



SBI HOLDINGS, INC.

Interim Report 2013/14

2013.4.1-2013.9.30
Stock code: 6488

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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 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

Hong Kong: 6488
Japan: 8473

Website Address

www.sbigroup.co.jp

Financial Highlights

Financial Summary

Term	The 15th Term	The 16th Term	The 15th Term
Accounting Period	Six months ended 30 September 2012	Six months ended 30 September 2013	Fiscal year ended 31 March 2013
Operating revenue (Millions of Yen)	67,583	128,114	153,476
Operating income (Millions of Yen)	806	34,467	16,577
(Loss) profit attributable to owners of SBI Holdings, Inc. (the "Company") (Millions of Yen)	(1,364)	17,570	3,202
Comprehensive income (loss) attributable to owners of the Company (Millions of Yen)	(5,879)	23,560	10,839
Equity attributable to owners of the Company (Millions of Yen)	285,203	320,644	303,299
Total assets (Millions of Yen)	1,559,310	2,851,677	2,494,387
Total liabilities (Millions of Yen)	1,215,024	2,469,710	2,133,852
Basic earnings per share attributable to owners of the Company (Yen)	(6.26)	81.17	14.75
Diluted earnings per share attributable to owners of the Company (Yen)	(6.26)	81.17	14.75
Ratio of equity attributable to owners of the Company (%)	18.3	11.2	12.2
Net cash from (used in) operating activities (Millions of Yen)	2,809	45,407	(36,984)
Net cash from (used in) investing activities (Millions of Yen)	5,336	6,465	(19,060)
Net cash (used in) from financing activities (Millions of Yen)	(13,524)	19,424	25,699
Cash and cash equivalents at the end of the period (Millions of Yen)	152,061	206,945	133,362

Term	The 15th Term	The 16th Term
Accounting Period	Three months ended 30 September 2012	Three months ended 30 September 2013
Operating revenue (Millions of Yen)	30,984	48,009
(Loss) profit attributable to owners of the Company (Millions of Yen)	(2,767)	1,301
Basic earnings per share attributable to owners of the Company (Yen)	(12.79)	6.01

- (Notes)1. The Company prepared the consolidated financial statements in accordance with International Financial Reporting Standards.
2. Operating revenue does not include consumption taxes.
3. 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 2013.

Management Discussion and Analysis

Business Description

In the six months ended 30 September 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

During the six months ended 30 September 2013, there was a change of business and operational risks that were identified and presented in the Group’s annual report for the year ended 31 March 2013. The following is the additional information for RISK – “Risks relating to our general operations” – “6) Risks relating to business restructuring and expansion” in the last annual report. Also, the following contains the information predicted at the time when this document was submitted (13 November 2013) .

(Risks relating to business restructuring and expansion)

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

This acquisition of PCA Life Insurance’s shares is part of the Group’s overall strategy to reenter into the life insurance business in Japan.

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 its subsidiary. Furthermore, in the future development of its business, if the Group is required to bear any unexpected liability, cost or responsibility, it may have an adverse effect on the Group’s financial condition and results of operations.

2. Significant Contracts in Business Operations

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, the 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.

Please refer to Notes to Interim Condensed Consolidated Financial Statements - “12. Events after the previous fiscal year end” for further information.

3. Financial Analysis

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

(1) Results of Operations

The Group's consolidated results of operations for the six months ended 30 September 2013, were as follows: Operating revenue increased 89.6% year-on-year to ¥128,114 million, operating income rose 4,175.4% to ¥34,467 million, profit before income tax expense amounted to ¥32,997 million (¥296 million of loss before income tax expense for the six months ended 30 September 2012), and profit attributable to owners of the Company amounted to ¥17,570 million (¥1,364 million of loss attributable to owners of the Company for the six months ended 30 September 2012).

The results of operations for each reporting segment of the Group for the six months ended 30 September 2013, were as follows.

	Operating revenue			Profit (loss) before income tax expense		
	Six months ended 30 September 2012	Six months ended 30 September 2013		Six months ended 30 September 2012	Six months ended 30 September 2013	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	50,627	72,582	43.4	3,878	18,556	378.5
Asset Management Business	13,665	49,933	265.4	479	18,205	3,703.6
Biotechnology-related Business	500	1,486	197.0	(1,160)	(748)	—
Total	64,792	124,001	91.4	3,197	36,013	1,026.6
Others	4,190	4,933	17.7	646	771	19.3
Elimination	(1,399)	(820)	—	(4,139)	(3,787)	—
Consolidation	67,583	128,114	89.6	(296)	32,997	—

(% represents year-on-year changes)

(Financial Services Business)

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

The results of operations of the Financial Services Business for the six months ended 30 September 2013, were as follows. Operating revenue increased 43.4% year-on-year to ¥72,582 million, and profit before income tax expense increased 378.5% to ¥18,556 million.

(Asset Management Business)

The 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 operations of the Asset Management Business for the six months ended 30 September 2013, were as follows. Operating revenue increased 265.4% year-on-year to ¥49,933 million, and profit before income tax expense rose 3,703.6% to ¥18,205 million. Operating revenue in this reporting segment represents operating revenues arising from operational investment securities and includes the changes in 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)

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

The results of operations of the Biotechnology-related Business for the six months ended 30 September 2013, were as follows. Operating revenue increased 197% year-on-year to ¥1,486 million, and loss before income tax expense amounted to ¥748 million for the six months ended 30 September 2013 (¥1,160 million of loss before income tax expense for the six months ended 30 September 2012).

