

# SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014

The board of directors (the “Directors”) of SBI HOLDINGS, INC. (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended September 30, 2014.

(Amounts are rounded 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	%
Six months ended September 30, 2014	113,303	(11.6)	34,915	1.3	32,498	(1.5)	20,609	10.9
Six months ended September 30, 2013	128,114	87.3	34,467	—	32,997	—	18,583	—

	Profit attributable to owners of the Company		Total comprehensive income		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
Six months ended September 30, 2014	25,787	46.8	31,366	28.9	119.11	110.02
Six months ended September 30, 2013	17,570	—	24,331	—	81.17	81.17

(Note) Year-on-year changes over 1,000% are not presented herein.

#### (2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets
	Millions of yen	Millions of yen	Millions of yen	%
September 30, 2014	2,948,008	407,519	357,040	12.1
March 31, 2014	2,875,304	388,463	325,631	11.3

## 2. Dividends

(Declared date)	Dividend per share				
	End of 1 <sup>st</sup> Q	End of 2 <sup>nd</sup> Q	End of 3 <sup>rd</sup> Q	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal Year ended March 31, 2014	—	0.00	—	20.00	20.00
Fiscal Year ending March 31, 2015	—	0.00			
Fiscal Year ending March 31, 2015 (forecast) (Note)			—	25.00	25.00

(Note) The year-end dividend forecast of 25 yen consists of common dividend of 20 yen and commemorative dividend of 5 yen for the 15th anniversary of the foundation of the Company. Please refer to *Announcement on Year-end Dividend Forecast and 15th Anniversary Commemorative Dividend* dated October 30, 2014 for more detail.

## 3. Total number of shares outstanding (Common stock)

(1) Number of shares outstanding (including treasury stock)	: September 30, 2014	: 224,561,761shares
	March 31, 2014	: 224,561,761shares
(2) Number of treasury stock	: September 30, 2014	: 8,056,523shares
	March 31, 2014	: 8,078,743shares
(3) Average number of shares outstanding	: Six months ended September 30, 2014	: 216,497,898shares
	Six months ended September 30, 2013	: 216,448,300shares

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

*As of the date of this announcement, the results for the Six months ended September 30, 2014 are under review by the independent accountants of the Company.*

## 1. BUSINESS RESULTS

### (1) Results of Operations

The Group's consolidated results of operations for the six months ended September 30, 2014 were as follow. Operating revenue decreased 11.6% year-on-year to ¥113,303 million, operating income rose 1.3% to ¥34,915 million, profit before income tax expense decreased 1.5% to ¥32,498 million, and profit attributable to owners of the Company increased 46.8% to ¥25,787 million.

The results of operations for each reporting segment of the Group for the six months ended September 30, 2014 were as follow.

	Operating revenue			Profit before income tax expense		
	Six months ended September 30, 2013	Six months ended September 30, 2014		Six months ended September 30, 2013	Six months ended September 30, 2014	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	72,582	84,276	16.1	18,556	38,266	106.2
Asset Management Business	49,933	25,180	(49.6)	18,205	(557)	—
Biotechnology-related Business	1,486	827	(44.4)	(748)	(1,751)	—
Total	124,001	110,283	(11.1)	36,013	35,958	(0.2)
Others	4,933	3,786	(23.3)	771	646	(16.2)
Elimination	(820)	(766)	—	(3,787)	(4,106)	—
Consolidation	128,114	113,303	(11.6)	32,997	32,498	(1.5)

(% represents year-on-year changes)

#### (Financial Services Business)

The Financial Services Business consists of a wide range of financial related businesses and the provision of information regarding financial products, including the core businesses of a securities brokerage business, banking services business, and property and casualty insurance business.

The results of operations of the Financial Services Business for the six months ended September 30, 2014 were as follows. Operating revenue increased 16.1% year-on-year to ¥84,276 million, and profit before income tax expense increased 106.2% to ¥38,266 million.

#### (Asset Management Business)

The Asset Management Business primarily consists of fund management and investment in internet technology, biotechnology, environment energy and financial-related venture companies in Japan and overseas, and investment in overseas financial institutions by forming partnerships with prominent local institutions.

The results of operations of the Asset Management Business for the six months ended September 30, 2014 were as follows. Operating revenue decreased 49.6% year-on-year to ¥25,180 million, and loss before income tax expense amounted to ¥557 million (¥18,205 million of profit before income tax expense for the six months ended September 30, 2013). Operating revenue in this reporting segment represents operating revenues arising from operational investment securities and includes the changes in fair values of those investment securities. The results of operations of the Group's investees which are deemed to be controlled by the Group are consolidated into the results of operations of this reporting segment.

