



Strategic Business Innovator

SBI HOLDINGS, INC.

Interim Report 2011/12

2011.4.1~2011.9.30

Stock code:6488

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Corporate Information

Board of Directors

Executive Directors

Mr. Yoshitaka Kitao (Chairman and Representative Director and Chief Executive Officer)
Mr. Taro Izuchi (Director and Chief Operating Officer)
Mr. Takashi Nakagawa (Director and Executive Officer)
Mr. Kenji Hirai (Director and Executive Officer)
Mr. Tomoya Asakura (Director and Executive Officer)
Mr. Takashi Okita (Director and Executive Officer)
Mr. Noriaki Maruyama (Director and Executive Officer)
Mr. Shumpei Morita (Director and Chief Financial Officer)
Mr. Shinji Yamauchi (Director and Executive Officer)
Mr. Makoto Miyazaki (Director and Executive Officer)
Mr. Yoshimi Takahashi (Director and Executive Officer)
Mr. Masaki Takayanagi (Director and Executive Officer)

Non-Executive Directors

Mr. Yasutaro Sawada (Director)
Mr. Hiroyoshi Kido (Director)
Mr. Noriyoshi Kimura (Director)
Mr. Hiroshi Tasaka (Director)

Independent non-executive directors

Mr. Masaki Yoshida (Director)
Mr. Kiyoshi Nagano (Outside Director)
Mr. Keiji Watanabe (Outside Director)
Mr. Takeshi Natsuno (Outside Director)
Mr. Akihiro Tamaki (Outside Director)

Statutory Auditors

Mr. Atsushi Fujii (Kansayaku) (Statutory Auditor)
Mr. Ryujiro Shimamoto (Shagai Kansayaku) (Independent Statutory Auditor)
Mr. Minoru Tada (Kansayaku) (Statutory Auditor)
Mr. Hisashi Hayakawa (Shagai Kansayaku) (Statutory Auditor)

Joint Company Secretary

Japan: Mr. Toshiharu Fujita
Hong Kong: Ms. Corinna Wai Han Leung

Compliance Advisor

Daiwa Capital Markets Hong Kong Limited
Level 26, One Pacific Place
88 Queensway
Hong Kong

Auditor

Deloitte Touche Tohmatsu LLC

Principal Bank

Mizuho Corporate Bank Ltd.

Registered Office

Izumi Garden Tower 19th Floor
1-6-1, Roppongi, Minato-ku
Tokyo
Japan

Principal Place of Business in Hong Kong

Suite 806, 8/F
Tower 2, Lippo Centre
89 Queensway
Hong Kong

HDR Registrar and HDR Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre,
183 Queen's Road East
Wan Chai
Hong Kong

Stock Code

6488 (Hong Kong)
8473 (Japan)

Website Address

www.sbigroup.co.jp

Financial Highlights

Consolidated Financial Summary

Term	Six months ended 30 September 2010	Six months ended 30 September 2011	Twelve months ended 31 March 2011
Net sales (Millions of yen)	62,948	63,606	141,081
Ordinary income (Millions of yen)	695	1,277	3,525
Net income (Millions of yen)	686	1,113	4,534
Comprehensive income (loss) (Millions of yen)	(7,716)	(8,571)	(6,471)
Net assets (Millions of yen)	457,530	462,979	456,982
Total assets (Millions of yen)	1,254,886	1,561,526	1,293,606
Total liabilities (Millions of yen)	797,355	1,098,547	836,623
Net income per share (Yen)	37.11	50.85	236.09
Diluted net income per share (Yen)	27.23	44.96	225.74
Equity ratio (%)	30.9	25.6	30.2
Net cash used in operating activities (Millions of yen)	(30,034)	(34,313)	(742)
Net cash used in investment activities (Millions of yen)	(9,793)	(11,248)	(16,642)
Net cash from financing activities (Millions of yen)	32,959	33,546	25,154
Cash and cash equivalents at the end of the period (Millions of yen)	133,705	133,963	148,786

(Note) Net sales do not include consumption taxes.

	Fiscal Year Ended 31 March 2011	Fiscal Year Ending 31 March 2012
	(Yen)	(Yen)
Net income per share for the 1 st Quarter	74.12	70.12
Net income per share for the 2 nd Quarter	(29.02)	(18.12)

Management Discussion and Analysis

Our Business

In the six months ended 30 September 2011, the Group's (SBI Holdings, Inc. (the "Company")), together with its subsidiaries referred to as the "Group") core business and major group companies in each business segment which were disclosed in the last annual report remained unchanged.

Risks

Newly emerging risks affecting the Group's business were not found during the six months ended 30 September 2011, and the risks which were disclosed in the last annual report remained unchanged.

Business and Financial Review

Forward-looking descriptions provided herein are based on judgments of the Company as at 30 September 2011.

(1) Analysis of Business Results

The consolidated performance for the six months ended 30 September 2011 resulted in net sales of ¥63,606 million (a 1.0% year-on-year increase), operating income of ¥2,511 million (a 30.3% year-on-year decrease), ordinary income of ¥1,277 million (a 83.6% year-on-year increase), and net income of ¥1,113million (a 62.3% year-on-year increase).

Net sales by business segment are as indicated below.

Segment	Six months ended 30 September			
	2010		2011	
	Millions of Yen	%	Millions of Yen	%
Asset Management Business	10,516	16.7	11,624	18.3
Investment in Securities	9,494		10,547	
Revenue from Operational Investment Securities	8,809		9,894	
Fees from Funds	685		653	
Investment Advisory Services and Others	1,022		1,076	
Brokerage & Investment Banking Business	24,216	38.5	22,345	35.1
Financial Services Business	14,508	23.0	19,880	31.3
Marketplace Business	2,912		2,446	
Financial Products Business	4,340		4,597	
Financial Solutions Business	3,941		4,617	
Other Businesses	3,315		8,218	
Housing and Real Estate Business	8,591	13.7	8,154	12.8
Real Estate Business	2,667		2,307	
Financial Real Estate Business	5,136		5,104	
Lifestyle Networks Business	787		742	
Subtotal	57,883	91.9	62,003	97.5
Others	8,262	13.1	4,933	7.8
Inter-segment revenues	(3,147)	(5.0)	(3,330)	(5.3)
Net sales	62,948	100.0	63,606	100.0

(Note) "Others" column includes revenues in businesses not determined as reportable segments.

<Net Sales>

1) Asset Management Business

In the Asset Management Business net sales come from two major business categories, the Investment in Securities Business and the Investment Advisory Services/ Other Businesses.

(Investment in Securities Business)

The Group invests in venture capital companies in various industries both inside and outside of Japan, such as IT, biotechnology, environment and energy, and financial sectors. Revenues come from two main sources in the investment in securities business: (1) “revenue from operational investment securities”, which is derived from the sale of operational investment securities held for the purpose of securing capital gains, and (2) “fees from funds”, which are revenues comprised of fund establishment fees, fund management fees and incentive fees that are based on a fund’s performance. When the Company or its consolidated subsidiaries invest in a fund operated by the Group, all net sales from the funds under the scope of consolidation, including the revenues corresponding to the stakes of other investors, are booked as revenue from operational investment securities.

In the six months ended 30 September 2011, revenue from operational investment securities increased 12.3% year-on-year to ¥9,894 million. This primarily reflected revenues from overseas investments. Revenue from fees from funds amounted to ¥653 million (down 4.6% year-on-year), which primarily reflected management fees from SBI BROADBAND CAPITAL Silent Partnership and the SBI BB Media Investment Limited Partnership.

(Investment Advisory Services and Other Businesses)

Net sales from investment advisory services and other businesses rose 5.3% year-on-year to ¥1,076 million for the six months. Revenues mainly came from investment trust management fees and interest income from operational loans receivable.

2) Brokerage & Investment Banking Business

Net sales in the Brokerage & Investment Banking Business are derived mainly from brokerage commission from securities transactions, underwriting and sales fees for initial public offerings, commissions from placement and sales of stock, and net trading income and financial revenue from spread on foreign exchange margin transactions and the like.

In the six months ended 30 September 2011, net sales in this business decreased 7.7% year-on-year to ¥22,345 million, which was primarily generated by SBI SECURITIES Co., Ltd. and SBI Liquidity Market Co., Ltd.

