



Strategic Business Innovator

# **SBI HOLDINGS, INC.**

Third Quarterly Report 2011 / 12

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2011.4.1~2011.12.31

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](http://www.sbigroup.co.jp)

## Financial Highlights

### Consolidated Financial Summary

Term	Nine months ended 31 December 2010	Nine months ended 31 December 2011	Twelve months ended 31 March 2011
Net sales (Millions of yen)	96,561	<b>104,720</b>	141,081
Ordinary income (Millions of yen)	867	<b>7,187</b>	3,525
Net income (Millions of yen)	1,510	<b>310</b>	4,534
Comprehensive income (loss) (Millions of yen)	(7,565)	<b>(7,291)</b>	(6,471)
Net assets (Millions of yen)	456,063	<b>459,748</b>	456,982
Total assets (Millions of yen)	1,310,157	<b>1,546,025</b>	1,293,606
Total liabilities (Millions of yen)	854,094	<b>1,086,277</b>	836,623
Net income per share (Yen)	79.63	<b>14.12</b>	236.09
Diluted net income per share (Yen)	69.76	<b>8.30</b>	225.74
Equity ratio (%)	29.7	<b>25.6</b>	30.2
Net cash from (used in) operating activities (Millions of yen)	41,911	<b>(13,228)</b>	(742)
Net cash used in investment activities (Millions of yen)	(12,486)	<b>(14,561)</b>	(16,642)
Net cash from financing activities (Millions of yen)	12,503	<b>9,946</b>	25,154
Cash and cash equivalents at the end of the period (Millions of yen)	180,976	<b>128,469</b>	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 <sup>st</sup> Quarter	74.12	<b>70.12</b>
Net income per share for the 2 <sup>nd</sup> Quarter	(29.02)	<b>(18.12)</b>
Net income per share for the 3 <sup>rd</sup> Quarter	41.39	<b>(36.22)</b>

## Management Discussion and Analysis

### Our Business

In the nine months ended 31 December 2011, the Group's (SBI Holdings, Inc. (the "Company")), together with its consolidated 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 nine months ended 31 December 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 31 December 2011.

#### (1) Analysis of Business Results

The consolidated performance for the nine months ended 31 December 2011 resulted in net sales of ¥104,720 million (a 8.5% year-on-year increase), operating income of ¥9,069 million (a 92.2% year-on-year increase), ordinary income of ¥7,187 million (a 728.6% year-on-year increase), and net income of ¥310 million (a 79.4% year-on-year decrease).

Net sales by business segment are as indicated below.

Segment	Nine months ended 31 December			
	2010		2011	
	Millions of Yen	%	Millions of Yen	%
Asset Management Business	14,973	15.5	27,221	26.0
Investment in Securities	13,258		25,700	
Revenue from Operational Investment Securities	12,243		24,843	
Fees from Funds	1,014		857	
Investment Advisory Services and Others	1,715		1,520	
Brokerage & Investment Banking Business	35,145	36.4	32,413	31.0
Financial Services Business	22,194	23.0	30,796	29.4
Marketplace Business	4,348		3,693	
Financial Products Business	6,568		7,071	
Financial Solutions Business	6,140		7,037	
Other Businesses	5,136		12,993	
Housing and Real Estate Business	17,079	17.7	12,716	12.1
Real Estate Business	7,270		3,462	
Financial Real Estate Business	8,612		8,059	
Lifestyle Networks Business	1,196		1,193	
Sub-total	89,393	92.6	103,147	98.5
Others	12,246	12.7	7,484	7.1
Inter-segment revenues	(5,078)	(5.3)	(5,911)	(5.6)
Net sales	96,561	100.0	104,720	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 nine months ended 31 December 2011, revenue from operational investment securities increased 102.9% year-on-year to ¥24,843 million. This primarily reflected net sales from the funds under the scope of consolidation and revenues from overseas investments. Revenue from fees from funds amounted to ¥857 million (down 15.5% 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 declined 11.4% year-on-year to ¥1,520 million for the nine 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 nine months ended 31 December 2011, net sales in this business decreased 7.8% year-on-year to ¥32,413 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 nine months ended 31 December 2011, net sales in the Marketplace Business declined 15.1% year-on-year to ¥3,693 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 nine months, net sales in the Financial Products Business rose 7.7% year-on-year to ¥7,071 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 nine months, net sales in this business rose 14.6% year-on-year to ¥7,037 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 152.9% year-on-year to ¥12,993 million in the nine 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 constructions and real estate.

In the nine months ended 31 December 2011, net sales declined 52.4% year-on-year to ¥3,462 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 nine months, net sales in this business decreased 6.4% year-on-year to ¥8,059 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 nine months, which was mainly contributed by SBI Life Living Co., Ltd., declined 0.2% year-on-year to ¥1,193 million.

#### 5) Others

In the nine months ended 31 December 2011, net sales in businesses not determined as reportable segments, which consisted of system-related business and drug-discovery business, decreased 38.9% year-on-year to ¥7,484 million.

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



## <Cost of Sales>

### 1) Asset Management Business

In the nine months ended 31 December 2011, cost of sales for the Asset Management Business increased 29.1% year-on-year to ¥10,090 million, the primary component of which was cost of operational investment securities.

### 2) Brokerage & Investment Banking Business

In the nine months, cost of sales for this business decreased 1.6% year-on-year to ¥3,500 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 nine months, cost of sales for this business increased 63.1% year-on-year to ¥26,573 million, related primarily to insurance underwriting expenses.

### 4) Housing and Real Estate Business

Operating costs for this business decreased 51.2% year-on-year to ¥3,924 million during the nine months. The costs were primarily sales cost of real estate for sale.

