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## SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

(Stock Code: 6488)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 subsidiaries (collectively the “Group”) for the six months ended 30 September 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, 8 November 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, 9 November 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 (loss) before income tax expense		Profit (loss) for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended 30 September 2012	67,583	(16.4)	806	(85.7)	(296)	—	(819)	—
Six months ended 30 September 2011	80,877	—	5,641	—	4,635	—	1,129	—

	Profit (loss) 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
Six months ended 30 September 2012	(1,364)	—	(5,451)	—	(6.26)	(6.26)
Six months ended 30 September 2011	334	—	(5,978)	—	1.53	1.53

(Note) The Company conducted a 10 for 1 stock split, effective on 1 October 2012. The calculations of basic and diluted earnings per share are based on the new number of shares and adjusted retrospectively, assuming that the stock split was conducted at the beginning of the fiscal year ended 31 March 2012.

## (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	%
30 September 2012	1,559,310	344,286	285,203	18.3
31 March 2012	1,655,568	351,905	296,523	17.9

## 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 31 March 2012	—	0.00	—	100.00	100.00
Fiscal Year ending 31 March 2013	—	0.00			
Fiscal Year ending 31 March 2013 (forecast) (Note)			—	10.00	10.00

(Note) The payout amount of ¥10 per share (forecast) is calculated based on the number of shares after the 10 for 1 stock split, effective on 1 October 2012, 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 September 2012	: 224,519,430shares
	: 31 March 2012	: 224,513,030shares
(2) Number of treasury stock	: 30 September 2012	: 8,132,900shares
	: 31 March 2012	: 4,420,930shares
(3) Average number of shares outstanding	: Six months ended 30 September 2012	: 217,729,167shares
	: Six months ended 30 September 2011	: 218,999,717shares

(Note) The number of shares presented above is retrospectively adjusted, assuming that the 10 for 1 stock split was conducted at the beginning of the fiscal year ended 31 March 2012.

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 six months ended 30 September 2012 are under review by the independent accountants of the Company.*

## 1. BUSINESS RESULTS

The Group determined to first adopt International Financial Reporting Standards ("IFRSs") for this fiscal year ending 31 March 2013. All financial figures presented herein were prepared in accordance with IFRSs.

### (1) Results of Operations

The Group's consolidated results of operations for the six months ended 30 September 2012 were as follows. Operating revenue declined 16.4% year-on-year to ¥67,583 million, operating income decreased 85.7% to ¥806 million, and loss attributable to owners of the Company amounted to ¥1,364 million (profit attributable to owners of the Company of ¥334 million for the six months ended 30 September 2011).

The result of operation for each reporting segment of the Group for the six months ended 30 September 2012 was as follows. The Group changed the categories of reporting segments from the beginning of this fiscal year. "Financial Services Business", "Asset Management Business", and "Biotechnology-related Business" are determined as reportable segments by the Group.

	Operating revenue			Profit (loss) before income tax expense		
	Six months ended 30 September 2011	Six months ended 30 September 2012		Six months ended 30 September 2011	Six months ended 30 September 2012	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	48,784	50,627	3.8	2,337	3,878	65.9
Asset Management Business	28,016	13,665	(51.2)	8,049	479	(94.1)
Biotechnology-related Business	168	500	197.6	(849)	(1,160)	—
Others	5,553	4,190	(24.5)	(796)	646	—
Total	82,521	68,982	(16.4)	8,741	3,843	(56.0)
Elimination	(1,644)	(1,399)	—	(4,106)	(4,139)	—
Consolidation	80,877	67,583	(16.4)	4,635	(296)	—

(% represents year-on-year changes)

### **(Financial Services Business)**

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

The results of operation of Financial Services Business for the six months ended 30 September 2012 were as follows. Operating revenue increased 3.8% year-on-year to ¥50,627 million, and profit before income tax expense increased 65.9% to ¥3,878 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 six months ended 30 September 2012 were as follows. Operating revenue declined 51.2% year-on-year to ¥13,665 million, and profit before income tax expense declined 94.1% to ¥479 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, and cancer- and immune-related pharmaceutical products.

The result of operation of Biotechnology-related Business for the six months ended 30 September 2012 was as follows. Operating revenue increased 197.6% year-on-year to ¥500 million, and loss before income tax expense amounted to ¥1,160 million (loss before income tax expense of ¥849 million for the six months ended 30 September 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 six months ended 30 September 2012 was as follows. Operating revenue declined 24.5% year-on-year to ¥4,190 million, and profit before income tax expense amounted to ¥646 million (loss before income tax expense of ¥796 million for the six months ended 30 September 2011).

