

# Forward to the Next Stage

# ANNUAL REPORT 2021

# CONTENTS

## SBI Group's Value Creation and Strategies to Achieve it

|  |    |
|--|----|
| Unchanging Values .....  | 1  |
| Basic Management Viewpoint on Business                             |    |
| Establishment and Overall Strategy Transitions .....               | 2  |
| CEO Message .....  | 4  |
| Special Feature 1:   |    |
| Four Key Measures to Further Increase Corporate Value .....        | 12 |
| Build a More Expansive Ecosystem through an Open Alliance Strategy |    |
| Develop New Business Fields Based on Innovative Technologies       |    |
| Globally Expand in the Field of Digital Finance                    |    |
| Expand Assets under Management of the Group                        |    |
| Financial and Non-financial Highlights .....                       | 20 |
| Message from the Executive Officer in Charge of                    |    |
| Accounting and Finance .....                                       | 22 |

## Foundations that Support a Sustainable Growth of the SBI Group

|  |    |
|--|----|
| Board of Directors and Statutory Auditors .....                    | 26 |
| Message from the Independent Outside Directors .....               | 28 |
| Corporate Governance .....   | 30 |
| SBI Group's Customer Value .....                                   | 36 |
| At a Glance .....  | 38 |
| Review of Operations by Business Segment .....                     | 39 |
| Financial Services Business  |    |
| Asset Management Business  |    |
| Biotechnology, Healthcare & Medical Informatics Business           |    |
| Special Feature 2: Initiatives to Enhance Human Capital Value .... | 42 |
| Stakeholder Engagement .....                                       | 44 |
| Solving Challenges for the Maintenance and                         |    |
| Development of Society .....                                       | 46 |
| Environmental Initiatives .....                                    | 49 |

## Finance and Corporate Information

|  |     |
|--|-----|
| Consolidated Financial Highlights 9-year Summary .....     | 50  |
| Fact Sheet .....   | 52  |
| Alliance Status with Regional Financial Institutions ..... | 57  |
| Consolidated Financial Statements of the Group .....       | 58  |
| Accounting Policies of the Asset Management Business ..... | 110 |
| Glossary .....   | 111 |
| The SBI Group (Principal Group Companies) .....            | 112 |
| Corporate Data .....                                       | 114 |
| Corporate History .....                                    | 115 |
| Books by Yoshitaka Kitao,                                  |     |
| Representative Director, President & CEO .....             | 116 |

### Editing Guidelines

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

Environment  
Social  
Governance

Guidance for  
Collaborative  
Value Creation

### Forward-looking Statements

This annual report includes statements concerning the current plans, strategies, and projections of the future performance of SBI Holdings, Inc. ("SBI Holdings"), and its subsidiaries and affiliates. These statements have been prepared based on information available at the time of publication 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.

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



## 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.

## Basic Management Viewpoint on Business Establishment and Overall Strategy Transitions

# Continual Self-evolution by 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 meet our customers' needs.

#### Formation of a "Business Ecosystem" and Exhaustive Pursuit of Group Synergies

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 Devotion to Innovative Technology

The SBI Group is proactively utilizing new technologies, such as artificial intelligence (AI), blockchain, big data, and the Internet of Things (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.

#### Formulate and Implement Strategies that Anticipate the Near Future

The SBI Group is working on its business by establishing "overall strategies" and "individual strategies" to align and mobilize the group companies to create efficient synergies and strengthen the sense of unity among them. The overall strategy of the SBI Group is a groupwide effort that is consistent with social issues, national goals, etc., while keeping an eye on the changing times. The overall strategy will be efficiently spread to each subsidiaries which then will transform into an individual strategy to achieve a unified goal.

(Billions of yen)

8,000

7,000

6,000

5,000

4,000

3,000

2,000

1,000

0

Birth of the SBI Group

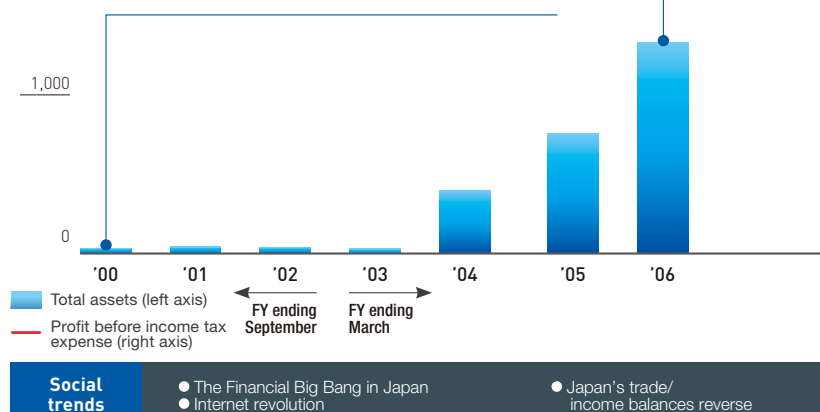
The SBI Group was formed in April 1999 when SoftBank Finance was founded as a financial subsidiary of SoftBank (currently SoftBank Group). In July 1999, SOFTBANK INVESTMENT (currently SBI Holdings) was founded as an operator of a venture capital business.

### 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.





## 2 Selection and concentration

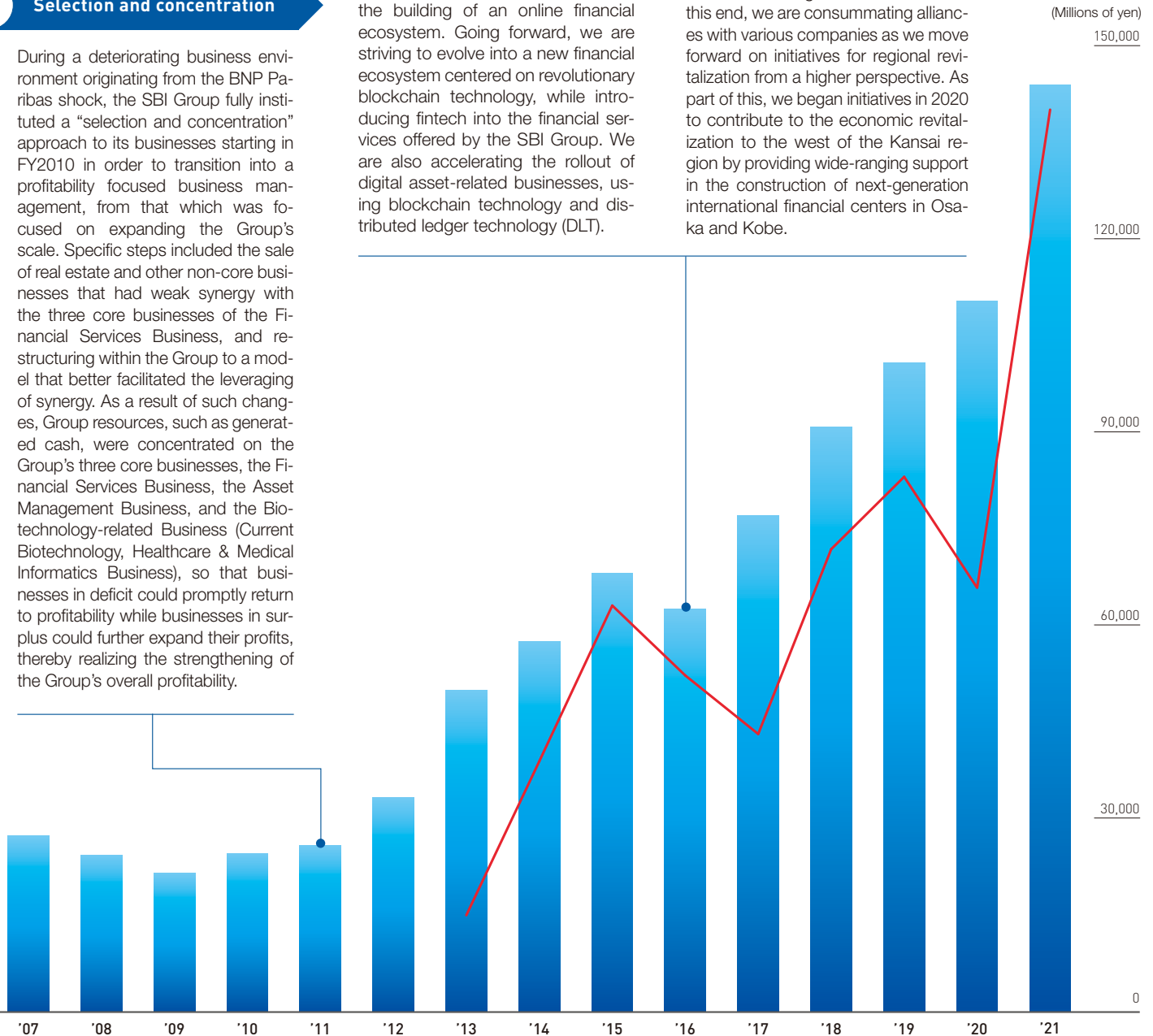
During a deteriorating business environment originating from the BNP Paribas shock, the SBI Group fully instituted a “selection and concentration” approach to its businesses starting in FY2010 in order to transition into a profitability focused business management, from that which was focused on expanding 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 (Current Biotechnology, Healthcare & Medical Informatics 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

Until now, the SBI Group has realized dramatic Group growth through the building of an online financial ecosystem. Going forward, we are striving to evolve into a new financial ecosystem centered on 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. As part of this, we began initiatives in 2020 to contribute to the economic revitalization to the west of the Kansai region by providing wide-ranging support in the construction of next-generation international financial centers in Osaka and Kobe.



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

● The global financial crisis

● Rise of fintech  
● Abenomics

● Promotion of regional revitalization  
(see “Glossary” on page 111).

● Spread of COVID-19



### Forward to the Next Stage “Rapidly Progressing to a New Stage with an Eye on the Next Era”

#### **Yoshitaka Kitao**

Representative Director,  
President & CEO

The SBI Group was established in 1999 as a pioneer of Internet-based financial services in Japan. In order to demonstrate its competitive advantage in the age of the Internet, the SBI Group believes it necessary to build a business ecosystem – a new organizational structure that realizes high growth potential through synergies and co-evolution that a single company alone cannot achieve – and has built an Internet financial ecosystem centered on the Financial Services Business sector. In addition to this segment, the Group has also built up its Asset Management Business since the beginning that primarily invests in venture companies. With the development and sales of pharmaceuticals, health foods, and cosmetics, the SBI Group has also entered the Biotechnology, Healthcare & Medical Informatics Business.

We have achieved dramatic growth around these three major businesses by establishing a process of “self-denial, self-transformation, and self-evolution” to constantly evolve and keep up with the times. In the fiscal year ended March 31, 2021 (FY2020), we reached a milestone with profits before income tax expense of over ¥100 billion.

The SBI Group is gearing up to establish a new business ecosystem in the digital world (digital asset space) and to realize dramatic growth in the Fintech 2.0 era. With an accurate understanding of current trends in the rapidly changing digital world, the SBI Group targets to achieve sustained growth in corporate value.

# The SBI Group—Growth through an Accurate Understanding of Current Trends

## Strategy Is Everything

For year ended March 31, 2021, the effects of the COVID-19 pandemic that took hold at the end of the previous fiscal year continued to be widely felt. Nevertheless, all figures for the SBI Group, such as revenue (sales), profit before income tax expense, and profit for the year attributable to owners of the Company, reached record highs since the Company's inception, with profit before income tax expense well over ¥100 billion. This success can only be attributed to the SBI Group's strategy accurately understanding current trends.

I am strongly aware of the difference between "strategy" and "tactics." "Strategy" is defined as a long-term path for an organization to move forward, while "tactics" are the detailed concrete measures and plans for realizing the strategy. Tactics (methodologies) come in many different shapes and forms, so even when a mistake is made, it can always be rectified. But strategies should never be wrong. The success or failure of a strategy depends on changing times, that is, how accurately current trends can be understood.

I founded the SBI Group in 1999. At that time, the Internet was on the rise in the United States, but it had not yet really been adopted by Japan. When I read a report written by an analyst in charge of the Internet-related industry at Morgan Stanley, I was convinced the Internet would be a perfect fit for the information industry of finance. I founded the SBI Group based on developing various customer-centric financial services businesses on the Internet, providing those services cheaper than others to consumers and investors, and contributing to society; but more than anything, this was a business founded on the cusp of the big trends of the times – the Internet revolution<sup>①</sup> and the Financial Big Bang in Japan<sup>②</sup>.

## Further Evolution towards a Next Generation Financial Institution

As mentioned above, the SBI Group has grown by capturing the major trends of the "Internet Revolution" and "Financial Big Bang in Japan." Today, we are in a period of transition from analog to digital, and the fundamentals of business are changing dramatically at tremendous speed. Fintech technology (Fintech 1.0), which traditionally grew and expanded based on the Internet and the World Wide Web (WWW), is now in the "Fintech 1.5" stage, which utilizes blockchains<sup>③</sup> and apps. The future will evolve into the digital asset space as the world of "Fintech 2.0" expands dramatically, where blockchains will not necessarily require the Web.

Traditional monetary functions provided by centralized systems such as financial institutions and exchanges are about to move into a new era where mainstream transactions are made through DeFi<sup>④</sup>, provided by a blockchain without the need for human resources or organizations. These types of transactions have already become partially realized with, for example, Ethereum<sup>⑤</sup>-based services that allow individuals to lend and borrow crypto assets without screening, and non-fungible tokens (NFTs)<sup>⑥</sup> that use blockchain and distributed ledger technology (DLT)<sup>⑦</sup> to certify the uniqueness (authenticity) of digital art, games, etc. Interest in central bank digital currencies (CBDCs)<sup>⑧</sup> is also gaining pace day by day around the world. Research and studies are currently underway in countries such as the United States, China, Canada, Sweden, and in the EU, with pilot projects taking place in some of these places. With respect to these new technologies and solutions, the SBI Group established the SBI Financial and Economic Research Institute in April 2021 and has started research, studies, and policy proposals in the field of digital assets.

With the expansion of decentralized financial services, we believe that we are entering an era in which financial institutions will demonstrate their value by providing platforms. To capture this major change and to achieve dramatic growth, we must renew our ambitions and work on this as our second founding phase. We must always look ahead five years, ten years, and beyond, and exhaustively consider how the environment surrounding the SBI Group will change and what we must do to achieve sustainable development, then implement various measures.

If we were to simply rest on our laurels just because we had after a single success, we would soon get stuck in the fast-changing world of today. In the words of Confucius, "Study without thought is a waste. Thought without study is dangerous," the quote asserts that even when we learn, if we do not

## 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 The 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 Blockchain

Blockchain is a type of distributed ledger technology that uses encryption in which blocks of encrypted information are connected in chronological order, or a chain, making it impossible to alter the data already in the sequence. A major feature of blockchain is its secure data structure which makes it highly resistant to falsification and deletion, because any attempt to alter past information will create a discrepancy in a matching information between blocks that are connected back and forth. Originally developed as the basic technology for the public transaction ledger of the crypto asset Bitcoin, it is now being used not only in financial transactions but also in many fields such as in real estate, distribution, and in medical care.

### ④ DeFi

➔ See page 111

### ⑤ Ethereum

Ethereum is a decentralized public ledger, developed by the Ethereum Foundation among many others, for verifying and recording transactions. Ether is the crypto asset generated by the Ethereum protocol as a reward to miners for processing new transactions and creating new blocks on the blockchain. A range of decentralized applications can be used on the Ethereum platform. The ticker symbol for Ether is ETH.

## Keywords

## ⑥ Non-Fungible Token (NFT)

NFT, an acronym for Non-Fungible Token, is a mechanism to prove the uniqueness of digital content using blockchain, DLT and other technologies. Digital content such as digital art and in-game items are easy to replicate, making it difficult to express uniqueness. However, by linking the information with tokens (NFTs) that prove originality and ownership and are difficult to manipulate, it becomes possible to trade them as assets with scarcity.

## ⑦ Distributed Ledger Technology (DLT)

DLT is a system in which participants in a network maintain the same database as a whole while mutually surveilling each other's transaction records. Each participant updates its own distributed ledger in response to changes and updates that occur in the network. Because there is no one point of failure, DLT has advantages over conventional centralized networks that manage all transaction records in a central system, such as superior security and convenience, and low cost management. Blockchain is one example that utilizes the distributed ledger technology.

## ⑧ CBDC

➡ See page 111

think for ourselves, we will fall into a state of uncertainty, and if we only reflect without learning, then we will go wrong. Leaders of organizations need to constantly learn and think so as not to misunderstand the trends of the times. I believe that further growth can be achieved by daily advancing new ideas and business initiatives through the process of “self-denial, self-transformation, and self-evolution.”

## Management Strategy for Sustainable Growth on a New Stage

### Establishment of New Medium-Term Vision and Four Key Measures

As mentioned above, in order to make further progress as we transition from Fintech 1.5 to Fintech 2.0 era, we must create a new business ecosystem in line with the digital asset space. The next three to five years is the preparatory stage for the creation of such an ecosystem. We have established a new medium-term vision for this transitional period, starting from FY2021, taking into account the status of achievements of the previous vision set forth in April 2018 (see page 23) and changes in the business environment surrounding the Group. To realize this new medium-term vision, we will work on the following four key measures (see page 12).

#### The SBI Group's New Medium-Term Vision (3-5 years from April 2021)

**Endeavor to achieve more than ¥300 billion in consolidated profit before income tax expense during this period by exhaustively pursuing synergies between alliance partners and companies within the Group for both existing and new businesses\*. The new businesses will be developed so that the total amount of profit before income tax expense for new businesses accounts for around 20% of consolidated profit before income tax expense.**

\* Any business that utilizes innovative technologies such as those related to crypto assets or blockchain, or any business that has become part of the Group through M&A since April 2018.

**Strive not only for organic growth in every Group business, but also strive to grow through M&A, etc., thereby consistently maintaining an ROE of 10% or more.**

#### Key Measures to Realize the New Medium-Term Vision

1. Thoroughly develop an “Open Alliance” strategy with every Group company to build an ecosystem that efficiently creates synergies with partners that have large customer bases.
2. Actively invest in venture companies with innovative technologies that develop new business frontiers, and to adopt these new technologies within the SBI Group so that the technology is diffused to alliance partners, resulting in maximized synergy that is organically integrated through technology.
3. Enter the digital finance space aggressively and multi-directionally to expand new business. Also promote global expansion in the space, based on the policy of integrating internal and external operations.
4. Expand assets under management by the Group from the current level of ¥4.4 trillion to exceed ¥10 trillion.

### 1. Build a More Expansive Ecosystem through the “Open Alliance” Strategy

The first key measure is the thorough implementation of the “Open Alliance” strategy. As of today, growth will be limited by only using only the Group's own assets. By extensively expanding alliances regardless of industry or business, we will establish a customer base of the Group on a scale that cannot be achieved by a single company.

#### Neo-securities Initiatives

In the securities-related business, the SBI Group endeavors to expand its customer base by embodying the Neo-securities initiatives and seeks to spread synergies throughout the SBI Group while making efficient use of big data. Based on our vision of the next generation of the securities business, we will attempt to have the Neo-securities initiatives release investors of some of the costs currently borne by them, such as online trading fees on Japanese equities. To realize the Neo-securities initiatives, building a business foundation that does not depend upon equity trading commissions is essential. As a result of promoting various efforts, which includes M&A, to strengthen profitability and diver-

sify revenue sources, we now see a certain success in ensuring our profit level is compatible with these Neo-securities initiatives. We have therefore gradually introduced measures that have minimal impact on profits, including making commissions on domestic equity transactions effectively free of charge from April 2021 for those aged 25 or under in a bid to accelerate our drive to expand the younger customer base.

## Neo-bank Initiatives

In the Banking sector, the SBI Group has been promoting its Neo-bank initiatives through alliances with companies in various industries and fields, building a foundation for efficient synergies for the entire Group, as in the Securities business. The Neo-bank initiatives are the structure to provide external partners with various banking functions, such as deposits, loans, and foreign exchange, behind the scenes. The Neo-bank initiatives that SBI Sumishin Net Bank promotes have already moved into full-fledged deployment, launching services such as “JAL NEOBANK<sup>9</sup>” a banking service exclusively for JAL Mileage Bank members, and “T NEOBANK<sup>10</sup>” a banking service for T-Point members. We plan to launch more services with a range of several different partners in the future.

## Contributing to Regional Revitalization

Regional revitalization<sup>11</sup>, which the SBI Group has been working on for some time, will be promoted through alliances and collaborations not only with regional financial institutions but also with various partners. For example, Regional Revitalization Partners was set up jointly with multiple partner companies with the same aspirations to promote plans and strategies for the purposes of achieving regional revitalization. By involving various partners connected with the company and approaching all of the four economic entities including residents, local industries, local governments, and regional financial institutions, the organization endeavors to directly contribute to the revitalization of local economies. Two companies have also been established, SBI Regional Revitalization Services and SBI Regional Revitalization Investment and Loan, as entities that provide a range of functions contributing to regional revitalization. SBI Regional Revitalization Services will promote various concrete initiatives related to such actions as the development and provision of a common system for regional financial institutions, revitalization of local industries, and the creation of new profit opportunities. SBI Regional Revitalization Investment and Loan will not only be responsible for investing in and financing venture companies that contribute to regional revitalization, but will further enhance SBI Group's asset management functions and offer them to regional financial institutions.

In addition to such wholistic approaches towards local economies, we will continue to focus on offering support to regional financial institutions to help them improve their profitability. As of end of June 2021, SBI Regional Bank Holdings, a holding company wholly owned by the SBI Group, has entered into strategic capital and business alliances with eight banks, including The Shimane Bank, The Fukushima Bank, THE CHIKUHO BANK, The Shimizu Bank, THE TOWA BANK, Jimoto Holdings (Kirayaka Bank and THE SENDAI BANK), and Tsukuba Bank. These investments into regional financial institutions do not seek a reorganization, but instead, offer SBI Regional Bank Holdings' full support for a qualitative transformation through self-transformation and self-evolution. The most important point in making these alliances is whether the financial institution itself has a strong desire to change. Considering the Group's management resources, we expect to have strategic capital and business alliances with as many as 10 banks with the remaining two to be decided in FY2021.

## Efforts to Realize the Concept of an International Financial Center as Part of the Regional Revitalization Strategy

As part of the regional revitalization strategy, the SBI Group is working to realize the concept of creating a next generation international financial center in the Osaka-Kobe area. An alternative international financial center<sup>12</sup> to Hong Kong in Asia is being sought now that investors and asset managers in Hong Kong have begun to seek a new base due to the changing geopolitical situation in Asia, such as concerns of the collapse of the “one country, two systems” in Hong Kong. One of the objectives of the SBI Group's efforts is to avoid over-concentration in Tokyo, but these efforts are also intended to revitalize the economy in the areas west of Kansai.

To realize this concept, in addition to establishing SBI Holdings Osaka Headquarters in Osaka City

## Keywords

### <sup>9</sup>JAL NEOBANK

An online banking service exclusively for JAL Mileage Bank (JMB) members, utilizing cutting-edge IT technology of SBI Sumishin Net Bank. As well as the basic banking functions of payments and loans, JAL NEOBANK offers various other services including bank transfers and foreign currency deposits. Various functions can be completed within the app, and miles can be earned by using some of the services, making it a highly attractive banking service for JMB members.

### <sup>10</sup>T NEOBANK

An online banking service exclusively for T-Point members, utilizing cutting-edge IT technology of SBI Sumishin Net Bank. By opening a dedicated account, T-Point members can utilize a range of banking functions such as making deposits and transfers on the app. Accumulated T-Points can also be used to purchase foreign currencies and to make bets with various publicly managed sports gambling groups such as JRA, Auto Race, and Boat Race, making T NEOBANK a highly attractive banking service for T-Point members.

### <sup>11</sup>Regional revitalization

➡ See page 111

### <sup>12</sup>International Financial Center

A international financial center is a city or region which plays a pivotal role as a hub for international financial trade and investment. Typical examples include New York and London which handle a high concentration of funds from all over the world. In Japan, the Tokyo Metropolitan Government has set out measures to attract foreign companies as a key part of its growth strategy to improve its bid as a possible international financial center.



## Keywords

## 13 PTS

See page 48

## 14 Security Token (ST)

See page 111

15 Global Financial City  
OSAKA Promotion  
Committee

Established by bringing together various stakeholders such as local governments, economic organizations, securities companies, and banks including foreign-owned banks, to promote Osaka as an international financial city that leverages its strengths and potential in the public and private sectors. A number of people and entities from the SBI Group participate as observers as committee members and affiliated organizations. There are plans in the fall of 2021 to formulate the details of the proposed global financial city and summarize the requests for the national government, such as the establishment of a "special international financial zone" that allows for preferential tax treatment and a relaxation of the rules for foreign nationals to reside.

## 16 Dojima Exchange

The Dojima Exchange is currently Japan's only rice futures market which dates back to it being "the Osaka Dojima Rice Exchange," the world's first futures exchange opened in the Edo period. The Exchange was established in 1952 with the purpose of rebuilding the prewar Dojima Rice Exchange, which since then has played an important role in the economy of the Kansai region as a commodity exchange for trading grains. The Dojima Exchange became an incorporated company in April 2021. It is scheduled to change its name from "Osaka Dojima Commodity Exchange" to "Dojima Exchange" in summer with its target to become a comprehensive exchange in the future.

17 Regional currencies and  
premium digital vouchers

A means of payment limited to local areas that is issued electronically using technologies such as blockchain and DLT. Users can easily apply for the currencies and vouchers, and make purchases and payments on a smartphone app, while issuers and affiliated stores also have the advantage of streamlining the payment process. These currencies and vouchers are expected to help revitalize regional economies and improve convenience for users as it avoids congestion at cash registers in the post-pandemic age.

in the summer of 2021, the SBI Group established the Osaka Digital Exchange (ODX) in April 2021 as the third proprietary trading system (PTS)<sup>13</sup> company operating in Japan. In addition to traditional equities, the ODX will start handling security tokens<sup>14</sup>, a next generation of financial products, from 2023, which will help develop the market for these tokens. Moreover, the SBI Group is deepening its ties with external companies and organizations. One example of this is the Group's participation in the "Global Financial City OSAKA Promotion Committee<sup>15</sup>," established by bringing together the collective strengths of the public and private sectors such as local governments, economic organizations, securities companies, and banks, including foreign-owned banks. Another example is the Group's support for the formation of a global integrated exchange for the Dojima Exchange. The SBI Group is a shareholder in the Dojima Exchange\*<sup>16</sup>, which descended from the world's first futures exchange, the Dojima Rice Exchange.

Furthermore, the Group will create a concentration of fintech companies in the Osaka-Kobe area that seeks to attract fintech ventures and many financial, IT, and other related service providers, thus implementing initiatives that will contribute to the revitalization of regional economies west of Kansai.

\* The Osaka Dojima Commodity Exchange Inc. is scheduled to change its name to Dojima Exchange Inc. in the summer of 2021 upon approval from the Ministry of Agriculture, Forestry and Fisheries. Therefore, the new name is used in this annual report.

## 2. Strive to Maximize Synergies Through Aggressive Investment in Venture Companies with Innovative Technologies, Adopting These Technologies within the SBI Group, and Diffusing with Alliance Partners

The second key measure is the active introduction of new technologies and maximizing synergies with such technologies. The SBI Group's basic strategy for startup investment is given by the three processes of "investment, adoption, and diffusion." The Group has promoted sustainable business expansion in response to technological advances by first investing in promising venture companies, then adopting, utilizing, and evaluating the technology of these companies within the SBI Group, followed by the diffusion of these technologies not only within the Group but also across partner companies. As a specific example, in 2017, we invested in R3, a U.S.-based fintech company with strengths in distributed ledger technology (DLT) platforms specializing in business-to-business transactions. After the investment, the company's DLT was adopted by SBI Group companies, including the development of foreign exchange confirmation system for SBI FXTRADE and the platform for SBI Traceability. Moreover, the company's DLT technology is also utilized in regional currencies and premium vouchers<sup>17</sup> issued and managed by the SBI Group in collaboration with regional financial institutions. By diffusing and rolling out the technologies and expertise of investee companies to alliance partners in this way, we build a win-win relationship that goes beyond the confines of investment and support. Encouraging more consumers and businesses to use unprecedented services is also an initiative that helps promote change in society.

## 3. Enter the Digital Finance Space Aggressively and Multi-directionally to Expand New Businesses and Develop Globally

The third key measure is to enter the digital finance field on many different fronts to expand new business and to develop globally. As mentioned previously, Fintech 1.0, SBI's term for financial technology (Fintech) that traditionally grew and expanded based on the Internet and the worldwide web, is now at the stage of "Fintech 1.5," that leverage a variety of elemental technologies such as AI, big data, blockchains etc. on the web. We will undoubtedly see the world of Fintech 2.0 expand dramatically in the future, with blockchain technology at its core and not necessarily requiring the Web. Therefore, we want to organically combine the Internet-based financial ecosystem cultivated by the SBI Group with these new technologies to build a new digital financial ecosystem.

For example, in the case of security tokens, we are making efforts to develop healthy primary and secondary markets for security tokens in Japan through the establishment of a self-regulatory organization and through the establishment of the Osaka Digital Exchange, with plans for it operate a PTS that handles security tokens. In addition, we are working to build a global secondary market in collaboration with overseas exchanges in which the SBI Group invests and partners.



## 4. Expand the Group's Assets Under Management

The fourth key measure is to also expand the assets under management by the Group to over ¥10 trillion by March 2026.

The key measures introduced here are not independent from each other. For example, the Osaka Digital Exchange is one of the core organizations that play a vital role in the idea of the International Financial Center, promoted for its part in regional revitalization; but the exchange will also be a base in Japan within a global corridor of exchanges listing security tokens. Furthermore, as the SBI Group invests in venture companies with innovative technologies and diffuses these technologies towards regional financial institutions who are alliance partners, this in turn will lead to greater profitability for the regional financial institutions, resulting in regional revitalization. All of these strategies lead to further growth for the next stage as set out by the SBI Group in its new medium-term vision.

### Keywords

**18 Customer-centric Principle**  
➔ See page 2

## A Company that Grows Sustainably with Society

### A Ubiquitous Management Philosophy to Support the Growth of the SBI Group

For a company to achieve sustainable growth, a growth strategy must keep up with the times as well as be implemented with appropriate tactics. At the same time, it is important to have the corporate missions that supports the strategy. In recent years, there has been increasing focus, interest, and expectations from society for businesses to be more aware of environmental, social, and governance (ESG) issues, such as those of the Sustainable Development Goals (SDGs). Since its founding, the SBI Group has conducted activities that benefit a wide range of stakeholders, including consumers and society, committed to its “Customer-centric Principle<sup>18</sup>” and to the idea that public benefit leads to private benefit. Consequently, the Group has evolved implementing these ideas in the knowledge that such activities are also for the Company's benefit. These ideas and actions are in line with the ESG management approach so prevalent in recent years.

Adhering to the “Customer-centric Principle” means the whole Group entirely focuses on the customers and consumers, considering customer demands and what is more can be provided for the benefit of customers. It is all about making continued efforts to meet the expectations of our customers. This is all within the backdrop of the dramatic changes in society and the economy brought about by the advent of the Internet. Before the Internet, customers and consumers chose products and services based on information provided by companies and manufacturers. However, with the emer-



gence of the Internet, customers and consumers have become able to access large amounts of information freely and instantaneously, meaning we are now in an era where they can make better choices based on such information. In this Internet age where consumers and investors are in control, it is crucially important to adhere to the “Customer-centric Principle.”

Moreover, the idea that public benefit leads to private benefit means that public benefit must always be at the forefront in corporate activities, and that doing so leads to private benefit, or in other words, to the benefit of the company. Eiichi Shibusawa, widely known today as the father of Japanese capitalism, said, “Don’t create a company that is of no benefit to people. Create a company that benefits the people, and it will surely prosper.” Indeed, there may be some companies that do well in the short term with only temporary gains, but a business cannot fundamentally survive in the long term unless it is a business with virtue. I believe, in the long run, only those companies that work for the public good can be sustainable companies.

### **Human Resources Are the Source of Further Growth**

The SBI Group’s philosophies of the “Customer-centric Principle” and “public benefit leads to private benefit” are also reflected in the Group’s mechanism for improving corporate value. By prioritizing the “Customer-centric Principle,” we expand customer value that leads to the improvement of business performance, which in turn enhances shareholder value and allows us to attract talented individuals. This then contributes to the improvement of human capital value and leads to better products and services, further increasing customer value.

To make such an approach take root across the whole Group, we are working to spread the philosophy and ideas not only to new graduate employees, but also to mid-career hires, who account for more than 90% of all employees, and to those employees who have joined the Company through M&A and other channels. This is a key driver that will lead to the growth of the Group.

Regarding human resources, I believe it will become increasingly important as a challenge for the whole Group to secure the best human resources to support our rapidly expanding business and to continuously improve our human resources by developing their abilities. Therefore, we are widely promoting employee diversity and inclusion, further strengthening our recruitment drive to find the best, most experienced talent, regardless of gender, nationality, race, etc., who resonate with the SBI Group’s management philosophy.

As well as hiring mid-career employees, we continue to hire new graduates to foster in them our own corporate culture to ensure they stay with us for years to come. We have been hiring new graduates since April 2006. They are already playing active roles in each of their important positions as potential executive candidates who will lead the future of this rapidly expanding corporate group. Going forward, we will work for the sustainable growth and development of the SBI Group by encouraging career development within our employees and securing more talented and global human resources. To further strengthen the management level, we have recently welcomed two new independent outside directors.

### **Without Society, Companies Cannot Thrive; Without Companies, Society Cannot Thrive**

Without society, companies cannot thrive, and without companies, society cannot thrive. In other words, I believe a company is a component of society and can survive because it belongs to society. That is why companies should always strive to maintain and develop society. Perhaps the current source of sustainability is in the same place. In the coming era when value will be shaped by the Internet, and particularly by digital and crypto assets that have no shape or form, we will no doubt need to make more judgments than ever before based on sound ethical values.

The SBI Group has advocated the idea of having sound ethical values as the first of its five corporate missions. This is because ethical values are the most important thing when it comes to working in the financial industry. Although related to public benefit as mentioned before, we must undertake judgments on actions based not on whether they conform to the law or profit the Company, but, whether they are socially equitable. Going forward, we will strive to become a corporate group that continues to grow sustainably with society. This we will do by contributing to the maintenance and development of society with our efforts to resolve social issues through our core business in various ways.

## 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 increase customer value by developing 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.

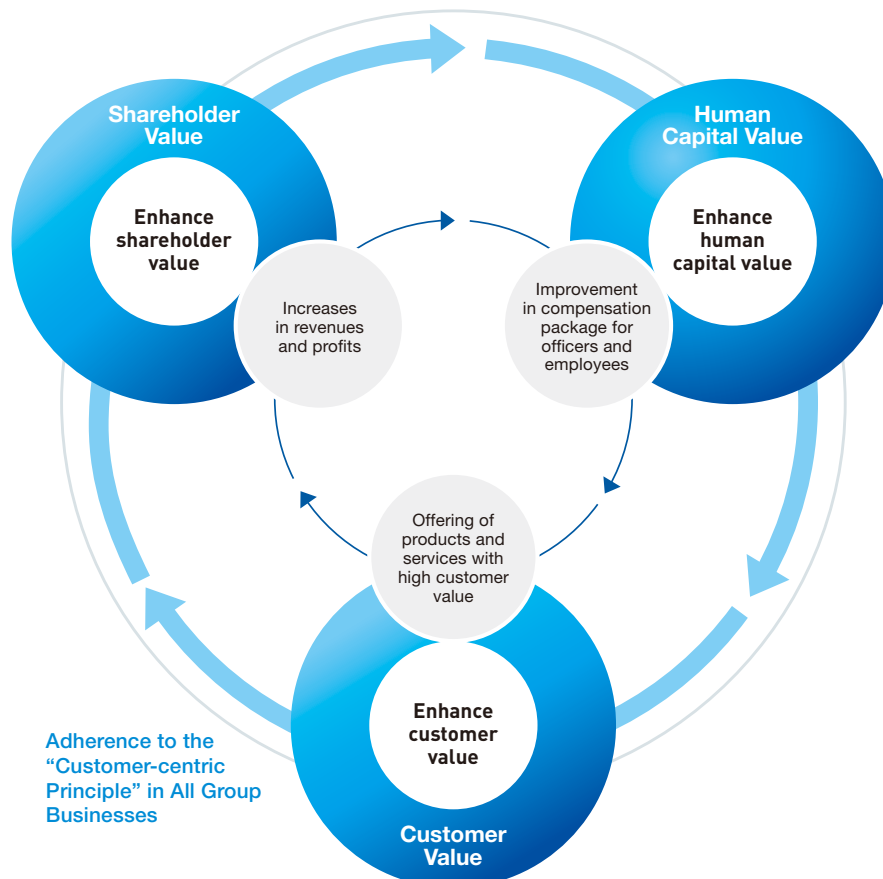
### Shareholder Value

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 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 return to shareholders profits and cash generated through improved business performance owing to an increase in customer value, but will also allocate them in a well-balanced manner for investment for further future growth and increased shareholder value.

### Human Capital Value

The SBI Group considers people to be a source of competitiveness and differentiation and has 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 the SBI Group fully supports, and endeavors to select young qualified employees for officer positions, as well as to promote women to managerial positions. We have also been focused on developing human resources by conducting evaluations based on their abilities, regardless of nationality, ethnicity, age, gender etc. 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



# Four Key Measures to Further Increase Corporate Value

The environment surrounding the SBI Group is currently in a transitional phase, moving from the conventional Internet-based world to the digital asset space based on blockchain. To create a corporate ecosystem of the next era while preparing the Group to make a further leap forward into the digital asset space that is coming in the near future, we here highlight four key measures needed to achieve the new medium-term vision and sustainable growth.

- 1 Build a More Expansive Ecosystem through an Open Alliance Strategy**
- 2 Develop New Business Fields Based on Innovative Technologies**
- 3 Globally Expand in the Field of Digital Finance**
- 4 Expand Assets under Management of the Group**

# 1 Build a More Expansive Ecosystem through an Open Alliance Strategy

The SBI Group strives to create unprecedented value by embracing a range of ideas and technologies not only from the Group's own activities but also from other companies. The Group is developing collaborative activities that go beyond types of business and national borders as an "Open Alliance," which captures the concept of "open innovation" that seeks innovative research and development in a broader framework.

The Neo-securities and Neo-bank initiatives which our Group has been promoting for some time also embody this idea.

## Neo-securities Initiative

The U.S. online securities industry has seen a fall in trading value due to the collapse of the IT bubble. More individual investors have moved away from stocks toward defined contribution pension plans, such as 401(k)s, and investment trusts. Moreover, Robinhood Markets, the groundbreaking U.S.-based commission-free trading platform, arrived on the scene in 2014. Against such a backdrop, it has become necessary to shift away from a business model that relies on trading commissions.

Looking at the situation in the U.S., Japan will likely see a similar trend toward commission-free trading happen in earnest as well. As such, the SBI Group set out its position ahead of its competitors in 2019 to strive toward commission-free trading. This is the Neo-securities initiative which is currently being promoted by the SBI Group. Looking ahead toward the next generation of the securities business, the Neo-securities initiative will strive to bring commission-free online stock trading in Japan and reduce some of the costs currently borne by investors.

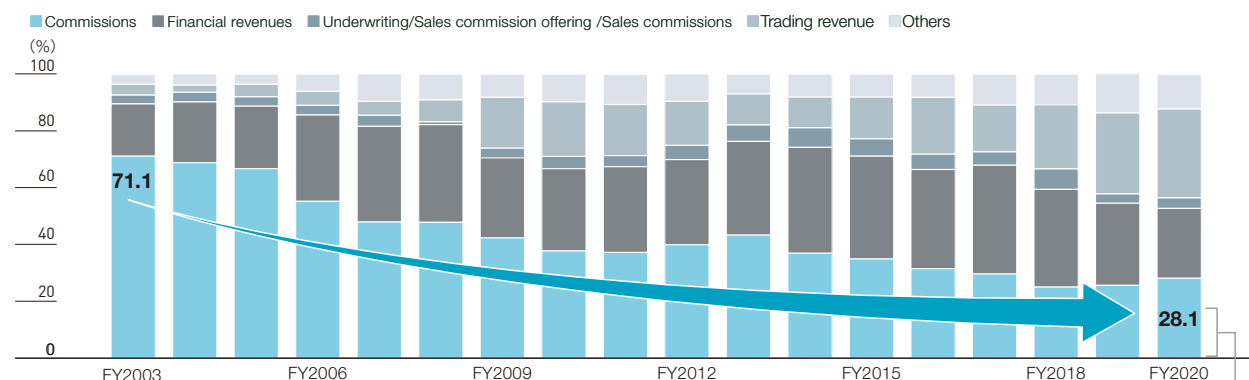
The SBI Group has gradually introduced measures that have a relatively low impact on its profits to make the Neo-securities initiative a reality. This includes making commissions on domestic equity transactions effectively free of charge from April 2021 for those aged 25 or under, and for underage customer accounts, in a bid to accelerate our drive to expand toward a younger customer base. We will also actively carry out other campaigns to strengthen our customer base of young people.

The smartphone trading platform SBI NEOMOBILE SECURITIES has a majority of customers in their 20s and 30s, which is also making a significant contribution to the expansion of the young customer base. We are also promoting initiatives that utilize reward points from other companies through the "Open Alliance" initiative, such as T-points from the Culture Convenience Club and the SMBC Group's V-points. As such, we anticipate further expansion of our customer base in the future.

