

# SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

## FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED JUNE 30, 2016

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, 2016.

(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, 2016	63,966	(4.1)	10,134	(31.8)	5,135	(55.8)	7,722	(33.2)
Three months ended June 30, 2015	66,735	50.0	14,861	256.7	11,619	402.5	11,555	67.3

	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
Three months ended June 30, 2016	(12,721)	—	37.24	34.29
Three months ended June 30, 2015	13,211	173.0	53.81	49.05

#### (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, 2016	3,000,850	398,793	354,218	11.8
March 31, 2016	3,126,784	419,063	371,590	11.9

## 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, 2016	—	10.00	—	35.00	45.00
Fiscal Year ending March 31, 2017	—				
Fiscal Year ending March 31, 2017 (forecast) (Note)		—	—	—	—

(Note) Fiscal year ending March 31, 2017 forecast is to be determined.

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

(1) Number of shares outstanding (including treasury stock)	: June 30, 2016	: 224,561,761 shares
	March 31, 2016	: 224,561,761 shares
(2) Number of treasury stock	: June 30, 2016	: 17,189,690 shares
	March 31, 2016	: 17,211,580 shares
(3) Average number of shares outstanding	: Three months ended June 30, 2016	: 207,354,741 shares
	Three months ended June 30, 2015	: 214,735,005 shares

The Group prepared the consolidated financial statements in accordance with IFRSs.

*As of the date of this announcement, the results for the three months ended June 30, 2016 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 three months ended June 30, 2016 were as follow. Revenue decreased 4.1% year-on-year to ¥63,966 million, profit before income tax expense decreased 31.8% to ¥10,134 million, and profit attributable to owners of the Company decreased 33.2% to ¥7,722 million.

The results of operations for each reporting segment of the Group for the three months ended June 30, 2016 were as follow.

Certain subsidiaries, including SBI AXES 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 this fiscal year. Consequently, segment information for the year ended June 30, 2016, is restated in accordance with the new basis of segmentation.

	Revenue			Profit before income tax expense		
	Three months ended June 30, 2015	Three months ended June 30, 2016		Three months ended June 30, 2015	Three months ended June 30, 2016	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	42,510	41,342	(2.7)	13,482	13,269	(1.6)
Asset Management Business	22,740	22,712	(0.1)	4,382	3,132	(28.5)
Biotechnology-related Business	482	308	(36.1)	(1,070)	(3,530)	—
Total	65,732	64,362	(2.1)	16,794	12,871	(23.4)
Others	1,509	87	(94.2)	(21)	(390)	—
Elimination	(506)	(483)	—	(1,912)	(2,347)	—
Consolidation	66,735	63,966	(4.1)	14,861	10,134	(31.8)

(% 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 three months ended June 30, 2016 were as follows. Revenue decreased 2.7% year-on-year to ¥41,342 million, and profit before income tax expense decreased 1.6% to ¥13,269 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, investment in overseas financial institutions by forming partnerships with prominent local institutions, and asset management services business which provides information regarding financial products.

The results of operations of the Asset Management Business for the three months ended June 30, 2016 were as follows. Revenue decreased 0.1% year-on-year to ¥22,712 million, and profit before income tax expense decreased 28.5% year-on year to ¥3,132 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 three months ended June 30, 2016 were as follows. Revenue decreased 36.1% year-on-year to ¥308 million, and loss before income tax expense amounted to ¥3,530 million for the three months ended June 30, 2016 (¥1,070 million of loss before income tax expense for the three months ended June 30, 2015).

- \* 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, 2016, total assets amounted to ¥3,000,850 million and decreased by ¥125,934 million from total assets of ¥3,126,784 million as at March 31, 2016. The Group's equity decreased by ¥20,270 million to ¥398,793 million from the fiscal year ended March 31, 2016. As at June 30, 2016, the Group's cash and cash equivalents amounted to ¥246,304 million and decreased by ¥1,746 million from that of ¥248,050 million as at March 31, 2016. 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 ¥23,661 million in net cash outflows (¥35,069 million in net cash inflows for the three months ended June 30, 2015). The net cash outflows were primarily due to a ¥35,159 million cash outflow from an increase in assets/liabilities related to securities business and a ¥26,367 million cash outflow from an increase in accounts receivables and other receivables, despite a ¥22,449 million cash an inflow from increase in customer deposits in the banking business and a ¥13,417 million cash inflow from an increase in operational liabilities and other liabilities .

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

Cash flows from investing activities amounted to ¥8,394 million in net cash outflows (¥2,657 million in net cash inflows for the three months ended June 30, 2015). The net cash outflows were primarily due to a ¥32,878 million cash outflow from purchases of investment securities, despite a ¥29,351 million cash inflow from proceeds from sales or redemption of investment securities.

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

Cash flows from financing activities amounted to ¥39,730 million in net cash inflows (¥22,957 million in net cash outflows for the three months ended June 30, 2015). The net cash inflows were primarily due to a ¥42,171 million cash inflows from a proceeds from bond issuance and a \$23,319 million cash inflows from a increase in short term loans payable, despite a ¥20,075 million cash outflow from redemption of bonds payable.

