

# SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

## INTERIM RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED DECEMBER 31, 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 nine months ended December 31, 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	%
Nine months ended December 31, 2019	285,197	12.0	64,715	2.9	45,476	0.4	37,474	(3.2)
Nine months ended December 31, 2018	254,586	3.0	62,906	24.3	45,302	10.1	38,718	6.2

	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, 2019	36,750	(12.9)	163.36	147.01
Nine months ended December 31, 2018	42,189	(19.6)	170.85	151.14

#### (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, 2019	5,613,404	611,574	465,860	8.3
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	—	20.00	—		
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)	:	December 31, 2019	:	236,556,393shares
		March 31, 2019	:	236,556,393shares
(2) Number of treasury stock	:	December 31, 2019	:	5,875,138shares
		March 31, 2019	:	8,312,501shares
(3) Average number of shares outstanding	:	Nine months ended December 31, 2019	:	229,388,763shares
		Nine months ended December 31, 2018	:	226,619,595shares

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, 2019 were as follow. Revenue increased 12.0% year-on-year to ¥285,197 million, profit before income tax expense increased 2.9% to ¥64,715 million, and profit attributable to owners of the Company decreased 3.2% to ¥37,474 million.

The results of operations for each reporting segment of the Group for the nine months ended December 31, 2019 were as follow.

SBI VC Trade Co., Ltd., which were included in the Others until the previous reporting period and changed its company name from SBI Virtual Currencies Co., Ltd. on July 1, 2019, are now included in the Financial Services Business beginning with this fiscal year. Consequently, segment information for the nine months ended December 31, 2018, is restated in accordance with the new basis of segmentation.

	Revenue			Profit before income tax expense		
	Nine months ended December 31, 2018	Nine months ended December 31, 2019		Nine months ended December 31, 2018	Nine months ended December 31, 2019	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	170,426	175,385	2.9	47,639	38,723	(18.7)
Asset Management Business	82,752	104,486	26.3	33,612	43,850	30.5
Biotechnology-related Business	2,454	3,249	32.4	(8,708)	(8,720)	—
Total	255,632	283,120	10.8	72,543	73,853	1.8
Others	833	4,530	443.5	(3,469)	(1,626)	—
Elimination or Corporate	(1,879)	(2,453)	—	(6,168)	(7,512)	—
Consolidated Total	254,586	285,197	12.0	62,906	64,715	2.9

(% 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, 2019 were as follows. Revenue increased 2.9% year-on-year to ¥175,385 million, and profit before income tax expense decreased 18.7% to ¥38,723 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 nine months ended December 31, 2019 were as follows. Revenue increased 26.3% year-on-year to ¥104,486 million, and profit before income tax expense increased 30.5% year-on-year to ¥43,850 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, 2019 were as follows. Revenue increased 32.4% year-on-year to ¥3,249 million, and loss before income tax expense amounted to ¥8,720 million for the nine months ended December 31, 2019 (¥8,708 million of loss before income tax expense for the nine months ended December 31, 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 December 31, 2019, total assets amounted to ¥5,613,404 million and increased by ¥579,280 million from total assets of ¥5,034,124 million as at March 31, 2019. The Group's equity increased by ¥49,017 million to ¥611,574 million from the fiscal year ended March 31, 2019. As at December 31, 2019, the Group's cash and cash equivalents amounted to ¥856,322 million and increased by ¥142,348 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 ¥3,546 million in net cash inflows (¥77,024 million in net cash outflows for the nine months ended December 31, 2018). The net cash inflows were primarily due to a ¥89,931 million cash inflow from an increase in customer deposits in the banking business, a ¥64,715 million cash inflow from profit before income tax expense and a ¥62,712 million cash inflow from an increase in operational liabilities and other liabilities, despite a ¥114,159 million cash outflow from an increase in operational investment securities and a ¥109,953 million cash outflow from an increase in accounts receivables and other receivables.

