



*Strategic  
Business  
Innovator*

# **Current Management Information Briefing**

**June 27, 2013**

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**Representative Director, President & CEO  
SBI Holdings, Inc.**

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

**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 Mar. 31 of the following year**

- I. Two Month Business Performance for April and May 2013**
- II. 14 Year History of the SBI Group Since Its Foundation**
- III. The SBI Group's Future Vision and Business Strategies**

# **I. Two Month Business Performance for April and May 2013**

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- 1. The Financial Services Business recorded solid growth backed by favorable stock market trends**
- 2. The Asset Management Business saw solid increases from gains on the fair value revaluation of financial assets amid a booming market conditions**
- 3. The Biotechnology-related Business continues to make positive progress in research and development, both in and outside of Japan**
- 4. The future market environment surrounding the SBI Group**

## April and May 2013 Total Performance by Segment



	Cumulative profit before tax for Apr. and May (preliminary figures)
<b>Financial Services Business</b>	<b>JPY 7.0bn</b>
<b>Asset Management Business</b> (Profit and loss based on fair value of listed securities held)	<b>JPY 14.0bn(*1)</b>
<b>Biotechnology-related Business</b>	<b>JPY -0.6bn(*2)</b>

\*1 As of June 20, with the gains on sales of investment securities of JPY 4.9bn and the evaluation gain from listing securities of JPY 4.3bn, a total of approximately JPY 9.2bn (preliminary figures)

As of June 26, the total is JPY 6.1bn (preliminary figures)

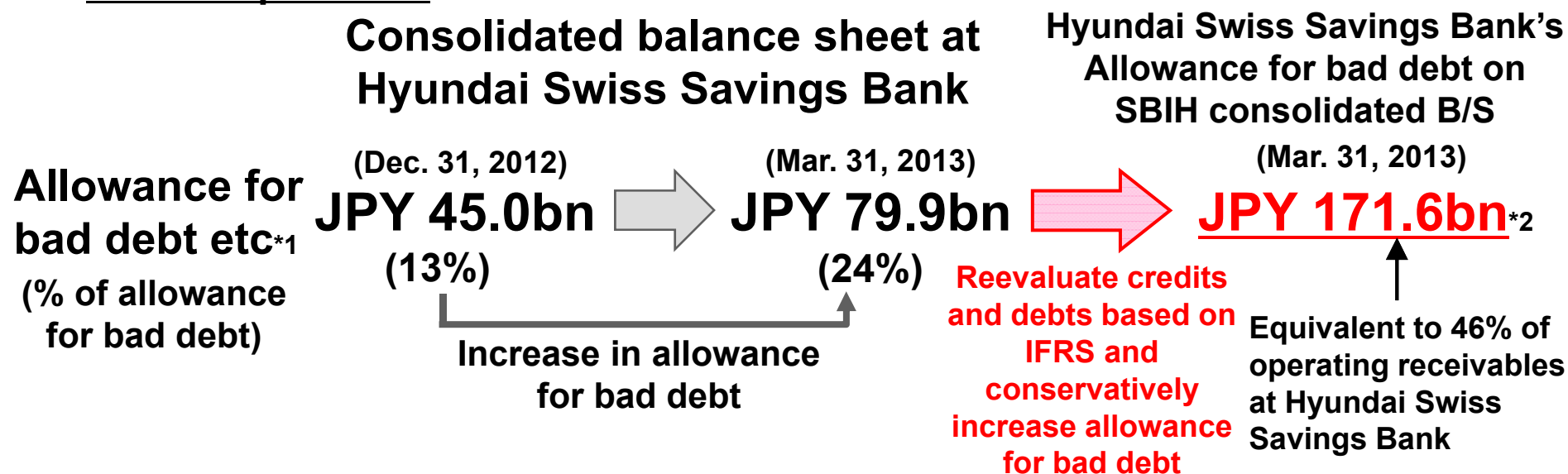
In addition, 1Q FY2013 is expected to include valuation gains based on fair value for the IPO of ReproCELL.

\*2 For 1Q FY2013, there is a scheduled transference of a developing "seed" to a Japanese company in June, thus results are expected to be slightly positive.

# Balance Sheet Impact from the Consolidation of Hyundai Swiss Savings Bank



- At the time of acquisition, SBI Holdings revalued the assets of Hyundai Swiss Group at the end of Mar. 2013, and factored in most of the future potential non-performing assets on a consolidated basis, by significantly increasing the allowance for bad debt to reduce future negative impact as much as possible.



\*1 Calculated by the exchange rate as of Mar. 31, 2013

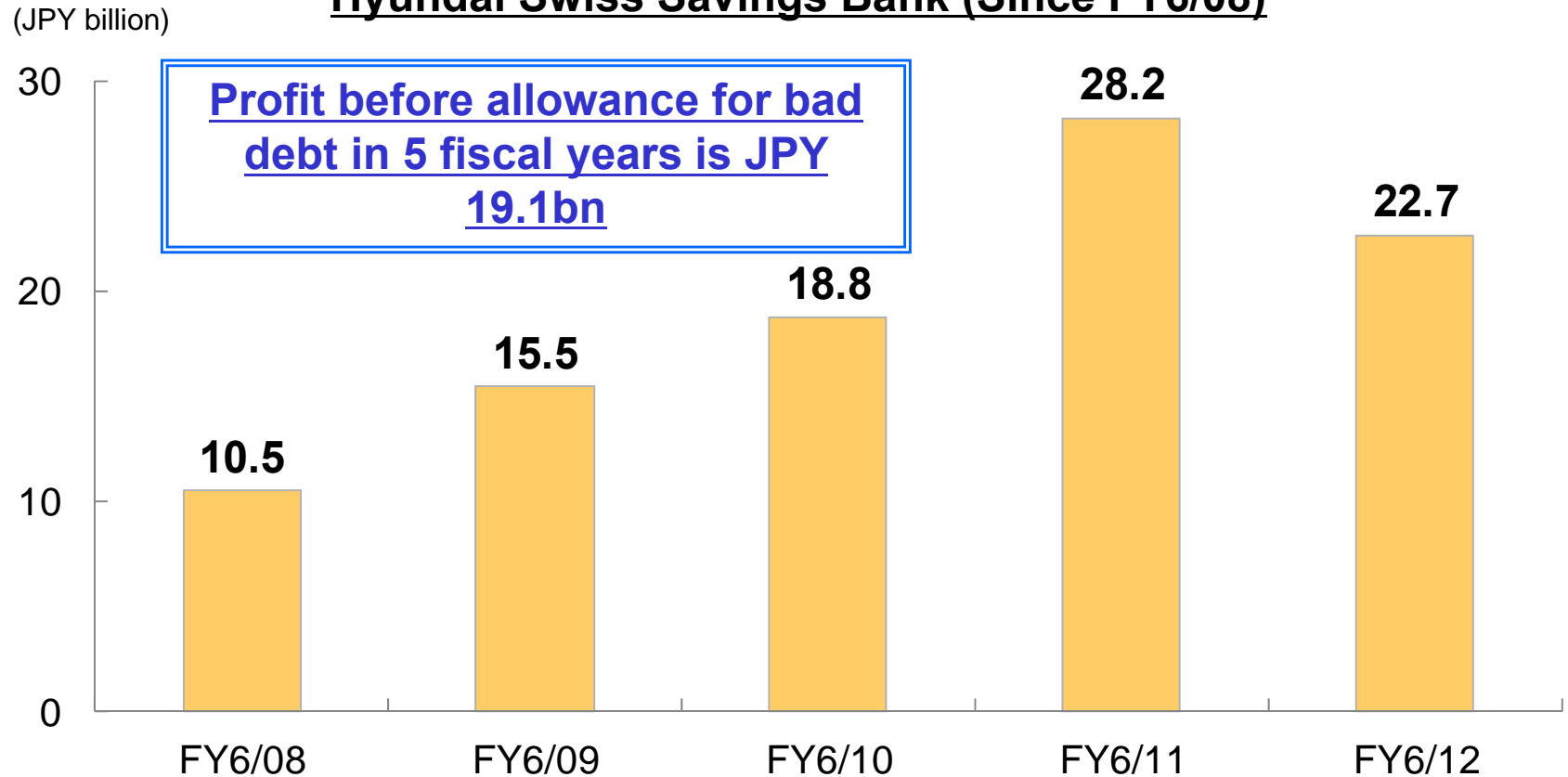
\*2 Includes allowance for bad debt to liquidated receivable

- Therefore, the consolidated profit before tax for SBIH's 1Q FY2013 at Hyundai Swiss Savings Bank will be slightly positive.

# Hyundai Swiss Savings Bank's Profit Before Allowance for Bad Debt



## Trends in profit before allowance for bad debt\* of Hyundai Swiss Savings Bank (Since FY6/08)



(Calculated by the exchange rate as of May 27, 2013)

\* Profit before allowance for bad debt

Calculated by subtracting expenses such as SG&A, from the sum total of net interest income, which is lending profits subtracted from deposit interest, commission and fees, and bond and forex trading profits and losses.

# Effect on SBIH, Based on the Indicative Price, if so Priced on the Listing Day (June 26)



## ① ReproCELL Inc.

Listed on JASDAQ on June 26, 2013

(Shares held by the SBI Group companies and its managing funds : 18.1%, the largest shareholder)\*1

	Public offering price	Indicative price on the listing day
	JPY 3,200	JPY 7,520 (Ratio to public offering price: 2.35x)
Market cap	JPY 26.6bn	JPY 62.4bn

✓ Effect in SBIH based on the indicative price of the listing day (June 26)

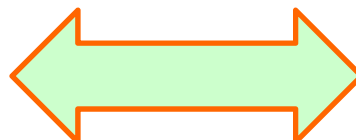
The Market cap based on the indicative price of the listing day (JPY 7,520) JPY 62.4bn

(\*Excluding overallotment)

Initial capital invested

**JPY 1.4bn**

**More than 60x**



Market value of equity based on the indicative price of the listing day, which directly impacts SBIH's consolidated performance\*2

**JPY 8.6bn**

In the above case,

**the fair value profit and loss of the listing securities is JPY 6.1bn + JPY 8.5bn**

\*1 Source: ReproCELL Inc.'s securities report

(Recognized on June 26)

\*2 SBI's shareholding percentage corresponds to a total percentage based on the IFRS criteria for subsidiary companies and subsidiary funds of the Group.

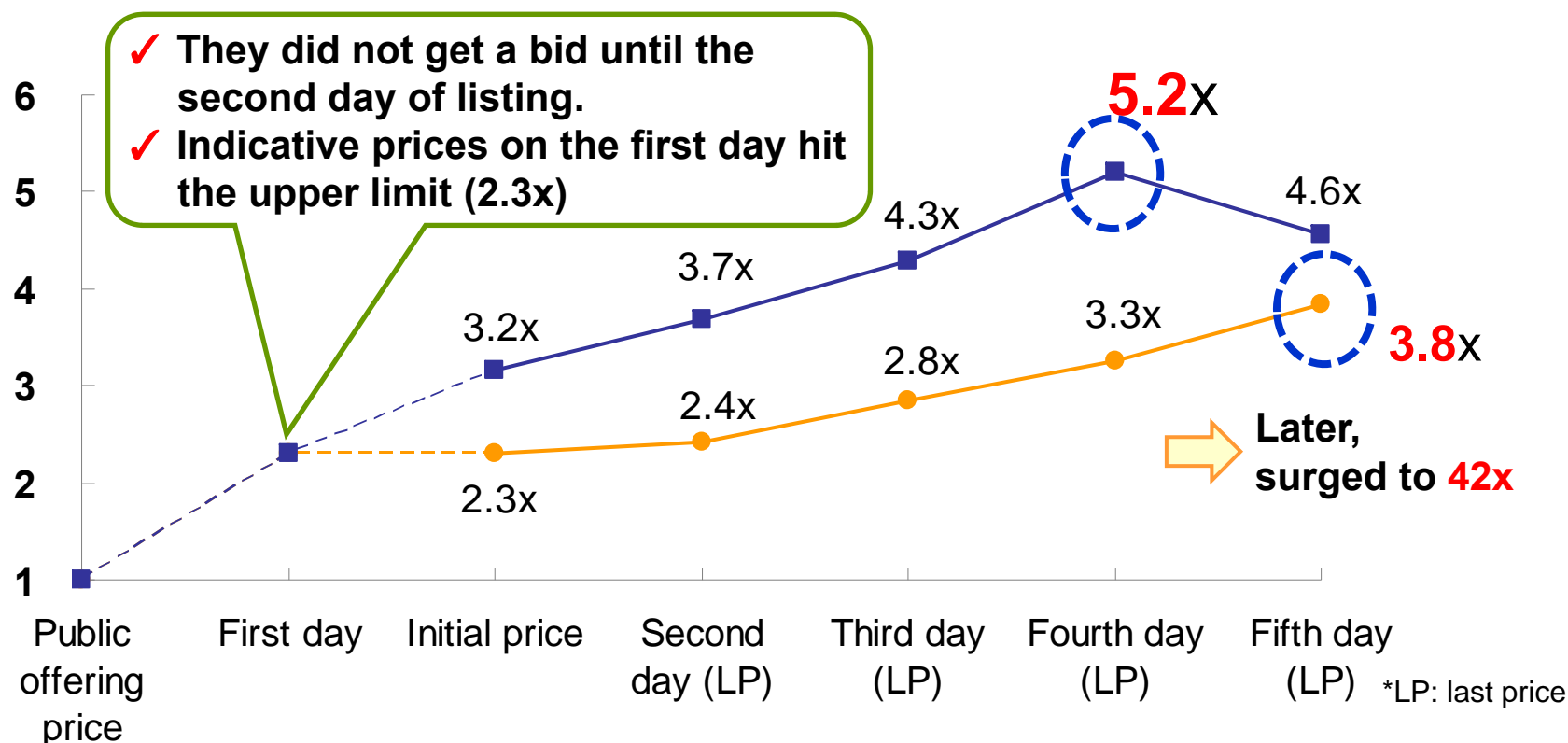


# Examples of Recently Listed Biotechnology Companies in the Spotlight



Recently listed biotechnology companies have started their initial trading at several times their public offering prices, and have continued to be very popular among individual investors.

## Ratio of Initial Price to Public Offering Price



● Euglena (Listed from Dec. 20, 2012) Public offering price: JPY 1,700

■ PeptiDream (Listed from June 11, 2013) Public offering price: JPY 2,500

**1. The Financial Services Business made solid growth backed by favorable stock market trends**

# Company Performance in the Financial Services Business for the Two Months of April and May 2013 (IFRS based)



[Profit before income tax]

**For 2 months**

(JPY billion)

	<b>For 3 months</b> 1Q FY2012 (Apr.-June 2012)		<b>Total of Apr. and May 2013</b> (Preliminary figures)
SBI SECURITIES	1.3	↔	7.1
SBI Liquidity Market	0.4		0.4
SBI MONEY PLAZA	0		0.3
SBI Japannext	—		0.2
SBI Insurance	-0.9		-0.7
Others in the Financial Services Business	-0.1		-0.3
<b>Total of the FS Business</b>	<b>0.7</b>		

Due to the decrease in value of the treasuries held, the contribution from SBI Sumishin Net Bank to SBIH recorded a loss based on IFRS. However, a significant profit was recorded on a J-GAAP basis.

# Summary of Major Businesses in the Financial Services Business for the Two Months from April to May 2013

- ① **SBI SECURITIES**
- ② **SBI Sumishin Net Bank**
- ③ **SBI Insurance**
- ④ **SBI Mortgage**
- ⑤ **SBI Japannext**
- ⑥ **SBI Liquidity Market / SBI FXTRADE**
- ⑦ **SBI MONEY PLAZA**

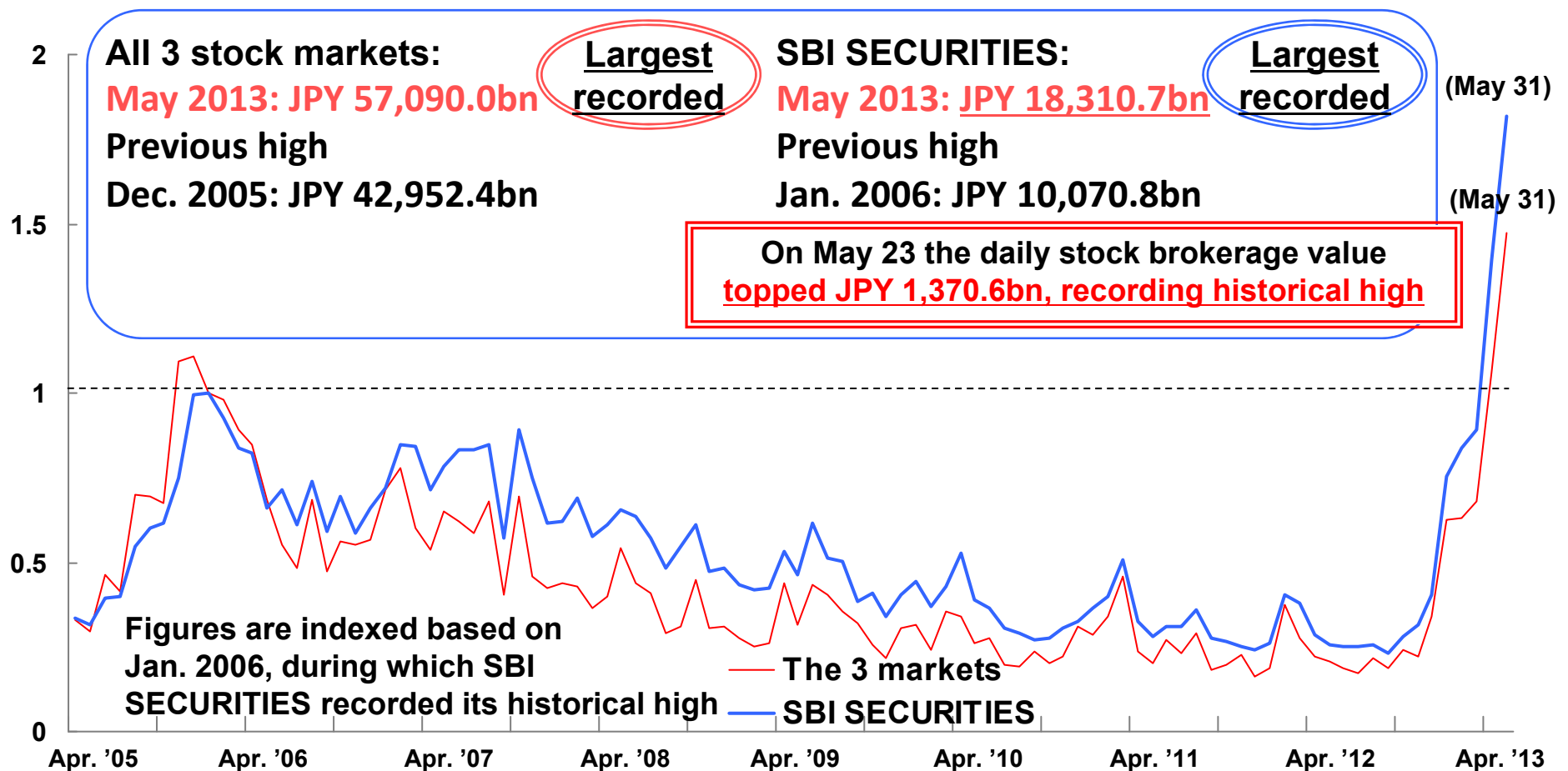
# ① SBI SECURITIES

① SBI SECURITIES:

# Brisk Market Environment Dramatically Increases SBI SECURITIES' Transactions (1)



## Individual brokerage trading value (monthly) until May for all 3 stock markets and SBI SECURITIES (From Apr. 2005)



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

# Brisk Market Environment Dramatically Increases SBI SECURITIES' Transactions (2)

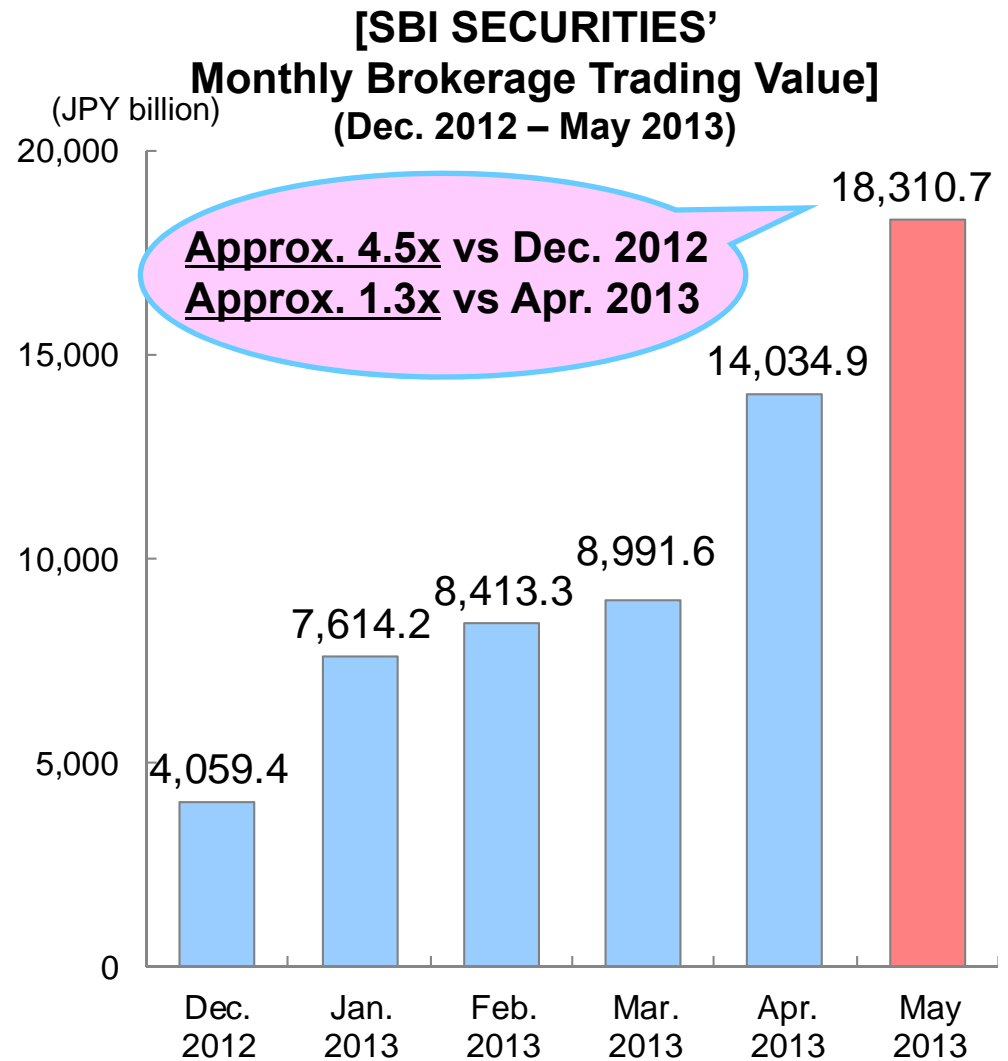


Newspaper article

Since late May, amid a highly volatile stock market, private investors have become increasingly active in trading.

(snip) In May, the trading value of SBI Securities, the largest online securities broker in Japan, increased by 30% from a month earlier to a record high of JPY 18 trillion.

(The "Nikkei" morning edition, June 6, 2013)



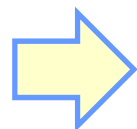
## Brisk Market Environment Dramatically Increases SBI SECURITIES' Transactions (3)

- Customer base increased significantly with the backdrop of an upswing in the stock market

	Dec. 2012	Average during Jan.-May	
Newly opened accounts (monthly)	15,768	33,764	Over 2x vs Dec. 2012
			Acquired 43,000 accounts in May single
	End of Dec. 2012	End of Mar. 2013	
Customers' deposit assets	JPY 5,141.8bn	JPY 6,360.3bn	+23.7% vs Dec. 2012

- “Tax Exempt System for Small Investment (Japanese version of ISA)” expected to be effective from Jan. 2014

SBI SECURITIES started accepting preliminary applications for opening an account from Mar. 29, 2013.



SBI SECURITIES has received 270,000 applications in about 2 months, since it began accepting advance applications for accounts.



## May 2013 Profit Level Exceeds Record Monthly Profit Levels of FY2005

[ Comparison of profit level by month (non-consolidated) ] (JPY billion)

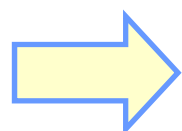
	2005	2006			2013	
	Dec.	Jan.	Feb.	Mar.	Apr.	May
Operating Revenue	6.2	6.4	5.7	5.8	6.6	8.0
Operating Income	3.7	3.6	3.2	3.3	3.1	4.1

Monthly historical high

Historical high for  
a quarter (consolidated)  
of JPY 10.5bn

Historical high  
for a month

FY2005 also recorded an historical high in  
consolidated operating income of JPY 30.0bn



Operating revenue for 1Q FY2013 (Apr.-  
June) is estimated to be approx. JPY 10.0bn

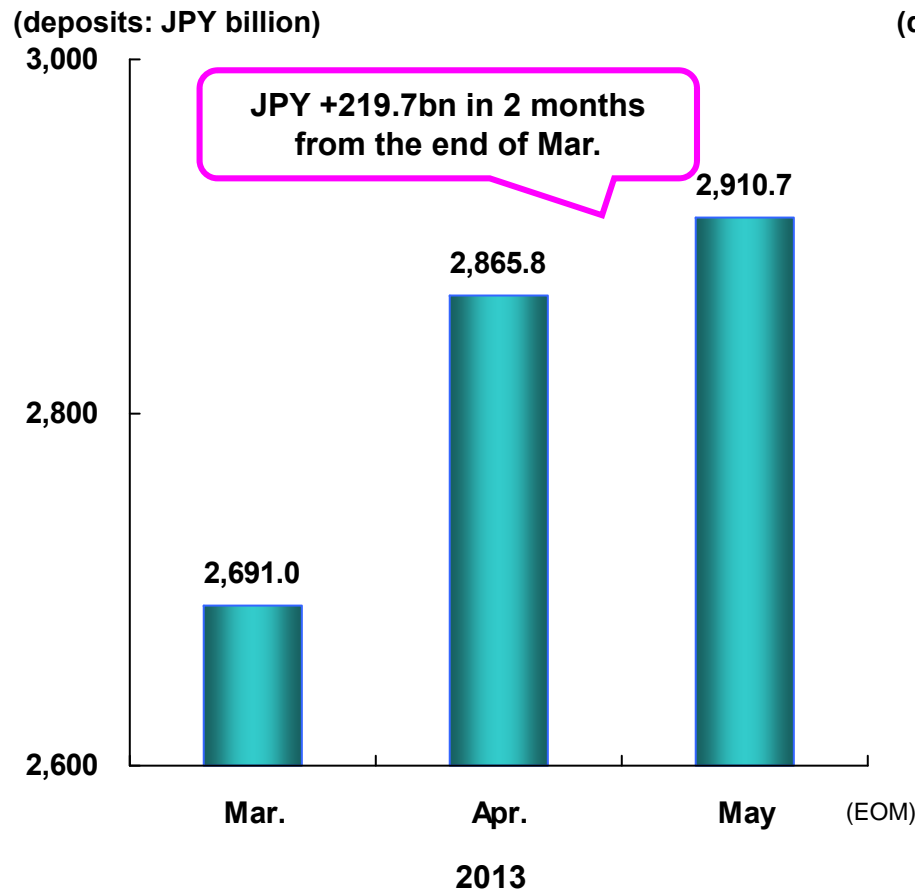
## ② SBI Sumishin Net Bank



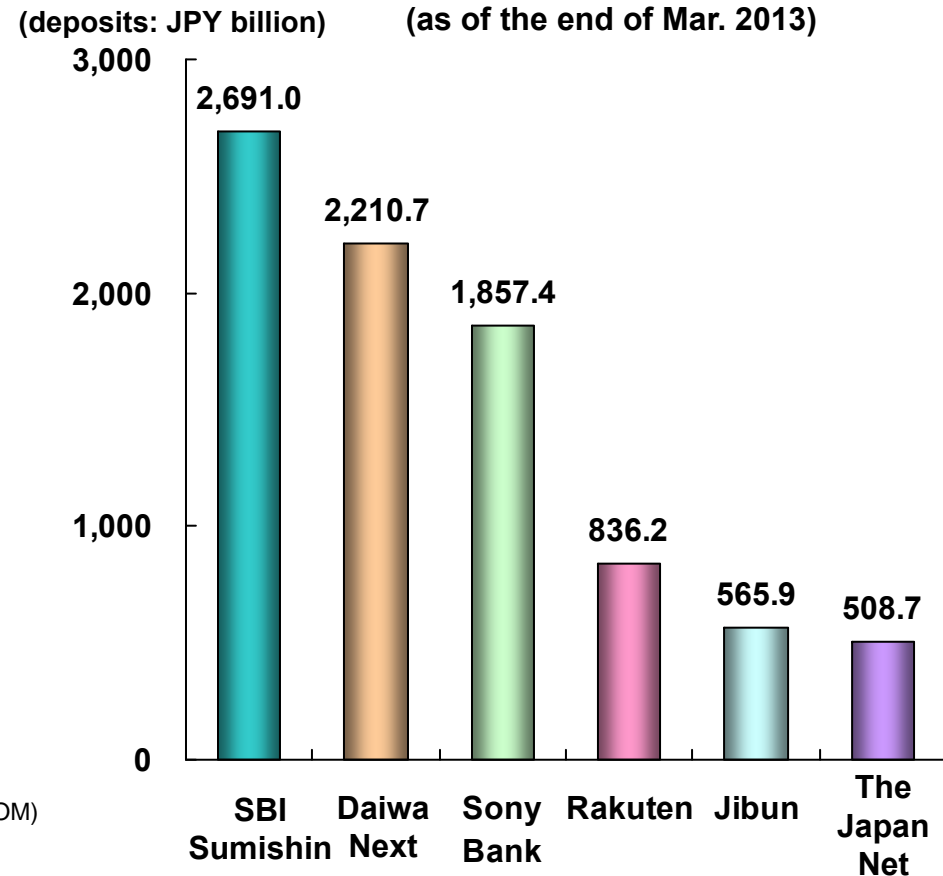
# Deposit Balance Exceeds JPY 2.9tn (on May 10, 2013) for the First Time Among Pure-play Internet Banks

Number of accounts: 1,708,956 / Deposits: JPY 2910.7bn  
(as of the end of May 2013)

**Change in Deposits**



**Deposits of 6 Internet Banks**



# Synergy with SBI SECURITIES Contributed the Growth of Deposits (SBI Hybrid Deposit)

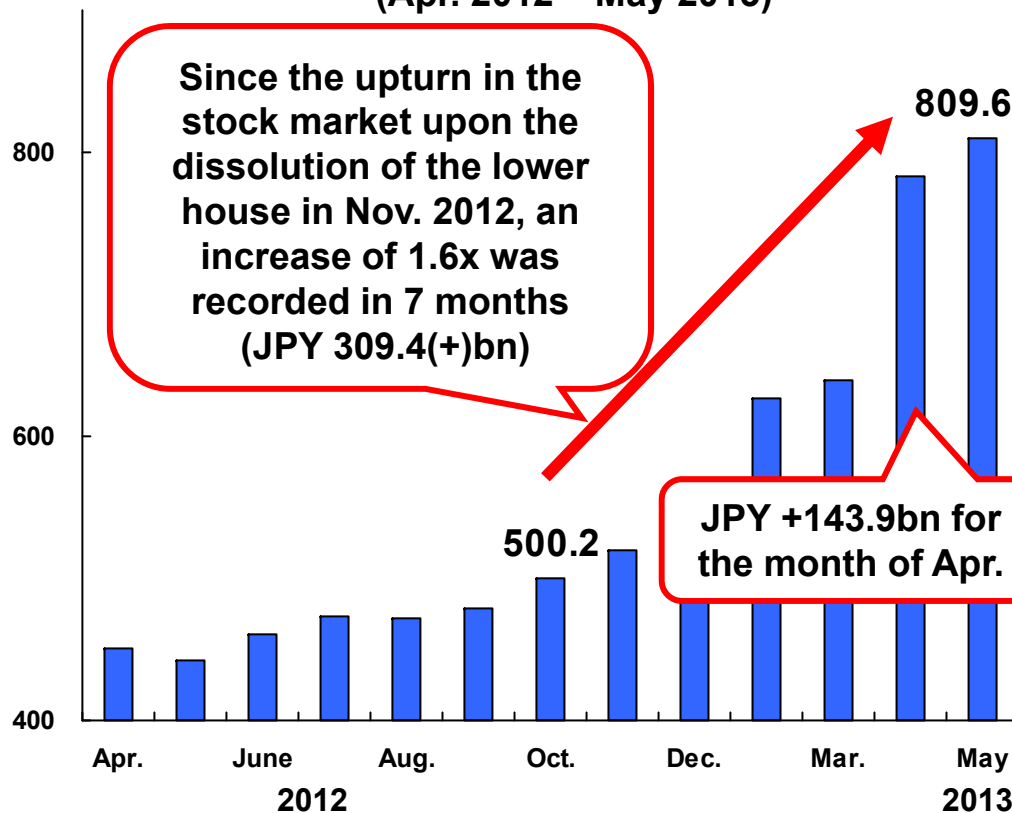


## SBI Hybrid Deposits (Automatic deposits and withdrawals of stock trading deposits) :

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

### Change in SBI Hybrid Deposits of SBI Sumishin Net Bank (Apr. 2012 – May 2013)

(deposits: JPY billion)



Since the upturn in the stock market upon the dissolution of the lower house in Nov. 2012, an increase of 1.6x was recorded in 7 months (JPY 309.4(+bn))

JPY +143.9bn for the month of Apr.

### Background:

- The increase in account openings at SBI Sumishin Net Bank and SBI SECURITIES since the end of 2012 contributed to the increase in SBI Hybrid Depositors.

About 35% of new accounts at SBI SECURITIES applies for an account opening at SBI Sumishin Net Bank

- Affected by the recovery of the stock market, the outstanding deposit balance per account has also grown.

