

## Financial Services Business



### Principal Companies

Intermediate Holding Company: SBI FINANCIAL SERVICES

SBI SECURITIES	SBI Insurance
SBI Japannext	SBI Life Insurance
SBI Liquidity Market	SBI MONEY PLAZA
SBI FXTRADE	Morningstar Japan
SBI Sumishin Net Bank	SBI Holdings (Financial Services Business Division)

The SBI Group has achieved dramatic growth by capturing the major trends, such as the diffusion and evolution of the Internet and financial deregulation, and by providing highly competitive financial products and services. The SBI Group's re-entry into life insurance marks the completion of a financial ecosystem in Japan that encompasses the three core business areas of securities, banking and insurance. With this, the SBI Group will further accelerate its growth by maximizing synergies among these business segments.

### Financial Results for FY2014

Owing to factors such as the recovery of the Nikkei Stock Average to its pre-Lehman Brothers collapse levels, the continued gradual recovery trend of the Japanese stock market and the measures implemented by the individual Group companies to strengthen their earnings performance, operating revenue for the Financial Services Business for FY2014 increased by 10.0% year-on-year to ¥162.6 billion, and profit before income tax expense was 80.5% higher at ¥67.3 billion.

By company, SBI SECURITIES, SBI Japannext, SBI Liquidity Market, SBI FXTRADE, SBI MONEY PLAZA, Morningstar Japan and SBI Sumishin Net Bank all recorded new record highs in their profits, while SBI Insurance and SBI Card dramatically reduced their losses. In this manner, each SBI Group company achieved excellent results.

### Full-year Profit Before Income Tax Expense of Major Financial Services Business Companies (based on IFRSs)

(Millions of yen)

	FY2013	FY2014	YoY change (Rate of change: %)
SBI SECURITIES	33,344	34,828 Record high	+1,484 (+4.5)
SBI Japannext	905	1,081 Record high	+176 (+19.4)
SBI Liquidity Market	1,899	3,046 Record high	+1,147 (+60.4)
SBI FXTRADE	1,261	1,695 Record high	+434 (+34.4)
SBI Insurance	(3,868)	(618) Significant improvement	+3,250 (-)
SBI MONEY PLAZA	1,062	1,496 Record high	+434 (+40.9)
Morningstar Japan*1	1,142	1,147 Record high	+5 (+0.4)
SBI Card	(3,196)	(1,212) Significant improvement	+1,984 (-)
SBI Sumishin Net Bank*2	2,062	5,196 Record high	+3,134 (+152.0)

\*1 Including its subsidiaries, SBI Asset Management and others

\*2 Share of results of associates using the equity method

SBI Sumishin Net Bank records profit/loss on revaluation of securities based on IFRSs, due to the change in the valuation of treasuries held. Therefore the amounts are different from that based on JGAAP.

## SBI証券 [SBI SECURITIES]

Through the Establishment of a  
Solid Income Base,  
Achieved Record High Profits

### Masato Takamura

SBI SECURITIES Co., Ltd.  
Representative Director and President



## Unchallenged Leadership in the Online Securities Industry

SBI SECURITIES recorded historical highs for operating revenue, and all profit categories in its financial results for FY2014 (based on JGAAP). Operating revenue increased by 4.6% year-on-year to ¥77.6 billion, operating income by 5.9% to ¥34.7 billion, and net income by 12.7% to ¥20.1 billion.

Although the Nikkei Stock Average recovered to its pre-Lehman Brothers collapse levels, average daily individual brokerage trading value on the Tokyo and Nagoya markets fell by 23% year-on-year. In contrast with the other four major online securities companies' resulting declines in operating income that was affected by the market trend, SBI SECURITIES recorded historical highs in profits, owing to the increase in margin trading, and the diversification in its revenue sources through the expansion of its services, such as investment trust and foreign exchange, which are less influenced by the stock market conditions.

