

SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED DECEMBER 31, 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 nine months ended December 31, 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	%
Nine months ended December 31, 2017	247,125	27.7	50,623	51.5	41,142	88.1	36,465	45.1
Nine months ended December 31, 2016	193,570	8.0	33,405	8.9	21,877	7.2	25,134	24.1

	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, 2017	52,502	165.4	174.54	156.84
Nine months ended December 31, 2016	19,784	82.4	123.09	113.22

(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, 2017	4,331,537	484,831	432,163	10.0
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	—	15.00	—		
Fiscal Year ending March 31, 2018 (forecast) (Note)				55.00	70.00

(Note) The year-end dividend forecast of 70 yen consists of common dividend.

3. Total number of shares outstanding (Common stock)

(1) Number of shares outstanding (including treasury stock)	: December 31, 2017	: 224,561,761shares
	: March 31, 2017	: 224,561,761shares
(2) Number of treasury stock	: December 31, 2017	: 4,616,886shares
	: March 31, 2017	: 20,954,080shares
(3) Average number of shares outstanding	: Nine months ended December 31, 2017	: 208,919,606shares
	: Nine months ended December 31, 2016	: 204,185,932shares

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 nine months ended December 31, 2017 were as follow. Revenue increased 27.7% year-on-year to ¥247,125 million, profit before income tax expense increased 51.5% to ¥50,623 million, and profit attributable to owners of the Company increased 45.1% to ¥36,465 million.

The results of operations for each reporting segment of the Group for the nine months ended December 31, 2017 were as follow.

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 nine months ended December 31, 2016, is restated in accordance with the new basis of segmentation.

	Revenue			Profit before income tax expense		
	Nine months ended December 31, 2016	Nine months ended December 31, 2017		Nine months ended December 31, 2016	Nine months ended December 31, 2017	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	131,453	158,437	20.5	37,395	46,695	24.9
Asset Management Business	57,920	86,895	50.0	9,653	43,056	346.0
Biotechnology-related Business	4,805	3,658	(23.9)	(5,947)	(31,553)	—
Total	194,178	248,990	28.2	41,101	58,198	41.6
Others	674	419	(37.8)	(693)	(769)	—
Elimination	(1,282)	(2,284)	—	(7,003)	(6,806)	—
Consolidation	193,570	247,125	27.7	33,405	50,623	51.5

(% 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 nine months ended December 31, 2017 were as follows. Revenue increased 20.5% year-on-year to ¥158,437 million, and profit before income tax expense increased 24.9% to ¥46,695 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 financial products information.

The results of operations of the Asset Management Business for the nine months ended December 31, 2017 were as follows. Revenue increased 50.0% year-on-year to ¥86,895 million, and profit before income tax expense increased 346.0% year-on-year to ¥43,056 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, 2017 were as follows. Revenue decreased 23.9% year-on-year to ¥3,658 million, and loss before income tax expense amounted to ¥31,553 million for the nine months ended December 31, 2017 (¥5,947 million of loss before income tax expense for the nine months ended December 31, 2016).

An impairment loss of ¥24,242 million was recognized in the Biotechnology-related Business as the recoverable amount of certain associates and intangible assets fell below the carrying amount at December 31, 2017.

- * 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, 2017, total assets amounted to ¥4,331,537 million and increased by ¥481,536 million from total assets of ¥3,850,001 million as at March 31, 2017. The Group's equity increased by ¥69,307 million to ¥484,831 million from the fiscal year ended March 31, 2017. As at December 31, 2017, the Group's cash and cash equivalents amounted to ¥343,264 million and decreased by ¥48,308 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 ¥5,927 million in net cash inflows (¥25,408 million in net cash inflows for the nine months ended December 31, 2016). The net cash inflows were primarily due to a ¥87,119 million cash inflow from an increase in trade and other accounts payable and a ¥50,623 million cash inflow from a profit before income tax expense, despite a ¥67,271 million cash outflow from an increase in assets/liabilities related to securities business and a ¥46,293 million cash outflow from an increase in trade and other accounts receivable.

(Investing Cash Flows)

Cash flows from investing activities amounted to ¥166 million in net cash outflows (¥5,157 million in net cash inflows for the nine months ended December 31, 2016). The net cash outflows were primarily due to a ¥32,692 million cash outflow from purchases of investment securities and a ¥10,593 million cash outflow from payments of loans receivable, despite a ¥37,114 million cash outflow from proceeds from sales or redemption of investment securities.

