



*Strategic  
Business  
Innovator*

**SBI Holdings, Inc.**  
**First Quarter Financial Results**  
**(Fiscal Year Ending March 31, 2014)**

**August 8, 2013**

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

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

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

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

- 1. 1Q FY2013 Consolidated Financial Results**
- 2. 1Q FY2013 Overview of Principal Companies in Each Segment and Status of Activities under the Newly Adopted Aggressive Management Approach**
- 3. Future Business Management Priority Issues**

# 1. 1Q FY2013 Consolidated Financial Results

## [Key Points]

- (1) Summary of 1Q FY2013 consolidated financial results
- (2) The first IFRS basis year-on-year comparison since the introduction of International Financial Reporting Standards (IFRS)
- (3) Successful implementation of the Brilliant Cut Initiative in the Financial Services Business
- (4) Impact of the acquisition of Hyundai Swiss Savings Bank
- (5) Planned full-scale reentry into the life insurance business upon approval of the acquisition of shares of PCA Life Insurance
- (6) First-ever quarterly profit for the Biotechnology-related Business
- (7) Financial situation
- (8) Outlook for FY2013 full-year business results

## **(1) Summary of 1Q FY2013 consolidated financial results**

# 1Q FY2013 Consolidated Performance(IFRS)

Recorded significant increase in revenue and profit,  
owing to favorable stock market trends

(Unit: JPY million)

	1Q FY2012 (Apr. 2012 – June 2012)	1Q FY2013 (Apr.2013 – June 2013)	YoY change (%)
Operating Revenue	36,599	80,105	+118.9
Operating Income	3,906	31,278	+700.8
Profit before Income Tax Expense	3,432	30,457	+787.4
Profit for the Period	2,279	17,829	+682.3
Profit attributable to owner of the Company	1,403	16,269	+1,059.6

# 1Q FY2013 Operating Revenue by Segment (IFRS)

**Recorded significant increase in revenue for all segments**  
(Unit: JPY million)

	1Q FY2012 (Apr. 2012 – June 2012)	1Q FY2013 ( Apr.2013 – June 2013)	YoY change (%)
<b>Financial Services Business</b>	<b>23,668</b>	<b>38,480</b>	<b>+62.6</b>
<b>Asset Management Business</b>	<b>11,639</b>	<b>38,990</b>	<b>+235.0</b>
<b>Biotechnology-related Business</b>	<b>276</b>	<b>1,272</b>	<b>+360.9</b>
<b>Others</b> (Primarily Housing and Real Estate Business)	<b>1,663</b>	<b>1,738</b>	<b>+4.5</b>

\* Figures are before elimination of inter-segment transactions

# 1Q FY2013 Profit before Income Tax Expense by Segment (IFRS)



Achieved profitability and substantial increase in profit for all segments

(Unit: JPY million)

	1Q FY2012 (Apr. 2012 – June 2012)	1Q FY2013 ( Apr. 2013 – June 2013)	YoY change (%)
Financial Services Business	659	9,921	+1,405.5
Asset Management Business	5,087	21,926	+331.0
Biotechnology-related Business	-687	71	—
Others (Primarily Housing and Real Estate Business)	134	201	+50.0

\* Figures are before elimination of inter-segment transactions




**(2) The first IFRS basis year-on-year comparison since the introduction of International Financial Reporting Standards (IFRS)**

# Impacts on the Business Segments Due to the Adoption of IFRS – (i)

## All Segments

- Since IFRS does not specify rules for the exclusion of subsidiaries from consolidation, companies in which the Group holds over 50% of shares must be consolidated, so the scope of consolidation under IFRS widens. Therefore, controlling companies among those that have been acquired for management and control are also included in this scope.

**Subsidiaries which were excluded from the scope of consolidation due to their insignificance, etc. have now been recognized as consolidated subsidiaries**

	Mar. 31, 2012		June 30, 2013	
No. of Group companies:	139		217	(+78)
(breakdown)				
Consolidated subsidiaries:	88		144	(+56)
Consolidated partnerships:	30		35	(+5)
Equity-method companies:	21		38	(+17)

- The current business environment can be reflected to its performance in an accurate and timely manner, and with far greater transparency with respect to the business categories of Group companies than before introducing IFRS.

# Impacts on the Business Segments Due to the Adoption of IFRS – (ii)



## Financial Services Business

- The IFRS concept of fair value assessment impacts companies if assets or liabilities they hold are affected by fluctuations in interest rates, stock prices, exchange rates and other factors.

e.g. Impact from SBI Sumishin Net Bank's results to SBIH's consolidated IFRS based results

[ SBI Sumishin Net Bank's Consolidated Results : Based on J-GAAP]

(Unit: JPY billion)

		1Q FY2012 (Apr.-June 2012)	2Q FY2012 (July-Sept. 2012)	3Q FY2012 (Oct.-Dec. 2012)	4Q FY2012 (Jan.-Mar. 2013)	1Q FY2013 (Apr.-June 2013)
SBI Sumishin Net Bank	Net Income	0.8	1.0	1.3	1.8	2.2
Consolidated Amount to SBI Holdings (*1)		0.4	0.5	0.6	0.9	1.1

Based on J-GAAP, SBI Sumishin Net Bank is growing dramatically. However, based on IFRS, the changes in valuation of interest rate swaps in preparation for the rise in interest rates, and treasuries held, etc., significantly impacted the consolidated amount.

[ SBI Holdings' Consolidated Results : Based on IFRS]

Share of results of associates using the equity method	-0.7	0.1	0.5	1.7	-0.8
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- **Deferment of cost that is allowed based on J-GAAP is not allowed based on IFRS**

e.g. Amortization of deferred assets under Article 113 of the Insurance Business Law in SBI Insurance

\*1 SBI Sumishin Net Bank's Net Income × 50% (equity interest)

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

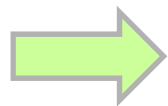
# Impacts on the Business Segments Due to the Adoption of IFRS – (iii)

## Asset Management Business

- Listed issues among the operational investment securities are the most affected by the IFRS concept of fair value assessment. For this reason, revenue attributable to listed issues is affected by the markets and fluctuates considerably.

Under J-GAAP, in principle, at the time of sale of operational investment securities any difference from acquisition cost is recognized as a gain or loss. Under IFRS, the fair value of assets held is measured quarterly, whether or not assets are sold.

- Although unlisted issues are not as volatile as listed issues directly linked to markets, fair value assessment fluctuates in accordance with business expansion or profitability improvement at investee companies and affects the performance of the Asset Management Business.



This is a business sector in which the most recent fluctuations in asset value are reflected in the financial statements in a timely manner and earnings vary substantially from quarter to quarter.

## Biotechnology-related Business

## Others

- There are no great differences with J-GAAP.

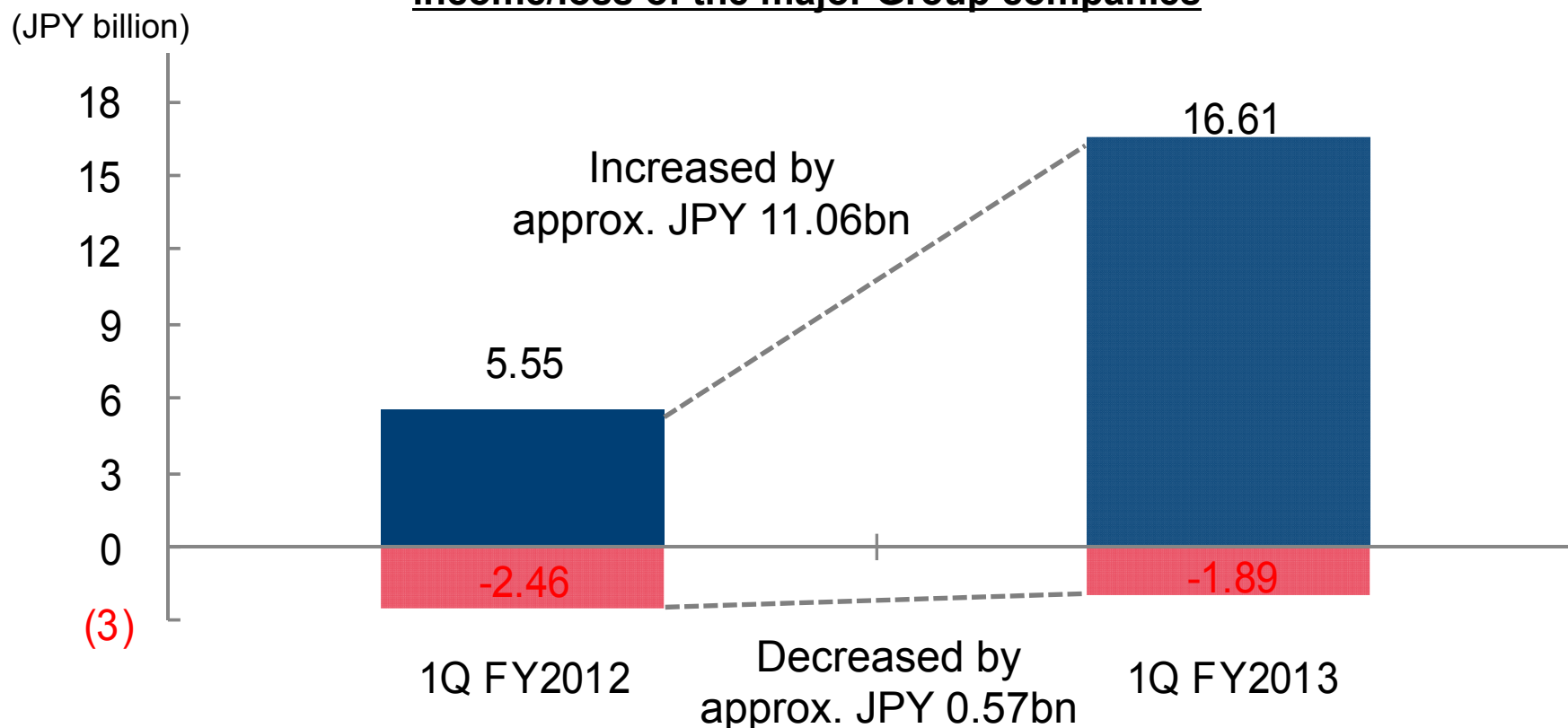
### **(3) Successful implementation of the Brilliant Cut Initiative in the Financial Services Business**

# Enhanced Group Profitability through the Promotion of the “Brilliant Cut Initiative”



On a year-on-year comparison basis, the total sum of operating income of profitable companies/divisions of the major 58 business entities increased by approx. JPY 11bn, whereas the total sum of operating loss of unprofitable companies/divisions was reduced by approx. JPY 600m.

## Change in the total sum of operating income/loss of the major Group companies



# Initiatives to Achieve Profitability at Principal Loss-Making Companies



## *Insurance*

- Owing to the measures to reduce business expenses and to improve the loss ratio, the combined ratio for 1Q FY2013, an index reflecting profitability, resulted in 95.6%, reflecting a significant improvement since its start of this fiscal year.
- Implemented measures to achieve further improvement, targeting substantive quarterly profitability in FY2013 on an IFRS consolidated basis, as well as full-year profitability in FY2015, and an IPO in FY2016

## *Card*

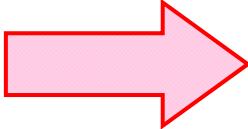
- From FY2014, it is expected to mark improvements in the cost structure and substantial reduction in losses from lower systems costs (approx. JPY 150 million per month) connected to the termination of the SBI Card Plus (end of Sept. 2013).
- Our target is to boost earning capacity and turn profitable by FY2014 by focusing on high-value SBI Group customers through utilization of SBI Points, promotion of high-end gold and platinum MasterCard cards and other measures.

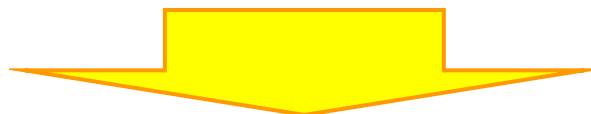
## **(4) Impact of the acquisition of Hyundai Swiss Savings Bank**



# Hyundai Swiss Savings Bank is Off to a Steady Start

- The SBI Group dispatched directors in Apr. 2013, and is scrutinizing bad debt (especially that of project finance), as well as strengthening debt collection efforts.
- Reevaluated credits and debts based on IFRS, and conservatively provided allowance for bad debt, in order to avoid future negative impact on SBI Holdings' consolidated results.

	On Hyundai Swiss Savings Bank consolidated balance sheet (K-GAAP)		On SBIH consolidated balance sheet (IFRS)
Allowance for bad debt etc. as of Mar. 31, 2013 *1 (as % of operating receivables)	<b>JPY 79.9bn</b> (24%)		<b><u>JPY 171.6bn</u></b> *2 (46%)
	*1 Calculated by the exchange rate as of Mar. 31, 2013		*2 Includes allowance for bad debt to liquidated receivable



- The bank secured profit before income tax expense of JPY 800m for 1Q FY2013 on an IFRS basis.
- Some reversals of the allowance for bad debt for major customers are being recorded.
- The bank believes that additional occurrence of major bad debts will be minimal in FY2013, and expects to post a profit in and after 2Q of this fiscal year.

# Signs of South Korea's Economic Recovery



Real GDP for the April–June quarter (preliminary figure) rose 1.1% year on year. The growth rate **returned to the 1% range for the first time in nine quarters**. Due to the impact of the government's economic policies, **construction investment expanded and other indicators improved**, won appreciation was stemmed, and exports were firm.

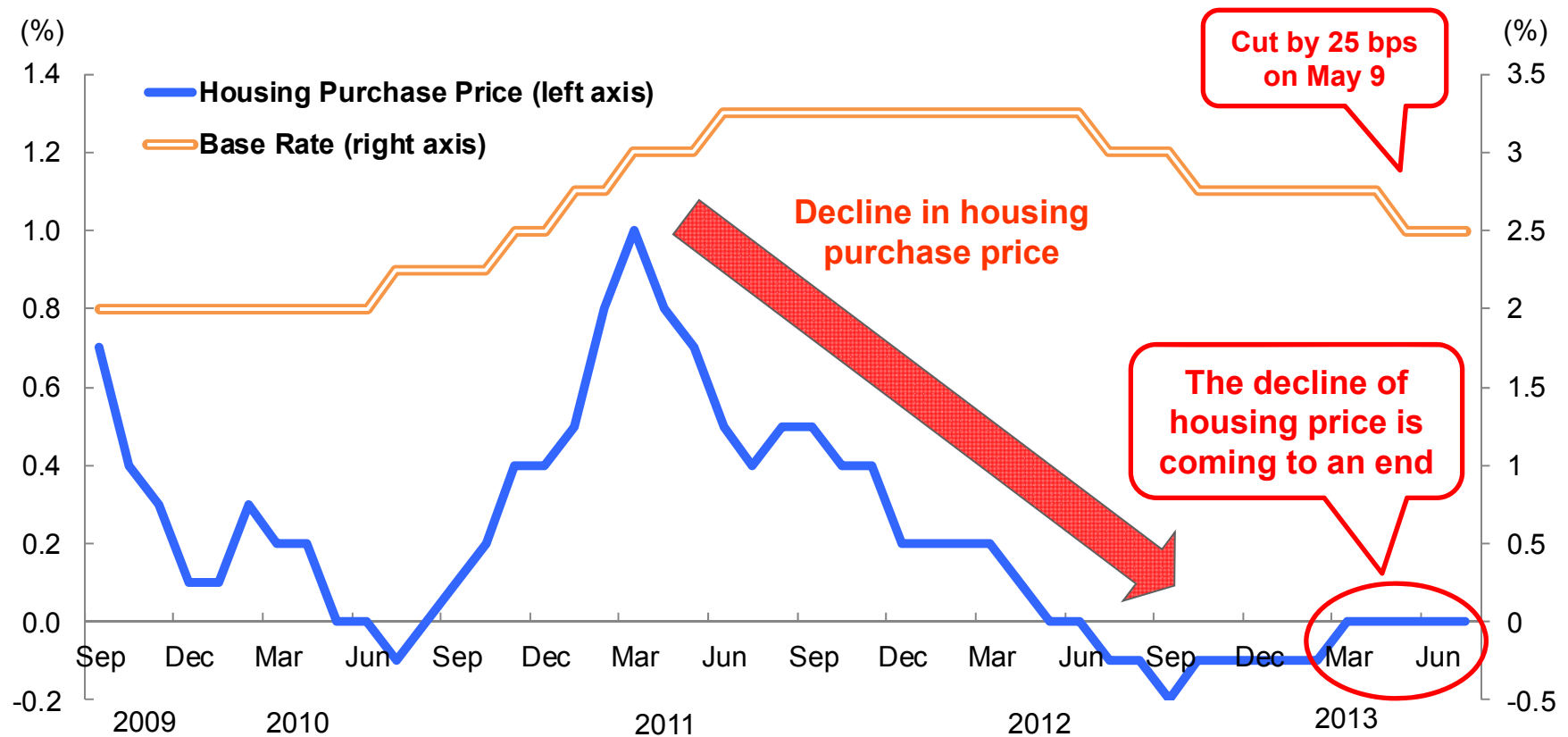
Newspaper article



(The Nikkei newspaper evening edition on July 25, 2013)

# Korean Housing Purchase Price Showing Signs of Bottoming Out

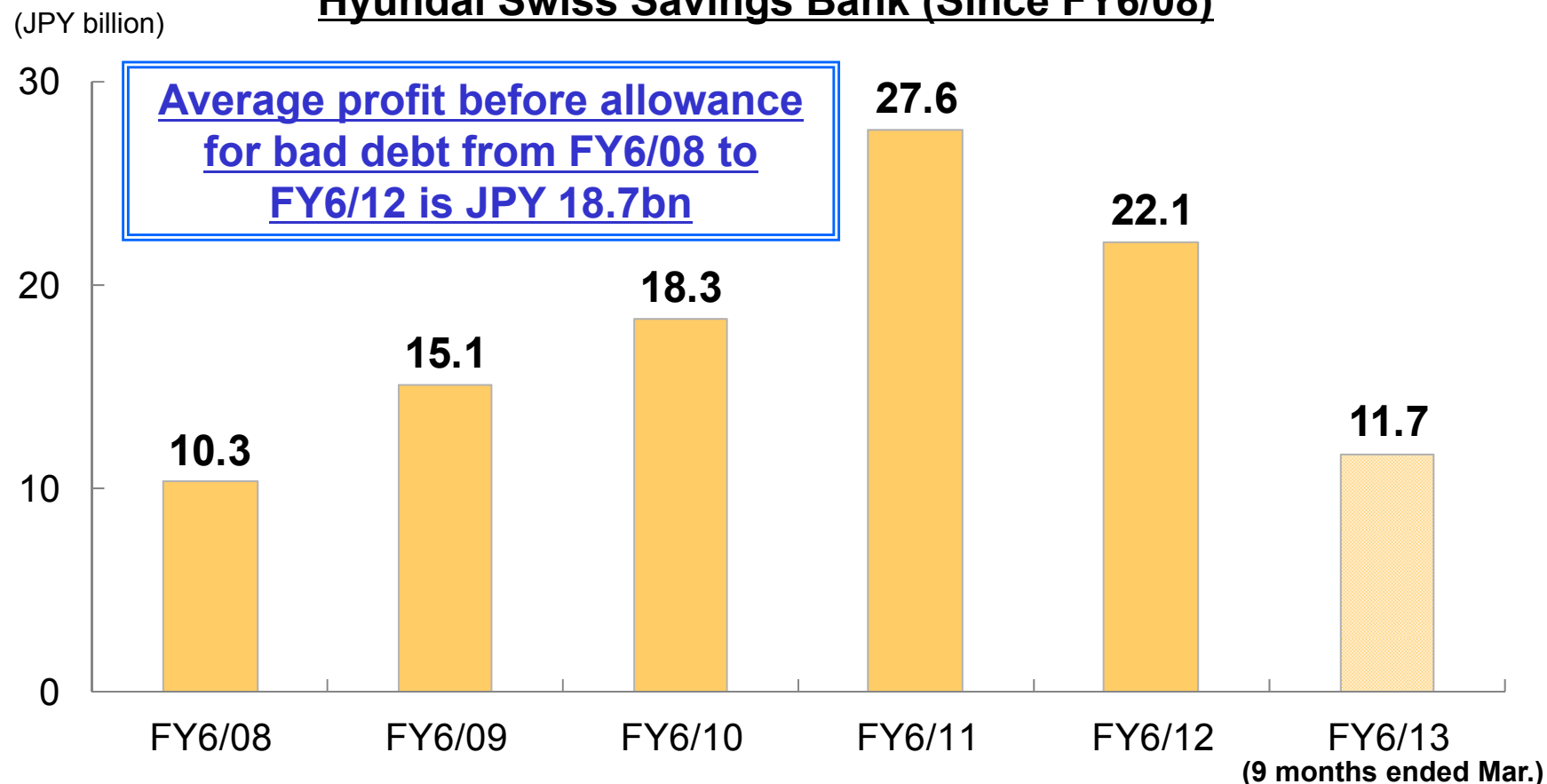
Korean Housing Purchase Price (MoM change) / Bank of Korea Base Rate



Source: Economic Statistics System, The Bank of Korea

## 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 Aug. 1, 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.

Doesn't include the impact of recording allowance for bad debt.

## Decision to Underwrite a Capital Increase of Hyundai Swiss Savings Bank (Parent Company) (Announced on Aug. 8, 2013)

- As a result of an assessment conducted by the Financial Supervisory Service of Korea, based on the standards as of Mar. 2013, legal restrictions are currently placed on new business activities, and so the bank is limiting deposit increases.
- The SBI Group made a definitive promise to underwrite a capital increase of KRW 246.2bn (approx. JPY 21.7bn), possibly by the end of Aug. 2013, to enable the bank to proactively proceed with new future business activities, on the premise that it will obtain the approval of the Financial Services Commission of Korea for the management improvement plan formulated by SBIH, including certain specified conditions presented by SBIH.
- To achieve a capital adequacy ratio of 7% or more, based on standards as of Mar. 2013, total capital amounting to KRW 428.2bn (approx. JPY 37.8bn), including the capital increase to be underwritten, is expected to be required. SBIH will consider the underwriting of the remaining capital increase of KRW 182.0bn (approx. JPY 16.1bn) by the end of Dec. 2013, as necessary.

Schedule	Amount of Capital Increase
Aug. 2013	KRW 246.2bn (approx. JPY 21.7bn*)
Dec. 2013	KRW 182.0bn (approx. JPY 16.1bn*) (under consideration)
Total	KRW 428.2bn (approx. JPY 37.8bn*)

**Planning to appropriate funds already reserved within the SBI Group to fund the underwriting of the capital increase**

\* Calculated by the exchange rate (1 KRW = 0.0883 JPY) as of Aug. 5, 2013

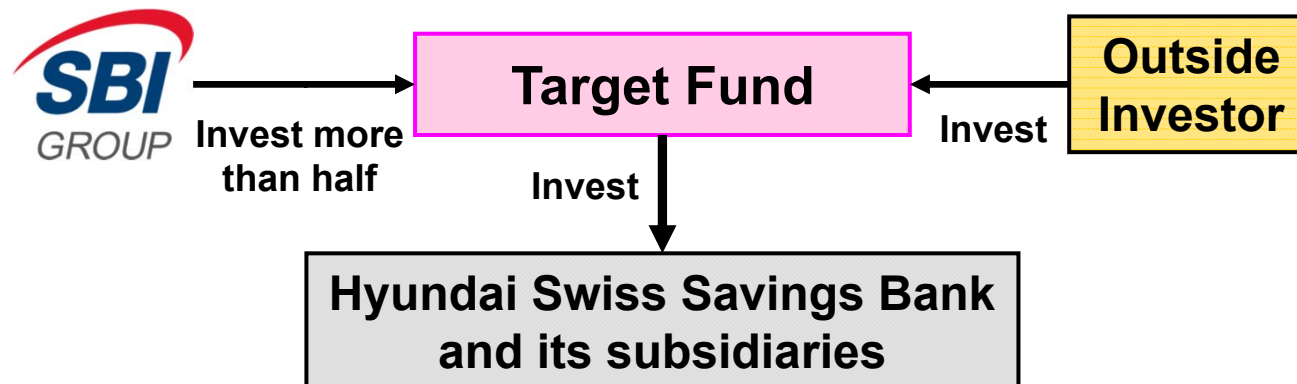
## Shifting to an Aggressive Management Approach to Enhance Profitability, Taking Advantage of the Capital Increase and Resulting Strengthened Financial Base

- The bank will utilize the funds raised to **implement measures to increase earnings, such as launching an online service** within the limits of legal authorization, and **initiating the provision of new products**.
- In line with the “economic democratization” policy of the Park Administration to promote sharing in the fruits of economic growth by small and medium-size enterprises and ordinary workers, the bank will **step up lending to the enterprises and individuals** likely to obtain government support.
- **Improving the portfolio** through continued debt collection efforts, as well as by issuing new loans.

## Upon the Normalization of Business, Outside Capital will be Raised to Diversify Risk and Enhance Investment Efficiency

After Hyundai Swiss Savings Bank's non-performing assets are cleared out and its business is normalized, SBI will consider direct or indirect capital participation from external companies, for which strategic partnerships may be expected, such as South Korean financial companies or industrial companies, while the Group will maintain a majority shareholding.

[Picture of indirect capital participation]



## **(4) Planned full-scale reentry into the life insurance business upon approval of the acquisition of shares of PCA Life Insurance**

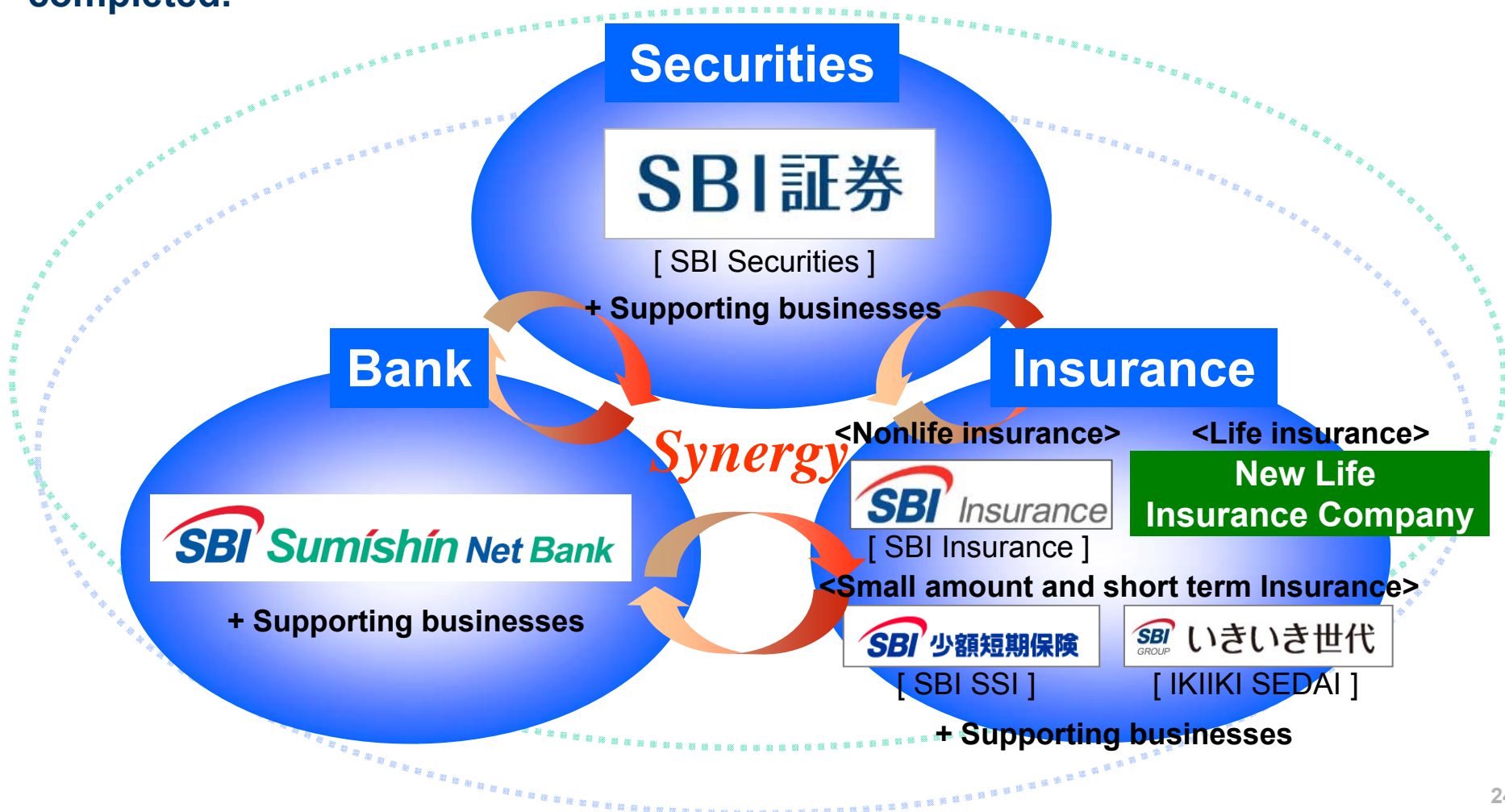
**The SBI Group's domestic financial ecosystem, with the three core financial businesses as its core, will be completed upon the share acquisition.**



# By Undertaking the Life Insurance Business, the Financial Ecosystem will be Completed



Through the completion of the share acquisition of PCA Life Insurance, thereby including the life insurance business, the financial ecosystem, with securities, banking and insurance businesses as the three core businesses, will be completed.



