

SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED DECEMBER 31, 2014

Japan, January 29, 2015

The board of 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 nine months ended December 31, 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	%
Nine months ended December 31, 2014	174,265	(1.7)	53,440	35.3	49,549	33.4	31,827	51.1
Nine months ended December 31, 2013	177,210	59.0	39,508	245.4	37,154	281.4	21,062	354.7

	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
Nine months ended December 31, 2014	35,490	75.8	54,649	51.2	163.92	151.45
Nine months ended December 31, 2013	20,185	—	36,139	370.8	93.25	93.25

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

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets
	Millions of yen	Millions of yen	Millions of yen	%
December 31, 2014	3,238,509	426,726	376,483	11.6
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	—	0.00	—		
Fiscal Year ending March 31, 2015 (forecast) (Note)				25.00	25.00

(Note) The year-end dividend forecast of 25 yen consists of common dividend of 20 yen and commemorative dividend of 5 yen for the 15th anniversary of the foundation of the Company.

3. Total number of shares outstanding (Common stock)

(1) Number of shares outstanding (including treasury stock)	: December 31, 2014	: 224,561,761shares
	March 31, 2014	: 224,561,761shares
(2) Number of treasury stock	: December 31, 2014	: 8,053,123shares
	March 31, 2014	: 8,078,743shares
(3) Average number of shares outstanding	: Nine months ended December 31, 2014	: 216,502,408shares
	Nine months ended December 31, 2013	: 216,458,833shares

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 Nine months ended December 31, 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 nine months ended December 31, 2014 were as follow. Operating revenue decreased 1.7% year-on-year to ¥174,265 million, operating income rose 35.3% to ¥53,440 million, profit before income tax expense increased 33.4% to ¥49,549 million, and profit attributable to owners of the Company increased 75.8% to ¥35,490 million.

The results of operations for each reporting segment of the Group for the nine months ended December 31, 2014 were as follow.

	Operating revenue			Profit before income tax expense		
	Nine months ended December 31, 2013	Nine months ended December 31, 2014		Nine months ended December 31, 2013	Nine months ended December 31, 2014	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	109,030	119,817	9.9	28,475	53,584	88.2
Asset Management Business	59,022	43,206	(26.8)	12,945	2,286	(82.3)
Biotechnology-related Business	2,139	1,605	(25.0)	(1,332)	(2,360)	—
Total	170,191	164,628	(3.3)	40,088	53,510	33.5
Others	8,150	10,286	26.2	2,289	1,415	(38.2)
Elimination	(1,131)	(649)	—	(5,223)	(5,376)	—
Consolidation	177,210	174,265	(1.7)	37,154	49,549	33.4

(% represents year-on-year changes)

(Financial Services Business)

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

The results of operations of the Financial Services Business for the nine months ended December 31, 2014 were as follows. Operating revenue increased 9.9% year-on-year to ¥119,817 million, and profit before income tax expense increased 88.2% to ¥53,584 million.

(Asset Management Business)

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

The results of operations of the Asset Management Business for the nine months ended December 31, 2014 were as follows. Operating revenue decreased 26.8% year-on-year to ¥43,206 million, and profit before income tax expense decreased 82.3% year-on-year to ¥2,286 million. Operating revenue in this reporting segment represents operating revenues arising from investments in overseas financial institutions and from operational investment securities which includes the changes in fair values of those investment securities. The results of operations of the Group's investees which are deemed to be controlled by the Group are consolidated into the results of operations of this reporting segment.

(Biotechnology-related Business)

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

The results of operations of the Biotechnology-related Business for the nine months ended December 31, 2014 were as follows. Operating revenue decreased 25.0% year-on-year to ¥1,605 million, and loss before income tax expense amounted to ¥2,360 million for the nine months ended December 31, 2014 (¥1,332 million of loss before income tax expense for the nine months ended December 31, 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 December 31, 2014, total assets amounted to ¥3,238,509 million and increased by ¥363,205 million from total assets of ¥2,875,304 million as at March 31, 2014. The Group's equity increased by ¥38,263 million to ¥426,726 million from the fiscal year ended March 31, 2014. As at December 31, 2014, the Group's cash and cash equivalents amounted to ¥396,226 million and increased by ¥120,005 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 ¥71,481 million in net cash inflows (¥117,152 million in net cash inflows for the nine months ended December 31, 2013). The net cash inflows were primarily due to a ¥49,549 million cash inflow from profit before income tax expense, a ¥49,455 million cash inflow from an increase in operational liabilities and other liabilities and a ¥32,798 million cash inflow from an increase in assets/liabilities related to securities business, despite a ¥55,740 million cash outflow from an increase in accounts receivables and other receivables.

(Investing Cash Flows)

Cash flows from investing activities amounted to ¥60,699 million in net cash inflows (¥5,311 million in net cash inflows for the nine months ended December 31, 2013). The net cash inflows were primarily due to a ¥43,121 million cash inflow from proceeds from sales or redemption of investment securities and a ¥25,770 million cash inflow from proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of, despite a ¥16,819 million cash outflow from purchases of investment securities.

