SBI Holdings

自我作古

Annual Report 2019

20th
ANNIVERSARY

自我作古

The kanji characters "Jiga Sakko" on this year's cover represents a Japanese proverb that can be interpreted to mean, "Creating history to define the future." Instead of fixating on how things were done in the past, this proverb encourages new approaches and attempts to create what will become the next precedent.

Founded in Japan in 1999, the SBI Group has spent the last 20 years establishing the world's first Internet-based financial ecosystem that undertakes a broad range of financial services, including securities, banking and insurance (Financial Services Business), investing in and incubating startup companies (Asset Management Business), and undertaking the R&D and manufacturing of pharmaceuticals and health foods (Biotechnology-related Business), while pursuing the concept of creating the future, as the proverb implies.

Even if it is difficult to predict what the future will bring, we still possess the ability to shape it. The SBI Group will continue to take on new challenges as part of moving even closer to the future that we envision.

CONTENTS

Editing Guidelines

This Annual Report is one of our communication tools with our shareholders and investors. It is published with the goal of fostering a comprehensive understanding of the corporate value created by the SBI Group. To do so, this report addresses both the financial and non-financial aspects of the SBI Group's initiatives, and takes into account current developments, such as METI's Guidance for Collaborative Value Creation. Going forward, we will work to further improve this report to meet the expectations of our readers.

Environment
Social
Governance
Guidance for Collaborative Value Creation

Forward-looking Statements

This annual report includes statements concerning the current plans, strategies and projections of the future performance of SBI Holdings, Inc. ("SBI Holdings"), and its subsidiaries and affiliates. These statements have been prepared based on information available at the time of publication, and on certain assumptions deemed reasonable by SBI Holdings. Hence, actual results may differ, in some cases significantly, from these forward-looking statements contained herein due to changes in various factors, including but not limited to economic conditions in principal markets, service demand trends and currency exchange rate fluctuations. Further, statements contained herein should not be construed to encompass tax, legal or financial advice, and should not be considered to be solicitations to invest in SBI Holdings.

Yoshitaka Kitao

Representative Director,
President & CEO

Creating the Future through Self-Evolution

This year the SBI Group celebrated the 20th anniversary of its founding. Reflecting on the achievements in our three core business areas for the past 20 years, they would include the establishment of an Internet-based financial ecosystem centering on securities, banking and insurance in the Financial Services Business, the creation of global investment and asset management structures in our Asset Management Business and the establishment of global R&D, manufacturing and marketing structures for 5-Aminolevulinic Acid (5-ALA) in the Biotechnology-related Business. I would like to express our gratitude for the support from all of our stakeholders, including shareholders and investors, without which this growth and success would not have been possible. We look forward to your continuing guidance and support, as we continue to take on new challenges as a corporate group dedicated to the creation of our own future, through the processes of self-denial, self-transformation and self-evolution.

KEYWORDS

❶ **Internet revolution:**
With the rapid diffusion of the Internet, information has become readily accessible to everyone. This has shifted sovereignty to consumers and transformed financial services.

❷ **Financial Big Bang in Japan:**
This is the collective term for major financial system reforms implemented by the government between 1996 and 2001. Changes included the total liberalization of share trading commissions, and approval for the establishment of financial holding companies.

❸ **Customer-centric Principle:**
See page 10.

❹ **Hegel's law of the transformation of quantity into quality:**
The German philosopher Hegel said that individual quantitative changes result in qualitative changes that lead to individual cases with new qualities, which go through new quantitative transformations through the motions of the new qualities.

❺ **Complex systems:**
The theory of complex systems is based on two propositions. First, the whole is greater than the sum of its parts. Second, the whole has new qualities that are not found in the parts.

History

The SBI Group Established in 1999

Internet-driven Structural Changes in the Financial Sector

The SBI Group was founded in 1999 as a financial subsidiary of SoftBank (currently SoftBank Group), at a time when Japan's financial industry was about to be transformed by two major trends: the Internet revolution❶, and the Financial Big Bang in Japan❷. This period would be regarded as the first phase of a process that transformed the financial sector through technological innovation. My decision to establish the SBI Group stemmed from my belief that the Internet would bring a wave of change, and from my awareness of a high degree of affinity between the Internet and the financial sector. Finance is fundamentally an information industry based solely on numbers and transaction data, rather than the movement of physical goods. This characteristic makes finance extremely compatible with the Internet, and I was convinced that the Internet would inevitably transform the financial sector. The diffusion of the Internet has given everyone the ability to gather information without incurring any cost, thereby shifting the advantage from vendors to customers. These historical trends and environmental changes are reflected in the rapid growth of online markets for securities, banking and insurance. The SBI Group has led this market evolution by offering a variety of financial services via the Internet. As I look back over the SBI Group's 20 years, I believe that we can claim to have created our own history by anticipating the needs of our customers, and continually taking up new challenges.

Key Factors Supporting the Growth of the SBI Group

As we moved into this era of consumer sovereignty, we needed to consider what we can offer to optimize the customer experience. Following the liberalization of stock trading commissions as a part of financial deregulation, we decided to make our commission fees as low as possible. This led us to adopt the "Customer-centric Principle"❸ as one of the core elements of our approach to business development. For example, when E*TRADE SECURITIES (currently SBI SECURITIES) launched its business, it offered the lowest trading commissions of any other online securities firm. There was some opposition to this approach, but we believed that we could create a virtuous circle, as presented in Hegel's law of the transformation of quantity into quality❹, which implies that by offering low commissions to attract a large customer base, it would lead to improvements in customer satisfaction through the continual enhancement of product offerings, as well as an increase in the number of servers to eliminate system downtime.

On the other hand, when we consider the fundamental nature of the financial sector from the perspective of customer asset management, it becomes clear that customers are restructuring their own portfolios according to the level of risks and opportunities at a given point in time. Furthermore, the cost of transferring money has fallen dramatically with the diffusion of the Internet, and customers are now able to create their own financial portfolios through timely transfers of their assets across the barriers that previously were the result of laws or systems to separate the various industries of the financial sector, such as securities, banking and insurance. This new reality led to the concept of business ecosystems encompassing multiple financial services, including securities, banking and insurance. We realized that by creating a financial ecosystem, we would be able to offer services that would result in unprecedented improvements in customer convenience.

Another key concept was the theory of complex systems❺. We conducted that by developing our business according to this concept and building a corporate group in which companies can interact, we would be able to use strong inter-company links to achieve things that would not be possible for a single company acting alone, and that in such an environment it would be as if one plus one could equal three, or even five. We began to build a business ecosystem based on these concepts, by establishing Group companies one after another over a short period of time. The synergies and mutual evolutions that resulted from this approach allowed our Group companies to make rapid progress toward profitability, thereby strengthening our overall earning power as a Group. These strategies have been reflected in our consolidated financial performance. Our consolidated revenue and profits for the fiscal year ended March 31, 2019 (FY2018) were the highest since the adoption of IFRSs in FY2012.

The Future

Innovative Business Development across Industry Boundaries

Long-term Outlook for Sustainable Growth

The SBI Group is evolving into a conglomerate capable of absorbing a wide range of technologies through its investments in core 21st century industries, including fintech, AI, blockchain and quantum computing. We want to transform society for future generations by aiding the adoption of these new technologies beyond the financial sector into a broad spectrum of other industries. The initials "SBI" is an acronym for "Strategic Business Innovator." This literally symbolizes our vision for the SBI Group as a leading-edge corporate group committed to the continual creation of innovative businesses under the concept of "Focusing on Finance to Transcend Finance." Outlined below is our overall strategy for the realization of this long-term vision for the SBI Group.

Transition from Fintech 1.5 to 2.0

Since its establishment, the SBI Group has established its own unique IT-based business models in step with the rapid diffusion of the Internet. Our financial ecosystem, which is an ecosystem of the Financial Services Business that was completed in 2016, started with the securities business, and progressively expanded with the addition of other financial services like banking, non-life insurance and life insurance. While traditional financial institutions faced an increasingly harsh business environment, the SBI Group was achieving rapid growth thanks to this financial ecosystem. I refer to this initial phase of fintech evolution as "fintech 1.0."

The SBI Group is now establishing fintech 1.5 through the utilization of important new innovative technologies, such as AI, big data, the IoT and robotics, as well as blockchain on the completed web-based online financial ecosystem that we completed as fintech 1.0. Of all the technologies I consider fintech, I believe that blockchain has the greatest potential to drive a major social transformation. In the near future, it will be possible to provide innovative financial services through blockchain-based applications. I believe that the emergence of services centered on blockchain technology will signal the advent of the fintech 2.0 era. In preparation for the transition from fintech 1.5 to 2.0, we have established funds to invest in new fields of technology❻. In addition, SBI Group companies will further diversify their products, and improve the efficiency of their business processes❼ by adopting fintech and other new technologies from the investee companies.

KEYWORDS

❻ **Funds to invest in new fields of technology:**
See page 20.

❼ **Product diversification and improvement of business process efficiency:**
See page 33.

KEYWORDS

8 Money Tap (company):
The company was established in March 2019 to drive the early development of the Money Tap business. 20 banks, including regional banks, co-participated as shareholders (as of June 30, 2019).

9 Money Tap app:
This smartphone app allows funds from bank accounts to be transferred between individuals safely and easily 24 hours a day/365 days a year. Its core technology is the "xCurrent," distributed ledger technology (DLT) developed by the U.S. company Ripple.

10 T-Point:
This is a loyalty point system developed by Culture Convenience Club. Partners include retail outlets, such as supermarkets, convenience stores, gas stations and restaurants, as well as Internet services.

Contributing to the Establishment of a Cashless Society with "Money Tap"

The most important technologies in fintech 1.5 and the more advanced fintech 2.0 that is being developed by the SBI Group, are blockchain technology and distributed ledger technology (DLT). The SBI Group's Money Tap (company) 8 will provide solutions based on these technologies. Money Tap was established in March 2019, to drive the prompt rollout of the DLT-based smartphone money transfer app "Money Tap" 9, which was launched in October 2018, along with next-generation DLT-based financial infrastructure. DLT is expected to be widely used in both financial and non-financial areas as a low-cost, low-stress alternative to existing centralized systems. As one of the first system to use DLT, the Money Tap app provides commission-free (as of June 2019) money transfers 24 hours a day/365 days a year, by linking directly to the core systems of connected financial institutions. I believe you can say that it is a true next-generation system. Currently, we are working with the financial institutions that are Money Tap shareholders, and our U.S. partner, Ripple, to develop a range of customer-friendly solutions, including QR code-based payment services for affiliated merchants. Through this initiative, we are helping to achieve the Japanese government's goal of expanding the use of cashless settlements.

Attracting Younger Users to Develop Future Customer Asset Formation

The founding of the SBI Group coincided with a period of rapid growth in computer ownership, and at that time, the main tool for accessing the Internet was the PC. Today, devices that allow easy access anywhere, such as smartphones and tablets, are used more than PCs, especially among those in their twenties and thirties. By expanding the range of financial transactions within our financial services that can be performed using mobile devices, the SBI Group is strengthening its ability to attract younger users with the potential to become a source of future asset formation.

In October 2018, SBI SECURITIES established SBI NEOMOBILE SECURITIES jointly with CCC Marketing, which conducts a marketing platform business based on lifestyle data from the "T-Point" 10 shared loyalty point service. SBI NEOMOBILE SECURITIES, which commenced business in April 2019, specializes in smartphone-based stock trading in Japanese shares, as well as other transactions. Customers in their twenties and thirties make up 40% of SBI NEOMOBILE SECURITIES' customer base, and the percentage of customers in their twenties is high compared with the customer profiles of other SBI Group companies. SBI NEOMOBILE SECURITIES will maximize its ability to attract investment novices and young customers by pursuing synergies, including the reciprocal introduction of customers via the T-Point customer system with other financial service providers in the SBI Group, such as SBI VC Trade (formerly SBI Virtual Currencies), which operates exchanges for crypto-assets (cryptocurrencies), SBI FXTRADE and Money Tap, which operates the money transfer app for smartphones.

Financial Sector Unbundling and the Shift to Neo-banks

In the past, banks engaged primarily in the traditional business areas of deposits, loans and foreign exchange. However, with the advent of fintech and the development of legal infrastructure in various jurisdictions, there has been an accelerating influx of new players from other industries into these areas. As banking functions are increasingly unbundled, the banking business model is entering a transitional phase. SBI Sumishin Net Bank is adapting to this new environment by promoting the neo-bank initiatives, and in October 2018 it established the Neo-bank Department. Under the neo-banking concept, banking functions are provided to various business operators as financial platforms, in order to create new services that banks alone would not be able to provide. Since launching

Japan's first application programming interface (API) (see "Glossary" on p. 107) collaboration in 2016, we have provided banking functions to the service users of external companies. In November 2018 we established JAL Payment Port⓫ in partnership with Japan Airlines, and began to issue the Mastercard-branded JAL Global WALLET⓬ prepaid travel card. We are currently in negotiations with several other major companies, including the Recruit Group and Asahi Kasei Homes Group. By forming alliances with various business operators, we will create new services that cannot be created by banks alone.

Co-creation with Regional Financial Institutions

Regional financial institutions face short-term, medium-term and long-term challenges in their business environment, including the continuation of the Bank of Japan's negative interest rate policy, financial innovation driven by fintech and Japan's shift into an aging society. The SBI Group is helping to revitalize regional financial institutions by providing management resources. We are also working through various initiatives to contribute to the regional revitalization (see "Glossary" on p. 107), which has become a national strategy in Japan.

As the first phase of these initiatives, we are enhancing the products and services that our Group companies can provide to regional financial institutions. For example, SBI SECURITIES offers a financial instruments intermediary service that helps regional financial institutions to meet the asset formation needs of their local customers. As of June 30, 2019, SBI SECURITIES has formed alliances with 34 companies. Meanwhile, SBI MONEY PLAZA is helping regional financial institutions to market a wide range of financial products through face-to-face consultation with their customers at co-managed branches established with partner financial institutions. As of June 30, 2019, it has opened six of these branches.

We are also responding to asset management needs through SBI Regional Revitalization Asset Management. It was established through joint investments with regional financial institutions, and as of March 31, 2019, 35 regional financial institutions have invested in the company. Through the company, the SBI Group provides resources including asset management know-how and fund information gathered through global networks. SBI Regional Revitalization Asset Management supports regional financial institutions, both in managing assets entrusted by their customers and in managing the financial institutions' own capital. It also assists in such areas as human resource development.

As the second phase of our initiatives, we are helping regional financial institutions to restructure their technology resources through the use of new technologies and other resources provided mainly by SBI FinTech Incubation⓭, which we established jointly with IBM Japan, SoftBank Group and Toppan Printing, and through SBI NEO FINANCIAL SERVICES⓮. SBI FinTech Incubation has created a fintech platform to facilitate the adoption of fintech systems. It also helps regional financial institutions to introduce new services and other fintech-related innovations. This platform provides API infrastructure to support the introduction of services and systems created by fintech startup companies. By using this platform, financial institutions can minimize the cost of adopting advanced technology.

We are also progressively expanding our services through the establishment of joint ventures and the formation of business alliances to enable financial institutions within and outside of our Group to adopt advanced solutions from overseas fintech companies. Examples include SBI EVERSPIN, which we established as a joint venture with the South Korean security firm EVERSPIN in November 2018, as well as SBI wefox Asia, which we launched in January 2019 to provide support for insurance sales and consultation using AI and big data solutions developed by wefox Germany.

As the third phase, we are working toward the creation of integrated management systems (including the development and adoption of common know-your-customer (KYC) and anti-money laundering (AML) systems (see "Glossary" on p. 107), and shared financing

KEYWORDS

⓫ JAL Payment Port:
This joint venture was established by SBI Sumishin Net Bank, Japan Airlines (JAL) and JAL SBI Fintech, which is a joint venture between SBI Holdings and JAL.

⓬ JAL Global WALLET:
Service operated by JAL Payment Port for members of the JAL Mileage Bank (JMB). This card combines the basic functions of a JMB card with Mastercard prepaid settlement functions.

⓭ SBI FinTech Incubation:
See page 49.

⓮ SBI NEO FINANCIAL SERVICES:
The role of this intermediate holding company is to localize the latest technologies and services of Japan and overseas, to provide these technologies and services primarily to regional financial institutions. It achieves this mainly by capitalizing on the vast online financing experience of the SBI Group, to establish joint ventures with overseas companies that possess innovative technologies.

KEYWORDS

⑮ **CoVenture Holding Company:**
This boutique asset management company specializes in investment in emerging asset classes. It has achieved excellent performance with venture investments and direct loan funds. Participants in the company include investors and advisors with advanced knowledge of crypto-assets.

⑯ **SBI Mining Chip:**
Through this company, the SBI Group has expanded into the area of chip manufacturing specialized for mining and mining system development. The company is developing the SBI Group's mining business in partnership with a major U.S. semiconductor manufacturer that has a track record in this field.

⑰ **Corda:**
This inter-company trading platform uses distributed ledger technology (DLT) developed by the U.S. company R3.

opportunities in Japan and abroad) as part of building a seamless structure for the regional financial institutions. In preparation for the nationwide rollout of these systems, we will establish a joint holding company with the full support of the SBI Group.

Establishing an Ecosystem Based on Digital Assets

The SBI Group is currently creating an ecosystem based on digital assets as one of our growth strategies. Speculative demand drove a rapid increase in the aggregate market value of crypto-assets, which soared to a peak in January 2018 before shifting to a steep downward trend. However, I believe that crypto-assets will evolve from mainly speculative demand toward a new stage of growth based on real demand, real uses and investment, and that our digital asset-related businesses will start to contribute to the earnings of the SBI Group.

Companies affiliated with the digital asset-related businesses currently include SBI VC Trade, which is involved in the crypto-asset exchange business, SBI Alpha Trading, the crypto-asset market maker, SBI Crypto, which specializes in crypto-asset mining, and SBI Crypto Investment, which invests in digital asset startup companies. SBI Holdings, SBI Investment and SBI Crypto Investment are further strengthening this ecosystem by investing in startup companies with advanced technologies relating to crypto-assets.

SBI VC Trade was registered for the crypto-asset exchange and trading business in September 2017. In June 2018, it launched "VCTRADE," a crypto-asset spot trading service, to investors who had submitted prior account registration applications. It started to accept general applications for new accounts in July 2018, and has since progressively expanded its services, while always giving first priority to the security of customer assets. We established SBI CoVenture Asset Management jointly with the U.S. investment company CoVenture Holding Company⑮, to develop a business based on funds that include crypto-assets. It has completed preparations for its fund business, and plans to commence operations when new regulations relating to crypto-assets are enforced (see "Glossary" on p. 107). After starting its business, SBI CoVenture Asset Management will invest in crypto-assets from the funds that it raises and manages, while building its business by capitalizing on synergies with other Group companies.

In March 2019, we established SBI Mining Chip⑯, to manufacture crypto-asset mining chips and develop mining systems. The SBI Group is already involved in crypto-asset mining, especially in overseas countries. With the establishment of SBI Mining Chip, we will also expand into the manufacture of specialized mining chips, and the development of mining systems.

We are also working to expand the use of DLT, which is one of the main technologies utilized for crypto-assets. We believe that the technologies closest to becoming world standards are those held by the U.S. companies Ripple, to which I referred earlier, and R3, which provides Corda⑰. The SBI Group is collaborating with both of these companies as their biggest outside shareholder, and we continue to strengthen these partnerships. For example, in 2016, we established SBI Ripple Asia as a joint venture with Ripple, and in January 2019, we established SBI R3 Japan as a joint venture with R3. We believe that the solutions developed by these two companies are likely to become global standards for a wide range of financial businesses, including not only crypto-assets, but also international money transfers and trade finance. We are determined to expand our range of financial services, including the creation of remittance and settlement systems based on our alliances with Ripple and R3.

Actualization of Intrinsic Corporate Value

Some institutional investors comment that it is difficult to understand the overall picture of

SBI Holdings, since we are involved in such a wide range of business fields. Others are concerned about the effect of a possible conglomerate discount. In response to these views, we are working to make the intrinsic corporate value of the SBI Group more apparent, such as by implementing initial public offerings (IPOs) for Group subsidiaries. After establishing a basic policy⓲ for deliberations and actions under this IPO strategy for Group subsidiaries, we proceeded in September 2018 to list SBI Insurance Group, an intermediate holding company for SBI Group companies of the insurance sector, on the TSE Mothers market. At the time of the IPO, SBI Insurance Group had a market capitalization of ¥50 billion. In addition to actualizing the corporate value of our insurance-related businesses, the IPO also yielded capitals that have helped to strengthen the financial base of our insurance-related companies, especially SBI Insurance.

We are also preparing for an IPO for Quark Pharmaceuticals, an SBI Group subsidiary in the U.S. Quark Pharmaceuticals is a bio-venture with advanced technology relating to small interfering RNA (siRNA). In addition to pipeline products for which it is negotiating with the U.S. Food and Drug Administration (FDA) in preparation for the start of new drug application procedures, Quark Pharmaceuticals is also making good progress with Phase III clinical research for products in its drug development pipeline. Another field of biotechnology that is expected to become a major source of earnings in the future is 5-ALA-related products. Our intermediate holding company, SBI ALApharma, is establishing a global business structure, and has started to restructure its organization in preparation for an IPO in two to three years' time.

Morningstar Japan, which is already listed on the TSE JASDAQ market, plans to transfer its listing to the TSE First Section. We will further strengthen Morningstar Japan's asset management capabilities in preparation for the centralization of the SBI Group's asset management services under that company. We are also considering IPOs for SBI Leasing Services, an operating lease company, for SBI Capital Management, an intermediate holding company for the asset management business, and for SBI Biotech, a pharmaceutical R&D company.

Passing on Our Ideals

The ability to anticipate change is vital to our continuing ability to build our own future, and in a sense, achieve "Jiga Sakko." We also need to maintain our traditions of self-denial, self-transformation and self-evolution. This means we must continually ask ourselves whether the status quo is acceptable, and whether we should transition in anticipation of changes in society. I believe that a continuous commitment to these ideals is our path to prosperity. We formulated a management philosophy when we established the SBI Group that as an organization involved in finance, our most important priority is to maintain "Sound Ethical Values." By sharing our ideals with those who become a part of our Group, we will work to make sure that the SBI Group will continue to be essential to society, and remain committed to the benefit of people and society.

Yoshitaka Kitao

Representative Director,
President & CEO

KEYWORDS

⓲ Basic policy on initial public offerings (IPOs) for Group subsidiaries:

IPOs are implemented in the following cases.

1. If the corporate value of the company concerned is almost unrecognized by the market and its value can be made apparent, leading to an increase in the corporate value of the SBI Group
2. If the company concerned needs large amounts of operating capital to support essential, ongoing, large-scale capital expenditure, especially for systems, and a capital increase is necessary for business expansion
3. If the company concerned needs to establish a flexible business structure in order to maintain its management freedom under Japanese laws and systems, when developing a banking or insurance business in Japan through a subsidiary
4. When the business of the company concerned requires neutrality
5. When there is little synergy between the company concerned and other Group companies, and it is preferable from the perspective of the Group's business portfolio to actualize shareholder value through a share offering, or when there has been a decline in strategic importance of the company concerned in the context of Group strategy

SBI GROUP PHILOSOPHY

SBI Group's Management Philosophy

Since our founding, it has been our constant desire to capture current trends to create innovative businesses that benefit people and society. At the same time, a company is a constituent of society and exists only because it belongs to society, and in adherence with this concept, we have sought to contribute to the maintenance and development of society.

We also think that a company has "Corporate Virtue" just as a person has "Human Virtue." Just as a virtuous person receives respect from the people around them, a company wins respect from society by heightening its virtue.

Furthermore, within our corporate culture, there are four strands of DNA that we believe should be inherited. They are, to "Continuously maintain the entrepreneurial spirit," by continually taking on new challenges without fear of failure, "Emphasize speed," to always be quick to decide and act, "Facilitate innovation," by demonstrating a creative spirit that will not be unnecessarily attached to past successful experiences, and "Continuous self-evolution," which sensitively detects and flexibly adapts to environmental changes.

By establishing and inheriting corporate culture based on these four strands of DNA, we believe in the sustainability of a strong corporate group that will continue to grow without pause.

FIVE CORPORATE MISSIONS

01 Sound Ethical Values

We shall undertake judgments on actions based not only on whether they conform to the law or profit the Company, but also whether they are socially equitable.

02 Financial Innovator

We will transcend traditional methods, and bring financial innovations to the forefront of the financial industry, by utilizing opportunities provided by the powerful price-cutting forces of the Internet, and providing financial services that further enhance benefits for customers.

03 New Industry Creator

We will endeavor to become the leader in creating and cultivating the core industries of the 21st century.

04 Continual Self-Evolution

We will continue to be a company that evolves of its own volition, by forming an organization that flexibly adapts to changes in the operating environment, and incorporates corporate "Ingenuity" and "Self-transformation" as part of its organizational DNA.

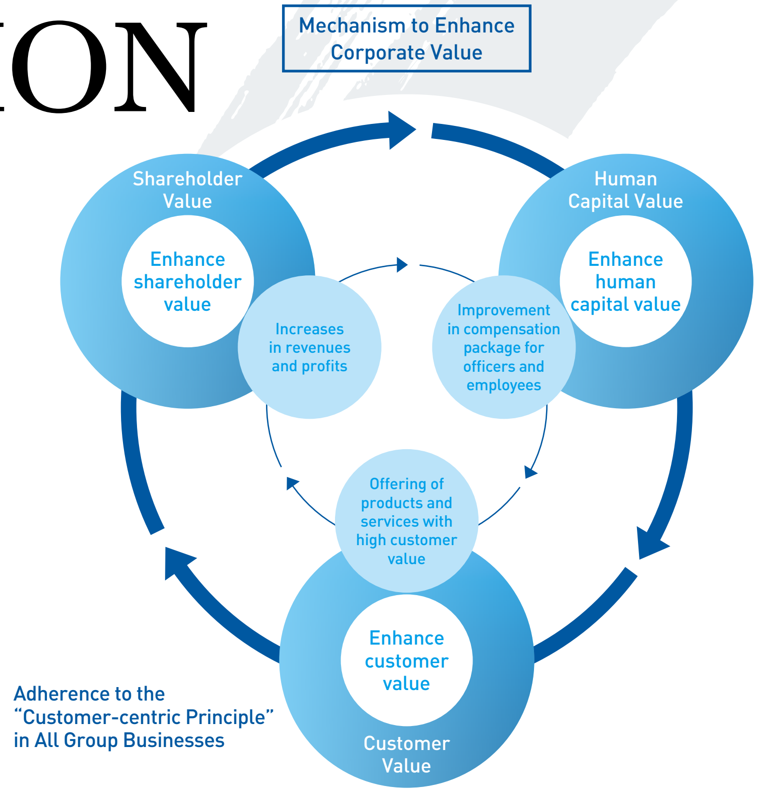
05 Fulfill Social Responsibility

We will ensure that each company in the SBI Group recognizes its social responsibilities as a member of society, while fulfilling the demands of its stakeholders, and contributing to the betterment of society.

VALUE CREATION

Definition of Corporate Value

The SBI Group believes that corporate value is built on a foundation of customer value, and that together with shareholder value and human capital value, when the three values are merged into a virtuous cycle, corporate value will consequently increase. By prioritizing the “Customer-centric Principle,” we expand customer value that leads to the improvement of financial performance, which in turn enhances shareholder value and allows us to attract talented individuals, resulting in an improvement in our human capital value. By maintaining this virtuous cycle, we will endeavor to improve our corporate value over the medium- to long-term.



Solving Social Challenges through Business Activities and Direct Social Contribution

The Sustainable Development Goals (SDGs), the core of the 2030 Agenda for Sustainable Development adopted by the United Nations in 2015, are attracting increasing interest in Japan and overseas as goals pursued by the global community.

Implementing the SDGs requires government organizations, businesses and citizens to join together in addressing climate change, economic inequality and other issues facing the global community, promoting sustainable consumption and production, and working toward peace.

Ever since the SBI Group was founded, it has sought to contribute to the maintenance and development of society by solving social challenges through business activities, and with direct social contribution activities, in order to return the profits earned through its businesses to society.

One of the SBI Group’s direct social contribution activities is the SBI Children’s Hope Foundation, which was authorized by the Office of the Prime Minister of Japan as a public interest incorporated foundation in 2010. The Foundation undertakes activities to support abused or neglected children to become self-reliant, and to improve their welfare. Another direct social contribution comes from SBI Wellness Bank, which provides membership-based health management support services, and is partnered with and supports the operation of Tokyo International Clinic. The Clinic provides safe, high-quality medical care services, such as comprehensive medical examinations.

While increasing corporate value by addressing the social challenges facing both citizens and businesses, the SBI Group will continue to embrace the SDGs and respect other international norms, and always engage in business activities from a global perspective.

SBI GROUP HISTORY

Continual Self-Evolution while Adapting Overall Strategy to the Times

Since its founding in 1999, the SBI Group has expanded into new areas of business, as well as increased its business scale in accordance with the basic management viewpoint of the business structure as expounded below. By quickly sensing the changes of the times, we have achieved growth through execution of an overall strategy compatible with such changes.

Basic Management Viewpoint of the Business Structure

Thorough Pursuit of the "Customer-centric Principle"

Since its founding, the SBI Group has been implementing the "Customer-centric Principle," which places the highest priority on customer benefits. In addition to offering low commission fees on brokerage transactions, by providing deposit products with favorable interest rates and realizing the industry's lowest insurance premiums, we harness the power of the Internet to offer products and services at competitive prices. In addition to this, we are focusing our efforts on enhancing our product offerings, and bringing together online and physical store outlets, in order to cater to customer needs.

Formation of a "Business Ecosystem"

A business ecosystem is an economic community based on mutual interaction that is supported by an organizational structure. Based upon the two major principles of complex systems "The whole should be geared towards the objective of being greater than the sum of the parts" and "The whole should have new qualities that an individual part cannot achieve," the SBI Group has established a business ecosystem that realizes its high growth potential from synergy and mutual evolution, which cannot be achieved by a single company alone.

Thorough Pursuit of Group Synergy

The SBI Group has rigorously pursued synergy within the business ecosystem. Each of the three core businesses of the Financial Services Business, securities, banking and insurance, form a supportive group of affiliates that have realized their mutual synergies to achieve remarkable business development. Synergy is also realized through mutual customer referrals and service collaborations between the core businesses. Moreover, synergies that overcome business segment boundaries contributes to further growth of the Group.

Quickly Incorporating Technological Evolution

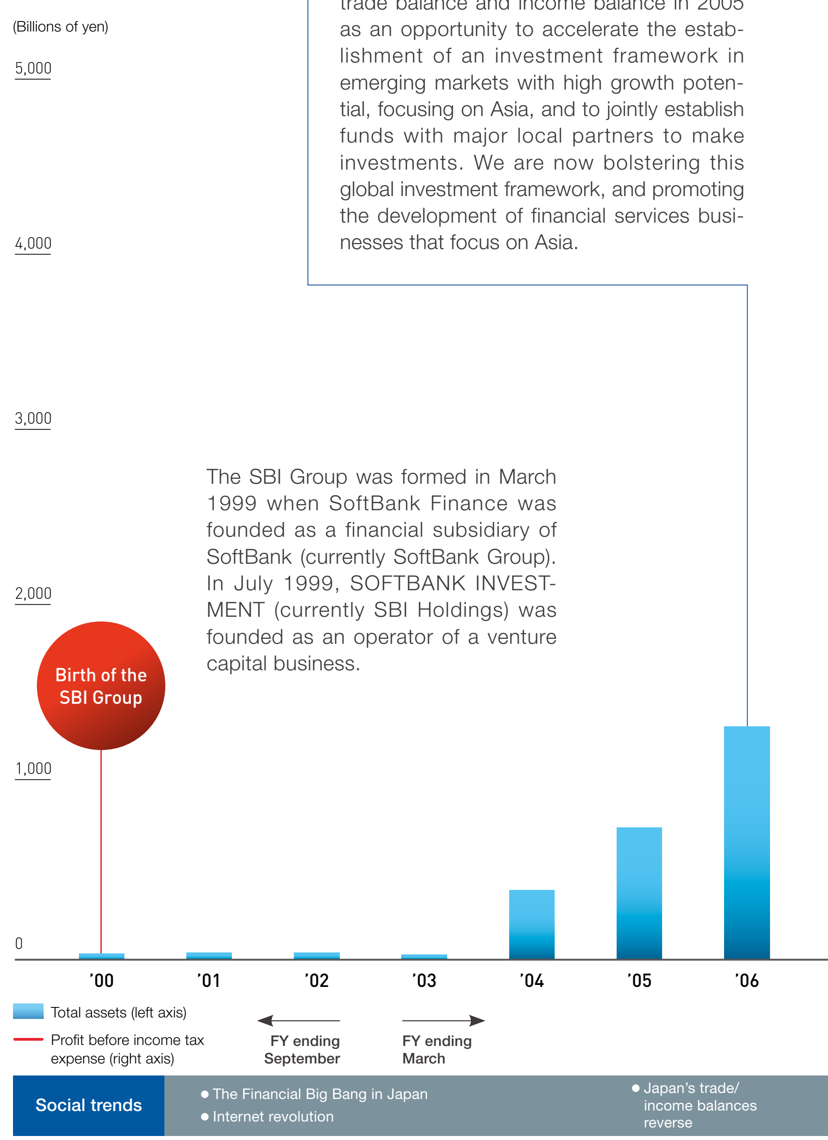
The SBI Group is proactively utilizing new technologies, such as AI, blockchain, big data and IoT. In the fintech sector, where revolutionary technologies are being developed and advancing globally, as well as in the AI and blockchain sectors, we are pursuing growth through the three processes of "investment" in promising startup companies, the "adoption" of the new technologies held by investee companies to the Group's individual financial service businesses and the "diffusion" of these technologies across multiple industries.

Transitions in overall strategy

1 From Japan's SBI to the World's SBI

The SBI Group used the reversals of the trade balance and income balance in 2005 as an opportunity to accelerate the establishment of an investment framework in emerging markets with high growth potential, focusing on Asia, and to jointly establish funds with major local partners to make investments. We are now bolstering this global investment framework, and promoting the development of financial services businesses that focus on Asia.

The SBI Group was formed in March 1999 when SoftBank Finance was founded as a financial subsidiary of SoftBank (currently SoftBank Group). In July 1999, SOFTBANK INVESTMENT (currently SBI Holdings) was founded as an operator of a venture capital business.



2 Selection and concentration

During a deteriorating business environment originating from the BNP Paribas shock, the SBI Group fully instituted a “selection and concentration” approach to its businesses starting in FY2010, in order to transition into a profitability-focused business management. Specific steps included the sale of real estate and other non-core businesses that had weak synergy with the three core businesses of the Financial Services Business, and restructuring within the Group to a model that better facilitated the leveraging of synergy. As a result of such changes, Group resources, such as generated cash, were concentrated on the Group’s three core businesses, the Financial Services Business, the Asset Management Business and the Biotechnology-related Business, so that businesses in deficit could promptly return to profitability while businesses in surplus could further expand their profits, thereby realizing the strengthening of the Group’s overall profitability.

3 Transition from fintech 1.5 to 2.0

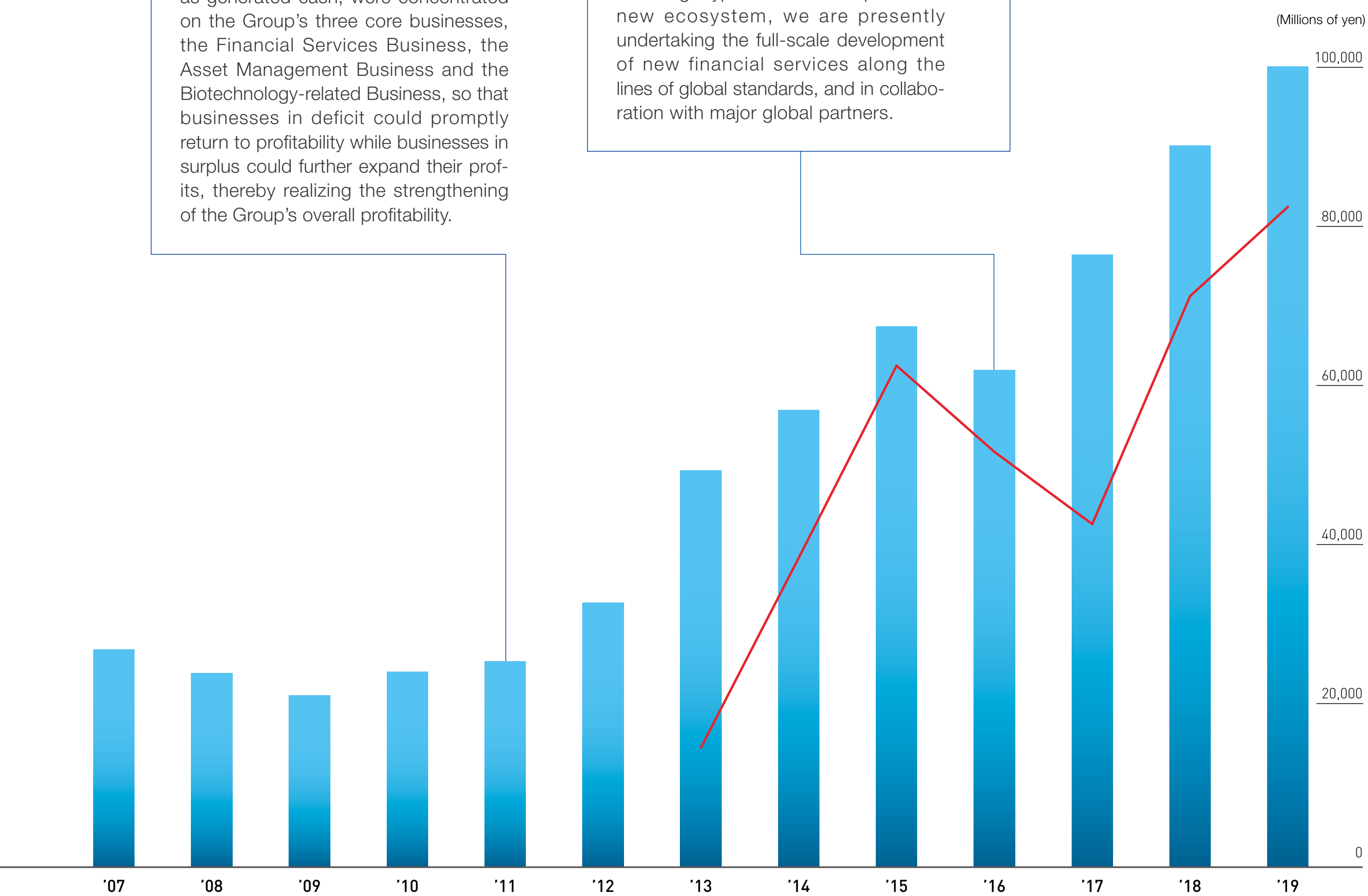
Until now, the SBI Group has achieved dramatic growth through the building of an online financial ecosystem. With this financial ecosystem of fintech 1.0 as the initial phase, and the revolutionary technology of blockchain as the core, we will evolve toward a new financial ecosystem of fintech 2.0.

4 Establishing a new ecosystem based on digital assets

In recent years, the expectations of institutional investors worldwide have risen regarding investments in crypto-assets, but before that rise, the SBI Group had worked to establish an ecosystem based on digital assets, including crypto-assets. To improve this new ecosystem, we are presently undertaking the full-scale development of new financial services along the lines of global standards, and in collaboration with major global partners.

5 Co-creation with regional financial institutions

Regional financial institutions are currently facing challenging conditions from the short-term, medium-term and long-term perspectives, owing to the continuation of the negative interest rate policy, accelerating financial innovation and the progression of an aging society with a population decline. In response, the SBI Group seeks to foster co-creation by assisting regional financial institutions in the adoption of products and services that utilize fintech and other new technologies, and through support in other aspects, such as asset management.



Note: Since IFRSs was adopted in FY2012, total assets prior to FY2011 is stated as the “total assets” amount under JGAAP.

● The global financial crisis
● Rise of fintech
● Abenomics
● Promotion of regional revitalization (see “Glossary” on p. 107).

SELF-EVOLUTION

Twenty Years of Business Expansion

Since its founding, the SBI Group has driven the development of Internet finance in Japan. Concurrently, we have also been involved in the investment in and incubation of startup companies, with investments focused in the Asia region and on growth fields of the 21st century, including IT and biotechnology. Today, the three core businesses are the Financial Services Business, the Asset Management Business, which includes venture investments and the overseas financial services business, and the Biotechnology-related Business, which has become an independent and major business segment. We continue to evolve our solid business foundation to a higher level, while creating synergies among the core businesses.

October 1999

SBI SECURITIES* starts Internet trading. As a pioneer in the full-service online securities business in Japan, rode the trend of bringing the Internet to the financial sector, and established itself as the No.1 company in the domestic retail business.

*Formerly E*TRADE SECURITIES

July 2000

Established the SOFTBANK INTERNET TECHNOLOGY FUND, a venture capital fund capitalized at ¥150.5 billion, which was the largest fund of its kind in Japan at that time. Endeavoring to become a “New Industry Creator” as stated in the corporate mission, we focused our investments on the Internet field, a growth field of the 21st century.

December 2003

Established a fund focused on investing in the biotechnology field, where significant growth was expected. Through this fund, we have supported R&D activities at promising startup companies, and established a global network by leveraging advanced know-how and expertise related to biotechnology that was accumulated within the Group.

May 2005

Together with an investment company in Singapore, we established the New Horizon Fund that targets investments in promising Chinese companies. Starting with this fund, we established a global investment framework, by establishing a multiple number of funds in cooperation with major local partners. These funds focused on newly developing countries with high latent growth potential, and were established to achieve higher growth through a diversification of Group risk.

January 2007

Through SBI Biotech, a drug discovery bio-venture, we entered the biotechnology field on an operating basis. Upon encountering 5-Aminolevulinic Acid (5-ALA) while operating the Biotechnology-related Business, and taking note of its properties and potential, in April 2008, we established SBI Pharmaceuticals to conduct R&D and the manufacturing of products containing 5-ALA.

September 2007

Start of operations of SBI Sumishin Net Bank, a pure-play Internet bank. As a result of a seamless service alliance with SBI SECURITIES, SBI Sumishin Net Bank experienced a significant customer inflow from SBI SECURITIES’ customer base, which resulted in a rapid customer base expansion at SBI Sumishin Net Bank. Although a late comer to the business, it has grown to be No.1 in deposit balance among domestic pure-play Internet banks.

January 2008

February 2016

Following the start of business at SBI Insurance in January 2008, SBI Life Insurance, which became a consolidated subsidiary in February 2015, resumed the underwriting of insurance in February 2016. As a result, we are now engaged in all of the major financial services, with a primary focus on securities, banking and insurance, and have completed the financial ecosystem, a goal that we had sought to establish since our founding. In March 2017, we established the SBI Insurance Group and consolidated all of the insurance businesses within the SBI Group under its auspices.

FINANCIAL SERVICES BUSINESS

Establish a financial ecosystem utilizing the Internet as its primary channel, which is unprecedented in the world

March 2013

SBI SAVINGS BANK* of South Korea, which was one of our venture investments since 2002, was converted into a consolidated subsidiary. As a result of accumulating performing loans through the leveraging of the SBI Group's expertise in the financial industry and online business development, the SBI SAVINGS BANK is now a profit pillar in the Asset Management Business.