In order to make our Neo-securities initiative a reality, it is essential we build a business foundation that does not depend on equity trading commissions. To this end, we have been working to secure and expand various sources of income, including non-online income from the independent financial advisors (IFA) business, and stock-type businesses such as trust fees on investment trusts. This is in addition to strengthening products other than domestic equity such as foreign stocks and real estate finance, increasing trading income centered on our FX and crypto asset businesses, expanding our brokerage business with financial institutions through the Financial Institutional Sales Department, and further expansion of the wholesale business. As a result, trading revenue grew steadily and reached a record high in FY2020. Moreover, the underwriting business of primary and secondary equity and bonds has expanded steadily, and the number of underwritten companies as lead underwriters reached a record high, helping to firmly diversify revenue sources for the Group.

We also intend to actively utilize M&A to further expand our customer base and to make the Neo-securities initiative a reality as soon as possible. We will consider potential transactions based on whether they will be a stepping-stone for global expansion, whether results can be obtained from economies of scope, and whether it is possible to realize mutual evolution by demonstrating synergistic effects with existing businesses. Probable target areas for M&A activities would be those fields of business that would lead to lower reliance on online domestic equity trading commissions, such as FX companies, crypto asset-related companies, M&A intermediaries, and asset management companies.

## Composition of SBI SECURITIES' Operating Revenue



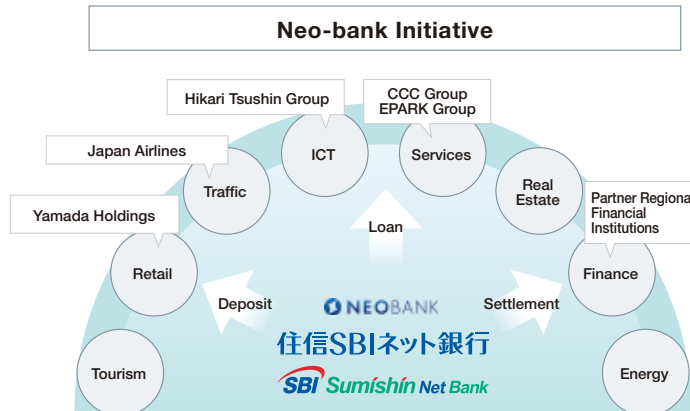
Note: For FY2003 and FY2014, non-consolidated results are shown. Consolidated results are shown for other years.

Composition of online domestic equity trading commissions to SBI SECURITIES' operating revenue was 17.5%



## Neo-bank Initiative

In the domestic banking industry, open innovation has been accelerating due to deregulation. Amendments to the Banking Act came into effect in 2018 and imposed obligations on domestic financial institutions to make their best efforts in terms of open API\*. Additionally, regulations on operations handling data were revised with the partial amendment of the Banking Act that came into effect in 2020. This revision includes the ability to provide information about customers to third parties with the consent of the individual.



Prior to this easing of restrictions, SBI Sumishin Net Bank was the first Japanese financial institution to release an API to external companies in 2016. Today, it has realized connections with more than 20 of the leading companies in Japan. This has enabled various new businesses and product developments, as well as the active development of what is known as Banking as a Service (BaaS), which allows companies other than banks to provide banking functions such as deposits, loans, and card settlement to businesses.

SBI Sumishin Net Bank is promoting the Neo-bank initia-

tive to further expand its customer base and to create innovative banking services through BaaS by collaborating with companies outside the SBI Group and demonstrating synergistic effects. This allows SBI Sumishin Net Bank to provide ancillary banking functions as a platform provider from behind the scenes when customers use the business services of partner companies. SBI Sumishin Net Bank works with partner companies to create a framework by which these services can be used both smoothly and comfortably. Specific initiatives we have launched include JAL NEOBANK, a banking service exclusively for JAL Mileage Bank members launched in April 2020, and T NEOBANK, a banking service for T-point members launched in March 2021. Furthermore, in July 2021, we started providing a new financial service called "YAMADA NEOBANK" with YAMADA Holdings Co. In this way, the Neo-bank initiative is making steady progress.

Going forward, we will endeavor to transform financial services to make society more comfortable and convenient through the promoted use of the Neo-bank initiative.

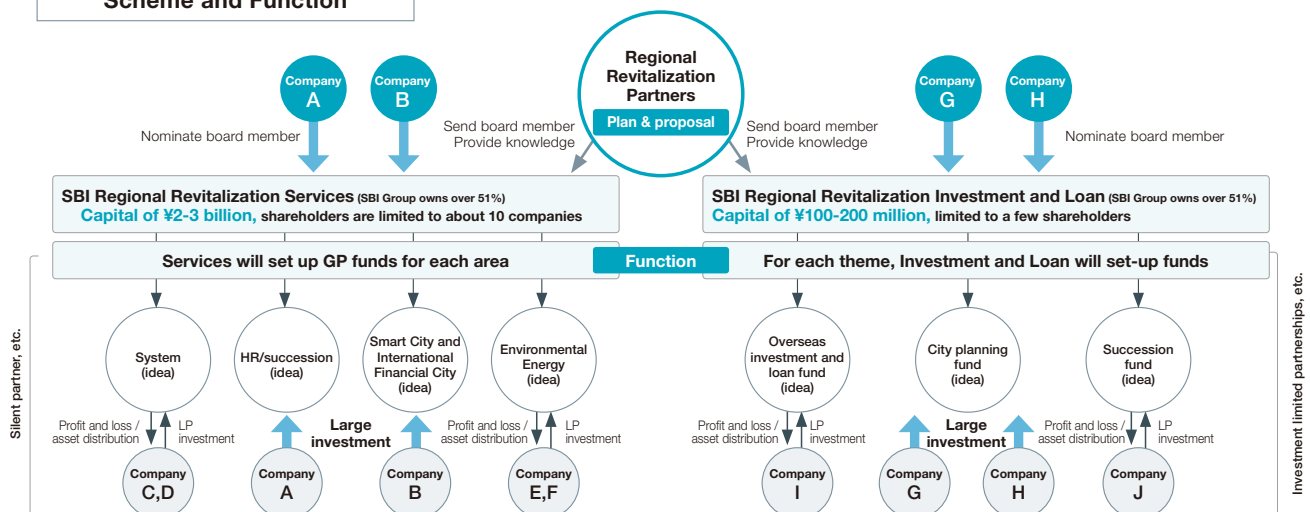
\* An Application Programming Interface (API) is a protocol that enables the management of data and software functions from an outside program source.

## Regional Revitalization

### Regional Revitalization Partners will Contribute Directly to Regional Revitalization

Regional revitalization is now a national project, something that is indispensable for the sustainable growth of Japan. However, many of the regional financial institutions, which are the cornerstones of the local communities and economies that support this revitalization, are facing an extremely difficult business environment. Specific issues include long term changes in the macroeconomic environment such as the declining and aging population, progress in financial innovation in the medium term, and in the short term a decline in the loan-deposit ratio as well as the Bank of Japan's neg-

## Scheme and Function





ative interest rate policy.

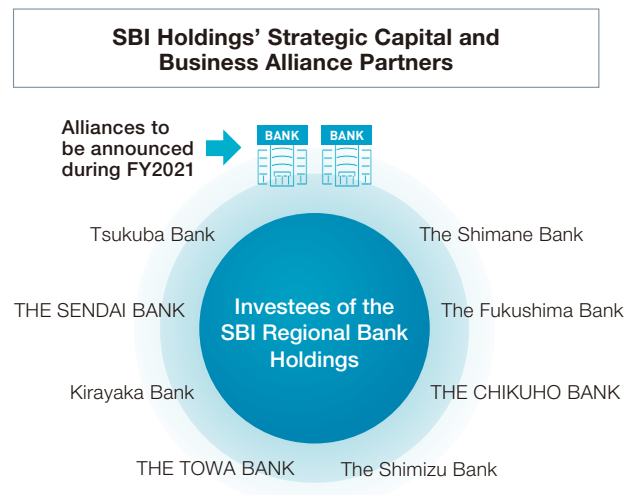
Based on the idea that public benefit leads to private benefit, the SBI Group has strived to achieve regional revitalization through initiatives that lead to improved profitability and corporate value for regional financial institutions by expanding and strengthening alliances with these organizations throughout the country. However, we have realized that this project alone has not been enough to sufficiently solve the problems for the local economy. We have therefore approached not only the regional financial institutions, but also residents, local industries, and local governments – the four economic entities that directly related to the revitalization of local economies. Consequently, we established Regional Revitalization Partners in collaboration with multiple partner companies that share the same desire to achieve regional revitalization. Regional Revitalization Partners is positioned as a controlling body that involves various partners to formulate and promote plans and strategies for regional revitalization. In addition to this, two companies have been established – SBI Regional Revitalization Services and SBI Regional Revitalization Investment and Loan – as entities that provide a range of functions contributing to regional revitalization. In April 2021, SBI Regional Revitalization Investment and Loan decided as its first project to invest in I&H Co., Ltd. (commonly known as HANSHIN Dispensing Group) in a bid to solve the business succession problem of regional small- and medium-sized pharmacies.

### Promotion of Strategic Capital and Business Alliances with Regional Financial Institutions

Concurrently with working for local economies through Regional Revitalization Partners, we will also continue to strengthen cooperation with regional financial institutions. As of the end of June 2021, the SBI Group has entered into strategic capital and business alliances with eight banks, including The Shimane Bank, The Fukushima Bank, THE CHIKUHO BANK, The Shimizu Bank, THE TOWA BANK, Jimoto Holdings (Kirayaka Bank and THE SENDAI BANK), and Tsukuba Bank. This is to fully support the self-transformation and self-evolution of the regional financial institutions we have invested in to achieve qualitative transformation. In response to various issues faced by regional financial institutions, such as the need for more sophisticated securities management, fintech support, and increasing system costs, we are working in tandem to solve and improve issues while utilizing the management resources of the SBI Group.

The SBI Group has formed business alliances with many regional financial institutions. That is because we believe we can contribute more to improve corporate value for regional financial institutions. The target is to accurately understand the issues facing such financial institutions and to offer our knowledge and expertise to solve the problems and verify the effects in a timely manner.

In light of the Group's management resources, we decide to have strategic capital and business alliances with as many as 10 banks, with the remaining two to be decided during the fiscal year ending March 2022.



### Public Benefit Leads to Private Benefit

We believe that various measures towards regional revitalization can bring various benefits not only to partner regional financial institutions but also to the SBI Group. For example, the business alliance between regional financial institutions and SBI Group companies has made it possible for regional financial institutions to offer customers a variety of financial products that were previously not available. This not only makes it more convenient for customers of the regional financial institutions, but also leads to greater sales channels in rural areas for the SBI Group.

In addition, the amount of assets under management by the SBI Group from regional financial institutions, etc. exceeded ¥3 trillion as of the end of June 2021. Of this amount, SBI Regional Revitalization Asset Management, which is jointly funded by 39 regional financial institutions, is entrusted with over ¥870 billion worth of assets under management. It is possible for regional financial institutions to achieve more sophisticated and diversified securities management through outsourcing, while for the SBI Group, this leads to an increase in management fees due to the expansion of assets under management. As mentioned above, strengthening the profitability of regional financial institutions helps benefit the public in terms of revitalizing regional economies. In other words, these achievements brought about by alliances with regional financial institutions encapsulate the Group's philosophy of "public benefit leads to private benefit."

**Assets Under Management by SBI Bond Investment Management and SBI Regional Revitalization Asset Management from Regional Financial Institutions has Surpassed ¥2 trillion**

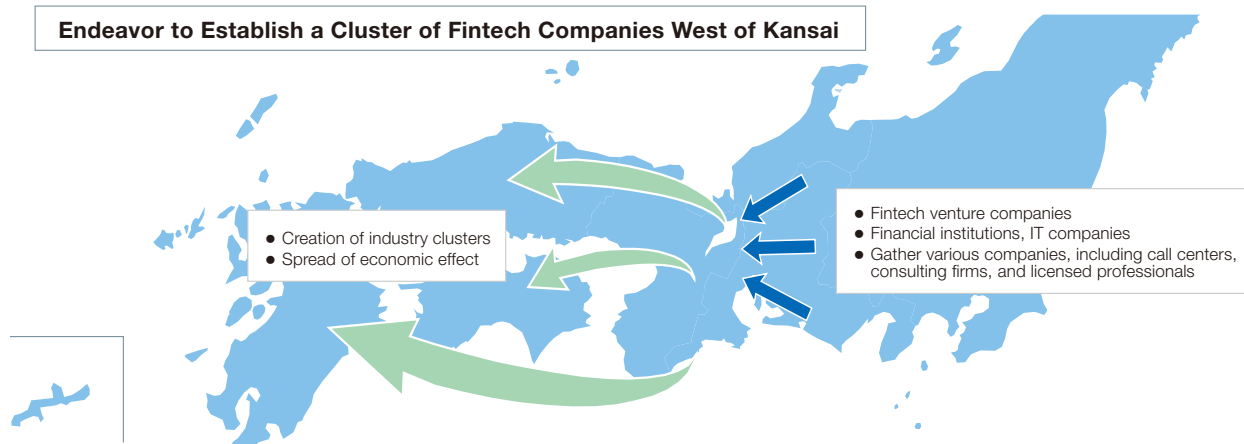


**The Concept of the International Financial Center as a Part of Regional Revitalization**

As part of its regional revitalization efforts, the SBI Group is promoting the concept of a next-generation international financial center in the Osaka-Kobe area to develop the economy in the regions west to Kansai. A specific initiative includes the SBI Group's participation as an observer through committee members and affiliated organizations in the "Global Financial City OSAKA Promotion Committee." This committee was established by bringing together the collective strengths of the public and private sectors such as local governments, economic organizations, securities companies, and banks including foreign-owned banks to promote the realization of a global financial city that leverages Osaka's strengths and potential. Furthermore, in the summer of 2021, the SBI Holdings Osaka Headquarters will be established in Nakanoshima, Osaka, a business area where major companies in the Kansai region are located. The base in Osaka of newly established operating companies and SBI Group companies will be consolidated step by step to build a major base for the Group in the Kansai region.

At the heart of this next generation international financial center are the two organizations of the Osaka Digital Exchange (ODX), a company operating a proprietary trading system (PTS), established in April 2021 jointly by the SBI Group and the SMBC Group, and the Dojima Exchange, Inc. which became incorporated in the same month. The PTS that ODX plans to operate initially handle stocks and then endeavor to become a global, next generation exchange that also handles security tokens. In addition, the Dojima Exchange is currently Japan's only rice futures market, which dates back to it being the Dojima Rice Exchange, the world's first futures exchange. Taking advantage of the world-famous "Dojima" brand, the SBI Group endeavors to build a global integrated exchange group in the future. As a shareholder in the Dojima Exchange, the SBI Group will support the formation of a global integrated exchange by utilizing its connections with domestic and overseas investment and partner companies as well as its capital reserves as backing. In addition, by actively attracting fintech companies to the Osaka-Kobe area to make it a center for fintech ventures will help realize the next generation international financial center concept.

**Endeavor to Establish a Cluster of Fintech Companies West of Kansai**



## 2 Develop New Business Fields Based on Innovative Technologies

In developing new business fields, the SBI Group quickly incorporates innovative technologies into the Group to expand its business by actively “investing” in venture companies with innovative cutting-edge technology and “adopting” that technology within the Group. By taking the step of “diffusing” not only the technologies but also the expertise built up within the Company to our alliance partners, we believe that we can bring benefits to more companies and consumers.

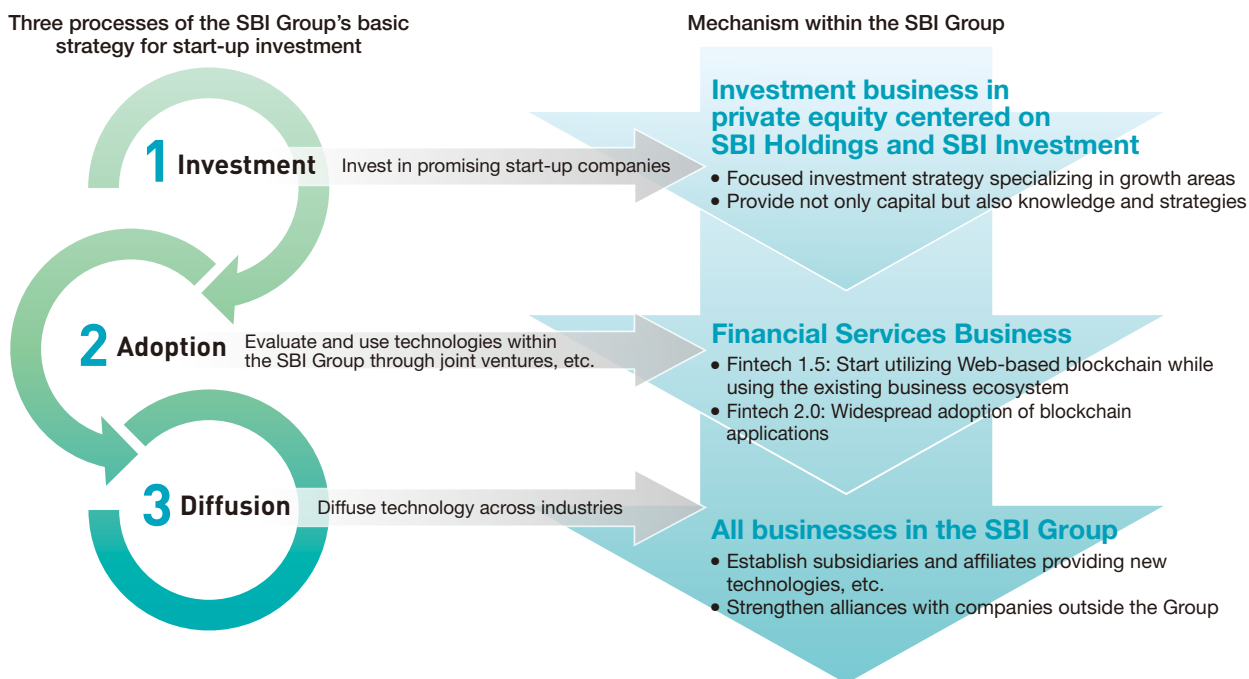
A good example of this measure is Money Tap, a company in the SBI Group in which 38 regional financial institutions have invested (as of June 2021). The next generation financial infrastructure provided by Money Tap is based on the distributed ledger technology (DLT) of U.S. Ripple, an investee company of the Group, and the number of connected banks is expected to reach 20 by the end of year (6 banks connected as of June 2021). The Money Tap app, one of the services offered, is the first in Japan to enable free direct money transfers between bank accounts 24 hours a day, 365 days a year, both within the bank itself and to other banks. By providing such next generation payment services, we will be able to firmly compete on price with existing payment services with less flexibility such as CAFIS, which in turn will lead to more benefits for the end users.

Similarly, we are also developing business by utilizing the Corda platform, a DLT for companies and corporations developed by the U.S.-based R3, another company in which the SBI Group has invested. In April 2021, we established a new company called SBI Traceability. The purpose of this company is to build a supply chain that contributes to the SDGs by achieving transparency and accountability in the supply chain. Taking advantage of the SBI Group’s track record in supporting the issuance of digital currencies and digital premium vouchers in multiple regions, “Machi no Wa Co., Ltd.” was established in May 2021 jointly with SBI Holdings, THE CHIKUHO BANK, and KYUSHU ELECTRIC POWER. The soon to be released “Machi no En” information platform, not only supports the issuance and operation of regional digital currencies and premium digital vouchers, but also uses data to visualize or digitize activities in the region. This platform will further help to revive local economies and promote regional revitalization.

We are also preparing to achieve further growth in the coming era of the digital world (digital asset space) by “investing” in innovative technologies and service areas that will be the core in the era of Fintech 2.0 to come in the near future.

The number of cases where investee companies have

### The Process of SBI Group’s Basic Strategy



diffused or shared their advanced technologies with alliance partners has also increased. There have been collaborations with numerous companies including DataRobot, a U.S. company with cutting-edge technology in AI-related fields, an area that the SBI Group is jointly supporting to utilize AI and to improve AI literacy at regional financial institutions. In addition, we have collaborated with several companies including The Bank of Yokohama on “Wealth-

Navi,” a robo-advisor provided by WealthNavi Inc. and BASE, Inc., in which clients of regional financial institutions are able to easily open an online shop with minimal cost. These have helped bolster profitability for regional financial institutions and local companies, which has led to advances in the SBI Group’s regional revitalization strategy.

### 3 Globally Expand in the Field of Digital Finance

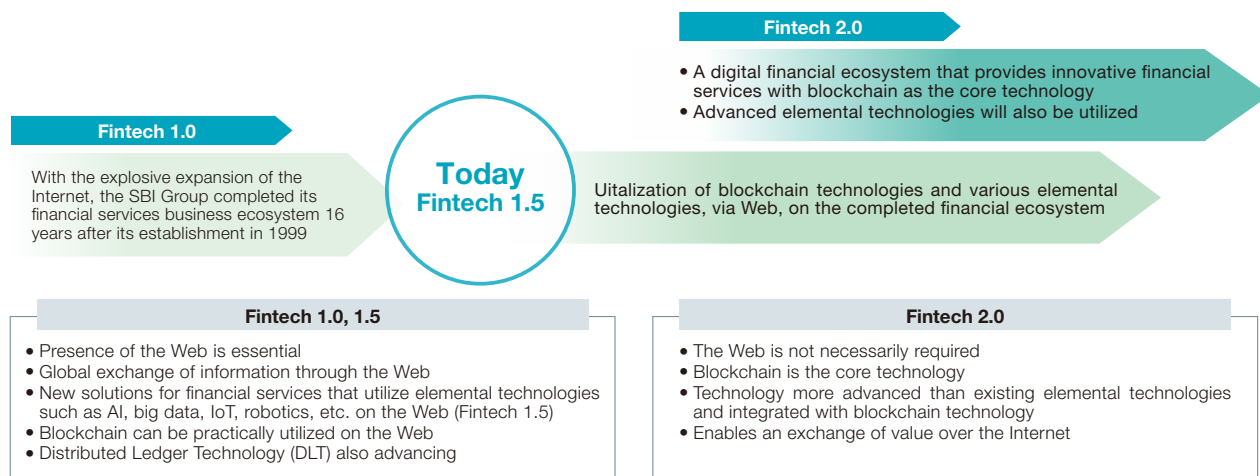
Since the SBI Group was first founded, it has grown with the rapid rise of the Internet and, with a financial ecosystem created from the Web, the Group has navigated from the first stage of financial technology, the so-called Fintech 1.0 stage. Following this is Fintech 1.5, which is defined by its use of blockchain and elemental technologies such as AI, big data, IoT, and robotics, etc. on a fully Web-based Internet financial ecosystem. The SBI Group is currently at this stage. In the next three to five years or so, we will see the expansion of the “Fintech 2.0” world, which will not necessarily require the Web and is based on blockchain, bringing a dramatic evolution to the digital asset space. The SBI Group is already making the necessary preparations in various businesses to grab hold of this trend and achieve further growth.

Security tokens (ST) are one example of this Fintech 2.0 domain. The SBI Group is focused on creating a primary and secondary market for STs. Security tokens are tied to tangible assets such as real estate and securities like equity and bonds that have been tokenized and are managed on a

blockchain. With amendments to the Financial Instruments and Exchange Act and the Payment Services Act enacted in May 2019, these regulations also became applicable to STs. Through the Japan Security Token Offering Association, a self-regulatory organization established in October 2019, the SBI Group is making efforts to develop a healthy primary ST market with the establishment of industry rules in Japan. Furthermore, in order to create a secondary ST market, in addition to plans to handle STs at the PTS operated by ODX (as mentioned above), we will set out to create one of the world’s largest global corridor that handles STs by interconnecting ODX with the Börse Stuttgart Group in Germany, the SIX Group in Switzerland, and with a digital exchange in Singapore that will be a joint venture between the SIX Group and the SBI Group.

We are also preparing for the establishment of Japan’s first digital asset bank through a capital and business alliance with Sygnum Bank of Switzerland, which operates the world’s first digital asset bank.

#### How the SBI Group Views the Revolution of Fintech



## 4 Expand Assets under Management of the Group

The SBI Group's balance of assets under management, including private equity, exceeded ¥4.4 trillion as of the end of March 2021. We strive to expand this to over ¥10 trillion by March 2026 at the latest.

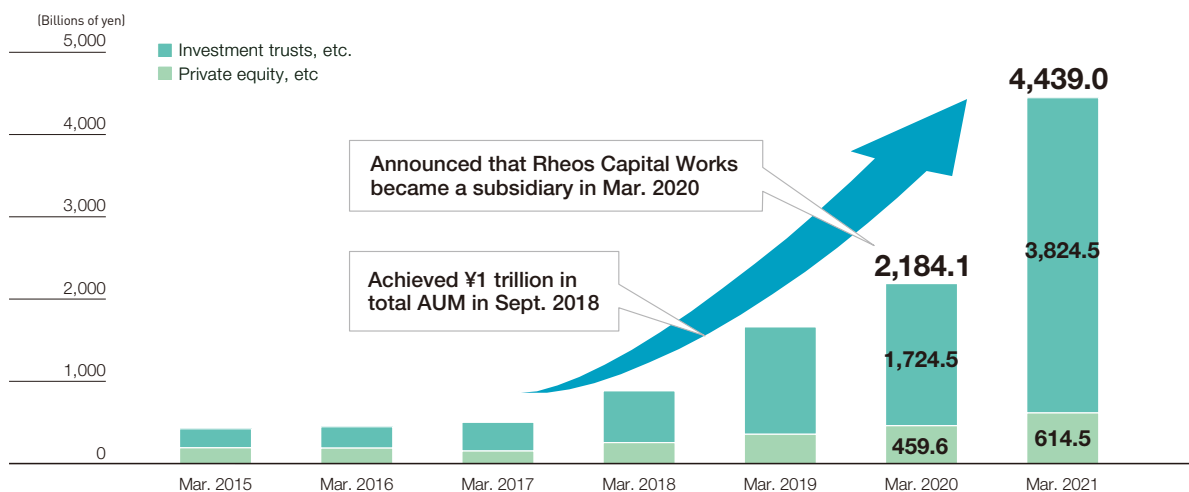
In the venture capital business, we have invested in 171 fintech companies to the tune of approximately ¥119.5 billion (as of the end of April 2021) through the Fintech Fund established by SBI Investment in December 2015, the SBI AI&Blockchain Fund set up in January 2018 and SBI Holdings. In April 2021, SBI Investment announced it would manage a new fund, commonly known as the SBI 4+5 Fund, with assets of ¥100 billion which make it one of the largest funds in Japan. The fund invests in existing investment focus areas such as fintech, AI, and blockchain, as well as such core technologies as 5G, IoT, and big data to help realize the Society 5.0 for SDGs initiative, as well as in robotics to help propel the Industry 4.0 initiative. The fund will also invest in innovative technologies and services covering a wide range of industries from healthcare (medical and nursing care) and infrastructure (transport and energy) to foods and agriculture. In the fiscal year ended March 31, 2021, 19 companies in which the SBI Group invested in went public with initial public offerings with (three other companies were acquired) and several other IPOs are planned in the future for investee com-

panies from major funds. We can therefore expect to see this translate into a high level of profit over the medium- to long-term. Furthermore, the U.S. investee company Social Finance was listed in June 2021 with the help of a special purpose acquisition company (SPAC). The use of SPAC has been increasing rapidly in recent years in the U.S., and as such, we are looking at listing several other investee companies in this way, which should lead to strong performance of our management funds.

In the Asset Management Business, as mentioned before, the assets under management from regional financial institutions is steadily increasing. With the growing demand among regional financial institutions for outsourcing to achieve more sophisticated and diversified securities management, we believe there is plenty of scope to expand the amount of assets under management from regional financial institutions in the future.

In addition, we will further enhance our business foundation centered on securities and banks built overseas and promote efficient arbitrage that utilizes domestic and foreign interest rate differentials and exchange rate fluctuations that will lead to improved returns.

### SBI Group's Assets Under Management Including Private Equity



Note 1: Calculated by the exchange rate as of the end of each month

Note 2: Amounts are rounded to the nearest ¥100 million.

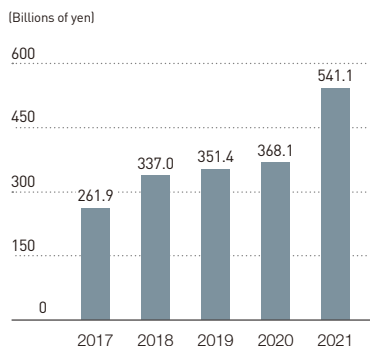
Note 3: "Private equity, etc." includes neither cash nor commitment amount to be paid in. Through Mar. 2017, unlisted stocks invested from investment partnerships and other entities that had no market prices were estimated at cost (impairment cost is applied to shares for which impairment losses have been recorded). After Mar. 2018, however, these stocks have been estimated at fair value.

Note 4: "Investment trusts, etc." are the sum of amounts of investment trusts and investment advisors. For funds that SBI Asset Management provides investment instruction to, if Morningstar Asset Management provides investment advisory services, assets are recorded in both investment trusts and investment advisory, respectively, so there are some overlapping amounts.

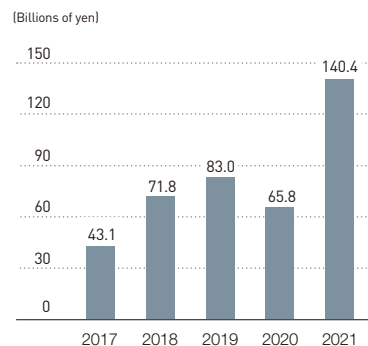
# Financial and Non-financial Highlights

## Consolidated Financial Highlights (IFRS)

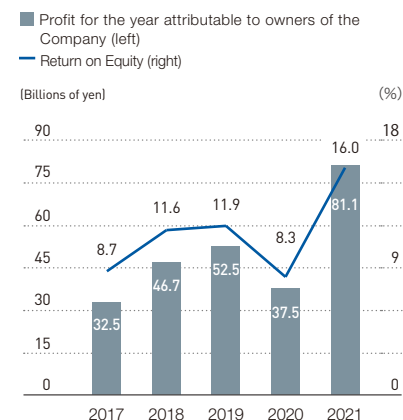
### Revenue



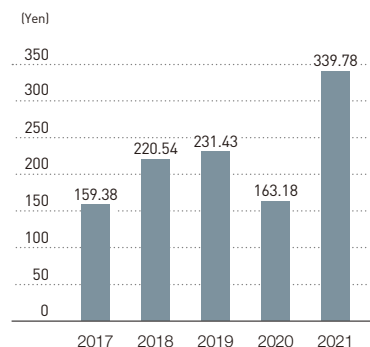
### Profit before income tax expense



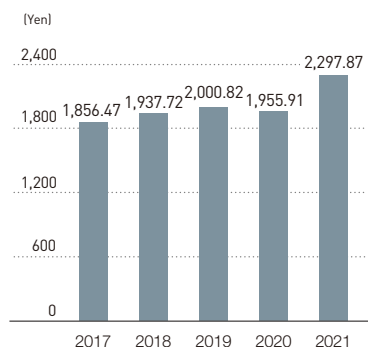
### Profit for the year attributable to owners of the Company/ Return on Equity (ROE)



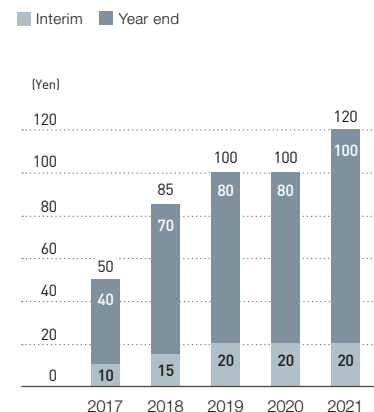
### Basic earnings per share (EPS) (attributable to owners of the Company)



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

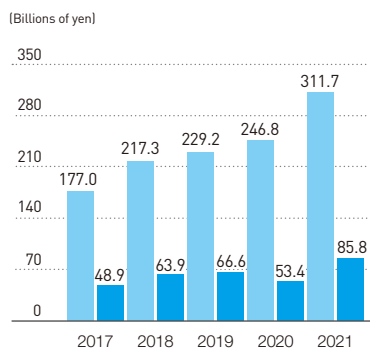


### Dividend per share



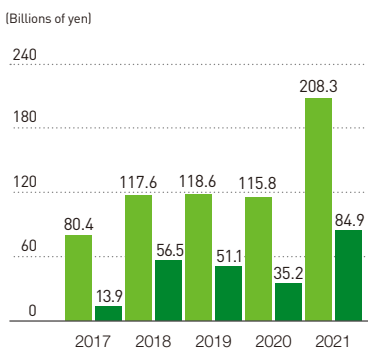
### Financial Services Business\*

Revenue Profit before income tax expense



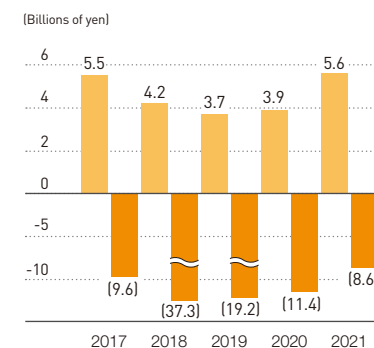
### Asset Management Business\*

Revenue Profit before income tax expense



### Biotechnology, Healthcare & Medical Informatics Business

Revenue Profit (loss) before income tax expense



\* For FY2015 to FY2020, 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

**23** countries and regions

(As of March 31, 2021)

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)

**39.1**%

(As of March 31, 2021)

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, 2021)

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 / **13.3**%

(As of June 30, 2021)

SBI Holdings has appointed two female Directors, accounting for 13.3% of the total 15 Directors.

### Number and percentage of Independent Outside Directors

**7** persons / **46.7**%

(As of June 30, 2021)

SBI Holdings appointed seven Independent Outside Directors, an increase of two compared to last year, accounting for 46.7% of total of 15 Directors.

### Attendance rate at Board of Directors meetings

**100.0**%

(As of March 30, 2021)

The attendance rate at Board of Directors meetings for Directors and Statutory Auditors is 100.0%.

### Rating for long-term issued bonds

**BBB+**

(As of August 24, 2020)

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

### Institutional investor ratio in shareholder composition

**73.0**%

(As of March 31, 2021)

The ownership ratio of domestic and foreign institutional investors is rising, and foreign ownership alone accounts for a high 45.1% of all shareholders.

### Cumulative donations made by the SBI Children's Hope Foundation

Approx.

**¥1,080** million

(As of March 31, 2021)

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 ¥1,080 million, up to the fiscal year ended March 31, 2021.

## Message from the Executive Officer in Charge of Accounting and Finance

### Accelerating the SBI Group's Growth to Achieve its New Medium-Term Vision and Strengthening Risk Management Systems

#### Hideyuki Katsuchi

SBI Holdings  
Executive Officer in Charge of  
Accounting and Finance



### Impact from the Protracted COVID-19 Pandemic and the Situation in FY2020

I feel that FY2020 was a year in which the competitive advantages of the SBI Group materialized because of our online-focused business, given the acceleration of changes in the way we live due to the COVID-19 pandemic. I recognize that people increasing the time spent at home due to the pandemic helped us in many ways to utilize our strengths, especially in the Financial Services Business. Of course, we faced a challenging situation around Spring 2020 when COVID-19 began spreading, but in the end, our core businesses in banking, securities, and insurance performed extremely well. In terms of the domestic equity market, the average daily individual brokerage trading value on the two major domestic markets<sup>1)</sup> increased 52.2% year-over-year, boosting commissions at SBI SECURITIES 41.7% year-over-year. Trading revenues from the FX business, trading in crypto assets, and the sales of foreign bonds also increased 41.7% year-over-year, and as a result, the profit for the period of SBI SECURITIES achieved a record high of ¥46.1 billion. Return on invested capital by SBI Sumishin Net Bank recorded a high of ¥7.2 billion based on IFRS, due in large part to the continued strong performance of the housing loans business. In the insurance business, both sales and profits rose in FY2020 owing to the steady increase in the total number of in-force contracts, resulting in ¥700 million profit for the year attributable to owner of the Company for the period.

In the Asset Management Business, principal funds, includ-

ing the Fintech Fund and SBI AI&Blockchain Fund, invested large amounts into companies with businesses geared toward changes in lifestyles due to COVID-19, and as a result, profit/loss from the change in fair value and profit/loss on sales of investment securities contributed to positive business results. Several portfolio companies, including several that were unlisted at the end of FY2019, executed an IPO in FY2020, and the change into a public listing contributed as valuation profit from listed securities totaled ¥53.7 billion. In the next fiscal year, more companies are slated to go public than in FY2020, and as a result, we anticipate strong earnings to continue. SBI SAVINGS BANK in South Korea, which has become a stable revenue source of this segment over the past several years, steadily increased performing loans despite COVID-19 and further increased underlying earnings, achieving record-high in earnings and contributing to profits at the second largest pace following SBI SECURITIES.

In the Biotechnology, Healthcare & Medical Informatics Business (renamed from the Biotechnology-related Business from the third quarter of FY2020), the deficit of the segment improved due to decreased losses in Quark Pharmaceuticals and an increase in sales of 5-ALA products driven by the current rise in health consciousness. Furthermore, despite the unfortunate results of failure in the final pipeline of Quark Pharmaceuticals, the company actively moved ahead with cost reductions thereafter and has already begun negotiations with multiple buyers for its potential sale. The impact this will have on FY2021 is believed to be limited.

In addition, a loss of approximately ¥14.5 billion was booked due to the start of measures to redeem an amount equivalent to unpaid redemption amounts for certain funds handled by SBI Social Lending, but on a consolidated performance (IFRS), revenue increased 47% year-over-year to ¥541.1 billion, profit before income tax expense increased 113.3% to ¥140.4 billion, and profit for the period attributable to owners of the Company increased 116.3% to ¥81.1 billion. In each case, these figures were record highs since the founding of the Company.

Impact due to the COVID-19 pandemic will likely ease as more people become vaccinated. However, people's lifestyles will likely not fully return to the way they were before the pandemic. The online preference for financial services among customers and investors will likely continue going forward, and we believe there is still room for growth by crypto assets, which have garnered attention during the pandemic. Although inflation and interest rate hikes in the U.S. pose a concern, online finance is a field where the Group can harness its strengths more than ever before.

At the same time, the size of individual investment deals and business scale is growing following the SBI Group's expanding business footprint, and the past year reinforced the need for raising awareness about risks more than ever before. Following the issues at SBI Social Lending, we have reviewed management systems among Group companies to prevent the recurrence of a similar event. While utilizing the Group's strengths of speed in decision-making and business expansion, we also need self-discipline. Therefore, we will seek to reinforce the entire Group's risk monitoring system and strengthen the internal control functions.

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

## New Medium-Term Vision

In April 2018, we released our vision containing five financial goals. Of these, we were able to achieve three of our targets: consolidated profit before income tax expense, ROE, and annual dividend. Now, we have formulated a new medium-term vision for the SBI Group over the next three to five years. Our target is

### Progress in Achieving the Vision Established in April 2018

Develop the three business segments, Financial Services, Asset Management, and Biotechnology, Healthcare & Medical Informatics Business, so that the profit before income tax expense composition by segment in **three years will be 5:4:1, while in five years, it will be 5:3:2, respectively.**

#### Consolidated profit before income tax expense (IFRS) by segment for the past three fiscal years

(JPY billion)

|        | Financial Services Business | Asset Management Business | Biotechnology, Healthcare & Medical Informatics Business |
|--------|-----------------------------|---------------------------|--|
| FY2018 | <b>66.6</b> (share: 68%)    | <b>51.1</b> (share: 52%)  | <b>(19.2)</b> (share: (20%))                             |
| FY2019 | <b>53.4</b> (share: 69%)    | <b>35.2</b> (share: 46%)  | <b>(11.2)</b> (share: (15%))                             |
| FY2020 | <b>85.8</b> (share: 53%)    | <b>84.9</b> (share: 52%)  | <b>(8.6)</b> (share: (5%))                               |

Targeting consolidated profit before income tax expenses of **over ¥100 billion** within the next 1 to 2 years.

FY2018 **¥83.0 billion** FY2019 **¥65.8 billion** FY2020 **¥140.4 billion**

Maintain ROE **above 10%**

FY2018 **11.9%** FY2019 **8.3%** FY2020 **16.0%**

Annual dividend to the level of **¥100 per share**

FY2018 **¥100** FY2019 **¥100** FY2020 **¥120**  
(including a ¥5 per share of commemorative dividend)

Will endeavor to achieve a market cap of **¥1 trillion**, by realizing intrinsic corporate value.

**Peak: ¥812.6 billion**  
(Closing price of ¥3,335, as of Mar. 19, 2021)

to constantly maintain consolidated profit before income tax expense of more than ¥300 billion, with the total amount of profit before income tax expense of new businesses at approximately 20% of the total, and an ROE of 10% or higher. Although each of these are ambitious targets, we will strive to make progress toward these targets using M&A and other means in addition to organic growth. We cannot deny there are risks associated with new investments and businesses, but we will carefully scrutinize risk levels on an individual level as the case may be, closely examining progress in terms of achievement and gaps from the goal, in order to expand the scale of the business without losing our bold venture spirit unique to the Company.

In terms of ROE, we will strive to maintain it to be above 10%, which is same level as before. However, we will not merely focus on the ups and downs of ROE, but instead, carefully manage our financial position by striking a balance with other areas, to ensure, for example, that leverage does not become too high.

The key to achieving these growth targets will be whether we can secure robust external financing sources as part of our financial initiatives. Fortunately, we have maintained stable and solid relationships of trust with our partner banks and bond investors. Nevertheless, we will need to further develop these relationships to help drive our business growth forward in the future.

Both the Fintech Fund, established in December 2015, and SBI AI&Blockchain Fund, established in January 2018, ended the investment phase and have moved to the harvest phase. Utilizing internal reserves from the monetization of these existing

assets together with funds procured externally, we would like to financially support a well-balanced growth trajectory.

### Future Investment Targets

There is no change in our plan to continue investing in the target areas of fintech, crypto assets, FX, and asset management, as well as to actively deploy capital for business growth.