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

As at 30 September 2012, total assets amounted ¥1,559,310 million and decreased by ¥96,258 million from total assets of ¥1,655,568 million as at 31 March 2012. The Group's equity declined by ¥7,619 million to ¥344,286 million from the balance as at 31 March 2012. As at 30 September 2012, the Group's cash and cash equivalents amounted ¥152,061 million and decreased by ¥7,772 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 ¥2,809 million of net cash inflows (¥27,176 million of net cash outflows for the six months ended 30 September 2011). The net cash inflows were primarily due to ¥12,480 cash inflows for decrease in accounts receivables and other receivables despite ¥10,589 cash outflows for increase in assets/liabilities related to securities business.

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

Cash flows from investing activities amounted ¥5,336 million of net cash inflows (¥6,136 million of net cash outflows for the six months ended 30 September 2011). The net cash inflows were primarily due to ¥8,157 cash inflows for proceeds from sales of subsidiaries despite ¥3,373 cash outflows for purchases of investment securities.

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

Cash flows from financing activities amounted ¥13,524 million of net cash outflows (¥21,387 million of net cash inflows for the six months ended 30 September 2011). The net cash outflows were primarily due to ¥50,540 cash outflows for redemption of bonds payable despite ¥38,967 cash inflows for proceeds from issuance of bonds payable.

## **2. CORPORATE GOVERNANCE PRACTICES**

The Company has complied with all the major code provisions of the Corporate Governance Code throughout the period for the six months ended 30 September 2012, save for certain deviations from code provisions in respect of code provisions A.2.1, A.4.2, A.5, B.1, C.3, E.1.2, E.1.3, and E.2.1. Details of which are explained below.

### **Chairman and Chief Executive Officer**

According to the Code Provision A.2.1, the roles of chairman and chief executive officer (“CEO”) should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

The Company does not have a separate Chairman and CEO, and Mr. Yoshitaka Kitao currently holds both positions. The Board believes that vesting the roles of both Chairman and CEO in the same person ensures consistent leadership within the Group and enables more effective and efficient planning of long-term strategies and implementation of business plans. The Board believes that the balance of power and authority will not be impaired and is adequately ensured by the effective Board which comprises experienced and high caliber individuals with a sufficient number thereof being independent non-executive directors.

### **Appointment and Re-election of Directors**

The procedures of election of directors are laid down in the Company’s Articles of Incorporation and the Companies Act of Japan. The Board is responsible for reviewing Board composition, developing and formulating procedures for nomination and appointment of directors, monitoring the appointment of directors and assessing the independence of independent non-executive directors.

The Code Provision A.4.2 requires that all directors should be subject to retirement by rotation at least once every three years.

Directors of the Company would not be subject to retirement by rotation, since there is no such rule under the Companies Act of Japan.

Instead, each of the directors (including executive and non-executive directors) of the Company is engaged under a service contract for a term of one year in accordance with the Company’s Articles of Incorporation. The office may be terminated by the directors’ written notice so long as the minimum number of directors required by the Companies Act of Japan could be maintained. Otherwise, a director must continue his/her duty until being replaced by his/her successor.

Apart from foregoing, no Directors re-elected at the preceding annual general meeting held on 28 June 2012 has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

### **Nomination Committee**

The Company has not established a Nomination Committee as required by the Code Provision A.5. Shareholders elect the directors at the annual general Shareholders’ meeting based on an elective list of directors recommended by the Board, instead of via a nomination committee. The term of office of a director shall expire on the date of the general Shareholders’ meeting held relating to last business year, closing within 1 year after his or her appointment under the Company’s Articles of Incorporation. There is no limit on the number of consecutive term that a director may serve. A Representative Director is elected by the Board.

## **Remuneration Committee**

The Stock Exchange has confirmed that the Company does not need to strictly comply with Code Provision B.1 in respect of the establishment of a Remuneration Committee. The Board performs the role of remuneration committee to determine the remuneration of directors and senior management in accordance with the Companies Act of Japan and the Company will not put in place a separate committee.