### 5) Other

In the nine months, costs of sales for businesses not determined as reportable segments were mainly consisted of the costs for the system-related business and decreased 37.7% year-on-year to ¥6,052 million.

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

## <Selling, General and Administrative Expenses>

During the nine months ended 31 December 2011, selling, general and administrative expenses amounted to ¥47,095 million, decreased 0.7% year-on-year, and consisted primarily of personnel expenses and securities system outsourcing costs.

## <Non-operating Income>

Non-operating income for the nine months ended 31 December 2011 amounted to ¥3,050 million, up 121.0% year-on-year. This was primarily share of results of affiliates.

## <Non-operating Expense>

Non-operating expenses for the nine months ended 31 December 2011 declined 5.7% year-on-year to ¥4,933 million, consisting primarily of interest expenses.

## <Extraordinary Income>

During the nine months ended 31 December 2011, extraordinary income declined 52.4% year-on-year to ¥2,527 million. This was mainly gains on sales of investment securities.

## <Extraordinary Expense>

Extraordinary loss for the nine months ended 31 December 2011 decreased 33.9% year-on-year to ¥2,165 million. This consisted primarily of losses on sales of investment securities.

## (2) Analysis of Financial Conditions

As at 31 December 2011, total assets stood at ¥1,546,025 million, up ¥252,419 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 depositary receipts representing the Company's common shares, net assets amounted to ¥459,748 million, up ¥2,765 million from the end of the previous consolidated fiscal year.

Cash and cash equivalents as at 31 December 2011 totaled ¥128,469 million, down ¥20,317 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 nine months ended 31 December 2011 totaled ¥13,228 million, compared with net cash from operating activities of ¥41,911 million in the corresponding period of the previous consolidated fiscal year. This mainly reflected cash outflows of ¥252,000 million for increase in cash segregated as deposits and of ¥31,275 million for increase in margin transaction assets, net, and cash outflow of ¥29,312 million for decrease in guarantee deposits received despite the cash inflow of ¥275,230 million for increase in deposits from customers.

### (Net Cash Used in Investing Activities)

Net cash used in investing activities for the nine months totaled ¥14,561 million, compared with net cash used in the corresponding period of the previous consolidated fiscal year of ¥12,486 million. This was mainly attributable to cash outflows of ¥11,867 million for purchases of investment securities and of ¥17,139 million for payments of loans receivable despite the cash inflow of ¥19,122 million for collection of loans receivable.

### (Net Cash from Financing Activities)

Net cash from financing activities for the nine months totaled ¥9,946 million, compared with net cash from financing activities in the corresponding period of the previous consolidated fiscal year of ¥12,503 million. This mainly reflected cash inflows of ¥16,714 million for proceeds from stock issuance despite the cash outflow of ¥2,940 million for purchases of treasury stock.

## Business Plan

In the nine months ended 31 December 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 ¥819 million on a consolidated basis for the nine months ended 31 December 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 31 December 2011	Number of Shares Issued as at the Date of Release (13 February 2012)	Name of Listed Financial Instruments Exchange or Name of Registered Authorized Financial Instruments Exchange Association	Content
Common stock	22,376,234	22,450,943	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	22,450,943	—	—

- (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 February 2012 to the date of release of the 3<sup>rd</sup> Quarterly Report.  
The Company issued new shares to make its consolidated subsidiary, SBI Net Systems Co., Ltd., a wholly-owned subsidiary through a share exchange on 1 February 2012. Relating to the share exchange, number of shares increased by 74,709 and Capital surplus increased by ¥381 million.
  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 and Principal Shareholders

The information about Voting Rights and Principal Shareholders as at 31 December 2011 is not presented herein, under the condition that the record of shareholders is not available.

Please refer to the last Interim Report for the latest available information about Voting Rights and Principal Shareholders as at 30 September 2011.

## Board of Directors

The changes in Board of Directors after the release of the last annual report are as follows:

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.

## 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 31 December 2011
<b>Assets</b>			
Current assets			
Cash and deposits . . . . .		150,268	<b>128,825</b>
Notes and accounts receivable-trade . . . . .		10,658	<b>12,162</b>
Short-term investment securities . . . . .		292	<b>171</b>
Cash segregated as deposits . . . . .		347,865	<b>607,065</b>
Operational investment securities . . . . .	V.2	132,773	<b>140,349</b>
Operational loans receivable . . . . .		27,905	<b>36,085</b>
Real estate inventories . . . . .	V.3	16,812	<b>16,970</b>
Trading instruments . . . . .		2,701	<b>223</b>
Margin transaction assets . . . . .		250,399	<b>242,390</b>
Others . . . . .	V.4	93,118	<b>96,548</b>
Allowance for doubtful accounts . . . . .		(4,017)	<b>(3,415)</b>
Total current assets . . . . .		<u>1,028,779</u>	<u><b>1,277,377</b></u>
Non-current assets			
Property and equipment . . . . .		28,431	<b>27,967</b>
Intangible assets			
Goodwill . . . . .		126,297	<b>122,701</b>
Others . . . . .		13,946	<b>14,376</b>
Total intangible assets . . . . .		<u>140,244</u>	<u><b>137,077</b></u>
Investments and other assets . . . . .	V.2&5	90,250	<b>95,440</b>
Total non-current assets . . . . .		<u>258,926</u>	<u><b>260,485</b></u>
Deferred charges . . . . .		5,900	<b>8,162</b>
Total assets . . . . .		<u><u>1,293,606</u></u>	<u><u><b>1,546,025</b></u></u>