In terms of investments, “SBI 4+5 Fund,” one of the largest venture fund which began operating on a scale of ¥100 billion in April 2021, targets innovative technologies and services in broad industries including fintech, AI, blockchain, and core technologies such as IoT and 5G, which contribute to the realization of “Society 5.0 for SDGs<sup>2</sup>,” as well as robotics and the fields of healthcare and infrastructure industries to advance “Industry 4.0.”

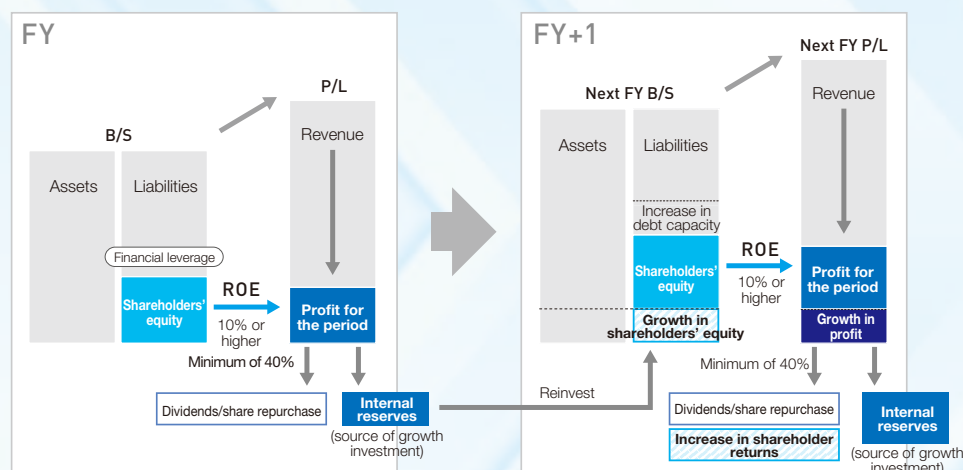
In terms of business, it will be important how we can pursue synergies with our existing businesses. We were able to quickly generate synergies between our existing businesses and Rheos Capital Works Inc. and B2C2 of the U.K., both of which we acquired last year. Starting from the selection stage, we will more closely examine targets in terms of the synergies with existing businesses and possible returns. Even after a company becomes a subsidiary, we will continue to monitor to ensure that suitable solutions are used in case of a problem where progress does not proceed as expected. The thorough use of the plan-do-check-act (PDCA) cycle will ensure disciplined business growth.

<sup>2</sup> Action plans in which the Keidanren (Japanese Business Federation) proposes to resolve various social issues such as the achievement of SDGs through the realization of Society 5.0.

### 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 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.



## Shareholder Returns and Future Investor Relations (IR) Engagement

In April 2018, we established a policy on total shareholder return ratio calculated by using the total amount for dividends and share repurchase whereby (1) the minimum total shareholder return ratio shall be at least 40% and (2) the inclusion of an adjustment to the return ratio for deducting the fair value through profit and loss (FVTPL) of operating investment securities from consolidated profit before income tax expense, which is separate from cash flows. Such an adjustment is made according to the level of consolidated profit before income tax expense accounted for by the total amount of FVTPL. In FY2020, profit before income tax expense was at a record high, while the ratio of FVTPL to profit before income tax expense remained elevated at around 55%. Considering this, we decided to apply rule (2). As a result, the ordinary dividend per share at year-end was increased by ¥20 from the previous year to ¥100 and added to the interim dividend of ¥20, the annual dividend amounted to ¥120 per share for a total shareholder return ratio of 36.2%. Our underlying principle of determining dividend amount based on earnings performance remains unchanged. We will engage in financial operations using a well-balanced approach for business growth and shareholder return.

I feel that the fact that we fell short of our target market cap of ¥1 trillion in our previous vision provided an opportunity to look back on our approaches to IR activities. I understand that the

Company is not in a position to comment on market cap, but I am convinced that we have ample potential.

Meanwhile, I believe that the Company still has areas of improvement in terms of deepening shareholder and investor understanding about the Company. Needless to say, the Group's business areas span a truly wide range, from the Financial Services Business to the Asset Management Business and furthermore to Biotechnology, Healthcare & Medical Informatics Business. We also have an active corporate culture in which we make quicker decisions than other companies to enter new business areas. Specific examples of this include our entry into the crypto asset business and alliances with regional financial institutions. Some stakeholders may worry that we have changed our profit structure to one overly linked to the price of crypto assets or that the business structure itself is too complicated to understand. While these new businesses are beginning to produce results and I do not think these worries are warranted. To ease such concerns, we will further strive to provide detailed explanations to stakeholders and engage in proactive dialogue. Once the situation abates, we will restart face-to-face explanations for shareholders and investors, which has been postponed due to the COVID-19 pandemic.

### IR Activities (FY2020)

| Activity  | Times       | Activity content  |
|---|-------------|---|
| Financial results briefing for institutional investors and analysts | 4           | Financial results briefing held quarterly focused on financial performance and outlook  |
| IR conferences for overseas institutional investors                 | 3           | Conducted online meetings with overseas institutional investors during IR conferences hosted by securities companies          |
| 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 |

Note: Meetings for individual investors and small meetings for domestic institutional investors, which are normally held every year, were canceled for FY2020 due to COVID-19 pandemic.



# Board of Directors and Statutory Auditors

(As of June 29, 2021)

## 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   |
|--|--|---|
| <b>Yoshitaka Kitao</b><br>Representative Director,<br>President & CEO                             | Representative Director and Chairman of SBI Investment Co., Ltd.<br>Representative Director and Chairman of SBI SECURITIES Co., Ltd.<br>Representative Director & President of SBI Pharmaceuticals Co., Ltd.<br>Representative Director & CEO of SBI VC Trade Co., Ltd.<br>Representative Director & Chairman of SBI Digital Asset Holdings Co., Ltd.<br>Director and Chairman of SBI FINANCIAL SERVICES Co., Ltd.<br>Director and Chairman of SBI Capital Management Co., Ltd.<br>Representative Director & President of SBI GLOBAL ASSET MANAGEMENT Co., Ltd.<br>Representative Director & President of Regional Revitalization Partners Co., Ltd. | ① 12/12 ② 4,007,960 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, Healthcare & Medical Informatics Business in Japan and abroad. |
| <b>Katsuya Kawashima</b><br>Representative Director,<br>Senior Executive Vice<br>President & COO  | Representative Director and President of SBI Investment Co., Ltd.<br>Representative Director and President of SBI Capital Management Co., Ltd.<br>Director of SBI SECURITIES Co., Ltd.<br>Director of SBI FINANCIAL SERVICES Co., Ltd.<br>Representative Director of SBI NEO FINANCIAL SERVICES Co., Ltd.<br>Representative Director and President of Money Tap Co., Ltd.<br>Director of SBI Regional Bank Holdings Co., Ltd.  | ① 12/12 ② 867,870 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.  |
| <b>Takashi Nakagawa</b><br>Representative Director,<br>Senior Executive Vice<br>President         | Director of SBI Investment KOREA Co., Ltd.   | ① 12/12 ② 292,000 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 human resources throughout the SBI Group, as an officer in charge of human resources and general affairs.  |
| <b>Masato Takamura</b><br>Representative Director,<br>Senior Executive Vice<br>President          | Representative Director and President of SBI SECURITIES Co., Ltd.<br>Representative Director and President of SBI FINANCIAL SERVICES Co., Ltd.<br>Director of SBI NEO FINANCIAL SERVICES Co., Ltd.<br>Director of Rheos Capital Works Inc.<br>Outside Director of ASCOT Corp.<br>Director of The Global Ltd.   | ① 12/12 ② 310,000 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.   |
| <b>Shumpei Morita</b><br>Representative<br>Director, Senior<br>Executive Vice<br>President       | Representative Director of SBI Regional Bank Holdings Co., Ltd.<br>Outside Director of The Shimane Bank, Ltd.<br>Director of SBI GLOBAL ASSET MANAGEMENT Co., Ltd.<br>Director of SBI NEO FINANCIAL The SERVICES Co., Ltd.   | ① 12/12 ② 270,000 ③ Finance and accounting ④ After his appointment as a Director of the Company, Mr. Shumpei Morita provided support in relation to the accounting and financial aspects of the SBI Group's management strategy as CFO from 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.   |
| <b>Masayuki Yamada</b><br>Director    | Statutory Auditor of SBI GLOBAL ASSET MANAGEMENT Co., Ltd.   | 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.   |
| <b>Satoe Kusakabe</b><br>Director   | Managing Director and General Manager of Risk Management Department of SBI SECURITIES Co., Ltd.<br>Director of SBI VC Trade Co., Ltd.<br>Director of TaoTao Inc.<br>Director of Japannext Co., Ltd.  | ① 12/12 ② 2,000 ③ Internal control, legal affairs and compliance ④ Ms. Satoe Kusakabe has been engaged in corporate internal control and audit-related tasks 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 combating the 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 function.   |
| <b>Masaki Yoshida</b><br>Director   | Representative Director of Yoshidamasaki Inc.<br>Representative Director and Chairman of Watanabe Entertainment Co., Ltd.<br>A Member of The Rikkyo University Advisory Committee<br>Advisor of KLab Inc.  | ① 12/12 ② 10,000 ③ General management (media) ④ After serving in important positions in relation to management of joint 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.   |

## 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   |
|--|---|---|
| <b>Teruhide Sato</b><br>Independent<br>Outside Director   | Director of BEENEXT PTE. LTD.<br>Director of BEENEXT CAPITAL MANAGEMENT PTE. LTD.<br>Director of Sen Do Technology Joint Stock Company  | ① 12/12 ② 2,820 ③ General management (advanced technology), overseas experience ④ Mr. Teruhide Sato participated in launching CyberCash K.K. (currently, DG Financial Technology, Inc.) in Japan 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. |
| <b>Heizo Takenaka</b><br>Independent<br>Outside Director  | Chairman and Director of Pasona Group Inc.<br>Outside Director of ORIX Corporation<br>Outside Director of MAYA SYSTEM Inc.<br>President of Academy Hills<br>Emeritus Professor at Keio University<br>Director of XICA CO., LTD. | 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, while also serving as an outside director in private companies.            |



|   |   |   |
|---|---|---|
| <b>Yasuhiro Suzuki</b><br>Independent Outside Director     | Representative Director and President of digitalshiftwave Co., Ltd.<br>President of Japan Omni Channel Association<br>Visiting Professor at Joho Keiei Innovation Senmonshoku Daigaku | ①12/12 ②— ③General management (advanced technology) ④Mr. 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.  |
| <b>Hiroshi Ito</b><br>Independent Outside Director         | Advisor of SBI Insurance Group Co., Ltd.  | ①10/10 ②— ③General management (financial assets), risk management ④Mr. 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.  |
| <b>Kanae Takeuchi</b><br>Independent Outside Director      | Freelance Announcer   | ①10/10 ②— ③Public relations ④One of the Company's most important challenges is to ensure that the Board of Directors hears 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.                                 |
| <b>Junichi Fukuda</b><br>Independent Outside Director      | Commissioned Lecturer at SBI Graduate School  | ①— ②— ③Finance ④Mr. Junichi Fukuda has served successively as Vice-Minister of Finance and has extensive experience in the field of finance. He can be expected to bring constructive opinions to the SBI Group's financial business in general, especially in the fields of regional revitalization and expanding cooperation with regional financial institutions.  |
| <b>Hiroyuki Suematsu</b><br>Independent Outside Director  | Professor at the Research Institute for Agricultural and Life Sciences of Tokyo University of Agriculture   | ①— ②— ③Agriculture, forestry and fisheries, and the food industry ④Mr. Hiroyuki Suematsu has successively served as Vice-Minister of Agriculture, Forestry and Fisheries and has extensive experience in agriculture, forestry and fisheries industry, and the food industries. He can be expected to bring constructive opinions to the SBI Group in many fields including the use of supply chain management with blockchains and operating the Dojima Exchange, Inc., which handles commodities futures. |

## 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  |
|--|--|--|
| <b>Atsushi Fujii</b><br>Standing Statutory Auditor          | Statutory Auditor of SBI SECURITIES Co., Ltd.<br>Statutory Auditor of SBI Investment Co., Ltd.<br>Statutory Auditor of SBI FINANCIAL SERVICES Co., Ltd.<br>Statutory Auditor of SBI Capital Management Co., Ltd.<br>Statutory Auditor of SBI Digital Asset Holdings Co., Ltd.<br>Statutory Auditor of SBI NEO FINANCIAL SERVICES Co., Ltd. | ①12/12 15/15 ②48,980 ③Finance and accounting ④Mr. 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. |
| <b>Toru Ichikawa</b><br>Outside Standing Statutory Auditor  | Statutory Auditor of SBI FINANCIAL SERVICES Co., Ltd.<br>Statutory Auditor of SBI Capital Management Co., Ltd.<br>Statutory Auditor of SBI Digital Asset Holdings Co., Ltd.<br>Statutory Auditor of SBI NEO FINANCIAL SERVICES Co., Ltd.<br>Outside Statutory Auditor of The Shimane Bank, Ltd.  | ①12/12 15/15 ②1,000 ③Finance and accounting, internal control, legal affairs and compliance ④Mr. Toru Ichikawa has served successively as chief inspector of the Financial Services Agency and has extensive experience in the financial field.                    |
| <b>Minoru Tada</b><br>Statutory Auditor                     | Statutory Auditor of SBI SECURITIES Co., Ltd.<br>Statutory Auditor of SBI NEO MOBILE SECURITIES Co., Ltd.  | ①12/12 15/15 ②26,510 ③Internal control, legal affairs and compliance ④Mr. Minoru Tada has many years of experience in financial institutions and possesses expertise as an auditor of the Company and Group companies.   |
| <b>Yasuo Sekiguchi</b><br>Outside Statutory Auditor         | Managing Director of Global Partners Consulting, Inc.  | ①12/12 15/15 ②— ③Finance and accounting, overseas experience ④Mr. 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, 2021

### 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](https://www.sbigroup.co.jp/english/investors/management/governance_policy.html)

## Messages from the Independent Outside Directors

# The SBI Group from the Perspective of Independent Outside Directors

### Looking Forward to the SBI Group's Initiatives for Sustainable Growth as a Constant Pioneer

#### Teruhide Sato

I feel that the SBI Group has entered a new stage of growth. In order for strong growth to continue, the Company must flexibly address societal changes and remain a pioneer while keeping close in mind the concepts of self-denial, self-transformation, and self-evolution. With people's attention to climate change increasing as of late, I believe that the SBI Group, with its strengths in technology, will play an even more important role in addressing such worldwide issues going forward. I look forward to the SBI Group's initiatives for sustainable growth, as it transitions from the previous 20 years to the next 20 years.



### Achieving New Value Creation Together with Stakeholders to Take ESG Perspectives into Consideration

#### Heizo Takenaka

With the fourth industrial revolution reaching the field of finance, the SBI Group offers compelling competitive advantages. As an Outside Director, I feel that I am required to view things with the big picture in mind in terms of society and business, appropriately check the overarching direction of management, and state my opinion. From the perspective of ESG, the SBI Group will need to benefit the environment through financial products such as green bonds, review corporate governance in a digital age, and actively contribute to important issues such as regional revitalization by working closely with regional financial institutions.

### Striving for Future Growth through Acquisition and Development of Diverse Talent

#### Yasuhiro Suzuki

With the increasing importance of risk management, I believe more discussions are still needed that encompass the entire Group, especially regarding systems and security risks. In addition, when looking at future growth, it will be critical to acquire and develop human resources who can think from a perspective beyond the conventional finance framework, not to mention the need for a global perspective. I have long been strongly aware that the SBI Group has included corporate social responsibility into its corporate philosophy; however, I think it is essential to discuss this issue from more diverse perspectives in order to achieve further growth.





## Strengthening Supervision of Business Execution to Achieve Highly Transparent Corporate Management

**Hiroshi Ito**

The SBI Group has increased its size steadily. I feel this heightens the possibility that various issues such as corporate governance will increase. In addition, more transparent corporate management is needed, and as an Outside Director, I will carry out my duties with an eye toward constructive and objective checks and supervision functions. Furthermore, while continuing to develop as a company, we will strive to further increase corporate value for stakeholders by strengthening risk management and working on ESG measures for greater contributions to society.

## Expectations for the SBI Group's Global Expansion Driven by Diversity

**Kanae Takeuchi**

I believe it is important for the SBI Group to determine the message it will share for peace of mind and understanding of stakeholders as it expands globally. At the same time, we find ourselves in an era where the promotion of diversity including female board representation is viewed as important. Providing secure services embraced by all people, young and old, men and women, is a major pillar underpinning towards sustainable growth by the SBI Group. The expertise gained from tie-ups with other companies can be utilized in future growth and giving back to society.



## Contributing to Further Growth of the SBI Group by Harnessing My Experience in Finance and Economic Business Fields

**Junichi Fukuda**

The SBI Group engages in a wide range of businesses centered around financial services. I believe the SBI Group actively incorporates new technologies and ideas, then uses these as an engine for growth in various business areas. Also, under the leadership of the company's executive management including President Kitao, prompt and bold decision-making on management is a great advantage of the Company. I hope to contribute to the further growth of the SBI Group as a whole by making wide-ranging proposals based on my experience not only in the financial sector but also in economic policy.

## Contributing to the Enhancement of the SBI Group's Corporate Value as It Works Toward Regional Revitalization

**Hiroyuki Suematsu**

The SBI Group is a group of companies that continues to tackle bold challenges in finance and is growing consistently having achieved steady results. I feel that this growth is underpinned by strong, established leadership and up-and-coming talent that continues to propose and execute new projects. Looking ahead, I believe it will be important for Japan to draw on the power of its regions in driving the entire country's economic growth. As the SBI Group builds a business model for revitalizing regions as the driving force, I plan to utilize and contribute my knowledge of agriculture, forestry, fisheries, and the food industry to benefit the Group.



## Corporate Governance

# Realizing a Highly Effective Corporate Governance System

### Results of Main Efforts for the Fiscal Year Ended March 31, 2021

|   |      |
|---|------|
| Number of Ordinary Board of Directors' meetings held per year                                   | 12   |
| Average attendance rate at Board of Directors' meetings for Independent Outside Directors       | 100% |
| Average attendance rate at Board of Directors' meetings for Outside Statutory Auditors          | 100% |
| Number of Board of Statutory Auditors' meetings   | 15   |
| Average attendance rate at Board of Statutory Auditors' meetings for Outside Statutory Auditors | 100% |

### Major Items Discussed at the Board of Directors

- Approval of compliance program
- Acquisition of Medical Data Vision Co., Ltd.'s shares
- Revision of Basic Policy on Corporate Governance
- Updating report on risk assessment related to AML measures, etc. (documents prepared by specific business operators, etc.) and approval of AML/CFT program introduced in the SBI Group

### 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 during the course of business activities and is working to ensure transparency and fairness in its decision-making, and to establish 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.

#### Corporate Governance Principles Based on the Corporate Governance Code



[https://www.sbigroup.co.jp/english/investors/management/governance\\_policy.html](https://www.sbigroup.co.jp/english/investors/management/governance_policy.html)

### Corporate Governance System

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 15 Directors, with seven Independent Outside Directors (as of the end of June 2021), 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 to oversee the status of business execution. In addition to Executive Directors including the President, Senior Executive Vice Presidents, and Senior Managing Directors, 11 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 solid 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.

The Board of Directors and the Board of Statutory Auditors are composed of diverse individuals, irrespective of gender, nationality, etc., who possess a high level of expertise and will contribute to the strengthening of the Company's corporate governance system.

### Overview of Organization (As of June 30, 2021)

| Configuration   | Company with Board of Statutory Auditors |
|---|--|
| Number of Directors (Independent Outside Directors)                               | 15 (7)                                   |
| Term of office of Directors   | 1 year                                   |
| Average age of Directors  | 57.5                                     |
| Number of Statutory Auditors (Outside Statutory Auditors)                         | 4 (2)                                    |
| Number of Directors registered as Independent Executives                          | 7  |
| Number of Management Advisory Committee members (Independent Outside Directors)   | 9 (7)                                    |
| Involvement of Independent Outside Directors in compensation decisions (Yes / No) | Yes                                      |

### Improving the Effectiveness of the Board of Directors

#### 1. Method of Analysis and Evaluation

From February to March 2021, the Company conducted a self-assessment for all Directors and Statutory Auditors regarding the effectiveness of the Board of Directors. The Company analyzed and evaluated the effectiveness of the Board of Directors, based on the results of the self-assessment, as well as the discussions at the Board of Directors meeting held in March 2021.

#### Items Included in Evaluation of Effectiveness

- Structure and composition of organizations such as the Board of Directors
- Operation of the Board of Directors
- Agenda, deliberation, and decision-making of the Board of Directors
- Supervisory system of the Board of Directors
- Relationships with shareholders and other stakeholders
- Self-evaluation
- Other

## 2. Overview of Results of the Analysis/Evaluation

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 order to further improve the effectiveness of the Board of Directors, it is critical to prepare a robust compliance and risk management system across the Group, owing to the Company's speed of growth and business diversification. In addition, there was a meaningful exchange of views regarding the necessity of considering ESG and the SDGs in 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. In the fiscal year ended March 31, 2021, the Company invited Mr. Katsuyuki Tainaka, from Mori Hamada & Matsumoto, to provide training on green bonds in November 2020.

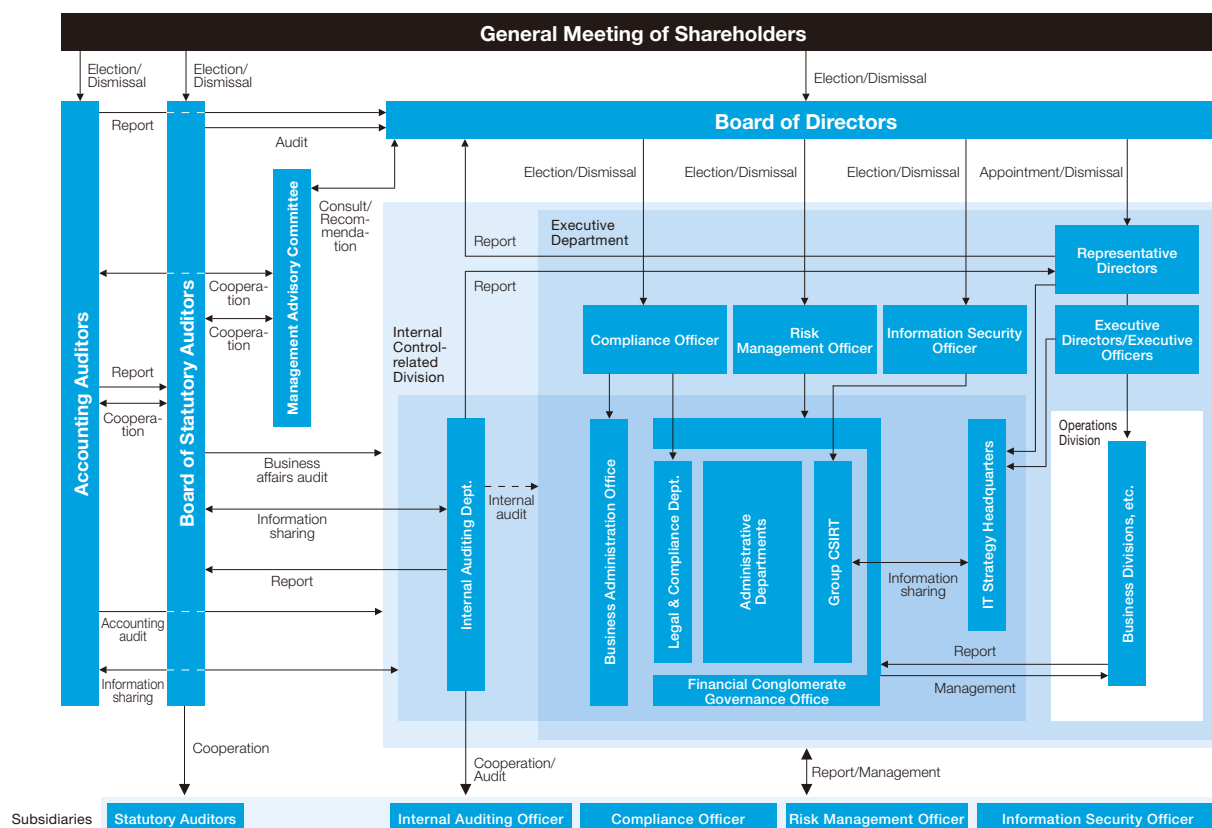
### Key Themes Discussed During the Director Training

- Background behind the increased issuance of green bonds
- Expected effects of issuance and precautions to take
- Four core components of Green Bond Principles (GBP)
- Process from issuance to redemption
- External review and subsidized projects



Attendees of director training

### Outline of Corporate Governance Structure





## Reasons for Appointment as Outside Director

| Name                     | Reasons of appointment   | Attendance at Board of Directors' meetings |
|--------------------------|--|--|
| <b>Teruhide Sato</b>     | Mr. Teruhide Sato participated in launching CyberCash K.K. (currently, DG Financial Technology, Inc.) in Japan and has served as Representative Director, President and CEO of netprice, Ltd. (currently, BEENOS Inc.). He has a wealth of experience and extensive knowledge, particularly in relation to Internet businesses in Asia.  | 12/12<br>(100%)                            |
| <b>Heizo Takenaka</b>    | Mr. Heizo Takenaka successively served 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 is teaching at Keio University while also serving as an outside director in private companies.  | 12/12<br>(100%)                            |
| <b>Yasuhiro Suzuki</b>   | Mr. Yasuhiro Suzuki successively served 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.  | 12/12<br>(100%)                            |
| <b>Hiroshi Ito</b>       | Mr. Hiroshi Ito successively served 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 is a subject matter expert in insurance fields, which the SBI Group focuses on.   | 10/10<br>(100%)                            |
| <b>Kanae Takeuchi</b>    | 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. Ms. Kanae Takeuchi has played active roles both in the past and presently and is well-suited particularly in the area of media to reflect the opinions of stakeholders of the Company, including individual shareholders, at meetings of the Board of Directors.     | 10/10<br>(100%)                            |
| <b>Junichi Fukuda</b>    | Mr. Junichi Fukuda successively served as Vice Minister of Finance and has extensive experience in the field of finance. He can be expected to bring constructive opinions to the SBI Group's financial business in general, especially in the fields of regional revitalization and expanding cooperation with regional financial institutions.   | —  |
| <b>Hiroyuki Suematsu</b> | Mr. Hiroyuki Suematsu successively served as Vice Minister of Agriculture, Forestry and Fisheries and has extensive experience in agriculture, forestry and fisheries industry, and the food industries. He can be expected to bring constructive opinions to the SBI Group in many fields including the use of supply chain management with blockchains and operating the Dojima Exchange, Inc., which handles commodities futures. | —  |

## 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. On June 27, 2019, it was decided to further strengthen its supervisory function, to ensure an appropriateness of management and to increase management transparency, 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 be comprised of a majority of Independent Outside Directors. Like 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 for FY2020 held in December 2020, management strategy towards digitalization and going green was discussed from the standpoints of both risk and opportunity. It was a meaningful exchange of views regarding the importance of future organizational response to various ESG issues.

## The Members of the Management Advisory Committee (As of June 29, 2021)

|   |                    |
|---|--------------------|
| Chairman of the Management Advisory Committee | Heizo Takenaka*    |
| Member of the Management Advisory Committee   | Teruhide Sato*     |
| 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*    |
| Member of the Management Advisory Committee   | Junichi Fukuda*    |
| Member of the Management Advisory Committee   | Hiroyuki Suematsu* |

\* 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 was 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 a specified number of common shares or treasury shares.

## Policy on Determining Compensation for Directors

- 1) The Company established the Management Advisory Committee, the majority of which is composed of Independent Outside Directors, in order to secure fairness and clarity in the processes for determining executive remuneration, etc. The policy on determining the amount and calculation method of executive remuneration, etc. is to be decided by the Board of Directors after receiving feedback from the Management Advisory Committee. The policy on determining the amount and calculation method of remuneration for Directors for the fiscal year ended March 31, 2021 was decided by the Board of Directors after receiving a report and feedback from the Management Advisory Committee.
- 2) The amount of remuneration, which is made up of fixed basic remuneration 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 remuneration limits approved at the General Meeting of Shareholders. Similarly, the amount of remuneration for each Outside Director, which is made up of fixed basic remuneration and bonuses, is to be decided by the Board of Directors, and is to be within the total remuneration limit approved at the General Meeting of Shareholders. However, when these decisions have been entrusted to the Representative Directors by the Board of Directors, the Representative Directors will determine the above remuneration matters.

The basic remuneration is paid by monthly monetary remunera-

tion and the amount of basic remuneration for each Director will be decided based on the following:

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

Bonuses are paid annually in principle, restricted stock units are paid in a timely manner during the term of office of each Director, and the amounts paid to each Director as bonuses and restricted stock units are 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.

The ratio of the basic remuneration, bonuses, and restricted stock units are decided appropriately based on the business environment, level of remuneration in other companies, and other factors so that such remuneration acts as an incentive to enhance corporate value.

- 3) Remuneration of Statutory Auditors is made up of only fixed basic remuneration, and the amount of remuneration for each Statutory Auditor is decided by consultation with the Statutory Auditors and is to be within the total remuneration limit approved at the General Meeting of Shareholders.

## Total Compensation for Directors and Statutory Auditors, Total Compensation by Type, and Number of Corresponding Executives (FY2020)

| Executive classification                                  | Total compensation<br>(Millions of yen) | Total compensation by type (Millions of yen) |         | Number of corresponding executives |
|---|---|--|---------|------------------------------------|
|   |   | Basic compensation                           | Bonuses |                                    |
| Directors (excluding Outside Directors)                   | 584                                     | 191  | 393     | 8                                  |
| Statutory Auditors (excluding Outside Statutory Auditors) | 13                                      | 13   | —       | 1                                  |
| Outside Directors and Outside Statutory Auditors          | 83                                      | 75   | 8       | 8                                  |

## 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 have voiced 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 to 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 First Section, we maintain a basic policy of ensuring that transactions with the

SBI Group are objective and apply 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 within 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.



### Establishing an 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 Department, 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 Department, 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.

### Policy and Status of Strategic Shareholding

The Company acquires and holds the shares of other companies when entering into business alliances or collaborations that are likely to contribute to the SBI Group's business development or to increase the Company's corporate value, and when it can be rationally expected that such collaborations will increase the corporate value of the other company, namely, when it can be expected that profits can be gained in the future by selling those shares. The Board of Directors annually examines the rationality and purpose of holding listed shares for strategic reasons. Specifically, this involves examining qualitatively whether the strategic shareholding contributes to strengthening or maintaining the relationship with the relevant parties, and quantitatively whether the dividend or profit from the business that the relevant parties are involved in is appropriate considering the capital cost to the Company. The Company will, in principle, move to sell shares if the rationality of the shareholding cannot be confirmed according to the aforementioned evaluation. In a certain case where the Company's shares are held by a strategic shareholder, it will not engage in economically unreasonable transactions that are detrimental to the joint corporate and shareholder interests with the relevant company. Moreover, if the owner of strategic shareholdings in the Company indicates the intention to sell the shares, it is the basic policy of the Company to respond appropriately and not take any action that would obstruct the sale, such as by indicating that business transactions with the holder will be reduced.

As of March 31, 2021 the Company was 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 venture capital funds, are in principle included as operational investment securities in the Company's Consolidated Financial Statements.

### 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](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 has designated an Officer in charge of risk management to ensure risks capable of inhibiting the Group's business activities are adequately comprehended, evaluated, and managed.

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

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

### Business Risk

#### Business Risk

For 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

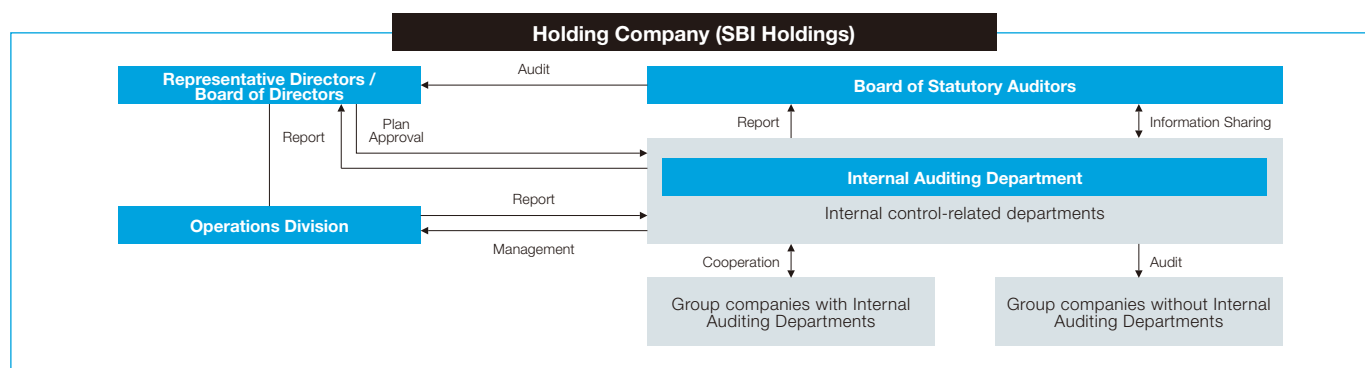
The Internal Auditing Department comprehensively and objectively evaluates the appropriateness of internal management conditions, such as the appropriate operation of internal control systems,

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 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 are made to relevant departments.

In addition, the Internal Auditing Department 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 to incorporate the requests of the Board into its auditing themes and selection of audit targets.

The Internal Auditing Department consists of a general manager and members with expert knowledge of internal auditing, accounting auditing, and internal control etc., and it conducts 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



## Auditor Viewpoints

### Further Strengthening and Elevating Corporate Governance in Preparation for Future Growth

As a Statutory Auditor, I hope to play an important role in the sustainable growth of the SBI Group using my fair and neutral standing to fulfill my responsibilities to stakeholders, and in particular, to shareholders.

Under the strong leadership of President Kitao, the Company, together with Group companies, has developed into a financial services powerhouse in Japan, especially in the financial services and asset management businesses. Amid the recent trend of greater focus on ESG and the SDGs, the Company will not be able to meet stakeholder expectations simply by pursuing its own profitability. At the same time while addressing these societal needs, everyone working for the Group must have high ethical values in accordance with the mission statement, particularly because the Group is involved mainly in the finance business. Therefore, human resource development and training will become even more important in the future.

To grow into a true leader in the Japanese finance industry, in name and in reality, the SBI Group must not only pursue proper profitability as a for-profit company, but also build upon its already strong corporate governance framework and engage in highly transparent corporate management.



**Minoru Tada**  
Statutory Auditor

### Aspiring to Strengthen Internal Control and Increase Corporate Value through Diversity

The SBI Group has adopted to be a company with a Board of Statutory Auditors framework to structure its corporate governance system. I believe this framework is functioning effectively through close collaboration between the Internal Auditing Department and the Accounting Auditors. On the other hand, the Group maintains many overseas business locations, which will likely increase in the future. As such, I recognize that we need to strengthen our governance framework further. With overseas travel restricted due to the COVID-19 pandemic, the Group may need to consider using external resources to accomplish this, such as local professionals, depending on the situation.

Also, one of the challenges facing the Group is working to promote greater diversity and inclusion. For example, the Company needs to make itself more diverse by actively promoting talented women to managerial positions to transition away from a male-dominated culture. Moreover, from a global perspective, management with a focus on the SDGs will become essential not just in Japan, but around the world.

The society is becoming more aware of the importance and need to strengthen corporate governance. For this reason, the role of Statutory Auditors will become even more important. I will continue to be committed to carrying out independent audits as an Outside Statutory Auditor.



**Yasuo Sekiguchi**  
Outside Statutory Auditor

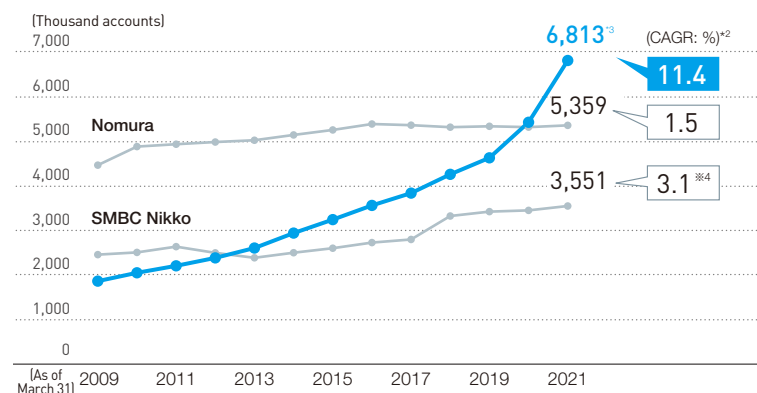
# SBI Group's Customer Value

## FINANCIAL SERVICES BUSINESS

### Customer Satisfaction Assessment of Financial Services Business Companies (As of June 30, 2021)



### Number of Accounts of SBI SECURITIES and Two Major Face-to-face Securities Companies<sup>\*1</sup>



<sup>\*1</sup> As of March 31, 2017, Daiwa Securities' number of accounts totaled 3,886 thousand accounts. Daiwa Securities has not disclosed its figures beyond April 30, 2017.

