



# Financial & Corporate Information

## CONTENTS

47	AN INTERVIEW WITH THE CFO
48	MANAGEMENT DISCUSSION AND ANALYSIS
56	CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
56	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
57	CONSOLIDATED STATEMENT OF INCOME
58	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
58	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
59	CONSOLIDATED STATEMENT OF CASH FLOWS
60	NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
107	INDEPENDENT AUDITOR'S REPORT
108	THE SBI GROUP
110	CORPORATE HISTORY
111	CORPORATE DATA
112	WEBSITE DIRECTORY
113	BOOKS BY YOSHITAKA KITAO, REPRESENTATIVE DIRECTOR, PRESIDENT & CEO



### Early Adoption of International Financial Reporting Standards (IFRSs) to Become the “World’s SBI” The difference from JGAAP realized after the first year of adopting IFRSs

**Shumpei Morita**

Director, Managing Executive Officer & CFO

#### **Q** What is the background to and significance of the voluntary adoption of IFRSs?

The SBI Group is accelerating its overseas expansion under the motto of becoming the “World’s SBI,” and in April 2011 the Company was listed on the Hong Kong Stock Exchange. The listing in Hong Kong prompted the Company to proceed with an early voluntary adoption of IFRSs beginning in the fiscal year ended March 2013.

An important characteristic of IFRSs is high transparency in financial reporting. Under IFRSs, assets and liabilities are appraised at fair value each period, and the SBI Group’s financial position is reflected in a timely manner. In addition, international comparability of financial information is now possible.

#### **Q** What impact has IFRSs adoption had in each business sector?

The impact has been greatest in the Asset Management Business. Under Japanese Generally Accepted Accounting Principles (JGAAP), in principle, at the time of sale of operational investment securities, any difference from acquisition cost is recognized as a gain or loss. Under IFRSs, the fair value of assets held is measured quarterly, whether or not the assets are sold. For this reason, business performance is now affected by the markets and fluctuates considerably. This also affects management judgment. Since a change in assessed value from the end of the previous quarter is recognized as gain or loss regardless of acquisition cost, prompt and timely decision making is required; a company will continue to hold assets if it judges that their value is likely to rise and will promptly sell assets if it judges that their value is likely to decline.

In the Financial Services Business, the conservative aspects of IFRSs compared to JGAAP affects its performance. Under IFRSs, it is necessary to proportionally divide and defer earnings, and deferral of expenses allowed under JGAAP is not allowed. Furthermore, as for the impact of fair value assessment, a characteristic of IFRSs, companies holding assets or liabilities affected by fluctuations in interest rates, stock prices, exchange rates, and other factors are subject to market impact to that extent.

The change from JGAAP to IFRSs has made no major

difference in the Biotechnology-related Business and Other businesses.

In addition, the Company changed its business segments at the time of IFRSs adoption in the fiscal year ended March 2013. I think that this change has clarified the characteristics of each business segment. The Financial Services Business is a sector that generates stable earnings and expands on the basis of business assets accumulated over time, the Asset Management Business is a sector in which the most recent fluctuations in asset value are reflected in the financial statements in a timely manner and earnings vary substantially from quarter to quarter, and the Biotechnology-related Business is a high-potential sector that the SBI Group intends to develop into a future core business.

#### **Q** Are any aspects of the financial statements more difficult to understand under IFRSs than under JGAAP?

There are two premises affecting the statements of income under IFRSs that should be understood.

The first premise is that the concepts of ordinary income and loss and extraordinary income and loss do not exist under IFRSs. For this reason, not only income and loss from main business activities, but also, for instance, gains or losses on the sale of subsidiaries are reflected in operating income and loss.

The second premise is the meaning of “profit for the year” under IFRSs. Under JGAAP, “net income” is income after the deduction of minority interests. Under IFRSs, “profit for the year” includes “profit attributable to non-controlling interests,” and “profit attributable to owners of the Company” is equivalent to “net income” in JGAAP. “Net income per share” in JGAAP is called “basic earnings per share attributable to owners of the Company” under IFRSs. The expression “owners of the Company” refers to the shareholders of SBI Holdings. This terminology is used since in IFRSs the entire corporate group is considered as a single economic entity, and shareholders’ equity includes both parent company shareholders’ interest and minority shareholders’ interest, with minority shareholders being shareholders of subsidiaries.

## MANAGEMENT DISCUSSION AND ANALYSIS

---

---

### Analysis of Business Results for the Fiscal Year

---

---

During the fiscal year ended March 31, 2013, the business environment surrounding the Group continued to be weak in the domestic market, but stock prices started to increase from November 2012. Individual stock brokerage trading value on three major markets, Tokyo, Osaka and Nagoya, in the fourth quarter (from January to March 2013) achieved a high level of 2.4 times that of the third quarter (from October to December 2012) and annual trading value increased 38% since last year.

In overseas markets, while growth recessions in some emerging countries, the U.S. economy's ongoing gradual recovery shows signs of a hopeful future. The Group's consolidated results of operations for the fiscal year ended March 31, 2013 were as follows. Operating revenue declined 13.5% year-on-year to ¥153,476 million, operating income decreased 5.4% to ¥16,577 million, profit before income tax expense declined 8.9% to ¥14,213 million and profit attributable to owners of the Company increased 955.9% to ¥3,202 million.

#### (Financial Service Business)

Operating revenue in the Financial Service Business rose 3.8% year-on-year to ¥113,340 million, and profit before income tax expense rose 78.5% year-on-year to ¥18,741 million. SBI SECURITIES Co., Ltd. maintained a stable expansion in its customer base with 220,930 new accounts opened during the fiscal year ended March 31, 2013 and the total account number reaching 2,608,716 at year-end. The consolidated financial performance of SBI SECURITIES Co., Ltd. for the fiscal year ended March 31, 2013 (under "JGAAP"\*) resulted in operating revenue of ¥43,401 million (a 9.2% year-on-year increase) and operating income of ¥11,478 million (a 52.4% year-on-year increase), which primarily resulted from the growth in commission income due to an increasing trend since December 2012 in individual brokerage fees. SBI Insurance Co., Ltd. continued to achieve growth in the number of contracts for car insurance, which resulted in ordinary revenue of ¥19,164 million (a 37.3% year-on-year increase), though the corresponding increase in provision of statutory reserve still led to an ordinary loss under "JGAAP."

SBI Sumishin Net Bank, Ltd., accounted for using the equity method, achieved a total deposit balance of ¥2,691 billion with the number of accounts reaching 1,647 thousand. The consolidated financial performance of SBI Sumishin Net Bank, Ltd. under JGAAP resulted in ordinary revenue of ¥40,204 million (a 16.1% year-on-year increase), ordinary income of ¥7,903 million (a 36.4% year-on-year increase) and net income of ¥4,779 million (a 7.3% year-on-year decrease), mainly due to growth in income tax expense which resulted from elimination of tax loss carryforwards.

\*("JGAAP" refers to accounting principles generally accepted in Japan)

#### (Asset Management Business)

Operating revenue in the Asset Management Business fell 43.2% year-on-year to ¥32,202 million, and profit before income tax expense fell 69.6% year-on-year to ¥5,450 million. Due to the European sovereign debt problem and stagnation in growth of emerging markets, the number of IPO cases worldwide decreased sharply by 382 to 751 cases for the fiscal year ended March 31, 2013,

however, the domestic market continued to show signs of recovery with the number of IPO cases increased by 17 reaching 54 cases, among which the Group was involved in 9 IPO and M&A cases in the domestic market and 3 in the overseas market under its Asset Management Business. Operating revenue and operating income decreased by comparison with those of last year, primarily due to a large gain on sales of stocks of KLab Inc. and VSN, Inc. recorded in the fiscal year ended March 31, 2012, however, with sound improvements in corporate value of promising investees and a significant upturn in the stock market since November 2012, the second half of the year achieved profound improvement in both operating revenue and operating income, compared with the first half, regardless of the large loss recorded on valuation of several unlisted stocks.

#### (Biotechnology-related Business)

Operating revenue in the Biotechnology-related business rose 104.3% year-on-year to ¥970 million, and profit before income tax expense was a loss of ¥3,900 million. SBI Pharmaceuticals Co., Ltd. has obtained manufacturing and marketing approval for the orally-administered *in vivo* diagnostic agent "ALAGLIO<sup>®</sup>" for Malignant Glioma, made using 5-aminolevulinic acid ("5-ALA"), in March 2013, and also finished a Phase III clinical trial for intraoperative diagnosis drug for bladder cancer in its domestic operations. As for overseas, SBI Pharmaceuticals has started a Phase I clinical trial on a formulation for treating anemia caused by cancer chemotherapy in the U.K. and is planning to also start a Phase II clinical trial in the U.S. after the conclusion of the Phase I trial. At the same time, SBI Pharmaceuticals Co., Ltd. worked closely with the government of Bahrain, as its base in the Middle Eastern countries to develop a business framework concerning 5-ALA related clinical research, drug development, manufacturing and exports. SBI Biotech Co., Ltd. acquired the U.S. company, Quark Pharmaceuticals, Inc. as a wholly owned subsidiary in December 2012. The acquisition will strengthen R&D capabilities and improve operating efficiency by producing synergies and integrating management resources, as well as accelerate R&D on promising drug pipelines held by both parties.

---

---

### Cash Flows

---

---

As of March 31, 2013, total assets amounted to ¥2,494,387 million and increased by ¥838,819 million from total assets of ¥1,655,568 million as of March 31, 2012. This increase was attributable primarily to acquisition of shares of Hyundai Swiss Savings Bank in March 2013, which thereafter became a subsidiary. The Group's equity increased ¥8,630 million to ¥360,535 million from the balance as of March 31, 2012. As of March 31, 2013, the Group's cash and cash equivalents amounted to ¥133,362 million a decrease of ¥26,471 million from that of ¥159,833 million as of March 31, 2012. The changes in cash flows for each activity and the reasons for changes are as follows:

#### (Operating Cash Flows)

Cash flows used in operating activities amounted to ¥36,984 million of net cash outflows (¥9,818 million of net cash inflows for the fiscal year ended March 31, 2012). The net cash outflows were

primarily due to ¥72,300 million cash outflows for increase in assets/liabilities related to securities business, despite ¥14,213 million cash inflows for profit before income tax expense, ¥10,614 million cash inflows for decrease in accounts receivables and other receivables and ¥14,167 million cash inflows for increase in operational liabilities and other liabilities.

#### **(Investing Cash Flows)**

Cash flows used in investing activities amounted to ¥19,060 million of net cash outflows (¥16,021 million of net cash outflows for the fiscal year ended March 31, 2012). The net cash outflows were primarily due to ¥18,451 million cash outflows for acquisition of subsidiaries, net of cash and cash equivalents acquired.

#### **(Financing Cash Flows)**

Cash flows from financing activities amounted to ¥25,699 million of net cash inflows (¥7,387 million of net cash inflows for the fiscal year ended March 31, 2012). The net cash inflows were primarily due to ¥32,305 million cash inflows for increase in short term loans payable and ¥28,437 million cash inflows for proceeds from long-term loans payable despite ¥42,968 million cash outflows for repayment of long-term loans payable.

---

---

### **Material Differences from JGAAP**

---

---

#### **(1) Reclassification from JGAAP of operating revenue and operating expense**

Under IFRSs, no revenue or expense items may be presented as extraordinary items in the statement of income, and items that express the amounts of finance costs and equity in earnings of affiliates must be included in the statement of income.

In addition, the total amount of interest income and expense related to financial assets measured at amortized cost or financial liabilities other than financial liabilities measured at fair value through profit or loss shall be either disclosed in the consolidated statement of income or in the notes.

Furthermore, in order to disclose appropriately the financial performance of the Group, which operates various businesses including the financial business, revenues presented as “Net sales,” “Non-operating income” and “Extraordinary income” under JGAAP, except for the investment gains on equity method, and the financial income that cannot be allocated to certain segments, are reclassified into operating revenue in the consolidated statement of income prepared in accordance with IFRSs (hereinafter “operating revenue under IFRSs”).

Due to these reclassifications, operating revenue under IFRSs for the year ended March 31, 2012 and 2013 increased by ¥16,161 million and ¥10,059 million, respectively, compared to the “Net sales” under JGAAP.

In addition, expenses presented as “Cost of sales,” “Selling, general and administrative expenses,” “Non-operating expense” and “Extraordinary expense” under JGAAP except for the investment losses on equity method and the financial expenses which cannot be allocated to certain segments are reclassified into operating expense in the consolidated statement of income prepared in accordance with IFRSs (hereinafter “operating expense under

IFRSs”).

Due to these reclassifications, operating expense under IFRSs for the year ended March 31, 2012 and 2013 increased by ¥6,830 million and ¥5,456 million, respectively, compared to the total amount of “Cost of sales” and “Selling, general and administrative expenses” under JGAAP (hereinafter, “operating expense under JGAAP”).

#### **(2) GAAP difference of operating revenue other than reclassification**

##### **(a) Scope of consolidation**

Under JGAAP, when investment companies such as venture capital companies invest operationally to stock or equity of other companies to acquire capital gains through corporate revitalization and business development even if controlling the organization for decision making of the other company, the company may not be recognized as a subsidiary. On the other hand, under the same conditions, IFRSs requires investment companies to include the other company within the scope of consolidation when controlling the other company.

Due to the scope of consolidation being expanded under IFRSs, operating revenue under IFRSs for the year ended March 31, 2012 and 2013 increased by ¥34,600 million and ¥23,840 million, respectively.

##### **(b) Profit or loss regarding evaluation of financial instruments**

Under JGAAP, listed available-for-sale securities were measured at fair value, with fair value gains and losses, net of applicable taxes, reported as—unrealized gains (losses) on available-for-sales securities, a separate component of net assets, while unlisted available-for-sale securities were principally stated at cost less impairment, determined by the moving average cost method.

Thus, except for the case of significant decline in fair value, no valuation loss is recorded.

In addition, the Group provided allowance for investment losses for operational investment securities and investment securities based on the estimated losses of the investments considering the financial condition of the investees. Substantially, only the downside of the valuation difference was evaluated and the related losses were recorded.

As a result of the application of IFRS 9, financial instruments are measured at fair value through profit or loss except for the financial instruments designated as financial instruments at FVTOCI at initial recognition, and the valuation gain or loss of equity securities including unlisted securities are recorded in the operating revenue.

##### **(c) Changes in ownership interests in subsidiaries without losing control**

Under IFRSs, changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as capital transactions, with no recognition of gain or loss.

##### **(d) Approximate amount of GAAP difference between operating revenue under IFRSs and net sales under JGAAP other than reclassification**

Except for the impact from reclassification discussed in (1), due to the GAAP differences including (2) (a) to (c) operating revenue under IFRSs for the year ended March 31, 2012 and 2013

increased by ¥16,174 million and ¥26,823 million, respectively, compared to the “Net sales” under JGAAP.

**(3) GAAP difference of operating expense other than reclassification**

**(a) Scope of consolidation**

As described in (2) (a), due to the scope of consolidation being expanded under IFRSs, operating expense under IFRSs for the year ended March 31, 2012 and 2013 increased by ¥34,991 million and ¥24,004 million, respectively.

**(b) Impairment and amortization of goodwill and negative goodwill**

Under JGAAP, goodwill is generally amortized over an estimated useful life of up to 20 years and shall be tested for impairment if there is an indication that the asset may be impaired, and consequently not required to be tested for impairment every fiscal year.

Under IFRSs, goodwill is required to be tested for impairment regardless of an indication of impairment, instead of no periodical amortization.

**(c) Insurance contract**

Under JGAAP, an insurance company newly established may defer the business expenditure incurred within 5 years after establishment, recorded as deferred assets, which can be amortized within 10 years through profit or loss in conformity with Article 113 of Insurance Business Act. Under IFRSs, those business expenditures do not meet the recognition criteria. Thus, no deferred assets are recorded and those expenditures will be recognized as expense at the time of occurrence.

**(d) Approximate effect amount of GAAP difference between operating expense under IFRSs and JGAAP other than reclassification**

Except for the impact from reclassification discussed in (1), operating expense under IFRSs for the year ended March 31, 2012 and 2013 increased by ¥15,777 million and decreased by ¥881 million, respectively, compared to the operating expense under JGAAP.

**(4) Income tax expense**

**(a) Scope of consolidation**

As discussed in (2) (a), due to the scope of consolidation being expanded under IFRSs, income tax expense under IFRSs for the year ended March 31, 2012 and 2013 increased by ¥415 million and ¥306 million, respectively, compared to the amount under JGAAP.

**(b) Tax effect related to unrealized gain or loss**

Since unrealized gains or losses arising from intercompany transactions are eliminated in consolidation, a temporary difference between book value for accounting purposes and book value for tax purposes occurs.

Under JGAAP, tax effects in relation to elimination of intragroup unrealized gain are recognized as deferred tax assets paid by the seller, and the tax effects in relation to elimination of intragroup unrealized loss, which is deducted in the calculation of taxable income, are recognized as deferred tax liabilities

by the seller.

On the other hand, under IFRSs, tax effects in relation to elimination of intragroup unrealized gain are recognized as deferred tax assets by the buyer considering the recoverability and calculated using the buyer's tax rate. Tax effects in relation to intragroup unrealized loss shall be recognized as deferred tax liabilities with some exceptions.

**(c) GAAP difference between IFRSs and JGAAP related to income tax expense**

Due to the GAAP differences including (4) (a) and (b), income tax expense under IFRSs for the year ended March 31, 2012 and 2013 increased by ¥920 million and ¥6,273 million, respectively, compared to the amount under JGAAP.

---

---

## Business Plan

---

---

The Group has completed the creation of a business structure in Japan as a comprehensive financial conglomerate centered on Internet-based financial services. Overseas, the Group has been rapidly expanding its investment business and establishing an investment framework primarily in Asian countries with remarkable growth.

Going forward, we will aggressively promote further expansion of our overseas investment business and provide local foreign financial institutions we invest in with innovative know-how on Internet financial services fostered through our businesses in Japan. By so doing, we expect to become a comprehensive financial group that can make contributions globally with a focus in Asia.

The Company became the first listed company in Japan to be listed on the Main Board market of the Hong Kong Exchanges and Clearing on April 14, 2011. We will maximize this opportunity to enhance our credibility and recognition in Asia to further develop businesses of the Group.

In Japan, we will accelerate growth as a provider of diverse low-cost, high-quality financial products and services by effectively taking into account the growing sentiment among consumers to cut back on their spending and the increased use of the Internet for executing various financial transactions, and further provoking synergistic effects among businesses we have developed in the Group.

In the Financial Services Business, we will aim to achieve greater growth even under unstable conditions in the Japanese stock markets. SBI SECURITIES Co., Ltd. will continue to expand its overseas product lineup and strengthen foreign exchange transactions in order to achieve diversification of revenue sources and further enhance its call center operations that receive high recognition from evaluating agencies in heightening its service level even more. SBI Liquidity Market Co., Ltd., which began its operation in November 2008, provides not only liquidity but convenient and competitive market infrastructure for FX transactions to SBI SECURITIES Co., Ltd., SBI Sumishin Net Bank, Ltd., and SBI FXTRADE Co., Ltd., which started operations in May 2012. The firm will make improvements to the transaction environment, enhance liquidity, and focus on building further cost-effective, secure and safe FX transaction environment with a view to providing its services to overseas private investors. We also established

SBI Sumishin Net Bank, Ltd. and SBI Insurance Co., Ltd. during 2007 to 2008 for undertaking new businesses in our aim to build an earning structure that does not depend solely on the stock markets. It is our key objective to further develop these businesses by provoking stronger synergistic effects among the Group companies. For certain financial products, online sales alone are not sufficient, and there is a need for face-to-face consultations to explain the products to the customer directly. SBI MONEY PLAZA Co., Ltd., which provides a one-stop response to all customers needs for asset management, insurance and housing loans, will take the lead in developing the operation of the SBI Group's face-to-face channels.

In the Asset Management Business, we recognize that a high priority lies in expanding our investments in emerging countries, primarily in Asia, and establishing an effective investment system. The Company will pursue setting up funds jointly with our leading local partners while monitoring the economic conditions of such countries as we continue to push establishment and penetration of our global network. We pursue private equity investment by identifying targets and concentrating our investments in growth areas with the aim to contribute in developing industries while benefiting from high investment performance. The Group will continue to invest in four key areas of IT, biotechnology, environment and energy, and finance going ahead. In the financial sectors, we will transfer the know-how of the Group and pursue direct investment in overseas financial institutions by which we can expect to enhance the value of corporations we invest in. The Group will also invest in promising domestic small and medium-sized corporations through operating buy-out funds. In undertaking these business activities, the Group will strive for further growth by continuing to aggressively utilize the resources both inside and outside of the Group and heightening the performance of the funds we operate, as we promptly improve the corporate value of companies we invest in.

In the Biotechnology-related Business which was determined as a new reportable segment from the beginning of this fiscal year, the Group conducts sales of health foods and cosmetics that contain 5-aminolevulinic acid (5-ALA), and SBI Pharmaceuticals Co., Ltd. carries out research and development of pharmaceutical products using 5-ALA. Research activities have recently been extended in domestic and foreign universities and research institutes to discover new applications of 5-ALA, and we strive to develop the products that serve customer's healthy and enjoyable life focusing on 5-ALA with possible applications in a wider range of fields. SBI Biotech Co., Ltd. dedicates its efforts to developing new pharmaceutical products using the most advanced biotechnology in collaboration with leading research institutes around the world.

Furthermore, in July 2010, the Group launched a concept called the "Brilliant Cut Initiative." By modeling the Group companies and businesses on facets of a diamond, namely a "58 brilliant-cut diamond," known to be the brightest and the most beautiful, with each of the facets giving the best shine when cut this way. The 58 major companies and business entities of the Group's business ecosystem reflect the 58 facets of a brilliant-cut diamond, which together shine most beautifully as one. In the aim to give out the best shine as a Group, we will pursue the "Brilliant Cut Initiative" in shifting our management emphasis from the traditional group-wide expansion to profitability.

The Group recognizes that continuous enhancement of human resources is an essential group-wide initiative. It has become

increasingly important to secure highly competent individuals that support the rapid expansion of our businesses and to continue developing the skills of our employees. For this purpose, we have been exerting greater efforts in hiring excellent individuals who are willing to share the management philosophy of the Group as well as recruiting university graduates to secure human capital for passing on the Group's unique corporate culture from one generation of employees to the next. The Group started recruiting university graduates in April 2006, and they already play an active role in various business fields and are expected to be one of the future leaders of the Group. We will continue to secure highly competent and global-oriented human resources and promote career development of our staff in pursuing perpetual growth and development of the Group.

Forward-looking statements provided herein are based on judgments of the Company as of June 27, 2013.

---

## Risk

---

The following principal categories of business risks and other risks affecting our Group's business may have a material impact on your investment decisions. From the point of disclosing information, we have also listed risk factors below, which may not completely match these investment decisions. In recognizing these latent risks, we will work to avoid any such risks and take appropriate measures in the event that any such risk arises.

Also, the following contains content about the future but it is considered as of June 27, 2013.

### 1) Our corporate structure, which consists of a large number of public and private companies in multiple business lines, exposes us to challenges not found in companies with a single business line

Our Group consists of portfolio companies operating in multiple industries, including the Financial Services Business, Asset Management Business, Biotechnology-related Business and other businesses. Our Group also comprises some publicly traded subsidiaries. Due to the diverse characteristics of our portfolio companies, we face challenges not found in companies with a single business line. In particular, there are three aspects:

- we are exposed to business, market and regulatory risks relating to different industries.

