

SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED JUNE 30, 2022

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, 2022.

(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, 2022	232,150	68.9	23,522	(28.8)	16,669	(49.7)	(2,360)	-
Three months ended June 30, 2021	137,474	23.7	33,029	19.0	33,106	63.3	28,958	77.8

	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, 2022	57,232	65.3	(9.62)	(9.62)
Three months ended June 30, 2021	34,632	45.4	118.37	102.01

(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, 2022	18,580,824	1,614,071	929,931	5.0
March 31, 2022	17,838,200	1,583,258	924,603	5.2

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, 2022	-	30.00	-	120.00	150.00
Fiscal year ending March 31, 2023	-				
Fiscal Year ending March 31, 2023 (forecast) (Note)		-	-	-	-

(Note) Fiscal year ending March 31, 2023 forecast is to be determined.

3. Total number of shares outstanding (Common stock)

(1) Number of shares outstanding (including treasury stock)	: June 30, 2022	: 245,235,590shares
	March 31, 2022	: 245,220,890shares
(2) Number of treasury stock	: June 30, 2022	: 23,476shares
	March 31, 2022	: 22,486shares
(3) Average number of shares outstanding	: Three months ended June 30, 2022	: 245,202,568shares
	Three months ended June 30, 2021	: 244,635,271shares

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, 2022 were as follows. Revenue increased 68.9% year-on-year to ¥232,150 million, profit before income tax expense decreased 28.8% to ¥23,522 million and loss attributable to owners of the Company amounted to ¥2,360 million for the three months ended June 30, 2022 (¥28,958 million of profit attributable to owners of the Company for the three months ended June 30, 2021).

The Group had been reported three business segments: Financial Services Business, Asset Management Business, and Biotechnology, Healthcare & Medical Informatics Business. However, the market environment such as the stock market had a significant impact on specific businesses within each business segment, and as the business in the non-financial field such as Web 3.0 is expected to expand in the future, it had become unclear which segment these businesses belong to. Therefore, the business segment was reorganized from the first quarter of this fiscal year.

From this fiscal year, the Group reports five new business segments, including Financial Services Business, Asset Management Business, Investment Business, Crypto-asset Business that is expected to continue to grow, and Non-Financial Business which includes Biotechnology, Healthcare & Medical Informatics Business and the business working on advanced fields related to Web 3.0.

The results of operations for each reporting segment of the Group for the three months ended June 30, 2022 were as follows.

Segment information for the three months ended June 30, 2021, is restated in accordance with the new basis of segmentation.

	Revenue			Profit before income tax expense		
	Three months ended June 30, 2021	Three months ended June 30, 2022		Three months ended June 30, 2021	Three months ended June 30, 2022	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	109,476	190,094	73.6	29,314	27,816	(5.1)
Asset Management Business	3,906	4,109	5.2	901	717	(20.4)
Investment Business	14,779	21,606	46.2	7,579	9,122	20.4
Crypto-asset Business	5,214	12,984	149.0	(375)	(9,688)	-
Non-Financial Business	5,462	7,006	28.2	(941)	2,018	-
Total	138,837	235,799	69.8	36,478	29,985	(17.8)
Elimination or Corporate	(1,363)	(3,649)	-	(3,449)	(6,463)	-
Consolidated Total	137,474	232,150	68.9	33,029	23,522	(28.8)

(% represents year-on-year changes)

(Financial Services Business)

The Financial Services Business consists of a wide range of finance-related business inside and outside Japan, 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, 2022 were as follows. Revenue increased 73.6% year-on-year to ¥190,094 million, and profit before income tax expense decreased 5.1% to ¥27,816 million.

(Asset Management Business)

The Asset Management Business primarily consists of setting, solicitation, and management of investment trust, investment advice, and provision of financial products information.

The results of operations of the Asset Management Business for the three months ended June 30, 2022 were as follows. Revenue increased 5.2% year-on-year to ¥4,109 million, and profit before income tax expense decreased 20.4% year-on-year to ¥717 million.

(Investment Business)

The Investment Business primarily consists of fund management and investment in Internet technology, fintech, blockchain, finance, and biotechnology-related venture companies in Japan and overseas.