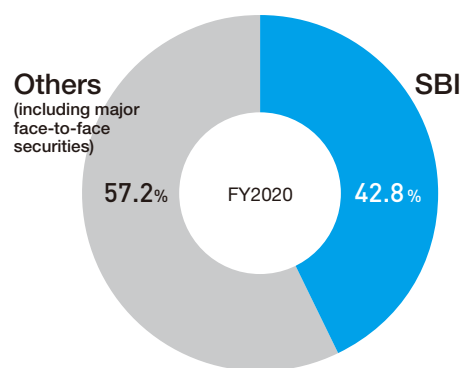
<sup>\*2</sup> June 2009 to March 2021

<sup>\*3</sup> From April 2019, includes SBI NEOMOBILE SECURITIES' accounts and from October 2020 includes SBI Neotrade Securities' accounts

<sup>\*4</sup> Merged with SMBC Friend Securities in January 2018

Sources: Each company's published information

### Share of Individual Stock Trading Value

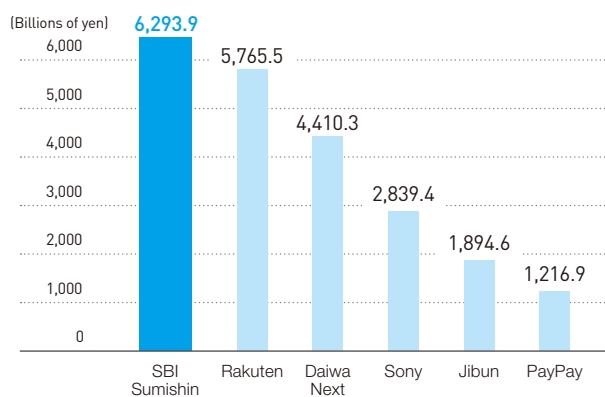


Note 1: Includes SBI NEOMOBILE SECURITIES' accounts and SBI Neotrade Securities' accounts

Note 2: 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

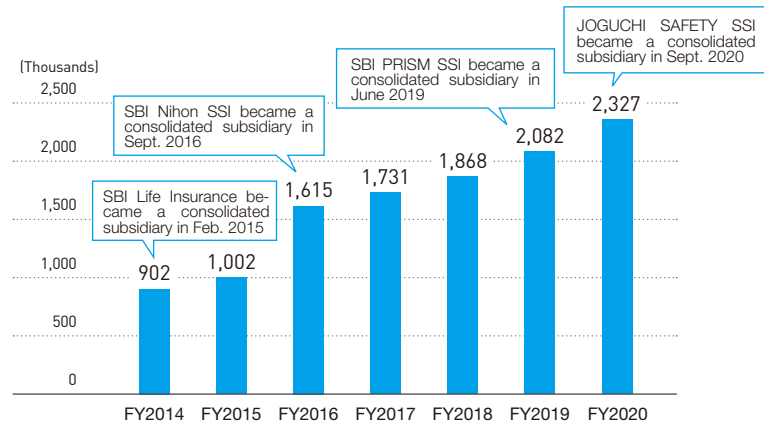
Sources: Tokyo Stock Exchange statistics; each company's published information

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



Sources: Each company's published information  
Note: As of March 31, 2021

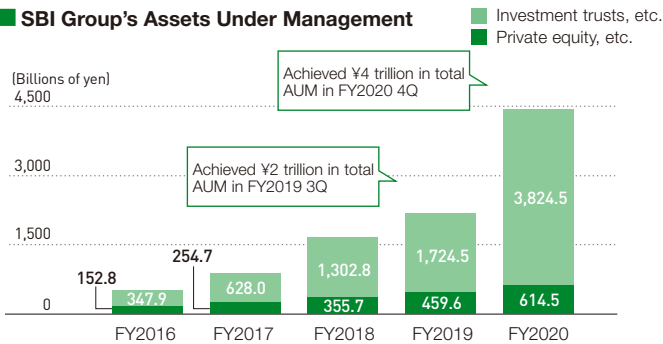
### Number of Contracts in SBI Insurance Group



Note: Simple sum of the number of contracts of SBI insurance, SBI Life Insurance, SBI IKIKI SSI, SBI Nihon SSI, SBI Resta SSI, SBI PRISM SSI and JOGUCHI SAFETY SSI

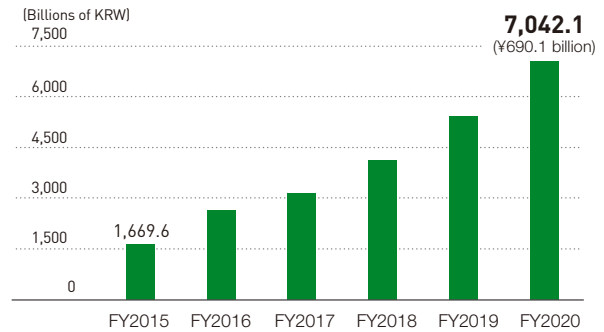
## ASSET MANAGEMENT BUSINESS

### 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 Retail Performing Loans at SBI SAVINGS BANK of South Korea



Note 1: Based on K-GAAP  
 Note 2: Conversion rate of 1 KRW = ¥0.098

### 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   |
| DIP Corporation                     | DIP Labor Force Solution Fund               | 9.0   |
| Sumitomo Mitsui Trust Bank, Limited | SuMi TRUST Innovation Fund                  | 5.0   |
| SUMITOMO LIFE INSURANCE COMPANY     | SUMISEI-SBI INNOVATION FUND                 | 8.0   |
| MEDIPAL HOLDINGS CORPORATION        | MEDIPAL Innovation Fund                     | 10.0  |
| Hankyu Hanshin Holdings, Inc.       | Hankyu Hanshin Innovation Partners Fund     | 3.0   |
| FUJITEC CO., LTD.                   | FUJITEC-SBI Fund                            | 5.0   |

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

### Investors in SBI 4+5 Fund

**124** companies

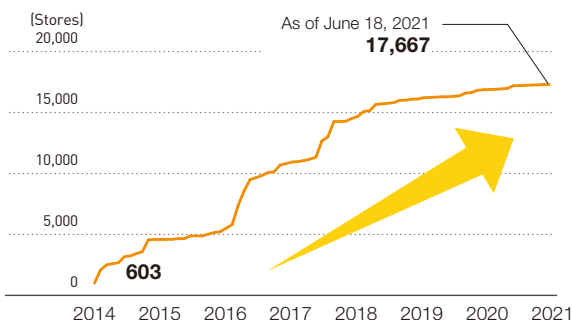
Of these, 41 are regional financial institutions  
 (As of April 30, 2021)

## BIOTECHNOLOGY, HEALTHCARE & MEDICAL INFORMATICS BUSINESS

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

**Over 40**  
 (As of March 31, 2021)

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



**Leading Drug Store Chains Started Selling 5-ALA Products**

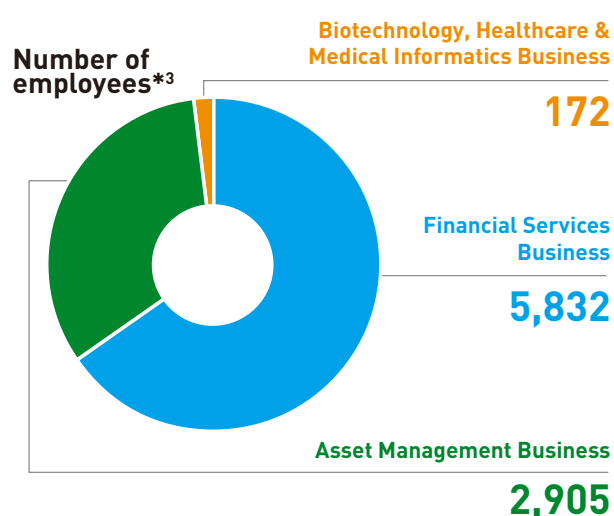
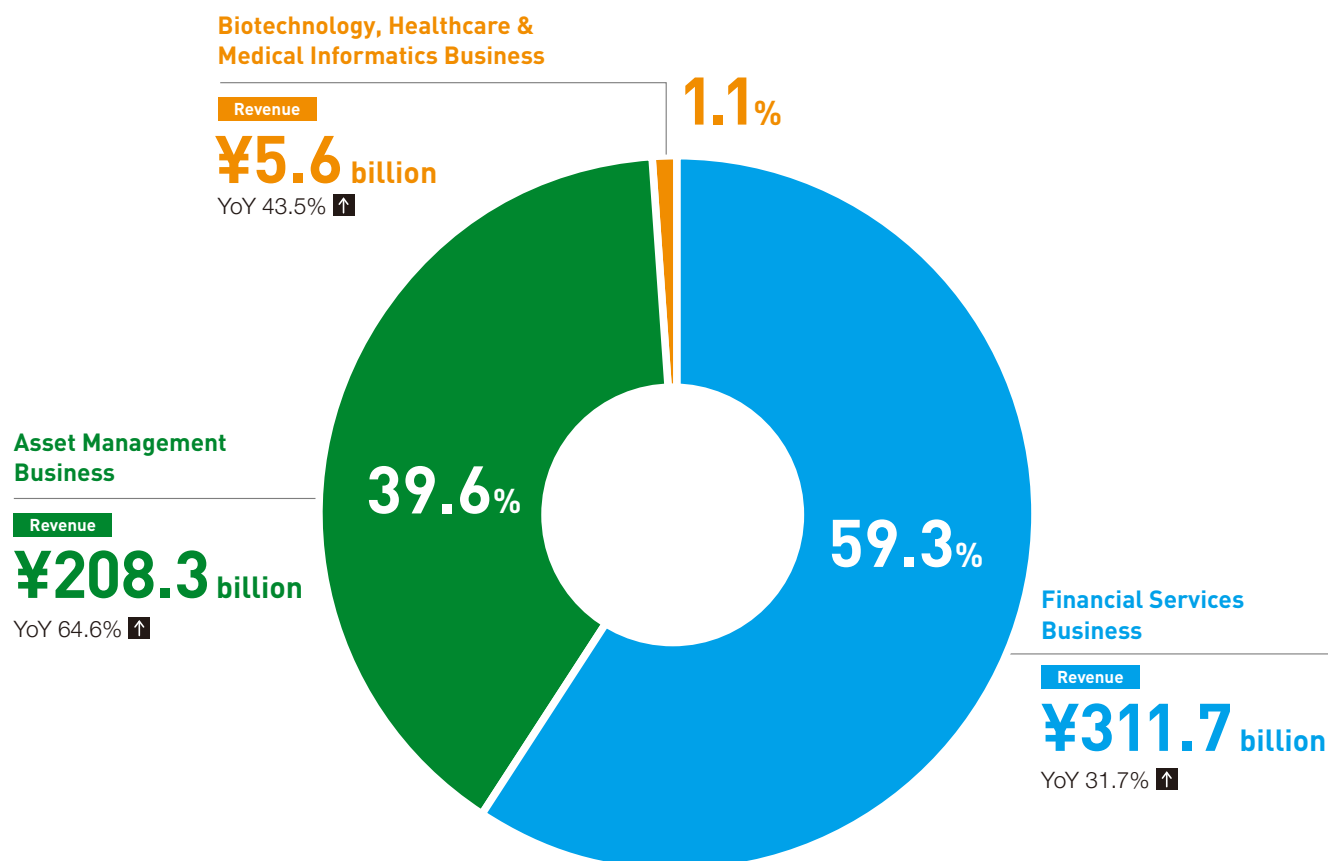
|                       |                    |
|-----------------------|--------------------|
| WELCIA YAKKYOKU       | 1,632 stores       |
| TSURUHA Drug          | 1,447 stores       |
| Matsumoto Kiyoshi     | 1,233 stores       |
| COSMOS Pharmaceutical | 1,084 stores       |
| cocokara fine         | 1,062 stores       |
| Sundrug               | 1,009 stores       |
| FUJIYAKUHIN           | Approx. 890 stores |
| Sugi Pharmacy         | 802 stores         |

## At a Glance

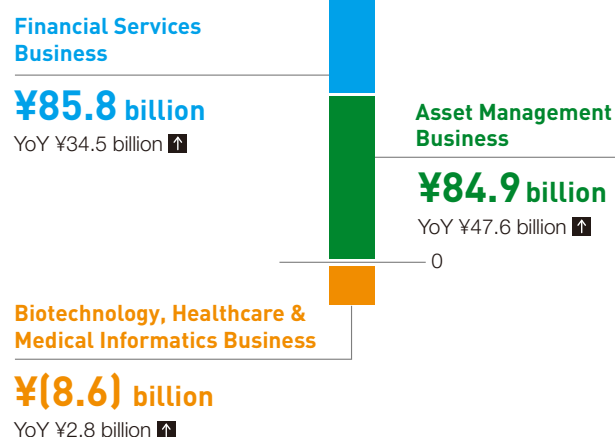
Overview of the SBI Group's Business Operations (FY2020)

# SBI GROUP AT A GLANCE

### Revenue breakdown by business segment\*1, 2



### Profit before income tax expense\*2



\*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, Healthcare & Medical Informatics Business

\*2 Owing to Group company segmentation realignments, the figures compared to FY2019, which reflect the relevant segment changes, are shown as year-over-year figures

\*3 Excludes 300 people, such as shared Group employees



## Financial Services Business



## Consumers and Investors Are Increasingly Preferring Online Engagement Due to Adoption of New Lifestyles

### The Environment Surrounding Financial Services Business

Online preferences of consumers and investors have increased as digital transformation (DX) progresses and as traditional ways of life have changed due to the COVID-19 pandemic. This has become a tailwind to the SBI Group's Financial Services Business. Looking ahead, greater growth opportunities are anticipated in contactless forms of businesses, such as online finance and payment systems.

#### Principal Companies

|                               |  |
|-------------------------------|--|
| SBI SECURITIES                | SBI Insurance Group<br>(insurance holding company) |
| SBI Liquidity Market (SBI LM) | SBI Insurance                                      |
| SBI FXTRADE (SBI FXT)         | SBI Life Insurance                                 |
| SBI VC Trade                  | SBI IKI IKI SSI                                    |
| SBI MONEY PLAZA               | SBI Nihon SSI                                      |
| SBI NEOMOBILE SECURITIES      | SBI Resta SSI                                      |
| SBI Neotrade Securities*      | SBI PRISM SSI                                      |
| Rheos Capital Works           | JOGUCHI SAFETY SSI                                 |
| SBI Benefit Systems           | SBI FinTech Solutions                              |
| SBI BITS                      | SBI Remit  |
| Japannext                     | SBI Business Solutions                             |
| Osaka Digital Exchange        | SBI Ripple Asia                                    |
| SBI Sumishin Net Bank         | Money Tap  |
| SBI FINANCIAL SERVICES        | B2C2   |
| SBI NEO FINANCIAL SERVICES    |  |

\*Formerly, livestar Securities

#### Principal Initiatives and Priority Measures in FY2020

##### > Securities-related Business

- Trading revenue recorded an all-time high owing to the synergistic effects of the entire SBI Group, including strengthened FX business and increases in trading revenue related to crypto assets and the sale of foreign bonds.
- Four companies were acquired through M&A as an initiative to diversify revenue sources to realize Neo-securities initiatives (concept of commission-free trade for domestic online transaction).
- Effectively eliminated commissions for those 25 and under to capture a greater share of younger customers, from April 2021.
- Strengthened stock and bond underwriting, maintained the top position in the industry in terms of IPO underwriting share, and recorded high of 15 lead managed underwritings.

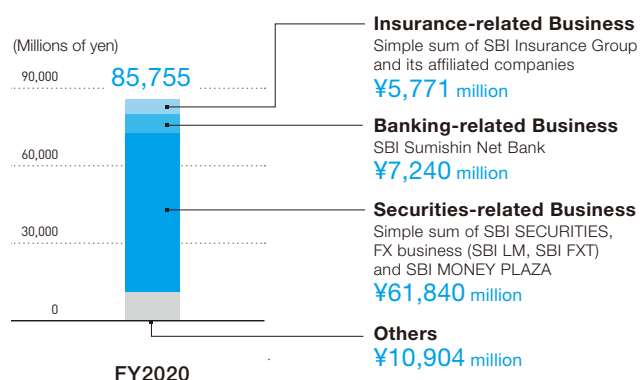
##### > Banking-related Business

- As the second part of the Neo-bank initiatives, T-Money launched a banking service for T-Point members called "T NEOBANK" in March 2021.
- Began selling housing loans as a new agent for banks, including THE SENDAI BANK and The Fukushima Bank, and three companies, including Anabuki Insurance and LIXIL Housing Research Institute.
- Developed a new consortium-type AI screening model to provide AI screening services for transactional lending.

##### > Insurance-related Business

- Through the acquisition of JOGUCHI SAFETY SSI in September 2020, a total of more than 2.3 million in-force contracts for all SBI Insurance Group companies.
- In January 2021, The Shimane Bank and SBI Life Insurance became founding members and jointly established the General Incorporated Association Zenkoku Danshin Suishin Kyokai. Began providing a joint scheme of group credit life insurance to financial institutions that transcends the boundaries of business categories and regions.

### FY2020 Profit before Income Tax Expense of the Major Businesses by Business Area (Based on IFRSs)



## Asset Management Business



# The Venture Capital Business Contributed to Strong Performance as Certain Managed Funds Moved into the Harvest Phase

## The Environment Surrounding Asset Management Business

With stock markets around the world seeing contrasting performance due to the spread of COVID-19, greater attention is being placed on the development of cutting-edge technologies, driven by the momentum for developing remote work environments and promoting DX. The SBI Group is establishing financial subsidiaries in regions such as Southeast Asia and Europe, where future growth is anticipated, and will endeavor to further expand profits of overseas businesses, to diversify various risks, including country risk, by establishing funds with prominent overseas partners.

### Principal Companies

|   |  |
|---|--|
| 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 | PT BNI SEKURITAS                             |
| SBI Ventures Malaysia                         | SBI LY HOUR BANK                             |
| SBI GLOBAL ASSET MANAGEMENT                   | SBI Regional Revitalization Asset Management |
| Morningstar Japan                             | SBI Regional Bank Holdings                   |
| SBI Asset Management                          | SBI Estate Finance                           |
| Carret Asset Management                       |  |
| SBI Bond Investment Management                |  |

### Principal Initiatives and Priority Measures in FY2020

#### > Venture Capital Business

- IPOs of the investee companies from major funds began to appear one after another and contributed to strong performance. In FY2020, 19 companies were taken public under an IPO and 3 companies were subject to M&A. Fintech and AI-related companies experienced substantial growth, including Cacco Inc., KOKOPELLI Inc. Kaizen Platform, Inc. and WealthNavi Inc.
- Commenced full-fledged investments of "SBI 4+5 Fund" (Official name: SBI 4&5Investment Limited Partnership, SBI 4&5 Investment Limited Partnership No.2), with funds on the scale of ¥100 billion, from April 2021, making it one of the largest venture funds in Japan\* and which primarily targets investments in 5G, IoT, and big data contributing to "Society 5.0 for SDGs."
- The CVC (Corporate Venture Capital) Fund, which started operation in 2016, has steadily accumulated committed investments and total committed amount to reach ¥100 billion.

\* As of April 2021, according to the Company's research

#### > Overseas Financial Services Business

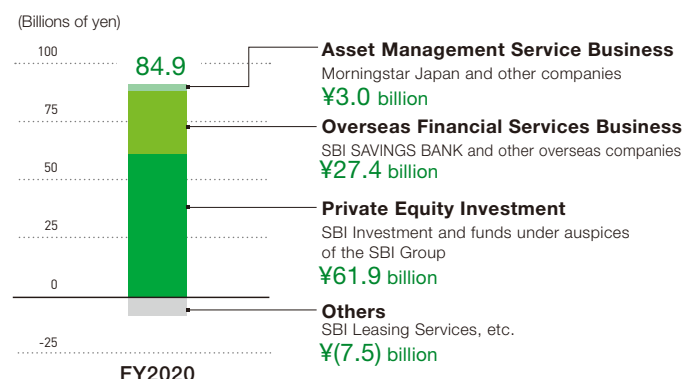
- SBI SAVINGS BANK in South Korea recorded historical high profit as it steadily expanded its basic revenues while keeping expenses in line with the expansion of its high-quality assets, contributing as a stable source of profit for the Asset Management Business.
- Overseas financial subsidiaries such as SBI Bank in Russia, which became a wholly-owned subsidiary from August 2017, SBI Thai Online Securities, the first dedicated Internet securities brokerage company in Thailand, and SBI LY HOUR BANK in Cambodia, turned a profit in FY2020, contributing to strong earnings performance.

#### > Asset Management Service Business

- Total assets under management of SBI Bond Investment Management (co-founded with PIMCO of the U.S., one of the world's largest bond investors) and SBI Regional Revitalization Asset Management, which is co-invested by 39 regional financial institutions, exceeded ¥2.0 trillion as of July, 2021.
- SBI Asset Management Group's net asset inflow from privately placed investment trusts reached ¥1.1 trillion (April 2020 to March 31, 2021) and ranked fourth among all 89 asset management companies.
- "SBI-V·S&P500 Index·Fund", established jointly with Vanguard of the U.S., one of the world's largest investment managers, broke through ¥250 billion in net asset balance on July 6, 2021.

\* Change of name from "SBI-Vanguard·S&P500 Index·Fund" as of June 15 2021

## FY2020 Profit (Loss) before Income Tax Expense of the Major Businesses by Business Area (Based on IFRSs)



## Biotechnology, Healthcare & Medical Informatics Business



## Promoted Selection and Concentration of Business Based on Advancements in Research and Development

### The Environment Surrounding Biotechnology, Healthcare & Medical Informatics Business

Amid growing awareness toward health following the spread of the COVID-19 virus, the SBI Group is accelerating the development of new foods with function claims using 5-ALA. In addition, the SBI Group considers the medical informatics field to be a new pillar of future business growth because of the low degree of accuracy of medical statistical data as well as the need for the digitalization of medical data and utilization of big data.

#### Principal Companies

SBI ALApharma  
SBI Biotech  
Quark Pharmaceuticals ("Quark")  
SBI Pharmaceuticals  
SBI ALApromo  
photonamic  
NX Development Corp.  
SBI ALApharma Canada  
Photonics Healthcare  
Medical Data Vision

#### Full-year Profit (Loss) before Income Tax Expense of the Biotechnology, Healthcare & Medical Informatics Business (Based on IFRSs)

(Millions of yen)

|   | FY2019  | FY2020  |
|---|---------|---------|
| SBI Biotech                                   | 16      | (278)   |
| Quark Pharmaceuticals                         | (7,668) | (4,234) |
| SBI Pharmaceuticals                           | (1,272) | (1,726) |
| 5-ALA related business                        |         |         |
| SBI ALApromo                                  | 193     | 348     |
| photonamic                                    | 173     | 71      |
| Medical Data Vision (Equity method affiliate) |         | 36      |

#### Principal Initiatives and Priority Measures in FY2020

- The segment name has changed to "Biotechnology, Healthcare & Medical Informatics Business" from Q3 FY2020 after entering the medical informatics field by acquiring Medical Data Vision Co., Ltd. as an equity method affiliate.

#### > SBI Biotech

- Making steady progress with the development of out-licensed pipeline drugs and achieved the milestone for SBI-9674 licensed out to Kyowa Kirin in 2016.

#### > Quark Pharmaceuticals

- Decision were made to withdraw from the business
- Froze new development and promoted greater cost reductions including rightsizing the workforce for the minimum necessary business size.
- Prioritizing the sale of its stock, the company commenced negotiations with multiple candidates. The company is also looking to sell off its intellectual properties at the same time.

#### > 5-ALA-related business

- SBI Pharmaceuticals completed phase III clinical trials for mitochondrial diseases in April 2021.
- SBI Pharmaceuticals and photonamic cooperated with a joint trial with Royal College of Surgeons in Ireland and Medical University of Bahrain for the use of 5-ALA in COVID-19 patients as well case study at Showakai Medical Corporation Hanzomon Gastrointestinal Clinic.
- SBI ALApromo rapidly increased sales of 5-ALA related products following growing health consciousness due to COVID-19.

#### > Medical Data Vision Co., Ltd.

- Entered into the medical informatics field by acquiring Medical Data Vision Co., Ltd. as an equity method affiliate in November 2020.

#### 5-ALA related Products

##### Ethical drug



ALAGLIO®  
Divided Granules 1.5g

##### Health foods and cosmetics



ALA PLUS  
Gold EX



ALA PLUS Tou  
(Sugar) Down



ALA PLUS Fukai Nemuri  
(Deep Sleep)



ALA PLUS  
Karada Active



ALA PLUS  
Karada Shape



ALA PLUS  
Cosmetic Series

Note: Products sold as of the end of June 2021

**Takashi Nakagawa**Representative Director,  
Senior Executive  
Vice President

### Approach to Human Resources

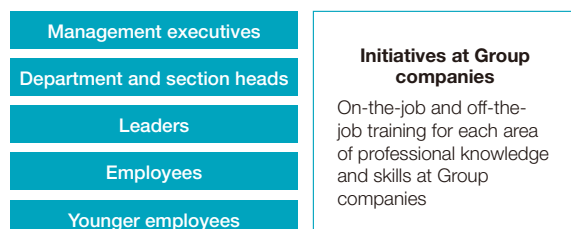
The SBI Group considers people to be the source of its creativity and the main driver of differentiation that becomes a competitive advantage. In 2018, the Group established a system that makes it possible to offer salary and working arrangements that differ from those under the existing employment framework, believing that going forward it will be even more important to recruit and retain highly skilled personnel responsible for work requiring specialized expertise.

We are also working on training employees to understand and put into practice the management philosophy of the SBI Group and corporate culture based on the fact that more than 90% of our employees are mid-career hires. Continuous training is provided so that employees can implement initiatives with Group-wide synergies in mind, rather than having a myopic view focused on their own departmental work. Moreover, through books written by President Kitao on his own management theories and corporate philosophies, we seek to improve the education of employees in anthropology and business administration, thereby fostering a sense of unity within the Company and promoting mutual communication. 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.

### Diversity and Inclusion

We believe that to remain as a company that innovates without getting caught up in preconceived notions requires an environment in which diverse human resources can fully demonstrate their potential and stimulate each other to grow, regardless of gender, nationality, race, or other attribute. The SBI Group operates in 23 countries and territories, and 39.1% of our employees work at overseas business sites. We also maintain a consistent stance of actively appointing and promoting superior talent regardless of innate attributes, and currently, 12.6% of our executive officers are women.

### The SBI Group's Personnel Development Process



### Boosting Employee Evaluations and Growth

The policy of rewarding those who succeed and promoting those with good sense and judgment runs through our organization, and we emphasize both the process as well as the results. 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.

When training our personnel, in addition to on-the-job training for each area of professional knowledge and skills at Group companies, we provide training at the SBI Graduate School, which opened in 2008 with the full support of the SBI Group. For employees who aspire to become senior managers, we have established completion of the SBI Group Senior Manager Training Program as a requirement for promotion, and for employees wanting to study a wider range of management subjects, we have established a program of dispatching them to SBI Graduate School. As of March 31, 2021, 132 individuals have obtained MBA degrees through this program.

### The Work Style of the SBI Group

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 addition to providing opportunities for self-actualization, we have introduced a career opening system for the purpose of 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 through this system, and so far 150 employees have utilized it to make career changes to date.

We are also working on improving operational efficiency and productivity. The SBI Group is actively proceeding with Group-wide introduction of robotic process automation (RPA), automating various routine business processes. In addition, we have established a maternity leave/childcare leave system and a system for returning to full-time employment. On a domestic consolidated basis, 96.1% of female employees have taken childcare leave, and on a non-consolidated basis, 7.1% of male employees have taken childcare leave. We are also working to create a flexible working environment that respects individual differences and are promoting the utilization of remote work, staggered working hours, and vaccination of employees and their family members in the workplace to prevent the spread of COVID-19 during the pandemic to create an environment where people can work with peace of mind.



## STAFF VOICE

### Attempts at Self-transformation and What Lies Ahead

Experience the SBI Group Human Resource Development System

I took advantage of the SBI Group's program for dispatching employees to the SBI Graduate School and obtained my MBA. One of the biggest results of taking a step away from the job and learning management theory was that I can now look at my daily tasks from a management perspective. A significant change for me was that I have adopted an attitude to ask myself how I should contribute to society as a member of society. Additionally, as opposed to a regular graduate school, the school assumes that students will be able to balance the curriculum with work, so another notable change was that I became more conscious of my time. The experience of looking for better ways to spend my time while coming up with ideas to secure more quality time has had a positive impact on the way I approach my job. I also feel that I have developed deep relationships with my fellow students who have been with me during the hard two-year journey, and continuing to interact with them, even to-day after graduating, has been a good stimulus for me.



**Yuji Saita**  
Executive Officer and  
General Manager of Corporate Planning Dept.  
SBI Insurance Group

### A Flat Work Environment Where You Can Challenge at Your Own Volition

Promoting the Appointment of Human Resources Regardless of Age or Gender

Since joining the Company, I have been responsible in the Corporate Communications Department for internal and external public relations, including top management, while continuously building relationships with the media. I believe the SBI Group is a company that carries out personnel development and promotes employees early to managerial positions, taking into account the career and work performance desired by the employee, regardless of gender or other factors. After my child was first born, I took advantage of the shorter working hours for childcare to balance work with raising my child and returned to work after maternity leave. I feel that the reason why women are able to work on achieving the same results as before returning to work despite the time constraints is because there is a culture of understanding and cooperation that permeates the whole Company.

One of the SBI Group's corporate missions is "Continual Self-Evolution," and I hope to take part in the SBI Group's ongoing evolution as a pioneer in the Japanese financial sector through my work.



**Ayumi Takeuchi**  
Executive Officer and General Manager  
of Corporate Communication Dept.  
SBI Holdings

## Employee Data

| Consolidated                                       |  | FY2018 | FY2019 | FY2020 |
|--|--|--------|--------|--------|
| Employee status                                    |  | 6,439  | 8,003  | 9,209  |
| Percentage of employees at overseas business sites |  | 26.2%  | 35.4%  | 39.1%  |

| Status of Employment of Women |  | FY2018 | FY2019 | FY2020 |
|-------------------------------|--|--------|--------|--------|
| Consolidated                  | Number of female employees                   | 2,854  | 3,393  | 3,898  |
|                               | Ratio of female employees                    | 44.3%  | 42.4%  | 42.3%  |
|                               | Number of female executive officers          | 3      | 5      | 13     |
|                               | Ratio of female executive officers           | 4.5%   | 6.0%   | 12.6%  |
| Domestic consolidated         | Number of women hired*                       | 283    | 367    | 750    |
|                               | Ratio of women among regular employees hired | 21.0%  | 22.9%  | 32.1%  |
|                               | Number of female managers                    | 180    | 219    | 262    |
|                               | Ratio of female managers                     | 14.9%  | 16.5%  | 16.0%  |

| Domestic Consolidated            |  | FY2018     | FY2019     | FY2020     |
|----------------------------------|--|------------|------------|------------|
| Average years of service (men)   |  | 6.6        | 6.6        | 5.2        |
| Average years of service (women) |  | 5.4        | 5.5        | 5.1        |
| Average annual salary (men)      |  | ¥7,913,266 | ¥7,997,157 | ¥6,617,207 |
| Average annual salary (women)    |  | ¥4,927,172 | ¥4,885,217 | ¥4,959,279 |
| Turnover rate*                   |  | 16.6%      | 14.2%      | 23.2%      |

\* The method of calculation changed between FY2018 to FY2020, so there may be no continuity.

| Non-Consolidated                                   |  | FY2018     | FY2019      | FY2020     |
|--|--|------------|-------------|------------|
| Average monthly non-statutory working hours        |  | 20hr 50min | 18 hr 01min | 15hr 19min |
| Ratio of annual paid leave taken                   |  | 63.2%      | 69.8%       | 60.9%      |
| Ratio of employees administered a stress test      |  | 98.9%      | 98.9%       | 97.5%      |
| Ratio of childcare leave taken by female employees |  | 100%       | 100%        | 100%       |
| Ratio of managers of foreign nationality           |  | 14.0%      | 12.3%       | 12.3%      |
| Ratio of mid-career hires among management         |  | 82.6%      | 81.5%       | 84.4%      |



## Striving to be a Highly Virtuous Company

Our stakeholders are not just customers, shareholders, and employees. Consumers, business partners, and the community at large are also among our stakeholders. That is precisely why the SBI Group must recognize the social nature of corporations and contribute to the maintenance and development of society. To do this we think that it is essential to earn social credibility while operating our businesses.

The SBI Group uncompromisingly engages in customer-oriented businesses in accordance with the “Customer-centric Principle” and develops its business in such a way as to earn social trust.

Just as there are human virtues, we believe that there are corporate virtues. To harmonize corporate management with society, we need to enhance our corporate virtue by recognizing our social role and earning the trust of society. Going forward, the SBI Group will seek to continuously improve its corporate value and while also increasing its social value by further deepening relationships of trust with all stakeholders and promoting mutual development.



### Customers

The SBI Group has set forth the “Customer-centric Principle” as its core management principle for business development and has put customer benefits first in its business activities. In addition, the Group has built one of the world’s first Internet-based financial ecosystems, in which non-face-to-face transactions are characteristic between the service providers and consumers. It is precisely for this reason that the Group has made various considerations to allow customers to complete transactions with peace of mind and a sense of trust, including thorough protection of personal information.

### Employees

As a comprehensive corporate group that innovates without getting caught up in pre-conceived notions, we have implemented various measures such as the provision of open employment opportunities and the establishment of a robust educational system that includes a program for dispatching employees to the SBI Graduate School. In addition, through the realization of a fair evaluation and compensation system that rewards ambition and performance, we train employees to develop and pass down a unique corporate culture and to promote fostering a healthy work ethic.

### Local communities

The foundation of the SBI Group’s business is the belief that without society, companies cannot thrive, and without companies, society cannot thrive. In other words, companies can only exist in society and cannot exist apart from society. At the same time, companies are an important component of society, and achieving a rich society would be difficult without companies. We will work to find solutions to social issues through our core business activities in a variety of different ways, thereby contributing to the maintenance and development of society.

### Shareholders and Investors

We are engaged in sound and highly transparent management by actively disclosing information to shareholders and investors, communicating through general meetings of shareholders and financial results briefings, and striving to build better relationships. In addition to the self-growth and self-propagation of listed companies and manifestation of Group corporate value through the initial public offerings of unlisted companies, we will increase shareholder value through M&As, joint ventures, strategic alliances, and other such efforts.

### Partners (suppliers)

The SBI Group is promoting open alliances in which Win-Win relationships are formed through partnerships with many non-Group companies across a variety of industries. Through these open alliances, we will collaborate with diverse partners to create a system that can provide comprehensive services to meet the diverse demands of various customers, which cannot be achieved by a single company.

### Global environment

The SBI Group recognizes the importance of long-term coexistence between society and the natural environment, and that environmental issues have an impact on, and present both risks and opportunities to organizations and society. The SBI Group Environmental Policy has been established based on this recognition. Based on this policy, we will continue to contribute to the maintenance and development of a sustainable society through our business activities.

### TOPIC

### Contributing to revitalizing the local economy by utilizing digital regional currencies

The SBI Group has supported the issuance of digital currencies in several regions to date in order to promote regional revitalization and for revitalizing local economies through the use of blockchain/distributed ledger technology (DLT). Specifically, we have worked to support the issuance of the “TOKOWAKA Coin” at the Munakata International Conference on the Environment and the digitalization of premium gift certificates in eight locales, including Ukiha City in Fukuoka Prefecture. In May 2021, SBI Holdings, Kyushu Electric Power, and THE CHIKUHO BANK jointly established Machi no Wa Co., Ltd. This company will provide services to issue and operate local currencies and electronic premium gift certificates, etc., by utilizing the DLT-based local information platform of R3, a U.S. company in which the Group has invested, to promote the digitization and revitalization of regions by utilizing the knowledge, expertise, and resources of the SBI Group.



## Contributing to Revitalization of Regional Economies through a Business Model that Integrates Banking and Securities Services



**Mitsuhiro Enomoto**

Manager  
THE SENDAI BANK  
SBI MONEY PLAZA  
ISHINOMAKI

I was dispatched by SMBC Nikko Securities to THE SENDAI BANK SBI MONEY PLAZA ISHINOMAKI, which is jointly operated by THE SENDAI BANK and SBI MONEY PLAZA. I utilize the knowledge I have cultivated in securities sales activities to offer customers more advanced financial services. My image of the SBI Group was initially that it was a leader in online securities with low stock trading commissions. However, during the course of the collaboration, this view has changed so that I now see the SBI Group as a corporate group with a system that is capable of meeting all the financial needs of customers, having companies across all lines of business related to finance within the Group.

I have also learned a great deal from the deep ties between the SBI Group and regional financial institutions. The partnership between SBI MONEY PLAZA and regional financial institutions provides local customers with better management opportunities and regional financial institutions with expanded business opportunities, while the SBI Group brokers through the provision of various financial services. I feel that this bank and securities company collaboration is an excellent business model that benefits all parties. I will strive to contribute to the business as well as to the revitalization of the regional economy by continuing to leverage the knowledge that I have accumulated.

## Producing Professional Human Resources with “Human Being Power”

I lecture on subjects in the fields of strategic marketing, global business, business planning at the SBI Graduate School. The distinctive characteristics of the SBI Graduate School include its implementation of an education system that utilizes the Internet (e-learning) since its opening in 2008, its emphasis on practical learning (such as business administration) and resourcefulness (moral education) based on Chinese classics and leadership, and its practical curriculum that nurtures entrepreneurship while taking advice from outside venture capitalists.

Through this education, the SBI Graduate School works to produce professional human resources who have mastered practical learning backed by theory and who are equipped with the ethical values and resourcefulness required of businesspeople who are capable of demonstrating leadership in a global society. In addition, by utilizing e-learning, we have removed the limitations of time and place to provide opportunities for people living in rural areas and even outside of Japan to further expand their careers, life choices, and perspectives. I believe that it is important that those of us on the faculty grow together with the students while striving to contribute to regional growth and development of domestic and foreign industries, as well as to the realization of an affluent and harmonious society through human resource development via e-learning.



**Aiho Hosonuma**

Professor,  
SBI Graduate School

## Striving to Contribute to a Better Society through Educational Activities Related to ESG Investment



**Hiroyuki Miyamoto**

Executive Officer  
General Manager of Equity  
Analysis Dept.  
Morningstar Japan

We operate a website called “Comprehensive Guide to ESG/SDGs,” and I oversee educational activities for individual investors by creating and publishing articles and data on topics such as ESG investment by domestic investment institutions. In addition, our “Fund of the Year” recognizes funds with excellent investment performance and management, and we have established an ESG category to promote recognition in the industry. We believe that providing education on ESG investment through these efforts, particularly to individual investors, will help to establish an environment in which companies that emphasize ESG will be prioritized for investment and that this will, in turn, lead to indirectly supporting corporate ESG initiatives.

Group-wide, we are engaged in initiatives to contribute to increased adoption of ESG and SDGs. For example, our subsidiary SBI Asset Management manages “the SBI Global ESG Balanced Fund,” which selects stocks through the filter of ESG emphasizing the environment in particular.

Currently, institutional investors are the primary focus on the concepts of ESG and SDGs investment, but we hope to continue carrying out activities to spread awareness of the importance among individual investors and to leverage the leading position of the Morningstar Group in the field of ESG to tie them into further growth in this field.

# Solving Challenges for the Maintenance and Development of Society

## Efforts for Sustainable Coexistence with Society

### Basic Approach

The SBI Group contributes to the maintenance and development of society while seeking harmony with various stakeholders as constituent members of society. The basis for this approach is not motivated by profits, but rather by the 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 section 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 jointly 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 outlined in the SDGs. In 2021, the Group company SBI Sumishin Net Bank announced its "Sustainability Declaration" targeting at the achievement of certain SDGs. The Group will continue to embrace the SDGs and respect other international norms, always engaging in business activities from a global perspective.



| Main areas   | Example of efforts  | Social challenges (SDGs) |
|--|---|--------------------------|
| <b>Contributing to society through main business activities</b><br><br>By conscientiously recognizing the challenges facing the global society, we will contribute to the realization of a sustainable society through our businesses. | <ul style="list-style-type: none"> <li>Contributing directly to regional revitalization by promoting local economic stimulation (→page 14)</li> <li>Contributing to the fostering of new industries and technological innovation</li> <li>Contributing to the medical and healthcare needs of people through the Biotechnology, Healthcare &amp; Medical Informatics Business</li> <li>Efforts toward solving poverty in emerging countries</li> <li>Propagating renewable energy and regional development</li> </ul> |                          |
| <b>Direct social contribution</b><br><br>We will contribute to the maintenance and development of society through direct social contribution activities, by returning profits gained through our businesses to society.                | <ul style="list-style-type: none"> <li>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.</li> <li>Support for abused children (SBI Children's Hope Foundation)</li> <li>Nurturing talented individuals through the SBI Graduate School so they may energize the economy and society in Japan and around the world</li> </ul>                                |                          |
| <b>Enhancement of management foundation</b><br><br>We aspire to become a company with "Corporate Virtue," through the appropriate and effective execution of our businesses.   | <ul style="list-style-type: none"> <li>Strengthening corporate governance (→page 30)</li> <li>Securing and nurturing talented individuals (→page 42)</li> <li>Environmental conservation initiatives (→page 49)</li> </ul>  |                          |



## Examples of Contributing to Society through Business

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



The business climate confronting regional financial institutions is expected to remain challenging, so the SBI Group has built close working relationships with Japan's regional financial institutions over the past four years. We will support these regional financial institutions through regional revitalization projects that give back to local communities by promoting initiatives seeking to further strengthen the profitability of regional financial institutions going forward. If the asset management capabilities and product development capabilities of regional financial institutions improve because of the utilization of the SBI Group's wide-ranging operational resources, these institutions will be able to contribute to the steady accumulation of assets 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. Since the Group was founded, we have made focused investments in growth sectors that will become next generation core industries, such as IT, biotechnology, environment, energy, fintech, AI, and blockchain. In particular, we have set up funds in the IT sector, where technological advancements are rapid, that target key investment sectors in response to changes in the times and technology. In 2000, we established a venture capital fund that was the largest in Japan at the time (¥150.5 billion in total), 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. This culminated in April 2021 with the launch of the SBI 4+5 Fund, one of Japan's largest

venture capital funds with a total commitment of ¥100 billion.

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. (→page 17)

### Contributing to the Medical and Healthcare Needs of People through Biotechnology, Healthcare & Medical Informatic Business



The SBI Group established its presence in the biotechnology sector in 2003 by investing in and supporting companies in this sector and has since established multiple funds to invest in and nurture promising startup companies and has supported other companies in the fields of life science, healthcare, and biotechnology. We will continue to actively invest in these fields, as interest is further heightened, owing to the COVID-19 pandemic.

In addition, the SBI Group has been engaged in the Biotechnology, Healthcare & Medical Informatics Business, through which we are helping to improve people's health and beauty primarily through the development and marketing of pharmaceuticals, health foods, and cosmetics using 5-Aminolevulinic Acid (5-ALA).

### 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.

## Examples of Direct Social Contribution Efforts

### Supporting Abused or Neglected Children



The SBI Group has been actively engaged in direct social contributions to return to society some of the profits earned through its businesses. In 2010, the SBI Children's Hope Foundation was authorized by the Office of the Prime Minister of Japan as a Public Interest Incorporated Foundation. The Foundation undertakes activities to support abused or neglected children to become self-reliant, and to improve their welfare. Its wide range of activities include the donation of funds to improve conditions at facilities that care for abused or neglected children, and the provision of practical training programs for care providers at the facilities. As of the fiscal year ended March 31, 2021, the cumulative donations amounted to approximately ¥1,080 million. The Foundation also supports the Orange Ribbon Campaign for prevention of child abuse, and officers and employees of the SBI Group are engaged in public awareness campaigns.

### Contributing to Health Management



SBI Wellness Bank, which provides membership-based health management support services, is partnered with, and supports the operation of Tokyo International Clinic. The Clinic provides safe, high-quality medical care services, centering around premium comprehensive medical examinations across a wide range of medical fields, including internal medicine (cardiovascular, digestive organs, respiratory disease, endocrine), cranial nerve surgery, gynecology, breast surgery, dentistry, and plastic surgery. Furthermore, the Clinic is promoting optimal medical care for patients by establishing a framework for medical collaboration with the University of Tokyo Hospital and other institutions. SBI Wellness Bank cooperates with the Clinic to contribute to more proactive health management, by putting forward a total package covering the three areas of preventive care, medical treatment, and age management.

## Providing a Stable and Fair Marketplace Exchange

### Contributing to the development of Japan's PTS exchanges

The sustainable growth of capitalist society requires the establishment of a stock marketplace that allows for stable and fair marketplace exchange transactions. However, Japan's stock exchanges have yet to fully develop such a platform.

For example, in the United States, public exchanges such as the NYSE and NASDAQ account for only just over 50% of the total stock trading volume, and transaction costs are trending downward due to market competition from proprietary trading system (PTS) operators. Meanwhile, in Japan, as end of March 2021, there are only two PTS operators (Japannext Co., Ltd. and Chi-X Japan Limited), and combined they account for only some 8% of trading volume. By comparison, the Tokyo Stock Exchange (TSE) accounts for approx. 92% of trading volume.

A cited reason a PTS has yet to penetrate Japan is due to agency rules for trade orders (best execution policy). Each brokerage firm, following the rules stipulated in Japan's Financial Instruments and Exchange Act, is required to execute customer orders in the market with the best conditions, considering price, cost, and speed, among other factors. However, these criteria are left to the discretion of each brokerage company, but many believe that the TSE, with its large trading volume, is the best choice for execution. As a result, PTS alternatives are not currently actively utilized. In other words, in Japan, even if a PTS presents the best price (indicative quote), generally the transaction will be executed on the TSE unless the investor provides instructions to do otherwise. In the U.S., however, orders are sent to all markets including PTSs, and executing an order using another exchange while ignoring the best indicative quote is prohibited.

The SBI Group believes that this best execution policy needs to be revised in order to provide more fair opportunities to investors in Japan's market transactions. In addition, by developing the PTS as an alternative exchange in Japan and developing an environment for competition with commercial exchanges such as the TSE, the SBI Group believes that it will be possible to provide truly customer-centered services in compliance with fiduciary duty to the investment community. This is a manifestation of SBI Group's basic philosophy under its "Customer-centric Principle." Our specific initiatives to date include the establishment of Japannext Co., Ltd. in November 2006, an affiliate under the equity method, and Osaka Digital Exchange in April 2021 which is scheduled to become the third PTS in Japan.

