ្នំពេញ កម្ពុជា
Phnom Penh Commercial Bank

SBI Group's shareholding: 47.6%* (As of the end of Mar. 2016)



SBI Group's shareholding, including
dilutive shares: 91.0%



With a consortium led by Jeonbuk Bank of South Korea, have already signed an agreement to transfer the entire shares of Phnom Penh Commercial Bank for a total of USD 134m, and the sale is expected to be completed upon the authorizations from the relevant South Korean and Cambodian financial authorities

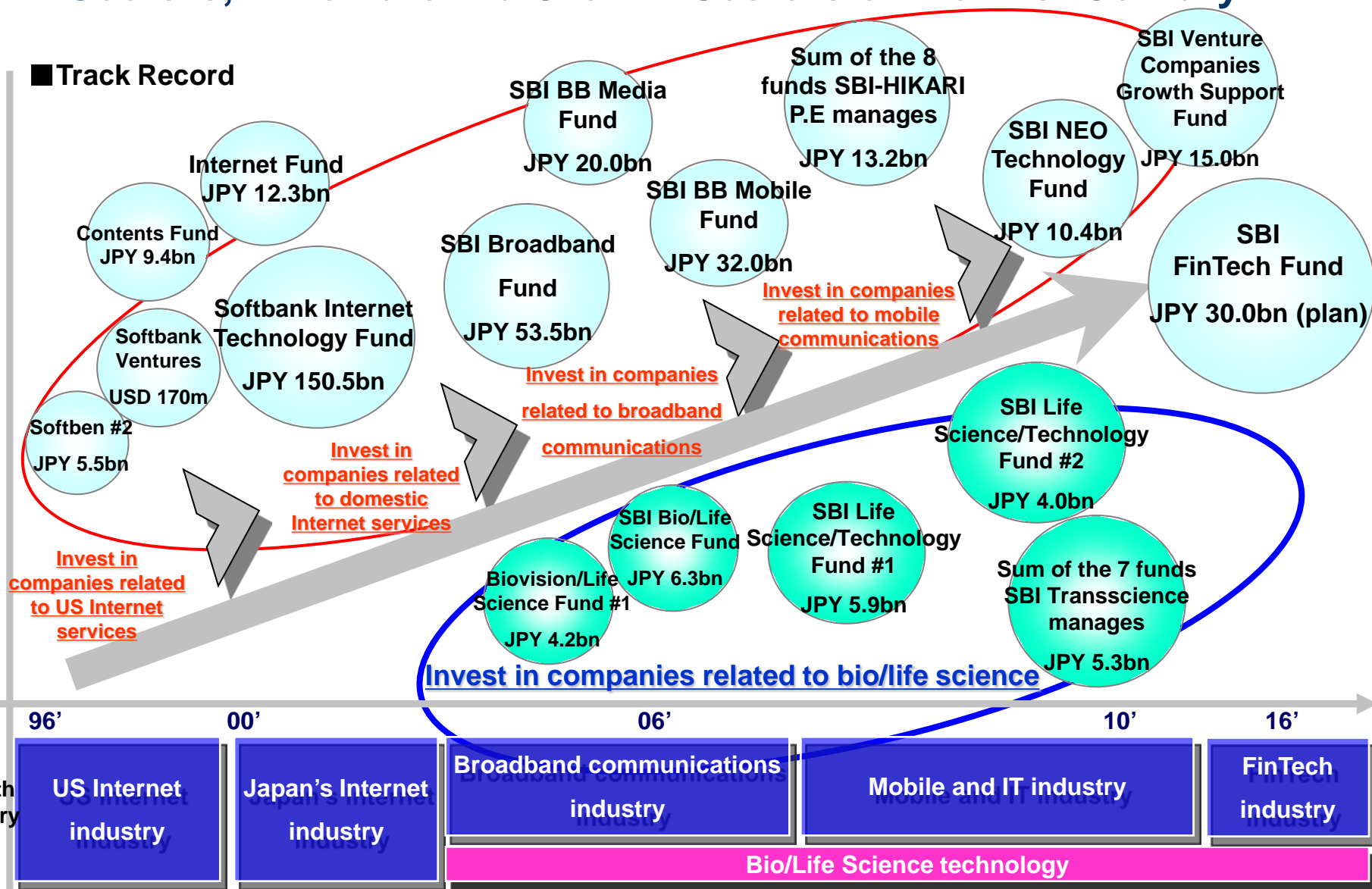
➔ On the basis of the current estimates, plans to recover about JPY 10-11bn, which will have a positive effect of approx. JPY 4bn for profit before income tax expense within 1H FY2016 (includes selling expenses and such at the time of sale)

The sale of NARUMIYA INTERNATIONAL (manufacture, processing and sales of children's wear and related products) and others are being prepared

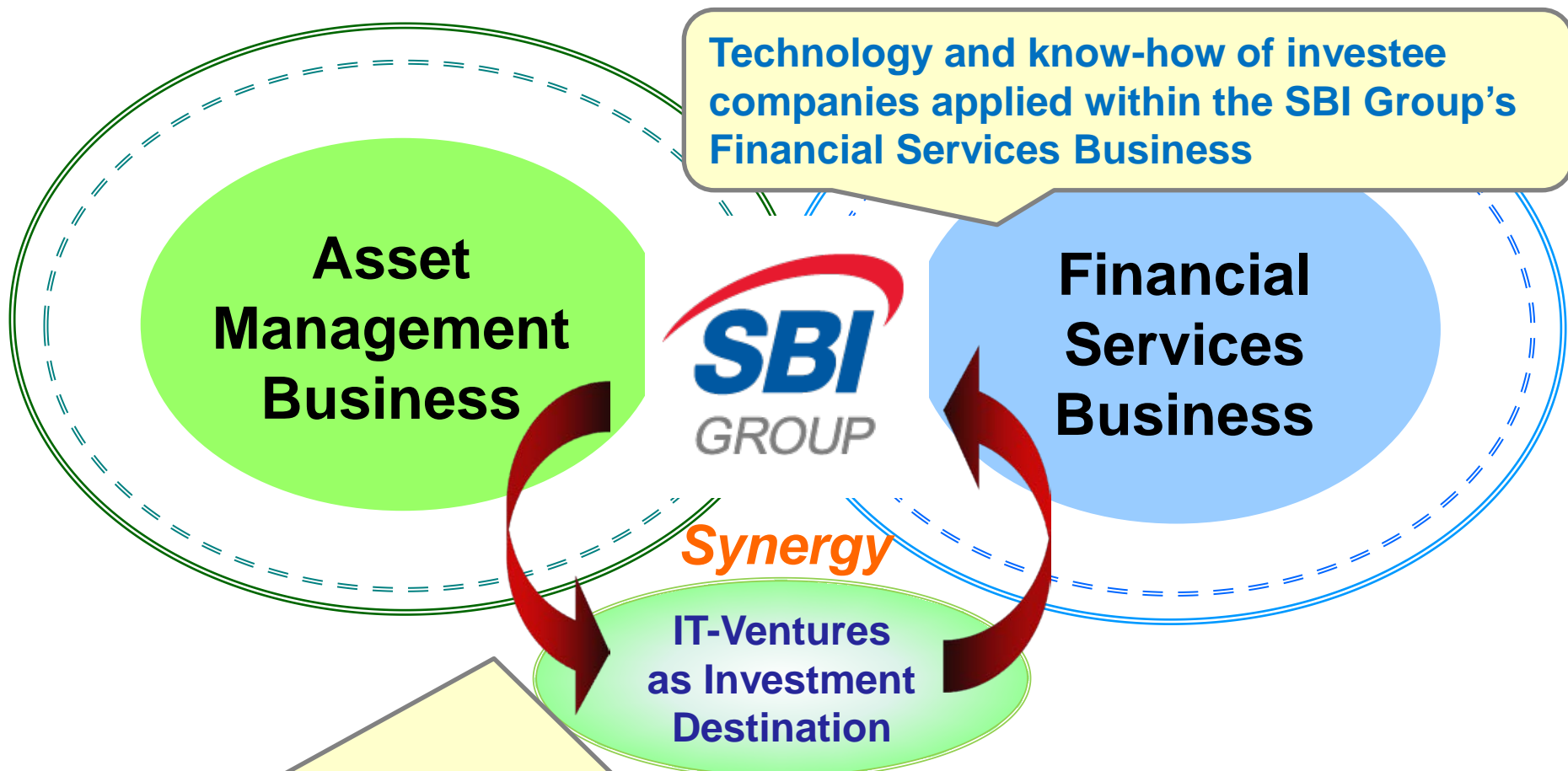
- ③ **In the Asset Management Business and the Financial Services Business, transitioning to a stage of development and growth, by acting in concert and mutually supporting each other**
- **Focused investments into the IT sector has produced a positive impact on both the Asset Management Business and the Financial Services Business, leading to contributions in their profitability**
 - **SBI Savings Bank in South Korea has completed revitalization and continues on a profit growth track thanks to an improving non-performing loan balance, a falling delinquency ratio, and other positive developments**

Since Its Establishment in 1999, SBI has Promoted Venture Capital Investments Primarily into the IT and Biotechnology Sectors, which are the Growth Sectors of the 21st Century

■ Track Record



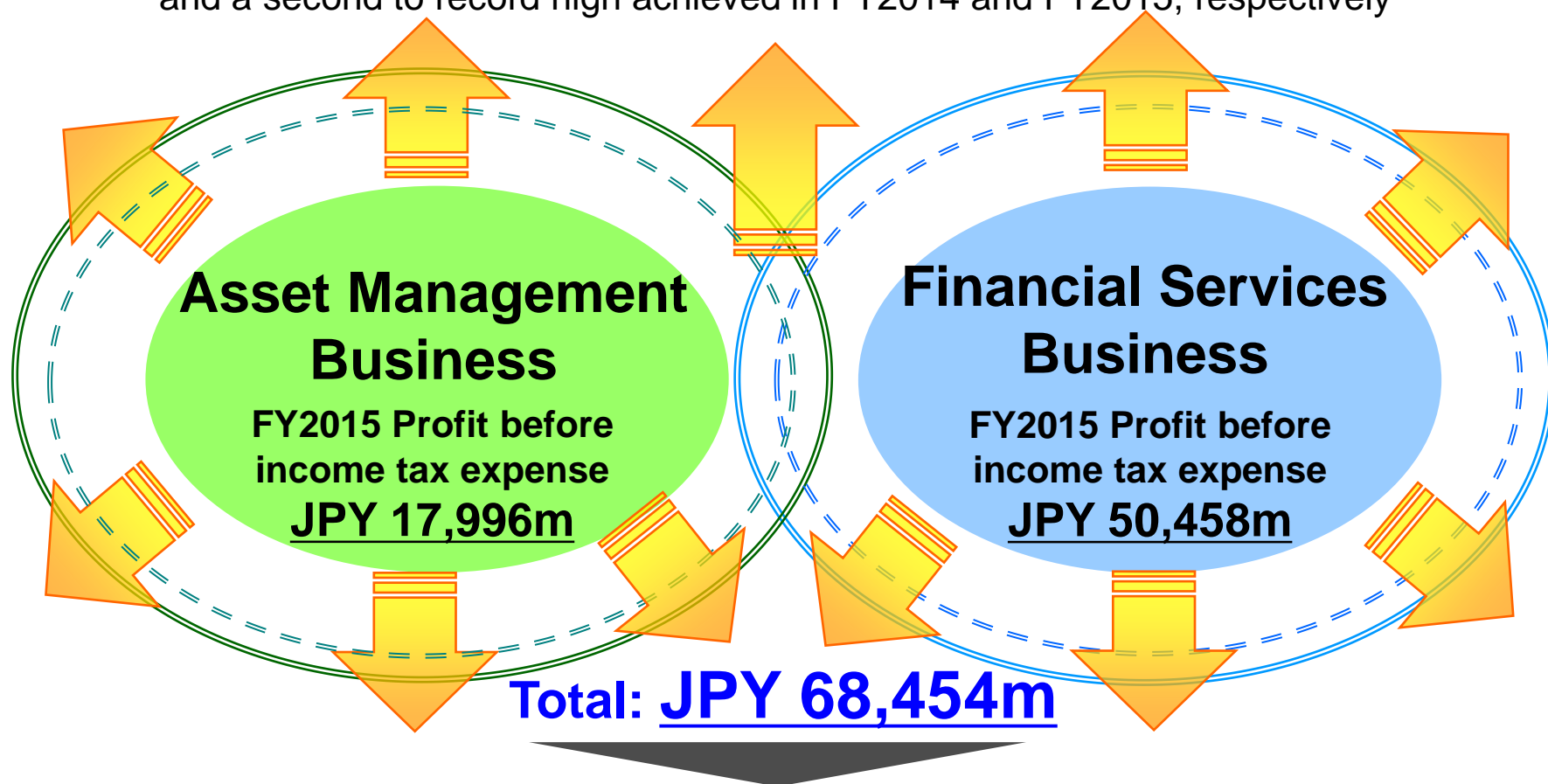
IT Focused Investments Positively Impacted Both the Asset Management Business and the Financial Services Business, and Contributed to Their Development



The Financial Services Business, which uses the Internet as its main sales channel, is deepening the Group's knowledge of IT technologies and leading to more precise investing and high performance (average IRR of 13.1%) of the operated funds established since the second half of the 1990s.

The Financial Services Business and the Asset Management Business were the Two Pillars that Led the Positive Financial Results Achieved in FY2015

Also in FY2015, the Financial Services Business and the Asset Management Business led the results, with operating income of JPY 38.5bn and JPY 10.4bn, respectively, toward a then consolidated operating income record of JPY 49.6bn, which was exceeded by a record high and a second to record high achieved in FY2014 and FY2015, respectively

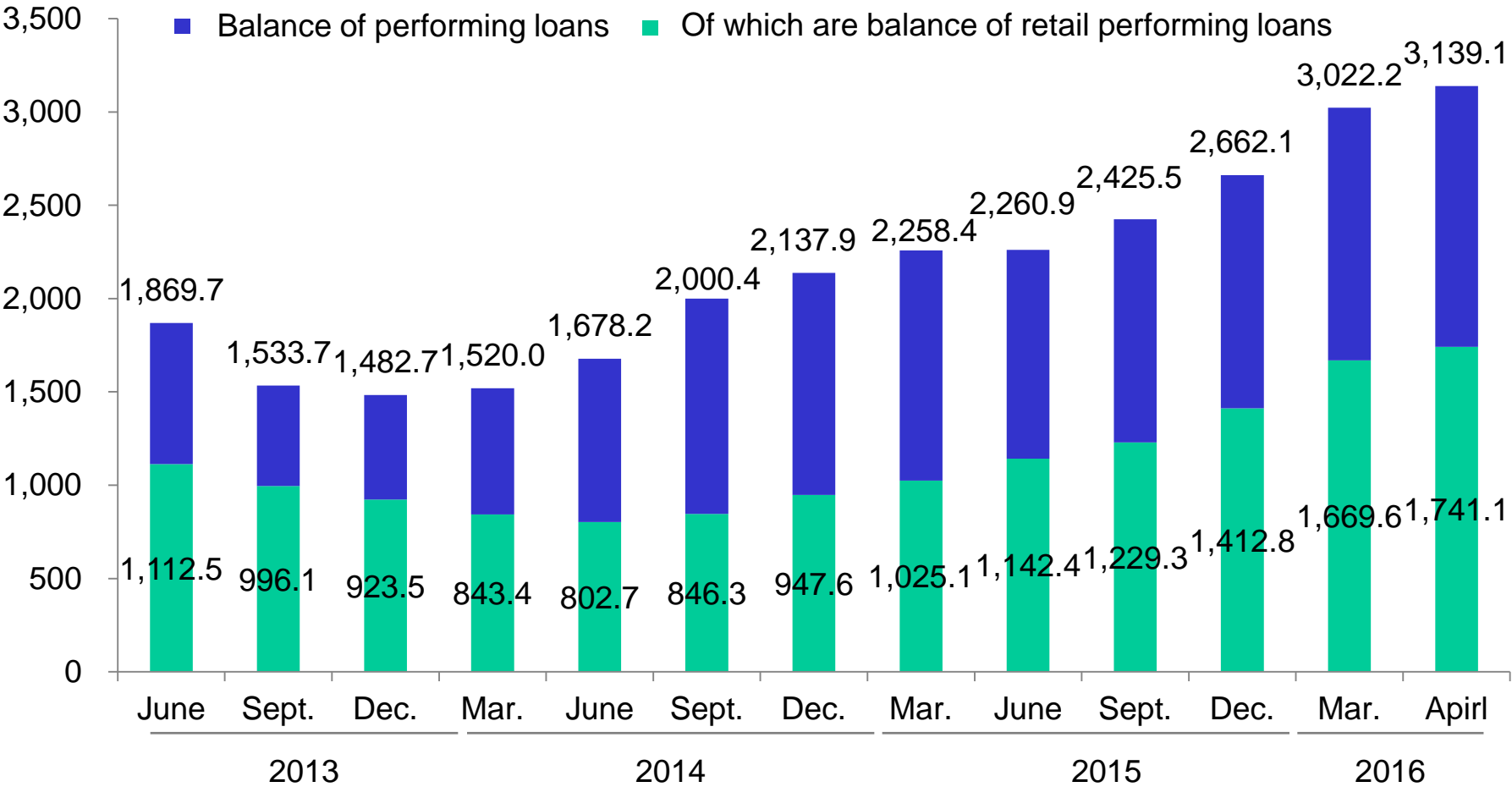


FY2015 Consolidated profit before income tax expense: JPY 52,227m

SBI Savings Bank of South Korea's Balance of Performing Loans Increased Steadily, Primarily in the Retail Sector

Balance of Performing Loans*

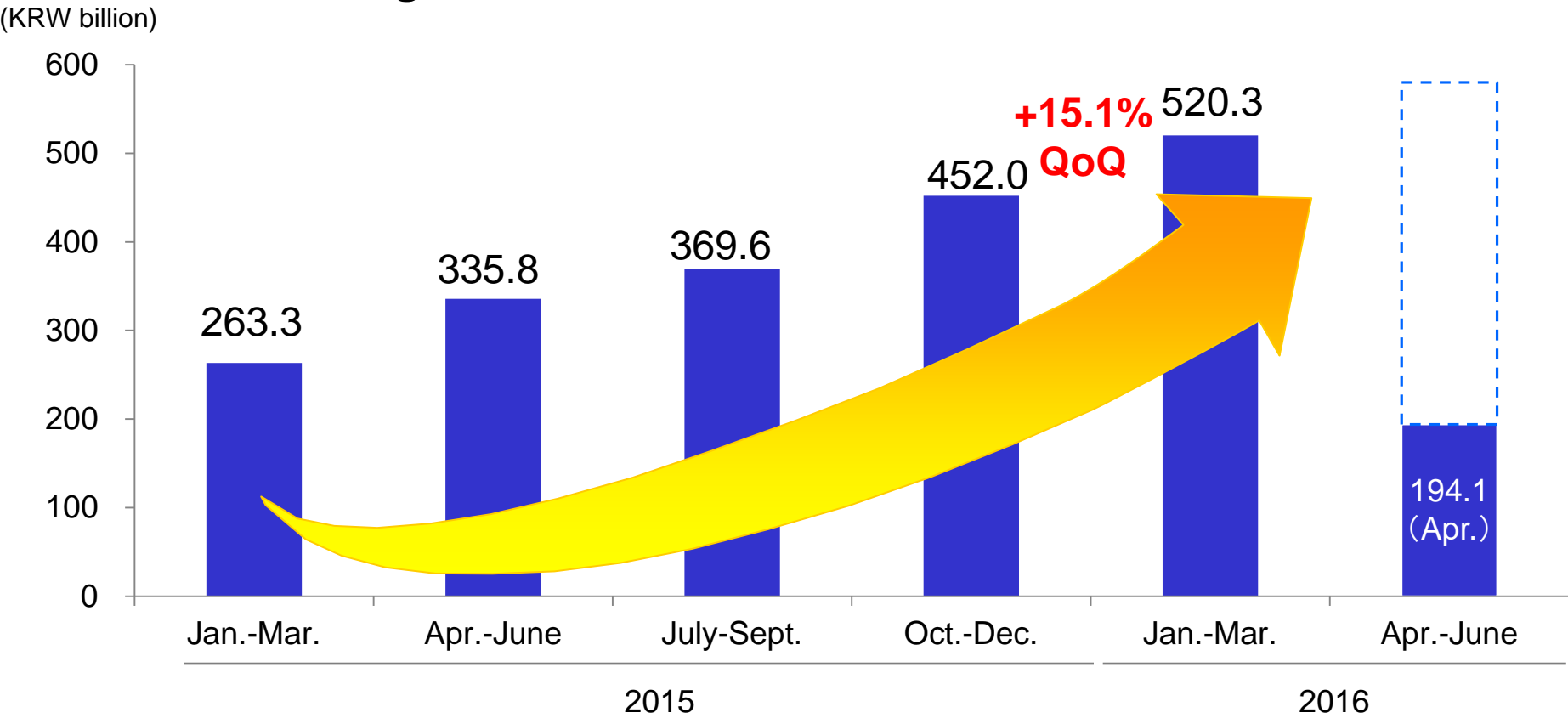
(KRW billion)



* Based on K-GAAP

With the Release of the Retail Mobile Credit Loan Product “Cyder” in Dec. 2015, New Retail Credits Increased Steadily

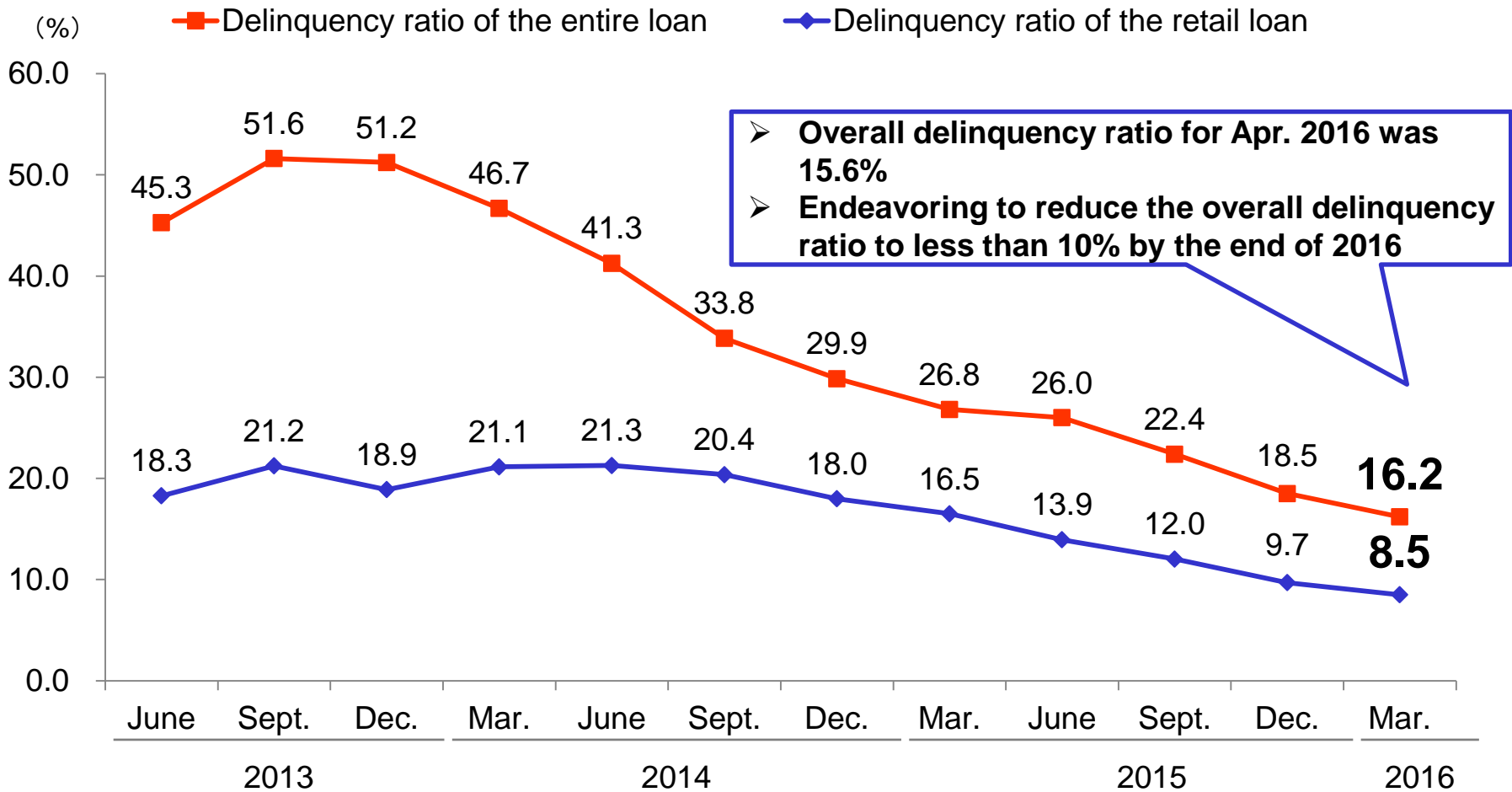
Change in New Retail Credits Since Jan. 2015*



* Based on K-GAAP

Loan Quality Improved Significantly

Change in Delinquency Ratio*



* Based on K-GAAP

Profitability of the Core Loan Business has Steadily Increased

Net interest income (interest income minus interest expense), a measure of profit in the loan business, remained stable and the bank has established a structure capable of generating profits from its core operations

Quarterly Financial Results based on K-GAAP

(KRW billion)

	July - Sept. 2015 (1Q FY2015)	Oct. - Dec. 2015 (2Q FY2015)	Jan. - Mar. 2016 (1Q FY2016)
Operating revenue	110.0	118.8	120.7
Profit for the period	5.9	11.3	12.9

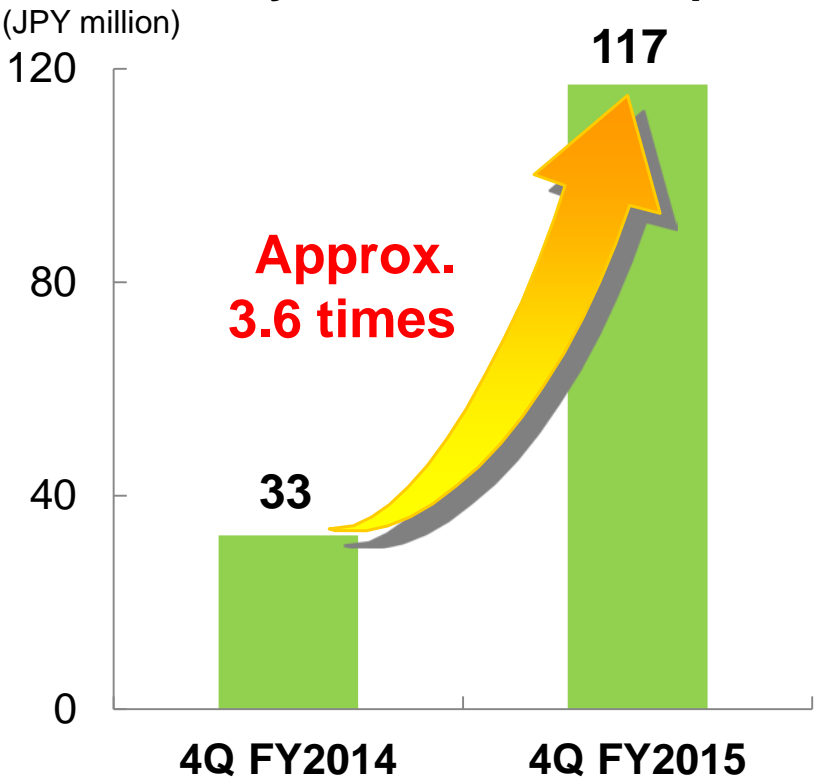
*1 The results for 1Q FY2016 are preliminary results, which are not subject to an audit by the auditor
*2 Irregular accounting for 6 months, owing to a change in terms for the fiscal year ended Dec. 2015, because of an amendment to the law

- ④ **In the Biotechnology-related Business, with the launch of “ALA Plus Tou (Sugar) Down,” a food with functional claims containing 5-ALA, resulting in a rapid sales growth, entering into a monetization phase**

Sales of “ALA Plus Tou (Sugar) Down,” a Food with Function Claims Containing 5-ALA, Rapidly Expanded upon Launch

Of the 9,498 consulting pharmacies and drugstores that offer SBI ALApromo products, there already are 7,822 stores that offer “ALA Plus Tou (Sugar) Down” (As of the end of April, 2016)

Quarterly sales of SBI ALApromo



“ALA Plus Tou (Sugar) Down” (from Dec. 18, 2015)



Supports the normalization of high levels of fasting blood glucose levels, and the moderation of the elevation of postprandial glucose levels

New TV commercials featuring Hiromi Go were started from Feb. 23!!



The appearance of “Tou (Sugar) Down” ver.

