

SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED MARCH 31, 2019

The board of directors (the “Directors”) of SBI HOLDINGS, INC. (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended March 31, 2019.

(Amounts are rounded to the nearest million Japanese yen)

1. Consolidated Financial Results

(1) Consolidated Operating Results

(Percentages represent year-on-year changes)

	Revenue		Profit before income tax expense		Profit for the year		Profit attributable to owners of the Company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year ended March 31, 2019	351,411	4.3	83,037	15.6	67,277	20.2	52,548	12.6
Fiscal Year ended March 31, 2018	337,017	28.7	71,810	66.5	55,958	97.7	46,684	43.8

	Total comprehensive income		Basic earnings per share attributable to owners of the Company	Diluted earnings per share attributable to owners of the Company
	Millions of yen	%	Yen	Yen
Fiscal Year ended March 31, 2019	63,433	18.0	231.43	205.42
Fiscal Year ended March 31, 2018	53,768	63.9	220.54	196.88

	Ratio of profit to equity attributable to owners of the Company	Ratio of profit before income tax expense to total assets	Ratio of operating income to operating revenue
	%	%	%
Fiscal Year ended March 31, 2019	11.9	1.7	23.6
Fiscal Year ended March 31, 2018	11.6	1.7	21.3

(Note) Share of results of associates Fiscal year ended March 31, 2019: 5,635 million yen
Fiscal year ended March 31, 2018: 2,229 million yen

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets	Equity per share attributable to owners of the Company
	Millions of yen	Millions of yen	Millions of yen	%	Yen
March 31, 2019	5,034,124	562,557	456,675	9.1	2,000.82
March 31, 2018	4,535,964	493,824	427,815	9.4	1,937.72

(3) Consolidated Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at the end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year ended March 31, 2019	(71,665)	(54,731)	407,746	713,974
Fiscal Year ended March 31, 2018	(33,235)	7,881	74,575	437,148

2. Dividends

(Declared date)	Dividend per share					Total dividend (annual)	Payout ratio (cons.)	Ratio of dividend to equity attributable to owners of the Company (cons.)
	End of 1 st Q	End of 2 nd Q	End of 3 rd Q	Year-end	Full year			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal Year ended March 31, 2018	—	15.00	—	70.00	85.00	18,711	38.5	4.5
Fiscal Year ended March 31, 2019	—	20.00	—	80.00	100.00	22,984	43.2	5.1
Fiscal Year ending March 31, 2020 (forecast)	—	—	—	—	—		—	

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

3. Total number of shares outstanding (Common stock)

(1) Number of shares outstanding (including treasury stock)	: March 31, 2019	: 236,556,393shares
	: March 31, 2018	: 224,561,761shares
(2) Number of treasury stock	: March 31, 2019	: 8,312,501shares
	: March 31, 2018	: 3,779,286shares
(3) Average number of shares outstanding	: Year ended March 31, 2019	: 227,057,550shares
	: Year ended March 31, 2018	: 211,683,159shares

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

(Reference Information)
Non-consolidated Financial Results

(1) Non-consolidated Operating Results

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2019	27,330	(10.1)	7,949	(26.8)	2,040	(72.7)	5,457	(44.9)
Fiscal year ended March 31, 2018	30,408	(23.1)	10,859	(16.4)	7,481	(21.0)	9,900	74.9

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 31, 2019	24.03	20.27
Fiscal year ended March 31, 2018	46.77	41.20

(2) Non-consolidated Financial Position

	Total assets	Net assets	Ratio of shareholder's equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2019	780,508	358,446	45.8	1,565.37
March 31, 2018	758,227	377,385	49.7	1,707.02

(Note) Shareholders' equity Fiscal year ended March 31, 2019: 357,285 million yen
 Fiscal year ended March 31, 2018: 376,880 million yen

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

This financial summary is not subject to audit.

1. BUSINESS RESULTS

(1) Overview of Business Results for the Fiscal Year

The Group's consolidated results of operations for the fiscal year ended March 31, 2019 were as follow. Revenue increased 4.3% year-on-year to ¥351,411 million, profit before income tax expense increased 15.6% to ¥83,037 million, and profit attributable to owners of the Company increased 12.6% to ¥52,548 million.

The results of operations for each reporting segment of the Group for the fiscal year ended March 31, 2019 were as follow.