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

Cash flows from investing activities amounted to ¥38,645 million in net cash outflows (¥43,958 million in net cash outflows for the nine months ended December 31, 2018). The net cash outflows were primarily due to a ¥42,074 million cash outflow from payments of loans receivable and a ¥23,070 million cash outflow from purchases of investment securities, despite a ¥27,518 million cash inflow from proceeds from sales or redemption of investment securities.

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

Cash flows from financing activities amounted to ¥179,653 million in net cash inflows (¥470,463 million in net cash inflows for the nine months ended December 31, 2018). The net cash inflows were primarily due to a ¥156,327 million cash inflow from proceeds from issuance of bonds payable, a ¥44,902 million cash inflow from an increase in short term loans payable and a ¥35,446 million cash inflow from contributions from non-controlling interests in consolidated investment funds, despite a ¥36,239 million cash outflow from redemption of bonds payable and a ¥22,809 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 December 31, 2019
	Millions of Yen	Millions of Yen
Assets		
Cash and cash equivalents	713,974	856,322
Trade and other accounts receivable	689,713	808,920
Assets related to securities business		
Cash segregated as deposits	1,603,159	1,777,885
Margin transaction assets	674,878	626,212
Other assets related to securities business	471,555	525,396
Total assets related to securities business	2,749,592	2,929,493
Other financial assets	36,740	43,817
Operational investment securities	282,616	395,826
Other investment securities	188,900	190,170
Investments accounted for using the equity method	68,371	62,657
Property and equipment	15,100	31,363
Intangible assets	184,816	193,056
Other assets	97,046	94,347
Deferred tax assets	7,256	7,433
Total assets	5,034,124	5,613,404
Liabilities		
Bonds and loans payable	962,965	1,146,928
Trade and other accounts payable	60,639	129,875
Liabilities related to securities business		
Margin transaction liabilities	166,145	224,106
Loans payable secured by securities	494,718	432,053
Deposits from customers	781,232	958,075
Guarantee deposits received	730,838	809,467
Other liabilities related to securities business	373,567	322,183
Total liabilities related to securities business	2,546,500	2,745,884
Customer deposits for banking business	659,361	729,836
Insurance contract liabilities	139,098	143,290
Income tax payable	7,367	5,810
Other financial liabilities	19,566	21,936
Other liabilities	60,339	55,763
Deferred tax liabilities	15,732	22,508
Total liabilities	4,471,567	5,001,830
Equity		
Capital stock	92,018	92,018
Capital surplus	142,094	139,675
Treasury stock	(20,128)	(14,227)
Other components of equity	16,977	8,683
Retained earnings	225,714	239,711
Equity attributable to owners of the Company	456,675	465,860
Non-controlling interests	105,882	145,714
Total equity	562,557	611,574
Total liabilities and equity	5,034,124	5,613,404

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

	Nine months ended December 31, 2018	<b>Nine months ended December 31, 2019</b>
	Millions of Yen	<b>Millions of Yen</b>
Revenue (Interest income of ¥84,305 million and ¥87,849 million included for the nine months ended December 31, 2018 and 2019, respectively)	254,586	<b>285,197</b>
Expense		
Financial cost associated with financial income	(15,500)	<b>(18,959)</b>
Provision for credit losses	(15,677)	<b>(24,811)</b>
Operating cost	(75,065)	<b>(78,384)</b>
Selling, general and administrative expenses	(81,583)	<b>(93,864)</b>
Other financial cost	(2,047)	<b>(3,545)</b>
Other expenses	(3,903)	<b>(5,907)</b>
Total expense	(193,775)	<b>(225,470)</b>
Share of the profit of associates and joint ventures accounted for using the equity method	2,095	<b>4,988</b>
Profit before income tax expense	62,906	<b>64,715</b>
Income tax expense	(17,604)	<b>(19,239)</b>
Profit for the period	45,302	<b>45,476</b>
Profit for the period attributable to		
Owners of the Company	38,718	<b>37,474</b>
Non-controlling interests	6,584	<b>8,002</b>
Profit for the period	45,302	<b>45,476</b>
Earnings per share attributable to owners of the Company		
Basic (Yen)	170.85	<b>163.36</b>
Diluted (Yen)	151.14	<b>147.01</b>

