

SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED JUNE 30, 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 three months ended June 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	%
Three months ended June 30, 2017	68,917	7.7	14,750	45.6	10,312	100.8	12,006	55.5
Three months ended June 30, 2016	63,966	(4.1)	10,134	(31.8)	5,135	(55.8)	7,722	(33.2)

	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, 2017	6,698	—	58.96		53.78	
Three months ended June 30, 2016	(12,721)	—	37.24		34.29	

(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, 2017	3,967,781	412,633	378,673	9.5
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	—				
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)	: June 30, 2017	: 224,561,761shares
	: March 31, 2017	: 224,561,761shares
(2) Number of treasury stock	: June 30, 2017	: 20,889,823shares
	: March 31, 2017	: 20,954,080shares
(3) Average number of shares outstanding	: Three months ended June 30, 2017	: 203,630,538shares
	: Three months ended June 30, 2016	: 207,354,741shares

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 three months ended June 30, 2017 were as follow. Revenue increased 7.7% year-on-year to ¥68,917 million, profit before income tax expense increased 45.6% to ¥14,750 million, and profit attributable to owners of the Company increased 55.5% to ¥12,006 million.

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

Certain subsidiaries, including 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 three months ended June 30, 2017, is restated in accordance with the new basis of segmentation.

	Revenue			Profit before income tax expense		
	Three months ended June 30, 2016	Three months ended June 30, 2017		Three months ended June 30, 2016	Three months ended June 30, 2017	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	42,027	50,423	20.0	13,249	14,238	7.5
Asset Management Business	22,026	18,406	(16.4)	3,152	5,520	75.2
Biotechnology-related Business	308	652	111.5	(3,530)	(2,841)	—
Total	64,361	69,481	8.0	12,871	16,917	31.4
Others	87	120	37.7	(390)	(200)	—
Elimination	(482)	(684)	—	(2,347)	(1,967)	—
Consolidation	63,966	68,917	7.7	10,134	14,750	45.6

(% 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 three months ended June 30, 2017 were as follows. Revenue increased 20.0% year-on-year to ¥50,423 million, and profit before income tax expense increased 7.5% to ¥14,238 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 information regarding financial products.

The results of operations of the Asset Management Business for the three months ended June 30, 2017 were as follows. Revenue decreased 16.4% year-on-year to ¥18,406 million, and profit before income tax expense increased 75.2% year-on-year to ¥5,520 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, 2017 were as follows. Revenue increased 111.5% year-on-year to ¥652 million, and loss before income tax expense amounted to ¥2,841 million for the three months ended June 30, 2017 (¥3,530 million of loss before income tax expense for the three months ended June 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 June 30, 2017, total assets amounted to ¥3,967,781 million and increased by ¥117,780 million from total assets of ¥3,850,001 million as at March 31, 2017. The Group's equity decreased by ¥2,891 million to ¥412,633 million from the fiscal year ended March 31, 2017. As at June 30, 2017, the Group's cash and cash equivalents amounted to ¥293,592 million and decreased by ¥97,980 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 ¥5,543 million in net cash outflows (¥23,661 million in net cash outflows for the three months ended June 30, 2016). The net cash outflows were primarily due to a ¥18,315 million cash outflow from an increase in assets/liabilities related to securities business and a ¥16,251 million cash outflow from an increase in accounts receivables and other receivables, despite a ¥27,671 million cash inflow from an increase in operational liabilities and other liabilities.

(Investing Cash Flows)

Cash flows from investing activities amounted to ¥5,598 million in net cash inflows (¥8,394 million in net cash outflows for the three months ended June 30, 2016). The net cash inflows were primarily due to a ¥18,611 million cash inflow from proceeds from sales or redemption of investment securities, despite a ¥14,468 million cash outflow from purchases of investment securities.

(Financing Cash Flows)

Cash flows from financing activities amounted to ¥97,156 million in net cash outflows (¥39,730 million in net cash inflows for the three months ended June 30, 2016). The net cash outflows were primarily due to a ¥120,829 million cash outflow from a decrease in short term loans payable, despite a ¥31,405 million cash inflow from proceeds from bond issuance.

2. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(1) Condensed Interim Consolidated Statement of Financial Position

	As at March 31, 2017	As at June 30, 2017
	Millions of Yen	Millions of Yen
Assets		
Cash and cash equivalents	391,572	293,592
Trade and other accounts receivable	472,128	478,747
Assets related to securities business		
Cash segregated as deposits	1,399,851	1,509,525
Margin transaction assets	617,550	560,228
Other assets related to securities business	315,640	474,956
Total assets related to securities business	2,333,041	2,544,709
Other financial assets	30,050	30,729
Operational investment securities	111,067	118,531
Other investment securities	186,512	182,949
Investments accounted for using the equity method	90,394	91,240
Investment properties	7,105	6,890
Property and equipment	10,498	10,506
Intangible assets	185,493	182,350
Other assets	28,392	26,631
Deferred tax assets	3,749	907
Total assets	3,850,001	3,967,781
Liabilities		
Bonds and loans payable	518,977	432,000
Trade and other accounts payable	52,887	82,534
Liabilities related to securities business		
Margin transaction liabilities	135,698	150,726
Loans payable secured by securities	399,673	364,229
Deposits from customers	738,144	809,349
Guarantee deposits received	600,621	679,316
Other liabilities related to securities business	304,476	368,333
Total liabilities related to securities business	2,178,612	2,371,953
Customer deposits for banking business	485,827	476,895
Insurance contract liability	147,573	146,593
Income tax payable	10,040	2,218
Other financial liabilities	14,663	16,658
Other liabilities	11,946	12,640
Deferred tax liabilities	13,952	13,657
Total liabilities	3,434,477	3,555,148
Equity		
Capital stock	81,681	81,681
Capital surplus	128,004	128,349
Treasury stock	(23,801)	(23,729)
Other components of equity	22,720	19,122
Retained earnings	169,388	173,250
Equity attributable to owners of the Company	377,992	378,673
Non-controlling interests	37,532	33,960
Total equity	415,524	412,633
Total liabilities and equity	3,850,001	3,967,781

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

	Three months ended June 30, 2016	Three months ended June 30, 2017
	Millions of Yen	Millions of Yen
Revenue	63,966	68,917
Expense		
Financial cost associated with financial income	(3,147)	(4,058)
Operating cost	(22,553)	(25,927)
Selling, general and administrative expenses	(24,607)	(23,247)
Other financial cost	(969)	(852)
Other expenses	(3,599)	(685)
Total expense	<u>(54,875)</u>	<u>(54,769)</u>
Share of the profit of associates and joint ventures accounted for using the equity method	1,043	602
Profit before income tax expense	<u>10,134</u>	<u>14,750</u>
Income tax expense	(4,999)	(4,438)
Profit for the period	<u>5,135</u>	<u>10,312</u>
Profit for the period attributable to		
Owners of the Company	7,722	12,006
Non-controlling interests	(2,587)	(1,694)
Profit for the period	<u>5,135</u>	<u>10,312</u>
Earnings per share attributable to owners of the Company		
Basic (Yen)	37.24	58.96
Diluted (Yen)	34.29	53.78

Condensed Interim Consolidated Statement of Comprehensive Income

	Three months ended June 30, 2016	Three months ended June 30, 2017
	Millions of Yen	Millions of Yen
Profit for the period	5,135	10,312
Items that will not be reclassified subsequently to profit or loss		
Fair value through other comprehensive income ("FVTOCI") financial assets	13	(2)
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(16,788)	(3,518)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,081)	(94)
Other comprehensive income, net of tax	(17,856)	(3,614)
Total comprehensive income	(12,721)	6,698
Total comprehensive income attributable to		
Owners of the Company	(10,031)	8,408
Non-controlling interests	(2,690)	(1,710)
Total comprehensive income	(12,721)	6,698

(3) Condensed Interim Consolidated Statement of Changes in Equity

Three months ended June 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	—	—	—	—	7,722	7,722	(2,587)	5,135
Other comprehensive income	—	—	—	(17,753)	—	(17,753)	(103)	(17,856)
Total comprehensive income	—	—	—	(17,753)	7,722	(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	<u>81,681</u>	<u>145,652</u>	<u>(19,119)</u>	<u>(647)</u>	<u>146,651</u>	<u>354,218</u>	<u>44,575</u>	<u>398,793</u>

