

# SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

## INTERIM RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED DECEMBER 31, 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 nine months ended December 31, 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	%
Nine months ended December 31, 2016	193,570	8.0	33,405	8.9	21,877	7.2	25,134	24.1
Nine months ended December 31, 2015	179,179	2.7	30,661	(38.1)	20,414	(35.9)	20,254	(42.9)

	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, 2016	19,784	82.4	123.09	113.22
Nine months ended December 31, 2015	10,848	(80.1)	95.29	87.70

#### (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, 2016	3,477,215	407,363	368,757	10.6
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	—	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)	: December 31, 2016	: 224,561,761 shares
	: March 31, 2016	: 224,561,761 shares
(2) Number of treasury stock	: December 31, 2016	: 23,351,960 shares
	: March 31, 2016	: 17,211,580 shares
(3) Average number of shares outstanding	: Nine months ended December 31, 2016	: 204,185,932 shares
	: Nine months ended December 31, 2015	: 212,553,719 shares

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

*As of the date of this announcement, the results for the nine months ended December 31, 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 nine months ended December 31, 2016 were as follow. Revenue increased 8.0% year-on-year to ¥193,570 million, profit before income tax expense increased 8.9% to ¥33,405 million, and profit attributable to owners of the Company increased 24.1% to ¥25,134 million.

The results of operations for each reporting segment of the Group for the nine months ended December 31, 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 nine months ended December 31, 2015, is restated in accordance with the new basis of segmentation.

	Revenue			Profit before income tax expense		
	Nine months ended December 31, 2015	Nine months ended December 31, 2016		Nine months ended December 31, 2015	Nine months ended December 31, 2016	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	120,468	<b>129,315</b>	<b>7.3</b>	37,736	<b>37,426</b>	<b>(0.8)</b>
Asset Management Business	54,921	<b>60,058</b>	<b>9.4</b>	2,598	<b>9,622</b>	<b>270.3</b>
Biotechnology-related Business	3,633	<b>4,805</b>	<b>32.3</b>	(2,453)	<b>(5,947)</b>	—
Total	179,022	<b>194,178</b>	<b>8.5</b>	37,881	<b>41,101</b>	<b>8.5</b>
Others	2,001	<b>674</b>	<b>(66.3)</b>	(662)	<b>(693)</b>	—
Elimination	(1,844)	<b>(1,282)</b>	—	(6,558)	<b>(7,003)</b>	—
Consolidation	179,179	<b>193,570</b>	<b>8.0</b>	30,661	<b>33,405</b>	<b>8.9</b>

(% 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 nine months ended December 31, 2016 were as follows. Revenue increased 7.3% year-on-year to ¥129,315 million, and profit before income tax expense decreased 0.8% to ¥37,426 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 nine months ended December 31, 2016 were as follows. Revenue increased 9.4% year-on-year to ¥60,058 million, and profit before income tax expense increased 270.3% year-on-year to ¥9,622 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 nine months ended December 31, 2016 were as follows. Revenue increased 32.3% year-on-year to ¥4,805 million, and loss before income tax expense amounted to ¥5,947 million for the nine months ended December 31, 2016 (¥2,453 million of loss before income tax expense for the nine months ended December 31, 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 December 31, 2016, total assets amounted to ¥3,477,215 million and increased by ¥350,431 million from total assets of ¥3,126,784 million as at March 31, 2016. The Group's equity decreased by ¥11,700 million to ¥407,363 million from the fiscal year ended March 31, 2016. As at December 31, 2016, the Group's cash and cash equivalents amounted to ¥283,131 million and increased by ¥35,081 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 ¥25,408 million in net cash inflows (¥5,469 million in net cash outflows for the nine months ended December 31, 2015). The net cash inflows were primarily due to a ¥57,042 million cash inflow from customer deposits in the banking business and a ¥47,677 million cash inflow from an increase in operational liabilities and other liabilities, despite a ¥74,821 million cash an outflow from an increase in accounts receivables and other receivables.

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

Cash flows from investing activities amounted to ¥5,157 million in net cash inflows (¥27,104 million in net cash inflows for the nine months ended December 31, 2015). The net cash inflows were primarily due to a ¥51,307 million cash inflow from proceeds from sales or redemption of investment securities, despite a ¥57,190 million cash outflow from purchases of investment securities.

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

Cash flows from financing activities amounted to ¥5,406 million in net cash inflows (¥27,078 million in net cash outflows for the nine months ended December 31, 2015). The net cash inflows were primarily due to a ¥ 80,887 million cash inflow from proceeds from bond issuance and a ¥29,969 million cash inflow from proceeds from long-term loans payable, despite a ¥53,620 million cash outflow from redemption of bonds payable and a ¥23,722 million cash outflow from repayment of long-term loans payable.

