



SBI HOLDINGS, INC.

Third Quarterly Report 2013/14

2013.4.1-2013.12.31
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

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Tokyo, Japan

Principal Place of Business in Hong Kong

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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 15th Term	The 16th Term	The 15th Term
Accounting Period	Nine months ended 31 December 2012	Nine months ended 31 December 2013	Fiscal year ended 31 March 2013
Operating revenue (Millions of Yen)	110,663	177,210	153,476
Operating income (Millions of Yen)	10,630	39,508	16,577
Profit attributable to owners of SBI Holdings, Inc. (the "Company") (Millions of Yen)	1,124	20,185	3,202
Comprehensive income attributable to owners of the Company (Millions of Yen)	4,000	35,640	10,839
Equity attributable to owners of the Company (Millions of Yen)	294,963	330,982	303,299
Total assets (Millions of Yen)	1,686,595	3,192,281	2,494,387
Total liabilities (Millions of Yen)	1,327,148	2,798,083	2,133,852
Basic earnings per share attributable to owners of the Company (Yen)	5.17	93.25	14.75
Diluted earnings per share attributable to owners of the Company (Yen)	5.17	93.25	14.75
Ratio of equity attributable to owners of the Company (%)	17.5	10.4	12.2
Net cash from (used in) operating activities (Millions of Yen)	39,988	117,152	(36,984)
Net cash from (used in) investing activities (Millions of Yen)	1,578	5,311	(19,060)
Net cash (used in) from financing activities (Millions of Yen)	(19,722)	40,519	25,699
Cash and cash equivalents at the end of the period (Millions of Yen)	182,381	303,231	133,362

Term	The 15th Term	The 16th Term
Accounting Period	Three months ended 31 December 2012	Three months ended 31 December 2013
Operating revenue (Millions of Yen)	43,080	49,096
Profit attributable to owners of the Company (Millions of Yen)	2,488	2,615
Basic earnings per share attributable to owners of the Company (Yen)	11.49	12.08

- (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 nine months ended 31 December 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 nine months ended 31 December 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 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 information predicted at the time when this document was submitted (13 February 2014).

(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

There were no new significant contracts in business operations during the nine months ended 31 December 2013.

3. Financial Analysis

Forward-looking descriptions provided herein are based on judgments of the Group as at the reporting date for the nine months ended 31 December 2013.

(1) Results of Operations

The Group's consolidated results of operations for the nine months ended 31 December 2013, were as follows. Operating revenue increased 60.1% year-on-year to ¥177,210 million, operating income rose 271.7% to ¥39,508 million, profit before income tax expense increased 315.9% to ¥37,154 million, and profit attributable to owners of the Company rose 1,696.1% to ¥20,185 million.

The results of operations for each reporting segment of the Group for the nine months ended 31 December 2013 were as follows.

	Operating revenue			Profit (loss) before income tax expense		
	Nine months ended 31 December 2012	Nine months ended 31 December 2013		Nine months ended 31 December 2012	Nine months ended 31 December 2013	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	76,934	109,030	41.7	7,542	28,475	277.6
Asset Management Business	28,784	59,022	105.1	8,561	12,945	51.2
Biotechnology-related Business	690	2,139	210.2	(2,116)	(1,332)	—
Total	106,408	170,191	59.9	13,987	40,088	186.6
Others	6,287	8,150	29.6	1,173	2,289	95.1
Elimination	(2,032)	(1,131)	—	(6,228)	(5,223)	—
Consolidation	110,663	177,210	60.1	8,932	37,154	315.9

(% 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 operation of the Financial Services Business for the nine months ended 31 December 2013 were as follows. Operating revenue increased 41.7% year-on-year to ¥109,030 million, and profit before income tax expense increased 277.6% to ¥28,475 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 operation of the Asset Management Business for the nine months ended 31 December 2013 were as follows. Operating revenue increased 105.1% year-on-year to ¥59,022 million, and profit before income tax expense rose 51.2% to ¥12,945 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)