The Board has established a set of rules for the compensation of its officers which set out the remuneration standards and policies of the Company for its executives. The compensation rules are not materially different from the terms of reference for a remuneration committee provided in Code Provision B.1.2 and they provide a formal and transparent process for the determination of remuneration. Further, even though the Board of Directors will voluntarily perform the role of the remuneration committee, the decisions on maximum amount of remuneration, the method for calculation of remuneration, and the type and amount of remuneration to be paid to Directors and Statutory Auditors must be determined by the Shareholders of the Company.

## **Audit Committee**

The Company has not established an Audit Committee as required by Code Provision C.3. Our annual results and this interim report have not been reviewed by the Audit Committee. The role of the Audit Committee pursuant to the Listing Rules has been carried out by a Board of Statutory Auditors of the Company in Japan. The specific roles and responsibilities of the Statutory Auditors and the Board of Statutory Auditors correspond closely to those required to be provided by an Audit Committee under the Listing Rules.

As the Company does not establish Audit Committee, Remuneration Committee and Nomination Committee, the terms of reference of the committees required to be disclosed by Code Provisions A.5.3, B.1.3. and C.3.4 respectively, are not disclosed on the website of the Stock Exchange nor our homepage.

## **Effective Communication**

As the Company does not establish the Audit Committee, Remuneration Committee and Nomination Committee as stated above, there are no chairmen of such committees attending the annual general meeting held on 28 June 2012 as required by Code Provision E.1.2.

The Company has not arranged for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting as required by Code Provision E.1.3. The Company sent convocation notice of annual general meeting to shareholders at least 14 days before the annual general meeting under the Companies Act of Japan.

## **Voting by Poll**

The voting procedures under the Companies Act of Japan are different from Hong Kong. Instead of complying with Code Provision E.2.1 that the chairman of a meeting should explain the poll procedures, the Company has conducted voting pursuant to the Companies Act of Japan.

The Company has applied and the Stock Exchange has granted waivers on the following Listing Rules:

### **Board Composition**

The requirement of Rules 3.10A and 3.11 of the Listing Rules in respect of the appointment of independent non-executive directors representing at least one-third of the Board.

The Company has been granted a waiver on strict compliance with the requirement of Rules 3.10A and 3.11 from the Stock Exchange with the condition that it will: (i) ensure that at least a majority of the Company's statutory auditors are able to meet the independence criteria contained in Rule 3.13 of the Listing Rule in accordance with the waiver from strict compliance with Rules 3.21 to 3.22 obtained by the Company at the listing and (ii) have at least three independent non-executive directors on the Board going forward (for so long as its securities remain listed on the Stock Exchange).

### **Cancellation on Share upon Repurchase**

The Company obtained a waiver from the Stock Exchange with respect to strict compliance with the requirements under Rules 10.06(5) and 19B.21 of the Listing Rules for us to (i) cancel the listing of any such Treasury Shares; (ii) apply for relisting of any such Treasury Shares held by the Company on their disposal; and (iii) cancel and destroy as soon as reasonably practicable all documents of title of repurchased Shares (including both HDRs and their underlying Shares) and the Company hereby confirms its compliance with the following conditions of granting this waiver during the period for the six months ended 30 September 2012;

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

### **Appointment of an Auditor**

The Company does not obtain approval from the Shareholders at each annual general meeting to appoint an auditor to hold office from the conclusion of that meeting until the next annual general meeting. The requirement of Rule 13.88 of the Listing Rules is inconsistent with the requirement under the Companies Act of Japan. The Companies Act of Japan is consistent with the position that an auditor may not be removed prior to the end of its term without the approval of Shareholders at a Shareholders' meeting.

### **Model Code for Securities Transactions**

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the "Code for Securities Transactions By Directors" and the Model Code throughout the period for the six months ended 30 September 2012.

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

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.



