

Financial Services Business

In FY2012, the SBI Group integrated the former Brokerage & Investment Banking Business and Financial Services Business to form the Financial Services Business. By providing highly competitive financial products and services that take maximum advantage of the Internet, a customer base of over 15 million has been established.



Principal Companies

Intermediate Holding Company:
SBI FINANCIAL SERVICES

SBI SECURITIES

SBI Liquidity Market

SBI Japannext

SBI Holdings
(Financial Services Business Division)

Morningstar Japan

SBI Sumishin Net Bank

SBI Insurance

SBI Mortgage

Major Group Companies' Results

(Millions of yen)

		FY2011	FY2012
SBI SECURITIES (JGAAP)	Operating revenue	39,738	43,401
	Operating income	7,532	11,478
	Net profit	5,645	6,733
SBI Liquidity Market (JGAAP)	Operating revenue	9,166	7,743
	Operating income	1,905	1,512
	Net profit	1,102	941
SBI Insurance (JGAAP)	Ordinary revenue	13,956	19,164
	Ordinary profit (loss)	(5,315)	(7,543)
	Net profit (loss)	(5,449)	(7,554)
SBI Mortgage (IFRSs)	Net operating revenue	9,224	11,527
	Profit before income taxes	3,067	3,787
	Profit for the year	1,757	2,340
SBI Sumishin Net Bank (JGAAP)	Ordinary revenue	34,629	40,204
	Ordinary income	5,793	7,903
	Net profit	5,158	4,779

Organizational Restructuring

In the year under review, for the purpose of sharing a common sales infrastructure to rigorously pursue synergies, the former Brokerage & Investment Banking Business and Financial Services Business was integrated to form the Financial Services Business. The Financial Services Business also includes SBI Mortgage, which was previously classified under the former Housing and Real Estate Business.

Additionally, the Group established SBI FINANCIAL SERVICES as an intermediate holding company for the Financial Services Business, and in September 2012 converted SBI Japannext from an equity-method affiliate to a consolidated subsidiary.

Furthermore, the Group offers asset management, insurance, housing loans, and other products that would be difficult to market only via the Internet, as well as products for which customers require in person explanations from professional advisors. SBI MONEY PLAZA has inherited SBI SECURITIES' face-to-face division to form a one-stop

face-to-face sales channel, and this sales network is being expanded through franchising.

By maximizing synergies among the three core businesses of securities, banking and insurance, the Financial Services Business will increase its pace of business growth by promptly responding to diversifying customer needs.

Financial Results for FY2012

Although the stock market in Japan remained weak from the start of the year under review, stock prices began to rise from November 2012. This uptrend, coupled with the easing of margin trading regulations in January 2013, led to an increased level of individual stock brokerage trading value on the three major markets (Tokyo, Osaka, and Nagoya) in the fourth quarter (January to March 2013) that was 2.4 times the level of the third quarter (October to December 2012), for a 38.4% year-

on-year increase in full-year trading value.

As a result, the Financial Services Business reported a FY2012 operating revenue of ¥113.3 billion, up 3.8% from the previous year, and a profit before income tax expense of ¥18.7 billion, up 78.5% on an IFRSs basis, owing to its adoption during the fiscal year under review. Additionally, second-half operating revenue for the Financial Services Business was ¥62.7 billion, up 23.9% from the first half (April to September 2012), and profit before income tax expense was much higher at about 3.8 times, or ¥14.9 billion.

With the stock market recovery leading to a dramatic increase in the customer base and number of transactions, in order to further increase customer satisfaction, for which the Financial Services Business has received high ratings from third party evaluation organizations, the trading systems will be upgraded and call centers strengthened to further enhance service levels.



Masato Takamura

Representative
Director and President of
SBI SECURITIES Co., Ltd.

Maximizing Group Synergies in Pursuit of Differentiation and Increased Competitiveness

Since starting its Internet trading services in 1999, SBI SECURITIES has established itself as the leader in the online securities industry, in terms of the number of accounts, stock-brokerage trading value share, and customers' deposit assets, while keeping with the corporate mission of adhering to the "Customer-centric Principle."

Although the securities industry has faced an adverse business environment for the past few years, the environment began to improve at the end of 2012, partly as a result of rising stock prices coupled with the easing of margin trading regulations in January of this year. The Japanese version of the U.K.'s tax-exempt individual savings account system, called NISA, is scheduled to be introduced in January 2014, and a consequent increase in investment for long-term wealth building is expected. We regard this business environment as an excellent opportunity, and will endeavor to further expand our customer base and increase our competitiveness as well.

To achieve this, we will proceed to further reinforce our Group synergies. Although we already provide services that draw on powerful synergies with SBI Sumishin Net Bank and the Group companies that provide securities-related services, we will work to maximize Group synergies by further expanding service collaborations and mutual customer referrals.

Whereas we already possess the best product offering in the online securities industry, we will focus our efforts to further expand and upgrade the product line, and will endeavor to differentiate ourselves from our competitors by increasing the trading of foreign stocks, bonds, derivatives, and other financial instruments.

SBI SECURITIES' Continued Diversification of Revenue Sources

SBI SECURITIES' FY2012 consolidated results (based on JGAAP) for operating revenue was ¥43.4 billion, up 9.2% year-on-year, operating income was ¥11.5 billion, up 52.4%, and net profit was ¥6.7 billion, up 19.3%.

The principal reasons for the growth in net profit lagging behind the growth in operating income were the recording of gains on sales of investment securities of ¥4.9 billion as extraordinary income in FY2011, and an increase of ¥520 million in the reserve for financial products transaction liabilities, in conformity with the Financial Instruments and Exchange Law, reflecting a significant increase in stock trading value from the third quarter of FY2012 onward.

