



SBI HOLDINGS, INC.

First Quarterly Report 2013 / 14

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Corporate Profile

Board of Directors

Executive Directors

Mr. Yoshitaka Kitao (Chairman and Representative Director, President and Chief Executive Officer)
Mr. Taro Izuchi (Director, Senior Executive Vice President and Chief Operating Officer)
Mr. Takashi Nakagawa (Director and Senior Managing Executive Officer)
Mr. Tomoya Asakura (Director and Senior Managing Executive Officer)
Mr. Shumpei Morita (Director, Managing Executive Officer and Chief Financial Officer)
Mr. Noriaki Maruyama (Director and Managing Executive Officer)
Mr. Peilung Li (Director and Executive Officer)

Non-Executive Directors

Mr. Masato Takamura (Director)
Mr. Hiroshi Tasaka (Director)
Mr. Teruhide Sato (Outside Director)

Independent non-executive directors

Mr. Masaki Yoshida (Director)
Mr. Kiyoshi Nagano (Outside Director)
Mr. Keiji Watanabe (Outside Director)
Mr. Akihiro Tamaki (Outside Director)
Mr. Masanao Marumono (Outside Director)

Statutory Auditors

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

Joint Company Secretary

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

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
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89 Queensway
Hong Kong

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

Stock Code

Hong Kong: 6488
Japan: 8473

Website Address

www.sbigroup.co.jp

Financial Highlights

Financial Summary

Term	The 15 th Term	The 16 th Term	The 15 th Term
Accounting Period	Three months ended 30 June 2012	Three months ended 30 June 2013	Fiscal year ended 31 March 2013
Operating revenue (Millions of Yen)	36,599	80,105	153,476
Operating income (Millions of Yen)	3,906	31,278	16,577
Profit attributable to owners of SBI Holdings, Inc. (the "Company") (Millions of Yen)	1,403	16,269	3,202
Comprehensive income/(loss) attributable to owners of the Company (Millions of Yen)	(2,038)	20,474	10,839
Equity attributable to owners of the Company (Millions of Yen)	289,198	321,441	303,299
Total assets (Millions of Yen)	1,581,394	2,777,654	2,494,387
Total liabilities (Millions of Yen)	1,231,851	2,397,973	2,133,852
Basic earnings per share attributable to owners of the Company (Yen)	6.41	75.17	14.75
Diluted earnings per share attributable to owners of the Company (Yen)	6.40	75.16	14.75
Ratio of equity attributable to owners of the Company (%)	18.3	11.6	12.2
Net cash from (used in) operating activities (Millions of Yen)	38,117	69,226	(36,984)
Net cash from (used in) investing activities (Millions of Yen)	10,806	4,374	(19,060)
Net cash from (used in) financing activities (Millions of Yen)	(47,438)	(33,462)	25,699
Cash and cash equivalents at the end of the period (Millions of Yen)	159,259	175,154	133,362

(Notes)1. The Company prepared the consolidated financial statements in accordance with International Financial Reporting Standards.

2. The Company conducted a 10 for 1 stock split, effective on 1 October 2012. The calculations of basic and diluted earnings per share are based on the new number of shares and adjusted retrospectively, assuming that the stock split was conducted at the beginning of the fiscal year ended 31 March 2012.
3. Operating revenue does not include consumption taxes.

Management Discussion and Analysis

Business Description

In the three months ended 30 June 2013, there were no significant changes in the nature of business of SBI Holdings, Inc. (“the Company”) and its subsidiaries (the “Group”), and group associates and joint ventures.

Business Review

1. Business and Operational Risks

The business risks and other risks affecting the Group’s business which were disclosed in the last annual report may have a material impact on investors’ investment decisions. From the point of disclosing information, risk factors which may not completely match the investment decisions are also listed in the last annual report. In recognizing these latent risks, the Company will work to avoid any such risks and take appropriate measures in the event that any such risk arises.

For the three months ended 30 June 2013, there were no new business or operational risks generated in the Group. Also, for the three months ended 30 June 2013, there were no changes of business and operational risks that were identified and presented in the Group’s annual report for the year ended 31 March 2013.

At the Board of Directors meeting on July 16, 2013, the Company resolved to enter into an agreement to acquire all of the outstanding shares in PCA Life Insurance Co., Ltd. (“PCA Life Insurance”), a Japanese arm of the Prudential plc, subject to the authorization or permission by the relevant authorities in Japan, aiming to convert PCA Life Insurance into a subsidiary.

The Group, as part of its overall strategy, has considered reentering the life insurance business, will aim at reentering the life insurance business in Japan through the acquisition of PCA Life Insurance’s shares. If the above authorization or permission is not obtained from the authorities concerned, there is a possibility that the Company may be unable to make PCA Life Insurance into its subsidiary. Furthermore, in the future development of the business, if it occurs the necessity to bear any liability, cost and responsibility, which have not been expected, it may have an adverse effect on the Group’s financial condition and results of operations.

Please refer to Notes to Interim Condensed Consolidated Financial Statements – “12. Events after the Reporting Date” for the detailed information regarding the share acquisition of PCA Life Insurance Co., Ltd.

2. Significant Contracts in Business Operations

There were no new significant contracts in business operations during the three months ended 30 June 2013.

