

SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED DECEMBER 31, 2021

Japan, February 28, 2022

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, 2021.

(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, 2021	527,440	45.6	373,449	298.4	345,884	399.6	369,845	508.2
Nine months ended December 31, 2020	362,218	27.0	93,738	44.8	69,225	52.2	60,810	62.3

	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, 2021	350,993	333.0	1,511.18	1,296.47
Nine months ended December 31, 2020	81,054	120.6	256.48	225.15

(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, 2021	17,559,212	1,571,388	904,611	5.2
March 31, 2021	7,208,572	717,095	562,116	7.8

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, 2021	-	20.00	-	100.00	120.00
Fiscal year ending March 31, 2022	-	30.00	-		
Fiscal Year ending March 31, 2022 (forecast) (Note)				-	-

(Note) Fiscal year ending March 31, 2022 forecast is to be determined.

3. Total number of shares outstanding (Common stock)

(1) Number of shares outstanding (including treasury stock)	:	December 31, 2021	:	244,966,290shares
		March 31, 2021	:	244,639,390shares
(2) Number of treasury stock	:	December 31, 2021	:	21,474shares
		March 31, 2021	:	15,084shares
(3) Average number of shares outstanding	:	Nine months ended December 31, 2021	:	244,739,161shares
		Nine months ended December 31, 2020	:	237,091,400shares

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, 2021 were as follows. Revenue increased 45.6% year-on-year to ¥527,440 million, profit before income tax expense increased 298.4% to ¥373,449 million and profit attributable to owners of the Company increased 508.2% to ¥369,845 million.

The results of operations for each reporting segment of the Group for the nine months ended December 31, 2021 were as follows.

SBI Estate Finance Co.,Ltd. and SBI Guarantee Co.,Ltd., which were included in the Asset Management Business until the previous reporting period, are now included in the Financial Services Business beginning with the six months ended September 30, 2021. Consequently, segment information for the nine months ended December 31, 2020, is restated in accordance with the new basis of segmentation.

Also, Shinsei Bank, Limited is included in the Financial Services Business beginning with the nine months ended December 31, 2021.

	Revenue			Profit before income tax expense		
	Nine months ended December 31, 2020	Nine months ended December 31, 2021		Nine months ended December 31, 2020	Nine months ended December 31, 2021	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	225,127	255,637	13.6	62,379	266,845	327.8
Asset Management Business	128,802	243,097	88.7	43,261	127,322	194.3
Biotechnology, Healthcare & Medical Informatics Business	4,091	6,708	64.0	(4,795)	(3,819)	-
Total	358,020	505,442	41.2	100,845	390,348	287.1
Others	9,853	24,677	150.5	899	(7,660)	-
Elimination or Corporate	(5,655)	(2,679)	-	(8,006)	(9,239)	-
Consolidated Total	362,218	527,440	45.6	93,738	373,449	298.4

(% 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, 2021 were as follows. Revenue increased 13.6% year-on-year to ¥255,637 million, and profit before income tax expense increased 327.8% to ¥266,845 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 nine months ended December 31, 2021 were as follows. Revenue increased 88.7% year-on-year to ¥243,097 million, and profit before income tax expense increased 194.3% year-on-year to ¥127,322 million.

(Biotechnology, Healthcare & Medical Informatics Business)

The Biotechnology, Healthcare & Medical Informatics 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, 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 and the use of medical big data, and medical finance.

The results of operations of the Biotechnology, Healthcare & Medical Informatics Business for the nine months ended December 31, 2021 were as follows. Revenue increased 64.0% year-on-year to ¥6,708 million, and loss before income tax expense amounted to ¥3,819 million for the nine months ended December 31, 2021 (¥4,795 million of loss before income tax expense for the nine months ended December 31, 2020).