Specifically regarding the fourth quarter of FY2012, owing to the favorable market upturn from the end of 2012 and the easing of margin trading regulations in January 2013, financial results were particularly strong. Successful revenue diversification, such as higher FX-related gains and investment trust fees resulted in an operating revenue increase of 52.3% quarter-on-quarter, and an operating income and net profit increase of about 2.5 times and 2.0 times higher, respectively.

Full-year stock brokerage trading value at SBI SECURITIES was up 37.0% to ¥51 trillion, and brokerage commissions rose 17.0% year-on-year to ¥17.3 billion. Particularly in the fourth quarter, stock brokerage trading value

and brokerage commissions rose sharply from the previous quarter, by 2.5 times and 1.8 times respectively, owing primarily to the fourth quarter stock market upturn.

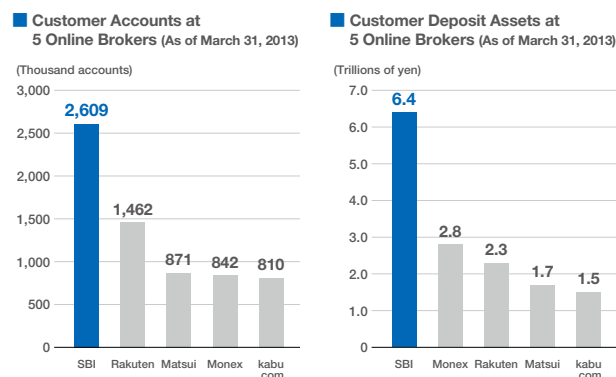
The favorable market upturn from the end of 2012 and the easing of margin trading regulations in January 2013 resulted in an increase in margin trading. The full-year financial revenue rose 8.2% to ¥13.0 billion, and for the fourth quarter in particular, financial revenue showed a sharp quarter-on-quarter increase of 26.1%. Outstanding open positions in margin trading at the end of the fourth quarter were 60.1% higher than in the previous quarter.

Full-year underwriting, offering and sales commissions were up 37.4% year-on-year to ¥2.2 billion. The investment trust balance reached a record high of ¥722.4 billion, and in the fourth quarter investment trust fees rose 17.5% from the previous quarter, and FX-related gains rose 35.0%, exceeding the growth rate up to the third quarter. The number of IPOs underwritten was 42, the highest in the industry (77.8% of the total number of IPOs).

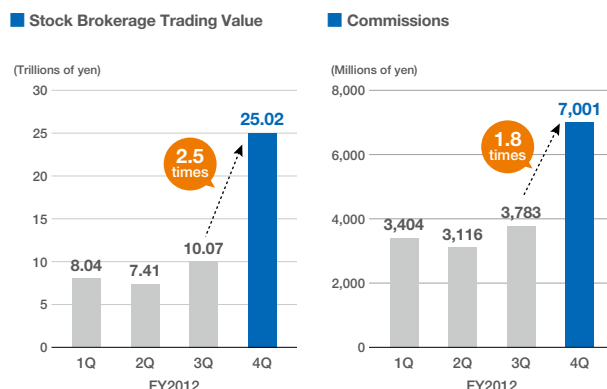
Since the "Lehman Shock," and the continuation of an adverse business environment, SBI SECURITIES has diversified its revenue sources through the expansion of product offerings other than domestic equities, such as foreign exchange margin trading, investment trusts and foreign bonds.

Compared to FY2005, when record-high profits were recorded in all profit categories, revenues from individual products have increased substantially: FX-related gains have risen by approximately 2.6 times, investment trust fees by about 9.6

Number of Accounts and Amount of Customer Deposit Assets at SBI SECURITIES



Stock Brokerage Trading Value and Commissions at SBI SECURITIES



Sources: Compiled by the Company from information on each company's websites

times, and bond trading gains by 55%, on a non-consolidated basis. During the same period, the contribution to operating revenue from brokerage commissions has fallen sharply from 72% to 43%. These figures reflect the solidification of a revenue base that is more resistant to fluctuations in stock market prices.

Also, subsidiaries that are expected to generate powerful synergies with the securities business are steadily increasing their scale of operations. Japannext PTS, a proprietary trading system operated by SBI Japannext, which became a consolidated subsidiary in the year under review, has experienced a surge in use by institutional and individual investors alike, resulting in a sharp increase in trading value. This was fueled by the easing of regulations on take-over bids at the end of October 2012 and the upturn in the stock market since the end of 2012. The company attained profitability in the first quarter of FY2012, and recorded a full-year operating income of ¥230 million. Japannext PTS has developed into a PTS with participation by many leading securities firms, with the number of participating companies increasing from 16 to 20 during the year under review. In addition, two foreign-affiliated companies and several Japanese securities firms are expected to newly participate. In the interest of increasing the societal importance of Japannext PTS, a public share offering of SBI Japannext is under consideration, as well as a possible sale of a stake in the company to a strategic partner.

The establishment in May 2012 of SBI FXTRADE as a pure-play FX trading services provider has successfully contributed to the trading volume of SBI Liquidity Market, which

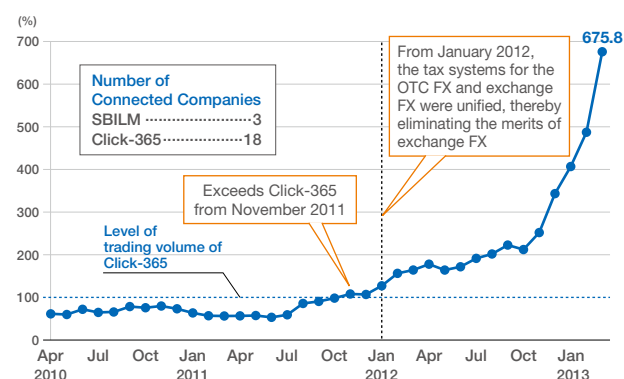
provides a market function for FX trading. The company's share of overall OTC FX trading rose from 5.6% in FY2011 to 11.7% in March 2013 (on a single-month basis).

