

Financial Services Business

Principal Companies

Intermediate Holding Company:
SBI FINANCIAL SERVICES

SBI SECURITIES
SBI Japannext
SBI Liquidity Market

SBI Sumishin Net Bank
SBI Insurance
SBI MONEY PLAZA

Morningstar Japan
SBI Holdings
(Financial Services Business Division)



The SBI Group has grown by capturing the tide of two major trends, the development and popularization of the Internet and financial deregulation, and by providing highly competitive financial products and services that take maximum advantage of the Internet. We have positioned securities, banking and insurance as the three core businesses in the Financial Services Business segment, and are further accelerating the pace of growth by maximizing synergies among these businesses.

Financial Results for FY2013

As a result of the success of various measures implemented to bolster profitability, coupled with the tailwind provided by buoyant stock markets, in FY2013 the Financial Services Business recorded a 30.4% year-on-year increase in operating revenue to ¥147.8 billion, and a 99.0% increase in profit before

income tax expense to ¥37.3 billion.

By company, SBI SECURITIES, SBI Japannext, SBI MONEY PLAZA, Morningstar Japan, and SBI Sumishin Net Bank recorded record-high income, while SBI FXTRADE and SBI SSI attained full-year profitability for the first time since their establishment.

Major Group Companies' Results

(Millions of yen)

		FY2012	FY2013
SBI SECURITIES (JGAAP)	Operating revenue	43,401	74,298
	Operating income	11,478	32,799
SBI Liquidity Market (JGAAP)	Operating revenue	7,743	10,524
	Operating income	1,518	1,901
SBI FXTRADE (JGAAP)	Operating revenue	289	1,900
	Operating income (loss)	(145)	1,263

		FY2012	FY2013
SBI Insurance (JGAAP)	Ordinary revenue	19,164	22,906
	Ordinary income (loss)	(7,543)	(5,783)
SBI MONEY PLAZA (JGAAP)	Operating revenue	2,207	4,063
	Operating income	36	1,054
SBI Sumishin Net Bank (JGAAP)	Ordinary revenue	40,204	47,296
	Ordinary income	7,903	11,731

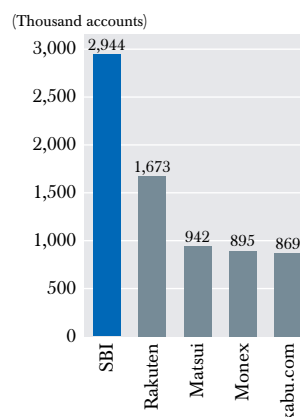
SBI SECURITIES: Achieving High Levels of Income from Diversification of Earnings Sources

In the consolidated business results for FY2013 (JGAAP), SBI SECURITIES achieved a record-high performance in operating revenue and all profit categories, recording operating revenue of ¥74.3 billion, up 71.2% year-on-year, operating income of ¥32.8 billion, up 185.7%, and net income of ¥18.1 billion, up 168.3%.

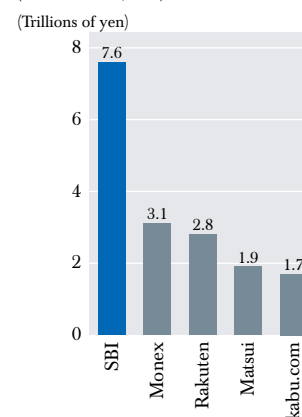
The context of this record-setting performance is that the domestic stock markets continued to remain firm, which led to a sharp increase in securities trading. Also, within the adverse business environment that followed upon the collapse of Lehman Brothers, SBI SECURITIES had established a revenue base that is more resilient to the stock market fluctuations, by diversifying its earnings sources through the expansion of its product offerings to products other than domestic equities, such as foreign exchange margin trading, investment trusts and foreign bonds. This resulted in the achievement of further dramatic growth, as the stock markets continued their recovery.

Number of Accounts and Amount of Customer Deposit Assets at Five Online Brokers

[Number of Accounts]
(As of March 31, 2014)



[Customer Deposit Assets]
(As of March 31, 2014)



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



Masato Takamura

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

Maximizing Group Synergies in Pursuit of Differentiation and Increased Competitiveness

Since the initiation of its Internet trading services in 1999, SBI SECURITIES has established itself as the leader in the online securities industry in the number of accounts, stock brokerage trading value share and customer deposit assets, while adhering to its corporate mission of the “Customer-centric Principle.”

