SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

(Stock Code: 6488)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2012 AND RESUMPTION OF TRADING

The board of directors (the "Directors") of SBI HOLDINGS, INC. (the "Company") is pleased to announce the consolidated results of the Company and its consolidated subsidiaries (collectively the "Group") for the three months ended 30 June 2012.

At the request of the Company, trading in its Hong Kong depositary receipts was suspended with effect from 1:00 p.m. on Thursday, 9 August 2012, pending the release of this announcement. An application will be made by the Company to the Stock Exchange for resumption of trading in the Hong Kong depositary receipts with effect from 9:00 a.m. on Friday, 10 August 2012.

(Amounts are rounded off to the nearest million Japanese yen)

1. Consolidated Financial Results

(1) Consolidated Operating Results

(Percentages represent year-on-year changes)

	Operating revenue		Operating income		Profit before income tax expense		Profit for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended 30 June 2012	36,599	(12.3)	3,906	1.8	3,432	2.5	2,279	139.3
Three months ended 30 June 2011	41,728	—	3,836	—	3,347	—	952	—

	Profit attributable to owners of the Company		Total comprehensive income/(loss)		Basic earnings per share attributable to owners of the Company	Diluted earnings per share attributable to owners of the Company
	Millions of yen	%	Millions of yen	%	Yen	Yen
Three months ended 30 June 2012	1,403	335.4	(1,267)	—	64.05	64.04
Three months ended 30 June 2011	322	—	(849)	—	14.91	14.91

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the Company	Ratio of total equity attributable to owners of the Company to total assets
	Millions of yen	Millions of yen	Millions of yen	%
30 June 2012	1,581,394	349,543	289,198	18.3
31 March 2012	1,655,568	351,905	296,523	17.9

2. Dividends

	Dividend per share				
(Declared date)	End of 1st Q	End of 2nd Q	End of 3rd Q	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal Year ended 31 March 2012	—	0.00	—	100.00	100.00
Fiscal Year ending 31 March 2013	—				
Fiscal Year ending 31 March 2013 (forecast) (Note)		—	—	10.00	10.00

(Note) Upon resolution and approval of the board of directors meeting held on 26 April 2012 and the general shareholders meeting held on 28 June 2012, effective on 1 October 2012, 10 for 1 stock split for the ordinary shares will be conducted. The payout amount of ¥10 per share (forecast) is calculated based on the stock split and the payout amount is equivalent to ¥100 before the stock split.

3. Total number of shares outstanding (Common stock)

(1) Number of shares outstanding (including treasury stock)	: 30 June 2012	: 22,451,303shares
	31 March 2012	: 22,451,303shares
(2) Number of treasury stock	: 30 June 2012	: 817,464shares
	31 March 2012	: 442,093shares
(3) Average number of shares outstanding	: Three months ended 30 June 2012	: 21,910,711shares
	Three months ended 30 June 2011	: 21,613,463shares

The Group prepared the consolidated financial statements in accordance with International Financial Reporting Standards (“IFRSs”) from this fiscal year.

As of the date of this announcement, the results for the three months ended 30 June 2012 are under review by the independent accountants of the Company.

1. BUSINESS RESULTS

The Group determined to first adopt IFRSs for the three months ended 30 June 2012. All financial figures presented herein were prepared in accordance with IFRSs.

(1) Results of Operations

The Group's consolidated results of operations for the three months ended 30 June 2012 were as follows. Operating revenue declined 12.3% year-on-year to ¥36,599 million, operating income increased 1.8% to ¥3,906 million, and profit attributable to owners of the Company rose 335.4% to ¥1,403 million.

The result of operation for each reporting segment of the Group for the three months ended 30 June 2012 was as follows. The Group changed the categories of reporting segments during the three months ended 30 June 2012. "Financial Services Business", "Asset Management Business", and "Biotechnology-related Business" are determined as reportable segments by the Group.

	Operating revenue			Profit before income tax expense		
	Three months ended 30 June 2011	**Three months ended 30 June 2012**		Three months ended 30 June 2011	**Three months ended 30 June 2012**	
	Millions of Yen	**Millions of Yen**	%	Millions of Yen	**Millions of Yen**	%
Financial Services Business	23,762	**23,668**	**(0.4)**	506	**659**	**30.4**
Asset Management Business	15,186	**11,639**	**(23.4)**	5,480	**5,087**	**(7.2)**
Biotechnology-related Business	78	**276**	**254.6**	(305)	**(687)**	—
Others	3,515	**1,663**	**(52.7)**	(456)	**134**	—
Total	42,541	**37,246**	**(12.4)**	5,225	**5,193**	**(0.6)**
Elimination	(813)	**(647)**	—	(1,878)	**(1,761)**	—
Consolidation	41,728	**36,599**	**(12.3)**	3,347	**3,432**	**2.5**

(% represents year-on-year changes)

(Financial Services Business)

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

The results of operation of Financial Services Business for the three months ended 30 June 2012 were as follows. Operating revenue declined 0.4% year-on-year to ¥23,668 million, and profit before income tax expense increased 30.4% to ¥659 million.

(Asset Management Business)

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

The results of operation of Asset Management Business for the three months ended 30 June 2012 were as follows. Operating revenue declined 23.4% year-on-year to ¥11,639 million, and profit before income tax expense declined 7.2% to ¥5,087 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 is deemed to be controlled (*1) by the Group is consolidated into the results of operations of this reporting segment.

(*1) "Control" represents the power to govern the financial and operating policies of the entity in order to obtain economic benefits from the entity's business activities.

(Biotechnology-related Business)

Biotechnology-related Business represents development and distribution of pharmaceutical products with 5-aminolevulinic acid (ALA) (*2), a kind of amino acid which exists in vivo, medicines for cancer, and immune related medicines.

The result of operation of Biotechnology-related Business for the three months ended 30 June 2012 was as follows. Operating revenue increased 254.6% year-on-year to ¥276 million, and loss before income tax benefit amounted to ¥687 million for the three months ended 30 June 2012 (¥305 million of loss before income tax benefit for the three months ended 30 June 2011).

(*2) 5-aminolevulinic acid (ALA) is an amino acid generated by mitochondria in human body and an important substance used to produce heme or cytochrome, proteins to generate energy. The production of ALA in human body decreases with aging. ALA is included in food products including slops of distilled spirits, red wine, and radish shoots. ALA is also known as chloroplastic substance of plant.

(Others)

Business segments classified into “Others” primarily consist of development and trading of investment property and operation of online intermediate service.

The result of operation of Others for the three months ended 30 June 2012 were as follows. Operating revenue declined 52.7% year-on-year to ¥1,663 million, and profit before income tax expense amounted to ¥134 million for the three months ended 30 June 2012 (¥456 million of loss before income tax benefit for the three months ended 30 June 2011).

(2) Financial Positions and Cash Flows

As at 30 June 2012, total assets amounted ¥1,581,394 million and decreased by ¥74,174 million from total assets of ¥1,655,568 million as at 31 March 2012. The Group’s equity declined by ¥2,362 million to ¥349,543 million from the fiscal year ended 31 March 2012. As at 30 June 2012, the Group’s cash and cash equivalents amounted ¥159,259 million and decreased by ¥574 million from that of ¥159,833 million as at 31 March 2012. The changes of cash flows for each activity and the reasons for changes are as follows:

(Operating Cash Flows)

Cash flows from operating activities amounted ¥38,117 million of net cash inflows (¥36,853 million of net cash inflows for the three months ended 30 June 2011). The net cash inflows was primarily due to ¥15,400 cash inflows for decrease in accounts receivables and other receivables and ¥23,547 cash inflows for decrease in assets/liabilities related to securities business.

(Investing Cash Flows)

Cash flows from investing activities amounted ¥10,806 million of net cash inflows (¥1,614 million of net cash outflows for the three months ended 30 June 2011). The net cash inflows was primarily due to ¥13,000 cash inflows for proceeds from sales of investments in subsidiaries.

(Financing Cash Flows)

Cash flows from financing activities amounted ¥47,438 million of net cash outflows (¥17,193 million of net cash outflows for the three months ended 30 June 2011). The net cash outflows was primarily due to ¥13,829 cash outflows for decrease in short term loans payable and ¥30,540 cash outflows for redemption of bonds payable.

2. Interim Condensed Consolidated Financial Statements

(1) Interim Condensed Consolidated Statement of Financial Position

	Notes	As at 1 April 2011	As at 31 March 2012	**As at 30 June 2012**
		Millions of Yen	Millions of Yen	**Millions of Yen**
Assets				
Cash and cash equivalents	4	160,398	159,833	**159,259**
Trade and other accounts receivable, net	4	166,090	180,385	**148,740**
Assets related to securities business				
Cash segregated as deposits		347,866	663,066	**600,329**
Margin transaction assets		139,960	166,652	**185,657**
Other assets related to securities business		228,664	160,490	**161,990**
Total assets related to securities business	4	716,490	990,208	**947,976**
Other financial assets	4	16,885	13,086	**13,258**
Operational investment securities	4,5	108,138	121,951	**125,756**
Other investment securities	4,5	13,036	10,548	**12,330**
Investments in associates		23,367	29,097	**27,643**
Investment properties		19,291	18,529	**18,038**
Property and equipment		10,879	9,462	**9,034**
Intangible assets		67,976	64,502	**64,276**
Other assets		47,065	37,101	**34,894**
Deferred tax assets		22,114	20,866	**20,190**
Total assets		1,371,729	1,655,568	**1,581,394**
Liabilities				
Bonds and loans payable	4	276,978	285,188	**235,036**
Trade and other accounts payable	4	42,525	39,073	**43,589**
Liabilities related to securities business				
Margin transaction liabilities		79,189	113,002	**78,442**
Loans payable secured by securities		61,798	76,593	**129,625**
Deposits from customers		36,717	331,489	**305,671**
Guarantee deposits received		309,135	289,405	**286,306**
Other liabilities related to securities business		176,482	123,342	**115,029**
Total liabilities related to securities business	4	663,321	933,831	**915,073**
Income tax payable		5,099	4,847	**965**
Other financial liabilities	4	24,947	29,916	**29,194**
Other liabilities		5,609	4,937	**2,345**
Deferred tax liabilities		5,362	5,871	**5,649**
Total liabilities		1,023,841	1,303,663	**1,231,851**
Equity				
Capital stock	9	73,236	81,665	**81,665**
Capital surplus		155,525	160,471	**159,376**
Treasury stock	9	(247)	(3,180)	**(5,164)**
Other component of equity		571	(1,363)	**(4,844)**
Retained earnings		60,951	58,930	**58,165**
Equity attributable to owners of the Company		290,036	296,523	**289,198**
Non-controlling interests		57,852	55,382	**60,345**
Total equity		347,888	351,905	**349,543**
Total liabilities and equity		1,371,729	1,655,568	**1,581,394**

(2) Interim Condensed Consolidated Statements of Income and Comprehensive Income
Interim Condensed Consolidated Statement of Income