	As at 31 March 2011	As at 31 December 2011
<b>Liabilities</b>		
<b>Current liabilities</b>		
Short-term loans payable . . . . .	97,164	<b>97,077</b>
Current portion of long-term loans payable . . . . .	12,147	<b>11,149</b>
Current portion of bonds payable . . . . .	70,060	<b>70,060</b>
Accrued income taxes . . . . .	4,574	<b>2,109</b>
Margin transaction liabilities . . . . .	143,757	<b>104,472</b>
Guarantee deposits received . . . . .	309,134	<b>279,822</b>
Deposits from customers . . . . .	37,819	<b>310,007</b>
Provisions . . . . .	527	<b>1,156</b>
Others . . . . .	105,411	<b>152,021</b>
<b>Total current liabilities . . . . .</b>	<b>780,597</b>	<b>1,027,877</b>
<b>Non-current Liabilities</b>		
Bonds payable . . . . .	540	<b>480</b>
Long-term loans payable . . . . .	31,366	<b>30,085</b>
Provisions . . . . .	930	<b>766</b>
Others . . . . .	17,991	<b>22,635</b>
<b>Total non-current liabilities . . . . .</b>	<b>50,828</b>	<b>53,968</b>
<b>Statutory reserves</b>		
Reserve for financial products transaction liabilities . . . . .	5,196	<b>4,431</b>
Reserve for price fluctuation . . . . .	0	<b>0</b>
<b>Total statutory reserves . . . . .</b>	<b>5,197</b>	<b>4,431</b>
<b>Total liabilities . . . . .</b>	<b>836,623</b>	<b>1,086,277</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock . . . . .	73,236	<b>81,663</b>
Capital surplus . . . . .	236,920	<b>248,728</b>
Retained earnings . . . . .	88,073	<b>85,574</b>
Treasury stock . . . . .	(246)	<b>(3,167)</b>
<b>Total shareholders' equity . . . . .</b>	<b>397,983</b>	<b>412,798</b>
<b>Accumulated other comprehensive income (loss)</b>		
Unrealized losses on available-for-sale securities . . . . .	(3,902)	<b>(5,946)</b>
Deferred losses on derivatives under hedge accounting . . . . .	(239)	<b>(3,710)</b>
Foreign currency translation adjustments . . . . .	(3,012)	<b>(8,102)</b>
<b>Total accumulated other comprehensive income (loss) . . . . .</b>	<b>(7,155)</b>	<b>(17,759)</b>
Stock acquisition rights . . . . .	11	<b>10</b>
Minority interests . . . . .	66,142	<b>64,698</b>
<b>Total net assets . . . . .</b>	<b>456,982</b>	<b>459,748</b>
<b>Total liabilities and net assets . . . . .</b>	<b>1,293,606</b>	<b>1,546,025</b>

## (2) Interim Consolidated Statements of Operations

	Note	Nine months ended 31 December	
		2010	2011
Net sales . . . . .		96,561	<b>104,720</b>
Cost of sales . . . . .		44,403	<b>48,555</b>
Gross profit . . . . .		52,157	<b>56,165</b>
Selling, general and administrative expenses . . . . .	VI	47,438	<b>47,095</b>
Operating income . . . . .		4,719	<b>9,069</b>
Non-operating income			
Interest income . . . . .		295	<b>343</b>
Dividend income . . . . .		184	<b>205</b>
Share of results of affiliates . . . . .		533	<b>2,036</b>
Others . . . . .		367	<b>465</b>
Total non-operating income . . . . .		1,380	<b>3,050</b>
Non-operating expense			
Interest expense . . . . .		2,049	<b>1,713</b>
Amortization of deferred operating costs under Article 113 of the Insurance Business Act . . . . .		591	<b>1,131</b>
Foreign exchange losses . . . . .		1,591	<b>963</b>
Others . . . . .		1,000	<b>1,125</b>
Total non-operating expense . . . . .		5,233	<b>4,933</b>
Ordinary income . . . . .		867	<b>7,187</b>
Extraordinary income			
Gains on sales of investment securities . . . . .		2,729	<b>1,414</b>
Reversal of statutory reserves . . . . .		2,022	<b>765</b>
Others . . . . .		561	<b>347</b>
Total extraordinary income . . . . .		5,313	<b>2,527</b>
Extraordinary expense			
Impairment loss . . . . .		716	<b>—</b>
Losses on sales of investment securities . . . . .		3	<b>1,065</b>
Losses on disposal of subsidiaries and affiliates . . . . .		635	<b>421</b>
Impact from applying the Accounting Standard of Asset Retirement Obligation . . . . .		501	<b>—</b>
Provision of statutory reserves . . . . .		0	<b>0</b>
Others . . . . .		1,420	<b>678</b>
Total extraordinary expense . . . . .		3,276	<b>2,165</b>
Income before income taxes . . . . .		2,903	<b>7,549</b>
Income taxes-current . . . . .		( 6,225)	<b>( 6,150)</b>
Income taxes-deferred . . . . .		2,383	<b>1,555</b>
Total income taxes . . . . .		( 3,841)	<b>(4,595)</b>
Net income (loss) before minority interests . . . . .		(937)	<b>2,954</b>
Minority interests in income (loss) . . . . .		(2,448)	<b>2,643</b>
Net income . . . . .		1,510	<b>310</b>