Primarily owing to the easing of margin trading regulations in January 2013, along with the tailwind of a buoyant stock market, the FY2013 business environment continued to remain favorable. Also, the Nippon Individual Savings Account (NISA) system was introduced in January 2014, and investments for the purpose of long-term wealth building are expected to increase, and within this business environment, we will endeavor to further expand the customer base and increase our competitiveness.

To achieve this, we will seek to offer a wide range of services that will truly meet customer needs while continuing to reinforce synergies with the SBI Group companies, as with SBI Sumishin Net Bank, with which we have already demonstrated powerful synergies. In particular, by fully utilizing the face-to-face sales channel of SBI MONEY PLAZA and the independent financial advisors (IFA), whose network has been expanded through a collaboration with approximately 200 financial products brokers, our approach to potential customers who cannot be reached by the online securities services alone will be strengthened.

Although we already offer the broadest range of products in the online securities industry, we will continue to further expand and upgrade our product offerings, and by strengthening our position as the industry leader in the corporate IPO underwriting business of the last several years, we will endeavor to further differentiate ourselves from our competitors.

Financial Services Business

Full-year stock brokerage trading value at SBI SECURITIES was ¥130 trillion and brokerage commissions were ¥32.2 billion, respectively 2.6 times and 1.9 times the prior-year levels.

As a result of a further increase in margin trading, which was attributable to factors including the easing of margin trading regulations in January 2013, financial revenue was ¥24.6 billion, which was 1.9 times the prior-year level, and outstanding open interest credit balance remained at high levels. Underwriting, offering and sales commissions were up 99.0% year-on-year to ¥4.3 billion. Furthermore, as a result of strong sales of investment trusts, investment trust fees increased 33.0% to ¥2.9 billion, and the investment trust balance at the fiscal year-end reached ¥843.9 billion, both record highs. The number of IPOs underwritten was an industry high 42, and SBI SECURITIES solidified its position as the industry leader by underwriting 79.3% of the total number of IPOs.

SBI SECURITIES has maintained its overwhelming advantage over competitors in terms of its customer base, with the number of accounts rising to 2.94 million, and the amount of customer deposit assets reaching ¥7.6 trillion as of March 31, 2014, and the full-year individual stock brokerage trading value share was recorded at 35.3%, along with a 38.2% share of the individual margin trading value. Also, the number of accounts surpassed the 3 million mark in June 2014.

With reference to the usage status of the Nippon Individual Savings Account (NISA) system that was introduced in January 2014, as of March 31, 2014, the number of NISA accounts was approximately 410,000 with the corresponding customer deposit assets at ¥77.5 billion. When viewed in terms of customer demographics, 23.1% of all customers were new account openers, among whom 64.4% were first-time investors, which is an extremely high level of new customer acquisitions, as compared to our competitors. Also in terms of age group, more than half of the customers are aged 20-49, indicating that SBI SECURITIES has been successful in capturing new investors who are primarily young adults who will become serious about building their future wealth.

Additionally, subsidiaries that generate powerful synergies with the securities business are steadily expanding their scale of operations.

SBI Japannext's proprietary trading system (PTS), Japannext PTS, has the participation of more than 20 securities firms, including the leading Japanese and foreign securities firms, and ranks second to the Tokyo Stock Exchange in terms of trading volume, making it the largest PTS in Japan in terms of trade execution. During the year under review, trading by institutional investors, as well as by individual investors on

Japannext PTS became increasingly active, where monthly trading reached a record high of nearly ¥3 trillion in May 2013, and a single day trading value record high of ¥192.0 billion was recorded in January 2014. As a result, SBI Japannext recorded an operating income increase of 3.9 times year-on-year to ¥0.9 billion (JGAAP). In order to enhance the public awareness of a PTS, SBI Japannext is preparing a 2015 IPO with Daiwa Securities as its lead underwriter.

SBI Liquidity Market, which provides a market function for FX trading, recorded operating income before allocation of profits to SBI SECURITIES, SBI Sumishin Net Bank and SBI FXTRADE, of ¥8.5 billion (JGAAP), which is a record high since the introduction of leverage regulations (in August 2010 and August 2011). SBI FXTRADE, established in May 2012 as a pure-play FX trading services provider, offers favorable trading terms for its customers by providing the industry's narrowest level of spreads on all major currency pairs. As a result, customer deposit assets exceeded ¥16.0 billion, and the number of accounts reached approximately 50,000 as of March 31, 2014, allowing the company to achieve full-year profitability, and to eliminate its cumulative loss in its second year of operation. The ability to grow in such a short period of time is the result of a commitment to offer appealing products and services, along with its efforts to strengthen synergies with the Group companies. The SBI Group is outgrowing the overall industry growth, in terms of total trading volume, through SBI Liquidity Market, which provides market infrastructure for FX trading within the Group, SBI SECURITIES, which provides FX trading services primarily