## Interim Condensed Consolidated Statement of Comprehensive Income

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
	Millions of Yen	Millions of Yen
Profit for the period	45,302	<b>45,476</b>
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Equity instruments measured at FVTOCI	(1,612)	<b>(646)</b>
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(202)	<b>(160)</b>
	<u>(1,814)</u>	<u><b>(806)</b></u>
Items that may be reclassified subsequently to profit or loss		
Debt instruments measured at FVTOCI	0	<b>852</b>
Currency translation differences	(1,779)	<b>(5,886)</b>
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	480	<b>(2,886)</b>
	<u>(1,299)</u>	<u><b>(7,920)</b></u>
Other comprehensive income, net of tax	(3,113)	<b>(8,726)</b>
Total comprehensive income	<u>42,189</u>	<u><b>36,750</b></u>
Total comprehensive income attributable to		
Owners of the Company	35,549	<b>28,574</b>
Non-controlling interests	6,640	<b>8,176</b>
Total comprehensive income	<u>42,189</u>	<u><b>36,750</b></u>

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

Nine months ended December 31, 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	—	—	—	—	38,718	38,718	6,584	45,302
Other comprehensive income	—	—	—	(3,169)	—	(3,169)	56	(3,113)
Total comprehensive income	—	—	—	(3,169)	38,718	35,549	6,640	42,189
Issuance of convertible bonds	—	2,904	—	—	—	2,904	—	2,904
Conversion of convertible bonds	10,337	6,677	12,248	—	—	29,262	—	29,262
Change in scope of consolidation	—	—	—	—	—	—	15	15
Dividends paid	—	—	—	—	(20,180)	(20,180)	(2,008)	(22,188)
Treasury shares purchased	—	—	(26,426)	—	—	(26,426)	—	(26,426)
Treasury shares sold	—	22	1,732	—	—	1,754	—	1,754
Share-based payment transaction	—	508	—	—	—	508	492	1,000
Changes of interests in subsidiaries without losing control	—	6,852	—	—	—	6,852	25,586	32,438
Transfer	—	—	—	(634)	634	—	—	—
As at December 31, 2018	92,018	142,408	(17,093)	17,642	212,278	447,253	96,611	543,864



Nine months ended December 31, 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		
<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>	—	—	—	—	37,474	37,474	8,002	45,476
<b>Other comprehensive income</b>	—	—	—	(8,900)	—	(8,900)	174	(8,726)
<b>Total comprehensive income</b>	—	—	—	(8,900)	37,474	28,574	8,176	36,750
<b>Conversion of convertible bonds</b>	—	(1,496)	4,821	—	—	3,325	—	3,325
<b>Change in scope of consolidation</b>	—	—	—	—	—	—	(1,845)	(1,845)
<b>Dividends paid</b>	—	—	—	—	(22,871)	(22,871)	(7,774)	(30,645)
<b>Treasury shares purchased</b>	—	—	(11)	—	—	(11)	—	(11)
<b>Treasury shares sold</b>	—	(386)	1,091	—	—	705	—	705
<b>Share-based payment transaction</b>	—	225	—	—	—	225	440	665
<b>Changes of interests in subsidiaries without losing control</b>	—	(762)	—	—	—	(762)	40,835	40,073
<b>Transfer</b>	—	—	—	606	(606)	—	—	—
<b>As at December 31, 2019</b>	<u>92,018</u>	<u>139,675</u>	<u>(14,227)</u>	<u>8,683</u>	<u>239,711</u>	<u>465,860</u>	<u>145,714</u>	<u>611,574</u>

