

Financial Services Business

Through the Completion of the Financial Ecosystem, Continues to Improve the Earning Capacity with the Establishment of a Firm Business Foundation



Principal Companies

Intermediate Holding Company: SBI FINANCIAL SERVICES

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

Priority Measures

> Securities-related Business

- In the securities-related business, centering on SBI SECURITIES, endeavoring the expansion of the corporate business by further enhancing the equity and bond underwriting businesses
- Strengthening the retail business through the initiation of the first self-originated publicly offered structured bonds, and the expansion of the IFA business
- Through an in-house system development by SBI BITS, reducing system costs and improving customer convenience
- The FX-related business is accelerating its Asia deployment through the establishment of SBI FX, an affiliate in Hong Kong

> Banking-related Business

- At SBI Sumishin Net Bank, will endeavor to take SBI Card, which was incorporated to become a subsidiary in October 2015, to profitability in FY2016, to quickly develop it into a profit pillar
- Embarked on the development of a transaction based lending service as a new revenue source, by leveraging an alliance with FinTech-related companies

> Insurance-related Business

- SBI Insurance has embarked on the development of fire insurance products with low premiums
- SBI Life Insurance commenced the sales of term life and whole life medical insurance, and will increase sales by maximally utilizing the Group synergies
- In the small-amount, short-term insurance business segment, will expand the business domain and pursue further growth through additional M&A activities of small-amount, short-term insurance companies
- Strengthening the earning capacity of the entire insurance business by entering into the reinsurance business

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

(Millions of yen)

	FY2014	FY2015	YoY change (Rate of change: %)
SBI SECURITIES	34,828	37,850 Record high	3,022 (+8.7)
SBI Liquidity Market	3,046	3,303 Record high	257 (+8.4)
SBI FXTRADE	1,695	1,897 Record high	202 (+11.9)
SBI Japannext	1,081	1,493 Record high	412 (+38.1)
SBI Insurance	(618)	90 Full-year profitability	708 (-)
SBI MONEY PLAZA	1,496	1,751 Record high	255 (+17.0)
SBI Sumishin Net Bank*	5,196	3,385	-1,811 (-34.9)

* Share of results of associates using the equity method
Owing to the difference in IFRSs and JGAAP for asset assessment criteria, the profit amount is different from that based on JGAAP



With a Foundation of an Overwhelming Customer Base and Sales Capacity, Strengthening Measures to Rank among the Major Face-to-face Securities Companies

Record High Profits for Three Consecutive Fiscal Years

For its FY2015 financial results, SBI SECURITIES achieved record highs in operating revenue and all profit categories for the third consecutive year, with operating revenue up 15.7% year-on-year to ¥89.8 billion, operating income up 15.0% year-on-year to ¥39.9 billion, and net income attributable to owners of the parent up 39.5% year-on-year to ¥28.1 billion.

In April 2015, owing to factors such as a weaker yen versus the dollar in the foreign exchange markets that provided a tailwind, particularly for export-related companies, along with expectations for higher earnings and consequent shareholder returns, the Nikkei Stock Average recovered the ¥20,000 level for the first time in 15 years. However, although the Nikkei Stock Average did somewhat recover after the steep decline in global stock prices at the end of August, it ended trading at the end of March 2016 at ¥16,758, or 12.7% below the level at the end of March 2015.

Under these circumstances, individual stock brokerage trading value on the Tokyo and Nagoya stock exchanges for FY2015

declined 1.7% year-on-year, while that of SBI SECURITIES rose 6.7% year-on-year, and the advancement of the diversification of revenue sources, reflected by a continued increase in the margin trading and investment trust businesses, enabled the achievement of record high profits.

The number of accounts at SBI SECURITIES as of March 31, 2016 increased by 320 thousand year-on-year to 3.56 million, making it the only online securities company to surpass the 3.5 million account barrier, while customer deposit assets reached ¥9.5 trillion, pulling it further away from its competitors, as the company continues to enjoy an overwhelming customer base. As measured by the number of accounts, SBI SECURITIES not only dominates among online securities companies, but it is also ranked third in the industry as a whole, which includes major face-to-face securities companies, trailing second-ranked Daiwa Securities Co. Ltd. by only a small amount.