# Announced Share Acquisition of PCA Life Insurance

The total share acquisition of PCA Life Insurance, the Japanese arm of Prudential plc, for USD 85m was announced on July 16, 2013, subject to the authorization or permission to be granted by the relevant authorities in Japan.

## PCA Life Insurance

- Offer various life insurance products, including health insurance, annuities, and death insurance.
- Writing of new policies has been suspended since February 2010.

### [Business results]

(JPY million)	FY2010	FY2011	FY2012
<b>Ordinary revenues</b>	<b>30,240</b>	<b>32,363</b>	<b>30,828</b>
<b>Ordinary profit</b>	<b>1,292</b>	<b>2,348</b>	<b>4,199</b>
<b>Net income</b>	<b>775</b>	<b>2,147</b>	<b>4,088</b>

(Reference) Comparison with other insurers that use the Internet as their main sales channel FY2012 (Source: Disclosure from each company)

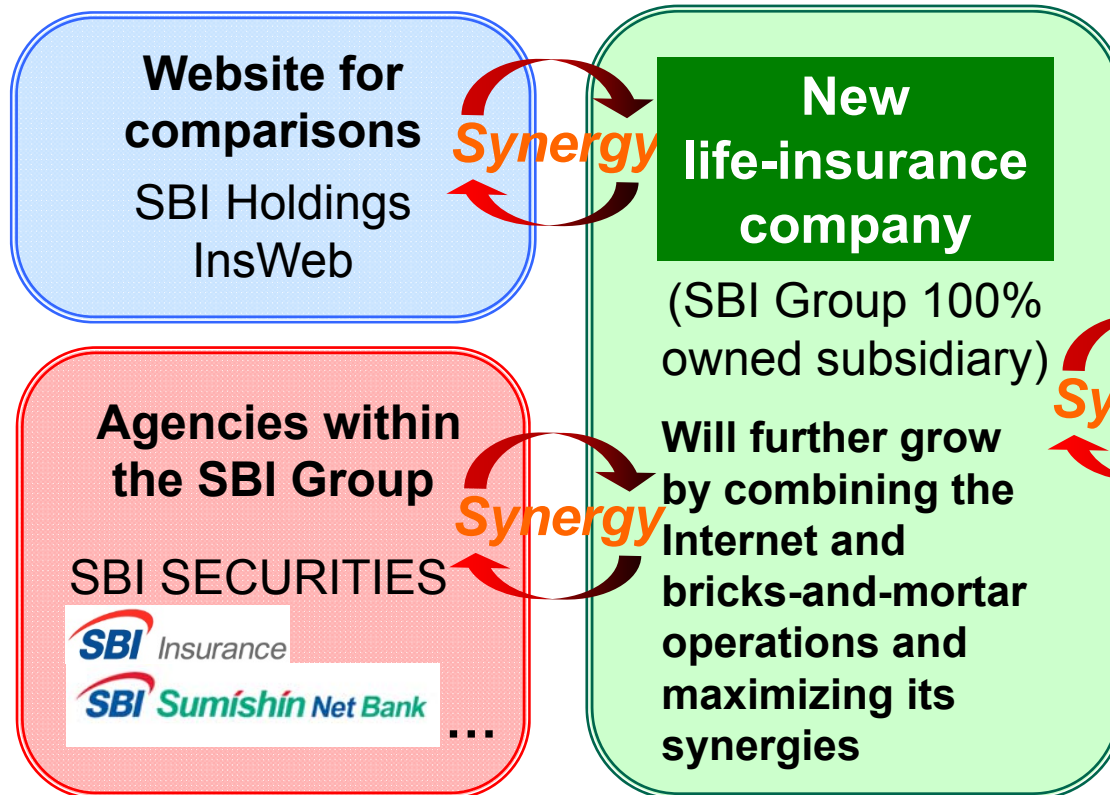
(JPY million, thousand contracts)	PCA Life	LIFENET	AXA Direct Life	Rakuten Insurance
<b>Ordinary profit</b>	<b>4,199</b>	<b>-23</b>	<b>-1,700</b>	<b>2,090</b>
<b>Total assets</b>	<b>170,397</b>	<b>20,450</b>	<b>12,858</b>	<b>27,433</b>
<b>Number of insurance contracts</b>	<b>130</b>	<b>170</b>	<b>50</b>	<b>660</b>

# A Life Insurance Company that Combines the Internet and Bricks-and-Mortar Operations

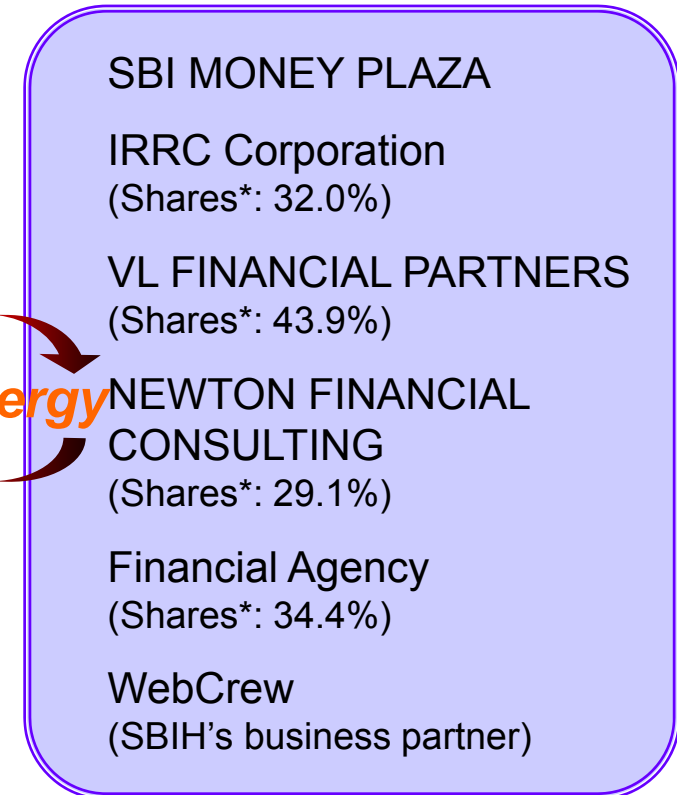


With completion of the share acquisition, growth as a life insurance company by combining the Internet and bricks-and-mortar operations and maximizing its synergies: expected to contribute to the SBI Group as a business that generates stable earnings resistant to the impact of the stock market.

## [Internet channel]



## [Face-to-face channel]



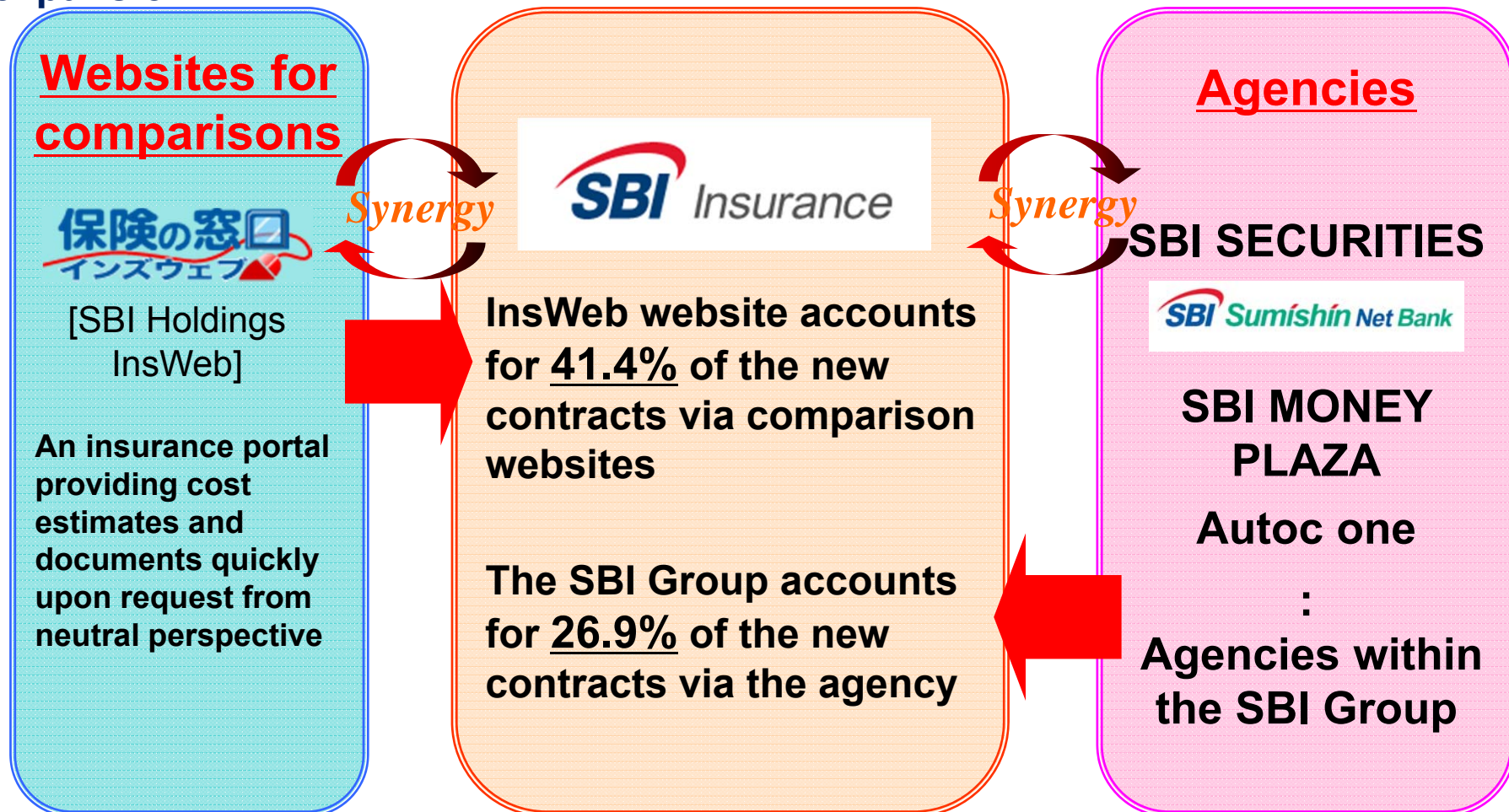
\* SBI's shareholding percentage corresponds to a total percentage based on the IFRS criteria for subsidiary companies and subsidiary funds of the Group.

As a life insurance company, after the resumption of policy writing, plans to increase efficiency in asset management through enhancement of asset and liability management (ALM).

# Good Example of Synergy within the SBI Group (SBI Insurance)



SBI Group companies, including SBI SECURITIES and the insurance comparison website “InsWeb,” through their respective customer bases, becomes a sales channel that exerts synergy effects that contributes to SBI Insurance’s business expansion.

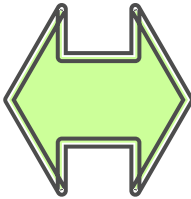


## **(6) First-ever quarterly profit for the Biotechnology-related Business**

# Consolidated Results of the Biotechnology-related Business for 1Q FY2013 (IFRS based)

[Profit before income tax expense]

(JPY million)

	1Q FY2012 (Apr.-June 2012)		1Q FY2013 (Apr.-June 2013)
Total of the Biotechnology-related Business	<b>-690</b>		<b>70</b>

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

## FY2013 Plan

- Anticipated milestone income at Quark (total of USD 33.8m)
- Planned start of 5-ALA supply to Japanese pharma majors by SBI Pharmaceuticals

—Possible full-year profitability of the Biotechnology-related Business—

## **(7) Financial situation**

# Consolidated Balance Sheet

(Unit: JPY billion)

	Mar. 31, 2013	June 30, 2013	Change
<b>Total Assets</b>	<b>2,494.4</b>	<b>2,777.7</b>	<b>+283.2</b>
(Breakdown)			
Consolidation of Hyundai Swiss	449.7	429.6	-20.1
Securities-related assets	1,433.6	1,685.4	+251.8
Others	611.1	663.5	+52.4

As the customer transactions at SBI SECURITIES increased, owing to the sharp recovery in the stock market, securities-related assets including cash segregated as deposits significantly increased.

At Hyundai Swiss, debt recovery progressed with the decrease in deposits from customers, and as a result assets decreased.

	Mar. 31, 2013	June 30, 2013	Change
<b>Equity attributable to owners of the Company</b>	<b>303.3</b>	<b>321.4</b>	<b>+18.2</b>



# SBI Holdings' Stable Financial Base

## Consolidated Financial Indicators of SBI Holdings (%)

Substantive figures after adjusting for asset and liability accounts associated specifically with the securities company \*1

	Mar. 31, 2013	June 30, 2013
Interest-bearing Debt Ratio *2	113.5	97.1
Ration of Equity Attributable to Owners of the Company *3	22.9	23.0

\*1 Assets related to securities business = cash segregated as deposits + margin transaction assets + other assets related to securities business

Liabilities related to securities business = margin transaction liabilities + guarantee deposits received + deposits from customers + other liabilities related to securities business

\*2 Interest-bearing Debt / Equity Attributable to Owners of the Company. Interest-bearing Debt does not include Margin Transaction Liabilities.

\*3 Equity attributable to owners of the Company/Total Assets

# Operating Cash Flow Status for 1Q FY2013



(Unit: JPY million)

	1Q FY2013
<b>Net cash from (used in) operating activities</b>	<b>69,226</b>
<b>Profit before income tax expense</b>	<b>30,457</b>
<b>Decrease (increase) in account receivables and other receivables (*1)</b>	<b>24,262</b>
<b>Decrease in deposits from customers (*2)</b>	<b>-27,745</b>
<b>Increase in assets/liabilities related to securities business</b>	<b>30,421</b>
<b>Others</b>	<b>11,831</b>

\*1 JPY 25,899m is associated with Hyundai Swiss

\*2 Entirely associated with Hyundai Swiss

Operating cash flow for 1Q FY2013 was positive, owing to the significant growth in profit before income tax expense and the increase in loans payable secured by securities at SBI SECURITIES, as the balance of stock lending rose.


At Hyundai Swiss Savings Bank, decreased the balance of deposits from customers by purposely reducing deposit interest rates, since the company is not allowed to operate aggressively, while steadily progressing with debt recovery.

## Improvement of Long-and Short-term Debt Balance

**Due to the issuance of straight bonds worth JPY 30.0bn (with maturities of 3 years) in Aug. 2013, the Group will extend debt maturities by reducing the balance of short-term debts such as 1-year SBI bond (Euro MTN)**

**Cash and deposits** (end of June 2013; consolidated basis) : **JPY 175.1bn**

**Interest-bearing debt balance** (end of June 2013; non-consolidated basis)

	On the balance sheet	→	Considering the abovementioned scheme
<b>Short-term debts:</b>	<b>JPY 130.2bn</b>		<b>JPY 100.2bn</b>
<b>Long-term debts:</b>	<b>JPY 70.3bn</b>		<b>JPY 100.3bn</b>

## **(8) Outlook for FY2013 full-year business results**

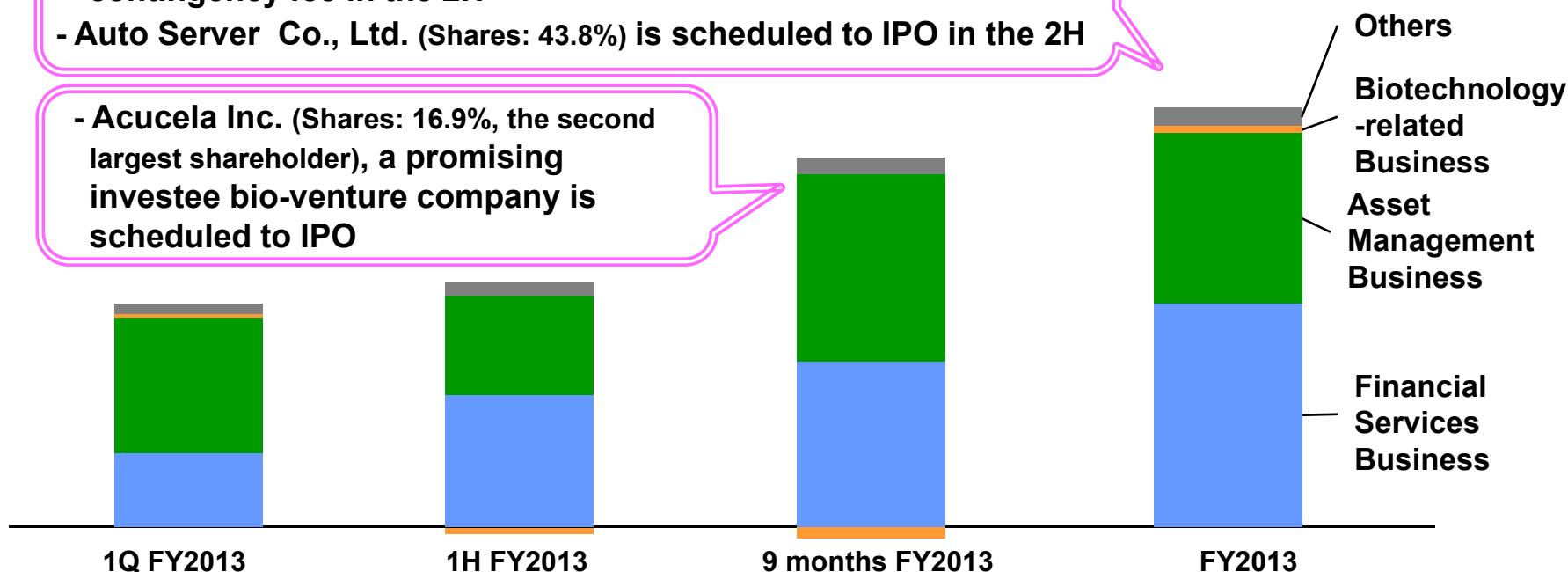
# Picture of Full Year Operating Income of FY2013

- **FS Business:** Further expected to stably accumulate profits from 2Q onward
- **AM Business:** IPOs of investee companies are scheduled and business environment serves as a tail wind for the Company
- **Bio Business:** Planned to receive partially a potential contingency fee and has a potential to achieve profitability

➔ **Full year operating income of FY2013 is expected to significantly exceed that of FY2005 when SBIH achieved a record operating income of JPY 49.6bn based on J-GAAP.**

- Quark Pharmaceuticals is planning to receive a potential contingency fee in the 2H
- Auto Server Co., Ltd. (Shares: 43.8%) is scheduled to IPO in the 2H

- Acucela Inc. (Shares: 16.9%, the second largest shareholder), a promising investee bio-venture company is scheduled to IPO



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

## **2. 1Q FY2013 Overview of Principal Companies in Each Segment and Status of Activities under the Newly Adopted Aggressive Management Approach**

## Financial Service Business

[State of the Major Financial Service Business Companies]

- ① **SBI SECURITIES**
- ② **SBI Japannext**
- ③ **SBI Liquidity Market, SBI FXTRADE**
- ④ **SBI Sumishin Net Bank** (Equity-method Company)
- ⑤ **SBI Insurance**
- ⑥ **SBI Mortgage**
- ⑦ **SBI MONEY PLAZA**
- ⑧ **Morningstar Japan**

# Performance Analysis by Business Segment

## ~ Financial Services Business ~



### Performances of Major Subsidiaries that Significantly Affected Profit Before Income Tax Expense

[Profit Before Income Tax Expense]

(Based on IFRS, Unit: JPY billion)

	1Q FY2012 (Apr.-June 2012)	1Q FY2013 (Apr.-June 2013)	YoY change
SBI SECURITIES	1.3	9.6	+8.3
SBI Japannext	0 (*1)	0.3	+0.3
SBI Liquidity Market	0.4	0.4	0
SBI Insurance	-0.9	-0.7	+0.2
SBI Mortgage	0.5	0.9	+0.4
SBI MONEY PLAZA	0	0.5	+0.5
Morningstar	0.2	0.3	+0.1
SBI Sumishin Net Bank (Share of results of associates using the equity method)	-0.7 (*2)	-0.8	-0.1

**Recorded loss on revaluation of securities based on IFRS, due to the devaluation of treasuries held**

\*1 SBI Japannext was consolidated as of the end of Sept. 2012, therefore the amount for 1Q FY2012 result is “Share of results of associates using the equity method”

\*2 SBI Sumishin Net Bank used interest rate swaps in preparation for the rise in interest rates, and accordingly SBIH recorded deferred losses from hedging, etc. based on IFRS, owing to the decline in interest rates in 1Q FY2012.

\*3 Amounts are rounded to the nearest JPY 100 million

\*4 Abovementioned figures are the financial results of each company that is recognized in SBIH’s consolidated financial statements



## ① SBI SECURITIES

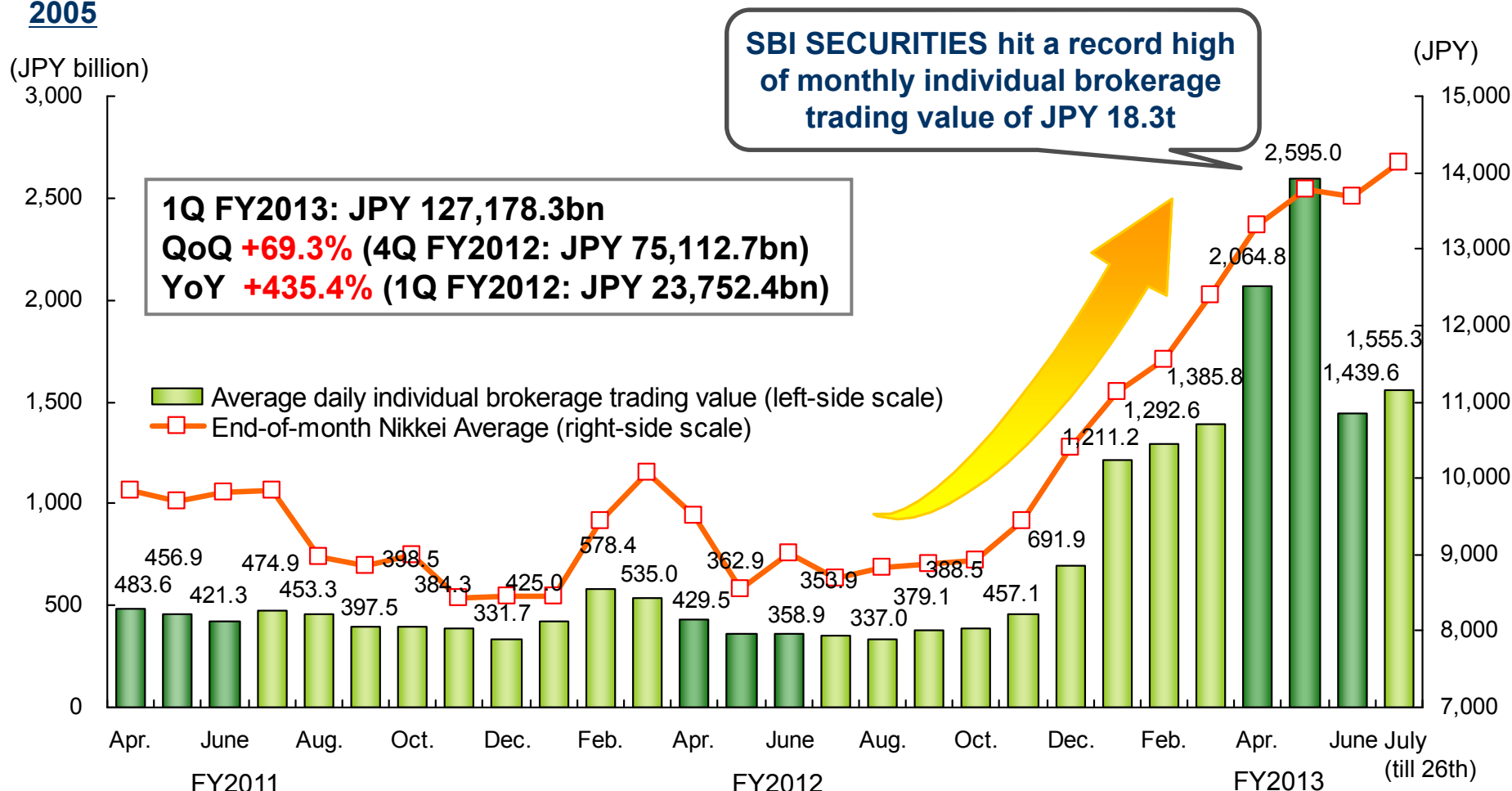
- **Quarterly results were strong as 1Q (Apr.-June) FY2013 operating revenue increased 38.8%, and operating income rose 62.4% quarter-on-quarter. Operating revenue recorded an historical high and operating income recorded the second-highest profit level to 4Q FY2005 of JPY 10.5bn.**
- **Under brisk market conditions, the monthly individual brokerage trading value hit a record high in May, and commissions rose 1.5 times quarter-on-quarter. Also diversification of earning sources succeeded, such as the increase in financial revenue and investment trust fees reaching a record level contributed to the results.**

# Reactivation of Individual Stock Trading Since the End of Last Year



## Average Daily Individual Brokerage Trading Value (3 market total \*)

Owing to the “Abenomics”, the cumulative individual brokerage trading value in Japan for 1Q FY2013 was JPY 127,178.3bn, up 69.3% QoQ. In May 2013, the monthly individual brokerage trading value marked a historical high of JPY 57,090.0bn exceeding the previous record of JPY 42,952.4bn in Dec. 2005



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

# SBI SECURITIES 1Q FY2013

## Consolidated Results (J-GAAP)

~ Operating Revenue recorded historical high and Operating Income hit the second-highest profit level to 4Q FY2005 of JPY 10.5bn ~

[ Year-on-year ]

(Unit: JPY million)

	1Q FY2012 (Apr.-June 2012)	1Q FY2013 (Apr.-June 2013)	YoY change (%)
Operating Revenue	<b>9,178</b>	<b>21,101</b>	<b>+129.9</b>
Net Operating Revenue	<b>8,536</b>	<b>19,904</b>	<b>+133.2</b>
Operating Income	<b>1,426</b>	<b>9,786</b>	<b>+586.1</b>
Ordinary Income	<b>1,455</b>	<b>9,746</b>	<b>+569.9</b>
Net Profit	<b>1,370</b>	<b>6,062</b>	<b>+342.4</b>

# SBI SECURITIES 1Q FY2013 Consolidated Results (J-GAAP)

~ Compared to 4Q FY2012, SBI SECURITIES' financial results significantly increased ~

[ Quarter-on-quarter ]

(Unit: JPY million)

	1Q FY2012 (Apr.-June 2012)	2Q FY2012 (July.-Sept. 2012)	3Q FY2012 (Oct.-Dec. 2012)	4Q FY2012 (Jan.-Mar. 2013)	1Q FY2013 (Apr.-June 2013)	QoQ change (%)
Operating Revenue	9,178	9,031	9,984	15,207	21,101	+38.8
Net Operating Revenue	8,536	8,263	9,260	14,435	19,904	+37.9
Operating Income	1,426	1,661	2,364	6,026	9,786	+62.4
Ordinary Income	1,455	1,701	2,443	5,911	9,746	+64.9
Net Profit	1,370	1,043	1,441	2,879 <sup>(*)</sup>	6,062	+110.5

\* Regarding the financial instruments transaction liability reserves, owing to the significant increase in the stock trading value propagated by the brisk stock market movement since 3Q FY2012, in accordance with the Financial Instruments and Exchange Act, SBI SECURITIES implemented a reserve of approximately JPY 520m (indicates a decrease in extraordinary income).