* Five-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 age. ALA is included in food products, including slops of distilled spirits, red wine, and radish shoots. ALA is also known as a chloroplastic substance in plants.

(2) Financial Positions and Cash Flows

As at 30 September 2013, total assets resulted in ¥2,851,677 million and increased by ¥357,290 million from total assets of ¥2,494,387 million as at 31 March 2013. The Group's equity rose by ¥21,432 million to ¥381,967 million from the fiscal year ended 31 March 2013. As at 30 September 2013, the Group's cash and cash equivalents amounted to ¥206,945 million and increased by ¥73,583 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 ¥45,407 million in net cash inflows (¥2,809 million in net cash inflows for the six months ended 30 September 2012). The net cash inflows were primarily due to a ¥32,997 million cash inflow from an increase in profit before income tax expense, a ¥52,518 million cash inflow from a decrease in accounts receivables and other receivables, and a ¥41,853 million cash inflow from an increase in operational liabilities and other liabilities, despite a ¥76,170 million cash outflow from a decrease in customer deposits in the banking business.

(Investing Cash Flows)

Cash flows from investing activities resulted in ¥6,465 million in net cash inflows (¥5,336 million in net cash inflows for the six months ended 30 September 2012). The net cash inflows were primarily due to a ¥11,107 million cash inflow from proceeds from sales of investment securities, despite a ¥4,450 million cash outflow from purchases of investment securities.

(Financing Cash Flows)

Cash flows from financing activities amounted to ¥19,424 million in net cash inflows (¥13,524 million in net cash outflows for the six months ended 30 September 2012). The net cash inflows were primarily due to a ¥18,717 million cash inflow from an increase in short-term loans payable, a ¥49,707 million cash inflow from proceeds from issuance of bonds payable, and a ¥4,489 million cash inflow from proceeds from long-term loans payable, despite a ¥10,974 million cash outflow for repayment of long-term loans payable and a ¥39,000 million cash outflow from redemption of bonds payable.

(3) Operational and Financial Assignment

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

(4) Research and Development

The research and development expenses of the Group amounted to ¥1,542 million on a consolidated basis for the six months ended 30 September 2013. There were no significant changes in the Group's research and development activities during the six months ended 30 September 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 preemptive rights under the Companies Act of Japan, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

(b) Issued shares

Type	Numbers of Shares Issued as at 30 September 2013	Numbers of Shares Issued as at the Filing Date 13 November 2013	Name of Listed Financial Instruments Exchange or Name of Registered Authorized Financial Instruments Exchange Association	Content
Ordinary shares	224,561,761	224,561,761	First section of the Tokyo Stock Exchange Main Board of the Hong Kong Stock Exchange (Note 2)	100 shares as one unit
Total	224,561,761	224,561,761	—	—

(Notes) 1. Number 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 November 2013, to the filing date.

2. The Company listed Hong Kong Depositary Receipts (“HDRs”) representing its ordinary shares on the Main Board of the Hong Kong Stock Exchange.

(2) Principal Shareholders

(As at 30 September 2013)

Name	Address	Number of Shares	Shareholding Ratio Against Total Number of Shares Issued (%)
Japan Trustee Services Bank, Ltd. (Trust account)	8-11, Harumi 1-Chome, Chuo-Ku, Tokyo	9,946,730	4.43
Japan Securities Finance Co., Ltd.	2-10, Nihonbashi Kayaba-cho 1-Chome, Chuo-Ku, Tokyo	8,471,900	3.77
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-Chome, Minato-Ku, Tokyo	6,837,400	3.04
SAJAP	P.O. BOX 2992, Riyadh 11169, Kingdom of Saudi Arabia	5,476,640	2.44
Deutsche Morgan Grenfell (C.I.) Limited – General Client A/c	P.O. BOX 727, St. Paul's Gate, New Street, St. Helier, Jersey JE4 8ZB, Channel Islands	3,826,403	1.70
Yoshitaka Kitao	Shinjuku-Ku, Tokyo	3,809,960	1.70
State Street Bank Client Omnibus OM04	338 Pitt Street Sydney NSW 2000 Australia	3,418,975	1.52
The Chase Manhattan Bank, N. A. London SECS Lending Omnibus Account	Woolgate House, Coleman Street London EC2P 2HD, England	3,163,015	1.41
Trust and Custody Services Bank, Ltd. (Securities Investment Trust Account)	Harumi Triton Square Tower Z, 8-12 Harumi 1-Chome, Chuo-Ku, Tokyo	2,971,400	1.32
State Street Bank and Trust Company 505225	P.O. BOX 351, Boston Massachusetts 02101 U.S.A	2,791,668	1.24
Total	—	50,714,091	22.58

(3) Voting Rights
(i) Issued Shares

(As at 30 September 2013)

Type	Number of Shares	Number of Voting Rights	Description
Stock without voting right	—	—	—
Stock with restricted voting right (treasury stock, etc.)	—	—	—
Stock with restricted voting right (other)	—	—	—
Stock with full voting right (treasury stock, etc.)	Ordinary shares: 7,550,200	—	—
Stock with full voting right (other)	Ordinary shares: 212,478,500	2,124,785	—
Stock below one unit	Ordinary shares: 4,533,061	—	—
Total number of issued shares	224,561,761	—	—
Total number of voting rights	—	2,124,785	—

(Note) “Stock with full voting right (other)” includes 4,600 shares under the name of Japan Securities Depository Center, Inc., and “Number of voting rights” includes 46 voting rights associated with such shares.