# Diversification of Loans: (e.g.) Housing Loans

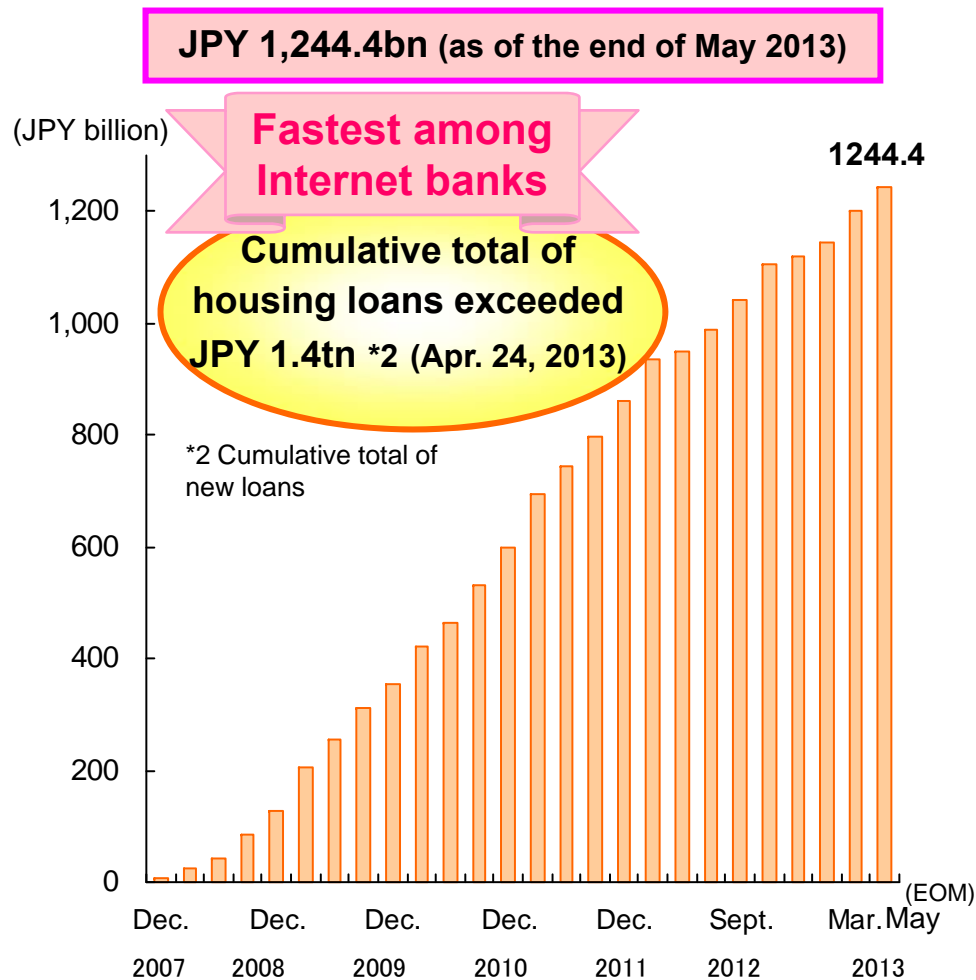
**Balance expanded at auto loan (JPY 167.7bn\*) and net loan (JPY 51.1bn\*)**

\* as of the end of May

## Change in Balance of Housing Loans \*1

(Dec. 2007 – May 2013)

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



### SBI Sumishin Net Bank's Housing loans business

① Housing loans via SBI Sumishin Net Bank's alliance with real estate companies (from Sept. 2007)

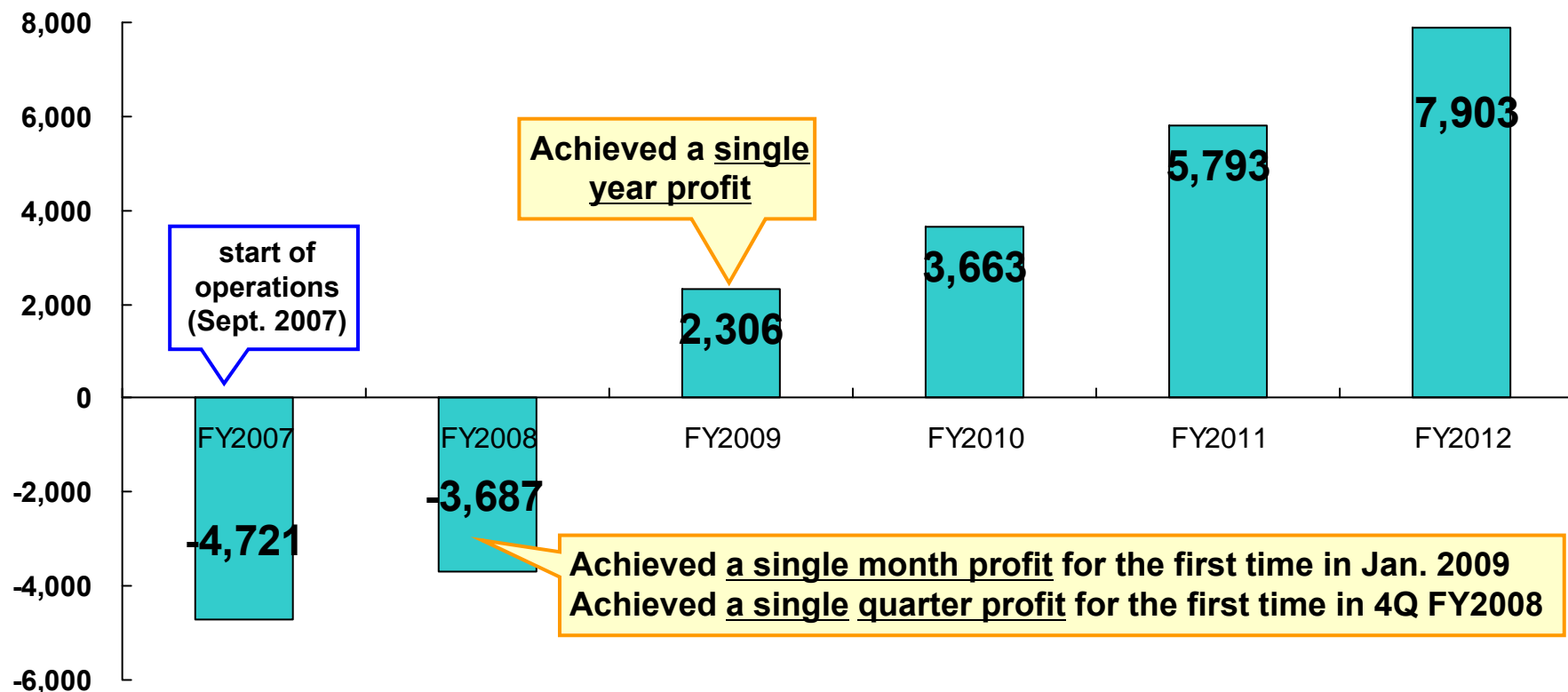
② Banking Agency Business for Sumitomo Mitsui Trust Bank (from Jan. 2012)

**The total of new housing loans (① +②) in April and May increased 34.2% YoY**

# Ordinary Income of SBI Sumishin Net Bank Steadily Growing

## Change in ordinary income after start of operations (J-GAPP)

(JPY million)\*consolidated since FY2009



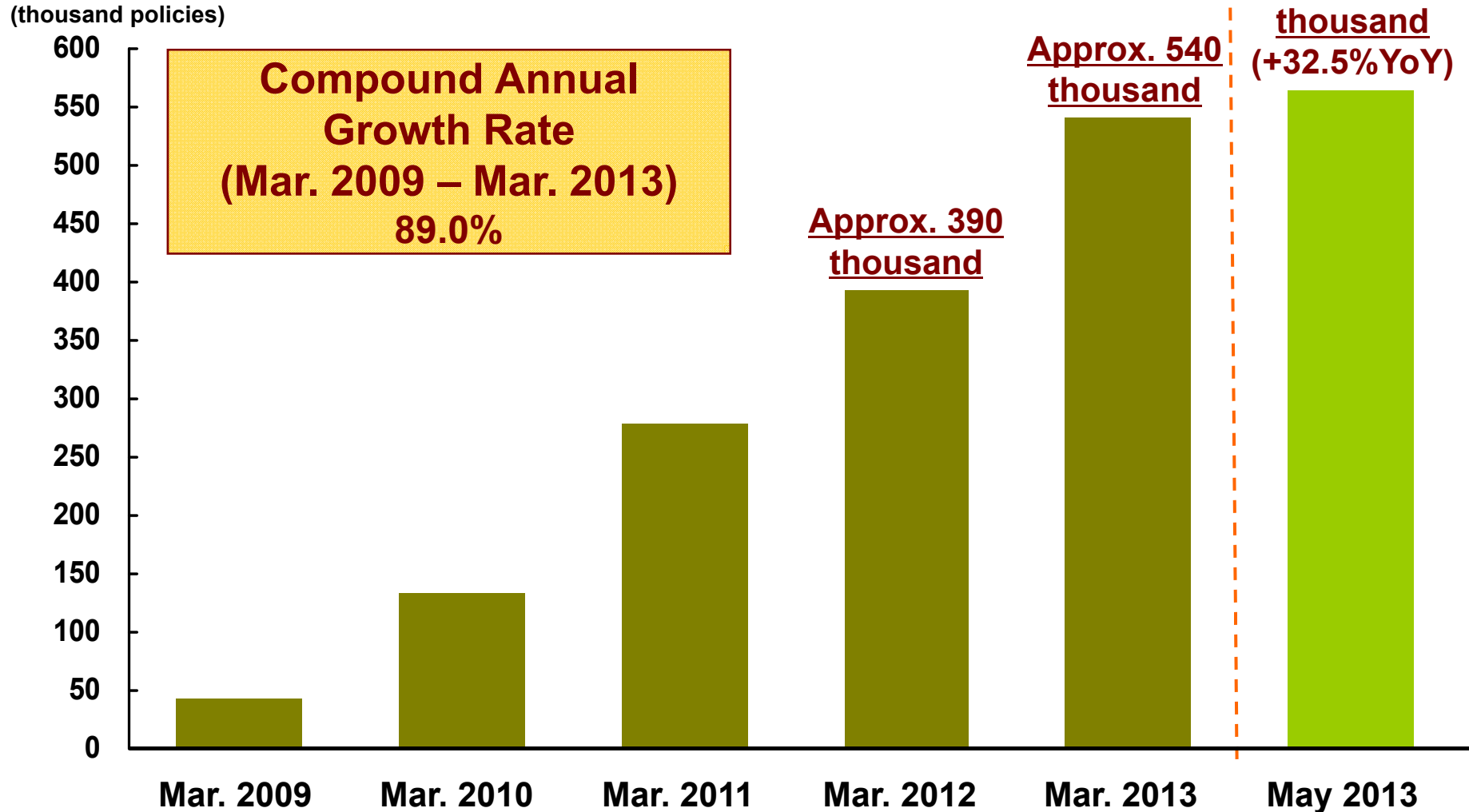
**Considering April and May's results, expectations are for ordinary income to exceed JPY 10bn for this fiscal year**

## ③ SBI Insurance

# SBI Insurance's Number of Auto Insurance Contracts



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



(EOM)

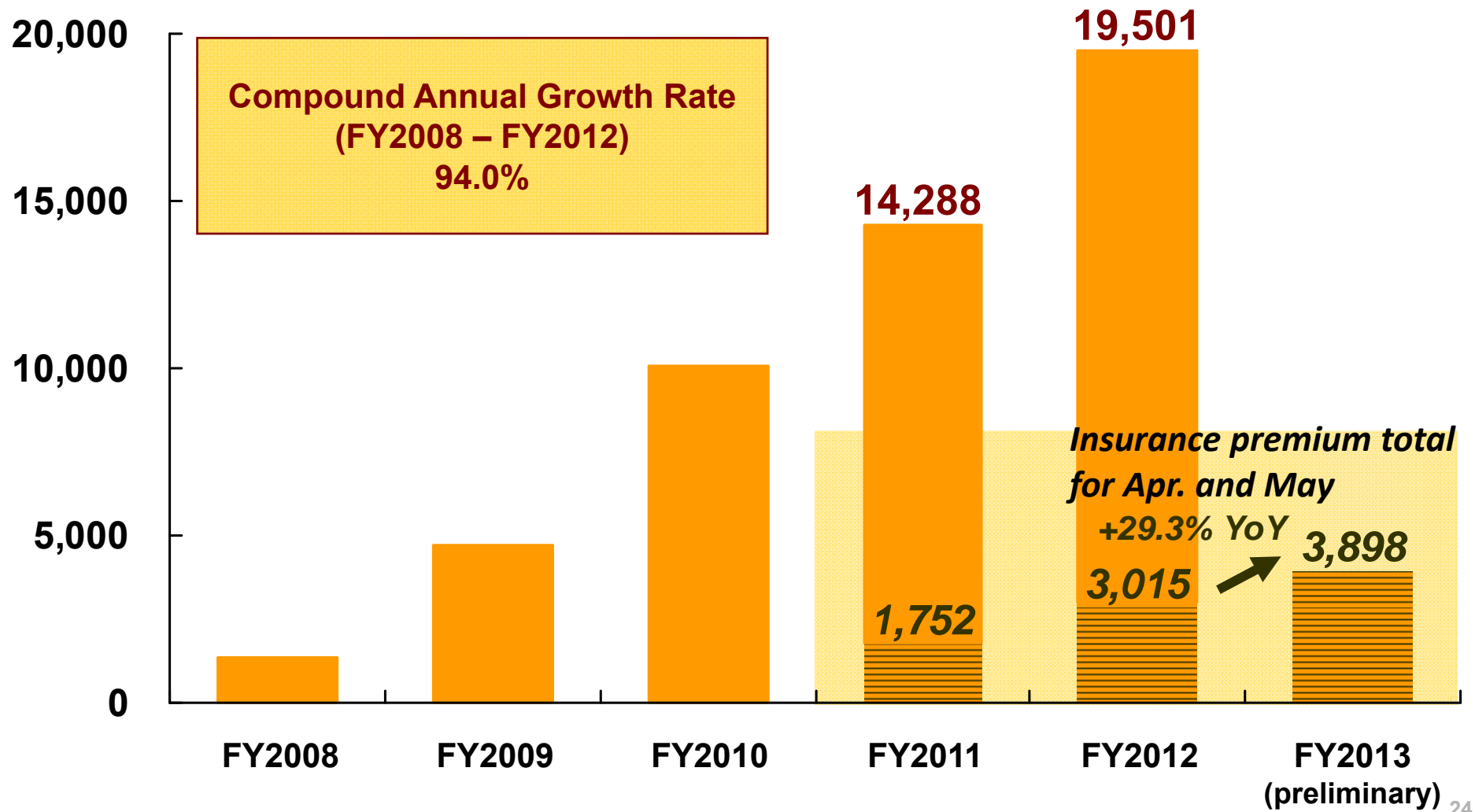
\* Written basis: completion of receipt of insurance premium, excluding continuing contracts, expired continuing contracts and cancelled contracts.



# Insurance Premium of SBI Insurance's Auto Insurance



## Change in Insurance Premium Income (JPY million)



## Measures to Increase Profitability



### [Phase 1]

**Terminated the reinsurance agreement as of the end of Mar. 2011 and the outsourcing agreement as of the end of Mar. 2012 with Aioi Insurance (currently, Aioi Nissay Dowa Insurance).**

- SBI Insurance terminated new purchases of reinsurance which was intended for offsetting insurance underwriting risk and the reducing capital burden during the start-up period.
- Terminated the outsourcing agreement, including on the call center, in order to stabilize cost.

### [Phase 2]

**Sequential execution of measures to further reduce business expenses and improve loss ratio. Good results are to be expected.**

<Examples of measures>

- Reducing outsourcing costs by in-house handling of inquiries relating to accidents outside of business hours and business days.
- Change of operating hours at call center
- Taking full advantage of the sales counter channel of SBI MONEY PLAZA
- Diversification of product portfolios
- Promoting paperless operations and cutting back on postage by modifying various business forms and ledger sheets
- Cutting down on advertising expenses by improving target marketing skills

## Measures to Further Increase in Profitability [Phase 3]

- Implemented measures to achieve further improvements in the loss ratio and a reduction in the expense ratio, resulting in a combined ratio of less than 100% for FY2013
- Targeting substantive quarterly profitability in FY2013 on an IFRS consolidated basis, as well as full-year profitability in FY2015, and an IPO in FY2016.

**Accompanying revision of the advisory rate, raise premiums 1% on average while maintaining price competitiveness.  
(from Apr. 1, 2013)**

**At the point of insurance solicitation, further segmenting and tightening filtering function**

**Revision of the auto insurances:  
suspension of the zero-100,000 yen self-payment\* by the person insured at vehicle insurance, and revision of special agreements**

**(new contract : from Oct. 2, 2012  
extended contract: from expiry date of Feb. 6, 2013)**

\*The zero-100,000 yen self-payment: the payment method that in a case of car accident, there is a 0 deductible for the first time, and 100,000yen for the second time and after.

**Implementation of measures to improve service levels is underway, including upgrading and expansion of the damage assessment system.**

## Current Status of Combined Ratio

The result of the measures, the combined ratio improved in FY2013.

	Combined ratio	=	Operating expenses ratio	+	Net loss ratio
<b>FY2012</b>	103.1%		33.4%		69.8%
<b>FY2012 (Adjusted) *</b>	99.2%		29.4%		69.8%
* When settlement money of JPY 0.76bn concerning reinsurance with Aioi Insurance is excluded					
<b>FY2013 by the end of May (preliminary)</b>	<b>97.1%</b>		<b>25.7%</b>		<b>71.3%</b>

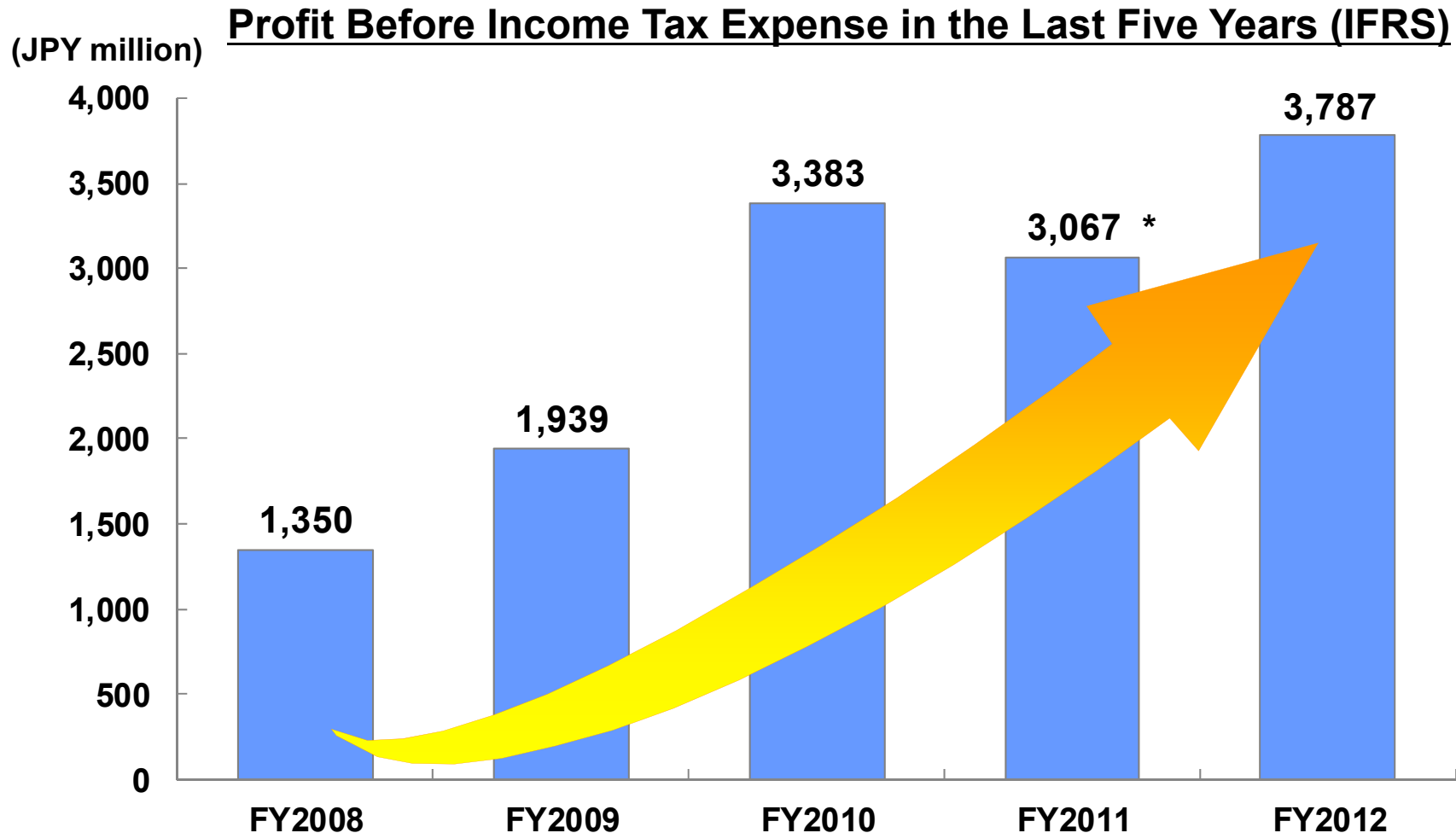
**Implemented measures to achieve further improvements in the loss ratio and a reduction in the expense ratio, resulting in a combined ratio of less than 95%.**

\*Combined ratio: An index reflecting profitability of nonlife insurance companies. The ratio of the sum of insurance premium payment and expense to insurance premium income.

## ④ SBI Mortgage

## SBI Mortgage's Performance Trend

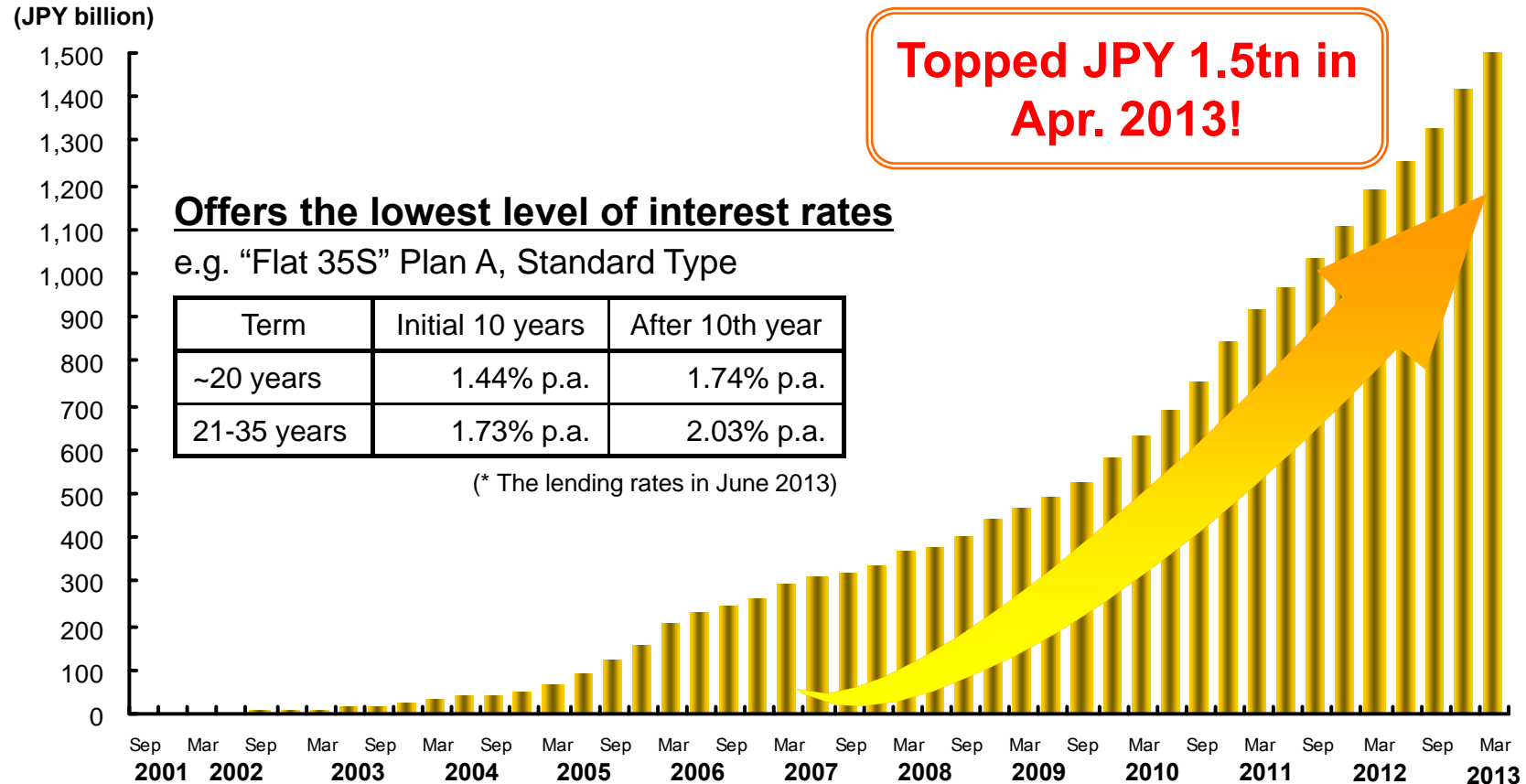
Performance improved rapidly in the past five years. Profit before income tax expense for FY2012 was JPY 3.8bn, for a 23.5% YoY increase.



\* In 1H FY2011, there was a significant temporary drop in the number of new housing loans, in the aftermath of the Great East Japan Earthquake of Mar. 2011

# SBI Mortgage's Steadily Increasing Outstanding Loan Balance

## Outstanding Balance of Housing Loans



- The amount of housing loans issued in FY2012 **increased by 25.1% YoY**
- SBI Mortgage's "Flat 35" market share of the total number of loans issued in FY 2012 was 21.7%, which was **the largest share among 330 companies offering "Flat 35" for the third consecutive year** (Compiled by SBI Mortgage. "Flat 35" Includes guaranteed loans.)

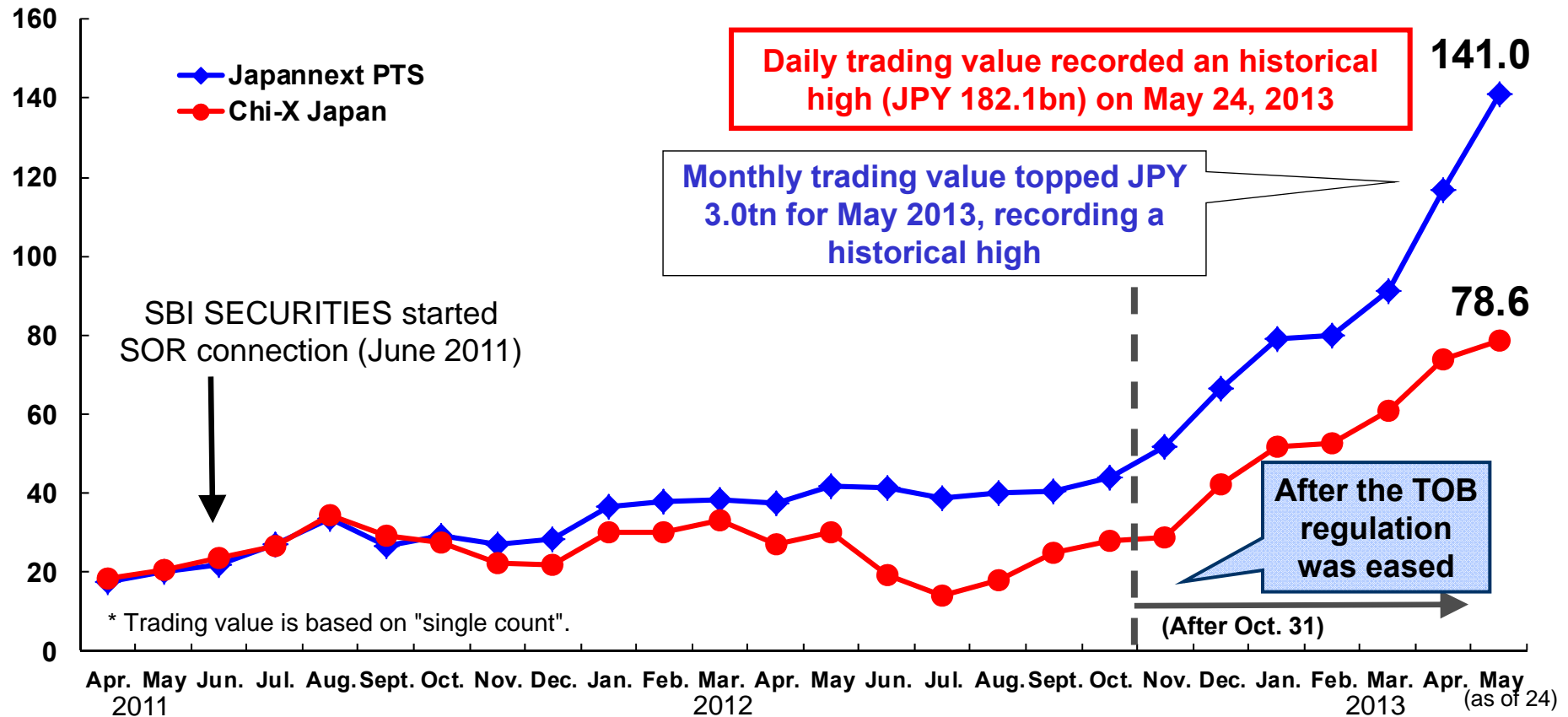
## ⑤ SBI Japannext



# Average Daily Trading Value at SBI Japannext PTS Surged

Owing to the effects of TOB regulatory easing and "Abenomics", institutional and individual investors' usage increases

(JPY billion)



## TOB (take-over bid) regulation

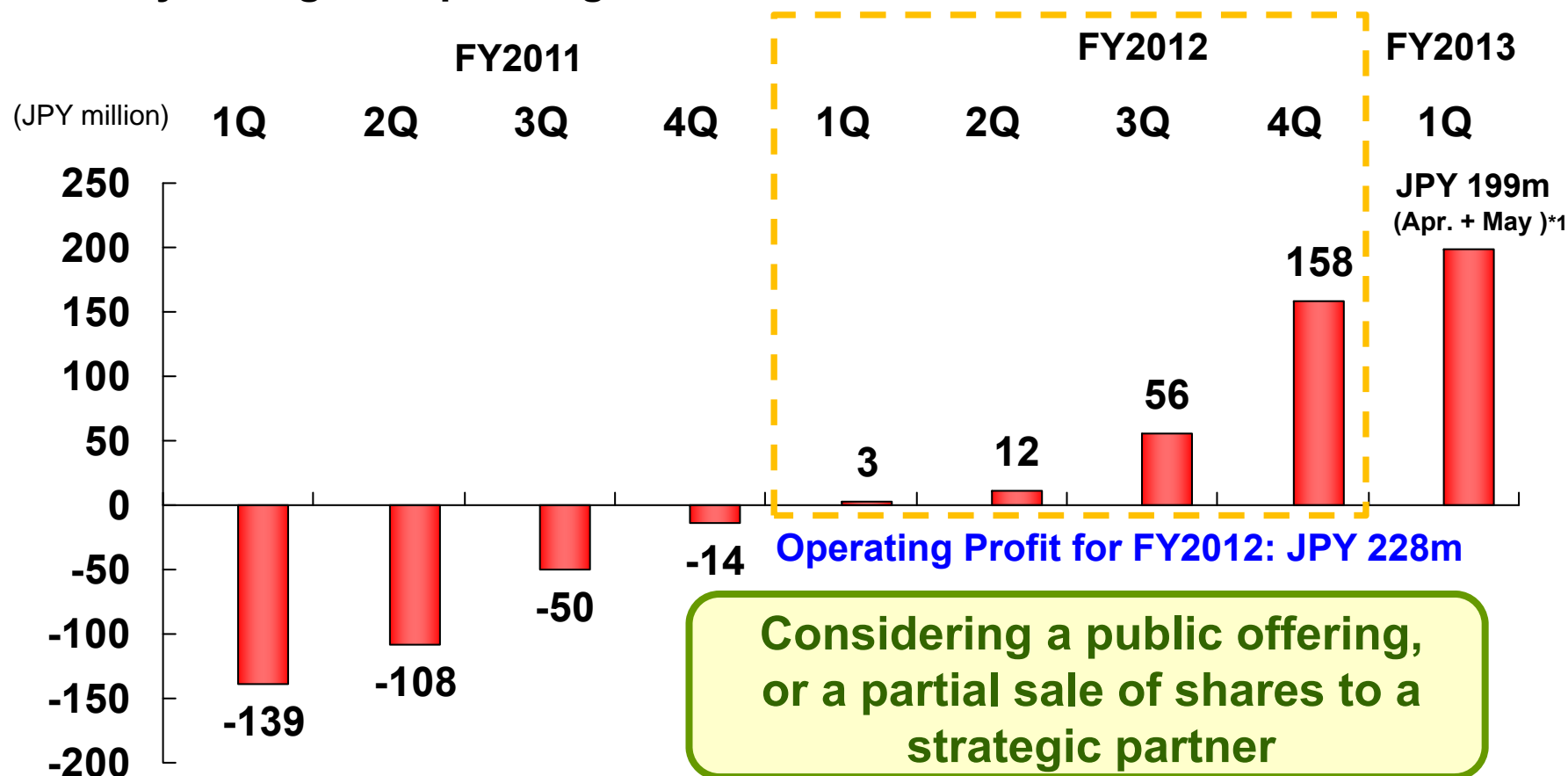
The regulation obliges investors who acquire more than 5% of a company through off-exchange transactions, or for investors who already own more than 5% that decide to increase their holdings, to make a takeover bid. This had hindered large institutional investors from utilizing the PTS.

# Change in SBI Japannext's Financial Results

(Consolidated in Sept. 2012)

**Trading value has been increasing steadily, and accelerating expansion of profits. 1Q FY2013 performance is prospected to significantly exceed full year FY2012.**

## Quarterly Change in Operating Profit/Loss



\*1 Figures of total of Apr. and May 2013 is provisional \*2 Based on J-GAAP

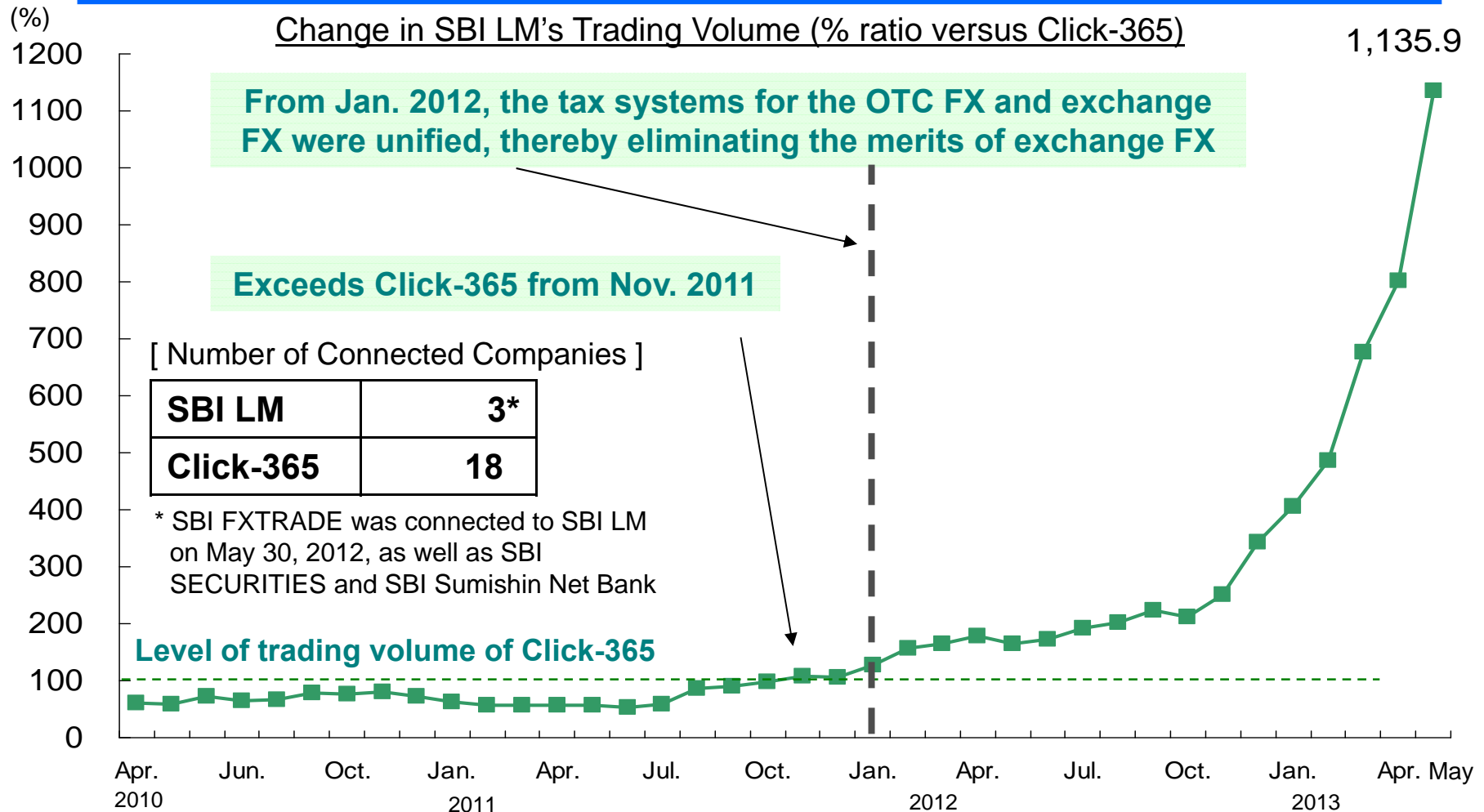
# ⑥ SBI Liquidity Market / SBI FXTRADE



# SBI Liquidity Market's Trading Volume Significantly Exceeds that of Exchange FX's Click-365

**SBI LM's share among OTC total**

**5.6%** (FY2011) → **8.4%** (FY2012) → **13.7%** (Apr. 2013 single month) → **14.9%** (May 2013 single month)



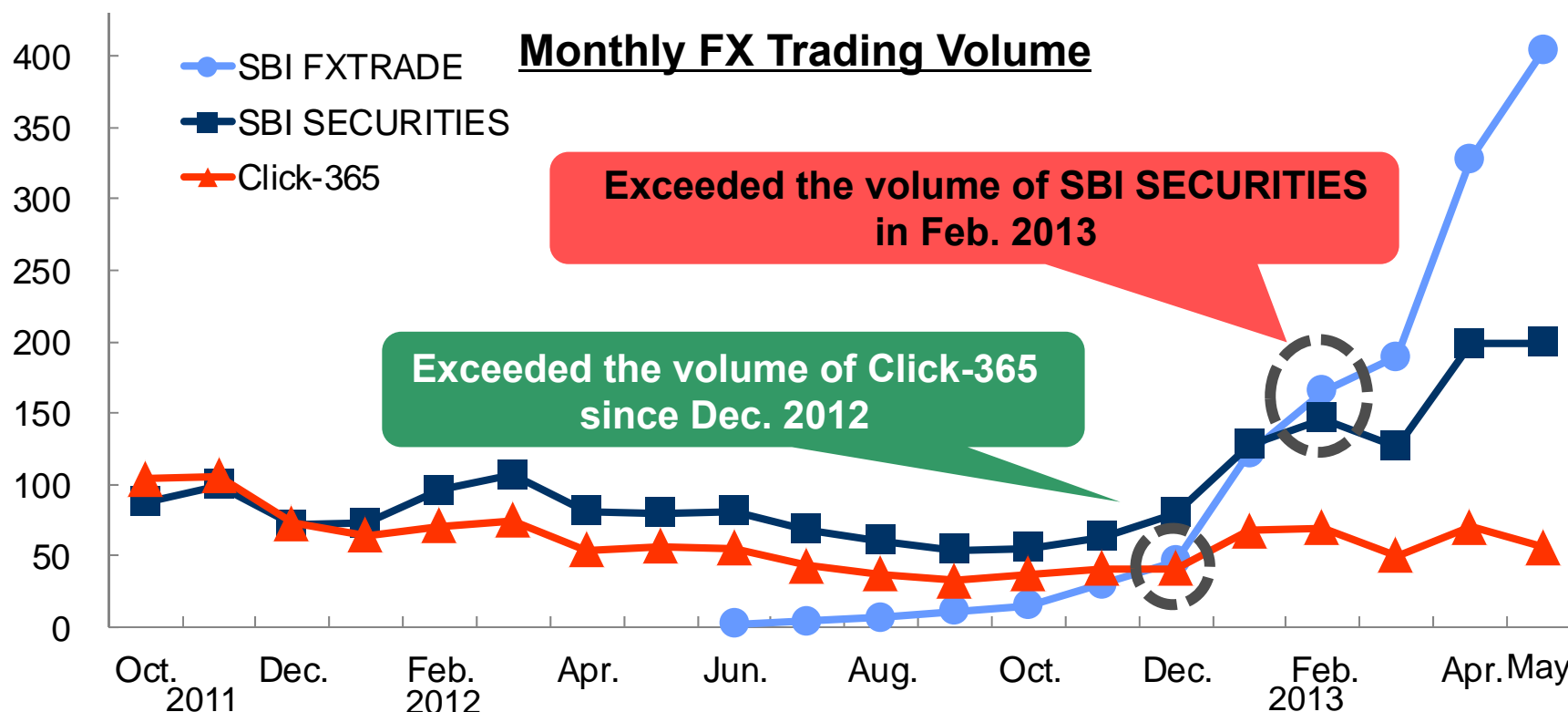
Source: Materials announced by Tokyo Financial Exchange