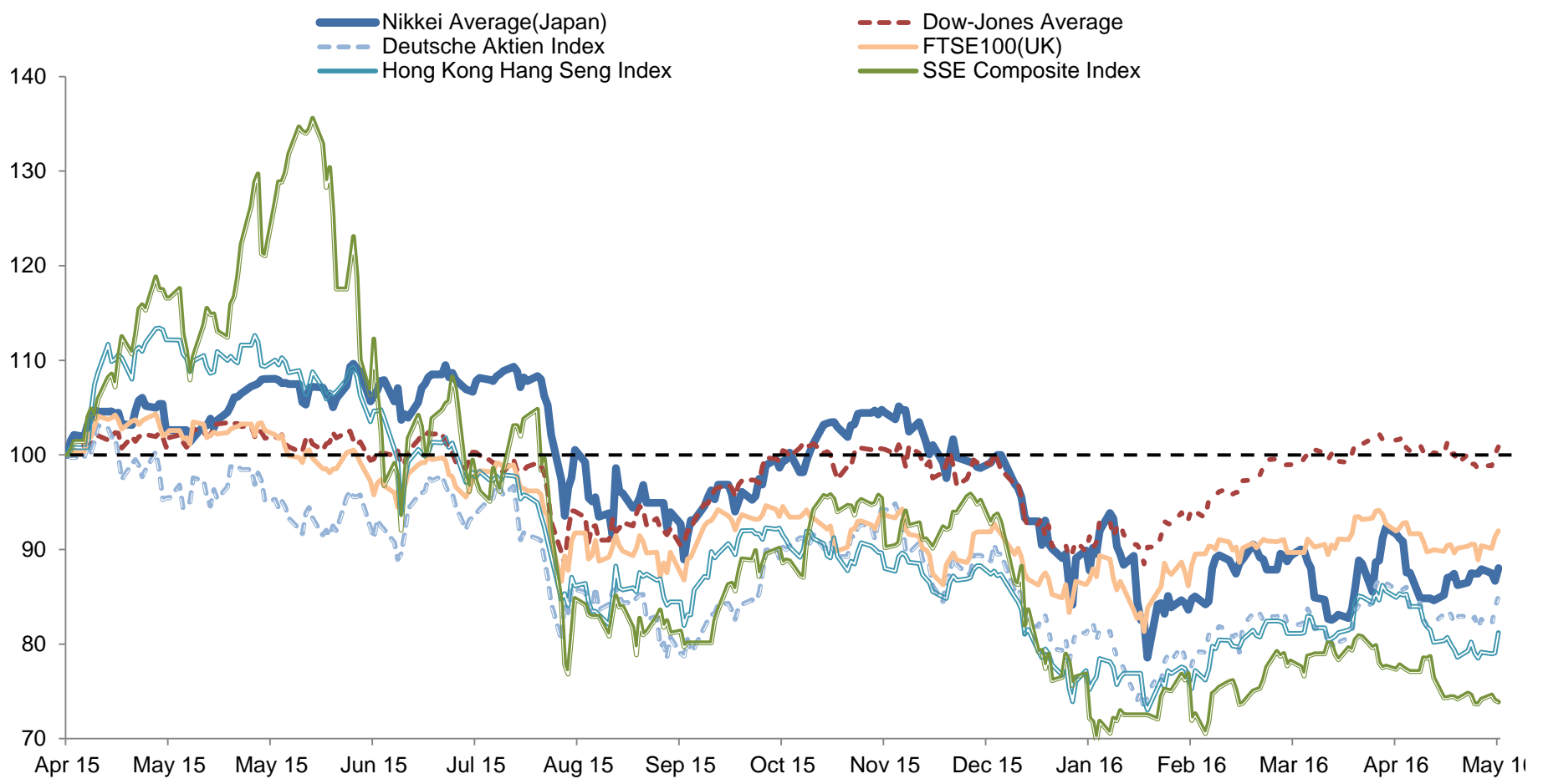
2. How do you see the current business environment surrounding the SBI Group?

- (1) As the world economies continue to stagnate owing to various factors, events that may significantly influence the stock market and exchange rates in 2016 remain, such as the House of Councillors election and the U.S. presidential election**
- (2) While there is concern about the impact of the negative interest rate policy on the financial institutions, the government is promoting FinTech as a new pillar of growth**

(1) As the world economies continue to stagnate owing to various factors, events that may significantly influence the stock market and exchange rates in 2016 remain, such as the House of Councillors election and the U.S. presidential election

Owing to Factors such as the Unpredictability of the U.S. Monetary Policy, Economic Downside Risk of the Developing Countries, Low Crude Oil Prices, etc., the Major Countries' Stock Markets Remain Stagnant

The transition of major countries' stock market index*



* An index of the value at Apr. 1, 2015 indexed as 1

Events that are Expected to Significantly Influence the Stock Market and Exchange Rates

May: Ise-shima Summit

Summit was held on May 26 and 27 in Ise-shima, at which presidents of G7 (major developed seven countries), the president of the European Council and the president of the European Commission will participate

June: Referendum concerning the exit of U.K. from EU

Referendum that questions the exit of U.K. from European Union (EU) will be held on June 23

According to Confederation of British Industry (CBI) estimates, the U.K. **stands to lose GBP 100bn (approx. JPY 15tn) in GDP and 950,000 jobs** due to Brexit. Brexit may **have a rebound effect on the Japanese economy in the form of a sharp increase in the value of the yen and “risk off” selling of stocks.**

(Apr. 17, 2016 Nikkei Veritas)

July: House of Councillors election

Due to expiration of the terms of office of House of Councillors members elected in the 22nd regular election (July 2010), a regular election of the House of Councillors will be held in July

Nov. : U.S. presidential election

U.S. presidential election is scheduled on Nov. 8, following Republican National Convention and Democratic National Convention in July

If Mr. Trump is elected president, some think **stocks will surge**, while others expect a steep rise in stock prices, predicting that **stock prices will fall by half**. There is also a strong sense of caution that partisan conflict in Congress resulting from forcing through of extreme policies may **cause disruption in the markets.**

(May. 10, 2016 The Nihon Keizai Shimbun (morning edition))

Additionally, it is expected that the stock market may be significantly influenced by the decisions of the FOMC meetings to be held in June, July, Sept. and Dec., as well as by the BOJ's monetary policy meeting decisions

Consumption Tax Hike Discussions

Looking ahead towards the G7 and the House of Councillors election, will the postponement of consumption tax hike be decided?

Newspaper article

Prime Minister Shinzo Abe indicates a stance of playing a leadership role in the G7 with a fiscal policy that dispels anxiety about the world economy by once again postponing the consumption tax increase. Another goal is to indicate strong determination to escape deflation ahead of the July House of Councillors election.

Newspaper article

(May 14, 2016 The Nihon Keizai Shimbun (morning edition))

The “Abenomics” economic policies of the Abe administration are coming under increasing criticism. The disapproval rating of 53% is up 4 points and higher than the 36% approval rating. Concern is spreading that the yen appreciation trend will continue and that the Abenomics virtuous circle of boosting wages and business investment will lose steam. The government is prepared to release new economic measures before the House of Councillors election.

(May 2, 2016 The Nihon Keizai Shimbun (morning edition))

Propriety of Consumption Tax Hike Affecting Election Trends for Both Houses of Diet

A dissolution of the House of Representatives to be decided by the propriety of the consumption tax hike?

Newspaper article

Asked whether he will take the plunge and call simultaneous House of Councillors and House of Representatives elections in summer, the prime minister replied “Dissolution is the farthest thing from my mind.”

(May 3, 2016 Mainichi Shimbun (morning edition))

Newspaper article

(Apr. 27, 2016 The Nihon Keizai Shimbun (morning edition))

There are two main options for the timing of the decision. The first option is to declare a postponement before the July House of Councillors election.

Some LDP members consider rushing headlong into the election as things stand a bad idea and think “Abe should announce ahead of the election postponement of a tax hike unpopular with the electorate.

The other option is to postpone decision on the tax hike until after the election. During the election campaign, hold to the policy of increasing the tax as planned if there is no crisis on the scale of the 2008 financial crisis or a major earthquake on the scale of the Great East Japan Earthquake. The next decision criterion will be GDP in the Apr.–Jun. quarter, when the impact of the 2016 Kumamoto Earthquake becomes clear.

Monetary Policy of Various Country's Central Banks

Difficult decisions are required for both additional monetary easing in Japan and an interest rate increase in the U.S.

Newspaper article

The April Federal Open Market Committee (FOMC) meeting minutes made clear the view that an interest rate hike at the time of the next meeting in June will be appropriate if recovery in the economy and prices continues. This suggests confidence that stock prices and crude oil prices, which plunged at the start of the year, will recover and that the sharply decelerated economic growth rate will show an early recovery. (Abbrev) The April (FOMC) meeting minutes show that most discussion participants asserted that business recovery will continue and that the Fed will consider an interest rate hike at the next meeting on June 14 and 15.

(May 20, 2016 The Nihon Keizai Shimbun (morning edition))

Newspaper article

(May 10, 2016 The Nihon Keizai Shimbun (morning edition))

The July House of Councillors election seems likely to complicate policy decisions at the Bank of Japan's next monetary policy meeting to be held on June 15 and 16. Although the Bank of Japan's position is that "Financial policy is unrelated to elections" (a top official), there is a deeply rooted view in the markets that additional easing is conceivable in view of the relationship with the administration.

(2) While there is concern about the impact of the negative interest rate policy on the financial institutions, the government is promoting FinTech as a new pillar of growth

Even as the Effects on the Real Economy have not yet been Seen, There are Concerns about the Possibility of the Deterioration of the Banks' Profitability owing to the Negative Interest Rate Policy

In the “Regional Economy 500 Investigation,” where regional banks and credit unions were asked about the impact on their management from the negative interest rate policy by the Bank of Japan, 92% responded with an answer of “minus” or “somewhat minus.”

Newspaper article

(Mar. 28, 2016 The Nihon Keizai Shimbun (morning edition))

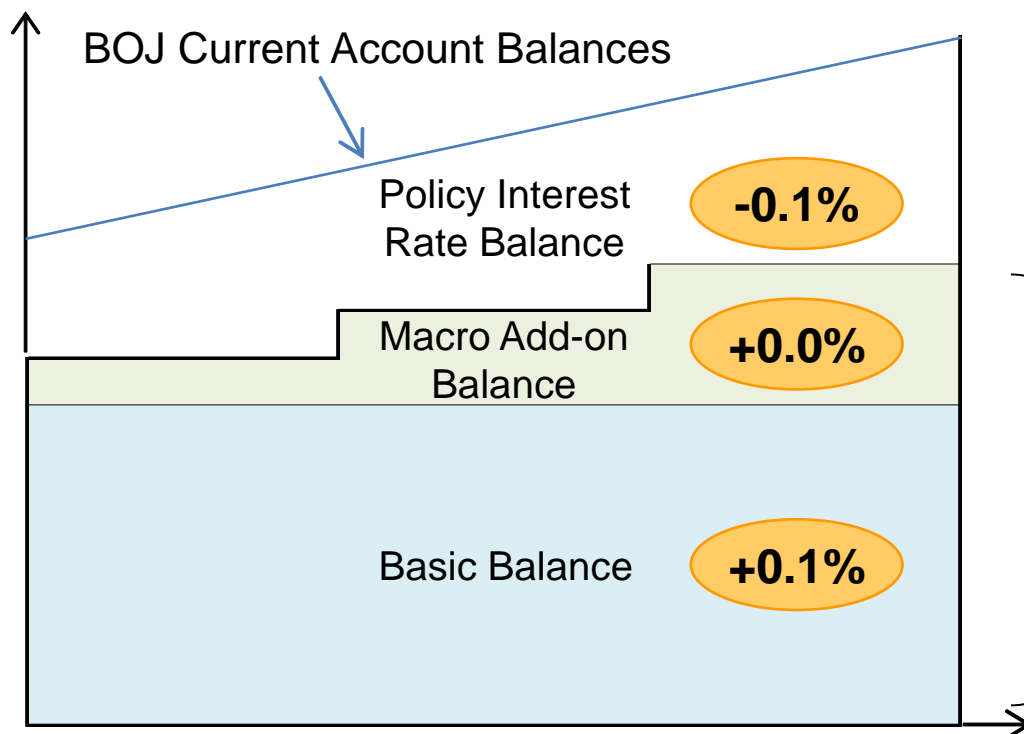
Newspaper article

Bank of Japan Governor Kuroda expressed his view on the negative interest policy introduced in Feb., by saying that “It is appropriate to examine how the effects [on the economy and prices] sink in.”
(Abbrev) The negative interest rate policy puts downward pressure on government bond yields, and although interest rates on corporate loans and housing loans have further decreased, it is hard to see positive changes.

(Apr. 29, 2016 The Nihon Keizai Shimbun (morning edition))

SBI Sumishin Net Bank's Effects from the BOJ's Adoption of Negative Interest Rate Policy

Direct influence



Since the current balance is within the range that the negative interest rate does not apply, SBI Sumishin Net Bank will **not be impacted directly**

SBI Sumishin Net Bank's BOJ Current Account Balances is within this range

Indirect influence

Along with the lower interest rates that accompanied the enacted negative interest rate policy, while being subjected to the consequent negative effects, such as a decline in fund management income and loss on the sales of bonds, owing to the positive impact from factors such as a reduction in fund procurement expenses and an increase in housing loan refinancings, **the impact is limited.**

The Japanese Government has Focused on the Potential of FinTech, by Vigorously Promoting It as a Pillar of Future Growth

Newspaper article

The Japanese government has positioned the development of FinTech, the combination of finance and IT, as a pillar of its new growth strategy. It has set a goal of creating an international standard originating from Japan and plans to announce a detailed version in June. (Partial excerpt)

In addition,

- The Financial Services Agency has positioned “Support for FinTech” as a key measure in its financial administration policy announced in Sept. 2015.
- The LDP, in the Strategic Response to FinTech (Part 1) , announced on Apr. 19, 2016, mentioned FinTech’s potential to change financial businesses.
- On Mar. 4, 2016, the Cabinet approved and submitted to the Diet amendments to the Payment Services Act and a bill on virtual currencies.

(Apr. 15, 2016 Nikkin)

Owing to the Government's vigorous promotion, expectations are for a great leap forward, post the Financial Big Bang

Financial Institutions are Strengthening Their Cooperation with FinTech Venture Companies, to Utilize New FinTech-related Technologies

Newspaper article

(Mar. 3, 2016 Nikkan Kogyo Shimbun)



From online securities companies to various financial institutions, owing to the high expectations with regard to FinTech, various measures are being implemented, including holding events, investing in funds and research collaborations

Major financial institutions are also strengthening their FinTech activities

**Mitsubishi UFJ
Financial Group**

Holding “Fintech Challenge 2016, Bring Your Own Bank!,” and establishing “MUFG Fintech accelerator”

**Mizuho Financial
Group**

Planning to hold a hackathon*, “Mizuho.hack,” utilizing Pepper

* “hackathon” is a portmanteau of the words “hack” and “marathon.” This event is a competition where participants cooperate in idea creation and program development within a specified period of time.

**Sumitomo Mitsui
Financial Group**

Establishing a business consortium, “Incubation & Innovation Initiative,” and holding a pitch contest, “Future 2016”

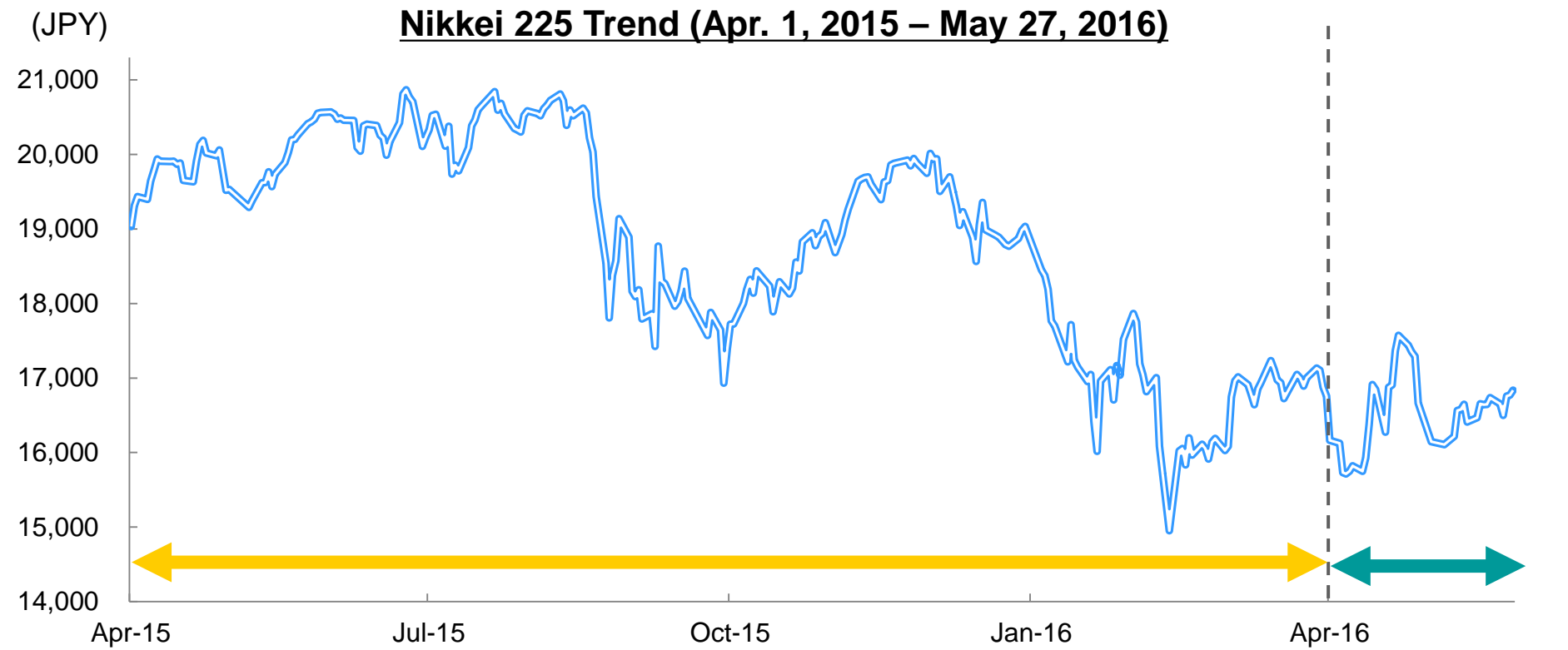
3. Considering the current business environment, what are the focused measures to be undertaken for FY2016?

- (1) Among the major financial services companies, in order to sustain their growth going forward, promoting various measures to further transition their earnings composition and to increase profitability**
- (2) In the Asset Management Business, eliminating the bad debt at SBI Savings Bank, and promoting various initiatives through the utilization of the existing network of the asset management services**
- (3) In the Biotechnology-related Business, entering a full-scale growth stage through steady progress and strategic moves, toward the further expansion of the business and the development of the pipeline**

- (1) Among the major financial services companies, in order to sustain their growth going forward, promoting various measures to further transition their earnings composition and to increase profitability**
- ① The securities-related business, centering on SBI SECURITIES, is promoting its initiatives to expand the corporate business, as well as implementing product diversification efforts and promoting the enhancement of its unique sales channel in the retail business. Additionally, further system cost reductions and improvements in customer convenience are being enacted**
 - ② In the FX-related Business, by promoting an Asian deployment, will endeavor to establish the world's most liquid FX OTC market**
 - ③ SBI Sumishin Net Bank is endeavoring to increase profitability by promoting diversification of its earnings sources**
 - ④ In the insurance business, develop and sell new products while utilizing group synergies. In addition, enter the reinsurance business to further boost profitability**

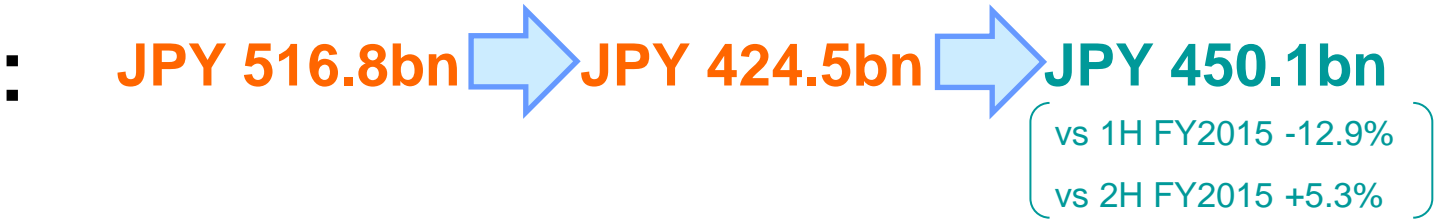
- ① **The securities-related business, centering on SBI SECURITIES, is promoting its initiatives to expand the corporate business, as well as implementing product diversification efforts and promoting the enhancement of its unique sales channel in the retail business. Additionally, further system cost reductions and improvements in customer convenience are being enacted**
- i. SBI SECURITIES' review of operations**
 - ii. With the retail business as a base, endeavoring to expand the corporate business through the continued expansion of the equity and bond underwriting businesses, as well as considering the development of a trading operations**
 - iii. Further strengthening the retail business, through the first self-origination of public structured bonds, and the establishment of an IFA (Independent Financial Advisor) business**
 - iv. Reducing system costs through the establishment of a in-house system development company to develop SBI Group's unique online system for internal and external use, to increase profitability**

1Q FY2016 (Apr. 2016 to Present) Conditions [SBI SECURITIES]



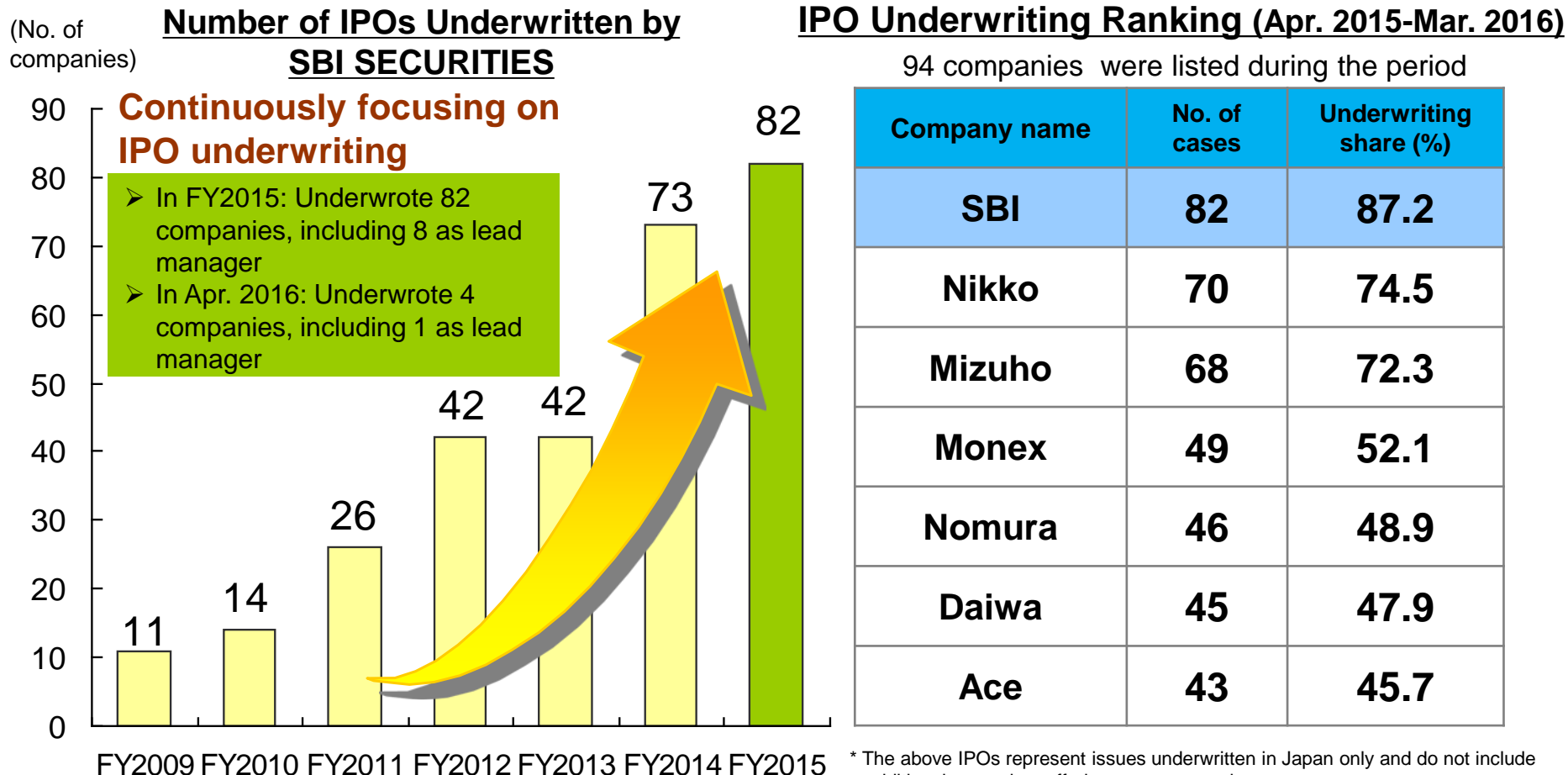
Average of 1H FY2015 Average of 2H FY2015 Apr. 2016

SBI SECURITIES'
average daily
trading value



①- ii. Expansion of the corporate business: Enhance IPO and PO underwriting business

SBI SECURITIES is an Industry Leader in Terms of the Number of IPOs Underwritten, and will Continue to be Focused on Expanding the IPO Underwriting Business



* The above figures do not include consignments. Based on listing date. The figures exclude brokerage sales and REITs.

* The number of IPOs does not include issues listed on TOKYOAIM.

* The above IPOs represent issues underwritten in Japan only and do not include additional secondary offerings or overseas issues.

* The number of underwritten issues represents both lead managed underwritings and syndicate participation.

* The data was compiled by SBIH based on each company's published information.

Endeavoring to expand the corporate business by continuing to expand the IPO and PO underwriting businesses

- ①- iii. Further strengthening the retail business: Launched the sales of first publicly offered self-originated structured bond

Launched the Sales of the First Publicly Offered Self-originated Structured Bond

-The first self-originated structured bond by a major on-line securities company for distribution to retail investors*- (* Complied by SBI SECURITIES as of Mar. 30, 2016)

In Mar. 2016, launched the sales of “Digital Coupon Reverse Convertible (Next Funds Nikkei 225 Leveraged Index Exchange Traded Fund),” **the first self-originated** public structured bond that was originated at SBI Securities (Hong Kong), SBI SECURITIES’ Hong Kong subsidiary

Further enhancing marketability through such measures as increasing the interest rate, and planning the origination and distribution of structured bonds around JPY25.0bn during 2016



Through self-origination, a wider variety of attractive structured bonds may be offered

Strengthening the Retail Business through the Utilization of the Face-to-face Channels and the Enhancement of the IFA (Independent Financial Advisor) Business

SBI has joined up with 179 IFAs nationwide* to bolster face-to-face customer consulting about asset management and strengthen the IFA business through various initiatives, along with expanding the IFA network

*As of Mar. 31, 2016

Launched “IFA online,” a portal site, to support the diffusion of IFA in Mar. 2016

As a website that specializes in information concerning IFAs, IFA online widely disseminates reports ranging from basic reports on what IFAs are to advanced reports for people considering or currently engaged in the IFA business



[Front page]



[Reports]

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



In anticipation of a business expansion in China and Hong Kong, established a Hong Kong subsidiary

- ◆ Systems company that develops and structures online financial systems for the internal and external use
- ◆ Of the 150 employees, 93 are highly skilled foreign IT section staff (as of Mar. 31, 2016), responsible for the advanced in-house system development
- * “BITS” stands for Better IT Solutions

- SBI SECURITIES has reduced the previous 31 various system vendors to 21 vendors as of the end of Mar. 2016. Furthermore, plans are to reduce the number to half of the vendors by the summer of 2016
- Going forward, SBI SECURITIES will further implement internal systems development efforts by sequentially switching current system vendors to SBI BITS, and through the utilization of SBI BITS develop successor trading tools to HYPER SBI that possess a high degree of customer convenience, within this fiscal year

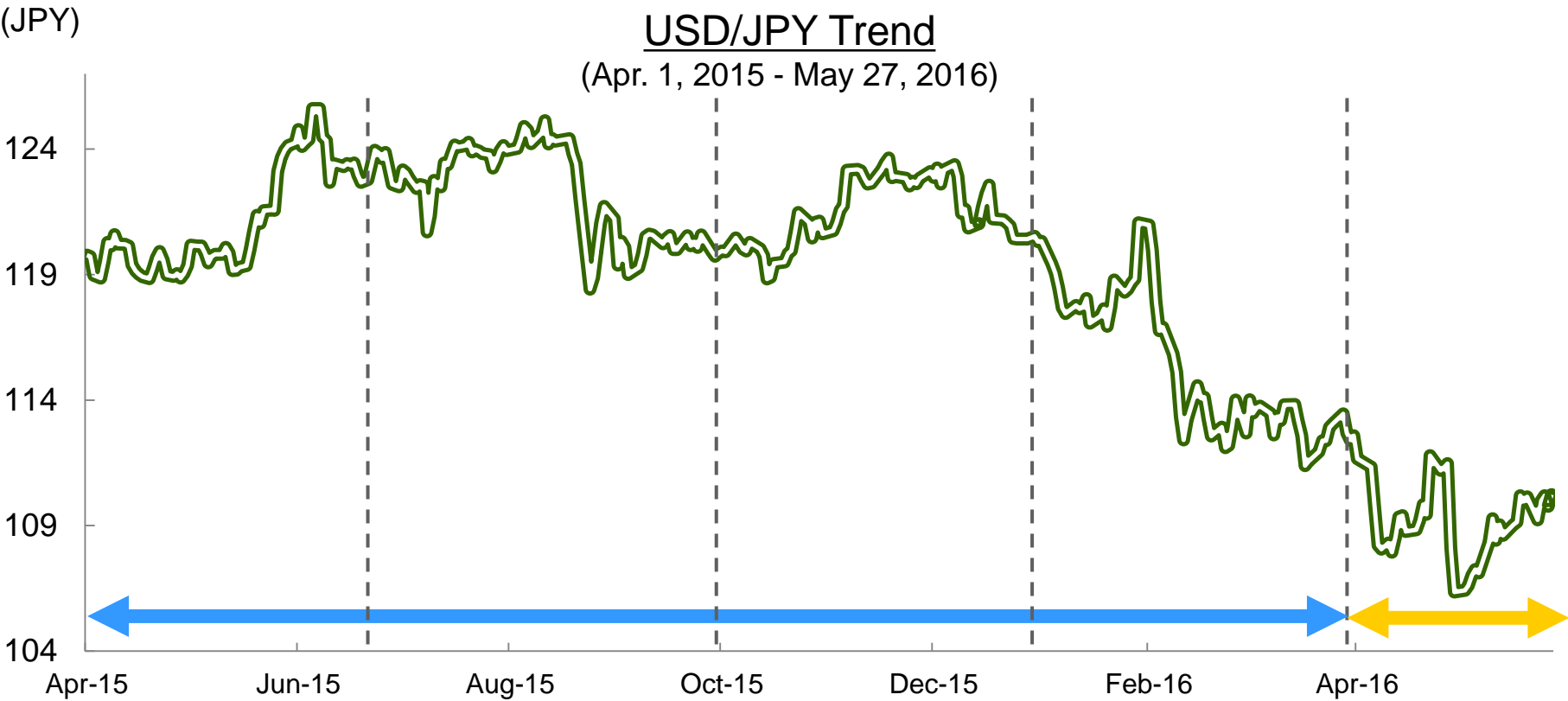
SBI SECURITIES will endeavor to reduce its systems cost to major external system vendors by about 20% within a two year period, by sequentially aggregating the systems' commissions to SBI BITS



In the future, will broadly provide systems development for not only domestic securities business, but also banking and insurance businesses, as well as for the securities business overseas, by leveraging the accumulated expertise

- ② In the FX-related Business, by promoting an Asian deployment, will endeavor to establish the world's most liquid FX OTC market
 - i. SBI Liquidity Market's review of operations
 - ii. Through SBI FX, a Hong Kong subsidiary, will endeavor to acquire FX trading liquidity from Asian countries, including China, by way of Hong Kong

1Q FY2016 (Apr. 2016 to Present) Conditions [SBI Liquidity Market]