### (3) Interim Consolidated Statements of Comprehensive Income

	Nine months ended 31 December	
	2010	2011
Net income (loss) before minority interests . . . . .	(937)	<b>2,954</b>
Other comprehensive income (loss)		
Unrealized losses on available-for-sale securities . . . . .	(3,512)	<b>(1,280)</b>
Deferred gains (losses) on derivatives under hedge accounting . . . . .	(15)	<b>1</b>
Foreign currency translation adjustments . . . . .	(2,170)	<b>(4,223)</b>
Share of other comprehensive income (loss) of equity method affiliates . . . . .	(928)	<b>(4,742)</b>
Total other comprehensive income (loss) for the period . . . . .	(6,627)	<b>(10,245)</b>
Total comprehensive income (loss) for the period . . . . .	(7,565)	<b>(7,291)</b>
Total comprehensive income (loss) for the period attributable to:		
-Owners of the parent . . . . .	(4,800)	<b>(10,112)</b>
-Minority interests . . . . .	(2,765)	<b>2,820</b>



## (4) Interim Consolidated Statements of Cash Flows

	Nine months ended 31 December	
	2010	2011
Net cash from (used in) operating activities		
Income before income taxes . . . . .	2,903	7,549
Adjustments for:		
Depreciation and amortization . . . . .	4,612	6,064
Amortization of goodwill . . . . .	6,221	5,872
Increase in provision . . . . .	3,461	4,686
Share of results of affiliates . . . . .	(533)	(2,036)
Write-down of operational investment securities . . . . .	1,345	1,960
Equity in earnings of funds . . . . .	(1,681)	269
Gains on sales of investment securities . . . . .	(2,726)	(349)
Foreign exchange losses . . . . .	3,832	3,149
Interest and dividend income . . . . .	(13,015)	(11,948)
Interest expense . . . . .	5,026	4,341
Changes in assets and liabilities:		
Increase in operational investment securities . . . . .	(18,672)	(21,249)
Increase in operational loans receivable . . . . .	(1,075)	(8,476)
Decrease (increase) in real estate inventories . . . . .	2,375	(831)
Decrease in notes and accounts receivable-trade . . . . .	964	96
Decrease in notes and accounts payable-trade . . . . .	(888)	(1,346)
Increase in cash segregated as deposits . . . . .	(4,000)	(252,000)
Decrease (increase) in trading instruments . . . . .	(8,173)	4,694
Decrease (increase) in margin transaction assets, net . . . . .	9,660	(31,275)
Increase in deposits from customers . . . . .	3,602	275,230
Increase (decrease) in guarantee deposits received . . . . .	1,751	(29,312)
Increase in loans payable secured by securities . . . . .	49,118	38,546
Others, net . . . . .	(2,374)	(7,297)
Subtotal . . . . .	41,737	(13,661)
Interest and dividend income received . . . . .	13,364	11,123
Interest expense paid . . . . .	(4,798)	(4,293)
Income taxes paid . . . . .	(8,392)	(6,396)
Net cash from (used in) operating activities . . . . .	41,911	(13,228)
Net cash used in investing activities		
Purchases of intangible assets . . . . .	(3,673)	(3,188)
Purchases of investment securities . . . . .	(12,629)	(11,867)
Proceeds from sales of investment securities . . . . .	5,642	1,043
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 . . . . .	—	(264)
Purchases of investments in subsidiaries . . . . .	(109)	(4,470)
Payments of loans receivable . . . . .	(10,629)	(17,139)
Collection of loans receivable . . . . .	9,062	19,122
Payments for lease and guarantee deposits . . . . .	(496)	(296)
Proceeds from collection of lease and guarantee deposits . . . . .	405	390
Others, net . . . . .	(207)	1,515
Net cash used in investing activities . . . . .	(12,486)	(14,561)

	Note	<b>Nine months ended 31 December</b>	
		<b>2010</b>	<b>2011</b>
Net cash from financing activities			
Increase (decrease) in short-term loans payable . . . .		(6,597)	<b>2,215</b>
Proceeds from long-term loans payable . . . . .		2,000	<b>1,430</b>
Repayment of long-term loans payable . . . . .		(4,631)	<b>(3,708)</b>
Proceeds from issuance of bonds payable . . . . .		61,029	<b>59,948</b>
Redemption of bonds payable . . . . .		(73,100)	<b>(60,060)</b>
Proceeds from stock issuance . . . . .		35,690	<b>16,714</b>
Proceeds from stock issuance to minority interests . . .		1,681	<b>101</b>
Contributions from minority shareholders in consolidated investment funds . . . . .		2,655	<b>1,479</b>
Cash dividend paid . . . . .		(1,670)	<b>(2,380)</b>
Cash dividend paid to minority shareholders . . . . .		(150)	<b>(182)</b>
Distributions to minority shareholders in consolidated investment funds . . . . .		(3,668)	<b>(1,898)</b>
Purchase of treasury stock . . . . .		(3)	<b>(2,940)</b>
Others, net . . . . .		(730)	<b>(773)</b>
Net cash from financing activities . . . . .		<u>12,503</u>	<u><b>9,946</b></u>
Effect of changes in exchange rate on cash and cash equivalents . . . . .		(3,504)	<b>(3,327)</b>
Net increase (decrease) in cash and cash equivalents . .		<u>38,423</u>	<u><b>(21,171)</b></u>
Increase in cash and cash equivalents from newly consolidated subsidiaries . . . . .		—	<b>874</b>
Decrease in cash and cash equivalents resulting from deconsolidation of subsidiaries . . . . .		(28)	<b>(19)</b>
Cash and cash equivalents at the beginning of the period . . . . .		<u>142,581</u>	<u><b>148,786</b></u>
Cash and cash equivalents at the end of the period . . . . .	VII	<u><b>180,976</b></u>	<u><b>128,469</b></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 Nine 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 significance)

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

During the Third Quarter (from 1 October to 31 December 2011)

(Established)

SBI Value Up Fund No.2 Limited Partnership

(Due to the increase in the Group’s ability to exercise control)

SBI Fund Bank Co., Ltd.

SBI Remit Co., Ltd.

