

 Special Topic

# New Challenges for Self-

## 1. New “Pentagon Management” Business Strategy for Financial Services Businesses

Our five core businesses: securities, banking, nonlife insurance, life insurance and payment settlement services, have their own main features and strategies.

### Core Business **1** Securities Business SBI SECURITIES Co., Ltd.

No. 1 Bricks-and-mortar, based-on-the-Internet securities company, with over 2 million accounts

#### Supporting Companies, Related Companies and Overseas Related Products

Supporting Companies	<b>SBI Liquidity Market Co., Ltd.</b>	Foreign exchange margin trading platform
	<b>SBI Japannext Co., Ltd.</b>	Operating “Japannext PTS,” Japan’s largest PTS market
(Financial Information/ Content Business)	<b>Morningstar Japan K.K.</b>	Providing investment trust evaluation and economic news, and stock reports of companies based in the US, UK, Switzerland, China, India, and Brazil from Morningstar, Inc.
	<b>SBI Fund Bank Co., Ltd.</b>	Providing analysis information mainly tailored to investment trusts
	<b>Wall Street Journal Japan K.K.</b>	Offers the “WSJ Japan Edition (online edition)” which provides articles from an unique standpoint
	<b>Searchina Co., Ltd.</b>	Operates “Searchina,” Japan’s largest Chinese information website
Overseas-Related Products	SBI SECURITIES handles U.S. stocks (in corporation with Interactive Brokers LLC), South Korean stocks (in corporation with E*Trade Securities Co., Ltd.), Chinese stocks (in corporation with Kingsway), and offers company stock reports generated by Morningstar.	

Our securities business provides various securities-related services centered on SBI SECURITIES, the largest online securities company in Japan, with over 2 million accounts. SBI SECURITIES has by way of having the industry’s lowest commission rates system in a short time frame established its overwhelmingly dominant industry position by substantially surpassing other online securities companies in numbers of customer accounts, and market share. Going forward, we will strengthen our competitiveness through differentiation, and further enhance our growth by maximizing Group synergies.

SBI Liquidity Market, which provides a market infrastructure for foreign exchange margin (FX) trading, has been significantly synergistic with SBI SECURITIES, a core business, during the brief

period since starting operations. SBI Liquidity Market provides SBI SECURITIES with a market infrastructure for FX trading in 20 currency pairs, more than any other major Internet securities company. Among the customers who have accounts at SBI SECURITIES, approximately 156,000 customers opened FX trading accounts (as of the end of June 2010). Also, with 18 major foreign and domestic financial institutions as counterparties, SBI Liquidity Market offers its customers stable trading opportunities. Increasing the liquidity of its FX trading allows the provision of an investment environment that is more convenient for customers, thus generating a virtuous circle that contributes to the further expansion of FX trading at SBI SECURITIES and the building of a revenue base that is not affected by the stock market.

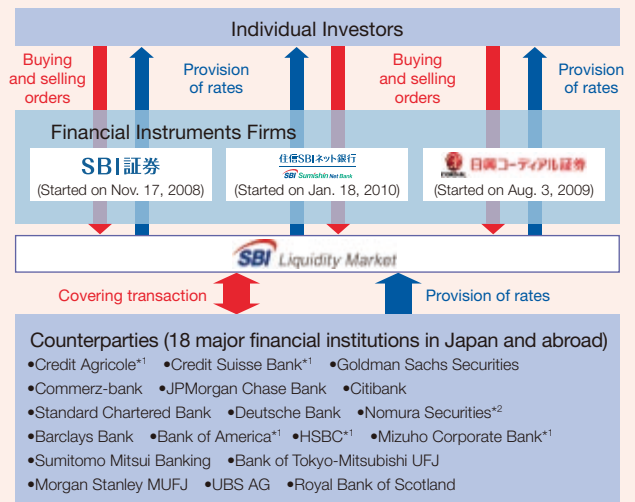
# Evolution

“Japannext PTS,” the largest domestic PTS (Proprietary Trading System) market in terms of trading volume operated by SBI Japannext, has significantly increased its transactions since having started daytime trading in October 2008. In addition, the new “Arrowhead” system at the Tokyo Stock Exchange started in January 2010 will likely promote the best execution transactions, thus leading to a further vitalization of the domestic PTS market, which is approaching the JASDAQ in scale.

In addition to Morningstar, which offers rating information on investment trusts and economic news, “Wall Street Journal (WSJ) Japan Edition,” the first full-scale subscription-based online media in Japan, started services pursuant to a joint company with Dow Jones & Company, Inc. in December 2009. Searchina Co., Ltd., which operates “Searchina,” the largest Chinese information website in Japan, boasting over 90 million page views per month and over 5 million unique users per month, was made a subsidiary in February 2010, attesting to our efforts to expand our global financial content. Thus, we are differentiating ourselves from our competitors not only through financial products and market functions, but also by simultaneously providing related content.

## Providing Stable Trading Opportunities Through a Total of 18\* Foreign and Domestic Major Financial Institutions as Counterparties

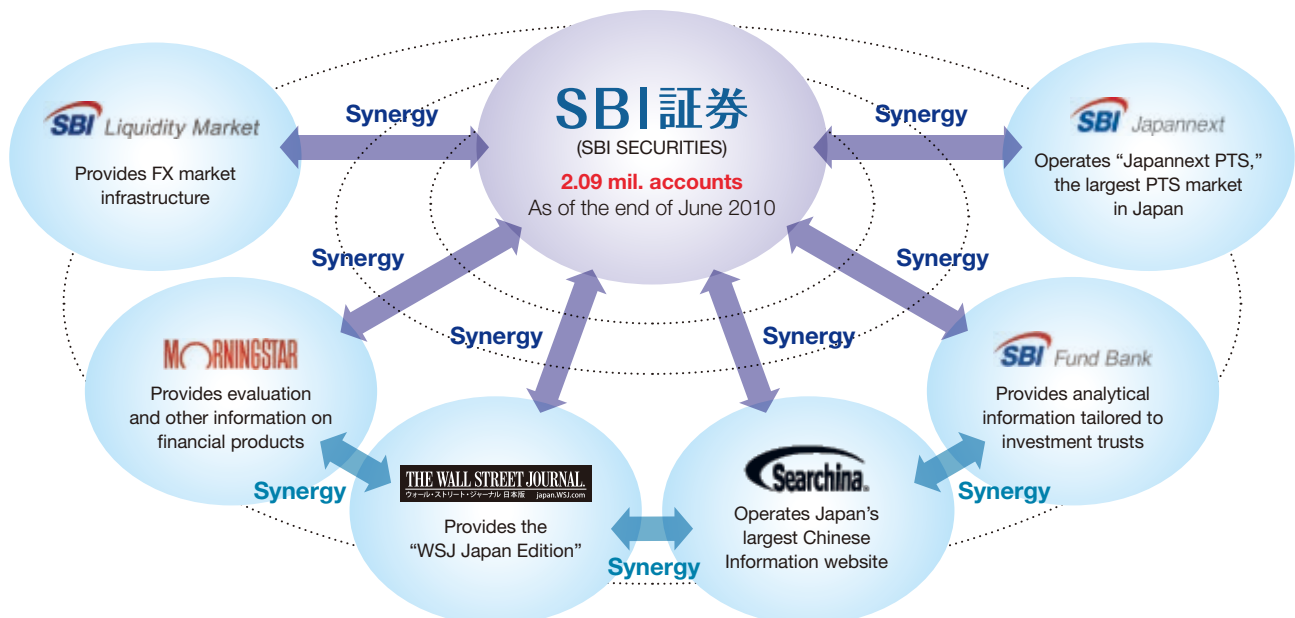
(\* Under negotiation with 3 other financial institutions)