	Notes	Three months ended 30 June 2011	**Three months ended 30 June 2012**
		Millions of Yen	**Millions of Yen**
Operating revenue	6,7	41,728	**36,599**
Operating expense			
Operating cost		(16,362)	**(12,596)**
Finance cost	8	(1,229)	**(1,085)**
Selling, general and administrative expenses		(18,224)	**(17,567)**
Other expenses		(997)	**(598)**
Total Operating expense		(36,812)	**(31,846)**
Share of profits of associates using the equity method		(1,080)	**(847)**
Operating income		3,836	**3,906**
Other financial income and cost			
Other financial income	7	123	**148**
Other financial cost	8	(612)	**(622)**
Total Other financial income and cost		(489)	**(474)**
Profit before income tax expense	6	3,347	**3,432**
Income tax expense		(2,395)	**(1,153)**
Profit for the period		952	**2,279**
Profit for the period attributable to			
Owners of the Company		322	**1,403**
Non-controlling interests		630	**876**
Profit for the period		952	**2,279**
Earnings per share attributable to owners of the Company			
Basic (Yen)	11	14.91	**64.05**
Diluted (Yen)	11	14.91	**64.04**

Interim Condensed Consolidated Statement of Comprehensive Income

	Notes	Three months ended 30 June 2011 Millions of Yen	**Three months ended 30 June 2012 Millions of Yen**
Profit for the period		952	**2,279**
Other comprehensive income/(loss)			
Currency translation differences		(1,578)	**(2,725)**
FVTOCI financial assets		(198)	**(294)**
Hedging instruments for cash flow hedges		3	**49**
Proportionate share of other comprehensive income/(loss) of associates		(28)	**(576)**
Other comprehensive income/(loss), net of tax		(1,801)	**(3,546)**
Total Comprehensive income/(loss)		(849)	**(1,267)**
Total comprehensive income/(loss) attributable to			
Owners of the Company		(1,440)	**(2,038)**
Non-Controlling interests		591	**771**
Total Comprehensive income/(loss)		(849)	**(1,267)**

(3) Interim Condensed Consolidated Statement of Changes in Equity

Three months ended 30 June 2011

	Notes	Capital Stock	Capital Surplus	Treasury Stock	Other Component of equity	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to owners of the Company							
		Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
As at 1 April 2011		73,236	155,525	(247)	571	60,951	290,036	57,852	347,888
Profit for the period		–	–	–	–	322	322	630	952
Other comprehensive income/(loss)		–	–	–	(1,762)	–	(1,762)	(39)	(1,801)
Total comprehensive income/(loss)		–	–	–	(1,762)	322	(1,440)	591	(849)
Issuance of new stock	9	8,428	8,297	–	–	–	16,725	–	16,725
Change in scope of consolidation		–	–	–	–	–	–	1,065	1,065
Dividends paid	10	–	–	–	–	(2,391)	(2,391)	(183)	(2,574)
Changes of interests in subsidiaries without losing control		–	(1,776)	–	–	–	(1,776)	589	(1,187)
As at 30 June 2011		81,664	162,046	(247)	(1,191)	58,882	301,154	59,914	361,068

Three months ended 30 June 2012

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

(4) Interim Condensed Consolidated Statement of Cash flows

	Notes	Three months ended 30 June 2011	**Three months ended 30 June 2012**
		Millions of Yen	**Millions of Yen**
Net cash from operating activities			
Profit before income tax expense		3,347	**3,432**
Depreciation and amortization		1,674	**1,863**
Share of profits of associates using the equity method		1,080	**847**
Interest and dividend income		(5,388)	**(4,685)**
Interest expense		1,836	**1,704**
Increase in operational investment securities		(5,764)	**(6,341)**
Decrease in accounts receivables and other receivables		7,249	**15,400**
(Decrease) Increase in operational liabilities and other liabilities		(90)	**2,731**
Decrease in assets/liabilities related to securities business		34,658	**23,547**
Others		(442)	**1,433**
Subtotal		38,160	**39,931**
Interest and dividend income received		4,879	**4,569**
Interest expense paid		(1,616)	**(1,635)**
Income taxes paid		(4,570)	**(4,748)**
Net cash from operating activities		36,853	**38,117**
Net cash from (used in) investing activities			
Purchases of intangible assets		(959)	**(1,011)**
Purchases of investment securities		(8,520)	**(2,729)**
Proceeds from sales of investment securities		608	**342**
Proceeds from sales of investments in subsidiaries		12	**13,000**
Payments of loans receivable		(1,475)	**(1,738)**
Collection of loans receivable		5,764	**1,808**
Others		2,956	**1,134**
Net cash from (used in) investing activities		(1,614)	**10,806**

	Notes	Three months ended 30 June 2011	**Three months ended 30 June 2012**
		Millions of Yen	**Millions of Yen**
Net cash used in financing activities			
Decrease in short term loans payable		(46,838)	**(13,829)**
Proceeds from long-term loans payable		―	**200**
Repayment of long-term loans payable		(4,871)	**(5,004)**
Proceeds from issuance of bonds payable		29,775	―
Redemption of bonds payable		(9,030)	**(30,540)**
Proceeds from stock issuance		16,693	―
Proceeds from stock issuance to non-controlling interests		776	**2,028**
Cash dividend paid		(2,516)	**(2,079)**
Cash dividend paid to non-controlling interests		(185)	**(140)**
Purchase of treasury stock		―	**(2,000)**
Proceeds from sale of interests in subsidiaries to non-controlling interests		187	**4,347**
Payments for purchase of interests in subsidiaries from non-controlling interests		(844)	**(91)**
Others		(340)	**(330)**
Net cash used in financing activities		(17,193)	**(47,438)**
Net increase in cash and cash equivalents		18,046	**1,485**
Cash and cash equivalents at the beginning of the period		160,398	**159,833**
Effect of changes in exchange rate on cash and cash equivalents		(978)	**(2,059)**
Cash and cash equivalents at the end of the period		177,466	**159,259**

Notes to Interim Condensed Consolidated Financial Statements

1. Reporting Entity

SBI Holdings, Inc. (the “Company”) was incorporated in Japan. The 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 detailed information of each business.

2. Basis of Preparation

(1) Application of International Financial Reporting Standards and first time adoption

Since the Company meets the criteria of “Specific company” defined under first item of Article 1-2 of the Rules Governing Term, Form and Preparation of Consolidated Financial Statements (Financial Ministerial Order the 28th, 1976), the interim condensed consolidated financial statements of the Group 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).

The Group determined to first adopt International Financial Reporting Standards ("IFRSs") for the three months ended 30 June 2012 and the interim condensed consolidated financial statements for the three months ended 30 June 2012 is the first interim condensed consolidated financial statements prepared under IFRSs.

The date of transition to IFRSs is 1 April 2011 (hereinafter referred to as the “transition date”) and IFRS 1 “First-time Adoption of International Financial Reporting Standards” (hereinafter referred to as “IFRS 1”) has been applied.

An explanation of first application of IFRSs and effect of transition to IFRSs to the Group’s financial positions, financial results and cash flows is provided in Note 13 “Explanation of Transition to IFRSs”.

The interim condensed consolidated financial statements were approved and authorised for issue by the Company's Board of Directors on 9 August 2012.

(2) Basis of measurement

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for below.

- Financial instruments measured at fair value through profit or loss (“FVTPL”)
- Financial instruments measured at fair value through other comprehensive income (“FVTOCI”)

The measurement basis of fair value of the financial instruments is provided in Note 4 "Fair Value of Financial Instruments".

(3) Presentation currency

The interim condensed consolidated financial statements are presented in Japanese Yen, which is the functional currency of the Company and rounded off to the nearest million yen, unless otherwise stated.

(4) Use of estimates and judgments

In the preparation of the Group's interim condensed consolidated financial statements in accordance with IFRSs, the managements of the Company are required to make estimates, judgments and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in current period and following periods.

(a) Measurement of financial instruments

Unlisted equity securities held by the Group are primarily included in operational investment securities and designated as fair value through profit or loss (“FVTPL”). Fair values of those unlisted equity securities are measured using valuation techniques in which some significant input may not be based on observable market data.

(b) Deferred tax assets

Temporary differences which arising from the differences between the assets and liabilities on the financial statements and under tax accounting and tax losses are recorded as deferred tax assets up to the ceiling of the recoverable amount based on the future taxable income using the effective tax rate of when the temporary differences and tax losses are estimated to be utilized.

3. Significant Accounting Policies

The Group's accounting policies complied with IFRSs effective at 30 June 2012, except for IFRS 9 "Financial Instruments" (issued in November 2009 and revised in October 2010) ("IFRS 9") which the Group early adopted.

The accounting policies listed below, if not otherwise stated, are applied consistently in the preparation of this interim condensed consolidated financial statements (including the consolidated financial position as at the transition date).

(1) Basis of consolidation

(a) Subsidiaries

Subsidiaries refer to the entities under control of the Group. Control is defined as that the Group has the power to determine the financial and operating strategies of the investee in return for benefits arising from the investee's business performance. Subsidiaries are fully consolidated from the date on which control is obtained by the Group. They are deconsolidated on the date that the Group losses control. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Investments in funds operated by the Group are excluded from the scope of consolidation if they are not under control of the Group;

Inter-company transactions, balances and unrealized gains on transactions among the Group companies are eliminated in the preparation of consolidated financial statements. Unrealized losses, if no evidence for impairments exists, are also eliminated.

(b) Associates and joint ventures

Associates are all entities over which the Group has significant influence but not subsidiaries and joint ventures.

Significant influence refers to the power to participate in the financial and operating policy decision of the investee but is not control or joint control of those policies, which generally accompanying a shareholding of between 20% and 50% of the voting rights.

Joint ventures refer to entities which are founded under the contractually agreed sharing of control of an arrangement, that the relevant activities require the unanimous consent of all the parties sharing control.

Investments in associates and joint ventures are initially recognized at cost and accounted for using the equity method of accounting. However, investments held by venture capital organizations and other similar entities in the Group are accounted for at fair value through profit or loss according to IFRS 9.

Under the equity method, investor's share of the profit or loss and other comprehensive income (after adjustments for the purpose of conforming with the group accounting policies) of the associates and joint ventures (hereinafter referred to as "equity method associates") were recognized and recorded as adjustments to the carrying amounts of investments.

When the Group's share of losses in an equity method associate exceeds its interest in the associate, the excess is charged to other long term investments, if any, the Group does not recognize further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

Unrealized gain on inter-company transactions with equity method associates are recognized and recorded as the subtraction of carrying amount of investments only to the extent of investor's interests in the associates.

(c) Special purpose entities

Special purpose entities ("SPE") are consolidated in the Group's financial statements when the Group has the right to obtain substantial rewards and is exposed to relevant risks, which indicate the actual control of the SPE.

(d) Business combination

With the transition to IFRSs, according to IFRS 1, the Group determined to apply IFRS 3 “Business combination” (“IFRS 3”) retrospectively for those business combination incurred on or after 31 March 2008.