### Establishing Osaka Digital Exchange (ODX) to Invigorate the ST Market

ODX was established through joint investment from the SBI Group and SMBC Group (Investment ratio 6:4) and will first handle equity transactions in the spring of 2022, and then, from 2023, plans to begin handling security tokens (ST), the next generation of financial products.

ODX was established to play a role as the first ST exchange in Japan. To develop the market for STs, both a primary mar-

ket for token issuance and a secondary market for token trading are necessary. ODX will provide these functions, which will increase financing options for companies and invigorate Japan's capital markets.

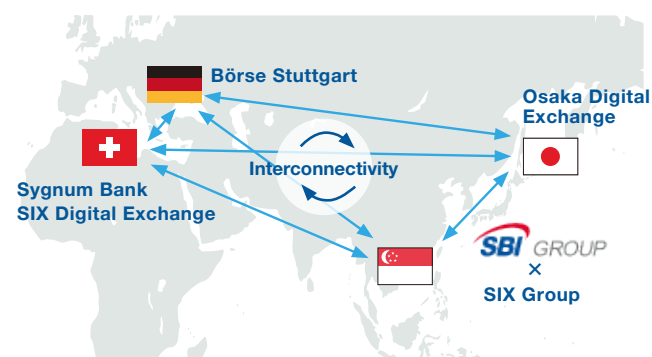
In addition, by interconnecting with the Börse Stuttgart Group (Germany) and the SIX Group (Switzerland), in which the SBI Group has a stake in, the SIX Group (Switzerland), and the digital exchange in Singapore that is established together with the SIX Group, the SBI Group endeavors to establish one of the world's largest digital asset corridors.

Today, Hong Kong-based investors and asset managers are exploring new financial bases given the geopolitical situation in Asia, including concerns over the collapse of the "one country, two systems" in Hong Kong. They require an alternative international financial center to Hong Kong in Asia, and the SBI Group is now working to crystallize such a concept in Osaka and Kobe. The Kansai region was selected not only to avoid overconcentration in Tokyo, but also to revitalize the local economies west of Kansai as an initiative for vitalization of the regional economy as part of the SBI Group's initiative to promote regional revitalization. ODX and Dojima Exchange, changed into a joint stock company in April 2021, and will form the heart of this next generation international financial center.

The SBI Group is also looking to aggressively attract fintech companies to Osaka and Kobe along with vendors providing financial, IT, and other related services. By making Osaka and Kobe a fintech hub, we will contribute to the realization of a next generation international financial center through the concentration of advanced technologies and talent with expertise in these technologies.

Furthermore, the SBI Group is cooperating with regional universities west of Kansai to form industrial clusters that will be utilized to promote the revitalization of local economies west of Kansai.

### Endeavor to form one of the world's largest global corridors for ST





## Environmental Initiatives

# Recognizing the Organizational and Societal Impact and Opportunities of Environmental Issues, and Contributing to the Maintenance and Development of 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

#### Awards for outstanding ESG-related funds

Morningstar Japan, a subsidiary providing financial information services, has established an ESG-type category in its “Fund of the Year” awards to recognize funds with outstanding investment performance and management. In 2020, 129 related funds were nominated based on the company’s own evaluation criteria, and four funds were awarded, focusing on funds with high performance in terms of total return and Sharpe ratio. The total net asset balance of funds in this category as of the end of December 2020 was ¥565.6 billion, an increase of ¥90.2 billion over the past year, and 56 of the 129 funds were established in the past five years, indicating that ESG-related funds have been attracting more attention in recent years.

#### Management of funds with a focus on the environment

SBI Asset Management, a subsidiary engaged in asset management operations, also manages funds with an emphasis on the environment. “The SBI Global ESG Balanced Fund” (nicknamed “Green Impact”) is managed using ESG investment and impact investment methods, and as of June 2021, its total net assets were ¥655 million. In addition, SBI Bond Investment Management, a subsidiary engaged in the bond investment business, manages funds in partnership with PIMCO, a U.S. company known as a leader in ESG bond investment.

#### Toward the Further Proliferation of Renewable Energy

SBI ENERGY, which operates an electric power business using renewable energy, generates power from 5,390 MWh of renewable energy per year, which contributes an emissions reduction of 2,533 tons CO<sub>2</sub> equivalent<sup>\*1</sup>. It plans to add an additional 20 MW of power generation capacity. There will be a particular increase in electricity utilization in the future due to wider IT adoption caused by large-scale

farming facing a decrease in the number of farm workers. In particular, solar power generation managed by farms, which is one of the characteristic power generation methods that achieves both power generation and agricultural production, will continue to grow. This is seen as an important source of multifaceted contribution – a power supply source that will not only contribute to regional revitalization and environmental conservation through the stabilization of power generation, but also be utilized as a distributed power source in the event of a disaster.

### Promoting Issuance of Social Impact Bonds

The OECD estimates<sup>\*2</sup> 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)<sup>\*3</sup>, an NGO in the U.K., the global issuance of social impact bonds including green bonds reached a record high of US\$269.5 billion in 2020. Market size is expected to expand rapidly to over US\$400 billion in 2021. In Europe, particularly the EU Taxonomy – the criteria that define a sustainable economic activity – has adopted technical screening criteria, and interest in environmental investments that are not only quantitative but also of high quality is increasing. In March 2019, SBI SECURITIES 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. SBI SECURITIES is advancing its support for issuing social impact bonds, and by June 2021, it had conducted 19 Internet offerings for a combined total of approximately ¥4.66 billion in both yen- and foreign currency-denominated bonds.

<sup>\*1</sup> An estimated reduction in CO<sub>2</sub> emissions is calculated by using alternative values for the emissions coefficients for each power company, as published by the Ministry of the Environment.

<sup>\*2</sup> Source: OECD “Green Bonds Policy Perspectives”

<sup>\*3</sup> Source: CBI “2020\_annual\_highlights-final”

### Change in CO<sub>2</sub> Emissions<sup>\*4, 5</sup>

(Unit: t-CO<sub>2</sub>)

|                                     | FY2018 | FY2019 | FY2020 |
|-------------------------------------|--------|--------|--------|
| CO <sub>2</sub> emissions (Scope 1) | 108    | 107    | 85     |
| CO <sub>2</sub> emissions (Scope 2) | 3,621  | 4,140  | 4,463  |
| Total                               | 3,729  | 4,246  | 4,548  |

<sup>\*4</sup> 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.

<sup>\*5</sup> Calculation method: Based on the electricity usage of SBI Holdings and its Group companies, the CO<sub>2</sub> emissions in the relevant range are calculated using various emission factors announced by the Ministry of the Environment



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

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.

# Consolidated Financial Highlights 9-year Summary

Adopted IFRSs from the year ended March 31, 2013

| Years Ended March 31                                      | 2013      | 2014      |
|---|-----------|-----------|
| Operating revenue / Revenue* <sup>1</sup>                 | 154,285   | 232,822   |
| Profit before income tax expense                          | 15,022    | 38,899    |
| Profit for the year attributable to owners of the Company | 3,817     | 21,439    |
| Total assets  | 2,494,387 | 2,875,304 |
| Equity attributable to owners of the Company              | 303,299   | 325,631   |
| Net cash generated from (used in) operating activities    | (36,984)  | 29,401    |
| Net cash generated from (used in) investing activities    | (19,060)  | 16,811    |
| Net cash generated from (used in) financing activities    | 25,699    | 92,538    |
| Cash and cash equivalents at the end of the year          | 133,362   | 276,221   |

\*<sup>1</sup> 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* <sup>1</sup>            | Financial Services Business                              | 113,340 | 147,835 |
|                                  | Asset Management Business                                | 33,011  | 72,725  |
|                                  | Biotechnology, Healthcare & Medical Informatics Business | 970     | 2,195   |
|                                  | Others   | 9,240   | 11,626  |
|                                  | Elimination or Corporate                                 | (2,276) | (1,559) |
| Profit before income tax expense | Financial Services Business                              | 18,741  | 37,298  |
|                                  | Asset Management Business                                | 6,259   | 8,990   |
|                                  | Biotechnology, Healthcare & Medical Informatics Business | (3,900) | (2,432) |
|                                  | Others   | 1,659   | 2,438   |
|                                  | Elimination or Corporate                                 | (7,737) | (7,395) |

Note: For FY2012 to FY2020, 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 | 11.3 |
| Substantive ratio of equity attributable to owners of the Company to total assets* <sup>2</sup> | 22.9 | 22.2 |
| Ratio of profit to equity attributable to owners of the Company (ROE)                           | 1.3  | 6.8  |

\*<sup>2</sup> 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 | 1,504.19 |
| Basic earnings per share attributable to owners of the Company (EPS) | 17.58    | 99.04    |
| Dividend per share   | 10.00    | 20.00    |

|                              |       |       |
|------------------------------|-------|-------|
| PER (Price-earnings ratio)   | 47.27 | 12.56 |
| PBR (Price-book-value ratio) | 0.6   | 0.8   |

PER= Fiscal year-end TSE closing price/Basic earnings per share attributable to owners of the Company

PBR= Fiscal year-end TSE closing price/Equity per share attributable to owners of the Company

The closing price for FY2020 was ¥3,000.

|                                       |       |       |
|---------------------------------------|-------|-------|
| Total dividend                        | 2,170 | 4,340 |
| Share repurchase amount* <sup>3</sup> | 0     | 0     |
| Total shareholder returns             | 2,170 | 4,340 |

\*<sup>3</sup> As part of 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 | 20.2 |
| Total shareholder returns ratio | 56.9 | 20.2 |

|           |       |       |
|-----------|-------|-------|
| Employees | 5,007 | 5,352 |
|-----------|-------|-------|

(Millions of yen)

|  | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021      |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|  | 245,045   | 261,744   | 261,939   | 337,017   | 351,411   | 368,055   | 541,145   |
|  | 63,067    | 52,227    | 43,139    | 71,810    | 83,037    | 65,819    | 140,380   |
|  | 45,721    | 34,115    | 32,455    | 46,684    | 52,548    | 37,487    | 81,098    |
|  | 3,400,763 | 3,126,784 | 3,850,001 | 4,535,964 | 5,034,124 | 5,513,227 | 7,208,572 |
|  | 383,491   | 371,590   | 377,992   | 427,815   | 456,675   | 451,476   | 562,116   |
|  | (36,197)  | 32,478    | (17,952)  | (33,235)  | (71,665)  | 26,849    | (178,403) |
|  | 52,305    | 11,179    | 2,437     | 7,881     | (54,731)  | (70,887)  | (82,071)  |
|  | (15,524)  | (76,230)  | 159,467   | 74,575    | 407,746   | 181,626   | 210,822   |
|  | 290,826   | 248,050   | 391,572   | 437,148   | 713,974   | 843,755   | 802,702   |

(Millions of yen)

|  |         |         |         |          |          |          |          |
|--|---------|---------|---------|----------|----------|----------|----------|
|  | 162,645 | 159,012 | 176,989 | 217,272  | 229,239  | 246,753  | 311,724  |
|  | 65,843  | 98,725  | 80,392  | 117,572  | 118,631  | 115,767  | 208,332  |
|  | 2,182   | 4,021   | 5,530   | 4,199    | 3,729    | 3,920    | 5,627    |
|  | 15,710  | 2,259   | 883     | 1,213    | 3,677    | 5,512    | 21,740   |
|  | (1,335) | (2,273) | (1,855) | (3,239)  | (3,865)  | (3,897)  | (6,278)  |
|  | 67,309  | 50,458  | 48,853  | 63,888   | 66,568   | 53,379   | 85,755   |
|  | 8,132   | 17,996  | 13,940  | 56,491   | 51,107   | 35,165   | 84,853   |
|  | (7,310) | (6,572) | (9,574) | (37,252) | (19,179) | (11,431) | (8,630)  |
|  | 2,779   | (835)   | (830)   | (1,328)  | (6,912)  | (1,771)  | (10,595) |
|  | (7,843) | (8,820) | (9,250) | (9,989)  | (8,547)  | (9,523)  | (11,003) |

(%)

|  |      |      |      |      |      |      |      |
|--|------|------|------|------|------|------|------|
|  | 11.3 | 11.9 | 9.8  | 9.4  | 9.1  | 8.2  | 7.8  |
|  | 22.2 | 21.7 | 18.3 | 16.7 | 15.3 | 14.2 | 13.1 |
|  | 12.9 | 9.0  | 8.7  | 11.6 | 11.9 | 8.3  | 16.0 |

(Yen)

|  |          |          |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|----------|----------|
|  | 1,771.19 | 1,792.08 | 1,856.47 | 1,937.72 | 2,000.82 | 1,955.91 | 2,297.87 |
|  | 211.18   | 160.83   | 159.38   | 220.54   | 231.43   | 163.18   | 339.78   |
|  | 35.00    | 45.00    | 50.00    | 85.00    | 100.00   | 100.00   | 120.00   |

(Times)

|  |      |      |      |       |       |      |      |
|--|------|------|------|-------|-------|------|------|
|  | 6.89 | 7.11 | 9.74 | 11.03 | 10.66 | 9.67 | 8.83 |
|  | 0.8  | 0.6  | 0.8  | 1.3   | 1.2   | 0.8  | 1.3  |

(Millions of yen)

|  |        |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|--------|
|  | 7,594  | 9,393  | 10,153 | 18,711 | 22,984 | 23,077 | 29,324 |
|  | 10,000 | 5,000  | 8,000  | 0      | 19,427 | 0      | 0      |
|  | 17,594 | 14,393 | 18,153 | 18,711 | 42,412 | 23,077 | 29,324 |

(%)

|  |      |      |      |      |      |      |      |
|--|------|------|------|------|------|------|------|
|  | 16.6 | 28.0 | 31.4 | 38.5 | 43.2 | 61.3 | 35.3 |
|  | 38.5 | 42.2 | 55.9 | 40.1 | 80.7 | 61.6 | 36.2 |

(Persons)

|  |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|
|  | 6,094 | 5,480 | 4,455 | 5,391 | 6,439 | 8,003 | 9,209 |
|--|-------|-------|-------|-------|-------|-------|-------|

# Fact Sheet

## Financial Services Business Key Indicators

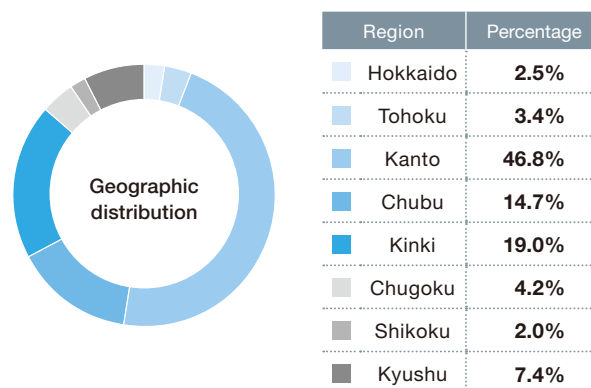
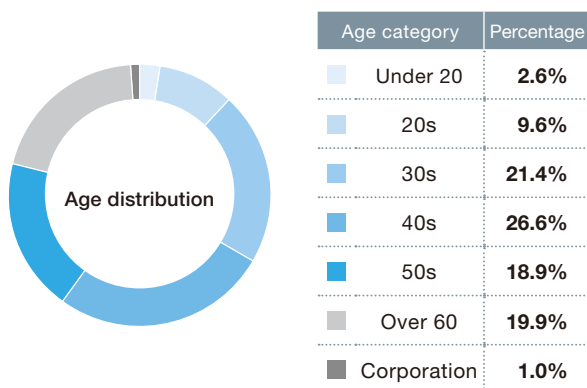
### Full-year Profit before Income Tax Expense of the Major Businesses of the Financial Services Business (based on IFRSs)

|  | Unit      | FY2015           | FY2016           | FY2017            | FY2018            | FY2019            | FY2020            |
|--|-----------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| SBI SECURITIES (non-consolidated)                    | ¥ million | 37,850           | 33,043           | 46,169            | 45,597            | 31,604            | 47,394            |
| FX business*1  | ¥ million | 5,200            | 5,734            | 5,188             | 9,334             | 8,138             | 10,684            |
| SBI MONEY PLAZA                                      | ¥ million | 1,751            | 1,975            | 2,768             | 1,956             | 955               | 3,762             |
| SBI Sumishin Net Bank<br>[Net income based on JGAAP] | ¥ million | 3,385<br>[8,413] | 3,185<br>[9,873] | 3,770<br>[10,447] | 7,249<br>[11,975] | 5,845<br>[12,570] | 7,240<br>[13,928] |
| Insurance business*2                                 | ¥ million | 264              | 1,881            | 2,263             | 1,480             | (1,291)           | 5,771             |

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

|  | Unit        | FY2015  | FY2016  | FY2017    | FY2018  | FY2019  | FY2020    |
|--|-------------|---------|---------|-----------|---------|---------|-----------|
| Accounts*3   | Thousands   | 3,564   | 3,840   | 4,261     | 4,631   | 5,428   | 6,813     |
| Net increase in accounts   | Thousands   | 318     | 276     | 422       | 369     | 797     | 1,385     |
| Accumulated number of accounts via<br>SBI Sumishin Net Bank      | Thousands   | 415     | 452     | 538       | 600     | 668     | 732       |
| NISA accounts  | Thousands   | 821     | 974     | 1,197     | 1,404   | 1,656   | 2,135     |
| Customer deposit assets*3  | ¥ trillion  | 9.5     | 10.8    | 12.9      | 13.0    | 12.9    | 19.7      |
| Share of individual stock holdings by value*4                    | %           | 10.4    | 11.2    | 11.7      | 12.7    | 13.9    | 15.5      |
| Commission rate  | Basis point | 2.6     | 2.9     | 3.0       | 2.9     | 3.2     | 2.9       |
| Share of individual stock brokerage<br>trading value*3, 5        | %           | 35.3    | 34.7    | 35.1      | 36.2    | 36.4    | 42.8      |
| Share of individual stock brokerage<br>margin trading value*3, 5 | %           | 37.3    | 35.9    | 36.4      | 37.1    | 37.1    | 45.0      |
| Open interest credit balance                                     | ¥ billion   | 678     | 799     | 1,001     | 838     | 647     | 1,149     |
| Investment trust balance   | ¥ billion   | 1,216   | 1,323   | 1,675     | 1,874   | 2,101   | 3,657     |
| Investment trust fees  | ¥ million   | 4,391   | 4,215   | 5,181     | 5,200   | 4,935   | 5,256     |
| Number of IPO underwriting*6                                     | Companies   | 82      | 77      | 75        | 90      | 86      | 80        |
| Number of lead managed underwritings                             | Companies   | 8       | 13      | 6         | 11      | 9       | 15        |
| Capital adequacy ratio   | %           | 377.0   | 276.2   | 372.7     | 349.9   | 338.2   | 231.9     |
| FX accounts (SBI Group*7)  | Thousands   | 760     | 906     | 1,066     | 1,196   | 1,335   | 1,527     |
| SBI MONEY PLAZA's customer deposit assets                        | ¥ million   | 698,358 | 801,279 | 1,105,023 | 937,327 | 756,356 | 1,332,959 |

### SBI SECURITIES' Customer Base (As of March 31, 2021)



## Banking (SBI Sumishin Net Bank)

|   | Unit      | FY2015  | FY2016  | FY2017  | FY2018  | FY2019  | FY2020  |
|---|-----------|---------|---------|---------|---------|---------|---------|
| Accounts  | Thousands | 2,586   | 2,827   | 3,210   | 3,543   | 3,929   | 4,510   |
| Net increase in accounts  | Thousands | 277     | 242     | 383     | 333     | 386     | 581     |
| Accumulated number of accounts via SBI SECURITIES                 | Thousands | 956     | 1,073   | 1,259   | 1,430   | 1,633   | 1,999   |
| Deposits* <sup>8</sup>  | ¥ billion | 3,446.8 | 4,006.8 | 4,426.0 | 4,857.1 | 5,392.3 | 6,293.8 |
| Deposits (hybrid deposit)   | ¥ billion | 1,140.7 | 1,386.1 | 1,450.1 | 1,538.8 | 1,836.3 | 2,320.6 |
| Deposits (foreign currency)                                       | ¥ billion | 160.2   | 173.9   | 246.0   | 232.7   | 268.1   | 285.9   |
| Cumulative total of housing loans* <sup>9</sup>                   | ¥ billion | 471.7   | 729.3   | 697.0   | 819.9   | 850.9   | 856.6   |
| Balance of consumer loans   | ¥ billion | 279.9   | 290.8   | 302.1   | 312.8   | 335.5   | 329.2   |
| Asset management yield  | %         | 0.90    | 0.85    | 0.83    | 0.84    | 0.78    | 0.70    |
| Financial arrangements yield                                      | %         | 0.22    | 0.14    | 0.14    | 0.16    | 0.14    | 0.09    |
| Spread for fund interest rate                                     | %         | 0.68    | 0.70    | 0.68    | 0.67    | 0.63    | 0.60    |
| Loan-deposit rate (term-end balance)                              | %         | 60.27   | 58.72   | 71.96   | 74.27   | 75.00   | 72.56   |
| Consolidated capital adequacy ratio (based on domestic standards) | %         | 9.80    | 11.11   | 9.35    | 8.14    | 7.70    | 7.99    |

## Insurance (SBI Group's Insurance Companies)

|   | Unit      | FY2015  | FY2016  | FY2017  | FY2018  | FY2019  | FY2020  |
|---|-----------|---------|---------|---------|---------|---------|---------|
| Number of contracts (SBI Insurance)   | Thousands | 829     | 925     | 985     | 1,052   | 1,091   | 1,137   |
| Number of contracts (SBI Life Insurance)* <sup>10</sup>   | Thousands | 110     | 108     | 121     | 141     | 189     | 248     |
| Number of contracts in effect (total of five small-amount, short-term insurance companies)* <sup>11, 12</sup> | Thousands | 63      | 582     | 625     | 675     | 801     | 941     |
| Combined ratio (SBI Insurance)  | %         | 104.7   | 96.7    | 91.9    | 98.4    | 103.2   | 86.6    |
| Direct loss ratio   | %         | 86.1    | 82.5    | 80.7    | 84.1    | 85.5    | 68.3    |
| Direct operating expenses ratio   | %         | 18.6    | 14.2    | 11.2    | 14.3    | 17.7    | 18.3    |
| Total actuarial reserves (SBI Insurance)  | ¥ million | 12,572  | 13,333  | 14,456  | 15,338  | 15,255  | 18,262  |
| Solvency margin ratio (SBI Life Insurance)  | %         | 1,299.3 | 1,165.5 | 1,172.2 | 1,045.4 | 957.6   | 898.1   |
| Total Assets (SBI Life Insurance)   | ¥ million | 140,281 | 131,484 | 125,348 | 120,011 | 119,095 | 124,035 |
| Balance of legal reserve (SBI Life Insurance)   | ¥ million | 110,762 | 103,400 | 98,049  | 90,915  | 86,202  | 90,918  |

\*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 FY2020 are the sum of the accounts for SBI SECURITIES, SBI NEOMOBILE SECURITIES, and SBI NEOTRADE 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 The total number of accounts at SBI FXTRADE, SBI SECURITIES, SBI NEOMOBILE 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 five companies: SBI IKIKI SSI, SBI Nihon SSI, SBI Resta SSI, SBI PRISM SSI, and JOGUCHI SAFETY SSI

\*12 The figures include the number of contracts held by SBI Nihon SSI since FY2016, and SBI PRISM SSI since FY2019 and JOGUCHI SAFETY SSI since FY2020



## Asset Management Business Key Indicators

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

|  | Unit      | FY2015 | FY2016 | FY2017 | FY2018 | FY2019*1 | FY2020 |
|--|-----------|--------|--------|--------|--------|----------|--------|
| Profit/loss from the change in fair value, and profit/loss on sales of investment securities | ¥ million | 16,225 | 6,836  | 44,409 | 33,699 | 20,305   | 66,342 |
| SBI SAVINGS BANK   | ¥ million | 5,846  | 5,649  | 14,018 | 17,473 | 18,230   | 28,364 |

## Asset Management Business' Private Equity Investment and Exit Figures

|                              | Unit      | FY2015  | FY2016  | FY2017  | FY2018  | FY2019  | FY2020  |
|------------------------------|-----------|---------|---------|---------|---------|---------|---------|
| Investment balance*2         | ¥ million | 187,708 | 152,765 | 254,671 | 355,683 | 459,574 | 614,462 |
| Investment amount*3          | ¥ million | 27,930  | 41,762  | 56,540  | 108,125 | 140,465 | 107,056 |
| Number of investments made   | Companies | 92      | 132     | 193     | 230     | 206     | 195     |
| Number of companies exited*4 | Companies | 16      | 15      | 13      | 20      | 24      | 22      |

## Breakdown of Assets Under Management, including Private Equity Investment\*5 (As of March 31, 2021)

| Breakdown by industry                                   | Amount (¥ million) | Companies |
|---|--------------------|-----------|
| Internet/AI/IoT   | 129,456            | 119       |
| Fintech services  | 85,289             | 56        |
| Digital assets/Blockchain                               | 62,583             | 28        |
| Finance   | 144,758            | 59        |
| Biotechnology/Health/Medical                            | 29,521             | 51        |
| Environmental/Energy                                    | 3,668              | 4         |
| Machine/Automobile                                      | 10,564             | 14        |
| Services  | 23,911             | 27        |
| Retail/Food   | 3,522              | 10        |
| Materials/Chemicals                                     | 4,372              | 3         |
| Construction/Real estate                                | 998                | 5         |
| Others  | 2,962              | 12        |
| Equity interests in external and non-consolidated funds | 26,550             | 52        |
| Total   | 528,154            | 440       |

| Breakdown by region | Amount (¥ million) | Companies |
|---------------------|--------------------|-----------|
| Japan               | 312,677            | 285       |
| China               | 13,055             | 24        |
| Korea               | 5,078              | 8         |
| Southeast Asia      | 64,117             | 21        |
| India               | 3,059              | 8         |
| United States       | 49,868             | 23        |
| Europe              | 38,513             | 25        |
| Others              | 41,786             | 46        |
| Total               | 528,154            | 440       |

| Investment from non-consolidated Group management funds | Amount (¥ million) | Companies |
|---|--------------------|-----------|
| Corporate venture capital (CVC)                         | 17,757             | 63        |
| Others (overseas JV funds, etc.)                        | 68,551             | 161       |
| Total   | 86,308             | 224       |

Top Three Investment Items in Private Equity and Others\*3  
(As of March 31, 2021)

|                  | Amount (¥ million) | Companies |
|------------------|--------------------|-----------|
| Finance          | 38,840             | 17        |
| Internet/AI/IoT  | 9,993              | 28        |
| Fintech services | 9,153              | 19        |

### Breakdown of Investments and Exit Figures\*\*<sup>4</sup> (As of March 31, 2021; Unit: Companies)

| Cumulative number of investee companies | Domestic | Overseas | Cumulative exit | Domestic |     | Overseas |     |
|---|----------|----------|-----------------|----------|-----|----------|-----|
|   |          |          |                 | IPO      | M&A | IPO      | M&A |
| 1,743                                   | 1,011    | 732      | 294             | 128      | 22  | 109      | 35  |

### SBI Investment's Deal Sourcing Results\*<sup>6</sup>

| Business results | Unit      | Sourcing | Due diligence | Investors |
|------------------|-----------|----------|---------------|-----------|
| FY2018           | Companies | 1,725    | 111           | 52        |
| FY2019           | Companies | 1,649    | 88            | 60        |
| FY2020           | Companies | 1,587    | 105           | 53        |

### SBI Investment's Management Results\*<sup>6, 7</sup>

| Commitment amount<br>(¥ billion) | Cumulative distribution<br>(¥ billion) | Investment<br>return ratio (times) | IRR<br>(%) |
|----------------------------------|--|------------------------------------|------------|
| 282.6                            | 385.8                                  | 1.37                               | 6.1        |

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

|  | Unit        | FY2015  | FY2016  | FY2017  | FY2018  | FY2019  | FY2020  |
|--|-------------|---------|---------|---------|---------|---------|---------|
| Balance of performing loans                            | KRW billion | 3,022.2 | 4,106.5 | 5,029.6 | 6,123.4 | 7,596.6 | 9,531.1 |
| of which, balance of retail performing loans           | KRW billion | 1,669.6 | 2,650.9 | 3,159.6 | 4,106.5 | 5,412.0 | 7,042.1 |
| Delinquency ratio                                      | %           | 16.2    | 8.8     | 5.3     | 3.9     | 2.3     | 1.6     |
| of which, delinquency ratio of retail performing loans | %           | 8.5     | 5.0     | 4.2     | 3.8     | 2.7     | 1.8     |

### Breakdown of Assets Under Management in Investment Trusts, etc.\*<sup>8</sup>

|                         | Unit      | FY2015 | FY2016 | FY2017 | FY2018  | FY2019  | FY2020  |
|-------------------------|-----------|--------|--------|--------|---------|---------|---------|
| Investment trusts       | ¥ billion | 180.6  | 254.7  | 490.0  | 969.4   | 1,427.4 | 3,354.4 |
| Investment advisors     | ¥ billion | 74.4   | 88.6   | 138.0  | 333.4   | 297.1   | 470.1   |
| Investment corporations | ¥ billion | 4.0    | 4.6    | —      | —       | —       | —       |
| Total                   | ¥ billion | 259.0  | 347.9  | 628.0  | 1,302.8 | 1,724.5 | 3,824.5 |

\*1 Profit/loss from the change in fair value and profit/loss on sales of investment securities for FY2019 has been changed to align with the segment changes for some subsidiaries in FY2020

\*2 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 (Investments that have been impaired will be valued at the total amount after impairment). From FY2017, investment from non-consolidated Group management funds has been added to the breakdown of the operational investment securities category of the consolidated financial statement, and is recorded herewith

\*3 Total investment amount through direct investments by the SBI Group and consolidated investment funds operated by the SBI Group

\*4 Figures for investee companies who have held an initial public offering or have undergone a stock swap or M&A with a listed company

\*5 Breakdown of assets under management, including private equity investments, which is tantamount to "The balance of operational investment securities" in the consolidated financial statements

\*6 Results for specialized investment funds under management are not included

\*7 Figures are based upon redemption results (cumulative total) of investment partnerships managed by SBI Investment

\*8 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, Healthcare & Medical Informatics Business Performance and Pipeline

Full-year Profit before Income Tax Expense of the major Biotechnology, Healthcare & Medical Informatics Business Companies (based on IFRSs)\*

|                       | Unit      | FY2015  | FY2016  | FY2017  | FY2018  | FY2019  | FY2020  |
|-----------------------|-----------|---------|---------|---------|---------|---------|---------|
| SBI Biotech           | ¥ million | (297)   | 737     | (432)   | (166)   | 16      | (278)   |
| Quark Pharmaceuticals | ¥ million | (2,572) | (8,270) | (7,902) | (8,193) | (7,668) | (4,234) |
| SBI Pharmaceuticals   | ¥ million | (1,425) | 91      | 42      | (1,395) | (1,272) | (1,726) |
| SBI ALApromo          | ¥ million | (587)   | (233)   | 40      | 263     | 193     | 348     |
| photonamic            | ¥ million | 38      | (41)    | 55      | 412     | 173     | 71      |

\* Excluding impairment losses from drug pipeline, etc.

### List of SBI Biotech's Drug Discovery Pipeline

| Pipeline        | Main diseases effective against   | Licensed to                                  |
|-----------------|---|--|
| ILT7 (HZN-7734) | Cutaneous lupus erythematosus (CLE), and Systemic lupus erythematosus (SLE), Acute lung injury caused by COVID-19 | Viela Bio* <sup>1</sup>                      |
| SBI-9674        | Various autoimmune diseases including SLE   | Kyowa Kirin Co., Ltd.* <sup>2</sup>          |
| SBI-3150        | Various diseases caused by pDC / activated B cells  | ASAHI KASEI PHARMA CORPORATION* <sup>3</sup> |
| Cdc7 (AS-0141)  | Solid carcinoma   | Carna Biosciences, Inc.* <sup>4</sup>        |

\*<sup>1</sup> Licensed to MedImmune, LLC of the AstraZeneca Group in 2008. License transferred to Viela Bio, a spin-out from MedImmune, LLC in February 2018

\*<sup>2</sup> Licensed to Kyowa Hakko Kirin Co., Ltd. (currently Kyowa Kirin Co., Ltd.) in the winter of 2016

\*<sup>3</sup> Licensed to ASAHI KASEI PHARMA CORPORATION in March 2020

\*<sup>4</sup> Transferred the Company's intellectual property rights to Carna Biosciences, Inc. in 2014

### SBI Pharmaceuticals' Major Drug Discovery Pipeline Progress

#### Launch and out-licensing (Total 5 cases)

- "ALAGLIO® Oral 1.5g," photodynamic diagnostic agent for brain tumor treatment (malignant glioma) (Launched in September 2013)
- Therapeutic drugs for diabetes and malaria infection (to Neopharma, UAE pharmaceutical company, in October 2016)
- "ALAGLIO® Divided Granules 1.5g," photodynamic diagnostic agent for bladder cancer treatment (carcinoma vesicae) (Launched in Japan in December 2017 by Chugai Pharmaceuticals, which was granted exclusive domestic marketing rights. Sold by Nippon Kayaku Co., Ltd. from June 2021)
- 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 |
| Therapeutic agent                        | Mitochondrial diseases*<br>(by SBI Pharmaceuticals)   | Phase III completed (April 2021) |  |           |
|  | Cardiac ischemia-reperfusion injury*<br>(by SBI Pharmaceuticals)                                    | Phase II is underway             | Plans to apply for pharmaceutical approval in FY2023 |           |
| Interstitial photodynamic therapy (iPDT) | Malignant glioma (second primary)*<br>(by photonamic)   | Phase II is underway             |  |           |
|  | Malignant glioma (primary)<br>(by photonamic)   | Phase II is underway             |  |           |
| Photodynamic diagnostic agent (PDD)      | Breast tumor<br>(by SBI ALApharma Canada)   | Phase III is underway            | • Obtained orphan drug designation from FDA          |           |
|  | Meningioma<br>Expansion of Indication for Intraoperative Diagnostics for Malignant Glioma (by NXDC) | Phase III is underway            | • Conducting in the U.S., Germany, and Austria       |           |

\* Investigator-led trial

### Number of Patents Obtained by SBI Pharmaceuticals in Japan and Overseas (As of March 31, 2021)

|                    | Japan | Overseas |
|--------------------|-------|----------|
| Registered patents | 51    | 273      |

Products submitted by SBI ALApromo under the system of "Foods with Functional Claims" and approved by the Consumer Affairs Agency (Launch date in parentheses)

- ALA PLUS Tou (Sugar) Down (December 2015)
- SBI Ginkgo Leaves (December 2017)
- ALA PLUS Tou (Sugar) Down Rich (November 2018)
- ALA PLUS Fukai Nemuri (Deep Sleep) (March 2019)
- ALA PLUS Karada Active (October 2019)
- Hatsugagenmai no Sokojikara (April 2021)
- ALA PLUS Mental Care (July 2021)
- ALA PLUS Tou (Sugar) Down ALACIA (scheduled for release in fall 2021)
- ALA PLUS Gold Hirou-kan Keigen (scheduled for release in spring 2022)

\*As of June 30, 2021

# Alliances Status 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: Customer referral alliance for cloud-based back-office support services, etc.

### Chugoku/Shikoku region

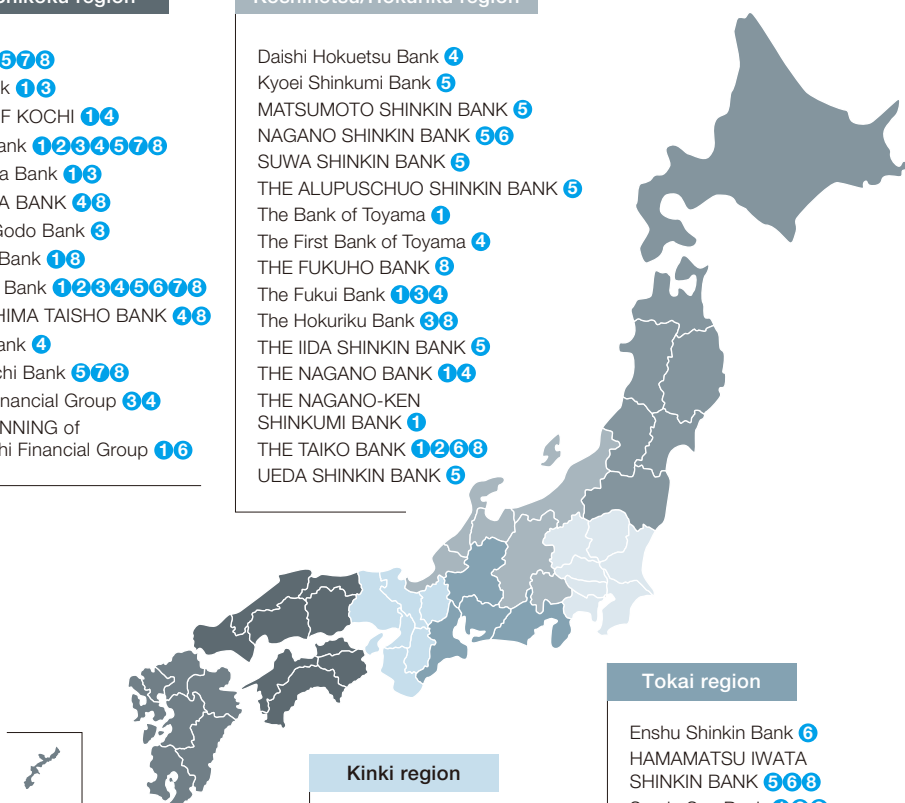
Momiji Bank ⑤⑦⑧  
 The Awa Bank ①③  
 THE BANK OF KOCHI ①④  
 The Ehime Bank ①②③④⑤⑦⑧  
 The Hiroshima Bank ①③  
 THE KAGAWA BANK ④⑧  
 THE San-in Godo Bank ③  
 The Shikoku Bank ①⑧  
 The Shimane Bank ①②③④⑤⑥⑦⑧  
 THE TOKUSHIMA TAISHO BANK ④⑧  
 The Tottori Bank ④  
 The Yamaguchi Bank ⑤⑦⑧  
 Yamaguchi Financial Group ③④  
 YM LIFE PLANNING of the Yamaguchi Financial Group ①⑥

### Koshinetsu/Hokuriku region

Daishi Hokuetsu Bank ④  
 Kyoei Shinkumi Bank ⑤  
 MATSUMOTO SHINKIN BANK ⑤  
 NAGANO SHINKIN BANK ⑤⑥  
 SUWA SHINKIN BANK ⑤  
 THE ALUPUSCHUO SHINKIN BANK ⑤  
 The Bank of Toyama ①  
 The First Bank of Toyama ④  
 THE FUKUHO BANK ⑧  
 The Fukui Bank ①③④  
 The Hokuriku Bank ③⑧  
 THE IIDA SHINKIN BANK ⑤  
 THE NAGANO BANK ①④  
 THE NAGANO-KEN SHINKUMI BANK ①  
 THE TAIKO BANK ①②⑥⑧  
 UEDA SHINKIN BANK ⑤

### Hokkaido/Tohoku region

Kirayaka Bank ①②④⑧  
 Kita-Nippon Bank ①③④⑤⑧  
 North Pacific Bank ④  
 The Akita Bank ①④⑧  
 The Aomori Bank ①④⑧  
 THE DAITO BANK ④  
 The Fukushima Bank ①②③④⑤⑥⑦⑧  
 The Hokkaido Bank ④⑧  
 The Hokuto Bank ①  
 THE MICHINOKU BANK ①②③⑧  
 THE SENDAI BANK ①②③④⑤⑥⑧  
 THE SHONAI BANK ①  
 The Toho Bank ③④  
 The Tohoku Bank ①④  
 The Yamagata Bank ④



### Kinki region

The Kiyo Bank ①  
 The Nanto Bank ④⑧  
 The Senshu Ikeda Bank ⑤  
 THE SHIGA BANK ③④  
 Yamato Shinkin Bank ①

### Kyushu/Okinawa regions

Bank of The Ryukyus ①  
 MINAMI NIPPON BANK ①④  
 The Bank of Okinawa ⑤  
 The Bank of Saga ④  
 THE CHIKUHO BANK ①②③④⑥⑦⑧  
 THE FUKUOKA CHUO BANK ③④  
 The Higo Bank ③  
 The Howa Bank ①④  
 The Kitakyushu Bank ⑤⑦⑧  
 The Miyazaki Bank ③  
 The Miyazaki Taiyo Bank ①④  
 THE OITA BANK ⑧  
 THE SAGA KYOEI BANK ①

### Tokai region

Enshu Shinkin Bank ⑥  
 HAMAMATSU IWATA SHINKIN BANK ⑤⑥⑧  
 San ju San Bank ①②③  
 SURUGA bank ③  
 The Aichi Bank ①⑧  
 The Bank of Nagoya ⑧  
 The Hekikai Shinkin Bank ①  
 The Ogaki Kyoritsu Bank ③④  
 The Okazaki Shinkin Bank ①⑥  
 The Shimizu Bank ①②③④⑦⑧  
 The Shizuoka Bank ③⑧  
 Tono Shinkin Bank ⑤⑥  
 TOYOTA SHINKIN BANK ⑤

### Kanto region

Hanno-Shinkin Bank ⑤⑥  
 Kawasaki Shinkin Bank ⑤  
 Kiraboshi Bank ①③  
 The Ashikaga Bank ③④  
 The Gunma Bank ③  
 The Joyo Bank ⑧  
 THE KANAGAWA BANK ①④  
 The Kanagawa Shinkin Bank ⑤  
 The Keiyo Bank ①②③  
 The Saitamaken Shinkin Bank ⑧  
 THE SEIBU SHINKIN BANK ⑤⑧  
 The Tokyo Higashi Shinkin Bank ①  
 THE TOWA BANK ①②③④⑦⑧  
 The Yokohama Shinkin Bank ⑧  
 Tochigi Bank ③  
 Tsukuba Bank ①②④⑥

