

OPEN INNOVATION *to* OPEN ALLIANCE



CONTENTS

SBI Group's Corporate Value Enhancement

01	Unchanging Values	08
02	Basic Management Viewpoint on Business Establishment and Overall Strategy Transitions	10
03	SBI Group's Customer Value.....	12
04	Financial and Non-financial Highlights	14
05	Solving Challenges for the Maintenance and Development of Society	16

Foundations that Support a Sustainable Increase in Corporate Value

Board of Directors and Statutory Auditors	36
Corporate Governance	38
Risk Management	44
Enhancing Human Capital Value	46
Dialogue with Stakeholders.....	48
Environmental Initiatives	49

Key Strategies to Capture the Next Trend in Digital Transformation

Special Feature:

Three Core Strategies to Create a Future that Incorporates a Sustainable Enhancement of Corporate Value..... 18

- Proactively Contribute to Regional Revitalization, through Co-creation of Value with Major Regional Economic Entities
- Proactive Promotion of "Open Alliance"
- Organized Response to Accelerated Digital Transformation (DX).....

Message from the Executive Officer in Charge of Accounting and Finance.....	28
At a Glance.....	32
Review of Operations by Business Segment	
Financial Services Business	33
Asset Management Business.....	34
Biotechnology-related Business.....	35

Finance and Corporate Information

Consolidated Financial Highlights 8-year summary.....	50
Fact Sheet.....	52
Alliance Statuses with Regional Financial Institutions	57
Consolidated Financial Statements of the Group	58
Accounting Policies of the Asset Management Business.....	108
Glossary	109
The SBI Group (Principal Group Companies).....	110
Corporate Data	112
Corporate History	113
Books by Yoshitaka Kitao, Representative Director, President & CEO	114

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.



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 in compliance with SBI Holdings' management policies, 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.

OPEN INNOVATION

to OPEN ALLIANCE



**Maximizing Our
Corporate Value through
Self-evolution and
Co-creation**

Yoshitaka Kitao

Representative Director,
President & CEO

In the two decades since its founding in 1999, the SBI Group has created and nurtured core industries of the 21st century through self-evolution. The Financial Services Business is based on the world's first Internet-based financial ecosystem, and undertakes a broad range of financial services, including securities, banking and insurance. At the Asset Management Business, we conduct investments into and incubation of startup companies, and through the Biotechnology-related Business, we are undertaking the R&D and manufacturing of pharmaceuticals, health foods and other products. Moving forward, we will pursue business growth by actively promoting the "Open Alliance" initiative, to develop win-win relationships with companies that have advanced technologies in such areas as fintech, AI, blockchain and quantum computing, along with companies in different industries. Our goal is to sustainably increase the corporate value and social value of the SBI Group through self-evolution and co-creation of value with a wide range of companies.

KEYWORDS

① Internet revolution:

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

② 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 stock trading commissions, and approval for the establishment of financial holding companies.

③ Customer-centric Principle:

→ See page 10.

④ 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.

Capturing Current Trends to Achieve Sustainable Growth

Three Key Attributes for Business Managers

On a global scale, society, the economy and other aspects are changing at an accelerating pace. This is the environment in which businesses must consistently achieve growth while contributing to the preservation and development of society. To achieve this, I feel that management executives need to show greater foresight than ever before. Ever since the founding of the SBI Group, I have continually thought about what our customers need, where demand lies and how to meet those demands. A management executive must have the perceptiveness to identify these factors. In other words, they need foresight. For myself, I embrace the three words from the wisdom of Chinese classics to define the attributes needed by management executives. They are 幾, 期, and 機, all of which are pronounced as “ki” in Japanese. The first character, 幾, means “signs,” as things do not change suddenly one day, and there are always signs. The ability to perceive those signs is extremely important, as we try to anticipate what lies ahead. The second character, 期, means “timing.” It is vital to determine exactly when things will happen. For example, a new business or service will obviously not be accepted by consumers if we launch it too late or too early. The third character, 機, means the “crucial point.” In business, when we consider a project, we need to be able to identify the pivotal points that define the real nature of that project.

To elaborate, at the time of its founding, the SBI Group sensed that the two major trends in Japan—the Internet revolution ①, and the Japanese Financial Big Bang ②—were “signs” or 幾 that marked transitions to new eras. So, we entered into the online securities business in the second half of the 1990s, when we foresaw the “timing” or 期 to be perfect, since it was the dawn of Internet finance. The SBI Group was then able to achieve growth since we took appropriate actions. For example, we saw that the dramatic reduction of stock trading commissions was a “crucial point” or 機 for the online securities business.

Strategies to Place the SBI Group on a Growth Track

The SBI Group was established at a time when competitive advantages were being transformed by the advent of the Internet era, and a shift to consumer sovereignty. We wondered at that time what we should offer in order to provide the greatest benefits to customers. The answer we found was to adhere to the “Customer-centric Principle ③”, as our core management principle. Deregulation and the total liberalization of stock trading commissions gave us the opportunity to reduce our commissions dramatically through a process that might be described as price destruction. We set the lowest commissions of any online securities company established in that period. Some people were opposed to this strategy. However, by reducing commissions we were able to attract large numbers of customers, which subsequently led to the expansion in our product offerings to enhance customer satisfaction, and added more servers to prevent system crashes. As stated in Hegel's law of the transformation of quantity into quality ④, quantitative growth was accompanied by qualitative improvements in our services. This created a virtuous circle, in which improvements in service quality brought further quantitative growth.

Another important aspect is the creation of a



corporate group in which members can interact. Unlike business development by an individual company, it is to create a business ecosystem **5** based on the science of complex systems **6**, in the sense that the sum of the group will expand. The SBI Group has been able to achieve sustainable growth because we worked strategically under this concept to build a financial ecosystem encompassing a wide spectrum of financial services, including securities, banking and insurance, enabling both individual Group companies and the Group as a whole to strengthen their earning power through synergies and co-evolution.

Management Strategies that Anticipate Future Social Changes

Management Decision-making Criteria

The most important factor driving the continuous growth of the SBI Group has been management decision-making based on sensitivity to changing trends. To make management decisions, we need to understand the criteria for decision-making. Without such criteria, we cannot reach timely and appropriate conclusions. My criteria for decision-making is based are based on three ethical values—trust, justice and benevolence. The word “trust” expresses my determination never to lose the trust of society. “Justice” represents my determination to act in ways that are correct from a social justice perspective, and I define “benevolence” as the ability to think about things from other people’s viewpoints. By constantly comparing our actions to the principles of trust, justice and benevolence, I can ensure that we will not deviate from the correct path.

The SBI Group’s strategy for achieving further growth and success in a world affected by various social issues and trends that are occurring today, is to apply my decision-making criteria to areas in which the SBI Group can help to solve issues and areas that offer opportunities for growth. The overall strategy of the SBI Group will be explained in the following sections.

Proactively Contribute to Regional Revitalization, through Co-creation of Value with Major Regional Economic Entities See Special Feature on Page 20

The SBI Group is contributing to Japan’s national strategy of regional revitalization **7** through various initiatives. For example, SBI Group companies have been supporting the strengthening of the profitability of the regional financial institutions, which have been impacted by the Bank of Japan’s negative interest rate policy, population decline and other factors **8**.

However, to achieve regional revitalization, we need to consider regional economies in a broader context. We see regional economies as consisting of four economic entities: regional financial institutions, local residents, local industries and local governments. Only by revitalizing all of these entities can we achieve the goals of Japan’s regional revitalization strategy.

The concept of Regional Revitalization Partners **9** goes beyond measures implemented in the past, which have focused primarily on regional financial institutions, by targeting all regional economic entities. Together with multiple partner companies that share our commitment to regional revitalization, we will establish Regional Revitalization Partners to coordinate provisions of strategic guidelines, and formulate plans to drive regional revitalization. We will also establish SBI Regional Revitalization Services **9**, which will provide functions that contribute to regional revitalization, and SBI Regional Revitalization Investment and Loan **9**, which will invest in and provide finance to companies that contribute to regional revitalization. The SBI Group will initially own over 51% of the shares in these three companies, in order to create a solid foundation under our leadership, and to ensure that the companies have a firm strategic direction. Regional Revitalization Partners will invite one person from each partner investing company to be appointed as directors, and will be managed democratically as a kind of public good. SBI Regional Revitalization Services will provide a shared system to regional financial institutions, and will strengthen their earning capacity through support in the area of asset management. It will also work with partner companies, focusing on investee

KEYWORDS

5 Business ecosystem:

→ See page 10.

6 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.

7 Regional revitalization:

→ See page 109.

8 Status of alliances with regional financial institutions:

→ See page 57.

9 Regional Revitalization Partners, SBI Regional Revitalization Services, and SBI Regional Revitalization Investment and Loan:

→ See page 21.

KEYWORDS

10 SBI Regional Bank Holdings:

→ See page 22.

11 Money Tap (company):

The company was established in March 2019 to drive the early development of the Money Tap business. Thirty-five banks, including regional banks, co-participated as shareholders (as of April 31, 2020).

12 Corda:

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

startup companies of the SBI Group, to energize local industries and local economies. SBI Regional Revitalization Investment and Loan will provide investment and lending to local startup companies, and other entities with the potential to contribute to regional revitalization. Other activities will include the discovery of high-yield investment and lending projects in Japan and abroad, introduce them to regional financial institutions, and manage such projects. Each of the companies will accept investment from new partners in various industries, such as city banks, regional banks, life and non-life insurance companies, overseas investors and real estate companies. Our founding philosophy that public benefit leads to private benefit is reflected in this concept, and we want to contribute both to the participating companies and to local economies.

On the other hand, the SBI Group has also established SBI Regional Bank Holdings [10](#), which is wholly owned by the SBI Group. This holding company will create a more efficient and effective support structure for regional financial institutions with which the SBI Group has formed capital alliances. Shareholdings in four banks with which SBI Holdings has already formed capital alliances will be transferred to SBI Regional Bank Holdings. We plan to increase the number of regional financial institutions with which we have capital alliances to around 10, and SBI Regional Bank Holdings will be the hub for these relationships, by working closely with the aforementioned SBI Regional Revitalization Services and SBI Regional Revitalization Investment and Loan, to provide the support that will lead to improvements in the corporate value of regional financial institutions. Moving forward, the SBI Group will make decisions on the percentage of shares that it will hold in regional financial institutions based on the wishes of those financial institutions. In principle, and with the consent of the financial institutions concerned, we will either, accept third-party allotments of new shares, acquire shares from existing shareholders, or acquire the number of shares agreed by using both of these methods above. We will continue to expand the scale of this business by actively forming business alliances with credit unions and credit associations that have close relationships with small businesses.

A consequence of the COVID-19 crisis is the possible social shift from concentration in large cities to regional decentralization, which is an important opportunity for people to think about approaches to regional revitalization. Evidence of growing national interest in regional revitalization includes the passage of the amended National Strategic Special Zones Law. The SBI Group will use the additional momentum provided by these social and political changes to intensify its regional revitalization efforts.

Proactive Promotion of “Open Alliance” [See Special Feature on Page 23](#)

The SBI Group has achieved growth by pursuing synergies in its business ecosystem, and by using open innovation to drive innovative research and development, combining the knowledge and technology of the SBI Group and other companies. I believe that we need to go beyond this approach, and develop an even broader framework based on the concept of “Open Alliance.” Under this concept, we will actualize win-win relationships by forming alliances with numerous non-Group companies across a wide spectrum of industries. By using these open alliances to provide comprehensive services to meet a variety of customer needs, we will be able to expand the SBI Group’s customer base. This is not something that can be achieved by a single company, and the SBI Group will proactively pursue collaboration with companies that have the potential to form win-win relationships.

In April 2020, we formed a strategic capital and business alliance with Sumitomo Mitsui Financial Group (SMBC Group), one of the leading megabanks in Japan. This relationship is based on the concept of “Open Alliance.” As for the SMBC Group, along with its capital participation, in Money Tap [11](#), it is also considering capital contribution in SBI R3 Japan. Moreover the SMBC Group is also participating in the Marco Polo Project, which uses the Corda [12](#) platform provided by R3 and the British company TradelX. And by participating in this project, the SMBC Group is focusing on the early adoption and spread of distributed ledger technology (DLT) platforms in the trade finance area. Through the strategic capital and business alliance with the SMBC Group, we will endeavor to build a cooperative relationship based on the use of the strengths of both groups in various business fields, including face-to-face and digital

operations. We are considering the collaborative provision of financial services for novice investors, such as young people accessing securities markets via smartphones, as well as face-to-face securities business at regional financial institutions. There are plans for collaborations across a wide range of business areas. In the investment area, for example, the SMBC Group is considering an investment in a new fund scheduled to be established by the SBI Group, while in the regional revitalization area, it plans to invest in SBI Regional Revitalization Services.

The “Open Alliance” concept is also leading to the realization of Neo-bank and Neo-securities initiatives, which the SBI Group has been promoting for some time.

First, I would like to share my idea of the Neo-bank initiative. Today, banking functions are being unbundled while companies in other industries, such as IT companies and retailers, start to use banking functions to offer services that were traditionally provided only by banks, such as deposits, loans and foreign exchange (FX), in order to expand the scope of their business operations. Corresponding to this development, SBI Sumishin Net Bank has been providing these banking functions to various external partners as a platform. We are promoting the Neo-bank initiative as a way of working with these partner companies to collaboratively build mechanisms that will enable the partner companies’ customers to access financial services smoothly and easily. In this regard, in October 2018, SBI Sumishin Net Bank established the Neo-Bank Department.

SBI Sumishin Net Bank has been providing banking functions to the customers of external companies since it launched Japan’s first API [13](#) alliance in 2016. In September 2017, the formation of a partnership with Japan Airlines (JAL) resulted in the establishment of JAL Payment Port [14](#) as a joint venture. In 2019, SBI Sumishin Net Bank signed banking agency outsourcing agreements with several major companies, including the Recruit Holding Group and the Asahi Kasei Group. It has reached the stage at which it can start to create new services based on the Neo-bank initiative. For example, it has started to collaborate with the Hikari Tsushin Group on the creation of new businesses targeting its customer base in the small and medium enterprise sector. In addition, Japan Net Bank, a member of the Z Holdings Group, is in preparation to provide Flat 35 [15](#) housing loans handled by SBI Sumishin Net Bank.

SBI Sumishin Net Bank is currently preparing for an initial public offering, and has selected Nomura Securities as one of its lead managers.

The SBI Group is also working to advance the Neo-securities initiative. Based on our vision of a next-generation approach to the securities business, we are endeavoring to eliminate commissions on online trading in Japanese stocks, as well as some of the other costs that are currently borne by investors. We have already started to realize Neo-securities initiatives, beginning with measures that have a minimal impact on profit. The next step will be to eliminate commissions on stock trading and other transactions through SBI NEOMOBILE SECURITIES. We then plan to move forward in a phased manner with the elimination of commissions for online spot and margin trading of Japanese stocks. In the fiscal year ended March 31, 2020, commissions for online domestic stock trading accounted for 17% of the operating revenues of SBI SECURITIES. In preparation for this final phase, we are endeavoring to reduce this to 5% or lower.

To reduce our reliance on commissions from online trading of Japanese stocks, we will need to achieve further improvements in our positioning in the retail business, which is already far superior to that of our competitors. We will also need to develop a business structure that does not depend on stock commissions. Specifically, we will step up our efforts to diversify our revenue streams. For example, we will focus on primary and secondary underwriting of stocks and bonds, and businesses relating to M&A, while also expanding our brokerage business with customer financial institutions through the Financial Institutional Sales Department, and further strengthening our corporate businesses through the reinforcement of the Business Corporation Division, and other measures.

We are already making progress toward the diversification of our revenue streams, thanks to sustained growth in FX revenues and other trading revenues. We anticipate that these trends will continue to contribute to improvement in the earning power of SBI SECURITIES.

KEYWORDS

[13](#) Application programming interface (API):

An API is a protocol to enable the managing of data and software functions from an outside program source. As a result of the enactment of the Act for Partial Revision of the Banking Act in May 2017, banks are obliged to make efforts to promote open APIs (publicly available APIs), which will ensure safe data communication with outside businesses. Also, collaborations with businesses other than financial institutions will lead to the creation of innovative financial services.

[14](#) 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.

[15](#) Flat 35:

Flat 35 is the name of a long-term, fixed-rate housing loan with a repayment period of up to 35 years. The Japan Housing Finance Agency handles this loan in partnership with more than 300 financial institutions nationwide.

KEYWORDS

16 Rheos Capital Works:

An asset management company managing investment trusts such as the “Hifumi Toushin,” which has earned high evaluations from individual investors.

17 Digital transformation (DX):

DX is a concept proposed in 2004 by Professor Erik Stolterman at the Umeå University in Sweden. It proposes that companies are responding to drastic changes in the business environment, and are utilizing data and digital technologies in order to transform their products, services and business models to fit the needs of its customers and society. At the same time, companies are transforming their operations, organization, processes and corporate culture to establish a competitive advantage.

18 Security token offering (STO):

→ See page 109.

19 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 “RippleNet,” DLT developed by the U.S. company Ripple.

FX-related business is the main source of trading revenues. We expect this area of business to expand further as more and more domestic and overseas companies participate in the SBI Group’s OTC market. Our trading revenues also include revenues relating to trading in crypto-assets. SBI VC Trade, which was registered to engage in the crypto-asset exchange business in September 2017, has been offering exchange services since July 2019. Under the new legislation, including the amended Payment Services Act that took effect in May 2020, it began to expand its business in collaboration with SBI FXTRADE. We expect the revenue contribution from crypto-asset trading to expand in the future.

As part of the Neo-securities initiatives, we will also explore opportunities for M&As in Japan and abroad in business areas that will lead to reductions in our reliance on online domestic stock trading commissions. The target areas that we have selected for M&As include FX and crypto-asset businesses, M&A brokers, as well as asset management companies. One example of this approach is our acquisition of shares in Rheos Capital Works 16, which became a consolidated subsidiary in June 2020. Through this acquisition, we strive to develop new customers and to increase trust fees by expanding the balance of assets under management.

Organized Response to Accelerated Digital Transformation (DX) 17 [See Special Feature on Page 27](#)

The SBI Group has achieved rapid growth in step with the expansion of the Internet by creating its own business model in the form of a financial ecosystem based on IT. Currently, companies in the financial sector and various other industries are introducing advanced technologies, especially AI, blockchain/DLT, as well as other technologies with a strong affinity to these areas, such as big data, IoT and robotics. The SBI Group will continue to focus actively on investment and partnership with promising companies in these fields of advanced technology. In addition, financial service companies in the SBI Group will increase their efforts to develop new services and products, and create new financial businesses based on these leading-edge technologies.

Particularly at a time when the shift from analog to digital processes, known as DX, is accelerating significantly, we will further expand the SBI Group’s activities in digital asset fields through the use of blockchain/DLT, and other technologies. Specifically, we are building a global organizational structure centering on SBI Digital Asset Holdings as the basis for an organizational response in step with the DX era. A key focus for the SBI Group, as we work to increase the use of DLT, is the security token offering (STO) 18 method of procuring finance electronically. In October 2019, the Japan Security Token Offering Association was established to support the healthy development of the industry, and to formulate a self-regulatory system. As of July 2020, 10 securities companies are participating as full members, while 23 companies that support STO issues have joined as supporting members. As a result of a law amendment in May 2019, which has become effective from May 2020, STO transactions that involve the use of tokens to procure finance have been regulated to be covered by the Financial Instruments and Exchange Act. Going forward, we will gather wide-ranging knowledge from companies participating in the Japan Security Token Offering Association, and explore opportunities for STO-related business that combines robust compliance with Japanese laws and regulations, together with effective protection for investors.

As I believe that the DLT of the U.S. companies Ripple Labs and R3, which provides the Corda platform, are the closest to becoming global standards for international remittances, trade finance and other various financial businesses, we have been collaborating with both companies. While the SBI Group is the largest external shareholder in both Ripple Labs and R3, we have further strengthened our relationship with both companies, including the establishment of SBI Ripple Asia as a joint venture with Ripple Labs in 2016, and SBI R3 Japan as a joint venture with R3 in January 2019.

We are rapidly rolling out next-generation financial infrastructure based on DLT. For example, in October 2018 we began to distribute a DLT-based smartphone money transfer app “Money Tap” 19, which was jointly developed with Ripple Labs to provide secure, low-cost remittance and payment services. Currently, we have started to establish links with

prepaid charge providers that would enable the commencement of full-scale services supporting easy and low-cost connection, compared to existing infrastructure, for both banks and prepaid charge providers.

Continue to be Essential to Society

Outlook for the Post-COVID-19 Era

The global spread of the COVID-19 pandemic is causing losses and lifestyle changes on an enormous scale. I believe this crisis will trigger major social changes. Particular social changes relevant to the business activities of the SBI Group are likely to include a shift to cashless payments as a way of reducing contact and infection risks, and the evolution of services based on highly reliable and transparent blockchain technology. Apart from this, increased security needs arising from the development of remote working environments and DX are also likely to be seen. These changes will provide a positive impetus for the SBI Group's focused business and service areas. While there is a risk that the COVID-19 crisis will affect our business performance, this transitional phase is also likely to lead to the spread of new technologies and structures. As a company that has always taken up the challenge of creating innovative businesses and providing new services, we see this as an opportunity for business growth.

Furthermore, we have responded to growing interest in infection countermeasures by accelerating our investment in startup companies in the areas of biotechnology and healthcare. We will support the creation of new businesses in related areas, such as healthcare, medical treatment and health management. In addition, the SBI Group is determined to ensure that the present transition results in outcomes that are positive from a long-term perspective, by using IT, including robotic process automation (RPA) ²⁰, to reengineer our internal structures and rationalize our business processes.

Human Virtue and Corporate Virtue

I will conclude with a few words about my management philosophy. I have been thinking about the proper role for companies ever since I graduated from university and entered the world of business. In so doing, I have discovered valuable insights in the Chinese classics, which I had been familiarized with since childhood. Over the years, I became aware that companies, like people, can have virtue. A company that has a strong sense of virtue will succeed in business and earn the respect of society. To harmonize corporate management with society, we need to enhance our corporate virtue by recognizing our social role and earning the trust of society. The COVID-19 pandemic will have an enormous social and economic impact, but there are ways in which the SBI Group can contribute in this situation. While pursuing our overall Group strategies, we are also working to find solutions to social issues through our core business activities. We will continue to contribute to the maintenance and development of society.

As stated in our management philosophy, the maintenance of sound ethical values is especially important for us because of our involvement in the financial sector. We will continue to endeavor as a corporate Group that is enduringly beneficial to the world, as well as to the people, and is essential to society.

Yoshitaka Kitao

Representative Director,
President & CEO

KEYWORDS

²⁰ Robotic process automation (RPA):

The use of artificial intelligence (AI) or machine learning, is a technology by which AI learns through repetition, for the purpose of performing primarily back-office, white-collar tasks.



Without Society, Companies Cannot Thrive Without Companies, Society Cannot Thrive

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

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 by providing financial services that further enhance benefits for customers.



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.

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.

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

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 believe that a company has "Corporate Virtue" just as a person has "Human Virtue," and 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.

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 even further. 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. It also contributes to the improvement of human capital value, and to better products and services. We believe it will lead to the creation of and an increase in customer value. By maintaining this virtuous cycle, we will endeavor to improve our corporate value over the medium to long term.

Components of Enhanced Corporate Value



Customer Value

Customer value is the value a company provides to its customers, and the primary value of goods and services provided by the SBI Group. Since its founding, the SBI Group has advocated the “Customer-centric Principle,” and has provided outstanding price competitiveness for products and services in the financial services businesses such as in the securities, banking and insurance businesses using the Internet. Currently, we are working to improve customer value by enhancing products and services that utilize advanced and innovative technologies such as AI and blockchain, promoting digital asset-related businesses such as crypto-asset exchanges to develop new financial services.



Shareholder Value

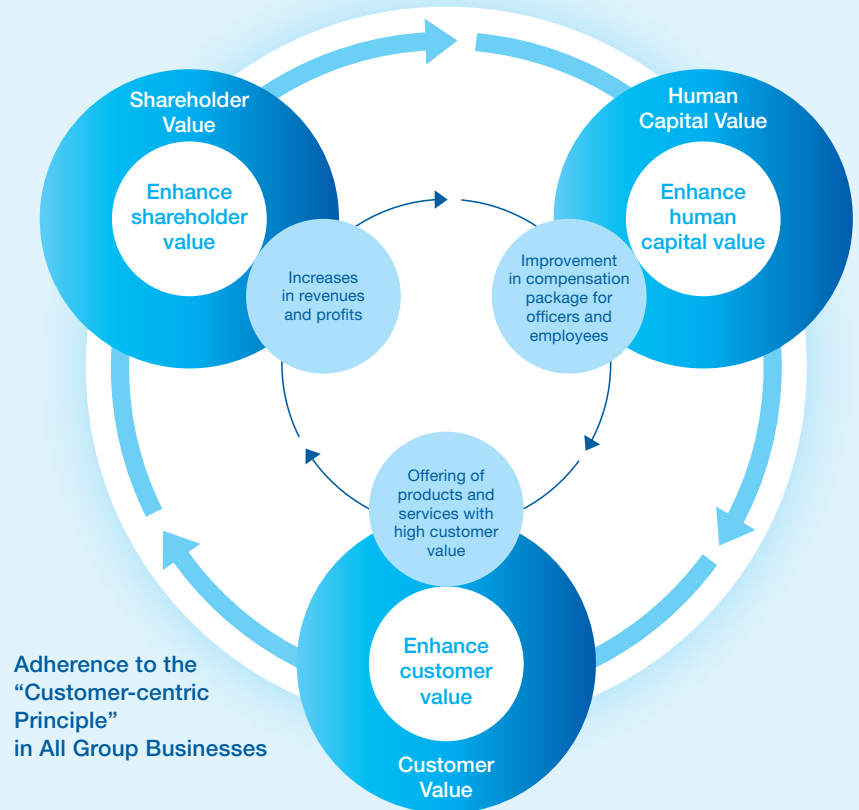
The SBI Group considers shareholder value to be the total present value of free cash flows expected to be received by shareholders and creditors in the future. We monitor return on equity (ROE) as one of the key business indicators associated with increasing shareholder value, and are committed to maintaining a level of 10% or higher. On the other hand, from the perspective of the sound growth of the company as a going concern, management focusing solely on ROE will only achieve short-term growth. Therefore, the SBI Group will not only allocate the profits and cash generated through improved business performance owing to an increase in customer value to shareholder returns, but will also distribute them in a well-balanced manner, for investment into further future growth, and to increase shareholder value.



Human Capital Value

The SBI Group considers people to be a source of competitiveness and differentiation, and have continuously recruited employees, to secure a large number of talented individuals both domestically and abroad. The SBI Group is also engaged in educational training through SBI Graduate University, which is fully supported by the SBI Group, and endeavors to select young qualified staffers to officer positions, as well as promoting women to managerial positions. We have also been focused on developing human resources by conducting evaluations based on their abilities, regardless of nationality, race, age, gender, or disability. In addition, we have created a work environment that is conducive to employees, and have raised employee engagement by giving consideration to maintaining and improving the health of employees, and supporting their desired career development.

Mechanism to Enhance Corporate Value



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 the execution of the Group's overall strategy that is 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 have harnessed 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, as well as integrating the online and physical store outlets, in order to cater to our customers' 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 support the core businesses, which have realized their mutual synergies to have achieved remarkable business developments. 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.

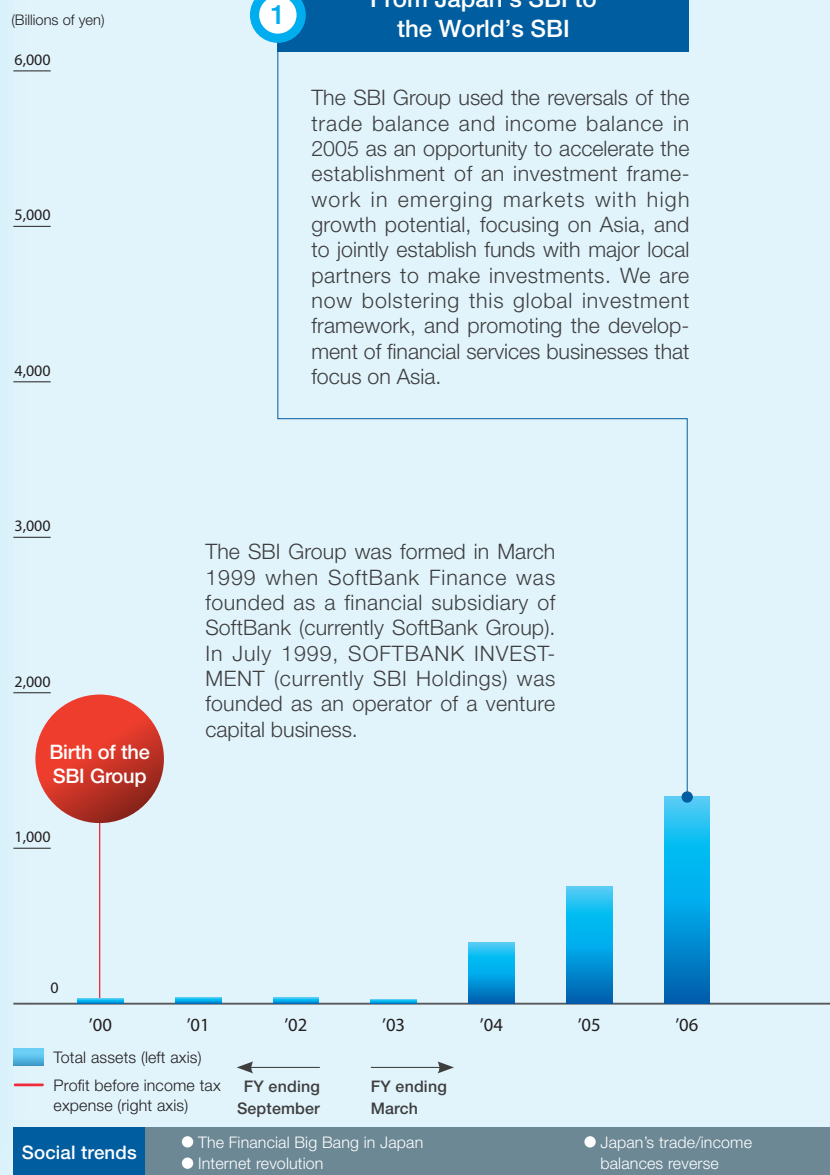
Transitions in overall strategy

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

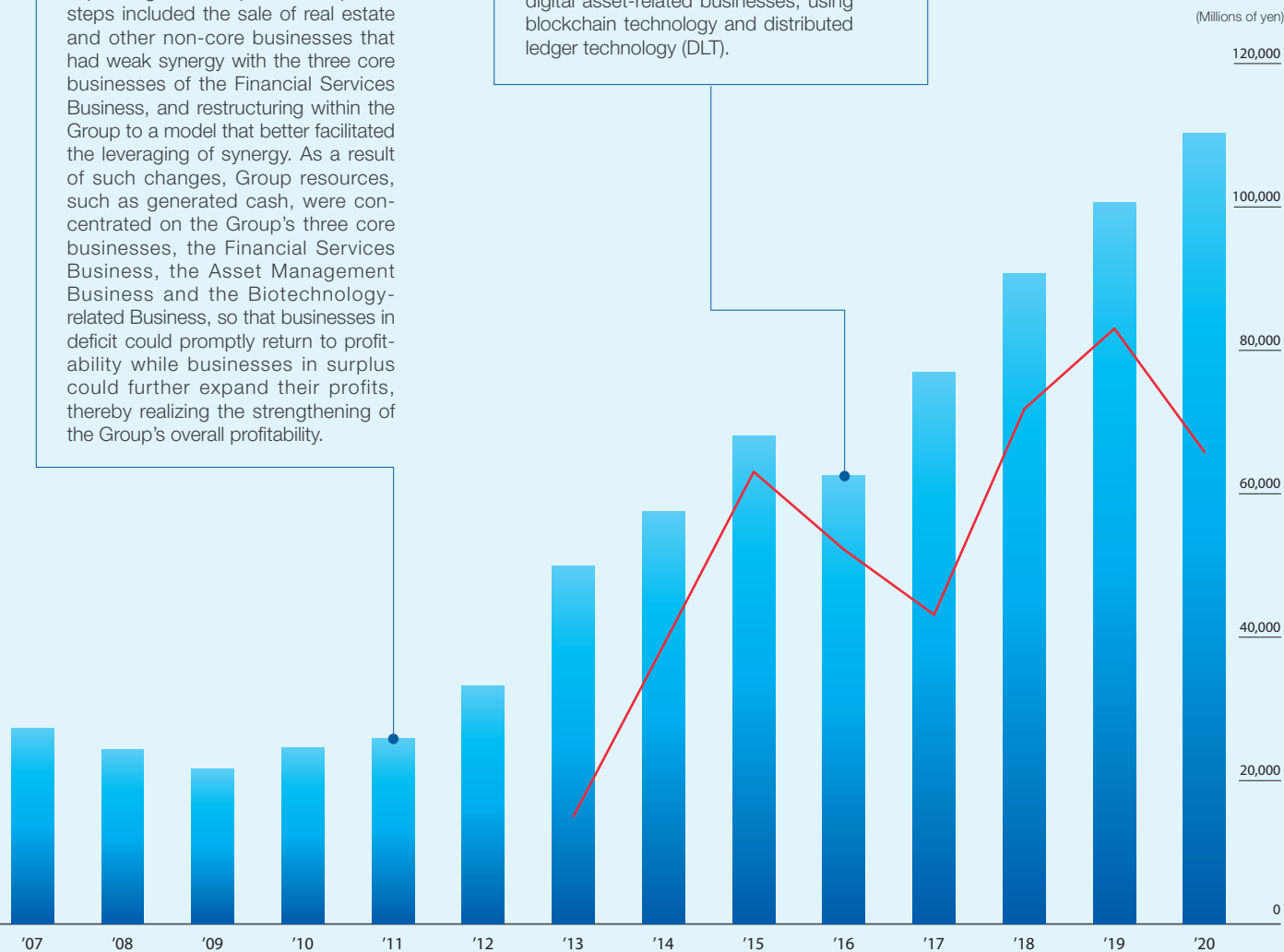
During a deteriorating business environment originating from the BNP Paribas shock, the SBI Group fully instituted a “selection and concentration” approach to its businesses starting in FY2010, in order to transition into a profitability focused business management, from that which was focused on expanding the Group’s scale. 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 Fintech expansion and blockchain utilization

Up until now, the SBI Group has realized dramatic Group growth through the building of an online financial ecosystem. As we move into the future, we are striving to evolve into a new financial ecosystem centered on the revolutionary blockchain technology, while introducing fintech into the financial services offered by the SBI Group. We are also accelerating the rollout of digital asset-related businesses, using blockchain technology and distributed ledger technology (DLT).