We need to devote substantial resources to monitor changes in different operating environments, so that we can react with appropriate strategies that fit the needs of the portfolio companies affected;

- due to our large number of portfolio companies involved, successful operation of our Group requires an effective management system that emphasizes accountability, imposes financial discipline on portfolio companies, and incentivizes management to create value. As we continue to grow through acquisitions of businesses in an increasing number of different industries, our operations will become more complex, which increases the difficulty of implementing our management system; and
- our portfolio companies in different operating segments may determine that it is in their respective shareholders' interests to pursue

business ventures together. We cannot assure you that such business ventures will be successful or generate the synergies expected.

## **2) Our voting interests in our portfolio companies may be diluted**

Our portfolio companies may become publicly traded, which will dilute our voting interests in these entities. In addition, our portfolio companies may from time to time need additional capital to achieve their expansion plans or other business objectives and may issue additional shares or other equity securities to meet their capital needs. We may choose not to, or be unable to, subscribe for the securities offered in any such additional issuances by our portfolio companies. If we fail to subscribe for additional securities of a portfolio company on a pro-rata basis to our existing shareholding in such company, our equity interest in the portfolio company will be diluted.

A dilution in our equity interest in a portfolio company would reduce our share of the profits earned by such portfolio company, which may have an adverse effect on our financial condition and results of operations. Further, if our ownership were reduced significantly, it may cause our representation on such company's annual general meeting to be reduced, or otherwise reduce our ability to direct or influence the operations of that portfolio company.

## **3) The growth we expect in the market for our online products and services may not materialise**

The market in Japan for online financial products and services continues to evolve. Our success depends substantially on continued growth in the use of online products and services, such as online brokerage services, Internet banking, Internet-based insurance products and services by individuals. If this growth does not materialize, our financial condition and results of operations will suffer. Factors that could discourage Japanese individuals from using online products and services include security or privacy concerns, inconsistent quality of service and frustration with actual or perceived difficulties in using the Internet to conduct brokerage and other financial transactions.

## **4) Changes in the legal or financial stability of, or cultural or business strategic differences with, any counterparties with whom we enter into joint ventures or alliances**

We operate joint ventures and enter into alliances with foreign and domestic counterparties and the success of these operations is often dependent upon the financial and legal stability of our counterparties. If one of the counterparties with whom we operate a joint venture or continue a business alliance suffers a decline in its financial condition for any reason, or is subject to instability owing to a change to the laws governing its operations after we have invested in the joint venture or the business alliance, we may be unable to successfully operate the joint venture or alliance, or we may be required to invest additional capital or cease operations altogether. Likewise, significant differences in corporate culture and business strategy between ourselves and such partners may come to light and may result in significant changes to the assumptions that we made when we decided to enter into the joint venture or alliance. If our joint venture or counterparties are unable to perform as expected, or if any unexpected events relating to the alliances occur, then we may be unable to continue those businesses successfully. Our inability to successfully operate joint ventures or

alliances may adversely affect our reputation and our financial condition and results of operations.

## **5) Risks relating to business reputation**

We are vulnerable to poor market perception and reputational risk since we operate in industries where integrity and the trust and confidence of our customers are of utmost importance. Negative publicity (whether or not justified) associated with us or any of our funds, products, services, officers or employees, partners or alliances, or the occurrence of any of the risks set out in this section could result in a loss of customers and/or mandates. Our business operations are highly dependent on our officers, employees, partners and/or alliances. The actions, misconduct, omissions, failures or breaches of any of our officers or employees, partners and/or alliances may, by association, create negative publicity in relation to our Group. Accordingly, any mismanagement, fraud or failure to discharge legal, contractual, regulatory or fiduciary duties, responsibilities, liabilities or obligations, or the negative perception resulting from such activities or any allegation of such activities, could have an adverse effect on our Group's business, growth prospects, results of operations and/or financial condition. Such cases could adversely affect our financial condition and results of operations.

In addition, there are some frauds or fraudulent acts, which use trade names of our Group companies, with our business expansion and increasing our publicity. Therefore, we may be hit hard by rumours even if we have no fault. It could have an adverse effect on our financial condition and results of operations.

## **6) Risks relating to business restructuring and expansion**

As a "Strategic Business Innovator," one of our Group's basic policies is to perpetuate "Self-Evolution."

In addition to business restructurings including acquisitions of one-hundred percent ownership through the share exchange, we intend to aggressively pursue business expansion, including mergers and acquisitions of businesses that we believe offer favourable synergies with our core businesses. We face the risk that our restructurings and business expansion activities may not produce the results that we expect. Failure to achieve expected results could have an adverse effect on our financial condition and results of operations.

We may not be able to identify suitable investment opportunities, partners or acquisitions candidates. Even if we do identify suitable investment opportunities, partners or acquisitions candidates, we may be unable to negotiate terms that are commercially acceptable to us or complete those transactions at all. With respect to our acquisitions, we could have difficulty in integrating these companies or businesses, including internal operations, distribution networks, product lines and personnel, with our existing business, and there is no assurance that the expected strategic benefits of any acquisitions or alliances will be realized. The acquired companies may have low margins and require significant restructuring to increase efficiency. In addition, the key personnel of an acquired company may decide not to work for us. The acquired company could involve a number of specific risks, including diversion of management's attention, higher costs, unanticipated events or circumstances, legal liabilities, failure of the business of the acquired company, fall in value of investments and amortization of acquired intangible assets, some or all of which could have an adverse effect on our business, financial condition and

results of operations. In the event that we plan to acquire or invest in other company, we may be required to obtain the prior approval of the relevant regulators and/or the government and there can be no assurance that such approvals will be obtained in a timely manner or at all. In addition, any acquisition of an overseas company will expose us to foreign exchange risks, foreign regulations applicable to its business and different environments that we are not familiar with. In the event that any such risk arises, it could adversely affect our financial condition and results of operations.

In addition, we may raise working capital through various means, including equity finance in the capital markets, share exchange, loans from financial institutions, and issuances of corporate bonds. Such cases could adversely affect our financial condition and results of operations.

Furthermore, on March 2013, we acquired additional shares of Hyundai Swiss Savings Bank which we held as investment for income/capital gain. In the meantime, we acquired shares of Hyundai Swiss 2 Savings Bank, subsidiary of Hyundai Swiss Savings Bank, on March 2013. So, Hyundai Swiss Savings Bank and its subsidiaries (the Hyundai Swiss Group) have become subsidiaries of our Group. We subscribed capital increases of the two banks when they were required to enhance governance and improve capital adequacy ratios under government-led tightening of regulations and promotions of restructurings in Korean savings bank business.

We are now preceding enhancement of governance, such as dispatch of responsibility person. We plan to improve business valuation of Hyundai Swiss Group by increasing earning capacity through business alliances with our Group, but Hyundai Swiss Group is exposed to several risks for banking business in Korea, such as condition of real estate market or economic trend in Korea. Therefore, if enhancement of governance and increasing of earning capacity are unable to perform as expected, it could have an adverse effect on our financial condition and results of operations. In addition, we may be required to invest into Hyundai Swiss Group additionally for keeping their capital adequacy ratios properly through strengthening their assets prudentially. Therefore, it could have an adverse effect on our financial condition and results of operations.

#### **7) Risks relating to entering new businesses**

Based on the management principle of aiming to be a “New Industry Creator,” we are aggressively creating and nurturing new businesses. If our new businesses are unable to achieve their business plans as originally formulated, and if they are unable to record earnings commensurate with their initial investments, such failure could have an adverse effect on our financial condition and results of operations. In addition, our new businesses could become subject to new laws and regulations or be placed under the guidance of particular regulatory authorities. Any violations by our new businesses of the laws, regulations or guidance that is applicable to them, and any administrative or legal actions directed at them, could impede the conduct of their operations and have an adverse effect on our financial condition and results of operations.

#### **8) Risks relating to being a financial conglomerate**

We are classified as a financial conglomerate as defined by the regulations of Financial Services Agency (FSA). As a result, we are

further strengthening its risk management and compliance systems in order to maintain financial soundness, and to conduct business activities properly. However, if we are subject to an administrative action or other punishment by FSA, for whatever reason, we may have difficulty conducting its business operations, or it could adversely affect our financial condition and results of operations.

#### **9) Risks relating to investment securities**

We hold a large amount of investment securities, including investments in affiliated companies. We could experience impairment losses on our investment securities as a result of declines in their value, which could adversely affect our financial condition and results of operations.

#### **10) Litigation risk**

We are exposed to litigation risk relating to the operations of our business segments on an on-going basis. While we cannot predict the outcome of any pending or future litigation, given the inherent unpredictability of litigation, it is possible that an adverse outcome in any one or more matters could have an adverse effect on our financial condition and results of operations.

#### **11) Risk relating to risk management and internal control**

We have established risk management and internal control systems and procedures. Certain areas within our risk management and internal control systems may require constant monitoring, maintenance and continual improvements by our senior management and staff. If our efforts to maintain these systems are provided to be ineffective or inadequate, we may be subject to sanctions or penalties and our financial condition, results of operations, business prospects and reputation may be adversely affected.

Our internal control system, no matter how sophisticated in design, still contains inherent limitations caused by misjudgment or fault. As such, there is no assurance that our risk management and internal control systems are adequate or effective notwithstanding our efforts and any failure to address any internal control matters and other deficiencies could result in investigations and/or disciplinary actions or even prosecution being taken against our Group and/or our employees, disruption to our risk management system, and have an adverse effect on our financial condition and results of operations.

#### **12) Risks relating to funding liquidity**

We raise working capital through various means, including equity finance in the capital markets, loans from financial institutions, and issuances of corporate bonds. Due to the global economic crisis and the resulting deterioration in the global credit markets, including reduced lending by financial institutions, we may face difficulty raising funds under favourable conditions or at all. In addition, potential downgrades to our credit ratings could interfere with our ability to raise funds from external sources. In such circumstances our access to funds could be restricted, and our financing costs could increase. Any such events could adversely affect our financial condition and results of operations.

#### **13) Derivatives risk**

We utilize derivative instruments to reduce investment portfolio price fluctuations and to manage interest rate and foreign exchange



rate risk. However, we may not be able to successfully manage our risks through the use of derivatives. Counterparties may fail to honour the terms of their derivatives contracts with us. Alternatively, our ability to enter into derivative transactions may be adversely affected if our credit ratings are downgraded.

We may also suffer losses from trading activities, a part of which includes the use of derivative instruments. As a result, our financial condition and results of operations could be adversely affected.

#### **14) We depend in part on dividends from our subsidiaries and other entities**

We depend in part on dividends, distributions and others from our subsidiaries and other entities, such as partnerships and other investment vehicles, to fund payments on our obligations, including our debt obligations. Regulatory and other legal restrictions, including contractual restrictions, may limit our ability to transfer funds to or from our subsidiaries and other entities. Some of our subsidiaries and other entities which we depend on, in part, for payments are subject to laws and regulations that authorize regulatory bodies, such as board of directors, to block or reduce the flow of funds to us, or that prohibit such transfers altogether in certain circumstances. These laws and regulations may hinder our ability to access funds that we may need to make payments on our obligations. Such payments could adversely affect our financial condition and results of operations.

#### **15) Reliance on key personnel**

Our business operations depend on the leadership of our Representative Director, President and Chief Executive Officer, Mr. Yoshitaka Kitao, and other key members of our management team. If one or more of our current management teams becomes unable to continue operating our businesses, such event could adversely affect our financial condition and results of operations. Any remedial action adopted by management to deal with a loss of key personnel may not take effect immediately or at all.

#### **16) Risks relating to employees**

We employ who we consider highly skilled and qualified personnel to work under our management team. If we are unable to continue to engage highly skilled and qualified personnel of the requisite calibre and skills, this could adversely affect our financial condition and results of operations.

#### **17) Risks relating to trademarks and other intellectual property rights**

Our businesses involve various types of intellectual property, including patents, copyrights and other forms of intellectual property, particularly those related to our “SBI” brand. We rely on our ability to protect the intellectual property we own and use in our business. If we fail to sufficiently protect our intellectual property, or if we are unable to acquire the necessary licenses for the use of third-party intellectual property, we may experience difficulty in developing technologies or providing services. Also, we may be the subject of legal actions brought by third parties alleging infringement of their intellectual property. In addition, we may experience increased costs in connection with intellectual property, especially those related to copyright. Such additional costs could have an adverse effect on our financial condition and results of operations.

#### **18) Risks relating to enactment of, or changes in, laws, regulations and accounting standards**

Enactment of, or changes in, laws and regulations may affect the way that we conduct our business, the products or services that we may offer in Japan or overseas, as well as our customers, borrowers, portfolio companies and funding sources. Such enactment or changes are unpredictable and may cause our costs to increase. As a result of such enactment or changes, our business activities, financial condition and results of operations could be adversely affected.

Withdrawal or amendment of any regulatory approval or of any exemption from registration in respect of any part of our Group’s activities or any of our funds in any jurisdiction might oblige us to cease conducting a particular business or change the way in which it is conducted. Similarly, the withdrawal of either a license or an approval of one or more individuals would hinder their ability to perform their current role. The carrying on of regulated activities by unauthorized persons could have a number of consequences including the possibility of agreements made in the course of carrying on such activities being unenforceable.

Enactment of, or changes in, accounting standards may have a significant effect on how we record and report our financial condition and results of operations, even if our underlying business fundamentals remain the same. As a result of such enactment or changes, our business activities, our financial condition and results of operations could be adversely affected.

#### **19) Risks relating to deferred tax assets**

Temporary differences occurring between the financial statements and the tax bases of assets and liabilities are posted to deferred tax assets using the statutory effective tax rate applied when the difference is dissolved.

If there is a tax reform and change in the statutory effective tax rate, we may reduce or increase the deferred tax assets. Such events could have an adverse effect on our financial condition and results of operations.

A valuation allowance is provided for the portion of recorded deferred tax assets in respect of temporary differences and losses carried forward that is more likely than not to remain unrealized. Loss carried forward can be posted as deferred tax assets to the extent of the amount recoverable, and our Group posts deferred tax assets based on the assumption of recoverability.

Each Group company calculates the estimated future recoverable tax amount based on the expected amount of future taxable income. While we presume that it is quite possible to realize the deferred tax assets after valuation allowance, the amount of valuation allowance may fluctuate depending on any changes in the expected amount of future taxable income. Such changes could have an adverse effect on our financial condition and results of operations.

#### **20) Risks relating to insurance coverage**

To manage operating risks, we maintain in our portfolio companies insurance coverage of various kinds. However, we cannot assure you that all claims under their insurance policies will be honoured fully or on time. Furthermore, we are generally unable to insure against certain types of losses, including losses caused by earthquakes, typhoons, floods, wars and riots, and we do not have business interruption insurance. To the extent that any of our portfolio companies suffer loss or damage that is not covered by insurance or that exceeds

the limit of its insurance coverage, our financial condition and results of operations and cash flow may be adversely affected.

**21) Past results may not be indicative of future performance**

Our historical financial information may not necessarily reflect our financial condition or results of operations in the future. We may experience slower growth in some of our businesses and we may not be successful in launching new businesses. New businesses may not achieve as quick or as large growth as anticipated, and our multiple business strategy may not be successful and we may not be able to successfully integrate future businesses or assets into our existing operations.

**22) We may suffer substantial losses in the event of a natural disaster, such as an earthquake, terrorist attack or other casualty event in Japan or other markets in which we operate**

A substantial portion of our assets, as well as our head office, are located in Japan and a substantial portion of our total equity is derived from our operations in Japan. Our overseas operations are subject to similar or other disaster risks. Additionally, large disasters, outbreaks, terrorist attacks or other casualty events affecting our operational network, either in Japan or overseas, could disrupt our operations even in the absence of direct physical damage to our properties or cause a material economic downturn in the affected area or country, which in turn could result in significant interruptions to or an adverse effect on our businesses, financial condition and results of operations.

**23) Risks relating to our investments, development of our business, funding and legal regulations in overseas operation**

We are actively investing and promoting business development in overseas countries. In these cases, in addition to foreign currency risks, we also have risks relating to increasing cost or losses unique to overseas business due to different factors from factors in Japan, such as systems including laws and regulations, business practice, economic status, corporate culture, consumer attitude and others in overseas countries. We implement investments and business development of our operations in overseas countries after careful investigations, examinations and taking countermeasures for these risks. Nevertheless, if some events, which we could not estimate at the beginning, occur, such events could have an adverse effect on our financial condition and results of operations.

In addition, there is an increasing tendency of ratios of foreign shareholders in our shareholders. Therefore, it may be expected that we perform as the result the financing in foreign countries regardless of our intention. As a result, we may be affected by foreign laws and regulations, particularly those for investor protection, and may incur increased expenses or restrictions on our business to comply with those laws and regulations. In addition, fund-raising by means such as borrowing from overseas financial institutions or the issuance of corporate bonds overseas for the purpose of hedging foreign exchange risk may increase. Even if we implement these after careful investigations and examinations for these risks, but some events, which we could not estimate at the beginnings, may occur. Such events could have an adverse effect on our financial condition and results of operations.

Recently, in addition to above, application of laws and regulations in overseas countries, such as Bribery Act 2010 in UK and

The Foreign Corrupt Practices Act in US, might extend into our Group in other countries including Japan. We have responded to a variety of these laws and regulations after careful investigations and examinations for these risks, but some unexpected events may occur. Such events could have an adverse effect on our financial condition and results of operations.

**24) We cannot guarantee the accuracy of facts and statistics with respect to certain information obtained from official governmental sources and other data**

Facts and statistics relating to Japan, the Japanese economy and the financial sector (including the financial services industry) and other sectors in which we operate derived from official government or other industry sources are generally believed to be reliable. However, we cannot guarantee the quality or reliability of such information. We have not prepared or verified the accuracy of the information received from such sources. We make no representation as to the accuracy or completeness of such facts and statistics from these sources. Furthermore, there can be no assurance that these sources have stated or compiled such facts and figures on the same basis or with the same degree of accuracy or completeness as may be the case elsewhere. In all cases, you should not unduly rely on these facts and statistics.



For risks specific to each business segment, please refer to the Securities Report at <http://www.sbigroup.co.jp/english/investors/library/filings/>

# CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

(Amounts in millions of Japanese Yen, rounded off to the nearest million except for per share information, unless otherwise stated)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Millions of Yen		
		As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
<b>Assets</b>				
Cash and cash equivalents	16	160,398	159,833	133,362
Trade and other accounts receivable	6, 7, 8, 16	166,090	180,385	412,477
Assets related to securities business				
Cash segregated as deposits		347,866	663,066	846,445
Margin transaction assets		139,960	166,652	164,935
Other assets related to securities business	9	228,664	160,490	422,265
Total assets related to securities business	6	716,490	990,208	1,433,645
Other financial assets	16	16,885	13,086	26,694
Operational investment securities	6, 7, 10	108,138	121,951	119,268
Other investment securities	6, 7, 10	13,036	10,548	57,209
Investments in associates	11, 16	23,367	29,097	35,689
Investment properties	12, 16	19,291	18,529	36,355
Property and equipment	13	10,879	9,462	10,517
Intangible assets	14	67,976	64,502	185,581
Other assets	16	47,065	37,101	29,928
Deferred tax assets	15	22,114	20,866	13,662
Total assets		1,371,729	1,655,568	2,494,387
<b>Liabilities</b>				
Bonds and loans payable	6, 7, 16	276,978	285,188	344,360
Trade and other accounts payable	7, 17	42,525	39,073	48,894
Liabilities related to securities business				
Margin transaction liabilities		79,189	113,002	153,612
Loans payable secured by securities		61,798	76,593	135,609
Deposits from customers		36,717	331,489	387,310
Guarantee deposits received		309,135	289,405	372,440
Other liabilities related to securities business	18	176,482	123,342	255,634
Total liabilities related to securities business	6, 7	663,321	933,831	1,304,605
Customer deposits for banking business	6, 7	–	–	376,177
Income tax payable		5,099	4,847	2,192
Other financial liabilities	6, 7	24,947	29,916	35,371
Other liabilities		5,609	4,937	15,430
Deferred tax liabilities	15	5,362	5,871	6,823
Total liabilities		1,023,841	1,303,663	2,133,852
<b>Equity</b>				
Capital stock	20	73,236	81,665	81,668
Capital surplus	20	155,525	160,471	160,550
Treasury stock	20	(247)	(3,180)	(5,117)
Other component of equity	20	571	(1,363)	6,196
Retained earnings	20	60,951	58,930	60,002
Equity attributable to owners of the Company		290,036	296,523	303,299
Non-controlling interests		57,852	55,382	57,236
Total equity		347,888	351,905	360,535
Total liabilities and equity		1,371,729	1,655,568	2,494,387

## CONSOLIDATED STATEMENT OF INCOME

	Notes	Millions of Yen	
		Fiscal Year ended 31 March 2012	Fiscal Year ended 31 March 2013
Operating revenue	5, 23	177,409	153,476
Operating expense			
Operating cost	24	(73,766)	(55,275)
Financial cost	24	(5,229)	(4,612)
Selling, general and administrative expenses	24	(74,092)	(75,231)
Other expenses	24	(7,017)	(2,339)
Total operating expense		(160,104)	(137,457)
Share of results of associates using the equity method	5, 11	225	558
Operating income		17,530	16,577
Other financial income and cost			
Other financial income	25	504	604
Other financial cost	25	(2,434)	(2,968)
Total other financial income and cost		(1,930)	(2,364)
Profit before income tax expense	5	15,600	14,213
Income tax expense	26	(12,838)	(7,251)
Profit for the year		2,762	6,962
Profit for the year attributable to owners of the Company		303	3,202
Non-controlling interests		2,459	3,760
Profit for the year		2,762	6,962
Earnings per share attributable to owners of the Company			
Basic (Yen)	28	1.38	14.75
Diluted (Yen)	28	1.38	14.75

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Millions of Yen			
	Notes	Fiscal Year ended 31 March 2012	Fiscal Year ended 31 March 2013
Profit for the year		2,762	6,962
Other comprehensive income/(loss)			
Currency translation differences	27	(1,236)	7,181
FVTOCI financial assets	27	(397)	(250)
Hedging instruments for cash flow hedges	27	(2)	49
Proportionate share of other comprehensive income/(loss) of associates	27	(201)	1,398
Other comprehensive income/(loss), net of tax		(1,836)	8,378
Total comprehensive income/(loss)		926	15,340
Total comprehensive income/(loss) attributable to owners of the Company		(1,564)	10,839
Non-controlling interests		2,490	4,501
Total comprehensive income/(loss)		926	15,340

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Millions of Yen									
	Notes	Attributable to owners of the Company							
		Capital Stock	Capital Surplus	Treasury Stock	Other Component of Equity	Retained Earnings	Total	Non- controlling Interests	Total Equity
As at 1 April 2011		73,236	155,525	(247)	571	60,951	290,036	57,852	347,888
Profit for the year		-	-	-	-	303	303	2,459	2,762
Other comprehensive income/(loss)		-	-	-	(1,867)	-	(1,867)	31	(1,836)
Total comprehensive income/(loss)		-	-	-	(1,867)	303	(1,564)	2,490	926
Issuance of new stock	20	8,429	8,298	-	-	-	16,727	-	16,727
Change in scope of consolidation		-	223	-	-	-	223	(1,556)	(1,333)
Dividends paid	21	-	-	-	-	(2,391)	(2,391)	(2,156)	(4,547)
Treasury shares purchased	20	-	-	(2,939)	-	-	(2,939)	-	(2,939)
Treasury shares sold	20	-	-	6	-	-	6	-	6
Changes of interests in subsidiaries without losing control		-	(3,575)	-	-	-	(3,575)	(1,248)	(4,823)
Transfer from other component of equity	20	-	-	-	(67)	67	-	-	-
As at 31 March 2012		81,665	160,471	(3,180)	(1,363)	58,930	296,523	55,382	351,905
Profit for the year		-	-	-	-	3,202	3,202	3,760	6,962
Other comprehensive income/(loss)		-	-	-	7,637	-	7,637	741	8,378
Total comprehensive income/(loss)		-	-	-	7,637	3,202	10,839	4,501	15,340
Issuance of new stock	20	3	3	-	-	-	6	-	6
Change in scope of consolidation		-	1	-	-	-	1	(7,909)	(7,908)
Dividends paid	21	-	-	-	-	(2,208)	(2,208)	(3,004)	(5,212)
Treasury shares purchased	20	-	-	(2,021)	-	-	(2,021)	-	(2,021)
Treasury shares sold	20	-	0	84	-	-	84	-	84
Changes of interests in subsidiaries without losing control		-	75	-	-	-	75	8,266	8,341
Transfer from other component of equity	20	-	-	-	(78)	78	-	-	-
As at 31 March 2013		81,668	160,550	(5,117)	6,196	60,002	303,299	57,236	360,535

