

## Review of Operations by Business Segment

### Asset Management Business

In the Asset Management Business, the SBI Group will continue its focused investments in Japan's growth industries of the 21st century—IT, biotechnology, environment and energy, and financial services—in its role as a “new industry creator.” On the basis of the trust and brand reputation that we have established through our past performance, we expect to expand our alliances with prominent local partners to accelerate our investments in the economically rapidly growing emerging market countries.

#### Financial Results of FY2010

The Asset Management Business consists of two businesses: a securities investment business and an investment advisory/other services business. The securities investment business involves the establishment, management and operation of funds that invest mainly in securities of the IT, biotechnology, environment and energy, and financial sectors. It also makes proprietary investments in venture companies inside and outside of Japan. The investment advisory and other services business engages primarily in managing and advising on investments in mutual funds.

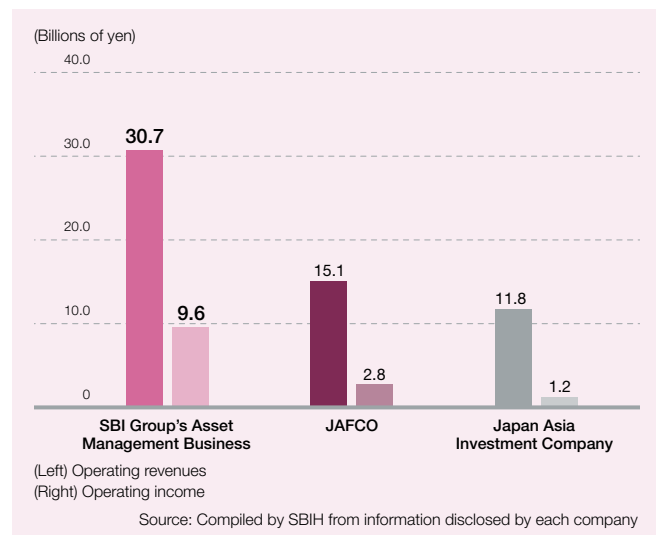
The Asset Management Business recorded operating revenues of ¥30.7 billion and operating income of ¥9.6 billion, up 52.1% and 276.5%, respectively, for FY2010. This was largely due to the success of strategic investments that were made since 2005 in emerging Asian markets such as China, as demonstrated by the New Horizon Fund I, a fund focused on investments in unlisted Chinese companies that has continuously contributed to income since FY2007.

#### A 50% Increase in IPOs and M&As to 17 Deals Despite Weakness in Domestic IPO Listings

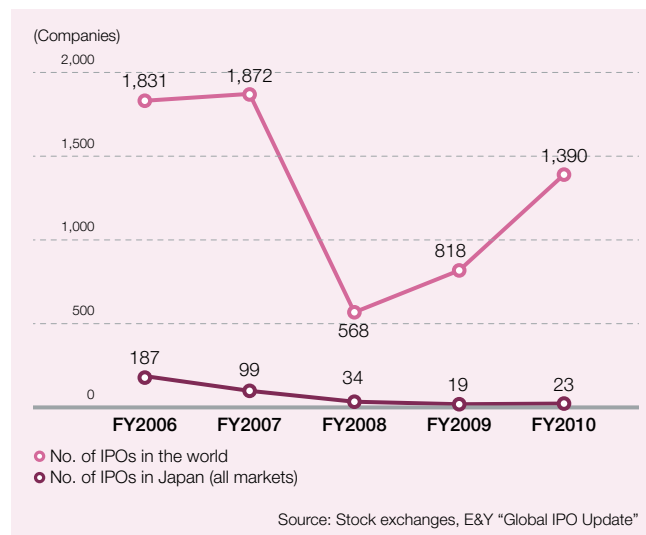
The Japanese stock market's sluggishness continued from the previous fiscal year into FY2010. Although the number of domestic IPOs increased by 4 to 23 from the previous fiscal year, this represents a mere 12% of the 187 IPOs recorded in FY2006, reflecting the continued difficult domestic equity market condition. In contrast, the global IPO market is on a recovery path supported by China and Hong Kong, with a 70% year-on-year increase in the number of newly listed companies to 1,390 companies. The total funds procured amounted to US\$278 billion, for a 68% year-on-year increase.

In this environment, owing to the success of its overseas investments, the SBI Group had 11 overseas investee companies involved in IPOs, and 5 overseas companies and 1 domestic company involved in M&A deals. Without relying on the sluggish domestic IPO market, a total of 17 IPO and M&A deals\* were transacted, for an increase of 1.5 times from the previous fiscal

#### Operating Revenues and Income of Major Japanese Venture Capital Firms in FY 2010



#### Number of Domestic and Overseas IPO Companies



## Principal Companies in the Asset Management Business

| Company name                    | Business  |
|---------------------------------|---|
| SBI Investment Co., Ltd.        | Venture capital fund management                           |
| SBI CAPITAL Co., Ltd.           | Buyout and value up fund management                       |
| SBI Capital Solutions Co., Ltd. | Mezzanine fund management                                 |
| SBI Asset Management Co., Ltd.  | Investment trust management, investment advisory services |
| SBI VEN CAPITAL PTE. LTD.       | Overseas investment administration                        |

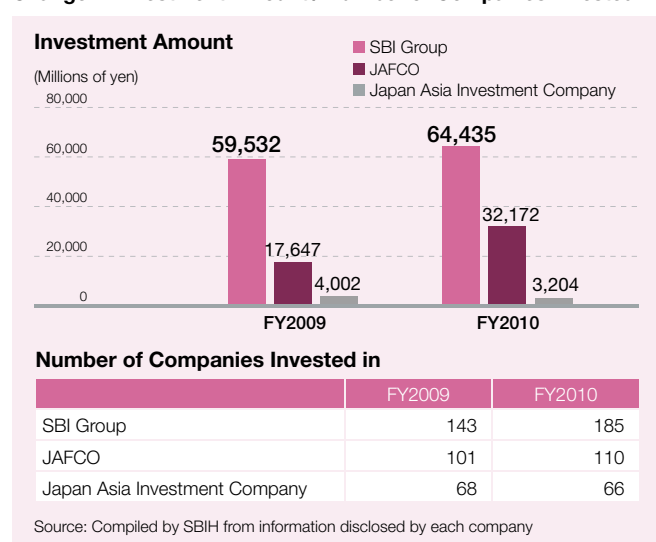
## IPO and M&A Deals Extend Globally—FY2010 IPO and M&A Deals which SBI Group's Investee Companies Are Involved in

| Exit Date        | Company   | Market (Country)      |
|------------------|---|-----------------------|
| April 1, 2010    | MEDICAMOBILE, Inc.  | (M&A)                 |
| May 18           | Navinfo Co., Ltd.   | Shenzhen (China)      |
| June 23          | Harbin Gloria Pharmaceuticals Co., Ltd.   | Shenzhen (China)      |
| September 2      | Azalea Networks Inc. (Chinese Company)  | (M&A)                 |
| September 11     | Wisol Co., Ltd.   | KOSDAQ (Korea)        |
| October 7        | Sunac China Holdings Limited  | Hong Kong (China)     |
| October 26       | ITEK Semiconductor, Inc.  | KOSDAQ (Korea)        |
| October 27       | Betfair Group plc   | London (UK)           |
| November 8       | CIG Pannonia Life Insurance Plc.  | Budapest (Hungary)    |
| December 13      | Airtac International Group  | Taiwan (Taiwan)       |
| December 17      | Everpia Vietnam JSC   | Ho Chi Minh (Vietnam) |
| December 30      | New Century Department Store Company Limited of Chongqing General Trading (Chinese Company) | (M&A)                 |
| December 31      | Hebei Meihua Monosodium Glutamate Group Co., Ltd. (Chinese Company)                         | (M&A)                 |
| January 13, 2011 | Sinovel Wind (Group) Co., Ltd.  | Shanghai (China)      |
| January 14       | Sino Polymer New Materials Co., Ltd. (Chinese Company)                                      | (M&A)                 |
| January 31       | LB Semicon Inc.   | KOSDAQ (Korea)        |
| March 25         | Aonemcha Co., Ltd. (South Korean Company)   | (M&A)                 |

year. We are also off to a fast start for FY2011 in our overseas investments, with the listing of Renren, Inc., a Chinese Internet company, on the New York Stock Exchange.

