

## Asset Management Business

### Principal Companies

Intermediate Holding Company:  
SBI Capital Management

SBI Investment

SBI CAPITAL

SBI Asset Management

SBI Ven Capital

SBI Investment KOREA

SBI Savings Bank



In the Asset Management Business, focused investments in 21st century core industries, including IT, biotechnology, the environment and energy, and financial services are made.

In the emerging countries with significant economic growth prospects, through the establishment of a solid performance record that has resulted in a trust and brand reputation, a global investment structure with prominent local partners is being developed.

### FY2013 Financial Results

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

In FY2013, stock markets in Japan and abroad delivered strong performances. A comparison of stock market indices around the world at the end of March 2013 and March 2014 shows that although the Shanghai SE Composite Index fell 9.1%, the Nikkei 225 Average and NYSE Composite Index rose 19.6% and 15.6%, respectively. The number of IPOs in Japan rose by 1 from the previous fiscal year to 53 in FY2013, and the market continues to recover after bottoming out at 19 IPOs in FY2009.

In this business environment, in FY2013 the Asset Management Business recorded a 120.3% year-on-year increase in operating revenue to ¥72.7 billion, and a 43.6% increase in profit before income tax expense to ¥9.0 billion. The primary reason for the limited growth in business performance in such a

favorable market environment, was a sharp decline in the share prices of investee bioventure companies that were listed during FY2013.

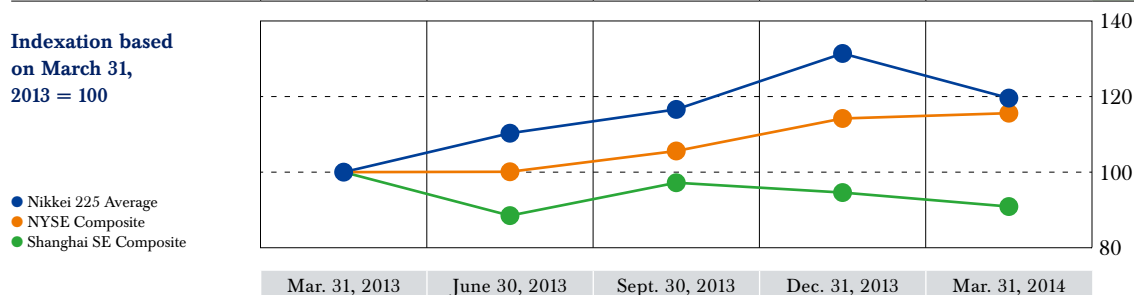
Fair value valuation gain or loss has an extremely significant impact on business performance of this segment. Following the adoption of International Financial Reporting Standards (IFRSs), operational investment securities held, whether listed or unlisted, are revalued at fair value each quarter. Valuation 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, business performance may fluctuate substantially according to the market environment at the end of each quarter.

Also, companies that are acquired for investment development purposes, and those that are treated as consolidated subsidiaries because they are deemed as controlled entities, as well as SBI Savings Bank and other

## Change in Major Stock Indices

	2013				2014	Change (%) (Mar. 31, 2013 to Mar. 31, 2014)
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	
Nikkei 225 Average	12,397.9	13,677.3	14,455.8	16,291.3	14,827.8	+19.6
NYSE Composite	9,107.0	9,112.7	9,621.2	10,400.3	10,527.7	+15.6
Shanghai SE Composite	2,236.6	1,979.2	2,174.6	2,115.9	2,033.3	(9.1)

Indexation based  
on March 31,  
2013 = 100



Group companies that engage in financial services businesses overseas, are included in the Asset Management Business.

## Steep Decline in the Share Prices of Listed Bioventure Issues in the Fourth Quarter

In the first half of FY2013, the domestic IPO market was buoyant, and initial price multiples (Initial price/Public offering price) were high. The initial price multiples of bioventure issues especially soared, and the initial price multiple of the SBI Group investee company ReproCELL, listed in June 2013, reached 5.6 times.

However, as was the case with biotechnology issues in the U.S., share prices of Japanese bioventures plummeted in the fourth quarter, and the Group's share prices of bio-related issues that completed IPOs during FY2013 declined sharply as well.

