

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.

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

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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.