	Monthly average of 1Q FY2015	Monthly average of 2Q FY2015	Monthly average of 3Q FY2015	Monthly average of 4Q FY2015	Apr. 2016 (Preliminary figure)
Operating income before allocation *	JPY 1.0bn	JPY 1.2bn	JPY 0.9bn	JPY 1.0bn	JPY 1.0bn

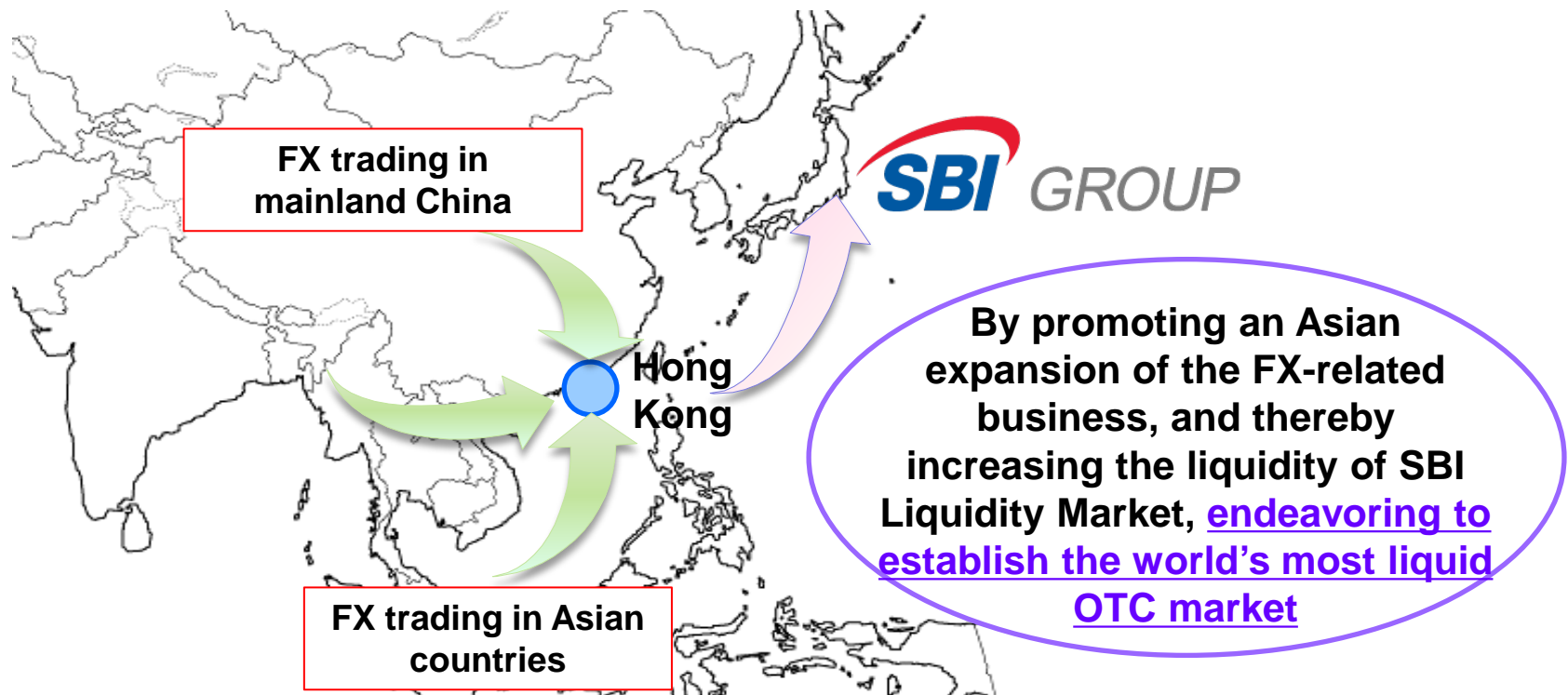
* Operating income before allocation of the SBI Liquidity Market is operating income before allocation which represents the amount before its allocation of profits to affiliated companies: SBI SECURITIES, SBI Sumishin Net Bank and SBI FXTRADE

- ②-ii. Acquisition of the World's largest amount of liquidity through overseas development of the FX-related business in Asia

By Promoting an Asian Deployment, Endeavoring the Establishment of the World's Most Liquid OTC Market

In order to acquire FX liquidity from Asian countries, including China, by way of Hong Kong, established SBI FX, a Hong Kong subsidiary in May 2015, and operations are expected to start in the summer of 2016

Will provide trading systems and business know-how to local FX trading companies, along with considering the launch of a commodity trading operation



- ③ **SBI Sumishin Net Bank is endeavoring to increase profitability by promoting diversification of its earnings sources**
 - i. **SBI Sumishin Net Bank's review of operations**
 - ii. **Expanding the settlement business, primarily in the credit card business**
 - iii. **Through alliances with FinTech companies, embarking on the development of new financial services**

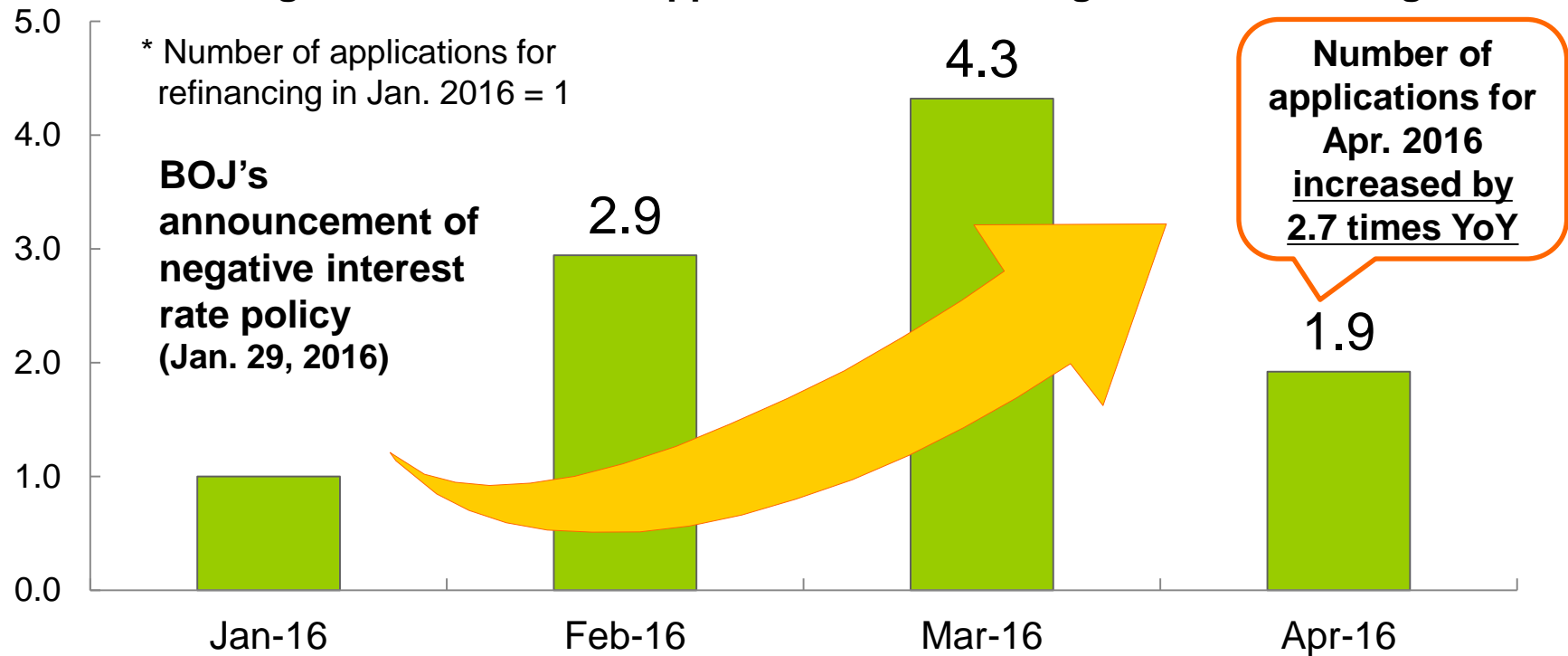
1Q FY2016 (Apr. 2016 to Present) Conditions [SBI Sumishin Net Bank]

Since its establishment, SBI Sumishin Net Bank has focused its business on housing loans, and is now capturing the increasing housing loan refinancing demand, upon the BOJ's announcement of its negative interest rate policy



Number of applications for housing loan refinancings for Apr. 2016, upon the BOJ's announcement of negative interest rate policy, grew significantly by approx. 2 times that of Jan. 2016 (Increased by 2.7 times YoY)

Change in the number of applications for housing loans refinancings



Expanding the Settlement Business, Primarily in the Credit Card Business



(Acquired in Oct. 2015)

Development of products and services with high affinity for SBI Sumishin Net Bank's card loans

By focusing the Group's collective efforts, developing the credit card business into a primary revenue source to achieve profitability within this fiscal year

Acquisition of new customers

- Started the service of accepting applications for credit cards in conjunction with the opening of an account at SBI Sumishin Net Bank
- Promotion of marketing measures such as campaigns directed at current SBI Sumishin Net Bank customers

Utilization promotion measures

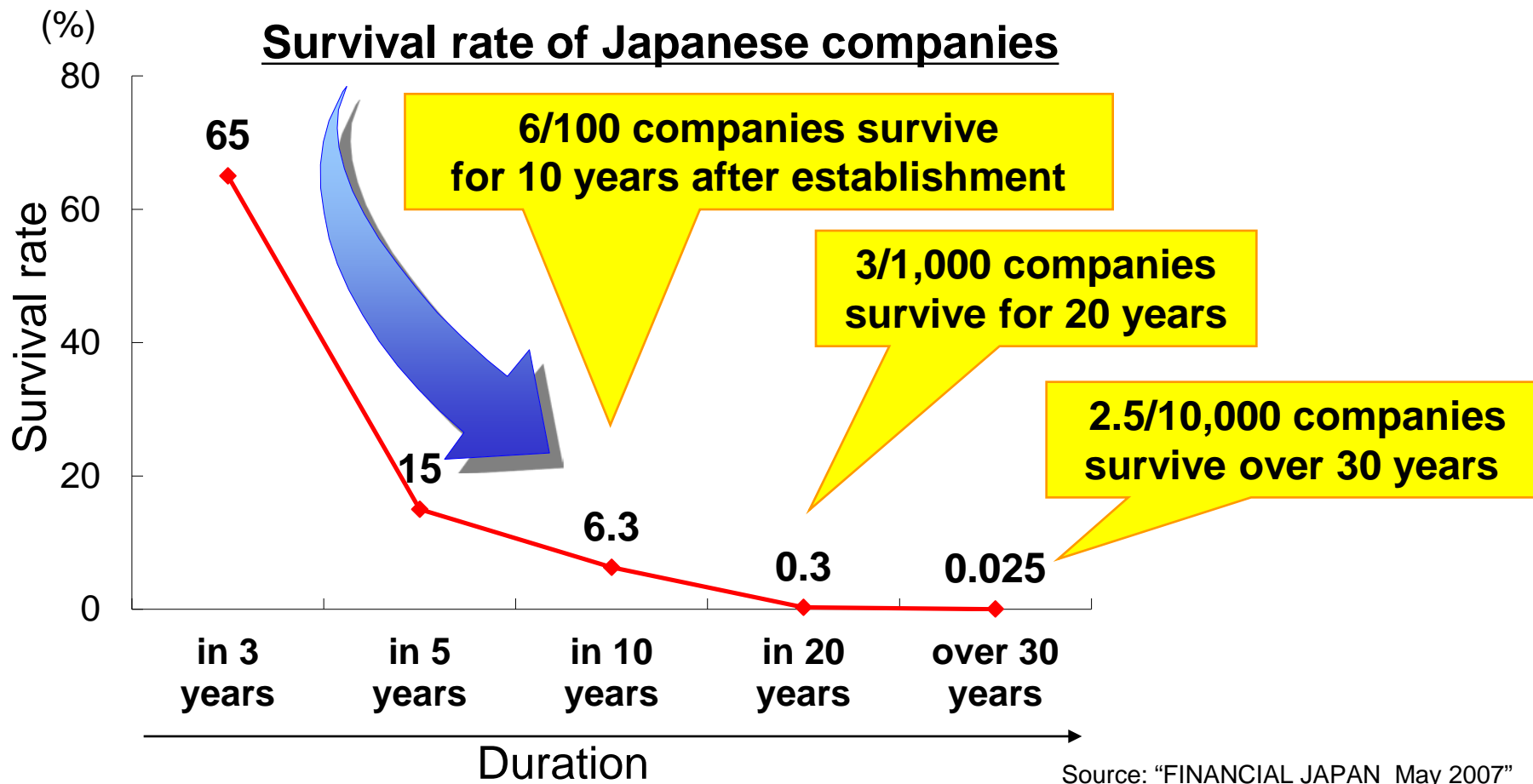
- Implement upgrade invitations to current credit card members
- Improve card utilization rate through the point addition campaign

Improving the earnings structure through revised offerings, and fundamental overhaul of the business flow



In order to strengthen corporate business, considering the launch of a business credit card designed for SME owners and sole proprietors

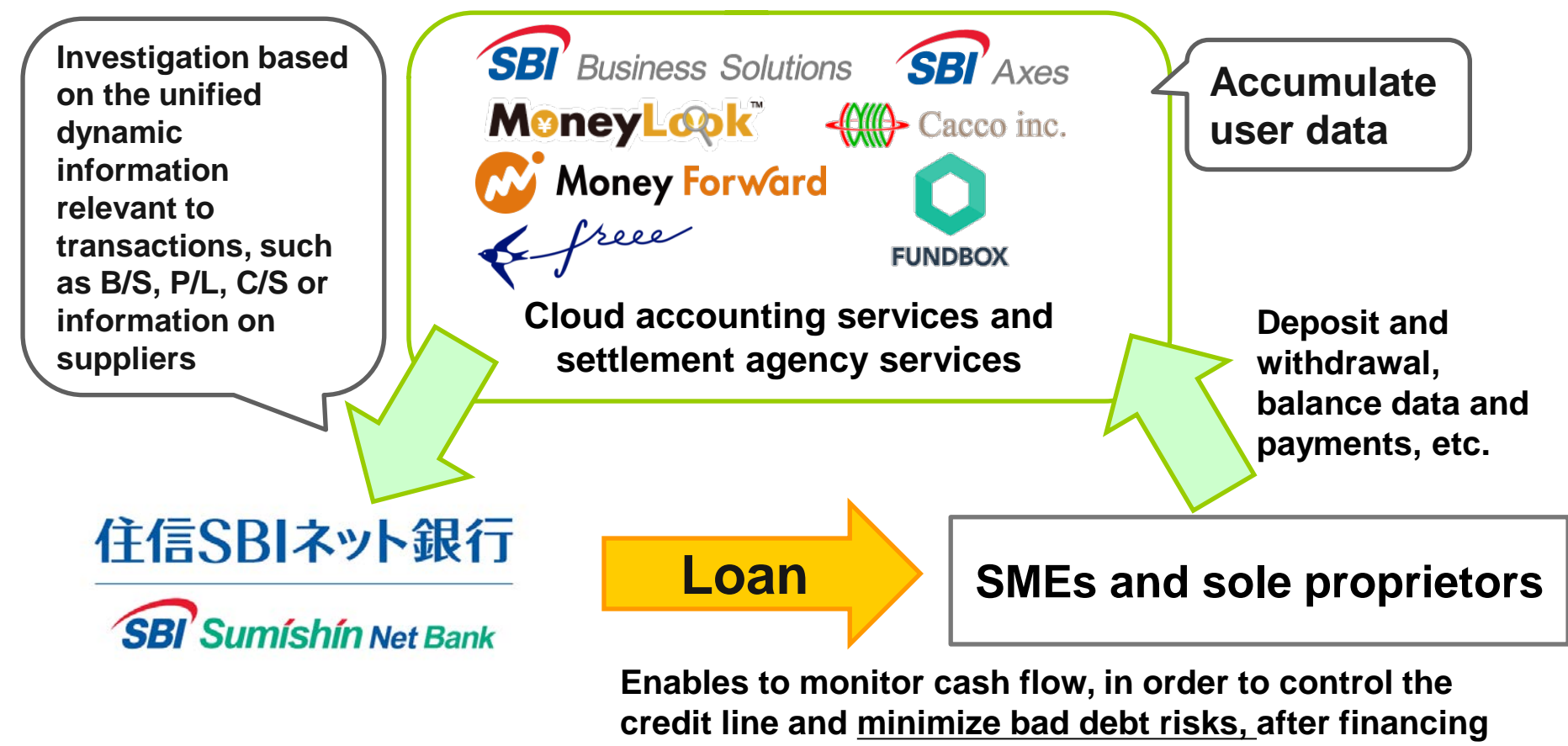
Many SMEs Struggle with Cash Flow, and Numerous Companies Go Bankrupt Soon after being Founded



➔ Demand for new financial services utilizing FinTech and other new technologies at SMEs can be expected

③- iii. Starting to develop new financial services, through the alliance with FinTech companies:

Started the Development of an Accounting Transaction Based Loan Business for SMEs and Sole Proprietors, Utilizing the Cloud Accounting Service Offered by Partner FinTech Companies



By advancing the established scheme through the addition of alliance partners, expanding the business as a new earnings source

- ④ In the insurance business, develop and sell new products while utilizing group synergies. In addition, enter the reinsurance business to further boost profitability**
 - i. SBI Insurance's review of operations**
 - ii. SBI Insurance embarks on the development of a fire insurance product**
 - iii. SBI Life Insurance thoroughly utilizes group synergies to sell medical insurance and term insurance**
 - iv. Strengthen the profitability of the entire insurance business by entering into the reinsurance business**
 - v. Considering further acquisitions of small-amount, short term insurance companies**

1Q FY2016 (Apr. 2016 to Present) Conditions [SBI Insurance]

Change in Auto Insurance premium income

(Unit: JPY million)

	2015	2016*	YoY change
Apr.	3,010	3,415	13.4%

[Reference]

(Unit: JPY million)

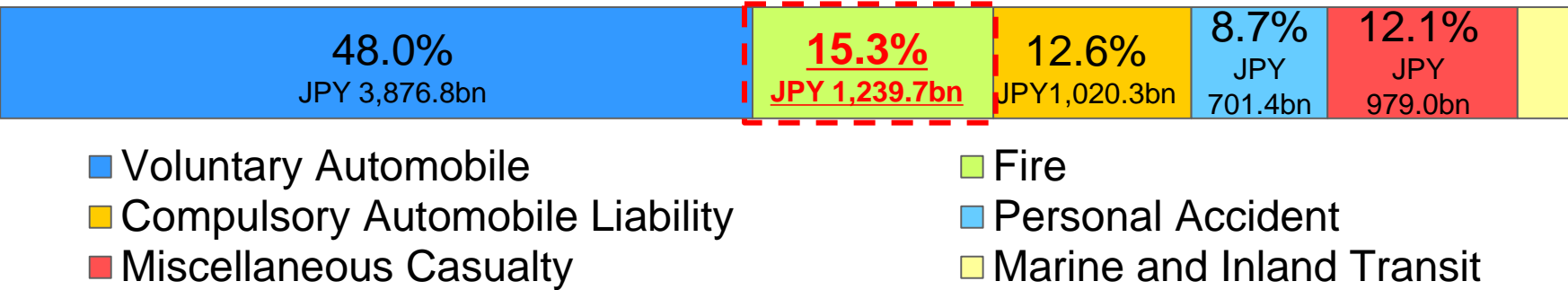
	2014	2015	YoY change
Apr. - June	6,566	7,473	13.8%
July – Sept.	6,210	6,877	10.7%
Oct. – Dec.	6,305	7,023	11.4%

	2015	2016	YoY change
Jan. – Mar.	6,513	7,329	12.5%

* The figure for Apr. 2016 is based on the preliminary figure

SBI Insurance Embarks on the Development of Direct Fire Insurance, to Initiate an Insurance Premium Revolution

Distribution ratio of net premiums by line among the domestic non-life insurance companies



Source: The General Insurance Association of Japan, “GENERAL INSURANCE IN JAPAN FACT BOOK 2015”









Developing a low-premium fire insurance, and its sales cost will be reduced drastically by fully utilizing the synergies with SBI Sumishin Net Bank and ARUHI (former SBI Mortgage), both of which are materially involved in housing loans



(SBI Group’s share holding*: Approx.10.32%)

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

SBI Life Insurance Thoroughly Utilizes Group Synergies to Sell Whole Life Medical Insurance and Term Insurance

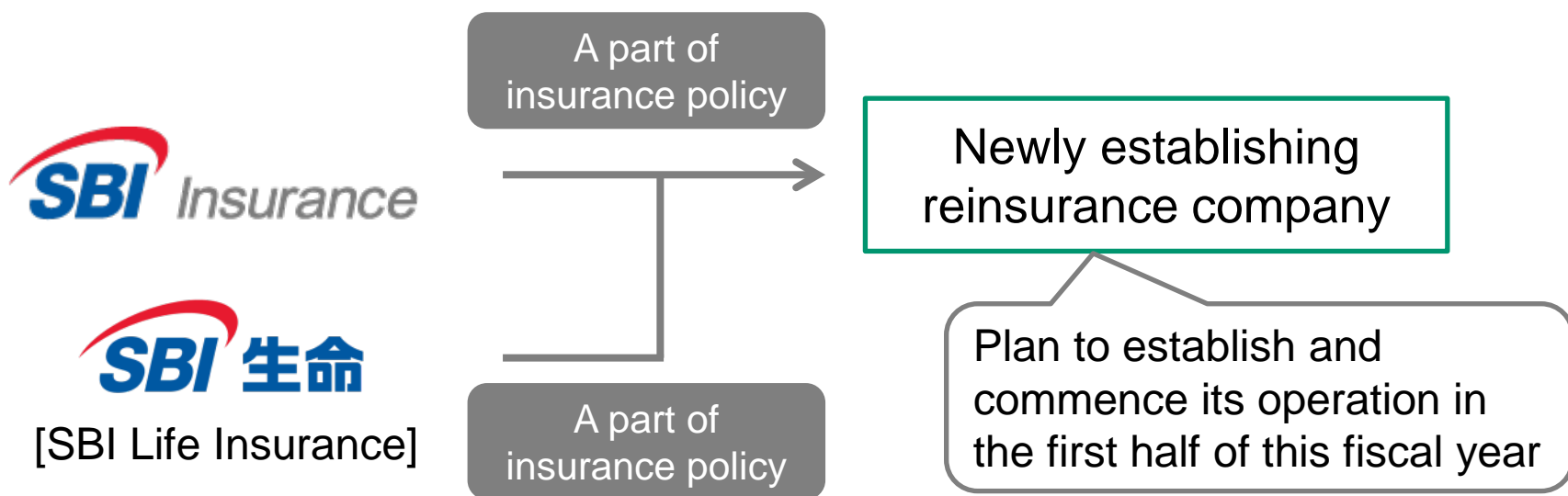
	[Internet channel]	[Face-to-face channel]
Group companies	<p>   [SBI SECURITIES]  <u>Number of accounts:</u> <u>Number of accounts:</u> <u>3,564 thousand</u> <u>2,586 thousand</u> </p> <p>   [SBI Insurance] [SBI Holdings Insweb] <u>Number of contracts:</u> <u>Number of customers:</u> <u>843 thousand</u> <u>7,820 thousand</u> </p> <p>  [SBI IKI IKI SSI] <u>Number of contracts: 47thousand</u> </p> <p>  [SBI SSI] <u>Number of contracts: 16 thousand</u> </p>	<p>Face-to-face Insurance shop</p> <p>  [SBI MONEY PLAZA] Hoken Minaoshi Honpo (Operated by the subsidiary of NEWTON FINANCIAL CONSULTING, Inc.) Mitsubachihoken (SBI's shareholding percentage of its operating company: 25.76%) </p> <p>Call center</p> <p> NEWTON FINANCIAL CONSULTING, Inc. (SBI's shareholding percentage: 20.03%) Financial Agency Inc. (SBI's shareholding percentage: 38.74%) </p>
Specific measures	<ul style="list-style-type: none"> ➤ Utilize their mail magazine ➤ Publish introductory content on their HP ➤ Implement cold call (SBI Insurance, SBI IKI IKI SSI) 	<ul style="list-style-type: none"> ➤ Hold seminars (SBI MONEY PLAZA) ➤ Raise sales agents' product recognition through training, etc.

*1: SBI's shareholding percentage corresponds to a total percentage, which include dilutive shares, based on the IFRS criteria for subsidiary companies and subsidiary funds of the Group (As of Mar. 31, 2016)

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

Strengthen Profitability of the Entire Insurance Business by Entering into the Reinsurance Business

- Reinsurance license of the Cayman Islands acquired in May 2016
- Through a step-by-step aggregation process of portions of insurance policies that SBI Insurance and SBI Life Insurance currently cedes to an external reinsurance company, to the newly established reinsurance company, some costs, such as the reinsurance premiums paid to non-Group companies, will be curtailed
- Taking advantage of the Cayman Islands' easy access to the international reinsurance market, will acquire and utilize risk shifting methods such as retrocession



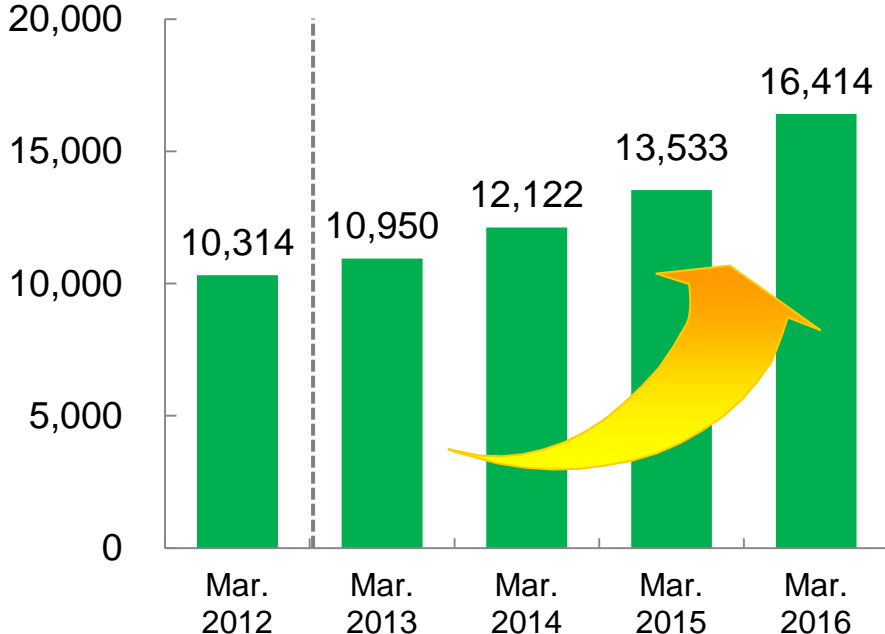
Achievement of Significant Increase in the Number of Contracts Upon the Consolidation of SBI



SBI 少額短期保険 [SBI SSI]
[Earthquake indemnity insurance]

Number of contracts

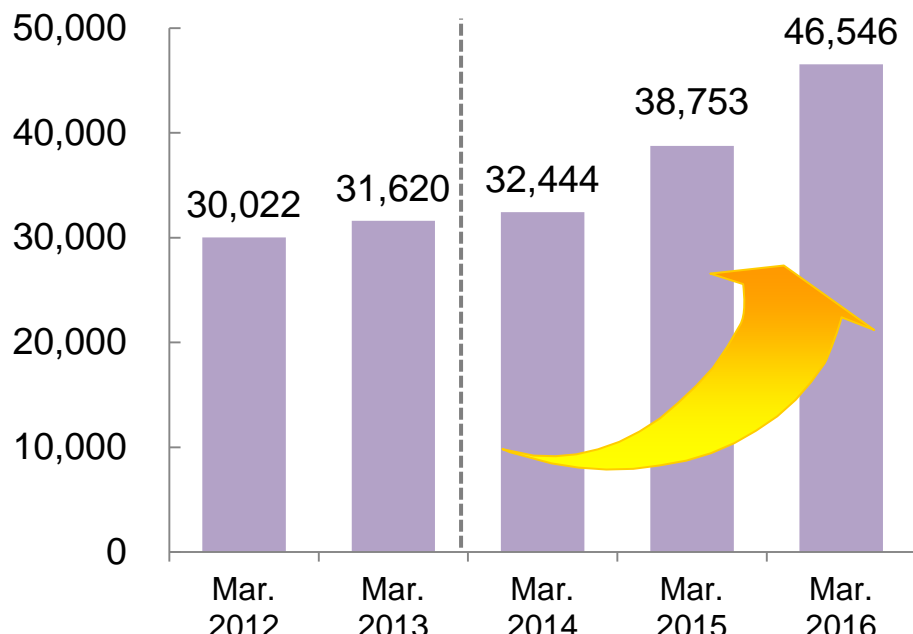
Consolidated in Mar. 2012



SBI いきいき少額短期保険 [SBI IKI IKI SSI]
[Death insurance, Medical insurance]

Number of contracts

Consolidated in Mar. 2013



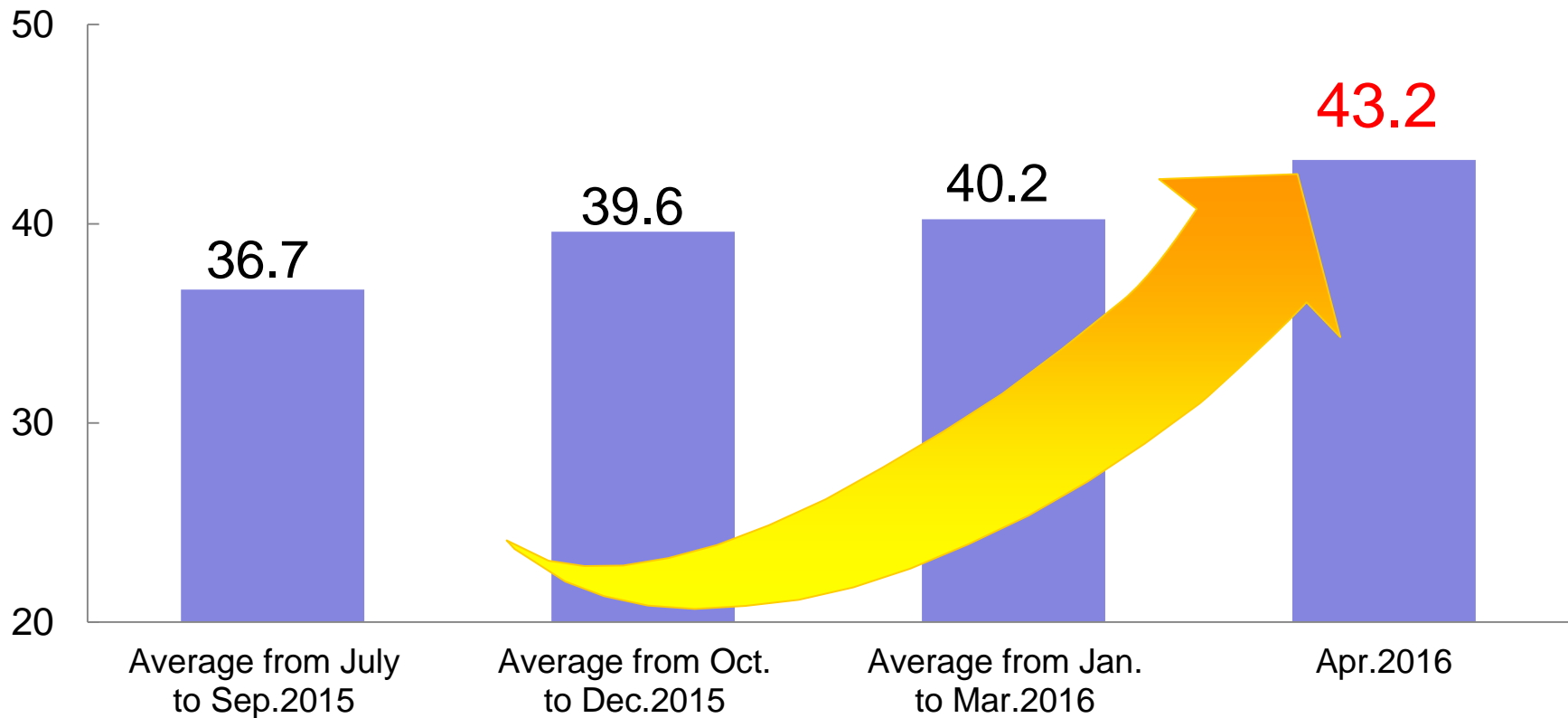
Considering further acquisition of companies. Although this type of insurance business is constrained by the fact that insurance contracts are short-term and small in amount, it also offers advantages that insurers require less capital than ordinary insurance companies, and it could provide both life and non-life insurance.