## Narrowing Spreads on All Major Currency Pairs to Provide an Overwhelming Advantage in Trading Capacity

(e.g.: USD/JPY 1-10 thousand currency at unit 0.10 sen (0.001 yen))

SBI FXTRADE's ranking in terms of trading volume among 50 OTC FX companies advances rapidly from **No.19** (Sept.)→**No.15** (Oct.)→**No.11** (Nov./Dec.)→**No.8** (Jan.)→**No.6** (Feb.)→**No.5** (Mar.)→**No.4** (Apr./May)

(billion)



**Awarded 1st Prize in "Oricon Customer Satisfaction Ranking for 2013" of "Beginner Category for FX Transactions," owing to the high praise received for offering customers an improvement in convenience and an enhancement in services.**

# The SBI Group is Ranked Third in the OTC Market

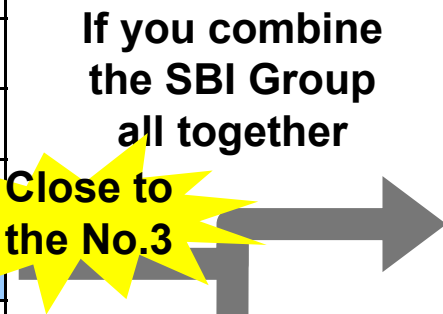
The SBI Group **ranked third** in terms of trading volume among 50 OTC FX companies (\*compiled by SBI) in May 2013

Monthly Trading Volume of FX Transactions (May 2013)

	Company name
No.1	Company A
No.2	Company B
No.3	Company C
No.4	<b>SBI FXTRADE</b>
No.5	Company D
No.6	<b>SBI SECURITIES</b>
No.7	Company E
⋮	⋮
No.18	<b>SBI Sumishin Net Bank</b>
⋮	⋮
No.50	Company X

If you combine the SBI Group all together

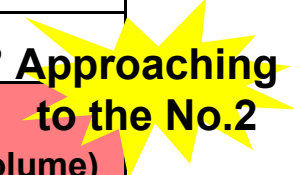
Close to the No.3



Launched on May 30, 2012

	Company name
No.1	Company A
No.2	Company B
No.3	<b>SBI Group</b> (SBI LM's trading volume)
No.4	Company C
No.5	Company D
No.6	Company E
No.7	Company F
⋮	⋮
⋮	⋮
No.48	Company X

Approaching to the No.2



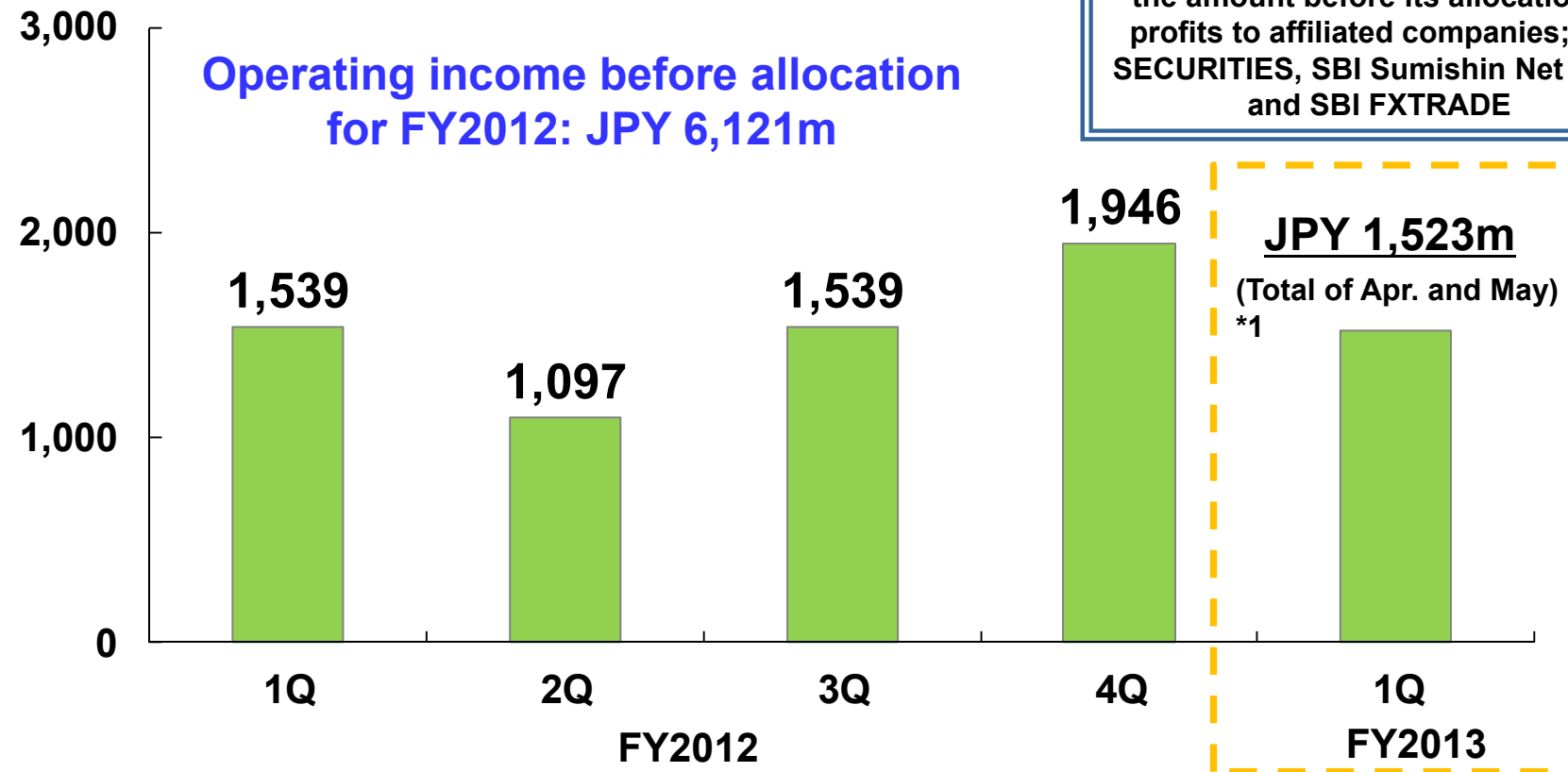
\* Ranking based on transaction currency amount

## Change in SBI Liquidity Market's Financial Results

**SBI Liquidity Market's trading volume continues to steadily increase, owing to the further increase in liquidity through the acquisition of new customers**

### Quarterly Change in Operating Income Before Allocation

(JPY million)



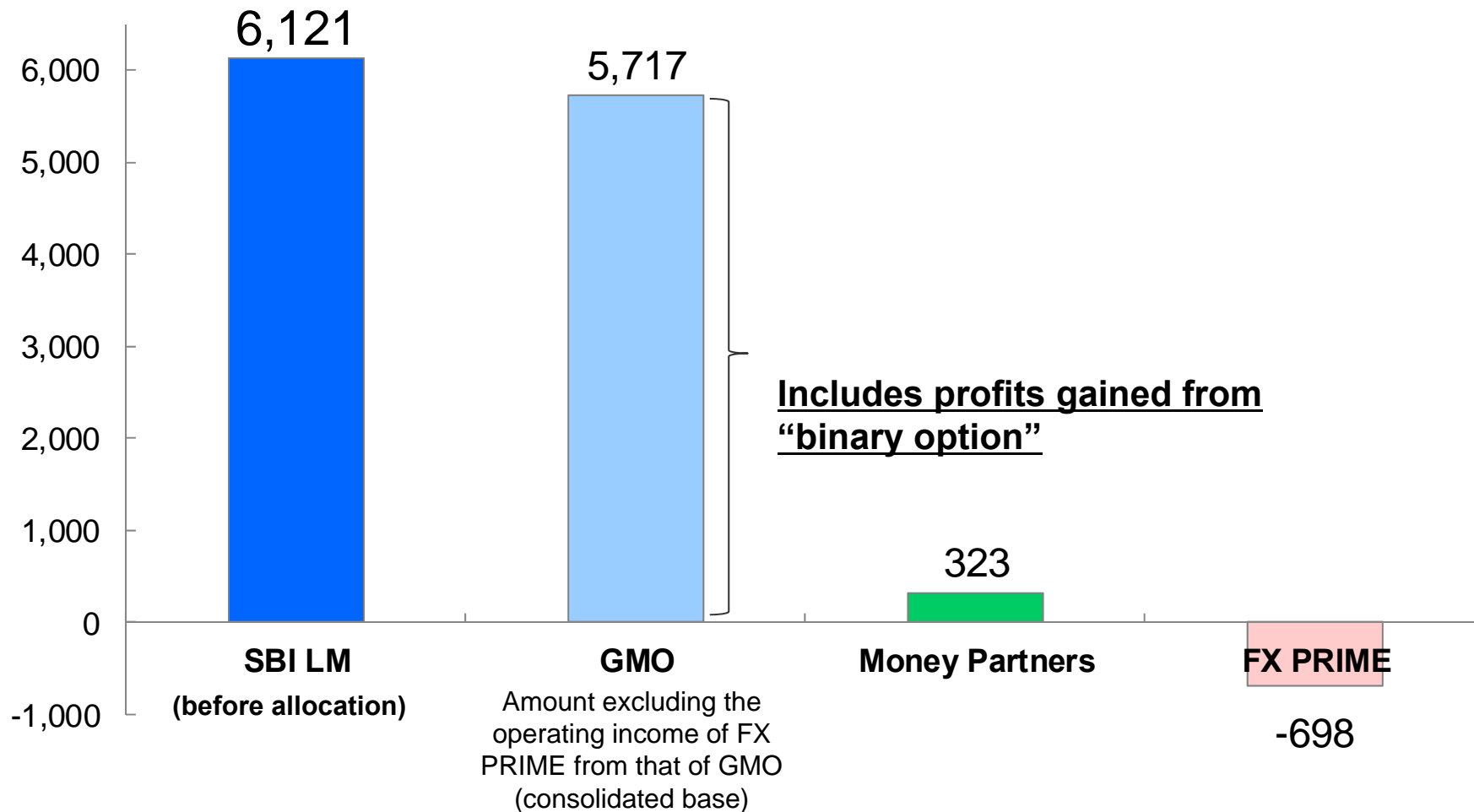
SBI Liquidity Market's "operating income before allocation" represents the amount before its allocation of profits to affiliated companies; SBI SECURITIES, SBI Sumishin Net Bank and SBI FXTRADE

# Comparison of Operating Income with OTC FX Peers

**SBI Liquidity Market's operating income (before allocation) significantly exceeds that of its competitors**

(JPY million)

## Operating Income of FY2012





## ⑦ SBI MONEY PLAZA

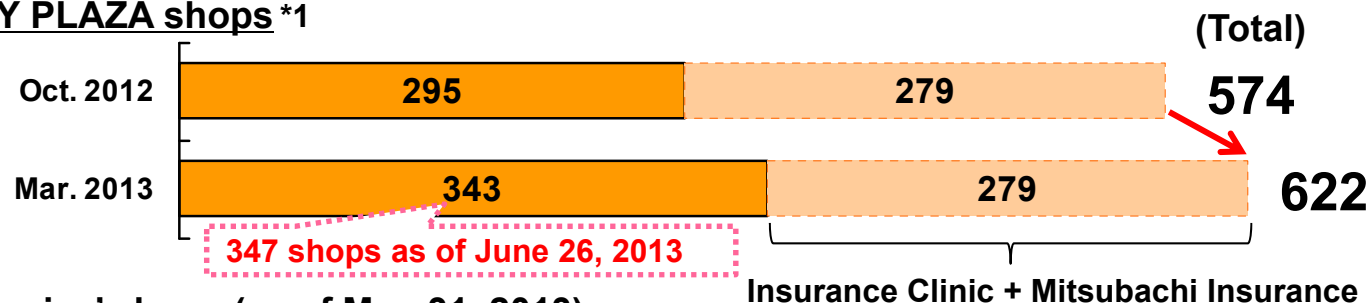
⑦ SBI MONEY PLAZA:

## Further Expanding SBI MONEY PLAZA Network to Improve Sales Capabilities

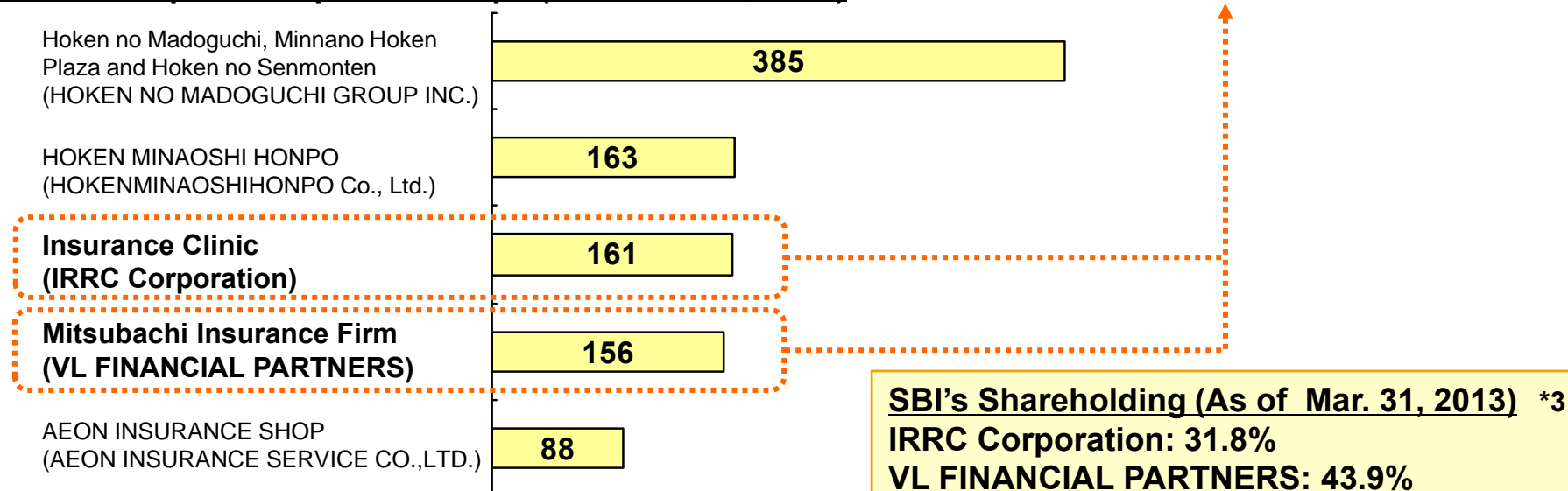


The nationwide number of SBI MONEY PLAZA shops including Insurance Clinic / Mitsubachi Insurance shops by far surpasses that of other companies. Insurance Clinic and Mitsubachi Insurance will carry the SBI MONEY PLAZA brand primarily at directly-managed shops (38 Mitsubachi Insurance shops already did as of Mar. 31, 2013).

### Number of SBI MONEY PLAZA shops \*1



### Number of peer companies' shops (as of Mar. 31, 2013)



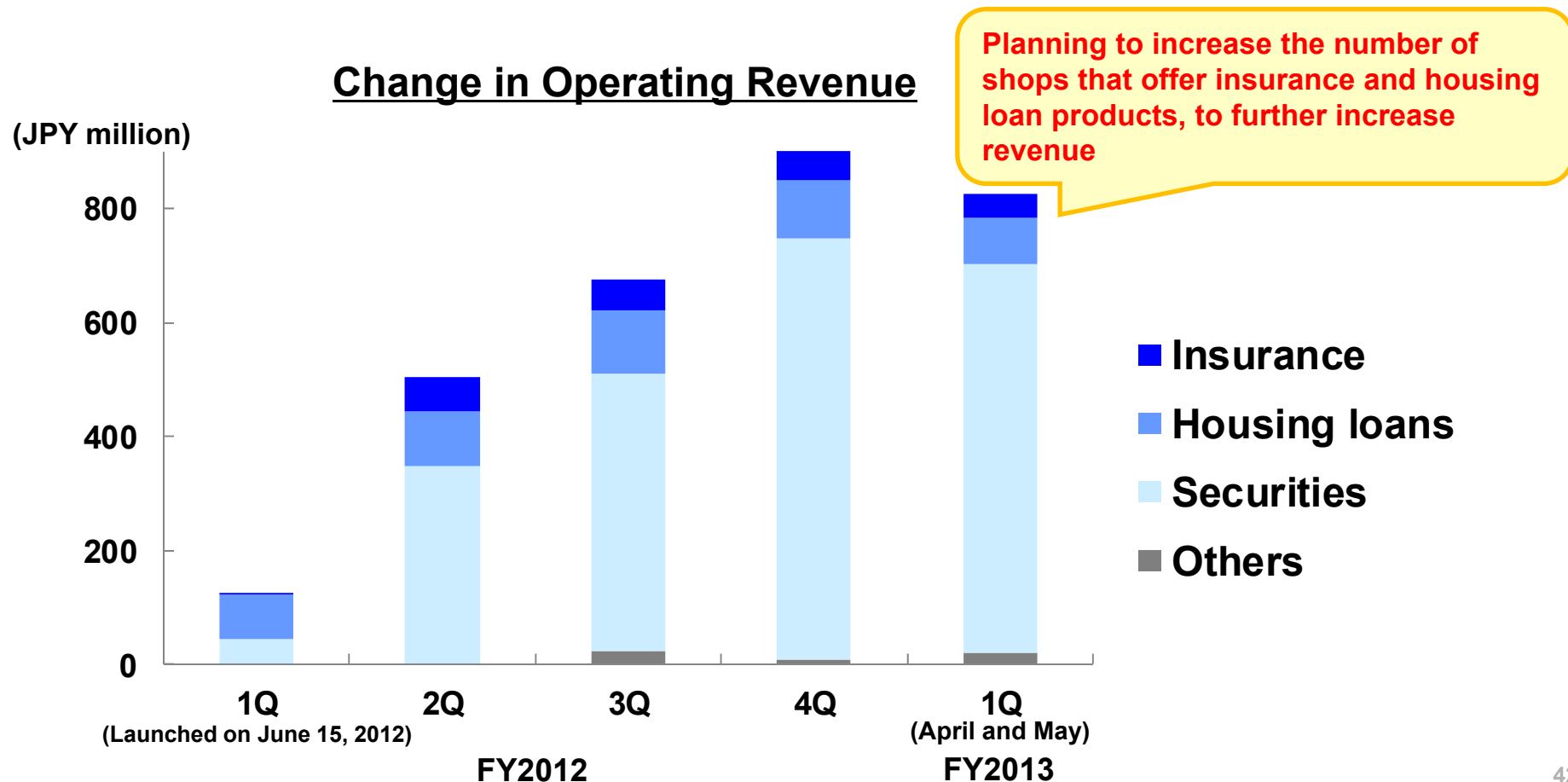
\*1 SBI MONEY PLAZA includes shops that are not insurance dealers.

\*2 Some Mitsubachi Insurance shops that already carry the SBI MONEY PLAZA brand (38 shops as of Mar. 31, 2013) are subtracted, as they are included as SBI MONEY PLAZA shops.

\*3 SBI's shareholding percentage corresponds to a total percentage based on the IFRS criteria for subsidiary companies and subsidiary funds of the Group.

## Targeting Minimum Operating Income of JPY 500m for 1Q FY2013

- During 4Q FY2012, the securities business revenues increased significantly, with the positive backdrop of the stock market. The cumulative loss leading up to 2Q was eliminated, and a full-year operating income of JPY 36m was recorded.
- Cumulative operating income for Apr. and May 2013 (preliminary) was JPY 350m



**2. The Asset Management Business saw solid increases from gains on the fair value revaluation of financial assets amid a booming market circumstances**

# Future Segmentation of Subsidiary Overseas Financial Institutions

Domestic and overseas subsidiaries providing financial services, such as securities, banking and insurance

Business foundation:

Domestic

Overseas

Segment:

Financial Services Business

Asset Management Business

Subsidiaries and assets related to the overseas businesses are managed by the HK subsidiary  
→ Assuming a future Hong Kong second headquarter

Including the future possibilities of an IPO or M&A in the overseas markets, depending on the status of each country's portfolio companies

**Future segmentation will follow the structure above**

## Revenue of the Asset Management Business for the Two Months of April to May 2013

- Under the booming stock market conditions since Apr. 2013, the steady sale of listed securities held contributed to a gain on securities sold.
- Also, owing to the healthy market environment, along with the increase in the valuation of held securities, the corporate values of the carefully selected promising investee companies also rose, so currently the change in fair value evaluation was strongly favorable.

# Performance of the Asset Management Business for the Two Months from April to May 2013 by Company (IFRS based)



**Profit/loss from fair value evaluation of listing securities held (preliminary figures)**

 **JPY 14.0bn** (As of the end of May)

As of June 20, a total of approximately JPY 9.2bn (preliminary figures) is recognized from the gains on sales of investment securities of JPY 4.9bn and the gains from valuation profit based on fair value of other listing securities held of JPY 4.3bn.

As of June 26, the total is JPY 6.1bn (preliminary figures)

**1Q FY2013 is expected to include fair value gains from the IPO of ReproCELL, regardless of the actual sale results**

**3. The Biotechnology-related Business continues to make positive progress in research and development both in and outside of Japan**



# Performance of the Biotechnology-related Business for the Two Months of April and May 2013 (IFRS based)



[Profit before income tax] (JPY billion)

	1Q FY2012 (Apr.-June 2012)		Total of Apr. and May 2013 (Preliminary figures)
Total of the Biotechnology- related Business	-0.7	↔	-0.6

For 3 months
For 2 months

There is a scheduled transference of a developing "seed" to a Japanese company from SBI Biotech (holding 100% share of Quark, Inc.), one of the core companies of the Biotechnology-related Business in June 2013, thus results for 1Q FY2013 are expected to be slightly positive.

## **4. The future market environment surrounding the SBI Group**

## Two External Factors Impacting Japan's Future Economy (1)

### Reduction of quantitative easing in the United States

Newspaper article

In a press conference, Federal Reserve Chairman Ben Bernanke stated that the U.S. central bank will slow the pace of its asset purchases by the end of this year. (snip) Mr. Bernanke also noted that the central bank plans to end asset purchases around the middle of next year if the U.S. economy picks up as expected.

(The "Nikkei" evening edition,  
June 20, 2013)

- Although the news had a short-term negative impact on the market, recovery of the U.S. market is seen as a pre-condition for reducing quantitative easing. The recovery of the U.S. economy is a positive factor for the Japanese economy.
- Going forward, interest rates are expected to rise as the U.S. economy picks up. The yen is likely to depreciate further against the dollar.

## Two External Factors Impacting Japan's Future Economy (2)

### Future development of the Chinese economy

- According to trade statistics, China's exports edged up 1 percent in May from a year earlier while imports fell 0.3 percent year on year. (snip) China's exports experienced the lowest growth since July of last year.  
(Source: Reuters "China's trade statistics in May: Exports / imports falling far below expectations" dated June 8, 2013)
- In June, China's preliminary purchasing managers' index (PMI) came in at 48.3, down 0.9 points from the final reading of 49.2 in May, falling to its lowest level in nine months since September of last year.  
(snip) "Inflated exports," which covertly brought speculative funds into mainland China disguising as exports, were widespread. Uncertainty over the Chinese economy has been growing rapidly after it became clear that exports, which were believed to be the driving force behind the recovery of the Chinese economy, were weaker than previously thought.  
(Source: Nikkei.com article dated June 20, 2013 "Chinese Manufacturing Index Falls to Nine-Month Low in June)
- Substantial GDP growth rate for 2012 was 7.8%. Estimation for 2013 by IMF is 7.75% and higher than that of the government which is 7.5%. (Source: International Monetary Fund(IMF), as of May 2013)



**As the financial revolution firmly takes hold in China, the uncertainty in the Chinese economy is growing rapidly, and the Chinese market hit a four-year low on June 24, 2013.**

## Possibility of Further Depreciation of the Yen

**Yen depreciation factor (1):**

**Reduction of quantitative easing in the United States**

Expected increases in long-term interest rates in the United States may basically lead to further depreciation of the yen.

**Yen depreciation factor (2):**

**Monetary easing by the Bank of Japan**

The Bank of Japan has launched a scheme to help financial institutions increase their loans; the volume of loans totaled JPY 3,151.9bn in June.

→ Banks that receive loans from the Bank of Japan will have greater capacity to purchase government bonds, thus contributing to stable interest rates.

Given the fact that foreign banks are eligible for the loans, and that the funds can be used as a source for foreign investments, the scheme may trigger selling of the yen, which may result in further yen depreciation.

(Nikkei Veritas No. 276,  
June 23-29, 2013)

***FX Signal***  
***BOJ of Shirakawa-period leaves***  
***bazooka of yen depreciation***

Newspaper article

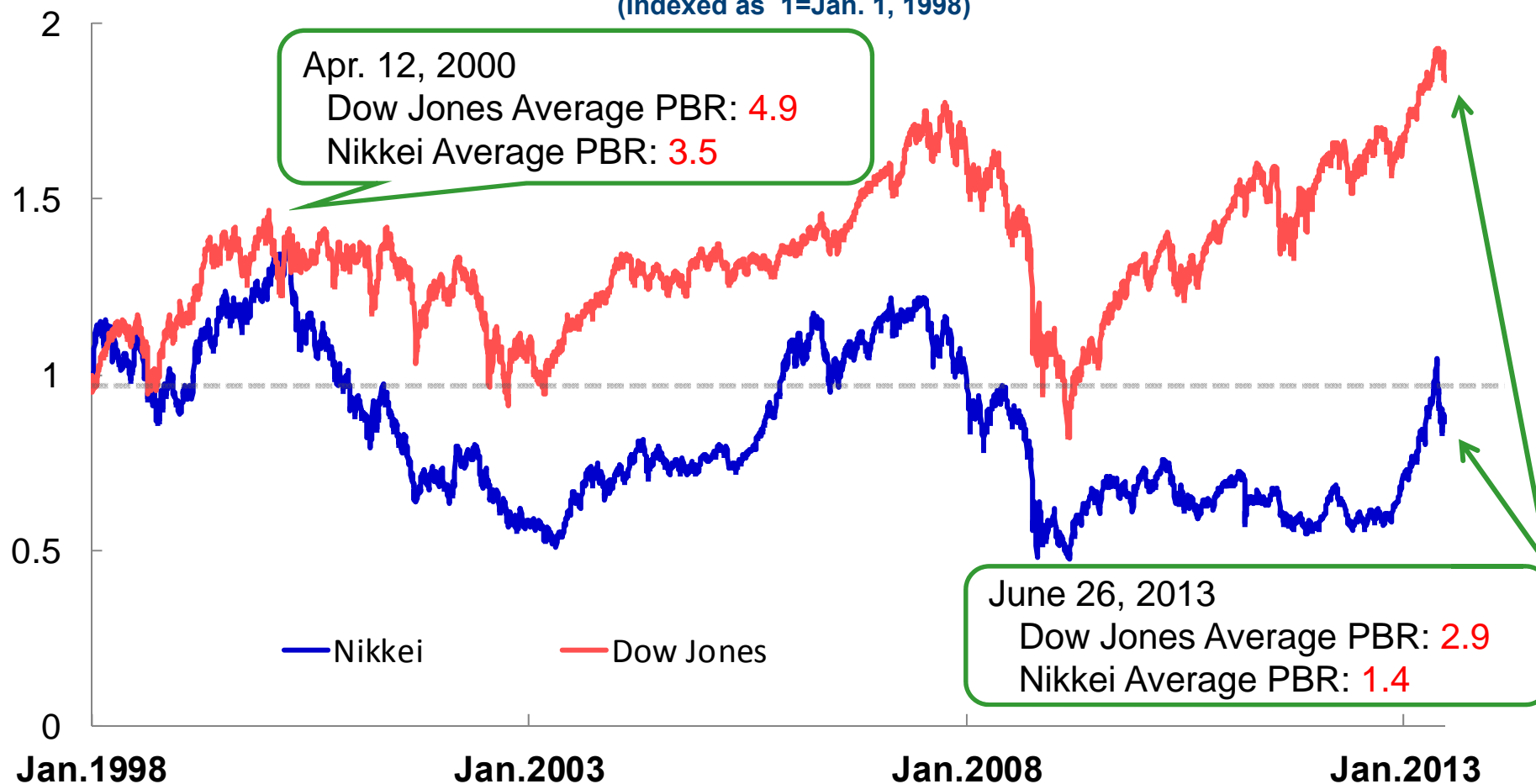
**The depreciation of the yen is expected to continue in the short term**

# Prolonged Slump for the Japanese Stock Market

Unlike U.S. stock market, Japanese stock market long slighted by global investors.

Change in Stock Market Index from Jan. 1, 1998 to the Latest (June 26, 2013)

(Indexed as 1=Jan. 1, 1998)



# Will the Uptrend in the Japanese Stock Market Continue?

The past two Japanese stock market uptrends lasted 18 months and 51 months, respectively

Nikkei



# Current Nikkei Uptrend broke above “Golden Ratio”



After the collapse of the Japanese asset price bubble, the "Golden Ratio" (1.6x) was a resistance level for the Nikkei. Although the recent Nikkei uptrend has broken through the "Golden Ratio", owing to the deterioration in the external environment, the Nikkei has now entered a correction phase.

## Nikkei



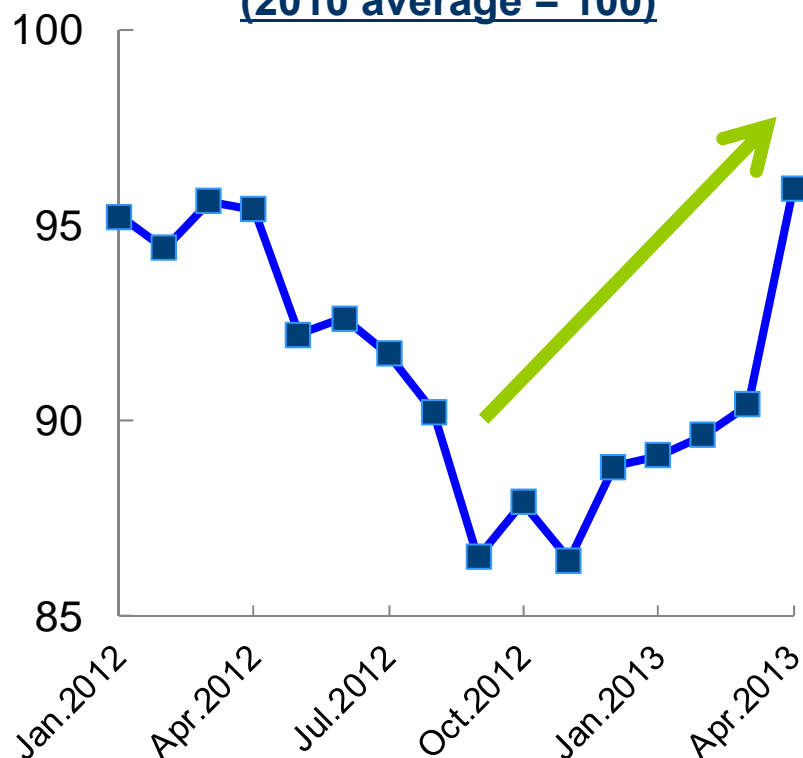
\* The rate of increase during uptrends



# Improvement in Various Japanese Economic Indicators

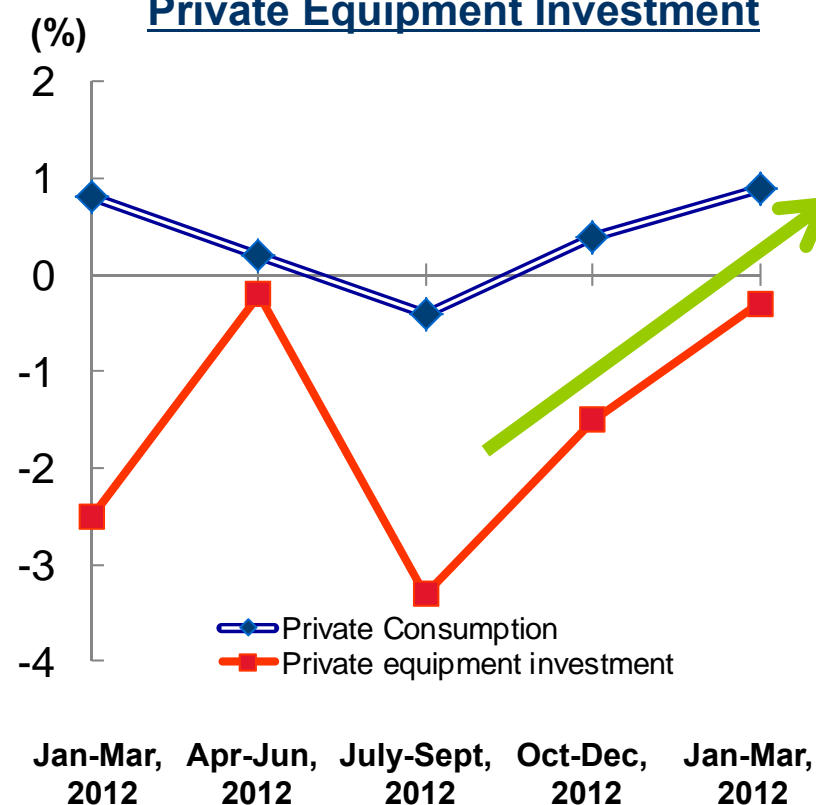
After having bottomed-out last fall, various Japanese economic indicators are improving

Indices of Industrial Production (seasonally adjusted)  
(2010 average = 100)



Source: Compiled by SBIH from disclosed data from METI

QoQ Change in Private Consumption and Private Equipment Investment

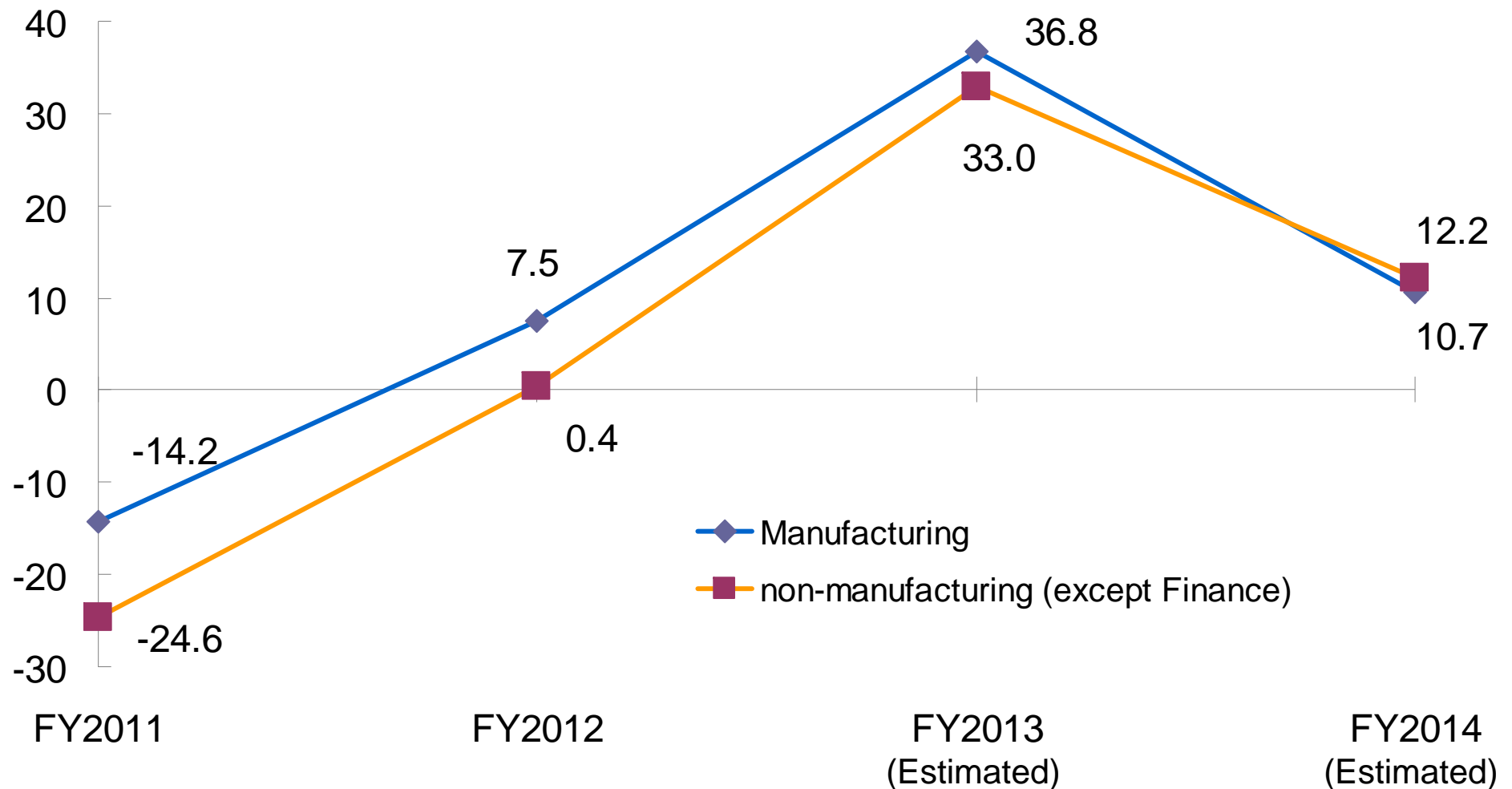


Source: Compiled by SBIH from disclosed data form Cabinet Office

# Japanese Company Performance is Expected to Recover



Forecast of operating income growth  
(FY2011 and 2012 numbers are actuals)



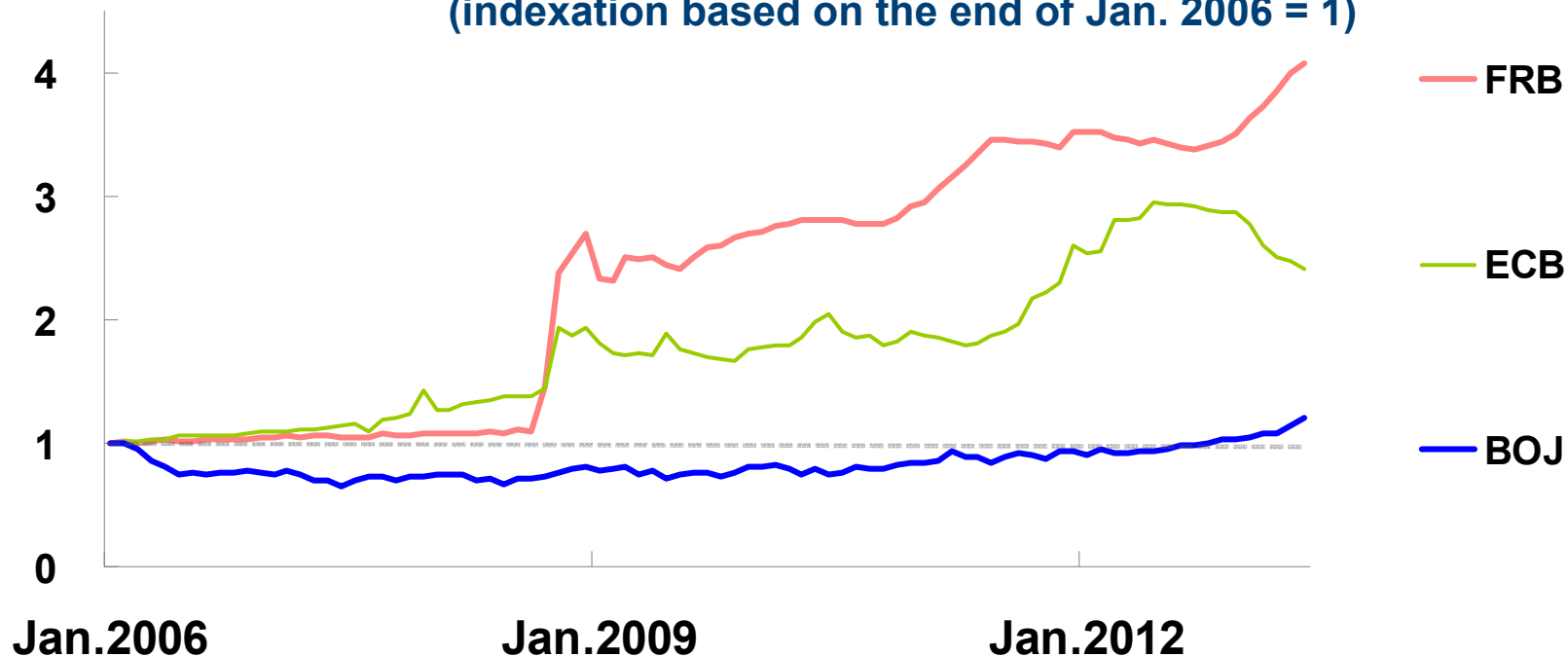
Source: Nomura Securities Co., Ltd. "Outlook for FY13-14 corporate earnings"

# The Total Asset Index of Central Banks



In the past five years, central banks of several countries have implemented extraordinary quantitative easing, increasing the money supply as economic stimulus.