Change in FX Trading Volume



* Counts 10,000 currency units as 1

Source: Material announced by the Financial Future Association of Japan

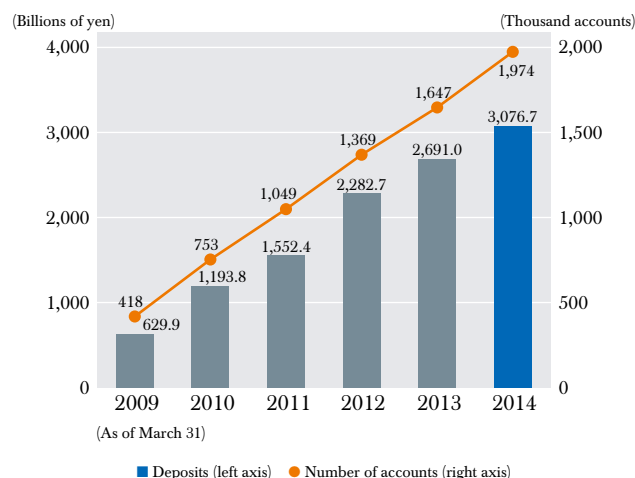
for customers that engage in large trades, and SBI FXTRADE, which provides services to customers who engage in small, frequent trades. SBI Liquidity Market's share of the overall over-the-counter (OTC) FX trading rose to 10.5% in FY2013, and the SBI Group's total number of accounts and customer deposit assets are among the highest in the OTC FX industry.

SBI Sumishin Net Bank: The Only Pure-Play Internet Bank to Achieve Ordinary Income Exceeding ¥10.0 Billion

SBI Sumishin Net Bank, is a 50:50 joint venture between Japan's largest trust bank, Sumitomo Mitsui Trust Bank and SBI Holdings, and is Japan's only pure-play Internet bank with a deposit balance exceeding ¥3 trillion. SBI Sumishin Net Bank and SBI SECURITIES have collaborated to offer a service for automatic deposits and withdrawals of stock trading deposits through SBI Hybrid Deposits, which now has over 900,000 users, attesting to the existence of powerful synergies between the Group companies, which has contributed to an increase in the bank's deposit balance and the number of accounts. As of March 31, 2014, the number of accounts totaled 1.97 million, and the balance of loans to individual customers was ¥1,378.8

billion. Furthermore, the number of accounts surpassed the 2 million mark in May 2014.

Deposits and the Number of Accounts at SBI Sumishin Net Bank



* Amounts are rounded to the nearest ¥100 million or thousand accounts.



Noriaki Maruyama

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

Solidifying the No. 1 Pure-play Internet Bank Status

Although SBI Sumishin Net Bank started operations in 2007 as a latecomer to the Internet banking industry, the bank has rapidly increased its customer base, deposit balance and loan balance, establishing itself at the top of the industry, as well as becoming the only pure-play Internet bank with a deposit balance exceeding ¥3 trillion. These results are attributable to the significant synergistic contributions between the two parent companies, such as the expansion of SBI Hybrid Deposits through the collaboration of a SBI Group company SBI SECURITIES, and the expansion of the Internet Exclusive Housing Loans that we provide as a banking agency of the Sumitomo Mitsui Trust Bank, as well as efforts to enhance customer convenience through our own initiatives based on the "Customer-centric Principle." These efforts have been well received, and we have been selected No. 1 in the banking industry for five consecutive years by the Japan Customer Satisfaction Index (JCSI), reflecting the support of many of our customers.

In order to improve the loan-to-deposit ratio, as one of our challenges going forward, we will strengthen our housing loan business, and will increase and expand our retail loan products that meet the needs of our customers. Also, by expanding our settlement business, we will endeavor to increase our customer convenience, and strive to earn a stable fee income. Through these activities, we will work to establish a stable income and customer base, and promote the stabilization and diversification of our fund management, while also continuing to enhance customer convenience to solidify our status as the No. 1 Internet bank.

Financial Services Business

The housing loans, which are the mainstay loan products, can be broadly divided into two products. First, there are the loans that SBI Sumishin Net Bank makes directly to its customers (Mr. Housing Loan), and second are the Internet Exclusive Housing Loans that we provide as a banking agency of the Sumitomo Mitsui Trust Bank. The combined volume of the two products has surpassed the ¥1.8 trillion mark.