The results of operations of the Investment Business for the three months ended June 30, 2022 were as follows. Revenue increased 46.2% year-on-year to ¥21,606 million, and profit before income tax expense increased 20.4% year-on-year to ¥9,122 million.

(Crypto-asset Business)

The Crypto-asset Business primarily consists of crypto-asset exchange business which provides crypto-asset exchange and trading services.

The results of operations of the Crypto-asset Business for the three months ended June 30, 2022 were as follows. Revenue increased 149.0% year-on-year to ¥12,984 million, and loss before income tax expense amounted to ¥9,688 million for the three months ended June 30, 2022 (¥375 million of loss before income tax expense for the three months ended June 30, 2021).

(Non-Financial Business)

The Non-Financial Business primarily consists of Biotechnology, Healthcare & Medical Informatics Business which includes development and distribution of pharmaceutical products, health foods, and cosmetics with 5-aminolevulinic acid (5-ALA), a kind of amino acid which exists in vivo, research and development of antibody drugs and nucleic acid medicine in the field of cancer and immunology, the digitization of medical and health information, providing solutions and services that promote and the use of medical big data, and medical finance, business working on advanced fields related to Web 3.0, renewable energy business, and business developing in new overseas markets including Africa.

The results of operations of the Non-Financial Business for the three months ended June 30, 2022 were as follows. Revenue increased 28.2% year-on-year to ¥7,006 million, and profit before income tax expense amounted to ¥2,018 million for the three months ended June 30, 2022 (¥941 million of loss before income tax expense for the three months ended June 30, 2021).

(2) Financial Conditions and Cash Flows

As at June 30, 2022, total assets amounted to ¥18,580,824 million and increased by ¥742,624 million from total assets of ¥17,838,200 million as at March 31, 2022. The Group's equity increased by ¥30,813 million to ¥1,614,071 million from the fiscal year ended March 31, 2022. As at June 30, 2022, the Group's cash and cash equivalents amounted to ¥2,794,823 million and increased by ¥295,453 million from that of ¥2,499,370 million as at March 31, 2022. 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 ¥289,311 million in net cash inflows (¥202,987 million in net cash outflows for the three months ended June 30, 2021). The net cash inflows were primarily due to a ¥1,008,593 million cash inflow from an increase in customer deposits in the banking business, despite a ¥311,911 million cash outflow from a decrease in bonds and loans payable in banking business, a ¥234,133 million cash outflow from an increase in trade and other accounts receivable and a ¥188,321 million cash outflow from an increase in assets/liabilities related to securities business.

(Investing Cash Flows)

Cash flows from investing activities amounted to ¥88,230 million in net cash outflows (¥36,224 million in net cash outflows for the three months ended June 30, 2021). The net cash outflows were primarily due to a ¥182,645 million cash outflow from purchases of investment securities, despite a ¥137,358 million cash inflow from proceeds from sales or redemption of investment securities.

(Financing Cash Flows)

Cash flows from financing activities amounted to ¥75,135 million in net cash inflows (¥130,448 million in net cash inflows for the three months ended June 30, 2021). The net cash inflows were primarily due to a ¥259,497 million cash inflow from proceeds from issuance of bonds payable and a ¥137,837 million cash inflow from an increase in short term loans payable, despite a ¥306,478 million cash outflow from redemption of bonds payable.

2. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(1) Interim Condensed Consolidated Statement of Financial Position