Acquisition method is applied for acquisitions incurred on or after 31 March 2008. The consideration transferred for the acquisition of a subsidiary is the total of fair value at the acquisition date of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date except for the below listed items.

・Deferred tax assets (or deferred tax liabilities) and assets (or liabilities) related to employee benefits are required to be recognized and measured in accordance with IAS 12 “Income Tax” and IAS 19 “Employee benefits”.

・Outstanding share based payment transactions of the acquiree, or liabilities and equity based financial instruments issued for the purpose of replacement of acquiree’s share based payment transactions with the Group’s were measured according to IFRS 2 “Share Based Payments” at acquisition date.

・Assets or disposal group categorized as held for sale were measured according to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” at acquisition date.

Goodwill is initially measured at the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If negative excess is occurred, the difference is recognized in profit.

The Group recognized non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the proportionate share of the recognized amount of acquiree’s identifiable net assets.

Acquisition-related cost is expensed as incurred, except for the costs related to the issuance of financial liabilities and equity instruments.

If the business combination is achieved in stages, the acquirer’s previously held equity interest in the acquiree is remeasured at fair value at the acquisition date and profit or loss is recognized.

(e) Changes in ownership interests in subsidiaries without loss of control

The Group determined to apply IFRS 3 retrospectively for the business combination occurred on or after 31 March 2008. Transaction with non-controlling interests that do not result in loss of control are accounted for as equity transaction according to IAS 27 “Consolidated and separate financial statements” (“IAS 27”), that is, the carrying amount of the Group’s share and non-controlling interests are adjusted as according to the change of interest. The difference between fair value of consideration paid or received and adjustments of the carrying value of non-controlling interests is recorded in equity and attributed to owners of the Company.

For the transactions occurred before 31 March 2008, changes in interests in subsidiaries without change of control are recognized as goodwill or in profit or loss in accordance with JGAAP.

(f) Loss of control

When the Group ceases to have control, the profit or loss related to the disposal is accounted for as the difference between the total fair value of consideration received and the retained interest, and the previous carrying amount of subsidiary’s assets (including goodwill), liabilities and non-controlling interests.

In addition, any amount previously recognized in other comprehensive income in relation to the subsidiary is accounted for as if the Group had directly disposed of each related assets or liabilities. The fair value of the retained interest in the former subsidiary is accounted for under IFRS 9.

(2) Foreign currency

(a) Foreign currency translation

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency shall be retranslated using the exchange rate at the date when the fair value was measured. The exchange differences arising from the retranslation were recognized as profit or loss, except for retranslation differences on financial instruments, change in the fair value of which is recognized in other comprehensive income and exchange differences arising from transactions for the purpose of hedging certain foreign exchange risk.

Non-monetary items that are measured at historical cost in foreign currency are not retranslated.

(b) Foreign operation

The assets and liabilities, including goodwill and fair value adjustments arising on business combinations, of all the Group entities (mainly foreign operation) that have a functional currency different from the presentation currency are translated into the presentation currency using the rate of exchanges prevailing at the end of each reporting period. Income and expenses of foreign operations are translated into the presentation currency at the average exchange rates.

Exchange differences arising are recognized as other comprehensive income. On or after 1 April 2011, the Group’s transition date, the differences are recorded as translation reserve and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. The Group applied the exemption for cumulative translation differences in IFRS 1, resetting cumulative translation gains and losses to zero at the transition date.

(3) Financial instruments

The Group decided to early adopt IFRS 9 and chose the date of 1 April 2011, the transition date as the date of initial application of IFRS 9.

IFRS 9, “Financial instruments” apply all financial assets which are currently addressed in IAS 39, “Financial instruments: Recognition and Measurement” to be subsequently measured either at amortized cost or at fair value. Debt instruments are measured at amortized cost if both of the following conditions are met: (i) the debt instruments are held in order to collect contractual cash flows as according to the Group’s business model for managing the financial assets and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments and equity instruments other than those mentioned above are subsequently measured at fair value.

(a) Initial recognition and measurement

The Group recognizes a financial asset or financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

A regular way purchase or sale of financial assets are recognized and derecognized, as applicable, using trade date accounting. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs directly attributable to acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The Group decided to apply exemptions of IFRS 1 stated below in respect of adopting IFRS 9.
Based on the actual practice and situation at the transition date and according to IFRS 9, financial instruments held for the purpose of gaining appreciation through changes of fair value are designated as financial assets and financial liabilities at FVTPL.
Based on the actual practice and situation at the transition date and according to IFRS 9, equity instruments held for the purposes other than trading are designated as financial assets at FVTOCI.

(b) Offsetting
Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right of offset the recognized amounts and there is intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(c) Non-derivative financial assets
Non-derivative financial assets are initially designated as “Financial assets measured at amortized cost”, “Financial assets at FVTPL” or “Financial assets at FVTOCI” on the basis of the Group’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost
Financial assets are subsequently measured using effective interest method at amortized cost less accumulative impairment loss if both of the following conditions are met: (i) the debt instruments are held in order to collect contractual cash flows as according to the Group’s business model for managing the financial assets) and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTPL
A financial asset is subsequently measured at fair value unless it is measured at amortized cost.

Financial assets at FVTOCI
Within financial instruments other than financial instruments held for trading, equity instruments are designated as financial instruments at FVTOCI at initial recognition. This is an irrevocable election, which means the accumulative changes of fair value recorded in other comprehensive income cannot be reclassified to profit or loss. Dividends from above mentioned equity instruments are recognized in profit or loss when there is no apparent evidence showing that the dividends are repayments of the original investment. At derecognition of equity instruments at FVTOCI or when the declining of fair value is not temporary comparing with initial cost, the recognized amount of changes in fair value accumulated in other comprehensive income is reclassified directly to retained earnings instead of recognized in profit or loss.

(d) Cash and cash equivalents
Cash and cash equivalents are cash and highly liquid financial assets with original maturities of three months or less.

(e) Non-derivative financial liabilities
Non-derivative financial liabilities include corporate bond and loan, trade and other account payables, which are subsequently measured at amortized cost using effective interest method.

(f) Trading assets and liabilities

Financial assets and liabilities are classified as trading assets and trading liabilities in the below situation

・Financial assets acquired for the purpose of sell and repurchase mostly in short term

・At initial recognition, the financial assets are managed together by the Group as part of a certain financial instrument portfolio, from which an actual short term gain has been realized.

・Derivative (either not classified as hedging instruments or proved to be not effective as hedging instruments)

Trading assets and trading liabilities are classified as financial assets and liabilities at FVTPL, changes in amount of which are recognized in profit or loss. Trading assets and trading liabilities are presented in “Other assets (or liabilities) related to securities business” in statement of financial position.

(g) Derecognition

The Group shall derecognize a financial asset when, and only when, the contractual rights to the cash flow from the financial expire or the Group no longer retains the contractual rights to receive the cash flows and transfers all the risks and rewards related to the financial asset.

If, as a result of a transfer, which satisfy the criteria of derecognition, a financial asset is derecognized but the transfer results in the Group obtaining or retaining rights and responsibilities, the Group shall recognize them as new financial assets or liabilities.

(h) Fair value measurement

The Group measures the fair value of a financial asset or liability using the market price from the active market if available. Fair value of financial assets held and liabilities to be issued by the Group are measured at bid price as the appropriate market price while financial assets to be obtained and liabilities already issued are determined at ask price.

The Group use valuation techniques to measure fair value if the financial assets are not traded in an active market. Valuation techniques include utilization of quoted price of a recent actual transaction in an active market, current fair value of an identical or similar financial instruments, discounted cash flow analysis and option pricing model. When there is evidence that market participants use valuation techniques to determine the price of a financial asset and liability and provide reliable estimated market price, fair value should be determined based on that valuation technique. To ensure the validity and the effectiveness of the valuation techniques used in determining the fair value, the Group shall reassess the valuation techniques based on the observable market data on a regular basis.

The Group adopted exemptions for fair value initial recognition of financial assets and liabilities in IFRS 1, electing to apply valuation techniques for the transactions without an active market occurring on or after the transition date.

(i) Impairment on financial assets measured at amortized costs

The Group recognizes impairment losses for financial assets measured at amortized costs after the initial recognition when there is objective evidence that a loss event has occurred and it is reasonably predictable that the negative impact will be exerted on the estimated future cash flows arising from financial assets. The Group assesses whether there is objective evidence indicating that financial assets measured at amortized cost is impaired on a quarterly basis.

Financial assets measured at amortized costs are assessed for impairment individually or together depending on the significance of financial assets. While significant financial assets are assessed for impairment individually, financial assets which are not assessed individually are grouped by risk characteristic and assessed together for impairment.

For financial assets measured at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Impairment loss is recognized in profit or loss in the period and the carrying amount of the financial asset is reduced by the impairment loss directly.

Interest on the impaired asset is recognized as the adjustments to discounts realized through the passage of time. When the adjustment to impairment loss after recognizing an impairment loss has occurred, which decreases impairment loss, the adjustments to impairment loss is recognized in profit or loss.

(j) Hedge accounting

The Group uses interest rate swap contracts to hedge interest rate risk.

At the inception of the hedge, the Group has a formal documentation of the hedging relationship between hedged item or transaction and hedge instrument, which is the interest rates swap contracts, in compliance with our risk management objective and strategy. In addition, the Group has a formal documentation on the effectiveness of the interest rates swap contracts to hedge the risks of changes in fair value and cash flow at the inception and on an ongoing basis.

The changes in fair value of interest swap contracts, which is designated as hedging instruments for fair value hedge are recognized in profit or loss. Gain or loss on the hedged item attributable to the risk of changes in interest rates shall adjust the carrying amount of the hedged item and be recognized in profit or loss.

Among the changes in fair value of interest swap contracts, which is designated as hedging instruments for cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income, while ineffective portion shall be recognized in profit or loss.

Amount that has been recognized in other comprehensive income shall be deducted from other comprehensive income in the consolidated statement of comprehensive income and reclassified to profit or loss in the same period during which the hedged item of cash flows affect profit or loss.

The Group shall discontinue prospectively the hedge accounting when the criteria of hedge accounting are no longer satisfied. In such situation, amounts accumulated in other comprehensive income remain unadjusted until the anticipated transaction finally affects profit or loss, or that the anticipated transaction is not expected to occur, when the underlying amount shall be immediately recognized in profit or loss.

(k) Capital stock

Common stock

Common stocks issued by the Group are classified as equity and stock issuance costs after the tax effect are recognized as deduction to equity.

Treasury stock

The Group's own equity instruments which are reacquired are recognized at cost including acquisition related costs after the tax effect as deducted from equity. When the Group sells treasury stocks, the consideration proceeded is recognized as addition to equity.

(4) Inventories

Inventories held by the Group are mainly real estate inventories. Real estate inventories are stated at lower of cost and net realizable value. Cost is determined upon individual identification of inventory. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale.