\*1 Newly participated in FY2009  
\*2 Newly participated in FY2010

## Provision of Numerous Securities-Related Services by SBI SECURITIES and Other Surrounding Companies

Striving to enhance competitiveness through differentiation and to grow further by fully utilizing group synergies





## Facing a new competitive stage after integrating online and face-to-face services

**Taro Izuchi**

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

It has been about 10 years since the birth of Internet securities, which was sparked by the liberalization of stock brokerage commissions in 1999. Although a multitude of companies sprang up at the time, intense competition resulted in the top five companies taking a large share of the market currently led by SBI SECURITIES, which overwhelmingly took the No. 1 position armed with low commission rates. In December 2009, SBI SECURITIES was the first Internet securities company to exceed the 2 million customer account mark, with numbers of accounts continuing to increase thereafter. For the next stage, we will construct Japan's first "Bricks-and-mortar, based-on-the-Internet securities" business model that combines the advantages of the Internet with the positive aspects of face-to-face dealings.

To attract online customers and those customers who wish to deal with us in person, in addition to our 23 nationwide direct sales offices, we utilize a network of about 110 financial product brokerages. Moreover, we will effectively utilize our "SBI Money Plaza" shops, the common infrastructure of the SBI Group, to broaden our securities brokerage business. In the United States, there is a securities company called Edward Jones that has the largest network in the country, with 13,000 locations. With numerous one-person shops operating out of their homes, they are closely linked to their communities and never engage in any business activity that would sacrifice the company's reputation. For this reason, they are one of the most respected companies in the U.S. SBI SECURITIES will also strive to become such a respected company.

### [Expanding our Global Financial Content Business]

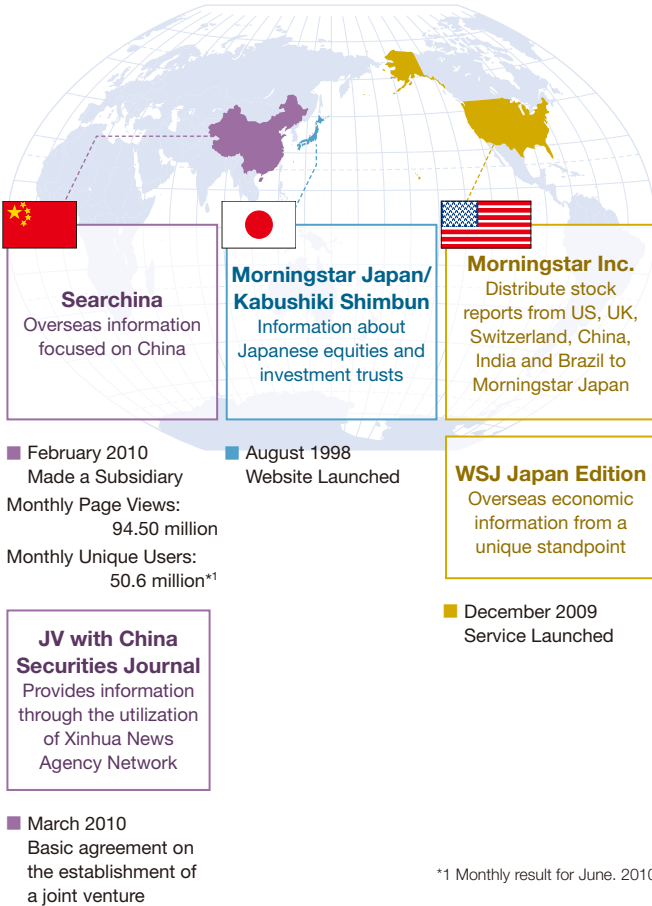
The ever-globalizing modern Japanese society has entered an era that demands a global perspective based on accurate worldwide information. Until now, Morningstar Japan K.K., a joint venture established in 1998 with Morningstar, Inc. of the U.S., has not only provided investment trust ratings information and economic news, but also financial content in the form of reports on stocks in the U.S., the U.K., Switzerland, China, India and Brazil prepared at the head office of Morningstar in the U.S. To further enhance our financial content, we formed the Wall Street Journal (WSJ) Japan K.K. in June 2009 as a joint venture with Dow Jones & Company of the U.S., and began offering Japan's first full-scale subscription based online media, "WSJ Japan Edition," in December 2009. With its 120-year history, WSJ is the finance and economics newspaper with the largest circulation in the U.S.\* and its articles have a great impact on the global economy and financial markets. WSJ Japan Edition translates, edits and transmits on a daily basis, articles carefully selected from high-quality information compiled by about 2,000 journalists and editors located worldwide. The most significant feature of WSJ Japan Edition is its rapid provision of information thanks to our time zone, making us second only to New Zealand, and much earlier than Europe and America.

Furthermore, we subsidiarized "Searchina," which operates the largest Chinese information website in Japan, in February 2010. Later in March, we agreed to establish a joint venture with the China Securities Journal, administered by the Xinhua News Agency and one of China's four largest economics newspapers, to transmit Chinese economic and financial information in Japan. This will facilitate the provision of financial information through the Internet using the information network of the China Securities Journal and the Xinhua News Agency, as well as a Chinese listed company database (covering the last 18 years) and a fund database (covering the last 10 years) making possible investments in Chinese stocks and a vast fortification of the SBI Group's information volume with substantial advantages to our customers.

The SBI Group will aggressively partner with overseas media and content companies as described above, to provide not only financial products and market functions, but also to maintain a system whereby global information that may greatly impact stock, bond and foreign currency markets is provided simultaneously. By so doing, we will further differentiate ourselves from our competitors through the enhancement of our content, and will lead to the exponential growth of our securities business.

\* ABC survey result representing the number of paying WSJ.com subscribers with WSJ newspaper subscribers effected on September 30, 2009

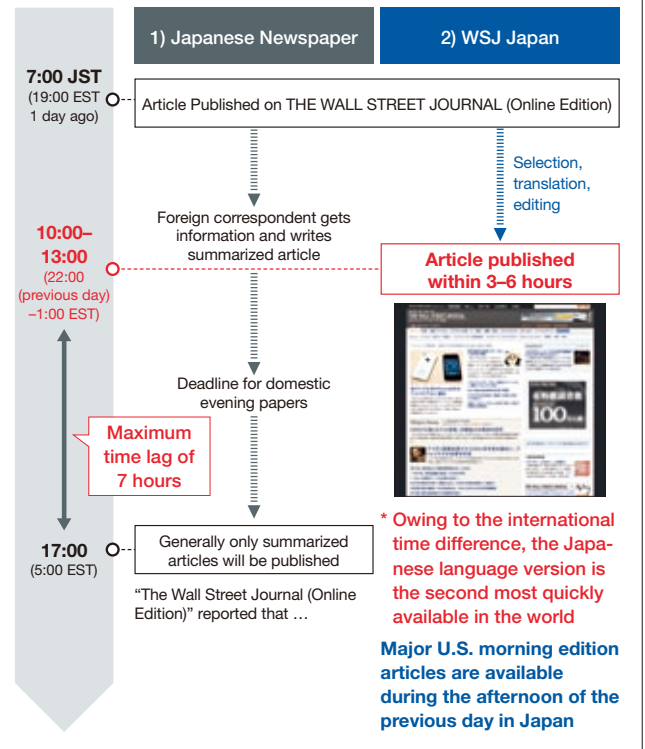
**Expanding Our Global Financial Content Business**



**Start of First Full-fledged Paid Online Media**

Difference between foreign news published in Japanese newspapers and on WSJ Japan

**Article for WSJ (morning edition)(Image)**



**Aligning with major media outlets worldwide to strengthen our global financial content**

**Tomoya Asakura**

Representative Director and COO of Morningstar Japan K.K.  
Director of Wall Street Journal Japan K.K.



