

SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED JUNE 30, 2018

Japan, July 31, 2018

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, 2018.

(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	%
Three months ended June 30, 2018	91,334	32.5	28,665	94.3	20,394	97.8	17,879	48.9
Three months ended June 30, 2017	68,917	7.7	14,750	45.6	10,312	100.8	12,006	55.5

	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
Three months ended June 30, 2018	20,048	199.3	80.89	70.75
Three months ended June 30, 2017	6,698	—	58.96	53.78

(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, 2018	4,528,410	491,439	421,005	9.3
March 31, 2018	4,535,964	493,824	427,815	9.4

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, 2018	—	15.00	—	70.00	85.00
Fiscal Year ending March 31, 2019	—				
Fiscal Year ending March 31, 2019 (forecast) (Note)		—	—	—	—

(Note) Fiscal year ending March 31, 2019 forecast is to be determined.

3. Total number of shares outstanding (Common stock)

(1) Number of shares outstanding (including treasury stock)	: June 30, 2018	: 224,561,761shares
	: March 31, 2018	: 224,561,761shares
(2) Number of treasury stock	: June 30, 2018	: 2,371,204shares
	: March 31, 2018	: 3,779,286shares
(3) Average number of shares outstanding	: Three months ended June 30, 2018	: 221,028,749shares
	: Three months ended June 30, 2017	: 203,630,538shares

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 three months ended June 30, 2018 were as follow. Revenue increased 32.532.5% year-on-year to ¥91,334 million, profit before income tax expense increased 94.394.3% to ¥28,665 million, and profit attributable to owners of the Company increased 48.9% to ¥17,879 million.

The results of operations for each reporting segment of the Group for the three months ended June 30, 2018 were as follow.

	Revenue			Profit before income tax expense		
	Three months ended June 30, 2017	Three months ended June 30, 2018		Three months ended June 30, 2017	Three months ended June 30, 2018	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	50,423	56,301	11.7	14,238	16,972	19.2
Asset Management Business	18,406	34,440	87.1	5,520	17,737	221.3
Biotechnology-related Business	652	887	36.1	(2,841)	(2,712)	—
Total	69,481	91,628	31.9	16,917	31,997	89.1
Others	120	453	276.9	(200)	(1,284)	—
Elimination	(684)	(747)	—	(1,967)	(2,048)	—
Consolidation	68,917	91,334	32.5	14,750	28,665	94.3

(% 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 three months ended June 30, 2018 were as follows. Revenue increased 11.7% year-on-year to ¥56,301 million, and profit before income tax expense increased 19.2% to ¥16,972 million.

(Asset Management Business)

The Asset Management Business primarily consists of fund management and investment in Internet technology, biotechnology, and finance-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 three months ended June 30, 2018 were as follows. Revenue increased 87.1% year-on-year to ¥34,440 million, and profit before income tax expense increased 221.3% year-on-year to ¥17,737 million.

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(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 three months ended June 30, 2018 were as follows. Revenue increased 36.1% year-on-year to ¥887 million, and loss before income tax expense amounted to ¥2,712 million for the three months ended June 30, 2018 (¥2,841 million of loss before income tax expense for the three months ended June 30, 2017).

* 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, 2018, total assets amounted to ¥4,528,410 million and decreased by ¥7,554 million from total assets of ¥4,535,964 million as at March 31, 2018. The Group's equity decreased by ¥2,385 million to ¥491,439 million from the fiscal year ended March 31, 2018. As at June 30, 2018, the Group's cash and cash equivalents amounted to ¥338,671 million and decreased by ¥98,477 million from that of ¥437,148 million as at March 31, 2018. 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 ¥18,742 million in net cash outflows (¥5,543 million in net cash outflows for the three months ended June 30, 2017). The net cash outflows were primarily due to a ¥51,054 million cash outflow from an increase in assets/liabilities related to securities business, a ¥35,531 million cash outflow from an increase in operational investment securities and a ¥21,934 million cash outflow from an increase in trade and other accounts receivable, despite a ¥51,323 million cash inflow from an increase in customer deposits for banking business and a ¥30,149 million cash inflow from an increase in trade and other accounts payable.