SBI Sumishin Net Bank's Steady Business Scope Expansion through Synergies with SBI SECURITIES

Since it began operations in September 2007, SBI Sumishin Net Bank, a joint venture between SBI Holdings and Japan's largest trust bank, Sumitomo Mitsui Trust Bank, has endeavored to realize an Internet full-banking business that provides easier-to-use and more competitive products and services than any of its competitors on a "24 hours a day, 365 days a year" basis. Owing to the support of many customers, in March 2013 the number of accounts reached 1.64 million, and SBI Sumishin Net Bank became the first pure-play Internet bank with deposits surpassing ¥2.6 trillion. Approximately 35% of customers who open a new account with SBI SECURITIES also open an account with SBI Sumishin Net Bank, providing a synergistic deposit increase contribution from SBI SECURITIES.

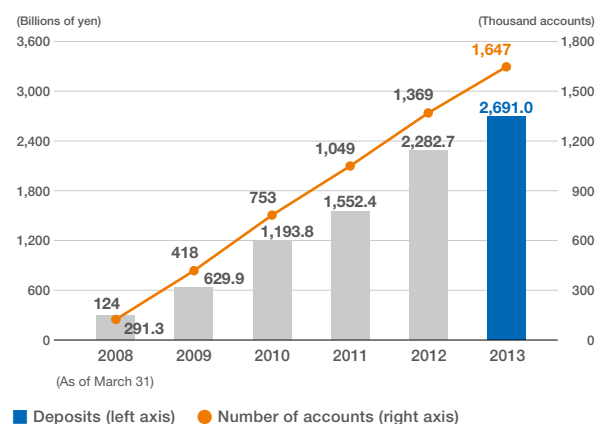
The bank's mainstay loan products are the housing loans from affiliated real estate companies, as well as web-based housing loans provided as a banking agency of the Sumitomo Mitsui Trust Bank. The total balance of both products has surpassed the ¥1.2 trillion mark, and other loans are also increasing

SBI Liquidity Market's Trading Volume (versus Click-365)



Source: Tokyo Financial Exchange information

Deposits and the Number of Accounts at SBI Sumishin Net Bank



steadily. Internet loans (personal loans modified in November 2010 that carry an annual interest rate of 3.5%, the lowest level in the industry) increased by approximately 1.3 times in a single year, with the balance reaching ¥49.4 billion as of March 31, 2013. The cumulative total of auto loans increased by approximately 1.8 times in one year to ¥154.7 billion.

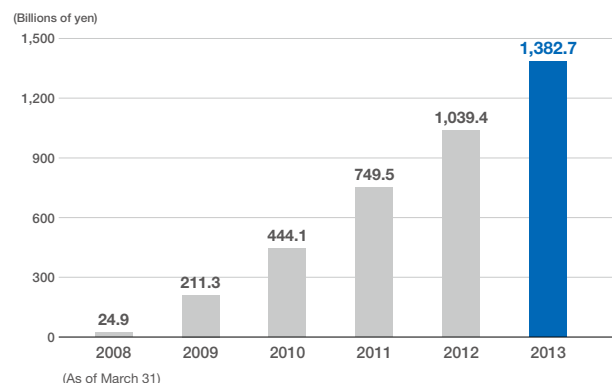
SBI Holdings sold its entire shareholding in SBI Credit, which offers auto loans through a network of 14,000 affiliates (as of March 31, 2013), primarily used car dealers, to an investment fund operated by a Marubeni Corporation subsidiary. However, business collaboration has continued, and SBI Sumishin Net Bank provides funds for their loans.

In terms of service development efforts, the bank is working to improve its customer convenience. For instance, it has begun offering a regular automatic deposit service that enables customers to automatically transfer funds each month to their SBI accounts from accounts at other banks, and has begun providing smartphone applications for foreign currency deposits and FX trading.

As a result of these activities, in FY2012 ordinary revenue was ¥40.2 billion, up 16.1% year-on-year, and ordinary income was ¥7.9 billion, up 36.4%. Although net profit decreased by 7.3% to ¥4.7 billion, this is attributable to the elimination of cumulative losses and the start of income tax payments from the fourth quarter of FY2011. (All financial results are based on JGAAP.)

On July 25, 2013 deposits surpassed the ¥3.0 trillion mark, indicating that SBI Sumishin Net Bank is off to a favorable start in FY2013.

SBI Sumishin Net Bank's Cumulative Total of Housing Loans



Katsuya Kawashima

Representative Director and President of SBI Sumishin Net Bank, Ltd.

Establishing and Solidifying Our Position as the No. 1 Pure-play Internet Bank

Despite starting operations in 2007 as a latecomer in the Internet banking industry, SBI Sumishin Net Bank has established a position as the leader in the Internet banking industry, both in terms of deposit balance and loan balance. I attribute this result to the major contribution of synergies between our two parent companies. For instance, the expansion of SBI Hybrid Deposits through the collaboration with the SBI Group company SBI SECURITIES, and the expansion of web-based housing loans provided as a banking agency of Sumitomo Mitsui Trust Bank, as well as efforts to enhance customer convenience through our own initiatives grounded in the “Customer-centric Principle.” These efforts have been well received by customers, and SBI Sumishin Net Bank enjoys strong support from our large customer base. We have been selected as No. 1 in the banking industry for four consecutive years, in the Japan Customer Satisfaction Index (JCSI).

We are continuing to work to develop new products and services that are aligned with our customers’ needs. As an example, we have recently released Mr. Mokuteki Loans, personal loans tailored to specific life events, and Angelina housing loans for women.

We will continue our efforts to establish steady profits and customer growth, to promote stabilization and diversification of investments, while at the same time working to further enhance customer convenience, in order to solidify our position as the No. 1 Internet bank.

