

SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED DECEMBER 31, 2022

Japan, February 7, 2023

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, 2022.

(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, 2022	685,565	30.0	48,108	(86.9)	36,026	(89.4)	8,049	(97.8)
Nine months ended December 31, 2021	527,440	45.6	366,991	291.5	339,426	390.3	363,353	497.5

	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, 2022	57,240	(83.4)	30.68	28.41
Nine months ended December 31, 2021	344,535	325.1	1,484.65	1,273.75

(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, 2022	21,830,615	1,712,516	995,922	4.6
March 31, 2022	17,838,200	1,583,258	924,603	5.2

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, 2022	—	30.00	—	120.00	150.00
Fiscal year ending March 31, 2023	—	30.00	—		
Fiscal Year ending March 31, 2023 (forecast) (Note)				—	—

(Note) Fiscal year ending March 31, 2023 forecast is to be determined.

3. Total number of shares outstanding (Common stock)

(1) Number of shares outstanding (including treasury stock)	:	December 31, 2022	:	272,293,190shares
		March 31, 2022	:	245,220,890shares
(2) Number of treasury stock	:	December 31, 2022	:	25,711shares
		March 31, 2022	:	22,486shares
(3) Average number of shares outstanding	:	Nine months ended December 31, 2022	:	262,307,582shares
		Nine months ended December 31, 2021	:	244,739,161shares

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 nine months ended December 31, 2022 were as follows. Revenue increased 30.0% year-on-year to ¥685,565 million, profit before income tax expense decreased 86.9% to ¥48,108 million and profit attributable to owners of the Company decreased 97.8% to ¥8,049 million.

The Group had been reported three business segments: Financial Services Business, Asset Management Business, and Biotechnology, Healthcare & Medical Informatics Business. However, the market environment such as the stock market had a significant impact on specific businesses within each business segment, and as the business in the non-financial field such as Web 3.0 is expected to expand in the future, it had become unclear which segment these businesses belong to. Therefore, the business segment was reorganized from the first quarter of this fiscal year.

From this fiscal year, the Group reports five new business segments, including Financial Services Business, Asset Management Business, Investment Business, Crypto-asset Business that is expected to continue to grow, and Non-Financial Business which includes Biotechnology, Healthcare & Medical Informatics Business and the business working on advanced fields related to Web 3.0.

The results of operations for each reporting segment of the Group for the nine months ended December 31, 2022 were as follows.

Segment information for the nine months ended December 31, 2021, is restated in accordance with the new basis of segmentation.

	Revenue			Profit before income tax expense		
	Nine months ended December 31, 2021	Nine months ended December 31, 2022		Nine months ended December 31, 2021	Nine months ended December 31, 2022	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	331,392	637,606	92.4	273,316	113,642	(58.4)
Asset Management Business	12,478	13,608	9.1	3,001	2,227	(25.8)
Investment Business	139,467	(2,611)	-	105,176	(33,177)	-
Crypto-asset Business	32,438	24,346	(24.9)	3,442	(17,323)	-
Non-Financial Business	15,509	20,102	29.6	(8,674)	(1,082)	-
Total	531,284	693,051	30.4	376,261	64,287	(82.9)
Elimination or Corporate	(3,844)	(7,486)	-	(9,270)	(16,179)	-
Consolidated Total	527,440	685,565	30.0	366,991	48,108	(86.9)

(% represents year-on-year changes)

(Financial Services Business)

The Financial Services Business consists of a wide range of finance-related business inside and outside Japan, 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, 2022 were as follows. Revenue increased 92.4% year-on-year to ¥637,606 million, and profit before income tax expense decreased 58.4% year-on-year to ¥113,642 million.

(Asset Management Business)

The Asset Management Business primarily consists of setting, solicitation, and management of investment trust, investment advice, and provision of financial products information.

The results of operations of the Asset Management Business for the nine months ended December 31, 2022 were as follows. Revenue increased 9.1% year-on-year to ¥13,608 million, and profit before income tax expense decreased 25.8% year-on-year to ¥2,227 million.

(Investment Business)

The Investment Business primarily consists of fund management and investment in Internet technology, fintech, blockchain, finance, and biotechnology-related venture companies in Japan and overseas.

The results of operations of the Investment Business for the nine months ended December 31, 2022 were as follows. Revenue amounted to ¥-2,611 million for the nine months ended December 31, 2022 (¥139,467 million of revenue for the nine months ended December 31, 2021), and loss before income tax expense amounted to ¥33,177 million (¥105,176 million of profit before income tax expense for the nine months ended December 31, 2021).

(Crypto-asset Business)

The Crypto-asset Business primarily consists of crypto-asset exchange business which provides crypto-asset exchange and trading services.