\* Includes 6 exited companies from the portfolio of New Horizon Fund II in which the SBI Group invested as a limited partner

## Change in Investment Amount / Number of Companies Invested in



## A Consistently Large Investment Amount and High Operational Performance

The SBI Group's investment funds are not restricted to investments in venture companies planning IPOs. For instance, SBI CAPITAL manages buyout funds that invest primarily in promising publicly listed medium-size companies, as well as high growth potential companies in the emerging markets. It also considers mezzanine investments through funds managed by SBI Capital Solutions, targeting companies endeavoring to revitalize their operations.

We believe that the harsh conditions that continue post the "Lehman Shock" are an excellent market opportunity to make investments. In addition to investments in Japan, substantive investments in emerging market countries were made through funds established jointly with prominent overseas partners. The result was an investment amount of ¥50.6 billion by SBI managed funds and a direct investment amount of ¥13.9 billion, for a total investment amount of ¥64.4 billion yen in 185 companies for FY2010. These activities have kept the SBI Group one of the most active venture capital companies in Japan.

### Overseas Funds Established (or Scheduled for Establishment) after April 2010

| Partner  | Fund name                 | Target  | Commitment amount | Investment ratio |
|--|---------------------------|---|-------------------|------------------|
| Brunei Darussalam, Ministry of Finance   | SBI-Islamic Fund          | Shariah-compliant Muslim companies                                      | \$59.5 million    | 50%              |
| Jefferies Group, Inc<br>(Major U.S. securities company)  | SBI-Jefferies Asia Fund   | South and Southeast Asian companies                                     | \$50 million      | 80%              |
|  | Jefferies-SBI USA Fund    | North and central African companies                                     | \$150 million     | 50%              |
| Invest AD (The Abu Dhabi Investment Company)<br>(Subsidiary of the Abu Dhabi Investment Council) | INVEST AD/SBI AFRICA FUND | Private companies in U.S.   | \$75 million      | 50%              |
|  | INVEST AD/SBI TURKEY FUND | Private companies in Turkey   | \$100 million     | 50%              |
| Jardim Botânico Investimentos<br>(Brazilian asset management firm)                               | Brazil Fund               | Private companies in Brazil   | \$125 million     | 50%              |
| Fudan University<br>(one of China's three largest universities)                                  | Fudan University Fund     | Companies affiliated with and spawned as ventures from Fudan University | \$23–69 million   | 33.3%            |

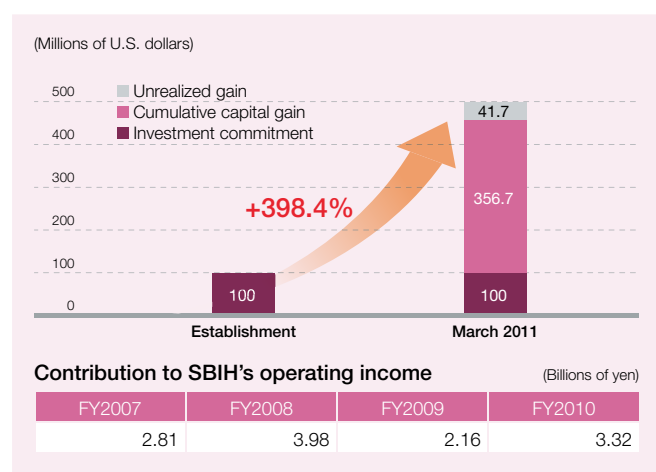
\* Portions of initial commitments are denominated in U.S. dollars, applying exchange rates on March 31, 2011 (Chinese yuan 6.5483/\$, Singapore \$1.2602/\$)

### New Horizon Fund's Continuing Profit Contribution

The New Horizon Fund I was established and started operations in 2005, as a joint investment between the Singapore government affiliated Temasek Group and SBI Holdings, each contributing US\$50 million. The Fund has been in its harvesting period, with 8 of its 10 portfolio companies exiting in either an IPO or M&A transaction. Consequently, during FY2010 the Fund continued to sell shares in its portfolio, resulting in a ¥3.3 billion contribution to consolidated operating income.

Moreover, the New Horizon Capital (Fund II), in which the SBI Group invested US\$50 million as a limited partner, is progressing smoothly in its incubation of investee companies. Of the 19 companies that the Fund has invested in, 9 companies have already transacted IPOs or M&A deals. As a result, the market valuation of the Fund's equity holdings was valued at about 7.1 times higher than its book value, as of March 31, 2011. This Fund is also expected to continue its strong contributions to earnings, with another 5 portfolio companies scheduled for IPOs and 1 for M&A by March 31, 2013.

### Change in the Total Assets of New Horizon Fund I



### The SBI Group Funds' Assets Under Management

During FY2010, 6 new funds were established in Japan and overseas, primarily in joint operation with prominent local partners to invest in unlisted companies in the emerging market countries. These include a fund established jointly with the Ministry of Finance of Brunei Darussalam, to invest in Shariah-compliant companies, focusing on Asia. Another fund, set up jointly with Invest AD, a subsidiary of the Abu Dhabi Investment Council, invests in companies in the Middle East and North Africa. At fiscal year-end, the SBI Group's total assets under management in private equity amounted to ¥292.0 billion, up ¥20.7 billion from a year earlier.

### Assets Under Management of the SBI Group

529.9 billion yen as of the end of March 2011

(Billions of yen)

#### Private equity Total: 292.0

|                           |                     |
|---------------------------|---------------------|
| <b>(IT/Biotechnology)</b> | <b>Total: 119.9</b> |
| Broadband/Media           | 48.2                |
| Mobile services           | 27.3                |
| Biotech                   | 14.5                |
| Others*                   | 29.9                |

#### (Environment/Energy) 6.2

#### (Overseas) Total: 97.0

|             |      |
|-------------|------|
| China       | 19.2 |
| South Korea | 13.4 |
| Vietnam     | 6.3  |
| India       | 7.5  |
| Hungary     | 10.8 |
| America     | 12.2 |
| Others*     | 27.6 |

#### (Buyout/Mezzanine) Total: 31.6

|           |      |
|-----------|------|
| Value Up  | 20.9 |
| Mezzanine | 10.7 |

#### (Direct investment) 37.3

#### (Investment trusts, others) Total: 197.5

|                      |       |
|----------------------|-------|
| Investment trusts    | 42.8  |
| Investment advisory  | 153.4 |
| Investment companies | 1.3   |

#### (Real estate, others) Total: 40.4

|                      |      |
|----------------------|------|
| Development          | 19.0 |
| Completed properties | 21.4 |

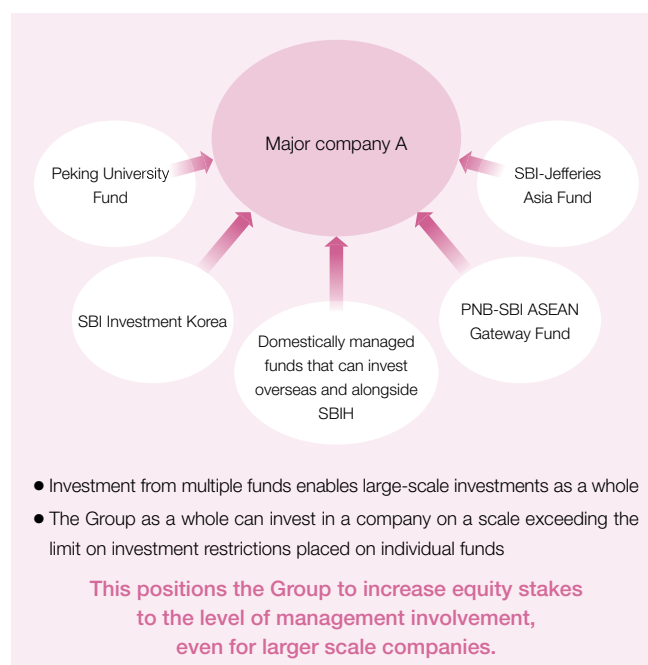
The figures for real estate investments reflect the total amount of investments, and figures for investment trusts and investment advisory services reflect net assets at market value as of the end of March 2011. Figures for other funds reflect net assets at market value based on the most recent financial report for each fund as of March 2011. Figures are rounded to the nearest ¥100 million. Funds that do not close before the fiscal year end are calculated based on contribution commitments.

