

SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED DECEMBER 31, 2015

Japan, January 29, 2016

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 nine months ended December 31, 2015.

(Amounts are rounded to the nearest million Japanese yen)

1. Consolidated Financial Results

(1) Consolidated Operating Results

(Percentages represent year-on-year changes)

	Revenue		Profit before income tax expense		Profit for the period		Profit attributable to owners of the Company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2015	179,179	2.7	30,661	(38.1)	20,414	(35.9)	20,254	(42.9)
Nine months ended December 31, 2014	174,526	(1.8)	49,549	33.4	31,827	51.1	35,490	75.8

	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	%	Yen	Yen
Nine months ended December 31, 2015	10,848	(80.1)	95.29	87.70
Nine months ended December 31, 2014	54,649	51.2	163.92	151.45

(Note) The Company changed the presentation method of the consolidated statement of income to present “Revenue” and classification breakdown of “Expense” instead of presenting “Operating income (loss)” from the three months ended June 30, 2015. Accordingly, the revised presentation method is adopted retrospectively in order to conform to the current year presentation. Please refer to Interim Condensed Consolidated Statements of Income (P. 06) for detail.

(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, 2015	3,336,851	419,024	374,063	11.2
March 31, 2015	3,400,763	430,615	383,491	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, 2015	—	0.00	—	35.00	35.00
Fiscal Year ending March 31, 2016	—	10.00	—		
Fiscal Year ending March 31, 2016 (forecast) (Note)				—	—

(Note) Year-end dividend forecast for the fiscal year ending March 31, 2016 is to be determined.

3. Total number of shares outstanding (Common stock)

(1) Number of shares outstanding (including treasury stock)	: December 31, 2015	: 224,561,761 shares
	March 31, 2015	: 224,561,761 shares
(2) Number of treasury stock	: December 31, 2015	: 12,788,190 shares
	March 31, 2015	: 8,046,610 shares
(3) Average number of shares outstanding	: Nine months ended December 31, 2015	: 212,553,719 shares
	Nine months ended December 31, 2014	: 216,502,408 shares

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, 2015 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, 2015 were as follow. Revenue increased 2.7% year-on-year to ¥179,179 million, profit before income tax expense decreased 38.1% to ¥30,661 million, and profit attributable to owners of the Company decreased 42.9% to ¥20,254 million.

The results of operations for each reporting segment of the Group for the nine months ended December 31, 2015 were as follow.

The results of certain subsidiaries, including Morningstar Japan K. K. and CEM Corporation Co.,Ltd.(*), which were included in the results of operations for Financial Services Business until the previous reporting period are included in those for Asset Management Business from the three months ended June 30, 2015. Accordingly, the results of operations for each reporting segment of the Group for the nine months ended December 31, 2014 are revised in order to conform to the current year presentation.

* CEM Corporation Co., Ltd. changed its company name into SBI Estate Finance Co., Ltd. as at January 4, 2016.

	Revenue			Profit before income tax expense		
	Nine months ended December 31, 2014	Nine months ended December 31, 2015		Nine months ended December 31, 2014	Nine months ended December 31, 2015	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	116,612	115,037	(1.4)	53,254	37,448	(29.7)
Asset Management Business	47,077	60,265	28.0	2,616	2,886	10.3
Biotechnology-related Business	1,605	3,633	126.4	(2,360)	(2,453)	—
Total	165,294	178,935	8.3	53,510	37,881	(29.2)
Others	10,306	2,001	(80.6)	1,415	(662)	—
Elimination	(1,074)	(1,757)	—	(5,376)	(6,558)	—
Consolidation	174,526	179,179	2.7	49,549	30,661	(38.1)

(% represents year-on-year changes)

(Financial Services Business)

The Financial Services Business consists of a wide range of finance-related business, including securities brokerage business, banking services business, and life, property and casualty insurance business.

The results of operations of the Financial Services Business for the nine months ended December 31, 2015 were as follows. Revenue decreased 1.4% year-on-year to ¥115,037 million, and profit before income tax expense decreased 29.7% to ¥37,448 million.