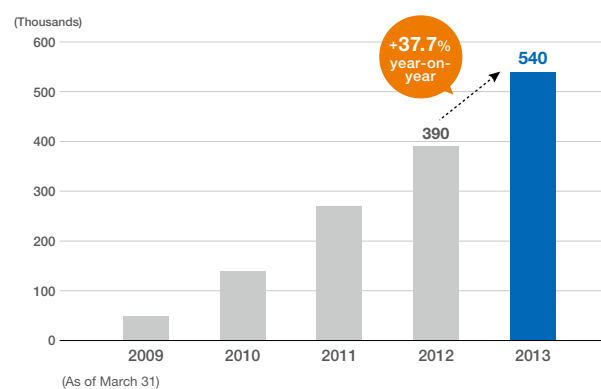
SBI Insurance's Number of Contracts and Insurance Premium Income Increases at a Rapid Pace

SBI Insurance's mainstay product is auto insurance. Including contracts of customers switching from other insurers, the number of contracts is increasing at a rapid pace, and consequently insurance premium income is also rapidly increasing.

Auto insurance policies in force increased by 37.7% year-on-year as of March 31, 2013 to approximately 540,000 (completion and receipt of insurance premiums basis, excluding expired or cancelled policies), and the compound annual growth rate reached 89.0% for the period from March 31, 2009 to March 31, 2013.

Insurance premium income rose correspondingly by 36.5% year-on-year to ¥19.5 billion. The average rate of growth from FY2008 to FY2012 was 94.0%, a pace exceeding the rate of growth in the number of contracts.

SBI Insurance's Number of Auto Insurance Contracts



Hiroyoshi Kido

Representative
Director and President of
SBI Insurance Co., Ltd.

Developing a Business Base that Generates Stable Earnings

Since its founding in January 2008, SBI Insurance has offered its customers auto insurance premiums at an affordable rate. This was achieved through the rigorous implementation of a low-cost operation that takes maximum advantage of the Internet, and the accumulated know-how and experience of the SBI Group in the online financial services business. Under our management policy of “winning customer trust,” we have focused on qualitative improvements in services, such as supporting our customers when accidents occur. As a result, we have grown to over 540,000 policyholders as of March 31, 2013.

In the fiscal year ended March 31, 2013, we implemented a series of measures to boost profitability, and effectively achieved a combined ratio (the ratio of the sum of insurance premium payment and expense to insurance premium income) below 100%. We will seek further operating efficiency and improvements in the operating expense ratio and loss ratio, by promoting rigorous risk management and simultaneously focusing on service level improvements, by means including expansion and upgrading of the claims support structure.

Unlike other financial businesses, nonlife insurance is a business that requires a length of time to become profitable. Nevertheless, our management and employees are mounting a united effort to build a business base that generates stable earnings, with the objective of achieving a full-year profitability in the fiscal year ending March 31, 2016 and completing an IPO in the following year.

As Phase I of measures to increase profitability, SBI Insurance terminated the reinsurance agreement with Aioi Insurance (currently Aioi Nissay Dowa Insurance) effective March 31, 2011, as well as the outsourcing agreement effective March 31, 2012. For Phase II, the company has sequentially implemented measures to further reduce business expenses and improve the loss ratio. Specific measures include reducing outsourcing costs by providing in-house accident response operations on holidays and outside regular business hours, changing call center operating hours, strengthening brick-and-mortar sales channels through collaboration with SBI MONEY PLAZA, reducing postage costs through reduction of paper use and a review of business forms, and reducing advertising and promotion expenses through the reinforcement of targeted marketing.

As a result of these measures, the combined ratio (the ratio of the sum of insurance premium payment and expense to insurance premium income), an index reflecting profitability of nonlife insurance companies, was 103.1% in FY2012. However, the combined ratio is 99.2% when the impact of a ¥760 million cash settlement concerning reinsurance with Aioi Insurance is excluded, so the company has effectively achieved a combined ratio of below 100%.

Although SBI Insurance recorded a loss before income tax expense of ¥5.0 billion for the consolidated financial results for FY2012 (on an IFRSs basis), this was mainly attributable to an increase in the underwriting reserves that

accompanies the growth of insurance premium income. The underwriting reserve is a reserve that must be set aside for a certain period as a source of payment for insurance claims that increases in proportion to the amount of insurance premium income. For this reason, in the insurance business, during the start-up period of rapid growth in insurance premium income, the financial burden of the underwriting reserve increases, leading to an increase in accounting loss.

However, the underwriting reserve is recorded as a debt, and the entire amount is not paid out as cash. SBI Insurance's operating cash flow in the year under review was a positive ¥190 million, the second consecutive year of positive cash flow.

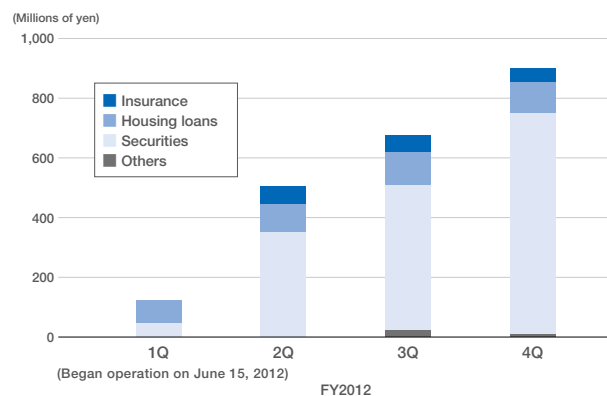
SBI MONEY PLAZA Achieves Profitability in Its First Year of Operation.

