SBI Holdings

Charting an Original Path

Annual Report 2013

Takes an Original Company

CONTENTS

The SBI Group was established in 1999 as a pioneer in Internet financial services in Japan. At a time of rapid transformation due to the development and popularization of the Internet and financial deregulation, we have achieved steady growth and established the business structure of a globally unique Internet-based financial conglomerate.

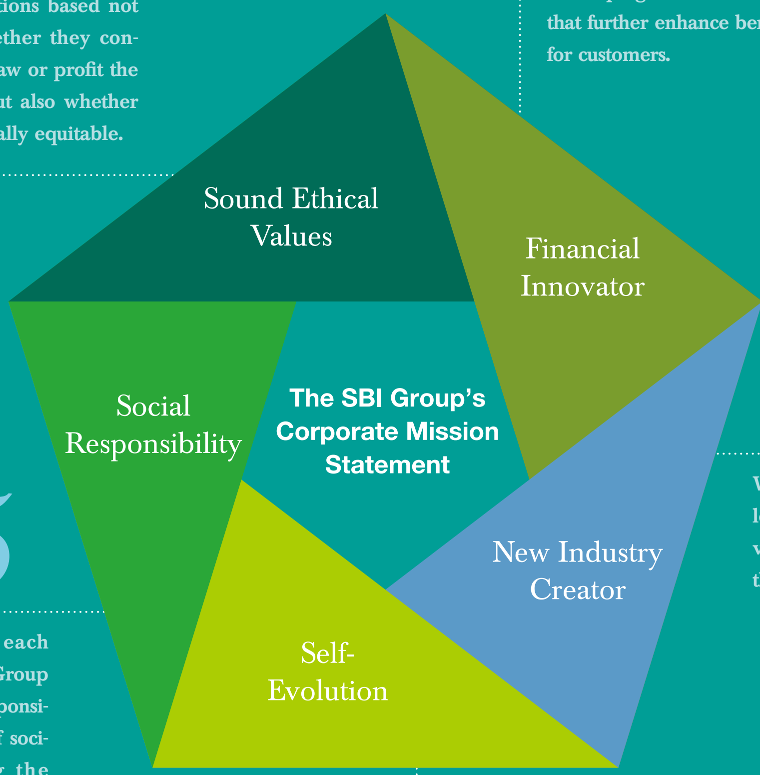
Today, the SBI Group has developed a unique financial ecosystem that can provide one-stop access to various financial services, including securities, banking, insurance and housing loans, along with an asset management business that primarily involves venture capital investments. We are also expanding the business domain to biotechnology-related businesses, in order to achieve a further transformation and future growth, and are deploying this unique business model overseas in Asia, North America, the Middle East and Europe.

Furthermore, we are steadily establishing a global business structure. For example, SBI Holdings is now listed on the Tokyo Stock Exchange and the Hong Kong Stock Exchange, and SBI Group companies are now listed on stock exchanges not only in Japan, but also in South Korea. By further accelerating the development of a global business structure, we are endeavoring to maximize corporate value by transforming ourselves into the "World's SBI."

Becoming the "World's SBI"

With

Original Ideas



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

2 We will transcend traditional methods and bring financial innovations to the forefront of the financial industry, utilizing opportunities provided by the powerful price-cutting forces of the Internet and developing financial services that further enhance benefits for customers.

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

4 We will continue to be a company that evolves of its own volition by forming an organization that flexibly adapts to changes in the operating environment and incorporates corporate "Ingenuity" and "Self-transformation" as part of its organizational DNA.

5 We will ensure that each company in the SBI Group recognizes its social responsibilities as a member of society, while fulfilling the demands of its stakeholders, contributing to the betterment of society.

Key Concepts for Growing the SBI Group

A customer base of more than 15 million that supports growth

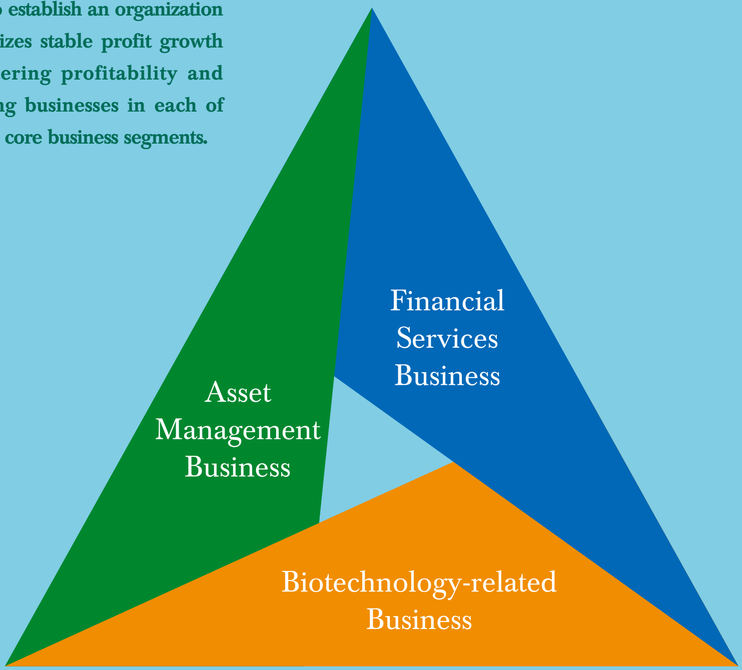
SBI SECURITIES, SBI Sumishin Net Bank, SBI Insurance, and other Group companies are steadily increasing their customer bases, and the SBI Group's customer base at the end of March 2013 totaled 15.149 million, up 2.090 million from the previous year.

The pursuit of stable growth in earnings from the three core business segments

The Group as a whole will endeavor to establish a business portfolio that is more resilient to fluctuations in the stock market, as well as to establish an organization that realizes stable profit growth by bolstering profitability and upgrading businesses in each of the three core business segments.

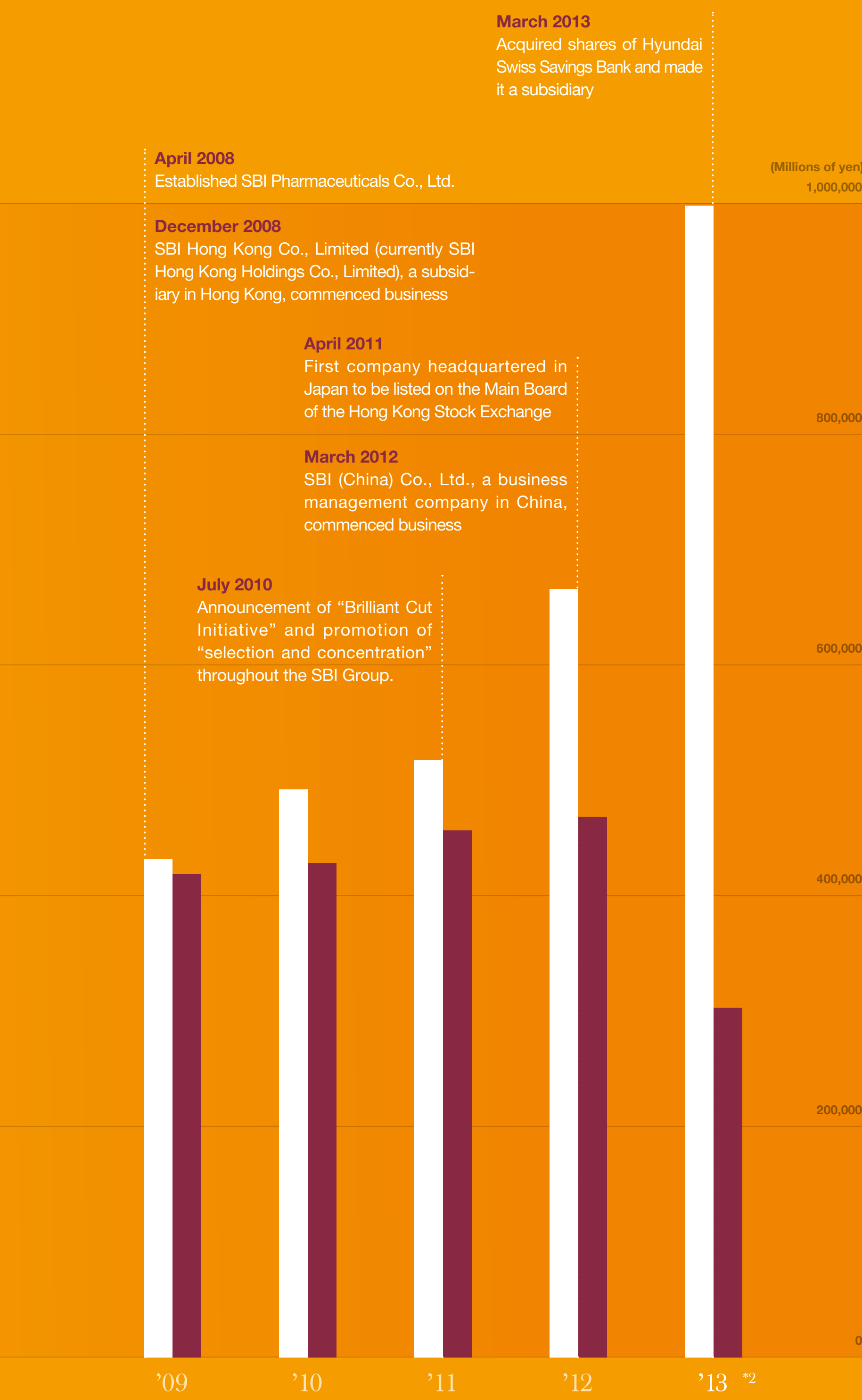
Wide-ranging business activities in nearly twenty countries and regions around the world

We have established a business presence in Beijing, Shanghai, Hong Kong, Singapore and other locations, focusing primarily on fast-growing emerging markets in Asia and are pursuing global business development of the Asset Management Business, Financial Services Business and Biotechnology-related Business.



Pursuing

Original Goals



Further Acceleration of Growth as a Global Company

The SBI Group will transition from "Japan's SBI" to the "World's SBI" and pursue further growth as a global company.

Maximization of Corporate Value

We will endeavor to create innovative services and businesses in pursuit of maximizing corporate value, defined as the sum total of customer value, shareholder value and human capital value.

*1 Fiscal 2000, 2001 and 2002 were the years ended September 30.
*2 The Group prepared the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs") from the year ended March 2013.

CONSOLIDATED FINANCIAL HIGHLIGHTS

(Millions of yen)

Years ended March 31	2011 (JGAAP)	2012 (JGAAP)	2012 (IFRSs)	2013 (IFRSs)
Net sales / Operating revenue	¥141,081	¥145,074	¥177,409	¥153,476
Operating income	8,932	7,575	17,530	16,577
Ordinary income	3,525	4,860	–	–
Income before income taxes / Profit before income tax expense	5,430	17,552	15,600	14,213
Net income (loss) / Profit for the year attributable to owners of the Company	4,534	3,200	303	3,202
Total assets	1,293,606	1,663,814	1,655,568	2,494,387
Total net assets / Total equity	456,982	468,579	351,905	360,535
Net cash from (used in) operating activities	(742)	(4,972)	9,818	(36,984)
Net cash from (used in) investing activities	(16,642)	(27,035)	(16,021)	(19,060)
Net cash from financing activities	25,154	29,529	7,387	25,699
Cash and cash equivalents, end of year	148,786	145,594	159,833	133,362

(Yen)

Net income (loss) per share / Basic earnings per share attributable to owners of the Company	236.09	14.56	1.38	14.75
Book-value per share / Diluted earnings per share attributable to owners of the Company	19,610.64	1,848.92	1,347.27	1,401.39

* The Company conducted a 10 for 1 stock split, effective on October 1, 2012. The calculations of basic and diluted earnings per share are based on the new number of shares and adjusted retrospectively, assuming that the stock split was conducted at the beginning of the fiscal year ended March 31, 2012.

(%)

Equity ratio / Ratio of equity attributable to owners of the Company to total assets	30.2	24.5	17.9	12.2
Substantive equity ratio / Substantive ratio of equity attributable to owners of the Company to total assets*	48.7	47.6	37.1	22.9
Return on equity / Ratio of profit to equity attributable to owners of the Company	1.2	0.8	0.1	1.1

* The substantive equity ratio, calculated by subtracting customer asset accounts (that is, asset accounts for margin transaction assets, cash segregated as deposits, etc.) and liability accounts (margin transaction liabilities, guarantee deposits received, and deposits from customers, etc.) held by the Company's subsidiary SBI SECURITIES

(Times)

PER (Price-earnings ratio)	44.35	53.65	565.94	56.34
PBR (Price-book-value ratio)	0.5	0.4	0.6	0.6

PER = FY end TSE closing price/Earnings per share
PBR = FY end TSE closing price/Book-value per share
Note: The closing price for the fiscal year ended March 31, 2013 was ¥831.