(5) Lease

(a) Accounting by lessor as financial lease

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Receivable is recognized at an amount equal to the net investment in the lease and presented as operating receivables or other receivables in the consolidated statement of financial positions.

(b) Accounting by lessee as financial lease

A lease is classified as financial lease when the Group assumes the reward and risk according to the lease contract. Lease assets are initially recognized as the lower of fair value of the leased property and the present value of the minimum lease payments. In subsequent measurement, leased assets are accounted for under the standards applied to the assets.

(6) Property and equipment

(a) Initial recognition and measurement

Property and equipment are presented as acquired cost deducted by accumulated depreciation and accumulated impairment loss. Acquired cost included the costs incurred directly related to the acquisition of the assets. Any gain or loss arising on the disposal of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(b) Depreciation

Depreciation is measured based on the depreciable amount, which is calculated as the initial cost of items of property and equipment less their residual values. Depreciation is recognized using the straight-line method to allocate their depreciable amounts over the estimated useful life of each component, and charged to profit or loss. Land is not depreciated.

The estimated useful lives of each class of property and equipment are as follows:

・Buildings 5 - 50 years

・Furniture and equipment 4 - 20 years

The amortization method, estimated useful life and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.

(7) Intangible Assets

(a) Intangible assets arising on business combination (goodwill and other intangible assets)

Goodwill arising on acquisition of subsidiaries are recognized as intangible assets. Initial recognition and measurement of goodwill are stated in (1) (d) Business combination. Intangible assets arising from business combination, other than goodwill are recognized at fair value at acquisition date.

After initial recognition, goodwill is measured at cost less accumulative impairment loss. For investees applied equity method, goodwill is included in the carrying amount of investments.

Intangible assets other than goodwill arising on business combination, are accounted for in the same way as intangible assets acquired separately, and measured at initial cost less accumulative amortization and accumulative impairment loss.

(b) Research and development

Expenditure on research phase for the purpose of learning most updated science and technology shall be recognized as an expense when it is incurred. Capitalized development expenditures are measured at initial cost less accumulative amortization and accumulative impairment loss.

(c) Other intangible assets (separately acquired)

Other intangible assets acquired by the Group are measured at initial cost less accumulative amortization and accumulative impairment loss.

(d) Amortization

Amortization of intangible assets other than goodwill is recognized in profit or loss using the straight-line method over the expected useful life, which begins with the date the assets are available for use.

The estimated useful lives of each class of intangible assets are as follows:

・Software　3-5 years
・Patent　3-6 years

The amortization method, estimated useful life and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.

(8) Investment properties

Investment properties are defined as property held to earn rentals or for capital appreciation or both, rather than for (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business. Investment properties are measured at initial cost less accumulative depreciation and accumulative impairment loss.

Depreciation is measured based on the depreciable amount, which is calculated as the initial cost of assets less their residual values. Depreciation is recognized using the straight-line method to allocate their depreciable amounts over the estimated useful life of each component, and charged to profit or loss.

The estimated useful lives of investment properties are as follows:

・Buildings　5-50 years

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gain or losses arising from the derecognition of investment properties are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss at the time of derecognition.

However, the Group applied the exemptions in IFRS 1, electing to measure part of investment properties at the transition date at its fair value as its deemed cost at that date.

(9) Impairment of non-financial assets

Other than inventories and deferred tax assets, the Group's non-financial assets are subject to annual impairment tests. When an indication for impairment exists, the recoverable amounts of the assets are estimated in order to determine the extent of the impairment losses if any. For a cash-generating unit ("CGU") with allocated goodwill and intangible assets, of which useful life cannot be determined or still in the status not available for use, the recoverable amount shall be estimated at a certain time, regardless of the indication for impairment. A CGU is defined as the smallest identifiable group of assets that generates cash flows that are largely independent of the cash inflows from other assets or group of assets.

The recoverable amounts of assets or CGUs are determined as the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the minimum CGU to which the asset belongs.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss. The impairment loss recognized in relation to the CGU shall be allocated to reduce the carrying amount of the assets of the unit in such order that (a) first, to reduce the carrying amount of any goodwill allocated to the CGU and (b) then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognized for goodwill shall not be reversed in a subsequent period. An entity shall assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Because goodwill that forms part of the carrying amount of an investment in an associate or a joint venture is not separately recognized, it is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset whenever there is an indication that the investment may be impaired.

(10) Employee benefits

(a) Defined contribution plans and defined benefit plans of multi-employer

The Company and its certain subsidiaries have defined contribution plans for employee benefits. Defined contribution plans are post-employeement benefit plans under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Contribution related to defined contribution plans are expensed over the period during which employees render service to the entity. Also, the Company and its certain subsidiaries participate in defined benefit multi-employer plans, under which, contribution paid during the period are recognized in profit or loss as pension expense and contribution payables are recorded as liabilities.

(b) Short term employee benefits and stock-based payment

The Group recognizes undiscounted amount of short-term employee benefits as expense of the period during which the related service is rendered. Also, the Company operates stock-based compensation as incentive for board members and employees, however, there is no impact to profit or loss of the current period.

The Group decided to adopt exemptions stated in IFRS 1 and do not apply IFRS 2 "Stock-based payments" for the stock-based payments vested on or before the date of 31 March 2011.

(11)Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured at the present value of the expected future cash flow using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation for which the estimates of future cash flows have not been adjusted.

(12)Revenue Recognition

(a) Financial income related to investment portfolio (excluding trading assets)

Financial assets at FVTPL are initially recognized at their fair value with related transaction costs charged to profit or loss as incurred. Gain and loss related to the sale of financial assets at FVTPL are measured as the differences between fair value of consideration proceeded and the carrying amount.

Changes in fair value of financial assets at FVTOCI are presented in other comprehensive income. When such financial assets are derecognized (sold) or that the declining in fair value of which is not temporary comparing with the initial cost, the cumulative gains or losses previously recognized into other comprehensive income are directly transferred into retained earnings.

However, dividends from financial assets at FVTOCI are recognized as financial income in profit or loss.

(b) Net trading income

Securities included in trading assets are classified as financial assets at FVTPL and the changes in fair value of which are recognized in profit or loss.

(c) Commission income

Commission income is the income arising from the transactions that the Group involved as agent instead of principal who gain main part of the profit from the transaction. Revenue of commission income is recognized in conformity with the progress of the transaction at the end of the reporting period if the result of the transaction can be reliably estimated.

If the below criteria are met, the transaction is regarded as that the Group involved as an agent.

・The Group neither identify the ownership of the goods nor assume any responsibility of after service.

・Though the Group ultimately collect consideration from customers, all the credit risk is assumed by the supplier of the goods.

(d) Sale of goods

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any sales return, trade discount and volume rebates. Normally, revenue is recognized when there is persuasive evidence showing that sales contract has been implemented, that is (i) significant risks and rewards of ownership of the goods has been transferred to the buyer; (ii) it is probable that the economic benefits associated with the transaction will flow to the Group; (iii) the cost incurred and possibility of sales return can be reliably estimated; (iv) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; and (v) the amount of revenue can be measured reliably. When there is probability that a sales discount is allowed by the Group, the amount shall be deducted from the original amount of revenue if it can be reasonably estimated.

(13)Income tax expense

Income tax expense consists of current and deferred tax expense, which are recognized in profit or loss, except for those arising from business combination or recognized directly in equity and other comprehensive income. Current income tax expense is measured at the amount expected to be paid to or recovered from the taxation authorities using the tax rate that have been enacted or substantively enacted by the end of the reporting period and generate taxable income. Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amount. However, the deferred tax assets are not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, or from deductable temporary differences related to investment in subsidiaries and joint ventures, under which it is probable that the difference cannot be recovered in the foreseeable future. Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred tax assets and liabilities are determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax assets are realized or the deferred tax liabilities are settled. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis, or the deferred tax assets and liabilities are expected to be realized simultaneously.

A deferred tax asset shall be recognized for the unused carryforward tax losses, unused tax credits and expected deductable temporary differences to the extent that it is probable that future taxable profit will be available against which the unused carryforward tax losses, unused tax credits and expected deductable temporary differences can be utilized. The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. The Group shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized.

The Group shall recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint venture, except to the extent that both of the following conditions are satisfied: (i) the Group is able to control the timing of the reversal of the temporary difference; and (ii) it is probable that the temporary difference will not reverse in the foreseeable future.

The Group shall recognize a deferred tax asset for all deductible temporary differences arising from investments and interests mentioned above, to the extent that, and only to the extent that, it is probable that (i) the temporary difference will reverse in the foreseeable future; and (ii) taxable profit will be available against which the temporary difference can be utilized.

(14)Earnings per share

The Group discloses both the basic earnings per share and diluted earnings per share. Basic earnings per share is calculated by dividing profit for the period attributable to ordinary equity holders by weighted average number of ordinary shares outstanding (issued shares adjusted by treasure shares) during the period. For the purpose of calculating diluted earnings per share, the Group adjusts profit for the period attributable to ordinary equity holders and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares.

The Group’s potential ordinary shares are issued in relation to stock option plan.

(15)Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Discrete financial information of all the segments are available so that the operating results are regularly reviewed by the board of directors to make decisions about resources to be allocated to the segment and assess its performance. Operating results reported to the board of directors include items directly belong to the segment and items allocated to the segment on reasonable basis. Items not allocated to any reporting segment mainly consist of corporate assets such as the Company's cash and cash equivalents and expenses of headquarter.

(16)Non-current assets held for sale

The Group classify a non-current asset or asset group as held for sale if (i) its carrying amount will be recovered principally through a sale transaction rather than through continuing use; (ii) the assets available for immediate sale and its sale within one year is highly probable; and (iii) management of the Group is committed to a plan to sell the asset.

When the Group is committed to a plan to sell a subsidiary with loss of control and all the above criteria are satisfied, it classifies the subsidiary's entire assets and liabilities as held for sale regardless of retaining any non-controlling interest of the subsidiary or not.

Non-current assets (or asset group) held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

(17)New and revised standards and new interpretations not yet adopted by the Group

The Group has not early adopted the new and revised standards and new interpretations which are not enforced as at 30 June 2012 in the preparation of the consolidated financial statements (except for IFRS 9).

It is assumed that those new and revised standards and interpretations will not have any influence on the Group's consolidated financial statements.

4. Fair Value of Financial Instruments

(1) Fair value measurements

Fair values of financial assets and financial liabilities are determined based on quoted market price. If quoted market price is not available, fair values are calculated with valuation models such as discounted cash flow analysis. The Group determined fair values of financial assets and financial liabilities as follows:

Cash and cash equivalents, Other financial assets, Trade and other accounts payable, and Other financial liabilities

The fair values are measured at the carrying values as they approximate the carrying values due to their short maturities.

Trade and other accounts receivable

The fair values are determined based on the future cash inflows discounted at the adequate rates such as government risk free rates considering credit risk.

