

SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

Japan, October 30, 2019

The board of directors (the “Directors”) of SBI HOLDINGS, INC. (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended September 30, 2019.

(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	%
Six months ended September 30, 2019	192,147	8.7	48,049	(11.3)	35,077	(12.4)	27,890	(17.0)
Six months ended September 30, 2018	176,753	24.8	54,195	95.4	40,062	109.7	33,588	64.8

	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
Six months ended September 30, 2019	15,739	(66.2)	121.90	109.32
Six months ended September 30, 2018	46,509	157.6	151.00	132.38

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets
	Millions of yen	Millions of yen	Millions of yen	%
September 30, 2019	5,234,776	591,314	450,222	8.6
March 31, 2019	5,034,124	562,557	456,675	9.1

2. Dividends

	Dividend per share				
(Declared date)	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, 2019	—	20.00	—	80.00	100.00
Fiscal year ending March 31, 2020	—	20.00			
Fiscal Year ending March 31, 2020 (forecast) (Note)			—	—	—

(Note) Fiscal year ending March 31, 2020 forecast is to be determined.

3. Total number of shares outstanding (Common stock)

(1) Number of shares outstanding (including treasury stock)	:	September 30, 2019	:	236,556,393shares
		March 31, 2019	:	236,556,393shares
(2) Number of treasury stock	:	September 30, 2019	:	5,991,028shares
		March 31, 2019	:	8,312,501shares
(3) Average number of shares outstanding	:	Six months ended September 30, 2019	:	228,785,219shares
		Six months ended September 30, 2018	:	222,443,685shares

The Group prepared the consolidated financial statements in accordance with IFRSs.

This financial summary is exempt from quarterly review procedures required by Financial Instruments and Exchange Act.

1. BUSINESS RESULTS

(1) Results of Operations

The Group's consolidated results of operations for the six months ended September 30, 2019 were as follow. Revenue increased 8.7% year-on-year to ¥192,147 million, profit before income tax expense decreased 11.3% to ¥48,049 million, and profit attributable to owners of the Company decreased 17.0% to ¥27,890 million.

The results of operations for each reporting segment of the Group for the six months ended September 30, 2019 were as follow.

SBI VC Trade Co., Ltd., which were included in the Others until the previous reporting period and changed its company name from SBI Virtual Currencies Co., Ltd. on July 1, 2019, are now included in the Financial Services Business beginning with this fiscal year. Consequently, segment information for the six months ended September 30, 2018, is restated in accordance with the new basis of segmentation.

	Revenue			Profit before income tax expense		
	Six months ended	Six months ended		Six months ended	Six months ended	
	September 30, 2018	September 30, 2019		September 30, 2018	September 30, 2019	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	113,648	114,899	1.1	34,421	26,274	(23.7)
Asset Management Business	61,619	74,569	21.0	29,776	35,455	19.1
Biotechnology-related Business	1,766	2,083	18.0	(4,802)	(6,175)	—
Total	177,033	191,551	8.2	59,395	55,554	(6.5)
Others	952	2,469	159.4	(1,346)	(1,708)	—
Elimination or Corporate	(1,232)	(1,873)	—	(3,854)	(5,797)	—
Consolidated Total	176,753	192,147	8.7	54,195	48,049	(11.3)

(% 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 six months ended September 30, 2019 were as follows. Revenue increased 1.1% year-on-year to ¥114,899 million, and profit before income tax expense decreased 23.7% to ¥26,274 million.

(Asset Management Business)

The Asset Management Business primarily consists of fund management and investment in Internet technology, fintech, blockchain, finance, and biotechnology-related venture companies in Japan and overseas, financial services business overseas, and asset management services business which provides financial products information.

The results of operations of the Asset Management Business for the six months ended September 30, 2019 were as follows. Revenue increased 21.0% year-on-year to ¥74,569 million, and profit before income tax expense increased 19.1% year-on-year to ¥35,455 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 six months ended September 30, 2019 were as follows. Revenue increased 18.0% year-on-year to ¥2,083 million, and loss before income tax expense amounted to ¥6,175 million for the six months ended September 30, 2019 (¥4,802 million of loss before income tax expense for the six months ended September 30, 2018).

- * 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 Asian ginseng. ALA is also known as a chloroplastic substance in plants.

(2) Financial Conditions and Cash Flows

As at September 30, 2019, total assets amounted to ¥5,234,776 million and increased by ¥200,652 million from total assets of ¥5,034,124 million as at March 31, 2019. The Group's equity increased by ¥28,757 million to ¥591,314 million from the fiscal year ended March 31, 2019. As at September 30, 2019, the Group's cash and cash equivalents amounted to ¥892,401 million and increased by ¥178,427 million from that of ¥713,974 million as at March 31, 2019. 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 ¥115,678 million in net cash inflows (¥121,756 million in net cash inflows for the six months ended September 30, 2018). The net cash inflows were primarily due to a ¥119,949 million cash inflow from a decrease in assets/liabilities related to securities business, a ¥63,435 million cash inflow from an increase in customer deposits in the banking business and a ¥48,049 million cash inflow from profit before income tax expense, despite a ¥88,409 million cash outflow from an increase in operational investment securities and a ¥44,980 million cash outflow from an increase in accounts receivables and other receivables.