## Fostering New Industries and Enhancing Global Investment Structure

The SBI Group's basic policy for private equity investments in Japan is to make focused investments in IT, biotechnology, the environment and energy, and finance. We will continue making investments strategically to contribute to the development of these industries, as well as to achieve higher performance returns.

With respect to our investment operations in emerging market countries in Asia and elsewhere, the investment structure has basically been completed through joint fund establishment with prominent local partners. Anticipating significant investment performance going forward, the scale of investments will be increased through the multiple joint investment funds of the SBI Group. We will also focus on the pursuit of global network value, where an increase in the IPO valuation may be realized through investments from multiple funds whose partners are prominent global financial institutions and investment companies.

## Joint Investment from Numerous Funds to Increase Investment Scale



**Takashi Nakagawa**  
Representative Director and  
COO of SBI Investment Co., Ltd.

## “Creating and Incubating Companies 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, SBI Investment is endeavoring to become a “new industry creator.” The company is engaged in the incubation of venture companies, and provides risk capital to unlisted companies in the next generation core industries, such as IT, biotechnology, environment and energy, and finance. Also, in order to increase the corporate value of the investee companies, we provide them with comprehensive support, including the dispatch of personnel to their board of directors.

Despite the languishing state of the IPO market in Japan, overseas IPO markets are flourishing notably in China and Hong Kong. There is a growing demand among Japanese investee companies to list on the overseas markets. To meet such

demand, we are endeavoring to support the overseas listing of the investee Japanese companies by sharing the know-how of the SBI Group, which is the first company in Japan to be listed on the Hong Kong Stock Exchange.

The SBI Group has a 1.86% fully diluted equity stake in Renren, Inc., which operates Renren, the largest real-name social networking (SNS) website in China, and Nuomi, one of China's leading social commerce sites. As a confirmation of the Group's investment acumen, Renren was listed on the New York Stock Exchange on May 4, 2011.

SBI will continue to invest strategically in unlisted companies to cultivate the industries of the next generation.

## Brokerage & Investment Banking Business

SBI SECURITIES, with its firm commitment to the customer-centric principle, has continued to provide the “industry’s lowest level of commission rates and the industry’s highest level of quality service.” With the backdrop of an outstanding market share in the brokerage business, the number of customer accounts has continued to increase. At the same time, the SBI Group is endeavoring to establish a profit structure that does not rely heavily on stock brokerage commissions. Through offering various services such as the sale of investment trusts, foreign bonds and foreign exchange margin trading, we are diversifying our income sources.

### Financial Results of FY2010

The Brokerage & Investment Banking Business is engaged in the brokerage of securities transactions, the underwriting and offering of IPOs and the placement and distribution of securities. For FY2010, revenues were recorded at ¥47.9 billion and operating income at ¥6.1 billion, down 4.5% and 34.7%, respectively. SBI SECURITIES and SBI Liquidity Market were responsible for these results.

### SBI SECURITIES’ Success in Diversifying Income Sources

Under the continuing difficult business conditions, as exemplified by a 16.3% year-on-year decline in individual stock brokerage trading value, SBI SECURITIES recorded a 14.8% decrease in commission revenues. Nevertheless, its operating revenue was down only 4.4% to ¥44.1 billion, owing to our profit source diversification through upgraded product lineup besides domestic equities, such as investment trusts and foreign bonds. In FY2010, revenues from

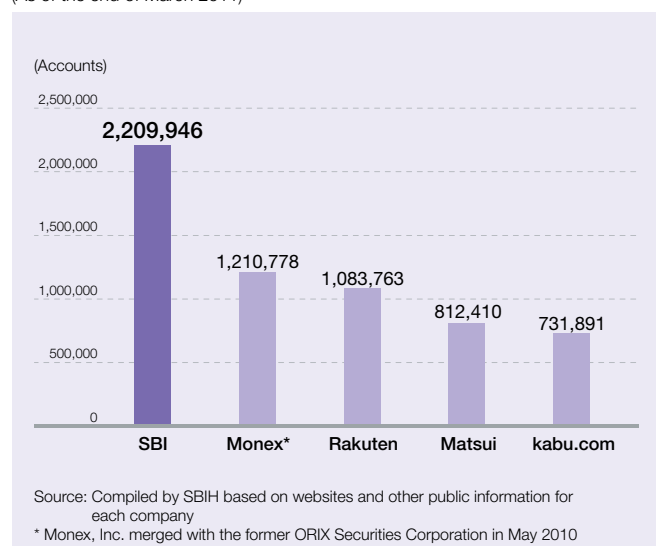
the sales of investment trusts increased by 29.8% year-on-year, and revenues from the sales of bonds soared 85.3% year-on-year owing to favorable sales of foreign bonds, which supplemented the declining stock brokerage trading value.

There were some one-time extraordinary factors that adversely affected SBI SECURITIES’ performance for FY2010. SBI SECURITIES recorded an additional provision of ¥0.15 billion for “point” allowance and a ¥0.5 billion temporal expense for migration to a new system as operating expenses, and a ¥0.4 billion loss on fund investment under non-operating losses. Finally, there was an extraordinary loss of ¥1.2 billion associated mainly with margin calls on options trading, as well as other losses stemming from the volatile stock market fluctuations following the Great East Japan Earthquake.

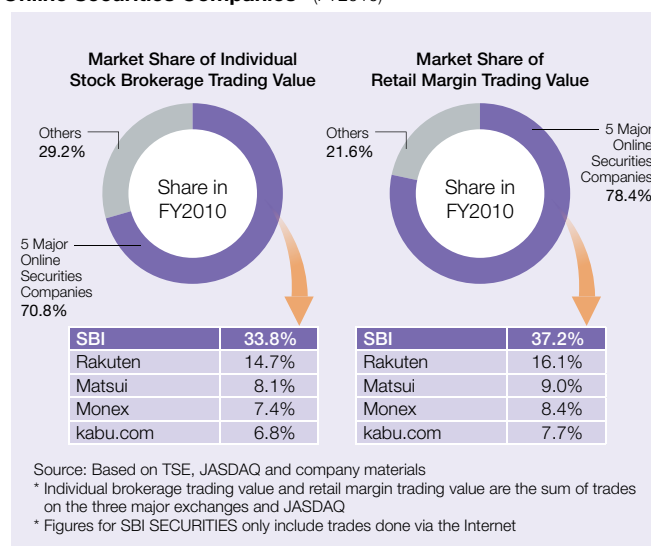
As a result, net profit for FY2010 was ¥8.1 billion.

### Customer Accounts of Five Major Online Securities Companies

(As of the end of March 2011)



### Comparison of Market Share of the Individual Stock Brokerage Trading Value and Retail Margin Trading Value for the Major Online Securities Companies (FY2010)



### Principal Companies in the Brokerage & Investment Banking Business

| Company name                   | Business   |
|--------------------------------|--|
| SBI SECURITIES Co., Ltd.       | Comprehensive online securities company              |
| SBI Liquidity Market Co., Ltd. | Provides market infrastructure for FX margin trading |
| SBI Japannext Co., Ltd.        | Operation of PTS (proprietary trading system)        |

### Solid Market Share Supported by Dominant Customer Base

SBI SECURITIES continues to dominate the online brokerage business, with 2,209,946 accounts and ¥4,169.6 billion in customer assets, as of the end of March 2011. Moreover, the year-to-year rate of increase in accounts far outpaces that of its competitors.