3. Financial Analysis

Forward-looking descriptions provided herein are based on judgments of the Group as at the reporting date for the three months ended 30 June 2013.

(1) Results of Operations

The Group's consolidated results of operations for the three months ended 30 June 2013 were as follows. Operating revenue increased 118.9% year-on-year to ¥80,105 million, operating income rose 700.8% to ¥31,278 million, profit before income tax expense increased 787.5% to ¥30,457 million, and profit attributable to owners of the Company rose 1,059.2% to ¥16,269 million.

The results of operations for each reporting segment of the Group for the three months ended 30 June 2013 were as follows.

	Operating revenue			Profit before income tax expense		
	Three months ended 30 June 2012	Three months ended 30 June 2013		Three months ended 30 June 2012	Three months ended 30 June 2013	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	23,668	38,480	62.6	659	9,921	1,404.8
Asset Management Business	11,639	38,990	235.0	5,087	21,925	331.0
Biotechnology-related Business	276	1,272	360.0	(687)	71	—
Total	35,583	78,742	121.3	5,059	31,917	530.9
Others	1,663	1,738	4.5	134	201	49.7
Elimination	(647)	(375)	—	(1,761)	(1,661)	—
Consolidation	36,599	80,105	118.9	3,432	30,457	787.5

(% represents year-on-year changes)

(Financial Services Business)

Financial Services Business consists of a wide range of financial related business and the provision of information regarding financial products, including securities brokerage business, banking services business, property and casualty insurance business, financing business offering mortgage loans, credit card business, and leasing business.

The results of operation of Financial Services Business for the three months ended 30 June 2013 were as follows. Operating revenue increased 62.6% year-on-year to ¥38,480 million, and profit before income tax expense increased 1,404.8% to ¥9,921 million.

(Asset Management Business)

Asset Management Business primarily consists of fund management and investment in internet technology, biotechnology, environment energy and financial-related venture companies in Japan and overseas.

The results of operation of Asset Management Business for the three months ended 30 June 2013 were as follows. Operating revenue increased 235.0% year-on-year to ¥38,990 million, and profit before income tax expense rose 331.0% to ¥21,925 million. Operating revenue in this reporting segment represents operating revenues arising from operational investment securities and includes the changes of fair values of those investment securities. The results of operations of the Group's investees which are deemed to be controlled by the Group are consolidated into the results of operations of this reporting segment.

(Biotechnology-related Business)

Biotechnology-related Business represents development and distribution of pharmaceutical products with 5-aminolevulinic acid (ALA) (*), a kind of amino acid which exists in vivo, medicines for cancer, and immune related medicines.

The results of operation of Biotechnology-related Business for the three months ended 30 June 2013 were as follows. Operating revenue increased 360.0% year-on-year to ¥1,272 million, and profit before income tax expense amounted to ¥71 million for the three months ended 30 June 2013 (¥687 million of loss before income tax benefit for the three months ended 30 June 2012).

(*) 5-aminolevulinic acid (ALA) is an amino acid generated by mitochondria in the human body and an important substance used to produce heme or cytochrome, proteins to generate energy. The production of ALA in the human body decreases with aging. ALA is included in food products including slops of distilled spirits, red wine, and radish shoots. ALA is also known as chloroplastic substance of plant.

(2) Financial Positions and Cash Flows

As at 30 June 2013, total assets resulted in ¥2,777,654 million and increased by ¥283,267 million from total assets of ¥2,494,387 million as at 31 March 2013. The Group's equity rose by ¥19,146 million to ¥379,681 million from the fiscal year ended 31 March 2013. As at 30 June 2013, the Group's cash and cash equivalents amounted ¥175,154 million and increased by ¥41,792 million from that of ¥133,362 million as at 31 March 2013. The changes of cash flows for each activity and the reasons for changes are as follows:

(Operating Cash Flows)

Cash flows from operating activities resulted in ¥69,226 million of net cash inflows (¥38,117 million of net cash inflows for the three months ended 30 June 2012). The net cash inflows was primarily due to ¥30,457 million cash inflows for increase in profit before income tax expense, ¥27,851 million cash inflows for increase in operational liabilities and other liabilities and ¥30,421 million cash inflows for decrease in assets/liabilities related to securities business, despite ¥15,573 million cash outflows for increase in operational investment securities.

(Investing Cash Flows)

Cash flows from investing activities resulted in ¥4,374 million of net cash inflows (¥10,806 million of net cash inflows for the three months ended 30 June 2012). The net cash inflows was primarily due to ¥5,463 million cash inflows for proceeds from sales of investment securities.

(Financing Cash Flows)

Cash flows from financing activities amounted ¥33,462 million of net cash outflows (¥47,438 million of net cash outflows for the three months ended 30 June 2012). The net cash outflows was primarily due to ¥23,526 million cash outflows for decrease in short term loans payable and ¥11,900 million cash outflows for repayment of long term loans payable, despite ¥5,294 million cash inflows for proceeds from long term loans payable.

(3) Operational and Financial Assignment

For the three months ended 30 June 2013, there were no significant changes in the assignments for the Group's operational and financial activities.

