

SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020

Japan, October 28, 2020

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, 2020.

(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, 2020	228,165	18.7	54,512	13.5	38,164	8.8	33,104	18.7
Six months ended September 30, 2019	192,147	8.7	48,049	(11.3)	35,077	(12.4)	27,890	(17.0)

	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, 2020	40,381	156.6	141.43	125.52
Six months ended September 30, 2019	15,739	(66.2)	121.90	109.32

(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, 2020	6,265,888	638,703	490,159	7.8
March 31, 2020	5,513,227	593,699	451,476	8.2

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, 2020	—	20.00	—	80.00	100.00
Fiscal year ending March 31, 2021	—	20.00			
Fiscal Year ending March 31, 2021 (forecast) (Note)			—	—	—

(Note) Fiscal year ending March 31, 2021 forecast is to be determined.

3. Total number of shares outstanding (Common stock)

(1) Number of shares outstanding (including treasury stock)	:	September 30, 2020	:	243,072,790shares
		March 31, 2020	:	236,556,393shares
(2) Number of treasury stock	:	September 30, 2020	:	5,756shares
		March 31, 2020	:	5,730,038shares
(3) Average number of shares outstanding	:	Six months ended September 30, 2020	:	234,056,774shares
		Six months ended September 30, 2019	:	228,785,219shares

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, 2020 were as follow. Revenue increased 18.7% year-on-year to ¥228,165 million, profit before income tax expense increased 13.5% to ¥54,512 million and profit attributable to owners of the Company increased 18.7% to ¥33,104 million.

The results of operations for each reporting segment of the Group for the six months ended September 30, 2020 were as follow.

SBI Leasing Services Co., Ltd., which was included in the Financial Services Business until the previous reporting period, and SBI Crypto Investment Co., Ltd., which was included in the Others until the previous reporting period, are now included in the Asset Management Business beginning with this fiscal year. SBI CapitalBase Co., Ltd., which was included in the Others until the previous reporting period and changed its company name to SBI Equity Crowd Co., Ltd. on July 1, 2020, is now included in the Financial Services Business beginning with this fiscal year. Consequently, segment information for the six months ended September 30, 2019, is restated in accordance with the new basis of segmentation.

	Revenue			Profit before income tax expense		
	Six months ended September 30, 2019	Six months ended September 30, 2020		Six months ended September 30, 2019	Six months ended September 30, 2020	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	112,673	144,082	27.9	26,191	40,319	53.9
Asset Management Business	75,879	82,097	8.2	33,881	24,786	(26.8)
Biotechnology-related Business	2,083	1,945	(6.6)	(6,175)	(3,186)	—
Total	190,635	228,124	19.7	53,897	61,919	14.9
Others	3,569	3,344	(6.3)	(51)	(2,200)	—
Elimination or Corporate	(2,057)	(3,303)	—	(5,797)	(5,207)	—
Consolidated Total	192,147	228,165	18.7	48,049	54,512	13.5

(% 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, 2020 were as follows. Revenue increased 27.9% year-on-year to ¥144,082 million, and profit before income tax expense increased 53.9% to ¥40,319 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, 2020 were as follows. Revenue increased 8.2% year-on-year to ¥82,097 million, and profit before income tax expense decreased 26.8% year-on-year to ¥24,786 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, 2020 were as follows. Revenue decreased 6.6% year-on-year to ¥1,945 million, and loss before income tax expense amounted to ¥3,186 million for the six months ended September 30, 2020 (¥6,175 million of loss before income tax expense for the six months ended September 30, 2019).

- * 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, 2020, total assets amounted to ¥6,265,888 million and increased by ¥752,661 million from total assets of ¥5,513,227 million as at March 31, 2020. The Group's equity increased by ¥45,004 million to ¥638,703 million from the fiscal year ended March 31, 2020. As at September 30, 2020, the Group's cash and cash equivalents amounted to ¥696,509 million and decreased by ¥147,246 million from that of ¥843,755 million as at March 31, 2020. 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 ¥100,932 million in net cash outflows (¥115,678 million in net cash inflows for the six months ended September 30, 2019). The net cash outflows were primarily due to a ¥160,710 million cash outflow from an increase in assets/liabilities related to securities business and a ¥116,775 million cash outflow from an increase in accounts receivables and other receivables, despite a ¥120,650 million cash inflow from an increase in customer deposits in the banking business and a ¥48,745 million cash inflow from an increase in operational liabilities and other liabilities.

(Investing Cash Flows)

Cash flows from investing activities amounted to ¥28,501 million in net cash outflows (¥11,165 million in net cash outflows for the six months ended September 30, 2019). The net cash outflows were primarily due to a ¥27,903 million cash outflow from payments of loans receivable and a ¥20,820 million cash outflow from purchases of investment securities, despite a ¥25,914 million cash inflow from collection of loans receivable.