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 operation of the Biotechnology-related Business for the nine months ended 31 December 2013 were as follows. Operating revenue increased 210.2% year-on-year to ¥2,139 million, and loss before income tax expense amounted to ¥1,332 million (¥2,116 million of loss before income tax expense for the nine months ended 31 December 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 31 December 2013, total assets were ¥3,192,281 million and increased by ¥697,894 million from total assets of ¥2,494,387 million as at 31 March 2013. The Group's equity rose by ¥33,663 million to ¥394,198 million from the fiscal year ended 31 March 2013. As at 31 December 2013, the Group's cash and cash equivalents amounted to ¥303,231 million and increased by ¥169,869 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 ¥117,152 million in net cash inflows (¥39,988 million in net cash inflows for the nine months ended 31 December 2012). The net cash inflows were primarily due to a ¥37,154 million cash inflow from an increase in profit before income tax expense, a ¥96,904 million cash inflow from a decrease in accounts receivables and other receivables, and a ¥61,053 million cash inflow from an increase in operational liabilities and other liabilities, despite a ¥98,378 million cash outflow from a decrease in customer deposits in the banking business.

(Investing Cash Flows)

Cash flows from investing activities resulted in ¥5,311 million in net cash inflows (¥1,578 million in net cash inflows for the nine months ended 31 December 2012). The net cash inflows were primarily due to a ¥15,667 million cash inflow from proceeds from sales of investment securities, despite a ¥7,330 million cash outflow from purchases of investment securities.

(Financing Cash Flows)

Cash flows from financing activities amounted to ¥40,519 million in net cash inflows (¥19,722 million in net cash outflows for the nine months ended 31 December 2012). The net cash inflows were primarily due to a ¥18,400 million cash inflow from an increase in short-term loans payable, a ¥99,827 million cash inflow from proceeds from issuance of bonds payable, and a ¥10,200 million cash inflow from proceeds from long-term loans payable, despite a ¥17,308 million cash outflow for repayment of long-term loans payable and a ¥65,470 million cash outflow from redemption of bonds payable.

(3) Operational and Financial Assignment

For the nine months ended 31 December 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 ¥2,365 million on a consolidated basis for the nine months ended 31 December 2013. There were no significant changes in the Group's research and development activities during the nine months ended 31 December 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 31 December 2013	Numbers of Shares Issued as at the Filing Date 13 February 2014	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 February 2014, to the filing date.

2. The Company listed Hong Kong Depository Receipts (“HDRs”) 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 31 December 2013, are unavailable, the information about voting rights and principal shareholders as at 31 December 2013, is not presented herein.

Please refer to the last interim report for the latest available information about voting rights and principal shareholders as at 30 September 2013.

2. Board of Directors

There have been no nominations and 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 and nine months ended 31 December 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 31 December 2013
		Millions of Yen	Millions of Yen
Assets			
Cash and cash equivalents		133,362	303,231
Trade and other accounts receivable	5	412,477	336,157
Assets related to securities business			
Cash segregated as deposits		846,445	1,118,799
Margin transaction assets		164,935	175,551
Other assets related to securities business		422,265	702,798
Total assets related to securities business	5	1,433,645	1,997,148
Other financial assets	5	26,694	33,753
Operational investment securities	5	119,268	129,817
Other investment securities	5	57,209	56,463
Investments in associates and joint ventures		35,689	38,948
Investment properties		36,355	37,154
Property and equipment		10,517	11,883
Intangible assets		185,581	202,995
Other assets		29,928	36,362
Deferred tax assets		13,662	8,370
Total assets		<u>2,494,387</u>	<u>3,192,281</u>
Liabilities			
Bonds and loans payable	5	344,360	390,067
Trade and other accounts payable		48,894	110,714
Liabilities related to securities business			
Margin transaction liabilities		153,612	110,910
Loans payable secured by securities		135,609	269,162
Deposits from customers		387,310	606,254
Guarantee deposits received		372,440	531,852
Other liabilities related to securities business		255,634	371,121
Total liabilities related to securities business	5	1,304,605	1,889,299
Customer deposits in the banking business	5	376,177	336,959
Income tax payable		2,192	8,108
Other financial liabilities		35,371	38,202
Other liabilities		15,430	16,235
Deferred tax liabilities		6,823	8,499
Total liabilities		<u>2,133,852</u>	<u>2,798,083</u>
Equity			
Capital stock	9	81,668	81,681
Capital surplus		160,550	154,773
Treasury stock	9	(5,117)	(5,140)
Other component of equity		6,196	20,678
Retained earnings		60,002	78,990
Equity attributable to owners of the Company		303,299	330,982
Non-controlling interests		57,236	63,216
Total equity		<u>360,535</u>	<u>394,198</u>
Total liabilities and equity		<u>2,494,387</u>	<u>3,192,281</u>

