

The Coming Two to Three Years will be an Ideal Time for Aggressive Investment, and the SBI Group will Emphasize Cash Flow Management, while Continuing to Invest for Further Growth.

Business Environment and Review of Financial Results in FY2016

During the fiscal year ended March 31, 2017 (FY2016), although the Japanese economy remained on a gradual recovery trend, from a global perspective, a sense of uncertainty about the economic outlook persisted, owing to factors such as the U.K.'s decision to leave the European Union and policy trends under the new U.S. administration. As a result, total individual stock brokerage trading value on the Tokyo and Nagoya Stock Exchanges* declined 16.4% year-on-year.

Under this business environment, the SBI Group's FY2016 consolidated financial results on an International Financial Reporting Standards (IFRSs) basis were as follows. While revenue reached a record high of ¥261.9 billion, profit before income tax expense fell 17.4% year-on-year to ¥43.1 billion, and profit for the year attributable to owners of the Company declined 4.9% year-on-year to ¥32.5 billion. Nevertheless, the recording of more than ¥30.0 billion profit for the year attributable to owners of the Company, for three consecutive fiscal years since FY2014 indicates that resistance to the effects of stock market declines has increased, and that the Group has developed a revenue base capable of generating stable profits at a certain level without being affected by market trends.

By segment, revenue reached a record high in the Financial Services Business, increasing 6.5% year-on-year to ¥177.0 billion, due to the improvement in the financial results of the FX-related and insurance businesses, but profit before income tax expense fell slightly, declining 3.8% year-on-year to ¥48.9 billion. A factor contributing to the results was the strengthening of overall earnings capacity, where unprofitable businesses have been steadily moving toward profitability for the past three years, and all subsidiaries and business divisions with the exception of subsidiaries established in the past two years achieved profitability. The Financial Services Business has been diversifying its business portfolio for some ten years, and the financial results reflect this initiative.

In the Asset Management Business, change in the fair value of securities held at the end of each fiscal year under IFRSs has negatively affected the financial performance. As a result, revenue declined 12.2% year-on-year to ¥80.4 billion, and profit before income tax expense fell 21.0% year-on-year to ¥13.9 billion. On the other hand, SBI SAVINGS BANK of South Korea recorded a historical high net income (KGAAP), and Morningstar Japan, which operates an asset management services business, achieved a profit increase for eight consecutive years. Accordingly, these operations underpinned the segment's overall financial results.

In the Biotechnology-related Business, SBI Biotech and SBI Pharmaceuticals achieved full-year profitability for the first time since they were established, as a result of receipt of milestone payments from out-licensing of drug discovery pipeline. While



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revenue increased 37.5% year-on-year to ¥5.5 billion, loss before income tax expense was ¥9.6 billion. The results reflect an increase in R&D expenses resulting from steady progress with clinical trials of multiple drug discovery pipeline at Quark Pharmaceuticals, a wholly owned subsidiary of SBI Biotech, including two that are in Phase III. However, these expenses are projected to decrease year-by-year after peaking in the fiscal year ending December 31, 2017, and contract to about half of the current level in the fiscal year ending December 31, 2019. The 5-ALA-related business is moving steadily toward profitability, with sales of foods with function claims, cosmetics, and other products increasing, and clinical trials of R&D pipeline in the pharmaceuticals sector steadily progressing.

* Japanese stocks listed on the Tokyo Stock Exchange and Nagoya Stock Exchange (including TSE Mothers, JASDAQ and NSE Centrex)

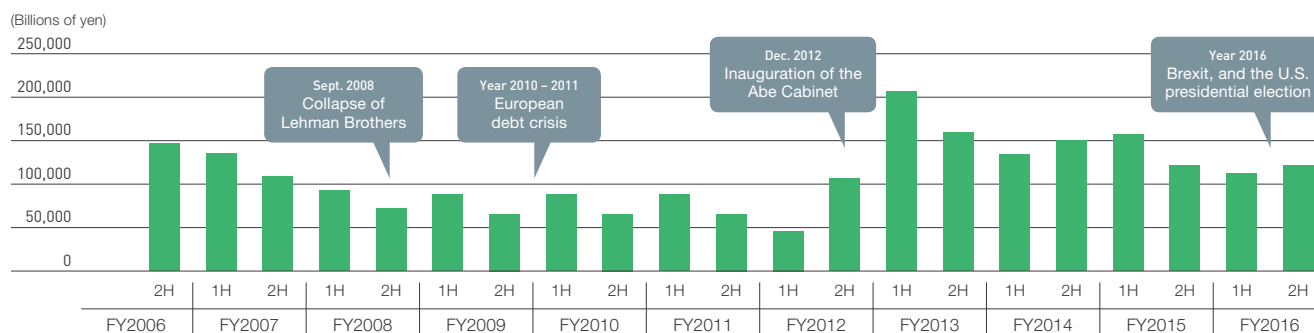
Continuing Aggressive Investments for Further Growth by Taking Advantage of a Golden Opportunity