(Investing Cash Flows)

Cash flows from investing activities amounted to ¥17,880 million in net cash outflows (¥5,598 million in net cash inflows for the three months ended June 30, 2017). The net cash outflows were primarily due to a ¥43,694 million cash outflow from purchases of investment securities, despite a ¥33,344 million cash inflow from proceeds from sales or redemption of investment securities.

(Financing Cash Flows)

Cash flows from financing activities amounted to ¥61,566 million in net cash outflows (¥97,156 million in net cash outflows for the three months ended June 30, 2017). The net cash outflows were primarily due to a ¥33,434 million cash outflow from an increase in short term loans payable, a ¥27,006 million cash outflow from redemption of bonds payable and a ¥15,180 million cash outflow from cash dividend paid, despite a ¥8,128 million cash inflow from proceeds from bond issuance.

2. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(1) Interim Condensed Consolidated Statement of Financial Position

	As at March 31, 2018 Millions of Yen	As at June 30, 2018 Millions of Yen
Assets		
Cash and cash equivalents	437,148	338,671
Trade and other accounts receivable	570,466	578,677
Assets related to securities business		
Cash segregated as deposits	1,510,079	1,550,010
Margin transaction assets	832,410	780,411
Other assets related to securities business	493,953	528,361
Total assets related to securities business	2,836,442	2,858,782
Other financial assets	35,958	34,416
Operational investment securities	191,014	228,128
Other investment securities	173,316	184,842
Investments accounted for using the equity method	68,365	70,095
Investment properties	2,192	2,168
Property and equipment	14,382	14,542
Intangible assets	181,708	184,224
Other assets	24,392	33,288
Deferred tax assets	581	577
Total assets	4,535,964	4,528,410
Liabilities		
Bonds and loans payable	571,277	523,428
Trade and other accounts payable	67,806	98,060
Liabilities related to securities business		
Margin transaction liabilities	121,703	124,959
Loans payable secured by securities	689,107	579,060
Deposits from customers	757,179	803,696
Guarantee deposits received	707,380	762,483
Other liabilities related to securities business	395,444	371,828
Total liabilities related to securities business	2,670,813	2,642,026
Customer deposits for banking business	536,955	581,226
Insurance contract liabilities	142,260	141,828
Income tax payable	11,271	5,460
Other financial liabilities	16,335	16,260
Other liabilities	12,779	12,986
Deferred tax liabilities	12,644	15,697
Total liabilities	4,042,140	4,036,971
Equity		
Capital stock	81,681	81,681
Capital surplus	125,445	125,650
Treasury stock	(4,647)	(2,920)
Other components of equity	20,605	20,321
Retained earnings	204,731	196,273
Equity attributable to owners of the Company	427,815	421,005
Non-controlling interests	66,009	70,434
Total equity	493,824	491,439
Total liabilities and equity	4,535,964	4,528,410

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

	Three months ended June 30, 2017	Three months ended June 30, 2018
	Millions of Yen	Millions of Yen
Revenue	68,917	91,334
Expense		
Financial cost associated with financial income	(4,058)	(4,781)
Operating cost	(25,927)	(30,744)
Selling, general and administrative expenses	(23,247)	(26,364)
Other financial cost	(852)	(656)
Other expenses	(685)	(842)
Total expense	(54,769)	(63,387)
Share of the profit of associates and joint ventures accounted for using the equity method	602	718
Profit before income tax expense	14,750	28,665
Income tax expense	(4,438)	(8,271)
Profit for the period	<u>10,312</u>	<u>20,394</u>
Profit for the period attributable to		
Owners of the Company	12,006	17,879
Non-controlling interests	(1,694)	2,515
Profit for the period	<u>10,312</u>	<u>20,394</u>
Earnings per share attributable to owners of the Company		
Basic (Yen)	58.96	80.89
Diluted (Yen)	53.78	70.75