Regarding the overall individual stock brokerage trading value held by the five major online securities companies in FY2010, the total share for all five companies stood at 70.8%, and SBI SECURITIES alone held 33.8%. Also, the total market share of the retail margin trading value for the five major online securities companies stood at 78.4%, and SBI SECURITIES held 37.2%. These figures represent SBI SECURITIES' continued dominance of the business, as compared to its competitors.

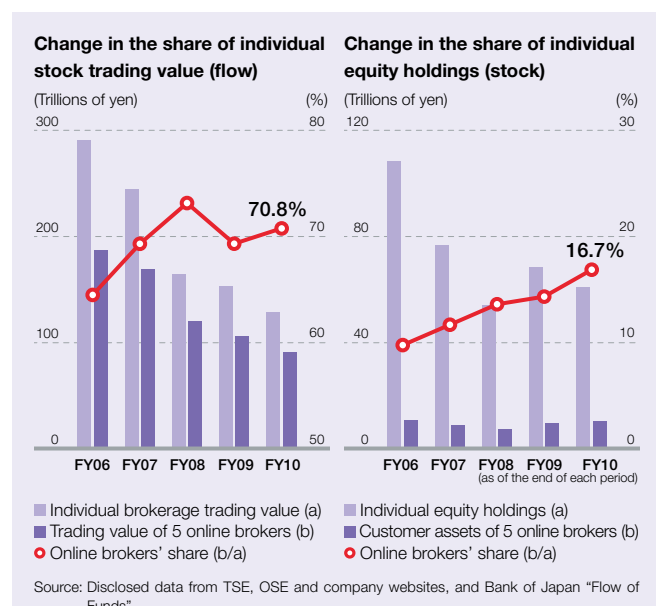
Whereas the online securities brokerage firms handle an overwhelming share of the flow of stock trading, there is plenty of room for their expansion in terms of "stock." Assets of customer accounts of the top 5 online securities companies totaled ¥10.3 trillion, as of the end of March 2011, but this represents a mere 16.7% of the total shares held by Japanese individuals. The online securities companies are now well placed to increase their share of Japanese individuals' stock holdings, thereby further broadening the presence of online trading in the securities industry.

### Pursuing Further Customer Satisfaction

Guided by the SBI Group's customer-centric principle, SBI SECURITIES has continued to endeavor to provide appealing products, services and commission structures. As a result, we have earned the support of numerous customers who form our current customer base. According to the Japanese Customer Satisfaction Index (JCSI) of Service Productivity & Innovation for Growth, SBI SECURITIES received the No. 1 ranking in the securities sector, for FY2010. Moreover, SBI SECURITIES' call center operations earned the highest "3 Star" ranking from the Help Desk Institute (HDI), the world's largest rating agency in the support services sector. These accolades reflect the high acclaim SBI SECURITIES has earned from third-party organizations for its products and services.

Going forward, we will further focus on providing customers with optimal services based on the customer-centric principle.

### Online Brokers' Share of Retail Stock Trading Market



### Product Line Enhancement

#### —Initiatives Toward Profit Source Diversification—

| Foreign Stocks    |              |  |
|-------------------|--------------|--|
| U.S. stocks       | 638 stocks   | NYSE, NYSE Arca, NASDAQ-listed U.S. stocks, U.S. ETF, ADR (American Depositary Receipts)                   |
| Chinese stocks    | 1,372 stocks | Hong Kong Stock Exchange Main Board and GEM-listed Chinese stocks, China ETF, HDR (HK Depositary Receipts) |
| Korean stocks     | 54 stocks    | Stocks listed on the Korea Stock Exchange and over-the-counter market                                      |
| Russian stocks    | 41 stocks    | MICEX stocks   |
| Vietnamese stocks | 637 stocks   | In principle, all stocks listed on Hochiminh Stock Exchange and Hanoi Stock Exchange                       |
| Investment Trust  | 1,087        | SBI SECURITIES is No.1 among major online brokers  |
| Foreign Bonds     | 44           | SBI SECURITIES is No.1 among major online brokers*   |

\* in FY2010



### SBI Liquidity Market Contributes Steadily to Group's Income by Providing Market Infrastructure for Foreign Exchange Margin (FX) Trading

SBI Liquidity Market, which started operations in November 2008, provides SBI SECURITIES and other financial institutions with a stable and very competitive FX trading operation, with 21 major domestic and foreign financial institutions as counterparties. In FY2010, SBI Liquidity Market's contribution to consolidated operating income amounted to approximately ¥7.7 billion, which includes trading gains at SBI SECURITIES. The company continues to make a major contribution to the Group's consolidated performance.

### ■ The Shakeout Continues in the FX Sector Due to the Introduction of Leverage Regulations

New regulations on FX transactions were introduced in August 2010, placing a 50-fold upper limit on leverage, where previously no limit applied. Although this led to concerns that transaction volume would decline, we posted a solid trading performance owing to the success in various initiatives, such as narrower spread campaign and a cash back campaign. Moreover, a decline in FX transaction volume due to the regulation is expected to cause a further shakeout among pure-play FX brokers who had attracted customers with their high leverage offerings. We are confident that SBI SECURITIES will attract customers who may become estranged from such brokers, thereby adding to the solid growth in its trading volume.

### Foreign Exchange Margin Trading Value of the Four Major Online Securities Companies



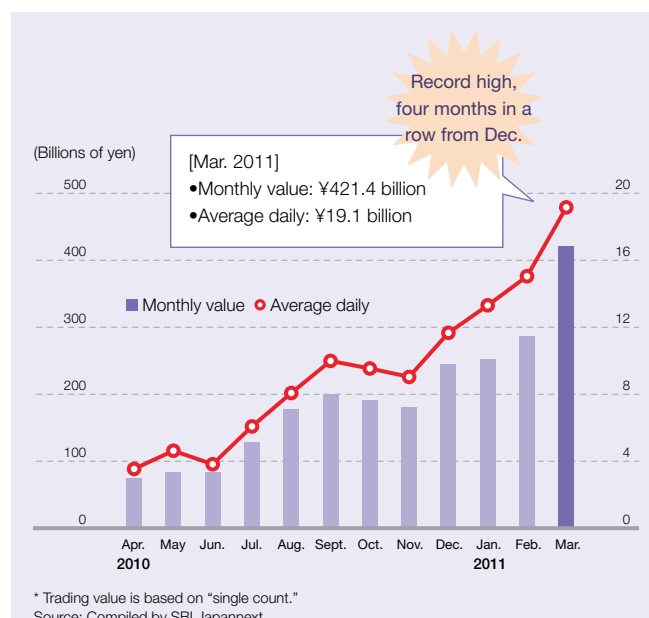
### Increasing Proprietary Stock Trading at Japannext PTS

Japannext PTS, operated by SBI Japannext, through its highly accessible proprietary trading system (PTS), provides a Japanese stock trading platform. In FY2010, total trading volume on Japannext PTS was ¥2,323.4 billion, up 45.1% from the previous year. Since December 2010, monthly trading volumes reached new record-high levels for four consecutive months, surpassing ¥400 billion in March 2011. As of the end of March 2011, 15 securities companies were already participating in the Japannext PTS platform, and 4 more companies are scheduled to join in the near future.