- (2) In the Asset Management Business, eliminating the bad debt at SBI Savings Bank, and promoting various initiatives through the utilization of the existing network of the asset management services**
- ① SBI Savings Bank's review of operations**
 - ② The asset management services will leverage the Group's overseas network to strengthen its profitability by promoting its global asset allocation as well as enhancing services such as arbitrage to benefit from the interest differentials between Japan and abroad**

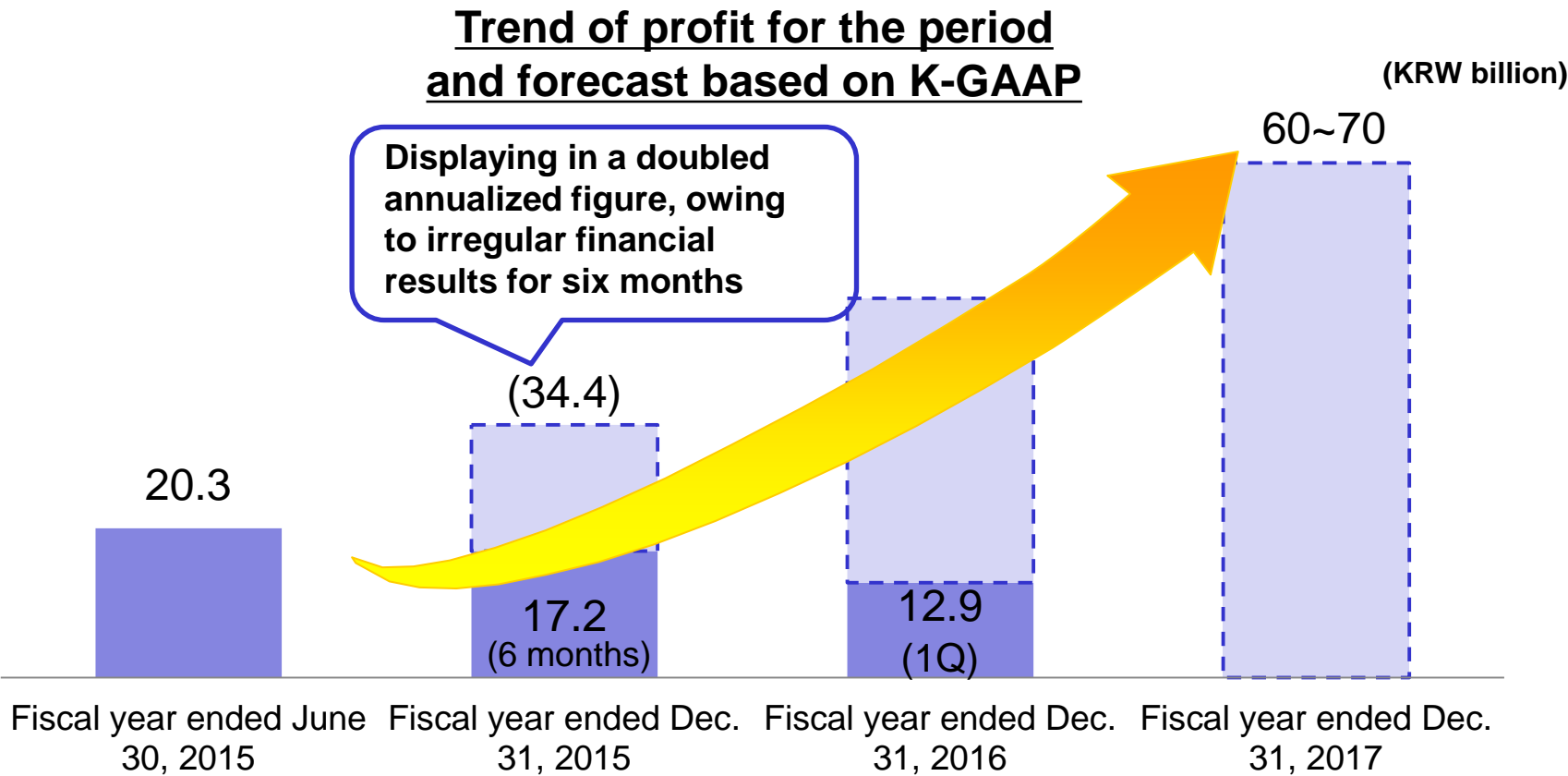
1Q FY2016 (Apr. 2016 to Present) Conditions [SBI Savings Bank]

Net interest income grew, with top-line revenue steadily increasing even after Apr.

Monthly operating revenue trend based on K-GAAP (KRW billion)

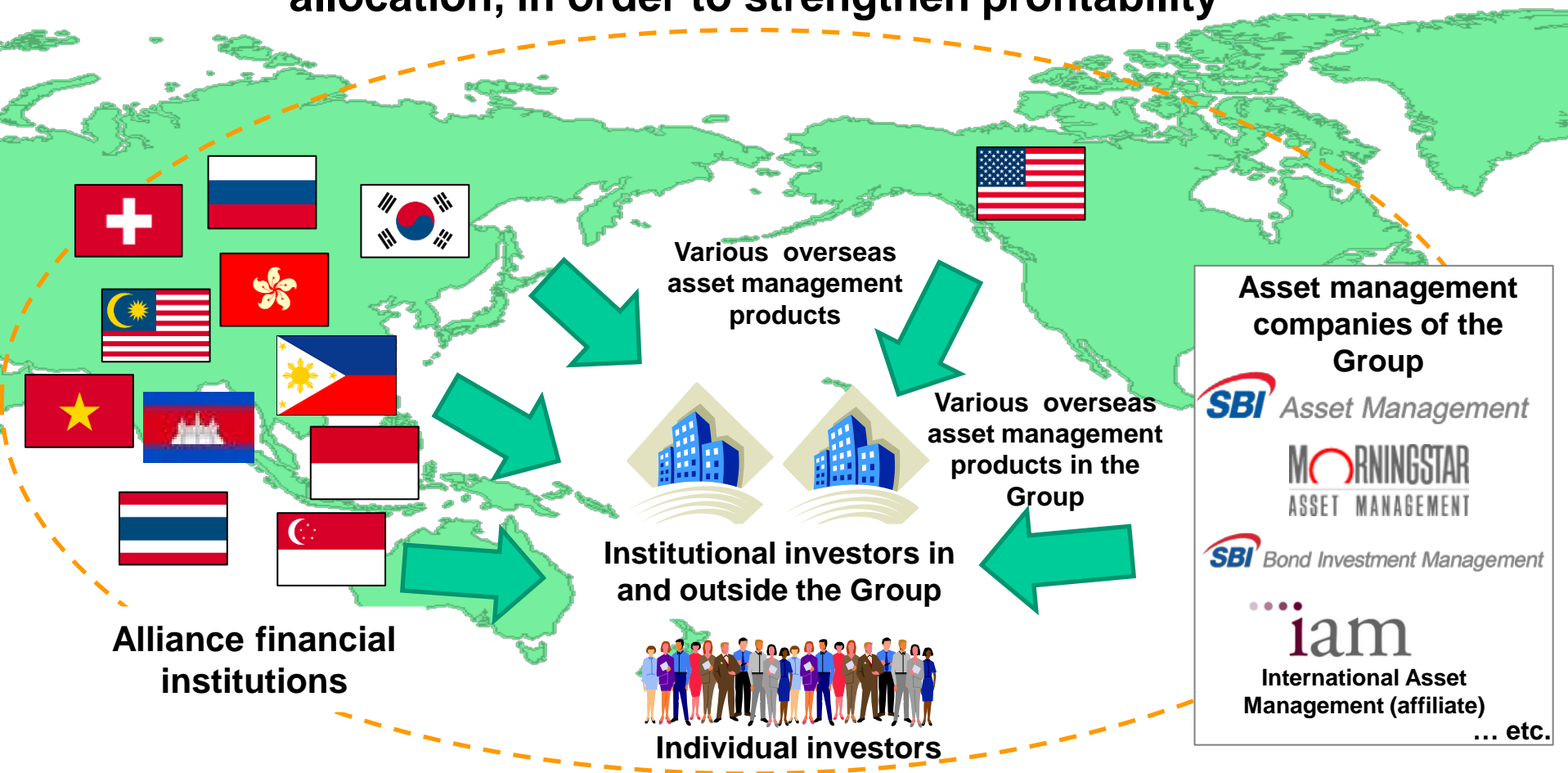


Eliminating the Bad Debt that was Carried before Becoming a Subsidiary During this Fiscal Year



Promotion of Global Asset Allocation

Utilizing the Group's overseas network to promote global asset allocation, in order to strengthen profitability



By strengthening the Group's investment acumen, establishes a global asset allocation structure

SBI Bond Investment Management Plans to Establish a Publicly Offered Investment Trust, which will be a Low-risk Active Bond Fund



- Established a joint venture with PIMCO, one of the world's largest bond management companies in Dec. 2015
- Completed the registration of the Investment Management and Investment Advisory and Agency Businesses, starting discretionary asset management of SBI Life Insurance from Apr., and planning to raise a publicly subscribed investment trust in June

SBI-PIMCO Japan Better Income Fund

- Planned start of subscription on June 7 and fund establishment on June 30
- The objective is to secure stable returns by investing in foreign-exchange-hedged foreign-currency-denominated bonds expected to provide comparatively high yields among corporate bonds issued by Japanese companies with high credit ratings
- Successful development of a low-risk, low-cost active corporate bond fund by applying the high active bond management capabilities of PIMCO and expertise cultivated by the SBI Group
- The fund's trust fee of 0.572% are substantially lower than the average of 1.55% for the international bond active fund category (based on Morningstar data)

Newspaper article

Concluded an Memorandum on Establishment of Joint Venture Company with SYZ Asset Management (Switzerland) Ltd. whose Strength is Asset Allocation

SYZ Asset Management (Switzerland) Ltd. (SYZ AM):

Provides investment solutions to Swiss and international institutional investors, such as pension funds, insurance companies and investment funds, with assets under management of EUR 18bn, and the knowledge and unique know-how of various asset classes, with strengths in global asset allocation

SBI GROUP

60%
shareholding



SYZ AM

40%
shareholding

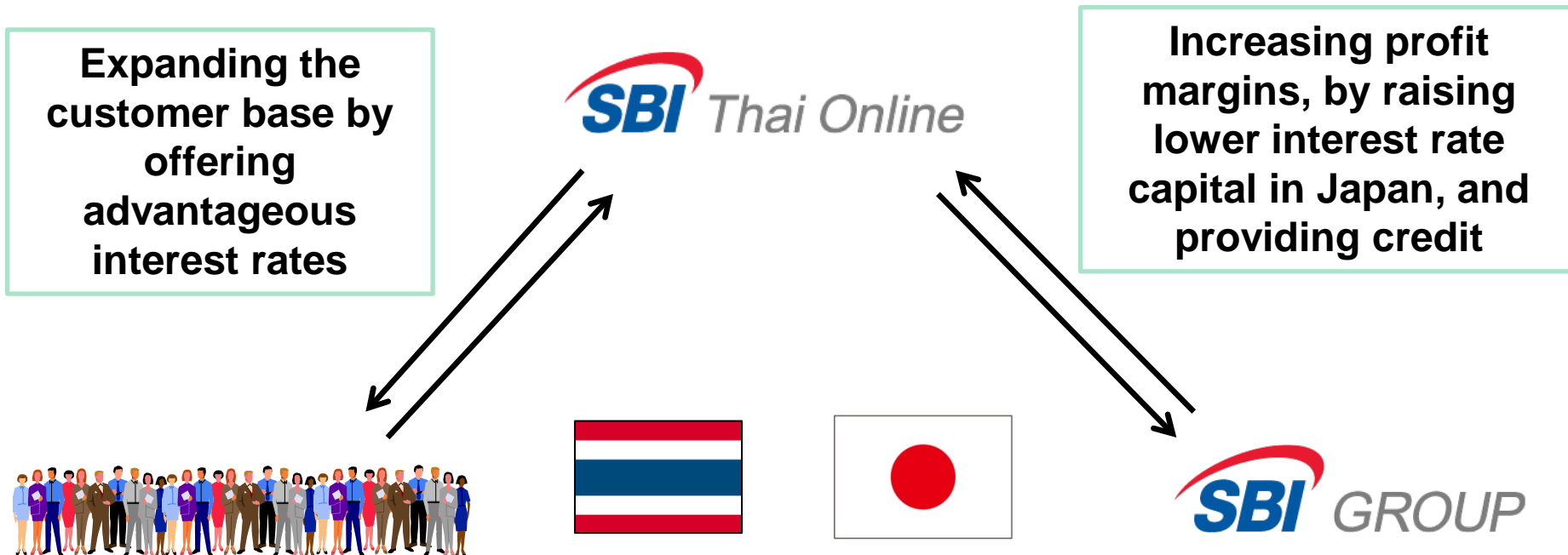
Joint venture company providing
asset allocation advisory services

- Providing the SBI Group's asset management companies with asset allocation advisory services that are necessary to develop investment products through optimal risk diversification
- Products developed for individual investors and institutional investors in Japan will be distributed through sales companies, such as SBI SECURITIES

Promoting the Interest Rate Arbitrage between Japan and Abroad

【Utilization plan in Thailand】

~Introduction of margin transaction in SBI Thai Online~



(3) In the Biotechnology-related Business, entering a full-scale growth stage through steady progress and strategic moves, toward the further expansion of the business and the development of the pipeline

- ① SBI Biotech and its subsidiary Quark Pharmaceuticals (“Quark”) further enhanced their pipeline by initiating three clinical trials, including ones in Phase III**
- ② SBI Pharmaceuticals’ drug pipeline continues to progress steadily, and through the acquisition of photonamic GmbH & Co. KG (“photonamic”) as a subsidiary, along with the acquisition of domestic manufacturing plants, has strengthened its business structure**
- ③ SBI ALApromo’s sales of “ALA Plus Tou (Sugar) Down,” a food with function claims, continues to remain strong, and promotional activities will continue to be enhanced**

① SBI Biotech (Wholly-owned subsidiary : Quark)

- i. SBI Biotech seeks to achieve profitability on a single-year, non-consolidated basis for the first time since its founding by promoting monetization of its drug discovery pipeline through out-licensing (including joint research)**
- ii. Quark will seek acceleration and rapid conclusion of clinical trials by means including expansion of the network of medical institutions conducting clinical trials**

SBI Biotech's Progress of Pipeline Drugs

	Licensing partner	Adaptation disease	Progress	
Anti-ILT7 antibody	MedImmune, LLC. (Subsidiary of AstraZeneca)	Autoimmune diseases	Pre-clinical (Completion)	<u>MedImmune will initiate Phase I clinical trial during the third quarter of 2016</u>
GNKS356	Independently	Psoriasis / Systemic Lupus Erythematosus (SLE)	Pre-clinical	Selected as Japan Agency for Medical Research and Development's (AMED) pre-designation review as an orphan drug commercialization candidate for their project promoting support for drug discovery (from FY2015 to FY2017) <u>*Maximum subsidy: JPY 200m per fiscal year</u>
SBI 3150/9674	Independently	Autoimmune diseases	Non-public	Considering out-licensing
Cdc7 inhibitor	Carna Biosciences, Inc.	Cancers	*	Intellectual property rights assigned to Carna Biosciences in June 2014. <u>Associated with Carna Biosciences entering into an out-licensing agreement with ProNAi Therapeutics, as announced on May 27, 2016, a partial milestone payment is expected at an early date.</u> Further receipt of milestone payments in accordance with development progress at Carna Biosciences is also expected

*Carna Biosciences initiates R&D

About Quark's Progress of Principal Pipeline Drugs, a Wholly-owned Subsidiary of SBI Biotech

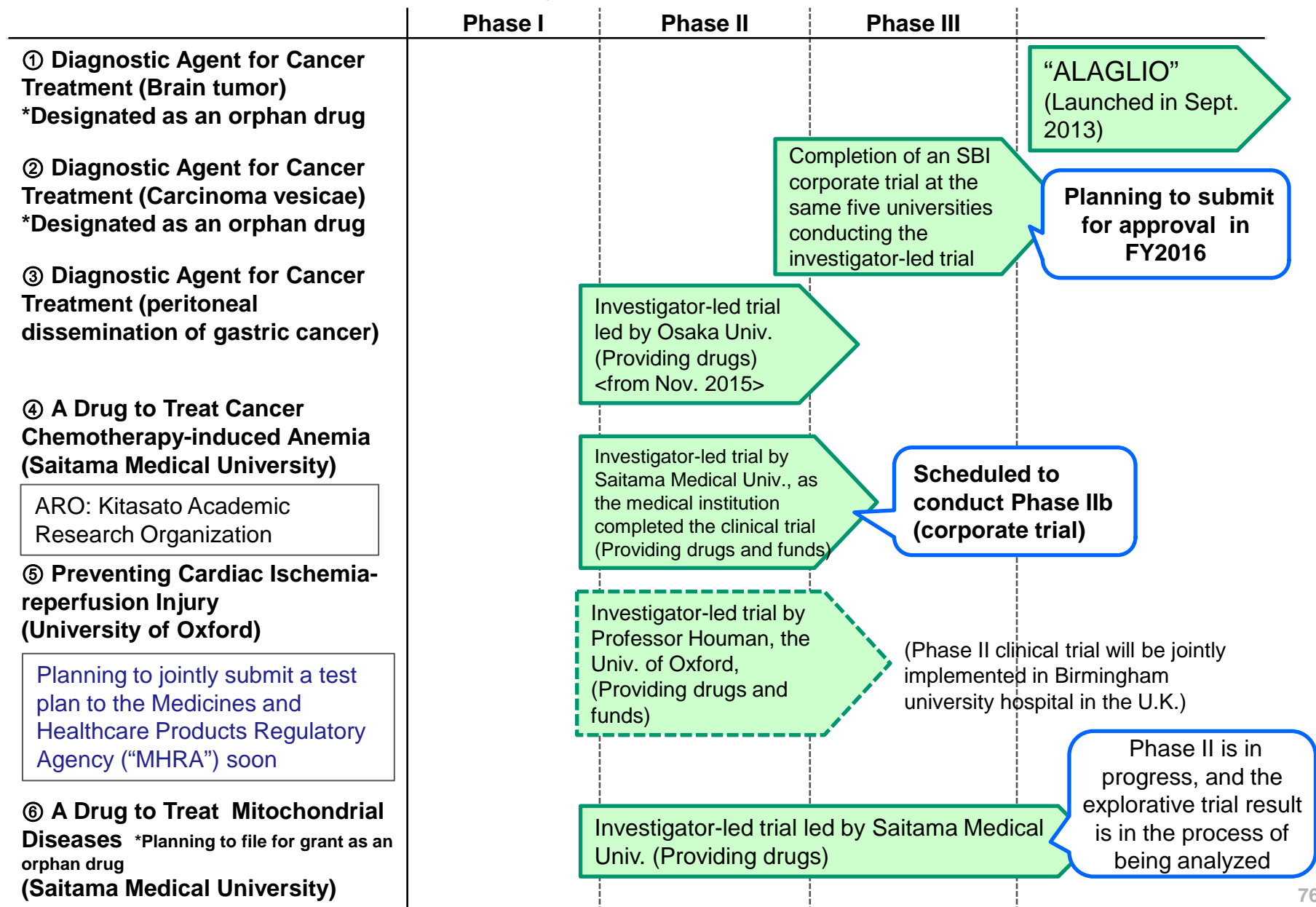
	Licensing partner	Adaptation disease	Progress	
QPI-1002	Novartis International AG	Kidney Transplantation (DGF)	Phase III (Beginning of dosage)	Initiated clinical trials at 75 institutions, mainly in the U.S., as well as in Canada, Germany, Brazil and other countries.
		Acute kidney injury (AKI)	Phase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

② SBI Pharmaceuticals (Pharmaceutical department in 5-ALA-related Business)

- i. For a diagnostic agent for cancer treatment of carcinoma vesicae, designated as an orphan drug, the SBI corporate trial was completed and now planning to submit for approval to the Ministry of Health, Labour and Welfare, in FY2016
- ii. For the development of a drug to treat cancer chemotherapy-induced anemia, the investigator-led trial (Phase IIa) by Saitama Medical Univ., as the medical institution conducting the clinical trial, completed and is now scheduled for a Phase IIb (corporate trial) trial
- iii. For a therapeutic agent for Mitochondrial disease, an investigator-led (Phase II) clinical trial based on a Phase II and III trial plan is underway at Saitama Medical University, and is in the process of analyzing the explorative trial result. Based on this result, a confirmatory study (Phase III) is planned
- iv. With the addition of photonamic into the SBI Group in January 2016, a new organizational structure was established at SBI ALA Hong Kong, an intermediate holding company for the 5-ALA-related Business
- v. In order to secure the production systems required to meet the increase in demand for 5-ALA, a new company is planned to be jointly established with Neo Pharma, LLC., an United Arab Emirates (UAE) manufacturer and marketer of pharmaceutical products, for an August 1, 2016 target acquisition date of a Fukuroi Factory in Shizuoka prefecture
- vi. In discussions for the out-licensing of technology by category in the pharmaceutical fields

② SBI Pharmaceuticals (Drug pipeline):

R&D Progress in the Pharmaceutical Field Sponsored by SBI Pharmaceuticals



Progress in Development of a Therapeutic Agent for Mitochondrial Disease

(Planning to file for grant as an orphan drug)

An investigator-led (Phase II) clinical trial based on a Phase II and III trial plan is underway at Saitama Medical University, and is in the process of analyzing the explorative trial result. Based on this result, a confirmatory study (Phase III) will be planned

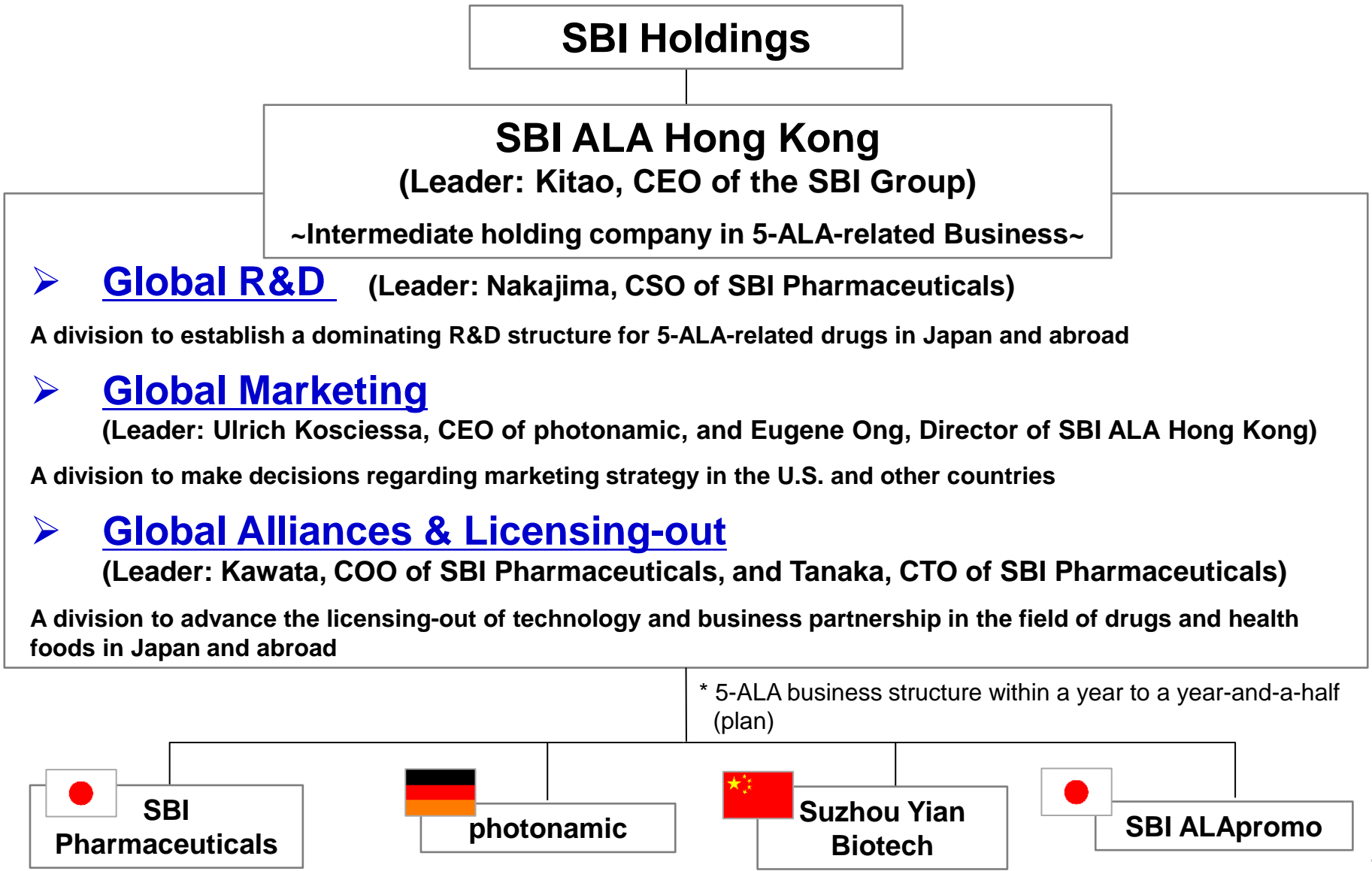
The environment surrounding therapeutic agent for mitochondrial disease:

- ✓ In Japan, an investigator-led trial (Phase II) for a therapeutic agent that uses 5-ALA is underway at Saitama Medical University in response to orphan drug designation.
- ✓ During the current fiscal year, there are plans to establish a Japanese NPO, which, through support activities for mitochondrial disease patients, their families, and medical practitioners, will work toward the realization of a society in which everyone can receive safe and secure medical treatment

Development schedule(plan):



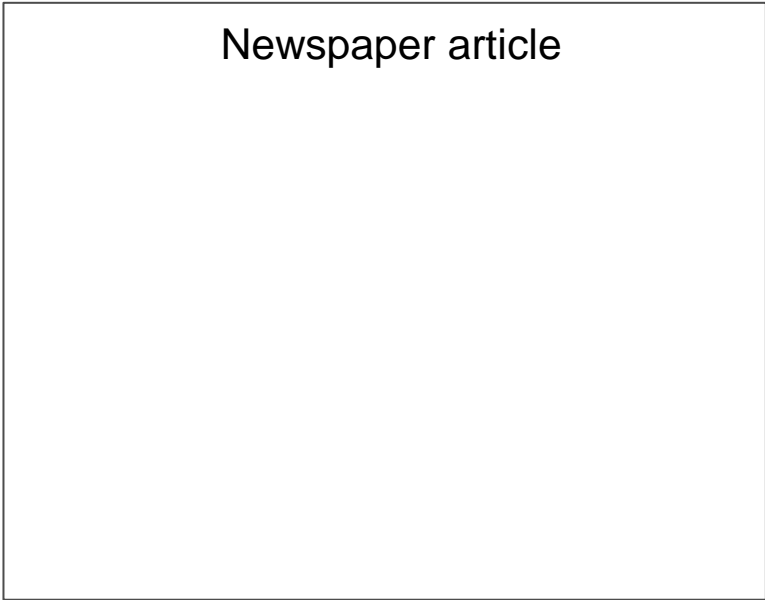
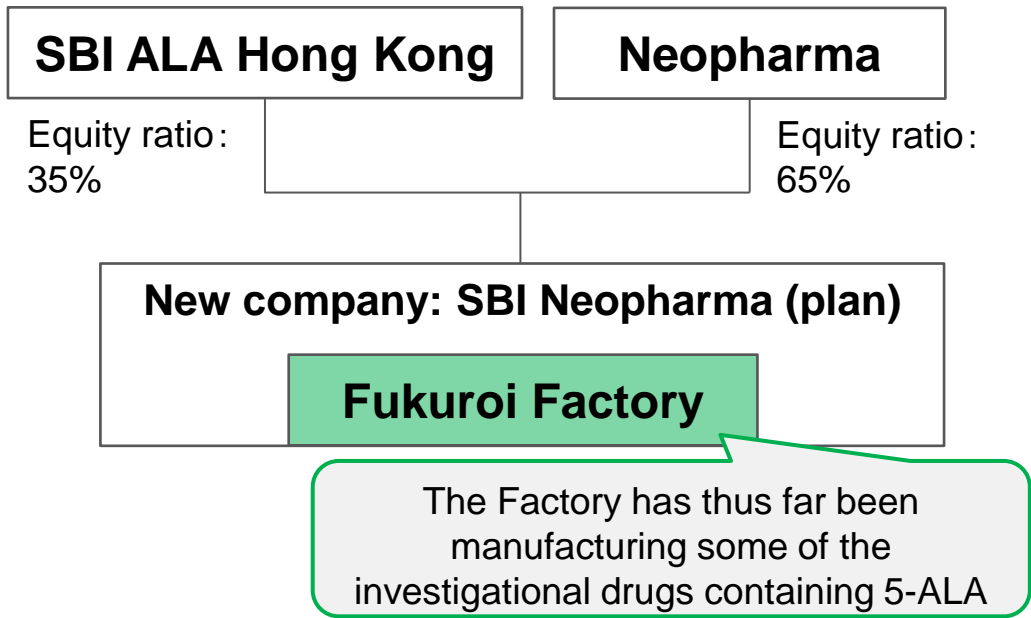
With the Inclusion of photonamic into the SBI Group, an Upgrading of the 5-ALA Business Structure