SBI Investment: Investment in venture capital fund.....79 companies  
 Morningstar: Introduction of "Wealth Advisors," an app for tablets devices.....145 companies

Notes: 1. As of June 30, 2021, several regional financial institutions (regional banks, credit unions, and credit associations) and their affiliates that have 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 at March 31,<br>2020 | As at March 31,<br>2021 |
|---|------------|-------------------------|-------------------------|
| <b>Assets</b>                                     |            |                         |                         |
| Cash and cash equivalents                         | 6,8,17     | 843,755                 | 802,702                 |
| Trade and other accounts receivable               | 6,7,8,9,17 | 822,131                 | 1,183,896               |
| Assets related to securities business             |            |                         |                         |
| Cash segregated as deposits                       |            | 1,726,040               | 2,292,743               |
| Margin transaction assets                         |            | 495,997                 | 972,573                 |
| Other assets related to securities business       | 10         | 576,501                 | 631,305                 |
| Total assets related to securities business       | 6,7,8      | 2,798,538               | 3,896,621               |
| Other financial assets                            | 6,8        | 40,994                  | 58,715                  |
| Operational investment securities                 | 6,7,8,11   | 394,923                 | 528,154                 |
| Other investment securities                       | 6,7,8,11   | 180,444                 | 209,545                 |
| Investments accounted for using the equity method | 12         | 63,657                  | 103,807                 |
| Property and equipment                            | 14,17      | 51,857                  | 64,290                  |
| Intangible assets                                 | 15         | 190,278                 | 225,607                 |
| Other assets                                      |            | 116,765                 | 123,071                 |
| Deferred tax assets                               | 16         | 9,885                   | 12,164                  |
| <b>Total assets</b>                               |            | <b>5,513,227</b>        | <b>7,208,572</b>        |
| <b>Liabilities</b>                                |            |                         |                         |
| Bonds and loans payable                           | 6,7,8,17   | 1,149,050               | 1,394,137               |
| Trade and other accounts payable                  | 6,7,8,18   | 76,977                  | 189,729                 |
| Liabilities related to securities business        |            |                         |                         |
| Margin transaction liabilities                    |            | 150,699                 | 269,152                 |
| Loans payable secured by securities               |            | 351,701                 | 602,921                 |
| Deposits from customers                           |            | 959,773                 | 1,277,808               |
| Guarantee deposits received                       |            | 819,838                 | 961,651                 |
| Other liabilities related to securities business  | 19         | 392,347                 | 410,270                 |
| Total liabilities related to securities business  | 6,7,8      | 2,674,358               | 3,521,802               |
| Customer deposits for banking business            | 6,7,8      | 734,221                 | 1,042,132               |
| Insurance contract liabilities                    | 20         | 141,898                 | 150,123                 |
| Income tax payable                                |            | 11,373                  | 20,125                  |
| Other financial liabilities                       | 6          | 23,083                  | 30,333                  |
| Other liabilities                                 |            | 88,925                  | 107,301                 |
| Deferred tax liabilities                          | 16         | 19,643                  | 35,795                  |
| <b>Total liabilities</b>                          |            | <b>4,919,528</b>        | <b>6,491,477</b>        |
| <b>Equity</b>                                     |            |                         |                         |
| Capital stock                                     | 22         | 92,018                  | 98,711                  |
| Capital surplus                                   | 22         | 139,993                 | 147,753                 |
| Treasury stock                                    | 22         | (13,874)                | (40)                    |
| Other components of equity                        | 22         | (6,385)                 | 18,197                  |
| Retained earnings                                 | 22         | 239,724                 | 297,495                 |
| Equity attributable to owners of the Company      |            | 451,476                 | 562,116                 |
| Non-controlling interests                         |            | 142,223                 | 154,979                 |
| <b>Total equity</b>                               |            | <b>593,699</b>          | <b>717,095</b>          |
| <b>Total liabilities and equity</b>               |            | <b>5,513,227</b>        | <b>7,208,572</b>        |



## Consolidated Statement of Income

(Millions of Yen)

|  | Notes | Fiscal year ended<br>March 31, 2020 | Fiscal year ended<br>March 31, 2021 |
|--|-------|-------------------------------------|-------------------------------------|
| Revenue (Interest income of ¥118,779 million and ¥143,364 million included for the fiscal years ended March 31, 2020 and 2021, respectively) | 5,25  | 368,055                             | 541,145                             |
|  |       | 118,779                             | 143,364                             |
| Expense  |       |                                     |                                     |
| Financial cost associated with financial income  | 26    | (25,186)                            | (26,773)                            |
| Provision for credit losses  |       | (31,567)                            | (41,147)                            |
| Operating cost   | 26    | (110,696)                           | (142,519)                           |
| Selling, general and administrative expenses   | 26    | (132,226)                           | (163,326)                           |
| Other financial cost   | 26    | (5,140)                             | (5,803)                             |
| Other expenses   | 26    | (3,948)                             | (30,655)                            |
| Total expense  |       | (308,763)                           | (410,223)                           |
| Share of the profit of associates and joint ventures accounted for using the equity method   | 5,12  | 6,527                               | 9,458                               |
| Profit before income tax expense   | 5     | 65,819                              | 140,380                             |
| Income tax expense   | 27    | (20,819)                            | (42,868)                            |
| Profit for the year  |       | 45,000                              | 97,512                              |
| Profit for the year attributable to  |       |                                     |                                     |
| Owners of the Company  |       | 37,487                              | 81,098                              |
| Non-controlling interests  |       | 7,513                               | 16,414                              |
| Profit for the year  |       | 45,000                              | 97,512                              |
| Earnings per share attributable to owners of the Company   |       |                                     |                                     |
| Basic (Yen)  | 29    | 163.18                              | 339.78                              |
| Diluted (Yen)  | 29    | 147.44                              | 296.92                              |

## Consolidated Statement of Comprehensive Income

(Millions of Yen)

|  | Notes | Fiscal year ended<br>March 31, 2020 | Fiscal year ended<br>March 31, 2021 |
|--|-------|-------------------------------------|-------------------------------------|
| Profit for the year  |       | 45,000                              | 97,512                              |
| Other comprehensive income   |       |                                     |                                     |
| Items that will not be reclassified subsequently to profit or loss   |       |                                     |                                     |
| Financial assets measured at FVTOCI  | 28    | (639)                               | (18)                                |
| Share of other comprehensive income of associates and joint ventures accounted for using the equity method | 28    | (384)                               | 109                                 |
|  |       | (1,023)                             | 91                                  |
| Items that may be reclassified subsequently to profit or loss  |       |                                     |                                     |
| Financial assets measured at FVTOCI  | 28    | 349                                 | (168)                               |
| Currency translation differences   | 28    | (19,807)                            | 23,871                              |
| Share of other comprehensive income of associates and joint ventures accounted for using the equity method | 28    | (3,428)                             | 881                                 |
|  |       | (22,886)                            | 24,584                              |
| Other comprehensive income, net of tax   |       | (23,909)                            | 24,675                              |
| Total comprehensive income   |       | 21,091                              | 122,187                             |
| Total comprehensive income attributable to   |       |                                     |                                     |
| Owners of the Company  |       | 13,519                              | 105,680                             |
| Non-controlling interests  |       | 7,572                               | 16,507                              |
| Total comprehensive income   |       | 21,091                              | 122,187                             |

## Consolidated Statement of Changes In Equity

(Millions of Yen)

|   | Notes | Attributable to owners of the Company |                 |                |                            |                   |          | Non-controlling interests | Total equity |
|---|-------|---------------------------------------|-----------------|----------------|----------------------------|-------------------|----------|---------------------------|--------------|
|   |       | Capital stock                         | Capital surplus | Treasury stock | Other components of equity | Retained earnings | Total    |                           |              |
| As at April 1, 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  | 23    | —                                     | —               | —              | —                          | (22,871)          | (22,871) | (13,701)                  | (36,572)     |
| Treasury shares purchased                                   | 22    | —                                     | —               | (16)           | —                          | —                 | (16)     | —                         | (16)         |
| Treasury shares sold  | 22    | —                                     | (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  | 22    | —                                     | —               | —              | 606                        | (606)             | —        | —                         | —            |
| As at March 31, 2020  |       | 92,018                                | 139,993         | (13,874)       | (6,385)                    | 239,724           | 451,476  | 142,223                   | 593,699      |
| As at April 1, 2020   |       | 92,018                                | 139,993         | (13,874)       | (6,385)                    | 239,724           | 451,476  | 142,223                   | 593,699      |
| Profit for the year   |       | —                                     | —               | —              | —                          | 81,098            | 81,098   | 16,414                    | 97,512       |
| Other comprehensive income                                  |       | —                                     | —               | —              | 24,582                     | —                 | 24,582   | 93                        | 24,675       |
| Total comprehensive income                                  |       | —                                     | —               | —              | 24,582                     | 81,098            | 105,680  | 16,507                    | 122,187      |
| Issuance of new shares                                      | 22    | 2,652                                 | 2,271           | —              | —                          | —                 | 4,923    | —                         | 4,923        |
| Issuance of convertible bonds                               |       | —                                     | 2,756           | —              | —                          | —                 | 2,756    | —                         | 2,756        |
| Conversion of convertible bonds                             | 22    | 4,041                                 | (484)           | 12,805         | —                          | —                 | 16,362   | —                         | 16,362       |
| Change in scope of consolidation                            |       | —                                     | —               | —              | —                          | —                 | —        | (9,788)                   | (9,788)      |
| Dividends paid  | 23    | —                                     | —               | —              | —                          | (23,327)          | (23,327) | (15,018)                  | (38,345)     |
| Treasury shares purchased                                   | 22    | —                                     | —               | (39)           | —                          | —                 | (39)     | —                         | (39)         |
| Treasury shares sold  | 22    | —                                     | (378)           | 1,068          | —                          | —                 | 690      | —                         | 690          |
| Share-based payment Transactions                            |       | —                                     | 799             | —              | —                          | —                 | 799      | (5)                       | 794          |
| Changes of interests in subsidiaries without losing control |       | —                                     | 2,796           | —              | —                          | —                 | 2,796    | 21,060                    | 23,856       |
| As at March 31, 2021  |       | 98,711                                | 147,753         | (40)           | 18,197                     | 297,495           | 562,116  | 154,979                   | 717,095      |

## Consolidated Statement of Cash Flows

(Millions of Yen)

|   | Notes | Fiscal year ended<br>March 31, 2020 | Fiscal year ended<br>March 31, 2021 |
|---|-------|-------------------------------------|-------------------------------------|
| <b>Cash flows from operating activities</b>   |       |                                     |                                     |
| Profit before income tax expense  |       | 65,819                              | 140,380                             |
| Depreciation and amortization   |       | 15,904                              | 24,291                              |
| Share of profits of associates and joint ventures accounted for using the equity method |       | (6,527)                             | (9,458)                             |
| Interest and dividend income  |       | (123,412)                           | (150,325)                           |
| Interest expense  |       | 30,318                              | 32,573                              |
| Increase in operational investment securities   |       | (114,172)                           | (131,448)                           |
| Increase in trade and other accounts receivables  |       | (146,427)                           | (246,508)                           |
| Increase in trade and other accounts payable  |       | 5,711                               | 88,237                              |
| Decrease (increase) in assets/liabilities related to securities business                |       | 78,095                              | (221,904)                           |
| Increase in customer deposits in the banking business                                   |       | 139,580                             | 220,081                             |
| Others  |       | 775                                 | (17,223)                            |
| Subtotal  |       | (54,336)                            | (271,304)                           |
| Interest and dividend income received   |       | 125,116                             | 145,959                             |
| Interest paid   |       | (28,214)                            | (29,281)                            |
| Income taxes paid   |       | (15,717)                            | (23,777)                            |
| Net cash generated (used in) from operating activities                                  |       | 26,849                              | (178,403)                           |
| <b>Cash flows from investing activities</b>   |       |                                     |                                     |
| Purchases of intangible assets  |       | (14,250)                            | (15,419)                            |
| Purchases of investment securities  |       | (36,885)                            | (77,392)                            |
| Proceeds from sales or redemption of investment securities                              |       | 39,404                              | 40,735                              |
| Acquisition of subsidiaries, net of cash and cash equivalents acquired                  | 30    | (10,077)                            | (8,026)                             |
| Payments of loans receivable  |       | (50,303)                            | (70,172)                            |
| Collection of loans receivable  |       | 24,431                              | 49,860                              |
| Others  |       | (23,207)                            | (1,657)                             |
| Net cash used in investing activities   |       | (70,887)                            | (82,071)                            |
| <b>Cash flows from financing activities</b>   |       |                                     |                                     |
| Increase in short term loans payable  | 30    | 26,604                              | 69,808                              |
| Proceeds from long-term loans payable   | 30    | 58,043                              | 54,936                              |
| Repayment of long-term loans payable  | 30    | (37,948)                            | (21,953)                            |
| Proceeds from issuance of bonds payable   | 30    | 179,889                             | 228,124                             |
| Redemption of bonds payable   | 30    | (46,626)                            | (112,576)                           |
| Proceeds from issuance of shares  |       | —                                   | 4,923                               |
| Proceeds from stock issuance to non-controlling interests                               |       | 5,354                               | 6,356                               |
| Contributions from non-controlling interests in consolidated investment funds           |       | 35,646                              | 15,572                              |
| Cash dividends paid   |       | (22,860)                            | (23,313)                            |
| Cash dividends paid to non-controlling interests  |       | (718)                               | (763)                               |
| Distributions to non-controlling interests in consolidated investment funds             |       | (13,008)                            | (14,243)                            |
| Purchase of treasury stock  |       | (14)                                | (39)                                |
| Proceeds from sale of interests in subsidiaries to non-controlling interests            |       | 302                                 | 9,223                               |
| Payments for purchase of interests in subsidiaries from non-controlling interests       |       | (50)                                | (155)                               |
| Others  |       | (2,988)                             | (5,078)                             |
| Net cash generated from financing activities  |       | 181,626                             | 210,822                             |
| Net increase (decrease) in cash and cash equivalents                                    |       | 137,588                             | (49,652)                            |
| Cash and cash equivalents at the beginning of the year                                  |       | 713,974                             | 843,755                             |
| Effect of changes in exchange rate on cash and cash equivalents                         |       | (7,807)                             | 8,599                               |
| Cash and cash equivalents at the end of the year  |       | 843,755                             | 802,702                             |

# 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, Healthcare and Medical Informatics Business”. See Note 5 “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 Executive Officer, Hideyuki Katsuchi on June 25, 2021.

## 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 6 “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 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 “6. Financial Instruments”
- Impairment on financial assets at amortized cost – “3. Significant Accounting Policies (3) Financial instruments” and “8. Financial Risk Management (4) Credit risk management”
- Impairment on intangible assets – “3. Significant Accounting Policies (6) Intangible assets” and “15. Intangible Assets (3) Carrying amount of goodwill”
- Liability adequacy test for insurance contracts – “3. Significant Accounting Policies (8) Accounting for insurance contracts” and “20. Insurance Contract Liabilities”
- Recoverability of deferred tax assets – “3. Significant Accounting Policies (13) Income tax expense” and “16. Deferred Taxation”

The impact of the new coronavirus infections on the economy and corporate activities still continues, and the future remains highly uncertain. In the consolidated financial statements for the year ended March 31, 2020, the Group estimated that the number of infected people would peak in the first half of the current fiscal year, but since the spread of the disease has continued since then, the Group has changed its assumptions and estimates to assume that the impact on the economy and corporate activities will continue into the next fiscal year and beyond. This change in assumption had no significant impact on the business results of the Group.

### (5) Application of new and revised IFRSs

The Group adopted standards and interpretations that became mandatorily effective beginning with this fiscal year. There is no significant impact to these consolidated financial statements resulting from their adoption.



### 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. Therefore, an entity in which the Group owns a majority of the voting rights is in principle included as a subsidiary. However, even if the Group does not own a majority of the voting rights of an entity, it is included in the category of subsidiary if it is determined that the Group substantially controls the entity's decision-making body. Also, an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, referred to as "structured entity", is included as a subsidiary. 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 an investment in an equity instrument that is held for a purpose other than trading as a financial asset measured at fair value through other comprehensive income. 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 – 13 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. Business Combinations

For the year ended March 31, 2021

Acquisition date fair value of the consideration paid for business combinations amounted to ¥23,158 million and ¥1,451 million, which were settled in cash and in written put option, respectively.

Fair value of acquired assets and liabilities assumed and non-controlling interests were ¥195,788 million, ¥182,974 million and ¥2,910 million, respectively.

A breakdown of such assets and liabilities is provided in “30. Cash Flow Information (1) Expenditures on acquisition of subsidiaries”.

Goodwill arising from business combinations mainly consists of excess earning capacity that does not meet the requirements for separate identification.

Non-controlling interests are measured at their proportionate share of the identifiable net assets of the acquiree.

Revenues and net income recognized in the consolidated statement of income for the year ended March 31, 2021 were ¥13,332 million and ¥2,650 million, respectively, since the acquisition date.

#### 5. 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, Healthcare and Medical Informatics Business”, which is anticipated to be a growth industry, 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 Group changed the reporting segment name “Biotechnology-related Business” to “Biotechnology, Healthcare & Medical Informatics Business” from the current fiscal year.

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, Block chain, 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, Healthcare and Medical Informatics Business”

The Biotechnology, Healthcare & Medical Informatics Business represents development and distribution of pharmaceutical products, health foods, and cosmetics with 5-aminolevulinic acid (ALA\*), a kind of amino acid which exists in vivo, research and development of antibody drugs and nucleic acid medicine in the field of cancer and immunology, the digitization of medical and health information, providing solutions and services that promote and the use of medical big data, and medical finance.

“Others” includes the Digital Assets-related Business, the Real Estate Business and Renewable Energy Business, but they did not meet the quantitative criteria to be defined as reportable segments for the fiscal year ended March 31, 2021.

“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 Leasing Services Co., Ltd., which was included in the Financial Services Business until the previous reporting period, and SBI Crypto Investment Co., Ltd., which was included in the Others until the previous reporting period, are now included in the Asset Management Business beginning with this fiscal year. SBI CapitalBase Co., Ltd., which was included in the Others until the previous reporting period and changed its company name to SBI Equity Crowd Co., Ltd. on July 1, 2020, is now included in the Financial Services Business beginning with this fiscal year. Consequently, segment information for the year ended March 31, 2020, is restated in accordance with the new basis of segmentation.

(Millions of Yen)

| For the year ended March 31, 2020                        | Financial Services Business | Asset Management Business | Biotechnology, Healthcare and Medical Informatics Business | Total    | Others  | Elimination or Corporate | Consolidated Total |
|--|-----------------------------|---------------------------|--|----------|---------|--------------------------|--------------------|
| Revenue  |                             |                           |  |          |         |                          |                    |
| Revenue from external customers                          | 234,099                     | 126,184                   | 3,703  | 363,986  | 4,499   | (430)                    | 368,055            |
| Inter-segment revenue                                    | 2,652                       | 401                       | 217  | 3,270    | 727     | (3,997)                  | —                  |
| Total  | 236,751                     | 126,585                   | 3,920  | 367,256  | 5,226   | (4,427)                  | 368,055            |
| Segment operating income (loss)                          |                             |                           |  |          |         |                          |                    |
| Profit before income tax expense                         | 51,275                      | 37,230                    | (11,431)   | 77,074   | (1,733) | (9,522)                  | 65,819             |
| Other Items  |                             |                           |  |          |         |                          |                    |
| Interest income  | 38,578                      | 80,886                    | 21   | 119,485  | 19      | (725)                    | 118,779            |
| Interest expense   | (6,743)                     | (21,184)                  | (439)  | (28,366) | (448)   | (1,512)                  | (30,326)           |
| Depreciation and amortization                            | (10,016)                    | (3,129)                   | (424)  | (13,569) | (735)   | (1,236)                  | (15,540)           |
| Gain or loss from investments applying the equity-method | 6,042                       | 535                       | (50)   | 6,527    | (0)     | —                        | 6,527              |

(Millions of Yen)

| For the year ended March 31, 2021                        | Financial Services Business | Asset Management Business | Biotechnology, Healthcare and Medical Informatics Business | Total    | Others   | Elimination or Corporate | Consolidated Total |
|--|-----------------------------|---------------------------|--|----------|----------|--------------------------|--------------------|
| Revenue  |                             |                           |  |          |          |                          |                    |
| Revenue from external customers                          | 309,168                     | 207,852                   | 5,303  | 522,323  | 19,283   | (461)                    | 541,145            |
| Inter-segment revenue                                    | 2,556                       | 480                       | 324  | 3,360    | 2,457    | (5,817)                  | —                  |
| Total  | 311,724                     | 208,332                   | 5,627  | 525,683  | 21,740   | (6,278)                  | 541,145            |
| Segment operating income (loss)                          |                             |                           |  |          |          |                          |                    |
| Profit before income tax expense                         | 85,755                      | 84,853                    | (8,630)  | 161,978  | (10,595) | (11,003)                 | 140,380            |
| Other Items  |                             |                           |  |          |          |                          |                    |
| Interest income  | 43,052                      | 101,040                   | 17   | 144,109  | 78       | (823)                    | 143,364            |
| Interest expense   | (7,036)                     | (21,677)                  | (775)  | (29,488) | (667)    | (2,421)                  | (32,576)           |
| Depreciation and amortization                            | (11,474)                    | (6,981)                   | (425)  | (18,880) | (3,722)  | (1,250)                  | (23,852)           |
| Gain or loss from investments applying the equity-method | 8,802                       | 657                       | 16   | 9,475    | (17)     | —                        | 9,458              |

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, 2020 | As at March 31, 2021 |
|--------------------|----------------------|----------------------|
| Japan              | 115,858              | 147,874              |
| Korea              | 99,560               | 109,452              |
| Others             | 26,717               | 32,571               |
| Consolidated total | 242,135              | 289,897              |

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, 2020 | For the year ended March 31, 2021 |
|---------------------------------|-----------------------------------|-----------------------------------|
| Japan                           | 278,735                           | 401,297                           |
| Overseas                        | 89,320                            | 139,848                           |
| Consolidated total              | 368,055                           | 541,145                           |

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

## 6. 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

Carrying amounts approximate the fair values 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 carrying amounts of those with short-term maturities are deemed to be fair values as the carrying values approximate fair values.

Assets and liabilities related to securities business

With respect to loans on margin transactions included in margin transaction assets, the carrying amounts approximate the fair values as the interest rates of the loans are floating rates and reflect the market interest rate within a short period. The carrying amounts of assets and liabilities related to the securities business, except for loans on margin transactions, approximate the fair values as those assets and liabilities are settled within a short period.

With respect to trading assets and trading liabilities, the fair values of listed securities and listed derivatives are estimated based on prices quoted on stock exchanges or prices quoted by correspondent financial institutions. The fair value of securities and derivatives with no quoted prices is estimated using valuation techniques such as the discounted present value method and the Black-Scholes model, depending on the type of transaction and the period to maturity.

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, analysis based on revenues, profits, net assets and the recent transaction price between independent third parties. 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, carrying amounts are deemed to be fair values 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. For the bonds payable and loans payable with short-term maturities, carrying amounts are deemed to be fair values, because the carrying amounts approximate fair values.

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. For the time deposits with short-term maturities, carrying amounts are deemed to be fair values, because the carrying amounts approximate fair values.

## (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, 2020                  | Carrying Amount                    |                                       |                                     |   |           | Fair value |
|---------------------------------------|------------------------------------|---------------------------------------|-------------------------------------|---|-----------|------------|
|                                       | Financial assets measured at FVTPL | Equity instruments measured at FVTOCI | Debt instruments measured at FVTOCI | Financial assets measured at amortized cost | Total     |            |
| 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  |

(Millions of Yen)

| As at March 31, 2021                  | Carrying Amount                    |                                       |                                     |   |           | Fair value |
|---------------------------------------|------------------------------------|---------------------------------------|-------------------------------------|---|-----------|------------|
|                                       | Financial assets measured at FVTPL | Equity instruments measured at FVTOCI | Debt instruments measured at FVTOCI | Financial assets measured at amortized cost | Total     |            |
| Trade and other accounts receivable   | —                                  | —                                     | —                                   | 1,183,896                                   | 1,183,896 | 1,194,538  |
| Assets related to securities business | 141,204                            | —                                     | —                                   | 3,755,417                                   | 3,896,621 | 3,896,621  |
| Operational investment securities     | 528,154                            | —                                     | —                                   | —   | 528,154   | 528,154    |
| Other investment securities           | 168,887                            | 768                                   | 39,890                              | —   | 209,545   | 209,545    |
| Total                                 | 838,245                            | 768                                   | 39,890                              | 4,939,313                                   | 5,818,216 | 5,828,858  |

Classification and fair value of financial liabilities were as follows:

(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  |

(Millions of Yen)

| As at March 31, 2021                       | Carrying Amount                         |  |           | Fair value |
|--|---|--|-----------|------------|
|  | Financial liabilities measured at FVTPL | Financial liabilities measured at amortized cost | Total     |            |
| Bonds and loans payable                    | —                                       | 1,394,137  | 1,394,137 | 1,397,964  |
| Trade and other accounts payable           | 20,696                                  | 169,033  | 189,729   | 189,729    |
| Liabilities related to securities business | 52,218                                  | 3,469,584  | 3,521,802 | 3,521,802  |
| Customer deposits for banking business     | —                                       | 1,042,132  | 1,042,132 | 1,042,889  |
| Total                                      | 72,914                                  | 6,074,886  | 6,147,800 | 6,152,384  |



### (3) 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, 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      |

|   | 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)      | 1,633,087   | (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     |

(Millions of Yen)

| As at March 31, 2021   | 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) | 1,664,328                                    | (459,438)   | 1,204,890   | (1,028,202)   | (176,116)                | 572        |
| Assets related to securities business (Receivables related to securities transactions)                 | 503,626                                      | (223,237)   | 280,389   | (17,813)  | —                        | 262,576    |
| Assets related to securities business (Financial assets related to foreign exchange transactions)      | 15,450                                       | —   | 15,450  | (1,113)   | (12,097)                 | 2,240      |

|   | 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)      | 2,171,295   | (459,438)  | 1,711,857  | (1,042,561)   | —                       | 669,296    |
| Liabilities related to securities business (Payables related to securities transactions)                    | 1,749,011   | (223,237)  | 1,525,774  | (14,822)  | —                       | 1,510,952  |
| Liabilities related to securities business (Financial liabilities related to foreign exchange transactions) | 281,496   | —  | 281,496  | (13,210)  | —                       | 268,286    |

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. Fair Value Measurement

### (1) Categorization within the level of the 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 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 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, 2020 |         |         |         |
|---|----------------------|---------|---------|---------|
|   | Level 1              | Level 2 | Level 3 | Total   |
| 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   | 352,478              | 494     | 378,230 | 731,202 |
| Trade and other accounts payable                                  | —                    | —       | 4,075   | 4,075   |
| Liabilities related to securities business                        | 81,289               | —       | —       | 81,289  |
| Total   | 81,289               | —       | 4,075   | 85,364  |

(Millions of Yen)

|   | As at March 31, 2021 |         |         |         |
|---|----------------------|---------|---------|---------|
|   | Level 1              | Level 2 | Level 3 | Total   |
| Assets related to securities business                             | 69,651               | 59,666  | 11,887  | 141,204 |
| Operational investment securities and other investment securities |                      |         |         |         |
| Financial assets measured at FVTPL                                | 187,258              | 65,668  | 444,115 | 697,041 |
| Equity instruments measured at FVTOCI                             | 29                   | —       | 739     | 768     |
| Debt instruments measured at FVTOCI                               | 15,221               | 24,375  | 294     | 39,890  |
| Total   | 272,159              | 149,709 | 457,035 | 878,903 |
| Trade and other accounts payable                                  | —                    | —       | 20,696  | 20,696  |
| Liabilities related to securities business                        | 32,147               | 18,210  | 1,861   | 52,218  |
| Total   | 32,147               | 18,210  | 22,557  | 72,914  |

In addition to the above, assets and liabilities related to crypto assets classified as Level 1 amounted to ¥81,655 million and ¥70,244 million, respectively, as at March 31, 2021 and are included in "Other assets" and "Other liabilities" in the consolidated statement of financial position, respectively.

The table below presents the 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, 2020 |           |         |           |
|---|----------------------|-----------|---------|-----------|
|   | Level 1              | Level 2   | Level 3 | Total     |
| 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   | —                    | 3,470,951 | —       | 3,470,951 |
| 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   | —                    | 4,552,450 | —       | 4,552,450 |

(Millions of Yen)

|   | As at March 31, 2021 |           |         |           |
|---|----------------------|-----------|---------|-----------|
|   | Level 1              | Level 2   | Level 3 | Total     |
| Trade and other accounts receivable                               | —                    | 1,194,538 | —       | 1,194,538 |
| Assets related to securities business                             | —                    | 3,755,417 | —       | 3,755,417 |
| Operational investment securities and other investment securities | —                    | —         | —       | —         |
| Total   | —                    | 4,949,955 | —       | 4,949,955 |
| Bonds and loans payable   | —                    | 1,397,964 | —       | 1,397,964 |
| Trade and other accounts payable                                  | —                    | 169,033   | —       | 169,033   |
| Liabilities related to securities business                        | —                    | 3,469,584 | —       | 3,469,584 |
| Customer deposits for banking business                            | —                    | 1,042,889 | —       | 1,042,889 |
| Total   | —                    | 6,079,470 | —       | 6,079,470 |

## (2) Assets and liabilities 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 assets and liabilities 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 of assets and liabilities categorized as Level 3 are as follows:

(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<br>P/E ratio<br>EBITDA ratio<br>Illiquidity discount | 12% – 16%<br>5.4 – 45.2<br>25.0 – 40.0<br>10% – 20% |

(Millions of Yen)

|   | As at March 31, 2021 |                                     |  |  |
|---|----------------------|-------------------------------------|--|--|
|   | Fair Value           | Valuation Technique                 | Unobservable Input   | Range  |
| Operational investment securities and other investment securities | 445,148              | Income approach and market approach | Discount rate<br>P/E ratio<br>EBITDA ratio<br>Illiquidity discount | 12% – 16%<br>12.0 – 45.2<br>25.0 – 40.0<br>10% – 20% |
| Trade and other accounts payable                                  | 20,696               | Income approach                     | Discount rate  | 1.0%   |

Within the recurring fair value measurements of assets and liabilities 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 EBITDA ratio increases

(decreases), or when the illiquidity discount decreases (increases).

With respect to the assets and liabilities 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 assets and liabilities categorized as Level 3 is presented as follows:

(Millions of Yen)

| For the year ended March 31, 2020   | Assets  |                                       |                                     |          | Liabilities                      |
|-------------------------------------|---|---------------------------------------|-------------------------------------|----------|----------------------------------|
|                                     | Operational investment securities and other investment securities |                                       |                                     | Total    | Trade and other accounts payable |
|                                     | Financial assets measured at FVTPL                                | Equity instruments measured at FVTOCI | Debt instruments measured at FVTOCI |          |                                  |
| Balance as at April 1, 2019         | 296,899   | 797                                   | —                                   | 297,696  | 2,536                            |
| Purchase and issuance               | 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                            |

(Millions of Yen)

| For the year ended March 31, 2021   | Assets  |                                       |                                     |          | Liabilities                           |                                  |  |
|-------------------------------------|---|---------------------------------------|-------------------------------------|----------|---------------------------------------|----------------------------------|--|
|                                     | Operational investment securities and other investment securities |                                       |                                     | Total    | Assets related to securities business | Trade and other accounts payable | Liabilities related to securities business |
|                                     | Financial assets measured at FVTPL                                | Equity instruments measured at FVTOCI | Debt instruments measured at FVTOCI |          |                                       |                                  |  |
| Balance as at April 1, 2020         | 377,497   | 733                                   | —                                   | 378,230  | —                                     | 4,075                            | —  |
| Purchase and issuance               | 76,128  | —                                     | 300                                 | 76,428   | 11,939                                | 16,440                           | 2,805                                      |
| Comprehensive income                |   |                                       |                                     |          |                                       |                                  |  |
| Net profit (Note 1)                 | 18,909  | —                                     | —                                   | 18,909   | 1,051                                 | (293)                            | (944)                                      |
| Other comprehensive income (Note 2) | —   | (23)                                  | (6)                                 | (29)     | —                                     | —                                | —  |
| Dividends                           | (4,763)   | —                                     | —                                   | (4,763)  | —                                     | —                                | —  |
| Sale or redemption                  | (20,472)  | —                                     | —                                   | (20,472) | —                                     | —                                | —  |
| Settlements                         | —   | —                                     | —                                   | —        | —                                     | —                                | —  |
| Currency translation differences    | 7,620   | 29                                    | —                                   | 7,649    | —                                     | 474                              | —  |
| Others (Note 3)                     | (248)   | —                                     | —                                   | (248)    | —                                     | —                                | —  |
| Transferred from Level 3 (Note 4)   | (10,556)  | —                                     | —                                   | (10,556) | (1,103)                               | —                                | —  |
| Balance as at March 31, 2021        | 444,115   | 739                                   | 294                                 | 445,148  | 11,887                                | 20,696                           | 1,861                                      |

Notes: 1. Gains and losses recognized as profit (loss) for the period are included in "Revenue" in the consolidated statement of income. Gains and losses recognized from assets measured at FVTPL held as at March 31, 2020 and 2021 were ¥19,801 million and ¥18,953 million of gains, respectively.

2. Gains and losses recognized as other comprehensive income (loss) are included in "Financial assets measured at FVTOCI" in the consolidated statement of comprehensive income.

3. Transfer due to a change in the scope of consolidation.

4. Transfer due to significant input used to measure the fair value becoming observable.

## 8. 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,<br>2020 | As at March 31,<br>2021 |
|---|-------------------------|-------------------------|
| Interest-bearing debt<br>(Bonds and borrowings) | 1,149,050               | 1,394,137               |
| Cash and cash equivalents                       | (843,755)               | (802,702)               |
| Net   | 305,295                 | 591,435                 |
| Equity attributable to owners<br>of the Company | 451,476                 | 562,116                 |

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 companies that manage the small-amount short-term insurance of our corporate group 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 business, 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 movement of loss allowance is as follows:

(Millions of Yen)

|   | 12-month<br>expected credit<br>losses | Lifetime expected credit losses     |                 |                   | Total    |
|---|---------------------------------------|-------------------------------------|-----------------|-------------------|----------|
|   |                                       | Significantly increased credit risk |                 | Trade receivables |          |
|   |                                       | Not credit-impaired                 | Credit-Impaired |                   |          |
| As at April 1, 2019   | 19,392                                | 4,378                               | 17,972          | 4                 | 41,746   |
| Increase due to business combination                          | 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   |
| Changes in the scope of consolidation                         | —                                     | —                                   | (120)           | —                 | (120)    |
| New financial assets originated or purchased                  | 35,233                                | 5,742                               | —               | 2                 | 40,977   |
| Derecognition of financial assets                             | (24,768)                              | (5,144)                             | (11,579)        | —                 | (41,491) |
| Transfer  | (3,047)                               | 1,300                               | 18,190          | —                 | 16,443   |
| Write-offs  | (556)                                 | (198)                               | (1,336)         | —                 | (2,090)  |
| Foreign currency translation adjustment on foreign operations | 2,717                                 | 653                                 | 1,352           | —                 | 4,722    |
| As at March 31, 2021  | 32,715                                | 7,893                               | 26,613          | 6                 | 67,227   |

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 ¥203 million and ¥558 million, as at March 31, 2020 and 2021, respectively.

Financial assets that have been written off during the years ended March 31, 2020 and 2021, and are still subject to enforcement activities amounted to ¥2,433 million and ¥2,181 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, 2020                  | 12-month<br>expected credit<br>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    |

(Millions of Yen)

| As at March 31, 2021                  | 12-month<br>expected credit<br>losses | Lifetime expected credit losses     |                 |                   | Total     |
|---------------------------------------|---------------------------------------|-------------------------------------|-----------------|-------------------|-----------|
|                                       |                                       | Significantly increased credit risk |                 | Trade receivables |           |
|                                       |                                       | Not credit-impaired                 | Credit-Impaired |                   |           |
| Cash and cash equivalents             | 802,702                               | —                                   | —               | —                 | 802,702   |
| Trade and other accounts receivable   |                                       |                                     |                 |                   |           |
| Credit to individual                  |                                       |                                     |                 |                   |           |
| Group A                               | 112,660                               | 6                                   | 129             | —                 | 112,795   |
| Group B                               | 314,347                               | 19,311                              | 1,635           | —                 | 335,293   |
| Group C or less                       | 26,146                                | 22,537                              | 15,254          | —                 | 63,937    |
| Credit to Corporate (external rating) |                                       |                                     |                 |                   |           |
| Group A                               | 121,032                               | —                                   | —               | —                 | 121,032   |
| Group B                               | 79,411                                | 5,487                               | 1,712           | —                 | 86,610    |
| Group C or less                       | 90                                    | —                                   | —               | —                 | 90        |
| Credit to Corporate                   |                                       |                                     |                 |                   |           |
| No overdue information                | 185,112                               | 22,404                              | 6,489           | —                 | 214,005   |
| One or more delinquents               | —                                     | 686                                 | 3,610           | —                 | 4,296     |
| Others                                | 290,100                               | 2,351                               | 12,357          | 8,257             | 313,065   |
| Loss allowance                        | (32,715)                              | (7,893)                             | (26,613)        | (6)               | (67,227)  |
| Total                                 | 1,096,183                             | 64,889                              | 14,573          | 8,251             | 1,183,896 |
| Assets related to securities business | 3,895,809                             | —                                   | 812             | —                 | 3,896,621 |
| Other financial assets                | 54,979                                | —                                   | —               | 3,736             | 58,715    |
| Other investment securities           |                                       |                                     |                 |                   |           |
| BBB or above                          | 39,588                                | —                                   | —               | —                 | 39,588    |
| Less than BBB                         | 302                                   | —                                   | —               | —                 | 302       |
| Total                                 | 39,890                                | —                                   | —               | —                 | 39,890    |

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 ¥12,763 million and ¥15,287 million by underlying collateral held as a security and other credit enhancements as at March 31, 2020 and 2021, respectively.

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

(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 |

(Millions of Yen)

| As at March 31, 2021     | 12-month expected credit losses | Lifetime expected credit losses     |                 | Total  |
|--------------------------|---------------------------------|-------------------------------------|-----------------|--------|
|                          |                                 | Significantly increased credit risk |                 |        |
|                          |                                 | Not credit-impaired                 | Credit-Impaired |        |
| Undrawn loan commitments | 48,469                          | 3,055                               | 3               | 51,527 |

## [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, 2020 and 2021 increased by 10%, profit before income tax expense in the consolidated statement of income would have increased by ¥14,886 million and ¥18,726 million, respectively.

The investment portfolios as at March 31, 2020 and 2021 were as follows:

(Millions of Yen)

|                                   | As at March 31, 2020 | As at March 31, 2021 |
|-----------------------------------|----------------------|----------------------|
| Operational investment securities |                      |                      |
| Listed equity securities          | 85,799               | 180,548              |
| Unlisted equity securities        | 276,405              | 303,790              |
| Bonds                             | 12,589               | 15,746               |
| Investments in funds              | 20,130               | 28,070               |
| Total                             | 394,923              | 528,154              |
| Other investment securities       |                      |                      |
| Listed equity securities          | 37                   | 487                  |
| Unlisted equity securities        | 9,773                | 10,934               |
| Bonds                             | 63,614               | 60,032               |
| Investments in funds              | 107,020              | 138,092              |
| Total                             | 180,444              | 209,545              |

## (b) Foreign Exchange Risk

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

(Millions of Yen)

| As at March 31, 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 |

(Millions of Yen)

| As at March 31, 2021   | USD     | HKD   | Others |
|--|---------|-------|--------|
| Monetary financial instruments dominated in foreign currency |         |       |        |
| Assets   | 89,751  | 3,031 | 28,768 |
| Liabilities  | 238,862 | 9,065 | 29,424 |

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, 2020 and 2021 would have decreased by ¥1,256 million and ¥1,558 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, 2020 and 2021 would have decreased by ¥584 million and increased by ¥1,240 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, 2020 and 2021.

## (6) Liquidity risk management

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

- Necessary financing cannot be secured due to deterioration of the Group's financial condition
- Risk of loss from financing at higher interest rate than usual with no option
- Risk of loss from transaction at significantly unreasonable price with no option or unable to conduct transactions due to severe situation such as market turmoil.

The Group manages its liquidity risk through the following policies.

- (a) Secure various financing arrangements such as bank overdraft facility, bond issuance registration or stock issuance.
- (b) Collect information on the Group's working capital requirement and understand the cash flow positions.
- (c) Obtain reports from the department responsible for cash management based upon the liquidity risk management policies stated in (a) and (b) above to monitor cash flow risks.