## The index of the amount of total asset in major central banks (indexation based on the end of Jan. 2006 = 1)



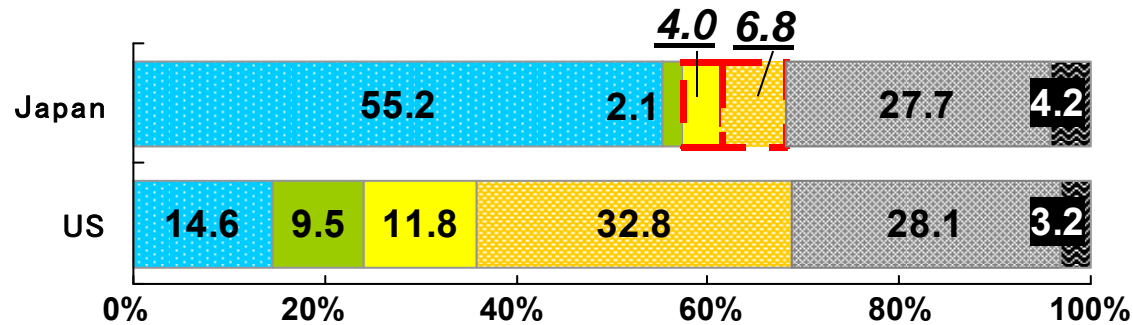
Amid the global monetary easing, coupled with fewer concerns about the recurrence of an European debt crisis, the U.S. fiscal cliff and a slowdown in China that concerned the markets in 2012, there are expectations for funds to move from bonds (lower risk) to stocks (higher risk) in 2013.

# Japan's Capital Markets Expect to See an Inflow of Funds into the Stock Market

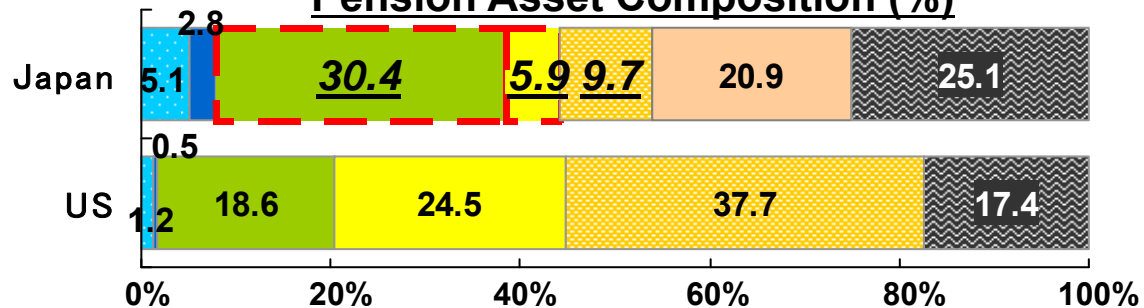


- Japan's Government Pension Investment Fund (GPIF), the public pension fund responsible for managing close to JPY 110 trillion assets, announced its plan to reduce its domestic bond allocation from 67 percent to 60 percent while raising its domestic stock allocation from 11 percent to 12 percent.
- The NISA (Japanese version of Individual Savings Account), which is to be implemented on January 1, 2014, is expected to encourage investments in stocks and investment trusts, two areas which currently account for a low percentage of personal financial assets in Japan.

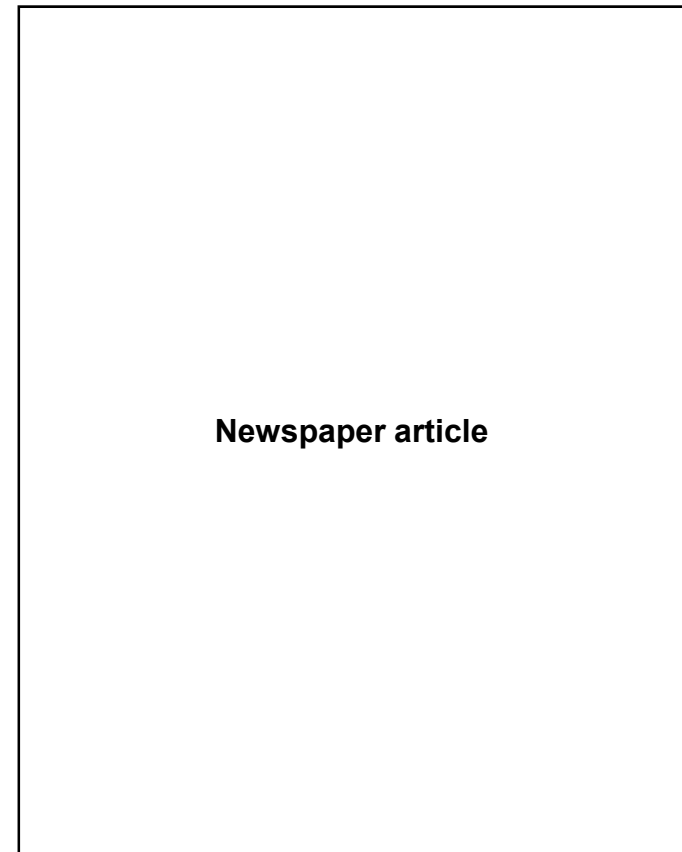
**Household Asset Composition (%)**



**Pension Asset Composition (%)**



- Cash and deposits
- Fixed income
- Equity and funds
- Insurance and pension
- Lending
- Investment trust
- Overseas investments
- Others



(Yomiuri Shimbun on June 8, 2013)

\*Figures are as of the end of Dec. 2012

Source: "Comparison of "funds flow" by Research and Statistics Department. Bank of Japan, Mar. 25. 2013

## **II. 14 Year History of the SBI Group Since Its Foundation**

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- 1. The SBI Group's Corporate Mission and the Results Thus Far**
- 2. The SBI Group's Driving Growth Factors**

# The SBI Group's Five Corporate Mission Statements



## Sound Ethical Values

We shall undertake judgments on actions based not only on whether they conform to the law or profit the company, but also whether they are socially equitable.

## Financial Innovator

We will transcend traditional methods and bring financial innovations to the forefront of the financial industry, utilizing opportunities provided by the powerful price-cutting forces of the Internet and developing financial services that further enhance benefits for customers.

## New Industry Creator

We will work to become the leader in creating and cultivating the core industries of the 21st century.

## Self Evolution

We will continue to be a company that evolves of its own volition by forming an organization that flexibly adapts to changes in the operating environment and incorporates corporate “Ingenuity” and “Self-transformation” as part of its organizational DNA.

## Social Responsibility

We will ensure that each company in the SBI Group recognizes its social responsibilities as a member of society, while fulfilling the demands of its stakeholders, contributing to the betterment of society.

# The SBI Group's DNA Culture to be Inherited for the Future



## *The SBI Group's DNA*

### *Maintain Entrepreneurship*

Do not fall into a large company complacency, but continue to be open to new ideas as a challenger

### *Emphasize Speed*

Be decisive and act quickly

### *Encourage Innovation*

Do not be bound by past success, and never stop exercising the creative spirit

### *Continue to Self-evolve*

Flexibly adapt to the changing environment, and continue to change and grow accordingly

# Transition of SBI Holdings ①



	Economic and social surroundings of the SBI Group	Business strategies of the SBI Group
1999	The Financial Big Bang in Japan	Formation and Establishment of the Business Ecosystem
2000	The Internet Revolution	Creation of “Network Value”
2001	“From Deposits to Investments”	“Quantity” Transforms “Quality”
2002	Progress in Broadbandization	
2003	Surge in Chinese Economic Growth	The Integration of the “Online” and “Face-to-face” Services
2004		
2005	Trade Balance and Income Balance Reversal in Japan	Transcend Finance, Centering on Finance
2006		To the “World’s SBI”
2007	The BNP Paribas Shock	
2008	The Lehman Shock / Start of G20	Establishment of the Internet Financial Conglomerate
2009	Greek Debt Issue Occurrence	
2010	European Debt Crisis	Pentagon Management for the Financial Services Business
2011		Strengthening of the Brilliant Cut Initiative to Enhance Earnings Capacity
2012	Greek Debt Issue Recurrence	
2013	End of QE3 in US / Economic deterioration in China	Triangle Management for the Financial Services Business / Thorough “Selection and Concentration”



# Transition of SBI Holdings ②



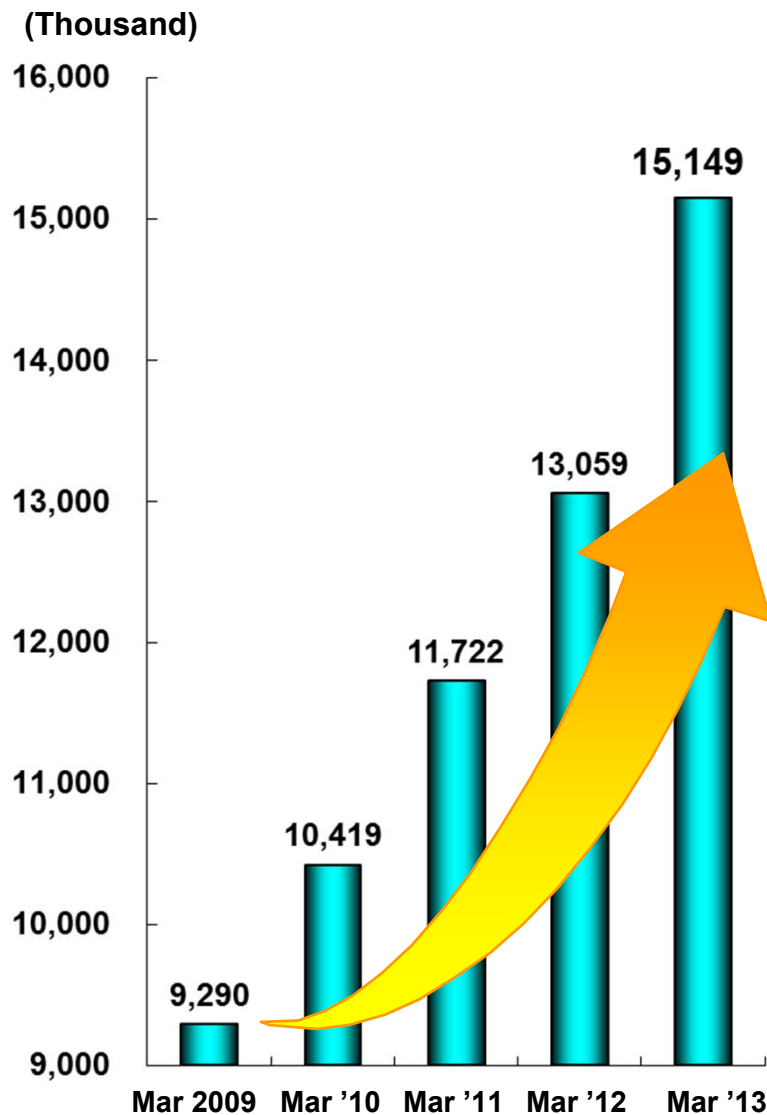
	Establishment 1999	End of Mar. 2013
Customer base	0	<b>15.15 million</b>
Officers and employees (cons.)	55	<b>5,007</b>
Operating revenues (cons.)	0	<b>FY2012: JPY 153.5bn</b> Peak time (FY2007): JPY 222.6bn
Consolidated subsidiaries	0	<b>144 companies</b>
Publicly owned companies	0	<b>7 companies</b> (including SBIH) Peak time: 11 (FY2007)
Capital	JPY 50m	<b>JPY 81.7bn</b>
Net assets	JPY 50m	<b>JPY 360.5bn</b>

# The SBI Group's Customer Base



## Breakdown of the Customer Base

(As of the end of Mar. 2013)



	(Thousand)
<b>SBI SECURITIES</b>	<b>(Accounts)</b> <b>2,609</b>
<b>SBIH InsWeb</b>	<b>(No. of customers)</b> <b>5,212</b>
<b>E-LOAN</b>	<b>(No. of customers)</b> <b>1,324</b>
<b>Other financial websites</b>	<b>(No. of customers)</b> <b>26</b>
<b>MoneyLook</b>	<b>(Total no. of customer registrations)</b> <b>813</b>
<b>Morningstar Japan</b>	<b>(New portfolio customer registrations)</b> <b>100</b>
<b>SBI Card</b>	<b>(Valid cards issued)</b> <b>97</b>
<b>SBI Sumishin Net Bank</b>	<b>(Accounts)</b> <b>1,647</b>
<b>SBI Insurance</b>	<b>(Total no. of contracts)</b> <b>542</b>
<b>Autoc one</b>	<b>(Total no. of service users in 2012)</b> <b>1,000</b>
<b>Lifestyle-related websites (Ticket Ryutsu Center, muSBI.net)</b>	<b>(Total no. of customer registrations)</b> <b>1,129</b>
<b>Others (SBI Mortgage, SBI Points, etc.)</b>	<b>649</b>
<b>Total</b>	<b>15,149</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

# SBI Group is the Pioneer and No.1 in a Diversity of Businesses (1)



## SBI証券 [SBI SECURITIES]

- Ranks No.1 in terms of the share of individual brokerage trading value (33.2 % in FY2012)
- Ranks No.1 in terms of the share of individual margin trading value (35.4% in FY2012)
- Ranks No.1 in terms of the number of accounts among 5 major online securities (2.61 million accounts as of end of Mar. 2013)

## 住信SBIネット銀行



- Fastest among Internet-based banks to raise its deposits to more than JPY 2.0tn; taking only 4 years and 2 months from the start of operations
- Fastest among Internet-based banks to raise its cumulative total of housing loans to more than JPY 1.0tn; taking only 4 years and 6 months from its start of operations.
- First in Japan to develop and adopt SBI Hybrid Deposit systems, where Internet bank accounts and securities accounts are completely linked

## Japannext (Operates the largest PTS in Japan, Japannext)

- Ranks No.1 in terms of the turnover, volume and number of stocks traded per a day in Japan
- Ranks No.1 in terms of trading value; recorded JPY 13,153.8bn for FY2012 (Daily average of JPY 49.4bn)
- Ranks No.1 in terms of the only PTS offering for nighttime trading in Japan

## Mortgage

- First mortgage bank in Japan
- Ranks No.1 in the share of “Flat 35” on a written basis (21.7% share in FY2012, Total of Apr. and May 2013: 24.9%)

## SBI Group is the Pioneer and No.1 in a Diversity of Businesses (2)

### Mornigstar Japan

- Ranks No.1 among investment trust valuation websites in terms of the number of visitors
- Provide “MoneyLook”, No.1 account aggregation software in terms of the number of users and financial institutions

### Searchina

- Operates “Searchina”, Japan’s No.1 largest Chinese information website, with 100 million monthly PV

### Investment

- No.1 in investment amount for FY2011 in the major venture capitals (The Nikkei VC research)
- High performance of 131 IPO and M&A cases from 684 investee companies (as of the end of Mar.)
- Ranks No.1 in terms of the scale of IT and biotechnology funds

### Pharma

- Succeeded first in developing orally-administered fluorescence diagnostic agent for use in the surgical resection of brain tumor in Japan

The current standard treatment for malignant glioma in Japan is an excision of the tumor site through microscopically-controlled surgery. This diagnostic agent makes it easy to discriminate between brain tumors and normal tissue has been confirmed.

## 2. The SBI Group's Driving Growth Factors

- (i) Tracking the Major Trends**
- (ii) Formation of “Business Ecosystem” and Establishment of “Structural Differentiation”**
- (iii) Adherence to the “Customer-centric Principle”**

**The SBI Group has consistently achieved its growth through the establishment of an organization and the development of businesses that supports the major challenges for corporate strategy**

## **(i) Tracking the Major Trends**

# Environment Surrounding the SBI Group Since Its Foundation



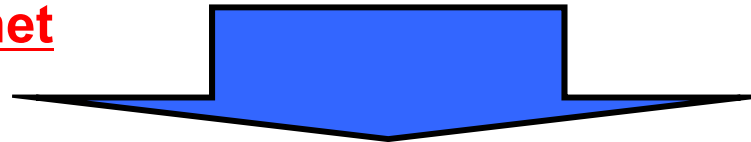
[Two big trends underling the rapid growth of the SBI Group since its inception in 1999]

**Internet Revolution**

**Finanical Deregulation**

Strategy:

➔ **Strategy ① Growth Acceleration of the Internet Finance Business Driven by the Further Evolution and Enhancement of the Internet**



[Two major key trends for further future growth]

**Shift in Japan's industrial structure and transition to a post-industrial society**

➔ **Strategy ② Concentrated Investments into Growth Industries of the 21st Century in a Post-industrial Society**

**Ascendance of emerging nations and the Asian Century**

➔ **Strategy ③ Accelerating Overseas Business Development Focusing on Dramatic Asian Growth**

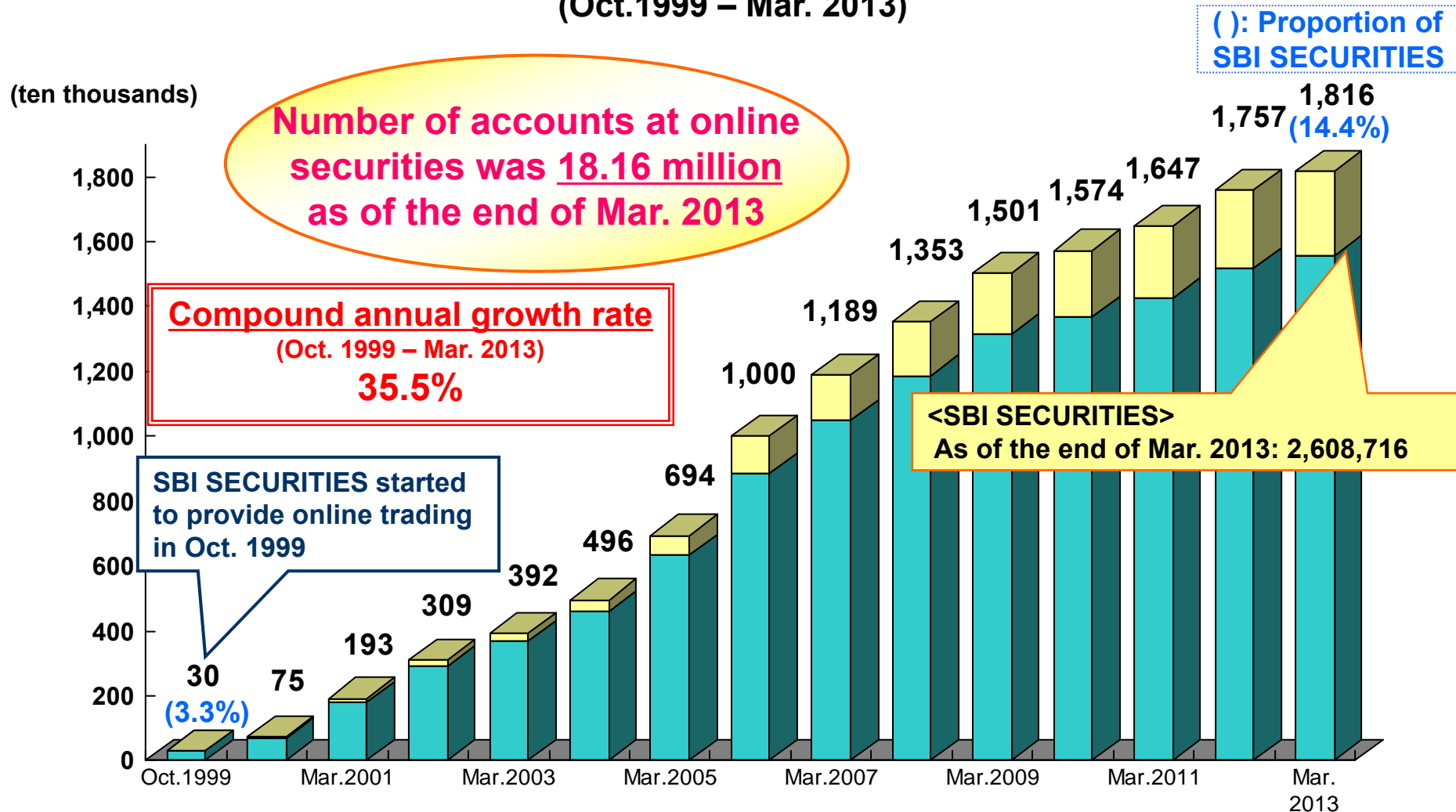
**Strategy:**

**① Growth Acceleration of the  
Internet Finance Business  
Driven by the Further Evolution  
and Enhancement of the Internet**



## Continuous Growth in Number of Accounts at Online Securities Companies

### Change in Number of Accounts at Online Securities Companies (Oct.1999 – Mar. 2013)



Source: Japan Securities dealers association, "Survey of Online Trading" (Sept. 2011), records began in Oct.1999

# The Internet Immersed Generation is Coming of Age



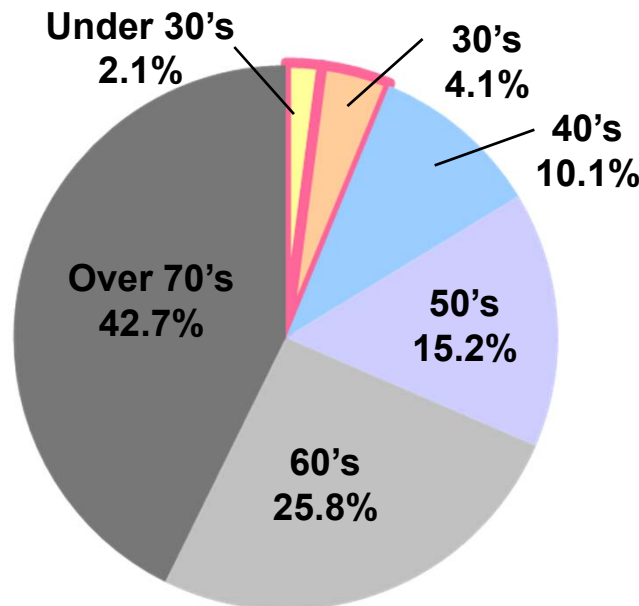
**Start of commercial Internet in Japan: 1992**



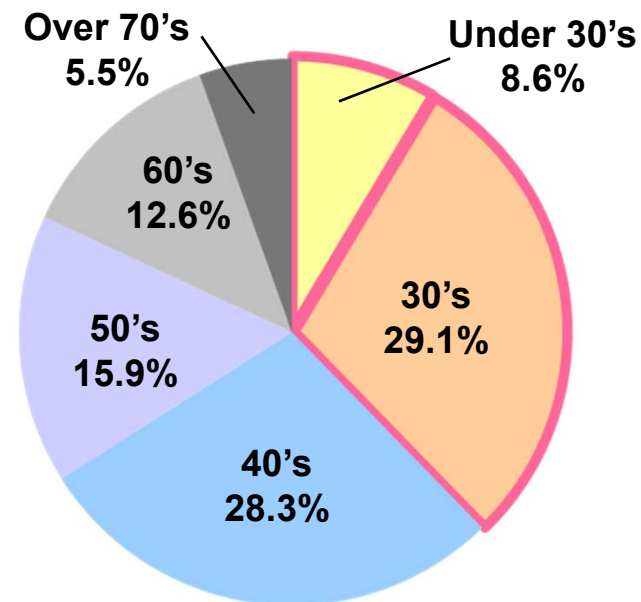
The generation immersed in the Internet since childhood have started full-scale purchases and financial activities from around 2010

**Breakdown of SBI SECURITIES' customers' age by channel**  
(as of the end of Apr. 2013)

■ Face-to-face (SBI MONEY PLAZA)    ■ Online



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



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

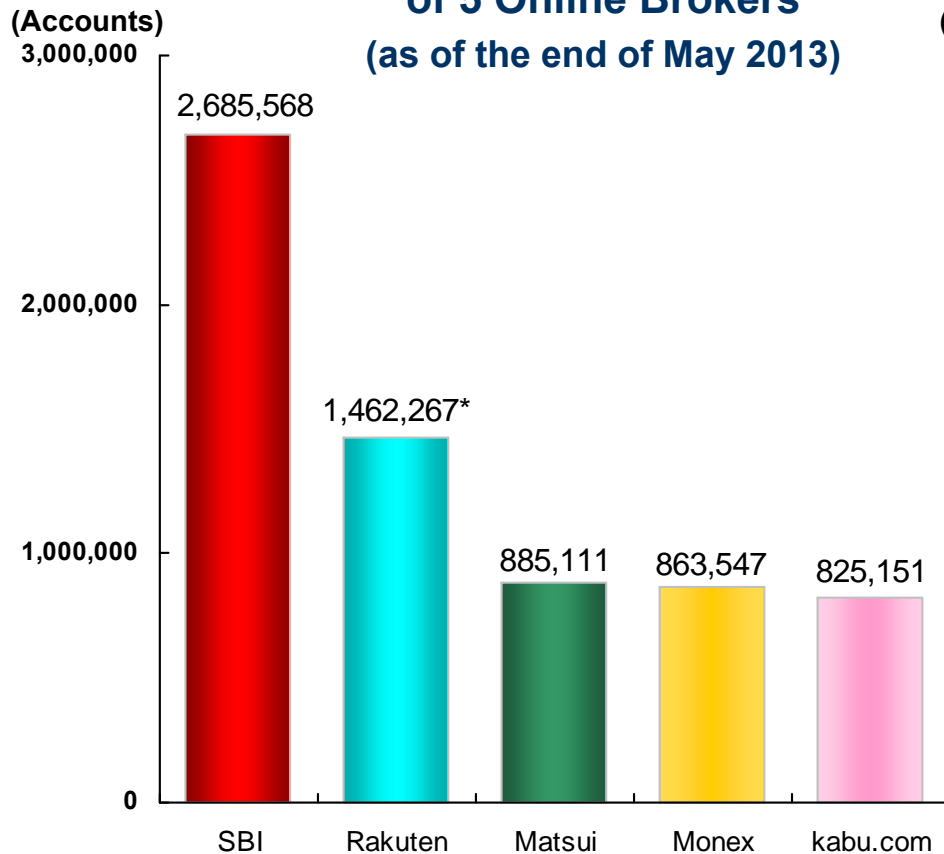
\* Corporate accounts are not included

**Solid Customer Base of SBI SECURITIES ①**  
 < Number of Accounts and Amount of Customer Asset >

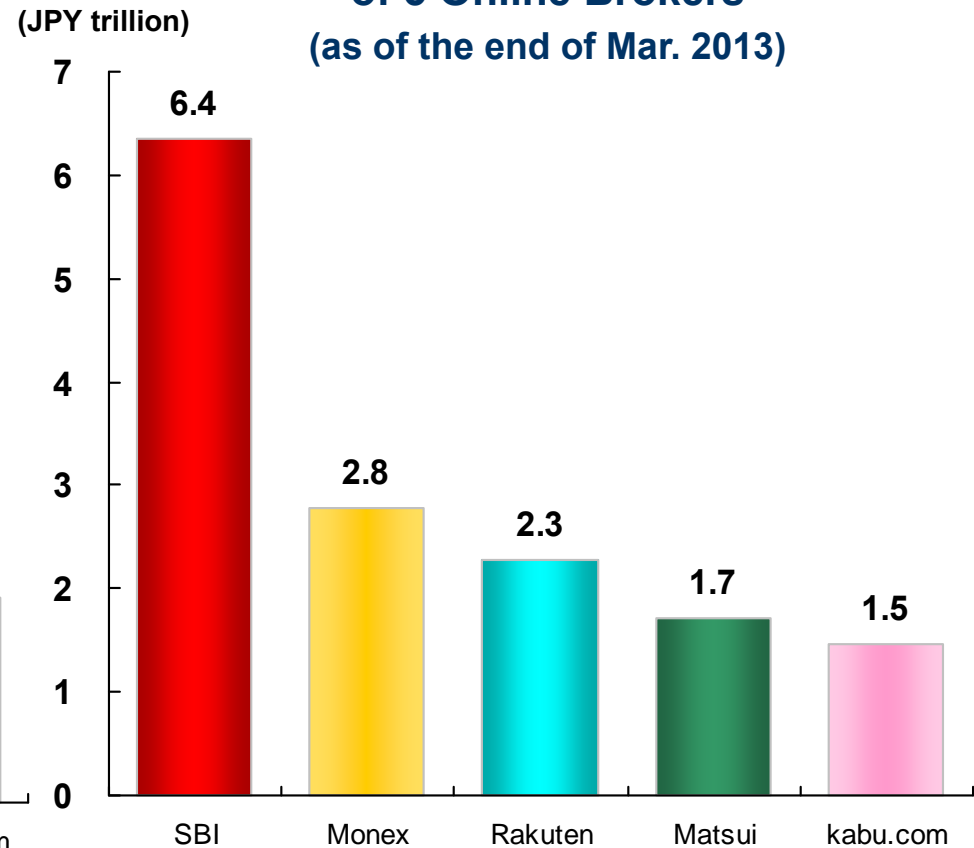


**SBI SECURITIES far exceeds its competitors in terms of the number of accounts and deposit assets**

**Customer Accounts of 5 Online Brokers**  
 (as of the end of May 2013)



**Customers' Deposit Assets of 5 Online Brokers**  
 (as of the end of Mar. 2013)



\*The figure of Rakuten is the number of customer accounts as of the end of Mar. 2013  
 Sources: Compiled by SBIH from information on websites of each company

## Solid Customer Base of SBI SECURITIES ②

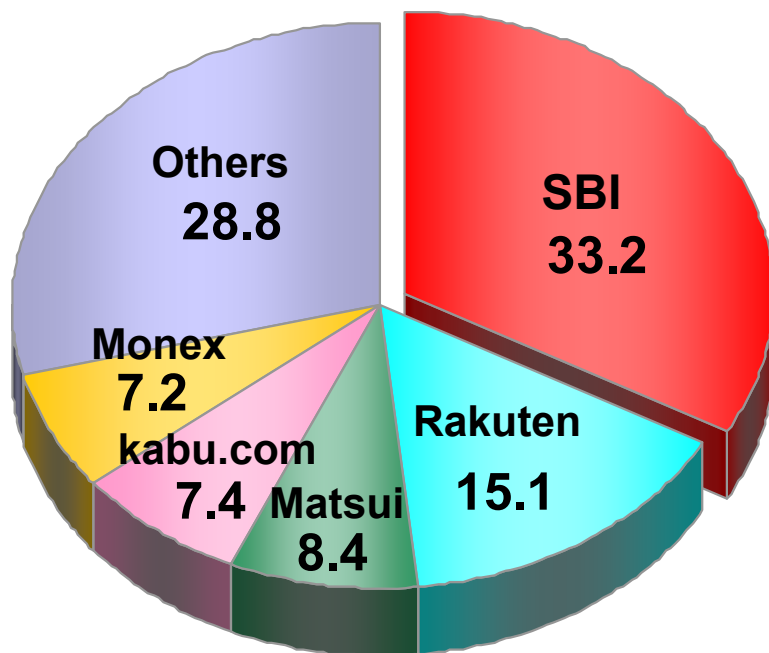
< Individual Brokerage Trading Value >

Online securities companies account for approximately 70% of the entire individual stock trading value, with SBI SECURITIES accounting for an approximate 33% share.

Share of Individual Stock Trading Value (%)

**FY2012**

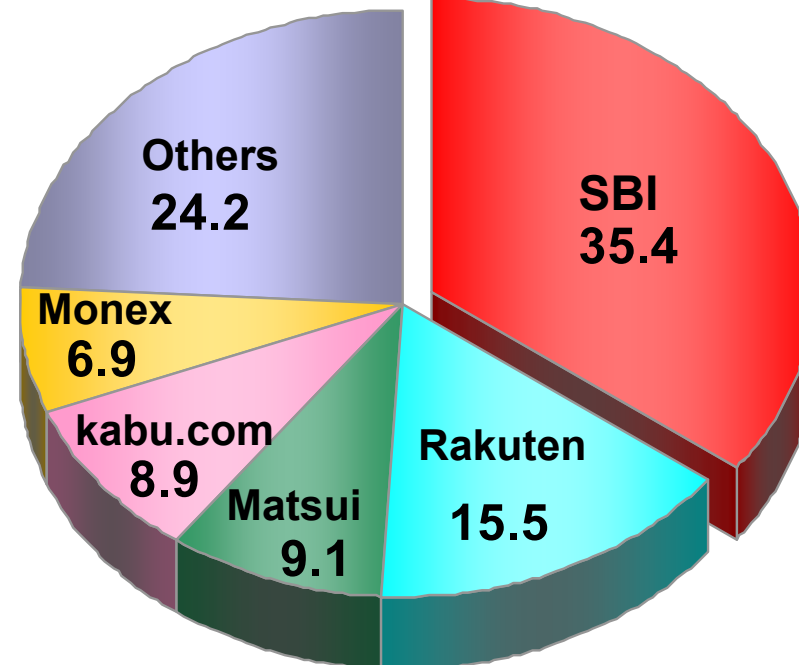
(Apr. 2012 – Mar. 2013)



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

**FY2012**

(Apr. 2012 – Mar. 2013)

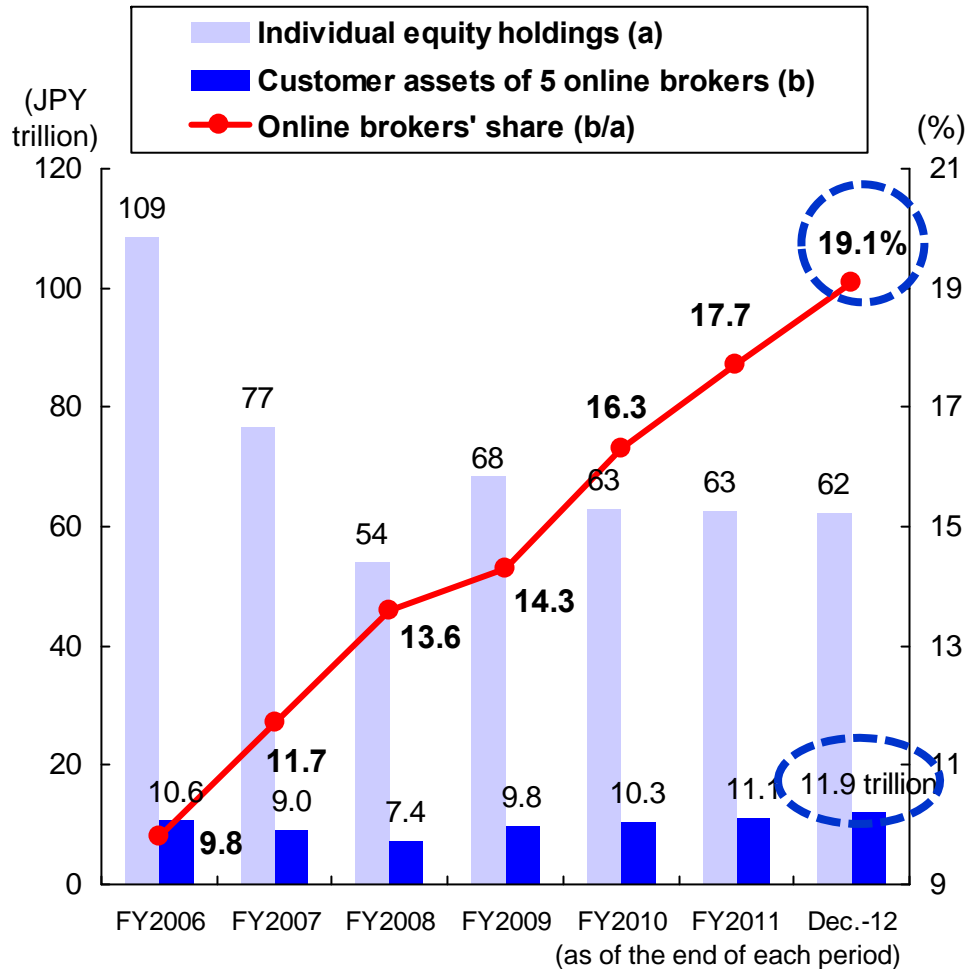


Source: Compiled by SBI SECURITIES based on Tokyo Stock Exchange and JASDAQ materials and websites of each company

\* The whole 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.