## 2. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	As at March 31, 2016	As at December 31, 2016
	Millions of Yen	Millions of Yen
<b>Assets</b>		
Cash and cash equivalents	248,050	283,131
Trade and other accounts receivable	369,006	431,744
Assets related to securities business		
Cash segregated as deposits	1,139,908	1,427,801
Margin transaction assets	516,843	460,299
Other assets related to securities business	251,924	246,805
Total assets related to securities business	1,908,675	2,134,905
Other financial assets	29,215	28,906
Operational investment securities	118,886	101,475
Other investment securities	173,907	187,869
Investments accounted for using the equity method	43,853	85,579
Investment properties	12,027	7,952
Property and equipment	11,778	9,953
Intangible assets	188,454	182,579
Other assets	22,607	22,806
Deferred tax assets	326	316
<b>Total assets</b>	<b>3,126,784</b>	<b>3,477,215</b>
<b>Liabilities</b>		
Bonds and loans payable	324,585	359,350
Trade and other accounts payable	38,759	87,221
Liabilities related to securities business		
Margin transaction liabilities	85,677	156,625
Loans payable secured by securities	344,423	221,610
Deposits from customers	573,957	783,826
Guarantee deposits received	533,862	626,596
Other liabilities related to securities business	222,424	199,970
Total liabilities related to securities business	1,760,343	1,988,627
Customer deposits for banking business	386,027	439,188
Insurance contract liability	154,133	150,413
Income tax payable	7,066	4,979
Other financial liabilities	12,899	17,039
Other liabilities	13,396	11,250
Deferred tax liabilities	10,513	11,785
<b>Total liabilities</b>	<b>2,707,721</b>	<b>3,069,852</b>
<b>Equity</b>		
Capital stock	81,681	81,681
Capital surplus	145,735	135,534
Treasury stock	(19,132)	(26,523)
Other component of equity	17,107	16,011
Retained earnings	146,199	162,054
Equity attributable to owners of the Company	371,590	368,757
Non-controlling interests	47,473	38,606
<b>Total equity</b>	<b>419,063</b>	<b>407,363</b>
<b>Total liabilities and equity</b>	<b>3,126,784</b>	<b>3,477,215</b>

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

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
	Millions of Yen	Millions of Yen
Revenue	179,179	<b>193,570</b>
Expense		
Financial cost associated with financial income	(12,274)	<b>(10,601)</b>
Operating cost	(56,842)	<b>(71,058)</b>
Selling, general and administrative expenses	(71,673)	<b>(71,068)</b>
Other financial cost	(3,495)	<b>(2,678)</b>
Other expenses	(5,905)	<b>(7,103)</b>
Total expense	(150,189)	<b>(162,508)</b>
Share of the profit of associates and joint ventures accounted for using the equity method	1,671	<b>2,343</b>
Profit before income tax expense	30,661	<b>33,405</b>
Income tax expense	(10,247)	<b>(11,528)</b>
Profit for the period	20,414	<b>21,877</b>
Profit for the period attributable to		
Owners of the Company	20,254	<b>25,134</b>
Non-controlling interests	160	<b>(3,257)</b>
Profit for the period	20,414	<b>21,877</b>
Earnings per share attributable to owners of the Company		
Basic (Yen)	95.29	<b>123.09</b>
Diluted (Yen)	87.70	<b>113.22</b>

## Interim Condensed Consolidated Statement of Comprehensive Income

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
	Millions of Yen	Millions of Yen
Profit for the period	20,414	<b>21,877</b>
Items that will not be reclassified subsequently to profit or loss		
Fair value through other comprehensive income ("FVTOCI") financial assets	289	<b>53</b>
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(9,128)	<b>(1,971)</b>
Share of other comprehensive income of associates and joint ventures	(727)	<b>(175)</b>
Other comprehensive income, net of tax	(9,566)	<b>(2,093)</b>
Total comprehensive income	10,848	<b>19,784</b>
Total comprehensive income attributable to		
Owners of the Company	10,759	<b>24,039</b>
Non-controlling interests	89	<b>(4,255)</b>
Total comprehensive income	10,848	<b>19,784</b>

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

Nine months ended December 31, 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	—	—	—	—	20,254	20,254	160	20,414
Other comprehensive income	—	—	—	(9,495)	—	(9,495)	(71)	(9,566)
Total comprehensive income	—	—	—	(9,495)	20,254	10,759	89	10,848
Change in scope of consolidation	—	—	—	—	—	—	3,387	3,387
Dividends paid	—	—	—	—	(9,715)	(9,715)	(6,042)	(15,757)
Treasury shares purchased	—	—	(10,029)	—	—	(10,029)	—	(10,029)
Treasury shares sold	—	111	1,020	—	—	1,131	—	1,131
Changes of interests in subsidiaries without losing control	—	(1,574)	—	—	—	(1,574)	403	(1,171)
Transfer	—	—	—	(460)	460	—	—	—
As at December 31, 2015	81,681	147,213	(14,146)	26,979	132,336	374,063	44,961	419,024

