

# SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

## INTERIM RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED JUNE 30, 2019

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, 2019.

(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, 2019	92,127	0.9	20,217	(29.5)	13,705	(32.8)	11,677	(34.7)
Three months ended June 30, 2018	91,334	32.5	28,665	94.3	20,394	97.8	17,879	48.9

	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
Three months ended June 30, 2019	726	(96.4)	51.16	45.83
Three months ended June 30, 2018	20,048	199.3	80.89	70.75

#### (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, 2019	5,157,876	554,528	436,911	8.5
March 31, 2019	5,034,124	562,557	456,675	9.1

## 2. Dividends

(Declared date)	Dividend per share				
	End of 1 <sup>st</sup> Q	End of 2 <sup>nd</sup> Q	End of 3 <sup>rd</sup> Q	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal Year ended March 31, 2019	—	20.00	—	80.00	100.00
Fiscal Year ending March 31, 2020	—				
Fiscal Year ending March 31, 2020 (forecast) (Note)		—	—	—	—

(Note) Fiscal year ending March 31, 2020 forecast is to be determined.

## 3. Total number of shares outstanding (Common stock)

(1) Number of shares outstanding (including treasury stock)	: June 30, 2019	: 236,556,393shares
	: March 31, 2019	: 236,556,393shares
(2) Number of treasury stock	: June 30, 2019	: 8,313,921shares
	: March 31, 2019	: 8,312,501shares
(3) Average number of shares outstanding	: Three months ended June 30, 2019	: 228,243,487shares
	: Three months ended June 30, 2018	: 221,028,749shares

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, 2019 were as follow. Revenue increased 0.9% year-on-year to ¥92,127 million, profit before income tax expense decreased 29.5% to ¥20,217 million, and profit attributable to owners of the Company decreased 34.7% to ¥11,677 million.

The results of operations for each reporting segment of the Group for the three months ended June 30, 2019 were as follow.

SBI Virtual Currencies Co., Ltd., which were included in the Others until the previous reporting period and changed its company name to SBI VC Trade Co., Ltd. on July 1, 2019, are now included in the Financial Services Business beginning with this fiscal year. Consequently, segment information for the three months ended June 30, 2018, is restated in accordance with the new basis of segmentation.

	Revenue			Profit before income tax expense		
	Three months ended June 30, 2018	Three months ended June 30, 2019		Three months ended June 30, 2018	Three months ended June 30, 2019	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	56,134	57,371	2.2	16,530	13,948	(15.6)
Asset Management Business	34,440	31,844	(7.5)	17,737	12,531	(29.4)
Biotechnology-related Business	887	714	(19.5)	(2,712)	(3,879)	—
Total	91,461	89,929	(1.7)	31,555	22,600	(28.4)
Others	450	2,889	542.3	(843)	791	—
Elimination or Corporate	(577)	(691)	—	(2,047)	(3,174)	—
Consolidated Total	91,334	92,127	0.9	28,665	20,217	(29.5)

(% 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 three months ended June 30, 2019 were as follows. Revenue increased 2.2% year-on-year to ¥57,371 million, and profit before income tax expense decreased 15.6% to ¥13,948 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, 2019 were as follows. Revenue decreased 7.5% year-on-year to ¥31,844 million, and profit before income tax expense decreased 29.4% year-on-year to ¥12,531 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, 2019 were as follows. Revenue decreased 19.5% year-on-year to ¥714 million, and loss before income tax expense amounted to ¥3,879 million for the three months ended June 30, 2019 (¥2,712 million of loss before income tax expense for the three months ended June 30, 2018).

- \* 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, 2019, total assets amounted to ¥5,157,876 million and increased by ¥123,752 million from total assets of ¥5,034,124 million as at March 31, 2019. The Group's equity decreased by ¥8,029 million to ¥554,528 million from the fiscal year ended March 31, 2019. As at June 30, 2019, the Group's cash and cash equivalents amounted to ¥744,398 million and increased by ¥30,424 million from that of ¥713,974 million as at March 31, 2019. 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 ¥62,972 million in net cash outflows (¥18,742 million in net cash outflows for the three months ended June 30, 2018). The net cash outflows were primarily due to a ¥86,177 million cash outflow from a decrease in assets/liabilities related to securities business and a ¥32,760 million cash outflow from an increase in operational investment securities, despite a ¥45,834 million cash inflow from an increase in customer deposits in the banking business.