Other loans are also increasing steadily. The unsecured personal loans (Net Loans) that carry an annual interest rate of 3.5%, which is the lowest level in the industry, increased by 13.6% year-on-year to ¥56.1 billion as of March 31, 2014, and the cumulative total of auto loans increased by 50.6% to ¥233.0 billion.

In response to an increasing trend in financial crime on the Internet, from February 2014, we initiated the offering of a smartphone authentication service (Smart Authentication), to provide a safe and worry-free banking environment for our customers.

As a result of these activities, in FY2013 ordinary revenue reached ¥47.3 billion, up 17.6% year-on-year, ordinary income was ¥11.7 billion, up 48.4%, and SBI Sumishin Net Bank became the only pure-play Internet bank in Japan with ordinary

income exceeding ¥10.0 billion. Net income increased by 48.8% to ¥7.1 billion. (All financial results are based on JGAAP.)

SBI Insurance: Maintaining High Growth in the Number of Contracts and Insurance Premium Income

SBI Insurance's mainstay product, auto insurance, has been increasing substantially through contracts of customers switching from other insurers, along with new customers, as auto insurance policies in force increased by 20.4% year-on-year to approximately 650,000 (completion and receipt of insurance premiums basis, excluding continuing, expired or cancelled policies) as of March 31, 2014, for a compound annual growth rate for the period from March 31, 2010 to March 31, 2014 of 48.5%. Similarly, insurance premium income in FY2013 rose by 18.7% year-on-year to ¥23.2 billion, and the compound annual growth rate from FY2009 to FY2013 of 48.9% reflects its rapid growth.

In addition, the profitability improvement measures we have implemented have been successful, and the combined ratio (the ratio of the sum of insurance premium payment and expense to insurance premium income) fell below 100% to 98.8% in FY2013.



Hiroyoshi Kido

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

Further Improving Profitability and Group Synergies to Solidify the Business Base

Since its founding in January 2008, SBI Insurance has offered its customers auto insurance with affordable premiums, by rigorously building a low-cost operation that takes maximum advantage of the Internet, and by drawing on the expertise and experience that the SBI Group has accumulated in the online financial services business. Furthermore, we have set forth a management policy of “winning customer trust,” and focused on qualitative improvements in services, such as the enhancement of our customer support structure. As a result, the number of policyholders has grown to over 650,000 as of March 31, 2014.

From 2011, a series of measures to improve profitability were implemented, and in FY2013 the combined ratio was reduced to below 100%. Moving forward, we will endeavor to reduce the operating expense ratio and the loss ratio, by promoting further operating efficiencies and through rigorous risk management, and will simultaneously focus on service level improvements through the expansion and upgrade of our support structure.

Unlike other financial businesses, nonlife insurance is a business that requires a length of time to become profitable, but we have already achieved profitability in the first quarter of FY2014, and we will develop a stable business base by further improving profitability and deepening collaborations within the Group, with the objective of achieving full-year profitability on an IFRS basis in FY2015.

SBI Insurance recorded a loss before income tax expense of ¥3.9 billion (on an IFRSs basis) for FY2013, which represents a year-on-year improvement of ¥1.1 billion. To reach a full-year profit on an IFRSs basis in FY2015, the company is undertaking further profitability improvement measures through the expansion of its product offerings to include insurance products other than auto insurance. In April 2014, it began selling its own cancer insurance in combination with cancer insurance products from other insurers. Offering products with different compensation details, and combining products to meet the needs of individual customers makes it possible to appeal to customers in new ways.

Also, the small-amount short-term insurance business has shown steady growth following their share acquisitions by the SBI Group. SBI SSI, which offers earthquake compensation insurance, has increased the number of contracts since it became a subsidiary in March 2012, and achieved full-year profitability in FY2013 for the first time since its establishment. SBI IKI IKI SSI (formerly IKI IKI SEDAI), which became a subsidiary in March 2013, offers medical insurance, medical insurance with relaxed underwriting conditions and death insurance. It, too, is achieving steady growth in the number of contracts in force and insurance premium income.

SBI MONEY PLAZA: Dramatic Growth in the Second Year of Operation

SBI MONEY PLAZA is the SBI Group's face-to-face sales channel. It operates a nationwide network of primarily

franchised SBI MONEY PLAZA face-to-face shops that offer securities, insurance and housing loans as a common infrastructure of the Financial Services Business. The number of shops was 361 as of March 31, 2014, and the company seeks to rapidly expand the network to 500 shops nationwide.