Nine months ended December 31, 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	—	—	—	—	25,134	25,134	(3,257)	21,877
Other comprehensive income	—	—	—	(1,095)	—	(1,095)	(998)	(2,093)
Total comprehensive income	—	—	—	(1,095)	25,134	24,039	(4,255)	19,784
Change in scope of consolidation	—	(4)	—	—	—	(4)	(1,303)	(1,307)
Dividends paid	—	—	—	—	(9,280)	(9,280)	(21,230)	(30,510)
Treasury shares purchased	—	—	(8,012)	—	—	(8,012)	—	(8,012)
Treasury shares sold	—	36	621	—	—	657	—	657
Changes of interests in subsidiaries without losing control	—	(10,233)	—	—	—	(10,233)	17,921	7,688
Transfer	—	—	—	(1)	1	—	—	—
As at December 31, 2016	81,681	135,534	(26,523)	16,011	162,054	368,757	38,606	407,363



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

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
	Millions of Yen	Millions of Yen
Net cash (used in) generated from operating activities		
Profit before income tax expense	30,661	33,405
Depreciation and amortization	8,255	7,860
Share of profits of associates and joint ventures accounted for using the equity method	(1,671)	(2,343)
Interest and dividend income	(54,356)	(58,637)
Interest expense	15,768	13,279
Decrease (Increase) in operational investment securities	7,703	(18,776)
Increase in accounts receivables and other receivables	(33,215)	(74,821)
Increase in operational liabilities and other liabilities	52,468	47,677
(Increase) Decrease in assets/liabilities related to securities business	(69,256)	1,743
Decrease in customer deposits in the banking business	29,403	57,042
Others	(10,275)	(15,260)
Subtotal	(24,515)	(8,831)
Interest and dividend income received	53,393	58,332
Interest expense paid	(15,091)	(11,485)
Income taxes paid	(19,256)	(12,608)
Net cash (used in) generated from operating activities	(5,469)	25,408
Net cash generated from investing activities		
Purchases of intangible assets	(3,986)	(4,156)
Purchases of investment securities	(35,609)	(57,190)
Proceeds from sales or redemption of investment securities	56,354	51,307
Acquisition of subsidiaries, net of cash and cash equivalents acquired	586	(1,968)
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	376	3,344
Payments of loans receivable	(409)	(3,969)
Collection of loans receivable	831	5,197
Net increase in payables under securities lending transactions	-	3,311
Others	8,961	9,281
Net cash generated from investing activities	27,104	5,157

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
	Millions of Yen	Millions of Yen
Net cash (used in) generated from financing activities		
(Decrease) increase in short term loans payable	(48,051)	505
Proceeds from long-term loans payable	32,967	29,969
Repayment of long-term loans payable	(4,485)	(23,722)
Proceeds from bond issuance	19,984	80,887
Redemption of bonds payable	(4,068)	(53,620)
Proceeds from stock issuance to non-controlling interests	91	212
Contributions from non-controlling interests in consolidated investment funds	5,232	11,659
Cash dividend paid	(9,640)	(9,230)
Cash dividend paid to non-controlling interests	(382)	(378)
Distributions to non-controlling interests in consolidated investment funds	(5,496)	(20,885)
Purchase of treasury stock	(10,029)	(8,012)
Proceeds from sale of interests in subsidiaries to non-controlling interests	—	30
Payments for purchase of interests in subsidiaries from non-controlling interests	(3,670)	(2,272)
Others	469	263
Net cash (used in) generated from financing activities	(27,078)	5,406
Net (decrease) increase in cash and cash equivalents	(5,443)	35,971
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	(4,893)	(890)
Cash and cash equivalents at the end of the period	280,490	283,131

## Notes to Interim Condensed Consolidated Financial Statements

### 1. Revenue

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
	Millions of yen	Millions of yen
Revenue		
Financial income		
Interest income (Note)	52,791	<b>57,789</b>
Dividends received	1,622	<b>1,051</b>
Income arising from financial assets at FVTPL	(1,115)	<b>6,744</b>
Gain from trading	14,698	<b>13,811</b>
Total financial income	67,996	<b>79,395</b>
Revenue arising on insurance contracts	32,583	<b>38,710</b>
Revenue from rendering of services	56,835	<b>51,638</b>
Others	21,765	<b>23,827</b>
Total revenue	<u>179,179</u>	<u><b>193,570</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.