(Investing Cash Flows)

Cash flows from investing activities amounted to ¥11,165 million in net cash outflows (¥23,457 million in net cash outflows for the six months ended September 30, 2018). The net cash outflows were primarily due to a ¥17,627 million cash outflow from payments of loans receivable and a ¥15,748 million cash outflow from purchases of investment securities, despite a ¥20,907 million cash inflow from proceeds from sales or redemption of investment securities.

(Financing Cash Flows)

Cash flows from financing activities amounted to ¥81,037 million in net cash inflows (¥456,560 million in net cash inflows for the six months ended September 30, 2018). The net cash inflows were primarily due to a ¥97,655 million cash inflow from proceeds from issuance of bonds payable and a ¥34,611 million cash inflow from contributions from non-controlling interests in consolidated investment funds, despite a ¥25,145 million cash outflow from redemption of bonds payable and a ¥18,237 million cash outflow from cash dividends paid.

2. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(1) Interim Condensed Consolidated Statement of Financial Position

	As at March 31, 2019 Millions of Yen	As at September 30, 2019 Millions of Yen
Assets		
Cash and cash equivalents	713,974	892,401
Trade and other accounts receivable	689,713	680,631
Assets related to securities business		
Cash segregated as deposits	1,603,159	1,623,085
Margin transaction assets	674,878	616,669
Other assets related to securities business	471,555	468,508
Total assets related to securities business	2,749,592	2,708,262
Other financial assets	36,740	43,365
Operational investment securities	282,616	369,083
Other investment securities	188,900	185,350
Investments accounted for using the equity method	68,371	61,565
Investment properties	2,147	—
Property and equipment	15,100	29,742
Intangible assets	184,816	183,358
Other assets	94,899	74,050
Deferred tax assets	7,256	6,969
Total assets	5,034,124	5,234,776
Liabilities		
Bonds and loans payable	962,965	1,032,394
Trade and other accounts payable	60,639	83,559
Liabilities related to securities business		
Margin transaction liabilities	166,145	191,096
Loans payable secured by securities	494,718	490,826
Deposits from customers	781,232	841,501
Guarantee deposits received	730,838	783,980
Other liabilities related to securities business	373,567	318,978
Total liabilities related to securities business	2,546,500	2,626,381
Customer deposits for banking business	659,361	667,536
Insurance contract liabilities	139,098	143,435
Income tax payable	7,367	7,230
Other financial liabilities	19,566	18,275
Other liabilities	60,339	43,870
Deferred tax liabilities	15,732	20,782
Total liabilities	4,471,567	4,643,462
Equity		
Capital stock	92,018	92,018
Capital surplus	142,094	139,879
Treasury stock	(20,128)	(14,507)
Other components of equity	16,977	(1,907)
Retained earnings	225,714	234,739
Equity attributable to owners of the Company	456,675	450,222
Non-controlling interests	105,882	141,092
Total equity	562,557	591,314
Total liabilities and equity	5,034,124	5,234,776

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

	Six months ended September 30, 2018 Millions of Yen	Six months ended September 30, 2019 Millions of Yen
Revenue (Interest income of ¥55,910 million and ¥56,944 million included for the six months ended September 30, 2018 and 2019, respectively)	176,753	192,147
Expense		
Financial cost associated with financial income	(9,961)	(12,129)
Provision for credit losses	(11,029)	(17,232)
Operating cost	(47,911)	(50,203)
Selling, general and administrative expenses	(51,774)	(60,991)
Other financial cost	(1,310)	(2,554)
Other expenses	(1,823)	(5,008)
Total expense	(123,808)	(148,117)
Share of the profit of associates and joint ventures accounted for using the equity method	1,250	4,019
Profit before income tax expense	54,195	48,049
Income tax expense	(14,133)	(12,972)
Profit for the period	40,062	35,077
Profit for the period attributable to		
Owners of the Company	33,588	27,890
Non-controlling interests	6,474	7,187
Profit for the period	40,062	35,077
Earnings per share attributable to owners of the Company		
Basic (Yen)	151.00	121.90
Diluted (Yen)	132.38	109.32