Securing the Production System to Meet the Increase in Demand for 5-ALA

A new company is planned to be jointly established with Neopharma LLC, an UAE-based manufacturer and marketer of pharmaceutical products. This new company will acquire, on a target date of Aug. 1, 2016, Fukuroi Factory (factory property, assets including manufacturing facilities, as well as its employees) in Shizuoka, which is operated by API Corporation, a company under the aegis of the Mitsubishi Chemical Holdings Group

[Structure after the acquisition]



(May 10, 2016 The Chemical Daily)

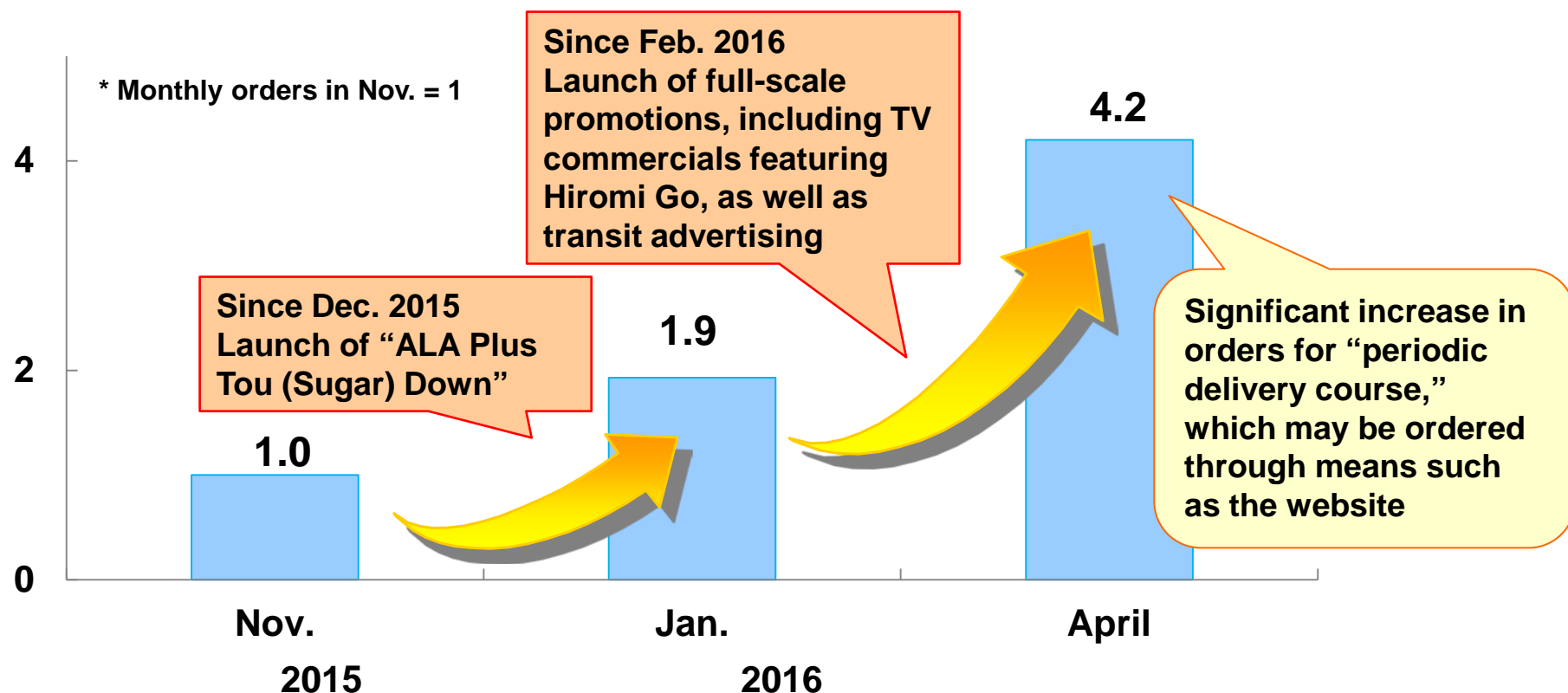
Upon the acquisition, SBI will improve the structure for the manufacture of foods containing 5-ALA at the Fukuroi Factory, by acquiring relevant licenses and organizing an appropriate system

③ SBI ALApromo (Domestic marketing department in 5-ALA-related Business)

- i. **Continuously enhancing promotional activities to support the continued growth of “ALA Plus Tou (Sugar) Down,” a food with function claims**
- ii. **Aggressively conducting efficient promotional activities, including a full-scale start-up of a joint promotion on 5-ALA with Kenkou Corporation and Rizap**
- iii. **Promoting the development of new foods with function claims, following “ALA Plus Tou (Sugar) Down”**

SBI ALApromo's Monthly Orders Rapidly Increased upon the Launch of a Food with Function Claims

Changes in SBI ALApromo's Monthly Orders

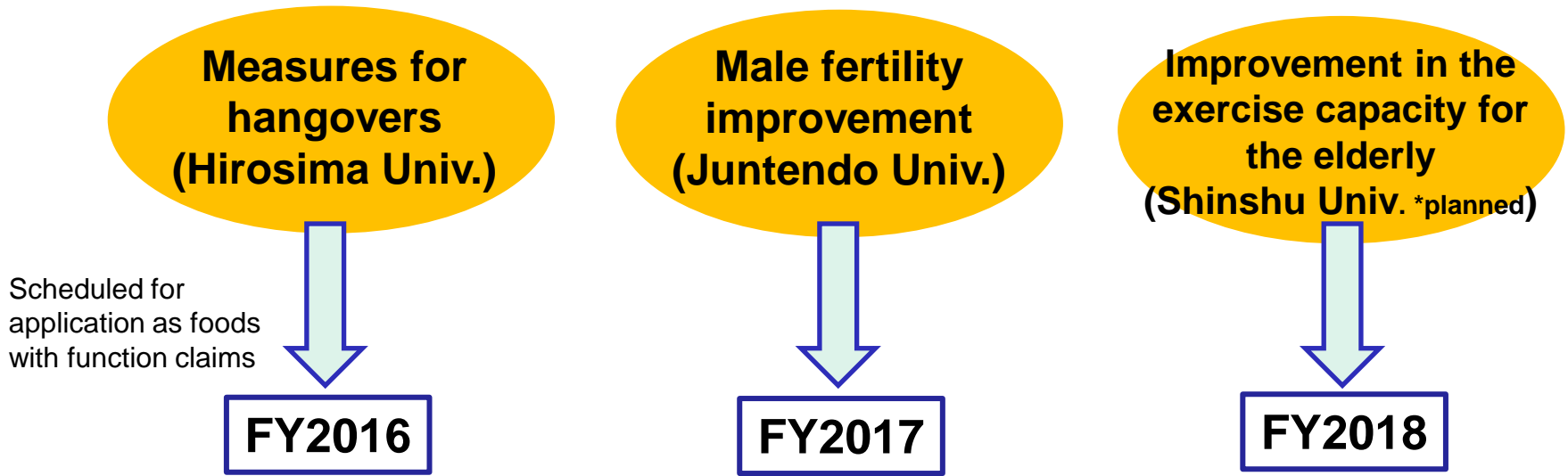


Further orders are expected in the fiscal year ending Mar. 31, 2017, in part because of the full-scale start-up of a joint promotion with Kenkou Corporation and Rizap

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

In preparations for the development of new foods with function claims, following “ALA Plus Tou (Sugar) Down”

Development plan:



Clinical trials expected to start in 2016

4. What are the med- and long-term business strategies that have been implemented to sustain continued high growth?

- (1) As new technology development in fields such as FinTech, IoT, AI and big data accelerates, the Group will endeavor to establish a new FinTech ecosystem through collaborations with promising venture companies in these fields, to provide innovative financial services**
- (2) In the Biotechnology-related Business, applying unique drug discovery technology and promoting the utilization development of 5-ALA as an active ingredient, etc., for early profitability**

- (1) As new technology development in fields such as FinTech, IoT, AI and big data accelerates, the Group will endeavor to establish a new FinTech ecosystem through collaborations with promising venture companies in these fields, to provide innovative financial services**
- ① Establishment of a new FinTech ecosystem by the SBI Group, which has already established a globally unique financial ecosystem**
 - ② Launch of the SBI FinTech Consortium that endeavors to establish global Fintech-related services developed in Japan**

- ① **Establishment of a new FinTech ecosystem by the SBI Group, which has already established a globally unique financial ecosystem**
 - i. **Establishment of a new FinTech ecosystem that incorporates FinTech technologies**
 - ii. **Transitioning to a “New FinTech Ecosystem” by leveraging the FinTech Fund and the Regional Bank Value Creation Fund (provisional name)**

①- i. Establishment of a new FinTech ecosystem that incorporates FinTech technologies

Established a Globally Unique Internet-based Financial Conglomerate in 16 Years Since Its Inception

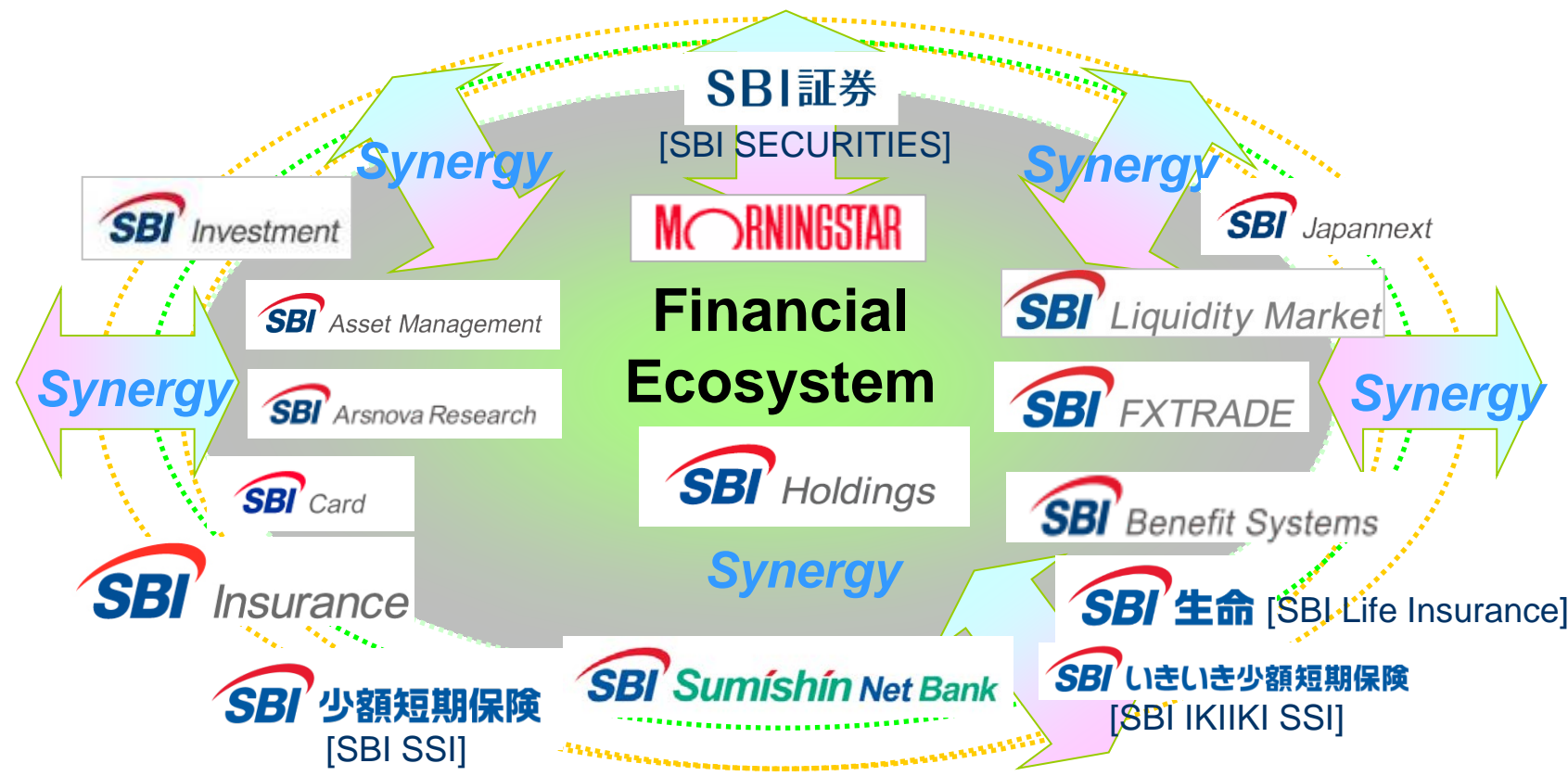
SBI Holdings

Oct. 1999: SBI SECURITIES commenced online trading service

Sept. 2007: SBI Sumishin Net Bank commenced business

Jan. 2008: SBI Insurance commenced business

Feb. 2016: SBI Life Insurance launches the sales of its products



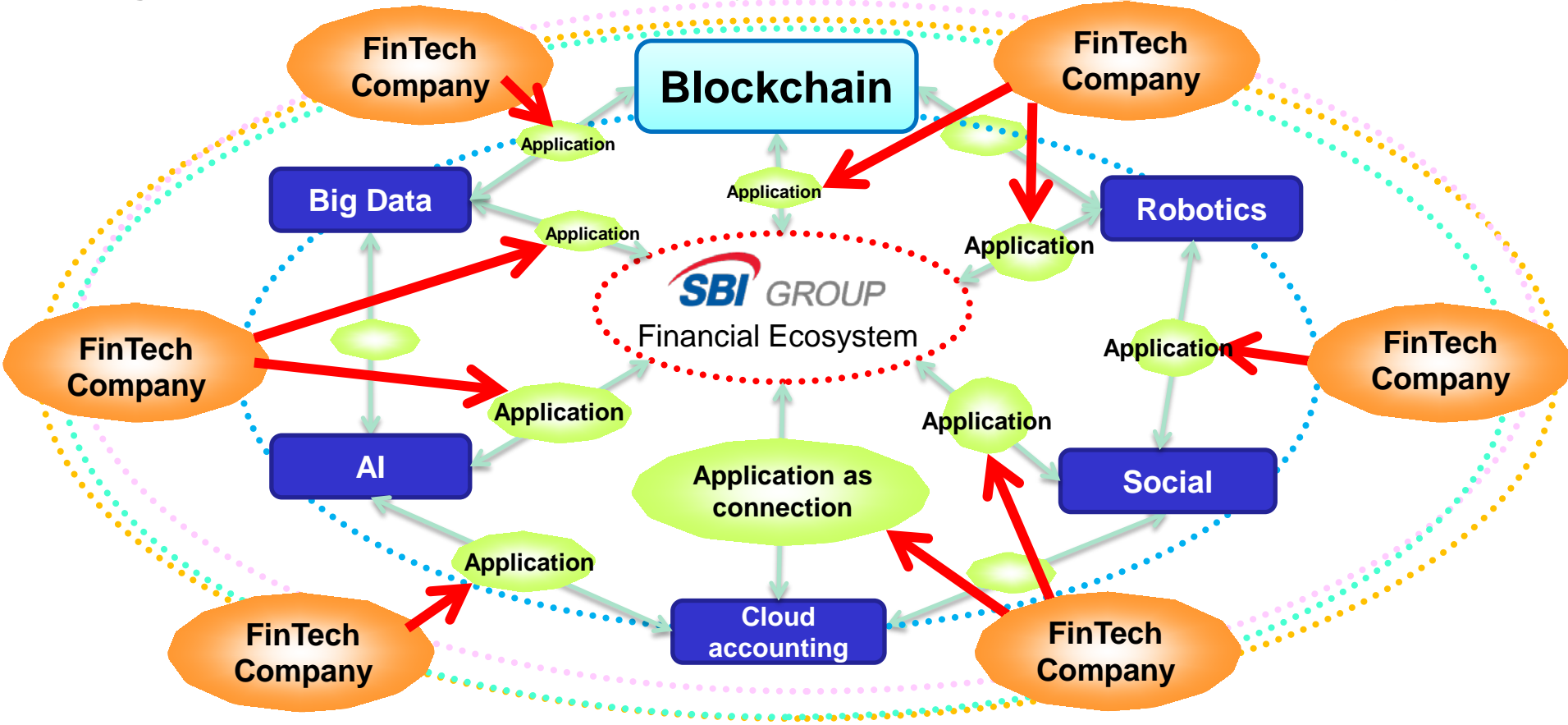
Transitioning to a “New Ecosystem” that incorporates FinTech technologies within 5 years

①- i. Establishment of a new FinTech ecosystem that incorporates FinTech technologies

The “New FinTech Ecosystem” will Utilize Blockchain Technology as Its Core, to Endeavor in Providing Innovative Financial Services through a Joint Development of Applications, which will Connect FinTech Companies and Conventional Financial Systems

[Image of SBI Group’s new FinTech ecosystem]

(Plan: Establishment within 5 years)



Through the optimal utilization of the SBI Group network, the external distribution of the realized financial services of the FinTech companies will be fully supported

Established “FinTech Fund” to Invest in FinTech-related Companies in Dec. 2015

FinTech Business Innovation LPS

- Total commitment amount is planned to be JPY 30bn
- Fund investor: Financial institutions such as regional banks, credit unions and companies with high affinity for FinTech technology
- Investment destination: Venture companies with superior technology in the FinTech field

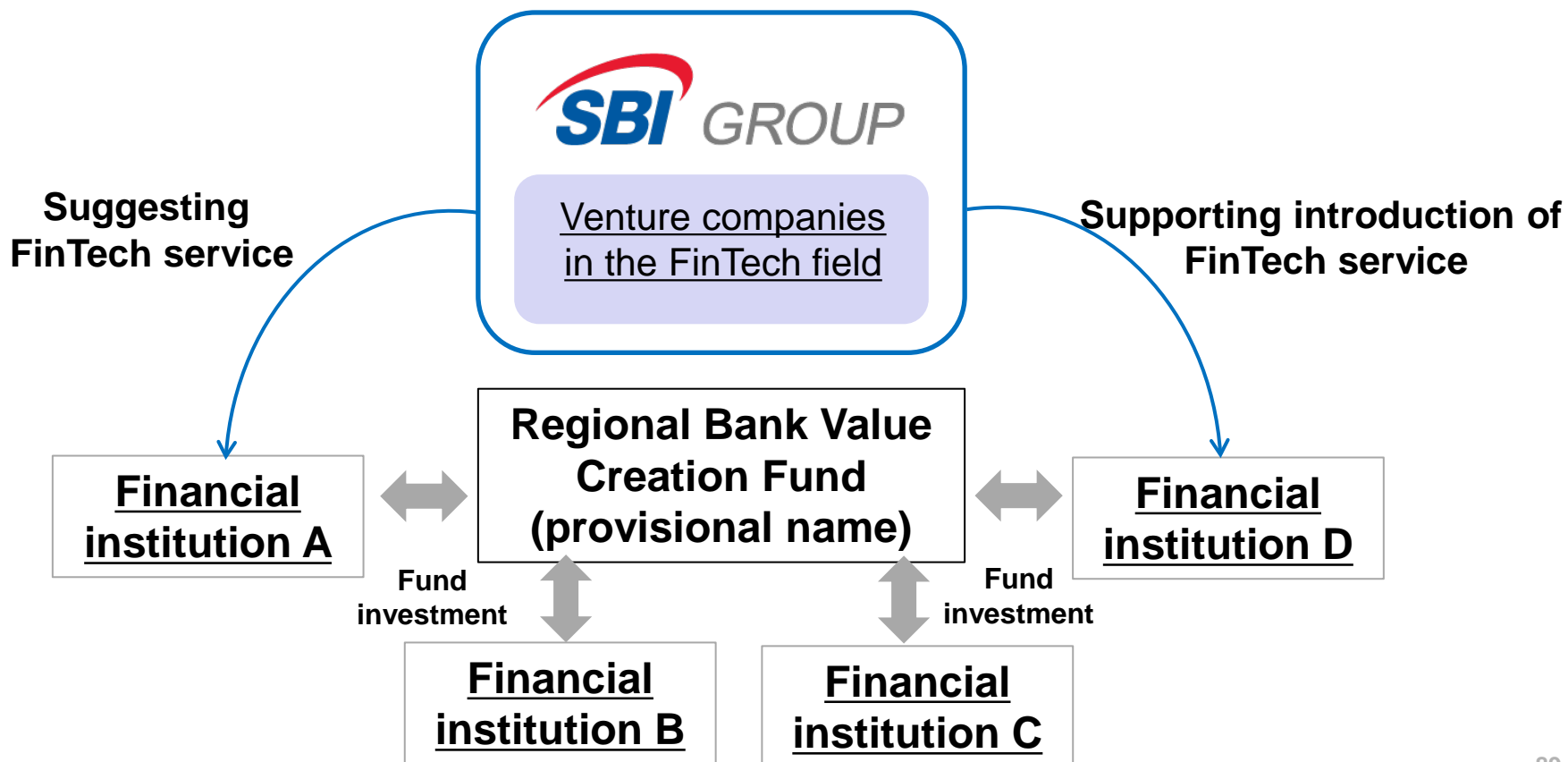


- ◆ About 20 of regional banks including the Bank of Yokohama, Ashikaga Bank, San-in Godo Bank and Kiyo Bank have already invested in this fund
- ◆ The financial institutions that have invested may jointly study the feasibility of the technology and services of the FinTech companies, to consider the reduction of an initial investment, as well as an early adoption
- ◆ Establishing the structure to support the adoption of FinTech services and technology, through the cooperation with major IT vendors and FinTech-related companies

Planning the Establishment of a New Fund for Regional Financial Institutions to Increase Their Corporate Value through Support for FinTech Introduction

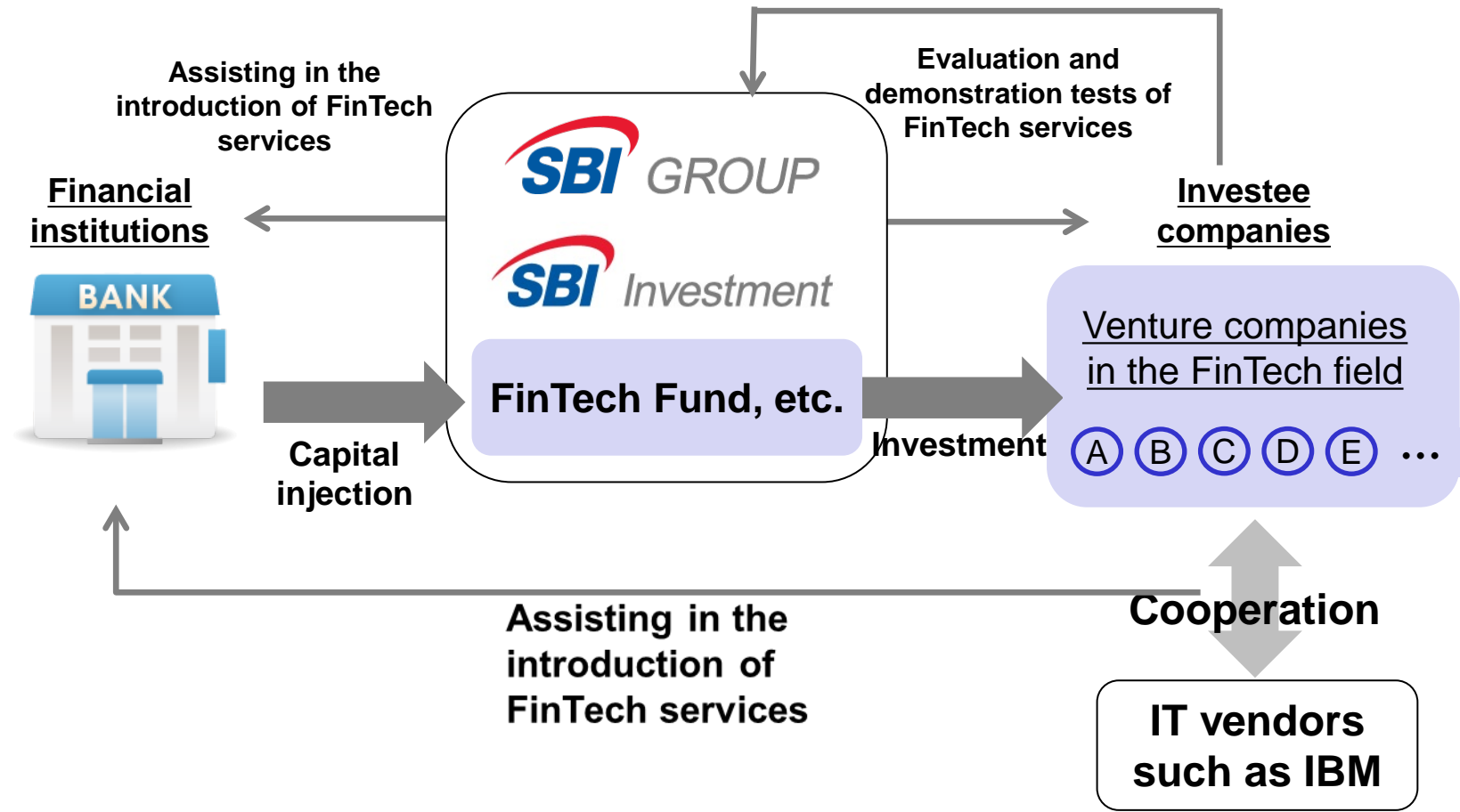
~Commitment amount is expected to be at least JPY 50bn~

The SBI Group and FinTech companies propose to investee banks a new financial business utilizing the technologies via the fund



Promoting Introduction of FinTech Services to Regional Financial Institutions Utilizing Major IT Vendors such as IBM

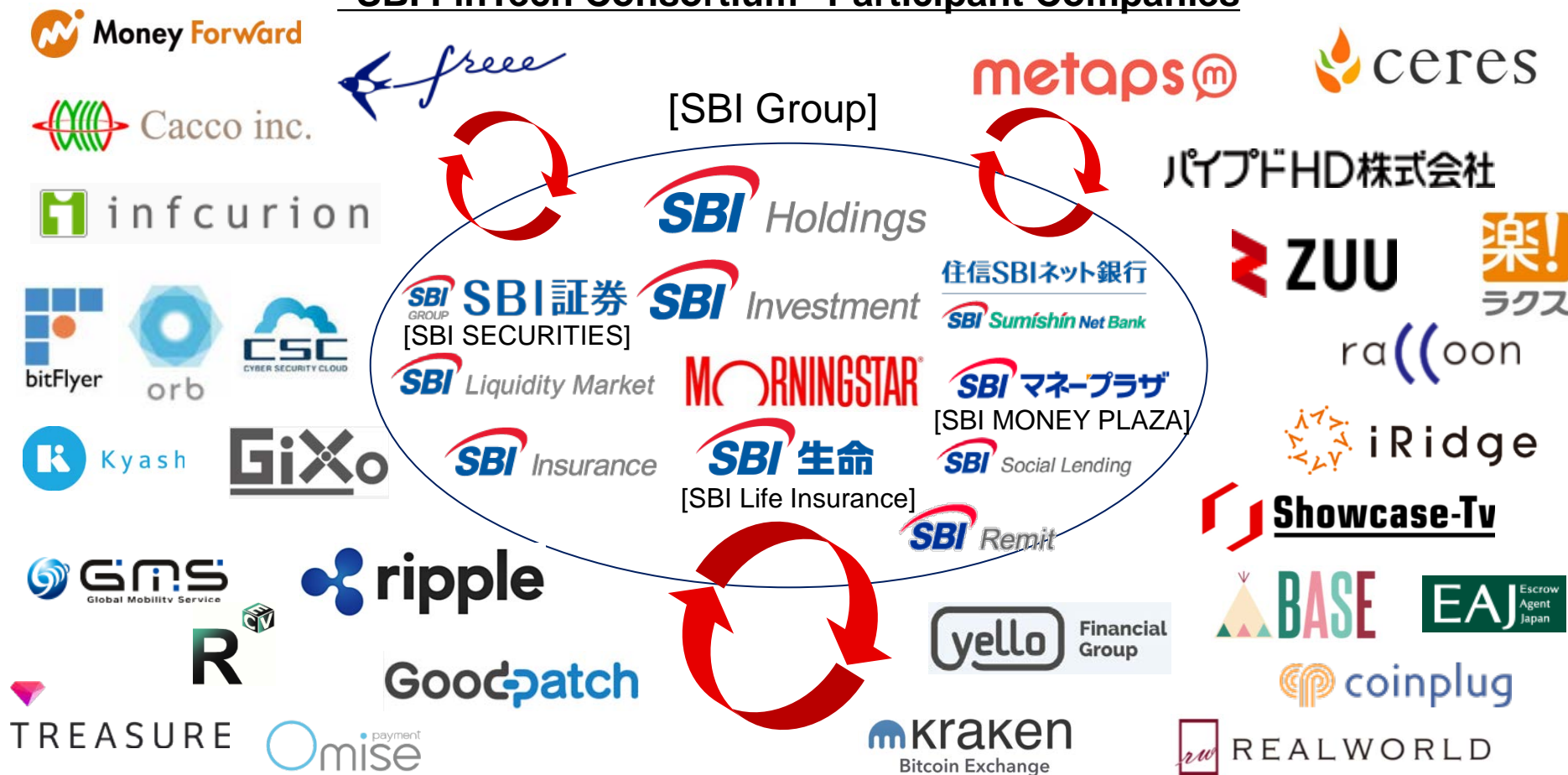
By also utilizing the resources of major IT vendors such as IBM, who have deep relationships with the financial institutions, an early and smooth adoption of the services provided by the FinTech venture companies becomes possible



- ② Launch of the SBI FinTech Consortium that endeavors to establish global Fintech-related services developed in Japan**
- i. Through the combination of FinTech technologies borne by the participating companies in the Consortium and the SBI Group's alliances, as well as the joint development of applications, etc., a realization of rapid and innovative financial services will become possible**
 - ii. Actively promoting introductory tests of FinTech technologies, to promote practical innovations within the SBI Group**
 - iii. Through the SBI Group network, for the above mentioned achievements, will accelerate the delivery to the regional financial institutions and foreign financial institutions**