*Formerly Hyundai Swiss Savings Bank

December 2015

January 2018

At the advent of the fintech era, and before other companies, we established the Fintech Fund in December 2015, which focuses investments in promising startup companies that possess elemental technology in this field, both in Japan and abroad. In addition, we established the SBI AI&Blockchain Fund as a successor fund to invest mainly in the fields of AI and blockchain in January 2018.

ASSET MANAGEMENT BUSINESS

Promoting global business development focused on Asia

April 2012

SBI ALApromo was established for the domestic sales of health foods and cosmetics containing 5-ALA. The company is a subsidiary that currently conducts 5-ALA-related business, under the auspices of SBI ALApharma, an intermediate holding company. In addition to its global business expansion, SBI ALApharma is now preparing for an IPO.

BIOTECHNOLOGY-RELATED BUSINESS

Developing new revenue sources that are less affected by the vagaries of the financial markets

FINANCIAL SERVICES BUSINESS

Customer Satisfaction Assessment of Financial Services Business Companies (As of June 30, 2019)

SBI証券
[SBI SECURITIES]
Online securities comprehensive ranking
1st

"Oricon customer satisfaction ranking" of 2019; Online securities 1st place

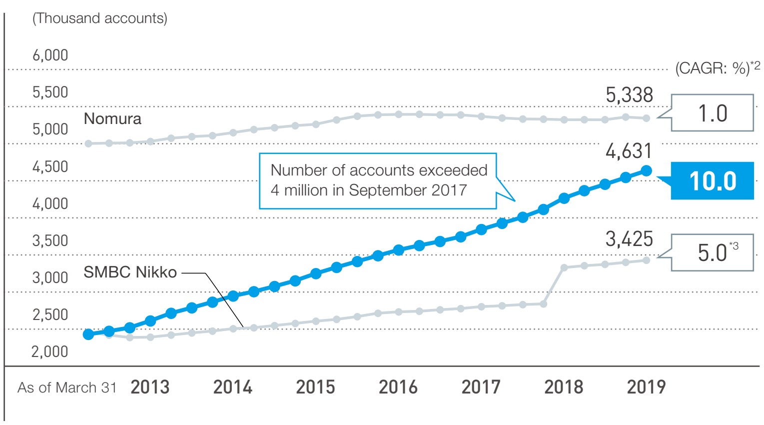
SBI Sumishin Net Bank
Bank (special survey) industry customer satisfaction ranking
1st

Fiscal 2018 Japanese Customer Satisfaction Index Banking 1st place

SBI Insurance
Auto insurance premium satisfaction ranking
1st

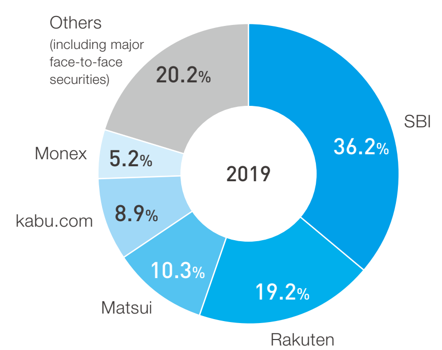
Kakaku.com; Auto Insurance Satisfaction Ranking (2019) 1st place

Number of Accounts of SBI SECURITIES and Two Major Face-to-face Securities Companies*1



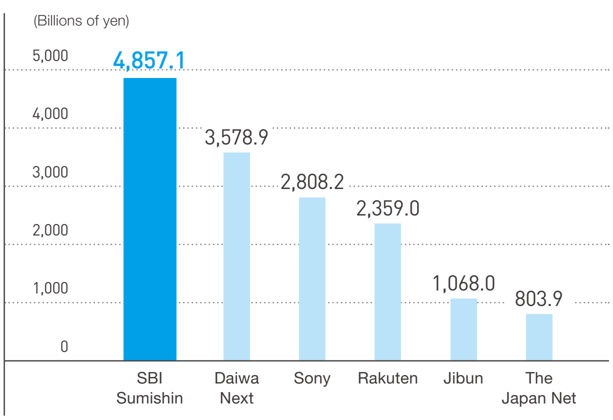
Sources: Each company's published information
*1 As of March 31, 2017, Daiwa Securities' number of accounts totaled 3,886 thousand accounts. Daiwa Securities has not disclosed its figures beyond March 31, 2017
*2 June 2012 to March 2019
*3 Merged with SMBC Friend Securities in January 2018

Share of Individual Stock Trading Value



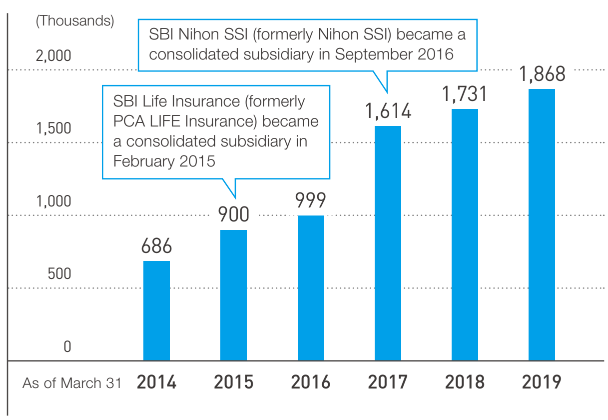
Note: Shares are calculated by dividing each company's individual stock trading value with the whole individual stock trading value of the 1st and 2nd section of the Tokyo and Nagoya Stock Exchange, including that of ETF and REIT trading value, respectively
Sources: Tokyo Stock Exchange statistics; each company's published information

Deposit Assets at Six Pure-play Internet Banks (Non-consolidated)



Sources: Each company's published information
Note: As of March 31, 2019

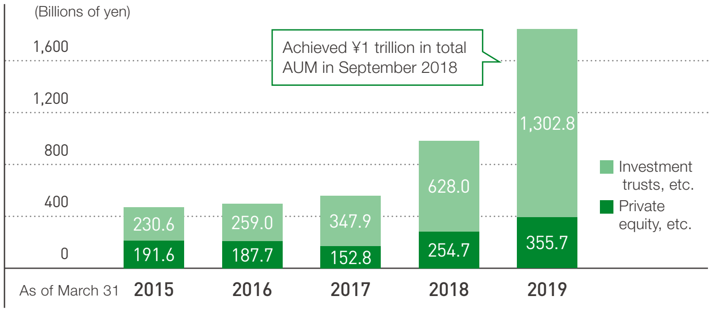
Number of Contracts in SBI Insurance Group



Note: Simple sum of the number of contracts of SBI Insurance, SBI Life Insurance, SBI IKIIKI SSI, SBI Nihon SSI and SBI Resta SSI.

ASSET MANAGEMENT BUSINESS

The SBI Group's Assets Under Management



Note 1: Calculated by the exchange rate as of the end of March each year
Note 2: Amounts are rounded to the nearest ¥100 million
Note 3: "Private equity, etc." includes neither cash nor commitment amount to be paid in
Note 4: "Investment trusts, etc." are the sum of amounts of investment trusts and investment advisors. For funds that SBI Asset Management provides investment instruction to, if Morningstar Asset Management provides investment advisory services, assets are recorded in both Investment trusts and Investment advisory, respectively, so there are some overlapping amounts

Number of the SBI AI&Blockchain Fund Investors

Approx. **130** companies

Including 56 regional financial institutions
(As of March 31, 2019)

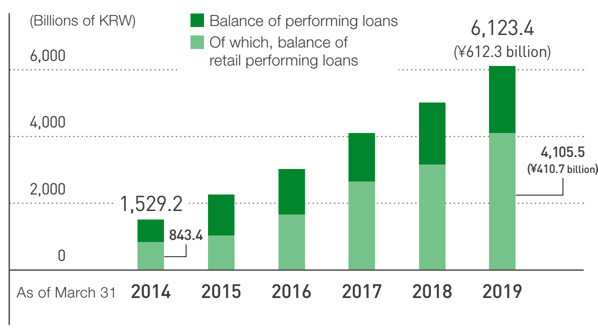
Corporate Venture Capital (CVC) Funds Under Management

(Billions of yen)

CVC partners	Fund name	Total Investment Commitment
NIKON CORPORATION	Nikon-SBI Innovation Fund	10.0
INTAGE HOLDINGS	INTAGE Open Innovation Fund	5.0
MITSUI MINING & SMELTING	Mitsui Kinzoku-SBI Material Innovation Fund	5.0
HOUSE FOODS GROUP	House Foods Group-SBI Innovation Fund	5.0
SUBARU CORPORATION	SUBARU-SBI Innovation Fund	10.0

Note: In addition, there are two private funds (total investment commitment of ¥15 billion).

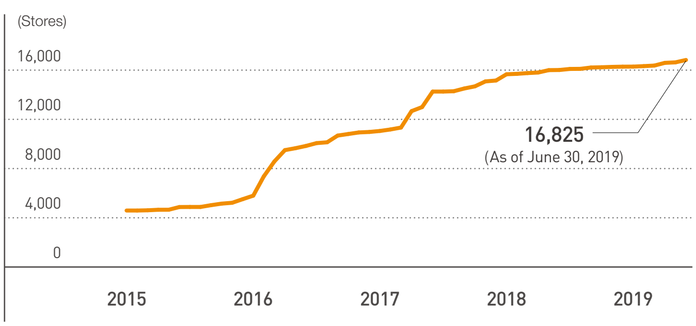
Balance of Performing Loans at SBI SAVINGS BANK of South Korea



Note 1: Based on K-GAAP
Note 2: Conversion rate of 1 KRW = ¥0.10

BIOTECHNOLOGY-RELATED BUSINESS

Number of Domestic Stores that Offer Health Foods Containing 5-ALA



Number of Countries in which 5-ALA Cancer Diagnostic Agent is Sold

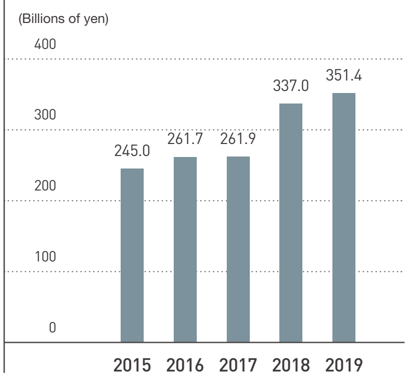
Over **40**

(As of March 31, 2019)

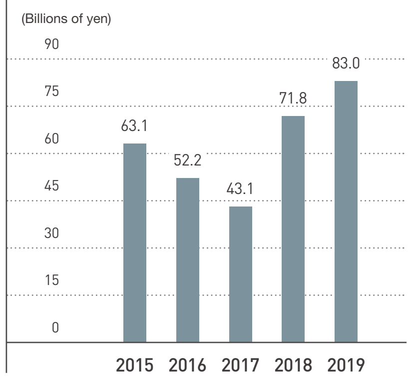
Financial and Non-financial Highlights

Consolidated Financial Highlights (IFRSs)

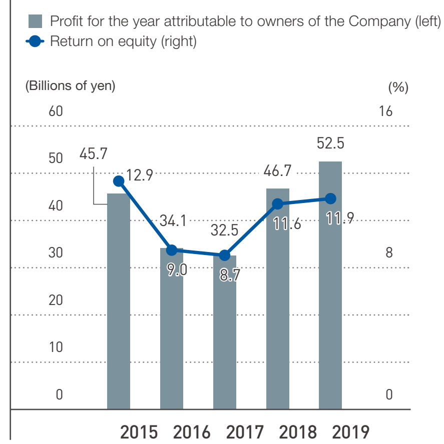
Revenue*1



Profit before income tax expense

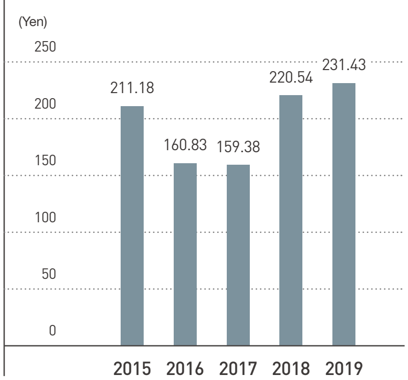


Profit for the year attributable to owners of the Company/Return on equity (ROE)

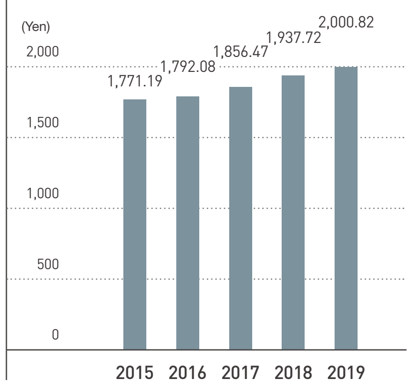


Basic earnings per share (EPS)

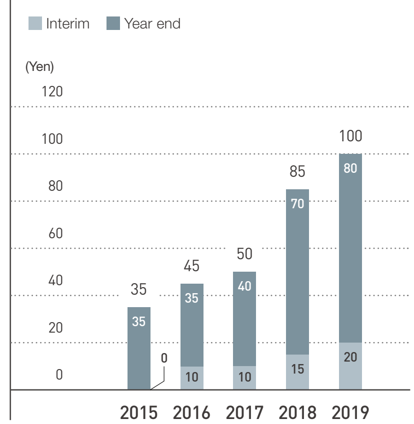
(attributable to owners of the Company)



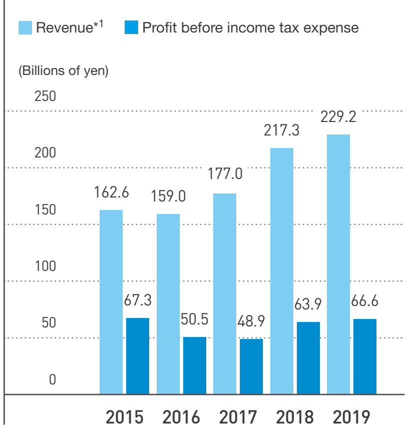
Equity per share attributable to owners of the Company (BPS)



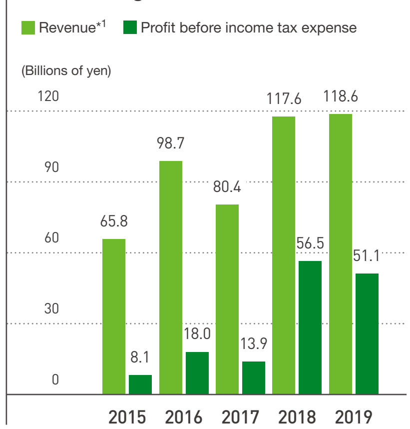
Dividend per share



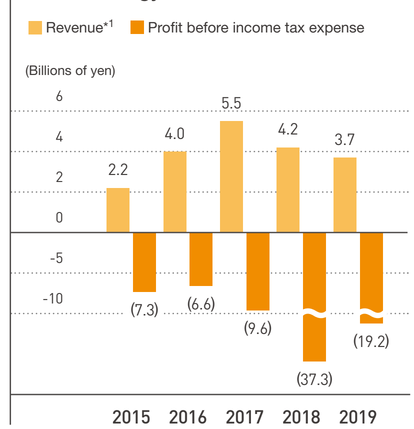
Financial Services Business*2



Asset Management Business*2



Biotechnology-related Business



*1 Beginning with the fiscal year ended March 31, 2016, the income categories “Operating revenue” and “Other financial income” have been eliminated, and the amounts have been combined and presented as “Revenue.” Figures for the year ended March 31, 2015 are “Operating revenue.”

*2 For the fiscal years ended March 31, 2015 to 2018, whereas there are Group companies that were transferred from one segment to another, the abovementioned figures reflect disclosed figures for each fiscal year, so there may be some discrepancies.

Non-financial Highlights

Countries and regions with overseas offices

21 countries and regions

(As of March 31, 2019)

The SBI Group has established overseas offices, primarily in the growth markets of emerging countries in Asia, and is pursuing global business expansion in various fields.

Percentage of employees at overseas offices (consolidated)

26.2 %

(As of March 31, 2019)

As the SBI Group continues its global development, transitioning "from Japan's SBI to the World's SBI," the percent of employees at overseas offices is increasing.

Number of Group companies that have made initial public offerings

15 companies

(As of March 31, 2019)

Currently, the Company is promoting initial public offering of Group companies to actualize the Company's intrinsic corporate value.

Number and percentage of female Directors

2 persons/ **16.7** %

(As of June 30, 2019)

SBI Holdings has appointed two female Directors, accounting for 16.7% of the total 12 Directors.

Number and percentage of Independent Outside Directors

4 persons/ **33.3** %

(As of June 30, 2019)

SBI Holdings has appointed four Independent Outside Directors, accounting for 33.3% of total of 12 Directors.

Attendance rate at Board of Directors meetings

99.2 %

(FY 2018)

The attendance rate at Board of Directors meetings for Directors and Statutory Auditors is 99.2%.

Rating for long-term issued bonds

BBB+

(As of September 3, 2018)

SBI Holdings has acquired a long-term issued bond rating of BBB+ (Stable) from Rating and Investment Information.

Institutional investor ratio in shareholder composition

72.8 %

(As of March 31, 2019)

The ownership ratio of domestic and foreign institutional investors is rising, and foreign ownership alone accounts for a high 43.5% of all shareholders.

Cumulative donations made by the SBI Children's Hope Foundation

Approx. **¥1,040** million

(As of March 31, 2019)

Through the SBI Children's Hopes Foundation, the SBI Group actively pursues solutions to child welfare problems for the sake of children. The Foundation has made cumulative donations of approximately ¥1,040 million, up to the fiscal year ended March 31, 2019.

Growth since SBI's Founding

	DAY 1	10 YEARS		20 YEARS
Operating revenue/Revenue	1999: ¥0	FY2008: ¥130.9 billion*1	2.7 times	FY2018: ¥351.4 billion*2
Capital	1999: ¥0.05 billion	As of March 31, 2009: ¥55.2 billion	1.7 times	As of March 31, 2019: ¥92.0 billion
Number of Group employees	1999: 55 persons	As of March 31, 2009: 2,492 persons	2.6 times	As of March 31, 2019: 6,439 persons
Number of consolidated subsidiaries	1999: 0 companies	As of March 31, 2009: 82 companies	2.8 times	As of March 31, 2019: 226 companies
The Group's customer base	1999: 0	As of March 31, 2009: Approx. 8 million	3.1 times	As of March 31, 2019: Approx. 25 million

*1 JGAAP figures *2 IFRSs figures

Katsuya Kawashima

01

Regional Revitalization through the Investment Business

Masato Takamura

02

Toward Further Growth in the Securities Business

03

Expansion of the Asset Management Structure

Tomoya Asakura

04

Enhanced Management Structure that Supports Value Creation

Takashi Nakagawa

05

Message from the Chief Financial Officer

Shumpei Morita

NEXT

Executive Messages

Our Next Stage of Self-Evolution

01 INVESTMENT
Regional Revitalization through the Investment Business

Co-creating New Value with Regional Financial Institutions

Katsuya Kawashima

Representative Director,
Senior Executive Vice President & COO, SBI Holdings
Representative Director and President,
SBI Investment

The Basic Strategy: Investment, Adoption and Diffusion

Since its founding, the SBI Group has achieved growth by pioneering the use of innovative technologies. With the current development of next-generation technologies represented by fintech, AI and blockchain, we consider it a great opportunity for our next stage of growth. For that reason, SBI Investment, which develops the Group's venture capital business, established the Fintech Fund (with a total commitment amount of ¥30 billion) in December 2015, as the first fund in the industry to specialize in investments in startup companies involved in fintech-related businesses. The Fund has subsequently worked on the discovery and incubation of fintech-related companies. Since we also regard AI and blockchain as highly promising technologies that will be utilized not only in the financial sector but also in a range of industries, in January 2018 we established the SBI AI&Blockchain Fund, in order to target investments in those fields. Initially, we launched the Fund with ¥20 billion in total commitment amount, but this was ultimately increased to ¥60 billion.

The purpose of this kind of fund management is not simply to pursue financial returns, but also to provide added value to all the parties concerned, including the SBI Group, investors in the Group's funds and the companies in which they invest. For example, while fintech startup companies have superior technology that we do not possess, there are many cases in which they need financial support and business partners. There are already systems and mechanisms to support growth for these companies, such as actively introducing the technology of investee companies to the SBI Group companies that provide financial services. It should also be noted that the investors in the two funds are primarily regional financial institutions, and by so investing they are exposed to opportunities to form partnerships with startup companies, as well as to adopt new technologies, which was previously difficult for them to access on their own. I believe that these regional financial institutions understand that there is more significance to their participation than just a simple investment.

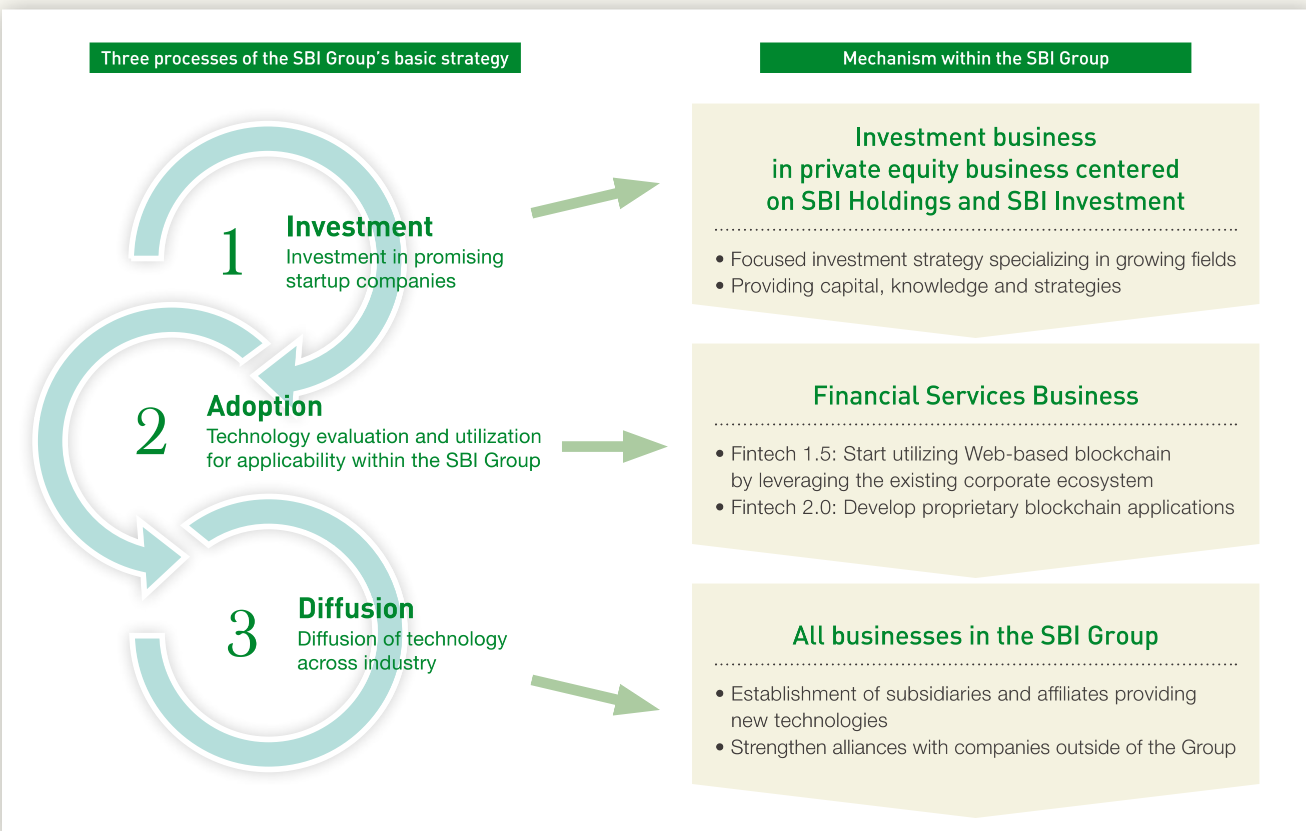
The SBI Group's ability to create this sort of added value is a result of its 20 years of accumulated know-how and expertise in the venture capital business, which is a core founding of the organization, and its subsequent enhanced sourcing capabilities which is germane to the work involved in the selection of companies in which to invest. In collaboration with our Group companies, we are able to put into practice our basic processes of investment, adoption and diffusion. That is, investing in startup companies through funds, adopting the technologies and services of the investee companies within the Group to verify applicability and the external diffusion of those technologies and services to investors such as the regional financial institutions.

The Diffusion of SBI Group's New Technologies and Services

Currently, the business environment for regional financial institutions remains challenging, characterized by the continued negative interest rate policy, the progressing evolution of financial innovations driven by fintech, and social changes resulting from the demographic aging and population decline. Under such circumstances, we believe that the adoption of new fintech-related technologies and the provision of new services can contribute to solving the problems faced by each financial institution.

Recently, the connections between the SBI Group and regional financial institutions have deepened, and such connections are needed and sought by fintech-related startup companies, and SBI Investment would like to fulfill the role of an intermediary between startup companies and regional financial institutions. At the same time, information on products and services of Group companies and investee companies is wide-ranging. So, in order to better serve as an intermediary, we are consolidating such solutions at SBI NEO FINANCIAL SERVICES, which promotes the establishment of a system that can deliver the necessary information in an efficient and timely manner and provide solutions required by regional financial institutions. In terms of technology introduction, SBI FinTech Incubation provides the mechanism for presenting services by means of an open API (see “Glossary” on p. 107). We would like to contribute to the revitalization of regional industries by not only providing leading-edge technologies and services to the financial institutions, but also by providing their customers with high-quality services that utilize new technologies.

Another new initiative for regional revitalization is the business succession fund to be managed and administered by SBI Regional Business Investment, which was established in February 2019. The business succession of small- and medium-sized enterprises (SMEs) has recently become a social problem (see “Glossary” on p. 107). SBI Regional Business Investment, through the business succession fund that it plans to establish going forward, will invest in SMEs that have encountered a business succession problem, and will endeavor to achieve smooth business succession by leveraging the Group’s management resources and relationships with regional financial institutions and public institutions. Also, in December 2018, SBI SECURITIES entered into a business partnership with TRANBI, a SBI Investment investee company that operates an online M&A matching platform, and started offering business succession and support services. Through such endeavors, we will contribute not only to the Group’s growth, but also to the revitalization of regional economies, and ultimately to regional revitalization as a whole.



02 SECURITIES
Toward Further Growth in the Securities Business

Making Greater Strides in the Securities Business through Group Synergies

Masato Takamura

Representative Director,
Senior Executive Vice President, SBI Holdings
Representative Director and President, SBI SECURITIES

Further Strengthening of the Retail Business

SBI SECURITIES launched its Internet-based stock trading in 1999, and as of March 31, 2019, its customer base has increased to 4.63 million accounts. This increase is the result of Group synergies, such as the enhancement of services linked to improvements in customer satisfaction brought about by collaborations between securities-related Group companies, including SBI Liquidity Market and SBI Japannext, and improved collaborative services, such as SBI Hybrid Deposits and mutual customer transfers with SBI Sumishin Net Bank. In addition to collaborations within the Financial Services Business, collaborations across all business segments have also progressed. When a startup company invested in by the venture capital business, a business that is categorized as the Asset Management Business, proceeds to conduct an initial public offering, the SBI SECURITIES underwriting business can take charge of the newly issued shares. By strategically exerting Group synergies to increase added value, rather than to compete as individual business units, it allows for business development opportunities even if the business field is entered into at a later stage.

SBI NEOMOBILE SECURITIES started its operations in April 2019 to further strengthen the retail business, in which we have already secured a dominant position. Specializing in smartphone-based stock trading, it is working to attract investment novices and the younger generation by partnering with CCC Marketing, which conducts a marketing platform business based on lifestyle data from “T-Point,” whose membership includes 80% of all Japanese in their twenties. Throughout the Group, in the years to come we will endeavor to strengthen the retail business by coordinating services between SBI NEOMOBILE SECURITIES and the various financial services companies within the Group, as well as by coordinating mutual customer transfers to expand our customer base.

Business Expansion through Corporate Business Growth

Over the past four years, SBI SECURITIES has been rapidly expanding not only the retail business, but also the corporate business for business corporations and financial institutions, and it feels as if the corporate customer base has been solidified. Specifically, we launched a Financial Institutional Sales Department, and expanded the associated underwriting business to include trading and research, which we had traditionally done on a small scale. In addition, since sales to institutional investors on a global level have so far not been functioning as we would have liked, we are accelerating the overseas development by setting up specialized departments and making arrangements for appropriate staffing. There are plans to expand our network from just Hong Kong and Singapore to include, for example, Europe, and to cover overseas institutional investors as well. By strengthening the corporate business in addition to the retail business, which already has a dominant customer base, SBI SECURITIES will endeavor to become a comprehensive securities company, and will achieve further significant progress as a core company of the SBI Group.

As a part of contributing to regional revitalization (see “Glossary” on p. 107), on which the Group is focused, we are promoting the creation of partnerships with regional financial institutions to provide financial instruments intermediary services. This will enable us to provide our extensive offerings of financial products at a low cost to local individual investors. We are also strengthening face-to-face sales activities by having our subsidiary SBI MONEY PLAZA operate co-managed shops with regional banks, such as The Shimizu Bank, CHIKUHO BANK, THE SENDAI BANK, The Ehime Bank, THE MIE BANK, and THE TOWA BANK.

03 ASSET MANAGEMENT SERVICES

Expansion of the Asset Management Structure

Strengthening the Global Asset Management Structure

The SBI Group's financial ecosystem was completed in 2016, and as a result, the Group companies' assets under management, including those for life insurance, non-life insurance and banking, have rapidly increased, necessitating a strengthening of the asset management structure to efficiently manage the assets. SBI Bond Investment Management, a joint venture with the world's leading U.S. bond investment management company, PIMCO, develops and provides active bond funds that can perform well over the long term. Since commencing its business in April 2016, its balance of assets under management has steadily increased, growing to more than ¥600 billion, as of the end of March 2019. Furthermore, by either establishing joint ventures with leading overseas asset management companies or through M&As, the Group has exceeded its management target of ¥1 trillion in assets under management. For example, Carret Asset Management, which was established by Philip Carret, the founder of one of the first funds in the U.S., was converted to a subsidiary in February 2019.

Like in Japan, developed countries in Europe and the U.S. are experiencing demographic aging and longer life spans, and the need for asset management is increasing. In China and other emerging countries, I believe the need for asset management will also increase as the middle-income groups grow in number. Therefore, in my view, it can be said that the asset management services business may certainly be considered "the last frontier (untapped market) of the financial business," and there are likely to be significant strides made in asset management from now going forward. Looking ahead, the SBI Group's asset management services business will work on structural expansion through integration with Morningstar Japan, while endeavoring a Group balance of assets under management to reach ¥5 trillion within three years. In addition to the U.S., we are also considering the acquisition of leading asset management companies in Europe, Hong Kong, Singapore, etc., to gain a global investor base.

Contributing to an Enhancement of the Management Capabilities of Regional Financial Institutions

Many regional financial institutions in Japan are facing difficulties with their asset management capabilities, owing to factors that include the protracted negative interest rate policy, and we believe that the SBI Group's domestic and overseas asset management capabilities and its wealth of asset management knowledge, services, etc., will be of assistance in addressing those difficulties. In March 2018, we established SBI Regional Revitalization Asset Management, in which regional financial institutions jointly invested for the purpose of bolstering their management capabilities. As of March 2019, the company has been invested in by 35 regional financial institutions, and is providing support to those shareholders in the form of asset management for both customer deposits and the banks' own capital.

In support of these regional financial institutions, we are fully utilizing the network that is at the Group's disposal. For example, we provide products that control foreign exchange hedge costs by using SBI Liquidity Market, which provides liquidity for FX trading, and products developed by utilizing Morningstar Japan's global database. The SBI Group believes that supporting the regional financial institutions in both their asset management services for customer deposits and the banks' own capital will contribute to the improvement of the institutions' profitability, which will consequently lead to regional revitalization. Through co-creation with regional financial institutions, we would like to create new value and grow together with them.

Strengthening the Asset Management Services, the Last Frontier of the Financial Business

Tomoya Asakura

Representative Director & President,
Morningstar Japan K.K.

04 MANAGEMENT STRUCTURE
Enhanced Management Structure that Supports Value Creation

Strengthening Management Structure for Future Medium- to Long-term Advancements

Takashi Nakagawa
Representative Director,
Senior Executive Vice President,
SBI Holdings

Management Structure to Support the Increase of Corporate Value

The SBI Group is endeavoring to continuously enhance its corporate value by securing and fostering talented personnel who will support the rapidly expanding businesses (see pages 46 and 47), as well as strengthening the Company's corporate governance structure that balances both "offense" and "defense" strategies, and as a Group that is engaged in global finance, focusing on enhancing its anti-money laundering measures (see "Glossary" on p. 107). By strengthening the Company's management structure in these ways, we will be able to firmly grasp growth opportunities while also preparing for medium- to long-term risks that may possibly adversely impact the SBI Group's businesses.

Strengthening Corporate Governance Structure to Enhance Effectiveness

Since the SBI Group makes rapid decisions to conduct its businesses, one of its management challenges is to strengthen its corporate governance structure, which is rooted in its "defense" strategy. The Company has chosen a Board of Statutory Auditors structure and has appointed multiple Outside Directors, in order to attain substantive oversight functionality with a prompt decision-making process. However, on the premise that further technological innovations will accelerate changes in the business environment, it will be essential to make decisions with a sense of speed more than ever before.

Meanwhile, the Company must constantly endeavor to strengthen management oversight and transparency. Therefore, from June 2019 at least one third of the Board of Directors is, in principle, comprised of Independent Outside Directors, Moreover, a Management Advisory Committee, comprising a majority of Independent Outside Directors as committee members, has been established to replace the previous Outside Director Liaison Committee. This committee is a voluntary advisory body to the Board of Directors that strengthens the objectivity and transparency of Board functions and deliberation processes, such as the selection of Directors and Statutory Auditors, appointing and dismissing management executives, including the President, deciding on remuneration for Directors, and developing the next generation of management executives.

Increasing Global Importance of Anti-money Laundering Measures

Another important management issue facing financial institutions is that of strengthening anti-money laundering measures, and measures to prevent funds from reaching terrorist organizations. In this regard, the Financial Action Task Force (FATF)* was established, in which major developed and developing countries are members, and efforts are being made in line with global standards, including the development of international standards and the examination and guidance of member countries. With FATF planning a review of all Japanese financial institutions in the fall of 2019, the Japanese Financial Services Agency (FSA) published guidelines on anti-money laundering and combating the financing of terrorism (AML/CFT) (see "Glossary" on p. 107) in February 2018. The SBI Group is also strengthening its stance in line with this guideline. A corporate group like ours, with a diverse range of services including international money remittance and crypto-assets, in addition to securities, banking and insurance, is rare within the Japanese financial sector. We are strengthening our AML/CFT measures with the awareness that our actions may receive a high level of scrutiny.

Since this will require a Group-wide effort, we established a new team within the Financial Conglomerate Governance Dept., in October 2018, as a unified response to this problem. Under this organizational structure, and in line with the FSA guidelines, the team is proactively assessing and countering risk situations through a risk-based approach, and is planning and implementing countermeasures focused on Group-wide and global consistency.

The Group efforts are focused on four main initiatives: 1) make a "heat map" of AML/CFT risk by investigating and analyzing the risk of each Group company, creating an overall picture so the Group can clearly pinpoint where to focus resources; 2) enable adoption and consideration of new IT solutions in order to develop and incorporate new IT systems for filtering high-risk transactions and monitoring irregular transactions; 3) hold Group AML/CFT Committee meetings every three months to share and discuss information with management from all Group companies, as it is vital that management executives are fully aware and involved in anti-money laundering measures; and 4) develop a "milestone roadmap" of concrete goals and schedules to be set and shared with each Group company in order to ensure that results are achieved. These AML/CFT countermeasures will be fully implemented to provide a strong stance against money laundering and terrorism financing.

*Financial Action Task Force (FATF): Established in 1989 as an inter-governmental organization. As of April 2019, 36 countries and two regional organizations are members.

FOCUS Cybersecurity

My Mission is the Thorough Enforcement of Cybersecurity

It is clear that there must be an intensification of cybersecurity in the coming era, as its importance will only increase. However, when compared on a global basis, such an awareness is relatively low in Japan. As the SBI Group and other Japanese financial institutions increase their global presence, strong cybersecurity has become a priority prerequisite. For Japanese companies, cybersecurity generally consists of measures to prevent access by outsiders, but cybersecurity is by nature much more multifaceted. Preventing a data breach is only the beginning of cybersecurity. After a breach, there are various countermeasures such as isolating the program, complete deletion, system recovery and post-breach measures. When considering security countermeasures, the key is to think in terms of "when" not "if." That is why the SBI Group designs and thoroughly implements countermeasures across the entire Group on the premise there will be a security breach.

SBI Security Solutions is developing its own security services using the latest technology from companies in which the Group has invested, and it plans to roll out these services to those inside and outside of the Group in 2019. The services currently under development will also be able to protect the confidential information of companies outside of the financial industry, and will meet the requirements of FATF for use in the field of AML/CFT.

Fernando Vázquez

General Manager of Cybersecurity Office,
SBI Holdings
Representative Director, SBI Security Solutions

Message from the Chief Financial Officer

The SBI Group Decisively Advances Forward on the Occasion of Its 20th Anniversary, by Terminating Underperforming Legacy Operations

Shumpei Morita

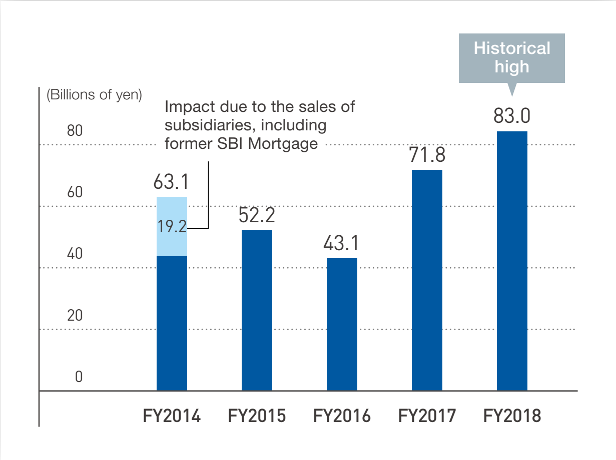
Senior Managing Director,
SBI Holdings

Summary of FY2018 Financial Results

The fiscal year ended March 31, 2019 (FY2018) was a year in which the Group's adherence to a basic policy of the "Customer-centric Principle" and establishment of a business ecosystem produced positive results, leading to the achievement of record-high financial results on the occasion of the SBI Group's 20th anniversary. It was also a year in which we sought to reduce future risks by taking decisive measures to address unresolved issues in preparation for future sustained growth.

The business environment that the SBI Group faced was characterized by a heightened sense of uncertainty about political and economic circumstances worldwide, owing to factors such as the growing concern about the slowing of the Chinese economy due to the trade friction between the U.S. and China, and the bogging down of Brexit negotiations in the U.K. In the equity markets, which substantively influences our investment and securities-related businesses, there was a marked tendency for investors to avoid risk, especially in the emerging markets, leading to weak stock prices from October 2018 onward, accompanied by an increase in the U.S. long-term interest rates. As a result, the total domestic individual stock brokerage trading value of the two markets* declined 16.3% year-on-year.

Consolidated Profit Before Income Tax Expense (IFRSs) for the Past Five Fiscal Years



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

Even under such circumstances, in FY2018 the SBI Group achieved record-high consolidated business performance on an International Financial Reporting Standards (IFRSs) basis, with revenue up 4.3% year-on-year to ¥351.4 billion, profit before income tax expense up 15.6% year-on-year to ¥83.0 billion and profit attributable to owners of the Company up 12.6% year-on-year to ¥52.5 billion, which were all record highs since the adoption of IFRSs. The Group recorded impairment losses in FY2018, as it did in FY2017, for a total amount of approximately ¥9.7 billion. The fact that the Group was nevertheless able to achieve record-high profits is evidence that the basic earning capacity has increased, and that the Group can expect sustained growth, albeit some ups and downs owing to the market environment.

In the Financial Services Business, SBI SECURITIES, a pillar of the SBI Group's revenue, achieved record-high results in all profit categories, including operating revenue. Steady growth continued in the retail business with continuing increases in the number of accounts and customer deposit assets. Also, a breakdown of operating revenue shows that, with trading gains, primarily in the FX business, and underwriting, subscription and distribution commissions from the corporate business increasing, revenue other than brokerage commissions is also continuing to grow. In addition, SBI Sumishin Net Bank has made steady progress in the Financial Services Business, outside of the securities business, having achieved a substantial increase in profits, owing to growth in the balance of housing loans and other factors, and companies involved in the insurance-related businesses saw satisfactory increases in their numbers of policies in force. Overall, revenue rose 5.5% year-on-year to ¥229.2 billion, and profit before income tax expense increased 4.2% year-on-year to ¥66.6 billion.

In the Asset Management Business, SBI SAVINGS BANK of South Korea continues to support overall performance, and is achieving sustained growth, as indicated by a 24.6% year-on-year increase in profit before income tax expense. In addition, profit from a change in fair value of investee companies and profit on sales of investment securities of the Fintech Fund, SBI AI&Blockchain Fund and other funds remained at high levels, as experienced in FY2017. By FY2018, seven investee companies from the Fintech Fund, established in December 2015, carried out successful exit strategies, including IPOs, and have already shifted to the monetization phase. These strong results owe to the fact that SBI's venture capital funds are actively discovering startup companies with leading-edge technologies such as fintech, AI and blockchain, and have focused their investments in these growth fields. As a result, overall revenue rose 0.9% year-on-year to ¥118.6 billion, and while profit before income tax expense fell 9.5% year-on-year to ¥51.1 billion, it exceeded ¥50.0 billion for the second consecutive year.

For the second consecutive year, the SBI Group achieved record-high profits by increasing basic earnings capacity, despite recording certain impairment losses

In the Biotechnology-related Business, revenue decreased 11.2% year-on-year to ¥3.7 billion, and loss before income tax expense was ¥19.2 billion (loss of ¥37.3 billion in FY2017). Loss before income tax expense includes impairment losses of approximately ¥2.9 billion for Quark Pharmaceuticals, which is preparing for an IPO on the NASDAQ Market in the U.S., and approximately ¥4.6 billion for an equity method associate Kubota Pharmaceutical Holdings. We believe that future risk has been reduced, owing to the recording of impairment losses as a result of a review of the pipeline development plans of both companies. SBI ALApromo steadily increased profits by expanding sales of products including foods with functional claims containing 5-ALA. In addition, photonamic, a pharmaceutical company based in Germany that sells in-house developed pharmaceuticals containing 5-ALA in Europe and North America, increased its sales and continues to be profitable. As a result, the Biotechnology-related Business as a whole is steadily progressing toward profitability. As a part of pursuing the "selection and concentration" process within the Biotechnology-related Business, the Group divested its shareholding in Kubota Pharmaceutical Holdings in May 2019.

Focused Investment of Management Resources in Growth Fields to Seek Further Growth

The SBI Group's current fields of focus include investments and business development in the fintech-related fields for the Financial Services Business and Asset Management Business, as well as the digital asset business, centered on crypto-assets (cryptocurrencies) and blockchain. Furthermore, despite the fact that R&D expenses, primarily at Quark Pharmaceuticals in the U.S., are a financial burden to the Biotechnology-related Business, there is the potential to generate substantial income, depending on the results of those R&D activities.