	Revenue			Profit before income tax expense		
	Fiscal Year ended March 31, 2018	Fiscal Year ended March 31, 2019		Fiscal Year ended March 31, 2018	Fiscal Year ended March 31, 2019	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	217,272	229,239	5.5	63,888	66,568	4.2
Asset Management Business	117,572	118,631	0.9	56,491	51,107	(9.5)
Biotechnology-related Business	4,199	3,729	(11.2)	(37,252)	(19,179)	—
Total	339,043	351,599	3.7	83,127	98,496	18.5
Others	1,213	3,677	203.3	(1,328)	(6,912)	—
Elimination	(3,239)	(3,865)	—	(9,989)	(8,547)	—
Consolidation	337,017	351,411	4.3	71,810	83,037	15.6

(% represents year-on-year changes)

(Financial Services Business)

The Financial Services Business consists of a wide range of finance-related business, including securities brokerage business, banking services business, and life, property and casualty insurance business.

The results of operations of the Financial Services Business for the fiscal year ended March 31, 2019 were as follows. Revenue increased 5.5% year-on-year to ¥229,239 million, and profit before income tax expense increased 4.2% to ¥66,568 million.

(Asset Management Business)

The Asset Management Business primarily consists of fund management and investment in Internet technology, fintech, blockchain, finance, and biotechnology-related venture companies in Japan and overseas, financial services business overseas, and asset management services business which provides financial products information.

The results of operations of the Asset Management Business for the fiscal year ended March 31, 2019 were as follows. Revenue increased 0.9% year-on-year to ¥118,631 million, and profit before income tax expense decreased 9.5% year-on-year to ¥51,107 million.

(Biotechnology-related Business)

The Biotechnology-related Business represents development and distribution of pharmaceutical products, health foods, and cosmetics with 5-aminolevulinic acid (ALA*), a kind of amino acid which exists in vivo, and research and development of antibody drugs and nucleic acid medicine in the field of cancer and immunology.

The results of operations of the Biotechnology-related Business for the fiscal year ended March 31, 2019 were as follows. Revenue decreased 11.2% year-on-year to ¥3,729 million, and loss before income tax expense amounted to ¥19,179 million for the fiscal year ended March 31, 2019 (¥37,252 million of loss before income tax expense for the fiscal year ended March 31, 2018).

- * Five-aminolevulinic acid (ALA) is an amino acid generated by mitochondria in the human body and an important substance used to produce heme or cytochrome, proteins to generate energy. The production of ALA in the human body decreases with age. ALA is included in food products, including slops of distilled spirits, red wine, and Asian ginseng. ALA is also known as a chloroplastic substance in plants.

(2) Overview of Financial Conditions for the Fiscal Year

As at March 31, 2019, total assets amounted to ¥5,034,124 million and increased by ¥498,160 million from total assets of ¥4,535,964 million as at March 31, 2018. The Group's equity increased by ¥68,733 million to ¥562,557 million from the fiscal year ended March 31, 2018. As at March 31, 2019, the Group's cash and cash equivalents amounted to ¥713,974 million and increased by ¥276,826 million from that of ¥437,148 million as at March 31, 2018. The changes of cash flows for each activity and the reasons for changes are as follows:

(Operating Cash Flows)

Cash flows from operating activities amounted to ¥71,665 million in net cash outflows (¥33,235 million in net cash outflows for the fiscal year ended March 31, 2018). The net cash outflows were primarily due to a ¥127,521 million cash outflow from an increase in accounts receivables and other receivables and a ¥88,404 million cash outflow from an increase in operational investment securities, despite a ¥136,284 million cash inflow from an increase in customer deposits in the banking business.

(Investing Cash Flows)

Cash flows from investing activities amounted to ¥54,731 million in net cash outflows (¥7,881 million in net cash inflows for the fiscal year ended March 31, 2018). The net cash outflows were primarily due to a ¥125,359 million cash outflow from purchases of investment securities and a ¥21,396 million cash outflow from payments of loans receivable, despite a ¥107,157 million cash inflow from proceeds from sales or redemption of investment securities.

(Financing Cash Flows)

Cash flows from financing activities amounted to ¥407,746 million in net cash inflows (¥74,575 million in net cash inflows for the fiscal year ended March 31, 2018). The net cash inflows were primarily due to a ¥373,059 million cash inflow from an increase in short-term loans payable and a ¥168,187 million cash inflow from proceeds from issuance of bonds payable, despite a ¥102,268 million cash outflow from redemption of bonds payable.