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Millions of Yen	
		Fiscal Year ended 31 March 2012	Fiscal Year ended 31 March 2013
Net cash from (used in) operating activities			
Profit before income tax expense		15,600	14,213
Depreciation and amortization		7,660	7,624
Share of results of associates using the equity method		(225)	(558)
Interest and dividend income		(18,644)	(18,454)
Interest expense		7,644	7,565
Decrease (increase) in operational investment securities		(5,220)	557
Decrease (increase) in accounts receivable and other receivables		(992)	10,614
Increase in operational liabilities and other liabilities		11,664	14,167
Increase in assets/liabilities related to securities business		(2,771)	(72,300)
Others		(5,758)	(3,898)
Subtotal		8,958	(40,470)
Interest and dividend income received		17,783	17,854
Interest expense paid		(7,396)	(6,884)
Income taxes paid		(9,527)	(7,484)
Net cash from (used in) operating activities		9,818	(36,984)
Net cash used in investing activities			
Purchases of intangible assets		(5,499)	(4,279)
Purchases of investment securities		(11,180)	(9,876)
Proceeds from sales of investment securities		2,226	4,580
Acquisition of subsidiaries, net of cash and cash equivalents acquired	29	792	(18,451)
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	29	(4,076)	10,062
Payments of loans receivable		(11,560)	(8,215)
Collection of loans receivable		13,178	5,987
Others		98	1,132
Net cash used in investing activities		(16,021)	(19,060)
Net cash from financing activities			
Increase in short-term loans payable		8,421	32,305
Proceeds from long-term loans payable		6,020	28,437
Repayment of long-term loans payable		(27,861)	(42,968)
Proceeds from issuance of bonds payable		89,937	63,945
Redemption of bonds payable		(69,680)	(60,540)
Proceeds from stock issuance		16,716	6
Proceeds from stock issuance to non-controlling interests		844	3,679
Contributions from non-controlling interests in consolidated investment funds		1,057	2,052
Cash dividend paid		(2,660)	(2,213)
Cash dividend paid to non-controlling interests		(187)	(467)
Distributions to non-controlling interests in consolidated investment funds		(5,164)	(2,431)
Purchase of treasury stock		(2,939)	(2,021)
Proceeds from sale of interests in subsidiaries to non-controlling interests		611	7,603
Payments for purchase of interests in subsidiaries from non-controlling interests		(6,411)	(295)
Others		(1,317)	(1,393)
Net cash from financing activities		7,387	25,699
Net increase (decrease) in cash and cash equivalents		1,184	(30,345)
Cash and cash equivalents at the beginning of the year		160,398	159,833
Effect of changes in exchange rate on cash and cash equivalents		(1,749)	3,874
Cash and cash equivalents at the end of the year		159,833	133,362

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. REPORTING ENTITY

SBI Holdings, Inc. (the “Company”) was incorporated in Japan. The consolidated financial statements of the Company consist of the Company, its subsidiaries (hereinafter referred to as the “Group”) and interests in the Group’s associates and joint ventures. The Group is engaged in various businesses, which primarily consist of three key businesses: “Financial Services Business”, “Asset Management Business” and “Biotechnology-related Business”. See Note 5 “Segment Information” for detailed information on each business.

## 2. BASIS OF PREPARATION

### (1) First year of adoption of IFRSs

Since the Company meets the criteria of “Specific company” defined in item 1 under the first clause of Article 1-2 of the Rules Governing Term, Form and Preparation of Consolidated Financial Statements (Financial Ministerial Order the 28th, 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 (Financial Ministerial Order the 28th, 1976).

The Group determined to first adopt IFRSs for this fiscal year ended 31 March 2013 and the consolidated financial statements for this fiscal year ended 31 March 2013 are the first consolidated financial statements prepared under IFRSs.

The date of transition to IFRSs is 1 April 2011 (hereinafter referred to as the “transition date”) and IFRS 1 “First time Adoption of International Financial Reporting Standards” (hereinafter referred to as “IFRS 1”) has been applied.

An explanation of the first application of IFRSs and the effect of the transition to IFRSs on the Group’s financial position, financial results and cash flows is provided in Note “33 Explanation of Transition to IFRSs”.

The consolidated financial statements were approved and authorized for issue by the Company’s Representative Director, President and CEO, Yoshitaka Kitao and Director, Managing Executive Officer and CFO, Shumpei Morita on 24 June 2013.

### (2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the below:

- Financial instruments are measured at fair value through profit or loss (“FVTPL”)
- Financial instruments are measured at fair value through other comprehensive income (“FVTOCI”)

The measurement basis of fair value of the financial instruments are provided in Note 6 “Fair value of financial instruments”.

### (3) Reporting currency

The consolidated financial statements are presented in Japanese Yen, which is the functional currency of the Company and rounded off to the nearest million yen, unless otherwise stated.

### (4) Use of estimates and judgments

In the preparation of the Group’s interim condensed consolidated financial statements in accordance with IFRSs, management of the Company are required to make estimates, judgments and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the current period and future periods.

#### (a) Measurement of financial instruments

Unlisted equity securities held by the Group are primarily included in operational investment securities and classified as fair value through profit or loss (“FVTPL”). Fair values of those unlisted equity securities are measured using valuation techniques in which some significant input may not be based on observable market data.

#### (b) Deferred tax assets

Temporary differences which arise from differences between the assets and liabilities on the financial statements and tax basis and tax losses carryforwards are recorded as deferred tax assets up to the ceiling of the recoverable amount based on the future taxable income using the effective tax rate of when the temporary differences and tax losses carryforwards are estimated to be utilized.

#### (c) Evaluation of goodwill

The Group estimates the recoverable amount of its goodwill regardless of an indication of impairment. The recoverable amount is calculated based on the future cash flows.

#### (d) Impairment on financial assets at amortized cost

Impairment on financial assets at amortized cost is measured using carrying amount less present value of the future cash flows discounted based on the financial assets’ initial effective interest rate.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The Group’s accounting policies complied with IFRSs effective at 31 March 2013, except for IFRS 9 “Financial Instruments” (issued in November 2009, revised in October 2010 and December 2011) (“IFRS 9”), which the Group adopted early.

The accounting policies listed below, if not otherwise stated,

are applied consistently in the preparation of these consolidated financial statements (including the consolidated statement of financial position as at the transition date).

**(1) Basis of consolidation**

**(a) Subsidiaries**

Name of main subsidiaries are listed in Section of Corporate Profile, “3. SUBSIDIARIES AND ASSOCIATES.” Subsidiaries refer to the entities under control of the Group. Control is defined as the Group having the power to govern the financial and operating policies of the investee so as to obtain benefits from the investee’s activities. Subsidiaries are fully consolidated from the date on which control is obtained by the Group. They are 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.

Investments in funds operated by the Group are excluded from the scope of consolidation if they are not controlled 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 loss arising from subsidiaries are allocated to the owners of the Company and non-controlling interests even if the balance 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 are neither a subsidiary nor an interest in a joint venture.

Significant influence is the power to participate in the financial and operating policy decision of the investee but is not control or joint control over those policies, which are generally assumed to be holding of between 20% and 50% of the voting rights.

Joint venture is a contractual agreement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e., when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of all the parties sharing control.)

Investments in associates and joint ventures are initially recognized at cost and accounted for using the equity method of accounting. However, investments held by venture capital organizations and other similar entities in the Group are accounted for at fair value through profit or loss according to 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), during from the date of having significant influence or entering into a joint venture to the date of losing significant influence or ceasing a joint venture agreement, 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 its interest in the associate, losses are not recognized to exceed the carrying amount of the investments. 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) Special purpose entities**

Special purpose entities (“SPE”) are consolidated in the Group’s financial statements when the Group has the right to obtain substantial rewards and is exposed to relevant risks, which indicate the actual control of the SPE.

**(d) Business combination**

With the transition to IFRSs, according to IFRS 1, the Group determined to apply IFRS 3 “Business combination” (“IFRS 3”) retrospectively for those business combination incurred on or after 31 March 2008.

Acquisition method is applied for acquisitions incurred on or after 31 March 2008. 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 deferred tax liabilities) and assets (or liabilities) related to employee benefits are required to be recognized and measured in accordance with IAS 12 “Income Tax” and IAS 19 “Employee benefits”.
- Share based payment plan of the acquiree, or liabilities or equity financial instruments issued for the purpose of replacement of acquiree’s share based payment plan were measured according to IFRS 2 “Share Based Payments”.
- Non-current assets or disposal group categorized as held for sale were measured according to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

Goodwill is initially measured at the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If negative excess is occurred, the difference is recognized in profit.

The Group recognized non-controlling interest 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.

**(e) Changes in ownership interests in subsidiaries without loss of control**

The Group determined to apply IFRS 3 retrospectively for the business combination occurred on or after 31 March 2008. Transaction with non-controlling interests that do not result in loss of control are accounted for as equity transaction according to IAS 27 "Consolidated and separate financial statements" ("IAS 27"). The carrying amount of the Group's share and non-controlling interests are adjusted as according to the change of interest. The difference between "fair value of consideration paid or received" and "adjustments of the carrying value of non-controlling interests" is recorded in equity and attributed to owners of the Company.

For the transactions occurred before 31 March 2008, changes in interests in subsidiaries without change of control are accounted for under Japanese GAAP and recognized as goodwill or in profit or loss in accordance with IFRS 1.

**(f) Loss of control**

When the Group loses control, 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 exchanges 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 on financial instruments, the change in the fair value of which is 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 on 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. On or after 1 April 2011, the Group's transition date, 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. The Group applied the exemption for cumulative translation reserve in IFRS 1, and resetting cumulative translation gains and losses to zero at the transition date.

**(3) Financial instruments**

The Group decided to early adopt IFRS 9 from 1 April 2011, the transition date as the date of initial application of IFRS 9.

IFRS 9, "Financial instruments" applies to all financial assets which are currently addressed in IAS 39, "Financial instruments: Recognition and Measurement", to be subsequently measured either at amortized cost or at fair value. Debt instruments are measured at amortized cost if both of the following conditions are met: (i) the debt instruments are held in order to collect contractual cash flows as according to the Group's business model for managing the financial assets and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments and equity instruments other than those above are subsequently measured at fair value.

**(a) Initial recognition and measurement**

The Group recognizes a financial asset or financial liability in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The Group decided to apply the exemptions of IFRS 1

stated below in respect of adopting IFRS 9.

Based on the facts and circumstances that exist as at the transition date and in accordance with IFRS 9, financial instruments held for the purpose of gaining appreciation through changes of fair value are designated as financial assets and financial liabilities at FVTPL.

Based on the facts and circumstances that exist as at the transition date and in accordance with IFRS 9, equity instruments held for purposes other than trading are designated as financial assets at FVTOCI.

**(b) Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right of offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

**(c) Non-derivative financial assets**

Non-derivative financial assets are initially designated as “Financial assets measured at amortized cost”, “Financial assets at FVTPL” or “Financial assets at FVTOCI” on the basis of the Group’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

**Financial assets measured at amortized cost**

Financial assets are subsequently measured using the effective interest method at amortized cost less accumulative impairment loss if both of the following conditions are met:

- (i) the debt instruments are held in order to collect contractual cash flows according to the Group’s business model for managing the financial assets and
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**Financial assets at FVTPL**

A financial asset is subsequently measured at fair value unless it is measured at amortized cost.

**Financial assets at FVTOCI**

Within financial instruments other than financial instruments held for trading, equity instruments are designated as financial instruments at FVTOCI at initial recognition. This is an irrevocable election, which means the accumulative changes of fair value recorded as other comprehensive income cannot be reclassified to profit or loss. Dividends from the above mentioned equity instruments are recognized in profit or loss when there is no apparent evidence showing that the dividends are repayments of the original investment. At derecognition of equity instruments at FVTOCI or when the decline of fair value is not temporary compared with their initial cost, the recognized amount of changes in fair value accumulated in other comprehensive income is reclassified directly to retained earnings.

**(d) Cash and cash equivalents**

Cash and cash equivalents are cash and highly liquid financial assets with original maturities of three months or less.

**(e) Non-derivative financial liabilities**

Non-derivative financial liabilities include corporate bonds and loans, trade and other accounts payable, which are subsequently measured at amortized cost using the effective interest method.

**(f) Trading assets and liabilities**

Financial assets and liabilities are classified as trading assets and trading liabilities in the below situation:

- Financial assets acquired for the purpose of sale or repurchase mostly 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 not effective as hedging instruments)

Trading assets and trading liabilities are classified as financial assets and liabilities 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.

**(g) Derecognition**

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.

If, as a result of a transfer, which satisfies the criteria for derecognition, a financial asset is derecognized but the transfer results in the Group obtaining or retaining certain rights and responsibilities, the Group recognizes them as new financial assets or liabilities.

**(h) Fair value measurement**

The Group measures the fair value of a financial asset or liability using the market price from an active market if available. Fair value of financial assets held and liabilities to be issued by the Group are measured at bid price as the appropriate market price while financial assets to be obtained and liabilities already issued are determined at ask price.

The Group uses valuation techniques to measure fair value if the financial assets are not traded in an active market. Valuation techniques include utilization of a quoted price of a recent actual transaction in an active market, current fair value of an identical or similar financial instruments, discounted cash flow analysis and option pricing models. When there is evidence that market participants use valuation techniques to determine the price of a financial asset and liability and provide a reliable estimated market price, fair value

should be determined based on that valuation technique. To ensure the validity and the effectiveness of the valuation techniques used in determining fair value, the Group reassess the valuation techniques based on observable market data on a regular basis.

The Group adopted an exemption for fair value on initial recognition of financial assets and liabilities in IFRS 1, electing to apply valuation techniques for transactions without an active market occurring on or after the transition date.

**(i) Impairment on financial assets measured at amortized cost**

The Group recognizes impairment losses for financial assets measured at amortized costs after the initial recognition when there is objective evidence that a loss event has occurred and it is reasonably predictable that a negative impact will be exerted on the estimated future cash flows arising from the financial assets. The Group assesses whether there is objective evidence indicating that financial assets measured at amortized cost are impaired on a quarterly basis.

Financial assets measured at amortized cost are assessed for impairment individually or together depending on the significance of the financial assets. While significant financial assets are assessed for impairment individually, financial assets which are not assessed individually are grouped by risk characteristic and assessed together for impairment.

For financial assets measured at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. An impairment loss is recognized in profit or loss in the period and the carrying amount of the financial asset is reduced by the impairment loss directly.

Interest on the impaired asset is recognized as the adjustments to discounts realized through the passage of time. When the adjustment to impairment loss after recognizing an impairment loss has occurred, which decreases the impairment loss, the adjustments to impairment loss is recognized in profit or loss.

**(j) Hedge accounting**

The Group uses interest rate swap contracts to hedge interest rate risk.

At the inception of the hedge, the Group has a formal documentation of the hedging relationship between hedged item or transaction and hedging instrument, which is the interest rate swap contracts, in compliance with our risk management objective and strategy. In addition, the Group has a formal documentation on the effectiveness of the interest rate swap contracts to hedge the risks of changes in fair value and cash flows at the inception and on an ongoing basis.

The changes in fair value of interest swap contracts, which are designated as hedging instruments for fair value hedge, are recognized in profit or loss. The gain or loss on the hedged item attributable to the risk of changes in

interest rates shall adjust the carrying amount of the hedged item and be recognized in profit or loss.

Among the changes in fair value of interest swap contracts, 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 deducted from other comprehensive income in the consolidated statement of comprehensive income and reclassified to profit or loss in the same period during which the hedged item of cash flows affects profit or loss.

The Group shall discontinue prospectively the hedge accounting when the criteria for hedge accounting are no longer satisfied. In such situation, amounts accumulated in other comprehensive income remain unadjusted until the anticipated transaction finally affects profit or loss, or that the anticipated transaction is not expected to occur, when the underlying amount shall be immediately recognized in profit or loss.

**(k) Capital stock**

Common stock

Common stocks issued by the Group are classified as equity and stock issuance costs, after tax effects, are recognized as deduction to equity.

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 proceeded is recognized as an addition to equity.

**(4) Inventories**

Inventories held by the Group are mainly real estate inventories. Real estate inventories are stated at lower of cost and net realizable value. Cost is determined upon individual identification of inventory. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale.

**(5) Lease**

**(a) Accounting by lessor as financial lease**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A receivable is recognized at an amount equal to the net investment in the lease and presented as an operating receivable or other receivable in the consolidated statement of financial position.

**(b) Accounting by lessee as financial lease**

A lease is classified as a financial lease when the Group assumes the risks and rewards according to the lease contract. Lease assets are initially recognized at the lower of fair

value of the leased property and the present value of the minimum lease payments. In subsequent measurement, lease assets are accounted for under the standards applied to the assets.

## (6) Property and equipment

### (a) Initial recognition and measurement

Property and equipment are presented at acquired cost less by accumulated depreciation and accumulated impairment loss. Acquired cost includes the costs incurred directly related to the acquisition of the assets. Any gain or loss arising on the disposal of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

### (b) Depreciation

Depreciation is measured based on the depreciable amount, which is calculated as the initial cost of items of property and equipment less their residual values. Depreciation is recognized using the straight-line method to allocate their depreciable amounts over the estimated useful life of each component, and charged to profit or loss. Land is not depreciated.

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

- Buildings 3 – 50 years
- Furniture and equipment 2 – 20 years

The amortization method, estimated useful life and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.

## (7) 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) (d) 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 during the research phase for the purpose of learning the most updated science and technology is recognized as an expense when incurred. Capitalized development expenditures 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 accumulative amortization and accumulative impairment loss.

### (d) Amortization

Amortization of intangible assets other than goodwill with a finite useful life is recognized in profit or loss 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 3 – 5 years
- Customer Relationship 4 – 16 years

The amortization method, estimated useful life and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.

## (8) Investment properties

Investment properties are defined as property held to earn rentals or for capital appreciation or both, rather than for (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business. Investment properties are measured at initial cost less accumulated depreciation and accumulated impairment loss.

Depreciation is measured based on the depreciable amount, which is calculated as the initial cost of assets less their residual values. Depreciation is recognized using the straight-line method to allocate their depreciable amounts over the estimated useful life of each component, and charged to profit or loss.

The estimated useful lives of a major component of investment properties is as follows:

- Buildings 8 – 50 years

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gain or losses arising from the derecognition of investment properties are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss at the time of derecognition.

However, the Group applied the exemptions in IFRS 1, electing to measure the part of investment properties at transition date fair value as its deemed cost.

## (9) Impairment of non-financial assets

Other than inventories and deferred tax assets, the Group's non-financial assets are subject to impairment tests at year end. When an indication of impairment exists, the recoverable amounts of the assets are estimated in order to determine the extent of the impairment losses, if any. For a cash-generating unit ("CGU") with allocated goodwill and intangible assets, for which the useful life cannot be determined or that is still in the status of not available for use, the recoverable amount shall be estimated at a certain time, regardless of the indication of impairment. A CGU is defined as the smallest identifiable group of assets that generates cash flows that are largely independent of the cash inflows from

other assets or group of assets.

The recoverable amounts of assets or CGUs are determined as the higher of fair value less costs to sell and value in use. 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 minimum 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.

#### **(10) Employee benefits**

##### **(a) Defined contribution plans and defined benefit plans of multi-employer**

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. Also, the Company and certain of its subsidiaries participate in defined benefit multi-employer plans, under which contributions paid during the period are recognized in profit or loss as pension expense and contributions payable are recorded as liabilities.

##### **(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 Company operates share-based compensation plan as an incentive for board members and employees, however, there is no impact to profit or loss of the current period.

The Group decided to adopt exemptions stated in IFRS 1 and does not apply IFRS 2 "Share-based payments" to the share-based payments vested on or before 31 March 2011.

#### **(11) 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.

#### **(12) Revenue recognition**

##### **(a) Financial income related to investment portfolio (excluding trading assets)**

Financial assets at FVTPL are initially recognized at their fair value with related transaction costs charged to profit or loss as incurred. Gains and losses related to the sale of financial assets at FVTPL are measured as the difference between fair value of consideration proceeded and the carrying amount.

Changes in fair value of financial assets at FVTOCI are presented in other comprehensive income. When such financial assets are derecognized (sold) or the decline in fair value is not temporary compared with the initial cost, the cumulative gains or losses previously recognized in other comprehensive income are directly transferred into retained earnings.

However, dividends from financial assets at FVTOCI are recognized as financial income in profit or loss.

##### **(b) Net trading income**

Securities included in trading assets are classified as financial assets at FVTPL and any changes in fair value are recognized in profit or loss.

##### **(c) Commission income**

Commission income is the income arising from transactions that the Group is involved in as agent instead of a principal who gains the main part of the profit from the transaction. Revenue from commission income is recognized in conformity with the progress of the transaction at the end of the reporting period if the result of the transaction can be reliably estimated.

If the below criteria are met, the transaction is regarded as the Group acting as an agent.

- The Group neither retains ownership of the goods nor assumes any responsibility for after service.
- Though the Group ultimately collect consideration from

customers, all the credit risk is assumed by the supplier of the goods.

**(d) Sale of goods**

Revenue is measured at the fair value of the consideration received or receivable, taking into account the amount of any sales return, trade discount and volume rebates. Normally, revenue is recognized when there is persuasive evidence showing that a sales contract has been concluded, that is (i) significant risks and rewards of ownership of the goods have been transferred to the buyer; (ii) it is probable that the economic benefits associated with the transaction will flow to the Group; (iii) the cost incurred and possibility of sales returns can be reliably estimated; (iv) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; and (v) the amount of revenue can be measured reliably. When there is a probability that a sales discount is allowed by the Group, the amount shall be deducted from the original amount of revenue if it can be reasonably estimated.

**(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 a business combination 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 rate that has 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 accounted for 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 the investment in subsidiaries and joint ventures, under which it is probable that the difference cannot be recovered in the foreseeable future. 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, associates, and interests in joint venture, 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 and interests mentioned above, to the extent that, and only to the extent that, it is probable that (i) the temporary difference will reverse in the foreseeable future; and (ii) taxable profit will be available against which the temporary difference can be utilized.

**(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 by 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.

The Group's potential ordinary shares are issued in relation to its stock option plan.

**(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 reporting segment mainly consist of corporate assets such as expenses of the headquarter.

**(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 assets are 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 retaining 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

The new standards, amendments to existing standards and interpretations have been published before the approval date of the consolidated financial statements, but the Group has not early adopted as follows. It is considered that there is no significant impact to the consolidated financial statements through adoption, though details are still under investigation.