(Persons)

Employees	3,397	3,149	–	5,007

Financial Services Business

The Group engages in a wide variety of finance-related businesses, including securities, banking, insurance, housing loans, credit cards and leasing, as well as the provision of information regarding financial products.

Performance of the Segment (Millions of yen)

	FY2011	FY2012
Operating revenue	109,186	113,340
Profit for the year	10,498	18,741

SBI SECURITIES Co., Ltd.

SBI Sumishin Net Bank, Ltd.

SBI Liquidity Market Co., Ltd.

SBI Insurance Co., Ltd.

SBI MONEY PLAZA Co., Ltd.

Morningstar Japan K.K.

SBI Japannext Co., Ltd.

SBI Mortgage Co., Ltd.

Asset Management Business

The Group engages in businesses related to investment in venture companies in Japan and abroad, in fields including the Internet, biotechnology, the environment and energy, and finance.

Performance of the Segment (Millions of yen)

	FY2011	FY2012
Operating revenue	56,699	32,202
Profit for the year	17,498	5,450

SBI Investment Co., Ltd.

SBI CAPITAL Co., Ltd.

SBI VEN CAPITAL PTE. LTD.

Biotechnology-related Business

The Group engages in the development and sale of pharmaceuticals using 5-aminolevulinic acid (5-ALA), an amino acid that exists in living organisms, pharmaceuticals in the fields of cancer and immunology and other products.

Performance of the Segment (Millions of yen)

	FY2011	FY2012
Operating revenue	475	970
Profit for the year	(1,984)	(3,900)

SBI Pharmaceuticals Co., Ltd.

SBI ALApromo Co., Ltd.

SBI Biotech Co., Ltd.

Boldly Taking Up New Challenges to Maximize Corporate Value

Since our founding in 1999, the SBI Group has adhered to the "Customer-centric Principle" and continuously provided highly competitive products and services that take maximum advantage of the Internet.

As a result, the Group's customer base has expanded to more than 15 million, and the SBI Group is now in the process of transforming itself from "Japan's SBI" to the "World's SBI."

We will continue to adhere to the "Customer-centric Principle," as we endeavor to introduce more innovative services and businesses in pursuit of the maximization of corporate value, defined as the sum total of customer value, shareholder value, and human capital value, as we continue to grow as a global company.

Representative Director,
President & CEO
Yoshitaka Kitao

The Driving Growth Forces

The Group owes its dramatic growth to three fundamental business-building concepts that have become the driving growth forces.

1 Tracking the Major Trends

a) Growth acceleration of the Internet finance business driven by the continued evolution and enhancement of the Internet

The SBI Group, founded in 1999, has accelerated its business growth by identifying and capitalizing on two major trends, the Internet revolution and financial deregulation. SBI SECURITIES is the clear leader amongst Japan's online securities companies in the number of accounts and customers' deposit assets, has the highest share of individual stock trading value amongst all Japanese securities companies, and is solidifying its customer base. SBI Sumishin Net Bank is achieving rapid growth, becoming the first Internet bank with a balance of deposits exceeding ¥3.0 trillion in July 2013. SBI Insurance is growing rapidly as well, with the number of auto insurance contracts topping 500,000 as of the end of December 2012.

b) Concentrated investments into growth industries of the 21st century in a post-industrial society

For Japanese companies, a major trend crucial to future growth is the transition of Japan's industrial structure to a post-industrial society. To capitalize on this trend, the SBI Group, in its role as a "New Industry Creator," is making concentrated investments in 21st century growth industries, including the Internet, biotechnology and life science, and the environment and alternative energy.

At the same time, the SBI Group itself has founded IT companies in the Internet sector, with a focus on Internet finance, and has entered biotechnology businesses through SBI Biotech, SBI Pharmaceuticals, and SBI ALApromo.

c) Accelerating overseas business development focusing on dramatic Asian growth

Another major trend crucial to future growth is the rise of emerging countries and the coming of the Asian century. Since the global economic crisis triggered by the collapse of Lehman Brothers in 2008, Asia has become more prominent in the world economy with respect to economic scale and promise for the future. Accordingly, we have set up funds in joint ventures with prominent financial groups, government-affiliated investment institutions, and the investment arms of universities in countries around the world, thereby building a global investment structure covering a wide region with a focus on emerging countries.

In addition, we have acquired equity stakes in overseas financial institutions, namely banks, securities companies, and insurance companies, to engage in overseas financial services businesses, primarily in Asia.

2 Formation of a "Business Ecosystem" and the Establishment of "Structural Differentiation"

Two propositions applicable to complex systems provided an important hint to me at the time of the founding of the SBI Group: "The whole is greater than the sum of the parts" and "The whole has new qualities that an individual part cannot perceive." These propositions gave me the idea that a business ecosystem, a new form of organization, should be developed in order to realize high growth potential from synergies and mutual evolution that cannot be accomplished by a stand-alone company.

In the Internet era, a single company cannot successfully compete on its own. The development of a business ecosystem is the most effective and powerful means of structural differentiation, and is essential for realizing an overwhelming competitive advantage. Additionally, the formation and development of a business ecosystem promotes positive synergies among the constituent companies. This process also creates a mutual evolution process in each company's market to support rapid growth.

In keeping with this way of thinking, the SBI Group has established a business ecosystem, and become a globally unique Internet-based financial conglomerate. The Group has fully demonstrated the synergies I anticipated, and has achieved dramatic growth. A prime example of this is that the service collaboration between SBI SECURITIES and SBI Sumishin Net Bank is highly appreciated by customers, and accordingly these companies are building overwhelmingly powerful positions in the Internet securities and Internet banking industries, respectively.

3 Adherence to the "Customer-centric Principle"

Since its founding, the SBI Group has adhered to the "Customer-centric Principle," and exhaustively pursued services truly grounded in the customer's perspective, such as the provision of services with more favorable fees and interest rates, at a glance comparison of financial products, attractive investment opportunities, highly safe and reliable services, and a wealth of high-quality financial content.

As a result, SBI SECURITIES, SBI Sumishin Net Bank, and SBI Insurance have all received high ratings in customer satisfaction surveys conducted by third-party evaluation organizations, which has contributed to the establishment of the Group customer base of more than 15 million.

Rapid Recovery in the Second Half of FY2012

The bold monetary easing launched at the end of 2012 by Japan's new government and other factors have led to the correction of the extreme appreciation of the yen, and an upturn in stock prices and heightened expectations for an economic recovery. In the Japanese stock market, total individual stock brokerage trading value of the three major markets (Tokyo, Osaka, and Nagoya) in the fourth quarter (January to March 2013) was 2.4 times the level of the third quarter (October to December 2012), partly as a result of the easing of margin trading regulations in January 2013.

Performance Improvement in FY2012

For the FY2012 consolidated business results, when the Company adopted International Financial Reporting Standards (IFRSs), operating revenues decreased 13.5% year-on-year to ¥153.5 billion, operating income decreased 5.4% to ¥16.6 billion, and profit before income tax expense decreased 8.9% to ¥14.2 billion, while profit attributable to owners of the Company increased 955.9% to ¥3.2 billion.

Comparing the financial results by segment in the first half (April to September 2012) and the second half (October 2012 to March 2013) of FY2012 shows rapid recovery in results in the Financial Services Business and Asset Management Business, accompanying the recovery in the market environment since the end of 2012. Profit before income tax expense in the second half was ¥14.9 billion, 283.2% higher than in the first half, for the Financial Services Business, and ¥5.0 billion or 938.8% higher, in the Asset Management Business. In the Biotechnology-related Business, loss before income tax expense in the second half was ¥2.7 billion, compared to a loss of ¥1.2 billion in the first half. Profit before income tax expense from other businesses was ¥1.0 billion in the second half, up 56.7% from the first half.

"In the Asset Management Business, we will pursue further globalization to become the 'World's SBI.'"

Organizational Restructuring to Realize the "World's SBI"

In FY2012, we implemented a reorganization of the Group. We clearly delineated the Asset Management Business, which may experience greater fluctuations in periodic profit and loss following the adoption of IFRSs, from the other businesses. In addition, we put in place a more efficient operating structure by integrating the former Brokerage & Investment Banking Business and Financial Services Business, previously classified as separate segments, to form the Financial Services Business.

Furthermore, we have positioned the Biotechnology-related Business as a core business, which is expected to become a future income source. As a result, from FY2012 the SBI Group organized its business segments into the Financial Services Business, the Asset Management Business and the Biotechnology-related Business.

In the Financial Services Business we will thoroughly pursue synergies among the three core businesses of securities, banking, and insurance. In the Asset Management Business, we will take maximum advantage of the network developed in the process of building a global investment structure, to pursue further globalization which is necessary for the transition to become the "World's SBI."

The SBI Group's Future Vision and Business Strategy

The SBI Group implemented a reorganization in FY2012 to advance the goal of becoming the "World's SBI," and is pursuing stable earnings growth by enhancing earnings capabilities and upgrading businesses in its three major businesses, the Financial Services Business, the Asset Management Business and the Biotechnology-related Business.

To realize long-term earnings growth, we will proceed with the diversification of revenue sources through the development and provision of new products and services, thereby developing a business structure less susceptible to stock market conditions. For the overseas business development, we will tap into the growth of the Asian markets, while making investments in advanced sectors in Europe and North America to pursue high performance and regional risk diversification.

In the Financial Services Business, to complete and further strengthen the financial ecosystem consisting of the core securities, banking and insurance businesses, we will make a full-scale entry into the life insurance business.

The SBI Group's vision for the future is as follows.

> In the Financial Services Business, we will complete the development of an ecosystem that generates stable earnings for the SBI Group, as a financial conglomerate with securities, banking and insurance as its core businesses.

> In the Asset Management Business, we will expand the overseas asset management activities with the objective of becoming a global private equity firm that engages in investment businesses in Japan and overseas.

> In the Biotechnology-related Business, one of the 21st century's growth industries, we will pursue the development of this business into a new core business of the Group, by developing and marketing pharmaceuticals, health foods, and cosmetics in Japan and overseas.

More Rigorous Selection and Concentration

In July 2010, the SBI Group launched the "Brilliant Cut Initiative" to shift to a management strategy that prioritizes profitability rather than business scale expansion, as in the past. In March 2012, we entered the third phase of the "Brilliant Cut Initiative," in which the Financial Services Business, applying a rigorous business selection and concentration that involves the examination of the strengths of synergies with the core securities, banking and insurance businesses, proceeded to concentrate enterprise resources on businesses that offer prospects for powerful synergies.

In accordance with this policy, we sold all shares in SBI VeriTrans (currently VeriTrans), transferred our entire stake in Wall Street Journal Japan to Dow Jones & Company, Inc., transferred all shares in SBI Capital Solutions and the Group's equity interest in funds managed by it, and transferred our entire stake in SBI Credit (currently Premium Financial Services) to the Marubeni Group. Through these transactions, we have recovered approximately ¥20.0 billion since March 2012. We have also actively launched IPOs of subsidiaries that are not expected to generate strong synergies with the three core businesses, listing SBI Mortgage on the KOSPI Market of the Korea Exchange in April 2012, and SBI AXES on the KOSDAQ Market of the Korea Exchange in December 2012. We will allocate the funds obtained from these business divestitures and IPOs to the strengthening of the three core businesses of the Financial Services Business.

At the same time, we are implementing a Group reorganization to integrally operate closely-related businesses. For instance, we have reorganized the face-to-face sales business operated principally by SBI MONEY PLAZA; SBI Searchina and SBI Asset Management have been made subsidiaries of Morningstar Japan; and SBI Card has taken over SBI Point Union's rewards point program business in an absorption-type split.

Furthermore, in March 2013 the Company acquired all shares of IKIIKI SEDAI, a small-amount short-term insurance company that offers medical insurance and life insurance, and made it a consolidated subsidiary. We will endeavor to expand IKIIKI SEDAI's small-amount short-term insurance business together with that of SBI SSI.

" By 'selection and concentration' in the Financial Services Business, a conversion to the earnings-oriented management is accelerating. "

An Aggressive Management Approach in All Businesses in FY2013

Until November 2012, Japan was enveloped in a prolonged, powerful sense of uncertainty about the future, and the stock market was mired in a slump. In this difficult business environment, we have steadily made strategic moves to strengthen the SBI Group, including a Group reorganization and business selection and concentration.

In 2013, now that the business environment has improved, we will adopt an aggressive management approach in all of our businesses.