(Asset Management Business)

The Asset Management Business primarily consists of fund management and investment in Internet technology, biotechnology, environmental energy and finance-related venture companies in Japan and overseas, investment in overseas financial institutions by forming partnerships with prominent local institutions, and asset management services business which provides information regarding financial products. The Group includes venture companies acquired in the Asset Management Business in the Group's consolidation; thus, the businesses operated by the venture companies are included in this segment.

The results of operations of the Asset Management Business for the nine months ended December 31, 2015 were as follows. Revenue increased 28.0% year-on-year to ¥60,265 million, and profit before income tax expense increased 10.3% year-on-year to ¥2,886 million.

(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 drugs 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, 2015 were as follows. Revenue increased 126.4% year-on-year to ¥3,633 million, and loss before income tax expense amounted to ¥2,453 million for the nine months ended December 31, 2015 (¥2,360 million of loss before income tax expense for the nine months ended December 31, 2014).

* 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, 2015, total assets amounted to ¥3,336,851 million and decreased by ¥63,912 million from total assets of ¥3,400,763 million as at March 31, 2015. The Group's equity decreased by ¥11,591 million to ¥419,024 million from the fiscal year ended March 31, 2015. As at December 31, 2015, the Group's cash and cash equivalents amounted to ¥280,490 million and decreased by ¥10,336 million from that of ¥290,826 million as at March 31, 2015. 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 ¥5,469 million in net cash outflows (¥71,481 million in net cash inflows for the nine months ended December 31, 2014). The net cash outflows were primarily due to a ¥33,215 million cash outflow from an increase in accounts receivable and other receivable and a ¥69,256 million cash outflow from an increase in assets/liabilities related to securities business, despite a ¥52,468 million cash inflow from an increase in operational liabilities and other liabilities and a ¥29,403 million cash inflow from an increase in customer deposits in the banking business.

(Investing Cash Flows)

Cash flows from investing activities amounted to ¥27,104 million in net cash inflows (¥60,699 million in net cash inflows for the nine months ended December 31, 2014). The net cash inflows were primarily due to a ¥56,354 million cash inflow from proceeds from sales or redemption of investment securities, despite a ¥35,609 million cash outflow from purchases of investment securities.

(Financing Cash Flows)

Cash flows from financing activities amounted to ¥27,078 million in net cash outflows (¥23,921 million in net cash outflows for the nine months ended December 31, 2014). The net cash outflows were primarily due to a ¥48,051 million cash outflow from a decrease in short term loans payable, a ¥10,029 million cash outflow from purchase of treasury stock and a ¥9,640 million cash outflow from cash dividend paid, despite a ¥32,967 million cash inflow from proceeds from long-term loans payable and a ¥19,984 million cash inflow from proceeds from bond issuance.

2. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Interim Condensed Consolidated Statement of Financial Position

	As at March 31, 2015	As at December 31, 2015
	Millions of Yen	Millions of Yen
Assets		
Cash and cash equivalents	290,826	280,490
Trade and other accounts receivable	342,459	351,387
Assets related to securities business		
Cash segregated as deposits	1,250,678	1,241,454
Margin transaction assets	276,387	435,220
Other assets related to securities business	601,695	436,297
Total assets related to securities business	2,128,760	2,112,971
Other financial assets	31,096	22,970
Operational investment securities	114,946	106,494
Other investment securities	193,064	168,403
Investments accounted for using the equity method	45,455	44,772
Investment properties	18,478	14,674
Property and equipment	10,590	11,361
Intangible assets	199,810	194,197
Other assets	22,785	28,846
Deferred tax assets	2,494	286
Total assets	3,400,763	3,336,851
Liabilities		
Bonds and loans payable	374,771	367,062
Trade and other accounts payable	55,005	111,829
Liabilities related to securities business		
Margin transaction liabilities	97,757	29,052
Loans payable secured by securities	290,480	369,850
Deposits from customers	638,879	640,689
Guarantee deposits received	545,116	592,923
Other liabilities related to securities business	388,161	242,755
Total liabilities related to securities business	1,960,393	1,875,269
Customer deposits for banking business	361,102	371,095
Insurance contract liability	170,042	157,701
Income tax payable	13,792	4,214
Other financial liabilities	13,757	12,403
Other liabilities	12,034	9,921
Deferred tax liabilities	9,252	8,333
Total liabilities	2,970,148	2,917,827
Equity		
Capital stock	81,681	81,681
Capital surplus	148,676	147,213
Treasury stock	(5,137)	(14,146)
Other component of equity	36,934	26,979
Retained earnings	121,337	132,336
Equity attributable to owners of the Company	383,491	374,063
Non-controlling interests	47,124	44,961
Total equity	430,615	419,024
Total liabilities and equity	3,400,763	3,336,851