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

(Millions of Yen)

| As at March 31, 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                                      | —                                       | —                    |

(Millions of Yen)

| As at March 31, 2021                       | 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                    | 1,394,137       | 1,420,043             | 887,928                 | 170,552                              | 117,277                                 | 51,750                                   | 112,811                                 | 79,725               |
| Trade and other accounts payable           | 189,729         | 190,267               | 160,525                 | 5,776                                | 19,805                                  | 1,236                                    | 704                                     | 2,221                |
| Liabilities related to securities business | 3,521,802       | 3,521,808             | 3,521,808               | —                                    | —                                       | —  | —                                       | —                    |
| Customer deposits for banking business     | 1,042,132       | 1,065,190             | 636,196                 | 141,631                              | 286,698                                 | 543                                      | 122                                     | —                    |



The Group entered into line of credit agreements (e.g., overdraft facilities) with leading domestic and overseas 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,<br>2020 | As at March 31,<br>2021 |
|-----------------|-------------------------|-------------------------|
| Lines of credit | 452,426                 | 482,697                 |
| Used balance    | 158,441                 | 133,727                 |
| Unused portion  | 293,985                 | 348,970                 |

## 9. Trade and Other Accounts Receivable

Trade and other accounts receivable as at March 31, 2020 and 2021, consisted of the following:

(Millions of Yen)

|   | As at March 31,<br>2020 | As at March 31,<br>2021 |
|---|-------------------------|-------------------------|
| Trade accounts receivable and installment receivables | 4,579                   | 6,200                   |
| Loans receivable                                      | 741,232                 | 1,041,255               |
| Operational receivables                               | 25,694                  | 56,238                  |
| Deposits  | 47,099                  | 77,744                  |
| Others  | 3,527                   | 2,459                   |
| Total   | 822,131                 | 1,183,896               |

Maturity analysis to the collection or the settlement of trade and other accounts receivable as at March 31, 2020 and 2021, consisted of the following:

(Millions of Yen)

|                      | As at March 31,<br>2020 | As at March 31,<br>2021 |
|----------------------|-------------------------|-------------------------|
| No later than 1 year | 238,095                 | 325,531                 |
| Later than 1 year    | 584,036                 | 858,365                 |
| Total                | 822,131                 | 1,183,896               |

## 10. Other Assets Related to Securities Business

Other assets related to securities business as at March 31, 2020 and 2021, consisted of the following:

(Millions of Yen)

|  | As at March 31,<br>2020 | As at March 31,<br>2021 |
|--|-------------------------|-------------------------|
| Trade date accrual                     | 237,764                 | 293,872                 |
| Trading products                       | 155,835                 | 141,204                 |
| Short-term guarantee deposits          | 96,886                  | 102,728                 |
| Loans receivable secured by securities | 84,755                  | 92,428                  |
| Others                                 | 1,261                   | 1,073                   |
| Total                                  | 576,501                 | 631,305                 |

## 11. 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, 2020 and 2021 consisted of the following:

(Millions of Yen)

|                                       | As at March 31,<br>2020 | As at March 31,<br>2021 |
|---------------------------------------|-------------------------|-------------------------|
| Operational investment securities     |                         |                         |
| Financial assets measured at FVTPL    | 394,923                 | 528,154                 |
| Total                                 | 394,923                 | 528,154                 |
| Other investment securities           |                         |                         |
| Financial assets measured at FVTPL    | 131,929                 | 168,887                 |
| Equity instruments measured at FVTOCI | 751                     | 768                     |
| Debt instruments measured at FVTOCI   | 47,764                  | 39,890                  |
| Total                                 | 180,444                 | 209,545                 |

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,<br>2020 | As at March 31,<br>2021 |
|------------|-------------------------|-------------------------|
| Fair value |                         |                         |
| Listed     | 18                      | 29                      |
| Unlisted   | 733                     | 739                     |
| Total      | 751                     | 768                     |

(Millions of Yen)

|                  | For the year ended<br>March 31, 2020 | For the year ended<br>March 31, 2021 |
|------------------|--------------------------------------|--------------------------------------|
| Dividends income |                                      |                                      |
| Listed           | 0                                    | 1                                    |
| Unlisted         | 0                                    | 0                                    |
| Total            | 0                                    | 1                                    |

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,<br>2020 | As at March 31,<br>2021 |
|-----------------------------|-------------------------|-------------------------|
| 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, 2020 and 2021 are as follows:

(Millions of Yen)

| For the year ended March 31, 2020 |                         |                 | For the year ended March 31, 2021 |                         |                 |
|-----------------------------------|-------------------------|-----------------|-----------------------------------|-------------------------|-----------------|
| Fair value at disposal            | Cumulative gain or loss | Dividend income | Fair value at disposal            | Cumulative gain or loss | Dividend income |
| 3,444                             | (605)                   | —               | —                                 | —                       | —               |

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.

## 12. 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<br>March 31, 2020 | For the year ended<br>March 31, 2021 |
|--|--------------------------------------|--------------------------------------|
| Profit for the year attributable to the Group        | 997                                  | 2,831                                |
| Other comprehensive income attributable to the Group | (3,771)                              | 963                                  |
| Total comprehensive income attributable to the Group | (2,774)                              | 3,794                                |

(Millions of Yen)

|                 | As at March 31,<br>2020 | As at March 31,<br>2021 |
|-----------------|-------------------------|-------------------------|
| Carrying amount | 15,383                  | 47,271                  |

### (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<br>March 31, 2020 | For the year ended<br>March 31, 2021 |
|--|--------------------------------------|--------------------------------------|
| Profit for the year attributable to the Group        | 5,530                                | 6,627                                |
| Other comprehensive income attributable to the Group | (41)                                 | 27                                   |
| Total comprehensive income attributable to the Group | 5,489                                | 6,654                                |

(Millions of Yen)

|                 | As at March 31,<br>2020 | As at March 31,<br>2021 |
|-----------------|-------------------------|-------------------------|
| Carrying amount | 48,274                  | 56,536                  |

## 13. 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 ¥306,737 million and ¥261,713 million as at March 31, 2020 and 2021, respectively. Total liabilities were ¥79,877 million and ¥16,644 million as at March 31, 2020 and 2021, 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,<br>2020 | As at March 31,<br>2021 |
|-----------------------------------|-------------------------|-------------------------|
| Operational investment securities | 16,597                  | 23,252                  |
| Other investment securities       | 103,693                 | 135,722                 |
| Total                             | 120,290                 | 158,974                 |

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

## 14. Property and Equipment

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

(Millions of Yen)

| Cost  | Buildings | Furniture and fixtures | Land  | Others   | Total    |
|---|-----------|------------------------|-------|----------|----------|
| Balance as at April 1, 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   |
| Acquisitions  | 7,937     | 7,531                  | 1,144 | 2,431    | 19,043   |
| Acquisitions through business combinations                    | 910       | 5                      | 103   | 22,932   | 23,950   |
| Sales or disposals  | (440)     | (2,362)                | —     | (15,431) | (18,233) |
| Foreign currency translation adjustment on foreign operations | 395       | 312                    | 41    | 142      | 890      |
| Others  | 53        | 2,666                  | (105) | (2,482)  | 132      |
| Balance as at March 31, 2021                                  | 34,276    | 29,579                 | 5,129 | 29,489   | 98,473   |

(Millions of Yen)

| Accumulated depreciation and impairment losses                | Buildings | Furniture and fixtures | Land | Others  | Total    |
|---|-----------|------------------------|------|---------|----------|
| Balance as at April 1, 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) |
| Sales or disposals  | 193       | 1,950                  | —    | 3,949   | 6,092    |
| Depreciation  | (5,665)   | (5,553)                | —    | (4,177) | (15,395) |
| Impairment losses   | (4)       | (125)                  | —    | (3,492) | (3,621)  |
| Foreign currency translation adjustment on foreign operations | (139)     | (204)                  | —    | (82)    | (425)    |
| Balance as at March 31, 2021                                  | (12,984)  | (15,172)               | (42) | (5,985) | (34,183) |

(Millions of Yen)

| Carrying amount              | Buildings | Furniture and fixtures | Land  | Others | Total  |
|------------------------------|-----------|------------------------|-------|--------|--------|
| Balance as at March 31, 2020 | 18,052    | 10,187                 | 3,904 | 19,714 | 51,857 |
| Balance as at March 31, 2021 | 21,292    | 14,407                 | 5,087 | 23,504 | 64,290 |

The carrying amount of property and equipment includes the carrying amount of right-of-use assets and the carrying amount of lessor's operating lease assets.

Right-of-use assets increased by ¥3,003 million and ¥6,816 million as at March 31, 2020 and 2021, respectively.

(Millions of Yen)

| Carrying amount of right-of-use assets | Buildings | Furniture and fixtures | Others | Total  |
|--|-----------|------------------------|--------|--------|
| Balance as at March 31, 2020           | 10,744    | 950                    | 248    | 11,942 |
| Balance as at March 31, 2021           | 13,183    | 1,329                  | 424    | 14,936 |

(Millions of Yen)

| Carrying amount of lessor's operating lease assets | Others | Total  |
|--|--------|--------|
| Balance as at March 31, 2020                       | 15,230 | 15,230 |
| Balance as at March 31, 2021                       | 20,607 | 20,607 |

Impairment losses recognized for the year ended March 31, 2021 were ¥3,621 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, 2021 were ¥3 million in the Financial Services Business, ¥1,046 million in the Asset Management Business and ¥2,572 million in the Renewable Energy Business, which is included in "Others", respectively.

## 15. Intangible Assets

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

The movements in cost, accumulated amortization and impairment losses of intangible assets including goodwill for the years ended March 31, 2020 and 2021 were as follows:

(Millions of Yen)

| Cost  | Goodwill | Software | Customer relationship | Others | Total    |
|---|----------|----------|-----------------------|--------|----------|
| Balance as at April 1, 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  |
| Acquisitions  | —        | 16,356   | —                     | 349    | 16,705   |
| Acquisitions through business combinations                    | 17,320   | 915      | 3,728                 | 29     | 21,992   |
| Sales or disposals  | (116)    | (1,010)  | —                     | —      | (1,126)  |
| Foreign currency translation adjustment on foreign operations | 10,887   | 589      | 1,544                 | 218    | 13,238   |
| Balance as at March 31, 2021                                  | 192,303  | 78,770   | 38,166                | 5,288  | 314,527  |

(Millions of Yen)

| Accumulated amortization and impairment losses                | Goodwill | Software | Customer relationship | Others  | Total    |
|---|----------|----------|-----------------------|---------|----------|
| Balance as at April 1, 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) |
| Sales or disposals  | 21       | 358      | —                     | —       | 379      |
| Amortization  | —        | (7,755)  | (788)                 | (414)   | (8,957)  |
| Impairment losses   | (2,627)  | (319)    | (1,840)               | —       | (4,786)  |
| Foreign currency translation adjustment on foreign operations | —        | (531)    | (1,496)               | (89)    | (2,116)  |
| Balance as at March 31, 2021                                  | (10,181) | (45,395) | (30,656)              | (2,688) | (88,920) |

(Millions of Yen)

| Carrying amount              | Goodwill | Software | Customer relationship | Others | Total   |
|------------------------------|----------|----------|-----------------------|--------|---------|
| Balance as at March 31, 2020 | 156,637  | 24,772   | 6,362                 | 2,507  | 190,278 |
| Balance as at March 31, 2021 | 182,122  | 33,375   | 7,510                 | 2,600  | 225,607 |

The carrying amount of software in the above table as at March 31, 2020 and 2021 includes the carrying amount of right-of-use assets of ¥584 million and ¥320 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 ¥4,786 million for the year ended March 31, 2021, 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, 2021 were ¥319 million in the Financial Services Business, ¥187 million in the Asset Management Business, ¥4,125 million in the Biotechnology, Healthcare and Medical Informatics Business and ¥155 million in the Renewable Energy Business, which were included in "Others", respectively. The impairment losses recognized in the Biotechnology, Healthcare and Medical Informatics Business were recognized for goodwill and 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 ¥95,261 million and ¥104,563 million as at March 31, 2020 and 2021, respectively, related to SBI Savings Bank in the Asset

Management Business and ¥24,910 million as at March 31, 2020 and 2021, 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, 2020 and 2% as at March 31, 2021. The discount rate used for measuring value in use was 9.1% to 23.3% and 7.9% to 20.6% per annum as at March 31, 2020 and 2021, respectively.

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

## 16. Deferred Taxation

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the years ended March 31, 2020 and 2021:

(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 |
|---|---------------------|-----------------------------------|---|----------------------------------|-------------------------------|----------------------|
| <b>Deferred Tax Assets</b>                                |                     |                                   |   |                                  |                               |                      |
| 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                |
| <b>Total</b>  | <b>10,379</b>       | <b>4,369</b>                      | <b>(584)</b>                                  | <b>322</b>                       | <b>—</b>                      | <b>14,486</b>        |
| <b>Deferred Tax Liabilities</b>                           |                     |                                   |   |                                  |                               |                      |
| Financial assets and liabilities 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                |
| <b>Total</b>  | <b>18,855</b>       | <b>5,470</b>                      | <b>98</b>                                     | <b>267</b>                       | <b>(446)</b>                  | <b>24,244</b>        |

(Millions of Yen)

| For the year ended March 31, 2021                         | As at April 1, 2020 | Recognized through profit or loss | Recognized through other comprehensive income | Change in scope of consolidation | Recognized directly in equity | As at March 31, 2021 |
|---|---------------------|-----------------------------------|---|----------------------------------|-------------------------------|----------------------|
| <b>Deferred Tax Assets</b>                                |                     |                                   |   |                                  |                               |                      |
| Impairment on financial assets measured at amortized cost | 845                 | 420                               | —   | —                                | —                             | 1,265                |
| Fixed assets  | 1,063               | 470                               | —   | 33                               | —                             | 1,566                |
| Enterprise tax payable                                    | 914                 | 428                               | —   | —                                | —                             | 1,342                |
| Tax loss carryforwards                                    | 8,962               | 1,224                             | 883   | —                                | —                             | 11,069               |
| Other   | 2,702               | (605)                             | —   | 113                              | —                             | 2,210                |
| <b>Total</b>  | <b>14,486</b>       | <b>1,937</b>                      | <b>883</b>                                    | <b>146</b>                       | <b>—</b>                      | <b>17,452</b>        |
| <b>Deferred Tax Liabilities</b>                           |                     |                                   |   |                                  |                               |                      |
| Financial assets and liabilities measured at FVTPL        | 17,630              | 15,626                            | —   | —                                | —                             | 33,256               |
| Equity instruments measured at FVTOCI                     | 3                   | —                                 | 5   | —                                | —                             | 8                    |
| Debt instruments measured at FVTOCI                       | 1,145               | (260)                             | (66)  | —                                | —                             | 819                  |
| Investments accounted for using the equity method         | 1,940               | 627                               | —   | —                                | —                             | 2,567                |
| Intangible assets   | 1,590               | (103)                             | 17  | 1,304                            | —                             | 2,808                |
| Other   | 1,936               | (1,563)                           | —   | 70                               | 1,182                         | 1,625                |
| <b>Total</b>  | <b>24,244</b>       | <b>14,327</b>                     | <b>(44)</b>                                   | <b>1,374</b>                     | <b>1,182</b>                  | <b>41,083</b>        |

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, 2020 and 2021, were ¥263,027 million (including ¥149,092 million with the carryforward period over 5 years), and ¥212,230 million (including ¥143,764 million with the carryforward period over 5 years), respectively.

The Group recognized deferred tax assets of ¥42 million and ¥101 million as at March 31, 2020 and 2021, respectively, associated with certain subsidiaries that had net losses during the years ended March 31, 2020 and 2021. 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, 2020 and 2021, 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 ¥254,394 million and ¥288,165 million as at March 31, 2020 and 2021, respectively.

## 17. Bonds and Borrowings

### (1) Details of bonds and borrowings

Bonds and borrowings as at March 31, 2020 and 2021, consisted of the following:

|  | As at March 31, 2020 | As at March 31, 2021 | Average interest rate (Note 1) | Due (Note 2) |
|--|----------------------|----------------------|--------------------------------|--------------|
| Short-term loans payable                   | 636,290              | 737,038              | 0.23                           | —            |
| Current portion of long-term loans payable | 14,889               | 79,804               | 0.38                           | —            |
| Current portion of bonds payable           | 86,994               | 67,234               | —                              | —            |
| Long-term loans payable                    | 91,163               | 75,326               | 1.67                           | 2022–2034    |
| Bonds payable                              | 319,714              | 434,735              | —                              | —            |
| <b>Total</b>                               | <b>1,149,050</b>     | <b>1,394,137</b>     |                                |              |

Notes: 1. The average interest rate is calculated using the weighted average coupon rate of the outstanding balance as at March 31, 2021.

2. The due represents the repayment term of the outstanding balance as at March 31, 2021.

Details of the bonds were as follows:

| Issuer and the name of bond                                     | Date of issuance                | (Millions of Yen)    |                      | Interest rate (%) |                                   |
|---|---------------------------------|----------------------|----------------------|-------------------|-----------------------------------|
|   |                                 | As at March 31, 2020 | As at March 31, 2021 | (Note 1)          | Due                               |
| The Company<br>Japanese yen straight bond (Note 2)              | July 2018–<br>April 2020        | 64,845               | 55,000               | 0.43–0.60         | July 2020–<br>April 2022          |
| The Company<br>No.9 Unsecured straight bond                     | June 2016                       | 15,983               | 15,998               | 0.85              | June 2021                         |
| The Company<br>No.11 Unsecured straight bond                    | June 2017                       | 12,997               | —                    | —                 | June 2020                         |
| The Company<br>No.12 Unsecured straight bond                    | June 2017                       | 16,971               | 16,984               | 0.90              | June 2022                         |
| The Company<br>No.13 Unsecured straight bond                    | March 2018                      | 17,981               | —                    | —                 | March 2021                        |
| The Company<br>No.14 Unsecured straight bond                    | March 2018                      | 17,958               | 17,972               | 0.70              | March 2023                        |
| The Company<br>No.15 Unsecured straight bond                    | December 2018                   | 14,971               | 14,988               | 0.44              | December 2021                     |
| The Company<br>No.16 Unsecured straight bond                    | December 2018                   | 14,956               | 14,968               | 0.69              | December 2023                     |
| The Company<br>No.17 Unsecured straight bond                    | May 2019                        | 24,939               | 24,968               | 0.43              | May 2022                          |
| The Company<br>No.18 Unsecured straight bond                    | May 2019                        | 24,918               | 24,938               | 0.69              | May 2024                          |
| The Company<br>No.19 Unsecured straight bond                    | December 2019                   | 19,938               | 19,961               | 0.45              | December 2022                     |
| The Company<br>No.20 Unsecured straight bond                    | December 2019                   | 24,907               | 24,927               | 0.70              | December 2024                     |
| The Company<br>No.21 Unsecured straight bond                    | June 2020                       | —                    | 14,962               | 0.80              | June 2023                         |
| The Company<br>No.22 Unsecured straight bond                    | June 2020                       | —                    | 10,000               | 1.00              | June 2025                         |
| The Company<br>No.23 Unsecured straight bond                    | December 2020                   | —                    | 24,922               | 0.73              | December 2023                     |
| The Company<br>No.24 Unsecured straight bond                    | December 2020                   | —                    | 29,888               | 0.93              | December 2025                     |
| The Company<br>Euroyen convertible bonds (Note 3)               | September 2017–<br>July 2020    | 64,984               | 116,020              | —                 | September 2022–<br>July 2025      |
| The Company<br>Exchangeable bond (Note 2)                       | June 2018                       | 502                  | —                    | —                 | June 2020                         |
| SBI SECURITIES Co., Ltd.<br>Exchangeable bond (Note 2)          | December 2016–<br>March 2021    | 58,054               | 65,772               | 0.11–0.88         | April 2020–<br>March 2031         |
| SBI SECURITIES Co., Ltd.<br>Japanese yen straight bond (Note 2) | September 2019–<br>October 2020 | 9,972                | 5,992                | 0.30              | September 2020–<br>October 2021   |
| Other bonds   | September 2019–<br>March 2021   | 1,832                | 3,709                | 0.11–0.60         | September 2022–<br>September 2027 |
| Total   |                                 | 406,708              | 501,969              |                   |                                   |

Notes: 1. Interest rate is the coupon rate of the balance as at March 31, 2021. 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, 2020 | As at March 31, 2021 |
| Cash and cash equivalents           | —                    | 24                   |
| Trade and other accounts receivable | 10,502               | 10,678               |
| Property and equipment              | 13,858               | 20,180               |
| Total                               | 24,360               | 30,882               |

The corresponding liabilities were as follows:

|                      | (Millions of Yen)    |                      |
|----------------------|----------------------|----------------------|
|                      | As at March 31, 2020 | As at March 31, 2021 |
| Bonds and borrowings | 14,881               | 22,180               |

Besides the above, securities received as collateral for financing from broker's own capital of ¥21,942 million and ¥15,709 million were pledged as collateral for borrowings on margin transactions as at March 31, 2020 and 2021, respectively.

## 18. Trade and Other Payables

The components of trade and other payables were as follows:

(Millions of Yen)

|  | As at March 31,<br>2020 | As at March 31,<br>2021 |
|--|-------------------------|-------------------------|
| Accounts payable and notes payable               | 1,389                   | 894                     |
| Accounts payable-other                           | 22,485                  | 80,166                  |
| Advances received and guarantee deposit received | 38,928                  | 91,827                  |
| Lease liability                                  | 14,175                  | 16,842                  |
| Total  | 76,977                  | 189,729                 |

## 19. Other Liabilities Related to Securities Business

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

(Millions of Yen)

|                           | As at March 31,<br>2020 | As at March 31,<br>2021 |
|---------------------------|-------------------------|-------------------------|
| Trade date accrual        | 309,866                 | 355,378                 |
| Trading products          | 81,289                  | 52,218                  |
| Deposits for subscription | 1,192                   | 2,674                   |
| Total                     | 392,347                 | 410,270                 |

## 20. Insurance Contract Liabilities

### (1) Risk management system over insurance contracts

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

#### (a) Market risk management

##### Interest rate risk management

Considering the long-term nature of insurance liabilities 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, 2020 and 2021, consisted of the following:

(Millions of Yen)

|                 | As at March 31,<br>2020 | As at March 31,<br>2021 |
|-----------------|-------------------------|-------------------------|
| Claims reserves | 23,376                  | 25,057                  |
| Policy reserves | 118,522                 | 125,066                 |
| Total           | 141,898                 | 150,123                 |

The movements in insurance contract liabilities for the years ended March 31, 2020 and 2021 were as follows:

(Millions of Yen)

|  | As at March 31,<br>2020 | As at March 31,<br>2021 |
|--|-------------------------|-------------------------|
| Balance, beginning of year               | 139,098                 | 141,898                 |
| Life insurance business                  |                         |                         |
| Expected cash flows from policy reserves | (11,970)                | (9,679)                 |
| Interest incurred                        | 311                     | 385                     |
| Adjustments                              | 6,048                   | 10,356                  |
| Non-life insurance business              |                         |                         |
| Insurance premiums                       | 39,616                  | 46,107                  |
| Unearned premium                         | (39,703)                | (42,410)                |
| Others                                   | 8,498                   | 3,466                   |
| Balance, end of year                     | 141,898                 | 150,123                 |

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 | 150,123 | 54,139               | 26,970       | 14,996       | 54,018       |

### (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 |        |        |        |        |
|--|---------------|--------|--------|--------|--------|
|  | 2016          | 2017   | 2018   | 2019   | 2020   |
| Cumulative payments and claim reserves |               |        |        |        |        |
| At end of accident year                | 20,489        | 22,682 | 25,776 | 27,261 | 26,015 |
| 1 year later                           | 21,018        | 23,525 | 26,431 | 27,488 | —      |
| 2 year later                           | 21,669        | 24,165 | 27,022 | —      | —      |
| 3 year later                           | 22,141        | 24,790 | —      | —      | —      |
| 4 year later                           | 22,288        | —      | —      | —      | —      |
| Estimate of cumulative claims          | 22,288        | 24,790 | 27,022 | 27,488 | 26,015 |
| Less: Cumulative payments to date      | 21,708        | 23,292 | 24,759 | 23,087 | 14,783 |
| Claim reserves (gross)                 | 580           | 1,497  | 2,263  | 4,401  | 11,232 |



## 21. Leases as Lessee

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, 2021 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<br>March 31, 2020 | For the year ended<br>March 31, 2021 |
|--|--------------------------------------|--------------------------------------|
| Depreciation charge for right-of-use assets                        |                                      |                                      |
| Buildings  | 3,501                                | 4,945                                |
| Furniture and fixtures   | 614                                  | 521                                  |
| Software   | 254                                  | 270                                  |
| Others   | 81                                   | 192                                  |
| Total  | 4,450                                | 5,928                                |
| Interest expense on lease liabilities                              | 212                                  | 302                                  |
| Expense relating to short-term lease and lease of low-value assets | 1,572                                | 2,169                                |
| Total cash outflow for leases                                      | 6,945                                | 7,660                                |

## 22. Capital Stock and Other Equity Items

### (1) Capital stock and treasury stock

The number of authorized shares as at March 31, 2020 and 2021 was 341,690,000 shares.

The Company's issued shares were as follows:

(Shares)

|   | For the year ended<br>March 31, 2020 | For the year ended<br>March 31, 2021 |
|---|--------------------------------------|--------------------------------------|
| Number of issued shares (common shares with no par value) |                                      |                                      |
| As at the beginning of the year                           | 236,556,393                          | 236,556,393                          |
| Increase during the year (Note)                           | —                                    | 8,082,997                            |
| As at the end of the year                                 | 236,556,393                          | 244,639,390                          |

Notes: The increase of 4,933,197 shares was for the exercise of the conversion rights for convertible bonds and 3,149,800 shares was for the exercise of the stock acquisition rights.

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

(Shares)

|                                      | For the year ended<br>March 31, 2020 | For the year ended<br>March 31, 2021 |
|--------------------------------------|--------------------------------------|--------------------------------------|
| Number of treasury stock             |                                      |                                      |
| As at the beginning of the year      | 8,312,501                            | 5,730,038                            |
| Increase during the year (Notes 1,3) | 6,510                                | 14,691                               |
| Decrease during the year (Notes 2,4) | (2,588,973)                          | (5,729,645)                          |
| As at the end of the year            | 5,730,038                            | 15,084                               |

Notes: 1. The increase of 6,510 shares related to the acquisition purchased from shareholders with less than one unit of shares.  
2. 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.  
3. The increase of 14,691 shares related to the acquisition purchased from shareholders with less than one unit of shares.  
4. The decrease of 5,729,645 shares related to 1,110 shares sold to shareholders with less than one unit of shares, appropriation of 439,900 shares for the exercise of stock acquisition rights and appropriation of 5,288,635 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, 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)  |
| Change for the year           | 24,609                           | 89                                    | (116)                               | 24,582   |
| Balance as at March 31, 2021  | 17,909                           | (779)                                 | 1,067                               | 18,197   |

## 23. Dividends

Dividends paid were as follows:

| 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.

| Year ended March 31, 2021                       | 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      |
| Board of Directors' Meeting on October 28, 2020 | Common shares | 4,861                             | 20                     | September 30, 2020 | December 11, 2020 |

Dividends for which the declared date fell in the year ended March 31, 2021, and for which the effective date will be in the year ending March 31, 2022, 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, 2021 | Common shares | 24,462                            | 100                    | March 31, 2021 | June 9, 2021   |

## 24. Share-based Payment

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

### 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 ¥605 million and were recorded in "Selling, general and administrative expenses" during the year ended March 31, 2021.

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)                           | (Shares)                          | (Yen)                           |
|-------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
|                   | For the year ended March 31, 2020 |                                 | For the year ended March 31, 2021 |                                 |
|                   | Number of shares                  | Weighted average exercise price | Number of shares                  | Weighted average exercise price |
| Beginning balance | 6,057,900                         | 1,563                           | 5,457,900                         | 1,563                           |
| Granted           | —                                 | —                               | 7,096,400                         | 2,295                           |
| Exercised         | (597,400)                         | 1,563                           | (3,589,700)                       | 1,563                           |
| Forfeited         | (2,600)                           | 1,563                           | —                                 | —                               |
| Ending balance    | 5,457,900                         | 1,563                           | 8,964,600                         | 2,142                           |

Notes: 1. Weighted average stock prices upon exercise of stock options for the years ended March 31, 2020 and 2021 were ¥2,381 and ¥2,658, respectively.

2. The number of the stock options granted during the year ended March 31, 2021 were 3,300,000 shares of 2020 First Stock Acquisition Rights and 3,796,400 shares of 2020 Second Stock Acquisition Rights, respectively.

The fair value of stock options for the 2020 First Stock Acquisition Rights granted during the year ended March 31, 2021 was ¥5,500 (The number of shares to be issued per stock acquisition right: 100 shares). The fair value was determined based on a Monte Carlo simulation. The following assumptions were used in the Monte Carlo simulation regarding the stock options:

|                                     |          |                                     |             |
|-------------------------------------|----------|-------------------------------------|-------------|
| Stock price at the measurement date | : ¥2,308 | Estimated remaining exercise period | : 3.6 years |
| Exercise price                      | : ¥2,280 | Dividend yield                      | : 4.33%     |
| Estimated volatility                | : 43.2%  | Risk free rate                      | : (0.13)%   |

The fair value of stock options for the 2020 Second Stock Acquisition Rights granted during the year ended March 31, 2021 was ¥53,819 (The number of shares to be issued per stock acquisition right: 100 shares). The fair value was determined based on a Black-Scholes Model. The following assumptions were used in the Black-Scholes Model regarding the stock options:

|                               |          |                                     |             |
|-------------------------------|----------|-------------------------------------|-------------|
| Stock price at the grant date | : ¥2,308 | Estimated remaining exercise period | : 5.6 years |
| Exercise price                | : ¥2,308 | Dividend yield                      | : 4.33%     |
| Estimated volatility          | : 41.1%  | Risk free rate                      | : (0.11)%   |

The unexercised stock options as at March 31, 2021 are as follows:

|  | (Yen)          | (Shares)         |                                    |
|--|----------------|------------------|------------------------------------|
| Name                                       | Exercise price | Number of shares | Exercise period                    |
| 2017 First Stock Acquisition Rights        | 1,563          | 159,100          | July 1, 2020 - September 30, 2021  |
| 2017 Second Stock Acquisition Rights       | 1,563          | 1,709,100        | July 29, 2019 - September 30, 2024 |
| 2020 First Stock Acquisition Rights (Note) | 2,280          | 3,300,000        | July 3, 2023 - September 30, 2024  |
| 2020 Second Stock Acquisition Rights       | 2,308          | 3,796,400        | July 3, 2023<br>September 29, 2028 |

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 ¥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 ended 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.

## ② Subsidiaries

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

|                           | (Shares)                          | (Yen)                           | (Shares)                          | (Yen)                           |
|---------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
|                           | For the year ended March 31, 2020 |                                 | For the year ended March 31, 2021 |                                 |
| a-1 SBI Biotech Co., Ltd. | 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, 2021 was defined as 30 months after 6 months passed from the IPO date.

2. The remaining stock options as at March 31, 2021 were granted before November 7, 2002; thus, the Group does not apply IFRS 2 "Share-based Payment".

|                              | (Shares)                          | (Yen)                           | (Shares)                          | (Yen)                           |
|------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
|                              | For the year ended March 31, 2020 |                                 | For the year ended March 31, 2021 |                                 |
| a-2 BroadBand Security, Inc. | Number of shares                  | Weighted average exercise price | Number of shares                  | Weighted average exercise price |
| Beginning balance            | 124,330                           | 800                             | 116,950                           | 800                             |
| Exercised                    | (5,380)                           | 800                             | (22,150)                          | 800                             |
| Forfeited                    | (2,000)                           | 800                             | (1,500)                           | 800                             |
| Ending balance               | 116,950                           | 800                             | 93,300                            | 800                             |

Notes: 1. Weighted average stock prices of stock options upon exercise for the years ended March 31, 2020 and 2021 were ¥1,607 and ¥2,511, respectively.

2. The average remaining exercise period as at March 31, 2021 was 5.0 years.

|                                     | (Shares)                          | (Yen)                           | (Shares)                          | (Yen)                           |
|-------------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
|                                     | For the year ended March 31, 2020 |                                 | For the year ended March 31, 2021 |                                 |
| a-3 SBI FinTech Solutions Co., Ltd. | Number of shares                  | Weighted average exercise price | Number of shares                  | Weighted average exercise price |
| Beginning balance                   | 608,500                           | 628                             | 608,500                           | 628                             |
| Change                              | —                                 | —                               | —                                 | —                               |
| Ending balance                      | 608,500                           | 628                             | 608,500                           | 628                             |

Notes: 1. The stock options were not vested as at March 31, 2021.

2. The average remaining exercise period as at March 31, 2021 was 2.5 years.

|                                   | (Shares)                          | (Yen)                           | (Shares)                          | (Yen)                           |
|-----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
|                                   | For the year ended March 31, 2020 |                                 | For the year ended March 31, 2021 |                                 |
| a-4 SBI Insurance Group Co., Ltd. | Number of shares                  | Weighted average exercise price | Number of shares                  | Weighted average exercise price |
| Beginning balance                 | 1,460,700                         | 1,734                           | 1,460,700                         | 1,734                           |
| Change                            | —                                 | —                               | —                                 | —                               |
| Ending balance                    | 1,460,700                         | 1,734                           | 1,460,700                         | 1,734                           |

Notes: The average remaining exercise period as at March 31, 2021 was 2.2 years.

|                                  | (Shares)                          | (Yen)                           |
|----------------------------------|-----------------------------------|---------------------------------|
|                                  | For the year ended March 31, 2021 |                                 |
| a-5 Rheos Capital Works Inc.     | Number of shares                  | Weighted average exercise price |
| Beginning balance                | —                                 | —                               |
| Change in scope of consolidation | 544,000                           | 33                              |
| Ending balance                   | 544,000                           | 33                              |

Notes: 1. The stock options did not vest as at March 31, 2021.

2. The average remaining exercise period as at March 31, 2021 was 4.5 years.

|                                 | (Shares)                          | (USD)                           | (Shares)                          | (USD)                           |
|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
|                                 | For the year ended March 31, 2020 |                                 | For the year ended March 31, 2021 |                                 |
| a-6 Quark Pharmaceuticals, Inc. | Number of shares                  | Weighted average exercise price | Number of shares                  | Weighted average exercise price |
| Beginning balance               | 3,185,809                         | 13.70                           | 3,122,724                         | 13.70                           |
| Forfeited                       | (63,085)                          | 13.70                           | (766,222)                         | 13.70                           |
| Ending balance                  | 3,122,724                         | 13.70                           | 2,356,502                         | 13.70                           |

Notes: The average remaining exercise period as at March 31, 2021 was 3.4 years.

## 25. Revenue

Revenue for the years ended March 31, 2020 and 2021 consisted of the following:

(Millions of yen)

|  | For the year ended March 31,<br>2020 | For the year ended March 31,<br>2021 |
|--|--------------------------------------|--------------------------------------|
| Revenue  |                                      |                                      |
| Financial income   |                                      |                                      |
| Interest income  |                                      |                                      |
| Income arising from financial assets measured at amortized cost (Note 1) | 117,992                              | 142,628                              |
| Income arising from debt instruments measured at FVTOCI (Note 2)         | 787                                  | 736                                  |
| Income arising from financial assets measured at FVTPL                   | 48,723                               | 133,532                              |
| Others   | 184                                  | 576                                  |
| Total financial income   | 167,686                              | 277,472                              |
| Revenue arising on insurance contracts                                   | 87,517                               | 96,301                               |
| Revenue from contracts with customers                                    |                                      |                                      |
| Revenue from rendering of services                                       | 83,187                               | 105,431                              |
| Revenue from sales of goods  | 6,014                                | 14,898                               |
| Others   | 23,651                               | 47,043                               |
| Total revenue  | 368,055                              | 541,145                              |

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, 2020 and 2021 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)

|                                       | Financial<br>Services<br>Business | Asset<br>Management<br>Business | Biotechnology,<br>Healthcare and<br>Medical<br>Informatics<br>Business | Total  | Others | Elimination or<br>Corporate | Consolidated<br>Total |
|---------------------------------------|-----------------------------------|---------------------------------|--|--------|--------|-----------------------------|-----------------------|
| For the year ended March 31, 2020     |                                   |                                 |  |        |        |                             |                       |
| Revenue from contracts with customers |                                   |                                 |  |        |        |                             |                       |
| Revenue from rendering of services    | 72,151                            | 11,969                          | 400  | 84,520 | 1,466  | (2,799)                     | 83,187                |
| Revenue from sales of goods           | 720                               | 2,323                           | 3,330  | 6,373  | 54     | (413)                       | 6,014                 |
| Total                                 | 72,871                            | 14,292                          | 3,730  | 90,893 | 1,520  | (3,212)                     | 89,201                |

(Millions of Yen)

|                                       | Financial<br>Services<br>Business | Asset<br>Management<br>Business | Biotechnology,<br>Healthcare and<br>Medical<br>Informatics<br>Business | Total   | Others | Elimination or<br>Corporate | Consolidated<br>Total |
|---------------------------------------|-----------------------------------|---------------------------------|--|---------|--------|-----------------------------|-----------------------|
| For the year ended March 31, 2021     |                                   |                                 |  |         |        |                             |                       |
| Revenue from contracts with customers |                                   |                                 |  |         |        |                             |                       |
| Revenue from rendering of services    | 93,064                            | 13,055                          | 111  | 106,230 | 3,305  | (4,104)                     | 105,431               |
| Revenue from sales of goods           | 1,867                             | 9,766                           | 3,545  | 15,178  | 274    | (554)                       | 14,898                |
| Total                                 | 94,931                            | 22,821                          | 3,656  | 121,408 | 3,579  | (4,658)                     | 120,329               |



## (2) Contract balance

The balance of trade receivables from contract with customers and contract liabilities were as follows;

(Millions of Yen)

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

(Millions of Yen)

|  | Balance as at<br>April 1, 2020 | Balance as at<br>March 31, 2021 |
|--|--------------------------------|---------------------------------|
| Trade receivables from contract with customers | 4,607                          | 8,770                           |
| Contract liabilities                           | 1,856                          | 16,543                          |

Contract liabilities are primarily consist of advances received from construction contracts.

Of the revenues recognized during the years ended March 31, 2020 and 2021, ¥1,856 million and ¥1,673 million were included in the balance of contract liabilities as at April 1, 2019 and 2020, respectively.

## 26. Expense

Expense for the years ended March 31, 2020 and 2021 consisted of the following:

### (1) Financial cost associated with financial income

(Millions of Yen)

|   | For the year ended<br>March 31, 2020 | For the year ended<br>March 31, 2021 |
|---|--------------------------------------|--------------------------------------|
| Financial cost associated with financial income       |                                      |                                      |
| Interest expense                                      |                                      |                                      |
| Financial liabilities measured at amortized cost      | (25,186)                             | (26,773)                             |
| Total financial cost associated with financial income | (25,186)                             | (26,773)                             |

### (2) Operating cost

(Millions of Yen)

|                                     | For the year ended<br>March 31, 2020 | For the year ended<br>March 31, 2021 |
|-------------------------------------|--------------------------------------|--------------------------------------|
| Payroll                             | (13,585)                             | (13,982)                             |
| Outsourcing fees                    | (8,429)                              | (12,271)                             |
| Depreciation and amortization       | (4,123)                              | (5,231)                              |
| Cost arising on insurance contracts | (63,982)                             | (75,814)                             |
| Others                              | (20,577)                             | (35,221)                             |
| Total operating cost                | (110,696)                            | (142,519)                            |

### (3) Selling, general and administrative expenses

(Millions of Yen)

|  | For the year ended<br>March 31, 2020 | For the year ended<br>March 31, 2021 |
|--|--------------------------------------|--------------------------------------|
| Payroll  | (40,036)                             | (43,113)                             |
| Outsourcing fees                                   | (25,411)                             | (41,071)                             |
| Depreciation and amortization                      | (11,417)                             | (18,621)                             |
| Research and development                           | (7,661)                              | (4,158)                              |
| Others   | (47,701)                             | (56,363)                             |
| Total selling, general and administrative expenses | (132,226)                            | (163,326)                            |

### (4) Other financial cost

(Millions of Yen)

|  | For the year ended<br>March 31, 2020 | For the year ended<br>March 31, 2021 |
|--|--------------------------------------|--------------------------------------|
| Other financial cost                             |                                      |                                      |
| Interest expense                                 |                                      |                                      |
| Financial liabilities measured at amortized cost | (5,140)                              | (5,803)                              |
| Total other financial cost                       | (5,140)                              | (5,803)                              |

### (5) Other expenses

(Millions of Yen)

|   | For the year ended<br>March 31, 2020 | For the year ended<br>March 31, 2021 |
|---|--------------------------------------|--------------------------------------|
| Impairment loss on non-financial assets | (0)                                  | (8,812)                              |
| Foreign exchange loss                   | (447)                                | —                                    |
| Others (Note)                           | (3,501)                              | (21,843)                             |
| Total other expenses                    | (3,948)                              | (30,655)                             |

Note: Others for the year ended March 31, 2021 includes a loss of ¥13,604 million that was recorded following the commencement of efforts to redeem the outstanding amounts of principal in some funds that are managed by SBI Social Lending Co., Ltd.