4 Contributing to regional revitalization

In order to contribute to the national strategy of regional revitalization, the SBI Group will expand alliances with financial institutions nationwide, and improve the profitability of regional financial institutions to advance initiatives that will raise corporate value. Furthermore, not only will we engage with regional financial institutions in these endeavors, but we will also become more directly involved in the revitalization of regional economies. To this end, we are consummating alliances with various companies as we move forward on initiatives for regional revitalization from a higher perspective.



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 page 109).

● Spread of COVID-19

FINANCIAL SERVICES BUSINESS

Customer Satisfaction Assessment of Financial Services Business Companies (As of June 30, 2020)



SBI証券
[SBI SECURITIES]
Online securities comprehensive ranking

1st

*Oricon customer satisfaction ranking[®] of 2020; Online securities 1st place



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

1st

Fiscal 2019 Japanese Customer Satisfaction Index Banking 1st place

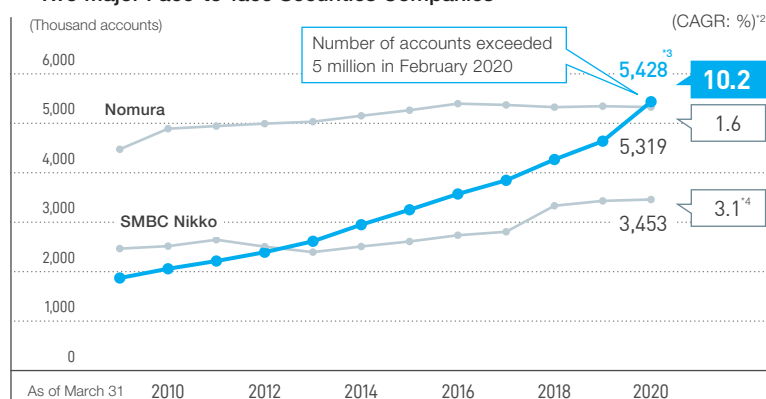


SBI Insurance
Auto insurance premium satisfaction ranking

1st

Kakaku.com; Auto Insurance Satisfaction Ranking (2020) 1st place

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



Sources: Each company's published information

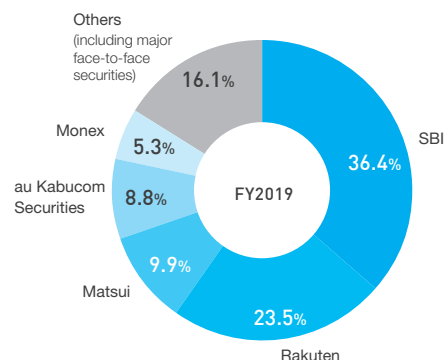
*1 As of March 31, 2017, Daiwa Securities' number of accounts totaled 3,886 thousand accounts. Daiwa Securities has not disclosed its figures beyond March 31, 2017

*2 June 2009 to March 2020

*3 Includes assets at SBI Neomobile Securities since June 2019

*4 Merged with SMBC Friend Securities in January 2018

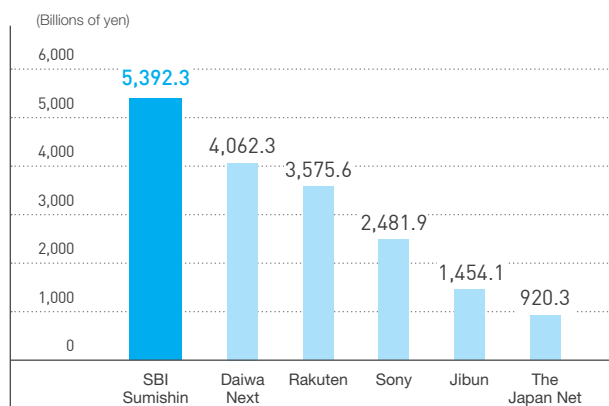
Share of Individual Stock Trading Value



Note: Shares are calculated by dividing each company's individual stock trading value or individual margin trading value by the total individual stock trading value or individual margin trading value of the 1st and 2nd sections of the Tokyo and Nagoya Stock Exchange, including the ETF and REIT trading values, respectively

Sources: Tokyo Stock Exchange statistics; each company's published information

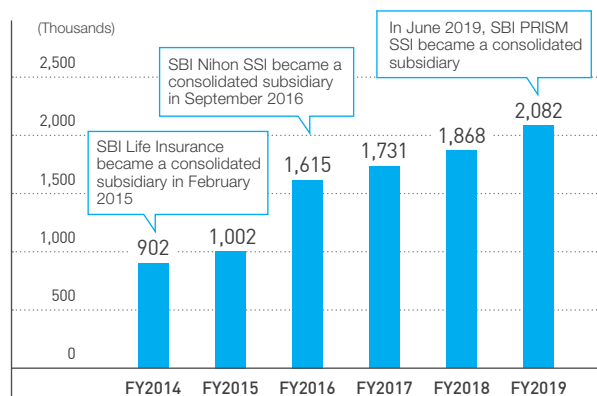
Deposit Assets at Six Pure-play Internet Banks (Non-consolidated)



Sources: Each company's published information

Note: As of March 31, 2020

Number of Contracts in SBI Insurance Group



Note: Simple sum of the number of contracts of SBI insurance, SBI Life Insurance, SBI IKIKI SSI, SBI Nihon SSI, SBI Resta SSI and SBI PRISM SSI (formerly, JAPAN ANIMAL CLUB)

Number of Providers of the White Label Banking App

9 banks

(As of June 30, 2020)

FUKUSHIMA-BANK	Momiji Bank	Shimane Bank
THE CHIKUHO BANK	The Ehime Bank	The Kitakyushu Bank
The Shimizu Bank	THE TOWA BANK	The Yamaguchi Bank

Note: Companies are listed in alphabetical order

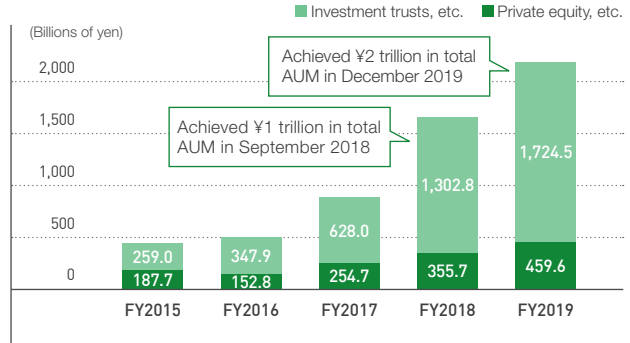
Corporate Venture Capital (CVC) Funds Under Management

CVC partners	Fund name	Total Investment Commitment (Billions of yen)
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
FUSO CORPORATION	FUSO-SBI Innovation Fund	5.0

Note: In addition, there are three private funds (total investment commitment of ¥24 billion)

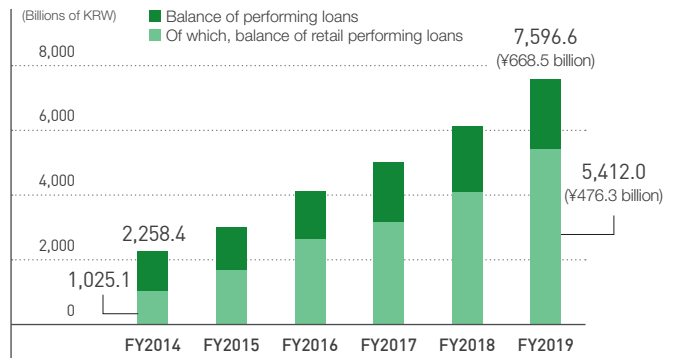
ASSET MANAGEMENT BUSINESS

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. If Morningstar Asset Management provides investment advisory services, for funds that SBI Asset Management provides investment instruction to, assets are recorded in both Investment trusts and Investment advisory, respectively, so there are some overlapping amounts

Balance of Performing Loans at SBI SAVINGS BANK of South Korea



Note 1: Based on K-GAAP
 Note 2: Conversion rate of 1 KRW = ¥0.088

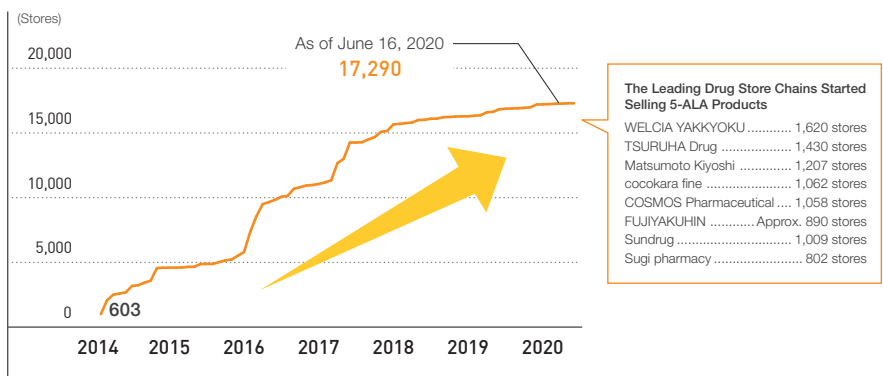
BIOTECHNOLOGY-RELATED BUSINESS

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

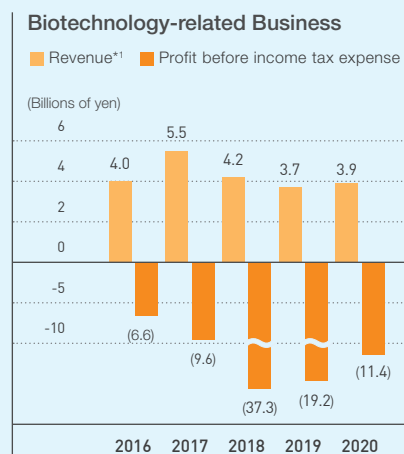
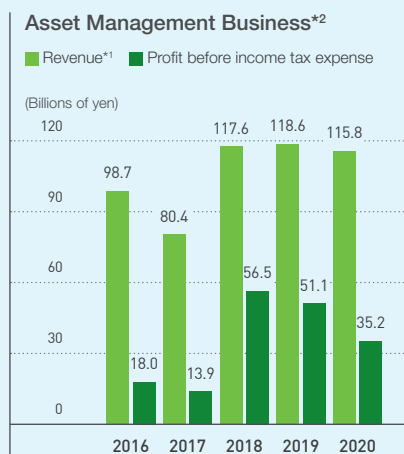
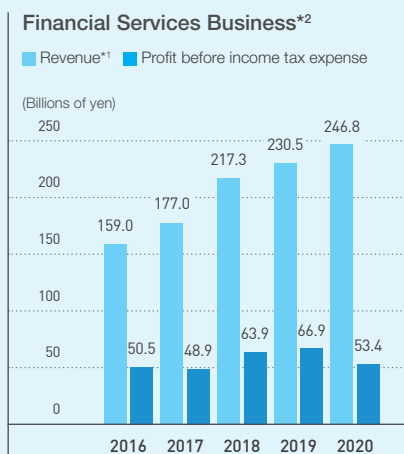
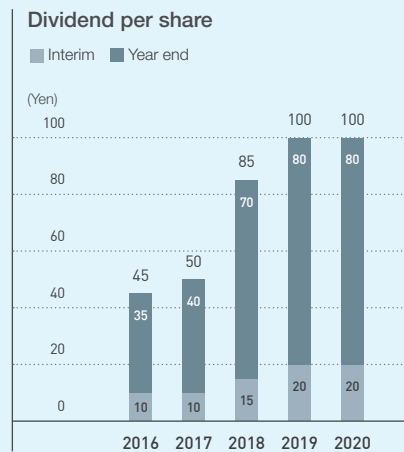
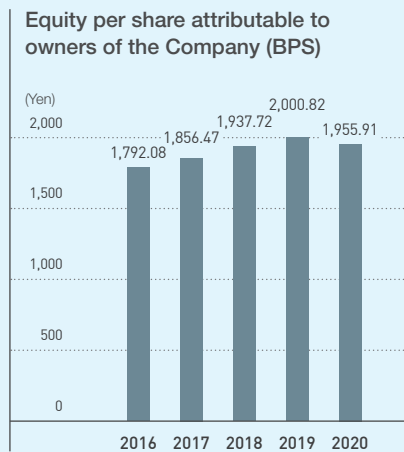
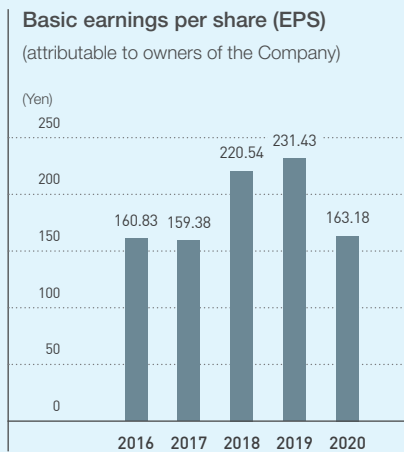
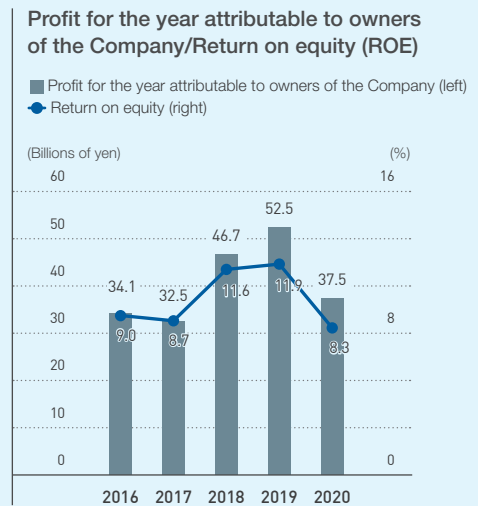
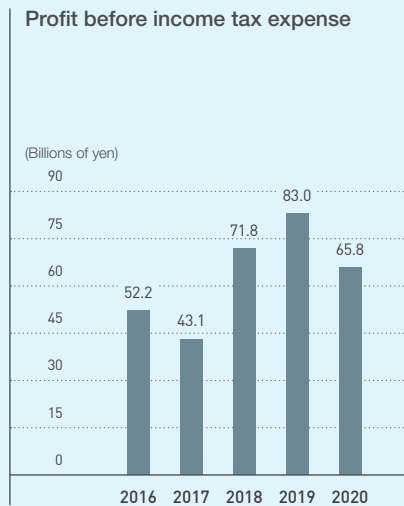
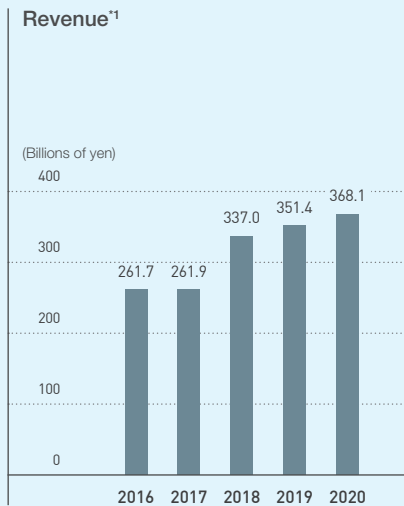
Over 40

(As of March 31, 2020)

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



Consolidated Financial Highlights (IFRSs)



*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"

*2 For the fiscal years ended March 31, 2016 to 2020, 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

22 countries and regions

(As of March 31, 2020)

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)

35.4%

(As of March 31, 2020)

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

Number of Group companies that have made initial public offerings

15 companies

(As of March 31, 2020)

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 / **15.4%**

(As of June 30, 2020)

SBI Holdings has appointed two female Directors, accounting for 15.4% of the total 13 Directors.

Number and percentage of Independent Outside Directors

5 persons / **38.5%**

(As of June 30, 2020)

SBI Holdings has appointed five Independent Outside Directors, accounting for 38.5% of total of 13 Directors.

Attendance rate at Board of Directors meetings

99.5%

(FY 2019)

The attendance rate at Board of Directors meetings for Directors and Statutory Auditors is 99.5%.

Rating for long-term issued bonds

BBB+

(As of September 5, 2019)

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

Institutional investor ratio in shareholder composition

70.9%

(As of March 31, 2020)

The ownership ratio of domestic and foreign institutional investors is rising, and foreign ownership alone accounts for a high 45.8% of all shareholders.

Cumulative donations made by the SBI Children's Hope Foundation

Approx. **¥1,060** million

(As of March 31, 2020)

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 ¥1,060 million, up to the fiscal year ended March 31, 2020.

Efforts for Sustainable Coexistence with Society

Basic Approach

The SBI Group has contributed in the maintenance and development of society, while seeking harmony with various stakeholders as a constituent member of society. The basis for this approach is not the profit motive, but rather a belief in contributing to a society that is fair, comfortable, environmentally friendly and safe. In keeping with this belief, the Group aspires to be a strong and respected company, that not only pursues commercialization opportunities and practices that uphold the principle of social justice, but also actively engages in direct social contribution activities. This page introduces the main points of the SBI Group's efforts in contributing to the solving of social challenges under such policies.

Toward the Achievement of the Sustainable Development Goals

The Sustainable Development Goals (SDGs), which form the core of the 2030 Agenda for Sustainable Development, adopted by the United Nations in 2015, are attracting increasing interest in Japan and abroad as goals to be pursued by the global community. SDGs require government agencies, companies and citizens to join together to address issues that the global

community faces, such as climate change, economic inequality, sustainable consumption/production, peace, etc.

Since its establishment, the SBI Group has sought to fulfill its corporate social responsibility, and contribute to the maintenance and development of society through the active pursuit of CSR activities, which subscribes to the goals set forth in the SDGs. The Group will continue to embrace the SDGs and respect other international norms, and always engage in business activities from a global perspective.



Main Areas	Example Efforts	Social Challenges (SDGs)
<p>Contributing to society through main business activities:</p> <p>By conscientiously recognizing the challenges facing the global society, we will contribute to the realization of a sustainable society through our businesses.</p>	<ul style="list-style-type: none"> Contributing directly to regional revitalization by promoting local economic stimulation (➔ page 20) Contributing to the fostering of new industries and technological innovation Contributing to the medical and healthcare needs of people through the Biotechnology-related Business Efforts toward solving poverty in emerging nations Propagation of renewable energy and regional development 	
<p>Direct social contribution:</p> <p>We will contribute to the maintenance and development of society through direct social contribution activities, by returning profits gained through our businesses to society.</p>	<ul style="list-style-type: none"> Contributing to health management Through its partnership with and support of the Tokyo International Clinic, SBI Wellness Bank contributes proactively to health management in the three areas of prevention, treatment and age management. Support for abused children (SBI Children's Hope Foundation) <p>For details, please visit our website: https://www.sbigroup.co.jp/csr/childwelfare.html</p> <ul style="list-style-type: none"> Nurturing talented individuals through the SBI Graduate School, so they may energize the economy and society in Japan, and around the world 	
<p>Enhancement of management foundation:</p> <p>We aspire to become a company with "Corporate Virtue," through the appropriate and effective execution of our businesses.</p>	<ul style="list-style-type: none"> Strengthening corporate governance (➔ page 38) Risk management (➔ page 44) Securing and nurturing talented individuals (➔ page 46) Environmental conservation initiatives (➔ page 49) 	

Examples of Contributing to Society through Business

Contributing to Regional Economies through Solving the Challenges Facing Regional Financial Institutions



Regional financial institutions are expected to continue facing challenging circumstances in the business environment, owing to the prolongation of a negative interest rate policy, the emergence of new financial services as a result of technological innovation, and the acceleration of a declining population owing to demographic aging. The SBI Group has established close relationships with regional financial institutions over the past three years, and will further advance the co-creation of value with these institutions moving forward. In addition to shared use of various systems and ATMs, projects that support regional financial institutions in order to contribute to regional revitalization, including backing for nationwide implementation of business operations through the use of fintech, and the pursuit of other efforts that strengthen the earning capacity of regional financial institutions will be implemented. If the asset management capabilities and product development capabilities of regional financial institutions improve as a result of the utilization of the SBI Group's wide-ranging operational resources, these institutions will be able to contribute to a steady asset formation by local residents. If this in turn stimulates consumption and investment by local residents, it will lead to a revitalization of the regional economies. In this way, through its support for regional financial institutions, the SBI Group will contribute to the creation of a virtuous cycle that will contribute to regional revitalization.

Contributing to the Fostering of New Industries and Technological Innovation



One of the SBI Group's corporate missions is to become a "New Industry Creator," therefore we are engaged in the investment business to achieve this mission. Ever since the Group was founded, we have made focused investments in growth sectors that will become the next-generation core industries, such as IT, biotechnology, environment and energy, fintech, AI and blockchain. In particular, in the IT sector, where technological advancements are rapid, we have set up funds that target key investment sectors in response to changes in the times and technology. We started in the 1990s with investments in U.S. Internet-related companies, and in 2000 we set up a venture capital fund that was the largest in Japan at the time (¥150.5 billion in total commitment amount), contributing to the development of many domestic Internet-related companies. Since then, we have continued to invest in and support companies involved in businesses such as communications infrastructure, mobile communications, smartphones, fintech, AI and blockchain. On the other hand, we entered the biotechnology sector in 2003, investing in a drug discovery startup company, as well as engaging in support activities, and have since set up multiple funds that support companies involved in the life science, healthcare and biotechnology fields.

In this way, we are actively assisting companies that will shape the society of the future, and contribute to the fostering of new industries and technological innovations.

Helping to Meet Medical and Healthcare Needs through the Biotechnology-related Business



Since worldwide interest in medicine and healthcare has grown, the SBI Group established its presence in the biotechnology sector in

2003 by investing in and supporting companies in this sector, and have since established multiple funds to invest in and nurture promising startup companies that will meet the needs of the life science, healthcare and biotechnology fields. We will continue to actively invest in this field, as interest is further heightened, owing to the COVID-19 pandemic.

The SBI Group is also involved in bio-related business operations. In addition to having supported the creation of pioneering medical and pharmaceutical products at the forefront of biotechnology, we contribute to people's health and beauty through the development and sale of medical, health and cosmetic products containing 5-Aminolevulinic Acid (5-ALA).

Solving Poverty in Emerging Countries



SBI Social Lending uses crowdfunding to help solve poverty in emerging nations. For instance, through the SBISL Cambodia Micro-finance Loan Fund operated by SBI Social Lending, financing is made available to businesses that provide small loans and other microfinance services to the poor and low-income segments of the population in Cambodia. Many of Cambodia's poor earn income through occupations such as farming, raising livestock or selling produce. Even when they want to obtain financing to expand their businesses, they are unable to access the financial services of banks or insurance companies, so we are assisting people like this to boost their income by providing them with small-sum financial services.

In addition, the SBISL Cambodia Mobility Loan Fund implements financing for IoT-enabled automotive sales business operations of the borrower, and its Cambodian subsidiary. By installing an IoT terminal in the vehicle, it becomes possible to manage engine operations through remote control, which is an effective deterrent that leads to reduced loan recovery risk. Demand for used vehicles is rapidly expanding in Cambodia, in line with its economic growth, but the distribution of improperly maintained vehicles has been a cause of traffic accidents. In order to solve this issue, the borrower and its Cambodian subsidiary are contributing to the development of a healthy mobility market for Cambodia, by promoting the expansion of high-quality vehicle inspections and maintenance.

Propagation of Renewable Energy and Regional Development



As power generation from renewable energy sources increases worldwide, the effective implementation of regional resources such as solar, wind, geothermal, small-scale hydropower and biomass is attracting interest in Japan, as a crucial presence for future regional economies. In addition to solar power, SBI Energy is developing solar sharing operations (farming-type solar power generation) that generates solar power on farmland, while agricultural activities continue, as well as small-scale hydropower and biomass power generation. Through power generation business operations like these, we are engaging in regional economic revitalization by promoting the use of local resources and natural energy. This helps increase energy self-sufficiency rates, contributing to regional sustainability through local production for local consumption.

SPECIAL FEATURE



Three Core Strategies to Create a Future that Incorporates a Sustainable Enhancement of Corporate Value

While it is difficult to accurately predict the future in the face of dramatic changes in the social environment, through the accumulation of knowledge, ingenuity and hard work, we believe that we can help create a future of our own making.

The SBI Group is implementing three core strategies to create a new future. They are to capture the next trend of digital transformation, shape the next-generation evolution through open alliances and endeavor to continually increase corporate value.

Since our founding, it has been our constant tenet to capture current trends to create innovative businesses that benefit people and society, and this is embodied in the foundation of our three core strategies.

OPEN INNOVATION *to* OPEN ALLIANCE

1

Proactively Contribute to Regional Revitalization, through Co-creation of Value with Major Regional Economic Entities

page 20–22

The SBI Group has been broadening its relationship with regional financial institutions, with a primary focus on the Financial Services Business. In order to contribute more directly to regional revitalization, we will promote the vitalization of entire regional economies through collaborations with the four economic entities of regional financial institutions, local residents, local industries and local governments.

Financial Services Business

Asset Management Business

2

Proactive Promotion of “Open Alliance”

page 23–26

The “Open Alliance” concept denotes a win-win relationship, through the formation of alliances with numerous non-Group companies. The Neo-bank and Neo-securities initiatives, which the SBI Group has been promoting for some time, are based on this concept. Through open alliances, we will create a system that can provide comprehensive services to meet the diverse demands of various customers, which cannot be provided by a single company.

Financial Services Business

Asset Management Business

3

Organized Response to Accelerated Digital Transformation (DX)

page 27

As COVID-19 continues to expand across the globe, it is expected to exert major changes upon society. The SBI Group is taking an aggressive approach to create business opportunities in the digital asset field, through the use of blockchain and distributed ledger technology (DLT), to continue to advance the shift from analog to digital.

Financial Services Business

Asset Management Business

Other

Relationship between Each Strategy and Segment, and Mutual Utilization of Management Resources across the Group to Execute Strategies

	Financial Services Business	Asset Management Business	Other
1. Proactively Contribute to Regional Revitalization, through Co-creation of Value with Major Regional Economic Entities	←→	←→	
2. Proactive Promotion of “Open Alliance”	←→	←→	
3. Organized Response to Accelerated Digital Transformation (DX)	←→	←→	←→

1 REGIONAL REVITALIZATION

Proactively Contribute to Regional Revitalization, through Co-creation of Value with Major Regional Economic Entities

Contributing to regional revitalization by promoting co-creation with the four major regional economic entities: regional financial institutions, local residents, local industry and local governments.

■ Results from Expanding Cooperation with Regional Financial Institutions

The SBI Group has been endeavoring to rejuvenate regional financial institutions, which have fallen into a difficult business environment, through measures to increase their profitability by broadening and strengthening collaborations, for over three years. In the securities-related field, SBI SECURITIES announced the offering of financial instruments intermediary services with a total of 40 regional financial institutions as of June 30, 2020, and used this to support the cultivation of new customers and deepen the connection with existing customers. Also, through the Financial Institutional Sales Department at SBI SECURITIES, its brokerage business expanded to a total of 379 customer financial institutions, as of March 31, 2020. In addition, joint branches of SBI MONEY PLAZA and regional financial institutions have now been added at 15 branches with 12 banks, as of June 30, 2020. Total assets on deposit at the branches have increased over 50 times since the beginning of collaborations with regional financial institutions in October 2017. In the insurance-related field, we are actively advancing cooperation with regional financial institutions toward the growth in insurance product sales at each company. As of March 31, 2020, 50 companies, including 17 financial institutions, have decided to

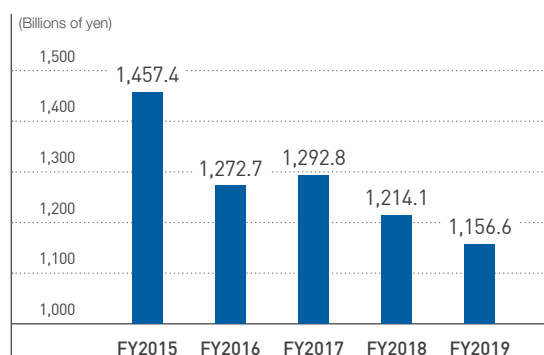
distribute insurance products handled by SBI Insurance, while 19 regional financial institutions and other institutions, including 8 regional banks, have decided to start sales with SBI Life Insurance.

■ Regional Revitalization Partners will Contribute Directly to Regional Revitalization

Until now, we have been strengthening our collaborations with regional financial institutions, but in order to also incorporate regional economic revitalization along with the revitalization of the regional financial institutions, it will be necessary and essential to work with the other three main entities of the regional economy, which are local residents, local industry and local governments. Therefore, for the SBI Group to directly contribute to the revitalization of regional economies, Regional Revitalization Partners was established, and plans are in place for two other companies, SBI Regional Revitalization Services and SBI Regional Revitalization Investment and Loan, to also contribute to the revitalization of the regional economies.

To incorporate regional revitalization, we realize how critical it is to systematically enhance people, goods and money in the localities. For example, as for the “people,” the SBI Group leverages the employment platform of Astamuse, an investee company, to promote the employment of specialized scientific professionals. As for “goods,” the Group plans to expand product sales channels using e-commerce sites that employ the e-commerce platforms from BASE. For “money,” the Group will invest in startup companies in the regional revitalization space and business domains, which gained interest during the COVID-19 outbreak. Regional Revitalization Partners is positioned as the driving force that puts forth strategic guidance on regional revitalization and related matters, for the companies that carry out the actual planning and development proposals that provide the functions for advancing regional revitalization. It will be jointly founded with four partner companies that aspire toward regional revitalization, and also will gather the wisdom of each company to promote initiatives that approach regional revitalization from different angles. Furthermore, the operation of Regional Revitalization Partners will be conducted with democratic representation, by accepting directors from the investing partner companies.

Net Core Business Profits at Regional Financial Institutions



Source: Prepared by the Japanese Bankers Association from an analysis of financial statements of banks throughout Japan

SBI Regional Revitalization Services seeks to lessen the burden of fixed system costs at regional financial institutions, by providing a common system to regional financial institutions, so that they may utilize the technology and know-how possessed by the SBI Group and its partner companies. Additionally, the Company will endeavor to raise the profitability of regional financial institutions through improved support for their customers, with regards to the management of their assets on deposit, as well as the asset management of their own funds. The SBI Group will also pursue regional revitalization by utilizing technology know-how and new ideas gained through cooperation with the Group investee companies.

In order to promote innovation and economic rejuvenation within localities, SBI Regional Revitalization Investment and Loan will invest in and lend to companies with a strong track record in creating new regional industries, as well as those startup companies which contribute to regional revitalization, in order to establish a new ecosystem. In addition, SBI Regional Revitalization Investment and Loan will offer investment opportunities by introducing startup companies before IPO, as well as high-yielding investment and lending proposals, both domestic and foreign, sourced through special purpose companies (SPCs). Also, while introducing and mediating arbitrage businesses focused on the interest rate differentials between Japan and abroad, the SBI Group's network of invested Southeast Asian financial institutions will be fully utilized, as a means to

offer profit opportunities to regional financial institutions. The Group will also introduce and provide intermediary services between these overseas institutions and collaborating regional financial institutions. Looking ahead, the two companies mentioned earlier plan to expand their scale of business by accepting new investee partners from various industries, including city banks.

As a result of the COVID-19 outbreak, the world is transforming from a society concentrated in urban areas to a decentralized society, and is beginning to look for work styles corresponding to such an environment. The shift to a decentralized society is congruent with the concept of regional revitalization, and is a great opportunity for the citizens to ponder what regional revitalization should truly encompass. In addition, a proposal that advances regional revitalization (the Super City Bill*) passed the National Diet in May 2020, showing that involvement in regional revitalization as a national policy is on the rise. Given this movement on a national scale, we would like to realize regional revitalization as addressed by the SBI Group. The collective wisdom of the SBI Group and its partner companies will be utilized to advance regional revitalization that is in line with the current COVID-19 situation.

* Regarding the bill to revise the National Strategic Special Zone Law to realize the urban "Super City Initiative" concept, which leverages leading technologies such as AI and big data, the goal is to assemble leading-edge technologies from all fields including logistics, medicine and education, in order to make the cities of the future along the lines of a residential participation model implemented in daily life. While using the National Strategic Special Zone Law as a foundation, the bill will establish a legal system in which special cases for regulations can be specified, independently and with greater speed and flexibility within the region, and was enacted by the National Diet and promulgated in May 2020

Advancing Regional Revitalization with Partner Companies that Aspire Toward Regional Revitalization

Management Company: Regional Revitalization Partners (Establishment Capital: Approx. ¥500 million)*

Planning of regional revitalization measures, presentation of strategic guidelines regarding SBI Regional Revitalization Services and SBI Regional Revitalization Investment and Loan, and other services related to the operation of Regional Revitalization Partners.

