

# SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2015

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, 2015.

(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, 2015	115,183	1.5	19,906	(38.7)	13,215	(35.9)	13,162	(49.0)
Six months ended September 30, 2014	113,467	(11.7)	32,498	(1.5)	20,609	10.9	25,787	46.8

	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, 2015	75	(99.8)	61.80	56.76
Six months ended September 30, 2014	31,366	28.9	119.11	110.02

(Note) The Company changed the presentation method of the consolidated statement of income to present “Revenue” and classification breakdown of “Expense” instead of presenting “Operating income (loss)” from the three months ended June 30, 2015. Accordingly, the revised presentation method is adopted retrospectively in order to conform to the current year presentation. Please refer to Interim Condensed Consolidated Statements of Income (P. 06) for detail.

#### (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, 2015	3,312,926	410,452	366,054	11.0
March 31, 2015	3,400,763	430,615	383,491	11.3

## 2. Dividends

(Declared date)	Dividend per share				
	End of 1 <sup>st</sup> Q	End of 2 <sup>nd</sup> Q	End of 3 <sup>rd</sup> Q	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal Year ended March 31, 2015	—	0.00	—	35.00	35.00
Fiscal Year ending March 31, 2016	—	10.00			
Fiscal Year ending March 31, 2016 (forecast) (Note)			—	—	—

(Note) Year-end dividend forecast for the fiscal year ending March 31, 2016 is to be determined.

## 3. Total number of shares outstanding (Common stock)

(1) Number of shares outstanding (including treasury stock)	: September 30, 2015	: 224,561,761 shares
	March 31, 2015	: 224,561,761 shares
(2) Number of treasury stock	: September 30, 2015	: 12,846,320 shares
	March 31, 2015	: 8,046,610 shares
(3) Average number of shares outstanding	: Six months ended September 30, 2015	: 212,965,674 shares
	Six months ended September 30, 2014	: 216,497,898 shares

The Group prepared the consolidated financial statements in accordance with International Financial Reporting Standards (“IFRSs”).

*As of the date of this announcement, the results for the six months ended September 30, 2015 are under review by the independent accountants of the Company.*

## 1. BUSINESS RESULTS

### (1) Results of Operations

The Group's consolidated results of operations for the six months ended September 30, 2015 were as follow. Revenue increased 1.5% year-on-year to ¥115,183 million, profit before income tax expense decreased 38.7% to ¥19,906 million, and profit attributable to owners of the Company decreased 49.0% to ¥13,162 million.

The results of operations for each reporting segment of the Group for the six months ended September 30, 2015 were as follow.

The results of certain subsidiaries, including Morningstar Japan K. K. and CEM Corporation, which were included in the results of operations for Financial Services Business until the previous reporting period are included in those for Asset Management Business from the three months ended June 30, 2015. Accordingly, the results of operations for each reporting segment of the Group for the six months ended September 30, 2014 are revised in order to conform to the current year presentation.

	Revenue			Profit before income tax expense		
	Six months ended September 30, 2014	Six months ended September 30, 2015		Six months ended September 30, 2014	Six months ended September 30, 2015	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	82,171	74,513	(9.3)	37,581	24,908	(33.7)
Asset Management Business	27,732	36,784	32.6	128	(111)	—
Biotechnology-related Business	827	3,341	304.0	(1,751)	(242)	—
Total	110,730	114,638	3.5	35,958	24,555	(31.7)
Others	3,786	1,759	(53.6)	646	(345)	—
Elimination	(1,049)	(1,214)	—	(4,106)	(4,304)	—
Consolidation	113,467	115,183	1.5	32,498	19,906	(38.7)

(% represents year-on-year changes)

#### (Financial Services Business)

The Financial Services Business consists of a wide range of finance-related business and the provision of information regarding financial products, 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, 2015 were as follows. Revenue decreased 9.3% year-on-year to ¥74,513 million, and profit before income tax expense decreased 33.7% to ¥24,908 million.

#### (Asset Management Business)

The Asset Management Business primarily consists of fund management and investment in Internet technology, biotechnology, environmental energy and finance-related venture companies in Japan and overseas, and investment in overseas financial institutions by forming partnerships with prominent local institutions. The Group includes venture companies acquired in the Asset Management Business in the Group's consolidation; thus, the businesses operated by the venture companies are included in this segment.

The results of operations of the Asset Management Business for the six months ended September 30, 2015 were as follows. Revenue increased 32.6% year-on-year to ¥36,784 million, and loss before income tax expense amounted to ¥111 million (¥128 million of profit before income tax expense for the six months ended September 30, 2014).