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

	Nine months ended December 31, 2014	Nine months ended December 31 2015
	Millions of Yen	Millions of Yen
Revenue	174,526	179,179
Expense		
Financial cost associated with financial income	(12,068)	(12,274)
Operating cost	(41,256)	(56,842)
Selling, general and administrative expenses	(67,793)	(71,673)
Other financial cost	(4,152)	(3,495)
Other expenses	(4,951)	(5,905)
Total expense	(130,220)	(150,189)
Share of the profit of associates and joint ventures accounted for using the equity method	5,243	1,671
Profit before income tax expense	49,549	30,661
Income tax expense	(17,722)	(10,247)
Profit for the period	31,827	20,414
Profit for the period attributable to		
Owners of the Company	35,490	20,254
Non-controlling interests	(3,663)	160
Profit for the period	31,827	20,414
Earnings per share attributable to owners of the Company		
Basic (Yen)	163.92	95.29
Diluted (Yen)	151.45	87.70

(Changes in presentation of interim condensed consolidated statement of income)

In the interim condensed consolidated statement of income, the Company had presented the “Operating income (loss)” which classified the revenue and expense as those from operating activities and those from other activities until the previous fiscal year. However, since it became difficult to continuously adopt the previous method of presentation due to the varying earning activities of the Group, the Company changed its method to present “Revenue” and classification breakdown of “Expense” without presenting “Operating income (loss)”. Accordingly, the interim condensed consolidated statement of income for the nine months ended December 31, 2014 is revised in order to conform to the current year presentation.

Interim Condensed Consolidated Statement of Comprehensive Income

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
	Millions of Yen	Millions of Yen
Profit for the period	31,827	20,414
Items that will not be reclassified subsequently to profit or loss		
Fair value through other comprehensive income ("FVTOCI") financial assets	(51)	289
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	22,873	(9,855)
Other comprehensive income, net of tax	22,822	(9,566)
 Total comprehensive income	 54,649	 10,848
 Total comprehensive income attributable to		
Owners of the Company	57,345	10,759
Non-controlling interests	(2,696)	89
Total comprehensive income	54,649	10,848

(3) Interim Condensed Consolidated Statement of Changes in Equity

Nine months ended December 31, 2014

	Attributable to owners of the Company							Total equity Millions of Yen
	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	—	—	—	—	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

Nine months ended December 31, 2015

	Attributable to owners of the Company							Total equity Millions of Yen
	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, 2015	81,681	148,676	(5,137)	36,934	121,337	383,491	47,124	430,615
Profit for the period	—	—	—	—	20,254	20,254	160	20,414
Other comprehensive income	—	—	—	(9,495)	—	(9,495)	(71)	(9,566)
Total comprehensive income	—	—	—	(9,495)	20,254	10,759	89	10,848
Change in scope of consolidation	—	—	—	—	—	—	3,387	3,387
Dividends paid	—	—	—	—	(9,715)	(9,715)	(6,042)	(15,757)
Treasury shares purchased	—	—	(10,029)	—	—	(10,029)	—	(10,029)
Treasury shares sold	—	111	1,020	—	—	1,131	—	1,131
Changes of interests in subsidiaries without losing control	—	(1,574)	—	—	—	(1,574)	403	(1,171)
Transfer	—	—	—	(460)	460	—	—	—
As at December 31 2015	81,681	147,213	(14,146)	26,979	132,336	374,063	44,961	419,024