3) Financial Services Business

Net sales in the Financial Services Business are comprised of revenues generated in four business components: the Marketplace Business, the Financial Products Business and the Financial Solutions Business and Other Businesses.

(Marketplace Business)

In this business, the Group operates various finance-related comparison websites such as “InsWeb”, an insurance portal site, and “E-LOAN”, to offer a marketplace of services that enables consumers to search and compare information on financial products and services online.

In the six months ended 30 September 2011, net sales in the Marketplace Business declined 16.0% year-on-year to ¥2,446 million, which were primarily posted by the Company.

(Financial Products Business)

In the Financial Products Business, we provide a wide range of financial products and services including credit cards, comprehensive leasing services, auto loans and guarantee services, management and collection of specified monetary claims, and receipt financing that involves medical care payment receivable factoring and providing funds.

In the six months, net sales in the Financial Products Business rose 5.9% year-on-year to ¥4,597 million. These revenues were posted by SBI Card Co., Ltd., SBI Lease Co., Ltd., SBI Credit Co., Ltd., SBI Servicer Co., Ltd. and SBI Receipt Co., Ltd.

(Financial Solutions Business)

In the Financial Solution Business, we mainly provide online settlement services for EC business operators and call center services for financial institutions.

In the six months, net sales in this business rose 17.2% year-on-year to ¥4,617 million. This revenue was primarily generated by SBI VeriTrans Co., Ltd. and SBI Business Support Corp.

(Other Businesses)

In the category of Other Businesses, the Group is primarily engaged in the non-life insurance business with the Internet being the key service channel and the business of providing information on evaluations of financial products, particularly investment trusts, online.

Net sales in this category increased 147.9% year-on-year to ¥8,218 million in the six months. Revenues were mainly generated by SBI Insurance Co., Ltd. and Morningstar Japan K.K.

4) Housing and Real Estate Business

In the Housing and Real Estate Business, net sales come from the Real Estate Business, the Financial Real Estate Business and the Lifestyle Networks Business.

(Real Estate Business)

In the Real Estate Business, we are primarily engaged in the development and sale of properties for investment purposes, planning and design services associated with investment properties, and advisory services for construction and real estate.

In the six months ended 30 September 2011, net sales declined 13.5% year-on-year to ¥2,307 million. This was primarily generated by the Company and SBI Life Living Co., Ltd.

(Financial Real Estate Business)

The Financial Real Estate Business involves provision of housing loans and real estate secured loans.

In the six months, net sales in this business decreased 0.6% year-on-year to ¥5,104 million. The revenues primarily come from SBI Mortgage Co., Ltd. and CEM Corporation.

(Lifestyle Networks Business)

In the Lifestyle Networks Business, we are mainly engaged in the operation of websites for online intermediary services and comparison and estimate service.

Net sales for the six months, which were mainly contributed by SBI Life Living Co., Ltd., declined 5.7% year-on-year to ¥742 million.

5) Others

In the six months ended 30 September 2011, net sales in businesses not determined as reportable segments, which consisted of system-related business and drug-discovery business, decreased 40.3% year-on-year to ¥4,933 million.

(Note) Net sales by business segment indicated are before eliminations of intersegment revenues.

<Cost of Sales>

1) Asset Management Business

In the six months ended 30 September 2011, cost of sales for the Asset Management Business decreased 38.8% year-on-year to ¥3,900 million, the primary component of which was cost of operational investment securities.

2) Brokerage & Investment Banking Business

In the six months, cost of sales for this business increased 2.3% year-on-year to ¥2,412 million, which were comprised primarily of financing costs such as interest expenses and financial expenses associated with margin or lending transactions.

3) Financial Services Business

In the six months, cost of sales for this business increased 64.5% year-on-year to ¥17,352 million, related primarily to lease operating costs.

4) Housing and Real Estate Business

Operating costs for this business decreased 14.1% year-on-year to ¥2,754 million during the six months. The costs were primarily sales cost of real estate for sale.

5) Other

In the six months, costs of sales for businesses not determined as reportable segments were mainly consisted of the costs for the system-related business and decreased 40.2% year-on-year to ¥3,969 million.

(Note) Operating costs by business segment are results before eliminations of intersegment costs.

<Selling, General and Administrative Expenses>

During the six months ended 30 September 2011, selling, general and administrative expenses amounted to ¥31,342 million, up 2.1% year-on-year, and consisted primarily of personnel expenses and securities system outsourcing costs.

<Non-operating Income>

Non-operating income for the six months ended 30 September 2011 amounted to ¥2,322 million, up 207.9% year-on-year. This was primarily our share of the operating results of affiliates.

<Non-operating Expense>

Non-operating expenses for the six months ended 30 September 2011 declined 2.9% year-on-year to ¥3,557 million, consisting primarily of interest expense.

<Extraordinary Income>

During the six months ended 30 September 2011, extraordinary income declined 7.1% year-on-year to ¥2,252 million. This was mainly gain on sales of investment securities.

<Extraordinary Expense>

Extraordinary expense for the six months ended for 30 September 2011 decreased 75.0% year-on-year to ¥750 million. This consisted primarily of losses on disposal of subsidiaries and affiliates.

(2) Analysis of Financial Conditions

As at 30 September 2011, total assets stood at ¥1,561,526 million, up ¥267,920 million from ¥1,293,606 million at the end of the previous consolidated fiscal year ended 31 March 2011. Owing primarily to the issuance of new shares under the listing on the main board of the Hong Kong Stock Exchange and offering of Hong Kong depository receipts representing the Company's common shares, net assets amounted to ¥462,979 million, up ¥5,996 million from the end of the previous consolidated fiscal year.

Cash and cash equivalents as at 30 September 2011 totaled ¥133,963 million, down ¥14,823 million compared with the balance of ¥148,786 million at the end of the previous consolidated fiscal year. The following is a summary of cash flows and underlying factors.

(Net Cash Used in Operating Activities)

Net cash used in operating activities for the six months ended 30 September 2011 totaled ¥34,313 million, compared with net cash used of ¥30,034 million in the corresponding period of the previous consolidated fiscal year. This mainly reflected cash outflows of ¥243,000 million for increase in cash segregated as deposits and of ¥29,965 million for increase in margin transaction assets, net, and cash outflow of ¥16,359 million for increase in operational investment securities despite the cash inflow of ¥275,531 million for increase in deposits from customers.

(Net Cash Used in Investing Activities)

Net cash used in investing activities for the six months totaled ¥11,248 million, compared with net cash used in the corresponding period of the previous consolidated fiscal year of ¥9,793 million. This was mainly attributable to cash outflows of ¥10,165 million for purchases of investment securities and of ¥12,695 million for payments of loans receivable despite the cash inflow of ¥14,421 million for collection of loans receivable.

(Net Cash from Financing Activities)

Net cash from financing activities for the six months totaled ¥33,546 million, compared with net cash from financing activities in the corresponding period of the previous consolidated fiscal year of ¥32,959 million. This mainly reflected cash inflows of ¥16,714 million for proceeds from stock issuance and of ¥11,245 million for increase in short-term loans payable.

Business Plan

In the six months ended 30 September 2011, the Group did not make any changes in its business plan which was stated in the last annual report.

Research and Development

The research and development expenses of the Group amounted to ¥303 million on a consolidated basis for the six months ended 30 September 2011, which were primarily related to the research and development activities in the drug-discovery business.

Stock Information

(1) Number of Shares

1) Total Number of Shares

Type	Total Number of Shares Available for Issuance
Common stock	34,169,000
Total	34,169,000

(Note) There are no provisions for pre-emptive rights under the Companies Act of Japan, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

2) Number of Shares Issued

Type	Number of Shares Issued as at 30 September 2011	Number of Shares Issued as at the Date of Release (14 November 2011)	Name of Listed Financial Instruments Exchange or Name of Registered Authorized Financial Instruments Exchange Association	Content
Common stock	22,376,234	22,376,234	Tokyo Stock Exchange Osaka Stock Exchange (First section of each exchange above) Hong Kong Stock Exchange (Main board (Note 2))	(Note 3)
Total	22,376,234	22,376,234	—	—

(Notes)

1. "Number of shares as at the date of release" does not include the number of shares issued through the exercise of stock acquisition rights during the period from 1 November 2011 to the date of release of the Interim Report.
2. Hong Kong depositary receipts are listed on the main board of Hong Kong Stock Exchange.
3. This is the Company's standard stock on which no limitation is applied with regard to the content of rights. The Company does not adopt the unit share system.