### **(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, 2015 were as follows. Revenue increased 304.0% year-on-year to ¥3,341 million, and loss before income tax expense amounted to ¥242 million for the six months ended September 30, 2015 (¥1,751 million of loss before income tax expense for the six months ended September 30, 2014).

- \* 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, 2015, total assets amounted to ¥3,312,926 million and decreased by ¥87,837 million from total assets of ¥3,400,763 million as at March 31, 2015. The Group's equity decreased by ¥20,163 million to ¥410,452 million from the fiscal year ended March 31, 2015. As at September 30, 2015, the Group's cash and cash equivalents amounted to ¥284,979 million and decreased by ¥5,847 million from that of ¥290,826 million as at March 31, 2015. 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 ¥64,594 million in net cash outflows (¥20,553 million in net cash outflows for the six months ended September 30, 2014). The net cash outflows were primarily due to a ¥111,666 million cash outflow from a decrease in assets/liabilities related to securities business, despite a ¥39,966 million cash inflow from an increase in operational liabilities and other liabilities.

### **(Investing Cash Flows)**

Cash flows from investing activities amounted to ¥34,874 million in net cash inflows (¥20,411 million in net cash inflows for the six months ended September 30, 2014). The net cash inflows were primarily due to a ¥49,002 million cash inflow from proceeds from sales or redemption of investment securities, despite a ¥16,927 million cash outflow from purchases of investment securities.

### **(Financing Cash Flows)**

Cash flows from financing activities amounted to ¥31,485 million in net cash inflows (¥44,707 million in net cash outflows for the six months ended September 30, 2014). The net cash inflows were primarily due to a ¥32,501 million cash inflow from proceeds from long-term loans payable and a ¥19,984 million cash inflow from proceeds from bond issuance, despite a ¥10,022 million cash outflow from purchase of treasury stock and a ¥7,563 million cash outflow from cash dividend paid.

## 2. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### (1) Interim Condensed Consolidated Statement of Financial Position

	As at March 31, 2015	As at September 30, 2015
	Millions of Yen	Millions of Yen
<b>Assets</b>		
Cash and cash equivalents	290,826	284,979
Trade and other accounts receivable	342,459	319,372
Assets related to securities business		
Cash segregated as deposits	1,250,678	1,197,774
Margin transaction assets	276,387	422,502
Other assets related to securities business	601,695	513,081
Total assets related to securities business	2,128,760	2,133,357
Other financial assets	31,096	25,023
Operational investment securities	114,946	104,863
Other investment securities	193,064	153,148
Investments accounted for using the equity method	45,455	46,277
Investment properties	18,478	15,823
Property and equipment	10,590	11,359
Intangible assets	199,810	186,573
Other assets	22,785	31,326
Deferred tax assets	2,494	826
<b>Total assets</b>	<b>3,400,763</b>	<b>3,312,926</b>
<b>Liabilities</b>		
Bonds and loans payable	374,771	423,118
Trade and other accounts payable	55,005	92,331
Liabilities related to securities business		
Margin transaction liabilities	97,757	27,578
Loans payable secured by securities	290,480	357,101
Deposits from customers	638,879	580,808
Guarantee deposits received	545,116	565,307
Other liabilities related to securities business	388,161	322,466
Total liabilities related to securities business	1,960,393	1,853,260
Customer deposits for banking business	361,102	329,903
Insurance contract liability	170,042	160,558
Income tax payable	13,792	7,087
Other financial liabilities	13,757	14,077
Other liabilities	12,034	14,829
Deferred tax liabilities	9,252	7,311
<b>Total liabilities</b>	<b>2,970,148</b>	<b>2,902,474</b>
<b>Equity</b>		
Capital stock	81,681	81,681
Capital surplus	148,676	147,801
Treasury stock	(5,137)	(14,204)
Other component of equity	36,934	23,411
Retained earnings	121,337	127,365
Equity attributable to owners of the Company	383,491	366,054
Non-controlling interests	47,124	44,398
<b>Total equity</b>	<b>430,615</b>	<b>410,452</b>
<b>Total liabilities and equity</b>	<b>3,400,763</b>	<b>3,312,926</b>