(4) Interim Condensed Consolidated Statement of Cash flows

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
	Millions of Yen	Millions of Yen
Net cash generated from (used in) operating activities		
Profit before income tax expense	49,549	30,661
Depreciation and amortization	8,729	8,255
Share of profits of associates and joint ventures accounted for using the equity method	(5,243)	(1,671)
Interest and dividend income	(47,401)	(54,356)
Interest expense	16,220	15,768
Decrease in operational investment securities	13,601	7,703
Increase in accounts receivables and other receivables	(55,740)	(33,215)
Increase in operational liabilities and other liabilities	49,455	52,468
Decrease (increase) in assets/liabilities related to securities business	32,798	(69,256)
Increase in customer deposits in the banking business	18,533	29,403
Others	(27,262)	(10,275)
Subtotal	53,239	(24,515)
Interest and dividend income received	50,140	53,393
Interest expense paid	(15,805)	(15,091)
Income taxes paid	(16,093)	(19,256)
Net cash generated from (used in) operating activities	71,481	(5,469)
Net cash generated from investing activities		
Purchases of intangible assets	(3,459)	(3,986)
Purchases of investment securities	(16,819)	(35,609)
Proceeds from sales or redemption of investment securities	43,121	56,354
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(199)	586
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	25,770	376
Payments of loans receivable	(2,027)	(409)
Collection of loans receivable	2,045	831
Others	12,267	8,961
Net cash generated from investing activities	60,699	27,104

	Nine months ended December 31 2014	Nine months ended December 31, 2015
	Millions of Yen	Millions of Yen
Net cash used in financing activities		
Increase (decrease) in short term loans payable	8,651	(48,051)
Proceeds from long-term loans payable	41,827	32,967
Repayment of long-term loans payable	(51,069)	(4,485)
Proceeds from bond issuance	29,883	19,984
Redemption of bonds payable	(43,131)	(4,068)
Proceeds from stock issuance to non-controlling interests	179	91
Contributions from non-controlling interests in consolidated investment funds	1,755	5,232
Cash dividend paid	(4,319)	(9,640)
Cash dividend paid to non-controlling interests	(430)	(382)
Distributions to non-controlling interests in consolidated investment funds	(5,043)	(5,496)
Purchase of treasury stock	(25)	(10,029)
Proceeds from sale of interests in subsidiaries to non-controlling interests	114	—
Payments for purchase of interests in subsidiaries from non-controlling interests	(941)	(3,670)
Others	(1,372)	469
Net cash used in financing activities	(23,921)	(27,078)
Net increase (decrease) in cash and cash equivalents	108,259	(5,443)
Cash and cash equivalents at the beginning of the period	276,221	290,826
Effect of changes in exchange rate on cash and cash equivalents	14,650	(4,893)
Transfer to assets held for sale	(2,904)	—
Cash and cash equivalents at the end of the period	396,226	280,490

Notes to Interim Condensed Consolidated Financial Statements

1. Revenue

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
	Millions of yen	Millions of yen
Revenue		
Financial income		
Interest income (Note 1)	47,049	52,791
Dividends received	275	1,622
Income arising from financial assets at FVTPL	(4,109)	(1,115)
Gain from trading	11,972	14,698
Total financial income	55,187	67,996
Revenue arising on insurance contracts (Note 2)	21,765	32,583
Revenue from rendering of services	51,447	56,835
Revenue from sale of interests in subsidiaries (Note 3)	17,072	14
Others	29,055	21,751
Total revenue	<u>174,526</u>	<u>179,179</u>

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

(Note 2) Revenue arising on insurance contracts which was included in "Revenue from rendering of services" in the interim condensed consolidated financial statements for the nine months ended December 31, 2014 is presented independently as a component of "Revenue" due to the increase in materiality.

(Note 3) Revenue from sale of interests in subsidiaries for the nine months ended December 31, 2014 arose mainly from the sale of SBI Mortgage Co., Ltd. (current ARUHI Corporation).

2. Events after the Reporting Period

There were no significant subsequent events noted.