The SBI Group is currently proactively forming business alliances and pursuing investment activities focused on the FinTech sector. An investment structure that takes full advantage of the Internet-based financial ecosystem centered on securities, banking and insurance that we have established, and the overseas networks we have expanded as we transition “from Japan’s SBI to

Business Portfolio Diversification Progression

Three Market total (Tokyo, Osaka and Nagoya), semiannual individual stock brokerage trading value

(2nd half of FY2006 – 2nd half of FY2016)



* Japanese stocks listed on Tokyo Stock Exchange, Osaka Stock Exchange and Nagoya Stock Exchange (Including TSE Mothers, JASDAQ and NSE Centrex)
Source: Compiled by SBI Holdings from disclosed data from TSE

Major initiatives implemented in the Financial Services Business

Sept. 2007	Launch of SBI Sumishin Net Bank	June 2012	Launch of SBI MONEY PLAZA	Feb. 2016	Started new sales at SBI Life Insurance
Jan. 2008	Launch of SBI Insurance	Mar. 2013	Acquired current SBI IKIKI SSI	May 2016	Established SBI Ripple Asia
Nov. 2008	Launch of SBI Liquidity Market	Aug. 2014	Sold former SBI Mortgage	Sept. 2016	Acquired Nihon SSI
Mar. 2012	Acquired current SBI Resta SSI	Feb. 2015	Acquired current SBI Life Insurance	Nov. 2016	Established SBI Virtual Currencies
May 2012	Launch of SBI FXTRADE	July 2015	Established SBI BITS		

the World's SBI" is now proving highly effective, with extremely high-quality business alliances and investment projects becoming available. For this reason, we consider the coming two to three years an ideal time for aggressive investment, and a truly golden opportunity.

The Financial Services Business in particular is developing innovative services utilizing FinTech, and is developing systems to increase operating efficiency in collaboration with various companies outside of the Group, with the goal of transitioning to a new financial ecosystem with blockchain as its core technology. In addition, the Financial Services Business as a whole, from the core businesses of securities, FX trading, banking and insurance to new businesses, is on the cusp of a new growth period fueled by collaboration with regional financial institutions, along with the development of new products attuned to customer needs, the expansion of the asset management-related business, and the offering of financial services in Asian markets. Accordingly, we consider it a time to make aggressive investments in these growth businesses.

Similarly, in the Asset Management Business, with investment activities by the FinTech Fund in the forefront, and investments in the U.S.-based Ripple and R3 providing additional momentum, excellent investment projects in FinTech, IoT, big data and other fields are becoming available, both in Japan and abroad. In the results of the private equity investment activities for FY2016 on a consolidated basis, we recovered approximately ¥14 billion in capital through the sale of existing portfolio assets, and made more than ¥32 billion in new investments. What's important in investment activities is prompt decision-making based on shrewd analysis and bargaining strength, and I think the SBI Group can demonstrate its strengths in this business. In the Biotechnology-related Business as well, up-front investment

to achieve profitability as described above continues.

Emphasis on Cash Flow Management

At a time like this when the Financial Services Business, Asset Management Business and Biotechnology-related Business all require growth capital, cash flow management to ensure the agility to appropriately respond to changing circumstances becomes even more important.

The current low-interest rate situation works as a positive factor in funds procurement and various financial moves are available to the Group. Since our ability to generate cash, mainly in the Financial Services Business, is steadily and surely increasing, it is necessary to engage in timely funding with capital efficiency in mind, while maintaining a sound financial position that isn't overly reliant on interest-bearing debt.

Although the Group has a clearly stated guideline of providing a target total shareholder return ratio of 40% as a minimum, as calculated by the sum of the total amount of dividend payouts and share repurchase amount, the importance of a financial strategy focused on cash flow is increasing, even in resource allocation. The SBI Group would like to take advantage of the current excellent growth opportunity by engaging in cash flow management, to endeavor to realize an optimal resource allocation, while keeping a watchful eye on growth opportunities in each segment, shareholder returns, interest-bearing debt and other considerations.