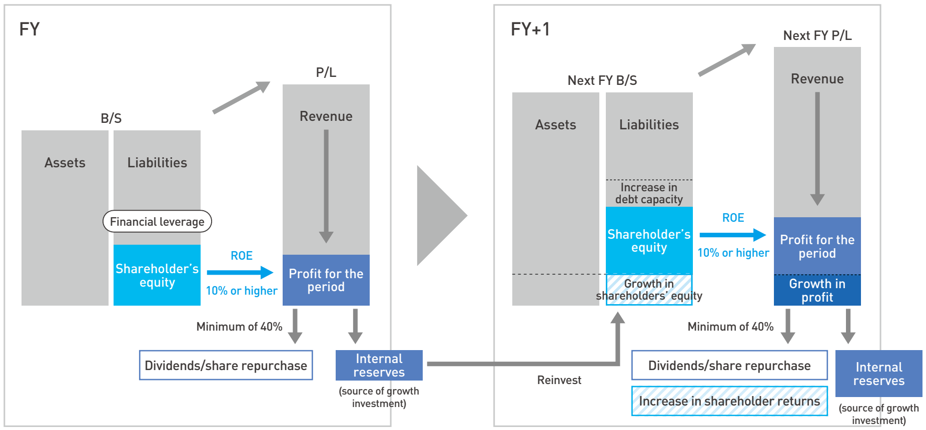
The SBI Group is developing various businesses, such as the Financial Services Business, Asset Management Business and the Biotechnology-related Business, but our basic policy for building these portfolios is to fulfill our role as a "Financial Innovator" and "New Industry Creator," as defined in our corporate mission, through focused investments in fields that are likely to grow to become core industries of the 21st century.

In fact, areas in which the Group has made focused investments to date are industries and sectors with high latent growth potential–such as the Internet and mobile-related businesses, financial businesses in high-growth countries in Asia, bio-related businesses–and more recently, fintech, AI, blockchain and digital assets, and the funds that we have established in the venture capital business are specific to these investment themes. Funds managed and operated by SBI Investment are the Group's primary investment entities, performing the role of pursuing and

Stance on Shareholder Returns and Growth Investments

The Company secures a stable supply of funds through sustained business growth, and accumulates internal reserves to make further investments in growth fields, while returning a portion of these funds to its shareholders.

By coordinating the invested capital to attain ROE that exceeds shareholders' expected return ratio (the cost of shareholders' equity), we accomplish profit growth, dividend increases and an increase in capital in preparation for further growth investments.



discovering promising investee companies. When the technologies or products and services of such companies offer promising synergies with the SBI Group, we may proceed beyond a mere investment to steps such as business alliances with SBI Holdings or Group operating companies, to directly invest in and develop closer relationships with those investee companies.

The digital asset business is a field of focus, and in this field, companies affiliated with SBI Digital Assets Holdings engage in businesses involving crypto-asset mining, and funds that incorporate crypto-assets. The SBI Group has been involved with businesses handling crypto-assets since 2016, and today we are involved in most of the business fields necessary for building an ecosystem on a foundation of crypto-assets and other digital assets. Going forward, we will engage in business activities in these fields and enter the monetization phase. One of the SBI Group's strengths is the ability to quickly build an ecosystem for an emerging growth area. In the digital assets field, we will thoroughly pursue synergies within our existing financial ecosystem, with the expectation of monetizing this field at an early stage, owing to synergies with the Group companies.

> **Through the business "selection and concentration" process, recovered capital will be reinvested in growth fields such as digital assets**

Financial Management that is Cognizant of the Cost of Shareholders' Equity

When we engage or invest in new businesses, we are mindful of the capital cost. Since the SBI Group has set an ROE target of 10%, the first consideration is whether or not a business offers the profit potential to meet this target over the medium- to long-term period.

The Group continues to maintain ROE at a level above 10%, reaching 11.9% in FY2018, following that of 11.6% in FY2017. We will continue to work to increase profits while making effective use of a certain level of financial leverage, and pursue business growth on the basis of capital efficiency.

Profit before income tax expenses has increased in each of the past three fiscal years, reaching a record high for a second consecutive year in FY2018, and is approaching our near-term target of ¥100 billion. We have secured necessary business capital through the continuous growth of individual businesses and accomplished overall Group growth, while reinvesting capital recovered through business "selection and concentration" in new growth fields. We will continue to carefully examine our businesses, taking into account factors such as return on investment (ROI), return on equity (ROE) and the degree of impact on Group internal synergies, to make decisions on business entry, continuation or withdrawal, with a focus on businesses offering prospects for higher profit growth potential.

Shareholder and Investor Engagement Activities

Analysis of SBI Holdings' shareholder composition as of March 31, 2019 indicates that the total shareholding ratio of Japanese and foreign institutional investors is above 70%, with the shareholding ratio of foreign investors at a high level exceeding 40%. Major foreign institutional investors include Baillie Gifford, a company based in Edinburgh, Scotland, with a hundred-year history, JPMorgan Asset Management, an affiliate of JPMorgan Chase, and J.O. Hambro Capital Management, a U.K.-based asset management company. We consider it a great honor that the SBI Group is valued by the world's leading institutional investors. Through proactive engagement in IR activities, we are endeavoring to build and maintain an excellent relationship with these investors. Also, in order to meet the expectations of various stakeholders regarding the medium- to long-term growth of the SBI Group, we will enhance information disclosure, emphasizing transparency, fairness and continuity, and increase opportunities for constructive dialogue with our shareholders and investors.

As we work to meet expectations for medium- to long-term growth, we will increase opportunities for constructive dialogue with our shareholders and investors

We will continue to provide shareholder returns while considering the balance between shareholder returns and funds necessary for business growth. Although we have set a clear guideline of a minimum total shareholder return ratio of 40%, as calculated by the sum of the total amount of dividends and the amount of share repurchases, beginning in FY2018, we have incorporated into our basic policy on shareholder returns the possibility of adjusting the return ratio according to the level of fair value gains and losses from operating investment securities, which does not involve cash flow. Having taken this into account, in view of the achievement of record-high profits since the introduction of IFRSs and the milestone of the SBI Group's 20th anniversary on July 8, 2019, we have declared an annual dividend for FY2018 of ¥100 per share (consolidated dividend payout ratio of 43.2%), including a 20th anniversary commemorative dividend of ¥5. Also, since the Company conducted share repurchases in the amount of approximately ¥19.4 billion from November 2018 to January 2019, the total shareholder return ratio for FY2018 was 80.7%. The Company will continue to actively provide shareholder returns while undertaking business expansion, remaining mindful of financial management that strikes a balance between growth and returns.

Major Shareholders

Institutional investors	Shareholding ratio
Baillie Gifford	14.43%
JPMorgan Asset Management	8.04%
J.O. Hambro Capital Management	6.57%
Nomura Securities	5.49%
BlackRock	5.49%

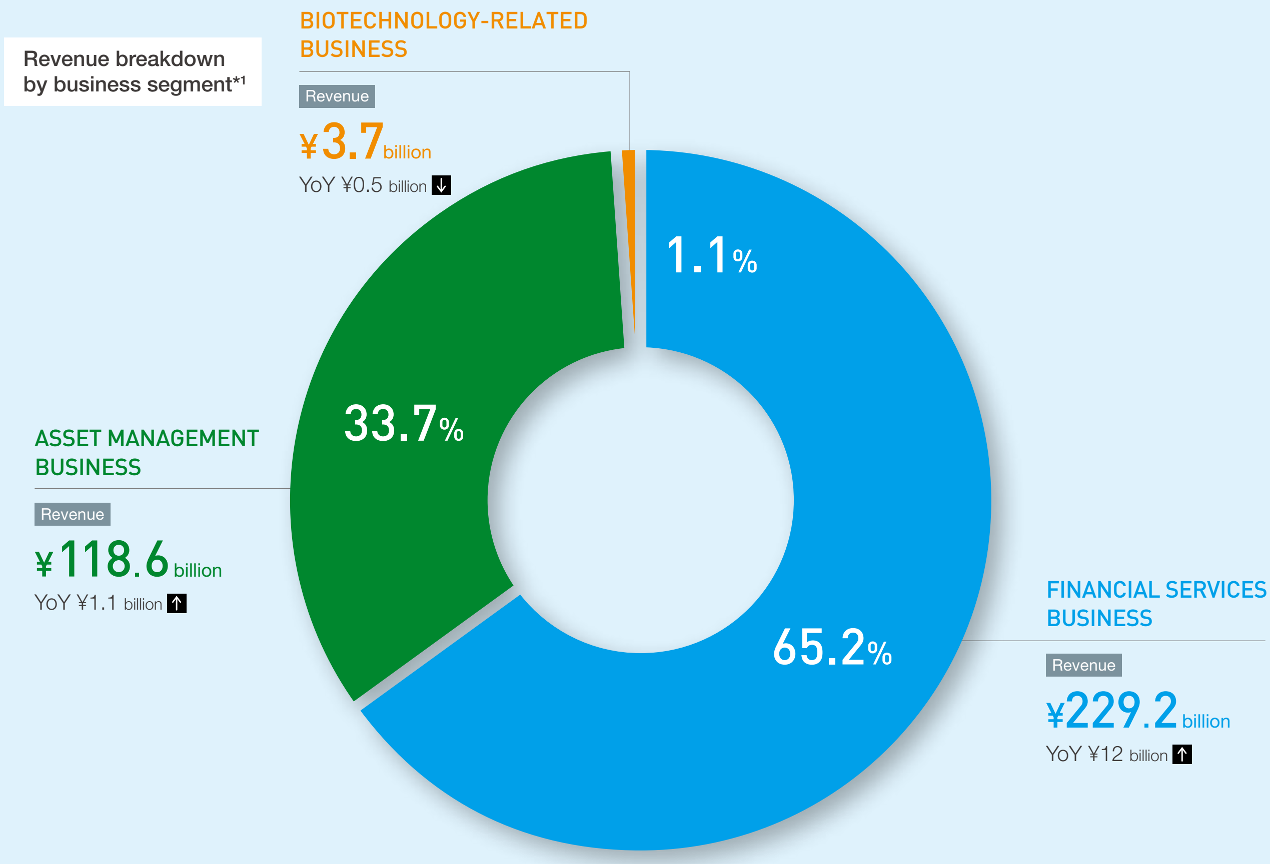
Note: Prepared by the Company based on large shareholding reports (as of June 30, 2019)

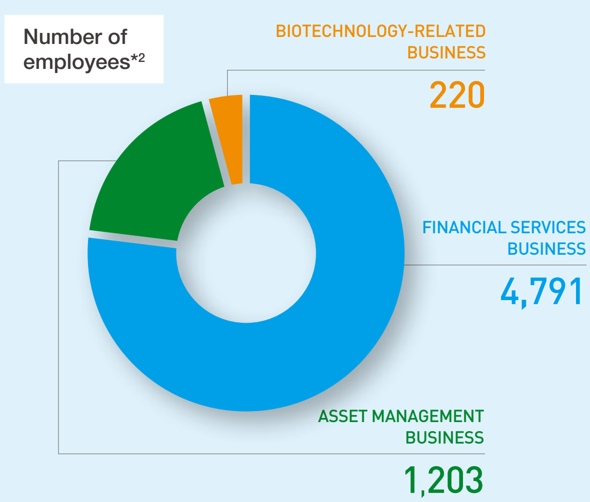
IR Activities (FY2018)

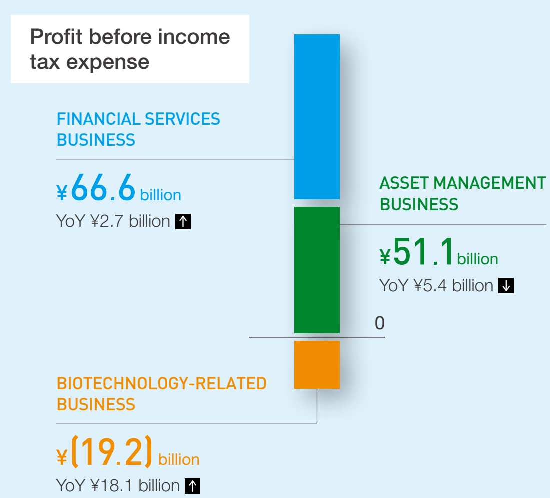
Activity	Times	Activity content
Financial results briefing for institutional investors and analysts	4	Financial results briefing held quarterly focused on financial performance and outlook
Non-deal road shows for overseas institutional investors	3	Meetings for overseas institutional investors conducted by the President and Executive Officers
Small meetings for domestic institutional investors	2	Small meetings for domestic institutional investors held semi-annually and conducted by the President and Executive Officers
Meetings for individual investors	6	Meetings held semi-annually in Tokyo, Osaka and Nagoya (from FY2019 also will be held in Yokohama and Fukuoka)
Current Management Information Briefing for shareholders	1	Briefing held shortly after the General Meeting of Shareholders every June
Individual meetings for institutional investors and analysts	As required	Meetings held as needed upon request from domestic and overseas institutional investors and analysts
Uploading of IR materials and videos to the Company website	As required	Posting of timely disclosure materials including financial results, press releases, videos, and information on CSR activities

Overview of the SBI Group's Business Operations (FY2018)

SBI GROUP AT A GLANCE







*1 The ratio of revenue breakdown by business segment is presented as the composite ratio of the total revenue of Financial Services Business, Asset Management Business and Biotechnology-related Business.
*2 Excluding 225 people, such as shared group employees.

FINANCIAL SERVICES BUSINESS

Provision of innovative,
highly convenient financial products and
services via the Internet

[Main Businesses]

- Securities-related business
- Banking-related business
- Insurance-related business

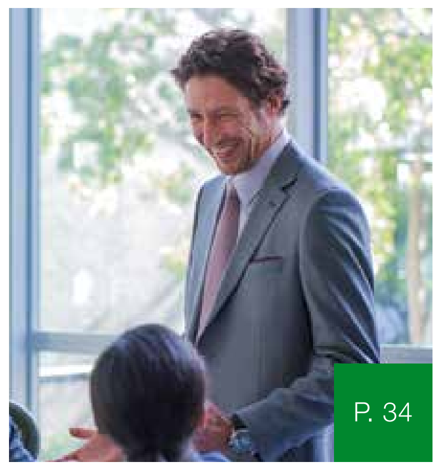
P. 32

ASSET MANAGEMENT BUSINESS

Investment in startup companies in Japan and abroad in fields including IT and biotechnology, and provision of asset management-related services

[Main Businesses]

- Venture capital business
- Overseas financial services business
- Asset management services business



P. 34

BIOTECHNOLOGY-RELATED BUSINESS

Research and development, manufacture and
sales of pharmaceuticals, health foods and cosmetics in collaboration with various business partners

[Main Businesses]

- Research and development of medical treatments and pharmaceutical products that utilize leading-edge biotechnologies
- Research and development, manufacture and sales of pharmaceuticals, health foods and cosmetics containing 5-ALA

P. 36

FINANCIAL SERVICES BUSINESS

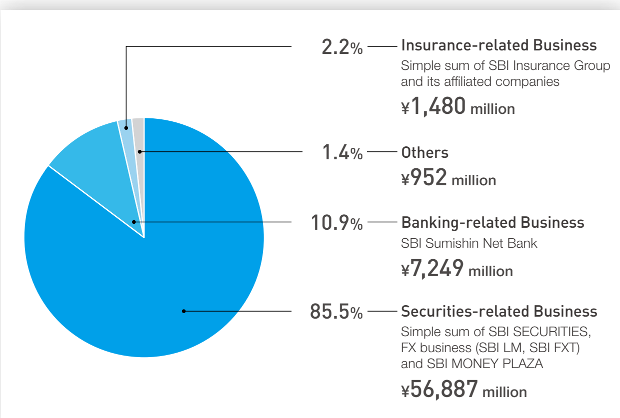
Expanding the Customer Base through the Diversification of Operations, Products and Services, and the Cultivation of Alliances

Principal Companies

Intermediate Holding Company: SBI FINANCIAL SERVICES

- SBI SECURITIES
- SBI Liquidity Market (SBI LM)
- SBI FXTRADE (SBI FXT)
- SBI VC Trade
- SBI MONEY PLAZA
- SBI NEOMOBILE SECURITIES
- SBI Benefit Systems
- SBI Social Lending
- SBI BITS
- SBI Japannext
- SBI Sumishin Net Bank
- SBI NEO FINANCIAL SERVICES
- SBI Insurance Group (Insurance holding company)
- SBI Insurance
- SBI Life Insurance
- SBI IKIIKI SSI
- SBI Nihon SSI
- SBI Resta SSI
- JAPAN ANIMAL CLUB
- SBI FinTech Solutions
- SBI Remit
- SBI Business Solutions
- SBI Ripple Asia
- Money Tap

FY2018 Profit before Income Tax Expense of the Major Businesses by Business Area (Based on IFRSs)



Principal Initiatives in FY2018 and Future Priority Measures

Securities-related Business

- SBI NEOMOBILE SECURITIES, which offers smartphone-based stock trading and other services, commenced its operation in April 2019, and is promoting further expansion of its customer base by targeting investment novices and the younger generation
- SBI Liquidity Market became increasingly more active in its efforts to acquire liquidity from overseas FX transactions, such as through the provision of FX trading services to South Korean financial institutions
- SBI SECURITIES acted as co-lead manager in the IPO of a communications subsidiary of SoftBank Group Corp, as it enhances its IPO/PO underwriting business, in order to strengthen the development of its corporate business
- Expanded the brokerage business to client financial institutions through the Financial Institutional Sales Department

Banking-related Business

- Other than via Internet channels, further expanded sales channels for housing loans via face-to-face sales at locations of partner companies
- NetMove, a company providing payment gateway services, became a wholly owned subsidiary to upgrade the payment services business
- In the acquiring business, the further development of the member stores is being aggressively pursued, for the run-up to the start of cashless transactions and consumer point redemption system, following the consumption tax increase
- Launched JAL Global WALLET, a travel prepaid card, as a joint business with Japan Airlines in November 2018. Also promoting neo-bank initiatives to provide banking functions to major outside corporations

Insurance-related Business

- As part of the process to actualize intrinsic corporate value, SBI Insurance Group, the holding company that oversees the insurance business within the SBI Group, was newly listed on the Tokyo Stock Exchange Mothers Market in September 2018
- Expanded the sales of insurance products by leveraging the SBI Group's diverse sales channels and big data
- Acquired JAPAN ANIMAL CLUB, a small-amount, short-term insurance company specializing in pet insurance, in June 2019

The Increasing Customer Base of the Banking and Insurance-related Businesses

Following SBI Life Insurance's full-fledged resumption of its underwriting business in 2016, the SBI Group's Financial Services Business completed the establishment of its financial ecosystem, consisting of securities, banking and insurance, which was its long-standing goal. By leveraging this customer base, all Group companies were able to actively promote their business expansion in FY2018.

As a pure-play Internet bank, SBI Sumishin Net Bank, which is No. 1 in deposit balance among domestic banks in its category, further widened its lead over its competitors, by, among other things, having its deposit balance exceed ¥5 trillion in April 2019. One area that has been growing since the Bank of Japan started its negative interest rate policy is the housing loan business. It has maintained steady growth by presenting attractive interest rates, promoting services that further enhance benefits for customers and expanded its sales channels through partner companies that develop face-to-face sales.

In October 2018, specialized departments were established, such as the Neo-bank Department, to promote neo-bank initiatives that provide banking functions to outside corporations as a financial platform, and to advance discussions toward alliances with several major companies. As an example, JAL Payment Port, which was jointly established with Japan Airlines in 2017, launched the JAL Global WALLET, a prepaid travel card in November 2018. This card is extremely easy to use when traveling abroad, combining Mastercard's prepaid card and currency exchange functions to the basic functions and services of a JAL Mileage Bank Card. In this way, new services will be created that cannot be created by banks alone.

In April 2019, NetMove, which develops businesses such as credit card settlement services, became a wholly owned subsidiary, and it will work to establish a system that provides payment service functions in the cashless market, where much growth is expected. The company excels at designing and developing highly secure online payment systems, and intends to provide highly superior payment services through an integration with SBI Sumishin Net Bank's technology.

The SBI Insurance Group was established in March 2017, as a holding company to oversee the insurance businesses, and was listed on the TSE Mothers Market in September 2018 to actualize its corporate value. The total number of policies held by each operating company continues to expand steadily, and the compound annual growth rate (CAGR) from the end of March 2014 was 22.2%. Moving forward, the SBI Group will further expand the sales of a variety of insurance products, by leveraging the Group's diverse sales channels and big data, while also promoting discontinuous business expansion through M&As.

Note: For details on the securities-related business, please refer to "Executive Messages: Toward Further Growth in the Securities Business" on page 22.

Evolution of the Financial Services Business Utilizing Fintech

In recent years, the SBI Group has focused on business expansion and efficiency improvements by utilizing new technologies, and has achieved various positive results. SBI SECURITIES offers "WealthNavi for SBI SECURITIES," a customized robo-advisor service provided by WealthNavi (an investee company of the Group), and has expanded its customer deposit assets. With regard to AI, we are promoting its adoption in a number of business areas, including trade review operations for stocks, know-your-customer (KYC) operations, and at call centers. In addition, SBI SECURITIES conducted verification of the applicability of blockchain to the financial market infrastructure for bond processing operations. Robotic process automation (RPA) was also introduced into such areas as back office work for customer relations, for which the annual estimated cost reduction is ¥104 million, and the estimated time saving is 34,920 hours per year.

In addition to providing "WealthNavi for SBI Sumishin Net Bank," with regard to AI utilization, SBI Sumishin Net Bank adopted a monitoring system which was jointly developed with NEC in April 2018, and in October of that year introduced AI for the screening of Internet-exclusive housing loans. In May 2019, a joint venture company, Dayta Consulting, was established with Hitachi, with whom a series of joint demonstration tests to develop an advanced AI screening service had been conducted. With regard to AI screening services, such services are planned to be provided from October 2019, after which consideration will be given to expanding the scope of coverage, for example to the screening of card loans and transaction lending services. RPA was also adopted, which resulted in the reduction of 6,970 hours of monthly work.

In the insurance-related business operations, SBI Insurance is also promoting the adoption of RPA, while conducting proof of concept (PoC) tests for the purpose of providing telematics services based on driving behavior data, in a partnership that includes SoftBank Technology and Bosch. By investing in TANITA HEALTH LINK, SBI Life Insurance is working on the development of new products and services, including life insurance linked to information obtained from health management devices.

As a cross-Group initiative in August 2012, the SBI Group established the Big Data Office within SBI Holdings (the CEO's office is currently spearheading big data), and has been strengthening collaborations between companies to utilize the customer data from each business, focusing on securities, banking and insurance. In March 2019, as the first part of a "bigger data (data that combines SBI Group's big data and external data) utilization initiative," AI using alternative data (data that quantifies the market sentiment indicators for financial assets) was developed, and was adopted by SBI Liquidity Market's risk management covering exchange rate fluctuations. In the years to come, we will promote the planning and development of AI that utilizes bigger data throughout the Financial Services Business.

ASSET MANAGEMENT BUSINESS

Accelerating Venture Investments and Strengthening the Overseas Financial Services Business By Expanding the Global Network

Principal Companies

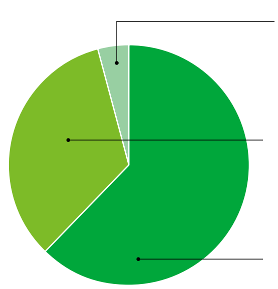
Intermediate Holding Company: SBI Capital Management

SBI Investment
SBI FinTech Incubation
SBI VEN CAPITAL
SBI Hong Kong Holdings
SBI (China)
SBI & TH (Beijing) Venture Capital Management
SBI Ventures Malaysia
SBI SAVINGS BANK
SBI Investment KOREA
SBI Royal Securities
SBI Thai Online Securities
SBI Bank
BNI SEKURITAS

Intermediate Holding Company: SBI GLOBAL ASSET MANAGEMENT

Morningstar Japan
SBI Asset Management
Carret Asset Management
SBI Alternative Investments
SBI Bond Investment Management
SBI Regional Revitalization Asset Management
SBI ENERGY
SBI Estate Finance

FY2018 Profit before Income Tax Expense of the Major Businesses by Business Area (Based on IFRSs)



Principal Initiatives in FY2018 and Future Priority Measures

Venture Capital Business

- The Fintech Fund was established in December 2015 with committed capital of ¥25 billion, and the investment phase was completed
- The SBI AI&Blockchain Fund was established in January 2018, and is accelerating investments in promising startup companies
- Invested a cumulative total of more than ¥240 billion since FY2015, to contribute to profits over the medium- to long-term
- Established SBI Regional Business Investment, which initiated fund-raising for the establishment of a business succession fund

Overseas Financial Services Business

- SBI SAVINGS BANK of South Korea ranks first in the industry in terms of total assets and net income
- Since becoming a wholly owned subsidiary, Russia's SBI BANK has steadily expanded its operations
- Opened Berlin Representative Office and Philippines Representative Office to expand overseas businesses

Asset Management Services Business

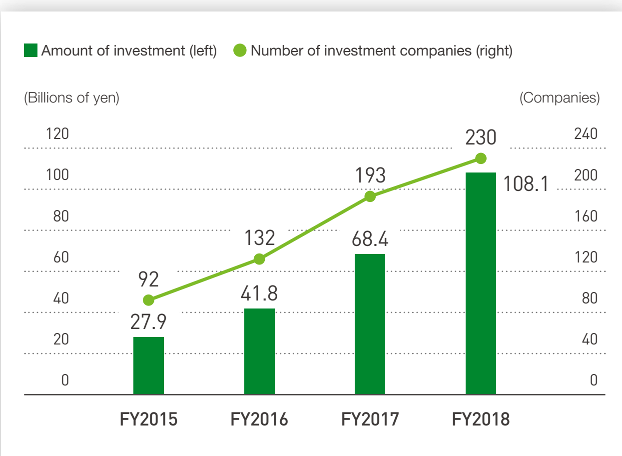
- SBI Bond Investment Management achieved full-year profitability
- The SBI Group's total assets under management surged, primarily in investment trusts and topped ¥1 trillion in September 2018
- Morningstar Japan is planning a listing change from the TSE JASDAQ to the TSE First Section

Proactive Venture Investments through the Establishment of Funds

Since FY2015, the SBI Group has been actively investing in business domains that are achieving rapid growth by means of new technologies, with such investments having been made through the Fintech Fund (established in December 2015, total commitment amount of ¥30 billion), which is geared toward investing in promising startup companies in the fintech field, and the SBI AI&Blockchain Fund (established in January 2018, total commitment amount of ¥60 billion), which targets startup companies in the AI and blockchain fields, as well as those involved in closely related areas such as IoT, robotics and the sharing economy. Up to and including the fiscal year ended March 31, 2019, the amount of investments through these funds, etc. has reached a cumulative total of more than ¥240 billion, and some of the investees from the Fintech Fund have already conducted their IPOs. Following the 13 SBI Group investee companies that concluded IPOs and M&As in FY2017, in FY2018 20 companies also concluded IPOs and M&As.

For some time, the SBI Group has also been focused on bringing together major companies and startups through venture investments, while simultaneously supporting the enhancement of their competitiveness and business expansion, through open innovation between large companies and the companies in which investments were made. One such case is corporate venture capital (CVC). In recent years, a variety of companies have focused on CVC as an investment that will enhance their competitiveness. In the case of SBI Investment, a total of ¥50 billion in CVC funds have been established and managed (as of the end of March 2019) with 7 companies, including NIKON, SUBARU and HOUSE FOODS GROUP.

Change in Amount of Investment and Number of Investment Companies



The Overseas Financial Services Business Continues to Steadily Expand

The Asset Management Business of the SBI Group is developing a range of overseas financial services businesses. SBI SAVINGS BANK of South Korea, which became a consolidated subsidiary in March 2013, is steadily expanding its balance of performing loans centered on retail loans, and its overall loan delinquency rate at the end of March 2019 remained low at 3.9% (3.8% for retail loans only). Its total assets of KRW 7,510.1 billion and net income of KRW 131.0 billion (fiscal year ended December, 2018, K-GAAP) places SBI SAVINGS BANK of South Korea in the dominant No. 1 position in the industry.

Similarly, upon becoming a wholly owned subsidiary in August 2017, SBI Bank, a commercial bank in Russia, has also steadily expanded its corporate business, starting with financial services to local companies in Russia, and has been improving its business results. In January 2019, the Russian Direct Investment Fund (RDIF), the sovereign wealth fund of Russia, and the Russia-Japan Investment Fund (RJIF), which was launched by RDIF, the Japan Bank for International Cooperation (JBIC) and JBIC IG Partners, reached an agreement with SBI Holdings to invest in SBI Bank. Jointly with the RedStone Group (the brand name for new business groups of the Iliev Group, a strategic partner of SBI Holdings in Russia), SBI Holdings also signed a basic agreement to support the indoor leisure complex operator ROUND ONE's expansion into Russia. In the years ahead, SBI Bank will accelerate collaboration with local strategic partners, leverage the SBI Group's fintech strengths in the provision of financial products and services with high customer benefits, and promote businesses that will link Russian and Japanese small- and mid-size companies, with the objective of expanding Japan-Russia businesses.

Since August 2009, the SBI Group has also been investing in TP Bank in Vietnam, as a strategic investee company, in anticipation of a high level of growth, and having reached a loan balance of ¥400 billion as of March 31, 2019, its basic growth trend is continuing. As of the end of June 2019, its market capitalization had also increased to more than ¥90 billion, and it is rapidly expanding its retail-centered business by introducing leading-edge technologies. These include providing unattended banking services 24 hours a day, 365 days a year and fingerprint recognition-based self-service cash withdrawals.

Taking full advantage of these results, the SBI Group will continue to focus its management resources on the high-growth Asian financial sector.

Note: For details on the venture capital business, please also refer to "Executive Messages: Regional Revitalization through the Investment Business" on page 20. For the Asset Management Services business, please refer to "Executive Messages: Expansion of the Asset Management Structure" on page 23.

BIOTECHNOLOGY-RELATED BUSINESS

On a Steady Path toward Profitability and the Expansion of the 5-ALA-related Business

Principal Companies

Intermediate Holding Company: SBI ALApharma

SBI Pharmaceuticals
SBI ALApromo
photonamic
NX Development Corp.
SBI Biotech
Quark Pharmaceuticals

Full-year Profit before Income Tax Expense of the Biotechnology-related Business (Based on IFRSs)

(Millions of yen)

		FY2017	FY2018
SBI Biotech		(432)	(166)
Quark Pharmaceuticals		(7,902)	(8,193)
5-ALA-related business	SBI Pharmaceuticals	42	(1,395)
	SBI ALApromo	40	263
	photonamic	55	412

Note: Excluding impairment losses of drug pipeline, etc.

Principal Initiatives in FY2018 and Future Priority Measures

SBI Biotech

- Losses narrowed owing to the receipt of the final year subsidy from Japan Agency for Medical Research and Development (AMED)
- Development of out-licensed pipeline products is proceeding at a healthy pace. Planning to achieve and sustain full-year profitability through the out-licensing of new pipeline technology

Quark Pharmaceuticals

- U.S.-based Quark Pharmaceuticals continues its discussions with the FDA on moving a drug, which targets delayed graft function (DGF) in kidney transplants, to the new drug application (NDA) process. At the time the NDA is approved, an IPO, a partial or complete sale of its shares will be considered
- Phase III clinical trials continue for a drug pipeline product targeting acute kidney injury (AKI)

5-ALA-related Business

- U.S.-based NX Development Corp., a subsidiary of German-based photonamic, started U.S. sales of "Gleolan," an intraoperative diagnostic agent for brain tumors, in October 2018
- SBI ALApromo started sales of "ALA PLUS Fukai Nemuri (Deep Sleep)," a food with functional claims containing 5-ALA, in March 2019

5-ALA-related Products

Ethical drug

ALAGLIO®
Divided Granules 1.5g

Health foods and cosmetics

ALA PLUS
Tou (Sugar) Down

ALA PLUS Fukai Nemuri
(Deep Sleep)

ALA PLUS
Gold

ALA PLUS
Karada Shape

ALA PLUS
Sports High-performance

ALA PLUS
Cosmetic Series

Strong Progress in Drug Discovery for 5-ALA-related Pharmaceuticals

In the Biotechnology-related Business, profit expectations are high over the medium- to long-term for pharmaceuticals utilizing 5-Aminolevulinic Acid (5-ALA). Although, drug discovery and product commercialization requires time and sustained effort, in FY2018 various results indicated steady progress toward future profitability in the segment overall.

SBI Pharmaceuticals is a company that conducts R&D and the manufacturing of health foods and drugs containing 5-ALA. In September 2013, it started sales of "ALAGLIO® Oral 1.5g," a photodynamic intraoperative diagnostic agent for malignant glioma (a type of brain tumor) treatment as its first pharmaceutical product. In December 2017, it commercialized "ALAGLIO® Divided Granules 1.5g," a photodynamic intraoperative diagnostic agent for carcinoma vesicae (a type of bladder cancer). Chugai Pharmaceuticals was granted exclusive marketing rights in Japan for "ALAGLIO® Divided Granules 1.5g," and is currently selling the product domestically.

SBI Pharmaceuticals is continuing its efforts with multiple drug discovery pipeline products. In December 2019, it expects to complete Phase III trials of an intraoperative diagnostic agent for peritoneal dissemination of gastric cancer, and in September 2020 it expects to complete Phase II trials for its drug treatment for cisplatin nephropathy protection. A drug to treat mitochondrial diseases is also expected to be completed in January 2021, and is currently entering Phase III with clinical trials being conducted at each stage on its path to approval. Also, Phase II preparations are underway for a drug to treat cardiac ischemia-reperfusion injury, and a drug for photodynamic therapy for brain tumors.

Note: For more details on the Biotechnology-related Business's drug discovery pipeline, please refer to the fact sheet on pages 56–57.

Commencement of U.S. Sales for an Intraoperative Diagnostic Agent for Brain Tumors Using 5-ALA

Strong sales continued for two core products of photonamic, a German company that in January 2016 became a wholly owned subsidiary of SBI ALApharma (an intermediate holding company in the 5-ALA-related business), and photonamic's profitability is also increasing steadily. The first product was "Gliolan®," an intraoperative diagnostic agent for brain tumors, and the other was "Alacare," a drug that treats actinic keratosis. Until now, photonamic has been predominantly engaged in the development and sales of products using 5-ALA, focusing on Germany, the U.K. and other European countries. In April 2018, it purchased its former partner, U.S.-based NX Development Corp., and started sales of "Gleolan" in October of the same year in the U.S. Favorable sales have produced a net sales amount of $3.7 million over eight months. International expansion of "Gliolan®" is progressing in other regions with sales through local partners in over 40 counties, including South Korea and Australia.

Strong Sales of Foods with Functional Claims and Planning a Global Reorganization

Recently, increased interest in foods with functional claims has been taking place in Japan, and SBI ALApromo has accelerated its development of products that contain 5-ALA as a functional ingredient.

The sale of "ALA PLUS Tou (Sugar) Down" began in December 2015, and this popular food with functional claims product helps normalize high fasting glucose levels, as well as moderates the elevation of postprandial glucose levels. In November 2018, sales began for "ALA PLUS Tou (Sugar) Down Rich," which contains a greater amount of 5-ALA. Then in March 2019, "ALA PLUS Fukai Nemuri (Deep Sleep)," with a function for improving the quality of sleep, was newly placed on sale, and helped enrich our product offerings.

In addition, "ALA PLUS Karada Active," which helps improve the efficiency and function of physical exercise, is scheduled to be released in October 2019. SBI ALApromo is also participating in joint research with various universities, and is moving forward on the development of new foods with functional claims, such as those for alleviating fatigue and improving the effects of male menopause.

As a result of further global expansion, the 5-ALA-related Business is planning a structural reorganization. Specific goals include an IPO of SBI ALApharma, the Hong Kong-based intermediate holding company, within two to three years. In addition to this, the SBI Group intends to carry out an organizational restructuring to optimize management resources at the 5-ALA-related business for those affiliated with SBI ALApharma, such as the Japanese business under SBI Pharmaceuticals and SBI ALApromo, the European business under photonamic of Germany, and the U.S. business under NX Development Corp. In other regions, business bases may be added through M&A activities.

OTHER BUSINESSES

Digital Asset-related Business Targets Early Profitability

In the digital asset-related business, SBI VC Trade (formerly SBI Virtual Currencies) has been operating exchanges for crypto-assets since July 2018. By utilizing Group synergies, SBI VC Trade achieved profit before income tax expense of approximately ¥360 million in its first fiscal year (FY2018). After examining the company's services, including its leverage trading, SBI VC Trade underwent a segment change in July 2019, and will pursue sales activities under SBI SECURITIES, which runs the Type 1 Financial Instruments Businesses.

The Group is also actively mining crypto-assets. SBI Crypto, which is engaged in the mining of crypto-assets, operates highly efficient, reliable and sustainable mining businesses in cooperation with the SBI Group and its portfolio companies, and is building a comprehensive framework covering everything from hardware and software development, to the securing of locations and electric power. The laws, regulations and institutions related to crypto-assets are undergoing revisions and updates, and the SBI Group will take these revisions into account as it continues to provide services in response to various customer needs, and will make the preservation of customer assets its first priority.

Board of Directors and Statutory Auditors

(As of June 30, 2019)

Directors

Name	Position	Responsibilities and other significant concurrent offices held	Attendance at Board Meetings	Number of Company's shares owned
Yoshitaka Kitao 	Representative Director, President & CEO	Representative Director and Chairman of SBI Investment Co., Ltd. Representative Director and Chairman of SBI SECURITIES Co., Ltd. Representative Director & President of SBI Pharmaceuticals Co., Ltd. Representative Director & President of SBI Digital Asset Holdings Co., Ltd. Representative Director and Chairman of SBI FINANCIAL SERVICES Co., Ltd. Director and Chairman of SBI Capital Management Co., Ltd. Representative Director & President of SBI GLOBAL ASSET MANAGEMENT Co., Ltd. Representative Director of SBI NEO FINANCIAL SERVICES Co., Ltd.	12/12	3,907,960
Katsuya Kawashima 	Representative Director, Senior Executive Vice President & COO Executive Assistant to the President, Senior Head of Asset Management Business	Representative Director and President of SBI Investment Co., Ltd. Representative Director and President of SBI Capital Management Co., Ltd. Director of SBI SECURITIES Co., Ltd. Director of SBI FINANCIAL SERVICES Co., Ltd. Director of SBI NEO FINANCIAL SERVICES Co., Ltd. Representative Director and President of Money Tap Co., Ltd.	12/12	737,870
Takashi Nakagawa 	Representative Director, Senior Executive Vice President Senior Head of Human Resources, General Affairs, and Risk Management	Director of SBI Investment Co., Ltd. Director of SBI Investment KOREA Co., Ltd.	12/12	42,000
Masato Takamura 	Representative Director, Senior Executive Vice President Senior Head of Financial Services Business	Representative Director and President of SBI SECURITIES Co., Ltd. Representative Director and President of SBI FINANCIAL SERVICES Co., Ltd. Director of SBI NEO FINANCIAL SERVICES Co., Ltd.	12/12	250,000
Shumpei Morita 	Senior Managing Director Senior Head of Accounting, Finance, and Digital Asset Business	Director of SBI FINANCIAL SERVICES Co., Ltd. Director of SBI Capital Management Co., Ltd. Director of SBI Digital Asset Holdings Co., Ltd.	12/12	70,000
Masayuki Yamada 	Director Legal & Compliance	Statutory Auditor of SBI GLOBAL ASSET MANAGEMENT Co., Ltd.	12/12	14,030
Satoe Kusakabe 	Director AML/CFT	Director of SBI SECURITIES Co., Ltd.	Appointed in June 2019	2,000
Masaki Yoshida 	Director	Representative Director of YOSHIDAMASAKI INC. Representative Director and Chairman of Watanabe Entertainment Co., Ltd. A Member of The Rikkyo University Advisory Committee Advisor of KLab Inc.	12/12	10,000

Independent Outside Directors

Name		Position	Responsibilities and other significant concurrent offices held	Attendance at Board Meetings	Number of Company's shares owned
Teruhide Sato		Independent Outside Director	Director of BEENEXT PTE. LTD. Director of BEENEXT CAPITAL MANAGEMENT PTE. LTD. Komisaris of PT Tokopedia Director of Sen Do Technology Joint Stock Company	11/12	2,820
Heizo Takenaka		Independent Outside Director	Chairman & Director of Pasona Group Inc. Outside Director of ORIX Corporation Outside Director of MAYA SYSTEM Inc. President of Academy Hills Professor of Faculty of Global and Regional Studies at Toyo University Emeritus Professor at Keio University	12/12	—
Yasuhiro Suzuki		Independent Outside Director	Representative Director and President of digitalshiftwave Co., Ltd.	12/12	—
Junko Kubo		Independent Outside Director	Special brand ambassador for World Terakoya Movement of the National Federation of UNESCO Associations in JAPAN	Appointed in June 2019	—

Statutory Auditors

Name		Position	Responsibilities and other significant concurrent offices held	Attendance at Board Meetings	Attendance at Statutory Auditor Meetings	Number of Company's shares owned
Atsushi Fujii		Standing Statutory Auditor	Statutory Auditor of SBI SECURITIES Co., Ltd. Statutory Auditor of SBI Investment Co., Ltd. Statutory Auditor of SBI FINANCIAL SERVICES Co., Ltd. Statutory Auditor of SBI Capital Management Co., Ltd. Statutory Auditor of SBI Digital Asset Holdings Co., Ltd.	12/12	16/16	48,980
Toru Ichikawa		Outside Standing Statutory Auditor	Statutory Auditor of SBI FINANCIAL SERVICES Co., Ltd. Statutory Auditor of SBI Capital Management Co., Ltd. Statutory Auditor of SBI Digital Asset Holdings Co., Ltd.	12/12	16/16	1,000
Minoru Tada		Statutory Auditor	Statutory Auditor of SBI SECURITIES Co., Ltd.	12/12	15/16	26,510
Yasuo Sekiguchi		Outside Statutory Auditor	Managing Director of Global Partners Consulting, Inc.	12/12	16/16	—

Note 1: The number of shares owned is as of March 31, 2019.
Note 2: For the reasons why the Company selected these individuals for Director, please see the Convocation Notice.
http://www.sbigroup.co.jp/english/investors/share/pdf/21th_convocation_notice_en.pdf

Realizing an Organizational Structure that can Respond Promptly to Changes in the Business Environment, with a Highly Effective Corporate Governance System

Basic Concept of Corporate Governance

A company's stakeholders include consumers, business partners and the community at large, in addition to customers, shareholders and investors. The SBI Group keenly recognizes the social nature of companies, contributes to the preservation and development of society, and uncompromisingly engages in customer-oriented businesses in accordance with the "Customer-centric Principle," which is the Group's core management principle. The Group also considers it essential to obtain public trust in the course of business activities, and is working to ensure transparency and fairness in its decision-making, and an organizational structure capable of promptly responding to changes in the business environment, as well as to enhance appropriate corporate governance to increase corporate value.

The Company has selected an organizational structure with a board of statutory auditors, and consequently established a Board of Directors and Board of Statutory Auditors. The Company's Board of Directors, consisting of twelve Directors, with four Independent Outside Directors (as of the end of June 2019), is strengthening its oversight of the appropriateness of the Company's management. The Board of Directors meets once a month, in principle, to decide important matters and oversee the status of business execution. In addition to Executive Directors including the President, Senior Executive Vice Presidents and Senior Managing Directors, twelve Executive Officers with expertise and insight aligned with the Directors are in charge of business execution.

The Company clearly defines the functions and responsibilities of the Executive Directors, Executive Officers and the Board of Directors, and has put in place an organizational structure capable of promptly and flexibly responding to sudden changes in the business environment.