Financial Services Business

Measures to Further Improve Earnings

To accommodate further increases in trading volume and the customer base, SBI SECURITIES will augment its systems and call center staff. To meet the diverse needs of individual investors, it will further expand and enhance its product offerings through collaborations with other Group companies. By strengthening a collaboration with SBI MONEY PLAZA and bolstering its corporate customer sales force, the company will step up efforts to develop relationships with affluent customers.

To cope with a rapid increase in the balance of deposits, SBI Sumishin Net Bank will seek stabilization and diversification of funds management through housing loans, auto loans, Internet loans (uncollateralized personal loans), and other types of loans.

SBI Insurance is expanding and enhancing its product offerings, having launched its own cancer insurance as a new product in August 2012, as well as offering insurance products from alliance partners. It will increase sales of its own auto insurance and cancer insurance products, by taking maximum advantage of SBI MONEY PLAZA's face-to-face sales channels. In July 2013, in step with their business expansion, SBI Insurance and SBI Business Support jointly opened the SBI Insurance Kyushu Contact Center in Tosu, Saga Prefecture. The objective is to upgrade the customer service level by opening a center for the handling of customer inquiries and business processing, such as product information inquiry and insurance application processing.

SBI Mortgage continues to grow steadily, with a balance of housing loans exceeding ¥1.5 trillion at the end of April 2013. In April 2012, SBI Mortgage became the first Japanese company to be listed on the KOSPI Market of the Korea Exchange. It then established a subsidiary in South Korea in October 2012, which is preparing to start its operations in Korea.

Meanwhile, the Japanese version of the U.K.'s tax-exempt individual savings account system, called NISA, will be introduced in January 2014. The introduction of this system for exempting from taxes up to a million yen in dividends, distributions, or capital gains obtained from securities investments, is expected to fuel a further increase in trading of stocks and investment trusts for long-term investment purposes.

The SBI Group will endeavor to acquire new customers by being quick to respond to the impending introduction of NISA, as SBI SECURITIES began accepting advance applications to open NISA accounts on March 29, 2013. In addition, SBI MONEY PLAZA has begun holding frequent NISA seminars, and Morningstar Japan opened a NISA portal site on May 20.

“ In the Biotechnology-related Business, we are achieving steady results through partnership with prominent overseas research institutes. ”

Overseas Business

To the Next Growth Stage

The Group is endeavoring to develop and further strengthen its overseas investment businesses, as well as to provide overseas investee financial institutions with advanced expertise in Internet financial services, which the Group developed in Japan, to become a comprehensive financial group that is capable of making a global contribution, especially in Asia.

In the overseas investment businesses, we are shifting from the first phase of development, in which we established investment funds through joint investments with local partners, to the second phase, in which we will expand the size of our funds by enlisting outside investors. To this end, we will enhance the structure to enlist outside investors.

In the overseas financial services business, we will seek further enhancement of overseas financial services businesses by actively providing Japanese expertise through means such as assistance for the introduction of online banking at YAR Bank of Russia (formerly Obibank), and the streamlining of operations at BNI Securities of Indonesia and the improvement of its Internet trading systems in collaboration with SBI SECURITIES.

Biotechnology-related Business

From a Promising Budding Business to a Business in Full Bloom

In the Biotechnology-related Business, which became a core business in FY2012, SBI Pharmaceuticals engages in the research and development of pharmaceuticals related to the amino acid, 5-aminolevulinic acid (5-ALA), whereas SBI Biotech is developing new drugs that utilize biotechnology in partnership with prominent overseas research institutes.

In March 2013, SBI Pharmaceuticals received manufacture and marketing approval in Japan for the first pharmaceutical agent made containing 5-ALA. In addition, the company is accelerating overseas development of the business through means such as an agreement with the government of Bahrain to promote the 5-ALA business.

SBI Biotech, which is preparing for a 2014 IPO, made the U.S. bio-venture company Quark Pharmaceuticals (“Quark”) a wholly owned subsidiary in December 2012. Quark has multiple pipelines (new drug candidates) in clinical testing for which it expects to receive contingency fees under milestone agreements with global mega-pharmaceutical companies. The Quark acquisition directly contributes to the enhancement of SBI Biotech’s corporate value.

Seeking Further Corporate Value Enhancement

The SBI Group is near completion of a business structure in Japan as a comprehensive financial group, whose core business is Internet-based financial services, and is currently working at a rapid pace to expand its investment businesses and develop an overseas operating structure in high-growth countries, primarily in Asia. We are in the midst of accomplishing our planned transition from “Japan’s SBI” to the “World’s SBI.”

In April 2011, SBI Holdings became the first company headquartered in Japan to be listed on the main board of the Hong Kong Stock Exchange. We will take full advantage of the increased creditworthiness and name recognition that comes with the Hong Kong listing, to ensure the SBI Group’s continued business development in Asia. In Japan as well, we will further increase synergies among our businesses and accelerate growth by providing low-cost, high-quality financial products and services.

FY2013 is the year we adopt an aggressive management approach, and will also be the year of endeavoring to further increase corporate value. I invite you to have high expectations for the SBI Group as we boldly take up new challenges.

Yoshitaka Kitao
Representative Director, President & CEO

SPECIAL FEATURES 01

Synergy

Strengthening the Competitiveness of the Domestic Financial Services Business

The SBI Group will further accelerate the customer base expansion fueled by the upturn in the stock market

The SBI Group's domestic Financial Services Business has positioned securities, banking and insurance as the three core businesses, and provides highly competitive financial products and services that take maximum advantage of the Internet.

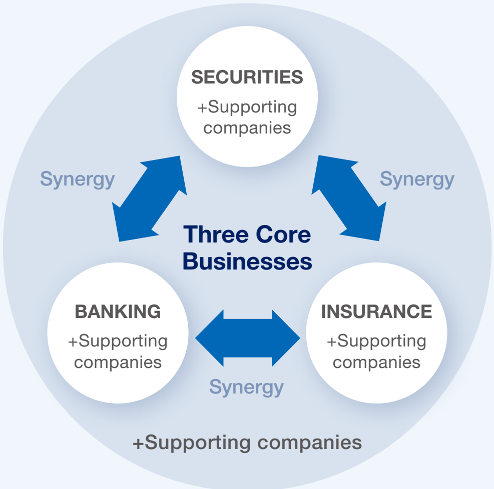
With the continuing evolution of the Internet in the form of higher speed, ubiquitous access and expanding means of expression, the Internet is certain to more deeply penetrate society, even in areas where it was not previously utilized, and may be used for increasingly diverse purposes and occasions.

We will respond to such changes in the business environment and realize dramatic growth at each Group company by steadfastly adhering to the "Customer-centric Principle" that has guided the Group since its founding.

First, SBI SECURITIES has recently increased its customer base significantly, supported by a tailwind from the uptrend in the stock market since the end of 2012 and the easing of margin trading regulations in January of this year. Meanwhile, the number of online brokerage trading accounts in Japan topped 18.16 million at the end of March 2013, increasing at a compound annual growth rate of 35.5%.

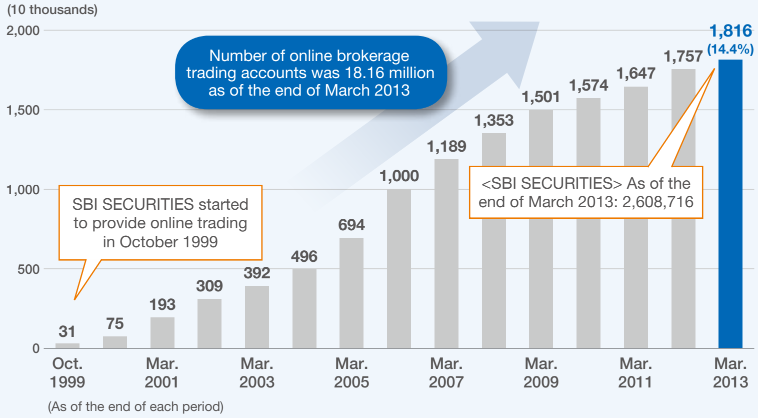
The five major online securities companies accounted for a 71.2% share of total individual stock brokerage trading value in FY2012. SBI SECURITIES alone accounted for a 33.2% share, maintaining its substantial share advantage over its competitors. Although online securities companies handle an overwhelming share of stock trades executed, considerable room remains for their expansion of market share, in terms of deposit assets. Assets of customer accounts of Japan's five major online securities companies totaled ¥14.6 trillion as of the end of March 2013, a mere 19.3% of the shares held by

Domestic Financial Services Business of the SBI Group



Number of Online Brokerage Trading Accounts

(October 1999—March 2013)

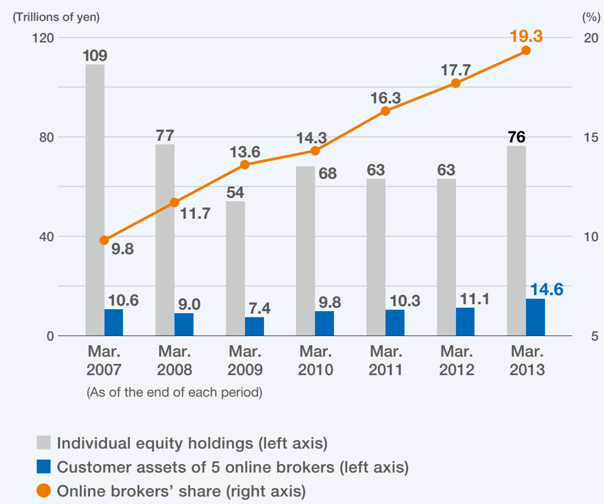


Source: Japan Securities dealers association, "Survey of Online Trading" (March 2013), records began in October 1999 individuals in Japan, so the online securities companies are likely to strengthen their market presence with respect to deposit assets as well.

An analysis of SBI SECURITIES' customers by age reveals that a high proportion of customers, namely nearly 40%, are younger people in their 20s and 30s, people familiar with the Internet since childhood who are set to begin building their financial assets in earnest. At the same time, IT literacy has recently been increasing among seniors, who account for two-thirds of face-to-face transactions. Investment activity by these seniors, who tend to have spare time and financial assets, is set to increase, and SBI SECURITIES must further develop its business also with this age group.

In view of the favorable prospects for further expansion of trading volume and the customer base, SBI SECURITIES will further strengthen its business ecosystem by maximizing synergies with the Group companies such as SBI Liquidity Market, which provides market infrastructure for FX trading, SBI Japannext, which operates the largest PTS in Japan, and SBI MONEY PLAZA.

The Share of Individual Equity Holdings



Source: Disclosed data from company websites and Bank of Japan "Flow of Funds"

Online banking grows at a faster pace than online securities

In the online banking business, the number of customer accounts at SBI Sumishin Net Bank is increasing in step with the number of new accounts acquired at SBI SECURITIES, reaching approximately 1.76 million at the end of July 2013, and the balance of deposits has grown to exceed ¥3.0 trillion.

The total number of accounts at the six pure-play Internet banks in Japan exceeded 11.51 million at the end of March 2013, for a compound annual growth rate of 49.8% since 2001, a pace of growth that outstrips that of online securities companies.

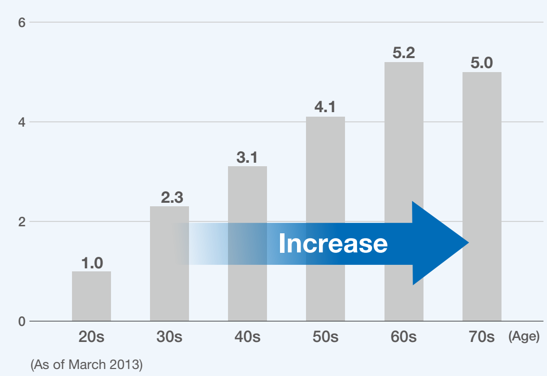
The example of developed countries in Europe and North America suggests that the shift in personal banking transactions from branch accounts to the Internet is likely to gain further impetus.

Furthermore, an analysis of SBI Sumishin Net Bank's customers by age reveals that younger people in their 20s and 30s account for nearly half (49%) of all customers. At the same time, the amount of deposits per person dramatically increases with age: on an index with the average amount for people in their 20s as 1, the amount is 2.3 for people in their 30s, 3.1 for people in their 40s and 4.1 for people in their 50s. As the financial assets of customers now in their 20s and 30s grow over time, financial transactions for the purpose of investing those assets can be expected to increase as well.

In view of the anticipated increase in the amount of deposits, SBI Sumishin Net Bank will pursue investment stabilization and diversification by further enhancing and strengthening its business ecosystem. For instance, with regard to loans, in addition to housing loans offered through cooperating real estate companies, since January 2012 the bank has engaged in a fee business involving the sale of housing loans as a banking agency of one of its parent company, Sumitomo Mitsui Trust Bank, which has enabled it to earn stable fee income while reducing risk.