(ii) Treasury Stock

(As at 30 September 2013)

Name of Holder	Address of Holder	Number of Shares Held Under the Name	Number of Shares Held Under the Name of Another Party	Total Number of Shares	Shareholding Ratio Against Total Number of Shares Issued (%)
SBI Holdings, Inc.	1-6-1, Roppongi, Minato-Ku, Tokyo	7,550,200	—	7,550,200	3.36
Total	—	7,550,200	—	7,550,200	3.36

(Note) The number of treasury stock does not include the shares held by the Stock Benefit Trust, which was 538,300, including 5,383 voting rights, as at 30 September 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 interim report.

Corporate Governance Practices

The Company has complied with all the major code provisions as set out in the Corporate Governance (“CG”) Code throughout the period for the six months ended 30 September 2013, save for certain deviations from the code provisions in respect of code provision A.2.1, A.4.2, A.5, B.1, C.3, E.1.2, E.1.3 and E.2.1. There has been no change with considered reasons for the deviation reported in the preceding annual report and details of the deviation are explained in the preceding annual report. In addition, the Company has applied and the Stock Exchange has granted waivers on the following Listing Rules:

Model Code for Securities Transactions

The Company has adopted its own code of conduct regarding directors’ dealings in the Company’s securities (the “Code for Securities Transactions By Directors”) on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the “Code for Securities Transactions By Directors” and the Model Code throughout the six months ended 30 September 2013.

The Company has also established written guidelines of almost the same terms as the Model Code (the “Employees Written Guidelines”) for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

Independent Non-Executive Directors

Five independent non-executive directors were reelected at the Annual General Meeting held in June 2013. The Board at all times met and exceeded the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Stock Exchange has confirmed that we do not need to strictly comply with Rules 3.10A and 3.11 of the Listing Rules, in respect of the appointment of independent non-executive directors representing at least one-third of the Board. The Company has adopted a Statutory Auditors’ system under the Companies Act of Japan in order to establish good CG. Under this regime, the primary decision-making body of the Company is our Board of Directors, which is monitored by the Company’s Board of Statutory Auditors, whose role is stated to include monitoring the proper execution by the Directors of their duties. Furthermore, our Accounting Auditor assists the Statutory Auditors in reviewing the financial and accounting arrangements conducted by the Board of Directors.

Appointment of an Auditor

The Company does not obtain approval from the shareholders at each annual general meeting to appoint an auditor to hold office from the conclusion of that meeting until the next annual general meeting. The requirement of Rule 13.88 of the Listing Rules is inconsistent with the requirement under the Companies Act of Japan. The Companies Act of Japan is consistent with the position that an auditor may not be removed prior to the end of the term of appointment without the approval of shareholders at a shareholders’ meeting. A waiver has been obtained from the Stock Exchange from the strict compliance with the requirement set out in Rule 13.88 of the Listing Rules.

Audit Committee

The Company obtained a waiver from the Stock Exchange with respect to strict compliance with the requirements under Rules 3.21 and 3.22 of the Listing Rules and has not established an Audit Committee as required by Code Provision C.3. Our annual results have not been reviewed by the Audit Committee. The role of the Audit Committee pursuant to the Listing Rules is carried out by a Board of Statutory Auditors of the Company in Japan. The specific roles and responsibilities of the Statutory Auditors and the Board of Statutory Auditors correspond closely to those required to be provided by an Audit Committee under the Listing Rules.

Remuneration Committee

The Stock Exchange has confirmed that we do not need to strictly comply with Rule 3.25 to 3.27 of the Listing Rules in respect of the establishment of a Remuneration Committee. The Board performs the role of remuneration committee to determine the remuneration of directors and senior management in accordance with the Companies Act of Japan and we will not put in place a separate committee.

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

Cancellation on Share upon Repurchase

The Company obtained a waiver from the Stock Exchange with respect to strict compliance with the requirements under Rules 10.06(5) and 19B.21 of the Listing Rules for us to (i) cancel the listing of any such treasury shares; (ii) apply for relisting of any such treasury shares held by the Company on their disposal and (iii) cancel and destroy as soon as reasonably practicable all documents of title of repurchased shares (including both HDRs and their underlying shares) and the Company hereby confirms its compliance with the following conditions of granting this waiver during the accounting period for the six months ended 30 September 2013:

- Complying with the Companies Act of Japan in relation to Treasury Shares that the Company holds and informing the Stock Exchange as soon as practicable in the event of any failure to comply or any waiver to be granted;
- Informing the Stock Exchange as soon as reasonably practicable in the event of any substantial change being made to the Japanese Treasury Shares regime;
- Confirming our compliance with the waiver conditions in our subsequent annual reports and, if applicable, under the Companies Act of Japan, any convocation notice for shareholders' meeting seeking shareholders' approval of any repurchases of our Shares and
- Complying with any relevant provisions in the event of changes to the Hong Kong regulatory regime and the rules in relation to the Treasury Shares to the extent that the Companies Act of Japan permits (subject to any waiver which may be sought by the Company and granted by the Stock Exchange or any other regulatory authority).