(2) Voting Rights

1) Issued Shares

(As at 30 September 2011)

Type	Number of Shares	Number of Voting Rights	Description
Stock without voting right	—	—	
Stock with restricted voting right (treasury stock, etc.)	—	—	
Stock with restricted voting right (other)	—	—	
Stock with full voting right (treasury stock, etc.)	(Treasury stock owned) Common stock: 74,621	—	Standard stock of the Company without any limitation to the right
Stock with full voting right (other)	Common stock: 22,301,613	22,301,613	Same as above
Stock below one unit	—	—	
Total number of issued shares	22,376,234		
Total number of voting rights		22,301,613	

(Note) "Stock with full voting right (other)" includes 468 shares under the name of Japan Securities Depository Center, Inc. and "Number of voting rights" includes 468 voting rights associated with such shares.

2) Treasury Stock

(As at 30 September 2011)

Name of Holder	Address of Holder	Number of Shares Held Under the Name	Number of Shares Held Under the Name of Another Party	Total Number of Shares	Shareholding Ratio Against Total Number of Issued Shares (%)
(Treasury stock owned) SBI Holdings, Inc.	1-6-1, Roppongi, Minato-ku, Tokyo	74,621	—	74,621	0.33
Total		74,621	—	74,621	0.33

(3) Principal Shareholders

(As at 30 September 2011)

Name	Address	Number of Shares	Shareholding Ratio Against Total Number of Shares Issued (%)
CBNY-ORBIS FUNDS	LPG BUILDING 34 BERMUDIANA ROAD HAMILTON HM 11 BERMUDA	1,957,346	8.74
CBNY-ORBIS SICAV	31,Z. A. BOURMICH, L-8070 BERTRANGE, LUXEMBOURG	1,644,004	7.34
Japan Trustee Services Bank, Ltd. (Trust account)	8-11, Harumi 1-Chome, Chuo-ku, Tokyo	1,113,135	4.97
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-Chome, Minato-ku, Tokyo	827,574	3.69
THE CHASE MANHATTAN BANK, N. A. LONDON SECS LENDING OMNIBUS ACCOUNT	WOOLGATE HOUSE, COLEMAN STREET LONDON EC2P 2HD, ENGLAND	671,159	2.99
Yoshitaka Kitao	Shinjuku-ku, Tokyo	340,088	1.51
SAJAP	P. O. BOX 2992 RIYADH 11169 KINGDOM OF SAUDI ARABIA	330,815	1.47
CBHK-EQUITY TRUSTEES LIMITED AS RESPONSIBLE ENTITY FOR ORBIS GLOBAL EQUITY FUND (AUSTRALIA REGISTERED)	10/F, TWO HARBOURFRONT, 22 TAK FUNG ST., KOWLOON, HONG KONG.	296,812	1.32
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	338 PITT STREET SYDNEY NSW 2000AUSTRALIA	262,285	1.17
JAPAN SECURITIES FINANCE CO., LTD.	2-10, Nihonbashi Kayaba-cho 1-Chome, Chuo-ku, Tokyo	257,257	1.14
Total	—	7,700,475	34.41

(4) Directors' Interests in Shares

Directors hold 435,421 shares and 1.94% of total number of issued shares of the Company as at 30 September 2011. Mr. Yoshitaka Kitao holds 340,088 shares and 1.51%, and other Directors hold 95,333 shares and 0.42% of total number of issued shares of the Company.

Code on Corporate Governance Practices

The Company has complied with all the major code provisions of the Corporate Governance Code throughout the accounting period for the six months ended 30 September 2011, save for deviations in Code Provision A.2.1, A.4.2, A.4.4, B.1 and C.3.

Details of which are explained below.

Chairman and Chief Executive Officer

According to the Code Provision A.2.1, the roles of chairman and chief executive officer (“CEO”) should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

We do not have a separate Chairman and CEO, and Mr. Yoshitaka Kitao currently holds both positions. The Board believes that vesting the roles of both Chairman and CEO in the same person ensures consistent leadership within the Group and enables more effective and efficient planning of long-term strategies and implementation of business plans. The Board believes that the balance of power and authority will not be impaired and is adequately ensured by the effective Board which comprises experienced and high caliber individuals with a sufficient number thereof being independent nonexecutive directors.

Appointment and Re-election of Directors

The procedures of election of directors are laid down in the Company’s Articles of Incorporation and the Companies Act of Japan. The Board is responsible for reviewing Board composition, developing and formulating procedures for nomination and appointment of directors, monitoring the appointment of directors and assessing the independence of independent non-executive directors.

The Code Provision A4.2 requires that all directors should be subject to retirement by rotation at least once every three years. Directors of the Company would not be subject to retirement by rotation, since there is no such rule under the Companies Act of Japan.

Instead, each of the directors (including executive and non-executive directors) of the Company is engaged on a service contract for a term of one year in accordance with the Company’s Articles of Incorporation. The office may be terminated by the directors’ written notice so long as the minimum number of directors required by the Companies Act of Japan could be maintained. Otherwise, a director must continue his/her duty until being replaced by his/her successor.

Apart from foregoing, no Directors for re-election at the annual general meeting held on 29 June 2011 has a service contract with the company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Nomination Committee

We have not established a Nomination Committee as required by the Code Provision A.4.4. Shareholders elect the directors at the annual general Shareholders’ meeting based on an elective list of directors recommended by the Board, instead of via a nomination committee. The term of office of a director shall expire on the date of the general Shareholders’ meeting relating to the last business year, closing within 1 year after his or her appointment under the Company’s Articles of Incorporation. There is no limit on the number of consecutive term that a director may serve. A Representative Director is elected by the Board.

Remuneration Committee

The Stock Exchange has confirmed that we do not need to strictly comply with paragraph B.1 of Code Provision in respect of the establishment of a Remuneration Committee. The Board performs the role of remuneration committee to determine the remuneration of directors and senior management in accordance with the Companies Act of Japan and we will not put in place a separate committee.

The Board has established a set of rules for the compensation of its officers which set out the remuneration standards and policies of the Company for its executives. The compensation rules are not materially different from the terms of reference for a remuneration committee provided in paragraph B.1.3 of Code Provision and they provide a formal and transparent process for the determination of remuneration. Further, even though the Board of Directors will voluntarily perform the role of the remuneration committee, the decisions on maximum amount of remuneration, the method for calculation of remuneration, and the type and amount of remuneration to be paid to Directors and Statutory Auditors must be determined by the Shareholders of the Company.

Audit Committee

We have not established an Audit Committee as required by Code Provision C.3. Our interim results have not been reviewed by the Audit Committee. The role of the Audit Committee pursuant to the Listing Rules is carried out by a Board of Statutory Auditors of the Company in Japan. The specific roles and responsibilities of the Statutory Auditors and the Board of Statutory Auditors correspond closely to those required to be provided by an Audit Committee under the Listing Rules.

Changes in Information of Directors

The changes in the information of Directors since the publication of the 2010/11 Annual Report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Biographical Details of Directors

Mr. Yasutaro Sawada

- Ceased to act as the executive Director and Chief Financial Officer of the Company on 30 September 2011.
- Re-designated to the non-executive Director of the Company on 1 October 2011.

Mr. Taro Izuchi

- Ceased to act as the Non-executive Director of the Company on 30 September 2011.
- Re-designated to the Executive Director and Chief Operating Officer of the Company on 1 October 2011.

Mr. Shumpei Morita

- Appointed as the Chief Financial Officer of the Company on 1 October 2011.