### **(Investing Cash Flows)**

Cash flows from investing activities amounted to ¥684 million in net cash inflows (¥17,880 million in net cash outflows for the three months ended June 30, 2018). The net cash inflows were primarily due to a ¥13,718 million cash inflow from proceeds from sales or redemption of investment securities, despite a ¥6,605 million cash outflow from purchases of investment securities and a ¥5,259 million cash outflow from payments of loans receivable.

### **(Financing Cash Flows)**

Cash flows from financing activities amounted to ¥96,635 million in net cash inflows (¥61,566 million in net cash outflows for the three months ended June 30, 2018). The net cash inflows were primarily due to a ¥85,785 million cash inflow from proceeds from issuance of bonds payable and a ¥17,041 million cash inflow from an increase in short term loans payable, despite a ¥17,966 million cash outflow from cash dividends paid.

## 2. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

### (1) Interim Condensed Consolidated Statement of Financial Position

	As at March 31, 2019	As at June 30, 2019
	Millions of Yen	Millions of Yen
<b>Assets</b>		
Cash and cash equivalents	713,974	744,398
Trade and other accounts receivable	689,713	682,628
Assets related to securities business		
Cash segregated as deposits	1,603,159	1,606,657
Margin transaction assets	674,878	567,744
Other assets related to securities business	471,555	631,322
Total assets related to securities business	2,749,592	2,805,723
Other financial assets	36,740	41,531
Operational investment securities	282,616	313,421
Other investment securities	188,900	185,492
Investments accounted for using the equity method	68,371	59,494
Investment properties	2,147	—
Property and equipment	15,100	30,082
Intangible assets	184,816	183,942
Other assets	94,899	104,406
Deferred tax assets	7,256	6,759
<b>Total assets</b>	<b>5,034,124</b>	<b>5,157,876</b>
<b>Liabilities</b>		
Bonds and loans payable	962,965	1,068,149
Trade and other accounts payable	60,639	89,551
Liabilities related to securities business		
Margin transaction liabilities	166,145	155,300
Loans payable secured by securities	494,718	493,797
Deposits from customers	781,232	809,976
Guarantee deposits received	730,838	773,365
Other liabilities related to securities business	373,567	284,021
Total liabilities related to securities business	2,546,500	2,516,459
Customer deposits for banking business	659,361	674,373
Insurance contract liabilities	139,098	144,355
Income tax payable	7,367	3,816
Other financial liabilities	19,566	19,448
Other liabilities	60,339	69,464
Deferred tax liabilities	15,732	17,733
<b>Total liabilities</b>	<b>4,471,567</b>	<b>4,603,348</b>
<b>Equity</b>		
Capital stock	92,018	92,018
Capital surplus	142,094	141,983
Treasury stock	(20,128)	(20,132)
Other components of equity	16,977	4,515
Retained earnings	225,714	218,527
Equity attributable to owners of the Company	456,675	436,911
Non-controlling interests	105,882	117,617
<b>Total equity</b>	<b>562,557</b>	<b>554,528</b>
<b>Total liabilities and equity</b>	<b>5,034,124</b>	<b>5,157,876</b>

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

	Three months ended June 30, 2018	Three months ended June 30, 2019
	Millions of Yen	Millions of Yen
Revenue (Interest income of ¥28,135 million and ¥28,294 million included for the three months ended June 30, 2018 and 2019, respectively)	91,334	<b>92,127</b>
Expense		
Financial cost associated with financial income	(4,781)	<b>(5,908)</b>
Provision for credit losses	(6,326)	<b>(9,051)</b>
Operating cost	(24,438)	<b>(24,519)</b>
Selling, general and administrative expenses	(26,344)	<b>(29,948)</b>
Other financial cost	(656)	<b>(1,304)</b>
Other expenses	(842)	<b>(3,355)</b>
Total expense	<u>(63,387)</u>	<u><b>(74,085)</b></u>
Share of the profit of associates and joint ventures accounted for using the equity method	718	<b>2,175</b>
Profit before income tax expense	<u>28,665</u>	<u><b>20,217</b></u>
Income tax expense	(8,271)	<b>(6,512)</b>
Profit for the period	<u>20,394</u>	<u><b>13,705</b></u>
Profit for the period attributable to		
Owners of the Company	17,879	<b>11,677</b>
Non-controlling interests	2,515	<b>2,028</b>
Profit for the period	<u>20,394</u>	<u><b>13,705</b></u>
Earnings per share attributable to owners of the Company		
Basic (Yen)	80.89	<b>51.16</b>
Diluted (Yen)	70.75	<b>45.83</b>