(4) Research & Development

The research and development expenses of the Group amounted to ¥760 million on a consolidated basis for the three months ended 30 June 2013. There were no significant changes of the Group's research and development activities during the three months ended 30 June 2013.

Information about the Reporting Entity

1. Stock Information

(1) Number of Shares

(a) Total number of shares

Type	Number of authorized shares (Shares)
Ordinary shares	341,690,000
Total	341,690,000

(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.

(b) Issued shares

Type	Numbers of shares issued as at 30 June 2013	Numbers of shares issued as at the filing date 13 August 2013	Name of listed financial instruments exchange or name of registered authorized financial instruments exchange association	Content
Ordinary shares	224,534,961	224,561,761	First section of Tokyo Stock Exchange Main Board of the Hong Kong Stock Exchange (Note 2)	100 shares as one unit
Total	224,534,961	224,561,761	—	—

(Notes) 1. Numbers of shares issued as at the filing date does not include the number of shares issued through the exercise of stock acquisition rights during the period from 1 August 2013 to the filing date.

2. The Company listed Hong Kong Depository Receipts representing its ordinary shares on the Main Board of the Hong Kong Stock Exchange.

(2) Voting Rights and Principal Shareholders

Since the details of the shareholders' register as at 30 June 2013 are unavailable, the information about voting rights and principal shareholders as at 30 June 2013 is not presented herein.

Please refer to the last annual report for the latest available information about voting rights and principal shareholders as at 31 March 2013.

2. Board of Directors

There have been no nominations or terminations of directors from the release of the last annual report to the release of this quarterly report.

Financial Section

Preparation of Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements of the Group were prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (hereinafter referred to as “IAS 34”) pursuant to Article 93 of the Rules Governing Term, Form and Preparation of Quarterly Consolidated Financial Statements (Cabinet Office Order the 64th, 2007).

Review Certification

Pursuant to the first clause of Article 193-2 of the Financial Instruments and Exchange Act, the interim condensed consolidated financial statements of the Group for the three months ended 30 June 2013 are reviewed by Deloitte Touche Tohmatsu LLC.

Interim Condensed Consolidated Financial Statements
Interim Condensed Consolidated Statement of Financial Position

	Notes	As at 31 March 2013	As at 30 June 2013
		Millions of Yen	Millions of Yen
Assets			
Cash and cash equivalents		133,362	175,154
Trade and other accounts receivable	5	412,477	381,531
Assets related to securities business			
Cash segregated as deposits		846,445	962,864
Margin transaction assets		164,935	181,563
Other assets related to securities business		422,265	540,978
Total assets related to securities business	5	1,433,645	1,685,405
Other financial assets	5	26,694	28,629
Operational investment securities	5	119,268	140,552
Other investment securities	5	57,209	54,135
Investments in associates and joint ventures		35,689	35,402
Investment properties		36,355	37,816
Property and equipment		10,517	11,102
Intangible assets		185,581	186,976
Other assets		29,928	29,897
Deferred tax assets		13,662	11,055
Total assets		<u>2,494,387</u>	<u>2,777,654</u>
Liabilities			
Bonds and loans payable	5	344,360	311,982
Trade and other accounts payable		48,894	77,729
Liabilities related to securities business			
Margin transaction liabilities		153,612	81,485
Loans payable secured by securities		135,609	208,445
Deposits from customers		387,310	478,838
Guarantee deposits received		372,440	470,663
Other liabilities related to securities business		255,634	347,847
Total liabilities related to securities business	5	1,304,605	1,587,278
Customer deposits for banking business	5	376,177	355,077
Income tax payable		2,192	1,990
Other financial liabilities		35,371	35,103
Other liabilities		15,430	15,921
Deferred tax liabilities		6,823	12,893
Total liabilities		<u>2,133,852</u>	<u>2,397,973</u>
Equity			
Capital stock	9	81,668	81,675
Capital surplus		160,550	160,401
Treasury stock	9	(5,117)	(5,137)
Other component of equity		6,196	9,279
Retained earnings		60,002	75,223
Equity attributable to owners of the Company		303,299	321,441
Non-controlling interests		57,236	58,240
Total equity		<u>360,535</u>	<u>379,681</u>
Total liabilities and equity		<u>2,494,387</u>	<u>2,777,654</u>

Interim Condensed Consolidated Statements of Income and Comprehensive Income
Interim Condensed Consolidated Statement of Income

	Notes	Three months ended 30 June 2012 Millions of Yen	Three months ended 30 June 2013 Millions of Yen
Operating revenue	6,7	36,599	80,105
Operating expense			
Operating cost		(12,596)	(17,494)
Financial cost	8	(1,085)	(5,158)
Selling, general and administrative expenses		(17,567)	(24,459)
Other expenses		(598)	(915)
Total Operating expense		(31,846)	(48,026)
Share of losses of associates and joint ventures using the equity method		(847)	(801)
Operating income		3,906	31,278
Other financial income and cost			
Other financial income	7	148	64
Other financial cost	8	(622)	(885)
Total Other financial income and cost		(474)	(821)
Profit before income tax expense	6	3,432	30,457
Income tax expense			
Current		(754)	(4,558)
Deferred		(399)	(8,070)
Total Income tax expense		(1,153)	(12,628)
Profit for the period		2,279	17,829
Profit for the period attributable to			
Owners of the Company		1,403	16,269
Non-controlling interests		876	1,560
Profit for the period		2,279	17,829
Earnings per share attributable to owners of the Company			
Basic (Yen)	11	6.41	75.17
Diluted (Yen)	11	6.40	75.16