	As at March 31, 2022	As at June 30, 2022
	Millions of Yen	Millions of Yen
Assets		
Cash and cash equivalents	2,499,370	2,794,823
Trade and other accounts receivable	8,399,588	8,771,228
Assets related to securities business		
Cash segregated as deposits	2,361,620	2,407,773
Margin transaction assets	929,730	1,008,410
Other assets related to securities business	615,967	540,748
Total assets related to securities business	3,907,317	3,956,931
Other financial assets	471,607	521,418
Operational investment securities	607,802	621,411
Other investment securities (includes ¥247,299 million and ¥251,282 million pledged as collateral as at March 31 and June 30, 2022, respectively)	1,076,780	1,109,489
Investments accounted for using the equity method	129,141	165,342
Investment properties	34,868	59,357
Property and equipment	123,737	120,012
Intangible assets	293,086	305,321
Other assets	277,016	138,210
Deferred tax assets	17,888	17,282
Total assets	17,838,200	18,580,824
Liabilities		
Bonds and loans payable	3,364,860	3,181,129
Trade and other accounts payable	487,846	498,148
Liabilities related to securities business		
Margin transaction liabilities	254,345	216,504
Loans payable secured by securities	599,159	452,124
Deposits from customers	1,375,599	1,398,478
Guarantee deposits received	997,678	1,080,066
Other liabilities related to securities business	449,551	389,106
Total liabilities related to securities business	3,676,332	3,536,278
Customer deposits for banking business	7,673,324	8,748,682
Insurance contract liabilities	155,216	155,790
Income tax payable	13,351	9,318
Other financial liabilities	538,512	614,251
Other liabilities	287,577	161,618
Deferred tax liabilities	57,924	61,539
Total liabilities	16,254,942	16,966,753
Equity		
Capital stock	99,312	99,327
Capital surplus	151,390	150,069
Treasury stock	(62)	(65)
Other components of equity	42,865	84,446
Retained earnings	631,098	596,154
Equity attributable to owners of the Company	924,603	929,931
Non-controlling interests	658,655	684,140
Total equity	1,583,258	1,614,071
Total liabilities and equity	17,838,200	18,580,824

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

	Three months ended June 30, 2021	Three months ended June 30, 2022
	Millions of Yen	Millions of Yen
Revenue (Interest income of ¥41,380 million and ¥87,762 million included for the three months ended June 30, 2021 and 2022, respectively)	137,474	232,150
Expense		
Financial cost associated with financial income	(6,681)	(15,159)
Provision for credit losses	(10,046)	(19,825)
Operating cost	(41,683)	(74,183)
Selling, general and administrative expenses	(46,059)	(88,587)
Other financial cost	(1,655)	(3,531)
Other expenses	(1,678)	(8,696)
Total expense	<u>(107,802)</u>	<u>(209,981)</u>
Share of the profit of associates and joint ventures accounted for using the equity method	3,357	1,353
Profit before income tax expense	<u>33,029</u>	<u>23,522</u>
Income tax expense	77	(6,853)
Profit for the period	<u><u>33,106</u></u>	<u><u>16,669</u></u>
Profit for the period attributable to		
Owners of the Company	28,958	(2,360)
Non-controlling interests	4,148	19,029
Profit for the period	<u><u>33,106</u></u>	<u><u>16,669</u></u>
Earnings per share attributable to owners of the Company		
Basic (Yen)	118.37	(9.62)
Diluted (Yen)	102.01	(9.62)

Interim Condensed Consolidated Statement of Comprehensive Income

	Three months ended June 30, 2021	Three months ended June 30, 2022
	Millions of Yen	Millions of Yen
Profit for the period	33,106	16,669
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Equity instruments measured at FVTOCI	16	(6,619)
Changes in own credit risk on financial liabilities	-	(119)
Remeasurement of defined benefit plans	-	186
Share of other comprehensive income of investments accounted for using the equity method	133	(1)
	<u>149</u>	<u>(6,553)</u>
Items that may be reclassified subsequently to profit or loss		
Debt instruments measured at FVTOCI	264	(6,320)
Currency translation differences	1,007	51,466
Share of other comprehensive income of investments accounted for using the equity method	106	1,970
	<u>1,377</u>	<u>47,116</u>
Other comprehensive income, net of tax	<u>1,526</u>	<u>40,563</u>
Total comprehensive income	<u><u>34,632</u></u>	<u><u>57,232</u></u>
Total comprehensive income attributable to		
Owners of the Company	30,366	36,061
Non-controlling interests	4,266	21,171
Total comprehensive income	<u><u>34,632</u></u>	<u><u>57,232</u></u>