Deposits per Customer at SBI Sumishin Net Bank

*Indexed figures assuming a base value of 1 for deposits per retail customer in the 20s.



In the area of auto loans, SBI Holdings sold its entire shareholding in SBI Credit (currently Premium Financial Services) to an investment fund managed by a subsidiary of Marubeni Corporation, a general trading company. This move is expected to facilitate SBI Credit's business expansion into areas beyond auto loans, and to contribute to the diversification of investment alternatives at SBI Sumishin Net Bank.

SBI Insurance sets its sights on an IPO in FY2016.

In the insurance business, SBI Insurance has successfully expanded its operations. Since SBI Insurance became capable of solely assuming underwriting risk, owing to an increase in the number of insurance contracts, the company terminated its reinsurance agreement with Aioi Insurance (currently Aioi Nissay Dowa Insurance) at the end of March 2011, as well as the outsourcing agreement covering call center operations at the end of March 2012. As a result, the operating expense ratio dramatically decreased.

The advisory rate that insurance companies use as a guideline when deciding insurance premiums was revised in 2012 against a backdrop of factors, such as higher accident rates, and there is a growing trend to increase premiums among nonlife insurers. Accordingly, SBI Insurance raised its premiums by an average of 1% beginning April 2013, while maintaining price competitiveness. In addition, auto insurance product revisions in areas such as the suspension of the zero-100,000 yen self-payment (a payment method for a car accident of zero deductible for the first time, and 100,000 yen for the second time and thereafter) and covenants for comprehensive and collision insurance are expected to bring further improvement in the loss ratio.

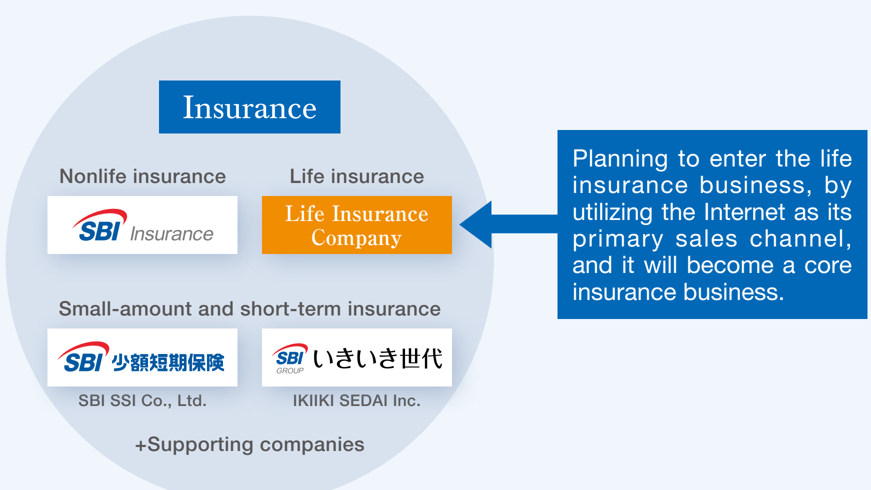
The combined ratio, the ratio of the sum of insurance premium payment and expense to insurance premium income, is ordinarily used as a measure of the profitability of nonlife insurers. As a result of a series of measures implemented to improve business expenses and the loss ratio, the combined ratio of SBI Insurance has come within range to be below 100% from FY2013 onward.

Furthermore, SBI Insurance has worked to enhance its product offering and strengthen its own line of insurance products, by introducing cancer insurance for medical treatments in August 2012, and a bicycle accident compensation covenant for auto insurance in April 2013, as well as offering fire insurance, earthquake compensation insurance and overseas travel insurance products from partner companies. SBI Insurance will work to increase the sales of its own auto insurance and cancer insurance products by utilizing SBI MONEY PLAZA's face-to-face sales channels.

By implementing these activities, SBI Insurance targets the achievement of an effective profitability on a quarterly basis (IFRSs consolidated basis) in FY2013, a full-year profitability in FY2015 and a FY2016 IPO.

In the insurance business, the Company has acquired all shares of IKIIKI SEDAI, a small-amount short-term insurance company that offers life insurance, and in July 2013, subject to the authorizations and such to be granted by the relevant authorities in Japan, the Company decided to acquire an 100% equity interest in PCA Life Insurance, a Japanese arm of Prudential plc. of the U.K. and convert it into a consolidated subsidiary. With this acquisition, the SBI Group will make a full-scale re-entry into the life insurance business.

The SBI Group's Insurance Business



SBI MONEY PLAZA further expands its shop network

SBI MONEY PLAZA expanded its network of face-to-face shops that offer securities, insurance and housing loans to 350 shops nationwide as of the end of June 2013. The addition of Insurance Clinic and Mitsubachi Insurance Farm shops operated by SBI Group investee companies brings the total to over 600 shops, far surpassing the number of shops operated by competitors in Japan. Sequential conversion of directly operated Insurance Clinic and Mitsubachi Insurance Farm shops to SBI MONEY PLAZA shops is planned.

SBI MONEY PLAZA will continue to expand its shop network to strengthen its sales capabilities.

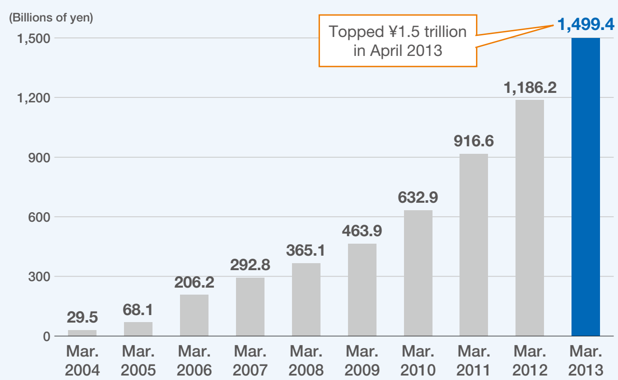
SBI Mortgage boosts its competitive strength through product diversification

SBI Mortgage was founded in 2001 as Japan's first mortgage bank, a financial institution specializing in housing loans using securitization as a financing instrument, and has achieved rapid growth by continuing to offer "Flat 35" long-term, fixed-rate housing loans in cooperation with the Japan Housing Finance Agency, at the industry's lowest interest rates.

To meet the diverse needs of customers, the company is focusing on developing its own products to complement "Flat 35" and seeks to further boost its competitive advantage by diversifying its product range.

SBI Mortgage became the first Japanese company to list its shares on the KOSPI Market of the Korea Exchange in April 2012, and is currently endeavoring to set up the first mortgage bank in South Korea.

SBI Mortgage's Outstanding Balance of Housing Loans



(As of the end of each period)

VOICE

Minami Egusa

SBI MONEY PLAZA
Financial Advisory Department

I previously handled customer inquiries concerning asset management at SBI SECURITIES, and was transferred to SBI MONEY PLAZA upon its launch. At the branch where I was initially assigned, I responded to inquiries from customers concerning insurance and asset management. Since insurance consultation is much more closely connected to customers' life planning than asset management, I felt a heavy burden of responsibility, and have become keenly aware that knowledge of a wide-range of products, not only asset management, is required to meet customers' needs. I am currently working in the Financial Advisory Department, visiting customers to offer proposals concerning asset management and insurance. When I receive a telephone call from a previous customer who wants to continue buying products from me, I feel joy and satisfaction that is unique to face-to-face sales.

SPECIAL FEATURES 02

New Growth

The Overseas Business Has Entered a New Growth Stage

The SBI Group pursues globalization as it transitions into the "World's SBI"

Through the establishment of joint venture funds in collaboration with prominent overseas financial groups, government-affiliated investment institutions and the investment arms of universities, the SBI Group has nearly completed the building of a global investment structure covering widespread regions, with a principal focus on emerging countries. We will now transition from the first phase of overseas business development, the establishment of funds through joint investments with these overseas local partners, to the second phase, the establishment of large funds through the recruitment of outside investors.

To accomplish this, we will strengthen the framework to recruit outside investors for new funds by assigning fund solicitation specialists to each overseas business site, and in Japan by taking full advantage of the domestic corporate network established by SBI Investment, SBI SECURITIES, and SBI MONEY PLAZA.

Through these initiatives, we will build an investment structure that can cope with the recovery and anticipated further growth of markets around the world.

Redoubling efforts to expand the financial services business overseas

The SBI Group is proceeding with the overseas expansion of the Financial Services Business through investments in overseas financial institutions. As of June 30, 2013, the Group held an 89.4% stake in Hyundai Swiss Savings Bank of South Korea, a 50.0% stake in YAR Bank of Russia (formerly Obibank), and a 19.9% stake in Tien Phong Bank of Vietnam. In addition, upon approval from the financial authorities in Cambodia we plan to increase our current 47.6% stake in Phnom Penh Commercial Bank to an approximate 90% stake.

As for securities companies, the Group holds an 81.6% stake in SBI Royal Securities, the only Japanese-affiliated full-line securities company in Cambodia, established through the merger of a securities subsidiary of the Royal Group of Cambodia and a local subsidiary of SBI Holdings. The Group also owns a 25.0% stake in BNI Securities, an affiliate of a major Indonesian bank, and a 20.0% stake in FPT Securities of Vietnam.

Additionally, we hold a 3.0% stake in Tianan Insurance, a nonlife insurance company in China.

VOICE

Tan Kian Hwa

SBI VEN CAPITAL (Singapore)

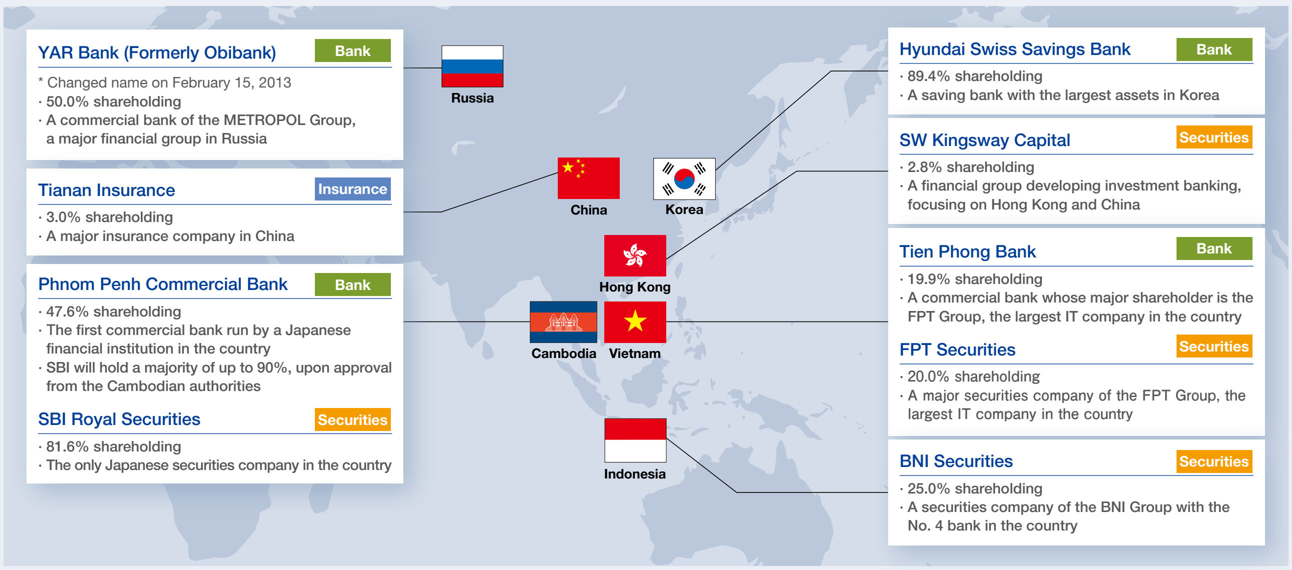
In the SBI Group's overseas investment division, I am involved in business processes from fundraising and discovery of excellent Asia-focused investment opportunities, to post-investment development and divestment. I have the opportunity to interact with different business owners and intermediaries, and understand a variety of business models. The job is extremely challenging as it demands many skill sets, such as leveraging different contacts, assimilating diverse perspectives, and most importantly, intuition and judgment calls. Each day is an exciting day!

Since we are also responsible for expanding the Group's ecosystems outside of Japan, I am also working on a few key strategic initiatives. One most recent assignment was to expand SBI Pharmaceuticals' footprint in Indonesia. The key to both PE and a strategic project is the combined wisdom and teamwork that we have in place, to achieve the best outcome.