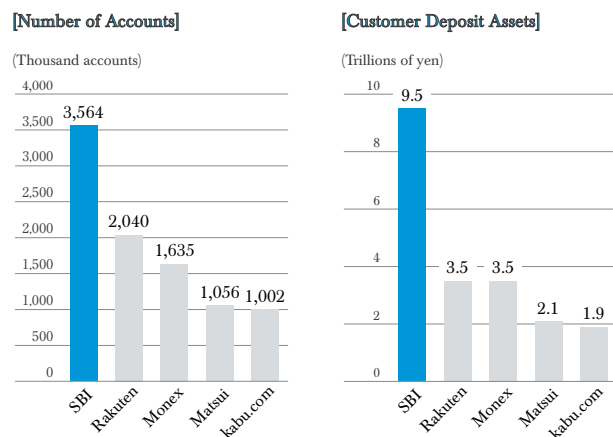
In FY2015, SBI SECURITIES' share of individual stock brokerage trading value rose from 38.1% to 42.0%, while the share of stock brokerage trading value for margin trading by individuals was up from 40.5% to 45.8%, as the company continued its dominant top-rank share within the entire Japanese securities industry, including major face-to-face securities companies.

As of March 31, 2016, the open interest credit balance was ¥678.0 billion, which was at a high level in a volatile stock market, and the financial revenue for the full fiscal year increased 12.5% year-on-year to ¥32.5 billion. Furthermore, underwriting, offering and distribution commissions for FY2015 increased by 1.2% year-on-year to ¥5.5 billion. Investment trust balance remained strong with a balance of ¥1,216.3 billion, or a 5.3% year-on-year increase, while investment trust fees for FY2015 amounted to ¥4.4 billion, for a year-on-year increase of 16.4%. All of these figures indicated high growth.

Introduced in January 2014, the Nippon Individual Savings Account (NISA) system provides tax exemption on small investments. During the fiscal year, SBI SECURITIES attracted many new customers who are also new to investing, with the number of accounts growing significantly from approximately 640 thousand accounts to 820 thousand accounts as of March 31, 2016, ranking the company second in terms of the number of NISA accounts within the industry, including the major face-to-face securities companies. As a result, assets under management pertaining to NISA increased from ¥272.6 billion to ¥424.2 billion over the fiscal year.

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

(As of March 31, 2016)



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

* Since SBI SECURITIES discloses its financial results on a consolidated basis from FY2015, the year-on-year changes presented above are based on the non-consolidated results for FY2014 for comparison purposes.

Expanding the Corporate Business while Promoting Product Diversification and Strengthening the Retail Business

SBI SECURITIES will further enhance its corporate business based on an overwhelming customer base and sales capacity in the retail business, and at the same time diversify its retail offerings and expand its unique sales channels.

In its corporate business, SBI SECURITIES was an underwriter for 82 IPOs in FY2015, or for 87.2% of the 94 total IPOs for the year, maintaining the top position in the industry. Moving forward, the company will not only continue to underwrite IPOs, but will also expand and strengthen its participation in secondary public offerings, while also considering the development of a trading business. In the retail business, the company launched the sales in March 2016 of the “Digital Coupon Reverse Convertible (Next Funds Nikkei 225 Leveraged Index Exchange Traded Fund),” the first self-originated publicly offered structured bond. This product development was overseen by SBI Securities (Hong Kong), a Hong Kong subsidiary of the company, as it made full use of the special expertise in financial product development, trading and management possessed by Book Field Capital, which became a subsidiary in April 2015. The in-house development of structured bonds, which was previously purchased from outside financial institutions, has enabled a broader-based and more attractive structured bond offering.

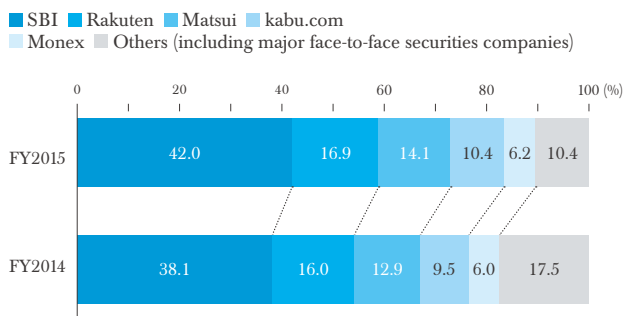
In July 2015, the SBI Group, in pursuit of an internally developed financial system, particularly for the securities business, established SBI BITS, a system development company with 93 of the 150 employees being foreign staff, possessing high technical abilities in engineering that enables a high-level in-house system development (as of March 31, 2016). By sequentially consolidating system development projects that are currently outsourced to various system vendors to SBI BITS, SBI SECURITIES expects to reduce system costs to major outside vendors by 20% over two years. Also, SBI BITS will not just provide its system development to the domestic securities

business, but also eventually expects to provide its services to a broad range of securities businesses overseas, as well as to the banking and insurance businesses.