Interim Condensed Consolidated Statement of Comprehensive Income

	Three months ended June 30, 2017 Millions of Yen	Three months ended June 30, 2018 Millions of Yen
Profit for the period	10,312	20,394
Items that will not be reclassified subsequently to profit or loss		
Fair value through other comprehensive income financial assets	(2)	173
Items that may be reclassified subsequently to profit or loss		
Fair value through other comprehensive income financial assets	—	29
Currency translation differences	(3,518)	(1,150)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(94)	602
Other comprehensive income, net of tax	(3,614)	(346)
Total comprehensive income	6,698	20,048
Total comprehensive income attributable to		
Owners of the Company	8,408	17,498
Non-controlling interests	(1,710)	2,550
Total comprehensive income	6,698	20,048

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(3) Condensed Interim Consolidated Statement of Changes in Equity

Three months ended June 30, 2017

	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, 2017	81,681	128,004	(23,801)	22,720	169,388	377,992	37,532	415,524
Profit for the period	—	—	—	—	12,006	12,006	(1,694)	10,312
Other comprehensive income	—	—	—	(3,598)	—	(3,598)	(16)	(3,614)
Total comprehensive income	—	—	—	(3,598)	12,006	8,408	(1,710)	6,698
Dividends paid	—	—	—	—	(8,144)	(8,144)	(1,635)	(9,779)
Treasury shares purchased	—	—	(4)	—	—	(4)	—	(4)
Treasury shares sold	—	7	76	—	—	83	—	83
Changes of interests in subsidiaries without losing control	—	338	—	—	—	338	(227)	111
As at June 30, 2017	81,681	128,349	(23,729)	19,122	173,250	378,673	33,960	412,633

Three months ended June 30, 2018

	Attributable to owners of the Company							
	Capital stock	Capital surplus	Treasury stock	Other components of equity	Retained earnings	Total	Non-controlling interests	Total equity
	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	—	—	—	—	17,879	17,879	2,515	20,394
Other comprehensive income	—	—	—	(381)	—	(381)	35	(346)
Total comprehensive income	—	—	—	(381)	17,879	17,498	2,550	20,048
Conversion of convertible bonds	—	3	7	—	—	10	—	10
Dividends paid	—	—	—	—	(15,455)	(15,455)	(581)	(16,036)
Treasury shares purchased	—	—	(12)	—	—	(12)	—	(12)
Treasury shares sold	—	22	1,732	—	—	1,754	—	1,754
Share-based payment transactions	—	169	—	—	—	169	81	250
Changes of interests in subsidiaries without losing control	—	11	—	—	—	11	2,498	2,509
Transfer	—	—	—	(743)	743	—	—	—
As at June 30, 2018	81,681	125,650	(2,920)	20,321	196,273	421,005	70,434	491,439

(4) Interim Condensed Consolidated Statement of Cash flows

	Three months ended June 30, 2017	Three months ended June 30, 2018
	Millions of Yen	Millions of Yen
Net cash used in operating activities		
Profit before income tax expense	14,750	28,665
Depreciation and amortization	2,720	2,263
Share of profits of associates and joint ventures accounted for using the equity method	(602)	(718)
Interest and dividend income	(24,483)	(29,660)
Interest expense	4,911	5,436
Increase in operational investment securities	(7,192)	(35,531)
Increase in trade and other accounts receivable	(16,251)	(21,934)
Increase in trade and other accounts payable	27,671	30,149
Increase in assets/liabilities related to securities business	(18,315)	(51,054)
Increase in customer deposits for banking business	3,190	51,323
Others	(2,099)	(10,958)
Subtotal	(15,700)	(32,019)
Interest and dividend income received	24,253	28,983
Interest expense paid	(4,377)	(4,568)
Income taxes paid	(9,719)	(11,138)
Net cash used in operating activities	(5,543)	(18,742)
Net cash generated from (used in) investing activities		
Purchases of intangible assets	(1,664)	(1,976)
Purchases of investment securities	(14,468)	(43,694)
Proceeds from sales or redemption of investment securities	18,611	33,344
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(82)	(3,050)
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	(54)	—
Payments of loans receivable	(990)	(1,997)
Collection of loans receivable	980	0
Net increase in payables under securities lending transactions	3,798	—
Others	(533)	(507)
Net cash generated from (used in) investing activities	5,598	(17,880)