SBI SECURITIES boasts an overwhelming customer base as compared to its peers, and has moved far ahead of its peers in terms of the size of its customer base. As of March 31, 2015, it had a total of 3.25 million accounts, making it the only Japanese

online securities company to break through the 3 million account barrier. At ¥9.4 trillion, its customer deposit assets are also far greater than any of its competitors. Within the entire securities industry, including major face-to-face securities companies, SBI SECURITIES is ranked a close third behind Daiwa Securities Co. Ltd., in terms of the number of accounts.

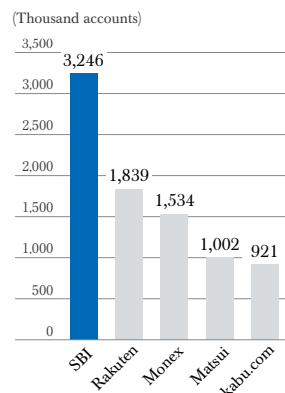
In FY2014, SBI SECURITIES' share of individual stock trading value increased by 2.8 points year-on-year to 38.1%, while the share of brokerage for margin trading by individuals was 2.3 points higher at 40.5%. Both figures are significantly higher than those of its competitors.

As of March 31, 2015, the open interest credit balance was ¥787.3 billion, which is an historical high for a fiscal year-end balance, and the financial revenue of FY2014 increased by 17.8% to ¥28.9 billion. Underwriting, offering and distribution commissions for FY2014 increased by 25.6% to ¥5.4 billion. Similar to FY2013, investment trust balance remained strong, and the balance as of March 31, 2015 was ¥1,155.0 billion, along with investment trust fees for FY2014 amounting to ¥3.8 billion, for a year-on-year increase of 28.3%. Both figures were historical highs. In addition, SBI SECURITIES underwrote 73 initial public offerings (IPOs), which was the highest total for any securities company, and the underwriting share of IPOs in which the company participated was also the highest in the industry at 84.9%.

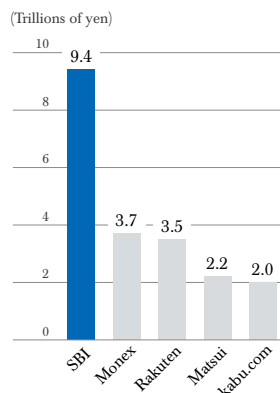
### Number of Accounts and Amount of Customer Deposit Assets at Five Online Securities Companies

(As of March 31, 2015)

#### [Number of Accounts]



#### [Customer Deposit Assets]



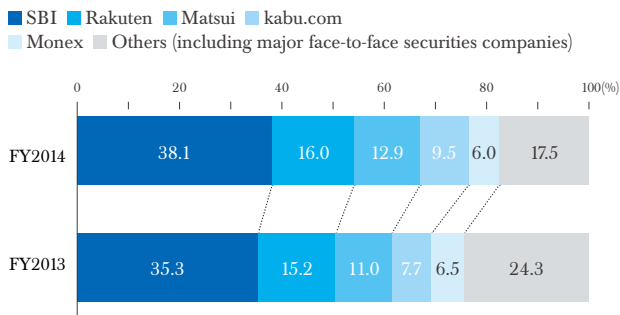
Sources: Compiled by SBI SECURITIES from information on each company's websites

## Attracting New NISA Customers

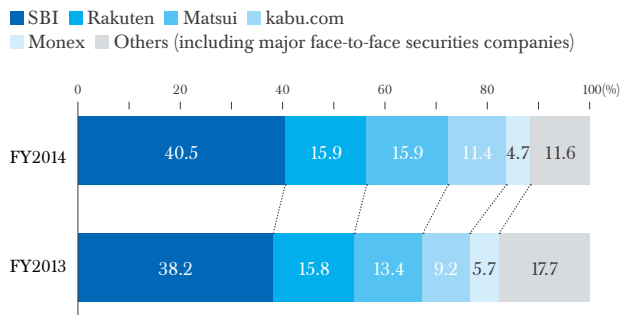
Introduced in January 2014, the Nippon Individual Savings Account (NISA) system provides tax exemption on small investments. As of March 31, 2015, SBI SECURITIES had approximately 640,000 accounts, containing assets totaling ¥272.6 billion. These totals are significantly higher than those of its peers.