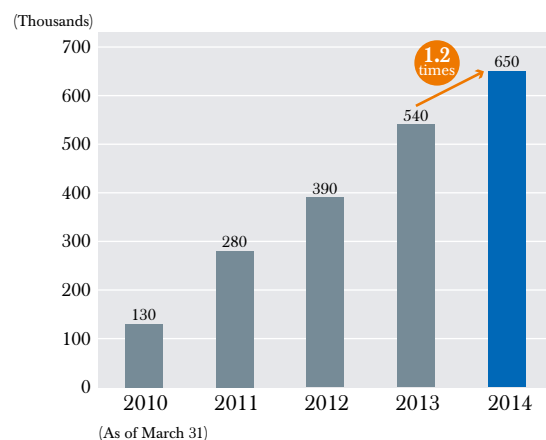
Customer deposit assets and the number of accounts have continued to rapidly increase since the start of operation in June 2012, and the company achieved operating profitability in FY2012, its first year of operation. Both revenue and income increased sharply in FY2013, with operating revenue increasing by approximately 1.8 times year-on-year to ¥4.1 billion, and operating income increasing by 29 times to ¥1.1 billion. (Both figures are based on JGAAP.)

Steady Growth from Other Businesses

Morningstar Japan provides rating information on investment trusts, and other financial products and websites. In FY2013, the company posted record-high operating income, ordinary income and net income (based on JGAAP). The company has achieved profit increases for ten consecutive years on a parent company basis (excluding consolidated subsidiaries).

In addition, SBI Holdings operates Japan's foremost financial comparison and estimate websites InsWeb and E-LOAN, and these businesses also continue to contribute to earnings as well.

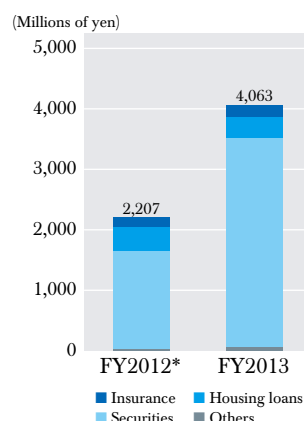
Number of Auto Insurance Contracts at SBI Insurance



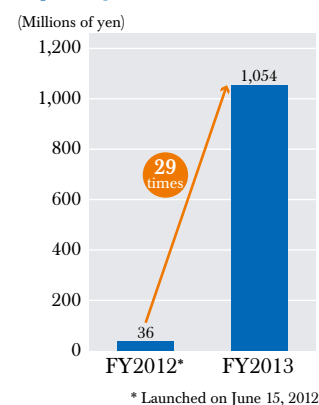
* Completion and receipt of insurance premiums basis, excluding continuing, expired or cancelled policies

SBI MONEY PLAZA's Financial Results for FY2013 (JGAAP)

[Operating Revenue]



[Operating Income]



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.

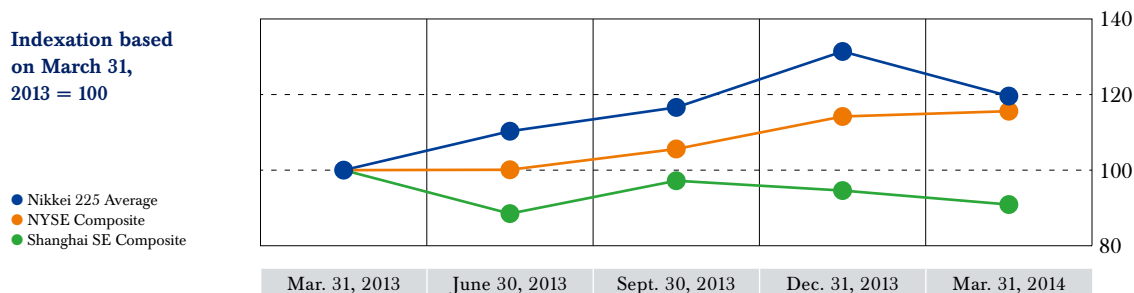
Fair value valuation gain or loss has an extremely significant impact on business performance of this segment. Following the adoption of International Financial Reporting Standards (IFRSs), operational investment securities held, whether listed or unlisted, are revalued at fair value each quarter. Valuation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

Review of Operations by Business Segment

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		
Total	201.2	Total	201.2

● 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

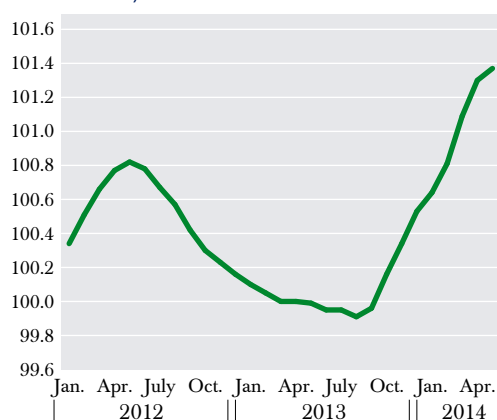
SBI Savings Bank, which became a consolidated subsidiary in March 2013, is a community-based savings bank in South Korea, and its main customers are individuals, self-employed persons and small and medium-size enterprises.