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 and six months ended 30 September 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 September 2013
		Millions of Yen	Millions of Yen
Assets			
Cash and cash equivalents		133,362	206,945
Trade and other accounts receivable	5	412,477	360,572
Assets related to securities business			
Cash segregated as deposits		846,445	1,028,329
Margin transaction assets		164,935	219,805
Other assets related to securities business		422,265	501,361
Total assets related to securities business	5	1,433,645	1,749,495
Other financial assets	5	26,694	32,355
Operational investment securities	5	119,268	132,192
Other investment securities	5	57,209	56,311
Investments in associates and joint ventures		35,689	36,666
Investment properties		36,355	34,531
Property and equipment		10,517	11,477
Intangible assets		185,581	191,850
Other assets		29,928	30,858
Deferred tax assets		13,662	8,425
Total assets		<u>2,494,387</u>	<u>2,851,677</u>
Liabilities			
Bonds and loans payable	5	344,360	363,936
Trade and other accounts payable		48,894	81,152
Liabilities related to securities business			
Margin transaction liabilities		153,612	127,684
Loans payable secured by securities		135,609	196,228
Deposits from customers		387,310	510,803
Guarantee deposits received		372,440	483,893
Other liabilities related to securities business		255,634	299,854
Total liabilities related to securities business	5	1,304,605	1,618,462
Customer deposits in the banking business	5	376,177	326,841
Income tax payable		2,192	5,686
Other financial liabilities		35,371	35,076
Other liabilities		15,430	28,416
Deferred tax liabilities		6,823	10,141
Total liabilities		<u>2,133,852</u>	<u>2,469,710</u>
Equity			
Capital stock	9	81,668	81,681
Capital surplus		160,550	156,507
Treasury stock	9	(5,117)	(5,132)
Other component of equity		6,196	11,052
Retained earnings		60,002	76,536
Equity attributable to owners of the Company		303,299	320,644
Non-controlling interests		57,236	61,323
Total equity		<u>360,535</u>	<u>381,967</u>
Total liabilities and equity		<u>2,494,387</u>	<u>2,851,677</u>

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

	Notes	Six months ended 30 September 2012	Six months ended 30 September 2013
		Millions of Yen	Millions of Yen
Operating revenue	6,7	67,583	128,114
Operating expense			
Operating cost		(27,193)	(33,253)
Financial cost	8	(2,276)	(9,623)
Selling, general and administrative expenses		(35,447)	(46,745)
Other expenses		(1,099)	(3,819)
Total operating expense		(66,015)	(93,440)
Share of losses of associates and joint ventures using the equity method		(762)	(207)
Operating income		806	34,467
Other financial income and cost			
Other financial income	7	293	388
Other financial cost	8	(1,395)	(1,858)
Total other financial income and cost		(1,102)	(1,470)
(Loss) profit before income tax expense	6	(296)	32,997
Income tax expense			
Current		(1,664)	(6,446)
Deferred		1,141	(7,968)
Total income tax expense		(523)	(14,414)
(Loss) profit for the period		(819)	18,583
(Loss) profit for the period attributable to			
Owners of the Company		(1,364)	17,570
Non-controlling interests		545	1,013
(Loss) profit for the period		(819)	18,583
Earnings per share attributable to owners of the Company			
Basic (Yen)	11	(6.26)	81.17
Diluted (Yen)	11	(6.26)	81.17

	Notes	Three months ended 30 September 2012 Millions of Yen	Three months ended 30 September 2013 Millions of Yen
Operating revenue	6,7	30,984	48,009
Operating expense			
Operating cost		(14,597)	(15,759)
Financial cost	8	(1,191)	(4,465)
Selling, general and administrative expenses		(17,880)	(22,286)
Other expenses		(501)	(2,904)
Total operating expense		(34,169)	(45,414)
Share of profit of associates using the equity method		85	594
Operating (loss) income		(3,100)	3,189
Other financial income and cost			
Other financial income	7	145	324
Other financial cost	8	(773)	(973)
Total other financial income and cost		(628)	(649)
(Loss) profit before income tax expense	6	(3,728)	2,540
Income tax expense			
Current		(910)	(1,888)
Deferred		1,540	102
Total Income tax expense		630	(1,786)
(Loss) profit for the period		(3,098)	754
(Loss) profit for the period attributable to			
Owners of the Company		(2,767)	1,301
Non-controlling interests		(331)	(547)
(Loss) profit for the period		(3,098)	754
Earnings per share attributable to owners of the Company			
Basic (Yen)	11	(12.79)	6.01
Diluted (Yen)	11	(12.79)	6.01

Interim Condensed Consolidated Statement of Comprehensive Income

Notes	Six months ended 30 September 2012 Millions of Yen	Six months ended 30 September 2013 Millions of Yen
(Loss) profit for the period	(819)	18,583
Other comprehensive (loss) income which will not be reclassified subsequently to profit or loss		
FVTOCI financial assets	(958)	1,190
Other comprehensive (loss) income which will be reclassified subsequently to profit or loss		
Currency translation differences	(3,723)	4,558
Hedging instruments for cash flow hedges	49	—
Other comprehensive (loss) income, net of tax	(4,632)	5,748
Total comprehensive (loss) income	(5,451)	24,331
Total comprehensive (loss) income attributable to		
Owners of the Company	(5,879)	23,560
Non-controlling interests	428	771
Total comprehensive (loss) income	(5,451)	24,331