An analysis of the attributes of NISA account holders as of March 31, 2015, shows that over 35% are new customers, of whom around 67% have no previous investment experience. These results confirm that SBI SECURITIES has been considerably more successful than its peers in attracting new customers. The fact that about 60% of NISA account holders are in the 20–49 age group is indicative of its success in attracting younger customers who are just starting to build their assets. An active account ratio of 58% is also high as compared with other securities companies that handle NISA accounts.

**Share of Individual Stock Trading Value**



**(of which) Share of Individual Margin Trading Value**



Source: Compiled by SBI SECURITIES based on Tokyo Stock Exchange and JASDAQ materials, and from information on each company's websites.  
 \* The individual stock trading value and individual margin trading value are the sum of the 1st and 2nd sections of the Tokyo and Nagoya Stock Exchange, respectively.

**Strong Performance by Group Companies in the Securities-related Business**

The SBI Group companies that have a strong synergistic relation with the securities business have also realized income growth. Japannext PTS, a Proprietary Trading System (PTS) operated by SBI Japannext, is the second-largest exchange market in Japan after the Tokyo Stock Exchange, and is Japan's largest PTS trading market. In FY2014, Japannext PTS's trading value increased steadily, despite an overall downturn in stock trading value, as compared with the previous fiscal year. As a result, the operating income (based on JGAAP) of SBI Japannext increased by 24.4% year-on-year to ¥1.1 billion.

**Increased Presence in FX trading**

Three SBI Group companies, consisting of SBI SECURITIES, SBI FXTRADE and SBI Sumishin Net Bank, are involved in foreign exchange trading. As of March 31, 2015, these three companies had a total of 610,000 FX trading accounts, and a balance of assets on deposit amounting to ¥173.4 billion. The SBI Group's total number of accounts and the balance of assets on deposit are both far higher than the corresponding figures for the competitors in the foreign exchange industry.

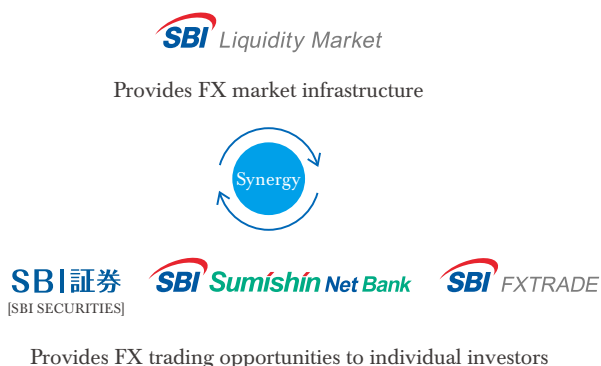
SBI Liquidity Market, which provides market infrastructure for foreign exchange trading, has maintained steady growth in its trading turnover in step with the expansion of trading by customers of SBI SECURITIES, SBI FXTRADE and SBI Sumishin Net Bank, all of which participate in trading. The financial results for SBI Liquidity Market in FY2014 show that operating income, before the proportional allocation of income to the SBI Group companies that participated in trading, increased by 30.1% to a record high of ¥11.1 billion.

Based on the income allocated from SBI Liquidity Market, SBI FXTRADE, which is a pure-play FX trading services provider, recorded an historical high in operating income, with a 33.7% year-on-year growth to ¥1.7 billion (based on JGAAP) in

FY2014. SBI FXTRADE commenced business in May 2012, and despite its status as a latecomer compared with competing companies, it has become highly competitive in this rapidly changing market environment by consistently offering the industry's narrowest spreads on the main currency pairs, and by providing a highly reliable, high-performance trading system.

SBI SECURITIES provides FX trading services primarily to customers with larger sized transactions, while SBI FXTRADE provides services for customers who carry out smaller sized frequent transactions. The presence of SBI Liquidity Market in the SBI Group, as a provider of market infrastructure, has helped the Group to increase its trading turnover at a faster rate than the industry as a whole. By expanding its presence in the area of FX trading, the SBI Group has created a complementing structure that allows it to offer investors investment opportunities based on FX trading during stock market downtrends. This is reflected in the sustained growth in incomes, and in record high results for all of the companies involved.

