



*Strategic  
Business  
Innovator*

# **SBI Holdings, Inc.**

## **Financial Results**

**for the Six-month Period Ended Sept. 30, 2012  
(Fiscal Year Ending March 31, 2013)**

**November 8, 2012**

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

**None of the Group companies guarantees the completeness of this document in terms of information and future business strategy.**

**The content of this document is subject to revision or cancellation without warning.**

**Note: Fiscal Year (“FY”) ends March 31 of the following year**

- 1. Consolidated Financial Results  
for the First Half of FY2012**
- 2. Future Management Policies**

# **1. Consolidated Financial Results for the First Half of FY2012**

## **(1) 1H FY2012 Consolidated Results**

## **(2) Quarter-on-quarter Performance Comparison Disclosure Based on IFRS from 1Q FY2012**

**Owing to the adoption of IFRS, the operating revenue  
and each profit stage is viewed thoroughly differently  
from that based on J-GAAP**

# **(1) 1H FY2012 Consolidated Results**

# 1H FY2012 Consolidated Performance (IFRS)

(JPY million)

	<b>1H FY2011</b> (Apr. 2011 - Sept. 2011)	<b>1H FY2012</b> (Apr. 2012 - Sept. 2012)	<b>YoY change</b>
<b>Operating Revenue (Net Sales)</b>	<b>80,877</b>	<b>67,583</b>	<b>-13,294</b>
<b>Operating Income</b>	<b>5,641</b>	<b>806</b>	<b>-4,835</b>
<b>Profit Before Income Tax Expense</b>	<b>4,635</b>	<b>-296</b>	<b>-4,931</b>
<b>Profit for the Period</b>	<b>1,129</b>	<b>-819</b>	<b>-1,948</b>
<b>Profit attributable to owners of the Company</b>	<b>334</b>	<b>-1,364</b>	<b>-1,698</b>

# Owing to the Adoption of IFRS and the Group Reorganization, the Volatility of the Consolidated Financial Results Increased

## ① Major factors for earnings fluctuation due to adoption of IFRS

- Consolidation scope is changed

The Asset Management Businesses' investee companies, in which the Group holds over 50% of the shares must be consolidated on an IFRS basis, while not on a JGAAP basis. Therefore, operating revenue (sales) and each profit stages will fluctuate when the companies are sold.

- Fair-value-based asset evaluation changes revenue recognition

Operational investment securities are evaluated quarterly based on fair value, whether listed or unlisted. Valuation gain/ loss is recorded on operating revenue even when there is no actual sale of assets. The same amount of gain/ loss is to be recorded on operating income/loss and profit/loss before income tax expense

## ② Major factors for earnings fluctuation due to group reorganization

- Effect of sale of consolidated company on financial results

The Group continues to advance the "Brilliant Cut Initiative," a business reorganization, to realize selection and concentration of business. The sale of a consolidated company will exclude that company from the consolidated results of the Group, making it a significant factor of fluctuation when comparing past consolidated results of the Group.

# 1H FY2012 Primary Factors for YoY Changes in Operating Revenue

(JPY billion)

## Changes from the introduction of IFRS

-12.0

- Although VSN was acquired for investment purposes, it was deemed a controlled entity, therefore the resulting decrease from the sale of VSN in Jan. 2012 was reflected on a consolidated basis. [AM] -8.0
- Losses from decrease in fair value of operational investment securities for 2Q FY2012 (July-Sept. 2012) [AM] -4.0

## Changes from organizational restructuring

-3.1

- Decrease from sale of the former SBI VeriTrans (in Mar. 2012) [FS] -3.6
- Decrease from sale of the former HOMEOSTYLE (in Nov. 2011) [Others] -2.3
- Marginal gain recorded from step acquisition procedure of SBI Japannext as a consolidated subsidiary [FS] +2.8

## Others, such as changes resulting from other companies

+1.8

(Of which the changes are of operating companies on a relatively large scale are as below)

- SBI SECURITIES [FS] -2.1
- SBI Liquidity Market [FS] -1.2
- SBI Insurance [FS] +3.5
- SBI Mortgage [FS] +1.2



## **(2) Quarter-on-quarter Performance Comparison Disclosure Based on IFRS from 1Q FY2012**

# FY2012 Quarterly Consolidated Performance (IFRS)



(JPY million)

	<b>1Q FY2012</b> (Apr. 2012 - June 2012)	<b>2Q FY2012</b> (July 2012 - Sept. 2012)	<b>1H FY2012</b> (Apr. 2012 - Sept. 2012)
<b>Operating Revenue (Net Sales)</b>	<b>36,599</b>	<b>30,984</b>	<b>67,583</b>
<b>Operating Income</b>	<b>3,906</b>	<b>-3,100</b>	<b>806</b>
<b>Profit Before Income Tax Expense</b>	<b>3,432</b>	<b>-3,728</b>	<b>-296</b>
<b>Profit for the Period</b>	<b>2,279</b>	<b>-3,098</b>	<b>-819</b>
<b>Profit attributable to owners of the Company</b>	<b>1,403</b>	<b>-2,767</b>	<b>-1,364</b>

# FY2012 Quarterly Operating Revenue (Net Sales) by Segment (IFRS)

(JPY million)

	<b>1Q FY2012</b> (Apr. 2012 - June 2012)	<b>2Q FY2012</b> (July 2012 - Sept. 2012)	<b>1H FY2012</b> (Apr. 2012 - Sept. 2012)
<b>Financial Services Business</b>	<b>23,668</b>	<b>26,959</b>	<b>50,627</b>
<b>Asset Management Business</b>	<b>11,639</b>	<b>2,026</b>	<b>13,665</b>
<b>Biotechnology-related Business</b>	<b>276</b>	<b>224</b>	<b>500</b>
<b>Others</b> (Mainly Housing and Real Estate Business)	<b>1,663</b>	<b>2,527</b>	<b>4,190</b>

\* Note: Figures referring to segment totals do not include consolidated elimination.

# FY2012 Quarterly Profit Before Income Tax Expense by Segment (IFRS)

(JPY million)

	<b>1Q FY2012</b> (Apr. 2012 - June 2012)	<b>2Q FY2012</b> (July 2012 - Sept. 2012)	<b>1H FY2012</b> (Apr. 2012 - Sept. 2012)
<b>Financial Services Business</b>	<b>659</b>	<b>3,219</b>	<b>3,878</b>
<b>Asset Management Business</b>	<b>5,087</b>	<b>-4,608</b>	<b>479</b>
<b>Biotechnology-related Business</b>	<b>-687</b>	<b>-473</b>	<b>-1,160</b>
<b>Others</b> (Mainly Housing and Real Estate Business)	<b>134</b>	<b>512</b>	<b>646</b>

\* Note: Figures referring to segment totals do not include consolidated elimination.

# Analysis of Primary Fluctuation Factors (1)

## -Asset Management Business-

Owing to the weak market conditions, the fair value of operational investment securities, the component of operating revenue, greatly impacted the performance of the Asset Management Business.

[Primary Fluctuations Factors in Quarterly Results]

(IFRS, JPY billion)

	1Q FY2012 (Apr.-June 2012)	2Q FY2012 (July-Sept. 2012)
<b>Operating revenue (Asset Management)</b>	<b>11.6</b>	<b>2.0</b>
Profits and losses from the change in fair value	5.8	-3.3
SBI Capital Solutions related *1	0.5	0
Investees under management and consultation *2	4.7	4.7
<b>Profit before income tax expense (Asset Management)</b>	<b>5.1</b>	<b>-4.6</b>
Profits and losses from the change in fair value	5.8	-3.3
SBI Capital Solutions related *1	0.4	-0.2
Investees under management and consultation *2	0.3	-0.1

\*1 Includes SBI Capital Solutions (sold in September 2012) and the funds managed by the company.

\*2 Controlling companies among the companies acquired to manage and consult are consolidated and the results are reflected in the Asset Management Business.

Applied to: SBI AXES and NARUMIYA INTERNATIONAL.

# Analysis of Decrease in Revenue and Profit Reflecting Changes in Fair Value in This 2Q (July-Sept.)



## 2Q FY2012(July-Sept.) Market Environment Affecting the Asset Management Business

### [ The Stock Market ]

	June 30	→	Sept. 30	Change
<b>Nikkei 225</b>	9,006.78	→	8,870.16	<b>-1.5%</b>
<b>SSE Composite</b>	2,225.43	→	2,086.16	<b>-6.3%</b>

### [ The Exchange Against the Yen ]

1 currency unit = yen

	Average rates for 1Q	→	Average rates for 2Q	Change
<b>EUR</b>	102.94	→	98.41	<b>-4.4%</b>
<b>CNY</b>	12.65	→	12.38	<b>-2.1%</b>
<b>USD</b>	80.06	→	78.63	<b>-1.8%</b>

### Major valuation profits and losses resulting from listed stock price fluctuations in the stock markets for 2Q FY2012

(JPY billion)

Stock name	Valuation loss	Details of the influences
New Horizon Fund (No.1&2)	-1.3	Contains Chinese listed stocks in the investees in the funds
Haitong Securities	-0.3	Listed on Chinese Markets (Shanghai, Hong Kong)
Renren	-0.2	Chinese stock (listed on NYSE)
Tokyo Stock Exchange	-0.8	Tracks OSE. price (listed on JASDAQ)

**For those operational investment securities that fair value valuation is applied to, evaluation profits and losses were significantly impacted particularly by the deterioration of the Chinese stock market.**

# Analysis of Primary Fluctuation Factors (2)

## - Financial Services Business -

### Subsidiaries Affecting QoQ Business Performance Fluctuations

[ Major factors affecting changes in Operating Revenue ]

(Based on IFRS, Unit: JPY billion)

	1Q FY2012	2Q FY2012	QoQ change	Major elements
<b>Operating Revenue (Net Sales) of Financial Services Business</b>	<b>23.7</b>	<b>27.0</b>	<b>+3.3</b>	
<b>SBI SECURITIES</b>	<b>9.2</b>	<b>9.0</b>	<b>-0.2</b>	Decrease in Individual brokerage trading value
<b>SBI Liquidity Market</b>	<b>1.9</b>	<b>1.5</b>	<b>-0.4</b>	Decreased volatility of the currency exchange rates
<b>SBI Insurance</b>	<b>4.7</b>	<b>4.9</b>	<b>+0.2</b>	Number of contracts and the corresponding premiums received continue to grow steadily
<b>SBI Mortgage</b>	<b>2.9</b>	<b>3.4</b>	<b>+0.5</b>	Balance of Housing Loans continue to grow steadily
<b>Gain on step acquisition associated with the consolidation of SBI Japannext</b>	<b>-</b>	<b>2.8</b>	<b>+2.8</b>	Consolidation of SBI Japannext through additional share acquisition

\*1 Rounded up or down to the nearest 100 million yen

\*2 SBI Japannext has been consolidated from Sept. 30, 2012.

\*3 Abovementioned figures are the financial results of each company that is recognized in SBIH's consolidated financial statements

# Analysis of Primary Fluctuation Factors (2)

## - Financial Services Business -

### Subsidiaries Affecting QoQ Business Performance Fluctuations

[ Major factors affecting change in Profit Before Income Tax Expense ]

(Based on IFRS,  
Unit: JPY billion)

	1Q FY2012	2Q FY2012	QoQ change
<b>Profit Before Income Tax Expense of Financial Services Business</b>	<b>0.7</b>	<b>3.2</b>	<b>+2.5</b>
<b>SBI SECURITIES</b>	<b>1.3</b>	<b>1.7</b>	<b>+0.4</b>
<b>SBI Liquidity Market</b>	<b>0.4</b>	<b>0.3</b>	<b>-0.1</b>
<b>SBI Insurance</b>	<b>-0.9</b>	<b>-2.2</b>	<b>-1.3</b>
<b>SBI Mortgage</b>	<b>0.5</b>	<b>0.9</b>	<b>+0.4</b>
<b>SBI Sumishin Net Bank</b> (Share of profits of associates using the equity method)	<b>-0.7</b>	<b>0.1</b>	<b>+0.8</b>
<b>Gain on step acquisition associated with the consolidation of SBI Japannext *2</b>	<b>-</b>	<b>2.8</b>	<b>+2.8</b>

\*1 Rounded up or down to the nearest 100 million yen

\*2 SBI Japannext has been consolidated from Sept. 30, 2012.

\*3 Abovementioned figures are the financial results of each company that is recognized in SBIH's consolidated financial statements



## [State of Companies that were Primarily Responsible for QoQ Changes]

- ① **SBI Insurance**
- ② **SBI SECURITIES**
- ③ **SBI Mortgage**
- ④ **SBI Sumishin Net Bank** (Equity-method Company)
- ⑤ **SBI Japannext** (Equity-method Company)  
(Consolidated on Sept. 30, 2012)

## ① SBI Insurance

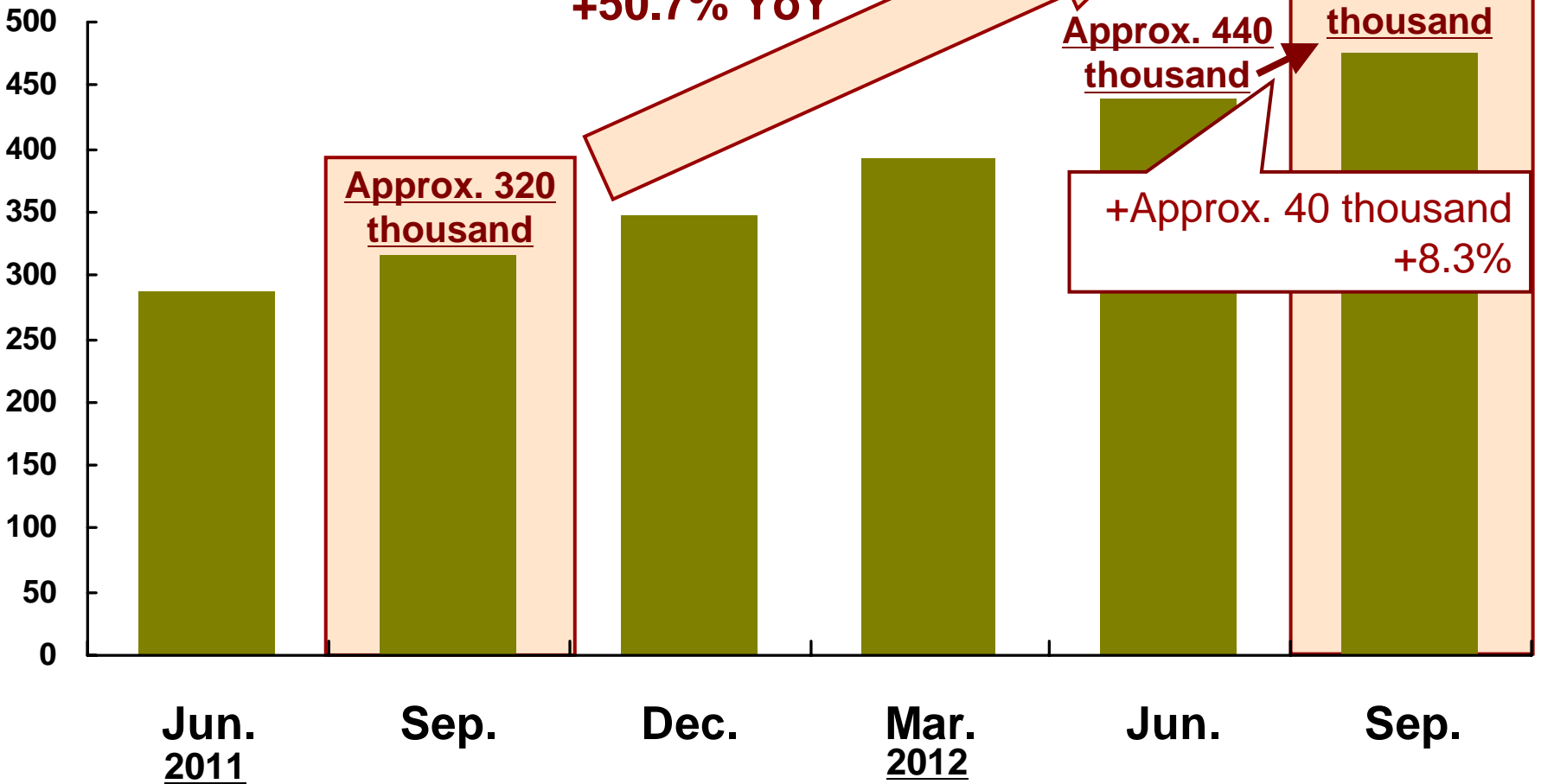
- i) The number of contracts and the corresponding premiums received continue to increase steadily.
- ii) The cumulative operating cash flow was a positive JPY 0.46bn.
- iii) In preparation for the further expansion of the number of contracts, capital increased by JPY 6.0bn to maintain the soundness of the management.
- iv) Significantly improved the net expense ratio and the combined ratio by the termination of the reinsurance contract and outsourcing agreement with Aioi Nissay Dowa Insurance
- v) Working to lower loss ratio and draw down net expenses to improve profitability, with the objective of achieving a turnaround in FY2015 on an IFRS consolidated basis as well as conducting IPO during FY2016.
- vi) Extending product lines by launching new products and commencing the sale of business partners' products. Striving to improve profitability by diversifying the product portfolio while strengthening the alliance with SBI MONEY PLAZA.
- vii) Transfer of SBI Insurance's share (19.85% of the issued share) to WebCrew Inc. Planning to decrease the SBI Group's shareholding rate to around 40-50% through forming capital and business alliances with strategic partners

# SBI Insurance's Auto Insurance Contracts Posted a High Growth Rate, Growing by 50.7% Year-on-year

## Number of Auto Insurance Contracts (Written Basis\*) / Cumulative

Approx. 490 thousand (as of the end of Oct. 2012)

(thousand policies)



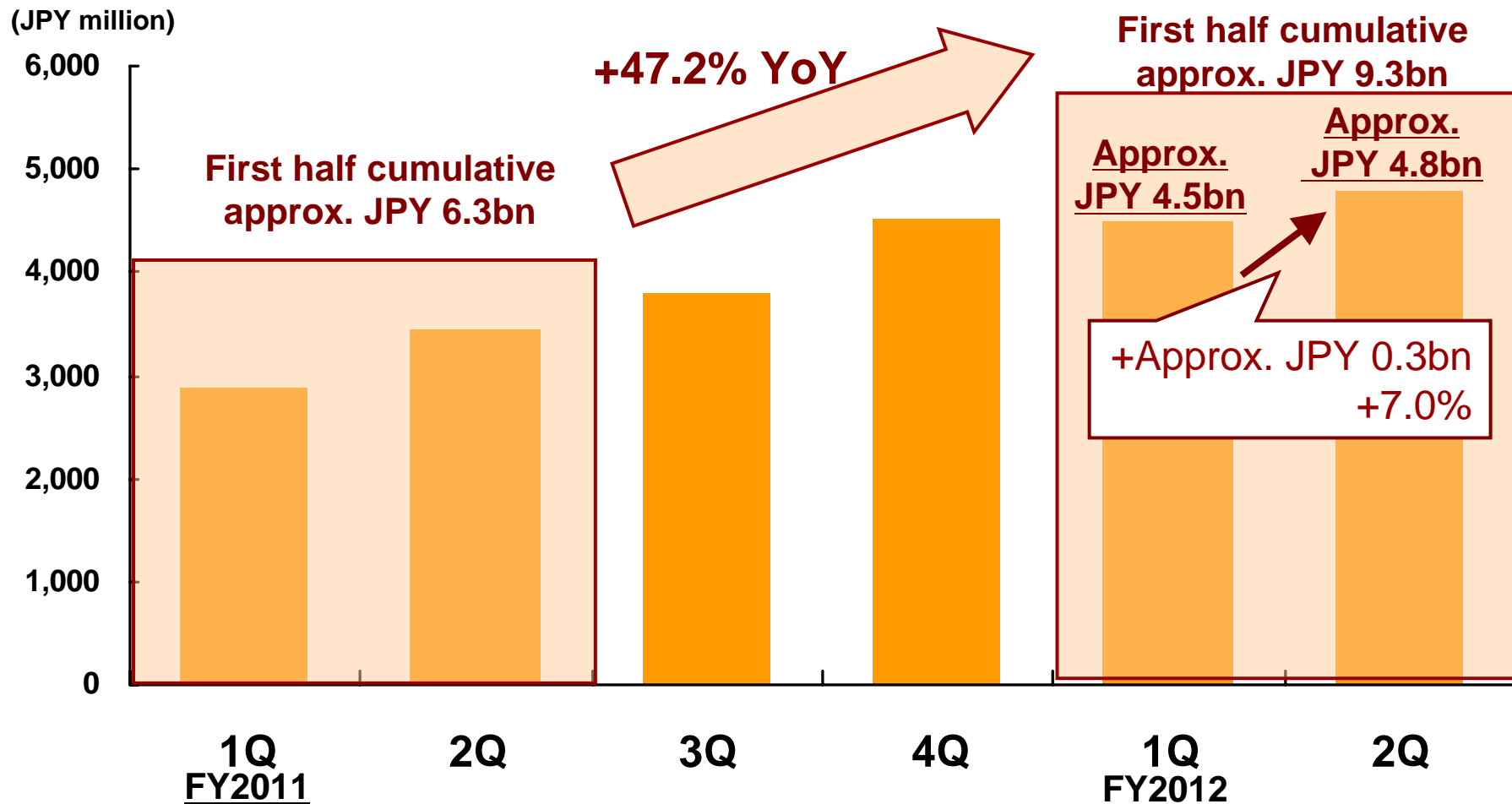
\*Written basis: Completion of receipt of insurance premium \*Excluding continuing contracts, expiring contracts, and early-withdrawals

# Insurance Premium Income at SBI Insurance Continues to Increase

The premium income for 1H FY2012 (Apr.-Sept. 2012) was approx. JPY 9.3bn, up 47.2% YoY

Approx. JPY 10.9bn  
(cumulative as of the end of  
Oct. 2012)

## Change in Insurance Premium Income (Written Basis\*)



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

# SBI Insurance : Comparison of Auto Insurance Premium Income at Major Direct Insurance Companies

SBI Insurance's Auto insurance premium income for 1Q FY2012 exceeded American Home Direct & Fire Insurance, Sonpo24 and Saison Automobile, which started the businesses prior to SBI Insurance

## Comparison of Auto Insurance Premium Income

(JPY million)

	Date of operation	FY2009		FY2010		FY2011		FY2012 1Q
Sony Assurance	Sept. 1999	59,849	Sony Assurance	65,516	Sony Assurance	70,712	Sony Assurance	19,219
Mitsui Direct	June 2000	32,054	AXA	33,271	AXA	35,261	AXA	10,068
AXA GENERAL INSURANCE	July 1999	30,689	Mitsui Direct	32,688	Mitsui Direct	33,830	Mitsui Direct	8,854
Zurich Insurance (Japan Branch)	July 1986	27,973	Zurich Insurance	27,931	Zurich Insurance	30,126	Zurich Insurance	8,103
American Home Direct	Dec. 1960	17,365	American Home	17,143	American Home	16,594	<b>SBI Insurance</b>	<b>4,569</b>
Sonpo 24	Mar. 2001	9,820	Sonpo 24	10,697	<b>SBI Insurance</b>	<b>14,288</b>	American Home	4,008
Secom General Insurance	Mar. 1950	8,625	<b>SBI Insurance</b>	<b>10,069</b>	Sonpo 24	11,810	Sonpo 24	3,190
Saison Automobile & Fire Insurance	Apr, 1983	8,202	Secom	8,475	Secom	8,352	Saison	2,822
<b>SBI Insurance</b>	<b>Jan. 2008</b>	<b>4,713</b>	Saison	7,755	Saison	7,990	E.design	2,337
E.design Insurance	June 2009	1,100	E.design	2,856	E.design	5,213	Secom	Undisclosed

\*Direct net premiums written, except for E.design, whose figures are net premiums written (Source: Disclosure from each company)

SBI Insurance: **Strengthening the Management Foundation  
in Expectation of Further Growth**



- ✓ Since 2Q FY2011, positive operating cash flow has been maintained
- ✓ Increased capital in preparation for the further business expansion

Insurance events increased due to seasonal influences, such as summer holidays, typhoons, heavy rain falls, etc. In addition, September saw the last payment of one-off expenses (JPY 0.75bn) associated with the termination of past reinsurance agreements

Positive cash flows maintained since 2Q FY2011

**In preparation for the further business expansion, increased capital by JPY 6.0bn to maintain management healthiness in Sept.. 2012**

	1Q FY2012	2Q FY2012
<b>Policy reserve</b>	<b>JPY 9.6bn</b>	<b>JPY 10.2bn</b>
<b>Net loss</b> (in terms of the impact on the SBI Holdings consolidated results, based on IFRS)	<b>JPY -0.9bn</b>	<b>JPY -2.2bn</b>
<b>Operational cash flow</b>	<b>JPY 0.11bn</b>	<b>JPY 0.35bn</b>
	<b>EOM June 2012</b>	<b>EOM Sept. 2012</b>
<b>Solvency margin ratio*</b>	<b>413.2%</b>	<b>722.0%</b>

\* Solvency margin ratio:

This is one of the Insurance Business Act indices for the determination of the relative soundness of the management of an insurance company. It indicates if a company has enough cash to pay insurance claims on time. If a company has a solvency margin ratio above 200%, the company is considered as 'its financial condition such as ability to pay insurance premium is favorable'. The numbers above are calculated under the current new standard. The numbers at EOM Sept. 2012 are before audit.