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Interim Consolidated Financial Statements

(Amounts in millions of Japanese Yen, rounded down to the nearest million except for per share information, unless otherwise stated)

(1) Interim Consolidated Balance Sheets

	Notes	As at 31 March 2011	As at 30 September 2011
Assets			
Current assets			
Cash and deposits		150,268	134,920
Notes and accounts receivable-trade		10,658	11,175
Short-term investment securities		292	131
Cash segregated as deposits		347,865	592,065
Operational investment securities	IV.2	132,773	146,600
Operational loans receivable		27,905	27,884
Real estate inventories	IV.3	16,812	17,140
Trading instruments		2,701	20,514
Margin transaction assets		250,399	260,983
Others	IV.4	93,118	81,761
Allowance for doubtful accounts		(4,017)	(2,949)
Total current assets		<u>1,028,779</u>	<u>1,290,228</u>
Non-current assets			
Property and equipment		28,431	27,843
Intangible assets			
Goodwill		126,297	126,156
Others		13,946	13,743
Total intangible assets		<u>140,244</u>	<u>139,900</u>
Investments and other assets	IV.2&5	90,250	96,056
Total non-current assets		<u>258,926</u>	<u>263,800</u>
Deferred charges		5,900	7,497
Total assets		<u><u>1,293,606</u></u>	<u><u>1,561,526</u></u>

	As at 31 March 2011	As at September 30 2011
Liabilities		
Current liabilities		
Short-term loans payable	97,164	106,778
Current portion of long-term loans payable	12,147	11,772
Current portion of bonds payable	70,060	80,060
Accrued income taxes	4,574	4,332
Margin transaction liabilities	143,757	124,375
Guarantee deposits received	309,134	278,807
Deposits from customers	37,819	312,166
Provisions	527	1,249
Others	105,411	122,233
Total current liabilities	780,597	1,041,775
Non-current Liabilities		
Bonds payable	540	510
Long-term loans payable	31,366	30,010
Provisions	930	473
Others	17,991	21,348
Total non-current liabilities	50,828	52,343
Statutory reserves		
Reserve for financial products transaction liabilities	5,196	4,429
Reserve for price fluctuation	0	0
Total statutory reserves	5,197	4,429
Total liabilities	836,623	1,098,547
Net assets		
Shareholders' equity		
Capital stock	73,236	81,663
Capital surplus	236,920	248,728
Retained earnings	88,073	86,837
Treasury stock	(246)	(705)
Total shareholders' equity	397,983	416,524
Accumulated other comprehensive income (loss)		
Unrealized losses on available-for-sale securities	(3,902)	(4,854)
Deferred losses on derivatives under hedge accounting	(239)	(3,022)
Foreign currency translation adjustments	(3,012)	(8,732)
Total accumulated other comprehensive income (loss)	(7,155)	(16,609)
Stock acquisition rights	11	11
Minority interests	66,142	63,052
Total net assets	456,982	462,979
Total liabilities and net assets	1,293,606	1,561,526

(2) Interim Consolidated Statements of Operations

	Notes	Six months ended 30 September	
		2010	2011
Net sales		62,948	63,606
Cost of sales		28,646	29,752
Gross profit		34,301	33,854
Selling, general and administrative expenses	V	30,696	31,342
Operating income		3,605	2,511
Non-operating income			
Interest income		165	204
Dividend income		139	135
Share of results of affiliates		203	1,635
Others		245	347
Total non-operating income		754	2,322
Non-operating expense			
Interest expense		1,375	1,167
Foreign exchange losses		1,249	847
Others		1,039	1,542
Total non-operating expense		3,663	3,557
Ordinary income		695	1,277
Extraordinary income			
Gains on sales of investment securities		55	1,258
Reversal of statutory reserves		2,022	767
Others		348	226
Total extraordinary income		2,426	2,252
Extraordinary expense			
Impairment loss		716	—
Losses on disposal of subsidiaries and affiliates		635	421
Impact from applying the Accounting Standard of Asset Retirement Obligation		501	—
Provision of statutory reserves		—	0
Others		1,154	329
Total extraordinary expense		3,007	750
Income before income taxes		113	2,779
Income taxes-current		(4,392)	(4,306)
Income taxes-deferred		3,001	1,231
Total income taxes		(1,391)	(3,074)
Net income (loss) before minority interests		(1,277)	(294)
Minority interests in loss		(1,963)	(1,408)
Net income		686	1,113

(3) Interim Consolidated Statements of Comprehensive Income

	Six months ended 30 September	
	2010	2011
Net income (loss) before minority interests	(1,277)	(294)
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	(3,703)	584
Deferred losses on derivatives under hedge accounting	—	(0)
Foreign currency translation adjustments	(1,655)	(4,912)
Share of other comprehensive income (loss) of equity method affiliates	(1,079)	(3,948)
Total other comprehensive income (loss) for the period	(6,438)	(8,276)
Total comprehensive income (loss) for the period	(7,716)	(8,571)
Total comprehensive income (loss) for the period attributable to:		
-Owners of the parent	(5,473)	(8,318)
-Minority interests	(2,242)	(253)

(4) Interim Consolidated Statements of Cash Flows

	Six months ended 30 September	
	2010	2011
Net cash used in operating activities		
Income before income taxes	113	2,779
Adjustments for:		
Depreciation and amortization	2,969	3,876
Amortization of goodwill	4,271	3,921
Increase in provision	2,927	2,308
Share of results of affiliates	(203)	(1,635)
Write-down of operational investment securities	836	1,010
Equity in earnings of funds	(1,049)	279
Gains on sales of investment securities	(52)	(1,185)
Foreign exchange losses	2,256	3,199
Interest and dividend income	(8,803)	(8,045)
Interest expense	3,369	3,033
Changes in assets and liabilities:		
Increase in operational investment securities	(16,860)	(16,359)
Increase in operational loans receivable	(1,050)	(268)
Increase in real estate inventories	(514)	(485)
Decrease in notes and accounts receivable-trade	820	745
Increase in notes and accounts payable-trade	(732)	(1,290)
Decrease (increase) in cash segregated as deposits	16,000	(243,000)
Increase in trading instruments	(7,651)	(15,919)
Increase in margin transaction assets, net	(30,528)	(29,965)
Increase in deposits from customers	718	275,531
Increase in loans payable secured by securities	3,607	1,752
Others, net	(1,119)	(17,082)
Subtotal	(30,675)	(36,800)
Interest and dividend income received	8,402	7,775
Interest expense paid	(3,394)	(2,912)
Income taxes paid	(4,366)	(2,375)
Net cash used in operating activities	(30,034)	(34,313)
Net cash used in investing activities		
Purchases of intangible assets	(2,776)	(1,808)
Purchases of investment securities	(9,298)	(10,165)
Proceeds from sales of investment securities	3,031	937
Proceeds from sales of investments in subsidiaries	249	524
Purchases of investments in subsidiaries		
resulting in change in scope of consolidation	(99)	68
Proceeds from sales of investments in subsidiaries		
resulting in change in scope of consolidation	—	(27)
Purchases of investments in subsidiaries	—	(4,335)
Payments of loans receivable	(7,506)	(12,695)
Collection of loans receivable	6,630	14,421
Payments for lease and guarantee deposits	(455)	(208)
Proceeds from collection of lease and guarantee deposits	339	190
Others, net	92	1,850
Net cash used in investing activities	(9,793)	(11,248)

	Notes	Six months ended 30 September	
		2010	2011
Net cash from financing activities			
Increase (decrease) in short-term loans payable		(182)	11,245
Proceeds from long-term loans payable		2,000	600
Repayment of long-term loans payable		(3,328)	(2,330)
Proceeds from issuance of bonds payable		40,464	49,757
Redemption of bonds payable		(41,600)	(40,030)
Proceeds from stock issuance		35,678	16,714
Proceeds from stock issuance to minority interests		1,681	91
Contributions from minority shareholders in consolidated investment funds		1,912	1,472
Cash dividend paid		(1,666)	(2,377)
Cash dividend paid to minority shareholders		(147)	(181)
Distributions to minority shareholders in consolidated investment funds		(1,360)	(432)
Others, net		(491)	(983)
Net cash from financing activities		<u>32,959</u>	<u>33,546</u>
Effect of changes in exchange rate on cash and cash equivalents		(1,978)	(3,485)
Net decrease in cash and cash equivalents		<u>(8,847)</u>	<u>(15,500)</u>
Increase in cash and cash equivalents from newly consolidated subsidiaries		—	697
Decrease in cash and cash equivalents resulting from deconsolidation of subsidiaries		(28)	(19)
Cash and cash equivalents at the beginning of the period		<u>142,581</u>	<u>148,786</u>
Cash and cash equivalents at the end of the period	VI	<u>133,705</u>	<u>133,963</u>

Notes to Interim Consolidated Financial Statements

I. Basis of Presentation

The Interim Consolidated Financial Statements of SBI Holdings, Inc. (the “Company”) and its consolidated subsidiaries (hereinafter referred to as the “Group”) were prepared in accordance with accounting principles for interim consolidated financial statements generally accepted in Japan and were presented by reference to the “Rules Governing Term, Form and Preparation of Consolidated Quarterly Financial Statements” (2007 Cabinet Office Ordinance No 64, which is hereinafter referred to as the “Consolidated Quarterly Financial Statements Rule”). The Interim Consolidated Financial Statements of the Group has been prepared on the historical cost basis except for certain investments which are stated at fair value.

