

SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED MARCH 31, 2018

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 year ended March 31, 2018.

(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 year		Profit attributable to owners of the Company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year ended March 31, 2018	337,017	28.7	71,810	66.5	55,958	97.7	46,684	43.8
Fiscal Year ended March 31, 2017	261,939	0.1	43,139	(17.4)	28,303	(22.8)	32,455	(4.9)

	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
Fiscal Year ended March 31, 2018	53,768	63.9	220.54	196.88
Fiscal Year ended March 31, 2017	32,806	92.3	159.38	146.52

	Ratio of profit to equity attributable to owners of the Company	Ratio of profit before income tax expense to total assets	Ratio of operating income to operating revenue
	%	%	%
Fiscal Year ended March 31, 2018	11.6	1.7	21.3
Fiscal Year ended March 31, 2017	8.7	1.2	16.5

(Note) Share of results of associates Fiscal year ended March 31, 2018: 2,229 million yen
Fiscal year ended March 31, 2017: 2,849 million yen

(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	Equity per share attributable to owners of the Company
	Millions of yen	Millions of yen	Millions of yen	%	Yen
March 31, 2018	4,535,964	493,824	427,815	9.4	1,937.72
March 31, 2017	3,850,001	415,524	377,992	9.8	1,856.47

(3) Consolidated Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at the end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year ended March 31, 2018	(33,235)	7,881	74,575	437,148
Fiscal Year ended March 31, 2017	(17,952)	2,437	159,467	391,572

2. Dividends

(Declared date)	Dividend per share					Total dividend (annual)	Payout ratio (cons.)	Ratio of dividend to equity attributable to owners of the Company (cons.)
	End of 1 st Q	End of 2 nd Q	End of 3 rd Q	Year-end	Full year			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal Year ended March 31, 2017	—	10.00	—	40.00	50.00	10,153	31.4	2.7
Fiscal Year ended March 31, 2018	—	15.00	—	70.00	85.00	18,711	38.5	4.5
Fiscal Year ending March 31, 2019 (forecast)	—	—	—	—	—		—	

(Note) Fiscal year ending March 31, 2019 forecast is to be determined.

3. Significant changes in subsidiaries during the period

Specified companies added to the scope of consolidation:

1 company (SBI Regional Bank Value Creation Fund)

4. Total number of shares outstanding (Common stock)

(1) Number of shares outstanding (including treasury stock)	: March 31, 2018	: 224,561,761 shares
	: March 31, 2017	: 224,561,761 shares
(2) Number of treasury stock	: March 31, 2018	: 3,779,286 shares
	: March 31, 2017	: 20,954,080 shares
(3) Average number of shares outstanding	: Year ended March 31, 2018	: 211,683,159 shares
	: Year ended March 31, 2017	: 203,627,774 shares

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

(Reference Information)
Non-consolidated Financial Results

(1) Non-consolidated Operating Results

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2018	30,408	(23.1)	10,859	(16.4)	7,481	(21.0)	9,900	74.9
Fiscal year ended March 31, 2017	39,524	51.5	12,997	136.5	9,464	601.5	5,659	64.0

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 31, 2018	46.77	41.20
Fiscal year ended March 31, 2017	27.79	25.21

(2) Non-consolidated Financial Position

	Total assets	Net assets	Ratio of shareholder's equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2018	758,227	377,385	49.7	1,707.02
March 31, 2017	667,836	350,122	52.4	1,719.31

(Note) Shareholders' equity Fiscal year ended March 31, 2018: 376,880 million yen
Fiscal year ended March 31, 2017: 350,064 million yen

The non-consolidated financial results were prepared in accordance with JGAAP.

This financial summary is not subject to audit.

1. BUSINESS RESULTS

(1) Overview of Business Results for the Fiscal Year

The Group's consolidated results of operations for the fiscal year ended March 31, 2018 were as follow. Revenue increased 28.7% year-on-year to ¥337,017 million, profit before income tax expense increased 66.5% to ¥71,810 million, and profit attributable to owners of the Company increased 43.8% to ¥46,684 million.