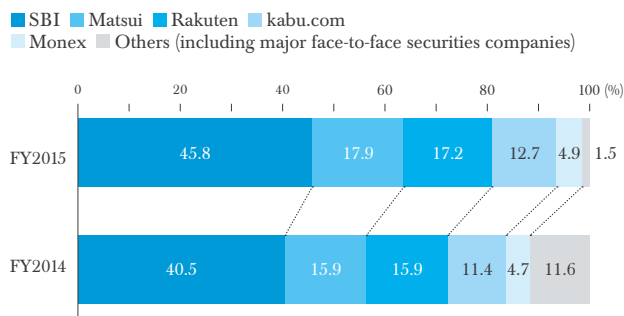
Establishing a Solid Business Foundation for FX Trading

In foreign exchange trading, SBI SECURITIES, SBI FXTRADE and SBI Sumishin Net Bank have a combined total of 760 thousand FX trading accounts, and a balance of assets on deposit amounting to ¥165.7 billion as of March 31, 2016, both of which far surpasses competitors in the FX industry. Against the backdrop of such a solid business foundation, the trading volume has been high at SBI Liquidity Market, which provides a foreign exchange market function and trading infrastructure, with operating income before the proportional allocation of income to each SBI Group company involved in transactions growing 12.8% year-on-year to a record high ¥12.5 billion (based on JGAAP). Also, at SBI FXTRADE, a pure-play FX transaction services company, operating income based on profit allocated from SBI Liquidity Market rose 11.9% to ¥1.9 billion (based on JGAAP), a record high. The company is also endeavoring to improve customer convenience by offering the industry’s narrowest spreads for major currency pairs, and by launching proprietary services such as the Leveraged Foreign-currency Recurring Trading product in December 2015.

Share of Individual Stock Brokerage Trading Value



(of which) Share of Individual Stock Brokerage Margin Trading Value



Source: Compiled by SBI SECURITIES based on Tokyo Stock Exchange and JASDAQ materials, and from information on each company’s website.

* The individual stock brokerage trading value and individual stock brokerage margin trading value are the sum of the 1st and 2nd sections of the Tokyo and Nagoya Stock Exchanges, respectively.

Improving the Earning Capacity through the Diversification of Asset Management Measures and Revenue Sources as the Customer Base Steadily Expands

Noriaki Maruyama

SBI Sumishin Net Bank, Ltd.
Representative Director and
President

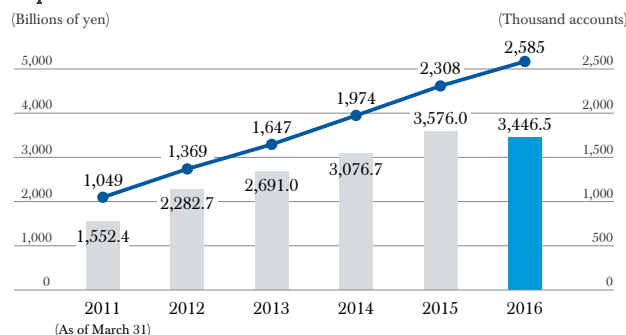


Starting Full-scale Offering of Flat 35 to Further Broaden the Product Offerings

SBI Sumishin Net Bank is a 50:50 joint venture between SBI Holdings and Sumitomo Mitsui Trust Bank, Limited, Japan's largest trust bank. The bank's business base has steadily expanded since its commencement of business, and during the fiscal year it added 270 thousand new accounts to reach a total of 2.59 million customer accounts, while the deposit balance was ¥3,446.5 billion. In its core housing loans business, SBI Sumishin Net Bank started a full-scale offering of the Flat 35 product in September 2015, which is offered through an alliance of the Japan Housing Finance Agency and private financial institutions, in addition to its principal housing loans products of Internet Exclusive Housing Loans that it provides as an agent for Sumitomo Mitsui Trust Bank, and "MR. Housing Loan REAL," which it offers through SBI MONEY PLAZA and ARUHI (formerly SBI Mortgage). As a result of this offering expansion and the high level of approval from customers, the housing loans balance, including these products, amounted to ¥2.9 trillion as of June 2016.

The financial results for FY2015 (based on JGAAP) show that ordinary revenue increased by 1.1% year-on-year to ¥57.9 billion, however, as a result of losses on the disposal of some of the bonds held, ordinary income fell 23.1% year-on-year to ¥11.7 billion and profit attributable to owners of the Company fell 15.8% year-on-year to ¥8.4 billion.