Morningstar Japan K.K. has continued to provide global financial content for over 10 years since its establishment in 1998 as a joint venture with Morningstar, Inc. of the U.S. Utilizing the network of Morningstar, Inc., which spans 23 countries and regions, we provide information on over 350,000 investment products around the world including stocks, investment trusts, ETF (Exchange-Traded Funds), hedge funds, etc., in addition to rating of domestic investment trusts. Owing to the rising need for global investment information by Japanese investors, we believe Morningstar Japan is well positioned and will greatly contribute to the SBI Group in the future. Moreover, WSJ Japan Edition (online), which began transmitting information in December 2009, has already attained over 770,000 unique users per month in just four months since starting (as of the

end of March 2010). Through tie-ups with Searchina Co., Ltd., which operates the largest Chinese information website in Japan boasting over 5 million unique users per month, and the China Securities Journal, one of the four major economics newspapers in China, we will transmit various information on China, including Chinese economic and financial information.

Such alliance and integration between content business companies and an Internet finance enterprise like the SBI Group is a unique example in the world. The provision of abundant financial information through such quality media outlets with brand strength will not only support efforts to provide the information to the customers of the SBI Group, which already number over 10 million, but will also open up to us a consumer segment we could not approach in the past, ultimately making way for the formulation of a system that would allow the introduction of the SBI Group's low-cost, high-convenience services.



## Core Business 2 Banking Business SBI Sumishin Net Bank, Ltd.

In the 2 years and 5 months since beginning operations, deposits at the Internet bank have topped 1 trillion yen.

### Supporting Companies, Related Companies and Overseas Development

Supporting Companies	<b>SBI AutoSupport Co., Ltd.</b>	Support for the provision of automotive financial services through automobile dealers
	<b>SBI Receipt Co., Ltd.</b>	Medical care payment receivable factoring business
	<b>CEM Corporation</b>	Real estate secured loans and guarantee services
	<b>G-ONE Credit Services Co., Ltd.</b> (Trade name to be changed to "SBI Credit Co., Ltd." in October 2010)	Auto loans business, planning and sales of financial products. Approximately 2000 participating shops with 7 bases nationwide
Related Companies	<b>SBI Mortgage Co., Ltd.</b>	Established the sales agency network of "Flat 35," a loan product of the Japan Housing Agency. Outstanding housing loans exceeded 600 billion yen as of the end of Feb. 2010
Overseas Banking Business	<b>TIEN PHONG COMMERCIAL JOINT STOCK BANK (Vietnam)</b>	Started operations in May 2008. SBI Group acquired 20% of the shares in Aug. 2009.
	<b>PHNOM PENH COMMERCIAL BANK (Cambodia)</b>	Started operations in Sept. 2008. SBI Group invested in 40% of the shares of the newly established bank
	<b>Commercial Bank of Ceylon PLC (Sri Lanka)</b>	SBI Group acquired 9.99% of the shares outstanding in June 2010

### [SBI Sumishin Net Bank]

Led by SBI Sumishin Net Bank, which exceeded ¥1 trillion in deposit balance in just under 2 years and 5 months since beginning operations, the fastest such performance for a domestic Internet bank, our banking business is making aggressive investments not only in Japan but also in banks of emerging countries as well.

SBI Sumishin Net Bank, which had a late start among Internet-based banks in Japan, nevertheless achieved extremely fast growth in the industry owing to its competitive interest rates on deposits, its free transfers up to a certain number of transactions, its highly convenient services in collaboration with SBI SECURITIES and its focus on asset management. Specifically, its alliance with SBI SECURITIES created a revolutionary service called the

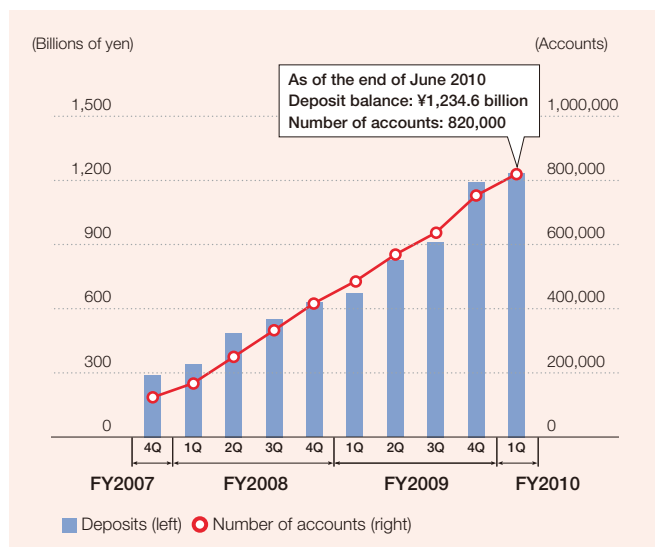
"SBI Hybrid Deposit," whose balance can be allocated to purchase costs for stock trading and required collateral for margin trading. SBI SECURITIES' customers with this account can transfer funds seamlessly to and from their securities account. This alliance has resulted in some 50% of individuals opening an account at SBI SECURITIES to simultaneously apply to open an account at SBI Sumishin Net Bank as of the end of June 2010, thus greatly contributing to the customer base of SBI Sumishin Net Bank.

As a result, we were successful in maximizing synergies by mutually linking core businesses, and SBI Sumishin Net Bank quickly turned a single-year profit in FY2009, its third term since starting operations. Rakuten Bank (formerly eBank), Japan Net Bank and Sony Bank, which all started their operations prior to SBI Sumishin Net Bank, did not attain a single-year profit until their fifth term. Even when compared to these banks, SBI Sumishin Net Bank grew at a dramatic speed into a bank that contributes to earnings. It is paramount that we continue to provide various loans, deposit products and services to meet our customer needs in a timely manner.

In addition, an important aspect of the banking business is the management of assets deposited by customers, and we have expanded our group of related companies supporting asset management. These include SBI AutoSupport Co., Ltd., which provides financial services such as auto loans through automobile dealerships, and SBI Receipt Co., Ltd., engaged in medical care payment receivable factoring business. In the future, we will further promote operations integrated with the securities field as well as the diversification of asset management through such services as interest rate swaps, CP underwriting and originating safe and high interest rate securitized products.