2. THE BASIC CONCEPT REGARDING SELECTION OF ACCOUNTING STANDARDS

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

3. CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(1) Consolidated Statement of Financial Position

	As at March 31, 2018	As at March 31, 2019
	Millions of Yen	Millions of Yen
Assets		
Cash and cash equivalents	437,148	713,974
Trade and other accounts receivable	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	493,953	471,555
Total assets related to securities business	2,836,442	2,749,592
Other financial assets	35,958	36,740
Operational investment securities	191,014	282,616
Other investment securities	173,316	188,900
Investments accounted for using the equity method	68,365	68,371
Investment properties	2,192	2,147
Property and equipment	14,382	15,100
Intangible assets	181,708	184,816
Other assets	24,392	94,899
Deferred tax assets	581	7,256
Total assets	4,535,964	5,034,124
Liabilities		
Bonds and loans payable	571,277	962,965
Trade and other accounts payable	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	395,444	373,567
Total liabilities related to securities business	2,670,813	2,546,500
Customer deposits for banking business	536,955	659,361
Insurance contract liability	142,260	139,098
Income tax payable	11,271	7,367
Other financial liabilities	16,335	19,566
Other liabilities	12,779	60,339
Deferred tax liabilities	12,644	15,732
Total liabilities	4,042,140	4,471,567
Equity		
Capital stock	81,681	92,018
Capital surplus	125,445	142,094
Treasury stock	(4,647)	(20,128)
Other component of equity	20,605	16,977
Retained earnings	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

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of Yen	Millions of Yen
Revenue	337,017	351,411
Expense		
Financial cost associated with financial income	(17,788)	(21,394)
Provision for credit losses	—	(22,260)
Operating cost	(113,548)	(99,811)
Selling, general and administrative expenses	(100,377)	(111,075)
Other financial cost	(3,282)	(4,680)
Other expenses	(32,441)	(14,789)
Total expense	<u>(267,436)</u>	<u>(274,009)</u>
Share of the profit of associates and joint ventures accounted for using the equity method	2,229	5,635
Profit before income tax expense	<u>71,810</u>	<u>83,037</u>
Income tax expense	(15,852)	(15,760)
Profit for the year	<u><u>55,958</u></u>	<u><u>67,277</u></u>
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	<u><u>55,958</u></u>	<u><u>67,277</u></u>
Earnings per share attributable to owners of the Company		
Basic (Yen)	220.54	231.43
Diluted (Yen)	196.88	205.42

Consolidated Statement of Comprehensive Income

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of Yen	Millions of Yen
Profit for the year	55,958	67,277
Items that will not be reclassified subsequently to profit or loss		
Fair value through other comprehensive income financial assets	1,436	(1,202)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	—	(411)
	1,436	(1,613)
Items that may be reclassified subsequently to profit or loss		
Fair value through other comprehensive income financial assets	—	527
Currency translation differences	(2,782)	(3,204)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(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

(3) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2018

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Capital stock	Capital surplus	Treasury stock	Other components of equity	Retained earnings	Total			
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen		
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	—	—	—	—	(11,401)	(11,401)	(2,660)	(14,061)	
Treasury shares purchased	—	—	(9,637)	—	—	(9,637)	—	(9,637)	
Treasury shares sold	—	99	2,902	—	—	3,001	—	3,001	
Share-based payment transactions	—	461	—	—	—	461	—	461	
Changes of interests in subsidiaries without losing control	—	(8,895)	—	—	—	(8,895)	15,175	6,280	
Transfer	—	—	—	(60)	60	—	—	—	
As at March 31, 2018	81,681	125,445	(4,647)	20,605	204,731	427,815	66,009	493,824	

Fiscal year ended March 31, 2019

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Treasury stock	Other components of equity	Retained earnings	Total		
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen		
As at April 1, 2018	81,681	125,445	(4,647)	20,605	204,731	427,815	66,009	493,824
Cumulative effect of accounting change	—	—	—	840	(11,625)	(10,785)	(123)	(10,908)
Restated balance as at April 1, 2018	81,681	125,445	(4,647)	21,445	193,106	417,030	65,886	482,916
Profit for the 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	—	—	—	—	(20,180)	(20,180)	(2,018)	(22,198)
Treasury shares purchased	—	—	(29,461)	—	—	(29,461)	—	(29,461)
Treasury shares sold	—	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	—	—	—	(240)	240	—	—	—
As at March 31, 2019	92,018	142,094	(20,128)	16,977	225,714	456,675	105,882	562,557

(4) Consolidated Statement of Cash flows

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of Yen	Millions of Yen
Net cash used in 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)
Net cash generated from (used in) 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	12	(3,572)
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	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)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of Yen	Millions of Yen
Net cash generated from financing activities		
(Decrease) Increase in short term loans payable	(31,180)	373,059
Proceeds from long-term loans payable	40,336	45,650
Repayment of long-term loans payable	(28,261)	(59,077)
Proceeds from issuance of bonds payable	140,025	168,187
Redemption of bonds payable	(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	<u>74,575</u>	<u>407,746</u>
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	<u><u>437,148</u></u>	<u><u>713,974</u></u>

(5) Notes to Consolidated Financial Statements

1. Changes in Accounting Policy

Except for the following standards that have been newly applied, the accounting policies adopted in the consolidated financial statements for the fiscal year ended March 31, 2018, are applied consistently in the preparation of these consolidated financial statements.