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

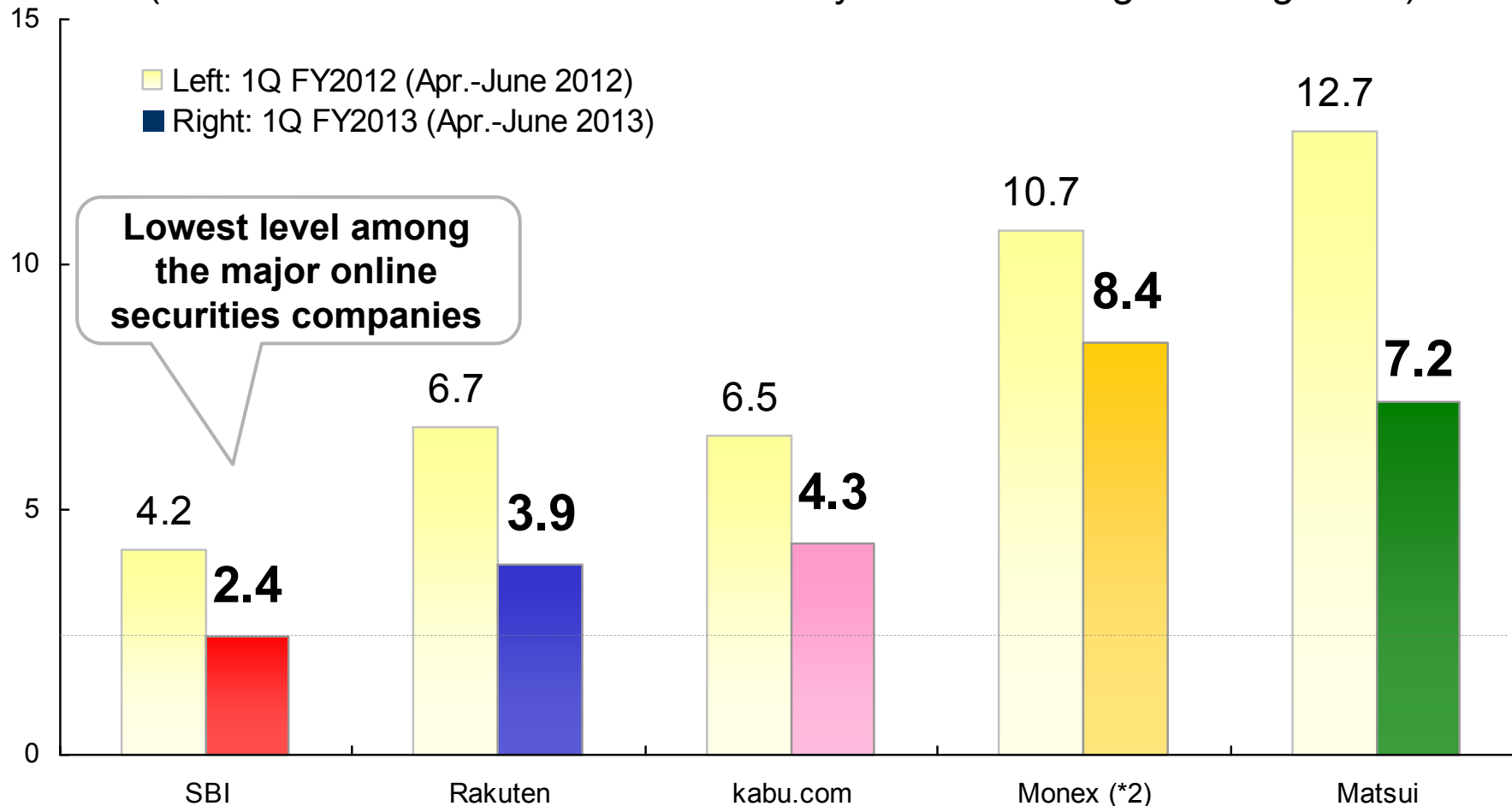
(Unit: JPY million)

	Operating Revenue	YoY change (%)	Operating Income	YoY change (%)
<b>SBI</b>	<b>21,101</b>	<b>+129.9</b>	<b>9,786</b>	<b>+586.1</b>
<b>Monex (*)</b>	<b>16,866</b>	<b>+107.8</b>	<b>6,354</b>	<b>+2,411.3</b>
<b>Rakuten</b>	<b>13,624</b>	<b>+181.5</b>	<b>7,312</b>	<b>+712.4</b>
<b>Matsui (non-cons.)</b>	<b>13,152</b>	<b>+228.9</b>	<b>9,587</b>	<b>+596.6</b>
<b>kabu.com (non-cons.)</b>	<b>7,162</b>	<b>+149.4</b>	<b>3,789</b>	<b>+613.1</b>

\* From full year FY2012, Monex has adopted IFRS and the relevant figures above are based on IFRS. Incidentally, the amount for “Operating Income” is “The amount equivalent to operating income” disclosed by Monex.

# Comparison of Basis Point Among the Major Online Securities Companies

(Basis point) (Calculated as commissions divided by stock brokerage trading value)



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

\*2 Figures of Monex are 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.

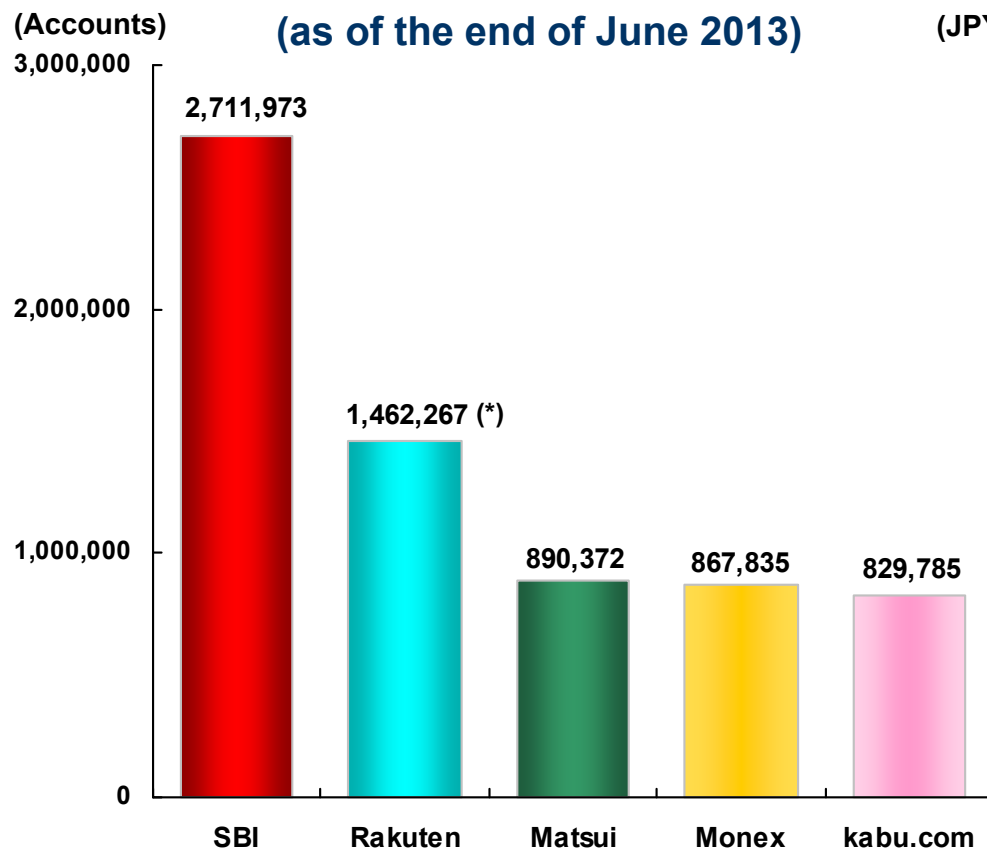
Commissions are from earnings briefings

Figures for SBI SECURITIES are based on the Internet Division only

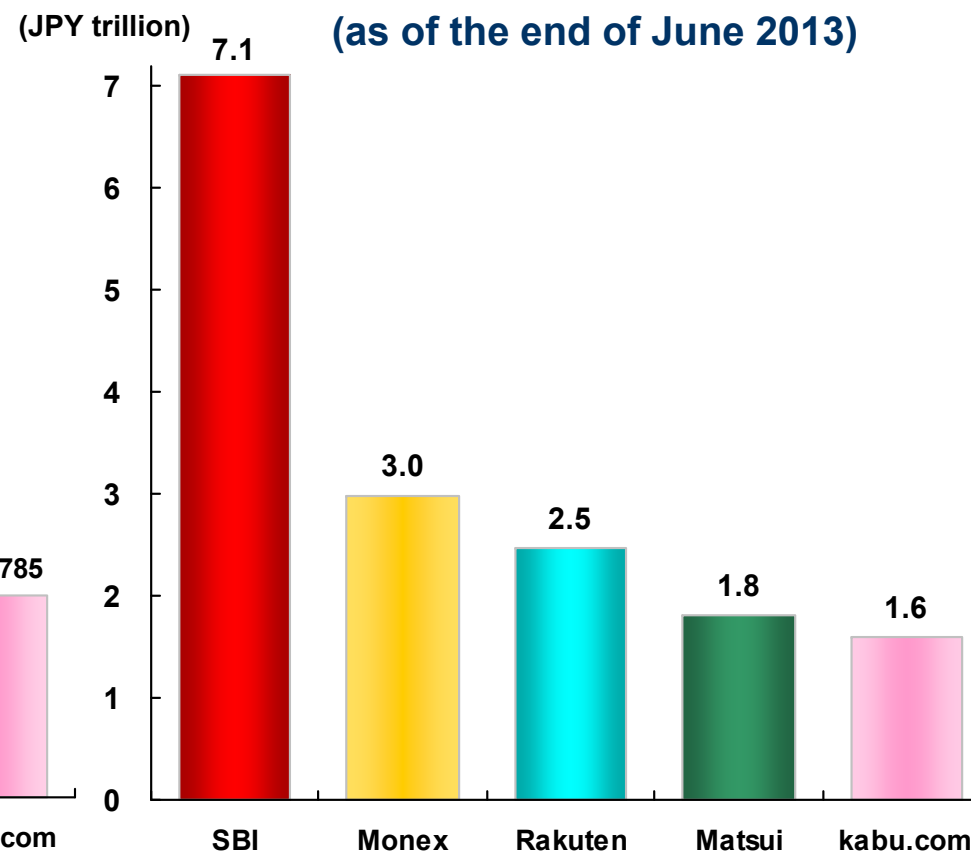
# Solid Customer Base of SBI SECURITIES ①

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

**Customer Accounts of 5 Online Securities Companies**  
(as of the end of June 2013)



**Customers' Deposit Assets of 5 Online Securities Companies**  
(as of the end of June 2013)



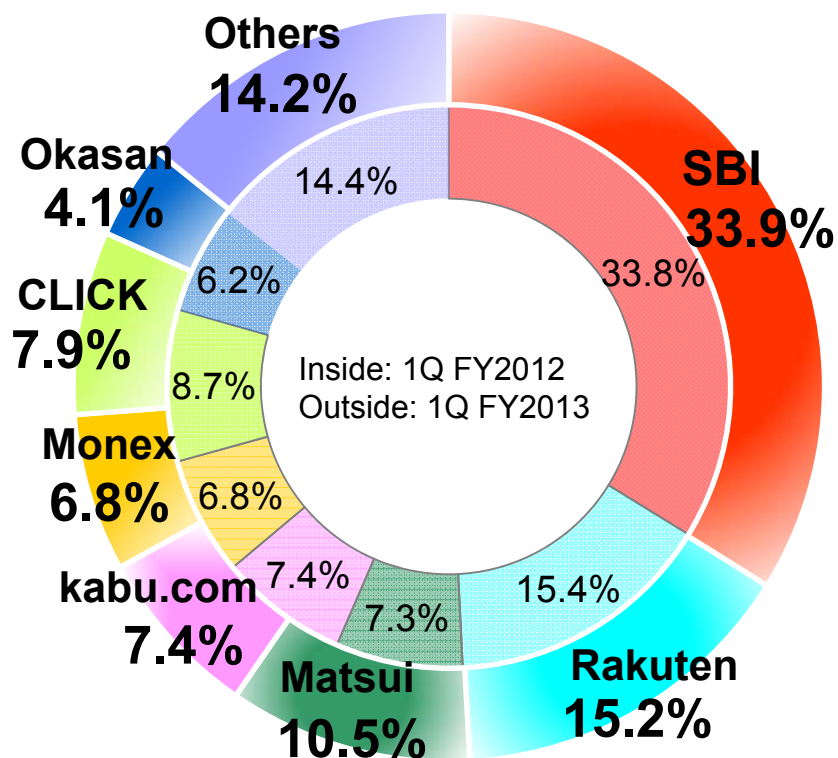
\* The figures of Rakuten is as of the end of Mar. 2013. The figures as of the end of June is undisclosed.

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

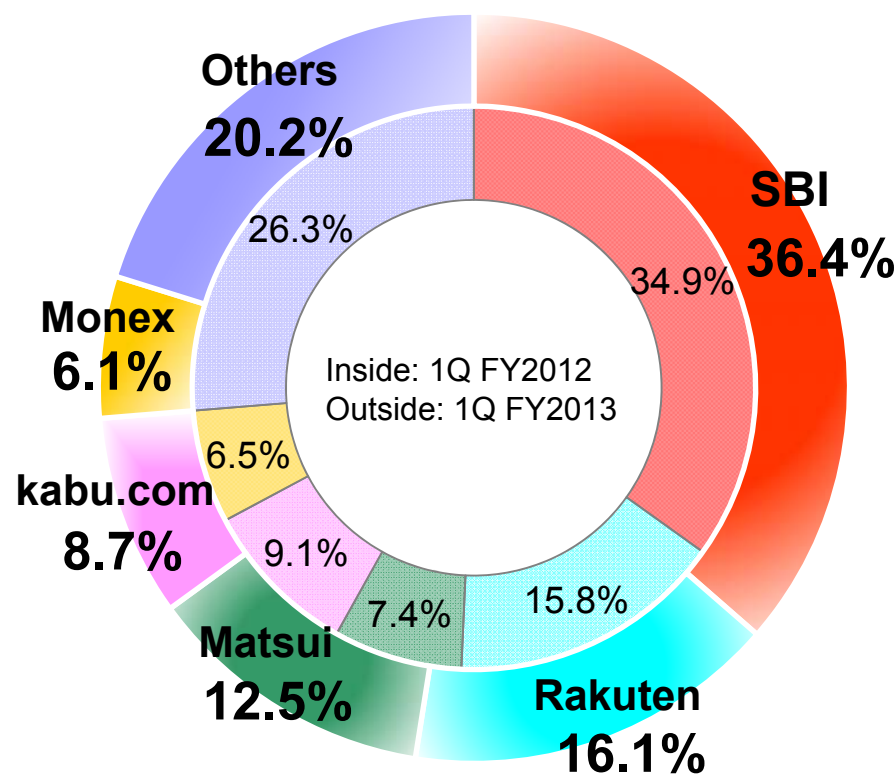
# Solid Customer Base of SBI SECURITIES ②

## < Individual Brokerage Trading Value >

Share of Individual Stock Trading Value (%)  
1Q FY2013  
(Apr.-June 2013)



(of which) Share of Individual Margin Trading Value (%)  
1Q FY2013  
(Apr.-June 2013)



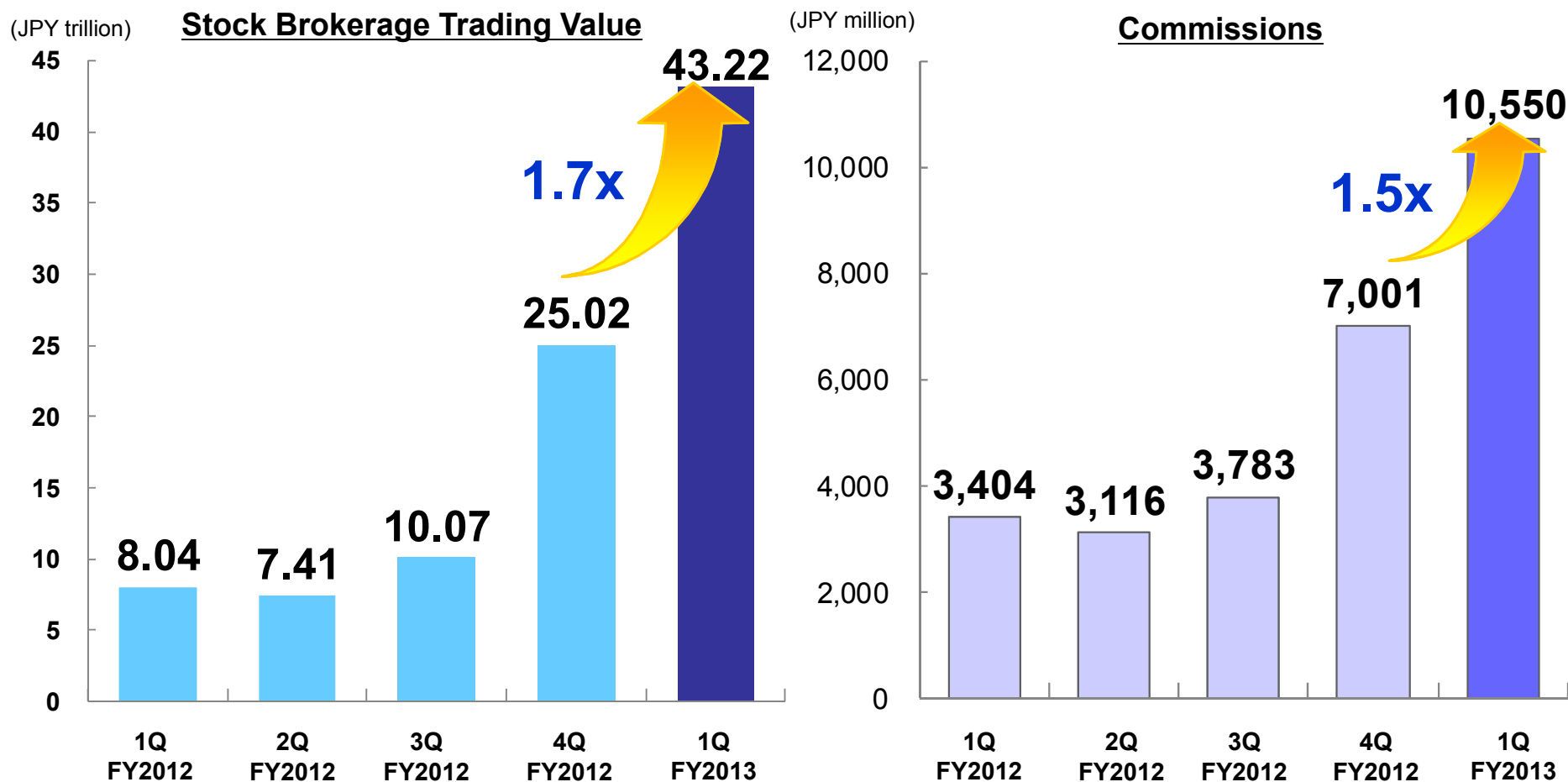
Source: Compiled by SBI SECURITIES based on Tokyo Stock Exchange and JASDAQ materials and websites of each company  
\* The whole individual stock trading value and individual margin trading value are the sum of 1st and 2nd section of the Tokyo, Nagoya and Osaka Stock Exchange, respectively.



# Increase in Stock Brokerage Trading Value and Commissions

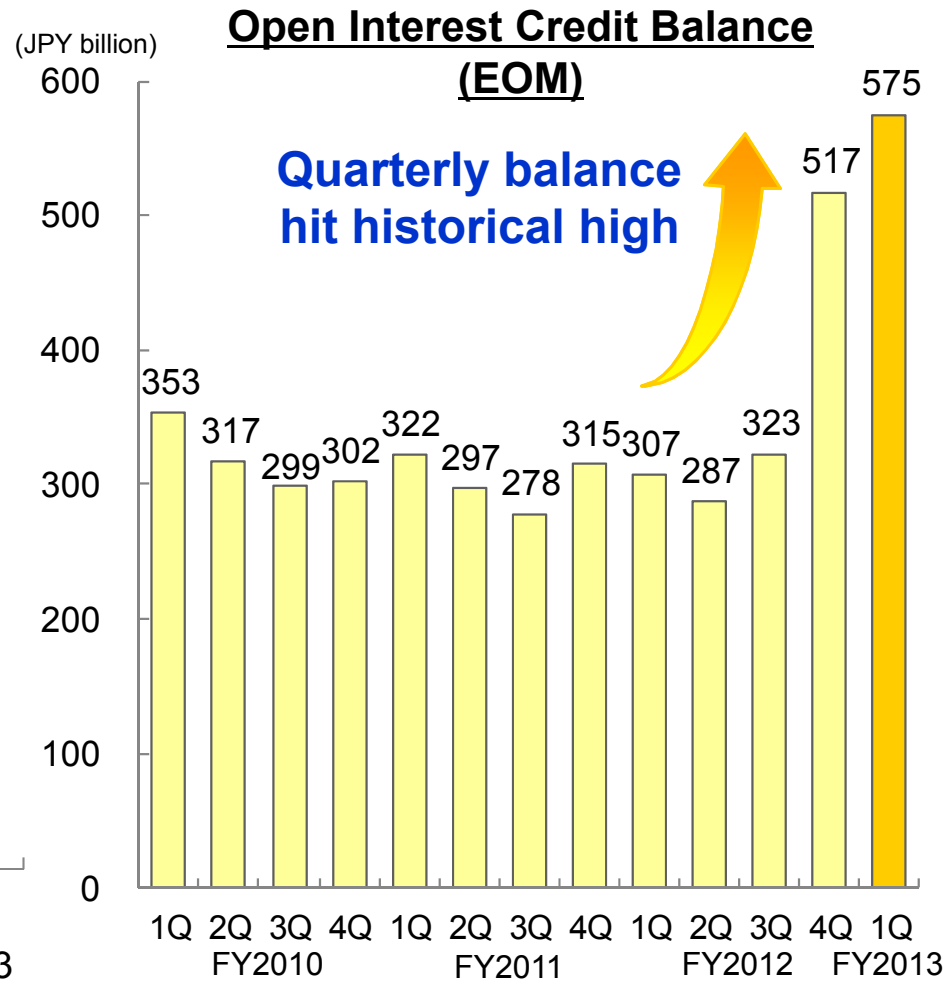
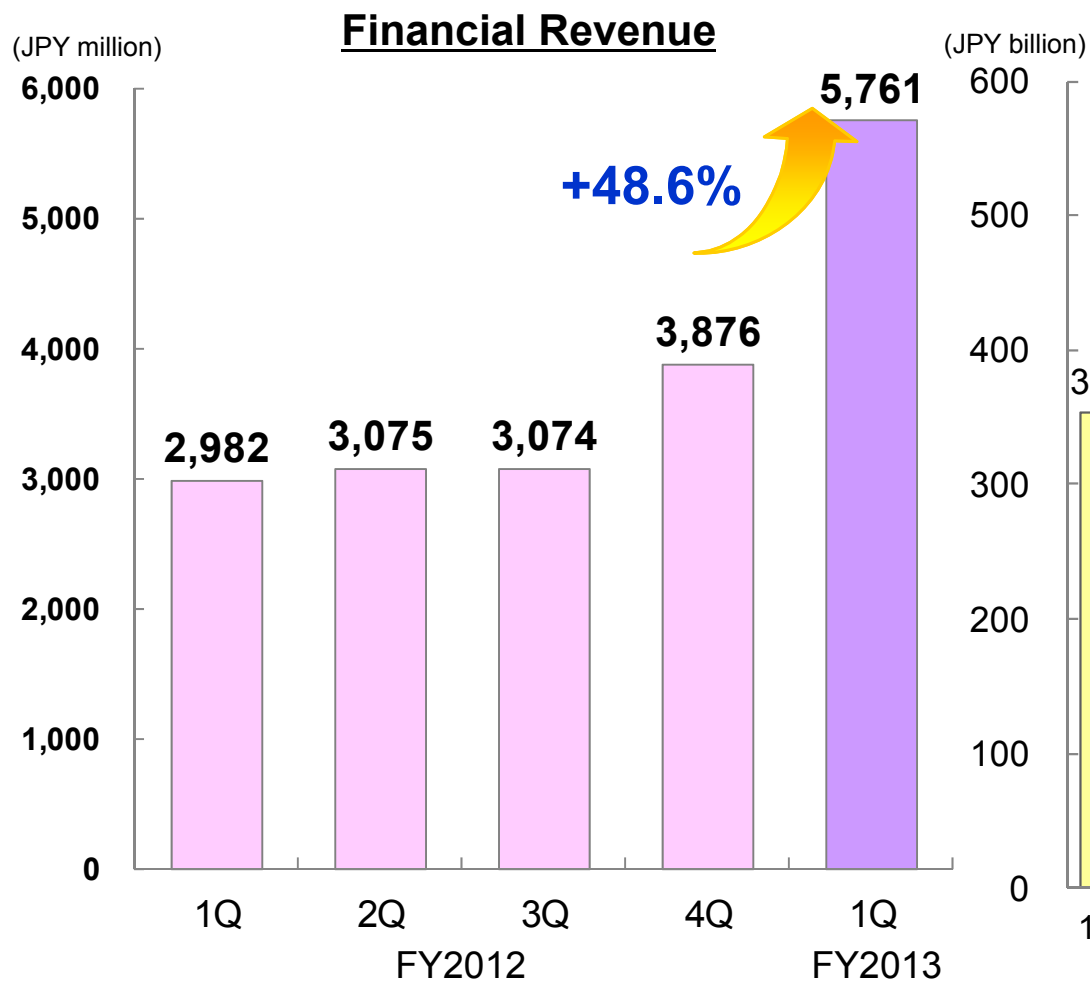
~ Significantly increased in the 1Q FY2013 (Apr.-June) owing to the strong market condition, ~

## Transition of Stock Brokerage Trading Value and Commissions



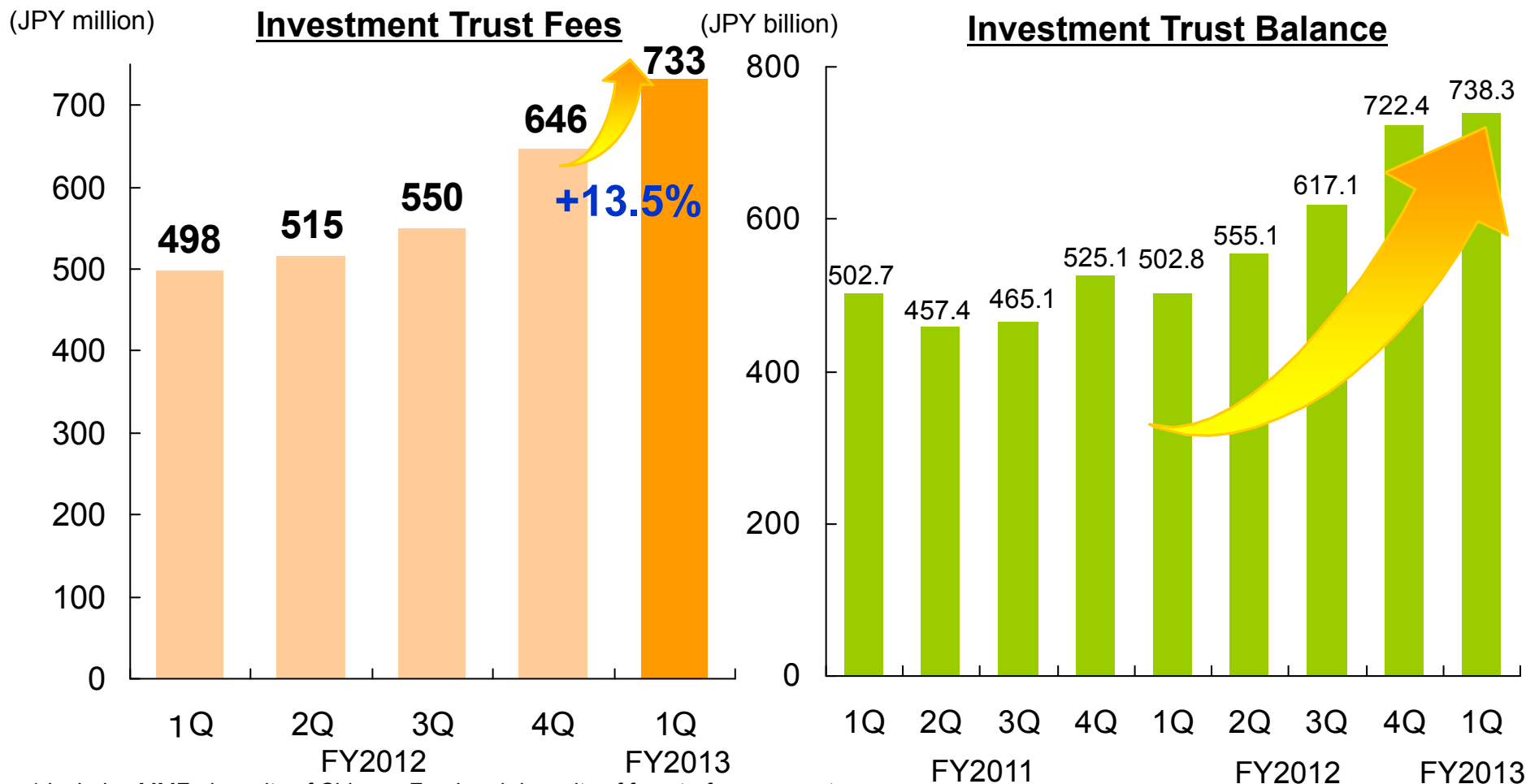
# SBI SECURITIES' Financial Revenue and Open Interest Credit Balance for 1Q (Apr.-June)