The Interim Consolidated Financial Statements are presented in Japanese Yen (“Yen” or “¥”).

II. Changes of the Scope of Consolidation and the Scope of Equity Method Application during the Last Six Months

(1) Changes of the Scope of Consolidation

The entities newly added to and deconsolidated from the scope of consolidation were as follows:

During the First Quarter (from 1 April to 30 June 2011)
(Established)
SBI-R&D Investment LPS
(Due to the increase in the Group’s ability to exercise control)
SBI Phnom Penh Securities Co., Ltd.

During the Second Quarter (from 1 July to 30 September 2011)
(Established)
SBI PHOENIX No.1 Investment LPS
(Liquidation)
SBI Mezzanine Fund No.1

(2) Changes of the Scope of Equity Method Application

The entities newly accounted for using equity method were as follows:

During the First Quarter (from 1 April to 30 June 2011)
(Established and Acquired)
FPT Securities Joint Stock Company
SBI-CSJ Financial Media Co., Ltd.
Commercial Bank “Ob’edinennyi Investitsionnyi Bank” (limited liability company)

During the Second Quarter (from 1 July to 30 September 2011)
(Acquired)
PT BNI SECURITIES

III. Changes in Significant Accounting Policies during the Last Six Months

The Company has applied “Accounting Standard for Accounting Changes and Error Corrections”(ASBJ Statement No. 24 issued on 4 December 2009) and “Guidance on Accounting Standard for Accounting Changes and Error Corrections”(ASBJ Guidance No.24 issued on 4 December 2009) to the accounting changes and error corrections which have been made after 31 March 2011.

IV. Notes to Interim Consolidated Balance Sheets

1. Credit guarantees

Guarantees for the debts owed to other financial institutions in the Group's credit guarantee business are as follows:

	As at 31 March 2011	As at 30 September 2011
	(millions of Yen)	(millions of Yen)
Guarantee of bank loans	18,234	30,736

2. Amount of allowance for investment losses which are directly deducted from investment securities

	As at 31 March 2011	As at 30 September 2011
	(millions of Yen)	(millions of Yen)
Operational investment securities	9,108	5,566
Investments and other assets	300	300

3. Real estate inventories

Real estate inventories consisted of the following:

	As at 31 March 2011	As at 30 September 2011
	(millions of Yen)	(millions of Yen)
Real estate for sale	7,505	7,229
Real estate for sale in progress	7,083	7,692
Real estate for development	1,403	1,403
Beneficial interest in real estate investment trust . . .	821	816
Total	16,812	17,140

4. Other major accounts and amounts under current assets consisted of the following:

	As at 31 March 2011	As at 30 September 2011
	(millions of Yen)	(millions of Yen)
Merchandise and finished goods	858	588
Work in process	164	563
Raw materials and supplies	434	530

5. Allowance for doubtful accounts deducted directly from assets consisted of the following:

	As at 31 March 2011	As at 30 September 2011
	(millions of Yen)	(millions of Yen)
Investments and other assets	12,066	7,191

V. Note to Interim Consolidated Statements of Operations

Selling, general and administrative expenses include the following:

	Six months ended 30 September	
	2010	2011
	(millions of Yen)	(millions of Yen)
Payroll and bonuses	5,119	5,475
Provision of allowance for doubtful accounts	1,014	709
Outsourcing fees	5,193	5,590

VI. Note to Interim Consolidated Statements of Cash Flows

Cash and cash equivalents reconciliation

	Six months ended 30 September	
	2010	2011
	(millions of Yen)	(millions of Yen)
Cash and deposits	134,933	134,920
Time deposits with original maturity of more than three months	(1,361)	(1,087)
Money Market Fund (MMF) included in trading instruments	130	131
Deposit included in others (current assets)	2	—
Cash and cash equivalents	<u>133,705</u>	<u>133,963</u>

VII. Notes to Changes in Net Assets

1. Dividends

Dividend Paid

Six months ended 30 September 2010

Resolution	Type of share	Dividend amount (millions of Yen)	Amount per share (Yen)	Declared date	Effective date	Dividends source
Board of Directors' Meeting on 26 May 2010	Common shares	1,676	100	31 March 2010	14 June 2010	Retained earnings

Six months ended 30 September 2011

Resolution	Type of share	Dividend amount (millions of Yen)	Amount per share (Yen)	Declared date	Effective date	Dividends source
Board of Directors' Meeting on 27 April 2011	Common shares	2,391	120	31 March 2011	9 June 2011	Retained earnings

2. Significant Changes in Shareholders' Equity

In the first six months of the previous fiscal year, the Company issued new shares through public offering of which payment date was on 23 June 2010. This led to an increase in outstanding number of capital shares of 3,112,000 and an increase in the amount of capital stock and capital surplus of ¥17,654 million and ¥17,654 million, respectively. The amount of capital stock and capital surplus as at 30 September 2010 were ¥73,226 million and ¥236,910 million, respectively.

In the six months ended 30 September 2011, the Company issued new shares of which payment dates were on 12 April and 9 May 2011, relating to the listing on the main board of the Hong Kong Stock Exchange and offering of Hong Kong depository receipts representing the Company's common shares. This led to an increase in outstanding number of capital shares of 2,000,000 and an increase in the amount of capital stock and capital surplus of ¥8,427 million and ¥8,427 million, respectively. The amount of capital stock and capital surplus as at 30 September 2011 were ¥81,663 million and ¥248,728 million, respectively.

VIII. Segment Information

1. Information about reportable segments

Six months ended 30 September 2010	Reportable segment				Sub-total	Others (Note)	Total
	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business			
Net Sales	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
Revenue from customers	10,514	22,915	13,525	8,590	55,545	7,402	62,948
Inter-segment revenue	1	1,301	983	1	2,287	860	3,147
Total	10,516	24,216	14,508	8,591	57,833	8,262	66,096
Segment operating income (loss)	2,679	3,780	435	1,205	8,100	(1,020)	7,079

(Note) Business segments classified into "Others" are segment not determined as reportable segments which consisted of system-related business, drug-discovery business and garment business.

Six months ended 30 September 2011	Reportable segment				Sub-total	Others (Note)	Total
	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business			
Net Sales	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
Revenue from customers	11,624	21,350	18,665	8,152	59,793	3,813	63,606
Inter-segment revenue	0	995	1,214	1	2,210	1,119	3,330
Total	11,624	22,345	19,880	8,154	62,003	4,933	66,937
Segment operating income (loss)	6,023	2,093	(1,607)	1,027	7,536	(1,484)	6,051

(Note) Business segments classified into "Others" are segment not determined as reportable segments which consisted of system-related business and drug-discovery business.

2. Reconciliation of the differences between the total amount of reportable segments and the total amount recorded in the consolidated financial statements

Operating income	Six months ended 30 September	
	2010	2011
	(millions of Yen)	(millions of Yen)
Total of reportable segments	8,100	7,536
Losses of "Others"	(1,020)	(1,484)
Elimination among segments	(933)	(739)
Headquarters expenses (Note)	(2,541)	(2,800)
Operating income of consolidated financial statements	3,605	2,511

(Note) Headquarters expenses are general administrative expenses which are not attributable to reportable segments.

3. Impairment losses in each reportable segment

Impairment losses	Six months ended 30 September	
	2010 (millions of Yen)	2011 (millions of Yen)
Asset Management Business	—	—
Brokerage & Investment Banking Business (Note1)	350	—
Financial Services Business	5	—
Housing and Real Estate Business	—	—
Others (Note2)	360	—
Headquarters expenses and elimination among segment	—	—
Total	716	—

(Notes)

1. Implementation of a new online securities operation system necessitated the disposal of the assets used for the prior operation system.

2. "Others" consist of health care related business.