Specifically, in addition to ReproCELL, the share price of Acucela, listed in February 2014, sharply declined, and a ¥5.4 billion valuation loss on these two issues were recorded in the fourth quarter. This substantial valuation loss was a cause of the limited profit growth in the Asset Management Business.

## Primary Fluctuations Factors in Profit for FY2013

(IFRSs, Billions of yen)

	9 months FY2013 (April 2013–December 2013)	4Q FY2013 (January 2014–March 2014)	FY2013 (April 2013–March 2014)
Profit before income tax expense	12.9	(4.0)	9.0
Profit / loss from the change in fair value and profit / loss on sales of investment securities	12.6	(3.2)	9.4

### Profit / loss from major bio-related stock portfolio for 4Q FY2013 (January 2014–March 2014)

Stock	Change in stock prices	Profit / loss in fair value and profit / loss on sales of investment securities
ReproCELL	As of December 31, 2013: ¥1,725 → As of March 31, 2014: ¥909	¥(3.9) billion
Acucela	Initial Price: ¥2,300 → As of Mar. 31, 2014: ¥1,581	¥(1.5) billion

## Asset Management Business

**Twelve IPOs and M&As Completed**

In FY2013, twelve investee companies of the SBI Group transacted IPO and M&A deals. Of these, there were three domestic IPOs, five overseas IPOs and four M&As. The SBI Group has a policy of actively utilizing overseas stock exchanges for IPOs of Japanese investee companies, and in FY2013 investee company Auto Server became the first Japanese company to complete a primary listing on Taiwan's GreTai Securities Market (GTSM).

The portfolio investment amount in FY2013 was ¥24.1 billion, and such investments have kept the SBI Group as one of the most active venture capital companies in Japan.

The SBI Group's private equity assets under management (excluding cash and deposits and uncalled capital) as of March 31, 2014 were ¥201.2 billion. By region, assets under management were nearly equally divided between Japan (¥101.4 billion) and overseas (¥99.8 billion).

**The SBI Group's Assets Under Management**
**● Private equity** ¥308.0 billion

(Including ¥106.8 billion of both cash and commitment amount to be paid in) (\*3)  
(Billions of yen)

Breakdown by industry		Breakdown by region	
IT / Internet	26.0	Japan	101.4
Biotechnology / Health / Medical	48.4	China	34.7
Services	21.8	Korea	18.5
Materials / Chemicals	2.3	Taiwan	1.5
Environmental / Energy	15.5	Southeast Asia	9.8
Retail / Food	13.1	U.S.	30.0
Construction / Real estate	0.9	Europe	1.5
Machine / Automobile	9.0	Others	3.8
Finance	38.3		
Others	25.8		
<b>Total</b>	<b>201.2</b>	<b>Total</b>	<b>201.2</b>

**● Investment trust etc.** ¥183.6 billion

(Billions of yen)

Investment trusts	103.5
Investment advisory	76.7
Investment companies	3.3

\*1 Calculated by the exchange rate as of the end of March 2014.

\*2 Amounts are rounded to the nearest ¥100 million.