IFRS		Mandatory for fiscal year beginning on or after	Adopted by the group from fiscal year ended	Summary of new standards and amendments
IFRS 7	Financial Instruments: Disclosure	1 January 2013	March 2014	Disclosures requirement relating to offsetting financial assets and financial liabilities
IFRS 10	Consolidated Financial Statements	1 January 2013	March 2014	Clarifications on definition of control as the basis for consolidation, which shall be adopted by all companies
		1 January 2014	March 2015	Parent company that qualifies for investment entity does not consolidate certain subsidiaries and measures the investment at fair value through profit or loss in accordance with IFRS 9 "Financial instruments" or IAS 39 "Financial instruments: Recognition and measurement" instead in its consolidated or non-consolidated financial statements.
IFRS 11	Joint Arrangements	1 January 2013	March 2014	Classification and accounting treatment relevant to arrangement under joint control based on contractual agreement rather than legal form
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013	March 2014	Broaden the disclosure with regard to interests in other entities including unconsolidated entities
		1 January 2014	March 2015	Amendment with regard to addition of investment entities to IFRS 10
IFRS 13	Fair Value Measurement	1 January 2013	March 2014	Provide guidance for measurement of fair value applied in all the standards
IAS 1	Presentation of Financial Statements	1 July 2012	March 2014	Amendment to presentation of items of other comprehensive income
IAS 19	Employee Benefits	1 January 2013	March 2014	Recognition of actuarial differences and past service cost Presentation and disclosure of post-employment benefits
IAS 28	Investments in Associates and Joint Ventures	1 January 2013	March 2014	Amendments based on the publishing of IFRS 10, IFRS 11 and IFRS 12
IAS 32	Financial Instruments: Presentation	1 January 2014	March 2015	Clarification of offsetting criteria and supplement to interpretations

## 4. BUSINESS COMBINATION

### (1) For the year ended 31 March 2012

Total consideration at acquisition dates in relation to business combinations amounted to ¥4,087 million and were settled in cash for the year ended 31 March 2012. Fair value of assets and liabilities acquired through business combinations and non-controlling interests were ¥12,360 million, ¥513 million and ¥624 million, respectively.

### (2) For the year ended 31 March 2013

The Group has undertaken a third-party allocation of new shares and accepted all the forfeited shares related to the issuance of acquired shares in Hyundai Swiss Savings Bank, which operates services of a savings bank in South Korea (hereinafter referred to as "Hyundai Swiss 1 Savings Bank") and Hyundai Swiss 2 Savings Bank on 26 March 2013 and 25 March 2013,

respectively. The ratio of voting rights of the two banks held by the Group are 89.4% and 94.0%, respectively.

By obtaining control over Hyundai Swiss 1 Savings Bank, two banks under the control of Hyundai Swiss 1 Savings Bank, namely Hyundai Swiss 3 Savings Bank and Hyundai Swiss 4 Savings Bank, have also become subsidiaries of the Group.

Through the acquisition, the Group will provide support to Hyundai Swiss Savings Bank Group, consisting of the four banks mentioned above, to continue sustainable business operations.

The Group aimed to improve the profitability as well as the corporate value through utilizing its know-how in transformation of business strategy and enhancing the Bank Group's network.

Consideration paid at acquisition date, previously held equity interests, fair value of acquired assets and liabilities, and non-controlling interests in relation to the business combination mentioned above are as follows. Consideration was paid in cash.

	Millions of Yen
Fair value of consideration paid	20,449
Fair value of previously held equity interests	530
<b>Total</b>	<b>20,979</b>
Cash and cash equivalents	1,237
Trade and other accounts receivable	270,745
Other investment securities	44,920
Other assets	42,762
<b>Total Assets</b>	<b>359,664</b>
Bonds and loans payable	43,555
Customer deposits for banking business	376,177
Other liabilities	18,098
<b>Total Liabilities</b>	<b>437,830</b>
Equity	(78,166)
Non-controlling interests	8,802
Goodwill	90,343
<b>Total</b>	<b>20,979</b>

Goodwill is recognized mainly for excess earning power and the synergy effects with existing business, and is recorded under the asset management segment. Costs in relation to the business combination, amounting to ¥58 million were included in “Selling, general and administrative expenses”. Non-controlling interests are measured at the interest share of the acquiree’s identifiable net assets.

Loans receivable included in “Trade and other accounts receivable” with a fair value of ¥203,959 million were mainly real estates loan provided to individual and corporate customers and unsecured loans to individual customers. The contracted financing amount was ¥375,585 million with ¥171,626 million recorded as an accumulated impairment loss.

Consideration transferred for business combinations other than the above mentioned amounted to ¥1,756 million, which were settled in cash. Fair value of acquired assets and liabilities and non-controlling interests were ¥15,692 million, ¥8,001 million and ¥2,588 million, respectively.

## 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-related Business”, which is the most growing business in the Group, are determined as reportable segments.

The reporting segments of the Group represent businesses activities for which separate financial information of the Group’s components is available and reviewed regularly by the board of directors for the purpose of allocation of financial resources and performance evaluation.

The following is a description of business activities for the reporting segments.

### “Financial Services Business”

The Financial Services Business consists of a wide range of finance related business and the provision of information regarding financial products, including securities brokerage business, banking services business, property and casualty insurance business, financing business offering mortgage loans, credit card business, and leasing business.

### “Asset Management Business”

The Asset Management Business primarily consists of fund management and investment in internet technology, biotechnology, environmental energy and finance-related venture companies. The Group includes venture companies acquired in the Asset Management Business in the Group’s consolidation; thus, the businesses operated by the venture companies are included in this segment.

### “Biotechnology-related Business”

The Biotechnology-related Business represents development and distribution of pharmaceutical products with 5-aminolaevulinic acid (ALA), a kind of amino acid which exists in vivo, and cancer and immune related pharmaceutical products.

Business segments classified into “Others” mainly consists of development and trading of investment property and operation of online intermediate service, which were included in the former Housing and Real Estate Business segment. They are not classified as a reporting segment based on the quantitative criteria for the fiscal year ended 31 March 2013.

“Elimination” 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:

Millions of Yen							
For the fiscal year ended 31 March 2012	Financial Services Business	Asset Management Business	Biotechnology-related Business	Others	Total	Elimination	Consolidated Total
<b>Net Sales</b>							
Revenue from customers	106,391	56,447	456	14,115	177,409	–	177,409
Inter-segment revenue	2,795	252	19	411	3,477	(3,477)	–
<b>Total</b>	<b>109,186</b>	<b>56,699</b>	<b>475</b>	<b>14,526</b>	<b>180,886</b>	<b>(3,477)</b>	<b>177,409</b>
<b>Segment operating income (loss)</b>							
Profit (loss) before income tax expense	10,498	17,928	(1,984)	(2,220)	24,222	(8,622)	15,600
<b>Other Items</b>							
Interest income	20,163	1,007	4	2	21,176	(1,786)	19,390
Interest expense	(5,457)	(489)	–	(1,156)	(7,102)	(561)	(7,663)
Depreciation and amortization	(5,663)	(1,178)	(25)	(1,059)	(7,925)	314	(7,611)
Gain or loss from investments applying the equity-method	118	161	–	(54)	225	–	225

Millions of Yen							
For the fiscal year ended 31 March 2013	Financial Services Business	Asset Management Business	Biotechnology-related Business	Others	Total	Elimination	Consolidated Total
<b>Net Sales</b>							
Revenue from customers	110,898	32,183	950	9,222	153,253	223	153,476
Inter-segment revenue	2,442	19	20	18	2,499	(2,499)	–
<b>Total</b>	<b>113,340</b>	<b>32,202</b>	<b>970</b>	<b>9,240</b>	<b>155,752</b>	<b>(2,276)</b>	<b>153,476</b>
<b>Segment operating income (loss)</b>							
Profit (loss) before income tax expense	18,741	5,450	(3,900)	1,659	21,950	(7,737)	14,213
<b>Other Items</b>							
Interest income	19,845	752	43	1	20,641	(1,484)	19,157
Interest expense	(5,298)	(556)	(56)	(546)	(6,456)	(1,124)	(7,580)
Depreciation and amortization	(6,010)	(912)	(7)	(366)	(7,295)	(242)	(7,537)
Gain or loss from investments applying the equity-method	1,680	(1,087)	(23)	(12)	558	–	558

Geographical information regarding non-current assets and revenues from customers are presented as below.

Millions of Yen			
Non-current assets	As at 1 April 2011	As at March 31 2012	As at March 31 2013
Japan	97,674	91,690	92,620
Korea	53	43	125,320
Others	419	760	14,513
<b>Consolidated total</b>	<b>98,146</b>	<b>92,493</b>	<b>232,453</b>

Note: Non-current assets excluding financial assets and deferred tax assets are allocated depending on the location of the assets.

Millions of Yen		
Revenue from customers	For the year ended 31 March 2012	For the year ended 31 March 2013
Japan	173,573	146,789
Overseas	3,836	6,687
<b>Consolidated total</b>	<b>177,409</b>	<b>153,476</b>

Note: Revenue is recognized at the destination of sales.

## 6. FAIR VALUE OF FINANCIAL INSTRUMENTS

### (1) Fair value measurement

Fair values of financial assets and financial liabilities are determined based on quoted market prices. If quoted market prices are not available, fair values are calculated with valuation models such as discounted cash flow analysis. The Group determined fair values of financial assets and financial liabilities as follows:

#### Cash and cash equivalents, Other financial assets, Trade and other accounts payable, and Other financial liabilities

The fair values are determined at the carrying values as they approximate the carrying values due to their short maturities.

#### Trade and other accounts receivable

The fair values are determined based on the future cash inflows discounted at adequate rates, such as government bond risk free rates considering credit risk.

#### Assets and liabilities related to securities business

The fair values of loans on margin transactions are determined at the carrying value as the interest rates of the loans are floating rate and reflect the market interest rate within a short period. The fair values of assets and liabilities related to securities business, except for loans on margin transactions, are considered to approximate the carrying values as those assets and liabilities are settled within a short period. The fair values of trading assets and trading liabilities are determined as described in “Operational investment securities and other investment securities” and “Derivatives”.

#### Operational investment securities and other investment securities

The fair values of listed equity securities are determined based on quoted market prices of the stock exchange. The fair values of unlisted equity securities, bonds with share options and stock warrants are determined using valuation models including discounted cash flow analysis, an analysis based on revenues, profits and net assets, pricing analysis by reference to comparable industry prices. 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

The fair values of bonds and loans payable with floating interest rates are determined at carrying values as the interest rates of the bonds and loans reflect the market interest rate within a short period and as the credit condition of companies that obtained the bonds and loans are not expected to change significantly. With respect to bonds payable with fixed interest rates, the fair values are determined based on the future cash outflows considering remaining periods and discount rates adjusted for credit risk. The fair values of loans payable with fixed interest rates are determined at the present value of the future cash outflows, where the sum of principal and interest of loans are grouped according to their maturities and discounted using interest rates with reference to similar type loans. The fair value of bonds payable and loans payable with short maturities are determined at the carrying values since they approximate the fair values.

#### Customer deposits for banking business

The fair values of demand deposits are determined at carrying values, which are equivalent to the amount paid on demand at the reporting date. The fair values of time deposits are determined based on the future cash inflows discounted at adequate rates, such as government bond yield considering credit risk. The fair value of time deposits with short time maturities are determined at carrying values since they approximate the fair values.

#### Derivatives

The fair values of foreign currency forward contracts are determined based on future exchange rates at the reporting date, whereas the fair values of foreign currency spot contracts are determined using spot rates at the reporting date. The fair values of index futures and options are determined based on the market closing price in major stock exchanges at the reporting date. The fair values of swaps are determined by reference to prices offered by financial institutions.

### (2) Financial instruments measured at amortized cost

The carrying amounts and fair values of financial assets and liabilities measured at amortized cost were as follows:

	Millions of Yen					
	As at 1 April 2011		As at 31 March 2012		As at 31 March 2013	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at amortized cost						
Trade and other accounts receivable	163,742	164,350	179,276	180,147	412,477	413,240
Financial liabilities measured at amortized cost						
Bonds and loans payable	276,978	276,896	285,188	285,493	344,360	344,885
Deposits from customers	—	—	—	—	376,177	376,177

### (3) Financial instruments measured at fair value

“IFRS 7 Financial Instruments: Disclosures” requires measurement of fair value 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 below:

- 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 (i.e., as prices) or indirectly (i.e., derived from prices).
- 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.

The table below presents the fair value hierarchy of financial assets and liabilities measured at the fair values in the consolidated statement of financial position of the Group.

Millions of Yen				
As at 1 April 2011				
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Trade and other accounts receivable	–	–	2,348	2,348
Assets related to securities business	531	–	–	531
<b>Operational investment securities and other investment securities</b>				
Financial assets at FVTPL	22,627	53	92,611	115,291
Financial assets at FVTOCI	3,934	–	1,949	5,883
<b>Total financial assets</b>	<b>27,092</b>	<b>53</b>	<b>96,908</b>	<b>124,053</b>
<b>Financial liabilities</b>				
Liabilities related to securities business	2	–	–	2
Other financial liabilities	74	–	–	74
<b>Total financial liabilities</b>	<b>76</b>	<b>–</b>	<b>–</b>	<b>76</b>

Millions of Yen				
As at 31 March 2012				
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Trade and other accounts receivable	–	–	1,109	1,109
Assets related to securities business	1,537	–	–	1,537
<b>Operational investment securities and other investment securities</b>				
Financial assets at FVTPL	13,751	51	111,298	125,100
Financial assets at FVTOCI	5,534	–	1,865	7,399
<b>Total financial assets</b>	<b>20,822</b>	<b>51</b>	<b>114,272</b>	<b>135,145</b>
<b>Financial liabilities</b>				
Liabilities related to securities business	36	–	–	36
Other financial liabilities	76	–	–	76
<b>Total financial liabilities</b>	<b>112</b>	<b>–</b>	<b>–</b>	<b>112</b>

	Millions of Yen			
	As at 31 March 2013			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Assets related to securities business	3,407	–	–	3,407
Other financial assets	270	–	–	270
Operational investment securities and other investment securities				
Financial assets at FVTPL	19,797	–	149,399	169,196
Financial assets at FVTOCI	4,663	–	2,618	7,281
<b>Total financial assets</b>	<b>28,137</b>	<b>–</b>	<b>152,017</b>	<b>180,154</b>
<b>Financial liabilities</b>				
Liabilities related to securities business	225	–	–	225
<b>Total financial liabilities</b>	<b>225</b>	<b>–</b>	<b>–</b>	<b>225</b>

The movement of financial instruments categorized as level 3 is presented as follows:

For the year ended 31 March 2012	Millions of Yen			
	Trade and other accounts receivable	Operational investment securities and other investment securities		Total
		Financial assets at FVTPL	Financial assets at FVTOCI	
Balance as at 1 April 2011	2,348	92,611	1,949	96,908
Acquired through business combinations	–	961	–	961
Purchase	–	26,419	–	26,419
Comprehensive income				
Net profit (Note 1)	196	6,425	–	6,621
Other comprehensive income/(loss)	–	–	(19)	(19)
Dividends	–	(3,217)	–	(3,217)
Sale	–	(8,284)	–	(8,284)
Settlement	(1,435)	–	–	(1,435)
Currency translation differences	–	(84)	(65)	(149)
Others (Note 2)	–	(154)	–	(154)
Transferred from Level 3 (Note 3)	–	(3,379)	–	(3,379)
Transferred to Level 3	–	–	–	–
<b>Balance as at 31 March 2012</b>	<b>1,109</b>	<b>111,298</b>	<b>1,865</b>	<b>114,272</b>

For the year ended 31 March 2013	Millions of Yen			
	Trade and other accounts receivable	Operational investment securities and other investment securities		Total
		Financial assets at FVTPL	Financial assets at FVTOCI	
Balance as at 1 April 2012	1,109	111,298	1,865	114,272
Acquired through business combinations	–	34,298	474	34,772
Purchase	–	12,439	–	12,439
Comprehensive income				
Net profit (loss) (Note1)	(5)	7,801	–	7,796
Other comprehensive income/(loss)	–	–	–	–
Dividends	–	(4,599)	–	(4,599)
Sale	–	(4,401)	–	(4,401)
Liquidation	–	(43)	0	(43)
Settlement	(1,104)	–	–	(1,104)
Currency translation differences	–	3,167	279	3,446
Others (Note 2)	–	(5,422)	–	(5,422)
Transferred from Level 3 (Note 3)	–	(5,139)	–	(5,139)
Transferred to Level 3	–	–	–	–
Balance as at 31 March 2013	–	149,399	2,618	152,017

Notes: 1. Gains and losses recognized for the current fiscal year in relation to financial instruments are included in “Operating revenue” in the consolidated statement of income. Gains and losses recognized arising from financial assets at FVTPL held as at 31 March 2012 and 2013 were ¥1,876 million and ¥20,910 million, respectively.  
2. Transfer due to obtaining of control.  
3. Transfer due to significant input used to measure fair value becoming observable.

## 7. FINANCIAL RISK MANAGEMENT

### (1) Risk management policy over capital management and financing

In order to maintain financial strength, the Group has basic capital management policies to maintain an appropriate level of capital and debt equity structure.

The balances of interest-bearing debt (Bonds and borrowings), cash and cash equivalents and equity attributable to owners of the Company which the Group manages were as follows:

	Millions of Yen		
	As at 1 April 2011	As at March 31 2012	As at March 31 2013
Interest-bearing debt (Bonds and borrowings)	276,978	285,188	344,360
Cash and cash equivalents	(160,398)	(159,833)	(133,362)
Net	116,580	125,355	210,998
Equity attributable to owners of the Company	290,036	296,523	303,299

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 Insurance Co., Ltd. is 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.

Hyundai Swiss Savings Bank whose headquarters is in the Republic of Korea, is obligated to maintain a certain level of capital adequacy ratio in conformity with the Main Shareholder eligibility standard or standard of KIPCO Asset Management Company KSC (KAMCO) or other standards. If the capital adequacy ratio falls below a certain level, Korean Financial Supervisory Service may give warning or order business suspension. Hyundai Swiss Savings Bank Co., Ltd. was ordered to take prompt corrective measures by Korean Financial Supervisory Service on 6 May 2013 and is striving to be delisted by enhancing its capital.

The Group engages in a wide range of finance related businesses, such as investment business, fund management business, securities business, banking business, leasing business, loan business, credit card business and insurance businesses, to avoid excessive concentration of risk on specific entities or businesses. To operate these businesses, the Group raises funds by indirect

financing such as bank borrowing, 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 entered into foreign currency forward contracts and interest swap transactions to hedge foreign exchange risk and to manage its interest rate exposures on borrowings, respectively. The Group does not hold or issue them for speculative purposes. Index futures and commodity futures were entered into for the purpose of day trading or capping of the size of their transactions. Index futures were mainly daily trading under a limited trading scale. Foreign currency spot contracts were entered into for managing exposures on foreign currency brokerage transactions. Transactions were conducted with individual counterparties based on the Group's "Position Management Rule."

In order to maintain financial strength and appropriate operational procedures, the Group has risk management policies to identify, analyze and manage the relevant risks integrally.

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, trade date accrual, and short-term guarantee deposits are presented as other assets related to the securities business in the consolidated statement of financial position.

Financing-related assets consist of operational loans receivable, finance leases receivable and accounts receivable. These assets include real estate loans for companies and individuals, unsecured personal loans, finance leases receivable for domestic operational companies and the receivable arising from the sales of the leasing business or credit card business. These assets are exposed to interest rate risk and credit risk of accounts, such as

default due to worsening economic conditions with higher credit risk exposure. 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 monitored due to liquidity risk from market conditions or reducing the credit rating of the Group. Customer deposits for the banking business are important financing arrangements and are managed considering adequate safety. However, customer deposits for the banking business 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 the business policy of security financing companies and its 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 the securities business in the consolidated statement of financial position.

The Group enters into foreign currency forward contracts and interest swap transactions primarily to hedge foreign exchange risk associated with receivables, payables and 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.

The Group also enters into foreign currency spot contracts in the course of ordinary operations, and for hedging risks arising from the business. The transactions are subject to interest rate risks and foreign currency risks as well as exposed to credit risks with customers and credit and settlement risks with counterparties.

## **(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 risk control 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**

Credit risk is 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 changing the currency, political or economical circumstances of a country where investees/debtors operate.

Credit risk management policies of the Group are as follows:

- (a) Accurately analyze financial conditions of investees/debtors and quantify relevant credit risk.
- (b) Appropriately manage the Group's own capital and the related risks by periodic monitoring.
- (c) 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.
- (d) 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 line with the above risk management policies. Subsidiaries which allow credits to corporate or individual customers as a part of business, are monitored in accordance with respective basic rules as needed.

The maximum exposure to credit risk for financial assets excluding the evaluation value of collateral is the carrying amount after impairment loss presented in the consolidated statement of financial position. The maximum exposure to a financial guarantee contract, which the Group grants, and the loan commitment is the amount of the financial guarantee contract and fixed transaction amount of the loan commitment presented in Note 31 "Contingent liability".

The Group evaluates recoverability of operating receivables and other receivables by considering the credit condition of customers and recognizes impairment losses. The Group is not extremely exposed to credit risk from a specific customer.

Impairment losses and analysis of the age regarding trade and other accounts receivable presented on the consolidated statement of financial position are as follows:

There are no financial assets that are past due related to the securities business.

Impairment losses regarding trade and other accounts receivable as at 1 April 2011, 31 March 2012 and 2013 were as follows:

	Millions of Yen		
	1 April 2011	31 March 2012	31 March 2013
Trade and other accounts receivable (gross)	181,078	189,440	420,856
Impairment losses	(14,988)	(9,055)	(8,379)
Trade and other accounts receivable (net)	166,090	180,385	412,477

The analysis of the age of financial assets that are past due but not impaired as at 1 April 2011, 31 March 2012 and 2013 were as follows:

	Millions of Yen		
	1 April 2011	31 March 2012	31 March 2013
No later than 6 months	67	11	3,214
Later than 6 months and not later than 1 year	105	12	25
Later than 1 year	12	39	12
Total	184	62	3,251

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.

#### (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:

- (a) Understand underlying currency and term of assets and quantify market risk.
- (b) Appropriately manage the balance between the Group's own capital and its related risk by periodic monitoring.
- (c) Never enter into derivative transactions for speculative purposes in the absence of established operating rules.

### ① Stock Market Risk

The Group is exposed to stock market risk arising from its investment portfolio. The investment portfolios as at 1 April 2011, 31 March 2012 and 2013 were as follows. If the market price of operational investment securities and other investment securities held by the Group as at 31 March 2012 and 2013 increased by 10%, profit before income tax expense in consolidated statement of income would have increased by ¥1,375 million and ¥1,980 million, respectively.

	Millions of Yen		
	1 April 2011	31 March 2012	31 March 2013
<b>Operational investment securities</b>			
Listed equity securities	20,769	12,558	7,617
Unlisted equity securities	54,453	80,837	78,690
Bonds	519	180	650
Investments in funds	31,658	27,774	31,448
Others	739	602	863
<b>Total</b>	<b>108,138</b>	<b>121,951</b>	<b>119,268</b>
<b>Other investment securities</b>			
Listed equity securities	4,534	5,740	8,456
Unlisted equity securities	5,517	2,145	2,974
Bonds	261	252	43,137
Investments in funds	2,170	1,922	2,102
Others	554	489	540
<b>Total</b>	<b>13,036</b>	<b>10,548</b>	<b>57,209</b>

### ② Foreign Exchange Risk

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

As at 1 April 2011	Millions of Yen		
	USD	HKD	Others
<b>Monetary financial instruments dominated in foreign currency</b>			
Assets	16,995	4,569	9,272
Liabilities	62	1	28

As at 31 March 2012	Millions of Yen		
	USD	HKD	Others
<b>Monetary financial instruments dominated in foreign currency</b>			
Assets	16,822	4,486	10,950
Liabilities	59	1	60

As at 31 March 2013	Millions of Yen		
	USD	HKD	Others
<b>Monetary financial instruments dominated in foreign currency</b>			
Assets	20,001	5,045	6,557
Liabilities	233	1	122

If the foreign currencies strengthened by 1% against the functional currency with all other variables (such as interest rate) held constant, consolidated post-tax profit for the year ended 31 March 2012 and 31 March 2013 would have increased by ¥321 million and ¥312 million, respectively, mainly as a result of monetary financial instruments dominated in foreign currency held by the Group.

