

SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2017

Japan, October 26, 2017

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, 2017.

(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, 2017	141,679	16.8	27,737	60.5	19,108	89.0	20,385	43.6
Six months ended September 30, 2016	121,284	5.3	17,286	(13.2)	10,109	(23.5)	14,194	7.8

	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, 2017	18,051	—	99.98	90.91
Six months ended September 30, 2016	(4,620)	—	68.92	63.56

(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, 2017	4,092,779	450,112	401,825	9.8
March 31, 2017	3,850,001	415,524	377,992	9.8

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, 2017	—	10.00	—	40.00	50.00
Fiscal Year ending March 31, 2018	—	15.00			
Fiscal Year ending March 31, 2018 (forecast) (Note)			—	—	—

(Note) Fiscal year ending March 31, 2018 forecast is to be determined.

3. Total number of shares outstanding (Common stock)

(1) Number of shares outstanding (including treasury stock)	: September 30, 2017	: 224,561,761shares
	: March 31, 2017	: 224,561,761shares
(2) Number of treasury stock	: September 30, 2017	: 7,479,040shares
	: March 31, 2017	: 20,954,080shares
(3) Average number of shares outstanding	: Six months ended September 30, 2017	: 203,892,946shares
	: Six months ended September 30, 2016	: 205,934,044shares

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, 2017 were as follow. Revenue increased 16.8% year-on-year to ¥141,679 million, profit before income tax expense increased 60.5% to ¥27,737 million, and profit attributable to owners of the Company increased 43.6% to ¥20,385 million.

The results of operations for each reporting segment of the Group for the six months ended September 30, 2017 were as follow.

BroadBand Security, Inc, which were included in the Asset Management Business until the previous reporting period, are now included in the Financial Services Business beginning with this fiscal year. Consequently, segment information for the six months ended September 30, 2017, is restated in accordance with the new basis of segmentation.

	Revenue			Profit before income tax expense		
	Six months ended September 30, 2016	Six months ended September 30, 2017		Six months ended September 30, 2016	Six months ended September 30, 2017	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	84,945	102,742	21.0	25,264	29,642	17.3
Asset Management Business	34,945	38,188	9.3	2,912	11,579	297.6
Biotechnology-related Business	2,027	1,860	(8.2)	(5,178)	(8,604)	—
Total	121,917	142,790	17.1	22,998	32,617	41.8
Others	353	284	(19.8)	(542)	(328)	—
Elimination	(986)	(1,395)	—	(5,170)	(4,552)	—
Consolidation	121,284	141,679	16.8	17,286	27,737	60.5

(% 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, 2017 were as follows. Revenue increased 21.0% year-on-year to ¥102,742 million, and profit before income tax expense increased 17.3% to ¥29,642 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 six months ended September 30, 2017 were as follows. Revenue increased 9.3% year-on-year to ¥38,188 million, and profit before income tax expense increased 297.6% year-on-year to ¥11,579 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, 2017 were as follows. Revenue decreased 8.2% year-on-year to ¥1,860 million, and loss before income tax expense amounted to ¥8,604 million for the six months ended September 30, 2017 (¥5,178 million of loss before income tax expense for the six months ended September 30, 2016).

- * 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 September 30, 2017, total assets amounted to ¥4,092,779 million and increased by ¥242,778 million from total assets of ¥3,850,001 million as at March 31, 2017. The Group's equity increased by ¥34,588 million to ¥450,112 million from the fiscal year ended March 31, 2017. As at September 30, 2017, the Group's cash and cash equivalents amounted to ¥370,754 million and decreased by ¥20,818 million from that of ¥391,572 million as at March 31, 2017. 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 ¥30,681 million in net cash inflows (¥44,476 million in net cash inflows for the six months ended September 30, 2016). The net cash inflows were primarily due to a ¥52,767 million cash inflow from an decrease in trade and other accounts payable, a ¥27,737 million cash inflow from a profit before income tax expense and a ¥21,396 million cash inflow from an increase in customer deposits for banking business, despite a ¥32,652 million cash outflow from an increase in trade and other accounts receivable, a ¥15,345 million cash outflow from an increase in operational investment securities, and a ¥15,142 million cash outflow from an increase in assets/liabilities related to securities business.

(Investing Cash Flows)

Cash flows from investing activities amounted to ¥5,242 million in net cash inflows (¥3,697 million in net cash inflows for the six months ended September 30, 2016). The net cash inflows were primarily due to a ¥30,331 million cash inflow from proceeds from sales or redemption of investment securities, despite a ¥22,205 million cash outflow from purchases of investment securities.