SBI Sumishin Net Bank also receives high marks in terms of customer satisfaction. Nikkei Inc. ranked it 2nd in a customer

### SBI Sumishin Net Bank, Ltd. Change in Deposits and the Number of Accounts



satisfaction survey published in December 2009. Also, survey results for FY2009 covering all sectors, published by the Service Productivity & Innovation for Growth Council, ranked SBI Sumishin Net Bank 1st in the Banking Sector and 4th in the Overall Service Industry among 291 companies, indeed a very high evaluation. We believe it is necessary to further deepen our commitment to the customer-centric principle and make every effort to heighten the level of customer satisfaction.

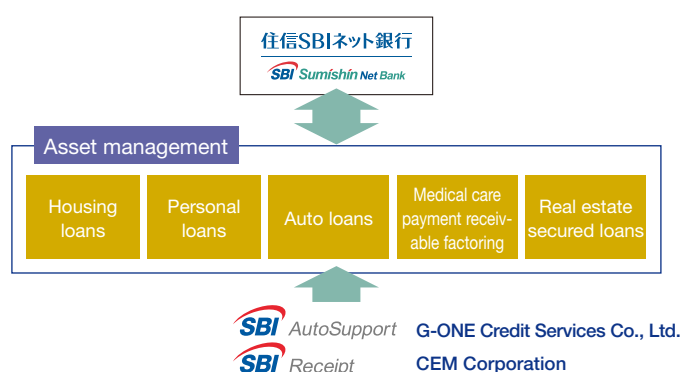
### [Overseas Banking Business]

Furthermore, investments into banks is currently a focus of our promotion of the financial services business in emerging countries, taking into consideration the level of economic and financial development in each respective country. In Cambodia, we invested in 40% of PHNOM PENH COMMERCIAL BANK in September 2008, with that institution's profits steadily increasing, achieving a profit in its second term since starting operations. In August 2009, we acquired 20% of the equity in Vietnam's TIEN PHONG COMMERCIAL JOINT STOCK BANK, which started operations in May 2008. It turned a profit quickly in its first fiscal term, and continued to expand in its second fiscal term. In addition to its main branch, TIEN PHONG COMMERCIAL JOINT STOCK BANK now has 5 branches and 8 satellite offices. Compared to Japan's over 200 banks for its population of 127 million, Vietnam has only about 50 banks servicing 86 million people. With an average age below 30, this is a country with an enormous potential for a growth and

whose business scale we believe will develop significantly.

We believe that the banking business will support the financial sector of these economically developing countries, and for this reason, it is important to start with the banking business when promoting our financial services business in those countries. We will then successively introduce our systems and know-how accumulated in Japan for securities and other financial businesses, depending on the country's development conditions, to advance our financial services businesses in emerging countries.

### Further Diversifying Asset Management



#### <Major asset management method in the future>

Diversification of business and management by the integration of the securities business through interest rate swaps, CP underwriting and origination of securities products



### Heighten customer satisfaction by pursuing the provision of more convenient and appealing services

#### Katsuya Kawashima

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

Since the start of its operations in September 2007, SBI Sumishin Net Bank has been working to offer an "Internet full-banking business that provides easier-to-use and more competitive products and services than any of our competitors, 24 hours a day and 365 days a year." Aside from the obvious yen and foreign currency deposit transactions and fund settlement services, we have also worked to facilitate loan transactions, including housing and card loans as well as various other products and services that fit diverse lifestyles in a simple, speedy fashion via the Internet. Despite its late start among domestic Internet-based banks, these services and operations have supported the bank, resulting in the fastest growth in the industry. As of the end of June 2010, its 820,000 customer accounts, ¥1,234.6 billion deposit balance and personal loan balance exceeding ¥476.0 billion, demonstrate how its growth has greatly surpassed its Internet-based competitor banks. Behind this drastic growth over a short period of time is the

tie-up with our formidable partner, Sumitomo Trust Bank Group, which is significant in itself, as well as the fantastic advantages from the meaningful synergistic effects generated with SBI SECURITIES, an SBI Group company with a dominant position in the online securities industry. As a result, SBI Sumishin Net Bank achieved a single-year profit in its third term since starting operations, steadily fulfilling its initial business plan.

We believe it is important to continue to enhance convenience for our valued customers to ensure further growth in the future. While providing asset management products to customers on a broad basis, such as deposit products and FX trading, we will work to further add to our asset management products, such as by broadening the scope of investment trusts we handle, and creating products that meet the diversifying needs for foreign currency denominated asset management. Regarding personal loans, we will strive to expand the merchantability of our housing loans and Internet loans to respond to the various funding needs related to our customers' lifestyle events.

## Core Business 3 Nonlife Insurance Business SBI Insurance Co., Ltd.

Internet nonlife insurer which provides automobile insurance with the lowest premiums

### Supporting Companies (Businesses) and Inter-Industry Collaborations

Supporting Companies (Businesses)	<b>Insurance Portal "InsWeb"</b>	Japan's largest auto insurance estimate website, with over 4.4 million cumulative users (Totals from the start of service to the end of June 2010)
	<b>SBI AutoSupport Co., Ltd.</b>	Support for the provision of automotive financial services through automobile dealers
	<b>Autoc one K.K.</b>	Operation of one of the Japan's largest new-car estimates brokerage websites
Inter-Industry Collaboration	Expansion of inter-industry sales channel through an alliance with used car purchasing/selling giant " <b>Gulliver International Co., Ltd.</b> ," used car auction site giant " <b>JAPAN AUTOMOBILE AUCTION INC.</b> " and DVD rental giant " <b>GEO CORPORATION</b> "	

Centered on SBI Insurance Co., Ltd., which offers the industry's lowest insurance premiums, our insurance business is expanding thanks to Japan's largest automobile insurance estimate website and new-car estimation and brokerage website, both operated by the SBI Group, as well as channels expanding through various inter-industry alliances.

SBI Insurance, which started operations in January 2008, succeeded in broadening its sales channels and fortifying its promotional activities, along with having the industry's lowest insurance premiums. For direct income from net insurance premiums (written basis), we exceeded the ¥5.0 billion target for FY2009 and attained 133,000 cumulative insurance contracts (170,000 as of the end of June 2010).

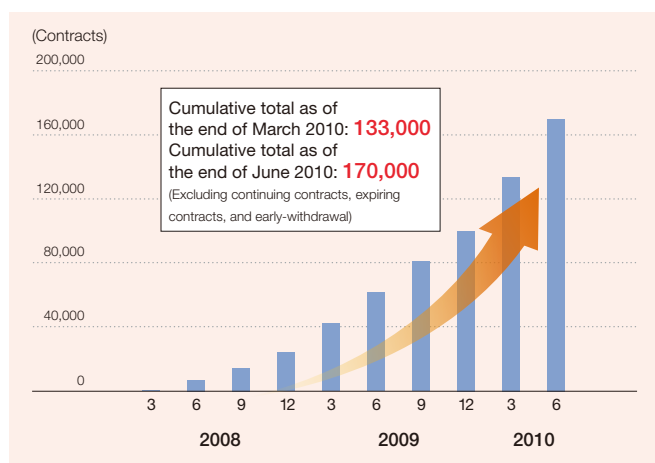
What supports SBI Insurance's steady growth is our InsWeb insurance comparison and estimation website, one of the businesses launched within the SBI Group in 1998 jointly with InsWeb of the U.S. It has grown to become Japan's largest automobile insurance estimate and comparison website with some 4,200,000 cumulative users as of the end of March 2010 (4,400,000 as of the end of June 2010) and 800,000 annual users, and its ability to

draw in customers contribute significantly to the growth of SBI Insurance. InsWeb itself offers services as a neutral comparison website that provides users with estimates from over ten companies. Among them, SBI Insurance was ranked No. 1 for the second consecutive year in the Diamond Weekly's "Automobile Insurance Premium Ranking" (March 14, 2009 and March 20, 2010 issues) and, with overwhelmingly low premiums among direct nonlife insurers, the number of cases where customers are choosing SBI Insurance is increasing. In fact, about 40% of SBI Insurance customers chose SBI Insurance on InsWeb after comparing our policies with those of other companies.

