

SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED SEPTEMBER 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 six months ended September 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	%
Six months ended September 30, 2016	121,284	5.3	17,286	(13.2)	10,109	(23.5)	14,194	7.8
Six months ended September 30, 2015	115,183	1.5	19,906	(38.7)	13,215	(35.9)	13,162	(49.0)

	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, 2016	(4,620)	—	68.92	63.56
Six months ended September 30, 2015	75	(99.8)	61.80	56.76

(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, 2016	3,169,900	391,535	354,572	11.2
March 31, 2016	3,126,784	419,063	371,590	11.9

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, 2016	—	10.00	—	35.00	45.00
Fiscal Year ending March 31, 2017	—	10.00			
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)	: September 30, 2016	: 224,561,761 shares
	: March 31, 2016	: 224,561,761 shares
(2) Number of treasury stock	: September 30, 2016	: 24,030,150 shares
	: March 31, 2016	: 17,211,580 shares
(3) Average number of shares outstanding	: Six months ended September 30, 2016	: 205,934,044 shares
	: Six months ended September 30, 2015	: 212,965,674 shares

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

As of the date of this announcement, the results for the six months ended September 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 six months ended September 30, 2016 were as follow. Revenue increased 5.3% year-on-year to ¥121,284 million, profit before income tax expense decreased 13.2% to ¥17,286 million, and profit attributable to owners of the Company increased 7.8% to ¥14,194 million.

The results of operations for each reporting segment of the Group for the six months ended September 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 six months ended September 30, 2015, is restated in accordance with the new basis of segmentation.

	Revenue			Profit before income tax expense		
	Six months ended September 30, 2015	Six months ended September 30, 2016		Six months ended September 30, 2015	Six months ended September 30, 2016	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	78,154	83,563	6.9	25,059	25,298	1.0
Asset Management Business	33,297	36,327	9.1	(262)	2,877	—
Biotechnology-related Business	3,341	2,027	(39.3)	(242)	(5,178)	—
Total	114,792	121,917	6.2	24,555	22,997	(6.3)
Others	1,759	353	(79.9)	(345)	(542)	—
Elimination	(1,368)	(986)	—	(4,304)	(5,169)	—
Consolidation	115,183	121,284	5.3	19,906	17,286	(13.2)

(% 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, 2016 were as follows. Revenue increased 6.9% year-on-year to ¥83,563 million, and profit before income tax expense increased 1.0% to ¥25,298 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 six months ended September 30, 2016 were as follows. Revenue increased 9.1% year-on-year to ¥36,327 million, and profit before income tax expense amounted to ¥2,877 million for the six months ended September 30, 2016 (¥262 million of loss before income tax expense for the six months ended September 30, 2015).

(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, 2016 were as follows. Revenue decreased 39.3% year-on-year to ¥2,027 million, and loss before income tax expense amounted to ¥5,178 million for the six months ended September 30, 2016 (¥242 million of loss before income tax expense for the six months ended September 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 September 30, 2016, total assets amounted to ¥3,169,900 million and increased by ¥43,116 million from total assets of ¥3,126,784 million as at March 31, 2016. The Group's equity decreased by ¥27,528 million to ¥391,535 million from the fiscal year ended March 31, 2016. As at September 30, 2016, the Group's cash and cash equivalents amounted to ¥290,369 million and increased by ¥42,319 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 ¥44,476 million in net cash inflows (¥64,594 million in net cash outflows for the six months ended September 30, 2015). The net cash inflows were primarily due to a ¥49,137 million cash inflow from customer deposits in the banking business, a ¥22,185 million cash inflow from an increase in operational liabilities and other liabilities and a ¥20,386 decrease in assets/liabilities related to securities business, despite a ¥48,492 million cash an outflow from an increase in accounts receivables and other receivables.

(Investing Cash Flows)

Cash flows from investing activities amounted to ¥3,697 million in net cash inflows (¥34,874 million in net cash outflows for the six months ended September 30, 2015). The net cash inflows were primarily due to a ¥42,830 million cash inflow from proceeds from sales or redemption of investment securities and a ¥4,577 million cash inflow from collection of loans receivable, despite a ¥42,021 million cash outflow from purchases of investment securities.