# Measures to Increase Profitability of SBI Insurance (Phase 1)

With the termination of the reinsurance contract and outsourcing agreement with Aioi Nissay Dowa Insurance, the net expense ratio and the combined ratio was significantly reduced.

## 2Q FY2012

(%)	Operating expenses ratio	+	Net loss ratio	=	Combined ratio
<b>Result</b>	<b>38.6</b>		<b>64.9</b>		<b>103.5</b>

\*Estimations assuming continued reinsurance and consignment agreements

<b>Trial calculation</b>	<b>79.4</b>		<b>91.5</b>		<b>170.9</b>
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Sharp reduction in net expense ratio and combined ratio thanks to the termination of reinsurance and consignment agreements

(\*) Combined ratio:

An index reflecting profitability of non-life insurance companies. The ratio of the sum of insurance premium payment and expense to insurance premium income.

Reference (%)	Operating expenses ratio	Net loss ratio	Combined ratio
<b>Sony Assurance</b>	25.7	63.3	89.0
<b>Mitsui Direct</b>	21.4	77.4	98.8
<b>AXA GENERAL INSURANCE</b>	24.1	68.8	92.9
<b>Zurich Insurance (Japan Branch)</b>	44.4	69.3	113.7

	Operating expenses ratio	Net loss ratio	Combined ratio
<b>American Home Direct</b>	61.0	43.9	104.9
<b>Sonpo 24</b>	30.5	68.7	99.2
<b>E.design Insurance</b>	131.5	62.4	193.9

Source: Disclosed materials of FY2011 of each company


Working to lower loss ratio and draw down net expenses to improve profitability, with the objective of achieving a turnaround on an IFRS consolidated basis in FY2015, as well as conducting IPO in FY2016.

#### Lowering loss ratio

- Planning to modify our insurance premium structure into a more fine-tuned one for improving loss ratio next spring, with which we can maintain a competitive edge against other companies.
- Improving products, including a review of special contracts in auto insurance.
- Further segmenting and tightening filtering function. Conducting fine-tuned filtering operations with the help of the partnership of WebCrew Inc.
- Striving to improve profitability by diversifying the product portfolio while strengthening the alliance with SBI MONEY PLAZA.

#### Cutting down on net expenses

- Reducing the cost of call center operation through various initiatives including a revision to business hours and utilization of the Group's resources.
- Cutting down on advertising expenses by improving target marketing skills through careful selection of customer acquisition media.
- Promoting paperless operations and cutting back on postage by modifying various business forms and ledger sheets.
- Reducing outsourcing costs by in-house handling of inquiries relating to accidents outside of business hours and business days.



Projected combined ratio of 97.6% for FY2013 and 96.4% for FY2014



# Diversification of the Product Portfolio Through the Launch of New Products, as well as Providing Partner Company Products

## [SBI's products]

### SBI損保のがん保険 自由診療タイプ

SBI Insurance's Cancer Insurance Voluntary Check Type

Aug. 2012 on sale



("The Nikkei" newspaper on Sept. 12, 2012)

## SBI損保の自動車保険

Selected as No.1 in customer satisfaction surveys conducted by various media since its first launch.

Weekly Diamond "Auto Insurance premium ranking" No.1 for 4 years

(Apr. 21, 2012 Weekly Diamond Special Issue "No More Fooled by Insurance")



## [Partner companies' products]

### Fire insurance

Aug. 2012 on sale



Underwriter:  
SAISON AUTOMOBILE&FIRE INSURANCE

### Earthquake insurance products

Underwriter:  
SBI SSI



### Traveler's insurance

Underwriter:  
HS Insurance



➡ Taking full advantage of the sales counter channel at 295 nationwide branches (as of the end Oct. 2012), the face-to-face channel of SBI MONEY PLAZA

# Future Financial Policy for Insurance Business

On January 31, 2012 (in the third quarter financial results), announced our policy of reducing SBI's shareholding of SBI Insurance

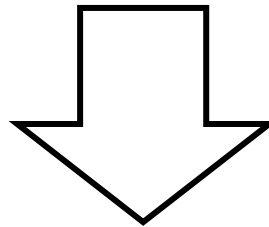


As the business expands

- The policy reserve causes an accounting deterioration in the business performance
- Requires repeated large additional capital



Currently endeavoring to enter by either acquisition or establishment

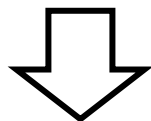


**Considering the flexibility of reducing SBI's shareholding ratio to as low as 40-50%, through the formation of capital and business tie-ups, for both the life and nonlife insurance businesses.**

# Announced Capital Participation of WebCrew Inc. to SBI Insurance on October 2, 2012

**To transfer SBI Insurance's share (19.85% of the issued share capital of SBI Insurance) to WebCrew Inc.**  
(Delivery date will be Nov. 19, 2012)

Major shareholders	After delivery
SBI Group	76.58%
WebCrew Inc.	19.85%
Aioi Nissay Dowa Insurance Co., Ltd.	3.46%
SOFTBANK CORP.	0.11%



**Planning to decrease the SBI Group's shareholding rate to around 40-50% through forming capital and businesses alliances with strategic partners**

## WebCrew Inc.

Providing an independently operated portal website "Zubatto" that enables the users to easily compare and choose the most relevant financial products or services including insurances and daily living services they are seeking for. Their subsidiary, Hoken Minaoshi Honpo Co., Ltd., manages outlets that provide recommendations on selecting of life and non-life insurance.

Formed a business tie-up with WebCrew Inc., with the objective of:

- Enhancing collaboration with our marketplace business,
- Creating a stronger cross selling operation on the back of two companies' customer bases.

## ② SBI SECURITIES

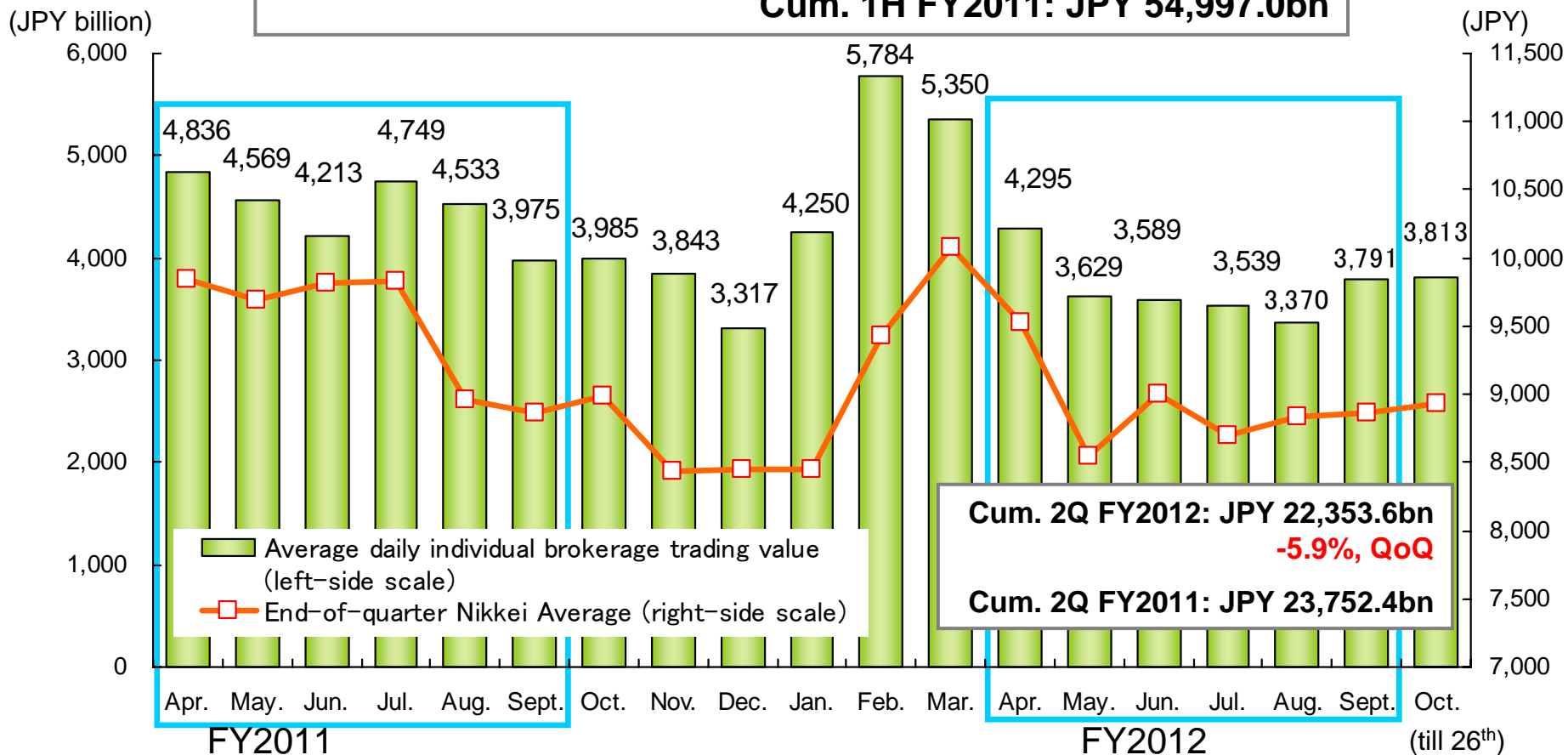
- i) Individual stock brokerage trading value for 1H FY2012 was down 16.2% year-on-year, and that for 2Q FY2012 was down 5.9% from 1Q FY2012.
- ii) Among major online securities brokers, SBI SECURITIES is the only player that has achieved a quarter-on-quarter growth in operating income for 2Q (July-Sept.), successfully sustaining relatively solid quarterly performance supported by significant cost reduction and revenue source diversification.
- iii) Transfer of personnel from 23 nationwide branches (140 sales reps) of SBI SECURITIES to SBI MONEY PLAZA delivered a drastic reduction in SG&A expenses, particularly in personnel costs and real estate-related expenses. The personnel transfer helped SBI MONEY PLAZA (a marketer of securities, insurance and mortgage loans) strengthen its marketing capacity; it achieved a monthly-based profit in just three and a half months after its foundation in June 2012.
- iv) SBI FXTRADE was established chiefly to acquire customers that conduct high-frequency and small-lot FX transactions, in a group-wide measure to balance out a reduction in FX trading value at SBI SECURITIES in the face of lower foreign exchange volatility. Trading value at SBI FXTRADE, which commenced business in May 2012, has built on solid growth, with its monthly operating results for Oct. 2012 ending in the black.

# Comparison of Average Daily Individual Brokerage Trading Value

(3 market total\*)

- Cumulative individual brokerage trading value in Japan for 1H FY2012 was JPY46,106.0 billion, down 16.2% YoY, reflecting the anticipated global downturn in economic growth and further financial regulations, which was also reflected in the global brokerage trading value for Jun-Sept, recording the lowest level of the past 7 years.

**Cum. 1H FY2012: JPY 46,106.0bn -16.2%, YoY**  
**Cum. 1H FY2011: JPY 54,997.0bn**



\*Japanese Stocks listed on Tokyo Stock Exchange, Osaka Stock Exchange and Nagoya Stock Exchange (Including TSE Mothers, OSE JASDAQ and NSE Centrex)

# SBI SECURITIES 1H FY2012 Consolidated Results (J-GAAP)

[ Year-on-year ]

(JPY million, %)

	<b>1H FY2012</b> (Apr. 2011 - Sept. 2011)	<b>1H FY2012</b> (Apr. 2012 - Sept. 2012)	<b>YoY change (%)</b>
Operating Revenue (Net Sales)	<b>20,285</b>	<b>18,209</b>	<b>-10.2</b>
Net Operating Revenue	<b>18,620</b>	<b>16,799</b>	<b>-9.8</b>
Operating Income	<b>3,957</b>	<b>3,087</b>	<b>-22.0</b>
Ordinary Income	<b>3,997</b>	<b>3,156</b>	<b>-21.0</b>
Earnings Before Tax *	<b>5,366</b>	<b>3,953</b>	<b>-26.3</b>
Net Income	<b>3,153</b>	<b>2,413</b>	<b>-23.5</b>

\*Recorded extraordinary gain of JPY 767m in 1Q FY2011 and JPY 891m in 1Q FY2012 for the reversal of reserves for financial product transaction liabilities

# SBI SECURITIES' Ranking in the Securities Industry

(1H FY2012)

## Ranking by Net Operating Revenue

(JPY billion)

1	Nomura	770.9
2	Daiwa	175.4
3	Mitsubishi UFJ	129.1
4	SMBC Nikko	108.5
5	Mizuho	106.7
6	Okasan	28.9
7	Tokai Tokyo	25.4
8	SMBC Friend	24.1
9	Mizuho Investors	23.8
10	<b>SBI</b>	<b>16.8</b>
11	Monex	14.2
12	Rakuten	8.9
13	Matsui	7.4
14	kabu.com	4.5

## Ranking by Net Income

(JPY billion)

1	Mitsubishi UFJ	18.0
2	Daiwa	10.1
3	Mizuho	8.4
4	SMBC Nikko	6.7
5	Nomura	4.7
6	SMBC Friend	3.0
7	<b>SBI</b>	<b>2.4</b>
8	Matsui	1.8
9	Tokai Tokyo	1.7
10	Rakuten	1.1
11	Mizuho Investors	0.9
12	kabu.com	0.6
13	Monex	0.2
14	Okasan	-1.8

\*1 Compiled from information disclosed by securities companies with over JPY 10bn in net operating revenue and five online brokers

\*2 On a consolidated basis, except as to the companies with no consolidated subsidiary

\*3 Figures of Nomura are based on the U.S. accounting standard, and Net Revenue is substituted for Net Operating Revenues

# SBI SECURITIES 2Q FY2012 Consolidated Results (J-GAAP)

[Quarter-on-quarter]

(JPY million, %)

	1Q FY2012 (Apr. 2012 - Jun. 2012)	2Q FY2012 (Jul. 2012 - Sep. 2012)	QoQ change (%)
Operating Revenue (Net Sales)	<b>9,178</b>	<b>9,031</b>	<b>-1.6</b>
Net Operating Revenue	<b>8,536</b>	<b>8,263</b>	<b>-3.2</b>
Operating Income	<b>1,426</b>	<b>1,661</b>	<b>+16.5</b>
Ordinary Income	<b>1,455</b>	<b>1,701</b>	<b>+16.9</b>
Earnings Before Tax ※	<b>2,262</b>	<b>1,691</b>	<b>-25.2</b>
Net Income	<b>1,370</b>	<b>1,043</b>	<b>-23.9</b>

\*Recorded extraordinary gain of JPY 891m in 1Q FY2012 for the reversal of reserves for financial product transaction liabilities



# Performance Comparison of Major Online Securities Companies (J-GAAP)

## [2Q FY2012]

### [Operating Income]

(JPY million)

	1Q FY2012	2Q FY2012	QoQ change
<b>SBI</b>	<b>1,426</b>	<b>1,661</b>	<b>235</b>
<b>Monex</b>	<b>110</b>	<b>-1,015</b>	<b>-1,125</b>
<b>Rakuten</b>	<b>900</b>	<b>562</b>	<b>-338</b>
<b>Matsui</b> (non-cons.) *1	<b>1,376</b>	<b>1,312</b>	<b>-64</b>
<b>kabu.com</b> (non-cons.)	<b>531</b>	<b>373</b>	<b>-158</b>

\*1 Non-consolidated results are shown, because Matsui absorbed its only consolidated subsidiary during 1Q FY2012.

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

**SBI SECURITIES:**

~ Factors that contributed to strong quarterly results, as compared to that of major online securities companies ① ~

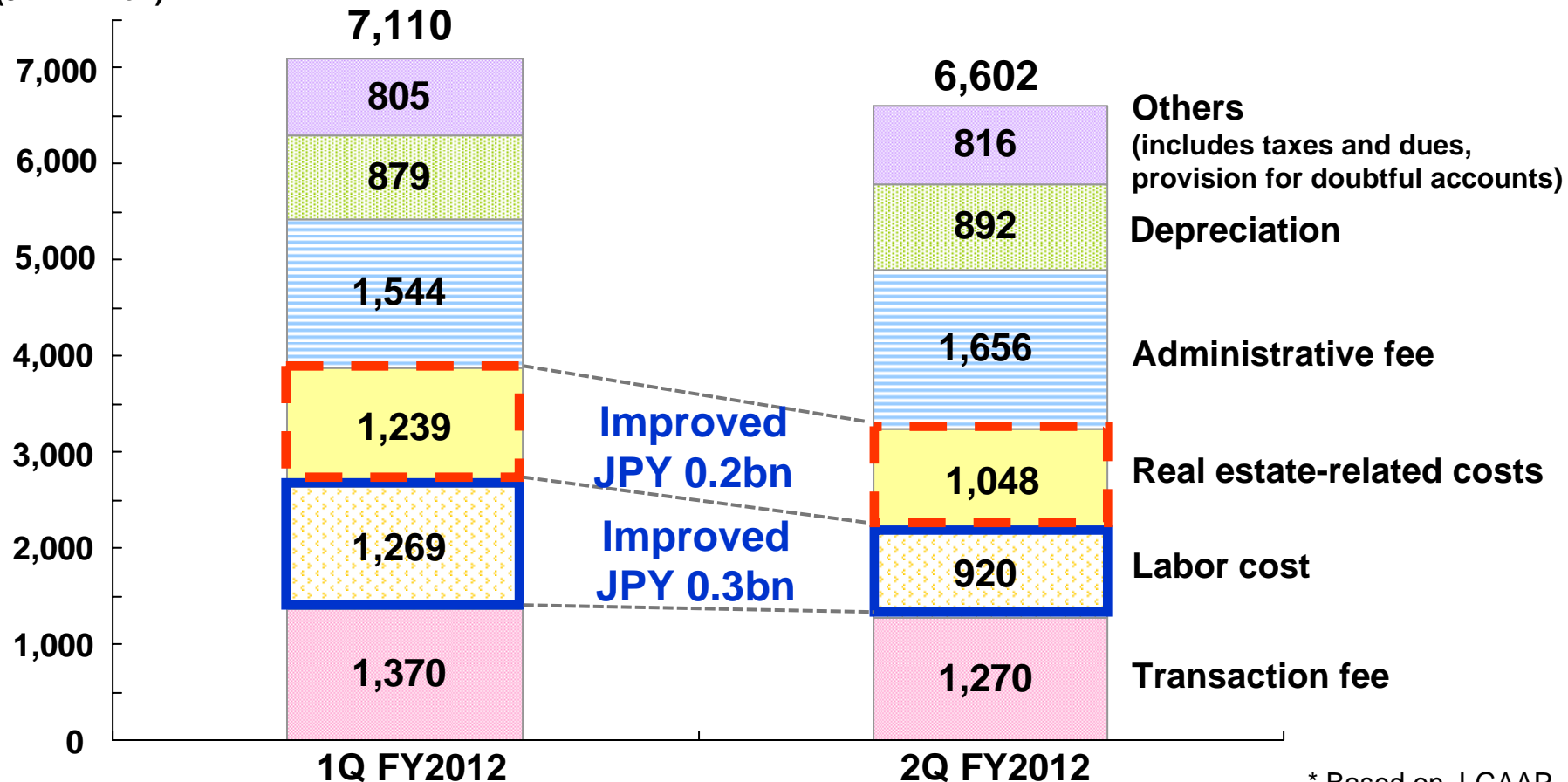
**SG&A Improved JPY 0.5bn Quarter-on-quarter Due to Cost Reduction**

Resulting from the transfer of approx. 140 sales reps of 23 branches nationwide to SBI MONEY PLAZA, SG&A improved dramatically, especially for personnel and real estate-related costs.

**Operating margin: Improved from 15.5% (1Q FY2012) → 18.4% (2Q FY2012)**

**SBI SECURITIES - SG&A**

(JPY million)



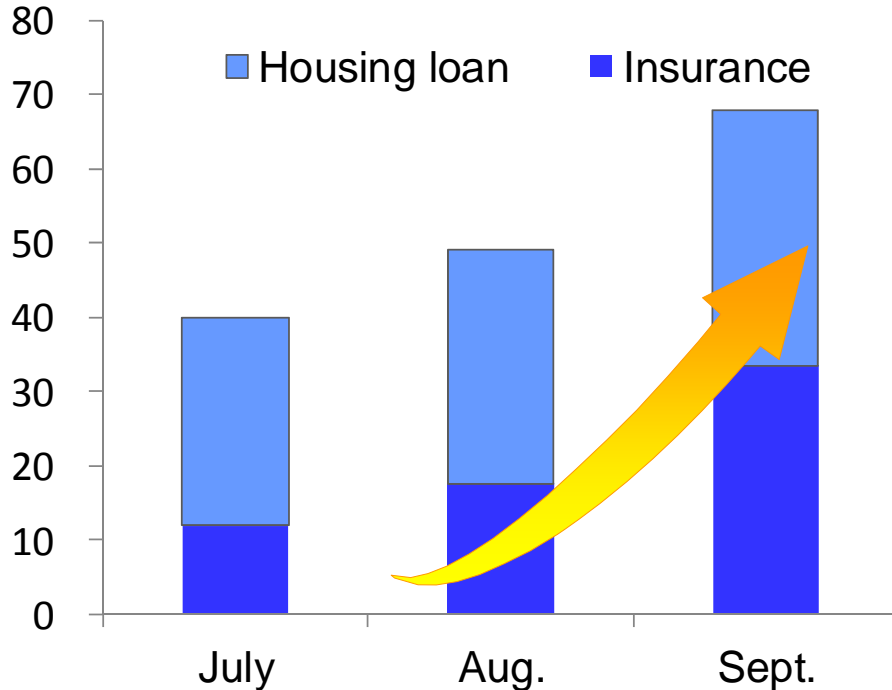
# SBI MONEY PLAZA Recorded Successive Single Month Profits in September and October

Favorable sales of foreign bonds contributed to the achievement of single month profits in just three and a half

**Expanding insurance and housing loan businesses, other than the mainstay securities business**

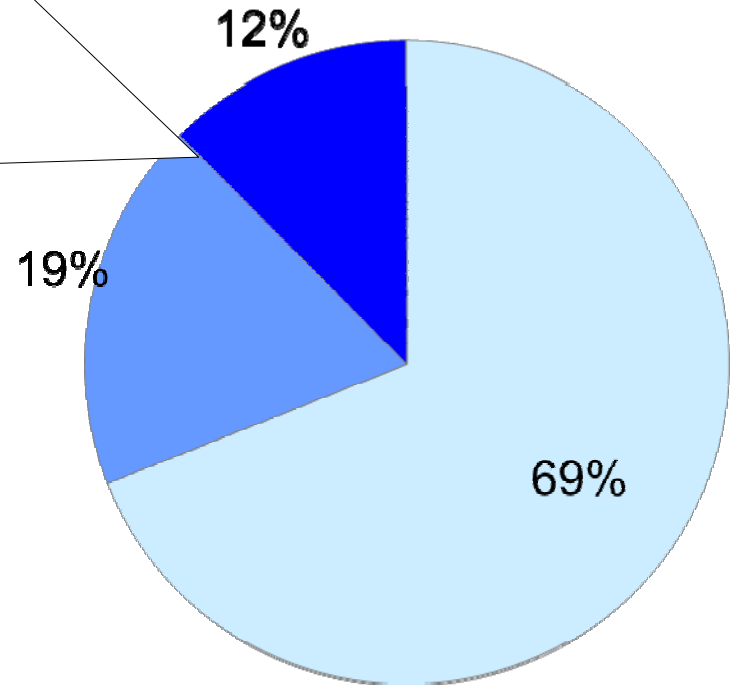
**[Change in operating revenue]**  
(Housing loan and insurance)

(JPY million)



**[Breakdown of operating revenue in 2Q]**

■ Securities      ■ Housing loan  
■ Insurance



# Further Enhancement of Sales Structure

## Expansion of Product Line-up

### Life Insurance (15 companies)

Newly started to deal with products of Medicare, Tokyo Marine& Nichido Financial, MassMutual and Manulife (since July)

### Nonlife Insurance(19 companies)

#### **SBI損保のがん保険** 自由診療タイプ

[SBI Insurance's cancer insurance] (since Aug)

Newly started to deal with products of SAISON AUTOMOBILE&FIRE, American home and Anicom (since Aug)

### Small Amount and Short Term Insurance (3 companies)

Mainly deal with SBI SSI's products



### Housing Loan (SBI Mortgage)

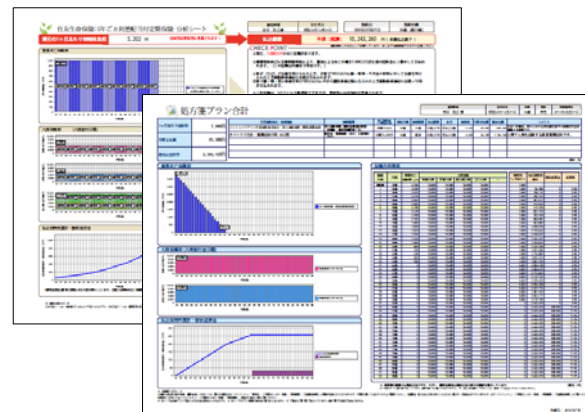
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Other related products, such as solar panels

etc.