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.

Biotechnology-related Business

Principal Companies

SBI Pharmaceuticals
SBI ALApromo
SBI Biotech



The SBI Group has defined the Biotechnology-related Business as one of its three core business segments, and is engaged in this business through SBI Pharmaceuticals, SBI ALApromo and SBI Biotech. In particular, the Group has positioned the 5-aminolevulinic acid (5-ALA) related business, which involves the research and development of pharmaceuticals and the sale of health foods and cosmetics containing 5-ALA, as its most promising growth area, and is accelerating the global expansion of this business.

The Development of Pharmaceutical Products Containing 5-ALA

The SBI Group has commercialized health foods and cosmetics containing 5-aminolevulinic acid (5-ALA), and sells them through SBI ALApromo in Japan. The company is expanding its product line, launching ALAPlus GOLD and ALAPlus in 2013, and commencing sales of ALAPlus Beauty Series, a new series of products that contain 5-ALA and ingredients that support beauty and health, in April 2014. Also, promotions are being stepped-up, including TV commercials featuring singer Hiromi Go, as well as point-of-purchase promotions at drugstores.

SBI Pharmaceuticals is also actively conducting research on the pharmaceutical potential of 5-ALA. In September 2013, the company launched the first pharmaceutical product containing 5-ALA, ALAGLIO®, an orally-administered in vivo diagnostic agent used during the surgical resection of malignant glioma. ALAGLIO® is Japan's first orally-administered

intraoperative brain tumor diagnostic agent.

Additionally, SBI Pharmaceuticals is conducting clinical trials and basic research involving 5-ALA for multiple target illnesses, utilizing a global research network consisting of domestic and overseas universities and contract research organizations. The King Abdulla Medical Center of Arabian Gulf University (AGU), established by the six Gulf Cooperation Council (GCC) countries, successfully performed the world's first surgical removal of bladder cancer using ALAGLIO® and a medical light source device developed by SBI Pharmaceuticals, and the number of successful surgeries reached seven as of June 30. SBI Pharmaceuticals has developed two types of medical light source devices for the 5-ALA diagnostic agent used in the procedure, and in April 2014 commenced sales of one of these, Aladuck LS-DLED, a bicolored medical LED light source, as its first medical device.

The development of an intraoperative diagnostic drug for bladder cancer has been granted an "orphan drug" designation