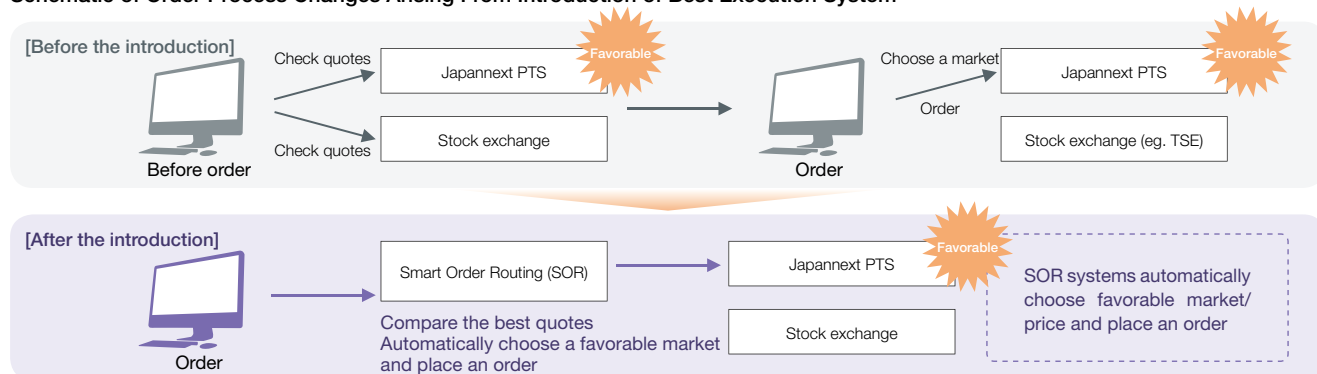
### ■ Best Execution System Introduced at SBI SECURITIES

As of the end of March 2011, the cumulative number of PTS accounts at SBI SECURITIES reached 234,245, reflecting the steadily increasing number of PTS users. Meanwhile, in June 2011 the Smart Order Routing System (SOR) was introduced. Previous systems required customers to select the trading market upon checking both the PTS and the stock exchange quotes. With SOR, the investor does not need to check price indications with the exchange and PTS. Instead, the most favorable market and best prices are automatically matched, and the order is processed on that basis. The SOR system improves the usability for SBI SECURITIES' customers, and will lead to a considerable increase in the trading volume for Japannext PTS.

### Change in Monthly Trading Volume of Japannext PTS



### Schematic of Order Process Changes Arising From Introduction of Best Execution System



### Strengthening the Face-to-face Channels to Thoroughly Pursue Group Synergies

SBI SECURITIES will continue to improve its service levels by upgrading the offering of overseas-related products and strengthening the FX trading service. Simultaneously, we will improve our call center operations, which have already earned high acclaim from various rating agencies. Also, we will promote the integration of online and face-to-face channels, and reinforce our marketing efforts by actively utilizing SBI Money Plaza shops and other agency businesses that are regionally well-placed.

In addition, we will deploy our "Pentagon Management" strategy for the financial services business to maximize Group-wide synergies across our core businesses. To this end, we will provide highly convenient FX trading opportunities in alliance with SBI Liquidity Market, as well as attractive stock trading opportunities in alliance with SBI Japannext. We will also strengthen our collaborations with financial services companies within the SBI Group, centering on the alliance with SBI Sumishin Net Bank, toward providing a one-stop financial service via the Internet.



**Taro Izuchi**

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

## "Adhere to the Customer-centric Principle, to Become the No. 1 Retail Securities Company"

Business conditions in FY2010 were difficult for SBI SECURITIES, as the stock markets continued to languish. However, we achieved a year-on-year increase in net income, owing to efforts to diversify income sources to reduce our dependence on the brokerage business.

We are seeking to construct Japan's first "bricks-and-mortar based-on-the-Internet" securities business model. To this end, we will expand our financial products agency business network by actively utilizing the SBI Money Plaza shops, the shared infrastructure of the entire SBI Group, in addition to our 23 nationwide direct sales branches. By doing so, we will address the needs of customers who desire face-to-face meetings, as well as those who prefer to use the Internet.

As part of our quest to become the "World's SBI," in April 2011 we acquired a 20% equity stake in FPT Securities Joint Stock Company, a leading securities firm in Vietnam, via a third-party stock allocation. Also, in July 2011, we have acquired a 25% stake in PT BNI Securities, the group securities company of PT. Bank Negara Indonesia (Persero) Tbk., the fourth-largest bank in Indonesia. Through these initiatives, we will provide our customers with opportunities for equity investments in the emerging markets of Asia. At the same time, we will promote the transference of our online securities trading system to these regions, in order to support the advancement of their securities industries.



## Financial Services Business

In the Financial Services Business, the SBI Group is broadly expanding its lineup of Internet financial services to build a revenue base that is not dependent solely on the stock markets. By developing our Internet banking and Internet nonlife insurance businesses and fully leveraging the synergistic effects among the SBI Group companies, we will develop a stable revenue source that will contribute significantly to earnings growth.

### Financial Results of FY2010

The Financial Services Business consists of the marketplace business, the financial products business, the financial solutions business and other businesses. The marketplace business includes the operation of various websites, centering on loan and insurance comparison sites. The financial products business includes the provision of various financial services. The financial solutions business includes the electronic settlement services for e-commerce firms, and other businesses including Morningstar Japan and SBI Insurance, etc.

The two main subsidiaries, Morningstar Japan and SBI VeriTrans, recorded solid performances. The Financial Services Business reported operating revenues of ¥30.5 billion, up 19.2% from the previous year, yet reported an operating loss of ¥0.5 billion, owing primarily to operating deficits in the consumer credit and card business. Operating income of the Financial Services Business excluding the consumer credit and card business was ¥2.7 billion.

### Double-Digit Earnings Growth for Two Listed Subsidiaries

In FY2010, SBI VeriTrans and Morningstar Japan both posted double-digit increases in operating income compared with FY2009.

### Performance of Publicly Owned Subsidiaries (Consolidated)

(Based on information disclosed by each company. Millions of yen. Figures in parentheses are year-on-year change (%))

|                          | Operating Revenues | Operating Income | Ordinary Income  | Net Income     | FY2010 Dividend per share |
|--------------------------|--------------------|------------------|------------------|----------------|---------------------------|
| <b>SBI VeriTrans</b>     | 6,181<br>(+23.0)   | 1,147<br>(+12.9) | 1,167<br>(+11.0) | 721<br>(+17.7) | 800 yen<br>(+100 yen)     |
| <b>Morningstar Japan</b> | 2,326<br>(-1.6)    | 459<br>(+10.7)   | 569<br>(+8.6)    | 305<br>(+2.8)  | 750 yen<br>(+150 yen)     |

\* SBI VeriTrans is scheduled to become a wholly owned subsidiary of SBI Holdings and be delisted, effective August 1, 2011

### ■ Morningstar Japan

In FY2010, Morningstar Japan's consolidated performance benefited from an increase in Web advertising sales, with a strong contribution from advertisements interlocking with new media

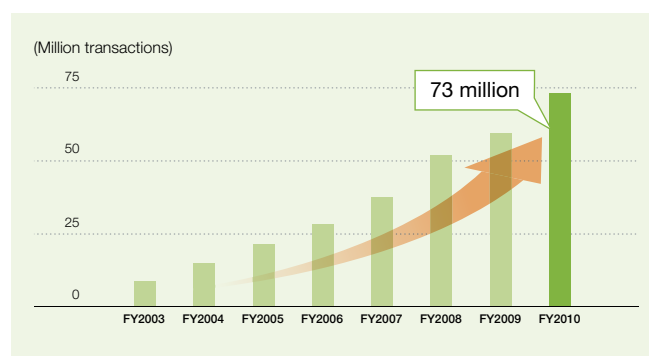
channels, such as Twitter, Ustream and smartphones. Although Morningstar Japan reported a 1.6% year-on-year decline in operating revenues due to a decline in subscription revenue from *The Kabushiki Shimbun* newspaper, owing to its cost-cutting efforts it achieved year-on-year increases in all profit categories.

On April 19, 2011, Gomez Consulting was delisted from the Hercules Market of the Osaka Securities Exchange to become a wholly owned subsidiary of Morningstar Japan, and on July 1, 2011, it was merged with Morningstar Japan. By merging the two companies, whose business domains had become similar, we will reduce listing-related and other costs and strengthen our sales ability.

### ■ SBI VeriTrans

SBI VeriTrans is a provider of electronic settlement solutions. The e-commerce user base has expanded, as the domestic business-to-customer (B2C) e-commerce market experienced an accelerated introduction of products owing to improved logistics services, as well as the proliferation of online supermarkets. Accordingly, the number of transactions jumped 25.0% year-on-year, to 73 million. As a result, SBI VeriTrans achieved record-high figures across all revenue and income categories, including operating revenues, operating income, ordinary income and net income.