## Advancing Cross-selling

### Utilizing insurance analysis tool



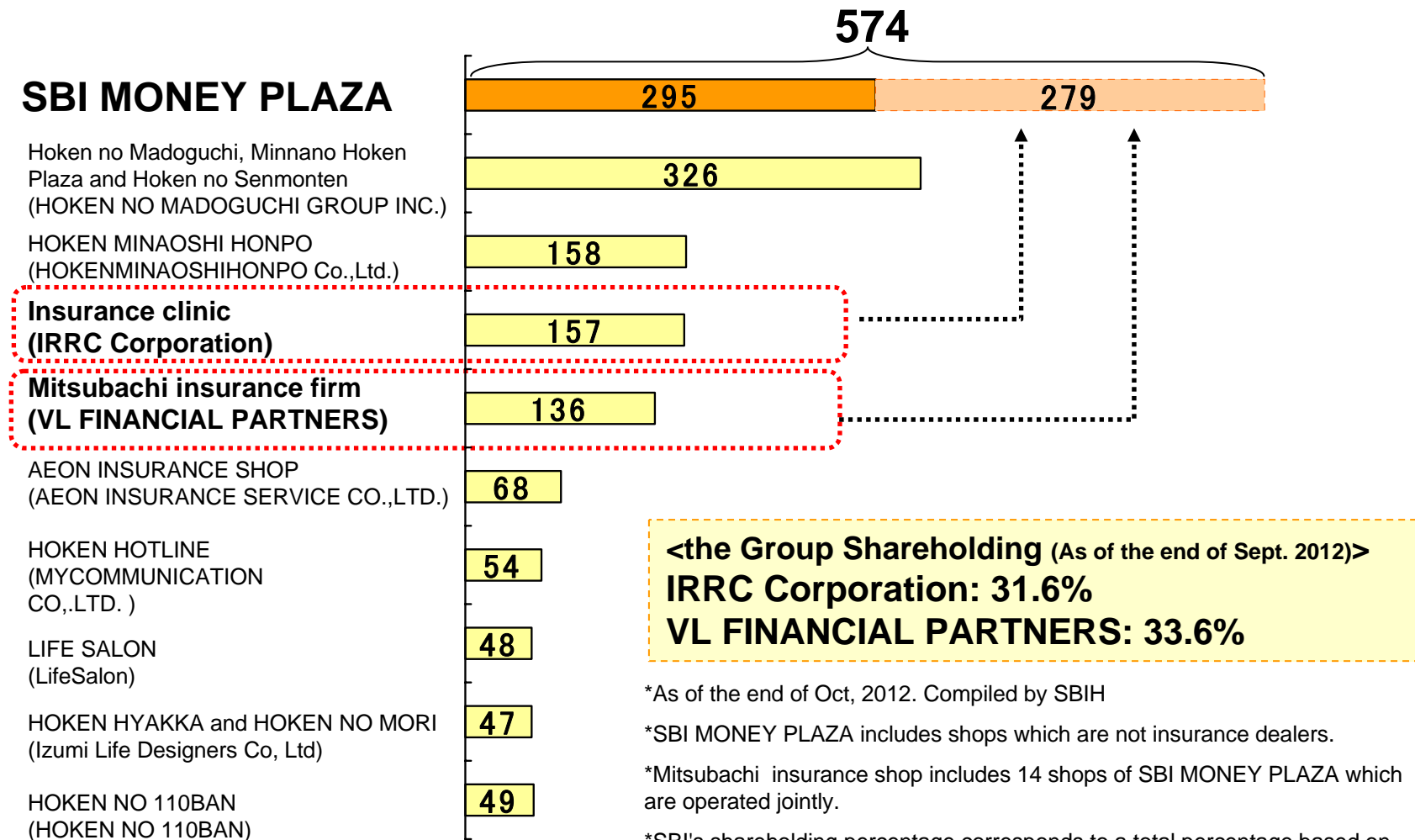
→Enable staff to propose optimum insurance products to current securities customers

### Promote other cross-selling

Promote cross-selling through pairing, such as housing loans & insurance, housing loan& securities and housing loan& solar panels etc.

# SBI MONEY PLAZA's Number of Shops Attains an Overwhelming No. 1 Position in Japan

The total number of SBI MONEY PLAZA shops, currently at 295, includes Insurance Clinic and Mitsubachi Insurance, both of which will soon carry the SBI MONEY PLAZA brand, far outpaces the competition for the number one position.



\*As of the end of Oct, 2012. Compiled by SBIH

\*SBI MONEY PLAZA includes shops which are not insurance dealers.

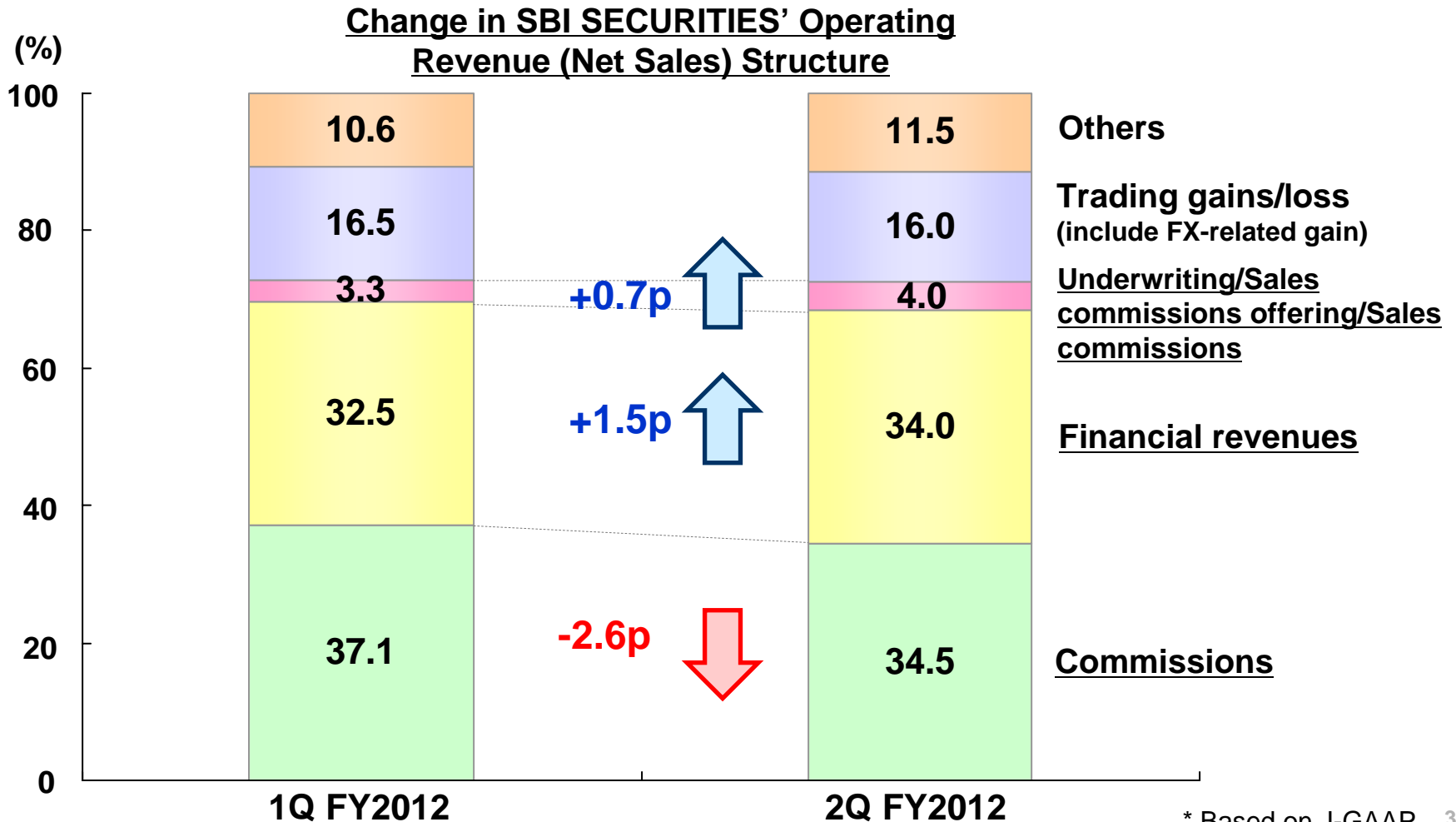
\*Mitsubachi insurance shop includes 14 shops of SBI MONEY PLAZA which are operated jointly.

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

**SBI SECURITIES:**

~ Factors that contributed to strong quarterly results, as compared to that of major online securities companies ② ~

**Despite the Decrease in Individual Brokerage Trading Value of 5.9% Quarter-on-quarter, Operating Revenue (Net Sales) was Limited to a Decrease of 1.6%, Owing to the Diversification of Earnings Sources**



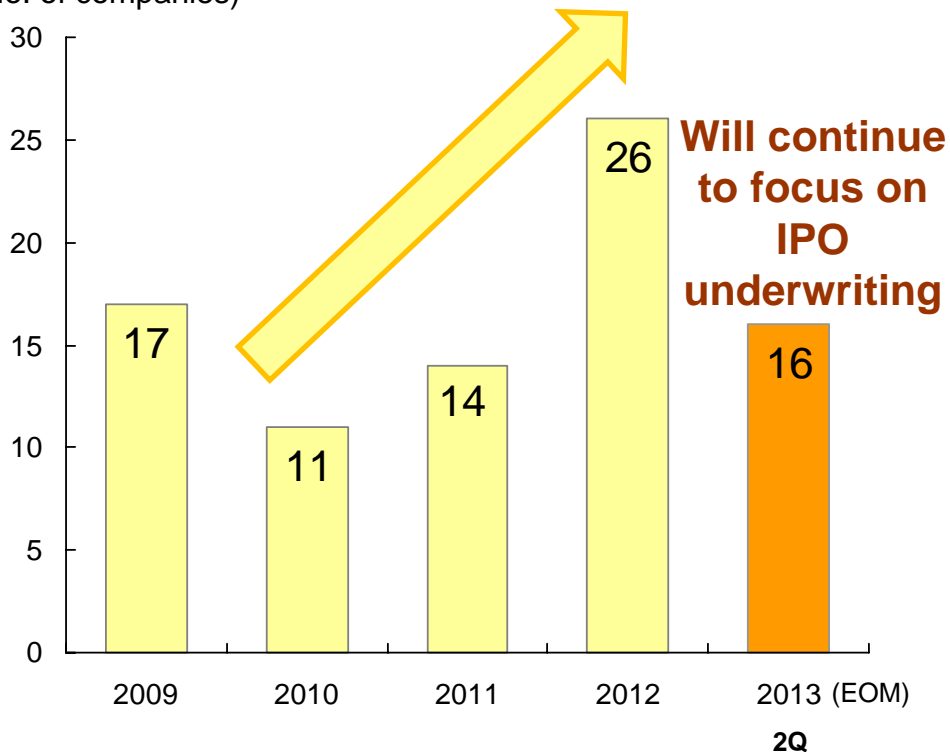
~ Factors that contributed to strong quarterly results, as compared to that of major online securities companies ② ~ (Diversification of Earnings Sources)

## Strengthening Corporate Services, as well as Retail Services

### Industry leader in IPO underwriting during this 1H

#### IPO Underwriting

(No. of companies)



\*The above numbers do not include consignments. Listing date base. IPOs exclude brokerage sales and REITs.

\*The number of IPOs for FY2011 includes an issue listed on TOKYO AIM.

#### IPO Underwriting Ranking (1H FY2012)

**19 companies were listed during the period**

(Includes 2 companies listed on the TOKYO AIM)

Company name	No. of cases	Underwriting share (%)
<b>SBI</b>	<b>16</b>	<b>84.2%</b>
Dawia	11	57.9%
SMBC Nikko	10	52.6%
Mitsubishi UFJ	8	42.1%
Ichiyoshi	7	36.8%
Mizuho	6	31.6%
Nomura	6	31.6%

\*The above IPOs represent issues underwritten in Japan only and do not include those additionally sold or sold overseas.

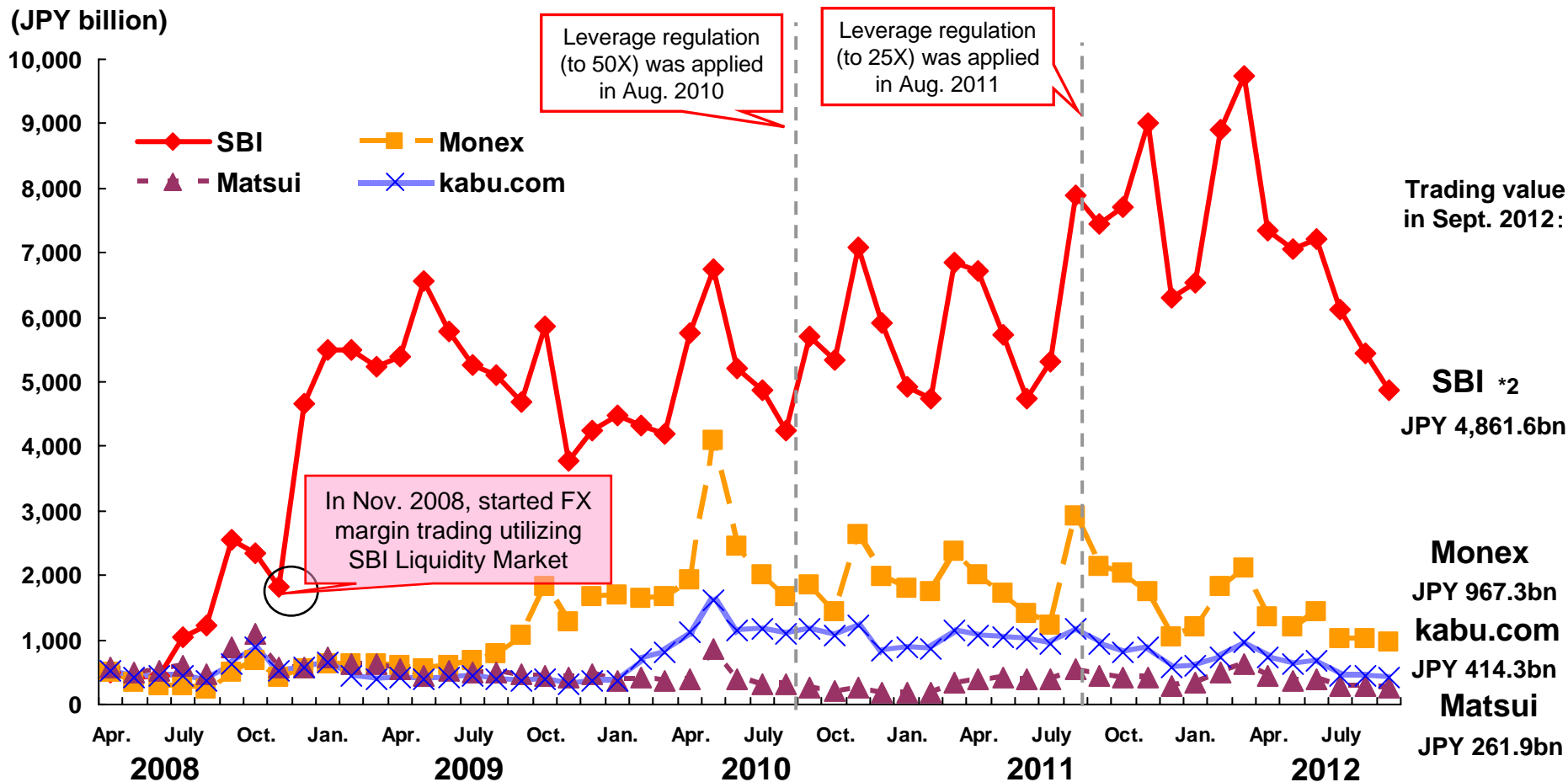
\*The number of underwritten issues represents those for which we served as lead managing underwriter or participated in the syndicate.

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

# With the Decreased Volatility of the Currency Exchange Rates, SBI SECURITIES' Foreign Exchange Trading Value has been in a Declining Trend Since April

(OTC FX market decreased 17.2% YoY for the period between Apr. and Sept.)

## FX Margin Trading Value of the Four Major Online Securities Companies \*1



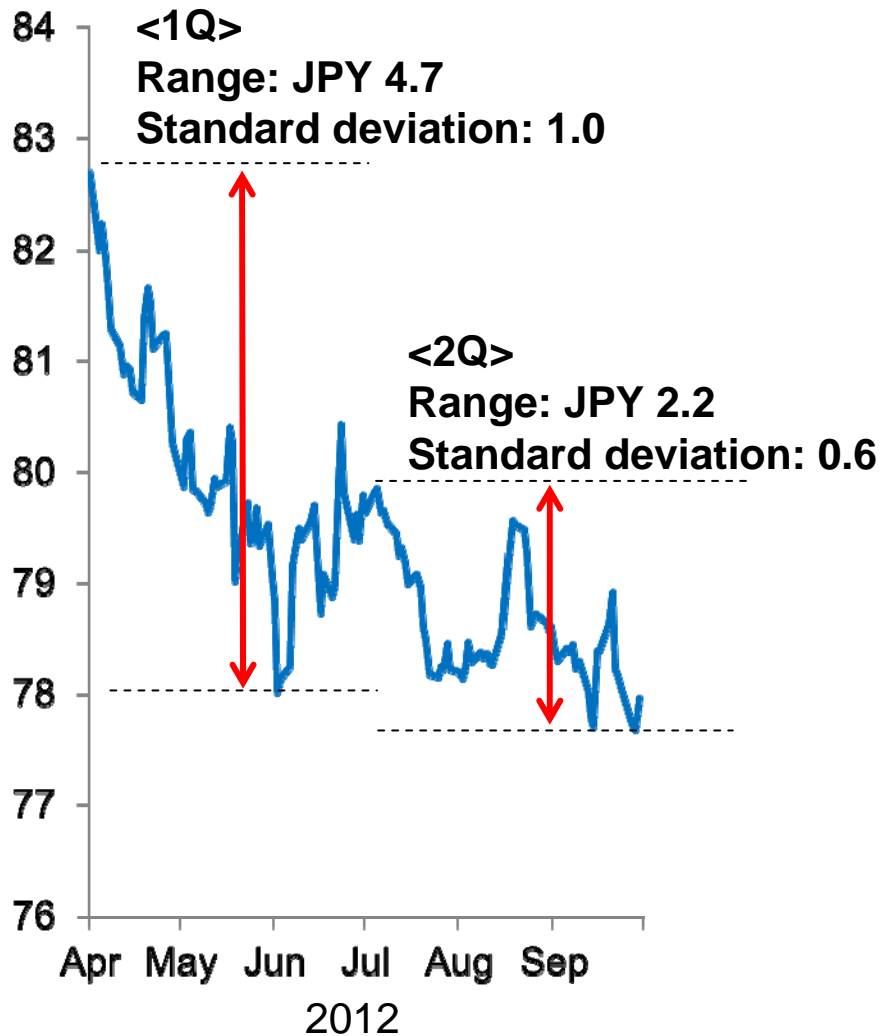
\*1 Four online securities companies that disclosed the information (SBI SECURITIES, Monex, Matsui and kabu.com)

\*2 Trading value from Nov. 2008 to Feb. 2009 is the total of "SBI FX" and "SBI FX α"



# Currency Volatility Decreases in 2Q FY2012 than in 1Q

(JPY) [USD/JPY rate]



(JPY) [EUR/JPY rate]



# Launched SBI FXTRADE on May 30 to Acquire New Customers

Boosting trading volume at SBI Liquidity Market by acquiring new customers who enjoy trading in smaller lots and higher frequency, even in low volatility situations

\*As of Nov. 5

## SBI FXTRADE Provides the Industry's Narrowest Spreads on All of Its Currency Pairs

	Major currency pair							
	USD/JPY	EUR/JPY	GBP/JPY	AUD/JPY	NZD/JPY	CAD/JPY	CHF/JPY	ZAR/JPY
<b>SBI FXTRADE</b> (under 10k currency unit)	<b><u>0.12</u></b>	<b><u>0.59</u></b>	<b><u>0.99</u></b>	<b><u>0.85</u></b>	<b><u>1.49</u></b>	<b><u>1.69</u></b>	<b><u>1.79</u></b>	<b><u>0.99</u></b>
GMO Click	0.3	0.7	1.2	1.0	1.8	1.8	2.4	1.9
Rakuten	1.0	4.0	6.5	3.9	5.0	5.0	7.0	4.8

**Provides by far the most favorable conditions for customer traders with smaller lots and high frequency**



Narrowing spread contributed to a significant increase in trading volume, and operation of SBI FXTRADE reached profitability in October on a single month basis

\*Spread of SBI FX TRADE differs depending on order lot. (When loss-cut is executed, the narrowing spread will be applied)

\* Spreads are basically fixed, but there are some cases that actual spread differs from indicated ones due to market's sudden change and other external factors.