## Interim Condensed Consolidated Statement of Comprehensive Income

	Three months ended June 30, 2018	Three months ended June 30, 2019
	Millions of Yen	Millions of Yen
Profit for the period	20,394	13,705
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Equity instruments measured at FVTOCI	173	(618)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	—	(98)
	173	(716)
Items that may be reclassified subsequently to profit or loss		
Debt instruments measured at FVTOCI	29	628
Currency translation differences	(1,150)	(10,214)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	602	(2,677)
	(519)	(12,263)
Other comprehensive income, net of tax	(346)	(12,979)
Total comprehensive income	20,048	726
Total comprehensive income attributable to		
Owners of the Company	17,498	(1,389)
Non-controlling interests	2,550	2,115
Total comprehensive income	20,048	726

### (3) Condensed Interim Consolidated Statement of Changes in Equity

Three months ended June 30, 2018

	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, 2018	81,681	125,445	(4,647)	20,605	204,731	427,815	66,009	493,824
Cumulative effect of accounting change	—	—	—	840	(11,625)	(10,785)	(123)	(10,908)
Restated balance as at April 1, 2018	81,681	125,445	(4,647)	21,445	193,106	417,030	65,886	482,916
Profit for the period	—	—	—	—	17,879	17,879	2,515	20,394
Other comprehensive income	—	—	—	(381)	—	(381)	35	(346)
Total comprehensive income	—	—	—	(381)	17,879	17,498	2,550	20,048
Conversion of convertible bonds	—	3	7	—	—	10	—	10
Dividends paid	—	—	—	—	(15,455)	(15,455)	(581)	(16,036)
Treasury shares purchased	—	—	(12)	—	—	(12)	—	(12)
Treasury shares sold	—	22	1,732	—	—	1,754	—	1,754
Share-based payment transactions	—	169	—	—	—	169	81	250
Changes of interests in subsidiaries without losing control	—	11	—	—	—	11	2,498	2,509
Transfer	—	—	—	(743)	743	—	—	—
As at June 30, 2018	81,681	125,650	(2,920)	20,321	196,273	421,005	70,434	491,439



Three months ended June 30, 2019

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

#### (4) Interim Condensed Consolidated Statement of Cash flows

	Three months ended June 30, 2018	Three months ended June 30, 2019
	Millions of Yen	Millions of Yen
Cash flows from operating activities		
Profit before income tax expense	28,665	<b>20,217</b>
Depreciation and amortization	2,263	<b>3,381</b>
Share of profits of associates and joint ventures accounted for using the equity method	(718)	<b>(2,175)</b>
Interest and dividend income	(29,660)	<b>(29,949)</b>
Interest expense	5,436	<b>7,213</b>
Increase in operational investment securities	(35,531)	<b>(32,760)</b>
Increase in accounts receivables and other receivables	(21,934)	<b>(30,908)</b>
Increase in operational liabilities and other liabilities	30,149	<b>20,467</b>
Decrease in assets/liabilities related to securities business	(51,054)	<b>(86,177)</b>
Increase in customer deposits in the banking business	51,323	<b>45,834</b>
Others	(10,958)	<b>6,214</b>
Subtotal	(32,019)	<b>(78,643)</b>
Interest and dividend income received	28,983	<b>30,183</b>
Interest paid	(4,568)	<b>(6,599)</b>
Income taxes paid	(11,138)	<b>(7,913)</b>
Net cash used in operating activities	(18,742)	<b>(62,972)</b>
Cash flows from investing activities		
Purchases of intangible assets	(1,976)	<b>(3,290)</b>
Purchases of investment securities	(43,694)	<b>(6,605)</b>
Proceeds from sales or redemption of investment securities	33,344	<b>13,718</b>
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(3,050)	<b>(5,182)</b>
Payments of loans receivable	(1,997)	<b>(5,259)</b>
Collection of loans receivable	0	<b>7,293</b>
Others	(507)	<b>9</b>
Net cash (used in) generated from investing activities	(17,880)	<b>684</b>