~ Due to the improvement in the market environment, the transactions increased and the open interest credit balance dramatically increased, and financial revenue rose by 48.6% QoQ ~



# SBI SECURITIES' Investment Trust Fees and Investment Trust Balance for 1Q (Apr.-June)

~ With the backdrop of strong sales of investment trusts, both the balance and fees hit a quarterly record high ~

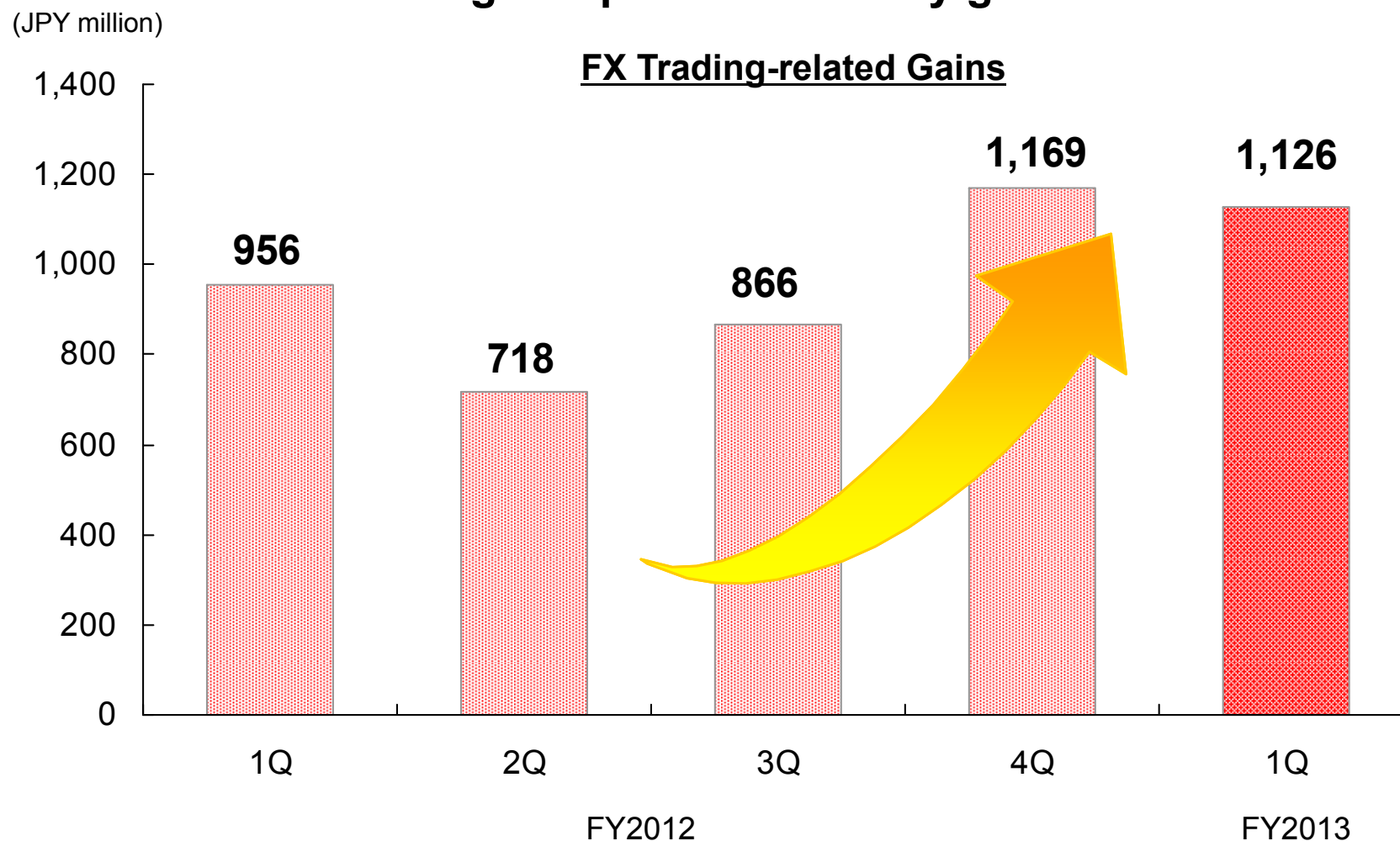


\* Includes MMF, deposits of Chinese Fund and deposits of face-to-face accounts

\* Investment trust fee is included in "Other commission received". \* Trust fee excludes MRF

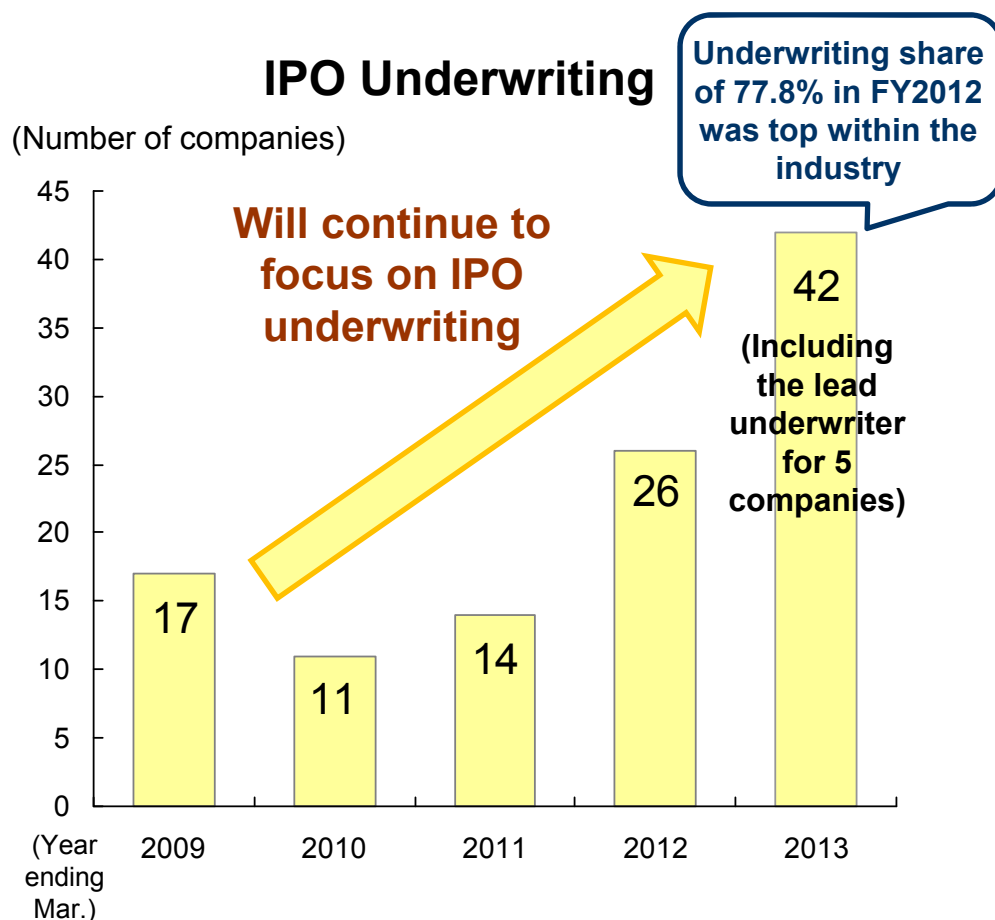
## SBI SECURITIES' FX Trading-related Gains for 1Q (Apr.-June)

~ Escalation with the increase in FX trading value, FX Trading-related gains posted a healthy growth ~



# Number of IPO Underwriting

**Continuously the industry leader in IPO underwriting for 1Q FY2013**



**IPO Underwriting Ranking (1Q FY2013)**  
7 companies were listed during the period

Company name	No. of cases	Underwriting share (%)
<b>SBI</b>	<b>6</b>	<b>85.7</b>
<b>Okasan</b>	<b>6</b>	<b>85.7</b>
<b>SMBC Nikko</b>	<b>5</b>	<b>71.4</b>
<b>Ace</b>	<b>5</b>	<b>71.4</b>
<b>Mizuho</b>	<b>4</b>	<b>57.1</b>
<b>SMBC Friend</b>	<b>4</b>	<b>57.1</b>
<b>Nomura</b>	<b>3</b>	<b>42.9</b>

\*The above numbers do not include consignments. Based on listing date. The figures exclude brokerage sales and REITs.

\*The number of IPOs for FY2011 includes an issue listed on TOKYOAIM

\*The above IPOs represent issues underwritten in Japan only and do not include additional secondary offerings or overseas issues.

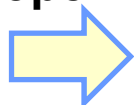
\*The number of underwritten issues represents both lead managed underwritings and syndicate participation.

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

## Capturing Long-term Investors through NISA

- “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



As of the end of July 2013, it has received 320,000 applications

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

### [ Features of SBI SECURITIES' NISA]

Rich lineup of products

**Domestic  
stocks**

Lowest level of commission fee among its peers

By using the PTS, trading during night time is possible

**Investment  
trust**

Over 1,300 investment trusts including the largest number of no-load investment trusts in the industry

(as of July 3, 2013)


**Foreign  
stocks**

Provides foreign stocks of 9 countries, the most among the major online securities companies

\* The U.S., China, Korea, Russia, Vietnam, Indonesia, Singapore, Thailand and Malaysia

# Customer Satisfaction Assessment (SBI SECURITIES)



 **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.

## Customer Service Center

 HDI (Help Desk Institute) Certification in 2012  
[ Securities Industry ] **For 3 years!**  
“Call-center Contact Ranking”  
Achieved the highest rank “three stars”

## Official Website

 HDI (Help Desk Institute) Certification in 2012  
[ Securities Industry ] **3<sup>rd</sup> time  
2 years in  
a row!**  
“Support Portal Raking (Official Website)”  
Achieved the highest rank “three stars”

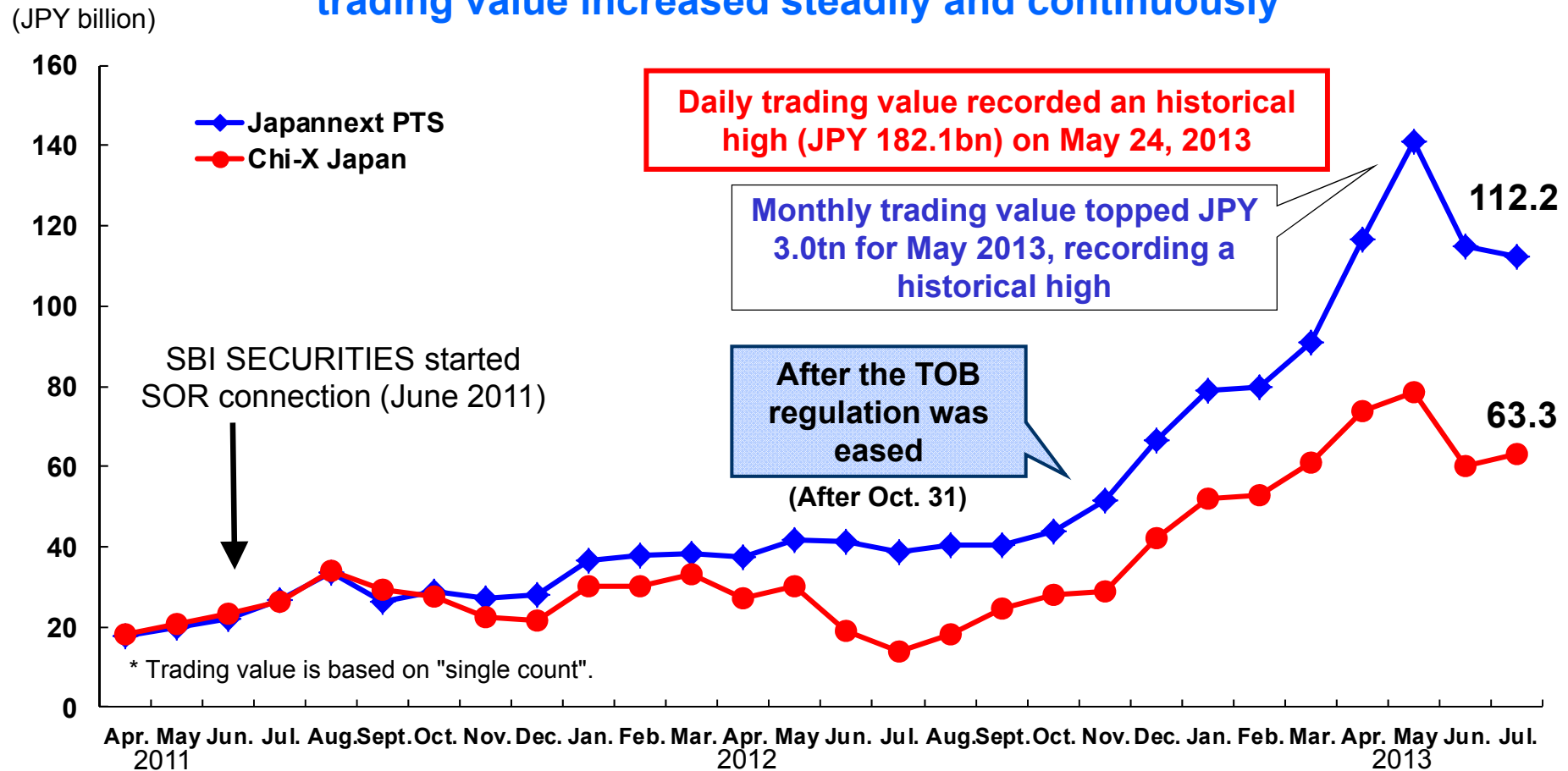
## ② SBI Japannext (PTS)

- Owing to the effects of TOB regulatory easing and "Abenomics", trading value increased steadily and continuously
- With an active market environment, operating income for 1Q FY2013 exceeded the full year operating income of FY2012



## Average Daily Trading Value at Japannext PTS Surged

Owing to the effects of TOB regulatory easing and "Abenomics", trading value increased steadily and continuously



### TOB (take-over bid) regulation

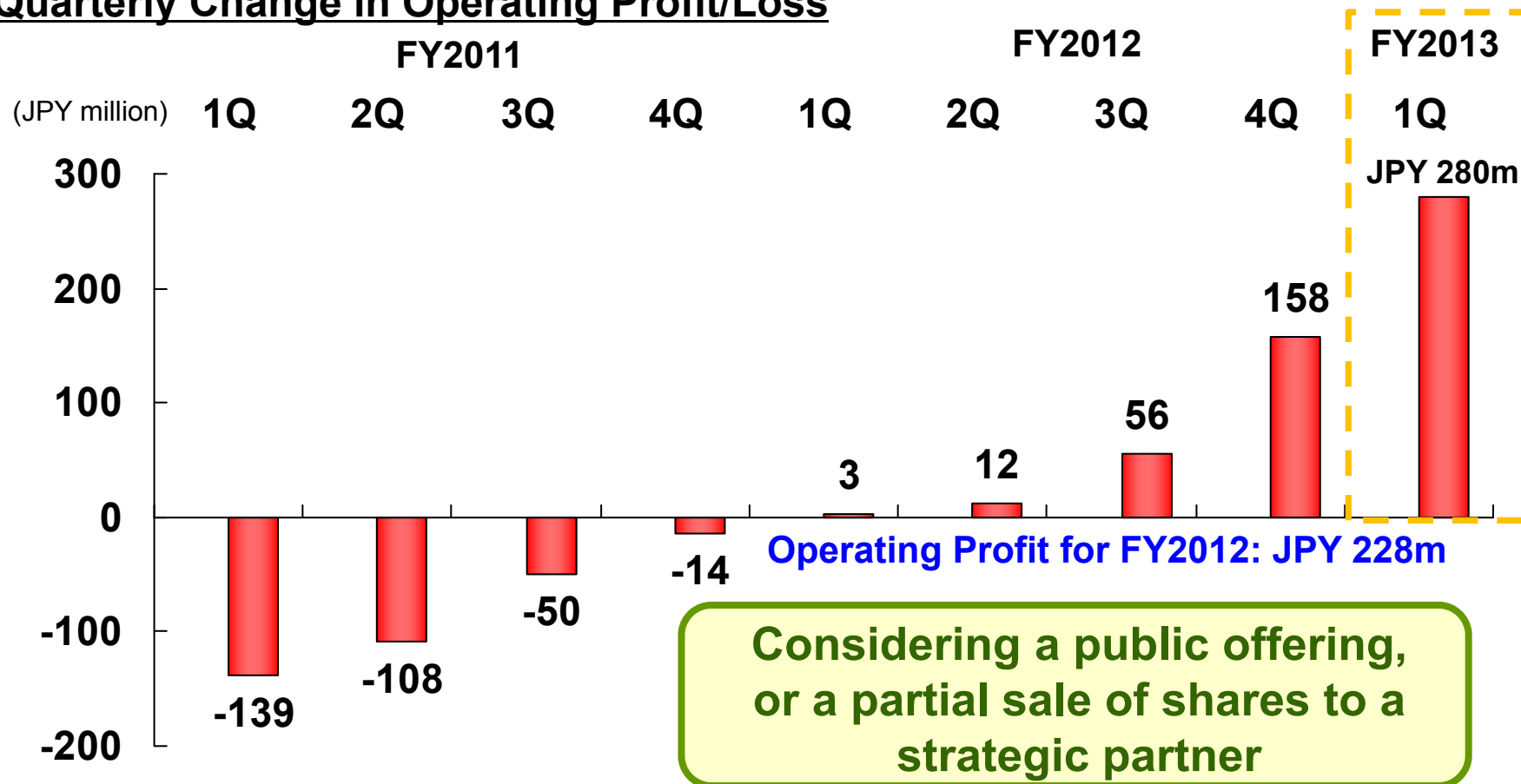
The regulation obliges investors who acquire more than 5% of a company through off-exchange transactions, or for investors who already own more than 5% that decide to increase their holdings, to make a takeover bid. This had hindered large institutional investors from utilizing the PTS.

# Change in SBI Japannext's Financial Results

(Consolidated in Sept. 2012)

**Trading value has been increasing steadily, and profit expansion accelerated. 1Q FY2013 performance exceeded the full year operating income of FY2012.**

## Quarterly Change in Operating Profit/Loss



\* Based on J-GAAP

## Steadily Increasing Participant Companies

### [Participating companies] (total 20)

- SBI SECURITIES
- Goldman Sachs Japan
- Morgan Stanley MUFG Securities
- Merrill Lynch Japan Finance
- Deutsche Securities
- Societe Generale Securities
- JP Morgan Securities
- Credit Suisse Securities (Japan)
- UBS Japan
- BNP Paribas Securities (Japan)
- Citigroup Global Markets Japan
- Mizuho Securities
- Barclays Securities
- Nomura Securities
- Newedge Japan Securities
- Macquarie Capital Securities
- SMBC Nikko Securities
- Mitsubishi UFJ MS Securities
- Daiwa Securities
- THE TACHIBANA SECURITIES

### [Companies expected to participate]

Foreign companies and a few Japanese companies are expected to participate.

In order to extract maximum leverage from the performance of the world's fastest matching engine, Japannext PTS provides a new communication protocol since mid-Feb. 2013 in order to achieve optimal performance

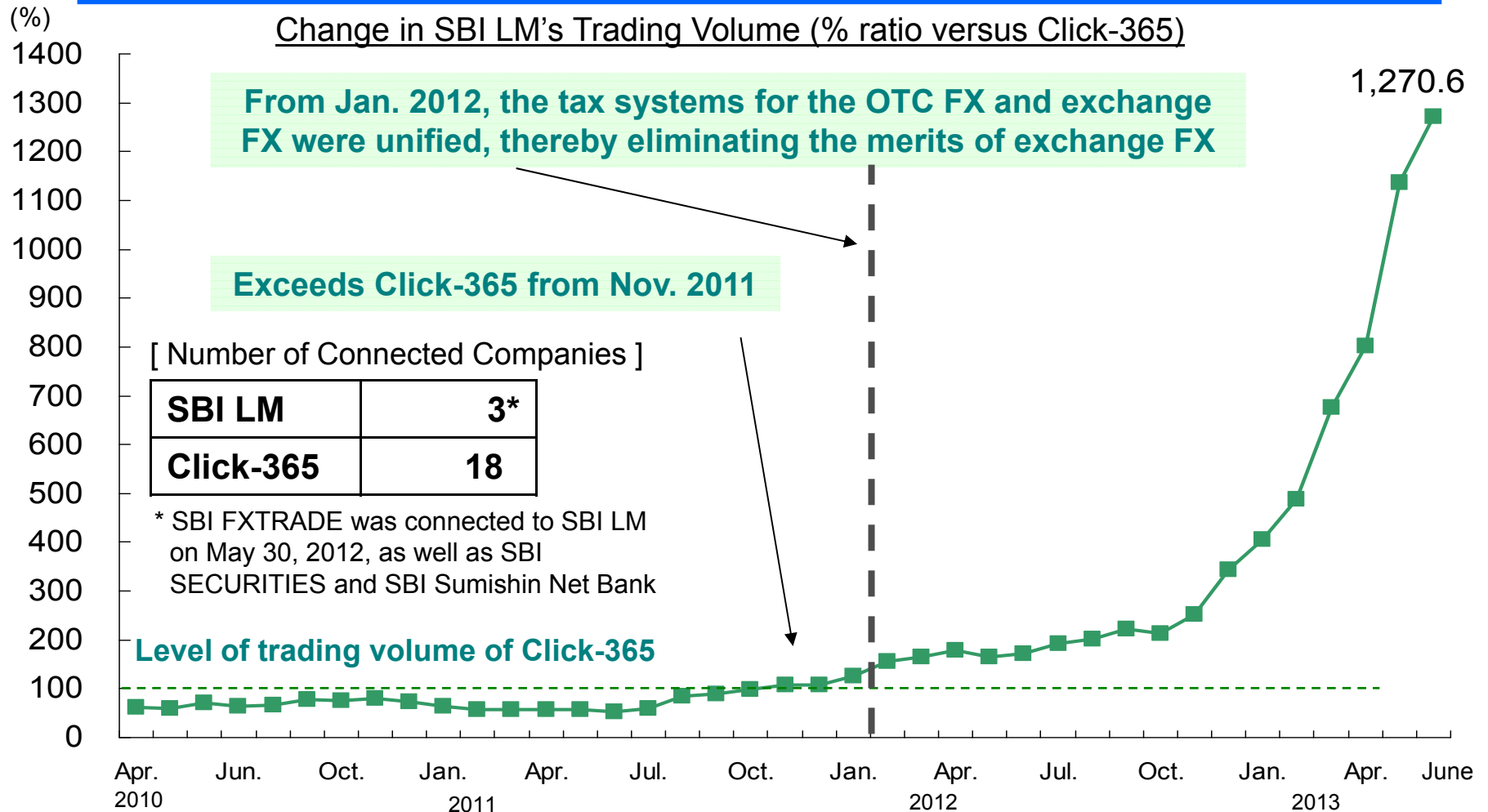
### ③ SBI Liquidity Market, SBI FXTRADE

- **SBI Liquidity Market has acquired new customers through the establishment of SBI FXTRADE (started its business on May 30, 2012), with a consequent increase in liquidity. In the OTC FX industry, the SBI Group ranks third, in terms of trading volume.**
- **SBI Liquidity Market's operating income before allocation for 1Q FY2013 was JPY 1.8bn, up 18.6% year-on-year**

# 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) → **14.4%** (June 2013 single month)

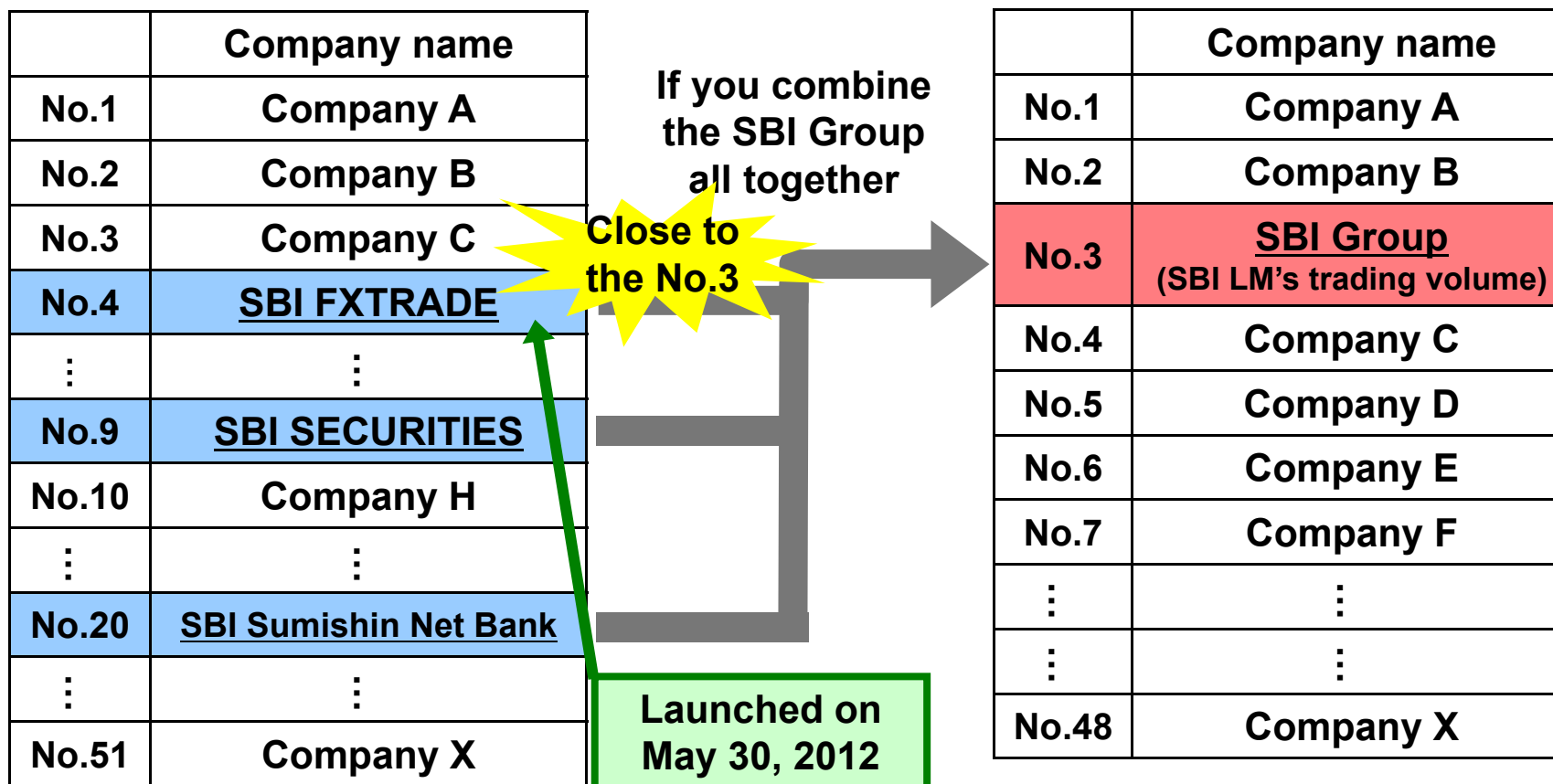


Source: Materials announced by Tokyo Financial Exchange

# The SBI Group is Ranked Third in the OTC Market

The SBI Group **ranked third** in terms of trading volume among **51 OTC FX companies** (\*compiled by SBI) in **June 2013**

Monthly Trading Volume of FX Transactions (June 2013)