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

Full-scale Entry into the Credit Card Business, and the Diversification of Asset Management Measures along with Strengthened Security Measures

One of SBI Sumishin Net Bank's principal measures is to diversify the operating product offerings by focusing on the expansion of card loans and specific purpose loans. "MR. Card Loan," an unsecured loan for individual customers, achieved one of the lowest rates in the industry in July 2014 of 1.99%, while the credit ceiling was raised to ¥10 million. These improvements expanded the balance of card loans as of March 31, 2016 to ¥110.8 billion. In June 2016, the minimum interest rate was lowered to 1.89% in response to diverse customer needs, and to improve services. Additionally, for specific purpose loans, which have been offered since May 2013, the balance increased year-on-year by 1.4 times to ¥13.2 billion as of March 31, 2016.

With the incorporation of SBI Card as a wholly owned subsidiary, it has embarked into the full participation in the credit card business, and since January 2016 it initiated the offering of Visa debit cash cards. Through these efforts, SBI Sumishin Net Bank will expand the settlement business and quickly develop it into a profit pillar. The credit card business will endeavor to achieve profitability in FY2016 by improving its earning structure, through revised offerings and the fundamental overhaul of the business flow. Also, as a new revenue source, the bank is preparing to commence a credit card merchant acquiring business (a credit card member store service) and a transaction based lending service (a loan service for credit card member stores) through collaborations with settlement agencies.

In addition, security measures are being strengthened in light of the increase in financial crimes on the Internet. Efforts are focused on ensuring a safe transaction environment through such actions as encouraging the use of Smart Authentication, a smartphone-based authentication service that uses a proprietary app with patent approval, or an e-mail service for electronic account transfers and a strict customer verification to prevent improper use of bank accounts.



Developing a Fire Insurance Product with Low Insurance Premiums through the Maximization of Group Synergies

Hiroyoshi Kido

SBI Insurance Co., Ltd.
Representative Director and President



SBI Insurance Achieves a Full-year Profit for the First Time since Its Establishment

The SBI Group insurance business, which originated in non-life insurance centered on auto insurance, has expanded its business into small-amount, short-term insurance that deals with earthquake indemnity insurance, medical insurance and mortality insurance, and in February 2015, SBI Life Insurance (formerly PCA Life Insurance) was incorporated as a subsidiary, which allowed the business to establish a foundation to offer a more comprehensive set of insurance services. SBI Insurance, which oversees the core of the Group's insurance business, has achieved its first full-year profit in the ninth fiscal year since its commencement of operations, with FY2015 profit before income tax expense of ¥0.1 billion (based on IFRSs), aided by a strong buildup in insurance policies, particularly in auto insurance, and a thorough set of cost reductions. SBI Insurance conducts a low-cost operation that maximally utilizes the Internet to minimize auto insurance premiums, and so has received the support of many customers. As of March 31, 2016, the number of insurance policies increased 12.1% year-on-year to 820 thousand, while net premiums on direct insurance maintained its high growth with a 12.2% increase year-on-year to ¥28.7 billion, and the combined ratio (direct insurance basis) fell 3.9 points from FY2014 to 95.5%. Additionally, the cost ratio for direct insurance remained at a low level of 20.8%, and the increase in selling, general and administrative expenses, including advertising costs were controlled, while new insurance policies were efficiently acquired, all contributing to the profitability achieved.

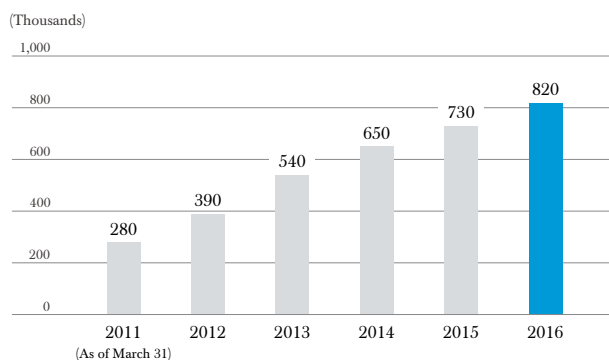
As a new strategy, SBI Insurance is developing a fire insurance product with affordable premiums. The business also plans to bring down selling costs through a thorough pursuit of synergies with SBI

Sumishin Net Bank and ARUHI (formerly SBI Mortgage), which handles a large volume of housing loans, as well as SBI MONEY PLAZA.