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

	Six months ended September 30, 2014	Six months ended September 30, 2015
	Millions of Yen	Millions of Yen
Revenue	113,467	<b>115,183</b>
Expense		
Financial cost associated with financial income	(8,280)	<b>(8,641)</b>
Operating cost	(24,863)	<b>(33,282)</b>
Selling, general and administrative expenses	(44,401)	<b>(47,688)</b>
Other financial cost	(2,581)	<b>(2,560)</b>
Other expenses	(2,429)	<b>(4,100)</b>
Total expense	(82,554)	<b>(96,271)</b>
Share of the profit of associates and joint ventures accounted for using the equity method	1,585	<b>994</b>
Profit before income tax expense	32,498	<b>19,906</b>
Income tax expense	(11,889)	<b>(6,691)</b>
Profit for the period	20,609	<b>13,215</b>
Profit for the period attributable to		
Owners of the Company	25,787	<b>13,162</b>
Non-controlling interests	(5,178)	<b>53</b>
Profit for the period	20,609	<b>13,215</b>
Earnings per share attributable to owners of the Company		
Basic (Yen)	119.11	<b>61.80</b>
Diluted (Yen)	110.02	<b>56.76</b>

(Changes in presentation of interim condensed consolidated statement of income)

In the interim condensed consolidated statement of income, the Company had presented the "Operating income (loss)" which classified the revenue and expense as those from operating activities and those from other activities until the previous fiscal year. However, since it became difficult to continuously adopt the previous method of presentation due to the varying earning activities of the Group, the Company changed its method to present "Revenue" and classification breakdown of "Expense" without presenting "Operating income (loss)". Accordingly, the interim condensed consolidated statement of income for the six months ended September 30, 2014 is revised in order to conform to the current year presentation.

## Interim Condensed Consolidated Statement of Comprehensive Income

	Six months ended September 30, 2014	Six months ended September 30, 2015
	Millions of Yen	Millions of Yen
Profit for the period	20,609	13,215
Items that will not be reclassified subsequently to profit or loss		
Fair value through other comprehensive income ("FVTOCI") financial assets	7	290
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	10,750	(13,430)
Other comprehensive income, net of tax	10,757	(13,140)
Total comprehensive income	31,366	75
Total comprehensive income attributable to		
Owners of the Company	36,151	99
Non-controlling interests	(4,785)	(24)
Total comprehensive income	31,366	75

### (3) Interim Condensed Consolidated Statement of Changes in Equity

Six months ended September 30, 2014

	Attributable to owners of the Company							
	Capital stock	Capital surplus	Treasury stock	Other component 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, 2014	81,681	152,725	(5,140)	16,225	80,140	325,631	62,832	388,463
Profit for the period	—	—	—	—	25,787	25,787	(5,178)	20,609
Other comprehensive income	—	—	—	10,364	—	10,364	393	10,757
Total comprehensive income	—	—	—	10,364	25,787	36,151	(4,785)	31,366
Change in scope of consolidation	—	301	—	—	—	301	(7,037)	(6,736)
Dividends paid	—	—	—	—	(4,340)	(4,340)	(1,219)	(5,559)
Treasury shares purchased	—	—	(12)	—	—	(12)	—	(12)
Treasury shares sold	—	1	20	—	—	21	—	21
Changes of interests in subsidiaries without losing control	—	(712)	—	—	—	(712)	688	(24)
Transfer	—	—	—	72	(72)	—	—	—
As at September 30, 2014	81,681	152,315	(5,132)	26,661	101,515	357,040	50,479	407,519

Six months ended September 30, 2015

	Attributable to owners of the Company							
	Capital stock	Capital surplus	Treasury stock	Other component 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, 2015	81,681	148,676	(5,137)	36,934	121,337	383,491	47,124	430,615
Profit for the period	—	—	—	—	13,162	13,162	53	13,215
Other comprehensive income	—	—	—	(13,063)	—	(13,063)	(77)	(13,140)
Total comprehensive income	—	—	—	(13,063)	13,162	99	(24)	75
Change in scope of consolidation	—	—	—	—	—	—	1,222	1,222
Dividends paid	—	—	—	—	(7,594)	(7,594)	(3,557)	(11,151)
Treasury shares purchased	—	—	(10,022)	—	—	(10,022)	—	(10,022)
Treasury shares sold	—	106	955	—	—	1,061	—	1,061
Changes of interests in subsidiaries without losing control	—	(981)	—	—	—	(981)	(367)	(1,348)
Transfer	—	—	—	(460)	460	—	—	—
As at September 30, 2015	81,681	147,801	(14,204)	23,411	127,365	366,054	44,398	410,452