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

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
	Millions of Yen	Millions of Yen
Cash flows from operating activities		
Profit before income tax expense	62,906	<b>64,715</b>
Depreciation and amortization	7,235	<b>11,101</b>
Share of profits of associates and joint ventures accounted for using the equity method	(2,095)	<b>(4,988)</b>
Interest and dividend income	(88,305)	<b>(91,484)</b>
Interest expense	17,547	<b>22,506</b>
Increase in operational investment securities	(79,468)	<b>(114,159)</b>
Increase in accounts receivables and other receivables	(87,084)	<b>(109,953)</b>
Increase in operational liabilities and other liabilities	79,668	<b>62,712</b>
(Increase) decrease in assets/liabilities related to securities business	(141,418)	<b>18,162</b>
Increase in customer deposits in the banking business	131,455	<b>89,931</b>
Others	(26,578)	<b>(314)</b>
Subtotal	(126,137)	<b>(51,771)</b>
Interest and dividend income received	88,571	<b>90,710</b>
Interest paid	(15,485)	<b>(21,054)</b>
Income taxes paid	(23,973)	<b>(14,339)</b>
Net cash (used in) generated from operating activities	(77,024)	<b>3,546</b>
Cash flows from investing activities		
Purchases of intangible assets	(3,907)	<b>(11,151)</b>
Purchases of investment securities	(120,346)	<b>(23,070)</b>
Proceeds from sales or redemption of investment securities	93,134	<b>27,518</b>
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(3,050)	<b>(9,613)</b>
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	(2)	—
Payments of loans receivable	(7,749)	<b>(42,074)</b>
Collection of loans receivable	2,515	<b>17,729</b>
Others	(4,553)	<b>2,016</b>
Net cash used in from investing activities	(43,958)	<b>(38,645)</b>

	Nine months ended December 31, 2018	<b>Nine months ended December 31, 2019</b>
	Millions of Yen	<b>Millions of Yen</b>
Cash flows from financing activities		
Increase in short term loans payable	418,091	<b>44,902</b>
Proceeds from long-term loans payable	43,450	<b>23,972</b>
Repayment of long-term loans payable	(58,366)	<b>(13,807)</b>
Proceeds from issuance of bonds payable	136,789	<b>156,327</b>
Redemption of bonds payable	(53,884)	<b>(36,239)</b>
Proceeds from stock issuance to non-controlling interests	8,370	<b>3,036</b>
Contributions from non-controlling interests in consolidated investment funds	21,341	<b>35,446</b>
Cash dividends paid	(20,113)	<b>(22,809)</b>
Cash dividends paid to non-controlling interests	(819)	<b>(718)</b>
Distributions to non-controlling interests in consolidated investment funds	(1,298)	<b>(7,081)</b>
Purchase of treasury stock	(26,426)	<b>(9)</b>
Proceeds from sale of interests in subsidiaries to non-controlling interests	4,093	<b>218</b>
Payments for purchase of interests in subsidiaries from non-controlling interests	(422)	<b>(35)</b>
Others	(343)	<b>(3,550)</b>
Net cash generated from financing activities	<u>470,463</u>	<u><b>179,653</b></u>
Net increase in cash and cash equivalents	349,481	<b>144,554</b>
Cash and cash equivalents at the beginning of the period	437,148	<b>713,974</b>
Effect of changes in exchange rate on cash and cash equivalents	(4,121)	<b>(2,206)</b>
Cash and cash equivalents at the end of the period	<u><u>782,508</u></u>	<u><u><b>856,322</b></u></u>

## (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 nine-month period ended December 31, 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 nine months ended December 31, 2019 is immaterial.

## Revenue

	Nine months ended December 31, 2018	<b>Nine months ended December 31, 2019</b>
	Millions of yen	<b>Millions of yen</b>
Financial income		
Interest income		
Income arising from financial assets measured at amortized cost (Note 1)	84,167	<b>87,255</b>
Income arising from debt instruments measured at FVTOCI (Note 2)	138	<b>594</b>
Income arising from financial assets measured at FVTPL	38,376	<b>56,324</b>
Others	82	<b>158</b>
Total financial income	<u>122,763</u>	<u><b>144,331</b></u>
Revenue arising on insurance contracts	59,742	<b>59,748</b>
Revenue from contracts with customers		
Revenue from rendering of services	62,248	<b>59,166</b>
Revenue from sales of goods	2,308	<b>2,732</b>
Others	7,525	<b>19,220</b>
Total revenue	<u><u>254,586</u></u>	<u><u><b>285,197</b></u></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.