**Group Synergies Between FX-related Business**





## Consolidated Ordinary Income of ¥15.2 Billion, Signifying an Overwhelming Earnings Capacity Among Pure-play Internet Banks

Noriaki Maruyama

SBI Sumishin Net Bank, Ltd.  
Representative Director and  
President



### Utilizing Group Synergies to Expand the Business Base

SBI Sumishin Net Bank is a 50:50 joint venture between Japan's largest trust bank, Sumitomo Mitsui Trust Bank, and SBI Holdings. It is, by far, Japan's leading pure-play Internet bank in terms of deposits, loan balances and earning capacity. With SBI SECURITIES, SBI Sumishin Net Bank offers the SBI Hybrid Deposit service, which allows securities trading payments and proceeds to be withdrawn or deposited automatically, an example of the strong synergy within the SBI Group. Evidence of the effectiveness of this synergy differentiates the SBI Group from its peers, including the fact that over one million customers uses this system by January 2015.

SBI Sumishin Net Bank's business base continues to expand steadily. As of March 31, 2015, the number of accounts increased by 330,000 to 2.31 million from March 31, 2014, and the deposit balance increased by ¥499.3 billion to ¥3,576 billion. Also, the deposit balance surpassed ¥3.7 trillion in May 2015.

### Product Diversification Paralleled by Sustained Loans Balance Growth

Housing loans, the main loan products of SBI Sumishin Net Bank, can be divided into two products. First is the Internet Exclusive Housing Loans that it provides as an agency for the Sumitomo Mitsui Trust Bank, the second is the "MR. Housing Loan" product that SBI Sumishin Net Bank provides directly to its customers, of which the popularity was enhanced through special interest rate campaigns and other initiatives. The aggregate balance of loans based on these two products reached ¥2,279.6

billion as of March 31, 2015, an increase of ¥502.5 billion from March 31, 2014. By April 2015, the cumulative total of housing loans surpassed ¥2.3 trillion.

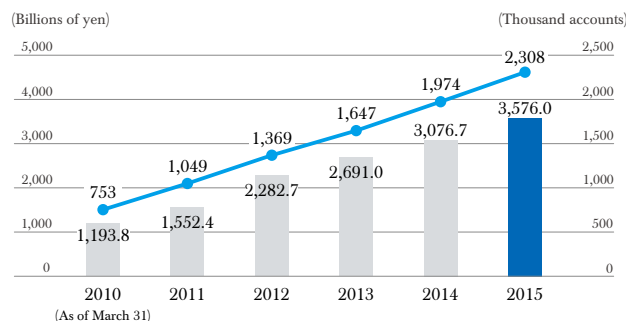
Loan balances have also risen steadily in other product categories, such as card loans and special-purpose loans, resulting in a greater diversity of methods used by SBI Sumishin Net Bank to invest its funds. The interest rate on "MR. Card Loan" products, an updated version of the existing "Net Loan" of unsecured personal loan products, is the lowest in the industry at 1.99%. In addition, the maximum amount that can be borrowed is now ¥10 million. These improvements expanded the balance of card loans provided to ¥79.4 billion as of March 31, 2015. The balance of special-purpose loans, which have been offered since May 2013, increased by a factor of 1.4 as of March 31, 2015, as compared to that of March 31, 2014.

The financial results for FY2014 (based on JGAAP) show that ordinary revenue increased by 21.0% year-on-year to ¥57.2 billion, and ordinary income by 29.6% to ¥15.2 billion. Net income was 40.4% higher at ¥10.0 billion. All of these figures are historical highs.

