



*Strategic
Business
Innovator*

Current Management Information Briefing

June 29, 2016

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SBI Holdings, Inc.

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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- I. The SBI Group's various businesses that follow the technological evolution**
 - 1. Change in management environment that is brought on by the Internet and the evolution of the SBI Group's businesses**
 - 2. General overview of the SBI Group in 17 years since its inception**

- II. Alternation of the competitive conditions during the Internet era and the organizational form to maintain superiority**
 - 1. Alternation of the competitive conditions and the establishment of a business ecosystem**
 - 2. General overview of the SBI Group in 17 years since its inception, and the fundamental business concepts that serve as the driving force for further rapid growth**

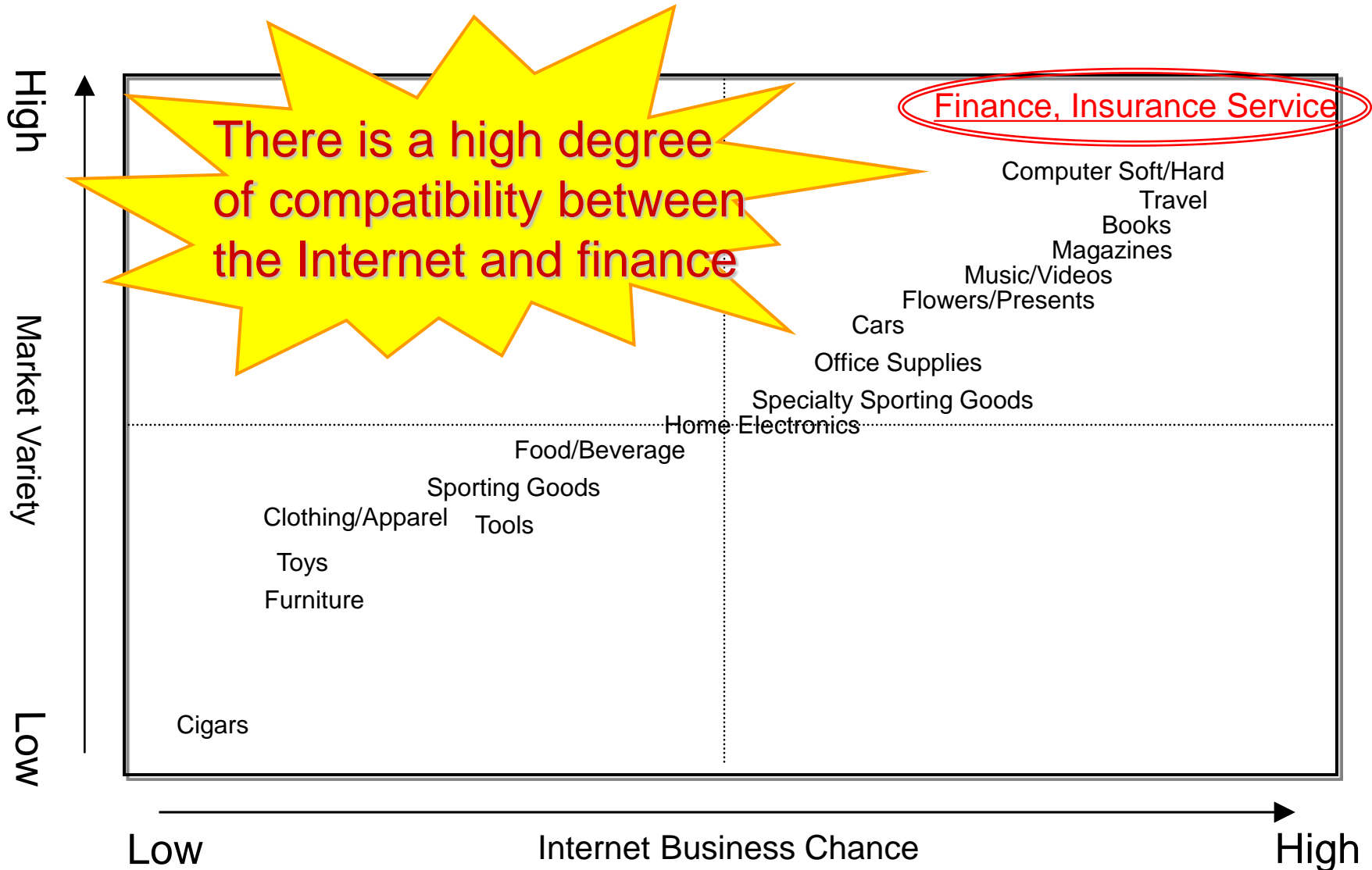
I. The SBI Group's various businesses that follow the technological evolution

- 1. Change in management environment that is brought on by the Internet and the evolution of the SBI Group's businesses**
- 2. General overview of the SBI Group in 17 years since its inception**

The Financial Industry is in Essence an IT Industry



Finance is Compatible with the Internet



- 1. Change in management environment that is brought on by the Internet and the evolution of the SBI Group's businesses**

Changes in the Business Environment Brought on by the Internet to the SBI Group

① Price Destruction

Low cost

② Consumer/Investor Empowerment

Information barriers are disappearing and consumer/investor sovereignty is being established

Multimedia

③ New Market Creation

Comparison/search market has emerged, so that product information that meets customers' needs can be retrieved

④ Ubiquitously Developed Financial Transactions

Financial services became available without any restrictions of time and place

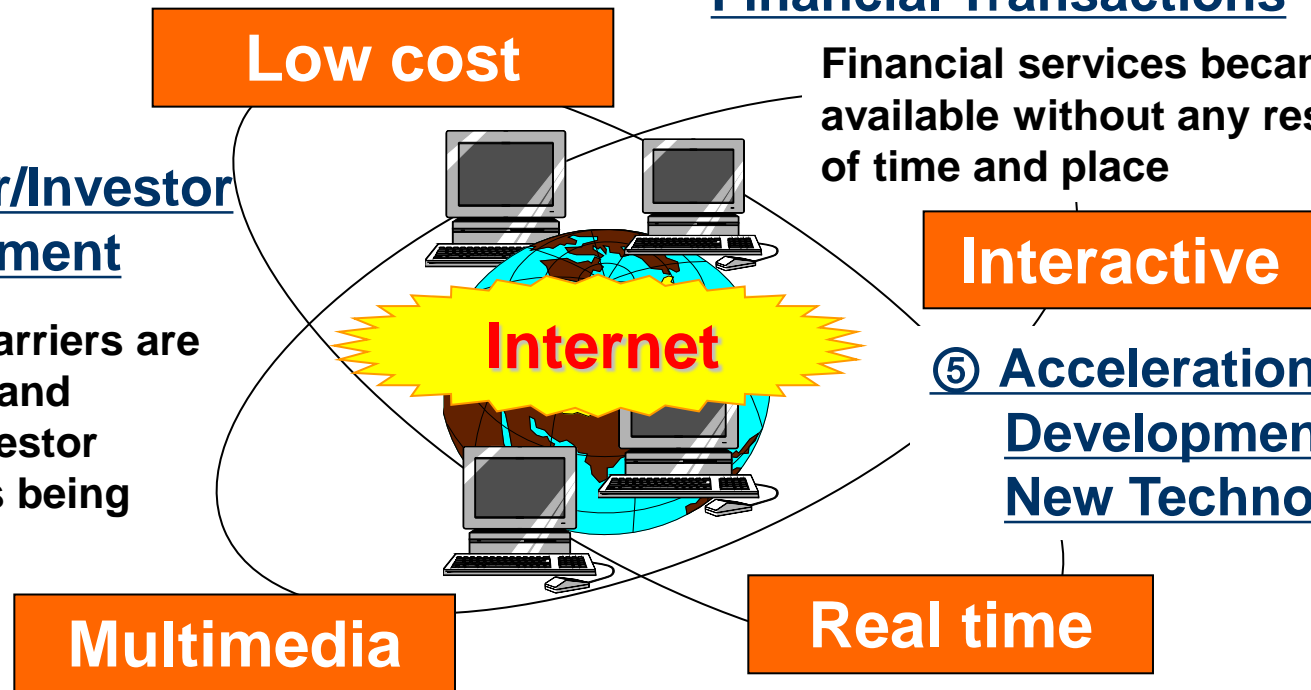
Interactive

⑤ Acceleration of the Development of New Technologies

Real time

⑥ Development of Big Data Analysis Technology

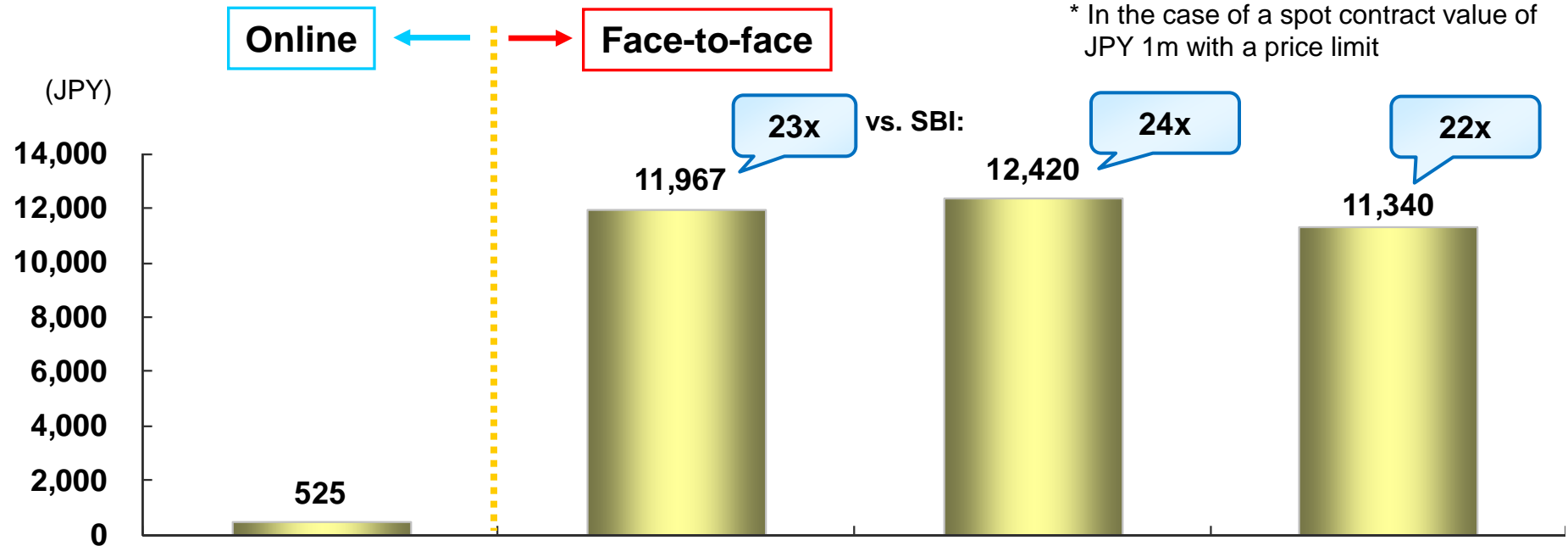
⑦ Development of Appropriate Product for the Internet Era



① Price Destruction

Utilization of the Internet Allowed Dramatic Reduce of Commissions

Comparison of the Stock Brokerage Commissions (Spot and Limit Orders)



	SBI SECURITIES	Nomura (face-to-face)	Daiwa (face-to-face)	Mizuho (face-to-face)
Contract value	SBI SECURITIES	Nomura (face-to-face)	Daiwa (face-to-face)	Mizuho (face-to-face)
JPY 1m	525	11,967	12,420	11,340
JPY 3m	994	29,247	31,428	28,620
JPY 5m	994	45,879	50,436	44,820

* 1. The above figures represent commissions on the contracted amount per order in a spot trade with a price limit.
 2. Special promotional commissions are not included.
 3. Commission systems differ depending on each firm. Figures above are just an example of them.

(as of the end of May 2016)

② Power Shift to Consumers

Customers are becoming wiser

The Internet



Information barriers like trouble, time and cost are disappearing



Enabling more and more customers to have a detailed knowledge of commodity, service and other related information, and make wise purchase selections



Consumer sovereignty
Customer-centric market

Common Strategy for the SBI Group's Internet Finances Business

The most important strategy is to increase customer satisfaction

Customer-driven market is:

Cannot see customers' face on the website

Customers easily disappear with a click

Increase customer satisfaction through the diversification of services which corresponds to customer needs, with competitive product offerings, such as an overwhelmingly low commission, high deposit interest rates, and lower insurance premiums

② Power shift to consumers :

Continuously Achieving a High Customer Satisfaction Assessment [SBI SECURITIES]



1st

“Oricon customer satisfaction ranking” of 2015
[Online securities comprehensive ranking]
<Evaluation item>

11 items, such as “easy account opening,” “commissions & dealing cost,” “variety of products,” “provision of Information” and “analytics tools,” etc.

**For 9 years!!
First ever**

Customer Service Center



HDI (Help Desk Institute) Certification in 2015
[Securities Industry]
“Call-center Contact Ranking”
Achieved the highest rank “three stars”

For 6 years!!



Highest Award for the Category

“CCJA 2015” (12th Contact Center Award)
Received the highest award for “Best Operation” category

**For 5 years!!
First ever**



Chairman's Prize

Japan Telecom Users Association
19th Corporate Telephone Response Contest in 2015

Prized 6 years in a row!!

Official Website



HDI (Help Desk Institute) Certification in 2015
[Securities Industry]
“Support Portal Raking (Official Website)”
Achieved the highest rank “three stars”

**6th time
5 years in a row!!**

② Power shift to consumers :

Continuously Achieving a High Customer Satisfaction Assessment [SBI Sumishin Net Bank]


	1st	“Oricon customer satisfaction ranking” of 2016 [Online banking]	6th time 3 years in a row!!
	1st	JCSI Customer Satisfaction Survey (Japanese Customer Satisfaction Index) Banking industry	For 7 years!
	1st	“12th Nikkei Financial Institution Ranking” Customer Satisfaction by generations, 30s and 60s	
	1st	JMA Research “Assessment of Mortgage Products” by mortgage personnel	For the first time!

Appraised as No. 1 among the 7 banks (*) in all 5 categories, which were: “Mortgage which you want to utilize,” “Mortgage which you want to recommend,” “Mortgage which interest is attractive,” “Mortgage which has best collection of ancillary services,” and “Mortgage which is reliable in an emergency.”

* The comparison among 4 city banks (The Bank of Tokyo-Mitsubishi UFJ, Mizuho Bank, Sumitomo Mitsui Banking Corporation and Resona Bank) and 3 Internet banks (SBI Sumishin Net Bank, Sony Bank and Rakuten Bank)

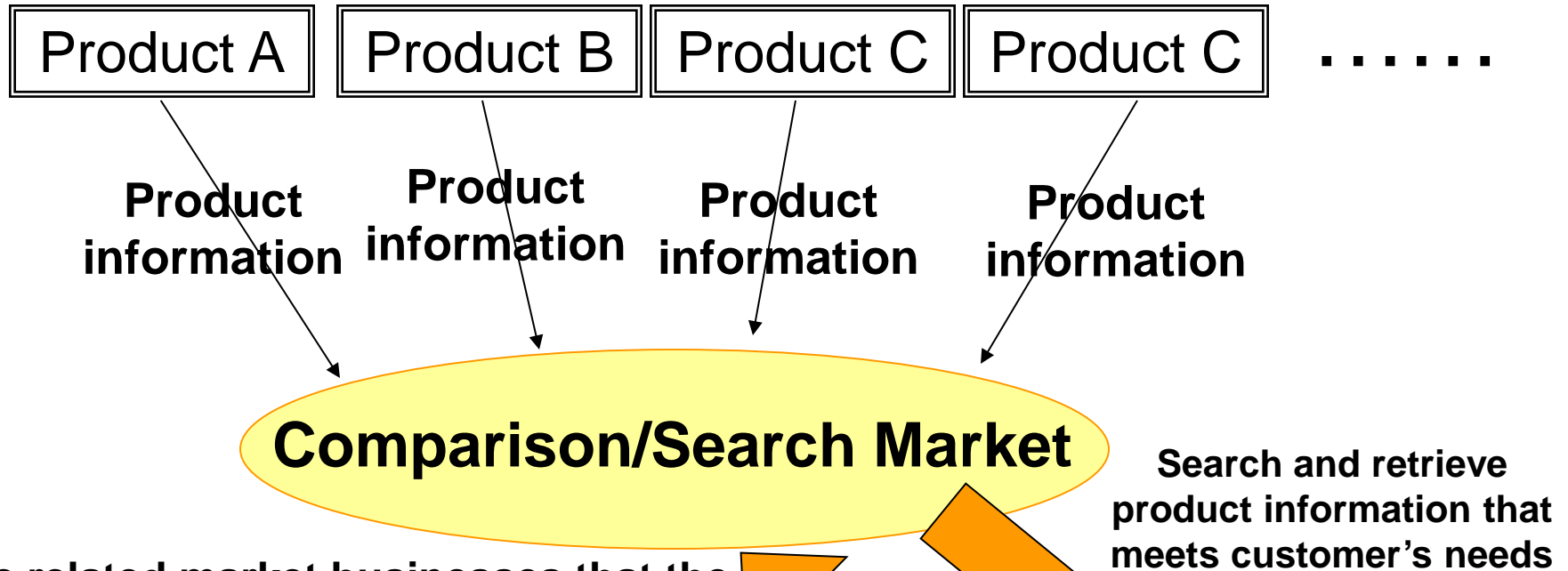
② Power shift to consumers :

Continuously Achieving a High Customer Satisfaction Assessment [SBI Insurance]

-  **1st** **Oricon customer satisfaction ranking FY2015 Auto Insurance Category “Auto Insurance Premium”** 
-  **1st** **Kakaku.com / Auto Insurance (Satisfaction) Ranking (2016) General Section** 
-  **1st** **Kakaku.com / Auto Insurance (Satisfaction) Ranking (2016) Premium Section** 
-  **HDI-Japan HDI’s Call-center Customer Satisfaction Ratings 2015**
Top “three-star” rating in the Support Portal (Official Website) and Call-center Contact Category 

③ New Market Creation

Comparison/Search Market have emerged on the Internet



The related market businesses that the Group has established:

- Morningstar Japan (Since Mar. 1998)
Rating and evaluation of investment trust
- E-loan (Since May 1999)
Loan comparison site
- InsWeb (Since Dec. 1998)
Insurance products comparison site



③ New market creation :

Transaction Volumes of Japan's Largest Financial Comparison Websites "InsWeb" and "E-Loan" have Increased Significantly

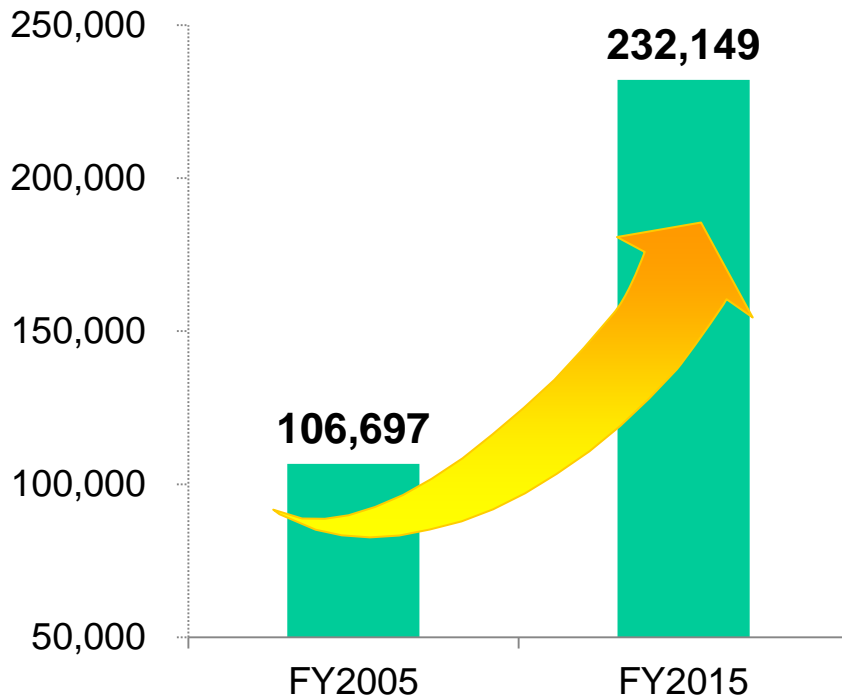


Growth in provisional loan applications

Affiliated financial institutions: 95 companies
Types of loan products: 1,020 products

(As of the end of May 2016)

(Transactions)

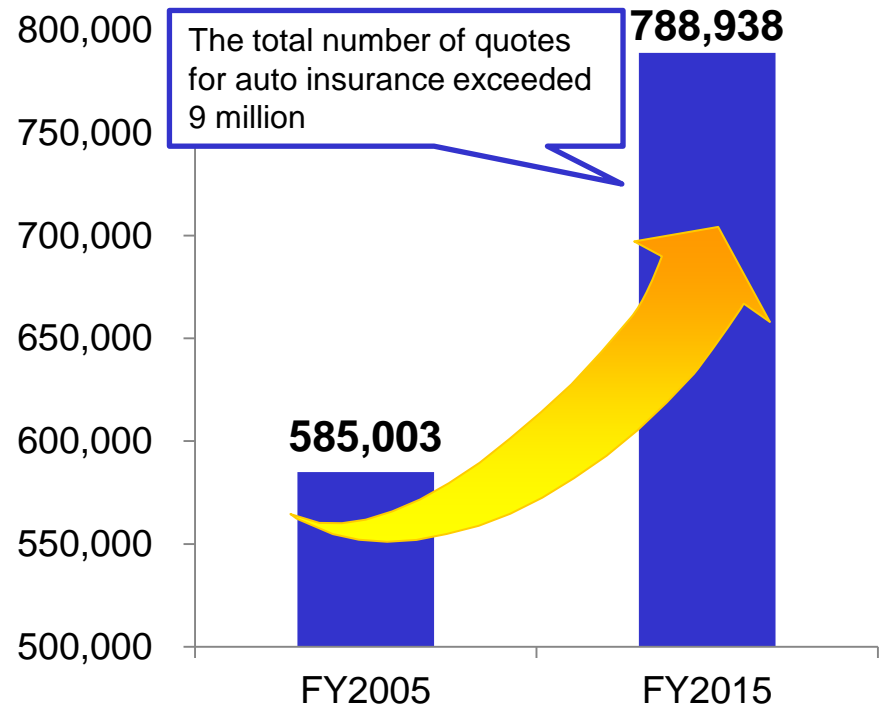


[InsWeb]

Growth in completed auto insurance quotes

Affiliated auto insurance companies: 20 companies
(As of the end of May 2016)

(Transactions)



④ Ubiquitously Developed Financial Transactions (1)

Owing to technological innovations, such as the invention of the Internet and mobile phones, a customer shift towards avoiding branch visits is proceeding steadily in developed countries

(Source: Brett King, "Bank 3.0: Why Banking Is No Longer Somewhere You Go But Something You Do")

Current U.S. situation



➤ Around 1985: 70% of banking transactions were conducted via branches and cash.

→ In 2010: 75-90% of individual banking transactions were conducted via the Internet, call centers, mobile devices and ATMs. Also, a statistic shows a transaction ratio of branches accounts for 5-13%.



➤ Frequency of customers' visits to branches: less than 5 times a year

➤ The number of average monthly transactions at branches decreased from 11,400 in 2006 to 8,440 in 2010

➤ Estimated transactions at banks' tellers' windows will decrease 56% by 2015

(Source: published information by Novantas, U.S. consulting company, and American Banker, U.S. information service company)

Current Sweden situation

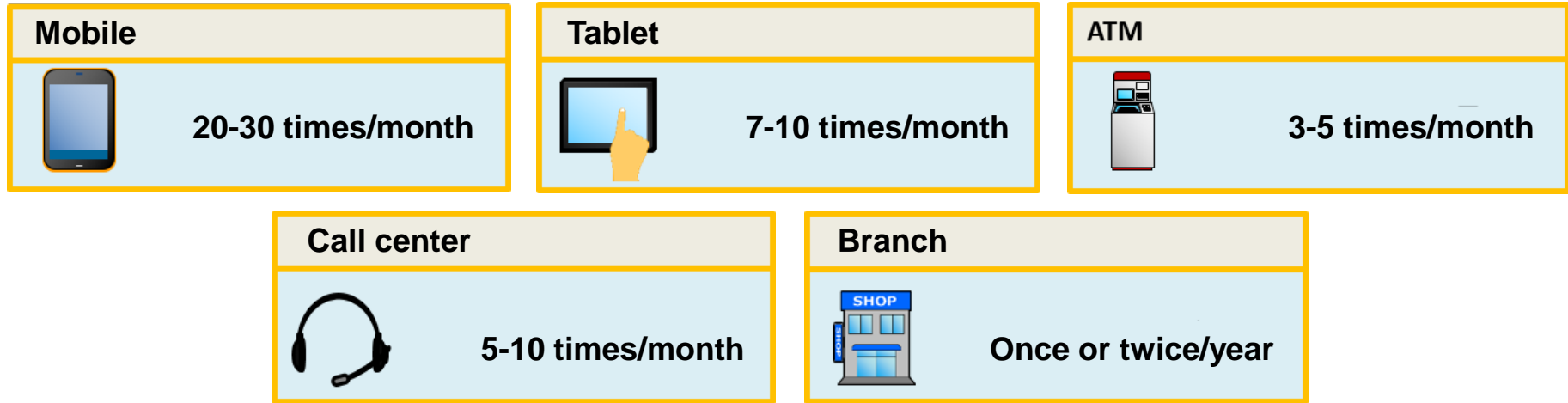


➤ 88% of Swedes did not visit Banks' branches in 2010

(Source: Published information by Tieto, European major IT service company)

④ Ubiquitously Developed Financial Transactions (2)

Channel-specific customer transactions at retail banks (forecast for 2016)



While customer contact through the Internet will increase substantially, branch visits by customers will decrease to once or twice a year (forecast)

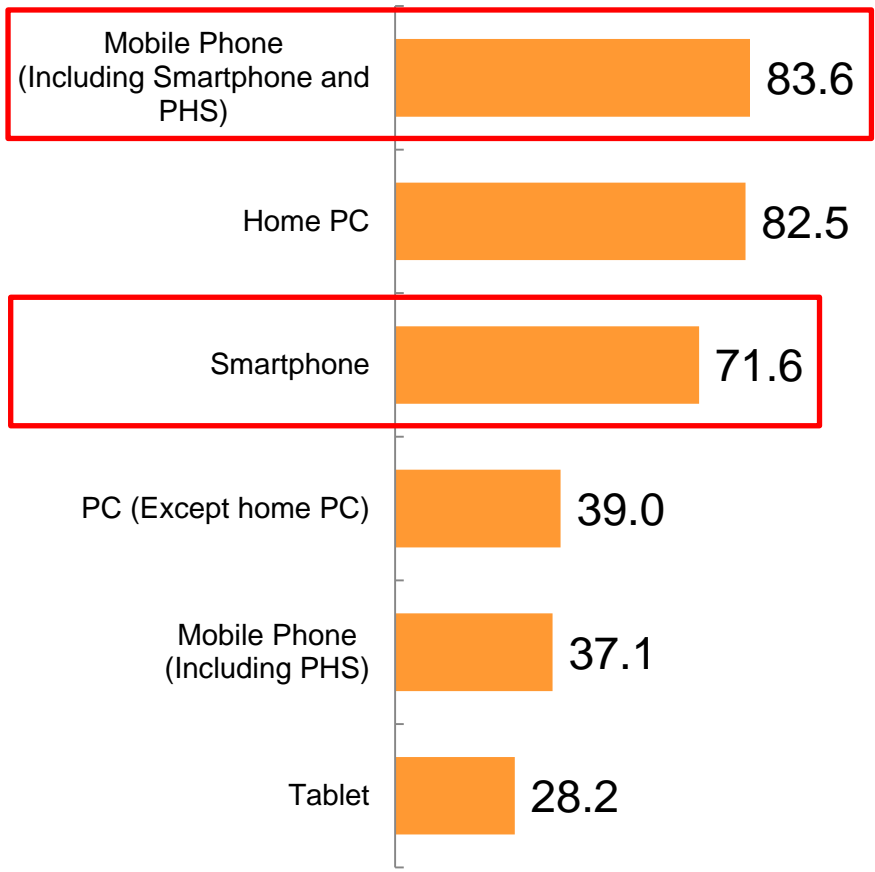


The main channel for customers to utilize banking functions will be through the utilization of mobile phones and tablets, rather than face-to-face meetings

Aggressively Promoting Financial Transactions through Mobile Devices, as the Diffusion Rate Increases

Internet Usage through Information and Communication Devices (2014: %)

Internet usage through mobile phones exceeds PC usage



Source: MIC, "Communications Usage Trend Survey," 2014

SBI証券 [SBI SECURITIES]

Percentage of trades utilizing Smartphones

9.9% (the end of Mar. 2014) → **23.3%** (the end of Mar. 2016)
住信SBIネット銀行

SBI Sumishin Net Bank

Percentage of access to SBI Sumishin Net Bank's website through Smartphones

21.5% (the end of Mar. 2014) → **44.2%** (the end of Mar. 2016)

MORNINGSTAR

Percentage of access (users) of website through Smartphones and Smartphone Apps

34.4% (the end of Mar. 2015) → **56.7%** (the end of Mar. 2016)

E-LOAN

Percentage of loan applications through Smartphone

45.4% (FY2014) → **52.8%** (FY2015)

保険の窓口 [InsWeb.]