Interim Condensed Consolidated Statement of Comprehensive Income

Notes	Three months ended 30 June 2012 Millions of Yen	Three months ended 30 June 2013 Millions of Yen
Profit for the period	2,279	17,829
Other comprehensive income/(loss) which will not be reclassified subsequently to profit or loss		
FVTOCI financial assets	(294)	1,125
Other comprehensive income/(loss) which will be reclassified subsequently to profit or loss		
Currency translation differences	(3,301)	3,186
Hedging instruments for cash flow hedges	49	—
Other comprehensive income/(loss), net of tax	(3,546)	4,311
Total Comprehensive income/(loss)	(1,267)	22,140
Total comprehensive income/(loss) attributable to		
Owners of the Company	(2,038)	20,474
Non-Controlling interests	771	1,666
Total Comprehensive income/(loss)	(1,267)	22,140

Interim Condensed Consolidated Statement of Changes in Equity

Three months ended 30 June 2012

		Attributable to owners of the Company						Non-controlling interests	Total equity
Notes	Capital Stock	Capital Surplus	Treasury Stock	Other Component of equity	Retained earnings	Total			
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen			
	As at 1 April 2012	81,665	160,471	(3,180)	(1,363)	58,930	296,523	55,382	351,905
	Profit for the period	—	—	—	—	1,403	1,403	876	2,279
	Other comprehensive income/(loss)	—	—	—	(3,441)	—	(3,441)	(105)	(3,546)
	Total comprehensive income/(loss)	—	—	—	(3,441)	1,403	(2,038)	771	(1,267)
	Dividends paid	10	—	—	—	(2,208)	(2,208)	(143)	(2,351)
	Treasury shares purchased	9	—	—	(2,000)	—	(2,000)	—	(2,000)
	Treasury shares sold	9	—	—	16	—	16	—	16
	Changes of interests in subsidiaries without losing control		—	(1,095)	—	—	(1,095)	4,335	3,240
	Transfer		—	—	(40)	40	—	—	—
	As at 30 June 2012	81,665	159,376	(5,164)	(4,844)	58,165	289,198	60,345	349,543

Three months ended 30 June 2013

		Attributable to owners of the Company						Non-controlling interests	Total equity
Notes	Capital Stock	Capital Surplus	Treasury Stock	Other Component of equity	Retained earnings	Total			
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen			
	As at 1 April 2013	81,668	160,550	(5,117)	6,196	60,002	303,299	57,236	360,535
	Profit for the period	—	—	—	—	16,269	16,269	1,560	17,829
	Other comprehensive income/(loss)	—	—	—	4,205	—	4,205	106	4,311
	Total comprehensive income/(loss)	—	—	—	4,205	16,269	20,474	1,666	22,140
	Issuance of new stock	9	7	7	—	—	14	—	14
	Dividends paid	10	—	—	—	(2,170)	(2,170)	(365)	(2,535)
	Treasury shares purchased	9	—	—	(31)	—	(31)	—	(31)
	Treasury shares sold	9	—	1	11	—	12	—	12
	Changes of interests in subsidiaries without losing control		—	(157)	—	—	(157)	(297)	(454)
	Transfer		—	—	(1,122)	1,122	—	—	—
	As at 30 June 2013	81,675	160,401	(5,137)	9,279	75,223	321,441	58,240	379,681

Interim Condensed Consolidated Statement of Cash Flows

Notes	Three months ended	Three months ended
	30 June 2012	30 June 2013
	Millions of Yen	Millions of Yen
Net cash from operating activities		
	3,432	30,457
Profit before income tax expense		
Depreciation and amortization	1,863	2,667
Share of losses of associates and joint ventures using the equity method	847	801
Interest and dividend income	(4,685)	(17,941)
Interest expense	1,704	5,918
Increase in operational investment securities	(6,341)	(15,573)
Decrease in accounts receivables and other receivables	15,400	24,262
Increase in operational liabilities and other liabilities	2,731	27,851
Decrease in assets/liabilities related to securities business	23,547	30,421
Decrease in customer deposits for banking business	—	(27,745)
Others	1,433	(753)
Subtotal	39,931	60,365
Interest and dividend income received	4,569	18,102
Interest expense paid	(1,635)	(6,776)
Income taxes paid	(4,748)	(2,465)
Net cash from operating activities	38,117	69,226
Net cash from investing activities		
Purchases of intangible assets	(1,011)	(1,163)
Purchases of investment securities	(2,729)	(1,641)
Proceeds from sales of investment securities	342	5,463
Acquisition of subsidiaries, net of cash and cash equivalents acquired	—	(2,057)
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	13,000	2,862
Payments of loans receivable	(1,738)	(859)
Collection of loans receivable	1,808	2,859
Others	1,134	(1,090)
Net cash from investing activities	10,806	4,374