The results of operations of the Crypto-asset Business for the nine months ended December 31, 2022 were as follows. Revenue decreased 24.9% year-on-year to ¥24,346 million, and loss before income tax expense amounted to ¥17,323 million for the nine months ended December 31, 2022 (¥3,442 million of profit before income tax expense for the nine months ended December 31, 2021).

(Non-Financial Business)

The Non-Financial Business primarily consists of Biotechnology, Healthcare & Medical Informatics Business which includes development and distribution of pharmaceutical products, health foods, and cosmetics with 5-aminolevulinic acid (5-ALA), a kind of amino acid which exists in vivo, research and development of antibody drugs and nucleic acid medicine in the field of cancer and immunology, the digitization of medical and health information, providing solutions and services that promote the use of medical big data, and medical finance, business working on advanced fields related to Web 3.0, renewable energy business, and business developing in new overseas markets including Africa.

The results of operations of the Non-Financial Business for the nine months ended December 31, 2022 were as follows. Revenue increased 29.6% year-on-year to ¥20,102 million, and loss before income tax expense amounted to ¥1,082 million for the nine months ended December 31, 2022 (¥8,674 million of loss before income tax expense for the nine months ended December 31, 2021).

(2) Financial Conditions and Cash Flows

As at December 31, 2022, total assets amounted to ¥21,830,615 million and increased by ¥3,992,415 million from total assets of ¥17,838,200 million as at March 31, 2022. The Group's equity increased by ¥129,258 million to ¥1,712,516 million from the fiscal year ended March 31, 2022. As at December 31, 2022, the Group's cash and cash equivalents amounted to ¥3,512,558 million and increased by ¥1,013,188 million from that of ¥2,499,370 million as at March 31, 2022. 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 ¥1,508,841 million in net cash inflows (¥18,743 million in net cash outflows for the nine months ended December 31, 2021). The net cash inflows were primarily due to a ¥3,574,764 million cash inflow from an increase in customer deposits in the banking business, despite a ¥1,110,708 million cash outflow from an increase in trade and other accounts receivable and a ¥590,322 million cash outflow from a decrease in bonds and loans payable in banking business.

(Investing Cash Flows)

Cash flows from investing activities amounted to ¥1,240,911 million in net cash outflows (¥1,674,850 million in net cash inflows for the nine months ended December 31, 2021). The net cash outflows were primarily due to a ¥2,352,244 million cash outflow from purchases of investment securities, despite a ¥1,218,342 million cash inflow from proceeds from sales or redemption of investment securities.

(Financing Cash Flows)

Cash flows from financing activities amounted to ¥731,038 million in net cash inflows (¥58,122 million in net cash inflows for the nine months ended December 31, 2021). The net cash inflows were primarily due to a ¥965,419 million cash inflow from proceeds from issuance of bonds payable, a ¥372,792 million cash inflow from an increase in short term loans payable and a ¥166,086 million cash inflow from proceeds from long-term loans payable, despite a ¥751,819 million cash outflow from redemption of bonds payable.

2. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(1) Interim Condensed Consolidated Statement of Financial Position

	As at March 31, 2022	As at December 31, 2022
	Millions of Yen	Millions of Yen
Assets		
Cash and cash equivalents	2,499,370	3,512,558
Trade and other accounts receivable	8,399,588	9,736,847
Assets related to securities business		
Cash segregated as deposits	2,361,620	2,553,065
Margin transaction assets	929,730	1,105,011
Other assets related to securities business	615,967	579,179
Total assets related to securities business	3,907,317	4,237,255
Other financial assets	471,607	581,523
Operational investment securities	607,802	587,582
Other investment securities (includes ¥247,299 million and ¥240,706 million pledged as collateral as at March 31 and December 31, 2022, respectively)	1,076,780	2,206,519
Investments accounted for using the equity method	129,141	168,392
Investment properties	34,868	69,750
Property and equipment	123,737	124,566
Intangible assets	293,086	361,859
Other assets	277,016	228,127
Deferred tax assets	17,888	15,637
Total assets	17,838,200	21,830,615
Liabilities		
Bonds and loans payable	3,364,860	3,616,509
Trade and other accounts payable	487,846	594,503
Liabilities related to securities business		
Margin transaction liabilities	254,345	230,012
Loans payable secured by securities	599,159	465,937
Deposits from customers	1,375,599	1,395,584
Guarantee deposits received	997,678	1,133,507
Other liabilities related to securities business	449,551	340,240
Total liabilities related to securities business	3,676,332	3,565,280
Customer deposits for banking business	7,673,324	11,298,699
Insurance contract liabilities	155,216	155,486
Income tax payable	13,351	13,497
Other financial liabilities	538,512	660,104
Other liabilities	287,577	164,584
Deferred tax liabilities	57,924	49,437
Total liabilities	16,254,942	20,118,099
Equity		
Capital stock	99,312	139,208
Capital surplus	151,390	189,635
Treasury stock	(62)	(71)
Other components of equity	42,865	65,896
Retained earnings	631,098	601,254
Equity attributable to owners of the Company	924,603	995,922
Non-controlling interests	658,655	716,594
Total equity	1,583,258	1,712,516
Total liabilities and equity	17,838,200	21,830,615