(Financing Cash Flows)

Cash flows from financing activities amounted to ¥56,727 million in net cash outflows (¥3,535 million in net cash outflows for the six months ended September 30, 2016). The net cash outflows were primarily due to a ¥130,472 million cash outflow from a decrease in short term loans payable and a ¥9,602 million cash outflow from a purchase of treasury stock, despite a ¥84,151 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, 2017	As at September 30, 2017
	Millions of Yen	Millions of Yen
Assets		
Cash and cash equivalents	391,572	370,754
Trade and other accounts receivable	472,128	498,589
Assets related to securities business		
Cash segregated as deposits	1,399,851	1,549,871
Margin transaction assets	617,550	632,004
Other assets related to securities business	315,640	380,203
Total assets related to securities business	2,333,041	2,562,078
Other financial assets	30,050	31,593
Operational investment securities	111,067	128,697
Other investment securities	186,512	181,792
Investments accounted for using the equity method	90,394	90,063
Investment properties	7,105	5,492
Property and equipment	10,498	11,191
Intangible assets	185,493	180,910
Other assets	28,392	31,084
Deferred tax assets	3,749	536
Total assets	3,850,001	4,092,779
Liabilities		
Bonds and loans payable	518,977	447,005
Trade and other accounts payable	52,887	108,093
Liabilities related to securities business		
Margin transaction liabilities	135,698	175,356
Loans payable secured by securities	399,673	398,729
Deposits from customers	738,144	824,625
Guarantee deposits received	600,621	674,859
Other liabilities related to securities business	304,476	318,906
Total liabilities related to securities business	2,178,612	2,392,475
Customer deposits for banking business	485,827	502,097
Insurance contract liabilities	147,573	146,155
Income tax payable	10,040	3,438
Other financial liabilities	14,663	14,187
Other liabilities	11,946	12,107
Deferred tax liabilities	13,952	17,110
Total liabilities	3,434,477	3,642,667
Equity		
Capital stock	81,681	81,681
Capital surplus	128,004	126,037
Treasury stock	(23,801)	(9,174)
Other components of equity	22,720	21,652
Retained earnings	169,388	181,629
Equity attributable to owners of the Company	377,992	401,825
Non-controlling interests	37,532	48,287
Total equity	415,524	450,112
Total liabilities and equity	3,850,001	4,092,779

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

	Six months ended September 30, 2016	Six months ended September 30, 2017
	Millions of Yen	Millions of Yen
Revenue	121,284	141,679
Expense		
Financial cost associated with financial income	(6,581)	(8,294)
Operating cost	(45,334)	(52,859)
Selling, general and administrative expenses	(47,320)	(47,281)
Other financial cost	(1,893)	(1,849)
Other expenses	(4,831)	(4,964)
Total expense	(105,959)	(115,247)
Share of the profit of associates and joint ventures accounted for using the equity method	1,961	1,305
Profit before income tax expense	17,286	27,737
Income tax expense	(7,177)	(8,629)
Profit for the period	10,109	19,108
Profit for the period attributable to		
Owners of the Company	14,194	20,385
Non-controlling interests	(4,085)	(1,277)
Profit for the period	10,109	19,108
Earnings per share attributable to owners of the Company		
Basic (Yen)	68.92	99.98
Diluted (Yen)	63.56	90.91

Interim Condensed Consolidated Statement of Comprehensive Income

	Six months ended September 30, 2016 Millions of Yen	Six months ended September 30, 2017 Millions of Yen
Profit for the period	10,109	19,108
Items that will not be reclassified subsequently to profit or loss		
Fair value through other comprehensive income ("FVTOCI") financial assets	(8)	755
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(14,000)	(2,201)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(721)	389
Other comprehensive income, net of tax	(14,729)	(1,057)
Total comprehensive income	(4,620)	18,051
Total comprehensive income attributable to		
Owners of the Company	(459)	19,317
Non-controlling interests	(4,161)	(1,266)
Total comprehensive income	(4,620)	18,051

(3) Condensed Interim Consolidated Statement of Changes in Equity

Six months ended September 30, 2016

	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, 2016	81,681	145,735	(19,132)	17,107	146,199	371,590	47,473	419,063
Profit for the period	—	—	—	—	14,194	14,194	(4,085)	10,109
Other comprehensive income	—	—	—	(14,653)	—	(14,653)	(76)	(14,729)
Total comprehensive income	—	—	—	(14,653)	14,194	(459)	(4,161)	(4,620)
Change in scope of consolidation	—	(4)	—	—	—	(4)	(784)	(788)
Dividends paid	—	—	—	—	(7,271)	(7,271)	(14,255)	(21,526)
Treasury shares purchased	—	—	(8,003)	—	—	(8,003)	—	(8,003)
Treasury shares sold	—	(0)	25	—	—	25	—	25
Changes of interests in subsidiaries without losing control	—	(1,306)	—	—	—	(1,306)	8,690	7,384
Transfer to retained earnings	—	—	—	(1)	1	—	—	—
As at September 30, 2016	81,681	144,425	(27,110)	2,453	153,123	354,572	36,963	391,535