### **(Biotechnology-related Business)**

The Biotechnology-related Business represents development and distribution of pharmaceutical products, health foods, and cosmetics with 5-aminolevulinic acid (ALA\*), a kind of amino acid which exists in vivo, and research and development of antibody drug and nucleic acid medicine in the field of cancer and immunology.

The results of operations of the Biotechnology-related Business for the six months ended September 30, 2014 were as follows. Operating revenue decreased 44.4% year-on-year to ¥827 million, and loss before income tax expense amounted to ¥1,751 million for the six months ended September 30, 2014 (¥748 million of loss before income tax expense for the six months ended September 30, 2013).

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

## **(2) Financial Positions and Cash Flows**

As at September 30, 2014, total assets amounted to ¥2,948,008 million and increased by ¥72,704 million from total assets of ¥2,875,304 million as at March 31, 2014. The Group's equity increased by ¥19,056 million to ¥407,519 million from the fiscal year ended March 31, 2014. As at September 30, 2014, the Group's cash and cash equivalents amounted to ¥238,178 million and decreased by ¥38,043 million from that of ¥276,221 million as at March 31, 2014. 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 to ¥20,553 million in net cash outflows (¥45,407 million in net cash inflows for the six months ended September 30, 2013). The net cash outflows were primarily due to a ¥32,816 million cash outflow from an increase in assets/liabilities related to securities business and a ¥25,918 million cash outflow from an increase in accounts receivables and other receivables, despite a ¥28,588 million cash inflow from an increase in operational liabilities and other liabilities.

### **(Investing Cash Flows)**

Cash flows from investing activities amounted to ¥20,411 million in net cash inflows (¥6,465 million in net cash inflows for the six months ended September 30, 2013). The net cash inflows were primarily due to a ¥24,087 million cash inflow from proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of, despite a ¥11,014 million cash outflow from purchases of investment securities.

### **(Financing Cash Flows)**

Cash flows from financing activities amounted to ¥44,707 million in net cash outflows (¥19,424 million in net cash inflows for the six months ended September 30, 2013). The net cash outflows were primarily due to a ¥24,732 million cash outflows from a decrease in short term loans payable, a ¥10,962 million cash outflow from repayment of long term loans payable and a ¥23,131 million cash outflow from redemption of bonds payable, despite a ¥20,238 million cash inflow from proceeds from long term loans payable.

## 2. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### (1) Interim Condensed Consolidated Statement of Financial Position

	As at March 31, 2014	As at September 30, 2014
	Millions of Yen	Millions of Yen
<b>Assets</b>		
Cash and cash equivalents	276,221	238,178
Trade and other accounts receivable	336,206	298,079
Assets related to securities business		
Cash segregated as deposits	935,497	1,108,692
Margin transaction assets	352,675	311,180
Other assets related to securities business	451,321	469,758
Total assets related to securities business	1,739,493	1,889,630
Other financial assets	30,593	25,989
Operational investment securities	127,365	117,560
Other investment securities	49,234	58,295
Investments accounted for using the equity method	39,820	41,953
Investment properties	33,195	29,984
Property and equipment	11,826	11,000
Intangible assets	196,438	200,771
Other assets	26,513	28,352
Deferred tax assets	8,400	8,217
<b>Total assets</b>	<b>2,875,304</b>	<b>2,948,008</b>
<b>Liabilities</b>		
Bonds and loans payable	440,112	340,029
Trade and other accounts payable	53,503	73,580
Liabilities related to securities business		
Margin transaction liabilities	186,806	104,778
Loans payable secured by securities	211,671	247,206
Deposits from customers	492,159	574,537
Guarantee deposits received	439,927	497,951
Other liabilities related to securities business	287,350	310,666
Total liabilities related to securities business	1,617,913	1,735,138
Customer deposits for banking business	302,314	319,930
Income tax payable	10,362	9,508
Other financial liabilities	38,015	39,985
Other liabilities	15,767	11,562
Deferred tax liabilities	8,855	10,757
<b>Total liabilities</b>	<b>2,486,841</b>	<b>2,540,489</b>
<b>Equity</b>		
Capital stock	81,681	81,681
Capital surplus	152,725	152,315
Treasury stock	(5,140)	(5,132)
Other component of equity	16,225	26,661
Retained earnings	80,140	101,515
Equity attributable to owners of the Company	325,631	357,040
Non-controlling interests	62,832	50,479
<b>Total equity</b>	<b>388,463</b>	<b>407,519</b>
<b>Total liabilities and equity</b>	<b>2,875,304</b>	<b>2,948,008</b>