# SBI SECURITIES – Drastic Reduction in Domestic Stock Brokerage Commissions ①



(Announced on Nov. 8, 2012)

**Commission reduction will be implemented for all customers who trade through the Internet from Nov. 30, 2012 (scheduled)**

- ✓ New commission structure will be applied regardless of the record of margin trading or margin balance
- ✓ New commission structure will be applied regardless of the record of investment trust or investment trust balance

Maximum  
20% OFF

## Spot Transaction

Execution price per order	Current Rate	New Rate	New PTS Rate
~ JPY 100,000	145	145	138
~ JPY 200,000	194	194	184
~ JPY 500,000	358	285	271
~ JPY 1m	639	511	485
~ JPY 2m	764	611	580
~ JPY 3m	1,209	967	919

## Margin Trading

Execution price per order	Current Rate	New Rate
~ JPY 200,000	150	150
~ JPY 500,000	200	200
JPY 500,000 ~	400	378

# SBI SECURITIES – Drastic Reduction in Domestic Stock Brokerage Commissions ②



(Announced on Nov. 8, 2012)


By offering the industry's ultimate services along with the industry's lowest commission rates, gaining further favor from a large number of customer

## Major Online Securities Companies' Commissions

(commissions per order)

(Unit: JPY)

Execution price	SBI SECURITIES			Rakuten	Monex	kabu.com	Matsui
	Current Rate	New Rate	New PTS Rate				
JPY 200,000	194	<b>194</b>	<b>184</b>	194	189	283	315
JPY 500,000	358	<b>285</b>	<b>271</b>	358	472	567	525
JPY 1m	639	<b>511</b>	<b>485</b>	639	1,050	1,039	1,050
JPY 30m	1,209	<b>967</b>	<b>919</b>	1,209	31,500	3,874	31,500
over JPY 30m	1,277	<b>1,021</b>	<b>970</b>	1,277	31,500~	3,874	31,500~
JPY 200,000	150	<b>150</b>	-	262	189	483	315
JPY 500,000	200	<b>200</b>	-	472	472	483	525
JPY 1m	400	<b>378</b>	-	472	1,050	798	1,050
JPY 30m	400	<b>378</b>	-	472	31,500	1,260	31,500
over JPY 30m	400	<b>378</b>	-	472	31,500~	1,260	31,500~

 Cases where SBI SECURITIES offers the lowest rate in the new commissions rates (scheduled)

 Cases where SBI SECURITIES offer the lowest rate in the current commission rates

### ③ SBI Mortgage

- i) Housing loans arranged during 2Q (July-Sept.) FY2012 rose 20.3% quarter-to-quarter. The outstanding balance of loans arranged as at the end of September 2012 exceeded JPY 1,300bn.**
- ii) Since the listing on the Korean KOSPI stock market, SBI Mortgage share prices continued to rise to double its initial trading price. A Korean subsidiary was established, in preparation for the commencement of local business development.**
- iii) Launched the Sale of Japan's First "Flat 35 Reform Pack" from the Japan Housing Finance Agency**

# SBI Mortgage 2Q FY2012 Financial Results (IFRS)

(JPY million,%)

	<b>1Q FY2012</b> (Apr. 2012 - June 2012)	<b>2Q FY2012</b> (July 2012 - Sept. 2012)	<b>QoQ % change</b>
<b>Net Operating Revenue</b>	<b>2,368</b>	<b>2,851</b>	<b>+20.4</b>
<b>Profit Before Income Tax Expense</b>	<b>626</b>	<b>922</b>	<b>+47.2</b>
<b>Profit for the Period</b>	<b>387</b>	<b>573</b>	<b>+48.0</b>

**Housing loans arranged during 2Q (July – Sept. period) FY2012 rose 20.3% quarter-to-quarter. The outstanding balance of loans arranged as at the end of September 2012 exceeded JPY 1,3tn.**

<Dividend payout after listing>

Dividend for listing celebration (base date: June 30, 2012)

KRW 300 (JPY 22.2) per share, KRW 7.12bn in total (JPY 0.53bn\*)

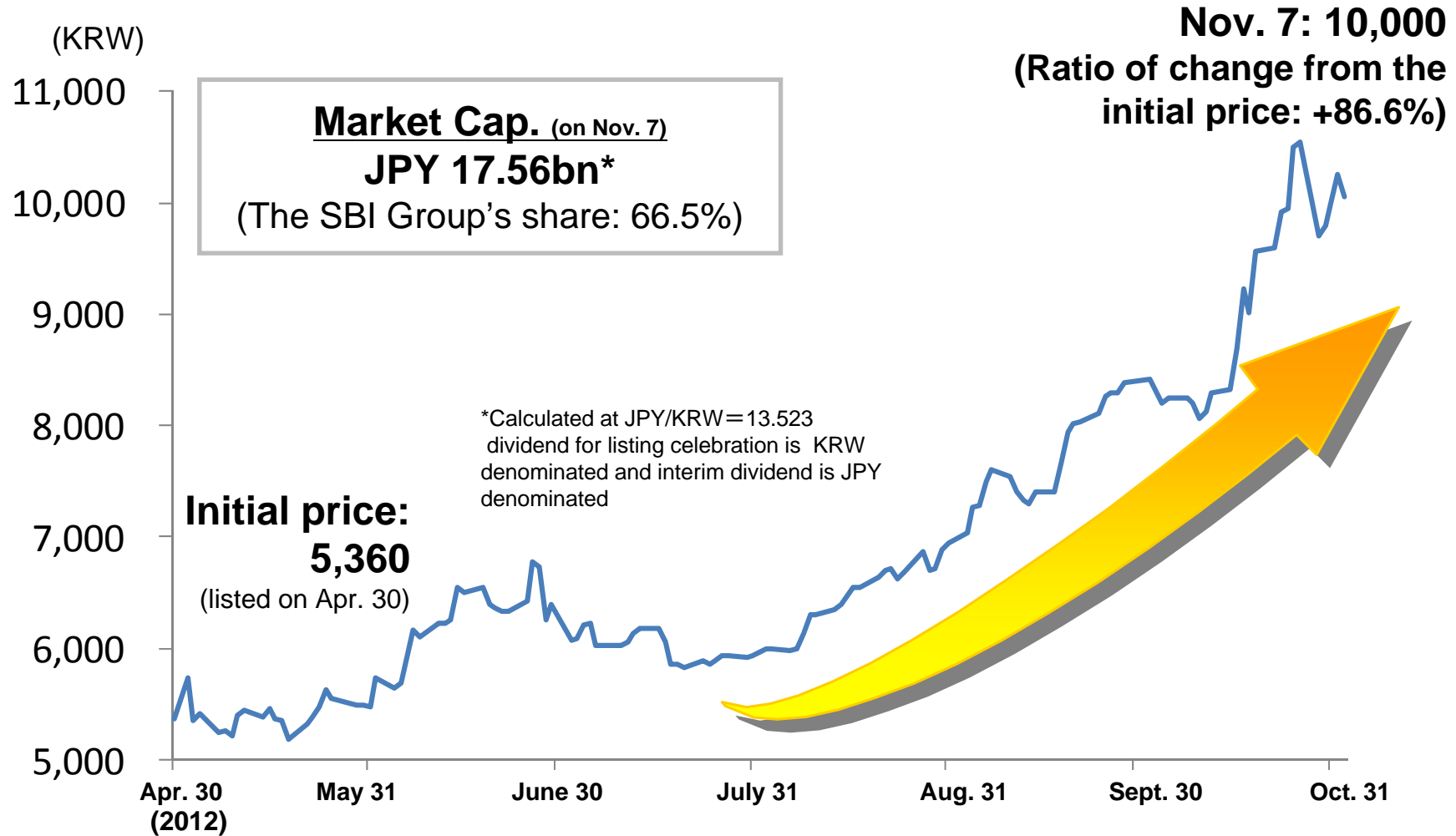
Interim Dividend (base date: Sept. 30, 2012)

KRW176 (JPY 13) per share, KRW 4.17bn\* in total (JPY 0.31bn)

\*Calculated at JPY/KRW=13.523

dividend for listing celebration is KRW denominated and interim dividend is JPY denominated

# Change in Stock Price of SBI Mortgage After Its Listing on KOSPI in Korea



**To develop business in South Korea as the first mortgage bank in the country, SBI Mortgage established a local subsidiary on Oct. 1, and is preparing to acquire a license**

**Also actively holding investors relations activities in Korea**

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

# Launched the Sale of Japan's First "Flat 35 Reform Pack" from the Japan Housing Finance Agency

Launched as "SBI Flat Reform" (from July 9, 2012)

**"Existing Home Information on 1 Million Homes-  
Accumulated from Public and Private Sectors,  
Cultivating a JPY 20tn Market"**



Sept. 23, 2012 "The Nikkei" Morning Edition

**"Integrated Loans for Purchasing and  
Renovating Existing Homes Gradually  
Increasing in Popularity"**



Oct. 5, 2012 "The Nikkei" Morning Edition

**Strive to enhance profitability by expanding the product offering and services for the existing home and renovation markets, which is expected to grow with the support of the government's housing measures.**



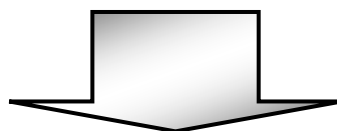
## ④ SBI Sumishin Net Bank (Equity-method Company)

- i) **Although SBI Sumishin Net Bank steadily expands their operations, SBI records deferred losses on hedges, etc. under IFRS due to the effect of interest-rate fluctuation. As a result, SBI records negative JPY 0.7bn for 1Q (Apr.-June) FY2012 and JPY 0.1bn for 2Q (July-Sept.) FY2012 as an equity in the earnings/losses of affiliate companies/affiliates of SBI's consolidated results.**
- ii) **Steady expansion of its business foundation with the number of accounts topped 1.5 million accounts and deposits exceeded JPY 2,360bn as the end of Oct. 2012.**
- iii) **Proceeding with successful diversification of its fund management methods, including housing, personal and auto loans.**
- iv) **Announcement of financial results for 2Q FY2012 is scheduled for Nov. 14, 2012.**

# Impact from SBI Sumishin Net Bank's Results (Based on J-GAAP) to SBIH's Consolidated Results (Based on IFRS)

(Based on IFRS, Unit: JPY billion)

	1Q FY2012 (Apr.-June 2012)	2Q FY2012 (July-Sept. 2012)	QoQ change
<b>SBI Holdings</b> Share of profits of associates using the equity method	<b>-0.7</b>	<b>0.1</b>	<b>+0.8</b>



Although SBI Sumishin Net Bank uses interest rate swaps in preparation for the raise of interest rates, SBIH recorded deferred losses from hedges, etc. based on IFRS owing to the decline of interest rates in 1Q FY2012. As a result, SBIH recorded negative JPY 0.7bn for 1Q (Apr.-June) FY2012 and JPY 0.1bn for 2Q(July-Sept.) FY2012 as an equity in the earnings/losses of affiliate companies/affiliates of SBI's consolidated results.

**Announcement of financial results for 2Q FY2012 is scheduled for Nov. 14, 2012.**

# Business Base Expanding Steadily

## Change in the Number of Accounts and Deposits

Number of accounts: 1,507,066 / Deposits: JPY 2,362.9bn  
(as of the end of October 2012)

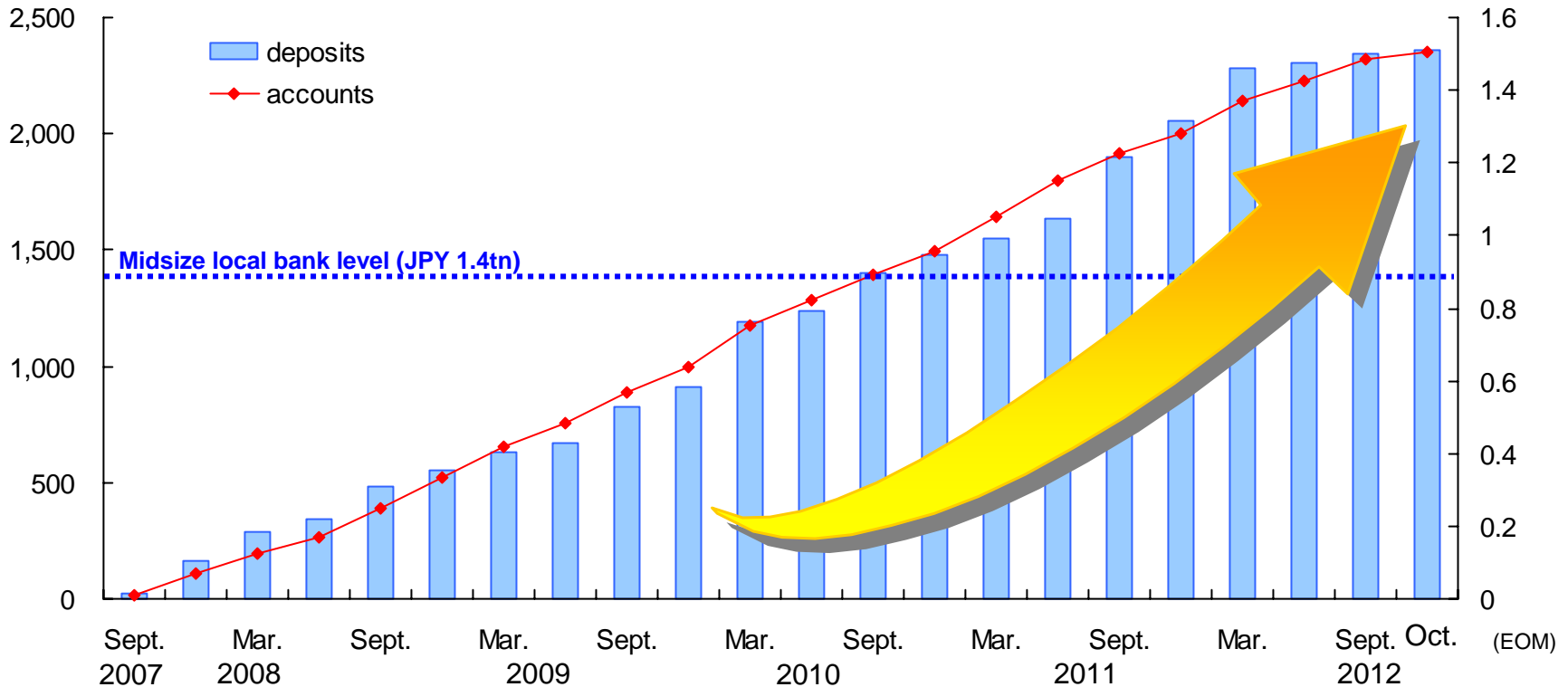


~ Deposits are No.1 among pure-play Internet banks~

(deposits: JPY billion)

\*

(accounts: million)

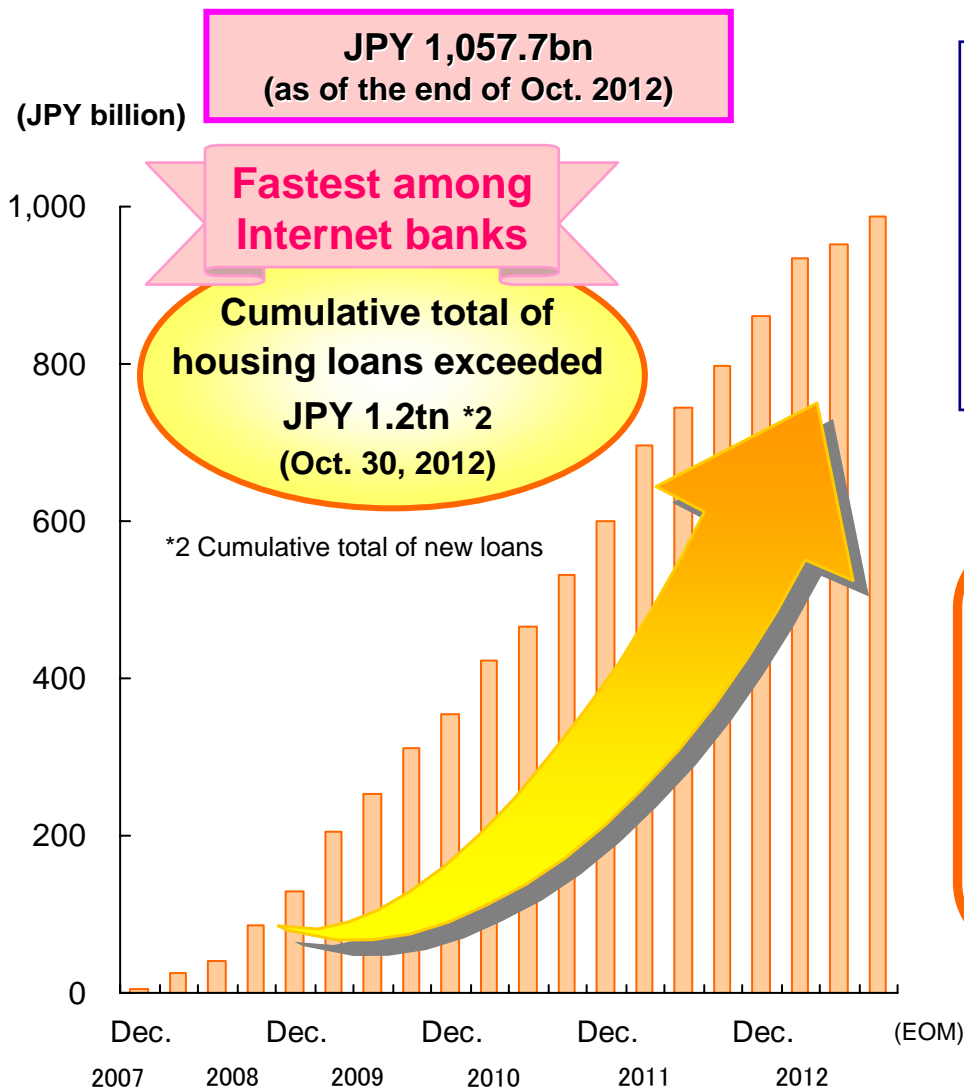


(\*) From information disclosed by each company. Pure-play internet banks refer to SBI Sumishin Net Bank, Japan Net Bank, Sony Bank, Rakuten Bank.

# Diversification of Loans ① Housing Loans

## Change in Balance of Housing Loans \*1 (Dec. 2007 – Oct. 2012)

\*1 Include housing loans as a banking agency of Sumitomo Mitsui Trust Bank



**In addition to conventional housing loans via cooperating real estate companies, started Banking Agency Business for Sumitomo Mitsui Trust Bank from Jan. 11, 2012**

**The total number of housing loans in the first half (from Apr. to Sept.) increased YoY and the commission revenue for the housing loans business also increased by 6.2% YoY**

# Diversification of Loans ② Personal Loans

## "Internet Loan" Balance

(Sept. 2010 – Oct. 2012)

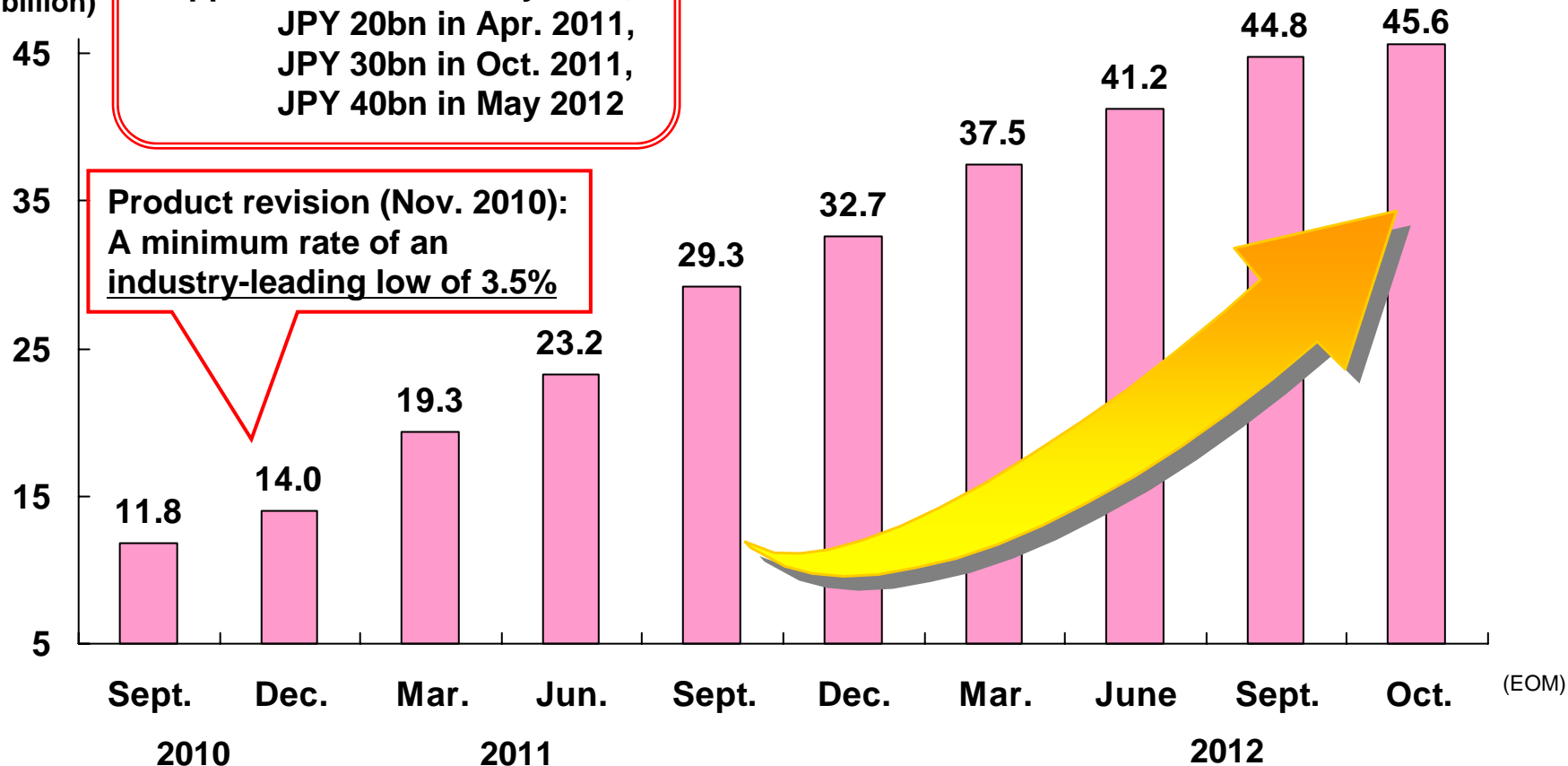
**JPY 45.6bn**  
(as of the end of Oct. 2012)

**Expanded by 1.5X in a year**

**SBI Sumishin:**  
topped JPY 10bn in May 2010,  
JPY 20bn in Apr. 2011,  
JPY 30bn in Oct. 2011,  
JPY 40bn in May 2012

**Product revision (Nov. 2010):**  
A minimum rate of an  
industry-leading low of 3.5%

(JPY billion)



# Diversification of Loans ③ Auto Loans

## Cumulative Total of Auto Loans

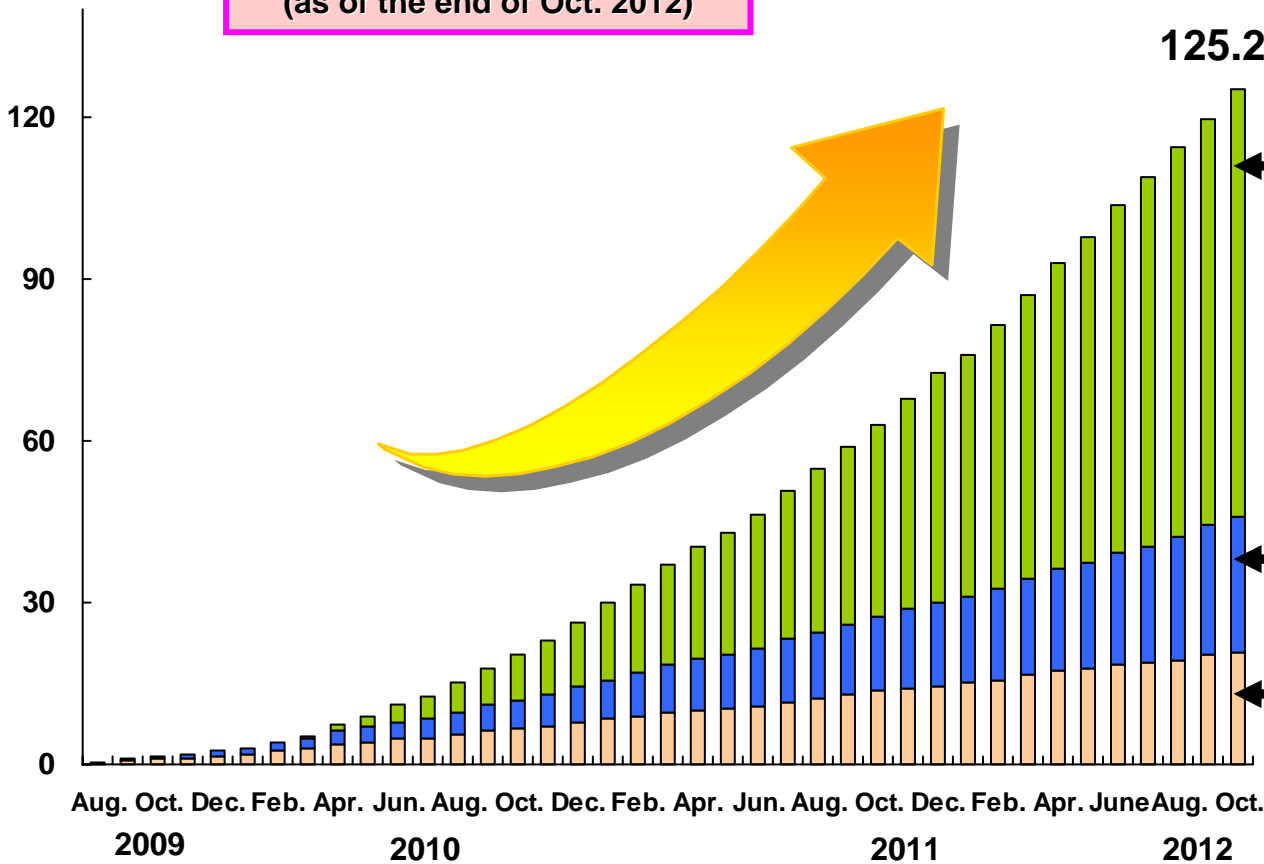
(Aug. 2009 – Oct. 2012)

Expanded by 2.0X in a year

JPY 125.2bn  
(as of the end of Oct. 2012)

Via: \* Figures in parentheses are ratios

(JPY billion)



125.2

**SBI Credit**

(63.4%)

Providing auto loans through network of approx. 12,500 participating stores including used car dealers

**SBI AutoSupport**

(20.0%)