We will contribute to the enhancement of the corporate value of these investee companies by introducing Internet financial service expertise developed in Japan. For instance, in Russia, where Internet use has achieved critical mass, YAR Bank, a commercial bank affiliated with the METROPOL Group, a leading integrated financial group in Russia, is launching an online banking business. The systems requirement definition has been completed, and development is proceeding steadily in preparation for the start of an offering of Internet banking services in October 2013.

In addition, the Group has dispatched personnel with experience gained in Japan, to BNI Securities, a subsidiary of Bank Negara Indonesia, the fourth largest national bank in Indonesia, to streamline operations and improve the Internet trading system. Connecting with BNI Securities has made real-time trading in Indonesian stocks at SBI SECURITIES possible since April 2012.

Capital Investment in Overseas Financial Institutions Centered on Asian Region (as of June 30, 2013)

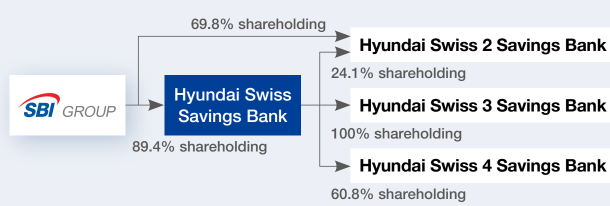


Hyundai Swiss Savings Bank, the largest savings bank in South Korea, becomes a subsidiary

In March 2013, the SBI Group acquired new shares issued by Hyundai Swiss Savings Bank, the largest savings bank in South Korea, and made it a consolidated subsidiary. Whereas the bank has heretofore focused on the expansion of real estate-collateralized loans for businesses and real estate project financing, it will now implement a business strategy shift to reduce bad debt risk through an exhaustive effort to reduce the size of its personal and business loans, as well as to launch an online service. To that end, the SBI Group has already dispatched directors to the bank, is recruiting high-caliber management personnel in South Korea, and has begun to strengthen risk management through strict asset assessment.

Savings banks in South Korea occupy a market position between commercial banks and consumer finance companies, an attractive market sector in which loans are made at interest rates from 8% to 30%. Accordingly, with the objective of increasing the loan-deposit interest margin and improving earnings, the bank is currently increasing the lending of uncollateralized personal loans at interest rates between 20–30%, while at the same time reducing deposit funding costs (average 4.3%) by lowering interest rates on new time deposits.

Depiction of Hyundai Swiss Savings Bank Group after Absorption through Underwriting Additional Shares
(Total amount: approx. ¥20.2 billion)



SPECIAL FEATURES 03

Innovation

Accelerating Overseas Development for the 5-ALA Related Business

5-ALA is attracting attention at academic conferences

SBI Pharmaceuticals engages in the development of pharmaceuticals, health foods and other products utilizing the amino acid, 5-aminolevulinic acid (5-ALA). Various research projects concerning 5-ALA are being conducted at more than 90 universities and hospitals in Japan and abroad, and the company plans to continue expanding this research network.

Examples of research and development involving 5-ALA include research on malaria at the University of Tokyo and the U.K.'s National Institute for Medical Research, research on metabolism improvers and diabetes at Kyoto Prefectural University and the University of Hawaii, and research on cancer diagnosis at the Tokyo Institute of Technology.

5-ALA is also attracting attention at academic conferences. The 5-ALA and Porphyrin Research Society, an organization founded in May 2011 by researchers of porphyrin and 5-ALA, whose chairman is Professor Emeritus Ichiro Okura of the Tokyo Institute of Technology, has already held three symposiums.

In addition, a session concerning 5-ALA was held at the 7th World Congress on Prevention of Diabetes and Its Complications, held in November 2012 in Madrid, Spain.

In the Middle East, SBI Pharmaceuticals has made Bahrain its base of operations and plans sequential development of 5-ALA related businesses, such as drug creation, clinical research, manufacturing, and exporting. The reason for the emphasis on the Middle East is that Bahrain and other countries in the Middle East have an extremely high prevalence of diabetes patients, of three to four times that of Japan.

For this reason, diabetes treatment is a pressing issue, and in clinical research into diabetes involving 5-ALA, SBI Pharmaceuticals plans to begin multiple clinical research projects in collaboration with medical and research institutions, including the Bahrain Defense Force Royal Medical Service Hospital and Arabian Gulf University. The company is also cooperating with the Royal College of Surgeons in Ireland - Medical University of Bahrain and KING HAMAD UNIVERSITY HOSPITAL, concerning clinical research into photodynamic diagnosis of colorectal cancer using 5-ALA.

Projects in the pharmaceutical sector are underway in countries around the world

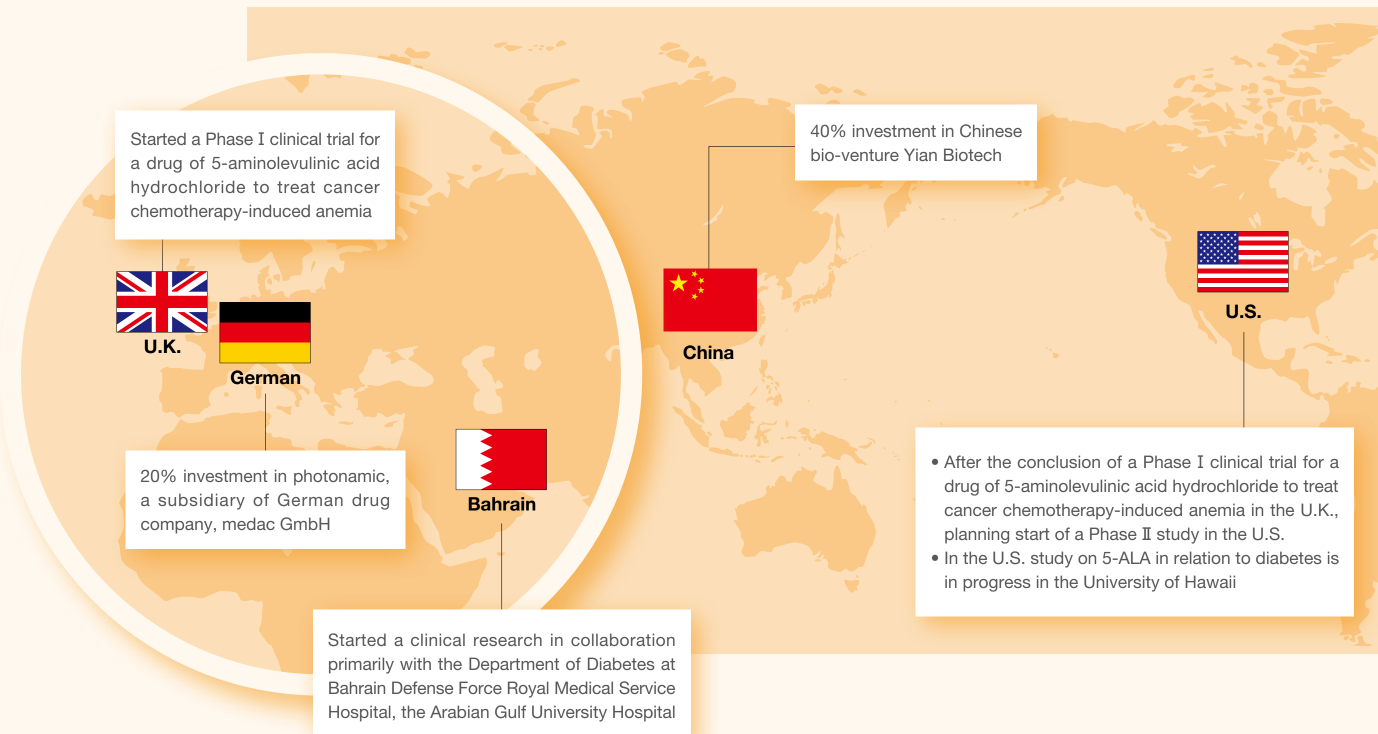
A number of projects are underway in the pharmaceutical sector in countries outside the Middle East as well, including development of a therapeutic agent for anemia in the U.K. and the U.S., contracted out to a contract research organization (CRO). In Phase I clinical testing (a safety trial) in the U.K., an administration trial has been completed and a report is being prepared. In Phase II clinical testing, scheduled to begin in the third quarter of FY2013, the company is considering applications for clinical trials for development as a pharmaceutical agent in multiple fields, including as a therapeutic agent for anemia. Once Phase II testing begins in the U.K., the company plans to begin clinical testing in the U.S., starting with a Phase II trial.

SBI Pharmaceuticals is also making steady progress in obtaining approval from the regulatory authorities in a number of countries for health foods containing 5-ALA, in preparation for sales channel expansion.

Approval has been obtained for the sale of the health food NatuALA ONE from the local authorities in Bahrain and the UAE. Preparations are underway for the establishment of a joint venture company to sell 5-ALA products with Dawani Group Holdings, a major local distributor in Bahrain, as well as developing a sales structure in the UAE.

SBI Pharmaceuticals plans to accelerate business development in Asia as well as the Middle East. In the Philippines, it has obtained a certificate of product registration for NatuALA ONE from the local authorities with plans to begin sales within 2013, with a local partner that has a network of physicians. Preparations are proceeding to establish a joint venture company to sell 5-ALA products in China, and discussions are underway for the development of the 5-ALA business with major local pharmaceutical companies in South Korea, Malaysia, India and Indonesia.

Worldwide Status of Pharmaceutical Projects and Activities



VOICE

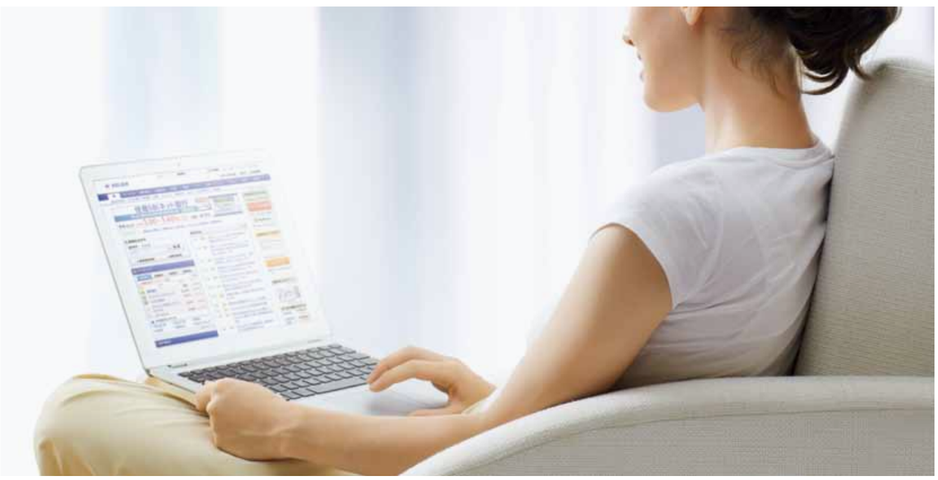
Yusuke Asama

SBI Pharmaceuticals
Bahrain Representative Office

SBI Pharmaceuticals' Bahrain Representative Office was established in October 2012 to develop the sales of 5-ALA related products in the Middle East, conduct clinical trials in cooperation with universities, and eventually establish a 5-ALA production base. Although merely leading an ordinary life in an Islamic country, where the culture and lifestyle is completely different from Japan, can be challenging, in the office, which consists of local employees with different work experiences and expatriate Japanese, all work together with the shared aspiration of popularizing 5-ALA in the Middle East, and this is highly stimulating. In such an environment, I hope to make some small individual contribution to the entire effort.

Financial Services Business

In FY2012, the SBI Group integrated the former Brokerage & Investment Banking Business and Financial Services Business to form the Financial Services Business. By providing highly competitive financial products and services that take maximum advantage of the Internet, a customer base of over 15 million has been established.



Principal Companies

Intermediate Holding Company:
SBI FINANCIAL SERVICES

- SBI SECURITIES
- SBI Liquidity Market
- SBI Japannext
- SBI Holdings (Financial Services Business Division)
- Morningstar Japan
- SBI Sumishin Net Bank
- SBI Insurance
- SBI Mortgage

Major Group Companies' Results

(Millions of yen)

		FY2011	FY2012
SBI SECURITIES (JGAAP)	Operating revenue	39,738	43,401
	Operating income	7,532	11,478
	Net profit	5,645	6,733
SBI Liquidity Market (JGAAP)	Operating revenue	9,166	7,743
	Operating income	1,905	1,512
	Net profit	1,102	941
SBI Insurance (JGAAP)	Ordinary revenue	13,956	19,164
	Ordinary profit (loss)	(5,315)	(7,543)
	Net profit (loss)	(5,449)	(7,554)
SBI Mortgage (IFRSs)	Net operating revenue	9,224	11,527
	Profit before income taxes	3,067	3,787
	Profit for the year	1,757	2,340
SBI Sumishin Net Bank (JGAAP)	Ordinary revenue	34,629	40,204
	Ordinary income	5,793	7,903
	Net profit	5,158	4,779

Organizational Restructuring

In the year under review, for the purpose of sharing a common sales infrastructure to rigorously pursue synergies, the former Brokerage & Investment Banking Business and Financial Services Business was integrated to form the Financial Services Business. The Financial Services Business also includes SBI Mortgage, which was previously classified under the former Housing and Real Estate Business.