# The Five Major Online Securities Companies' Market Share of Individual Equity Holdings in Terms of Deposit Assets

Change in the share of individual equity holdings (stock)



The five major online securities companies handle an overwhelming share of the flow of stock trades, which stands at over 70%



Assets of customer accounts of the five major online securities companies totaled JPY 11.9 trillion, as of the end of Dec. 2012, but this represents a mere 19.1% of the total shares held by individuals in Japan

**There is much more market share that the online securities companies may gain, in terms of deposit assets**

# Overseas Examples of the Impact of the Adoption of IT in Banking Services

## Current U.S. situation



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

→ In 2010: 75-90% of individual banking transactions were conducted via the Internet, call centers, mobile devices and ATMs. Also, there is a statistic that points to a transaction ratio of branches to the total of 5-13%.



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

➤ Average monthly transaction numbers at branches decreased from 11,400 in 2006 to 8,440 in 2010 (Source: published information by Novantas, US consulting company, and American Banker, US information service company)

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

## Current Sweden situation



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

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



Technology innovation has been transforming the form of financial services offerings

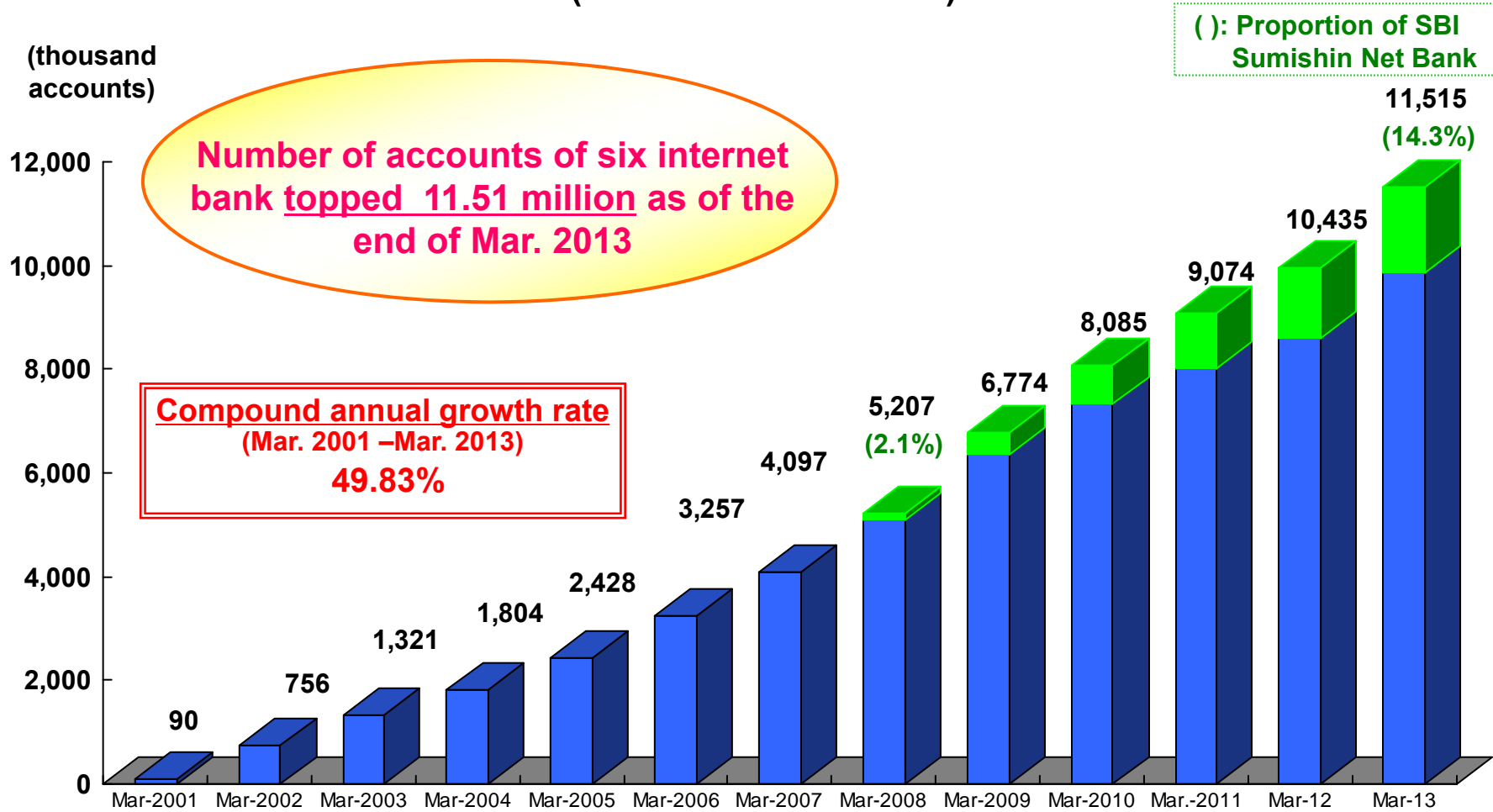
②Internet Bank:

# Rapid Expansion of the Internet Finance Sector (Internet Banks)



## Change in Number of Customer Accounts of Six Pure-play Internet Banks in Japan

(Mar. 2001 – Mar. 2013) (\*)

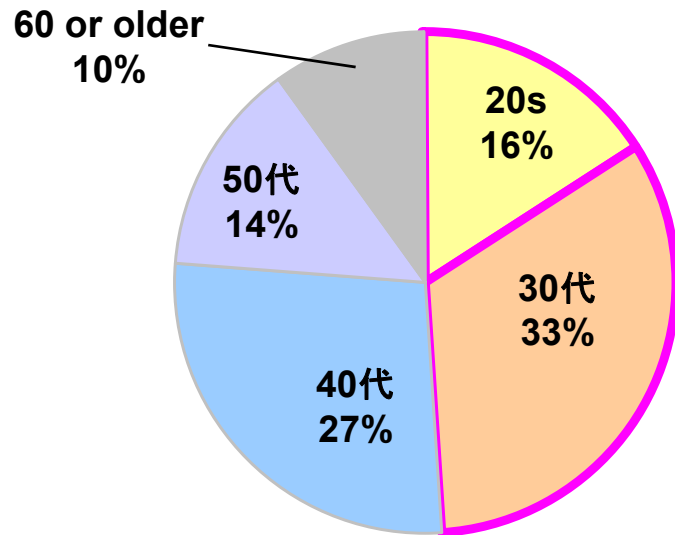


(\*) Compiled by SBIH from information disclosed by each company. Pure-play internet banks refer to SBI Sumishin Net Bank, Japan Net Bank, Sony Bank, Rakuten Bank, Jibun Bank and Daiwa Next Bank. Daiwa Next Bank began businesses in Apr.2011. The numbers for Sony Bank is as of the end of Sept. 2012.

## Current Features of Customer Segment Implies Future Growth

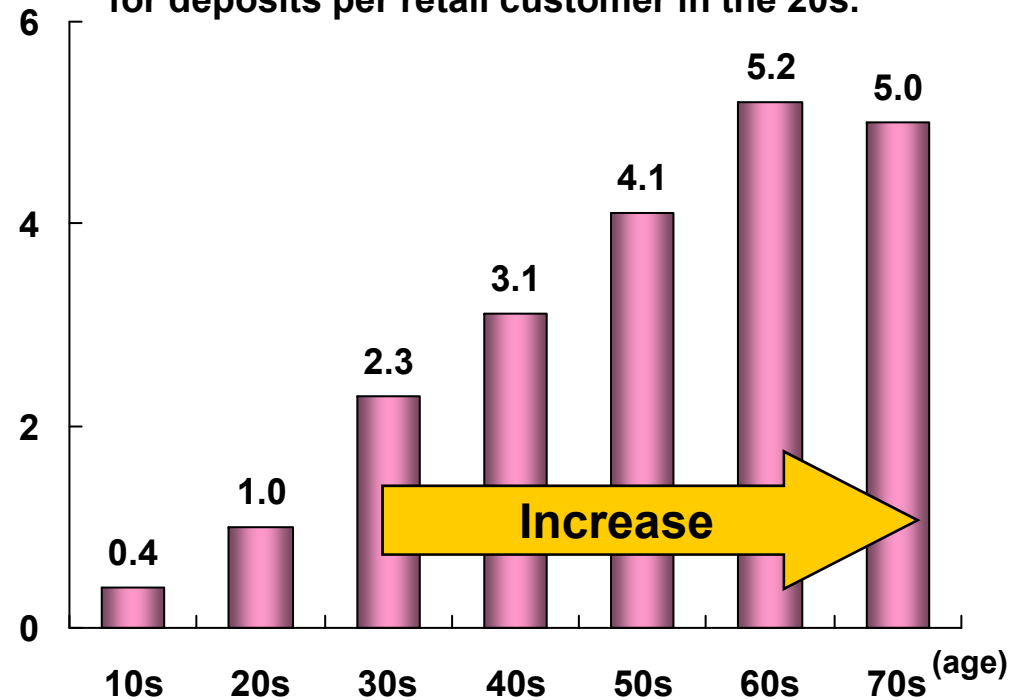
### Customers of SBI Sumishin Net Bank

#### ■ Retail Customer Age Brackets



#### ■ Deposit Per Customer

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

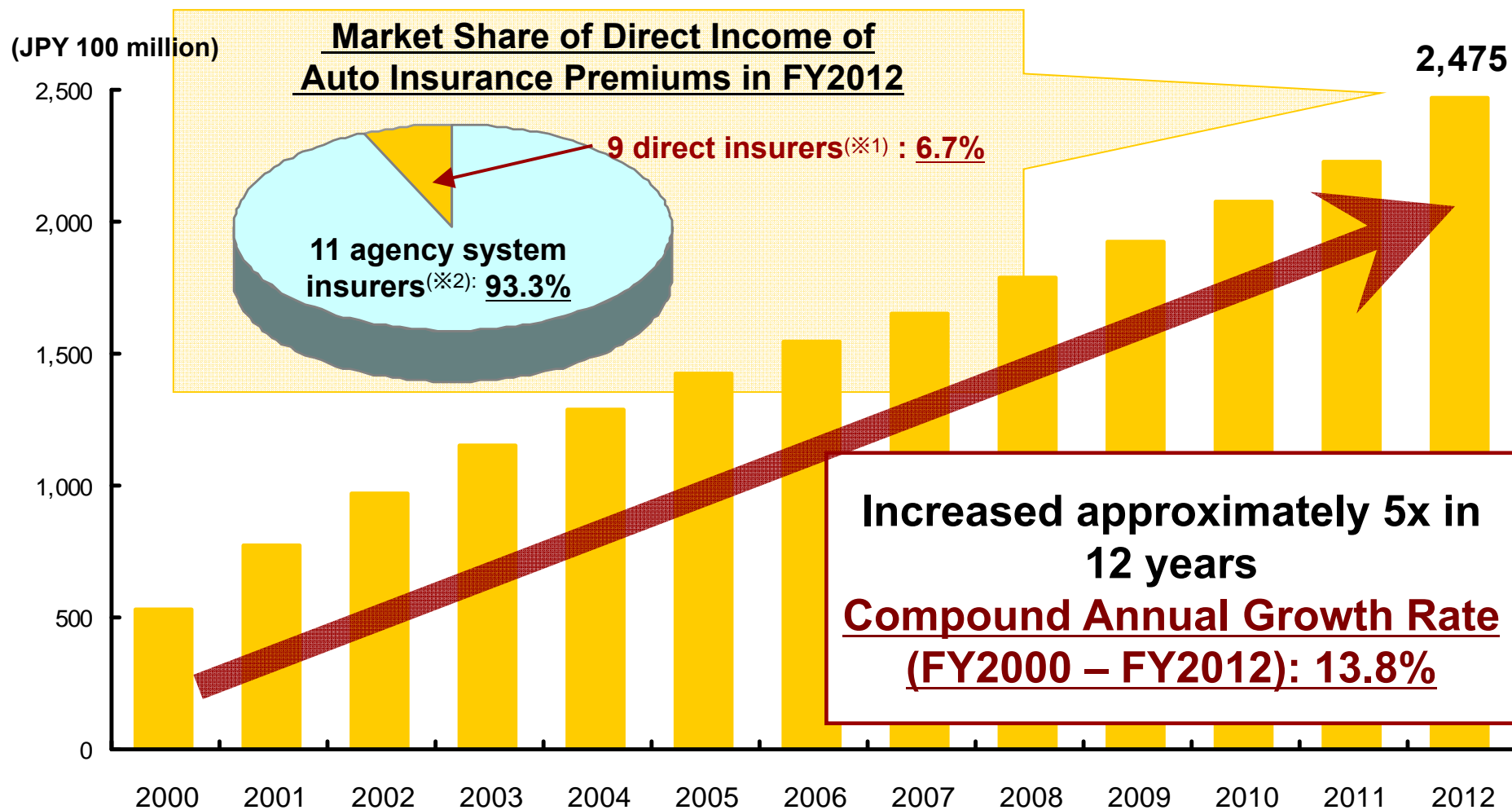


The assets of retail customers currently in their 20s and 30s will increase over time, along with an increase in various financial transactions for asset management purposes, a trend that will also be experienced at SBI SECURITIES



## Direct Nonlife Insurance Sales Continue to Increase Steadily in Japan

### Change in Direct Income of Auto Insurance Premiums of 9 Direct Insurers



(\*1) 9 direct insurers: Sony Insurance, Mitsui Direct, Sonpo 24, E. design, Zurich, AXA, American Home, SAISON AUTOMOBILE&FIRE, SBI Insurance  
 (\*2) 11 agency system insurers: Tokio Marine & Nichido Fire Insurance, Sompo Japan, MS&AD (Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance) NIPPONKOA Insurance, Nisshin Fire & Marine Insurance, THE FUJI FIRE AND MARINE INSURANCE, Kyoei Fire & Marine Insurance, SECOM General Insurance, ASAHI FIRE & MARINE INSURANCE, Daido Fire Insurance. (Source) Compiled by SBIH from information disclosed by each company.

**Strategy:**

**② Concentrated Investments into Growth Industries of the 21st Century in a Post-industrial Society**

## The SBI Group's Investment Concept:



### Cultivation of New Industries through Investment Funds

- **Lead Japan's IT industry (which produces, processes and sends information and services, either as intermediate goods or end products) to be in a globally competitive position to earn foreign currency**
- **Promote IT to all industries in Japan, to extensively increase productivity and thereby enhance global competitiveness of existing industries.**
- **Cultivate Japan's biotechnology industry, which has lagged the west, to catch-up with its counterparts in the U.S. and Europe, so it will become a globally competitive industry, as with the IT industry.**

# Initiatives as a “New Industry Creator”

~Concentrated Investments into Growth Industries of the 21st Century~

Cumulative Investment			EXITs (IPO, M&A)			
No. of Companies Invested in:	Japan	Overseas	No. of Companies EXITed:		Japan	Overseas
			IPO	M&A	IPO	M&A
<b>928</b>	<b>663</b>	<b>265</b>	<b>75</b>	<b>15</b>	<b>47</b>	<b>21</b>

(as of the end of Mar. 2013)

**(i) Internet** Investing a total of over JPY 292.5bn\* in 457 companies through IT-related VC funds

 The SBI Group itself has founded IT-related companies, primarily Internet financial companies

**(ii) Biotechnology and Life Science**

Investing a total of over JPY 25.7bn\* in 59 companies through Biotechnology and Life Science-related VC funds

 Concurrently, the SBI Group itself has entered into the Biotechnology business through its subsidiaries, SBI Biotech, SBI Pharmaceuticals and SBI ALApromo

**(iii) Environment-related Technology and Alternative Energy**

Establishing Energy & Environment Investment, Inc. as a joint venture with Mizuho Securities, creating an investment fund targeting the environment and energy sectors. Investing a total of over JPY 14.5bn\* in 28 companies

**Strategy:**

**③ Accelerating Overseas  
Business Development  
Focusing on Dramatic  
Asian Growth**

# The Asian Century

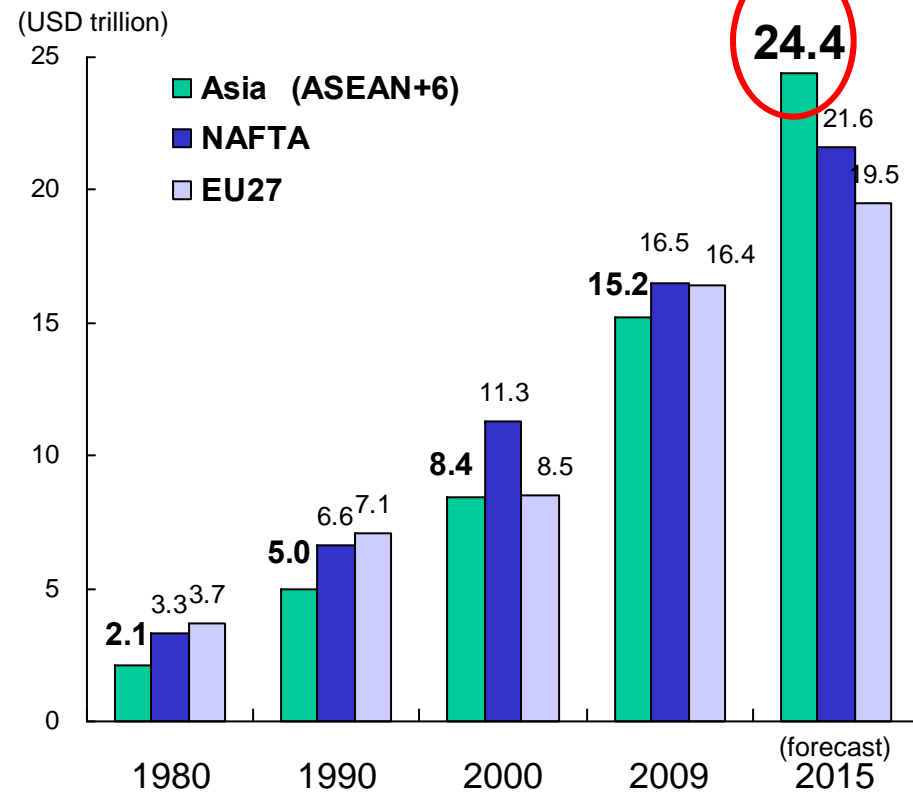
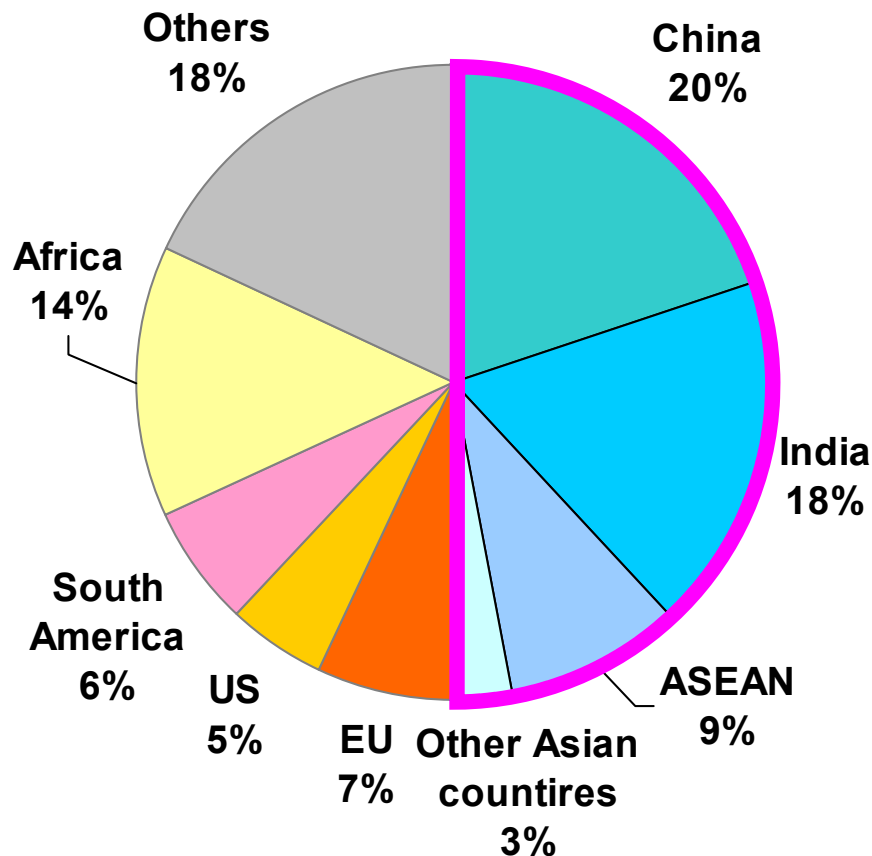
Since the global economic crisis, the Asian economies have outperformed the rest of the world in both scale and growth potential

## Population by Country and Region (2008)

With populous countries such as China (1.3bn) and India (1.2bn), Asia accounts for around **half of the world's population**

## Nominal GDP by Economic Region

Asia is forecasted to grow to a USD 24.4tn economic region by 2015, surpassing NAFTA and the EU as **the world's largest economic region**



Source: Compiled by SBIH based on "Trade White Paper 2010"

③ Accelerating Overseas Business Development Focusing on Dramatic Asian Growth

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



**Started full-fledged overseas investments through global investment structure cooperated with prominent local partners since 2005**

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

Country	Partners	Investment capital
China 	Tsinghua Holdings (Company of the Tsinghua University)	USD 34.5m
	Peking University Beida Jade Bird Group (Strategic investment arm of Peking University)	USD 100m
	Fudan Forward	Offshore: USD 33.5m Onshore: USD 18m
	Shanghai Yidian Holding (large state-owned information company directly under the Shanghai Municipal Government)	USD 33m
HK 	Kingston Financial Group (Major financial group in HK)	USD 100m
Taiwan 	Founder of a Taiwanese IT company	USD 22.5m
Taiwan/HK  	Shin Kong Group (Major financial group in Taiwan) Nan Fung Group (Major real estate developer in HK)	USD 18m
Korea 	-	USD 57m










**At SBI Investment Korea, managing 9 funds in total mainly focusing on SBI Pan-asia Private Equity entrusted (with USD 10m) by the Korean National Pension**

\*Amount of investment capital in the local currency are calculated to USD at the rate of May 31, 2013.

③ Accelerating Overseas Business Development Focusing on Dramatic Asian Growth  
**Utilizing the Network Built through Establishing Joint Venture Funds Under the Alliances with Prominent Local Partners, the SBI Group has Advanced the Overseas Development of Its Various Financial Services**



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

Country	Partners	Investment capital
Singapore 	TEMASEK (Investment company for the Singaporean government)	USD 100m
Vietnam 	FPT (Vietnam's largest high-tech company)	USD 75.5m
Malaysia 	PNB Equity Resource Corporation (Malaysian governmental investment management company)	USD 50m
Brunei 	Brunei Darussalam, Ministry of Finance	USD 59.5m
India 	Edelweiss Financial Services	USD 100m
	Nirvana Venture Advisors (Founding family of PatniComputer Systems)	Offshore: USD 15m Onshore: USD 15m
	Mahindra Satyam (Large IT service company in India)	USD 50m
Abu Dhabi 	Invest AD (Subsidiary of the Abu Dhabi Investment Council)	USD 75m
		USD 100m
Russia 	IFC METROPOL (Major integrated financial group in Russia)	USD 100m
Dutch 	FMO (Bilateral private sector development bank)	Up to USD 60-125m
US 	Jefferies Group, Inc (Major U.S. securities company)	USD 50m
		USD 150m

\*Amount of investment capital in the local currency are calculated in USD at the May 31, 2013 rate










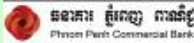







③ Accelerating Overseas Development Focusing on Dramatic Asian Growth

**Further Advancement of Globalization of Financial Service Businesses**



**Investments in Overseas Financial Institutions Primarily in Asia (as of the end of May)**

Country	Financial institutions	Share
China 	Tianan Insurance  (A major insurance company in China) <span style="float: right; background-color: #4a7ebb; color: white; padding: 2px 5px; border-radius: 3px;">Insurance</span>	3.0%
HK 	SW Kingsway Capital  (A financial group developing investment banking, focusing on HK and China) <span style="float: right; background-color: #f4a460; color: white; padding: 2px 5px; border-radius: 3px;">Securities</span>	2.8%
Korea 	Hyundai Swiss Savings Bank  (A saving bank with the largest deposit in Korea) <span style="float: right; background-color: #70ad47; color: white; padding: 2px 5px; border-radius: 3px;">Bank</span>	89.4%
Indonesia 	BNI Securities  (A securities company of the BNI Group with the No.4 bank in the country) <span style="float: right; background-color: #f4a460; color: white; padding: 2px 5px; border-radius: 3px;">Securities</span>	25.0%
Cambodia 	Phnom Penh Commercial Bank  (The first commercial bank run by a Japanese financial institution in the country) <span style="float: right; background-color: #70ad47; color: white; padding: 2px 5px; border-radius: 3px;">Bank</span>	47.6%
	Will be a majority holding, and grow to over 90%, upon an approval from the Cambodian authorities	
	SBI Royal Securities (The only Japanese securities company in the country) <span style="float: right; background-color: #f4a460; color: white; padding: 2px 5px; border-radius: 3px;">Securities</span>	81.6%
Vietnam 	Tien Phong Bank  (A commercial bank whose major shareholder is the FPT Group, the largest IT company in the country) <span style="float: right; background-color: #70ad47; color: white; padding: 2px 5px; border-radius: 3px;">Bank</span>	19.9%
	FPT Securities  (A major securities company of the FPT Group, the largest IT company in the country) <span style="float: right; background-color: #f4a460; color: white; padding: 2px 5px; border-radius: 3px;">Securities</span>	20.0%
Russia 	YAR-BANK (Formerly OBI BANK)  (A commercial bank of the METROPOL Group, a major financial group in Russia) <span style="float: right; background-color: #70ad47; color: white; padding: 2px 5px; border-radius: 3px;">Bank</span>	50.0%

\*SBI's shareholding percentage corresponds to a total percentage based on the IFRS criteria for subsidiary companies and subsidiary funds of the Group. 88

**(ii) Formation of “Business Ecosystem”  
and Establishment of “Structural  
Differentiation”**

# Organizational View Based on Complexity Knowing

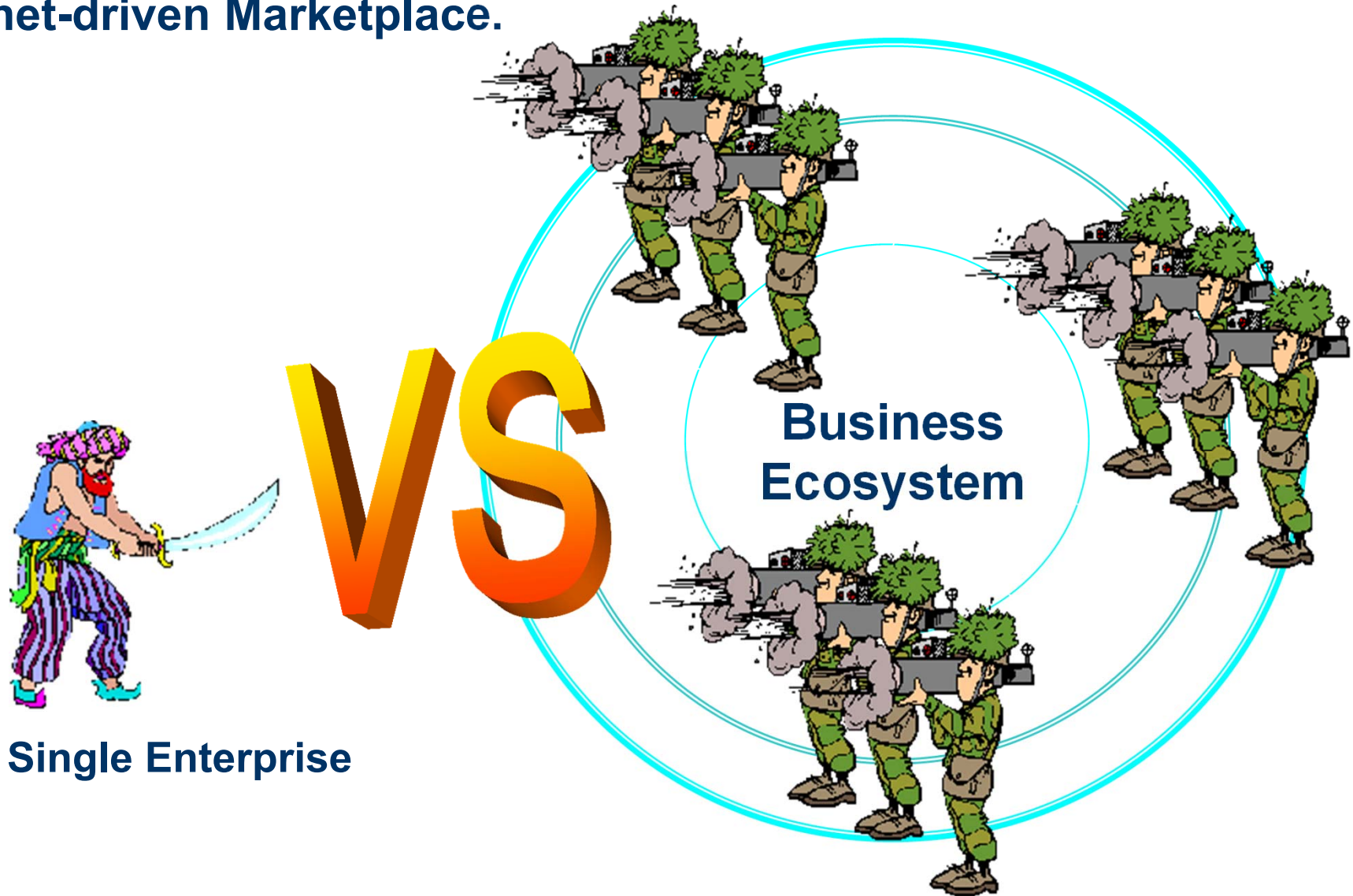
## Two complexity propositions

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



A single-role enterprise cannot achieve its growth potential. To achieve growth potential through synergy effects and co-evolution, an enterprise must build a new type of organizational ecosystem.

# Assembling a Business Ecosystem is Essential to Achieving an Overwhelming Competitive Edge in Today's Internet-driven Marketplace.