#### (4) Interim Condensed Consolidated Statement of Cash flows

	Six months ended September 30, 2014	Six months ended September 30, 2015
	Millions of Yen	Millions of Yen
Net cash used in operating activities		
Profit before income tax expense	32,498	19,906
Depreciation and amortization	5,846	5,473
Share of profits of associates and joint ventures accounted for using the equity method	(1,585)	(994)
Interest and dividend income	(30,556)	(36,141)
Interest expense	10,861	11,201
Decrease in operational investment securities	10,977	9,144
Increase in accounts receivables and other receivables	(25,918)	(6,057)
Increase in operational liabilities and other liabilities	28,588	39,966
Increase in assets/liabilities related to securities business	(32,816)	(111,666)
Decrease in customer deposits in the banking business	(4,557)	(3,532)
Others	(23,101)	(3,211)
Subtotal	(29,763)	(75,911)
Interest and dividend income received	30,412	35,972
Interest expense paid	(10,651)	(10,507)
Income taxes paid	(10,551)	(14,148)
Net cash used in operating activities	(20,553)	(64,594)
Net cash generated from investing activities		
Purchases of intangible assets	(2,070)	(2,494)
Purchases of investment securities	(11,014)	(16,927)
Proceeds from sales or redemption of investment securities	7,011	49,002
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(99)	(144)
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	24,087	286
Payments of loans receivable	(265)	(175)
Collection of loans receivable	302	788
Others	2,459	4,538
Net cash generated from investing activities	20,411	34,874

	Six months ended September 30, 2014	Six months ended September 30, 2015
	Millions of Yen	Millions of Yen
Net cash (used in) generated from financing activities		
(Decrease) increase in short term loans payable	(24,732)	6,942
Proceeds from long-term loans payable	20,238	32,501
Repayment of long-term loans payable	(10,962)	(2,764)
Proceeds from bond issuance	—	19,984
Redemption of bonds payable	(23,131)	(4,068)
Proceeds from stock issuance to non-controlling interests	179	91
Contributions from non-controlling interests in consolidated investment funds	480	1,207
Cash dividend paid	(4,315)	(7,563)
Cash dividend paid to non-controlling interests	(430)	(382)
Distributions to non-controlling interests in consolidated investment funds	(803)	(3,183)
Purchase of treasury stock	(12)	(10,022)
Proceeds from sale of interests in subsidiaries to non-controlling interests	114	—
Payments for purchase of interests in subsidiaries from non-controlling interests	(32)	(1,948)
Others	(1,301)	690
Net cash (used in) generated from financing activities	<u>(44,707)</u>	<u>31,485</u>
Net (decrease) increase in cash and cash equivalents	(44,849)	1,765
Cash and cash equivalents at the beginning of the period	276,221	290,826
Effect of changes in exchange rate on cash and cash equivalents	6,806	(5,368)
Transfer to assets held for sale	—	(2,244)
Cash and cash equivalents at the end of the period	<u><u>238,178</u></u>	<u><u>284,979</u></u>

## Notes to Interim Condensed Consolidated Financial Statements

### 1. Revenue

	Six months ended September 30, 2014	Six months ended September 30, 2015
	Millions of yen	Millions of yen
Revenue		
Financial income		
Interest income (Note 1)	30,274	<b>35,024</b>
Dividends received	237	<b>1,259</b>
Income arising from financial assets at FVTPL	(5,146)	<b>(6,076)</b>
Gain from trading	6,913	<b>10,066</b>
Total financial income	32,278	<b>40,273</b>
Revenue arising on insurance contracts (Note 2)	14,558	<b>20,657</b>
Revenue from rendering of services	33,572	<b>40,220</b>
Revenue from sale of interests in subsidiaries (Note 3)	17,072	<b>14</b>
Others	15,987	<b>14,019</b>
Total revenue	<u>113,467</u>	<u><b>115,183</b></u>

(Note 1) Interest income in financial income arises from financial assets measured at amortized cost.

(Note 2) Revenue arising on insurance contracts which was included in "Revenue from rendering of services" in the interim condensed consolidated financial statements for the six months ended September 30, 2014 is presented independently as a component of "Revenue" due to the increase in materiality.

(Note 3) Revenue from sale of interests in subsidiaries for six months ended September 30, 2014 arose mainly from the sale of SBI Mortgage Co., Ltd. (current ARUHI Corporation).

### 2. Events after the Reporting Period

There were no significant subsequent events noted.