Notes	Three months ended	Three months ended
	30 June 2012	30 June 2013
	Millions of Yen	Millions of Yen
Net cash used in financing activities		
Decrease in short term loans payable	(13,829)	(23,526)
Proceeds from long-term loans payable	200	5,294
Repayment of long-term loans payable	(5,004)	(11,900)
Redemption of bonds payable	(30,540)	—
Proceeds from stock issuance	—	14
Proceeds from stock issuance to non-controlling interests	1,916	13
Contributions from non-controlling interests in consolidated investment funds	112	116
Cash dividend paid	(2,079)	(2,029)
Cash dividend paid to non-controlling interests	(123)	(362)
Distributions to non-controlling interests in consolidated investment funds	(17)	(521)
Purchase of treasury stock	(2,000)	(31)
Proceeds from sale of interests in subsidiaries to non-controlling interests	4,347	19
Payments for purchase of interests in subsidiaries from non-controlling interests	(91)	(69)
Others	(330)	(480)
Net cash used in financing activities	(47,438)	(33,462)
Net increase in cash and cash equivalents	1,485	40,138
Cash and cash equivalents at the beginning of the period	159,833	133,362
Effect of changes in exchange rate on cash and cash equivalents	(2,059)	1,654
Cash and cash equivalents at the end of the period	159,259	175,154

Notes to Interim Condensed Consolidated Financial Statements

1. Reporting Entity

SBI Holdings, Inc. (the "Company") was incorporated in Japan. The interim condensed consolidated financial statements of the Company consist of the Company, its subsidiaries (hereinafter referred to as the "Group") and interests in the Group's associates and joint ventures. The Group is engaged in various businesses, which primarily consist of three key businesses: "Financial Services Business", "Asset Management Business" and "Biotechnology-related Business". See Note 6 "Segment Information" for additional information on each business.

2. Basis of Preparation

Since the Company meets the criteria of "Specific company" defined in item 1 under the first clause of Article 1-2 of the Rules Governing Term, Form and Preparation of Consolidated Financial Statements (Financial Ministerial Order the 28th, 1976), the interim condensed consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards pursuant to Article 93 of the Rules Governing Term, Form and Preparation of Quarterly Consolidated Financial Statements (Cabinet Office Order the 64th, 2007).

Since the interim condensed consolidated financial statements do not include all the information required for consolidated financial statements since they were prepared in accordance with IAS 34, they should be read in conjunction with the basis presented in the consolidated financial statements for the year ended 31 March 2013.

The interim condensed consolidated financial statements were approved and authorized for issue by Yoshitaka Kitao, the Company's Representative Director, President and CEO, and Shumpei Morita, Director, Managing Executive Officer and CFO on 12 August 2013.

3. Significant Accounting Policies

Except for the following standards that have been newly applied, the accounting policies presented in the consolidated financial statements for the year ended 31 March 2013 are applied consistently in the preparation of these interim condensed consolidated financial statements.

The Group adopted the following new and revised standards and interpretations for the preparation of these interim condensed consolidated financial statements. There is no significant impact to the interim condensed consolidated financial statements through adoption.

	Statement of standards	Summary of new standards and amendments
IFRS 10	Consolidated Financial Statements	Clarifications on definition of control as the basis for consolidation, which shall be adopted by all companies
IFRS 11	Joint Arrangements	Classification and accounting treatment relevant to arrangement under joint control based on contractual agreement rather than legal form
IFRS 12	Disclosure of Interests in Other Entities	Broaden the disclosure with regard to interests in other entities including unconsolidated entities
IFRS 13	Fair Value Measurement	Provide guidance for measurement of fair valued applied in all the standards
IAS 1	Presentation of Financial Statements	Amendment to presentation of items of other comprehensive income
IAS 19	Employee Benefits	Recognition of actuarial differences and past service cost Presentation and disclosure of post-employment benefits
IAS 28	Investments in Associates and Joint Ventures	Amendments based on the publishing of IFRS 10, IFRS 11 and IFRS 12
IAS 34	Interim Financial Reporting	Disclosure requirements for interim financial report regarding note to fair value

4. Use of Estimates and Judgments

In the preparation of the Group's interim condensed consolidated financial statements, management of the Company is required to make estimates, judgments and assumptions about the reporting amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

The estimates and underlying assumptions which have significant impact on these interim condensed consolidated financial statements are the same as those of the consolidated financial statements for the year ended 31 March 2013.

5. Fair Value of Financial Instruments

(1) Fair value measurements

The methods for measuring fair value of financial assets and financial liabilities in the consolidated financial statements for the year ended 31 March 2013 are applied consistently in the preparation of these interim condensed consolidated financial statements.

(2) Financial instruments measured at amortized cost

The table below presents the carrying amounts and the fair values of financial assets and liabilities measured at amortized cost.

	As at 31 march 2013		As at 30 June 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Financial assets measured at amortized cost				
Trade and other accounts payable	412,477	413,240	381,531	382,477
Financial liabilities measured at amortized cost				
Bonds and loans payable	344,360	344,885	311,982	312,418
Deposits from customers	<u>376,177</u>	<u>376,177</u>	<u>355,077</u>	<u>355,896</u>

(3) Financial instruments measured at fair value

"IFRS 7 Financial Instruments: Disclosures" requires measurement of fair value to be categorized into three levels with reference to the fair value hierarchy that reflects the significance of the inputs used in making fair value measurements.