Participating companies: Concordia Financial Group, Development Bank of Japan, Shinsei Bank, Yamaguchi Financial Group (in alphabetical order)

SBI Regional Revitalization Services	SBI Regional Revitalization Investment and Loan
<p>Initiatives for individual SBI Group companies: to work with various operating companies and financial institutions, as well as local governments, to provide common systems to rejuvenate regional industries, and to create new profit opportunities</p> <ul style="list-style-type: none"> ■ Provision of common systems to financial institutions ■ Improvement of regional financial institutions' profitability ■ Promotion of regional economic revitalization 	<p>Investments and lending to startup companies involved in regional revitalization</p> <ul style="list-style-type: none"> ■ Introduction of investment and lending opportunities to startup companies before an IPO ■ Provision of investment and lending opportunities by co-financing through SPCs ■ Provision of opportunities for high-yield profits linked with Southeast Asian financial institutions that are SBI Group investee companies

* Capital increase depending on the progress of the business

Examples to Date of Contributions to Regional Revitalization within the SBI Group:

Enhancement of individuals	<ul style="list-style-type: none"> • Development support for new fee businesses linked with Astamuse • Support for local companies using digital technologies like the Grow with Google digital skills training program
Implementation enhancements	<ul style="list-style-type: none"> • Provision of low-cost, e-commerce platforms from BASE for online shops • Provision of a broad range of business succession and M&A opportunities using TRANBI, an M&A matching platform run by TRANBI • Establishment of a real estate consortium to make effective use of regional financial institutions' real estate holdings
Enhancement of money	<ul style="list-style-type: none"> • Investments and lending to startup companies involved in regional revitalization • Establishment of university-initiated ventures linked with researchers at regional universities

■ SBI Regional Bank Holdings Enhancing Corporate Value Based on a Mutual-aid Mentality

In November 2019, the SBI Group entered a capital and business alliance with Shimane Bank, followed by a series of similar alliances with FUKUSHIMA-BANK, THE CHIKUHO BANK and The Shimizu Bank. By undertaking various initiatives like these, which targets the profitability enhancement of regional financial institutions and improvements in service convenience at each bank, we are endeavoring to increase the corporate value of our partners. SBI Regional Bank Holdings was founded as a holding company, wholly owned by the SBI Group, for the purpose of

developing greater efficiency and an effective support structure. Our shareholdings in the four regional financial institutions that we have concluded capital and business alliances will be transferred to this entity. We envision that our capital and business alliance partners will increase up to 10 banks, and our efforts toward increasing corporate value at these regional financial institutions are closely tied to SBI Regional Revitalization Services and SBI Regional Revitalization Investment and Loan. In addition to regional banks, we are actively engaged in business collaborations with credit unions and credit associations that have developed deep relationships with small-scale operators, who are the key to regional revitalization.

Interview

Insights from a Regional Financial Institution

A Broad Range of Products, Services and Networks Available through an Alliance with the SBI Group Provides Compelling Proposals for Our Customers

The business environment surrounding regional financial institutions is becoming more severe, which makes it difficult to fulfill our mission as a financial institution in the region by merely running the bank as we had previously. In light of this, we came to the conclusion that we needed to provide a new business model by partnering with other companies, which is what initiated the capital and business alliance with the Group. When we considered the SBI Group for a partnership, the corporate philosophy embodied in the “Customer-centric Principle” connected with our bank’s foundational principles. Through the business alliance in the financial instruments intermediary services with SBI SECURITIES that started in 2018, we were able to actually understand their mindset, which was the decisive factor that led to the capital and business alliance in September 2019.

While we are a regional bank that revolves around face-to-face operations, the SBI Group is a financial group that develops and evolves online businesses. Although we had high expectations that our different lines of business would create large synergies between us, we were not sure what specific form it would take, and at the start we could not form an image of this. The SBI Group has freely provided us a diversity of financial products, networks and knowledge, and we are now able to provide services that better align with customer needs, which is something that we could not do on our own. Also, motivation feels higher than it was previously, especially for young personnel at our



Yoshio Suzuki

President,
Shimane Bank

bank, so that reformation in employee consciousness is another pleasing result from this collaboration.

Our bank has had a culture of proceeding with matters very carefully, and being caught up in traditional, customary practices. However, now that we are learning the sense of speed at the SBI Group and its evidence-based approach to developing recommendations, we feel that we have joined with the most appropriate partner. Given such conditions, in the fiscal year ending March 31, 2021, we expect that our bank will turn around the loss in net core business profits for the previous four fiscal periods, including one of over ¥2.0 billion last fiscal year. A V-shaped recovery looks possible, and our business plans include earnings forecasts along these lines.

In order to support the regional economy, and to ensure that the mission of regional financial institutions contributing to regional revitalization is achieved on a sustainable basis, the first order of business is to solidify our own business foundation. During this process, I hope that a business model will be developed for regional banks, and that we will contribute to the regional revitalization advocated by the SBI Group.

2 OPEN ALLIANCE

Proactive Promotion of “Open Alliance”

Establish a framework to offer comprehensive services that meets various customer requirements, by promoting Open Alliances to build win-win relationships with companies outside of the Group

■ The Realization of “Open Alliance”

The SBI Group will endeavor to advance materially forward through the “Open Alliance” concept, which is a broader framework of an “open innovation” concept, where companies embrace ideas and technologies toward innovative research and development.

The term “Open Alliance” refers to the formation of win-win relationships through partnerships with a large number of non-Group companies, and a wide spectrum of industries. Through open alliances, the SBI Group will endeavor to offer comprehensive services to meet various customer needs, which no single company may achieve on its own, and in doing so we expect to broaden the Group’s customer base.

The Neo-bank and Neo-securities initiatives that our Group has been engaging in also embodies this idea. In April 2020, we announced a strategic capital and business alliance with Sumitomo Mitsui Financial Group (SMBC Group). Through this alliance, we will endeavor to develop a cooperative relationship based on the use of the strengths of both groups in various business fields, including face-to-face and digital operations, to further improve customer satisfaction.

Collaborations are progressing with prominent overseas partners, as well as in Japan. For example, in countries and regions with high growth potential such as China, Europe and Indonesia, we have been forming new jointly managed funds, and have expanded the venture capital business. During the summer of 2020, we plan to structure a fund that incorporates unlisted equities of Japanese and Asian high-tech startups, through a partnership with Pictet Asset Management (Japan), and we also plan to establish Japan’s first “Crypto-asset Fund.”

■ Promoting Neo-bank Initiatives

Current State of Deregulation in the Banking Industry

One of the primary goals of the amendments to the Banking Act, which went into effect in 2018, is to advance open innovation between financial institutions and fintech companies. As such, domestic financial institutions are being obligated to work to become more involved in collaborative endeavors

relating to open APIs and connections to fintech companies, in order to develop more highly convenient financial services.

Additionally, through the revised Banking Act promulgated in June 2019, the regulation for data use operation was revised, where “third party operation of retained information (operations for data usage),” was added to the ancillary functions of the banks. The revision included the ability to provide information about customers to third parties with the consent of the individual. In April 2020, the Japan Fair Trade Commission published a report stating that the exclusion of fintech operators from API connections by banks could violate the antitrust law, and the report goes on to urge open innovation in the banking industry.

Neo-bank Initiatives for the Next Generation

SBI Sumishin Net Bank is a pure-play online bank that has achieved positive growth by offering highly beneficial services to customers, including low-interest home loans. This growth will accelerate to a new level, through alliances with major outside operators. For this reason, the Bank is vigorously advancing the Neo-bank initiative with various partner companies across industries, to create new values for the end users of the partners.

In 2016, SBI Sumishin Net Bank became the first financial institution in Japan to release an API to outside companies. The API is already being used by over 10 companies, and has made the bank a leading fintech player in the development of new businesses and products. Under such conditions, SBI Sumishin Net Bank utilizes leading technologies, in addition to its competitive products and services, to offer banking functions such as AI screening services to the regional financial institutions, in the so-called “Banking as a Service” (BaaS) way. Through this BaaS strategy, the bank is pursuing its goal of having many people use their bank accounts and services seamlessly, to blend the online and the physical, to bring Online-Merge-Offline (OMO)* to a reality, for a superior customer experience.

The SBI Group has established a corporate ecosystem that realizes high growth potential through synergies and co-evolution of the Group’s companies, which cannot be achieved by a single company. This is the competitive

superiority that represents the strength of the SBI Group. Moving forward, the Group will work together to exercise synergies, not only among its own companies, but also with non-SBI Group companies, as it seeks to grow its customer base to a new level, and to create revolutionary banking services.

* A retail marketing concept that considers online and offline as a single market blended together. Since it prompts purchasing behavior when the design is made, emphasizing the customers' entire realm of experiences, OMO differs from omnichannel, which merely establishes links between online and offline.

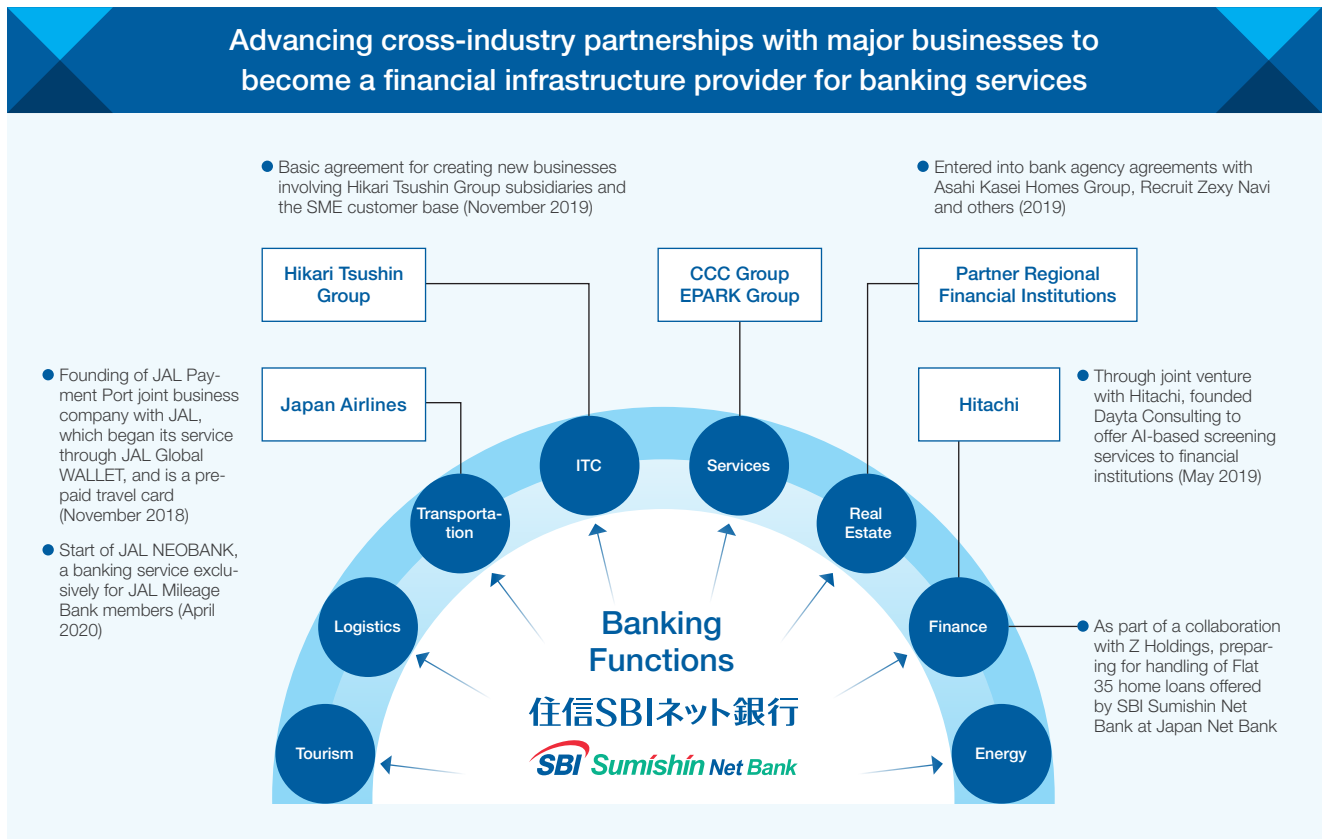
Creating New Banking Services Together with a Diverse Set of Operators

In November 2018, JAL Payment Port, a joint business company with Japan Airlines, launched the JAL Global WALLEET, a Mastercard-branded travel prepaid card, as the first step in the Neo-bank initiatives that the SBI Sumishin Net Bank proactively promotes. Also, beginning in April 2020, it started accepting applications for JAL NEOBANK, an exclusive banking service for JAL Mileage Bank members. Since this service uses IT technology from SBI Sumishin Net Bank, it offers more than just the basic banking services such as deposits,

electronic transfers to other banks and payments. Instead, the service is very convenient for customers, since it grants miles proportionate to the pre-charging, and foreign currency deposits made to JAL Global WALLEET. The bank will be creating other new services using its partnerships with major companies such as Recruit Zexy Navi, Asahi Kasei Homes Financial and Hikari Tsushin.

With the goal to broaden its service offerings, SBI Sumishin Net Bank established Dayta Consulting in May 2019, as a joint venture with Hitachi, Dayta Consulting brings together SBI Sumishin Net Bank's data handling technology and loan expertise, and Hitachi's AI capabilities—Hitachi AI Technology/Prediction of Rare Cases (AI/PRC)—to provide AI screening services and consulting services for financial institutions. Since AI/PRC is appropriate for cases requiring the prediction of rare phenomena or an explanation of a basis for a forecast, it is used in risk management for moments such as investigations of unfair stock market trading, as well as financial institutions' rating of new transaction customers and creditworthiness reviews. Its use is expected to lead to lower credit costs. Looking toward the future, this AI screening service is being considered for expanded applications to a variety of

Neo-bank Initiatives



services. Two of these are, transaction lending, which sets the terms of a loan based on daily transaction data and not past financial data, and card loans, which require detailed investigation from the perspective of preventing debts to multiple creditors. In this manner, we are pursuing further ways for Neo-bank initiatives to move forward by expanding the banking functions and services available to outside companies, including financial institutions.

■ Promoting Neo-securities Initiatives

A Movement toward Elimination of Commissions on Stock Trading in Japan

In the U.S. online securities industry, total stock brokerage trading value fell after the collapse of the IT bubble. Individual investors trended away from stocks toward defined contribution plans (401(k)s) and mutual funds. With a focus on baby boomers who are now in their 60s, there has been an increased demand for consulting services by finance specialists on long-term asset management. Also, Robinhood, a U.S. provider of groundbreaking commission-free stock trading services, appeared on the scene in 2014. The effects from these two events caused the momentum behind fee competition to increase, and pressed securities companies to back away from a profit structure that depends on stock trading commissions.

Given these trends in the U.S., we believe that the movement toward commission-free stock trading may also gather steam in Japan. The SBI Group had responded in October 2019 by getting a step ahead of its rivals in setting a goal to bring stock trading commissions down to zero. Since then, other online securities companies in Japan have started to follow suit by joining the commission-free stock trading movement. Individual companies are expanding their commission-free structure using initiatives, starting with a small profit impact.

A Strategy for the Next-generation Securities Business

The SBI Group was able to quickly discern the changes in the U.S. securities business environment. As a result, with an eye on the next-generation securities business, we are advancing Neo-securities initiatives through our plans to eliminate online trading fees for domestic securities and certain costs currently borne by investors. We have made plans to achieve this in three steps. First, we have already placed a zero-commissions policy in December 2019 with a focus on areas with comparatively small profit impact. Second, we will remove fees for securities trading and other activities at SBI NEOMOBILE SECURITIES. Third, we plan to advance a commission-free structure at SBI SECURITIES for online spot trading and margin trading of domestic stocks. In the fiscal year ended March 31, 2020, commissions and fees for domestic stocks

traded online at SBI SECURITIES accounted for 17% of operating revenue. In order to achieve zero fees for online spot trading and margin trading of domestic stocks, we plan to diversify our revenue sources and enable growth of alternate income. Moving forward, we will endeavor to make domestic stock commissions from online trading to comprise no more than 5% of revenue. For step two and step three of our plan, we are examining the timing in light of the new entries from non-financial and foreign companies, and the progress toward zero-fees at incumbent securities companies.

Establish a Business Foundation Not Reliant on Stock Trading Commissions

To advance Neo-securities initiatives at the SBI Group, we are further improving the positioning of our retail business, through the sales activities for NISA and iDeCo, which have already achieved commission-free trading, and we are also focused on the acquisition of new customers. With SBI NEOMOBILE SECURITIES, which started operations in April 2019, as the core, we will establish an ecosystem to acquire millennials by promoting an organic coupling with the Group companies, such as SBI FXTRADE, SBI VC Trade and Money Tap. Also, in the fiscal year ended March 31, 2020, SBI SECURITIES collaborated with Yahoo! Finance, allowing Yahoo! JAPAN IDs to log into SBI SECURITIES accounts. Looking ahead, we intend to improve user-friendliness by establishing a seamless securities trading environment. Furthermore, to approach customer segments that have been difficult to reach, SBI SECURITIES has entered into a business alliance with Takashimaya, in June 2020. The Takashimaya Group plays the lead role in this alliance, and intends to roll out a variety of financial services starting with investment trusts, offered both online and face-to-face. SBI SECURITIES will be supporting businesses from other industries to enter the financial business in such a way.

On the other hand, in order to establish a business foundation that does not rely upon stock trading commissions, we will upgrade our corporate business, and expand our brokerage services for our customer financial institutions through the Financial Institutional Sales Dept. at SBI SECURITIES. The corporate business continues to focus on the underwriting of primary and secondary issuances of both stocks and bonds. In the M&A-related business, the M&A Advisory Division of SBI SECURITIES has been strengthened, and as a result, we have seen steady growth in our M&A deals which will help us diversify our revenue sources. These efforts will all contribute to the diversification of our revenue sources.

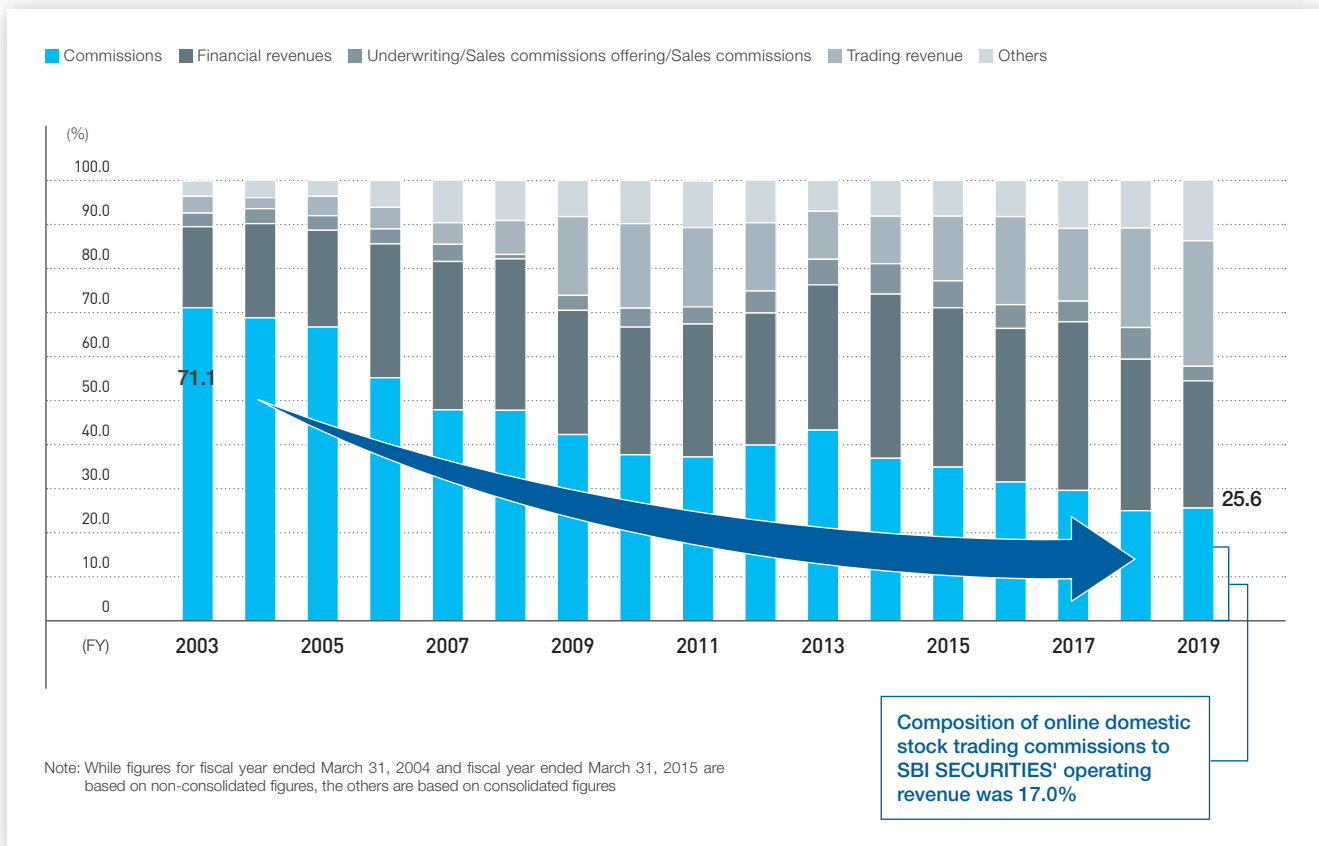
Trading revenues have also grown significantly owing to various initiatives, with the contribution of these revenues increasing in terms of diversification of revenue sources. In the FX-related business, which accounts for the bulk of trading income, SBI Liquidity Market is offering FX trading services to four Group companies, both in Japan and abroad. As for non-Group companies, it has also started FX trading with YJFX!, a wholly owned subsidiary of the Z Holdings Group, Central

Tanshi, and five Korean companies. More and more businesses are participating in the OTC market of SBI Liquidity Market, both in Japan and abroad. As the amendments to the Payment Services Act that went into force in May 2020, trading of contracts for differences (CFDs) for crypto-assets is being prepared at SBI FX Trade. CFD know-how cultivated through the FX business by SBI FXTRADE, and the crypto-asset expertise within the SBI Group are leveraged in pursuit of the goal to enlarge the business foundation.

We also have plans to execute more M&A deals in Japan and abroad, in order to turn Neo-securities initiatives into reality. In June 2020, we acquired 51.28% of the shares outstanding of Rheos Capital Works, an asset management company that manages investment trusts under the “Hifumi” brand, which is highly regarded by individual investors. Combining the “Hifumi” brand that is very popular with individual investors, with the sales capabilities of the SBI Group, will allow us to

further develop our customer base. Additionally, we expect an increase in investment trust fees as a result of this growth in assets under management.

Composition of SBI SECURITIES' Operating Revenue



3

DIGITAL TRANSFORMATION

Organized Response to Accelerated Digital Transformation (DX)

As the digital transformation (DX) shifts the world from analog to digital at an increasingly rapid pace, the SBI Group will endeavor to develop the infrastructure necessary for a new social form.

■ Business Development in Anticipation of Societal Change

In Japan, starting in March 2018, regulations were revised for crypto-assets from the viewpoint of protecting investors. Amendments were then made to the Financial Instruments and Exchange Act (FIEA) and Financial Settlements Act which eventually went into effect in May 2020. As a result, margin trading utilizing crypto-assets is now covered by the same regulations as foreign exchange trading, and new funding mechanisms through the issuance of security tokens (security token offerings or STOs) are covered by the revised FIEA. In addition, in recent years, for the advancement of a cashless society, the government and regulators have requested the lowering of commissions on interbank money transfers, and have given their support to the participation of companies from other industries by easing regulations.

The SBI Group has been advancing the diversification of financial products and the efficiency of business processes, by adopting advanced technologies such as the fintech of its investee companies. Accordingly, through the adoption of blockchain and distributed ledger technology (DLT), which possesses excellent features in safety and transparency, as well as for the progress in contactless financial services and cashless services to reduce the concern for hygiene risks, together with the move toward deregulation, we see the possibility of great progress ahead. For this reason, the SBI Group has been expanding its business in the digital asset domain, so that it may respond to the social changes from analog to digital (digital transformation: DX).

■ Building the Necessary Infrastructure for New Social Norms

The SBI Group is actively developing a digital asset business, and is establishing a global organizational structure led by SBI Digital Asset Holdings, in order to formulate organizational responses in line with the DX era. In particular, to foster the sound development of the market for STOs, which is a new source of funding, we are supporting the Japan Security Token Offering Association (JSTOA), which received certification as a self-regulatory body. Through collaborations with domestic and

foreign partner companies, we are assembling a business structure that envisions the global expansion of STOs. Since these offerings not only have a primary market for issuance, but also a secondary market for trading between token-holders, discussions are being held, with SBI SECURITIES leading the way toward the establishment of a proprietary trading system (PTS) for tokenized securities in Japan, with the JSTOA facilitating an exchange of views among volunteer full members. Outside of Japan, the Group plans to establish central facilities to supervise STO issuance and secondary trading under the auspices of SBI Digital Asset Holdings.

Also, COVID-19 has shown that for the production of medical and hygienic goods, the structure of relying on raw materials and products overseas is problematic. In light of these conditions, blockchain and DLT have superior features in safety and transparency, centered primarily on supply chain management, and—particularly in commercial distribution and logistics by large companies. The SBI Group will support their adoption and use. More specifically, the SBI group has deepened its relationships with R3 and Ripple Labs (both from the U.S.), which have the DLT closest to the global standard, and created joint ventures with each company. On top of this, we have plans to propagate the know-how and technology cultivated at the SBI Holdings Office of Blockchain Promotion to various Group companies.

As a step toward lowering costs for money transfer and payment services, we are facilitating the previously mentioned Money Tap remittance app for smartphones, which was jointly developed with Ripple Labs (U.S.). Through developments such as starting connections between Money Tap and the smartphone payment services PayPay (run by the prepaid charge operator PayPay Corporation) and LINE Pay (run by LINE Corporation), the Group is putting Money Tap on an expansion track. Money Tap, while cooperating with financial institutions participating as shareholders and with Ripple Labs, a partner company, will be including payment services of affiliated merchants using QR codes and developing solutions to enhance customer convenience. By doing this, Money Tap will be supporting the advancement of Japanese national policy by contributing to the adoption of cashless payments.

Also, in conjunction with the SBI Group's DX, we are addressing the security needs of DX, and are participating in the e-sports business as a new point of contact with the digital generation.

Nurturing New Sources for Earnings, while Maintaining a Virtuous Cycle of Management Resources

Hideyuki Katsuchi

SBI Holdings
Executive Officer in Charge of
Accounting and Finance



Our Understanding of Current Conditions in a Dramatically Changing Environment

For the fiscal year ended March 31, 2020, we approached the end of the period amid the social and business disruptions brought about by COVID-19, that had spread across the globe since the beginning of January 2020. Despite this adverse environment, we recorded consolidated revenue of ¥368.1 billion (up 4.7% year-on-year) based on the International Financial Reporting Standards (IFRSs). This is a record high for the Company since its founding.

Reflecting on the phenomenon of large-scale disruptions in the financial sector, such as the Asia currency crisis occurring in the latter half of the 1990s and the global financial crisis in the latter half of the 2000s, I see such phenomena arising roughly every 10 years. According to this periodic cycle, we were expecting something to happen soon, and that turned out to be the COVID-19 outbreak. Although the current crisis makes it difficult to formulate responses and to make projections, it did not originate from the financial sector. The financial markets have been continuing their activity without interruption, and the impact on the financial sector has been different in nature from past crises. In response to the changes in people's lifestyles, such as trying to avoid contact with other people in order to prevent infection, the SBI Group, whose business is concentrated online, is well-positioned. Today's adverse environment

can also be considered an apt opportunity to seize.

For the SBI Group's Financial Services Business in particular, we recognize there are many opportunities that may arise and be beneficial. In the fiscal year ended March 31, 2020, the Group's securities and FX businesses achieved favorable results, owing to the volatility in the stock and foreign exchange markets, when COVID-19 started to take hold. While the total individual stock brokerage trading value of the two major domestic markets*¹ fell 10.5% year-on-year, commission fees at SBI SECURITIES grew 4.1% year-on-year, owing to an increase in foreign stock, futures and options trading activities. Trading income also had sizable growth at 28.1% year-on-year, raising its contribution to earnings. With results like these, the Financial Services Business revenues rose 7.1% year-on-year to ¥246.8 billion. Despite this, profit before income tax expense fell 20.2% year-on-year to ¥53.4 billion. One factor behind this result is the initial cost and promotion expenses for the launch of SBI NEOMOBILE SECURITIES, a smartphone securities company started in April 2019. Another factor is that based on consolidation measures in accordance with IFRSs, a loss was taken on the fair-value estimates of securities holdings at the banking and insurance businesses.

Even as major disruptions have been occurring in society and the economy, it is essential that the Financial Services

*¹ Japanese stocks listed on the Tokyo Stock Exchange and Nagoya Stock Exchange (including TSE Mothers, JASDAQ, and NSE Centrex)

Business, with its ability to steadily increase earnings, remains firmly behind the “Customer-centric Principle,” and continues to offer better services. As a result, we can continue to be a company selected by its customers regardless of how the social environment changes, which will lead to sustainable growth.

In the Asset Management Business, performance was strong through the third quarter, and then because of the COVID-19 outbreak in the fourth quarter, there was a large drop in the valuations of publicly traded companies among the investee companies. For the segment overall, revenues were down 2.4% year-on-year to ¥115.8 billion, profit before income tax expense was down 31.2% year-on-year to ¥35.2 billion. Losses arising from changes in fair-value estimates of publicly traded companies and losses on disposition of these holdings amounted to ¥3.5 billion. On the other hand, unlisted companies had a profit of ¥23.3 billion, so the business has remained profitable despite the pandemic. In the short term, the severe market environment is likely to continue for the Asset Management Business, but times like these also present new investment opportunities. Now is a good time to establish new funds, to endeavor to make new investments to sow the seeds of long-term growth. On the other hand, SBI SAVINGS BANK underpins segment performance. Even amid concerns over COVID-19 in South Korea, SBI SAVINGS BANK’s healthy accumulation of performing loans and growth in profits allowed it to rank right after SBI SECURITIES in its contribution to the segment profits.

The Biotechnology-related Business also felt the impact of COVID-19, through such matters as delays in clinical trials that were already in progress, especially one being conducted by the U.S. company, Quark Pharmaceuticals. However, this particular clinical trial had already moved into its final stage, so we expect the effect will be limited. Since Quark Pharmaceuticals has been conducting clinical trials focused on a single pipeline from FY2020, more than ever, a reduction in cost is expected. In the overall segment performance, revenues rose 5.1% year-on-year to ¥3.9 billion, while profit before income tax expense was a loss of ¥11.4 billion (loss of ¥19.2 billion in FY2018). In the ALA-related business, the core of the Biotechnology-related Business, SBI ALApromo demonstrated healthy growth, and dependable growth is expected moving forward. In order to expand the overseas business, the segment strives for discontinuous growth by examining methods such as M&As, as I would like to realize the synergies within the ALA-related business in the future.

Looking back on the fiscal year ended March 31, 2020, although we felt the impact of the COVID-19 outbreak in the fourth quarter, we were able to safeguard a stable profit for the full year. Compared to the global financial crisis 10 years ago, we came into this crisis with a reinforced financial structure and foundational power.

Results for Fiscal Year Ended March 31, 2020

Revenues marked a record high for the Company since its founding

■ Financial Services Business:

Securities business and FX business achieved favorable results

■ Asset Management Business:

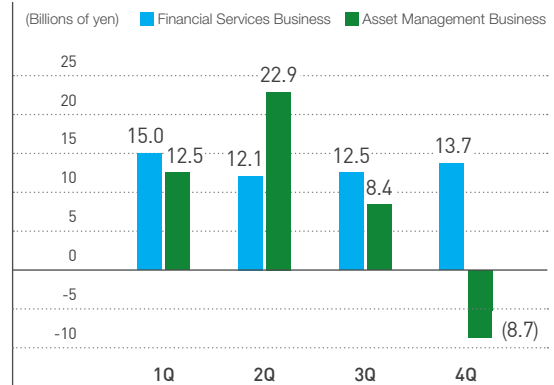
SBI SAVINGS BANK of South Korea continues its revenue growth

■ Biotechnology-related Business:

Advancing selection and concentration, to endeavor improved performance

FY2019 Quarterly Profit Before Income Tax Expense (IFRSs)

Owing to the complementary relationship between the Financial Services Business and the Asset Management Business, even amidst the volatile market owing to the spread of COVID-19, recorded firm financial results.



Taking a Hard Look at Fields with High Growth Potential and Investing Aggressively

We have been focusing on devoting management resources to fields with favorable growth prospects where we endeavor to invest in aggressively and operationalize, particularly those related to fintech and digital assets. The era of full-fledged expansion of these fields begins now, and we will continue to focus on these areas moving forward.

Both the fintech, established in December 2015, and the SBI AI&Blockchain Fund, established in January 2018, entered their monetization phases, already having accomplished 11 initial public offerings (IPOs). Then in 2020, we will launch the “4+5 Fund (common name),” thereby adding a fund that is open for investment. In addition to fintech, AI and blockchain, the “4+5 Fund” targets investing in a wide range of industries including core technologies such as IoT and 5G which contributes to the realization of Society 5.0 for SDGs*2, as well as robotics to advance Industry 4.0, and innovative technologies and services in broad industries including healthcare and infrastructure. Since the investment still seems to take time to pay back the

original investment, financially, funds raised from external sources will be the main source of support for our investment activities. Also, we will steadily expand the scale of investments, while entering a virtual cycle by recovering cash from the Fin-tech Fund, and re-investing them into the “4+5 Fund,” which is in support of the SBI Group’s investment business.

In regards to M&A activities, we plan to proactively pursue those in fields such as asset management, foreign exchange and crypto-assets. This is based on the assumption that synergies can be formed with the existing businesses within the SBI Group, by capitalizing on the customer base and know-how of the M&A targets. We will also conduct a strict analysis of whether returns will correspond with capital costs. As I will discuss later, the SBI Group has set a ROE target of at least 10%. A critical point is to establish consistency between this target and medium- to long-term growth.

In pursuing M&As, the importance of procuring funds from outside sources cannot be stressed enough. Fortunately, SBI Holdings has been able to develop and maintain a strong trust relationship with its banks. Implementing an M&A strategy necessitates that we develop such relationships. In addition to bolstering indirect finance, I would like to create a robust direct finance channel.