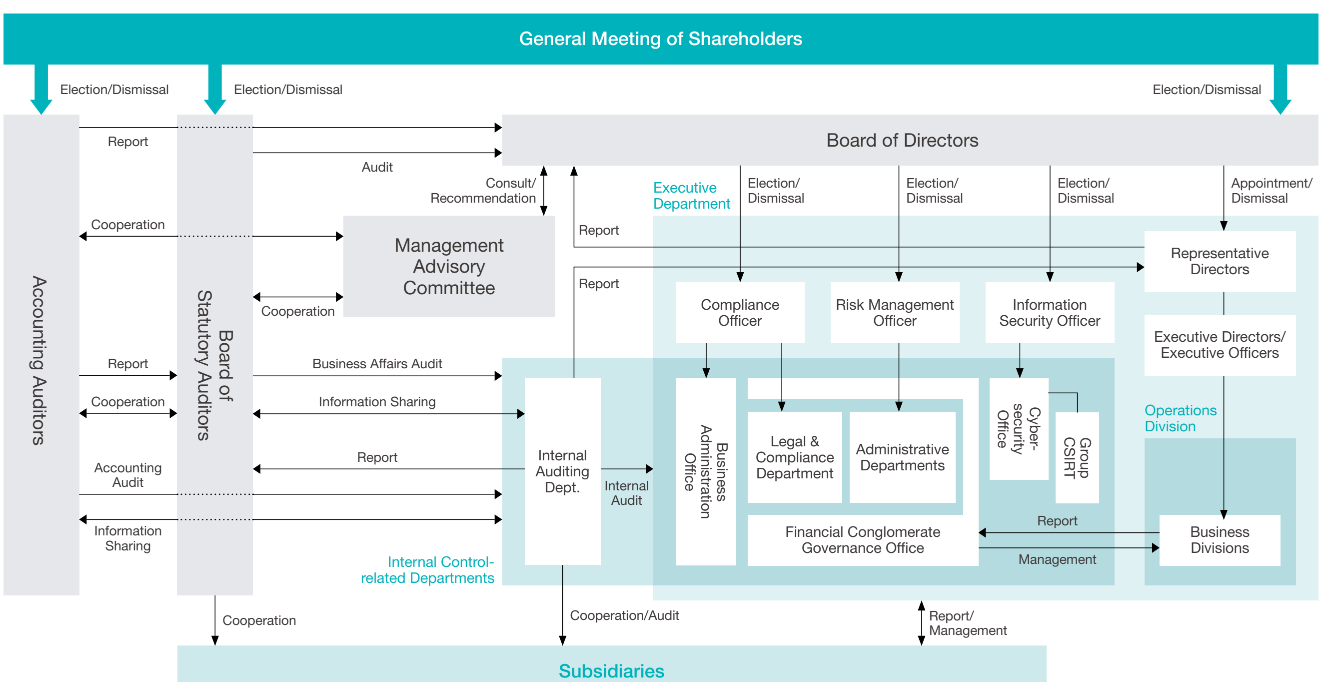
The Statutory Auditors are responsible for establishing a high-quality corporate governance system worthy of public trust, by means including auditing the Directors' performance of duties. The Statutory Auditors ensure collaboration with Outside Directors and Accounting Auditors, and endeavor to realize a more effective corporate governance system.

Compliance with the Corporate Governance Code

The Company has published the Corporate Governance Principles in accordance with the Corporate Governance Code (introduced in June 2015, and revised in June 2018 and has released the policy in full on its website.

http://www.sbigroup.co.jp/english/investors/management/governance_policy.html

Outline of Corporate Governance Structure (As of June 30, 2019)



Overview of Organization

Configuration	Company with Board of Statutory Auditors
Number of Directors (Outside Directors)	12 (4)
Term of office of Directors	1 year
Average age of Directors	54.7 years old
Number of Statutory Auditors (Outside Statutory Auditors)	4 (2)
Number of Directors registered as Independent Executives	6
Involvement of Outside Directors in compensation decisions (Yes/No)	Yes
Number of Ordinary Board of Directors meetings held per year	12
Attendance rate at Board of Directors meetings for Outside Directors	97.2%

Improving the Effectiveness of the Board of Directors

Evaluation of the Board of Directors: The Company conducted a self-assessment for all Directors and Statutory Auditors regarding the effectiveness of the Board of Directors from February to March 2019. The Company analyzed and evaluated the effectiveness of the Board of Directors, based on the results of the self-assessment and discussions held during the March 2019 Board of Directors meeting. The evaluation found the Board of Directors to be sufficiently effective, and to be effectively carrying out its function as a business execution and monitoring organization. On the other hand, the evaluation found that to further improve the effectiveness of the Board of Directors, it is necessary to balance prompt execution and appropriate decision-making by reviewing the structure of the Board of Directors, including the number of Directors, to ensure the diversity that shareholders expect, as well as hold open discussions while enhancing the Board's objectivity and transparency. Among opinions expressed in the evaluation was the opinion that, in the midst of major reforms to governance, the role of the Board of Directors is likely to continue to gradually change, and thus, the Board of Directors should be operated with transparency and a strong focus on risk management.

The Board of Directors will continue to strengthen its effectiveness based on the results of this analysis and evaluation, and will ensure that it contributes to the increase of sustainable corporate value.

Items Evaluated in the Effectiveness Evaluation

1. Structure and composition of organizations such as the Board of Directors
2. Operation of the Board of Directors
3. Agenda, deliberation and decision-making of the Board of Directors
4. Supervisory system of the Board of Directors
5. Relationships with shareholders and other stakeholders
6. Others
7. Self-evaluation

Establishment of Management Advisory Committee: The Company is strengthening the supervisory function of the Board of Directors by increasing the transparency of the Company's management from an outside perspective, through utilizing the efforts of several Independent Outside Directors. Previously, the Outside Director Liaison Committee, comprised primarily of three Independent Outside Directors, met periodically and worked to share information and opinions from an objective perspective to contribute proactively to discussions at meetings of the Board of Directors. From June 27, 2019, it was decided to further strengthen its supervisory function, to ensure an appropriateness of management and to increase transparency of management, and that a third or more of the Board of Directors will be Independent Outside Directors, in accordance with the Company's independence standards. Moreover, it was decided to replace the Outside Director Liaison Committee with the Management Advisory Committee as the voluntary advisory body to the Board of Directors, and that it comprise a majority of Independent Outside Directors.

This committee will further solidify the Company's corporate governance framework, by increasing the objectivity and transparency of Board decisions through appropriate involvement in the Board's functions and deliberation processes, which include the selection of candidate Directors and Statutory Auditors, appointment and dismissal of management executives (President, Senior Executive Vice Presidents, Senior Managing Directors, Managing Directors) and the determination of compensation for Directors, as well as the development of the next generation of management executives.

Policy and Status of Strategic Shareholding

The Company acquires and holds the shares of other companies when entering into business alliances or collaborations that are likely to contribute to the SBI Group's business development or an increase in the Company's corporate value, and when it can be rationally expected that such collaborations will increase the corporate value of the other company, namely, when it can be expected that profits can be gained in the future by selling those shares. The Board of Directors annually examines the rationality and purpose of holding listed shares for strategic reasons. Specifically, this involves examining qualitatively whether the strategic shareholding contributes to strengthening or maintaining the relationship with the relevant parties, and quantitatively whether the dividend or profit from the business that the relevant parties are involved in is appropriate considering the capital cost to the Company. The Company will, in principle, move to sell shares if the rationality of the shareholding cannot be confirmed according to the aforementioned evaluation.

In a certain case where the Company's shares are held by a strategic shareholder, it will not engage in economically unreasonable transactions that are detrimental to the joint corporate and shareholder interests with the relevant company. Moreover, if the owner of strategic shareholdings in the Company indicates the intention to sell the shares, it is the basic policy of the Company to respond appropriately and not take any action that would obstruct the sale, such as by indicating that business transactions with the holder will be reduced.

As of March 31, 2019 the Company is not engaged in any strategic shareholding. Moreover, in one of the Group's main businesses, the venture capital business, all of the Group-owned shares of startup companies, such as those invested in via the venture capital fund, are in principal included as operational investment securities in the Company's Consolidated Financial Statements.

Compensation for Directors

The compensation for Directors, in principle, is set after the Representative Director has discussed his thoughts regarding the amount with the Independent Outside Directors, and is decided by the Board of Directors within the total compensation amount approved at the General Meeting of Shareholders.

A compensation system including restricted stock units has been introduced from June 2019 for Directors (excluding Outside Directors), as an incentive to continue to grow corporate value, and to further share value with all Group shareholders. The recipient Directors of this system exchange their monetary compensation received as property in kind to receive an amount of regular shares or treasury shares.

Policy on Determining Compensation for Directors

1) The policy for determining the amount and calculation method of Director compensation is to be decided by the Board of Directors after receiving feedback from the Management Advisory Committee, which is made up of a majority of Independent Outside Directors.
2) The amount of compensation, which is made up of fixed basic compensation as well as bonuses based on the Company's performance and restricted stock units, for each Director (excluding Outside Directors) is to be decided by the Board of Directors after receiving feedback from the Management Advisory Committee, and is to be within the total compensation limits approved at the General Meeting of Shareholders. Similarly, the amount of compensation for each Outside Director, which is made up of fixed basic compensation and bonuses, is to be decided by the Board of Directors, and is to be within the total compensation limit approved at the General Meeting of Shareholders. However, when these decisions have been entrusted to the Representative Directors, the Representative Directors will determine the above compensation matters. The amount of basic compensation for each Director will be decided based on the following:

- The maximum amount of employee salary
- Compensation paid to Directors of the same rank in the past
- The Company's business performance outlook
- The prevailing rate of compensation for directors
- The degree of contribution to the Company's business performance
- The circumstances of accession to office
- Other matters

Amounts paid to each Director as bonuses and restricted stock units will be decided based on an overall assessment of basic factors, such as their work duties and how they are conducting their work, as well as the business environment, and their overall contribution to the Company. Accordingly, no particular quantitative targets are set.

3) Compensation of Statutory Auditors is on a fixed basic remuneration basis, while the amount paid to each Statutory Auditor will be decided based on Statutory Auditor discussions, and is to be within the total compensation amount approved at the General Meeting of Shareholders.

Note: Under certain circumstances, however, such as significantly worsened business performance, the Board of Directors can decide to take such measures as a reduction in Director compensation or a reduction for a set period.

Total Compensation for Directors and Statutory Auditors, Total Compensation by Type, and Number of Corresponding Executives (FY2018)

Executive classification	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)			Number of corresponding executives
		Basic compensation	Bonuses	RS units	
Directors (Excluding Outside Directors)	805	280	525	—	12
Statutory Auditors (Excluding Outside Statutory Auditors)	13	13	—	—	1
Outside Directors and Statutory Auditors	102	90	12	—	8

Total Consolidated Compensation over ¥100 million by Director (FY2018)

Name	Executive classification	Company name	Total compensation by type (Millions of yen)			Total Consolidated Compensation (Millions of yen)
			Basic compensation	Bonuses	RS units	
Yoshitaka Kitao	Representative Director	SBI Holdings, Inc.	57	150	—	252
	Representative Director	SBI SECURITIES Co., Ltd.	20	—	—	
	Representative Director	SBI Investment Co., Ltd.	25	—	—	
Katsuya Kawashima	Representative Director	SBI Holdings, Inc.	20	100	—	156
	Representative Director	SBI Investment Co., Ltd.	36	—	—	
Takashi Nakagawa	Representative Director	SBI Holdings, Inc.	45	75	—	120
Masato Takamura	Director	SBI Holdings, Inc.	—	75	—	126
	Representative Director	SBI SECURITIES Co., Ltd.	51	—	—	
Tomoya Asakura	Director	SBI Holdings, Inc.	26	55	—	100
	Representative Director	Morningstar Japan K.K.	19	—	—	

The SBI Group as Viewed by Independent Outside Directors

Teruhide Sato
Independent Outside Director

Human Resource Management in Anticipation of the Next Growth Stage

Owing to CEO Yoshitaka Kitao's exemplary vision and strong leadership, the SBI Group is well on its path to fintech 2.0, the next stage of evolution. With the current considerable changes in technology, securing and nurturing the next generation of leaders will be vital to building a corporate group that will continue to grow over the next ten to twenty years and beyond. I believe that we can build a solid managerial foundation over the long-term by making a continued concerted effort to develop Group human resource strategies, such as selecting the next generation of leaders and giving them managerial experience as Directors and Presidents of various Group companies, and subsequently fostering them in leadership positions within SBI Holdings.

Heizo Takenaka
Independent Outside Director

Expectations for a Framework that Realize Further Objectivity and Transparency, with the Increased Involvement of the Independent Outside Directors

Since the SBI Group is a large scale organization that covers a wide range of businesses, I believe that there is a good balance of Outside Directors and Internal Directors, who are well-versed in Company matters, and that the current configuration of the Board of Statutory Auditors, with Independent Auditors who maintain their independence, is appropriate. The SBI Group, until now, had utilized an Outside Director Liaison Committee, for Outside Directors to appropriately be involved in important decisions related to the appointment and compensation of Directors, where each Outside Director can share information and opinions from an independent standpoint. However, with the current major governance reforms in Japan, it is more desirable to further strengthen the functions and independence of the governance structure, and therefore I expect the newly established Management Advisory Committee, which consists of a majority of Independent Outside Directors, to meet this challenge.

Yasuhiro Suzuki
Independent Outside Director

Responding to the Further Advancement of Systems that are a Source of Growth

I believe that at the SBI Group, the leadership of internal executives, including the Group's CEO Yoshitaka Kitao, and the advice and oversight of Outside Directors is effective. We consistently receive compliance status reports and the development of risk management systems at meetings of the Board of Directors, and I believe that appropriate active discussions are being held. I believe that responding to technological advances will be a source of growth for the SBI Group in the future, and currently, the Group is rapidly responding with systems to fintech issues, and is working to respond to security risks. I will continue to help contribute to the further development of the SBI Group by sharing my knowledge and advice.

Junko Kubo
Independent Outside Director

Contributing to Increasing Corporate Value by Ascertaining the Needs of Diverse Stakeholders

I believe that my role is management supervision for the SBI Group from a female perspective, and from a viewpoint similar to that of individual consumers and investors, as well as exchanging opinions with other Directors who have expertise in finance to contribute to increasing the corporate value of the SBI Group. The majority of shareholders of the Group are Japanese and foreign institutional investors, and I understand that the Company's ratio of female managers is not that significant. I believe that by ascertaining the needs of diverse stakeholders and becoming even more diverse in the future, the SBI Group will further approach the Group's CEO Yoshitaka Kitao's vision of a "strong and respected company".

Establishment and Operation of the Internal Control System

The Company believes that in order to enhance its corporate governance, it is important to have an internal control system in place, and to conduct business through a sound internal control system. With the goal of developing the internal control system, the Representative Director works to ensure that all corporate officers and employees understand that compliance with laws and ethical behavior are essential in realizing the corporate management philosophy and vision.

To identify compliance issues and problems, the Board of Directors has decided to appoint an Officer in charge of compliance, and the Legal and Compliance Dept., as the Compliance Department, has been established under the direct control of that individual. The Company has established a whistle-blowing system for Directors and employees for direct reporting upon finding violations of laws, regulations, the Articles of Incorporation, or other important compliance-related matters to the independent Internal Auditing Dept. and Statutory Auditors, which are independent of both executive and management departments.

The Company has established a stringent compliance system of checks and balances among multiple departments to ensure that all processes under business activities comply fully with not only laws and regulations, but also with contracts, agreements, etc. Moreover, the Company conducts regular compliance training, using e-learning and other means, to raise the knowledge and awareness of the employees regarding compliance issues.

In addition, the Officer in charge of compliance and the Compliance Department, in cooperation with those in charge of compliance at each Group company, holds regular meetings to exchange information throughout the Group.

Whistle-blowing System

For more information on the whistle-blowing system, please refer to "Corporate Governance Principles," Section II:4. (3).

http://www.sbigroup.co.jp/english/investors/management/governance_policy.html

Establishing a Risk Management System

The SBI Group has business operations spanning the globe focused on financial services. Thus, it has established a Risk Management Department, and designated an Officer in charge of risk management to ensure risks capable of inhibiting the Group's business activities are adequately comprehended, evaluated and managed.

When a management crisis capable of seriously impacting the continued operation of the Company occurs, or has the possibility of occurring, the Officer in charge of risk management will gather and evaluate information, and respond to the crisis, as well as reporting to applicable organizations and disclosing pertinent information.

To handle information management and systemic risks, the SBI Group appointed an Officer responsible for information security in 2018, and established the Cybersecurity Office to promote cross-Group information security measures, and conducted Group security self-assessments as part of endeavors to improve and maintain the Group-wide information security level.

Business Risk

For more information about potential risk, please see the "Risk" section on the SBI Group website.

http://www.sbigroup.co.jp/english/investors/management/risk.html

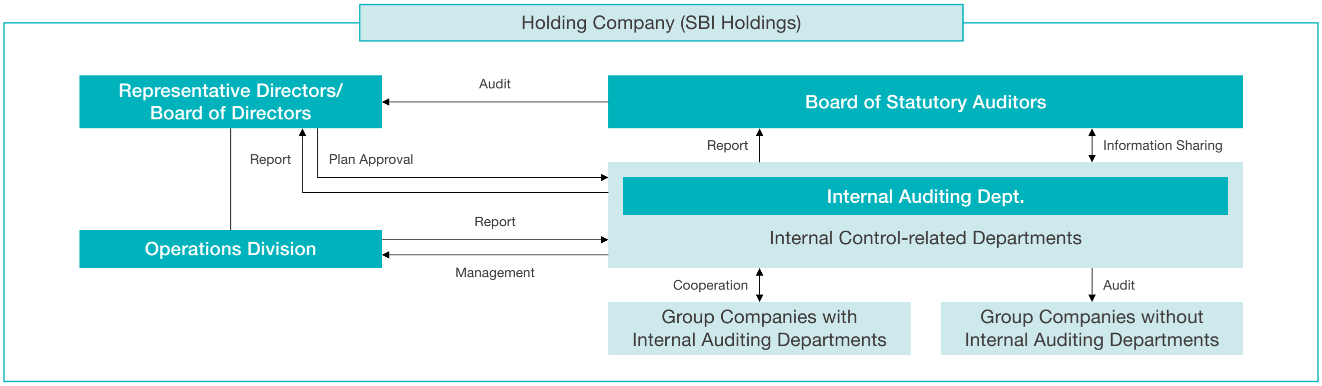
Internal Auditing

The Internal Auditing Dept. comprehensively and objectively evaluates the appropriateness of internal management conditions, such as the appropriate operation of internal control systems, compliance and business operations. Also, the department makes proposals on and follows up measures to remedy and improve issues found during the auditing process. The results of audits are to be reported to the Representative Director and Board of Directors without delay after the completion of each audit. Moreover, where necessary, proposals on corrective measures and improvements of issues will be made to relevant departments.

In addition, the Internal Auditing Dept. and the Board of Statutory Auditors act in cooperation, with the Department regularly reporting to and exchanging opinions with the Board after each internal audit has been completed as well as incorporating the requests of the Board into its auditing themes and selection of audit targets.

The Internal Auditing Dept. consists of a general manager and members with expert knowledge of internal auditing, accounting auditing and internal control, and it conducts its audits according to generally accepted internal auditing standards. First, targets are grouped according to capital relationships and so on, then they are given a score according to various types of risk, such as credit risk, market risk, liquidity risk and operational risk, and the frequency of auditing is determined in descending order from the highest-scored target. Internal audits are conducted combining document auditing, interviews, physical inspections, and other methods. In addition to subsidiaries, affiliate companies are also audited when necessary.

Outline of Internal Control Department



COLUMN Auditor Viewpoints

Atsushi Fujii
Standing Statutory Auditor

Strengthening the Effectiveness of Corporate Audits by Statutory Auditors to Enhance the Corporate Governance Structure

As a Standing Statutory Auditor of the SBI Group's holding company, an important aspect of my responsibilities is auditing how effectively the controlling functions of SBI Holdings over each Group company are working from a management perspective. The SBI Group's focus may be financial, but it has a wide range of business interests, including biotechnology. Thus, I believe it is an important managerial issue for the Company to have a Group-wide system to ensure that each company is conducting their business properly, while abiding by the law and appropriately managing risks according to changes in the business environment. To aid in this, my duty as a Standing Statutory Auditor is to ascertain how effectively the Group's internal control functions are working, by exchanging opinions with Executive Directors, regularly holding hearings with each of the department heads responsible for Group internal control, attending important meetings, and carrying out daily auditing activities. Moreover, I verify from an independent standpoint, whether the appropriate oversight and necessary guidance and support are occurring in response to the business activities and the risk situations that need to be managed by each company. I will continue working to improve the effectiveness of audits by Statutory Auditors, and to strengthen the Group's corporate governance structure.

Toru Ichikawa
Outside Standing Statutory Auditor

Strengthening Risk Management and Monitoring for an Effective Group Governance

The Internal Auditing Dept. explains the results of individual internal audits and the progress of audit plans almost every month at meetings of the Board of Directors, and the Statutory Auditors exchange information with the head of the Internal Auditing Dept. every month, creating an unusually close working relationship in terms of audits As an outside auditor, I am not directly involved in the execution of business. I maintain an independent perspective and conduct audits that include business oversight, in addition to focusing on accounting and legal aspects, while also attending Board of Directors meetings.

I believe strengthening risk management is a future issue of the SBI Group because its businesses are so wide ranging. The SBI Group is not a pure financial institution, but is a financial conglomerate with securities, banking and insurance companies under its auspices. I want to carry out my auditing with a view to further raising the bar regarding compliance management and qualitative risk management, as I can see comprehensive risk management will be even more necessary in the future. In addition, I would like to strengthen the monitoring not only of profitability, but also of other overall aspects for investments in large-scale projects, or investments in entire business groups classified as similar businesses.

Focusing on Nurturing Talented Human Resources and Creating a Working Environment of Respect for Diversity

Approach to Human Resources, the Source of Growth

The SBI Group considers people to be the source of its creativity and the main driver of differentiation that becomes a competitive advantage. To secure human resources, in addition to recruiting experienced mid-career personnel, the Group hires new university graduates. These new university graduates play key roles in fostering and passing on the SBI corporate culture with some individuals fast-tracked to become Directors of Group companies, while others make strong contributions as mid-level employees at their respective organizations.

More than 90% of the Group's employees are mid-career hires. We strive to foster talented individuals capable of understanding and putting into practice our corporate culture, through continuous provision of training and other measures to ensure that these employees do not adopt a myopic view focused only on their own departments, and are capable of implementing initiatives with Group-wide synergies in mind.

Employee Development and Proactive Promotion

To nurture the talent who will become responsible for the future, the SBI Group has implemented various measures, and has thoroughly pursued a stance of proactively appointing and promoting superior human resources, regardless of age.

For employees who seek to become senior managers, in April 2015, the SBI Group initiated the Senior Manager Training Program, utilizing the SBI Graduate School, which was established in April 2008 with the full support of the SBI Group. Completion of this training is a requirement for promotion to senior management positions. The training curriculum, which takes about one year, consists of specified compulsory courses and

New university graduate training

elective courses from the SBI Graduate School MBA curriculum. A total of 405 employees have completed this training program as of March 31, 2019. Furthermore, a two-year or three-year program for dispatching employees to SBI Graduate School has been established for employees who wish to study a wider range of management subjects, and 86 individuals have obtained MBA degrees through this program as of March 31, 2019. The Group contributed approximately ¥78 million in education and training expenses in FY2018, mainly for these training costs.

In 2018, the Group established a system that makes it possible to offer salary and working arrangements that differ from those under the existing employment framework to further strengthen the Group's ability to respond to global management issues and contribute to the recruitment and retention of highly skilled personnel responsible for work requiring specialized

The SBI Group's Personnel Development Process

Management executives
Department and section heads
Leaders
Employees
Younger employees

Initiatives at Group companies

On-the-job and off-the-job training for each area of professional knowledge and skills at Group companies

+

Initiatives at SBI Holdings

Program for dispatching employees to SBI Graduate School

- Understanding of Group-wide policies
- Personal betterment through ethics courses
- Acquisition of professional knowledge in economics, management and other fields

Senior Manager Training Program

New university graduate training
Acquisition of basic knowledge of accounting, foreign languages and technology industry trends

expertise in positions such as attorneys, accountants, AI development and blockchain engineers.

The Group strives for fair and impartial evaluation of employees, and utilizes comprehensive and multifaceted evaluations with input from not only superiors, but also subordinates and colleagues, by the adoption of a 360-degree feedback system.

Utilization of Diverse Human Resources

The SBI Group emphasizes the importance of individual character, professional background and skill, regardless of nationality, age, gender or the presence of a mental or physical disability, and applies this to the recruitment process. In Japan, we started recruiting new university graduates in 2006. We also recruit new graduates in Asia, as well as many other international students, and stepped up recruitment of mid-career foreign nationals with advanced technological abilities for positions including at systems departments. The Group is becoming increasingly nationally diverse, as we pursue global development to shift "from Japan's SBI to the World's SBI." Employees at overseas business offices now account for 26.2% of Group employees.

SBI Holdings continuously recruits women, and in FY2018, female employees accounted for 33.5% of all employees. The percentage of female employees across the Group is 44.3%.

Furthermore, in March 2015 the Company abolished the age limit for re-employment of those who have reached the mandatory retirement age. Through such initiatives, SBI Holdings aspires to be a company where diverse human resources can thrive.

Percentage of Employees at Overseas Business Sites (Consolidated)

FY2015	FY2016	FY2017	FY2018
13.6%	18.3%	22.1%	26.2%

Status of Employment of Women (Non-consolidated)

	FY2015	FY2016	FY2017	FY2018
Number of female employees	60	67	72	75
Ratio of female employees	34.5%	35.8%	36.5%	33.5%
Number of women hired	15	11	15	4
Ratio of women among regular employees hired*1	36.6%	22.9%	21.7%	6.9%
Number of female managers	15	21	23	27
Ratio of female managers*2	18.3%	20.4%	22.8%	22.3%

*1 Includes SBI Holdings employees and seconded employees
*2 The ratio of female managers to all managers

Efforts to Create Appealing Workplaces

The SBI Group is creating a workplace environment that plays a positive role in recruiting and retaining talented people, and is striving to increase productivity through work-style reforms.

The SBI Group considers it important for employees to be in good physical and mental health in order to always perform at their best. For this reason, in August 2018, the Group instituted the Health Management Declaration, which states that the Group will actively work to create an environment that encourages employees to maintain and promote their health.

In the area of employee career development, we provide opportunities for self-actualization, and have introduced a career opening system*3 for the purpose of energizing organizations by making effective use of human resources and putting the right people in the right place. Employees can request transfers to their desired operating companies within the Group organizations through this system, which more than 120 employees have utilized to make career changes to date.

To further increase the SBI Group's cohesion as well as employee desire and motivation to improve consolidated business performance, the Company issues paid-in stock options to Directors of the Company and its subsidiaries, and free-of-charge qualified stock options to employees of the Company and its subsidiaries. Furthermore, to help employees prepare for life post-retirement, the Group introduced a corporate defined-contribution pension plan in 2002.

To increase productivity, the SBI Group is actively proceeding with Group-wide introduction of robotic process automation (RPA)*4, pursuing improvement in business process efficiency and productivity through automation of various routine business processes. At SBI Holdings (non-consolidated), average monthly overtime is 20 hours 50 minutes per person, and the annual paid leave utilization rate is 63.2%.

*3 A job posting system within the Group companies for employees to apply for transfers
*4 The use of artificial intelligence (AI) or machine learning, a technology by which AI learns through repetition, for the purpose of performing mainly back-office, white-collar tasks

Average Years of Service and Turnover Rate (Non-consolidated)

	FY2015	FY2016	FY2017	FY2018
Average years of service (men)	6.26	6.26	6.16	5.22
Average years of service (women)	6.05	6.02	5.86	6.03
Turnover rate	8.99%	9.50%	10.70%	10.53%

Recognizing the Organizational and Societal Impact and Opportunities of Environmental Issues, and Contributing to Maintain and Develop a Sustainable Society

Institution of the SBI Group Environmental Policy

The SBI Group recognizes the importance of long-term coexistence between society and the natural environment, and that environmental issues have impact on, and present both risks and opportunities to, organizations and society. Accordingly, by resolution of the Board of Directors, the Company has instituted the SBI Group Environmental Policy for the purpose of contributing to the maintenance and development of a sustainable society through business activities.

1. Providing products and services that promote environmental consideration
2. Compliance with environmental laws and regulations, and ethical conduct
3. Reducing environmental impact through business activities
4. Environmental education and awareness-raising activities
5. Improving initiatives through dialogues

The SBI Group Environmental Policy (in Japanese only)

https://www.sbigroup.co.jp/csr/environment.html

Initiatives at SBI Group Companies

Toward the Proliferation of Renewable Energy

The introduction of renewable energy for the purpose of reducing environmental impact is accelerating globally. In Japan, the introduction of natural energy sources that effectively utilize local resources is attracting attention as a critical element of the energy mix for future generations. SBI ENERGY is developing solar power, small-scale hydropower, biomass, small-scale wind power and other types of electric power plants in addition to the agricultural solar power plants (solar sharing) that it has already begun to operate in Sosa City, Chiba Prefecture, and Tono City, Iwate Prefecture. Through these businesses, SBI ENERGY will contribute to the development of sustainable communities through environmental conservation, improvement of the energy self-sufficiency rate and vitalization of local economies.

To contribute to the diffusion and expansion of renewable energy use and reduction of environmental impact on society as a whole, SBI Social Lending uses a social lending mechanism to provide loans to solar power operators that own solar power plants already in operation, including developers of solar power plants and biomass power plants. The cumulative amount of loans reached approximately ¥23.9 billion as of March 31, 2019.

Promoting Issuance of Green Bonds

In March 2019, SBI SECURITIES became a registered issuance supporter on the Green Bond*[1] Structuring Division of the "Green Bond Issuance Promotion Platform." This platform is connected with the Financial Support Programme for Green Bond Issuance, which is promoted by the Green Finance Promotion Organization under the sponsorship of the Ministry of the Environment.

The Financial Support Programme for Green Bond Issuance is a mechanism by which the Ministry of the Environment provides subsidies to support external costs that occur in addition to ordinary bond issuance procedures, in order to promote the issuance of green bonds in Japan. As a registered supporter, SBI SECURITIES will promote greater use of green bonds in Japan's capital markets and, by extension, expansion of the market for social benefit bonds by applying its expertise in green bonds.

*1 Green bonds: Bonds that companies, municipalities and other entities issue to procure funding required for environment-friendly projects

Contributing to Solving Water Problems by Using LIMEX Business Cards

Water problems continue to worsen due to population growth, aggravation of climate change and water pollution, and it is said that more than two billion people around the world are compelled to drink unsafe water. Although the SBI Group does not engage in business activities that require large amounts of water, we are promoting the use of environment-friendly business cards to contribute even in a small way to solving this problem. In FY2018, we began using LIMEX, a new material made mainly from limestone, for the business cards of Group company officers and employees.

LIMEX, a substitute for paper and plastic, can be manufactured using nearly no water. For instance, each box of 100 business cards made of LIMEX helps preserve approximately 10 liters of water resources. LIMEX business cards have been introduced at Group companies such as SBI Holdings, SBI Investment and SBI Insurance Group, and going forward we will contribute to solving water problems by expanding their introduction to the entire Group.

Change in CO_2 Emissions *[2, 3]

(Unit: t-CO_2)

FY2016	FY2017	FY2018
1,916	2,309	2,128

*2 Scope of data: These figures are Scope 2 emissions (indirect emissions from the use of purchased electricity and heat) as defined by the GHG Protocol from SBI Holdings and Group company domestic business sites having office floor space of 1,000 m^2 or more (at the fiscal year-end)

*3 Calculation method: CO_2 emissions within the scope of data collection are calculated based on SBI Holding's electricity use and the CO_2 emission coefficient (actual emissions coefficient) for each power company published by the Ministry of the Environment

The SBI Group's contributions to the further development of regional communities along with stakeholders

So Takahashi
CEO
TRANBI

Endeavoring to Solve the Nationwide Successor Problem

Startup Company

What gave me the idea for TRANBI's business of matching business buyers and sellers on a website was my own experience. When I returned to Nagano to succeed the family business, I was confronted by a harsh reality that faces many local SMEs. I was astonished to learn that more companies than I had imagined go out of business due to the lack of a successor. The existing M&A brokers prioritized large deals and were of no help to SMEs. I recognized this problem, and launched the TRANBI website in 2011.

TRANBI received an investment from the SBI Group in June 2018, shortly after we opened an office in Tokyo, in an attempt to expand the business in earnest. In addition to financial assistance, SBI generously provided finance-related networks and expertise that significantly contributed to our business growth. One year after that investment, we have established ties with more than 100 financial institutions, and have been able to strengthen our technological capabilities thanks to an introduction to another startup company in which the SBI Group had invested. We also share with the SBI Group an understanding that SME business succession (see "Glossary" on p. 107) is a major social issue, and I feel we have acquired a dependable partner as we pursue further business expansion.

Noboru Miyanari
Investment Department,
SBI Investment Seconded from
Yamaguchi Financial Group

A Desire to Apply Experience Gained at the SBI Group in Subsequent Work

Regional Financial Institution

In recent years, the Yamaguchi Financial Group (YMFG) has been seconding employees to various companies on temporary assignments, and I have been dispatched to the SBI Group since August 2018. One purpose of secondment is to study the corporate culture of a different organization and apply it to reforms at YMFG, and another is to take advantage of the new knowledge and experience gained in one's own upskilling.

Since the start of my assignment, I have been involved in both new investments in startup companies and management assistance for existing investee companies at SBI Investment. Some of SBI Investment's strengths that I have observed during this time are that it has specialists in a variety of industries, that it has a vast domestic and overseas network and that it looks to the future and actively invests in companies that engage in innovative businesses. Although early on I mainly accompanied my manager, now I increasingly work on my own. Each day is a stimulating learning experience as I meet various corporate managers, and learn about leading-edge technologies. YMFG has also begun focusing on investing in companies that contribute to regional vitalization. I intend to acquire the ability to provide significant solutions that satisfy customers and utilize them in my work post secondment.

Yoshinori Kimura
Chief Executive Officer
SBI FinTech Incubation

Pursuing Open Innovation for Regional Financial Institutions and Fintech Ventures

SBI Group Company

SBI FinTech Incubation was established in February 2017 to support the adoption of new fintech services at regional financial institutions by leveraging the SBI Group's accumulated knowledge and experience in the fintech field.

Currently, financial institutions are under pressure to migrate to open innovation and, under the revised Banking Act enacted in May 2017, banks are obligated to make efforts to implement open APIs. Under these circumstances, SBI FinTech Incubation is proceeding with the development and dissemination of a Fintech Platform that includes an open API infrastructure. Introducing this Fintech Platform, which links various services provided by domestic and overseas fintech startups to financial institution's systems, makes it possible for the financial institutions to rapidly introduce smartphone-based customer services at lower cost. The true objective of open API is to encourage financial institutions to embrace open innovation through greater collaboration with outside parties. We are considering the benefits to financial institutions of introducing the Fintech Platform in terms of what added value they can provide to customers, and we ourselves are developing and working to disseminate new services as necessary.

Consolidated Financial Highlights 7-year Summary

Adopted IFRSs from the year ended March 31, 2013

Years ended March 31	
Operating revenue/Revenue*1	
Profit before income tax expense	
Profit for the year attributable to owners of the Company	
Total assets	
Equity attributable to owners of the Company	
Net cash generated from (used in) operating activities	
Net cash generated from (used in) investing activities	
Net cash generated from (used in) financing activities	
Cash and cash equivalents at the end of the year	

*1 Beginning with the fiscal year ended March 31, 2016, the income categories “Operating revenue” and “Other financial income” have been eliminated, and the amounts have been combined and presented as “Revenue.” Figures for the years ended March 31, 2013 to March 31, 2015 are “Operating revenue.”

Revenue*1	Financial Services Business	
	Asset Management Business	
	Biotechnology-related Business	
	Others	
	Elimination or Corporate	
Profit before income tax expense	Financial Services Business	
	Asset Management Business	
	Biotechnology-related Business	
	Others	
	Elimination or Corporate	

Note: For the fiscal years ended March 31, 2013 to 2018, whereas there are Group companies that were transferred from one segment to another, the abovementioned figures reflect disclosed figures for each fiscal year, so there may be some discrepancies.

Ratio of equity attributable to owners of the Company to total assets	
Substantive ratio of equity attributable to owners of the Company to total assets*2	
Ratio of profit to equity attributable to owners of the Company (ROE)	

*2 Represents the substantive equity ratio, calculated by subtracting customer asset accounts (that is, asset accounts for margin transaction assets, cash segregated as deposits, etc.) and liability accounts (margin transaction liabilities, guarantee deposits received and deposits from customers, etc.) held by the Company’s subsidiary SBI SECURITIES.

Equity per share attributable to owners of the Company (BPS)	
Basic earnings per share attributable to owners of the Company (EPS)	
Dividend per share	

PER (Price-earnings ratio)	
PBR (Price-book-value ratio)	

PER= FY end TSE closing price/Basic earnings per share attributable to owners of the Company
PBR= FY end TSE closing price/Equity per share attributable to owners of the Company
The closing price for the fiscal year ended March 31, 2019 was ¥2,466.

Total dividend	
Share repurchase amount*3	
Total shareholder returns	

*3 As part of the shareholder returns, the amount of treasury stock acquired relevant to the business performance for each fiscal year are stated. In addition, the Company acquired treasury stock worth ¥9,519 million in FY2017 and ¥10 billion in FY2018, but it is not stated on the table since it was left unrealized for the purpose of shareholder returns.

