# 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 arises 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 are 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<br>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 |
| Total | 20,979 |
| | |
| Cash and cash equivalents | 1,237 |
| Trade and other accounts receivable | 270,745 |
| Other investment securities | 44,920 |
| Other assets | 42,762 |
| Total Assets | 359,664 |
| Bonds and loans payable | 43,555 |
| Customer deposits for banking business | 376,177 |
| Other liabilities | 18,098 |
| Total Liabilities | 437,830 |
| Equity | (78,166) |
| Non-controlling interests | 8,802 |
| Goodwill | 90,343 |
| Total | 20,979 |

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:

| For the fiscal year ended 31 March 2012 | Financial Services Business | Asset Management Business | Biotechnology-related Business | Others | Total | Elimination | Consolidated Total |
|---|---|---|---|---|---|---|---|
| | Millions of Yen | | | | | | |
| Net Sales | | | | | | | |
| 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) | – |
| Total | 109,186 | 56,699 | 475 | 14,526 | 180,886 | (3,477) | 177,409 |
| Segment operating income (loss) | | | | | | | |
| Profit (loss) before income tax expense | 10,498 | 17,928 | (1,984) | (2,220) | 24,222 | (8,622) | 15,600 |
| Other Items | | | | | | | |
| 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 |

| For the fiscal year ended 31 March 2013 | Financial Services Business | Asset Management Business | Biotechnology-related Business | Others | Total | Elimination | Consolidated Total |
|---|---|---|---|---|---|---|---|
| | Millions of Yen | | | | | | |
| Net Sales | | | | | | | |
| 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) | – |
| Total | 113,340 | 32,202 | 970 | 9,240 | 155,752 | (2,276) | 153,476 |
| Segment operating income (loss) | | | | | | | |
| Profit (loss) before income tax expense | 18,741 | 5,450 | (3,900) | 1,659 | 21,950 | (7,737) | 14,213 |
| Other Items | | | | | | | |
| 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.

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

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

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

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

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

| | Millions of Yen | | | |
|---|---|---|---|---|
| | As at 31 March 2013 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | |
| 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 |
| Total financial assets | 28,137 | – | 152,017 | 180,154 |
| Financial liabilities | | | | |
| Liabilities related to securities business | 225 | – | – | 225 |
| Total financial liabilities | 225 | – | – | 225 |

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

| | Millions of Yen | | | |
|---|---|---|---|---|
| For the year ended 31 March 2012 | 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 (Note1) | 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 | – | – | – | – |
| Balance as at 31 March 2012 | 1,109 | 111,298 | 1,865 | 114,272 |

| 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 |
| Operational investment securities | | | |
| 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 |
| Total | 108,138 | 121,951 | 119,268 |
| Other investment securities | | | |
| 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 |
| Total | 13,036 | 10,548 | 57,209 |

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:

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

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

| | Millions of Yen | | |
|---|---|---|---|
| As at 31 March 2013 | USD | HKD | Others |
| Monetary financial instruments dominated in foreign currency | | | |
| 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:

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| As at 1 April 2011 | 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.

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| As at 31 March 2012 | 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.

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| As at 31 March 2013 | 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:

| | Millions of Yen | |
|---|---|---|
| Cost | 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<br>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<br>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 |

| Accumulated depreciation and impairment losses | Millions of Yen<br>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) |

| Carrying amount | Millions of Yen<br>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:

| Carrying amount | Millions of Yen<br>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 31 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:

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| Cost | 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 |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| Accumulated depreciation and impairment losses | 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) |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| Carrying amount | 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:

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| For the year ended 31 March 2012 | 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 |
| Deferred Tax Assets | | | | | |
| 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 |
| | | | | | |
| Deferred Tax Liabilities | | | | | |
| 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 |
| Deferred Tax Assets | | | | | |
| 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) |
| Total | 15,560 | (3,273) | (22) | 1,658 | 13,923 |
| Deferred Tax Liabilities | | | | | |
| Financial assets at FVTOCI | 68 | – | 357 | – | 425 |
| Intangible assets | 377 | (83) | – | 4,695 | 4,989 |
| Other | 120 | (120) | – | 1,670 | 1,670 |
| Total | 565 | (203) | 357 | 6,365 | 7,084 |