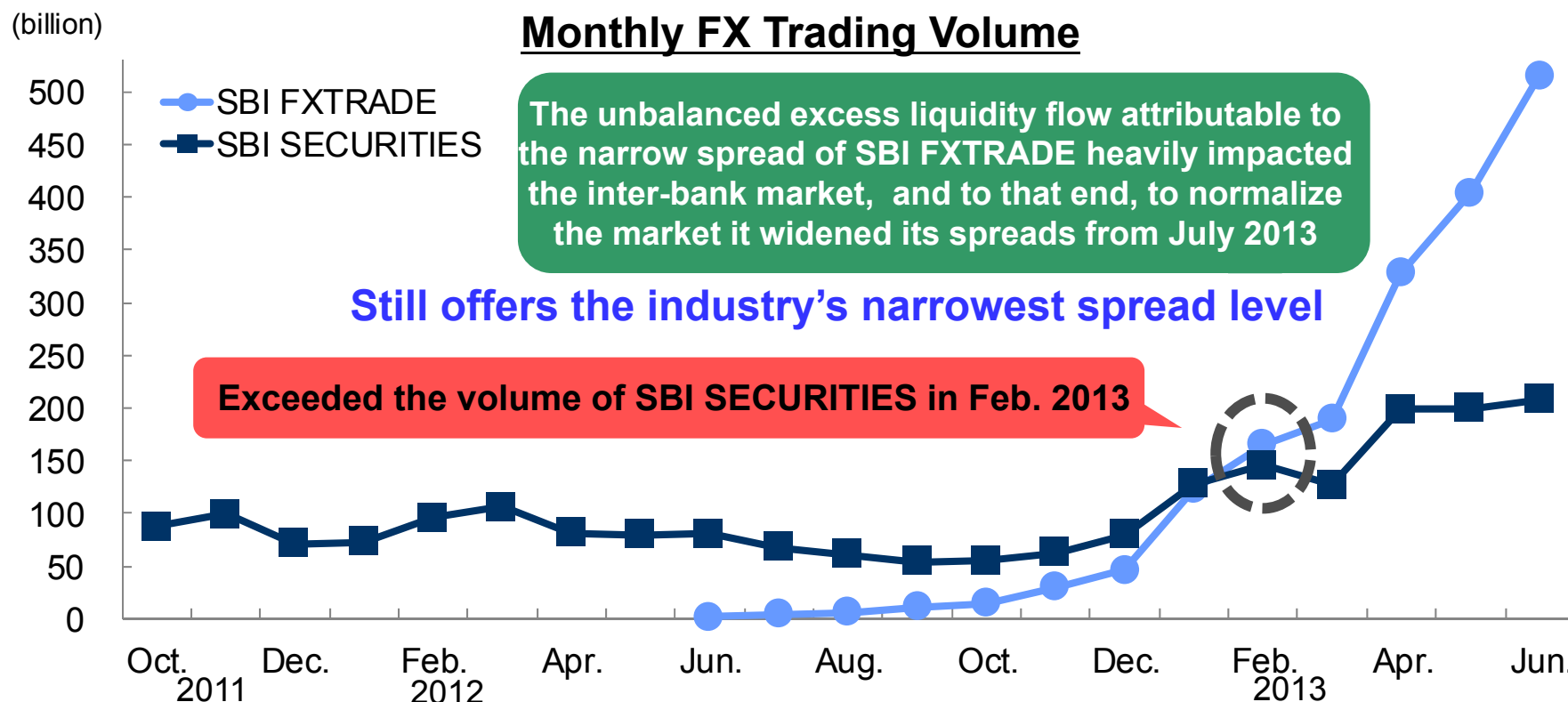


\* Ranking based on transaction currency amount

## SBI FXTRADE Offers the Industry's Narrowest Level of Spreads on All Major Currency Pairs to Provide an Overwhelming Advantage in Customers' Trading Capacity

(e.g.: USD/JPY 1-10 thousand currency at unit 0.29 sen (0.0029 yen))

SBI FXTRADE's ranking in terms of trading volume among 51 OTC FX companies advances rapidly from No.15 (Oct.)→No.11 (Nov./Dec.)→No.8 (Jan.)→No.6 (Feb.)→No.5 (Mar.)→**No. 4** (Apr., May, June)



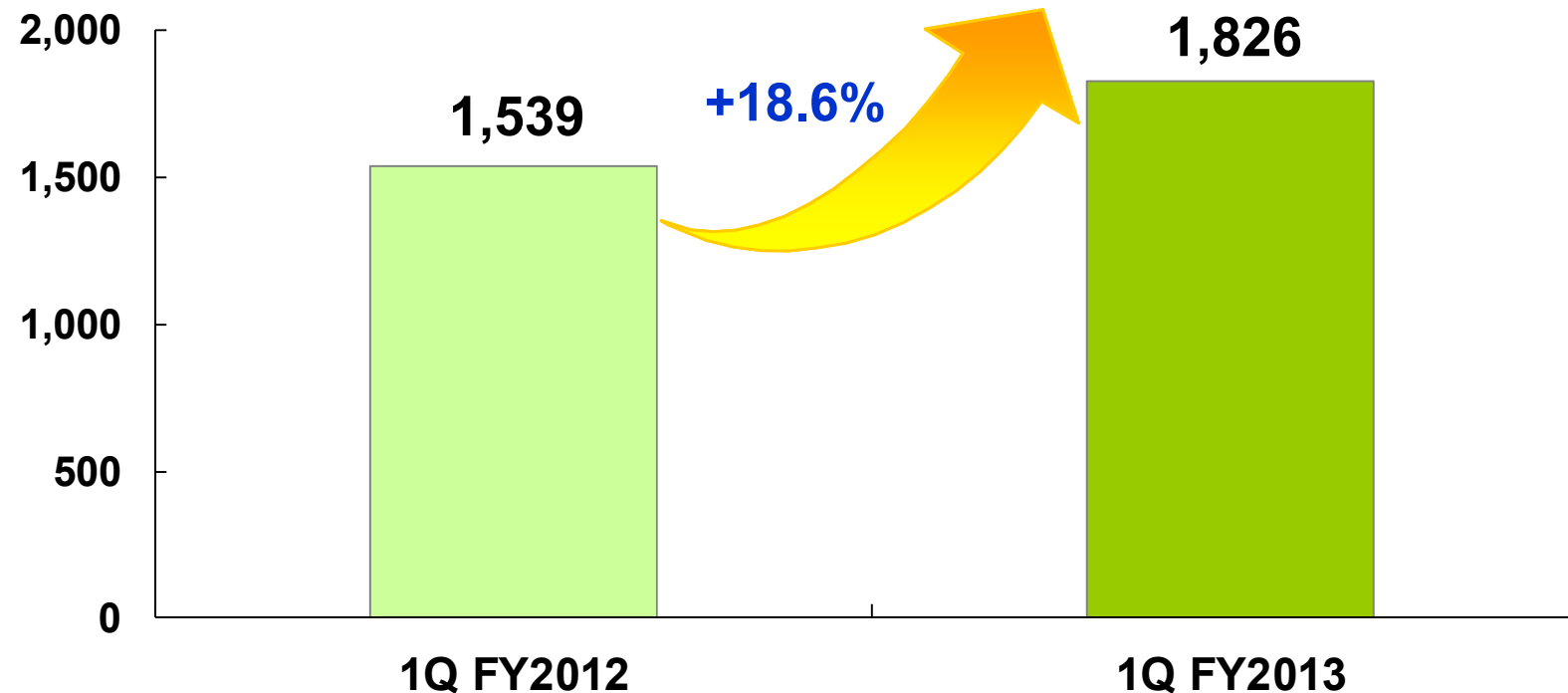
**Awarded 1st Prize in "Oricon Customer Satisfaction Ranking for 2013" of "Beginner Category for FX Transactions," owing to the high praise received for offering customers an improvement in convenience and an enhancement in services.**

## Financial Results of SBI Liquidity Market

A steady increase in trading volume owing to the acquisition of new customers through SBI FXTRADE, which started its business on May 30, 2012, contributed to SBI Liquidity Market's profitability

### Operating Income Before Allocation

(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



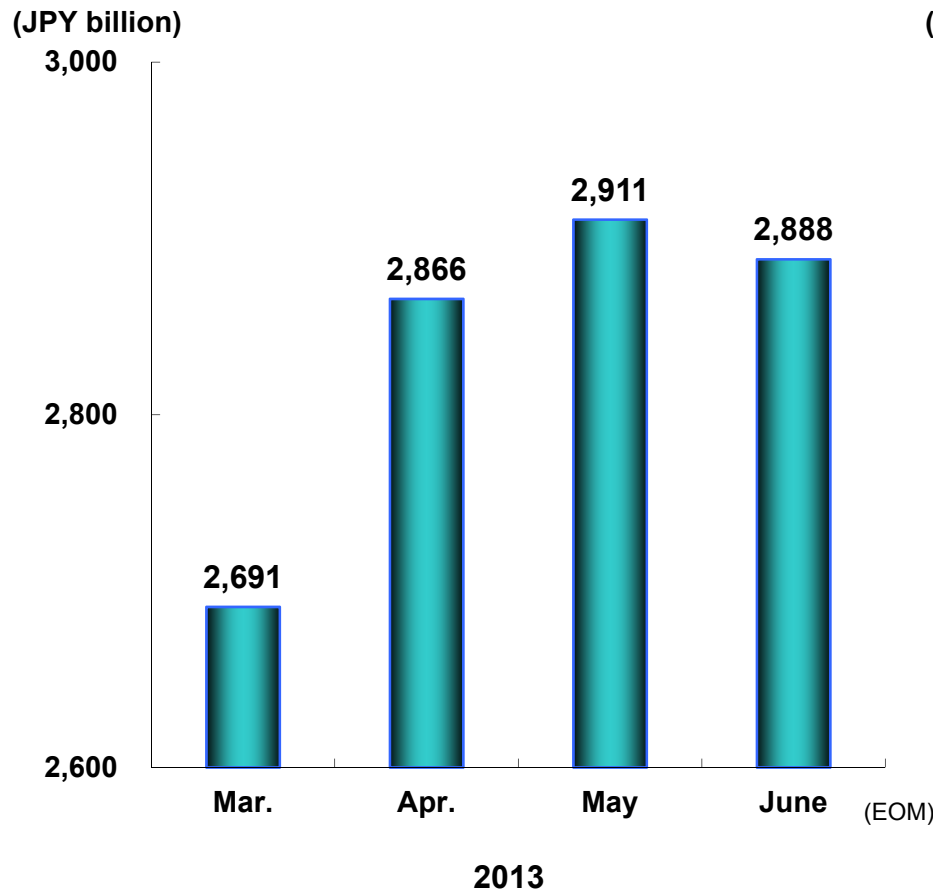
## ④ SBI Sumishin Net Bank

- **As of June 30, 2013, the number of accounts reached 1.73 million and deposits topped JPY 2,882bn. The business base continues to steadily expand, with deposits surpassing the JPY 3tn milestone on July 25, 2013.**
- **Proceeding with a successful diversification of its fund management methods, including housing, personal and auto loans, and launching specific purpose loan products in May 2013**
- **In 1Q FY2013, interest income and gains from government bonds increased due to asset accumulation, and ordinary income increased 173.9% year-on-year to JPY 3.7bn.**

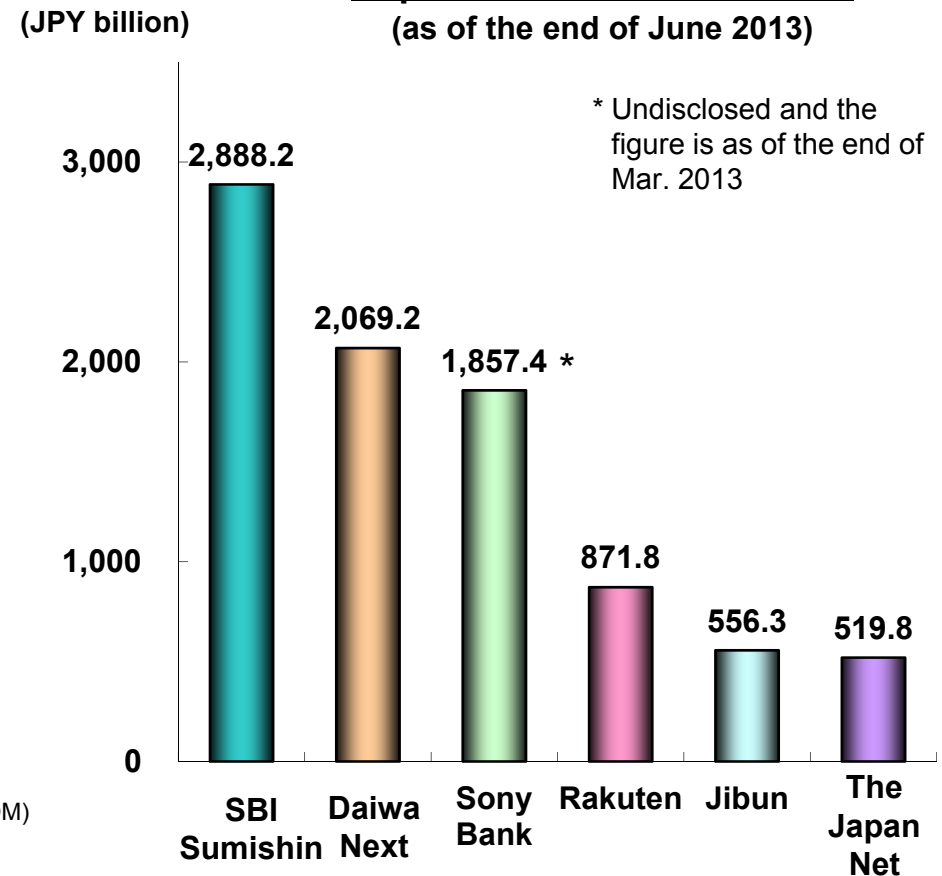
# Deposit Balance Exceeds JPY 3.0tn (on July 25, 2013) for the First Time Among Pure-play Internet Banks

**Number of accounts: 1,739,605 / Deposits: JPY 2,888.2bn  
(as of the end of June 2013)**

**Change in Deposits**



**Deposits of 6 Internet Banks**



# Deposits Accumulating Steadily

**SBI Sumishin Net Bank is 38<sup>th</sup> (at June 30, 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	✓	11,484.9
2	Chiba Bank	✓	9,636.8
3	Bank of Fukuoka	*1	8,063.7
4	Shizuoka Bank	✓	7,932.4
5	Joyo Bank	✓	7,355.3
6	77 Bank	✓	6,897.1
7	Nishi-Nippon City Bank	✓	6,400.6
8	Bank of Kyoto	✓	6,091.5
9	Hiroshima Bank	✓	5,932.5
10	Hachijuni Bank	✓	5,823.3
11	Gunma Bank	✓	5,822.8
12	Shinsei Bank	✓	5,631.6
13	Hokuriku Bank	*1	5,585.4
14	Chugoku Bank	✓	5,492.5
15	Juroku Bank	✓	5,014.9

Rank	Bank name	Listing	Deposits
16	Ashikaga Bank	*1	4,782.1
17	Iyo Bank	✓	4,639.3
18	Yamaguchi Bank	*1	4,583.2
19	Senshu Ikeda Bank	*1	4,512.8
20	Nanto Bank	✓	4,432.1
21	Hokkaido Bank	*1	4,250.6
22	Daishi Bank	✓	4,180.7
23	Shiga Bank	✓	4,094.9
24	Hyakugo Bank	✓	4,077.5
25	Toho Bank	✓	4,068.2
26	Ogaki Kyoritsu Bank	✓	3,986.5
27	Higo Bank	✓	3,729.8
28	Musashino Bank	✓	3,634.8
29	San-in Godo Bank	✓	3,618.2
30	Citibank Japan	n/a	3,541.5

Rank	Bank name	Listing	Deposits
31	Kiyo Bank	*1	3,540.0
32	Suruga Bank	✓	3,514.8
33	Hyakujushi Bank	✓	3,427.9
34	Kinki Osaka Bank	*1	3,250.2
35	Kagoshima Bank	✓	3,146.3
36	Bank of Iwate	✓	3,023.9
37	Hokkoku Bank	✓	3,016.5
38	SBI Sumishin Net Bank	n/a	2,888.2
39	Aozora Bank	✓	2,714.0
40	Yamanashi Chuo Bank	✓	2,547.6

\*1 Bank Holding Company is listed

▪  
▪  
▪

\* As of the end of Mar. 2013

The number of SBI Sumishin Net Bank is as of June 30, 2013

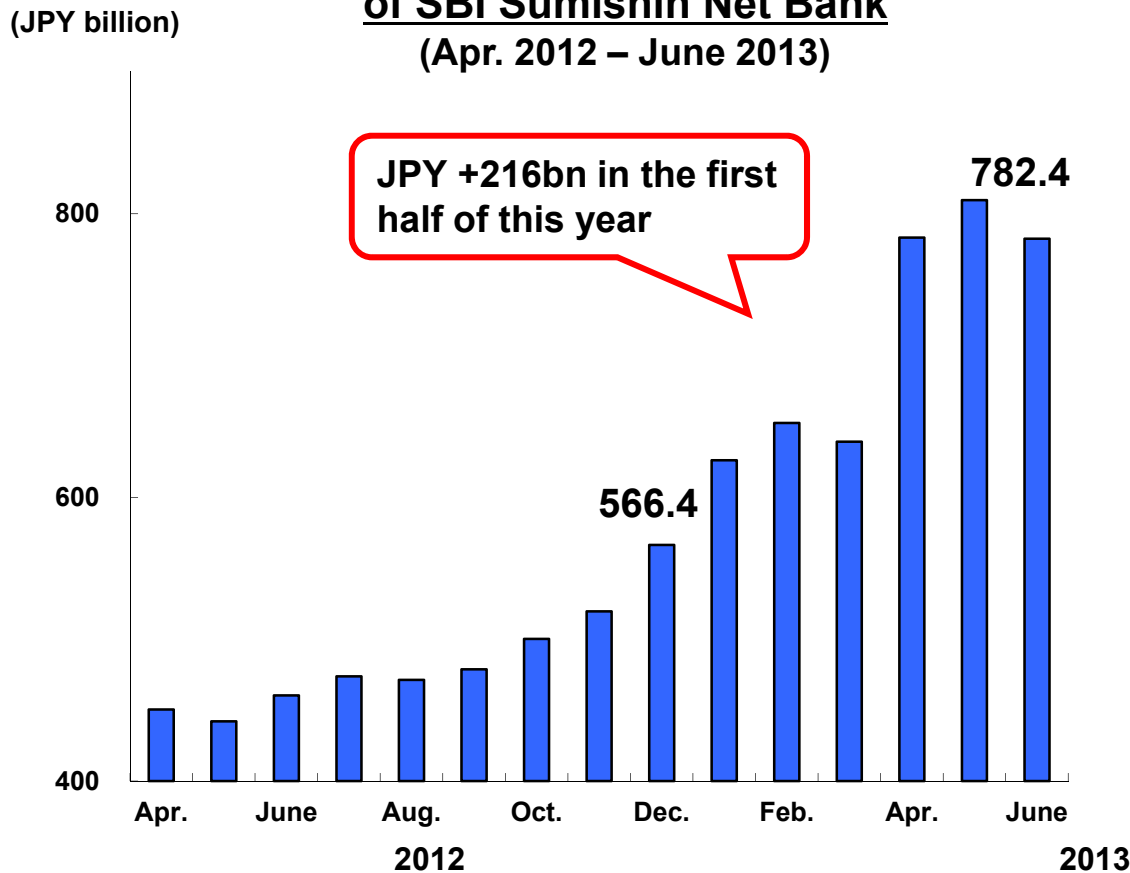
(Source: websites of each company)

# 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 – June 2013)**



**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.

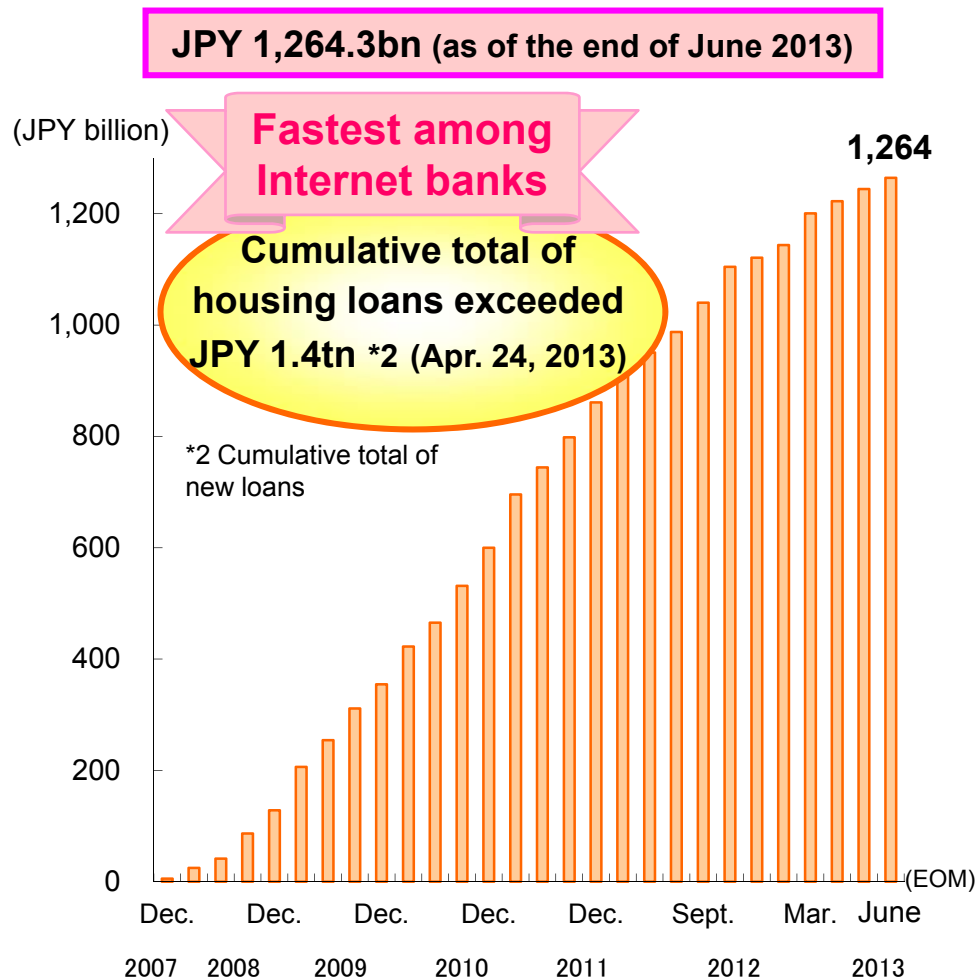
# Diversification of Loans: (e.g.) Housing Loans

**Balance expanded at auto loan (JPY 174.0bn\*) and net loan (JPY 51.7bn\*)**

\* as of the end of June

## Change in Balance of Housing Loans \*1 (Dec. 2007 – June 2013)

\*1 Deducts repayments from the cumulative total of new loans. 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) for 1Q FY2013 increased 23.1% YoY**

# 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

- ① Housing loans via SBI Sumishin Net Bank's alliance with real estate companies
  - ② Developing fee business as a banking agency of Sumitomo Mitsui Trust Bank
- **NEW!!**  
Launched new housing loan for women "Angelina" (Apr. 18, 2013)

Providing two different services (①②) to manage increasing housing loans business

Deposits



住信SBIネット銀行

SBI Sumishin Net Bank

## Auto Loans

**NEW!!**

## Purpose Loans

(Launched on May 10, 2013)  
Arranging loan amount and borrowing period (for individuals)

## Personal Loans

In principle, loans are available for any purpose. (for individual)

Second issuance of subordinated bonds for individual investors: JPY11.0 billion to raise the capital ratio and increase financial soundness (7/13)

Equity ratio:  
9.79% (FY2012) → 10.09% (1Q FY2013)

## Expanding Settlement Service and Account Transfer Service

### Settlement Service

Alliance partners: more than 60 companies

- Business partners include SBI FXTRADE and other specialty FX trading services providers, e-SHINBUN site operator Business Information Technology, JAL and ANA

### Account Transfer Service

Alliance partners: more than 70 companies

- Main business partners include direct marketers, credit card companies, and insurers
- Additional tie-ups with Chubu Electric Power (July 8, 2013) and Japan Broadcasting Corporation (July 16, 2013) and expansion of services to include account transfer of utilities charges

In addition, provision of Internet betting services for public racing, such as Internet Japan Racing Association's Soku-PAT service

**Pursue sequential expansion of the business partner network for both services and further expansion and upgrading of services.**

## Customer Satisfaction Assessment (SBI Sumishin Net Bank)



1<sup>st</sup>

### JCSI Customer Satisfaction Survey in FY2012 (Japanese Customer Satisfaction Index) Banking industry

for  
4 years!

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



1<sup>st</sup>

### “Japan Investor Satisfaction Study 2013” Self-Directed Bank Segment

for  
2 years!

*In addition to an overwhelmingly high score for “Trading charges and fees,” high scores for “Website” and “Account information”*

(from the press release by J.D. Power Asia Pacific)

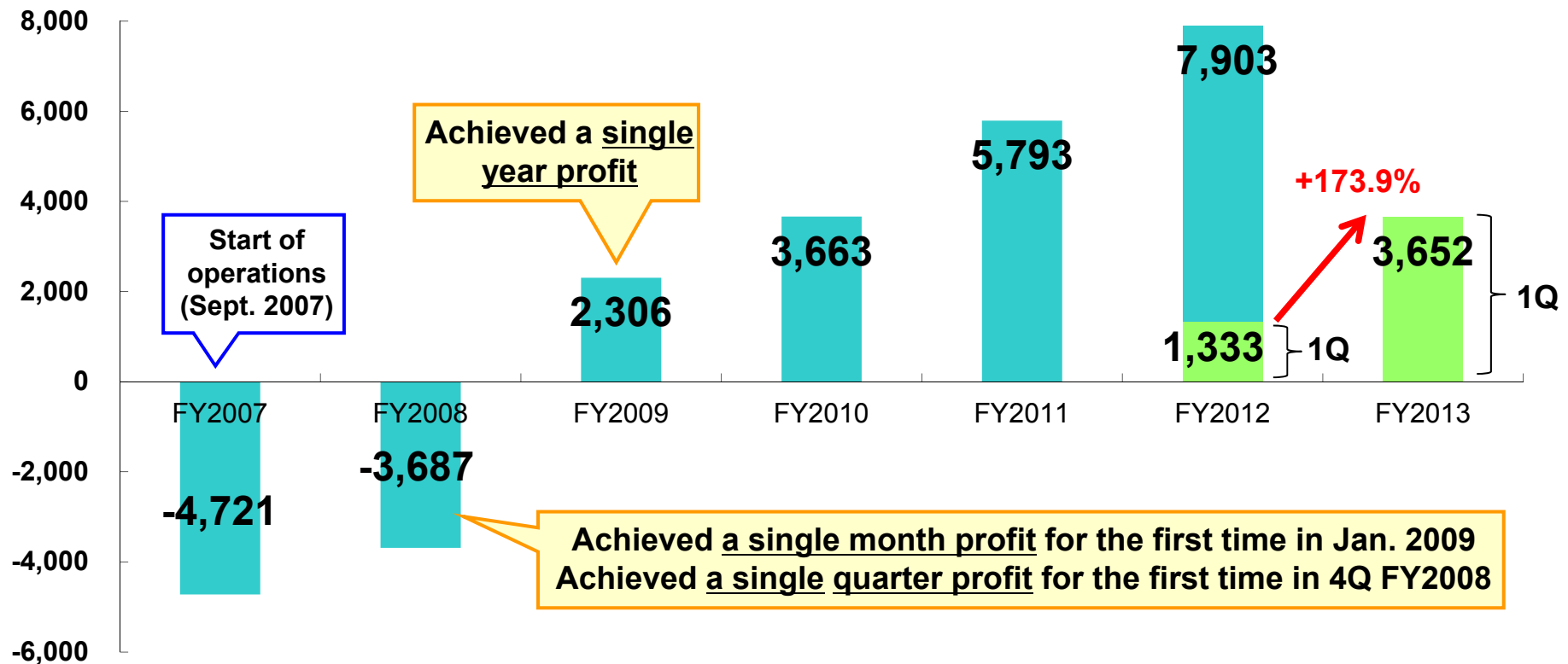
\* This customer satisfaction and consulting services research was conducted by J.D. Power Asia Pacific, a global professional agency.



# Ordinary Income of SBI Sumishin Net Bank Steadily Growing

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

(JPY million) \*consolidated since FY2009



**Expectations are for ordinary income to exceed JPY 10bn for this fiscal year**

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

### Financial results for 1Q FY2013

JPY billion; parenthetical 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>1,164.7</u>	<u>12.4</u>	<u>(34.6)</u>	<u>3.7</u>	<u>(173.9)</u>	<u>2.2</u>	<u>(179.8)</u>
<b>Daiwa Next</b> (non-cons.)	May 2011	106.2	7.2	(53.7)	0.8	(45.3)	0.5	(25.7)
<b>Rakuten</b>	July 2001	214.1	10.6	(-1.2)	1.7	(-29.5)	1.4	(-35.7)
<b>Jibun</b> (non-cons.)	July 2008	66.8	5.1	(52.2)	0.9	(1833.3)	0.8	(1768.2)
<b>The Japan Net</b> (non-cons.)	Oct. 2000	30.0	7.0	(50.6)	2.3	(310.6)	1.4	(323.1)
<b>Sony Bank</b>	June 2001	To be announced on Aug.12, 2013						

\* Amounts are rounded to the nearest 100 million yen.