Percentage of estimate requests for multiple automobile insurance policies through Smartphones

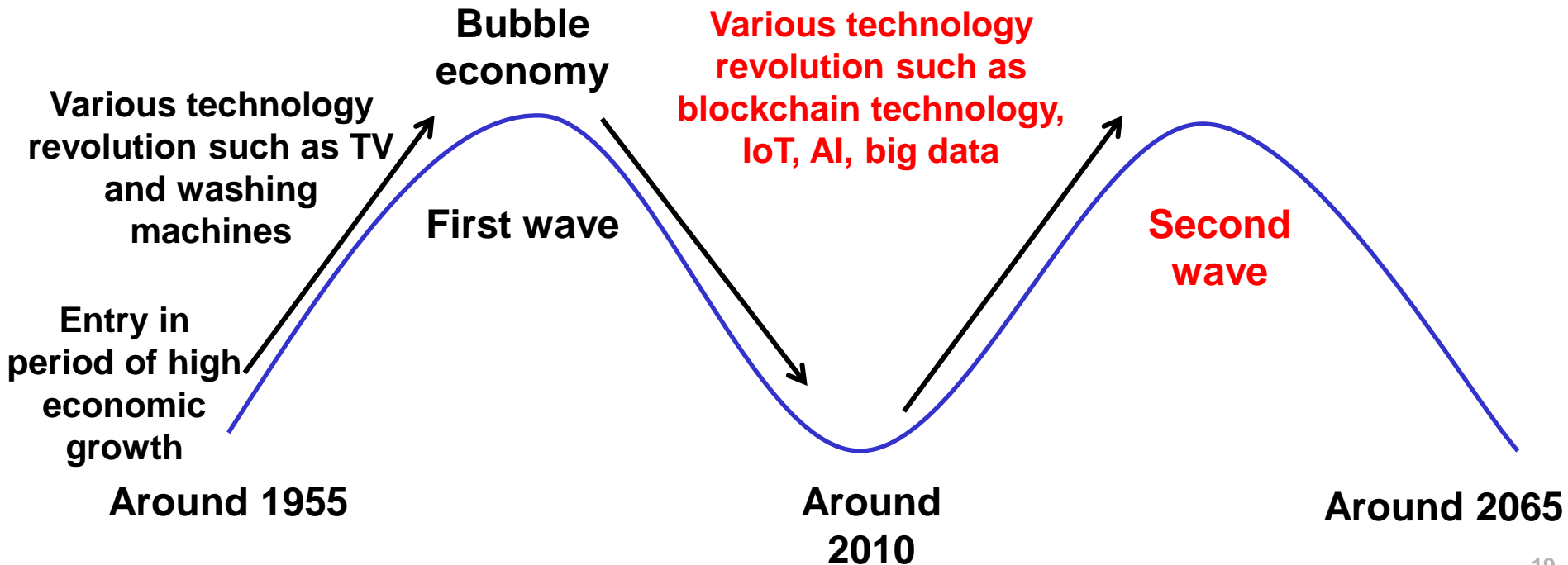
27.2% (FY2014) → **34.4%** (FY2015)

⑤ Acceleration of the Development of New Technologies

Blockchain technology, which is a core technology of FinTech, IoT, AI, big data, etc., all of which can be immediately applied to the SBI Group's businesses through the blossomed technology development, which is a differentiating factor versus other firms

In the Kondratieff cycle*, it is considered that a new cycle of innovations have currently been entered into

* Economic business cycle of 50-60 years primarily due to technology revolution



Importance of Blockchain Technology in the Financial Businesses

Effects by adopting blockchain technology

Current core banking system

- Must establish a robust system by investing a substantial amount of money, in order to prevent the core system which processes all transactions, from crashing or being hacked
- Requires substantial operational cost, such as personnel for troubleshooting 24 hours a day



Banking system utilizing blockchain

- Blockchain allows the simultaneous operation of multiple terminals, a dispersed transaction processing where processing can be continued even if one terminal crashes. As a result, system construction cost and operational cost is reduced

A significant reduction in system cost is expected

“Our analysis suggests that distributed ledger technology could reduce banks’ infrastructure costs attributable to cross-border payments, securities trading and regulatory compliance by between USD 15-20bn per annum by 2022” (Santander InnoVentures Report)

“Blockchain and related technologies are a paradigm shift from the status quo and increasingly a major focus of innovation for us” (UniCredit, an Italian bank)

Major Global Financial Institutions have Announced their Participation in the Blockchain Consortium Led by R3CEV ~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*, AIA Group*, **Mitsubishi UFJ Financial Group, Sumitomo Mitsui Banking Corporation, Mizuho Financial Group, Nomura Holdings, SBI Holdings***

* Companies that announced their participation in the R3 consortium, after SBI Holdings' announcement in Mar. 2016

The SBI Group Established the Industry's First "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**

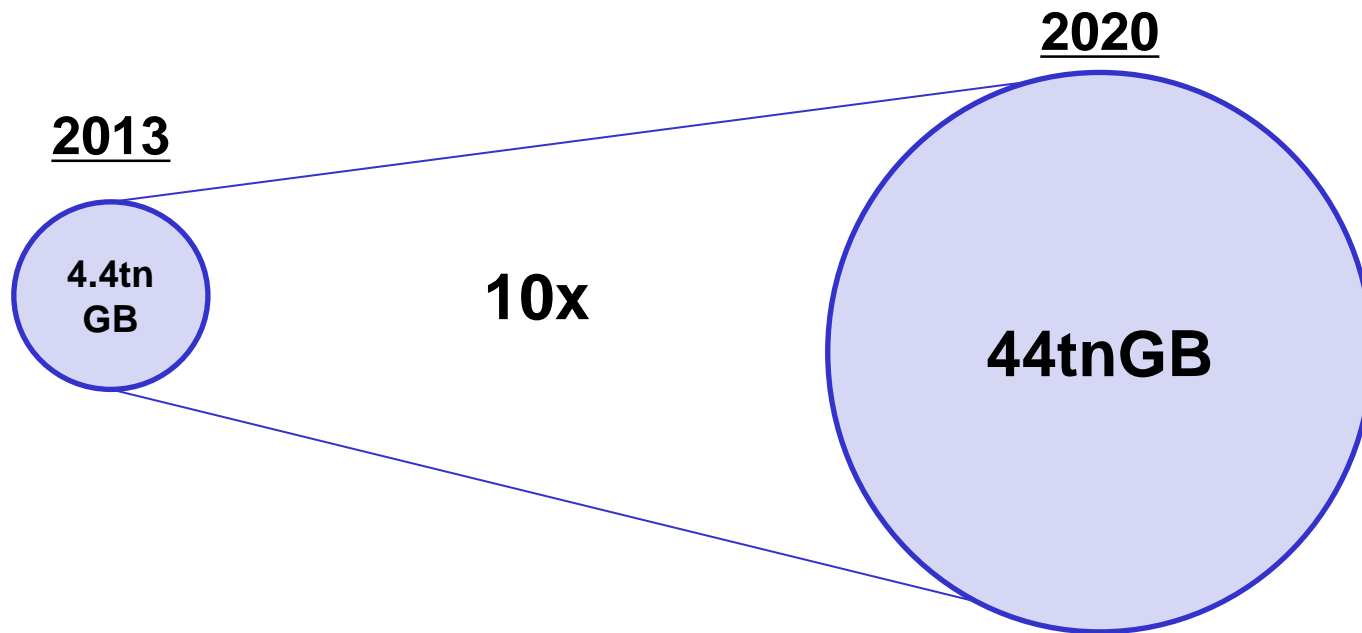


- ◆ **Over 20 of regional banks including the Bank of Yokohama, Ashikaga Bank, San-in Godo Bank and Kiyo Bank have already invested in this fund**
- ◆ **The financial institutions that have invested may jointly study the feasibility of the technology and services of the FinTech companies, to consider 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**

⑥ Development of Big Data Analysis Technology

Along with the Increased Diffusion of Mobile Devices and IoT,
Amount of Data Continues to Increase Significantly

U.S. Research Company IDC's forecast of the amount
of data produced globally on an annual basis

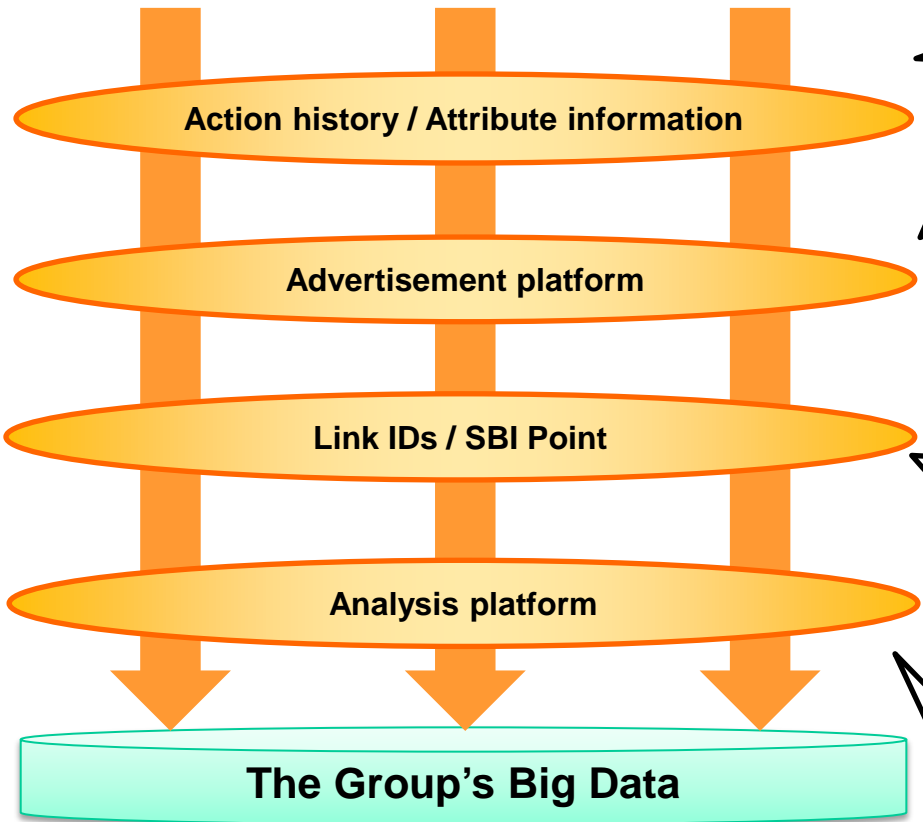


Extensive data analysis technology has been developed, with cloud and algorithm based infrastructure with machine learning capabilities

 This is grasped as a major opportunity for the SBI Group

Advancing the Cooperation with External Companies for a More Sophisticated Analysis and Utilization

The SBI Group's various services



Extensive available data through the Group's 19 million customers and approx. 520 million page views per month (average between Jan. to May in 2016)

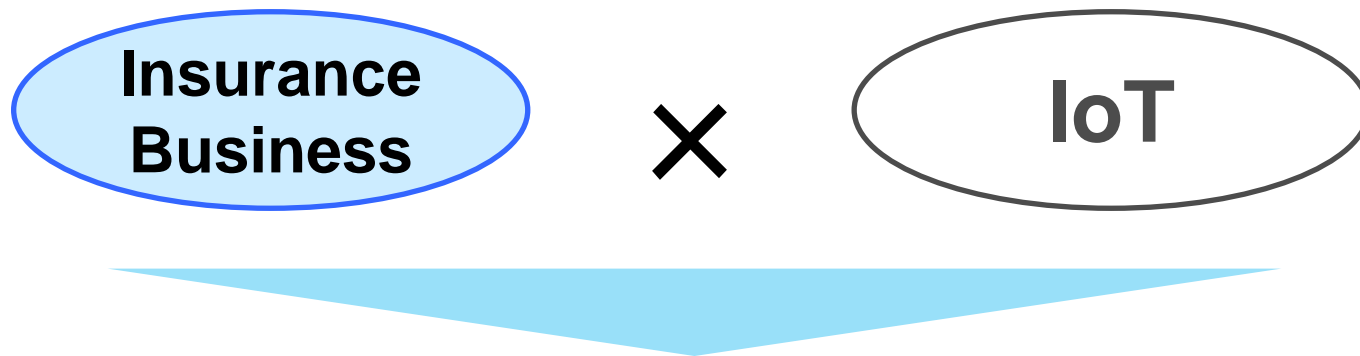
Establishment of "Group's Big Data"

- Customer analysis based on action history and attribute information
- In addition to Google's advertising integrated management platform "DoubleClick Campaign Manager," introducing a search campaign management platform "DoubleClick Search"
- Aggregating and centrally managing the group's advertising data, and utilizing product development and targeted advertising
- Inter-Group mutual customer referrals through the utilization of advertising and common ID platforms
- From current ID linking, such as SBI SECURITIES, SBI Card and SBI Point, expanding corresponding services from July 2016
- Customer loyalty program utilizing SBI Point
- Actively utilizing machine learning algorithms for customer behavior analysis, with applications to avoid fraudulent activities
- Incorporating external companies' analytical techniques and know-how of big data analysis
- Actualizing "network value" through the extraction of valuable information and knowledge that leads to decision-making

In addition to strengthening the big data analysis and utilization, actively considering service improvements through the utilization of artificial intelligence (AI)

⑦ Developing New Products Suitable for the Internet Era

Promoting the development of personalized insurance products through the combination of insurance business and IoT technology



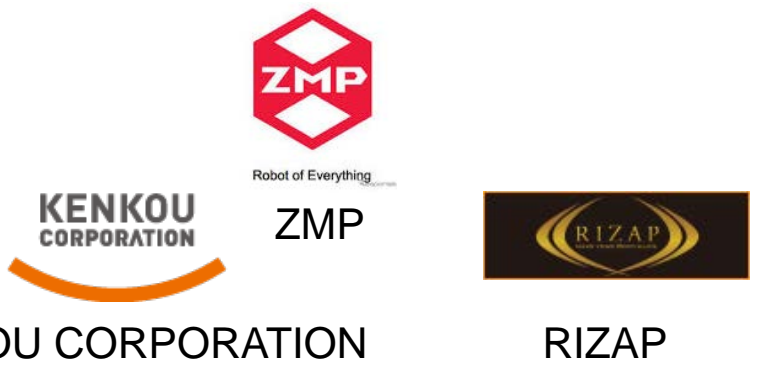
Development of personalized insurance products for life and non-life insurance

Insurance Products will become More Personalized, by Utilizing Telematics Technology and Wearable Devices

Alliance example



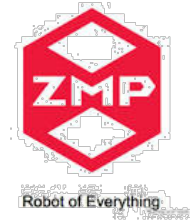
Alliance companies



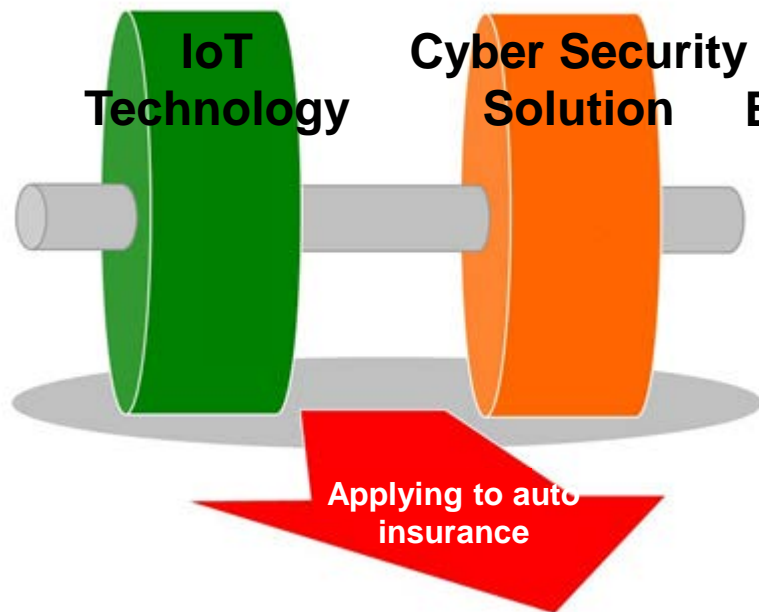
Promoting the development of personalized insurance products, where premiums are tailored and calculated according to each policy holder's risk and characteristics through the cooperation with ZMP, a robotic venture company

In Cooperation with Investee Companies, Offering Advanced Cyber Security Solutions to Combat the Risk of Cyber Attacks in Conjunction with the Spread of IoT

Example:



Developing automatic driving system



Example:

SBI Investment's Investee Company



An Israeli company providing cyber security solutions for automobiles

- With the spread of IoT technology, while everything, including automobiles, in the world is now being connected through the Internet, the risk of cyberattacks on those devices connected through the Internet increases at the same time
- Auto insurance must respond to the increase in security risk, in addition to utilizing superior technology in the IoT field such as telematics

Considering the Development of a Business Cooperation with SBI Investment's Investee Company Argus' Cyber Security Solution for Automobiles through the Domestic Auto Insurance Business

2. General overview of the SBI Group in 17 years since its inception

**Since its inception, led Japan's
development of Internet finance**

(1) SBI SECURITIES

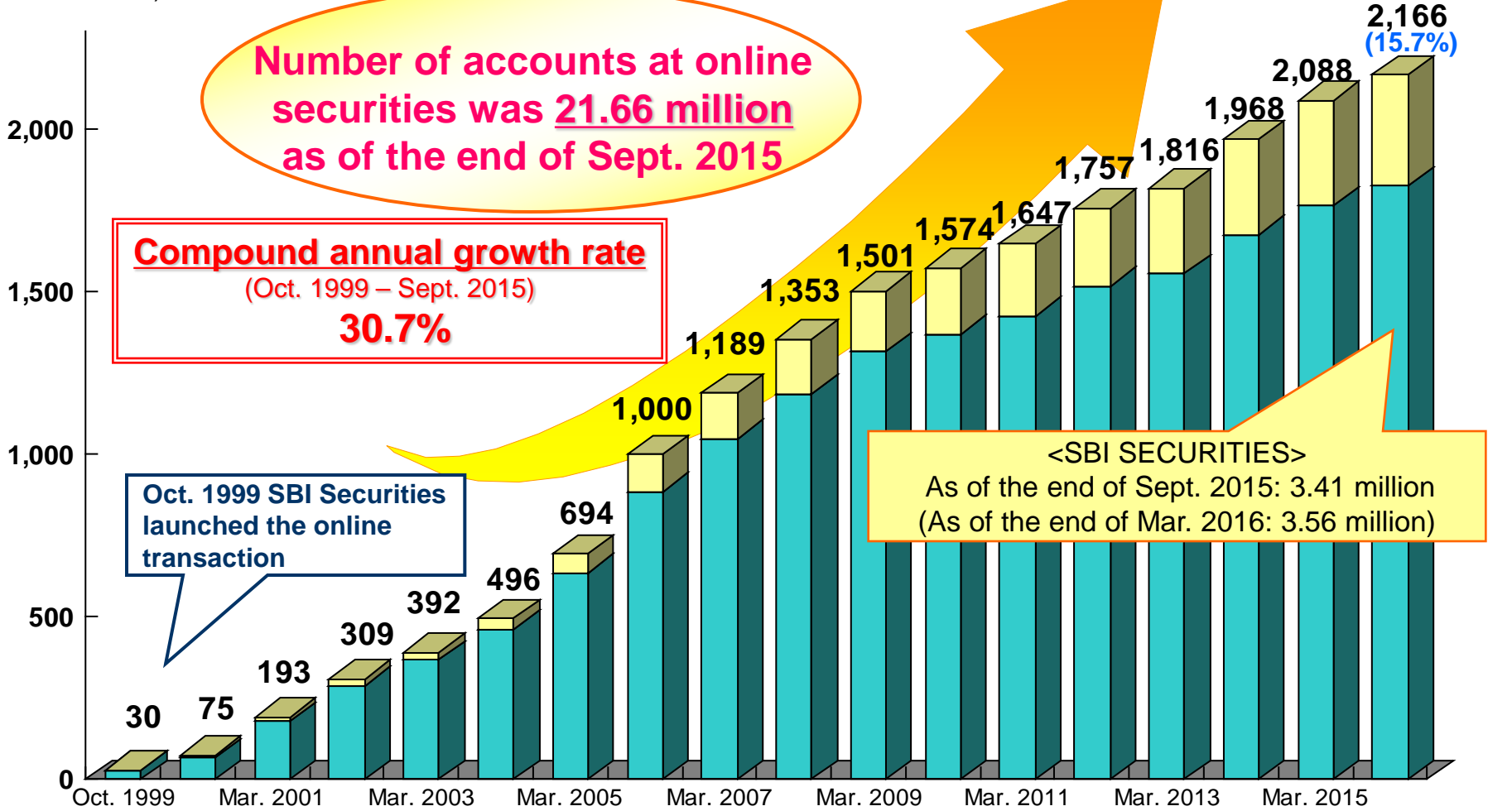
(2) SBI Sumishin Net Bank

(3) SBI Insurance

Rapid Expansion of the Internet Finance Sector (Securities)

Transition of the Number of Accounts of the Online Securities (Oct.1999 – Sept. 2015)

(Ten thousands)



Compound annual growth rate
(Oct. 1999 – Sept. 2015)
30.7%

Number of accounts at online securities was 21.66 million as of the end of Sept. 2015

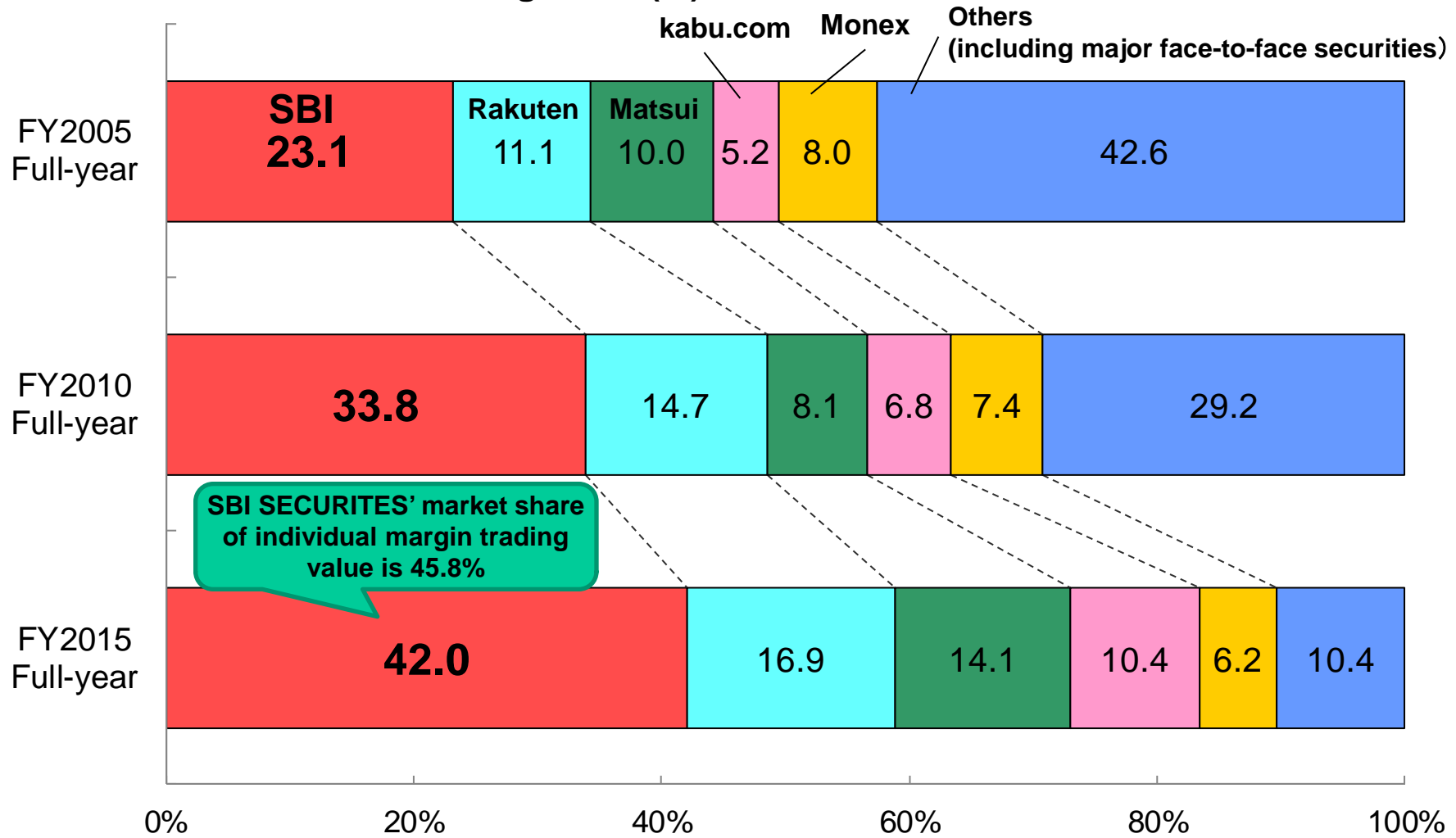
Oct. 1999 SBI Securities launched the online transaction

<SBI SECURITIES>
As of the end of Sept. 2015: 3.41 million
(As of the end of Mar. 2016: 3.56 million)

Source: Japan securities dealers association, "Survey of Online Trading" (Sept. 2015), records began in Oct.1999

Retail Business is Dominated by the 5 Major Online Securities Companies (The Market Share is Nearly 90%)

Share of Individual Stock Trading Value (%)








Source: Compiled by SBIH based on Tokyo Stock Exchange materials, and from information on each company's website.
 * Calculated using each company's individual trading value plus the individual margin trading value of the 1st and 2nd sections of the Tokyo and Nagoya Stock Exchange (excluding trading value of ETFs).

Conclusion of the Competition with Online Securities Companies

~SBI SECURITIES is the No.1 in the share of individual stock trading value, number of accounts, deposits and profitability~

[FY2015 results]

	Share of Individual Stock Trading Value (%)		Number of accounts (thousand)	Deposit assets (JPY trillion)	Operating income (JPY million)
		of which, individual margin trading			
SBI (cons.)	 42.0	 45.8	 3,564	 9.5	 39,881
Rakuten (cons.)	16.9	17.2	2,039	3.5	24,606
Matsui	14.1	17.9	1,056	2.1	21,745
kabu.com	10.4	12.7	1,002	1.9	10,621
Monex* (cons.)	6.2	4.9	1,635	3.5	8,247

* The amount of "Operating Income" is "The amount equivalent to operating income" disclosed by Monex

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)

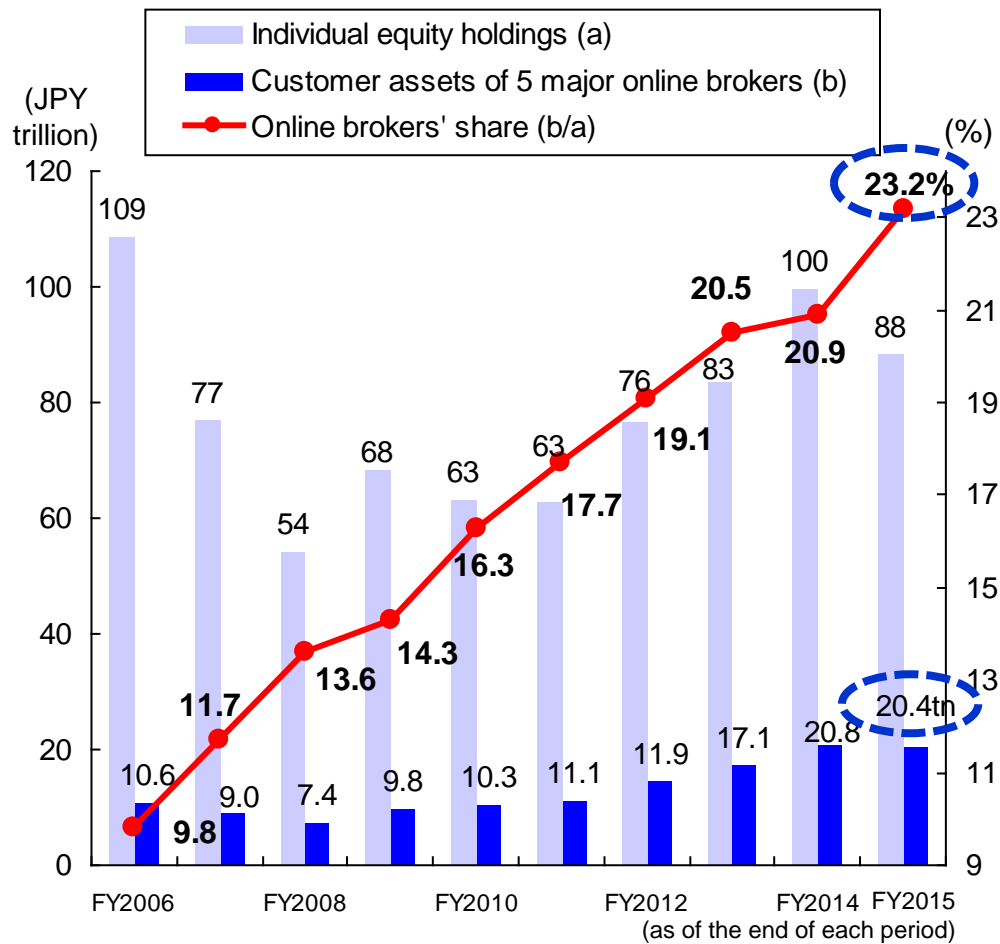
1	Nomura (US-GAAP)	131.5	(-41.5)
2	Daiwa	116.8	(-21.3)
3	Mizuho	61.1	(+4.3)
4	MUFJ	43.2	(-15.2)
5	SMBC Nikko	42.1	(-35.0)
6	SBI	28.0	(+39.5)
7	Rakuten	15.2	(+18.8)
8	Matsui	14.7	(-5.2)
9	Tokai Tokyo	12.4	(-32.8)
10	Okasan	11.0	(-21.5)
11	kabu.com	8.0	(+4.9)
12	GMO CLICK	6.4	(+32.9)
13	SMBC Friend	5.3	(-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.

Market Share of the Five Major Online Securities Companies' Deposit Assets within the Individual Stock Trading Market

Change in the share of individual equity holdings (stock)



5 major online securities companies handle an overwhelming share of the flow of stock trades, which stands at nearly 90%



Customer's deposit assets of the five major online securities companies are progressively increasing and as of Mar. 31, 2016, totaled JPY 20.4tn, however, only equivalent to 23.2% of the total share held by individuals in Japan (SBI SECURITIES accounts for 10.7% of the total share)

Source: Compiled by SBIH based on disclosed data from each company websites, and Bank of Japan "Flow of Funds"

SBI's share of individual equity holdings has steadily increased along with the passage of time, but relationships with emerging companies will need to be strengthened in order to expand further growth

The Internet Immersed Generation is Coming of Age

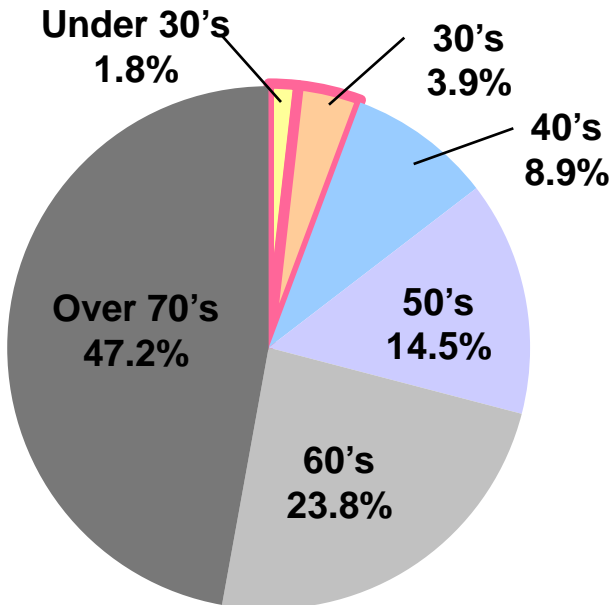
Start of commercial Internet in Japan: 1992



The generation immersed in the Internet since childhood have started full-scale purchases and financial activities from around 2010

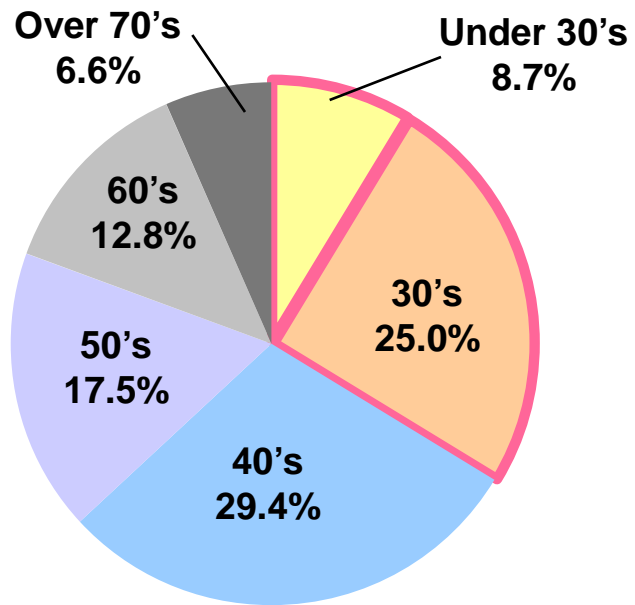
Breakdown of SBI SECURITIES' customers' age by channel (as of the end of Mar. 2016)

■ Face-to-face (SBI MONEY PLAZA)



The older generation as a percentage of customers of face-to-face channels is generally higher.

■ Online



The percentage of the current 20's and 30's that will **carry out a full-scale asset building**, as time goes by, is high.

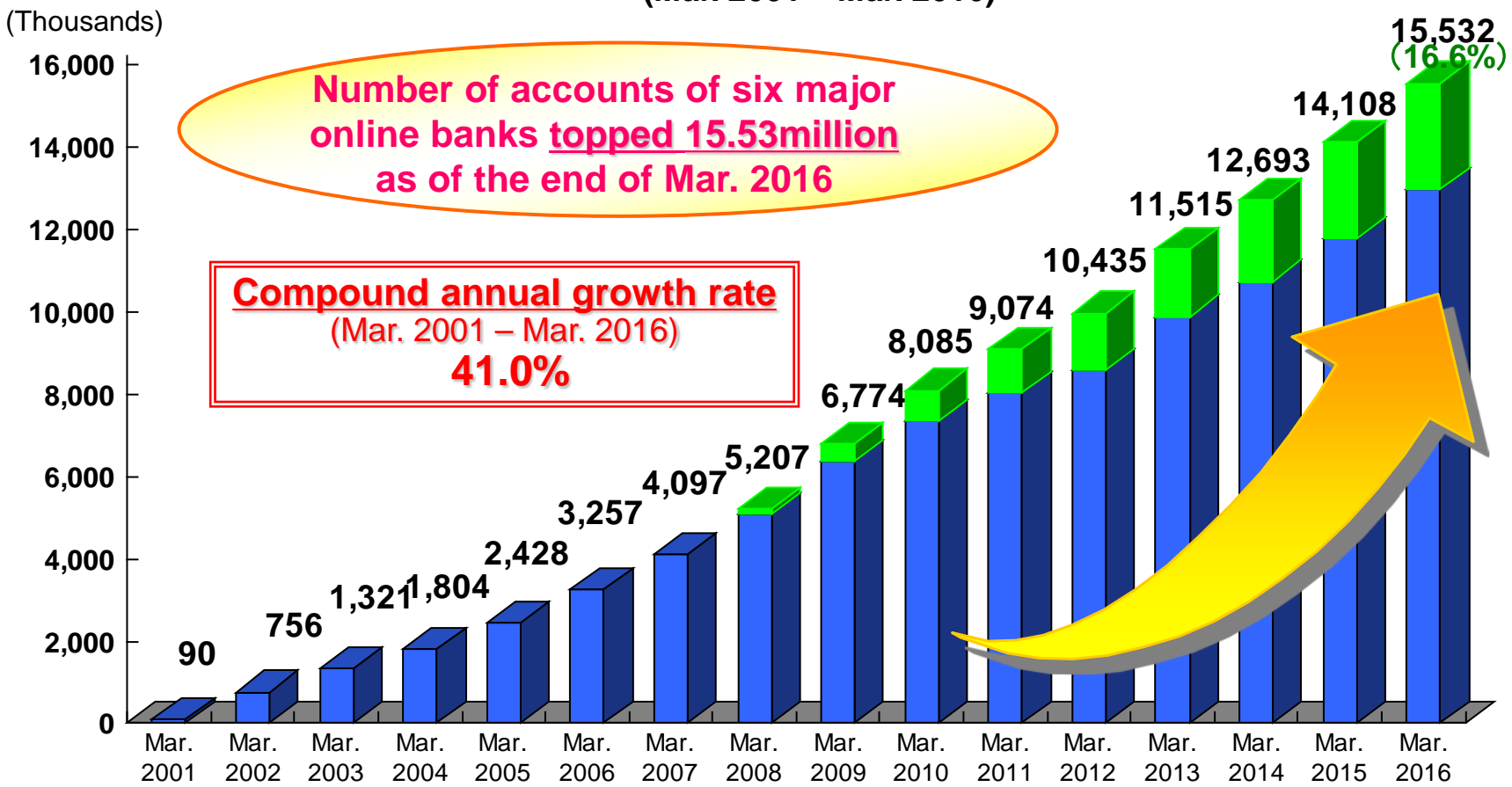
* Corporate accounts are not included

Rapid Expansion of the Internet Finance Sector (Banking)

In Japan, Sumitomo Mitsui Banking Corporation started online banking service in Jan. 1997, followed by other financial institutions launching online services. In the 2000s, pure-play Internet banks entered the market.