The fair value hierarchy is defined as below:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

A financial instrument's level within the fair value hierarchy is determined based on the lowest level of input that is significant to the measurement.

Transfer of financial instruments among the levels of hierarchy is recognized at the date when the cause of the transfer or change in circumstances occurs.

The table below presents the fair value hierarchy of financial assets and liabilities measured at fair value in the interim condensed consolidated statement of financial position of the Group.

	As at 31 March 2013			
	Level 1	Level 2	Level 3	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Financial assets				
Assets related to securities business	3,407	—	—	3,407
Other financial assets	270	—	—	270
Operational investment securities and other investment securities				
Financial assets at FVTPL	19,797	—	149,399	169,196
Financial assets at FVTOCI	4,663	—	2,618	7,281
Total financial assets	28,137	—	152,017	180,154
Financial liabilities				
Liabilities related to securities business	225	—	—	225
Total financial liabilities	225	—	—	225

	As at 30 June 2013			
	Level 1	Level 2	Level 3	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Financial assets				
Assets related to securities business	5,642	—	—	5,642
Other financial assets	375	—	—	375
Operational investment securities and other investment securities				
Financial assets at FVTPL	43,898	—	147,629	191,527
Financial assets at FVTOCI	442	—	2,718	3,160
Total financial assets	50,357	—	150,347	200,704
Financial liabilities				
Liabilities related to securities business	69	—	—	69
Total financial liabilities	69	—	—	69

(4) Financial instruments categorized as level 3

Based on the valuation methods and policies approved by directors in charge of the Asset Management Business, external evaluating agencies and appropriate individuals of the Group measure and analyze the valuation of financial instruments categorized as level 3 of the fair value hierarchy. The valuation results are approved by the directors.

The valuation techniques and unobservable inputs used for recurring fair value measurements categorized as Level 3 are as follows:

As at 30 June 2013				
	Fair value	Valuation technique	Unobservable inputs	Range
	Millions of yen			
Operational investment securities and other investment securities	150,347	Income approach and market approach	Discount rate P/E ratio EBITDA ratio	10% ~ 35% 11.7 ~ 24.2 4.4 ~ 5.8

Within the fair value of financial instruments categorized as level 3 by recurring fair value measurements, that of “Operational investment securities” and “Other investment securities” which is measured through income approach or market approach increases (decreases) when discount rate decreases (increases), when P/E ratio increases (decreases), or when EBITDA ratio increases (decreases).

There would be no significant impact to the fair value of financial instruments categorized as level 3 even if unobservable inputs are changed to reasonably possible alternative assumptions.

The movement of financial instruments categorized as level 3 is presented as follows:

For the three months ended 30 June 2013

	Trade and other	Operational investment securities and		Total
	accounts receivable	other investment securities		
		Financial assets at	Financial assets at	
		FVTPL	FVTOCI	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at 1 April 2013	—	149,399	2,618	152,017
Purchase	—	3,835	—	3,835
Comprehensive income				
Net profit (loss) (Note1)	—	(5,142)	—	(5,142)
Other comprehensive	—	—	0	0
income/(loss) (Note2)				
Dividends	—	(777)	—	(777)
Sale	—	(231)	—	(231)
Currency translation	—	1,927	100	2,027
differences				
Others (Note 3)	—	(2)	—	(2)
Transferred from Level 3	—	(1,380)	—	(1,380)
(Note 4)				
Balance as at 30 June 2013	—	147,629	2,718	150,347

Notes:

1. Gains and losses recognized as profit (loss) for the period in relation to financial instruments are included in "Operating revenue" in the interim condensed consolidated statement of income. Gains and losses recognized arising from financial assets at FVTPL held as at 30 June 2013 was ¥4,996 million of losses.
2. Gains and losses recognized as other comprehensive income (loss) in relation to financial instruments are included in "FVTOCI financial assets" in the interim condensed consolidated statement of comprehensive Income.
3. Transfer due to obtaining of control.
4. Transfer due to significant input used to measure fair value becoming observable.

(5) Investment portfolio

Operational investment securities and other investment securities as at 31 March 2013, and 30 June 2013 consisted of the following:

	As at 31 March 2013	As at 30 June 2013
	Millions of Yen	Millions of Yen
Operational investment securities		
Listed equity securities	7,617	31,223
Unlisted equity securities	78,690	76,870
Debt securities	650	1,154
Investments in funds	31,448	30,672
Other	863	633
Total	<u>119,268</u>	<u>140,552</u>
Other investments securities		
Listed equity securities	8,456	5,352
Unlisted equity securities	2,974	2,930
Debt securities	43,137	43,301
Investments in funds	2,102	2,028
Other	540	524
Total	<u>57,209</u>	<u>54,135</u>

6. Segment Information

The Group engages in a wide range of business activities, primarily online financial service businesses and investment activities in Japan and overseas. Based on the similarities or economic characteristics of business or nature of services, “Financial Services Business”, “Asset Management Business”, and “Biotechnology-related Business”, which is the most growing business in the Group, are determined as reportable segments.