Three months ended June 30, 2017

	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, 2017	81,681	128,004	(23,801)	22,720	169,388	377,992	37,532	415,524
Profit for the period	—	—	—	—	12,006	12,006	(1,694)	10,312
Other comprehensive income	—	—	—	(3,598)	—	(3,598)	(16)	(3,614)
Total comprehensive income	—	—	—	(3,598)	12,006	8,408	(1,710)	6,698
Dividends paid	—	—	—	—	(8,144)	(8,144)	(1,635)	(9,779)
Treasury shares purchased	—	—	(4)	—	—	(4)	—	(4)
Treasury shares sold	—	7	76	—	—	83	—	83
Changes of interests in subsidiaries without losing control	—	338	—	—	—	338	(227)	111
As at June 30, 2017	<u>81,681</u>	<u>128,349</u>	<u>(23,729)</u>	<u>19,122</u>	<u>173,250</u>	<u>378,673</u>	<u>33,960</u>	<u>412,633</u>

(4) Condensed Interim Consolidated Statement of Cash flows

	Three months ended June 30, 2016	Three months ended June 30, 2017
	Millions of Yen	Millions of Yen
Net cash used in operating activities		
Profit before income tax expense	10,134	14,750
Depreciation and amortization	2,611	2,720
Share of profits of associates and joint ventures accounted for using the equity method	(1,043)	(602)
Interest and dividend income	(18,743)	(24,483)
Interest expense	4,115	4,911
Increase in operational investment securities	(5,544)	(7,192)
Increase in accounts receivables and other receivables	(26,367)	(16,251)
Increase in operational liabilities and other liabilities	13,417	27,671
Increase in assets/liabilities related to securities business	(35,159)	(18,315)
Increase in customer deposits in the banking business	22,449	3,190
Others	1,473	(2,099)
Subtotal	(32,657)	(15,700)
Interest and dividend income received	18,606	24,253
Interest expense paid	(3,430)	(4,377)
Income taxes paid	(6,180)	(9,719)
Net cash used in operating activities	(23,661)	(5,543)
Net cash (used in) generated from investing activities		
Purchases of intangible assets	(1,382)	(1,664)
Purchases of investment securities	(32,878)	(14,468)
Proceeds from sales or redemption of investment securities	29,351	18,611
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(69)	(82)
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	(2,137)	(54)
Payments of loans receivable	(1,599)	(990)
Collection of loans receivable	254	980
Net increase in payables under securities lending transactions	—	3,798
Others	66	(533)
Net cash (used in) generated from investing activities	(8,394)	5,598

	Three months ended June 30, 2016	Three months ended June 30, 2017
	Millions of Yen	Millions of Yen
Net cash generated from (used in) financing activities		
Increase (decrease) in short term loans payable	23,319	(120,829)
Proceeds from long-term loans payable	2,467	3,163
Repayment of long-term loans payable	(526)	(509)
Proceeds from bond issuance	42,171	31,405
Redemption of bonds payable	(20,075)	(450)
Proceeds from stock issuance to non-controlling interests	200	—
Contributions from non-controlling interests in consolidated investment funds	3,631	122
Cash dividend paid	(7,053)	(7,941)
Cash dividend paid to non-controlling interests	(375)	(406)
Distributions to non-controlling interests in consolidated investment funds	(3,531)	(1,225)
Purchase of treasury stock	(2)	(4)
Proceeds from sale of interests in subsidiaries to non-controlling interests	30	155
Payments for purchase of interests in subsidiaries from non-controlling interests	(242)	(150)
Others	(284)	(487)
Net cash generated from (used in) financing activities	<u>39,730</u>	<u>(97,156)</u>
Net increase (decrease) in cash and cash equivalents	7,675	(97,101)
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	(9,421)	(879)
Cash and cash equivalents at the end of the period	<u><u>246,304</u></u>	<u><u>293,592</u></u>

(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 presented 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 three months ended June 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

	Three months ended June 30, 2016	Three months ended June 30, 2017
	Millions of yen	Millions of yen
Revenue		
Financial income		
Interest income (Note)	18,243	23,311
Dividends received	420	1,089
Income arising from financial assets at FVTPL	(2,922)	3,662
Gain from trading	4,795	3,962
Others	—	4
Total financial income	20,536	32,028
Revenue arising on insurance contracts	14,733	16,277
Revenue from rendering of services	17,445	19,064
Others	11,252	1,548
Total revenue	<u>63,966</u>	<u>68,917</u>

(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.