## (v) SBI Insurance

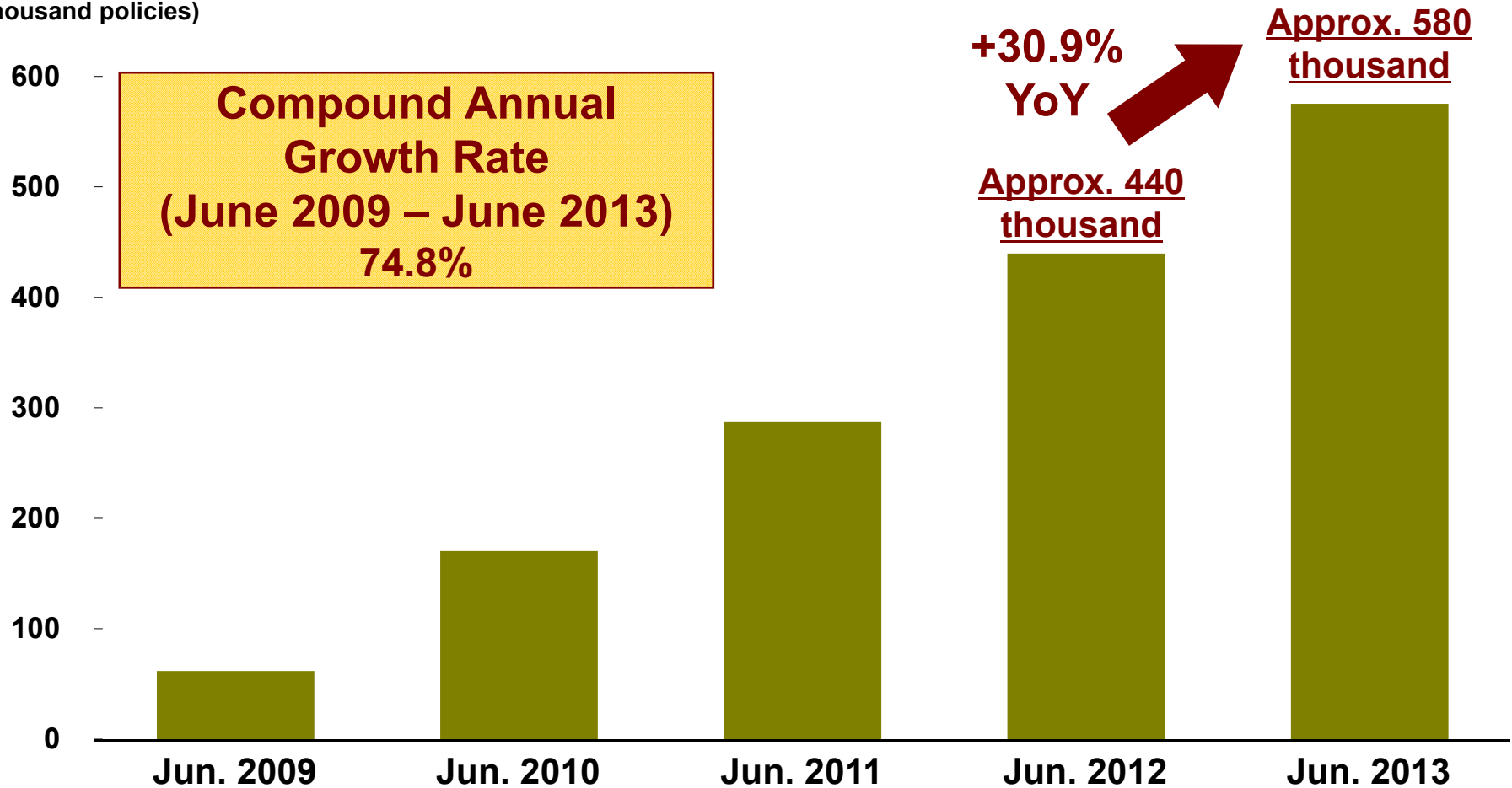
- **SBI Insurance's auto insurance business continues to expand with the number of contracts up 30.9% and insurance premiums up 26.9% YoY.**
- **Activities to boost profitability entered Phase 3, and the combined ratio of 95.6% in 1Q FY2013 showed improvement.**
- **The company focused on service level improvement by opening new service sites and reinforcing the claims support structure.**

# SBI Insurance's Number of Auto Insurance Contracts



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

(thousand policies)



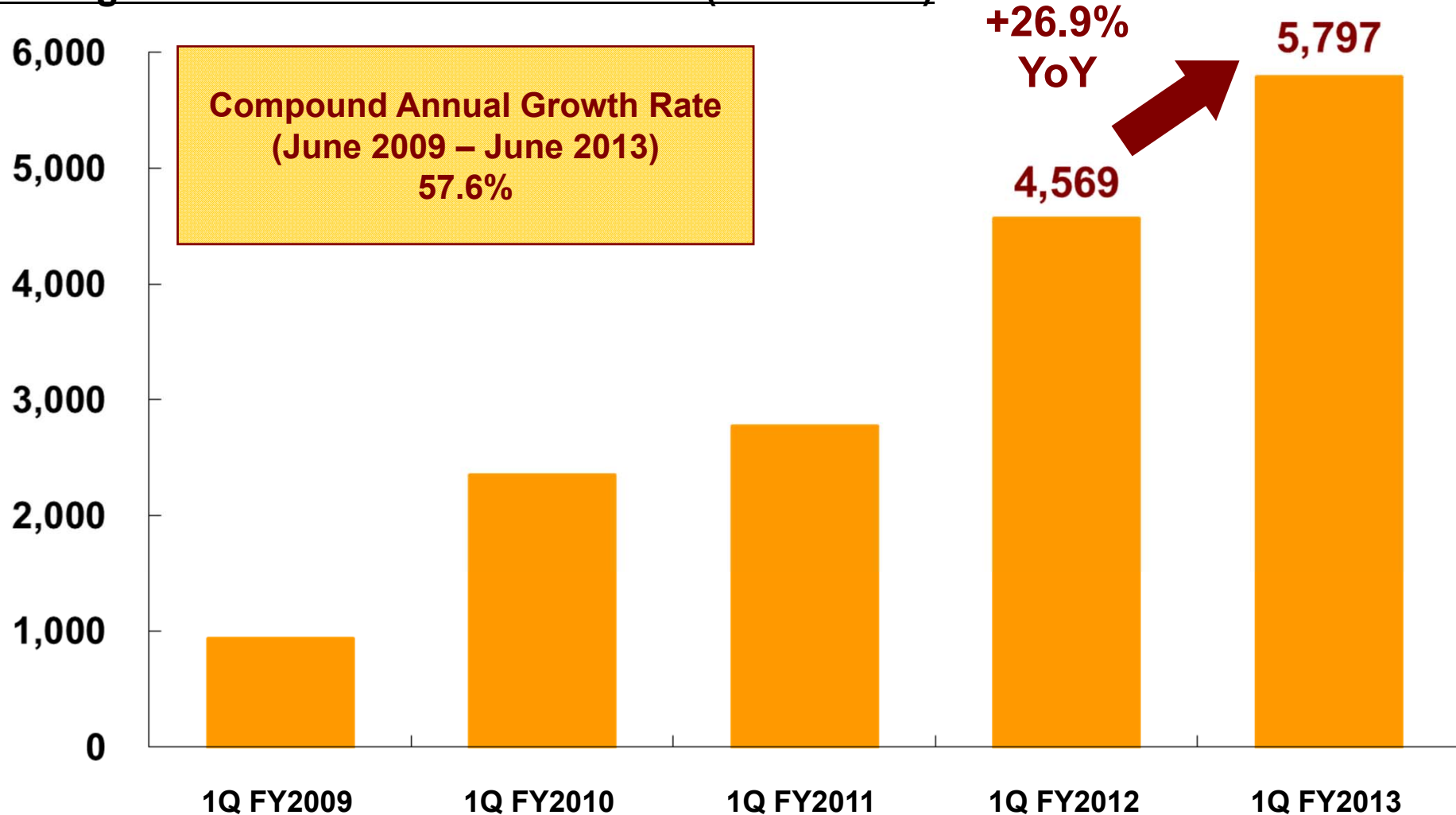
(EOM)

\* 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] Since Apr. 2011

**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).**

- Terminated new purchases of reinsurance which was intended for offsetting insurance underwriting risk and the reducing capital burden during the start-up period.
- Stabilized costs, including of the call center.

## [Phase 2] Since Apr. 2012

**Sequential execution of measures to further reduce business expenses and improve loss ratio**

- Reducing outsourcing costs
- Change of operating hours at call center
- Taking full advantage of the sales counter channel of SBI MONEY PLAZA
- Cutting down on advertising expenses by improving target marketing skills
- Diversification of product portfolios
- Cutting back on postage

## [Phase 3] Since Oct. 2012

**Start of more in-depth measures in areas such as product content**

- Accompanying revision of the advisory rate, raise premiums 1% on average while maintaining price competitiveness
- 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
- At the point of insurance solicitation, further segmenting and tightening filtering function

\*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 100,000 yen for the second time and after.

## Combined Ratio<sup>\*1</sup> Improvement

The combined ratio showed further improvement in FY2013 as a result of progressing to Phase 3 of activities to improve profitability.

	Combined ratio	=	Operating expenses ratio	+	Net loss ratio
FY2012	103.1%		33.4%		69.8%
FY2012 (Adjusted <sup>*2</sup> )	99.2%		29.4%		69.8%
<b>1Q FY2013</b>	<b>95.6%</b>		<b>26.1%</b>		<b>69.5%</b>

**Targeting substantive quarterly profitability in FY2013 on an IFRS consolidated basis, as well as full-year profitability in FY2015, and an IPO in FY2016.**

\*1 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.

\*2 When settlement money of JPY 0.76bn concerning reinsurance with Aioi Insurance is excluded

## Measures to Improve Service Level

**Implement measures to improve profitability while simultaneously focusing on service level improvement.**

➤ **Opened new customer service location**

Opened "SBI Insurance Kyushu Contact Center" in Tosu, Saga Prefecture, co-launched with SBI Business Support

➤ **Reinforcement of the claims support structure**

Expanded the staff and service center network to prepare for an anticipated increase in the number of accidents accompanying to the growth in the number of contracts written and make it possible for a more rapid, meticulous claims support tailored to the specific location and case.



**Newspaper article**

(July 3, 2013 Saga  
Shimbun Morning Edition)







SBI Insurance:

## Customer Satisfaction Assessment (SBI Insurance)




### SBI損保の自動車保険 Auto Insurance

	<b>No.1</b> Oricon customer satisfaction ranking FY 2012 / Auto Insurance Category “Auto Insurance Premium Ranking”	<b>for 4 years !</b>
	<b>No.1</b> Diamond Weekly <small>* In the Mar. 9, 2013 special issue</small> “Auto Insurance Premium Ranking”	<b>for 5 years !</b>
	<b>No.1</b> Rakuten Insurance Ranking of Most Popular Auto Insurance the First Half of FY2012	<b>for 4 years !</b>
	<b>No.1</b> Kakaku.com “Auto Insurance Ranking (2012) Premium Section ”	<b>for 3 years !</b>

### SBI損保のがん保険 自由診療タイプ Cancer Insurance

	<b>No.1</b> Rakuten Insurance Ranking of Most Popular Cancer Insurance of June 2013
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### Official Website

	HDI-Japan HDI’s Call-center Customer Satisfaction Ratings Top “three-star” rating in the Support Portal (Official Website) Category <small>[Research period] Sept. 2012</small>
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## ⑥ SBI Mortgage

- **Profit before income tax expense for 1Q FY2013 (Apr. – June) increased 50.2% year-on-year, and profit for the period rose 50.1%.**
- **The number of “Flat 35” housing loans issued in 1Q FY2013 steadily increased by 30.9% year-on-year, and cumulative total of housing loans surpassed JPY 2tn at the end of May 2013.**
- **SBI Mortgage’s “Flat 35” market share, of the total number of loans issued, further expanded to 26.0% in June 2013.**

# SBI Mortgage Financial Results for 1Q FY2013 (IFRS) \*

(Announced on July 24, 2013)

(JPY million)

	1Q FY2012 (Apr. 2012 – June 2012)	1Q FY2013 (Apr. 2013 – June 2013)	YoY % change
Net Operating Revenue	2,368	3,065	+29.4
Profit Before Income Tax Expense	626	940	+50.2
Profit for the Period	387	581	+50.1

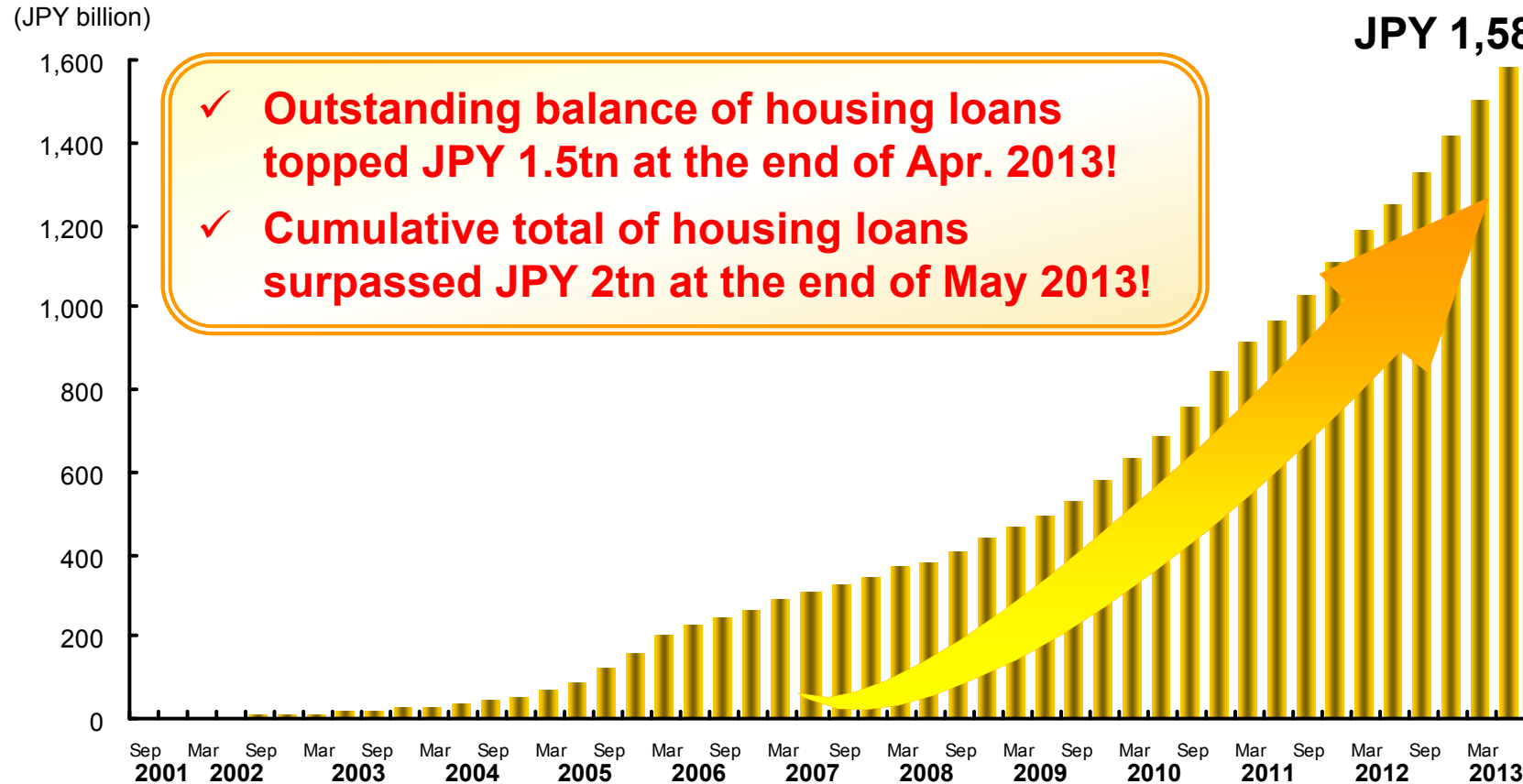
\* The results above are unaudited and therefore subject to change upon an audit by external auditors.

# SBI Mortgage's Steadily Increasing Outstanding Loan Balance



## Outstanding Balance of Housing Loans

End of June 2013:  
**JPY 1,586.9bn**

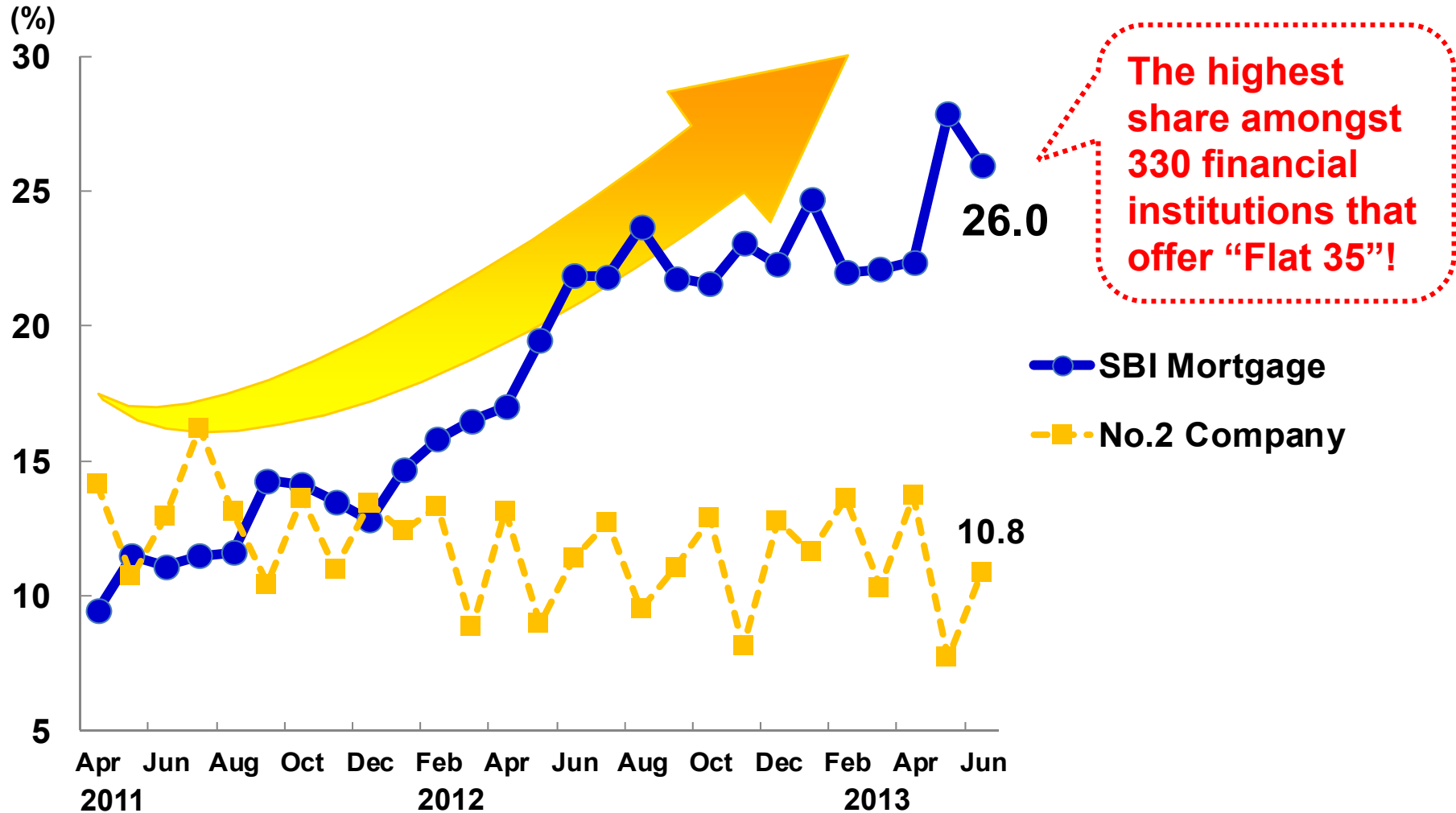


- The number of “Flat 35” housing loans issued in 1Q FY2013 **steadily increased by 30.9% year-on-year.**
- With the backdrop of increased demand for housing loan refinancing, the number of refinancing housing loans issued (monthly basis) **reached a record high** in May 2013.

# SBI Mortgage's "Flat 35" Market Share Further Expanded



**"Flat 35" Market Share in Terms of the Number of Loans Issued**



Source: Compiled by SBI Mortgage

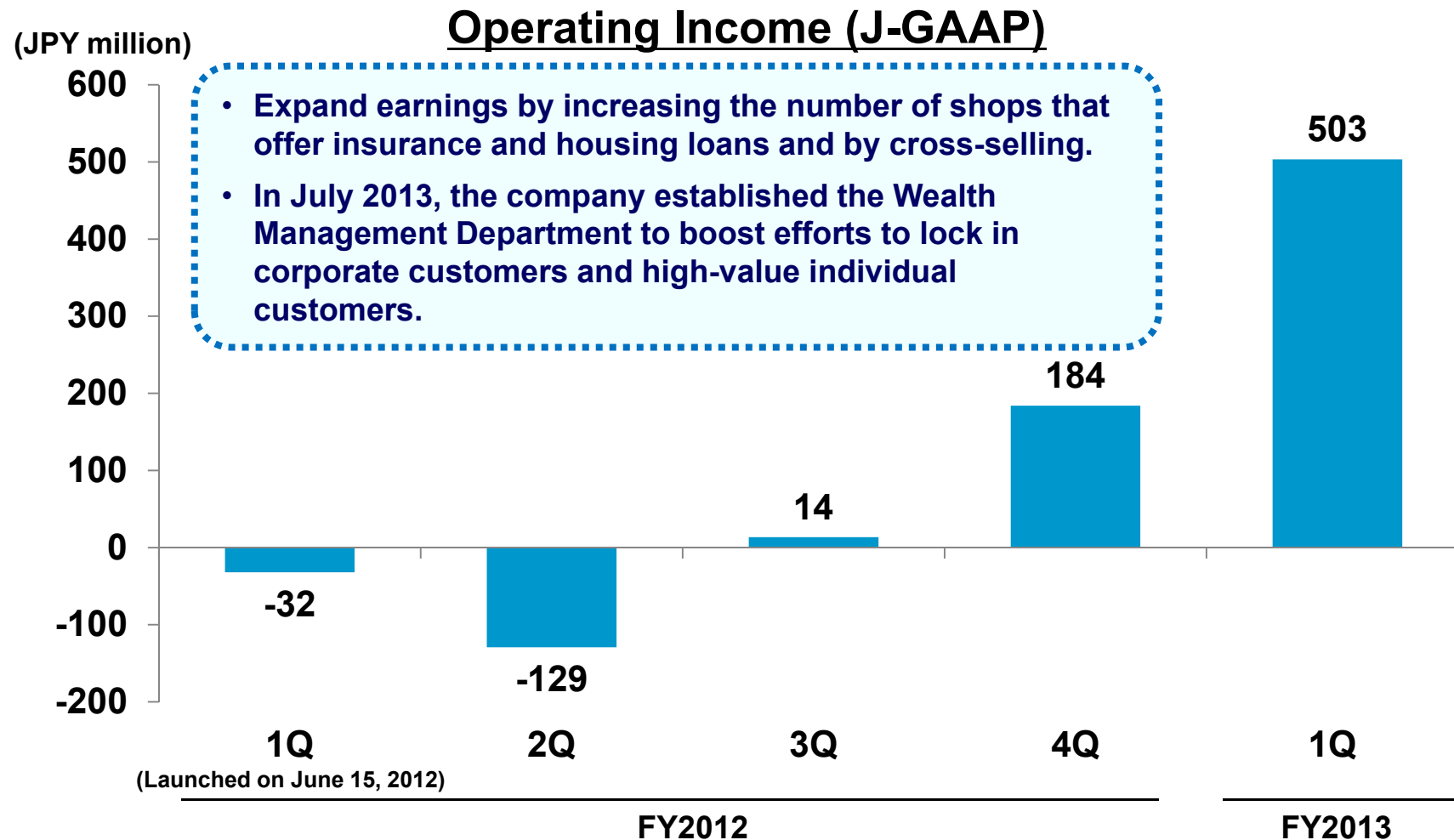
## ⑥ SBI MONEY PLAZA

(Launched on June 15, 2012)

- **Achieved target operating income of JPY 500m for 1Q FY2013**
- **Further expanded SBI MONEY PLAZA network to 352 shops, or 628 shops if Insurance Clinic and Mitsubishi Insurance Farm shops are included, as of the end of July 2013**

## Achieved Target Operating Income of JPY 500m for 1Q FY2013

With the backdrop of the favorable market environment, the securities business continues its steady performance. Operating income for 1Q FY2013 (J-GAAP) was JPY 500m, achieving its target level.

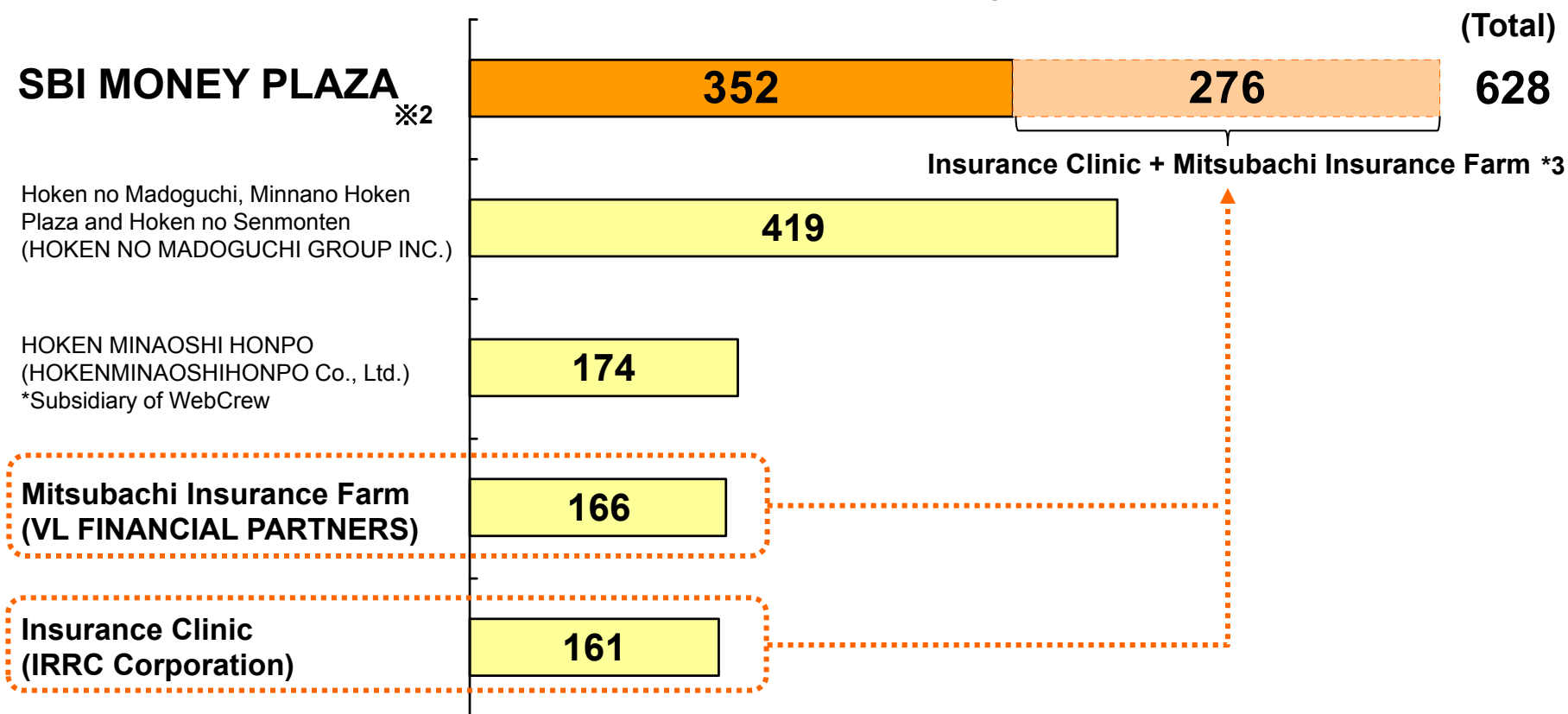


## Further Expanding SBI MONEY PLAZA Network to Improve Sales Capabilities



The SBI Group's investee company operated Insurance Clinic and Mitsubishi Insurance Farm shops will soon carry the SBI MONEY PLAZA brand, starting with the directly-managed shops (51 Mitsubishi Insurance shops already did as of July 31, 2013).

The nationwide number of SBI MONEY PLAZA shops including Insurance Clinic and Mitsubishi Insurance Farm shops totaled 628 as of July 31, 2013.



\*1 As of July 31, 2013. Compiled by SBIH.

\*2 SBI MONEY PLAZA includes shops that are not insurance dealers.

\*3 Some Mitsubishi Insurance Farm shops that already carry the SBI MONEY PLAZA brand (51 shops as of July 31, 2013) are subtracted, as they are included as SBI MONEY PLAZA shops.