Transition of the Number of Accounts of 6 Pure-play Internet Banks in Japan (Mar. 2001 – Mar. 2016)

(): Proportion of SBI Sumishin Net Bank





* Compiled by SBI Holdings based on each companies' public materials.

Pure-play-internet Banks are SBI Sumishin Net Bank, Japan Net Bank, Sony Bank, Rakuten Bank, Jibun Bank, and Daiwa Next Bank

Pure-play Internet Banks' Financial Results of FY2015

Unit: JPY billion

The number of accounts is in thousands.

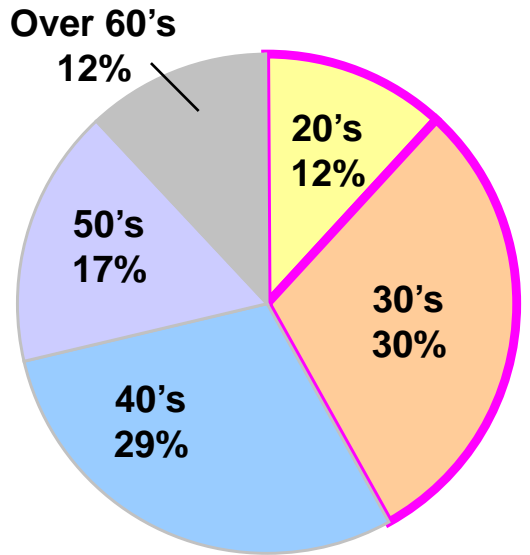
	Date of operation started	Deposit amount	Balance of loans	Number of accounts	Ordinary income
SBI Sumishin (cons.)	<u>Sept. 2007</u>	 <u>3,446.5</u>	 <u>2,075.6</u>	<u>2,585</u>	<u>11.7</u>
Daiwa Next	May 2011	3,121.5	317.1	1,133	9.6
Sony Bank (cons.)	June 2001	1,921.8	1,344.2	1,130	6.0
Rakuten (cons.)	July 2001	1,501.2	475.1	5,353	15.7
Jibun	July 2008	747.0	130.4	2,126	1.3
The Japan Net	Oct. 2000	611.9	51.4	3,205	3.4

Note: Amounts are rounded to the nearest 100 million yen or thousand accounts. The number of accounts is as of the end of Mar. 2016.

Implications for Future Growth Based on Current Customer Characteristics

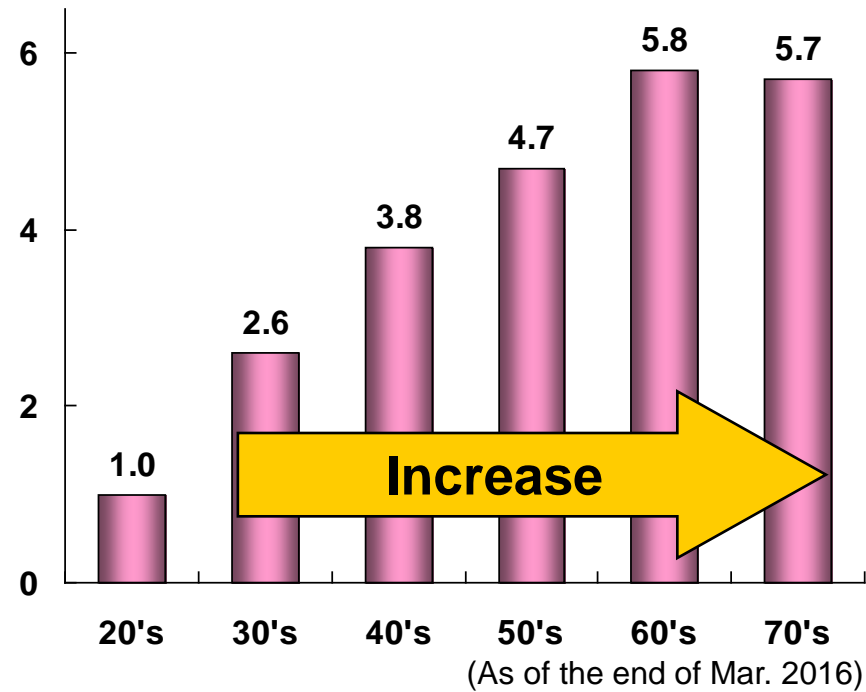
Customers of SBI Sumishin Net Bank

Customer Age Brackets



Deposit Per Customer

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

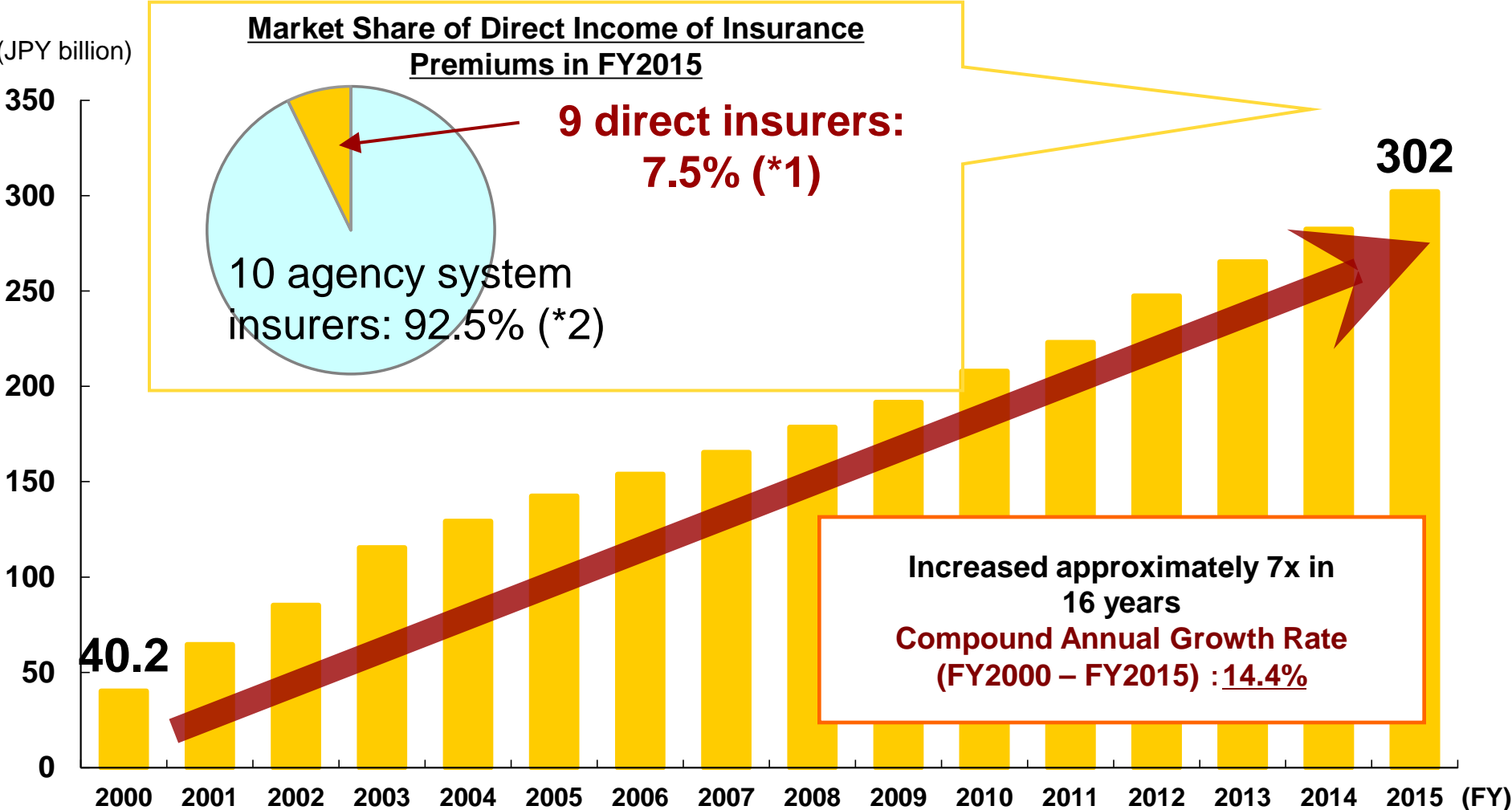


SBI Sumishin Net Bank's customers consist largely of the younger generation, whose assets are likely to increase as income rises and inheritances are obtained through the passage of time

(3) SBI Insurance:

Direct Non-life Insurance Sales Continue to Increase Steadily in Japan

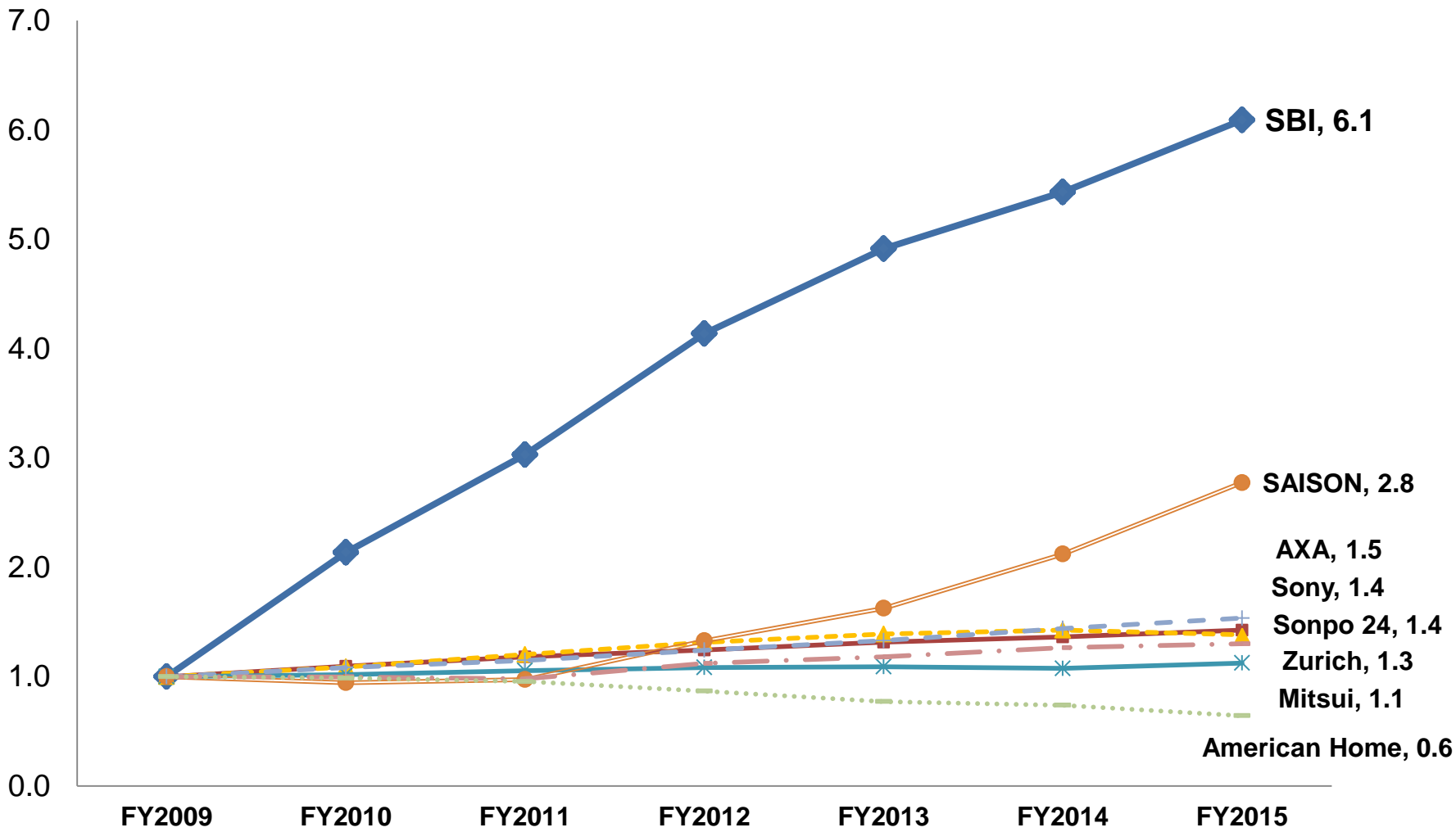
Change in Direct Income of Insurance Premiums at 9 Direct Insurers



(*1) 8 direct insurers: Sony Insurance, Mitsui Direct, Sonpo 24, E. design, Zurich, AXA, American Home, SAISON AUTOMOBILE&FIRE INSURANCE, SBI Insurance
 (*2) 10 agency system insurers: Tokio Marine & Nichido Fire Insurance, Sompo Japan, Nipponkoa Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance, Nisshin Fire & Marine Insurance, THE FUJI FIRE AND MARINE INSURANCE, Kyoei Fire & Marine Insurance, SECOM General Insurance, ASAHI FIRE & MARINE INSURANCE, Daido Fire Insurance. (Source) Compiled by SBIH from information disclosed by each company.

SBI Insurance's Auto Insurance Premium Income is Steadily Increasing among Direct Non-life Insurers

[The trend of auto insurance's direct premium] * An index of direct premium with FY2009 as a base

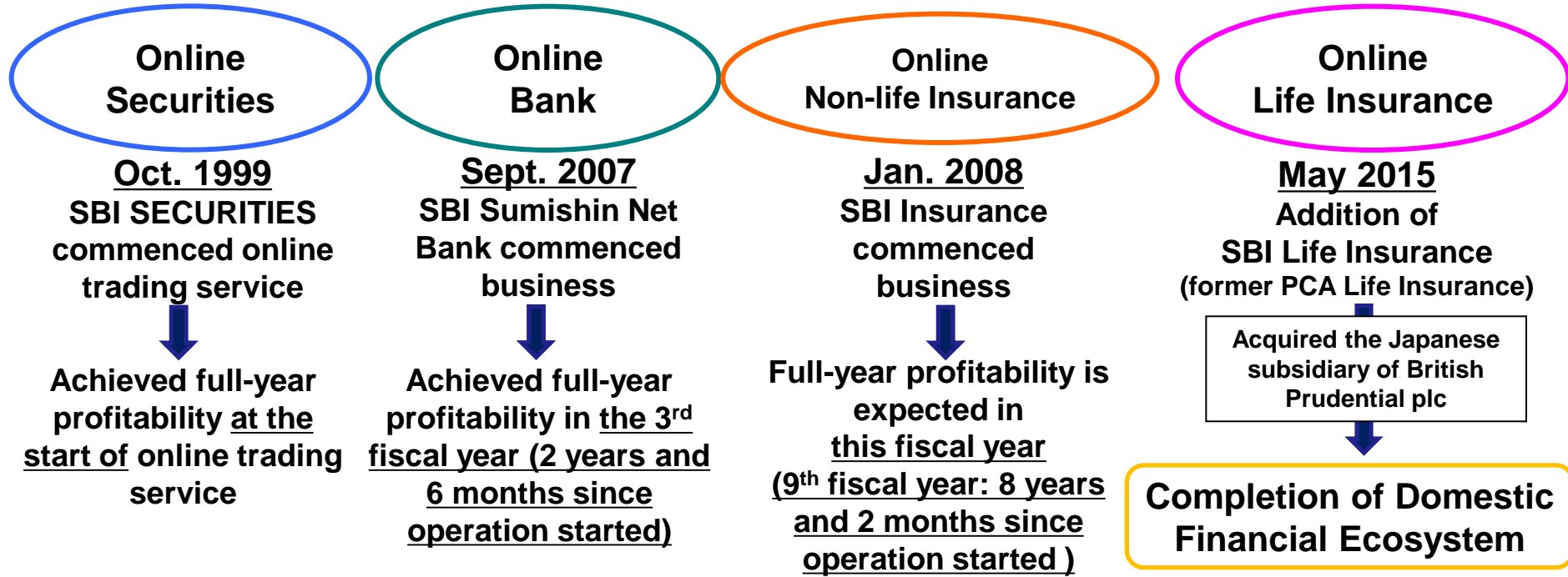


(Source: Disclosure from each company)

The Evolution of Internet Finance is Enhancing

Industry enhancements

More complex financial products will also eventually be primarily traded over the Internet



Further enhancements in businesses within the industry

Many other kinds of financial transactions will also be executed through the Internet



(Asset Management Function)

II. Alternation of the competitive conditions during the Internet era and the organizational form to maintain superiority

~Structure follows strategy~

(Alfred Chandler's thesis)

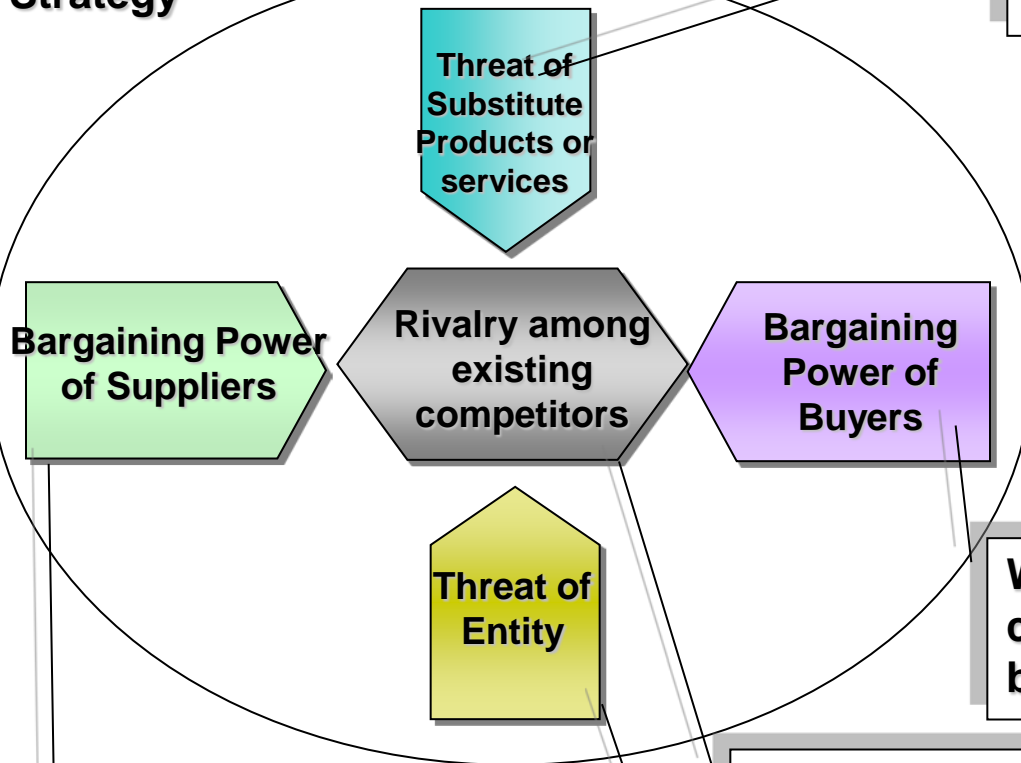
-
- 1. Alternation of the competitive conditions and the establishment of a business ecosystem**
 - 2. General overview of the SBI Group in 17 years since its inception, and the fundamental business concepts that serve as the driving force for further rapid growth**

1. Alternation of the Competitive Conditions and the Establishment of a Business Ecosystem

(1) Traditional Institutional Competitive Advantage

Michael E. Porter

“The Five Competitive Forces That Shape Strategy”



Whether the threat of substitute products or services can be eliminated

Through an advantageous relationship with buyers, suppliers and competitors
||
Competitive Advantage

Whether an advantageous position versus customers and distribution channels can be established

Whether products or services can be differentiated

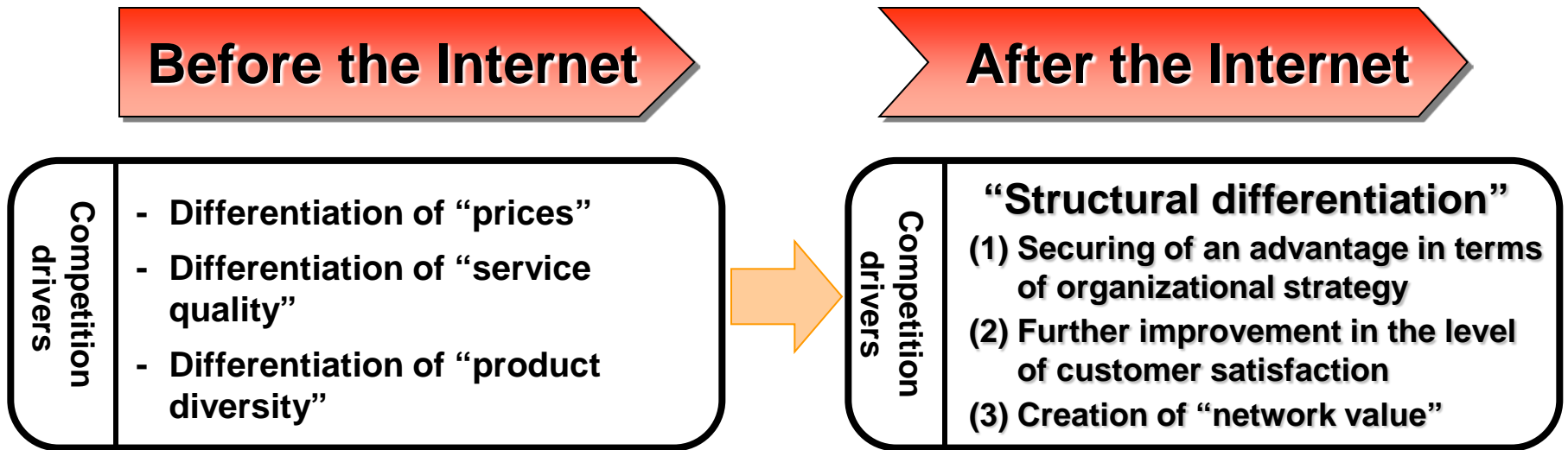
Whether an advantageous position versus suppliers can be established

Whether barriers to entry for competitors can be established

Source: “Harvard Business Review” May 2001

(2) Internet Changes the Essence of Competitiveness

Structural differentiation is an winning factor in the Internet era



Other companies may be easily promoted to keep pace, resulting in excessive competition

A company can build its own competitive advantage without being caught in excessive competition

(3) Organizational Form in the Internet Era

Near-future Vision of Financial Businesses: Integrated Financial Company

One Stop

A wide range of financial services provided by a single financial institution.

One Table

Comparison of the various financial services desired by customers summarized on a list.

One-to-one

Concierge service that provides individual customer consultation.



Any type of financial product based on a risk/return profile should be provided at an one-stop service

The Business Ecosystem

The most desirable form of an organization that possesses the requisite efficiency and competitiveness in the pursuit of the realization of future financial services

A business ecosystem is an economic community based on the interaction of organizations and individuals.



In a business ecosystem, a company is not a member of one industry, but a company belongs to diverse industries. This relationship activates synergies and stimulates mutual growth.

Organizational View Based on Complexity Knowledge

Two complexity propositions

- **The whole is greater than the sum of the parts.**
- **The whole has new qualities that an individual part cannot perceive.**



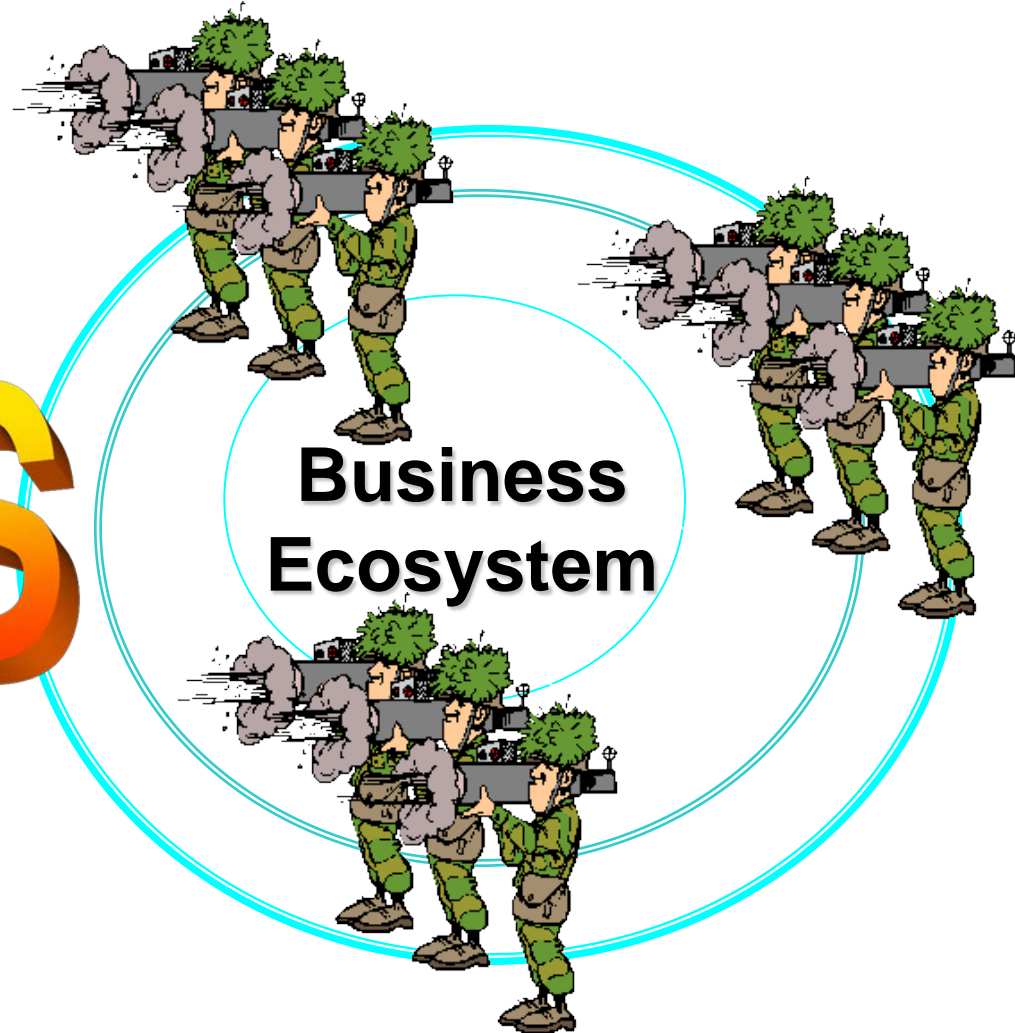
**In order to realize a high growth potential, there are synergy effects and mutual evolutionary effects that a single-role enterprise cannot achieve, that will require the establishment of a new organizational form, the “business ecosystem.”
Such a business ecosystem will function most effectively and provide competitive advantages in the Internet era**

Assembling a Business Ecosystem in Today's Internet-driven Marketplace is a Basic Condition to Achieve an Overwhelming Competitive Edge



**Single
Enterprise**

VS



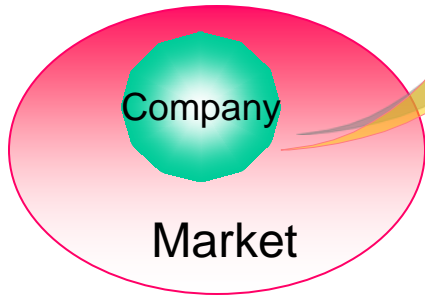
**Business
Ecosystem**

No company can compete and win by itself!

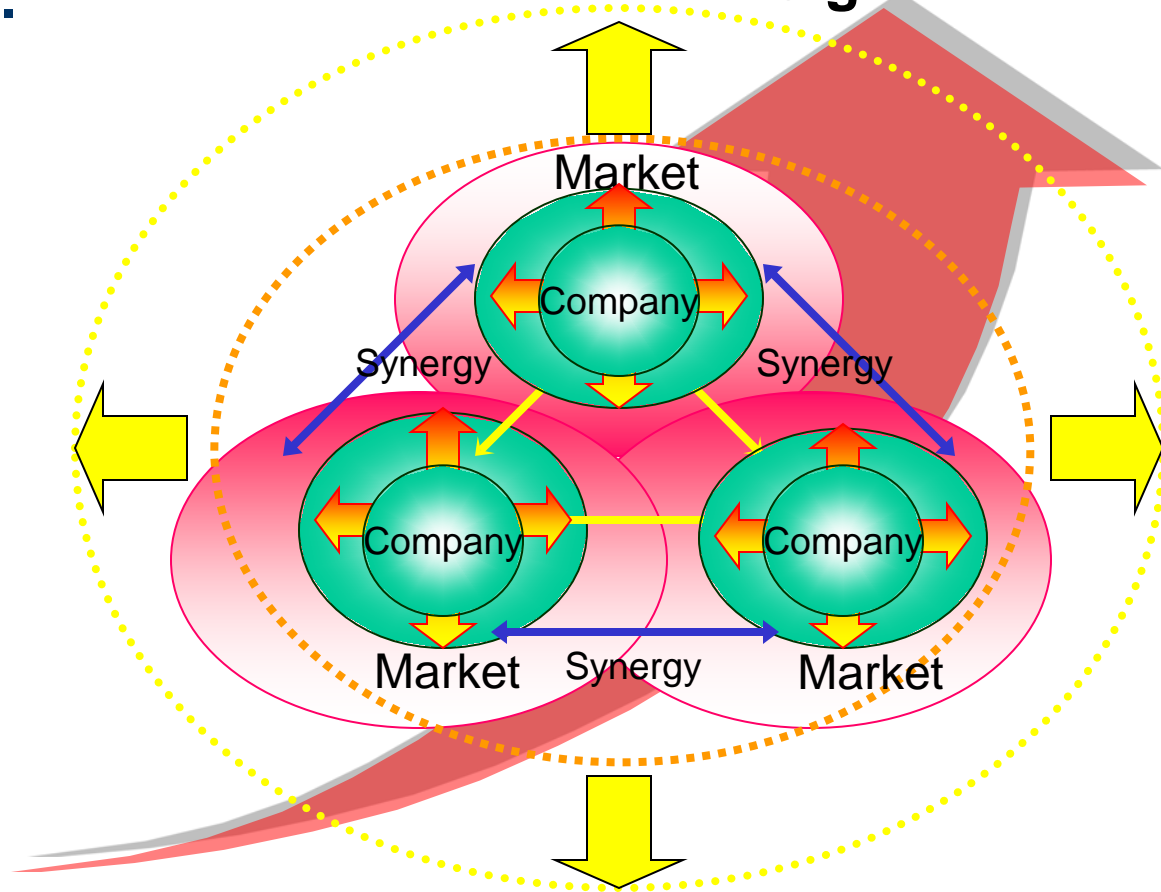
Assembling and Expanding the Business Ecosystem Produces Positive Synergies among the Constituent Companies. This Process Also Creates a Mutual Evolution Process in Each Company's Market to Support Rapid Growth.