### Growth in Transactions Handled by SBI VeriTrans



## Principal Companies in the Financial Services Business

| Company name   | Business  |
|--|---|
| SBI Holdings, Inc. (Financial Services Business Division)  | Operating financial comparison websites for insurance, loans and other financial products |
| Morningstar Japan K.K. Hercules Market of OSE (Code: 4765) | Providing financial information, primarily rating information on investment trusts        |
| SBI VeriTrans Co., Ltd.                                    | Electronic settlement services for e-commerce businesses                                  |
| SBI Sumishin Net Bank, Ltd.                                | Internet bank jointly owned with The Sumitomo Trust & Banking Co., Ltd.                   |
| SBI Insurance Co., Ltd.                                    | Internet nonlife insurer jointly owned with Aioi Nissay Dowa Insurance Co., Ltd., etc.    |

### Continued Earnings Contribution of the Marketplace Business (SBIH)

In the marketplace business, SBI Holdings operates Japan's largest financial comparison websites such as "InsWeb" and "E-LOAN". As the move towards low-cost online services continues unabated in line with the increasing consumer propensity to save, the number of transactions of auto insurance estimates and requests for materials at such websites totaled almost 829,000 in FY2010. As a result, the marketplace business posted operating revenues of ¥5.7 billion, continuing its contribution to overall performance.

### SBI Sumishin Net Bank Continues to Expand its Market Share

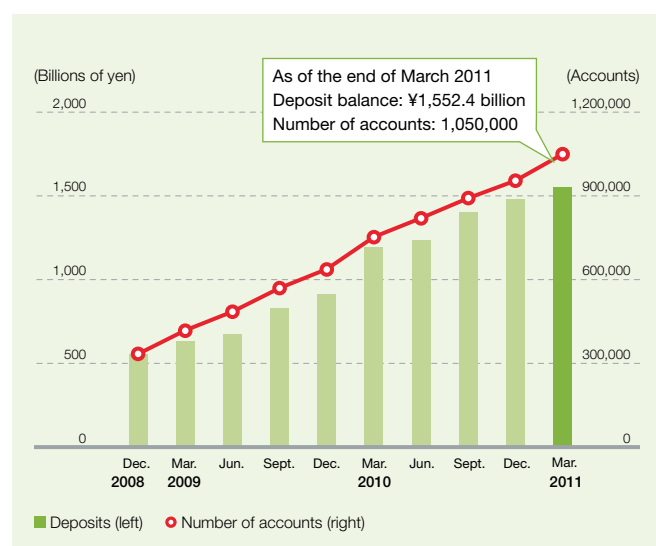
SBI Sumishin Net Bank, an equity-method affiliate, through the offering of highly convenient banking services via the Internet, has won the support of a broad range of customers. Both the number of customer accounts and deposit balance have grown steadily, surpassing 1 million (February 2011) and ¥1.6 trillion (May 2011), respectively. Moreover, the cumulative total of housing loans

surpassed the ¥800 billion mark in June 2011, and the balance of housing loans has grown two fold in the past year.

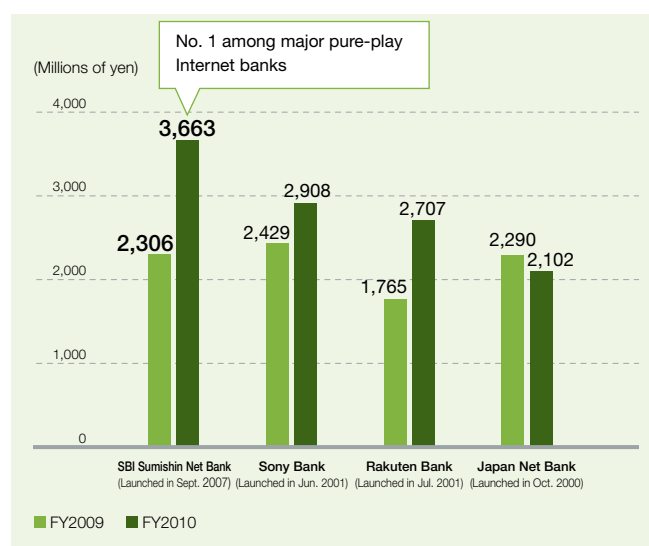
SBI Sumishin Net Bank's customer base continues to increase, and as a consequence its deposit volume has rapidly increased. Along with its continued steady lending activities, SBI Sumishin Net Bank posted a 40.1% rise in consolidated ordinary income to ¥29.1 billion, a 58.8% surge in ordinary profit to ¥3.7 billion, and a 54.7% jump in net income to ¥3.5 billion. After having turned a profit in FY2009, its third year of operation, SBI Sumishin Net Bank continues to gain in profitability, and its ordinary income was the largest among all of Japan's pure-play Internet banks.

The importance of fund management continues to further increase in line with our growing deposit balance. To bolster and diversify our fund management capabilities, we are enhancing the operations of affiliated companies such as SBI Credit and SBI Auto Support, which provide automobile loans and other financial services through automobile dealerships, and SBI Receipt, which engages in the medical care payment receivable factoring business.

### SBI Sumishin Net Bank Change in Deposits and the Number of Accounts



### Ordinary Income of Major Pure-play Internet Banks



### SBI Insurance's Insurance Premium Income Surpasses ¥10 Billion

For FY2010, SBI Insurance wrote approximately 144,000 new automobile insurance contracts, which was up 58.0% from the previous fiscal year. By fiscal year-end, the cumulative total surpassed 270,000 contracts. Additionally, direct income from net insurance premiums on a written basis remained on a growth trend, and premium income exceeded ¥10.0 billion for FY2010, which was about twice the level of FY2009.

Underlying this growth were the synergies deployed across the SBI Group's various services, notably the insurance portal "InsWeb" that is operated by SBI Holdings. Over 80% of new insurance contracts (excluding direct contracts) originated from comparison and estimation websites, and more than half of such contracts originated from InsWeb, reflecting InsWeb's significant contribution to the increasing number of contracts. A breakdown of SBI Insurance's contracts reveals that 39% of the contracts through agency websites originated from the SBI Group, with approximately 17% from SBI Sumishin Net Bank and SBI SECURITIES respectively, which highlights the success of the synergistic effects among these companies.

Other growth factors included the success in setting the lowest premiums in the industry, which received high praise from customers. In fact, according to a survey\* of SBI Insurance customers, 97% of respondents stated that their "premiums came down." Also, customer satisfaction surveys by various media outlets consistently ranked SBI Insurance as No. 1 across multiple fields, which is a testament to our persistent efforts to raise our customer satisfaction.

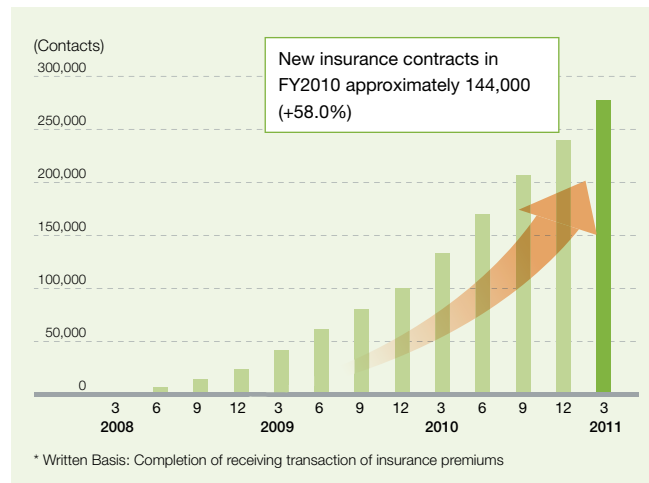
\* Survey by SBI Insurance (compiled from Internet survey of 3,019 automobile insurance customers of SBI Insurance, conducted during February 24–28, 2011)

### Entry into International Money Transfer and Social Lending Businesses

In December 2010, SBI Remit launched an international money transfer service via the Internet. Demand for international remittance services is growing steadily due to the lifestyle needs of foreigners living in Japan, along with increasing opportunities for Japanese to work overseas. For this reason, we formed an alliance with MoneyGram International, Inc., one of the largest international money transfer service providers based in the United States. Customers can now remit and receive funds at around 230,000 locations in about 191 countries and regions covered by MoneyGram International's network.