(Financing Cash Flows)

Cash flows from financing activities amounted to ¥3,535 million in net cash inflows (¥31,485 million in net cash outflows for the six months ended September 30, 2015). The net cash inflows were primarily due to a ¥59,210 million cash inflows from a proceeds from bond issuance and a \$10,011 million cash inflows from an increase in short term loans payable, despite a ¥50,145 million cash outflow from redemption of bonds payable and a ¥13,910 million cash outflow from distributions to non-controlling interests in consolidated investment funds.

2. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Interim Condensed Consolidated Statement of Financial Position

	As at March 31, 2016	As at September 30, 2016
	Millions of Yen	Millions of Yen
Assets		
Cash and cash equivalents	248,050	290,369
Trade and other accounts receivable	369,006	388,230
Assets related to securities business		
Cash segregated as deposits	1,139,908	1,160,672
Margin transaction assets	516,843	492,424
Other assets related to securities business	251,924	242,230
Total assets related to securities business	1,908,675	1,895,326
Other financial assets	29,215	28,130
Operational investment securities	118,886	89,294
Other investment securities	173,907	173,464
Investments accounted for using the equity method	43,853	85,898
Investment properties	12,027	9,581
Property and equipment	11,778	9,830
Intangible assets	188,454	175,677
Other assets	22,607	23,738
Deferred tax assets	326	363
Total assets	3,126,784	3,169,900
Liabilities		
Bonds and loans payable	324,585	349,098
Trade and other accounts payable	38,759	60,837
Liabilities related to securities business		
Margin transaction liabilities	85,677	110,461
Loans payable secured by securities	344,423	291,992
Deposits from customers	573,957	610,052
Guarantee deposits received	533,862	540,055
Other liabilities related to securities business	222,424	214,835
Total liabilities related to securities business	1,760,343	1,767,395
Customer deposits for banking business	386,027	408,645
Insurance contract liability	154,133	150,450
Income tax payable	7,066	7,206
Other financial liabilities	12,899	12,214
Other liabilities	13,396	11,207
Deferred tax liabilities	10,513	11,313
Total liabilities	2,707,721	2,778,365
Equity		
Capital stock	81,681	81,681
Capital surplus	145,735	144,425
Treasury stock	(19,132)	(27,110)
Other component of equity	17,107	2,453
Retained earnings	146,199	153,123
Equity attributable to owners of the Company	371,590	354,572
Non-controlling interests	47,473	36,963
Total equity	419,063	391,535
Total liabilities and equity	3,126,784	3,169,900

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

	Six months ended September 30, 2015	Six months ended September 30, 2016
	Millions of Yen	Millions of Yen
Revenue	115,183	121,284
Expense		
Financial cost associated with financial income	(8,641)	(6,581)
Operating cost	(33,282)	(45,334)
Selling, general and administrative expenses	(47,688)	(47,320)
Other financial cost	(2,560)	(1,893)
Other expenses	(4,100)	(4,831)
Total expense	(96,271)	(105,959)
Share of the profit of associates and joint ventures accounted for using the equity method	994	1,961
Profit before income tax expense	19,906	17,286
Income tax expense	(6,691)	(7,177)
Profit for the period	13,215	10,109
Profit for the period attributable to		
Owners of the Company	13,162	14,194
Non-controlling interests	53	(4,085)
Profit for the period	13,215	10,109
Earnings per share attributable to owners of the Company		
Basic (Yen)	61.80	68.92
Diluted (Yen)	56.76	63.56

Interim Condensed Consolidated Statement of Comprehensive Income

	Six months ended September 30, 2015	Six months ended September 30, 2016
	Millions of Yen	Millions of Yen
Profit for the period	13,215	10,109
Items that will not be reclassified subsequently to profit or loss		
Fair value through other comprehensive income ("FVTOCI") financial assets	290	(8)
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(12,905)	(14,000)
Share of other comprehensive income of associates and joint ventures	(525)	(721)
Other comprehensive income, net of tax	(13,140)	(14,729)
Total comprehensive income	75	(4,620)
Total comprehensive income attributable to		
Owners of the Company	99	(459)
Non-controlling interests	(24)	(4,161)
Total comprehensive income	75	(4,620)