Growth potential: Significant

Growth potential: Small



A company as a single economic entity



A "business ecosystem" in which a variety of constituent companies work together to achieve mutual evolution

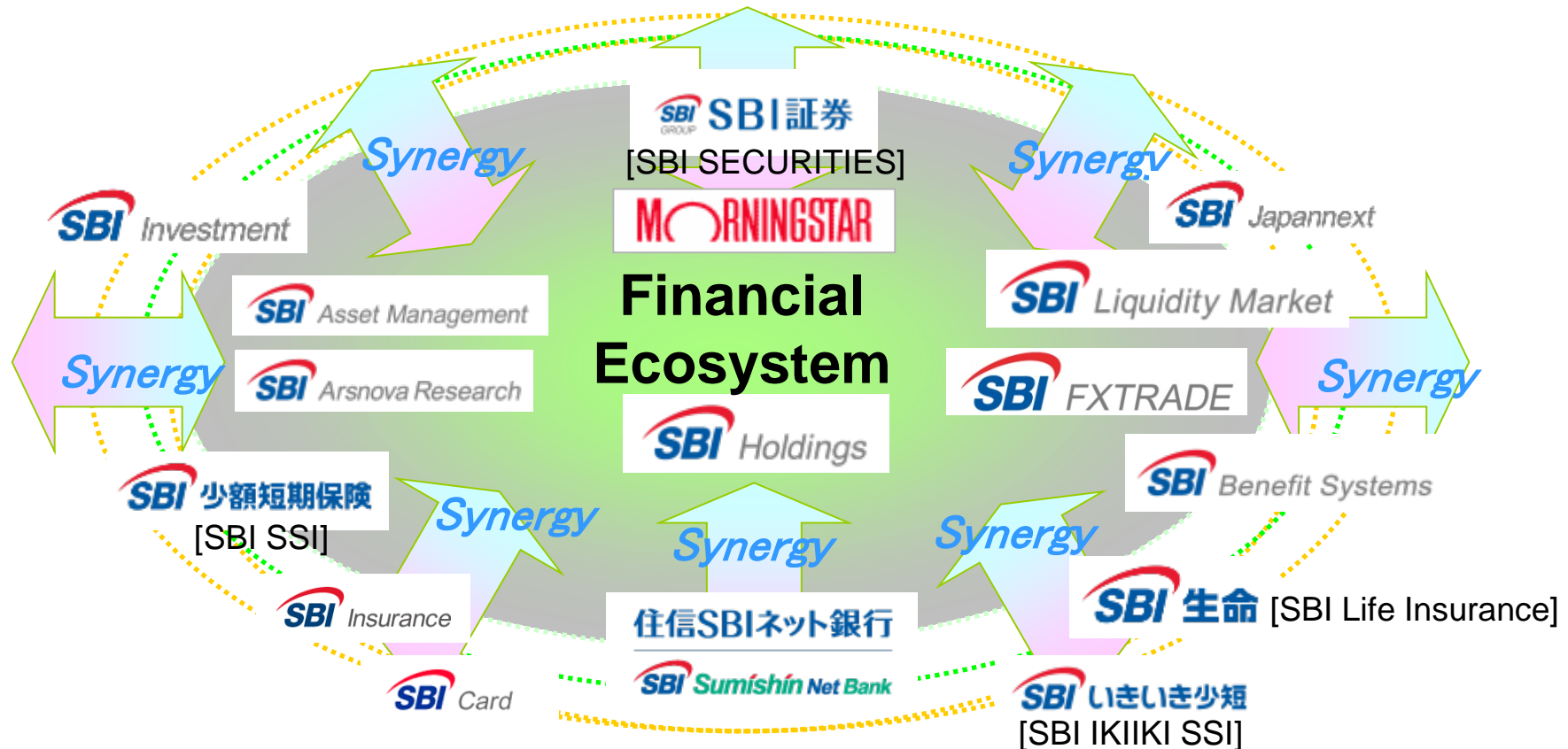
Established a Globally Unique Internet-based Financial Conglomerate in 16 Years Since Its Inception

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



2. General overview of the SBI Group in 17 years since its inception, and the fundamental business concepts that serve as the driving force for further rapid growth

The SBI Group's Fundamental Business Building Concepts

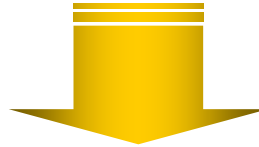
1. Adherence to the “Customer-centric Principle”
2. Formation of “Business Ecosystem” and establishment of “Structural Differentiation”
3. Further enhancement of the completed business ecosystem centering on financial services
4. Restructuring the business portfolio to achieve sustainable business growth, and IPO/M&A strategies



Through the implementation of a company-wide strategy, along with a business strategy that is based on the SBI Group's management concepts, realize dramatic growth in various business fields

Fundamental Concept 1.

Adherence to the “Customer-centric Principle”



Corporate strategy ①: Quantity defines quality

Business strategy example:

Offering brokerage, banking and insurance services with industry-lowest level commission

Corporate strategy ②: Integration of online and face-to-face channels

Business strategy example:

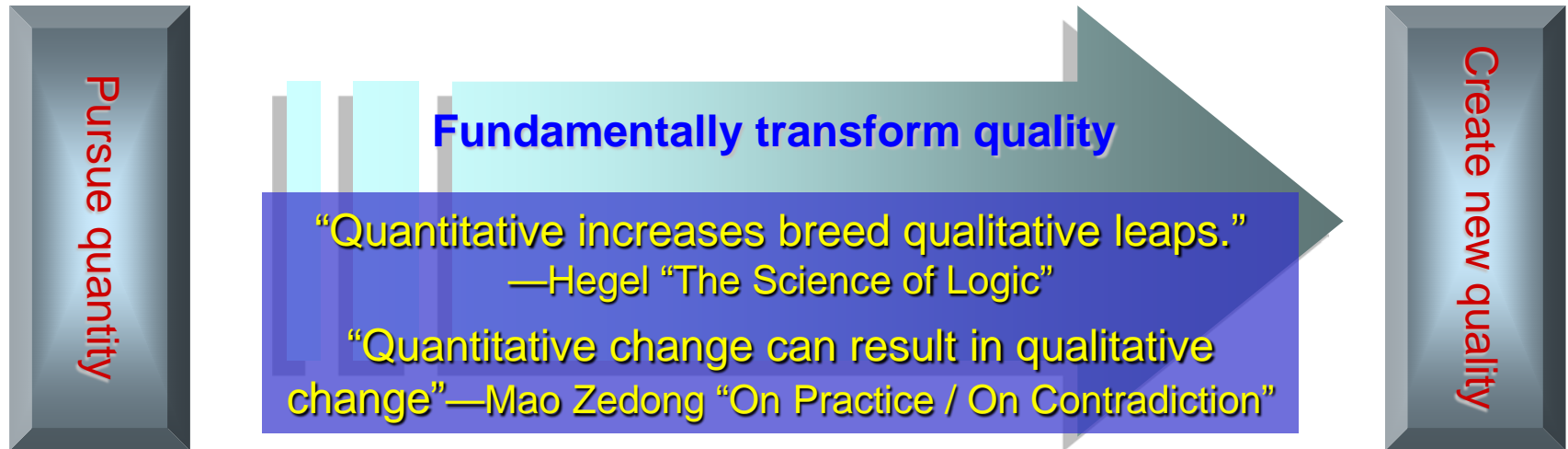
The provision of innovative financial products and services through the establishment of a business structure that utilizes the strengths of both the Internet and real channels

**Corporate strategy ①:
Quantity defines quality**

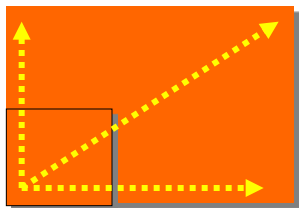
**Business strategy example:
Offering brokerage, banking and insurance
services with industry-lowest level commission**

Quantity Defines Quality

Dialectic: Quantity transforms quality



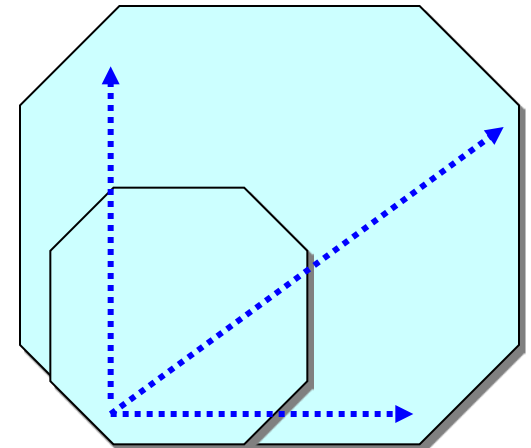
Increase the quantity of a certain discrete entity



Quantity transforms quality

A quantitative change in a certain discrete entity leads to a qualitative transformation and creates a discrete entity that possesses the new quality. As new qualitative activity, the transformed discrete entity then follows the new quantitative transformation process.

Expand as a new discrete entity



Customer Base Diversity and Rapidly Expanding Transaction Volume



Create new quality

- Expand the customer base from active users to beginners



- Strengthen compliance
- Strengthen transaction system
- Offer margin trading and futures options trading
- Develop investment trading tools
- Sell financial products other than stocks
- Introduce commission rate plan options

- Rapidly expand transaction volume



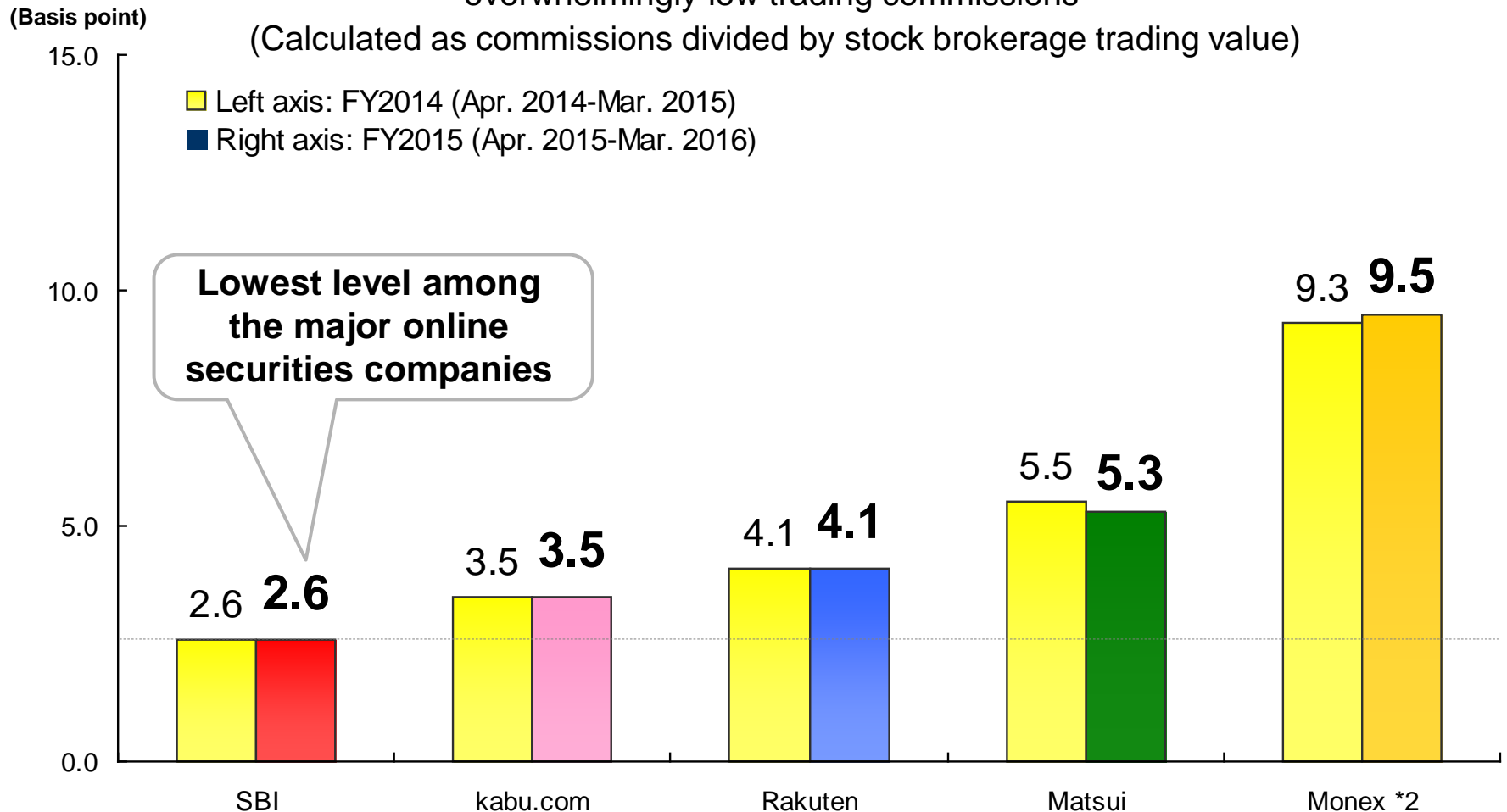
- Strengthen system stability
- Systemize office operations
- Use outsourcing effectively
- Increase underwriting requests from issuers
- Increase the ordinary profit rate

Adherence to the “Customer-centric Principle” – SBI SECURITIES

~Momentous Reduction of Brokerage Commissions~

SBI SECURITIES realized a momentous reduction of brokerage commissions by offering overwhelmingly low trading commissions

(Calculated as commissions divided by stock brokerage trading value)



*1 Major online securities companies refer to SBI SECURITIES, Rakuten Securities, kabu.com Securities, Monex and Matsui Securities

*2 Figures of Monex are based on commission of Monex, Inc.'s commission figures

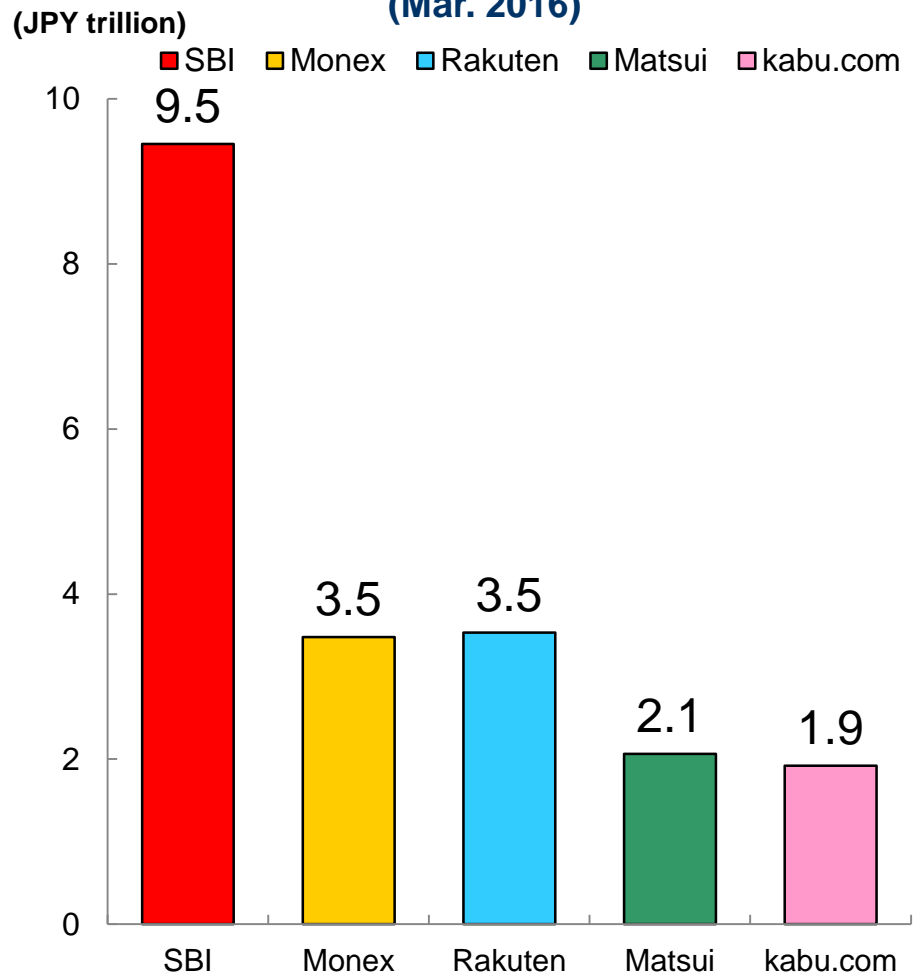
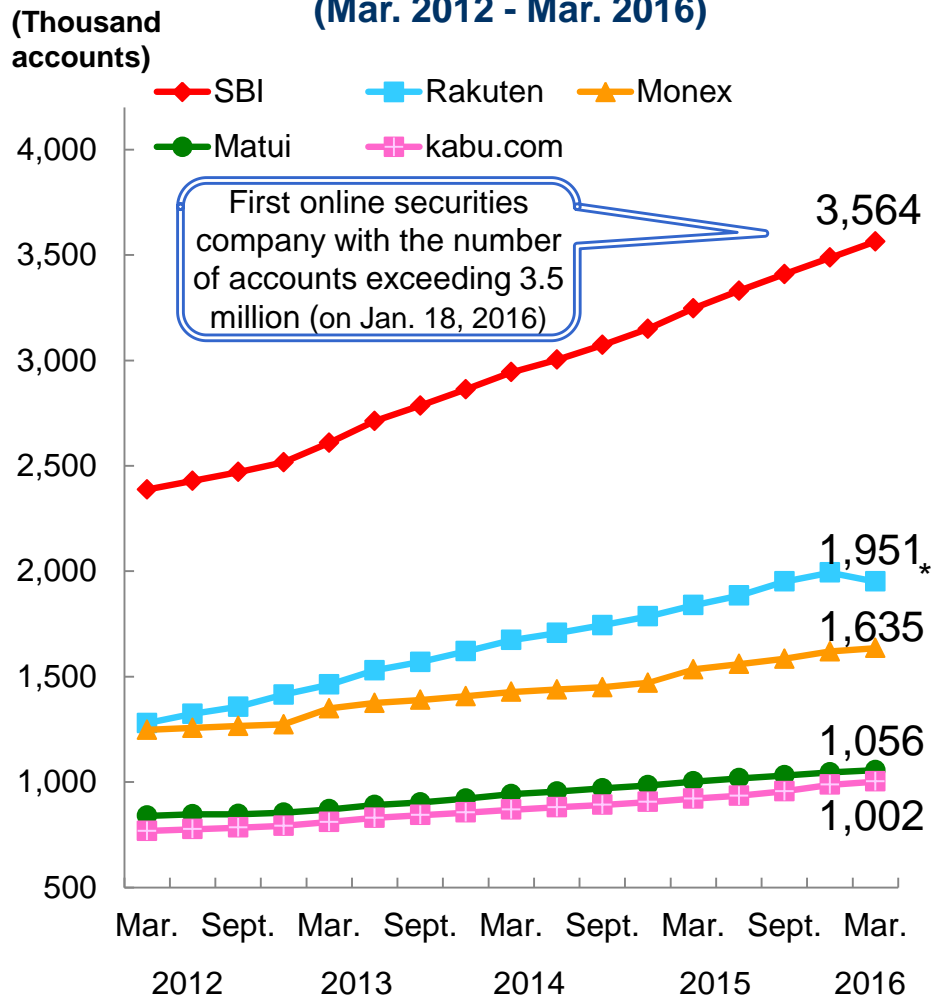
Source: Compiled by SBI SECURITIES from financial results announcement materials and monthly disclosure reports of each company.
Commissions are from earnings briefings.

SBI SECURITIES Attains an Overwhelming Customer Base

[Number of Accounts and Amount of Customer Asset]

Customer Accounts of 5 Major Online Securities Companies (Mar. 2012 - Mar. 2016)

Customers' Deposit Assets of 5 Major Online Securities Companies (Mar. 2016)



* The figure of Rakuten is that of the end of Sept. 2015 since the figure as of the end of Mar. is not disclosed.

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

Pure-play Internet Banks’ Time Period Required to Reach Profitability

	Start of operations	Single-quarter profit recorded	Quarters required *1 (Months since operation started)	FY profitability	FY required *1 (Months since operation started)
SBI Sumishin	Sept. 2007	4Q FY2008	7 quarters (1 year and 6 months)	FY2009	3rd FY (2 years and 6 months)
Sony Bank	June 2001	4Q FY2004	16 quarters (3 years and 9 months)	FY2005	5th FY (4 years and 9 months)
Rakuten	July 2001	4Q FY2003	11 quarters (2 years and 8 months)	FY2005	5th FY (4 years and 8 months)
Jibun	July 2008	1Q FY2012	16 quarters (3 years and 11 months)	FY2012	5th FY (4 years and 8 months)
The Japan Net	Oct. 2000	1Q FY2004	15 quarters (3 years and 8 months)	FY2004	5th FY (4 years and 5 months)

*1 Quarters and FY required are calculated based on the start of operation.

*2 Compiled by SBIH from information disclosed by each company

Pure-play Internet Insurance Companies’ Time Period Required to Reach Profitability

	Start of operations	Single-quarter profit recorded	Quarters required *1 (Months since operation started)	FY profitability	FY required *1 (Months since operation started)
SBI Insurance *2	Jan. 2008	1Q FY2014	26 quarters (6 years and 5 months)	FY2015 (Forecast)	9th FY (8 years and 2 months)
Mitsui Direct	June 2000	1Q FY2008	37 quarters (9 years)	FY2010	11th FY (10 years and 9 months)
AXA GENERAL INSURANCE	July 1999	N/A *3		FY2008	10th FY (9 years and 8 months)

*1 Quarters and FY required are calculated based on the start of operation.

*2 Indicates the term when SBI Insurance achieved profitability on IFRS base

*3 Quarters term is not available because AXA GENERAL INSURANCE started their disclosure of quarterly results from FY2008.

*4 Compiled by SBIH from information disclosed by each company

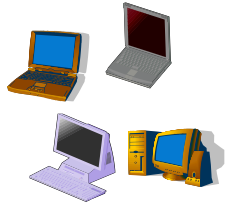
**Corporate strategy ② :
Integration of online and face-to-face channels**

Business strategy example:

The provision of innovative financial products and services through the establishment of a business structure that utilizes the strengths of both the Internet and real channels

Business Structure Utilizing the Strengths of Both Online and Face-to-face Channels

Online



Individual investors

Strength: Ability to attract customers
(Stock trading/Deposit/Mortgage loan/Auto insurance, etc.)



High synergy



High synergy

Face-to-face



Strength: Sales force

Face-to-face counter
Call center

Strength: Fund-raising capability
Investment acumen

Investment management unit
such as dealers

Case study of the SBI Group's integration of online and face-to-face services:

- ① Strengthening the retail business through the IFA business (face-to-face) and SBI SECURITIES (online)**
- ② Strengthening the sales power of the Group's products (online) by SBI MONEY PLAZA (face-to-face)**
- ③ Utilizing both the online and face-to-face channels to sell life insurance products**
- ④ Applying fund raising capability in Japan (face-to-face) to the overseas Internet financial businesses**
- ⑤ Strengthening asset management capabilities (face-to-face), which is a key factor in the success or failure of the Internet financial businesses**
- ⑥ Strengthening asset management structure to develop (face-to-face) and distribute (online) new products**

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]

SBI MONEY PLAZA is Expanding Its Handling of Products, in Order to Meet Various Needs

The Group companies

SBI証券
[SBI SECURITIES]

住信SBIネット銀行
SBI Sumishin Net Bank

SBI Insurance

SBI 生命
[SBI Life Insurance]

SBI 少額短期保険
[SBI SSI]

SBI いきいき少短
[SBI IKI IKI SSI]

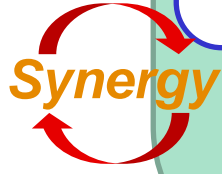
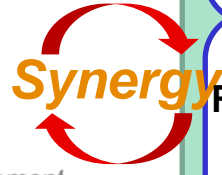
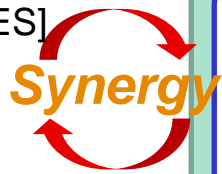
SBI Investment

SBI Bond Investment Management

SBI Estate Finance

SBI Business Solutions

SBI Wellness Bank



SBI マネープラザ
SBI MONEY PLAZA's

examples of their products

Securities
(Financial Instruments Intermediary Service Provider)
Securities, IPO, PO, Investment trusts (about 2,000), (Corporate, Foreign, Structured) Bond

Insurance
(Insurance Agent)
Life Insurance: 14 companies
Non-life insurance: 14 companies
SSI: 3 companies

Bank deposit
(Bank Agency Service)
Ordinary deposit, Fixed deposit, SBI hybrid deposit

Housing loan
(Bank Agency Service)
Floating interest rate loan, Long-term loan with a fixed low interest rate

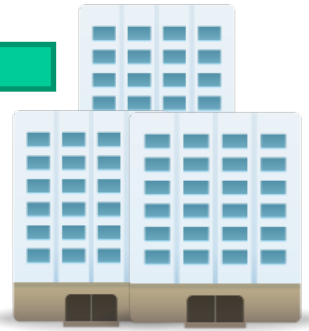
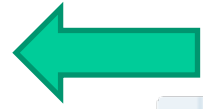
Testamentary trusts Real estate brokerage
(Concurrent trust business and customer introductions)
Estate liquidation, Domestic and overseas real estate

Real estate collateralized loans
Real estate business loans
Real estate utilization loans

Fund investment products
(Type II financial instruments business)
Solar power generation funds, Ship leasing

Partners' network across the country

380 bases
(including 20 directly-managed shops)



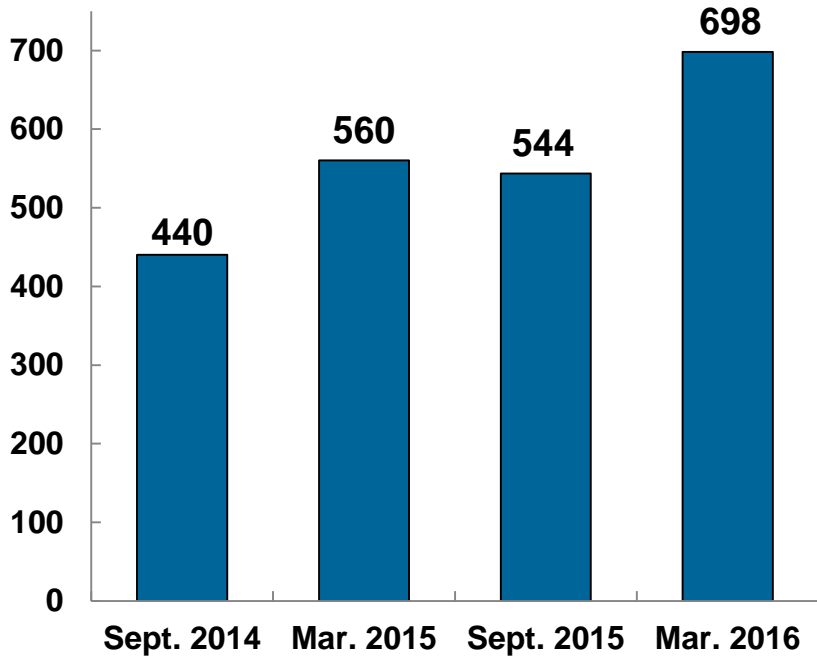
Offering solutions to various needs with one-stop service



SBI MONEY PLAZA's Customer Base Continues to Expand, Utilizing Its Strength as a Face-to-face Shop

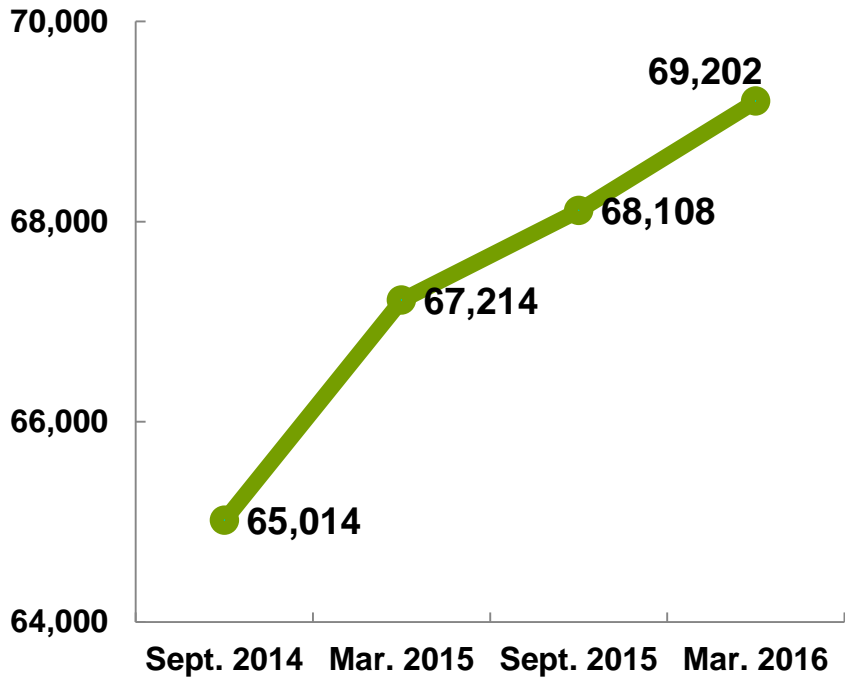
Customers' Deposit Assets

(JPY billion)



Number of Accounts








(Accounts)



Toward a more efficient operation, proceeding to expand the market by introductory agreements, and the total number of partners' base* was 380 (including 20 directly-managed shops), as of Mar. 31, 2016

* Company's shops and bases handling SBI MONEY PLAZA's products, such as major accounting firms and branches of local banks

SBI Life Insurance Fully Utilizes Group Synergies, such as the Real Channel, to Sell Whole Medical Insurance and Term Insurance

	[Internet channel]	[Face-to-face channel]
Group companies	<p> SBI証券 [SBI SECURITIES] Number of accounts: <u>3,564 thousand</u></p> <p> 住信SBIネット銀行 [SBI Sumishin Net Bank] Number of accounts: <u>2,586 thousand</u></p> <p> SBI損保 [SBI Insurance] Number of contracts: <u>843 thousand</u></p> <p> 保険の窓口 [InsWeb] Number of customers: <u>7,820 thousand</u></p> <p> SBI いきいき少額短期保険 [SBI IKI IKI SSI] Number of contracts: <u>47 thousand</u></p> <p> SBI 少額短期保険 [SBI SSI] Number of contracts: <u>16 thousand</u></p>	<p>Face-to-face insurance shop</p> <p> SBI マネープラザ [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.