Launch of SBI FinTech Consortium, which will Endeavor to Establish Japan's First Globally Accepted FinTech Services in Various Financial Sectors, through a Combination of Participant Companies' Technologies that will Reduce the Initial Introductory Costs

"SBI FinTech Consortium" Participant Companies



SBI FinTech Consortium Held on May 19, 2016

- ◆ Keynote speech by Chris Larsen, CEO of Ripple Labs, and panel discussion by heads of domestic and overseas venture companies related to FinTech, etc.
- ◆ There were 38 participants, of which primary top management of domestic and overseas venture companies related to FinTech

Theme of the panel discussion

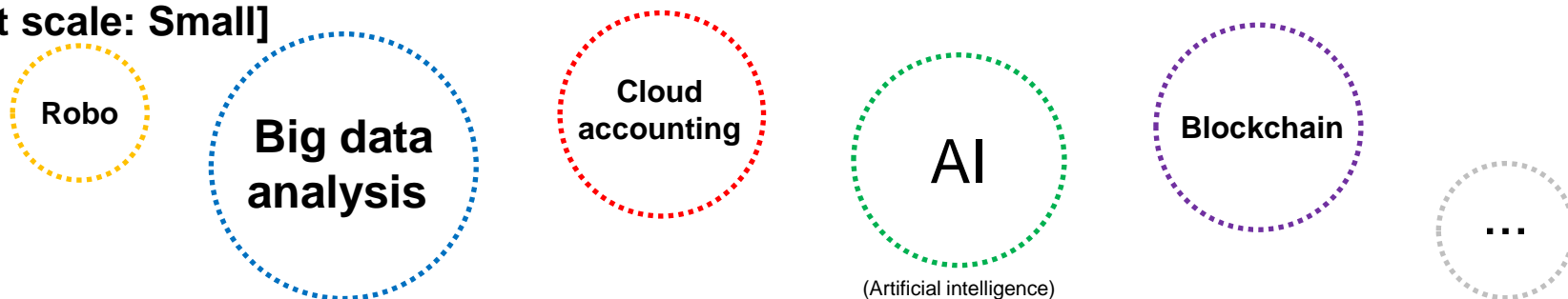
Blockchain technology / Settlement, Remittance / Big data



- i. Through the combination of FinTech technologies borne by the participating companies in the Consortium and the SBI Group's alliances, as well as the joint development of applications, etc., a realization of rapid and innovative financial services will become possible**

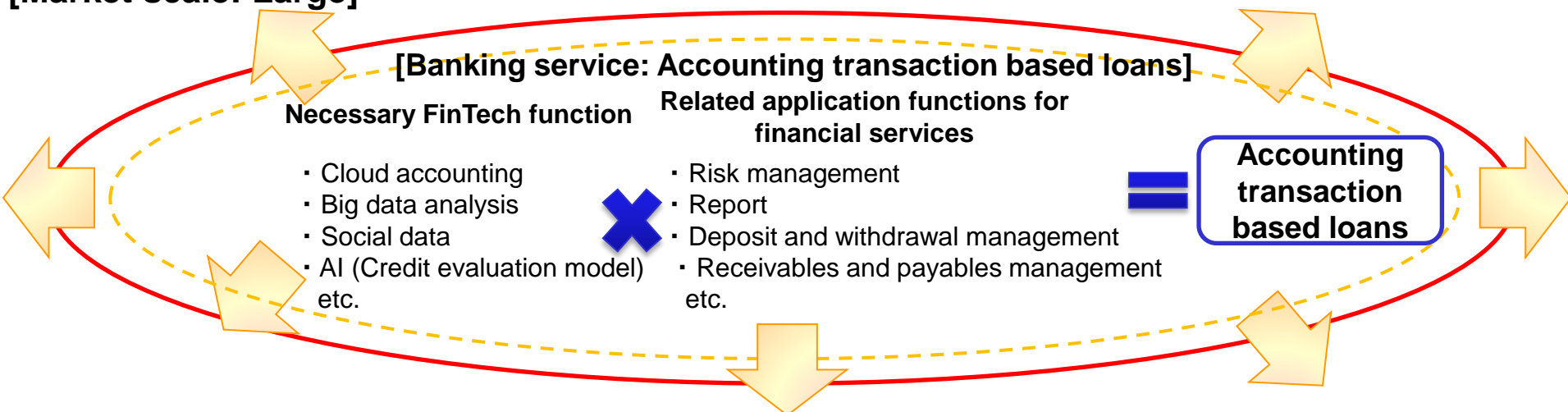
Innovative Practical Financial Service Applications by Combining FinTech Technologies

[Market scale: Small]



Compared to a single market, by organically combining financial services technologies, a dramatic market expansion becomes possible

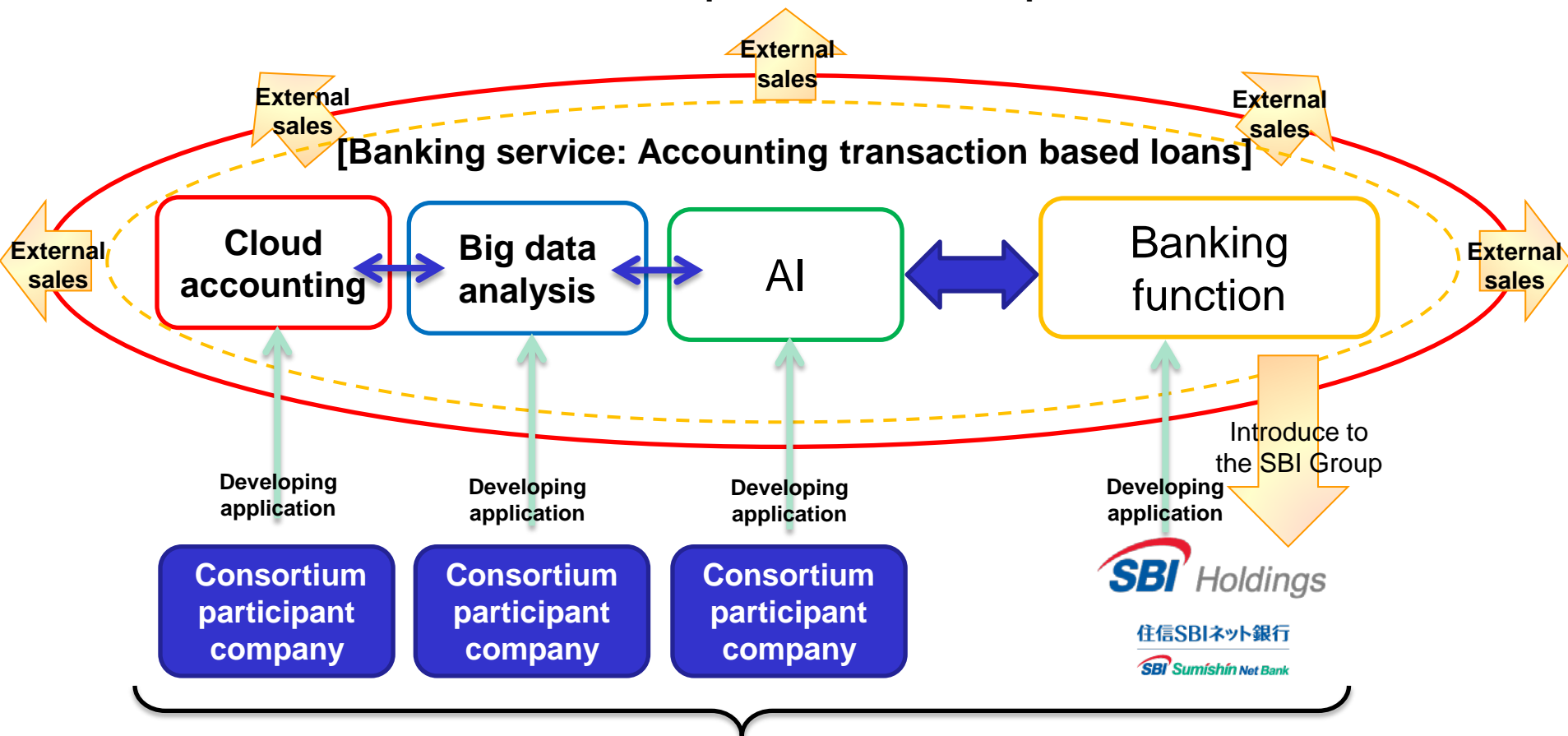
[Market scale: Large]



Although extensive investments and time would be necessary for one company to develop applications on its own, a joint development of applications will minimize introductory costs that are incurred

Through Alliances Between Participating Companies, the Rapid and Cost-effective Provision of New Financial Services Becomes Possible

Jointly developing application functions for new connections between FinTech technologies and financial systems, and promoting the sales of those achievements to the SBI Group and external companies



Minimizing introductory costs through joint development

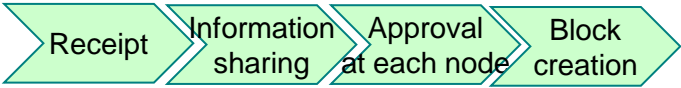
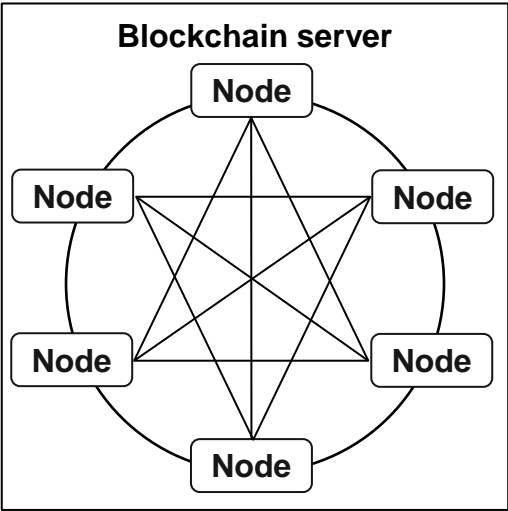
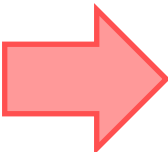
- ii. Actively promoting introductory tests of FinTech technologies, to promote practical innovations within the SBI Group**

At SBI Sumishin Net Bank, Promoting Efforts to Enhance Operational Efficiency by Utilizing Blockchain Technology

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

住信SBIネット銀行 

- Banking transactions
- Transfer
 - Deposits and withdrawals
 - Balance inquiry
 - Account activity statement



[Verification points of the test]

Tolerance to stress

Processing capacity enduring high-intensity

Tolerance to falsification

Verifying data falsification risk

Cost-effectiveness

Confirmation of cost reduction possibility

[Task] Since blockchain is one function and not the entire accounting system, it is necessary to separately develop related applications

Although cost bearing increases when one company develops applications alone, joint development with FinTech companies, which the SBI Group collaborates, will lead to minimize development costs

Going forward, continuing to consider the adoption of virtual currency, Identification/Authentication, and accounting

Other Examples of the Introduction of FinTech in the SBI Group Companies

SBI証券 [SBI SECURITIES]

- Participating in the demonstration tests conducted to utilize blockchain technology in the stock market by the Japan Exchange Group, in collaboration with IBM, NRI, and endeavoring to discover the possibility of the technology and early apply to business, through the adoption of two points of view of “Technical verification” and “Improvement of business operations”

Liquidity Market

- Progressing in the possible development of a product utilizing blockchain technology, toward a possible launch in FY2016

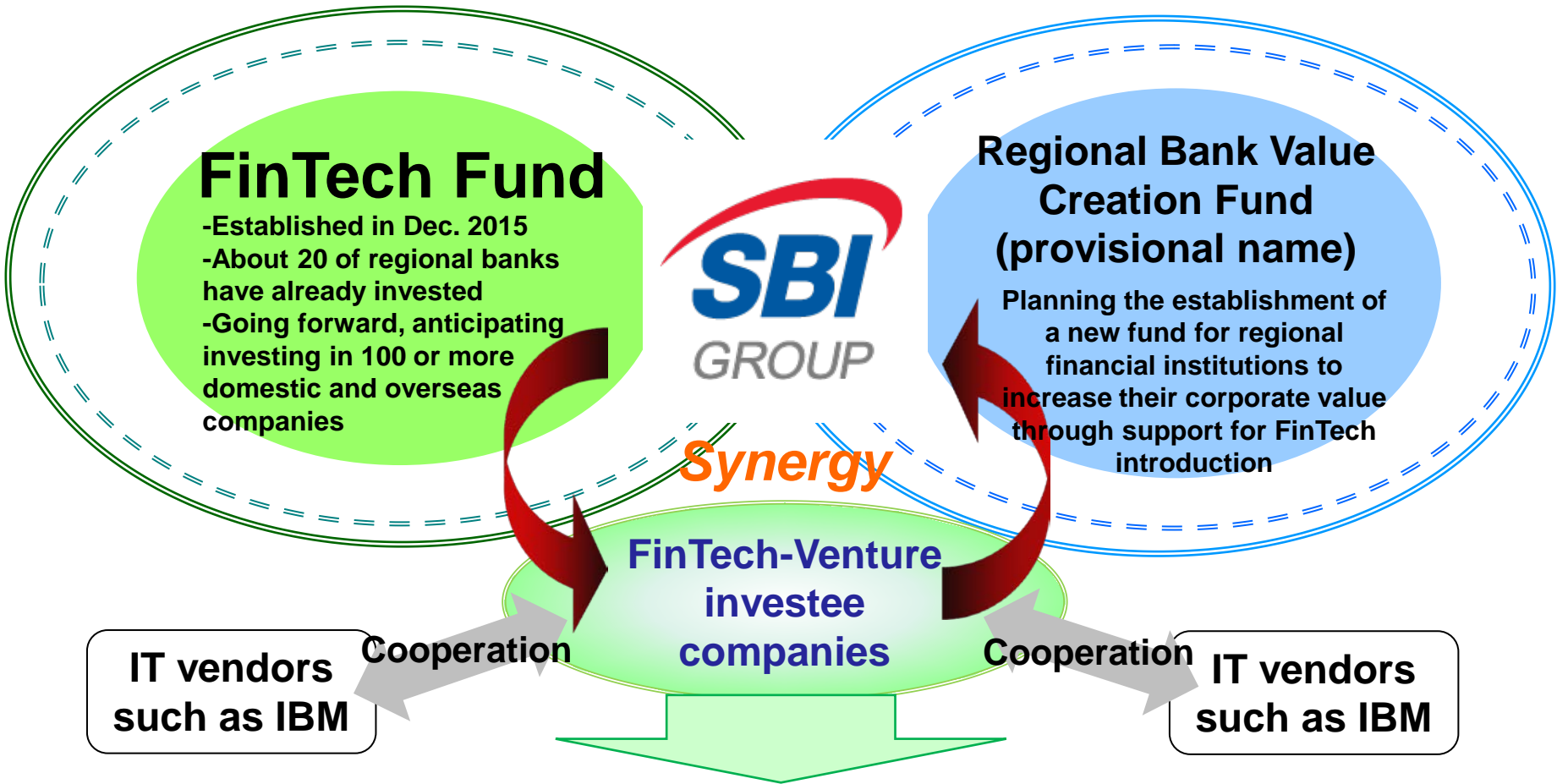
[SBI Life Insurance]

- Promoting the development of personalized insurance products, where premiums are tailored and calculated according to each policy holder’s risk and characteristics, by utilizing telematics technology and wearable devices, through the cooperation with ZMP, a robotic venture company

- Several financial institutions that sell investment trusts have already introduced the “robo advisor” investment tool, which advises on appropriate resource allocation and product selection. Moreover, they are also offered to companies introducing defined contribution pension plans, from May 2016

- iii. Through the SBI Group network, for the above mentioned achievements, will accelerate the delivery to the regional financial institutions and foreign financial institutions**
 - a. Promoting introduction of Fintech to regional financial institutions**
 - b. Overseas expansion utilizing its investee companies and business alliance partners**

Joint Development of Packaged Software with FinTech Ventures, and Supporting the Introduction of FinTech Services to Regional Financial Institutions

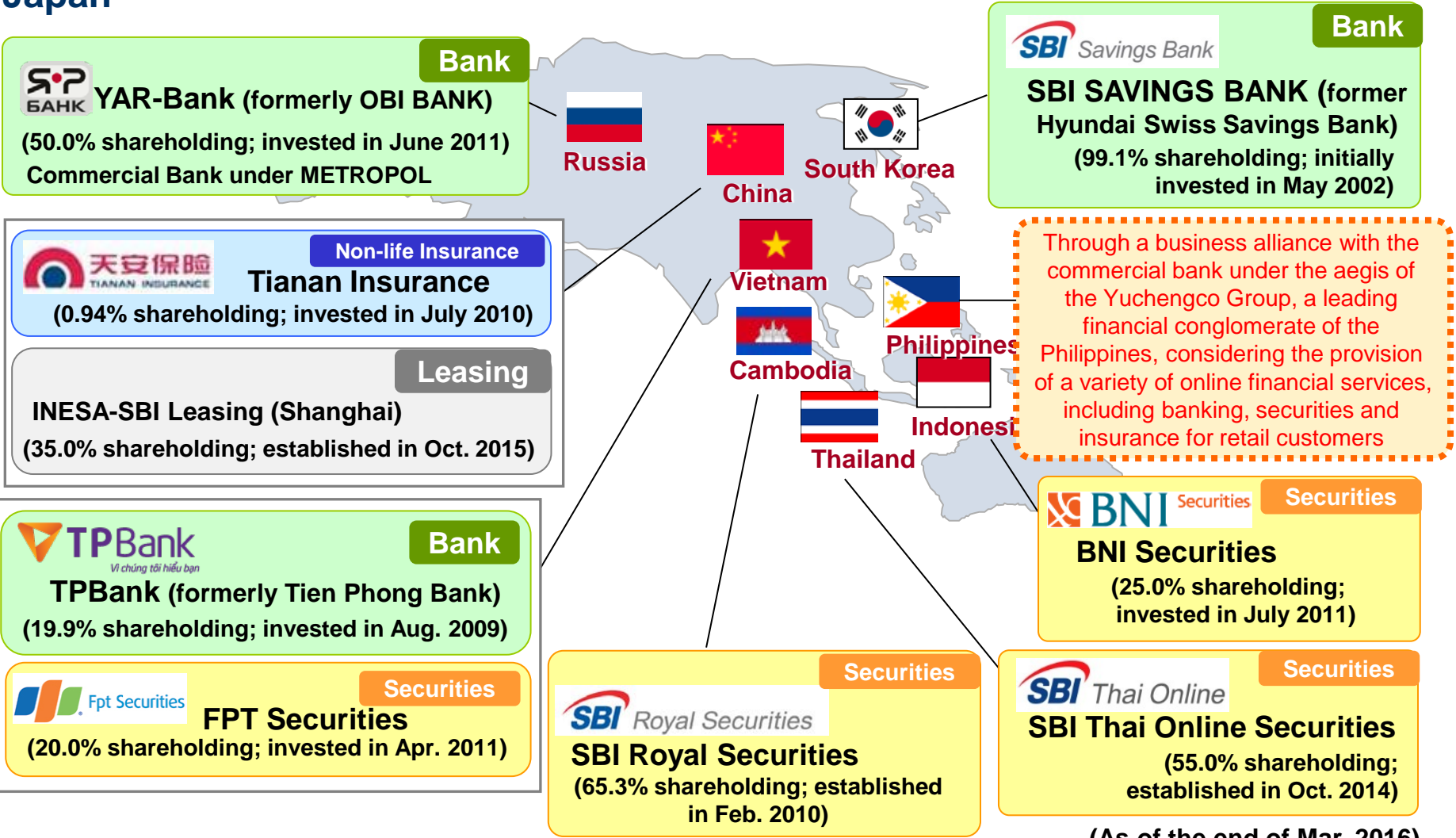


Propose the introduction to regional financial institutions of packaged software, which the SBI Group and FinTech companies jointly develop in cooperation with IT vendors, such as IBM

b) Overseas expansion utilizing its investee companies and business alliance partners



With the Cooperation of Prominent Overseas Local Partners, along with the Leveraging of SBI's Established Financial Ecosystem Overseas, Developing the Globalization of FinTech Technologies and Know-how Developed in Japan



(As of the end of Mar. 2016)

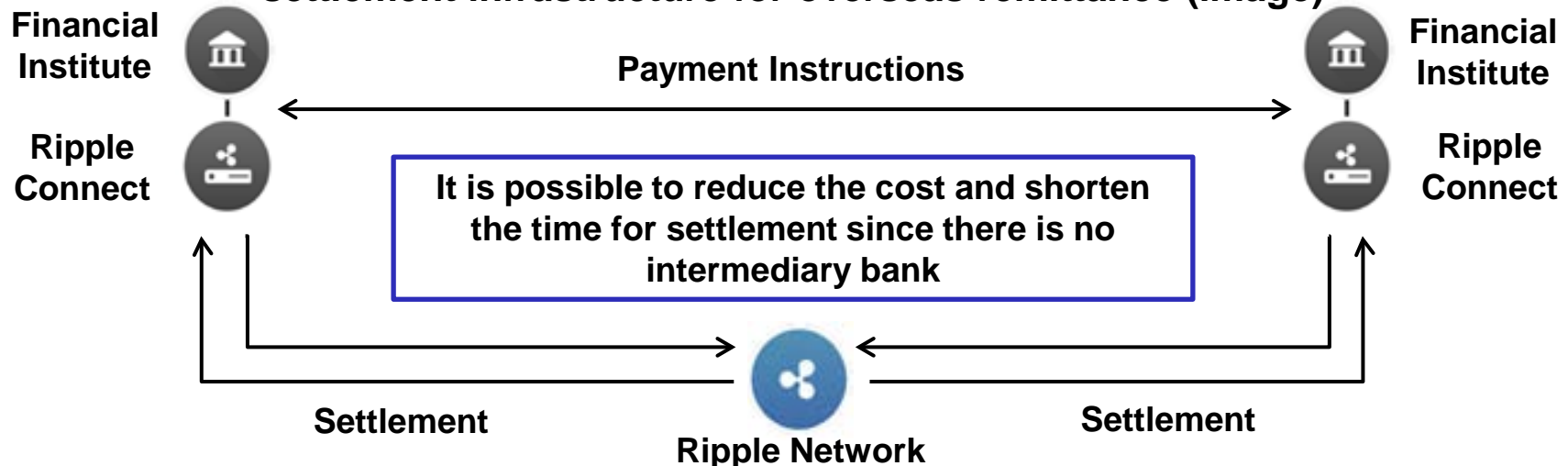
* SBI's shareholding percentage corresponds to a total percentage based on the IFRS criteria for subsidiary companies and subsidiary funds of the Group

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

Developing a new international remittance system platform based on
blockchain technology, and considering the development of unique
businesses with Ripple Connect



International remittance system platform utilizing Ripple's
settlement infrastructure for overseas remittance (image)



**SBI Remit, as the first user (pilot user), is in the process
of utilizing Ripple**

Major Global Financial Institutions have Announced their Participation in the Blockchain Consortium Led by R3CEV, and are Strengthening Their Cooperation to Utilize Blockchain Technology

~SBI Participates as the World's First Financial Group Whose Main Channel is the Internet~

- ◆ This consortium led by U.S. R3CEV currently has the participation of more than 40 of the world's major financial institutions
- ◆ This represents the world's largest working group that is endeavoring towards the optimization of the financial markets, utilizing blockchain technology
- ◆ Currently, proactively incorporating into the operations and validating the technology, along with proceeding with demonstration tests

From Japan, SBI Holdings announced its new participation in the consortium in Mar. 2016, in addition to the 4 major Japanese financial institutions already joining the consortium

Participating Institutions (Excerpt)

Bank of America, Barclays, BBVA, BNP Paribas, Citi, Commerzbank, Credit Suisse, Deutsche Bank, J.P. Morgan, Goldman Sachs, HSBC, Morgan Stanley, Royal Bank of Scotland, UBS, Hana Financial Group*, Itaú Unibanco Holding*, Ping An Insurance Group*
Mitsubishi UFJ Financial Group, Sumitomo Mitsui Banking Corporation, Mizuho Financial Group, Nomura Holdings, SBI Holdings*

(2) In the Biotechnology-related Business, applying unique drug discovery technology and promoting the utilization development of 5-ALA as an active ingredient, etc., for early profitability

- ① SBI Biotech applies an unique platform “pDC Modulation” (pDC: plasmacytoid Dendritic Cell) in the oncology field, to realize growth potential primarily in “cancer immunotherapy”**
- ② Quark will endeavor to market its Phase III stage pipeline discovery drug to ensure steady source of earnings, as well as to secure R&D funding through an eventual possible listing on the U.S. NASDAQ market. Any such funds will be utilized toward the development of the next generation drug discovery pipeline to the clinical development stage**
- ③ In the 5-ALA-related Business, will endeavor to become the world's “only-one company”**

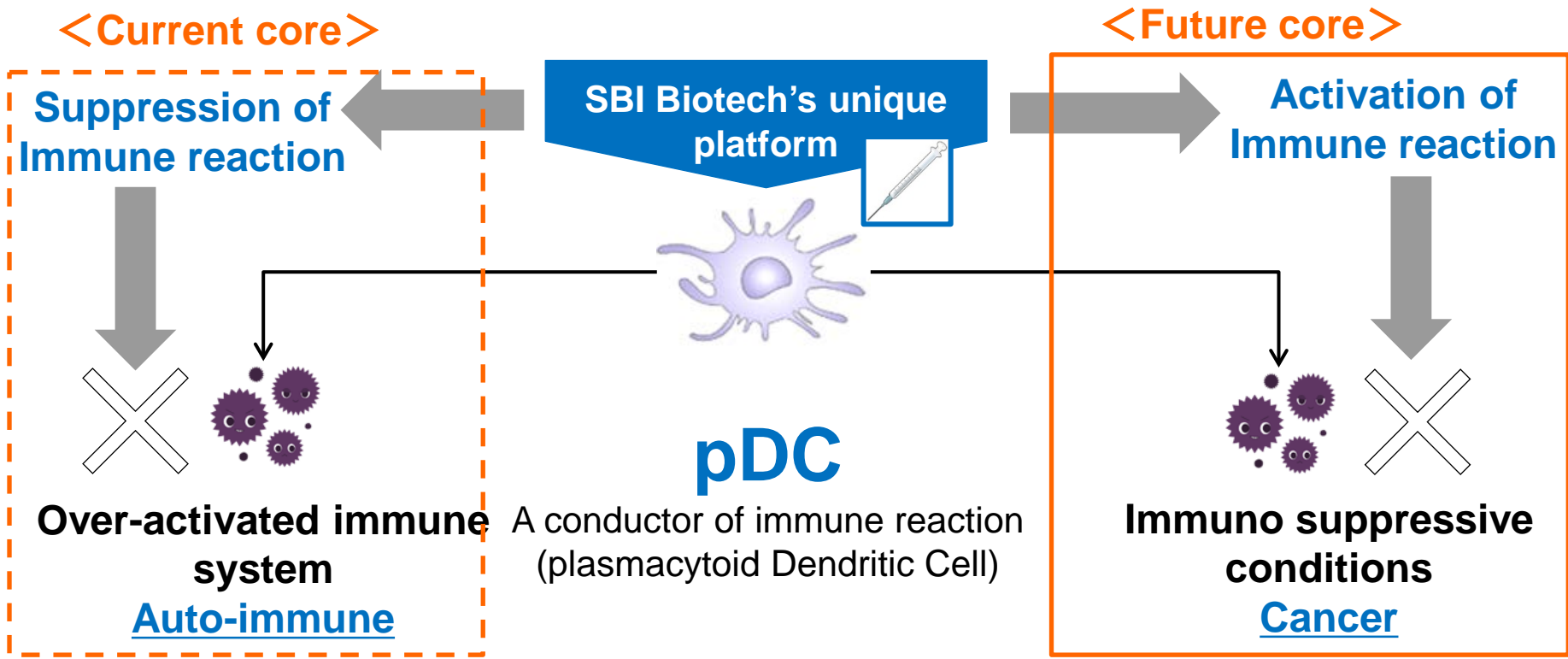
“Cancer Immunotherapy Agent” in the Limelight: A Top Trend in Cancer Therapy

- ▶ Cancer immunotherapy drug modulates and activates immune system against cancer**
- ▶ Cancer immunotherapy drug, OPDIVO® (launched in 2014) sales approx. USD 900m in 2015 (Ono/BMS)**
- ▶ Estimated sales of OPDIVO® is over USD 4bn in 2020. Other immunotherapy drugs are coming, and the estimated sales is projected at over USD 1bn (DATAMONITOR Helthcare “Immno-Oncology Overview” May 21, 2015)**

SBI Biotech's Unique Platform

“pDC Modulation” and its Application to “Cancer Immunotherapy”

- ▶ pDC (plasmacytoid Dendritic Cell) is a conductor of immune system. pDC regulates immune reactions both positively and negatively. By the modulation of pDC function, we can control immune reaction against cancer
- ▶ During the past decade, SBI Biotech has developed an unique pDC modulation technology. With this expertise and experience, SBI Biotech will develop novel cancer immunotherapy drugs



About Quark, a Wholly-owned Subsidiary of SBI Biotech

Since Quark has two products at the Phase III stage in its drug discovery pipeline, it has satisfied the conditions for a public offering on the NASDAQ market

Products at the Phase III stage in its drug discovery pipeline:

- QPI-1002: Kidney Transplantation (DGF) (Licensing partner: Novartis International AG)

The largest ever Phase II study (326 subjects) conducted by Quark.

Quark has received Orphan Drug status by the FDA and the EMA for this indication.

- QPI-1007: Non-arteritic anterior ischemic optic neuropathy (NAION) (Licensing partner: Biocon Ltd of India)

Quark received Orphan Drug status from the FDA on this indication. It is the first time that an siRNA molecule was approved by the Indian (DCGI) and Chinese (CFDA) health authorities to be used in humans in clinical studies



SBI Biotech began discussions with several securities firms in preparation for an IPO on the U.S. NASDAQ market of its subsidiary Quark.