### ③ Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk related to certain financial assets and liabilities, which primarily represent bank balances, money in trust held by subsidiaries in the financial service business, call loans, and loans receivable from individual and corporate customers, 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, the Group's profit before taxation for the years ended 31 March 2012 and 2013 would have increased by ¥1,159 million and ¥74 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 31 March 2012 and 2013.

### (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 rises 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:

As at 1 April 2011	Millions of Yen							
	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 (Note)	276,978	279,985	186,643	22,857	8,209	1,818	7,055	53,403
Trade and other accounts payable	42,525	42,525	35,658	2,271	2,014	1,659	893	30
Liabilities related to securities business	663,321	663,321	663,321	—	—	—	—	—
Other financial liabilities	24,947	24,947	24,947	—	—	—	—	—

Note: The amounts of the interest included in Bonds and loans payable due in five years or less and due after five years as at 1 April 2011 are ¥2,971 million and ¥4 million, respectively.

As at 31 March 2012	Millions of Yen							
	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 (Note)	285,188	289,560	192,814	9,595	33,190	8,001	1,035	44,925
Trade and other accounts payable	39,073	39,073	34,611	2,073	1,493	795	98	3
Liabilities related to securities business	933,831	933,831	933,831	—	—	—	—	—
Other financial liabilities	29,916	29,916	29,916	—	—	—	—	—

Note: The amounts of the interest included in Bonds and loans payable due in five years or less and due after five years as at 31 March 2012 are ¥4,227 million and ¥3 million, respectively.

As at 31 March 2013	Millions of Yen							
	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 (Note)	344,360	350,393	223,363	75,022	6,547	1,162	9,063	35,236
Trade and other accounts payable	48,894	48,894	45,922	1,567	1,004	298	98	5
Liabilities related to securities business	1,304,605	1,304,605	1,304,605	—	—	—	—	—
Customer deposits for banking business	376,177	384,230	343,295	37,387	3,510	17	15	6
Other financial liabilities	35,371	35,371	35,371	—	—	—	—	—

Note: The amounts of the interest included in Bonds and loans payable due in five years or less and due after five years as at 31 March 2013 are ¥13,771 million and ¥225 million, respectively.

The Group has lines of credit such as overdraft facilities to ensure an efficient operating funds procurement and to mitigate liquidity risk. On the other hand, the Group has contracts to provide loan commitments to conduct the credit card business.

Contractual amounts and used amounts of overdraft facilities as at each reporting date are as follows:

Refer to Note 31 “Contingent liabilities” for contracts of loan commitments.

	Millions of Yen		
	1 April 2011	31 March 2012	31 March 2013
Lines of credit	161,300	198,630	215,920
Used balance	85,024	81,606	115,159
Unused portion	76,276	117,024	100,761

## 8. TRADE AND OTHER ACCOUNTS RECEIVABLE

Trade and other accounts receivable as at 1 April 2011, 31 March 2012 and 2013 consisted of the following:

	Millions of Yen		
	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
Trade accounts receivable and installment receivables	28,427	19,950	9,473
Loans receivable	99,311	105,132	303,211
Operational receivables	11,350	35,621	16,172
Finance lease obligation	15,975	13,805	13,898
Deposits in relation to banking business	—	—	66,404
Others	11,027	5,877	3,319
Total	166,090	180,385	412,477

Maturity analysis to the collection or the settlement of the trade and other accounts receivable as at 1 April 2011, 31 March 2012 and 2013 consisted of the following:

	Millions of Yen		
	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
No later than 1 year	67,406	91,988	271,088
Later than 1 year	98,684	88,397	141,389
Total	166,090	180,385	412,477

## 9. OTHER ASSETS RELATED TO SECURITIES BUSINESS

Other assets related to securities business as at 1 April 2011, 31 March 2012 and 2013 consisted of the following:

	Millions of Yen		
	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
Trade date accrual	222,878	142,251	414,030
Short-term guarantee deposits	5,241	16,701	4,723
Others	545	1,538	3,512
Total	228,664	160,490	422,265

## 10. OPERATIONAL INVESTMENT SECURITIES AND OTHER INVESTMENT SECURITIES

“Operational investment securities” and “Other investment securities” in the consolidated statement of financial position as at 1 April 2011, 31 March 2012 and 2013 consisted of the following:

	Millions of Yen		
	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
Operational investment securities			
FVTPL	108,138	121,951	119,268
Total	108,138	121,951	119,268
Other investment securities			
FVTPL	7,153	3,149	49,928
FVTOCI	5,883	7,399	7,281
Total	13,036	10,548	57,209

Investments in equity instrument for the purpose of maintaining and improving business relations with the investees are designated as financial assets at FVTOCI by the Group.

Fair values of financial assets at FVTOCI presented as “Other investment securities” in the consolidated statement of financial position and related dividends income presented as “Operating revenue” in consolidated statement of income consisted of the followings, respectively:

	Millions of Yen		
	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
Fair value			
Listed	3,934	5,534	4,663
Unlisted	1,949	1,865	2,618
Total	5,883	7,399	7,281

	Millions of Yen	
	For the year ended 31 March 2012	For the year ended 31 March 2013
Dividends income		
Listed	117	103
Unlisted	94	98
Total	211	201

Name of investee and related fair values of financial assets at FVTOCI presented as “Other investment securities” in consolidated statement of financial position mainly consisted of the following:

	Millions of Yen		
	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
Other investment securities			
Kingston Financial Group Limited	–	2,706	2,166
Golden Sun Profits Limited	1,480	1,466	1,678
PION CO., LTD.	386	540	475
Sunwah Kingsway Capital Holdings Limited	318	130	224
Sumitomo Mitsui Trust Holdings, Inc.	1,871	780	–

For fair value at disposal, cumulative gain and dividends income of financial assets at FVTOCI disposed during the years ended 31 March 2012 and 2013 are as follows:

Millions of Yen					
For the year ended 31 March 2012			For the year ended 31 March 2013		
Fair value at disposal	Cumulative gain	Dividends income	Fair value at disposal	Cumulative gain	Dividends income
1,195	67	32	1,214	314	32

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

Cumulative gains (net of tax) transferred from other components of equity to retained earnings for the years ended 31 March 2012 and 2013 were ¥67 million and ¥78 million, respectively.

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Summarized financial information of investments in equity method associates were as follows:

	Millions of Yen		
	Transition Date (As at 1 April 2011)	As at 31 March 2012	As at 31 March 2013
Statement of Financial position			
Total assets	1,732,018	2,441,318	2,934,917
Total liabilities	1,688,964	2,386,843	2,872,015
Total equity	43,054	54,475	62,902

	Millions of Yen	
	For the year ended 31 March 2012	For the year ended 31 March 2013
Statement of income		
Operating revenue	39,859	54,531
Profit for the year	1,309	834

The fair values of investments accounted for using the equity method with available market prices as at transition date, 31 March 2012, and 31 March 2013 are ¥3,314 million, ¥3,587 million and ¥3,511 million, respectively. The carrying amounts of such investments were ¥4,231 million, ¥4,479 million and

¥3,884 million, respectively.

The major investment in joint venture is a 50% share of common stock of SBI Sumishin Net Bank, Ltd. in the financial service business.

## 12. INVESTMENT PROPERTY

The movement of cost and accumulated depreciation and impairment losses of investment property consisted of the following:

Cost	Millions of Yen	
	For the year ended 31 March 2012	For the year ended 31 March 2013
Balance, beginning of year	19,325	21,144
Acquisitions	–	328
Business combinations	–	18,522
Sales or disposals	–	(899)
Reclassification	1,819	–
Balance, end of year	21,144	39,095

Accumulated depreciation and impairment losses	Millions of Yen	
	For the year ended 31 March 2012	For the year ended 31 March 2013
Balance, beginning of year	(34)	(2,615)
Depreciation expenses	(303)	(287)
Impairment	(2,278)	(14)
Sales or disposals	–	176
Balance, end of year	(2,615)	(2,740)

Impairment losses recognized for the years ended 31 March 2012 and 2013 were ¥2,278 million and ¥14 million, respectively, due to a non-temporary decline in fair value of certain investment properties, and were recorded in “Other expenses” in the consolidated statement of income.

The impaired assets belong to the Real Estate business, which is classified into “Others” in segment information. The recoverable amount of the investment properties is measured at fair value less sales related expenses through real estate valuation.

“Business combinations” for the year ended 31 March 2013 refers to the acquisition of the Company’s subsidiary, Hyundai Swiss Savings Bank Co., Ltd., and its subsidiaries.

Millions of Yen					
As at 1 April 2011		As at 31 March 2012		As at 31 March 2013	
Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
19,291	19,639	18,529	18,842	36,355	37,169

The fair value as at the end of each reporting period is based on a valuation conducted by independent valuation appraisers with appropriate qualifications, who have had recent experience in local practice for relative categories of assets. The valuations are performed in accordance with evaluation standards of the country where the properties are located, with the results based on market prices reflecting actual transaction price of similar properties.

The investment properties of the Group are located in Japan and Korea. The names of the major appraisers which conducted the valuation of investment properties in Japan and

Korea are DAIWA REAL ESTATE APPRAISAL CO.,LTD. and Kaaram Appraisal Co., Ltd, respectively.

Rental income from investment property for the years ended 31 March 2012 and 2013 was ¥1,152 million and ¥1,218 million, respectively, which was included in “Operating revenue” in the consolidated statement of income. Expenses incurred in direct relation to the rental income (including repairs and maintenances) for the years ended 31 March 2012 and 2013 were ¥720 million and ¥823 million, respectively, which were included in “Operating cost” and “Selling, general and administrative expenses”.

### 13. PROPERTY AND EQUIPMENT

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

Cost	Millions of Yen				
	Buildings	Furniture and fixtures	Land	Others	Total
Balance as at 1 April 2011	7,189	11,853	2,583	153	21,778
Acquisition	404	904	–	329	1,637
Sales or disposals	(1,218)	(2,009)	–	(23)	(3,250)
Foreign currency translation adjustment on foreign operations	(1)	(2)	(4)	0	(7)
Others	217	(733)	0	(79)	(595)
Balance as at 31 March 2012	6,591	10,013	2,579	380	19,563
Acquisition	723	632	–	134	1,489
Acquisitions through business combinations	832	747	667	47	2,293
Sales or disposals	(1,361)	(570)	–	(31)	(1,962)
Foreign currency translation adjustment on foreign operations	0	(36)	39	67	70
Others	225	(643)	68	16	(334)
Balance as at 31 March 2013	7,010	10,143	3,353	613	21,119

Millions of Yen					
Accumulated depreciation and impairment losses	Buildings	Furniture and fixtures	Land	Others	Total
Balance as at 1 April 2011	(4,052)	(6,330)	(456)	(61)	(10,899)
Sales or disposals	733	1,731	–	21	2,485
Depreciation expenses	(524)	(1,800)	–	(8)	(2,332)
Impairment losses	(10)	(15)	–	–	(25)
Foreign currency translation adjustment on foreign operations	(1)	0	–	(0)	(1)
Others	(11)	682	–	–	671
Balance as at 31 March 2012	(3,865)	(5,732)	(456)	(48)	(10,101)
Sales or disposals	1,022	465	–	15	1,502
Depreciation expenses	(847)	(1,484)	–	(13)	(2,344)
Impairment losses	(10)	–	–	–	(10)
Foreign currency translation adjustment on foreign operations	(7)	28	–	(65)	(44)
Others	156	323	(68)	(16)	395
Balance as at 31 March 2013	(3,551)	(6,400)	(524)	(127)	(10,602)

Millions of Yen					
Carrying amount	Buildings	Furniture and fixtures	Land (Note)	Others	Total
Balance as at 1 April 2011	3,137	5,523	2,127	92	10,879
Balance as at 31 March 2012	2,726	4,281	2,123	332	9,462
Balance as at 31 March 2013	3,459	3,743	2,829	486	10,517

Note: Land is consisted of the land held freehold outside Hong Kong.

The carrying amount of property and equipment as at 1 April 2011, 31 March 2012 and 2013 includes the carrying amount of the following leased assets:

Millions of Yen			
Carrying amount	Buildings	Furniture and fixtures	Total
Balance as at 1 April 2011	296	3,057	3,353
Balance as at 31 March 2012	315	2,403	2,718
Balance as at 31 March 2013	336	1,604	1,940

Impairment losses recognized for the years ended 31 March 2012 and 2013 were ¥25 million and ¥10 million, respectively, due to no expectation of initially expected profits and were included in “Other expenses” in the consolidated statement of income. Impairment losses recognized for the year ended 31 March 2012 were ¥3 million in the asset management business and ¥22 million in the financial services business, respectively. Impairment losses recognized for the year ended 31 March 2013 were in the asset management business.

## 14. INTANGIBLE ASSETS

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

Cost and accumulated impairment losses of Intangible Assets including goodwill for the years ended 31 March 2012 and 2013 were as follows:

Cost	Millions of Yen				
	Goodwill	Software	Customer Relationship	Others	Total
Balance as at 1 April 2011	57,383	22,688	2,309	371	82,751
Acquisitions	–	5,730	–	384	6,114
Business combinations	1,035	4	–	–	1,039
Sales or disposals	(2,293)	(2,244)	–	(7)	(4,544)
Foreign currency translation adjustment on foreign operations	(155)	(2)	–	(1)	(158)
Balance as at 31 March 2012	55,970	26,176	2,309	747	85,202
Acquisitions	–	4,642	–	5	4,647
Business combinations	95,423	3,830	22,906	7	122,166
Sales or disposals	(341)	(1,087)	–	(5)	(1,433)
Foreign currency translation adjustment on foreign operations	124	8	1,495	35	1,662
Others	–	(8)	–	–	(8)
Balance as at 31 March 2013	151,176	33,561	26,710	789	212,236

Accumulated depreciation and impairment losses	Millions of Yen				
	Goodwill	Software	Customer Relationship	Others	Total
Balance as at 1 April 2011	(5,635)	(8,789)	(49)	(302)	(14,775)
Sales or disposals	–	1,130	–	4	1,134
Depreciation expenses	–	(4,365)	(491)	(44)	(4,900)
Impairment losses	(2,134)	(92)	–	–	(2,226)
Foreign currency translation adjustment on foreign operations	–	0	–	1	1
Others	–	66	–	–	66
Balance as at 31 March 2012	(7,769)	(12,050)	(540)	(341)	(20,700)
Sales or disposals	–	349	–	–	349
Depreciation expenses	–	(4,467)	(527)	(160)	(5,154)
Impairment losses	(842)	(314)	–	–	(1,156)
Foreign currency translation adjustment on foreign operations	–	0	–	6	6
Balance as at 31 March 2013	(8,611)	(16,482)	(1,067)	(495)	(26,655)

Carrying amount	Millions of Yen				
	Goodwill	Software	Customer Relationship	Others	Total
Balance at Transition date as at 1 April 2011	51,748	13,899	2,260	69	67,976
Balance as at 31 March 2012	48,201	14,126	1,769	406	64,502
Balance as at 31 March 2013	142,565	17,079	25,643	294	185,581

The carrying amount of software in the above table as at transition date, 31 March 2012 and 2013 includes the carrying amount of leased assets of ¥35 million, ¥490 million and ¥624 million, respectively. Depreciation 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

Goodwill is tested for impairment upon identification of impairment indicators and at least annually. The recoverable amount of goodwill for impairment testing is calculated based on value in use.

Details of impairment of intangible assets including goodwill for each business segment are as follows:

Impairment losses recognized for the year ended 31 March 2012 were ¥1,275 million in the Asset Management Business and ¥951 million in the Financial Services Business, respectively. Impairment losses recognized for the year ended 31 March 2013 were ¥1,146 million in the Financial Services Business and ¥10 million in the Biotechnology-related Business, respectively. Impairment losses recognized due to no expectation of initially expected profits were included in the "Other expenses" in the consolidated statement of income.

Value in use is the present value of the future cash flows expected to be derived from an asset or a cash-generating unit to which goodwill is allocated. The Group bases cash flow

projections on the most recent financial forecasts approved by management, and the maximum period of these forecasts is five years or less, unless a longer period can be justified. The discount rate used for measuring value in use was 8.62%, 7.25% and 7.57% per annum as at 1 April 2011, 31 March 2012 and 2013, respectively.

## (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 ¥90,343 million as at March 31, 2013 regarding Hyundai Swiss Savings Bank Co., Ltd. and Hyundai Swiss 2 Savings Bank Co., Ltd. in the Asset Management Business and ¥24,910 million and ¥24,910 million as at 31 March 2012 and 2013, respectively, regarding SBI SECURITIES Co., Ltd. in the Financial Service Business.

## 15. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the years ended 31 March 2012 and 2013:

For the year ended 31 March 2012	Millions of Yen				
	As at 1 April 2011	Recognized through Profit and Loss	Recognized through Other Comprehensive Income	Change in Scope of Consolidation	As at 31 March 2012
<b>Deferred Tax Assets</b>					
Financial assets at FVTPL	11,748	(3,948)	—	(89)	7,711
Impairment on financial assets measured at amortized cost	4,094	(1,713)	—	(1)	2,380
Fixed assets (Note)	1,653	409	—	(114)	1,948
Tax loss carryforwards	18,897	3,462	—	—	22,359
Other	2,893	802	5	591	4,291
Subtotal	39,285	(988)	5	387	38,689
Less valuation allowance	(21,444)	(1,685)	—	—	(23,129)
Total	17,841	(2,673)	5	387	15,560
<b>Deferred Tax Liabilities</b>					
Financial assets at FVTOCI	450	—	(382)	—	68
Intangible assets	466	(89)	—	—	377
Other	173	(53)	—	—	120
Total	1,089	(142)	(382)	—	565

For the year ended 31 March 2013	Millions of Yen				
	As at 1 April 2012	Recognized through Profit and Loss	Recognized through Other Comprehensive Income	Change in Scope of Consolidation	As at 31 March 2013
<b>Deferred Tax Assets</b>					
Financial assets at FVTPL	7,711	(3,485)	–	139	4,365
Impairment on financial assets measured at amortized cost	2,380	1,391	–	18,419	22,190
Fixed assets (Note)	1,948	(61)	–	984	2,871
Tax loss carryforwards	22,359	3,041	–	10,682	36,082
Other	4,291	586	(22)	10	4,865
Subtotal	38,689	1,472	(22)	30,234	70,373
Less valuation allowance	(23,129)	(4,745)	–	(28,576)	(56,450)
<b>Total</b>	<b>15,560</b>	<b>(3,273)</b>	<b>(22)</b>	<b>1,658</b>	<b>13,923</b>
<b>Deferred Tax Liabilities</b>					
Financial assets at FVTOCI	68	–	357	–	425
Intangible assets	377	(83)	–	4,695	4,989
Other	120	(120)	–	1,670	1,670
<b>Total</b>	<b>565</b>	<b>(203)</b>	<b>357</b>	<b>6,365</b>	<b>7,084</b>

Note: Fixed assets represent property and equipment, and investment property.

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 1 April 2011, 31 March 2012, and 31 March 2013, were ¥27,249 million (including ¥15,487 million with the carryforward period over 5 years), ¥47,310 million (including ¥30,610 million with the carryforward period over 5 years), ¥98,770 million (including ¥82,685 million with the carryforward period over 5 years), respectively.

The Group recognized deferred tax assets of ¥2,568 million and ¥2,150 million as at 31 March 2012 and 2013, respectively, associated with certain subsidiaries that had net losses during the years ended 31 March 2012 and 2013. 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 31 March 2012 and 2013, in principle, the Group did not recognize a deferred tax liability on the taxable temporary differences associated with investments in subsidiaries, associates and joint arrangements 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 and associates and joint arrangements on which deferred tax liabilities were not recognized were ¥33,006 million and ¥39,026 million as at 31 March 2012 and 2013, respectively.

## 16. BONDS AND BORROWINGS

### (1) Details of the bonds and borrowings

Details of the borrowings were as follows:

	Millions of Yen			%	
	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013	Average interest rate (Note 1)	Due (Note 2)
Short-term loans payable	97,030	103,724	136,026	0.96	–
Current portion of long-term loans payable	12,276	20,017	6,492	1.73	–
Current portion of bonds payable	69,648	59,981	65,462	–	–
Long-term loans payable	31,366	16,766	17,913	1.36	2014–2022
Bonds payable	540	30,356	38,524	–	–
Borrowings related to securitization (Note 3)	66,118	54,344	79,943	–	–
<b>Total</b>	<b>276,978</b>	<b>285,188</b>	<b>344,360</b>		

Notes: 1. The average interest rate is calculated using the weighted average interest rate of the outstanding balance as at 31 March 2013.

2. Due refers to the term of the outstanding balance as at 31 March 2013.

3. Borrowings related to securitization were funded through securitization of receivables and the liability amounts were recognized against the transferred loan receivables which do not qualify for derecognition and continued to be recognized as the Group's assets.



Details of the bonds were as follows:

Issuer and the name of bond	Date of issuance	Millions of Yen			%	
		As at 1 April 2011	As at 31 March 2012	As at 31 March 2013	Interest rate	Due
The Company Japanese yen straight bond (Note 1)	May 2010–November 2012	69,588	59,921	63,972	1.60–1.9	May 2011–November 2013
The Company No.4 Unsecured straight bond	January 2012	–	29,876	29,920	2.16	January 2015
SBI Life Living Co., Ltd., No.1 Unsecured straight bond (Note 2)	December 2010	600	540	–	TIBOR +0.1	December 2020
Hyundai Swiss Savings Bank Co., Subordinated bond in Korean Won (Note 3)	June 2008–April 2010	–	–	10,094	7.9–8.5	October 2013–July 2015
<b>Total</b>		<b>70,188</b>	<b>90,337</b>	<b>103,986</b>		

Notes: 1. Total amounts of straight bonds in Japanese Yen issued based on Euro medium term note programme are stated above.  
 2. Early redemption of No. 1 Unsecured straight bond was carried out for the year ended 31 March 2013.  
 3. Subordinated bond in Korean Won was recognized due to business combination for the year ended 31 March 2013.

## (2) Assets pledged as security

Assets pledged for bonds and borrowings were as follows:

	Millions of Yen		
	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
Cash and cash equivalents	–	75	122
Trade and other accounts receivable	11,646	8,649	4,587
Other financial assets	493	–	1,358
Investments in associates	1,149	–	–
Investment properties	9,365	9,591	13,903
Other assets	1,321	1,181	380
<b>Total</b>	<b>23,974</b>	<b>19,496</b>	<b>20,350</b>

The corresponding liabilities were as follows:

	Millions of Yen		
	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
<b>Bonds and borrowings</b>	<b>19,411</b>	<b>15,090</b>	<b>14,000</b>

Besides the above, securities received as collateral for financing from broker's own capital of ¥1,163 million, ¥7,422 million and ¥22,954 million were pledged as collateral for borrowings on margin transactions as at 1 April 2011 (transition date), 31 March 2012 and 2013, respectively.