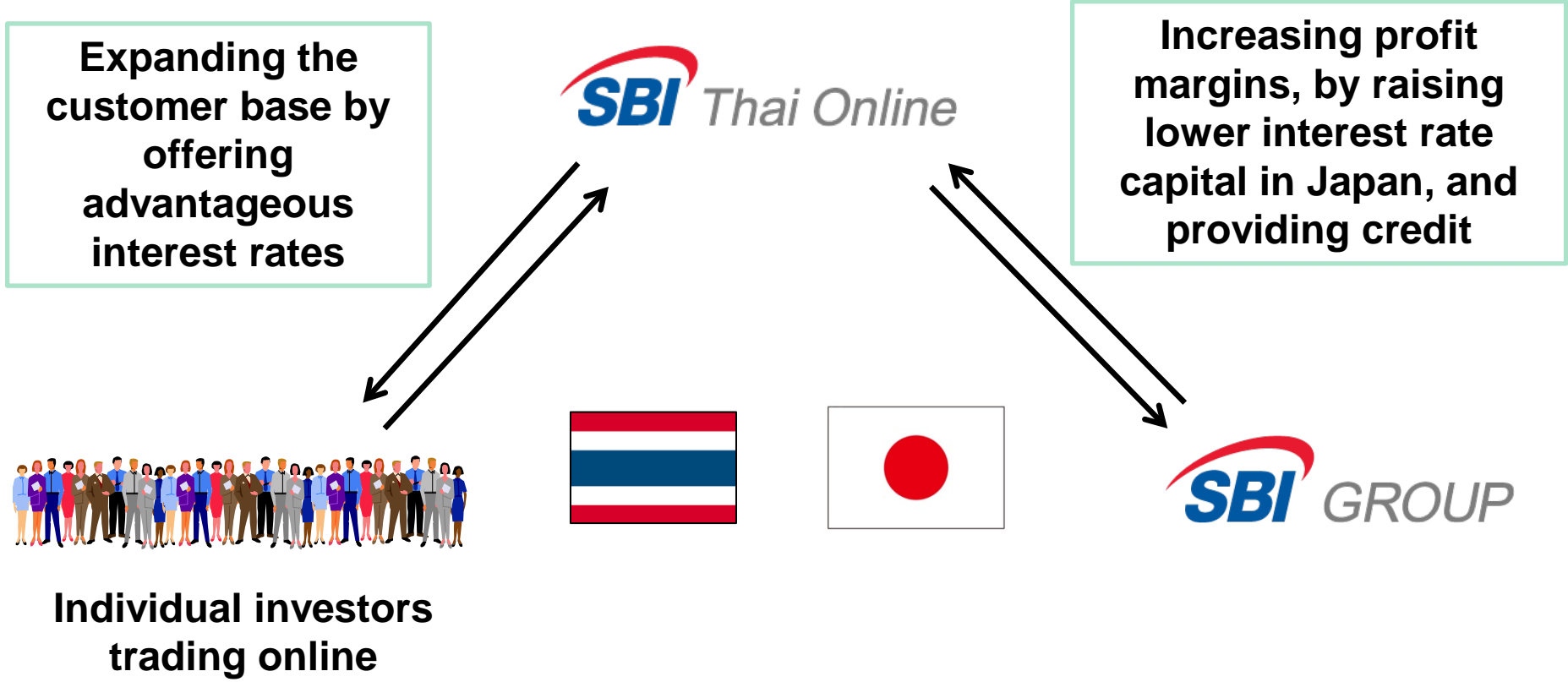
*1: SBI's shareholding percentage corresponds to a total percentage, which include dilutive shares, based on the IFRS criteria for subsidiary companies and subsidiary funds of the Group (As of Mar. 31, 2016)

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

Promoting the Interest Rate Arbitrage between Japan and Abroad

【Utilization plan in Thailand】

~Introduction of margin transaction in SBI Thai Online~



Case study ⑤: Strengthening asset management capabilities (face-to-face), which is a key factor in the success or failure of the Internet financial businesses



Preparing the Structure of Asset Management Services Business, along with Increasing a Total Amount of Assets of Institutional Investors of the Group

Institutional investors of the Group

Insurance holding company

SBI証券
[SBI SECURITIES]

SBI 生命
[SBI Life Insurance]

SBI Insurance

住信SBIネット銀行
 Sumishin Net Bank

SBI いきいき少額短期保険
[SBI IKI IKI SSI]

SBI 少額短期保険
[SBI SSI]

[Securities]

[Insurance]

[Banking]

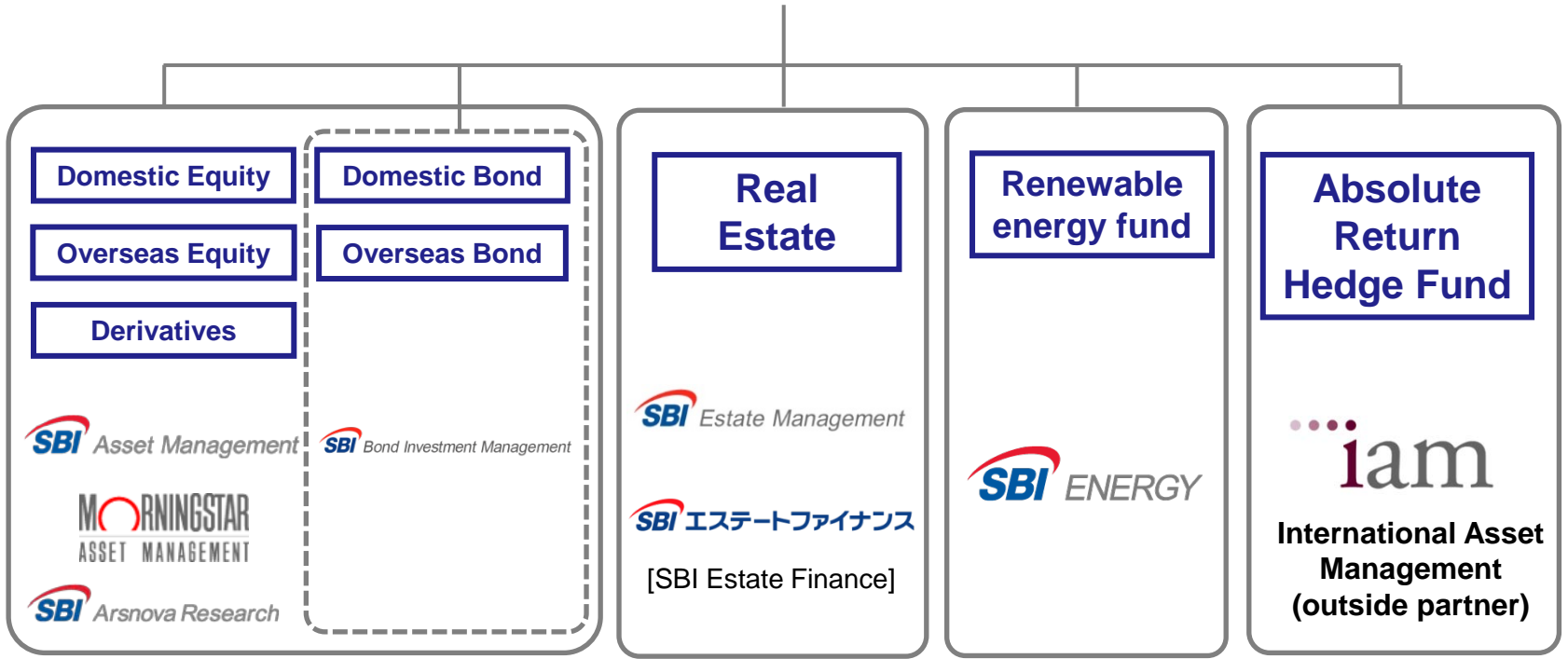
Owing to the improvement in the performance of each company's asset management, an increase in customers is being experienced

Asset Management Services Business has Nearly Completed the Construction of its Business Structure, to Further Promote the Diversification of Investment Products

SBI GLOBAL ASSET MANAGEMENT

Asset types

Partner company



Individual Investors



Institutional Investors

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

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 raised 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

Products developed for individual investors and institutional investors in Japan will be distributed through sales companies, such as SBI SECURITIES

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


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

Offering a Real-time Gold Trade Service to Domestic Individual Investors

Demand for gold is rising as an asset without credit risk, and gold has become an effective asset class to hedge against inflation, with the Bank of Japan having set an inflation target



- ◆ Planning to establish a joint venture with Gold Bullion International, which is the world's leading gold distribution company
- ◆ Providing a platform function enabling real-time 24-hour spot physical gold trading to individual investors in Japan
- ◆ Planning to expand services for institutional investors, whose gold holding ratios are increasing

Gold Bullion International LLC.:

GBI provides a platform enabling investors to trade assets in the form of precious metals at optimal prices in its unique market through precious metal dealers. In addition to such trading system. In addition, GBI provides integrated services from storage and delivery to insurance and audit of gold, and GBI's platform has a proven track record of being adopted by major financial institutions all over the world, such as The Royal Mint, UBS, and Merrill Lynch, as their gold trading platforms.

Fundamental Concept 2. Formation of “Business Ecosystem” and establishment of “Structural Differentiation”



Corporate strategy:

Establishment of SBI Group ecosystem consisting of 3 core businesses (Asset Management business, Financial Service business, Biotechnology-related Business)

Business strategy example:

- (i) The pursuit of mutual synergy and mutual evolution borne from the financial ecosystem**
- (ii) Businesses development through the cooperation between the core businesses**

Corporate strategy:

Establishment of SBI Group ecosystem consisting of 3 core businesses (Asset Management business, Financial Service business, Biotechnology-related Business)

Business strategy example (i):

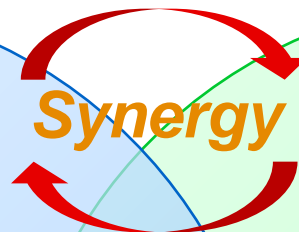
The pursuit of mutual synergy and mutual evolution borne from the financial ecosystem

Example of Synergy at SBI SECURITIES and SBI Sumishin Net Bank

Asset Management



[SBI SECURITIES]



Deposit & Settlement

Examples of Affiliation Services:

Aggregation functions

Simultaneous display of accounts of SBI Sumishin Net Bank and SBI SECURITIES. Easy access to stock trading platform of SBI SECURITIES, with one click on the Bank's stock information page

Automatic transfer services for additional margin deposits

Automatic cash transfer from a yen savings account at SBI Sumishin Net Bank to an account at SBI SECURITIES when additional margin deposits are needed

SBI Hybrid Deposits (Automatic deposits and withdrawals of stock trading deposits)

SBI Hybrid Deposit balance can be integrated into available deposit balance for stock trading, margin trading, and actual receipt of stock purchased at SBI SECURITIES

One-time account opening

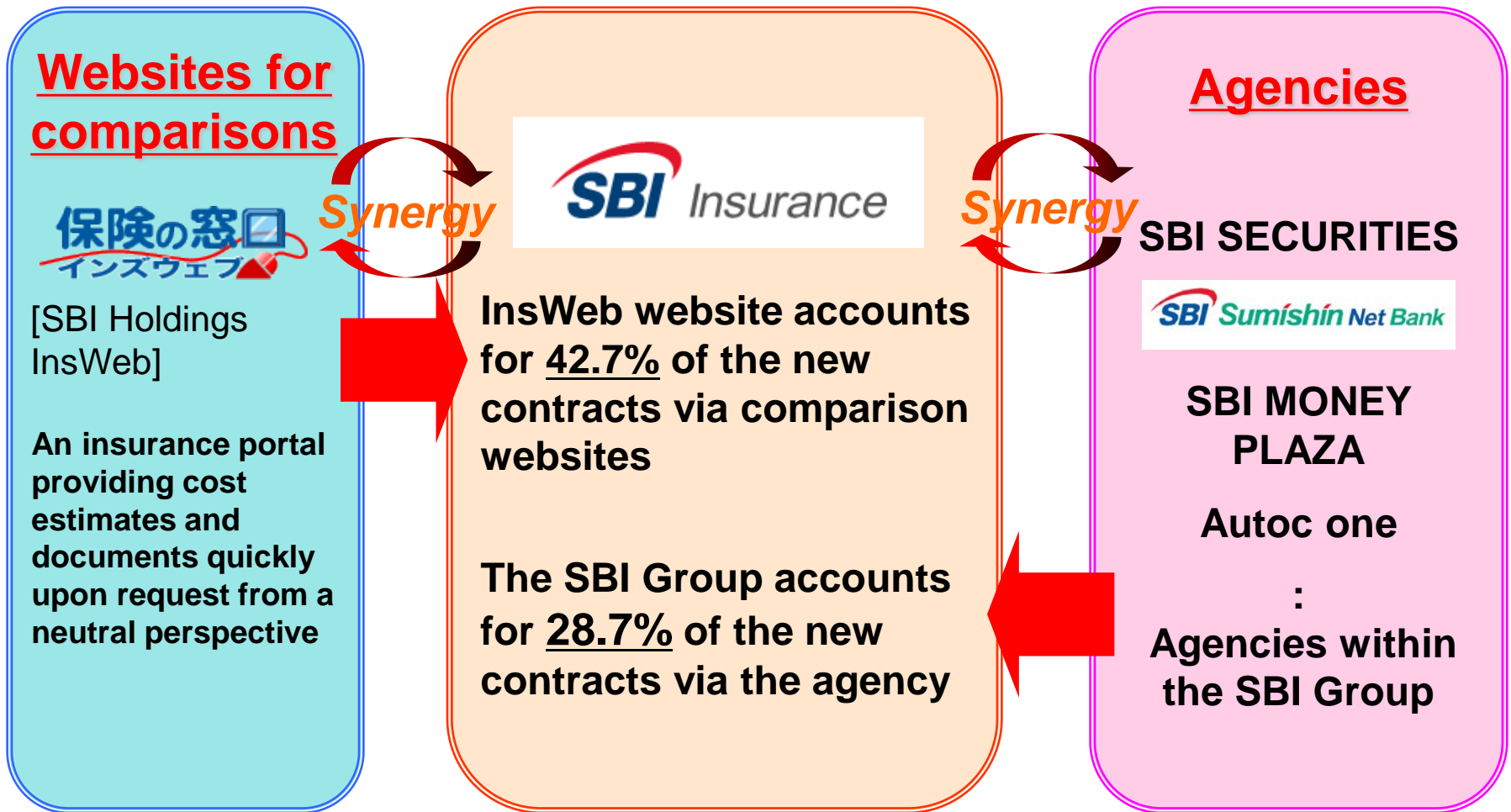
One-time account opening at both SBI Sumishin Net Bank and SBI SECURITIES



Solid customer base of SBI SECURITIES contributes to an increase in the number of accounts and deposit amount at SBI Sumishin Net Bank

Group Synergies that Positively Contribute to SBI Insurance

SBI Group companies, including the insurance comparison website “InsWeb” and SBI SECURITIES, through their respective customer bases, become a sales channel that exerts synergy effects that contribute to SBI Insurance’s business expansion.



SBI SECURITIES, SBI Sumishin Net Bank and SBI Insurance have Maintained a Rapid Growth Pace since the Commencement of their Operations

	Start date of operations	Number of accounts (The figure for SBI Insurance is the number of contracts) (As of the end of Mar. 2016)	Compound annual growth rate of the number of accounts (%) (The figure for SBI Insurance is the number of contracts)		
			End of 1 st FY of each company when started their operations ~ End of the 4 th FY	End of 1 st FY of each company when started their operations ~ End of the 6 th FY	End of 1 st FY of each company when started their operations ~ Mar. 2016
			SBI SECURITIES	Oct. 1999 *	Approx. 3.56 million
SBI Sumisin Net Bank	Sept. 2007	Approx. 2.59 million	103.5	67.6	46.1
SBI Insurance	Jan. 2008	Approx. 840 thousand	809.7	333.0	162.9

* Date of launch of SBI SECURITIES' online transaction operations

SBI Insurance has achieved significant high growth rates owing to the full-ranged receipt of the benefits due to the completion of the financial ecosystem, as well as the characteristics of its products of low-cost and fulfilling damage survey services

Corporate strategy:

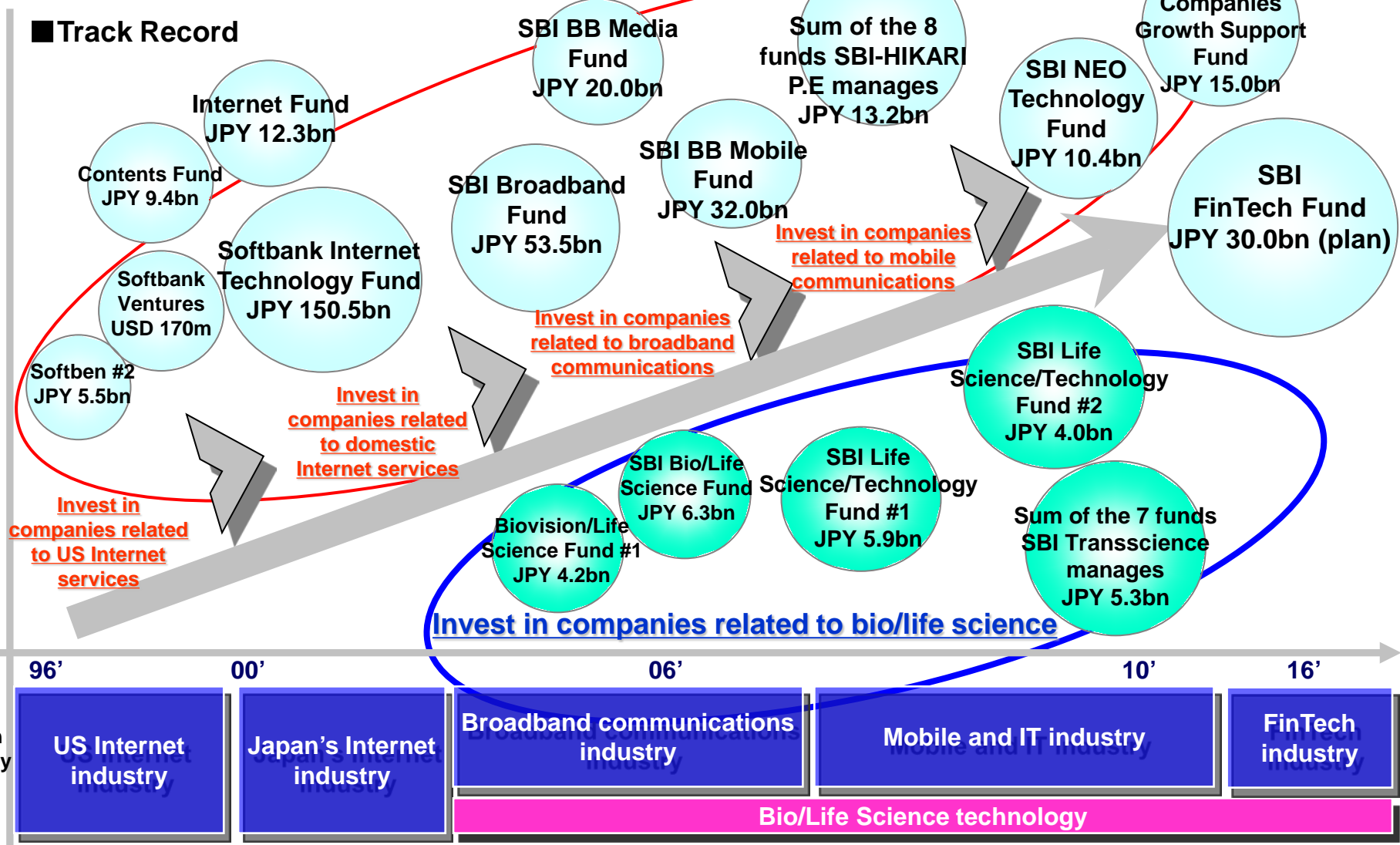
Establishment of SBI Group ecosystem consisting of 3 core businesses (Asset Management business, Financial Service business, Biotechnology-related Business)

Business strategy example (ii):

Businesses development through the cooperation between the core businesses

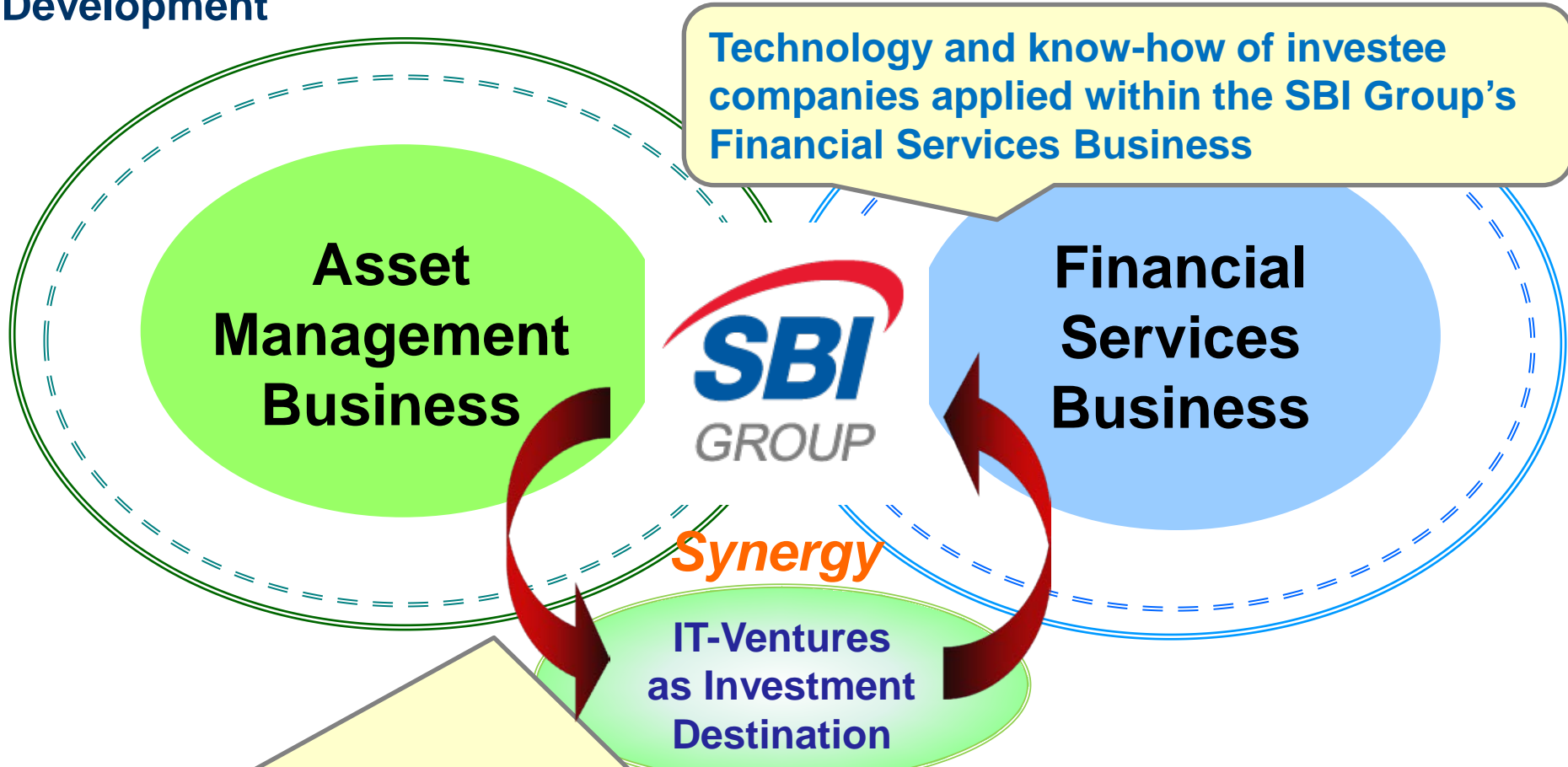
Group synergy between core businesses (1)
 Asset Management Business and Financial Services Business / Biotechnology-related Business:

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



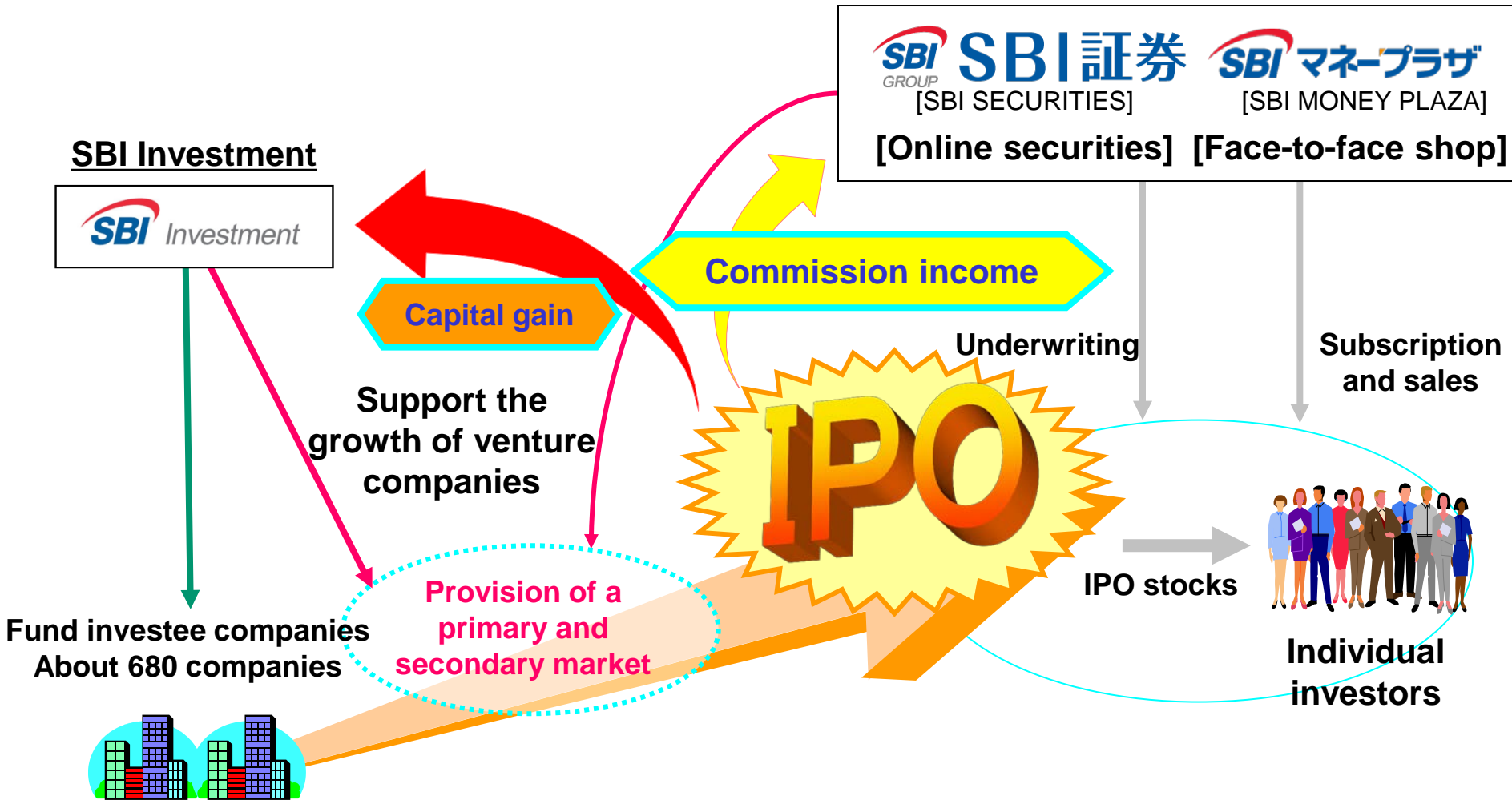
Group synergy between core businesses (2-1)
Asset Management Business and Financial Services Business:

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.

Establishing an IPO Underwriting Integrated System through a Collaboration with Venture Capital Business and the Securities Business



Expansion of SBI SECURITIES' Corporate Business

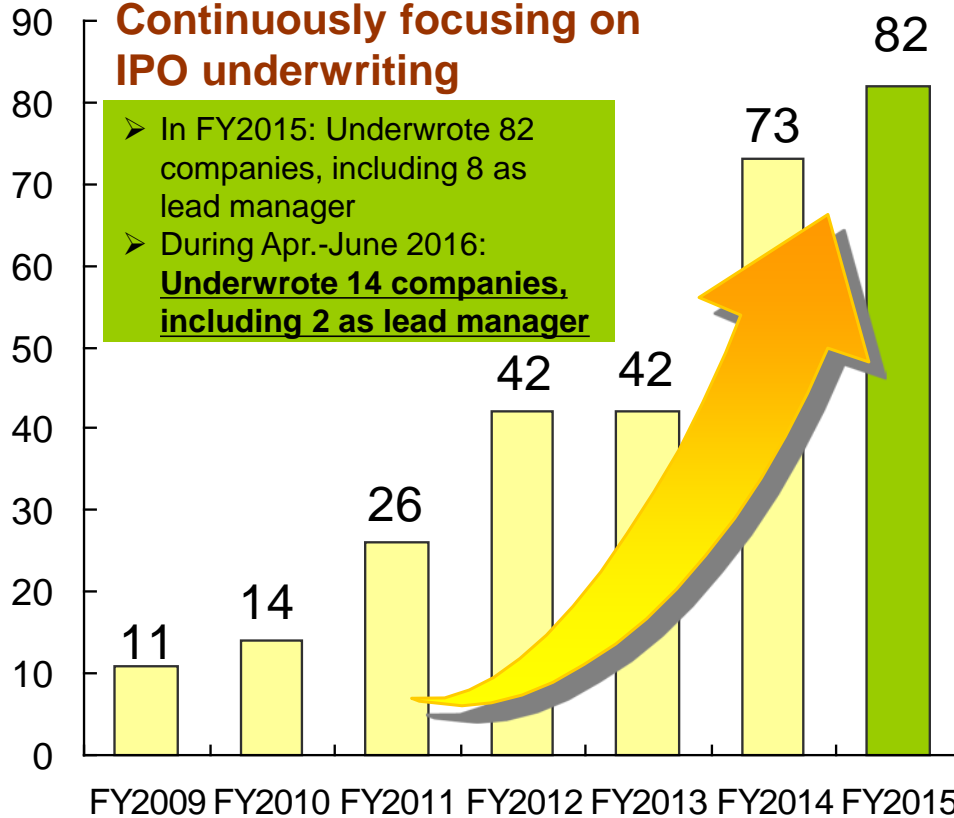
-Expanding the IPO and PO underwriting businesses-

(No. of companies)

Number of IPOs Underwritten by SBI SECURITIES

Continuously focusing on IPO underwriting

- In FY2015: Underwrote 82 companies, including 8 as lead manager
- During Apr.-June 2016: Underwrote 14 companies, including 2 as lead manager



IPO Underwriting Ranking (Apr. 2015-Mar. 2016)

94 companies were listed during the period

Company name	No. of cases	Underwriting share (%)
SBI	82	87.2
Nikko	70	74.5
Mizuho	68	72.3
Monex	49	52.1
Nomura	46	48.9
Daiwa	45	47.9
Ace	43	45.7

* 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.

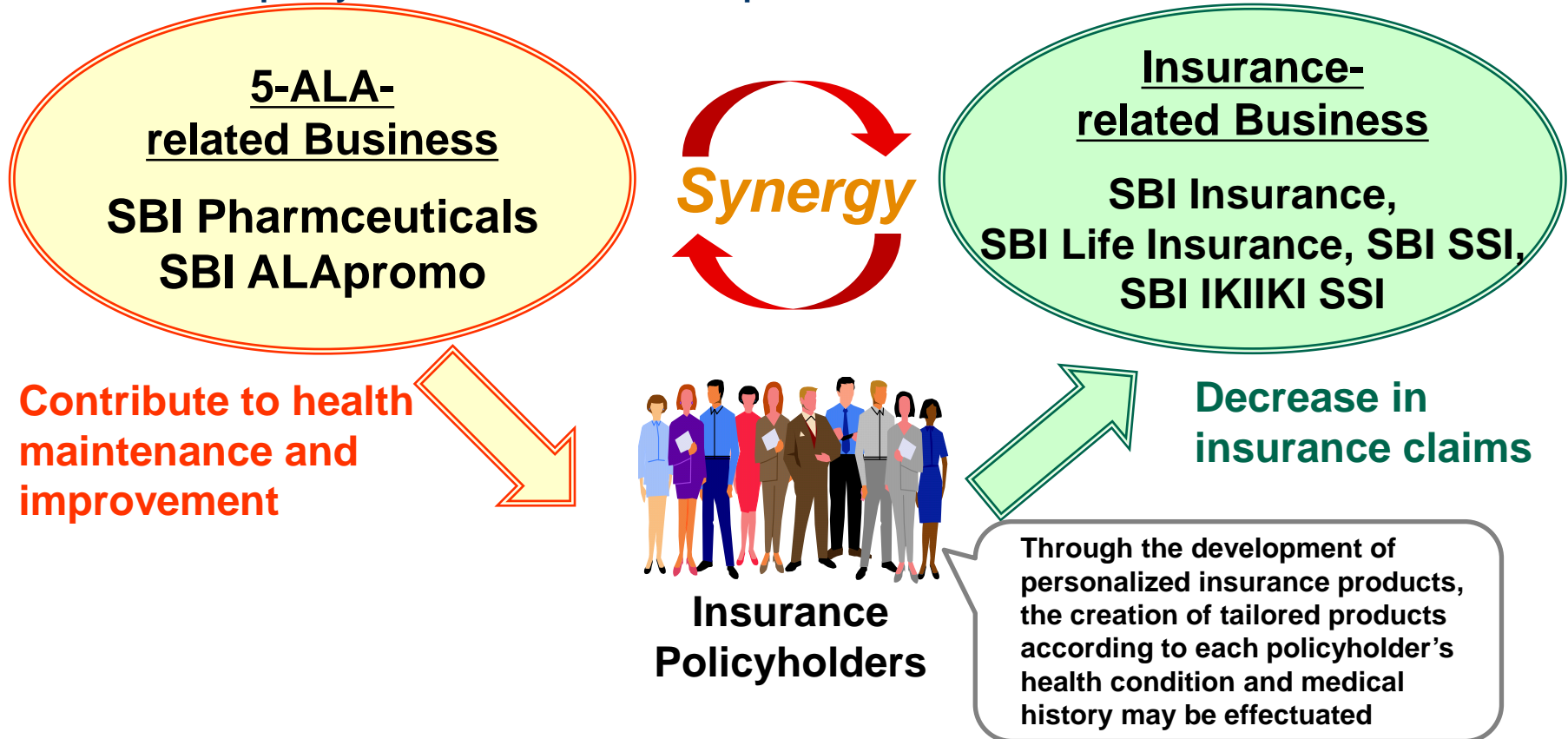
* The above IPOs represent issues underwritten in Japan only and do not include additional secondary offerings or overseas issues.

* 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.