(Financing Cash Flows)

Cash flows from financing activities amounted to ¥23,921 million in net cash outflows (¥40,519 million in net cash inflows for the nine months ended December 31, 2013). The net cash outflows were primarily due to a ¥51,069 million cash outflow from repayment of long term loans payable and a ¥43,131 million cash outflow from redemption of bonds payable, despite a ¥41,827 million cash inflow from proceeds from long term loans payable and a ¥29,883 million cash inflow from proceeds from issuance of bonds payable.

2. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Interim Condensed Consolidated Statement of Financial Position

	As at March 31, 2014	As at December 31, 2014
	Millions of Yen	Millions of Yen
Assets		
Cash and cash equivalents	276,221	396,226
Trade and other accounts receivable	336,206	337,438
Assets related to securities business		
Cash segregated as deposits	935,497	1,202,087
Margin transaction assets	352,675	306,446
Other assets related to securities business	451,321	501,019
Total assets related to securities business	1,739,493	2,009,552
Other financial assets	30,593	23,401
Operational investment securities	127,365	118,450
Other investment securities	49,234	30,418
Investments accounted for using the equity method	39,820	47,228
Investment properties	33,195	19,241
Property and equipment	11,826	11,178
Intangible assets	196,438	203,312
Other assets	26,513	40,499
Deferred tax assets	8,400	1,566
Total assets	2,875,304	3,238,509
Liabilities		
Bonds and loans payable	440,112	365,311
Trade and other accounts payable	53,503	99,352
Liabilities related to securities business		
Margin transaction liabilities	186,806	140,195
Loans payable secured by securities	211,671	309,443
Deposits from customers	492,159	636,050
Guarantee deposits received	439,927	559,379
Other liabilities related to securities business	287,350	275,582
Total liabilities related to securities business	1,617,913	1,920,649
Customer deposits for banking business	302,314	361,556
Income tax payable	10,362	9,229
Other financial liabilities	38,015	34,746
Other liabilities	15,767	15,320
Deferred tax liabilities	8,855	5,620
Total liabilities	2,486,841	2,811,783
Equity		
Capital stock	81,681	81,681
Capital surplus	152,725	150,569
Treasury stock	(5,140)	(5,137)
Other component of equity	16,225	38,260
Retained earnings	80,140	111,110
Equity attributable to owners of the Company	325,631	376,483
Non-controlling interests	62,832	50,243
Total equity	388,463	426,726
Total liabilities and equity	2,875,304	3,238,509

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

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
	Millions of Yen	Millions of Yen
Operating revenue	177,210	174,265
Operating expense		
Operating cost	(47,540)	(41,256)
Finance cost	(14,201)	(12,068)
Selling, general and administrative expenses	(71,128)	(67,793)
Other expenses	(5,064)	(4,951)
Total operating expense	(137,933)	(126,068)
Share of the profit of associates and joint ventures accounted for using the equity method	231	5,243
Operating income	39,508	53,440
Other financial income and cost		
Other financial income	459	261
Other financial cost	(2,813)	(4,152)
Total other financial income and cost	(2,354)	(3,891)
Profit before income tax expense	37,154	49,549
Income tax expense	(16,092)	(17,722)
Profit for the period	21,062	31,827
Profit for the period attributable to		
Owners of the Company	20,185	35,490
Non-controlling interests	877	(3,663)
Profit for the period	21,062	31,827
Earnings per share attributable to owners of the Company		
Basic (Yen)	93.25	163.92
Diluted (Yen)	93.25	151.45

Interim Condensed Consolidated Statement of Comprehensive Income

	Nine months ended December 31, 2013 Millions of Yen	Nine months ended December 31, 2014 Millions of Yen
Profit for the period	21,062	31,827
Items that will not be reclassified subsequently to profit or loss		
Fair value through other comprehensive income ("FVTOCI") financial assets	1,015	(51)
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	14,062	22,873
Other comprehensive income, net of tax	15,077	22,822
 Total Comprehensive income	 36,139	 54,649
 Total comprehensive income attributable to		
Owners of the Company	35,640	57,345
Non-Controlling interests	499	(2,696)
Total Comprehensive income	36,139	54,649

(3) Interim Condensed Consolidated Statement of Changes in Equity

Nine months ended December 31, 2013

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

Nine months ended December 31, 2014

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Treasury stock	Other component of equity	Retained earnings	Total		
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	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 (loss) for the period	—	—	—	—	35,490	35,490	(3,663)	31,827
Other comprehensive income	—	—	—	21,855	—	21,855	967	22,822
Total comprehensive income	—	—	—	21,855	35,490	57,345	(2,696)	54,649
Issuance of Stock Acquisition Rights	—	113	—	—	—	113	—	113
Change in scope of consolidation	—	301	—	—	—	301	(6,437)	(6,136)
Dividends paid	—	—	—	—	(4,340)	(4,340)	(5,459)	(9,799)
Treasury shares purchased	—	—	(25)	—	—	(25)	—	(25)
Treasury shares sold	—	1	28	—	—	29	—	29
Changes of interests in subsidiaries without losing control	—	(2,571)	—	—	—	(2,571)	2,003	(568)
Transfer	—	—	—	180	(180)	—	—	—
As at December 31, 2014	81,681	150,569	(5,137)	38,260	111,110	376,483	50,243	426,726