Interim Condensed Consolidated Statement of Comprehensive Income

	Six months ended September 30, 2018	Six months ended September 30, 2019
	Millions of Yen	Millions of Yen
Profit for the period	40,062	35,077
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Equity instruments measured at FVTOCI	104	(608)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	—	(170)
	<u>104</u>	<u>(778)</u>
Items that may be reclassified subsequently to profit or loss		
Debt instruments measured at FVTOCI	(370)	1,009
Currency translation differences	5,573	(16,599)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	1,140	(2,970)
	<u>6,343</u>	<u>(18,560)</u>
Other comprehensive income, net of tax	6,447	(19,338)
 Total comprehensive income	 <u><u>46,509</u></u>	 <u><u>15,739</u></u>
 Total comprehensive income attributable to		
Owners of the Company	39,931	8,401
Non-controlling interests	6,578	7,338
Total comprehensive income	<u><u>46,509</u></u>	<u><u>15,739</u></u>

(3) Condensed Interim Consolidated Statement of Changes in Equity

Six months ended September 30, 2018

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Treasury stock	Other components 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, 2018	81,681	125,445	(4,647)	20,605	204,731	427,815	66,009	493,824
Cumulative effect of accounting change	—	—	—	840	(11,625)	(10,785)	(123)	(10,908)
Restated balance as at April 1, 2018	81,681	125,445	(4,647)	21,445	193,106	417,030	65,886	482,916
Profit for the period	—	—	—	—	33,588	33,588	6,474	40,062
Other comprehensive income	—	—	—	6,343	—	6,343	104	6,447
Total comprehensive income	—	—	—	6,343	33,588	39,931	6,578	46,509
Issuance of convertible bonds	—	2,904	—	—	—	2,904	—	2,904
Conversion of convertible bonds	10,337	6,677	12,248	—	—	29,262	—	29,262
Dividends paid	—	—	—	—	(15,455)	(15,455)	(595)	(16,050)
Treasury shares purchased	—	—	(10,016)	—	—	(10,016)	—	(10,016)
Treasury shares sold	—	22	1,727	—	—	1,749	—	1,749
Share-based payment transaction	—	338	—	—	—	338	203	541
Changes of interests in subsidiaries without losing control	—	7,037	—	—	—	7,037	11,291	18,328
Transfer	—	—	—	(1,523)	1,523	—	—	—
As at September 30, 2018	92,018	142,423	(688)	26,265	212,762	472,780	83,363	556,143

Six months ended September 30, 2019

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Treasury stock	Other components 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, 2019	92,018	142,094	(20,128)	16,977	225,714	456,675	105,882	562,557
Profit for the period	—	—	—	—	27,890	27,890	7,187	35,077
Other comprehensive income	—	—	—	(19,489)	—	(19,489)	151	(19,338)
Total comprehensive income	—	—	—	(19,489)	27,890	8,401	7,338	15,739
Conversion of convertible bonds	—	(1,496)	4,821	—	—	3,325	—	3,325
Change in scope of consolidation	—	—	—	—	—	—	(1,449)	(1,449)
Dividends paid	—	—	—	—	(18,260)	(18,260)	(7,470)	(25,730)
Treasury shares purchased	—	—	(7)	—	—	(7)	—	(7)
Treasury shares sold	—	(286)	807	—	—	521	—	521
Share-based payment transaction	—	225	—	—	—	225	285	510
Changes of interests in subsidiaries without losing control	—	(658)	—	—	—	(658)	36,506	35,848
Transfer	—	—	—	605	(605)	—	—	—
As at September 30, 2019	92,018	139,879	(14,507)	(1,907)	234,739	450,222	141,092	591,314

(4) Interim Condensed Consolidated Statement of Cash flows

	Six months ended September 30, 2018	Six months ended September 30, 2019
	Millions of Yen	Millions of Yen
Cash flows from operating activities		
Profit before income tax expense	54,195	48,049
Depreciation and amortization	4,680	7,169
Share of profits of associates and joint ventures accounted for using the equity method	(1,250)	(4,019)
Interest and dividend income	(58,791)	(59,408)
Interest expense	11,271	14,683
Increase in operational investment securities	(51,995)	(88,409)
Increase in accounts receivables and other receivables	(52,212)	(44,980)
Increase in operational liabilities and other liabilities	41,971	14,598
Decrease in assets/liabilities related to securities business	84,859	119,949
Increase in customer deposits in the banking business	75,135	63,435
Others	(22,525)	7,313
Subtotal	85,338	78,380
Interest and dividend income received	57,606	58,966
Interest paid	(10,239)	(13,532)
Income taxes paid	(10,949)	(8,136)
Net cash generated from operating activities	121,756	115,678
Cash flows from investing activities		
Purchases of intangible assets	(3,520)	(8,669)
Purchases of investment securities	(54,599)	(15,748)
Proceeds from sales or redemption of investment securities	40,760	20,907
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(3,050)	(5,187)
Payments of loans receivable	(2,456)	(17,627)
Collection of loans receivable	1,791	15,456
Others	(2,383)	(297)
Net cash used in from investing activities	(23,457)	(11,165)