Additionally, the Group established SBI FINANCIAL SERVICES as an intermediate holding company for the Financial Services Business, and in September 2012 converted SBI Japannext from an equity-method affiliate to a consolidated subsidiary.

Furthermore, the Group offers asset management, insurance, housing loans, and other products that would be difficult to market only via the Internet, as well as products for which customers require in person explanations from professional advisors. SBI MONEY PLAZA has inherited SBI SECURITIES' face-to-face division to form a one-stop face-to-face sales channel, and this sales network is being expanded through franchising.

By maximizing synergies among the three core businesses of securities, banking and insurance, the Financial Services Business will increase its pace of business growth by promptly responding to diversifying customer needs.

Financial Results for FY2012

Although the stock market in Japan remained weak from the start of the year under review, stock prices began to rise from November 2012. This uptrend, coupled with the easing of margin trading regulations in January 2013, led to an increased level of individual stock brokerage trading value on the three major markets (Tokyo, Osaka, and Nagoya) in the fourth quarter (January to March 2013) that was 2.4 times the level of the third quarter (October to December 2012), for a 38.4% year-on-year increase in full-year trading value.

As a result, the Financial Services Business reported a FY2012 operating revenue of ¥113.3 billion, up 3.8% from the previous year, and a profit before income tax expense of ¥18.7 billion, up 78.5% on an IFRSs basis, owing to its adoption during the fiscal year under review. Additionally, second-half operating revenue for the Financial Services Business was ¥62.7 billion, up 23.9% from the first half (April to September 2012), and profit before income tax expense was much higher at about 3.8 times, or ¥14.9 billion.

With the stock market recovery leading to a dramatic increase in the customer base and number of transactions, in order to further increase customer satisfaction, for which the Financial Services Business has received high ratings from third party evaluation organizations, the trading systems will be upgraded and call centers strengthened to further enhance service levels.

Masato Takamura

Representative
Director and President of
SBI SECURITIES Co., Ltd.

Maximizing Group Synergies in Pursuit of Differentiation and Increased Competitiveness

Since starting its Internet trading services in 1999, SBI SECURITIES has established itself as the leader in the online securities industry, in terms of the number of accounts, stock-brokerage trading value share, and customers' deposit assets, while keeping with the corporate mission of adhering to the "Customer-centric Principle."

Although the securities industry has faced an adverse business environment for the past few years, the environment began to improve at the end of 2012, partly as a result of rising stock prices coupled with the easing of margin trading regulations in January of this year. The Japanese version of the U.K.'s tax-exempt individual savings account system, called NISA, is scheduled to be introduced in January 2014, and a consequent increase in investment for long-term wealth building is expected. We regard this business environment as an excellent opportunity, and will endeavor to further expand our customer base and increase our competitiveness as well.

To achieve this, we will proceed to further reinforce our Group synergies. Although we already provide services that draw on powerful synergies with SBI Sumishin Net Bank and the Group companies that provide securities-related services, we will work to maximize Group synergies by further expanding service collaborations and mutual customer referrals.

Whereas we already possess the best product offering in the online securities industry, we will focus our efforts to further expand and upgrade the product line, and will endeavor to differentiate ourselves from our competitors by increasing the trading of foreign stocks, bonds, derivatives, and other financial instruments.

SBI SECURITIES' Continued Diversification of Revenue Sources

SBI SECURITIES' FY2012 consolidated results (based on JGAAP) for operating revenue was ¥43.4 billion, up 9.2% year-on-year, operating income was ¥11.5 billion, up 52.4%, and net profit was ¥6.7 billion, up 19.3%.

The principal reasons for the growth in net profit lagging behind the growth in operating income were the recording of gains on sales of investment securities of ¥4.9 billion as extraordinary income in FY2011, and an increase of ¥520 million in the reserve for financial products transaction liabilities, in conformity with the Financial Instruments and Exchange Law, reflecting a significant increase in stock trading value from the third quarter of FY2012 onward.

Specifically regarding the fourth quarter of FY2012, owing to the favorable market upturn from the end of 2012 and the easing of margin trading regulations in January 2013, financial results were particularly strong. Successful revenue diversification, such as higher FX-related gains and investment trust fees resulted in an operating revenue increase of 52.3% quarter-on-quarter, and an operating income and net profit increase of about 2.5 times and 2.0 times higher, respectively.

Full-year stock brokerage trading value at SBI SECURITIES was up 37.0% to ¥51 trillion, and brokerage commissions rose 17.0% year-on-year to ¥17.3 billion. Particularly in the fourth quarter, stock brokerage trading value and brokerage commissions rose sharply from the previous quarter, by 2.5 times and 1.8 times respectively, owing primarily to the fourth quarter stock market upturn.

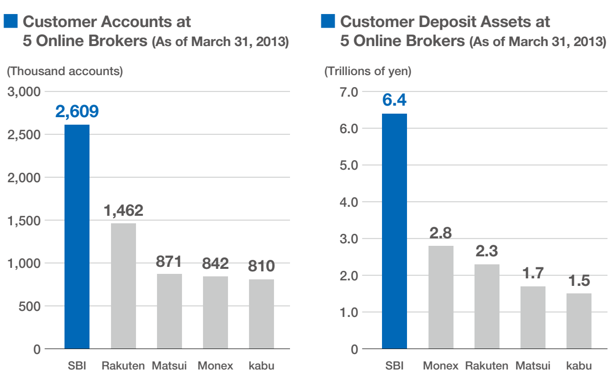
The favorable market upturn from the end of 2012 and the easing of margin trading regulations in January 2013 resulted in an increase in margin trading. The full-year financial revenue rose 8.2% to ¥13.0 billion, and for the fourth quarter in particular, financial revenue showed a sharp quarter-on-quarter increase of 26.1%. Outstanding open positions in margin trading at the end of the fourth quarter were 60.1% higher than in the previous quarter.

Full-year underwriting, offering and sales commissions were up 37.4% year-on-year to ¥2.2 billion. The investment trust balance reached a record high of ¥722.4 billion, and in the fourth quarter investment trust fees rose 17.5% from the previous quarter, and FX-related gains rose 35.0%, exceeding the growth rate up to the third quarter. The number of IPOs underwritten was 42, the highest in the industry (77.8% of the total number of IPOs).

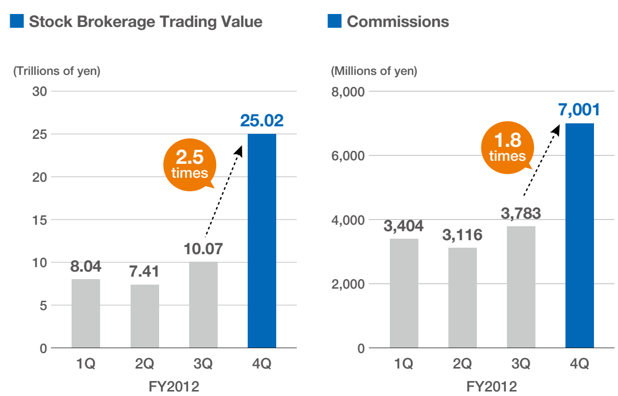
Since the "Lehman Shock," and the continuation of an adverse business environment, SBI SECURITIES has diversified its revenue sources through the expansion of product offerings other than domestic equities, such as foreign exchange margin trading, investment trusts and foreign bonds.

Compared to FY2005, when record-high profits were recorded in all profit categories, revenues from individual products have increased substantially: FX-related gains have risen by approximately 2.6 times, investment trust fees by about 9.6

Number of Accounts and Amount of Customer Deposit Assets at SBI SECURITIES



Stock Brokerage Trading Value and Commissions at SBI SECURITIES



Sources: Compiled by the Company from information on each company's websites times, and bond trading gains by 55%, on a non-consolidated basis. During the same period, the contribution to operating revenue from brokerage commissions has fallen sharply from 72% to 43%. These figures reflect the solidification of a revenue base that is more resistant to fluctuations in stock market prices.

Also, subsidiaries that are expected to generate powerful synergies with the securities business are steadily increasing their scale of operations. Japannext PTS, a proprietary trading system operated by SBI Japannext, which became a consolidated subsidiary in the year under review, has experienced a surge in use by institutional and individual investors alike, resulting in a sharp increase in trading value. This was fueled by the easing of regulations on take-over bids at the end of October 2012 and the upturn in the stock market since the end of 2012. The company attained profitability in the first quarter of FY2012, and recorded a full-year operating income of ¥230 million. Japannext PTS has developed into a PTS with participation by many leading securities firms, with the number of participating companies increasing from 16 to 20 during the year under review. In addition, two foreign-affiliated companies and several Japanese securities firms are expected to newly participate. In the interest of increasing the societal importance of Japannext PTS, a public share offering of SBI Japannext is under consideration, as well as a possible sale of a stake in the company to a strategic partner.

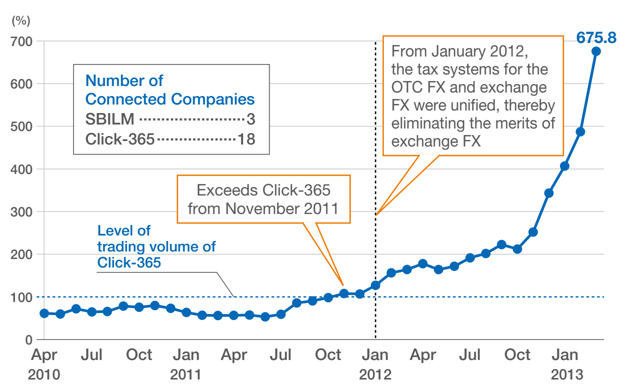
The establishment in May 2012 of SBI FXTRADE as a pure-play FX trading services provider has successfully contributed to the trading volume of SBI Liquidity Market, which provides a market function for FX trading. The company's share of overall OTC FX trading rose from 5.6% in FY2011 to 11.7% in March 2013 (on a single-month basis).

SBI Sumishin Net Bank's Steady Business Scope Expansion through Synergies with SBI SECURITIES

Since it began operations in September 2007, SBI Sumishin Net Bank, a joint venture between SBI Holdings and Japan's largest trust bank, Sumitomo Mitsui Trust Bank, has endeavored to realize an Internet full-banking business that provides easier-to-use and more competitive products and services than any of its competitors on a "24 hours a day, 365 days a year" basis. Owing to the support of many customers, in March 2013 the number of accounts reached 1.64 million, and SBI Sumishin Net Bank became the first pure-play Internet bank with deposits surpassing ¥2.6 trillion. Approximately 35% of customers who open a new account with SBI SECURITIES also open an account with SBI Sumishin Net Bank, providing a synergistic deposit increase contribution from SBI SECURITIES.

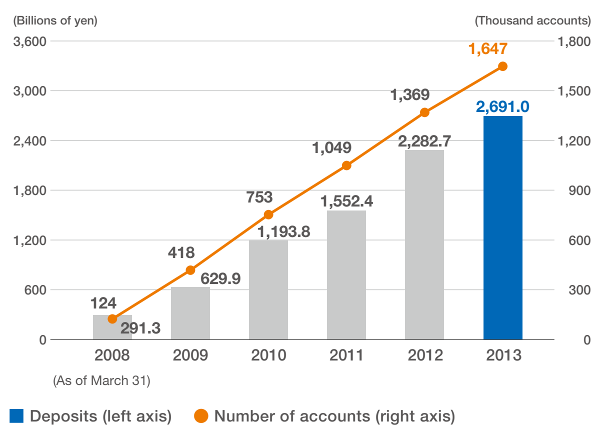
The bank's mainstay loan products are the housing loans from affiliated real estate companies, as well as web-based housing loans provided as a banking agency of the Sumitomo Mitsui Trust Bank. The total balance of both products has surpassed the ¥1.2 trillion mark, and other loans are also increasing

SBI Liquidity Market's Trading Volume (versus Click-365)



Source: Tokyo Financial Exchange information

Deposits and the Number of Accounts at SBI Sumishin Net Bank



steadily. Internet loans (personal loans modified in November 2010 that carry an annual interest rate of 3.5%, the lowest level in the industry) increased by approximately 1.3 times in a single year, with the balance reaching ¥49.4 billion as of March 31, 2013. The cumulative total of auto loans increased by approximately 1.8 times in one year to ¥154.7 billion.