Notes	Three months ended 30 September 2012 Millions of Yen	Three months ended 30 September 2013 Millions of Yen
(Loss) profit for the period	(3,098)	754
Other comprehensive (loss) income which will not be reclassified subsequently to profit or loss		
FVTOCI financial assets	(664)	65
Other comprehensive (loss) income which will be reclassified subsequently to profit or loss		
Currency translation differences	(422)	1,372
Hedging instruments for cash flow hedges	—	—
Other comprehensive (loss) income, net of tax	(1,086)	1,437
Total comprehensive (loss) income	(4,184)	2,191
Total comprehensive (loss) income attributable to		
Owners of the Company	(3,841)	3,086
Non-controlling interests	(343)	(895)
Total comprehensive income/(loss)	(4,184)	2,191

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 September 2012

Notes	Attributable to owners of the Company						Non-Controlling Interests	Total Equity
	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
(Loss) profit for the period	—	—	—	—	(1,364)	(1,364)	545	(819)
Other comprehensive loss	—	—	—	(4,515)	—	(4,515)	(117)	(4,632)
Total comprehensive (loss) income	—	—	—	(4,515)	(1,364)	(5,879)	428	(5,451)
Issuance of new stock	9	1	1	—	—	2	—	2
Change in scope of consolidation	—	—	—	—	—	—	(174)	(174)
Dividends paid	10	—	—	—	(2,208)	(2,208)	(1,690)	(3,898)
Treasury shares purchased	9	—	—	(2,000)	—	(2,000)	—	(2,000)
Treasury shares sold	9	—	—	42	—	42	—	42
Changes of interests in subsidiaries without losing control	—	—	(1,277)	—	—	(1,277)	5,137	3,860
Transfer	—	—	—	(40)	40	—	—	—
As at 30 September 2012	81,666	159,195	(5,138)	(5,918)	55,398	285,203	59,083	344,286

Six months ended 30 September 2013

Notes	Attributable to owners of the Company						Non-Controlling Interests	Total Equity
	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	—	—	—	—	17,570	17,570	1,013	18,583
Other comprehensive income (loss)	—	—	—	5,990	—	5,990	(242)	5,748
Total comprehensive income	—	—	—	5,990	17,570	23,560	771	24,331
Issuance of new stock	9	13	13	—	—	26	—	26
Change in scope of consolidation	—	—	—	—	—	—	125	125
Dividends paid	10	—	—	—	(2,170)	(2,170)	(365)	(2,535)
Treasury shares purchased	9	—	—	(39)	—	(39)	—	(39)
Treasury shares sold	9	—	1	24	—	25	—	25
Changes of interests in subsidiaries without losing control	—	—	(4,057)	—	—	(4,057)	3,556	(501)
Transfer	—	—	—	(1,134)	1,134	—	—	—
As at 30 September 2013	81,681	156,507	(5,132)	11,052	76,536	320,644	61,323	381,967

Interim Condensed Consolidated Statement of Cash Flows

Notes	Six Months Ended	Six Months Ended
	30 September 2012	30 September 2013
	Millions of Yen	Millions of Yen
Net cash from operating activities		
(Loss) profit before income tax expense	(296)	32,997
Depreciation and amortization	3,724	5,547
Share of losses of associates and joint ventures using the equity method	762	207
Interest and dividend income	(8,871)	(34,148)
Interest expense	3,667	11,481
Increase in operational investment securities	(2,056)	(8,376)
Decrease in accounts receivables and other receivables	12,480	52,518
Increase in operational liabilities and other liabilities	648	41,853
Decrease in assets/liabilities related to securities business	(10,589)	(2,144)
Decrease in customer deposits in the banking business	—	(76,170)
Others	1,501	1,080
Subtotal	970	24,845
Interest and dividend income received	8,281	33,271
Interest expense paid	(3,474)	(12,847)
Income taxes paid	(2,968)	138
Net cash from operating activities	2,809	45,407
Net cash from investing activities		
Purchases of intangible assets	(1,923)	(2,747)
Purchases of investment securities	(3,373)	(4,450)
Proceeds from sales of investment securities	568	11,107
Acquisition of subsidiaries, net of cash and cash equivalents acquired	388	(2,057)
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	8,157	2,862
Payments of loans receivable	(4,291)	(2,821)
Collection of loans receivable	2,477	4,638
Others	3,333	(67)
Net cash from investing activities	5,336	6,465

Notes	Six Months Ended 30 September 2012	Six Months Ended 30 September 2013
	Millions of Yen	Millions of Yen
Net cash from (used in) financing activities		
Increase in short-term loans payable	2,201	18,717
Proceeds from long-term loans payable	4,800	4,489
Repayment of long-term loans payable	(10,938)	(10,974)
Proceeds from issuance of bonds payable	38,967	49,707
Redemption of bonds payable	(50,540)	(39,000)
Proceeds from stock issuance	3	26
Proceeds from stock issuance to non-controlling interests	2,037	39
Contributions from non-controlling interests in consolidated investment funds	644	205
Cash dividend paid	(2,208)	(2,157)
Cash dividend paid to non-controlling interests	(363)	(365)
Distributions to non-controlling interests in consolidated investment funds	(1,267)	(521)
Purchase of treasury stock	(2,000)	(39)
Proceeds from sale of interests in subsidiaries to non-controlling interests	5,983	19
Payments for purchase of interests in subsidiaries from non-controlling interests	(132)	(135)
Others	(711)	(587)
Net cash from (used in) financing activities	<u>(13,524)</u>	<u>19,424</u>
Net increase (decrease) in cash and cash equivalents	(5,379)	71,296
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	(2,393)	2,287
Cash and cash equivalents at the end of the period	<u><u>152,061</u></u>	<u><u>206,945</u></u>

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 a "Specific Company" as defined in Article 1-2 of the Rules Governing Term, Form and Preparation of Consolidated Financial Statements, 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.