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

	Six months ended September 30, 2013	Six months ended September 30, 2014
	Millions of Yen	Millions of Yen
Operating revenue	128,114	113,303
Operating expense		
Operating cost	(33,253)	(24,863)
Finance cost	(9,623)	(8,280)
Selling, general and administrative expenses	(46,745)	(44,401)
Other expenses	(3,819)	(2,429)
Total operating expense	(93,440)	(79,973)
Share of the profit or loss of associates and joint ventures accounted for using the equity method	(207)	1,585
Operating income	34,467	34,915
Other financial income and cost		
Other financial income	388	164
Other financial cost	(1,858)	(2,581)
Total other financial income and cost	(1,470)	(2,417)
Profit before income tax expense	32,997	32,498
Income tax expense	(14,414)	(11,889)
Profit for the period	18,583	20,609
Profit for the period attributable to		
Owners of the Company	17,570	25,787
Non-controlling interests	1,013	(5,178)
Profit for the period	18,583	20,609
Earnings per share attributable to owners of the Company		
Basic (Yen)	81.17	119.11
Diluted (Yen)	81.17	110.02

## Interim Condensed Consolidated Statement of Comprehensive Income

	Six months ended September 30, 2013 Millions of Yen	Six months ended September 30, 2014 Millions of Yen
Profit for the period	18,583	20,609
Items that will not be reclassified subsequently to profit or loss		
FVTOCI financial assets	1,190	7
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	4,558	10,750
Other comprehensive income, net of tax	5,748	10,757
Total Comprehensive income	24,331	31,366
Total comprehensive income attributable to		
Owners of the Company	23,560	36,151
Non-Controlling interests	771	(4,785)
Total Comprehensive income	24,331	31,366

### (3) Interim Condensed Consolidated Statement of Changes in Equity

Six months ended September 30, 2013

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Capital stock	Capital surplus	Treasury stock	Other component of equity	Retained earnings	Total			
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen			
As at April 1, 2013	81,668	160,550	(5,117)	6,196	60,002	303,299	57,236	360,535	
Profit for the period	—	—	—	—	17,570	17,570	1,013	18,583	
Other comprehensive income	—	—	—	5,990	—	5,990	(242)	5,748	
Total comprehensive income	—	—	—	5,990	17,570	23,560	771	24,331	
Issuance of new stock	13	13	—	—	—	26	—	26	
Change in scope of consolidation	—	—	—	—	—	—	125	125	
Dividends paid	—	—	—	—	(2,170)	(2,170)	(365)	(2,535)	
Treasury shares purchased	—	—	(39)	—	—	(39)	—	(39)	
Treasury shares sold	—	1	24	—	—	25	—	25	
Changes of interests in subsidiaries without losing control	—	(4,057)	—	—	—	(4,057)	3,556	(501)	
Transfer	—	—	—	(1,134)	1,134	—	—	—	
As at September 30, 2013	81,681	156,507	(5,132)	11,052	76,536	320,644	61,323	381,967	

Six months ended September 30, 2014

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Capital stock	Capital surplus	Treasury stock	Other component of equity	Retained earnings	Total			
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen			
As at April 1, 2014	81,681	152,725	(5,140)	16,225	80,140	325,631	62,832	388,463	
Profit for the period	—	—	—	—	25,787	25,787	(5,178)	20,609	
Other comprehensive income	—	—	—	10,364	—	10,364	393	10,757	
Total comprehensive income	—	—	—	10,364	25,787	36,151	(4,785)	31,366	
Change in scope of consolidation	—	301	—	—	—	301	(7,037)	(6,736)	
Dividends paid	—	—	—	—	(4,340)	(4,340)	(1,219)	(5,559)	
Treasury shares purchased	—	—	(12)	—	—	(12)	—	(12)	
Treasury shares sold	—	1	20	—	—	21	—	21	
Changes of interests in subsidiaries without losing control	—	(712)	—	—	—	(712)	688	(24)	
Transfer	—	—	—	72	(72)	—	—	—	
As at September 30, 2014	81,681	152,315	(5,132)	26,661	101,515	357,040	50,479	407,519	



