

SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED JUNE 30, 2020

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, 2020.

(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, 2020	111,101	20.6	27,757	37.3	20,279	48.0	16,284	39.4
Three months ended June 30, 2019	92,127	0.9	20,217	(29.5)	13,705	(32.8)	11,677	(34.7)

	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, 2020	23,818	—	70.54	63.76
Three months ended June 30, 2019	726	(96.4)	51.16	45.83

(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, 2020	6,016,637	604,285	452,635	7.5
March 31, 2020	5,513,227	593,699	451,476	8.2

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, 2020	—	20.00	—	80.00	100.00
Fiscal year ending March 31, 2021	—				
Fiscal Year ending March 31, 2021 (forecast) (Note)		—	—	—	—

(Note) Fiscal year ending March 31, 2021 forecast is to be determined.

3. Total number of shares outstanding (Common stock)

(1) Number of shares outstanding (including treasury stock)	: June 30, 2020	: 236,556,393shares
	March 31, 2020	: 236,556,393shares
(2) Number of treasury stock	: June 30, 2020	: 5,672,181shares
	March 31, 2020	: 5,730,038shares
(3) Average number of shares outstanding	: Three months ended June 30, 2020	: 230,835,546shares
	Three months ended June 30, 2019	: 228,243,487shares

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, 2020 were as follow. Revenue increased 20.6% year-on-year to ¥111,101 million, profit before income tax expense increased 37.3% to ¥27,757 million and profit attributable to owners of the Company increased 39.4% to ¥16,284 million.

The results of operations for each reporting segment of the Group for the three months ended June 30, 2020 were as follow.

SBI Leasing Services Co., Ltd., which was included in the Financial Services Business until the previous reporting period, and SBI Crypto Investment Co., Ltd., which was included in the Others until the previous reporting period, are now included in the Asset Management Business beginning with this fiscal year. SBI CapitalBase Co., Ltd., which was included in the Others until the previous reporting period and changed its company name to SBI Equity Crowd Co., Ltd. on July 1, 2020, is now included in the Financial Services Business beginning with this fiscal year. Consequently, segment information for the three months ended June 30, 2019, is restated in accordance with the new basis of segmentation.

	Revenue			Profit before income tax expense		
	Three months ended June 30, 2019	Three months ended June 30, 2020		Three months ended June 30, 2019	Three months ended June 30, 2020	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	56,784	70,690	24.5	14,566	20,978	44.0
Asset Management Business	32,799	39,749	21.2	11,876	11,990	1.0
Biotechnology-related Business	714	771	7.9	(3,879)	(1,692)	—
Total	90,297	111,210	23.2	22,563	31,276	38.6
Others	2,615	864	(67.0)	828	(1,014)	—
Elimination or Corporate	(785)	(973)	—	(3,174)	(2,505)	—
Consolidated Total	92,127	111,101	20.6	20,217	27,757	37.3

(% 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, 2020 were as follows. Revenue increased 24.5% year-on-year to ¥70,690 million, and profit before income tax expense increased 44.0% to ¥20,978 million.

(Asset Management Business)

The Asset Management Business primarily consists of fund management and investment in Internet technology, fintech, blockchain, finance, and biotechnology-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 three months ended June 30, 2020 were as follows. Revenue increased 21.2% year-on-year to ¥39,749 million, and profit before income tax expense increased 1.0% year-on-year to ¥11,990 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, 2020 were as follows. Revenue increased 7.9% year-on-year to ¥771 million, and loss before income tax expense amounted to ¥1,692 million for the three months ended June 30, 2020 (¥3,879 million of loss before income tax expense for the three months ended June 30, 2019).

- * 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 Asian ginseng. ALA is also known as a chloroplastic substance in plants.