## ⑧ Morningstar Japan Consolidated Results for 1Q FY2013 (J-GAAP)



- Achieved a significant year-on-year increase in revenue and profit
- Record high operating income and ordinary income on a quarterly basis

(JPY million)

	1Q FY2012 (Apr. 2012 – June 2012)	1Q FY2013 (Apr. 2013 – June 2013)	YoY % change
Net Sales	576	980	+70.0
Operating Income	161	283	+76.1
Ordinary Income	184	306	+66.2
Net Profit	113	180	+59.0

# Asset Management Business

## Performance Analysis by Business Segment ~Asset Management Business~



Along with the upswing in the stock market, newly listed shares significantly contributed to the performance of the Asset Management Business. Additionally, with the ongoing progress of some promising investee companies' listing preparations, further earnings contributions are expected.

### [Primary Fluctuations Factors]

(IFRS, JPY billion)

	1Q FY2012 (Apr.2012 –Jun. 2012)	1Q FY2013 (Apr.2013 –Jun. 2013)	YoY amount change
<b>Operating revenue (Sales)</b>	<b>11.6</b>	<b>39.0</b>	<b>+27.4</b>
Profit/loss from the change in fair value and profit/loss on sales of investment securities <sup>*1</sup>	5.8	22.8	+17.0
Hyundai Swiss Savings Bank <sup>*1</sup>	—	10.4	+10.4
Investees under management and consultation <sup>*2</sup>	4.7	4.6	-0.2
Others	1.1	1.2	0.2
<b>Profit before income tax expense</b>	<b>5.1</b>	<b>21.9</b>	<b>+16.8</b>
Profit/loss from the change in fair value and profit/loss on sales of investment securities <sup>*1</sup>	5.8	22.8	+17.0
Hyundai Swiss Savings Bank <sup>*1</sup>	—	0.8	+0.8
Investees under management and consultation <sup>*2</sup>	0.3	0.1	-0.1
Others	-1.0	-1.8	-0.8

\*1 Profit/loss from the change in fair value and profit/loss on sales of investment securities held by Hyundai Swiss Savings Bank is included in the item "Hyundai Swiss Savings Bank."

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

## Performance Analysis by Business Segment ~Asset Management Business~



### Change in Japan, the U.S. and China's Major Stock Indices

[1Q FY2012 (Apr.-June)]

	Mar. 31, 2012	June 30, 2012	Change
Nikkei 225	10,083.56	9,006.78	-10.7%
NYSE	8,206.93	7,801.84	-4.9%
SSE Composite	2,267.79	2,225.43	-1.7%

[1Q FY2013 (Apr.-June)]

	Mar. 31, 2013	June 30, 2013	Change
Nikkei 225	12,397.91	13,677.32	10.3%
NYSE	9,107.05	9,112.70	0.1%
SSE Composite	2,236.62	1,979.21	-11.5%

While the stock market in China has turned down, the Japanese stock market has improved substantially, more than compensating for the negative impact of overseas stock markets and contributing to operating income.

### Breakdown of the Asset Management Business' "profit/loss from changes in fair value and profit/loss on sales of investment securities" for 1Q FY2013

(JPY billion)

Breakdown	Fair value gains/losses and gains/losses on sales	Factors
Fair value gains/losses and gains/losses on sales of listed securities	<b>+27.4</b>	ReproCELL's IPO; sales of all shares in Venture Revitalize Investment, Inc., etc.
Fair value gains/losses and gains/losses on sales of unlisted securities	<b>-4.6</b>	Valuation losses from changes in fair value of primarily China-related securities, etc.

# Performance Analysis by Business Segment

## ~Asset Management Business~



The average ratio of initial price to public offering price of shares listed in FY2013 was 2.38x, exceeding the 1.53x of a year earlier.

[Apr.-July 2012]

IPO date	Company name	PO price (A)	Initial price (B)	B/A (x)
Apr. 4	Ateam	1,080	2,923	2.71
Apr. 20	UCHIYAMA Holdings	1,480	1,421	0.96
Apr. 25	Cocolonet	945	1,045	1.11
Apr. 26	Universal Engeisha	1,310	1,455	1.11
Apr. 27	Charm Care Corp.	950	1,000	1.05
May 29	Kitanotatsujin	1,100	935	0.85
June 20	Emergency Assistance Japan	1,100	1,400	1.27
June 22	OHIZUMI MFG	350	400	1.14
June 22	Happiness & D	1,900	2,202	1.16
June 26	mobcast	800	2,301	2.88
July 13	ACTCALL	1,700	2,500	1.47
July 19	WirelessGate	1,200	2,311	1.93
July 24	Enigmo	1,750	4,030	2.30
<b>Average for Apr.2012 – July 2012</b>				<b>1.53</b>

[Apr.-July 2013]

IPO date	Company name	PO price (A)	Initial price (B)	B/A (x)
Apr. 9	Sanyo Homes	700	1,250	1.79
Apr. 25	Aucfan	2,600	10,480	4.03
June 11	PeptiDream	2,500	7,900	3.16
June 13	Yokota Manufacturing	720	1,702	2.36
June 26	<b>ReproCELL</b>	<b>3,200</b>	<b>17,800</b>	<b>5.56</b>
June 27	JSS	950	1,200	1.26
June 27	ICDA Holdings	1,900	3,000	1.58
July 3	Suntory Beverage & Food	3,100	3,120	1.01
July 10	DREAM VISION	2,600	5,210	2.00
July 10	Photocreate	1,670	3,775	2.26
July 30	NEXTAGE	1,700	2,011	1.18
<b>Average for Apr. 2013 – July 2013</b>				<b>2.38</b>

Exceeded the ratio of the same period in FY2012.  
Going forward, robust initial price ratio is anticipated.

# Promising Investee Companies in the Venture Capital Business



## ① Acucela (Shares: 16.9%, the second largest shareholder)\*

**IPO Target: Dec. 2013**

**Lead manager: Mitsubishi UFJ Morgan Stanley Securities**

- ✓ **Joint R&D of pharmaceuticals in the dry age-related maculopathy, dry eye, and glaucoma fields is underway in partnership with Otsuka Pharmaceuticals.**

## ② Auto Server (Shares: 43.8%)\*

**IPO Target: from Dec. 2013 to Jan. 2014**

- ✓ **Online used car auction business**
- ✓ **Auto Server's listing on GTSM, if approved, will be the first primary listing on the market by a Japanese company, or even by a foreign company**

## ③ ELIYPower (Shares: 4.8%)\*

- ✓ **Mass production of high-capacity lithium-ion batteries and development and manufacture of batteries and peripheral equipment and systems**
- ✓ **Standard equipment in the smart houses of a leading housing company**

# IPO and M&A Deals in the Asset Management Business



Initial Price Ratio of ReproCELL, listed on June 26, reached 5.6x, exemplifying a favorable market environment, which will positively influence SBI's exit strategy going forward.

	Up to FY2011	FY2012 full year	FY2013 full year prospect
IPO and M&A *	155	12	17 *

\* Includes portfolio companies (FY2009: 3 companies, FY2010: 6 companies, FY2013: 2 companies) of New Horizon Capital, the second fund, in which SBIH invests as a limited partner.

In FY2013, already three companies conducted an IPO

EXIT Date	Company	Market (Country)
June 26, 2013	ReproCELL Incorporated	TSE JASDAQ
July 1, 2013	TERATECH CO., LTD.	KONEX (Korea)
July 1, 2013	Fuelcellpower Co., Ltd.	KONEX (Korea)

# Biotechnology-related Business



## 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.

②5-ALA Related Business:

Obtained Manufacture and Marketing Approval for the First Pharmaceutical Agent Containing 5-ALA, and Applying for Listing on the NHI Drug List



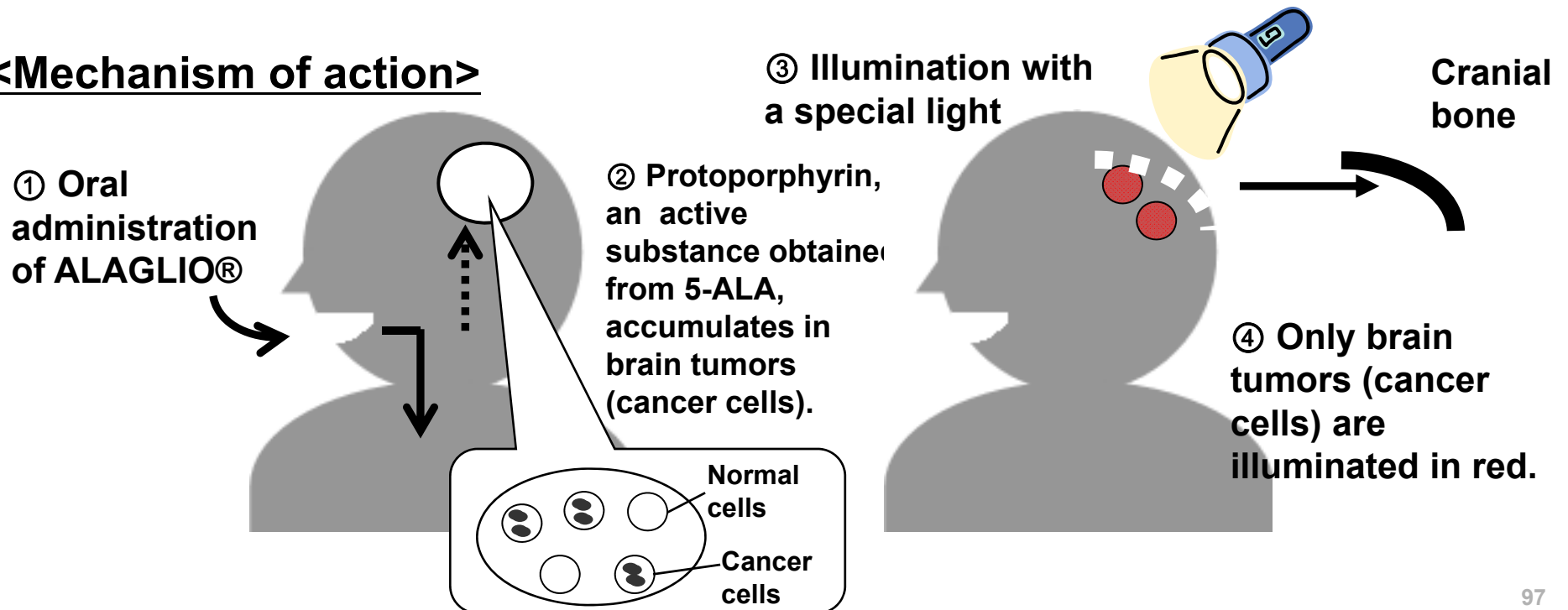
(Scheduled to submit to the Central Social Insurance Medical Council in August)

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>➔Phase III Clinical testing completed at the end of 2012</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; background-color: #fff9c4;"> <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>

## Enhancing the Offering of Health Foods by Launching a New Product “ALAPlus GOLD”

~Sold at pharmacies and drugstores in Japan from July 13, 2013~

Offering of existing goods:

- NatuALA-Bio
- NatuALA-BCAA



Containing 5-ALA per pill  
of 6 times the amount in  
NatuALA-Bio, twice the  
amount in NatuALA-BCAA

### ALAPlus GOLD



**Price: JPY 9,800**  
(including tax)

Sequential launch at  
approximately 230\*  
dispensing pharmacies,  
consulting pharmacies, and  
drugstores nationwide that  
offer SBI ALA promo  
products

5-Aminolevulinic acid phosphate (5-ALA), used in health foods, is a substance on a list of “Ingredients (raw materials) not judged to be drugs as long as no drug efficacy claim is made” published by the Ministry of Health, Labour and Welfare.

(\*The substance used in pharmaceuticals is 5-aminolevulinic acid hydrochloride.)

②5-ALA Related Business:

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



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

Opening of a representative office in Bahrain in Oct. 2012

### Drug Development Research, Clinical Research

#### <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

### Production Base

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 (Mar. 2013)

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

### Sale of Health Foods and Cosmetics

Preparing for establish a joint venture company concerning local marketing of health foods and cosmetics with Dawani Group Holdings, a major local distributor

## 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 within 2013:**

### **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**

## Accelerating 5-ALA Related Business in China

Sept. 2012:

Completion of the investment in Chinese Bioventure Suzhou Yian Biotech Co., Ltd.

(SBI Group's shareholding ratio: 40%)

### <Business>

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

Exclusive sales rights

JV engaged in selling products in China  
-in preparation-

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

**Expanding sales in China**

### Progress and Future Plans

Joint research underway at the Fudan University School of Life Science in China (and three other universities) concerning the efficacy of ALA on the diabetes mechanism

During 2014...

- Plan to obtain from the Chinese authorities a manufacturing and marketing license for health food products planned for sale in China  
→ Submission documents such as ALA safety and efficacy assessment now being prepared
- Planned operation of a food products production plant  
→ Already under construction





## 5-ALA Attracts Attention

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*. → Decrease in glucose levels was observed among those who took 5-ALA/ A significant decrease in glucose levels was observed among those who took high level of 5-ALA.

A research group with members from Hiroshima University and other universities published the research findings concerning the reduction of glucose levels by administering 5-ALA in *Nutrition*, an international academic journal on nutritional science.

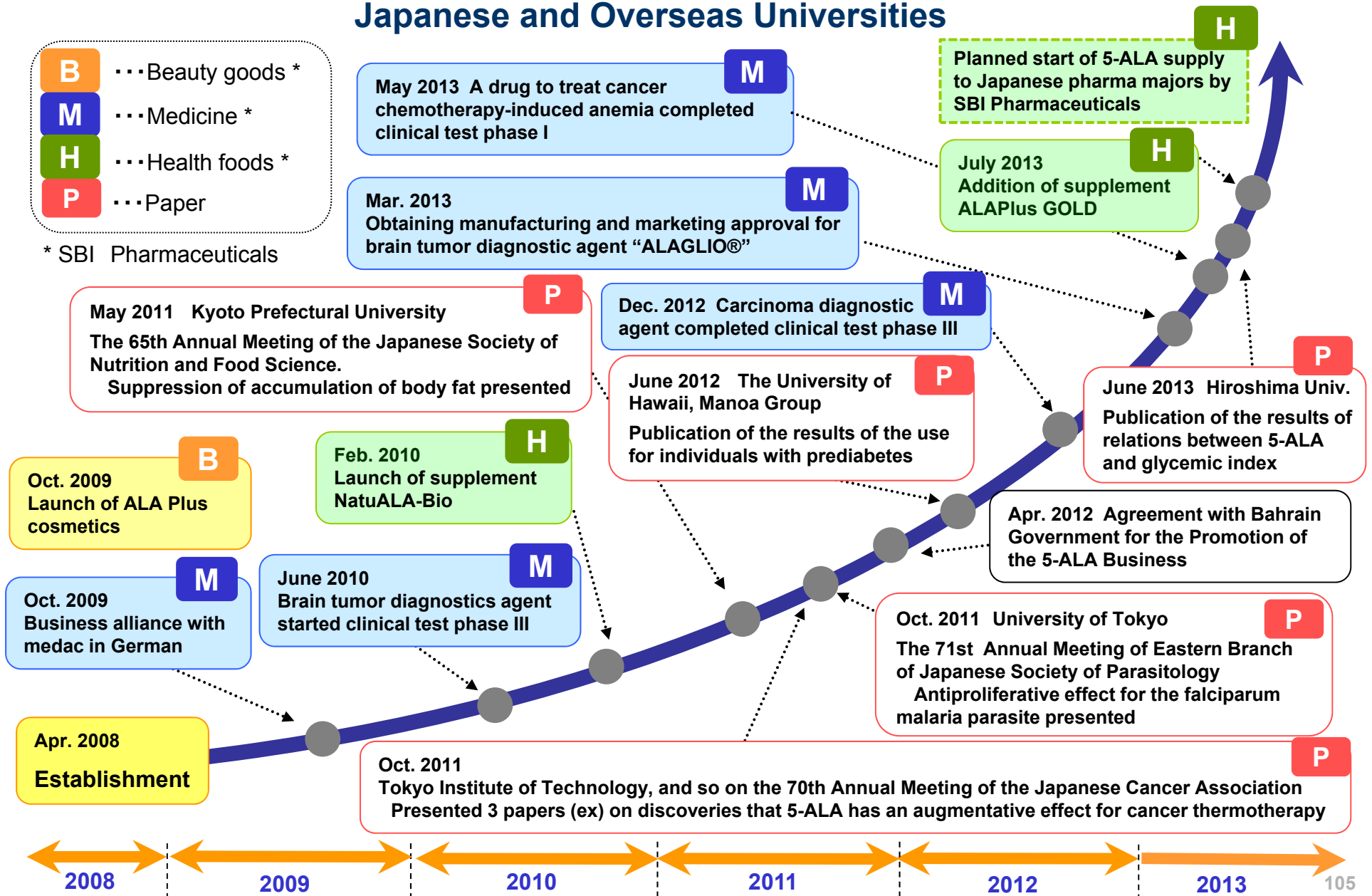
A research group from the Nippon Medical School, Tokyo Rosai Hospital, et al, publishes on the feasibility of sonodynamic therapy for glioma using 5-ALA, in the *Journal of Cancer Therapy* → Cancer shrinkage in mice administered

Lecture concerning metabolic improvement due to ALA ingestion given by SBI Pharmaceuticals CTO Toru Tanaka at the FASEB (Federation of American Societies for Experimental Biology) conference was held in July 2013 in Chicago

**Title: “Administration of 5-aminolevulinic acid (5-ALA) with sodium ferrous citrate (SFC) enhances mitochondrial Complex IV activity and reoxidation of NADH to NAD”**

②5-ALA Related Business:

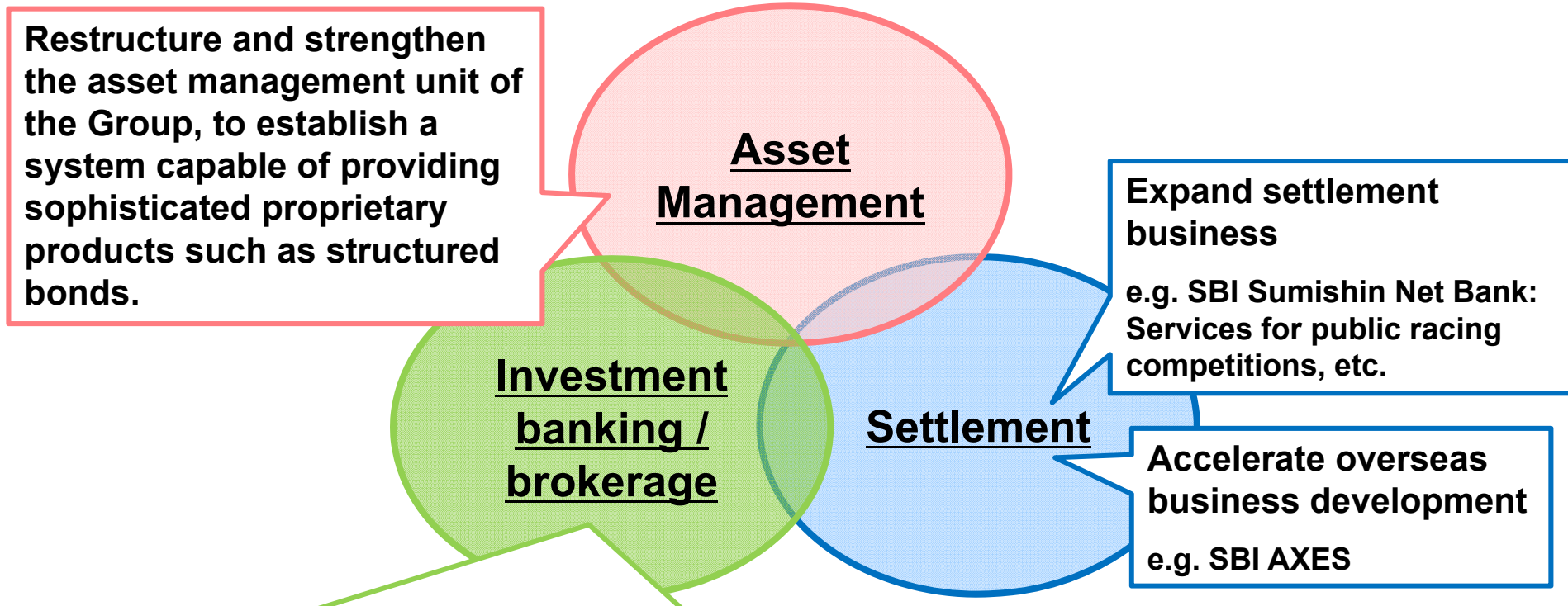
The 5-ALA Related Business is Progressing Favorably, Boosted by a Tailwind from Academic Papers Concerning 5-ALA from Japanese and Overseas Universities



### **3. Future Business Management Priority Issues**

- (1) Expanding the Settlement Business and Upgrading the Investment Banking and Brokerage Businesses**
- (2) Enhancing Asset Management Capacity**
- (3) Promoting IPO Strategies both Domestically and Abroad**

# (1) Expanding the Settlement Business and Upgrading the Investment Banking and Brokerage Businesses



**SBI SECURITIES, SBI MONEY PLAZA and SBI Investment are already working together.**



**Future: Further utilize CHINA JAPAN M&A CLUB established by the SBI Group.  
SBI SECURITIES' support in small and medium-sized companies' finance. ...etc.**

**Will endeavor to strengthen the business, with full consideration for various future possibilities, such as a restructuring of the financial industry**

## (2) Enhancing Asset Management Capacity



With the alignment of companies within the Group, including the life insurance company (pending approval), that requires asset management capabilities, structural changes will be made through the reorganization and the strengthening of the asset management unit, so that sophisticated proprietary products such as structured bonds may be offered.

SBI Group companies that provide know-how and specialists for fund management capabilities:

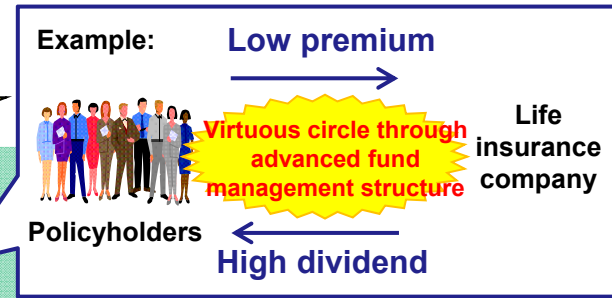
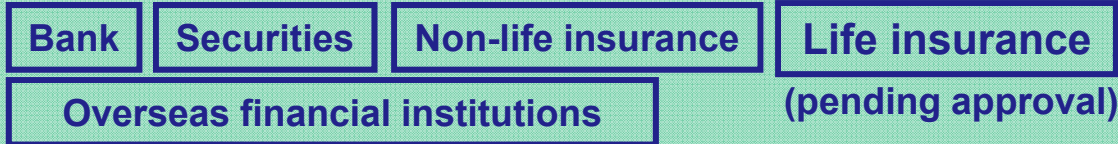


**To be more advanced management unit through Enhancement and Restructuring**

**Primary fund management methods:  
Cash / Equity / Debt / Real estate / Alternative investments**

**Providing products and ideas for fund management**

SBI Group's companies with investment management needs :



### (3) Promoting IPO Strategies both Domestically and Abroad

SBI Group companies considering future IPOs:

a. Insurance Holding Company  
(establishment under review)

- ✓ On the premise of the completion of acquiring PCA Life Insurance
- ✓ Establish an Insurance Holding Company that controls the SBI Group's insurance businesses, of SBI Insurance, PCA Life Insurance and SBI SSI, and effectively utilize the Group's human resources in the investment divisions or back-office divisions of accounting and financing
- ✓ Upon establishing an Insurance Holding Company, SBI will consider an IPO of this holding company, not a IPO of SBI Insurance alone

b. SBI Japannext



# **SBI's Corporate Value Consideration**

# SBI Holding's Recent Stock Price



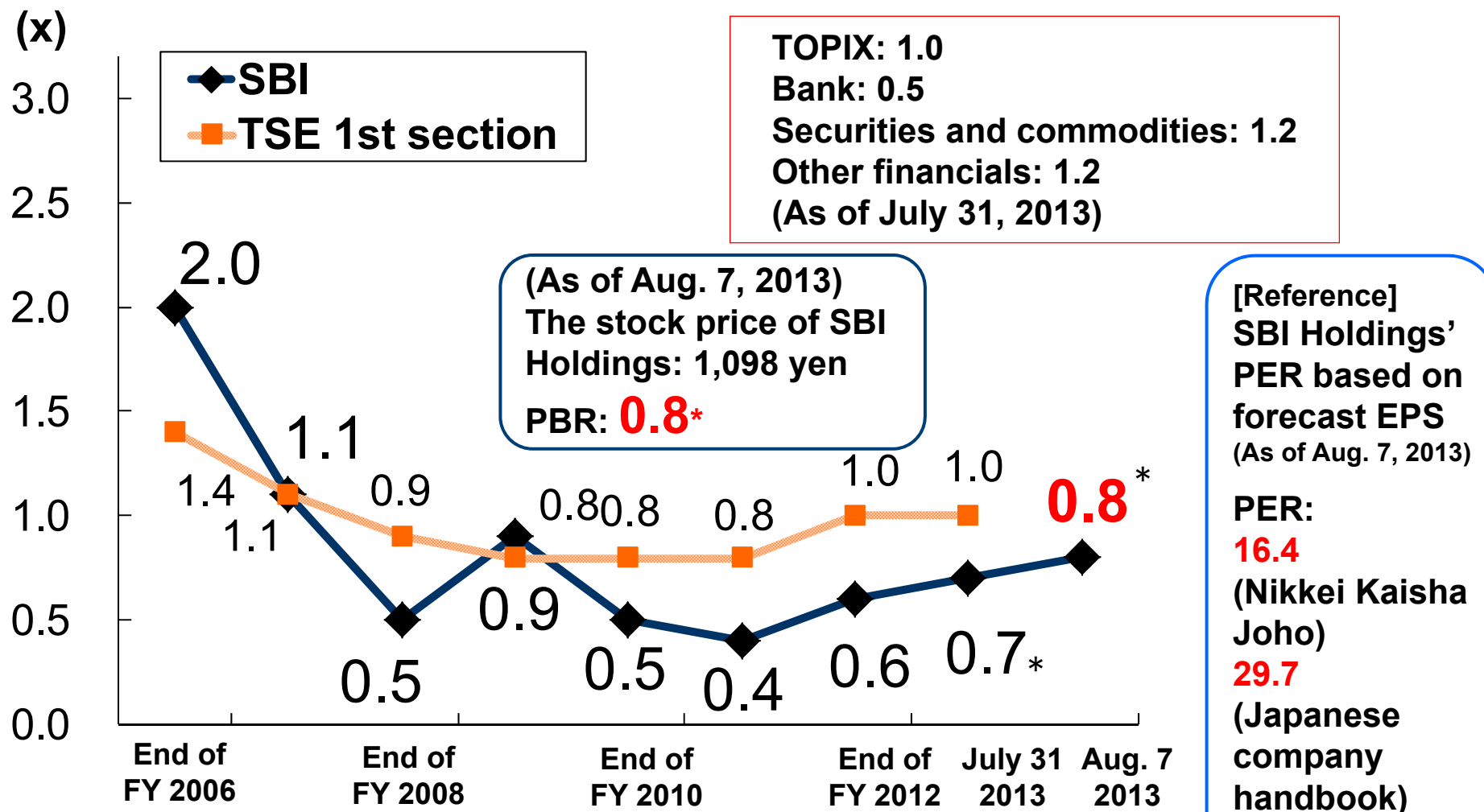
Market cap (actual value as of Aug. 7, 2013): JPY 2,465bn





# Change in PBR of SBI Holdings

PBR= Closing price at the end of FY / Net assets per share at the end of FY



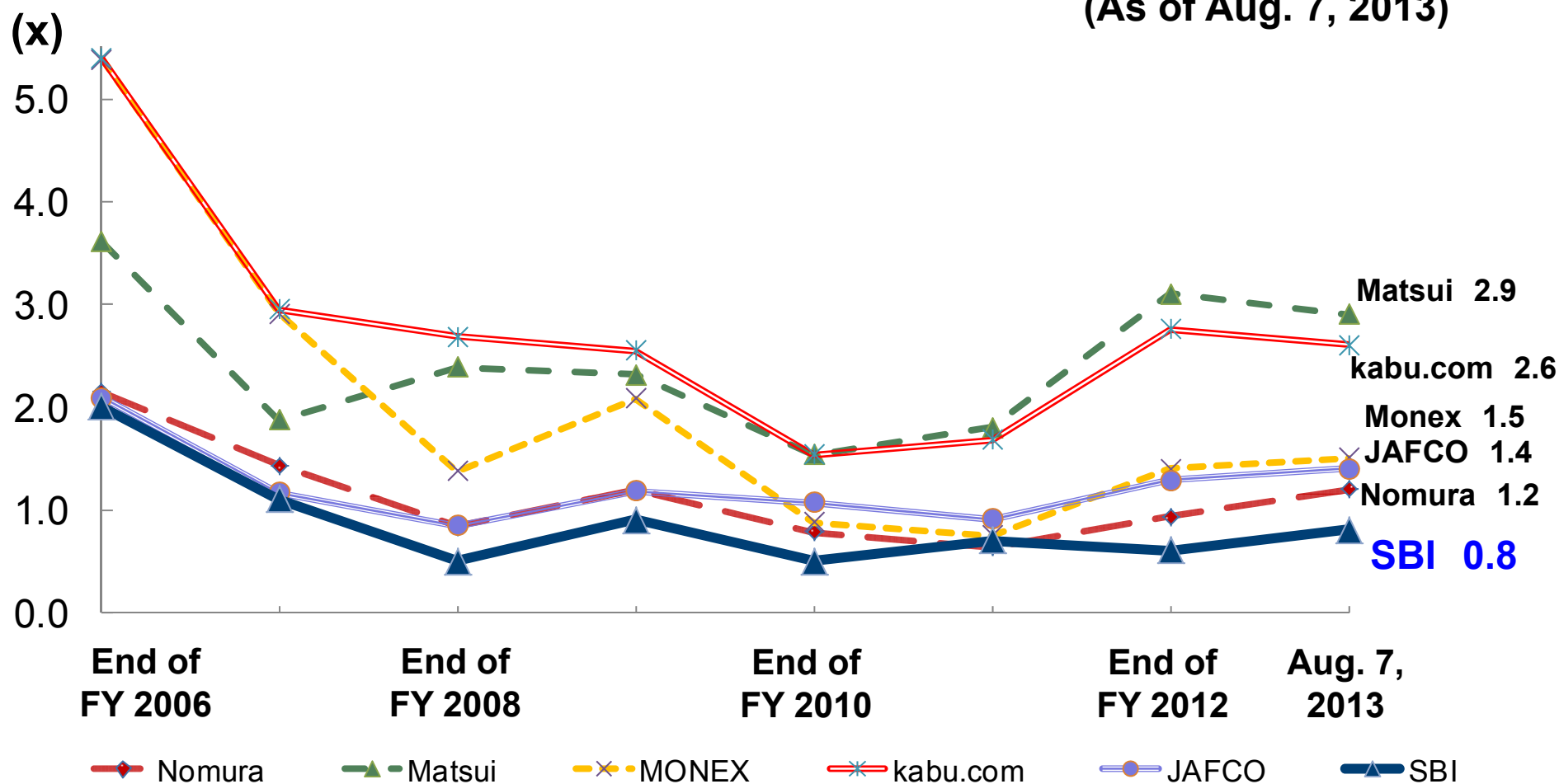
\*PBR of SBI Holdings for Aug 7, 2013 and July 31, 2013 are calculated based on the BPS of the end of Mar. 2013.