### Strengthening Security

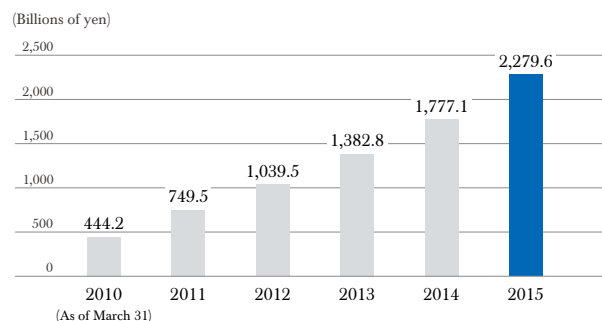
Financial crime on the Internet is rising. There has also been an increase in the use of smartphones to access Internet banking. To maintain an environment in which customers can complete their transactions with confidence, SBI Sumishin Net Bank has prioritized to reinforce its security systems, including the adoption of the "Smart Authentication" system for smartphones. It has also strengthened identity checks to prevent fraudulent access to deposit accounts.

#### Deposits and the Number of Accounts at SBI Sumishin Net Bank



■ Deposits (left axis) ◆ Number of accounts (right axis)  
\* Amounts are rounded to the nearest ¥100 million

#### SBI Sumishin Net Bank's Cumulative Total of Housing Loans\*1



\*1 Cumulative total of new loans

\*2 Amounts are rounded to the nearest ¥100 million





## Major Improvement in the Performance of SBI Insurance, with Expected Profitability in FY2015

**Hiroyoshi Kido**

SBI Insurance Co., Ltd.  
Representative Director and President



### Steady Growth of the SBI Group Insurance Companies

The SBI Group's insurance business fully utilizes the potential of the Internet in minimizing operating costs, so that it can offer low-premium auto insurance through SBI Insurance. Additionally, SBI SSI offers earthquake coverage, while SBI IKIIKI SSI provides medical and death insurance. All are realizing sustained growth in both policy numbers and premiums. In February 2015, a life insurance company, SBI Life Insurance (formerly PCA Life Insurance), also became a member of the SBI Group.

The primary business area for SBI Insurance is auto insurance. Policy numbers remain on a steep upward trend, increasing by 12.9% year-on-year to approximately 730 thousand as of March 31, 2015. This was reflected in continued high growth in earnings in FY2014, with original insurance premium income increasing by 10.5% year-on-year to ¥25.6 billion. The ratio of the insurance incurred losses to insurance premium income, and the ratio of operating expenses, were 76.1%\* and 23.3% respectively, and the sum of the two ratios remained below 100%.

There was continued steady growth in the area of small-amount and short-term insurance. The number of policies held by SBI SSI, which became a consolidated subsidiary in March 2012, increased by 11.6% year-on-year to 13,533 as of March 31, 2015. The number of policies held by SBI IKIIKI SSI, which has been a consolidated subsidiary since March 2013, increased by

19.4% to 38,753 as of March 31, 2015.

In the life insurance business, SBI Life Insurance, which joined the SBI Group as a consolidated subsidiary in February 2015, has a very sound financial structure. Its solvency margin ratio as of March 31, 2015 was 1,120.3%, indicating that the company has ample capacity to meet claims. Also the company's real asset-liability margin, which is an indicator of real shareholders' equity, is also at a satisfactory level of ¥32.2 billion.

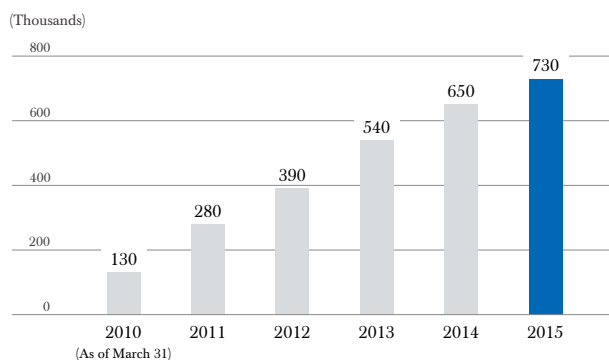
Additionally in FY2014, there was a ¥2.0 billion gain on bargain purchase, which is the difference between net assets and the acquisition price, relating to the acquisition of SBI Life Insurance.

\* This is calculated on a premium-written basis by dividing insurance payments during the period by insurance premium income.