IX. Notes to Per Share Information

	Six months ended 30 September	
	2010 (Yen)	2011 (Yen)
Net income per share	37.11	50.85
Diluted net income per share	27.23	44.96

Basis of calculation for the net income and diluted net income per share

	Six months ended 30 September	
	2010 (millions of Yen)	2011 (millions of Yen)
Net income per share		
Net income for the period	686	1,113
Net income not attributable to common shareholders	—	—
Net income attributable to common shareholders	686	1,113
Average number of common shares outstanding during the period	18,492,606	21,899,972
Diluted net income per share		
Adjustment on net income for the period		
— Effect of dilutive shares issued by consolidated subsidiaries	(181)	(128)
Increased number of common shares	34,935	6,137

X. Business Combinations

Transaction under common control (“acquisition of additional interests in a subsidiary”)

Share exchange - SBI VeriTrans Co., Ltd. (“SBI VeriTrans”)

1. Combined company’s name, its business, date of business combination, legal structure of business combination, company’s name after business combination and summary of transaction including its purpose.

(1) Combined company’s name	SBI VeriTrans
(2) Combined company’s business	Online settlement services for EC business operators
(3) Date of business combination	1 August 2011
(4) Legal structure of business combination	Share exchanges between the Company and minority interests of SBI VeriTrans. After share exchange, SBI VeriTrans became wholly owned subsidiary of the Company.
(5) Company’s name after business combination	No Change
(6) Summary of transaction including its purpose	The Company believes that making SBI VeriTrans a wholly-owned subsidiary and integrating its management can rapidly and effectively incorporate its EC settlement systems and know-how into the Group and create substantial synergy effects. The management integration also enables SBI VeriTrans to raise its competitiveness by collaborating with the Company and other group companies and effectively using their managerial resources. These will raise the corporate value of both companies and create systems that can respond promptly and precisely to changes in the business environment.

2. Summary of accounting treatment

“Accounting for business combinations” (ASBJ Statement No.21 issued on 26 December 2008) and “Guidance for Accounting Standard for Business Combinations and Business Divestitures” (ASBJ Guidance No.10 issued on 26 December 2008), it is proceeded as trades with minority interests of those under common control.

3. Additional acquisition of stocks of subsidiary

(1) Acquisition cost and details

Consideration of acquisition	The Company's common shares	¥3,379 million
Direct acquisition cost	Advisory fee and others	¥6
Acquisition cost		<u>¥3,386 million</u>

(2) Share exchange ratio according to stock types, its computation basis, and granted stocks

Share exchange ratio	Common shares: The Company 1: SBI VeriTrans 4.7
Computation basis	The Company appointed KPMG FAS Co., Ltd. and SBI VeriTrans appointed Ernst & Young Shinnihon Tax, and each requested that the respective valuation organizations determine an appropriate share exchange ratio and received reports on the results. The two companies then conducted consultations and negotiations in a careful manner based on the results of those determinations and agreed on the share exchange ratio.
Exchanged shares	432,216 shares

(3) Amount of goodwill recognized, reason of its occurrence, and amortization method and period

Amount of goodwill recognized	¥1,516 million
Reason of occurrence	The Company recorded the difference between the additional acquisition cost of SBI VeriTrans common shares and decreasing amount of minority interests as a goodwill.
Amortization method and period	The goodwill is amortized on a straight-line method over 20 years.

XI. Event after the Reporting Period

Execution of Share Exchange Agreement

The Company and its consolidated subsidiary, SBI Net Systems Co., Ltd. (“SBI Net Systems”) announced that at board meetings held on 26 October 2011 their respective boards of directors adopted resolutions to convert SBI Net Systems into a wholly-owned subsidiary of the Company through a share exchange (the “Share Exchange”) subject to approval at SBI Net Systems’ extraordinary meeting of shareholders, and the two companies executed a share exchange agreement (the “Share Exchange Agreement”).

1. Time Table for the Share Exchange

Board of Directors meeting approving the share exchange and execution of share exchange agreement (both companies)	26 October 2011 (Wed)
Public notice of the record date for the extraordinary shareholders meeting (SBI Net Systems)	27 October 2011 (Thu)
Record date for the extraordinary shareholders meeting (SBI Net Systems)	11 November 2011 (Fri)
Extraordinary shareholders meeting to approve share exchange (SBI Net Systems)	21 December 2011 (Wed) (scheduled)
Final trading date (SBI Net Systems)	26 January 2012 (Thu) (scheduled)
Share delisting date (SBI Net Systems)	27 January 2012 (Fri) (scheduled)
Effective date of share exchange	1 February 2012 (Wed) (scheduled)

(Note) The Company will implement the Share Exchange through the use of a simplified share exchange arrangement pursuant to Article 796, Paragraph 3 of the Companies Act, and consequently, the Company does not require approval from its shareholders.

2. Summary of the Business Combination

- (1) Combined company's name
SBI Net Systems
- (2) Combined company's business
Consigned development of systems
- (3) Purpose of the Share Exchange
The Company believes that incorporating the system development know-how held by SBI Net Systems into the SBI group promptly and efficiently through the management integration expected to result from the conversion of SBI Net Systems into the Company's wholly-owned subsidiary, creating opportunities for SBI Net Systems and the Company to work together on business developments in and outside of Japan, and thereby aiming for significant synergies and enhanced profitability, will maximize the corporate value of the SBI group and will therefore be in the best interests of the shareholders, customers and trading partners, etc. of both the Company and SBI Net Systems.
- (4) Legal structure of the business combination
Share exchanges between the Company and minority interests of SBI Net Systems.
- (5) Summary of accounting treatment
“Accounting for business combinations” (ASBJ Statement No.21 issued on 26 December 2008) and “Guidance for Accounting Standard for Business Combinations and Business Divestitures” (ASBJ Guidance No.10 issued on 26 December 2008), it will be proceeded as trades with minority interests of those under common control.

3. Details of the Allotment regarding the Share Exchange

Company Name	The Company (Share Exchange Wholly-Owning Parent Company)	SBI Net Systems (Share Exchange Wholly-Owned Subsidiary)
Share exchange ratio (Note) 1.	1	1.25
Number of shares to be delivered pursuant to the Share Exchange	(Note) 2.	
Number of shares to be newly issued pursuant to the Share Exchange	(Note) 3.	

(Notes)

1. Share Exchange Ratio

For every one share of SBI Net Systems common stock, 1.25 shares of the Company's common stock will be allocated and delivered (if any material changes occur in the various conditions that serve as the basis for the calculations, this share exchange ratio may be subject to change through consultations between the two companies). However, no shares will be allocated pursuant to the Share Exchange with respect to the 298,303 shares of SBI Net Systems common stock held by the Company as of 26 October 2011.

2. Number of Shares to be Delivered Pursuant to the Share Exchange

In the implementation of the Share Exchange, the Company will deliver by allotment shares of the Company's common stock equal to the total number of shares of SBI Net Systems common stock owned by shareholders of SBI Net Systems (here and hereafter, excluding the Company) stated or recorded in the SBI Net Systems shareholder register immediately prior to the Share Exchange coming into effect (the "Time of Record") multiplied by 1.25.

As of 26 October 2011, the number of outstanding shares of SBI Net Systems was 417,798. The number of shares obtained after deducting the 298,303 shares owned by the Company, which is 119,495, and then multiplying by 1.25 is 149,368 shares.

3. Number of Shares to be Newly Issued by the Share Exchange

Among the number of shares to be delivered by the Share Exchange, the Company will dispose of the treasury shares held by the Company for 74,621 shares, and will newly issue shares of the Company's stock for the remainder. As of 26 October 2011, the total number of issued shares of SBI Net Systems minus shares held by the Company, multiplied by 1.25, which becomes 149,368 shares, and minus 74,621 shares, shall be 74,747 shares.

4. Basis for Calculating the Share Allocations Associated with the Share Exchange

The Company appointed KPMG FAS Co., Ltd. and SBI Net Systems appointed Hibiya Kansa Hojin, and each requested that the respective valuation organizations determine an appropriate share exchange ratio and received reports on the results.

Both valuation organizations used the market price analysis method with respect to the common shares of both the Company and SBI Net Systems (the "two Companies"). They also performed calculations using the discounted cash flow method with respect to the common shares of SBI Net Systems to reflect status of its future business activities and future profitability and its company-specific nature.

The two companies then conducted consultations and negotiations in a careful manner based on the results of those determinations and agreed on the share exchange ratio.