(Financing Cash Flows)

Cash flows from financing activities amounted to ¥57,032 million in net cash outflows (¥5,406 million in net cash inflows for the nine months ended December 31, 2016). The net cash outflows were primarily due to a ¥129,834 million cash outflow from a decrease in short term loans payable, despite a ¥86,580 million cash inflow from proceeds from bond issuance.

2. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(1) Interim Condensed Consolidated Statement of Financial Position

	As at March 31, 2017	As at December 31, 2017
	Millions of Yen	Millions of Yen
Assets		
Cash and cash equivalents	391,572	343,264
Trade and other accounts receivable	472,128	549,280
Assets related to securities business		
Cash segregated as deposits	1,399,851	1,646,115
Margin transaction assets	617,550	693,621
Other assets related to securities business	315,640	408,220
Total assets related to securities business	2,333,041	2,747,956
Other financial assets	30,050	33,137
Operational investment securities	111,067	158,485
Other investment securities	186,512	190,163
Investments accounted for using the equity method	90,394	73,167
Investment properties	7,105	2,327
Property and equipment	10,498	11,733
Intangible assets	185,493	186,013
Other assets	28,392	35,489
Deferred tax assets	3,749	523
Total assets	3,850,001	4,331,537
Liabilities		
Bonds and loans payable	518,977	448,146
Trade and other accounts payable	52,887	141,896
Liabilities related to securities business		
Margin transaction liabilities	135,698	156,937
Loans payable secured by securities	399,673	465,587
Deposits from customers	738,144	893,290
Guarantee deposits received	600,621	718,824
Other liabilities related to securities business	304,476	291,597
Total liabilities related to securities business	2,178,612	2,526,235
Customer deposits for banking business	485,827	538,106
Insurance contract liabilities	147,573	144,657
Income tax payable	10,040	5,344
Other financial liabilities	14,663	16,795
Other liabilities	11,946	12,356
Deferred tax liabilities	13,952	13,171
Total liabilities	3,434,477	3,846,706
Equity		
Capital stock	81,681	81,681
Capital surplus	128,004	127,693
Treasury stock	(23,801)	(5,671)
Other components of equity	22,720	34,008
Retained earnings	169,388	194,452
Equity attributable to owners of the Company	377,992	432,163
Non-controlling interests	37,532	52,668
Total equity	415,524	484,831
Total liabilities and equity	3,850,001	4,331,537

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

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
	Millions of Yen	Millions of Yen
Revenue	193,570	247,125
Expense		
Financial cost associated with financial income	(10,601)	(13,450)
Operating cost	(71,058)	(81,966)
Selling, general and administrative expenses	(71,068)	(73,107)
Other financial cost	(2,678)	(2,638)
Other expenses	(7,103)	(27,157)
Total expense	(162,508)	(198,318)
Share of the profit of associates and joint ventures accounted for using the equity method	2,343	1,816
Profit before income tax expense	33,405	50,623
Income tax expense	(11,528)	(9,481)
Profit for the period	21,877	41,142
Profit for the period attributable to		
Owners of the Company	25,134	36,465
Non-controlling interests	(3,257)	4,677
Profit for the period	21,877	41,142
Earnings per share attributable to owners of the Company		
Basic (Yen)	123.09	174.54
Diluted (Yen)	113.22	156.84

Interim Condensed Consolidated Statement of Comprehensive Income

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
	Millions of Yen	Millions of Yen
Profit for the period	21,877	41,142
Items that will not be reclassified subsequently to profit or loss		
Fair value through other comprehensive income ("FVTOCI") financial assets	53	757
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(1,971)	9,734
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(175)	869
Other comprehensive income, net of tax	(2,093)	11,360
Total comprehensive income	19,784	52,502
Total comprehensive income attributable to		
Owners of the Company	24,039	47,753
Non-controlling interests	(4,255)	4,749
Total comprehensive income	19,784	52,502

(3) Condensed Interim Consolidated Statement of Changes in Equity

Nine months ended December 31, 2016

	Attributable to owners of the Company							Total equity
	Capital stock	Capital surplus	Treasury stock	Other components of equity	Retained earnings	Total	Non-controlling interests	
	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 to retained earnings	—	—	—	(1)	1	—	—	—
As at December 31, 2016	81,681	135,534	(26,523)	16,011	162,054	368,757	38,606	407,363