### 3. 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 September 2012
		Millions of Yen	Millions of Yen	Millions of Yen
<b>Assets</b>				
Cash and cash equivalents		160,398	159,833	<b>152,061</b>
Trade and other accounts receivable	5	166,090	180,385	<b>155,696</b>
Assets related to securities business				
Cash segregated as deposits		347,866	663,066	<b>617,322</b>
Margin transaction assets		139,960	166,652	<b>177,484</b>
Other assets related to securities business		228,664	160,490	<b>133,561</b>
Total assets related to securities business	5	716,490	990,208	<b>928,367</b>
Other financial assets		16,885	13,086	<b>12,253</b>
Operational investment securities	5	108,138	121,951	<b>121,201</b>
Other investment securities	5	13,036	10,548	<b>10,998</b>
Investments in associates		23,367	29,097	<b>28,077</b>
Investment properties		19,291	18,529	<b>17,662</b>
Property and equipment		10,879	9,462	<b>8,985</b>
Intangible assets		67,976	64,502	<b>68,538</b>
Other assets		47,065	37,101	<b>34,519</b>
Deferred tax assets		22,114	20,866	<b>20,953</b>
<b>Total assets</b>		<b>1,371,729</b>	<b>1,655,568</b>	<b>1,559,310</b>
<b>Liabilities</b>				
Bonds and loans payable	5	276,978	285,188	<b>272,509</b>
Trade and other accounts payable		42,525	39,073	<b>38,072</b>
Liabilities related to securities business				
Margin transaction liabilities		79,189	113,002	<b>62,162</b>
Loans payable secured by securities		61,798	76,593	<b>98,396</b>
Deposits from customers		36,717	331,489	<b>311,471</b>
Guarantee deposits received		309,135	289,405	<b>278,479</b>
Other liabilities related to securities business		176,482	123,342	<b>110,717</b>
Total liabilities related to securities business	5	663,321	933,831	<b>861,225</b>
Income tax payable		5,099	4,847	<b>1,619</b>
Other financial liabilities	5	24,947	29,916	<b>30,481</b>
Other liabilities		5,609	4,937	<b>5,259</b>
Deferred tax liabilities		5,362	5,871	<b>5,859</b>
<b>Total liabilities</b>		<b>1,023,841</b>	<b>1,303,663</b>	<b>1,215,024</b>
<b>Equity</b>				
Capital stock	9	73,236	81,665	<b>81,666</b>
Capital surplus		155,525	160,471	<b>159,195</b>
Treasury stock	9	(247)	(3,180)	<b>(5,138)</b>
Other component of equity		571	(1,363)	<b>(5,918)</b>
Retained earnings		60,951	58,930	<b>55,398</b>
Equity attributable to owners of the Company		290,036	296,523	<b>285,203</b>
Non-controlling interests		57,852	55,382	<b>59,083</b>
<b>Total equity</b>		<b>347,888</b>	<b>351,905</b>	<b>344,286</b>
<b>Total liabilities and equity</b>		<b>1,371,729</b>	<b>1,655,568</b>	<b>1,559,310</b>

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

	Notes	Six months ended 30 September 2011	Six months ended 30 September 2012
		Millions of Yen	Millions of Yen
Operating revenue	6,7	80,877	<b>67,583</b>
Operating expense			
Operating cost		(33,962)	<b>(27,193)</b>
Financial cost	8	(2,635)	<b>(2,276)</b>
Selling, general and administrative expenses		(36,867)	<b>(35,447)</b>
Other expenses		(2,110)	<b>(1,099)</b>
Total Operating expense		(75,574)	<b>(66,015)</b>
Share of profit (loss) of associates using the equity method		338	<b>(762)</b>
Operating income		5,641	<b>806</b>
Other financial income and cost			
Other financial income	7	227	<b>293</b>
Other financial cost	8	(1,233)	<b>(1,395)</b>
Total Other financial income and cost		(1,006)	<b>(1,102)</b>
Profit (loss) before income tax expense	6	4,635	<b>(296)</b>
Income tax expense		(3,506)	<b>(523)</b>
Profit (loss) for the period		1,129	<b>(819)</b>
Profit (loss) for the period attributable to			
Owners of the Company		334	<b>(1,364)</b>
Non-controlling interests		795	<b>545</b>
Profit (loss) for the period		1,129	<b>(819)</b>
Earnings per share attributable to owners of the Company			
Basic (Yen)	11	1.53	<b>(6.26)</b>
Diluted (Yen)	11	1.53	<b>(6.26)</b>

## Interim Condensed Consolidated Statement of Comprehensive Income

	Notes	Six months ended 30 September 2011 Millions of Yen	Six months ended 30 September 2012 Millions of Yen
Profit (loss) for the period		1,129	<b>(819)</b>
Other comprehensive income/(loss)			
Currency translation differences		(5,006)	<b>(3,169)</b>
FVTOCI financial assets		(1,107)	<b>(958)</b>
Hedging instruments for cash flow hedges		4	<b>49</b>
Proportionate share of other comprehensive income/(loss) of associates		(998)	<b>(554)</b>
Other comprehensive income/(loss), net of tax		(7,107)	<b>(4,632)</b>
 Total Comprehensive income/(loss)		<b>(5,978)</b>	<b>(5,451)</b>
 Total comprehensive income/(loss) attributable to			
Owners of the Company		(6,672)	<b>(5,879)</b>
Non-Controlling interests		694	<b>428</b>
Total Comprehensive income/(loss)		<b>(5,978)</b>	<b>(5,451)</b>