SBI MONEY PLAZA, which began operations in June 2012 in a reorganization of the SBI Group's face-to-face businesses, engages in a nationwide operation of SBI MONEY PLAZA shops, a face-to-face channel that handles securities, insurance, and housing loans as a common infrastructure of the Financial Services Business. As a result of a sharp increase in sales in the securities business since the end of 2012, supported by the uptrend in the stock market, the company eliminated its cumulative loss for the first two quarters and posted operating income of ¥36 million for FY2012, achieving a full-year profit-

Combined Ratio Improvement at SBI Insurance

	Combined ratio	=	Operating expenses ratio	+	Net loss ratio
FY2010	175.9%		82.3%		93.6%
FY2012	103.1%		33.4%		69.8%
When settlement money of ¥760 million concerning reinsurance with Aioi Insurance is excluded					
FY2012 (Adjusted)	99.2%		29.4%		69.8%

SBI MONEY PLAZA's Operating Revenue



ability in its first year of operation.

Going forward, in addition to the brokerage business that has been a foundation for the company, the insurance and housing loan businesses will be thoroughly strengthened, so that a more stable profit structure which is resistant to the fluctuations in the business environment may be established.

Steady Growth from Other Businesses

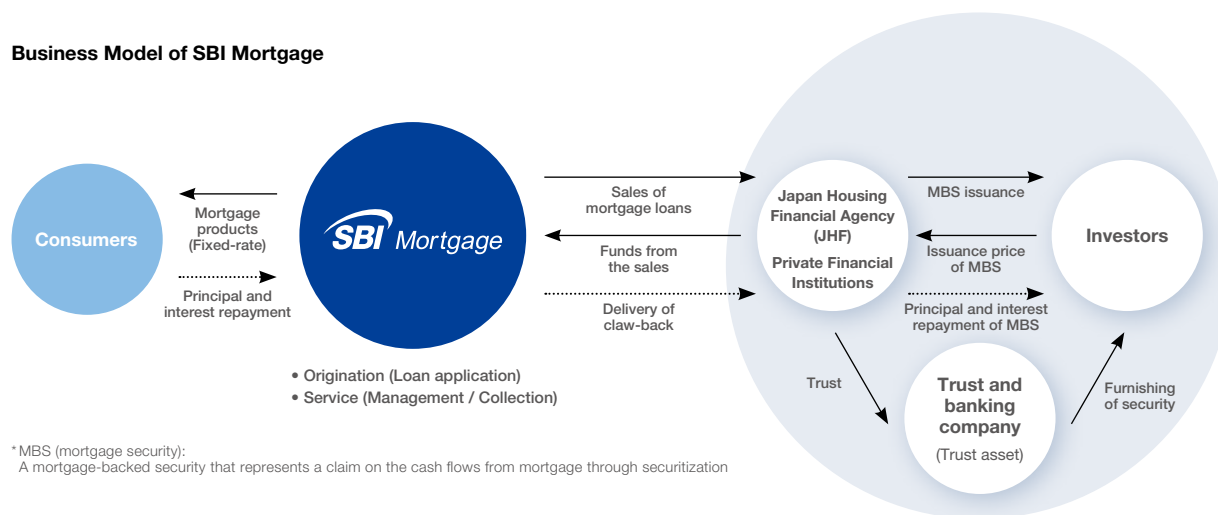
SBI Mortgage, which offers housing loans including “Flat 35” long-term, fixed-rate housing loans in cooperation with the Japan Housing Finance Agency, recorded profit before income tax expense of ¥3.8 billion, up 23.5% year-on-year (IFRSs basis). The company has captured the highest share of

“Flat 35” loans from amongst more than 330 financial institutions, including major banks, that offer these loans (as announced at the end of March 2013 by the Japan Housing Finance Agency) for a third consecutive year (information compiled by SBI Mortgage). The cumulative total of housing loans surpassed the ¥2 trillion mark in May 2013 and continues to grow.

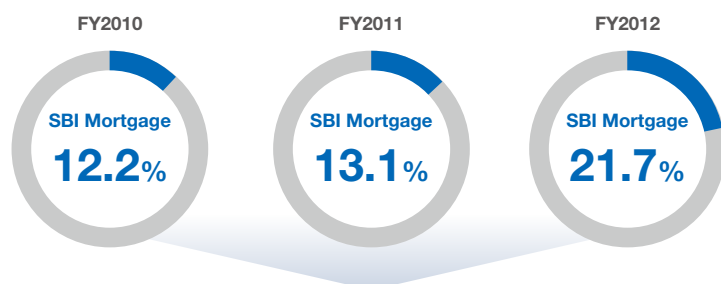
Morningstar Japan, which provides rating information on investment trusts and other financial products and websites, posted a record-high ordinary income of ¥860 million (based on JGAAP) for FY2012.

In addition, SBI Holdings operates InsWeb and E-LOAN, the largest financial comparison websites in Japan, and these businesses also continue to contribute to earnings as well.

Business Model of SBI Mortgage



SBI Mortgage “Flat 35” market share of the total number loans issued



Top share for third consecutive year

Asset Management Business

In the Asset Management Business, as a “New Industry Creator” the SBI Group makes focused investments in Japan’s next-generation growth industries, including IT, biotechnology, environment and energy, and financial services. Also, with the trust and brand reputation that has been established through past performance, alliances are being formed with prominent local partners to accelerate investments in high growth emerging market countries.



Principal Companies

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 Intermediate Holding Company:
 SBI Capital Management

 SBI Investment
 SBI CAPITAL
 SBI Asset Management
 SBI VEN CAPITAL

Stock Market Trends

	March 31, 2012	September 30, 2012	March 31, 2013	Change (%)
				September 30, 2012 vs. March 31, 2013
Nikkei 225	10,083.56	8,870.16	12,397.91	+39.8
NYSE	8,206.93	8,251.00	9,107.05	+10.4
Shanghai SE	2,262.79	2,086.17	2,236.62	+7.2

Foreign Exchange Market Trends

	March 31, 2012	September 30, 2012	March 31, 2013	Change (%)
				September 30, 2012 vs. March 31, 2013
US \$	82.87	77.96	94.22	+20.9
EUR	110.56	100.21	120.76	+20.5
CNY	13.16	12.41	15.17	+22.2

(1 currency unit = amount in yen)

Financial Results for FY2012

The Asset Management Business invests in venture companies, primarily in the IT, biotechnology, environment and energy, and financial sectors, both domestically and internationally.