(3) Condensed Interim Consolidated Statement of Changes in Equity

Three months ended June 30, 2021

	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, 2021	98,711	147,753	(40)	18,197	297,495	562,116	154,979	717,095
Profit for the period	-	-	-	-	28,958	28,958	4,148	33,106
Other comprehensive income	-	-	-	1,408	-	1,408	118	1,526
Total comprehensive income	-	-	-	1,408	28,958	30,366	4,266	34,632
Issuance of new shares	33	19	-	-	-	52	-	52
Change in scope of consolidation	-	-	-	-	-	-	(622)	(622)
Dividends paid	-	-	-	-	(24,462)	(24,462)	(662)	(25,124)
Treasury shares purchased	-	-	(7)	-	-	(7)	-	(7)
Treasury shares sold	-	(0)	0	-	-	0	-	0
Share-based payment transaction	-	170	-	-	-	170	(1)	169
Changes of interests in subsidiaries without losing control	-	(565)	-	-	-	(565)	15,778	15,213
Transfer from other components of equity to retained earnings	-	-	-	553	(553)	-	-	-
As at June 30, 2021	<u>98,744</u>	<u>147,377</u>	<u>(47)</u>	<u>20,158</u>	<u>301,438</u>	<u>567,670</u>	<u>173,738</u>	<u>741,408</u>

Three months ended June 30, 2022

	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, 2022	99,312	151,390	(62)	42,865	631,098	924,603	658,655	1,583,258
Profit for the period	-	-	-	-	(2,360)	(2,360)	19,029	16,669
Other comprehensive income	-	-	-	38,421	-	38,421	2,142	40,563
Total comprehensive income	-	-	-	38,421	(2,360)	36,061	21,171	57,232
Issuance of new shares	15	9	-	-	-	24	-	24
Change in scope of consolidation	-	-	-	-	-	-	(6,636)	(6,636)
Dividends paid	-	-	-	-	(29,424)	(29,424)	(2,042)	(31,466)
Treasury shares purchased	-	-	(3)	-	-	(3)	-	(3)
Treasury shares sold	-	0	0	-	-	0	-	0
Share-based payment transaction	-	170	-	-	-	170	7	177
Changes of interests in subsidiaries without losing control	-	(1,500)	-	-	-	(1,500)	12,985	11,485
Transfer from other components of equity to retained earnings	-	-	-	3,160	(3,160)	-	-	-
As at June 30, 2022	<u>99,327</u>	<u>150,069</u>	<u>(65)</u>	<u>84,446</u>	<u>596,154</u>	<u>929,931</u>	<u>684,140</u>	<u>1,614,071</u>

(4) Interim Condensed Consolidated Statement of Cash flows

	Three months ended June 30, 2021	Three months ended June 30, 2022
	Millions of Yen	Millions of Yen
Cash flows from operating activities		
Profit before income tax expense	33,029	23,522
Depreciation and amortization	6,061	13,340
Share of profit of investments accounted for using the equity method	(3,357)	(1,353)
Interest and dividend income	(45,742)	(91,783)
Interest expense	8,331	18,876
Increase in operational investment securities	(12,379)	(32,411)
Increase in trade and other accounts receivable	(26,387)	(234,133)
Increase (decrease) in trade and other accounts payable	52,481	(442)
Increase in assets/liabilities related to securities business	(249,634)	(188,321)
Increase in customer deposits in the banking business	7,165	1,008,593
Decrease in bonds and loans payable in banking business	-	(311,911)
Increase in payables under securities lending transactions	-	10,822
Others	10,007	11,523
Subtotal	(220,425)	226,322
Interest and dividend income received	44,859	89,083
Interest paid	(9,366)	(14,512)
Income taxes paid	(18,055)	(11,582)
Net cash (used in) generated from operating activities	(202,987)	289,311
Cash flows from investing activities		
Purchases of intangible assets	(5,195)	(9,118)
Purchases of investment securities	(36,673)	(182,645)
Proceeds from sales or redemption of investment securities	16,367	137,358
Acquisition of subsidiaries, net of cash and cash equivalents acquired	-	(1,201)
Proceeds from sales of subsidiaries	1,600	25
Payments of loans receivable	(17,520)	(19,726)
Collection of loans receivable	8,472	14,458
Others	(3,275)	(27,381)
Net cash used in investing activities	(36,224)	(88,230)