The reporting segments of the Group represent businesses activities for which separate financial information of the Group’s components is available and reviewed regularly by the board of directors for the purpose of allocation of financial resources and performance evaluation.

The following is a description of business activities for the reporting segments.

“Financial Services Business”

The Financial Services Business consists of a wide range of finance related business and the provision of information regarding financial products, including securities brokerage business, banking services business, property and casualty insurance business, financing business offering mortgage loans, credit card business, and leasing business.

“Asset Management Business”

The Asset Management Business primarily consists of fund management and investment in internet technology, biotechnology, environmental energy and finance-related venture companies in Japan and overseas. The Group includes venture companies acquired in the Asset Management Business in the Group’s consolidation; thus, the businesses operated by the venture companies are included in this segment.

“Biotechnology-related Business”

The Biotechnology-related Business represents development and distribution of pharmaceutical products with 5-aminolaevulinic acid (ALA), a kind of amino acid which exists in vivo, and cancer and immune related pharmaceutical products.

Business segments classified into “Others” mainly consists of development and trading of investment property and operation of online intermediate service, which were included in the Housing and Real Estate Business segment. They are not classified as a reporting segment based on the quantitative criteria for the three months ended 30 June 2013.

“Elimination” includes profit or loss that is not allocated to certain business segments and the elimination of the inter-company transactions within the Group, at a price based on the actual market price.

The following represents segment information of the Group:

For three months ended 30 June 2012

	Financial Services Business	Asset Management Business	Biotechnology-related Business	Total	Others	Elimination	Consolidated Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Operating revenue	23,668	11,639	276	35,583	1,663	(647)	36,599
Profit before income tax expense	659	5,087	(687)	5,059	134	(1,761)	3,432

For three months ended 30 June 2013

	Financial Services Business	Asset Management Business	Biotechnology-related Business	Total	Others	Elimination	Consolidated Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Operating revenue	38,480	38,990	1,272	78,742	1,738	(375)	80,105
Profit before income tax expense	9,921	21,925	71	31,917	201	(1,661)	30,457

7. Revenue

	Three months ended 30 June 2012	Three months ended 30 June 2013
	Millions of yen	Millions of yen
Operating revenue		
Financial income		
Interest income (Note)	4,274	17,102
Dividends received	678	155
Income arising from financial assets at FVTPL	6,088	22,417
Gain from trading	2,473	3,435
Total financial income	13,513	43,109
Revenue from rendering of services	16,707	29,658
Other income	6,379	7,338
Total operating revenue	<u>36,599</u>	<u>80,105</u>
Other financial income		
Interest income		
Financial assets measured at amortized cost	148	64
Total other financial income	<u>148</u>	<u>64</u>

(Note) Interest income in financial income is arising from financial assets measured at amortized cost.

8. Financial cost

	Three months ended 30 June 2012	Three months ended 30 June 2013
	Millions of yen	Millions of yen
Financial cost		
Interest expense		
Financial liabilities measured at amortized cost	(1,085)	(5,158)
Total financial cost	<u>(1,085)</u>	<u>(5,158)</u>
Other financial cost		
Interest expense		
Financial assets measured at amortized cost	(622)	(885)
Total other financial cost	<u>(622)</u>	<u>(885)</u>

9. Capital stock and treasury stock

The Company's issued shares are as follows:

	Three months ended 30 June 2012	Three months ended 30 June 2013
	Shares	Shares
Number of issued shares		
As at the beginning of the period	22,451,303	224,525,781
Increase during the period (Note1)	—	9,180
As at the end of the period	<u>22,451,303</u>	<u>224,534,961</u>

(Notes) 1. The increase of 9,180 shares is due to the exercise of stock acquisition rights

2. The Company conducted a 10 for 1 stock split, effective on 1 October 2012. Numbers of issued shares for the three months ended 30 June 2012 are based on the number of shares before the stock split.

The Company's treasury stock included in the above issued shares is as follows:

	Three months ended 30 June 2012	Three months ended 30 June 2013
	Shares	Shares
Number of treasury stock		
As at the beginning of the period	442,093	8,098,446
Increase during the period (Notes 1, 2)	377,857	20,958
Decrease during the period (Notes 3, 4)	(2,486)	(17,620)
As at the end of the period	<u>817,464</u>	<u>8,101,784</u>

(Notes) 1. The increase of 377,857 shares is due to acquisition of treasury stock subject to Article 156 of the Companies Act (replacement of the third paragraph of Article 165).

2. The increase of 20,958 shares is due to the purchases from shareholders with less than one unit of shares.

3. The decrease of 2,486 shares is due to the sales to the Employee Stockholding Association.

4. The decrease of 17,620 shares related to 1,220 shares sold to shareholders with less than one unit of shares, and sales of 16,400 shares to the Employee Stockholding Association.

5. The Company conducted a 10 for 1 stock split, effective on 1 October 2012. Numbers of treasury stock for the three months ended 30 June 2012 are based on the number of shares before the stock split.

10. Dividends

During the three months ended 30 June 2012, the Company paid dividends totaling ¥2,208 million (¥100 per share which is based on the number of shares before the 10 for 1 stock split on 1 October 2012).

