

Accounting Policies of the Asset Management Business

Answers to questions we have received from stakeholders regarding the accounting policies of the Asset Management Business.

1. Changes Fair Value of Financial Instruments Measured at Fair Value Through Profit or Loss (FVTPL)

Owing to SBI Holdings' adoption of IFRS 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, are 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: Provided the fair value of a portfolio company increases by 20% during a quarter.

	(Billions of yen)		
	1Q FY2021	2Q FY2021	
Fair value	10.0	12.0	➔ Up ¥2.0 billion

(1) If the investment is from a wholly owned subsidiary of SBI Holdings		(2) If the investment is from a consolidated fund (ownership ratio in the fund: 20%)	
	(Billions of yen)		(Billions of yen)
	2Q FY2021		2Q FY2021
Revenue	2.0	Revenue	2.0
Profit before income tax expense	2.0	Profit before income tax expense	2.0
Tax (30%)	-0.6	Tax (30%)	-0.12
Profit for the period	1.4	Profit for the period	1.88
Profit attributable to owners of the Company	1.4	Profit attributable to owners of the Company	0.28
Non-controlling interests	—	Non-controlling interests	1.6

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

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

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

2. Management Fees of Consolidated Fund for Which the SBI Group Serves as General Partner (GP)

The following accounting policies take effect regarding management fees of a consolidated fund for which the SBI Group serves as a GP:

Accounting Policy for Management Fees Paid from a Consolidated Fund

Example: Provided 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.

¥100.0 billion × 5% = ¥5.0 billion			
(Billions of yen)		(Billions of yen)	(Billions of yen)
SBI Holdings + SBI Investment		Fund	Consolidated Profit/Loss
Revenue	5.0	Revenue	0.0
Expense	0.0	Expense	0.0
Profit before income tax expense	5.0	Profit before income tax expense	0.0
Tax (tax rate 30%)	-1.2	Tax	-1.2
Profit	3.8	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:
 $-¥1.5 \text{ billion} + (¥5.0 \text{ billion} \times 20\% \times 30\%) = -¥1.2 \text{ billion}$

Note: Management fees are recognized as revenue within funds for which the SBI Group serves as GP, such as CVC funds et al., in which the SBI Group's ownership ratio is extremely low so are not subject to consolidation.