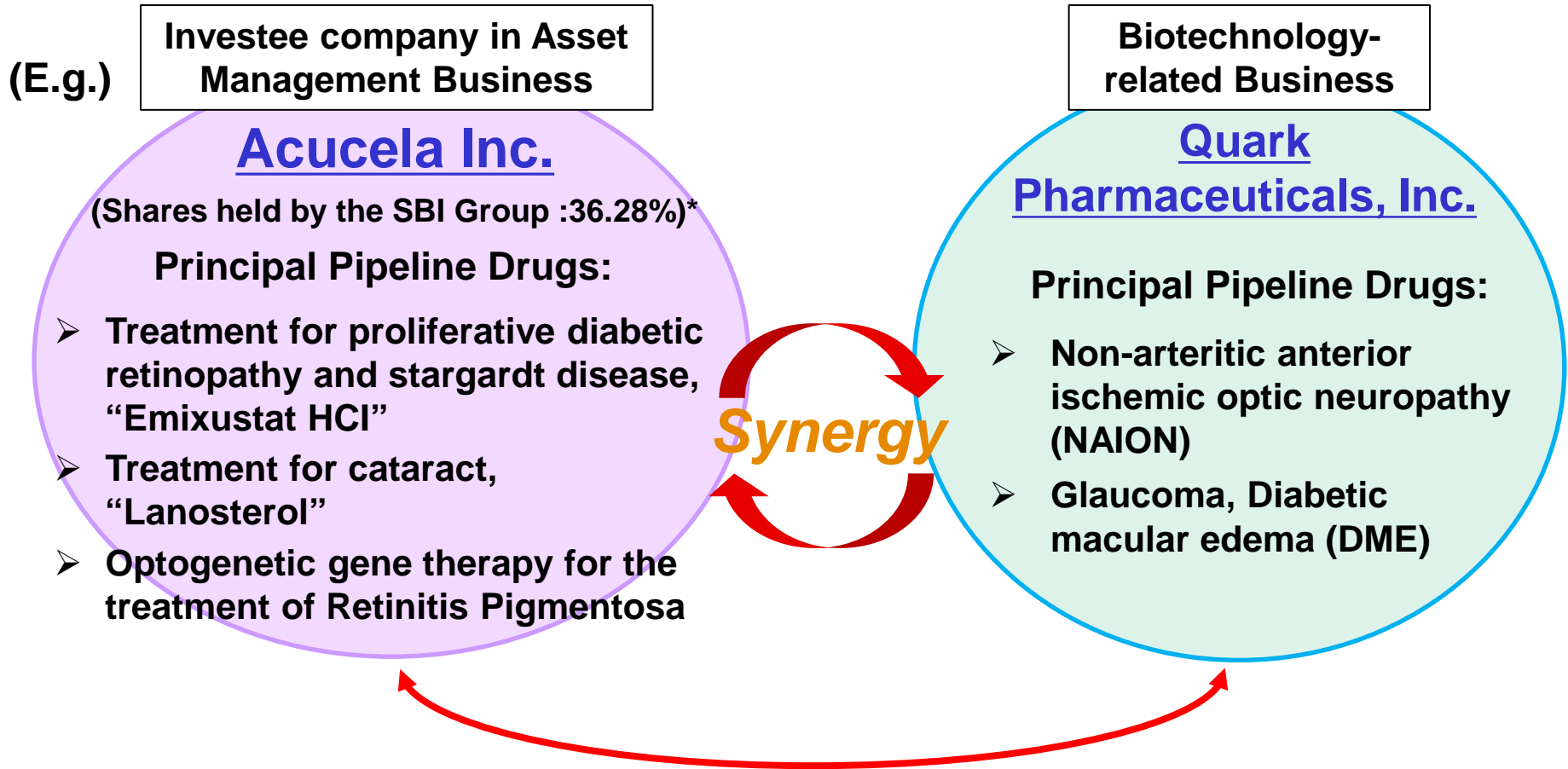
Thorough Pursuit of Synergy between Financial Services Business and 5-ALA-related Business (Biotechnology-related Business)

As the 5-ALA-related business contributes to the health of the insurance policyholders, the insurance companies may reduce insurance payouts. Additionally, SBI will be able to create a possible win-win situation for both policyholders and the SBI Group



At SBI Holdings and Morningstar Japan, health foods containing 5-ALA is presented as shareholder benefits

Expected Synergy between Investee Companies of the SBI Group and the Biotechnology-related Business



Accelerating the progress in pipeline drugs through the realization of R&D synergies

Fundamental Concept 3.

Further enhancement of the completed business ecosystem centering on financial services



Corporate strategy:

Establishment of “New FinTech Ecosystem”

Business strategy example:

- (i) Introduce FinTech technologies within the SBI Group**
- (ii) “New FinTech Ecosystem” expansion measures**

Corporate strategy:

Establishment of “New FinTech Ecosystem”

Business strategy example (i):

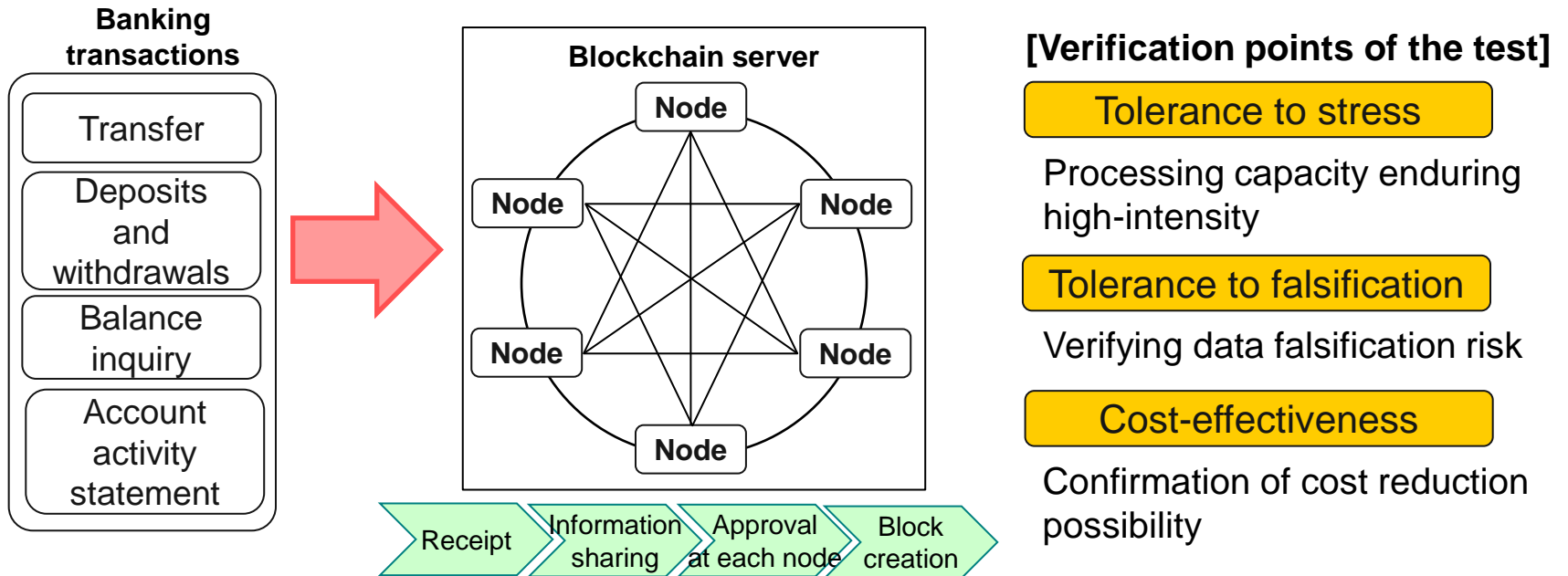
Introduce FinTech technologies within the SBI Group

In SBI Sumishin Net Bank, Promoting Efforts to Enhance Operational Efficiency by Utilizing Blockchain Technology (1)

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

住信SBIネット銀行 SBI Sumishin Net Bank

Through an alliance with NRI, initiated demonstration tests to examine the possibility of applying blockchain technology to in-house systems, such as bank accounts transactions, bank wire and balance inquires



SBI Sumishin Net Bank's Efforts to Promote the Enhancement of Operational Efficiency through the Utilization of Blockchain Technology(2)

□ Effectiveness confirmed through demonstration tests

Tolerance to stress

Without servers going down, responded to an assumed mass transaction amount from 2.5 million accounts

Tolerance to falsification

High tolerance to data falsification

Cost-effectiveness

Potential of cost reduction in the areas of procuring infrastructure equipment, establishing middleware and maintenance



Estimated cost reduction effect: 9~15%

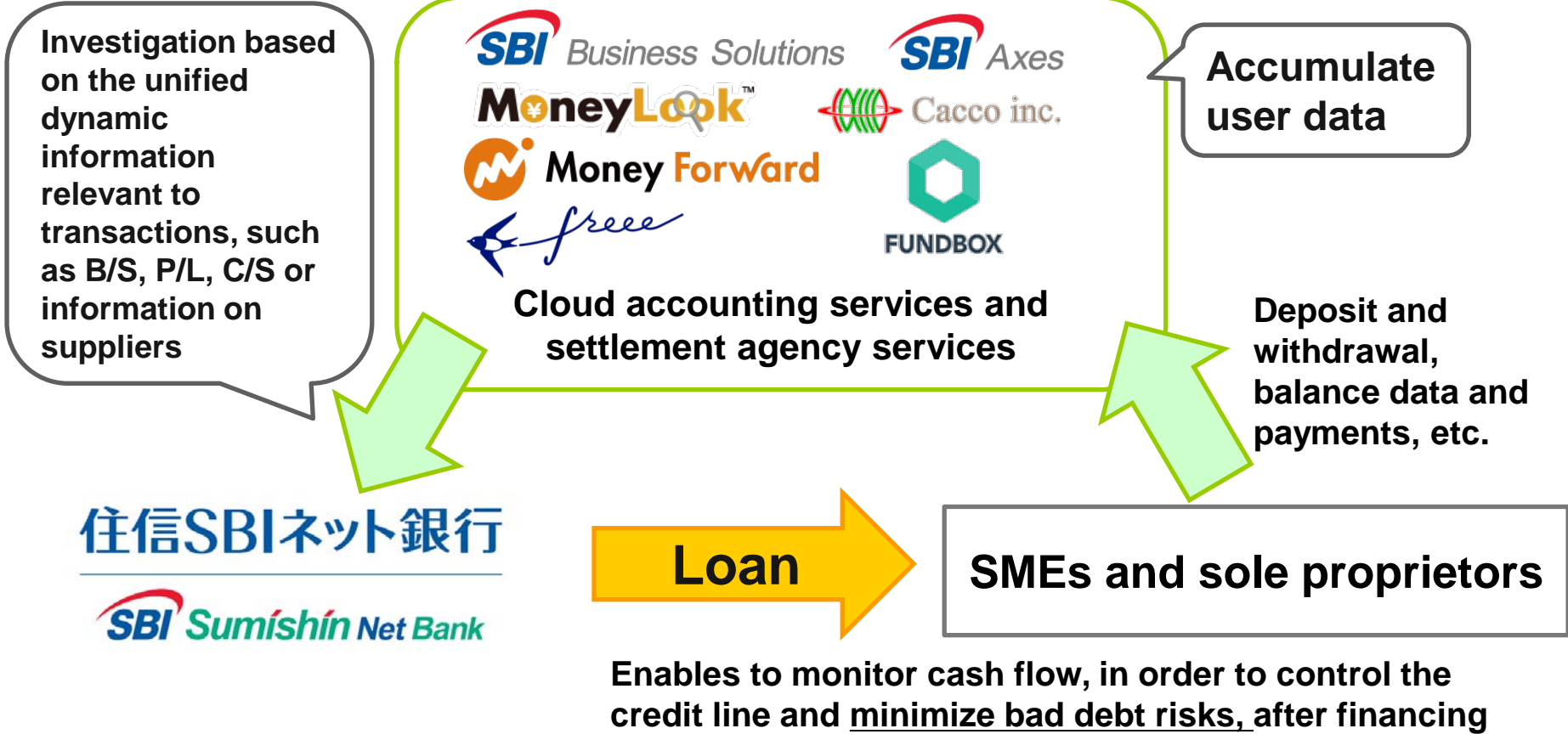
[Task]

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

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



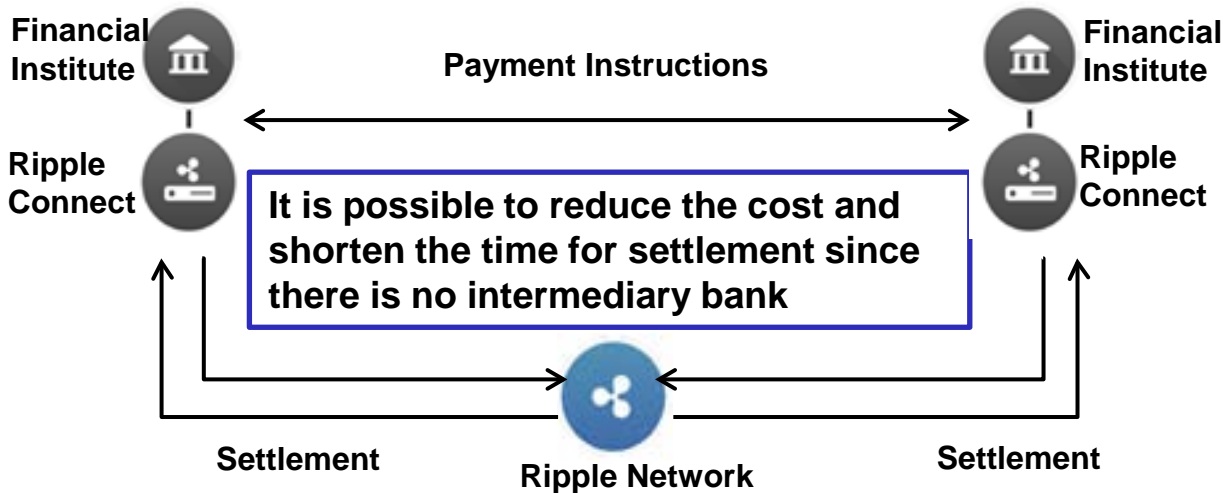
By advancing the established scheme through the addition of alliance partners, expanding the business as a new earnings source

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)



Announcement by Ripple:

- Ripple received New York's first BitLicense, a license to engage in virtual currency activity (June 2016)
- Seven new financial institutions are now participating in the global settlement network. 12 of the top 50 global banks have begun commercial use, and over 30 banks have completed the demonstration tests (June 2016)

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



- 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”



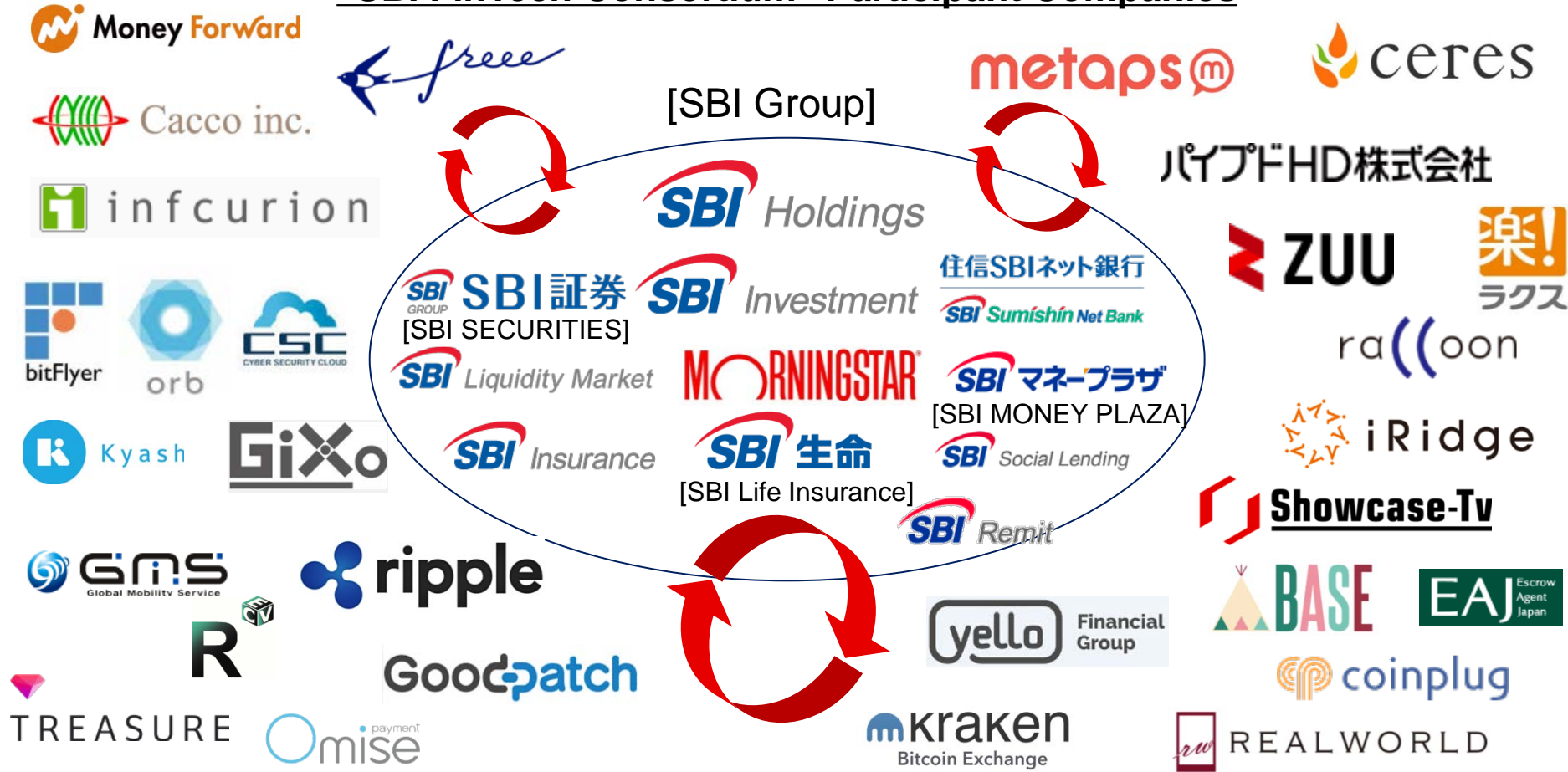
- Progressing in the possible development of a product utilizing blockchain technology, toward a possible launch in FY2016



- 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

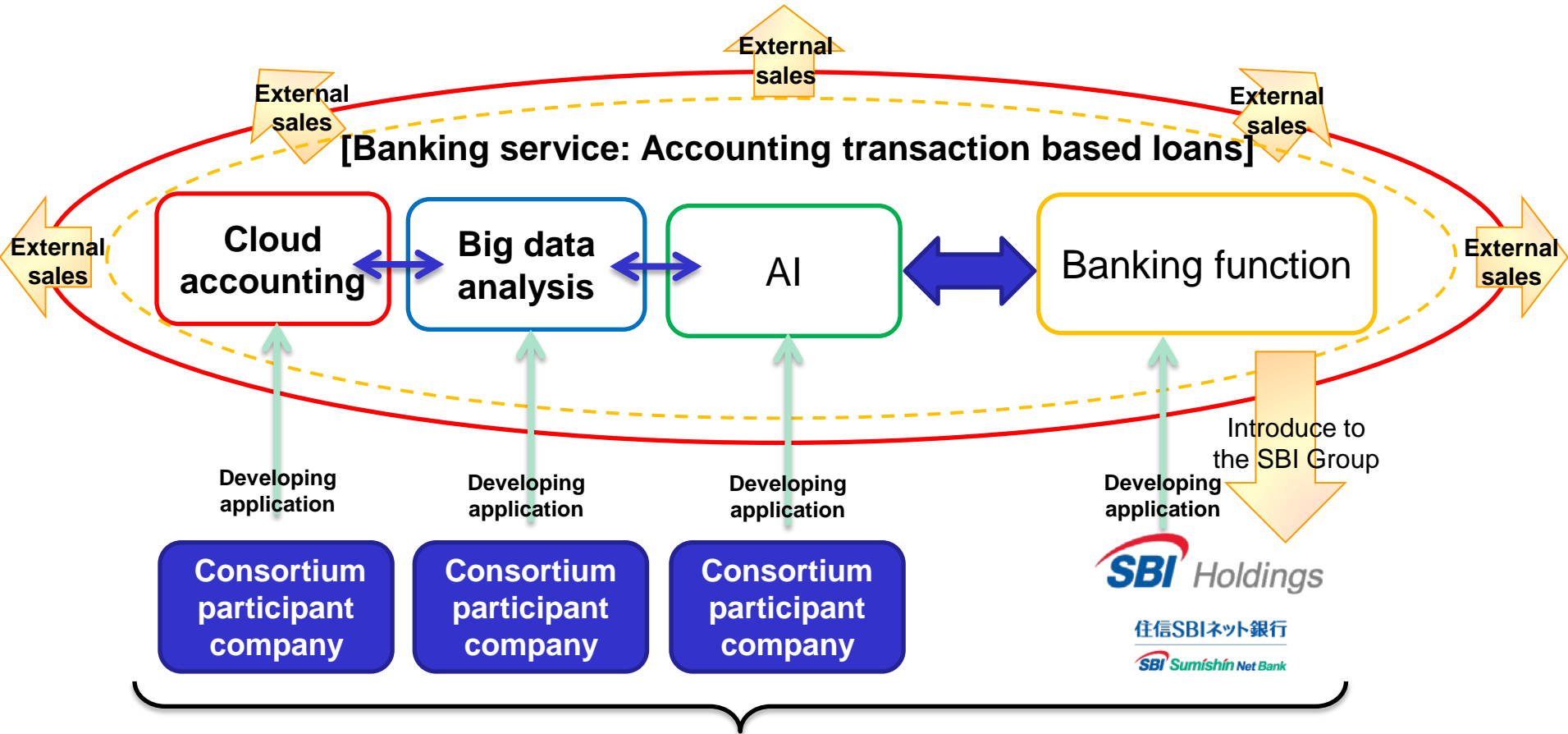
Launch of SBI FinTech Consortium, which Endeavors to Establish Globally Accepted FinTech-related Services Developed in Japan

“SBI FinTech Consortium” Participant Companies



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

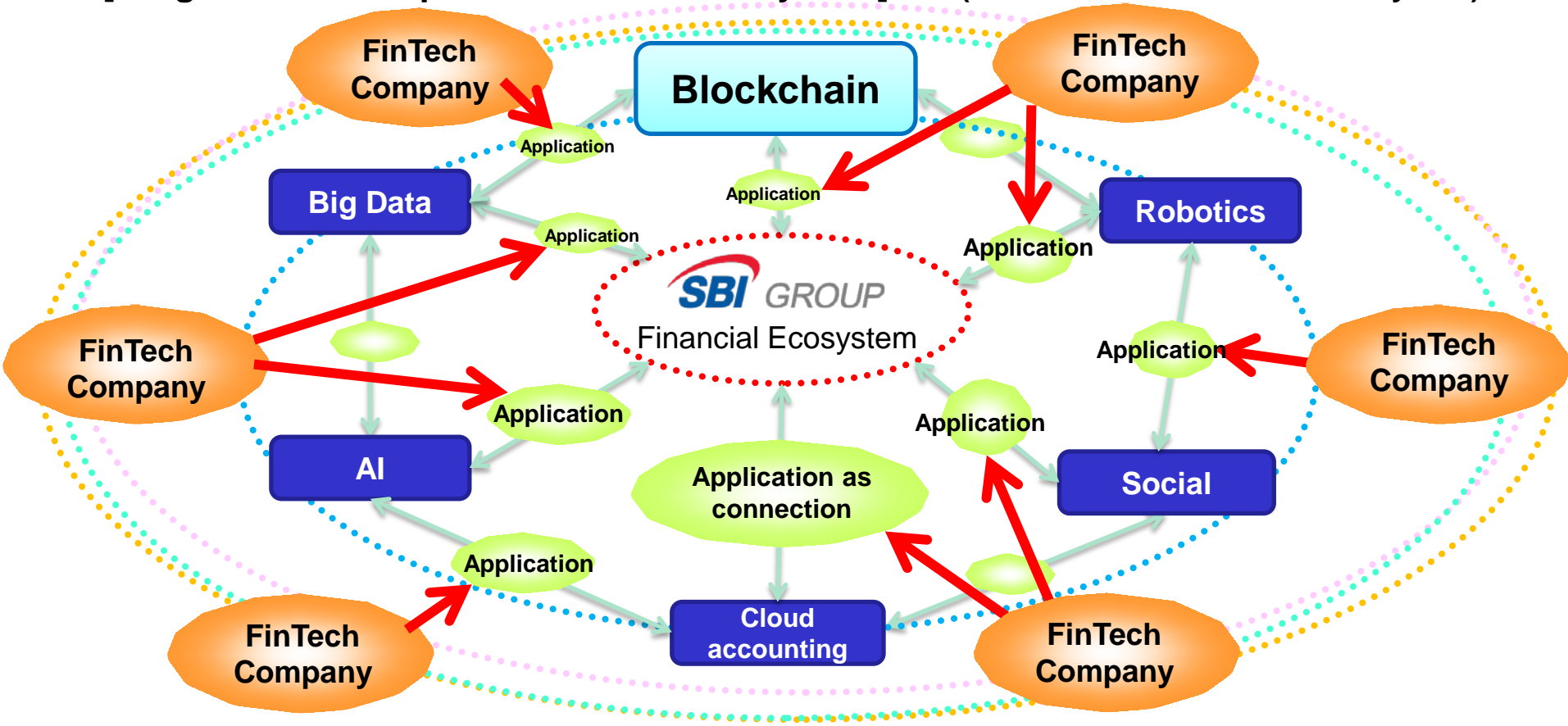
Jointly developing application software for new connections between FinTech technologies and the financial ecosystem, and promoting the sales of those achievements to the SBI Group and external financial institutions



Minimizing introductory costs through joint development

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

Corporate strategy:

Establishment of “New FinTech Ecosystem”

Business strategy example (ii):

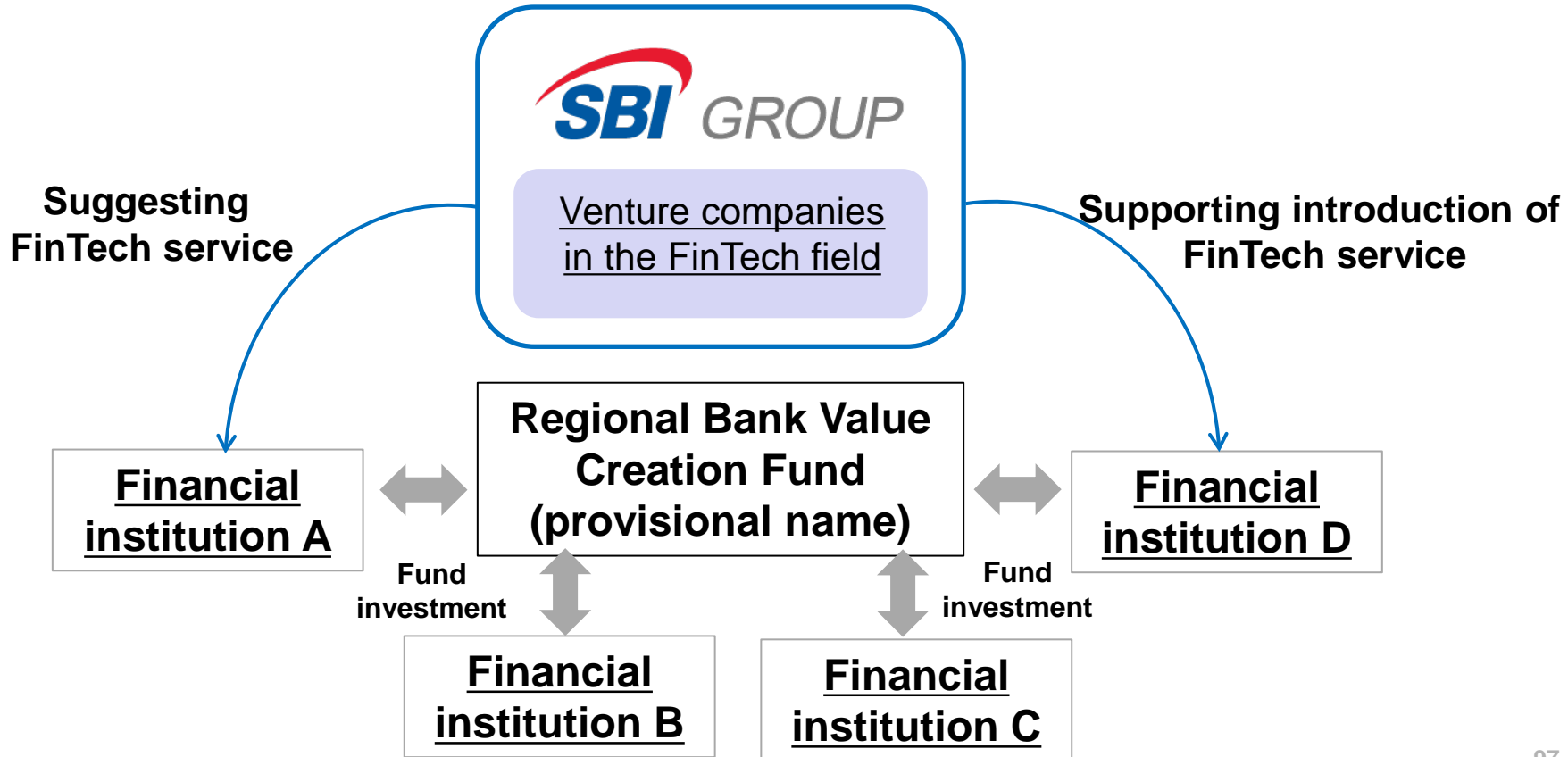
“New FinTech Ecosystem” expansion measures

- ① Promoting introduction of Fintech technologies which the SBI Group develops to regional financial institutions by utilizing investment funds**
- ② Supporting introduction of FinTech technologies developed in Japan within the SBI Group’s overseas financial ecosystem**

① Promoting introduction of Fintech technologies which the SBI Group develops to regional financial institutions by utilizing investment funds:

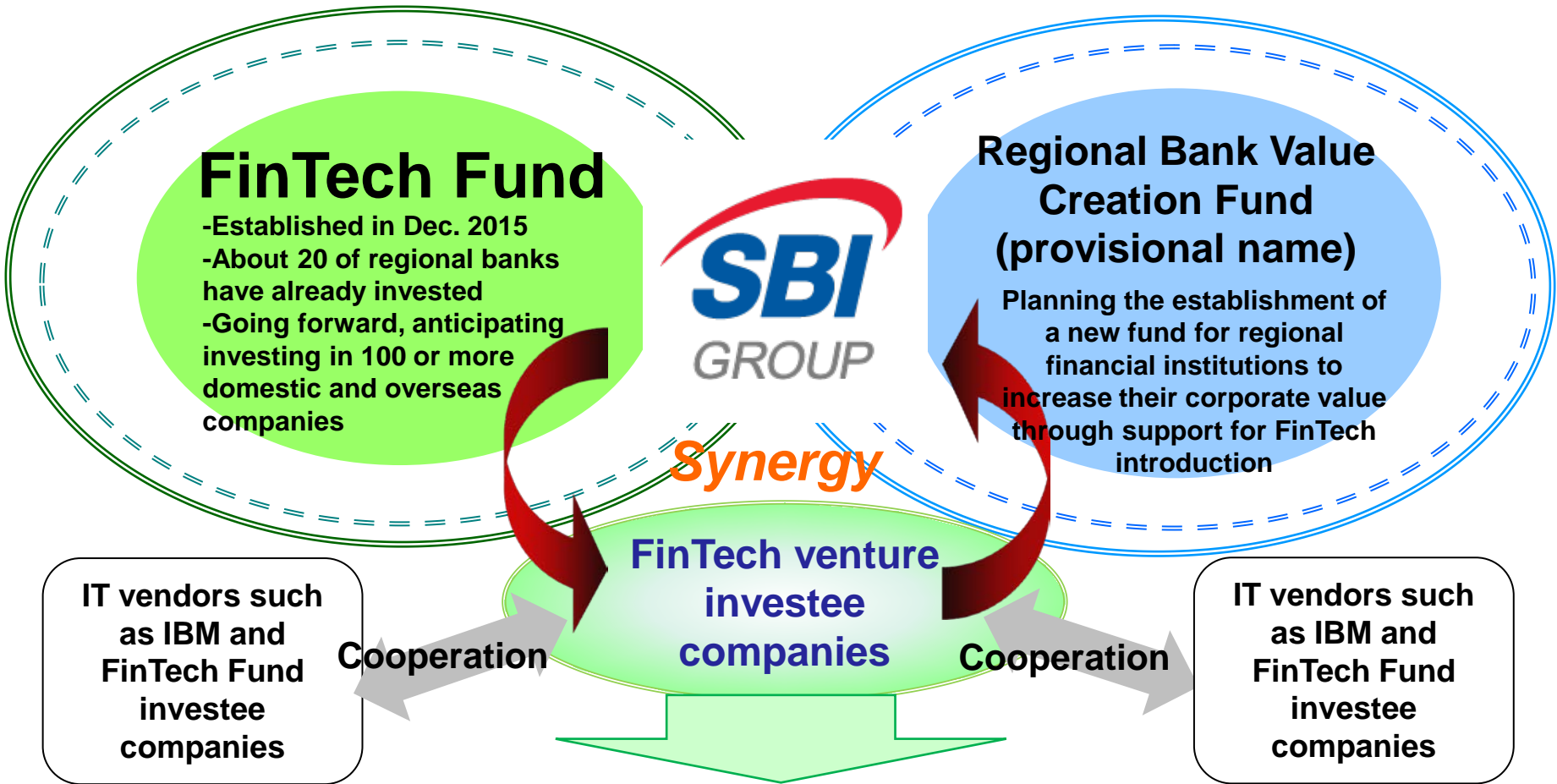
Planning the Establishment of a New Fund for Regional Financial Institutions to Increase their Corporate Value through Support for FinTech Introduction ~Commitment amount is expected to be at least JPY 50bn~