Assets and liabilities related to securities business

With respect to loans on margin transactions included in margin transaction assets, the fair values are measured at the carrying value as the interest rates of the loans are floating rate and reflect the market interest rate within a short period. The fair values of assets and liabilities related to securities business except for loans on margin transactions are considered to approximate the carrying values as those assets and liabilities are settled within a short period. With respect to trading assets and trading liabilities, the fair values are measured as described in "Operational investment securities and other investment securities" and "Derivatives".

Operational investment securities and other investment securities

The fair values of listed equity securities are determined based on the quoted market price of the stock exchange. The fair values of unlisted equity securities, bonds with share options and stock warrants are determined using valuation models including the discounted cash flow analysis, the analysis based on revenues, profits and net assets, pricing analysis with reference to comparable industry prices. The fair values of investments in funds are measured at the fair values of partnership net assets based on the Group's percentage share in the contributed capital, if such fair values are available.

Bonds and loans payable

With respect to bonds and loans payable with floating interest rates, the fair values are measured at the carrying values as the interest rates of the bonds and loans reflect the market interest rate within a short period and as the credit condition of companies that obtained the bonds and loans are not expected to change significantly. With respect to bonds payable with fixed interest rates, the fair values are determined based on the future cash outflows considering remaining periods and discount rates adjusted with credit risks. With respect to loans payable with fixed interest rates, the fair values are determined at the present value of the future cash outflows, where the sum of principal and interest of loans are grouped according to their maturities and discounted using interest rates with reference to similar type of loan. The fair value of bonds payable and loans payable with short maturities are measured at the carrying values since they approximate the carrying values.

Derivatives

The fair values of foreign currency forward contracts are determined based on future exchange rate at the reporting date, whereas the fair values of foreign currency spot contracts are determined using spot rate at the reporting date. With respect to index futures and options, the fair values are determined based on market closing price at the reporting date in major stock markets. With regards to interest swaps, the fair values are determined by reference to offered prices by financial institutions.

(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 1 April 2011		As at 31 March 2012		**As at 30 June 2012**	
	Carrying amount	Fair value	Carrying amount	Fair value	**Carrying amount**	**Fair value**
	millions of Yen	millions of Yen	millions of Yen	millions of Yen	**millions of Yen**	**millions of Yen**
Financial assets measured at amortized cost						
Trade and other accounts payable	163,742	164,350	179,276	180,147	**147,798**	**148,799**
Financial liabilities measured at amortized cost						
Bonds and loans payable	276,978	276,896	285,188	285,493	**235,036**	**235,393**

(3) Financial instruments measured at fair values

In accordance with IFRS 7 "Financial Instruments: Disclosures", the Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value are categorized into Level 1 to 3 based on the degree to which the fair value is observable.

・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).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

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

	As at 1 April 2011			
	Level 1	Level 2	Level 3	Total
	millions of Yen	millions of Yen	millions of Yen	millions of Yen
Financial assets				
Trade and other accounts receivable	―	―	2,348	2,348
Assets related to securities business	531	―	―	531
Operational investment securities and other investment securities				
Financial assets at FVTPL	22,627	53	92,611	115,291
Financial assets at FVTOCI	3,934	―	1,949	5,883
Total financial assets	27,092	53	96,908	124,053
Financial liabilities				
Liabilities related to securities business	2	―	―	2
Other financial liabilities	74	―	―	74
Total financial liabilities	76	―	―	76

	As at 31 March 2012			
	Level 1	Level 2	Level 3	Total
	millions of Yen	millions of Yen	millions of Yen	millions of Yen
Financial assets				
Trade and other accounts receivable	—	—	1,109	1,109
Assets related to securities business	1,537	—	—	1,537
Operational investment securities and other investment securities				
Financial assets at FVTPL	13,751	51	111,298	125,100
Financial assets at FVTOCI	5,534	—	1,865	7,399
Total financial assets	20,822	51	114,272	135,145
Financial liabilities				
Liabilities related to securities business	36	—	—	36
Other financial liabilities	76	—	—	76
Total financial liabilities	112	—	—	112

	As at 30 June 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	millions of Yen	**millions of Yen**	**millions of Yen**	**millions of Yen**
Financial assets				
Trade and other accounts receivable	—	—	**942**	**942**
Assets related to securities business	**4,640**	—	—	**4,640**
Operational investment securities and other investment securities				
Financial assets at FVTPL	**15,643**	**50**	**115,596**	**131,289**
Financial assets at FVTOCI	**4,939**	—	**1,858**	**6,797**
Total financial assets	**25,222**	**50**	**118,396**	**143,668**
Financial liabilities				
Liabilities related to securities business	**0**	—	—	**0**
Other financial liabilities	—	—	—	—
Total financial liabilities	**0**	—	—	**0**

5. Financial Risk Management

The Group engages in a wide range of financial related businesses, such as investment business, fund management business, securities business, leasing business, loan business, credit card business and insurance business, to avoid excessive concentration of risk on specific entities or businesses. To operate their businesses, the Group raises funds by indirect financing such as bank borrowing, direct financing such as bond issuance and equity financing, and transactions with securities financing companies. The Group also considers the market environment and maintains an appropriate strategy for short and long term financing. The Group conducts trading of derivative instruments including foreign currency forward contracts, interest rate swaps, index futures, and foreign currency spot contracts. The Group enters into foreign currency forward contracts and interest swap transactions primarily to hedge foreign exchange risk and to manage its interest rate exposures on borrowings, respectively. The Group does not hold or issue them for speculative purpose. Index futures are entered for the purpose of day trading or capping of the size of their transactions. Foreign currency spot contracts are conducted with individual customer and involve cover transactions with counterparties based on the Group’s “Position Management Rule”.

In order to maintain financial strength and appropriate operational procedures, the Group has risk management policies to identify, analyze and manage the relevant risks integrally.
The Group’s financial instruments are exposed to the following risks:

- Credit risk
- Market risk
- Liquidity risk

(1) Risks arising from financial instruments

Financial assets held by the Group primarily consist of investment-related assets, assets related to securities business and financing-related assets.
Investment-related assets include operational investment securities, other investment securities and investments in associates. Those investment assets primarily represent investment in stocks and funds and are held for the purpose of fostering the development of venture capital portfolio companies or earning capital gains. Those investment assets have exposure to the issuer’s credit risk and the stock price fluctuation risk. Furthermore, unlisted equity securities are exposed to liquidity risk and investment assets denominated in foreign currency are exposed to the risk of foreign exchange fluctuations.
Assets related to securities business consist of cash segregated as deposits, margin transaction assets, trading assets, trade date accruals, and short-term guarantee deposits. Those assets are exposed to the credit risk and the interest rate risk of the brokerage customers, securities financing companies, and financial institutions. With respect to trading instruments, those are exposed to the credit risk and the price risk of issuers. Trading assets, trade date accruals, short-term guarantee deposits are classified into “Other assets related to securities business” in Consolidated Statement of Financial Position.
Financing-related assets primarily consist of operational loans receivable, leases receivable and lease investment assets and accounts receivable. These assets include real estate loans for domestic companies and individuals, unsecured personal loans, leases receivable and lease investment assets for domestic companies and the receivable arising from the sales of leasing business or credit card business. These assets are exposed to the interest rate risk and credit risk of accounts such as default due to worsening economic conditions with higher credit risk exposure. These assets are classified and presented as “Trade and other accounts receivable” in Consolidated Statement of Financial Position.

Financial liabilities of the Group primarily consist of loans payable, bonds payable and liabilities related to securities business. Loans payable of the Group are exposed to liquidity risk from changes in the pricing policy of the financial institutions to the Group. Bonds payable are exposed to liquidity risk from market conditions or reducing credit rating of the Group.
Liabilities related to securities business consist of margin transaction liabilities, loans payable secured by securities, deposits from customers, guarantee deposits received, and trade date accruals. The financing environment of the security business operated by the Group is affected by the business policy of security financing companies and its investment strategy. The Group exercises control by matching the financing with the corresponding assets related to securities business. Trade date accruals are

classified as “Other liabilities related to securities business” in Consolidated Statement of Financial Position.

The Group enters into foreign currency forward contracts and interest swap transactions primarily to hedge foreign exchange risk associated with receivables, payables and securities denominated in foreign currencies and to manage its interest rate exposures on borrowings, respectively.

The Group manages index futures as a part of investment business which is exposed to market risk. Because the counterparties of foreign currency forward contracts and interest rate swap agreements are limited to creditworthy major Japanese financial institutions and index futures are traded in the public market, the credit risk arising from default is considered to be minimal.
The Group also enters into foreign currency spot contracts in the course of ordinary operations, and hedging risk arising from the business. The transactions are subject to interest rate risk and foreign currency risk as well as exposed to credit risks with customers and credit and settlement risks with counterparties.

(2) Risk management system over financial instruments

In order to identify, analyze, and manage the Group’s risks, the Group assigns a risk management officer who is in charge of risk management and has a risk management department in line with the risk management rules and the risk control rules of the Group. The risk management department analyzes and monitors the Group’s risks on a timely basis.

(3) Credit risk management

Credit risk represents the risk that the Group has exposure to financial losses due to the worsening of investees’ financial conditions. Credit risk includes country risk of foreign investees which is the Group’s exposure to financial losses due to foreign currencies and political and economical situation in countries of foreign investees/debtors.
The Group manages credit risk as follows:

1. Accurately analyze financial conditions of investees/debtors and quantify relevant credit risk.
2. Appropriately manage the Group’s own capital and the related risks by periodic monitoring.
3. Under foreign investments or lending transaction, the Group identifies intrinsic risk of investees/debtors through with domestic/foreign offices as well as overseas partners followed by periodic monitoring.
4. Recognize investment risk as significant risk to be controlled among various credit risks and perform detailed analysis of fluctuation in risk associated with operational investment securities.

(4) Market risk management

Market risk is the risk that the Group has exposure to financial losses due to the fluctuation of interest rates, stock prices, foreign exchange rates and prices of real estate.

The Group is exposed to market risk arising from investments portfolio. The table below presents the Group's investment portfolio as at the reporting date.

	As at 1 April 2011	As at 31 March 2012	**As at 30 June 2012**
	millions of Yen	millions of Yen	**millions of Yen**
Operational investment securities			
Listed equity securities	20,769	12,558	**12,070**
Unlisted equity securities	54,453	80,837	**83,952**
Debts securities	519	180	**650**
Investments in funds	31,658	27,774	**28,446**
Other	739	602	**638**
Total	108,138	121,951	**125,756**
Other investments securities			
Listed equity securities	4,534	5,740	**7,558**
Unlisted equity securities	5,517	2,145	**2,160**
Debts securities	261	252	**252**
Investments in funds	2,170	1,922	**1,890**
Other	554	489	**470**
Total	13,036	10,548	**12,330**

The Group's risk management policies for market risk are as follows.

1. Understand underlying currency and term of assets and quantify market risk.
2. Appropriately manage the balance between the Group's own capital and its related risk by periodic monitoring.
3. Never enter into derivative transactions for speculative purposes in absence of established operating rules.