In the Asset Management Business, SBI Investment and SBI Capital established SBI Capital Management as an intermediate holding company by jointly implementing a stock transfer. The establishment of an intermediate holding company enables the creation of a more flexible investment structure for the efficient and uniform management and procurement of funds, including centralized funds and foreign exchange management.

In FY2012, the Asset Management Business recorded operating revenue of ¥32.2 billion and profit before income tax expense of ¥5.5 billion, down 43.2% and 69.6% year-on-year, respectively.

The primary reason for these results was the recent adoption of IFRSs. Under IFRSs, operational investment securities held, whether listed or unlisted, are revalued at fair value each














quarter. Valuation gains and losses are recorded as operating revenue, even if there is no actual sale of assets, and an equal amount is recognized as operating income or loss and profit or loss before income tax expense. For this reason, operating revenue and profit before income tax expense may fluctuate substantially, according to the market environment at the end of each quarter.

Also, companies that are acquired for investment development purposes that are deemed as controlled entities are consolidated, so the financial results of such companies are included in the Asset Management Business results.

Market Upturn Leads to Sharply Higher Revenues and Profits in the Second Half

In FY2012, the business environment changed completely from the first half (April to September 2012) to the second half (October 2012 to March 2013), as a result of the dramatic changes in the market environment. Comparison of stock market indices around the world at the end of September 2012 and the end of March 2013 shows that the Nikkei Stock Average, NYSE Composite Index and SSE Composite Index rose 39.8%, 10.4% and 7.2%, respectively. A similar comparison

Outline of the SBI Group's Overseas JV Funds

Country	Partners	Investment capital
	Tsinghua Holdings (Company of the Tsinghua University)	34.5 million U.S. dollars
	Peking University Beida Jade Bird Group (Strategic investment arm of Peking University)	100 million U.S. dollars
	Fudan Forward (Fudan University-owned China's first university-affiliated listed company)	Offshore: 33.5 million U.S. dollars Onshore: 18 million U.S. dollars
	Shanghai Yidian Holding (Large state-owned information company directly under the Shanghai Municipal Government)	33 million U.S. dollars
	China Merchants Bank Co., Ltd. (Major general securities company in China), Resource Capital China Ltd. (China's first private management investment company), China CITIC Bank Corporation Ltd. (CITIC Group-owned commercial bank)	Offshore: 20.5 million U.S. dollars Onshore: 10 million U.S. dollars
	Kingston Financial Group (Major financial group in Hong Kong)	100 million U.S. dollars
	Founder of a Taiwanese IT company	22.5 million U.S. dollars
	Shin Kong Group (Major financial group in Taiwan) Nan Fung Group (Major real estate developer in Hong Kong)	18 million U.S. dollars
	SBI Investment KOREA (Equity-method affiliated company in which the Company holds 43.9% of shares. Shares listed on the KOSDAQ)	57 million U.S. dollars
	TEMASEK (Investment company for the Singaporean government)	100 million U.S. dollars
	FPT (Vietnam's largest high-tech company)	75.5 million U.S. dollars
	PNB Equity Resource Corporation (Malaysian governmental investment management company)	50 million U.S. dollars
	Brunei Darussalam, Ministry of Finance	59.5 million U.S. dollars
	Edelweiss Financial Services (Integrated financial services company in India)	100 million U.S. dollars
	Nirvana Venture Advisors (Founding family of Patni Computer Systems)	Offshore: 15 million U.S. dollars Onshore: 15 million U.S. dollars
	Mahindra Satyam (Large IT service company in India)	50 million U.S. dollars
	Invest AD (Subsidiary of the Abu Dhabi Investment Council)	75 million U.S. dollars 100 million U.S. dollars
	Russia	IFC METROPOL (Major integrated financial group in Russia)
	FMO (Bilateral private sector development bank in the Netherlands)	Up to 60-125 million U.S. dollars
	Jefferies Group (Major U.S. securities company)	50 million U.S. dollars 150 million U.S. dollars

* Amount of investment capital in the local currency are calculated to U.S. dollar at the rate of May 31, 2013.

of foreign exchange rates shows a striking yen depreciation trend, with the value of the U.S. dollar, euro, and the yuan rising against the yen by 20.9%, 20.5%, and 22.2%, respectively.

Owing to this favorable turn in the market environment, as well as to the steadily increasing corporate values of promising investee companies, the performance of the Asset Management Business improved in the second half, despite a substantial reduction in the book value of Hyundai Swiss Savings Bank when it was made a consolidated subsidiary. Revenues and profits alike rose sharply in the second half from the first half level, with operating revenue increasing by 35.7% to ¥18.5 billion and profit before income tax expense rising tenfold to ¥5.0 billion.

Gradual Recovery of the IPO Market in Japan

In the IPO market in Japan, the number of IPOs in FY2012 rose by 17 from the previous fiscal year to 54. Although much lower than the 99 IPOs in FY2007 before the financial crisis triggered by the collapse of Lehman Brothers, the domestic

IPO market has entered a gradual recovery phase since bottoming out in FY2009.

In FY2012, 12 investee companies of the SBI Group transacted IPO and M&A deals. Of these, there were 4 domestic IPOs, 5 overseas IPOs and 3 M&As. One example is Euglena, a company that has attracted tremendous media attention as an environmental venture company, that listed its shares on the Tokyo Stock Exchange's Mothers Market in December 2012. Euglena is engaged in businesses including the manufacture and sale of food with health-promoting benefits made using the microalga euglena, as well as the R&D of biofuels made from euglena and euglena-related environmental technologies. Another example is Tama Home, which has achieved rapid growth in the low-priced, custom-built house contracting, and detached house subdivision and condominium businesses. It listed its shares on the First Section of the Tokyo Stock Exchange in March 2013.