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

Six months ended 30 September 2011

		Attributable to owners of the Company							
Notes	Capital	Capital	Treasury	Other	Retained	Total	Non-controlling interests	Total equity	
	Stock	Surplus	Stock	Component of equity	earnings				
	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 (loss) for the period	—	—	—	—	334	334	795	1,129	
Other comprehensive income/(loss)	—	—	—	(7,006)	—	(7,006)	(101)	(7,107)	
Total comprehensive income/(loss)	—	—	—	(7,006)	334	(6,672)	694	(5,978)	
Issuance of new stock	9	8,428	8,309	—	—	16,737	—	16,737	
Change in scope of consolidation		—	—	—	—	—	336	336	
Dividends paid	10	—	—	—	(2,391)	(2,391)	(228)	(2,619)	
Treasury shares purchased	9	—	—	(458)	—	(458)	—	(458)	
Changes of interests in subsidiaries without losing control		—	(1,638)	—	—	(1,638)	(377)	(2,015)	
As at 30 September 2011		81,664	162,196	(705)	(6,435)	58,894	58,277	353,891	

### Six months ended 30 September 2012

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

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

Notes	Six months ended	Six months ended
	30 September 2011	30 September 2012
	Millions of Yen	Millions of Yen
Net cash from (used in) operating activities		
Profit (loss) before income tax expense	4,635	(296)
Depreciation and amortization	3,698	3,724
Share of profit (loss) of associates using the equity method	(338)	762
Interest and dividend income	(9,780)	(8,871)
Interest expense	3,856	3,667
Increase in operational investment securities	(15,991)	(2,056)
Decrease in accounts receivables and other receivables	12,674	12,480
(Decrease) Increase in operational liabilities and other liabilities	(4,385)	648
Increase in assets/liabilities related to securities business	(26,363)	(10,589)
Others	2,369	1,501
Subtotal	(29,625)	970
Interest and dividend income received	9,292	8,281
Interest expense paid	(3,670)	(3,474)
Income taxes paid	(3,173)	(2,968)
Net cash from (used in) operating activities	(27,176)	2,809
Net cash from (used in) investing activities		
Purchases of intangible assets	(1,921)	(1,923)
Purchases of investment securities	(9,972)	(3,373)
Proceeds from sales of investment securities	1,167	568
Acquisition of subsidiaries, net of cash and cash equivalents acquired	788	388
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	1	8,157
Payments of loans receivable	(6,268)	(4,291)
Collection of loans receivable	8,706	2,477
Others	1,363	3,333
Net cash from (used in) investing activities	(6,136)	5,336

Notes	Six months ended 30 September 2011	Six months ended 30 September 2012
	Millions of Yen	Millions of Yen
Net cash from (used in) financing activities		
Increase in short term loans payable	10,496	2,201
Proceeds from long-term loans payable	600	4,800
Repayment of long-term loans payable	(9,725)	(10,938)
Proceeds from issuance of bonds payable	49,697	38,967
Redemption of bonds payable	(39,960)	(50,540)
Proceeds from stock issuance	16,715	3
Proceeds from stock issuance to non-controlling interests	826	2,037
Contributions from non-controlling interests in consolidated investment funds	739	644
Cash dividend paid	(2,654)	(2,208)
Cash dividend paid to non-controlling interests	(186)	(363)
Distributions to non-controlling interests in consolidated investment funds	(156)	(1,267)
Purchase of treasury stock	(460)	(2,000)
Proceeds from sale of interests in subsidiaries to non-controlling interests	611	5,983
Payments for purchase of interests in subsidiaries from non-controlling interests	(4,466)	(132)
Others	(690)	(711)
Net cash from (used in) financing activities	<u>21,387</u>	<u>(13,524)</u>
Net decrease in cash and cash equivalents	(11,925)	(5,379)
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	(3,653)	(2,393)
Cash and cash equivalents at the end of the period	<u><u>144,820</u></u>	<u><u>152,061</u></u>

## 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

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 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 this fiscal year ending 31 March 2013 and the consolidated financial statements for this fiscal year ending 31 March 2013 is the first 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 8 November 2012.