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

	Notes	Nine months ended 31 December 2012	Nine months ended 31 December 2013
		Millions of Yen	Millions of Yen
Operating revenue	6,7	110,663	177,210
Operating expense			
Operating cost		(40,281)	(47,540)
Financial cost	8	(3,425)	(14,201)
Selling, general and administrative expenses		(54,231)	(71,128)
Other expenses		(933)	(5,064)
Total operating expense		(98,870)	(137,933)
Share of (losses) profits of associates and joint ventures using the equity method		(1,163)	231
Operating income		10,630	39,508
Other financial income and cost			
Other financial income	7	462	459
Other financial cost	8	(2,160)	(2,813)
Total other financial income and cost		(1,698)	(2,354)
Profit before income tax expense	6	8,932	37,154
Income tax expense			
Current		(2,676)	(10,931)
Deferred		(2,238)	(5,161)
Total income tax expense		(4,914)	(16,092)
Profit for the period		4,018	21,062
Profit for the period attributable to			
Owners of the Company		1,124	20,185
Non-controlling interests		2,894	877
Profit for the period		4,018	21,062
Earnings per share attributable to owners of the Company			
Basic (Yen)	11	5.17	93.25
Diluted (Yen)	11	5.17	93.25

	Notes	Three months ended 31 December 2012 Millions of Yen	Three months ended 31 December 2013 Millions of Yen
Operating revenue	6,7	43,080	49,096
Operating expense			
Operating cost		(13,088)	(14,287)
Financial cost	8	(1,149)	(4,578)
Selling, general and administrative expenses		(18,784)	(24,383)
Other expenses		166	(1,245)
Total operating expense		(32,855)	(44,493)
Share of (losses) profits of associates using the equity method		(401)	438
Operating income		9,824	5,041
Other financial income and cost			
Other financial income	7	169	71
Other financial cost	8	(765)	(955)
Total other financial income and cost		(596)	(884)
Profit before income tax expense	6	9,228	4,157
Income tax expense			
Current		(1,012)	(4,485)
Deferred		(3,379)	2,807
Total income tax expense		(4,391)	(1,678)
Profit for the period		4,837	2,479
Profit for the period attributable to			
Owners of the Company		2,488	2,615
Non-controlling interests		2,349	(136)
Profit for the period		4,837	2,479
Earnings per share attributable to owners of the Company			
Basic (Yen)	11	11.49	12.08
Diluted (Yen)	11	11.49	12.08

Interim Condensed Consolidated Statement of Comprehensive Income

Notes	Nine months ended 31 December 2012 Millions of Yen	Nine months ended 31 December 2013 Millions of Yen
Profit for the period	4,018	21,062
Other comprehensive (loss) income which will not be reclassified subsequently to profit or loss		
FVTOCI financial assets	(686)	1,015
Other comprehensive income which will be reclassified subsequently to profit or loss		
Currency translation differences	3,681	14,062
Hedging instruments for cash flow hedges	49	—
Other comprehensive income, net of tax	3,044	15,077
Total comprehensive income	7,062	36,139
Total comprehensive income attributable to		
Owners of the Company	4,000	35,640
Non-controlling interests	3,062	499
Total comprehensive income	7,062	36,139