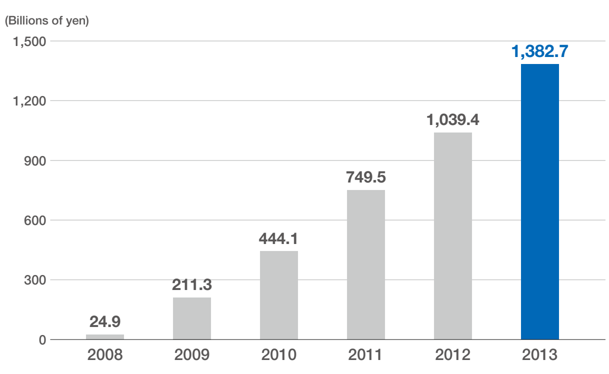
SBI Holdings sold its entire shareholding in SBI Credit, which offers auto loans through a network of 14,000 affiliates (as of March 31, 2013), primarily used car dealers, to an investment fund operated by a Marubeni Corporation subsidiary. However, business collaboration has continued, and SBI Sumishin Net Bank provides funds for their loans.

In terms of service development efforts, the bank is working to improve its customer convenience. For instance, it has begun offering a regular automatic deposit service that enables customers to automatically transfer funds each month to their SBI accounts from accounts at other banks, and has begun providing smartphone applications for foreign currency deposits and FX trading.

As a result of these activities, in FY2012 ordinary revenue was ¥40.2 billion, up 16.1% year-on-year, and ordinary income was ¥7.9 billion, up 36.4%. Although net profit decreased by 7.3% to ¥4.7 billion, this is attributable to the elimination of cumulative losses and the start of income tax payments from the fourth quarter of FY2011. (All financial results are based on JGAAP.)

On July 25, 2013 deposits surpassed the ¥3.0 trillion mark, indicating that SBI Sumishin Net Bank is off to a favorable start in FY2013.

SBI Sumishin Net Bank's Cumulative Total of Housing Loans



Katsuya Kawashima

Representative Director and President of SBI Sumishin Net Bank, Ltd.

Establishing and Solidifying Our Position as the No. 1 Pure-play Internet Bank

Despite starting operations in 2007 as a latecomer in the Internet banking industry, SBI Sumishin Net Bank has established a position as the leader in the Internet banking industry, both in terms of deposit balance and loan balance. I attribute this result to the major contribution of synergies between our two parent companies. For instance, the expansion of SBI Hybrid Deposits through the collaboration with the SBI Group company SBI SECURITIES, and the expansion of web-based housing loans provided as a banking agency of Sumitomo Mitsui Trust Bank, as well as efforts to enhance customer convenience through our own initiatives grounded in the "Customer-centric Principle." These efforts have been well received by customers, and SBI Sumishin Net Bank enjoys strong support from our large customer base. We have been selected as No. 1 in the banking industry for four consecutive years, in the Japan Customer Satisfaction Index (JCSI).

We are continuing to work to develop new products and services that are aligned with our customers' needs. As an example, we have recently released Mr. Mokuteki Loans, personal loans tailored to specific life events, and Angelina housing loans for women.

We will continue our efforts to establish steady profits and customer growth, to promote stabilization and diversification of investments, while at the same time working to further enhance customer convenience, in order to solidify our position as the No. 1 Internet bank.

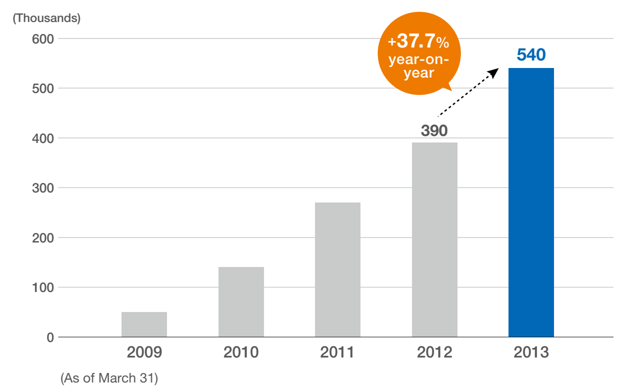
SBI Insurance's Number of Contracts and Insurance Premium Income Increases at a Rapid Pace

SBI Insurance's mainstay product is auto insurance. Including contracts of customers switching from other insurers, the number of contracts is increasing at a rapid pace, and consequently insurance premium income is also rapidly increasing.

Auto insurance policies in force increased by 37.7% year-on-year as of March 31, 2013 to approximately 540,000 (completion and receipt of insurance premiums basis, excluding expired or cancelled policies), and the compound annual growth rate reached 89.0% for the period from March 31, 2009 to March 31, 2013.

Insurance premium income rose correspondingly by 36.5% year-on-year to ¥19.5 billion. The average rate of growth from FY2008 to FY2012 was 94.0%, a pace exceeding the rate of growth in the number of contracts.

SBI Insurance's Number of Auto Insurance Contracts



Developing a Business Base that Generates Stable Earnings

Hiroyoshi Kido

Representative Director and President of SBI Insurance Co., Ltd.

Since its founding in January 2008, SBI Insurance has offered its customers auto insurance premiums at an affordable rate. This was achieved through the rigorous implementation of a low-cost operation that takes maximum advantage of the Internet, and the accumulated know-how and experience of the SBI Group in the online financial services business. Under our management policy of "winning customer trust," we have focused on qualitative improvements in services, such as supporting our customers when accidents occur. As a result, we have grown to over 540,000 policyholders as of March 31, 2013.

In the fiscal year ended March 31, 2013, we implemented a series of measures to boost profitability, and effectively achieved a combined ratio (the ratio of the sum of insurance premium payment and expense to insurance premium income) below 100%. We will seek further operating efficiency and improvements in the operating expense ratio and loss ratio, by promoting rigorous risk management and simultaneously focusing on service level improvements, by means including expansion and upgrading of the claims support structure.

Unlike other financial businesses, nonlife insurance is a business that requires a length of time to become profitable. Nevertheless, our management and employees are mounting a united effort to build a business base that generates stable earnings, with the objective of achieving a full-year profitability in the fiscal year ending March 31, 2016 and completing an IPO in the following year.

As Phase I of measures to increase profitability, SBI Insurance terminated the reinsurance agreement with Aioi Insurance (currently Aioi Nissay Dowa Insurance) effective March 31, 2011, as well as the outsourcing agreement effective March 31, 2012. For Phase II, the company has sequentially implemented measures to further reduce business expenses and improve the loss ratio. Specific measures include reducing outsourcing costs by providing in-house accident response operations on holidays and outside regular business hours, changing call center operating hours, strengthening brick-and-mortar sales channels through collaboration with SBI MONEY PLAZA, reducing postage costs through reduction of paper use and a review of business forms, and reducing advertising and promotion expenses through the reinforcement of targeted marketing.

As a result of these measures, the combined ratio (the ratio of the sum of insurance premium payment and expense to insurance premium income), an index reflecting profitability of nonlife insurance companies, was 103.1% in FY2012. However, the combined ratio is 99.2% when the impact of a ¥760 million cash settlement concerning reinsurance with Aioi Insurance is excluded, so the company has effectively achieved a combined ratio of below 100%.

Although SBI Insurance recorded a loss before income tax expense of ¥5.0 billion for the consolidated financial results for FY2012 (on an IFRSs basis), this was mainly attributable to an increase in the underwriting reserves that accompanies the growth of insurance premium income. The underwriting reserve is a reserve that must be set aside for a certain period as a source of payment for insurance claims that increases in proportion to the amount of insurance premium income. For this reason, in the insurance business, during the start-up period of rapid growth in insurance premium income, the financial burden of the underwriting reserve increases, leading to an increase in accounting loss.

However, the underwriting reserve is recorded as a debt, and the entire amount is not paid out as cash. SBI Insurance's operating cash flow in the year under review was a positive ¥190 million, the second consecutive year of positive cash flow.

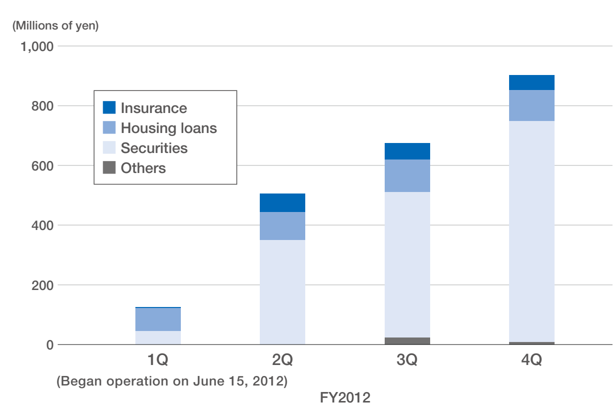
SBI MONEY PLAZA Achieves Profitability in Its First Year of Operation.

SBI MONEY PLAZA, which began operations in June 2012 in a reorganization of the SBI Group's face-to-face businesses, engages in a nationwide operation of SBI MONEY PLAZA shops, a face-to-face channel that handles securities, insurance, and housing loans as a common infrastructure of the Financial Services Business. As a result of a sharp increase in sales in the securities business since the end of 2012, supported by the uptrend in the stock market, the company eliminated its cumulative loss for the first two quarters and posted operating income of ¥36 million for FY2012, achieving a full-year profit-

Combined Ratio Improvement at SBI Insurance

	Combined ratio	=	Operating expenses ratio	+	Net loss ratio
FY2010	175.9%		82.3%		93.6%
FY2012	103.1%		33.4%		69.8%
When settlement money of ¥760 million concerning reinsurance with Aioi Insurance is excluded					
FY2012 (Adjusted)	99.2%		29.4%		69.8%

SBI MONEY PLAZA's Operating Revenue



ability in its first year of operation.

Going forward, in addition to the brokerage business that has been a foundation for the company, the insurance and housing loan businesses will be thoroughly strengthened, so that a more stable profit structure which is resistant to the fluctuations in the business environment may be established.

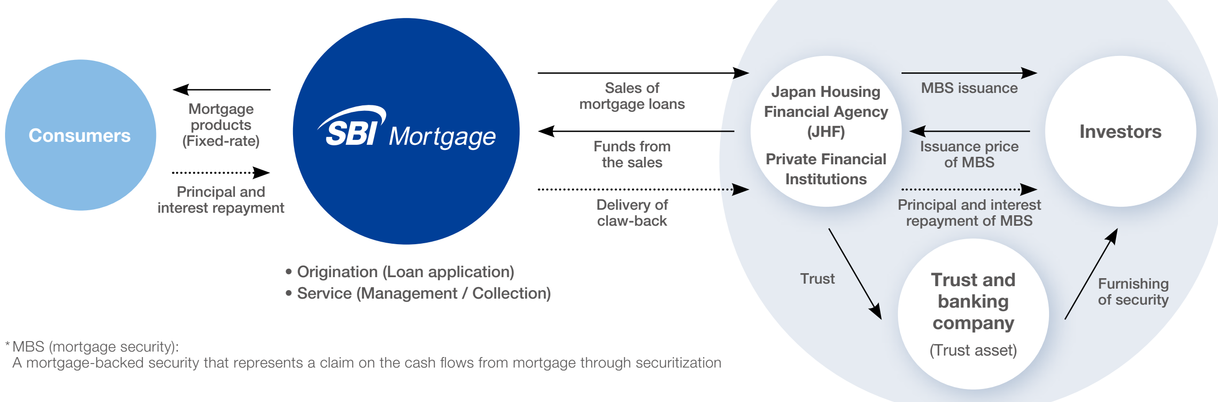
Steady Growth from Other Businesses

SBI Mortgage, which offers housing loans including "Flat 35" long-term, fixed-rate housing loans in cooperation with the Japan Housing Finance Agency, recorded profit before income tax expense of ¥3.8 billion, up 23.5% year-on-year (IFRSs basis). The company has captured the highest share of "Flat 35" loans from amongst more than 330 financial institutions, including major banks, that offer these loans (as announced at the end of March 2013 by the Japan Housing Finance Agency) for a third consecutive year (information compiled by SBI Mortgage). The cumulative total of housing loans surpassed the ¥2 trillion mark in May 2013 and continues to grow.

Morningstar Japan, which provides rating information on investment trusts and other financial products and websites, posted a record-high ordinary income of ¥860 million (based on JGAAP) for FY2012.