Not only are its premiums low, it also receives extremely high marks for customer satisfaction. In the Oricon CS Ranking for FY2009, SBI Insurance was ranked No. 1 in the category of "Completeness of Ancillary Services."

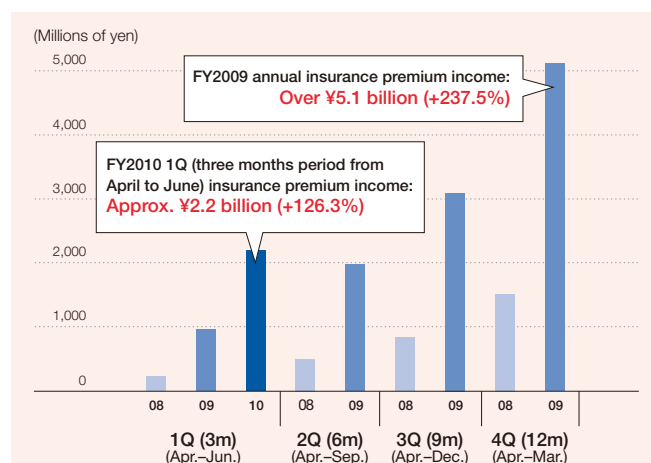
The SBI Group also has other channels that draw in customers, such as "SBI AutoSupport," which introduces automobile insurance and auto loan products through automobile dealers, and "Autoc one," which operates Japan's largest new-car estimate and brokerage website. These represent the strengths of SBI Insurance

### Change in the Number of Insurance Contracts (Written Basis\*)/Cumulative



\* Written Basis: Completion of receiving transaction of insurance premiums

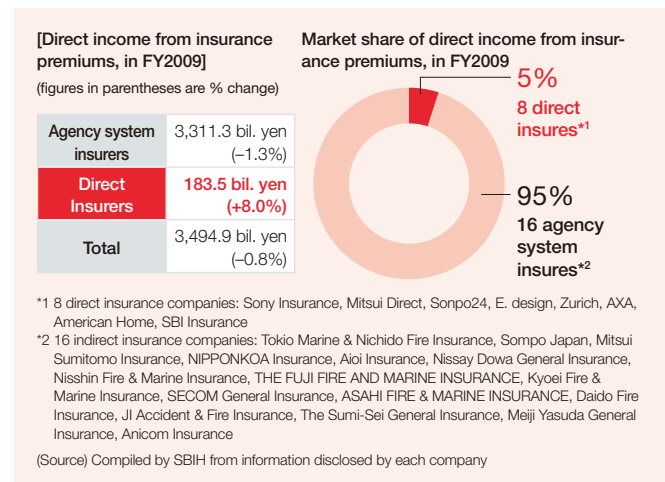
### Change in Direct Income of Insurance Premiums (Written Basis\*)



and contribute to its overwhelming growth rate even among other direct nonlife insurers, in an industry that continues to expand.

Furthermore, for further future business expansion, SBI Insurance will prioritize increasing the number of channels, which are potential customer contact points. It has expanded inter-industry sales channels through alliances with used car purchasing and selling giant Gulliver International, DVD rental giant GEO CORPORATION and used car auction site giant JAA, among others. In doing so, it has enabled an effective approach to groups of consumers previously unreachable by way of the Internet. SBI Insurance will continue to aggressively expand its sales channels, whether online or face-to-face, in order to realize exponential growth.

### Component Ratio of Auto Insurance Industry



### Continuing commitment to low-cost operations and provision of the industry's lowest insurance premiums

**Hiroyoshi Kido**

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

The SBI Group has been operating the InsWeb automobile insurance estimate website for over 10 years, and after accumulating a sizable insurance estimate database, we began considering ways to utilize that know-how as an insurance company. The estimation website has the great advantage of offering low prices, and because of this, SBI Insurance has aggressively promoted the systemization of its operational processes dealing with insurance offers to realize a reduction in cost, in order to bring down its own indicated premiums. Also, because there are still many manual tasks, such as back office operations, there are many areas where further cost reductions are possible. Meanwhile, we look to adequately increase personnel at our call center and nonlife insurance support center, etc. We are striving toward the optimal allocation of managerial resources, determining which areas require more personnel and which can be systemized. SBI Insurance is characterized

by its maximum leverage of the Internet and commitment to low-cost operations to provide automobile insurance at low premiums. Although other direct nonlife insurers are carrying out similar business developments, SBI Insurance offers the industry's lowest premiums. Our next objective is to lead direct nonlife insurers, and become No. 1 among all nonlife insurance companies in Japan.

The overall automobile insurance market, the main battlefield in the insurance industry, has gone from a leveled plane to a slight downward plane in the past 10 years with a size of approximately ¥3.5 trillion. Within this, the direct nonlife insurance market share is growing every year. However, it still represents less than 10% of the total, with over 90% of consumers buying insurance policies of giant nonlife insurers through agencies and other means. In other words, we believe the auto insurance market is still a vast frontier, and we would like to reverse this proportion in the future, to make the direct market share predominant with SBI Insurance as the standard-bearer.

## Core Business 4 Life Insurance Business

In the life insurance business, all shares of SBI AXA Life Insurance (now NEXTIA Life Insurance) held by SBIH were transferred to AXA Japan Holding Co., Ltd. in February 2010, thereby temporarily suspending our participation in the life insurance business. The reason for dissolving the joint venture was a divergence of product strategy, etc., between the two companies. Going forward, we will

re-enter the market with a life insurance company wholly owned by SBIH in a year to 18 months. As one of our core businesses, we will effectively utilize the resources available within the SBI Group to strengthen ties with other core businesses, to realize a steady and rapid growth based on the network of investees in our asset management business.



## Core Business 5 Settlement Services Businesses

# SBI Card Co., Ltd., SBI VeriTrans Co., Ltd., SBI Remit Co., Ltd. (tentative name)

### Striving to improve customer convenience through the provision of various settlement services

<b>SBI Card Co., Ltd.</b>	Issuance of industry's highest points redemption credit card	Promoting inter-industry alliances for the rapid growth and creation of synergies of the Group companies
<b>SBI VeriTrans Co., Ltd.</b>	A settlement innovator supporting the growth of E-commerce	Operating "Buy-J.com," an EC mall for China where UnionPay Card (of which approx. 2 billion have been issued) settlement is available for Internet mail order service in China
<b>SBI Remit Co., Ltd. (tentative name)</b>	International money wire transfer business through an alliance with MoneyGram International (estimated to begin operations from fall 2010)	Receipt of remittances to be possible at MoneyGram agencies in 190 countries worldwide

For our payment settlement business, we offer various payment settlement services and strive to enhance customer conveniences centered on SBI Card, SBI VeriTrans and SBI Remit (tentative name). SBI Remit is a new company engaged in the international money transfer business under an alliance with MoneyGram International of the U.S. It is currently preparing to start operations.