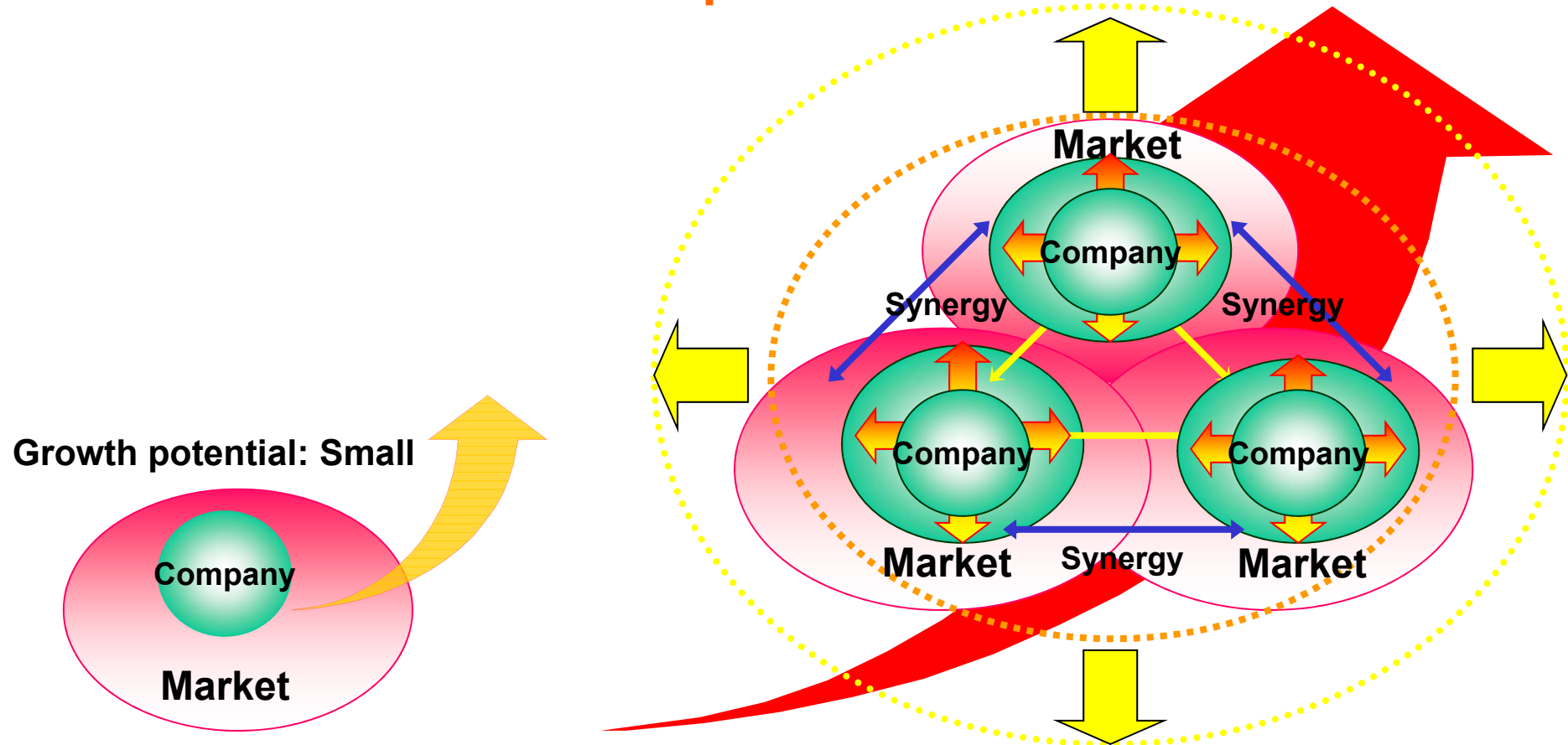


**Single Enterprise**

**No company can compete and win by itself!**

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

**Growth potential: Great**



**Growth potential: Small**

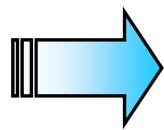
A company as a single economic entity

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

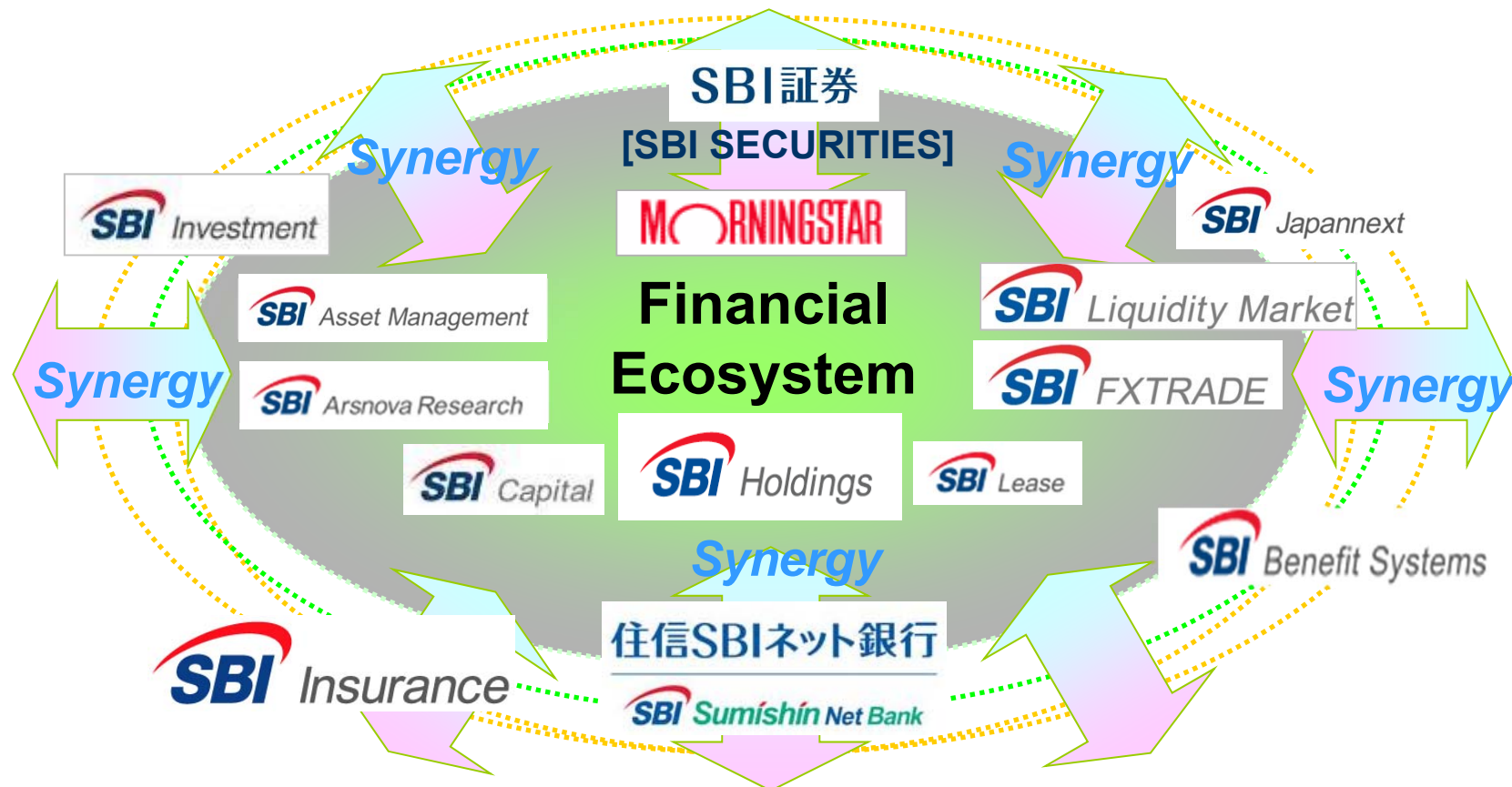
# The SBI Group Completed Establishment of a Financial Business Ecosystem



Since the establishment of the SBIH Group, we have been expanding our financial ecosystem by forming a variety of joint ventures with leading companies in the financial industry



**Became a globally unique Internet-based financial conglomerate providing one stop service**



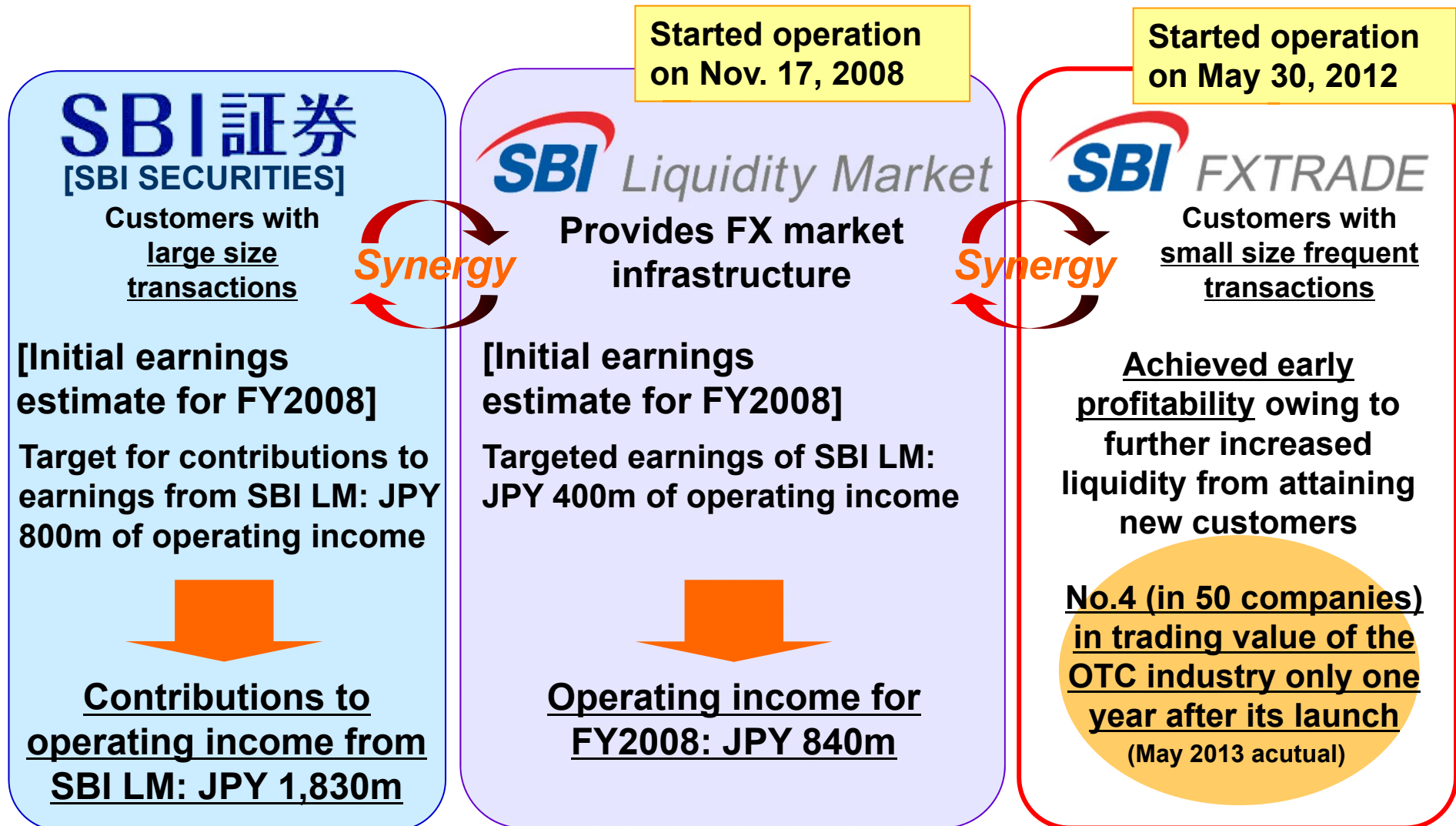
## SBI Sumishin Net Bank and SBI SECURITIES' Synergy as an Example



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

## Synergies Generated Soon After Start of Operations

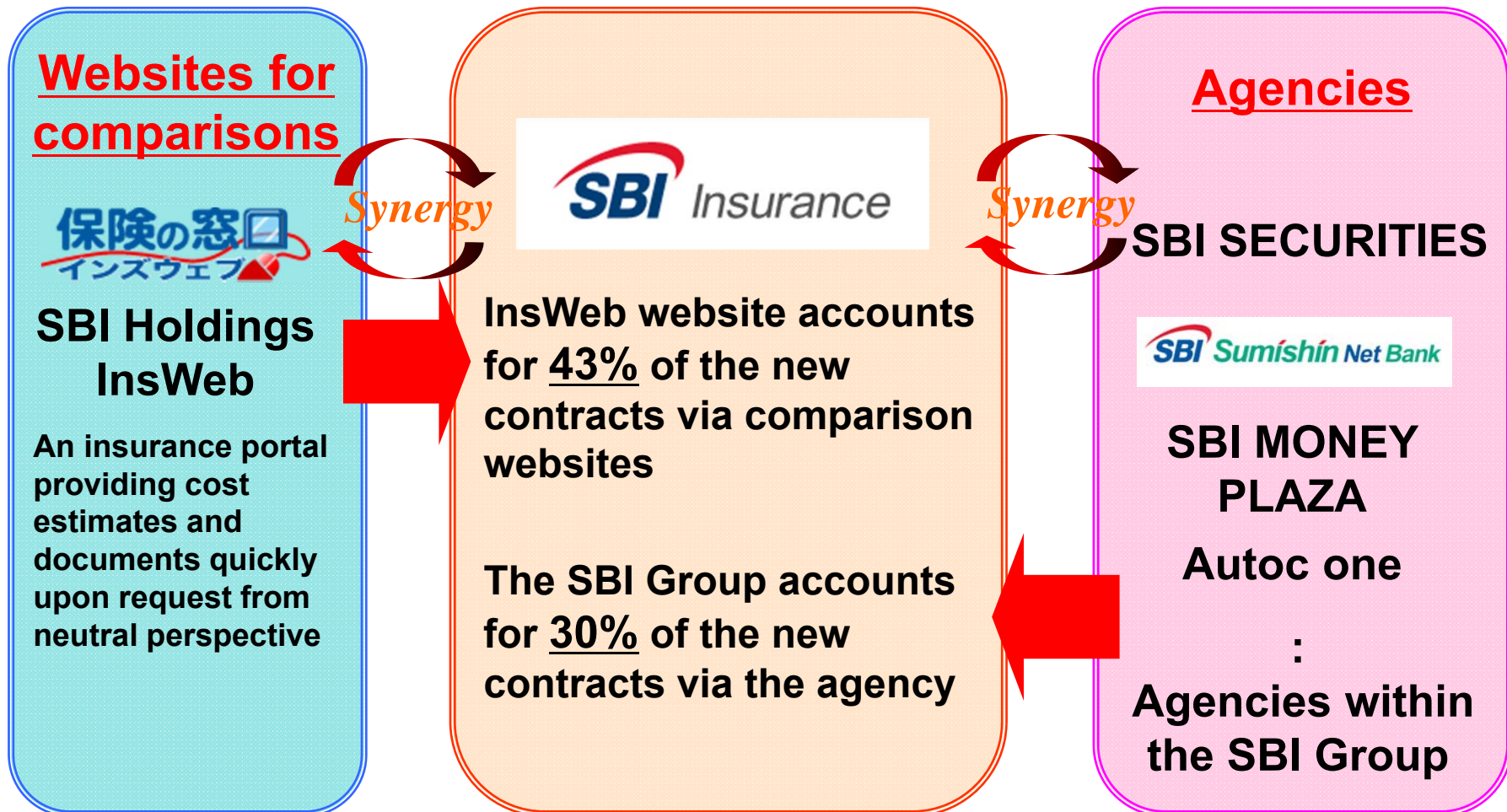
Increase in liquidity of SBI LM that covers the transactions provides for profitable contributions to customers of both SBI SECURITIES and SBI FXTRADE





## Synergy within the Group which is Positively Effecting on SBI Insurance

The insurance comparison website, the online securities business, and other SBI Group companies, with their respective customer bases, become sales channels that exert synergy effects.



## **(iii) Adherence to the “Customer-centric Principle”**



## **1st:** “Oricon customer satisfaction ranking” in 2012 [Online securities comprehensive ranking]

**For 7 years!!**

<Evaluation item>

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



## **Three Stars:** HDI (Help Desk Institute) Certification in 2012 [ Securities Industry ]

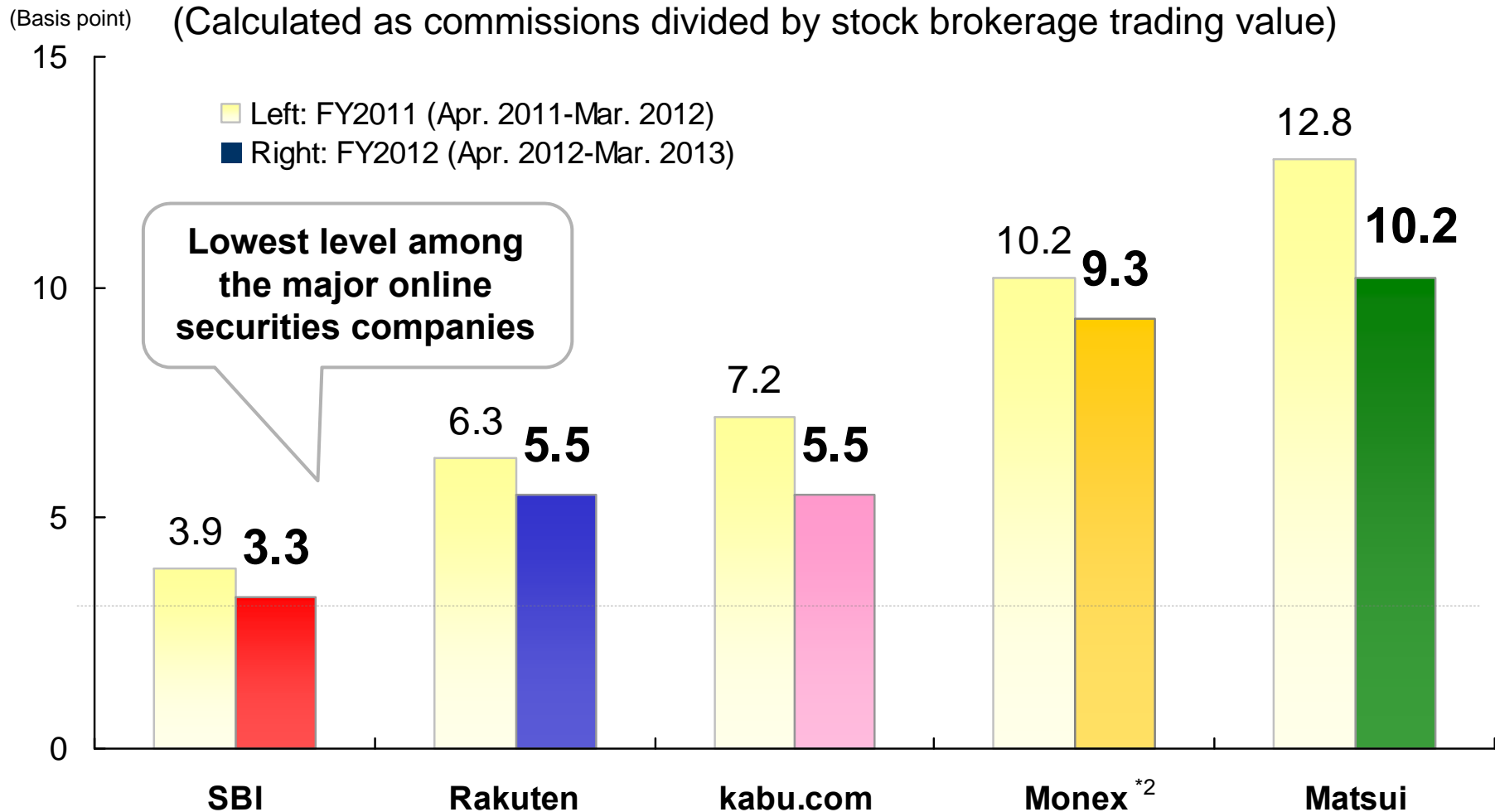
- “Call-center Contact Ranking” **For 3 years!!**

- “Support Portal Rating” **3<sup>rd</sup> time  
2 years in a row!!**

SBI SECURITIES' call center's high quality telephone services, as well as the ease of accessibility to information and usability on their website, were highly praised

**Likewise, focusing on customer satisfaction for support services**

# Comparison of Basis among the Major Online Securities Companies



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

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

Sources: Compiled by SBIH from financial results announcement materials and monthly disclosure reports of each company

Commissions are from earnings briefings  
Figures for SBI SECURITIES based on the Internet Division only

# SBI SECURITIES' Ranking in the Securities Industry (FY2012)



## Ranking by Net Operating Revenue

(JPY billion)

1	Nomura	1,813.6
2	Daiwa	417.3
3	Mitsubishi UFJ	306.0
4	SMBC Nikko	274.7
5	Mizuho	257.2
6	Okasan	77.1
7	Tokai Tokyo	65.9
8	SMBC Friend	59.4
9	SBI	40.4
10	Monex	36.0
11	Rakuten	23.4
12	Matsui	19.9
13	kabu.com	11.4

## Ranking by Net Income

(JPY billion)

1	Nomura	107.2
2	Daiwa	72.9
3	Mitsubishi UFJ	46.9
4	SMBC Nikko	45.7
5	Mizuho	28.6
6	Okasan	14.3
7	Tokai Tokyo	11.2
8	SMBC Friend	10.3
9	SBI	6.7
10	Matsui	6.4
11	Rakuten	5.6
12	Monex	3.9
13	kabu.com	2.2

\*1 Compiled from information disclosed by securities companies with over JPY 20bn 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 (after deduction of financial expense)

# SBI SECURITIES' Ranking in the Securities Industry Post-Lehman's Fall (FY2008)

## Ranking by Net Operating Revenue

(JPY billion)

1	Nomura	312.6
2	Mitsubishi UFJ	2,29.9
3	Nikko	2,17.5
4	Daiwa	1,99.5
5	Mizuho	98.3
6	Shinko	93.5
7	Okasan	53.2
8	SMBC Friend	42.8
9	<b>SBI</b>	<b>42.1</b>
10	Tokai Tokyo	41.6
11	Mizuho Investors	34.7
12	Matsui	24.4
13	Monex	21.0
14	Rakuten	20.6
15	kabu.com	14.9

## Ranking by Net Income

(JPY billion)

1	<b>SBI</b>	<b>10.1</b>
2	Matsui	6.9
3	kabu.com	3.6
4	Tokai Tokyo	2.4
5	SMBC Friend	1.5
6	Okasan	-1.8
7	Monex	-2.1
8	Rakuten	-3.6
9	Shinko	-13.4
10	Nikko	-14.6
11	Mizuho Investors	-25.0
12	Mizuho	-34.4
13	Mitsubishi UFJ	-45.4
14	Daiwa	-85.0
15	Nomura	-7,09.4

\*1 Compiled from information disclosed by securities companies with over JPY 20bn 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 (after deduction of financial expense)

\*4 Nikko includes the total of Nikko Cordial Securities and Nikko Citigroup



**1st:** JCSI Customer Satisfaction Survey in FY2012  
(Japanese Customer Satisfaction Index)

**for 4 years!**

Banking industry

~Ranked 1st in all 6 categories, including "perceived value",  
a representation of price consent~



**1st:** "Oricon customer satisfaction ranking" in FY2012  
The general category for Pure-play Internet Banks

**for 3 years!**

No.1 categories:

"Fees (including bank transfer/ATMs/procedures for after-hours use  
and so on)", "Wide Variety of Financial Products", "Time Deposit and  
Reserve" , "Foreign Currency Deposit"



**1st:** "Japan Investor Satisfaction Study 2012"  
Self-Directed Bank Segment

\* This customer satisfaction and consulting services research was conducted by  
J.D. Power Asia Pacific, a global professional agency.

## Financial Results Comparison of Internet Banks (J-GAAP)

### <Financial results for FY2012>

JPY billion; parenthetic figures are YoY % change

	Date of operation started	Balance of loans	Ordinary revenue	Ordinary income	Net profit
<b>SBI Sumishin</b>	<u>Sept. 2007</u>	<u>1,129.7</u>	<u>40.2</u> (16.1)	<u>7.9</u> (36.4)	<u>4.7</u> (-7.3)
<b>Daiwa Next</b> (non-cons.)	May 2011	89.2	28.5 (214.9)	5.0 (in deficit)	3.3 (in deficit)
<b>Sony Bank</b>	June 2001	970.2	34.3 (5.5)	4.5 (12.4)	3.3 (87.6)
<b>Rakuten</b>	July 2001	199.8	41.2 (7.7)	8.4 (32.9)	11.8 (9.8)
<b>Jibun</b> (non-cons.)	July 2008	64.9	17.1 (139.4)	1.8 (in deficit)	1.8 (in deficit)
<b>The Japan Net</b> (non-cons.)	Oct. 2000	28.9	18.5 (-0.8)	2.5 (11.2)	1.5 (9.9)

Without the benefit of the cumulative losses, the Bank began paying income taxes from 4Q FY2011, and as a result, net income for FY2012 fell 7.3% YoY to JPY 4.7bn.



# Deposits Accumulating Steadily

**SBI Sumishin Net Bank is 37<sup>th</sup> (at May 31, 2013) among 75 banks including community banks and New Entrant Banks**  
**Will rank within 30<sup>th</sup> in this fiscal year**

## Ranking in deposits (community banks and New Entrant Banks)

(JPY billion)

Rank	Bank name	Listing	Deposits
1	Bank of Yokohama	○	11,091.6
2	Chiba Bank	○	9,376.5
3	Bank of Fukuoka	* <sub>1</sub>	7,688.6
4	Shizuoka Bank	○	7,674.1
5	Joyo Bank	○	7,266.6
6	77 Bank	○	6,532.3
7	Nishi-Nippon City Bank	○	6,314.0
8	Bank of Kyoto	○	5,870.2
9	Hiroshima Bank	○	5,764.6
10	Hachijuni Bank	○	5,670.0
11	Gunma Bank	○	5,644.9
12	Shinsei Bank	○	5,610.1
13	Hokuriku Bank	* <sub>1</sub>	5,443.1
14	Chugoku Bank	○	5,315.0
15	Ashikaga Bank	* <sub>1</sub>	4,686.3

Rank	Bank name	Listing	Deposits
16	Iyo Bank	○	4,502.5
17	Senshu Ikeda Bank	* <sub>1</sub>	4,407.7
18	Yamaguchi Bank	* <sub>1</sub>	4,375.5
19	Nanto Bank	○	4,289.9
20	Juroku Bank	○	4,281.1
21	Hokkaido Bank	* <sub>1</sub>	4,147.6
22	Daishi Bank	○	4,047.0
23	Shiga Bank	○	3,994.5
24	Hyakugo Bank	○	3,937.8
25	Ogaki Kyoritsu Bank	○	3,814.7
26	Toho Bank	○	3,801.9
27	Higo Bank	○	3,590.9
28	San-in Godo Bank	○	3,585.0
29	Musashino Bank	○	3,516.2
30	Citibank Japan	×	3,510.5

Rank	Bank name	Listing	Deposits
31	Kiyo Bank	* <sub>1</sub>	3,447.0
32	Hyakujushi Bank	○	3,383.7
33	Suruga Bank	○	3,265.0
34	Kinki Osaka Bank	* <sub>1</sub>	3,236.1
35	Kagoshima Bank	○	3,099.9
36	Hokkoku Bank	○	2,964.0
37	SBI Sumishin Net Bank	×	2,910.7
38	Aozora Bank	○	2,727.6
39	Bank of Iwate	○	2,584.9
40	Yamanashi Chuo Bank	○	2,464.3

\*1 Bank Holding Company is listed

⋮

\* As of the end of Mar. 2012

The number of SBI Sumishin Net Bank is as of May 31, 2013

(Source: Japanese Bankers Association, websites of each company)

## SBI損保の自動車保険 Auto Insurance



**No.1** Oricon customer satisfaction ranking FY 2012  
/ Auto Insurance Category  
“Auto Insurance Premium Ranking”

**for 4 years!**



**No.1** Diamond Weekly \* In the Mar. 9, 2013 special issue  
“Auto Insurance Premium Ranking”

**for 5 years!**



**No.1** Rakuten Insurance  
Ranking of Most Popular Auto Insurance  
the First Half of FY2012

**for 4 years!**



**No.1** Kakaku.com  
“Auto Insurance Ranking (2012) Premium Section ”

**for 3 years!**

## Official Website



HDI-Japan HDI’s Call-center Customer Satisfaction Ratings  
Top “three-star” rating in the Support Portal (Official  
Website) Category

## Outstanding Price Competitiveness of SBI Insurance

In auto insurance premium rankings published in Mar. 2013, SBI Insurance ranks highest for representative examples of generations: age 26 (grade 6, new policy), age 35 (grade 6, new policy) and age 60 (grade 14, renewal).

### The Diamond Weekly “Auto Insurance Premium Ranking” (35-year-old, 6th class, Male)

	Company	Car insurance premium (JPY)*
1	SBI Insurance #	<u>31,350</u>
2	Saison Automobile & Fire Insurance	36,250
3	American Home Direct	36,510
4	Secom General Insurance	37,130
5	E.Design Insurance #	38,540
6	Mitsui Direct #	39,350
7	AXA GENERAL INSURANCE #	43,210
8	Zurich Insurance	46,560
9	Sonpo 24 #	47,600
10	Sony Insurance #	53,810
11	Mitsui Sumitomo Insurance	55,320
12	Aioi Nissay Dowa Insurance	55,910

 : Direct sales products

# : Started operation after 1998

(Source: Excerpt from “The Diamond Weekly Mar. 9, 2013”)

\*Insurance Premium Terms and Conditions

• Vehicle type: Toyota Prius / Model: ZVW30 (new vehicle discount applied) • Policy start date: Mar. 1, 2013 (1-year policy, lump-sum payment) • Policyholder: individual (male) • Age/grade conditions: age of insured person: 35 (compensation for age 35 and above), gold driver's license, grade 6, new policy • Purpose of use: daily use/leisure • Annual driving distance: 10,000 km • Bodily injury/property damage coverage: unlimited (zero deductible) • Vehicle damage: not covered • Personal injury: 50 million yen, accidents outside the vehicle also compensated • Passenger injury: not covered (additional coverage of 5 million yen for Zurich only) • Drivers: policyholder and spouse only (spouse's age and driver's license color the same as those of the policyholder) • Discounts: Long-term discount and user restriction discount not applied • Other: Tokyo residence, no accident in past 5 years

\*Application of Internet discount: SBI, American Home, Secom, Saison, Mitsui Direct, E-design, Zurich, AXA, Sony \*Application of policy non-issuance discount: SBI, American Home, Secom, Saison, E-design, Zurich, NIPPONKOA, Sony \*Application of prior-year accident discount: E-design, Saison, Sonpo24, Mitsui Direct \*Refusal to answer: Asahi Fire & Marine Insurance, Kyoei Fire & Marine Insurance, ZENROSAI, Daido Fire & Marine, Nissin Fire & Marine, The Fuji Fire & Marine, AIU, National Mutual Insurance Federation of Agricultural Cooperatives

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

[Comparison of Auto Insurance Premium Income]

(JPY million)

	Date of operation started	FY2010		FY2011		FY2012
Sony Assurance	Sept. 1999	65,516	Sony Assurance	70,712	Sony Assurance	74,406
AXA GENERAL INSURANCE	July 1999	33,271	AXA	35,261	AXA	38,136
Mitsui Direct	June 2000	32,688	Mitsui Direct	33,830	Mitsui Direct	34,735
Zurich Insurance *1	July 1986	27,931	Zurich Insurance	30,126	Zurich Insurance	31,364
American Home Direct	Dec. 1960	17,143	American Home	16,594	SBI Insurance	19,501
Sonpo 24	Mar. 2001	10,697	SBI Insurance	14,288	American Home	15,078
SBI Insurance	Jan. 2008	10,069	Sonpo 24	11,810	Sonpo 24	12,890
SAISON AUTOMOBILE&FIRE	Apr. 1983	7,755	SAISON	7,990	SAISON	10,893
E.design Insurance	June 2009	2,856	E.design	5,213	E.design	10,523

\*Direct net premiums written. (Source: Disclosure from each company)

\*1 Figures for Zurich Insurance are of Japan Branch, including underwritten reinsurance premium. \*2 Figures for E.design are net premiums written.

## **III. The SBI Group's Future Vision and Business Strategies**

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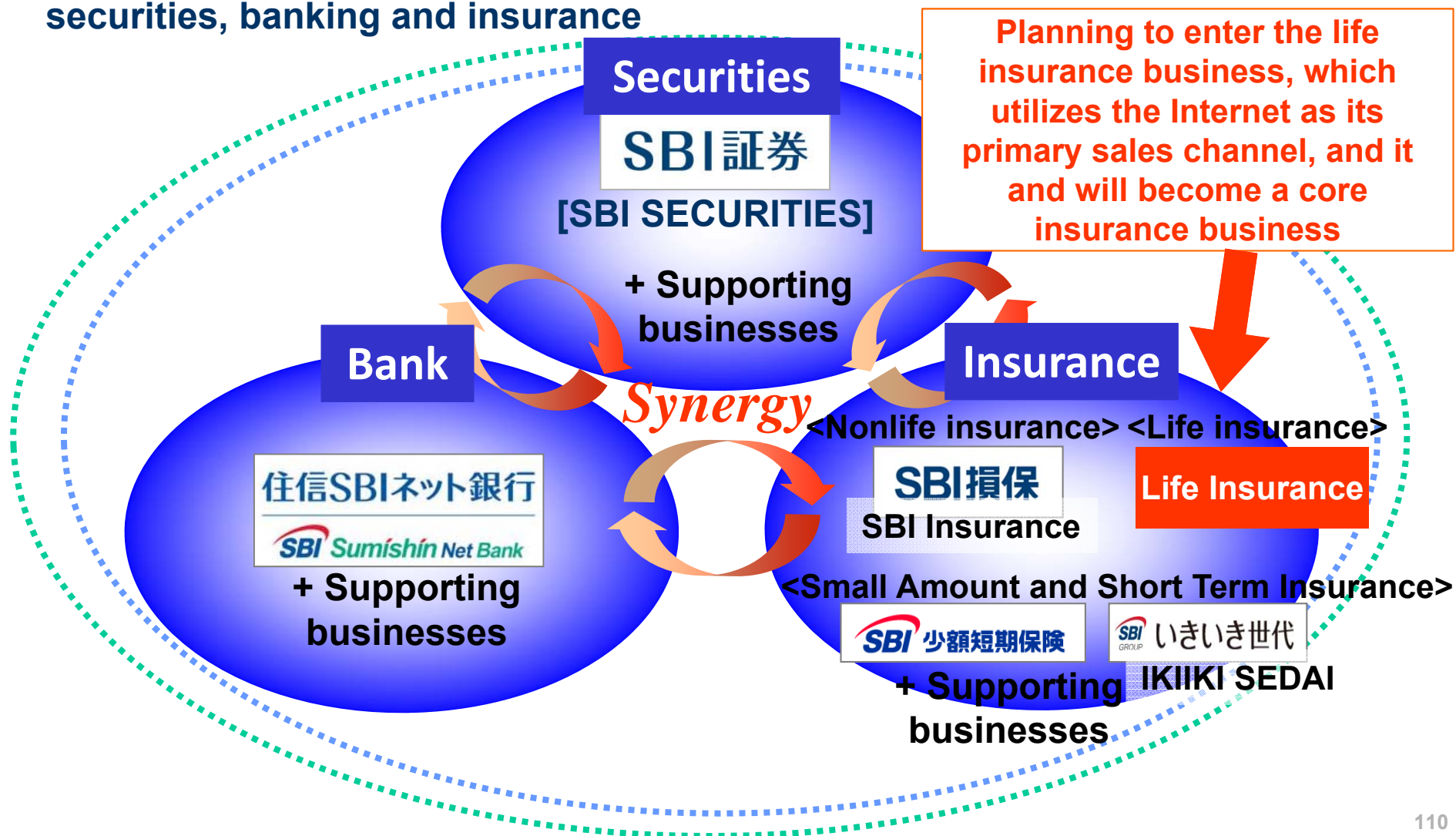
- 1. Completion of the business ecosystem with securities, banking and insurance as core businesses**
- 2. Accelerating overseas development, focusing on dramatic Asian growth**
- 3. Cultivate the Biotechnology-related Business, including biotechnology-related investments, as the SBI Group's new core business**
- 4. Pursuing stable earnings growth by enhancing earnings capabilities and upgrading businesses in the three major businesses**

# **1. Completion of the business ecosystem with securities, banking and insurance as core businesses**

# Building a Stronger Financial Business Ecosystem

## ~Full-fledged Development to the Life Insurance Business~

By fully committing to the life insurance business, further develop the financial ecosystem, which is composed of the three core businesses of securities, banking and insurance



# Domestic Financial Services Business Thoroughly Strengthening the Three Core Businesses (Securities, Banking and Insurance)



## Measure ①

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 ②

Organizational restructuring to integrally operate closely-related businesses

## Measure ③

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

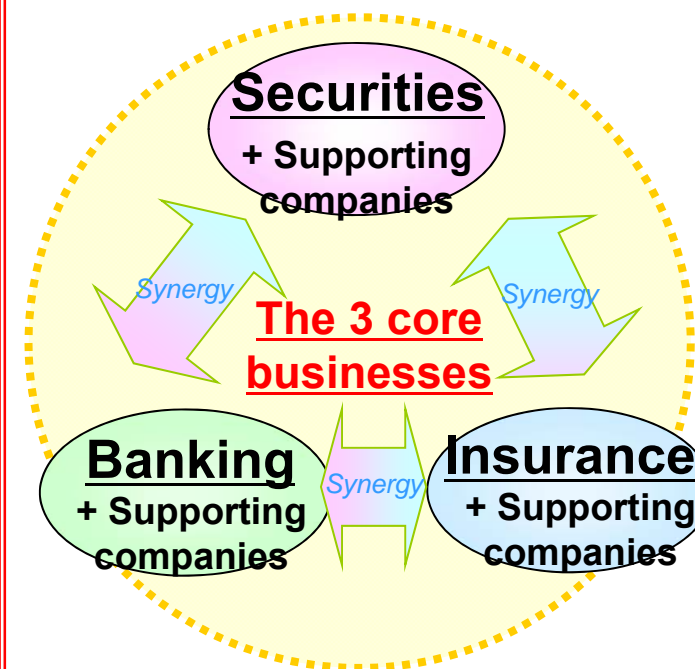
## Measure ④

Effectively use Big Data from all the Group companies

## Measure ⑤

Further enrichment of asset management function in the Group as nonlife and life insurance and investment trust business expand

## The SBI Group's Domestic Financial Services Business





# Synergy Examples in the Securities-related Services, Centering on SBI SECURITIES



By maximizing the Group's synergies, pursuing further growth through competitive differentiation



## The “Brilliant Cut” Initiative at the Financial Services Business Thorough Selection and Concentration ①



**Sell shares of companies that are not expected to generate strong synergies with the three core businesses**

- **Sold all shares of SBI VeriTrans (currently VeriTrans) to a subsidiary of Digital Garage, Group. (Mar. 30, 2012)**
- **Sold shares of Wall Street Journal Japan to Dow Jones & Company (July 13, 2012)**
- **Transferred all shares of SBI Capital Solutions and the Group’s equity interest in funds managed by the company (Sept. 28, 2012)**
- **SBI Holdings sold all shares of SBI Credit to the Marubeni Group. (Mar. 28, 2013)**

**As the Marubeni Group highly valued the future growth potential of SBI Credit through the utilization of their global network, SBIH decided upon the share transfer.**

# The “Brilliant Cut” Initiative at the Financial Services Business Thorough Selection and Concentration ②



Divisions deemed not synergistic with the three core businesses are actively proceeded for listing in markets



(the SBI Group's share: 66.5%)

- Listed on KOSPI Market of KRX on Apr. 30, 2012
- To develop business in South Korea as the first mortgage bank in the country, SBI Mortgage established a local subsidiary on Oct. 1, 2012, and it is preparing to acquire a license



(the SBI Group's share: 75%)

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

- Listed on KOSDAQ Market of KRX on Dec. 17, 2012
- South Korean affiliated company launched operations on Jan. 7, 2013 to support local IR activities and assist SBI AXES' subsidiaries with sales activities in the country.
- Accelerating business development in South Korea, as SBI AXES collaborates with SK planet, an operator of “T store” (the largest application store in Asia); and GODOSOFT, Korea's largest company in solutions for developing e-commerce shopping malls.



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

## The “Brilliant Cut” Initiative at the Financial Services Business



### Thorough Selection and Concentration ③

## Continuing the organizational restructuring of the Group to enhance efficiency of business management

- **Implementing reorganization of the face-to-face sales business, with SBI MONEY PLAZA Co., Ltd, as the managing entity** (Jun 15,2012)

Transferred the face-to-face division of SBI SECURITIES, 23 branches nationwide and 140 securities agency bases.

SBI SECURITIES' operating income improvement is at JPY 70m per month

- **Morningstar Japan absorbed both SBI Searchina and SBI Asset Management as its subsidiaries** (Oct. 11, 2012)

Morningstar Japan absorbed SBI Searchina and SBI Asset Management as its subsidiaries, in order to expand the Chinese information availability and to develop unique and highly specialized financial products by shaping each expertise, respectively.

- **SBI Card split off the consumer credit business, and proceeded to inherit SBI Point Union's point business through an absorption-type split** (Split off : July 1, 2012, succession: Jan. 1, 2013)

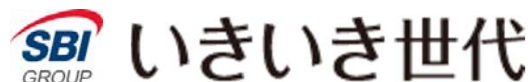
While implementing its management rationalization, which is similar to the brand reorganization that was implemented in FY2012, SBI Card plans to promote the sale of its premium card, that is intended for preferred customers of the SBI Group, during FY2013. Such efforts will enable SBI Card to achieve profitability in FY2015.

# The “Brilliant Cut” Initiative at the Financial Services Business Thorough Selection and Concentration ④

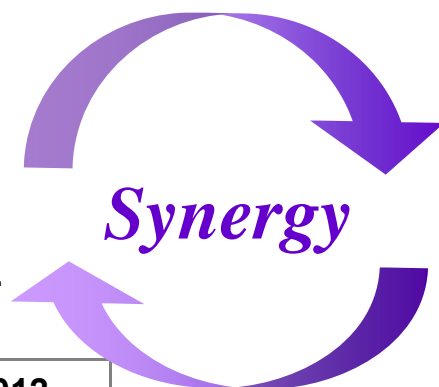


## Acquired All Shares of a Small-amount Short-term Insurance Company, “IKI IKI SEDAI Inc.”

- SBI SSI Holdings (established in Dec. 2012) acquired all shares of IKI IKI SEDAI, which provides both medical and life insurance, making it a consolidated subsidiary of SBIH.
- SBI SSI Holdings will make SBI SSI its subsidiary, and will endeavor to expand the small-amount short-term insurance business.