(Financing Cash Flows)

Cash flows from financing activities amounted to ¥16,728 million in net cash outflows (¥81,037 million in net cash inflows for the six months ended September 30, 2019). The net cash outflows were primarily due to a ¥127,003 million cash outflow from decrease in short term loans payable and a ¥46,001 million cash outflow from redemption of bonds payable, despite a ¥144,011 million cash inflow from proceeds from issuance of bonds payable.

2. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(1) Interim Condensed Consolidated Statement of Financial Position

	As at March 31, 2020	As at September 30, 2020
	Millions of Yen	Millions of Yen
Assets		
Cash and cash equivalents	843,755	696,509
Trade and other accounts receivable	822,131	954,182
Assets related to securities business		
Cash segregated as deposits	1,726,040	2,003,501
Margin transaction assets	495,997	729,017
Other assets related to securities business	576,501	796,520
Total assets related to securities business	2,798,538	3,529,038
Other financial assets	40,994	49,835
Operational investment securities	394,923	428,867
Other investment securities	180,444	197,092
Investments accounted for using the equity method	63,657	69,795
Property and equipment	51,857	74,427
Intangible assets	190,278	201,342
Other assets	116,765	54,899
Deferred tax assets	9,885	9,902
Total assets	5,513,227	6,265,888
Liabilities		
Bonds and loans payable	1,149,050	1,147,216
Trade and other accounts payable	76,977	124,882
Liabilities related to securities business		
Margin transaction liabilities	150,699	229,393
Loans payable secured by securities	351,701	631,000
Deposits from customers	959,773	1,090,998
Guarantee deposits received	819,838	876,726
Other liabilities related to securities business	392,347	416,048
Total liabilities related to securities business	2,674,358	3,244,165
Customer deposits for banking business	734,221	868,850
Insurance contract liabilities	141,898	146,038
Income tax payable	11,373	11,418
Other financial liabilities	23,083	24,005
Other liabilities	88,925	35,041
Deferred tax liabilities	19,643	25,570
Total liabilities	4,919,528	5,627,185
Equity		
Capital stock	92,018	97,349
Capital surplus	139,993	142,689
Treasury stock	(13,874)	(14)
Other components of equity	(6,385)	(4,227)
Retained earnings	239,724	254,362
Equity attributable to owners of the Company	451,476	490,159
Non-controlling interests	142,223	148,544
Total equity	593,699	638,703
Total liabilities and equity	5,513,227	6,265,888

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

	Six months ended September 30, 2019 Millions of Yen	Six months ended September 30, 2020 Millions of Yen
Revenue (Interest income of ¥56,944 million and ¥66,438 million included for the six months ended September 30, 2019 and 2020, respectively)	192,147	228,165
Expense		
Financial cost associated with financial income	(12,129)	(12,980)
Provision for credit losses	(17,232)	(18,725)
Operating cost	(50,203)	(62,755)
Selling, general and administrative expenses	(60,991)	(74,251)
Other financial cost	(2,554)	(2,857)
Other expenses	(5,008)	(6,479)
Total expense	(148,117)	(178,047)
Share of the profit of associates and joint ventures accounted for using the equity method	4,019	4,394
Profit before income tax expense	48,049	54,512
Income tax expense	(12,972)	(16,348)
Profit for the period	35,077	38,164
Profit for the period attributable to		
Owners of the Company	27,890	33,104
Non-controlling interests	7,187	5,060
Profit for the period	35,077	38,164
Earnings per share attributable to owners of the Company		
Basic (Yen)	121.90	141.43
Diluted (Yen)	109.32	125.52

Interim Condensed Consolidated Statement of Comprehensive Income

	Six months ended September 30, 2019	Six months ended September 30, 2020
	Millions of Yen	Millions of Yen
Profit for the period	35,077	38,164
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Equity instruments measured at FVTOCI	(608)	(3)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(170)	89
	(778)	86
Items that may be reclassified subsequently to profit or loss		
Debt instruments measured at FVTOCI	1,009	434
Currency translation differences	(16,599)	1,540
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(2,970)	157
	(18,560)	2,131
Other comprehensive income, net of tax	(19,338)	2,217
Total comprehensive income	15,739	40,381
Total comprehensive income attributable to		
Owners of the Company	8,401	35,262
Non-controlling interests	7,338	5,119
Total comprehensive income	15,739	40,381