#### (4) Interim Condensed Consolidated Statement of Cash flows

	Six months ended September 30, 2013	Six months ended September 30, 2014
	Millions of Yen	Millions of Yen
Net cash generated from (used in) operating activities		
Profit before income tax expense	32,997	<b>32,498</b>
Depreciation and amortization	5,547	<b>5,846</b>
Share of losses (profits) of associates and joint ventures accounted for using the equity method	207	<b>(1,585)</b>
Interest and dividend income	(34,148)	<b>(30,556)</b>
Interest expense	11,481	<b>10,861</b>
(Increase) decrease in operational investment securities	(8,376)	<b>10,977</b>
Decrease (increase) in accounts receivables and other receivables	52,518	<b>(25,918)</b>
Increase in operational liabilities and other liabilities	41,853	<b>28,588</b>
Decrease (increase) in assets/liabilities related to securities business	(2,144)	<b>(32,816)</b>
Decrease in customer deposits in the banking business	(76,170)	<b>(4,557)</b>
Others	1,080	<b>(23,101)</b>
Subtotal	24,845	<b>(29,763)</b>
Interest and dividend income received	33,271	<b>30,412</b>
Interest paid	(12,847)	<b>(10,651)</b>
Income taxes paid	138	<b>(10,551)</b>
Net cash generated from (used in) operating activities	45,407	<b>(20,553)</b>
Net cash generated from investing activities		
Purchases of intangible assets	(2,747)	<b>(2,070)</b>
Purchases of investment securities	(4,450)	<b>(11,014)</b>
Proceeds from sales of investment securities	11,107	<b>7,011</b>
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(2,057)	<b>(99)</b>
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	2,862	<b>24,087</b>
Payments of loans receivable	(2,821)	<b>(265)</b>
Collection of loans receivable	4,638	<b>302</b>
Others	(67)	<b>2,459</b>
Net cash generated from investing activities	6,465	<b>20,411</b>

	Six months ended September 30, 2013	Six months ended September 30, 2014
	Millions of Yen	Millions of Yen
Net cash generated from (used in) financing activities		
Increase (decrease) in short term loans payable	18,717	<b>(24,732)</b>
Proceeds from long-term loans payable	4,489	<b>20,238</b>
Repayment of long-term loans payable	(10,974)	<b>(10,962)</b>
Proceeds from issuance of bonds payable	49,707	–
Redemption of bonds payable	(39,000)	<b>(23,131)</b>
Proceeds from stock issuance	26	–
Proceeds from stock issuance to non-controlling interests	39	<b>179</b>
Contributions from non-controlling interests in consolidated investment funds	205	<b>480</b>
Cash dividends paid	(2,157)	<b>(4,315)</b>
Cash dividends paid to non-controlling interests	(365)	<b>(430)</b>
Distributions to non-controlling interests in consolidated investment funds	(521)	<b>(803)</b>
Purchase of treasury stock	(39)	<b>(12)</b>
Proceeds from sale of interests in subsidiaries to non-controlling interests	19	<b>114</b>
Payments for purchase of interests in subsidiaries from non-controlling interests	(135)	<b>(32)</b>
Others	(587)	<b>(1,301)</b>
Net cash generated from (used in) financing activities	<u>19,424</u>	<u><b>(44,707)</b></u>
Net increase (decrease) in cash and cash equivalents	71,296	<b>(44,849)</b>
Cash and cash equivalents at the beginning of the period	133,362	<b>276,221</b>
Effect of changes in exchange rate on cash and cash equivalents	2,287	<b>6,806</b>
Cash and cash equivalents at the end of the period	<u><u>206,945</u></u>	<u><u><b>238,178</b></u></u>

## Notes to Interim Condensed Consolidated Financial Statements

### 1. Changes in Accounting Policy

Except for the following standards that have been newly applied, the accounting policies presented in the consolidated financial statements for the year ended March 31, 2014, are applied consistently in the preparation of these consolidated financial statements.

The Group adopted the following new and revised standards and interpretations from the preparation of the interim condensed consolidated financial statements for the three months ended June 30, 2014. There is no significant impact to these consolidated financial statements through adoption.

Statement of standards		Summary of new standards and amendments
IFRS 10	Consolidated Financial Statements	
IFRS 12	Disclosure of Interests in Other Entities	Clarifications on definition of investment entities Measuring method of investments
IAS 27	Separate Financial Statements	
IAS 32	Financial Instruments: Presentation	Clarification of offsetting criteria and supplement to interpretations
IAS 36	Impairment of Assets	Recoverable amount disclosures for non-financial assets
IFRIC 21	Levies	Identification of present obligations to pay levies

### 2. Operating revenue

	Six months ended September 30, 2013	Six months ended September 30, 2014
	Millions of yen	Millions of yen
Operating revenue		
Financial income		
Interest income (Note 1)	32,741	<b>30,110</b>
Dividends received	246	<b>237</b>
Income arising from financial assets at FVTPL	18,105	<b>(5,146)</b>
Gain from trading	6,565	<b>6,913</b>
Total financial income	57,657	<b>32,114</b>
Revenue from rendering of services	53,747	<b>48,130</b>
Revenue from sale of interests in subsidiaries (Note 2)	43	<b>17,072</b>
Other income	16,667	<b>15,987</b>
Total operating revenue	<u>128,114</u>	<u><b>113,303</b></u>

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

2. Revenue from sale of interests in subsidiaries arose mainly from the sale of SBI Mortgage Co., Ltd.

### 3. Events after the Reporting Period

There were no significant subsequent events noted.