(Sale)

HOMEOSTYLE, Inc.

#### (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 or 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

During the Third Quarter (from 1 October to 31 December 2011)

(Established)

Startup Laboratory Co., Ltd.

### III. Changes in Significant Accounting Policies during the Last Nine 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. Additional Information

#### **Stock Benefit Trust**

At the board meeting held on 29 September 2011, the Directors of the Company resolved to introduce “Stock Benefit Trust (Employee Stockholding Association Purchase-type)” (hereinafter the “Plan” and the “Trust”).

The purpose of the Plan is to improve employees’ welfare and to increase their motivations for work and awareness of the Company’s stock price through its steady provision of the Company’s stock to the employee stockholding association and distribution of the profit created by trust property management in order to increase our corporate value.

The Trust’s assets and liabilities, and income and expenses were included in the Group’s consolidated financial statements. Since the Company’s stock held by the Trust was accounted for as treasury stock in the consolidated financial statements, the number of shares of the stock was included in the number of shares of treasury stock and not included in the number of shares outstanding.

The number of shares of treasury stock held by the Trust as at 31 December 2011 was 73,827 and the average number of shares of treasury stock held by the Trust for the nine months ended 31 December 2011 was 13,840.

#### **Tax Reform 2011**

Due to Tax Reform 2011(the “Tax Reform”), effective tax rate of 40.69% used for the calculation of deferred tax assets and liabilities was changed and new effective tax rate of 38.01% and 35.64% were applied to the deductible and taxable temporary differences which are expected to reverse for the fiscal years beginning on or after 1 April 2012 and for the fiscal years beginning on or after 1 April 2015, respectively.

The Tax Reform also set a ceiling on annual deduction for unused tax carry-forward losses to 80% of annual taxable profit for the fiscal years beginning on or after 1 April 2012.

As a result, net deferred tax assets were decreased by ¥2,134 million and income tax deferred was increased by ¥2,236 million.

## V. 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 31 December 2011
	(millions of Yen)	(millions of Yen)
Guarantee of bank loans . . . . .	18,234	38,222

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

	As at 31 March 2011	As at 31 December 2011
	(millions of Yen)	(millions of Yen)
Operational investment securities . . . . .	9,108	6,207
Investments and other assets . . . . .	300	300

### 3. Real estate inventories

Real estate inventories consisted of the following:

	As at 31 March 2011	As at 31 December 2011
	(millions of Yen)	(millions of Yen)
Real estate for sale . . . . .	7,505	7,346
Real estate for sale in progress . . . . .	7,083	7,404
Real estate for development . . . . .	1,403	1,403
Beneficial interest in real estate investment trust . . . . .	821	816
Total . . . . .	16,812	16,970

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

	As at 31 March 2011	As at 31 December 2011
	(millions of Yen)	(millions of Yen)
Merchandise and finished goods . . . . .	858	69
Work in process . . . . .	164	426
Raw materials and supplies . . . . .	434	454

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

	As at 31 March 2011	As at 31 December 2011
	(millions of Yen)	(millions of Yen)
Investments and other assets . . . . .	12,066	6,732

VI. Note to Interim Consolidated Statements of Operations

Selling, general and administrative expenses include the following:

	Nine months ended 31 December	
	2010	2011
	(millions of Yen)	(millions of Yen)
Payroll and bonuses . . . . .	7,918	8,203
Provision of allowance for doubtful accounts . . . . .	1,592	1,302
Outsourcing fees . . . . .	8,159	8,637

VII. Note to Interim Consolidated Statements of Cash Flows

Cash and cash equivalents reconciliation

	Nine months ended 31 December	
	2010	2011
	(millions of Yen)	(millions of Yen)
Cash and deposits . . . . .	182,350	128,825
Time deposits with original maturity of more than three months . . . . .	(1,517)	(632)
Money Market Fund (MMF) included in trading instruments . . . . .	130	171
Deposit included in others (current assets) . . . . .	12	105
Cash and cash equivalents . . . . .	<u>180,976</u>	<u>128,469</u>

## VIII. Notes to Changes in Net Assets

### 1. Dividends

#### Dividend Paid

Nine months ended 31 December 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

Nine months ended 31 December 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 nine 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 31 December 2010 were ¥73,232 million and ¥236,916 million, respectively.

In the nine months ended 31 December 2011, the Company issued new shares of which payment dates were on 12 April 2011 and 9 May 2011, relating to the listing on the main board of the Hong Kong Stock Exchange and offering of Hong Kong depositary 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 31 December 2011 were ¥81,663 million and ¥248,728 million, respectively.

## IX. Segment Information

### 1. Information about reportable segments

Nine months ended 31 December 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 . . . .	14,971	33,215	20,636	17,077	85,901	10,659	96,561
Inter-segment revenue . . . . .	1	1,929	1,558	1	3,491	1,586	5,078
Total . . . . .	<u>14,973</u>	<u>35,145</u>	<u>22,194</u>	<u>17,079</u>	<u>89,393</u>	<u>12,246</u>	<u>101,639</u>
Segment operating income (loss)	4,674	4,169	171	2,483	11,498	(1,405)	10,092

(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.