(4) Interim Condensed Consolidated Statement of Cash flows

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
	Millions of Yen	Millions of Yen
Net cash generated from operating activities		
Profit before income tax expense	37,154	49,549
Depreciation and amortization	8,518	8,729
Share of profits of associates and joint ventures accounted for using the equity method	(231)	(5,243)
Interest and dividend income	(50,124)	(47,401)
Interest expense	17,015	16,220
(Increase) decrease in operational investment securities	(3,262)	13,601
Decrease (increase) in accounts receivables and other receivables	96,904	(55,740)
Increase in operational liabilities and other liabilities	61,053	49,455
Decrease in assets/liabilities related to securities business	21,111	32,798
(Decrease) increase in customer deposits in the banking business	(98,378)	18,533
Others	(2,181)	(27,262)
Subtotal	87,579	53,239
Interest and dividend income received	49,484	50,140
Interest paid	(18,202)	(15,805)
Income taxes paid	(1,709)	(16,093)
Net cash generated from operating activities	117,152	71,481
Net cash generated from investing activities		
Purchases of intangible assets	(3,821)	(3,459)
Purchases of investment securities	(7,330)	(16,819)
Proceeds from sales or redemption of investment securities	15,667	43,121
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(2,057)	(199)
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	2,896	25,770
Payments of loans receivable	(3,417)	(2,027)
Collection of loans receivable	5,260	2,045
Others	(1,887)	12,267
Net cash generated from investing activities	5,311	60,699

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
	Millions of Yen	Millions of Yen
Net cash generated from (used in) financing activities		
Increase in short term loans payable	18,400	8,651
Proceeds from long-term loans payable	10,200	41,827
Repayment of long-term loans payable	(17,308)	(51,069)
Proceeds from issuance of bonds payable	99,827	29,883
Redemption of bonds payable	(65,470)	(43,131)
Proceeds from stock issuance	26	—
Proceeds from stock issuance to non-controlling interests	62	179
Contributions from non-controlling interests in consolidated investment funds	555	1,755
Cash dividends paid	(2,160)	(4,319)
Cash dividends paid to non-controlling interests	(529)	(430)
Distributions to non-controlling interests in consolidated investment funds	(2,049)	(5,043)
Purchase of treasury stock	(55)	(25)
Proceeds from sale of interests in subsidiaries to non-controlling interests	119	114
Payments for purchase of interests in subsidiaries from non-controlling interests	(145)	(941)
Others	(954)	(1,372)
Net cash generated from (used in) financing activities	40,519	(23,921)
Net increase in cash and cash equivalents	162,982	108,259
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	6,887	14,650
Transfer to assets held for sale	—	(2,904)
Cash and cash equivalents at the end of the period	303,231	396,226

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 beginning with the preparation of the interim condensed consolidated financial statements for the three months ended June 30, 2014. There is no significant impact on 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 application guidance
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

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
	Millions of yen	Millions of yen
Operating revenue		
Financial income		
Interest income (Note 1)	48,227	46,788
Dividends received	302	275
Income (loss) arising from financial assets at fair value through profit or loss ("FVTPL")	13,365	(4,109)
Gain from trading	10,127	11,972
Total financial income	72,021	54,926
Revenue from rendering of services	79,342	73,212
Revenue from sale of interests in subsidiaries (Note 2)	85	17,072
Other income	25,762	29,055
Total operating revenue	<u>177,210</u>	<u>174,265</u>

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

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

3. Events after the Reporting Period

The Company has carried out procedural activities to acquire shares of PCA LIFE Insurance Co., Ltd. (hereinafter "PCA Life Japan"), and it has obtained approval of the Insurance Major Shareholder from the Financial Services Agency set forth in Article 271-10, Paragraph 1 of the Insurance Business Act which is necessary for the acquisition of shares of PCA Life Japan. The Group will acquire all outstanding shares of PCA Life Japan.

(1) Background and rationale of share acquisition

As part of the Group's overall strategy, the Group has been considering to reenter into the life insurance business and believes that the acquisition will provide a valuable opportunity in starting its life insurance business in Japan.

(2) Name of the vendor

Prudential Corporation Holdings Limited

(3) Summary of acquired company

(a) Name	PCA Life Insurance Co., Ltd.
(b) Main Business Activities	Insurance business

(4) Number of shares to be acquired, acquisition amount and the number of shares held after the acquisition

(a) Number of shares to be acquired	1,480,000 (Number of voting right: 1,480,000)
(b) Acquisition amount	USD 85 million (including USD 17 million of contingent consideration) (Note) The amount of the contingent consideration is determined based on reversal of additional policy reserve during a certain period in the future within the maximum limit of JPY 1,987 million, equivalent to USD 17 million converted at the exchange rate previously agreed with the seller.
(c) Number of shares held after acquisition	1,480,000 (Number of voting right: 1,480,000) (Shareholding ratio: 100%)

(5) Scheduled acquisition date

February 5, 2015