## 2. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	As at March 31, 2016	As at June 30, 2016
	Millions of Yen	Millions of Yen
<b>Assets</b>		
Cash and cash equivalents	248,050	246,304
Trade and other accounts receivable	369,006	374,563
Assets related to securities business		
Cash segregated as deposits	1,139,908	1,133,609
Margin transaction assets	516,843	447,221
Other assets related to securities business	251,924	217,770
Total assets related to securities business	1,908,675	1,798,600
Other financial assets	29,215	30,893
Operational investment securities	118,886	85,394
Other investment securities	173,907	169,870
Investments accounted for using the equity method	43,853	77,402
Investment properties	12,027	10,482
Property and equipment	11,778	10,213
Intangible assets	188,454	174,830
Other assets	22,607	21,967
Deferred tax assets	326	332
<b>Total assets</b>	<b>3,126,784</b>	<b>3,000,850</b>
<b>Liabilities</b>		
Bonds and loans payable	324,585	372,123
Trade and other accounts payable	38,759	53,167
Liabilities related to securities business		
Margin transaction liabilities	85,677	73,574
Loans payable secured by securities	344,423	275,631
Deposits from customers	573,957	581,444
Guarantee deposits received	533,862	531,590
Other liabilities related to securities business	222,424	152,887
Total liabilities related to securities business	1,760,343	1,615,126
Customer deposits for banking business	386,027	372,896
Insurance contract liability	154,133	150,410
Income tax payable	7,066	4,480
Other financial liabilities	12,899	11,137
Other liabilities	13,396	11,263
Deferred tax liabilities	10,513	11,455
<b>Total liabilities</b>	<b>2,707,721</b>	<b>2,602,057</b>
<b>Equity</b>		
Capital stock	81,681	81,681
Capital surplus	145,735	145,652
Treasury stock	(19,132)	(19,119)
Other component of equity	17,107	(647)
Retained earnings	146,199	146,651
Equity attributable to owners of the Company	371,590	354,218
Non-controlling interests	47,473	44,575
<b>Total equity</b>	<b>419,063</b>	<b>398,793</b>
<b>Total liabilities and equity</b>	<b>3,126,784</b>	<b>3,000,850</b>

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

	Three months ended June 30, 2015	Three months ended June 30, 2016
	Millions of Yen	Millions of Yen
Revenue	66,735	<b>63,966</b>
Expense		
Financial cost associated with financial income	(4,626)	<b>(3,147)</b>
Operating cost	(20,944)	<b>(22,553)</b>
Selling, general and administrative expenses	(24,233)	<b>(24,607)</b>
Other financial cost	(1,422)	<b>(969)</b>
Other expenses	(1,561)	<b>(3,599)</b>
Total expense	<u>(52,786)</u>	<u><b>(54,875)</b></u>
Share of the profit of associates and joint ventures accounted for using the equity method	912	<b>1,043</b>
Profit before income tax expense	<u>14,861</u>	<u><b>10,134</b></u>
Income tax expense	<u>(3,242)</u>	<u><b>(4,999)</b></u>
Profit for the period	<u><u>11,619</u></u>	<u><u><b>5,135</b></u></u>
Profit for the period attributable to		
Owners of the Company	11,555	<b>7,722</b>
Non-controlling interests	64	<b>(2,587)</b>
Profit for the period	<u><u>11,619</u></u>	<u><u><b>5,135</b></u></u>
Earnings per share attributable to owners of the Company		
Basic (Yen)	53.81	<b>37.24</b>
Diluted (Yen)	49.05	<b>34.29</b>

## Interim Condensed Consolidated Statement of Comprehensive Income

	Three months ended June 30, 2015	Three months ended June 30, 2016
	Millions of Yen	Millions of Yen
Profit for the period	11,619	5,135
Items that will not be reclassified subsequently to profit or loss		
Fair value through other comprehensive income ("FVTOCI") financial assets	267	13
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	967	<b>(16,788)</b>
Share of other comprehensive income of associates and joint ventures	358	<b>(1,081)</b>
Other comprehensive income, net of tax	1,592	<b>(17,856)</b>
Total comprehensive income	13,211	<b>(12,721)</b>
Total comprehensive income attributable to		
Owners of the Company	13,108	<b>(10,031)</b>
Non-controlling interests	103	<b>(2,690)</b>
Total comprehensive income	13,211	<b>(12,721)</b>

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

Three months ended June 30, 2015

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Capital stock	Capital surplus	Treasury stock	Other component 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		
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	—	—	—	—	11,555	11,555	64	11,619	
Other comprehensive income	—	—	—	1,553	—	1,553	39	1,592	
Total comprehensive income	—	—	—	1,553	11,555	13,108	103	13,211	
Change in scope of consolidation	—	—	—	—	—	—	1,223	1,223	
Dividends paid	—	—	—	—	(7,594)	(7,594)	(3,554)	(11,148)	
Treasury shares purchased	—	—	(10,017)	—	—	(10,017)	—	(10,017)	
Treasury shares sold	—	0	6	—	—	6	—	6	
Changes of interests in subsidiaries without losing control	—	(60)	—	—	—	(60)	78	18	
Transfer	—	—	—	(533)	533	—	—	—	
As at June 30, 2015	81,681	148,616	(15,148)	37,954	125,831	378,934	44,974	423,908	