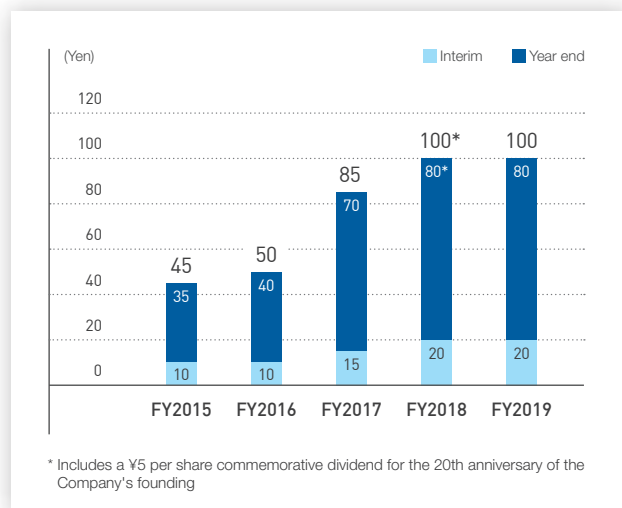
*2 The Keidanren (Japanese Business Federation) aims to resolve various social issues such as procurement of SDGs through the realization of Society 5.0, setting creation of “Society 5.0 for SDGs” as one of its major policies.

Shareholder Returns

- Carried out with a watchful eye on the balance, with funding for business growth
- The total shareholder return ratio follows a guideline of a minimum 40% payout of profit attributable to owners of the Company

Shareholder returns are undertaken with due consideration to maintaining a balance with the necessary funds for business growth. 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 share repurchases, divided by profit attributable to owners of the Company. However, beginning in the fiscal year ended March 31, 2019, we have incorporated into our basic policy on shareholder returns the inclusion of an adjustment to the return ratio, for deducting the gains or losses on fair value estimates of operating investment securities from consolidated profit before income tax expense. Such an adjustment would be made according to the level of consolidated profit before income tax expense accounted for by the total amount of gains or losses on fair value estimates. We have

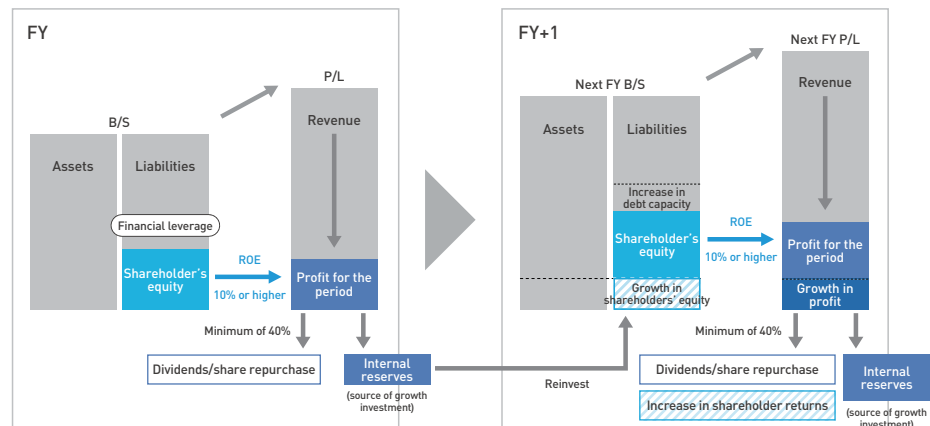
Dividends per Share



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.



declared an annual dividend for the fiscal year ended March 31, 2020 of ¥100 per share, including an increase of ¥5 per share in the year-end ordinary dividend, as we actively provided shareholder returns with a total shareholder return ratio of 61.6%. While also pursuing the expansion of business, we will place strong emphasis on achieving a balance between continued business growth and returns to shareholders.

■ Financial Management

- Conscious attention to capital costs when creating a new business or making an investment
- Endeavoring for a ROE of at least 10%
- Determine the entry, continuation, or withdrawal from businesses after careful examination, based on the perspective of the status of cash flows, ROI, ROE and mutual synergies among Group companies

We are aware of capital costs when moving forward on a new business venture or when making an investment. In addition to the standards that the venture should achieve, our policy is to keep in mind the continued growth of earnings per share (EPS), and to focus on high profit growth through business management that emphasizes profitability. In the fiscal year ended March 31, 2020, we were greatly affected by the COVID-19 outbreak, and the ROE was 8.3%, which was lower than our target. The proportion of volatility in fair value estimates within the Asset Management Business cannot be considered insignificant, and because of this it will be hard to achieve an ROE of at least 10% every single fiscal year, but we consider that we will be able to achieve that target well enough on average over several years. We will also be managing our financial operations so that we can appropriately exercise financial leverage in order to achieve our targets.

The SBI Group in its entirety has attained growth, both while securing the required business funding throughout the continuous growth of the business up until now, and while

taking funds collected through a "selection and concentration" approach to the business and re-investing those funds into growth fields. Centered on businesses with higher growth prospects, we will decide upon the entry, continuation, or withdrawal from a business after careful examination from the perspective of the status of cash flows, ROI, ROE and mutual synergies among Group companies.

■ Engagement Activities with Shareholders and Investors

- Institutional investors own a high proportion of shares
- Highly regarded by well-known foreign institutional investors
- Continuing IR activity and proactive information disclosure with an emphasis on dialogue

Analysis of SBI Holdings' shareholder composition as of March 31, 2020, 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%. The main foreign institutional investors holding the Company shares include Baillie Gifford, a U.K. company based in Edinburgh, Scotland, with more than a hundred-year history, 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 develop and maintain an excellent relationship with these investors. In order to meet the expectations of various stakeholders regarding the medium- to long-term growth of the SBI Group, we will foster awareness of transparency, fairness and continuity, and increase opportunities for constructive dialogue with our shareholders and investors.

IR Activities (FY2019)

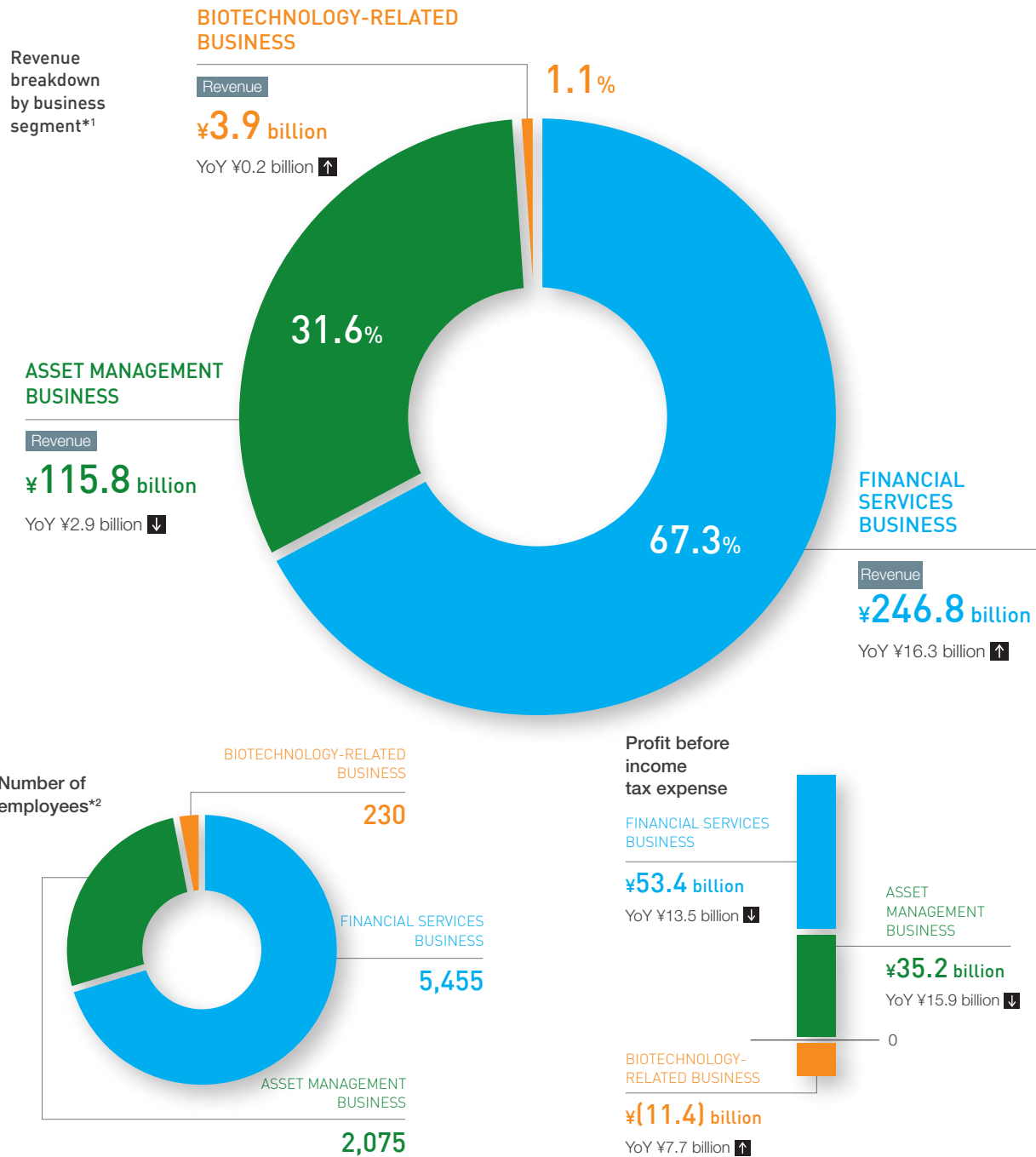
Activity	Times	Activity content
Financial results briefing for institutional investors and analysts	4	Financial results briefing held quarterly focused on financial performance and outlook
Non-deal road shows for overseas institutional investors	2	Meetings for overseas institutional investors conducted 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*	10	Meetings held semi-annually in Tokyo, Osaka, Nagoya, 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

* Due to the impact from COVID-19, these activities may be omitted for the fiscal year ending March 31, 2021

At a Glance

Overview of the SBI Group's Business Operations (FY2019)

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 243 people, such as shared group employees.



FINANCIAL SERVICES BUSINESS

The Financial Services Business Environment

In the securities business, in response to the elimination of stock trading commissions in the U.S., some securities companies in Japan are also eliminating certain commissions. SBI SECURITIES has also implemented commission-free stock trading services in stages, necessitating an urgency to secure alternate revenue streams to maintain its high profitability levels. In the banking business, concerns about stagnation in the domestic housing loan market, owing to the COVID-19 pandemic,

is leading to a strengthening of partnerships with a variety of partner companies in other industries. The goal is to create new service offerings and to expand business foundations, in order to establish new main revenue sources. Meanwhile, even greater growth opportunities are anticipated in contactless forms of businesses, such as online finance and payment systems, since the COVID-19 pandemic is changing the traditional way of life.

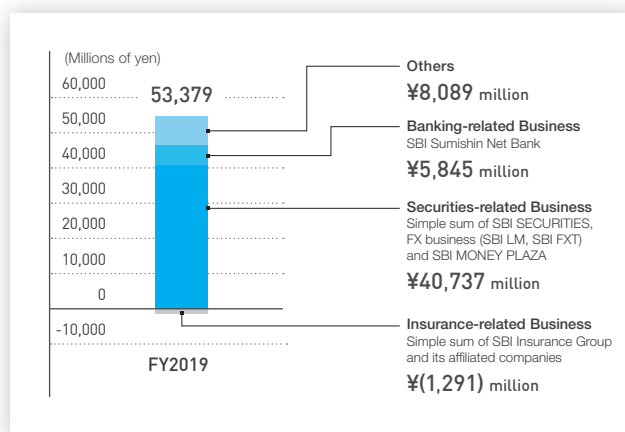
Principal Companies

Intermediate Holding Company: SBI FINANCIAL SERVICES

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

* Formerly JAPAN ANIMAL CLUB

FY2019 Profit before Income Tax Expense of the Major Businesses by Business Area (Based on IFRSs)



Principal Initiatives in FY2019 and Future Priority Measures

> Securities-related Business

- SBI SECURITIES and SBI NEOMOBILE SECURITIES combined for a total of over 5.4 million accounts, surpassing NOMURA SECURITIES, to become No. 1 in the industry.
- Owing to an increase in FX trading and other transactions, the contribution of trading revenue to SBI SECURITIES' business performance rose.
- M&A advisory service revenue in the corporate business increased by roughly 18-fold over two fiscal years, to have developed into a solid profit source.
- It was announced that Rheos Capital Works, which manages investment trusts under the "Hifumi" brand, which has earned high evaluations from individual investors, will become a consolidated subsidiary in March 2020 (became a consolidated subsidiary in June 2020).

> Banking-related Business

- The AI screening service Dayta Consulting, jointly established with Hitachi, in May 2019, has been selected to be adopted by multiple regional financial institutions.
- In the housing loan business, Shimane Bank began offering housing loan products provided by SBI Sumishin Net Bank in January 2020, to further strengthen ties with regional financial institutions.
- As part of the Neo-bank initiatives, began accepting JAL NEOBANK in April 2020, which is a banking service for JAL Mileage Bank members, and is the second venture in the alliance with Japan Airlines.

> Insurance-related Business

- The acquisition in June 2019 of SBI PRISM SSI* contributed to a total of more than 2 million policies in force for all SBI Insurance Group companies.
- SBI Insurance has adopted and verified leading-edge fintech, and has begun offering real-time automobile insurance quote services using AI-equipped optical character recognition (OCR) technology.



ASSET MANAGEMENT BUSINESS

The Asset Management Business Environment

Owing to the prolonged low interest rate policies in developed countries, along with the slowing global economic growth due to the spread of COVID-19 infections, geopolitical risks are increasing. On the other hand, technological innovations continue to accelerate globally, attracting much attention to the nurturing of advanced technologies. The SBI Group is proactively establishing financial subsidiaries in regions such as Southeast Asia, where future growth is anticipated, and will

endeavor to further expand profits of overseas businesses, in order to diversify various risks, including country risk. Furthermore, owing to the heightened requirements in recent years for the thorough fulfillment of fiduciary duties, the SBI Group will contribute to improving the operational capabilities of regional financial institutions, by providing advanced know-hows of asset management.

Principal Companies

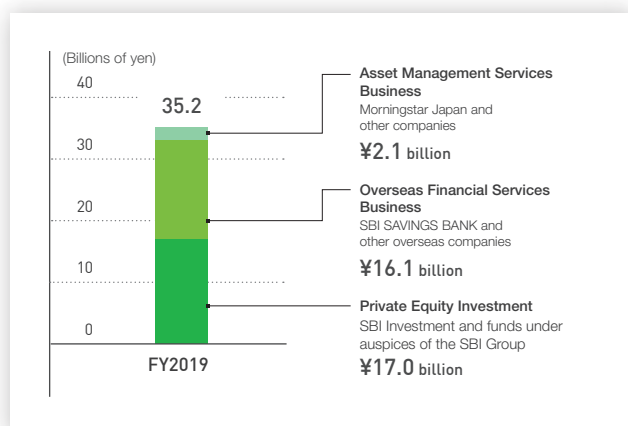
Intermediate Holding Company: SBI Capital Management

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

Intermediate Holding Company: SBI GLOBAL ASSET MANAGEMENT

Morningstar Japan	SBI Regional Revitalization Asset Management
SBI ASSET MANAGEMENT GROUP	SBI ENERGY
SBI Asset Management	SBI Regional Bank Holdings
Carret Asset Management	SBI Estate Finance
SBI Alternative Investments	
SBI Bond Investment Management	

FY2019 Profit before Income Tax Expense of the Major Businesses by Business Area (Based on IFRSs)



Principal Initiatives in FY2019 and Future Priority Measures

➤ Venture Capital Business

- Both the Fintech Fund, established in December 2015, and the SBI AI&Blockchain Fund, established in January 2018, entered their monetization phases, having already accomplished 11 initial public offerings (IPOs).
- A corporate venture capital (CVC) fund was established with FUSO with a ¥5 billion commitment, along with another ¥9 billion fund.
- A fundraising has begun for the establishment of a fund commonly known as the "4+5 Fund," which is intended to invest in existing investment focus areas such as fintech, AI and blockchain, as well as core technologies such as 5G, IoT and big data that help realize "Society 5.0 for SDGs," and innovative technology and service fields which will propel "Industry 4.0" such as robotics, along with healthcare, foods and agriculture and infrastructure (transportation and energy).

➤ Overseas Financial Services Business

- Even during the COVID-19 pandemic, SBI SAVINGS BANK of South Korea has steadily accumulated performing loans, managing to make a profit contribution second to that of SBI SECURITIES.
- Upon acquiring the Cambodian microfinance institution Ly Hour Microfinance Institution, a banking license was obtained under the name of SBI LY HOUR BANK.
- Established a local subsidiary in Germany to expand overseas business.

➤ Asset Management Service Business

- Entrusted with asset management by regional financial institutions, the SBI Group's total assets under management as of the end of March 2020 exceeded ¥1 trillion.
- SBI Asset Management Group's (SBI Regional Revitalization Asset Management & SBI Bond Investment Management) net asset inflow from privately placed investment trusts in March 2020 ranked first among the 90 companies.
- SBI Regional Revitalization Asset Management was entrusted by Shimane Bank, with assets under management equivalent to ¥64.2 billion (as of May 2020), where the actual yield was previously negative, but was improved to a positive yield through a portfolio revision.



BIOTECHNOLOGY-RELATED BUSINESS

The Biotechnology-related Business Environment

Interest in healthcare and the biotechnology-related businesses is growing year by year as life expectancies increase, and people become more health conscious. At the same time, however, extended periods of time are required for the biotechnology-related businesses' research and development, along with significant business risks such as not being able to achieve the intended drug effects. Given such circumstances, the SBI

Group is steadily working toward overall profitability of the entire business segment from a medium- to long-term perspective. Corporate resources will be focused on the medical drugs utilizing 5-Aminolevulinic Acid (5-ALA), which is expected to be applied to the treatment of various diseases, as well as for the development and manufacturing of healthcare and cosmetic products utilizing 5-ALA.

Principal Companies

Intermediate Holding Company: SBI ALApharma

SBI Pharmaceuticals	SBI ALApharma Canada
SBI ALApromo	Photonics Healthcare
photonamic	SBI Biotech
NX Development Corp.	Quark Pharmaceuticals

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

	(Millions of yen)	
	FY2018	FY2019
SBI Biotech	(166)	16
Quark Pharmaceuticals	(8,193)	(7,668)
5-ALA-related business		
SBI Pharmaceuticals	(1,395)	(1,272)
SBI ALApromo	263	193
photonamic	412	173

Principal Initiatives in FY2019 and Future Priority Measures

> SBI Biotech

- Having concluded an exclusive licensing contract with ASAHI KASEI PHARMA for the autoimmune disease drug SBI-3150, there are now a total of four out-licensed pipeline drugs.
- The development of the licensed pipeline drug is steadily progressing, therefore profitable business performance throughout the fiscal year is expected to be sustained.
- Management resources will be shifted to the development of cancer immunotherapeutics, and we will endeavor to out-license the pipeline at an early stage.

> Quark Pharmaceuticals

- Clinical trial costs for research and development expenses continue to be incurred, such as those for the drug to prevent acute kidney injury (AKI), which is in final Phase III clinical trials.
- Under the new CEO, measures to reduce expenses, including personnel costs, are moving forward. Plans call for expenses for the fiscal year through March 2021 to be reduced to about 60% of the ¥7.5 billion recorded for the fiscal year ended March 31, 2020.
- Future plans may also include the sale of the company, pending consideration of factors including the results of clinical trials in the drug discovery pipeline.

> 5-ALA-related business

- photonamic acquired the oncology business of MolecuLight, from Canada, to advance the application of photodynamic diagnostics in the breast cancer field.
- SBI ALApromo is accelerating its development of products labeled as foods with functional claims, with plans to produce numerous foods with functional claims products during the fiscal year ending March 31, 2021. The items include the renewal of "Hatsugagenmai no Sokojikara," and new items that improve depression, or an item that combines 5-ALA and salacinol which increases metabolism while suppressing sugar absorption.

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
Karada Active



ALA PLUS
Gold



ALA PLUS
Karada Shape



ALA PLUS
Cosmetic Series

Board of Directors and Statutory Auditors

(As of June 26, 2020)


Directors

① Attendance at Board Meetings ② Number of Company's shares owned ③ Main areas of expertise ④ Reasons for selection

Name/Position	Responsibilities and other significant concurrent offices held	Other information
<p>Yoshitaka Kitao</p> <p>Representative Director, President & CEO</p> 	<p>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 & CEO of SBI VC Trade Co., Ltd. Representative Director & Chairman 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.</p>	<p>① 12/12 ② 3,907,960 ③ General management (financial assets and biotechnology) ④ Mr. Yoshitaka Kitao has demonstrated excellent management capabilities as Representative Director, President & CEO since the Company's establishment, building a financial conglomerate focused on Internet-based financial services for the Financial Services Business, which covers a broad range of business activities including securities brokerage business, banking services business, insurance business, and a wide range of financial services businesses. He has also helped establish a strong business foundation for the SBI Group by leading the Asset Management Business and the Biotechnology-related Business in Japan and abroad.</p>
<p>Katsuya Kawashima</p> <p>Representative Director, Senior Executive Vice President & COO</p> 	<p>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.</p>	<p>① 12/12 ② 737,870 ③ General management (financial assets) ④ Mr. Katsuya Kawashima has served successively in important positions at SBI SECURITIES Co., Ltd., SBI Sumishin Net Bank, Ltd., and other companies that play a central role in the Financial Services Business, and from April 2015, he has led the venture capital business and the overseas Financial Services Business as Representative Director and President of SBI Capital Management Co., Ltd.</p>
<p>Takashi Nakagawa</p> <p>Representative Director, Senior Executive Vice President</p> 	<p>Director of SBI Investment Co., Ltd. Director of SBI Investment KOREA Co., Ltd.</p>	<p>① 12/12 ② 42,000 ③ General management (financial assets) ④ Mr. Takashi Nakagawa has served successively in important positions such as Representative Director of SBI Investment Co., Ltd. and Representative Director and President of SBI FINANCIAL SERVICES Co., Ltd., in the Asset Management Business and Financial Services Business, which are core businesses of the SBI Group, and has broad knowledge and a wealth of experience in general managerial issues. In addition, he is responsible for operations focused on the planning and promotion of personnel matters throughout the SBI Group, as an officer in charge of the personnel and general affairs.</p>
<p>Masato Takamura</p> <p>Representative Director, Senior Executive Vice President</p> 	<p>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.</p>	<p>① 12/12 ② 250,000 ③ General management (financial assets) ④ Mr. Masato Takamura has served as Representative Director and President of SBI SECURITIES Co., Ltd., and has greatly contributed to the growth of the securities businesses, and has a wealth of experience and broad knowledge as a manager. In addition, he has been responsible for the Financial Services Business as Representative Director and President of SBI FINANCIAL SERVICES Co., Ltd. since June 2018.</p>
<p>Shumpei Morita</p> <p>Senior Managing Director</p> 	<p>Representative Director of SBI Regional Bank Holdings Co., Ltd. Director of SBI FINANCIAL SERVICES Co., Ltd. Director of SBI Capital Management Co., Ltd. Director of SBI Digital Asset Holdings Co., Ltd. Outside Director of Shimane Bank, Ltd.</p>	<p>① 12/12 ② 70,000 ③ Finance and accounting ④ After assuming office as a Director of the Company, Mr. Shumpei Morita has provided support in relation to the accounting and financial aspects of the SBI Group's management strategy as CFO since October 2011. In addition to a highly ethical outlook, he possesses considerable professional knowledge regarding finance and accounting. Furthermore, as Representative Director of SBI Regional Bank Holdings Co., Ltd., he works on regional revitalization and value enhancement for regional financial institutions, in which SBI Regional Bank Holdings Co., Ltd. has invested.</p>
<p>Masayuki Yamada</p> <p>Director</p> 	<p>Statutory Auditor of SBI GLOBAL ASSET MANAGEMENT Co., Ltd.</p>	<p>① 12/12 ② 14,030 ③ Internal control, legal affairs and compliance ④ Mr. Masayuki Yamada has served as an officer in charge of legal affairs and compliance in the SBI Group as an attorney at law admitted to the New York Bar (U.S.), and has a wealth of practical experience and a highly ethical outlook.</p>
<p>Satou Kusakabe</p> <p>Director</p> 	<p>Managing Director and General Manager of Risk Management Department and management of Customer Management Department of SBI SECURITIES Co., Ltd. Director of SBI VC Trade Co., Ltd.</p>	<p>① 10/10 ② 2,000 ③ Internal control, legal affairs and compliance ④ Ms. Satou Kusakabe has been engaged in internal control and audit-related tasks at companies as a certified public accountant, and has a wealth of experience in that field. In addition, she has conducted duties mainly in the audit and risk management departments at the Company, as well as at SBI SECURITIES Co., Ltd. With the importance of Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) continuing to rise in recent times, it can be expected that she will utilize her wealth of experience in the field to further strengthen and enhance the SBI Group's risk management.</p>
<p>Masaki Yoshida</p> <p>Director</p> 	<p>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.</p>	<p>① 12/12 ② 10,000 ③ General management (media) ④ After serving in important positions in relation to management of common funds with the SBI Group at Fuji Television Network, Inc. (currently, Fuji Media Holdings, Inc.), Mr. Masaki Yoshida has served as Representative Director and Chairman of Watanabe Entertainment Co., Ltd., and has a wealth of experience and extensive knowledge, particularly in media-related fields.</p>

Independent Outside Directors

① Attendance at Board Meetings ② Number of Company's shares owned ③ Main areas of expertise ④ Reasons for selection

Name/Position	Responsibilities and other significant concurrent offices held	Other information
Teruhide Sato Independent Outside Director 	Director of BEENEXT PTE. LTD. Director of BEENEXT CAPITAL MANAGEMENT PTE. LTD. Komisararis of PT Tokopedia Director of Sen Do Technology Joint Stock Company	① 11/12 ② 2,820 ③ General management (advanced technology), overseas ④ Mr. Teruhide Sato participated in launching the Japanese corporation CyberCash K.K. (currently, VeriTrans Inc.) and has served as Representative Director, President and CEO of netprice, Ltd. (currently, BEENOS Inc.), and he has a wealth of experience and extensive knowledge, particularly in relation to Internet businesses in Asia.
Heizo Takenaka Independent Outside Director 	Chairman and 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 Professor Emeritus at Keio University	① 12/12 ② — ③ General management (financial assets), finance and accounting ④ Mr. Heizo Takenaka has served successively as the Minister of State for Economic and Fiscal Policy, the Minister of State for Financial Services, the Minister of State for Internal Affairs and Communications, and in other posts and teaching at Keio University and Toyo University, while also serving as an outside director in private companies.
Yasuhiro Suzuki Independent Outside Director 	Representative Director and President of digitalshiftwave Co., Ltd. President of Japan Omni Channel Association Visiting Professor at Joho Keiei Innovation Senmonshoku Daigaku	① 12/12 ② — ③ General management (advanced technology) ④ Mr. Yasuhiro Suzuki has served successively as Representative Director and President of Seven & I Netmedia Co., Ltd., Director & Executive Officer, CIO of Seven & I Holdings Co., Ltd., and in other posts, and has a wealth of experience in a wide range of fields, including Internet businesses.
Hiroshi Ito Independent Outside Director 		① Appointed June 2020 ② — ③ General management (financial assets), risk management ④ Mr. Hiroshi Ito has served successively in important positions, such as Representative Director of Marsh Japan, Inc., which is a global leading company that provides services related to insurance and risk management, and has expert knowledge in insurance fields that the SBI Group focuses on.
Kanae Takeuchi Independent Outside Director 	Freelance Announcer	① Appointed June 2020 ② — ③ Public relations ④ One of the Company's most important challenges is to ensure that the Board of Directors heeds women's perspectives, and strengthens its approach in this regard. Moreover, Ms. Kanae Takeuchi has played active roles, both in the past and presently, particularly in the media, and is well-suited to reflect the opinions of the stakeholders of the Company, including many individual shareholders, at meetings of the Board of Directors.

Statutory Auditors

① Attendance at Board meetings • Attendance at Statutory Auditor meetings
 ② Number of Company's shares owned ③ Main areas of expertise ④ Reasons for selection

Name/Position	Responsibilities and other significant concurrent offices held	Other information
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.	① 12/12 • 16/16 ② 48,980 ③ Finance and accounting ④ Mr. Atsushi Fujii has many years of experience at financial institutions, a good understanding of the Company as a whole, is a certified public accountant, and has considerable financial and accounting knowledge.
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.	① 12/12 • 16/16 ② 1,000 ③ Finance and accounting, internal control, legal affairs and compliance ④ Mr. Toru Ichikawa has served successively as chief inspector of the Financial Services Agency and has extensive experience in the financial field.
Minoru Tada Statutory Auditor 	Statutory Auditor of SBI SECURITIES Co., Ltd. Statutory Auditor of SBI NEO MOBILE SECURITIES Co., Ltd.	① 12/12 • 16/16 ② 26,510 ③ Internal control, legal affairs and compliance ④ Mr. Minoru Tada has many years of experience in financial institutions, and possesses expertise as an auditor of the Company and Group companies.
Yasuo Sekiguchi Outside Statutory Auditor 	Managing Director of Global Partners Consulting, Inc.	① 12/12 • 16/16 ② — ③ Finance and accounting, overseas experience ④ Statutory Auditor Yasuo Sekiguchi is qualified as a Certified Public Accountant and Certified Tax Accountant, and has a considerable degree of knowledge regarding finance and accounting.

Note: The number of shares owned is as of March 31, 2020

Policy and procedures concerning the nomination of Director candidates and Statutory Auditors

Please refer to the "Basic Policy on the Governance System" III-1-(3) and III-2-(3) on our Company website.
https://www.sbigroup.co.jp/english/investors/management/governance_policy.html

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 13 Directors, with five Independent Outside Directors (as of the end of June 2020), 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, 12 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.

Corporate Governance Principles Based on the Corporate Governance Code

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

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 2020. 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 2020 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 noted that in further improving the effectiveness of the Board of Directors, it is critical to secure Directors with keen insight into the advanced technologies that are the keys for sustained business growth, and to renew awareness of the importance of human resource development from the medium-term and long-term perspectives.

Among opinions expressed in the evaluation was the opinion that, amid the increasing focus of attention on corporate

Overview of Organization (As of June 30, 2020)

Configuration	Company with Board of Statutory Auditors
Number of Directors (Independent Outside Directors)	13 (5)
Term of office of Directors	1 year
Average age of Directors	56.5 years old
Number of Statutory Auditors (Outside Statutory Auditors)	4 (2)
Number of Directors registered as Independent Executives	5
Number of Management Advisory Committee members (Independent Outside Directors)	8 (5)
Involvement of Independent Outside Directors in compensation decisions (Yes / No)	Yes

Results of Main Efforts for the Fiscal Year Ended March 31, 2020

Number of Ordinary Board of Directors meetings held per year	12
Average attendance rate at Board of Directors meetings for Independent Outside Directors	97.8%
Average attendance rate at Board of Directors meetings for Outside Statutory Auditors	100.0%
Number of Board of Statutory Auditors meetings	16
Average attendance rate at Board of Statutory Auditors meetings for Outside Statutory Auditors	100.0%

Major Items Discussed at the Board of Directors

- Approval of the annual internal auditing plan for FY2019
- Report on cybersecurity activities
- About regional revitalization projects
- Report on the establishment of a local subsidiary in Germany

sustainability and social impact, further enhancement of governance including that of overseas locations is to be pursued in tandem with ensuring the speed of business growth. According to this view, the Company has arrived at the stage of a more profound debate that addresses management strategy from the dual perspectives of business opportunity and risk management. The Board of Directors is continuing to strengthen its effectiveness based on the above results of this analysis and evaluation, and will ensure that it contributes to the increase of sustainable corporate value.

■ **Director Training:** The Company maintains a training environment in which each Director and Statutory Auditor can acquire and update the knowledge required of management. For the fiscal year ended March 31, 2020, the Company conducted training in November 2019 in which the Company invited Daigo Shimizu, who heads the Business Development Department Equity Sales Group of the Global Markets division at Goldman Sachs Group Inc., where he is responsible for the Sustainable Development Goals (SDGs) and environmental, social and governance factors (ESG), to lecture the crucial importance in the investment chain of ESG factors and the SDGs.

Key Themes Discussed During the Director Training

- The global trends in ESG and SDGs
- The critical importance of ESG factors in capital markets (the importance of more concrete policy formulation and disclosure)
- Increased interest in ESG and SDGs among passively investing institutional investors
- The state of listed subsidiaries



Attendees of director training

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. 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 establish the Management Advisory Committee as the voluntary advisory body to the Board of Directors, and that it comprise a majority of Independent Outside Directors.

Similar to the former Outside Director Liaison Committee, this committee will share information and opinions from an objective perspective, while also maintaining an environment in which Independent Outside Directors may engage appropriately and actively in discussions of the Board of Directors.

The 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.

At the fourth Management Advisory Committee meeting held in December 2019, the SDGs and ESG factors were discussed in the context of director training. It was a meaningful exchange of views that applied the knowledge of each Independent Outside Director regarding the efforts that the SBI Group must undertake in becoming a sustainable corporation, including education of the children who will form the next generation, climate change policy, succession plans and technology.

The Members of the Management Advisory Committee (As of June 26, 2020)

Position	Name
Chairman of the Management Advisory Committee	Heizo Takenaka*
Member of the Management Advisory Committee	Teruhide Sato*
Member of the Management Advisory Committee	Ikkou Nakatsuka
Member of the Management Advisory Committee	Hirofumi Gomi
Member of the Management Advisory Committee	Yoshitaka Asaeda
Member of the Management Advisory Committee	Yasuhiro Suzuki*
Member of the Management Advisory Committee	Hiroshi Ito*
Member of the Management Advisory Committee	Kanae Takeuchi*

* Independent Outside Directors of the Company

Compensation for Directors

The compensation for Directors, in principle, is decided by the Board of Directors within the total compensation amount approved at the General Meeting of Shareholders after receiving feedback from the Management Advisory Committee, in order to secure fairness and clarity.



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.
- 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 | • The prevailing rate of compensation for directors |
| • Compensation paid to Directors of the same rank in the past | • The degree of contribution to the Company's business performance |
| • The Company's business performance outlook | • 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.

Policy and Status of Strategic Shareholding

As of March 31, 2020, 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.