**Others**  
(Credit companies etc.)  
(16.6%)

## **(5) Equity-method Company: SBI Japannext**

**(Consolidated on Sept. 30, 2012)**

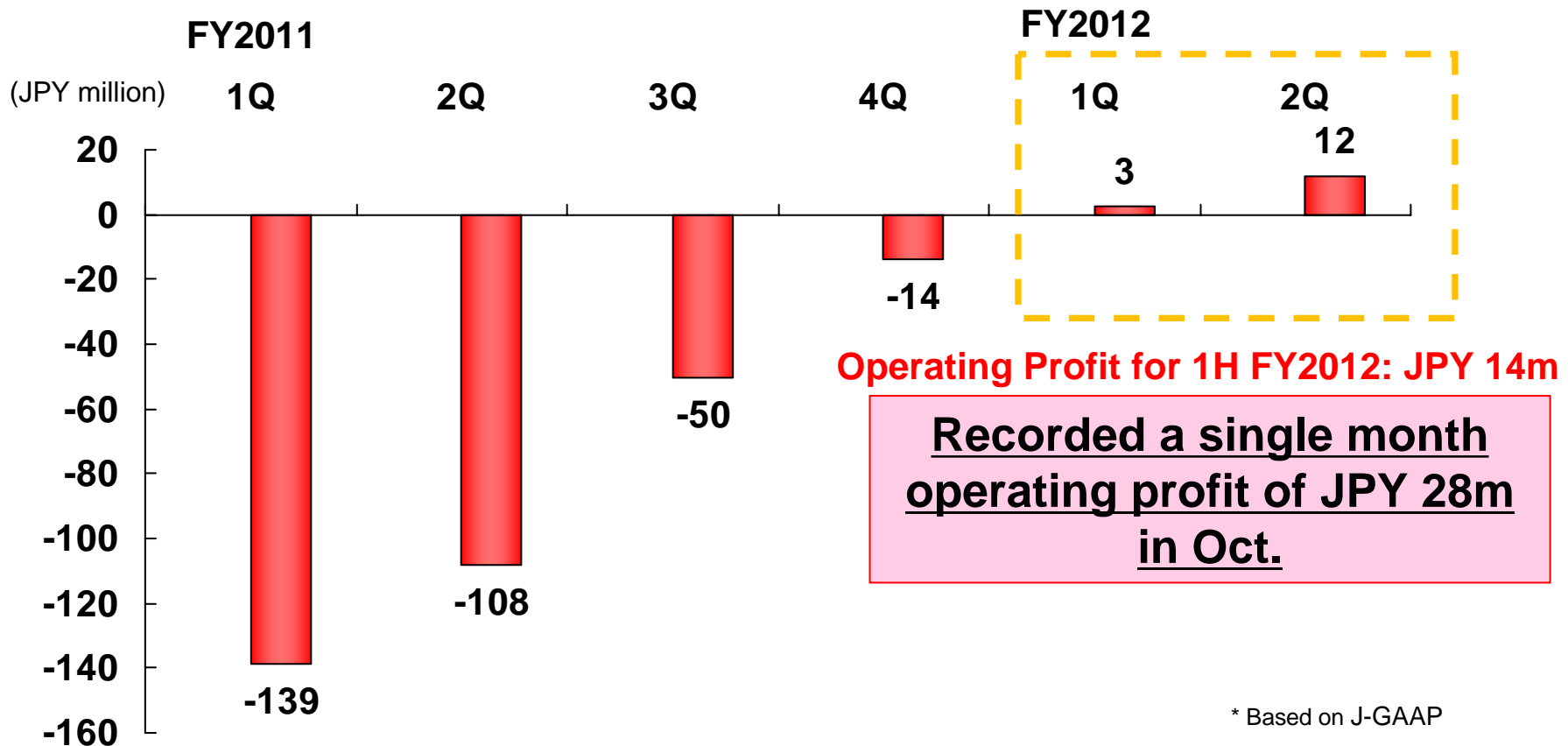
- i) With continued increase in trading volume, SBI Japannext recorded successive operating profits in 1Q and 2Q FY2012, while single month operating profit in October surged to JPY 28m.**
- ii) Further increase in trading volume is expected, owing to the deregulation of the "TOB rule" and the increased participation of securities firms, as well as the enhancement of its trading system**
- iii) The SBI Group additionally acquired SBI Japannext's shares to 53.1%, at the end of Sept 2012, making it a subsidiary**

# Change in SBI Japannext's Financial Result

(Consolidated in Sept. 2012)

**Trading value steadily increased and a half year profitability was achieved for 1H FY2012**

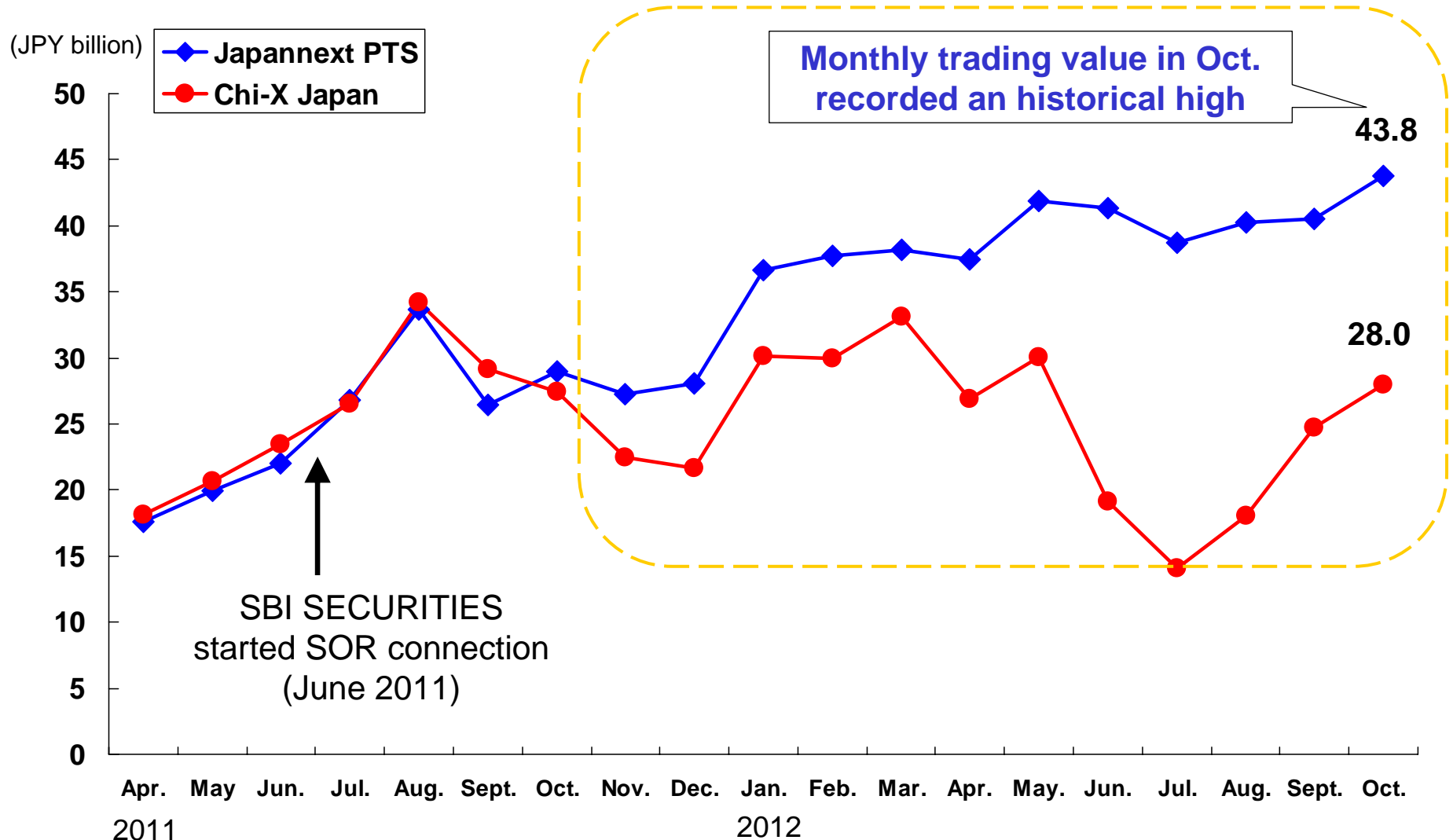
## Quarterly Change in Operating Profit/Loss





# Change in Average Daily Trading Value

Significantly Exceeded Chi-X Japan's trading value since Oct. 2011

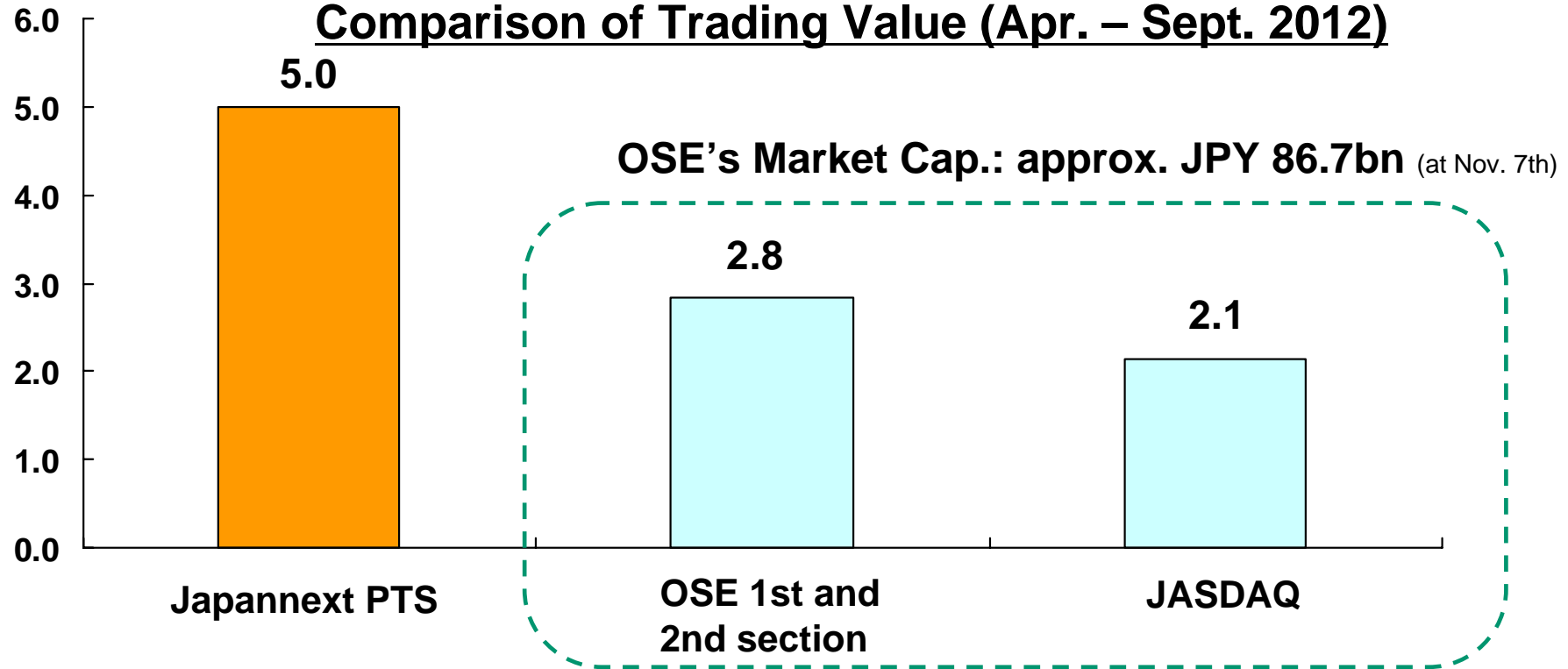


\* Trading value is based on "single count".

**Japannext PTS Exceeded the Combined Trading Value of the OSE 1st and 2nd Sections, to Become the Second Largest Market in Japan, Next to the TSE**

(JPY trillion)

**Comparison of Trading Value (Apr. – Sept. 2012)**

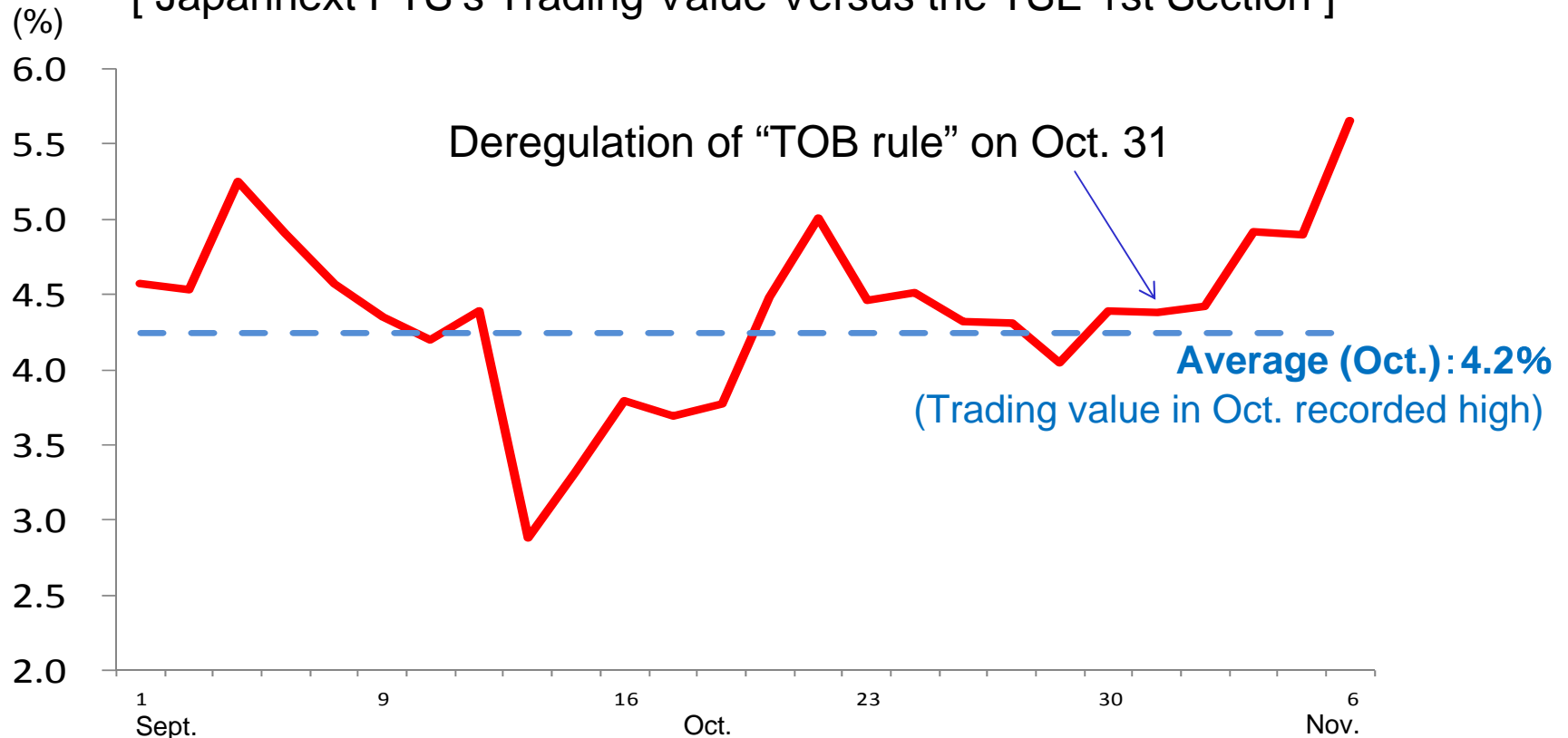


**The average daily trading value versus the TSE 1st section (cum. Apr.-Sept. 2012): 4.0%**

**Also, currently considering the establishment of a derivatives trading market, through the establishment of a joint venture company**

# Trading Volume of Japannext PTS is Expected to Surge after Deregulation of TOB Rule on 31 Oct.

[ Japannext PTS's Trading Value Versus the TSE 1st Section ]



## TOB (take-over bid) regulation

The regulation obliges investors who acquire more than 5 percent of a company through off-exchange transactions, or for investors who already own more than 5% that decide to increase their holdings, to make a takeover bid.

This has hindered large institutional investors from utilizing the PTS.

# Steadily Increasing Participant Companies

## [Participating companies] (total 19)

- SBI SECURITIES
- Goldman Sachs Japan
- Morgan Stanley MUFG Securities
- Merrill Lynch Japan Finance
- Deutsche Securities
- Societe Generale Securities
- JP Morgan Securities
- Credit Suisse Securities (Japan)
- UBS Japan
- BNP Paribas Securities (Japan)
- Citigroup Global Markets Japan
- Mizuho Securities
- Barclays Capital Japan (May 2011)
- Nomura Securities (Dec. 2011)
- Newedge Japan Securities (Sept. 2011)
- Macquarie Capital Securities (Mar. 2012)
- **SMBC Nikko Securities (May 2012)**
- **Mitsubishi UFJ MS Securities (May 2012)**
- **Daiwa Securities (October 2012)**

3 newly participating  
companies since FY2012

## [Companies Expected to Participate] (total 3)

A foreign company and a Japanese company are planning to connect in Nov.  
Other two Japanese companies are expected to participate.

## The World's Fastest Level Matching Engine Started Operating on Sept. 24

Enhanced the main trading system, the matching engine, owing to expected increase in trading volume resulting from the deregulation of the "TOB Rule" and the new participation of securities firms

### <Performance of SBI Japannext's trading system>

	Before	After enhancing matching engine (since Sept. 24, 2012)	After provision of new protocol*2 (scheduled after Jan. 2013)
<b>Latency*1</b> (micro second)	<b>Under 1,000</b>	<b>Under 400</b> (performance of new matching engine itself if under 100)	<b>Under 100</b>
<b>Transactions /second</b>	<b>4,200</b>	<b>40,000</b>	<b>Upgraded Further</b> (not decided in detail)

**[Reference] Tokyo Stock Exchange's announced latency: under 1,000 micro seconds**  
(After upgrade in July 2012)

\*1 latency: time needed to match orders

\*2 protocol: format of telecommunication between participating securities firms

## **Analysis of Fluctuation Factors(3)**

### **~Biotechnology-related Business~**

- i) The bio business increased outlets for 5-ALA related products, e.g. health food, showing strong growth in its sales.**
- ii) Research and development activities for 5-ALA related products show steady progress in Japan and UK.**
- iii) The 5-ALA related business has acquired stakes in local 5-ALA related companies in China and Germany, with a view to creating a global structure to market the product.**
- iv) SBI Biotech plans to restructure its business operations in preparation for its public stock offering scheduled for 2014, setting FY2012 as a base financial period.**

# Favorable Sales of 5-ALA Related Products

(5-Aminolevulinic acid phosphate)

## <Food Supplements>

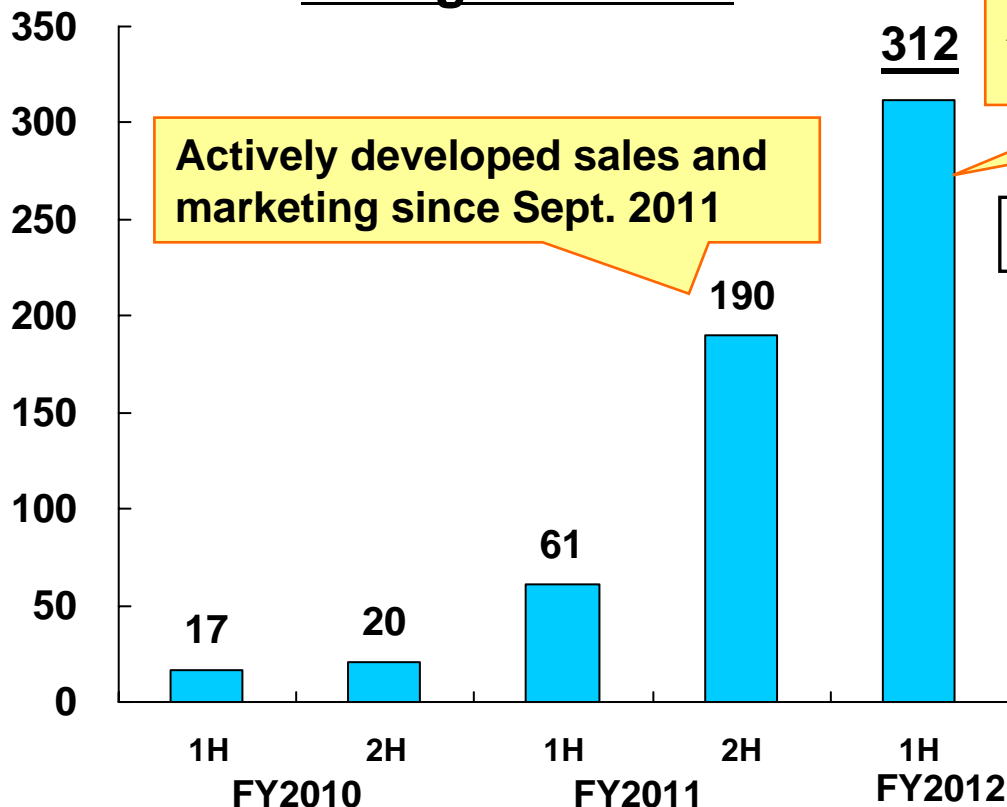
NatuALA-Bio (sales from Feb. 2010), NatuALA-BCAA (sales from Mar. 2011)

## <Beauty Goods>

ALAplus Essential Lotion and ALAplus Moisturizing Cream (sales from Sept. 2011) etc.

(JPY million)

## Change in Sales\*



Actively developed sales and marketing since Sept. 2011

With the organizational change and the establishment of the new SBI ALApromo in April 2012, focused sales expansion of health foods and cosmetics

## The number of stores selling the goods

As the end of  
Mar. 2012

52  
stores

As the end of  
Sept. 2012

162  
stores

B&D's Drug Store (based in Aichi Prefecture):45 stores / Dispensary Medical Ikkou (listed on JQS):23 stores / TOKYU HANDS / Odakyu Department Store, and so on

\*The figures for FY2010 and FY2011 are sales of the former SBI ALApromo (currently SBI Pharmaceuticals). The figure for 1H FY2012 is sales of the new SBI ALApromo (J-GAAP)

# The R&D into 5-ALA as a Drug Continues

(5-Aminolevulinic acid hydrochloride)

~R&D Progress in Diagnostic agent for Cancer Treatment~

Indications	Progress
Brain tumor	<p>Orphan drug designation (Sept. 2010)</p> <p>→ <b>Submission of a new drug application (NDA) to the Ministry of Health, Labor and Welfare in Japan (July 5, 2012)</b></p> <p>→ If all goes as planned, it will be approved as a treatment within FY2012</p>
Carcinoma vesicae	<p><u>Doctor sponsored investigation by 5 universities, headed by Kochi University was started (Phase 2-3 clinical testing is ongoing from Jan. 2012)</u></p> <p>→ Clinical testing will be completed by the end of 2012</p> <p>→ Will endeavor to be approved by early 2014</p>

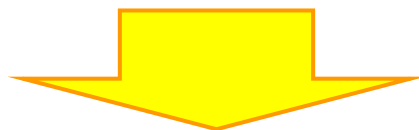
In other treatment of cancer, clinical tests and studies have been conducted at a number of universities, such as Saitama Medical University, Osaka Medical Center for Cancer and Cardiovascular Diseases, Kyoto Prefectural University, and Aichi Medical University. In addition to Brain tumor diagnostic agent, several studies on the potential applications for various cancers, such as the stomach, the colon and the thyroid, are progressing.



**Submitted a Phase-1 CTA (Clinical Trial Application) to UK MHRA (Medicines and Healthcare products Regulatory Agency) for a Drug of 5-Aminolevulinic acid hydrochloride to Treat Cancer Chemotherapy-induced Anemia, and It Received on Nov. 1, 2012**



**Cancer chemotherapy-induced anemia: one of the side effects of cancer chemotherapy drugs, and 43.2%(\*) of patients under treatment using such drugs are said to have symptoms of anemia**



**A definitive treatment for cancer chemotherapy-induced anemia has not been established, and there is a pressing need to develop a treatment**

**SBI Pharmaceuticals plans to start a clinical trial in the U.K. by the end of this year. The clinical trial will study the safety of the formulation in healthy subjects and lead to a more comprehensive follow-up clinical trial**

**German business partner in 5-ALA related business, medac GmbH, is approved by the European Medicines Evaluation Agency (EMA) to market intraoperative diagnostic agents in Germany, UK and 20-plus other European countries; underlining that 5-aminolevulinic acid hydrochloride is already recognized as a pharmaceutical ingredient in Europe.**

**→ We expect that the phase I clinical trials for treatment will progress smoothly. In the phase II clinical trials, we will discuss applying for permission to administer pharmaceuticals in multiple medical fields.**

(\*) Source of data: Wu Y, Aravind S, Ranganathan G, Martin A, Nalysnyk L. *Clin Ther.* 2009;31:2416-2432.

# Publication of the Results of Clinical Studies on the Relationship between 5-ALA and Glucose Levels (University of Hawaii)

The University of Hawaii, Manoa Group, has recently published the results of clinical studies on the relationship between 5-ALA and glucose levels of subjects with prediabetes (people who are not diabetic now but are at a risk of developing diabetes in the future) in the electronic edition of the U.S. science journal, *Clinical and Translational Science*.

## <Summary of the report>

- A clear decrease in glucose levels was observed among 154 men and women who took 5-ALA after they underwent the oral glucose tolerance test (OGTT).
- A significant decrease in glucose levels was observed among those who took high level of 5-ALA.