(5) Liquidity risk management

Liquidity risk is the risk that the Group encounters difficulties in financing funds under adequate term due to the worsening of financial condition of the Group.

The Group's risk management policies for liquidity risk are as follows.

1. Secure various financing arrangements such as bank overdraft facility, bond issuance registration or stock issuance.
2. Collect information on the Group's working capital requirement and understand the cash flow positions.
3. Obtain reports from the department responsible for cash management based upon the liquidity risk management policies stated in 1 and 2 above to monitor cash flow risks.

6. Segment Information

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

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

The following is description of business for reporting segments.

“Financial Services Business”

Financial Services Business consists of a wide range of financial related business including securities brokerage business, casualty insurance business, mortgage loans business, credit card loans business, leasing business, auto loans business, and the provision of information about financial products.

“Asset Management Business”

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

“Biotechnology-related Business”

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

Business segments classified into “Others” mainly consists of development and trading of investment property and operation of online intermediate service that are not classified as reporting segment based on the quantitative criteria for the three months ended 30 June 2012.

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

The following represents segment information of the Group:

For three months ended 30 June 2011

	Financial Services Business	Asset Management Business	Biotechnology-related Business	Others	Total	Elimination	Consolidated Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Operating revenue	23,762	15,186	78	3,515	42,541	(813)	41,728
Profit before income tax expense	506	5,480	(305)	(456)	5,225	(1,878)	3,347

For three months ended 30 June 2012

	Financial Services Business	**Asset Management Business**	**Biotechnology-related Business**	**Others**	**Total**	**Elimination**	**Consolidated Total**
	Millions of Yen	**Millions of Yen**	**Millions of Yen**	**Millions of Yen**	**Millions of Yen**	**Millions of Yen**	**Millions of Yen**
Operating revenue	**23,668**	**11,639**	**276**	**1,663**	**37,246**	**(647)**	**36,599**
Profit before income tax expense	**659**	**5,087**	**(687)**	**134**	**5,193**	**(1,761)**	**3,432**

7. Revenue

	Three months ended 30 June 2011	**Three months ended 30 June 2012**
	Millions of yen	**Millions of yen**
Operating revenue		
Financial income		
Interest income		
Financial assets at FVTPL	21	**10**
Financial assets measured at amortized cost	4,433	**4,274**
Total interest income	4,454	**4,284**
Dividends received		
Financial assets at FVTPL	1,191	**615**
Financial assets at FVTOCI	75	**63**
Total dividends received	1,266	**678**
Gain on sales of securities		
Financial assets at FVTPL	568	**182**
Total gain on sales of securities	568	**182**
Valuation gain based on fair value		
Financial assets at FVTPL	4,379	**5,896**
Total valuation gain based on fair value	4,379	**5,896**
Gain or loss from trading	2,962	**2,473**
Total financial income	13,629	**13,513**
Revenue from rendering of services	20,034	**16,707**
Other income	8,065	**6,379**
Total operating revenue	41,728	**36,599**
Other financial income		
Interest income		
Financial assets measured at amortized cost	123	**148**
Total other financial income	123	**148**

8. Financial cost

	Three months ended 30 June 2011	**Three months ended 30 June 2012**
	Millions of yen	**Millions of yen**
Financial cost		
Interest expense		
Financial liabilities measured at amortized cost	(1,229)	**(1,085)**
Total financial cost	(1,229)	**(1,085)**
Other financial cost		
Interest expense		
Financial assets measured at amortized cost	(612)	**(622)**
Total other financial cost	(612)	**(622)**

9. Capital stock and treasury stock

The Company’s issued shares are as follows:

	Three months ended 30 June 2011	**Three months ended 30 June 2012**
	Shares	**Shares**
Number of issued shares		
As at the beginning of the period	19,944,018	**22,451,303**
Increase during the period	2,000,000 *	–
As at the end of the period	21,944,018	**22,451,303**

* Issuance of new stock relevant to offering of Hong Kong Depositary Receipts.

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

	Three months ended 30 June 2011	**Three months ended 30 June 2012**
	Shares	**Shares**
Number of treasury stock		
As at the beginning of the period	14,621	**442,093**
Increase during the period	–	**377,857 ***
Decrease during the period	–	**(2,486)**
As at the end of the period	14,621	**817,464**

* Acquisition of treasury stock subject to Article 156 of the Companies Act (replacement of the third paragraph of Article 165).

10. Dividends

During the three months ended 30 June 2011, the Company paid dividends aggregated to ¥2,391 million (¥120 per share including ¥20 per share commemorating the listing on the Main Board of the Hong Kong Stock Exchange).

During the three months ended 30 June 2012, the Company paid dividends aggregated to ¥2,208 million (¥100 per share).

11. Earnings per Share

The basic and diluted earnings per share attributable to owners of the Company are calculated based on the following information:

	Three months ended 30 June 2011		**Three months ended 30 June 2012**	
Earnings attributable to owners of the Company	322	Millions of yen	**1,403**	**Millions of yen**
Weighted average number of ordinary shares	21,613,463	shares	**21,910,711**	**shares**
Dilution effect：Stock acquisition rights	6,977	shares	**2,890**	**shares**
Weighted average number of ordinary shares after the effect of dilution	21,620,440	shares	**21,913,601**	**shares**
Earnings per share (attributable to owners of the Company)				
Basic	14.91	Yen	**64.05**	**Yen**
Diluted	14.91	Yen	**64.04**	**Yen**

The Group conducted a stock split at the rate of 10 shares for each outstanding share based on the shareholders registered as at 30 September 2012. If the stock split was conducted at the beginning of the year ended 31 March 2012, the per-share information for the three months ended 30 June 2011 and 2012 would have been as follows:

	Three months ended 30 June 2011		**Three months ended 30 June 2012**	
Earnings per share (attributable to owners of the Company)				
Basic	1.49	Yen	**6.41**	**Yen**
Diluted	1.49	Yen	**6.40**	**Yen**

12. Events after the Reporting Date

There were no significant subsequent events noted.

13. Explanation of Transition to IFRSs

Interim condensed consolidated financial statements prepared in accordance with IFRSs are disclosed from the three months ended 30 June 2012. The latest consolidated financial statement under JGAAP is prepared for the year ended 31 March 2012 and the date of transition to IFRSs is 1 April 2011 (the “transition date”).

The reconciliation required to be disclosed for IFRSs’ first time adoption is as follows;

The “Reclassifications” in below table represents the reclassification made to map accounts presented under JGAAP to those of IFRSs. The “Adjustments” represents adjustments post as according to the requirements under IFRSs.

Reconciliation of consolidated Statement of Financial Position as at 1 April 2011 and 31 March 2012

Presentation under JGAAP	Notes	JGAAP	Reclassifications	Adjustments	IFRSs	Presentation under IFRSs
		As at 1 April 2011				
		Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	
Assets						Assets
Cash and deposits		150,268	(1,482)	11,612	160,398	Cash and cash equivalents
	(6)		98,310	67,780	166,090	Trade and other accounts receivable, net
Notes and accounts receivable-trade		10,658	(10,658)			
Operational loans receivable		27,906	(27,906)			
Leases receivable and lease investment assets		16,167	(16,167)			
Allowance for doubtful accounts		(4,017)	4,017			
						Assets related to securities business
Cash segregated as deposits		347,866	－	－	347,866	Cash segregated as deposits
Margin transaction assets	(10)	250,400	－	(110,440)	139,960	Margin transaction assets
Short-term guarantee deposits		5,236	(5,236)			
	(10)		10,632	218,032	228,664	Other assets related to securities business
					716,490	Total assets related to securities business
	(6)		9,672	7,213	16,885	Other financial assets
Operational investment securities-net	(6)	132,773	－	(24,635)	108,138	Operational investment securities
Short-term investment securities	(6)	292	(292)			
Real estate inventories		16,813	(16,813)			
Trading instruments		2,702	(2,702)			
Deferred tax assets		14,243	(14,243)			
Others		57,474	(57,474)			
	(6)		18,932	(5,896)	13,036	Other investment securities
			34,597	(11,230)	23,367	Investments in associates
	(5)		21,024	(1,733)	19,291	Investment properties
Property and equipment	(4)	28,431	(21,024)	3,472	10,879	Property and equipment
Intangible assets	(1)	140,244	－	(72,268)	67,976	Intangible assets
			39,990	7,075	47,065	Other assets
Investment securities	(6)	53,379	(53,379)			
Deferred tax assets	(9)	12,830	14,243	(4,959)	22,114	Deferred tax assets
Others		36,108	(36,108)			
Allowance for doubtful accounts		(12,067)	12,067			
Stock issuance costs		153	－	(153)		
Bonds issuance costs		32	－	(32)		
Deferred operating costs under Article 113 of the Insurance Business Act	(8)	5,715	－	(5,715)		
Total assets		1,293,606	－	78,123	1,371,729	Total assets

Presentation under JGAAP	Notes	JGAAP	Reclassifications	Adjustments	IFRSs	Presentation under IFRSs
		As at 1 April 2011				
		Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	
Liabilities						Liabilities
			211,278	65,700	276,978	Bonds and loans payable
Short-term loans payable		97,164	(97,164)			
Current portion of long-term loans payable		12,148	(12,148)			
Current portion of bonds payable		70,060	(70,060)			
			37,598	4,927	42,525	Trade and other accounts payable
Advances received		1,954	(1,954)			
Accrued expenses		3,202	(3,202)			
Provision for bonuses		79	(79)			
Other provisions		448	(448)			
						Liabilities related to securities business
Margin transaction liabilities	(10)	143,758	―	(64,569)	79,189	Margin transaction liabilities
Loans payable secured by securities		61,798	―	―	61,798	Loans payable secured by securities
Deposits from customers	(10)	37,820	―	(1,103)	36,717	Deposits from customers
Guarantee deposits received		309,135	―	―	309,135	Guarantee deposits received
	(10)		1,067	175,415	176,482	Other liabilities related to securities business
					663,321	Total liabilities related to securities business
Accrued income taxes		4,575	(279)	803	5,099	Income tax payable
			16,025	8,922	24,947	Other financial liabilities
Deferred tax liabilities		3,220	(3,220)			
Others		35,237	(30,230)	602	5,609	Other liabilities
Bonds payable		540	(540)			
Long-term loans payable		31,366	(31,366)			
Deferred tax liabilities	(9)	424	3,220	1,718	5,362	Deferred tax liabilities
Provision for retirement benefits		70	(70)			
Other provisions		861	(861)			
Others		17,567	(17,567)			
Statutory reserve	(7)	5,197	―	(5,197)		
Total liabilities		836,623	―	187,218	1,023,841	Total liabilities