Notes	Three months ended 31 December 2012 Millions of Yen	Three months ended 31 December 2013 Millions of Yen
Profit for the period	4,837	2,479
Other comprehensive income (loss) which will not be reclassified subsequently to profit or loss		
FVTOCI financial assets	272	(175)
Other comprehensive income which will be reclassified subsequently to profit or loss		
Currency translation differences	7,404	9,504
Hedging instruments for cash flow hedges	—	—
Other comprehensive income, net of tax	7,676	9,329
Total comprehensive income	12,513	11,808
Total comprehensive income attributable to		
Owners of the Company	9,879	12,080
Non-controlling interests	2,634	(272)
Total comprehensive income	12,513	11,808

Interim Condensed Consolidated Statement of Changes in Equity

Nine months ended 31 December 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
Profit for the period	—	—	—	—	1,124	1,124	2,894	4,018
Other comprehensive income	—	—	—	2,876	—	2,876	168	3,044
Total comprehensive income	—	—	—	2,876	1,124	4,000	3,062	7,062
Issuance of new stock	9	2	2	—	—	4	—	4
Change in scope of consolidation	—	—	—	—	—	—	(1,022)	(1,022)
Dividends paid	10	—	—	—	(2,208)	(2,208)	(2,514)	(4,722)
Treasury shares purchased	9	—	—	(2,013)	—	(2,013)	—	(2,013)
Treasury shares sold	9	—	—	65	—	65	—	65
Changes of interests in subsidiaries without losing control	—	—	(1,408)	—	—	(1,408)	9,576	8,168
Transfer	—	—	—	170	(170)	—	—	—
As at 31 December 2012	81,667	159,065	(5,128)	1,683	57,676	294,963	64,484	359,447

Nine months ended 31 December 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	—	—	—	—	20,185	20,185	877	21,062
Other comprehensive income (loss)	—	—	—	15,455	—	15,455	(378)	15,077
Total comprehensive income	—	—	—	15,455	20,185	35,640	499	36,139
Issuance of new stock	9	13	13	—	—	26	—	26
Issuance of convertible bonds	—	—	1,632	—	—	1,632	—	1,632
Change in scope of consolidation	—	—	—	—	—	—	125	125
Dividends paid	10	—	—	—	(2,170)	(2,170)	(2,058)	(4,228)
Treasury shares purchased	9	—	—	(55)	—	(55)	—	(55)
Treasury shares sold	9	—	—	32	—	33	—	33
Changes of interests in subsidiaries without losing control	—	—	(7,423)	—	—	(7,423)	7,414	(9)
Transfer	—	—	—	(973)	973	—	—	—
As at 31 December 2013	81,681	154,773	(5,140)	20,678	78,990	330,982	63,216	394,198

Interim Condensed Consolidated Statement of Cash Flows

Notes	Nine Months Ended	Nine Months Ended
	31 December 2012	31 December 2013
	Millions of Yen	Millions of Yen
Net cash from operating activities		
	8,932	37,154
Profit before income tax expense		
Depreciation and amortization	5,566	8,518
Share of loss (profit) of associates and joint ventures using the equity method	1,163	(231)
Interest and dividend income	(13,473)	(50,124)
Interest expense	5,569	17,015
Increase in operational investment securities	(9,395)	(3,262)
(Increase) decrease in accounts receivables and other receivables	(2,790)	96,904
Increase in operational liabilities and other liabilities	11,250	61,053
Increase in assets/liabilities related to securities business	34,551	21,111
Decrease in customer deposits in the banking business	—	(98,378)
Others	(2,100)	(2,181)
Subtotal	39,273	87,579
Interest and dividend income received	12,895	49,484
Interest expense paid	(4,846)	(18,202)
Income taxes paid	(7,334)	(1,709)
Net cash from operating activities	39,988	117,152
Net cash from investing activities		
Purchases of intangible assets	(2,932)	(3,821)
Purchases of investment securities	(9,305)	(7,330)
Proceeds from sales of investment securities	1,272	15,667
Acquisition of subsidiaries, net of cash and cash equivalents acquired	780	(2,057)
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	12,677	2,896
Payments of loans receivable	(7,440)	(3,417)
Collection of loans receivable	5,178	5,260
Others	1,348	(1,887)
Net cash from investing activities	1,578	5,311