	Three months ended June 30, 2017	Three months ended June 30, 2018
	Millions of Yen	Millions of Yen
Net cash used in financing activities		
Decrease in short term loans payable	(120,829)	(33,434)
Proceeds from long-term loans payable	3,163	7,092
Repayment of long-term loans payable	(509)	(2,667)
Proceeds from bond issuance	31,405	8,128
Redemption of bonds payable	(450)	(27,006)
Contributions from non-controlling interests in consolidated investment funds	122	2,580
Cash dividend paid	(7,941)	(15,180)
Cash dividend paid to non-controlling interests	(406)	(534)
Distributions to non-controlling interests in consolidated investment funds	(1,225)	(93)
Purchase of treasury stock	(4)	(12)
Proceeds from sale of interests in subsidiaries to non-controlling interests	155	191
Payments for purchase of interests in subsidiaries from non-controlling interests	(150)	(408)
Others	(487)	(223)
Net cash used in financing activities	(97,156)	(61,566)
Net decrease in cash and cash equivalents	(97,101)	(98,188)
Cash and cash equivalents at the beginning of the period	391,572	437,148
Effect of changes in exchange rate on cash and cash equivalents	(879)	(289)
Cash and cash equivalents at the end of the period	293,592	338,671

(5) Notes to Condensed Interim Consolidated Financial Statements

Changes in Accounting Policy

Except for the following standards that have been newly applied, the accounting policies adopted in the consolidated financial statements for the year ended March 31, 2018, are applied consistently in the preparation of these interim condensed 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, 2018.

Statement of standards		Summary of new standards and amendments
IFRS 9	Financial Instruments	Amendment with regard to hedge accounting, impairment accounting, and classification and measurement of financial instruments
IFRS 15	Revenue from Contracts with Customers	Amendment with regard to the accounting of revenue recognition

IFRS 9 Financial Instruments

The Group had applied IFRS 9 "Financial Instruments" (published in November 2009 and revised in October 2010 and December 2011) until the previous fiscal year. From the first quarter of the fiscal year under review, however, the Group has applied IFRS 9 "Financial Instruments" published in July 2014. The Group does not apply IFRS 9 (as revised in 2014) retroactively to its consolidated financial statements for the previous fiscal year as permitted under transitional provisions.

The details of changes and their effects are as follows.

Following the application of IFRS 9 (as revised in 2014), a new classification "debt instruments measured at fair value through other comprehensive income" was introduced.

(a) Classification of financial assets

Financial assets held by the Group are classified into the following designated categories when they are initially recognized on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

- Financial assets measured at amortized cost
- Debt instruments measured at fair value through other comprehensive income (hereinafter "debt instruments at FVTOCI")
- Equity instruments measured at fair value through other comprehensive income (hereinafter "equity instruments at FVTOCI")
- Financial assets measured at fair value through profit or loss (hereinafter "financial assets at FVTPL")

(b) Subsequent measurement of financial assets

(i) Financial assets measured at amortized cost

Financial assets are subsequently measured using the effective interest method at amortized cost less accumulated impairment loss if both of the following conditions are met: (i) the financial assets are held within the business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial assets give rise on

specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Debt instruments at FVTOCI

Changes in the difference between the fair value and the amortized cost of financial assets, excluding expected credit losses and exchange gains and losses, are recognized in other comprehensive income if both of the following conditions are met: (i) the financial assets are held within the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income, expected credit losses, and exchange gains and losses are recognized in profit or loss.