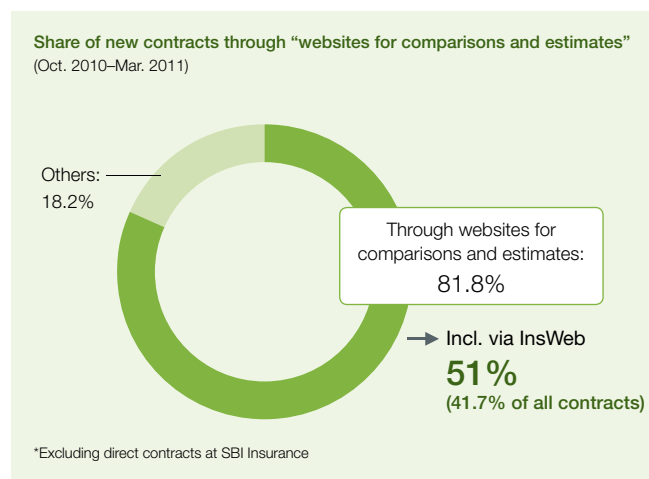
In March 2011, SBI Social Lending launched a person-to-person (social) lending service, an innovative financial service format to link borrowers and lenders via the Internet, and also to serve as a new financial platform.

### Change in the Number of Insurance Contracts (Written Basis\*)/Cumulative

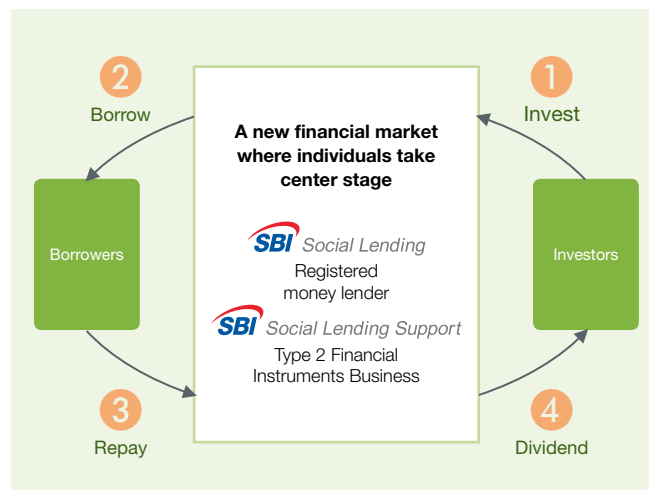


### Synergy with InsWeb (SBIH)

Comparison of number of contracts at SBI Insurance by channel



### Social Lending Links Willing Individual Lenders with Willing Individual Borrowers





**Katsuya Kawashima**  
Representative Director of SBI  
Sumishin Net Bank, Ltd.

## Improving Customer Satisfaction Through the Offering of More Convenient and Appealing Services

Since the start of its operations in September 2007, SBI Sumishin Net Bank has been working to offer an “Internet full-banking business that provides easier-to-use and more competitive products and services than any of our competitors, 24 hours a day and 365 days a year.” As a result, the bank had 1.05 million customer accounts, a deposit balance of ¥1,552.4 billion, and a personal loan balance of ¥746.4 billion, as of the end of March 2011.

Among major initiatives of FY2010, we launched new products, including “Playoff,” a structured yen-denominated time deposit with an extendable maturity, and South African rand-denominated ordinary and time deposits. With respect to Internet loans, we enhanced the appeal of our products to address the wide-ranging needs of customers, by creating a loan with a minimum annual interest rate of 3.5%, the lowest in the industry. These offerings have been well received, making SBI Sumishin Net Bank the fastest-growing player in the domestic pure-play Internet banking sector, despite being a relative newcomer.

In the background of such dramatic growth over a relatively short period of time is the partnership with the Sumitomo Trust Bank, a formidable Japanese bank, along with the substantial synergistic effects generated with SBI SECURITIES, the dominant player in the online securities industry.

In order to ensure our future growth, we believe that it is of the utmost importance to continue to work to enhance the convenience for our valued customers through the maximum utilization of the Internet. With reference to our asset management products, while we already provide an array of products, including deposit products and FX trading, we will continue to work to increase our product offerings. For instance, we will broaden the scope of our offering of investment trusts and create products that meet the diversified needs for foreign currency denominated asset management. For personal loans, we will work to expand the merchantability of our housing loans and Internet loans, to respond to the various funding needs related to our customers’ lifestyle events.

## Investments in Financial Institutions in Emerging Asian Market Countries

For the overseas development of our financial services business, we will leverage the network of prominent local companies that was built through the establishment of joint funds, to transfer the SBI Group’s financial services business. By doing so, we will be able to provide the same financial ecosystem that was established in Japan to the various overseas countries in which we are partnered.

In the emerging market countries with high future potential growth, we will initially focus on investing capital in the banks that are likely to be the cornerstone of the growth of the financial sector in those countries. For instance, we have a 40% equity stake in Cambodia-based Phnom Penh Commercial Bank Limited since its establishment, and a 20% stake in Vietnam-based Tien Phong Commercial Joint Stock Bank. Both are now equity-method affiliates. In June 2011, we acquired a 50% equity stake in Obibank Ltd. in Russia.



An exterior view of PHNOM PENH COMMERCIAL BANK in Cambodia

## Housing and Real Estate Business

The Housing and Real Estate Business encompasses the development and sale of properties for investment purposes, as well as the provision of real estate-related financial services, including housing loans and lending and agency services for real estate secured loans, and the operation of websites offering lifestyle-related information and services. Meanwhile, SBI Mortgage continues to expand the SBI Money Plaza shop network to serve as a shared infrastructure for the entire SBI Group with face-to-face services.

### Financial Results of FY2010

The Housing and Real Estate Business consists of three businesses: the real estate business, the financial real estate business and the lifestyle networks business. In FY2010, it posted significant improvements in revenue and earnings, with a 36.8% year-on-year increase in operating revenues to ¥23.5 billion, and a 286.4% surge in operating income to ¥3.4 billion. This was primarily the result of a substantial increase in the earnings of SBI Mortgage, with its consistent sales of “Flat 35” housing loan, and a solid performance by SBI Life Living in its Internet media business.

#### Performance of SBI Life Living, Inc. and SBI Mortgage Co., Ltd. for FY2010

(Based on information disclosed by each company. Millions of yen. Figures in parentheses are year-on-year change (%))

|                 | Operating Revenues | Operating Income | Ordinary Income  | Net Income        |
|-----------------|--------------------|------------------|------------------|-------------------|
| SBI Life Living | 6,459<br>(+15.0)   | 646<br>(+281.6)  | 517<br>(+635.9)  | 387<br>(+1,292.5) |
| SBI Mortgage    | 9,560<br>(+52.3)   | 2,905<br>(+83.6) | 2,940<br>(+84.4) | 2,003<br>(+151.1) |

### Real Estate Business (SBIH, SBI Life Living and Others)

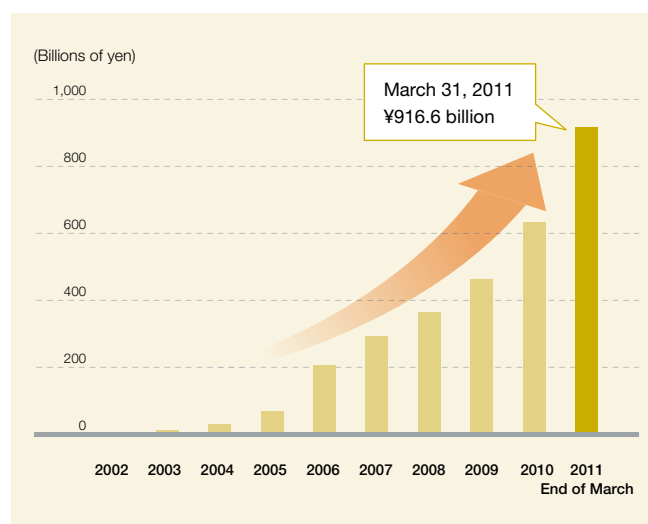
Operating revenues in the real estate business, which involves the development and sale of real estate, etc., rose significantly, up 58.2%, to ¥10.3 billion for FY2010. This was primarily due to the recovery of the small and medium-sized property market, which propelled sales. Going forward, we will incrementally sell our real estate holdings while closely monitoring the market conditions. As of the end of March 2011, the SBI Group had real estate inventories totaling ¥16.8 billion, with a breakdown of real estate for sale of ¥7.5 billion, real estate for sale in progress of ¥7.1 billion, real estate for development of ¥1.4 billion, and beneficial interest in real estate investment trust of ¥0.8 billion.