Payout ratio	
Total shareholder returns ratio	

Employees	

(Millions of yen)

2013	2014	2015	2016	2017	2018	2019
154,285	232,822	245,045	261,744	261,939	337,017	**351,411**
15,022	38,899	63,067	52,227	43,139	71,810	**83,037**
3,817	21,439	45,721	34,115	32,455	46,684	**52,548**
2,494,387	2,875,304	3,400,763	3,126,784	3,850,001	4,535,964	**5,034,124**
303,299	325,631	383,491	371,590	377,992	427,815	**456,675**
(36,984)	29,401	(36,197)	32,478	(17,952)	(33,235)	**(71,665)**
(19,060)	16,811	52,305	11,179	2,437	7,881	**(54,731)**
25,699	92,538	(15,524)	(76,230)	159,467	74,575	**407,746**
133,362	276,221	290,826	248,050	391,572	437,148	**713,974**

113,340	147,835	162,645	159,012	176,989	217,272	**229,239**
33,011	72,725	65,843	98,725	80,392	117,572	**118,631**
970	2,195	2,182	4,021	5,530	4,199	**3,729**
9,240	11,626	15,710	2,259	883	1,213	**3,677**
(2,276)	(1,559)	(1,335)	(2,273)	(1,855)	(3,239)	**(3,865)**
18,741	37,298	67,309	50,458	48,853	63,888	**66,568**
6,259	8,990	8,132	17,996	13,940	56,491	**51,107**
(3,900)	(2,432)	(7,310)	(6,572)	(9,574)	(37,252)	**(19,179)**
1,659	2,438	2,779	(835)	(830)	(1,328)	**(6,912)**
(7,737)	(7,395)	(7,843)	(8,820)	(9,250)	(9,989)	**(8,547)**

(%)

12.2	11.3	11.3	11.9	9.8	9.4	**9.1**
22.9	22.2	22.2	21.7	18.3	16.7	**15.3**
1.3	6.8	12.9	9.0	8.7	11.6	**11.9**

(Yen)

1,401.39	1,504.19	1,771.19	1,792.08	1,856.47	1,937.72	**2,000.82**
17.58	99.04	211.18	160.83	159.38	220.54	**231.43**
10.00	20.00	35.00	45.00	50.00	85.00	**100.00**

(Times)

47.27	12.56	6.89	7.11	9.74	11.03	**10.66**
0.6	0.8	0.8	0.6	0.8	1.3	**1.2**

(Millions of yen)

2,170	4,340	7,594	9,393	10,153	18,711	**22,984**
0	0	10,000	5,000	8,000	0	**19,427**
2,170	4,340	17,594	14,393	18,153	18,711	**42,412**

(%)

56.9	20.2	16.6	28.0	31.4	38.5	**43.2**
56.9	20.2	38.5	42.2	55.9	40.1	**80.7**

(Persons)

5,007	5,352	6,094	5,480	4,455	5,391	**6,439**

Fact Sheet

Financial Services Business' Key Indicators

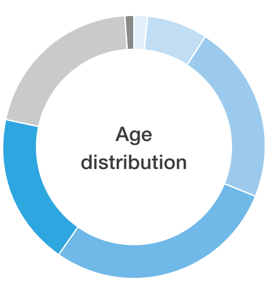
Full-year Profit before Income Tax Expense of the Major Businesses of the Financial Services Business (Based on IFRSs)

	Unit	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
SBI SECURITIES (non-consolidated)	¥ million	33,344	34,828	37,850	33,043	46,169	45,597
FX business*1	¥ million	3,160	4,741	5,200	5,734	5,188	9,334
SBI MONEY PLAZA	¥ million	1,062	1,496	1,751	1,975	2,768	1,956
SBI Sumishin Net Bank [Net income based on JGAAP]	¥ million	2,062 [7,116]	5,196 [9,998]	3,385 [8,413]	3,185 [9,873]	3,770 [10,447]	7,249 [11,975]
Insurance business*2	¥ million	(3,600)	28	264	1,881	2,263	1,480

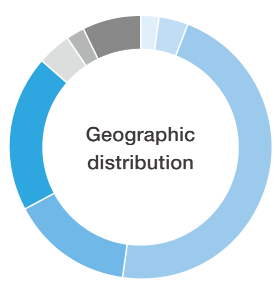
Securities

	Unit	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Accounts	Thousands	2,944	3,246	3,564	3,840	4,261	4,631
Net increase in accounts	Thousands	335	302	318	276	422	369
Accumulated number of accounts via SBI Sumishin Net Bank	Thousands	299	362	415	452	538	600
NISA accounts	Thousands	416	640	821	974	1,197	1,404
Customer deposit assets	¥ trillion	7.6	9.4	9.5	10.8	12.9	13.0
Share of individual stock holdings by value*3	%	9.1	9.4	10.4	11.2	11.7	12.7
Commission rate	Basis point	2.4	2.6	2.6	2.9	3.0	2.9
Share of individual stock brokerage trading value*4	%	33.8	34.5	35.3	34.7	35.1	36.2
Share of individual stock brokerage margin trading value*4	%	36.5	36.2	37.3	35.9	36.4	37.1
Open interest credit balance	¥ billion	691	787	678	799	1,001	838
Investment trust balance	¥ billion	844	1,155	1,216	1,323	1,675	1,874
Investment trust fees	¥ million	2,939	3,771	4,391	4,215	5,181	5,200
Number of IPO underwriting*5	Companies	42	73	82	77	75	90
Number of lead managed underwritings	Companies	5	8	8	13	6	11
Capital adequacy ratio	%	323.4	318.6	377.0	276.2	372.7	349.9
FX accounts (SBI Group*6)	Thousands	470	612	760	906	1,066	1,186
Number of SBI MONEY PLAZA location	Locations	361	393	380	386	414	425
SBI MONEY PLAZA's customer deposit assets	¥ million	405,478	561,270	698,358	801,279	1,105,023	937,327

SBI SECURITIES' Customer Base (As of March 31, 2019)



Age category	Percentage
Under 20	1.8%
20s	7.4%
30s	22.0%
40s	28.6%
50s	18.6%
Over 60	20.6%
Corporation	1.0%



Region	Percentage
Hokkaido	2.5%
Tohoku	3.4%
Kanto	46.6%
Chubu	14.9%
Kinki	19.2%
Chugoku	4.2%
Shikoku	2.0%
Kyushu	7.2%

Banking

	Unit	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Accounts	Thousands	1,974	2,308	2,586	2,827	3,210	**3,543**
Net increase in accounts	Thousands	327	334	277	242	383	**333**
Accumulated number of accounts via SBI SECURITIES	Thousands	695	820	956	1,073	1,259	**1,430**
Deposits*7	¥ billion	3,076.7	3,576.1	3,446.8	4,006.8	4,426.0	**4,857.1**
Deposits (hybrid deposit)	¥ billion	832.8	1,207.5	1,140.7	1,386.1	1,450.1	**1,538.8**
Deposits (foreign currency)	¥ billion	155.4	159.1	160.2	173.9	246.0	**232.7**
Cumulative total of housing loans*8	¥ billion	394.3	502.5	471.7	729.3	697.0	**819.9**
Balance of consumer loans	¥ billion	211.1	239.5	279.9	290.8	302.1	**312.8**
Asset management yield	%	1.06	1.08	0.90	0.85	0.83	**0.84**
Financial arrangements yield	%	0.33	0.31	0.22	0.14	0.14	**0.16**
Spread for fund interest rate	%	0.72	0.77	0.68	0.70	0.68	**0.67**
Loan-deposit rate (term-end balance)	%	45.11	50.83	60.27	58.72	71.96	**74.27**
Consolidated capital adequacy ratio (based on domestic standards)	%	10.06	8.89	9.80	11.11	9.35	**8.14**

Insurance

	Unit	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Number of contracts (SBI Insurance)	Thousands	642	732	829	925	985	**1,052**
Number of contracts (SBI Life Insurance)*9	Thousands	—	117	110	108	121	**141**
Number of contracts (SBI IKIIKI SSI)	Thousands	32	39	47	57	70	**85**
Number of contracts (SBI Nihon SSI)	Thousands	—	—	—	509	540	**573**
Number of contracts (SBI Resta SSI)*10	Thousands	12	13	13	15	15	**16**
Combined ratio (SBI Insurance)	%	98.8	100.4	104.7	96.7	91.9	**98.4**
Direct loss ratio	%	72.4	77.6	86.1	82.5	80.7	**84.1**
Direct operating expenses ratio	%	26.4	22.8	18.6	14.2	11.2	**14.3**
Total actuarial reserves (SBI Insurance)	¥ million	13,327	13,840	12,572	13,333	14,456	**15,338**
Solvency margin ratio (SBI Life Insurance)	%	—	1,120.3	1,299.3	1,165.5	1,172.2	**1,045.4**
Total Assets (SBI Life Insurance)	¥ million	—	156,453	140,281	131,484	125,348	**120,011**
Balance of legal reserve (SBI Life Insurance)	¥ million	—	126,271	110,762	103,400	98,049	**90,915**

*1 Simple sum of profit before income tax expense at SBI Liquidity Market and SBI FXTRADE
*2 Simple sum of profit before income tax expense at SBI Insurance Group and the insurance companies under its auspices
*3 Calculated from customer deposit assets divided by the amount of financial assets held by households (listed shares), which is based on the Bank of Japan's statistics on flow of funds
*4 Calculated by dividing the company's individual stock trading value or individual margin trading value, with the total individual stock trading value and individual margin trading value of the 1st and 2nd section of the Tokyo and Nagoya Stock Exchange, including that of ETF and REIT trading value, respectively
*5 Totals apply to the issues underwritten in Japan, and do not include additional secondary offerings or overseas issues
*6 Total accounts at SBI FXTRADE, SBI SECURITIES and SBI Sumishin Net Bank
*7 Figures of SBI Sumishin Net Bank (non-consolidated)
*8 Cumulative total is the total of the individual loan execution amounts for housing loans (MR. Housing Loan, Affiliate housing loan) sold by SBI Sumishin Net Bank; housing loans (Internet Exclusive Housing Loan) sold by SBI Sumishin Net Bank as an agent for Sumitomo Mitsui Trust Bank; housing loans (MR. Housing Loan REAL) sold by agents of our company; and Flat 35
*9 Includes the number of people using Group Credit Life Insurance
*10 Number of contracts for Earthquake Indemnity Insurance Resta

Asset Management Business' Key Indicators

Asset Management Business' Full-year Profit before Income Tax Expense (Based on IFRSs)

	Unit	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Profit/loss from the change in fair value, and profit/loss on sales of investment securities	¥ million	9,417	(4,315)	16,225	6,836	44,409	33,699
SBI SAVINGS BANK	¥ million	4,011	16,672	5,846	5,649	14,018	17,473

Asset Management Business' Private Equity Investment and Exit Figures

	Unit	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Investment balance*1, 2	¥ million	201,202	191,623	183,276	152,765	218,825	355,683
Investment amount	¥ million	24,131	19,631	27,930	41,762	56,540	108,125
Number of investments made	Companies	65	75	92	132	193	230
Number of companies exited*3	Companies	12	14	16	15	13	20

Breakdown of Assets Under Management, including Private Equity Investment*1, 2 (As of March 31, 2019)

Breakdown by industry	Amount (¥ million)	Companies
Internet/AI/IoT	86,167	110
Fintech services	42,950	40
Digital assets/Blockchain	48,640	19
Finance	43,862	55
Biotechnology/Health/Medical	11,668	27
Environmental/Energy	3,359	3
Machine/Automobile	6,260	10
Services	7,042	14
Retail/Food	1,305	6
Materials/Chemicals	3,927	4
Construction/Real estate	1,332	4
Others	1,105	7
Equity interests in external and non-consolidated funds	25,000	32
Total	282,616	331

Breakdown by region	Amount (¥ million)	Companies
Japan	107,346	213
China	22,993	18
Korea	4,278	6
Southeast Asia	49,979	13
India	1,317	4
U.S.	50,013	24
Europe	19,384	15
Others	27,307	38
Total	282,616	331

Investment from non-consolidated Group management funds

	Amount (¥ million)	Companies
Corporate venture capital (CVC)	8,467	37
Others (Overseas JV funds, etc.)	64,600	171
Total	73,067	208

Breakdown of Investments and Exit Figures*3 (As of March 31, 2019; Unit: Companies)

Cumulative number of investee companies	Domestic	Overseas
1,524	907	617

Cumulative exits	Domestic		Overseas	
	IPO	M&A	IPO	M&A
248	107	22	88	31

SBI Investment's Deal Sourcing Results*4

Business results	Unit	Sourcing	Due diligence	Investors
FY2016	Companies	1,040	75	48
FY2017	Companies	1,036	56	40
FY2018	Companies	1,587	105	53

SBI Investment's Management Results*4, 5

Commitment amount (¥ billion)	Cumulative distribution (¥ billion)	Investment return ratio (times)	IRR (%)
282.6	385.8	1.37	6.1

SBI SAVINGS BANK (As of the end of March for each fiscal year)

	Unit	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Balance of performing loans	KRW billion	1,520.0	2,258.4	3,022.2	4,106.5	5,029.6	6,123.4
of which, balance of retail performing loans	KRW billion	843.4	1,025.1	1,669.6	2,650.9	3,159.6	4,106.5
Delinquency ratio	%	46.1	26.8	16.2	8.8	5.3	3.9
of which, delinquency ratio of retail performing loans	%	21.1	16.5	8.5	5.0	4.2	3.8

Breakdown of Assets Under Management in Investment Trusts, etc.*6

	Unit	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Investment trusts	¥ billion	103.5	128.0	180.6	254.7	490.0	969.4
Investment advisors	¥ billion	76.7	98.8	74.4	88.6	138.0	333.4
Investment corporations	¥ billion	3.3	3.8	4.0	4.6	—	—
Total	¥ billion	183.5	230.6	259.0	347.9	628.0	1,302.8

*1 Total investment amount through direct investments by the SBI Group, and consolidated investment funds operated by the SBI Group
*2 For investment balance amounts until FY2016, direct investments are valuated at fair value, and investments by consolidated investment funds are valuated at market price for listed stocks and at acquisition cost for unlisted stocks without a market price. (Those that have undergone impairment processing will be valuated at the total amount after impairment processing,) Beginning with the fiscal year ended March 31, 2018, the breakdown of the operational investment securities category of the consolidated financial statement is recorded here.
*3 Figures for investee companies who have held an initial public offering, or undergone a stock swap or M&A with a listed company
*4 Results for specialized investment funds under management are not included
*5 SBI Investment's results after fund redemption (cumulative)
*6 For funds that SBI Asset Management provides investment instruction to, if Morningstar Asset Management provides investment advisory services, assets are recorded in both "investment trusts" and "investment advisory," respectively, so there are some overlapping amounts

Biotechnology-related Business' Performance and Pipeline

Full-year Profit before Income Tax Expense of the Major Businesses of the Biotechnology-related Business (Based on IFRSs)*1

	Unit	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
SBI Biotech	¥ million	(611)	(637)	(297)	737	(432)	(166)
Quark Pharmaceuticals	¥ million	(721)	(1,436)	(2,572)	(8,270)	(7,902)	(8,193)
SBI Pharmaceuticals	¥ million	(1,083)	(1,220)	(1,425)	91	42	(1,395)
SBI ALApromo	¥ million	(176)	(426)	(587)	(233)	40	263
photonamic*2	¥ million	—	—	38	(41)	55	412

*1 Excluding impairment losses from drug pipeline, etc.
*2 photonamic became a consolidated subsidiary in January 2016.

SBI Biotech's Major Drug Discovery Pipeline Progress

	Licensing partner (timing)	Target disease	Progress	
MEDI7734 (Anti-ILT7 antibody)	Viela Bio* (Sept. 2008)	Systemic lupus erythematosus, Cutaneous lupus erythematosus, Sjogren's syndrome, Scleroderma, Dermatomyositis	Phase Ib	Phase Ib (multiple dose study) is in progress following Phase Ia (single dose study). It will end in September 2019. Further receipt of milestone payments in accordance with development progress is expected
SBI-9674	Kyowa Hakko Kirin (Dec. 2016)	Autoimmune diseases	Pre-clinical	Kyowa Hakko Kirin is conducting development. Further receipt of milestone payments in accordance with development progress is expected
Cdc7 inhibitor	Carna Biosciences (May 2014)	Colorectal cancers	Phase I/II (plan)	Development is in progress at Sierra Oncology, which was out-licensed by Carna Biosciences. Submitted its Investigational New Drug (IND) application to FDA. Further receipt of milestone payments in accordance with development progress is expected
GNKS356	Independently	Psoriasis, Various fibrosis, Non-alcoholic steatohepatitis	Pre-clinical	Received subsidies from AMED (Japan Agency for Medical Research and Development) drug discovery promotion project, and acquired various data. Promoting R&D, out-licensing and tie-ups for optimization of target diseases based on the research results
SBI-3150	Independently	Autoimmune diseases (Various diseases caused by pDC/ activated B cells)	Pre-clinical	Acquisition of various data showing the superiority of dual targeting concept that targets pDC and activated B cells is in progress. Continuously engaging in negotiations with several companies for out-licensing

*A new company specializing in inflammation and autoimmune disease, spun out from MedImmune, a subsidiary of AstraZeneca

Quark Pharmaceuticals' Major Drug Discovery Pipeline Progress

	Licensing partner	Target disease	Progress	
QPI-1002	—	Delayed graft function (DGF) in kidney transplantation	Phase III (Completed)	While providing additional information to the U.S. FDA, by following a suggestion from the FDA on the transition to an NDA (New Drug Application) move to an NDA procedure will be made within the next 6-month period
		Acute kidney injury (AKI)	Phase III	Started Phase III clinical trials in July 2018. Planning expansion of clinical trials to 115 facilities worldwide
QPI-1007	Biocon of India	Non-arteritic anterior ischemic optic neuropathy (NAION)	Phase III	Phase III clinical trials are underway at 66 centers in the U.S. and Europe. The FDA approved the shortening of the follow-up period after administration to the final subject from 12 months to 6 months, so the final results will become known in April 2020

SBI Pharmaceuticals’ Major Drug Discovery Pipeline Progress

Launch and out-licensing (Total 5 cases)

- “ALAGLIO® Oral 1.5g,” photodynamic diagnostic agent for brain tumor treatment (malignant glioma) (Launched in September 2013)
- Therapeutic drugs for diabetes and malaria infection (to Neopharma, UAE pharmaceutical company, in October 2016)
- “ALAGLIO® Divided Granules 1.5g,” photodynamic diagnostic agent for bladder cancer treatment (carcinoma vesicae) (Launched in Japan in December 2017 by Chugai Pharmaceuticals, which was granted exclusive domestic marketing rights)
- Pharmaceuticals including “ALAGLIO® Divided Granules 1.5g” in the territory of MENA and India (to Neopharma, in March 2018)

Fields		Pipeline projects	Current status			
			Phase I	Phase II	Phase III	Application
Diagnostic agent (PDD)	1	Peritoneal dissemination of gastric cancer*	Phase III is underway			Scheduled to complete in December 2019
Drug to treat	2	Cisplatin nephropathy protection	Phase II is underway	Scheduled to complete in September 2020		
	3	Mitochondrial diseases*	Phase III is underway		Scheduled to complete in January 2021	
	4	Cardiac ischemia-reperfusion injury*	Preparation for Phase II is underway	Photodynamic effect enhancing agent for ALA-photodynamic therapy and ALA-photodynamic diagnosis		
Photodynamic therapy (iPDT)	5	Brain tumors* (by photonamic, a wholly owned subsidiary)	Preparation for Phase II is underway			

*Investigator-led trial

Patents Obtained Since 2016 by SBI Pharmaceuticals (Japan)*

Invention thesis	Registration date	Co-applicants
An agent for treating and preventing cancer anemia	Feb. 12, 2016	Single application
An agent for the treatment and prevention of chronic kidney disease	Feb. 12, 2016	Single application
Photodynamic diagnosis agent and photobleaching-prevention agent	Feb. 12, 2016	Tokyo Institute of Technology
Photodynamic therapy using a photosensitizer or 5-ALAs	Feb. 19, 2016	Single application
Device to identify cancer metastasis in the sentinel lymph node	Feb. 26, 2016	Single application
Immune tolerance inducer	Mar. 25, 2016	National Center for Child Health and Development
Enhancer of survival of transplanted organ	Apr. 1, 2016	National Center for Child Health and Development
Prophylactic/therapeutic agent for influenza virus infection	Apr. 22, 2016	Tokushima Univ.
Prophylactic and/or therapeutic agent for radiation damage	Apr. 22, 2016	The Univ. of Tokyo
PDT effect enhancing agent	May 20, 2016	Kanazawa Univ. and Tokushima Univ.
Nuclear magnetic resonance diagnostic agent, and method for detecting or diagnosing state of cell, tissue or organ in subject using same	Aug. 5, 2016	Kumamoto Univ. and Univ. of Occupational and Environmental Health
Medicinal composition for promoting synthesis of protoporphyrin ix	Dec. 2, 2016	Osaka City Univ.
Treatment agent and/or prophylactic agent for side effects of cancer drugs	Dec. 2, 2016	Kochi Univ.
Prophylactic agent and/or therapeutic agent for sepsis	Dec. 9, 2016	Nihon Univ.
Cancerous anemia improvement and preventive agent	Feb. 17, 2017	Single application
Immune tolerance induction accelerator	July 14, 2017	National Center for Child Health and Development
Frataxin enhancers	July 21, 2017	Tokyo Univ. of Agriculture
Normal incidence enhancing agent of a fertilized egg	Jan. 26, 2018	Yamagata Univ.
Organ preservation solution	Feb. 23, 2018	National Center For Child Health And Development
Photodynamic effect enhancing agent for ALA-photodynamic therapy and ALA-photodynamic diagnosis	Oct. 12, 2018	Single application
Intraoperative diagnostic system consisting of a photodynamic diagnostic device with a collimator and a surgical microscope with a fluorescence diagnostic mode	Oct. 19, 2018	Single application

*26 patents were acquired by the end of 2015. Patents held by SBI Pharmaceuticals number 47 in Japan, of which 29 are also held overseas

Consolidated Statement of Financial Position

(Millions of Yen)

	Notes	As of March 31, 2018	As of March 31, 2019
Assets			
Cash and cash equivalents	5	437,148	713,974
Trade and other accounts receivable	5, 7, 8, 17	570,466	689,713
Assets related to securities business			
Cash segregated as deposits		1,510,079	1,603,159
Margin transaction assets		832,410	674,878
Other assets related to securities business	9	493,953	471,555
Total assets related to securities business	5, 6, 7	2,836,442	2,749,592
Other financial assets	5, 7, 17	35,958	36,740
Operational investment securities	5, 7, 10	191,014	282,616
Other investment securities	5, 7, 10	173,316	188,900
Investments accounted for using the equity method	11	68,365	68,371
Investment properties	13	2,192	2,147
Property and equipment	14, 17	14,382	15,100
Intangible assets	15	181,708	184,816
Other assets		24,392	94,899
Deferred tax assets	16	581	7,256
Total assets		4,535,964	5,034,124
Liabilities			
Bonds and loans payable	5, 7, 17	571,277	962,965
Trade and other accounts payable	5, 7, 18	67,806	60,639
Liabilities related to securities business			
Margin transaction liabilities		121,703	166,145
Loans payable secured by securities		689,107	494,718
Deposits from customers		757,179	781,232
Guarantee deposits received		707,380	730,838
Other liabilities related to securities business	19	395,444	373,567
Total liabilities related to securities business	5, 6, 7	2,670,813	2,546,500
Customer deposits for banking business	5, 7	536,955	659,361
Insurance contract liabilities	20	142,260	139,098
Income tax payable		11,271	7,367
Other financial liabilities	5	16,335	19,566
Other liabilities		12,779	60,339
Deferred tax liabilities	16	12,644	15,732
Total liabilities		4,042,140	4,471,567
Equity			
Capital stock	22	81,681	92,018
Capital surplus	22	125,445	142,094
Treasury stock	22	(4,647)	(20,128)
Other components of equity	22	20,605	16,977
Retained earnings	22	204,731	225,714
Equity attributable to owners of the Company		427,815	456,675
Non-controlling interests		66,009	105,882
Total equity		493,824	562,557
Total liabilities and equity		4,535,964	5,034,124

Consolidated Statement of Income

(Millions of Yen)

	Notes	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Revenue (Interest income of ¥101,837 million and ¥112,054 million included for the fiscal years ended March 31, 2018 and 2019, respectively)	4, 25	337,017	351,411
Expense			
Financial cost associated with financial income	26	(17,788)	(21,394)
Provision for credit losses		—	(22,260)
Operating cost	26	(113,548)	(99,811)
Selling, general and administrative expenses	26	(100,377)	(111,075)
Other financial cost	26	(3,282)	(4,680)
Other expenses	26	(32,441)	(14,789)
Total expense		(267,436)	(274,009)
Share of the profit of associates and joint ventures accounted for using the equity method	4, 11	2,229	5,635
Profit before income tax expense	4	71,810	83,037
Income tax expense	27	(15,852)	(15,760)
Profit for the year		55,958	67,277
Profit for the year attributable to			
Owners of the Company		46,684	52,548
Non-controlling interests		9,274	14,729
Profit for the year		55,958	67,277
Earnings per share attributable to owners of the Company			
Basic (Yen)	29	220.54	231.43
Diluted (Yen)	29	196.88	205.42

Consolidated Statement of Comprehensive Income

(Millions of Yen)

	Note	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit for the year		55,958	67,277
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Equity instruments measured at FVTOCI	28	1,436	(1,202)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	28	—	(411)
		1,436	(1,613)
Items that may be reclassified subsequently to profit or loss			
Debt instruments measured at FVTOCI	28	—	527
Currency translation differences	28	(2,782)	(3,204)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	28	(844)	446
		(3,626)	(2,231)
Other comprehensive income, net of tax		(2,190)	(3,844)
Total comprehensive income		53,768	63,433
Total comprehensive income attributable to			
Owners of the Company		44,629	48,320
Non-controlling interests		9,139	15,113
Total comprehensive income		53,768	63,433

Consolidated Statement of Changes in Equity

(Millions of Yen)

	Note	Attributable to owners of the Company						Non-controlling interests	Total equity
		Capital stock	Capital surplus	Treasury stock	Other components of equity	Retained earnings	Total		
As at April 1, 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	23	—	—	—	—	(11,401)	(11,401)	(2,660)	(14,061)
Treasury shares purchased	22	—	—	(9,637)	—	—	(9,637)	—	(9,637)
Treasury shares sold	22	—	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	22	—	—	—	(60)	60	—	—	—
As at March 31, 2018		81,681	125,445	(4,647)	20,605	204,731	427,815	66,009	493,824
Cumulative effect of change in accounting policy	2	—	—	—	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 year		—	—	—	—	52,548	52,548	14,729	67,277
Other comprehensive income		—	—	—	(4,228)	—	(4,228)	384	(3,844)
Total comprehensive income		—	—	—	(4,228)	52,548	48,320	15,113	63,433
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		—	—	—	—	—	—	(4,775)	(4,775)
Dividends paid	23	—	—	—	—	(20,180)	(20,180)	(2,018)	(22,198)
Treasury shares purchased	22	—	—	(29,461)	—	—	(29,461)	—	(29,461)
Treasury shares sold	22	—	22	1,732	—	—	1,754	—	1,754
Share-based payment transactions		—	677	—	—	—	677	455	1,132
Changes of interests in subsidiaries without losing control		—	6,369	—	—	—	6,369	31,221	37,590
Transfer	22	—	—	—	(240)	240	—	—	—
As at March 31, 2019		92,018	142,094	(20,128)	16,977	225,714	456,675	105,882	562,557

Consolidated Statement of Cash Flows

(Millions of Yen)

	Note	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities			
Profit before income tax expense		71,810	83,037
Depreciation and amortization		11,143	10,082
Share of profits of associates and joint ventures accounted for using the equity method		(2,229)	(5,635)
Interest and dividend income		(106,160)	(117,244)
Interest expense		21,071	26,074
Increase in operational investment securities		(79,465)	(88,404)
Increase in accounts receivables and other receivables		(93,182)	(127,521)
Increase (decrease) in operational liabilities and other liabilities		12,017	(5,754)
Decrease in assets/liabilities related to securities business		(11,122)	(37,586)
Increase in customer deposits in the banking business		49,015	136,284
Others		22,425	(13,765)
Subtotal		(104,677)	(140,432)
Interest and dividend income received		104,683	117,222
Interest paid		(19,677)	(23,355)
Income taxes paid		(13,564)	(25,100)
Net cash used in operating activities		(33,235)	(71,665)
Cash flows from investing activities			
Purchases of intangible assets		(7,084)	(8,332)
Purchases of investment securities		(35,555)	(125,359)
Proceeds from sales or redemption of investment securities		48,514	107,157
Acquisition of subsidiaries, net of cash and cash equivalents acquired	30	12	(3,572)
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	30	870	(2)
Payments of loans receivable		(10,294)	(21,396)
Collection of loans receivable		5,596	4,527
Others		5,822	(7,754)
Net cash generated from (used in) investing activities		7,881	(54,731)
Cash flows from financing activities			
(Decrease) increase in short term loans payable	30	(31,180)	373,059
Proceeds from long-term loans payable	30	40,336	45,650
Repayment of long-term loans payable	30	(28,261)	(59,077)
Proceeds from issuance of bonds payable	30	140,025	168,187
Redemption of bonds payable	30	(37,039)	(102,268)
Proceeds from stock issuance to non-controlling interests		60	8,622
Contributions from non-controlling interests in consolidated investment funds		12,312	22,151
Cash dividends paid		(11,390)	(20,169)
Cash dividends paid to non-controlling interests		(409)	(819)
Distributions to non-controlling interests in consolidated investment funds		(2,252)	(1,309)
Purchase of treasury stock		(9,637)	(29,461)
Proceeds from sale of interests in subsidiaries to non-controlling interests		367	4,105
Payments for purchase of interests in subsidiaries from non-controlling interests		(156)	(450)
Others		1,799	(475)
Net cash generated from financing activities		74,575	407,746
Net increase in cash and cash equivalents		49,221	281,350
Cash and cash equivalents at the beginning of the year		391,572	437,148
Effect of changes in exchange rate on cash and cash equivalents		(3,645)	(4,524)
Cash and cash equivalents at the end of the year		437,148	713,974

Notes to Consolidated Financial Statements

1. Reporting Entity

SBI Holdings, Inc. (the "Company") was incorporated in Japan. The consolidated financial statements of the Company consist of the Company, its subsidiaries (hereinafter referred to as the "Group") and interests in the Group's associates and joint ventures. The Group is engaged in various businesses, which primarily consist of three key businesses: "Financial Services Business", "Asset Management Business" and "Biotechnology-related Business". See Note 4 "Segment Information" for detailed information on each business.

The consolidated financial statements were approved and authorized for issue by the Company's Representative Director, President and CEO, Yoshitaka Kitao and Director, Senior Managing Director and CFO, Shumpei Morita on June 25, 2019.

2. Basis of Preparation

(1) Compliance with IFRSs

Since the Company meets the criteria of "Specified Company under Designated International Financial Reporting Standards" defined in Article 1-2 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976), the consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards ("IFRSs") pursuant to Article 93 of the Rules Governing Term, Form and Preparation of Consolidated Financial Statements.

(2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the below:

- Financial instruments measured at fair value through profit or loss ("FVTPL")
- Financial instruments measured at fair value through other comprehensive income ("FVTOCI")

The measurement basis of fair value of the financial instruments is provided in Note 5 "Fair value of financial instruments".

(3) Reporting currency

The consolidated financial statements are presented in Japanese Yen, which is the functional currency of the Company and rounded to the nearest million yen, unless otherwise stated.

(4) Use of estimates and judgments

In the preparation of the Group's consolidated financial statements in accordance with IFRSs, management of the Company is required to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period of the change and subsequent future periods.

The following notes include information on critical judgments in the application of accounting estimates and judgments that have a significant effect on the amounts recognized in the consolidated financial statements.

- Fair value measurements of financial instruments—"3. Significant Accounting Policies (3) Financial instruments" and "5. Fair Value of Financial Instruments"
- Impairment on financial assets at amortized cost—"3. Significant Accounting Policies (3) Financial instruments" and "7. Financial Risk Management (4) Credit risk management"
- Impairment on intangible assets—"3. Significant Accounting Policies (6) Intangible assets" and "15. Intangible Assets (3) Carrying amount of goodwill"
- Liability adequacy test for insurance contracts—"3. Significant Accounting Policies (9) Accounting for insurance contracts" and "20. Insurance Contract Liabilities"
- Recoverability of deferred tax assets—"3. Significant Accounting Policies (14) Income tax expense" and "16. Deferred Taxation"

(5) Application of new and revised IFRSs

The Group adopted the following new and revised standards and interpretations from the beginning of the fiscal year ended March 31, 2019. The accounting policies of these newly adopted standards are stated in "3. Significant Accounting Policies (3) Financial instruments and (13) Revenue from Contracts with Customers".

Statement of standards		Summary of new standards and amendments
IFRS 9 (as revised in 2014)	Financial Instruments	Amendment with regard to impairment accounting, and classification and measurement of financial instruments
IFRS 15	Revenue from Contracts with Customers	Amendment with regard to revenue recognition

The Group had applied IFRS 9 "Financial Instruments" (published in November 2009 and revised in October 2010 and December 2011) until the previous fiscal year. Beginning with the fiscal year ended March 31, 2019, the Group has prospectively applied IFRS 9 "Financial Instruments" published in July 2014 ("IFRS 9 (as revised in 2014)"). The Group has not applied IFRS 9 (as revised in 2014) retrospectively to its consolidated financial statements for the previous fiscal year as permitted under transitional provisions.

Following the application of IFRS 9 (as revised in 2014), trade and other accounts receivable and retained earnings decreased by ¥11,679 million and ¥11,625 million, respectively, while other investment securities and other components of equity increased by ¥1,167 million and ¥840 million, respectively, in the consolidated statement of financial position at the beginning of the period, compared with those under the previous accounting standards.

The impact of the changes on the consolidated statement of income for the fiscal year ended March 31, 2019 is a loss of ¥2,218 million.

Due to consequential amendments made to IAS 1 "Presentation of Financial Statements" with the application of IFRS 9 (as revised in 2014), the Company presents interest income and provision for credit losses as separate line items in the consolidated statement of income beginning with the fiscal year ended March 31, 2019.

For application of IFRS 15, the Group, as permitted under transitional provisions in this standard, recognizes the cumulative effect of applying this standard at the date of initial application. There is no significant impact from applying this standard on the consolidated financial statements for the fiscal year ended March 31, 2019.

3. Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are listed below.

(1) Basis of consolidation

(a) Subsidiaries

Subsidiaries refer to the entities under control of the Group which include the entities that have been designed in a way that voting or similar rights are not the dominant factor in deciding who controls those entities ("structured entities"). Control is defined as the Group having (a) power over the investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and deconsolidated on the date that the Group loses control. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Inter-company transactions, balances and unrealized gains on transactions among Group companies are eliminated in the consolidated financial statements. Unrealized losses are also eliminated and the related impairment is assessed.

Comprehensive losses arising from subsidiaries are allocated to the owners of the Company and non-controlling interests even if the balances of non-controlling interests are a negative figure.

(b) Associates and joint ventures

Associates are entities over which the Group has significant influence, and that is neither a subsidiary nor an interest in joint venture.

When the Group holds between 20% and 50% of voting rights of the other entity, the Group is presumed to have significant influence over the other entity.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement and decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in associates and joint ventures are initially recognized at cost and accounted for using the equity method. However, investments held by venture capital organizations and other similar entities in the Group are accounted for at fair value through profit or loss in accordance with IFRS 9.

Under the equity method, investor's share of the profit or loss and other comprehensive income (after adjustments for the purpose of conforming with the group accounting policies), from the date of having significant influence or entering into joint control to the date of losing significant influence or ceasing joint control, of the associates and joint ventures (hereinafter referred to as "equity method associates") were recognized and recorded as adjustments to the carrying amounts of investments.

When the Group's share of losses in an equity method associate exceeds the carrying amount of the investment in the associate, losses are recognized until the carrying amounts of long-term interests that form part of the net investment are reduced to zero. The Group does not recognize further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

Unrealized gain on inter-company transactions with equity method associates are deducted from the balance of carrying amount of investments only to the extent of investor's interests in the associates.

(c) Business combination

Acquisition method is applied for acquisitions of businesses. The consideration transferred for the acquisition of a subsidiary is the total of acquisition date fair value of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their acquisition date fair value except for the below.

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits".
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date.
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the difference is negative, the difference is recognized immediately in profit or loss.

The Group recognizes non-controlling interests in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the proportionate share of the recognized amount of acquiree's identifiable net assets.

Acquisition-related cost is expensed as incurred, except for the costs related to the issuance of debt securities and equity securities.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured at fair value at the acquisition date and resulting gain or loss is recognized in profit or loss.

(d) Changes in ownership interests in subsidiaries without loss of control

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions in accordance with IFRS 10 "Consolidated Financial Statements". The carrying amount of the Group's share and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The difference between "fair value of consideration paid or received" and "adjustments of the carrying amount of non-controlling interests" is recognized in equity and attributed to owners of the Company.

(e) Loss of control

When the Group loses control of a subsidiary, the difference between the "total fair value of consideration received and the retained interest" and "the previous carrying amount of subsidiary's assets (including goodwill), liabilities and non-controlling interests" are recognized in profit or loss.

In addition, any amount previously recognized in other accumulated comprehensive income in relation to the subsidiary is accounted for as if the Group had directly disposed of each related assets or liabilities.

The fair value of the retained interest in the former subsidiary is measured in accordance with IFRS 9.

(2) Foreign currency

(a) Foreign currency translation

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are translated in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at the year-end date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency shall be retranslated using the exchange rate at the date when the fair value was measured. The exchange differences arising from the retranslation were recognized in profit or loss, except for retranslation differences in equity instruments that are measured at fair value and changes in fair value are recognized in other comprehensive income, and exchange differences arising from transactions for the purpose of hedging certain foreign exchange risk.

(b) Foreign operations

The assets and liabilities, including goodwill and fair value adjustments arising from business combinations, of all the Group entities that have a functional currency that is different from the presentation currency (mainly foreign operations) are translated into the presentation currency using the rates of exchange prevailing at the end of each reporting period. Income and expenses of foreign operations are translated into the presentation currency at the average exchange rates.

Exchange differences arising are recognized as other comprehensive income. The differences are recorded and accumulated as translation reserve in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

(3) Financial instruments

The Group recognizes a financial instruments when, and only when, the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

(a) Non-derivative financial assets

(i) Classification and measurement of financial assets

Non-derivative financial assets held by the Group are classified into the following designated categories when they are initially recognized on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

- Financial assets measured at amortized cost
- Debt instruments measured at fair value through other comprehensive income (hereinafter "debt instruments measured at FVTOCI")
- Equity instruments measured at fair value through other comprehensive income (hereinafter "equity instruments measured at FVTOCI")
- Financial assets measured at fair value through profit or loss (hereinafter "financial assets measured at FVTPL")

(Financial assets measured at amortized cost)

Financial assets are subsequently measured using the effective interest method at amortized cost, adjusted for any loss allowance, if both of the following conditions are met: (i) the financial assets are held within the business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Debt instruments measured at FVTOCI)

Financial assets are measured at fair value and changes in the difference between the fair value and the amortized cost of financial assets, adjusted for any loss allowance, are recognized in other comprehensive income if both of the following conditions are met: (i) the financial assets are held within the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Upon derecognition of debt instruments measured at FVTOCI, the amount accumulated in other comprehensive income is reclassified to profit or loss.

(Equity instruments measured at FVTOCI)

Upon initial recognition, the Group designates as a financial asset measured at fair value through other comprehensive income an investment in an equity instrument that is held for a purpose other than trading. This is an irrevocable election and changes in the fair value of such financial instruments are recognized in other comprehensive income. Dividends from the above-mentioned equity instruments are recognized in profit or loss. At derecognition of equity instruments measured at FVTOCI or when a significant decline in fair value below the initial cost is other than temporary, the recognized amount of changes in fair value accumulated in other comprehensive income is reclassified to retained earnings.

(Financial assets measured at FVTPL)
Financial assets, other than those subsequently measured at amortized cost and those measured at fair value through other comprehensive income, are subsequently measured at fair value, and all changes in fair value are recognized in profit or loss.

(ii) Derecognition of financial assets
The Group derecognizes a financial asset when, and only when, the contractual rights to the cash flows from the financial asset expire or the Group no longer retains the contractual rights to receive the cash flows and transfers all the risks and rewards related to the financial asset.

(b) Non-derivative financial liabilities
(i) Classification and measurement of financial liabilities
Non-derivative financial liabilities held by the Group include corporate bonds and loans, trade and other accounts payable, which are classified into the following designated categories:
- Financial liabilities measured at amortized cost
- Financial liabilities measured at fair value through profit or loss (hereinafter “financial liabilities measured at FVTPL”)

(Financial liabilities measured at amortized cost)
Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method.

(Financial liabilities measured at FVTPL)
Financial liabilities, other than those subsequently measured at amortized cost, are subsequently measured at fair value, and all changes in fair value are recognized in profit or loss.

(ii) Derecognition of financial liabilities
The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired.

(c) Impairment of financial assets
The Group estimates expected credit losses for financial assets other than financial assets measured at FVTPL and equity instruments measured at FVTOCI at the end of the reporting period and recognizes such expected credit losses as a loss allowance. If the Group determines that the credit risk of financial instruments has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime expected credit losses; in the event that the Group determines that the credit risk of financial instruments has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to the 12-month expected credit losses.

The assessment of whether there has been a significant increase in credit risk is based on changes in the probability of a default occurring.

Meanwhile, as for trade receivables that do not contain a significant financing component, lifetime expected credit losses are measured on the basis of historical credit losses and other relevant information regardless of whether there has been an increase or decrease in credit risk.

Amounts of expected credit losses or reversals are recognized in profit or loss as impairment loss or reversals of impairment loss and are presented separately as provision for credit losses in the consolidated statement of income.

(d) Trading assets and liabilities
Financial assets and liabilities are classified as trading assets and trading liabilities in the below situation:
- Financial assets acquired mainly for the purpose of sale or repurchase in the short term
- At initial recognition, the financial assets are managed together by the Group as part of a certain financial instrument portfolio, from which an actual short term gain has been realized.
- Derivative (either not classified as hedging instruments or proved to be ineffective as hedging instruments)

Trading assets and trading liabilities are classified as financial assets and liabilities measured at FVTPL, changes in amounts of which are recognized in profit or loss. Trading assets and trading liabilities are presented in “Other assets (or liabilities) related to securities business” in the statement of financial position.

(e) Derivatives
The Group uses derivative instruments (interest rate swap contracts and forward exchange contracts) in order to hedge mainly interest rate risk and foreign exchange risk.

(i) Derivatives to which hedge accounting is applied
At the inception of the hedge, the Group formally documents the hedging relationship between the hedged item or transaction and the hedging instrument, which is the derivative, in compliance with our risk management objective and strategy. In addition, at the inception and on an ongoing basis, the Group documents whether the derivative is highly effective in offsetting changes in the fair value or the cash flows of the hedged item attributable to the risk of changes in interest rates, etc.

The changes in the fair value of derivatives, which are designated as hedging instruments for fair value hedges, are recognized in profit or loss. Gain or loss on the hedged item attributable to the risk of changes in interest rates, etc. shall adjust the carrying amount of the hedged item and be recognized in profit or loss.

Among the changes in the fair value of derivatives which are designated as hedging instruments for cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income, while the ineffective portion shall be recognized in profit or loss.

The amount that has been recognized in other comprehensive income shall be removed from other comprehensive income and reclassified to profit or loss in the consolidated statement of comprehensive income in the same period during which the hedged item of cash flows affects profit or loss.

The Group prospectively discontinues hedge accounting when the criteria of hedge accounting are no longer satisfied. In such a situation, amounts accumulated in other comprehensive income remain unadjusted until the anticipated transaction finally affects profit or loss, or the anticipated transaction is not expected to occur, at which point the underlying amount shall be immediately recognized in profit or loss.

(ii) Derivatives to which hedge accounting is not applied

Among derivatives held for hedging purposes, the Group holds some derivatives to which hedge accounting is not applied. The Group also holds derivatives for trading purposes other than hedging purposes. The changes in fair value of such derivatives are recognized in profit or loss.

(f) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(4) Lease as lessee

A lease is classified as a finance lease when the Group assumes substantially all the risks and rewards according to the lease contract. Leased assets are initially recognized as the lower of the fair value of the leased property or the present value of the minimum lease payments, and subsequently accounted for under the accounting policies applied to the assets.

(5) Property and equipment

(a) Initial recognition and measurement

Property and equipment are measured using the cost method and stated at cost less accumulated depreciation and accumulated impairment loss. Acquisition cost includes the costs incurred directly related to the acquisition of the assets. Any gain or loss arising on the disposal of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(b) Depreciation

Depreciation is calculated based on the depreciable amount, which is calculated as the initial cost of items of property and equipment less their residual values. Depreciation is recognized using the straight-line method to allocate their depreciable amounts over the estimated useful life of each component, and charged to profit or loss. Land is not depreciated.

The estimated useful lives of major classes of property and equipment are as follows:

• Buildings	3 – 47 years
• Furniture and equipment	2 – 20 years

The depreciation method, estimated useful life and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.

(6) Intangible assets

(a) Intangible assets arising on business combination (goodwill and other intangible assets)

Goodwill arising on acquisition of subsidiaries is recognized as an intangible asset. Initial recognition and measurement of goodwill are stated in "(1) Basis of consolidation, (c) Business combination". Intangible assets arising from a business combination, other than goodwill, are recognized at fair value at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment loss. For investees to which the equity method is applied, goodwill is included in the carrying amount of the investment.

Intangible assets other than goodwill with a finite useful life that arise on a business combination are measured at initial cost less accumulated amortization and accumulated impairment loss.

(b) Research and development

Expenditure on research undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized as an expense when incurred. Development costs capitalized as a result of meeting certain criteria are measured at initial cost less accumulated amortization and accumulated impairment loss.

(c) Other intangible assets (separately acquired)

Other intangible assets acquired by the Group are measured at initial cost less accumulated amortization and accumulated impairment loss.

(d) Amortization

Amortization of intangible assets other than goodwill with finite useful lives is recognized in profit or loss using the straight-line method over the expected useful life, which begins when the assets are available for use.

The estimated useful lives of major classes of intangible assets are as follows:

• Software	5 years
• Customer Relationship	5 years

The amortization method, estimated useful life and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.

(7) Investment properties

Investment properties are defined as property held to earn rentals or for capital appreciation or both, rather than for (a) sale in the ordinary course of business, or (b) use in the production or supply of goods or services or for administrative purposes. Investment properties are measured using the cost method and stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated based on the depreciable amount, which is calculated as the initial cost of assets less their residual values. Depreciation is calculated using the straight-line method to allocate their depreciable amounts over the estimated useful life of each component, and charged to profit or loss.

The estimated useful lives of a major component of investment properties are as follows:

• Buildings 8–50 years

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gain or loss arising from the derecognition of investment properties is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss at the time of derecognition.

(8) Impairment of non-financial assets

Other than deferred tax assets, the Group's non-financial assets are subject to impairment tests at the end of each reporting period. When an indication of impairment exists, the recoverable amounts of the assets are estimated in order to determine amounts of impairment losses, if any. For a cash-generating unit ("CGU") including allocated goodwill and intangible assets which have indefinite useful lives or which are not available for use, the recoverable amounts are estimated at the same time every year, regardless of the indication of impairment. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

The recoverable amount of an asset or a CGU is the higher of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the CGU to which the asset belongs.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss. The impairment loss recognized in relation to the CGU shall be allocated to reduce the carrying amount of the assets of the unit in such order that (a) first, to reduce the carrying amount of any goodwill allocated to the CGU and (b) then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognized for goodwill shall not be reversed in a subsequent period. An entity shall assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Because goodwill that forms part of the carrying amount of an investment in an associate or a joint venture is not separately recognized, it is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset, whenever there is an indication that the investment may be impaired.

(9) Accounting for insurance contracts

For insurance contracts and reinsurance contracts, the Group applies its accounting policy determined based on the Insurance Business Act, the Ordinance for Enforcement of the Insurance Business Act, and other Japanese accounting practices, while considering the requirements under IFRS 4 "Insurance Contracts".

A liability adequacy test is performed in consideration of current estimates of all contractual cash flows and related cash flows such as claims handling costs at the end of each reporting period. If the test shows that the liability is inadequate, the entire shortfall is recognized in profit or loss.

(10) Employee benefits

(a) Defined contribution plans

The Company and certain of its subsidiaries have defined contribution plans for employee benefits. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Contributions related to defined contribution plans are expensed over the period during which employees render service to the entity.

(b) Short term employee benefits and share-based payment

The Group recognizes the undiscounted amount of short-term employee benefits as an expense of the period during which the related service is rendered.