#### [SBI Card]

SBI Card has utilized the strengths of the industry's top-class high-function card to issue "MasterCard" brand credit cards since November 2006. After SBI Card obtained a license in February 2009 from "VISA," one of the world's largest international credit card brands, it has begun preparations to launch the "SBI Card

Plus" in the fall of 2010, which will boast a "top-class" cash back return rate in the industry as a stand-alone (not co-branded) card. Also, we began issuing the "GEO Ponta Visa Card" in June 2010 as a collaborative credit card offered to registered customers of the GEO Group. This led us to revise our previous credit card strategy, so that through the promotion of SBI Card as a core business for inter-industry collaboration, we will work toward achieving exponential growth through the creation of synergies with each SBI Group company, by attracting new customers and increasing the number of transactions.

The "GEO Ponta Visa Card" which we began issuing in June 2010 is a collaborative card with the GEO Group, and has in place a system whereby "Ponta" points can be earned. The "Ponta"



### Exploiting high-level cash back return rates and collaborative card issuances to create lateral synergies in the SBI Group

**Kazukimi Ishii**

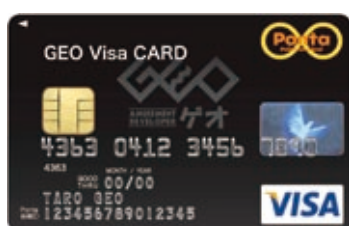
Representative Director and COO of SBI Card Co., Ltd.

Although SBI Card is a latecomer credit card company in terms of its start of operations, it disregarded the conventional ways and instead realized among other features, the cash back "high return rate point program" in a stand-alone (not co-branded) card, as part of its efforts to provide innovative services based on the customer-centric principle.

The "SBI Card Plus," to be issued in the fall of 2010, uses a system that realizes a high point return rate depending on the amount charged on the card. There is also an innovative point program in place that gives users even more points than usual for transactions with SBI Group companies. This creates synergies among the SBI Group companies through the cross-sectional sharing of customers. For the "GEO Ponta Visa Card"

collaborative card with GEO launched in June 2010, we started developing a recommendation service whereby optimal SBI Group financial products are introduced to GEO users. From this "GEO Ponta Visa Card," we can expect customers to migrate to the SBI Group from Ponta participating companies, whose customer base is already 23 million strong, and we envision an exponential expansion in the number of cards issued by SBI Card as well as an expansion in newly acquired customers and the number of transactions for each SBI Group company, as synergies are created.

point program which is operated by a subsidiary of Mitsubishi Corporation and has a customer base of approximately 23 million. Through Ponta, which targets 30 million customers in 3 years, we can expect synergies that will guide the customers of inter-industry companies participating in Ponta towards the SBI Group. We will use this opportunity to increase the current number of issued cards of approximately 80,000 as of the end of June 2010, to 1 million cards in the next three years or so to expand our customer base, and turn a profit in the credit card business.



GEO Ponta Visa Card

### [SBI VeriTrans]

Since its establishment in 1997 as the Japanese unit of CyberCash of the U.S., a pioneer in electronic payment settlement, SBI VeriTrans has been leading Japan's EC market under the basic principle of "support the devotion of EC service providers." Since its inception, in addition to providing a system that allows payment settlements without leaving a credit card number on the EC website, we were a trailblazer in the area of high-level security functions, working to

provide state-of-the-art services with a high degree of convenience for EC service providers. SBI VeriTrans, by using the newest American security technology, realized credit card payment settlements by SSL encrypted transmissions, which is now commonplace. It supported Japan's EC market through payment settlements, enabling its growth. Currently, there are as many as 60 million EC payment settlement transactions per year handled by SBI VeriTrans. It has continued to lead the industry by realizing lump-sum sales collection services, convenience store settlement services and Internet settlement services using mobile Suica in the e-money settlement field.

Recently, as part of its focus on overseas development, SBI VeriTrans started the first online settlement operation in China by a non-Chinese company for the UnionPay Card (debit card), which has been issued to some 2 billion users in China. We also established the "Buy-J.com" EC shopping mall targeting Chinese consumers, and began full operations in April 2009. Buy-J.com makes Internet settlement possible using the UnionPay Card and provides total support for the necessary operations of retailers from translation to logistics, payment settlements and more.

As payment settlement needs continue to change, SBI VeriTrans will continue to grow as a settlement innovator supporting the growth of EC service providers, and will contribute to society through the development of the EC market.



### Growing along with the expansion of the EC market

#### Takashi Okita

Representative Director, Executive Director and COO of SBI VeriTrans Co., Ltd.

The domestic EC market is expanding at a very rapid pace, with a current total circulation exceeding ¥6 trillion, which is supported by the payment settlement services. In tandem with the growth of EC, SBI VeriTrans' performance has been robust. Japan has had incidents of massive leaks of customer information and, to alleviate the risk of such occurrences, a system whereby payment settlement can be effected without the companies keeping credit card numbers is a must. With the conviction that security is the foundation of payment settlement, SBI VeriTrans was created in 1997 as a joint venture with CyberCash of the U.S., the largest player in the industry at that time. From its inception, SBI VeriTrans provided a system capable of payment settlement without leaving credit card numbers on EC

websites, and in January 2010 it started "VeriTrans 3G," a next-generation payment settlement system that uses higher levels of security and functionality, realizing a high-security environment that minimizes the risk of external information leaks.

Moreover, SBI VeriTrans is working on overseas business development centered on China, where the EC market is now one-third of the size of that of Japan, but is expected to overtake Japan in two years reaching a scale of ¥10 trillion. Currently, about 2 billion UnionPay Cards have already been issued, symbolizing the purchasing power of the Chinese market, and SBI VeriTrans was the first to provide "VeriTrans UnionPay Internet Settlement" online payment settlement services for the UnionPay Card, outside China and Hong Kong in January 2009. Our move into the rapidly expanding Chinese market will have enormous significance in the future.

## 2. New Challenges for Group Evolution – Development of Face-to-Face Channels –

Integrating online and face-to-face services to realize the true customer-centric principle and to become Japan’s largest financial product distributor

Until now, the SBI Group has grown by providing highly convenient financial services at a low cost using the Internet to the maximum degree possible. However, we believe that in order to satisfy each and every customer, merely providing services through the Internet as the only sales channel is not sufficient. For example, when attempting to select financial products, some customers prefer to meet in person for consultation. This is why face-to-face channels must also be developed to achieve the essence of the customer-centric principle.

Presently, the SBI Group is developing its “SBI Money Plaza” shops as a common infrastructure among Group companies for its face-to-face channels, to provide various financial products in one location. These are primarily conversions of “SBI Housing Loan” Shops operated under a franchise system since 2007 by SBI Mortgage. Since the opening of the first “SBI Money Plaza” in 2009, expansion has been rapid, and as of the end of June 2010 they numbered 69 nationwide. The numerous shop openings over such a short time owes to the success of the franchise system, which has the advantage of controlling rent and labor costs, as well as providing urban billboard and storefront advertisements.