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

	Nine months ended December 31, 2021 Millions of Yen	Nine months ended December 31, 2022 Millions of Yen
Revenue (Interest income of ¥128,282 million and ¥292,909 million included for the nine months ended December 31, 2021 and 2022, respectively)	527,440	685,565
Expense		
Financial cost associated with financial income	(21,779)	(66,349)
Provision for credit losses	(102,262)	(64,235)
Operating cost	(150,701)	(203,797)
Selling, general and administrative expenses	(140,547)	(278,114)
Other financial cost	(5,189)	(13,074)
Other expenses	(11,287)	(16,574)
Total expense	(431,765)	(642,143)
Gain on bargain purchase	263,754	1,964
Share of the profit of associates and joint ventures accounted for using the equity method	7,562	2,722
Profit before income tax expense	366,991	48,108
Income tax expense	(27,565)	(12,082)
Profit for the period	339,426	36,026
Profit for the period attributable to		
Owners of the Company	363,353	8,049
Non-controlling interests	(23,927)	27,977
Profit for the period	339,426	36,026
Earnings per share attributable to owners of the Company		
Basic (Yen)	1,484.65	30.68
Diluted (Yen)	1,273.75	28.41

Interim Condensed Consolidated Statement of Comprehensive Income

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
	Millions of Yen	Millions of Yen
Profit for the period	339,426	36,026
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Financial assets measured at FVTOCI	(153)	(6,368)
Changes in own credit risk on financial liabilities	-	211
Remeasurement of defined benefit plans	-	(565)
Share of other comprehensive income of investments accounted for using the equity method	133	(3)
	(20)	(6,725)
Items that may be reclassified subsequently to profit or loss		
Financial assets measured at FVTOCI	(119)	(12,753)
Currency translation differences	4,911	39,805
Share of other comprehensive income of investments accounted for using the equity method	337	887
	5,129	27,939
Other comprehensive income, net of tax	5,109	21,214
Total comprehensive income	344,535	57,240
Total comprehensive income attributable to		
Owners of the Company	368,218	30,778
Non-controlling interests	(23,683)	26,462
Total comprehensive income	344,535	57,240

(3) Interim Condensed Consolidated Statement of Changes in Equity

Nine months ended December 31, 2021

	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, 2021	98,711	147,753	(40)	18,197	297,495	562,116	154,979	717,095
Profit for the period	-	-	-	-	363,353	363,353	(23,927)	339,426
Other comprehensive income	-	-	-	4,865	-	4,865	244	5,109
Total comprehensive income	-	-	-	4,865	363,353	368,218	(23,683)	344,535
Issuance of new shares	292	219	-	-	-	511	-	511
Change in scope of consolidation	-	-	-	-	-	-	500,030	500,030
Dividends paid	-	-	-	-	(31,809)	(31,809)	(6,458)	(38,267)
Treasury shares purchased	-	-	(20)	-	-	(20)	-	(20)
Treasury shares sold	-	(0)	0	-	-	0	-	0
Share-based payment transaction	-	511	-	-	-	511	20	531
Changes of interests in subsidiaries without losing control	-	(1,409)	-	-	-	(1,409)	34,790	33,381
Transfer from other components of equity to retained earnings	-	-	-	844	(844)	-	-	-
As at December 31, 2021	<u>99,003</u>	<u>147,074</u>	<u>(60)</u>	<u>23,906</u>	<u>628,195</u>	<u>898,118</u>	<u>659,678</u>	<u>1,557,796</u>

Nine months ended December 31, 2022

	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, 2022	99,312	151,390	(62)	42,865	631,098	924,603	658,655	1,583,258
Profit for the period	-	-	-	-	8,049	8,049	27,977	36,026
Other comprehensive income	-	-	-	22,729	-	22,729	(1,515)	21,214
Total comprehensive income	-	-	-	22,729	8,049	30,778	26,462	57,240
Issuance of new shares	39,896	39,867	-	-	-	79,763	-	79,763
Change in scope of consolidation	-	-	-	-	-	-	(2,221)	(2,221)
Dividends paid	-	-	-	-	(37,591)	(37,591)	(8,748)	(46,339)
Treasury shares purchased	-	-	(11)	-	-	(11)	-	(11)
Treasury shares sold	-	(0)	2	-	-	2	-	2
Share-based payment transaction	-	511	-	-	-	511	446	957
Changes of interests in subsidiaries without losing control	-	(2,133)	-	-	-	(2,133)	42,000	39,867
Transfer from other components of equity to retained earnings	-	-	-	302	(302)	-	-	-
As at December 31, 2022	<u>139,208</u>	<u>189,635</u>	<u>(71)</u>	<u>65,896</u>	<u>601,254</u>	<u>995,922</u>	<u>716,594</u>	<u>1,712,516</u>