## 27. Income Tax Expense

The amount of income tax expenses for the years ended March 31, 2020 and 2021 were as follows:

(Millions of Yen)

|                          | For the year ended<br>March 31, 2020 | For the year ended<br>March 31, 2021 |
|--------------------------|--------------------------------------|--------------------------------------|
| Income tax expense       |                                      |                                      |
| Current                  | (19,718)                             | (30,478)                             |
| Deferred                 | (1,101)                              | (12,390)                             |
| Total income tax expense | (20,819)                             | (42,868)                             |

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, 2020 and 2021 is as follows:

(%)

|   | For the year ended<br>March 31, 2020 | For the year ended<br>March 31, 2021 |
|---|--------------------------------------|--------------------------------------|
| Normal effective statutory tax rate                             | 30.6                                 | 30.6                                 |
| Permanent differences such as meals and entertainment           | 0.4                                  | 1.0                                  |
| Tax effect on minority interests of investments in fund         | (3.5)                                | (2.9)                                |
| Temporary differences arising from consolidation of investments | 4.1                                  | 0.0                                  |
| Change in unrecognized deferred tax assets                      | (0.3)                                | 1.9                                  |
| Other   | 0.3                                  | (0.1)                                |
| Average effective tax rate                                      | 31.6                                 | 30.5                                 |

## 28. Other Comprehensive Income

Amounts recorded during the year, reclassification adjustments and income tax effects on each item of other comprehensive income for the years ended March 31, 2020 and 2021 were as follows:

(Millions of yen)

| For the year ended March 31, 2020  | Amount recorded<br>during the year | Reclassification<br>adjustment | Amount before<br>income tax | Income tax<br>effect | Amount after<br>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)                   |

(Millions of yen)

| For the year ended March 31, 2021  | Amount recorded<br>during the year | Reclassification<br>adjustment | Amount before<br>income tax | Income tax<br>effect | Amount after<br>income tax |
|--|------------------------------------|--------------------------------|-----------------------------|----------------------|----------------------------|
| Items that will not be reclassified subsequently to profit or loss   |                                    |                                |                             |                      |                            |
| Equity instruments measured at FVTOCI  | (13)                               | —                              | (13)                        | (5)                  | (18)                       |
| Share of other comprehensive income of associates and joint ventures accounted for using the equity method | 109                                | —                              | 109                         | —                    | 109                        |
|  | 96                                 | —                              | 96                          | (5)                  | 91                         |
| Items that may be reclassified subsequently to profit or loss  |                                    |                                |                             |                      |                            |
| Debt instruments measured at FVTOCI  | 341                                | (575)                          | (234)                       | 66                   | (168)                      |
| Currency translation differences   | 23,893                             | (22)                           | 23,871                      | —                    | 23,871                     |
| Share of other comprehensive income of associates and joint ventures accounted for using the equity method | 855                                | 26                             | 881                         | —                    | 881                        |
|  | 25,089                             | (571)                          | 24,518                      | 66                   | 24,584                     |
| Total  | 25,185                             | (571)                          | 24,614                      | 61                   | 24,675                     |

## 29. Earnings per Share

Basic earnings per share and diluted earnings per share attributable to owners of the Company were calculated based on the following information:

(Millions of Yen)

|   | For the year ended<br>March 31, 2020 | For the year ended<br>March 31, 2021 |
|---|--------------------------------------|--------------------------------------|
| <b>Earnings</b>   |                                      |                                      |
| Profit attributable to owners of the Company                                  | 37,487                               | 81,098                               |
| Dilutive effect: Convertible bonds  | 374                                  | 664                                  |
| Profit attributable to owners of the Company after dilutive effect            | 37,861                               | 81,762                               |
| <b>Shares</b>   |                                      |                                      |
| Basic weighted average number of ordinary shares (shares)                     | 229,724,077                          | 238,676,048                          |
| Dilutive effect: Stock options (shares)                                       | 1,969,058                            | 2,244,040                            |
| Dilutive effect: Convertible bonds (shares)                                   | 25,094,962                           | 34,445,617                           |
| Weighted average number of ordinary shares after the dilutive effect (shares) | 256,788,097                          | 275,365,705                          |
| <b>Earnings per share attributable to owners of the Company</b>               |                                      |                                      |
| Basic (in Yen)  | 163.18                               | 339.78                               |
| Diluted (in Yen)  | 147.44                               | 296.92                               |

## 30. Cash Flow Information

Supplemental disclosure of consolidated statement of cash flow information for the years ended March 31, 2020 and 2021 was as follows:

### (1) Expenditures on acquisition of subsidiaries

Total consideration paid for acquisition of subsidiaries were ¥10,874 million and ¥23,158 million for the years ended March 31, 2020 and 2021, 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<br>March 31, 2020 | For the year ended<br>March 31, 2021 |
|--|--------------------------------------|--------------------------------------|
| Cash and cash equivalents                  | 797                                  | 15,132                               |
| Trade and other receivables                | 11,234                               | 9,852                                |
| Assets related to securities business      | —                                    | 127,123                              |
| Intangible assets                          | 993                                  | 4,656                                |
| Other assets                               | 871                                  | 39,025                               |
| <b>Total assets</b>                        | <b>13,895</b>                        | <b>195,788</b>                       |
| Bonds and loans payable                    | 8,428                                | 29,957                               |
| Trade and other payables                   | 327                                  | 21,606                               |
| Liabilities related to securities business | —                                    | 97,751                               |
| Other liabilities                          | 1,480                                | 33,660                               |
| <b>Total liabilities</b>                   | <b>10,235</b>                        | <b>182,974</b>                       |

### (2) Proceeds from sales of subsidiaries

Total consideration received in respect of sales of subsidiaries was ¥1,604 million for the year ended March 31, 2021. Consideration received consisted solely of cash and cash equivalents.

Amounts of major classes of assets and liabilities of subsidiaries, of which the Group lost control through share sale, at the date of sale were as follows:

(Millions of Yen)

|                             | For the year ended<br>March 31, 2021 |
|-----------------------------|--------------------------------------|
| Cash and cash equivalents   | 339                                  |
| Trade and other receivables | 41                                   |
| Property and equipment      | 5,402                                |
| Other assets                | 343                                  |
| <b>Total assets</b>         | <b>6,125</b>                         |
| Bonds and loans payable     | 4,013                                |
| Trade and other payables    | 59                                   |
| Other liabilities           | 71                                   |
| <b>Total liabilities</b>    | <b>4,143</b>                         |

### (3) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities were as follows:

(Millions of Yen)

|            | As at April 1,<br>2019 | Cash flow from<br>financing<br>activities | Non-cash changes                    |                                    |                  |        | As at March 31,<br>2020 |
|------------|------------------------|---|-------------------------------------|------------------------------------|------------------|--------|-------------------------|
|            |                        |   | Change in scope of<br>consolidation | Conversion of<br>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               |

(Millions of Yen)

|            | As at April 1,<br>2020 | Cash flow from<br>financing<br>activities | Non-cash changes                    |                                     |                                       |                  |        | As at March 31,<br>2021 |
|------------|------------------------|---|-------------------------------------|-------------------------------------|---------------------------------------|------------------|--------|-------------------------|
|            |                        |   | Change in scope of<br>consolidation | Issuance of<br>convertible<br>bonds | Conversion of<br>convertible<br>bonds | Interest expense | Others |                         |
| Borrowings | 742,342                | 102,791                                   | 45,763                              | —                                   | —                                     | 276              | 995    | 892,167                 |
| Bonds      | 406,708                | 115,548                                   | —                                   | (3,973)                             | (16,362)                              | (51)             | 100    | 501,970                 |
| Total      | 1,149,050              | 218,339                                   | 45,763                              | (3,973)                             | (16,362)                              | 225              | 1,095  | 1,394,137               |

## 31. Subsidiaries

Major subsidiaries of the Group as at March 31, 2021 were as follows:

(%)

| Business segment   | Name                                  | Location  | Voting Rights<br>Holding Ratio<br>(Note) |
|--|---------------------------------------|-----------|--|
| 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     | 66.6 (66.6)                              |
|  | 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     | 41.6 (41.6)                              |
|  | 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, Healthcare and Medical Informatics Business | SBI ALApharma Co., Limited            | Hong Kong | 97.0 (97.0)                              |
|  | 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)                               |

Note: The figure in the parentheses represents the indirect holding ratio of voting rights or indirect investment ratio included in the total.

## 32. Related Party Transactions

### (1) Related Party Transactions

The Group entered into the following related party transactions during the year ended March 31, 2021.

|                   |                   |                                 |                                   | (Millions of Yen)  | (Millions of Yen) |
|-------------------|-------------------|---------------------------------|-----------------------------------|--------------------|-------------------|
| Type              | Name              | Relationship with related party | Transaction description           | Transaction Amount | Balance           |
| Corporate officer | Yoshitaka Kitao   | Representative Director         | Issuance of stock options (Note1) | 29                 | —                 |
|                   |                   |                                 | Exercise of stock options (Note2) | 782                | —                 |
| Corporate officer | Katsuya Kawashima | Representative Director         | Issuance of stock options (Note1) | 20                 | —                 |
|                   |                   |                                 | Exercise of stock options (Note2) | 547                | —                 |
| Corporate officer | Takashi Nakagawa  | Representative Director         | Issuance of stock options (Note1) | 14                 | —                 |
|                   |                   |                                 | Exercise of stock options (Note2) | 391                | —                 |
| Corporate officer | Masato Takamura   | Representative Director         | Issuance of stock options (Note1) | 18                 | —                 |
|                   |                   |                                 | Exercise of stock options (Note2) | 391                | —                 |
| Corporate officer | Shumpei Morita    | Director                        | Issuance of stock options (Note1) | 11                 | —                 |
|                   |                   |                                 | Exercise of stock options (Note2) | 313                | —                 |
| Corporate officer | Masayuki Yamada   | Director                        | Exercise of stock options (Note2) | 47                 | —                 |

Note: 1. Issuance of stock options represents the issuance of stock acquisition rights which were issued based on the resolution by the Board of Directors meeting held on May 28, 2020, and June 26, 2020, pursuant to Article 236, 238 and 240 of the Companies Act. Stated in the "Transaction Amount" column is the paid-in amount in connection with stock acquisition rights issued during the fiscal year ended March 31, 2021.

2. Exercise of stock options represents the exercise of stock acquisition rights which were issued based on the resolution by the Board of Directors meeting held on July 27, 2017, and August 29, 2017, pursuant to Article 236, 238 and 240 of the Companies Act. Stated in the "Transaction Amount" column is the paid-in amount in connection with stock acquisition rights exercised during the fiscal year ended March 31, 2021.

### (2) The remuneration of key management personnel of the Company for the years ended March 31, 2020 and 2021

| (Millions of Yen)        |                                   |                                   |
|--------------------------|-----------------------------------|-----------------------------------|
|                          | For the year ended March 31, 2020 | For the year ended March 31, 2021 |
| Remuneration and bonuses | 1,034                             | 848                               |
| Post-employment benefits | 4                                 | 3                                 |
| Total                    | 1,038                             | 851                               |

## 33. Contract Liabilities

The Group has entered into loan agreements with the customers in accordance with the condition of the contracts. The total amount of loan commitments amounted to ¥116,080 million and ¥152,473 million, with an unused portion of ¥40,092 million and ¥51,527 million, as at March 31, 2020 and 2021, respectively. However,

contracts are revised regularly upon changes to customer's credit condition and other matters considered necessary to ensure secure credit facilities. Thus, the unused portion of the commitment will not affect the Group's future cash flow.

## 34. Events after the Reporting Period

There were no significant events after the reporting period.

## 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, 2021, 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, 2021, 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.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



| Internal controls over information technology ("IT") systems in the securities brokerage and financial instruments transaction business  |  |
|--|--|
| Key Audit Matter Description   | How the Key Audit Matter Was Addressed in the Audit  |
| <p>The securities brokerage and financial instruments transaction business is one of the Group's main businesses, and revenue from the internet-based securities brokerage and revenue from related margin transactions are the Group's core revenues. These revenues are recorded primarily by SBI SECURITIES Co., Ltd. ("SBI SECURITIES"). As described in Note 25, "Revenue" in the notes to the consolidated financial statements, "Revenue from rendering of services" of ¥105,431 million mainly included brokerage commission in the securities business. Interest income of ¥43,052 million included in the Financial Services Business, as described in Note 5, "Segment Information," was mainly interest income of SBI SECURITIES.</p> <p>In the securities brokerage and financial instruments transaction business, significant volume of data is electronically recorded, processed and reported by the IT systems, and such data processed by the IT systems are used during the financial reporting process.</p> <p>SBI SECURITIES's IT systems related to the securities brokerage and financial instruments transaction business consist of the front-end processor system, which interfaces customer orders electronically initiated via the internet with exchanges, and the other operation support systems that automatically calculate commissions and financial revenue for executed transactions and also handle administrative tasks in the securities business including delivery and settlement management, and contract management. The transactions generated from these processes are reflected in the accounting system. Significant volume of trade executions and settlements is processed by these systems automatically and transaction data are linked between systems. Also, commissions and financial revenue are calculated by the systems automatically. Accordingly, these key processes are highly dependent on the IT systems managed internally as well as those administered externally by outsourced service providers.</p> | <p>With the assistance of our IT specialists who have expertise and experience in the securities brokerage and financial instruments transaction business, we obtained an understanding of a series of data flows, processes and automated controls from the initiation of transactions throughout to financial reporting and also evaluated the effectiveness of internal controls designed to determine if this significant volume of data was processed accurately and completely. Our audit procedures included the following, among others:</p> <ul style="list-style-type: none"> <li>• To determine whether there were any events that would have a significant impact on IT systems, we walked through the decision making process related to system development, the progress of system developments and the occurrence of system troubles, through an inquiry with responsible IT personnel and inspection of the board of directors' minutes, and other relevant documents.</li> <li>• To test the effectiveness of general IT controls, we performed inquiries with the system administrator, and inspected related evidence with respect to each of the following areas: <ul style="list-style-type: none"> <li>—Management over system development and change;</li> <li>—Management over system operation including response to system troubles; and</li> <li>—Management over access rights including system administrator accounts.</li> </ul> </li> <li>• To test the effectiveness of the operation support system managed by an external outsourced provider which handles administrative tasks in the securities business, we obtained the report of its independent auditors on the design and operating effectiveness of internal controls and assessed whether general IT controls were appropriately identified and tested.</li> <li>• To test the effectiveness of controls over the reconciliations of customer orders and trade executions and settlements of securities, we inspected the reconciliation results between IT system data and external data from exchanges or Japan Securities Depository Center, etc. and tested them for consistency.</li> </ul> |

|   |   |
|---|---|
| <p>For revenue to be recorded properly in the consolidated statement of income, significant volume of data is required to be processed accurately and completely by a number of IT systems from the initiation of transactions throughout to financial reporting. To assess these, specialized knowledge and experience regarding the securities brokerage and financial instruments transaction business and IT systems are required.</p> <p>Therefore, we determined the evaluation of effectiveness of internal controls over these IT systems that are critical to revenue recording as a key audit matter.</p> | <ul style="list-style-type: none"> <li>• To test the effectiveness of controls over transaction data interfaces between IT systems, we tested controls over the job monitoring system and controls of monitoring interface errors.</li> <li>• To test the effectiveness of automated calculations, which are controls over the calculation of commissions and margin interests, we selected samples of transaction data and performed a recalculation.</li> <li>• To test the effectiveness of controls over the interface of data between the operation support system and the accounting system, we tested the consistency of linked data between these systems and also tested the consistency of ending balances between the operation support system and the accounting system for significant accounts in the consolidated financial statements.</li> </ul> |
|---|---|

| Valuation of operational investment securities that do not have quoted market prices  |  |
|---|--|
| Key Audit Matter Description  | How the Key Audit Matter Was Addressed in the Audit  |
| <p>As one of its main businesses, the Group engages in the business of investing in venture companies located in Japan and overseas for the areas, such as IT, FinTech, blockchain, finance and biotechnology. The performance forecast of these venture companies is affected by uncertainties that could cause fluctuations in their performance. These factors include, but are not limited to, changes in the competitive environment caused by the rapid progress of technological innovation and fluctuations in industrial standards, the hiring and retention of skilled managers and staff, and weak finance base.</p> <p>As described in Note 3, "Significant Accounting Policies (3) Financial instruments" and Note 11, "Operational Investment Securities and Other Investment Securities" in the notes to the consolidated financial statements, operational investment securities held through the investment business are measured at fair value, and all changes in fair value are recognized in profit or loss.</p> | <p>We understood the relevant accounting policies, business processes and related internal controls and tested the valuation of operational investment securities that do not have quoted market prices. Our audit procedures included the following, among others:</p> <ul style="list-style-type: none"> <li>• To understand valuation techniques selected by the Group and applicable accounting standards, we inspected the Group's valuation policy and performed an inquiry of the official in charge of accounting about the application of the valuation policy.</li> <li>• Regarding the valuation of certain equity securities using models based on the recent transaction price between independent third parties, to determine the effectiveness of the valuation process of the Group based on appropriate transaction prices, we inquired of the attendees of the valuation meeting, which comprises a part of the valuation process of the Group, and inspected documents prepared during the valuation process and the supporting documents.</li> </ul> |



|  |  |
|--|--|
| <p>As described in Note 7, "Fair Value Measurement" in the notes to the consolidated financial statements, the carrying amount of operational investment securities and other investment securities that are measured at fair value through profit or loss using unobservable inputs as of March 31, 2021 was ¥444,115 million. A majority of these investment securities were unlisted equity securities that did not have quoted market prices, and their fair values were determined by the Group using appropriate valuation techniques including the valuation model based on the recent transaction price between independent third parties.</p> <p>When using the valuation model based on the recent transaction price between independent third parties, the Group considers various inputs during its valuation process and determines the valuation price. These inputs include the size of the transaction, the relationship between the issuer and the investor, the type of equity securities and the terms of transaction, profitability, financial condition and changes in management resources of the investee after the transaction. The valuation model includes assumptions about the realizability of the investee's business plan and future market trend and estimates about resulting quantitative effects. These assumptions and estimates involve subjective judgment by management and are inherently uncertain.</p> <p>In using the valuation model based on the recent transaction price between independent third parties, if the management's assessment is not supported by sufficient evidence, reasonable estimates would not be made. As a result, significant operational investment securities would not be appropriately valued in the consolidated financial statements.</p> <p>Therefore, we determined the valuation of operational investment securities that do not have quoted market prices as a key audit matter.</p> | <ul style="list-style-type: none"> <li>• For the investees, we inspected contracts, convocation notice of the shareholders' meeting, shareholders' register, and business plan related to the transaction used in the valuation model based on the recent transaction price between independent third parties, and also inquired of the respective person in charge of investment business about the details of the transaction. Based on the evidence obtained, we assessed whether the use of the recent transaction price between independent third parties was appropriate by considering whether the size of the transaction was sufficient, whether the issuer and the investor were related, and whether the type of equity securities and the terms of transaction required an adjustment to the price. In addition, we tested profitability, financial condition and changes in management resources of the investee after the transaction, by performing inquiries with the respective person in charge of investment business and also comparing them with the business plan prepared by the investee, actual performance versus budget and publicly available information.</li> <li>• For certain operational investment securities that were embedded within complex financial instruments, with the assistance of our specialists of valuation of financial instruments, we tested the reasonableness of the valuation. For certain operational investment securities of which the investees were in the specific industry or situation, we used our specialists of corporate valuation and tested the reasonableness of the valuation.</li> </ul> |
|--|--|

#### **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 judgment. 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.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**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 25, 2021



## 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.

|            | Q1 FY2020 | Q2 FY2020 |
|------------|-----------|-----------|
| Fair value | 100       | 120       |

→ UP ¥2.0 billion

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

|  | (Billions of yen) |
|--|-------------------|
|  | Q2 FY2020         |
| 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) |
|--|-------------------|
|  | Q2 FY2020         |
| 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  
 $-2.0 \text{ billion} \times 20\% \times 30\% = -¥0.12 \text{ billion}$

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

¥2.0 billion × 80% (non-controlling interests) = ¥1.6 billion

## 2. Management fees of a consolidated fund for which the SBI Group serves as a general partner (GP)

For management fees of a consolidated fund for which the SBI Group serves as a GP, the following accounting policy takes effect.

### Accounting policy for management fees paid from a consolidated fund

Example: SBI Holdings owns 20% of a ¥100 billion fund (with a 5% management fee) for which SBI Investment serves as a GP.

For convenience, we show a simple example of the accounting policy relating to the management fees incurred, and present part of the accounting process in abbreviated form.

**SBI Holdings + SBI Investment** (Billions of yen)

|                                  |      |
|----------------------------------|------|
| Revenue                          | 5.0  |
| Expense                          | 0.0  |
| Profit before income tax expense | 5.0  |
| Tax (30%)                        | -1.2 |
| Profit                           | 3.8  |

**Fund** (Billions of yen)

|                                  |      |
|----------------------------------|------|
| Revenue                          | 0.0  |
| Expense                          | -0.0 |
| Profit before income tax expense | -0.0 |
| Tax (30%)                        | 0.0  |
| Profit                           | -0.0 |

**Consolidated P/L** (Billions of yen)

|  |      |
|--|------|
| Revenue                                      | 0.0  |
| Expense                                      | 0.0  |
| Profit before income tax expense             | 0.0  |
| Tax (tax late 30%)                           | -1.2 |
| Profit                                       | -1.2 |
| Profit attributable to owners of the Company | 2.8  |
| Non-controlling interests                    | -4.0 |

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

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.

|   |   |
|---|---|
| AML/CFT   | Financial institutions are required to comply with guidelines and regulations concerning Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT). Until now, Japan has received severe indications from the Financial Action Task Force (FATF), which conducts international inspections of the progress of its member countries, and so the development of appropriate responses and countermeasures has become a priority issue for financial institutions and other businesses.   |
| CBDC  | Central Bank Digital Currency. The Bank of Japan defines CBDC as satisfying the following three conditions: 1. It must be digitized, 2. It must be denominated in legal tender such as yen, and 3. It must be issued as a direct liability of the central bank. Proof of concept testing has already begun, such as Sweden's "e-Krona" and China's "Digital RMB" for example. While some countries are conducting specific trials, there are many points to consider regarding the issuance of digital currencies by central banks that replace cash, such as the impact on private bank deposits and the intermediation of funds. Although many major central banks, including that of Japan, are considering and studying the issue, they remain cautious.  |
| Corporate succession issues                       | There is concern that small- and medium-sized enterprises (SMEs), which account for more than 90% of all Japanese companies, will be unable to secure appropriate successors, and there is further concern that the number of businesses withdrawing or going out of business will sharply increase. Presently, the percentage of management in their 60s and 70s is high among SMEs, and soon many will 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.  |
| Crypto asset (cryptocurrency)-related regulations | In response to the spread of cryptocurrency in Japan, the Payment Services Act was enacted in April 2017 to introduce regulations concerning cryptocurrency, including the introduction of a registration system for cryptocurrency exchange service providers. Subsequently, several cryptocurrency exchange service providers experienced problems such as the loss of assets due to hacking, and insufficient money laundering measures. Consequently, the regulations were reviewed, and in May 2019, amendments to the Payment Services Act were enacted 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 ST into marketable securities, and regulations for business operators engaging in operations related to crypto assets.   |
| DeFi  | Decentralized Finance. DeFi refers to a decentralized financial ecosystem built on a blockchain. DeFi transactions do not require a centralized intermediary. Provided an Internet connection is available, anyone can access the ecosystem no matter where they live and regardless of their financial situation. The rise of DeFi services such as decentralized exchanges (DEX) and decentralized lending has led to financial functions traditionally provided by centralized financial systems such as banks, securities companies, insurance companies, and digital asset exchanges, being provided without the need for a financial intermediary through the use of programs (so-called smart contracts, etc.) that are automatically executed on the blockchain. Although there are still issues regarding security as well as in terms of anti-money laundering and combating the financing of terrorism, the advantages of DeFi are that it is easy to partner with external services, users can manage their assets themselves, and transactions can be made transparently and at low cost. It is said that DeFi has the potential to completely change the way finance is done. |
| Regional revitalization                           | Regional revitalization is one of the policies announced in September 2014 for the purpose of improving the vitality of Japan as a whole. Currently, the population decline in Japan and the excessive population concentration in the Tokyo metropolitan area are having a negative impact on the regional economy. For this reason, the government is promoting local economic development, to endeavor to create an independent and sustainable society in each region. More specifically, regional financial institutions, which have an impact on the local economy, are expected to contribute to the revitalization of the local economy through the support of companies and industries in each region. However, these regional financial institutions are also facing severe business conditions since their primary customer base is limited to certain regions of Japan.   |
| STO   | 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.   |

# The SBI Group

(Principal Group Companies)

## SBI Holdings, Inc.

TSE First Section

### Financial Services Business

A diversified line of financial services

|  |        |
|--|--------|
| <b>① SBI FINANCIAL SERVICES Co., Ltd.</b>  |        |
| Control and management of the Financial Services Business                                | 100.0% |
| <b>① SBI SECURITIES Co., Ltd.</b>  |        |
| Comprehensive online securities company  | 100.0% |
| <b>① SBI Liquidity Market Co., Ltd.</b>  |        |
| Provision of market infrastructure to supply liquidity to FX margin trading              | 100.0% |
| <b>① SBI FXTRADE Co., Ltd.</b>   |        |
| Pure-play FX broker  | 100.0% |
| <b>① SBI VC Trade Co., Ltd.</b>  |        |
| Provision of exchange and transaction services related to digital assets (crypto-assets) | 100.0% |
| <b>① SBI MONEY PLAZA Co., Ltd.</b>   |        |
| Provision of financial products through face-to-face channels                            | 66.6%  |
| <b>① SBI Benefit Systems Co., Ltd.</b>   |        |
| Operational management of defined-contribution pension, etc.                             | 66.6%  |
| <b>① SBI BITS Co., Ltd.</b>  |        |
| Development and operation of financial systems   | 100.0% |
| <b>① SBI NEO MOBILE SECURITIES Co., Ltd.</b>   |        |
| Mobile securities trading  | 78.9%  |
| <b>① Rheos Capital Works Inc.</b>  |        |
| Investment management business and investment trust sales                                | 51.3%  |
| <b>① SBI Alpha Trading Co., Ltd.</b>   |        |
| Crypto-assets broker (market maker)  | 100.0% |
| <b>① SBI Equity Crowd Co., Ltd.</b>  |        |
| Development and operation of a fund-raising support platform using the Internet          | 100.0% |
| <b>① B2C2 Ltd.</b>   |        |
| Crypto-assets broker (market maker)  | 90.0%  |
| <b>① SBI Neotrade Securities Co., Ltd.</b>   |        |
| Financial instruments business (securities trading)                                      | 100.0% |
| <b>② Japannext Co., Ltd.</b>   |        |
| Operation of PTS (Proprietary Trading System)  | 48.8%  |
| <b>① Osaka Digital Exchange Co., Ltd.</b>  |        |
| Preparing to be a financial instruments exchange business                                | 60.0%  |
| <b>② SBI Sumishin Net Bank, Ltd.</b>   |        |
| Internet-based full-service bank   | 50.0%  |

#### TSE Mothers

|  |        |
|--|--------|
| <b>① SBI Insurance Group Co., Ltd.</b>               |        |
| Insurance holding company                            | 68.9%  |
| <b>① SBI Insurance Co., Ltd.</b>                     |        |
| Internet-based non-life insurance company            | 99.2%  |
| <b>① SBI Life Insurance Co., Ltd.</b>                |        |
| Internet-based life insurance business               | 100.0% |
| <b>① SBI SSI Holdings Co., Ltd.</b>                  |        |
| Small-amount, short-term insurance policy businesses | 100.0% |
| <b>① SBI IKIHI SSI Inc.</b>                          |        |
| Small-amount, short-term insurance policy businesses | 100.0% |
| <b>① SBI Nihon SSI Co., Ltd.</b>                     |        |
| Small-amount, short-term insurance policy businesses | 100.0% |
| <b>① SBI Resta SSI Co., Ltd.</b>                     |        |
| Small-amount, short-term insurance policy businesses | 99.6%  |
| <b>① SBI PRISM SSI CO., LTD.</b>                     |        |
| Small-amount, short-term insurance policy businesses | 100.0% |
| <b>① JOGUCHI SAFETY SSI</b>                          |        |
| Small-amount, short-term insurance policy businesses | 100.0% |

#### KOSDAQ

|  |        |
|--|--------|
| <b>① SBI FinTech Solutions Co., Ltd.</b>   |        |
| Control and operation of the e-commerce settlement business and Group fintech-related businesses                     | 77.5%  |
| <b>① SBI Remit Co., Ltd.</b>   |        |
| International remittance business  | 100.0% |
| <b>① SBI Business Solutions Co., Ltd.</b>  |        |
| Provision of back-office support services  | 100.0% |
| <b>① SBI Ripple Asia Co., Ltd.</b>   |        |
| Selling agency of international settlement system  | 60.0%  |
| <b>① Money Tap Co., Ltd.</b>   |        |
| Direct and indirect sales, maintenance, and lease of settlement systems  | 58.9%  |
| <b>① SBI NEO FINANCIAL SERVICES CO., LTD.</b>  |        |
| 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

|  |        |
|--|--------|
| <b>① SBI Capital Management Co., Ltd.</b>                            |        |
| Control and management of the private equity business                | 100.0% |
| <b>① SBI Investment Co., Ltd.</b>                                    |        |
| Venture capital fund management                                      | 100.0% |
| <b>① SBI FinTech Incubation Co., Ltd.</b>                            |        |
| Support for introduction of fintech services                         | 85.1%  |
| <b>① SBI VENTURES SINGAPORE PTE. LTD.</b>                            |        |
| M&A advisory business  | 100.0% |
| <b>① SBI Ven Capital Pte. Ltd.</b>                                   |        |
| Overseas private equity fund management                              | 100.0% |
| <b>① SBI Ventures Malaysia Sdn. Bhd.</b>                             |        |
| Fund management in Southeast Asia                                    | 100.0% |
| <b>② SBI Investment KOREA Co., Ltd.</b>                              |        |
| Venture capital in South Korea                                       | 43.9%  |
| <b>① SBI SAVINGS BANK</b>  |        |
| Savings bank in South Korea  | 99.6%  |
| <b>① SBI (China) Co., Ltd.</b>                                       |        |
| Management of businesses in China                                    | 100.0% |
| <b>① SBI &amp; TH (Beijing) Venture Capital Management Co., Ltd.</b> |        |
| Private equity fund management in China                              | 100.0% |
| <b>① SBI Royal Securities Plc.</b>                                   |        |
| Comprehensive securities company in Cambodia                         | 65.3%  |
| <b>① SBI Bank LLC</b>  |        |
| Commercial bank in Russia  | 90.7%  |
| <b>① SBI LY HOUR BANK PLC.</b>                                       |        |
| Commercial bank in Cambodia  | 70.0%  |
| <b>① SBI Thai Online Securities Co., Ltd.</b>                        |        |
| Online securities in Thailand  | 100.0% |
| <b>② PT BNI SEKURITAS</b>  |        |
| Securities company in Indonesia                                      | 25.0%  |

As of July 1, 2021 / Note: Percentages are the total Group ownership, which is the sum of the voting rights in possession by the Company and the companies and funds defined as its subsidiaries by IFRS.

① Consolidated subsidiary ② Equity method associate

## Asset management-related services

① **SBI GLOBAL ASSET MANAGEMENT Co., Ltd.**  
Control and management of the asset management services business **100.0%**

**TSE First Section**

① **Morningstar Japan K.K.**  
Rating information for investment trust, others **41.6%**

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 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 **53.0%**

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 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, Healthcare & Medical Informatics Business

### Manufacturing and sales of pharmaceuticals, health foods and cosmetics, and medical informatics business

① **SBI ALApharma Co., Ltd.**  
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 **100.0%**

① **SBI ALApharma 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%**

**TSE First Section**

② **Medical Data Vision Co., Ltd**  
Development, production, sales, and maintenance of medical information integration systems **20.7%**

## Others

① **SBI Digital Asset Holdings Co., Ltd.**  
Control and management of the digital asset-related businesses **100.0%**

① **SBI Security Solutions Co., Ltd.**  
Operation and development of cybersecurity systems **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 R3 Japan Co., Ltd.**  
Provision of the blockchain platform Corda, as well as related business **51.0%**

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 business **100.0%**

① **SBI Traceability Co., Ltd.**  
Provide information on traceability of products using blockchain, etc. **100.0%**

② **Machi no Wa Co., Ltd.**  
Premium electronic regional coupons, regional digital currencies business **46.1%**

② **Regional Revitalization Partners Co., Ltd.**  
Plans and proposes strategic guidelines for promoting regional revitalization **84.0%**

① **SBI Regional Revitalization Investment and Loan Co., Ltd.**  
Investing and loan business related to regional revitalization **99.0%**

① **SBI Regional Revitalization Services Co., Ltd.**  
Plans, proposes, and enforcements of projects related to regional revitalization **99.0%**

① **SBI Financial and Economic Research Institute Co., Ltd.**  
Surveys, research, and policy proposals in the field of digital assets **100.0%**

① **SBI ENERGY Co., Ltd.**  
Power business using renewable energy **100.0%**

# Corporate Data

## Company Outline (As of March 31, 2021)

|                              |  |
|------------------------------|--|
| <b>Company Name</b>          | SBI Holdings, Inc.   |
| <b>Date of Establishment</b> | July 8, 1999   |
| <b>Head Office</b>           | Izumi Garden Tower 19F, 1-6-1 Roppongi, Minato-ku, Tokyo 106-6019, Japan<br>TEL: +81-3-6229-0100<br>FAX: +81-3-3589-7958 |
| <b>Number of Employees</b>   | 9,209 (consolidated)   |
| <b>Paid-in Capital</b>       | ¥98,711 million  |
| <b>Fiscal Year</b>           | April 1 to March 31  |

## Stock Information (As of March 31, 2021)

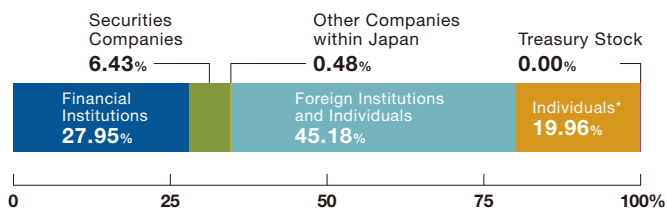
|                             |   |
|-----------------------------|---|
| <b>Listing</b>              | First Section of the Tokyo Stock Exchange     |
| <b>Code</b>                 | 8473  |
| <b>Shares Authorized</b>    | 341,690,000 shares                            |
| <b>Shares Outstanding</b>   | 244,639,390 shares (including treasury stock) |
| <b>Shareholder Register</b> | 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) | 22,348,700                     | 9.1                                  |
| Custody Bank of Japan, Ltd. (Trust account)          | 14,754,600                     | 6.0                                  |
| The Bank of New York Mellon 140051                   | 9,870,736                      | 4.0                                  |
| NORTHERN TRUST COMPANY (AVFC) ACCOUNT NON-TREATY     | 9,620,054                      | 3.9                                  |
| The Bank of New York Mellon 140042                   | 6,991,868                      | 2.9                                  |
| Custody Bank of Japan, Ltd. (Trust account 9)        | 5,510,039                      | 2.3                                  |
| JPMorgan Securities Japan Co., Ltd.                  | 5,423,252                      | 2.2                                  |
| Yoshitaka Kitao                                      | 4,007,960                      | 1.6                                  |
| Custody Bank of Japan, Ltd. (Trust account 5)        | 3,702,700                      | 1.5                                  |
| STATE STREET BANK WEST CLIENT - TREATY 505234        | 3,625,217                      | 1.5                                  |

The percentage of shares held is calculated upon deducting the treasury stock. Apart from the holdings of the major shareholders above, the Company holds 15,084 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 August 24, 2020)

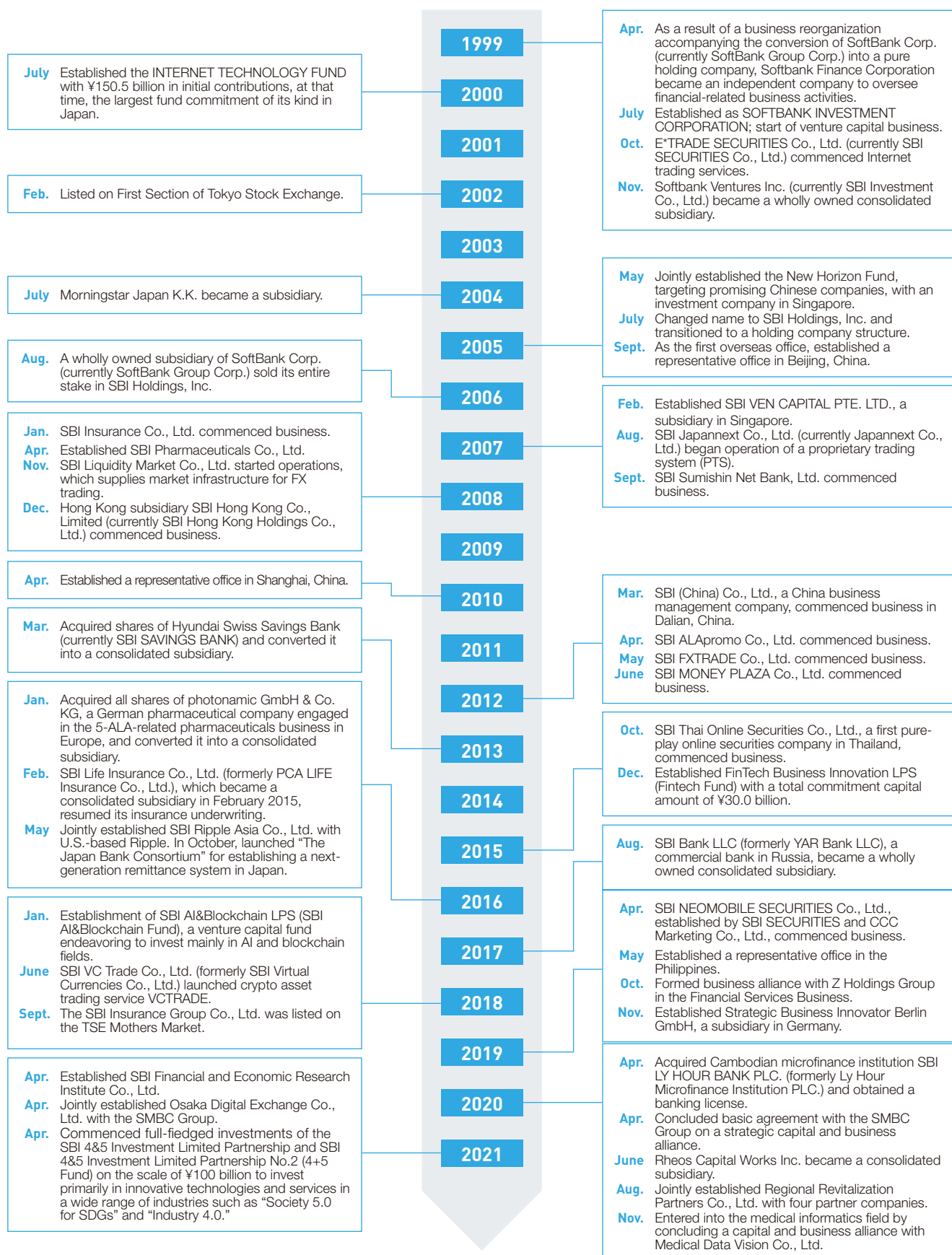
|                      |   |
|----------------------|---|
| <b>Rating Agency</b> | Rating and Investment Information, Inc. |
| <b>Long-term</b>     | BBB+(Stable)                            |
| <b>Short-term</b>    | a-2                                     |

## Overseas Offices (As of May 31, 2021)

|   |  |
|---|--|
| <b>United States</b><br>● Quark Pharmaceuticals   | <b>China</b><br>● SBI (China)<br>● SHANGHAI SBI-INESA EQUITY INVESTMENT MANAGEMENT<br>● Wuxi Guolian-Yihua Equity Investment Management<br>● CHINA FORTUNE SBI Financial Leasing (Shanghai)<br>● SBI & TH (Beijing)<br>● Venture Capital Management<br>● Ningbo YIXUE Investment Management<br>● NANJING JIANGBEI SBI Equity Investment Management |
| <b>Canada</b><br>● SBI ALApharma Canada   | <b>Hong Kong</b><br>● SBI Hong Kong Holdings<br>● SBI Securities (Hong Kong)<br>● SBI FX<br>● BYFIN  |
| <b>Russia</b><br>● SBI Bank<br>● SBI RI Advisory  | <b>Taiwan</b><br>● SBI & Capital 22 Management<br>● SNSI Capital Management  |
| <b>United Kingdom</b><br>● B2C2   | <b>Philippines</b><br>● ICCP SBI Venture Partners<br>● Philippines Representative Office   |
| <b>Germany</b><br>● photonamic<br>● Strategic Business Innovator Berlin<br>● Future Industry Ventures | <b>Indonesia</b><br>● PT BNI SEKURITAS<br>● Jakarta Representative Office<br>● SBI Kejora Venture Partnership  |
| <b>Netherlands</b><br>● Photonics Healthcare  | <b>Brunei</b><br>● SBI (B)   |
| <b>Bahrain</b><br>● SBI Pharmaceuticals Bahrain Representative Office                                 | <b>Vietnam</b><br>● FPT Securities<br>● TPBank<br>● FPT Capital Fund Management  |
| <b>Israel</b><br>● SBI JI INNOVATION ADVISORY   | <b>Cambodia</b><br>● SBI Royal Securities<br>● SBI LY HOUR BANK  |
| <b>Malaysia</b><br>● SBI Ventures Malaysia<br>● OSK-SBI Venture Partners                              | <b>Thailand</b><br>● SBI Thai Online Securities  |
| <b>Singapore</b><br>● SBI VEN CAPITAL   |  |
| <b>India</b><br>● Milestone River Venture Advisory<br>● NIRVANA VENTURE ADVISORS                      |  |
| <b>Sri Lanka</b><br>● Strategic Business Innovator  |  |
| <b>South Korea</b><br>● SBI Investment KOREA<br>● SBI SAVINGS BANK                                    |  |

- 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



**Nourish the Mind**  
ZAIKAI Co., Ltd.  
April 2021



**The Challenges for Regional Revitalization**  
KINZAI Corp.  
January 2021



**The Future Created by ALA**  
PHP Research Institute  
November 2020



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



**Management through Challenges and Evolution**  
GENTOSHA INC.  
June 2019  
(KR) Maeil Business Newspaper  
June 2020  
(EN) One Peace Books, Inc.  
December 2020



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



**Opening the Mind's Eye**  
Keizaikai Co., Ltd.  
October 2018



**Practical FinTech (Magazine)**  
Nikkei Publishing Inc.  
December 2017



**Enlightenments from Ancient Sages' Wisdom**  
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## SBI Holdings Website

<https://www.sbigroup.co.jp/english/>



## Investor Relations

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