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 | – | – |
| Total | 276,978 | 285,188 | 344,360 | | |

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<br>As at 1 April 2011 | As at 31 March 2012 | As at 31 March 2013 | %<br>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 |
| Total | | 70,188 | 90,337 | 103,986 | | |

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<br>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 |
| Total | 23,974 | 19,496 | 20,350 |

The corresponding liabilities were as follows:

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

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<br>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 |
| Total | 42,525 | 39,073 | 48,894 |

## 18. OTHER LIABILITIES RELATED TO SECURITIES BUSINESS

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

| | Millions of Yen<br>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 |
| Total | 176,482 | 123,342 | 255,634 |

## 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 |
| No later than 1 year | | | |
| 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 |
| Later than 1 year and not later than five years | | | |
| 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 |
| Later than 5 years | | | |
| Future minimum lease payments | 1 | – | 3 |
| Less: Future financial cost | (0) | – | (0) |
| Present value | 1 | – | 3 |
| Total | | | |
| 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-cancellable 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-cancellable 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-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 | | | |
| 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 | – | – | – |
| Total | 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 |
| No later than 1 year | | | |
| 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 |
| Later than 1 year and not later than five years | | | |
| 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 |
| Later than 5 years | | | |
| Future minimum lease payments receivable | 39 | – | – |
| Less: Future finance income | (1) | – | – |
| Unguaranteed residual value | – | – | – |
| Present value | 38 | – | – |
| Total | | | |
| 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 202,067,487 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 | Stocks | Yen |
|---|---|---|---|---|
| | For the year ended 31 March 2012 | | For the year ended 31 March 2013 | |
| | Number of stocks | Weighted average exercise price | Number of stocks | Weighted average exercise price |
| 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 | Stocks | Yen |
|---|---|---|---|---|
| | For the year ended 31 March 2012 | | For the year ended 31 March 2013 | |
| a-1 SBI Biotech Co., Ltd. | Number of stocks | Weighted average exercise price | Number of stocks | Weighted average exercise price |
| 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 |
|---|---|---|
| | For the year ended 31 March 2012 | |
| a-2 HOMEOSTYLE Inc. | Number of stocks | Weighted average exercise price |
| 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.

| a-3 Autoc one K.K. | Stocks | Yen | Stocks | Yen |
|---|---|---|---|---|
| | For the year ended 31 March 2012 | | For the year ended 31 March 2013 | |
| | 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.

| a-4 SBI Trade Win Tech Co., Ltd. | Stocks | Yen | Stocks | Yen |
|---|---|---|---|---|
| | For the year ended 31 March 2012 | | For the year ended 31 March 2013 | |
| | 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 | – | – |

| a-5 SBI SSI Co., Ltd. | Stocks | Yen | Stocks | Yen |
|---|---|---|---|---|
| | For the year ended 31 March 2012 | | For the year ended 31 March 2013 | |
| | 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.

| a-6 NARUMIYA INTERNATIONAL CO., LTD. | Stocks | Yen | Stocks | Yen |
|---|---|---|---|---|
| | For the year ended 31 March 2012 | | For the year ended 31 March 2013 | |
| | 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% |

| a-7 SBI AXES Co., Ltd. | Stocks | Yen | Stocks | Yen |
|---|---|---|---|---|
| | For the year ended 31 March 2012 | | For the year ended 31 March 2013 | |
| | 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.

| b-1 SBI Life Living Co., Ltd. | Stocks | Yen | Stocks | Yen |
|---|---|---|---|---|
| | For the year ended 31 March 2012 | | For the year ended 31 March 2013 | |
| | 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.

| b-2 SBI Mortgage Co., Ltd. | Stocks | Yen | Stocks | Yen |
|---|---|---|---|---|
| | For the year ended 31 March 2012 | | For the year ended 31 March 2013 | |
| | 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.

| b-3 SBI VeriTrans Co., Ltd. | Stocks | Yen |
|---|---|---|
| | For the year ended 31 March 2012 | |
| | 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.