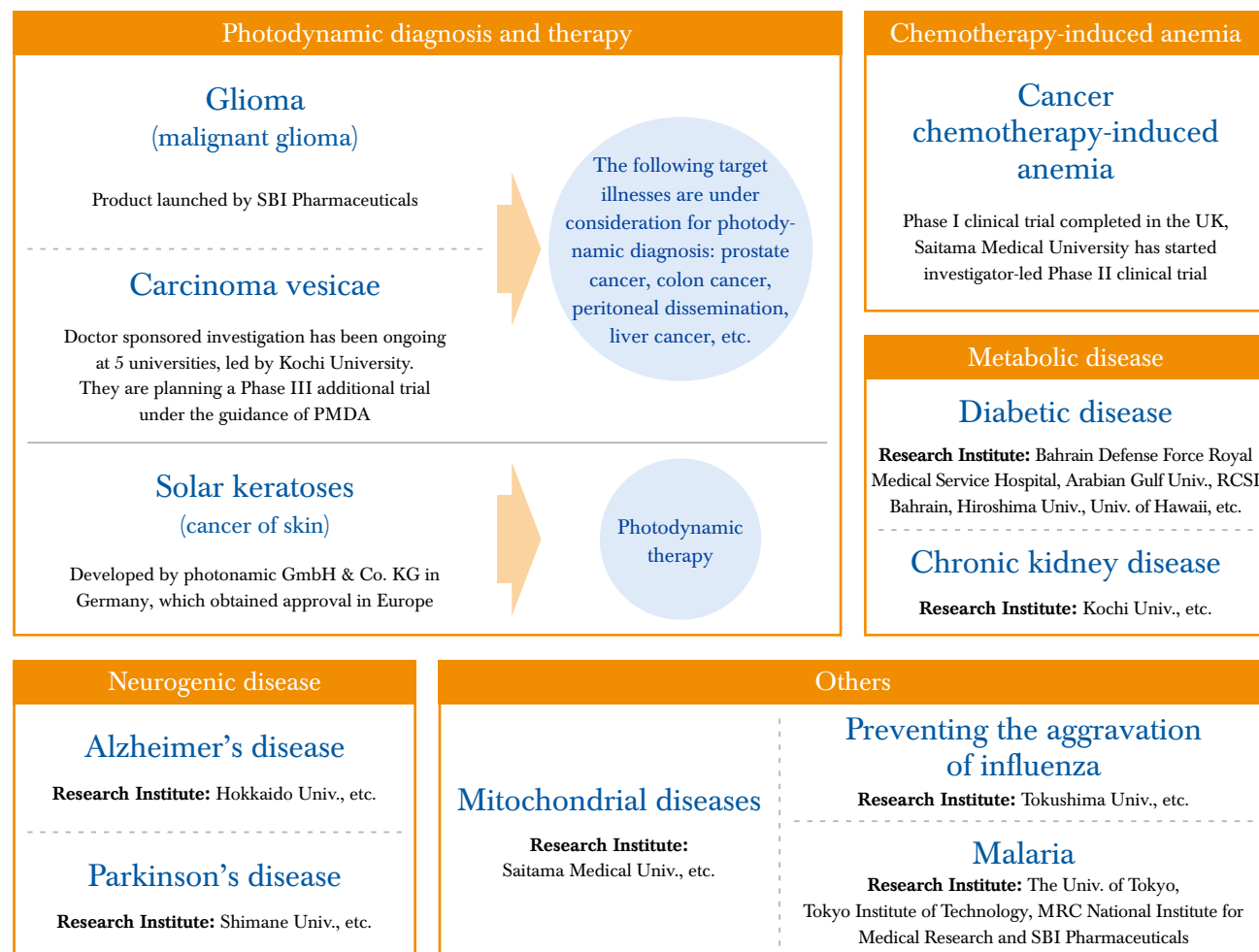
in Japan, and further development is being conducted by a consortium of five universities headed by Kochi University, where a Phase III additional trial is being planned. A patent has been granted in Japan for a bladder cancer detection method involving oral administration of 5-ALA. SBI Pharmaceuticals will seek an expanded indication of ALAGLIO® for bladder cancer, and is preparing for an application.

Furthermore, in the research and development project for a therapeutic agent for anemia, a side effect of cancer chemotherapy, a Phase I clinical trial to evaluate safety was completed in May 2013 in the U.K. A Phase II clinical trial to evaluate the efficacy and safety of the therapeutic agent was begun in Japan as an investigator-led trial, owing to Japan's cost advantages for clinical trials.



Aladuck LS-DLED, a bicolor medical LED light source

Target Illnesses for which Basic Research and Clinical Research of 5-ALA and Porphyrin are Proceeding



Source: Compiled by the Company from research related materials by 5-ALA and Porphyrin Research Society

Biotechnology-related Business

Expansion of the 5-ALA Related Business in Bahrain, the Base of Operations in the Middle East

SBI Pharmaceuticals has a close partnership with the government of Bahrain to promote the 5-ALA related business in Bahrain and other GCC countries, and has made Bahrain an important base of operations in the Middle East for the 5-ALA related business, and is conducting clinical research projects with a number of partner institutions.

SBI Pharmaceuticals has partnered with AGU Hospital, the Diabetes Department of the Bahrain Defense Force Royal Medical Service Hospital, and the Royal College of Surgeons in Ireland - Medical University of Bahrain (RCSI Bahrain) in clinical research on diabetes using 5-ALA. In particular, AGU has implemented a clinical development structure for pharmaceuticals that complies with Good Clinical Practice (GCP), and has selected a nutritional supplement used in diabetes therapy having 5-ALA as its main component as its first model

for clinical research. It has also obtained approval from the National Health Regulatory Authority, and begun clinical research on Type 2 diabetes using 5-ALA at the Bahrain Defense Force Royal Medical Service Hospital.

SBI Pharmaceuticals has partnered with AGU Hospital, King Hamad University Hospital, which is operated by the Bahrain Defense Force, and RCSI Bahrain, concerning clinical research on photodynamic diagnosis of colorectal cancer using 5-ALA.

SBI Pharmaceuticals has also begun selling health foods in Bahrain. In addition to health foods, for which marketing



Satofumi Kawata

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

Contributing to Society through 5-ALA and Establishing the Business as a Major Source of Earnings for the SBI Group

Although 5-ALA (5-aminolevulinic acid) is a natural amino acid whose existence has long been known, in recent years it has become the focus of attention as a critical life-supporting substance involved in respiration and 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 at a low cost, and Cosmo Oil commercialized plant fertilizers containing 5-ALA. The SBI Group investigated 5-ALA's involvement with the human body, and in order to further the research into pharmaceuticals and health foods, in 2008 jointly established SBI Pharmaceuticals (SBI's shareholding: 73.2% as of June 30, 2014) with Cosmo Oil.