## 17. TRADE AND OTHER PAYABLES

The components of trade and other payables were as follows:

	Millions of Yen		
	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
Accounts payable and notes payable	4,087	2,431	2,574
Accounts payable-other	9,294	7,558	9,657
Advances received	19,798	22,409	30,720
Finance lease liability	8,733	6,036	4,624
Others	613	639	1,319
<b>Total</b>	<b>42,525</b>	<b>39,073</b>	<b>48,894</b>

## 18. OTHER LIABILITIES RELATED TO SECURITIES BUSINESS

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

	Millions of Yen		
	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
Trade date accrual	175,514	120,892	253,819
Deposits for subscription	966	2,414	1,590
Others	2	36	225
<b>Total</b>	<b>176,482</b>	<b>123,342</b>	<b>255,634</b>

## 19. LEASES

### (1) As lessee

The Group lease servers for online transaction systems and certain other assets under finance leases. Future minimum lease payments and their present value under finance lease contracts of each payment period as at 1 April 2011, 31 March 2012 and 2013 were as follows:

	Millions of Yen		
	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
<b>No later than 1 year</b>			
Future minimum lease payments	2,232	1,905	1,914
Less: Future financial cost	(157)	(115)	(96)
Present value	2,075	1,790	1,818
<b>Later than 1 year and not later than five years</b>			
Future minimum lease payments	7,055	4,450	2,908
Less: Future financial cost	(398)	(204)	(105)
Present value	6,657	4,246	2,803
<b>Later than 5 years</b>			
Future minimum lease payments	1	–	3
Less: Future financial cost	(0)	–	(0)
Present value	1	–	3
<b>Total</b>			
Future minimum lease payments	9,288	6,355	4,825
Less: Future financial cost	(555)	(319)	(201)
Present value	8,733	6,036	4,624

The total future minimum sublease payments under non-cancelable sublease contracts as at 1 April 2011, 31 March 2012 and 2013 were ¥5,665 million, ¥2,770 million and ¥2,058 million, respectively.

The Group leases office buildings and certain other assets under operating leases. The total future minimum lease payments recorded as expenses under cancellable or non-cancelable operating lease contracts as at 31 March 2012 and 2013 were ¥6,022 million and ¥5,297 million, respectively. The total of future minimum lease payments by periods under non-cancelable operating lease contracts as at 1 April 2011, 31 March 2012 and 2013 were as follows:

	Millions of Yen		
	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
<b>Future minimum lease payments</b>			
No later than 1 year	124	111	55
Later than 1 year and not later than five years	66	86	7
Later than 5 years	–	–	–
<b>Total</b>	190	197	62

### (2) As lessor

The Group leases equipment for telecommunication business and certain other assets under finance leases. Future minimum lease payments receivable and their present value under finance lease contracts of each payment period as at 1 April 2011, 31 March 2012 and 2013 were as follows:

	Millions of Yen		
	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
<b>No later than 1 year</b>			
Future minimum lease payments receivable	5,054	4,547	4,514
Less: Future finance income	(321)	(246)	(211)
Unguaranteed residual value	15	–	–
Present value	4,748	4,301	4,303
<b>Later than 1 year and not later than five years</b>			
Future minimum lease payments receivable	11,656	9,784	9,849
Less: Future finance income	(467)	(280)	(254)
Unguaranteed residual value	–	–	–
Present value	11,189	9,504	9,595
<b>Later than 5 years</b>			
Future minimum lease payments receivable	39	–	–
Less: Future finance income	(1)	–	–
Unguaranteed residual value	–	–	–
Present value	38	–	–
<b>Total</b>			
Future minimum lease payments receivable	16,749	14,331	14,363
Less: Future finance income	(789)	(526)	(465)
Unguaranteed residual value	15	–	–
Present value	15,975	13,805	13,898

The total future minimum lease payments receivable under non-cancellable operating lease contracts as at 1 April 2011, 31 March 2012 and 2013 were as follows:

	Millions of Yen		
	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
Future minimum lease payments receivable			
No later than 1 year	1	—	0
Later than 1 year and not later than five years	—	—	—
Later than 5 years	—	—	—
Total	1	—	0

## 20. CAPITAL STOCK AND OTHER EQUITY ITEMS

### (1) Capital stock and treasury stock

The number of authorized shares on the date of transition and as at 31 March 2012 was 34,169,000 shares. The number of authorized shares as at 31 March 2013 was 341,690,000 shares as the Company conducted a 10 for 1 stock split, effective on 1 October 2012.

The Company's issued shares were as follows:

	Shares	
	For the year ended March 31 2012	For the year ended March 31 2013
Number of issued shares (common shares with no par value)		
As at the beginning of the period	19,944,018	22,451,303
Increase during the period (Notes 1, 2)	2,507,285	202,074,478
As at the end of the period	22,451,303	224,525,781

Notes: 1. The increase in common shares of 2,507,285 shares consists of 2,000,000 newly issued shares through an offering of Hong Kong Depositary Receipts, 432,216 shares and 74,709 shares, respectively, for the acquisition of SBI VeriTrans Co., Ltd. and SBI Net System Co., Ltd. that became wholly owned subsidiaries through share exchanges, and 360 shares by the exercise of stock acquisition rights.  
2. The increase of 202,074,478 shares related to the increase of 6,991 shares due to the exercise of stock acquisition rights and the 10 for 1 stock split effective on 1 October 2012.

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

	Shares	
	For the year ended 31 March 2012	For the year ended 31 March 2013
Number of treasury stock		
As at the beginning of the period	14,621	442,093
Increase during the period (Notes 1, 3)	508,125	7,730,653
Decrease during the period (Notes 2, 4)	(80,653)	(74,300)
As at the end of the period	442,093	8,098,446

Notes: 1. The increase of 508,125 common shares in treasury stock consists of 321,373 shares acquired as treasury stock subject to Article 156 (replacement of the third paragraph of Article 165) of the Companies Act; 60,000 shares acquired in response to the share purchase demand related to the share exchange to make SBI VeriTrans Co., Ltd. a wholly owned subsidiary in accordance with the first paragraph of Article 797 of the Companies Act; 50,116 shares acquired by a subsidiary related to the acquisition of SBI Net System Co., Ltd., to become a wholly owned subsidiary through a share exchange, and the remaining 76,636 shares acquired by the Trust.  
2. The decrease of 80,653 common shares in treasury stock consists of reissuance of 74,621 shares to acquire the remaining share of SBI Net System Co., Ltd. to make it a wholly owned subsidiary of the Company and 6,032 shares sold by the Trust to the Employee Stockholding Association.  
3. The increase of 7,730,653 shares related to the acquisition of 377,857 shares subject to Article 156 of the Companies Act (replacement of the third paragraph of Article 165), 33,186 shares purchased from shareholders with less than one unit of shares, and 7,319,610 shares due to a 10 for 1 stock split effective on 1 October 2012.  
4. The decrease of 74,300 shares related to 1,940 shares sold to shareholders with less than one unit of shares, and sales of 72,360 shares to the Employee Stockholding Association.

### (2) Reserves

#### a. 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 Capital surplus. The Companies Act permits, upon approval of the shareholders meeting, the transfer of amounts from Capital surplus to Common stock.

#### b. Retained Earnings

The Companies Act provides that a 10% dividend of retained earnings shall be appropriated as capital surplus or as a statutory reserve until the aggregate amount of capital surplus and statutory reserve reaches 25% of common stock. The statutory reserve may be used to eliminate or reduce a deficit or be transferred to retained earnings upon approval of the shareholders meeting.

### (3) Other component of equity

The movements of other component of equity were as follows:

Millions of Yen				
Other component of equity				
	Currency translation differences	Financial assets at FVTOCI	Hedging instruments for cash flow hedges	Total
Balance as at 1 April 2011	–	613	(42)	571
Adjustment for the year	(1,352)	(511)	(4)	(1,867)
Transfer to retained earnings	–	(67)	–	(67)
Balance as at 31 March 2012	(1,352)	35	(46)	(1,363)
Adjustment for the year	7,838	(247)	46	7,637
Transfer to retained earnings	–	(78)	–	(78)
Balance as at 31 March 2013	6,486	(290)	–	6,196

## 21. DIVIDENDS

Dividends paid were as follows:

Year ended 31 March 2012					
	Type of share	Dividend amount (millions of Yen) Effective date	Amount per share (Yen)	Declared date	Effective date
Board of Directors' Meeting on 27 April 2011	Common shares	2,391	120 (Note)	31 March 2011	9 June 2011

Note: Above dividend per share includes a dividend of 20 yen commemorating the listing on the Main Board of the Hong Kong Stock Exchange.

Year ended 31 March 2013					
	Type of share	Dividend amount (millions of Yen) Effective date	Amount per share (Yen)	Declared date	Effective date
Board of Directors' Meeting on 26 April 2012	Common shares	2,208	100	31 March 2012	7 June 2012

The Company conducted a 10 for 1 stock split, effective on 1 October 2012. The amount of dividend per share presented above refers to the amount before the stock split was conducted.

Dividends for which the declared date fell in the year ended 31 March 2013, and for which the effective date will be in the year ended 31 March 2014.

	Type of share	Dividend amount (millions of Yen) Effective date	Amount per share (Yen)	Declared date	Effective date
Board of Directors' Meeting on 9 May 2013	Common shares	2,170	10	31 March 2013	6 June 2013

## 22. SHARE-BASED PAYMENT

The Company and certain of its subsidiaries have stock option plans for their directors or employees. These stock options 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. Vesting conditions include accomplishment of the IPO, the directors or employees holding their positions as directors or employees until the accomplishment of

the IPO. Also, certain of the stock options were allocated to the directors or employees at the fair value.

None of the expenses arising from share-based payment transactions regarding granted stock options are recorded during the years ended 31 March 2012 and 2013.

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

## (1) The Company

The Company's stock options were all vested before the transition date, 1 April 2011; thus, the Company does not apply IFRS 2 "Share-based payment", by electing the IFRS 1 exemptions for first time adopters.

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

	Stocks		Yen	
	Number of stocks	Weighted average exercise price	Number of stocks	Weighted average exercise price
	For the year ended 31 March 2012		For the year ended 31 March 2013	
Beginning balance	2,572,713.47	2,259	2,420,376.81	2,271
Forfeited	(148,736.66)	2,103	(894,387.45)	1,231
Exercised	(3,600.00)	447	(12,751.00)	463
Unexercised balance	2,420,376.81	2,271	1,513,238.36	2,901

Notes: 1. Weighted average stock prices upon exercise of stock options for the year ended 31 March 2012 and 2013 were ¥691 and ¥597, respectively.

2. Number of stocks and weighted average exercise prices in the above table are adjusted retrospectively reflecting the 10 for 1 stock split effective on 1 October 2012.

The unexercised balance as at 31 March 2013 is as follows:

Yen	Stocks	Yen	Years
As at March 2013			
Exercise price range	Number of stocks	Weighted average exercise price	Average remaining exercise period
–1,000	29,200.00	447	0.3
1,001–2,000	589,698.40	1,644	0.2
2,001–3,000	171,204.96	2,529	0.2
3,001–4,000	213,402.00	3,230	0.3
4,001–5,200	509,733.00	4,484	1.3
Total	1,513,238.36	2,901	0.6

## (2) Subsidiaries

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

(a) Stock option plans which were unvested at the transition date, 1 April 2011.

	Stocks		Yen	
	Number of stocks	Weighted average exercise price	Number of stocks	Weighted average exercise price
	For the year ended 31 March 2012		For the year ended 31 March 2013	
a-1 SBI Biotech Co., Ltd.				
Beginning balance	1,246	17,279	1,246	17,279
Forfeited	–	–	(536)	5,000
Unvested balance	1,246	17,279	710	26,549

Notes: 1. There were no vested balances as at 31 March 2013.

2. The average remaining exercise period as at 31 March 2013 was 2.4 years. (Stock options with exercise period defined as 3 years passed from the IPO date are excluded.)

	Stocks		Yen	
	Number of stocks	Weighted average exercise price	Number of stocks	Weighted average exercise price
	For the year ended 31 March 2012			
a-2 HOMEOSTYLE Inc.				
Beginning balance	18,257	14,347		
Forfeited	(1,107)	16,650		
Change in scope of consolidation	(17,150)	14,199		
Unvested balance	–	–		

Note: The Group sold all the shares of HOMEOSTYLE Inc. during the year ended 31 March 2012.

	Stocks		Yen	
	For the year ended 31 March 2012		For the year ended 31 March 2013	
a-3 Autoc one K.K.	Number of stocks	Weighted average exercise price	Number of stocks	Weighted average exercise price
Beginning balance	8,480	22,441	8,400	22,155
Forfeited	(80)	52,500	(5,850)	10,000
Unvested balance	8,400	22,155	2,550	50,039

Notes: 1. There were no vested balances as at 31 March 2013.  
2. The average remaining exercise period as at 31 March 2013 was 1.6 years.

	Stocks		Yen	
	For the year ended 31 March 2012		For the year ended 31 March 2013	
a-4 SBI Trade Win Tech Co., Ltd.	Number of stocks	Weighted average exercise price	Number of stocks	Weighted average exercise price
Beginning balance	1,320	149,394	1,320	149,394
Forfeited	—	—	(1,320)	149,394
Unvested balance	1,320	149,394	—	—

	Stocks		Yen	
	For the year ended 31 March 2012		For the year ended 31 March 2013	
a-5 SBI SSI Co., Ltd.	Number of stocks	Weighted average exercise price	Number of stocks	Weighted average exercise price
Beginning balance	—	—	784	50,000
Change in scope of consolidation	784	50,000	—	—
Forfeited	—	—	(784)	50,000
Unvested balance	784	50,000	—	—

Note: SBI SSI Co., Ltd. was acquired by the Group and was consolidated during the year ended 31 March 2012.

	Stocks		Yen	
	For the year ended 31 March 2012		For the year ended 31 March 2013	
a-6 NARUMIYA INTERNATIONAL CO., LTD.	Number of stocks	Weighted average exercise price	Number of stocks	Weighted average exercise price
Beginning balance	—	—	2,800	78,557
Granted	2,800	78,557	1,200	78,557
Unvested balance	2,800	78,557	4,000	78,557

Notes: 1. Average remaining exercise period as at 31 March 2013 was 7.4 years.  
2. Fair value of the stock option granted during the year ended 31 March 2012 was ¥4,232. Fair value was determined based on Monte Carlo simulation and was evaluated by an external specialist. The following assumptions were used in the Monte Carlo simulation regarding the stock options granted during the year ended 31 March 2012:

Stock price at the grant date :	¥50,000	Estimated remaining exercise period :	10 years
Exercise price :	¥78,557	Dividend yield :	0%
Estimated volatility :	33.26%	Risk free rate :	0.985%

3. Fair value of the stock option granted during the year ended 31 March 2013 was ¥6,800. Fair value was determined based on Monte Carlo simulation and was evaluated by an external specialist. The following assumptions were used in the Monte Carlo simulation regarding the stock option granted during the year ended 31 March 2013:

Stock price at the grant date :	¥54,000	Estimated remaining exercise period :	5 years
Exercise price :	¥78,557	Dividend yield :	0%
Estimated volatility :	34.16%	Risk free rate :	0.21%

	Stocks		Yen	
	For the year ended 31 March 2012		For the year ended 31 March 2013	
a-7 SBI AXES Co., Ltd.	Number of stocks	Weighted average exercise price	Number of stocks	Weighted average exercise price
Beginning balance	–	–	165,100	424
Vested	165,100	424	–	–
Unexercised balance	165,100	424	165,100	424

Notes: 1. Average remaining exercise period as at 31 March 2013 was 1.7 years.

2. Weighted average fair value of stock options vested during the fiscal year ended 31 March 2012 was ¥120. Fair value was determined based on a binominal model and was evaluated by an external specialist. The following assumptions were used in the binominal model regarding the stock option vested during the year ended 31 March 2012:

Stock price at the vesting date	: ¥424	Estimated remaining exercise period	: 3 years
Exercise price	: ¥424	Dividend yield	: 2.04%
Estimated volatility	: 50.76%	Risk free rate	: 0.23%

(b) Stock option plans which were vested before the transition date, 1 April 2011.

The following stock options were vested before the transition date, 1 April 2011, thus the Group does not apply IFRS 2 “Share-based payment” electing the IFRS 1 exemptions for first time adopters.

	Stocks		Yen	
	For the year ended 31 March 2012		For the year ended 31 March 2013	
b-1 SBI Life Living Co., Ltd.	Number of stocks	Weighted average exercise price	Number of stocks	Weighted average exercise price
Beginning balance	979	267,519	979	267,519
Movement	–	–	–	–
Unexercised balance	979	267,519	979	267,519

Note: Average remaining exercise period as at 31 March 2013 was 3.0 years.

	Stocks		Yen	
	For the year ended 31 March 2012		For the year ended 31 March 2013	
b-2 SBI Mortgage Co., Ltd.	Number of stocks	Weighted average exercise price	Number of stocks	Weighted average exercise price
Beginning balance	47,000	750	47,000	750
Movement	–	–	–	–
Unexercised balance	47,000	750	47,000	750

Note: Average remaining exercise period as at 31 March 2013 was 2.2 years.

	Stocks		Yen	
	For the year ended 31 March 2012			
b-3 SBI VeriTrans Co., Ltd.	Number of stocks	Weighted average exercise price		
Beginning balance	336	5,741		
Exercised	(336)	5,741		
Unexercised balance	–	–		

Note: Weighted average stock price at stocks options upon exercise for the year ended 31 March 2012 was ¥34,416.

	Stocks		Yen	
	For the year ended 31 March 2012		For the year ended 31 March 2013	
b-4 Morningstar Japan K.K.	Number of stocks	Weighted average exercise price	Number of stocks	Weighted average exercise price
Beginning balance	2,618	64,757	2,618	64,757
Forfeited	–	–	(1,584)	57,500
Exercised	–	–	(784)	57,500
Unexercised balance	2,618	64,757	250	133,500

Notes: 1. Weighted average stock price of stock options upon exercise for the year ended 31 March 2013 was ¥62,222.  
2. Average remaining exercise period as at 31 March 2013 was 3.0 years.

	Stocks		Yen	
	For the year ended 31 March 2012			
b-5 Gomez Consulting Co., Ltd.	Number of stocks	Weighted average exercise price		
Beginning balance	334	93,323		
Forfeited	(294)	100,000		
Exercised	(40)	44,250		
Unexercised balance	–	–		

Note: Weighted average stock price of stock options upon exercise for the year ended 31 March 2012 was ¥58,300.

## 23. OPERATING REVENUE

Operating revenue for the years ended 31 March 2012 and 2013 consisted of the following:

	Millions of Yen	
	For the year ended 31 March 2012	For the year ended 31 March 2013
Financial income		
Interest income (Note 1)	18,886	18,553
Dividends received	2,057	1,178
Income arising from financial assets at FVTPL (Note 2)	11,296	9,520
Gain from trading in foreign currencies	9,800	8,915
Other gain from trading	1,041	1,534
Total financial income	43,080	39,700
Revenue from rendering of services	81,835	77,231
Gain on the sales of investments in subsidiaries (Note 3)	16,369	3,252
Valuation gain on business combination achieved in stages (Note 4)	–	2,762
Other income	36,125	30,531
Total operating revenue	177,409	153,476

Notes: 1. Interest income in financial income is arising from financial assets measured at amortized cost.  
2. Income arising from financial assets at FVTPL is mainly consisted of gains less losses on other investment securities.  
3. Gains on sales of investments in subsidiaries for the years ended 31 March 2012 and 2013 were mainly attributable to the sales of investments in VSN, Inc. and SBI Credit Co., Ltd., respectively.  
4. Valuation gain on business combination achieved in stages was arising from the remeasurement of the Group's previously held investment in SBI Japannext Co., Ltd. at the additional acquisition-date fair value in a business combination achieved in stages.

## 24. OPERATING EXPENSE

Operating expense for the years ended 31 March 2012 and 2013 consisted of the following:

### (1) Operating cost

	Millions of Yen	
	For the year ended 31 March 2012	For the year ended 31 March 2013
Payroll	(13,667)	(5,899)
Outsourcing fees	(8,837)	(8,036)
Depreciation and amortization	(1,745)	(1,433)
Insurance payout and provision for statutory reserves related to insurance business	(14,375)	(16,810)
Others	(35,142)	(23,097)
Total operating cost	(73,766)	(55,275)

### (2) Financial cost

	Millions of Yen	
	For the year ended 31 March 2012	For the year ended 31 March 2013
Financial cost		
Interest expense		
Financial liabilities measured at amortized cost	(5,229)	(4,612)
Total financial cost	(5,229)	(4,612)

Note: There are no interests capitalized by the Group during the fiscal years ended 31 March 2012 and 2013.



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

	Millions of Yen	
	For the year ended 31 March 2012	For the year ended 31 March 2013
Payroll	(22,743)	(21,657)
Outsourcing fees	(11,448)	(12,509)
Depreciation and amortization	(5,866)	(6,104)
Research and development	(1,050)	(2,621)
Others	(32,985)	(32,340)
Total selling, general and administrative expenses	(74,092)	(75,231)

### (4) Other expenses

	Millions of Yen	
	For the year ended 31 March 2012	For the year ended 31 March 2013
Impairment loss on non-financial assets	(4,529)	(1,180)
Foreign exchange loss	(575)	-
Others	(1,913)	(1,159)
Total other expenses	(7,017)	(2,339)

## 25. OTHER FINANCIAL INCOME AND COST

Other financial income and cost for the years ended 31 March 2012 and 2013 consisted of the followings:

	Millions of Yen	
	For the year ended 31 March 2012	For the year ended 31 March 2013
Other financial income		
Interest income		
Financial assets measured at amortized cost	504	604
Total other financial income	504	604
Other financial expense		
Interest expense		
Financial liabilities measured at amortized cost	(2,434)	(2,968)
Total other financial expense	(2,434)	(2,968)

Note: There are no interests capitalized by the Group during the fiscal years ended 31 March 2012 and 2013.

## 26. INCOME TAX EXPENSE

The amount of income tax expenses for the years ended 31 March 2012 and 2013 were as follows:

	Millions of Yen	
	For the year ended 31 March 2012	For the year ended 31 March 2013
Income Tax Expense		
Current	(10,307)	(4,181)
Deferred	(2,531)	(3,070)
Total	(12,838)	(7,251)

Note: There was no amount of taxes charged to revenue under Hong Kong's Ordinances, during the fiscal years ended 31 March 2012 and 2013.

Due to the change in effective tax rates for domestic entities, deferred income tax expense for the year ended 31 March 2012 increased by ¥1,989 million.

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 40.69% and 38.01% for the years ended 31 March 2012 and 2013, respectively. Foreign subsidiaries are subject to the income taxes of the countries in which they operates.

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 31 March 2012 and 2013 is as follows:

	%	
	For the year ended 31 March 2012	For the year ended 31 March 2013
Normal effective statutory tax rate	40.69	38.01
Expenses not deductible for income tax purposes	3.64	5.65
Tax effect on minority interests of investments in fund	(10.70)	(12.75)
Temporary differences arising from consolidation of investments	28.86	9.57
Change in valuation allowance	11.23	17.06
Tax effect on adjustments for deferred tax assets due to tax rate change	12.75	-
Other	(4.17)	(6.52)
Average effective tax rate	82.30	51.02

## 27. OTHER COMPREHENSIVE INCOME

Amounts recorded during the year, reclassification adjustments and income tax effects on each item of other comprehensive income for the year ended 31 March 2012 and 2013 were as follows:

For the year ended 31 March 2012	Millions of Yen				
	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
Foreign currency translation adjustment on foreign operations	(1,035)	(201)	(1,236)	–	(1,236)
Financial assets at FVTOCI	(779)	–	(779)	382	(397)
Cash flow hedge	33	(40)	(7)	5	(2)
Share of other comprehensive income in equity method investments	(201)	–	(201)	–	(201)
<b>Total</b>	<b>(1,982)</b>	<b>(241)</b>	<b>(2,223)</b>	<b>387</b>	<b>(1,836)</b>

For the year ended 31 March 2013	Millions of Yen				
	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
Foreign currency translation adjustment on foreign operations	7,181	–	7,181	–	7,181
Financial assets at FVTOCI	107	–	107	(357)	(250)
Cash flow hedge	80	(9)	71	(22)	49
Share of other comprehensive income in equity method investments	1,398	–	1,398	–	1,398
<b>Total</b>	<b>8,766</b>	<b>(9)</b>	<b>8,757</b>	<b>(379)</b>	<b>8,378</b>

## 28. EARNINGS PER SHARE

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

Since the Company conducted a 10 for 1 stock split, effective on 1 October 2012, basic earnings per share and diluted earnings per share attributable to owners of the Company were calculated based on the new number of shares after the stock split and adjusted retrospectively.