The Group adopted the following new and revised standards and interpretations beginning with the preparation of the consolidated financial statements for the fiscal year ended March 31, 2019.

Statement of standards		Summary of new standards and amendments
IFRS 9	Financial Instruments	Amendment with regard to hedge accounting, impairment accounting, and classification and measurement of financial instruments
IFRS 15	Revenue from Contracts with Customers	Amendment with regard to the accounting of revenue recognition

IFRS 9 Financial Instruments

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 (“IFRS9 (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.

The details of the changes and their effects are as follows.

Following the application of IFRS 9 (as revised in 2014), a new classification “debt instruments measured at fair value through other comprehensive income” was introduced.

(a) Classification of financial assets

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”)

(b) Subsequent measurement of financial assets

(i) Financial assets measured at amortized cost

Financial assets are subsequently measured using the effective interest method at amortized cost less accumulated impairment loss 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.

(ii) 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, excluding expected credit losses, 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.

(iii) 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.

(iv) 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.

- Following the application of IFRS 9 (as revised in 2014), the Group has applied the impairment requirements for financial assets as follows:

(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 the amount of 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, etc. that do not contain a significant financing component, lifetime expected credit losses are measured on the basis of historical credit losses, etc. using a simplified approach, 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 classified separately as provision for credit losses in the consolidated statement of income.

In the consolidated statement of income for the previous fiscal year, it has not been classified according to transitional measures.

As a result of the above changes, 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 year, 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 yen.

IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 “Revenue from Contracts with Customers” from the 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.

Following the application of IFRS 15, the Group recognizes revenue by applying the following 5-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

There is no significant impact from applying said standard on the interim condensed consolidated financial statements for the fiscal year ended March 31, 2019.

2. Segment Information

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

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

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

“Financial Services Business”

The Financial Services Business consists of a wide range of finance-related business, including securities brokerage business, banking services business, and life, property and casualty insurance business.

“Asset Management Business”

The Asset Management Business primarily consists of fund management and investment in Internet technology, 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, digital asset-related businesses and other businesses, 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:

For the fiscal year ended March 31, 2018

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

For the fiscal year ended March 31, 2019

	Financial Services Business	Asset Management Business	Biotechnology- related Business	Total	Others	Elimination	Consolidated Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Revenue	229,239	118,631	3,729	351,599	3,677	(3,865)	351,411
Profit (loss) before income tax expense	66,568	51,107	(19,179)	98,496	(6,912)	(8,547)	83,037

3. Revenue

	Fiscal year ended March 31, 2018
	Millions of yen
Financial income	
Interest income (Note)	101,837
Dividends received	3,940
Income arising from financial assets 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.

	Fiscal year ended March 31, 2019
	Millions of yen
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 assets measured at FVTPL	63,186
Others	82
Total financial income	175,322
Revenue arising on insurance contracts	77,562
Revenue from contracts with customers (Note1)	
Revenue from rendering of services	79,107
Revenue from sales of goods	3,159
Others	16,261
Total revenue	351,411

(Note 1) Beginning with the fiscal year ended March 31, 2019, the Company changed the method of presentation due to the application of IFRS 9 (as revised in 2014) and IFRS15.

(Note 2) Interest income arising from loans in the banking and securities businesses.

(Note 3) Interest income arising from policy reserve matching bonds in the insurance business.

4. Earnings per Share

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of Yen	Millions of Yen
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	Shares	Shares
Basic weighted average number of ordinary shares	211,683,159	227,057,550
Dilutive effect: Stock options	1,508,956	2,781,002
Dilutive effect: Convertible bonds	25,846,017	27,623,150
Weighted average number of ordinary shares after the dilutive effect	239,038,132	257,461,702
Earnings per share attributable to owners of the Company	Yen	Yen
Basic	220.54	231.43
Diluted	196.88	205.42

5. Events after the Reporting Period

There was no significant event after the reporting period.