Six months ended September 30, 2017

	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, 2017	81,681	128,004	(23,801)	22,720	169,388	377,992	37,532	415,524
Profit for the period	—	—	—	—	20,385	20,385	(1,277)	19,108
Other comprehensive income	—	—	—	(1,068)	—	(1,068)	11	(1,057)
Total comprehensive income	—	—	—	(1,068)	20,385	19,317	(1,266)	18,051
Issuance of convertible bonds	—	1,716	—	—	—	1,716	—	1,716
Conversion of convertible bonds	—	3,766	23,694	—	—	27,460	—	27,460
Change in scope of consolidation	—	—	—	—	—	—	383	383
Dividends paid	—	—	—	—	(8,144)	(8,144)	(2,139)	(10,283)
Treasury shares purchased	—	—	(9,602)	—	—	(9,602)	—	(9,602)
Treasury shares sold	—	40	535	—	—	575	—	575
Share-based payment transactions	—	145	—	—	—	145	—	145
Changes of interests in subsidiaries without losing control	—	(7,634)	—	—	—	(7,634)	13,777	6,143
As at September 30, 2017	<u>81,681</u>	<u>126,037</u>	<u>(9,174)</u>	<u>21,652</u>	<u>181,629</u>	<u>401,825</u>	<u>48,287</u>	<u>450,112</u>

(4) Interim Condensed Consolidated Statement of Cash flows

	Six months ended September 30, 2016	Six months ended September 30, 2017
	Millions of Yen	Millions of Yen
Net cash generated from operating activities		
Profit before income tax expense	17,286	27,737
Depreciation and amortization	5,185	5,454
Share of profits of associates and joint ventures accounted for using the equity method	(1,961)	(1,305)
Interest and dividend income	(37,576)	(49,598)
Interest expense	8,473	10,143
Increase in operational investment securities	(9,818)	(15,345)
Increase in trade and other accounts receivable	(48,492)	(32,652)
Decrease in trade and other accounts payable	22,185	52,767
Decrease (Increase) in assets/liabilities related to securities business	20,386	(15,142)
Increase in customer deposits for banking business	49,137	21,396
Others	(3,932)	(2,298)
Subtotal	20,873	1,157
Interest and dividend income received	37,009	48,733
Interest expense paid	(7,341)	(9,437)
Income taxes paid	(6,065)	(9,772)
Net cash generated from operating activities	44,476	30,681
Net cash generated from investing activities		
Purchases of intangible assets	(3,053)	(3,972)
Purchases of investment securities	(42,021)	(22,205)
Proceeds from sales or redemption of investment securities	42,830	30,331
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(1,968)	33
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	2,771	878
Payments of loans receivable	(3,601)	(2,424)
Collection of loans receivable	4,577	2,052
Others	4,162	549
Net cash generated from investing activities	3,697	5,242

	Six months ended September 30, 2016	Six months ended September 30, 2017
	Millions of Yen	Millions of Yen
Net cash generated from (used in) financing activities		
Increase (decrease) in short term loans payable	10,011	(130,472)
Proceeds from long-term loans payable	7,482	6,568
Repayment of long-term loans payable	(2,390)	(994)
Proceeds from bond issuance	59,210	84,151
Redemption of bonds payable	(50,145)	(2,082)
Proceeds from stock issuance to non-controlling interests	200	29
Contributions from non-controlling interests in consolidated investment funds	9,575	6,097
Cash dividend paid	(7,257)	(8,135)
Cash dividend paid to non-controlling interests	(378)	(408)
Distributions to non-controlling interests in consolidated investment funds	(13,910)	(1,730)
Purchase of treasury stock	(8,003)	(9,602)
Proceeds from sale of interests in subsidiaries to non-controlling interests	30	179
Payments for purchase of interests in subsidiaries from non-controlling interests	(492)	(150)
Others	(398)	(178)
Net cash generated from (used in) financing activities	3,535	(56,727)
Net increase (decrease) in cash and cash equivalents	51,708	(20,804)
Cash and cash equivalents at the beginning of the period	248,050	391,572
Effect of changes in exchange rate on cash and cash equivalents	(9,389)	(14)
Cash and cash equivalents at the end of the period	290,369	370,754

(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, 2017, are applied consistently in the preparation of these consolidated financial statements.

The Group adopted the following new and revised standards and interpretations beginning with the preparation of the condensed interim consolidated financial statements for the six months ended September 30, 2017. There is no significant impact on these consolidated financial statements through adoption.

Statement of standards		Summary of new standards and amendments
IAS 7	Statement of Cash Flows	Additional disclosures about changes in liabilities arising from financing Activities

Revenue

	Six months ended September 30, 2016	Six months ended September 30, 2017
	Millions of yen	Millions of yen
Financial income		
Interest income (Note)	37,190	47,707
Dividends received	658	1,736
Income arising from financial assets at FVTPL	(2,261)	8,568
Gain from trading	8,662	8,205
Others	—	31
Total financial income	44,249	66,247
Revenue arising on insurance contracts	26,589	31,633
Revenue from rendering of services	33,937	38,010
Others	16,509	5,789
Total revenue	121,284	141,679

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

Events after the Reporting Period

There were no significant subsequent events noted.