Most of the products currently offered at “SBI Money Plaza” deal with housing loans and life insurance. For such expensive financial products, or complex and high-risk instruments such as investment trusts, there is a need to deal with a person who can provide the requisite explanations. Therefore, we plan to expand asset management services provided by accountants, financial

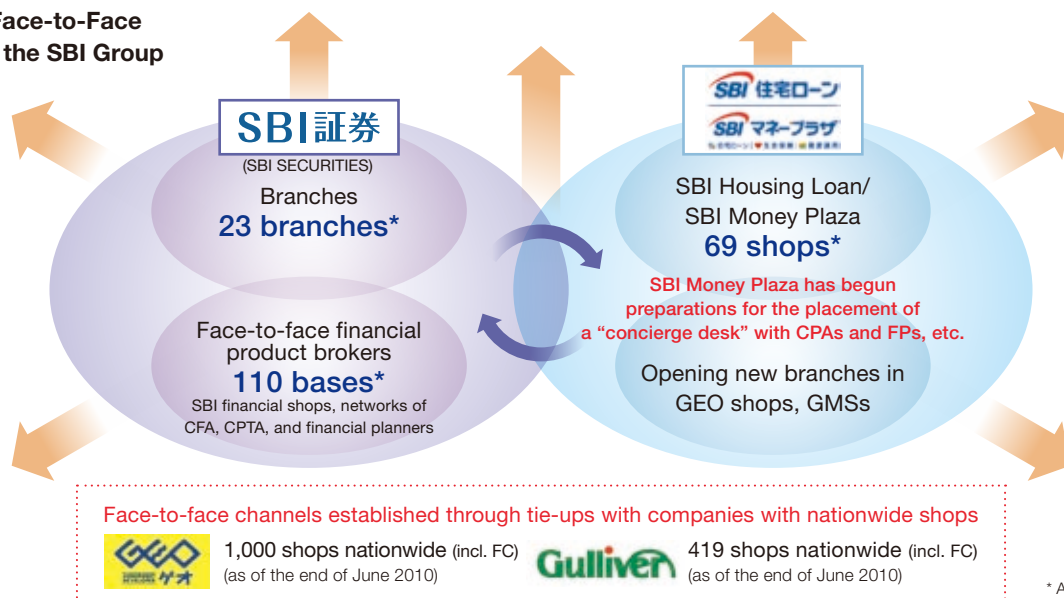
planners and other professionals. These shops offer not only SBI Group products, but also those from outside the Group from a neutral standpoint, so that customers can compare and select the best products for themselves.

In addition to these shops, there are also the 23 direct sales branches of SBI SECURITIES and 110 bases of retail financial product brokers (as of the end of June 2010). Going forward, we will continue to further expand the SBI Group’s face-to-face sales channels.

In addition, the SBI Group is focusing on broadening its sales channels through inter-industry alliances. In August 2009, we tied up with GEO, a DVD rental and video game sales giant with 1,000 stores nationwide, and in October of that year we aligned with Gulliver International, a used car trading giant with 419 stores nationwide. Starting in March 2010, each SBI Group company gradually began participating in the “Ponta” common points system already being used by 14 companies in various fields, such as Lawson, Showa Shell and Kentucky Fried Chicken, among others (as of the end of May 2010, “Ponta” points can be used at 12,190 stores and there are 23 million members in the system). Through such inter-industry sales channels, we can effectively approach customer groups that were previously unreachable.

The SBI Group is working to become the largest financial products distributor in Japan, capable of providing optimal products to each and every individual at a low cost by skillfully combining online and face-to-face sales channels.

### Expanding Face-to-Face Channels of the SBI Group



## SBI Money Plaza Continues to Open Shops Across the Country 69 shops nationwide

\* As of the end of June 2010  
\* Incl. SBI Housing Loan Shops

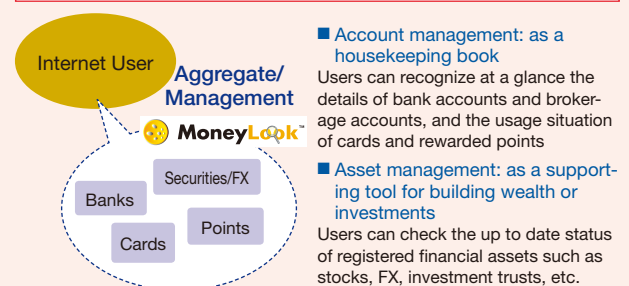


In addition to the “SBI Money Plaza” face-to-face sales channels, the SBI Group’s common infrastructure also features the “MoneyLook®” software capable of uniformly managing accounts at multiple financial institutions with one user ID and password. As of the end of June 2010, affiliated financial institutions totaled 314, the most in the industry, with over 576,000 registered users.

### “MoneyLook®” is an industry-leading account aggregation software that has the most affiliated financial institutions and registered users

#### [Features]

- (1) Once the ID and password of each financial institution is registered, **user accounts can be logged into automatically with one click** on the MoneyLook screen
- (2) A financial institution’s ID, password and all other information **are stored and encrypted within the user’s PC**, so they do not need to be kept by third parties



### Promoting franchises to create a one-stop hub for financial services that provides optimal products for each and every customer

#### Noriaki Maruyama

Representative Director and COO of SBI Mortgage Co., Ltd.  
Representative Director and Chairman of SBI Moneyplaza Co., Ltd.

SBI Mortgage has been providing long-term fixed-rate housing loans at the lowest interest rates in the industry since beginning operations in May 2001, as Japan’s first mortgage bank (financial institution specializing in housing loans using securitization as a financing instrument). With its mainstay “Flat 35” product offered in collaboration with the Japan Housing Finance Agency, it achieved a loan balance of over ¥689.7 billion as of the end of June 2010, with that figure still steadily growing.

After deciding to shift to a new business model that integrates online and face-to-face sales channels, we formulated the first-ever model that uses insurance agencies and started opening “SBI Housing Loan” Shop retail stores in 2007 under a franchise system. Subsequently, since July 2009, we have been

converting “SBI Housing Loan” Shop to “SBI Money Plaza” shops to form a common infrastructure for the entire Group, and are now rapidly expanding our franchise retail sales channels. We are targeting over 100 branches in fiscal year 2010. The “SBI Money Plaza” shops actively offer not only housing loans, but also life insurance, securities and other financial instruments from both inside and outside the SBI Group, so that each and every one of our customers can select optimal products from among a wide variety of products, thus realizing a true one-stop financial services hub.

SBI Mortgage, as a leading mortgage bank, will continue to develop products from the perspective of the customer, and provide highly convenient services that integrate online and face-to-face sales channels, thereby making every effort to ensure that our valued customers can enjoy affluent lifestyles.

### 3. Aggressive Investment and Overseas Expansion for Further Growth

The SBI Group, which boasts the greatest number of venture capital investments in Japan, is expanding its investments in, and transferring its financial services businesses to, mostly Asian emerging countries with growth potential, under the slogan “from Japan’s SBI to the World’s SBI.”

#### [Investment Business That Supports the Growth of the SBI Group]

The SBI Group aggressively invested in growth industries and emerging countries after the decline in investment cost following the Lehman Shock. The SBI Group’s investment business in Japan involves targeted investments with a high share in four fields, in which investee companies are expected to grow in Japan, namely IT, biotechnology, environment and energy, and finance. Overseas, we are establishing and investing in jointly managed investment funds in collaboration with prominent local partners in emerging countries demonstrating rapid economic growth.