Basic Policy on Parent and Subsidiary Listings, and Protection of Minority Shareholders

Since the SBI Group has a wide range of business areas, some investors say that it is difficult to attain an understanding of the full picture. In response to this, we work to make the corporate value of the Group as a whole more visible by promoting initial public offerings for our subsidiaries so that the business value of each operational unit becomes clear. While increasing the capital procurement capability of each Group company, these public stock offerings enable them to strengthen their financial standing and be self-reliant. At the same time, in order to protect minority shareholders, we adhere to the arm's length principle to ensure the fairness and rationality of transactions with each company in the Group, and respect the independence of their management. For Morningstar Japan, which is listed on the TSE JASDAQ market, we maintain a basic policy of ensuring that transactions with the SBI Group are objective and, applying the same conditions as to transactions with other business associates, using fair market prices, and ensuring that transactions are appropriate, as determined by the Board of Directors. We also endeavor to make it a priority of internal auditing and audits by Statutory Auditors to ensure that the conditions of transactions with the Group are determined comparably to general transaction conditions.

In addition, for SBI Insurance Group, which is listed on the TSE Mothers market, we maintain a basic policy of ensuring that transactions with the SBI Group are the same appropriate terms and conditions as those for general transactions. When a transaction with the SBI Group is expected, the appropriateness of the conditions of the transaction is discussed at the Board of Directors meetings in advance, to protect the profits of shareholders other than controlling shareholders.

The SBI Group from the Perspective of Independent Outside Directors



Securing Human Resources with Strong Execution and Adaptability

Teruhide Sato, Independent Outside Director

The SBI Group is entering its next phase of growth based on the strong leadership of President Kitao and his broad management strategy. Moving forward, it will become increasingly important to secure human resources with strong execution and adaptability skills, in addition to incorporating major strategies into specific strategies in each field and country of business. My hope is that the Board of Directors, along with the Business Advisory Committee, will continue to hold strategic discussions on personnel matters, as well as the next generation management structure.



Improving Transparency of the Board of Directors through the Management Advisory Committee

Heizo Takenaka, Independent Outside Director

As the SBI Group has a wide range of business operations, I feel that the present structure of the Board of Directors is appropriate. The Board of Directors is engaged in broad discussions, which is effective in making it easier for the Board of Directors to reflect the decisions and opinions of Independent Outside Directors. In light of the recent governance debate, I believe that it is important to increase the number of opportunities for discussion at the Business Advisory Council, in order to further enhance the transparency of management.



Enhanced ESG Initiatives Based on Sound Ethical Values

Yasuhiro Suzuki, Independent Outside Director

At the SBI Group, management is based on highly sound ethical values, and management takes candid proposals such as succession issues for President Kitao seriously, and I think that the challenge is to make stakeholders aware of such a reality. Also, as the responsibility of an Independent Outside Director, I would like to continue to actively express my opinions on the securing and training of IT personnel, and the risks involved in the establishment and operation of a large-scale system.



Contributing to the Enhancement of Corporate Value by Incorporating Experience in Insurance and ESG Activities

Hiroshi Ito, Independent Outside Director

In the highly regulated financial sector, I believe that the SBI Group is a company that challenges in the development of strategic and innovative businesses. I would like to apply my expertise and knowledge, gained both in Japan and abroad, of the financial sector (insurance), in which I have been involved thus far, as well as in compliance and business continuity planning (BCP), which are fields to protect companies. In addition, we will contribute to further enhancing the corporate value of the SBI Group from the perspective of engaging in businesses with ESG in mind.



Contributing to the Enhancement of Corporate Value from a Diversity Point of View

Kanae Takeuchi, Independent Outside Director

I am looking forward to contributing to the enhancement of corporate value by exchanging ideas with the other directors regarding the variety of measures that the SBI Group will be undertaking from a diversity point of view, making the best of my experience that I have gained from having lived in different cultures overseas, as well as from my perspective as a woman. Even more so than in the past, the SBI Group is developing and expanding its business globally, and I believe that it is more important than ever to reflect on the current global social problems in its management, including measures to combat infectious diseases.

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

The SBI Group has established a whistle-blowing system enabling reporting by Group company employees (including non-regular employees) whenever they discover actions, whether organizational or individual, that violate laws or regulations. To ensure ease of use for whistle-blowers, a secondary point of contact has been established at the Company's Board of Statutory Auditors, and we take ample care in ensuring the confidentiality of whistle-blowers and in the handling of the information. In order to ensure that the whistle-blower is protected after making a report, the Group investigate as appropriate to determine whether they have received any unfavorable treatment.

Whistle-blowing System

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



https://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. (For details, please see page 44.)

Business Risk

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



<https://www.sbigroup.co.jp/english/investors/management/risk.html>

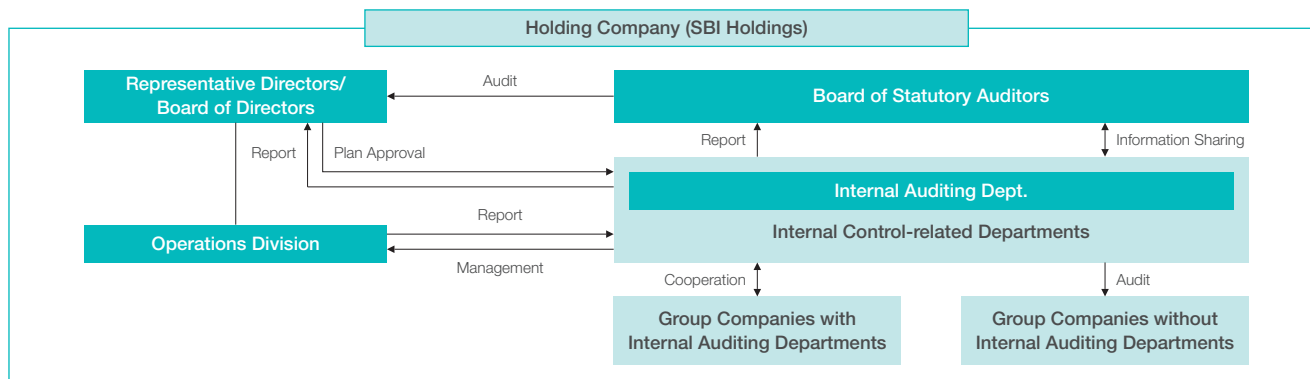
Internal Auditing

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. Auditing targets are grouped according to elements such as capital relationships. Then, they are given a score according to various types of risks, such as credit risk, market risk, liquidity risk and operational risk. Based on these results, 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

Improving the Effectiveness of Corporate Governance through Monitoring and Verification of Risk Response Status

In the organizational design of a company with a board of auditors, while increasing the ratio of Independent Outside Directors to strengthen the supervisory function, the Board of Statutory Auditors plays a systematic auditing function that is independent of business execution. On the other hand, decision-making on business execution by the Board of Directors is focused on pertinent matters that may have certain effects on the Group's management strategy, but within an environment in which the business execution managers of each Group company can make prompt business decisions, so that the management supervision and business execution functions are well balanced and effective. As an auditor, I would like to enhance governance by monitoring and reviewing whether important management risks are appropriately managed through audit activities, and to encourage the further sophistication of Group control based on such results. Additionally, more recently, the Group has been asked to be more aware of stakeholder viewpoints in its business activities, in terms of responding to the SDGs. Our Group has several areas of business that are considered to be promoting the SDGs, including "contribution to regional revitalization," and in the years to come, I believe it will be necessary to deepen discussions not only on business opportunities but also on risk management.



Toru Ichikawa
Outside Standing
Statutory Auditor

Initiatives to Strengthen Corporate Governance from a Long-term Perspective

Since the Company has a large number of Group companies under its auspices over a wide range of business fields, I feel that the company with a full-time board of auditors, and an independent auditor, is functionally synced. Also, at the Board of Directors Meetings, the president, corporate officers and the external board members have worked together to strengthen the atmosphere of constructive discussions throughout the years, utilizing the diversity and backgrounds of the individuals present at the meetings, which I believe is highly appropriate.

With regards to the strengthening of risk management, regulation-related reports are numerous due to the Company's main characteristics as a financial business and to manage the Company from the long-term point of view, the SBI Group must comprehend a wide range of risk conditions, and it would be appropriate for the Board of Directors to increase opportunities to engage in discussions concerning responses to operational risks. In fact, reports about AML (anti-money-laundering) and CFT (combating the financing of terrorism) are currently presented to the Board of Directors on a regular basis, but going forward, discussions about risks involving information security and other labor-related risks, such as work-style reform and workplace harassment, may also be considered as necessary.

Performing Risk Analysis and Countermeasures for each Business Field in the Implementation of Diverse Business Operations

Group Risk Management

■ **Group Risk Management System** The Company is endeavoring to reinforce its risk management system, in order to promptly discover risks and to prevent them from actualizing. In case of a management crisis with a significant impact on the survival of the company, or to prepare against the possibility of such incidents, based on the Risk Management Rules determined by the Board of Directors, the Company appoints an Officer in charge of risk management as the leader to gather and evaluate information, and respond to the crisis, as well as reporting to applicable organizations, and disclosing pertinent information.

Moreover, in order to manage the Group-wide risk control of losses, reports on the status of risk of losses at the SBI Group's affiliate companies are to be received on a regular or timely basis through the person in charge of risk management at each Group company. When necessary, the Officer in charge of risk management and the Risk Management Department discusses with the relevant person in charge of risk management to prepare for the occurrence of losses.

The Company has established a stringent mutual compliance check system 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.

■ **Risk Management Department** The SBI Group has established the Financial Conglomerate Governance Dept. as its risk management department. It pursues duties with the purpose of maintaining an ample understanding of the actual status of the Group's overall business management system, the financial health of the Group, and the appropriateness of its business activities, in order to enable accurate responses to the risks associated with the functions as a financial conglomerate.

While complying with Affiliated Company Management Rules, Risk Management Rules and Risk Management Implementation Detailed Regulations, the SBI Group has also formulated the Management Policy for Conflicts of Interest and established a framework for the management of conflict of interest, in order to safeguard customer profits.

■ **Risk Status Reporting** The SBI Group quantifies the credit risk, market risk and operational risk, etc., in order to calculate the "ratio of quantified risk to owned capital." In addition, the Officer in charge of risk management reports to the Board of Directors on a quarterly basis regarding the status of financial health, risk concentration and other essential matters to risk management. Furthermore, the risk reports compiled by each department of the Company and by persons in charge of risk management at each Group company are also gathered and analyzed, and improvements would be requested for the countermeasures provided, if necessary. Whenever a transaction is conducted between the SBI Group's financial institutions and any other Group companies, pre-consultation and post-consultation surveys of the Group-internal transactions are held, in order to

confirm whether there are any problems regarding the arm's length rule, capital adequacy ratio or compliance.

If an accident occurs at the SBI Group's companies, the Company responds by building systems to prevent the linking or spread of damage to other Group companies as the matter is resolved.

Risk Management Initiatives by Business Segments

Risk Management in the Financial Services Business

In the Financial Services Business, initiatives consist primarily of responses to the risks that are associated with the importance of personal information, the potential risks that emerge from the use of technology, the risks of the information management and the system risks.

■ **Protection of Customer Information** The SBI Group strives to develop and operate services with maximum consideration to the reliability and stability of the information system by recognizing "potential risks that emerge from the use of information technology" that are becoming more apparent with the progress of the sophisticated IT-based society such as the spread of the Internet. Especially, in view of the importance of protecting personal information, we have established the Personal Information Protection Policy and appointed Takashi Nakagawa, Representative Director, Senior Executive Vice President as Personal Information Officer, in order to develop an environment and system that prevents incidents and accidents from happening, and provides the secure use of our services.

In addition, companies within the SBI Group that handle personal information obtain a certification (PrivacyMark®) as necessary from the Japan Institute for Promotion of Digital Economy and Community (JIPDEC), which designates them as firms that handle personal information with due care. As of March 31, 2020, eight Group companies, including SBI Holdings, have received the approval to display the certification.

We are also working to reinforce countermeasures to prevent the leaking of information due to cyberattacks on information systems, such as an internal penetration by malware, a targeted attack. Out of awareness that human resource is the most crucial element for the maintenance and improvement of the information security system, we implement continual employee education through e-learning and other means.

The sharing of good practices among the Group companies is ongoing, as we move forward with initiatives to improve information security at each Group company effectively and efficiently.

Personal Information Protection Policy



<https://www.sbigroup.co.jp/english/policy/privacy.html>

■ Information Management and System Risk Countermeasures

As the importance of information security increases, the SBI Group has established the Group Computer Security Incident Response Team (CSIRT), controlled by the Officer in charge of information security, which operates cross-sectionally through the Group to establish and maintain overall information management systems including customer information, and to strengthen our system risk and information security risk management systems. Especially in terms of business continuity, we are building redundancy and multiple-location back-up capabilities into our systems to enable it to respond to a variety of occurrences.

We also implement thorough Group-wide security countermeasures to strengthen cybersecurity. As an example, the Group has developed its own security service using the cutting-edge technology of the companies that the SBI Group has invested in and adopted within the Group. This service is one that operates at levels of security requiring measures for anti-money laundering and countering the financing of terrorism (AML/CFT; see Glossary page 109), by the Financial Action Task Force (FATF)*. For financial business operators, enhancement of measures to prevent money laundering and the flow of capital into terrorist organizations is a crucial management issue. 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.

* Financial Action Task Force Intergovernmental (FATF): Established in 1989 as an inter-governmental organization. As of June 2020, 37 countries and territories, as well as two international organizations, are members.

Anti-Money Laundering and Countering the Financing of Terrorism Policy



https://www.sbigroup.co.jp/english/policy/money_laundering.html

Risk Management in the Asset Management Business

As ESG investments expand worldwide in this business, the fostering and management of ethics is a primary focus of the initiatives in the Asset Management Business.

The investment policy of the SBI Group is that to invest into companies with a fundamental understanding of "whether the management executives of the company have a firmly held awareness of virtue as the basis of business, as opposed to just making money," or that "companies exist within society and that it is only within this societal context that they can survive, therefore, they must contribute to the maintenance and development of society." The SBI Group conducts its operation that also suits the ESG investment trends, with no investments into companies such as those in the tobacco industry, those involved in oil, coal or other fossil fuels or nuclear power generation, as of the end of March 2020. Based on these ideas, regarding investee management, the Company's Overseas Business Department and Finance

Department collaborate with SBI Investment, a company that is central to the Asset Management Business.

Under this policy, we have invested with a concentration in growth fields such as IT, bio/life sciences, environment and energy, as we have endeavored since our founding to create and incubate core companies of the 21st century. This is an ethos that is expressed in our corporate mission of "New Industry Creator." In addition to these fields, currently the Group is proactively investing in fields of next-generation technological innovation, such as fintech, AI, blockchain, IoT and robotics. At the SBI Group, we are contributing to the realization of a sustainable society by continuing to invest in startup companies with highly specialized and original ideas, in the domains of advanced technology that can help resolve societal issues, such as labor shortages and depopulation resulting from the ongoing aging of the population and low fertility.

Risk Management in the Biotechnology-related Business

Quality management and addressing the risk of pollution of the natural environment are the primary initiatives in the Biotechnology-related Business.

Since SBI Pharmaceuticals is involved in the development and manufacturing of products using 5-Aminolevulinic Acid (5-ALA), in order to ensure product quality and safety, the company has developed a system for compliance with the relevant laws and regulations known as quality control standards, which are also required of companies that manufacture and sell drugs. Measures taken for the risk factors include the occurrence of quality problems that could lead to product or service defects and flaws, large-scale recalls or products and completed liability. SBI ALApromo, which manufactures and sells products containing 5-ALA, also implements similar countermeasures.

Furthermore, since SBI Biotech engages in drug research and development, risks are assessed and countermeasures are taken with respect to various hazards, including that of environmental contamination due to loss of animal test subjects, or the release of genetically modified organisms or radioactive isotopes into the environment.

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. In order to secure human resources, we hire mid-career employees who are ready for deployment as well as new university graduates. Within that pool of talent, there are those who go on to become directors of Group companies, while others make valuable contributions as mid-level employees of their respective companies, and play key roles in nurturing and passing on the SBI corporate culture.

On the other hand, more than 90% of the Group's employees are mid-career hires, continuous training and other measures are provided to foster talented individuals who are capable of understanding and putting into practice our corporate culture, which includes not having a myopic view focused on their own departmental work, but to be capable of implementing initiatives with Group-wide synergies in mind.

Employee Development and Proactive Promotion

The SBI Group has implemented various measures to nurture the talent of those who will lead the future, and has thoroughly pursued a policy of proactively appointing and promoting superior talent regardless of age.

For employees who aspire 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 elective courses from the SBI Graduate School MBA curriculum. A total of 464 employees have completed this training program

as of March 31, 2020. 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 111 individuals have obtained MBA degrees through this program as of March 31, 2020. The Group contributed approximately ¥69 million in education and training expenses in FY2019, 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 expertise in positions such as attorneys, accountants, AI development and blockchain engineers.

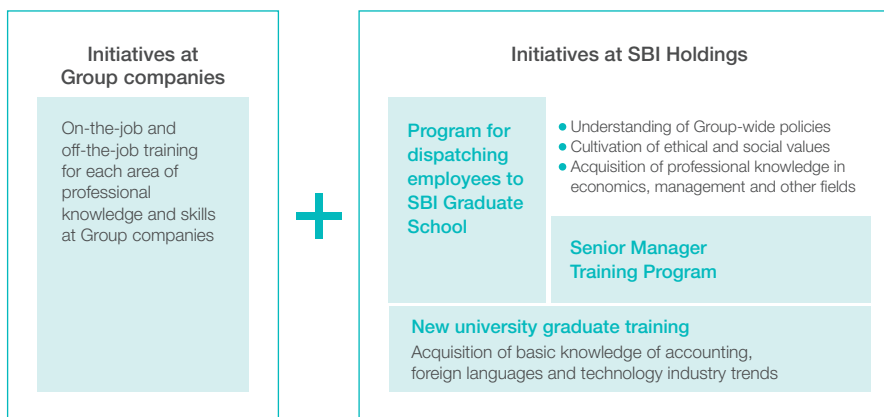
The Group strives for fair and impartial evaluation of employees, and utilizes comprehensive and multifaceted evaluations with input from not only superiors, but also subordinates and colleagues, by the adoption of a 360-degree feedback system.

Utilization of Diverse Human Resources

The SBI Group emphasizes the importance of individual character, professional background and skill, regardless of nationality, religion, age, gender, the presence of a mental or physical disability, or indigenous status and with respect, flexibly applies this to the recruitment process. This policy allows for the flexible acceptance of a diverse workforce. In Japan, we started recruiting new university graduates in 2006. We also recruit new graduates throughout Asia, as well as many other international students, and stepped up recruitment of mid-career foreign nationals with advanced technological abilities for positions, including those at systems departments. Employees at overseas business offices now account for 35.4% of Group employees, an increase of 9.2 percentage points from the previous year. The

The SBI Group's Personnel Development Process

- Management executives
- Department and section heads
- Leaders
- Employees
- Younger employees



Group is increasing its diversification of nationalities as we continue to pursue global development.

SBI Holdings continues to recruit women, and in FY2019, the percentage of female employees across the Group was 42.4%. 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.

Upon putting this diverse pool of employee talent into action, we are focusing our efforts on evolving a fair and just system that offers all employees the opportunities to play an active role in an equal and equitable manner.

Specifically, we envision an approach featuring flexible work hours and telework together with leave for childbirth and childcare, as well as the building of a work environment that honors individuality and differences among people. This would be reflected in our corporate policies relating to the relocation to overseas offices, training systems and the like.

Efforts to Create Appealing Workplaces

The SBI Group is creating a workplace environment that plays a positive role in recruiting and retaining talented individuals, 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*1 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)*2, pursuing improvements in business process efficiency and productivity through automation of various routine business processes. At SBI Holdings (non-consolidated), average monthly overtime is 18 hours 1 minute per person, and the annual paid leave utilization rate is 69.8%.

*1 A job posting system within the Group companies for employees to apply for transfers

*2 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

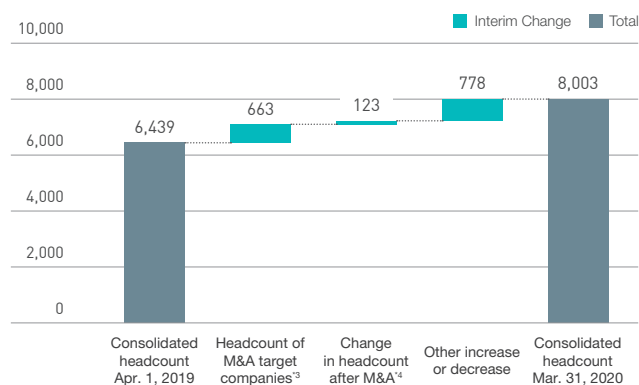
Employee Data

Employee Status (Consolidated)	FY2017	FY2018	FY2019
Percentage of employees at overseas business sites	22.1%	26.2%	35.4%

Status of Employment of Women (Domestic Consolidated)	FY2017	FY2018	FY2019
Number of female employees	1,194	1,282	1,515
Ratio of female employees	36.4%	36.8%	38.0%
Number of women hired	285	283	367
Ratio of women among regular employees hired	26.2%	21.0%	22.9%
Number of female managers	174	180	219
Ratio of female managers	16.3%	14.9%	16.5%

Other Corporate Data		FY2017	FY2018	FY2019
Domestic consolidated	Average years of service (men)	6.8	6.6	6.6
	Average years of service (women)	5.4	5.4	5.5
	Average annual salary (men)	¥7,424,998	¥7,913,266	¥7,997,157
	Average annual salary (women)	¥4,664,003	¥4,927,172	¥4,885,217
	Turnover rate	15.0%	16.6%	14.2%
Non-consolidated	Average monthly overtime hours	22hr 15min	20hr 50min	18hr 01min
	Ratio of annual paid leave taken	64.0%	63.2%	69.8%
	Ratio of employees administered a stress check	97.7%	98.9%	98.9%
	Ratio of childcare leave taken by women employees	100%	100%	100%

Change in Consolidated Headcount as a Result of M&A



*3 Headcount at the time of Group consolidation of three companies merged or acquired from April 2019 to March 2020

*4 Change in headcount at M&A companies between April 2019 and March 2020

The SBI Group's Endeavors to Enhance Corporate Value Together with Its Stakeholders



Kazumasa Ise

Analyst
Asset Management One Co., Ltd.
Equities Asset
Management Group

In 2016, DIAM Asset Management, Mizuho Trust & Banking's Asset Management Department, Mizuho Asset Management Co., Ltd., and Shin Kong Investment Trust Co., Ltd. were integrated into an asset management company, Asset Management One Co., Ltd., which has the largest balance of assets under management in Asia.

Expectations for Building a Resilient Corporate Nature Based on "Fluidity and Immutability"

I find it appealing that the SBI Group is expanding its business in adjacent areas by leveraging SBI SECURITIES' customer base as a competitive advantage, and that the Group strategy pursues synergies with other businesses, including venture capital.

What I focus on in my analysis of investee companies is the idea of a "corporate winning move." No matter how beautiful a corporate philosophy is or how rational a group strategy is, if the company cannot manage a "winning move" that appropriately fits their situation, then any improvement in performance will be out of reach. The SBI Group provides many opportunities to meet with top management for individual meetings, as well as proactively disclosing information regarding the initiatives and results of each of their business segments, which is very helpful. However, since the Group has such a wide range of businesses and changes are rapid, comprehending the Group overall is not easy. In this regard, I feel that improvements in the explicitness of their disclosures would help improve the situation.

In addition, the SBI Group's average ROE¹ of 10.8% over the last five fiscal years is more than two percentage points above the market average of 8.1%², so I regard that the Company's capital efficiency is at a high level. However, based on chronological analysis, financial leverage has been on an upward trend over the past several years, and given the uncertainty of the current social and economic environment, I believe it is time to restrain the expansion of the balance sheet and improve the return on investment and margin.

There is a phrase "fluidity and immutability," which means that while constantly maintaining unchanging value, things will advance by adopting new values simultaneously. Similar to this phrase, I expect that the SBI Group will flexibly transform itself along with the trends of time, to establish a resilient corporate nature, while maintaining the core value of the "Customer-centric Principle."

¹ Calculated as a simple average from SBI Holdings' publicly released data. The denominator is the average equity for the beginning and ending of the fiscal year for equity attributable to owners of the Company

² Calculated based on publicly available data from Bloomberg for the ROE of TOPIX components



Kazuko Yabutani

Japan stock analyst
Schroder Investment
Management (Japan) Limited

The Japanese arm of an asset management company based in the U.K., which has a history of more than 200 years. Invests in Japanese stocks on a long-term holding basis, while considering the medium- to long-term growth potential.

Focusing on Regional Revitalization Initiatives also from a Standpoint of Solutions to Social Issues

As for the SBI Group, I highly appreciate the fact that it has successfully diversified its services with securities, banking and insurance, utilizing the Internet as its core concept, and that it continues to provide a stable and affordable financial infrastructure with a strong understanding of its customers.

For over 20 years, centered on the U.K. headquarters, the Schroder Group has adopted operational methods for ESG to evaluate corporate value and to make investment decisions.

When evaluating companies in the financial sector, we prioritize on how they differentiate in terms of social (S) and governance (G) aspects, from importance (materiality) viewpoints. Among such efforts, the SBI Group's recent initiatives for "regional revitalization" are a point of focus. I am also in charge of the decisions on investments in Japanese regional banks, and I have great expectations of how the SBI Group will contribute to the recovery and revitalization of the profitability of regional financial institutions, which have a sense of stagnation. If two or three successful cases can be found among the Group's initiatives, it may spread to the reform of the regional banks across the country. Investors look forward to the Group's efforts to link their own growth with the growth of regional financial institutions and local economies that they support, which is of great social significance.

As for governance issues, I feel secure in President Kitao and the directors who have been there since the inception of the company to continue to lead the various Group companies. However, when considering future business expansion opportunities, as well as the successor issue, I believe that increasing the number of opportunities for each director to articulate their management strategy for their respective business segments will further nurture internal confidence.

Environmental Initiatives

SBI Holdings has been registered on the ESG Dialogue Platform of the Environmental Reporting Platform Development Pilot Project, sponsored by the Ministry of the Environment. The Company's environmental-related information is disclosed on the following website.

<https://www.env-report.env.go.jp/en/portal.html> (user registration required)

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

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, 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.

The SBI Group Environmental Policy



<https://www.sbigroup.co.jp/english/csr/environment.html>

Initiatives at SBI Group Companies

Responding to Risks Related to Climate Change

Amid the escalating problems surrounding the Earth's environment, the SBI Group companies are developing response measures to mitigate the impact of natural disasters arising from climate change.

SBI SECURITIES has drawn up contingency plans to prepare for business continuity by effective staffing reallocation and securing system resources in times of natural disaster. Also, SBI SECURITIES is conducting face-to-face business by using financial instruments intermediary service providers (independent financial advisers or IFAs). In light of actual examples from past disasters, SBI SECURITIES is taking care not to unduly bias the allocation of nationwide IFA channels for risk diversification purposes adding to operational considerations. At SBI MONEY PLAZA, which also conducts face-to-face sales, the branch offices are planning to contract for durable real estate properties, where the necessity for disaster countermeasures is comparatively low.

SBI Insurance is utilizing a mix of proportional and non-proportional reinsurance policies to respond to the risk of payment claims associated with large-scale disasters. In the fiscal year ended March 31, 2020, payment claims resulting from Typhoon No. 19 in 2019 (Hagibis) were ¥530 million in principal, but with reinsurance policies, SBI Insurance's actual losses were only ¥230 million.

Toward the Further Proliferation of Renewable Energy

SBI ENERGY, which operates an electric power business using renewable energy, generates power from 27,222 MWh of renewable energy per year, which contributes an emissions reduction

of 15,759 tons CO₂ equivalent*¹. It plans to add an additional 20 MW of power generation capacity. Especially, there will be an increasing utilization of electricity, due to wider IT adoption caused by large-scale farming owing to the decrease in the number of farm workers. In particular, farming-type solar power generation, which is one of the characteristic power generation methods that achieves both power generation and agricultural production, will continue to grow. This is regarded to be an important source of multifaceted contributions, as a power supply source that will not only contribute to regional revitalization and environmental conservation through the stabilization of power generation, but also to be utilized as a distributed power source in the event of a disaster.

Promoting Issuance of Green Bonds

The OECD estimates*² that global financing needs related to renewable energy are undergoing dramatic growth, with an estimated need of US\$839 billion in 2020 projected to increase to US\$4.3 trillion in 2035. According to Climate Bonds Initiative (CBI)*³, an NGO in the U.K., the global issuance of green bonds rose significantly to US\$257.7 billion in 2019 (a 51% increase year-on-year). SBI SECURITIES is advancing its support for issuing green bonds, and by May 2020, it had conducted 16 Internet offerings of about ¥2.16 billion. In March 2019, the company was registered as a "Registered Support Operator" on the "Green Bond Issuance Promotion Platform" of the Green Bond Issuance Promotion System Maintenance Support Project, run by the Ministry of the Environment.

*1. An estimated reduction in CO₂ emissions is calculated by using alternative values for the emissions coefficients for each power company, as published by Ministry of the Environment. When the usage rate for a facility is unknown, the calculation uses the average from June 2018 to May 2019 listed in documents from the Ministry of Economy, Trade and Industry's Procurement Price Calculation Committee

*2. Source: OECD "Green bonds policy perspectives"

*3. Source: CBI "2019_annual_highlights-final"

Change in CO₂ Emissions**

(Unit: t-CO₂)

	FY2017	FY2018	FY2019
CO ₂ emissions (Scope 1)	14	13	104
CO ₂ emissions (Scope 2)	3,412	3,331	4,145

*4. Scope of coverage: Defined by the GHG protocol at SBI Holdings and major domestic sites of the Group companies.
Scope 1 (Direct emissions from the use of fossil fuels, etc.)
Scope 2 (Indirect emissions owing to use of purchased electricity and heat) Each emission amount is listed.

*5. Calculation method: Based on the electricity usage of SBI Holdings and its Group companies, the CO₂ emissions in the relevant range are calculated using various emission factors announced by the Ministry of the Environment

Consolidated Financial Highlights 8-year summary

Adopted IFRSs from the year ended March 31, 2013

Years Ended March 31	2013
Operating revenue / Revenue*1	154,285
Profit before income tax expense	15,022
Profit for the year attributable to owners of the Company	3,817
Total assets	2,494,387
Equity attributable to owners of the Company	303,299
Net cash generated from (used in) operating activities	(36,984)
Net cash generated from (used in) investing activities	(19,060)
Net cash generated from (used in) financing activities	25,699
Cash and cash equivalents at the end of the year	133,362

*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	113,340
	Asset Management Business	33,011
	Biotechnology-related Business	970
	Others	9,240
Profit before income tax expense	Elimination or Corporate	(2,276)
	Financial Services Business	18,741
	Asset Management Business	6,259
	Biotechnology-related Business	(3,900)
	Others	1,659
	Elimination or Corporate	(7,737)

Note: For the fiscal years ended March 31, 2013 to 2020, 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	12.2
Substantive ratio of equity attributable to owners of the Company to total assets*2	22.9
Ratio of profit to equity attributable to owners of the Company (ROE)	1.3

*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)	1,401.39
Basic earnings per share attributable to owners of the Company (EPS)	17.58
Dividend per share	10.00

PER (Price-earnings ratio)	47.27
PBR (Price-book-value ratio)	0.6

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, 2020 was ¥1,578.