	Three months ended June 30, 2021	Three months ended June 30, 2022
	Millions of Yen	Millions of Yen
Cash flows from financing activities		
Increase in short term loans payable	75,858	137,837
Proceeds from long-term loans payable	58,839	62,291
Repayment of long-term loans payable	(6,113)	(45,606)
Proceeds from issuance of bonds payable	53,612	259,497
Redemption of bonds payable	(44,218)	(306,478)
Proceeds from issuance of shares	52	24
Proceeds from stock issuance to non-controlling interests	1,666	46
Contributions from non-controlling interests in consolidated investment funds	15,875	18,147
Cash dividends paid	(24,158)	(28,528)
Cash dividends paid to non-controlling interests	(680)	(2,042)
Distributions to non-controlling interests in consolidated investment funds	-	(62)
Purchase of treasury stock	(7)	(3)
Proceeds from sale of interests in subsidiaries to non-controlling interests	2,196	-
Payments for purchase of interests in subsidiaries from non-controlling interests	(1,042)	(14,867)
Others	(1,432)	(5,121)
Net cash generated from financing activities	<u>130,448</u>	<u>75,135</u>
Net (decrease) increase in cash and cash equivalents	(108,763)	276,216
Cash and cash equivalents at the beginning of the period	802,702	2,499,370
Effect of changes in exchange rate on cash and cash equivalents	(535)	19,237
Cash and cash equivalents at the end of the period	<u><u>693,404</u></u>	<u><u>2,794,823</u></u>

(5) Notes to Condensed Interim Consolidated Financial Statements

Assumptions for Going Concern

None

Revenue

	Three months ended June 30, 2021	Three months ended June 30, 2022
	Millions of yen	Millions of yen
Financial income		
Interest income		
Income arising from financial assets measured at amortized cost (Note 1)	41,161	86,522
Income arising from debt instruments measured at FVTOCI (Note 2)	219	1,240
Income arising from financial assets measured at FVTPL	23,309	690
Income arising from financial liabilities designated at FVTPL	-	4,891
Others	182	2,153
Total financial income	64,871	95,496
Revenue arising on insurance contracts	27,211	31,211
Revenue from contracts with customers		
Revenue from rendering of services	28,354	40,120
Revenue from sales of goods	6,930	9,021
Others	10,108	56,302
Total revenue	137,474	232,150

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

(Note 2) Interest income arising from bonds in the banking and insurance businesses.

Events after the Reporting Period

At the meeting of the board of directors of the Company on June 23, 2022, it was resolved to execute the Basic Agreement on Comprehensive Capital and Business Alliance with Sumitomo Mitsui Financial Group, Inc. ("SMFG"), Sumitomo Mitsui Banking Corporation ("Sumitomo Mitsui Banking"), Sumitomo Mitsui Card Company, Limited ("Sumitomo Mitsui Card"), and SBI SECURITIES Co., Ltd. ("SBI Securities") (the "2022 Basic Agreement"), and it was also resolved to execute share subscription agreement for the issuance of new shares by third-party allotment to SMFG as the planned allottee (the "Third-Party Allotment"), and concluded the 2022 Basic Agreement and share subscription agreement on the same date. The payment for the third-party allotment was completed on July 11, 2022, increasing capital stock and capital surplus by ¥39,825 million respectively.

(1) Details of the business alliance

The Company and SMFG will form a business alliance for digital financial services for individuals based on the 2022 Basic Agreement. The main details can be found in (a) through (c) below.

- (a) SBI Securities to become main entity providing online securities-related services for SMBC Group digital channels
- (b) Positioning of Sumitomo Mitsui Card as a preferred partner in the Group's settlement and card business

(c) Recognition of V Points within the Group

(Note) V Points are common points managed and operated by Sumitomo Mitsui Card. It is a convenient points program in which points are accumulated by using Sumitomo Mitsui Card cards, and transactions, etc. with Sumitomo Mitsui Banking, and one point can be used as one yen at Visa merchants all around the world.

(2) Details of capital alliance

The Company allotted 27,000,000 shares of common stock of the Company (11.01% of the total issued shares of the Company as at March 31, 2022) to SMFG through the Third-Party Allotment.

A summary of the third-party allotment is as follows:

(1)	Payment date	July 11, 2022
(2)	Number of new shares issued	27,000,000 shares of common stock
(3)	Issue price	2,950 yen per share
(4)	Amount of funds raised	79,650,000,000 yen
(5)	Amount incorporated into capital	1,475 yen per share
(6)	Total amount incorporated into capital	39,825,000,000 yen
(7)	Method of offering or allotment	By means of third-party allotment.
(8)	Allottee	SMFG 27,000,000 shares
(9)	Specific use of funds raised	Repayment of bonds and borrowings