November 11-14, 2012 :

University of Hawaii and also SBI Pharmaceuticals will present their research results at 7th World Congress on Prevention of Diabetes and Its Complications



**November 12, 2012 Session 1.1.1 SBI Pharmaceuticals**

**Theme: Mitochondrial functions in diabetes and metabolic diseases**

**(Chair: Hiroshi Ito, Professor and Chairman, Division of Endocrinology, Metabolism and Nephrology, Department of Internal Medicine, Keio University School of Medicine)**

# Bahrain's Interest in 5-ALA Heightens



Bahrain



## Background ①

Bahrain government is promoting new industrial development and attraction of foreign farms because the prime industry of Bahrain is oil industry

## Background ②

High diabetes prevalence in the MENA such as Bahrain

In the MENA:

(%)

Nation	Bahrain	Qatar	Kuwait	Saudi Arabia
Diabetes prevalence	15.4	15.4	14.6	16.8

In major advanced country:

Nation	U.S.	U.K.	German	Japan
Diabetes prevalence	10.3	3.6	8.9	5.0

(Source: Database published by International Diabetes Federation)

SBI Pharmaceuticals identified Bahrain as its drug research and development base in the Middle East and North Africa (MENA), and plans to build a 5-ALA manufacturing base, and expects to expand its business operations in the neighboring countries as well.

# 5-ALA Related Business Progress in the Middle East



**Bahrain**

- Agreement for the Promotion of the 5-ALA Business with Bahrain government (Apr. 2012)
- Obtainment of the Product License of healthy supplement on “NatuALA ONE” from Ministry of Health Bahrain to market in the Bahrain (Apr. 2012)
- For the introduction of PDS (Photodynamic Surgery) for Cancer diagnosis with 5-ALA in Bahrain, preparing for the necessary clinical instruments and training the relevant government officials on how to use the clinical instruments (Sept. 2012)
- Opening of a representative office in Bahrain acquired a permit from Bahrain Economic Development Board (Oct. 2012)

**From now:**

- Starting with a joint clinical trial with Bahrain Defence Force Royal Medical Services Military Hospital, a Bahraini public hospital
- Striving to construct facilities to produce pharmaceuticals containing ALA, in an effort to build a system that facilitates dissemination of these products.



**The United Arab Emirates**

- Obtainment of the Product License of healthy supplement on “NatuALA ONE” from the Dubai Municipality Consumer Product Safety Section to market in the United Arab Emirates (UAE) (Oct. 2012)

## Network with Alliance Partners in Several Topics of Researches

~Several studies with 5-ALA are in progress at 85 universities and hospitals across Japan~

Topics of Research	Alliance Partner (examples)	Research Progress
<b>Malaria</b>	<ul style="list-style-type: none"> <li>➤ University of Tokyo</li> <li>➤ Tokyo Institute of Technology</li> <li>➤ National Institute for Medical Research</li> </ul>	<p>Antiproliferative effect for the falciparum malaria parasite presented at The 71<sup>st</sup> Annual Meeting of Eastern Branch of Japanese Society of Parasitology. (Oct. 2011)</p> <p>➔ Basic research is underway on the relationship between the metabolism of hemes, for which 5-ALA serve as the raw material for biosynthesis, and the growth of the malaria parasite.</p>
<b>Metabolic syndrome</b>	<ul style="list-style-type: none"> <li>➤ Kyoto Prefectural University</li> <li>➤ Hiroshima University</li> <li>➤ University of Hawaii</li> </ul>	<p>Based on the oral study in rats, suppression of accumulation of body fat discovered and presented at The 65<sup>th</sup> Annual Meeting of the Japanese Society of Nutrition and Food Science. (May 2011)</p> <p>➔ Tests are conducted continually on the improvement of fat metabolism.</p> <p>Favorable results have been obtained regarding the improvement of sugar metabolism and fat metabolism.</p>

Joint researches are underway with Japanese and overseas universities on other several themes

# Establishment of Business Management through the Investment into 5-ALA Related Business Companies



**China**

**Sept. 2012:  
Completion of the investment in  
Suzhou Yian Biotech Co., Ltd.**

**(SBI Group's shareholding ratio: 40%)**

**<Business>**

- **Manufacture of an active ingredient of 5-ALA**
- **Production of medicines, health foods and cosmetics that contain 5-ALA**

**Exclusive and  
worldwide sales rights**

**Establish a JV engaged in manufacturing and selling products in China in the current fiscal year**

**(SBI Group's shareholding ratio: 60%)**

**Expanding sales in China and overseas**



**German**

**Nov. 2012:  
Agreement about investment in  
photonamic GmbH and Co. KG and  
execution of the agreement**

**(SBI Group's shareholding ratio: 20%)**

**<Business>**

- **Research, development, and other handling of pharmaceuticals related to 5-ALA**

A 5-ALA related business company, which is a subsidiary of medac GmbH (German), which is SBI Group's business partner in 5-ALA related businesses

**Planning to work with German partner to pursue the development of new pharmaceuticals, to expand the range of indications for intraoperative diagnostic agents in Europe for the future.**

# Accelerating Overseas Expansion of 5-ALA Related Businesses (1)

Several projects in drug medicine field is in progress in the world



**U.K**

Submitting a phase-1 Clinical Trial Application to MHRA for a drug of 5-Aminolevulinic acid hydrochloride to treat cancer chemotherapy-induced anemia



**China**

40% investment in Chinese bioventure Yian Biotech



**German**

20% investment in photonamic, a subsidiary of German drug company, medac GmbH



**U.S**

Study on 5-ALA in relation to diabetes is in progress in University of Hawaii



**Bahrain**

Starting with a joint clinical trial with Bahrain Defence Force Royal Medical Services Military Hospital, a Bahraini public hospital <Plan>

# Accelerating Overseas Expansion of 5-ALA Related Businesses (2)

Steady progress in obtaining business licenses from local authorities and other preparations, with a view to developing overseas health food markets.



## China

Preparing for an establishment of JV company for selling goods containing 5-ALA



## Bahrain

- Obtainment of the Product License of healthy supplement on 'NatuALA ONE' from Ministry of Health Bahrain to market in the Bahrain.
- Establishing a sales structure



## Korea

Beginning discussions with a local large pharmaceutical company to expand 5-ALA businesses shortly



## Malaysia

Beginning discussions with a local large pharmaceutical company to expand 5-ALA businesses shortly



## UAE

- Obtainment of the Product License of healthy supplement on "NatuALA ONE" from the Dubai Municipality Consumer Product Safety Section to market in UAE
- Establishing a sales structure



## Philippine

- Health food, 'NatuALA ONE' was nationally licensed by Food and Drug Administration (FDA) Philippines.
- Scheduling on the launch in the Philippines, collaborating with local firms having a network of doctors



## **2. Future Management Policies**

- (1) Thorough Pursuit of “Brilliant Cut Initiatives,” which Transitioned into the Third Phase**
- (2) Efficient Use of Big Data and Formation of “Bigger Data”**
- (3) Further Advancement of Globalization of Financial Service Businesses**
- (4) Ongoing Reorganization for Profitability Enhancement**

# **(1) Thorough Pursuit of “Brilliant Cut Initiatives,” which Transitioned into the Third Phase**

**Measure ① Extensive strengthening of the three core businesses and their supporting businesses in the Financial Services Business**

**Measure ② Sell or publicly offer shares of companies that are not expected to generate strong synergies with the three core businesses, with the proceeds to be appropriated to strengthen the three core businesses**

**Measure ③ Organizational restructuring to integrally operate closely-related businesses**

**Measure ④ Promotion of alliances with companies outside the Group to strengthen the three core businesses**

# The Third Phase of the Brilliant Cut Initiative Where Thorough “Selection and Concentration” is Pursued

(Announced in Apr. 2012)

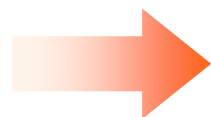
## Third Phase (from Mar. 2012):

Examine each company’s synergy with the three core businesses, in addition to the earnings capacity, and concentrate resources solely on those businesses with strong synergies.

## [Fundamental Thinking of the Third Phase]

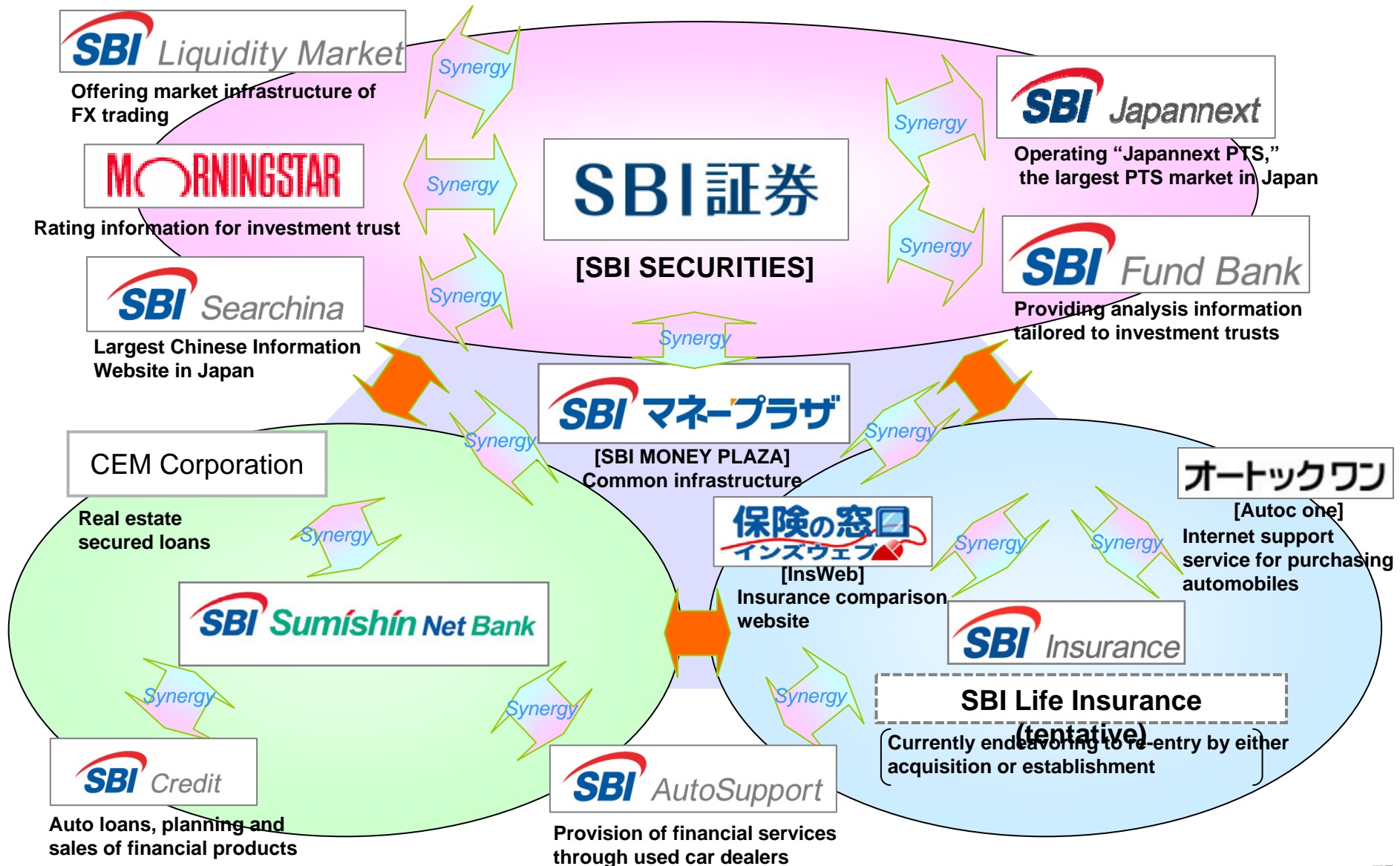
To examine each business in terms of the following:

- ① Does the business have strong synergies with the three core businesses in the Financial Services Business, and does it have sufficiently high profitability and growth potential?
- ② Is the service not replaceable with services which can be purchased from other companies at reasonable prices?
- ③ Is it possible to expand the business overseas as the SBI Group’s business?



**Thorough “selection and concentration”**

# Extensive Strengthening of the Three Core Businesses and Their Supporting Businesses in the Financial Services Business



## Companies that Do Not Generate Strong Synergies with the Three Core Companies are to be Sold as a General Rule, Even if They are Profitable

- **Sold all shares of SBI VeriTrans (currently VeriTrans) to a subsidiary of Digital Garage, Inc.** (Mar. 30, 2012)
  - Transfer price was JPY 13.0bn
  - E-commerce settlement services only provided weak synergies with the three core businesses. In addition, the SBI Group has a subsidiary engaged in the same business, SBI AXES (planned to be listed on KOSDAQ in Dec. 2012)
  
- **Sold all shares of Wall Street Journal Japan to Dow Jones & Company**  
(Announced on July 13, 2012)
  - The Wall Street Journal Japan had not demonstrated sufficient profitability, and the company was not expected to generate strong synergies with the securities, banking and insurance businesses
  
- **Transferred all shares of SBI Capital Solutions and the Group's equity interest in funds managed by the company** (Sept. 28, 2012)
  - Transfer price was JPY 3.4bn
  - In the Asset Management Business, the Group will also focus management resources on investments in promising venture firms, medium-sized companies, and small and medium-sized enterprises

## Subsidiaries and investee companies continue proceeding with preparations for IPO in either domestic or overseas markets.

### 1) (the SBI Group's share: 100%)

\*Became a Group subsidiary since FY2012 due to IFRS adoption of SBIH

➤ Submitted securities registration statement to Korea Exchange on Oct. 26, 2012

➤ To be listed on KOSDAQ in December, depending on the market conditions

- Holding company that retains settlement service providers, ZERO and ZEUS
- Has the advantage in global business expansion, as it provides various foreign currency settlement
  - Expanding business transactions with dozens of leading Korean EC companies (monthly turnover: JPY 0.28bn)
  - Signed a distribution agreement with a few dozen major shopping cart vendors in Korea
  - Expecting to sign a distribution agreement with a leading Korean settlement company

### Purpose of KOSDAQ market listing in South Korea

As a foothold to further develop businesses in Asia, accelerating business expansion in Korea through the strengthening of its creditworthiness and securing talented human resources.

**Subsidiaries and investee companies continue proceeding with preparations for IPO in either domestic or overseas markets.**

2)

**AUTO SERVER**

(the SBI Group's share: 43.8%)

➤ **In preparation for the listing on Taiwan's GTSM**

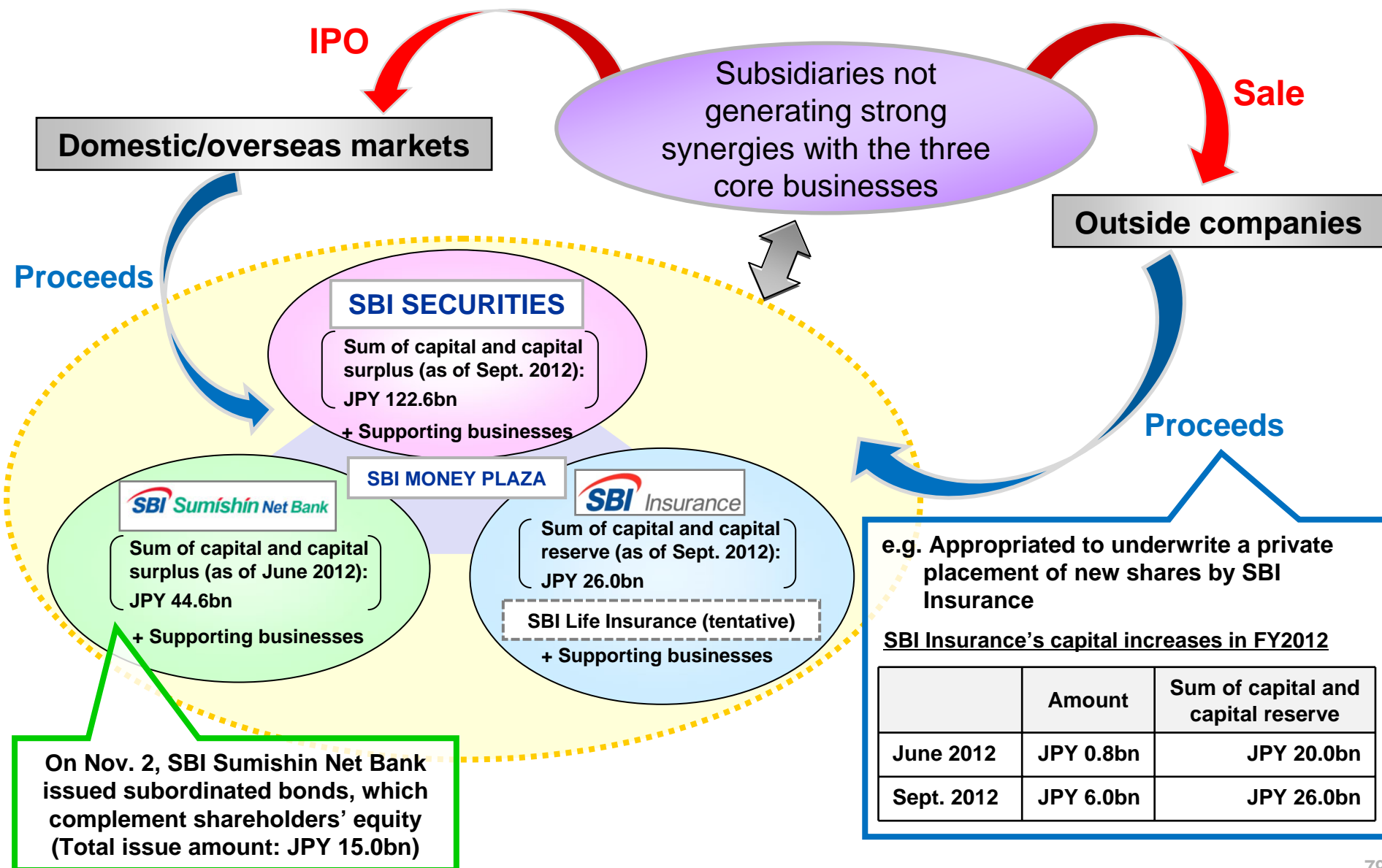
- In December 2011, in a proactive effort to attract overseas companies to the Taiwanese market, the government of Taiwan relaxed the regulations concerning direct listing on Taiwanese securities markets by overseas companies.
- AUTO SERVER has commenced proceedings to be listed on Taiwan's GreTai Securities Market (GTSM) and already obtained a securities code (GTSM5266). (\*Taiwanese securities markets issue securities codes prior to the IPO application)
- With regard to the listing of Japanese companies on the Taiwanese securities market, the Taiwanese Securities and Futures Bureau (Japanese equivalent of FSA) is currently carrying out adjustments to the differing company laws between Japan and Taiwan.

**Auto Server's listing on GTSM, if approved, will be the first primary listing on the market by a Japanese company, or even by a foreign company**

**By listing on Taiwan's GTSM, Auto Server endeavors to gain recognition in the Chinese world, and to make inroads into the online used car auction business in mainland China.**

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

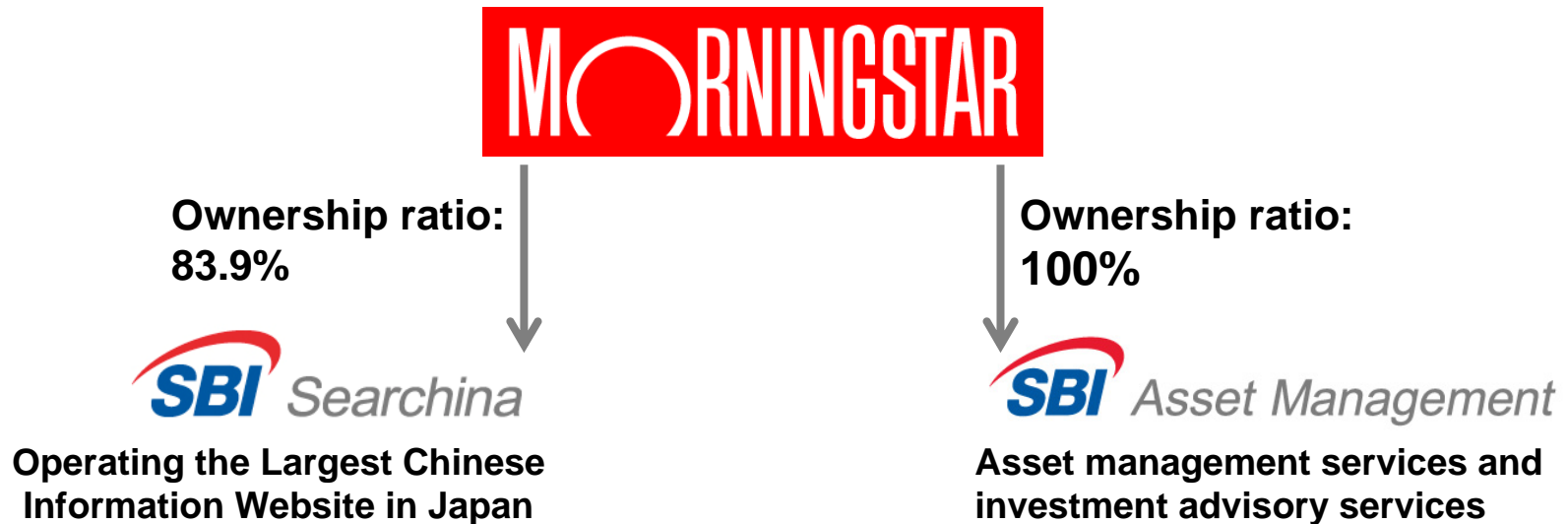
# Proceeds from Sales and IPOs to be Appropriated to Strengthen the Three Core Businesses





# Organizational Restructuring to Integrally Operate Closely-related Businesses

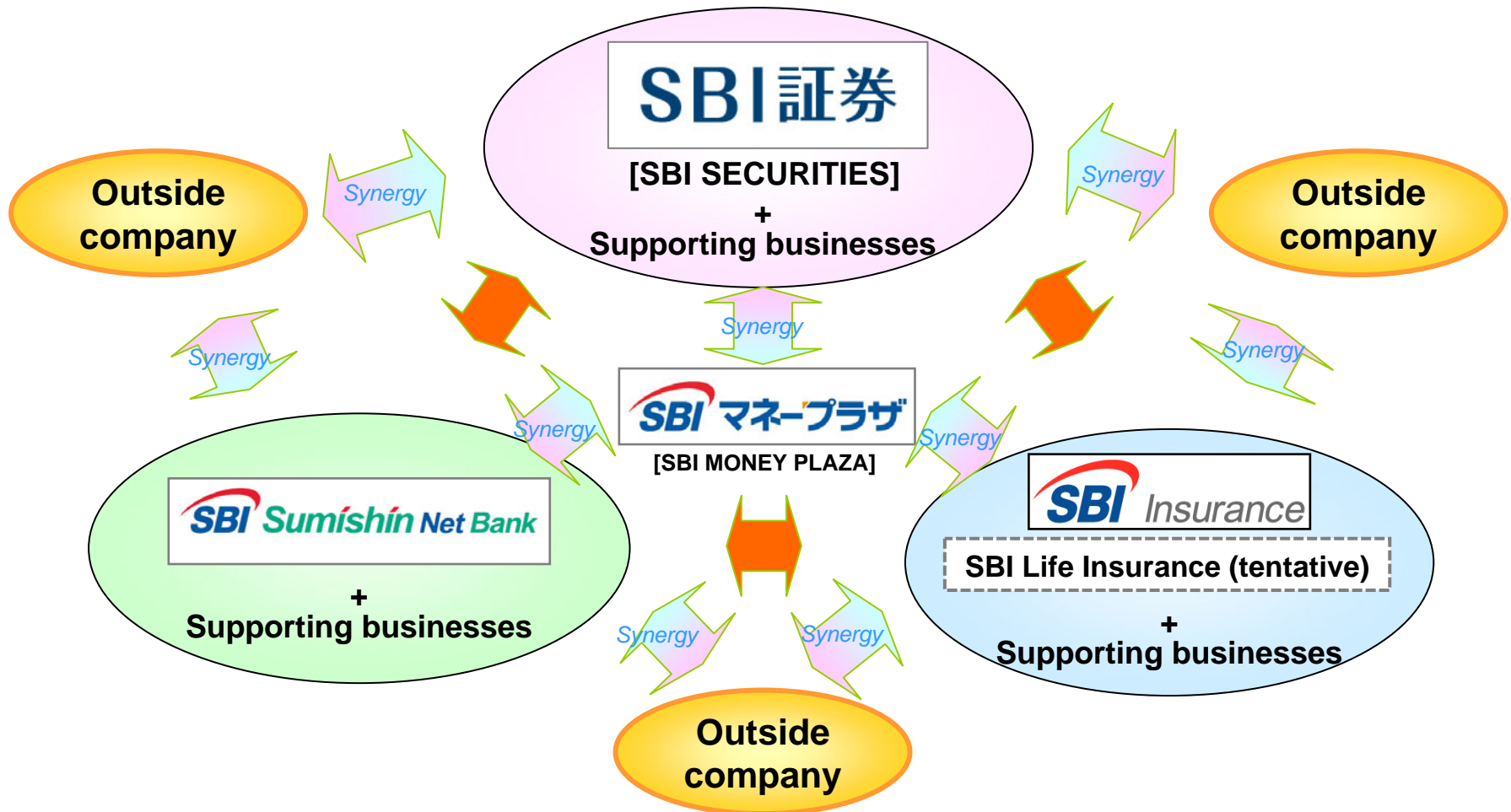
- Morningstar Japan made SBI Searchina and SBI Asset Management its subsidiaries (Oct. 11, 2012)