Also, the Group operates share-based compensation plan as an incentive for board members and employees. Equity-settled share-based compensation plan ("stock option") which were granted after November 7, 2002 and the vesting conditions of which had not been satisfied as at March 31, 2011 is measured at fair value on the grant date. The fair value is calculated by estimating the number of stock options that will ultimately be vested and recognized as expenses with a corresponding increase in equity over the vesting period. For cash-settled share-based compensation plan, a liability is recognized for the goods or services acquired, measured initially at fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

(11) Provisions

Provisions are recognized when the Group has a present (legal or constructive) obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured at the present value of the expected future cash flow using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

(12) Capital stock

(a) Common stock

Common stocks issued by the Group are classified as equity and stock issuance costs, after tax effects, are recognized as a deduction from equity.

(b) Treasury stock

The Group's own equity instruments which are reacquired are recognized at cost including acquisition related costs, after tax effects, as a deduction from equity. When the Group sells treasury stocks, the consideration received is recognized as an addition to equity.

(13) Revenue from contracts with customers

The Group recognizes revenue by applying the following five-step approach.

Step 1: Identify the contract(s) with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Revenues from contracts with customers are further described below. The revenue streams described below do not include significant estimates of variable consideration or a significant financing component.

(Revenue from rendering of services)

Revenue from rendering of services mainly include commissions received from customers for the execution of agency-based brokerage transactions in the securities business. Brokerage commission relates to transactions in which the Group acts as an agent in the transaction rather than the principal. Transactions that satisfy the following factors fall under transactions in which the Group is involved as an agent rather than the principal.

- The Group is not a primary party to a transaction and therefore not primarily responsible for fulfilling the promise to provide the service.
- The Group does not have inventory risk before securities have been transferred to a customer or after transfer of control to the customer.

Brokerage commission is recognized as revenue when the performance obligations are satisfied and in principle, the fees are received within three business days after fulfillment of the performance obligations.

(Revenue from sales of goods)

Revenue from sales of goods is recognized when a performance obligation is satisfied by transferring promised goods to a customer upon delivery, shipment or customer acceptance of goods depending upon the terms of the contract. These revenues are generally paid within three months of the fulfillment of the performance obligation.

(14) Income tax expense

Income tax expense consists of current and deferred tax expense, which are recognized in profit or loss, except for those arising from business combinations or recognized directly in equity and other comprehensive income. Current income tax expense is measured at the amount expected to be paid to or recovered from the taxation authorities using the tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amount. However, deferred tax assets are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, or from deductible temporary differences related to investments in subsidiaries and investments accounted for using the equity method, under which it is probable that the difference will not be recovered in the foreseeable future. Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred tax assets and liabilities are determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax assets are realized or the deferred tax liabilities are settled. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis, or the deferred tax assets and liabilities are expected to be realized simultaneously.

A deferred tax asset is recognized for the unused carryforward tax losses, unused tax credits and expected deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused carryforward tax losses, unused tax credits and expected deductible temporary differences can be utilized. The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. The Group reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized.

The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries and investments accounted for using the equity method, except to the extent that both of the following conditions are satisfied: (i) the Group is able to control the timing of the reversal of the temporary difference; and (ii) it is probable that the temporary difference will not reverse in the foreseeable future.

The Group shall recognize a deferred tax asset for all deductible temporary differences arising from investments mentioned above, to the extent that, and only to the extent that, it is probable that (i) taxable profit will be available against which the temporary difference can be utilized; and (ii) the temporary difference will reverse in the foreseeable future.

(15) Earnings per share

The Group discloses both the basic earnings per share and diluted earnings per share. Basic earnings per share is calculated by dividing profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding (issued shares adjusted for the treasury shares) during the period. For the purpose of calculating diluted earnings per share, the Group adjusts profit for the year attributable to ordinary equity holders and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares.

(16) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Discrete financial information of all the segments is available so that the operating results are regularly reviewed by the board of directors to make decisions about resources to be allocated to the segment and assess its performance. Operating results reported to the board of directors include items that directly belong to the segment and items allocated to the segment on a reasonable basis. Items not allocated to any reportable segment mainly consist of expenses related to the headquarters.

(17) Non-current assets held for sale

The Group classifies a non-current asset or asset group as held for sale if (i) its carrying amount will be recovered principally through a sale transaction rather than through continuing use; (ii) the asset is available for immediate sale and their sale within one year is highly probable; and (iii) management of the Group is committed to a plan to sell the asset.

When the Group is committed to a plan to sell a subsidiary with a loss of control and all the above criteria are satisfied, it classifies the subsidiary's entire assets and liabilities as held for sale regardless of whether it retains any non-controlling interest of the subsidiary.

Non-current assets (or asset groups) held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

(18) New standards, amendments to existing standards, and interpretations that are published but have not yet been adopted by the Group

Of the new standards, amendments to existing standards, and interpretations that have been published before the approval date of the consolidated financial statements, the main ones that the Group has not early adopted are as follows. The impact of the application of IFRS 16 is expected to increase assets and liabilities as at April 1, 2019 by ¥12.2 billion in the consolidated financial statements for the year ending March 31, 2020.

IFRS		Mandatory for fiscal year beginning on or after	Anticipated fiscal year end adoption date	Summary of new standards and amendments
IFRS 16	Lease	January 1, 2019	March 2020	Amendment with regard to the definition and the accounting treatment of lease
IFRS 17	Insurance Contracts	January 1, 2021	March 2022	Amendment with regard to measurement method of insurance liability

International Accounting Standards Board has decided to propose a one-year deferral of the effective date for IFRS 17 to January 1, 2022. The Group will adopt the standard at the mandatory effective date.

4. 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 reportable 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, 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.

“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 and the Digital Assets-related business, but they did not meet the quantitative criteria to be defined as reportable segments for the fiscal year ended March 31, 2019.

“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:

(Millions of Yen)

For the year ended March 31, 2018	Financial Services Business	Asset Management Business	Biotechnology-related Business	Total	Others	Elimination or Corporate	Consolidated Total
Revenue							
Revenue from external customers	214,509	117,167	3,967	335,643	1,212	162	337,017
Inter-segment revenue	2,763	405	232	3,400	1	(3,401)	—
Total	217,272	117,572	4,199	339,043	1,213	(3,239)	337,017
Segment operating income (loss)							
Profit before income tax expense	63,888	56,491	(37,252)	83,127	(1,328)	(9,989)	71,810
Other Items							
Interest income	45,844	57,010	1	102,855	0	(1,018)	101,837
Interest expense	(6,440)	(12,150)	(382)	(18,972)	(106)	(1,992)	(21,070)
Depreciation and amortization	(6,145)	(4,135)	(261)	(10,541)	(129)	(175)	(10,845)
Gain or loss from investments applying the equity-method	4,090	(390)	(1,460)	2,240	(11)	—	2,229

(Millions of Yen)

For the year ended March 31, 2019	Financial Services Business	Asset Management Business	Biotechnology-related Business	Total	Others	Elimination or Corporate	Consolidated Total
Revenue							
Revenue from external customers	225,824	118,244	3,287	347,355	3,518	538	351,411
Inter-segment revenue	3,415	387	442	4,244	159	(4,403)	—
Total	229,239	118,631	3,729	351,599	3,677	(3,865)	351,411
Segment operating income (loss)							
Profit before income tax expense	66,568	51,107	(19,179)	98,496	(6,912)	(8,547)	83,037
Other Items							
Interest income	43,805	68,829	11	112,645	59	(650)	112,054
Interest expense	(7,191)	(16,807)	(176)	(24,174)	(440)	(1,460)	(26,074)
Depreciation and amortization	(6,398)	(1,367)	(434)	(8,199)	(1,469)	(164)	(9,832)
Gain or loss from investments applying the equity-method	7,400	(454)	(1,311)	5,635	(0)	—	5,635

Geographical information regarding non-current assets and revenues from external customers are presented as below.

(Millions of Yen)

Non-current assets	As at March 31, 2018	As at March 31, 2019
Japan	69,085	73,375
Korea	111,207	109,219
Others	17,990	19,469
Consolidated total	198,282	202,063

Note: Non-current assets excluding financial assets and deferred tax assets are allocated based on the location of the assets.

(Millions of Yen)

Revenue from external customers	For the year ended March 31, 2018	For the year ended March 31, 2019
Japan	260,564	269,251
Overseas	76,453	82,160
Consolidated total	337,017	351,411

Note: Revenue is allocated based on the location of the entities.

5. Fair Value of Financial Instruments

(1) Fair value measurement

Fair values of financial assets and financial liabilities are determined based on quoted market prices. If quoted market prices are not available, fair values are calculated using valuation models such as a discounted cash flow analysis. The Group determined fair values of financial assets and financial liabilities as follows:

Cash and cash equivalents, Other financial assets, and Other financial liabilities

The fair values are determined at the carrying amounts as they approximate the carrying amounts due to their short-term maturities.

Trade and other accounts receivable

The fair values are determined based on the future cash inflows discounted using interest rates adjusted for the term to maturity and credit risk. The fair values of those with short-term maturities are determined at the carrying amounts as they approximate the carrying amounts.

Assets and liabilities related to securities business

With respect to loans on margin transactions included in margin transaction assets, the fair values are determined at the carrying amounts as the interest rates of the loans are floating rates and reflect the market interest rate within a short period. The fair values of assets and liabilities related to the securities business, except for loans on margin transactions, are considered to approximate the carrying amounts as those assets and liabilities are settled within a short period. With respect to trading assets and trading liabilities, the fair values are determined based on market closing price at the reporting date in principal stock exchanges.

Operational investment securities and other investment securities

The fair values of listed equity securities are determined based on the quoted market prices in the stock exchange. The fair values of unlisted equity securities, bonds with share options and stock warrants are determined using valuation models appropriate in the circumstances including discounted cash flow analysis, pricing analysis with reference to comparable industry prices, and analysis based on revenues, profits and net assets. The fair values of bonds are determined using reasonable valuation techniques based on available information such as Reference Statistical Prices and quoted price provided by the financing banks. The fair values of investments in funds are determined at the fair values of partnership net assets based on the Group's percentage share in the contributed capital, if such fair values are available.

Bonds and loans payable and Trade and other accounts payable

With respect to those with floating interest rates, the fair values are determined at the carrying amounts as the interest rates of the bonds and loans, and trade and other accounts payable reflect the market interest rate within a short period and as the credit condition of Group entities that obtained them are not expected to change significantly. With respect to those with fixed interest rates, the fair values are determined based on the future cash outflows discounted using interest rates adjusted for the remaining term and credit risk or discounted using interest rates determined with reference to similar types of new loans or lease transactions. The fair value of bonds payable and loans payable with short-term maturities are determined at the carrying amounts as they approximate the carrying amounts.

Customer deposits for banking business

The fair values of demand deposits are determined at the carrying amounts which are the amounts paid on demand at the reporting date. The fair values of time deposits are determined based on the future cash outflows discounted using interest rates adjusted for the term to maturity and credit risk. The fair values of time deposits with short-term maturities are determined at the carrying amounts as they approximate the carrying amounts.

(2) Classification and fair value of financial instruments

Classification and fair value of financial assets were as follows:

(Millions of Yen)

As at March 31, 2018	Carrying amount: Financial assets measured at FVTPL	Carrying amount: Financial assets measured at FVTOCI	Carrying amount: Financial assets measured at amortized cost	Carrying amount: Total	Fair value
Trade and other accounts receivable	—	—	570,466	570,466	571,703
Assets related to securities business	75,984	—	2,760,458	2,836,442	2,836,442
Operational investment securities	191,014	—	—	191,014	191,014
Other investment securities	102,647	2,975	67,694	173,316	174,496
Total	369,645	2,975	3,398,618	3,771,238	3,773,655

(Millions of Yen)

As at March 31, 2019	Carrying amount: Financial assets measured at FVTPL	Carrying amount: Equity instruments measured at FVTOCI	Carrying amount: Debt instruments measured at FVTOCI (Note)	Carrying amount: Financial assets measured at amortized cost (Note)	Carrying amount: Total	Fair value
Trade and other accounts receivable	—	—	—	689,713	689,713	695,919
Assets related to securities business	106,636	—	—	2,642,956	2,749,592	2,749,592
Operational investment securities	282,616	—	—	—	282,616	282,616
Other investment securities	122,621	816	57,400	8,063	188,900	188,915
Total	511,873	816	57,400	3,340,732	3,910,821	3,917,042

The Group reclassified policy reserve matching bonds in the insurance business from financial assets measured at amortized cost to debt instruments measured at FVTOCI at the beginning of the period due to the application of IFRS 9 (as revised in 2014). The balance of the policy reserve matching bonds was ¥46,993 million at the beginning of the period.

Classification and fair value of financial liabilities were as follows:

(Millions of Yen)

As at March 31, 2018	Carrying amount: Financial liabilities measured at FVTPL	Carrying amount: Financial liabilities measured at amortized cost	Carrying amount: Total	Fair value
Bonds and loans payable	—	571,277	571,277	571,879
Trade and other accounts payable	1,987	65,819	67,806	67,929
Liabilities related to securities business	108,157	2,562,656	2,670,813	2,670,813
Customer deposits for banking business	—	536,955	536,955	537,056
Total	110,144	3,736,707	3,846,851	3,847,677

(Millions of Yen)

As at March 31, 2019	Carrying amount: Financial liabilities measured at FVTPL	Carrying amount: Financial liabilities measured at amortized cost	Carrying amount: Total	Fair value
Bonds and loans payable	—	962,965	962,965	965,218
Trade and other accounts payable	2,536	58,103	60,639	60,727
Liabilities related to securities business	70,634	2,475,866	2,546,500	2,546,500
Customer deposits for banking business	—	659,361	659,361	659,682
Total	73,170	4,156,295	4,229,465	4,232,127

(3) Financial instruments categorized by fair value hierarchy

"IFRS 13 Fair Value Measurement" requires measurement of fair value to be categorized into three levels with reference to the fair value hierarchy that reflects the significance of the inputs used in making fair value measurements.

The fair value hierarchy is defined as follows:
• Level 1: quoted prices in active markets for identical assets or liabilities.
• Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
• Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level of hierarchy used in fair value measurement is determined at the lowest level with relevant significant inputs to the measurement.

A transfer of financial instruments between levels of the hierarchy is recognized at the date when the cause of the transfer or change in circumstances occurs.

The table below presents the financial assets and liabilities measured at the fair values in the consolidated statement of financial position of the Group.

(Millions of Yen)

	As at March 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Assets related to securities business	75,984	—	—	75,984
Operational investment securities and other investment securities				
Financial assets measured at FVTPL	91,762	511	201,388	293,661
Financial assets measured at FVTOCI	2,608	—	367	2,975
Total financial assets	170,354	511	201,755	372,620
Financial liabilities				
Trade and other accounts payable	—	—	1,987	1,987
Liabilities related to securities business	108,157	—	—	108,157
Total financial liabilities	108,157	—	1,987	110,144

(Millions of Yen)

	As at March 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Assets related to securities business	106,636	—	—	106,636
Operational investment securities and other investment securities				
Financial assets measured at FVTPL	107,830	508	296,899	405,237
Equity instruments measured at FVTOCI	19	—	797	816
Debt instruments measured at FVTOCI	57,400	—	—	57,400
Total financial assets	271,885	508	297,696	570,089
Financial liabilities				
Trade and other accounts payable	—	—	2,536	2,536
Liabilities related to securities business	70,634	—	—	70,634
Total financial liabilities	70,634	—	2,536	73,170

The table below presents the financial assets and liabilities not measured at the fair values in the consolidated statement of financial position of the Group.

(Millions of Yen)

	As at March 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Trade and other accounts receivable	—	571,703	—	571,703
Assets related to securities business	—	2,760,458	—	2,760,458
Operational investment securities and other investment securities	65,329	—	3,545	68,874
Total financial assets	65,329	3,332,161	3,545	3,401,035
Financial liabilities				
Bonds and loans payable	—	571,879	—	571,879
Trade and other accounts payable	—	65,942	—	65,942
Liabilities related to securities business	—	2,562,656	—	2,562,656
Customer deposits for banking business	—	537,056	—	537,056
Total financial liabilities	—	3,737,533	—	3,737,533

(Millions of Yen)

	As at March 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Trade and other accounts receivable	—	695,919	—	695,919
Assets related to securities business	—	2,642,956	—	2,642,956
Operational investment securities and other investment securities	4,558	—	3,520	8,078
Total financial assets	4,558	3,338,875	3,520	3,346,953
Financial liabilities				
Bonds and loans payable	—	965,218	—	965,218
Trade and other accounts payable	—	58,191	—	58,191
Liabilities related to securities business	—	2,475,866	—	2,475,866
Customer deposits for banking business	—	659,682	—	659,682
Total financial liabilities	—	4,158,957	—	4,158,957

(4) Financial instruments categorized as Level 3

Based on the valuation methods and policies as reported to the board of directors, external evaluating agencies and appropriate individuals of the Group measure and analyze the valuation of financial instruments categorized as Level 3 of the fair value hierarchy. The valuation results are reviewed and approved by CFO and General Manager of the Financial and Accounting Division.

The valuation techniques and unobservable inputs used for recurring fair value measurements categorized as Level 3 are as follows:

(Millions of Yen)

	As at March 31, 2018			
	Fair Value	Valuation Technique	Unobservable Input	Range
Operational investment securities and other investment securities	201,755	Income approach and market approach	Discount rate P/E ratio Price to book value ratio EBITDA ratio Illiquidity discount	12%–16% 17.0–45.2 1.2 25.0–40.0 10%–20%

(Millions of Yen)

	As at March 31, 2019			
	Fair Value	Valuation Technique	Unobservable Input	Range
Operational investment securities and other investment securities	297,696	Income approach and market approach	Discount rate P/E ratio Price to book value ratio EBITDA ratio Illiquidity discount	12%–16% 8.5–45.2 1.2 25.0–40.0 10%–20%

Within the recurring fair value measurements of financial instruments categorized as Level 3, the fair value of “Operational investment securities” and “Other investment securities,” which is measured through the income approach or market approach, increases (decreases) when the discount rate decreases (increases), when the P/E ratio increases (decreases), when the price to book value ratio increases (decreases), when the EBITDA ratio increases (decreases), or when the illiquidity discount decreases (increases).

With respect to the financial instruments categorized as Level 3, no significant impact on the fair values is assumed even if one or more of the unobservable inputs were changed to reasonably possible alternative assumptions.

The movement of financial assets and liabilities categorized as Level 3 is presented as follows:

(Millions of Yen)

For the year ended March 31, 2018	Financial assets			Financial liabilities
	Operational investment securities and other investment securities			
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Total	Trade and other accounts payable
Balance as at April 1, 2017	122,100	1,223	123,323	2,118
Purchase	60,884	—	60,884	—
Comprehensive income				
Net profit (Note 1)	37,668	—	37,668	(31)
Other comprehensive income (Note 2)	—	35	35	—
Dividends	(8,325)	—	(8,325)	—
Sale or redemption	(3,862)	(310)	(4,172)	—
Settlements	—	—	—	(100)
Currency translation differences	(1,940)	(2)	(1,942)	—
Others (Note 3)	—	—	—	—
Transferred from Level 3 (Note 4)	(5,137)	(579)	(5,716)	—
Balance as at March 31, 2018	201,388	367	201,755	1,987

(Millions of Yen)

For the year ended March 31, 2019	Financial assets			Financial liabilities
	Operational investment securities and other investment securities			
	Financial assets measured at FVTPL	Equity instruments measured at FVTOCI	Total	Trade and other accounts payable
Balance as at April 1, 2018	201,388	367	201,755	1,987
Purchase	98,818	510	99,328	—
Comprehensive income				
Net profit (Note 1)	31,490	—	31,490	—
Other comprehensive income (Note 2)	—	(11)	(11)	—
Dividends	(3,334)	—	(3,334)	—
Sale or redemption	(16,297)	(63)	(16,360)	—
Settlements	—	—	—	—
Currency translation differences	422	(6)	416	—
Others (Note 3)	760	—	760	549
Transferred from Level 3 (Note 4)	(16,348)	—	(16,348)	—
Balance as at March 31, 2019	296,899	797	297,696	2,536

Notes:

1. Gains and losses recognized as profit (loss) for the period in relation to the financial instruments are included in "Revenue" in the consolidated statement of income. Gains and losses recognized from financial assets measured at FVTPL held as at March 31, 2018 and 2019 were ¥37,409 million and ¥30,459 million of gains, respectively.
2. Gains and losses recognized as other comprehensive income (loss) in relation to the financial instruments are included in "Equity instruments measured at FVTOCI" in the consolidated statement of comprehensive income.
3. Transfer due to a change in the scope of consolidation.
4. Transfer due to significant input used to measure the fair value becoming observable.

6. Offsetting Financial Assets and Financial Liabilities

Quantitative information for recognized financial assets and recognized financial liabilities set off in the consolidated statement of financial position of the Group and the amounts of potential effect of recognized financial assets and recognized financial liabilities subject to an enforceable master netting arrangement or similar agreement that are not set off in the consolidated financial position of the Group are presented as follows:

(Millions of Yen)

	Financial assets					
				Related amounts not set off in the consolidated statement of financial position		
As at March 31, 2018	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Financial instruments	Cash collateral received	Net amount
Assets related to securities business (Securities borrowing agreements and other similar transactions)	1,546,241	(444,204)	1,102,037	(950,844)	(150,906)	287
Assets related to securities business (Receivables related to securities transactions)	352,936	(206,904)	146,032	(21,442)	—	124,590
Assets related to securities business (Financial assets related to foreign exchange transactions)	13,438	—	13,438	(539)	(12,301)	598

(Millions of Yen)

	Financial liabilities					
				Related amounts not set off in the consolidated statement of financial position		
As at March 31, 2018	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Financial instruments	Cash collateral pledged	Net amount
Liabilities related to securities business (Securities loan agreements and other similar transactions)	1,854,136	(444,204)	1,409,932	(986,652)	—	423,280
Liabilities related to securities business (Payables related to securities transactions)	1,263,596	(206,904)	1,056,692	(21,442)	—	1,035,250
Liabilities related to securities business (Financial liabilities related to foreign exchange transactions)	203,168	—	203,168	(12,840)	—	190,328

(Millions of Yen)

	Financial assets					
				Related amounts not set off in the consolidated statement of financial position		
As at March 31, 2019	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Financial instruments	Cash collateral received	Net amount
Assets related to securities business (Securities borrowing agreements and other similar transactions)	1,235,970	(386,179)	849,791	(744,889)	(104,869)	33
Assets related to securities business (Receivables related to securities transactions)	381,456	(187,693)	193,763	(20,035)	—	173,728
Assets related to securities business (Financial assets related to foreign exchange transactions)	9,577	—	9,577	(522)	(8,243)	812

(Millions of Yen)

As at March 31, 2019	Financial liabilities					
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
Liabilities related to securities business (Securities loan agreements and other similar transactions)	1,681,800	(386,179)	1,295,621	(786,932)	—	508,689
Liabilities related to securities business (Payables related to securities transactions)	1,217,806	(187,693)	1,030,113	(20,035)	—	1,010,078
Liabilities related to securities business (Financial liabilities related to foreign exchange transactions)	219,804	—	219,804	(8,765)	—	211,039

The rights of set-off for recognized financial assets and liabilities that are subject to an enforceable master netting arrangement or similar agreement are enforced when debt default or other specific events that are unexpected in the ordinary course of business occurs, and have an effect on realization or settlement of individual financial assets and liabilities.

7. Financial Risk Management

(1) Risk management policy over capital management and financing

In order to maintain financial strength, the Group has basic capital management policies to maintain an appropriate level of capital and debt equity structure.

The balances of interest-bearing debt (Bonds and borrowings), cash and cash equivalents and equity attributable to owners of the Company which the Group manages were as follows:

(Millions of Yen)

	As at March 31, 2018	As at March 31, 2019
Interest-bearing debt (Bonds and borrowings)	571,277	962,965
Cash and cash equivalents	(437,148)	(713,974)
Net	134,129	248,991
Equity attributable to owners of the Company	427,815	456,675

Pursuant to the Financial Instruments and Exchange Act ("FIEA") and Insurance Business Act of Japan, domestic subsidiaries of the Group are obligated to maintain a certain level of capital adequacy ratio.

Significant capital adequacy regulations under which domestic subsidiaries of the Group are obligated are as follows:

1. SBI SECURITIES Co., Ltd. is required to maintain a certain level of capital-to-risk ratio set forth under the FIEA. If the ratio falls below 120%, the Financial Services Agency ("FSA") may order changes to operational methods and other changes.
2. SBI Life Insurance Co., Ltd., SBI Insurance Co., Ltd. and SBI Insurance Group Co., Ltd. are required to maintain a certain level of Solvency Margin Ratio in conformity with the Insurance Business Act of Japan. If the Solvency Margin Ratio falls below 200%, the FSA may order submission and implementation of a reasonable improvement plan for sound management.

SBI SAVINGS BANK whose headquarter is in the Republic of Korea is obligated to maintain certain level of capital adequacy ratio in conformity with the Saving Bank Act or the Main Shareholder eligibility standard. If the capital adequacy ratio falls below certain level, Korean Financial Services Commission may give warning or order business suspension.

The Group engages in a wide range of finance related businesses, such as investment business, fund management business, securities business, banking business, loan business and insurance businesses, to avoid excessive concentration of risk on specific entities or businesses. To operate these businesses, the Group raises funds through indirect financing such as bank borrowings, direct financing such as bond issuance and equity financing, transactions with securities financing companies, and receiving customer deposits for banking business. The Group also considers the market environment and maintains an appropriate strategy for short and long term financing.

The Group conducts trading of derivative instruments including foreign currency forward contracts, interest rate swaps, index futures and margin trading. The Group enters into foreign currency forward contracts and interest rate swap transactions primarily to hedge foreign exchange risk and to manage its interest rate exposures on borrowings, respectively. The Group does not hold or issue these instruments for speculative purposes. Index futures are entered into for the purpose of day trading with a cap placed on their trading volume. Index futures were mainly daily trading under a limited trading scale.

In order to maintain financial strength and appropriate operational procedures, it is the Group's basic policy of risk management to identify and analyze various risks relevant to the Group entities and strive to carry out integral risk management using appropriate methods.

The Group is exposed to the following risks over financial instruments:

- Credit risk
- Market risk
- Liquidity risk

(2) Risks arising from financial instruments

Financial assets held by the Group primarily consist of investment-related assets, securities-related assets and financing-related assets.

Investment-related assets include operational investment securities, other investment securities, and investments in associates which primarily represent investments in stocks and funds. These assets are held for the purpose of fostering the development of venture capital portfolio companies or earning capital gains. These assets are exposed to the issuer's credit risk and the stock price fluctuation risk. Furthermore, unlisted equity securities are exposed to liquidity risk and investment assets denominated in foreign currency are exposed to the risk of foreign exchange fluctuations.

Securities-related assets consist of cash segregated as deposits, margin transaction assets, trading instruments, trade date accrual, and short-term guarantee deposits. These assets are exposed to the credit risk and the interest rate risk of the brokerage customers of the Group, securities financing companies, and financial institutions. Trading instruments are exposed to the credit risk of issuers and the risk of market price fluctuation. Trading instruments, trade date accrual, and short-term guarantee deposits are presented as "other assets related to securities business" in the consolidated statement of financial position.

Financing-related assets consist of operational loans receivable. These assets mainly include real estate loans for companies and individuals, and unsecured personal loans. These assets are exposed to credit risk of accounts, such as default due to worsening economic conditions with higher credit risk exposure, and interest rate risk. Financing-related assets are presented as "trade and other accounts receivable" in the consolidated statement of financial position.

Financial liabilities of the Group primarily consist of loans payable, bonds payable, customer deposits for the banking business and securities-related liabilities. The loans payable of the Group are exposed to liquidity risk from changes in the pricing policy of the financial institutions to the Group. Also, the bonds payable are exposed to liquidity risk that restricts the Group's ability to raise funds due to changes in market conditions or the lowering of the credit rating of the Group. Customer deposits for the banking business are important financing arrangements and are managed considering adequate safety but are exposed to liquidity risk which makes it difficult to arrange requisite finance due to withdrawals or other reasons.

Securities-related liabilities consist of margin transaction liabilities, loans payable secured by securities on repurchase agreement transactions, deposits from customers, guarantee deposits received from margin transactions, and trade date accrual. The financing environment of the security business operated by the Group is affected by changes in the business policy of securities financing companies and the investment strategy. The Group exercises control by matching the financing with the related security assets. Trade date accrual is presented as other liabilities related to securities business in the consolidated statement of financial position.

The Group enters into foreign currency forward contracts and interest rate swap transactions primarily to hedge the risk of short-term foreign exchange fluctuations relating to the settlement of foreign currency denominated receivables and payables and purchase and sale transactions of securities denominated in foreign currencies and to manage its interest rate exposures on borrowings, respectively.

The Group manages index futures as a part of its investment business, which is exposed to market risk. Because the counterparties of foreign currency forward contracts and interest rate swap agreements are limited to creditworthy major Japanese financial institutions and index futures are traded in the public market, the credit risk arising from default is considered to be minimal.

(3) Risk management system over financial instruments

The Company assigns a risk management officer who is in charge of risk management and sets up a risk management department in line with the risk management rules and the group management rules in order to properly analyze and control these risks. The risk management department analyzes and monitors the Group's risk on a timely basis.

(4) Credit risk management

(a) Credit risk management practices

(i) Credit risks regarding financial assets measured at amortized cost and debt instruments measured at FVTOCI

Credit risk is the risk that the Group will incur financial losses resulting from a business partner with credit granted by the Group defaulting on its debt.

The Group recognizes expected credit losses in principle on an individual basis. If excessive cost and efforts are required to perform individual assessment of credit risk, the Group can elect to classify groups of financial assets based on common credit risk characteristics, such as credit rating and value of collateral, and recognizes expected credit losses on such group of assets.

For trade receivables classified as financial assets measured at amortized cost, a loss allowance is always measured at an amount equal to lifetime expected losses.

Credit risk management practices for financial assets measured at amortized cost other than trade receivables and debt instruments measured at FVTOCI are as follows:

For measurement of expected credit losses, the Group uses the probability of a default occurring (PD), the loss given default (LGD), and the amount of receivables as of the reporting date, which represents significant inputs to the analysis. The PD and LGD values used are based on information calculated based on historical levels of such values and information obtained from external organizations. The expected credit losses are measured by reflecting these values, as well as future predictive information based on the credit and other information that has become available in credit ratings.

Receivables are classified into the following three categories and loss allowance is recognized based on changes in and levels of credit risk since their initial recognition:

- For receivables with a low credit risk at the reporting date, or receivables whose credit risk is not low but has not increased significantly since initial recognition, 12-month expected credit losses are recognized as a loss allowance based on the above input.
- Receivables that are not considered as credit-impaired receivables but are not considered to have low credit risk and for which credit risk has increased significantly since initial

recognition, lifetime expected credit losses are recognized as a loss allowance based on the above input.
- For credit-impaired receivables, lifetime expected credit losses are recognized as a loss allowance based on the above input.

Credit risk is assessed based on changes in default risk on relevant financial instruments. The credit risk assessment is performed using internal or external credit ratings of financial instruments, as well as reasonable and supportable information that can be used without undue cost or efforts, such as past due information. For instance, for financial instruments that are categorized as investment grade by an external credit rating organization, or financial instruments whose internal credit rating corresponds with the internationally-accepted definition of low credit risk, such financial instruments are considered to have low credit risk. For financial instruments that have deteriorated in credit quality from low credit risk status, or financial instruments that did not have a low credit risk at initial recognition but whose credit risk increased significantly since initial recognition, such financial instruments are determined to have a significant increase in credit risk. For instance, such financial instruments include those whose external credit rating has been downgraded from investment grade to non-investment grade, or for which the date of forfeiture of benefit of time has passed. In addition, if an incident that could have an adverse impact on estimated future cash flows occurs, financial instruments that are linked to such incidents are determined as credit-impaired financial instruments. Such incidents include a breach of contract including default, a significant deterioration in the financial condition of a debtor, or meeting the criteria for classification as delinquent by the regulatory authorities of various countries. Financial instruments are considered to be in default after 60 days have passed since the forfeiture of benefit of time on the account closing date.

The Group directly writes off the gross carrying amount of a financial asset when there are no reasonable expectations of recovering the financial asset. However, there are cases where such directly written-off financial assets will be recovered through external sales.

(ii) Credit risks relating to other financial assets

Credit risks relating to other financial assets are the risk that the Group may suffer losses from decrease or losses of assets due to deteriorated financial conditions of investees/debtors. Credit risk includes country risk that the Group may suffer losses from changes in the currency, political or economic circumstances of a country where investees/debtors operate.

Credit risk management policies of the Group are as follows:
- Accurately analyze financial conditions of investees/debtors and quantify relevant credit risk.
- Appropriately manage the Group's own capital and the related risks by periodic monitoring.
- Under foreign investments or lending transactions, the Group identifies intrinsic risk of investees/debtors with domestic/foreign offices as well as overseas partners followed by periodic monitoring.
- Recognize investment risk as significant risk to be controlled among various credit risks and perform detailed analysis of fluctuation in risk associated with operational investment securities.

The Group operates in accordance with the above risk management policies. Subsidiaries which provide credits to corporate or individual customers as a part of their business are appropriately monitored in accordance with their respective policies.

(b) Quantitative and qualitative information regarding amounts arising from expected credit losses

The impact of adjustment to the opening balance from applying IFRS 9 (as revised in 2014) is as follows:

(Millions of Yen)

	Collective assessment		Individual assessment	
	Non-impaired financial assets	Impaired financial assets	Impaired financial assets	Total
As at March 31, 2018	12,685	10,722	3,348	26,755
Cumulative effect of change in accounting policy				11,679
Restated balance as at April 1, 2018				38,434

The movement of loss allowance is as follows:

(Millions of Yen)

	12-month expected credit losses	Lifetime expected credit losses			Total
		Significantly increased credit risk			
		Not credit-impaired	Credit-Impaired	Trade receivables	
As at April 1, 2018	18,916	5,437	14,078	3	38,434
New financial assets originated or purchased	14,119	1,887	—	1	16,007
Derecognition of financial assets	(12,178)	(2,725)	(3,716)	—	(18,619)
Transfer	(1,009)	(15)	9,691	—	8,667
Write-offs	(37)	(115)	(1,771)	—	(1,923)
Foreign currency translation adjustment on foreign operations	(419)	(91)	(310)	—	(820)
As at March 31, 2019	19,392	4,378	17,972	4	41,746

The primary changes in loss allowance relate to the increase in loss allowance as a result of the increase in normal receivables.

The total amount of loss allowance for loan commitments with an unused portion amounted to ¥72 million and ¥163 million, as at April 1, 2018 and March 31, 2019, respectively.

Financial assets that have been written off during the year ended March 31, 2019, and are still subject to enforcement activities amounted to ¥2,692 million.

(c) Credit risk exposure

The amount of the Group's maximum exposure to credit risk as at March 31, 2019 are as follows:

(Millions of Yen)

	12-month expected credit losses	Lifetime expected credit losses			Total
		Significantly increased credit risk		Trade receivables	
		Not credit-impaired	Credit-Impaired		
Cash and cash equivalents	713,974	—	—	—	713,974
Trade and other accounts receivable					
Credit to individual					
Group A	33,880	11	395	—	34,286
Group B	193,679	5,886	133	—	199,698
Group C or less	23,066	18,546	9,663	—	51,275
Credit to Corporate (external rating)					
Group A	90,061	—	—	—	90,061
Group B	64,133	6,035	71	—	70,239
Group C or less	281	—	—	—	281
Credit to Corporate					
No overdue information	133,952	17,101	5,404	—	156,457
One or more delinquents	—	1,148	8,353	—	9,501
Others	105,327	906	7,301	6,127	119,661
Loss allowance	(19,392)	(4,378)	(17,972)	(4)	(41,746)
Total	624,987	45,255	13,348	6,123	689,713
Assets related to securities business	2,748,860	—	732	—	2,749,592
Other financial assets	34,139	—	—	2,601	36,740
Other investment securities					
Rating (BBB or above)	57,400	—	—	—	57,400
No rating	8,063	—	—	—	8,063
Total	65,463	—	—	—	65,463

Trade and other accounts receivable include the amount recoverable by insurance or collateral. Collateral received mainly consists of real estate assets received on loan to small-middle real estate companies or individual or other assets. Evaluation on receiving collateral is made by an independent third party appraiser and the amount of the loan is determined to be filled with evaluation value. However, the value of the collateral may be inadequate due to a declining real estate market. If the Group obtains collateral assets by exercise of security interests, the Group immediately collects the loan by conducting sales or auction of the assets.

The loss allowance for credit impaired financial assets has been reduced by ¥14,076 million by underlying collateral held as a security and other credit enhancements as at March 31, 2019.

The amount of its maximum exposure to credit risk for undrawn loan commitments as at March 31, 2019 are as follows:

(Millions of Yen)

	12-month expected credit losses	Lifetime expected credit losses		Total
		Significantly increased credit risk		
		Not credit-impaired	Credit-Impaired	
Undrawn loan commitments	29,841	1,668	—	31,509

(5) Market risk management

Market risk is the risk that the Group may suffer losses from fluctuation of interest rate, stock price, foreign exchange rate or other factors.

Market risk management policies of the Group are as follows:

- Understand underlying currency and term of assets and quantify market risk.
- Appropriately manage the balance between the Group's own capital and its related risk by periodic monitoring.
- Never enter into derivative transactions for speculative purposes in the absence of established operating rules.

(a) Stock Market Risk

The Group is exposed to stock market risk arising from its investment portfolio. If the market price of operational investment securities and other investment securities held by the Group as at March 31, 2018 and 2019 increased by 10%, profit before income tax expense in the consolidated statement of income would have increased by ¥9,176 million and ¥10,783 million, respectively.

The investment portfolios as at March 31, 2018 and 2019 were as follows:

(Millions of Yen)

	As at March 31, 2018	As at March 31, 2019
Operational investment securities		
Listed equity securities	30,404	45,739
Unlisted equity securities	129,818	209,062
Bonds	6,549	3,340
Investments in funds	24,243	24,475
Total	191,014	282,616
Other investment securities		
Listed equity securities	2,790	2,078
Unlisted equity securities	4,052	11,035
Bonds	82,639	77,055
Investments in funds	83,835	98,732
Total	173,316	188,900

(b) Foreign Exchange Risk

The Group is exposed to foreign exchange risk with regard to assets and liabilities dominated in currencies used by various entities other than the Group's functional currency, mainly including USD and HKD. The Group's main exposures to foreign exchange risk are as follows:

(Millions of Yen)

As at March 31, 2018	USD	HKD	Others
Monetary financial instruments dominated in foreign currency			
Assets	81,081	6,621	18,134
Liabilities	57,408	6,552	10,382

(Millions of Yen)

As at March 31, 2019	USD	HKD	Others
Monetary financial instruments dominated in foreign currency			
Assets	62,521	2,556	14,600
Liabilities	107,345	7,685	19,142

If the foreign currencies strengthened by 1% against the functional currency with all other variables (such as interest rate) held constant, profit before income tax expense in the consolidated statement of income for the years ended March 31, 2018 and 2019 would have increased by ¥315 million and decreased by ¥545 million, respectively, mainly as a result of monetary financial instruments dominated in foreign currencies held by the Group.

(c) Interest Rate Risk

The Group is exposed to various interest rate fluctuation risks in its business operations. Interest rate fluctuation affects financial income arising from financial assets, which primarily consist of bank balances, money in trust held by subsidiaries in the financial service business, call loans, and loans receivable from individual and corporate customers, and also affects financial costs arising from financial liabilities, which primarily consist of borrowings from financial institutions, bonds payable, and customer deposits for the banking business.

In management's sensitivity analysis, if interest rates had been 100 basis points higher and all other variables were held constant, profit before income tax expense in the consolidated statement of income for the years ended March 31, 2018 and 2019 would have increased by ¥2,988 million and decreased by ¥1,268 million, respectively.

The analysis is prepared assuming the financial instruments subject to interest rate risk and all other variables were held constant throughout the years ended March 31, 2018 and 2019.

(6) Liquidity risk management

Liquidity risk is defined as the Group's exposure to the below situations:

–Necessary financing cannot be secured due to deterioration of the Group's financial condition

–Risk of loss from financing at higher interest rate than usual with no option

–Risk of loss from transaction at significantly unreasonable price with no option or unable to conduct transactions due to severe situation such as market turmoil.

The Group manages its liquidity risk through the following policies.

(a) Secure various financing arrangements such as bank overdraft facility, bond issuance registration or stock issuance.

(b) Collect information on the Group's working capital requirement and understand the cash flow positions.

(c) Obtain reports from the department responsible for cash management based upon the liquidity risk management policies stated in (a) and (b) above to monitor cash flow risks.

Liquidity risk arises from financial liabilities settled by transfer of cash and other financial assets. Balances of financial liabilities held by the Group by maturity are as follows;

(Millions of Yen)

As at March 31, 2018	Carrying amount	Contractual cash flow	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds and loans payable	571,277	577,541	382,092	57,323	54,684	17,322	65,905	215
Trade and other accounts payable	67,806	68,026	65,729	1,004	752	373	151	17
Liabilities related to securities business	2,670,813	2,670,813	2,670,813	—	—	—	—	—
Customer deposits for banking business	536,955	545,794	482,080	59,172	4,531	3	8	—

(Millions of Yen)

As at March 31, 2019	Carrying amount	Contractual cash flow	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds and loans payable	962,965	967,552	674,068	96,911	63,645	52,572	71,345	9,011
Trade and other accounts payable	60,639	60,863	58,976	706	347	721	63	50
Liabilities related to securities business	2,546,500	2,546,500	2,546,500	—	—	—	—	—
Customer deposits for banking business	659,361	673,143	564,326	50,638	58,171	8	—	—

The Group entered into line of credit agreements (e.g., overdraft facilities) with leading domestic financial institutions to ensure an efficient operating funds procurement and to mitigate liquidity risk.

Contractual amounts and used amounts of overdraft facilities as at each reporting date are as follows:

(Millions of Yen)

	As at March 31, 2018	As at March 31, 2019
Lines of credit	326,766	406,082
Used balance	169,765	78,286
Unused portion	157,001	327,796

8. Trade and Other Accounts Receivable

Trade and other accounts receivable as at March 31, 2018 and 2019, consisted of the following:

(Millions of Yen)

	As at March 31, 2018	As at March 31, 2019
Trade accounts receivable and installment receivables	3,363	4,418
Loans receivable	522,314	627,376
Operational receivables	17,935	22,808
Deposits in relation to banking business	24,347	31,907
Others	2,507	3,204
Total	570,466	689,713

Maturity analysis to the collection or the settlement of trade and other accounts receivable as at March 31, 2018 and 2019, consisted of the following:

(Millions of Yen)

	As at March 31, 2018	As at March 31, 2019
No later than 1 year	177,127	212,376
Later than 1 year	393,339	477,337
Total	570,466	689,713

9. Other Assets Related to Securities Business

Other assets related to securities business as at March 31, 2018 and 2019, consisted of the following:

(Millions of Yen)

	As at March 31, 2018	As at March 31, 2019
Trade date accrual	227,484	204,582
Trading products	75,984	106,636
Short-term guarantee deposits	64,091	91,539
Loans receivable secured by securities	125,385	66,879
Others	1,009	1,919
Total	493,953	471,555

10. Operational Investment Securities and Other Investment Securities

"Operational investment securities" and "Other investment securities" in the consolidated statement of financial position as at March 31, 2018 and 2019 consisted of the following:

(Millions of Yen)

	As at March 31, 2018
Operational investment securities	
Financial assets measured at FVTPL	191,014
Total	191,014
Other investment securities	
Financial assets measured at FVTPL	102,647
Financial assets measured at FVTOCI	2,975
Financial assets measured at amortized cost	67,694
Total	173,316

(Millions of Yen)

	As at March 31, 2019
Operational investment securities	
Financial assets measured at FVTPL	282,616
Total	282,616
Other investment securities	
Financial assets measured at FVTPL	122,621
Equity instruments measured at FVTOCI	816
Debt instruments measured at FVTOCI	57,400
Financial assets measured at amortized cost	8,063
Total	188,900

The Group may designate some of its investments in equity instruments as equity instruments measured at FVTOCI, taking into consideration the actual conditions of the investments such as business relationships with the investee companies.

