

SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED JUNE 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 three months ended June 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	%
Three months ended June 30, 2014	44,413	(44.6)	5,195	(83.4)	4,166	(86.3)	2,312	(87.0)
Three months ended June 30, 2013	80,105	118.9	31,278	700.8	30,457	787.5	17,829	682.4

	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
Three months ended June 30, 2014	6,908	(57.5)	4,839	(78.1)	31.91	29.67
Three months ended June 30, 2013	16,269	—	22,140	—	75.17	75.16

(Note) Year-on-year changes over 1,000% or less than 0% 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	%
June 30, 2014	2,885,666	388,000	330,461	11.5
March 31, 2014	2,875,304	388,463	325,631	11.3

2. Dividends

(Declared date)	Dividend per share				
	End of 1 st Q	End of 2 nd Q	End of 3 rd 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	—				
Fiscal Year ending March 31, 2015 (forecast) (Note)		—	—	—	—

(Note) Fiscal year ending March 31, 2015 forecast is to be determined.

3. Total number of shares outstanding (Common stock)

(1) Number of shares outstanding (including treasury stock)	: June 30, 2014	: 224,561,761shares
	March 31, 2014	: 224,561,761shares
(2) Number of treasury stock	: June 30, 2014	: 8,067,603shares
	March 31, 2014	: 8,078,743shares
(3) Average number of shares outstanding	: Three months ended June 30, 2014	: 216,491,899shares
	Three months ended June 30, 2013	: 216,433,882shares

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 three months ended June 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 three months ended June 30, 2014 were as follow. Operating revenue decreased 44.6% year-on-year to ¥44,413 million, operating income fell 83.4% to ¥5,195 million, profit before income tax expense decreased 86.3% to ¥4,166 million, and profit attributable to owners of the Company fell 57.5% to ¥6,908 million.

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

	Operating revenue			Profit before income tax expense		
	Three months ended June 30, 2013	Three months ended June 30, 2014		Three months ended June 30, 2013	Three months ended June 30, 2014	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	38,480	33,242	(13.6)	9,921	9,534	(3.9)
Asset Management Business	38,990	9,940	(74.5)	21,925	(2,304)	—
Biotechnology-related Business	1,272	177	(86.1)	71	(1,248)	—
Total	78,742	43,359	(44.9)	31,917	5,982	(81.3)
Others	1,738	1,584	(8.9)	201	311	54.4
Elimination	(375)	(530)	—	(1,661)	(2,127)	—
Consolidation	80,105	44,413	(44.6)	30,457	4,166	(86.3)

(% represents year-on-year changes)

(Financial Services Business)

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

The results of operations of the Financial Services Business for the three months ended June 30, 2014 were as follows. Operating revenue decreased 13.6% year-on-year to ¥33,242 million, and profit before income tax expense decreased 3.9% to ¥9,534 million.

(Asset Management Business)

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

The results of operations of the Asset Management Business for the three months ended June 30, 2014 were as follows. Operating revenue decreased 74.5% year-on-year to ¥9,940 million, and loss before income tax expense amounted to ¥2,304 million (¥21,925 million of profit before income tax expense for the three months ended June 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 with 5-aminolevulinic acid (ALA*), a kind of amino acid which exists in vivo, medicines for cancer, and immune related medicines.

The results of operations of the Biotechnology-related Business for the three months ended June 30, 2014 were as follows. Operating revenue decreased 86.1% year-on-year to ¥177 million, and loss before income tax expense amounted to ¥1,248 million for the three months ended June 30, 2014 (¥71 million of profit before income tax expense for the three months ended June 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 June 30, 2014, total assets amounted to ¥2,885,666 million and increased by ¥10,362 million from total assets of ¥2,875,304 million as at March 31, 2014. The Group's equity decreased by ¥463 million to ¥388,000 million from the fiscal year ended March 31, 2014. As at June 30, 2014, the Group's cash and cash equivalents amounted to ¥240,113 million and decreased by ¥36,108 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 ¥2,574 million in net cash inflows (¥69,226 million in net cash inflows for the three months ended June 30, 2013). The net cash inflows were primarily due to a ¥7,585 million cash inflow from an increase in operational liabilities and other liabilities, a ¥7,540 million cash inflow from a decrease in operational investment securities and a ¥6,247 million cash inflow from a decrease in assets/liabilities related to securities business, despite a ¥10,159 million cash outflow from a decrease in customer deposits in the banking business and a ¥10,598 million cash outflow from income taxes paid.

(Investing Cash Flows)

Cash flows from investing activities amounted to ¥1,606 million in net cash inflows (¥4,374 million in net cash inflows for the three months ended June 30, 2013). The net cash inflows were primarily due to a ¥3,735 million cash inflow from proceeds from sales of investment securities, despite a ¥2,939 million cash outflow from purchases of investment securities.