By adding SBI Searchina, which provides China-related information to Morningstar Japan's media, the provision of comprehensive financial information has been realized

Will pursue synergies, such as by setting up various funds utilizing Morningstar's abundant data

# Promotion of Alliances with Companies Outside the Group to Strengthen the Three Core Businesses



Promoting strategic collaborations with outside companies, including WebCrew, with which SBI concluded an agreement to form a capital and business alliance in Oct. 2012, to strengthen the three core businesses

## **(2) Efficient Use of Big Data and Formation of “Bigger Data”**

# Efficient Use of Big Data and Formation of “Bigger Data”



## Analysis of relational tables based on action history of customers visiting SBI Group’s web sites

Calculate linkage among the Group from access history, browse history and usage

		Customers to							
		SBI SECURITIES	SBI Sumishin Net Bank	SBI Insurance	SBI Card	SBI MONEY PLAZA	SBI FXTRADE	SBI Mortgage	...
Customers from	SBI SECURITIES		XXX	XXX	XXX	...			
	SBI Sumishin Net Bank	XXX							
	SBI Insurance	XXX							
	SBI Card	XXX							
	SBI MONEY PLAZA	:							
	SBI FXTRADE								
	SBI Mortgage								
	:								

**Data listed below to be tabulated from action history**

**(examples)** customers transferred between Group companies, its percentage of total

- No. of orders (opening of accounts, visiting appointments, contracts, etc.), its percentage of total
- No. of customers using more than one service
- Contribution to campaigns, focused products, new services
- Linkage intensity between the websites

# By Collaborating with Outside Companies, the SBI Group Also Endeavors to Utilize “Big Data” with the Objective of Reinforcing Sales Capabilities on a Reciprocal Basis

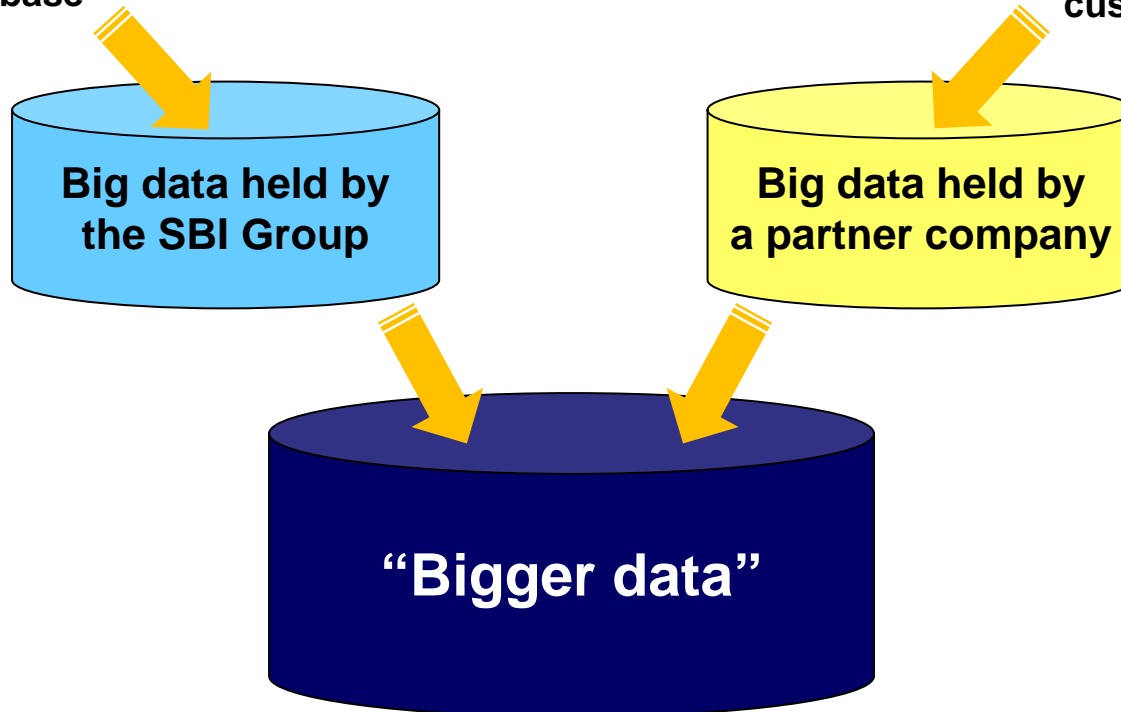
~Making “Big Data” into “Bigger Data”~



SBI Group's customer base



Partner company's customer base



## **(3) Further Advancement of Globalization of Financial Service Businesses**












- ① Basically completed establishment of a global investment structure, which covers a broad area of the world, with a focus on the emerging countries**
- ② Promoting further international development of the financial service business**

- ① **Basically completed establishment of a global investment structure, which covers a broad area of the world, with a focus on the emerging countries**

# Completion of Global Investment Structure Focusing on Emerging Countries








Since 2005, created a global overseas investment structure, which permeates the world, through establishments of JV funds with prominent local partners

## Outline of the SBI Group's overseas JV funds ①

Fund name	Establishment	Partners
New Horizon Fund 	May 2005	TEMASEK (Investment company for the Singaporean government)
SBI & TH VC Fund 	Jan. 2008	Tsinghua Holdings (Company of the Tsinghua University)
SBI & BDJB China Fund 	Feb. 2008	Peking University Beida Jade Bird Group (Strategic investment arm of Peking University)
Vietnam Japan Fund 	Apr. 2008	FPT (Vietnam's largest high-tech company)
SBI& Capital 22 Fund 	Oct. 2008	Founder of a Taiwanese IT company
SBI Zhaoxin Fund 	Mar. 2009	China Merchants Securities, Resource Capital China, China CITIC Bank
PNB-SBI ASEAN Gateway Fund 	Dec. 2009	PNB Equity Resource Corporation (Malaysian governmental investment management company)
SBI-Islamic Fund 	June 2010	Brunei Darussalam, Ministry of Finance
Jefferies-SBI USA Fund 	June 2010	Jefferies Group, Inc (Major U.S. securities company)
SBI-Jefferies Asia Fund 	July 2010	Jefferies Group, Inc (Major U.S. securities company)
SBI-METROPOL Investment Fund 	Nov. 2010	IFC METROPOL (Major integrated financial group in Russia)



## Outline of the SBI Group's overseas JV funds ②

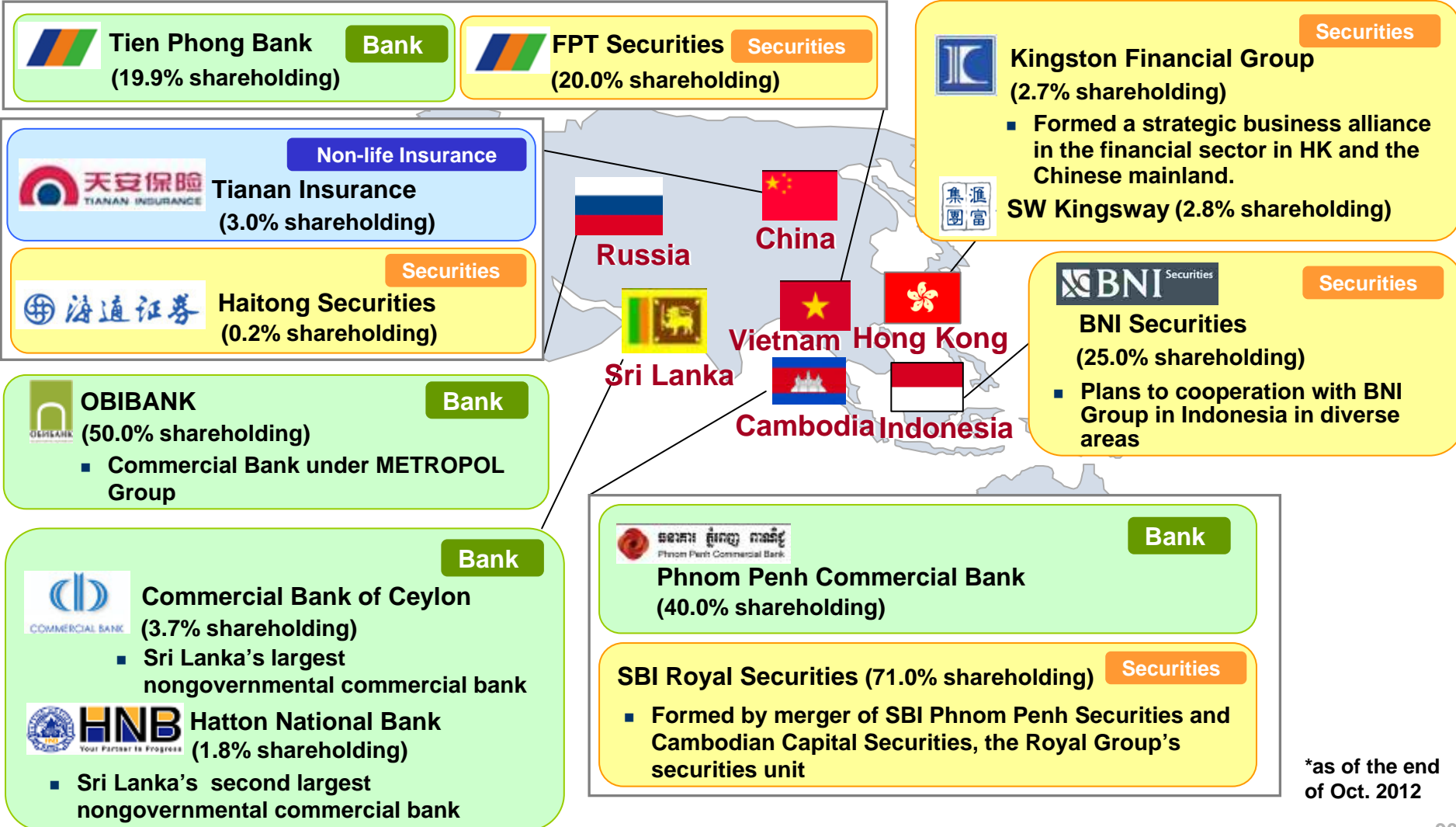
Fund name	Establishment	Partners
INVEST AD/SBI AFRICA FUND 	Jan. 2011	Invest AD (Subsidiary of the Abu Dhabi Investment Council)
INVEST AD/SBI TURKEY FUND 	May 2011	Invest AD (Subsidiary of the Abu Dhabi Investment Council)
SNSI Fund 	July 2011	Shin Kong Group (Major financial group in Taiwan) Nan Fung Group (Major real estate developer in HK)
Kingston/SBI Credence Fund 	Sept. 2011	Kingston Financial Group (Major financial group in HK)
EW SBI Crossover Fund 	May 2012	Edelweiss Financial Services
Fudan University Fund 	June 2012	Fudan Forward
Cambodia Fund 	In preparation	Royal Group (Largest conglomerate group in Cambodia)
Shanghai Yidian Fund 	Scheduled to be established in Nov. 2012	Shanghai Yidian Holding (Large state-owned information company directly under the Shanghai Municipal Government)
Nirvana Digital India Fund 	In preparation for formal agreement	Founding family of Patni Computer Systems
Mahindra Satyam Fund 	Prior to formal agreement	Mahindra Satyam (Large IT service company in India)
SBI-FMO Asia Financial Services Fund 	Recruiting external investors	FMO (Bilateral private sector development bank)

**NEW!!** Received a final approval from the Shanghai Commission of Commerce and the Shanghai Municipal Financial Services Office, for the establishment of an "Equity Investment Management Enterprise." First case in China to earn an approval involving a Japanese majority shareholding in an "Equity Investment Management Enterprise."

**② Promoting further international development  
of the financial service business**

# Investments in Overseas Financial Institutions Primarily in Asia

With the alliances to prominent local partners, the SBI Group has advanced the overseas development of its various financial services



\*as of the end of Oct. 2012

# Deepening of Current Overseas Financial Services

-  Encouraging OBIBANK (Russia) to launch a online banking service



**OBIBANK**  
(SBI: 50.0% shareholding)

Commercial bank under METROPOL Group,  
a major financial conglomerate in Russia

**In preparation for a scheduled launch in July 2013, with the system requirements definition completed, and now finalizing toward the actual start of development.**

**Further enhance earnings capacity by transferring the know-how and systems of online banking services that the SBI Group has developed in Japan.  
Strive to recoup investments at an early period.**

-  Reviewing the investment in Phnom Penh Commercial Bank (Cambodia)



**Phnom Penh Commercial Bank**  
(SBI: 40.0% shareholding)

## **(4) Ongoing Reorganization for Profitability Enhancement**

- ① Transition of Group Organization Focusing on the Three Major Businesses**
- ② Toward Realization of Hong Kong Second Headquarter**
- ③ Establishment of Insurance Holding Companies which will Supervise the Domestic Insurance Business is Under Consideration**

# ① Transition of Group Organization Focusing on the Three Major Businesses

## The Background to Implement Organizational Restructuring Within the Group (Announced at the fiscal result reporting on April 26, 2012)

➤ **After the introduction of IFRS, the performance of operational investment securities (unrealized gains and losses) will be directly reflected in our profit and loss.**

Operational investment securities are evaluated quarterly based on fair value. Valuation gain/loss is recorded on operating revenue even when there is no actual sale of assets. The same amount of gain/loss is to be recorded on operating income/loss and profit/loss before income tax expense

➤ **The Financial Services Business will move on to the third phase of the Brilliant Cut Initiative, in which it will thoroughly pursue synergies with the three core businesses of securities, banking, and insurance.**

Securities Business and Financial Service Business will be integrated into one segment.

Shift to an organizational structure capable of thoroughly pursuing synergies by unifying the sales infrastructures of securities, insurance and housing loan businesses as a common infrastructure.

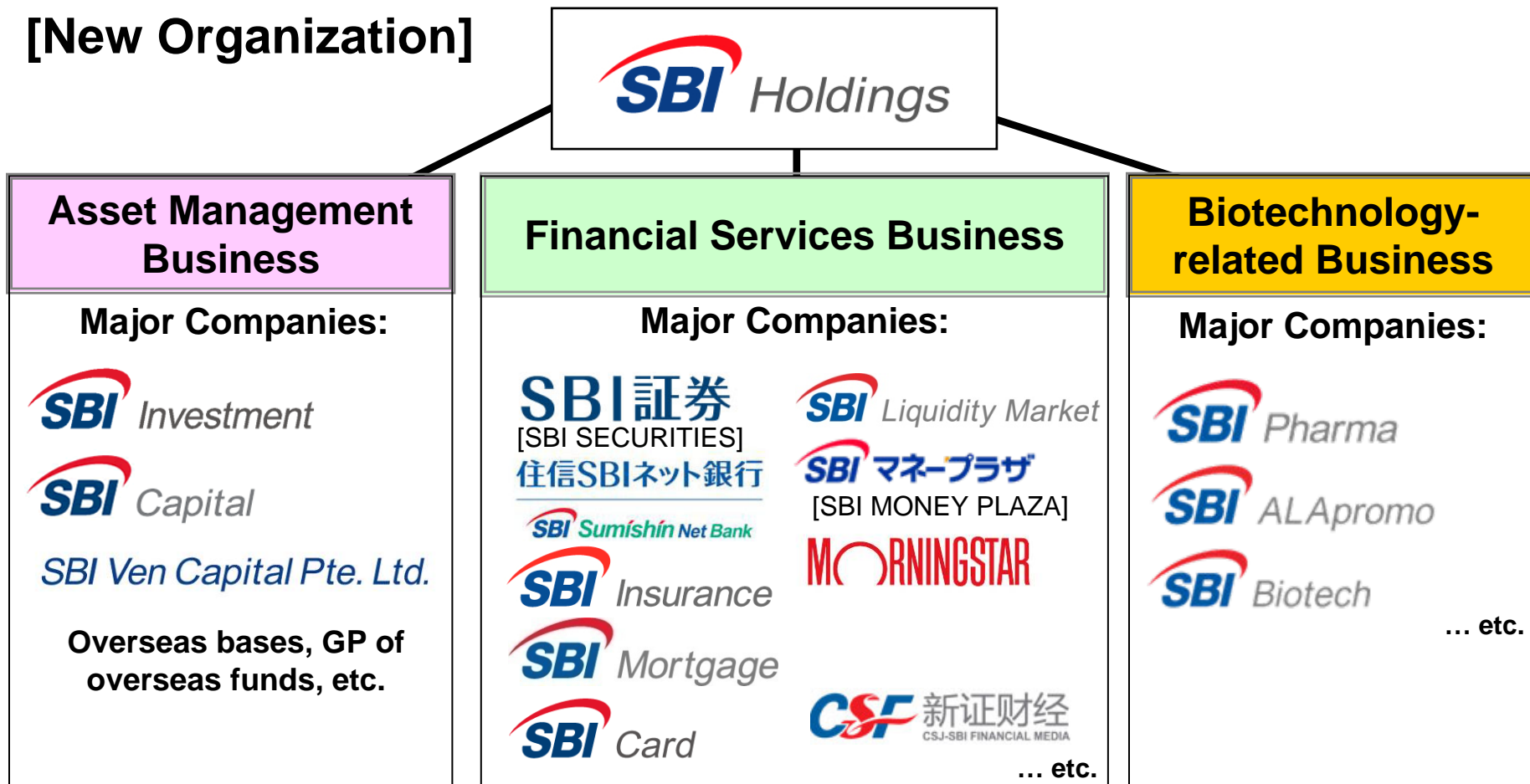
➤ **The Biotechnology-related Business, which will be a New Revenue Source, will be focused upon.**



**To implement an organizational restructuring of the Group  
owing to the adoption of the IFRS**

# Transition of a Group Organization System Focusing on the Three Major Businesses

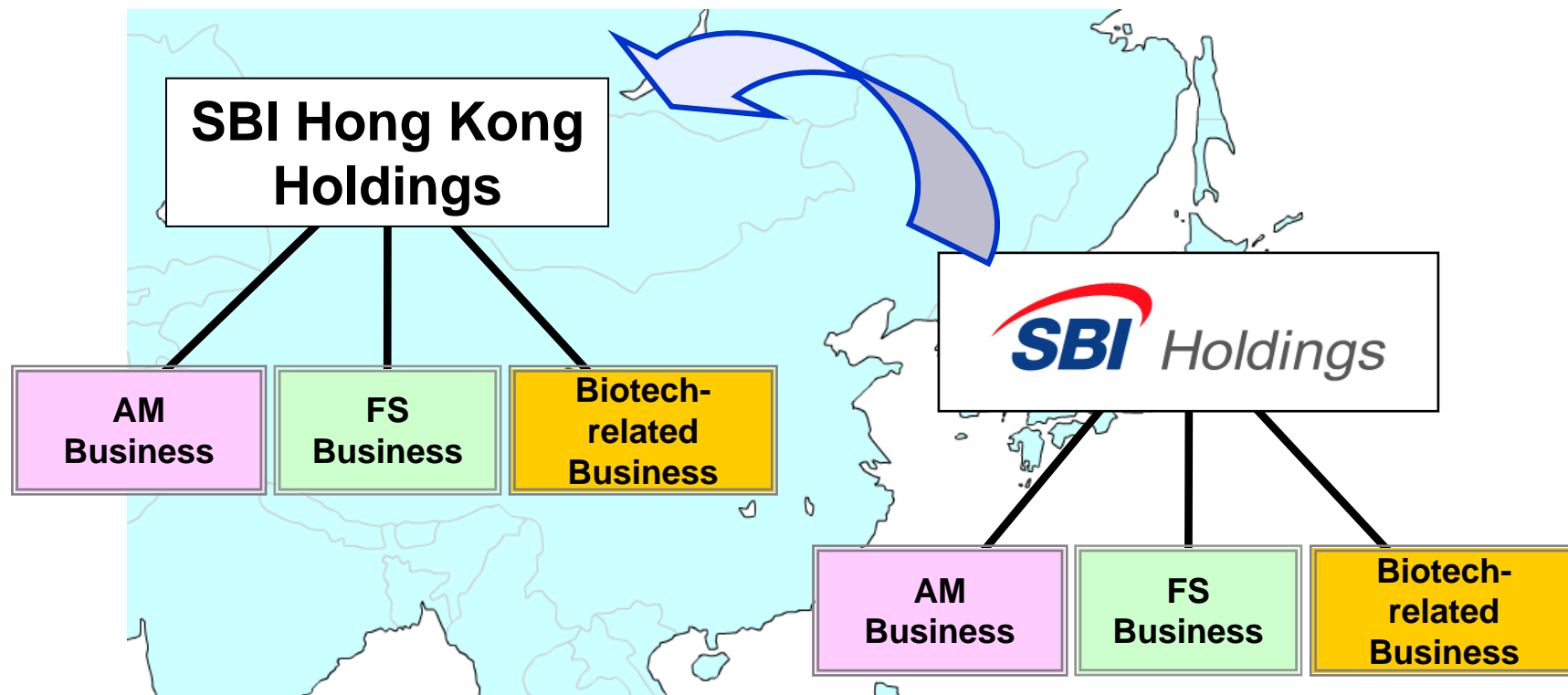
[New Organization]



Each business segment has established an intermediate holding company

## ② Toward Realization of Hong Kong Second Headquarter

Planning to Form a Business Structure which Manages the Group's Overseas Businesses of Three Major Businesses

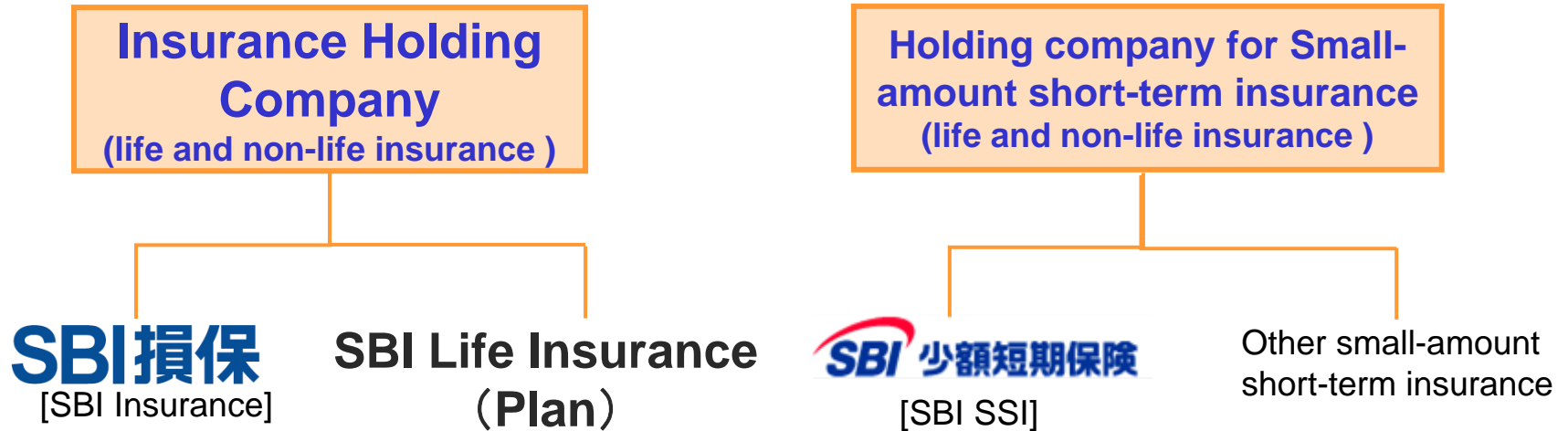


- Transfer overseas related subsidiaries and assets to Hong Kong subsidiary and establish similar business structure to that in Japan
- The project for functional transference from the Tokyo office to the Hong Kong office is in progress, as well as the determination of the role of the Hong Kong headquarter, and the individual members to be dispatched.
- IPO on overseas market is in sight



### ③ Establishment of Insurance Holding Companies which will Supervise the Domestic Insurance Business is Under Consideration

Planning to establish an insurance holding company that retains SBI Insurance, SBI Life Insurance(tentative) and SBI Small-amount short-term insurance etc.



#### [ Advantages of establishment of an insurance holding company ]

- Efficient use of resources related to the insurance business, including the information and know-how on fund management and risk management information as well as human resources.
- Strengthening cooperation and creating synergies between insurance companies.
- Diversifying the financing means for implementing a capital increase following business expansion.