SBI Pharmaceuticals has commercialized health foods, cosmetics, and other products that contain 5-ALA in Japan, and in September 2013 launched ALAGLIO®, the first pharmaceutical agent made containing 5-ALA.

Overseas, primarily in Bahrain in the Middle East and in China, in collaboration with prominent local partners, the research and development of pharmaceuticals containing 5-ALA, and the manufacturing and sales of health foods containing 5-ALA are being developed, and health foods containing 5-ALA are already being sold in Bahrain.

Research involving 5-ALA is being conducted in various fields, but rather than adopting the usual venture business model of licensing out products during development, we would like to create a new framework, in which we are deeply involved until the final stage of development. While striving to contribute to the well being and fulfilling lives of as many people around the world as possible, we will endeavor to make the 5-ALA related business a major source of earnings for the SBI Group.

approval was already obtained, in January 2014 it also obtained a marketing approval for health foods with a high 5-ALA content of 25 milligrams, and commenced their sales at pharmacies and other outlets as a mainstay product.

Preparations for an IPO at SBI Biotech, a Company with Multiple Drug Discovery Pipelines

SBI Biotech was primarily engaged in projects to discover drugs for cancer and autoimmune diseases through its research institute in Kawasaki, in partnership with domestic and overseas bioventures and research institutes. However, the company is currently reviewing its new drug development projects by implementing a selection and concentration process to engage in innovative drug discoveries focused on antibodies and functional nucleic acids, agents that control plasmacytoid dendritic cell (pDC), which is an existing technology at the Kawasaki institute.

SBI Biotech has already granted the development and commercialization rights of a molecularly targeted drug which was developed for the treatment of systemic lupus erythematosus (SLE), an autoimmune disease, to U.S. based MedImmune, a subsidiary of AstraZeneca of the U.K., which has a global reputation for the development of antibody drugs.

U.S. based bioventure Quark Pharmaceuticals, a wholly owned subsidiary of SBI Biotech, is a company with excellent technologies in the field of short-interfering RNA (siRNA), which is attracting attention at a time of exhaustion of low-molecular drug discovery. Quark has multiple promising new drug candidates, and has already concluded license and other agreements with Pfizer Inc. and Novartis International AG. PF-655, a therapeutic agent for diabetic macular edema and age-related macular degeneration, is at the clinical trial stage (Phase IIb), and Quark has a licensing agreement with Pfizer for PF-655, which stipulates milestone and royalty payments. QPI-1002 is a candidate therapeutic agent for the prevention of acute kidney injury and prevention of delayed graft function in kidney transplant patients, conditions for which no promising therapeutic agent currently exists. Quark granted Novartis an option to obtain a license for QPI-1002, which is also at the clinical trial stage (Phase II). More recently, Quark has concluded an out-licensing and technical cooperation agreement with Biocon, a leading pharmaceuticals company in India, for QPI-1007, a second-generation siRNA drug candidate for which it is applying a new technology to conduct research and development in the fields of non-arteritic anterior ischemic optic neuropathy (NAION), and acute angle-closure glaucoma.



Hiroshi Matsumori

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

Enhancing the Earnings Structure to Increase Corporate Value

SBI Biotech is a global bioventure that has assembled multiple drug discovery pipelines from Japan, the U.S., Israel, China, South Korea, and other countries through a global researcher network.

A challenge that Japanese drug discovery bioventures face is that even if they have succeeded in a drug development, they find it difficult to subsequently secure new drug discovery seeds to maintain sustained growth. By acquiring Quark, a global leader in the research and development of nucleic acid drugs, as a wholly owned subsidiary in 2012, SBI Biotech has reinforced its pipelines and R&D structure, to put in place a framework that makes it possible to continuously secure drug discovery seeds through mutually complementary activities with Quark. SBI Biotech's current task is to review the R&D structure and pipeline priority to increase synergies with Quark, and the two companies are working to create mutual synergies by focusing on partial sharing of R&D methods, and the exchange of information on governance.

While steadily moving ahead with these initiatives, SBI Biotech is preparing for a near-future IPO. In order to realize an IPO, by bringing developed products to the market at an early stage to further enhance the earnings structure, and by accelerating the development of a global management structure, the company will endeavor to increase its corporate value.