	Millions of Yen	
	For the year ended 31 March 2012	For the year ended 31 March 2013
Profit for the year attributable to owners of the Company	303	3,202
Weighted average number of shares		
Basic weighted average number of ordinary shares (shares)	219,860,562	217,072,796
Dilutive effect: Stock option (shares)	52,473	19,097
Weighted average number of ordinary shares after the dilutive effect (shares)	219,913,035	217,091,893
Earnings per share attributable to owners of the Company		
Basic (in yen)	1.38	14.75
Diluted (in yen)	1.38	14.75

## 29. CASH FLOW INFORMATION

Supplemental disclosure of cash flow information for the years ended 31 March 2012 and 2013 was as follows:

### (1) Expenditures on acquisition of subsidiaries

The amounts of payments for acquisition of subsidiaries were ¥4,087 million and ¥22,206 million for the years ended 31 March 2012 and 2013, respectively. Cash and cash equivalents held by the subsidiaries at the acquisition date were ¥4,879 million and ¥3,755 million, respectively.

### (2) Proceeds from sales of subsidiaries

Total consideration received in respect of sales of subsidiaries was ¥8,599 million and ¥17,520 million for the years ended 31 March 2012 and 2013, respectively. Amounts of major classes of assets and liabilities of subsidiaries at the date of sale were as follows:

	Millions of Yen	
	For the year ended 31 March 2012	For the year ended 31 March 2013
Cash and cash equivalent	12,675	7,458
Trade and other receivables	3,705	14,108
Other assets	6,023	1,150
<b>Total assets</b>	<b>22,403</b>	<b>22,716</b>
Bonds and loans payable	3,237	6,869
Trade and other payables	2,788	3,027
Other payables	7,460	6,955
<b>Total payables</b>	<b>13,485</b>	<b>16,851</b>

## 30. RELATED PARTY TRANSACTIONS

### (1) Related party transaction

The Group entered into the following related party transactions during the year ended 31 March 2013.

Type	Name	Position	Nature of related party transaction	Millions of Yen	
				Transaction amount	Unsettled amount
Directors	Yoshitaka Kitao	The Company's Representative Director, President and CEO	Subscription to the Company's subsidiary's third party allotment (Note)	30	—

Note: The price of the subscription was same as that of a transaction with an independent third party subscribed through third party allotment. The payment term was cash disbursement at one time.

### (2) Emoluments to the directors of the Company for the years ended 31 March 2012 and 2013

	Millions of Yen	
	For the year ended 31 March 2012	For the year ended 31 March 2013
Directors' Fees	504	437
Total	504	437

## 31. CONTINGENT LIABILITIES

### (1) Loan Commitment

The Group is involved in the credit card business and provides loan commitments in relation to the business.

The total amount of loan commitments amounted ¥2,557 million, ¥2,552 million and ¥2,239 million, with an unused portion of ¥1,603 million, ¥2,202 million and ¥1,674 million at transition date, 31 March 2012 and 2013, respectively.

However, contracts are revisited 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.

### (2) Guarantee of third party's payables

In its financial service business segment, the Group provides a guarantee for debts which customers of entities subject to the equity method. The undiscounted amounts of guaranteed debts were as follows:

	Millions of Yen		
	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
Guarantee of third party's payables	16,288	42,004	277

## 32. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

## 33. EXPLANATION OF TRANSITION TO IFRSS

The Group determined to first adopt IFRSs for this fiscal year ended 31 March 2013 and the consolidated financial statements of the Group were prepared in accordance with IFRSs. The latest consolidated financial statements under accounting principles generally accepted in Japan (hereinafter referred to as "JGAAP") are prepared for the year ended 31 March 2012 and the transition date is 1 April 2011.

The reconciliation required to be disclosed for IFRSs' first time adoption is as follows.

"Reclassifications" in the following table represent the reclassifications made to map accounts presented under JGAAP to those of IFRSs. "Adjustments" represent adjustments posted according to the requirements under IFRSs.

## RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 1 APRIL 2011

Presentation under JGAAP	Notes	Millions of Yen				Presentation under IFRSs
		As at 1 April 2011				
		JGAAP	Reclassifications	Adjustments	IFRSs	
<b>Assets</b>						<b>Assets</b>
Cash and deposits		150,268	(1,482)	11,612	160,398	Cash and cash equivalents
	(6)		98,310	67,780	166,090	Trade and other accounts receivable
Notes and accounts receivable-trade		10,658	(10,658)			
Operational loans receivable		27,906	(27,906)			
Leases receivable and lease investment assets		16,167	(16,167)			
Allowance for doubtful accounts		(4,017)	4,017			
						Assets related to securities business
Cash segregated as deposits		347,866	—	—	347,866	Cash segregated as deposits
Margin transaction assets	(10)	250,400	—	(110,440)	139,960	Margin transaction assets
Short-term guarantee deposits		5,236	(5,236)			
	(10)		10,632	218,032	228,664	Other assets related to securities business
					716,490	Total assets related to securities business
	(6)		9,672	7,213	16,885	Other financial assets
Operational investment securities-net	(6)	132,773	—	(24,635)	108,138	Operational investment securities
Short-term investment securities	(6)	292	(292)			
Real estate inventories		16,813	(16,813)			
Trading instruments		2,702	(2,702)			
Deferred tax assets		14,243	(14,243)			
Others		57,474	(57,474)			
	(6)		18,932	(5,896)	13,036	Other investment securities
			34,597	(11,230)	23,367	Investments in associates
	(5)		21,024	(1,733)	19,291	Investment properties
Property and equipment	(4)	28,431	(21,024)	3,472	10,879	Property and equipment
Intangible assets	(1)	140,244	—	(72,268)	67,976	Intangible assets
			39,990	7,075	47,065	Other assets
Investment securities	(6)	53,379	(53,379)			
Deferred tax assets	(9)	12,830	14,243	(4,959)	22,114	Deferred tax assets
Others		36,108	(36,108)			
Allowance for doubtful accounts		(12,067)	12,067			
Stock issuance costs		153	—	(153)		
Bonds issuance costs		32	—	(32)		
Deferred operating costs under Article 113 of the Insurance Business Act	(8)	5,715	—	(5,715)		
<b>Total assets</b>		<b>1,293,606</b>	<b>—</b>	<b>78,123</b>	<b>1,371,729</b>	<b>Total assets</b>

Presentation under JGAAP	Notes	Millions of Yen				Presentation under IFRSs	
		JGAAP	Reclassifications	Adjustments	IFRSs		
As at 1 April 2011							
<b>Liabilities</b>						<b>Liabilities</b>	
Short-term loans payable		97,164	(97,164)	211,278	65,700	276,978	Bonds and loans payable
Current portion of long-term loans payable		12,148	(12,148)				
Current portion of bonds payable		70,060	(70,060)				
				37,598	4,927	42,525	Trade and other accounts payable
Advances received		1,954	(1,954)				
Accrued expenses		3,202	(3,202)				
Provision for bonuses		79	(79)				
Other provisions		448	(448)				
							Liabilities related to securities business
Margin transaction liabilities	(10)	143,758	–	(64,569)		79,189	Margin transaction liabilities
Loans payable secured by securities		61,798	–	–		61,798	Loans payable secured by securities
Deposits from customers	(10)	37,820	–	(1,103)		36,717	Deposits from customers
Guarantee deposits received		309,135	–	–		309,135	Guarantee deposits received
	(10)		1,067	175,415		176,482	Other liabilities related to securities business
						663,321	Total liabilities related to securities business
Accrued income taxes		4,575	(279)		803	5,099	Income tax payable
				16,025	8,922	24,947	Other financial liabilities
Deferred tax liabilities		3,220	(3,220)				
Others		35,237	(30,230)		602	5,609	Other liabilities
Bonds payable		540	(540)				
Long-term loans payable		31,366	(31,366)				
Deferred tax liabilities	(9)	424	3,220		1,718	5,362	Deferred tax liabilities
Provision for retirement benefits		70	(70)				
Other provisions		861	(861)				
Others		17,567	(17,567)				
Statutory reserve	(7)	5,197	–		(5,197)		
<b>Total liabilities</b>		<b>836,623</b>	<b>–</b>	<b>187,218</b>	<b>1,023,841</b>	<b>1,023,841</b>	<b>Total liabilities</b>

Presentation under JGAAP	Notes	Millions of Yen				Presentation under IFRSs
		As at 1 April 2011				
		JGAAP	Reclassifications	Adjustments	IFRSs	
Net assets						Equity
Capital stock		73,236	–	–	73,236	Capital stock
Capital surplus	(1)	236,921	–	(81,396)	155,525	Capital surplus
Treasury stock		(247)	–	–	(247)	Treasury stock
Retained earnings	(6)	88,074	(7,156)	7,727	60,951	Other component of equity
						Retained earnings
Total shareholders' equity		397,984	(7,156)	(100,792)	290,036	Equity attributable to owners of the Company
Unrealized losses on available-for-sale securities		(3,903)	3,903			
Deferred gains (losses) on derivatives under hedge accounting		(240)	240			
Foreign currency translation adjustment	(3)	(3,013)	3,013			
Total accumulated other comprehensive income/(loss)		(7,156)	7,156			
Stock acquisition rights		12	(12)			
Minority interests		66,143	12	(8,303)	57,852	Non-controlling interests
Total net assets		456,983	–	(109,095)	347,888	Total equity
Total liabilities and net assets		1,293,606	–	78,123	1,371,729	Total liabilities and equity

## RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

Presentation under JGAAP	Notes	Millions of Yen				IFRSs	Presentation under IFRSs
		JGAAP	Reclassifications	Adjustments	As at 31 March 2012		
<b>Assets</b>						<b>Assets</b>	
Cash and deposits		146,056	(461)	14,238	159,833	Cash and cash equivalents	
	(6)		128,565	51,820	180,385	Trade and other accounts receivable	
Notes and accounts receivable-trade		11,106	(11,106)				
Operational loans receivable		42,281	(42,281)				
Leases receivable and lease investment assets		13,830	(13,830)				
Allowance for doubtful accounts		(3,683)	3,683				
						Assets related to securities business	
Cash segregated as deposits		663,066	–	–	663,066	Cash segregated as deposits	
Margin transaction assets	(10)	260,048	–	(93,396)	166,652	Margin transaction assets	
Short-term guarantee deposits		16,801	(16,801)				
	(10)		20,790	139,700	160,490	Other assets related to securities business	
					990,208	Total assets related to securities business	
	(6)		10,022	3,064	13,086	Other financial assets	
Operational investment securities-net	(6)	141,943	–	(19,992)	121,951	Operational investment securities	
Short-term investment securities	(6)	219	(219)				
Real estate inventories		11,700	(11,700)				
Trading instruments		1,763	(1,763)				
Deferred tax assets		11,426	(11,426)				
Others		75,831	(75,831)				
	(6)		18,132	(7,584)	10,548	Other investment securities	
	(5)		43,322	(14,225)	29,097	Investments in associates	
	(5)		22,428	(3,899)	18,529	Investment properties	
Property and equipment	(4)	28,835	(22,428)	3,055	9,462	Property and equipment	
Intangible assets	(1)	137,176		(72,674)	64,502	Intangible assets	
			30,358	6,743	37,101	Other assets	
Investment securities	(6)	61,403	(61,403)				
Deferred tax assets	(9)	15,458	11,426	(6,018)	20,866	Deferred tax assets	
Others		26,013	(26,013)				
Allowance for doubtful accounts		(6,536)	6,536				
Stock issuance costs		182	–	(182)			
Bonds issuance costs		143	–	(143)			
Deferred operating costs under Article 113 of the Insurance Business Act	(8)	8,753	–	(8,753)			
<b>Total assets</b>		<b>1,663,814</b>	<b>–</b>	<b>(8,246)</b>	<b>1,655,568</b>	<b>Total assets</b>	

Presentation under JGAAP	Notes	Millions of Yen				Presentation under IFRSs
		As at 31 March 2012				
		JGAAP	Reclassifications	Adjustments	IFRSs	
<b>Liabilities</b>					<b>Liabilities</b>	
			234,249	50,939	285,188	Bonds and loans payable
Short-term loans payable		103,915	(103,915)			
Current portion of long-term loans payable		19,889	(19,889)			
Current portion of bonds payable		60,060	(60,060)			
			32,843	6,230	39,073	Trade and other accounts payable
Advances received		1,941	(1,941)			
Accrued expenses		3,263	(3,263)			
Provision for bonuses		96	(96)			
Other provisions		291	(291)			
						Liabilities related to securities business
Margin transaction liabilities	(10)	170,800	–	(57,798)	113,002	Margin transaction liabilities
Loans payable secured by securities		76,593	–	–	76,593	Loans payable secured by securities
Deposits from customers	(10)	347,953	–	(16,464)	331,489	Deposits from customers
Guarantee deposits received		289,405	–	–	289,405	Guarantee deposits received
	(10)		2,676	120,666	123,342	Other liabilities related to securities business
					933,831	Total liabilities related to securities business
Accrued income taxes		4,875	(303)	275	4,847	Income tax payable
			22,480	7,436	29,916	Other financial liabilities
Deferred tax liabilities		4,048	(4,048)			
Others		36,930	(32,107)	114	4,937	Other liabilities
Bonds payable		30,480	(30,480)			
Long-term loans payable		16,766	(16,766)			
Deferred tax liabilities	(9)	357	4,048	1,466	5,871	Deferred tax liabilities
Provision for retirement benefits		17	(17)			
Other provisions		1,445	(1,445)			
Others		21,675	(21,675)			
Statutory reserve	(7)	4,436	–	(4,436)		
<b>Total liabilities</b>		<b>1,195,235</b>	<b>–</b>	<b>108,428</b>	<b>1,303,663</b>	<b>Total liabilities</b>



Presentation under JGAAP	Notes	Millions of Yen				Presentation under IFRSs
		As at 31 March 2012				
		JGAAP	Reclassifications	Adjustments	IFRSs	
Net assets						Equity
Capital stock		81,665	–	–	81,665	Capital stock
Capital surplus	(1)	249,353	–	(88,882)	160,471	Capital surplus
Treasury stock		(3,180)	–	–	(3,180)	Treasury stock
Retained earnings	(6)	88,418	(9,323)	7,960	(1,363)	Other component of equity
Total shareholders' equity		416,256	(9,323)	(110,410)	296,523	Equity attributable to owners of the Company
Unrealized losses on available-for-sale securities		(2,722)	2,722			
Deferred gains (losses) on derivatives under hedge accounting		(1,890)	1,890			
Foreign currency translation adjustments	(3)	(4,711)	4,711			
Total accumulated other comprehensive income/(loss)		(9,323)	9,323			
Stock acquisition rights		10	(10)			
Minority interests		61,636	10	(6,264)	55,382	Non-controlling interests
Total net assets		468,579	–	(116,674)	351,905	Total equity
Total liabilities and net assets		1,663,814	–	(8,246)	1,655,568	Total liabilities and equity

## RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

	Notes	Millions of Yen	
		As at 1 April 2011	As at 31 March 2012
Equity of the Group under JGAAP		456,983	468,579
Business combination	(1)	(77,493)	(77,393)
Scope of consolidation	(2)	(5,697)	(6,263)
Property and equipment	(4)	714	708
Investment properties	(5)	(1,291)	(2,785)
Financial instruments	(6)	(14,488)	(13,209)
Statutory reserve	(7)	3,082	4,097
Insurance contract	(8)	(6,978)	(8,989)
Income tax expense	(9)	(6,004)	(12,152)
Others		(940)	(688)
Equity of the Group under IFRSs		347,888	351,905

## RECONCILIATION OF COMPREHENSIVE INCOME OF THE FISCAL YEAR ENDED 31 MARCH 2012

	Notes	Millions of Yen
		Fiscal year ended 31 March 2012
Comprehensive income of the Group under JGAAP		3,764
Business combination	(1)	3,912
Scope of consolidation	(2)	826
Property and equipment	(4)	(6)
Investment properties	(5)	(1,494)
Financial instruments	(6)	816
Statutory reserve	(7)	1,015
Insurance contract	(8)	(2,011)
Income tax expense	(9)	(6,148)
Others		252
Comprehensive income of the Group under IFRSs		926

## SIGNIFICANT RECONCILIATION OF CASH FLOWS

There is no significant difference between cash flow statement presentation under IFRSs and JGAAP.

## Notes to Reconciliation

### (1) Business combination

The Group decided to retrospectively apply IFRS 3 “Business Combinations” to all business combinations consummated on or after 31 March 2008.

#### (a) Measurement of assets and liabilities at the date of business combination

The items which are recognized as assets and liabilities under JGAAP but do not meet the criteria for recognition of assets and liabilities under IFRSs are excluded from the statement of financial position as at 1 April 2011. On the contrary, items which meet the criteria for recognition of assets and liabilities under IFRSs but were not recognized under JGAAP were recognized at measurement value at the initial recognition date.

As a result, the Group recognized intangible assets of ¥1,426 million and goodwill arising from business combination of ¥1,379 million was reduced at the initial recognition date.

#### (b) Goodwill arising from increasing investment in equity after obtaining control

The Group applies IFRS 3 “Business Combinations” retrospectively to all the business combinations that occurred on or after 31 March 2008 and treats goodwill arising from the increase in interest after obtaining control under JGAAP as a decrease in capital surplus. As a result, the capital surplus decreased by ¥87,156 million and ¥98,443 million as at 1 April 2011 and 31 March 2012, respectively. The decrease at the transition date included the amount of ¥83,852 million, which arose from SBI SECURITIES Co., Ltd. becoming a wholly owned subsidiary in August 2008.

#### (c) Changes in ownership interests in subsidiaries without loss of control

Under IAS 27 “Consolidated and Separate Financial Statements”, the entity shall recognize investments in subsidiaries arising from changes in interest of the parent company without losing control as an equity transaction and thus profit or loss or goodwill decreases recognized under JGAAP are treated as a decrease or increase of capital surplus.

As a result, the capital surplus increased by ¥5,942 million and ¥10,564 million as at 1 April 2011 and 31 March 2012, respectively.

#### (d) Impairment and amortization of goodwill and negative goodwill

Under JGAAP, goodwill is generally amortized over an estimated useful life up to 20 years and shall be tested for impairment if there is an indication that the asset may be impaired and consequently not required to be tested for impairment every fiscal year. Impairment test consists of judgment for recognition and measurement of impairment. For the judgment for recognition, pre-discounted future cash flow is used for comparison with

book value. The Group shall recognize the amount of the book value of non-current assets less the higher amount of fair value or value in use as measurement of impairment of non-current assets.

Under IFRSs, goodwill is required to be tested for impairment regardless of an indication of impairment instead of periodical amortization. For the impairment test, the Group compares cash-generating units including goodwill with their recoverable amount. Recoverable amount is the higher of its fair value less costs of disposal and value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or a cash-generating unit which goodwill is allocated to. The Group shall base cash flow projections on the most recent financial budgets/forecasts approved by management, and the maximum period of these budgets/forecasts shall be five years or less unless a longer period can be justified. The discount rate used for measuring value in use was 8.62% and 7.25% per annum as at 1 April 2011 and 31 March 2012, respectively.

As discussed, there are differences between JGAAP and IFRSs on assumptions and estimations used in impairment testing of goodwill and scope or approach of the impairment test itself. An additional impairment test is required at the transition date under IFRS 1.

Due to these differences, we recognized an impairment loss of ¥1,906 million in the Financial Service Business and ¥1,182 million in the Biotechnology-related Business and ¥2,547 million in the Other Business, in the aggregate of ¥5,635 million as a result of the revaluation of the recoverability amount of goodwill and other assets as at the transition date, 1 April 2011.

As at 31 March 2012 we recognized an impairment loss of goodwill of ¥1,276 million in the Asset Management Business and of ¥858 million in the Financial Service Business, in the aggregate of ¥2,134 million.

Negative goodwill recognized as liabilities and amortized periodically under JGAAP is recognized as profit or loss under IFRSs.

#### (e) Summary impact from business combinations on equity accounts

As a result of the above from (1)(a) to (1)(d), as at 1 April 2011, there was a decrease in equity of ¥77,493 million, which consists of a decrease in capital surplus of ¥81,214 million, an increase in retained earnings of ¥4,101 million, and a decrease in non-controlling interests of ¥138 million.

Also, as a result of the above from (1)(a) to (1)(d), as at 31 March 2012, there was a decrease in equity of ¥77,393 million which consists of a decrease in capital surplus of ¥87,879 million, an increase in retained earnings of ¥9,340 million, and increase in non-controlling interests of ¥1,389 million.

In addition, total comprehensive income increased by ¥3,912 million for the fiscal year ended 31 March 2012.

## (2) Scope of consolidation

Under JGAAP, when investment companies such as venture capital organizations invest in stock or equity of other company to achieve capital gains through corporate revitalization and business development, even if controlling for decision making of the other company, the company may not be recognized as subsidiary. On the other hand, under the same condition, IFRSs requires investment companies include the other company within the scope of consolidation when controlling the other company.

Since the scope of consolidation has been expanded under IFRSs, there was a decrease in equity of ¥5,697 million as at 1 April 2011, including a decrease in retained earnings of ¥4,698 million. Also, as at 31 March 2012, there was a decrease in equity of ¥6,263 million, including a decrease in retained earnings of ¥5,174 million.

In addition, total comprehensive income increased by ¥826 million for the fiscal year ended 31 March 2012.

## (3) Translation adjustment for foreign operations

The Group determined to apply the exemption in IFRS 1 and set accumulated translation adjustment for all foreign operations to zero as at the transition date.

## (4) Property and equipment

The Company and its subsidiaries in Japan principally apply the declining-balance method as the depreciation method for property and equipment (other than leased assets) under JGAAP; however, under IFRSs, the straight line method is generally applied. Retained earnings increased by ¥672 million and ¥665 million as at the transition date and 31 March 2012 principally due to the above difference in depreciation method.

## (5) Investment properties

The Group determined to apply the exemption in IFRS 1 and treat fair value for some of the investment properties as deemed cost at the transition date under IFRSs. The book value of investment properties to which the Group applied deemed cost is ¥17,420 million and their fair value is ¥15,687 million. As a result, retained earnings decreased by ¥1,257 million as at the transition date. Retained earnings decreased by ¥1,470 million because the Group recognized an impairment loss as at 31 March 2012.

## (6) Financial instruments

### (a) Classification of financial assets

Financial assets are classified as either “Financial assets measured at amortized cost” or “Financial assets measured at fair value” under IFRS 9 “Financial Instruments” (hereinafter referred to as the “IFRS 9”). Investment in equity instruments which are not held for trading can be initially designated as financial assets measured at fair value through other comprehensive income.

On the other hand, under JGAAP, securities are classified into four categories, “Securities held for trading”, “held to maturity investment”, “stocks of subsidiaries or associates” and “available-for-sale securities”. “Held to maturity investment” is measured at amortized cost and “securities held for trading” and “available-for-sale securities” are

measured at fair value through profit or loss and other comprehensive income, respectively.

Items included in “available-for-sale securities” excluding those measured at fair value through other comprehensive income, are measured at fair value through profit or loss with the adoption of IFRS 9. The investment held by venture capitals and other similar entities in the Group are measured at fair value through profit or loss, when the Group does not intend to exercise control even though holding 20% to 50% voting interests, in conformity with IFRS 9.