(2) Financial Conditions and Cash Flows

As at June 30, 2020, total assets amounted to ¥6,016,637 million and increased by ¥503,410 million from total assets of ¥5,513,227 million as at March 31, 2020. The Group's equity increased by ¥10,586 million to ¥604,285 million from the fiscal year ended March 31, 2020. As at June 30, 2020, the Group's cash and cash equivalents amounted to ¥782,307 million and decreased by ¥61,448 million from that of ¥843,755 million as at March 31, 2020. 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 ¥28,634 million in net cash outflows (¥62,972 million in net cash outflows for the three months ended June 30, 2019). The net cash outflows were primarily due to a ¥80,026 million cash outflow from an increase in accounts receivables and other receivables and a ¥43,804 million cash outflow from an increase in assets/liabilities related to securities business, despite a ¥71,511 million cash inflow from an increase in customer deposits in the banking business and a ¥29,484 million cash inflow from an increase in operational liabilities and other liabilities.

(Investing Cash Flows)

Cash flows from investing activities amounted to ¥14,423 million in net cash outflows (¥684 million in net cash inflows for the three months ended June 30, 2019). The net cash outflows were primarily due to a ¥9,825 million cash outflow from purchases of investment securities and a ¥6,783 million cash outflow from acquisition of subsidiaries, net of cash and cash equivalents acquired, despite a ¥6,596 million cash inflow from proceeds from sales or redemption of investment securities.

(Financing Cash Flows)

Cash flows from financing activities amounted to ¥19,383 million in net cash outflows (¥96,635 million in net cash inflows for the three months ended June 30, 2019). The net cash outflows were primarily due to a ¥18,200 million cash outflow from Cash dividends paid and a ¥77,298 million cash outflow from increase in short term loans payable, despite a ¥60,421 million cash inflow from proceeds from issuance of bonds payable.

2. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(1) Interim Condensed Consolidated Statement of Financial Position

	As at March 31, 2020 Millions of Yen	As at June 30, 2020 Millions of Yen
Assets		
Cash and cash equivalents	843,755	782,307
Trade and other accounts receivable	822,131	913,182
Assets related to securities business		
Cash segregated as deposits	1,726,040	1,896,413
Margin transaction assets	495,997	611,923
Other assets related to securities business	576,501	720,645
Total assets related to securities business	2,798,538	3,228,981
Other financial assets	40,994	47,244
Operational investment securities	394,923	411,983
Other investment securities	180,444	190,029
Investments accounted for using the equity method	63,657	66,458
Property and equipment	51,857	100,940
Intangible assets	190,278	199,777
Other assets	116,765	65,459
Deferred tax assets	9,885	10,277
Total assets	5,513,227	6,016,637
Liabilities		
Bonds and loans payable	1,149,050	1,182,228
Trade and other accounts payable	76,977	111,621
Liabilities related to securities business		
Margin transaction liabilities	150,699	208,105
Loans payable secured by securities	351,701	584,999
Deposits from customers	959,773	1,019,687
Guarantee deposits received	819,838	895,876
Other liabilities related to securities business	392,347	352,583
Total liabilities related to securities business	2,674,358	3,061,250
Customer deposits for banking business	734,221	816,444
Insurance contract liabilities	141,898	144,168
Income tax payable	11,373	5,853
Other financial liabilities	23,083	22,230
Other liabilities	88,925	46,652
Deferred tax liabilities	19,643	21,906
Total liabilities	4,919,528	5,412,352
Equity		
Capital stock	92,018	92,018
Capital surplus	139,993	139,709
Treasury stock	(13,874)	(13,734)
Other components of equity	(6,385)	(2,900)
Retained earnings	239,724	237,542
Equity attributable to owners of the Company	451,476	452,635
Non-controlling interests	142,223	151,650
Total equity	593,699	604,285
Total liabilities and equity	5,513,227	6,016,637