- Customer segments centered on seniors
- Sales channels, mainly health-related magazines



	FY2011	FY2012
Ordinary revenue	2,792	2,949
Net Income	242	180*

\*Appropriation of extraordinary losses of JPY 59 million, including the cost of disposal of obsolete systems

Cross-promotion of products to mutual customers.  
Mutual utilization of sales channels and sales know-how.  
Strengthening of collaboration between insurance companies, efficient use of resources.

With regards to the resumption of the life insurance business, which will complete the business ecosystem of the Financial Services Business, the acquisition of an existing life insurance company remains under consideration.

## **2. Accelerating overseas development, focusing on dramatic Asian growth**

- (1) Overseas Investment Business Moves  
into Phase 2 to Recruit Outside  
Investors and Grow Funds' Scales**
- (2) Further Enhancing the Overseas  
Financial Services Business**

# (1) Overseas Investment Business Moves into Phase 2 to Recruit Outside Investors and Grow Funds' Scales



## Phase 1

Established fund number 1 through co-investment with local overseas partners



## Phase 2

Recruiting outside investors to establish a larger fund number 2

**Enhancing the recruitment process of outside investors**

**Overseas: Placing personnel specializing in the recruitment of outside investors at each overseas office**

**Japan: Utilizing the domestic corporate network established by SBI Investment, SBI SECURITIES, SBI MONEY PLAZA, et al.**

**Establishing an investment structure that will support the expected global market recoveries and the subsequent continued uptrend**

## Example of Successfully Increasing a Fund's Size by Raising Outside Capital



Jointly established a fund focused on the financial sector of emerging Asian countries with FMO



### [ Outline of the Fund ]

**Commitment amount** : USD 60m initially (max USD 100m)  
**Target of investment** : Financial sector of emerging Asian countries  
**Fund GP** : SBI VEN CAPITAL



Through a total capital raise of USD 60m from the SBI Group, FMO and outside investors, investments are scheduled to start from Aug. 2013



## (2) Further Enhancing the Overseas Financial Services Business ①

Actively transfer the management know-how and knowledge of the financial services business that the SBI Group has accumulated, to further enhance and strengthen the overseas partners' network, as well as investing directly into overseas financial institutions.



Russia

Russia will also experience a full-scale Internet era



### Encouraging YAR-BANK (formerly OBIBANK) to launch an online banking service



The SBI Group invested in the commercial bank of the METROPOL Group, a major financial conglomerate in Russia, with a 50% shareholding of the joint venture company

Net profit for FY2012 ending Dec. was JPY 110m

(\*Calculated by the exchange rate of 1 RUB = 3.26JPY)

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

## (2) Further Enhancing the Overseas Financial Services Business ②



Indonesia

### Implementing management rationalization of BNI Securities, and improving the Internet trading system in collaboration with SBI SECURITIES



(SBI: 25.0% shareholding)

By dispatching individuals with the appropriate experience in Japan to BNI Securities, and in cooperation with the parent company, BNI Bank, promoting the development of a rationalized management structure and an Internet trading system.

By connecting to BNI Securities, real time transactions of Indonesian stocks have been available at SBI SECURITIES from Apr. 23, 2012



Cambodia

### Developing securities business in Cambodia through SBI Royal Securities



(SBI: 81.6% shareholding)

The only Japanese securities company in the country, and established as a management merger with a securities company of the Royal Group, which is Cambodia's largest conglomerate

## (2) Further Enhancing the Overseas Financial Services Business ③



South Korea

### Shift in Hyundai Swiss Savings Bank's Business Strategy



**Hyundai Swiss Savings Bank** (SBI: 89.4% shareholding)

South Korea's largest savings bank in terms of total assets, with a nationwide sales network, excluding Busan and Gyeongsangnam-do. The SBI Group absorbed Hyundai Swiss Savings Bank and its subsidiary banks as consolidated subsidiaries, by underwriting additional shares at the end of Mar. 2013.

#### [Future Business Strategy]

1. Switch the business strategy from focusing on large loans to corporations, to extensively provide small loans to both individuals and corporations
2. By fully leveraging the know-how that SBI has cultivated thus far, Hyundai Swiss Savings Bank Group will launch an online service within the limits of legal authorization
3. Dispatched directors and implemented the hiring of talented Korean executives. Also Initiated measures to strengthen risk management through strict asset evaluation.
4. While increasing uncollateralized personal loans, of which interest rates are approx. 30%, the bank is cutting deposit costs (avg. 4.3%) by reducing interest rates on new time deposits. As a result, loan-deposit interest margin is expected to increase.

# Financial Ecosystem in Korea, Centering on Hyundai Swiss Savings Bank



## The SBI Group's Businesses in South Korea

### Hyundai Swiss Savings Bank

South Korea's largest savings bank in terms of total assets, with nationwide sales network excluding Busan and Gyeongsangnam-do

### Hyundai Swiss Asset Management

Asset management company specialized in real estate

## Financial Ecosystem



Preparing to acquire a license as the first mortgage bank in Korea

(Listed on Korea's KOSPI)

### SBI Investment Korea

Venture capital in South Korea

(Listed on Korea's KOSDAQ)

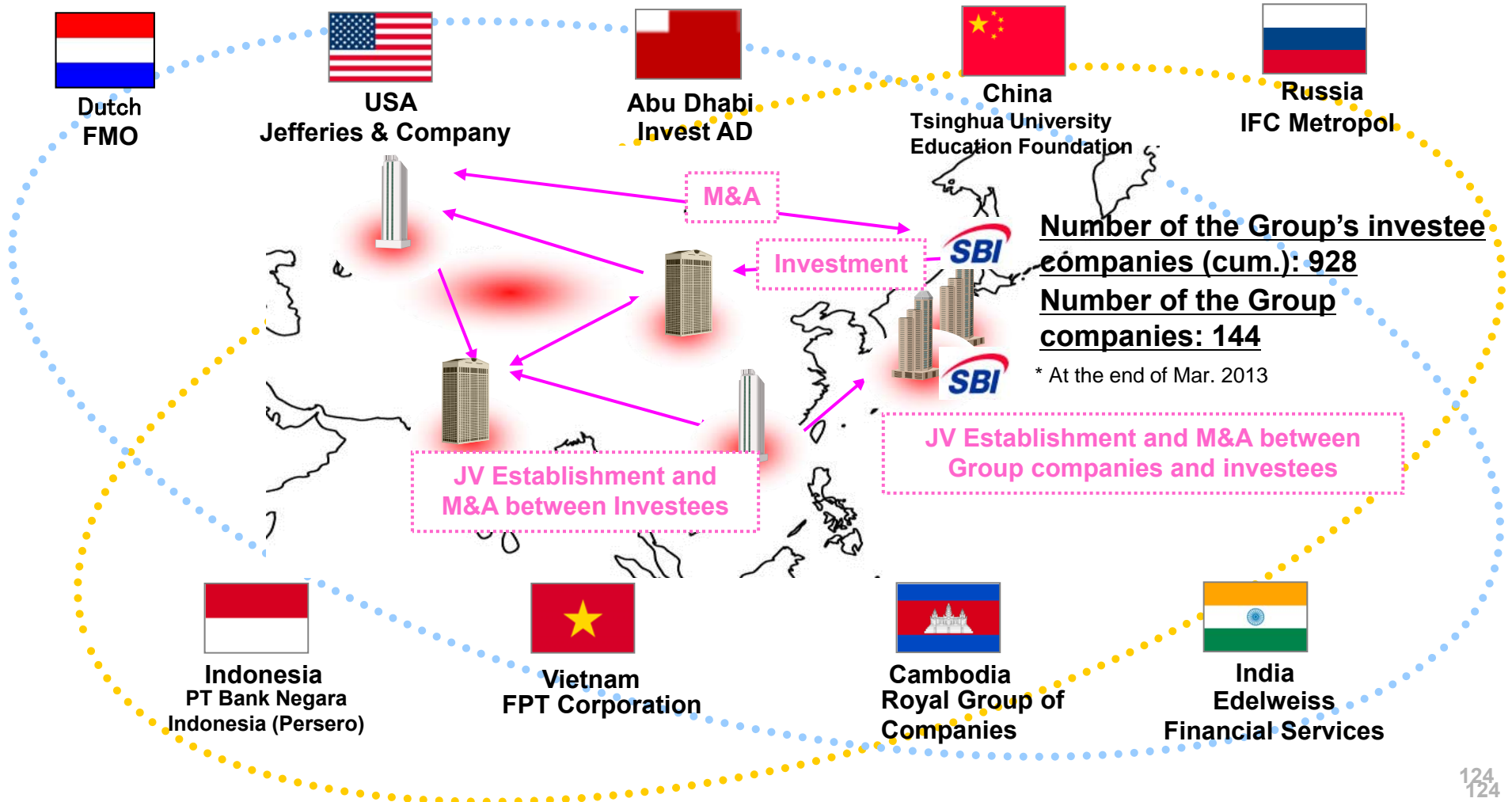


Providing settlement service  
Its Korean affiliated company started its operation on Jan. 7, 2013

(Listed on Korea's KOSDAQ)

# The Improvement of the Global Network through the Collaboration with Overseas Partners

Creating new value propositions through various activities, such as M&A, and organically linking the SBI Group network with the domestic and overseas investee companies, including the overseas JV partners.



- 3. Cultivate the Biotechnology-related Business, including biotechnology-related investments, as the SBI Group's new core business**
  - (1) Promising Investee Companies in the Venture Capital Business**
  - (2) Biotechnology-related Businesses Entering the Harvesting Stage**

# **(1) Promising Investee Companies in the Venture Capital Business**

# Promising Investee Companies in the Venture Capital Business ①

## ① ReproCELL Inc.

Listed on JASDAQ  
on June 26, 2013

(Shares held by the SBI Group companies  
and its managing funds: 18.1%)

(Break down)	Number of shares holding	(Ref.) Share
Direct share impact on consolidated performance	1,137,460	12.9%
Indirect share impact on consolidated performance	455,590	5.2%
Total	1,593,050	18.1%

### Japan's first venture company related to iPS cells

<Business summary>

- Sale of reagent for ES/iPS cells
- Entrusted with drug development screenings and toxicity tests using ES/iPS cells
- Entrusted with sale of primary cultured cell for drug development and its toxicity tests

Licensed first from Prof. Yamanaka at Kyoto University in Apr. 2009, and marketed human iPS cells for cardiac myocyte for a first in the world.

Started sale of neurocyte originated in human iPS cells in Oct. 2010.

News paper  
article

Jan. 29, 2013 "The Nikkei"  
Morning Edition

\*Source: ReproCELL Inc.'s securities report



# Promising Investee Bio-venture Companies ②- i



## Acucela Inc.

(Shares: 16.9%\*,  
the second largest shareholder)

IPO Target: within 2013

Lead manager:

Mitsubishi UFJ Morgan

Stanley Securities

***“Considering the number of AMD patients of approximately 27 million people in the U.S., when ACU-4429 is approved as a drug, it will be a breakthrough in the drug development market which the western mega pharmaceutical companies dominate.”***

(The Nikkei morning edition, Feb. 23, 2013)

## <Acucela’s Pipelines>

Drug or project code (partners)	Adaptation disease	Current status
ACU-4429 (Otsuka Pharmaceutical)	Dry Age-related Macular Degeneration (AMD)	P2b/3 Clinical Trial <b>Final trial</b>
Rebamipide (Otsuka Pharmaceutical)	Dry Eye Syndrome	P3 Clinical Trial <b>Final trial</b>
OPA-6566 (Otsuka Pharmaceutical)	Glaucoma	P1/2 Clinical Trial

Newspaper article

\* SBI's shareholding percentage corresponds to a total percentage based on the IFRS criteria for subsidiary companies and subsidiary funds of the Group. 128

(Extract from the book)

## A drug to save 120 million people from blindness in the world

~Regenerative medicine for AMD will not be in practical use until far into the future, and currently there are not many effective therapeutic medicines available. Although there is an intraocular injection that is available, there is a significant cost burden for the patient, and it is only effective for "Wet AMD", which is the terminal phase of AMD that involves bleeding.

By contrast, we are developing a medicinal drink that targets "Dry AMD", which accounts for 90% of AMD patients. Such a remedy by a medicinal drink has never been previously approached.

If ACU-4429 is approved as a drug, the AMD market size is estimated to be at least at JPY 0.5tn, and possibly up to JPY 1.0tn.

Cover of  
"Those who become  
masters get bored more  
easily"

(Written by Acucela's CEO  
Mr. Kubota, Nikkei Business  
Publications.)

## **(2) Biotechnology-related Businesses Entering the Harvesting Stage**

**① SBI Biotech**

**② SBI Pharmaceuticals**

# Entering the Biotechnology Business that is Less Linked to the Stock Markets



The SBI Group, since its establishment, has focused on investing in and supporting the development of numerous companies in the IT and biotechnology sectors, through the operation of its venture capital funds.

Since 2007

**The SBI Group entered the biotechnology business through the establishment of bio-venture firms under its aegis**

Jan. 2007~

Enters drug  
creation business



Joint drug creation bio-venture firm with partners in Japan, the U.S. China, Korea and Israel

Apr. 2008~

5-ALA (5-aminolevulinic acid)  
related businesses



The world's first pharmaceutical company engaged in the development of drugs, and the manufacturing and sales of cosmetics and health foods using 5-ALA.



Distributor of cosmetics, health foods using 5-ALA (Apr. 2012~)

**Clinical studies and trials by SBI Biotech and SBI Pharmaceuticals with leading alliance partners both inside and outside of Japan have made progresses. Expecting early profitability in the areas of medical and pharmaceutical developments.**

## SBI Biotech's R&D Progress in the Medical Field

(Shares: 71.6%)



<Planning to go public in 2014 (Lead manager: Mizuho Securities)>

Drug or project code (partners)	Adaptation disease	Current status
GNKG168 (CN Huapu)	B cell chronic lymphocytic leukemia	P1 Clinical Trial
Immuno-cell therapy (US Baylor Research Institute)	Cancers	US: P2 Clinical Trial JPN: Pre-Clinical Trial at Kyoto University Hospital /Preparing for Clinical Trial
Anti-ILT-7 antibody	Autoimmune diseases	Gave development and commercialization rights to the subsidiary of AstraZeneca
Below are the pipelines of Quark Pharmaceuticals, SBI Biotech's subsidiary		
PF-655 (Pfizer Inc.)	Diabetic macular edema (DME) Wet age-related macular degeneration	P2b Clinical Trial
QPI-1002 (Novartis Pharmaceuticals Corp.)	Kidney Transplantation (DGF) Acute Kidney Injury (AKI)	P2a Clinical Trial
QPI-1007	Non-arteritic Anterior Ischemic Optic Neuropathy (NAION)	P2 Clinical Trial

**Absorbed Quark Pharmaceuticals as a wholly-owned subsidiary in Dec. 2012**

Potential contingency fee (total): USD 713m (approx. JPY 67.2bn)  
 ✓ Received so far: USD 28.35m  
 ✓ Scheduled for receiving USD 25.8m at the conclusion of Phase 2b  
 \*Based on the premise of an acceptance by Pfizer Inc.

Potential contingency fee (total): USD 670m (approx. JPY 63.1bn)  
 ✓ Not yet received, but will receive USD 8m at the conclusion of Phase2  
 \*Based on the premise of an acceptance by Novartis Pharmaceuticals Corp.

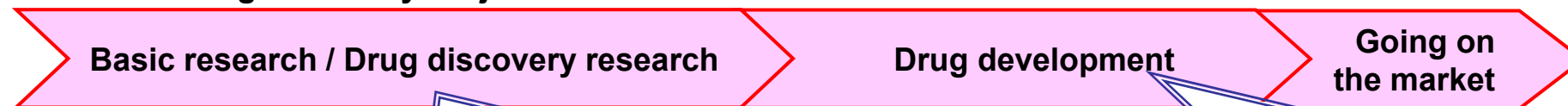
\*Calculated by the exchange rate as of the end of Mar. 2013

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

# Comparison with PeptiDream Inc Listed on June 11



Process of Drug Discovery Project:



## PeptiDream's business model \*1

A joint R&D model for pharmaceutical candidate substances using the company's own platform

### Partners:

CH Novartis Pharmaceuticals, UK  
 GlaxoSmithKline ,UK AstraZeneca, US  
 Bristol-Myers Squibb, US Amgen, JPN  
 Daiichi-Sankyo, JPN Mitsubishi Tanabe  
 Pharma, FR Ipsen

~Listed on June 11, 2013~

**Market cap: about JPY 138.4bn**

(the closing prices of June 24, 2013)

**Maximum market cap: about JPY 167.7bn**

(the closing prices of June 14, 2013)

## SBI Biotech's business model

(Shares: 71.6%) \*2

Licensing-out drug candidates to major pharmaceutical companies

### Partners:

#### SBI Biotech:

US Baylor Research Institute, US MedImmune  
 (subsidiary in UK AstraZeneca Group) , CN  
 Huapu, KR Crystal Genomics, JPN Carna  
 Biosciences. In addition, Pre-Clinical Trial for  
 immune cell therapy at Kyoto University  
 Hospital

#### Quark Pharmaceuticals:

Milestone agreement with US Pfizer and CH  
 Novartis Pharmaceuticals

**Planning to go public in 2014**

\*1:Sources: Compiled by SBIH from information on websites of PeptiDream Inc, \*2:SBI's shareholding percentage corresponds to a total percentage based on the IFRS criteria for subsidiary companies and subsidiary funds of the Group.

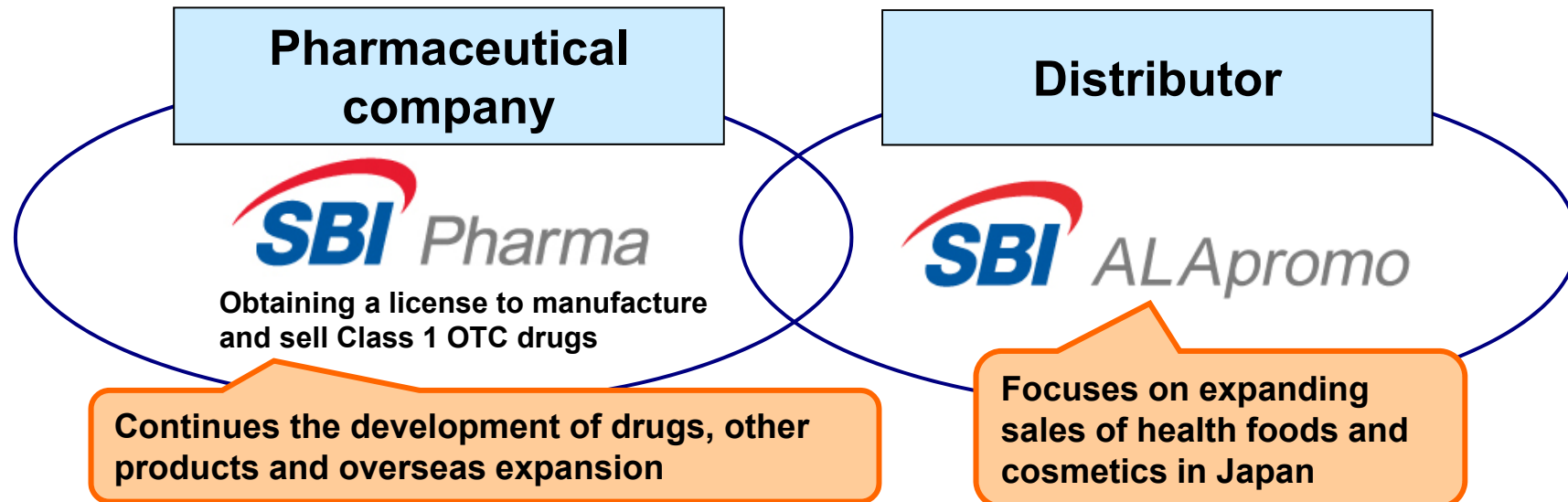
## Developing Japan's First Global Contribution of Biotechnology Businesses Utilizing 5-ALA

The 5-ALA Related Business that the SBI Group is Exclusively  
Developing Globally (Drugs, Health Food and Cosmetics)

### ALA=5-aminolevulinic acid (one type of amino acid)

5-ALA is an important element in the biosynthesis of chlorophyll, which is necessary for photosynthesis in plants, as well as in the biosynthesis of hemoglobin in the red blood cells of humans and animals. 5-ALA is essential for mitochondrial energy production inside cells.

### <Organizational system for the 5-ALA related business>



**The sales and production operations were separated, so that each can independently focus on expanding their respective businesses.**

## 5-ALA Attracts Attention ①

### A enzyme working to suppress oxidation

#### **1.5 times active in the mice experiment**

“(Tokyo Institute of Technology and SBI Pharmaceuticals’ group) Succeeded the mice experiment to prove ‘Cytochrome c oxidase’ (COX ), a enzyme that becomes weak with aging, is activated by taking 5-ALA.

Administration of 5-ALA made COX functions 1.5 times effective than normal.

This finding will attract attentions as a achievement that will lead to anti-aging studies.”

Newspaper article

\* Cytochrome c oxidase: the last enzyme in the respiratory electron transport chain of mitochondria

(excerpt from Nikkan Kogyo Shimbun on Jun. 28, 2011)135



## 5-ALA Attracts Attention ②

The connection between an amino acid that improves cell function (ALA) and aging is attracting attention.

*“When mitochondrial function deteriorates, the body’s basal metabolism also deteriorates. Deterioration of metabolism ... contributes to adult-onset disease.”*

*“Although mitochondrial function improves with daily exercise ... arduous heavy exercise is required. Since ALA is a powerful amino acid, active ingestion can be expected to have the effect of preventing all sorts of problems that progress with age.”*

**Professor WATANABE, Mitsuhiro**  
**Keio University, Graduate School of**  
**Media and Governance**

**Magazine article**

(Source: Magazine “IKIIKI”, July 2013)

## 5-ALA Attracts Attention ③

### 5-ALA and Porphyrin Research Society

(established in May 2011)



**Numerous researchers of porphyrin and 5-ALA meet and promote cross-disciplinary exchanges.**

#### (Example) Annual symposium

- the 1<sup>st</sup> was held in May 2011
- the 2<sup>nd</sup> was held in Apr. 2012
- the 3<sup>rd</sup> was held in Apr. 2013

→ **over 100 people annually attend the conference**

Chairman: Ichiro OKURA (Professor Emeritus of Tokyo Institute of Technology)  
Vice-chairman: Norio MIYOSHI (Department of Pathological Sciences, Faculty of Medicine, University of Fukui)

### 7th World Congress on Prevention of Diabetes and Its Complications

(Nov. 11-14, 2012 at Madrid, Spain)

#### **5-ALA Session was held**

Title: Mitochondria and 5-Aminolevulinic acid(5-ALA) in type 2 diabetes

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

### UAE-Japan Life Science Forum

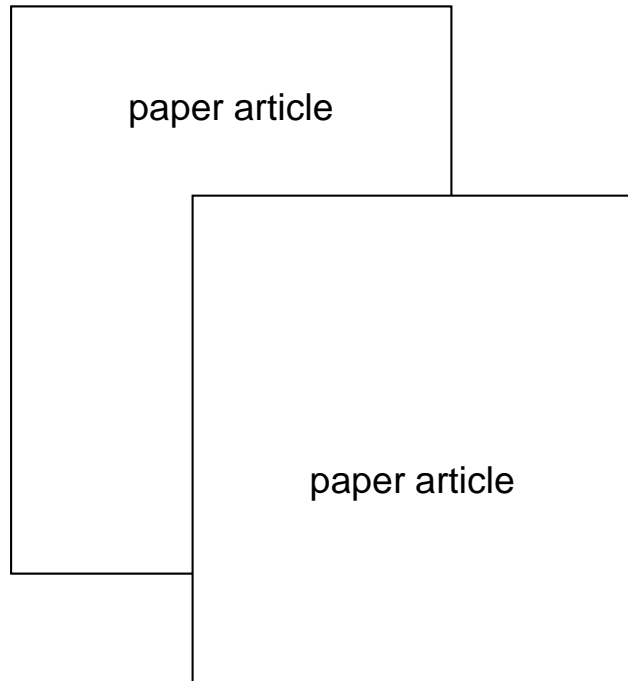
(Apr. 2013, Tokyo/Hiroshima)

Periodic meetings of representatives of the Ministry of Health in Abu Dhabi, the Ministry of Health, Labour and Welfare, Hiroshima University, The Institute of Medical Science of the University of Tokyo, and other organizations concerning research and technology seeds in life sciences

**SBI had an opportunity to introduce many applications of 5-ALA in the forum.**

## 5-ALA Attracts Attention ④

### ➤ 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>

Researchers of the University of Hawaii concluded their paper with the words, "Further investigation of 5-ALA as a dietary supplement in relation to wellness, diabetes and its complications is heartily encouraged."

- A clear decrease in glucose levels was observed among those 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.

\*Participants:154 males and females ages 40-70 years with evidence of prediabetes

## 5-ALA Attracts Attention ⑤

A research group with members from Hiroshima University and other universities published the findings of research concerning ALA's reduction of glucose levels in *Nutrition*, an international academic journal on nutrition science.

“5-aminolevulinic acid, a precursor of heme, reduces both fasting and postprandial glucose levels in mildly hyperglycemic subjects”

Paper article

### <Summary>

- ✓ **Objective:** The aim of the study was to evaluate change in glucose levels on the glycemic index in mildly hyperglycemic adults due to injection of 5-aminolevulinic acid phosphate (ALA-P) and iron.
- ✓ **Conduct of a trial** comprising 212 subjects (ages 35–70) randomly assigned to four groups receiving doses of ALA-P and iron or a placebo over a 12-week period
- ✓ **Results:** The group receiving a high dose of ALA-P and iron (15 mg) showed a greater decrease in the fasting plasma glucose level and oral glucose tolerance test than the placebo group.

## 5-ALA Attracts Attention ⑥

A research group from the Nippon Medical School, Tokyo Rosai Hospital, et al, publishes on the feasibility of sonodynamic therapy for glioma using 5-ALA, in the Journal of Cancer Therapy

**“Low Frequency Ultrasonication Induced Antitumor Effect in 5-Aminolevulinic Acid Treated Malignant Glioma”**

paper article

**Cancer shrinkage in mice administered 5-ALA in ultra-sonodynamic therapy in mice**

(Source: Scientific Research *Journal of Cancer Therapy*, DOI:10.4236)

②SBI Pharmaceuticals:

## Obtained Manufacture and Marketing Approval for the First Pharmaceutical Agent Using 5-ALA

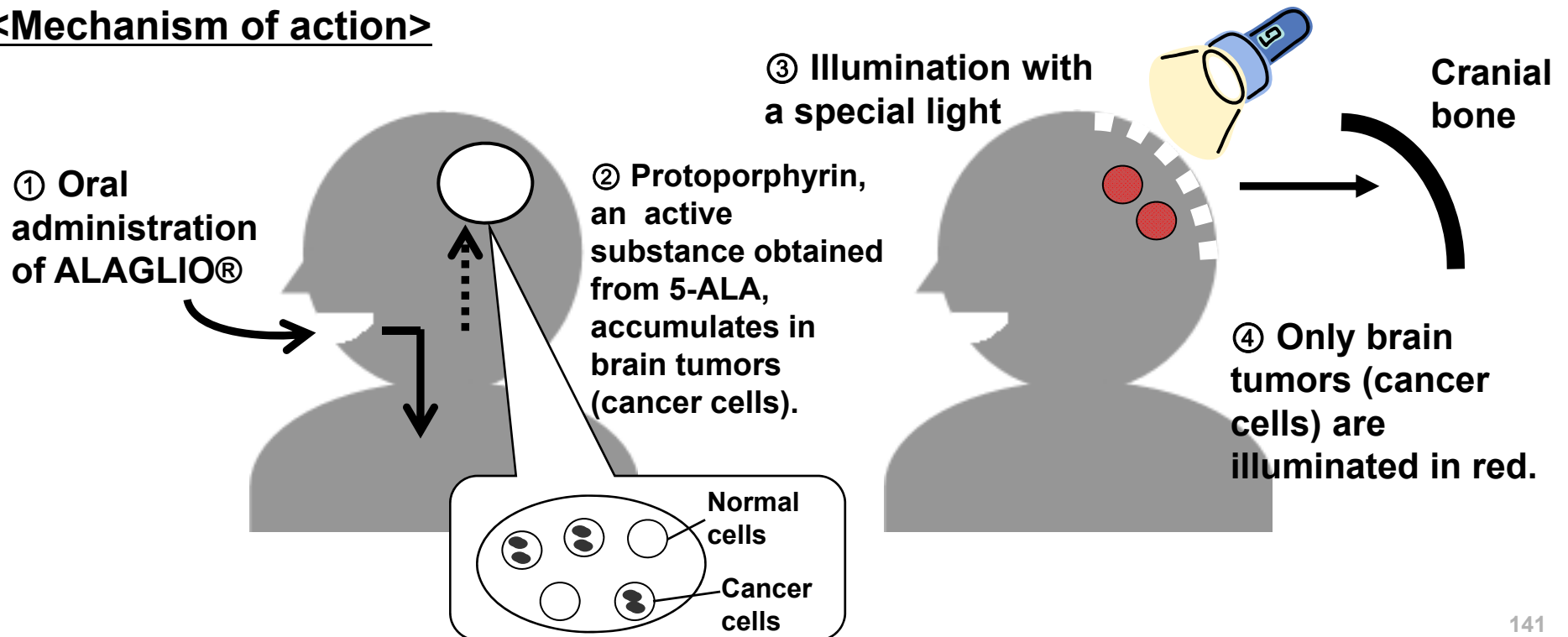


### Orally-administered *in vivo* Diagnostic Agent “ALAGLIO®” for Malignant Glioma



**Japan’s First Orally-administered Fluorescence Diagnostic Agent for Use in the Surgical Resection of Brain Tumor**

Although the current standard treatment for malignant glioma in Japan is an excision of the tumor site through microscopically-controlled surgery, in clinical trials in Japan for this diagnostic agent, the efficacy and safety of easily discriminating between brain tumors and normal tissue has been confirmed.

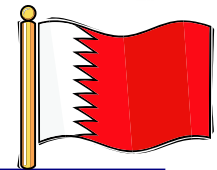
#### <Mechanism of action>



## Other R&D Progress in Medical Field Using 5-ALA

Indications	Progress
 <p>Diagnostic agent for cancer treatment: <b>Carcinoma vesicae</b></p> <p>Designated as an orphan drug</p>	<p>Doctor sponsored investigation has been on going at 5 universities, led by Kochi University since Jan. 2012</p> <p>➔ <u>Phase III Clinical testing completed at the end of 2012</u></p> <p>➔ Will endeavor to be approved by late 2014</p>
<p>A drug to treat cancer chemotherapy-induced anemia</p> 	<ul style="list-style-type: none"> <li>Starting phase I clinical trial in the UK from Dec. 2012</li> </ul> <div style="border: 1px solid orange; border-radius: 15px; padding: 10px; margin: 10px 0;"> <p>German business partner in the 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 <u>5-aminolevulinic acid hydrochloride is already recognized as a pharmaceutical ingredient in Europe.</u></p> <p>➔ The phase I clinical trials for treatment completed and under reporting. <u>For the phase II clinical trials, which are scheduled to start during the third quarter, an application for permission to administer pharmaceuticals in multiple medical areas will be considered.</u></p> </div> <ul style="list-style-type: none"> <li>Planned start in the US beginning with a phase II trial same time as start of a phase II clinical trial in the UK, following the conclusion of the phase I trial in the UK</li> </ul>

## Steady Development of a Business Structure for 5-ALA in Bahrain is Under Way



Apr. 2012 : Agreement for the Promotion of the 5-ALA Business with Bahrain Government



**Mar. 2013: The Crown Prince of Bahrain and top executives of local companies visited Japan, and SBI Pharmaceuticals signed five contracts at a business reception held by the Embassy of Bahrain.**

- ① Concluded a basic agreement concerning collaboration in the 5-ALA business, principally in the pharmaceuticals market in Bahrain, with Mumtalakat Holding Company, a government fund in Bahrain
- ② Agreement arrived to receive advice and support on local laws and financing from Bahrain Development Bank
- ③ Final agreement arrived to establish a joint venture company concerning local marketing of health foods and cosmetics with Dawani Group Holdings, a major local distributor
- ④ Concluded a basic agreement with Medical University of Bahrain to prepare for the start of multiple clinical research projects (research areas to be decided)
- ⑤ Final agreement arrived for joint clinical research related to diabetes with Arabian Gulf University in Bahrain



Endeavoring to establish an 5-ALA production base with a view to export to neighboring countries in the Middle East.



Concerning clinical research, collaborate with multiple university hospitals and research organizations and accelerate local R&D.



## Bahrain to Become a Base for the 5-ALA Business in the Middle East



(Drug Development Research, Clinical Research, Manufacturing, Export, etc.)

**Initiation of multiple clinical research projects involving 5-ALA will start with the field of diabetes**

<b>Background</b>		<b>High diabetes prevalence in the MENA such as Bahrain</b>			
		(%)			
In the MENA	<b>Bahrain</b>	<b>Qatar</b>	<b>Kuwait</b>	<b>Saudi Arabia</b>	
Diabetes patients rate	15.4	15.4	14.6	16.8	
In major advanced country	<b>U.S.</b>	<b>U.K.</b>	<b>German</b>	<b>Japan</b>	
Diabetes patients rate	10.3	3.6	8.9	5.0	



(Source: Database published by International Diabetes Federation)

### <Partner institutions for clinical study on diabetes by using 5-ALA>

Diabetes Department of the Bahrain Defense Force Royal Medical Service Hospital / the Arabian Gulf University Hospital / the Royal College of Surgeons in Ireland - Medical University of Bahrain, etc.

### <Partner institutions for clinical study on the use of 5-ALA in the photodynamic diagnosis of colorectal cancer>

KING HAMAD UNIVERSITY HOSPITAL / the Royal College of Surgeons in Ireland - Medical University of Bahrain

## Held a Meeting attended by Parties from Bahrain and Japan at Arabian Gulf University in Bahrain (June 12–13, 2013)

Based on the results of the meeting, a report on 5-ALA will be submitted to The Crown Prince Court in Bahrain, and details regarding the joint projects, including clinical studies in Bahrain, will be discussed.

- ✓ The delegation from AGU and Royal College of Surgeons in Ireland - Medical University of Bahrain desires to increase cooperation with Japanese, which has promising treatments for chronic diseases common in Bahrain.
- ✓ The delegation from Japan engaged in an exchange of opinions concerning personnel development in the health and medical field in Bahrain and the establishment of pharmaceutical production plants.

The participants from Japan: Professors from National Cancer Center Hospital, National Center for Child Health and Development, Keio University, Juntendo University, The Institute of Medical Science The University of Tokyo, The University of Tokyo, etc.



Visiting the university of Bahrain

The meeting was covered by Bahrain News Agency, Alwasatnews, Albiladpress, and Akhbar Alkhleej, media organizations in Bahrain.

## Future Business Plans in Bahrain

Lists below are scheduled in the next 6 months:

### **1. Initiation of clinical trials related to diabetes**

Planning conduct of a series of add-on trials\* of patients being treated for diabetes at Arabian Gulf University in Bahrain after Ramadan (mid-Aug.)