Presentation under JGAAP	Notes	JGAAP	Reclassifications	Adjustments	IFRSs	Presentation under IFRSs
		As at 1 April 2011				
		Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	
Net assets						Equity
Capital stock		73,236	—	—	73,236	Capital stock
Capital surplus	(1)	236,921	—	(81,396)	155,525	Capital surplus
Treasury stock		(247)	—	—	(247)	Treasury stock
	(6)		(7,156)	7,727	571	Other component of equity
Retained earnings		88,074	—	(27,123)	60,951	Retained earnings
Total shareholders' equity		397,984	(7,156)	(100,792)	290,036	Equity attributable to owners of the Company
Unrealized losses on available-for-sale securities		(3,903)	3,903			
Deferred gains (losses) on derivatives under hedge accounting		(240)	240			
Foreign currency translation adjustment	(3)	(3,013)	3,013			
Total accumulated other comprehensive income/(loss)		(7,156)	7,156			
Stock acquisition rights		12	(12)			
Minority interests		66,143	12	(8,303)	57,852	Non-controlling interests
Total net assets		456,983	—	(109,095)	347,888	Total equity
Total liabilities and net assets		1,293,606	—	78,123	1,371,729	Total liabilities and equity

Presentation under JGAAP	Notes	JGAAP	Reclassifications	Adjustments	IFRSs	Presentation under IFRSs
		As at 31 March 2012				
		Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	
Assets						Assets
Cash and deposits		146,056	(461)	14,238	159,833	Cash and cash equivalents
	(6)		128,565	51,820	180,385	Trade and other accounts receivable, net
Notes and accounts receivable-trade		11,106	(11,106)			
Operational loans receivable		42,281	(42,281)			
Leases receivable and lease investment assets		13,830	(13,830)			
Allowance for doubtful accounts		(3,683)	3,683			
						Assets related to securities business
Cash segregated as deposits		663,066	—	—	663,066	Cash segregated as deposits
Margin transaction assets	(10)	260,048	—	(93,396)	166,652	Margin transaction assets
Short-term guarantee deposits		16,801	(16,801)			
	(10)		20,790	139,700	160,490	Other assets related to securities business
					990,208	Total assets related to securities business
	(6)		10,022	3,064	13,086	Other financial assets
Operational investment securities-net	(6)	141,943	—	(19,992)	121,951	Operational investment securities
Short-term investment securities	(6)	219	(219)			
Real estate inventories		11,700	(11,700)			
Trading instruments		1,763	(1,763)			
Deferred tax assets		11,426	(11,426)			
Others		75,831	(75,831)			
	(6)		18,132	(7,584)	10,548	Other investment securities
			43,322	(14,225)	29,097	Investments in associates
	(5)		22,428	(3,899)	18,529	Investment properties
Property and equipment	(4)	28,835	(22,428)	3,055	9,462	Property and equipment
Intangible assets	(1)	137,176	—	(72,674)	64,502	Intangible assets
			30,358	6,743	37,101	Other assets
Investment securities	(6)	61,403	(61,403)			
Deferred tax assets	(9)	15,458	11,426	(6,018)	20,866	Deferred tax assets
Others		26,013	(26,013)			
Allowance for doubtful accounts		(6,536)	6,536			
Stock issuance costs		182	—	(182)		
Bonds issuance costs		143	—	(143)		
Deferred operating costs under Article 113 of the Insurance Business Act	(8)	8,753	—	(8,753)		
Total assets		1,663,814	—	(8,246)	1,655,568	Total assets

Presentation under JGAAP	Notes	JGAAP	Reclassifications	Adjustments	IFRSs	Presentation under IFRSs
		As at 31 March 2012				
		Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	
Liabilities						Liabilities
			234,249	50,939	285,188	Bonds and loans payable
Short-term loans payable		103,915	(103,915)			
Current portion of long-term loans payable		19,889	(19,889)			
Current portion of bonds payable		60,060	(60,060)			
			32,843	6,230	39,073	Trade and other accounts payable
Advances received		1,941	(1,941)			
Accrued expenses		3,263	(3,263)			
Provision for bonuses		96	(96)			
Other provisions		291	(291)			
						Liabilities related to securities business
Margin transaction liabilities	(10)	170,800	—	(57,798)	113,002	Margin transaction liabilities
Loans payable secured by securities		76,593	—	—	76,593	Loans payable secured by securities
Deposits from customers	(10)	347,953	—	(16,464)	331,489	Deposits from customers
Guarantee deposits received		289,405	—	—	289,405	Guarantee deposits received
	(10)		2,676	120,666	123,342	Other liabilities related to securities business
					933,831	Total liabilities related to securities business
Accrued income taxes		4,875	(303)	275	4,847	Income tax payable
			22,480	7,436	29,916	Other financial liabilities
Deferred tax liabilities		4,048	(4,048)			
Others		36,930	(32,107)	114	4,937	Other liabilities
Bonds payable		30,480	(30,480)			
Long-term loans payable		16,766	(16,766)			
Deferred tax liabilities	(9)	357	4,048	1,466	5,871	Deferred tax liabilities
Provision for retirement benefits		17	(17)			
Other provisions		1,445	(1,445)			
Others		21,675	(21,675)			
Statutory reserve	(7)	4,436	—	(4,436)		
Total liabilities		1,195,235	—	108,428	1,303,663	Total liabilities

Presentation under JGAAP	Notes	JGAAP	Reclassifications	Adjustments	IFRSs	Presentation under IFRSs
		As at 31 March 2012				
		Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	
Net assets						Equity
Capital stock		81,665	–	–	81,665	Capital stock
Capital surplus	(1)	249,353	–	(88,882)	160,471	Capital surplus
Treasury stock		(3,180)	–	–	(3,180)	Treasury stock
	(6)		(9,323)	7,960	(1,363)	Other component of equity
Retained earnings		88,418	–	(29,488)	58,930	Retained earnings
Total shareholders' equity		416,256	(9,323)	(110,410)	296,523	Equity attributable to owners of the Company
Unrealized losses on available-for-sale securities		(2,722)	2,722			
Deferred gains (losses) on derivatives under hedge accounting		(1,890)	1,890			
Foreign currency translation adjustments	(3)	(4,711)	4,711			
Total accumulated other comprehensive income/(loss)		(9,323)	9,323			
Stock acquisition rights		10	(10)			
Minority interests		61,636	10	(6,264)	55,382	Non-controlling interests
Total net assets		468,579	–	(116,674)	351,905	Total equity
Total liabilities and net assets		1,663,814	–	(8,246)	1,655,568	Total liabilities and equity

Reconciliation of equity as at 1 April 2011, 30 June 2011, and 31 March 2012

	Notes	As at 1 April 2011	As at 30 June 2011	As at 31 march 2012
		Millions of Yen	Millions of Yen	Millions of Yen
Equity of the Group under JGAAP		456,983	471,648	468,579
Business combination	(1)	(77,493)	(76,696)	(77,393)
Scope of consolidation	(2)	(5,697)	(6,043)	(6,263)
Property and equipment	(4)	714	804	708
Investment properties	(5)	(1,291)	(1,298)	(2,785)
Financial instruments	(6)	(14,488)	(15,500)	(13,209)
Statutory reserve	(7)	3,082	2,627	4,097
Insurance contract	(8)	(6,978)	(7,495)	(8,989)
Income tax expense	(9)	(6,004)	(6,000)	(12,152)
Others		(940)	(979)	(688)
Equity of the Group under IFRSs		347,888	361,068	351,905

Reconciliation of comprehensive income of three months ended 30 June 2011 and the fiscal year ended 31 March 2012

	Notes	Three months ended 30 June 2011	Fiscal year ended 31 March 2012
		Millions of Yen	Millions of Yen
Comprehensive income/(loss) of the Group under JGAAP		772	3,764
Business combination	(1)	1,895	3,912
Scope of consolidation	(2)	(1,680)	826
Property and equipment	(4)	90	(6)
Investment properties	(5)	(7)	(1,494)
Financial instruments	(6)	(912)	816
Statutory reserve	(7)	(455)	1,015
Insurance contract	(8)	(517)	(2,011)
Income tax expense	(9)	4	(6,148)
Others		(39)	252
Comprehensive income/(loss) of the Group under IFRSs		(849)	926

Significant reconciliation of cash flows

There is no significant difference between cash flow statement under IFRSs and cash flow statement under JGAAP.

Notes to Reconciliation

(1) Business combination

The Group decided to apply IFRS 3 “Business Combinations” for all the business combinations retrospectively on or after 31 March 2008.

(a) Measurement of assets and liabilities at the date of business combination

The items which are recognized as assets and liabilities under JGAAP but do not meet the criteria for recognition of assets and liabilities under IFRSs are excluded from Statement of financial position as at 1 April 2011. On the contrary, the items which meet the criteria for recognition of assets and liabilities under IFRSs but were not recognized under JGAAP were recognized at measurement value at the initial recognition date.

As a result, the Group recognized intangible assets of ¥1,426 million and goodwill arising from business combination of ¥1,379 million was reduced at the initial recognition date.

(b) Goodwill arising from increasing investment in equity after obtaining control

The Group applies IFRS 3 “Business Combination” retrospectively for all the business combination occurred on or after 31 March 2008 and treats goodwill arising from increase in interest after obtaining control under JGAAP as decrease of capital surplus. As a result, capital surplus decreased by ¥87,156 million and ¥98,443 million as at 1 April 2011 and 31 March 2012, respectively. The decrease as at the transition date included the amount of ¥83,852 million which aroused from SBI SECURITIES Co., Ltd. becoming a wholly owned subsidiary in August 2008.

(c) Changes in ownership interests in subsidiaries without loss of control

Under IAS 27, the entity shall recognize investments in subsidiaries arising from changes in interest of parent company without losing control as equity transaction and thus profit or loss or goodwill decreased under JGAAP are treated as decrease or increase of capital surplus.

As a result, capital surplus increased by ¥5,942 million and ¥10,564 million as at 1 April 2011 and 31 March 2012, respectively.

(d) Impairment and amortization of goodwill and negative goodwill

Under JGAAP, goodwill is generally amortized over estimated useful life up to 20 years and shall be tested for impairment if there is an indication that the asset may be impaired and consequently not required to be tested for impairment every fiscal year. Impairment test consists of judgment for recognition and measurement of impairment. For the judgment for recognition, pre-discounted future cash flow is used for comparison with book value. An entity shall recognize the amount of the book value of non-current assets less the higher amount of fair value or value in use as measurement of impairment of non-current assets.

Under IFRSs, goodwill is required to be tested for impairment regardless of an indication of impairment instead of no periodical amortization. For impairment test, an entity shall compare cash-generating units including goodwill with recoverable amount. Recoverable amount is the higher of its fair value less costs of disposal and value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or a cash-generating unit which goodwill is allocated to. An entity shall base cash flow projections on the most recent financial budgets/forecasts approved by management, and maximum period of these budgets/forecasts shall be five years or less unless a longer period can be justified. Discount rate used for measuring value in use was 8.62% and 7.25% per annum as at 1 April 2011 and 31 March 2012, respectively.

As discussed, there are differences between JGAAP and IFRSs on assumption and estimation used in impairment test of goodwill, scope or approach of impairment test. And an impairment test is required at the transition date under IFRS 1.
By these differences, we recognized impairment loss of ¥1,906 million in Financial Service Business and ¥1,182 million in Biotechnology-related Business and ¥2,547 million in Other Business, in the aggregate of ¥5,635 million as a result of revaluation of recoverability amount of goodwill and other assets as at the transition date, 1 April 2011.