The results of operations for each reporting segment of the Group for the fiscal year ended March 31, 2018 were as follow.

BroadBand Security, Inc, which was included in the Asset Management Business until the previous reporting period, is now included in the Financial Services Business beginning with this fiscal year. Consequently, segment information for the year ended March 31, 2017, is restated in accordance with the new basis of segmentation.

	Revenue			Profit before income tax expense		
	Fiscal Year ended March 31, 2017	Fiscal Year ended March 31, 2018		Fiscal Year ended March 31, 2017	Fiscal Year ended March 31, 2018	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	179,941	217,272	20.7	48,932	63,888	30.6
Asset Management Business	77,441	117,572	51.8	13,861	56,491	307.6
Biotechnology-related Business	5,530	4,199	(24.1)	(9,574)	(37,252)	—
Total	262,912	339,043	29.0	53,219	83,127	56.2
Others	883	1,213	37.4	(830)	(1,328)	—
Elimination	(1,856)	(3,239)	—	(9,250)	(9,989)	—
Consolidation	261,939	337,017	28.7	43,139	71,810	66.5

(% 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 fiscal year ended March 31, 2018 were as follows. Revenue increased 20.7% year-on-year to ¥217,272 million, and profit before income tax expense increased 30.6% to ¥63,888 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 fiscal year ended March 31, 2018 were as follows. Revenue increased 51.8% year-on-year to ¥117,572 million, and profit before income tax expense increased 307.6% year-on-year to ¥56,491 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 fiscal year ended March 31, 2018 were as follows. Revenue decreased 24.1% year-on-year to ¥4,199 million, and loss before income tax expense amounted to ¥37,252 million for the fiscal year ended March 31, 2018 (¥9,574 million of loss before income tax expense for the fiscal year ended March 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 Asian ginseng. ALA is also known as a chloroplastic substance in plants.

(2) Overview of Financial Conditions for the Fiscal Year

As at March 31, 2018, total assets amounted to ¥4,535,964 million and increased by ¥685,963 million from total assets of ¥3,850,001 million as at March 31, 2017. The Group's equity increased by ¥78,300 million to ¥493,824 million from the fiscal year ended March 31, 2017. As at March 31, 2018, the Group's cash and cash equivalents amounted to ¥437,148 million and increased by ¥45,576 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 ¥33,235 million in net cash outflows (¥17,952 million in net cash outflows for the fiscal year ended March 31, 2017). The net cash outflows were primarily due to a ¥93,182 million cash outflow from an increase in accounts receivables and other receivables and a ¥79,465 million cash outflow from an increase in operational investment securities, despite a ¥71,810 million cash inflow from profit before income tax expense and a ¥49,015 million cash inflow from an increase in customer deposits in the banking business.

(Investing Cash Flows)

Cash flows from investing activities amounted to ¥7,881 million in net cash inflows (¥2,437 million in net cash inflows for the fiscal year ended March 31, 2017). The net cash inflows were primarily due to a ¥48,514 million cash inflow from proceeds from sales or redemption of investment securities, despite a ¥35,555 million cash outflow from purchases of investment securities.

(Financing Cash Flows)

Cash flows from financing activities amounted to ¥74,575 million in net cash inflows (¥159,467 million in net cash inflows for the fiscal year ended March 31, 2017). The net cash inflows were primarily due to a ¥140,025 million cash inflow from proceeds from issuance of bonds payable and a ¥40,336 million cash inflow from proceeds from long-term loans payable, despite a ¥37,039 million cash outflow from redemption of bonds payable, a ¥31,180 million cash outflow from decrease in short-term loans payable and ¥28,261 million cash outflow from repayment of long-term loans payable.

2. THE BASIC CONCEPT REGARDING SELECTION OF ACCOUNTING STANDARDS

The Group applied IFRS from the fiscal year ended March 31, 2013 in order to improve the international comparability of financial information in the capital markets.

3. CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(1) Consolidated Statement of Financial Position

	As at March 31, 2017	As at March 31, 2018
	Millions of Yen	Millions of Yen
Assets		
Cash and cash equivalents	391,572	437,148
Trade and other accounts receivable	472,128	570,466
Assets related to securities business		
Cash segregated as deposits	1,399,851	1,510,079
Margin transaction assets	617,550	832,410
Other assets related to securities business	315,640	493,953
Total assets related to securities business	2,333,041	2,836,442
Other financial assets	30,050	35,958
Operational investment securities	111,067	191,014
Other investment securities	186,512	173,316
Investments accounted for using the equity method	90,394	68,365
Investment properties	7,105	2,192
Property and equipment	10,498	14,382
Intangible assets	185,493	181,708
Other assets	28,392	24,392
Deferred tax assets	3,749	581
Total assets	3,850,001	4,535,964
Liabilities		
Bonds and loans payable	518,977	571,277
Trade and other accounts payable	52,887	67,806
Liabilities related to securities business		
Margin transaction liabilities	135,698	121,703
Loans payable secured by securities	399,673	689,107
Deposits from customers	738,144	757,179
Guarantee deposits received	600,621	707,380
Other liabilities related to securities business	304,476	395,444
Total liabilities related to securities business	2,178,612	2,670,813
Customer deposits for banking business	485,827	536,955
Insurance contract liability	147,573	142,260
Income tax payable	10,040	11,271
Other financial liabilities	14,663	16,335
Other liabilities	11,946	12,779
Deferred tax liabilities	13,952	12,644
Total liabilities	3,434,477	4,042,140
Equity		
Capital stock	81,681	81,681
Capital surplus	128,004	125,445
Treasury stock	(23,801)	(4,647)
Other component of equity	22,720	20,605
Retained earnings	169,388	204,731
Equity attributable to owners of the Company	377,992	427,815
Non-controlling interests	37,532	66,009
Total equity	415,524	493,824
Total liabilities and equity	3,850,001	4,535,964

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

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
	Millions of Yen	Millions of Yen
Revenue	261,939	337,017
Expense		
Financial cost associated with financial income	(14,543)	(17,788)
Operating cost	(98,982)	(113,548)
Selling, general and administrative expenses	(95,970)	(100,377)
Other financial cost	(3,477)	(3,282)
Other expenses	(8,677)	(32,441)
Total expense	(221,649)	(267,436)
Share of the profit of associates and joint ventures accounted for using the equity method	2,849	2,229
Profit before income tax expense	43,139	71,810
Income tax expense	(14,836)	(15,852)
Profit for the year	28,303	55,958
Profit for the year attributable to		
Owners of the Company	32,455	46,684
Non-controlling interests	(4,152)	9,274
Profit for the year	28,303	55,958
Earnings per share attributable to owners of the Company		
Basic (Yen)	159.38	220.54
Diluted (Yen)	146.52	196.88

Consolidated Statement of Comprehensive Income

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
	Millions of Yen	Millions of Yen
Profit for the year	28,303	55,958
Items that will not be reclassified subsequently to profit or loss		
Fair value through other comprehensive income ("FVTOCI") financial assets	124	1,436
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	680	(2,782)
Share of other comprehensive income of associates and joint ventures	3,699	(844)
Other comprehensive income, net of tax	4,503	(2,190)
Total Comprehensive income	32,806	53,768
Total comprehensive income attributable to		
Owners of the Company	38,082	44,629
Non-Controlling interests	(5,276)	9,139
Total Comprehensive income	32,806	53,768