Total dividend	2,170
Share repurchase amount*3	0
Total shareholder returns	2,170

*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	56.9
Total shareholder returns ratio	56.9

Employees	5,007
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(Millions of yen)

2014	2015	2016	2017	2018	2019	2020
232,822	245,045	261,744	261,939	337,017	351,411	368,055
38,899	63,067	52,227	43,139	71,810	83,037	65,819
21,439	45,721	34,115	32,455	46,684	52,548	37,487
2,875,304	3,400,763	3,126,784	3,850,001	4,535,964	5,034,124	5,513,227
325,631	383,491	371,590	377,992	427,815	456,675	451,476
29,401	(36,197)	32,478	(17,952)	(33,235)	(71,665)	26,849
16,811	52,305	11,179	2,437	7,881	(54,731)	(70,887)
92,538	(15,524)	(76,230)	159,467	74,575	407,746	181,626
276,221	290,826	248,050	391,572	437,148	713,974	843,755

(Millions of yen)

147,835	162,645	159,012	176,989	217,272	230,458	246,753
72,725	65,843	98,725	80,392	117,572	118,631	115,767
2,195	2,182	4,021	5,530	4,199	3,729	3,920
11,626	15,710	2,259	883	1,213	1,189	5,512
(1,559)	(1,335)	(2,273)	(1,855)	(3,239)	(2,596)	(3,897)
37,298	67,309	50,458	48,853	63,888	66,864	53,379
8,990	8,132	17,996	13,940	56,491	51,107	35,165
(2,432)	(7,310)	(6,572)	(9,574)	(37,252)	(19,179)	(11,431)
2,438	2,779	(835)	(830)	(1,328)	(7,208)	(1,771)
(7,395)	(7,843)	(8,820)	(9,250)	(9,989)	(8,547)	(9,523)

(%)

11.3	11.3	11.9	9.8	9.4	9.1	8.2
22.2	22.2	21.7	18.3	16.7	15.3	14.2
6.8	12.9	9.0	8.7	11.6	11.9	8.3

(Yen)

1,504.19	1,771.19	1,792.08	1,856.47	1,937.72	2,000.82	1,955.91
99.04	211.18	160.83	159.38	220.54	231.43	163.18
20.00	35.00	45.00	50.00	85.00	100.00	100.00

(Times)

12.56	6.89	7.11	9.74	11.03	10.66	9.67
0.8	0.8	0.6	0.8	1.3	1.2	0.8

(Millions of yen)

4,340	7,594	9,393	10,153	18,711	22,984	23,077
0	10,000	5,000	8,000	0	19,427	0
4,340	17,594	14,393	18,153	18,711	42,412	23,077

(%)

20.2	16.6	28.0	31.4	38.5	43.2	61.3
20.2	38.5	42.2	55.9	40.1	80.7	61.6

(Persons)

5,352	6,094	5,480	4,455	5,391	6,439	8,003
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Fact Sheet

Financial Services Business' Key Indicators

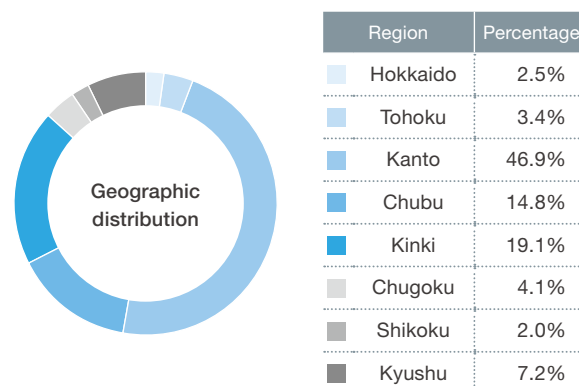
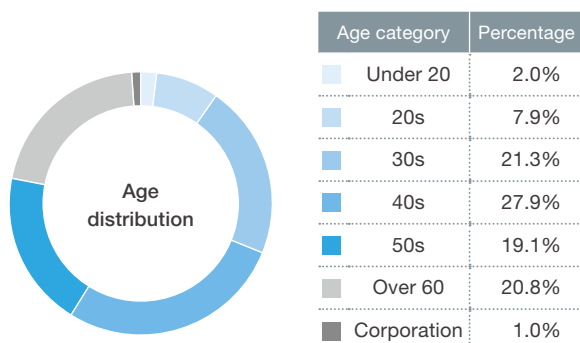
Full-year Profit before Income Tax Expense of the Major Businesses of the Financial Services Business (based on IFRSs)

	Unit	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
SBI SECURITIES (non-consolidated)	¥ million	34,828	37,850	33,043	46,169	45,597	31,604
FX business*1	¥ million	4,741	5,200	5,734	5,188	9,334	8,138
SBI MONEY PLAZA	¥ million	1,496	1,751	1,975	2,768	1,956	995
SBI Sumishin Net Bank [Net income based on JGAAP]	¥ million	5,196 [9,998]	3,385 [8,413]	3,185 [9,873]	3,770 [10,447]	7,249 [11,975]	5,845 [12,570]
Insurance business*2	¥ million	28	264	1,881	2,263	1,480	(1,291)

Securities (SBI SECURITIES, SBI Liquidity Market, and SBI MONEY PLAZA)

	Unit	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Accounts*3	Thousands	3,246	3,564	3,840	4,261	4,631	5,428
Net increase in accounts	Thousands	302	318	276	422	369	797
Accumulated number of accounts via SBI Sumishin Net Bank	Thousands	362	415	452	538	600	668
NISA accounts	Thousands	640	821	974	1,197	1,404	1,656
Customer deposit assets	¥ trillion	9.4	9.5	10.8	12.9	13.0	12.9
Share of individual stock holdings by value*4	%	9.4	10.4	11.2	11.7	12.7	13.9
Commission rate	Basis point	2.6	2.6	2.9	3.0	2.9	3.2
Share of individual stock brokerage trading value*5	%	34.5	35.3	34.7	35.1	36.2	36.4
Share of individual stock brokerage margin trading value*5	%	36.2	37.3	35.9	36.4	37.1	37.1
Open interest credit balance	¥ billion	787	678	799	1,001	838	647
Investment trust balance	¥ billion	1,155	1,216	1,323	1,675	1,874	2,101
Investment trust fees	¥ million	3,771	4,391	4,215	5,181	5,200	4,935
Number of IPO underwriting*6	Companies	73	82	77	75	90	86
Number of lead managed underwritings	Companies	8	8	13	6	11	9
Capital adequacy ratio	%	318.6	377.0	276.2	372.7	349.9	338.2
FX accounts (SBI Group*7)	Thousands	612	760	906	1,066	1,196	1,335
SBI MONEY PLAZA's customer deposit assets	¥ million	561,270	698,358	801,279	1,105,023	937,327	756,356

SBI SECURITIES' Customer Base (As of March 31, 2020)



Banking (SBI Sumishin Net Bank)

	Unit	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Accounts	Thousands	2,308	2,586	2,827	3,210	3,543	3,929
Net increase in accounts	Thousands	334	277	242	383	333	386
Accumulated number of accounts via SBI SECURITIES	Thousands	820	956	1,073	1,259	1,430	1,633
Deposits**8	¥ billion	3,576.1	3,446.8	4,006.8	4,426.0	4,857.1	5,392.3
Deposits (hybrid deposit)	¥ billion	1,207.5	1,140.7	1,386.1	1,450.1	1,538.8	1,836.3
Deposits (foreign currency)	¥ billion	159.1	160.2	173.9	246.0	232.7	268.1
Cumulative total of housing loans**9	¥ billion	502.5	471.7	729.3	697.0	819.9	850.9
Balance of consumer loans	¥ billion	239.5	279.9	290.8	302.1	312.8	335.5
Asset management yield	%	1.08	0.90	0.85	0.83	0.84	0.78
Financial arrangements yield	%	0.31	0.22	0.14	0.14	0.16	0.14
Spread for fund interest rate	%	0.77	0.68	0.70	0.68	0.67	0.63
Loan-deposit rate (term-end balance)	%	50.83	60.27	58.72	71.96	74.27	75.00
Consolidated capital adequacy ratio (based on domestic standards)	%	8.89	9.80	11.11	9.35	8.14	7.70

Insurance (SBI Group's Insurance Companies)

	Unit	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Number of contracts (SBI Insurance)	Thousands	732	829	925	985	1,052	1,091
Number of contracts (SBI Life Insurance)**10	Thousands	117	110	108	121	141	189
Number of contracts in effect (total of four small-amount, short-term insurance companies)**11,12	Thousands	52	63	582	625	675	801
Combined ratio (SBI Insurance)	%	100.4	104.7	96.7	91.9	98.4	103.2
Direct loss ratio	%	77.6	86.1	82.5	80.7	84.1	85.5
Direct operating expenses ratio	%	22.8	18.6	14.2	11.2	14.3	17.7
Total actuarial reserves (SBI Insurance)	¥ million	13,840	12,572	13,333	14,456	15,338	15,255
Solvency margin ratio (SBI Life Insurance)	%	1,120.3	1,299.3	1,165.5	1,172.2	1,045.4	957.6
Total Assets (SBI Life Insurance)	¥ million	156,453	140,281	131,484	125,348	120,011	119,095
Balance of legal reserve (SBI Life Insurance)	¥ million	126,271	110,762	103,400	98,049	90,915	86,202

*1 Simple total of profit before income tax expense at SBI Liquidity Market and SBI FXTRADE

*2 Simple total of profit before income tax expense at the SBI Insurance Group and the insurance companies under its auspices

*3 The figures as of the fiscal year ended March 31, 2020, and are the sum of the accounts for SBI SECURITIES and SBI NEOMOBILE SECURITIES

*4 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

*5 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

*6 Totals apply to the issues underwritten in Japan, and do not include additional secondary offerings or overseas issues

*7 Total accounts at SBI FXTRADE, SBI SECURITIES and SBI Sumishin Net Bank

*8 Figures of SBI Sumishin Net Bank (non-consolidated)

*9 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

*10 Includes the number of people using Group Credit Life Insurance

*11 The total number of contracts held by four companies: SBI IKIKI SSI, SBI Nihon SSI, SBI Resta SSI, and SBI PRISM SSI

*12 The figures include the number of contracts held by SBI Nihon SSI since the fiscal year ended March 31, 2017, and SBI PRISM SSI since the fiscal year ended March 31, 2020

Asset Management Business' Key Indicators

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

	Unit	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Profit/loss from the change in fair value, and profit/loss on sales of investment securities	¥ million	(4,315)	16,225	6,836	44,409	33,699	19,784
SBI SAVINGS BANK	¥ million	16,672	5,846	5,649	14,018	17,473	18,230

Asset Management Business' Private Equity Investment and Exit Figures

	Unit	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Investment balance*1	¥ million	191,623	187,708	152,765	254,671	355,683	459,574
Investment amount*2	¥ million	19,631	27,930	41,762	56,540	108,125	140,465
Number of investments made	Companies	75	92	132	193	230	206
Number of companies exited*3	Companies	14	16	15	13	20	24

Breakdown of Assets Under Management, including Private Equity Investment*4 (As of March 31, 2020)

Breakdown by industry	Amount (¥ million)	Companies
Internet/AI/IoT	123,476	113
Fintech services	60,509	47
Digital assets/Blockchain	57,076	25
Finance	78,091	62
Biotechnology/Health/Medical	18,601	39
Environmental/Energy	2,634	4
Machine/Automobile	8,533	13
Services	19,309	23
Retail/Food	2,406	8
Materials/Chemicals	3,916	4
Construction/Real estate	982	6
Others	1,487	9
Equity interests in external and non-consolidated funds	17,902	37
Total	394,923	390

Breakdown by region	Amount (¥ million)	Companies
Japan	212,394	247
China	18,087	21
Korea	4,065	7
Southeast Asia	52,813	18
India	4,257	8
U.S.	47,941	22
Europe	21,792	21
Others	33,574	46
Total	394,923	390

Investment from non-consolidated Group management funds	Amount (¥ million)	Companies
Corporate venture capital (CVC)	12,658	50
Others (Overseas JV funds, etc.)	51,993	171
Total	64,651	221

Top Three Investment Items in Private Equity and Others*2 (As of March 31, 2020)

	Amount (¥ million)	Companies
Internet/AI/IoT	40,477	40
Finance	40,391	20
Services	13,339	11

Breakdown of Investments and Exit Figures*3 (As of March 31, 2020; Unit: Companies)

Cumulative number of investee companies	Domestic	Overseas	Cumulative exit	Domestic		Overseas	
				IPO	M&A	IPO	M&A
1,642	961	681	272	117	22	101	32

SBI Investment's Deal Sourcing Results*5

Business results	Unit	Sourcing	Due diligence	Investors
FY2017	Companies	1,036	56	40
FY2018	Companies	1,725	111	52
FY2019	Companies	1,649	88	60

SBI Investment's Management Results*5, 6

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	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Balance of performing loans	KRW billion	2,258.4	3,022.2	4,106.5	5,029.6	6,123.4	7,596.6
of which, balance of retail performing loans	KRW billion	1,025.1	1,669.6	2,650.9	3,159.6	4,106.5	5,412.0
Delinquency ratio	%	26.8	16.2	8.8	5.3	3.9	2.3
of which, delinquency ratio of retail performing loans	%	16.5	8.5	5.0	4.2	3.8	2.7

Breakdown of Assets Under Management in Investment Trusts, etc.*7

	Unit	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Investment trusts	¥ billion	128.0	180.6	254.7	490.0	969.4	1,427.4
Investment advisors	¥ billion	98.8	74.4	88.6	138.0	333.4	297.1
Investment corporations	¥ billion	3.8	4.0	4.6	—	—	—
Total	¥ billion	230.6	259.0	347.9	628.0	1,302.8	1,724.5

*1 For investment balance amounts until FY2016, direct investments are valued at fair value, and investments by consolidated investment funds are valued 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 valued at the total amount after impairment processing.)

From FY2017, the investment from non-consolidated Group management funds have been added to the breakdown of the operational investment securities category of the consolidated financial statement, and is recorded herewith

*2 Total investment amount through direct investments by the SBI Group, and consolidated investment funds operated by the SBI Group

*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 Breakdown of assets under management, including private equity investments, which is tantamount to "The balance of operational investment securities" in the consolidated financial statements

*5 Results for specialized investment funds under management are not included

*6 Figures are based upon the redemption results (cumulated) of investment partnerships managed by SBI Investment

*7 For funds that SBI Asset Management provides investment instructions, 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 for numbers until FY2018

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	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
SBI Biotech	¥ million	(637)	(297)	737	(432)	(166)	16
Quark Pharmaceuticals	¥ million	(1,436)	(2,572)	(8,270)	(7,902)	(8,193)	(7,668)
SBI Pharmaceuticals	¥ million	(1,220)	(1,425)	91	42	(1,395)	(1,272)
SBI ALApromo	¥ million	(426)	(587)	(233)	40	263	193
photonamic*2	¥ million	—	38	(41)	55	412	173

*1 Excluding impairment losses from drug pipeline, etc.

*2 photonamic became a consolidated subsidiary in January 2016

SBI Pharmaceuticals' Major Drug Discovery Pipeline Progress

In March 2020, the autoimmune disease treatment drug SBI-3150 has been newly out-licensed to ASAHI KASEI PHARMA, for a total of four out-licensed pipeline drugs

SBI Biotech's 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
Drug to treat	1 Cisplatin nephropathy protection	Phase II is underway		Scheduled to complete in Sep. 2020	
	2 Mitochondrial diseases*	Phase III is underway			Scheduled to complete in Jan. 2021
	3 Cardiac ischemia-reperfusion injury*	Preparation for Phase II is underway	Scheduled by each university hospital at Oxford, Leicester, Birmingham, and Cambridge in the U.K.		
Photodynamic therapy (iPDT)	4 Brain tumors* (by photonamic, a wholly owned subsidiary)	Preparation for Phase II is underway			
Photodynamic diagnostic (PDD) agent	5 Breast tumors (photonamic of Germany, a wholly owned subsidiary)	Preparation for Phase III is underway			

*Investigator-led trial

Patents Obtained Since 2018 by SBI Pharmaceuticals (Japan)*

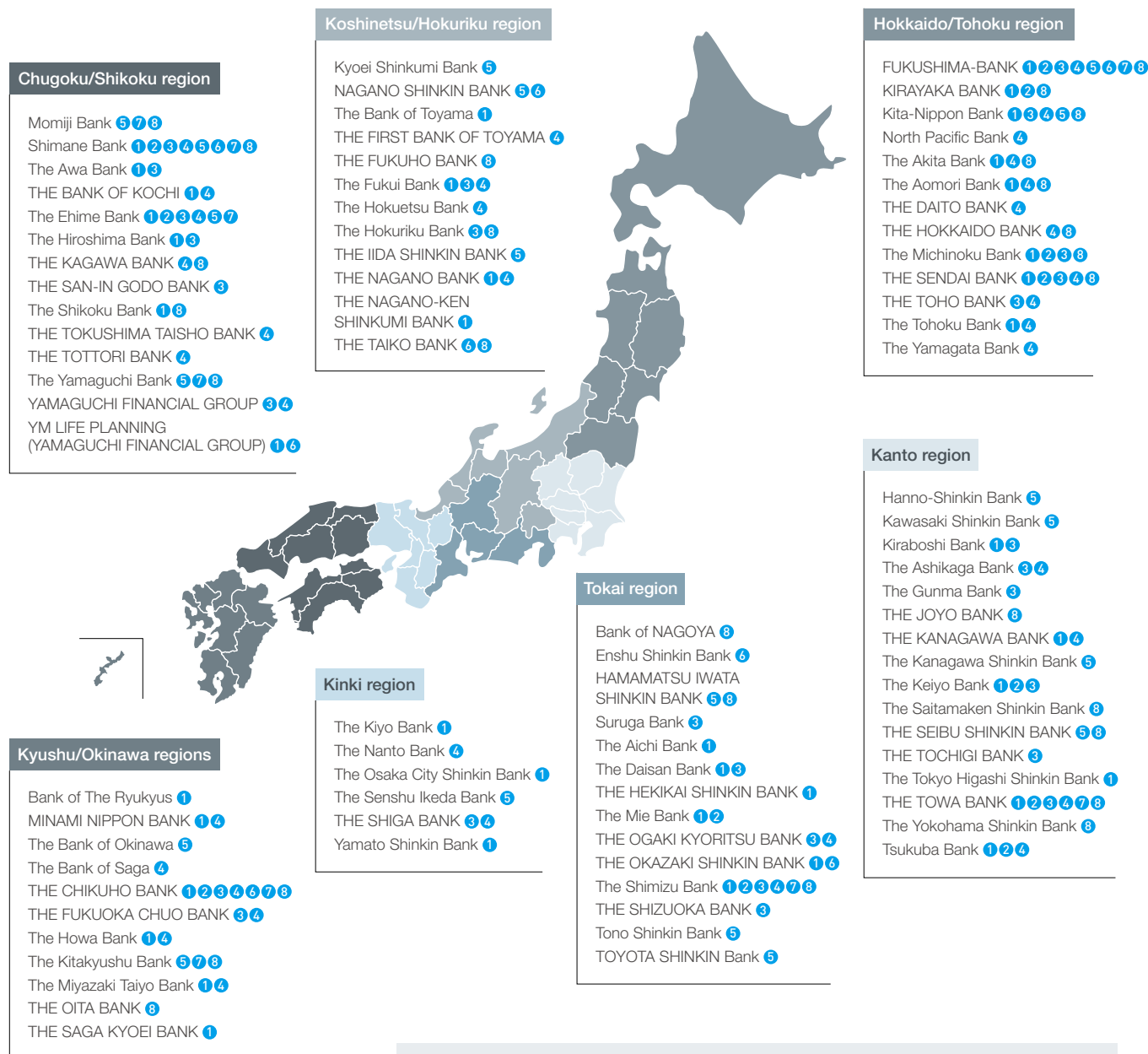
Invention thesis	Registration date	Co-applicants
Normal incidence enhancing agent of a fertilized egg	Jan. 26, 2018	Yamagata University
Organ preservation solution	Feb. 23, 2018	National Center For Child Health And Development
Photodynamic effect enhancing agent for ALA-photodynamic therapy and ALA-photodynamic 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
Neurodevelopmental disorders	Oct. 18, 2019	Single application
Pharmaceutical composition for enhancing antitumor effect by immune checkpoint inhibitor	Nov. 15, 2019	National Center For Child Health And Development
PPIX accumulation enhancer in cancer cells	Jan. 21, 2020	Tokyo Institute of Technology
Substrate for light irradiation	Feb. 20, 2020	Sharp Corporation, Osaka University
Methods for removing stem cells, protecting differentiated cells, and medium composition	Apr. 16, 2020	REPROCELL Inc

Note: Including listed above, 51 patents were acquired by the end of June 2020 in Japan, of which 29 are also acquired overseas

Alliance Statuses with Regional Financial Institutions

Products and Services Provided by the SBI Group to Regional Financial Institutions

- 1 SBI SECURITIES: Business alliance in the financial instruments intermediary service
- 2 SBI MONEY PLAZA: Joint branch management
- 3 Money Tap: Capital participation
- 4 SBI Regional Revitalization Asset Management: Capital participation
- 5 SBI Life Insurance: Sales of Group Credit Life Insurance
- 6 SBI Insurance: Sales of insurance products
- 7 SBI NEO FINANCIAL SERVICES: Introducing banking applications (some applications provided by SBI FinTech Incubation)
- 8 SBI Business Solutions: Introducing the cloud-based workflow system, "Approval Time," to corporate customers



SBI Investment: Investment in venture capital fund.....72 companies
 Morningstar: Introduction of the tablet application, "Wealth Advisors".....137 companies

Note: 1. As of June 30, 2020, a number of regional financial institutions (regional banks, credit unions, and credit associations) and their affiliates, which partnered with or have capital participation in SBI Group companies are listed above. (Companies are listed in alphabetical order)
 2. Shinkin Bank: credit union, Shinkumi Bank: credit association

Consolidated Financial Statements of the Group

Consolidated Statement of Financial Position

(Millions of Yen)

	Notes	As of March 31, 2019	As of March 31, 2020
Assets			
Cash and cash equivalents	5, 7	713,974	843,755
Trade and other accounts receivable	5, 7, 8, 16	689,713	822,131
Assets related to securities business			
Cash segregated as deposits		1,603,159	1,726,040
Margin transaction assets		674,878	495,997
Other assets related to securities business	9	471,555	576,501
Total assets related to securities business	5, 6, 7	2,749,592	2,798,538
Other financial assets	5, 7, 16	36,740	40,994
Operational investment securities	5, 7, 10	282,616	394,923
Other investment securities	5, 7, 10	188,900	180,444
Investments accounted for using the equity method	11	68,371	63,657
Property and equipment	2, 13, 16, 20	15,100	51,857
Intangible assets	14	184,816	190,278
Other assets		97,046	116,765
Deferred tax assets	15	7,256	9,885
Total assets		5,034,124	5,513,227
Liabilities			
Bonds and loans payable	5, 7, 16	962,965	1,149,050
Trade and other accounts payable	2, 5, 7, 17, 20	60,639	76,977
Liabilities related to securities business			
Margin transaction liabilities		166,145	150,699
Loans payable secured by securities		494,718	351,701
Deposits from customers		781,232	959,773
Guarantee deposits received		730,838	819,838
Other liabilities related to securities business	18	373,567	392,347
Total liabilities related to securities business	5, 6, 7	2,546,500	2,674,358
Customer deposits for banking business	5, 7	659,361	734,221
Insurance contract liabilities	19	139,098	141,898
Income tax payable		7,367	11,373
Other financial liabilities	5	19,566	23,083
Other liabilities		60,339	88,925
Deferred tax liabilities	15	15,732	19,643
Total liabilities		4,471,567	4,919,528
Equity			
Capital stock	21	92,018	92,018
Capital surplus	21	142,094	139,993
Treasury stock	21	(20,128)	(13,874)
Other components of equity	21	16,977	(6,385)
Retained earnings	21	225,714	239,724
Equity attributable to owners of the Company		456,675	451,476
Non-controlling interests		105,882	142,223
Total equity		562,557	593,699
Total liabilities and equity		5,034,124	5,513,227

Consolidated Statement of Income

(Millions of Yen)

	Notes	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Revenue (Interest income of ¥112,054 million and ¥118,779 million included for the fiscal years ended March 31, 2019 and 2020, respectively)	4, 24	351,411	368,055
Expense			
Financial cost associated with financial income	25	(21,394)	(25,186)
Provision for credit losses		(22,260)	(31,567)
Operating cost	25	(99,811)	(110,696)
Selling, general and administrative expenses	25	(111,075)	(132,226)
Other financial cost	25	(4,680)	(5,140)
Other expenses	25	(14,789)	(3,948)
Total expense		(274,009)	(308,763)
Share of the profit of associates and joint ventures accounted for using the equity method	4, 11	5,635	6,527
Profit before income tax expense	4	83,037	65,819
Income tax expense	26	(15,760)	(20,819)
Profit for the year		67,277	45,000
Profit for the year attributable to			
Owners of the Company		52,548	37,487
Non-controlling interests		14,729	7,513
Profit for the year		67,277	45,000
Earnings per share attributable to owners of the Company			
Basic (Yen)	28	231.43	163.18
Diluted (Yen)	28	205.42	147.44

Consolidated Statement of Comprehensive Income

(Millions of Yen)

	Note	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit for the year		67,277	45,000
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Financial assets measured at FVTOCI	27	(1,202)	(639)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	27	(411)	(384)
		(1,613)	(1,023)
Items that may be reclassified subsequently to profit or loss			
Financial assets measured at FVTOCI	27	527	349
Currency translation differences	27	(3,204)	(19,807)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	27	446	(3,428)
		(2,231)	(22,886)
Other comprehensive income, net of tax		(3,844)	(23,909)
Total comprehensive income		63,433	21,091
Total comprehensive income attributable to			
Owners of the Company		48,320	13,519
Non-controlling interests		15,113	7,572
Total comprehensive income		63,433	21,091

Consolidated Statement of Changes in Equity

(Millions of Yen)

	Note	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
		Capital stock	Capital surplus	Treasury stock	Other components of equity	Retained earnings			
As at April 1, 2018		81,681	125,445	(4,647)	20,605	204,731	427,815	66,009	493,824
Cumulative effect of change in accounting policy		—	—	—	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	22	—	—	—	—	(20,180)	(20,180)	(2,018)	(22,198)
Treasury shares purchased	21	—	—	(29,461)	—	—	(29,461)	—	(29,461)
Treasury shares sold	21	—	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	21	—	—	—	(240)	240	—	—	—
As at March 31, 2019		92,018	142,094	(20,128)	16,977	225,714	456,675	105,882	562,557
Profit for the year		—	—	—	—	37,487	37,487	7,513	45,000
Other comprehensive income		—	—	—	(23,968)	—	(23,968)	59	(23,909)
Total comprehensive income		—	—	—	(23,968)	37,487	13,519	7,572	21,091
Conversion of convertible bonds		—	(1,496)	4,821	—	—	3,325	—	3,325
Change in scope of consolidation		—	—	—	—	—	—	(4,476)	(4,476)
Dividends paid	22	—	—	—	—	(22,871)	(22,871)	(13,701)	(36,572)
Treasury shares purchased	21	—	—	(16)	—	—	(16)	—	(16)
Treasury shares sold	21	—	(514)	1,449	—	—	935	—	935
Share-based payment transactions		—	225	—	—	—	225	583	808
Changes of interests in subsidiaries without losing control		—	(316)	—	—	—	(316)	46,363	46,047
Transfer	21	—	—	—	606	(606)	—	—	—
As at March 31, 2020		92,018	139,993	(13,874)	(6,385)	239,724	451,476	142,223	593,699

Consolidated Statement of Cash Flows

(Millions of Yen)

	Note	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities			
Profit before income tax expense		83,037	65,819
Depreciation and amortization		10,082	15,904
Share of profits of associates and joint ventures accounted for using the equity method		(5,635)	(6,527)
Interest and dividend income		(117,244)	(123,412)
Interest expense		26,074	30,318
Increase in operational investment securities		(88,404)	(114,172)
Increase in trade and other accounts receivables		(127,521)	(146,427)
(Decrease) Increase in trade and other accounts payable		(5,754)	5,711
(Increase) decrease in assets/liabilities related to securities business		(37,586)	78,095
Increase in customer deposits in the banking business		136,284	139,580
Others		(13,765)	775
Subtotal		(140,432)	(54,336)
Interest and dividend income received		117,222	125,116
Interest paid		(23,355)	(28,214)
Income taxes paid		(25,100)	(15,717)
Net cash (used in) generated from operating activities		(71,665)	26,849
Cash flows from investing activities			
Purchases of intangible assets		(8,332)	(14,250)
Purchases of investment securities		(125,359)	(36,885)
Proceeds from sales or redemption of investment securities		107,157	39,404
Acquisition of subsidiaries, net of cash and cash equivalents acquired	29	(3,572)	(10,077)
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of		(2)	—
Payments of loans receivable		(21,396)	(50,303)
Collection of loans receivable		4,527	24,431
Others		(7,754)	(23,207)
Net cash used in investing activities		(54,731)	(70,887)
Cash flows from financing activities			
Increase in short term loans payable	29	373,059	26,604
Proceeds from long-term loans payable	29	45,650	58,043
Repayment of long-term loans payable	29	(59,077)	(37,948)
Proceeds from issuance of bonds payable	29	168,187	179,889
Redemption of bonds payable	29	(102,268)	(46,626)
Proceeds from stock issuance to non-controlling interests		8,622	5,354
Contributions from non-controlling interests in consolidated investment funds		22,151	35,646
Cash dividends paid		(20,169)	(22,860)
Cash dividends paid to non-controlling interests		(819)	(718)
Distributions to non-controlling interests in consolidated investment funds		(1,309)	(13,008)
Purchase of treasury stock		(29,461)	(14)
Proceeds from sale of interests in subsidiaries to non-controlling interests		4,105	302
Payments for purchase of interests in subsidiaries from non-controlling interests		(450)	(50)
Others		(475)	(2,988)
Net cash generated from financing activities		407,746	181,626
Net increase in cash and cash equivalents		281,350	137,588
Cash and cash equivalents at the beginning of the year		437,148	713,974
Effect of changes in exchange rate on cash and cash equivalents		(4,524)	(7,807)
Cash and cash equivalents at the end of the year		713,974	843,755

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 and Senior Managing Director, Shumpei Morita on June 24, 2020.

2. Basis of Preparation

(1) Compliance with IFRS

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 “14. Intangible Assets (3) Carrying amount of goodwill”
- Liability adequacy test for insurance contracts—“3. Significant Accounting Policies (8) Accounting for insurance contracts” and “19. Insurance Contract Liabilities”
- Recoverability of deferred tax assets—“3. Significant Accounting Policies (13) Income tax expense” and “15. Deferred Taxation”

With the spread of COVID-19 infections having a wide-ranging impact on the economy and business activities, while it is difficult to predict the timing of containment of COVID-19 infection, the Group assumes that the number of infected people will peak during the first half of the next fiscal year and gradually decline afterwards. Under these assumptions, the Group made a reasonable estimate in consideration of changes in the number of infected people and the impact of government support measures. In the future, if the business environment and market conditions deteriorate due to the spread of the COVID-19 infection, the Group’s performance may be affected by valuation losses on securities and others held by the Group .

(5) Application of new and revised IFRSs

The Group adopted the following new standard beginning with the preparation of the fiscal year ended March 31, 2020. The accounting policies of these newly adopted standards are stated in “3. Significant Accounting Policies (4) Lease as lessee”.

Statement of standards		Summary of new standards and amendments
IFRS 16	Leases	Amendment with regard to the definition and the accounting treatment of lease

The Group has applied IFRS 16 “Leases” from the year ended March 31, 2020. At the date of initial application, the Group recognizes the cumulative effect of applying this standard and a right-of-use asset has been measured at an amount equal to lease liability adjusted by any prepaid lease payments. For the assessment of whether a contract that was entered into during or prior to the previous fiscal year is a lease, or contains a lease, the Group has applied the practical expedient of maintaining the judgments made under IAS 17 “Leases” and IFRIC 4 “Determining whether an Arrangement Contains a Lease”. In adopting IFRS 16 to lease transactions which were previously classified as operating leases, the Group has applied recognition exemptions which allows the lessee not to recognize right-of-use assets and lease liabilities on leases with remaining lease terms of 12 months or less.

As a result of applying IFRS 16, right-of-use assets and lease liabilities increased by ¥12,913 million and ¥12,702 million, respectively, in the consolidated statement of financial position at the beginning of the year. In the consolidated statement of financial position, right-of-use assets are included in property and equipment and lease liabilities are included in trade and

other accounts payable. There is no significant impact from applying this standard on the consolidated financial statements for the year ended March 31, 2020.

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 recognised 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

At inception of a contract, the Group determines whether the contract is, or contains, a lease. Lease liability in a lease transaction is initially measured as the present value of unpaid lease payments discounted using an interest rate implicit in the lease at the commencement date of the contract. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The right-of-use asset is measured at the acquisition cost, which is initially measured at the amount of lease liability adjusted by initial direct cost and prepaid lease payments. With regard to a lease that has a lease term of 12 months or less or a lease of low-value assets, right-of-use assets and lease liabilities are not recognized and lease payments on such lease are recognized as an expense over the lease term.

(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.

(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. Property and equipment is depreciated on a straight-line method to allocate their depreciable amounts over the estimated useful life of each component. The right-of-use asset is depreciated on a systematic basis from the lease commencement date to the

earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

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

- Buildings 2 – 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

Intangible assets other than goodwill with finite useful lives are amortized 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) 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.

(8) 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.

(9) 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.

(10) 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.

(11) 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.

[12] 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.

[13] 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 or taxable profit will not be available against which the temporary difference can be utilised. 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.

[14] 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.

[15] 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.

(16) 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.

(17) 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.

IFRS	Mandatory for fiscal year beginning on or after	Anticipated fiscal year end adoption date	Summary of new standards and amendments	
IFRS 17	Insurance Contracts	January 1, 2023	March 2024	Amendment with regard to measurement method of insurance liability

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 (5-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, 2020.

"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:

SBI VC Trade Co., Ltd (which changed its trade name from SBI Virtual Currencies Co., Ltd as at July 1, 2019) and SBI Alpha Trading Co., Ltd, which were included in Others until the previous reporting period, are now included in the Financial Services Business beginning with this fiscal year. Consequently, segment information for the year ended March 31, 2019, is restated in accordance with the new basis of segmentation.

(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	228,312	118,244	3,287	349,843	1,030	538	351,411
Inter-segment revenue	2,146	387	442	2,975	159	(3,134)	—
Total	230,458	118,631	3,729	352,818	1,189	(2,596)	351,411
Segment operating income (loss)							
Profit before income tax expense	66,864	51,107	(19,179)	98,792	(7,208)	(8,547)	83,037
Other Items							
Interest income	43,805	68,829	11	112,645	59	(650)	112,054
Interest expense	(7,227)	(16,807)	(176)	(24,210)	(404)	(1,460)	(26,074)
Depreciation and amortization	(6,441)	(1,367)	(434)	(8,242)	(1,426)	(164)	(9,832)
Gain or loss from investments applying the equity-method	7,400	(454)	(1,311)	5,635	(0)	—	5,635

(Millions of Yen)

For the year ended March 31, 2020	Financial Services Business	Asset Management Business	Biotechnology-related Business	Total	Others	Elimination or Corporate	Consolidated Total
Revenue							
Revenue from external customers	244,624	115,372	3,703	363,699	4,785	(429)	368,055
Inter-segment revenue	2,129	395	217	2,741	727	(3,468)	—
Total	246,753	115,767	3,920	366,440	5,512	(3,897)	368,055
Segment operating income (loss)							
Profit before income tax expense	53,379	35,165	(11,431)	77,113	(1,771)	(9,523)	65,819
Other Items							
Interest income	38,637	80,740	21	119,398	93	(712)	118,779
Interest expense	(8,969)	(18,913)	(439)	(28,321)	(481)	(1,524)	(30,326)
Depreciation and amortization	(10,824)	(2,320)	(424)	(13,568)	(736)	(1,236)	(15,540)
Gain or loss from investments applying the equity-method	6,042	535	(50)	6,527	(0)	—	6,527

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, 2019	As at March 31, 2020
Japan	73,375	115,858
Korea	109,219	99,560
Others	19,469	26,717
Consolidated total	202,063	242,135

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, 2019	For the year ended March 31, 2020
Japan	269,251	278,735
Overseas	82,160	89,320
Consolidated total	351,411	368,055

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. 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, 2019	Carrying amount				Total	Fair value
	Financial assets measured at FVTPL	Equity instruments measured at FVTOCI	Debt instruments measured at FVTOCI (Note)	Financial assets measured at amortized cost (Note)		
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 previous period.