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

	Three months ended June 30, 2019 <hr/> Millions of Yen	Three months ended June 30, 2020 <hr/>Millions of Yen
Revenue (Interest income of ¥28,294 million and ¥31,581 million included for the three months ended June 30, 2019 and 2020, respectively)	92,127	111,101
Expense		
Financial cost associated with financial income	(5,908)	(6,399)
Provision for credit losses	(9,051)	(9,845)
Operating cost	(24,519)	(30,658)
Selling, general and administrative expenses	(29,948)	(36,742)
Other financial cost	(1,304)	(1,342)
Other expenses	(3,355)	(681)
Total expense	<hr/> (74,085)	<hr/> (85,667)
Share of the profit of associates and joint ventures accounted for using the equity method	2,175	2,323
Profit before income tax expense	<hr/> 20,217	<hr/> 27,757
Income tax expense	(6,512)	(7,478)
Profit for the period	<hr/> <hr/> 13,705	<hr/> <hr/> 20,279
Profit for the period attributable to		
Owners of the Company	11,677	16,284
Non-controlling interests	2,028	3,995
Profit for the period	<hr/> <hr/> 13,705	<hr/> <hr/> 20,279
Earnings per share attributable to owners of the Company		
Basic (Yen)	51.16	70.54
Diluted (Yen)	45.83	63.76

Interim Condensed Consolidated Statement of Comprehensive Income

	Three months ended June 30, 2019	Three months ended June 30, 2020
	Millions of Yen	Millions of Yen
Profit for the period	13,705	20,279
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Equity instruments measured at FVTOCI	(618)	6
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(98)	189
	<u>(716)</u>	<u>195</u>
Items that may be reclassified subsequently to profit or loss		
Debt instruments measured at FVTOCI	628	426
Currency translation differences	(10,214)	2,703
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(2,677)	215
	<u>(12,263)</u>	<u>3,344</u>
Other comprehensive income, net of tax	(12,979)	3,539
Total comprehensive income	<u>726</u>	<u>23,818</u>
Total comprehensive income attributable to		
Owners of the Company	(1,389)	19,769
Non-controlling interests	2,115	4,049
Total comprehensive income	<u>726</u>	<u>23,818</u>

(3) Condensed Interim Consolidated Statement of Changes in Equity

Three months ended June 30, 2019

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Treasury stock	Other components of equity	Retained earnings	Total		
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen		
As at April 1, 2019	92,018	142,094	(20,128)	16,977	225,714	456,675	105,882	562,557
Profit for the period	—	—	—	—	11,677	11,677	2,028	13,705
Other comprehensive income	—	—	—	(13,066)	—	(13,066)	87	(12,979)
Total comprehensive income	—	—	—	(13,066)	11,677	(1,389)	2,115	726
Change in scope of consolidation	—	—	—	—	—	—	(3,862)	(3,862)
Dividends paid	—	—	—	—	(18,260)	(18,260)	(2,915)	(21,175)
Treasury shares purchased	—	—	(4)	—	—	(4)	—	(4)
Treasury shares sold	—	0	0	—	—	0	—	0
Share-based payment transaction	—	169	—	—	—	169	139	308
Changes of interests in subsidiaries without losing control	—	(280)	—	—	—	(280)	16,258	15,978
Transfer	—	—	—	604	(604)	—	—	—
As at June 30, 2019	92,018	141,983	(20,132)	4,515	218,527	436,911	117,617	554,528

Three months ended June 30, 2020

	Attributable to owners of the Company					Non-controlling interests	Total equity	
	Capital stock	Capital surplus	Treasury stock	Other components of equity	Retained earnings			Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen			Millions of Yen
As at April 1, 2020	92,018	139,993	(13,874)	(6,385)	239,724	451,476	142,223	593,699
Profit for the period	—	—	—	—	16,284	16,284	3,995	20,279
Other comprehensive income	—	—	—	3,485	—	3,485	54	3,539
Total comprehensive income	—	—	—	3,485	16,284	19,769	4,049	23,818
Change in scope of consolidation	—	—	—	—	—	—	1,833	1,833
Dividends paid	—	—	—	—	(18,466)	(18,466)	(436)	(18,902)
Treasury shares purchased	—	—	(6)	—	—	(6)	—	(6)
Treasury shares sold	—	(51)	146	—	—	95	—	95
Share-based payment transaction	—	—	—	—	—	—	139	139
Changes of interests in subsidiaries without losing control	—	(233)	—	—	—	(233)	3,842	3,609
As at June 30, 2020	<u>92,018</u>	<u>139,709</u>	<u>(13,734)</u>	<u>(2,900)</u>	<u>237,542</u>	<u>452,635</u>	<u>151,650</u>	<u>604,285</u>