### SBI Insurance on Track to a Positive Income Result in FY2015

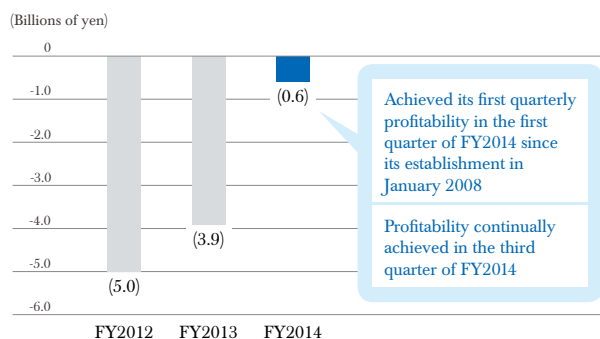
Since 2011, SBI Insurance has continually implemented a range of initiatives to improve its earning capacity, including a comprehensive review of its reinsurance and service outsourcing activities. In the first quarter of FY2014, these efforts resulted in the company's first positive quarterly income result since its establishment in January 2008. At ¥0.6 billion, its loss before income tax expense (based on IFRSs) for the whole of FY2014 was significantly reduced, compared with the previous fiscal year's result of ¥3.3 billion, and yearly income is expected to be in positive figures on an IFRSs basis in FY2015.

**Number of Auto Insurance Policies at SBI Insurance**



\* Completion and receipt of insurance premiums basis, excluding continuing, expired or cancelled policies  
\* Amounts are rounded to the nearest thousands.

**SBI Insurance's Profit before Income Tax Expense (based on IFRSs)**





## Dramatic Growth Achieved as a Common Infrastructure of the Financial Services Business

### Tomohiko Ota

SBI MONEY PLAZA Co., Ltd.  
Representative Director and  
President



## Dramatic Expansion of the Customer Base Reflected in the Results of Revenue and Income Growths

SBI MONEY PLAZA functions as the SBI Group's face-to-face sales channel. It has actively established a nationwide network of primarily franchised shops, as well as a common infrastructure, and these face-to-face shops handle securities, insurance, bank deposits and housing loans.

In FY2014, strategies including closer collaboration with SBI SECURITIES contributed to the 38.2% year-on-year increase in assets on deposit, which reached ¥560.5 billion. As a result, SBI MONEY PLAZA was able to achieve significant growth in both revenue and income for a second year in a row in FY2014. Net sales (based on JGAAP) increased by 17.2% to ¥4.8 billion, and operating income by 49.5% to ¥1.6 billion.

## As a Source of Group Synergies

SBI MONEY PLAZA closed and merged a number of existing shops in FY2014, and the total number of shops at the end of the period was 394. In May 2015, four branches in Osaka, Abeno, Itami and Kashihara were relocated and merged into its Osaka branch located in Umeda, and reopened after refurbishment. The company intends to build a nationwide chain of 500 shops, while continually working to revitalize its business and improve the overall quality of the network by closing or merging

some existing shops. At the same time, SBI MONEY PLAZA is diversifying its income structure, while targeting growth based on balance among its business areas. By strengthening its collaboration with other SBI Group companies, it will continue to create business models to meet the financial needs of a wide spectrum of customers.



SBI MONEY PLAZA Osaka Branch

## To Become Japan's Largest Financial Distributor

There is a growing demand from customers who want to choose the products that best suit their needs, after comparing all financial products available and to seek appropriate advice from experts. SBI MONEY PLAZA seeks to become Japan's largest financial distributor by responding to these needs. Its shops maintain a neutral stance and offer customers both expert advice, and a full range of financial products from both within and outside of the SBI Group.

Meanwhile, SBI MONEY PLAZA is currently making preparations for initial public offering in the near future.

## Other Financial Services

Morningstar Japan provides assessment information about financial products and websites, especially in relation to investment trusts. In FY2014, it set new records for all profit categories, including operating income, ordinary income and net income (based on JGAAP). At the non-consolidated level, Morningstar Japan has achieved profit growth for 11 consecutive years.

In addition, SBI Holdings operates Japan's foremost

comparison and cost estimation sites for financial products, through the InsWeb insurance information site and the E-LOAN site, and these businesses also continue to contribute to earnings as well.