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 International Accounting Standard (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 issuance by Yoshitaka Kitao, the Company's Representative Director, President and CEO, and Shumpei Morita, Director, Managing Executive Officer and CFO, on 11 November 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 from the preparation of the interim condensed consolidated financial statements for the three months ended 30 June 2013. There is no significant impact to these 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 value 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 postemployment 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 September 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 receivable	412,477	413,240	360,572	361,450
Financial liabilities measured at amortized cost				
Bonds and loans payable	344,360	344,885	363,936	366,965
Deposits from customers	376,177	376,177	326,841	327,295

(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 follows:

- 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 Millions of Yen	Level 2 Millions of Yen	Level 3 Millions of Yen	Total 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 September 2013			
	Level 1 Millions of Yen	Level 2 Millions of Yen	Level 3 Millions of Yen	Total Millions of Yen
Financial assets				
Assets related to securities business	8,249	—	—	8,249
Other financial assets	696	—	—	696
Operational investment securities and other investment securities				
Financial assets at FVTPL	31,227	422	153,644	185,293
Financial assets at FVTOCI	497	—	2,713	3,210
Total financial assets	40,669	422	156,357	197,448
Financial liabilities				
Liabilities related to securities business	310	—	—	310
Total financial liabilities	310	—	—	310

(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 September 2013			
Fair Value	Valuation Technique	Unobservable Inputs	Range
Millions of Yen			
Operational investment securities and other investment securities	Income approach and market approach	Discount rate P/E ratio EBITDA ratio	10%–35% 10.3–24.3 4.9–5.9

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 six months ended 30 September 2013

	Operational investment securities and other investment securities		Total
	Financial assets at FVTPL	Financial assets at FVTOCI	
	Millions of Yen	Millions of Yen	
Balance as at 1 April 2013	149,399	2,618	152,017
Purchase	7,880	—	7,880
Comprehensive income			
Net profit (loss) (Note 1)	(2,045)	—	(2,045)
Other comprehensive income (loss) (Note 2)	—	0	0
Dividends	(1,562)	—	(1,562)
Sale	(2,125)	(17)	(2,142)
Currency translation differences	3,493	112	3,605
Others (Note 3)	(2)	—	(2)
Transferred from Level 3 (Note 4)	(1,394)	—	(1,394)
Balance as at 30 September 2013	153,644	2,713	156,357

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 September 2013 was ¥1,948 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 September 2013, consisted of the following:

	As at 31 March 2013	As at 30 September 2013
	Millions of Yen	Millions of Yen
Operational investment securities		
Listed equity securities	7,617	21,295
Unlisted equity securities	78,690	76,273
Debt securities	650	1,120
Investments in funds	31,448	32,908
Other	863	596
Total	<u>119,268</u>	<u>132,192</u>
Other investments securities		
Listed equity securities	8,456	4,101
Unlisted equity securities	2,974	5,543
Debt securities	43,137	44,151
Investments in funds	2,102	1,993
Other	540	523
Total	<u>57,209</u>	<u>56,311</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 the business or nature of services, “Financial Services Business,” “Asset Management Business” and “Biotechnology-related Business,” which is the fastest growing business in the Group, are determined to be 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 businesses and the provision of information regarding financial products, including a securities brokerage business, banking services business, property and casualty insurance business, financing business offering mortgage loans, credit card business and a 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 five-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 six months ended 30 September 2013.

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

The following represents segment information of the Group:

For six months ended 30 September 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	50,627	13,665	500	64,792	4,190	(1,399)	67,583
Profit (loss) before income tax expense	3,878	479	(1,160)	3,197	646	(4,139)	(296)

For six months ended 30 September 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	72,582	49,933	1,486	124,001	4,933	(820)	128,114
Profit (loss) before income tax expense	18,556	18,205	(748)	36,013	771	(3,787)	32,997

For three months ended 30 September 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	26,959	2,026	224	29,209	2,527	(752)	30,984
Profit (loss) before income tax expense	3,219	(4,608)	(473)	(1,862)	512	(2,378)	(3,728)

For three months ended 30 September 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	34,102	10,943	214	45,259	3,195	(445)	48,009
Profit (loss) before income tax expense	8,635	(3,720)	(819)	4,096	570	(2,126)	2,540

7. Revenue

	Six Months Ended 30 September 2012	Six Months Ended 30 September 2013
	Millions of Yen	Millions of Yen
Operating revenue		
Financial income		
Interest income (Note 1)	8,467	32,741
Dividends received	814	246
Income arising from financial assets at FVTPL	2,919	18,105
Gain from trading	4,477	6,565
Total financial income	16,677	57,657
Revenue from rendering of services	34,243	53,747
Valuation gain on business combination achieved in stages (Note 2)	2,762	-
Other income	13,901	16,710
Total operating revenue	67,583	128,114
Other financial income		
Interest income		
Financial assets measured at amortized cost	293	388
Total other financial income	293	388

(Note 1) Interest income in financial income arises from financial assets measured at amortized cost.