Notes	Nine Months Ended 31 December 2012	Nine Months Ended 31 December 2013
	Millions of Yen	Millions of Yen
Net cash (used in) from financing activities		
(Decrease) increase in short-term loans payable	(31,460)	18,400
Proceeds from long-term loans payable	22,944	10,200
Repayment of long-term loans payable	(19,731)	(17,308)
Proceeds from issuance of bonds payable	63,945	99,827
Redemption of bonds payable	(60,540)	(65,470)
Proceeds from stock issuance	5	26
Proceeds from stock issuance to non-controlling interests	3,533	62
Contributions from non-controlling interests in consolidated investment funds	1,850	555
Cash dividend paid	(2,210)	(2,160)
Cash dividend paid to non-controlling interests	(467)	(529)
Distributions to non-controlling interests in consolidated investment funds	(1,941)	(2,049)
Purchase of treasury stock	(2,013)	(55)
Proceeds from sale of interests in subsidiaries to non-controlling interests	7,603	119
Payments for purchase of interests in subsidiaries from non-controlling interests	(145)	(145)
Others	(1,095)	(954)
Net cash (used in) from financing activities	<u>(19,722)</u>	<u>40,519</u>
Net increase in cash and cash equivalents	21,844	162,982
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	704	6,887
Cash and cash equivalents at the end of the period	<u><u>182,381</u></u>	<u><u>303,231</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 Quarterly 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 the annual 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 issuance by Yoshitaka Kitao, the Company's Representative Director, President and CEO, and Shumpei Morita, Director, Managing Executive Officer and CFO, on 10 February 2014.

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 31 December 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	336,157	337,113
Financial liabilities measured at amortized cost				
Bonds and loans payable	344,360	344,885	390,067	390,491
Deposits from customers	376,177	376,177	336,959	337,334

(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.

A transfer of financial instruments between levels of the 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 31 December 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	6,771	—	—	6,771
Other financial assets	797	—	—	797
Operational investment securities and other investment securities				
Financial assets at FVTPL	24,034	422	160,402	184,858
Financial assets at FVTOCI	463	—	959	1,422
Total financial assets	32,065	422	161,361	193,848
Financial liabilities				
Liabilities related to securities business	865	—	—	865
Total financial liabilities	865	—	—	865

(4) Financial instruments categorized as Level 3

Based on the valuation methods and policies as reported to the board of directors, 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 techniques and unobservable inputs used for recurring fair value measurements categorized as Level 3 are as follows:

As at 31 December 2013			
Fair Value	Valuation Technique	Unobservable Input	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% 9.6–22.1 6.3–10.2

Within the fair value of financial instruments categorized as Level 3 by recurring fair value measurements, the fair value of “Operational investment securities” and “Other investment securities,” which is measured through the income approach or market approach, increases (decreases) when the discount rate decreases (increases), when the 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 were changed to reasonably possible alternative assumptions.

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

For the nine months ended 31 December 2013

	Operational investment securities and other investment securities		Total
	Financial assets at FVTPL	Financial assets at FVTOCI	
	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at 1 April 2013	149,399	2,618	152,017
Purchase	13,425	—	13,425
Comprehensive income			
Net profit (loss) (Note 1)	(5,127)	—	(5,127)
Other comprehensive income (loss) (Note 2)	—	(45)	(45)
Dividends	(2,431)	—	(2,431)
Sale	(3,195)	(1,790)	(4,985)
Currency translation differences	9,727	176	9,903
Others (Note 3)	(2)	—	(2)
Transferred from Level 3 (Note 4)	(1,394)	—	(1,394)
Balance as at 31 December 2013	160,402	959	161,361

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 31 December 2013 were ¥3,559 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 31 December 2013, consisted of the following:

	As at 31 March 2013	As at 31 December 2013
	Millions of Yen	Millions of Yen
Operational investment securities		
Listed equity securities	7,617	16,723
Unlisted equity securities	78,690	74,745
Debt securities	650	1,162
Investments in funds	31,448	36,194
Other	863	993
Total	<u>119,268</u>	<u>129,817</u>
Other investments securities		
Listed equity securities	8,456	2,870
Unlisted equity securities	2,974	2,759
Debt securities	43,137	45,436
Investments in funds	2,102	3,847
Other	540	1,551
Total	<u>57,209</u>	<u>56,463</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 business 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 consist 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 nine months ended 31 December 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 nine months ended 31 December 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	76,934	28,784	690	106,408	6,287	(2,032)	110,663
Profit (loss) before income tax expense	7,542	8,561	(2,116)	13,987	1,173	(6,228)	8,932

For nine months ended 31 December 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	109,030	59,022	2,139	170,191	8,150	(1,131)	177,210
Profit (loss) before income tax expense	28,475	12,945	(1,332)	40,088	2,289	(5,223)	37,154

For three months ended 31 December 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	26,307	15,119	190	41,616	2,097	(633)	43,080
Profit (loss) before income tax expense	3,664	8,082	(956)	10,790	527	(2,089)	9,228

For three months ended 31 December 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	36,448	9,089	653	46,190	3,217	(311)	49,096
Profit (loss) before income tax expense	9,919	(5,260)	(584)	4,075	1,518	(1,436)	4,157

7. Revenue

	Nine Months Ended 31 December 2012	Nine Months Ended 31 December 2013
	Millions of Yen	Millions of Yen
Operating revenue		
Financial income		
Interest income (Note 1)	13,153	48,227
Dividends received	1,088	302
Income arising from financial assets at FVTPL	12,588	13,365
Gain from trading	7,068	10,127
Total financial income	33,897	72,021
Revenue from rendering of services	53,001	79,342
Valuation gain on business combination achieved in stages (Note 2)	2,762	-
Other income	21,003	25,847
Total operating revenue	110,663	177,210
Other financial income		
Interest income		
Financial assets measured at amortized cost	462	459
Total other financial income	462	459

(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 nine months ended 31 December 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 31 December 2012	Three Months Ended 31 December 2013
	Millions of Yen	Millions of Yen
Operating revenue		
Financial income		
Interest income (Note)	4,686	15,486
Dividends received	274	56
Income arising from financial assets at FVTPL	9,669	(4,740)
Gain from trading	2,591	3,562
Total financial income	17,220	14,364
Revenue from rendering of services	18,758	25,595
Other income	7,102	9,137
Total operating revenue	<u>43,080</u>	<u>49,096</u>
Other financial income		
Interest income		
Financial assets measured at amortized cost	169	71
Total other financial income	<u>169</u>	<u>71</u>

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

8. Financial cost

	Nine Months Ended 31 December 2012	Nine Months Ended 31 December 2013
	Millions of Yen	Millions of Yen
Financial cost		
Interest expense		
Financial liabilities measured at amortized cost	(3,425)	(14,201)
Total financial cost	<u>(3,425)</u>	<u>(14,201)</u>
Other financial cost		
Interest expense		
Financial liabilities measured at amortized cost	(2,160)	(2,813)
Total other financial cost	<u>(2,160)</u>	<u>(2,813)</u>

	Three Months Ended 31 December 2012	Three Months Ended 31 December 2013
	Millions of Yen	Millions of Yen
Financial cost		
Interest expense		
Financial liabilities measured at amortized cost	(1,149)	(4,578)
Total financial cost	<u>(1,149)</u>	<u>(4,578)</u>
Other financial cost		
Interest expense		
Financial liabilities measured at amortized cost	(765)	(955)
Total other financial cost	<u>(765)</u>	<u>(955)</u>

9. Capital stock and treasury stock

The Company's issued shares are as follows:

	Nine Months Ended 31 December 2012	Nine Months Ended 31 December 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 and 2)	202,071,678	35,980
As at the end of the period	<u>224,522,981</u>	<u>224,561,761</u>

(Notes) 1. The increase during the nine months ended 31 December 2012, is due to the increase of 202,067,487 shares related to a 10 for 1 stock split effective on 1 October 2012, and the increase of 4,191 shares related to the exercise of stock acquisition rights.