Fair values of equity instruments measured at FVTOCI presented as "Other investment securities" in the consolidated statement of financial position and related dividends income presented as "Revenue" in the consolidated statement of income consisted of the following, respectively:

(Millions of Yen)

	As at March 31, 2018	As at March 31, 2019
Fair value		
Listed	2,608	19
Unlisted	367	797
Total	2,975	816

(Millions of Yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Dividends income		
Listed	0	0
Unlisted	0	0
Total	0	0

Name of investee and related fair values of equity instruments measured at FVTOCI presented as "Other investment securities" in the consolidated statement of financial position mainly consisted of the following:

(Millions of Yen)

	As at March 31, 2018	As at March 31, 2019
Other investment securities		
TANITA HEALTH LINK, INC.	—	455
Money Forward, Inc.	2,586	—

Fair value at disposal, cumulative gain (net of tax) transferred from other components of equity to retained earnings and dividend income of equity instruments measured at FVTOCI disposed during the years ended March 31, 2018 and 2019 are as follows:

(Millions of Yen)

For the year ended March 31, 2018			For the year ended March 31, 2019		
Fair value at disposal	Cumulative gain	Dividend income	Fair value at disposal	Cumulative gain	Dividend income
310	60	1	60,200	240	0

Equity instruments measured at FVTOCI are sold (derecognized) to enhance the effective operation and efficiency of assets.

11. Investments Accounted For Using the Equity Method

(1) Investments in associates

The combined financial information of associates accounted for using the equity method is as follows:

(Millions of Yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Profit for the year attributable to the Group	(1,108)	(1,116)
Other comprehensive income attributable to the Group	(959)	45
Total comprehensive income attributable to the Group	(2,067)	(1,071)

(Millions of Yen)

	As at March 31, 2018	As at March 31, 2019
Book value	32,622	26,097

Impairment losses recognized as the recoverable amount of certain associates fell below the carrying amount at March 31, 2018 and 2019 were ¥21,295 million and ¥4,556 million, respectively. The impairment loss is included in "Other expenses" in the consolidated statement of income.

Impairment losses recognized by segment for the year ended March 31, 2018 were ¥19 million in the Asset Management Business and ¥21,276 million in the Biotechnology-related Business. Impairment losses recognized by segment for the year ended March 31, 2019 were ¥4,556 million in the Biotechnology-related Business.

(2) Investments in joint ventures

The combined financial information of joint ventures accounted for using the equity method is as follows:

(Millions of Yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Profit for the year attributable to the Group	3,337	6,751
Other comprehensive income attributable to the Group	115	(10)
Total comprehensive income attributable to the Group	3,452	6,741

(Millions of Yen)

	As at March 31, 2018	As at March 31, 2019
Book value	35,743	42,274

12. Structured Entities

The Group conducts investment partnerships and investment trusts for investment activities in Japan and overseas. These investment partnerships and investment trusts raise funds from investors/partners, and provide funding mainly in the form of capital contribution to investees. These investment partnerships are structured in a way that voting rights are not the dominant factor in deciding who controls the partnerships.

The purpose of using the assets and liabilities of the structured entities is restricted by contractual arrangements between the Group and the structured entities.

(1) Consolidated structured entities

Total assets of the consolidated investment partnerships and investment trusts were ¥97,050 million and ¥203,681 million as at March 31, 2018 and 2019, respectively. Total liabilities were ¥389 million and ¥44,997 million as at March 31, 2018 and 2019, respectively.

(2) Unconsolidated structured entities

The Group invests in investment partnerships and investment trusts, etc. that third parties have control on their operations.

The Group has not entered into any arrangement to provide financial support for the assets and liabilities of these structured entities. Accordingly, the maximum exposure to loss resulting from our involvement with unconsolidated structured entities is limited to the carrying amounts, the details of which are as described below:

(Millions of Yen)

	As at March 31, 2018	As at March 31, 2019
Operational investment securities	24,869	25,000
Other investment securities	83,468	98,896
Total	108,337	123,896

The maximum exposure indicates the maximum amount of possible losses, but not the possibility of such losses being incurred.

13. Investment Property

The movement of cost and accumulated depreciation and impairment losses of investment property consisted of the following:

(Millions of Yen)

Cost	For the year ended March 31, 2018	For the year ended March 31, 2019
Balance, beginning of year	9,315	3,350
Sales or disposals	(6,068)	—
Foreign currency translation adjustment on foreign operations	103	(65)
Balance, end of year	3,350	3,285

(Millions of Yen)

Accumulated depreciation and impairment losses	For the year ended March 31, 2018	For the year ended March 31, 2019
Balance, beginning of year	(2,210)	(1,158)
Depreciation	(4)	(1)
Impairment losses	(7)	—
Sales or disposals	1,083	—
Foreign currency translation adjustment on foreign operations	(20)	21
Balance, end of year	(1,158)	(1,138)

Impairment losses recognized for the year ended March 31, 2018 were ¥7 million, due to a significant decline in fair value of certain investment properties, and were recorded in “Other expenses” in the consolidated statement of income. Impairment losses for the year ended March 31, 2018 were recognized in the Asset Management Business. The recoverable amount of the investment properties is measured at fair value less cost of disposal through real estate valuation.

(Millions of Yen)

Carrying amount and fair value			
As at March 31, 2018		As at March 31, 2019	
Carrying amount	Fair value	Carrying amount	Fair value
2,192	2,772	2,147	2,716

The fair value as at the end of each reporting period is based on a valuation conducted by independent valuation appraisers with appropriate qualifications, who have had recent experience in local practice for relative categories of assets.

The inputs used for the fair value measurement of investment properties are categorized as Level 3 (unobservable inputs).

Rental income from investment property for the years ended March 31, 2018 and 2019 was ¥3 million and ¥1 million, respectively, which was included in “Revenue” in the consolidated statement of income. Expenses incurred in direct relation to the rental income (including repairs and maintenance) for the years ended March 31, 2018 and 2019, were ¥79 million and ¥7 million, respectively, which were included in “Operating cost” and “Selling, general and administrative expenses”.

14. Property and Equipment

The movements of cost, accumulated depreciation and impairment loss of property and equipment were as follows:

(Millions of Yen)

Cost	Buildings	Furniture and fixtures	Land	Others	Total
Balance as at April 1, 2017	5,808	10,766	2,007	1,291	19,872
Acquisitions	877	4,887	173	707	6,644
Acquisitions through business combinations	1	97	—	31	129
Sales or disposals	(624)	(636)	(230)	(34)	(1,524)
Foreign currency translation adjustment on foreign operations	(13)	(12)	(28)	(17)	(70)
Others	119	—	—	(8)	111
Balance as at March 31, 2018	6,168	15,102	1,922	1,970	25,162
Acquisitions	1,115	3,165	616	2,108	7,004
Acquisitions through business combinations	4	2	—	—	6
Sales or disposals	(225)	(1,309)	—	(73)	(1,607)
Foreign currency translation adjustment on foreign operations	(4)	(44)	13	(7)	(42)
Others	85	56	(46)	(39)	56
Balance as at March 31, 2019	7,143	16,972	2,505	3,959	30,579

(Millions of Yen)

Accumulated depreciation and impairment losses	Buildings	Furniture and fixtures	Land	Others	Total
Balance as at April 1, 2017	(2,384)	(6,083)	(42)	(865)	(9,374)
Sales or disposals	328	517	—	20	865
Depreciation	(405)	(1,654)	—	(241)	(2,300)
Impairment losses	—	(3)	—	—	(3)
Foreign currency translation adjustment on foreign operations	5	13	—	14	32
Balance as at March 31, 2018	(2,456)	(7,210)	(42)	(1,072)	(10,780)
Sales or disposals	18	1,251	—	31	1,300
Depreciation	(442)	(3,107)	—	(211)	(3,760)
Impairment losses	—	(2,269)	—	—	(2,269)
Foreign currency translation adjustment on foreign operations	(3)	27	—	6	30
Balance as at March 31, 2019	(2,883)	(11,308)	(42)	(1,246)	(15,479)

(Millions of Yen)

Carrying amount	Buildings	Furniture and fixtures	Land	Others	Total
Balance as at March 31, 2018	3,712	7,892	1,880	898	14,382
Balance as at March 31, 2019	4,260	5,664	2,463	2,713	15,100

The carrying amount of property and equipment in the above table includes the carrying amount of the following leased assets:

(Millions of Yen)

Carrying amount	Buildings	Furniture and fixtures	Others	Total
Balance as at March 31, 2018	—	1,906	14	1,920
Balance as at March 31, 2019	17	1,415	9	1,441

Impairment losses recognized for the years ended March 31, 2018 and 2019 were ¥3 million and ¥2,269 million, respectively, due to no expectation of initially expected profits and were included in “Other expenses” in the consolidated statement of income. Impairment losses recognized by segment for the year ended March 31, 2018 were ¥3 million in the Financial Services Business. Impairment losses recognized by segment for the year ended March 31, 2019 were ¥2,269 million in the Digital asset-related business, which were included in “Others”.

15. Intangible Assets

(1) The movement of cost, accumulated amortization and accumulated impairment losses of intangible assets including goodwill

The movements in cost, accumulated amortization and impairment losses of intangible assets including goodwill for the years ended March 31, 2018 and 2019 were as follows:

(Millions of Yen)

Cost	Goodwill	Software	Customer relationship	Others	Total
Balance as at April 1, 2017	161,223	39,848	32,808	2,664	236,543
Acquisitions	—	6,528	—	1,070	7,598
Acquisitions through business combinations	4,113	877	—	—	4,990
Sales or disposals	(1,014)	(3,067)	—	—	(4,081)
Foreign currency translation adjustment on foreign operations	(340)	6	(675)	(34)	(1,043)
Balance as at March 31, 2018	163,982	44,192	32,133	3,700	244,007
Acquisitions	—	8,373	—	245	8,618
Acquisitions through business combinations	3,322	—	2,962	—	6,284
Sales or disposals	—	(1,853)	(1,936)	(70)	(3,859)
Foreign currency translation adjustment on foreign operations	(2,519)	(115)	305	25	(2,304)
Balance as at March 31, 2019	164,785	50,597	33,464	3,900	252,746

(Millions of Yen)

Accumulated amortization and impairment losses	Goodwill	Software	Customer relationship	Others	Total
Balance as at April 1, 2017	(8,555)	(23,183)	(17,662)	(1,650)	(51,050)
Sales or disposals	1,014	1,939	—	—	2,953
Amortization	—	(5,668)	(3,009)	(162)	(8,839)
Impairment losses	(34)	(135)	(5,709)	—	(5,878)
Foreign currency translation adjustment on foreign operations	—	25	480	10	515
Balance as at March 31, 2018	(7,575)	(27,022)	(25,900)	(1,802)	(62,299)
Sales or disposals	—	1,712	1,936	70	3,718
Amortization	—	(5,648)	(488)	(192)	(6,328)
Impairment losses	—	(174)	(2,861)	—	(3,035)
Foreign currency translation adjustment on foreign operations	—	116	(98)	(4)	14
Balance as at March 31, 2019	(7,575)	(31,016)	(27,411)	(1,928)	(67,930)

(Millions of Yen)

Carrying amount	Goodwill	Software	Customer relationship	Others	Total
Balance as at March 31, 2018	156,407	17,170	6,233	1,898	181,708
Balance as at March 31, 2019	157,210	19,581	6,053	1,972	184,816

The carrying amount of software in the above table as at March 31, 2018 and 2019 includes the carrying amount of leased assets of ¥733 million and ¥519 million, respectively. Amortization expenses were recorded in "Operating cost" and "Selling, general and administrative expenses" in the consolidated statement of income.

(2) Impairment losses for each business segment

The Group recognized impairment losses totaling ¥5,878 million and ¥3,035 million for the years ended March 31, 2018 and 2019, respectively, due to no expectation of initially expected profits, and recorded them in "Other expenses" in the consolidated statement of income. Impairment losses recognized by segment for the year ended March 31, 2018 were ¥138 million in the Financial Services Business and ¥31 million in the Asset Management Business and ¥5,709 million in the Biotechnology-related Business, respectively. Impairment losses recognized by segment for the year ended March 31, 2019 were ¥51 million in the Financial Services Business, ¥2,861 million in the Biotechnology-related Business and ¥123 million in the Digital asset-related business, which were included in "Others", respectively. The impairment losses recognized in the Biotechnology-related Business were recognized for certain drug development pipelines.

(3) Carrying amount of goodwill

Goodwill arising from business combinations is allocated to cash-generating units that are expected to benefit from the synergies of the business combination at the date of acquisition of the business.

Significant goodwill arising from business combinations were ¥106,701 million and ¥104,563 million as at March 31, 2018 and 2019, respectively, related to SBI SAVINGS BANK in the Asset Management Business and ¥24,910 million as at March 31, 2018 and 2019, related to SBI SECURITIES Co., Ltd. in the Financial Services Business.

The recoverable amounts used for impairment test of goodwill and intangible assets are calculated based on the value in use. Value in use is the present value calculated by discounting the estimated cash flows based on the projection approved by management and a growth rate. The business plans are not longer than five years in principle, and reflect the management assessments of future industry trends and historical data based on the external and internal information. The growth rate is determined by considering the long-term average growth rate of the market or the country which the CGU belongs to. The maximum per annum growth rate used for measuring value in use was 3% as at March 31, 2018 and 4% as at March 31, 2019, respectively. The discount rate used for measuring value in use was 9.4% to 26.2% and 9.4% to 21.1% per annum as at March 31, 2018 and 2019, respectively.

Any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

16. Deferred Taxation

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the years ended March 31, 2018 and 2019:

(Millions of Yen)

For the year ended March 31, 2018	As at April 1, 2017	Recognized through profit or loss	Recognized through other comprehensive income	Change in scope of consolidation	Recognized directly in equity	As at March 31, 2018
Deferred Tax Assets						
Impairment on financial assets measured at amortized cost	915	(284)	—	—	—	631
Fixed assets (Note)	487	(13)	—	6	—	480
Enterprise tax payable	670	312	—	—	—	982
Tax loss carryforwards	70	(12)	—	—	—	58
Other	828	703	—	—	(539)	992
Total	2,970	706	—	6	(539)	3,143
Deferred Tax Liabilities						
Financial assets measured at FVTPL	2,268	7,369	—	—	—	9,637
Financial assets measured at FVTOCI	36	—	584	—	—	620
Financial assets measured at amortized cost	1,124	(263)	—	—	—	861
Investments accounted for using the equity method	4,834	(2,756)	(330)	—	—	1,748
Intangible assets	4,672	(2,786)	(45)	—	—	1,841
Other	239	260	—	—	—	499
Total	13,173	1,824	209	—	—	15,206

Note: Fixed assets represent property and equipment, and investment property.

(Millions of Yen)

For the year ended March 31, 2019	As at April 1, 2018	Recognized through profit or loss	Recognized through other comprehensive income	Change in scope of consolidation	Recognized directly in equity	As at March 31, 2019
Deferred Tax Assets						
Impairment on financial assets measured at amortized cost	631	(55)	—	—	—	576
Fixed assets (Note 1)	480	941	—	46	—	1,467
Enterprise tax payable	982	(126)	—	—	—	856
Tax loss carryforwards	58	6,543	(33)	—	—	6,568
Other	992	(80)	—	—	—	912
Total	3,143	7,223	(33)	46	—	10,379
Deferred Tax Liabilities						
Financial assets measured at FVTPL	9,637	2,290	—	—	—	11,927
Equity instruments measured at FVTOCI	620	—	(616)	—	—	4
Debt instruments measured at FVTOCI (Note 2)	1,188	(174)	205	—	—	1,219
Investments accounted for using the equity method	1,748	71	—	—	—	1,819
Intangible assets	1,841	(631)	56	802	—	2,068
Other	499	207	—	—	1,112	1,818
Total	15,533	1,763	(355)	802	1,112	18,855

Notes: 1. Fixed assets represent property and equipment, and investment property.
2. The Group reclassified the amount of deferred tax liabilities from financial assets measured at amortized cost to debt instruments measured at FVTOCI at the beginning of the period due to the application of IFRS 9 (as revised in 2014). The balance of deferred tax liabilities increased ¥327 million at the beginning of the period.

In assessing the recoverability of the deferred tax assets, the Group considers the future taxable temporary differences, projected future taxable income, and tax planning strategies. The tax losses for which deferred tax assets were not recognized as at March 31, 2018 and 2019, were ¥261,141 million (including ¥200,167 million with the carryforward period over 5 years), and ¥236,920 million (including ¥144,438 million with the carryforward period over 5 years), respectively.

The Group recognized deferred tax assets of ¥18 million and ¥31 million as at March 31, 2018 and 2019, respectively, associated with certain subsidiaries that had net losses during the years ended March 31, 2018 and 2019. The Group's management assessed that it is probable that tax credit carryforwards and deductible temporary differences will be utilized as the tax losses are not expected to arise on an ongoing basis.

As at March 31, 2018 and 2019, in principle, the Group did not recognize a deferred tax liability on the taxable temporary differences associated with investments in subsidiaries because the Group was in a position to control the timing of the reversal of the temporary differences and it was probable that such differences would not reverse in the foreseeable future. The amount of taxable temporary differences associated with investments in subsidiaries on which deferred tax liabilities were not recognized were ¥180,257 million and ¥222,075 million as at March 31, 2018 and 2019, respectively.

17. Bonds and Borrowings

(1) Details of bonds and borrowings

Bonds and borrowings as at March 31, 2018 and 2019, consisted of the following:

(Millions of Yen) (%)

	As at March 31, 2018	As at March 31, 2019	Average interest rate (Note 1)	Due (Note 2)
Short-term loans payable	232,049	605,086	(1.37)	—
Current portion of long-term loans payable	56,770	36,794	0.36	—
Current portion of bonds payable	91,288	32,294	—	—
Long-term loans payable	38,045	44,185	0.42	2020–2033
Bonds payable	153,125	244,606	—	—
Total	571,277	962,965		

Notes: 1. The average interest rate is calculated using the weighted average coupon rate of the outstanding balance as at March 31, 2019.
2. The due represents the repayment term of the outstanding balance as at March 31, 2019.

Details of the bonds were as follows:

Issuer and the name of bond	Date of issuance	As at March 31, 2018 (Millions of Yen)	As at March 31, 2019 (Millions of Yen)	Interest rate (Note 1) (%)	Due
The Company Japanese yen straight bond (Note 2)	July 2018– March 2019	59,977	39,874	0.43–0.48	July 2020– March 2021
The Company No. 7 Unsecured straight bond	March 2016	14,981	–	–	March 2019
The Company No. 8 Unsecured straight bond	April 2016	4,999	–	–	April 2018
The Company No. 9 Unsecured straight bond	June 2016	15,955	15,969	0.85	June 2021
The Company No. 10 Unsecured straight bond	September 2016	13,974	13,992	0.55	September 2019
The Company No. 11 Unsecured straight bond	June 2017	12,967	12,982	0.60	June 2020
The Company No. 12 Unsecured straight bond	June 2017	16,943	16,957	0.90	June 2022
The Company No. 13 Unsecured straight bond	March 2018	17,939	17,960	0.45	March 2021
The Company No. 14 Unsecured straight bond	March 2018	17,929	17,944	0.70	March 2023
The Company No. 15 Unsecured straight bond	December 2018	–	14,953	0.44	December 2021
The Company No. 16 Unsecured straight bond	December 2018	–	14,944	0.69	December 2023
The Company Euroyen convertible bonds (Note 3)	September 2017– September 2018	48,478	67,769	–	September 2020– September 2023
The Company Exchangeable bond (Note 2)	December 2017– July 2018	1,124	1,624	0.46–0.52	December 2019– July 2020
SBI SECURITIES Co., Ltd. Exchangeable bond · Stock price linked bond (Note 2)	January 2016– March 2019	8,788	32,961	0.09–3.07	April 2018– March 2029
SBI SECURITIES Co., Ltd. Japanese yen straight bond (Note 2)	March 2018– March 2019	10,000	8,971	0.38–0.40	March 2019– March 2020
SBI SECURITIES Co., Ltd. Microfinance bond	August 2017	319	–	–	November 2018
SBI Trade Win Tech Co., Ltd. No.1 Unsecured straight bond	March 2014	40	–	–	March 2019
Total		244,413	276,900		

Notes: 1. Interest rate is the coupon rate of the balance as at March 31, 2019. The interest rate of the bonds hedged with interest rate swap is the interest rate after the swap execution.
2. The aggregate amount issued based on euro medium term note program is stated above.
3. The stock acquisition rights of Euroyen convertible bonds are recognized as embedded derivatives. The amount of the stock acquisition rights are separated from the host, measured at fair value, and recorded as capital surplus after tax effects.

(2) Assets pledged as security

Assets pledged for liabilities and contingent liabilities were as follows:

(Millions of Yen)

	As at March 31, 2018	As at March 31, 2019
Trade and other accounts receivable	8,142	10,180
Other financial assets	145	144
Property and equipment	296	276
Total	8,583	10,600

The corresponding liabilities were as follows:

(Millions of Yen)

	As at March 31, 2018	As at March 31, 2019
Bonds and borrowings	7,741	7,897

Besides the above, securities received as collateral for financing from broker's own capital of ¥29,677 million and ¥14,090 million were pledged as collateral for borrowings on margin transactions as at March 31, 2018 and 2019, respectively.

18. Trade and Other Payables

The components of trade and other payables were as follows:

(Millions of Yen)

	As at March 31, 2018	As at March 31, 2019
Accounts payable and notes payable	632	637
Accounts payable-other	12,468	17,279
Advances received and guarantee deposit received	51,474	40,103
Finance lease liability	3,232	2,620
Total	67,806	60,639

19. Other Liabilities Related to Securities Business

The components of other liabilities related to the securities business were as follows:

(Millions of Yen)

	As at March 31, 2018	As at March 31, 2019
Trade date accrual	286,267	301,972
Trading products	108,157	70,634
Deposits for subscription	1,020	961
Total	395,444	373,567

20. Insurance Contract Liabilities

(1) Risk management system over insurance contracts

The Group engages in the insurance business such as life and casualty insurance and strives to accurately identify, analyze and assess as well as appropriately manage and administer risk relating to insurance contracts in order to secure management stability. The subsidiaries engaged in the insurance business have established a Risk Management Committee which strives to identify a wide range of risks associated with insurance contracts, and regularly and continuously reports to their respective board of directors, etc. about the risks to ensure the effectiveness of risk management. The Group's primary approach to risks relating to insurance contracts is as follows:

(a) Market risk management

Interest rate risk management

Considering the long-term nature of insurance liabilities, the Group invests principally in bonds. For investments in bonds, interest rate fluctuation risk is mitigated by matching the duration of bonds (to the extent of bond price fluctuations due to interest rate fluctuations) with the duration of policy reserves within certain parameters.

Price fluctuation risk management

Regarding market risk management, the Group conducts risk management focusing on indices such as VaR (Value at Risk), which denotes the maximum loss amount expected due to market changes based on the confidence interval, and Basis Point Value (BPV), which denotes price fluctuations in the bond portfolio due to changes in the market interest rate, in addition to identifying risks based on the Solvency Margin Ratio.

(b) Conducting of stress testing

The Group regularly conducts stress testing assuming scenarios such as significant deterioration in the investment environment or the worsening of the incidence rate of insured accidents, in order to analyze the impact on financial soundness, and reports the results of stress testing to the Risk Management Committee, etc.

(c) Insurance underwriting risk

Regarding insurance underwriting risk, the department-in-charge of each company engaged in the insurance business determines its underwriting policies, and conducts risk control by managing the risk portfolio, reforming or abolishing products, establishing the underwriting standards, changing sales policies, designing and arranging reinsurance, etc.

(2) Insurance contract liabilities

(a) Details and movements of insurance contract liabilities

Insurance contract liabilities as at March 31, 2018 and 2019, consisted of the following:

(Millions of Yen)

	As at March 31, 2018	As at March 31, 2019
Claims reserves	16,150	20,359
Policy reserves	126,110	118,739
Total	142,260	139,098

The movements in insurance contract liabilities for the years ended March 31, 2018 and 2019 were as follows:

(Millions of Yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Balance, beginning of year	147,573	142,260
Life insurance business		
Expected cash flows from policy reserves	(18,973)	(15,548)
Interest incurred	173	238
Adjustments	9,823	7,415
Non-life insurance business		
Insurance premiums	36,027	38,356
Unearned premium	(34,149)	(36,805)
Others	1,786	3,182
Balance, end of year	142,260	139,098

Net cash outflows by due period resulting from recognized insurance liabilities are as follows:

	Total	No later than 1 year	1 to 3 years	3 to 5 years	Over 5 years
Insurance contract liabilities	139,098	44,732	23,257	13,346	57,763

(b) Sensitivity to insurance risk

In the life insurance business, the Group records insurance contract liabilities by estimating the present value of all cash flows generated from insurance contracts using the prerequisite conditions at initial recognition.

The prerequisite conditions include discount rates (interest rates), death rates, morbidity rates, renewal rates, business expenses and commission, etc. In the case where increases in death rates, morbidity rates, business expenses and commission are expected, future net income and equity are expected to decrease due to the increase in future cash outflows. In the case where the liability adequacy test reveals that insurance contract liabilities are insufficient for the amount of reserves determined based on the prerequisite conditions at initial recognition, it may be necessary to recognize the effects for the period of increasing insurance contract liabilities at the end of each reporting period.

(3) Concentration of insurance risk

The Group is not exposed to excessively concentrated insurance risk since the insurance contract portfolios are dispersed geographically throughout Japan.

(4) Claims development (difference between actual claim and previous estimates) of non-life insurance business is as follows:

(Millions of Yen)

	Accident year				
	2014	2015	2016	2017	2018
Cumulative payments and claim reserves					
At end of accident year	16,377	18,471	20,489	22,682	25,776
1 year later	16,810	18,813	21,018	23,525	—
2 year later	17,188	19,442	21,669	—	—
3 year later	17,457	20,116	—	—	—
4 year later	17,872	—	—	—	—
Estimate of cumulative claims	17,872	20,116	21,669	23,525	25,776
Less: Cumulative payments to date	17,652	19,171	20,191	20,466	16,576
Claim reserves (gross)	220	945	1,478	3,059	9,200

21. Leases as Lessee

The Group leases servers for online transaction systems and certain other assets under finance leases. Future minimum lease payments and their present value under finance lease contracts of each payment period as at March 31, 2018 and 2019 were as follows:

(Millions of Yen)

	As at March 31, 2018	As at March 31, 2019
No later than 1 year		
Future minimum lease payments	1,104	1,153
Less: future financial cost	(70)	(62)
Present value	1,034	1,091
Later than 1 year and not later than five years		
Future minimum lease payments	2,299	1,601
Less: future financial cost	(111)	(74)
Present value	2,188	1,527
Later than 5 years		
Future minimum lease payments	10	2
Less: future financial cost	(0)	(0)
Present value	10	2
Total		
Future minimum lease payments	3,413	2,756
Less: future financial cost	(181)	(136)
Present value	3,232	2,620

The Group leases office buildings and certain other assets under operating leases. The total future minimum lease payments recorded as expenses under cancellable or non-cancellable operating lease contracts for the years ended March 31, 2018 and 2019 were ¥4,831 million and ¥6,006 million, respectively.

22. Capital Stock and Other Equity Items

(1) Capital stock and treasury stock

The number of authorized shares as at March 31, 2018 and 2019 was 341,690,000 shares.

The Company's issued shares were as follows:

(Shares)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Number of issued shares (common shares with no par value)		
As at the beginning of the year	224,561,761	224,561,761
Increase during the year (Note)	—	11,994,632
As at the end of the year	224,561,761	236,556,393

Note: The increase of 11,994,632 shares was for the exercise of the conversion rights for convertible bonds.

The Company's treasury stock included in the above issued shares was as follows:

(Shares)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Number of treasury stock		
As at the beginning of the year	20,954,080	3,779,286
Increase during the year (Notes 1, 3)	6,341,261	11,432,629
Decrease during the year (Notes 2, 4)	(23,516,055)	(6,899,414)
As at the end of the year	3,779,286	8,312,501

Notes: 1. The increase of 6,341,261 shares related to the acquisition of 6,318,500 shares subject to Article 156 of the Companies Act (replacement of the third paragraph of Article 165) and 22,761 shares purchased from shareholders with less than one unit of shares.

2. The decrease of 23,516,055 shares related to 630 shares sold to shareholders with less than one unit of shares, appropriation of 2,387,200 shares for the exercise of stock acquisition rights and appropriation of 21,128,225 shares for the conversion of convertible bonds.

3. The increase of 11,432,629 shares related to the acquisition of 11,421,100 shares subject to Article 156 of the Companies Act (replacement of the third paragraph of Article 165) and 11,529 shares purchased from shareholders with less than one unit of shares.

4. The decrease of 6,899,414 shares related to 310 shares sold to shareholders with less than one unit of shares, appropriation of 1,406,200 shares for the exercise of stock acquisition rights and appropriation of 5,492,904 shares for the conversion of convertible bonds.

(2) Reserves

(a) Capital surplus

Capital surplus of the Group includes additional paid-in capital of the Company, which is legal capital surplus.

Under the Companies Act of Japan ("the Companies Act"), at least 50% of the proceeds of certain issues of common shares shall be credited to common stock. The remainder of the proceeds shall be credited to additional paid-in capital. The Companies Act permits, upon approval of the shareholders meeting, the transfer of amounts from additional paid-in capital to common stock.

(b) Retained earnings

Retained earnings of the Group include the reserve of the Company legally required as legal retained earnings.

The Companies Act provides that a 10% dividend of retained earnings shall be appropriated as additional paid-in capital or as legal retained earnings until the aggregate amount of capital surplus and statutory reserve reaches 25% of common stock. The legal retained earnings may be used to eliminate or reduce a deficit or be transferred to retained earnings upon approval of the shareholders meeting.

(3) Other components of equity

The movements of other component of equity were as follows:

(Millions of Yen)

	Other components of equity			
	Currency translation differences	Equity instruments measured at FVTOCI	Debt instruments measured at FVTOCI	Total
Balance as at April 1, 2017	22,695	25	—	22,720
Change for the year	(3,491)	1,436	—	(2,055)
Transfer to retained earnings	—	(60)	—	(60)
Balance as at March 31, 2018	19,204	1,401	—	20,605
Cumulative effect of change in accounting policy	—	—	840	840
Restated balance as at April 1, 2018	19,204	1,401	840	21,445
Change for the year	(2,800)	(1,613)	185	(4,228)
Transfer to retained earnings	—	(240)	—	(240)
Balance as at March 31, 2019	16,404	(452)	1,025	16,977

23. Dividends

Dividends paid were as follows:

Year ended March 31, 2018	Type of share	Dividend amount (Millions of Yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' Meeting on April 28, 2017	Common shares	8,144	40	March 31, 2017	June 9, 2017
Board of Directors' Meeting on October 26, 2017	Common shares	3,256	15	September 30, 2017	December 11, 2017

Year ended March 31, 2019	Type of share	Dividend amount (Millions of Yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' Meeting on April 26, 2018	Common shares	15,455	70	March 31, 2018	June 8, 2018
Board of Directors' Meeting on October 30, 2018	Common shares	4,725	20	September 30, 2018	December 10, 2018

Dividends for which the declared date fell in the year ended March 31, 2019, and for which the effective date will be in the year ending March 31, 2020, are as follows:

	Type of share	Dividend amount (Millions of Yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' Meeting on April 26, 2019	Common shares	18,260	80 (Note)	March 31, 2019	June 7, 2019

Note: The year-end dividend of 80 yen consists of common dividend of 75 yen and commemorative dividend of 5 yen for the 20th anniversary of the foundation of the Company.

24. Share-based Payment

The Company and certain of its subsidiaries have share-based compensation plans for their directors or employees. The share-based compensation plans are granted to persons resolved by the board of directors based on the approval of the shareholders meeting of the Company or certain of its subsidiaries.

(1) Equity-settled share-based compensation plan ("Stock option")

Vesting conditions of the stock options include accomplishment of the IPO and holding their positions as directors or employees until the accomplishment of the IPO. Also, certain of the stock options vest upon receipt of cash from the directors or employees for the price equivalent to their fair value.

The expenses arising from granted stock options were ¥1,112 million and were recorded in "Selling, general and administrative expenses" during the year ended March 31, 2019.

The outline of the stock option plans of the Group is as follows:

a The Company

The outline of the Company's stock option plan is as follows:

	(Shares)	(Yen)	(Shares)	(Yen)
	For the year ended March 31, 2018		For the year ended March 31, 2019	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Beginning balance	3,817,600	1,247	7,488,300	1,503
Granted	6,057,900	1,563	—	—
Exercised	(2,387,200)	1,247	(1,406,200)	1,247
Expired	—	—	(24,200)	1,247
Ending balance	7,488,300	1,503	6,057,900	1,563

Notes: 1. Weighted average stock prices upon exercise of stock options for the years ended March 31, 2018 and 2019 were ¥2,130 and ¥2,954, respectively.
2. The number of the stock options granted during the year ended March 31, 2018 were 2,799,000 shares of 2017 First Stock Acquisition Rights and 3,258,900 shares of 2017 Second Stock Acquisition Rights, respectively.

The fair value of stock options for the 2017 First Stock Acquisition Rights granted during the year ended March 31, 2019 was ¥3,179 (The number of shares to be issued per stock acquisition right: 100 shares). The fair value was determined based on a Monte Carlo simulation. The following assumptions were used in the Monte Carlo simulation regarding the stock options:

Stock price at the evaluation date	: ¥1,563	Estimated remaining exercise period	: 4.1 years
Exercise price	: ¥1,563	Dividend yield	: 3.20%
Estimated volatility	: 36.90%	Risk free rate	: (0.07%)

The fair value of stock options for the 2017 Second Stock Acquisition Rights granted during the year ended March 31, 2019 was ¥39,804 (The number of shares to be issued per stock acquisition right: 100 shares). The fair value was determined based on a Black-Scholes Model. The following assumptions were used in the Black-Scholes Model regarding the stock options:

Stock price at the grant date	: ¥1,536	Estimated remaining exercise period	: 4.5 years
Exercise price	: ¥1,563	Dividend yield	: 3.26%
Estimated volatility	: 43.30%	Risk free rate	: (0.15%)

The unexercised stock options as at March 31, 2019 are as follows:

Name	Exercise price (Yen)	Number of shares (Shares)	Expiration date
2017 First Stock Acquisition Rights (Note)	1,563	2,799,000	July 1, 2020–September 30, 2021
2017 Second Stock Acquisition Rights	1,563	3,258,900	July 29, 2019–September 30, 2024

Note: The stock options vest upon receipt of cash for the price equivalent to their fair value. And a holder of the stock acquisition rights shall be able to exercise the stock acquisition rights only in the event that the Financial Services Business has achieved ¥50 billion or more in its entire segment profits (profit before income tax expenses) in each fiscal year of the period from the fiscal year ended March 31, 2018 to the fiscal year ending March 31, 2020, and also marked ¥170 billion or more in its cumulative segment profits (profit before income tax expenses) for the above three fiscal periods.

b Subsidiaries

The outline of the Company's subsidiaries' stock option plans is as follows.

	For the year ended March 31, 2018		For the year ended March 31, 2019	
a-1 SBI Biotech Co., Ltd.	Number of shares (Shares)	Weighted average exercise price (Yen)	Number of shares (Shares)	Weighted average exercise price (Yen)
Beginning balance	100	5,000	100	5,000
Change	—	—	—	—
Ending balance	100	5,000	100	5,000

Notes: 1. The exercise period as at March 31, 2019 was defined as 30 months after 6 months passed from the IPO date.
2. The remaining stock options as at March 31, 2019 were granted before November 7, 2002; thus, the Group does not apply IFRS 2 "Share-based Payment".

	For the year ended March 31, 2018		For the year ended March 31, 2019	
a-2 BroadBand Security, Inc.	Number of shares (Shares)	Weighted average exercise price (Yen)	Number of shares (Shares)	Weighted average exercise price (Yen)
Beginning balance	367,900	571	145,000	800
Exercised	—	—	(18,670)	800
Forfeited	(222,900)	422	(2,000)	800
Ending balance	145,000	800	124,330	800

Notes: 1. Weighted average stock price of stock options upon exercise for the year ended March 31, 2019 was ¥2,672.
2. The average remaining exercise period as at March 31, 2019 was 7.0 years.

	For the year ended March 31, 2018		For the year ended March 31, 2019	
a-3 Morningstar Japan K.K.	Number of shares (Shares)	Weighted average exercise price (Yen)	Number of shares (Shares)	Weighted average exercise price (Yen)
Beginning balance	1,488,700	267	726,400	267
Exercised	(762,300)	267	(447,600)	267
Expired	—	—	(278,800)	267
Ending balance	726,400	267	—	—

Note: Weighted average stock price of stock options upon exercise for the year ended March 31, 2018 and 2019 was ¥395 and ¥404, respectively.

	For the year ended March 31, 2018		For the year ended March 31, 2019	
a-4 SBI FinTech Solutions Co., Ltd.	Number of shares (Shares)	Weighted average exercise price (Yen)	Number of shares (Shares)	Weighted average exercise price (Yen)
Beginning balance	—	—	608,500	628
Granted	608,500	628	—	—
Ending balance	608,500	628	608,500	628

Notes: 1. The fair value of stock options granted during the year ended March 31, 2018 was ¥9 (The number of shares to be issued per stock acquisition right: 1 share). The fair value was determined based on a Monte Carlo simulation. The following assumptions were used in the Monte Carlo simulation regarding the stock options:

Stock price at the evaluation date	: ¥628	Estimated remaining exercise period	: 6.1 years
Exercise price	: ¥628	Dividend yield	: 1.59%
Estimated volatility	: 49.6%	Risk free rate	: (0.04%)

2. The stock options was not vested as at March 31, 2019.
3. The average remaining exercise period as at March 31, 2019 was 4.5 years.

a-5 SBI Insurance Group Co., Ltd.	For the year ended March 31, 2019 (Shares) Number of shares	(Yen) Weighted average exercise price
Beginning balance	—	—
Granted	1,460,700	1,734
Ending balance	1,460,700	1,734

Notes: 1. The number of stock options granted during the year ended March 31, 2019 were 750,000 shares of 2018 First Stock Acquisition Rights and 710,700 shares of 2018 Second Stock Acquisition Rights, respectively.

The fair value of stock options for the 2018 First Stock Acquisition Rights granted during the year ended March 31, 2019 was ¥870 (The number of shares to be issued per stock acquisition right: 30 shares). The fair value was determined based on a Monte Carlo simulation. The following assumptions were used in the Monte Carlo simulation regarding the stock options:

Stock price at the evaluation date : ¥1,734
Exercise price : ¥1,734
Estimated volatility : 31.89%
Estimated remaining exercise period : 5.0 years
Dividend yield : 0.00%
Risk free rate : (0.10%)

The stock options vest upon receipt of cash for the price equivalent to their fair value. A holder of the stock acquisition rights shall be able to exercise the stock acquisition rights only in the event that the total amount of segment profit of each reporting segment in the segment information described in the issuer's securities report for the fiscal year ending March 2020 has achieved ¥18 billion or more, the total amount of that for the fiscal year ending March 2021 has achieved ¥20 billion or more, and also marked ¥40 billion or more in its cumulative segment profits for the above two fiscal periods.

The fair value of stock options for the 2018 Second Stock Acquisition Rights granted during the year ended March 31, 2019 was ¥12,084 (The number of shares to be issued per stock acquisition right: 30 shares). The fair value was determined based on a Black-Scholes Model. The following assumptions were used in the Black-Scholes Model regarding the stock options:

Stock price at the grant date : ¥1,733
Exercise price : ¥1,734
Estimated volatility : 31.79%
Estimated remaining exercise period : 5.0 years
Dividend yield : 0.00%
Risk free rate : (0.13%)

2. The stock options did not vest as at March 31, 2019.
3. The average remaining exercise period as at March 31, 2019 was 4.2 years.

a-6 Quark Pharmaceuticals, Inc.	For the year ended March 31, 2019 (Shares) Number of shares	(USD) Weighted average exercise price
Beginning balance	—	—
Granted	3,358,706	13.70
Expired	(172,897)	13.70
Ending balance	3,185,809	13.70

Notes: 1. The stock options granted during the year ended March 31, 2019 are subject to conditions under which a certain number of stock options can be exercised every month after the first year anniversary of the grant date.
2. The fair value of stock options granted during the year ended March 31, 2019 was USD1.97 (The number of shares to be issued per stock acquisition right: 1 share). The fair value was determined based on a Black-Scholes Model. The following assumptions were used in the Black-Scholes Model regarding the stock options:

Stock price at the evaluation date : USD6.44
Exercise price : USD13.70
Estimated volatility : 63.51%
Estimated remaining exercise period : 6.0 years
Dividend yield : 0.00%
Risk free rate : 2.74%

3. The average remaining exercise period as at March 31, 2019 was 5.4 years.

(2) Cash-settled share-based compensation plan

Certain of subsidiaries of the Company have cash-settled share-based compensation plans for their directors or employees. The compensation is made in the form of cash-settled payments based on the difference between the exercise price and the stock price as at the exercise date.

The outline of the cash-settled share-based compensation plan of the Group is as follows:

SBI FinTech Solutions Co., Ltd.	For the year ended March 31, 2018 (Rights) Number of rights	(Yen) Weighted average exercise price	For the year ended March 31, 2019 (Rights) Number of rights	(Yen) Weighted average exercise price
Beginning balance	6,961	259	6,538	259
Exercised	(423)	259	(5,482)	259
Unexercised balance	6,538	259	1,056	259

Note: The average remaining exercise period as at March 31, 2019 was 0.3 years.

25. Revenue

Revenue for the years ended March 31, 2018 and 2019 consisted of the following:

(Millions of Yen)

	For the year ended March 31, 2018
Revenue	
Financial income	
Interest income (Note)	101,837
Dividends received	3,940
Income arising from financial assets measured at FVTPL	50,262
Gain from trading	18,474
Others	116
Total financial income	174,629
Revenue arising on insurance contracts	67,165
Revenue from rendering of services	82,983
Others	12,240
Total revenue	337,017

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

(Millions of Yen)

	For the year ended March 31, 2019
Financial income (Note 1)	
Interest income	
Income arising from financial assets measured at amortized cost (Note 2)	111,240
Income arising from debt instruments measured at FVTOCI (Note 3)	814
Income arising from financial instruments measured at FVTPL	63,186
Others	82
Total financial income	175,322
Revenue arising on insurance contracts	77,562
Revenue from contracts with customers (Note 1)	
Revenue from rendering of services	79,107
Revenue from sales of goods	3,159
Others	16,261
Total revenue	351,411

Notes: 1. Beginning with the fiscal year ended March 31, 2019, the Group changed the method of presentation due to the application of IFRS 9 (as revised in 2014) and IFRS 15.
2. Interest income arising from loans in the banking and securities businesses.
3. Interest income arising from policy reserve matching bonds in the insurance business.

(1) Disaggregation of revenue

Revenue from contracts with customers for the years ended March 31, 2019 consisted of the following: Revenue from rendering of services mainly includes brokerage commission in the securities business. Revenue from sales of goods includes revenue arising from the sale of pharmaceutical products, supplements, and cosmetics.