(Financing Cash Flows)

Cash flows from financing activities amounted to ¥36,368 million in net cash outflows (¥33,462 million in net cash outflows for the three months ended June 30, 2013). The net cash outflows were primarily due to a ¥26,981 million cash outflows from a decrease in short term loans payable and a ¥6,294 million cash outflow from repayment of long term loans payable, despite a ¥2,407 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 June 30, 2014
	Millions of Yen	Millions of Yen
Assets		
Cash and cash equivalents	276,221	240,113
Trade and other accounts receivable	336,206	269,324
Assets related to securities business		
Cash segregated as deposits	935,497	1,072,020
Margin transaction assets	352,675	257,879
Other assets related to securities business	451,321	443,819
Total assets related to securities business	1,739,493	1,773,718
Other financial assets	30,593	24,790
Operational investment securities	127,365	118,287
Other investment securities	49,234	49,029
Investments in associates	39,820	39,882
Investment properties	33,195	30,954
Property and equipment	11,826	11,390
Intangible assets	196,438	196,585
Assets held for sale	—	90,623
Other assets	26,513	30,732
Deferred tax assets	8,400	10,239
Total assets	2,875,304	2,885,666
Liabilities		
Bonds and loans payable	440,112	345,966
Trade and other accounts payable	53,503	53,575
Liabilities related to securities business		
Margin transaction liabilities	186,806	85,537
Loans payable secured by securities	211,671	266,667
Deposits from customers	492,159	559,472
Guarantee deposits received	439,927	478,989
Other liabilities related to securities business	287,350	267,656
Total liabilities related to securities business	1,617,913	1,658,321
Customer deposits for banking business	302,314	302,815
Income tax payable	10,362	2,424
Other financial liabilities	38,015	38,236
Liabilities directly associated with assets held for sale	—	74,681
Other liabilities	15,767	13,241
Deferred tax liabilities	8,855	8,407
Total liabilities	2,486,841	2,497,666
Equity		
Capital stock	81,681	81,681
Capital surplus	152,725	152,422
Treasury stock	(5,140)	(5,135)
Other component of equity	16,225	18,790
Retained earnings	80,140	82,703
Equity attributable to owners of the Company	325,631	330,461
Non-controlling interests	62,832	57,539
Total equity	388,463	388,000
Total liabilities and equity	2,875,304	2,885,666

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

	Three months ended June 30, 2013	Three months ended June 30, 2014
	Millions of Yen	Millions of Yen
Operating revenue	80,105	44,413
Operating expense		
Operating cost	(17,494)	(10,659)
Finance cost	(5,158)	(3,949)
Selling, general and administrative expenses	(24,459)	(23,144)
Other expenses	(915)	(1,503)
Total Operating expense	(48,026)	(39,255)
Share of (losses) profits of associates using the equity method	(801)	37
Operating income	31,278	5,195
Other financial income and cost		
Other financial income	64	85
Other financial cost	(885)	(1,114)
Total Other financial income and cost	(821)	(1,029)
Profit before income tax expense	30,457	4,166
Income tax expense	(12,628)	(1,854)
Profit for the period	17,829	2,312
Profit for the period attributable to		
Owners of the Company	16,269	6,908
Non-controlling interests	1,560	(4,596)
Profit for the period	17,829	2,312
Earnings per share attributable to owners of the Company		
Basic (Yen)	75.17	31.91
Diluted (Yen)	75.16	29.67

Interim Condensed Consolidated Statement of Comprehensive Income

	Three months ended June 30, 2013 Millions of Yen	Three months ended June 30, 2014 Millions of Yen
Profit for the period	17,829	2,312
Other comprehensive income (loss) which will not be reclassified subsequently to profit or loss		
FVTOCI financial assets	1,125	(44)
Other comprehensive income which will be reclassified subsequently to profit or loss		
Currency translation differences	3,186	2,571
Other comprehensive income, net of tax	4,311	2,527
Total Comprehensive income	22,140	4,839
Total comprehensive income attributable to		
Owners of the Company	20,474	9,468
Non-Controlling interests	1,666	(4,629)
Total Comprehensive income	22,140	4,839

(3) Interim Condensed Consolidated Statement of Changes in Equity

Three months ended June 30, 2013

	Attributable to owners of the Company							Total equity
	Capital Stock	Capital Surplus	Treasury Stock	Other Component of equity	Retained earnings	Total	Non-controlling interests	
	Millions of Yen	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	—	—	—	—	16,269	16,269	1,560	17,829
Other comprehensive income	—	—	—	4,205	—	4,205	106	4,311
Total comprehensive income	—	—	—	4,205	16,269	20,474	1,666	22,140
Issuance of new stock	7	7	—	—	—	14	—	14
Dividends paid	—	—	—	—	(2,170)	(2,170)	(365)	(2,535)
Treasury shares purchased	—	—	(31)	—	—	(31)	—	(31)
Treasury shares sold	—	1	11	—	—	12	—	12
Changes of interests in subsidiaries without losing control	—	(157)	—	—	—	(157)	(297)	(454)
Transfer	—	—	—	(1,122)	1,122	—	—	—
As at June 30, 2013	81,675	160,401	(5,137)	9,279	75,223	321,441	58,240	379,681