### (b) Deferral of up-front fee

The Company recognizes up-front fees which are charged by each housing loan at a fixed rate as revenue immediately upon receipt under JGAAP, however, under IFRSs, revenue recognition of up-front fee is deferred by using the effective interest method where it meets the definition of “An inseparable part of effective interests”.

### (c) Derecognition of financial assets and financial liabilities with securitization

According to IFRS 1, the requirements of derecognition under IFRS 9 can be applied before the transition date when necessary information is available. The Group decided to derecognize the financial instruments related to the housing loans securitized on and after 1 January 2004 as they meet the criteria for derecognition defined in IFRS 9. Under IFRSs, all the risks and rewards of financial assets are regarded as substantially transferred when the Group no longer holds the contractual rights to collect cash flows from the financial assets or the Group officially acknowledges the pass-through arrangements. A financial asset shall be derecognized if all the risks and rewards are transferred or the Group hardly retains any risks and rewards of the financial assets nor exercise control towards it. Otherwise, the Group continues to recognize the financial assets. If the Group does not transfer all the risks and rewards of a transferred asset, and retains control of it, the Group continues to recognize the financial assets to the extent of its continuing involvement.

Under JGAAP financial assets are derecognized upon the transfer of control to a third party (financial component approach). Risks and rewards are not considered in the assessment of derecognition.

Under JGAAP the specific agreement of a securitization is regarded as a sale of a loan to a third party and thus the loan is derecognized. Under IFRSs, the Group retain significant credit risks in relation to part of the loan, which do not meet the criteria for derecognition under IFRS 9 and, thus, the loan is not derecognized. Furthermore, with the derecognition not being acknowledged under IFRSs, commission fees in relation to the loan which are recognized as income under JGAAP are recognized as adjustment to the effective interest and amortized together with the loan.

(d) **Summary impact on financial instruments on equity accounts**

As a result of the above stated (6)(a) to (6)(c), equity decreased by ¥14,488 million, consisting of a ¥14,919 million decrease in retained earnings, a ¥5,351 million increase in other component of equity and a ¥4,736 million decrease in non-controlling interests as at the transition date. As at 31 March 2012, equity decreased by ¥13,209 million, which consists of a ¥13,952 million decrease in retained earnings, a ¥5,085 million increase in other component of equity and a ¥4,063 million decrease in non-controlling interests.

Other comprehensive income increased by ¥816 million for the fiscal year ended 31 March 2012.

Assets increased by ¥65,978 million and liabilities increased by ¥66,305 million as at the transition date, and assets increased by ¥51,421 million and liabilities increased by ¥51,358 million as at 31 March 2012 as impacted by the above (6)(c).

(7) **Statutory reserve**

A reserve for financial products transaction liabilities recognized under JGAAP is provided for future possible losses which do not exist at the reporting date. Reserves for financial products transaction liabilities do not meet the criteria for the recognition of liabilities under IFRSs; therefore, they are reversed, which leads to the result of a ¥3,082 million increase in retained earnings at the transition date and a ¥4,097 million increase as at 31 March 2012.

(8) **Insurance contract**

(a) **Deferred assets**

A newly established insurance company may defer business expenditures incurred within 5 years after establishment and record them as deferred assets which can be amortized within 10 years through profit or loss in conformity with Article 113 of the Insurance Business Act. Since the deferred assets which the Group recognizes under JGAAP do not meet the criteria for recognition of assets under IFRSs, the deferred assets are written off.

(b) **Reserve for catastrophes**

The reserve for catastrophes recognized under JGAAP is for future possible insurance payment and does not meet the criteria of a liability under IFRSs. Therefore, the reserve for catastrophes recognized under JGAAP is written off under IFRSs.

(c) **Summary impact from insurance contracts on equity accounts**

Retained earnings and non-controlling interest as at the transition date decreased by ¥4,573 million and ¥2,405 million, respectively, and retained earnings and non-controlling interest as at 31 March 2012 decreased by ¥6,291 million and ¥2,698 million, respectively, as a result of the impact from (8)(a) to (8)(b).

Total comprehensive income decreased by ¥2,011 million for the fiscal year ended 31 March 2012.

(9) **Income tax expense**

The elimination of unrealized gains or losses arising from transactions within the Group leads to a temporary difference between the book value and the tax base.

Under JGAAP, tax effects in relation to elimination of intragroup unrealized gains are recognized as deferred tax assets for the tax amount which incurred at the seller side and the tax effects in relation to elimination of intragroup unrealized losses are recognized as deferred tax liabilities at the seller side since they are regarded as deductible in the calculation of taxable income.

On the other hand, under IFRSs, the tax effects in relation to elimination of intragroup unrealized gains are recognized as deferred tax assets at the buyer side considering the recoverability and calculated using the buyer's tax rate. Tax effects in relation to intragroup unrealized losses are recognized as deferred tax liabilities with some exceptions.

Due to these GAAP differences, retained earnings decreased by ¥6,004 million and ¥12,152 million as at the transition date and 31 March 2012, respectively.

(10) **Assets and liabilities related to the securities business**

Under JGAAP, trade date accruals are recorded as the net amount for the contra account of trading assets and liabilities recognized when trading on an exercise basis. Only transaction fees are recognized on exercise date and trade date accruals are not recognized during a transaction as broker. On the other hand, under IFRSs, receivables and payables to different counter party can be offset when, and only when there is legal enforcement and the intention for offsetting or simultaneous settlement of assets and liabilities. Therefore, trade date accruals occurred during trading are recorded at their gross amounts. On brokerage for the customer, receivables and payables are recognized to both seller and buyer and trade date accruals are recorded as gross amounts, at the same time, trade date accruals are partially offset with deposit from customers in spot transactions and also offset partially with margin transaction assets or margin transaction liabilities in margin transactions.

Due to the impact of the GAAP difference stated above, assets and liabilities related to the securities business increased by ¥109,758 million and ¥46,630 million as at the transition date and 31 March 2012, respectively.

# Deloitte.

Deloitte Touche Tohmatsu LLC  
MS Shibaura Building  
4-13-23, Shibaura  
Minato-ku, Tokyo 108-8530  
Japan  
Tel: +81 (3) 3457 7321  
Fax: +81 (3) 3457 1694  
www.deloitte.com/jp

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of SBI Holdings, Inc. and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statements of financial position as at 31 March 2013, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 March 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Deloitte Touche Tohmatsu LLC*

27 June 2013

Member of  
Deloitte Touche Tohmatsu Limited

# THE SBI GROUP (PRINCIPAL GROUP COMPANIES)

SBI Holdings, Inc.

TSE First Section

SEHK Main Board

## 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 Benefit Systems Co., Ltd.</b>	Services for defined-benefit pension plans	87.0%
<b>① SBI MONEY PLAZA Co., Ltd.</b>	"Face-to-face" shops that provide financial products	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 Japannext Co., Ltd.</b>	Operation of PTS (Proprietary Trading System)	52.8%
<b>① SBI Social Lending Co., Ltd.</b>	Loan and social lending operations	100.0%
<b>① SBI Remit Co., Ltd.</b>	International remittance business	100.0%
<b>① SBI AutoSupport Co., Ltd.</b>	Provision of financial services through used car dealers, etc.	70.0%
<b>① Autoc one K.K.</b>	Internet support service for purchasing automobiles	60.9%

<b>Financial Services Business (Business Divisions of SBI Holdings, Inc.)</b>	Operation of financial product comparison, search and estimate websites	
<b>① SBI Net Systems Co., Ltd.</b>	R&D and providing information security products	100.0%
<b>② SBI-LG Systems Co., Ltd.</b>	System-related business	49.0%
<b>② SOLXYZ Co., Ltd.</b>	Software development	26.3%
<b>① SBI Business Solutions Co., Ltd.</b>	Back office support services	78.7%
<b>① SBI Insurance Co., Ltd.</b>	Internet-based nonlife insurance company	80.2%
<b>① SBI SSI Holdings Co., Ltd.</b>	Holding company of small-amount short-term insurance policy businesses	100.0%
<b>① IKIKI SEDAI Inc.</b>	Small-amount short-term insurance policy businesses	100.0%
<b>① SBI SSI Co., Ltd.</b>	Small-amount short-term insurance policy businesses	98.3%
<b>② SBI Sumishin Net Bank, Ltd.</b>	Internet-based full service bank	50.0%
<b>① SBI Mortgage Co., Ltd.</b>	Long-term, fixed-rate housing loans	66.5%
<b>① CEM Corporation</b>	Real estate secured loans	79.7%

<b>① Morningstar Japan K.K.</b>	Rating information for investment trust, others	49.2%
<b>① Morningstar Asset Management Co., Ltd.</b>	Investment advisory services, others	100.0%
<b>① SBI Searchina Co., Ltd.</b>	Operation of "Searchina," a Chinese information website	100.0%
<b>① SBI Fund Bank Co., Ltd.</b>	Planning services associated with investment trusts	100.0%
<b>② Strategic Consulting Group, Inc.</b>	Financial advisory services	44.4%
<b>② CSJ-SBI Financial Media Co., Ltd.</b>	Sino-Japanese economic and financial information services	43.0%
<b>① SBI Card Co., Ltd.</b>	Credit card business	100.0%
<b>① SBI Lease Co., Ltd.</b>	Comprehensive leasing business	100.0%
<b>① SBI Business Support Co., Ltd.</b>	Call center planning and operation, staffing	100.0%
<b>① SBI Marketing Co., Ltd.</b>	Advertising agent	99.0%

As of June 30, 2013 / Note: Percentages are the total Group ownership, which is the sum total of the voting rights in possession by the Company and the companies and funds defined as its subsidiaries by IFRSs.

① Consolidated subsidiary ② Equity-method company/affiliated company

## Asset Management Business

Fund management, investment advisory services, etc.

### ① SBI Capital Management Co., Ltd.

Control and management of the Asset Management Business 100.0%

#### ① SBI Investment Co., Ltd.

Venture capital fund management 100.0%

#### ① SBI CAPITAL Co., Ltd.

Buyout and value up fund management 100.0%

### ① SBI Asset Management Co., Ltd.

Investment advisory services, investment trust management 100.0%

### ① SBI Arsnova Research, Co., Ltd.

Arrangement and management of alternative investments 99.0%

### ① SBI VEN CAPITAL PTE. LTD.

Overseas investments administration 100.0%

KOSDAQ

### ② SBI Investment KOREA Co., Ltd.

Venture capital in Korea 43.9%

KOSDAQ

### ① SBI AXES Co., Ltd.

Holding company of payment providers 75.0%

### ① Hyundai Swiss Savings Bank

Savings bank in Korea 89.4%

### ① SBI Royal Securities Plc.

Comprehensive securities company in Cambodia 81.6%

### ② PHNOM PENH COMMERCIAL BANK

Commercial banking services in Cambodia 47.6%

## Biotechnology-related Business

Development, manufacturing and sales of pharmaceuticals, cosmetics and health foods

### ① SBI ALA Hong Kong Co., Limited

Management of the 5-ALA related businesses 100.0%

#### ① SBI Pharmaceuticals Co., Ltd.

Development, manufacturing and sales of cosmetics, health foods and pharmaceuticals using 5-ALA 73.2%

#### ① SBI ALApromo Co., Ltd.

Manufacturing and sales of cosmetics and health foods using 5-ALA 100.0%

### ① SBI Biotech Co., Ltd.

R&D of pharmaceuticals 74.2%

#### ① Quark Pharmaceuticals, Inc.

Research and development of siNRA pharmaceuticals 100.0%

### ① SBI Wellness Bank Co., Ltd.

Healthcare services for membership 92.3%

## Others

### Real Estate Business Division (SBI Holdings, Inc.)

Real estate investments, real estate development and operation of real estate investment funds

TSE Mothers

### ① SBI Life Living Co., Ltd.

Development and sale of properties and operation of lifestyle-related websites 73.8%

### ① SBI Guarantee Co., Ltd.

Rent guarantees for rental housing 100.0%



## CORPORATE HISTORY

1999	Mar.	SoftBank Corp.'s Administrative Division spun off as an independent company, Softbank Finance Corporation, as part of business reorganization accompanying the conversion of SoftBank Corp. into a pure holding company; Softbank Finance Corporation becomes an operating holding company to oversee financial-related business activities
	July	SOFTBANK INVESTMENT CORPORATION (the Company) established under Softbank Finance Corporation to undertake venture capital and incubation business
	Nov.	Softbank Ventures, Inc. (currently SBI Investment Co., Ltd.) became a wholly owned consolidated subsidiary
2000	Dec.	Listed on NASDAQ Japan (currently JASDAQ)
2001	Apr.	SOFTBANK ASSET MANAGEMENT Co., Ltd. (currently SBI Asset Management Co., Ltd.) became a subsidiary SBI CAPITAL Co., Ltd. established
	Feb.	Listed on First Section of Tokyo Stock Exchange
2002	Nov.	Listed on First Section of Osaka Securities Exchange
	June	Merged with E*TRADE Japan K.K. and converted E*TRADE SECURITIES Co., Ltd. into a subsidiary; reorganization of business accelerates thereafter, with the Company positioned as the core company
2003	Oct.	Acquired WORLD NICHIEI Securities Co., Ltd. (formerly SBI Securities Co., Ltd.) and converted this company into a subsidiary
	Feb.	FINANCE ALL CORPORATION, and its subsidiaries GOODLOAN Co., Ltd. (currently SBI Mortgage Co., Ltd.) and WEB-Lease Co., Ltd. (currently SBI Lease Co., Ltd.) became subsidiaries
2004	July	Morningstar Japan K.K. became a subsidiary
	Mar.	Percentage of equity shares held by SoftBank Corp. decreases due to a capital increase through a public offering; changed from a consolidated subsidiary to an equity-method affiliate
2005	July	Changed name to SBI Holdings, Inc. Transferred venture fund management business to SBI VENTURES K.K. (currently SBI Investment Co., Ltd.) and changed to a holding company structure
	Oct.	Established a representative office in Beijing, China
	July	E*TRADE SECURITIES Co., Ltd. (currently SBI SECURITIES Co., Ltd.) changed its name to SBI E*TRADE SECURITIES Co., Ltd.
2006	Aug.	A wholly owned subsidiary of SoftBank Corp. (majority shareholder) sold its shares in the Company, thereby the Company is no longer an equity-method affiliate of SoftBank Corp.

2007	Feb.	Established a Singapore subsidiary, SBI VEN CAPITAL PTE. LTD.
	Aug.	SBI Japannext Co., Ltd. began operations of Proprietary Trading System (PTS)
	Sept.	LIVING Corporation (currently SBI Life Living Co., Ltd.) became a subsidiary SBI Sumishin Net Bank, Ltd. commenced business
	Oct.	SBI E*TRADE SECURITIES Co., Ltd. (currently SBI SECURITIES Co., Ltd.) and former SBI Securities Co., Ltd. merged, with SBI E*TRADE SECURITIES Co., Ltd. as the surviving company
2008	Jan.	SBI Insurance Co., Ltd. commenced business
	July	SBI E*TRADE SECURITIES Co., Ltd. changed its name to SBI SECURITIES Co., Ltd.
	Nov.	SBI Liquidity Market Co., Ltd. started operations
	Dec.	Hong Kong subsidiary SBI Hong Kong Co., Limited (currently SBI Hong Kong Holdings Co., Limited) commenced business
2010	Apr.	Established a representative office in Shanghai, China
	July	Korea Technology Investment Corporation (currently SBI Investment KOREA Co., Ltd.), a South Korean company, became an equity-method affiliated company
2011	Apr.	Hong Kong Depositary Receipts of the Company's common shares listed on the Main Board of the Hong Kong Stock Exchange
	May	Established a representative office in Kuala Lumpur, Malaysia
2012	Mar.	China business management company SBI (China) Co., Ltd., commenced business
	May	SBI FXTRADE Co., Ltd., a foreign exchange trading company commenced business
	June	Implemented reorganization of face-to-face sales businesses centering on SBI MONEY PLAZA Co., Ltd., and transferred the face-to-face division of SBI SECURITIES Co., Ltd. to SBI MONEY PLAZA Co., Ltd.
2013	Oct.	The Company conducted a 10 for 1 stock split
	Mar.	Acquired shares of Hyundai Swiss Savings Bank and converted it into a consolidated subsidiary Acquired all shares of IKIHI SEDAI Inc. and converted it into a consolidated subsidiary

## CORPORATE DATA (As of March 31, 2013)

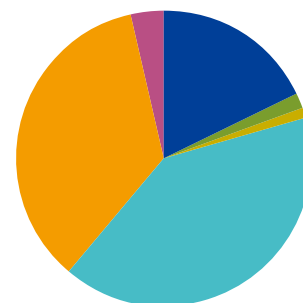
### Company Outline

Company Name	SBI Holdings, Inc.
Date of Establishment	July 8, 1999
Head Office	Izumi Garden Tower 19F, 1-6-1 Roppongi, Minato-ku, Tokyo 106-6019 Japan TEL: +81 (3) 6229 0100 FAX: +81 (3) 3224 1970
Number of Employees	5,007 (consolidated)
Paid-in Capital	¥81,668 million
Fiscal Year	April 1 to March 31

### Stock Information

Listings	First Section of the Tokyo Stock Exchange Main Board of the Hong Kong Stock Exchange
Code	8473 (Tokyo Stock Exchange) 6488 (Hong Kong Stock Exchange)
Shares Authorized	341,690,000 shares
Shares Outstanding	224,525,781 shares (including treasury stock)
Shareholder Register	Mizuho Trust & Banking Co., Ltd.
Hong Kong Depository Receipt (HDR) Custody Trust Institution	JPMorgan Chase Bank, N.A.

Distribution of Ownership among Shareholders (%)



### Principal Shareholders

Name	Number of shares held (shares)	Percentage of outstanding shares (%)
CBNY-ORBIS SICAV	10,262,144	4.57
Japan Trustee Services Bank, Ltd. (Trust account)	9,918,830	4.41
The Master Trust Bank of Japan, Ltd. (Trust account)	7,241,300	3.22
SAJAP	5,476,640	2.43
DEUTSCHE MORGAN GRENFELL (C.I.) LIMITED - GENERAL CLIENT A/C	4,320,450	1.92
CBNY-ORBIS FUNDS	4,002,651	1.78
STATE STREET BANK AND TRUST COMPANY 505225	3,798,096	1.69
Yoshitaka Kitao	3,787,960	1.68
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	3,601,278	1.60
JAPAN SECURITIES FINANCE CO., LTD.	2,481,500	1.10

\* Apart from the holdings of the principal shareholders above, the Company holds 7,524,706 shares (3.35%) as treasury stock.

# WEBSITE DIRECTORY

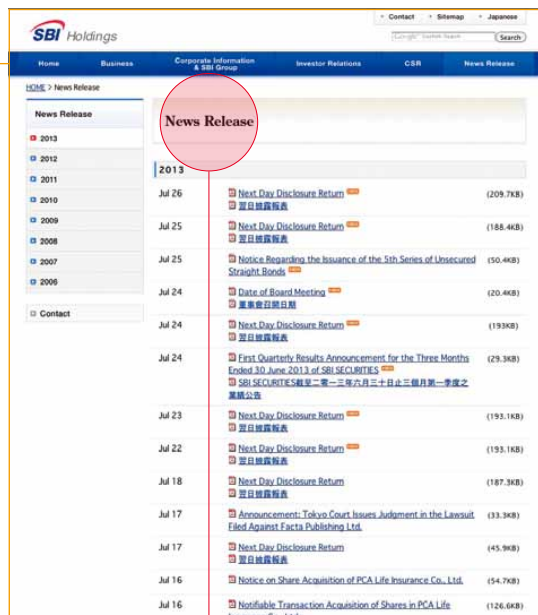
## SBI Holdings Website Top Page

http://www.sbigroup.co.jp/english/



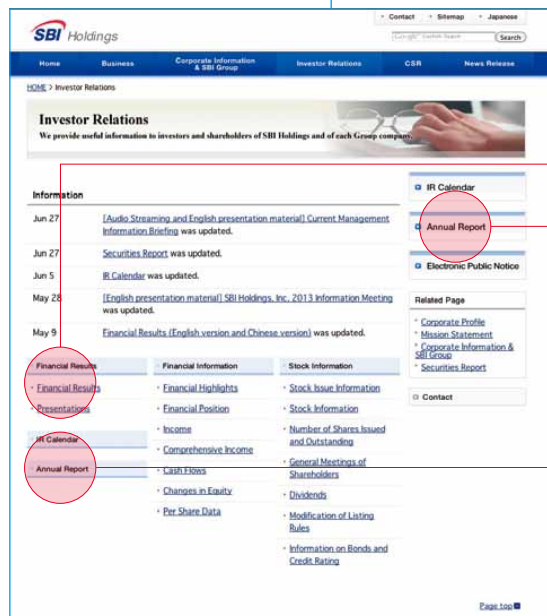
## News Release

http://www.sbigroup.co.jp/english/news/



### News Release

Releases can be found in English and Chinese.



### Financial Results, etc.

Quarterly financial results in English and Chinese. Presentation materials and streaming audios in English.

### Annual Report

Back numbers of annual reports available in English and Chinese.

## Investor Relations

http://www.sbigroup.co.jp/english/investors/

**BOOKS BY YOSHITAKA KITAO, REPRESENTATIVE DIRECTOR, PRESIDENT & CEO**



**Learn from the Ancient Sages**  
Keizaikai Co., Ltd  
November 2012



**When Confounded in Business, Analects Point the Way**  
Asahi Shimbun Publication Inc.  
August 2012



**The Tailwind Behind Japan's Economy**  
Sankei Shinbun Syuppan Co., Ltd.  
June 2012



**Applying the "Analects of Confucius" in Business**  
Chichi Publication Co., Ltd.  
May 2012



**Yoshitaka Kitao's Management Dialogue**  
Kosaido Publishing Co., Ltd.  
March 2012



**Understanding the Times**  
Keizaikai Co., Ltd.  
November 2011



**The Lessons of Shinzo Mori for Nurturing Human Fortitude**  
Chichi Publication  
February 2011



**Penetrating Insight**  
Keizai Co., Ltd.  
November 2010



**The Meaning of Life**  
Kodansha Ltd.  
August 2010  
Co-authored with Takeshi Natsuno



**Notes on Masahiro Yasuoka**  
Chichi Publication  
December 2009



**Change Will Be, When Things Are at Their Worst**  
Keizaikai Co., Ltd.  
October 2009



**Yoshitaka Kitao's Business Management Lecture**  
KIGYOKA NETWORK  
June 2009



**Think Big, Don't Be the Little Guy**  
Chichi Publication  
January 2009



**Reading the Times**  
Keizaikai Co., Ltd.  
August 2008



**Japanese Wisdom and Power**  
PHP Research Institute  
(CN) Fudan University Press  
April 2011



**Proverbs of Sages and Renowned Executives Who Overcame Adversity**  
Asahi Shimbun Publication Inc.  
(CN) Tsinghua University Press  
December 2009



**Why Do We Work?**  
Chichi Publication  
(KR) Joongang Books  
March 2007



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



**"Mysterious Powers" Gained from Chinese Classics**  
Mikasa Shobo Co. Ltd.  
(CN) Peking University Press  
July 2005



**Developing Character**  
PHP Research Institute  
(CN) World Affairs Press  
April 2003



**Universal Management, Growth Management**  
PHP Research Institute  
(KR) Dongbang Media Co. Ltd.  
(CN) World Affairs Press  
October 2000



**Challenges of E-Finance II**  
Toyo Keizai Inc.  
(KR) Dongbang Media Co. Ltd.  
April 2000



**Challenges of E-Finance I**  
Toyo Keizai Inc.  
(CN) The Commercial Press  
(KR) Dongbang Media Co. Ltd.  
December 1999



**"Value-Creation" Management**  
Toyo Keizai Inc.  
(CN) The Commercial Press  
(KR) Dongbang Media Co. Ltd.  
December 1997