\*PBR of SBI Holdings prior to FY2012 is calculated based on J-GAAP BPS.

# PBR Comparison with Competitors

PBR= Closing price at the end of FY / Net assets per share at the end of FY

(As of Aug. 7, 2013)



\*PBR for Aug. 7, 2013 is calculated based on the BPS of the end of Mar. 2013.

\*PBR of Monex and SBI Holdings prior to FY2012 are calculated based on J-GAAP BPS.

# Valuation by Segment Estimated by SBI

## (1) Financial Services Business ① SBI SECURITIES -(i)



### ① SBI SECURITIES

Valuation is conservatively estimated at JPY 256.7bn

(based on the closing price of Aug. 7, 2013)

Estimation of the valuation is as follows

Calculated according to the **Comparable Public Company Analysis**

Compares the market cap and profits of the comparable public companies, Matsui and kabu.com.

Valuation of SBI SECURITIES is calculated as the mean of the two values [(A) and (B)] resulting from the equations below

$$\frac{(\text{Matsui's PER} + \text{kabu.com's PER}) (*1)}{2} \times \text{SBI SECURITIES's Net income (FY2012)} \dots \text{(A)}$$

$$\frac{(\text{Matsui's PBR} + \text{kabu.com's PBR}) (*2)}{2} \times \text{SBI SECURITIES's Net asset (*3) (as of Mar. 31, 2012)} \dots \text{(B)}$$

\*1 PERs of Matsui and kabu.com are calculated by their net income per share for FY2012.

\*2 PBRs of Matsui and kabu.com are calculated by its BPS as of Mar. 31, 2013.

\*3 Represents SBI SECURITIES' balance of net asset excluding short-term loans receivable from SBIH

# Valuation by Segment Estimated by SBI

## (1) Financial Services Business ① SBI SECURITIES -(ii)

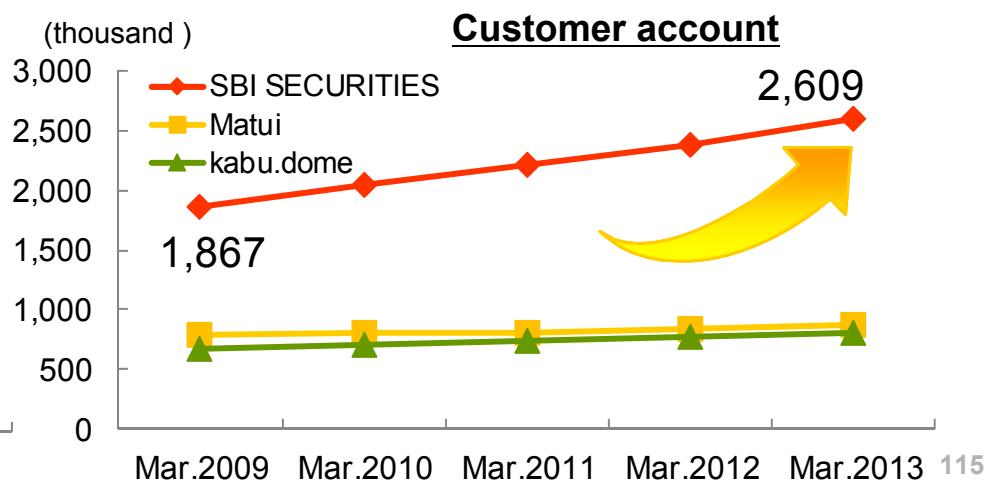
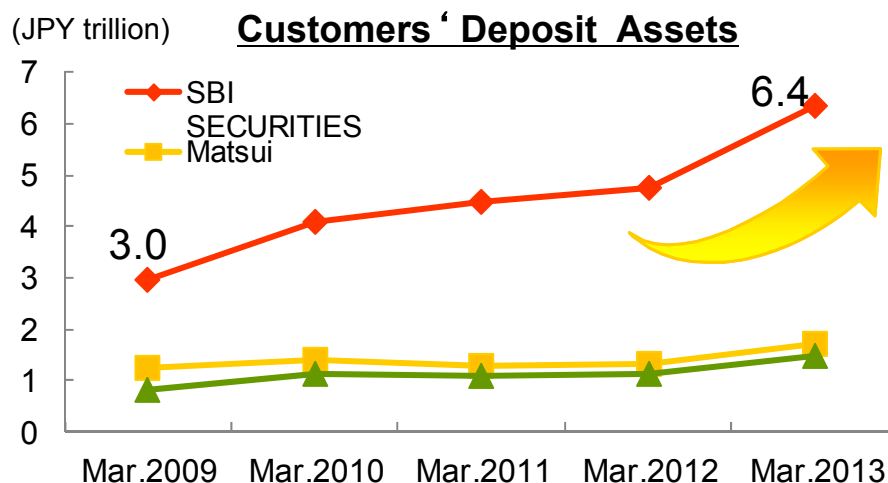


### Is SBI SECURITIES' valuation reasonable?

#### Comparison of SBI SECURITIES and two listed online securities

companies (Matsui Securities and kabu.com Securities) \*Calculated by the closing prices of Aug. 7, 2013

(FY2012)	SBI SECURITIES	Matsui Securities	Kabu.com Securities
Valuation(market cap)*	JPY 256.7bn	JPY 242.9bn	JPY 93.3bn
Deposit assets (Mar. 2013)	<b>No.1</b> JPY 6,360.3bn	JPY 1,715.9bn	JPY 1,472.0bn
Number of accounts (As of the end of Mar. 2013)	<b>No.1</b> 2.6 million	870 thousand	810 thousand
Share of individual stock brokerage	<b>No.1</b> 33.2%	8.4%	7.4%
Operating income	<b>No.1</b> JPY 11.5bn (up 52.4% YoY)	JPY 10.2bn (up 38.1% YoY)	JPY 3.9bn (up 30.8% YoY)



## Valuation by Segment Estimated by SBI (1) Financial Services Business ② SBI Sumishin Net Bank -(i)

### ② SBI Sumishin Net Bank

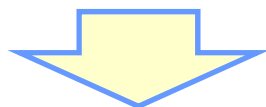
Valuation is conservatively estimated at **JPY 38.6bn**

(Shareholding of the SBI Group: 50.0%)

Estimation of the valuation is as follows:

The excess earning power of the bank for the five fiscal years beginning in FY2012 is estimated with the assumption that the after-tax income (\*) of SBI Sumishin Net Bank will grow 20 percent annually for those five fiscal years. Then, valuation is calculated by adding the bank's net asset of SBIH's shareholding as of Mar. 31, 2013 to the excess earning power.

\* Under a calculation based on the ordinary income as JPY 7.9bn, and the profit after tax for the corresponding fiscal year as JPY 4.8bn.



Conservatively estimated the valuation of SBI Sumishin Net Bank with high growth potential in terms of profitability and scale at **JPY 77.2bn** → **JPY 38.6bn**

(Shareholding of the SBI Group: 50.0%)

# Valuation by Segment Estimated by SBI

## (1) Financial Services Business ② SBI Sumishin Net Bank - (ii)



### Consideration of SBI Sumishin Net Bank's valuation (JPY 77.2bn)

住信SBIネット銀行 - Ordinary income for full year FY2012 (JPY 7.9bn (+36.4% YoY))  
 ~ Within reach of achieving ordinary income of JPY 10.0bn ~



- Deposit balance topped JPY 3tn (as of July 25, 2013)

Ordinary income for FY2012

Local listed banks with ordinary income of nearly JPY 10.0bn

	Ordinary income (JPY billion)	YoY Change (%)	Market Cap (JPY billion)	Ranking*1
Juroku Bank	10.9	-33.5	141.5	15
Chiba Kogyo Bank	10.2	+12.6	38.0	48
Yamanashi Chuo Bank	9.9	+13.4	73.4	40
Nanto Bank	9.9	+7.8	107.0	20
Senshu Ikeda Bank	9.5	+23.0	121.1*	19
Bank of Okinawa	9.3	+10.9	86.4	59
Hokuetsu Bank	9.1	+12.9	49.2	49
Hyakujushi Bank	8.9	-28.5	112.9	33
Oita Bank	8.7	-26.1	51.6	41
Yamagata Bank	8.7	+25.2	72.4	53
Shikoku Bank	8.6	+75.5	50.0	43
Miyazaki Bank	8.0	-25.1	49.4	56

Comparison with listed local banks of a similar scale

#### Compared by profitability

The average market cap of 12 listed local banks with ordinary income of nearly JPY 10.0bn is approx. JPY 80.0bn

**Market cap of local banks with deposit balances greater than JPY 3tn exceeds JPY 100bn**

\* Market cap is of Senshu Ikeda Holdings whose main subsidiary is Senshu Ikeda Bank

\*1 Ranking of deposit balance of 75 banks including community banks and New Entrant Banks

\*2 Market cap based on the closing prices of Aug. 7, 2013

## Valuation by Segment Estimated by SBI

### (1) Financial Services Business ③ SBI Liquidity Market

#### ③ SBI Liquidity Market

**Valuation is estimated at JPY 26.6bn**

(based on the closing price of Aug. 7, 2013)

**Estimation of the valuation is as follows:**

**Calculated according to the Comparable Public Company Analysis**

Compares the market cap and profits of a comparable public company, MONEY SQUARE JAPAN

MONEY SQUARE JAPAN's PER (\*) x SBI Liquidity Market's Net profit (as of Mar. 31, 2012)

\* PER of MONEY SQUARE JAPAN is calculated by its net income per share for FY2012 .

**<Reference> Acquisition of CyberAgent FX by Yahoo Japan (Jan. 31, 2013)**

**Acquired all shares of CyberAgent FX (16,200 shares) at JPY 21.0bn**

CyberAgent FX (FY2011)		SBI Liquidity Market (FY2012)
JPY 8,498m	Operating revenue	JPY 7,743m
JPY 4,021m	Operating income	JPY 1,512m
JPY 2,289m	Net Profit	JPY 941m
JPY 9,067m	Net Asset	JPY 3,470m

**Operating  
income before  
allocation to  
SBI  
SECURITIES is  
JPY 6.1bn**

## Valuation by Segment Estimated by SBI

### (1) Financial Services Business

#### ④ Other Financial Services Business (listed companies)

#### ④ Other listed subsidiaries and equity-method companies in the FS Business

	SBI's shareholding pct. (%)	Classification	Listed market	Market cap (JPY billion)	SBI's equity interest of market cap (JPY billion)
Morningstar Japan	49.2	Consolidated subsidiary	JASDAQ	27.0	13.3
SBI Mortgage	60.7	Consolidated subsidiary	KOSPI of KRX	30.4*	18.5
SOLXYZ	26.3	Equity method affiliate	JASDAQ	5.1	1.3
<b>Sum of the market cap of listed subsidiaries and equity method affiliates</b>				<b>62.5</b>	<b><u>33.1</u></b>

(Based on the closing price of Aug. 7, 2013, \*Calculated by the exchange rate as of Aug. 7, 2013.)

\* SBI's shareholding percentage corresponds to a figure based on the IFRS criteria that excludes a percentage of outside shareholder's interest of subsidiary companies and subsidiary funds of the Group.



## Valuation by Segment Estimated by SBIH

### (1) Financial Services Business Total Valuation of the Businesses



#### ① SBI SECURITIES

Upon comparison with similar listed companies calculated conservatively as **JPY 256.7bn** (based on the closing price Aug. 7, 2013)

#### ② SBI Sumishin Net Bank

Conservatively estimated the valuation of SBI Sumishin Net Bank that has high growth potential in terms of profitability and scale at JPY 77.2bn

**JPY 38.6bn** (Shareholding of the SBI Group: 50.0%)

#### ③ SBI Liquidity Market

Upon comparison with similar listed companies calculated as **JPY 26.6bn** (based on the closing prices of Aug. 7, 2013)

#### ④ Total market cap upon SBIH's shareholding of other listed subsidiaries and equity-method companies, in total 3 companies, in the FS Business

The sum of market caps of Morningstar Japan, SBI Mortgage and SOXYZ

(Shareholding of the SBI Group) **JPY 33.1bn** (based on the closing prices of Aug. 7, 2013)



Total of the valuation above: **JPY 355.0bn** (The SBI Group's total shareholding)

## Valuation by Segment Estimated by SBIH

### (1) FS Business ⑤ Other FS Business (Profitable Entities)

**The FS Business also consists of many other profitable business entities**

		Business lineup	OP for FY2012 (JPY billion)	SBI's shareholding pct. (%)
SBI Comparison Website Business		Operation of comparison websites for loans and insurances	1.2	100.0
SBI Lease		ICT-centered comprehensive leasing business and operation of an Internet-based lease-estimate website	0.5	100.0
SBI Japannext	Growing Business	Operation of PTS (Proprietary Trading System)	0.2	52.8
SBI Business Support		Contact center business for corporations and a temporary staffing agency	0.2	100.0
CEM Corporation		Real estate secured loans	0.2	79.7

Since Mar. 2012, conducted a sale of divisions in the Financial Services Business which deemed not synergistic with the three core businesses even with high contribution to earning, such as SBI VeriTrans (OP for FY2011 was JPY 1.3bn: based on J-GAAP) and SBI Credit (OP for FY2012 was JPY 0.5bn: IFRS based profit undertaken by SBIH)



**At the FS Business recovered JPY 17.0bn through “selection and concentration”**

# Valuation by Segment Estimated by SBIH

## (2) Asset Management Business

### ① Valuation Measuring Method



#### Asset Management Business

Valuation for the AM Business is estimated at **JPY 158.7bn**

<Reference>

JAFCO's Market Cap: **JPY 170.2bn** (based on the closing price of Aug. 7, 2013)

Valuation estimation is the sum of the valuation (i)-(iii) below.

(i) Value of holding securities (at the end of June 2013) **Approx. JPY 105.1bn**

Operational investment securities and other investment securities held are quarterly evaluated through fair value, and the calculated number above reflects the **fair value of SBIH's ownership**

(ii) Value of SBI Investment (based on the closing price of Aug. 7, 2013)

(\* Valuation excluding asset such as securities hold) **Approx. JPY 47.5bn**

Calculated according to the **Comparable Public Company Analysis**

Compares the market cap and profit of the comparable public company, JAFCO

Provisional amount of SBI Investment's net income that represents the actual status deducting expenses produced relevant to the holding company function held by it x JAFCO's PER (\*)

\*PER of JAFCO is calculated by its net income per share for FY2012.

# Valuation by Segment Estimated by SBIH

## (2) AM Business ② Other Profitable Business Entities



(iii) Total market cap of listed subsidiaries and equity-method affiliates

	SBI's shareholding pct. (%)	Classification	Listed market	Market cap (JPY billion)	SBI's equity interest of market cap (JPY billion)
<b>SBI AXES</b>	<b>42.7</b>	Consolidated subsidiary	KOSDAQ of KRX	<b>7.5*</b>	<b>3.2</b>
<b>SBI Investment Korea</b>	<b>43.9</b>	Equity-method affiliate	KOSDAQ of KRX	<b>5.8*</b>	<b>2.6</b>
<b>SBI Global</b>	<b>43.3</b>	Operational investment securities	KOSDAQ of KRX	<b>0.7*</b>	<b>0.3</b>
<b>Sum of the market cap of listed subsidiaries and equity method affiliates</b>				<b>14.0</b>	<b>6.1</b>

(Based on the closing price of Aug. 7, 2013, \*Calculated by the exchange rate as of Aug. 7, 2013.)

### [Other profitable businesses of the Asset Management Business]

		Business lineup	OP for FY2012 (JPY billion)	SBI's shareholding pct. (%)
<b>SBI CAPITAL</b>		Operate and manage buyout and revitalization funds	<b>0.6</b>	<b>100.0</b>
<b>Phnom Penh Commercial Bank</b>	<b>Overseas Business</b>	Commercial Bank	<b>0.4</b>	<b>47.6</b>
<b>YAR-BANK</b>	<b>Overseas Business</b>	Commercial Bank	<b>0.2</b>	<b>50.0</b>
<b>NARUMIYA INTERNATIONAL</b>		Manufacture, process and sale of children wear and related products via original and licensed brands	<b>0.3</b>	<b>100.0</b>

\* SBI's shareholding percentage corresponds to a figure based on the IFRS criteria that excludes a percentage of outside shareholder's interest of subsidiary companies and subsidiary funds of the Group.

# Valuation by Segment Estimated by SBIH

## (3) Biotechnology-related Business

### ① SBI Pharmaceuticals



#### Biotechnology-related Business

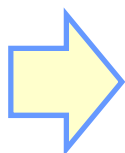
Each bio-venture company has multiple promising pipelines, and the Biotechnology-related Business will become a core business that makes a substantial contribution through progress in areas including pharmaceutical clinical research in Japan and overseas.

Total valuation of the Biotechnology-related Business is estimated at approx. JPY 60.7bn

#### ① SBI Pharmaceuticals

Estimation of the valuation is as follows:

Market value at the point of partial transference of former SBI ALApromo's shares x Number of shares issued x SBIH's equity interest (excluding external holdings)



Based on SBIH's equity interest (excluding external holdings) as of the end of June 2013, the amount is calculated to be approx. JPY 46.6bn

Beside SBI Pharmaceuticals, the total shareholder value of the Biotechnology-related Business includes the estimated shareholder value of 2 IPO scheduled companies for 2013 and 2014, with the estimation based on SBIH's shareholding of paid-in capital and the market values of operational investment securities that SBIH owns.

# Valuation by Segment Estimated by SBIH

## (3) Biotechnology-related Business



### ② Companies reserved for IPO in the Biotechnology-related Business

	SBI's shareholding pct.	IPO target	Lead manager
<b>SBI Biotech *1</b>	<b>38.6%</b>	<b>within 2014</b>	<b>Mizuho Securities</b>
<b>(U.S.) Acucela *2</b>	<b>16.9%</b>	<b>within 2013</b>	<b>Mitsubishi UFJ Morgan Stanley Securities</b>

\*1 Wholly acquired (U.S.) Quark as a subsidiary in Dec. 2012 \*2 (U.S.) Acucela is classified in the Asset Management Segment

\* SBI's shareholding percentage corresponds to a figure based on the IFRS criteria that excludes a percentage of outside shareholder's interest of subsidiary companies and subsidiary funds of the Group.

**Although most bio-venture companies are not profitable, many have gone public**

### Newly listed drug development bio-venture companies in the last three years (Unit: JPY billion)

Company name	Listed date	Net profit of the base fiscal year (JPY million)	Market cap by the initial price	Latest market cap
				(Aug. 7, 2013)
CellSeed	Mar. 16, 2010	-650	7.5	16.0
RaQualia Pharma	July 20, 2011	-1,307	19.6	12.5
SymBio Pharmaceuticals	Oct. 20, 2011	-642	8.6	10.4
3-D MATRIX	Oct. 24, 2011	-533	5.4	71.0
Chiome Bioscience	Dec. 20, 2011	-180	5.1	29.5
Gene Techno Science	Nov. 30, 2012	-320	3.0	7.2
UMN Pharma	Dec. 11, 2012	-477	8.3	23.7
MEDRx	Feb. 13, 2013	-433	11.3	16.7

# Valuation by Segment Estimated by SBIH

## (4) Housing and Real Estate Business



### Housing and Real Estate Business

Valuation for the Housing and Real Estate Business estimated at **approx. JPY 31.8bn**

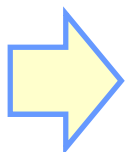
Estimation of the valuation is as follows:

Sum of the calculated value of the commercial real estate properties of SBIH as of the end of June 2013 were calculated, along with SBI Life Living's market cap.

① Value of the commercial real estate properties

$$\text{Asset Value} = \text{Balance of investment real estate} + \text{Balance of real estate included in tangible assets}$$

(Balance of investment real estate for Hyudai Swiss Savings Bank and SBI Life Living are excluded)



As of the end of June 2013, valuation is **approx. 26.0bn**

② Market cap of a listed subsidiary in the Housing and Real Estate Business

	SBI's share-holding pct. (%)	Classification	Listed market	Market cap (JPY billion)	SBI's equity interest of market cap (JPY billion)
SBI Life Living	73.8	Consolidated subsidiary	TSE Mothers	7.9	<b><u>5.8</u></b>

(based on the closing price of Aug. 7, 2013) 126

## Our Corporate Value by Each Businesses' Valuation Estimated Based on the Closing Prices of Aug. 7



### ① Sum of the values by segment

(JPY billion)

(based on the closing prices of Aug. 7, 2013)	Valuation of each segment (theoretical value)
<b>Financial Services</b>	<b>355.0 (+)*</b>
<b>Asset Management</b>	<b>158.7</b>
<b>Biotechnology-related</b>	<b>60.7</b>
<b>Housing and Real Estate</b>	<b>31.8</b>
<b>Sum total</b>	<b>606.2 (+)</b>

**Business valuation per share: JPY 2,700 yen**

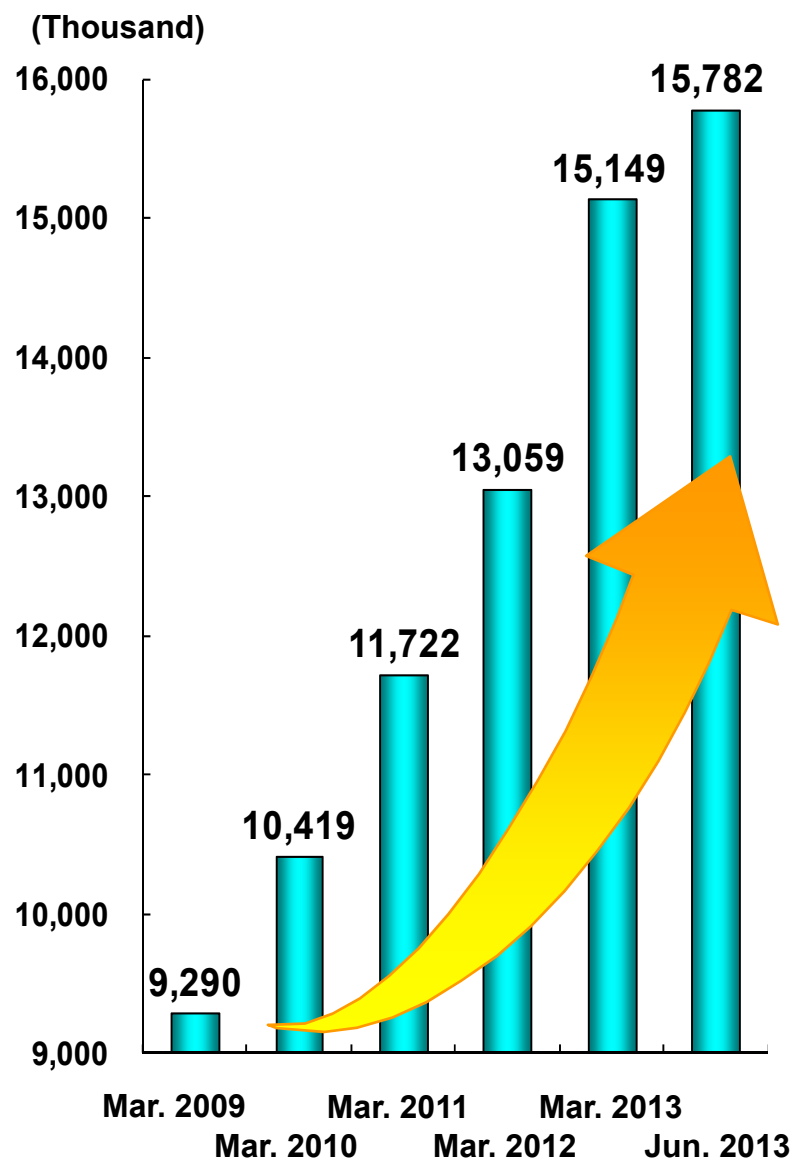
\* Other business including SBIH's comparison website business, SBI Lease, SBI Business Support are also profitable, but these businesses are not included in this valuation estimation.

**Of the major 58 Group companies, 19 are profitable companies that are not included in the above calculations (Total Operating Income: approx. JPY 3.9bn)**



# [Appendix]

# The SBI Group's Customer Base



## Breakdown of the Customer Base

(As of end of June 2013)

(Thousand)

<b>SBI SECURITIES</b>	(Accounts)	<b>2,712</b>
<b>SBIH InsWeb</b>	(No. of customers)	<b>5,385</b>
<b>E-LOAN</b>	(No. of customers)	<b>1,374</b>
<b>Other financial websites</b>	(No. of customers)	<b>26</b>
<b>MoneyLook</b>	(Total no. of customer registrations)	<b>828</b>
<b>Morningstar Japan</b>	(New portfolio customer registrations)	<b>107</b>
<b>SBI Card</b>	(Valid cards issued)	<b>100</b>
<b>SBI Sumishin Net Bank</b>	(Accounts)	<b>1,740</b>
<b>SBI Insurance</b>	(Total no. of contracts)	<b>579</b>
<b>Autoc one</b>	(Total no. of service users in 2012)	<b>1,000</b>
<b>Lifestyle-related websites</b> (Ticket Ryutsu Center, muSBI.net)	(Total no. of customer registrations)	<b>1,185</b>
<b>Others</b> (SBI Mortgage, SBI Points, etc.)		<b>718</b>
<b>Total</b>		<b>15,782</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

# Assets Under Management of the SBI Group

## **Private equity, etc. JPY 314.5bn** (Including JPY 109.8bn of both cash <sup>(\*3)</sup> and commitment amount to be paid in)

Breakdown by Industry	Amount
IT/Internet	32.6
Biotechnology/Health/Medical	58.9
Services	23.2
Materials/Chemicals	2.1
Environmental/Energy	12.6
Retail/Food	8.2
Construction/Real estate	0.9
Machine/Automobile	12.8
Finance	38.9
Others	14.6
<b>Total</b>	<b>204.7</b>

Breakdown by region	Amount
Japan	129.8
China	24.1
Korea	15.5
Taiwan	1.1
Southeast Asia	7.7
U.S.	20.3
Europe	2.0
Others	4.2
<b>Total</b>	<b>204.7</b>

## **Investment trust etc. 176.8bn**

Investment trusts	91.3
Investment advisory	78.0
Investment companies	7.4

\*1 Calculated by the exchange rate as of the end of June 2013

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

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

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