Nine months ended 31 December 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 . . . .	27,221	30,650	29,002	12,714	99,589	5,131	104,720
Inter-segment revenue . . . . .	0	1,763	1,793	1	3,558	2,353	5,911
Total . . . . .	<u>27,221</u>	<u>32,413</u>	<u>30,796</u>	<u>12,716</u>	<u>103,147</u>	<u>7,484</u>	<u>110,632</u>
Segment operating income (loss)	14,194	2,557	(1,846)	2,110	17,016	(2,366)	14,649

(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	Nine months ended 31 December	
	2010	2011
	millions of Yen	millions of Yen
Total of reportable segments . . . . .	11,498	17,016
Losses of "Others" . . . . .	(1,405)	(2,366)
Elimination among segments . . . . .	(1,390)	(1,336)
Headquarters expenses (Note) . . . . .	(3,982)	(4,243)
Operating income of consolidated financial statements . . . . .	<u>4,719</u>	<u>9,069</u>

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



### 3. Impairment losses in each reportable segment

Impairment losses	Nine months ended 31 December	
	2010	2011
	millions of Yen	millions of Yen
Brokerage & Investment Banking Business (Note1) . . . . .	350	—
Financial Services Business . . . . .	5	—
Others (Note2) . . . . .	360	—
<b>Total . . . . .</b>	<b>716</b>	<b>—</b>

(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.

### X. Notes to Per Share Information

	Nine months ended 31 December	
	2010	2011
	Yen	Yen
Net income per share	79.63	14.12
Diluted net income per share	69.76	8.30

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

	Nine months ended 31 December	
	2010	2011
	(millions of Yen)	(millions of Yen)
Net income per share		
Net income for the period	1,510	310
Net income not attributable to common shareholders	—	—
Net income attributable to common shareholders	1,510	310
Average number of common shares outstanding during the period	18,972,108	21,990,326
Diluted net income per share		
Adjustment on net income for the period		
— Effect of dilutive shares issued by consolidated subsidiaries	(185)	(128)
Increased number of common shares	22,709	5,340

(Note)

The number of shares of the Company's stock held by the Stock Benefit Trust was not included in the average number of common shares outstanding during the period. Please refer to IV. Additional Information – "Stock Benefit Trust" for detailed information.

## XI. Event after the Reporting Period

### Issuance of Unsecured Straight Bonds

The Company issued its Unsecured Straight Bonds (“the Bonds”) of ¥30 billion pursuant to the resolution at the board meeting held on 22 December 2011. The Bonds were offered and issued in Japan. The details of the Bonds are as follows.

SBI Holdings, Inc. 4<sup>th</sup> Series of Unsecured Straight Bonds (with inter-bond pari passu clause)

(1) Total amount of issue	30 billion yen
(2) Denomination of each Bond	1 million yen
(3) Interest rate	2.16 per annum
(4) Issue price	100 yen per face-value of 100 yen
(5) Subscription period	From 16 January to 26 January 2012
(6) Payment date	30 January 2012
(7) Maturity date	30 January 2015
(8) Use of proceeds	Proceeds are expected to be applied to redemption of the Company’s bonds.
(9) Underwriters	Daiwa Securities Capital Markets Co., Ltd. SBI Securities Co., Ltd. Mizuho Securities Co., Ltd.
(10) Bond Administrator	Resona Bank, Limited

### Execution of Share Exchange Agreement

The Company and its consolidated subsidiary, SBI Net Systems Co., Ltd. (“SBI Net Systems”) announced that at each board meeting held on 26 October 2011 their respective boards of directors approved 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”).

The Share Exchange was implemented following the Share Exchange Agreement, and SBI Net Systems became a wholly-owned subsidiary of the Company on 1 February 2012. Final trading date and delisting date of SBI Net Systems’ shares were on 26 January 2012 and on 27 January 2012, respectively.

#### 1. 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 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.

The Company implemented the Share Exchange through the simplified share exchange arrangement pursuant to Article 796, Paragraph 3 of the Companies Act, and consequently, approval from its shareholders was not required.

(5) Summary of accounting treatment

Pursuant to “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 was accounted for the transactions under common control.

## 2. Type of Share and Share Exchange Ratio

(1) Type of share

Common shares

(2) Share exchange ratio and computation basis

The Company appointed KPMG FAS Co., Ltd. and SBI Net Systems appointed Hibiya Kansa Hojin as a valuator organization, and each requested to calculate an appropriate share exchange ratio and received their reports on the results.

Both valuation organizations used the market approach 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 set forth in the table below.

Company Name	The Company (Wholly-Owning Parent Company)	SBI Net Systems (Wholly-Owned Subsidiary)
Share exchange ratio	1	1.25

(3) Number of shares exchanged pursuant to the Share Exchange

149,330 shares

(4) Number of shares newly Issued by the Share Exchange

74,709 shares

Among the number of shares exchanged, the Company disposed of 74,621 shares of treasury stock, and newly issued shares of the Company’s stock for the remainder.

(TRANSLATION)

## Independent Accountants' Review Report

9 February 2012

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 31 December 2011, and the related interim consolidated statement of operations, interim consolidated statement of comprehensive income, and interim consolidated statement of cash flows for the nine-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 31 December 2011, and the consolidated results of their operations and their cash flows for the nine-month period then ended in conformity with accounting principles for interim consolidated financial statements generally accepted in Japan.