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



① Promoting introduction of Fintech technologies which the SBI Group develops to regional financial institutions by utilizing investment funds:

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

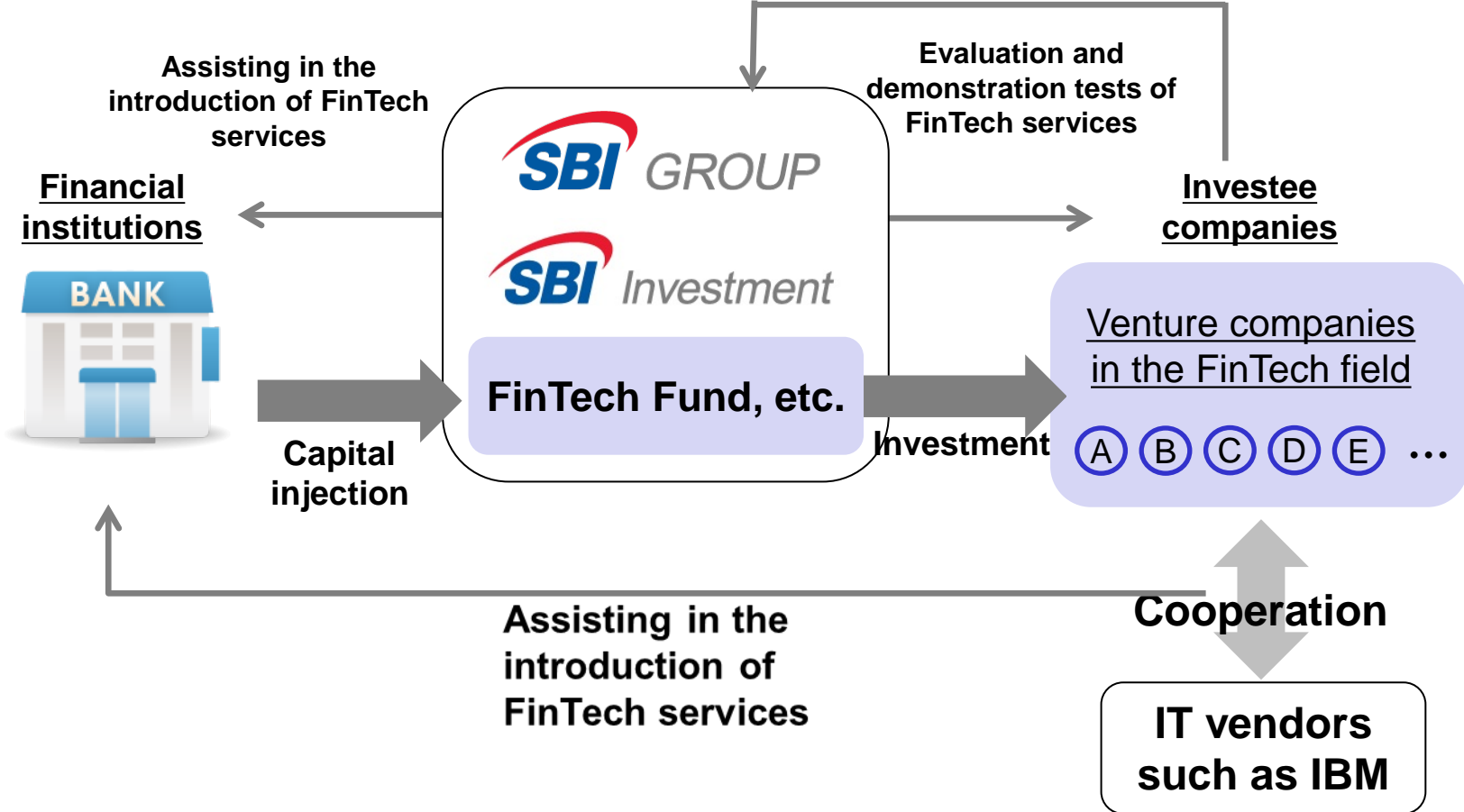


Propose an introduction to regional financial institutions of packaged software, which the SBI Group and FinTech companies jointly develop in cooperation with IT vendors, such as IBM

① Promoting introduction of Fintech technologies which the SBI Group develops to regional financial institutions by utilizing investment funds:

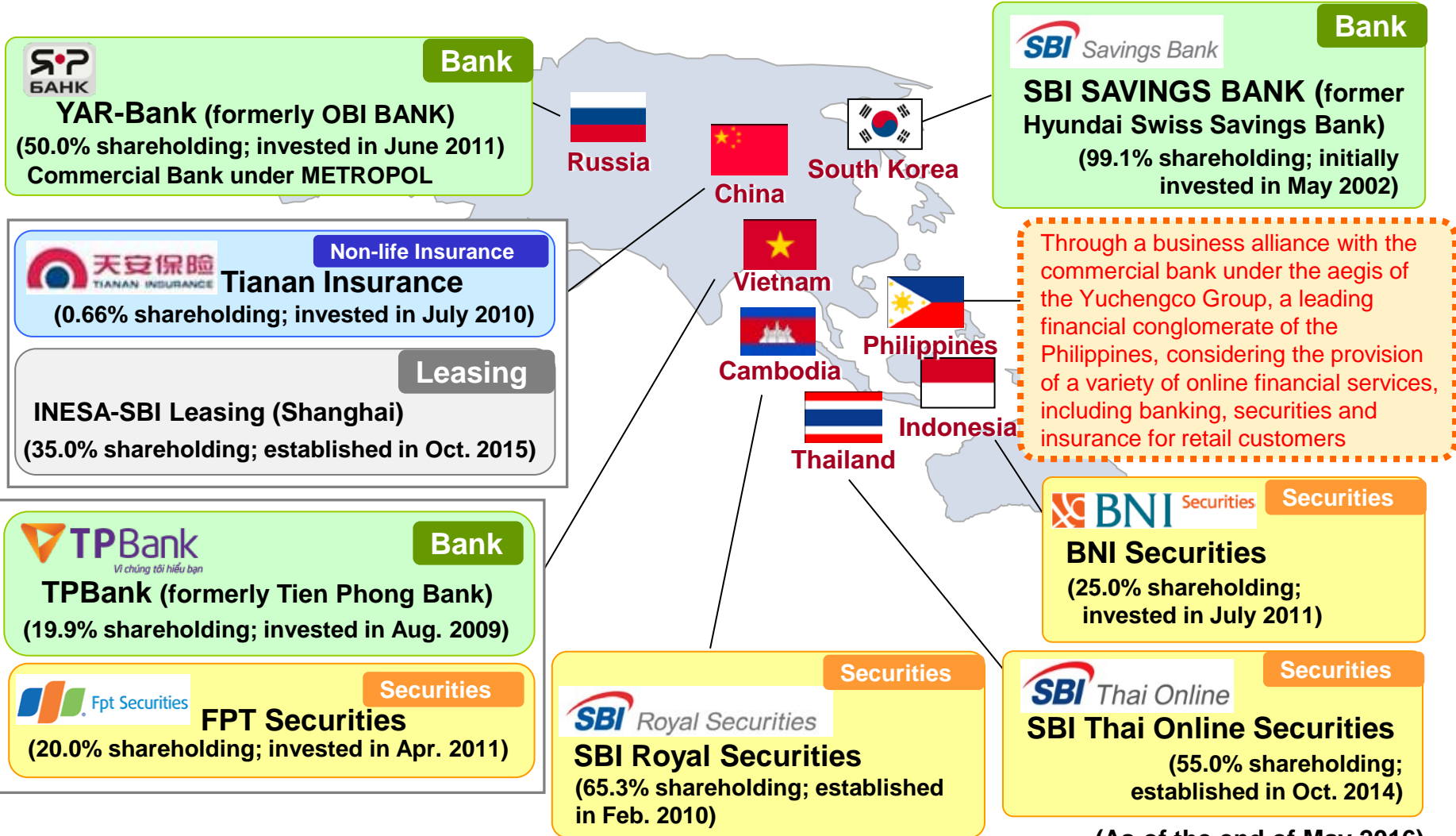
Promoting Introduction of FinTech Services to Regional Financial Institutions Utilizing Major IT Vendors such as IBM

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 Supporting introduction of FinTech technologies developed in Japan within the SBI Group's overseas financial ecosystem:

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 May 2016)

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

Fundamental Concept 4.

Restructuring the business portfolio to achieve sustainable business growth, and IPO/M&A strategies



Corporate strategy:

Actualizing intrinsic corporate value

Business strategy example:

- (i) Promoting the listing of subsidiary companies**
~Listing performance of the subsidiary companies since the establishment of the SBI Group and public offering strategy~
- (ii) Considering the listing of an insurance business holding company to preserve managerial freedom under the Japanese legal system**
- (iii) For further actualization of SBI Holding's intrinsic corporate value, preparing the listing of 2 intermediate holding companies (SBI Capital Management and SBI ALA Hong Kong)**

Corporate strategy:

Actualizing intrinsic corporate value

Business strategy example:

(i) Promoting the listing of subsidiary companies

~Listing performance of the subsidiary companies since the establishment of the SBI Group and public offering strategy~

Listing Performance of the Subsidiary Companies since the SBI Group's Establishment

~11 companies listed~

- June 2000 Morningstar Japan K.K. listed on NASDAQ Japan
- Sept. E*TRADE Japan K.K. (currently SBI Holdings) listed on NASDAQ Japan
⇒Merged with SOFTBANK INVESTMENT in June 2003
- Dec. SOFTBANK INVESTMENT (currently SBI Holdings) listed on NASDAQ Japan
- Feb. 2002 SOFTBANK INVESTMENT (currently SBI Holdings) listed on First Section of Tokyo Stock Exchange
- Sept. 2003 Finance ALL listed on Hercules market of the Osaka Securities Exchange
⇒Merged with SBI Holdings in Dec. 2005
- Oct. 2004 VeriTrans listed on Hercules market of the Osaka Securities Exchange
⇒Sold in Mar. 2012
- Nov. E*TRADE SECURITIES(formerly SBI SECURITIES) listed on NASDAQ Japan
⇒SBI Holdings made SBI SECURITIES a wholly-owned subsidiary in Aug. 2008
- May 2006 SBI Futures listed on Hercules market of the Osaka Securities Exchange
⇒Merged with SBI SECURITEIS in Apr. 2010
- Aug. Gomez Consulting listed on Hercules market of the Osaka Securities Exchange
⇒Morningstar Japan K.K. made Gomez Consulting a wholly-owned subsidiary in Apr. 2011
- Feb. 2007 E TRADE · KOREA listed on the KOSDAQ market in South Korea
⇒Sold in Apr. 2008
- Apr. 2011 SBI Holdings listed on the Main Board of the Hong Kong Stock Exchange
⇒Delisted in June 2014
- Apr. 2012 SBI Mortgage listed on the KOSPI market in South Korea
⇒Sold in Aug. 2014
- Dec. SBI AXES listed on the KOSDAQ market in South Korea

Basic Policy on IPO Strategies of Subsidiary Companies ①

1999~2007

Policy: Promoting listing of subsidiary companies to ensure growth funds

Develop Group subsidiaries into companies capable of launching IPOs as soon as possible. As autonomous, independent companies, subsidiaries that complete IPOs fully utilize their own financing capabilities to undertake self-propagation without placing financial demands on the parent company.

2007~2015

Securities exchanges signal a suppressive stance toward parent-subsubsidiary listings in “TSE stance on the listing of companies that have parent companies,” announced by the Tokyo Stock Exchange in June 2007, and “Securities exchanges’ stance related to the listing of core subsidiaries,” announced jointly by stock exchanges in Oct. 2007.

Changed the policy and decided basically not to list subsidiary companies conducting core businesses, in order to promote financial conglomerate management

Wholly acquisition of SBI SECURITIES, which is the largest “cash cow” of the Financial Services Business (Aug. 2008)

2015~

Parent-child listing of Japan Post Group (Nov. 2015)

Considering IPO of subsidiary companies



Basic Policy on IPO Strategies of Subsidiary Companies ②

The criteria that companies seeking to become public must satisfy

- If it is necessary for the company to improve its IT infrastructure and other large-scale capital investments on an ongoing basis, or to increase its capital due to a business that requires a large amount of working capital
- If the company is required to maintain a neutral position in the business that it conducts (e.g. Morningstar Japan)
- When the company creates little synergies between itself and other Group companies, and from the perspective of the Group's overall business portfolio, if it would be beneficial for the company to publicly offer its shares so that its shareholder value could be actualized, or if the company's significance in the overall Group strategy has deteriorated



Source: Excerpt from “The SBI Group Vision and Strategy” originally published in 2005 by Toyo Keizai Inc.

Thoughts regarding the IPO of subsidiary companies

- ① In the Biotechnology-related Business, now considering the listing of SBI Biotec
- ② Since major systems costs are anticipated at the time of FinTech technology introduction, SBI FinTech Solutions (provisional name), which will aspire to do business from a neutral standpoint, will be listed as an independent company and secure funds to support growth

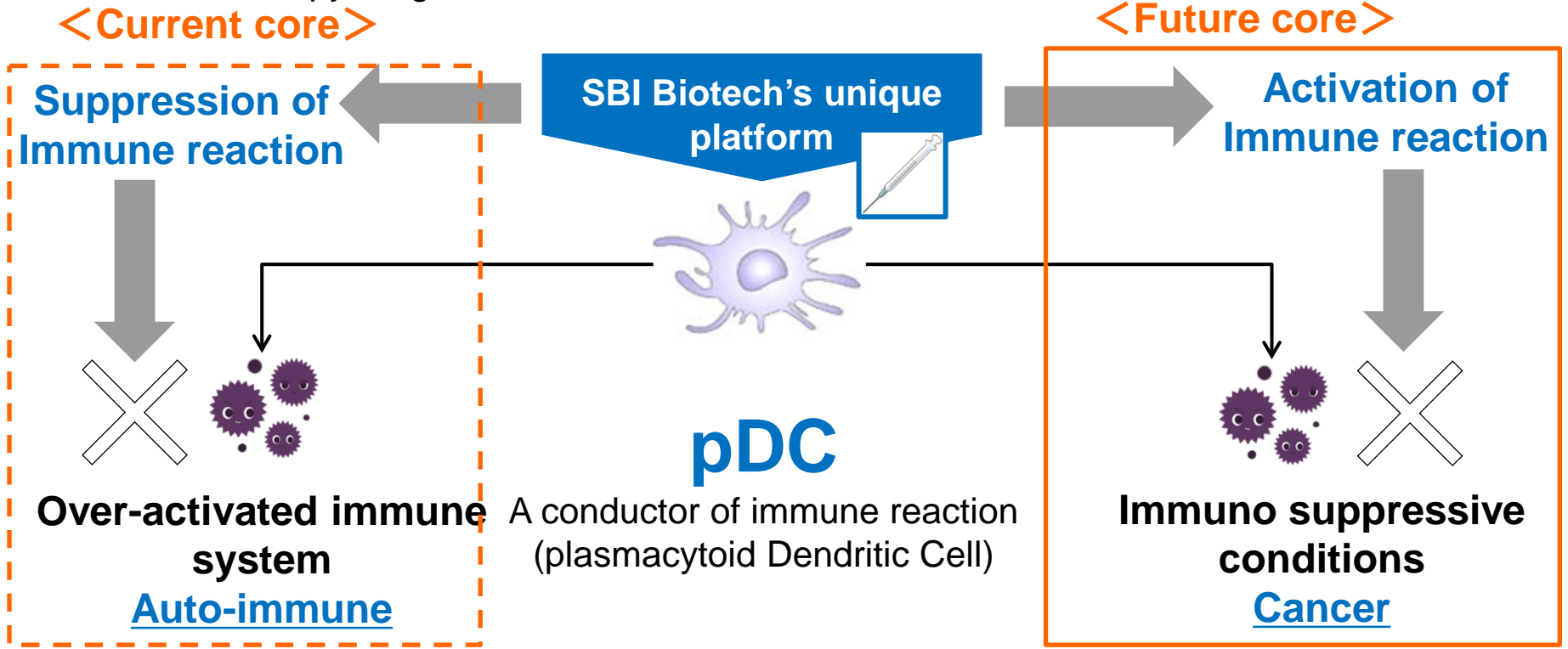
SBI Biotech's Progress of Pipeline Drugs

	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, which entered into an out-licensing agreement with ProNai Theapeutics, as announced on May 27, 2016, and 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

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)

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



Progress in Principal Pipeline Drugs of Quark, a Wholly-owned Subsidiary of SBI Biotech since Dec. 2012

	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. <u>Started first patient dosing in India (Announced on June 23, 2016)</u>
		Acute angle closure glaucoma	Phase II (Completion)	Completion in June 2015 of a small-scale clinical trial (46 patients) conducted in Vietnam and Singapore. <u>Completion of final results report expected around July 2016</u>
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

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

Hair

Brain

Alzheimer's

Glaucoma, NAION, Other indications

Ophthalmology

Hearing

Hearing Loss

COPD, ARDS, Other indications

Respiratory

Cardiovascular

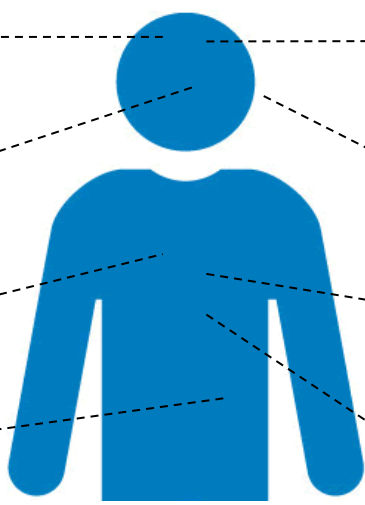
Cardiac hypertrophy, Microvascular disorders, Other indications

Parkinson's, SCAs, Other indications

Neurology

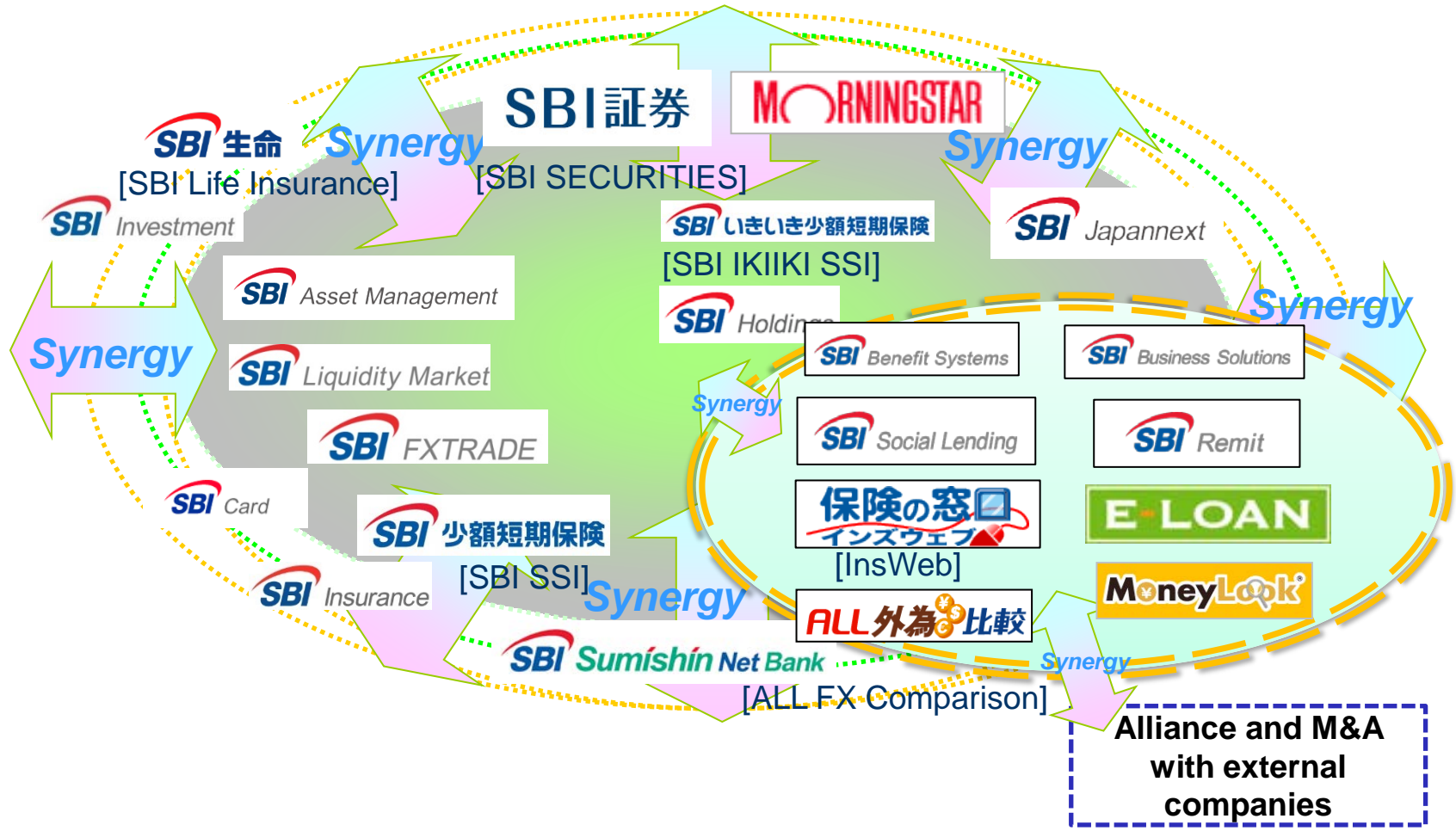
Organ Transplantation

Graft dysfunction, Acute/chronic kidney disease



SBI FinTech Solutions (Tentative name) will Integrate FinTech-related Companies within the SBI Group

Synergies will be pursued between Group companies having high affinity in areas such as “Client attributes,” “Product offerings” and “Providing means,” leading to the creation of a company that will become exchange listed, but may also consider alliances and/or M&A with external companies



Group Companies and Businesses that Compose SBI FinTech Solutions (Tentative Name)

Group companies that can utilize virtual currency and blockchain technology



- Providing international remittance service that can complete remittances in 10 minutes at shortest



- Providing a service that ties borrowers and investors via the Internet



- Providing operation and management service of defined contribution pension plans that uses its own record keeping system developed by SBI Benefit Systems

Group companies providing other FinTech-related service



- Providing cloud service for accounting and settlement of expenses



- Account aggregation software corresponding to over 1,530 financial institutions

SBIH's business division which requires neutrality, and can utilize big data technology



- Providing research, comparison and application services for various loan products, from one of Japan's largest available loan data bases



- One of the largest insurance marketplaces in Japan that provides services such as quotes on multiple automobile insurance policies at once, and requests informational materials from multiple life insurance companies



[ALL FX Comparison]

- Comparison website of FX trading

Corporate strategy:

Actualizing intrinsic corporate value

Business strategy example:

(ii) Considering the listing of an insurance business holding company to preserve managerial freedom under the Japanese legal system

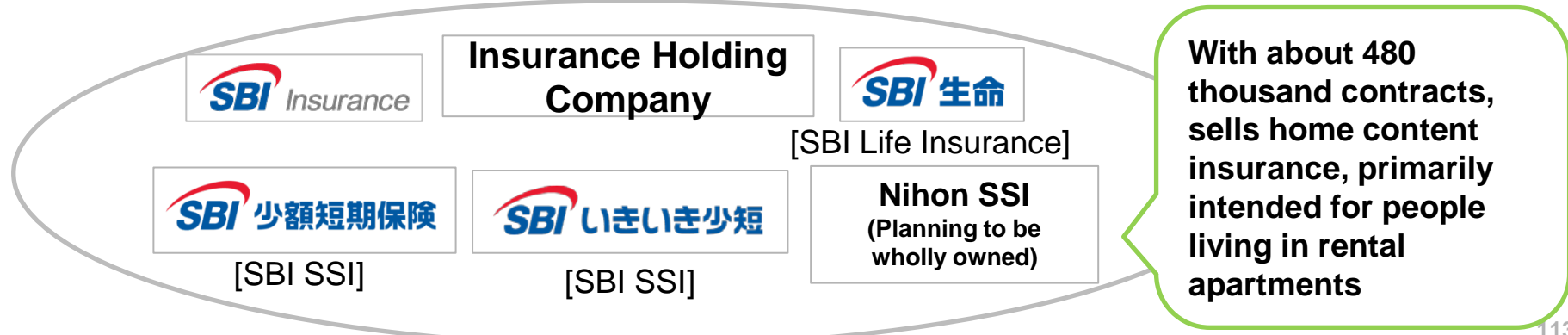
Considering the Listing of an Insurance Holding Company, which Unifies the Group's Insurance Business

If SBI Holdings is applied as an Insurance Holding Company (holding company as defined in the Anti-Monopoly Law), there will be **many limitations on its business imposed by the Insurance Business Law**, which will adversely affect the other businesses of the Group

- An insurance holding company cannot engage in businesses other than management of subsidiaries and incidental businesses.
- Approval of the prime minister is required to consolidate subsidiary companies other than banks, specialized funds transfer companies, and specialized securities companies.
- Approval of the prime minister is required before mergers, demergers, or business transfers pertaining to insurance holding companies to come into force.

etc.

Through an insurance holding company listing that unifies the Group's insurance business, or the listing of SBI Small Short Term Insurance Holdings, SBI can operate flexibly, since the Group's shareholding ratio will become less than 50%



With about 480 thousand contracts, sells home content insurance, primarily intended for people living in rental apartments

Corporate strategy:

Actualizing intrinsic corporate value

Business strategy example:

(iii) For further actualization of SBI Holding's intrinsic corporate value, preparing the listing of 2 intermediate holding companies (SBI Capital Management and SBI ALA Hong Kong)

Consideration of the Company's Corporate Value

Why does SBIH's current market capitalization not seem to fully reflect its potential corporate value?

[Voice of some institutional investors]

- ◆ **Since the Company is engaged in a wide range of businesses, including the financial services business, the venture capital business and the biotechnology-related business, it is difficult to understand the Company**
- ◆ **Owing to the Company's wide range of businesses, it cannot be followed by one analyst, but must be followed by multiple analysts, and as such, a final evaluation among multiple analysts is difficult to be agreed upon. Therefore, coverage by sell-side analysts is limited to 2 foreign-affiliated securities companies, Deutsche Securities and Morgan Stanley MUFG Securities**
- ◆ **Since SBI SECURITIES, the largest online securities company, is under the aegis of the Company, Japanese securities companies will not issue reports on the Company**
- ◆ **Although each is an attractive business, perhaps a conglomerate discount* is applied, owing to the wide range of the Company's businesses ...etc.**

* Conglomerate discount : When comparing the entire company's corporate value to the simple sum of the intrinsic value of each business, the problem is that the entire corporate value would be less than the sum of each business value

Decisive Solution for the Actualization of SBIH's Potential Corporate Value

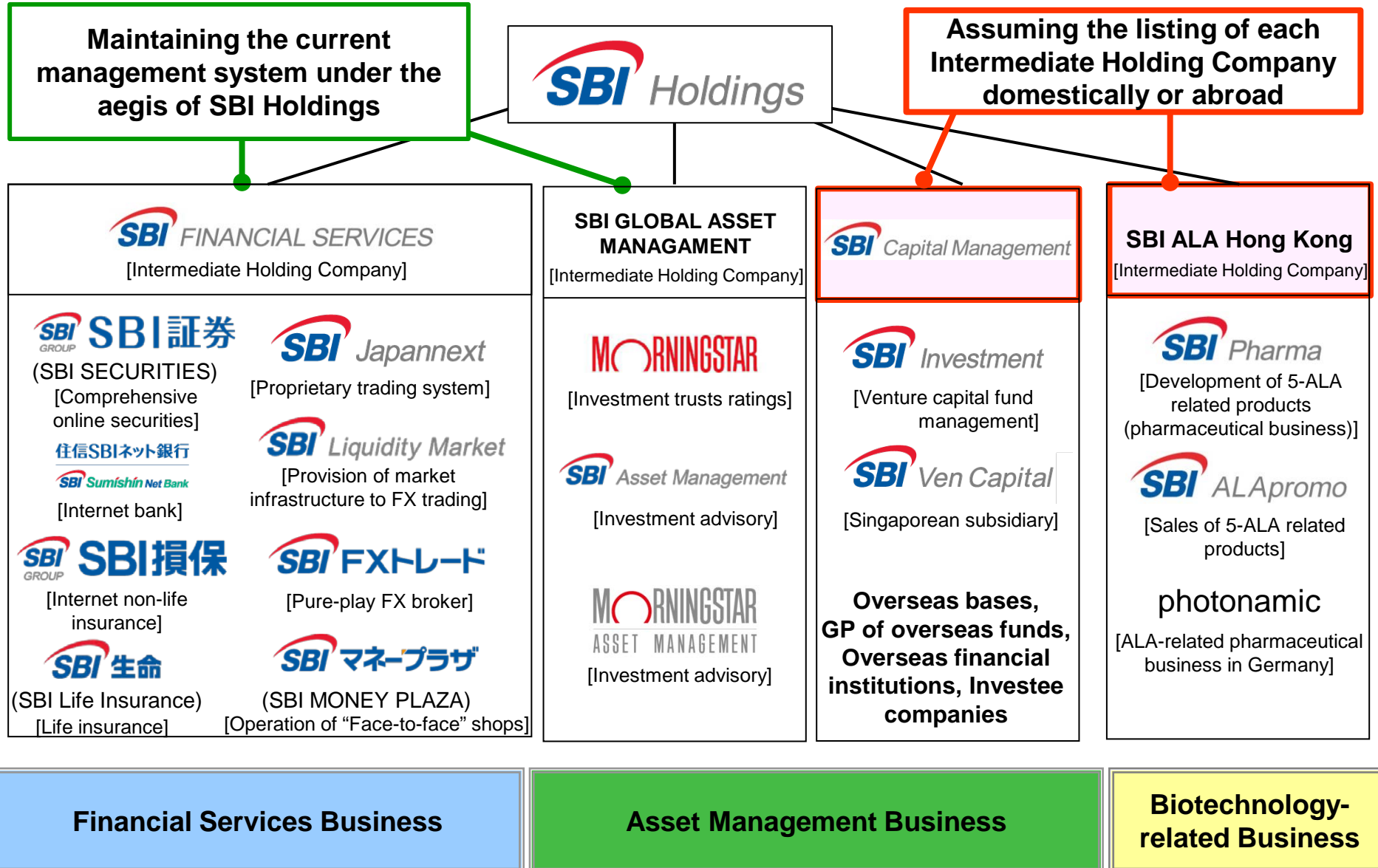
Actualization of SBIH's corporate value through the listing of intermediate holding companies

While maintaining the Tokyo Stock Exchange listing for SBI Holdings, the intermediate holding companies (SBI Capital Management and SBI ALA Hong Kong) will be listed on the domestic or overseas stock markets, in order to actualize SBI Holdings' corporate value



Upon clearing a number of issues, including tax issues, expect realization within three years

Current Business Structure of the SBI Group



Corporate Value Visualization Initiatives to Date

Nov. 2010

- Determined a policy to establish an intermediate holding company in each business segment, and visualize SBIH's corporate value through the listing of those entities

Apr. 14, 2011

- The first Japanese company to be listed on the Hong Kong Stock Exchange
This listing made it possible for other Japanese companies to overcome the technical difficulties involved in listing on the Hong Kong Stock Exchange
(Followed by the listing of Group companies and other on various Asian exchanges (main board of the Hong Kong Stock Exchange, KOSPI of Korea and TPEX of Taiwan), as the first Japanese company to be listed on those exchanges, thereby allowing the exploration of candidate markets)

Since Mar. 2012

- Toward the enhancement of the earnings capacity and the implementation of the structure noted above, aggressively promoted the business "Selection and Concentration"

Since FY2012

- The first Japanese financial firm, and the sixth listed company in Japan to apply IFRS (beginning with the first quarter results announcement)
This brings a marked improvement of transparency regarding the Group's results and expands a margin for choice of listing on overseas markets
- Establishment of intermediate holding companies for the three major businesses
 - SBI FINANCIAL SERVICES (Financial Services Business)
 - SBI Capital Management (Asset Management Business)
 - SBI ALA Hong Kong (Biotechnology-related Business)

FY2015

- In addition to the three intermediate holding companies, SBI GLOBAL ASSET MANAGEMENT was newly established in the Asset Management Business as an intermediate holding company

With Regards to the Selection of a Listing Market, with an Emphasis on High Corporate Value, will Consider Both the Domestic and Overseas Markets

The SBI Group's Listings on Overseas Exchanges

Hong Kong	Main board First Japanese company listed	SBI Holdings	In Apr. 2011, became the first Japanese company to be listed on the main board of the Hong Kong Stock Exchange (Delisted in June 2014)
	Main board	VeriTrans (formerly SBI VeriTrans)	Preparations for listing were being made before the sale to Digital Garage, and intermediate holding company, econext Asia, was listed in Dec. 2013 after the sale. (Delisted in June 2015)
Korea	KOSPI First Japanese company listed	ARUHI (formerly SBI Mortgage)	In Apr. 2012, became the first Japan-based company to be listed on the KOSPI (Delisted in Jan. 2015)
	KOSDAQ	SBI AXES	Listed in Dec. 2012
Taiwan	TPEX (former GTSM) First Japanese company listed	Auto Server	Listed in Jan. 2014 as the first primary listing on the former GTSM by a Japanese company