(3) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2017

	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	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 year	—	—	—	—	32,455	32,455	(4,152)	28,303	
Other comprehensive income	—	—	—	5,627	—	5,627	(1,124)	4,503	
Total comprehensive income	—	—	—	5,627	32,455	38,082	(5,276)	32,806	
Change in scope of consolidation	—	(4)	—	—	—	(4)	(1,294)	(1,298)	
Dividends paid	—	—	—	—	(9,280)	(9,280)	(35,612)	(44,892)	
Treasury shares purchased	—	—	(8,019)	—	—	(8,019)	—	(8,019)	
Treasury shares sold	—	304	3,350	—	—	3,654	—	3,654	
Changes of interests in subsidiaries without losing control	—	(18,031)	—	—	—	(18,031)	32,241	14,210	
Transfer	—	—	—	(14)	14	—	—	—	
As at March 31, 2017	81,681	128,004	(23,801)	22,720	169,388	377,992	37,532	415,524	
Profit for the year	—	—	—	—	46,684	46,684	9,274	55,958	
Other comprehensive income	—	—	—	(2,055)	—	(2,055)	(135)	(2,190)	
Total comprehensive income	—	—	—	(2,055)	46,684	44,629	9,139	53,768	
Issuance of convertible bonds	—	1,716	—	—	—	1,716	—	1,716	
Conversion of convertible bonds	—	4,060	25,889	—	—	29,949	—	29,949	
Change in scope of consolidation	—	—	—	—	—	—	6,823	6,823	
Dividends paid	—	—	—	—	(11,401)	(11,401)	(2,660)	(14,061)	
Treasury shares purchased	—	—	(9,637)	—	—	(9,637)	—	(9,637)	
Treasury shares sold	—	99	2,902	—	—	3,001	—	3,001	
Share-based payment transactions	—	461	—	—	—	461	—	461	
Changes of interests in subsidiaries without losing control	—	(8,895)	—	—	—	(8,895)	15,175	6,280	
Transfer	—	—	—	(60)	60	—	—	—	
As at March 31, 2018	81,681	125,445	(4,647)	20,605	204,731	427,815	66,009	493,824	

(4) Consolidated Statement of Cash flows

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
	Millions of Yen	Millions of Yen
Net cash used in operating activities		
Profit before income tax expense	43,139	71,810
Depreciation and amortization	10,690	11,143
Share of profits of associates and joint ventures accounted for using the equity method	(2,849)	(2,229)
Interest and dividend income	(80,891)	(106,160)
Interest expense	18,019	21,071
Increase in operational investment securities	(29,362)	(79,465)
Increase in accounts receivables and other receivables	(105,238)	(93,182)
Increase in operational liabilities and other liabilities	15,233	12,017
Decrease in assets/liabilities related to securities business	(6,275)	(11,122)
Increase in customer deposits in the banking business	87,149	49,015
Others	(17,663)	22,425
Subtotal	(68,048)	(104,677)
Interest and dividend income received	79,991	104,683
Interest paid	(16,106)	(19,677)
Income taxes paid	(13,789)	(13,564)
Net cash used in operating activities	(17,952)	(33,235)
Net cash generated from investing activities		
Purchases of intangible assets	(6,241)	(7,084)
Purchases of investment securities	(66,523)	(35,555)
Proceeds from sales or redemption of investment securities	62,854	48,514
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(1,968)	12
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	3,344	870
Payments of loans receivable	(4,182)	(10,294)
Collection of loans receivable	7,091	5,596
Others	8,062	5,822
Net cash generated from investing activities	2,437	7,881

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
	Millions of Yen	Millions of Yen
Net cash generated from financing activities		
Increase (Decrease) in short term loans payable	161,178	(31,180)
Proceeds from long-term loans payable	30,462	40,336
Repayment of long-term loans payable	(25,574)	(28,261)
Proceeds from issuance of bonds payable	102,325	140,025
Redemption of bonds payable	(74,930)	(37,039)
Proceeds from stock issuance to non-controlling interests	222	60
Contributions from non-controlling interests in consolidated investment funds	20,234	12,312
Cash dividends paid	(9,266)	(11,390)
Cash dividends paid to non-controlling interests	(378)	(409)
Distributions to non-controlling interests in consolidated investment funds	(35,266)	(2,252)
Purchase of treasury stock	(8,019)	(9,637)
Proceeds from sale of interests in subsidiaries to non-controlling interests	1,032	367
Payments for purchase of interests in subsidiaries from non-controlling interests	(5,112)	(156)
Others	2,559	1,799
Net cash generated from financing activities	<u>159,467</u>	<u>74,575</u>
Net (decrease) increase in cash and cash equivalents	143,952	49,221
Cash and cash equivalents at the beginning of the year	248,050	391,572
Effect of changes in exchange rate on cash and cash equivalents	(430)	(3,645)
Cash and cash equivalents at the end of the year	<u><u>391,572</u></u>	<u><u>437,148</u></u>