(Note 2) Valuation gain on business combination achieved in stages for the six months ended 30 September 2012, arose from remeasurement of the Group's previously held investment in SBI Japannext Co., Ltd., at the additional acquisition-date fair value in a business combination achieved in stages.

	Three Months Ended 30 September 2012	Three Months Ended 30 September 2013
	Millions of Yen	Millions of Yen
Operating revenue		
Financial income		
Interest income (Note 1)	4,193	15,639
Dividends received	136	91
Income arising from financial assets at FVTPL	(3,169)	(4,312)
Gain from trading	2,004	3,130
Total financial income	3,164	14,548
Revenue from rendering of services	17,536	24,089
Valuation gain on business combination achieved in stages (Note 2)	2,762	-
Other income	7,522	9,372
Total operating revenue	30,984	48,009
Other financial income		
Interest income		
Financial assets measured at amortized cost	145	324
Total other financial income	145	324

(Note 1) Interest income in financial income arises from financial assets measured at amortized cost.

(Note 2) Valuation gain on business combination achieved in stages for the six months ended 30 September 2012, arose from remeasurement of the Group's previously held investment in SBI Japannext Co., Ltd., at the additional acquisition-date fair value in a business combination achieved in stages.

8. Financial cost

	Six Months Ended 30 September 2012	Six Months Ended 30 September 2013
	Millions of Yen	Millions of Yen
Financial cost		
Interest expense		
Financial liabilities measured at amortized cost	(2,276)	(9,623)
Total financial cost	(2,276)	(9,623)
Other financial cost		
Interest expense		
Financial liabilities measured at amortized cost	(1,395)	(1,858)
Total other financial cost	(1,395)	(1,858)

	Three Months Ended 30 September 2012	Three Months Ended 30 September 2013
	Millions of Yen	Millions of Yen
Financial cost		
Interest expense		
Financial liabilities measured at amortized cost	(1,191)	(4,465)
Total financial cost	<u>(1,191)</u>	<u>(4,465)</u>
Other financial cost		
Interest expense		
Financial liabilities measured at amortized cost	(773)	(973)
Total other financial cost	<u>(773)</u>	<u>(973)</u>

9. Capital stock and treasury stock

The Company's issued shares are as follows:

	Six Months Ended 30 September 2012	Six Months Ended 30 September 2013
	Shares	Shares
Number of issued shares		
As at the beginning of the period	22,451,303	224,525,781
Increase during the period (Note 1)	640	35,980
As at the end of the period	<u>22,451,943</u>	<u>224,561,761</u>

- (Notes) 1. The increases during both periods of six months ended 30 September 2012 and 2013 are due to the exercise of stock acquisition rights.
2. The Company conducted a 10 for 1 stock split, effective on 1 October 2012. The number of issued shares for the six months ended 30 September 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:

	Six Months Ended 30 September 2012	Six Months Ended 30 September 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 and 2)	377,857	27,395
Decrease during the period (Notes 3 and 4)	(6,660)	(37,270)
As at the end of the period	<u>813,290</u>	<u>8,088,571</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 27,395 shares is due to the purchases from shareholders with less than one unit of shares.
3. The decrease of 6,660 shares is due to sales to the Employee Stockholding Association.
4. The decrease of 37,270 shares is related to 1,870 shares sold to shareholders with less than one unit of shares, and the sale of 35,400 shares to the Employee Stockholding Association.
5. The Company conducted a 10 for 1 stock split, effective on 1 October 2012. The number of treasury stock for the six months ended 30 September 2012, are based on the number of shares before the stock split.

10. Dividends

During the six months ended 30 September 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 six months ended 30 September 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.

	Six Months Ended 30 September 2012	Six Months Ended 30 September 2013
	Millions of Yen	Millions of Yen
(Loss) profit attributable to owners of the Company	(1,364)	17,570
Weighted-average number of shares		
Basic weighted-average number of ordinary shares (shares)	217,729,167	216,448,300
Dilutive effect: Stock option (shares)	-	12,976
Weighted-average number of ordinary shares after the dilutive effect (shares)	217,729,167	216,461,276
Earnings per share attributable to owners of the Company		
Basic (in Yen)	(6.26)	81.17
Diluted (in Yen)	(6.26)	81.17
	Three Months Ended 30 September 2012	Three Months Ended 30 September 2013
	Millions of Yen	Millions of Yen
(Loss) profit attributable to owners of the Company	(2,767)	1,301
Weighted-average number of shares		
Basic weighted-average number of ordinary shares (shares)	216,366,205	216,462,560
Dilutive effect: Stock option (shares)	-	6,474
Weighted-average number of ordinary shares after the dilutive effect (shares)	216,366,205	216,469,034
Earnings per share attributable to owners of the Company		
Basic (in Yen)	(12.79)	6.01
Diluted (in Yen)	(12.79)	6.01

(Note) The calculation of diluted earnings per share does not assume exercise of stock acquisition rights that would have an antidilutive effect on earnings per share.