Three months ended June 30, 2016

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Capital stock	Capital surplus	Treasury stock	Other component 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		
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	—	—	—	—	7,722	7,722	(2,587)	5,135	
Other comprehensive income	—	—	—	(17,753)	—	(17,753)	(103)	(17,856)	
Total comprehensive income	—	—	—	(17,753)	7,222	(10,031)	(2,690)	(12,721)	
Change in scope of consolidation	—	—	—	—	—	—	1,898	1,898	
Dividends paid	—	—	—	—	(7,271)	(7,271)	(3,877)	(11,148)	
Treasury shares purchased	—	—	(2)	—	—	(2)	—	(2)	
Treasury shares sold	—	(0)	15	—	—	15	—	15	
Changes of interests in subsidiaries without losing control	—	(83)	—	—	—	(83)	1,771	1,688	
Transfer	—	—	—	(1)	1	—	—	—	
As at June 30, 2016	81,681	145,652	(19,119)	(647)	146,651	354,218	44,575	398,793	



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

	Three months ended June 30, 2015	Three months ended June 30, 2016
	Millions of Yen	Millions of Yen
Net cash generated from (used in) operating activities		
Profit before income tax expense	14,861	10,134
Depreciation and amortization	2,814	2,611
Share of profits of associates and joint ventures accounted for using the equity method	(912)	(1,043)
Interest and dividend income	(18,764)	(18,743)
Interest expense	6,048	4,115
Decrease (Increase) in operational investment securities	3,001	(5,544)
Decrease (Increase) in accounts receivables and other receivables	1,461	(26,367)
Increase in operational liabilities and other liabilities	33,803	13,417
Increase in assets/liabilities related to securities business	(7,540)	(35,159)
Increase in customer deposits in the banking business	4,814	22,449
Others	(3,148)	1,473
Subtotal	36,438	(32,657)
Interest and dividend income received	18,392	18,606
Interest expense paid	(5,619)	(3,430)
Income taxes paid	(14,142)	(6,180)
Net cash generated from (used in) operating activities	35,069	(23,661)
Net cash generated from (used in) investing activities		
Purchases of intangible assets	(1,161)	(1,382)
Purchases of investment securities	(7,783)	(32,878)
Proceeds from sales or redemption of investment securities	11,246	29,351
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(144)	(69)
Proceeds from (payments for) sales of subsidiaries, net of cash and cash equivalents disposed of	286	(2,137)
Payments of loans receivable	(61)	(1,599)
Collection of loans receivable	188	254
Others	86	66
Net cash generated from (used in) investing activities	2,657	(8,394)

	Three months ended June 30, 2015	Three months ended June 30, 2016
	Millions of Yen	Millions of Yen
Net cash (used in) generated from financing activities		
(Decrease) increase in short term loans payable	(22,067)	23,319
Proceeds from long-term loans payable	1,378	2,467
Repayment of long-term loans payable	(1,810)	(526)
Proceeds from bond issuance	19,984	42,171
Redemption of bonds payable	—	(20,075)
Proceeds from stock issuance to non-controlling interests	91	200
Contributions from non-controlling interests in consolidated investment funds	718	3,631
Cash dividend paid	(7,350)	(7,053)
Cash dividend paid to non-controlling interests	(377)	(375)
Distributions to non-controlling interests in consolidated investment funds	(3,183)	(3,531)
Purchase of treasury stock	(10,017)	(2)
Proceeds from sale of interests in subsidiaries to non-controlling interests	—	30
Payments for purchase of interests in subsidiaries from non-controlling interests	(93)	(242)
Others	(231)	(284)
Net cash (used in) generated from financing activities	(22,957)	39,730
Net increase in cash and cash equivalents	14,769	7,675
Cash and cash equivalents at the beginning of the period	290,826	248,050
Effect of changes in exchange rate on cash and cash equivalents	1,014	(9,421)
Transfer to assets held for sale	(1,936)	—
Cash and cash equivalents at the end of the period	304,673	246,304

## Notes to Interim Condensed Consolidated Financial Statements

### 1. Revenue

	Three months ended June 30, 2015	Three months ended June 30, 2016
	Millions of yen	Millions of yen
Revenue		
Financial income		
Interest income (Note)	18,008	<b>18,243</b>
Dividends received	742	<b>420</b>
Income arising from financial assets at FVTPL	5,109	<b>(2,922)</b>
Gain from trading	4,687	<b>4,795</b>
Total financial income	28,546	<b>20,536</b>
Revenue arising on insurance contracts	10,525	<b>14,733</b>
Revenue from rendering of services	19,716	<b>17,445</b>
Others	7,948	<b>11,252</b>
Total revenue	<u>66,735</u>	<u><b>63,966</b></u>

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

### 2. Events after the Reporting Period

There were no significant subsequent events noted.