(4) Interim Condensed Consolidated Statement of Cash flows

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
	Millions of Yen	Millions of Yen
Cash flows from operating activities		
Profit before income tax expense	366,991	48,108
Depreciation and amortization	18,522	41,773
Gain on bargain purchase	(263,754)	(1,964)
Share of profit of investments accounted for using the equity method	(7,562)	(2,722)
Interest and dividend income	(137,440)	(307,751)
Interest expense	26,941	80,160
Increase in operational investment securities	(103,421)	(15,157)
Increase in trade and other accounts receivable	(227,270)	(1,110,708)
Increase in trade and other accounts payable	157,042	61,671
Increase in assets/liabilities related to securities business	(118,031)	(440,069)
Increase in customer deposits in the banking business	120,793	3,574,764
Decrease in bonds and loans payable in banking business	-	(590,322)
Decrease in payables under securities lending transactions	-	(1,029)
Others	73,949	(26,850)
Subtotal	(93,240)	1,309,904
Interest and dividend income received	133,838	294,199
Interest paid	(25,783)	(69,473)
Income taxes paid	(33,558)	(25,789)
Net cash (used in) generated from operating activities	(18,743)	1,508,841
Cash flows from investing activities		
Purchases of intangible assets	(15,781)	(26,474)
Purchases of investment securities	(64,315)	(2,352,244)
Proceeds from sales or redemption of investment securities	48,920	1,218,342
Acquisition of subsidiaries, net of cash and cash equivalents acquired	1,733,799	(9,215)
Proceeds from sales of subsidiaries	1,605	16
Payments of loans receivable	(60,224)	(77,682)
Collection of loans receivable	54,401	84,896
Others	(23,555)	(78,550)
Net cash generated from (used in) investing activities	1,674,850	(1,240,911)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
	Millions of Yen	Millions of Yen
Cash flows from financing activities		
(Decrease) increase in short term loans payable	(236,612)	372,792
Proceeds from long-term loans payable	113,668	166,086
Repayment of long-term loans payable	(51,169)	(59,814)
Proceeds from issuance of bonds payable	322,563	965,419
Redemption of bonds payable	(73,118)	(751,819)
Proceeds from issuance of shares	511	79,763
Proceeds from stock issuance to non-controlling interests	4,070	15,420
Contributions from non-controlling interests in consolidated investment funds	24,362	21,002
Cash dividends paid	(31,728)	(37,460)
Cash dividends paid to non-controlling interests	(1,348)	(3,504)
Distributions to non-controlling interests in consolidated investment funds	(5,067)	(6,340)
Purchase of treasury stock	(20)	(11)
Proceeds from sale of interests in subsidiaries to non-controlling interests	3,107	5,072
Payments for purchase of interests in subsidiaries from non-controlling interests	(3,312)	(23,048)
Others	(7,785)	(12,520)
Net cash generated from financing activities	<u>58,122</u>	<u>731,038</u>
Net increase in cash and cash equivalents	1,714,229	998,968
Cash and cash equivalents at the beginning of the period	802,702	2,499,370
Effect of changes in exchange rate on cash and cash equivalents	(1,145)	14,220
Cash and cash equivalents at the end of the period	<u><u>2,515,786</u></u>	<u><u>3,512,558</u></u>

(5) Notes to Condensed Interim Consolidated Financial Statements

Assumptions for Going Concern

None

Revenue

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
	Millions of yen	Millions of yen
Financial income		
Interest income		
Income arising from financial assets measured at amortized cost (Note 1)	127,617	287,264
Income arising from debt instruments measured at FVTOCI (Note 2)	665	5,645
Income arising from financial assets measured at FVTPL	154,237	18,673
Income arising from financial liabilities designated at FVTPL	-	8,366
Others	528	15,884
Total financial income	283,047	335,832
Revenue arising on insurance contracts	82,014	91,404
Revenue from contracts with customers		
Revenue from rendering of services	86,981	132,126
Revenue from sales of goods	33,827	27,926
Others	41,571	98,277
Total revenue	527,440	685,565

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

(Note 2) Interest income arising from bonds in the banking and insurance businesses.

Events after the Reporting Period

None