	Three months ended June 30, 2018	Three months ended June 30, 2019
	Millions of Yen	Millions of Yen
Cash flows from financing activities		
(Decrease) increase in short term loans payable	(33,434)	17,041
Proceeds from long-term loans payable	7,092	6,663
Repayment of long-term loans payable	(2,667)	(1,951)
Proceeds from issuance of bonds payable	8,128	85,785
Redemption of bonds payable	(27,006)	(2,659)
Proceeds from stock issuance to non-controlling interests	—	185
Contributions from non-controlling interests in consolidated investment funds	2,580	12,600
Cash dividends paid	(15,180)	(17,966)
Cash dividends paid to non-controlling interests	(534)	(411)
Distributions to non-controlling interests in consolidated investment funds	(93)	(2,526)
Purchase of treasury stock	(12)	(4)
Proceeds from sale of interests in subsidiaries to non-controlling interests	191	202
Payments for purchase of interests in subsidiaries from non-controlling interests	(408)	(28)
Others	(223)	(296)
Net cash (used in) generated from financing activities	(61,566)	96,635
Net (decrease) increase in cash and cash equivalents	(98,188)	34,347
Cash and cash equivalents at the beginning of the period	437,148	713,974
Effect of changes in exchange rate on cash and cash equivalents	(289)	(3,923)
Cash and cash equivalents at the end of the period	338,671	744,398

## (5) Notes to Condensed Interim Consolidated Financial Statements

### Assumptions for Going Concern

None

### Changes in Accounting Policy

Except for the following standard that has been newly applied, the accounting policies adopted in the consolidated financial statements for the fiscal year ended March 31, 2019, are applied consistently in the preparation of these interim condensed consolidated financial statements.

Statement of standards	Summary of new standards and amendments
IFRS 16 Leases	Amendment with regard to the definition and the accounting treatment of lease

#### IFRS 16 Leases

The Group has applied IFRS 16 “Leases” from the three-month period ended June 30, 2019. At the date of initial application, the Group recognizes the cumulative effect of applying this standard and right-of-use asset has been measured at an amount equal to the lease liability. For the assessment of whether a contract that was concluded in or prior to the previous fiscal year is a lease, or contains a lease, the Group has applied the practical expedient of maintaining IAS 17 “Leases” and IFRIC 4 “Determining whether an Arrangement contains a Lease”. In adopting IFRS 16 to lease transactions, which were previously classified as operating leases, the Group has applied recognition exemptions allowing the lessee not to recognize right-of-use assets and lease liabilities on leases with remaining lease terms of 12 months or less.

The details of the change and the impact amount are as follows.

#### Leases (lessee)

At the inception of the contract, the Group determines whether the contract is, or contains, a lease.

Lease liability in a lease transaction is initially measured as the present value of unpaid lease payments discounted using an interest rate implicit in the lease at the commencement date of the contract. If that rate cannot be readily determined, the Group uses the lessee’s incremental borrowing rate. With regard to the right-of-use asset, an initial measurement is conducted on the acquisition cost, which is initially measured amount of lease liability adjusted by initial direct cost and prepaid lease payments, etc., and depreciation is applied for the right-of-use asset on a regular basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. With regard to a lease that has a lease period of 12 months or less or a lease of low-value assets, the right-of-use assets and lease liabilities are not recognized and lease payments on such lease are recognized as expenses over the lease period.

As a result of the above changes, right-of-use assets and lease liabilities increased by ¥12,913 million and ¥12,702 million, respectively, in the interim condensed consolidated statement of financial position at the beginning of the period. In the interim condensed consolidated statement of financial position, the right-of-use assets are included in property and equipment and lease liabilities are included in trade and other accounts payable. The impact of the changes on the interim condensed consolidated statement for the three-months ended June 30, 2019 is immaterial.

## Revenue

	<u>Three months ended June 30, 2018</u>	<u>Three months ended June 30, 2019</u>
	Millions of yen	Millions of yen
Financial income		
Interest income		
Income arising from financial assets measured at amortized cost (Note 1)	28,102	28,094
Income arising from debt instruments measured at FVTOCI (Note 2)	33	200
Income arising from financial assets measured at FVTPL	18,876	13,858
Others	21	55
Total financial income	47,032	42,207
Revenue arising on insurance contracts	19,686	19,526
Revenue from contracts with customers		
Revenue from rendering of services	20,630	19,342
Revenue from sales of goods	929	799
Others	3,057	10,253
Total revenue	<u>91,334</u>	<u>92,127</u>

(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.