Overview of SBI Capital Management, an Intermediate Holding Company of the Asset Management Business



SBI Capital Management

Representative Director and President: Katsuya Kawashima

(Representative Director, Senior Executive Vice President & Co-COO of SBI Holdings)

Business overview: Specializing in the Group’s asset management business, with an efficient and central management of funds and foreign exchange for the said business

Primary subsidiary companies (plan):



Operate and manage venture capital funds

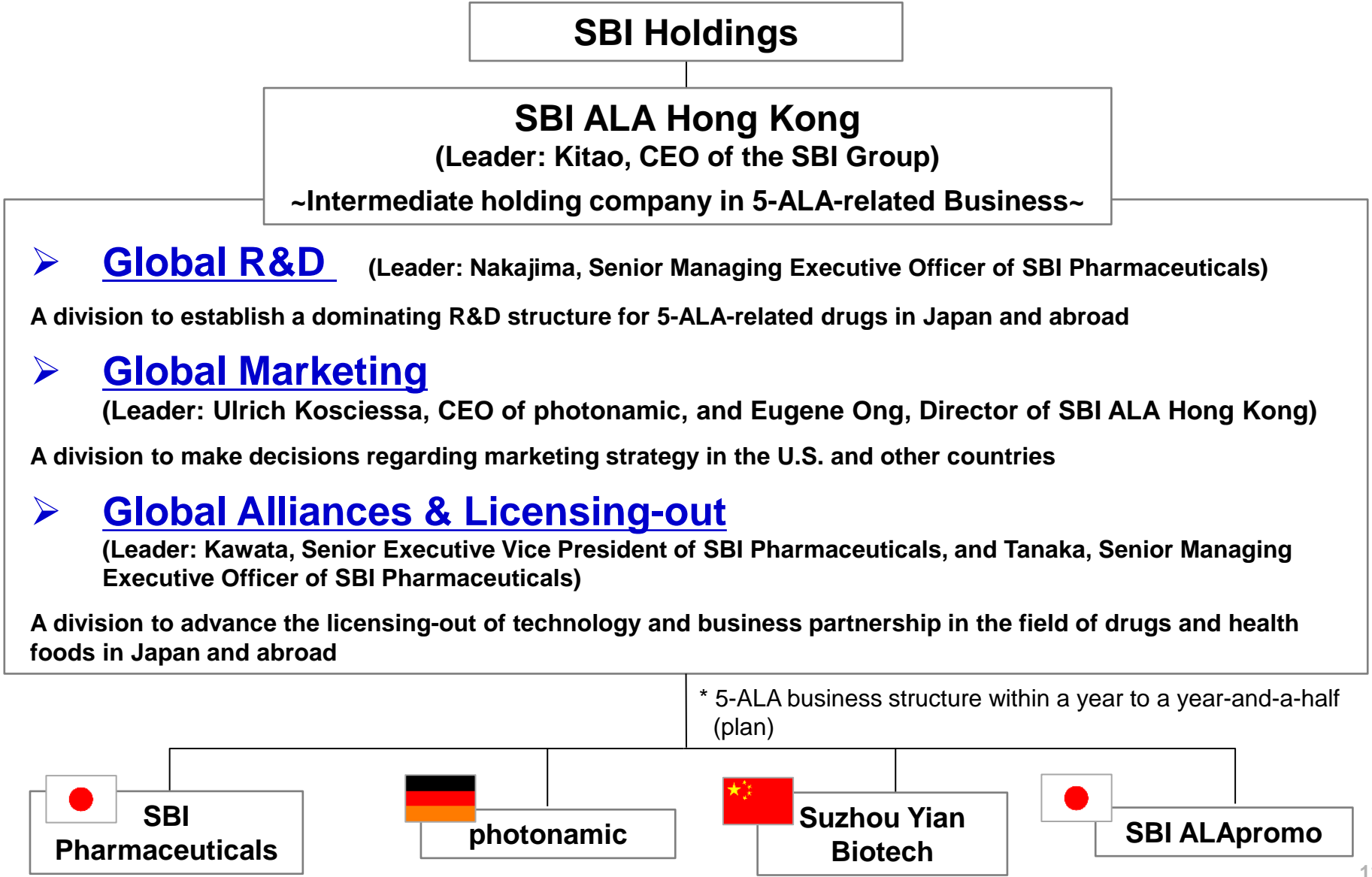
GP of overseas funds

Operate and manage overseas venture capital funds

Overseas financial institutions

SBI Savings Bank etc

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



Pipeline Drugs Under SBI ALA Hong Kong

Launched: Diagnostic Agent for Cancer Treatment (Brain tumor) “ALAGLIO” (by SBI Pharmaceuticals) and “Gliolan” (by photonamic), and drug for treating actinic keratosis “Alacare” (by photonamic)

Pipeline drugs	Progress
Diagnostic Agent for Cancer Treatment (Carcinoma vesicae)	Completion of an SBI corporate trial (Phase II) and <u>planning to submit for approval</u> in FY2016
Diagnostic Agent for Cancer Treatment (peritoneal dissemination of gastric cancer)	<u>An investigator-led trial (Phase II)</u> led by Osaka Univ. <u>is underway</u>
A Drug to Treat Cancer Chemotherapy-induced Anemia	<u>An investigator-led trial (Phase II a)</u> by Saitama Medical Univ., <u>completed</u> . Scheduled to conduct corporate trial (Phase II b)
A Drug to Treat Mitochondrial Diseases	<u>An investigator-led trial (Phase II)</u> based on a Phase II and III trial plan <u>is underway</u> 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
Preventing Cardiac Ischemia-reperfusion Injury	<u>An investigator-led trial (Phase II)</u> will be <u>jointly implemented</u> in University of Oxford and Birmingham university hospital in the U.K.
Photodynamic therapy (PDT) for brain tumors	<u>Planning clinical trials</u> at LMU Munich and University of Muenster in Germany. SBI pharmaceuticals and photonamic are cooperating in the development of this new technology

Management Policies Toward the Realization of an Early Profitability

- **In light of factors such as medical needs and progress in R&D, rigorously divide projects in the development pipeline into “must have” and “nice to have” items and undertake rigorous cost reduction**
- **Progressing the out-licensing of technology in the fields of the pharmaceutical and food**
- **Expanding the product range offering of foods with function claims in the food fields**

A large, solid orange arrow pointing downwards, centered on the page, indicating a flow or result from the policies above.

Realizing an early profitability for an IPO

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

SBI ALA promo is preparing for the development of new foods with function claims, following “ALA Plus Tou (Sugar) Down” for the domestic market

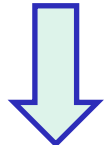
Development plan:

Helping relieve hangovers and fatigue (Hiroshima Univ.)

Male menopause and fertility improvement (Juntendo Univ.)

Improvement in the exercise capacity for the elderly (Shinshu Univ. *planned)

Scheduled for application as foods with function claims



FY2016

FY2017

FY2018

Clinical trials expected to start in 2016

Shareholder Return

Basic Shareholder Return Policy

- **Basic policy for dividends is to pay a minimum annual dividend of JPY 10 per share, and endeavor to increase the dividend when it is determined that a further return of profits is possible**
- **Will endeavor to achieve a total shareholder return ratio, which is the portion of the sum of dividend payouts and share repurchase costs to profits attributable to the owners of the Company, of around 40%**

[FY2015]

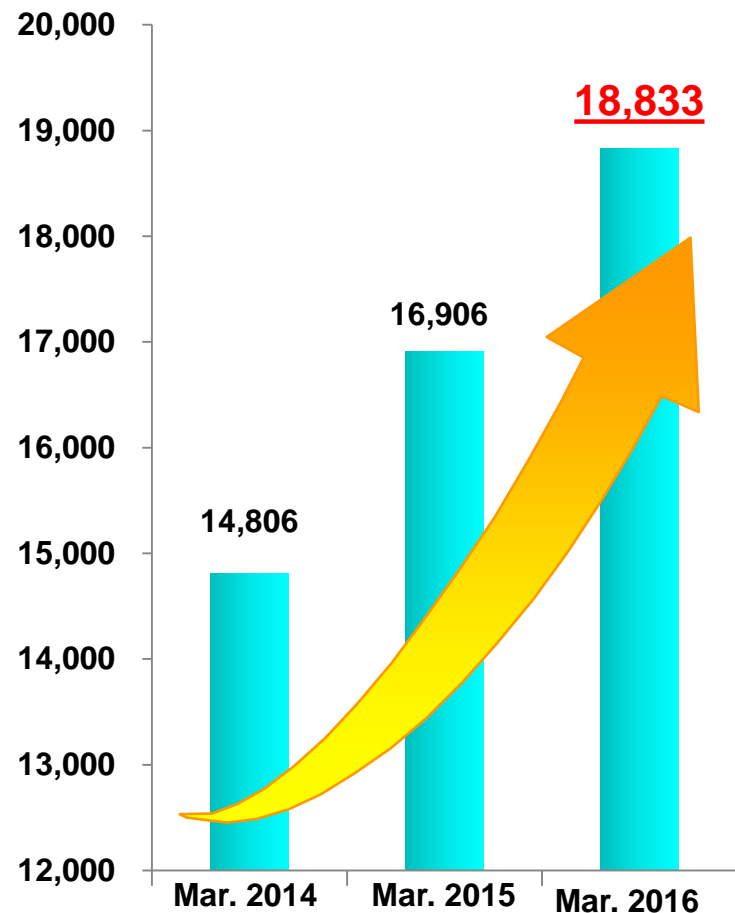
Total shareholder return amount was approx. JPY 14.4bn, for a total shareholder return ratio of 42.2%

[Reference]

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, 2016
Consolidated subsidiaries (companies)	147
Consolidated partnerships (partnerships)	31
Total consolidated subsidiaries (companies)	178
Equity method companies (companies)	33
Total Group companies (companies)	211

Number of consolidated employees

	Mar. 31, 2016
Total employees (persons)	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.

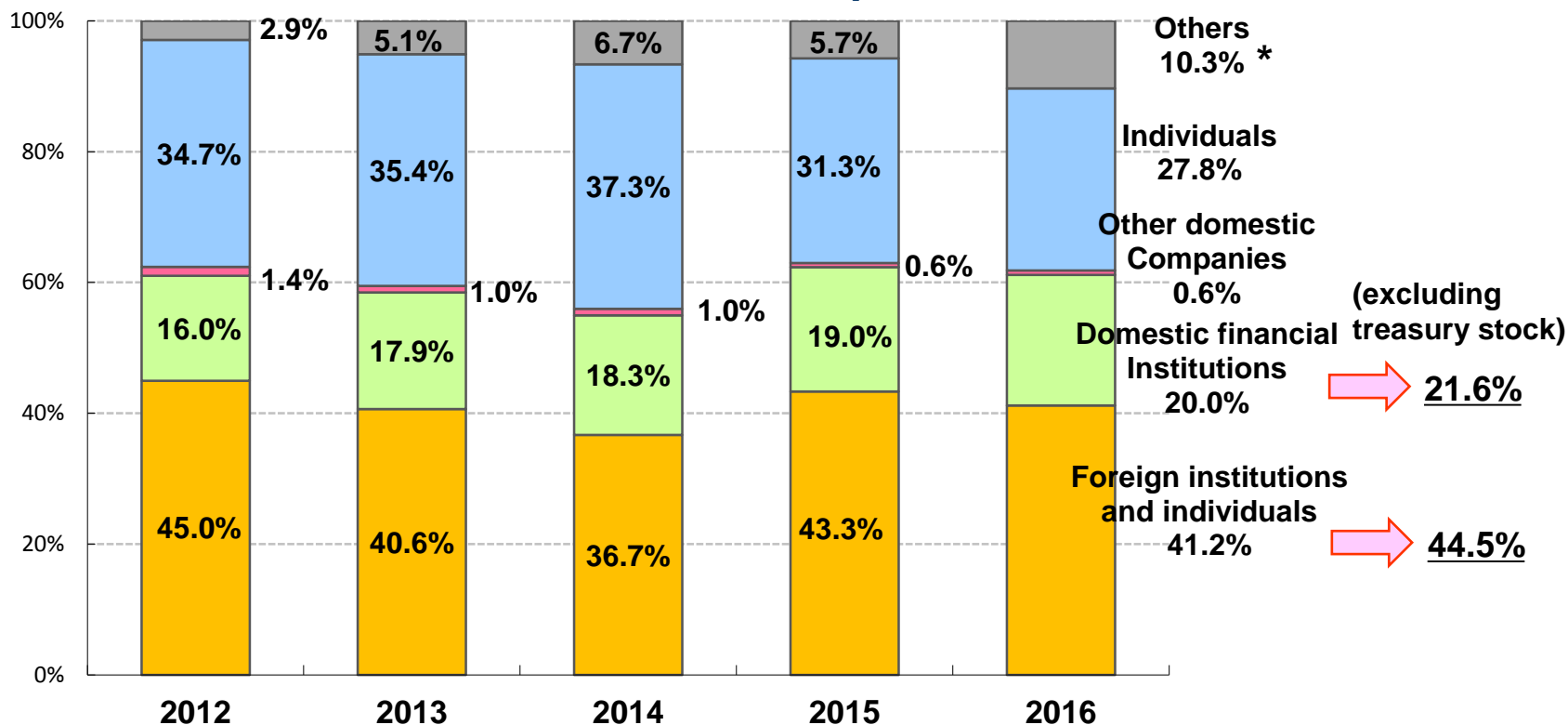
SBI Holdings' Shareholder Composition



(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



* "Others" include treasury stock (7.5%) 130

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

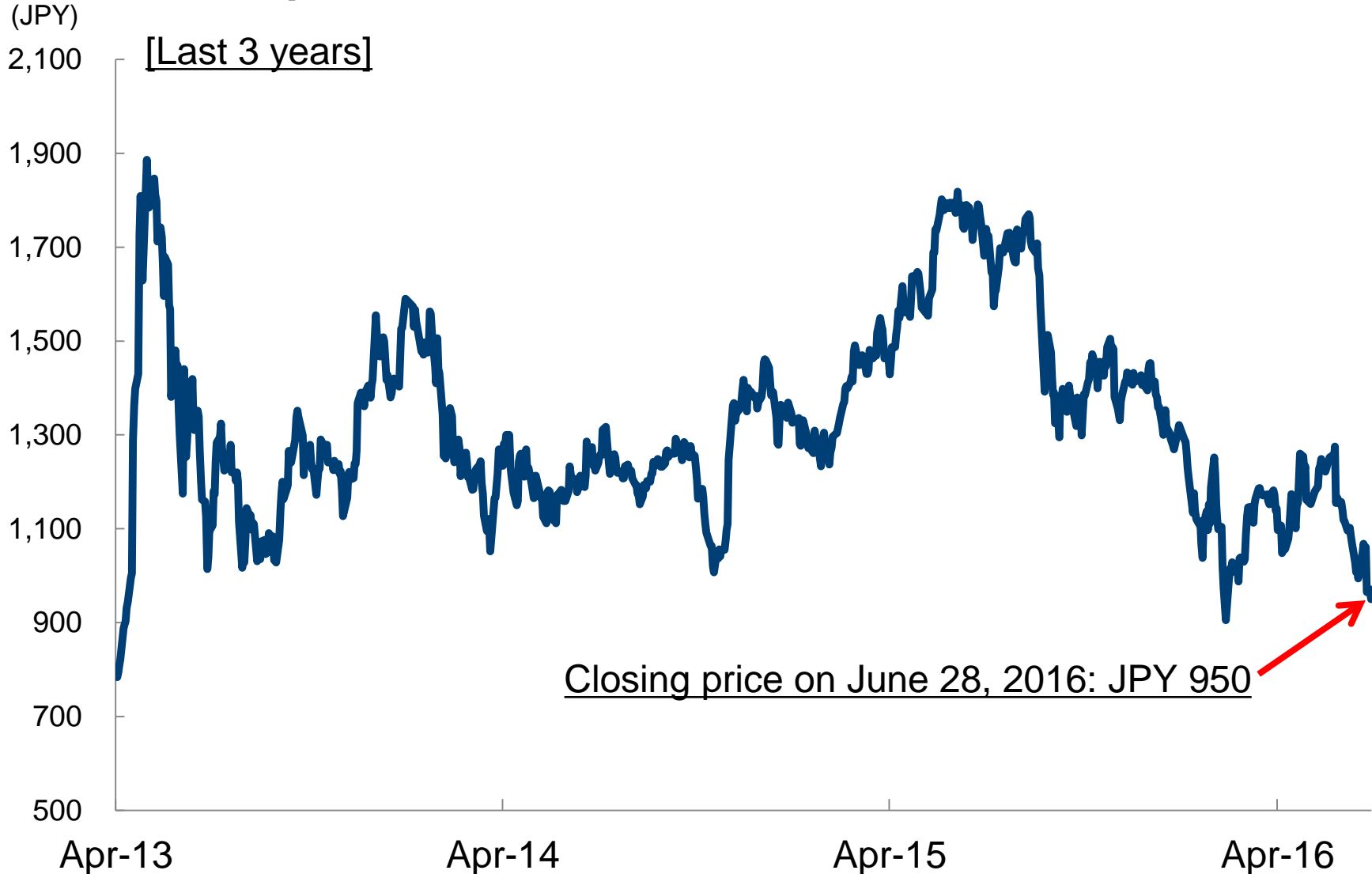
[Top 10 shareholders (institutional investors)]

	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

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

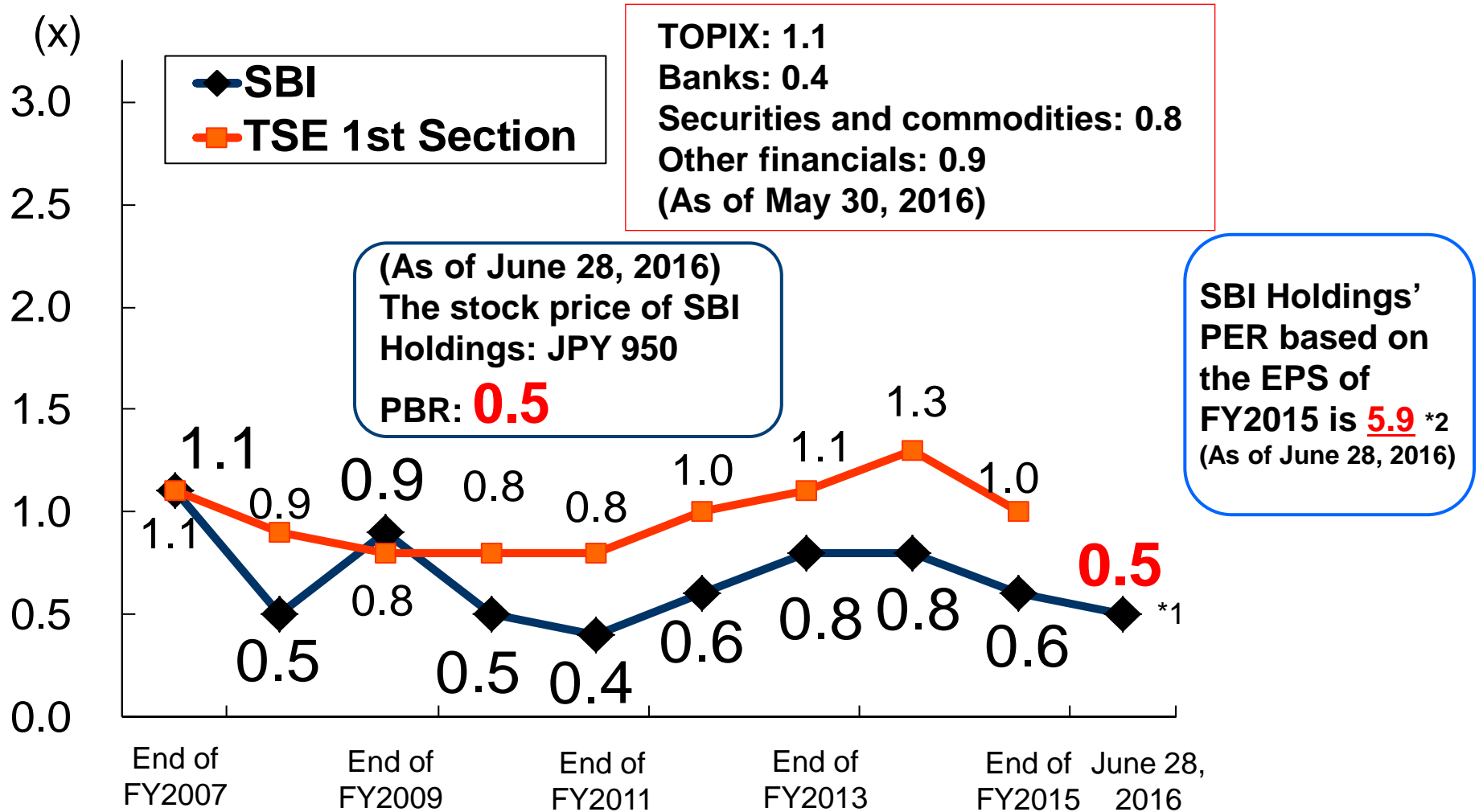
SBI Holding's Recent Stock Price

Market cap (based on the closing price on June 28, 2016): **JPY 213.3bn**



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 June 28, 2016 is calculated based on the BPS of the end of Mar. 2016.

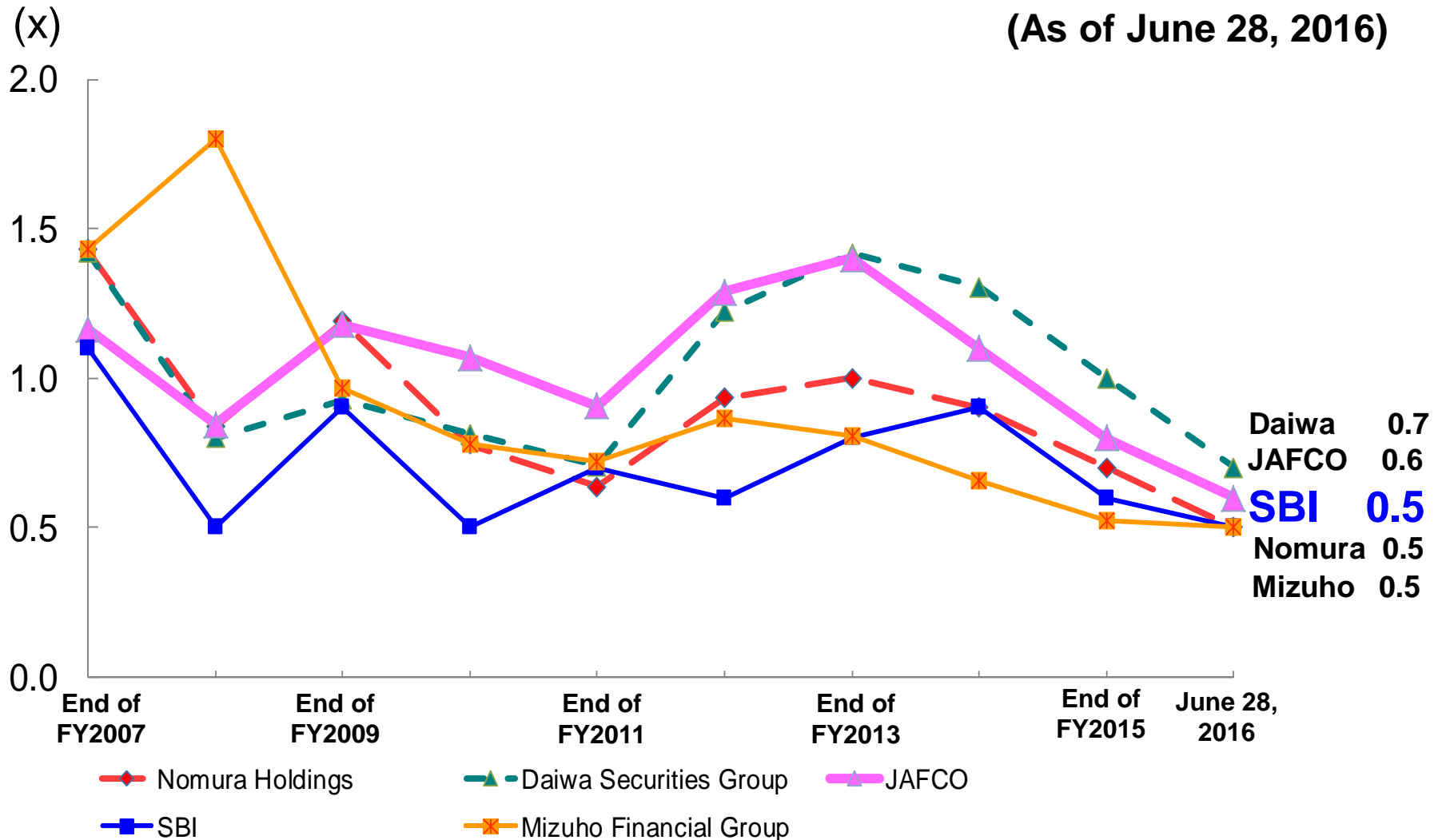
*2 EPS of FY2015 (JPY 160.83) is used to calculate SBI Holdings' PER.

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 June 28, 2016)



*PBR for June 28, 2016 is calculated based on the BPS of the end of Mar. 2016.

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

Source: Bloomberg

Corporate Value by Business Segment Valuation

Each Business Segment Valuation is Conservatively Estimated

■ **Sum of the values by segment** (as of June 28, 2016) (JPY billion)

	Valuation of each segment (theoretical value)
Financial Services	460.4
Asset Management	179.4
Biotechnology-related	79.7
Subtotal	719.4 (+)
External Debt (SBIH's non-consolidated-base borrowing recorded on the consolidated B/S as of Sept. 2015)	-206.3
Sum Total	513.1 (+)*

- Business valuation per share: **JPY 3,204** ←

- Business valuation per share after deduction of external debt: **JPY 2,285** ←

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.

Valuation by Segment Estimated by SBI

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

① SBI SECURITIES

Valuation is conservatively estimated at JPY 362.0bn

(based on the closing prices of June 28, 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

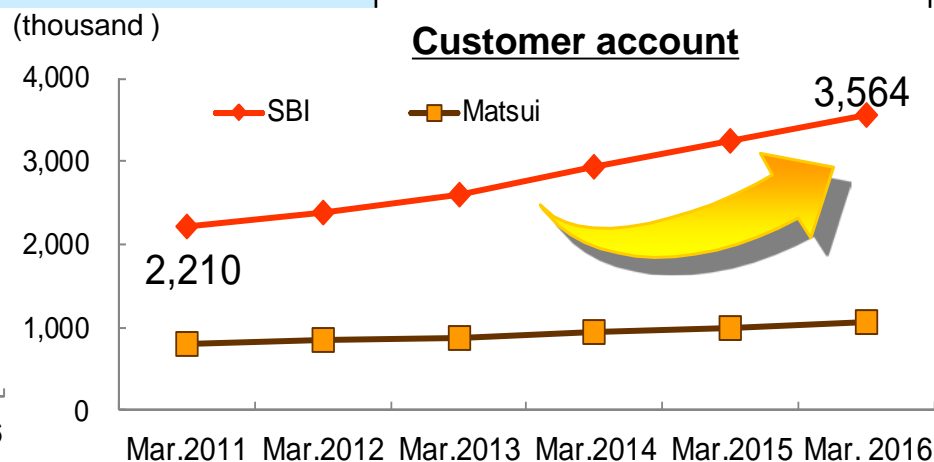
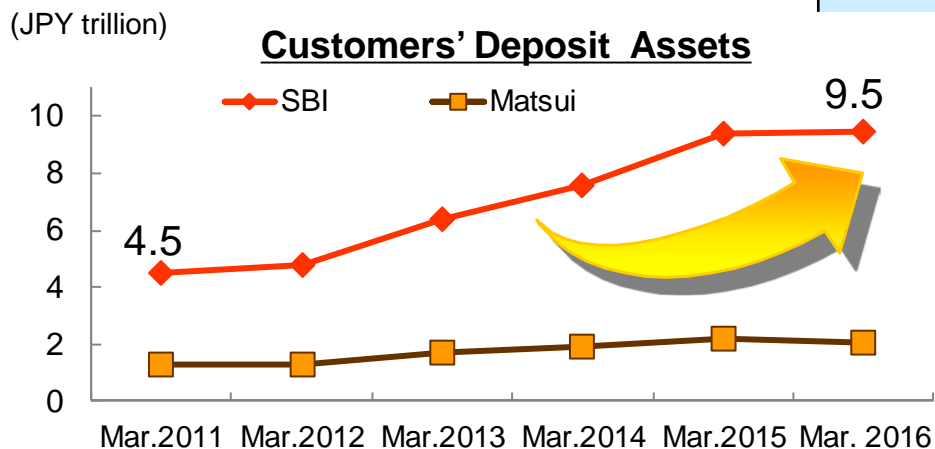
(1) Financial Services Business ① SBI SECURITIES -(ii)

Is SBI SECURITIES' valuation reasonable?

Comparison of SBI SECURITIES Matsui Securities

*Calculated by the closing prices of June 28, 2016

(FY2015)	SBI SECURITIES	Matsui Securities
Valuation (market cap) *	JPY 362.0bn	JPY 214.9bn
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 66.7bn → JPY 33.4bn (based on the closing prices of June 28, 2016)

(Shareholding of the SBI Group: 50.0%)

Estimation of the valuation is as follows:

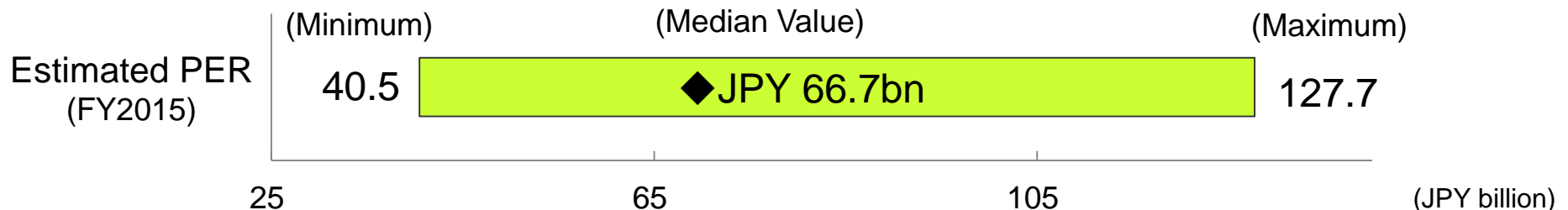
Calculated according to the **Comparable Public Company Analysis**

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 35.3bn** (based on the closing price of June 28, 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

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

* 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 8.1bn** (based on the exchange rate as of June 28, 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 19.9bn** (based on the closing price of June 28, 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	TSE 1st	6.9	1.6

(Based on the closing price of June 28, 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 June 28, 2016)

Upon comparison with similar listed companies calculated conservatively as JPY 362.0bn

② SBI Sumishin Net Bank

(based on the closing prices of June 28, 2016)

Estimated the valuation of SBI Sumishin Net Bank that has high growth potential in terms of profitability and scale at JPY 66.7bn → JPY 33.4bn (Shareholding of the SBI Group: 50.0%)

③ SBI Liquidity Market (cons.)

(based on the closing prices of June 28, 2016)

Upon comparison with similar listed companies calculated as JPY 35.3bn

④ SBI Japannext

(based on the closing prices of June 28, 2016)

Upon the conservative estimated valuation of USD 150m → JPY 8.1bn

(Shareholding of the SBI Group: 52.8%)

⑤ SBI Comparison Website Business

(based on the closing prices of June 28, 2016)

Upon comparison with similar listed companies calculated as JPY 19.9bn

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 June 28, 2016)

Total of the valuation above: JPY 460.4bn (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. 143

Valuation by Segment Estimated by SBIH

(2) Asset Management Business -①

Asset Management Business

Valuation for this segment is conservatively estimated at approx. JPY 179.4bn

<Reference>

JAFCO's Market Cap: **JPY 117.7bn** (based on the closing price of June 28, 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 June 28, 2016)

(* Valuation excluding assets such as securities hold) Approx. JPY 7.4bn

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 June 28, 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	22.7	11.2
SBI AXES	73.8	Consolidated subsidiary	KOSDAQ of KRX	8.5*	6.3
SBI Investment KOREA	43.9	Equity method associate	KOSDAQ of KRX	9.5*	4.2
Sum of the market cap of listed subsidiaries and equity method associates				40.7	<u>21.7</u>

(Based on the closing price of June 28, 2016. *Calculated by the exchange rate as of June 28, 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 FY2015 (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 79.7bn

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.

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