### Interest

Our firm and the engagement partners do not have any 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)

Interim Consolidated Statements of Changes in Net Assets and Notes to them, which are not required under the Consolidated Quarterly Financial Statements Rule, are as follows:

### I. Interim Consolidated Statements of Changes in Net Assets

	Nine months ended 31 December	
	2010	2011
Shareholders' equity		
Capital stock		
Balance at the end of previous year . . . . .	55,284	<b>73,236</b>
Changes during the period		
Issuance of new stock . . . . .	17,948	<b>8,427</b>
Total changes during the period . . . . .	17,948	<b>8,427</b>
Balance at the end of the period . . . . .	73,232	<b>81,663</b>
Capital surplus		
Balance at the end of previous year . . . . .	218,968	<b>236,920</b>
Changes during the period		
Issuance of new stock . . . . .	17,948	<b>8,427</b>
Increase through share exchanges . . . . .	—	<b>3,379</b>
Disposal of treasury stock . . . . .	(0)	—
Total changes during the period . . . . .	17,948	<b>11,807</b>
Balance at the end of the period . . . . .	236,916	<b>248,728</b>
Retained earnings		
Balance at the end of previous year . . . . .	87,276	<b>88,073</b>
Changes during the period		
Dividends . . . . .	(1,676)	<b>(2,391)</b>
Net income . . . . .	1,510	<b>310</b>
Adjustments due to change of scope of consolidation . . . . .	—	<b>(526)</b>
Adjustments due to change of scope of equity method . . . . .	(44)	<b>108</b>
Total changes during the period . . . . .	(210)	<b>(2,499)</b>
Balance at the end of the period . . . . .	87,066	<b>85,574</b>
Treasury stock		
Balance at the end of previous year . . . . .	(246)	<b>(246)</b>
Changes during the period		
Purchases of treasury stock . . . . .	—	<b>(2,938)</b>
Disposal of treasury stock . . . . .	—	<b>17</b>
Total changes during the period . . . . .	—	<b>(2,920)</b>
Balance at the end of the period . . . . .	(246)	<b>(3,167)</b>

	<b>Nine months ended 31 December</b>	
	2010	2011
<b>Total shareholders' equity</b>		
Balance at the end of previous year . . . . .	361,282	<b>397,983</b>
Changes during the period		
Issuance of new stock . . . . .	35,896	<b>16,855</b>
Increase through share exchanges . . . . .	—	<b>3,379</b>
Dividends . . . . .	(1,676)	<b>(2,391)</b>
Net income . . . . .	1,510	<b>310</b>
Adjustments due to change of scope of consolidation . . . . .	—	<b>(526)</b>
Adjustments due to change of scope of equity method . . . . .	(44)	<b>108</b>
Purchases of treasury stock . . . . .	—	<b>(2,938)</b>
Disposal of treasury stock . . . . .	(0)	<b>17</b>
Total changes during the period . . . . .	<u>35,686</u>	<u><b>14,815</b></u>
Balance at the end of the period . . . . .	<u>396,968</u>	<u><b>412,798</b></u>
<b>Accumulated other comprehensive (income)loss</b>		
<b>Unrealized losses on available-for-sale securities</b>		
Balance at the end of previous year . . . . .	(559)	<b>(3,902)</b>
Changes during the period		
Net changes other than shareholders' equity . . . . .	(3,283)	<b>(2,043)</b>
Total changes during the period . . . . .	<u>(3,283)</u>	<u><b>(2,043)</b></u>
Balance at the end of the period . . . . .	<u>(3,842)</u>	<u><b>(5,946)</b></u>
<b>Deferred gains (losses) on derivatives under hedge accounting</b>		
Balance at the end of previous year . . . . .	14	<b>(239)</b>
Changes during the period		
Net changes other than shareholders' equity . . . . .	(959)	<b>(3,470)</b>
Total changes during the period . . . . .	<u>(959)</u>	<u><b>(3,470)</b></u>
Balance at the end of the period . . . . .	<u>(944)</u>	<u><b>(3,710)</b></u>
<b>Foreign currency translation adjustments</b>		
Balance at the end of previous year . . . . .	(1,506)	<b>(3,012)</b>
Changes during the period		
Net changes other than shareholders' equity . . . . .	(2,151)	<b>(5,089)</b>
Total changes during the period . . . . .	<u>(2,151)</u>	<u><b>(5,089)</b></u>
Balance at the end of the period . . . . .	<u>(3,657)</u>	<u><b>(8,102)</b></u>

	<b>Nine months ended 31 December</b>	
	2010	2011
<b>Total accumulated other comprehensive (income)loss</b>		
Balance at the end of previous year . . . . .	(2,051)	<b>(7,155)</b>
Changes during the period		
Net changes other than shareholders' equity . . . . .	(6,393)	<b>(10,603)</b>
Total changes during the period . . . . .	(6,393)	<b>(10,603)</b>
Balance at the end of the period . . . . .	(8,444)	<b>(17,759)</b>
<b>Stock acquisition rights</b>		
Balance at the end of previous year . . . . .	11	11
Changes during the period		
Net changes other than shareholders' equity . . . . .	(0)	<b>(1)</b>
Total changes during the period . . . . .	(0)	<b>(1)</b>
Balance at the end of the period . . . . .	11	<b>10</b>
<b>Minority interests</b>		
Balance at the end of previous year . . . . .	69,372	<b>66,142</b>
Changes during the period		
Net changes other than shareholders' equity . . . . .	(1,844)	<b>(1,444)</b>
Total changes during the period . . . . .	(1,844)	<b>(1,444)</b>
Balance at the end of the period . . . . .	67,527	<b>64,698</b>
<b>Total net assets</b>		
Balance at the end of previous year . . . . .	428,615	<b>456,982</b>
Changes during the period		
Issuance of new stock . . . . .	35,896	<b>16,855</b>
Increase through share exchanges . . . . .	—	<b>3,379</b>
Dividends . . . . .	(1,676)	<b>(2,391)</b>
Net income . . . . .	1,510	<b>310</b>
Adjustments due to change of scope of consolidation . . . . .	—	<b>(526)</b>
Adjustments due to change of scope of equity method . . . . .	(44)	<b>108</b>
Purchases of treasury stock . . . . .	—	<b>(2,938)</b>
Disposal of treasury stock . . . . .	(0)	<b>17</b>
Net changes other than shareholders' equity . . . . .	(8,238)	<b>(12,049)</b>
Total changes during the period . . . . .	27,447	<b>2,765</b>
Balance at the end of the period . . . . .	456,063	<b>459,748</b>



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

### Outstanding number of shares of capital stock and treasury stock

Nine months ended 31 December 2010	As at 31 March 2010 (share)	Increase (share)	Decrease (share)	As at 31 December 2010 (share)
Outstanding capital stock				
Common shares (Note 1, 2)	16,782,291	3,160,881	—	19,943,172
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 48,881 was due to exercise of stock acquisition rights.