In addition, the Company's subsidiary SBI Mortgage was listed on the KOSPI Market of the Korea Exchange in April 2012, and SBI AXES was listed on the KOSDAQ Market of the Korea Exchange in December 2012.

Results of IPO and M&A Deals on Investment Companies in FY2012

Number of companies	Company	Date	IPO / M&A	Business	Head office
Japan: 9 companies	SBI Mortgage Co., Ltd.	April 2012	IPO (KOSPI)	Provision of housing loans, insurance agency business	Japan
	Modacom Co., Ltd.	September 2012	IPO (KOSDAQ)	Development and manufacture of WIMAX routers	Korea
	Mediaflag Inc.	September 2012	IPO (TSE Mothers)	Retail and in-store marketing specialist: mystery shopper surveys, sales outsourcing, business systems, etc.	Japan
	SBI AXES Co., Ltd.	December 2012	IPO (KOSDAQ)	Provision of credit card settlement services	Japan
	Syuppin Co., Ltd.	December 2012	IPO (TSE Mothers)	Purchase and sale of used products and sale of new products via the Internet	Japan
	Euglena Co., Ltd.	December 2012	IPO (TSE Mothers)	Manufacture and sale of food with health-promoting benefits made using the microalga euglena, R&D of euglena-related bio-fuel and environmental technologies	Japan
Overseas: 3 companies	Tokyo Stock Exchange Group, Inc.	January 2013	M&A	Management of financial instruments exchanges	Japan
	i-SENS, Inc.	January 2013	IPO (KOSDAQ)	Development and manufacture of blood glucose meters	Korea
	All Japan Solution, INC	February 2013	M&A	Sale to corporate customers of office equipment, LED devices and materials, mobile phones, and other products	Japan
	Support For Business Creation inc.	February 2013	M&A	Operation of the Dokuritsu-shien.net business creation site, sale of mobile phones	Japan
	Global Display Co., Ltd.	February 2013	IPO (KOSDAQ)	Glass processing and surface processing of touch panels, solar cell panels, and other products	Korea
	Tama Home Co., Ltd.	March 2013	IPO (TSE 1st Section)	Custom-built home construction contracting and planning, development, and sale of home and condominium subdivisions	Japan

Seventeen IPOs and M&As Anticipated in FY2013

The portfolio investment amount in FY2012 was ¥30.6 billion, which was invested in 101 companies. The assets under management as of March 31, 2013 was ¥174.8 billion, and the total number of investees amounted to 348 companies. Such investments have kept the SBI Group one of the most active venture capital companies in Japan. By region, Japan accounted for ¥98.4 billion, or 56%, of the SBI Group's total assets under management, and overseas markets accounted for ¥76.5 billion, or 44%.

The number of companies scheduled to transact IPO and M&A deals in FY2013 are expected to increase by 5 year-on-year to 17 in total. The following is an overview of two of those companies.

ReproCELL, a bio-venture company listed on JASDAQ in June 2013, obtained its first license from Professor Shinya Yamanaka of Kyoto University, who received the Nobel Prize in Physiology or Medicine for the development of the iPS cell. The company engages in businesses including the sale of

ES and iPS cell research reagents, and contract drug discovery screening and toxicity testing using ES and iPS cells. The SBI Group subsidiaries and funds managed by the SBI Group own 18.1% of ReproCELL (as of May 31, 2013).

Acucela Inc. is a company launched in the U.S. by a Japanese physician that is targeting a 2013 IPO. Acucela is developing a new drug efficacious in the treatment of the dry form of age-related macular degeneration, and has already reached the final stage of clinical testing. According to the company's CEO, Dr. Ryo Kubota, if the company is successful in this drug discovery project, it expects to be able to save 120 million people from blindness around the world.

Acucela is also developing therapeutics for dry eye and glaucoma, with Otsuka Pharmaceuticals as its product partner. The SBI Group owns 16.9% of Acucela Inc. (as of May 31, 2013), and is the second largest shareholder after founder Dr. Ryo Kubota.

The SBI Group will continue to make active investments in such promising companies in Japan, as well as internationally.



Takashi Nakagawa

Representative
Director and President of
SBI Investment Co., Ltd.

Developing 21st Century Core Industries as a “New Industry Creator”

Under the management philosophy of becoming a leading company in the creation and incubation of core industries of the 21st century as a “New Industry Creator,” SBI Investment is focusing on investments in private equities in next-generation core industries, such as the Internet and biotechnology, and we are expanding our investment scope into areas including media, image, and environment-related sectors. The cumulative number of investee companies in Japan and abroad was 684 companies as of March 31, 2013, including 131 exits by means of IPOs and mergers. The exit ratio of 19.2% reflects a high level of investment performance.

A key characteristic of SBI Investment is that we engage in “full hands-on” investment, by effectively utilizing the enterprise resources of the SBI Group to provide various management resources that investee companies lack, and actively participating in their management.

We are working to increase the corporate value of the investee companies, by providing them with not only risk capital, but also comprehensive support, including assistance in sales, establishment of a framework for strengthening corporate governance and dispatch of personnel to their boards of directors.

As a venture capital firm capable of taking a full hands-on approach, SBI Investment will continue to invest strategically in private equities to cultivate next-generation industries.

Biotechnology-related Business

The SBI Group regards biotechnology as a next-generation core industry. In addition to investing in venture companies in this field, the Group is directly engaged in the operations of biotechnology-related businesses, through the operations of SBI Pharmaceuticals, SBI ALApromo, and SBI Biotech. In FY2012, the Group made the Biotechnology-related Business one of its three core business segments. In particular, the Group positioned the 5-ALA related businesses as its most promising growth area, pursuing global business development of 5-ALA in the fields of cosmetics, health foods and drug research and development.