| b-4 Morningstar Japan K.K. | Stocks | Yen | Stocks | Yen |
|---|---|---|---|---|
| | For the year ended 31 March 2012 | | For the year ended 31 March 2013 | |
| | 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.

| b-5 Gomez Consulting Co., Ltd. | Stocks | Yen |
|---|---|---|
| | For the year ended 31 March 2012 | |
| | 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:

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| For the year ended 31 March 2012 | 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) |
| Total | (1,982) | (241) | (2,223) | 387 | (1,836) |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| For the year ended 31 March 2013 | 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 |
| Total | 8,766 | (9) | 8,757 | (379) | 8,378 |

## 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 |
| Total assets | 22,403 | 22,716 |
| Bonds and loans payable | 3,237 | 6,869 |
| Trade and other payables | 2,788 | 3,027 |
| Other payables | 7,460 | 6,955 |
| Total payables | 13,485 | 16,851 |

## 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 | Transaction amount | Unsettled amount |
|---|---|---|---|---|---|
| | | | | Millions of Yen | |
| 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

| | For the year ended 31 March 2012 | For the year ended 31 March 2013 |
|---|---|---|
| | Millions of Yen | |
| 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:

| | As at 1 April 2011 | As at 31 March 2012 | As at 31 March 2013 |
|---|---|---|---|
| | | Millions of Yen | |
| 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

| | | Millions of Yen | | | | |
|---|---|---|---|---|---|---|
| | | As at 1 April 2011 | | | | |
| Presentation under JGAAP | Notes | JGAAP | Reclassifications | Adjustments | IFRSs | Presentation under IFRSs |
| Assets | | | | | | Assets |
| 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) | | |
| Total assets | | 1,293,606 | – | 78,123 | 1,371,729 | Total assets |

| Presentation under JGAAP | Notes | JGAAP | Reclassifications | Adjustments | IFRSs | Presentation under IFRSs |
|---|---|---|---|---|---|---|
| | | Millions of Yen<br>As at 1 April 2011 | | | | |
| Liabilities | | | | | | Liabilities |
| | | | 211,278 | 65,700 | 276,978 | Bonds and loans payable |
| Short-term loans payable | | 97,164 | (97,164) | | | |
| 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) | | |
| Total liabilities | | 836,623 | – | 187,218 | 1,023,841 | Total liabilities |

| | | Millions of Yen | | | | |
|---|---|---|---|---|---|---|
| | | As at 1 April 2011 | | | | |
| Presentation under JGAAP | Notes | JGAAP | Reclassifications | Adjustments | IFRSs | Presentation under 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 |
| | (6) | | (7,156) | 7,727 | 571 | Other component of equity |
| Retained earnings | | 88,074 | – | (27,123) | 60,951 | 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

| | | Millions of Yen | | | | |
|---|---|---|---|---|---|---|
| | | As at 31 March 2012 | | | | |
| Presentation under JGAAP | Notes | JGAAP | Reclassifications | Adjustments | IFRSs | Presentation under IFRSs |
| Assets | | | | | | Assets |
| 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 |
| | | | 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) | | |
| Total assets | | 1,663,814 | – | (8,246) | 1,655,568 | Total assets |

| Presentation under JGAAP | Notes | JGAAP | Reclassifications | Adjustments | IFRSs | Presentation under IFRSs |
|---|---|---|---|---|---|---|
| | | Millions of Yen<br>As at 31 March 2012 | | | | |
| Liabilities | | | | | | Liabilities |
| | | | 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) | | |
| Total liabilities | | 1,195,235 | – | 108,428 | 1,303,663 | Total liabilities |

| | | Millions of Yen | | | | |
|---|---|---|---|---|---|---|
| | | As at 31 March 2012 | | | | |
| Presentation under JGAAP | Notes | JGAAP | Reclassifications | Adjustments | IFRSs | Presentation under 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 |
| | (6) | | (9,323) | 7,960 | (1,363) | Other component of equity |
| Retained earnings | | 88,418 | – | (29,488) | 58,930 | Retained earnings |
| 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

| | | Millions of Yen | |
|---|---|---|---|
| | Notes | 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

| | | Millions of Yen |
|---|---|---|
| | Notes | 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.