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

**Results of IPO and M&A Deals on Investment Companies in FY2013**

Number of companies	Date	Company	IPO / M&A	Business	Head office
Japan: 7 companies	June 2013	ReproCELL Inc.	IPO (JASDAQ)	iPS cell business based on technology of human ES cells and human iPS cells, and clinical testing business related to organ transplants	Japan
	July 2013	TERATECH CO., LTD.	IPO (KONEX)	Development and manufacturing of semiconductors	Korea
	July 2013	Fuelcellpower Co., Ltd.	IPO (KONEX)	R&D of fuel cell batteries	Korea
	September 2013	SGS, INC.	M&A	Provision of advertising and connection solutions for eating and drinking establishments	Japan
	November 2013	Midong Electronics & Telecommunication Co., Ltd.	IPO (KOSDAQ)	Sales and manufacturing of operation support systems for automotive and drive recorders	Korea
	December 2013	Solueta Co., Ltd.	IPO (KOSDAQ)	Production and sales of electromagnetic wave shielding materials	Korea
	January 2014	MC PLUS Inc.	M&A	Planning and operation of specialized content and media for fashion	Japan
Overseas: 5 companies	January 2014	Sfida Co., LTD.	M&A	Operation of medical care information site, web solutions for medical agencies, and sales of information terminals	Japan
	January 2014	DNAVEC Corporation	M&A	Genomic drug discovery business, cell remedies and regeneration medicine business based on cell engineering, and biotechnology business	Japan
	January 2014	Auto Server Co., Ltd.	IPO (GTSM)	Information processing and information services related to automobile sales utilizing computer communication system on information network, and planning, development, sales, and maintenance of computer systems	Japan
	February 2014	Acucela Inc.	IPO (TSE Mothers)	Biotechnology business specializing in R&D of new curative drug for treatment and retardation of eye disease	U.S.
	March 2014	CYBERDYNE Inc.	IPO (TSE Mothers)	R&D, manufacturing, sales, and using product services of powered exoskeleton suit in medical, welfare livelihood support field	Japan

### Continuous Improvement at SBI Savings Bank

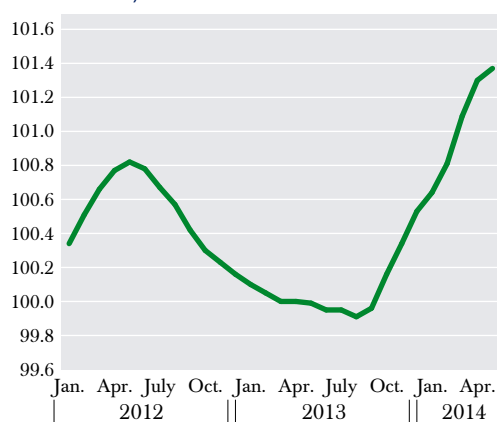
SBI Savings Bank, which became a consolidated subsidiary in March 2013, is a community-based savings bank in South Korea, and its main customers are individuals, self-employed persons and small and medium-size enterprises.

The underlying South Korean economy continues to gradually improve, and the real GDP from January to March 2014 increased by 3.9% year-on-year, which was the highest growth rate in three years. In addition, measures by the South Korean government to activate real estate transactions, most notably the lowering of the real estate acquisition tax rate has been successful, and housing prices are rapidly recovering, as home purchase transaction volume has been robust compared to the previous year.

With the backdrop of this improvement in real estate market conditions, SBI Savings Bank steadily engaged in debt collection, by means including the sale of non-performing project finance loans and consumer loans. In addition, a capital injection from the SBI Group made it possible to strengthen marketing, and the bank is actively engaging in sales promotions, such as campaigns and TV commercials for personal loans. The strengthening of the lending system for business loans has resulted in an increase in the amount of new loans.

As a result of these developments, in FY2013 SBI Savings Bank recorded profit before income tax expense (IFRSs) of ¥4.0 billion. The bank will work to further bolster profitability in preparation for a future IPO, by continuing to focus on increasing normal assets and decreasing troubled assets.

### South Korean Housing Purchase Price Index (March 2013 = 100)



Source: The Bank of Korea



**Takashi Nakagawa**

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

### Contributing to Society as a “New Industry Creator”

SBI Investment is a core company in the SBI Group’s Asset Management Business, that operates and manages venture capital funds under the corporate mission of becoming a leading company in the creation and incubation of core industries of the 21st century as a “New Industry Creator.”

The cumulative number of investee companies in Japan and abroad was 626 companies as of March 31, 2014, including 130 exits by means of IPOs and M&As.

A key characteristic of SBI Investment is that we effectively utilize the enterprise resources of the SBI Group to engage in “full hands-on” investment, actively participating in the management of investee companies. To eliminate any deficiencies in enterprise resources, we make it possible to dramatically accelerate the growth of these companies by developing and providing a comprehensive business support structure up to the time of an IPO. In accordance with the SBI Group’s corporate mission, by continuing to support venture companies with high aspirations, we will grow together with the investee companies in our endeavor to contribute to society.