	Six months ended September 30, 2018	Six months ended September 30, 2019
	Millions of Yen	Millions of Yen
Cash flows from financing activities		
Increase (decrease) in short term loans payable	394,302	(9,820)
Proceeds from long-term loans payable	39,592	15,472
Repayment of long-term loans payable	(37,205)	(5,790)
Proceeds from issuance of bonds payable	98,217	97,655
Redemption of bonds payable	(30,181)	(25,145)
Proceeds from stock issuance to non-controlling interests	8,270	270
Contributions from non-controlling interests in consolidated investment funds	7,215	34,611
Cash dividends paid	(15,436)	(18,237)
Cash dividends paid to non-controlling interests	(537)	(415)
Distributions to non-controlling interests in consolidated investment funds	(34)	(7,080)
Purchase of treasury stock	(10,016)	(7)
Proceeds from sale of interests in subsidiaries to non-controlling interests	4,045	212
Payments for purchase of interests in subsidiaries from non-controlling interests	(408)	(28)
Others	(1,264)	(661)
Net cash generated from financing activities	456,560	81,037
Net increase in cash and cash equivalents	554,859	185,550
Cash and cash equivalents at the beginning of the period	437,148	713,974
Effect of changes in exchange rate on cash and cash equivalents	(141)	(7,123)
Cash and cash equivalents at the end of the period	991,866	892,401

(5) Notes to Condensed Interim Consolidated Financial Statements

Assumptions for Going Concern

None

Changes in Accounting Policy

Except for the following standard that has been newly applied, the accounting policies adopted in the consolidated financial statements for the fiscal year ended March 31, 2019, are applied consistently in the preparation of these interim condensed consolidated financial statements.

Statement of standards		Summary of new standards and amendments
IFRS 16	Leases	Amendment with regard to the definition and the accounting treatment of lease

IFRS 16 Leases

The Group has applied IFRS 16 “Leases” from the six-month period ended September 30, 2019. At the date of initial application, the Group recognizes the cumulative effect of applying this standard and right-of-use asset has been measured at an amount equal to the lease liability. For the assessment of whether a contract that was concluded in or prior to the previous fiscal year is a lease, or contains a lease, the Group has applied the practical expedient of maintaining IAS 17 “Leases” and IFRIC 4 “Determining whether an Arrangement contains a Lease”. In adopting IFRS 16 to lease transactions, which were previously classified as operating leases, the Group has applied recognition exemptions allowing the lessee not to recognize right-of-use assets and lease liabilities on leases with remaining lease terms of 12 months or less.

The details of the change and the impact amount are as follows.

Leases (lessee)

At the inception of the contract, the Group determines whether the contract is, or contains, a lease.

Lease liability in a lease transaction is initially measured as the present value of unpaid lease payments discounted using an interest rate implicit in the lease at the commencement date of the contract. If that rate cannot be readily determined, the Group uses the lessee’s incremental borrowing rate. With regard to the right-of-use asset, an initial measurement is conducted on the acquisition cost, which is initially measured amount of lease liability adjusted by initial direct cost and prepaid lease payments, etc., and depreciation is applied for the right-of-use asset on a regular basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. With regard to a lease that has a lease period of 12 months or less or a lease of low-value assets, the right-of-use assets and lease liabilities are not recognized and lease payments on such lease are recognized as expenses over the lease period.

As a result of the above changes, right-of-use assets and lease liabilities increased by ¥12,913 million and ¥12,702 million, respectively, in the interim condensed consolidated statement of financial position at the beginning of the period. In the interim condensed consolidated statement of financial position, the right-of-use assets are included in property and equipment and lease liabilities are included in trade and other accounts payable. The impact of the changes on the interim condensed consolidated statement for the six months ended September 30, 2019 is immaterial.

Revenue

	Six months ended September 30, 2018	Six months ended September 30, 2019
	Millions of yen	Millions of yen
Financial income		
Interest income		
Income arising from financial assets measured at amortized cost (Note 1)	55,818	56,547
Income arising from debt instruments measured at FVTOCI (Note 2)	92	397
Income arising from financial assets measured at FVTPL	34,827	39,935
Others	75	156
Total financial income	90,812	97,035
Revenue arising on insurance contracts	37,559	39,106
Revenue from contracts with customers		
Revenue from rendering of services	39,849	39,164
Revenue from sales of goods	1,599	1,583
Others	6,934	15,259
Total revenue	176,753	192,147

(Note 1) Interest income arising from loans in the banking and securities businesses.

(Note 2) Interest income arising from bonds in the insurance business.

Events after the Reporting Period

There was no significant event after the reporting period.