Notes to Consolidated Financial Statements

1. Segment Information

The Group engages in a wide range of business activities, primarily online financial service businesses and investment activities in Japan and overseas. Based on the similarities or economic characteristics of business or nature of services, “Financial Services Business”, “Asset Management Business”, and “Biotechnology-related Business”, which is anticipated to be a growth industry in the 21st century, are determined as reportable segments.

The reportable segments of the Group represent businesses activities for which separate financial information of the Group’s components is available and reviewed regularly by the board of directors for the purpose of allocation of financial resources and performance evaluation.

The following is a description of business activities for the reporting segments.

“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.

“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.

“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.

“Others” includes the real estate business, cryptocurrency business and other businesses, but they did not meet the quantitative criteria to be defined as reportable segments for the fiscal year ended March 31, 2018.

“Elimination or Corporate” includes profit or loss that is not allocated to certain business segments and the elimination of the inter-company transactions within the Group, at a price based on the actual market price.

The following represents segment information of the Group:

BroadBand Security, Inc, which was included in the Asset Management Business until the previous reporting period, is now included in the Financial Services Business beginning with this fiscal year. Consequently, segment information for the year ended March 31, 2017, is restated in accordance with the new basis of segmentation.

For the fiscal year ended March, 2017

	Financial Services Business	Asset Management Business	Biotechnology- related Business	Total	Others	Elimination	Consolidated Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Revenue	179,941	77,441	5,530	262,912	883	(1,856)	261,939
Profit (loss) before income tax expense	48,932	13,861	(9,574)	53,219	(830)	(9,250)	43,139

For the fiscal year ended March, 2018

	Financial Services Business	Asset Management Business	Biotechnology- related Business	Total	Others	Elimination	Consolidated Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Revenue	217,272	117,572	4,199	339,043	1,213	(3,239)	337,017
Profit (loss) before income tax expense	63,888	56,491	(37,252)	83,127	(1,328)	(9,989)	71,810

An impairment loss of ¥26,985 million was recognized in the Biotechnology-related Business as the recoverable amount of certain associates and intangible assets fell below the carrying amount at March 31, 2018.

2. Revenue

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
	Millions of yen	Millions of yen
Revenue		
Financial income		
Interest income (Note)	79,463	101,837
Dividends received	1,524	3,940
Income arising from financial assets at FVTPL	10,776	50,262
Gain from trading	17,686	18,474
Others	58	116
Total financial income	109,507	174,629
Revenue arising on insurance contracts	55,605	67,165
Revenue from rendering of services	70,710	82,983
Others	26,117	12,240
Total revenue	261,939	337,017

(Note) Interest income in financial income arises from financial assets measured at amortized cost.

3. Earnings per Share

The basic and diluted earnings per share attributable to owners of the Company are calculated based on the following information.

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
	Millions of Yen	Millions of Yen
Earnings		
Profit attributable to owners of the Company	32,455	46,684
Dilutive effect: Convertible bonds	435	377
Profit attributable to owners of the Company after dilutive effect	<u>32,890</u>	<u>47,061</u>
Shares	Shares	Shares
Basic weighted average number of ordinary shares	203,627,774	211,683,159
Dilutive effect: Stock options	206,932	1,508,956
Dilutive effect: Convertible bonds	<u>20,645,516</u>	<u>25,846,017</u>
Weighted average number of ordinary shares after the dilutive effect	<u>224,480,222</u>	<u>239,038,132</u>
Earnings per share attributable to owners of the Company	Yen	Yen
Basic	159.38	220.54
Diluted	146.52	196.88

4. Events after the Reporting Period

There was no significant event after the reporting period.