(3) Interim Condensed Consolidated Statement of Changes in Equity

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	—	—	(10,222)	—	—	(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

Six months ended September 30, 2016

	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, 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	—	—	—	(1)	1	—	—	—
As at September 30, 2016	81,681	144,425	(27,110)	2,453	153,123	354,572	36,963	391,535

(4) Interim Condensed Consolidated Statement of Cash flows

	Six months ended September 30, 2015	Six months ended September 30, 2016
	Millions of Yen	Millions of Yen
Net cash (used in) generated from operating activities		
Profit before income tax expense	19,906	17,286
Depreciation and amortization	5,473	5,185
Share of profits of associates and joint ventures accounted for using the equity method	(994)	(1,961)
Interest and dividend income	(36,141)	(37,576)
Interest expense	11,201	8,473
Decrease (Increase) in operational investment Securities	9,144	(9,818)
Increase in accounts receivables and other receivables	(6,057)	(48,492)
Increase in operational liabilities and other liabilities	39,966	22,185
(Increase) decrease in assets/liabilities related to securities business	(111,666)	20,386
(Decrease) increase in customer deposits in the banking business	(3,532)	49,137
Others	(3,211)	(3,932)
Subtotal	(75,911)	20,873
Interest and dividend income received	35,972	37,009
Interest expense paid	(10,507)	(7,341)
Income taxes paid	(14,148)	(6,065)
Net cash (used in) generated from operating activities	(64,594)	44,476
Net cash generated from investing activities		
Purchases of intangible assets	(2,494)	(3,053)
Purchases of investment securities	(16,927)	(42,021)
Proceeds from sales or redemption of investment securities	49,002	42,830
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(144)	(1,968)
Proceeds from (payments for) sales of subsidiaries, net of cash and cash equivalents disposed of	286	2,771
Payments of loans receivable	(175)	(3,601)
Collection of loans receivable	788	4,577
Others	4,538	4,162
Net cash generated from investing activities	34,874	3,697

	Six months ended September 30, 2015	Six months ended September 30, 2016
	Millions of Yen	Millions of Yen
Net cash generated from financing activities		
Increase in short term loans payable	6,942	10,011
Proceeds from long-term loans payable	32,501	7,482
Repayment of long-term loans payable	(2,764)	(2,390)
Proceeds from bond issuance	19,984	59,210
Redemption of bonds payable	(4,068)	(50,145)
Proceeds from stock issuance to non-controlling interests	91	200
Contributions from non-controlling interests in consolidated investment funds	1,207	9,575
Cash dividend paid	(7,563)	(7,257)
Cash dividend paid to non-controlling interests	(382)	(378)
Distributions to non-controlling interests in consolidated investment funds	(3,183)	(13,910)
Purchase of treasury stock	(10,022)	(8,003)
Proceeds from sale of interests in subsidiaries to non-controlling interests	—	30
Payments for purchase of interests in subsidiaries from non-controlling interests	(1,948)	(492)
Others	690	(398)
Net cash generated from financing activities	<u>31,485</u>	<u>3,535</u>
Net increase in cash and cash equivalents	1,765	51,708
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	(5,368)	(9,389)
Transfer to assets held for sale	(2,244)	—
Cash and cash equivalents at the end of the period	<u><u>284,979</u></u>	<u><u>290,369</u></u>

Notes to Interim Condensed Consolidated Financial Statements

1. Revenue

	Six months ended September 30, 2015	Six months ended September 30, 2016
	Millions of yen	Millions of yen
Revenue		
Financial income		
Interest income (Note)	35,024	37,190
Dividends received	1,259	658
Income arising from financial assets at FVTPL	(6,076)	(2,261)
Gain from trading	10,066	8,662
Total financial income	40,273	44,249
Revenue arising on insurance contracts	20,657	26,589
Revenue from rendering of services	40,220	33,937
Others	14,033	16,509
Total revenue	115,183	121,284

(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.