During the three months ended 30 June 2013, the Company paid dividends totaling ¥2,170 million (¥10 per share).

11. Earnings per Share

Basic earnings per share and diluted earnings per share attributable to owners of the Company were calculated based on the following information:

Since the Company conducted a 10 for 1 stock split, effective on 1 October 2012, basic earnings per share and diluted earnings per share attributable to owners of the Company were calculated based on the new number of shares after the stock split and adjusted retrospectively.

	Three month ended 30 June 2012	Three month ended 30 June 2013
	Millions of Yen	Millions of Yen
Profit attributable to owners of the Company	1,403	16,269
Weighted average number of shares		
Basic weighted average number of ordinary shares (shares)	219,107,107	216,433,882
Dilutive effect : Stock option (shares)	28,906	19,522
Weighted average number of ordinary shares after the dilutive effect (shares)	219,136,013	216,453,404
Earnings per share attributable to owners of the Company		
Basic (in Yen)	6.41	75.17
Diluted (in Yen)	6.40	75.16

12. Events after the Reporting Date

(1) Issuance of Unsecured Straight Bonds

The Company issued its Unsecured Straight Bonds ("the Bonds") totaling ¥30 billion. The details of the Bonds are as follows.

SBI Holdings, Inc. 5th Series of Unsecured Straight Bonds (with inter-bond pari passu clause)

- | | |
|-------------------------------|---|
| (1) Total amount of issuance | 30 billion yen |
| (2) Denomination of each bond | 1 million yen |
| (3) Interest rate | 2.15% per annum |
| (4) Issue price | 100 yen per face-value of 100 yen |
| (5) Payment date | 7 August 2013 |
| (6) Maturity date | 5 August 2016 (3-year bond, bullet repayment at maturity) |
| (7) Use of proceeds | Redemption of the Company's bonds |
| (8) Underwriters | Daiwa Securities Co., Ltd.
SBI SECURITIES Co., Ltd.
Mizuho Securities Co., Ltd. |
| (9) Bond administrator | Resona Bank, Limited |

(2) Share Acquisition of PCA Life Insurance Co., Ltd.

Upon resolution and approval by the Company's Board of Directors at its meeting held on 16 July 2013, the Company entered into an agreement to acquire 100% of the equity interest in PCA Life Insurance Co., Ltd. (hereinafter "PCA Life Insurance"), which is a Japanese arm of Prudential plc, subject to the authorization or permission by the relevant authorities and the Company entered into a share transfer agreement at the same date.

(a) Background and rationale of share acquisition

PCA Life Insurance is a life insurance company which has more than 130,000 existing life policies as at 31 March 2013. As part of the SBI Group's overall strategy, the Group has been considering to re-enter into a life insurance business and believes that the acquisition will provide a valuable opportunity in starting the life insurance business in Japan. The Group will protect the existing policyholders' interests and aim to expand the life insurance business as one of the core businesses in the Group's Financial Services Business.

(b) Name of the vendor

Prudential Corporation Holdings Limited

(c) Summary of acquired company

(1) Name	PCA Life Insurance Co., Ltd.
(2) Main Business Activities	Insurance business
(3) Capital Stock	47.5 billion yen (as at 31 March 2013)

(d) Due date of the share transfer

The due date of the transfer of shares is to be determined since the transfer will be conducted after the authorization or permission by the relevant authorities.

(e) Number of shares to be acquired, acquisition amount and the numbers of shares held after the acquisition

(1) Number of shares to be acquired	1,480,000 (Number of voting right: 1,480,000)
(2) Acquisition amount	Common share of PCA Life Insurance Co., Ltd.: USD 85 million Advisory expenses: 35 million yen
(3) Number of shares held after acquisition	1,480,000 (Number of voting right: 1,480,000) (Shareholding ratio: 100.0%)

(TRANSLATION)

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

12 August 2013

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

Deloitte Touche Tohmatsu LLC

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

Akemi Mochizuki

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

Nozomu Kunimoto

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 condensed consolidated financial statements included in the Financial Section, which comprise the interim condensed consolidated statement of financial position of SBI Holdings, Inc. (the "Company") and its subsidiaries as at 30 June 2013, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity, and cash flows for the three months then ended, and the related notes.

Management's Responsibility for the Interim Condensed Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") pursuant to Article 93 of "Rules Governing Term, Form and Preparation of Quarterly Consolidated Financial Statements", and for such internal control as management determines is necessary to enable the preparation of interim condensed 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 condensed 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 condensed consolidated financial statements referred to above do not present fairly, in all material respects, the consolidated financial position of SBI Holdings, Inc. and its subsidiaries as at 30 June 2013, and the consolidated results of their operations and their cash flows for the three months then ended in conformity with IAS 34.

Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 12 (2) to the interim condensed consolidated financial statements which describes the events after the reporting period related to the acquisition of PCA Life Insurance Co., Ltd.

At the meeting held on 16 July 2013, the Board of Directors of the Company approved the acquisition of all the issued shares of PCA Life Insurance Co., Ltd. which is a Japanese arm of Prudential plc subject to the permission by the relevant authorities and the Company entered into a share transfer agreement at the same date.

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.