(iii) Equity Instruments at FVTOCI

At initial recognition, the Group designates as a financial asset at FVTOCI an investment in an equity instrument that is held for a purpose other than trading and is measured at fair value through other comprehensive income. This is an irrevocable election and changes in the fair value of such financial instruments are recognized in other comprehensive income. Dividends from the above-mentioned equity instruments are recognized in profit or loss unless. At derecognition of equity instruments measured at FVTOCI or when the significant decline in fair value below the initial cost is other than temporary, the recognized amount of changes in fair value accumulated in other comprehensive income is reclassified to retained earnings.

(iv) Financial Assets at FVTPL

Financial assets, other than those subsequently measured at amortized cost and those measured at fair value through other comprehensive income, are subsequently measured at fair value, and all changes in fair value are recognized in profit or loss.

- Following the application of IFRS 9 (as revised in 2014), the Group has applied the following impairment provision on financial assets.

(c) Impairment of Financial Assets

The Group estimates expected credit losses for financial assets at FVTPL and financial assets other than equity instruments at the end of the reporting period and recognizes the amount of such expected credit losses as loss allowance. If the Group determines that the credit risk of financial instruments has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime expected credit losses; in the event that the Group determines that the credit risk of financial instruments has not increased significantly since initial recognition, loss allowance is measured at an amount equal to the 12-month expected credit losses.

The assessment of whether there has been a significant increase in credit risk is based on changes in the probability of a default occurring.

Meanwhile, as for operating receivables, etc. that do not contain a significant financing component, lifetime expected credit losses are measured on the basis of historical credit losses, etc. using a simplified approach, regardless of whether there has been an increase or decrease in credit risk.

Amounts of expected credit losses or reversals are recognized in profit or loss as impairment loss or reversals of impairment loss.

As a result of the above changes, operating receivables and other operating receivables and retained earnings decreased by 11,679 million yen and 11,625 million yen, respectively, while other investment securities and other capital component increased by 1,167 million yen and 840 million

yen, respectively, in the interim condensed consolidated statement of financial position at the beginning of the period, compared with those under the previous accounting standards.

The impact of the changes on the interim condensed consolidated statement of income for the first quarter is the losses of 885 million yen.

IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 “Revenue from Contracts with Customers” from the first quarter of the fiscal year under review. For application of IFRS 15, the Group, as permitted under transitional provisions in this standard, recognizes the cumulative effect of applying this standard at the date of initial application.

Following the application of IFRS 15, the Group recognizes revenue by applying the following 5-step approach.

Step 1: Identify the contract(s) with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

There is no significant impact from applying the said standard on the interim condensed consolidated financial statements.

Revenue

	Three months ended June 30, 2017
	Millions of yen
Financial income	
Interest income (Note)	23,311
Dividends received	1,089
Income arising from financial assets at FVTPL	3,662
Gain from trading	3,962
Others	4
Total financial income	32,028
Revenue arising on insurance contracts	16,277
Revenue from rendering of services	19,064
Others	1,548
Total revenue	68,917

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

	Three months ended June 30, 2018
	Millions of yen
Financial income (Note 1)	
Interest income	
Income arising from financial assets measured at amortized cost (Note 2)	28,102
Income arising from debt instruments measured at FVTOCI (Note 3)	33
Income arising from financial assets measured at FVTPL	18,876
Others	21
Total financial income	47,032
Revenue arising on insurance contracts	19,686
Revenue from contracts with customers (Note1)	
Revenue from rendering of services	20,630
Revenue from sales of goods	929
Others	3,057
Total revenue	91,334

(Note 1) The Company changed revenue category due to the application of IFRS 9 and IFRS15.

(Note 2) Interest income arising from loan in the securities and banking services business.

(Note 3) Interest income arising from Policy reserve matching bonds in the insurance business.

Events after the Reporting Period

There were no significant subsequent events noted.