(Millions of Yen)

	Financial Services Business	Asset Management Business	Biotechnology-related Business	Total	Others	Elimination or Corporate	Consolidated Total
Revenue from contracts with customers							
Revenue from rendering of services	72,223	8,814	6	81,043	650	(2,586)	79,107
Revenue from sales of goods	832	—	3,065	3,897	—	(738)	3,159
Total	73,055	8,814	3,071	84,940	650	(3,324)	82,266

(2) Contract balance

The balance of trade receivables from contract with customers and contract liabilities were as follows;

(Millions of Yen)

	Balance as at April 1, 2018	Balance as at March 31, 2019
Trade receivables from contract with customers	6,727	6,912
Contract liabilities	1,939	2,203

Contract liabilities are primarily balances of point programs offered by the Group where the Group did not satisfy their performance obligations at the end of the fiscal year.

Of the revenues recognized during the years ended March 31, 2019, ¥1,587 million was included in the balance of contract liabilities as at April 1, 2018.

26. Expense

Expense for the years ended March 31, 2018 and 2019 consisted of the following:

(1) Financial cost associated with financial income

(Millions of Yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Financial cost associated with financial income		
Interest expense		
Financial liabilities measured at amortized cost	(17,788)	(21,394)
Total financial cost associated with financial income	(17,788)	(21,394)

(2) Operating cost

(Millions of Yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Payroll	(11,293)	(12,107)
Outsourcing fees	(7,916)	(7,495)
Depreciation and amortization	(1,526)	(3,228)
Cost arising on insurance contracts	(51,461)	(58,884)
Others	(41,352)	(18,097)
Total operating cost	(113,548)	(99,811)

(3) Selling, general and administrative expenses

(Millions of Yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Payroll	(28,201)	(33,356)
Outsourcing fees	(19,996)	(21,537)
Depreciation and amortization	(9,319)	(6,604)
Research and development	(7,749)	(8,517)
Others	(35,112)	(41,061)
Total selling, general and administrative expenses	(100,377)	(111,075)

(4) Other financial cost

(Millions of Yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Other financial cost		
Interest expense		
Financial liabilities measured at amortized cost	(3,282)	(4,680)
Total other financial cost	(3,282)	(4,680)

(5) Other expenses

(Millions of Yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Impairment loss on non-financial assets	(27,183)	(9,860)
Foreign exchange loss	(3,401)	(2,712)
Others (Note)	(1,857)	(2,217)
Total other expenses	(32,441)	(14,789)

27. Income Tax Expense

The amount of income tax expenses for the years ended March 31, 2018 and 2019 were as follows:

(Millions of Yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Income tax expense		
Current	(14,734)	(21,220)
Deferred	(1,118)	5,460
Total income tax expense	(15,852)	(15,760)

The Company and its domestic subsidiaries are subject to mainly a national corporate tax, an inhabitants tax, and an enterprise tax, which, in aggregate, resulted in a normal effective statutory tax rate of 30.6%. Foreign subsidiaries are subject to the income taxes of the countries in which they operate.

A reconciliation between the normal effective statutory tax rates and the Group's average effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2018 and 2019 is as follows:

(%)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Normal effective statutory tax rate	30.9	30.6
Permanent differences such as meals and entertainment	(0.2)	0.6
Tax effect on minority interests of investments in fund	(4.0)	(5.2)
Temporary differences arising from consolidation of investments	2.4	(2.1)
Change in unrecognized deferred tax assets	(5.2)	(6.0)
Other	(1.8)	1.1
Average effective tax rate	22.1	19.0

28. Other Comprehensive Income

Amounts recorded during the year, reclassification adjustments and income tax effects on each item of other comprehensive income for the years ended March 31, 2018 and 2019 were as follows:

(Millions of Yen)

For the year ended March 31, 2018	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
Items that will not be reclassified subsequently to profit or loss					
FVTOCI financial assets	2,020	—	2,020	(584)	1,436
	2,020	—	2,020	(584)	1,436
Items that may be reclassified subsequently to profit or loss					
Currency translation differences	(2,378)	(404)	(2,782)	—	(2,782)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,257)	83	(1,174)	330	(844)
	(3,635)	(321)	(3,956)	330	(3,626)
Total	(1,615)	(321)	(1,936)	(254)	(2,190)

(Millions of Yen)

For the year ended March 31, 2019	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
Items that will not be reclassified subsequently to profit or loss					
Equity instruments measured at FVTOCI	(1,818)	—	(1,818)	616	(1,202)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(411)	—	(411)	—	(411)
	(2,229)	—	(2,229)	616	(1,613)
Items that may be reclassified subsequently to profit or loss					
Debt instruments measured at FVTOCI	788	(56)	732	(205)	527
Currency translation differences	(4,384)	1,180	(3,204)	—	(3,204)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	447	(1)	446	—	446
	(3,149)	1,123	(2,026)	(205)	(2,231)
Total	(5,378)	1,123	(4,255)	411	(3,844)

29. Earnings per Share

Basic earnings per share and diluted earnings per share attributable to owners of the Company were calculated based on the following information:

(Millions of Yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Earnings		
Profit attributable to owners of the Company	46,684	52,548
Dilutive effect: Convertible bonds	377	339
Profit attributable to owners of the Company after dilutive effect	47,061	52,887
Shares		
Basic weighted average number of ordinary shares (shares)	211,683,159	227,057,550
Dilutive effect: Stock options (shares)	1,508,956	2,781,002
Dilutive effect: Convertible bonds (shares)	25,846,017	27,623,150
Weighted average number of ordinary shares after the dilutive effect (shares)	239,038,132	257,461,702
Earnings per share attributable to owners of the Company		
Basic (in Yen)	220.54	231.43
Diluted (in Yen)	196.88	205.42

30. Cash Flow Information

Supplemental disclosure of consolidated statement of cash flow information for the years ended March 31, 2018 and 2019 was as follows:

(1) Expenditures on acquisition of subsidiaries

The amounts of payments for acquisition of subsidiaries were ¥3,044 million and ¥4,346 million for the years ended March 31, 2018 and 2019, respectively. Consideration paid consisted solely of cash and cash equivalents. Amounts of major classes of assets and liabilities of subsidiaries, of which the Group obtained control through share acquisition, at the date of acquisition were as follows:

(Millions of Yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Cash and cash equivalents	3,056	774
Trade and other receivables	1,190	279
Intangible assets	877	2,962
Other assets	625	90
Total assets	5,748	4,105
Trade and other payables	741	1,066
Customer deposits for banking business	3,857	—
Other liabilities	805	939
Total liabilities	5,403	2,005

(2) Proceeds from sales of subsidiaries

Total consideration received in respect of sales of subsidiaries was ¥933 million and ¥0 million for the years ended March 31, 2018 and 2019, respectively. Amounts of major classes of assets and liabilities of subsidiaries, of which the Group lost control through share sale, at the date of sale were as follows:

(Millions of Yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Cash and cash equivalents	63	2
Trade and other receivables	81	—
Other assets	456	—
Total assets	600	2
Bonds and loans payable	74	—
Trade and other payables	19	24
Other liabilities	80	—
Total liabilities	173	24

(3) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities were as follows:

(Millions of Yen)

	As at April 1, 2017	Cash flow from financing activities	Non-cash changes				As at March 31, 2018
			Issuance of convertible bonds	Conversion of convertible bonds	Interest expense	Others	
Borrowings	345,794	(19,105)	—	—	270	(94)	326,865
Bonds	173,183	102,986	(2,254)	(29,949)	473	(27)	244,412
Total	518,977	83,881	(2,254)	(29,949)	743	(121)	571,277

(Millions of Yen)

	As at April 1, 2018	Cash flow from financing activities	Non-cash changes				As at March 31, 2019
			Issuance of convertible bonds	Conversion of convertible bonds	Interest expense	Others	
Borrowings	326,865	359,632	—	—	241	(673)	686,065
Bonds	244,412	65,919	(4,186)	(29,262)	1	16	276,900
Total	571,277	425,551	(4,186)	(29,262)	242	(657)	962,965

31. Subsidiaries

Major subsidiaries of the Group as at March 31, 2019 were as follows:

Business segment	Name	Location	Voting Rights Holding Ratio (%)
Financial Services Business	SBI FINANCIAL SERVICES Co., Ltd.	Japan	100.0
	SBI SECURITIES Co., Ltd.	Japan	100.0 (100.0)
	SBI Liquidity Market Co., Ltd.	Japan	100.0 (100.0)
	SBI FXTRADE Co., Ltd.	Japan	100.0 (100.0)
	SBI MONEYPLAZA Co., Ltd.	Japan	100.0 (100.0)
	SBI Insurance Group Co., Ltd.	Japan	75.0
	SBI Life Insurance Co., Ltd.	Japan	100.0 (100.0)
	SBI Insurance Co., Ltd.	Japan	99.2 (99.2)
	SBI FinTech Solutions Co., Ltd.	Japan	77.5
Asset Management Business	SBI Capital Management Co., Ltd.	Japan	100.0
	SBI Investment Co., Ltd.	Japan	100.0 (100.0)
	SBI Global Asset Management Co., Ltd.	Japan	100.0
	Morningstar Japan K. K.	Japan	47.6 (47.6)
	SBI Asset Management Co., Ltd.	Japan	100.0 (100.0)
	SBI Estate Finance Co., Ltd.	Japan	100.0 (5.0)
	SBI Hong Kong Holdings Co., Ltd.	Hong Kong	100.0
	SBI VEN HOLDINGS PTE. LTD.	Singapore	100.0
	SBI SAVINGS BANK	Korea	99.0 (99.0)
Biotechnology-related Business	SBI ALApharma Co., Limited	Hong Kong	96.4 (96.4)
	SBI Pharmaceuticals Co., Ltd.	Japan	86.2 (86.2)
	SBI ALApromo Co., Ltd.	Japan	100.0 (100.0)
	SBI Biotech Co., Ltd.	Japan	87.6 (1.1)
	Quark Pharmaceuticals, Inc.	USA	100.0 (100.0)

Note: The figure in the parentheses represents the indirect holding ratio of voting rights or indirect investment ratio included in the total.

32. Related Party Transactions

(1) Related Party Transactions

The Group entered into the following related party transactions during the year ended March 31, 2018.

Type	Name	Relationship with related party	Transaction description	Transaction Amount (Millions of Yen)	Balance (Millions of Yen)
Corporate officer	Yoshitaka Kitao	Representative Director, President & CEO	Issuance of stock options (Note 1)	16	—
Corporate officer	Katsuya Kawashima	Representative Director, Senior Executive Vice President & Co-COO	Issuance of stock options (Note 1)	11	—
			Exercise of stock options (Note 2)	187	—
Corporate officer	Shumpei Morita	Director & Senior Managing Executive Officer & CFO	Exercise of stock options (Note 2)	12	—
Corporate officer	Tatsuo Shigemitsu	Director & Managing Executive Officer	Exercise of stock options (Note 2)	312	—

Notes: 1. Issuance of stock options represents the issuance of stock acquisition rights which were issued based on the resolution by the Board of Directors meeting held on July 27, 2017, and August 29, 2017, pursuant to Article 236, 238 and 240 of the Companies Act. Stated in the "Transaction Amount" column is the paid-in amount in connection with stock acquisition rights issued during the year ended March 31, 2018.

2. Exercise of stock options represents the exercise of stock acquisition rights which were issued based on the resolution by the Board of Directors meeting held on October 30, 2014, and November 19, 2014, pursuant to Article 236, 238 and 240 of the Companies Act. Stated in the "Transaction Amount" column is the paid-in amount in connection with stock acquisition rights exercised during the fiscal year ended March 31, 2018.

The Group entered into the following related party transactions during the year ended March 31, 2019.

Type	Name	Relationship with related party	Transaction description	Transaction Amount (Millions of Yen)	Balance (Millions of Yen)
Corporate officer	Katsuya Kawashima	Representative Director, Senior Executive Vice President & COO	Exercise of stock options (Note)	187	—
Corporate officer	Masato Takamura	Director & Senior Executive Vice President	Exercise of stock options (Note)	312	—
Corporate officer	Tomoya Asakura	Senior Managing Director	Exercise of stock options (Note)	312	—
Corporate officer	Shumpei Morita	Senior Managing Director & CFO	Exercise of stock options (Note)	25	—

Note: Exercise of stock options represents the exercise of stock acquisition rights which were issued based on the resolution by the Board of Directors meeting held on October 30, 2014, and November 19, 2014, pursuant to Article 236, 238 and 240 of the Companies Act. Stated in the "Transaction Amount" column is the paid-in amount in connection with stock acquisition rights exercised during the fiscal year ended March 31, 2019.

(2) The remuneration of key management personnel of the Company for the years ended March 31, 2018 and 2019

(Millions of Yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Remuneration and bonuses	1,012	1,134
Post-employment benefits	5	5
Total	1,017	1,139

33. Contract Liabilities

The Group has entered into loan agreements with the customers in accordance with the condition of the contracts. The total amount of loan commitments amounted to ¥15,038 million and ¥70,459 million, with an unused portion of ¥10,194 million and ¥31,509 million, as at March 31, 2018 and 2019, respectively. However, contracts are revised regularly upon changes to customer's credit condition and other matters considered necessary to ensure secure credit facilities. Thus, the unused portion of the commitment will not affect the Group's future cash flow.

34. Events after the Reporting Period

There were no significant events after the reporting period.

Deloitte.

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
3-2-3 Marunouchi, Chiyoda-ku
Tokyo 100-8360
Japan

Tel: +81 (3) 6213 1000
Fax: +81 (3) 6213 1005
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of SBI Holdings, Inc.:

We have audited the accompanying consolidated statement of financial position of SBI Holdings, Inc. and its subsidiaries as at March 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SBI Holdings, Inc. and its subsidiaries as at March 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu LLC

June 25, 2019

Accounting Policies of the Asset Management Business

Below, we explain in detail the accounting policies of the Asset Management Business in response to questions we have received from stakeholders.

1. Changes in the fair value of financial assets measured at fair value through profit or loss (FVTPL)

Owing to SBI Holdings' adoption of IFRSs for its accounting standards, the fair value of financial assets (operational investment securities and other investment securities), including stocks of portfolio companies that the Asset Management Business holds, will be reviewed each quarter.

The fair value of marketable securities is estimated using market prices. The fair value of securities without a market price, such as unlisted stocks, may in some cases be calculated using a market approach, cost approach, or in other cases the most recent transaction price for an issuance of new shares to a third party may be used.

If a change is made to the fair value of a financial asset, the following accounting policy takes effect.

Accounting policies for calculating the fair value of portfolio companies

Example: The fair value of a portfolio company increases by 20% during a quarter.

(Billions of yen)

	1Q FY2018	2Q FY2018
Fair value	10.0	12.0

UP ¥2.0 billion

(1) If the investment is from a wholly owned subsidiary of SBI Holdings

(Billions of yen)

	2Q FY2018
Revenue	2.0
Profit before income tax expense	2.0
Tax (30%)	-0.6
Profit for the period	1.4
Profit attributable to owners of the Company	1.4
Non-controlling interests	—

(2) If the investment is from a consolidated fund (ownership ratio in the fund: 20%)

(Billions of yen)

	2Q FY2018
Revenue	2.0
Profit before income tax expense	2.0
Tax (30%)	-0.12
Profit for the period	1.88
Profit attributable to owners of the Company	0.28
Non-controlling interests	1.6

Tax expense relating to the ownership portion in the fund
–2.0 billion × 20% × 30% = –¥0.12 billion

(¥2.0 billion × 20% (ownership ratio in the fund)) – ¥0.12 billion (taxes) = ¥0.28 billion

¥2.0 billion × 80% (non-controlling interests) = ¥1.6 billion

2. Management fees of a consolidated fund for which the SBI Group serves as a general partner (GP)

For management fees of a consolidated fund for which the SBI Group serves as a GP, the following accounting policy takes effect.

Accounting policy for management fees paid from a consolidated fund

Example: SBI Holdings owns 20% of a ¥100 billion fund (with a 5% management fee) for which SBI Investment serves as a GP.

For convenience, we show a simple example of the accounting policy relating to the management fees incurred, and present part of the accounting process in abbreviated form.

¥100.0 billion × 5% = ¥5.0 billion

(Billions of yen)

SBI Holdings + SBI Investment	
Revenue	5.0
Expense	0.0
Profit before income tax expense	5.0
Tax (30%)	-1.2
Profit	3.8

Offset as an internal transaction

(Billions of yen)

Fund	
Revenue	0.0
Expense	-5.0
Profit before income tax expense	-5.0
Tax	0.0
Profit	-5.0

(Billions of yen)

Consolidated P/L	
Revenue	0.0
Expense	0.0
Profit before income tax expense	0.0
Tax (tax rate 30%)	-1.2
Profit	-1.2
Profit attributable to owners of the Company	2.8
Non-controlling interests	-4.0

Within the tax expense (-¥1.5 billion) relating to management fees at SBI Investment and management fees (expense) paid by the fund: total tax expense (owing to the omission of ¥0.3 billion for the effect of reduced taxes) relating to the ownership portion (20%) for SBI Holdings:
–¥1.5 billion + (¥5.0 billion × 20% × 30%) = –¥1.2 billion

Note: Furthermore, within the funds for which the SBI Group serves as GP, such as CVC funds et al., for which the SBI Group's ownership ratio is extremely low, as a result of not being subject to consolidation, their management fees are recognized as revenue.

Glossary

This page provides supplementary material to help readers better understand the business environment surrounding the SBI Group.

AML/CFT	Financial institutions are required to comply with guidelines and regulations concerning anti-money laundering (AML) and combating the financing of terrorism (CFT). Until now, Japan has received severe indications from the Financial Action Task Force (FATF), which conducts international inspections of the progress of its member countries, and so the development of appropriate responses and countermeasures has become a priority issue for financial institutions and other businesses.
API	Application programming interface (API) is a protocol to enable the managing of data and software functions from an outside program source. In Japan, the Act for Partial Revision of the Banking Act was enacted in May 2017, and promulgated in June of the same year. As a result, banks are obliged to make efforts to promote open APIs (publicly available APIs), which will ensure safe data communication with outside businesses, and collaborations with businesses other than financial institutions are expected to potentially lead to the creation of innovative financial services.
Corporate succession issues	There is concern that small- and medium-sized enterprises (SMEs), which account for more than 90% of all Japanese companies, will be unable to secure appropriate successors, and there is further concern that the number of businesses withdrawing or going out of business will sharply increase. Presently, the percentage of management in their 60s and 70s is high among SMEs, and soon many will retire. In fact, an increasing number of SMEs have been closing down their businesses over the past few years, and as a result, there may be significant impact on society, such as a decline in employment opportunities throughout Japan and in the GDP.
Crypto-asset (cryptocurrency) regulations	In response to the spread of cryptocurrency in Japan, the Payment Services Act was enacted in April 2017 to introduce regulations concerning cryptocurrency, including the introduction of a registration system for cryptocurrency exchange service providers. Subsequently, several cryptocurrency exchange service providers experienced problems such as the loss of assets due to hacking, and insufficient money laundering measures. Consequently, the regulations were reviewed, and in May 2019, amendments to the Payment Services Act were enacted in response to the growing diversity in financial transactions that accompanied advances made in information communication technology. The amendments include the name change of cryptocurrency to “crypto-assets,” the conversion of tradable investment-type ICO tokens into marketable securities and regulations for business operators engaging in operations related to crypto-assets. They are expected to go into effect by June 2020.
iDeCo	Individual-type defined contribution (iDeCo) pension plan is a private pension system governed by the Defined Contribution Pension Law, which was passed and enacted in June 2001. Japan’s declining birthrate and aging population, and the increasing movement of human resources combined with prolonged low interest rates, created an increasing need to review corporate retirement allowances and corporate pensions. This led to the implementation of iDeCo, which allows individuals to choose their own private pension plan apart from the Japanese National Pension System. From 2017, the coverage was expanded to include public service employees, among others, and in 2018, it became possible to make contributions on an annual basis.
NISA	Nippon Individual Savings Account (NISA) is a tax-free, small-amount investment system for individual investors introduced in January 2014. It sets a tax-free investment limit of ¥1.2 million per year for 5 years, and dividends as well as capital gains from stocks and investment trusts are tax-free. In order to promote the idea that personal assets should be managed and invested rather than simply held, the Japanese government created the Junior NISA in January 2016 (for minors under the age of 20) and the new installment-type NISA in January 2018 (for individuals who want to pay in monthly installments).
Regional revitalization	Regional revitalization is one of the policies announced in September 2014 for the purpose of improving the vitality of Japan as a whole. Currently, the population decline in Japan and the excessive population concentration in the Tokyo metropolitan area are having a negative impact on the regional economy. For this reason, the government is promoting local economic development, to endeavor to create an independent and sustainable society in each region. More specifically, regional financial institutions, which have an impact on the local economy, are expected to contribute to the revitalization of the local economy through the support of companies and industries in each region. However, these regional financial institutions are also facing severe business conditions, since their primary customer base is limited to certain regions of Japan.

The SBI Group
(Principal Group Companies)

SBI Holdings, Inc. TSE First Section

Financial Services Business

A diversified line of financial services

- ❶ **SBI FINANCIAL SERVICES Co., Ltd.** — Control and management of the Financial Services Business — **100.0%**
  - ❶ **SBI SECURITIES Co., Ltd.** — Comprehensive online securities company — **100.0%**
    - ❶ **SBI Liquidity Market Co., Ltd.** — Provision of market infrastructure to supply liquidity to FX margin trading — **100.0%**
      - ❶ **SBI FXTRADE Co., Ltd.** — Pure-play FX broker — **100.0%**
      - ❶ **SBI VC Trade Co., Ltd.** — Provision of exchange and transaction services related to crypto-assets (cryptocurrency) — **100.0%**
    - ❶ **SBI NEOMOBILE SECURITIES Co., Ltd.** — Mobile securities trading — **97.9%**
    - ❶ **SBI MONEY PLAZA Co., Ltd.** — Provision of financial products through face-to-face channels — **100.0%**
    - ❶ **SBI Benefit Systems Co., Ltd.** — Operational management of defined-contribution pension, etc. — **66.6%**
  - ❶ **SBI Leasing Services Co., Ltd.** — Operating lease business — **93.0%**
  - ❶ **SBI Social Lending Co., Ltd.** — Operation of social lending business — **100.0%**
- ❷ **SBI Japannext Co., Ltd.** — Operation of PTS (proprietary trading system) — **48.8%**
- ❶ **SBI BITS Co., Ltd.** — Development and operation of financial systems — **100.0%**
- ❷ **SBI Sumishin Net Bank, Ltd.** — Internet-based full service bank — **50.0%**
- ❶ **SBI Insurance Group Co., Ltd.** (TSE Mothers) — Insurance holding company — **75.0%**
  - ❶ **SBI Insurance Co., Ltd.** — Internet-based non-life insurance company — **99.2%**
  - ❶ **SBI Life Insurance Co., Ltd.** — Internet-based life insurance business — **100.0%**
  - ❶ **SBI SSI Holdings Co., Ltd.** — Small-amount, short-term insurance policy businesses — **100.0%**
    - ❶ **SBI IKIIKI SSI Inc.** — Small-amount, short-term insurance policy businesses — **100.0%**
    - ❶ **SBI Nihon SSI Co., Ltd.** — Small-amount, short-term insurance policy businesses — **100.0%**
    - ❶ **SBI Resta SSI Co., Ltd.** — Small-amount, short-term insurance policy businesses — **99.6%**
    - ❶ **JAPAN ANIMAL CLUB CO. LTD.** — Small-amount, short-term insurance policy business — **100.0%**
- ❶ **SBI FinTech Solutions Co., Ltd.** (KOSDAQ) — Control and operation of the e-commerce settlement business and Group fintech-related businesses — **77.5%**
  - ❶ **SBI Remit Co., Ltd.** — International remittance business — **100.0%**
  - ❶ **SBI Business Solutions Co., Ltd.** — Provision of back office support services — **100.0%**
- ❶ **SBI Ripple Asia Co., Ltd.** — Selling agency of international settlement system — **60.0%**
- ❶ **Money Tap Co., Ltd.** — Direct and indirect sales, maintenance, and lease of settlement systems — **98.8%**
- ❶ **SBI NEO FINANCIAL SERVICES CO., LTD.** — Support for adoption of new technology, including fintech, as well as operation and management of related businesses — **100.0%**

Asset Management Business

Private equity investment and overseas financial services business

- ❶ **SBI Capital Management Co., Ltd.** — Control and management of the private equity business — **100.0%**
  - ❶ **SBI Investment Co., Ltd.** — Venture capital fund management — **100.0%**
- ❶ **SBI FinTech Incubation Co., Ltd.** — Support for introduction of fintech services — **60.0%**
- ❶ **SBI VENTURES SINGAPORE PTE. LTD.** — M&A advisory business — **100.0%**
  - ❶ **SBI VEN CAPITAL PTE. LTD.** — Overseas private equity fund management — **100.0%**
- ❶ **SBI Ventures Malaysia Sdn. Bhd.** — Fund management in Southeast Asia — **100.0%**
- ❷ **SBI Investment KOREA Co., Ltd.** (KOSDAQ) — Venture capital in South Korea — **43.9%**
- ❶ **SBI SAVINGS BANK** — Savings bank in South Korea — **99.0%**
- ❶ **SBI (China) Co., Ltd.** — Management of businesses in China — **100.0%**
  - ❶ **SBI & TH (Beijing) Venture Capital Management Co., Ltd.** — Private equity fund management in China — **100.0%**
- ❶ **SBI Royal Securities Plc.** — Comprehensive securities company in Cambodia — **65.3%**
- ❶ **SBI Thai Online Securities Co., Ltd.** — Online securities in Thailand — **100.0%**
- ❶ **SBI Bank LLC** — Commercial bank in Russia — **100.0%**
- ❷ **PT BNI SEKURITAS** — Securities company in Indonesia — **25.0%**

As of July 1, 2019 / Note: Percentages are the total Group ownership, which is the sum total of the voting rights in possession by the Company and the companies and funds defined as its subsidiaries by IFRSs.

❶ Consolidated subsidiary ❷ Equity method associate

Asset management-related services

SBI GLOBAL ASSET MANAGEMENT Co., Ltd.
Control and management of the asset management services business 100.0%

- TSE JASDAQ **Morningstar Japan K.K.**
  Rating information for investment trust, others 47.6%
  - **Morningstar Asset Management Co., Ltd.**
    Investment advisory services, others 100.0%
  - **SBI Asset Management Co., Ltd.**
    Investment management and investment advisory service 100.0%
  - **Carret Asset Management LLC**
    Investment management and investment advisory services 100.0%
  - **SBI Alternative Investments Co., Ltd.**
    Management and advisory services for alternative assets 100.0%
- **SBI ENERGY Co., Ltd.**
  Power business using renewable energy 100.0%
- **SBI Bond Investment Management Co., Ltd.**
  Financial asset-related investment advisory services, agency and investment management business 90.0%
- **SBI Regional Revitalization Asset Management Co., Ltd.**
  Investment management and investment advisory service 58.0%

SBI Arsnova Research, Co., Ltd.
Arrangement and management of alternative investments 99.0%

SBI Estate Finance Co., Ltd.
Real estate secured loans business 100.0%

- **SBI Guarantee Co., Ltd.**
  Rent guarantees for rental housing 100.0%

Biotechnology-related Business

R&D, manufacturing and sales of pharmaceuticals, health foods and cosmetics

SBI ALApharma Co., Limited
Management and operation of the 5-ALA-related business 96.4%

- **SBI Pharmaceuticals Co., Ltd.**
  R&D, manufacturing and sales of pharmaceuticals, health foods and cosmetics using 5-ALA 86.2%
- **SBI ALApromo Co., Ltd.**
  Manufacturing and sales of health foods and cosmetics using 5-ALA 100.0%
- **photonamic GmbH & Co. KG**
  R&D, manufacturing and sales of pharmaceuticals using 5-ALA 100.0%
  - **NX Development Corp.**
    Sales of "Gleolan," an orally administered diagnostic reagent, in the U.S. 100.0%

SBI Biotech Co., Ltd.
R&D of pharmaceuticals 87.6%

Quark Pharmaceuticals, Inc.
R&D of siRNA pharmaceuticals 100.0%

Others

SBI Digital Asset Holdings Co., Ltd.
Control and management of the digital asset-related businesses 100.0%

- **SBI CoVenture Asset Management Co., Ltd.**
  Investment advisory services agency focusing on crypto-asset funds 70.0%
- **SBI CapitalBase Co., Ltd.**
  Construction and operation of a fund-raising support platform using the Internet 100.0%
- **SBI Crypto Co., Ltd.**
  Business related to digital assets centering on mining 100.0%
- **SBI Crypto Investment Co., Ltd.**
  Investment business such as ownership, management, operation and acquisition of securities 100.0%
- **SBI Alpha Trading Co., Ltd.**
  Crypto-asset broker (market maker) 100.0%
- **SBI Mining Chip Co., Ltd.**
  Development, manufacturing, and sales of crypto-asset mining systems 96.0%

SBI Security Solutions Co., Ltd.
Operation and development of cybersecurity systems 100.0%

SBI R3 Japan Co., Ltd.
Provision of the blockchain platform Corda, as well as related business 60.0%

SBI Estate Management Co., Ltd.
Investment in real estate 100.0%

SBI Wellness Bank Co., Ltd.
Healthcare services for membership 100.0%

For details of each Group company's business, please refer to our website (http://www.sbigroup.co.jp/english/company/group/)

Corporate Data

Company Outline (As of March 31, 2019)

Company Name	SBI Holdings, Inc.
Date of Establishment	July 8, 1999
Head Office	Izumi Garden Tower 19F, 1-6-1 Roppongi, Minato-ku, Tokyo 106-6019, Japan TEL: +81-3-6229-0100 FAX: +81-3-3589-7958
Number of Employees	6,439 (consolidated)
Paid-in Capital	¥92,018 million
Fiscal Year	April 1 to March 31

Stock Information (As of March 31, 2019)

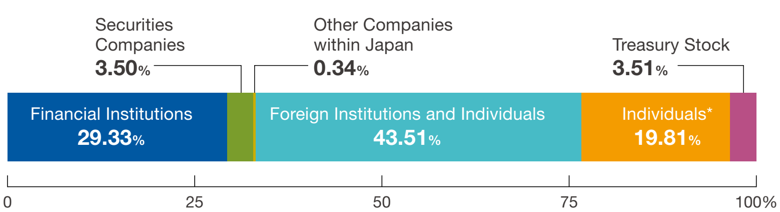
Listing	First Section of the Tokyo Stock Exchange
Code	8473
Shares Authorized	341,690,000 shares
Shares Outstanding	236,556,393 shares (including treasury stock)
Shareholder Register	Mizuho Trust & Banking Co., Ltd.

Principal Shareholders

Name	Number of shares held (shares)	Percentage of outstanding shares (%)
Japan Trustee Services Bank, Ltd. (Trust account)	19,821,100	8.68
The Master Trust Bank of Japan, Ltd. (Trust account)	15,353,800	6.73
The Bank of New York Mellon 140051	9,110,536	3.99
NORTHERN TRUST COMPANY (AVFC) ACCOUNT NON-TREATY	8,570,257	3.75
Japan Trustee Services Bank, Ltd. (Trust account 9)	7,544,400	3.31
The Bank of New York Mellon 140042	5,922,958	2.60
Japan Trustee Services Bank, Ltd. (Trust account 5)	4,611,800	2.02
Yoshitaka Kitao	3,907,960	1.71
STATE STREET BANK WEST CLIENT–TREATY 505234	3,673,527	1.61
SAJAP	3,464,040	1.52

Percentage of outstanding shares is calculated by deducting the treasury stock.
Apart from the holdings of the major shareholders above, the Company holds 8,312,501 shares as treasury stock.

Distribution of Ownership among Shareholders



*Includes shares of the SBI Holdings Employee Stockholding Association

Information on Bonds and Credit Rating (As of September 3, 2018)

Rating Agency	Rating and Investment Information, Inc.
Long-term	BBB+ (Stable)
Short-term	a–2

Overseas Offices

U.S.	Quark Pharmaceuticals
Russia	SBI Bank
Germany	photonamic Berlin Representative Office
Bahrain	SBI Pharmaceuticals Bahrain Representative Office
Israel	SBI JI INNOVATION FUND ADVISORY QBI Enterprise (Research institute of Quark Pharmaceuticals)
UAE	SBI Neopharma
Malaysia	SBI Ventures Malaysia PNB-SBI ASEAN Gateway Investment Management OSK-SBI Venture Partners
Singapore	SBI VENTURES SINGAPORE SBI VEN CAPITAL
India	Milestone River Venture Advisory NIRVANA VENTURE ADVISORS
Sri Lanka	Strategic Business Innovator
South Korea	SBI Investment KOREA SBI SAVINGS BANK
China	SBI (China) SHANGHAI SBI-INESA EQUITY INVESTMENT MANAGEMENT Wuxi Guolian-Yihua Equity Investment Management CHINA FORTUNE SBI Financial Leasing SBI & TH (Beijing) Venture Capital Management Ningbo YIXUE Investment Management
Hong Kong	SBI Hong Kong Holdings SBI Securities (Hong Kong) SBI ALApharma
Taiwan	SBI Capital 22 Management
Philippines	ICCP SBI Venture Partners Philippines Representative Office
Indonesia	BNI SEKURITAS Jakarta Representative Office
Brunei	SBI (B)
Vietnam	FPT Securities TPBank FPT Capital Fund Management
Cambodia	SBI Royal Securities
Thailand	SBI Thai Online Securities

- Securities
- Banking
- Other Financial Services
- Investment
- Biotechnology-related Business
- Local Affiliates/Representative Office
- Strategic Investee

Corporate History

1999

Apr. As a result of a business reorganization accompanying the conversion of SoftBank Corp. (currently SoftBank Group Corp.) into a pure holding company, Softbank Finance Corporation became an independent company to oversee financial-related business activities.

July Established as SOFTBANK INVESTMENT CORPORATION; start of venture capital business.

Oct. E*TRADE SECURITIES Co., Ltd. (currently SBI SECURITIES Co., Ltd.) commenced Internet trading services.

Nov. Softbank Ventures Inc. (currently SBI Investment Co., Ltd.) became a wholly owned consolidated subsidiary.

2000

July Established the INTERNET TECHNOLOGY FUND with ¥150.5 billion in initial contributions, at that time, the largest fund commitment of its kind in Japan.

2001

2002

Feb. Listed on First Section of Tokyo Stock Exchange.

2003

2004

July Morningstar Japan K.K. became a subsidiary.

2005

May Jointly established the New Horizon Fund, targeting promising Chinese companies, with an investment company in Singapore.

July Changed name to SBI Holdings, Inc., and transitioned to a holding company structure.

Oct. As the first overseas office, established a representative office in Beijing, China.

2006

Aug. A wholly owned subsidiary of SoftBank Corp. (currently SoftBank Group Corp.) sold its entire stake in SBI Holdings, Inc.

2007

Feb. Established SBI VEN CAPITAL PTE. LTD., a subsidiary in Singapore.

Aug. SBI Japannext Co., Ltd. began operation of a proprietary trading system (PTS).

Sept. SBI Sumishin Net Bank, Ltd. commenced business.

2008

Jan. SBI Insurance Co., Ltd. commenced business.

Apr. Established SBI Pharmaceuticals Co., Ltd.

Nov. SBI Liquidity Market Co., Ltd. started operations, which supplies market infrastructure for FX trading.

Dec. Hong Kong subsidiary SBI Hong Kong Co., Limited (currently SBI Hong Kong Holdings Co., Limited) commenced business.

2009

2010

Apr. Established a representative office in Shanghai, China.

2011

Mar. SBI Social Lending Co., Ltd. commenced business.

2012

Mar. SBI (China) Co., Ltd., a China business management company, commenced business in Dalian, China.

Apr. SBI ALApromo Co., Ltd. commenced business.

May SBI FXTRADE Co., Ltd. commenced business.

June SBI MONEY PLAZA Co., Ltd. commenced business.

2013

Mar. Acquired shares of Hyundai Swiss Savings Bank (currently SBI SAVINGS BANK) and converted it into a consolidated subsidiary.

2014

2015

Oct. SBI Thai Online Securities Co., Ltd., a first pure-play online securities company in Thailand, commenced business.

Dec. Established FinTech Business Innovation LPS (Fintech Fund) with a total commitment capital amount of ¥30.0 billion.

2016

Jan. Acquired all shares of photonamic GmbH & Co. KG, a German pharmaceutical company engaged in the 5-ALA-related pharmaceuticals business in Europe, and converted it into a consolidated subsidiary.

Feb. SBI Life Insurance Co., Ltd. (formerly PCA LIFE Insurance Co., Ltd.), which became a consolidated subsidiary in February 2015, resumed its insurance underwriting.

May Jointly established SBI Ripple Asia Co., Ltd. with U.S.-based Ripple. In October, launched “The Japan Bank Consortium” for establishing a next generation remittance system in Japan.

2017

Mar. Integrated the Group’s six insurance companies under SBI Insurance Group Co., Ltd., which is an insurance holding company.

Aug. SBI Bank LLC (formerly YAR Bank LLC), a commercial bank in Russia, became a wholly owned subsidiary.

2018

Jan. Establishment of SBI AI&Blockchain LPS (SBI AI&Blockchain Fund), a venture capital fund endeavoring to invest mainly in AI and blockchain fields.

June SBI VC Trade Co., Ltd. (formerly SBI Virtual Currencies Co., Ltd.) launched cryptocurrency trading service “VCTRADE.”

2019

Mar. Established a representative office in Berlin, Germany.

Apr. SBI NEOMOBILE SECURITIES Co., Ltd. established by SBI SECURITIES and CCC Marketing Co., Ltd., commenced business.

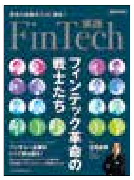
May Established a representative office in the Philippines.

Books by Yoshitaka Kitao, Representative Director, President & CEO

Management through Challenges and Evolution
GENTOSHA INC.
June 2019

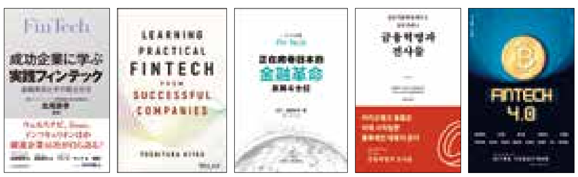
The Cryptocurrency Revolution Starts Now!
SB Creative Corp.
November 2018

Opening the Mind's Eye
Keizaikai Co., Ltd.
October 2018



Practical FinTech (Magazine)
Nikkei Publishing Inc.
December 2017

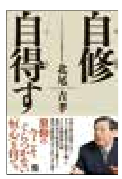
Enlightenments from Ancient Sages' Wisdom
Keizaikai Co., Ltd.
October 2017



Learning Practical FinTech from Successful Companies
Nikkei Publishing Inc.
(EN) John Wiley & Sons, Inc.
(CN) Fudan University Press
(KR) News1
(VN) ThaiHaBooks JSC
March 2017

An Encouragement of Self-cultivation
Chichi Publishing Co., Ltd.
December 2016

Daily Reawakening
Keizaikai Co., Ltd.
November 2016



Realizing Yourself through Self-cultivation
Keizaikai Co., Ltd.
November 2015

The Essence of the Words of Masahiro Yasuoka
PRESIDENT Inc.
July 2015

Using Knowledge of the Jikkan and Junishi to Create Good Fortune
Chichi Publishing Co., Ltd.
December 2014

Revitalizing Lives
Keizaikai Co., Ltd
(VN) ThaiHaBooks JSC
November 2014

Correcting the Abuses of the Times
Keizaikai Co., Ltd.
November 2013

Be a True Japanese—Reflections on Sazo Idemitsu
ASA Publishing Co., Ltd.
October 2013

Learn from the Ancient Sages
Keizaikai Co., Ltd.
November 2012

When Confounded in Business, Analects Point the Way
Asahi Shimbun Publication Inc.
August 2012

The Tailwind Behind Japan's Economy
Sankei Shimbun Publications Inc.
June 2012

Applying the "Analects of Confucius" in Business
Chichi Publishing Co., Ltd.
May 2012

Yoshitaka Kitao's Management Dialogue
Kosaido Publishing Co., Ltd.
March 2012

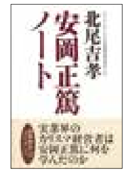
Understanding the Times
Keizaikai Co., Ltd.
November 2011

The Lessons of Shinzo Mori for Nurturing Human Fortitude
Chichi Publishing Co., Ltd.
February 2011

Penetrating Insight
Keizaikai Co., Ltd.
November 2010

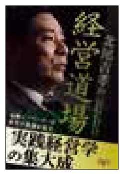
The Meaning of Life
Kodansha Ltd.
August 2010
Co-authored with
Takeshi Natsuno

The Entrepreneurship Textbook: Qualities and Skills for the Next Generation of Leaders
Toyo Keizai Inc.
July 2010



Notes on Masahiro Yasuoka
Chichi Publishing Co., Ltd.
December 2009

Change will be, When Things are at Their Worst
Keizaikai Co., Ltd.
October 2009



Yoshitaka Kitao's Business Management Lecture
KIGYOKA NETWORK
June 2009

Think Big, Don't be the Little Guy
Chichi Publishing Co., Ltd.
January 2009

Reading the Times
Keizaikai Co., Ltd.
August 2008

Japanese Wisdom and Power
PHP Research Institute
(CN) Fudan University Press
April 2011

Proverbs of Sages and Renowned Executives Who Overcame Adversity
Asahi Shimbun Publication Inc.
(CN) Tsinghua University Press
December 2009

(Post edition)

Why Do We Work?
Chichi Publishing Co., Ltd.
(KR) Joongang Books
March 2007

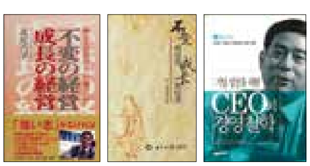
The SBI Group Vision and Strategy: Continuously Evolving Management
Toyo Keizai Inc.
(EN) John Wiley & Sons, Inc.
(CN) Tsinghua University Press
October 2005

(Pocket edition)

"Mysterious Powers" Gained from Chinese Classics
Mikasa Shobo Co., Ltd.
(CN) Peking University Press
July 2005

(Pocket edition)

Developing Character
PHP Research Institute
(CN) World Affairs Press
April 2003



Universal Management, Growth Management
PHP Research Institute
(CN) World Affairs Press
(KR) Dongbang Media Co. Ltd.
October 2000

Challenges of E-Finance II
Toyo Keizai Inc.
(KR) Dongbang Media Co. Ltd.
April 2000

Challenges of E-Finance I
Toyo Keizai Inc.
(CN) The Commercial Press
(KR) Dongbang Media Co. Ltd.
December 1999

"Value-Creation" Management
Toyo Keizai Inc.
(CN) The Commercial Press
(KR) Dongbang Media Co. Ltd.
December 1997

(EN): English translation (CN): Chinese translation (KR): Korean translation (VN): Vietnamese translation

SBI Holdings, Inc.
Izumi Garden Tower 19F, 1-6-1 Roppongi, Minato-ku,
Tokyo 106-6019, JAPAN
Tel +81-3-6229-0100 Fax +81-3-3589-7958

WEBSITE DIRECTORY

SBI Holdings Website Top Page
http://www.sbigroup.co.jp/english/

Investor Relations
http://www.sbigroup.co.jp/english/investors/

VEGETABLE OIL INK

Printed in Japan