(TRANSLATION)

Independent Accountants' Review Report

10 November 2011

To the Board of Directors of
SBI Holdings, Inc.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Yoshitaka Asaeda

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Yasuyuki Onaka

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Kunikazu Awashima

Pursuant to the first clause of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the interim consolidated financial statements included in the Financial Section, which comprise the interim consolidated balance sheet of SBI Holdings, Inc. and its consolidated subsidiaries as of 30 September 2011, and the related interim consolidated statement of operations, interim consolidated statement of comprehensive income, and interim consolidated statement of cash flows for the six-month period then ended, and the related notes.

Management's Responsibility for the Interim Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with accounting principles for interim consolidated financial statements generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review. We conducted our review in accordance with quarterly review standards generally accepted in Japan. A review consists principally of making inquiries, primarily of management and persons responsible for financial and accounting matters, and applying analytical procedures and other quarterly review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

We believe that we have obtained the evidence to provide a basis for our conclusion.

Accountants' Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements referred to above do not present fairly, in all material respects, the consolidated financial position of SBI Holdings, Inc. and its consolidated subsidiaries as of 30 September 2011, and the consolidated results of their operations and their cash flows for the six-month period then ended in conformity with accounting principles for interim consolidated financial statements generally accepted in Japan.

Financial Interest

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Additional Stock Exchange Information of the Group

(Amounts in millions of Japanese Yen, rounded down to the nearest million, unless otherwise stated)

Additional information required under the relevant disclosure rules covering the Listing of Securities on the Stock Exchange of Hong Kong Limited, and not shown elsewhere in the consolidated financial statements is as follows:

I. Interim Consolidated Statements of Changes in Net Assets

	Six months ended 30 September	
	2010	2011
Shareholders' equity		
Capital stock		
Balance at the end of previous year	55,284	73,236
Changes during the period		
Issuance of new stock	17,942	8,427
Total changes during the period	17,942	8,427
Balance at the end of the period	73,226	81,663
Capital surplus		
Balance at the end of previous year	218,968	236,920
Changes during the period		
Issuance of new stock	17,942	8,427
Increase through share exchanges	—	3,379
Disposal of treasury stock	(0)	—
Total changes during the period	17,942	11,807
Balance at the end of the period	236,910	248,728
Retained earnings		
Balance at the end of previous year	87,276	88,073
Changes during the period		
Dividends	(1,676)	(2,391)
Net income	686	1,113
Adjustments due to change of scope of consolidation	—	41
Adjustments due to change of scope of equity method	(44)	0
Total changes during the period	(1,034)	(1,235)
Balance at the end of the period	86,241	86,837
Treasury stock		
Balance at the end of previous year	(246)	(246)
Changes during the period		
Purchases of treasury stock	—	(458)
Total changes during the period	—	(458)
Balance at the end of the period	(246)	(705)

	Six months ended 30 September	
	2010	2011
Total shareholders' equity		
Balance at the end of previous year	361,282	397,983
Changes during the period		
Issuance of new stock	35,884	16,855
Increase through share exchanges	—	3,379
Dividends	(1,676)	(2,391)
Net income	686	1,113
Adjustments due to change of scope of consolidation.	—	41
Adjustments due to change of scope of equity method.	(44)	0
Purchases of treasury stock	—	(458)
Disposal of treasury stock	(0)	—
Total changes during the period.	<u>34,849</u>	<u>18,540</u>
Balance at the end of the period	<u>396,131</u>	<u>416,524</u>
Accumulated other comprehensive (income)loss		
Unrealized losses on available-for-sale securities		
Balance at the end of previous year	(559)	(3,902)
Changes during the period		
Net changes other than shareholders' equity	(3,090)	(952)
Total changes during the period	(3,090)	(952)
Balance at the end of the period	<u>(3,649)</u>	<u>(4,854)</u>
Deferred gains (losses) on derivatives under hedge accounting		
Balance at the end of previous year	14	(239)
Changes during the period		
Net changes other than shareholders' equity	(1,490)	(2,782)
Total changes during the period	(1,490)	(2,782)
Balance at the end of the period.	<u>(1,475)</u>	<u>(3,022)</u>
Foreign currency translation adjustments		
Balance at the end of previous year	(1,506)	(3,012)
Changes during the period		
Net changes other than shareholders' equity	(1,660)	(5,720)
Total changes during the period	(1,660)	(5,720)
Balance at the end of the period	<u>(3,167)</u>	<u>(8,732)</u>

	Six months ended 30 September	
	2010	2011
Total accumulated other comprehensive (income)loss		
Balance at the end of previous year	(2,051)	(7,155)
Changes during the period		
Net changes other than shareholders' equity	(6,242)	(9,454)
Total changes during the period	(6,242)	(9,454)
Balance at the end of the period	(8,293)	(16,609)
Stock acquisition rights		
Balance at the end of previous year	11	11
Changes during the period		
Net changes other than shareholders' equity	(0)	(0)
Total changes during the period	(0)	(0)
Balance at the end of the period	11	11
Minority interests		
Balance at the end of previous year	69,372	66,142
Changes during the period		
Net changes other than shareholders' equity	308	(3,089)
Total changes during the period	308	(3,089)
Balance at the end of the period.	69,680	63,052
Total net assets		
Balance at the end of previous year	428,615	456,982
Changes during the period		
Issuance of new stock	35,884	16,855
Increase through share exchanges	—	3,379
Dividends	(1,676)	(2,391)
Net income	686	1,113
Adjustments due to change of scope of consolidation	—	41
Adjustments due to change of scope of equity method	(44)	0
Purchases of treasury stock	—	(458)
Disposal of treasury stock	(0)	—
Net changes other than shareholders' equity	(5,933)	(12,544)
Total changes during the period	28,915	5,996
Balance at the end of the period.	457,530	462,979

II. Note to Interim Consolidated Statements of Changes in Net Assets

Outstanding number of shares of capital stock and treasury stock

Six months ended 30 September 2010	As at 31	Increase	Decrease	As at 30
	March 2010			September 2010
	(share)	(share)	(share)	(share)
Outstanding capital stock				
Common shares (Note 1, 2)	16,782,291	3,158,201	—	19,940,492
Treasury stock				
Common shares	14,621	—	—	14,621

(Notes)

1. The Company issued new shares through public offering of which payment date was on 23 June 2010. This led to an increase in outstanding number of capital shares of 3,112,000 and an increase in the amount of capital stock and capital surplus of ¥17,654 million and ¥17,654 million, respectively.

2. The increase in outstanding number of capital shares of 46,201 was due to exercise of stock acquisition rights.

The amount of capital stock and capital surplus as at 30 September 2010 were ¥73,226 million and ¥236,910 million, respectively.

Six months ended 30 September 2011	As at 31	Increase	Decrease	As at 30
	March 2011			September 2011
	(share)	(share)	(share)	(share)
Outstanding capital stock				
Common shares (Note 1, 2)	19,944,018	2,432,216	—	22,376,234
Treasury stock				
Common shares (Note 2)	14,621	60,000	—	74,621

(Notes)

1. The Company issued new shares of which payment dates were on 12 April and 9 May 2011, relating to the listing on the main board of the Hong Kong Stock Exchange and offering of Hong Kong depository receipts representing the Company's common shares. Number of shares outstanding increased by 2,000,000, and Capital stock and Capital surplus increased by ¥8,427 million.

2. The Company issued new shares to make its consolidated subsidiary, SBI VeriTrans Co., Ltd. ("SBI VeriTrans"), a wholly-owned subsidiary through a share exchange (for every one share of SBI VeriTrans common stock, 4.7 shares of the Company's common stock were allocated and delivered) on 1 August 2011. Relating to the share exchange, number of shares outstanding increased by 432,216 and Capital surplus increased by ¥3,379 million, and number of treasury stock increased by 60,000.

Through the issues of new shares, Capital stock and Capital surplus increased to ¥81,663 million and to ¥248,728 million, respectively.