(3) Condensed Interim Consolidated Statement of Changes in Equity

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

Six months ended September 30, 2020

	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, 2020	92,018	139,993	(13,874)	(6,385)	239,724	451,476	142,223	593,699
Profit for the period	—	—	—	—	33,104	33,104	5,060	38,164
Other comprehensive income	—	—	—	2,158	—	2,158	59	2,217
Total comprehensive income	—	—	—	2,158	33,104	35,262	5,119	40,381
Issuance of new shares	1,289	1,186	—	—	—	2,475	—	2,475
Issuance of convertible bonds	—	2,756	—	—	—	2,756	—	2,756
Conversion of convertible bonds	4,042	(484)	12,804	—	—	16,362	—	16,362
Change in scope of consolidation	—	—	—	—	—	—	888	888
Dividends paid	—	—	—	—	(18,466)	(18,466)	(6,110)	(24,576)
Treasury shares purchased	—	—	(11)	—	—	(11)	—	(11)
Treasury shares sold	—	(378)	1,067	—	—	689	—	689
Share-based payment transaction	—	352	—	—	—	352	90	442
Changes of interests in subsidiaries without losing control	—	(736)	—	—	—	(736)	6,334	5,598
As at September 30, 2020	<u>97,349</u>	<u>142,689</u>	<u>(14)</u>	<u>(4,227)</u>	<u>254,362</u>	<u>490,159</u>	<u>148,544</u>	<u>638,703</u>

(4) Interim Condensed Consolidated Statement of Cash flows

	Six months ended September 30, 2019	Six months ended September 30, 2020
	Millions of Yen	Millions of Yen
Cash flows from operating activities		
Profit before income tax expense	48,049	54,512
Depreciation and amortization	7,169	12,043
Share of profits of associates and joint ventures accounted for using the equity method	(4,019)	(4,394)
Interest and dividend income	(59,408)	(69,120)
Interest expense	14,683	15,830
Increase in operational investment securities	(88,409)	(35,402)
Increase in accounts receivables and other receivables	(44,980)	(116,775)
Increase in operational liabilities and other liabilities	14,598	48,745
Decrease (increase) in assets/liabilities related to securities business	119,949	(160,710)
Increase in customer deposits in the banking business	63,435	120,650
Others	7,313	(6,756)
Subtotal	78,380	(141,377)
Interest and dividend income received	58,966	66,501
Interest paid	(13,532)	(14,506)
Income taxes paid	(8,136)	(11,550)
Net cash generated from (used in) operating activities	115,678	(100,932)
Cash flows from investing activities		
Purchases of intangible assets	(8,669)	(6,955)
Purchases of investment securities	(15,748)	(20,820)
Proceeds from sales or redemption of investment securities	20,907	14,196
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(5,187)	(6,474)
Payments of loans receivable	(17,627)	(27,903)
Collection of loans receivable	15,456	25,914
Others	(297)	(6,459)
Net cash used in investing activities	(11,165)	(28,501)

	Six months ended September 30, 2019	Six months ended September 30, 2020
	Millions of Yen	Millions of Yen
Cash flows from financing activities		
Decrease in short term loans payable	(9,820)	(127,003)
Proceeds from long-term loans payable	15,472	42,420
Repayment of long-term loans payable	(5,790)	(13,344)
Proceeds from issuance of bonds payable	97,655	144,011
Redemption of bonds payable	(25,145)	(46,001)
Proceeds from issuance of shares	-	2,475
Proceeds from stock issuance to non-controlling interests	270	33
Contributions from non-controlling interests in consolidated investment funds	34,611	6,886
Cash dividends paid	(18,237)	(18,442)
Cash dividends paid to non-controlling interests	(415)	(450)
Distributions to non-controlling interests in consolidated investment funds	(7,080)	(5,663)
Purchase of treasury stock	(7)	(11)
Proceeds from sale of interests in subsidiaries to non-controlling interests	212	429
Payments for purchase of interests in subsidiaries from non-controlling interests	(28)	(111)
Others	(661)	(1,957)
Net cash generated from (used in) financing activities	81,037	(16,728)
Net increase (decrease) in cash and cash equivalents	185,550	(146,161)
Cash and cash equivalents at the beginning of the period	713,974	843,755
Effect of changes in exchange rate on cash and cash equivalents	(7,123)	(1,085)
Cash and cash equivalents at the end of the period	892,401	696,509

(5) Notes to Condensed Interim Consolidated Financial Statements

Assumptions for Going Concern

None

Revenue

	Six months ended September 30, 2019 Millions of yen	Six months ended September 30, 2020 Millions of yen
Financial income		
Interest income		
Income arising from financial assets measured at amortized cost (Note 1)	56,547	66,069
Income arising from debt instruments measured at FVTOCI (Note 2)	397	369
Income arising from financial assets measured at FVTPL	39,935	49,804
Others	156	300
Total financial income	97,035	116,542
Revenue arising on insurance contracts	39,106	46,065
Revenue from contracts with customers		
Revenue from rendering of services	39,164	47,320
Revenue from sales of goods	1,583	2,851
Others	15,259	15,387
Total revenue	192,147	228,165

(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.