The amount of capital stock and capital surplus as at 31 December 2010 were ¥73,232 million and ¥236,916 million, respectively.

Nine months ended 31 December 2011	As at 31 March 2011 (share)	Increase (share)	Decrease (share)	As at 31 December 2011 (share)
Outstanding capital stock				
Common shares (Note 1, 2)	19,944,018	2,432,216	—	22,376,234
Treasury stock				
Common shares (Note 2, 3, 4)	14,621	455,200	—	469,821

(Notes)

1. The Company issued new shares of which payment dates were on 12 April 2011 and 9 May 2011, relating to the listing on the main board of the Hong Kong Stock Exchange and offering of Hong Kong depositary 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 shares of treasury stock increased by 60,000.

3. The Company repurchased its own 321,373 shares for ¥1,999 million aiming to improve capital efficiency and to make possible agile financial strategy with its treasury stock taking the situation that its stock price was undervalued against the market and industry average into consideration.

4. Stock Benefit Trust purchased the Company's 73,827 shares for ¥462 million, and they were accounted for as treasury stock. Please refer to Notes to Interim Consolidated Financial Statements - IV. Additional Information - "Stock Benefit Trust" for detailed information.

As stated above, Capital stock, Capital surplus, and Treasury stock increased to ¥81,663 million, ¥248,728 million, and ¥3,167 million, respectively.

## 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 nine-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)

	<u>As at 31 December 2011</u>
Total assets under JGAAP . . . . .	1,546,025
Material quantifiable effects for different accounting treatments:	
(i) Consolidation — small size entities . . . . .	78
(ii) Consolidation — venture capital investments . . . . .	10,564
(iii), (v), (vii) Business combination . . . . .	18,640
(iv) Changes in parent’s ownership interest in subsidiaries . . . . .	(93,896)
(vi) Loss of significant influence . . . . .	—
(viii) Non-fair valued available-for-sale investments . . . . .	2,380
(ix) Investments in associates/affiliates . . . . .	(1,035)
(x) Statutory reserve . . . . .	—
(xi) Deferred charges . . . . .	(7,918)
(xii) Securitization . . . . .	55,469
(xiii) Deferred tax . . . . .	—
Total assets as adjusted for the above material quantifiable effects . . . . .	<u>1,530,308</u>

	<b>As at 31 December 2011</b>
Total liabilities under JGAAP . . . . .	1,086,277
Material quantifiable effects for different accounting treatments:	
(i) Consolidation — small size entities . . . . .	1,865
(ii) Consolidation — venture capital investments . . . . .	14,302
(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 . . . . .	(4,431)
(xi) Deferred charges . . . . .	—
(xii) Securitization . . . . .	55,536
(xiii) Deferred tax . . . . .	3,943
Total liabilities as adjusted for the above material quantifiable effects . . . . .	1,157,684

	<b>As at 31 December 2011</b>
Total equity (total net assets) under JGAAP . . . . .	459,748
Material quantifiable effects for different accounting treatments:	
(i) Consolidation — small size entities . . . . .	(1,786)
(ii) Consolidation — venture capital investments . . . . .	(3,738)
(iii), (v), (vii) Business combination . . . . .	18,450
(iv) Changes in parent's ownership interest in subsidiaries . . . . .	(93,896)
(vi) Loss of significant influence . . . . .	—
(viii) Non-fair valued available-for-sale investments . . . . .	2,380
(ix) Investments in associates/affiliates . . . . .	(1,035)
(x) Statutory reserve . . . . .	4,431
(xi) Deferred charges . . . . .	(7,918)
(xii) Securitization . . . . .	(66)
(xiii) Deferred tax . . . . .	(3,943)
Total equity as adjusted for the above material quantifiable effects . . . . .	372,624

	<b>Nine months ended 31 December 2011</b>
Total comprehensive income (loss) for the period under JGAAP . . . . .	(7,291)
Material quantifiable effects for different accounting treatments:	
(i) Consolidation — small size entities . . . . .	(259)
(ii) Consolidation — venture capital investments . . . . .	(742)
(iii), (v), (vii) Business combination . . . . .	5,821
(iv) Changes in parent's ownership interest in subsidiaries . . . . .	(289)
(vi) Loss of significant influence . . . . .	—
(viii) Non-fair valued available-for-sale investments . . . . .	(1,763)
(ix) Investments in associates/affiliates . . . . .	(644)
(x) Statutory reserve . . . . .	(765)
(xi) Deferred charges . . . . .	(2,203)
(xii) Securitization . . . . .	(33)
(xiii) Deferred tax . . . . .	1,113
Total comprehensive income (loss) for the period as adjusted for the above material quantifiable effects . . . . .	<u>(7,058)</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 31 December 2011, there were 46 small size entities controlled by the Group.
- (ii) As at 31 December 2011, there were 12 investee companies which the Group owned more than 50% equity interests that had been excluded from consolidation under JGAAP.
- (Viii) As at 31 December 2011, the Group has investments in 247 non-fair valued entities with less than 20% interests including those held by subsidiaries with carrying amounts of ¥25,715 million that would need to be measured at fair value under IFRS.
- (ix) As at 31 December 2011, the Group invested in approximately 82 entities over which it was able to exercise significant influence.