2. The increases during the nine months ended 31 December 2013, are due to the exercise of stock acquisition rights.

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

	Nine Months Ended 31 December 2012	Nine Months Ended 31 December 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)	7,719,066	39,387
Decrease during the period (Notes 3 and 4)	(44,450)	(51,450)
As at the end of the period	<u>8,116,709</u>	<u>8,086,383</u>

(Notes) 1. The increase of 7,719,066 shares is due to the increases of 7,319,610 shares related to a 10 for 1 stock split effective on 1 October 2012, 377,857 shares due to the acquisition of treasury stock subject to Article 156 of the Companies Act (replacement of the third paragraph of Article 165), and 21,599 shares due to the purchases from shareholders with less than one unit of shares.

2. The increase of 39,387 shares is due to the purchases from shareholders with less than one unit of shares.

3. The decrease of 44,450 shares is related to the sales of 43,660 shares to the Employee Stockholding Association, and the sales of 790 shares to shareholders with less than one unit of shares.

4. The decrease of 51,450 shares is related to the sales of 49,200 shares to the Employee Stockholding Association, and the sales of 2,250 shares to shareholders with less than one unit of shares.

10. Dividends

During the nine months ended 31 December 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 nine months ended 31 December 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.

	Nine Months Ended 31 December 2012	Nine Months Ended 31 December 2013
	Millions of Yen	Millions of Yen
Profit attributable to owners of the Company	1,124	20,185
Weighted-average number of shares		
Basic weighted-average number of ordinary shares (shares)	217,285,812	216,458,833
Dilutive effect: Stock option (shares)	18,381	8,635
Weighted-average number of ordinary shares after the dilutive effect (shares)	<u>217,304,193</u>	<u>216,467,468</u>
Earnings per share attributable to owners of the Company		
Basic (in Yen)	5.17	93.25
Diluted (in Yen)	5.17	93.25
	Three Months Ended 31 December 2012	Three Months Ended 31 December 2013
	Millions of Yen	Millions of Yen
Profit attributable to owners of the Company	2,488	2,615
Weighted-average number of shares		
Basic weighted-average number of ordinary shares (shares)	216,403,920	216,479,786
Dilutive effect: Stock option (shares)	23,438	—
Weighted-average number of ordinary shares after the dilutive effect (shares)	<u>216,427,358</u>	<u>216,479,786</u>
Earnings per share attributable to owners of the Company		
Basic (in Yen)	11.49	12.08
Diluted (in Yen)	11.49	12.08

(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

(1) 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., a Japanese arm of Prudential plc, subject to the approval by the relevant authorities, and the Company entered into a share transfer agreement at the same date.

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.

Please refer to Notes to Interim Condensed Consolidated Financial Statements of the last interim report – “12. Events after the previous fiscal year end” for detailed information.

(2) 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 yoyakukentsumi shasa*), and the payments for the Bonds were completed on 5 November 2013.

Please refer to Notes to Interim Condensed Consolidated Financial Statements of the last interim report – “13. Events after the Reporting Date” for detailed information.

13. Events after the Reporting Date

There were no significant subsequent events noted.

(TRANSLATION)

INDEPENDENT ACCOUNTANT’S REVIEW REPORT

10 February 2014

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 31 December 2013, and the related interim condensed consolidated statements of income, and comprehensive income for the three months and nine months then ended, and the interim condensed consolidated statements of changes in equity, and cash flows for the nine 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 31 December 2013, and the consolidated results of their operations for the three months and nine months then ended, and their cash flows for the nine 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 approval by the relevant authorities, and the Company entered into a share transfer agreement on 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.