* 5-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 December 31, 2021, total assets amounted to ¥17,559,212 million and increased by ¥10,350,640 million from total assets of ¥7,208,572 million as at March 31, 2021. The Group's equity increased by ¥854,293 million to ¥1,571,388 million from the fiscal year ended March 31, 2021. As at December 31, 2021, the Group's cash and cash equivalents amounted to ¥2,515,786 million and increased by ¥1,713,084 million from that of ¥802,702 million as at March 31, 2021. 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 ¥18,743 million in net cash outflows (¥132,546 million in net cash outflows for the nine months ended December 31, 2020). The net cash outflows were primarily due to a ¥270,212 million cash outflow from a gain on bargain purchase and a ¥227,270 million cash outflow from an increase in trade and other accounts receivables, despite a ¥373,449 million cash inflow from a profit before income tax expense and a ¥157,042 million cash inflow from an increase in trade and other accounts payable.

(Investing Cash Flows)

Cash flows from investing activities amounted to ¥1,674,850 million in net cash inflows (¥81,843 million in net cash outflows for the nine months ended December 31, 2020). The net cash inflows were primarily due to a ¥1,733,799 million cash inflow from an acquisition of subsidiaries, net of cash and cash equivalents acquired, despite a ¥64,315 million cash outflow from purchases of investment securities.

(Financing Cash Flows)

Cash flows from financing activities amounted to ¥58,122 million in net cash inflows (¥2,487 million in net cash outflows for the nine months ended December 31, 2020). The net cash inflows were primarily due to a ¥322,563 million cash inflow from proceeds from issuance of bonds payable, despite a ¥236,612 million cash outflow from an decrease in short term loans payable.

2. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(1) Interim Condensed Consolidated Statement of Financial Position

	As at March 31, 2021	As at December 31, 2021
	Millions of Yen	Millions of Yen
Assets		
Cash and cash equivalents	802,702	2,515,786
Trade and other accounts receivable	1,183,896	8,083,344
Assets related to securities business		
Cash segregated as deposits	2,292,743	2,221,534
Margin transaction assets	972,573	1,054,911
Other assets related to securities business	631,305	542,395
Total assets related to securities business	3,896,621	3,818,840
Other financial assets	58,715	423,314
Operational investment securities	528,154	550,677
Other investment securities	209,545	1,304,660
Investments accounted for using the equity method	103,807	128,493
Property and equipment	64,290	143,360
Intangible assets	225,607	287,230
Other assets	123,071	280,807
Deferred tax assets	12,164	22,701
Total assets	7,208,572	17,559,212
Liabilities		
Bonds and loans payable	1,394,137	3,265,977
Trade and other accounts payable	189,729	648,493
Liabilities related to securities business		
Margin transaction liabilities	269,152	230,033
Loans payable secured by securities	602,921	523,012
Deposits from customers	1,277,808	1,303,202
Guarantee deposits received	961,651	982,611
Other liabilities related to securities business	410,270	286,617
Total liabilities related to securities business	3,521,802	3,325,475
Customer deposits for banking business	1,042,132	7,567,491
Insurance contract liabilities	150,123	153,915
Income tax payable	20,125	16,110
Other financial liabilities	30,333	720,189
Other liabilities	107,301	250,290
Deferred tax liabilities	35,795	39,884
Total liabilities	6,491,477	15,987,824
Equity		
Capital stock	98,711	99,003
Capital surplus	147,753	147,074
Treasury stock	(40)	(60)
Other components of equity	18,197	23,906
Retained earnings	297,495	634,688
Equity attributable to owners of the Company	562,116	904,611
Non-controlling interests	154,979	666,777
Total equity	717,095	1,571,388
Total liabilities and equity	7,208,572	17,559,212