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 provided in the first quarterly report is applied consistently in the preparation of these interim condensed consolidated financial statements.

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.

### 3. Significant Accounting Policies

The accounting policies presented in the first quarterly report are applied consistently in the preparation of these interim condensed consolidated financial statements (including the consolidated financial position as at the transition date).

#### **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.

(1) 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.

(2) 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.



## 5. Fair Value of Financial Instruments

### (1) 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 September 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 receivable	163,742	164,350	179,276	180,147	155,696	156,250
Financial liabilities measured at amortized cost						
Bonds and loans payable	276,978	276,896	285,188	285,493	272,509	272,918

### (2) Financial instruments measured at fair values

The fair value hierarchy that reflects the significance of the inputs used in making fair value measurements has the following levels:

- 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 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 millions of Yen	Level 2 millions of Yen	Level 3 millions of Yen	Total 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	millions	millions	millions
	of Yen	of Yen	of Yen	of Yen
<b>Financial assets</b>				
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
<b>Total financial assets</b>	<b>20,822</b>	<b>51</b>	<b>114,272</b>	<b>135,145</b>
<b>Financial liabilities</b>				
Liabilities related to securities business	36	—	—	36
Other financial liabilities	76	—	—	76
<b>Total financial liabilities</b>	<b>112</b>	<b>—</b>	<b>—</b>	<b>112</b>

	As at 30 September 2012			
	Level 1	Level 2	Level 3	Total
	millions	millions	millions	millions
	of Yen	of Yen	of Yen	of Yen
<b>Financial assets</b>				
Assets related to securities business	5,746	—	—	5,746
Operational investment securities and other investment securities				
Financial assets at FVTPL	15,030	—	110,974	126,004
Financial assets at FVTOCI	4,370	—	1,825	6,195
<b>Total financial assets</b>	<b>25,146</b>	<b>—</b>	<b>112,799</b>	<b>137,945</b>
<b>Financial liabilities</b>				
Liabilities related to securities business	60	—	—	60
<b>Total financial liabilities</b>	<b>60</b>	<b>—</b>	<b>—</b>	<b>60</b>

Operational investment securities and other investment securities as at 1 April 2011, 31 March 2012, and 30 September 2012 consisted of the following:

	As at 1 April 2011	As at 31 March 2012	As at 30 September 2012
	millions of Yen	millions of Yen	millions of Yen
<b>Operational investment securities</b>			
Listed equity securities	20,769	12,558	<b>11,764</b>
Unlisted equity securities	54,453	80,837	<b>82,013</b>
Debts securities	519	180	<b>650</b>
Investments in funds	31,658	27,774	<b>26,209</b>
Other	739	602	<b>565</b>
<b>Total</b>	<b>108,138</b>	<b>121,951</b>	<b>121,201</b>
<b>Other investments securities</b>			
Listed equity securities	4,534	5,740	<b>6,721</b>
Unlisted equity securities	5,517	2,145	<b>2,147</b>
Debts securities	261	252	<b>0</b>
Investments in funds	2,170	1,922	<b>1,564</b>
Other	554	489	<b>566</b>
<b>Total</b>	<b>13,036</b>	<b>10,548</b>	<b>10,998</b>

## 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, banking services 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 six months ended 30 September 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 six months ended 30 September 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	48,784	28,016	168	5,553	82,521	(1,644)	80,877
Profit (loss) before income tax expense	2,337	8,049	(849)	(796)	8,741	(4,106)	4,635

For six months ended 30 September 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	50,627	13,665	500	4,190	68,982	(1,399)	67,583
Profit (loss) before income tax expense	3,878	479	(1,160)	646	3,843	(4,139)	(296)