(Millions of Yen)

As at March 31, 2020	Carrying amount				Total	Fair value
	Financial assets measured at FVTPL	Equity instruments measured at FVTOCI	Debt instruments measured at FVTOCI	Financial assets measured at amortized cost		
Trade and other accounts receivable	—	—	—	822,131	822,131	828,248
Assets related to securities business	155,835	—	—	2,642,703	2,798,538	2,798,538
Operational investment securities	394,923	—	—	—	394,923	394,923
Other investment securities	131,929	751	47,764	—	180,444	180,444
Total	682,687	751	47,764	3,464,834	4,196,036	4,202,153

Classification and fair value of financial liabilities were as follows:

(Millions of Yen)

As at March 31, 2019	Carrying amount			Fair value
	Financial liabilities measured at FVTPL	Financial liabilities measured at amortized cost	Total	
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

(Millions of Yen)

As at March 31, 2020	Carrying amount			Fair value
	Financial liabilities measured at FVTPL	Financial liabilities measured at amortized cost	Total	
Bonds and loans payable	—	1,149,050	1,149,050	1,151,431
Trade and other accounts payable	4,075	72,902	76,977	76,977
Liabilities related to securities business	81,289	2,593,069	2,674,358	2,674,358
Customer deposits for banking business	—	734,221	734,221	735,048
Total	85,364	4,549,242	4,634,606	4,637,814

(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, 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

(Millions of Yen)

	As at March 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Assets related to securities business	155,835	—	—	155,835
Operational investment securities and other investment securities				
Financial assets measured at FVTPL	148,861	494	377,497	526,852
Equity instruments measured at FVTOCI	18	—	733	751
Debt instruments measured at FVTOCI	47,764	—	—	47,764
Total financial assets	352,478	494	378,230	731,202
Financial liabilities				
Trade and other accounts payable	—	—	4,075	4,075
Liabilities related to securities business	81,289	—	—	81,289
Total financial liabilities	81,289	—	4,075	85,364

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, 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

(Millions of Yen)

	As at March 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Trade and other accounts receivable	—	828,248	—	828,248
Assets related to securities business	—	2,642,703	—	2,642,703
Operational investment securities and other investment securities	—	—	—	—
Total financial assets	—	3,470,951	—	3,470,951
Financial liabilities				
Bonds and loans payable	—	1,151,431	—	1,151,431
Trade and other accounts payable	—	72,902	—	72,902
Liabilities related to securities business	—	2,593,069	—	2,593,069
Customer deposits for banking business	—	735,048	—	735,048
Total financial liabilities	—	4,552,450	—	4,552,450

(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, 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%

(Millions of Yen)

	As at March 31, 2020			
	Fair Value	Valuation Technique	Unobservable Input	Range
Operational investment securities and other investment securities	378,230	Income approach and market approach	Discount rate P/E ratio EBITDA ratio Illiquidity discount	12%–16% 5.4–45.2 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)

	Financial assets			Financial liabilities
	Operational investment securities and other investment securities		Total	Trade and other accounts payable
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI		
For the year ended March 31, 2019				
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

(Millions of Yen)

	Financial assets			Financial liabilities
	Operational investment securities and other investment securities		Total	Trade and other accounts payable
	Financial assets measured at FVTPL	Equity instruments measured at FVTOCI		
For the year ended March 31, 2020				
Balance as at April 1, 2019	296,899	797	297,696	2,536
Purchase	104,167	—	104,167	3,503
Comprehensive income				
Net profit (Note 1)	23,665	—	23,665	239
Other comprehensive income (Note 2)	—	(34)	(34)	—
Dividends	(4,004)	—	(4,004)	—
Sale or redemption	(24,281)	—	(24,281)	—
Settlements	—	—	—	(1,987)
Currency translation differences	(5,332)	(30)	(5,362)	(216)
Others (Note 3)	—	—	—	—
Transferred from Level 3 (Note 4)	(13,617)	—	(13,617)	—
Balance as at March 31, 2020	377,497	733	378,230	4,075

Notes:

- 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, 2019 and 2020 were ¥30,459 million and ¥19,801 million of gains, respectively.
- 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.
- Transfer due to a change in the scope of consolidation.
- 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)

As at March 31, 2019	Financial assets					
	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	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
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

(Millions of Yen)

As at March 31, 2020	Financial assets					
	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	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Assets related to securities business (Securities borrowing agreements and other similar transactions)	1,136,323	(457,362)	678,961	(559,782)	(119,115)	64
Assets related to securities business (Receivables related to securities transactions)	478,750	(198,653)	280,097	(14,718)	—	265,379
Assets related to securities business (Financial assets related to foreign exchange transactions)	15,656	—	15,656	(673)	(12,067)	2,916

(Millions of Yen)

As at March 31, 2020	Financial liabilities					Net amount
	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		
				Financial instruments	Cash collateral pledged	
Liabilities related to securities business (Securities loan agreements and other similar transactions)	1,633,087	(457,362)	1,175,725	(585,140)	—	590,585
Liabilities related to securities business (Payables related to securities transactions)	1,619,742	(198,653)	1,421,089	(14,718)	—	1,406,371
Liabilities related to securities business (Financial liabilities related to foreign exchange transactions)	76,352	—	76,352	(12,740)	—	63,612

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, 2019	As at March 31, 2020
Interest-bearing debt (Bonds and borrowings)	962,965	1,149,050
Cash and cash equivalents	(713,974)	(843,755)
Net	248,991	305,295
Equity attributable to owners of the Company	456,675	451,476

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	Total
	Non-impaired financial assets	Impaired financial assets	Impaired financial assets	
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		Trade receivables	
		Not credit-impaired	Credit-impaird		
Restated balance as at April 1, 2018 after reflecting a change in accounting policy	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
Changes in the scope of consolidation	123	—	—	—	123
New financial assets originated or purchased	22,803	5,072	—	0	27,875
Derecognition of financial assets	(15,244)	(4,269)	(7,842)	—	(27,355)
Transfer	(1,326)	877	12,365	—	11,916
Write-offs	(574)	(78)	(1,359)	—	(2,011)
Foreign currency translation adjustment on foreign operations	(2,038)	(440)	(1,030)	—	(3,508)
As at March 31, 2020	23,136	5,540	20,106	4	48,786

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 ¥163 million and ¥203 million, as at March 31, 2019 and 2020, respectively.

Financial assets that have been written off during the year ended March 31, 2019 and 2020, and are still subject to enforcement activities amounted to ¥2,692 million and ¥2,433 million, respectively.

(c) Credit risk exposure

The amount of the Group's maximum exposure to credit risk are as follows:

(Millions of Yen)

As at March 31, 2019	12-month expected credit losses	Lifetime expected credit losses			Total
		Significantly increased credit risk		Trade receivables	
		Not credit-impaired	Credit-impaird		
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

(Millions of Yen)

As at March 31, 2020	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	843,755	—	—	—	843,755
Trade and other accounts receivable					
Credit to individual					
Group A	52,530	117	551	—	53,198
Group B	236,638	10,028	456	—	247,122
Group C or less	24,289	19,968	11,570	—	55,827
Credit to Corporate (external rating)					
Group A	86,068	—	—	—	86,068
Group B	60,681	3,454	1,476	—	65,611
Group C or less	71	—	—	—	71
Credit to Corporate					
No overdue information	144,594	19,365	5,191	—	169,150
One or more delinquents	—	953	4,712	—	5,665
Others	171,835	1,412	7,990	6,968	188,205
Loss allowance	(23,136)	(5,540)	(20,106)	(4)	(48,786)
Total	753,570	49,757	11,840	6,964	822,131
Assets related to securities business	2,797,613	—	925	—	2,798,538
Other financial assets	40,415	—	—	579	40,994
Other investment securities					
BBB or above	47,555	—	—	—	47,555
Less than BBB	209	—	—	—	209
Total	47,764	—	—	—	47,764

Credit to individual and Credit to Corporate are as follows:

- Group A: A financial asset with low credit risk. In the case of an external rating, it corresponds to “investment grade”.
- Group B: A financial asset that has neither low nor a high credit risk. In the case of an external rating, it falls under BBB and CCC or above.
- Group C and below: A financial asset with high or extremely high credit risk. In case of an external rating, they fall under CCC or below.

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 and ¥12,763 million by underlying collateral held as a security and other credit enhancements as at March 31, 2019 and 2020, respectively.

The amount of its maximum exposure to credit risk for undrawn loan commitments are as follows:

(Millions of Yen)

As at March 31, 2019	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

(Millions of Yen)

As at March 31, 2020	12-month expected credit losses	Lifetime expected credit losses		Total
		Significantly increased credit risk		
		Not credit-impaired	Credit-Impaired	
Undrawn loan commitments	38,344	1,748	—	40,092

(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, 2019 and 2020 increased by 10%, profit before income tax expense in the consolidated statement of income would have increased by ¥10,783 million and ¥14,886 million, respectively.

The investment portfolios as at March 31, 2019 and 2020 were as follows:

	As at March 31, 2019	As at March 31, 2020
Operational investment securities		
Listed equity securities	45,739	85,799
Unlisted equity securities	209,062	276,405
Bonds	3,340	12,589
Investments in funds	24,475	20,130
Total	282,616	394,923
Other investment securities		
Listed equity securities	2,078	37
Unlisted equity securities	11,035	9,773
Bonds	77,055	63,614
Investments in funds	98,732	107,020
Total	188,900	180,444

(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:

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

(Millions of Yen)

As at March 31, 2020	USD	HKD	Others
Monetary financial instruments dominated in foreign currency			
Assets	65,336	1,407	21,349
Liabilities	184,962	7,646	21,102

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, 2019 and 2020 would have decreased by ¥545 million and ¥1,256 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, 2019 and 2020 would have decreased by ¥1,268 million and ¥584 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, 2019 and 2020.

(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.

- Secure various financing arrangements such as bank overdraft facility, bond issuance registration or stock issuance.
- Collect information on the Group's working capital requirement and understand the cash flow positions.
- 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, 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	—	—

(Millions of Yen)

As at March 31, 2020	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	1,149,050	1,160,342	743,165	150,425	105,107	72,965	51,386	37,294
Trade and other accounts payable	76,977	77,284	67,480	4,002	2,396	936	513	1,956
Liabilities related to securities business	2,674,358	2,674,358	2,674,358	—	—	—	—	—
Customer deposits for banking business	734,221	750,425	503,962	101,017	145,288	158	—	—

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, 2019	As at March 31, 2020
Lines of credit	406,082	452,426
Used balance	78,286	158,441
Unused portion	327,796	293,985

8. Trade and Other Accounts Receivable

Trade and other accounts receivable as at March 31, 2019 and 2020, consisted of the following:

(Millions of Yen)

	As at March 31, 2019	As at March 31, 2020
Trade accounts receivable and installment receivables	4,418	4,579
Loans receivable	627,376	741,232
Operational receivables	22,808	25,694
Deposits	31,907	47,099
Others	3,204	3,527
Total	689,713	822,131

Maturity analysis to the collection or the settlement of trade and other accounts receivable as at March 31, 2019 and 2020, consisted of the following:

(Millions of Yen)

	As at March 31, 2019	As at March 31, 2020
No later than 1 year	212,376	238,095
Later than 1 year	477,337	584,036
Total	689,713	822,131

9. Other Assets Related to Securities Business

Other assets related to securities business as at March 31, 2019 and 2020, consisted of the following:

(Millions of Yen)

	As at March 31, 2019	As at March 31, 2020
Trade date accrual	204,582	237,764
Trading products	106,636	155,835
Short-term guarantee deposits	91,539	96,886
Loans receivable secured by securities	66,879	84,755
Others	1,919	1,261
Total	471,555	576,501

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, 2019 and 2020 consisted of the following:

(Millions of Yen)

	As at March 31, 2019	As at March 31, 2020
Operational investment securities		
Financial assets measured at FVTPL	282,616	394,923
Total	282,616	394,923
Other investment securities		
Financial assets measured at FVTPL	122,621	131,929
Equity instruments measured at FVTOCI	816	751
Debt instruments measured at FVTOCI	57,400	47,764
Financial assets measured at amortized cost	8,063	—
Total	188,900	180,444

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, 2019	As at March 31, 2020
Fair value		
Listed	19	18
Unlisted	797	733
Total	816	751

(Millions of Yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020
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, 2019	As at March 31, 2020
Other investment securities		
TANITA HEALTH LINK, INC.	455	455

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, 2019 and 2020 are as follows:

(Millions of Yen)

For the year ended March 31, 2019			For the year ended March 31, 2020		
Fair value at disposal	Cumulative gain or loss	Dividend income	Fair value at disposal	Cumulative gain or loss	Dividend income
60,200	240	0	3,444	(606)	—

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

For equity instruments measured at FVTOCI whose significant decline in fair value compared to their acquisition costs is other than temporary, cumulative losses (net of tax) transferred from other components of equity to retained earnings for the year ended March 31, 2020 were ¥1 million.

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, 2019	For the year ended March 31, 2020
Profit for the year attributable to the Group	(1,116)	997
Other comprehensive income attributable to the Group	45	(3,771)
Total comprehensive income attributable to the Group	(1,071)	(2,774)

(Millions of Yen)

	As at March 31, 2019	As at March 31, 2020
Book value	26,097	15,383

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

Impairment losses for the year ended March 31, 2019 were recognized 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, 2019	For the year ended March 31, 2020
Profit for the year attributable to the Group	6,751	5,530
Other comprehensive income attributable to the Group	(10)	(41)
Total comprehensive income attributable to the Group	6,741	5,489

(Millions of Yen)		
	As at March 31, 2019	As at March 31, 2020
Book value	42,274	48,274

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 ¥203,681 million and ¥306,737 million as at March 31, 2019 and 2020, respectively. Total liabilities were

¥44,997 million and ¥79,877 million as at March 31, 2019 and 2020, 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, 2019	As at March 31, 2020
Operational investment securities	25,000	16,597
Other investment securities	98,896	103,693
Total	123,896	120,290

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

13. 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, 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
Adjustment due to the application of IFRS16	12,829	15	—	69	12,913
Balance as at April 1, 2019	19,972	16,987	2,505	4,028	43,492
Acquisitions	6,231	6,466	1,607	20,463	34,767
Acquisitions through business combinations	29	80	—	4	113
Sales or disposals	(675)	(2,533)	—	(1,708)	(4,916)
Foreign currency translation adjustment on foreign operations	(199)	(249)	(42)	(213)	(703)
Others	63	676	(124)	(677)	(62)
Balance as at March 31, 2020	25,421	21,427	3,946	21,897	72,691

(Millions of Yen)

Accumulated depreciation and impairment losses	Buildings	Furniture and fixtures	Land	Others	Total
Balance as at April 1, 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)
Sales or disposals	202	2,379	—	115	2,696
Depreciation	(4,728)	(2,460)	—	(1,137)	(8,325)
Impairment losses	0	—	—	—	(0)
Foreign currency translation adjustment on foreign operations	40	149	—	85	274
Balance as at March 31, 2020	(7,369)	(11,240)	(42)	(2,183)	(20,834)

(Millions of Yen)

Carrying amount	Buildings	Furniture and fixtures	Land	Others	Total
Balance as at March 31, 2019	4,260	5,664	2,463	2,713	15,100
Balance as at March 31, 2020	18,052	10,187	3,904	19,714	51,857

The carrying amount of property and equipment includes the carrying amount of right-of-use assets (finance lease assets in the previous fiscal year) and the carrying amount of lessor's operating lease assets.

Right-of-use assets increased by ¥3,003 million for the year ended March 31, 2020.

(Millions of Yen)

Carrying amount	Buildings	Furniture and fixtures	Others	Total
Balance as at March 31, 2019	17	1,415	9	1,441
Balance as at March 31, 2020	10,744	950	248	11,942

(Millions of Yen)

Carrying amount of lessor's operating lease assets	Others	Total
Balance as at March 31, 2020	15,230	15,230

Impairment losses recognized for the years ended March 31, 2019 were ¥2,269 million, 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, 2019 were recorded in the Digital asset-related business, which were included in "Others".

14. 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, 2019 and 2020 were as follows:

(Millions of Yen)

Cost	Goodwill	Software	Customer relationship	Others	Total
Balance as at April 1, 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
Acquisitions	—	12,226	—	893	13,119
Acquisitions through business combinations	10,053	22	953	17	11,045
Sales or disposals	—	(385)	—	—	(385)
Foreign currency translation adjustment on foreign operations	(10,626)	(540)	(1,523)	(118)	(12,807)
Balance as at March 31, 2020	164,212	61,920	32,894	4,692	263,718

(Millions of Yen)

Accumulated amortization and impairment losses	Goodwill	Software	Customer relationship	Others	Total
Balance as at April 1, 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)
Sales or disposals	—	136	—	—	136
Amortization	—	(6,773)	(514)	(306)	(7,593)
Impairment losses	—	—	—	—	—
Foreign currency translation adjustment on foreign operations	—	505	1,393	49	1,947
Balance as at March 31, 2020	(7,575)	(37,148)	(26,532)	(2,185)	(73,440)

(Millions of Yen)

Carrying amount	Goodwill	Software	Customer relationship	Others	Total
Balance as at March 31, 2019	157,210	19,581	6,053	1,972	184,816
Balance as at March 31, 2020	156,637	24,772	6,362	2,507	190,278

The carrying amount of software in the above table as at March 31, 2019 and 2020 includes the carrying amount of right-of-use assets (finance lease assets in the previous fiscal year) of ¥519 million and ¥584 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 ¥3,035 million for the years ended March 31, 2019, 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, 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 ¥104,563 million and ¥95,261 million as at March 31, 2019 and 2020, respectively, related to SBI Savings Bank in the Asset Management Business and ¥24,910 million as at March 31, 2019 and 2020, 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 4% as at March 31, 2019 and 2020. The discount rate used for measuring value in use was 9.4% to 21.1% and 9.1% to 23.3% per annum as at March 31, 2019 and 2020, 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.

15. Deferred Taxation

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the years ended March 31, 2019 and 2020:

(Millions of Yen)

For the year ended March 31, 2019	Restated balance as at April 1, 2018 after reflecting a change in accounting policy	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 previous 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 previous period.

(Millions of Yen)

For the year ended March 31, 2020	As at April 1, 2019	Recognized through profit or loss	Recognized through other comprehensive income	Change in scope of consolidation	Recognized directly in equity	As at March 31, 2020
Deferred Tax Assets						
Impairment on financial assets measured at amortized cost	576	269	—	—	—	845
Fixed assets	1,467	(404)	—	—	—	1,063
Enterprise tax payable	856	58	—	—	—	914
Tax loss carryforwards	6,568	2,969	(584)	9	—	8,962
Other	912	1,477	—	313	—	2,702
Total	10,379	4,369	(584)	322	—	14,486
Deferred Tax Liabilities						
Financial assets measured at FVTPL	11,927	5,703	—	—	—	17,630
Equity instruments measured at FVTOCI	4	—	(1)	—	—	3
Debt instruments measured at FVTOCI	1,219	(210)	136	—	—	1,145
Investments accounted for using the equity method	1,819	121	—	—	—	1,940
Intangible assets	2,068	(708)	(37)	267	—	1,590
Other	1,818	564	—	—	(446)	1,936
Total	18,855	5,470	98	267	(446)	24,244

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, 2019 and 2020, were ¥236,920 million (including ¥144,438 million with the carryforward period over 5 years), and ¥263,027 million (including ¥149,092 million with the carryforward period over 5 years), respectively.

The Group recognized deferred tax assets of ¥31 million and ¥42 million as at March 31, 2019 and 2020, respectively, associated with certain subsidiaries that had net losses during the years ended March 31, 2019 and 2020. 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, 2019 and 2020, 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 ¥222,075 million and ¥254,394 million as at March 31, 2019 and 2020, respectively.

16. Bonds and Borrowings

(1) Details of bonds and borrowings

Bonds and borrowings as at March 31, 2019 and 2020, consisted of the following:

	(Millions of Yen)		(%)	
	As at March 31, 2019	As at March 31, 2020	Average interest rate (Note 1)	Due (Note 2)
Short-term loans payable	605,086	636,290	0.26	—
Current portion of long-term loans payable	36,794	14,889	0.51	—
Current portion of bonds payable	32,294	86,994	—	—
Long-term loans payable	44,185	91,163	0.72	2021-2034
Bonds payable	244,606	319,714	—	—
Total	962,965	1,149,050		

Notes: 1. The average interest rate is calculated using the weighted average coupon rate of the outstanding balance as at March 31, 2020.

2. The due represents the repayment term of the outstanding balance as at March 31, 2020.

Details of the bonds were as follows:

Issuer and the name of bond	Date of issuance	(Millions of Yen)		Interest rate (Note 1)	Due
		As at March 31, 2019	As at March 31, 2020		
The Company Japanese yen straight bond (Note 2)	July 2018– June 2019	39,874	64,845	0.43–0.48	July 2020– June 2021
The Company No. 9 Unsecured straight bond	June 2016	15,969	15,983	0.85	June 2021
The Company No. 10 Unsecured straight bond	September 2016	13,992	—	—	September 2019
The Company No. 11 Unsecured straight bond	June 2017	12,982	12,997	0.60	June 2020
The Company No. 12 Unsecured straight bond	June 2017	16,957	16,971	0.90	June 2022
The Company No. 13 Unsecured straight bond	March 2018	17,960	17,981	0.45	March 2021
The Company No. 14 Unsecured straight bond	March 2018	17,944	17,958	0.70	March 2023
The Company No. 15 Unsecured straight bond	December 2018	14,953	14,971	0.44	December 2021
The Company No. 16 Unsecured straight bond	December 2018	14,944	14,956	0.69	December 2023
The Company No. 17 Unsecured straight bond	May 2019	—	24,939	0.43	May 2022
The Company No. 18 Unsecured straight bond	May 2019	—	24,918	0.69	May 2024
The Company No. 19 Unsecured straight bond	December 2019	—	19,938	0.45	December 2022
The Company No. 20 Unsecured straight bond	December 2019	—	24,907	0.70	December 2024
The Company Euroyen convertible bonds (Note 3)	September 2017– September 2018	67,769	64,984	—	September 2020– September 2023
The Company Exchangeable bond (Note 2)	December 2017– July 2018	1,624	502	0.45–0.52	December 2019– July 2020
SBI SECURITIES Co., Ltd. Exchangeable bond · Stock price linked bond (Note 2)	December 2016– March 2020	32,961	58,054	0.06–1.54	April 2019– March 2030
SBI SECURITIES Co., Ltd. Japanese yen straight bond (Note 2)	September 2018– March 2020	8,971	9,972	0.30	March 2019– March 2021
Other bonds	September 2019– March 2020	—	1,832	0.11–0.60	September 2022– March 2027
Total		276,900	406,708		

Notes: 1. Interest rate is the coupon rate of the balance as at March 31, 2020. 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, 2019	As at March 31, 2020
Trade and other accounts receivable	10,180	10,502
Other financial assets	144	—
Property and equipment	276	13,858
Total	10,600	24,360

The corresponding liabilities were as follows:

	(Millions of Yen)	
	As at March 31, 2019	As at March 31, 2020
Bonds and borrowings	7,897	14,881

Besides the above, securities received as collateral for financing from broker's own capital of ¥14,090 million and ¥21,942 million were pledged as collateral for borrowings on margin transactions as at March 31, 2019 and 2020, respectively.

17. Trade and Other Payables

The components of trade and other payables were as follows:

	(Millions of Yen)	
	As at March 31, 2019	As at March 31, 2020
Accounts payable and notes payable	637	1,389
Accounts payable-other	17,279	22,485
Advances received and guarantee deposit received	40,103	38,928
Lease liability	2,620	14,175
Total	60,639	76,977

18. 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, 2019	As at March 31, 2020
Trade date accrual	301,972	309,866
Trading products	70,634	81,289
Deposits for subscription	961	1,192
Total	373,567	392,347

19. 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 in the life insurance business, which accounts for the majority of insurance contract liabilities, the Group invests principally in bonds. The Group also conducts asset and liability management (ALM) so that fluctuations in interest rates do not adversely affect.

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, 2019 and 2020, consisted of the following:

	(Millions of Yen)	
	As at March 31, 2019	As at March 31, 2020
Claims reserves	20,359	23,376
Policy reserves	118,739	118,522
Total	139,098	141,898

The movements in insurance contract liabilities for the years ended March 31, 2019 and 2020 were as follows:

	(Millions of Yen)	
	For the year ended March 31, 2019	For the year ended March 31, 2020
Balance, beginning of year	142,260	139,098
Life insurance business		
Expected cash flows from policy reserves	(15,548)	(11,970)
Interest incurred	238	311
Adjustments	7,415	6,048
Non-life insurance business		
Insurance premiums	38,356	39,616
Unearned premium	(36,805)	(39,703)
Others	3,182	8,498
Balance, end of year	139,098	141,898

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

(Millions of Yen)

	Total	No later than 1 year	1 to 3 years	3 to 5 years	Over 5 years
Insurance contract liabilities	141,898	50,297	24,377	12,870	54,354

(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				
	2015	2016	2017	2018	2019
Cumulative payments and claim reserves					
At end of accident year	18,471	20,489	22,682	25,776	27,261
1 year later	18,813	21,018	23,525	26,431	—
2 year later	19,442	21,669	24,165	—	—
3 year later	20,116	22,141	—	—	—
4 year later	20,311	—	—	—	—
Estimate of cumulative claims	20,311	22,141	24,165	26,431	27,261
Less: Cumulative payments to date	19,804	21,087	22,242	23,001	17,000
Claim reserves (gross)	506	1,054	1,923	3,430	10,261

20. Leases as Lessee

(As at March 31, 2019)

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, 2019 were as follows:

	(Millions of Yen)
	As at March 31, 2019
No later than 1 year	
Future minimum lease payments	1,153
Less: future financial cost	(62)
Present value	1,091
Later than 1 year and not later than five years	
Future minimum lease payments	1,601
Less: future financial cost	(74)
Present value	1,527
Later than 5 years	
Future minimum lease payments	2
Less: future financial cost	(0)
Present value	2
Total	
Future minimum lease payments	2,756
Less: future financial cost	(136)
Present value	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, 2019 were ¥6,006 million.

(As at March 31, 2020)

The Group lease office buildings, servers for online transaction systems and certain other assets under operating leases. There were no lease contracts which include residual value guarantees and no significant lease contracts for which leases have not yet commenced as at March 31, 2020 to which the lessee is committed.

The lease expenses and the total cash outflow for leases are as follows.

	(Millions of Yen)
	For the year ended March 31, 2020
Depreciation charge for right-of-use assets	
Buildings	3,501
Furniture and fixtures	614
Software	254
Others	81
Total	4,450
Interest expense on lease liabilities	212
Expense relating to short-term lease and lease of low-value assets	1,572
Total cash outflow for leases	6,945

Note: The Group changed the method of presentation due to the application of IFRS 16.

21. Capital Stock and Other Equity Items

(1) Capital stock and treasury stock

The number of authorized shares as at March 31, 2019 and 2020 was 341,690,000 shares.

The Company's issued shares were as follows:

	(Shares)	For the year ended March 31, 2019	For the year ended March 31, 2020
Number of issued shares (common shares with no par value)			
As at the beginning of the year		224,561,761	236,556,393
Increase during the year (Note)		11,994,632	—
As at the end of the year		236,556,393	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, 2019	For the year ended March 31, 2020
Number of treasury stock			
As at the beginning of the year		3,779,286	8,312,501
Increase during the year (Notes 1,3)		11,432,629	6,510
Decrease during the year (Notes 2,4)		(6,899,414)	(2,588,973)
As at the end of the year		8,312,501	5,730,038

Notes: 1. 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.
2. 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.
3. The increase of 6,510 shares related to the acquisition purchased from shareholders with less than one unit of shares.
4. The decrease of 2,588,973 shares related to 610 shares sold to shareholders with less than one unit of shares, appropriation of 597,400 shares for the exercise of stock acquisition rights and appropriation of 1,990,963 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, 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
Change for the year	(23,104)	(1,022)	158	(23,968)
Transfer to retained earnings	—	606	—	606
Balance as at March 31, 2020	(6,700)	(868)	1,183	(6,385)

22. Dividends

Dividends paid were as follows:

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

Year ended March 31, 2020	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
Board of Directors' Meeting on October 30, 2019	Common shares	4,611	20	September 30, 2019	December 11, 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.

Dividends for which the declared date fell in the year ended March 31, 2020, and for which the effective date will be in the year ending March 31, 2021, 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 28, 2020	Common shares	18,466	80	March 31, 2020	June 8, 2020

23. 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 completion of a specified period of service, and 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 ¥814 million and were recorded in "Selling, general and administrative expenses" during the year ended March 31, 2020.

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

① The Company

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

	(Shares)		(Yen)	
	For the year ended March 31, 2019		For the year ended March 31, 2020	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Beginning balance	7,488,300	1,503	6,057,900	1,563
Exercised	(1,406,200)	1,247	(597,400)	1,563
Expired	(24,200)	1,247	(2,600)	1,563
Ending balance	6,057,900	1,563	5,457,900	1,563

Notes: Weighted average stock prices upon exercise of stock options for the years ended March 31, 2019 and 2020 were ¥2,954 and ¥2,381, respectively.

The unexercised stock options as at March 31, 2020 are as follows:

Name	(Yen)	(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	2,658,900	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.

② Subsidiaries

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

a-1 SBI Biotech Co., Ltd.	(Shares)		(Yen)	
	For the year ended March 31, 2019		For the year ended March 31, 2020	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
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, 2020 was defined as 30 months after 6 months passed from the IPO date.

2. The remaining stock options as at March 31, 2020 were granted before November 7, 2002; thus, the Group does not apply IFRS 2 "Share-based Payment".

a-2 BroadBand Security, Inc.	(Shares)		(Yen)	
	For the year ended March 31, 2019		For the year ended March 31, 2020	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Beginning balance	145,000	800	124,330	800
Exercised	(18,670)	800	(5,380)	800
Forfeited	(2,000)	800	(2,000)	800
Ending balance	124,330	800	116,950	800

Notes: 1. Weighted average stock prices of stock options upon exercise for the year ended March 31, 2019 and 2020 were ¥2,672 and ¥1,607, respectively.

2. The average remaining exercise period as at March 31, 2020 was 6.0 years.

a-3 SBI FinTech Solutions Co., Ltd.	(Shares)		(Yen)	
	For the year ended March 31, 2019		For the year ended March 31, 2020	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Beginning balance	608,500	628	608,500	628
Granted	—	—	—	—
Ending balance	608,500	628	608,500	628

- Notes: 1. The stock options were not vested as at March 31, 2020.
2. The average remaining exercise period as at March 31, 2020 was 3.5 years.

a-4 SBI Insurance Group Co., Ltd.	(Shares)		(Yen)	
	For the year ended March 31, 2019		For the year ended March 31, 2020	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Beginning balance	—	—	1,460,700	1,734
Granted	1,460,700	1,734	—	—
Ending balance	1,460,700	1,734	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	Estimated remaining exercise period	: 5.0 years
Exercise price	: ¥1,734	Dividend yield	: 0.00%
Estimated volatility	: 31.89%	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 ¥1.8 billion or more, the total amount of that for the fiscal year ending March 2021 has achieved ¥2.0 billion or more, and also marked ¥4.0 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	Estimated remaining exercise period	: 5.0 years
Exercise price	: ¥1,734	Dividend yield	: 0.00%
Estimated volatility	: 31.79%	Risk free rate	: (0.13%)

2. The stock options did not vest as at March 31, 2020.
3. The average remaining exercise period as at March 31, 2020 was 3.2 years.

a-5 Quark Pharmaceuticals, Inc.	(Shares)		(USD)	
	For the year ended March 31, 2019		For the year ended March 31, 2020	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Beginning balance	—	—	3,185,809	13.70
Exercised	3,358,706	13.70	—	—
Forfeited	(172,897)	13.70	(63,085)	13.70
Ending balance	3,185,809	13.70	3,122,724	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 | Estimated remaining exercise period | : 6.0 years |
| Exercise price | : USD13.70 | Dividend yield | : 0.00% |
| Estimated volatility | : 63.51% | Risk free rate | : 2.74% |
3. The average remaining exercise period as at March 31, 2020 was 4.4 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.	(Rights)		(Yen)		(Rights)		(Yen)	
	For the year ended March 31, 2019		For the year ended March 31, 2020					
	Number of rights	Weighted average exercise price	Number of rights	Weighted average exercise price				
Beginning balance	6,538	259	1,056	259				
Exercised	(5,482)	259	(1,056)	259				
Unexercised balance	1,056	259	—	—				

24. Revenue

Revenue for the years ended March 31, 2019 and 2020 consisted of the following:

	(Millions of Yen)	
	For the year ended March 31, 2019	For the year ended March 31, 2020
Financial income		
Interest income		
Income arising from financial assets measured at amortized cost (Note 1)	111,240	117,992
Income arising from debt instruments measured at FVTOCI (Note 2)	814	787
Income arising from financial instruments measured at FVTPL	63,186	48,723
Others	82	184
Total financial income	175,322	167,686
Revenue arising on insurance contracts	77,562	87,517
Revenue from contracts with customers		
Revenue from rendering of services	79,107	83,187
Revenue from sales of goods	3,159	6,014
Others	16,261	23,651
Total revenue	351,411	368,055

Notes: 1. Interest income arising from loans in the banking and securities businesses.
2. Interest income arising from bonds held in the insurance business.

(1) Disaggregation of revenue

Revenue from contracts with customers for the years ended March 31, 2019 and 2020 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 aircraft, pharmaceutical products, supplements, and cosmetics.

(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 from contracts with customers							
Revenue from rendering of services	71,260	8,814	6	80,080	622	(1,595)	79,107
Revenue from sales of goods	638	—	3,065	3,703	—	(544)	3,159
Total	71,898	8,814	3,071	83,783	622	(2,139)	82,266

(Millions of Yen)							
For the year ended March 31, 2020	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	72,292	11,330	400	84,022	1,471	(2,306)	83,187
Revenue from sales of goods	2,946	98	3,330	6,374	54	(414)	6,014
Total	75,238	11,428	3,730	90,396	1,525	(2,720)	89,201

(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 April 1, 2019
Trade receivables from contract with customers	6,727	6,912
Contract liabilities	1,939	2,203

(Millions of Yen)

	Balance as at April 1, 2019	Balance as at March 31, 2020
Trade receivables from contract with customers	6,912	4,607
Contract liabilities	2,203	1,856

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 and 2020, ¥1,587 million and ¥1,856 million were included in the balance of contract liabilities as at April 1, 2018 and 2019, respectively.