Three months ended June 30, 2014

	Attributable to owners of the Company							Total equity
	Capital Stock	Capital Surplus	Treasury Stock	Other Component of equity	Retained earnings	Total	Non-controlling interests	
	Millions of Yen	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	—	—	—	—	6,908	6,908	(4,596)	2,312
Other comprehensive income (loss)	—	—	—	2,560	—	2,560	(33)	2,527
Total comprehensive income (loss)	—	—	—	2,560	6,908	9,468	(4,629)	4,839
Change in scope of consolidation	—	111	—	—	—	111	(21)	90
Dividends paid	—	—	—	—	(4,340)	(4,340)	(1,142)	(5,482)
Treasury shares purchased	—	—	(5)	—	—	(5)	—	(5)
Treasury shares sold	—	0	10	—	—	10	—	10
Changes of interests in subsidiaries without losing control	—	(414)	—	—	—	(414)	499	85
Transfer	—	—	—	5	(5)	—	—	—
As at June 30, 2014	81,681	152,422	(5,135)	18,790	82,703	330,461	57,539	388,000

(4) Interim Condensed Consolidated Statement of Cash flows

	Three months ended June 30, 2013	Three months ended June 30, 2014
	Millions of Yen	Millions of Yen
Net cash from operating activities		
Profit before income tax expense	30,457	4,166
Depreciation and amortization	2,667	2,912
Share of losses (profits) of associates using the equity method	801	(37)
Interest and dividend income	(17,941)	(14,812)
Interest expense	5,918	5,063
(Increase) decrease in operational investment securities	(15,573)	7,540
Decrease (increase) in accounts receivables and other receivables	24,262	(4,510)
Increase in operational liabilities and other liabilities	27,851	7,585
Decrease in assets/liabilities related to securities business	30,421	6,247
Decrease in customer deposits in the banking business	(27,745)	(10,159)
Others	(753)	(438)
Subtotal	60,365	3,557
Interest and dividend income received	18,102	14,796
Interest expense paid	(6,776)	(5,181)
Income taxes paid	(2,465)	(10,598)
Net cash from operating activities	69,226	2,574
Net cash from investing activities		
Purchases of intangible assets	(1,163)	(956)
Purchases of investment securities	(1,641)	(2,939)
Proceeds from sales of investment securities	5,463	3,735
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(2,057)	(99)
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	2,862	156
Payments of loans receivable	(859)	(200)
Collection of loans receivable	2,859	38
Others	(1,090)	1,871
Net cash from investing activities	4,374	1,606

	Three months ended June 30, 2013	Three months ended June 30, 2014
	Millions of Yen	Millions of Yen
Net cash used in financing activities		
Decrease in short term loans payable	(23,526)	(26,981)
Proceeds from long-term loans payable	5,294	2,407
Repayment of long-term loans payable	(11,900)	(6,294)
Proceeds from stock issuance	14	—
Proceeds from stock issuance to non-controlling interests	13	179
Contributions from non-controlling interests in consolidated investment funds	116	—
Cash dividend paid	(2,029)	(4,130)
Cash dividend paid to non-controlling interests	(362)	(404)
Distributions to non-controlling interests in consolidated investment funds	(521)	(749)
Purchase of treasury stock	(31)	(5)
Proceeds from sale of interests in subsidiaries to non-controlling interests	19	114
Payments for purchase of interests in subsidiaries from non-controlling interests	(69)	—
Others	(480)	(505)
Net cash used in financing activities	<u>(33,462)</u>	<u>(36,368)</u>
Net increase in cash and cash equivalents	40,138	(32,188)
Cash and cash equivalents at the beginning of the period	133,362	276,221
Effect of changes in exchange rate on cash and cash equivalents	1,654	1,127
Transfer to assets held for sale	—	(5,047)
Cash and cash equivalents at the end of the period	<u><u>175,154</u></u>	<u><u>240,113</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

	Three months ended June 30, 2013	Three months ended June 30, 2014
	Millions of yen	Millions of yen
Operating revenue		
Financial income		
Interest income (Note)	17,102	14,616
Dividends received	155	77
Income arising from financial assets at FVTPL	22,417	(5,351)
Gain from trading	3,435	3,165
Total financial income	43,109	12,507
Revenue from rendering of services	29,658	24,081
Other income	7,338	7,825
Total operating revenue	80,105	44,413

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

3. Events after the Reporting Period

There were no significant subsequent events noted.