Principal Companies

- SBI Biotech
- SBI Pharmaceuticals
- SBI ALApromo

Manufacturing and Marketing Approvals Obtained in Japan for the First Pharmaceutical Agent Containing 5-ALA

The SBI Group has commercialized health foods and cosmetics that contain 5-aminolevulinic acid (5-ALA), which are domestically distributed by SBI ALApromo. These products already enjoy a favorable reputation in the market. For example, in its 2012 quality awards competition, Monde Selection awarded health foods NatuALA-Bio and NatuALA-BCAA the gold prize in the Food Supplements category, and ALAPlus Essential Lotion and ALAPlus Moisturizing Cream the silver prize in the Facial Products category.

The Group is also actively conducting research on the pharmaceutical potential of 5-ALA. In March 2013, ALAGLIO®, an orally-administered in vivo diagnostic agent used during the surgical resection of malignant glioma, became the first pharmaceutical agent containing 5-ALA to receive manufacturing and marketing approval from Japan's Ministry of Health, Labour and Welfare. ALAGLIO® is

Japan's first orally-administered brain tumor diagnostic agent for use during surgery.

In addition, clinical trials in multiple fields are underway or in preparation in Japan, the U.S. and Europe, with some conducted in partnership with an overseas contract research organization (CRO). Since January 2012, a consortium of five universities headed by Kochi University has been conducting a physician-led clinical study on an intraoperative diagnostic agent for use in bladder cancer surgery. A Phase III clinical trial was completed at the end of 2012, with the goal of obtaining approval for the agent during the second half of 2014. A Phase I clinical trial for a therapeutic agent for anemia that occurs as a side effect of chemotherapy began in the U.K. in December 2012, has already concluded. Following the start of a Phase II clinical trial in the U.K., parallel clinical trials in the U.S. are planned, starting with a Phase II trial. At that juncture, applications for clinical trials for development as a pharmaceutical agent in multiple fields will be considered.

Development of the 5-ALA Business in the Middle East with Bahrain as the Base

SBI Pharmaceuticals has made Bahrain its base of operations in the Middle East for the 5-ALA business and is conducting multiple clinical research projects involving 5-ALA, notably in the field of diabetes.

In April 2012, SBI Pharmaceuticals reached a basic agreement for a close partnership with the government of Bahrain to promote the 5-ALA business in Bahrain and other Gulf Cooperation Council (GCC) countries.

SBI Pharmaceuticals has concluded a basic agreement with Mumtalakat Holding Company, a Bahrain sovereign fund, concerning collaboration in the 5-ALA business, principally in the pharmaceutical field, and plans to establish a 5-ALA manufacturing base in Bahrain for the purpose of exporting to neighboring countries in the Middle East. The company has also agreed to establish a joint venture company to locally market health foods and cosmetics with Dawani Group Holdings, a major local distributor. Furthermore, the company plans to jointly engage in clinical research with the Bahrain Defense Force Royal Medical Service Hospital, Royal College of Surgeons in Ireland - Medical University of Bahrain, and the Arabian Gulf University.

Quark Pharmaceuticals of the U.S. becomes a Consolidated Subsidiary of SBI Biotech

SBI Biotech primarily engages in projects to discover drugs for cancer and autoimmune diseases in partnership with overseas bio-ventures and research institutes.

In the field of immunomodulator therapy (nucleotide drugs) R&D, SBI Biotech has partnered with Changchun Huapu Biotechnology Co. Ltd., a drug development venture originating at the Jilin University, China, and is conducting Phase I clinical trials at a number of U.S. universities. The company is also conducting clinical trials (Phase II) in the U.S. with melanoma patients, in partnership with Baylor Research Institute, and conducting clinical research in Japan with Kyoto University Hospital in preparation for clinical trials.

In December 2012, SBI Biotech made Quark Pharmaceuticals, Inc., a U.S. bio-venture company, a wholly owned subsidiary. This move has added Quark's multiple drug discovery pipelines, under potential contingency fee agreements with leading global pharmaceutical companies, to SBI Biotech's existing projects.

SBI Biotech is currently preparing for a potential 2014 IPO.



Satofumi Kawata

Representative
Director and COO of
SBI Pharmaceuticals Co., Ltd.

Establishing the 5-ALA Related Business as a Major Source of Earnings for the SBI Group

5-ALA (5-aminolevulinic acid), the raw material of plant chlorophyll and human and animal heme, is intricately involved in energy production in plants and animals. In 1999, a Cosmo Oil research team led by Toru Tanaka (currently CTO of SBI Pharmaceuticals) established a method for mass producing 5-ALA, which led to research in numerous other fields. While Cosmo Oil commercialized plant fertilizers containing 5-ALA, the SBI Group focused on the possibilities of 5-ALA for the human body, and jointly established SBI Pharmaceuticals (SBI's shareholding: 73.2% as of June 30, 2013) with Cosmo Oil in 2008. To date, SBI Pharmaceuticals has commercialized supplements, cosmetics and other products that contain 5-ALA, and in March 2013 received manufacturing and marketing approval for ALAGLIO®, the first pharmaceutical agent made containing 5-ALA.

In overseas developments, SBI Pharmaceuticals has made Bahrain its pharmaceuticals R&D base for the Middle East, and in October 2012 opened a Bahrain Representative Office. We are steadily developing a business structure in Bahrain, in collaboration with the government of Bahrain and other local partners.

Research involving 5-ALA is being conducted in various fields. Rather than adopting an ordinary venture business model of licensing out products during development, we are involved in the creation of a new framework in which we are deeply involved until the final stage of development. We will continue to be actively engaged in global developments, and will work to make the 5-ALA related business a major source of earnings for the SBI Group.