\*Evaluation of a therapeutic agent vs. a placebo among patients undergoing standard therapy using an existing therapeutic agent

### **2. Initiation of clinical trials of 5-ALA USDT (5-ALA Ultrasonic Silent Drive Therapy)**

Planning initiation of clinical trials for 5-ALA USDT (5-ALA Ultrasonic Silent Drive Therapy) at the Royal College of Surgeons in Ireland -Medical University of Bahrain

### **3. Planned 5-ALA and Porphyrin Research Society international conference**

5-ALA and Porphyrin Research Society International Conference planned for late Oct. with support from the government of Bahrain

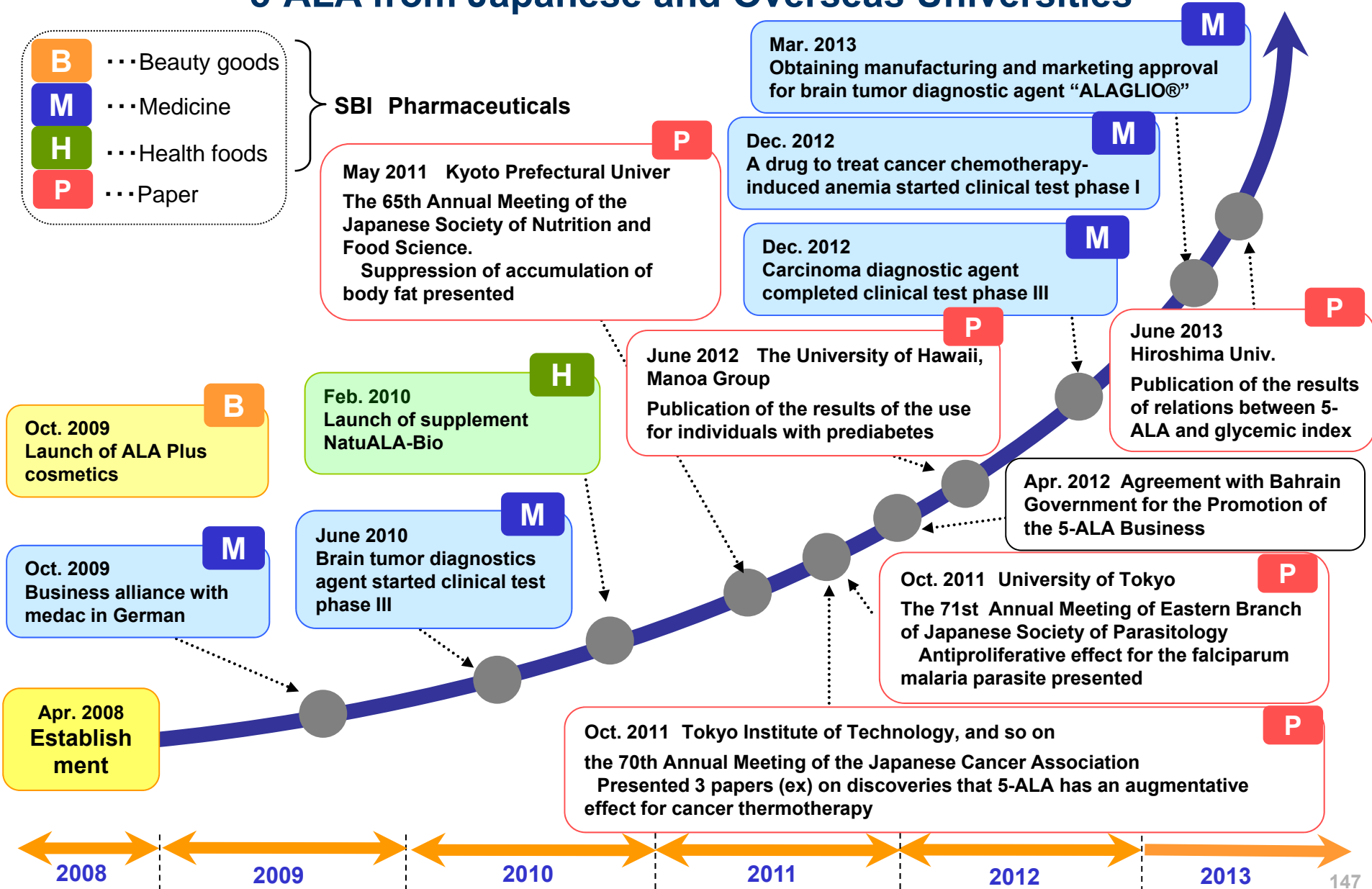
②SBI Pharmaceuticals:

# The 5-ALA Related Business is Progressing Favorably, Boosted by a Tailwind from Academic Papers Concerning 5-ALA from Japanese and Overseas Universities



- B** ...Beauty goods
- M** ...Medicine
- H** ...Health foods
- P** ...Paper

**SBI Pharmaceuticals**



## **4. Pursuing stable earnings growth by enhancing earnings capabilities and upgrading businesses in the three major businesses**

- (1) Establish a structure that is insusceptible to stock market fluctuations with the aim of diversifying revenue sources through the development and provision of new services and products**
- (2) Tap into the growth of the Asian markets while making investments in forward looking businesses in Europe and the United States for the purpose of achieving high performance and regional risk diversification**
- (3) Add the Biotechnology-related Business to the company's business portfolio in order to ensure stable revenue growth**

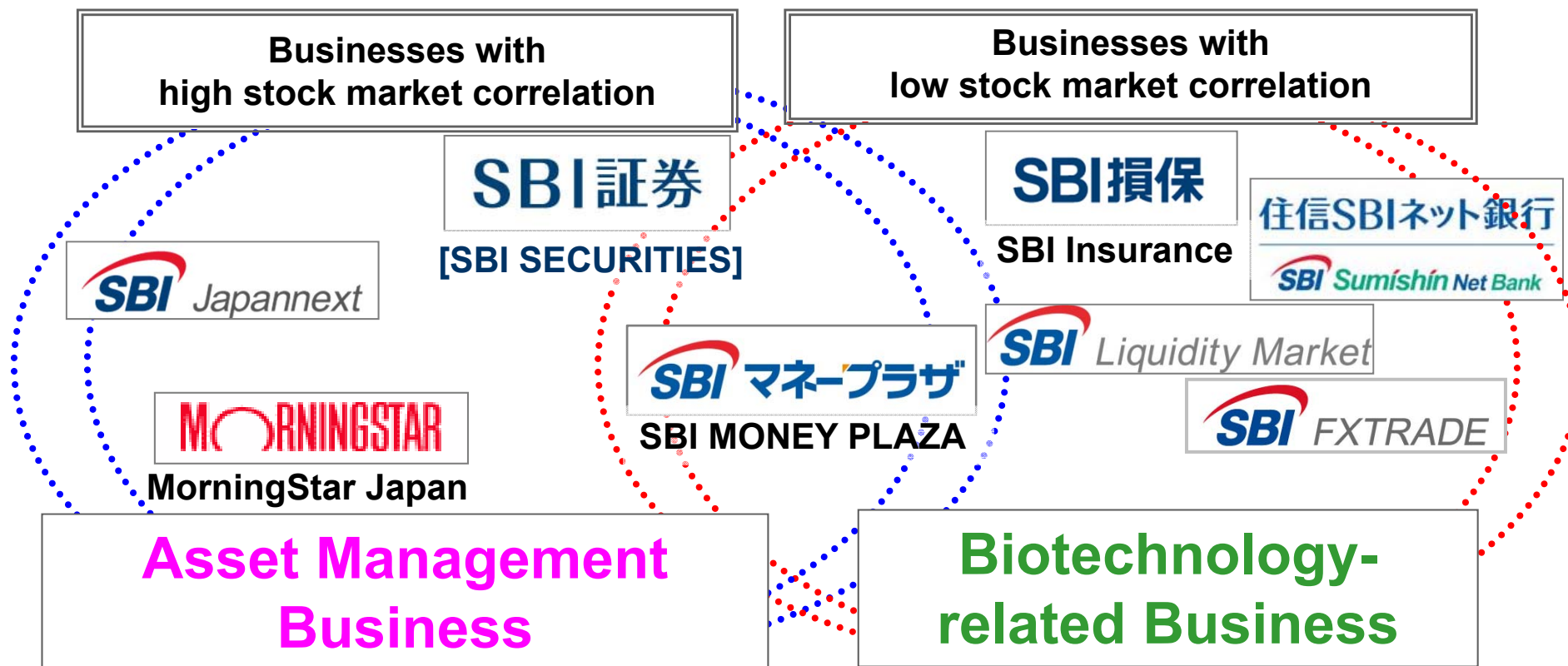
(1) Establish a structure that is insusceptible to stock market fluctuations with the aim of diversifying revenue sources through the development and provision of new services and products



## Developing a Business Portfolio with Low Stock

### Market Correlation

Establishing a business portfolio consisting of businesses with both "high" and "low" stock market correlation



Exit from a business portfolio dependent on the stock market, to achieve steady profits

Additionally, each business has been diversifying its earnings sources, so as to minimize their stock market correlation

# An Example of Diversification of Earning Source at SBI SECURITIES

## SBI SECURITIES Comparison of net operating revenue (non-consolidated)

	(JPY million)	FY2005	FY2012	Amount of change	Rate of change	
Financial revenue		8,198	10,187	1,988	24.3%	24% up
Foreign exchange		1,395	3,708	2,313	165.8%	multiplied by 2.6
Investment trust fee		241	2,327	2,085	861.7%	multiplied by 9.6
Bonds		1,218	1,886	668	54.8%	55% up
Subscription commissions		1,510	1,858	347	23.0%	23% up
Other commission received		983	1,590	607	61.8%	
Other trading		356	1,135	778	218.4%	Gain from FX was multiplied by 3
Underwriting commissions		255	297	42	16.6%	
Other operating revenue		258	74	-184	-71.3%	Increased free information from paid information
Revenue from non-brokerage commissions		14,418	23,065	8,647	60.0%	60% up
Commissions		36,922	17,304	-19,618	-53.1%	53% down
Net operating revenue		51,341	40,370	-10,971	-21.4%	21% down

Annual brokerage value JPY 77,655.8bn [4.8 bp]

Annual brokerage value JPY 50,053.0bn [3.3 bp]

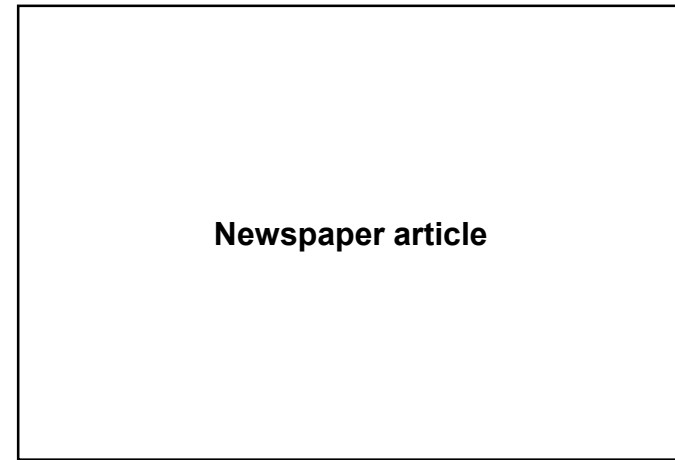
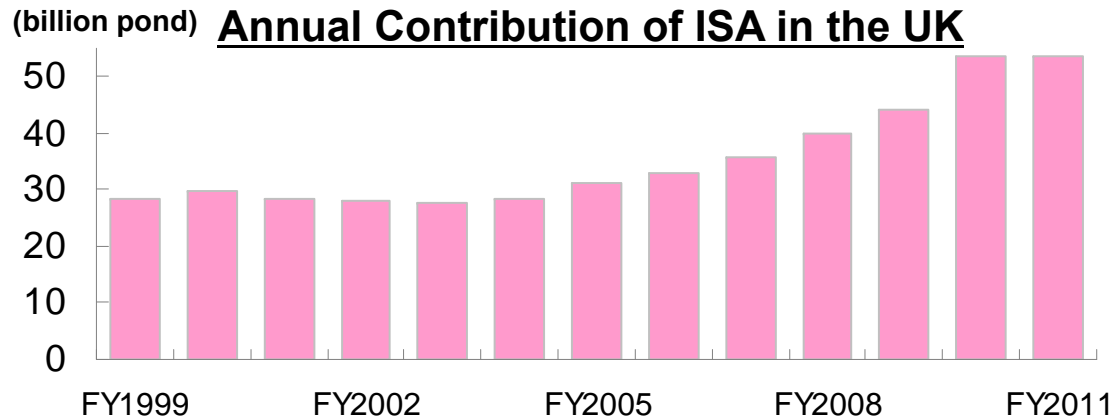
(1) Establish a structure that is insusceptible to stock market fluctuations with the aim of diversifying revenue sources through the development and provision of new services and products



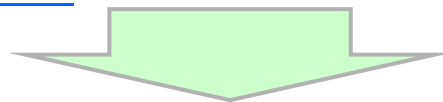
# Encapturing Long-term Investors through NISA

## ■ ISA in the UK, a model of NISA

(“The Nikkei” newspaper morning edition, June 19, 2013)



It has been playing a successful role in the "from deposit to investment" thesis from the year of its inception in 1999. Currently, 40% of the population have ISA accounts.



In Japan, advance account applications from individual investors have been increasing rapidly, toward its inception in Jan. 2014. According to Nomura Asset Management, NISA account holders are expected to increase to about 10 million people.

A further increase in stock and investment trust transactions for long-term purposes is expected

**SBI SECURITIES** begun accepting advance applications of accounts. Has received 270,000 applications

**Received 20% of the total applications**



(1) Establish a structure that is insusceptible to stock market fluctuations with the aim of diversifying revenue sources through the development and provision of new services and products



## Enhancing and Strengthening the Business Ecosystem Centering on SBI Sumishin Net Bank

~Enhancements to stabilize and diversify its fund management methods for growing deposit balances~

Enhancing and strengthening the business ecosystem centering on SBI Sumishin Net Bank



Fund management examples:

### Housing Loans

- ✓ Housing loans via SBI Sumishin Net Bank's alliance with real estate companies
- ✓ Developing fee business as a banking agency of Sumitomo Mitsui Trust Bank

Providing two different services to manage increasing housing loans business

**NEW!!**

Purpose Loans (Launched on May 10, 2013)

Personal Loans

Deposits



Number of accounts: approx. 1.71 million accounts  
Deposits: approx. JPY 2.9tn  
(As of the end of May 2013)

### Auto Loans

Via SBI Credit and SBI Auto Support ,etc.

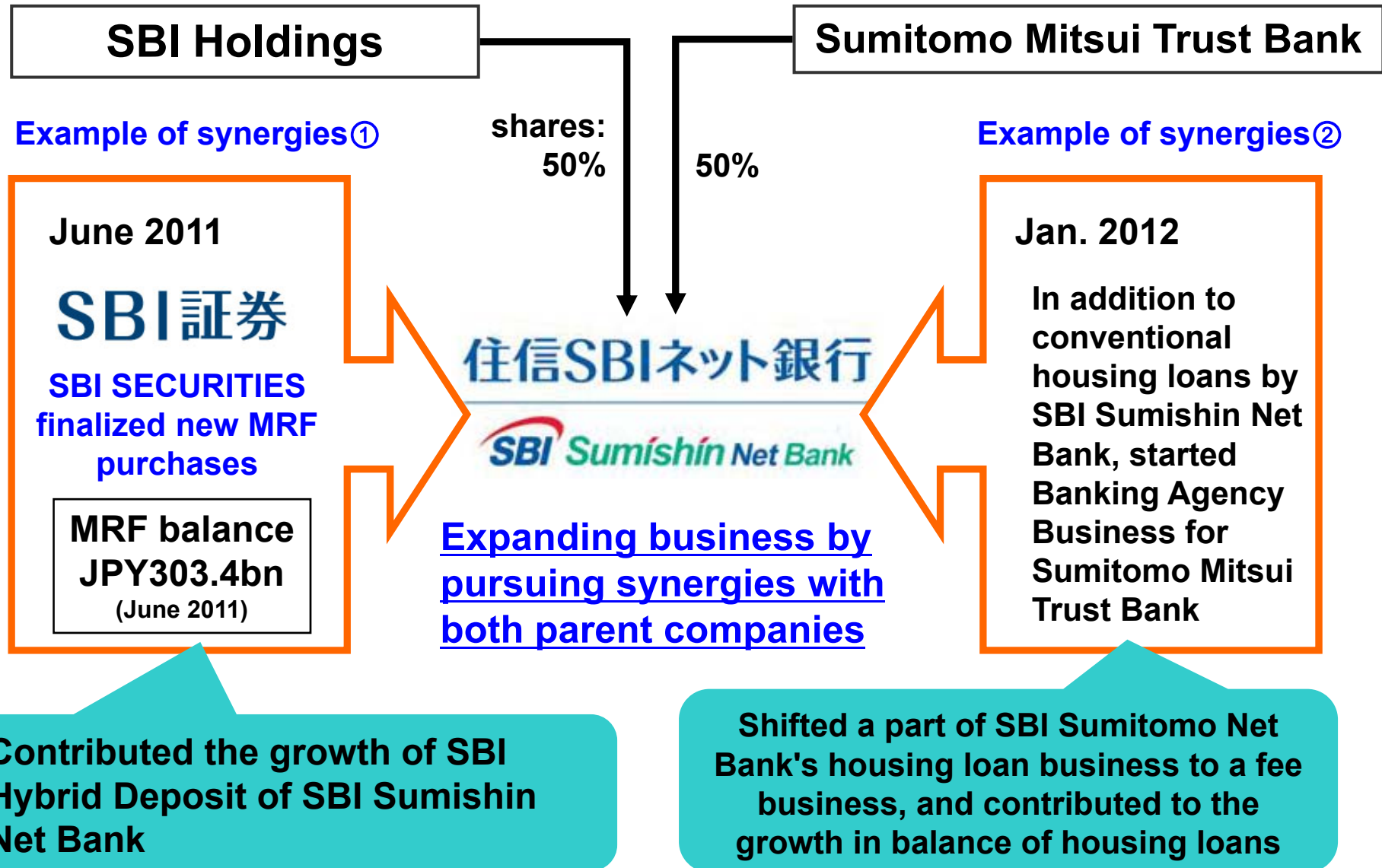
SBI Holdings sold all shares of SBI Credit to an investment fund operated by a Marubeni Corporation subsidiary. ( Mar. 2013)

→ SBI Credit's business expansion into non-automobile fields under Marubeni umbrella will ultimately contribute to the enhancement of SBI Sumishin Net Bank's asset management

(1) Establish a structure that is insusceptible to stock market fluctuations with the aim of diversifying revenue sources through the development and provision of new services and products



# Pursuing Synergies with Both Parent Companies



- (1) Establish a structure that is insusceptible to stock market fluctuations with the aim of diversifying revenue sources through the development and provision of new services and products



## SBI Insurance Diversification of the Product Portfolio

Expanded the product line-ups through the launch of new products, as well as providing partner company products

### [SBI's products]

Cancer Insurance

Aug. 2012 on sale

**SBI損保のがん保険** 自由診療タイプ

Auto Insurance

**SBI損保の自動車保険**

Newly launched special contract for bicycle accident indemnification on Apr. 2013



Taking full advantage of the sales counter channel at 347 nationwide branches (as of June 26, 2013), the face-to-face channel of SBI MONEY PLAZA

### [Partner companies' products]

Life insurance

あんしん ◆ 世代

"Anshin (secure) -sedai"

Underwriter:

IKIIKI SEDAI

Medical insurance

新しいいき ◆ 世代

"Shin-ikiiki (new lively) -sedai"

Underwriter:

IKIIKI SEDAI



Scheduled to offer services upon receipt of approval

Fire insurance Aug. 2012 on sale



"Self choice Fire insurance"

Underwriter:

SAISON AUTOMOBILE&FIRE INSURANCE

Earthquake insurance



Underwriter: SBI SSI

Traveler's insurance



"Smart net"

Underwriter: HS Insurance

## (2) Tap into the Growth of the Asian Markets while Making Investments in Forward Looking Businesses in Europe and US for the Purpose of Achieving High Performance and Regional Risk Diversification



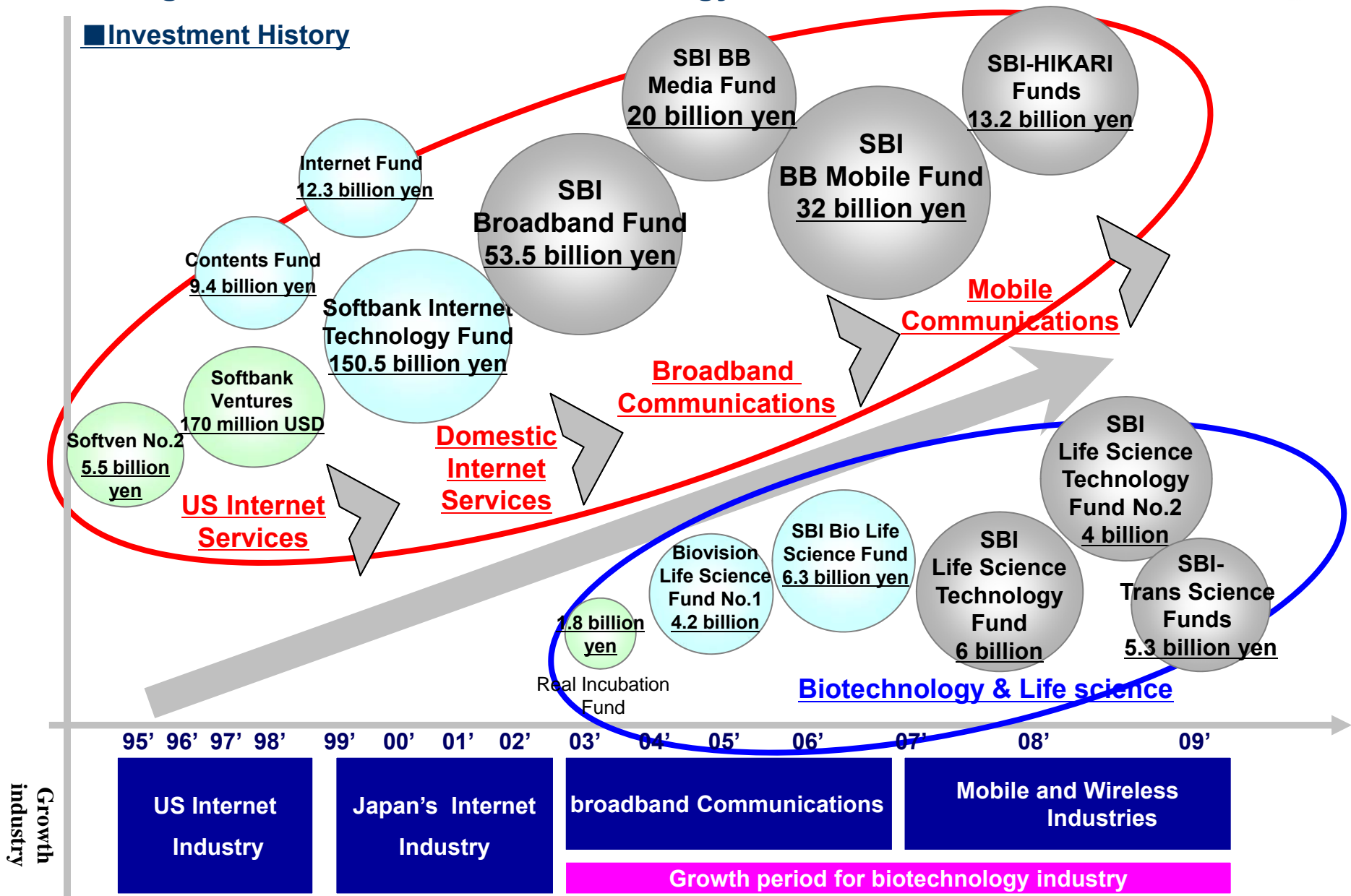
- Diversification of country risk
- Diversification of currency risk

**Developing businesses in several countries and regions allows working capital to be diversified**

\*The asset under management that is already invested as of the end of Mar. 2013. (Excluding cash and uncalled capital)

(3) Add the Biotechnology-related Business to the company's business portfolio in order to ensure stable revenue growth

## Focusing on Investments in Biotechnology Field as a New Growth Area

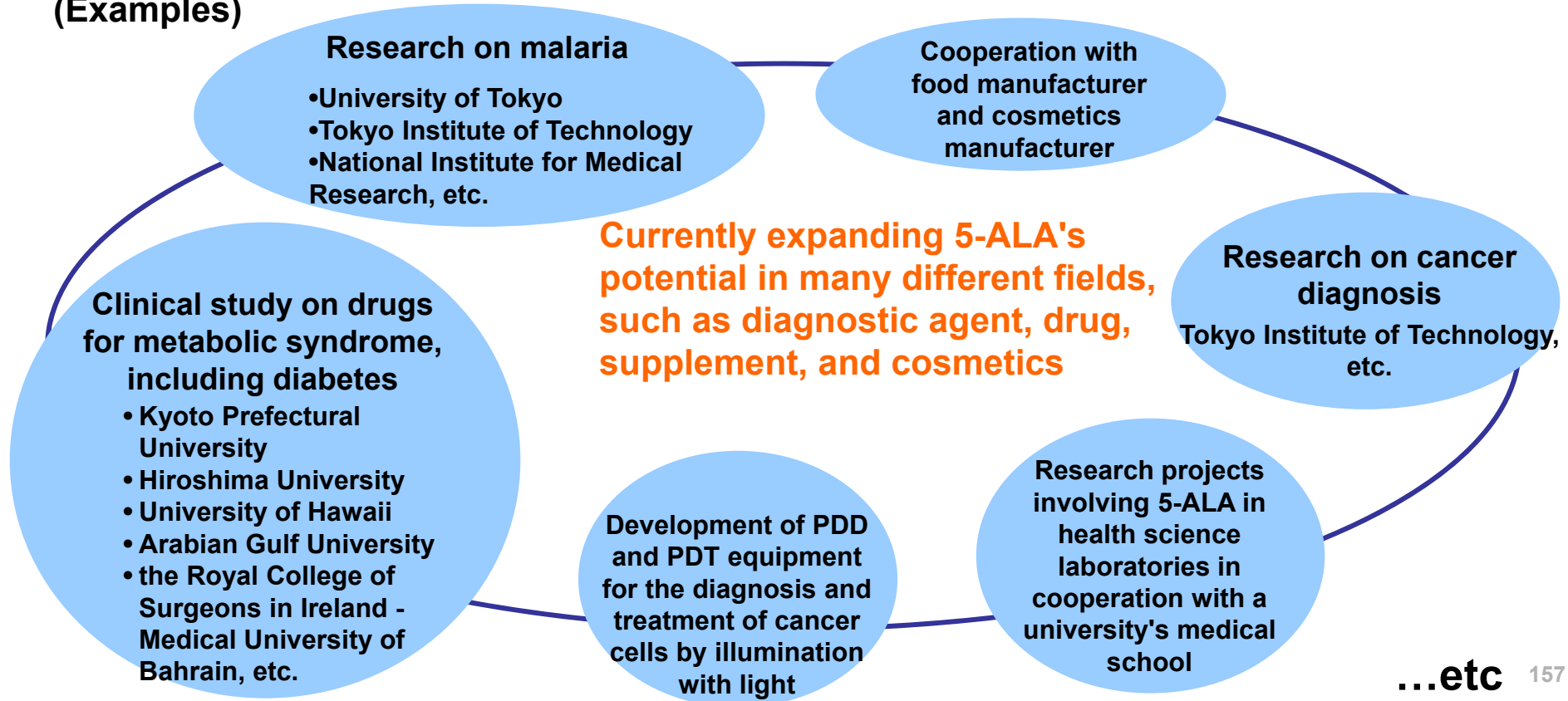


(3) Add the Biotechnology-related Business to the company's business portfolio in order to ensure stable revenue growth

## 5-ALA's Potential Expansion in Various Areas

~Several studies with 5-ALA are in progress at 90 universities and hospitals at home and overseas ~

(Examples)



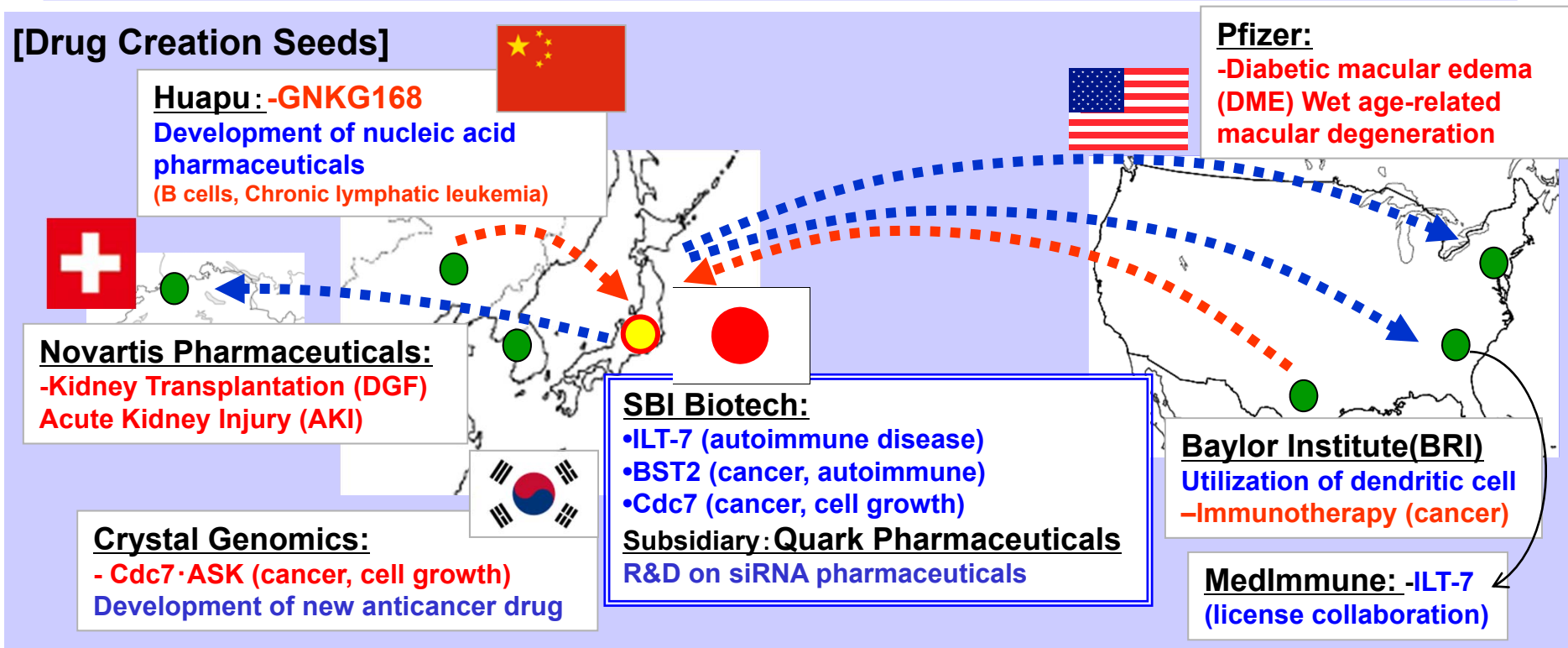
**Advancing drug development without the cooperation of major pharmaceutical companies, through the establishment of a system that will better benefit the bio-venture companies**

(3) Add the Biotechnology-related Business to the company's business portfolio in order to ensure stable revenue growth



## With the Advantage of Multiple Pipelines and a Global Network, Developing Business Globally

SBI Biotech is a joint drug creation bio-venture firm with partners in Japan, the U.S. China, Korea and Israel, including the pipelines of Quark Pharmaceuticals, SBI Biotech's subsidiary



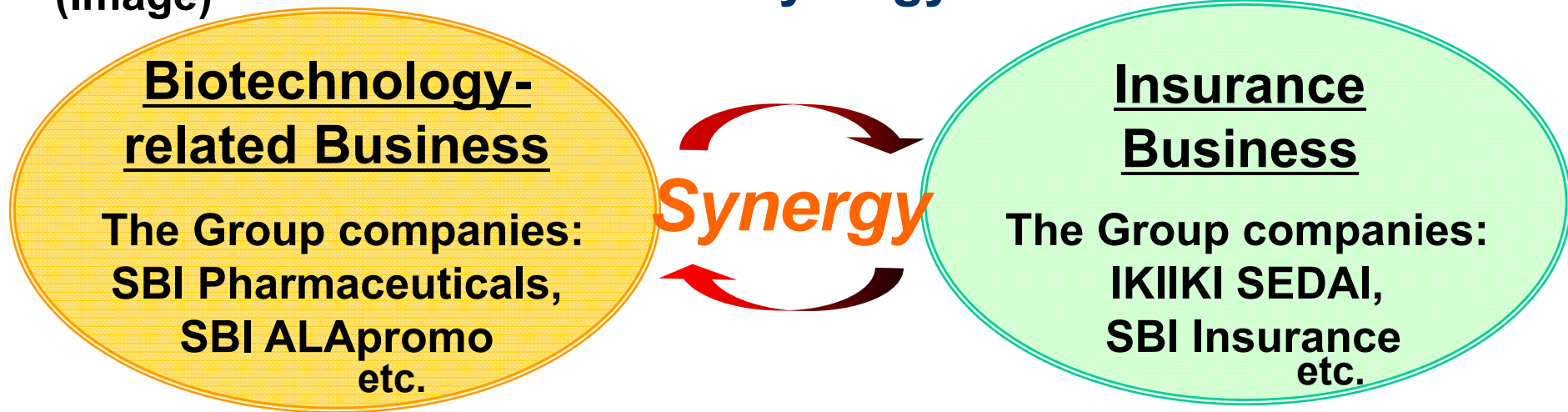
Aligning with major research institutions around the world, to endeavor to attain meaningful growth in the fields of basic research for drug development and the marketing of pharmaceutical products

(3) Add the Biotechnology-related Business to the company's business portfolio in order to ensure stable revenue growth



## The SBI Group's Biotechnology-related Business and Insurance Business Share the Potential to Create Immense Synergy

(Image)



**Example of services utilizing the synergy:**

**Insurance company offers a bio-technology company's exclusive services and products to insurance policyholders\* etc.**



**By the Biotechnology-related business contributing to the health of the insurance policyholders, the insurance companies may reduce insurance payments, creating the possibility of a win-win situation for both businesses**

\*Under presumption of discussion with the concerning authorities 159



# [Appendix]

# Implementation of Shareholder Benefits

## [Eligible shareholders]

- All shareholders listed or recorded in the shareholder register as of March 31, 2013

## [Benefits]

- The Company will give **all shareholders** a ticket that can be exchanged for **one “NatuALA-Bio” (set price JPY 5,980)** sold by SBI ALApromo

- The Company will also give all shareholders who have held shares for more than one year, and who hold 1,000 or more shares, **a ticket that can be exchanged for one “ALA plus moisturizing cream” (set price JPY 18,900)** sold by SBI ALApromo as an appreciation for their continued support.



“NatuALA-Bio”

- \*The Company will allot **all shareholders including shareholders of less-than-one-unit shares (1-99 shares)** one ticket, good for purchasing any goods such as health foods (supplements) and cosmetics sold by SBI ALApromo **at a special 50% discount**

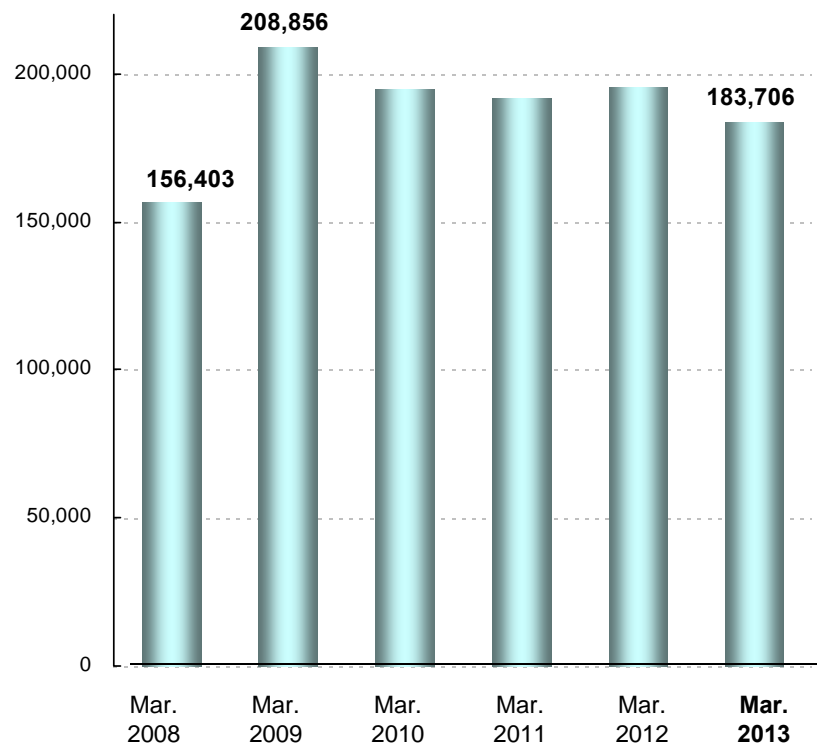
# SBI Holdings' Shareholder Composition



Foreign investors' shareholding ratio rapidly increased after the end of Mar. 2009, and have held over 40% of the shares since then.

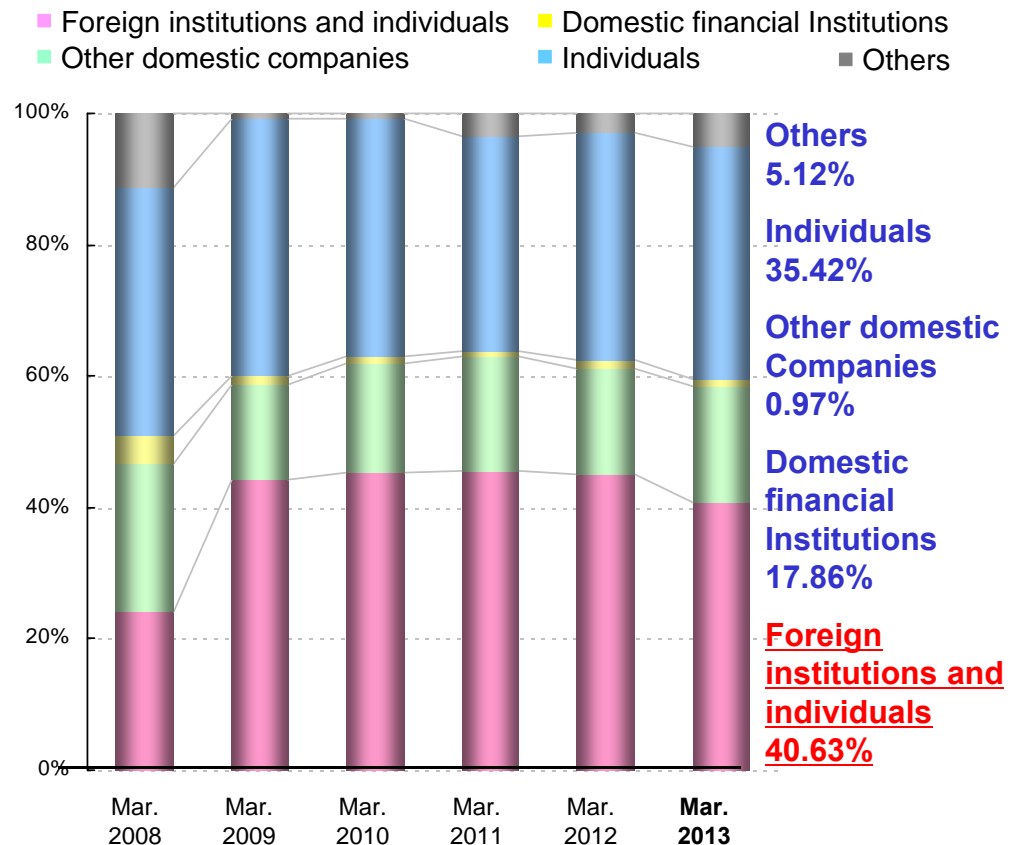
## Number of Shareholders

(Number of holders)



\* end of the month

## Shareholder Composition



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

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