Quark has Patent Protection in Several Fields of Its Next Generation Pipeline Drugs

about **120**
granted or allowed
patents

approximately **180**
patent applications

more than **50**
jurisdictions

1000s

about **40**
indications

approximately **90**
genes

siRNA(*) sequences

(*) siRNA: A class of double-stranded short RNA with specific sequence, functioning as a molecule to support life (small interfering RNA)

Alopecia induced by chemotherapy and radiation

Glaucoma, NAION, Other indications

COPD, ARDS, Other indications

Parkinson's, SCAs, Other indications

Hair

Ophthalmology

Respiratory

Neurology

Brain

Hearing

Cardio-vascular

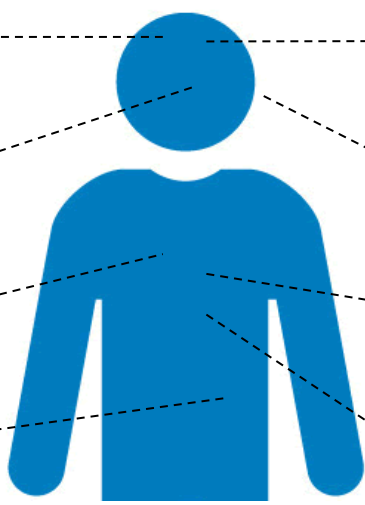
Organ Transplantation

Alzheimer's

Hearing Loss

Cardiac hypertrophy, Microvascular disorders, Other indications

Graft dysfunction, Acute/chronic kidney disease



③ In the 5-ALA-related Business, will endeavor to become the world's “only-one company”

- i. SBI Pharmaceuticals has obtained additional patents in a variety of fields to ensure future developments**
- ii. In collaboration with several research organizations domestically and abroad, to advance basic research concerning 5-ALA in various fields**
- iii. Accelerating global expansion through the integration of the research system of photonamic, as well as strengthening the overseas pharmaceutical distribution structure**
- iv. Thoroughly promoting the global out-licensing of technology, along with business partnerships toward the realization of an early profitability**
- v. Promoting R&D on PDT (Photodynamic Therapy) using 5-ALA and therapeutic agent for malaria**

Patents Held by SBI Pharmaceuticals in Japan (Total of 35 Patents) - (i)

The name of the invention	Registration date	Co-applicants
Composition for peeling	June 15, 2007	Single application
External preparation for the skin	July 27, 2007	Single application
Antioxidation function improver	Sept. 2, 2011	Cosmo Oil
Health function improver	Sept. 2, 2011	Cosmo Oil
Immune function improver	Sept. 2, 2011	Cosmo Oil
Tumor diagnostic agent	July 13, 2012	Single application
Mitochondrial damage brain disorder treatment and diagnostic agent	Oct. 5, 2012	Single application
Urinary tract tumor determination system	Mar. 22, 2013	Kochi Univ.
Photolesion alleviator	June 21, 2013	Single application
Automatic tumor identification device and automatic tumor location identification method	Feb. 7, 2014	Single application
Bladder cancer detection method	Feb. 14, 2014	Kochi Univ.
Urothelial cancer detection method	Feb. 21, 2014	Kochi Univ.
Male infertility treatment	Mar. 14, 2014	Single application
Cancer thermotherapy action enhancer	Apr. 18, 2014	Tokyo Univ. of Agriculture
Mitochondrial fluorescence staining method	July 11, 2014	Okayama Univ. /Kochi Univ.
Antimalarial drug whose active ingredient is 5-aminolevulinic acid or a derivative thereof	July 25, 2014	The Univ. of Tokyo
Cancer prophylactic and/or improving agent whose active ingredient is 5-aminolevulinic acid or a derivative thereof or a salt thereof	Sept. 12, 2014	Single application
Alaremycin derivative	Nov. 14, 2014	Tokyo Institute of Technology

③ 5-ALA-related Business (Research fields):

Patents Held by SBI Pharmaceuticals in Japan (Total of 35 Patents) - (ii)

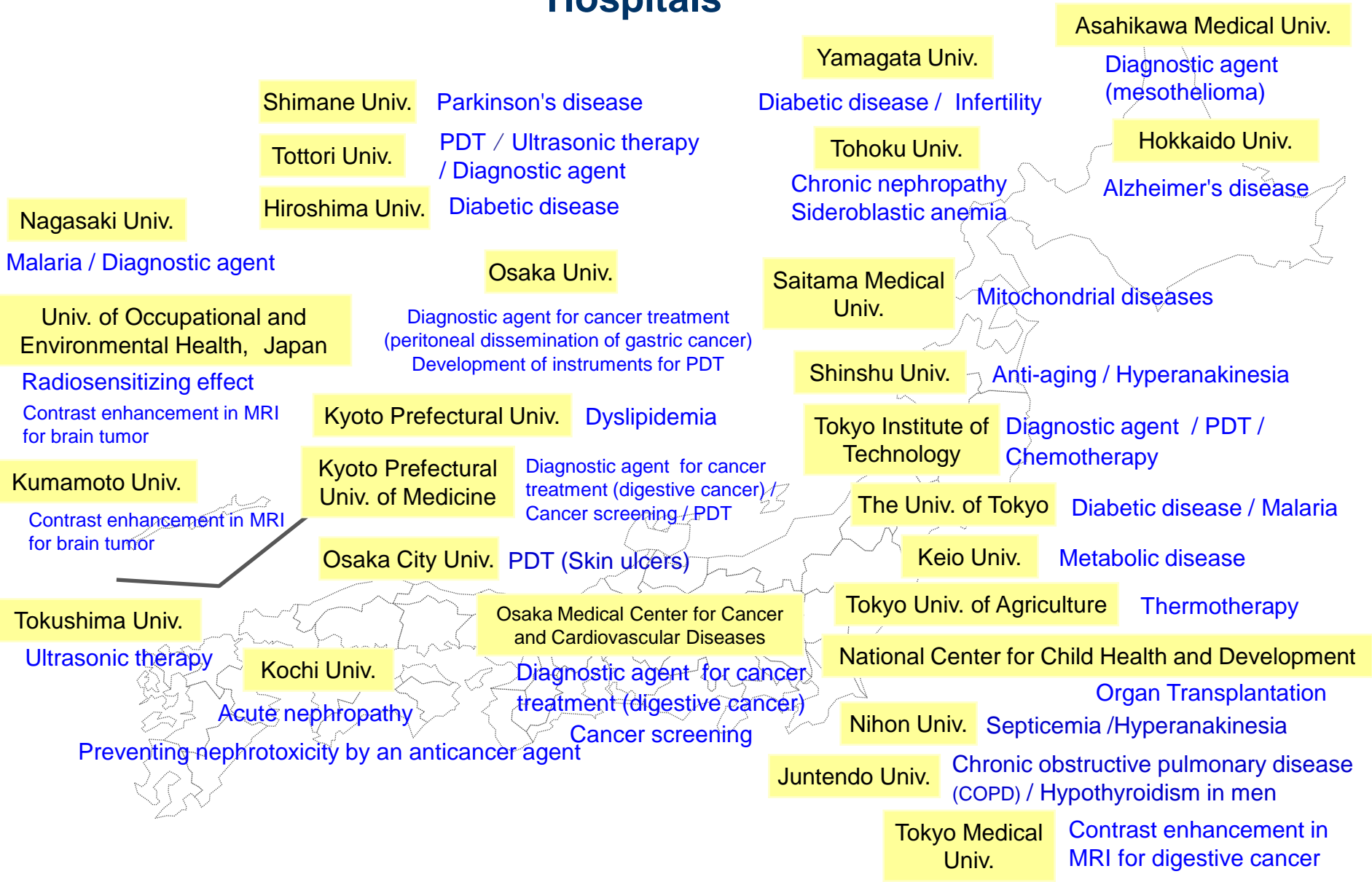
The name of the invention	Registration date	Co-applicants
Adult disease prophylactic and/or improving agent whose active ingredient is 5-aminolevulinic acid or a derivative thereof, or a salt thereof	Dec. 19, 2014	Single application
Antimalarial drug whose active ingredient is alaremycin or a derivative thereof	Dec. 26, 2014	Tokyo Institute of Technology
Treatment for allergic rhinitis	Mar. 20, 2015	National Hospital Organization
Agent for preventing and/or treating veisalgia	Sept. 18, 2015	Single application
Treatment agent and/or prophylactic agent for side effects of cancer drugs	Oct. 9, 2015	Kochi Univ.
Erythropoietin production accelerator	Oct. 9, 2015	Tohoku Univ.
Tumor diagnostic agent	Nov. 13, 2015	Single application
Photodynamic therapy or diagnostic agent, using infrared-spectrum light	Dec. 18, 2015	Tokyo Institute of Technology
An agent for treating and preventing cancer anemia	Feb. 12, 2016	Single application
An agent for the treatment and prevention of chronic kidney disease	Feb. 12, 2016	Single application
Photodynamic diagnosis agent and photobleaching-prevention agent	Feb. 12, 2016	Tokyo Institute of Technology
Photodynamic therapy using a photosensitizer or 5-ALAs	Feb. 19, 2016	Single application
Device to identify cancer metastasis in the sentinel lymph node	Feb. 26, 2016	Single application
Immune tolerance inducer	Mar. 25, 2016	National Center For Child Health And Development
Enhancer of survival of transplanted organ	April 1, 2016	National Center For Child Health And Development
Prophylactic/therapeutic agent for influenza virus infection	April 22, 2016	Tokushima Univ.
Prophylactic and/or therapeutic agent for radiation damage	April 22, 2016	The Univ. of Tokyo

SBI Pharmaceuticals Acquires Several Patents Overseas

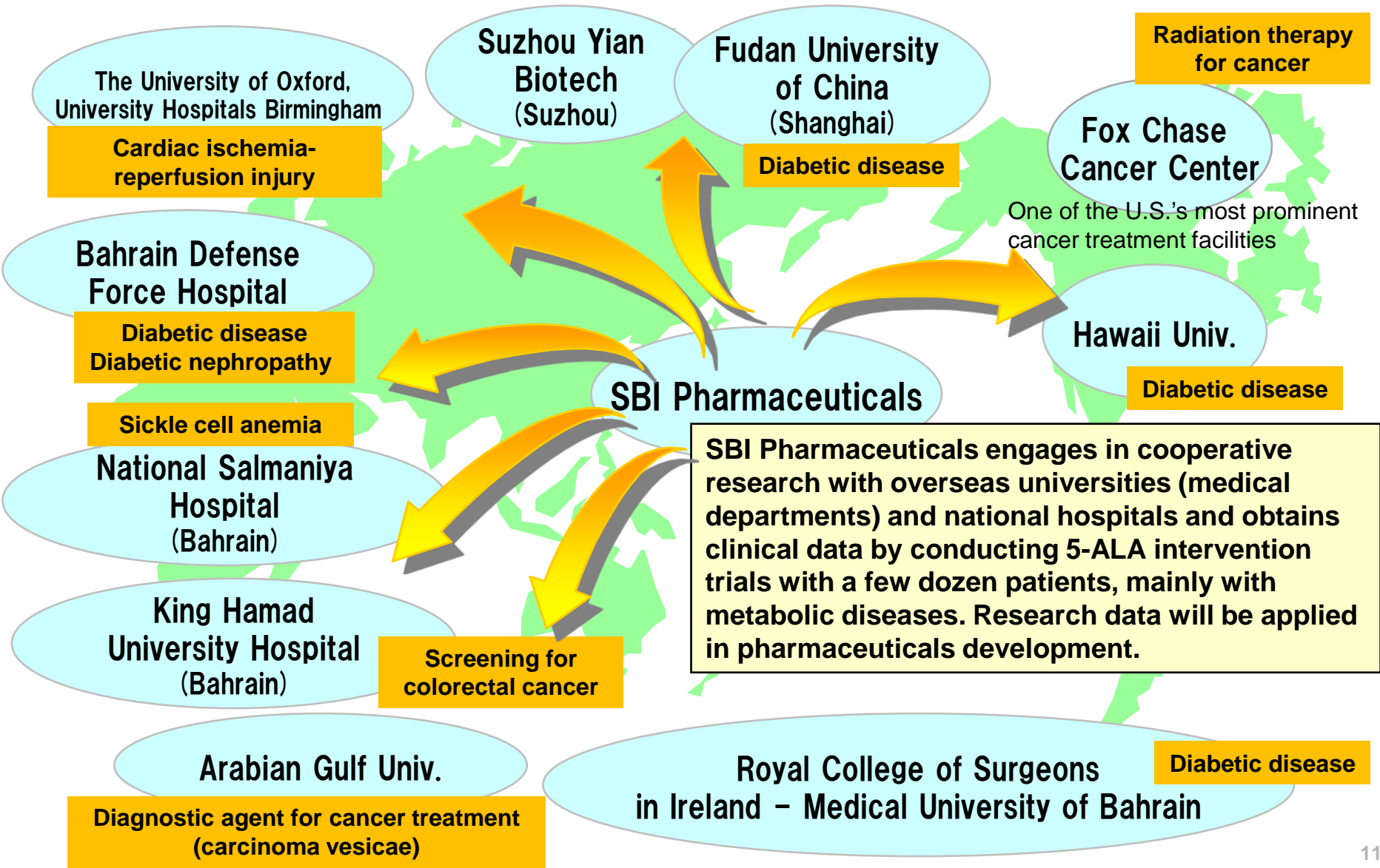
SBI Pharmaceuticals has already obtained 35 patents in Japan and is gradually obtaining patents overseas as well. Among the patents obtained in Japan, 12 patents has been obtained overseas so far

	The name of the invention (Co-applicants)	International registration (countries)
1	Composition for peeling (Single application)	German, U.K. and other 2 countries
2	External preparation for the skin (Single application)	China, Korea and other 11 countries
3	Health function improver (Cosmo Oil)	U.S., China and other 11 countries
4	Tumor diagnostic agent (Single application)	China, Korea and other 2 countries
5	Mitochondrial damage brain disorder treatment and diagnostic agent (Single application)	U.S., China and other 5 countries
6	Bladder cancer detection method (Kochi University)	U.S.
7	Male infertility treatment (Single application)	U.S., China and other 7 countries
8	Cancer thermotherapy action enhancer (Tokyo University of Agriculture)	U.S., U.K. and other 4 countries
9	Antimalarial drug whose active ingredient is 5-aminolevulinic acid or a derivative thereof (The University of Tokyo)	U.S., Canada and other 2 countries
10	Adult disease prophylactic and/or improving agent whose active ingredient is 5-aminolevulinic acid or a derivative thereof or a salt thereof (Single application)	U.S. and Korea
11	Urothelial cancer detection method (Kochi University)	German and other 2 countries
12	Antimalarial drug whose active ingredient is alaremycin or a derivative thereof	U.S. and U.K.

Research Using 5-ALA is Advancing at over 70 Universities and Hospitals





Expanding Co-Researchers and Business Partners in the World



Acceleration of Global Expansion through the Integration of the Research System

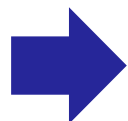
Reinforcement of the R&D foundation through collaboration between SBI Pharmaceuticals (Japan) and photonamic (Germany) to expand both companies' pipelines as rapidly as possible

<div>Company name</div> <div>Developing drugs</div>	 photonamic	 SBI Pharmaceuticals
Drug for treating actinic keratosis	Received approval to sell it in Europe in 2009, as well as recently in Australia, under the name of “Alacare”	<div>Promote the use in Japan within the framework of the advanced medical care system.</div>
Diagnostic agent for carcinoma vesicae	Approved by the European Medicines Agency (EMA) in 2007 <div>An expand indication for carcinoma vesicae</div>	Completed an SBI corporate trial at the Phase III stage in Japan
Photodynamic therapy (PDT) for brain tumors	<div>SBI Pharmaceuticals and photonamic are planning a clinical trial at Osaka Univ. and LMU Munich and Osaka Medical and Pharmaceutical Univ.</div>	

Strengthening the Overseas Pharmaceutical Sales Structure through the Establishment of a Global Marketing Division

Global sales of photonamic's pharmaceutical products:

- Diagnostic agent for brain tumors: Approved by the European Medicines Agency (EMA) in 2007. Today, under the name of “Gliolan,” it is sold in over 25 countries in Europe, including Germany and the U.K., with medac serving as photonamic's sales partner



Preparation for submission of an application for production and marketing approval in the U.S.



SBI Pharmaceuticals has also been selling a similar product in Japan under the product name of “ALAGLIO” since 2013. (Phase III initiated in June 2010, and launched in Sept. 2013)

- Drug for treating actinic keratosis “Alacare”: Received sales approval in Europe in 2009, as well as recently in Australia

Projects by SBI Pharmaceuticals Toward the Realization of an Early Profitability ①

~In the Pharmaceutical Fields~

- In discussions for the out-licensing of technology by category in the pharmaceutical fields

<Exam.>

Company A: Diagnostic agent for cancer treatment (Carcinoma vesicae)

Company B: Mitochondrial diseases / Central nervous system diseases including Parkinson's disease and Alzheimer's disease

- Although development of an intraoperative diagnostic drug used at the time of extirpative surgery for brain tumors or bladder cancer (PDD: photodynamic diagnosis) came first, the focus in the future will be on PDT (photodynamic therapy) using 5-ALA

→The development of Photodynamic Therapy (PDT) for brain tumors is already being promoted with photodynamic

- Going forward, will promote R&D for malaria diseases

The Increasing Need for Therapeutic Agents for Malaria and Potential Applications of 5-ALA

Therapeutic agent for malaria

- ✓ In 2015, the WHO announced that 214 million people worldwide contracted malaria and 438,000 people died from the disease (Source: WHO “World Malaria Report 2015”)
- ✓ Although drugs containing artemisinin, have performed as wonder drugs against malaria from the 2000s onward, there have already been reports of malaria protozoa that exhibit resistance to artemisinin, and the problem is becoming serious

- SBI Pharmaceuticals and research group of The University of Tokyo etc. presented their findings in *The Journal of Biochemistry* in 2013 regarding the working mechanism of 5-ALA and bivalent iron in synergistically inhibiting the growth of *Plasmodium falciparum* (*P. falciparum*) malaria parasites
- SBI Pharmaceuticals and The University of Tokyo have applied jointly for and obtained a patent for an antimalarial drug that contains 5-ALA as an active ingredient

Projects by SBI Pharmaceuticals Toward the Realization of an Early Profitability ②

~In the Field of Health Foods and Cosmetics ~

Thoroughly promote the global out-licensing of technology, along with business partnerships

- **Progressing with discussions for the out-licensing of technology and business partnership as well as in the food fields**
- **Promoting sales of health foods in Asia and Middle East**

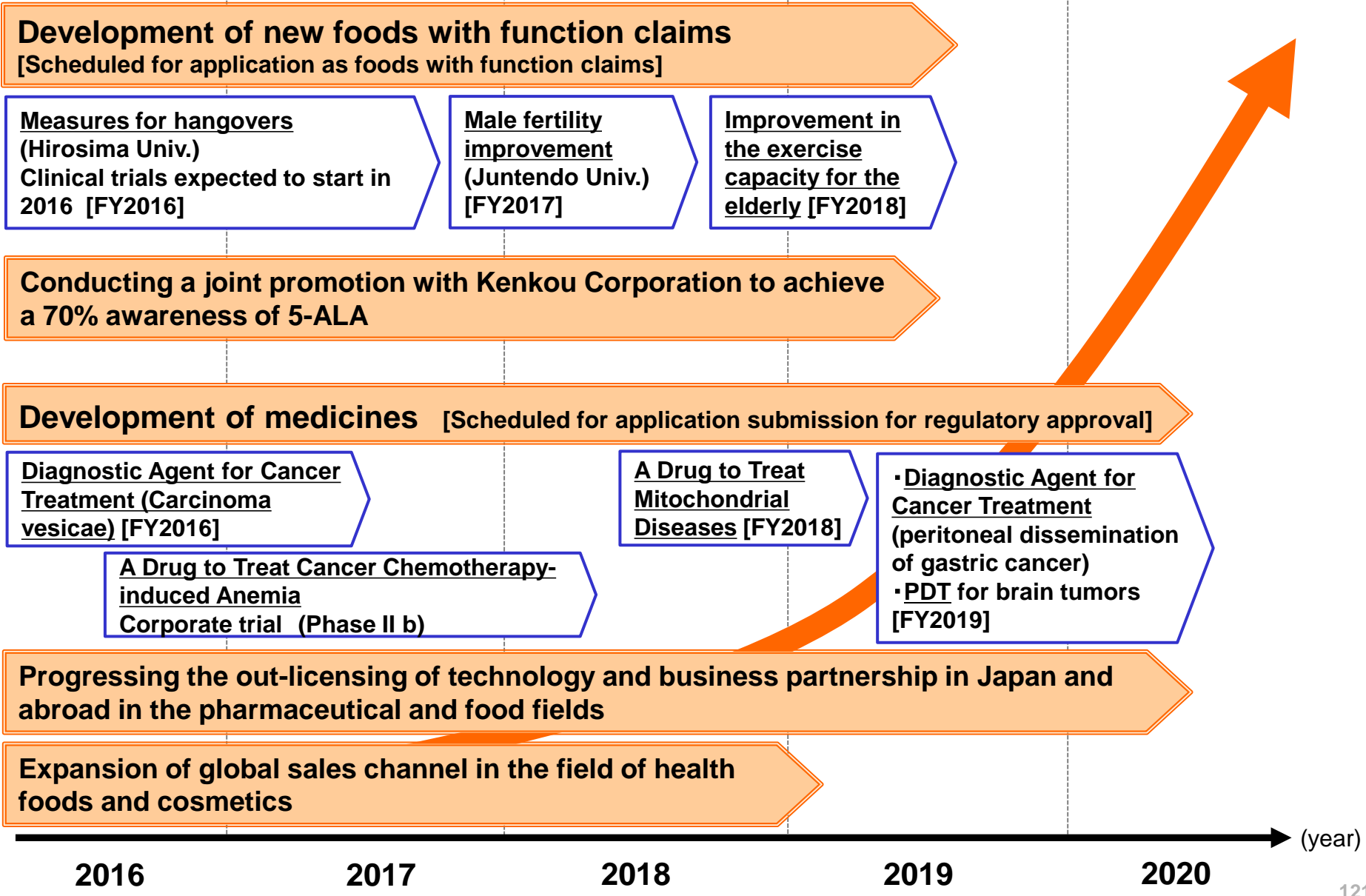
Already on sale : Bahrain, Jordan and Philippine

In discussions : Thailand, Indonesia, Malesia and UAE

- **In Hong Kong, in preparation for the registration of a cosmetic ingredient**

Coordination with the regulatory authorities is underway to enable use of 5-ALA phosphate, a cosmetics raw material used in Japan, as well

Toward the Establishment of a Revenue Base in the 5-ALA-related Business



[SBI Group's medium- and long-term future vision]

SBI's Med- and Long-term Vision Topics ①

[Financial Services Business]

Since the commercialization of the Internet in 1992, the younger generation are becoming the mainstream consumers and investors familiar with the Internet. By endeavoring to be in front of the continued development of the Internet and the communications technology, will endeavor to realize a dramatic growth in the Internet financial sector

- Established an overwhelmingly strong position in the rapidly growing online financial sector, through positive synergies and mutual evolution from the establishment of a financial ecosystem
- The younger generation customers, whose assets are likely to increase as income rises and inheritances are obtained, are likely to undertake a full-fledged asset building through the convenience and familiarity of the online financial transactions that present low cost and high interest rates

[Asset Management Business]

Domestically, investments into the new growth industries of the 21st century, IT/mobile and biotechnology fields, will be focused upon. Whereas the acceleration of the Internet financial services business overseas will be focused on rapidly growing Asia, in order to transit from “Japan's SBI” to the “World's SBI”

- Along with focused investments into the Internet and mobile new technology fields of FinTech, AI, IoT, etc., promoting an alliance strategy for FinTech field investee companies, and actively seeking overseas investment opportunities into financial services businesses, primarily in Asia
- In addition to aggressively investing into the financial services business overseas, centering on Asia, promoting the establishment of an online financial ecosystem overseas

[Biotechnology-related Business]

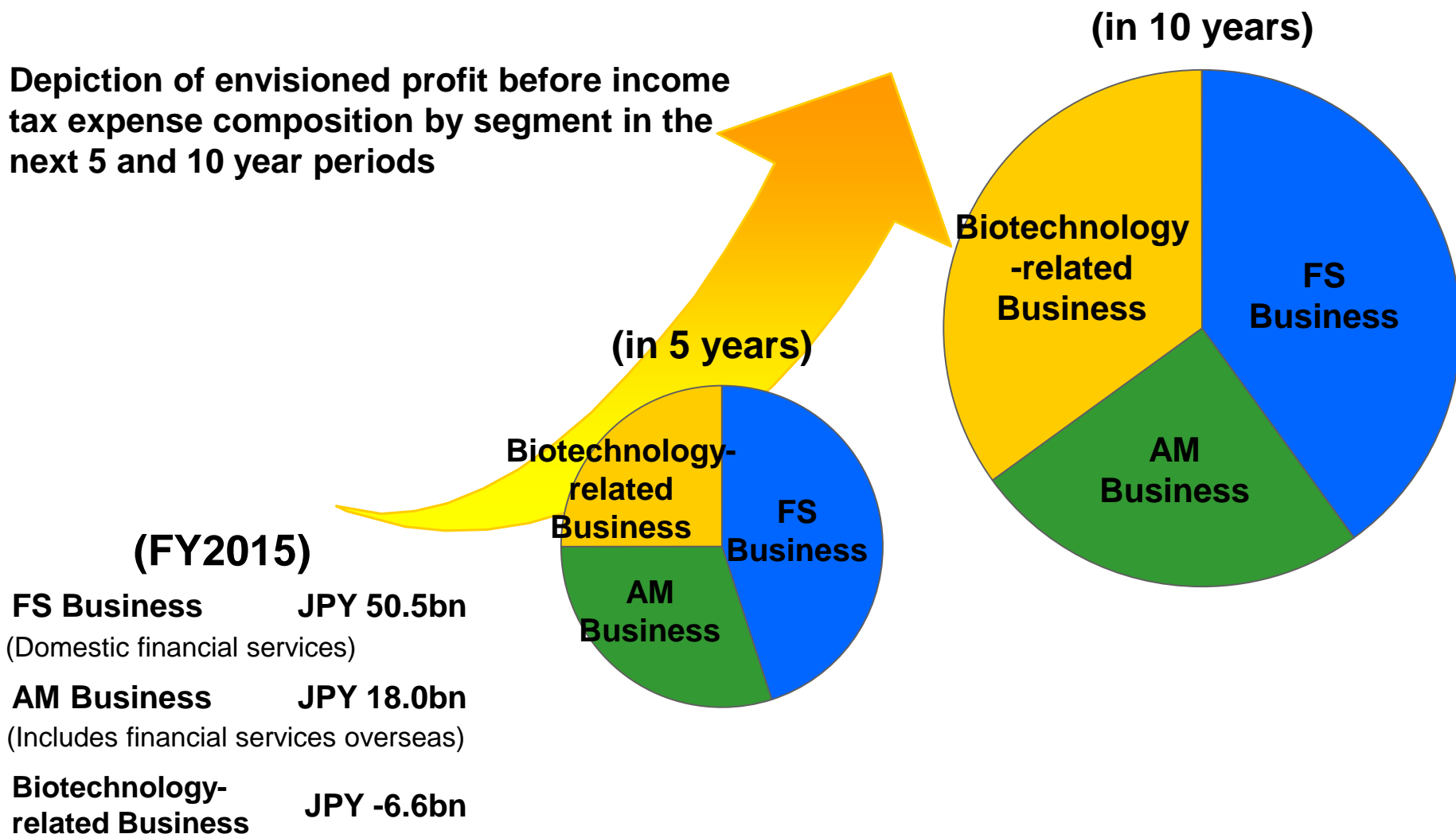
In addition to the health foods and cosmetics that utilize 5-ALA as its principal ingredient, in the pharmaceuticals area various basic research is being conducted, along with clinical studies, to realize profit maximization

- **While the pharmaceutical industry's operating profit margin ranks high within the manufacturing sector, currently, the SBI Group is conducting basic research both domestically and overseas, on drugs that may cure a range of diseases, with the expectation of launching multiple drugs going forward. Additionally, progressing in the establishment of a production system that will significantly reduce manufacturing costs**
- **SBI Pharmaceuticals has been acquiring patents for the use of 5-ALA both domestically and abroad (35 patents have already been obtained in Japan, of which 12 patents were also obtained in several countries outside of Japan), promoted the expansion of its distribution area, and has out-licensed its health food products, in order for the SBI Group to establish a global monopolistic business foundation**
- **In the field of foods, including health foods and cosmetics, the development of a labeling system for foods with functional claims has been set as a priority, and are in preparations for clinical trials to expand its product offerings, as well as being in discussions for the out-licensing of technology and business partnerships to distribute its food products**

SBI's Med- and Long-term Vision

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

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



5. Management's thoughts on SBI Holdings' shareholder returns and the current shareholder composition

(1) FY2015 shareholder returns

(2) Current shareholder composition analysis

(1) FY2015 shareholder returns

FY2015 Shareholder Return ①

~Announced upward revision in annual year-end dividend for FY2015~
(on Apr. 28, 2016)

Increased the year-end dividend to JPY 35 per share from the previous forecast of JPY 25 per share for FY2015. As a result, full-year dividend will be JPY 45 per share, including an interim dividend of JPY 10.

