

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

(Billions of yen)		(Billions of yen)	
2Q FY2018		2Q FY2018	
Revenue		Revenue	
2.0		2.0	
Profit before income tax expense		Profit before income tax expense	
2.0		2.0	
Tax (30%)		Tax (30%)	
-0.6		-0.12	
Profit for the period		Profit for the period	
1.4		1.88	
Profit attributable to owners of the Company		Profit attributable to owners of the Company	
1.4		0.28	
Non-controlling interests		Non-controlling interests	
—		1.6	

(1) If the investment is from a wholly owned subsidiary of SBI Holdings

(2) If the investment is from a consolidated fund (ownership ratio in the fund: 20%)

Tax expense relating to the ownership portion in the fund
 $-2.0 \text{ billion} \times 20\% \times 30\% = -¥0.12 \text{ billion}$

$(¥2.0 \text{ billion} \times 20\% \text{ (ownership ratio in the fund)}) - ¥0.12 \text{ billion (taxes)} = ¥0.28 \text{ billion}$

$¥2.0 \text{ billion} \times 80\% \text{ (non-controlling interests)} = ¥1.6 \text{ billion}$

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.

(Billions of yen)		(Billions of yen)		(Billions of yen)	
SBI Holdings + SBI Investment		Fund		Consolidated P/L	
Revenue		Revenue		Revenue	
5.0		0.0		0.0	
Expense		Expense		Expense	
0.0		-5.0		0.0	
Profit before income tax expense		Profit before income tax expense		Profit before income tax expense	
5.0		-5.0		0.0	
Tax (30%)		Tax		Tax (tax rate 30%)	
-1.2		0.0		-1.2	
Profit		Profit		Profit	
3.8		-5.0		-1.2	
Profit attributable to owners of the Company		Profit attributable to owners of the Company		Profit attributable to owners of the Company	
2.8		Non-controlling interests		Non-controlling interests	
-4.0					

¥100.0 billion × 5% = ¥5.0 billion

Offset as an internal transaction

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:
 $-¥1.5 \text{ billion} + (¥5.0 \text{ billion} \times 20\% \times 30\%) = -¥1.2 \text{ billion}$

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.