### Financial Real Estate Business (SBI Mortgage, CEM Corporation)

SBI Mortgage continues to offer its “Flat 35” long-term, fixed-rate housing loans in conjunction with the Japan Housing Finance Agency. In FY2010, SBI Mortgage extended new housing loans totaling ¥349.5 billion, up 71.4% from the previous year. This was largely due to favorable interest rates, as well as an increase in the interest rate deduction (from 0.3 to 1.0 percentage point) for the first 10 years for loans taken out via “Flat 35S.” This applies to properties meeting set criteria, such as earthquake-resistant standards and accessibility for disabled people. Among the 334 financial institutions participating in the “Flat 35” scheme, SBI Mortgage ranked No. 1 in FY2010 in terms of the number of loans issued.

CEM Corporation, which offers real estate secured loans, stepped up its effort to provide new financing, having made good progress in reducing loans receivable under its risk management program. As a result, the financial real estate business reported an improved performance and returned to profitability, with operating revenues of ¥11.6 billion, for a 27.8% year-on-year increase.

### Change in Housing Loans Outstanding by SBI Mortgage



## Principal Companies in the Housing and Real Estate Business

| Company name  | Business   |
|---|--|
| <b>SBI Holdings, Inc. (Real Estate Business Division)</b>       | Mainly real estate investments and development projects in Japan and overseas markets  |
| <b>SBI Mortgage Co., Ltd.</b>                                   | Provision of long-term fixed-interest (to be securitized) housing loans  |
| <b>SBI Life Living, Inc.</b> Mothers Market of TSE (Code: 8998) | Development, planning, design and sales of income-producing properties for investors/<br>Operations of lifestyle comparison websites |
| <b>CEM Corporation</b>  | Provision of real estate secured loans for individuals and companies   |

### Lifestyle Networks Business (SBIH, SBI Life Living and Others)

The lifestyle networks business covers the operation of an intermediary website for a wide range of lifestyle-related products and services, as well as the operation of a website providing

comparison, search and estimation services. Operating revenues in this business edged down 1.3% to ¥1.5 billion. Going forward, we will endeavor to provide more beneficial services covering the varying life events and life stages of consumers, through the operation of intermediary service websites.



**Noriaki Maruyama**  
Representative Director and COO  
of SBI Mortgage Co., Ltd.

## Targeting the Creation of a One-stop Financial Service Hub that Provides Optimal Products for Each and Every Customer

SBI Mortgage has been providing long-term fixed-rate housing loans at the lowest interest rates in the industry, since beginning operations in May 2001 as Japan's first mortgage bank (financial institution specializing in housing loans using securitization as a financing instrument). With its mainstay "Flat 35" product offered in collaboration with the Japan Housing Finance Agency, SBI Mortgage has continued to grow its loan balance, which reached ¥916.6 billion at the end of FY2010. As a result, SBI Mortgage posted a 52.3% increase in operating revenues to ¥9.6 billion, and a 2.5-fold jump in operating income to ¥2.0 billion.

In 2007, after deciding to shift to a new business model that integrates online and face-to-face sales channels, we started opening "SBI Housing Loan Shop" stores under a franchise system leading the way in enhancing face-to-face sales channels of the SBI Group.

Subsequently, since July 2009, we have been converting these stores to "SBI Money Plaza" shops to form a shared infrastructure for the entire Group, and are now rapidly expanding our franchise retail sales channels.

"SBI Money Plaza" shops handle not only housing loans, but also life insurance, securities and other financial products from financial institutions both inside and outside the SBI Group. Accordingly, each and every one of our customers can select optimal products from among a wide variety of offerings. As of March 31, 2011, there were 101 "SBI Money Plaza" shops in operation nationwide.

As a leading mortgage bank, SBI Mortgage will continue developing products from the perspective of the customer, and provide highly convenient services that integrate online and face-to-face sales channels, thus realizing a true one-stop financial services hub.



## Potential of Bio-related Businesses as a New Source of Earnings

The SBI Group regards biotechnology as a next-generation core industry. In addition to our biotechnology investments, the SBI Group is engaged in the biotechnology business through operations of SBI Biotech and SBI ALApromo, with the intention of developing a new business pillar.

### SBI Biotech

SBI Biotech is a bio-venture founded with Dr. Kenichi Arai (former Dean of the Institute of Medical Science, University of Tokyo, and a professor emeritus at the University of Tokyo), who was invited to be President/CEO. The company is involved in the research and development of novel drugs, immunotherapy for cancer, autoimmunity/allergies, etc.

SBI Biotech has formed business alliances with overseas bio-ventures and research institutes, which provides advantages in implementing its projects. For example, in the field of immunomodulator therapy (nucleotide drugs), it has partnered with Changchun Huapu Biotechnology, a Chinese medicine developing venture to conduct Phase I clinical trials at a number of U.S. universities. Also, it is gearing up for joint clinical studies after a request from a North American research group to extend its application for acute childhood leukemia. In immune cell therapy, SBI Biotech has an agreement with Baylor Research Institute of the U.S., under which it is conducting Phase II clinical trials in the U.S. In Japan, obtaining approval from the Ethics Committee of Kyoto University, SBI Biotech undertook clinical trials at Kyoto University Hospital in July 2011.

Simultaneously, it is pursuing internal R&D projects into antibodies for cancer and autoimmune diseases. For anti-ILT7 antibody research, SBI Biotech has aligned itself with MedImmune of the U.S. (part of the AstraZeneca Group), while in anti-BST2 antibodies, it is negotiating tie-ups with leading domestic and overseas pharmaceutical companies. SBI Biotech is also working on the development of a novel cancer therapy, and in April 2010 filed an international patent application for a lead compound (new candidate drug compound) discovered in partnership with CrystalGenomics of South Korea. Also, a Japanese patent application was filed in March 2011 for a lead compound discovered in partnership with a Japanese biotechnology venture.



### SBI ALApromo

SBI ALApromo is a joint venture company founded by SBI Holdings and COSMO OIL to develop cosmetics, health foods and medicines containing 5-aminolevulinic acid (5-ALA), an amino acid found in animals and plants.

### 5-ALA Effects Attracting Attention

5-ALA has long been known as a kind of natural amino acid. However, it was only recently revealed that the acid is extremely important for living organisms to sustain life, and for breathing and the generation of energy. 5-ALA as a skin-care product, is expected to provide moisture and firmness to the skin, while ingestion as a health food is expected to help with health maintenance and nutrition support.

SBI ALApromo has already developed hand creams, skin lotions and dietary supplements containing 5-ALA, and is now working to increase the distribution of these products.

### Potential of 5-ALA in Medicines

The prospects for 5-ALA are not limited to cosmetics and health foods. SBI ALApromo is also exploring its potential use in Medicines, as it develops an oral diagnostic agent for the photodynamic diagnosis of tumor tissue in the surgical removal of malignant glioma. German joint venture partner medac GmbH has won approval from the European Medicines Agency (EMA), and launched the product in 10 European countries, including Germany and the UK. In Japan, SBI ALApromo commenced Phase 3 clinical testing in June 2010 via a joint venture with Nobelpharma Co., Ltd. and in November 2010 the product received orphan drug designation from the Ministry of Health, Labour and Welfare. The company is also conducting joint research with a view to expanding the indications to include bladder cancer, as well as engaging in a joint research project with the Tokyo Institute of Technology to study the drug's potential for use in cancer screening. If this application proves viable, a simple urine test would enable detection of cancer tissue.