Nine months ended December 31, 2017

	Attributable to owners of the Company							Total equity
	Capital stock	Capital surplus	Treasury stock	Other components of equity	Retained earnings	Total	Non-controlling interests	
	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	—	—	—	—	36,465	36,465	4,677	41,142
Other comprehensive income	—	—	—	11,288	—	11,288	72	11,360
Total comprehensive income	—	—	—	11,288	36,465	47,753	4,749	52,502
Issuance of convertible bonds	—	1,716	—	—	—	1,716	—	1,716
Conversion of convertible bonds	—	4,111	25,889	—	—	30,000	—	30,000
Change in scope of consolidation	—	—	—	—	—	—	399	399
Dividends paid	—	—	—	—	(11,401)	(11,401)	(2,658)	(14,059)
Treasury shares purchased	—	—	(9,624)	—	—	(9,624)	—	(9,624)
Treasury shares sold	—	71	1,865	—	—	1,936	—	1,936
Share-based payment transactions	—	305	—	—	—	305	—	305
Changes of interests in subsidiaries without losing control	—	(6,514)	—	—	—	(6,514)	12,646	6,132
As at December 31, 2017	<u>81,681</u>	<u>127,693</u>	<u>(5,671)</u>	<u>34,008</u>	<u>194,452</u>	<u>432,163</u>	<u>52,668</u>	<u>484,831</u>

(4) Interim Condensed Consolidated Statement of Cash flows

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
	Millions of Yen	Millions of Yen
Net cash generated from operating activities		
Profit before income tax expense	33,405	50,623
Depreciation and amortization	7,860	8,247
Share of profits of associates and joint ventures accounted for using the equity method	(2,343)	(1,816)
Interest and dividend income	(58,637)	(78,705)
Interest expense	13,279	16,088
Increase in operational investment securities	(18,776)	(45,054)
Increase in trade and other accounts receivable	(74,821)	(46,293)
Increase in trade and other accounts payable	47,677	87,119
Decrease (Increase) in assets/liabilities related to securities business	1,743	(67,271)
Increase in customer deposits for banking business	57,042	19,434
Others	(15,260)	13,853
Subtotal	(8,831)	(43,775)
Interest and dividend income received	58,332	77,494
Interest expense paid	(11,485)	(14,890)
Income taxes paid	(12,608)	(12,902)
Net cash generated from operating activities	25,408	5,927
Net cash generated from (used in) investing activities		
Purchases of intangible assets	(4,156)	(5,193)
Purchases of investment securities	(57,190)	(32,692)
Proceeds from sales or redemption of investment securities	51,307	37,114
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(1,968)	33
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	3,344	870
Payments of loans receivable	(3,969)	(10,593)
Collection of loans receivable	5,197	6,552
Net increase in payables under securities lending transactions	3,311	—
Others	9,281	3,743
Net cash generated from (used in) investing activities	5,157	(166)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
	Millions of Yen	Millions of Yen
Net cash generated from (used in) financing activities		
Increase (decrease) in short term loans payable	505	(129,834)
Proceeds from long-term loans payable	29,969	10,373
Repayment of long-term loans payable	(23,722)	(1,411)
Proceeds from bond issuance	80,887	86,580
Redemption of bonds payable	(53,620)	(4,906)
Proceeds from stock issuance to non-controlling interests	212	50
Contributions from non-controlling interests in consolidated investment funds	11,659	6,097
Cash dividend paid	(9,230)	(11,350)
Cash dividend paid to non-controlling interests	(378)	(409)
Distributions to non-controlling interests in consolidated investment funds	(20,885)	(2,249)
Purchase of treasury stock	(8,012)	(9,624)
Proceeds from sale of interests in subsidiaries to non-controlling interests	30	218
Payments for purchase of interests in subsidiaries from non-controlling interests	(2,272)	(156)
Others	263	(411)
Net cash generated from (used in) financing activities	<u>5,406</u>	<u>(57,032)</u>
Net increase (decrease) in cash and cash equivalents	35,971	(51,271)
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	(890)	2,963
Cash and cash equivalents at the end of the period	<u><u>283,131</u></u>	<u><u>343,264</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 adopted 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 nine months ended December 31, 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

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
	Millions of yen	Millions of yen
Financial income		
Interest income (Note)	57,789	75,503
Dividends received	1,051	2,944
Income arising from financial assets at FVTPL	6,744	39,147
Gain from trading	13,811	13,017
Others	—	100
Total financial income	79,395	130,711
Revenue arising on insurance contracts	38,710	47,276
Revenue from rendering of services	51,638	59,411
Others	23,827	9,727
Total revenue	193,570	247,125

(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.