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

	Nine months ended December 31, 2020 Millions of Yen	Nine months ended December 31, 2021 Millions of Yen
Revenue (Interest income of ¥104,272 million and ¥128,282 million included for the nine months ended December 31, 2020 and 2021, respectively)	362,218	527,440
Expense		
Financial cost associated with financial income	(19,823)	(21,779)
Provision for credit losses	(28,057)	(102,262)
Operating cost	(96,546)	(150,701)
Selling, general and administrative expenses	(116,697)	(140,547)
Other financial cost	(4,238)	(5,189)
Other expenses	(9,386)	(11,287)
Total expense	<u>(274,747)</u>	<u>(431,765)</u>
Gain on bargain purchase	-	270,212
Share of the profit of associates and joint ventures accounted for using the equity method	6,267	7,562
Profit before income tax expense	<u>93,738</u>	<u>373,449</u>
Income tax expense	<u>(24,513)</u>	<u>(27,565)</u>
Profit for the period	<u><u>69,225</u></u>	<u><u>345,884</u></u>
Profit for the period attributable to		
Owners of the Company	60,810	369,845
Non-controlling interests	8,415	(23,961)
Profit for the period	<u><u>69,225</u></u>	<u><u>345,884</u></u>
Earnings per share attributable to owners of the Company		
Basic (Yen)	256.48	1,511.18
Diluted (Yen)	225.15	1,296.47

Interim Condensed Consolidated Statement of Comprehensive Income

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
	Millions of Yen	Millions of Yen
Profit for the period	69,225	345,884
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Equity instruments measured at FVTOCI	(40)	(153)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	132	133
	92	(20)
Items that may be reclassified subsequently to profit or loss		
Debt instruments measured at FVTOCI	375	(119)
Currency translation differences	10,895	4,911
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	467	337
	11,737	5,129
Other comprehensive income, net of tax	11,829	5,109
Total comprehensive income	81,054	350,993
Total comprehensive income attributable to		
Owners of the Company	72,617	374,711
Non-controlling interests	8,437	(23,718)
Total comprehensive income	81,054	350,993

(3) Condensed Interim Consolidated Statement of Changes in Equity

Nine months ended December 31, 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	-	-	-	-	60,810	60,810	8,415	69,225
Other comprehensive income	-	-	-	11,807	-	11,807	22	11,829
Total comprehensive income	-	-	-	11,807	60,810	72,617	8,437	81,054
Issuance of new shares	1,620	1,419	-	-	-	3,039	-	3,039
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	-	-	-	-	-	-	5,548	5,548
Dividends paid	-	-	-	-	(23,327)	(23,327)	(6,436)	(29,763)
Treasury shares purchased	-	-	(25)	-	-	(25)	-	(25)
Treasury shares sold	-	(378)	1,067	-	-	689	-	689
Share-based payment transaction	-	593	-	-	-	593	(13)	580
Changes of interests in subsidiaries without losing control	-	2,346	-	-	-	2,346	16,777	19,123
As at December 31, 2020	97,680	146,245	(28)	5,422	277,207	526,526	166,536	693,062

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	-	-	-	-	369,845	369,845	(23,961)	345,884
Other comprehensive income	-	-	-	4,866	-	4,866	243	5,109
Total comprehensive income	-	-	-	4,866	369,845	374,711	(23,718)	350,993
Issuance of new shares	292	219	-	-	-	511	-	511
Change in scope of consolidation	-	-	-	-	-	-	507,164	507,164
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	-	-	-	843	(843)	-	-	-
As at December 31, 2021	99,003	147,074	(60)	23,906	634,688	904,611	666,777	1,571,388

(4) Interim Condensed Consolidated Statement of Cash flows

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
	Millions of Yen	Millions of Yen
Cash flows from operating activities		
Profit before income tax expense	93,738	373,449
Depreciation and amortization	17,908	18,522
Gain on bargain purchase	-	(270,212)
Share of profits of associates and joint ventures accounted for using the equity method	(6,267)	(7,562)
Interest and dividend income	(108,968)	(137,440)
Interest expense	24,049	26,941
Increase in operational investment securities	(59,825)	(103,421)
Increase in trade and other accounts receivables	(176,659)	(227,270)
Increase in trade and other accounts payable	102,819	157,042
Increase in assets/liabilities related to securities business	(225,789)	(118,031)
Increase in customer deposits in the banking business	163,218	120,793
Others	(20,180)	73,949
Subtotal	(195,956)	(93,240)
Interest and dividend income received	105,970	133,838
Interest paid	(22,580)	(25,783)
Income taxes paid	(19,980)	(33,558)
Net cash used in operating activities	(132,546)	(18,743)
Cash flows from investing activities		
Purchases of intangible assets	(10,411)	(15,781)
Purchases of investment securities	(63,931)	(64,315)
Proceeds from sales or redemption of investment securities	30,116	48,920
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(8,029)	1,733,799
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	-	1,605
Payments of loans receivable	(56,495)	(60,224)
Collection of loans receivable	35,534	54,401
Others	(8,627)	(23,555)
Net cash (used in) generated from investing activities	(81,843)	1,674,850