# [Appendix]

# Statements of Cash Flow (based on IFRS)



	FY2011 Full year	FY2012 1H
<b>Cash flow from operating activities</b>	<b>JPY 9.8bn</b>	<b>JPY 2.8bn</b>
<b>Specific factors relating to business model</b>		
<b>SBI Mortgage</b> Some temporary operation loans were not securitized at the end of March 2012, but was completed and liquidated in April 2012.	<b>JPY -11.7bn</b>	<b>JPY +11.7bn</b>
<b>SBI SECURITIES</b> Resulting from the changes in segregated cash for customers, customers' deposits, and margin trading accounts	<b>JPY -2.8bn</b>	<b>JPY -10.6bn</b>
	Increase own capital lending by JPY35.0bn for customer's margin trading, instead of loans from other companies	
<b>Substantial cash flow from operating activities excluding the specific factors above</b>	<b>JPY 24.3bn</b>	<b>JPY 1.7bn</b>
<b>Term-end balance of cash and cash equivalents</b>	<b>JPY 159.8bn</b>	<b>JPY 152.1bn</b>

# Estimating Each Segment's Shareholder Value①

(based on the closing prices on Nov. 7, 2012)

(JPY billion)

	Enterprise value by segment (theoretical value)
<b>Asset Management</b>	<b>95.5</b>
<b>Financial Service</b>	<b>266.2 (+)*</b>
<b>Biotechnology-related</b>	<b>72.6</b>
<b>Others</b>	<b>38.6</b>
<b>Outside borrowings</b>	<b>-133.5</b>
<b>Sum total</b>	<b>339.4 (+)</b>

(Reference) **Market cap** (actual value): **JPY 139.7bn**

\* Other business including SBIH's comparison website business, SBI Lease, SBI Business Support are also profitable, but these businesses are not included in this shareholder value estimation.

# Estimating Each Segment's Shareholder Value②

## <Premises>

- Market capitalization is based on closing prices on Nov. 7, 2012.

## <Calculation Methods for Each Business>

- Asset Management Business → calculation based on Comparable Multiple Valuation Approach

{SBIH's investment asset balance (as of Mar. 31, 2012) + SBIH's equity interest of cash held by funds (as of Mar. 31, 2012)} x JAFCO's PBR (\*1)

\*1 JAFCO's PBR is calculated by its BPS as of Mar. 31, 2012

\*2 The abovementioned "investment asset balance" represent the balance of operational investment securities and direct investment of SBIH's AM Business, and "cash held by Funds" represent the balance of cash held by both domestic and foreign funds.

- Financial Services Business

Combination of major companies' shareholder values

# SBI SECURITIES → calculating the mean of the two values [(A) and (B)] resulted from Comparable Multiple Valuation Approach

$$\frac{(\text{Matsui's PER} + \text{Monex's PER} + \text{kabu.com's PER}) (*3)}{3} \times \text{SBI SECURITIES's Net income (FY2011)} \dots (A)$$

$$\frac{(\text{Matsui's PBR} + \text{Monex's PBR} + \text{kabu.com's PBR}) (*4)}{3} \times \text{SBI SECURITIES's Net asset (as of Mar. 31, 2012)} \dots (B)$$

\*3 PERs of Matsui, Monex and kabu.com are calculated by their EPS for FY2011.

\*4 PBRs of Matsui, Monex and kabu.com are calculated by its BPS as of Mar. 31, 2012.

# SBI Liquidity Market → calculation based on Comparable Multiple Valuation Approach

$$\frac{(\text{Money Partners' PER} + \text{MONEY SQUARE JAPAN's PER}) (*5)}{2} \times \text{SBI Liquidity Market's Net income (FY2011)}$$

\*5 PERs of Money Partners and MONEY SQUARE JAPAN are calculated by EPS for FY2011.

# Estimating Each Segment's Shareholder Value③

## <Calculation Methods for Each Business (continued)>

### - Financial Service Business (cont.)

#### # SBI Sumishin Net Bank

→ The excess earning power of the bank for the five fiscal years beginning in FY2012 was estimated with the assumption that the after-tax income (\*6) of SBI Sumishin Net Bank will grow 20 percent annually for those five fiscal years. Then, shareholder value was calculated by adding SBIH's equity interest in paid-up capital of the bank to the excess earning power.

\*6 Under an assumption of a forecasted ordinary income of JPY 7.0 bn, the profit after tax for the corresponding fiscal year would be JPY 4.2 billion.

# SBI Insurance → Predetermined market value of SBI Insurance at the point of partial share transfer (Nov. 2012) x number of shares issued (as of Sept. 30, 2012) x SBIH's equity interest

# Morningstar Japan → Morningstar's stock price x number of shares issued (as of Mar. 31, 2012) x SBIH's equity interest (including indirect holdings)

#### # SBI Mortgage

→ SBI Mortgage's stock price on KOSPI x number of shares issued x SBIH's equity interest (including indirect holdings)

### - Biotechnology-related Business

#### # SBI Pharmaceuticals

→ Market value at the point of partial transfer of former SBI ALApromo's shares x number of shares issued x SBIH's equity interest (including indirect holdings)

# SBI Biotech → Market value at the point of financing x number of shares held by SBI (including indirect holdings)

#### # Bio-related companies; Quark, Kadmon and Acucela; owned by funds

{SBIH's investment asset balance (as of Mar. 31, 2012) + SBIH's equity interest of cash held by funds (as of Mar. 31, 2012)} x average PBR of ten Japanese bio-venture companies

### - Others

→ The value of the commercial real estate properties of SBIH as of the end of Mar. 2012 (the balance of real estate inventory + the balance of real estate included in tangible assets) was calculated.

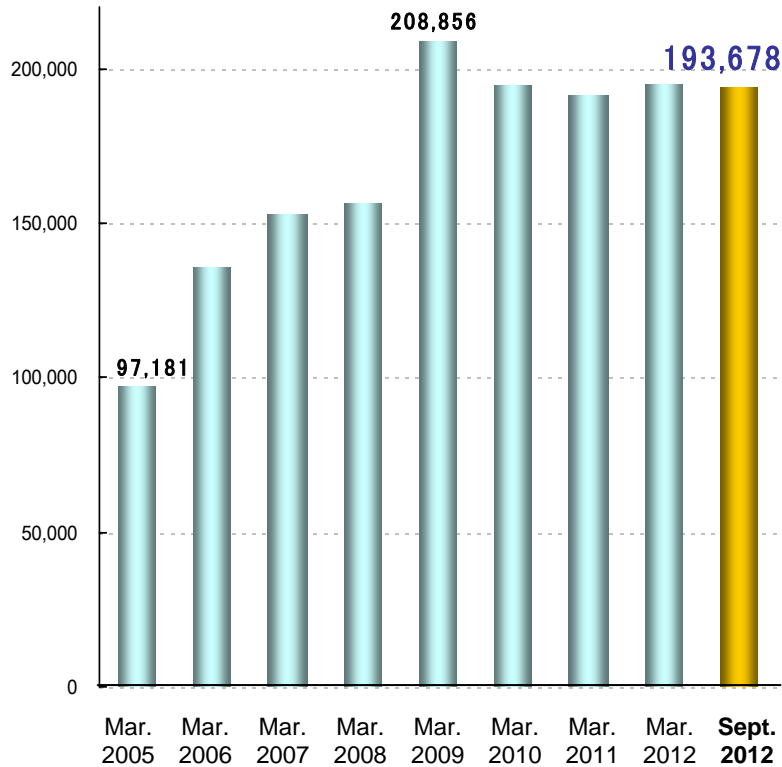
# SBI Holdings' Shareholder Composition



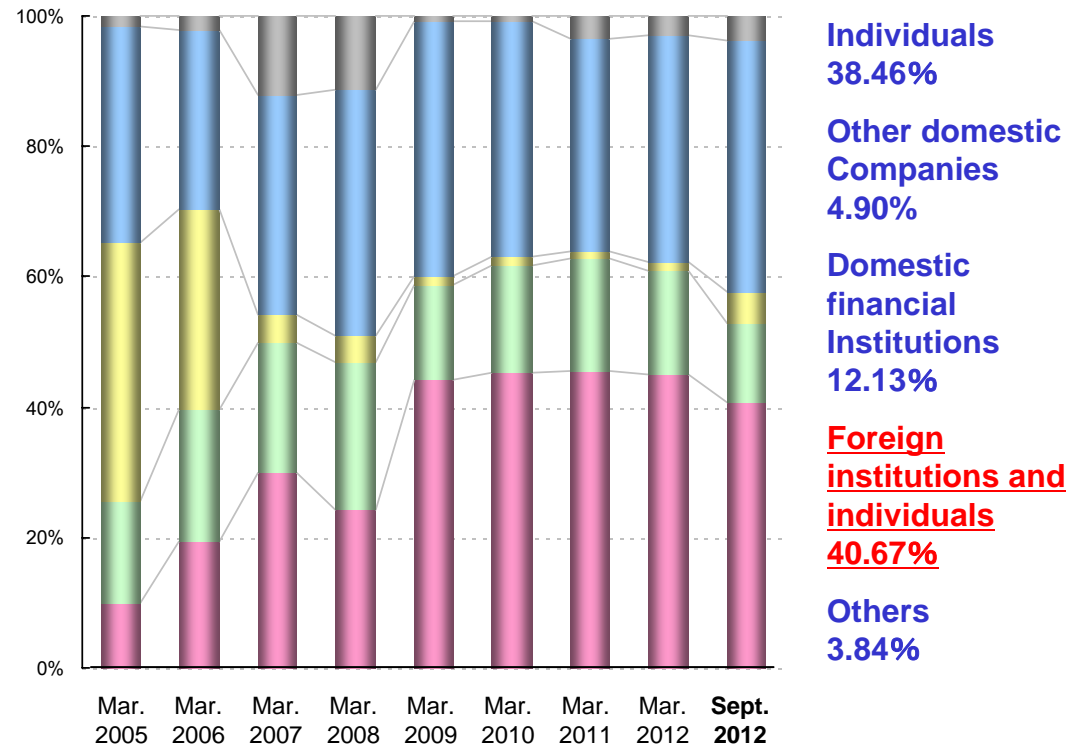
## Number of Shareholders

## Shareholder Composition

(Number of holders)



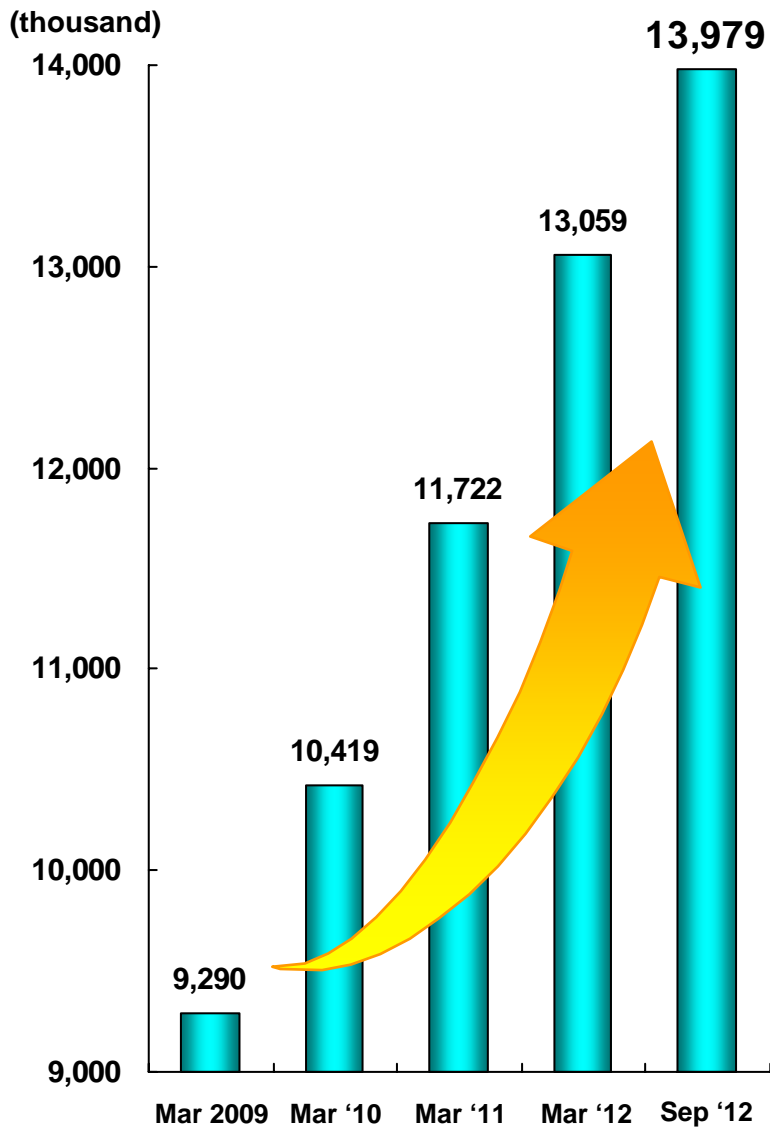
■ Foreign institutions and individuals
 ■ Domestic financial Institutions
 ■ Other domestic companies
 ■ Individuals
 ■ Others



\* end of the month

\* end of the month \* "Others" includes treasury stock (3.33%)

# The SBI Group's Customer Base



## Breakdown of the Customer Base

(as of the end of Sept. 2012)

		(thousand)
SBI SECURITIES	(Accounts)	2,470
SBIH InsWeb	(No. of customers)	4,843
E-LOAN	(No. of customers)	1,233
Other financial websites	(No. of customers)	23
MoneyLook	(Total no. of customer registrations)	796
Morningstar Japan	(New portfolio customer registrations)	91
SBI Card	(Valid cards issued)	129
SBI Sumishin Net Bank	(Accounts)	1,486
SBI Insurance	(Total no. of contracts )	476
Autoc one	(Total no. of service users in 2011)	800
Lifestyle-related websites (Ticket Ryutsu Center, muSBI.net)	(Total no. of customer registrations)	1,019
SBI Credit	(No. of customers)	143
Others (SBI Mortgage, SBI Point Union, etc.)		470
<b>Total</b>		<b>13,979</b>

\* Repetition customers between Group companies are counted double while it is omitting repetition in each service site when it can be recognized as a unique user.

\* The total number of contracts of SBI Insurance excludes continuing contracts, expiring contracts and early-withdrawal



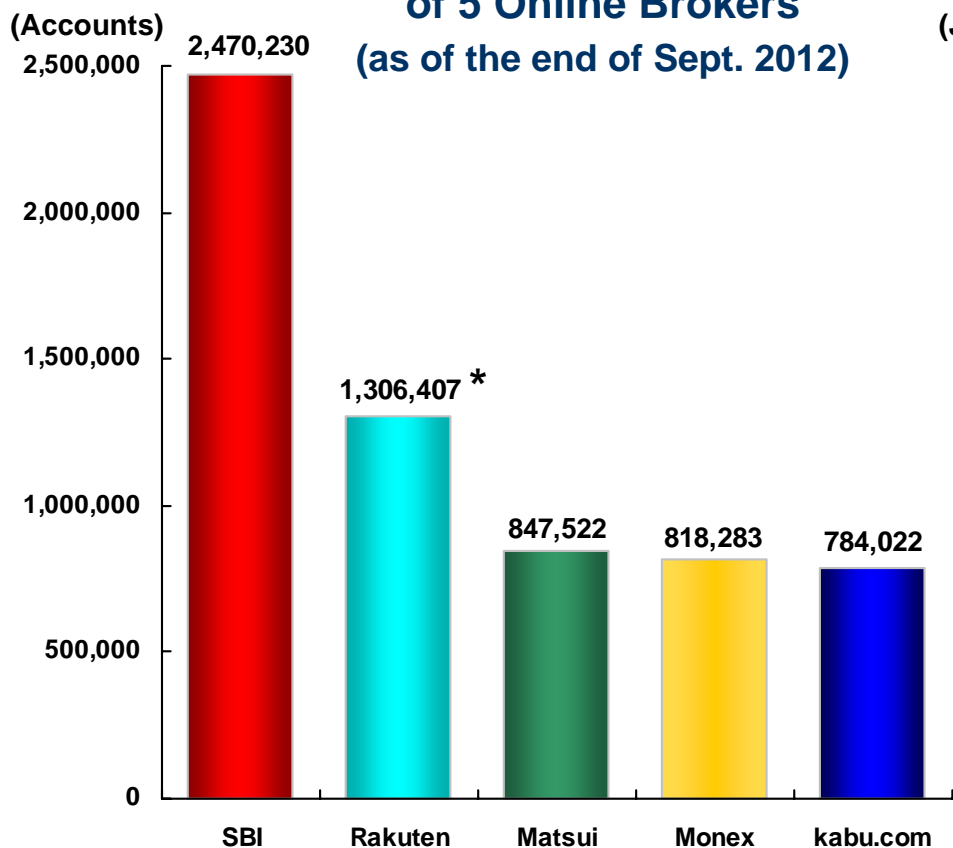
# Solid Customer Base of SBI SECURITIES①

## < Number of Accounts and Amount of Customer Asset >

SBI SECURITIES far exceeds its competitors in terms of the number of accounts and deposit assets

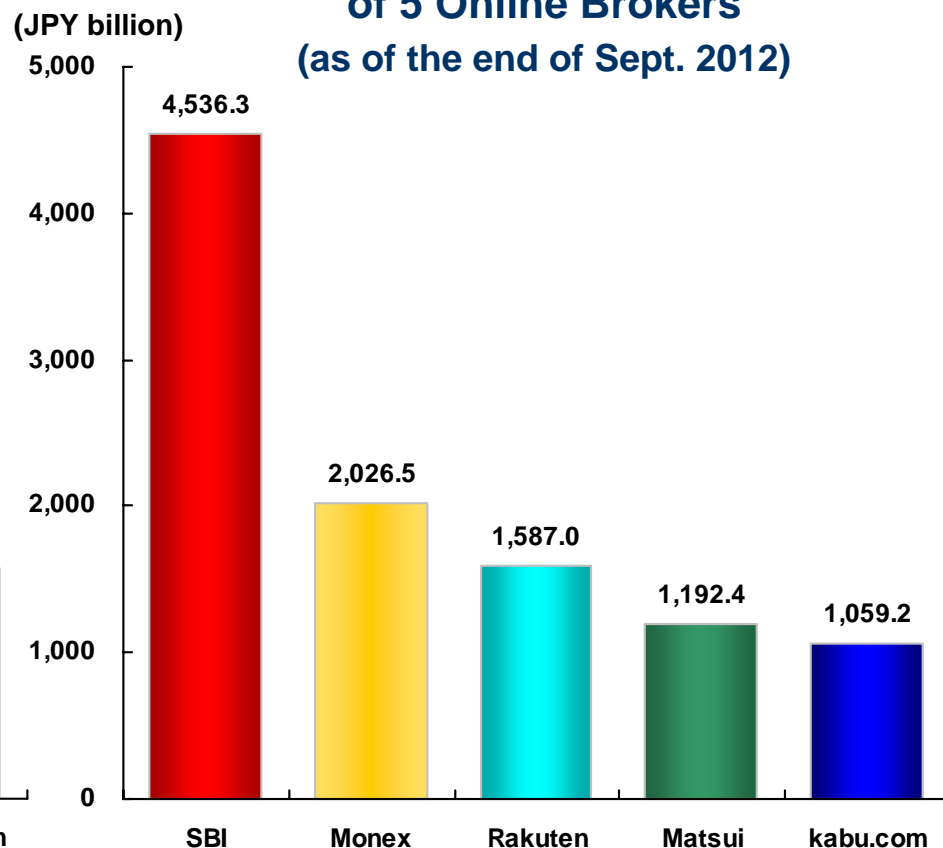
**Customer Accounts  
of 5 Online Brokers**

(as of the end of Sept. 2012)



**Customers' Deposit Assets  
of 5 Online Brokers**

(as of the end of Sept. 2012)



\* The figure of Rakuten is the number of customer accounts as of the end of May 2012

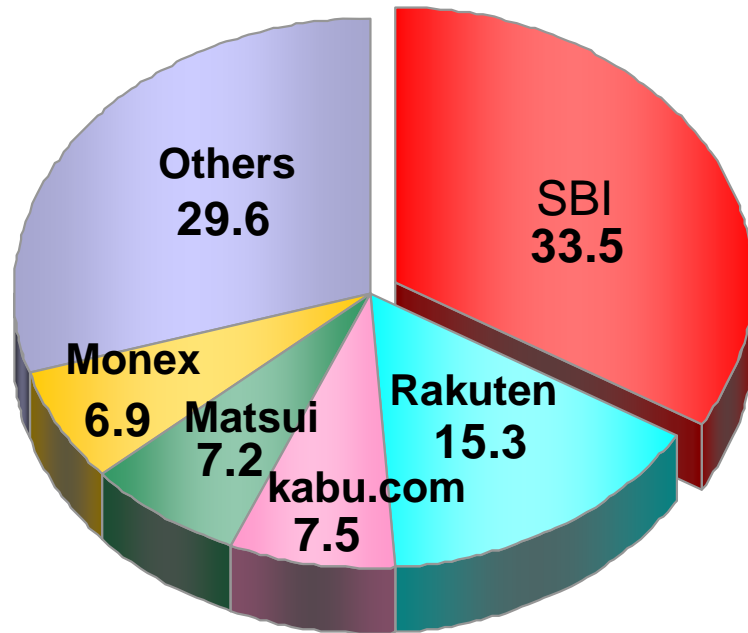
Sources: Compiled by SBIH from information on websites of each company

# Solid Customer Base of SBI SECURITIES<sup>②</sup>

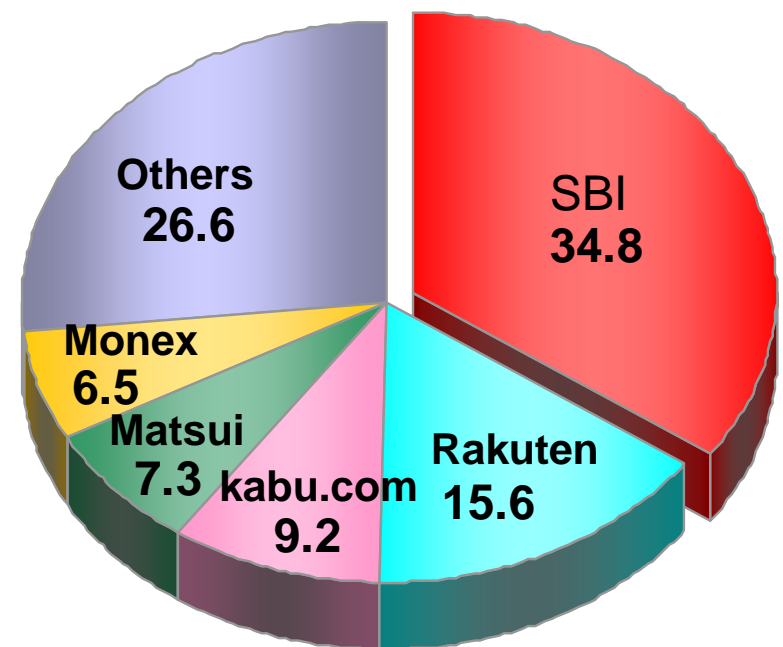
## < Individual Brokerage Trading Value >

**SBI SECURITIES' overwhelming share of individual trading value and individual margin trading value**

**Share of Individual Stock Trading Value (%)**  
**1H FY2012**  
 (Apr. 2012 – Sept. 2012)



**(of which) Share of Individual Margin Trading Value (%)**  
**1H FY2012**  
 (Apr. 2012 – Sept. 2012)



Source: Compiled by SBI SECURITIES based on Tokyo Stock Exchange and JASDAQ materials and websites of each company

\* Individual stock trading value and individual margin trading value are the sum of 1<sup>st</sup> and 2<sup>nd</sup> section of the Tokyo, Nagoya and Osaka Stock Exchange, respectively.

# Assets Under Management of the SBI Group

**Private equity, etc. JPY 284.4bn** (Including JPY 107.1bn of both cash and commitment amount to be paid in)<sup>(\*3)</sup>

Breakdown by Industry	Amount
IT/Internet	33.9
Biotechnology/Health/Medical	25.9
Services	23.7
Materials/Chemicals	2.8
Environment/Energy	7.9
Retail/Food	9.5
Construction/Real estate	1.4
Machine/Automobile	5.1
Finance	52.1
Others	15.1
Total	177.3

Breakdown by Region	Amount
Japan	95.6
China	21.5
Korea	23.7
Taiwan	0.8
Southeast Asia	4.6
U.S.	19.8
Europe	5.6
Others	5.7
Total	177.3

## **Investment trusts etc. JPY 144.6bn**

Investment trusts	72.9
Investment advisory	70.5
Investment companies	1.2

\*1 Calculated by the conversion rate as of September 30

\*2 Amounts are rounded to nearest 100 million yen

\*3 Composed of cash in funds and unpaid capital which is to be paid on a capital call.

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