## 7. Revenue

	Six months ended 30 September 2011	Six months ended 30 September 2012
	Millions of yen	Millions of yen
Operating revenue		
Financial income		
Interest income		
Financial assets at FVTPL	111	86
Financial assets measured at amortized cost	9,032	8,467
Total interest income	9,143	8,553
Dividends received		
Financial assets at FVTPL	1,270	694
Financial assets at FVTOCI	122	120
Total dividends received	1,392	814
Gain on sales of investment securities		
Financial assets at FVTPL	1,272	284
Total gain on sales of investment securities	1,272	284
Valuation gain/(loss) based on fair value		
Financial assets at FVTPL	6,617	2,549
Others (Note)	—	2,762
Total valuation gain/(loss) based on fair value	6,617	5,311
Gain/(loss) from trading	5,693	4,477
Total financial income	24,117	19,439
Revenue from rendering of services	41,321	34,243
Other income	15,439	13,901
Total operating revenue	80,877	67,583
Other financial income		
Interest income		
Financial assets measured at amortized cost	227	293
Total other financial income	227	293

(Note) Other valuation gain was recognized when the Group remeasured its previously held investment in SBI Japannext Co., Ltd. at its acquisition-date fair value in a business combination achieved in stages.

## 8. Financial cost

	Six months ended 30 September 2011	Six months ended 30 September 2012
	Millions of yen	Millions of yen
Financial cost		
Interest expense		
Financial liabilities measured at amortized cost	(2,635)	<b>(2,276)</b>
Total financial cost	<u>(2,635)</u>	<u><b>(2,276)</b></u>
Other financial cost		
Interest expense		
Financial assets measured at amortized cost	(1,233)	<b>(1,395)</b>
Total other financial cost	<u>(1,233)</u>	<u><b>(1,395)</b></u>

## 9. Capital stock and treasury stock

The Company's issued shares are as follows:

	Six months ended 30 September 2011	Six months ended 30 September 2012
	Shares	Shares
Number of issued shares		
As at the beginning of the period	19,944,018	<b>22,451,303</b>
Increase during the period	2,432,216 (Note1)	<b>640</b> (Note2)
As at the end of the period	<u>22,376,234</u>	<u><b>22,451,943</b></u>

(Notes)

1. Issuance of new 2,000,000 shares through offering of Hong Kong Depositary Receipts, and issuance of new 432,216 shares related to the share exchange to make SBI VeriTrans Co., Ltd. a wholly owned subsidiary.
2. Exercise of stock acquisition rights.

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

	Six months ended 30 September 2011	Six months ended 30 September 2012
	Shares	Shares
Number of treasury stock		
As at the beginning of the period	14,621	<b>442,093</b>
Increase during the period	60,000 (Note1)	<b>377,857</b> (Note2)
Decrease during the period	—	<b>(6,660)</b> (Note3)
As at the end of the period	<u>74,621</u>	<u><b>813,290</b></u>

(Notes)

1. Acquisition in response to the share purchase demand related to the share exchange to make SBI VeriTrans Co., Ltd. a wholly owned subsidiary in accordance with the first paragraph of Article 797 of the Companies Act.
2. Acquisition of treasury stock subject to Article 156 of the Companies Act (replacement of the third paragraph of Article 165).
3. Sales of the Company's stock, which was held by the Stock Benefit Trust and accounted for as treasury stock, to the Employee Stockholding Association.

## 10. Dividends

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

The Company conducted a 10 for 1 stock split, effective on 1 October 2012. The calculations of basic and diluted earnings per share are based on the new number of shares and adjusted retrospectively, assuming that the stock split was conducted at the beginning of the fiscal year ended 31 March 2012.

	Six months ended 30 September 2011	<b>Six months ended 30 September 2012</b>
	Millions of yen	Millions of yen
Earnings attributable to owners of the Company	334	<b>(1,364)</b>
Weighted average number of ordinary shares	218,999,717 shares	<b>217,729,167 shares</b>
Dilution effect : Stock acquisition rights	61,376 shares	— shares
Weighted average number of ordinary shares after the effect of dilution	<u>219,061,093 shares</u>	<u><b>217,729,167 shares</b></u>
Earnings per share (attributable to owners of the Company)		
Basic	1.53 Yen	<b>(6.26) Yen</b>
Diluted	1.53 Yen	<b>(6.26) Yen</b>

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

## 12. Events after the Reporting Date

There were no significant subsequent events noted.

## 13. Explanation of Transition to IFRSs

The Group determined to first adopt IFRSs for this fiscal year ending 31 March 2013 and the interim condensed consolidated financial statements of the Group were prepared in accordance with IAS 34. The latest consolidated financial statement under JGAAP is prepared for the year ended 31 March 2012 and the transition date is 1 April 2011.