As at 31 March 2012 we recognized impairment loss of goodwill by ¥1,276 million in Asset Management Business and of ¥858 million in Financial Service Business, in the aggregate of ¥2,134 million.

Negative goodwill recognized as liabilities and amortized periodically under JGAAP is recognized as profit or loss under IFRSs.

(e) Impact from business combination
As a result of above from (1)(a) to (1)(d), as at 1 April 2011, there was a decrease in equity of ¥77,493 million which consist of decrease in capital surplus of ¥81,214 million, increase in retained earnings of ¥4,101 million, and decrease in non-controlling interests of ¥138 million.
Also, as a result of above from (1)(a) to (1)(d), as at 31 March 2012, there was a decrease in equity of ¥77,393 million which consist of decrease in capital surplus of ¥87,879 million, increase in retained earnings of ¥9,340 million, and decrease in non-controlling interests of ¥1,389 million.
In addition, total comprehensive income increased by ¥1,895 million for the three months ended 30 June 2011 and increased by ¥3,912 million for the fiscal year ended 31 March 2012.

(2) Scope of consolidation
Under JGAAP, when investment companies such as venture capital invest operationally to stock or equity of other company for gaining capital gains through corporate revitalization and business development even if controlling the organization for decision making of the other company, the company may not be recognized as subsidiary. On the other hand, under the same condition, IFRSs requires investment companies include the other company within the scope of consolidation when controlling the other company.
Since scope of consolidation has been expanded under IFRSs, there was a decrease in equity of ¥5,697 million as at 1 April 2011 including decrease in retained earnings of ¥4,698 million. Also, as at 31 March 2012, there was a decrease in equity of ¥6,263 million including decrease in retained earnings of ¥5,174 million.
In addition, total comprehensive income decreased by ¥1,680 million for the three months ended 30 June 2011 and increased by ¥826 million for the fiscal year ended 31 March 2012.
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(3) Translation adjustment for foreign operations
The Group determined to apply the exemption in IFRS 1 and recognized accumulated translation adjustment for all foreign operations as zero as at the transition date.

(4) Property and equipment

The Company and its consolidated subsidiaries in Japan principally apply the declining-balance method as depreciation method of property and equipment (other than leased asset) under JGAAP, however, under IFRSs, straight line method is applied. Retained earnings increased by ¥672 million and ¥665 million as at the transition date and 31 March 2012 principally due to the above difference of depreciation method.

(5) Investment properties

The Group determined to apply the exemption in IFRS 1 and treat fair value for some of the investment properties as deemed cost at the transition date under IFRSs. The book value of investment properties which the Group applied deemed cost is ¥17,420 million and fair value is ¥15,687 million. As a result, retained earnings decreased by ¥1,257 million as at the transition date. Retained earnings decreased by ¥1,470 million because the Group recognized impairment loss as at 31 March 2012.

(6) Financial instruments

(a) Classification of financial assets

Financial assets are classified as either “Financial assets measured at amortized cost” or “Financial assets measured at fair value” under IFRS 9. Investment in equity instrument which is not held for trading can be initially designated as the financial assets measured at fair value through other comprehensive income.

On the other hand, under JGAAP, securities are classified into four categories, “Securities held for trading”, “held to maturity investment”, “stocks of subsidiaries or affiliates” and “available-for-sale securities”. “Held to maturity investment“ is measured at amortized cost and “securities held for trading” and “available-for-sale securities” are measured at fair value through profit or loss and other comprehensive income, respectively.

Items included in “available-for-sale securities” excluding those measured at fair value through other comprehensive income, are measured at fair value through profit or loss with adoption of IFRS 9. The investment held by venture capitals and other similar entities in the Group are measured at fair value through profit or loss, when the Group does not intend to exercise control even though holding 20% to 50% voting interests, in conformity with IFRS 9.

(b) Deferral of up-front fee

The Company recognizes up-front fee which is charged by each housing loan at a fixed rate as revenue immediately upon receipt under JGAAP, however, under IFRSs, revenue recognition of up-front fee is deferred by using effective interest method where it meets the definition of “An inseparable part of effective interests”.

(c) Derecognition of financial assets and financial liabilities with securitization

According to IFRS 1, requirements of derecognition under IFRS 9 can be applied before the transition date when necessary information is available. The Group decided to derecognize the financial instruments related to the housing loans securitized on and after 1 January 2004 as they meet the criteria for derecognition defined in IFRS 9. Under IFRSs, all the risks and rewards of financial assets are regarded as substantially transferred when the Group no longer holds the contractual rights to collect cash flows from the financial assets or the Group officially acknowledges the pass-through arrangements. A financial asset shall be derecognized if all the risks and rewards are transferred or the Group hardly retain any risks and rewards of the financial assets nor exercise control towards it. Otherwise, the Group continues to recognize the financial assets. If the Group does not transfer all the risks and rewards of a transferred asset, and retains control of it, the Group continues to recognize the financial assets to the extent of its continuing involvement.

Under JGAAP financial assets are derecognized upon the transfer of control to the third party (financial component approach). Risks and rewards are not considered in the assessment of derecognition.

Under JGAAP specific agreement of securitization is regarded as sales of loan to third party and thus the loan is derecognized. Under IFRSs, the Group retain significant credit risks in relation to part of the loan, which do not meet criteria for derecognition under IFRS 9 and thus the loan is not derecognized. Furthermore, with the derecognition not being acknowledged under IFRSs, commission fee in relation to the loan which is recognized as income under JGAAP is recognized as adjustment to effective interest and amortized together with the loan.

(d) Impact on financial instruments

As a result of the above stated (6)(a) to (6)(c), equity decreased by ¥14,488 million consisting of the ¥14,919 million decrease in retained earnings, ¥5,351 million increase in other component of equity and ¥4,736 million decrease in non-controlling interests as at the transition date. As at 31 March 2012, equity decreased by ¥13,209 million, which consists of ¥13,952 million decrease in retained earnings, ¥5,085 million increase in other component of equity and ¥4,063 million decrease in non-controlling interests.

Other comprehensive income decreased by ¥912 million and increased by ¥816 million for the three months ended 30 June 2011 and fiscal year ended 31 March 2012 respectively.

Assets increased by ¥65,978 million and liabilities increased by ¥66,305 million as at the transition date, and assets increased by ¥51,421 million and liabilities increased by ¥51,358 million as at 31 March 2012 as impacted by the above (6)(c).

(7) Statutory reserve

Reserve for financial products transaction liabilities recognized under JGAAP is provided for future possible loss which does not exist at the reporting date. Reserve for financial products transaction liabilities do not meet the criteria for recognition of liabilities under IFRSs, therefore it is reversed, which leads to the result of a ¥3,082 million increase in retained earnings at the transition date and ¥4,097 million increase as at 31 March 2012.

(8) Insurance contract

(a) Deferred assets

An insurance company newly established may defer the business expenditure incurred within 5 years after establishment and recorded as deferred assets which can be amortized within 10 years through profit or loss in conformity with Article 113 of Insurance Business Act. Since the deferred assets which the Group recognizes under JGAAP do not meet the criteria of recognition of assets under IFRSs, the deferred assets are written off.

(b) Reserve for catastrophes

Reserve for catastrophes recognized under JGAAP is for future possible insurance payment and does not meet the criteria of liability under IFRSs. Therefore reserve for catastrophes recognized under JGAAP is written off under IFRSs.

(c) Impact from insurance contract

Retained earnings and non-controlling interest as at the transition date decreased by ¥4,573 million and ¥2,405 million, respectively, and retained earnings and non-controlling interest as at 31 March 2012 decreased by ¥6,291 million and ¥2,698 million, respectively as a result of impact from (8)(a) to (8)(b).

Total comprehensive income decreased by ¥517 million and ¥2,011 million respectively for the three months ended 30 June 2011 and fiscal year ended 31 March 2012.

(9) Income tax expense

The elimination of unrealized gain or loss arising from transaction within the Group leads to a temporary difference between the book value and tax base.

Under JGAAP, tax effects in relation to elimination of intragroup unrealized gain are recognized as deferred tax assets for the tax amount which incurred at seller side and the tax effects in relation to elimination of intragroup unrealized loss are recognized as deferred tax liabilities at the seller side since it is regarded as deductible in calculation of taxable income.

On the other hand, under IFRSs, tax effect in relation to elimination of intragroup unrealized gain are recognized as deferred tax assets at the buyer side considering the recoverability and calculated using tax rate of the buyer's. Tax effects in relation to intragroup unrealized loss shall be recognized as deferred tax liabilities with some exceptions.

Due to these GAAP differences, retained earnings decreased by ¥6,004 million and ¥12,152 million as at the transition date and 31 March 2012, respectively.

(10) Assets and liabilities related securities business

Under JGAAP, trade date accrual is recorded as net amount as contra account of trading assets and liabilities recognized when trading on exercise basis. Only transaction fee is recognized on exercise date and Trade date accrual is not recognized during a transaction as broker. On the other hand, under IFRSs, receivable and payable to different counter party can be offset when, and only when there is legal enforcement and intention for offsetting or simultaneous settlement of assets and liabilities. Therefore, trade date accrual occurred during trading is recorded at gross amount. On brokerage for customer, receivable and payable is recognized to both seller and buyer and trade date accrual is recorded as gross amount, at the same time, trade date accrual is partially offset with deposit from customers in spot transactions and is also offset partially with margin transaction assets or margin transaction liabilities in margin transactions.

Due to the impact of the GAAP difference stated above, assets and liabilities related to securities business increased by ¥109,758 million and ¥46,630 million as at the transition date and 31 March 2012, respectively.

RESUMPTION OF TRADING

At the request of the Company, trading in its Hong Kong depositary receipts was suspended with effect from 1:00 p.m. on Thursday, 9 August 2012, pending the release of this announcement. An application will be made by the Company to the Stock Exchange for resumption of trading in the Hong Kong depositary receipts with effect from 9:00 a.m. on Friday, 10 August 2012.

On behalf of the Board
SBI Holdings, Inc.
Yoshitaka Kitao
Chief Executive Officer

As of the date of this announcement, the executive Directors are Mr. Yoshitaka Kitao, Mr. Taro Izuchi, Mr. Takashi Nakagawa, Mr. Tomoya Asakura, Mr. Shumpei Morita, Mr. Noriaki Maruyama and Mr. Peilung Li, the non-executive Directors are Mr. Yasutaro Sawada, Mr. Hiroyoshi Kido, Mr. Noriyoshi Kimura, Mr. Hiroshi Tasaka, Mr. Takashi Okita and the independent non-executive Directors are Mr. Masaki Yoshida, Mr. Kiyoshi Nagano, Mr. Keiji Watanabe, Mr. Akihiro Tamaki and Mr. Masanao Marumono.