Favorable Trends in All Group Insurance Businesses

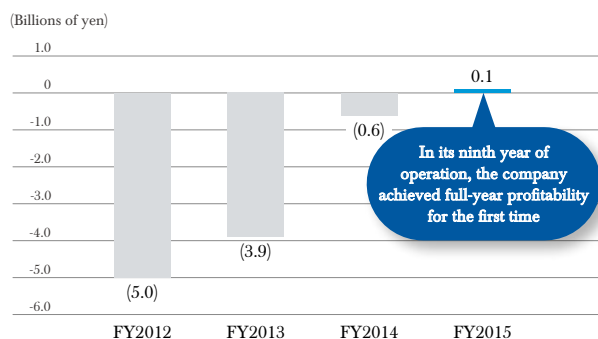
SBI Life Insurance, a new addition to the Group, started sales of new products for term life insurance and whole life medical insurance in February 2016. Even for these products, the Group's synergies will be maximized to expand sales through the online channels, as well as the "face-to-face channels" of face-to-face insurance shops and call centers. In the small-amount, short-term insurance business, the number of such policies in force at SBI SSI rose 21.3% from the previous fiscal year to 16,414 policies, while SBI IKIIKI SSI's policies in this area increased 20.1% year-on-year to 46,546. Since joining the SBI Group, the two companies have experienced dramatic growth in the number of policies in force. In June 2016, the SBI Group announced that Nihon Small Amount & Short Term Insurance, which mainly sells home contents insurance to rental tenants, would become a subsidiary, subject to an authorization granted from the relevant authorities in Japan, to promote a sales collaboration between the three SBI Group companies in this business, in order to achieve higher growth. In addition, the Group embarked into the reinsurance business through the acquirement of a relevant reinsurance license in May 2016. The reinsurance operations will commence in the first half of FY2016, and SBI Insurance and SBI Life Insurance will transfer a portion of their insurance policies that are currently ceded externally, as these moves will strengthen the plans to improve the earning capacity of the entire insurance business by controlling insurance fees and other costs that are paid to outside vendors.

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)





Advancing the Diversification of the Business Domain to Establish a Stable Revenue Base

Tomohiko Ota

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



Achieved Increases in Both Revenue and Profit for Three Consecutive Years

SBI MONEY PLAZA, which is the common infrastructure of the Financial Services Business, is undertaking a nationwide expansion of its face-to-face shops, which handles securities, insurance, bank deposits and housing loans, as the face-to-face sales channel of the SBI Group. The SBI MONEY PLAZA shops are operated primarily through a franchise system. Among these shops, the flagship Shinjuku Chuo Branch had a renewal opening in May 2016. With the benefit of having the sales capability which is an advantage of a face-to-face operation, in its role as a consultation office for asset management and housing loans products of SBI Sumishin Net Bank and other services, it is offering products from both within and outside of the Group on a neutral basis through an one-stop approach.

As a result of efforts to strengthen its alliance with SBI SECURITIES, SBI MONEY PLAZA's assets on deposit as of March 31, 2016, totaled ¥698.4 billion, a sizeable year-on-year increase of 24.6%. Also, with the additional success in diversifying its revenue source, FY2015 financial results for the business (based on JGAAP) recorded a 13.5% year-on-year increase in revenue to ¥5.4 billion, and an 11.3% year-on-year increase in operating income to ¥1.8 billion, achieving significant increases in revenue and profit for three consecutive years.

Strengthening Sales Capacity through an Expansion of the Partner Network

SBI MONEY PLAZA, which has been reorganizing and integrating existing branches, in order to advance the efficiency of shop operations, had 380 locations (20 directly operated) as of March 31, 2016, and plans to build a nationwide system of 500 locations by capitalizing on its partner network with large accounting offices and regional banks. Looking ahead, the business is considering the opening of directly operated shops in major urban centers, and is active in alliances with new partner companies as it strengthens its sales capacity through added efficiency and an expanded network.

Additionally, SBI MONEY PLAZA in January 2016 completed its registration as a Type II Financial Instrument Business Operator under Japanese securities law, enabling an agile provision of financial products. Moving forward, through an enrichment of its product offerings, SBI MONEY PLAZA will also be expanding its business domain.



SBI MONEY PLAZA,
Shinjuku Chuo Branch

Other Financial Services Businesses

Record High Profits in a Variety of Other Financial Services Businesses

SBI Remit, which operates an international remittance business, is expanding globally through an alliances with Moneygram, a major U.S. international remittance service provider, as well as financial institutions in South America and Asia. In FY2015, the company achieved its first full-year profit since its establishment in 2010, as a result of dramatic increases in the amount of remittance for Vietnam and China, as well as firm

results in remittances to the Philippines.

In addition, SBI Holdings' division operating Japan's foremost comparison and cost estimation websites for financial products through InsWeb insurance marketplace and the E-Loan website achieved record high profits. Furthermore, SBI Benefit Systems, which provides operation management services for defined contribution pension plans, also achieved record high profit, and going forward, the Group's Financial Services Business companies will target further growth by engaging in developing new services by leveraging FinTech technologies.