(4) Interim Condensed Consolidated Statement of Cash flows

	Three months ended June 30, 2019	Three months ended June 30, 2020
	Millions of Yen	Millions of Yen
Cash flows from operating activities		
Profit before income tax expense	20,217	27,757
Depreciation and amortization	3,381	6,196
Share of profits of associates and joint ventures accounted for using the equity method	(2,175)	(2,323)
Interest and dividend income	(29,949)	(33,305)
Interest expense	7,213	7,738
Increase in operational investment securities	(32,760)	(17,450)
Increase in accounts receivables and other receivables	(30,908)	(80,026)
Increase in operational liabilities and other liabilities	20,467	29,484
Increase in assets/liabilities related to securities business	(86,177)	(43,804)
Increase in customer deposits in the banking business	45,834	71,511
Others	6,214	(8,348)
Subtotal	(78,643)	(42,570)
Interest and dividend income received	30,183	32,356
Interest paid	(6,599)	(7,300)
Income taxes paid	(7,913)	(11,120)
Net cash used in operating activities	(62,972)	(28,634)
Cash flows from investing activities		
Purchases of intangible assets	(3,290)	(3,350)
Purchases of investment securities	(6,605)	(9,825)
Proceeds from sales or redemption of investment securities	13,718	6,596
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(5,182)	(6,783)
Payments of loans receivable	(5,259)	(6,594)
Collection of loans receivable	7,293	7,332
Others	9	(1,799)
Net cash generated from (used in) investing activities	684	(14,423)

	Three months ended June 30, 2019	Three months ended June 30, 2020
	Millions of Yen	Millions of Yen
Cash flows from financing activities		
Increase in short term loans payable	17,041	(77,298)
Proceeds from long-term loans payable	6,663	36,828
Repayment of long-term loans payable	(1,951)	(6,206)
Proceeds from issuance of bonds payable	85,785	60,421
Redemption of bonds payable	(2,659)	(17,728)
Proceeds from stock issuance to non-controlling interests	185	5
Contributions from non-controlling interests in consolidated investment funds	12,600	4,586
Cash dividends paid	(17,966)	(18,200)
Cash dividends paid to non-controlling interests	(411)	(433)
Distributions to non-controlling interests in consolidated investment funds	(2,526)	-
Purchase of treasury stock	(4)	(6)
Proceeds from sale of interests in subsidiaries to non-controlling interests	202	1
Payments for purchase of interests in subsidiaries from non-controlling interests	(28)	(111)
Others	(296)	(1,242)
Net cash generated from (used in) financing activities	<u>96,635</u>	<u>(19,383)</u>
Net increase (decrease) in cash and cash equivalents	34,347	(62,440)
Cash and cash equivalents at the beginning of the period	713,974	843,755
Effect of changes in exchange rate on cash and cash equivalents	(3,923)	992
Cash and cash equivalents at the end of the period	<u><u>744,398</u></u>	<u><u>782,307</u></u>

(5) Notes to Condensed Interim Consolidated Financial Statements

Assumptions for Going Concern

None

Revenue

	Three months ended June 30, 2019	Three months ended June 30, 2020
	Millions of yen	Millions of yen
Financial income		
Interest income		
Income arising from financial assets measured at amortized cost (Note 1)	28,094	31,394
Income arising from debt instruments measured at FVTOCI (Note 2)	200	187
Income arising from financial assets measured at FVTPL	13,858	25,151
Others	55	165
Total financial income	42,207	56,897
Revenue arising on insurance contracts	19,526	22,888
Revenue from contracts with customers		
Revenue from rendering of services	19,342	22,233
Revenue from sales of goods	799	1,415
Others	10,253	7,668
Total revenue	92,127	111,101

(Note 1) Interest income arising from loans in the banking and securities businesses.

(Note 2) Interest income arising from bonds in the insurance business.

Events after the Reporting Period

There was no significant event after the reporting period.