[Dividend per share]

	End of 2Q	Year-end	Full-year
FY2015	JPY 10 (Ordinary dividend: 10)	<u>JPY 35</u> (Ordinary dividend: 35)	<u>JPY 45</u> (Ordinary dividend: 45)
FY2014	—	JPY 35 (Ordinary dividend: 30) (Commemorative dividend: 5)	JPY 35 (Ordinary dividend: 30) (Commemorative dividend: 5)
FY2013	—	JPY 20 (Ordinary dividend: 20)	JPY 20 (Ordinary dividend: 20)

FY2015 Shareholder Return ②

~Conducted repurchase of SBIH shares~

[Details of SBIH share repurchase]

- Number of repurchased shares: **4,446,300 shares**
*1.98% of total issued shares outstanding
- Total cost of share repurchase: **JPY 4,999,943,800**
- Period for share repurchase:
From Feb. 26, 2016 to Mar. 17, 2016 (based on commitment)

Total shareholder return amount, which is calculated by the sum of the dividend payouts and the share repurchase costs, will be approx. JPY 14.4bn, for a total shareholder return ratio of 42.2%, and continuous efforts will be made to maintain a total shareholder return ratio of about 40%

FY2015 Shareholder Return ③

~Conducts Shareholder Benefits~

[Details of shareholder benefits]

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

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

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

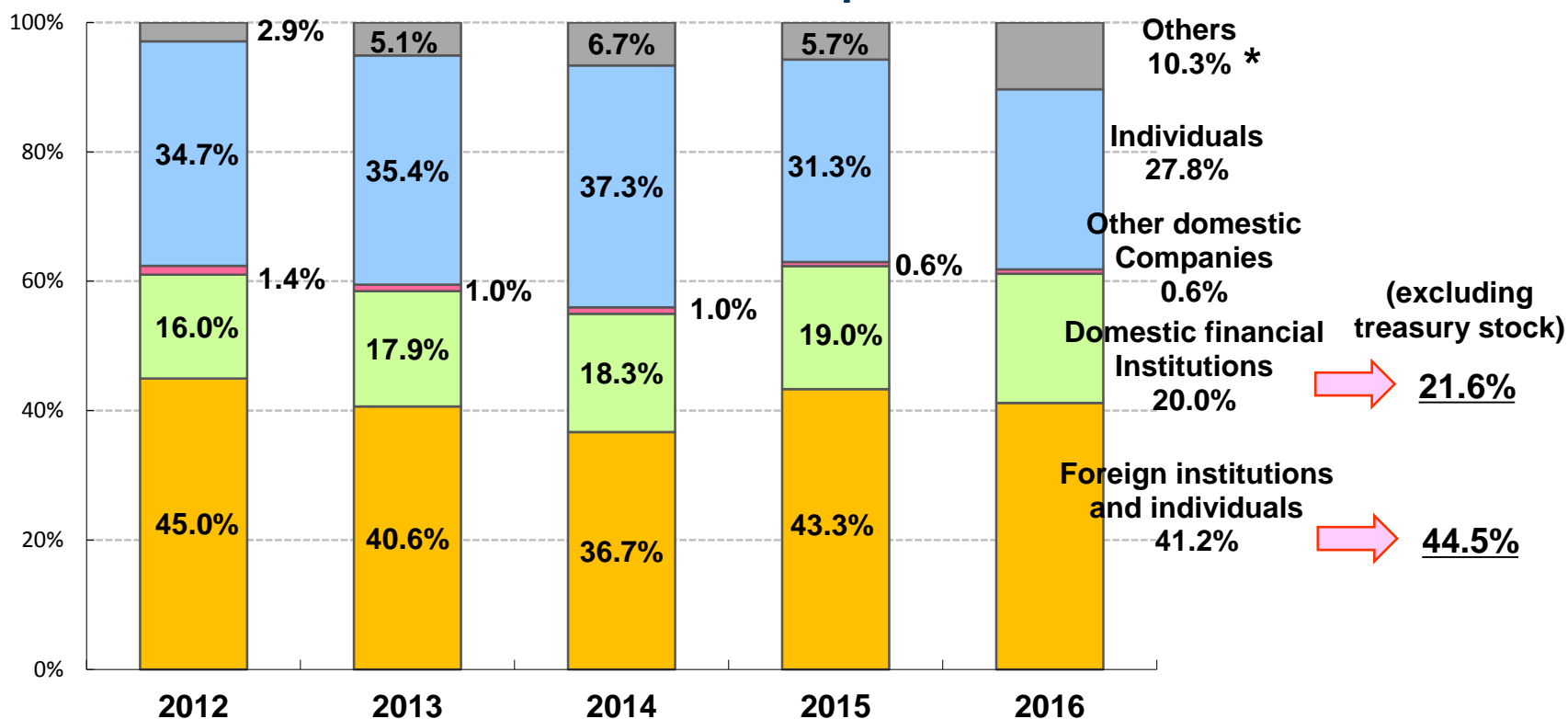
(2) Current shareholder composition analysis

SBI Holdings' Shareholder Composition

(as of the end of Each Fiscal Year)

- ◆ The total number of shareholders is 145,588, of which the number of shareholders who hold 1 unit or more is 89,986
- ◆ Shareholding ratio of domestic and foreign institutional investors is 61.2%, and the shareholding ratio of domestic and foreign institutional investors, excluding treasury stock, is at 66.1%, a substantive increase from the 64.5% as of the end of Mar. 2015

Shareholder Composition



Current Shareholder Composition Analysis

- ◆ Foreign institutional investors, including Baillie Gifford (U.K), Skagen AS (Norway) and the Capital Group (U.S), who make selective and concentrated investments are the principal shareholders
- ◆ Owing to the selection to the JPX-Nikkei Index 400, shareholding ratio of domestic and overseas major index fund management companies, such as the BlackRock Group (U.S.) and The Vanguard Group (U.S.) rose

[Top 10 shareholders (institutional investors)]

	Name	Change for Mar. 2015	Classification
1	Baillie Gifford & Co. (U.K.)	↗	Selective and concentrated investments
2	BlackRock Group (U.S.)	↗	Index fund management
3	Skagen AS (Norway)	↘	Selective and concentrated investments
4	Sumitomo Mitsui Trust Group (Japan)	↗	Index fund management
5	Mitsubishi UFJ Financial Group (Japan)	↗	Index fund management
6	Capital Group (U.S.)	↗	Selective and concentrated investments
7	Mizuho Financial Group (Japan)	↗	Index fund management
8	Nomura Group (Japan)	↘	Index fund management
9	DIAM Asset Management (Japan)	↗	Index fund management
10	The Vanguard Group (U.S.)	↗	Index fund management

[Appendix]

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

Corporate Value by Business Segment Valuation

Each Business Segment Valuation is Conservatively Estimated

■ **Sum of the values by segment** (as of May 27, 2016) (JPY billion)

	Valuation of each segment (theoretical value)
Financial Services	549.8
Asset Management	183.3
Biotechnology-related	87.1
Subtotal	820.2 (+)
External Debt (SBIH's non-consolidated-base borrowing recorded on the consolidated B/S as of Sept. 2015)	-206.3
Sum Total	613.9 (+)*

- Business valuation per share: **JPY 3,653** ←

- Business valuation per share after deduction of external debt: **JPY 2,734** ←

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

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

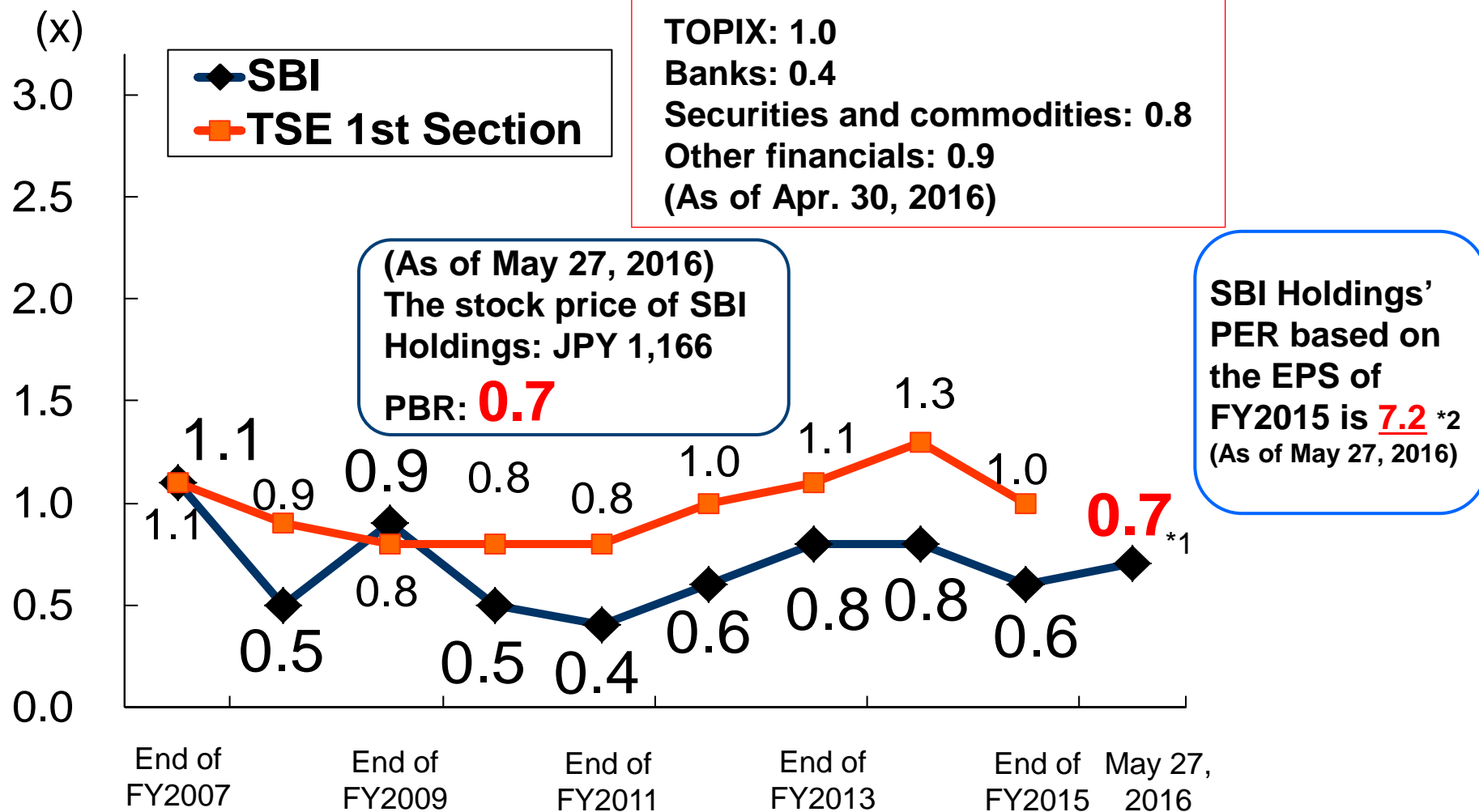
SBI Holding's Recent Stock Price

Market cap (based on the closing price on May 27, 2016): [JPY 276.9bn](#)



Change in PBR of SBI Holdings

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



*1 PBR of SBI Holdings for May 27, 2016 is calculated based on the BPS of the end of Mar. 2016.

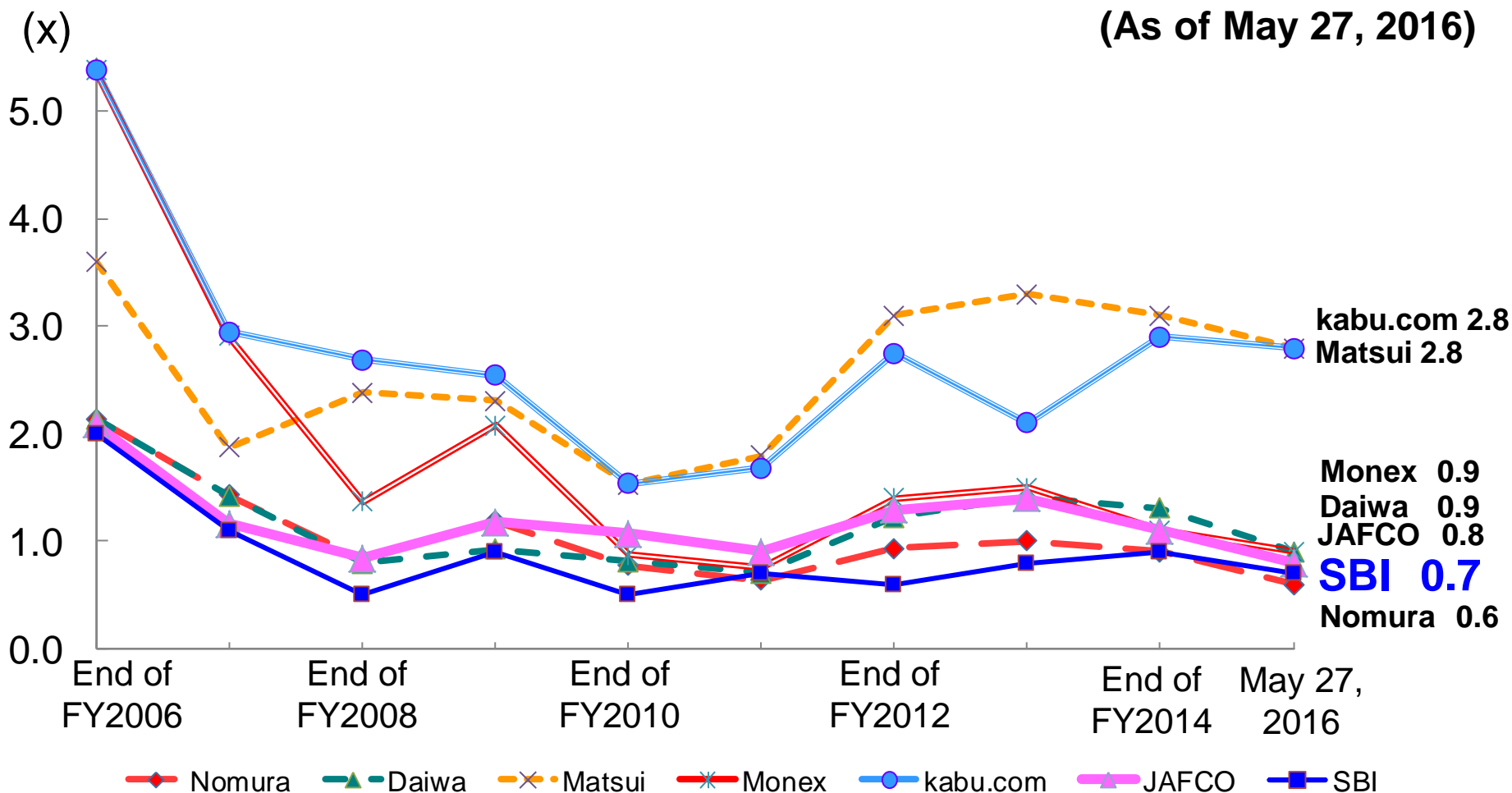
*2 EPS of FY2015 (JPY 160.83) is used to calculate SBI Holdings' PER.

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

PBR Comparison with Competitors

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

(As of May 27, 2016)



*PBR for May 27, 2016 is calculated based on the BPS of the end of Mar. 2016. As for Daiwa and Monex, the BPSs as of the end of Dec. 2015 are used for the calculation.

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

Valuation by Segment Estimated by SBI

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

① SBI SECURITIES

Valuation is conservatively estimated at JPY **433.2bn**

(based on the closing prices of May 27, 2016)

Estimation of the valuation is as follows:

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

Compares the market cap and profits of a comparable public company, Matsui Securities.

Valuation of SBI SECURITIES is calculated as the mean of the two values [(A) and (B)] resulting from the equations below

Matsui's PER (*1) × SBI SECURITIES's Net Income (FY2015) ... (A)

Matsui's PBR (*2) × SBI SECURITIES's Net Asset (*3) (as of Mar. 31, 2016) ... (B)

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

*2 PBR of Matsui is calculated by its BPS as of Mar. 31, 2016.

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

Valuation by Segment Estimated by SBI

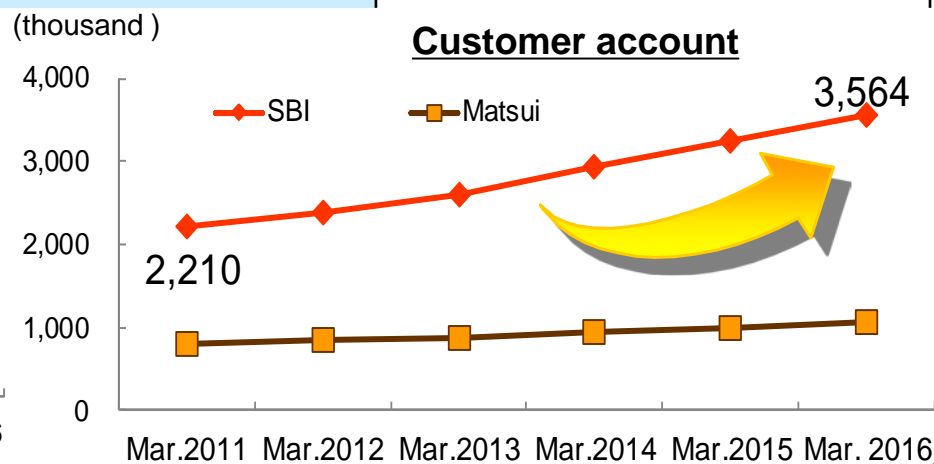
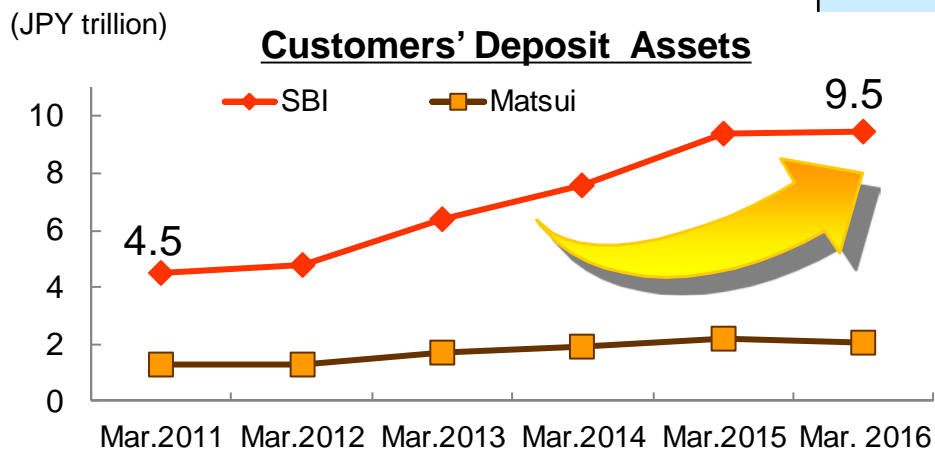
(1) Financial Services Business ① SBI SECURITIES -(ii)

Is SBI SECURITIES' valuation reasonable?

Comparison of SBI SECURITIES Matsui Securities

*Calculated by the closing prices of May 27, 2016

(FY2015)	SBI SECURITIES	Matsui Securities
Valuation (market cap) *	JPY 433.2bn	JPY 257.2bn
Deposit assets (Dec. 2015)	No.1 JPY 9.5tn	JPY 2.0tn
Number of accounts (As of the end of Dec. 2015)	No.1 3.56 million	1.06 million
Share of individual stock brokerage trading value	No.1 42.0%	14.1%
Operating income	No.1 JPY 39.9bn (up 15.0% YoY)	JPY 21.7bn (down 1.5% YoY)



Valuation by Segment Estimated by SBI

(1) Financial Services Business ② SBI Sumishin Net Bank

② SBI Sumishin Net Bank

Estimates the valuation of SBI Sumishin Net Bank with high growth potential in terms of profitability and scale at

JPY 76.2bn → **JPY 38.1bn** (based on the closing prices of May 27, 2016)

(Shareholding of the SBI Group: 50.0%)

Estimation of the valuation is as follows:

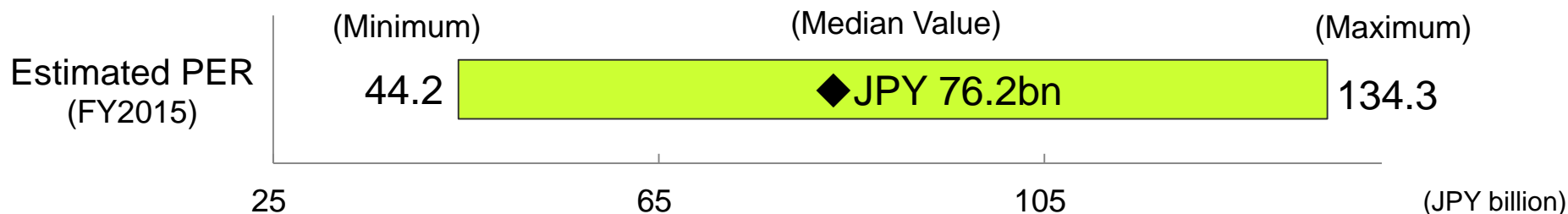
Calculated according to the **Comparable Public Company Analysis**

Compares the profits of comparable public companies of which the deposit balance exceeds JPY 3tn as of the end of Mar. 2015

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

* Compiled by the Company from the materials disclosed by the listed local banks of which the deposit balance exceeds JPY 3tn as of the end of Mar. 2015

[Reference] Valuation distribution based on the abovementioned pro forma calculation



Valuation by Segment Estimated by SBI

(1) Financial Services Business ③ SBI Liquidity Market

③ SBI Liquidity Market (including SBI FXTRADE)

Valuation is estimated at **JPY 46.6bn** (based on the closing price of May 27, 2016)

Estimation of the valuation is as follows:

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

Compares the market cap and profits of comparable public companies, namely Money Partners, and MONEY SQUARE JAPAN

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

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

④ SBI Japannext

Conservatively estimates the valuation of SBI Japannext at

USD 150m → **JPY 8.7bn** (based on the exchange rate as of May 27, 2016)
(Shareholding of the SBI Group: 52.8%)

Valuation by Segment Estimated by SBI

(1) Financial Services Business

⑤ SBIH Comparison Website Business / ⑥ Other Financial Services Business

⑤ SBIH Comparison Website Business

Valuation is estimated at **JPY 21.5bn** (based on the closing price of May 27, 2016)

Estimation of the valuation is as follows:

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

Compares the profits of comparable public companies, namely Kakaku.com

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

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

⑥ Other listed equity method company in this business segment

	SBI's shareholding pct. (%)	Classification	Listed market	Market cap (JPY billion)	SBI's equity interest of market cap (JPY billion)
SOLXYZ	26.3	Equity method associate	JASDAQ	7.0	1.6

(Based on the closing price of May 27, 2016)

* SBI's shareholding percentage corresponds to a figure based on the IFRS criteria that excludes a percentage of outside shareholder's interest of subsidiary companies and subsidiary funds of the Group.

Valuation by Segment Estimated by SBIH

(1) Financial Services Business: Total Valuation of the Businesses

① SBI SECURITIES

(based on the closing prices of May 27, 2016)

Upon comparison with similar listed companies calculated conservatively as **JPY 433.2bn**

② SBI Sumishin Net Bank

(based on the closing prices of May 27, 2016)

Estimated the valuation of SBI Sumishin Net Bank that has high growth potential in terms of profitability and scale at JPY 76.2bn → **JPY 38.1bn** (Shareholding of the SBI Group: 50.0%)

③ SBI Liquidity Market (cons.)

(based on the closing prices of May 27, 2016)

Upon comparison with similar listed companies calculated as **JPY 46.6bn**

④ SBI Japannext

(based on the closing prices of May 27, 2016)

Upon the conservative estimated valuation of USD 150m → **JPY 8.7bn**

(Shareholding of the SBI Group: 52.8%)

⑤ SBI Comparison Website Business

(based on the closing prices of May 27, 2016)

Upon comparison with similar listed companies calculated as **JPY 21.5bn**

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

The market cap of SOLXYZ (Shareholding of the SBI Group) **JPY 1.6bn**

(based on the closing prices of May 27, 2016)

Total of the valuation above: JPY 549.8bn (The sum according to the SBI Group's shareholding)

Valuation by Segment Estimated by SBIH

(1) Financial Services Business

⑦ Other Financial Services Businesses (Profitable Entities)

There are many other profitable business entities in this segment

	Business lineup	Profit before income tax expense for FY2015 (JPY billion)	SBI's shareholding pct. (%)
SBI MONEY PLAZA	Insurance agency, financial instruments intermediary service provider, housing loan agency	1.8	100.0
SBI Life Insurance *1	Life insurance	1.5	100.0
SBI Benefit Systems	Operational management of defined-contribution pension	0.3	87.0

Based on the “Selection and Concentration” policy for the Financial Services Business, regardless of profit contributions, a sale, an IPO or reorganizations within the Group of non-core businesses will be accelerated, though a judgment of the existence or strength of synergies with one of the three core businesses



Proceeds generated may be appropriated to strengthen the three core businesses

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

*2 SBI's shareholding percentage corresponds to a total percentage based on the IFRS criteria for subsidiary companies and subsidiary funds of the Group. 145

Valuation by Segment Estimated by SBIH

(2) Asset Management Business -①

Asset Management Business

Valuation for this segment is conservatively estimated at approx. JPY 183.3bn

<Reference>

JAFCO's Market Cap: **JPY 155.5bn** (based on the closing price of May 27, 2016)

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

(i) Value of holding securities (at the end of Mar. 2016) Approx. JPY 83.2bn

Operational investment securities and other investment securities held are quarterly evaluated through fair value, and the calculated number above reflects the fair value of SBIH's ownership

(ii) Value of SBI Investment (based on the closing price of May 27, 2016)

(* Valuation excluding assets such as securities hold) Approx. JPY 9.8bn

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

Compares the market cap and profit of the comparable public company, JAFCO

Provisional amount of SBI Investment's net income that represents the actual status deducting expenses produced relevant to the holding company function held by it × JAFCO's PER (*)

*PER of JAFCO is calculated by the estimated net income per share for FY2016.

The estimated net income per share used in the calculation is the average between that of Japanese company handbook and Nikkei Kaisha Joho.

Valuation by Segment Estimated by SBIH

(2) Asset Management Business -②

(iii) Value of SBI Savings Bank (based on the closing price of May 27, 2016)

Estimates the valuation of SBI Savings Bank at JPY 67.8bn

→ JPY 67.1bn

(Shareholding of the SBI Group: 99.0%)

Estimation of the valuation is as follows:

Calculated according to the Comparable Public Company Analysis

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

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

×

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

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

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

^{*3} SBI's shareholding percentage corresponds to a figure based on the IFRS criteria that excludes a percentage of outside shareholder's interest of subsidiary companies and subsidiary funds of the Group.

Valuation by Segment Estimated by SBIH

(2) Asset Management Business- ③

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

	SBI's shareholding pct. (%)	Classification	Listed market	Market cap (JPY billion)	SBI's equity interest of market cap (JPY billion)
Morningstar Japan	49.6	Consolidated subsidiary	JASDAQ	25.6	12.7
SBI AXES	73.8	Consolidated subsidiary	KOSDAQ of KRX	8.7*	6.4
SBI Investment KOREA	43.9	Equity method associate	KOSDAQ of KRX	9.3*	4.1
Sum of the market cap of listed subsidiaries and equity method associates				43.6	<u>23.2</u>

(Based on the closing price of May 27, 2016. *Calculated by the exchange rate as of May 27, 2016.)

* SBI's shareholding percentage corresponds to a figure based on the IFRS criteria that excludes a percentage of outside shareholder's interest of subsidiary companies and subsidiary funds of the Group.

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

	Business lineup	Profit before income tax expense for FY2014 (JPY billion)	SBI's shareholding pct. (%)
SBI Estate Finance	Real estate secured loans	0.3	100.0

Valuation by Segment Estimated by SBIH

(3) Biotechnology-related Business

Biotechnology-related Business


Each bioventure company has multiple promising pipelines, and the Biotechnology-related Business will become a core business that makes a substantial contribution through progress in areas including pharmaceutical clinical research in Japan and overseas.

Total valuation of the Biotechnology-related Business is estimated at approx. JPY 87.1bn

① SBI Pharmaceuticals

Estimation of the valuation is as follows:

Market value at the point of partial transference of former SBI ALApromo's shares × Number of shares issued × SBIH's equity interest (excluding external holdings)

 Based on SBIH's equity interest (excluding external holdings) as of the end of Mar. 2016, the amount is calculated to be approx. JPY 49.2bn

Besides, the total shareholder value of this business includes the estimated shareholder value of 1 IPO scheduled company and 1 listed company, with the estimation based on SBIH's shareholding of paid-in capital and the market values of operational investment securities that SBIH owns.

② Other companies in the Biotechnology-related Business

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

Considering future strategies, which includes an IPO and M&A on the premise of strategic alliance

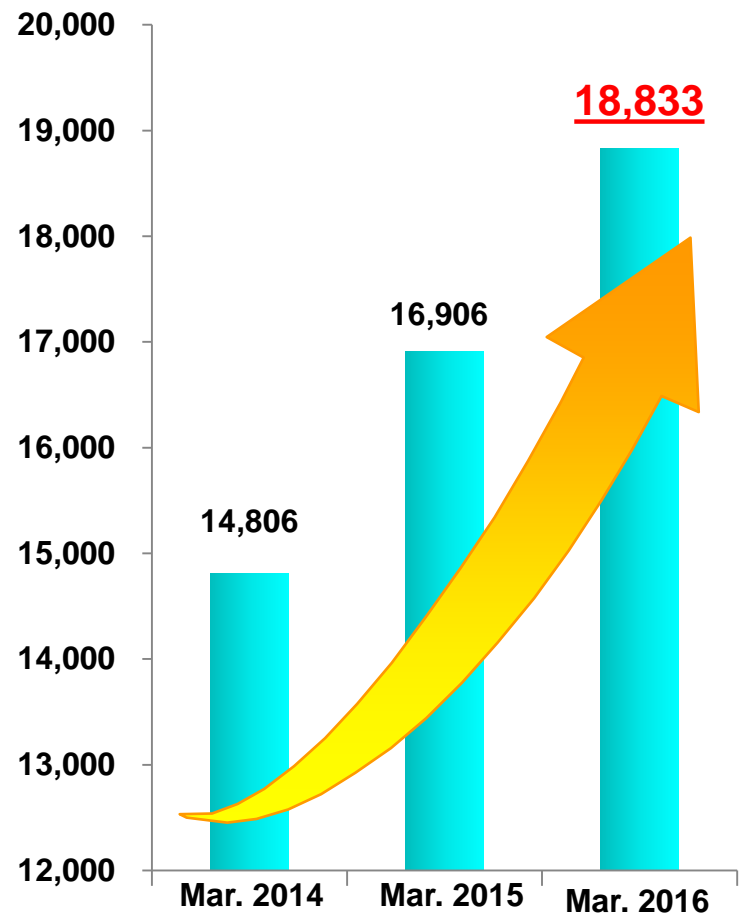
* SBI's shareholding percentage corresponds to a figure based on the IFRS criteria that excludes a percentage of outside shareholder's interest of subsidiary companies and subsidiary funds of the Group.

(2) State of the Company

The SBI Group's Customer Base

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

(Thousand)



(Thousand)

SBI SECURITIES	(No. of accounts)	3,564
SBIH InsWeb	(No. of customers)	7,820
E-LOAN	(No. of customers)	1,976
MoneyLook	(Total no. of customer registrations)	932
Morningstar Japan	(New portfolio customer registrations)	149
SBI Card	(Valid cards issued)	68
SBI Sumishin Net Bank	(No. of accounts)	2,586
SBI Insurance	(Total no. of contracts) ^{*3}	843
SBI Life Insurance	(Total no. of contracts)	110
Others (SBI Point etc.)		785
Total		18,833

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

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

^{*3} The total number of contracts of SBI Insurance excludes continuing contracts, expiring contracts and early-withdrawals.

Number of Companies and Consolidated Employees of the SBI Group

Number of Group companies

	Mar. 31, 2015	Mar. 31, 2016
Consolidated subsidiaries (companies)	142	147
Consolidated partnerships (partnerships)	31	31
Total consolidated subsidiaries (companies)	173	178
Equity method companies (companies)	39	33
Total Group companies (companies)	212	211

Number of consolidated employees

	Mar. 31, 2015	Mar. 31, 2016
Total employees (persons)	6,094	5,480 *

* Owing to a company that was temporarily consolidated because of a buy-out fund, but was later sold, so there was a decrease of 756 employees.

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