12. Events after the previous fiscal year end

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"), 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.

(1) 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 reenter into the life insurance business and believes that the acquisition will provide a valuable opportunity in starting its 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.

(2) Name of the vendor

Prudential Corporation Holdings Limited

(3) Summary of acquired company

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

(4) 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.

(5) Number of shares to be acquired, acquisition amount and the number of shares held after the acquisition

(a) Number of shares to be acquired	1,480,000 (Number of voting right: 1,480,000)
(b) Acquisition amount	Common share of PCA Life Insurance: USD 85 million
(c) Number of shares held after acquisition	1,480,000 (Number of voting right: 1,480,000) (Shareholding ratio: 100%)

13. Events after the Reporting Date

(Issuance of convertible bonds)

On 17 October 2013, the Board of Directors of the Company resolved the issuance of Euro Yen Convertible Bonds due 2017 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakukentsuki shasai*, hereinafter the “Bonds with Stock Acquisition Rights,” among which the bonds only shall be referred to as the “Bonds” and the stock acquisition rights only shall be referred to as the “Stock Acquisition Rights,” respectively), and the payments for the Bonds were completed on 5 November 2013. The details of the Bonds with Stock Acquisition Rights are as follows.

(1) Name of the Bonds	SBI Holdings, Inc. Euro Yen Convertible Bonds due 2017 (bonds with stock acquisition rights, <i>tenkanshasaigata shinkabu yoyakukentsuki shasai</i>)
(2) Paid-in amount	100% of the principal amount of each Bond (principal amount of each Bond: 10,000,000 yen)
(3) Issue price (offer price)	102.5% of the principal amount of each Bond
(4) Aggregate principal amount	JPY 30,000,000,000
(5) Interest rate	No interest accrued
(6) Security or guarantee	Issued with no security or guarantee
(7) Payment date and issuance date	5 November 2013 (London time; hereinafter, the same unless otherwise specified)
(8) Redemption	The bonds are redeemed at 100% of the principal amount of each Bond on 2 November 2017. In addition, there are clauses regarding the prepayment and redemption by purchase in the offering circular.
(9) Matters regarding Stock Acquisition Rights	
(a) Number of Stock Acquisition Rights to be issued	3,000 rights
(b) Class, description and number of shares subject to the Stock Acquisition Rights	The class of shares subject to the Stock Acquisition Rights is shares of common stock of the Company (100 shares as one unit) (the “Shares”). Upon the exercise of the Stock Acquisition Rights, the number of the Shares to be issued by the Company or the number of Shares held by the Company to be transferred by it in lieu of such issuance shall be the number to be obtained by dividing the aggregate of the principal amount of the Bonds related to the exercised Stock Acquisition Rights by the conversion price set out in item (f) below. However, any fraction of a share shall be rounded down and no cash adjustment shall be made.
(c) Date of allotment of the Stock Acquisition Rights	5 November 2013
(d) Exercise Period of Stock Acquisition Rights	From 19 November 2013, to the close of the business of banks on 19 October 2017 (local time at the place where the Stock Acquisition Right is to be exercised)
(e) Amount to be paid upon the exercise of the Stock Acquisition Rights	Upon the exercise of each Stock Acquisition Right, the Bond related to such Stock Acquisition Right shall be contributed and the value of asset to be contributed upon the exercise of the Stock Acquisition Rights shall be the price equal to the principal amount of each Bond.
(f) Conversion price	JPY 1,534 (initial conversion price)

- (g) Matters regarding amount of stated capital and additional paid-in capital to be increased by the issuance of Shares upon the exercise of the Stock Acquisition Rights
- The amount of stated capital to be increased when shares are issued upon the exercise of the Stock Acquisition Rights shall be one-half of the “maximum capital and other increased amount,” as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations in respect of the exercise of the relevant Stock Acquisition Rights, with any fraction of less than one yen being rounded up. The amount of additional paid-in capital to be increased shall be the amount obtained by deducting the amount of stated capital to be increased from the maximum capital and other increased amounts.
- (h) Grant of the Stock Acquisition Rights by the New Obligors in the case of the Company’s Corporate Event
- There are clauses regarding such allotment in the offering circular.
- (10) Use of proceeds
- The net proceeds are expected to be used as follows:
- (i) approximately JPY 15 billion in the Financial Services Business as a business fund;
 - (ii) approximately JPY 5 billion in the Asset Management Business as a business fund;
 - (iii) approximately JPY 2 billion in the Biotechnology-related Business as a business fund; and
 - (iv) approximately JPY 8 billion for redemption of interest-bearing debt.
- (11) Listing
- The Bonds with Stock Acquisition Rights were listed on the Singapore Exchange Securities Trading Limited.

(TRANSLATION)

INDEPENDENT ACCOUNTANT’S REVIEW REPORT

11 November 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 September 2013, and the related interim condensed consolidated statements of income, and comprehensive income for the three months and six months then ended, and the interim condensed consolidated statements of changes in equity, and cash flows for the six 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.

Accountant’s 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.

Accountant's 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 September 2013, and the consolidated results of their operations for the three months and six months then ended, and their cash flows for the six months then ended in conformity with IAS 34.

Emphasis of Matter

As discussed in Note 12 to the interim condensed consolidated financial statements, 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.

Our conclusion is not qualified in respect of this matter.

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.