III. Operational Loans Receivable

	As at 31 March 2011	As at 30 September 2011
Real estate mortgages loans	16,842	18,537
Consumer loans and credit cards	4,652	3,509
Others	6,410	5,836
Total	27,905	27,884
Accrued interest	118	141

IV. Further Details of Trading Instruments, Operational Investment Securities and Investment Securities

Trading instruments, operational investment securities and investment securities as at 31 March 2011 and 30 September 2011 consisted of the following:

	As at 31 March 2011	As at 30 September 2011
Current (Trading instruments)		
Listed equity securities	28	0
Listed corporate bonds	188	1,009
Others — listed	4	4
Unlisted derivatives	2,479	19,500
Total	2,701	20,514
	As at 31 March 2011	As at 30 September 2011
Current (Operational Investment Securities)		
Listed equity securities	23,540	15,583
Unlisted equity securities	81,266	104,467
Unlisted corporate bonds	3,643	3,352
Investment in unlisted funds	31,746	27,169
Listed trust fund investments	—	—
Others — listed	738	630
Others — unlisted	946	964
Subtotal.	141,882	152,167
Allowance for investment losses.	(9,108)	(5,566)
Total	132,773	146,600
	As at 31 March 2011	As at 30 September 2011
Non-current (Investment Securities)		
Listed equity securities	4,535	6,086
Unlisted equity securities	1,138	909
Investment in unlisted funds	3,671	3,282
Unlisted government bonds	—	—
Listed corporate bonds	110	51
Unlisted corporate bonds	—	205
Listed trust fund investments	484	443
Others — listed	16	12
Stocks of unconsolidated subsidiaries and affiliates	43,463	47,497
Total	53,420	58,488

V. Interest Income and Expenses

	Six months ended 30 September	
	2010	2011
Interest income		
Receivables under securities borrowing transactions	5,374	4,984
Operational loans receivable from customers	1,472	1,104
Loans, deposits with banks and other financial institutions	412	430
Debt securities and other financial assets	17	13
Subtotal	<u>7,277</u>	<u>6,532</u>
Interest expenses		
Payables under securities lending transactions	1,019	1,006
Borrowings from banks and other financial institutions	808	760
Debt securities issued	1,008	768
Subtotal	<u>2,835</u>	<u>2,535</u>
Less: Borrowing costs capitalized into development properties	—	—
	<u>2,835</u>	<u>2,535</u>
Net interest income	<u>4,442</u>	<u>3,997</u>

VI. Gains Less Losses Arising from Dealing in Foreign Currencies

Gains less losses arising from dealing in foreign currencies resulted by the Group amounted to ¥5,374 million and ¥4,992 million for the six months ended 30 September 2010 and 2011, respectively.

VII. Income from Listed and Unlisted Securities

	Six months ended 30 September	
	2010	2011
Net realized investment		
gains (losses) on:		
Operational investment securities	1,199	2,366
Trading instruments	762	701
Investment securities	52	1,185
	<u>2,014</u>	<u>4,253</u>
Net unrealized investment		
gains (losses) on:		
Operational investment securities	(4,993)	8,426
Trading instruments	(16)	(1)
Investment securities	1,345	(1,506)
	<u>(3,664)</u>	<u>6,918</u>

VIII. Derivative Contracts

1. Contractual Amounts of Derivatives Not Subject to Hedge Accounting

Type	Transaction	As at 31 March 2011	As at 30 September 2011
Transactions outside market	Foreign currency forward contracts		
	Short	85	22
	Long	91	58
	Foreign currency spot contracts		
	Short	187,335	287,640
	Long	184,683	268,237
Market transactions	Index futures Short	68	—

2. Contractual Amounts of Derivatives Subject to Hedge Accounting

Hedge accounting method	Transaction	Hedged balance	As at 31 March 2011	As at 30 September 2011
Deferred method of interest rate swap	Interest rate swaps			
	Variable receipt, fixed payment	Bonds payable	600	570
Interest rate swap	Interest rate swaps			
	Variable receipt, fixed payment	Long-term loans payable	5,480	4,465

Summary of Material Differences between International Financial Reporting Standards (“IFRS”) and Accounting Principle Generally Accepted in Japan (“JGAAP”)

The Interim Consolidated Financial Statements of the Group are prepared in accordance with JGAAP which differs from IFRS in respect of recognition and measurement, and classification, presentation and disclosure requirements. For the purpose of this summary, JGAAP refer to the accounting policies applied by the Group in preparing the underlying Interim consolidated financial statements in accordance with the prevailing JGAAP for the six-month period then ended. IFRS refers to IFRSs, IASs, IFRICs and SICs that are effective for annual financial period beginning on or after 1 April 2011.

This summary provides information about the GAAP differences that, in the opinion of the directors of the Company, would have a material effect on total assets, total liabilities, total equity and total comprehensive income (loss).

Please refer to Part (1) and Part (2) in “Section of A3. Summary of Material Differences between International Financial Reporting Standards (“IFRS”) and Accounting Principle Generally Accepted in Japan (“JGAAP”)” in the last Annual Report, for detailed descriptions of recognition and measurement differences and for detailed descriptions of classification, presentation and disclosure differences, respectively.

This summary is not intended to provide the effect on the Consolidated Financial Statements of the Group under IFRS 1 First-time Adoption of International Financial Reporting Standards.

Material quantifiable GAAP differences are summarized as follows: (Amounts in millions of Japanese Yen, rounded down to the nearest million unless otherwise stated)

	As at 30 September 2011
Total assets under JGAAP	1,561,526
Material quantifiable effects for different accounting treatments:	
(i) Consolidation — small size entities	(116)
(ii) Consolidation — venture capital investments	11,011
(iii), (v), (vii) Business combination	18,832
(iv) Changes in parent’s ownership interest in subsidiaries	(91,714)
(vi) Loss of significant influence	—
(viii) Non-fair valued available-for-sale investments	3,679
(ix) Investments in associates/affiliates	(1,142)
(x) Statutory reserve	—
(xi) Deferred charges	(7,016)
(xii) Securitization	58,481
(xiii) Deferred tax	—
Total assets as adjusted for the above material quantifiable effects	1,553,540

		As at 30 September 2011
Total liabilities under JGAAP		1,098,547
Material quantifiable effects for different accounting treatments:		
(i)	Consolidation — small size entities	2,169
(ii)	Consolidation — venture capital investments	13,091
(iii), (v), (vii)	Business combination	190
(iv)	Changes in parent's ownership interest in subsidiaries	—
(vi)	Loss of significant influence	—
(viii)	Non-fair valued available-for-sale investments	—
(ix)	Investments in associates/affiliates	—
(x)	Statutory reserve	(4,429)
(xi)	Deferred charges	—
(xii)	Securitization	58,536
(xiii)	Deferred tax	4,454
Total liabilities as adjusted for the above material quantifiable effects		1,172,561
		As at 30 September 2011
Total equity (total net assets) under JGAAP		462,979
Material quantifiable effects for different accounting treatments:		
(i)	Consolidation — small size entities	(2,286)
(ii)	Consolidation — venture capital investments	(2,080)
(iii), (v), (vii)	Business combination	18,642
(iv)	Changes in parent's ownership interest in subsidiaries	(91,714)
(vi)	Loss of significant influence	—
(viii)	Non-fair valued available-for-sale investments	3,679
(ix)	Investments in associates/affiliates	(1,142)
(x)	Statutory reserve	4,429
(xi)	Deferred charges	(7,016)
(xii)	Securitization	(55)
(xiii)	Deferred tax	(4,454)
Total equity as adjusted for the above material quantifiable effects		380,979

	Six months ended 30 September 2011
Total comprehensive income (loss) for the period under JGAAP	(8,571)
Material quantifiable effects for different accounting treatments:	
(i) Consolidation — small size entities	(164)
(ii) Consolidation — venture capital investments	(729)
(iii), (v), (vii) Business combination	3,863
(iv) Changes in parent's ownership interest in subsidiaries	(288)
(vi) Loss of significant influence	—
(viii) Non-fair valued available-for-sale investments	(464)
(ix) Investments in associates/affiliates	(764)
(x) Statutory reserve	(767)
(xi) Deferred charges	(1,301)
(xii) Securitization	(22)
(xiii) Deferred tax	602
Total comprehensive income (loss) for the period as adjusted for the above material quantifiable effects	<u>(8,608)</u>

(Notes)

Please refer to corresponding numbers from (i) to (xiii) in the last Annual Report for detailed descriptions of material differences above.

- (i) As at 30 September 2011, there were 49 small size entities controlled by the Group.
- (ii) As at 30 September 2011, there were 14 investee companies which the Group owned more than 50% equity interests that had been excluded from consolidation under JGAAP.
- (viii) As at 30 September 2011, the Group has investments in 252 non-fair valued entities with less than 20% interests including those held by subsidiaries with carrying amounts of ¥26,370 million that would need to be measured at fair value under IFRS.
- (ix) As at 30 September 2011, the Group invested in approximately 85 entities over which it was able to exercise significant influence.