25. Expense

Expense for the years ended March 31, 2019 and 2020 consisted of the following:

(1) Financial cost associated with financial income

(Millions of Yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Financial cost associated with financial income		
Interest expense		
Financial liabilities measured at amortized cost	(21,394)	(25,186)
Total financial cost associated with financial income	(21,394)	(25,186)

(2) Operating cost

(Millions of Yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Payroll	(12,107)	(13,585)
Outsourcing fees	(7,495)	(8,429)
Depreciation and amortization	(3,228)	(4,123)
Cost arising on insurance contracts	(58,884)	(63,982)
Others	(18,097)	(20,577)
Total operating cost	(99,811)	(110,696)

(3) Selling, general and administrative expenses

(Millions of Yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Payroll	(33,356)	(40,036)
Outsourcing fees	(21,537)	(25,411)
Depreciation and amortization	(6,604)	(11,417)
Research and development	(8,517)	(7,661)
Others	(41,061)	(47,701)
Total selling, general and administrative expenses	(111,075)	(132,226)

(4) Other financial cost

(Millions of Yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Other financial cost		
Interest expense		
Financial liabilities measured at amortized cost	(4,680)	(5,140)
Total other financial cost	(4,680)	(5,140)

(5) Other expenses

(Millions of Yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Impairment loss on non-financial assets	(9,860)	(0)
Foreign exchange loss	(2,712)	(447)
Others (Note)	(2,217)	(3,501)
Total other expenses	(14,789)	(3,948)

26. Income Tax Expense

The amount of income tax expenses for the years ended March 31, 2019 and 2020 were as follows:

(Millions of Yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Income tax expense		
Current	(21,220)	(19,718)
Deferred	5,460	(1,101)
Total income tax expense	(15,760)	(20,819)

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, 2019 and 2020 is as follows:

(%)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Normal effective statutory tax rate	30.6	30.6
Permanent differences such as meals and entertainment	0.6	0.4
Tax effect on minority interests of investments in fund	(5.2)	(3.5)
Temporary differences arising from consolidation of investments	(2.1)	4.1
Change in unrecognized deferred tax assets	(6.0)	(0.3)
Other	1.1	0.3
Average effective tax rate	19.0	31.6

27. 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, 2019 and 2020 were as follows:

(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)

(Millions of Yen)

For the year ended March 31, 2020	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	(640)	—	(640)	1	(639)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(384)	—	(384)	—	(384)
	(1,024)	—	(1,024)	1	(1,023)
Items that may be reclassified subsequently to profit or loss					
Debt instruments measured at FVTOCI	586	(101)	485	(136)	349
Currency translation differences	(19,807)	—	(19,807)	—	(19,807)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(860)	(2,568)	(3,428)	—	(3,428)
	(20,081)	(2,669)	(22,750)	(136)	(22,886)
Total	(21,105)	(2,669)	(23,774)	(135)	(23,909)

28. 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, 2019	Fiscal year ended March 31, 2020
Earnings		
Profit attributable to owners of the Company	52,548	37,487
Dilutive effect: Convertible bonds	339	374
Profit attributable to owners of the Company after dilutive effect	52,887	37,861
Shares		
Basic weighted average number of ordinary shares (shares)	227,057,550	229,724,077
Dilutive effect: Stock options (shares)	2,781,002	1,969,058
Dilutive effect: Convertible bonds (shares)	27,623,150	25,094,962
Weighted average number of ordinary shares after the dilutive effect (shares)	257,461,702	256,788,097
Earnings per share attributable to owners of the Company		
Basic (in Yen)	231.43	163.18
Diluted (in Yen)	205.42	147.44

29. Cash Flow Information

Supplemental disclosure of consolidated statement of cash flow information for the years ended March 31, 2019 and 2020 was as follows:

(1) Expenditures on acquisition of subsidiaries

The amounts of payments for acquisition of subsidiaries were ¥4,346 million and ¥10,874 million for the years ended March 31, 2019 and 2020, 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, 2019	For the year ended March 31, 2020
Cash and cash equivalents	774	797
Trade and other receivables	279	11,234
Intangible assets	2,962	993
Other assets	90	871
Total assets	4,105	13,895
Bonds and loans payable	—	8,428
Trade and other payables	1,066	327
Other liabilities	939	1,480
Total liabilities	2,005	10,235

(2) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities were as follows:

(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

(Millions of Yen)

	As at April 1, 2019	Cash flow from financing activities	Non-cash changes				As at March 31, 2020
			Change in scope of consolidation	Conversion of convertible bonds	Interest expense	Others	
Borrowings	686,065	46,699	8,428	—	257	893	742,342
Bonds	276,900	133,263	—	(3,325)	(130)	—	406,708
Total	962,965	179,962	8,428	(3,325)	127	893	1,149,050

30. Subsidiaries

Major subsidiaries of the Group as at March 31, 2020 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	68.9
	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.

31. Related Party Transactions

(1) Related Party Transactions

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	Exercise of stock options (Note)	187	—
Corporate officer	Masato Takamura	Representative Director	Exercise of stock options (Note)	312	—
Corporate officer	Tomoya Asakura	Executive Officer	Exercise of stock options (Note)	312	—
Corporate officer	Shumpei Morita	Executive Officer	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, 2019 and 2020

	(Millions of Yen)	
	For the year ended March 31, 2019	For the year ended March 31, 2020
Remuneration and bonuses	1,134	1,034
Post-employment benefits	5	4
Total	1,139	1,038

32. 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 ¥70,459 million and ¥116,080 million, with an unused portion of ¥31,509 million and ¥40,092 million, as at March 31, 2019 and 2020, 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.

33. Events after the Reporting Period

Issuance of Stock Acquisition Rights (Paid-In Capital Stock Options and Qualified Stock Options)

The Company resolved at the Board of Directors meeting on May 28, 2020 to issue stock acquisition rights below to Directors and employees of the Company and its subsidiaries, in accordance with the provisions stipulated in Article 236, 238 and 240 of the Companies Act. The Company shall issue paid-in capital stock options (hereinafter, the “2020 First Stock Acquisition Rights”) to the Directors of the Company and its subsidiaries, and qualified stock options (hereinafter, the “2020 Second Stock Acquisition Rights”) to employees of the Company and its subsidiaries free of charge. The 2020 First Stock Acquisition Rights shall be provided not as compensation to eligible individuals but as an option to be undertaken based on their respective investment decisions.

2020 First Stock Acquisition Rights

1. Conditions of Allotment

(1) Number of stock acquisition rights	33,000 units (The number above is the number of stock acquisition rights planned for allotment. If the number of stock acquisition rights to be allotted decreases, including cases where an application for subscription is not made, the total number of stock acquisition rights to be allotted shall be the total number of stock acquisition rights to be issued.)
(2) Payment of money in exchange for one stock acquisition right	JPY 5,500
(3) Date of allotment of the stock acquisition rights	July 1, 2020

2. Summary of Stock Acquisition Rights

(1) Type and number of shares granted through stock acquisition rights	3,300,000 shares of common stock of the Company (100 shares per right)
(2) Amount contributed through the exercise of stock acquisition rights	The asset value contributed through the exercise of stock acquisition rights shall be the amount calculated by multiplying the amount paid per share that is issuable through the exercise of stock acquisition rights (hereinafter, the “exercise price”) and the number of shares granted together. The exercise price is JPY2,280.
(3) Matters concerning the issuance price of the share and capital and capital reserve to be increased by exercising stock acquisition rights	<p>(a) Matters concerning the issuance price of the share by exercising stock acquisition rights The issuance price per common share of the Company through the exercise of stock acquisition rights is obtained by dividing the total amount of the asset value contributed by the exercise of stock acquisition rights regarding the exercise request and the amount paid in exchange for stock acquisition rights regarding the exercise request by the number of shares to be granted.</p> <p>(b) Matters concerning capital and capital reserve to be increased by exercising stock acquisition rights</p> <p>(i) The amount of capital to be increased in the case of issuing shares by exercising stock acquisition rights shall be a half of the maximum amount of capital increase, etc. which is calculated in accordance with Article 17, Paragraph 1 of the Corporation Accounting Regulations. Any fraction less than one (1) yen resulting from the calculation shall be rounded up to the nearest whole yen.</p> <p>(ii) The amount of capital reserve to be increased in the case of issuing shares by exercising stock acquisition rights shall be the amount obtained by deducting the amount of capital to be increased set forth in (i) above from the maximum amount of capital increase, etc. set forth in (i) above.</p>
(4) Exercise period of stock acquisition rights	From July 3, 2023 to September 30, 2024
(5) Conditions for exercising stock acquisition rights	<p>(a) 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 ¥55 billion or more in its entire segment profits (profit before income tax expenses) in each fiscal year of the period from the fiscal year ending March 31, 2021 to the fiscal year ending March 31, 2023, and also marked ¥170 billion or more in its cumulative segment profits (profit before income tax expenses) for the above three fiscal periods.</p> <p>(b) A holder of stock acquisition rights shall not be required to be a Director, Statutory Auditor or employee of the Company or its affiliated companies at the time of the exercise of the stock acquisition rights. However, this shall not apply to cases where a holder of the stock acquisition rights is dismissed or terminated through disciplinary action during his or her term of office as Director, Statutory Auditor or employee.</p> <p>(c) Other terms shall be specified in the “Agreement of Allotment of the Stock Acquisition rights” to be entered into by the Company and the stock acquisition rights holders.</p>

2020 Second Stock Acquisition Rights

1. Conditions of Allotment

(1) Number of stock acquisition rights	40,000 units (The number above is the number of stock acquisition rights planned for allotment. If the number of stock acquisition rights to be allotted decreases, including cases where an application for subscription is not made, the total number of stock acquisition rights to be allotted shall be the total number of stock acquisition rights to be issued.)
(2) Payment of money in exchange for one stock acquisition right	No payment of money shall be required in exchange for stock acquisition rights.
(3) Date of allotment of stock acquisition rights	July 1, 2020

2. Summary of Stock Acquisition Rights

(1) Type and number of shares granted through stock acquisition rights	4,000,000 shares of common stock of the Company (100 shares per right)
(2) Amount contributed through the exercise of stock acquisition rights	The asset value contributed through the exercise of stock acquisition rights shall be the amount calculated by multiplying the amount paid per share that is issuable through the exercise of stock acquisition rights (hereinafter, the "exercise price") and the number of shares granted together. The exercise price is JPY 2,280. However, if the exercise price becomes lower than the closing price of the Company's common stock in regular transactions on the Tokyo Stock Exchange on the date of allotment, the exercise price shall be considered equal to the closing price on the date of allotment.
(3) Matters concerning the issuance price of the share and capital and capital reserve to be increased by exercising stock acquisition rights	(a) Matters concerning the issuance price of the share by exercising stock acquisition rights The issuance price per common share of the Company through the exercise of stock acquisition rights is the same amount as the exercise price. (b) Matters concerning capital and capital reserve to be increased by exercising stock acquisition rights (i) The amount of capital to be increased in the case of issuing shares by exercising stock acquisition rights shall be a half of the maximum amount of capital increase, etc. which is calculated in accordance with Article 17, Paragraph 1 of the Corporation Accounting Regulations. Any fraction less than one (1) yen resulting from the calculation shall be rounded up to the nearest whole yen. (ii) The amount of capital reserve to be increased in the case of issuing shares by exercising stock acquisition rights shall be the amount obtained by deducting the amount of capital to be increased set forth in (i) above from the maximum amount of capital increase, etc. set forth in (i) above.
(4) Exercise period of stock acquisition rights	From July 3, 2023 to September 29, 2028
(5) Conditions for exercising stock acquisition rights	(a) A holder of stock acquisition rights shall be required to be a Director, Statutory Auditor, or employee of the Company or its affiliates at the time of exercise of the stock acquisition rights. However, this shall not apply if the holder has retired due to the expiration of his or her term of office, reaching the mandatory retirement age, or other justifiable reasons approved by the Board of Directors. (b) Other terms shall be specified in the "Agreement of Allotment of the Stock Acquisition rights" to be entered into by the Company and the stock acquisition rights holders.



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of SBI Holdings, Inc.:

Opinion

We have audited the consolidated financial statements of SBI Holdings, Inc. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRSs and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with IFRSs, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 24, 2020

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 instruments 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 instruments (operating 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 instrument, 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 FY2019	2Q FY2019
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 FY2019
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 FY2019
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
 $-2.0 \text{ billion} \times 20\% \times 30\% = -¥0.12 \text{ billion}$

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

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

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 5.0	Revenue 0.0	Revenue 0.0
Expense 0.0	Expense -5.0	Expense 0.0
Profit before income tax expense 5.0	Profit before income tax expense -5.0	Profit before income tax expense 0.0
Tax (30%) -1.2	Tax 0.0	Tax (tax rate 30%) -1.2
Profit 3.8	Profit -5.0	Profit -1.2
		Profit attributable to owners of the Company 2.8
		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.

Glossary

This page provides supplementary material to help readers better understand the business environment surrounding the SBI Group.

<p>AML/CFT</p>	<p>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.</p>
<p>Corporate succession issues</p>	<p>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 be retiring. 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 a significant impact on society, such as a decline in employment opportunities throughout Japan and in the GDP.</p>
<p>Crypto-asset (cryptocurrency) regulations</p>	<p>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 and came into effect in May 2020, in response to the growing diversity in financial transactions that accompanied advances made in information communication technology. The amendments include the name change of the term “cryptocurrency” to “crypto-assets,” the change in definition of investment-type STO tokens into marketable securities, and regulations for business operators engaging in operations related to crypto-assets.</p>
<p>Industry 4.0/ Society 5.0</p>	<p>Industry 4.0, is a concept that originated in German, and it refers to the fourth industrial revolution, which follows after the third industrial revolution where automation was progressed by the development of computers, etc. The goal of the fourth industrial revolution is the creation of “smart factories” primarily in the manufacturing industry, which involves substituting worker activity with AI and the IoT.</p> <p>Society 5.0 is a concept that originated in Japan as a new form of society that follows after the information society (Society 4.0). The goal of the concept is to achieve the “super-smart city,” where intelligent systems such as 5G, AI and IoT assists not only in manufacturing, but also in all aspects of life. By doing so, social issues such as declining and aging populations, depopulation in regional areas and economic disparities may be resolved, while at the same time developing the economy.</p>
<p>Reduced Fees for Inter-bank Transfers</p>	<p>In April 2020, the Japan Fair Trade Commission published a report stating that the exclusion of fintech operators from banks’ settlement infrastructure could violate the antitrust law. Cases were reported in the past where the banks have demanded over-priced fees or asked for unfavorable terms, practically refusing the fintech operators to connect APIs to banks’ core systems. In addition, in terms of competition policy, the Japan Fair Trade Commission gave a request to further improve the level of inter-bank transfer fees, which have not changed in nearly 50 years, which is expected to improve convenience for users in the future.</p>
<p>Regional revitalization</p>	<p>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.</p>
<p>STO</p>	<p>A security token offering (STO) is a new funding mechanism through the issuance of tokens (substitute currency), which is an asset backed by value of various real assets, such as stocks, bonds and real estate. As a digital security using blockchain technology, these tokens have properties similar to securities, such as distributing revenue to token owners. Overseas STOs are issued as financial products that comply with the laws and regulations of each country, and there is the belief that the reliability of investors and the transparency of transactions are guaranteed to the same extent as the existing financial products. In Japan, an amendment to the Payment Services Act and the Financial Instruments and Exchange Act, which came into effect in May 2020, made it clear that STOs are subject to regulation under the Financial Instruments and Exchange Act.</p>

The SBI Group
(Principal Group Companies)

SBI Holdings, Inc.

TSE First Section

Financial Services Business

A diversified line of financial services

		TSE Mothers
1 SBI FINANCIAL SERVICES Co., Ltd.	Control and management of the Financial Services Business	100.0%
1 SBI SECURITIES Co., Ltd.	Comprehensive online securities company	100.0%
1 SBI Liquidity Market Co., Ltd.	Provision of market infrastructure to supply liquidity to FX margin trading	100.0%
1 SBI FXTRADE Co., Ltd.	Pure-play FX broker	100.0%
1 SBI VC Trade Co., Ltd.	Provision of exchange and transaction services related to crypto-assets (cryptocurrency)	100.0%
1 SBI NEO MOBILE SECURITIES Co., Ltd.	Mobile securities trading	98.6%
1 SBI MONEY PLAZA Co., Ltd.	Provision of financial products through face-to-face channels	100.0%
1 SBI Benefit Systems Co., Ltd.	Operational management of defined-contribution pension, etc.	66.6%
1 SBI BITS Co., Ltd.	Development and operation of financial systems	100.0%
1 Rheos Capital Works Inc.	Investment management business and investment trust sales	51.3%
1 SBI Alpha Trading Co., Ltd.	Crypto-asset broker (market maker)	100.0%
1 SBI Social Lending Co., Ltd.	Operation of social lending business	100.0%
1 SBI Equity Crowd Co., Ltd.	Development and operation of a fund-raising support platform using the Internet	100.0%
2 Japannext Co., Ltd.	Operation of PTS (Proprietary Trading System)	48.8%
2 SBI Sumishin Net Bank, Ltd.	Internet-based full service bank	50.0%
1 SBI Insurance Group Co., Ltd.	Insurance holding company	68.9%
1 SBI Insurance Co., Ltd.	Internet-based non-life insurance company	99.2%
1 SBI Life Insurance Co., Ltd.	Internet-based life insurance business	100.0%
1 SBI SSI Holdings Co., Ltd.	Small-amount, short-term insurance policy businesses	100.0%
1 SBI IKIIKI SSI Inc.	Small-amount, short-term insurance policy businesses	100.0%
1 SBI Nihon SSI Co., Ltd.	Small-amount, short-term insurance policy businesses	100.0%
1 SBI Resta SSI Co., Ltd.	Small-amount, short-term insurance policy businesses	99.6%
1 SBI PRISM SSI CO., LTD.	Small-amount, short-term insurance policy business	100.0%
1 SBI FinTech Solutions Co., Ltd.	Control and operation of the e-commerce settlement business and Group fintech-related businesses	77.5%
1 SBI Remit Co., Ltd.	International remittance business	100.0%
1 SBI Business Solutions Co., Ltd.	Provision of back office support services	100.0%
1 SBI Ripple Asia Co., Ltd.	Selling agency of international settlement system	60.0%
1 Money Tap Co., Ltd.	Direct and indirect sales, maintenance, and lease of settlement systems	92.9%
1 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

		KOSDAQ
1 SBI Capital Management Co., Ltd.	Control and management of the private equity business	100.0%
1 SBI Investment Co., Ltd.	Venture capital fund management	100.0%
1 SBI FinTech Incubation Co., Ltd.	Support for introduction of fintech services	85.1%
1 SBI VENTURES SINGAPORE PTE. LTD.	M&A advisory business	100.0%
1 SBI VEN CAPITAL PTE. LTD.	Overseas private equity fund management	100.0%
1 SBI Ventures Malaysia Sdn. Bhd.	Fund management in Southeast Asia	100.0%
2 SBI Investment KOREA Co., Ltd.	Venture capital in South Korea	43.9%
1 SBI SAVINGS BANK	Savings bank in South Korea	99.0%
1 SBI (China) Co., Ltd.	Management of businesses in China	100.0%
1 SBI & TH (Beijing) Venture Capital Management Co., Ltd.	Private equity fund management in China	100.0%
1 SBI Royal Securities Plc.	Comprehensive securities company in Cambodia	65.3%
1 SBI Bank LLC	Commercial bank in Russia	100.0%
1 SBI LY HOUR BANK PLC.	Commercial bank in Cambodia	70.0%
1 SBI Thai Online Securities Co., Ltd.	Online securities in Thailand	100.0%
2 PT BNI SEKURITAS	Securities company in Indonesia	25.0%

As of July 1, 2020 / 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.

Asset management-related services

1 SBI GLOBAL ASSET MANAGEMENT Co., Ltd.	Control and management of the asset management services business	100.0%
JASDAQ		
1 Morningstar Japan K.K.	Rating information for investment trust, others	47.6%
1 SBI ASSET MANAGEMENT GROUP Co., Ltd.	Control and management of the asset management services of the Morningstar Group	100.0%
1 Morningstar Asset Management Co., Ltd.	Investment advisory services, others	100.0%
1 SBI Asset Management Co., Ltd.	Investment management and investment advisory service	100.0%
1 Carret Asset Management LLC	Investment management and investment advisory services	67.0%
1 SBI Alternative Investments Co., Ltd.	Management and advisory services for alternative assets	100.0%
1 SBI Bond Investment Management Co., Ltd.	Financial asset-related investment advisory services, agency and investment management business	90.0%
1 SBI Regional Revitalization Asset Management Co., Ltd.	Investment management and investment advisory service	54.0%
1 SBI ENERGY Co., Ltd.	Power business using renewable energy	100.0%
1 SBI Regional Bank Holdings Co., Ltd.	Control and management of the businesses related to regional financial institutions with which we have a capital and business alliance	100.0%
1 SBI Arsnova Research, Co., Ltd.	Arrangement and management of alternative investments	99.0%
1 SBI Estate Finance Co., Ltd.	Real estate secured loans business	100.0%
1 SBI Guarantee Co., Ltd.	Rent guarantees for rental housing	100.0%
1 SBI Crypto Investments Co., Ltd.	Investment business such as ownership, management, operation and acquisition of securities	100.0%

Biotechnology-related Business

R&D, manufacturing and sales of pharmaceuticals, health foods and cosmetics

1 SBI ALApharma Co., Limited	Management and operation of the 5-ALA-related business	97.0%
1 SBI Pharmaceuticals Co., Ltd.	R&D, manufacturing and sales of pharmaceuticals, health foods and cosmetics using 5-ALA	86.2%
1 SBI ALApromo Co., Ltd.	Manufacturing and sales of health foods and cosmetics using 5-ALA	100.0%
1 photonamic GmbH & Co. KG	R&D, manufacturing and sales of pharmaceuticals using 5-ALA	100.0%
1 NX Development Corp.	Sales of "Gleolan," an orally administered diagnostic reagent, in the U.S.	100.0%
1 SBI ALApharma Canada Inc.	R&D of fluorescence imaging medical device for photodynamic diagnosis using 5-ALA	100.0%
1 Photonics Healthcare B.V.	R&D of medical device for measuring intracellular oxygen concentration using 5-ALA	51.0%
1 SBI Biotech Co., Ltd.	R&D of pharmaceuticals	87.6%
1 Quark Pharmaceuticals, Inc.	R&D of siRNA pharmaceuticals	100.0%

Others

1 SBI Digital Asset Holdings Co., Ltd.	Control and management of the digital asset-related businesses	100.0%
1 SBI Crypto Co., Ltd.	Business related to digital assets centering on mining	100.0%
1 SBI Mining Chip Co., Ltd.	Development, manufacturing, and sales of crypto-asset mining systems	96.0%
1 SBI Security Solutions Co., Ltd.	Operation and development of cybersecurity systems	100.0%
1 SBI R3 Japan Co., Ltd.	Provision of the blockchain platform Corda, as well as related business	60.0%
1 SBI Estate Management Co., Ltd.	Investment in real estate	100.0%
1 SBI Wellness Bank Co., Ltd.	Healthcare services for membership	100.0%
1 SBI Africa Co., Ltd.	Export of used cars in Japan to overseas markets, provision of financial services, and investment in the Africa region, etc.	100.0%
1 SBI e-Sports Co., Ltd.	e-sports	100.0%



For details of each Group company's business, please refer to our website (<https://www.sbigroup.co.jp/english/company/group/>)

Corporate Data

Company Outline (As of March 31, 2020)

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	8,003 (consolidated)
Paid-in Capital	¥92,018 million
Fiscal Year	April 1 to March 31

Stock Information (As of March 31, 2020)

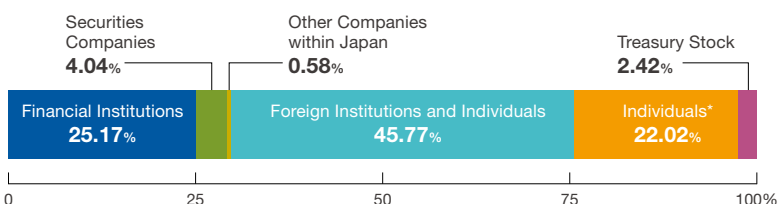
Listing	First Section of the Tokyo Stock Exchange
Code	8473
Shares Authorized	341,690,000 shares
Shares Outstanding	236,556,393 shares (including treasury stock)
Shareholder Register	Mizuho Trust & Banking Co., Ltd.

Principal Shareholders

Name	Number of shares held (shares)	Percentage of outstanding shares (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	16,283,700	7.1
Japan Trustee Services Bank, Ltd. (Trust account)	15,648,900	6.8
NORTHERN TRUST COMPANY (AVFC) ACCOUNT NON-TREATY	13,517,421	5.9
The Bank of New York Mellon 140051	9,830,536	4.3
The Bank of New York Mellon 140042	6,644,035	2.9
Japan Trustee Services Bank, Ltd. (Trust account 5)	4,489,700	1.9
Japan Trustee Services Bank, Ltd. (Trust account 9)	4,437,600	1.9
SMBC Nikko Securities Inc.	4,189,500	1.8
JPMorgan Chase Bank, N.A. 385151	3,943,140	1.7
Yoshitaka Kitao	3,907,960	1.7

The percentage of shares held is calculated upon deducting the treasury stock.
Apart from the holdings of the major shareholders above, the Company holds 5,733,138 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 5, 2019)

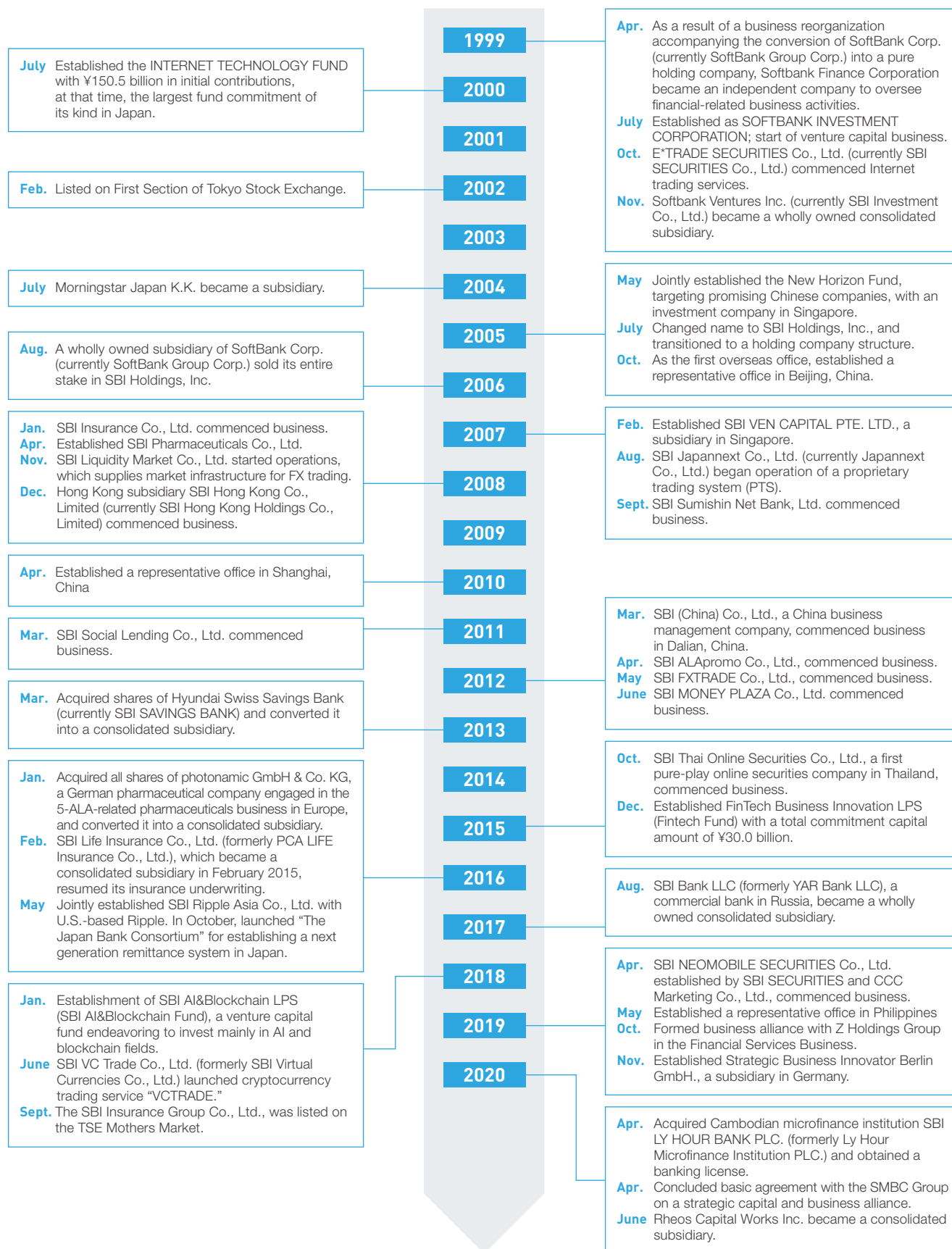
Rating Agency	Rating and Investment Information, Inc.
Long-term	BBB+ (Stable)
Short-term	a-2

Overseas Offices (As of May 31, 2020)

U.S.	● Quark Pharmaceuticals
Canada	● SBI ALApharma Canada
Russia	● SBI Bank
Germany	● photonamic ● Strategic Business Innovator Berlin ● Future Industry Ventures
Netherlands	● Photonics Healthcare
Bahrain	● SBI Pharmaceuticals Bahrain Representative Office
Israel	● SBI JI INNOVATION FUND ADVISORY ● QBI Enterprise (Research institute of Quark Pharmaceuticals)
Malaysia	● SBI Ventures Malaysia ● OSK-SBI Venture Partners
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 ● NANJING JIANGBEI SBI Equity Investment Management
Hong Kong	● SBI Hong Kong Holdings ● SBI Securities (Hong Kong) ● SBI ALApharma ● SBI FX
Taiwan	● SBI Capital 22 Management ● SNSI Capital Management
Philippines	● ICCP SBI Venture Partners ● Philippines Representative Office
Indonesia	● BNI SEKURITAS ● Jakarta Representative Office ● SBI Kejora Venture Partnership
Brunei	● SBI (B)
Vietnam	● FPT Securities ● TPBank ● FPT Capital Fund Management
Cambodia	● SBI Royal Securities ● SBI LY HOUR BANK
Thailand	● SBI Thai Online Securities

● Securities
● Banking
● Other Financial Services
● Investment
● Biotechnology-related Business
● Local Affiliates/Representative Office
● Strategic Investee

Corporate History



Books by Yoshitaka Kitao, Representative Director, President & CEO



Cleansing One's Mind
Keizaikai Co., Ltd.
October 2019



Management through Challenges and Evolution
GENTOSHA INC.
June 2019
(KR) Maeil Business Newspaper
June 2020



The Cryptocurrency Revolution Starts Now!
SB Creative Corp.
November 2018



Opening the Mind's Eye
Keizaikai Co., Ltd.
June 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
Expanded edition
December 2019



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 Yasuok
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



Why do We Work?
Chichi Publishing Co., Ltd.
(KR) Joongang Books
March 2007
(Post edition)



The SBI Group Vision and Strategy: Continuously Evolving Management
Toyo Keizai Inc.
(EN) John Wiley & Sons, Inc.
(CN) Tsinghua University Press
October 2005



"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
(Pocket edition)



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

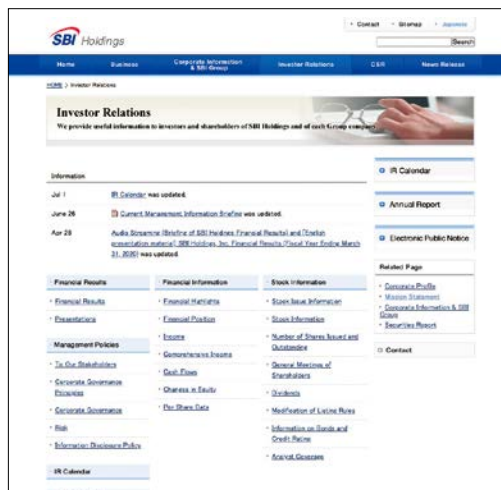
Tel +81-3-6229-0100 Fax +81-3-3589-7958

WEBSITE DIRECTORY



The screenshot shows the SBI Holdings website top page. The main header features the SBI Holdings logo and navigation links: Home, Business, Corporate Information & SBI Group, Investor Relations, CSR, and News Release. A search bar is located in the top right. The main content area has a large banner with the headline "The SBI Group's Further Challenges as Ever-Evolving 'Strategic Business Innovator'" and a sub-headline "As a comprehensive financial 'holding group' centered on the five core business sectors of 'Financial Management,' we aim to further growth and create new opportunities." Below the banner, there are sections for "News Release" with a list of recent updates, "Business" with sub-sections like Financial Services, Asset Management, and others, "Corporate Information & SBI Group" with sub-sections like Corporate Profile, SBI Group, and Mission Statement, and "Investor Relations" with sub-sections like Equal Rights Information, IR Calendar, and Annual Report. A "Newly Published Book" section is also visible at the bottom.

SBI Holdings Website Top Page
<https://www.sbigroup.co.jp/english/>



The screenshot shows the SBI Holdings website Investor Relations page. The main header is identical to the top page. The page title is "Investor Relations" with the subtitle "We provide useful information to investors and shareholders of SBI Holdings and of each Group company." The content is organized into several sections: "Information" with a list of updates, "Financial Results" with sub-sections like Financial Results, Financial Metrics, and Financial Position; "Financial Information" with sub-sections like Financial Metrics, Financial Position, and Income; "Stock Information" with sub-sections like Stock Basic Information, Stock Information, Number of Shares Issued and Outstanding, and General Meeting of Shareholders; "Management Policies" with sub-sections like In Our Stakeholders, Corporate Governance, Business, and Risk; and "IR Calendar" with a sub-section for "IR Calendar". A "Related Page" section is also present on the right side.

Investor Relations
<https://www.sbigroup.co.jp/english/investors/>