#### [Aggressive Investing to Increase Future Earnings]

SBIH decided to increase its capital through a public offering in June 2010, and procured a total of ¥35.3 billion in proceeds. The main reason for executing this increase in capital through a public offering at this time, when the market environment is deteriorating around the world, is that now is the perfect time to increase investments

worldwide due to the current market environment’s decreasing investment cost affected by low stock markets and an appreciating Japanese yen. The entire amount of funds procured by this public offering shall be allocated in the following way by FY2011.

1.	Capital investment in domestic funds and funds jointly established with prominent local partners in the U.S., emerging countries with growth potential such as China, India and Vietnam, among others	25.0 billion yen
2.	Capital contribution to subsidiaries, etc., engaged in the financial services business using the Internet as the main sales channel, including Internet banking and Internet nonlife insurance	10.3 billion yen
3.	Capital contribution and loans, etc., to overseas financial institutions (including via subsidiaries)	

#### Funds Established Through Alliances with Prominent Overseas Partners

Fund name (country)	Launch period	Partners	Contributions (investment amount)	SBI Group’s investment ratio
New Horizon Fund (China)	May '05	Temasek Group (investment company for the Singaporean government)	\$100 million	50.0%
SBI & TH VC Fund (China)	Jan. '08	Tsinghua Holdings (a company of the Tsinghua University Group in Peking)	\$34.5 million	87.1%
SBI & BDJB China Fund (China)	Feb. '08	Peking University Beida Jade Bird Group (the strategic investment arm of Peking University)	\$100 million	50.1%
SBI Zhaoxin Fund (China)	Mar. '09	China Merchants Securities, Resource Capital China, China CITIC Bank	Offshore: approx. \$20.5 million (SBIH) Onshore: approx. \$ 9 million* (China)	
SBI & Capital 22 JV Fund (Taiwan)	Oct. '08	Founder of a Taiwanese IT company	\$22.5 million	66.7%
India Japan Fund (India)	Apr. '08	State Bank of India (the largest commercial bank in India)	\$100 million	95.0%
Vietnam Japan Fund (Vietnam)	Apr. '08	FPT (The Corporation for Financing and Promoting Technology, Vietnam’s largest high-tech company)	Approx. \$84 million*	96.3%
SBI SOI Fund (Asia)	Jun. '08	Keio University	¥500 million	100.0%
SBI European Fund (Hungary)	May '09	MFB Invest Ltd. (a wholly owned subsidiary of the Hungarian Development Bank)	€100 million	60.0%
Malaysia Fund (Malaysia)	Dec. '09	PNB Equity Resource Corporation (a wholly owned subsidiary of the Malaysian governmental investment management company)	\$50 million	50.0%
SBI Islamic Fund (Brunei)	Aug. 2010 (tentative)	Brunei Darussalam, Ministry of Finance	Approx. \$54 million*	50.0%
SBI-Jefferies Asia Fund (Asia)	Summer 2010 (tentative)	Jefferies Group, Inc. (major U.S. securities company involved in investment banking)	\$50 million	80.0%
Jefferies-SBI USA Fund (USA)	Summer 2010 (tentative)	Jefferies Group, Inc (major U.S. securities company involved in investment banking)	\$150 million	50.0%

\* Conversions effected using exchange rates as of the end of May 2010 (1 USD=18,980 Vietnamese dong, 1 USD=6.827 RMB, 1 USD=1.3997 Singapore dollars)



### [Establishment of an Investment Framework in Emerging Countries and Execution of Aggressive Investments During Time of Low Cost]

The amount invested by the SBI Group in FY2009 was ¥59.5 billion\*, continuing to be the most money invested by any venture capitalist in Japan. This amount includes ¥13.0 billion invested overseas (a 7.6% year-on-year increase), mostly in China and other Asian emerging countries, and more than twice the amount invested in FY2007, following a gradual increase since FY2005.

\* Including buyout/mezzanine

For new overseas funds, following the establishment of funds in Hungary and Malaysia in FY2009, we came to a final agreement with the Brunei Ministry of Finance to jointly establish a fund for promising Shariah-compliant companies. In addition, we have already visited with potential partners in Brazil, and have begun pertinent discussions. In doing so, we have almost completed our forays into BRICs and other high growth potential emerging countries. While pushing forth with proactive investments, we looked into revising our investments targeting the U.S., the birthplace of the Internet, and in June 2010 agreed to jointly establish a fund targeting companies in the U.S. and Asia with the Jefferies Group, an American major global securities and investment banking firm with over 25 offices worldwide.

With this overseas business expansion, we are constructing our overseas network of bases comprising of representative offices and local subsidiaries in Beijing, Shanghai, Hong Kong and Singapore, among others. In South Korea, Korea Technology Investment Corporation and KTIC Global Investment Advisory Co., Ltd. (changed to SBI Global Investment Co., Ltd.) became Group companies, and both firms listed on KOSDAQ in hopes of further strengthening our overseas investment framework centered on Asia.

### [Increasing Capital Contributions to Foreign Financial Institutions With an Eye on Moving Our Financial Services Business Overseas]

For phase two of our overseas development, we will leverage our network of prominent foreign companies built through the establishment of our funds, and move the SBI Group's online financial services business overseas with the target of formulating in each country the same financial ecosystem as established in Japan.

For emerging countries that will continue to grow economically, since it is our belief that the banking business will support their financial sector for the foreseeable future, we will focus first and foremost on capital contributions to banks in these countries. Then, depending on the economic and financial growth conditions of these countries, we will accelerate the overseas development of our financial services business using the know-how accumulated in Japan over many years in securities and other financial fields.

### Status of capital contributions in overseas banks

In Vietnam, we acquired a 20% equity share in TIEN PHONG COMMERCIAL JOINT STOCK BANK, which rapidly turned a profit in its first fiscal year after starting operations in May 2008. With a population of 86 million and an average age of under 30, this country's growth potential is enormous, and we believe that a considerable amount of business development will occur.

In Cambodia, PHNOM PENH COMMERCIAL BANK, established in September 2008 with 40% equity held by SBIH, is continuing to demonstrate robust earnings growth turning a profit in just two terms after starting operations.

In Sri Lanka, we acquired 9.99% equity in June 2010 in the Commercial Bank of Ceylon PLC, the country's largest private commercial bank with a network of 190 domestic branches. Through this entity, which is the only Sri Lankan bank to successfully expand its business beyond its shores, we look to further fortify our network of prominent companies in the South Asian region.

### Status of capital contribution in overseas securities firms

In February 2010, we established SBI Phnom Penh Securities Co., Ltd. in Cambodia, which is planning to open its securities exchange this year. We are expected to be the only Japanese financial institution pre-approved for a full license in the securities business in Cambodia.

In Vietnam, we plan to acquire 20% of the outstanding shares of FPT Securities Joint Stock Company, a firm under the umbrella of FPT, our investment fund partner company. In the future, we plan to connect this company with SBI SECURITIES, to start the handling of Vietnamese securities.

### Expansion of Overseas Base Network and Capital Contributions to Overseas Financial Institutions