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	As at 1 April 2011				Presentation under IFRSs
		JGAAP Millions of Yen	Reclassifications Millions of Yen	Adjustments Millions of Yen	IFRSs 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
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		<u>1,293,606</u>	<u>—</u>	<u>78,123</u>	<u>1,371,729</u>	Total assets



		As at 1 April 2011				
Presentation under JGAAP	Notes	JGAAP	Reclassifications	Adjustments	IFRSs	Presentation under IFRSs
		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

		As at 1 April 2011				
Presentation under JGAAP	Notes	JGAAP	Reclassifications	Adjustments	IFRSs	Presentation under IFRSs
		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

As at 31 March 2012						
Presentation under JGAAP	Notes	JGAAP	Reclassifications	Adjustments	IFRSs	Presentation under IFRSs
		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
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
	(6)		10,022	3,064	13,086	Total assets related to securities business
Operational investment securities-net	(6)	141,943	—	(19,992)	121,951	Other financial assets
Short-term investment securities	(6)	219	(219)			Operational investment securities
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
	(5)		43,322	(14,225)	29,097	Investments in associates
Property and equipment	(4)	28,835	(22,428)	3,055	9,462	Investment properties
Intangible assets	(1)	137,176	—	(72,674)	64,502	Property and equipment
			30,358	6,743	37,101	Intangible assets
Investment securities	(6)	61,403	(61,403)			Other assets
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		<u>1,663,814</u>	<u>—</u>	<u>(8,246)</u>	<u>1,655,568</u>	Total assets

		As at 31 March 2012				
Presentation under JGAAP	Notes	JGAAP	Reclassifications	Adjustments	IFRSs	Presentation under IFRSs
		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

As at 31 March 2012

Presentation under JGAAP	Notes	JGAAP	Reclassifications	Adjustments	IFRSs	Presentation under IFRSs
		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 September 2011, and 31 March 2012

	Notes	As at 1 April 2011	As at 30 September 2011	As at 31 March 2012
		Millions of Yen	Millions of Yen	Millions of Yen
Equity of the Group under JGAAP		456,983	462,979	468,579
Business combination	(1)	(77,493)	(77,479)	(77,393)
Scope of consolidation	(2)	(5,697)	(6,330)	(6,263)
Property and equipment	(4)	714	750	708
Investment properties	(5)	(1,291)	(1,304)	(2,785)
Financial instruments	(6)	(14,488)	(12,497)	(13,209)
Statutory reserve	(7)	3,082	2,627	4,097
Insurance contract	(8)	(6,978)	(8,085)	(8,989)
Income tax expense	(9)	(6,004)	(5,995)	(12,152)
Others		(940)	(775)	(688)
Equity of the Group under IFRSs		<u>347,888</u>	<u>353,891</u>	<u>351,905</u>

## Reconciliation of comprehensive income of six months ended 30 September 2011 and the fiscal year ended 31 March 2012

	Notes	Six months ended 30 September 2011	Fiscal year ended 31 March 2012
		Millions of Yen	Millions of Yen
Comprehensive income/(loss) of the Group under JGAAP		(8,572)	3,764
Business combination	(1)	3,766	3,912
Scope of consolidation	(2)	(1,256)	826
Property and equipment	(4)	36	(6)
Investment properties	(5)	(13)	(1,494)
Financial instruments	(6)	1,449	816
Statutory reserve	(7)	(455)	1,015
Insurance contract	(8)	(1,107)	(2,011)
Income tax expense	(9)	9	(6,148)
Others		165	252
Comprehensive income/(loss) of the Group under IFRSs		<u>(5,978)</u>	<u>926</u>

## Significant reconciliation of cash flows

There is no significant difference between cash flow statement under IFRSs and 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 “Consolidated and Separate Financial Statements”, 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. The Group 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, the Group 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. The Group 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 increase in non-controlling interests of ¥1,389 million.

In addition, total comprehensive income increased by ¥3,766 million for the six months ended 30 September 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 ¥1,256 million for the six months ended 30 September 2011 and increased by ¥826 million for the fiscal year ended 31 March 2012.

**(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 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 “Financial Instruments” (hereinafter referred to as the “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 increased by ¥1,449 million for the six months ended 30 September 2011 and increased by ¥816 million for the fiscal year ended 31 March 2012.

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 ¥1,107 million for the six months ended 30 September 2011 and decreased ¥2,011 million for the 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.

#### **4. 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, 8 November 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, 9 November 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.*