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
	Millions of Yen	Millions of Yen
Cash flows from financing activities		
Decrease in short term loans payable	(183,616)	(236,612)
Proceeds from long-term loans payable	46,454	113,668
Repayment of long-term loans payable	(18,726)	(51,169)
Proceeds from issuance of bonds payable	213,364	322,563
Redemption of bonds payable	(56,295)	(73,118)
Proceeds from issuance of shares	3,039	511
Proceeds from stock issuance to non-controlling interests	5,368	4,070
Contributions from non-controlling interests in consolidated investment funds	14,936	24,362
Cash dividends paid	(23,263)	(31,728)
Cash dividends paid to non-controlling interests	(766)	(1,348)
Distributions to non-controlling interests in consolidated investment funds	(5,663)	(5,067)
Purchase of treasury stock	(25)	(20)
Proceeds from sale of interests in subsidiaries to non-controlling interests	6,419	3,107
Payments for purchase of interests in subsidiaries from non-controlling interests	(111)	(3,312)
Others	(3,602)	(7,785)
Net cash (used in) generated from financing activities	<u>(2,487)</u>	<u>58,122</u>
Net (decrease) increase in cash and cash equivalents	(216,876)	1,714,229
Cash and cash equivalents at the beginning of the period	843,755	802,702
Effect of changes in exchange rate on cash and cash equivalents	625	(1,145)
Cash and cash equivalents at the end of the period	<u><u>627,504</u></u>	<u><u>2,515,786</u></u>

(5) Notes to Condensed Interim Consolidated Financial Statements

Assumptions for Going Concern

None

Revenue

	Nine months ended December 31, 2020 Millions of yen	Nine months ended December 31, 2021 Millions of yen
Financial income		
Interest income		
Income arising from financial assets measured at amortized cost (Note 1)	103,725	127,617
Income arising from debt instruments measured at FVTOCI (Note 2)	547	665
Income arising from financial assets measured at FVTPL	77,869	154,237
Others	566	528
Total financial income	182,707	283,047
Revenue arising on insurance contracts	69,655	82,014
Revenue from contracts with customers		
Revenue from rendering of services	75,578	86,981
Revenue from sales of goods	5,106	33,827
Others	29,172	41,571
Total revenue	362,218	527,440

(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.

Other Information

The Group conducted a Tender Offer for the Shares of Shinsei Bank, Limited (the "Target Company") to establish and reinforce a business alliance relationship between the Group and the Target Company. Based on the results of the Tender Offer, the Target Company became a consolidated subsidiary of the Company as of December 17, 2021 (the commencement date of settlement for the Tender Offer).

As a result of the above business combination, total assets increased by ¥10,350,640 million in the Interim Condensed Consolidated Statement of Financial Position, and a gain on bargain purchase of ¥270,212 million was recognized in the Interim Condensed Consolidated Statement of Income. The quarterly loss recognized in the Interim Condensed Consolidated Statement of Income from the acquisition date to the end of the third quarter of Shinsei Bank, Limited was ¥68,203 million. This was mainly due to the recognition of expected credit losses on loans.

With respect to the above business combination, the initial accounting for the acquired identifiable assets, liabilities assumed, non-controlling interests and gain on bargain purchase has not been completed, and the measurement has been made on a provisional basis based on currently available information, since the acquisition date is near the end of the reporting period, and it takes time to organize and analyze information mainly on loans, unlisted stocks, and customer deposits for banking business.