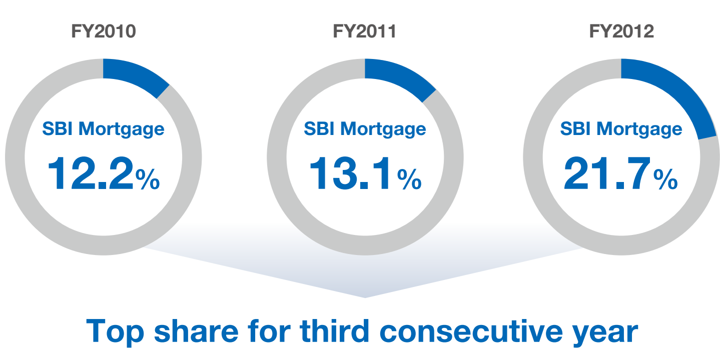
In addition, SBI Holdings operates InsWeb and E-LOAN, the largest financial comparison websites in Japan, and these businesses also continue to contribute to earnings as well.

Business Model of SBI Mortgage



* MBS (mortgage security):
A mortgage-backed security that represents a claim on the cash flows from mortgage through securitization

SBI Mortgage "Flat 35" market share of the total number loans issued



Asset Management Business

In the Asset Management Business, as a "New Industry Creator" the SBI Group makes focused investments in Japan's next-generation growth industries, including IT, biotechnology, environment and energy, and financial services. Also, with the trust and brand reputation that has been established through past performance, alliances are being formed with prominent local partners to accelerate investments in high growth emerging market countries.

Principal Companies

Intermediate Holding Company:
SBI Capital Management

SBI Investment
SBI CAPITAL
SBI Asset Management
SBI VEN CAPITAL

Stock Market Trends

	March 31, 2012	September 30, 2012	March 31, 2013	Change (%) September 30, 2012 vs. March 31, 2013
Nikkei 225	10,083.56	8,870.16	12,397.91	+39.8
NYSE	8,206.93	8,251.00	9,107.05	+10.4
Shanghai SE	2,262.79	2,086.17	2,236.62	+7.2

Foreign Exchange Market Trends

	March 31, 2012	September 30, 2012	March 31, 2013	Change (%) September 30, 2012 vs. March 31, 2013
US $	82.87	77.96	94.22	+20.9
EUR	110.56	100.21	120.76	+20.5
CNY	13.16	12.41	15.17	+22.2

(1 currency unit = amount in yen)

Financial Results for FY2012

The Asset Management Business invests in venture companies, primarily in the IT, biotechnology, environment and energy, and financial sectors, both domestically and internationally.

In the Asset Management Business, SBI Investment and SBI Capital established SBI Capital Management as an intermediate holding company by jointly implementing a stock transfer. The establishment of an intermediate holding company enables the creation of a more flexible investment structure for the efficient and uniform management and procurement of funds, including centralized funds and foreign exchange management.

In FY2012, the Asset Management Business recorded operating revenue of ¥32.2 billion and profit before income tax expense of ¥5.5 billion, down 43.2% and 69.6% year-on-year, respectively.

The primary reason for these results was the recent adoption of IFRSs. Under IFRSs, operational investment securities held, whether listed or unlisted, are revalued at fair value each quarter. Valuation gains and losses are recorded as operating revenue, even if there is no actual sale of assets, and an equal amount is recognized as operating income or loss and profit or loss before income tax expense. For this reason, operating revenue and profit before income tax expense may fluctuate substantially, according to the market environment at the end of each quarter.

Also, companies that are acquired for investment development purposes that are deemed as controlled entities are consolidated, so the financial results of such companies are included in the Asset Management Business results.

Market Upturn Leads to Sharply Higher Revenues and Profits in the Second Half

In FY2012, the business environment changed completely from the first half (April to September 2012) to the second half (October 2012 to March 2013), as a result of the dramatic changes in the market environment. Comparison of stock market indices around the world at the end of September 2012 and the end of March 2013 shows that the Nikkei Stock Average, NYSE Composite Index and SSE Composite Index rose 39.8%, 10.4% and 7.2%, respectively. A similar comparison

Outline of the SBI Group's Overseas JV Funds

Country	Partners	Investment capital
China	Tsinghua Holdings (Company of the Tsinghua University)	34.5 million U.S. dollars
	Peking University Beida Jade Bird Group (Strategic investment arm of Peking University)	100 million U.S. dollars
	Fudan Forward (Fudan University-owned China's first university-affiliated listed company)	Offshore: 33.5 million U.S. dollars Onshore: 18 million U.S. dollars
	Shanghai Yidian Holding (Large state-owned information company directly under the Shanghai Municipal Government)	33 million U.S. dollars
	China Merchants Bank Co., Ltd. (Major general securities company in China), Resource Capital China Ltd. (China's first private management investment company), China CITIC Bank Corporation Ltd. (CITIC Group-owned commercial bank)	Offshore: 20.5 million U.S. dollars Onshore: 10 million U.S. dollars
Hong Kong	Kingston Financial Group (Major financial group in Hong Kong)	100 million U.S. dollars
Taiwan	Founder of a Taiwanese IT company	22.5 million U.S. dollars
Taiwan / Hong Kong	Shin Kong Group (Major financial group in Taiwan) Nan Fung Group (Major real estate developer in Hong Kong)	18 million U.S. dollars
Korea	SBI Investment KOREA (Equity-method affiliated company in which the Company holds 43.9% of shares. Shares listed on the KOSDAQ)	57 million U.S. dollars
Singapore	TEMASEK (Investment company for the Singaporean government)	100 million U.S. dollars
Vietnam	FPT (Vietnam's largest high-tech company)	75.5 million U.S. dollars
Malaysia	PNB Equity Resource Corporation (Malaysian governmental investment management company)	50 million U.S. dollars
Brunei	Brunei Darussalam, Ministry of Finance	59.5 million U.S. dollars
India	Edelweiss Financial Services (Integrated financial services company in India)	100 million U.S. dollars
	Nirvana Venture Advisors (Founding family of Patni Computer Systems)	Offshore: 15 million U.S. dollars Onshore: 15 million U.S. dollars
	Mahindra Satyam (Large IT service company in India)	50 million U.S. dollars
Abu Dhabi	Invest AD (Subsidiary of the Abu Dhabi Investment Council)	75 million U.S. dollars
		100 million U.S. dollars
Russia	IFC METROPOL (Major integrated financial group in Russia)	100 million U.S. dollars
Netherlands	FMO (Bilateral private sector development bank in the Netherlands)	Up to 60-125 million U.S. dollars
U.S.	Jefferies Group (Major U.S. securities company)	50 million U.S. dollars
		150 million U.S. dollars

* Amount of investment capital in the local currency are calculated to U.S. dollar at the rate of May 31, 2013.

of foreign exchange rates shows a striking yen depreciation trend, with the value of the U.S. dollar, euro, and the yuan rising against the yen by 20.9%, 20.5%, and 22.2%, respectively.

Owing to this favorable turn in the market environment, as well as to the steadily increasing corporate values of promising investee companies, the performance of the Asset Management Business improved in the second half, despite a substantial reduction in the book value of Hyundai Swiss Savings Bank when it was made a consolidated subsidiary. Revenues and profits alike rose sharply in the second half from the first half level, with operating revenue increasing by 35.7% to ¥18.5 billion and profit before income tax expense rising tenfold to ¥5.0 billion.

Gradual Recovery of the IPO Market in Japan

In the IPO market in Japan, the number of IPOs in FY2012 rose by 17 from the previous fiscal year to 54. Although much lower than the 99 IPOs in FY2007 before the financial crisis triggered by the collapse of Lehman Brothers, the domestic IPO market has entered a gradual recovery phase since bottoming out in FY2009.

In FY2012, 12 investee companies of the SBI Group transacted IPO and M&A deals. Of these, there were 4 domestic IPOs, 5 overseas IPOs and 3 M&As. One example is Euglena, a company that has attracted tremendous media attention as an environmental venture company, that listed its shares on the Tokyo Stock Exchange's Mothers Market in December 2012. Euglena is engaged in businesses including the manufacture and sale of food with health-promoting benefits made using the microalga euglena, as well as the R&D of biofuels made from euglena and euglena-related environmental technologies. Another example is Tama Home, which has achieved rapid growth in the low-priced, custom-built house contracting, and detached house subdivision and condominium businesses. It listed its shares on the First Section of the Tokyo Stock Exchange in March 2013.

In addition, the Company's subsidiary SBI Mortgage was listed on the KOSPI Market of the Korea Exchange in April 2012, and SBI AXES was listed on the KOSDAQ Market of the Korea Exchange in December 2012.

Results of IPO and M&A Deals on Investment Companies in FY2012

Number of companies	Company	Date	IPO / M&A	Business	Head office
Japan: 9 companies Overseas: 3 companies	SBI Mortgage Co., Ltd.	April 2012	IPO (KOSPI)	Provision of housing loans, insurance agency business	Japan
	Modacom Co., Ltd.	September 2012	IPO (KOSDAQ)	Development and manufacture of WIMAX routers	Korea
	Mediaflag Inc.	September 2012	IPO (TSE Mothers)	Retail and in-store marketing specialist: mystery shopper surveys, sales outsourcing, business systems, etc.	Japan
	SBI AXES Co., Ltd.	December 2012	IPO (KOSDAQ)	Provision of credit card settlement services	Japan
	Syuppin Co., Ltd.	December 2012	IPO (TSE Mothers)	Purchase and sale of used products and sale of new products via the Internet	Japan
	Euglena Co., Ltd.	December 2012	IPO (TSE Mothers)	Manufacture and sale of food with health-promoting benefits made using the microalga euglena, R&D of euglena-related bio-fuel and environmental technologies	Japan
	Tokyo Stock Exchange Group, Inc.	January 2013	M&A	Management of financial instruments exchanges	Japan
	i-SENS, Inc.	January 2013	IPO (KOSDAQ)	Development and manufacture of blood glucose meters	Korea
	All Japan Solution, INC	February 2013	M&A	Sale to corporate customers of office equipment, LED devices and materials, mobile phones, and other products	Japan
	Support For Business Creation inc.	February 2013	M&A	Operation of the Dokuritsu-shien.net business creation site, sale of mobile phones	Japan
	Global Display Co., Ltd.	February 2013	IPO (KOSDAQ)	Glass processing and surface processing of touch panels, solar cell panels, and other products	Korea
	Tama Home Co., Ltd.	March 2013	IPO (TSE 1st Section)	Custom-built home construction contracting and planning, development, and sale of home and condominium subdivisions	Japan

Seventeen IPOs and M&As Anticipated in FY2013

The portfolio investment amount in FY2012 was ¥30.6 billion, which was invested in 101 companies. The assets under management as of March 31, 2013 was ¥174.8 billion, and the total number of investees amounted to 348 companies. Such investments have kept the SBI Group one of the most active venture capital companies in Japan. By region, Japan accounted for ¥98.4 billion, or 56%, of the SBI Group's total assets under management, and overseas markets accounted for ¥76.5 billion, or 44%.

The number of companies scheduled to transact IPO and M&A deals in FY2013 are expected to increase by 5 year-on-year to 17 in total. The following is an overview of two of those companies.

ReproCELL, a bio-venture company listed on JASDAQ in June 2013, obtained its first license from Professor Shinya Yamanaka of Kyoto University, who received the Nobel Prize in Physiology or Medicine for the development of the iPS cell. The company engages in businesses including the sale of ES and iPS cell research reagents, and contract drug discovery screening and toxicity testing using ES and iPS cells. The SBI Group subsidiaries and funds managed by the SBI Group own 18.1% of ReproCELL (as of May 31, 2013).

Acucela Inc. is a company launched in the U.S. by a Japanese physician that is targeting a 2013 IPO. Acucela is developing a new drug efficacious in the treatment of the dry form of age-related macular degeneration, and has already reached the final stage of clinical testing. According to the company's CEO, Dr. Ryo Kubota, if the company is successful in this drug discovery project, it expects to be able to save 120 million people from blindness around the world.

Acucela is also developing therapeutics for dry eye and glaucoma, with Otsuka Pharmaceuticals as its product partner. The SBI Group owns 16.9% of Acucela Inc. (as of May 31, 2013), and is the second largest shareholder after founder Dr. Ryo Kubota.

The SBI Group will continue to make active investments in such promising companies in Japan, as well as internationally.

Takashi Nakagawa

Representative Director and President of SBI Investment Co., Ltd.

Developing 21st Century Core Industries as a "New Industry Creator"

Under the management philosophy of becoming a leading company in the creation and incubation of core industries of the 21st century as a "New Industry Creator," SBI Investment is focusing on investments in private equities in next-generation core industries, such as the Internet and biotechnology, and we are expanding our investment scope into areas including media, image, and environment-related sectors. The cumulative number of investee companies in Japan and abroad was 684 companies as of March 31, 2013, including 131 exits by means of IPOs and mergers. The exit ratio of 19.2% reflects a high level of investment performance.

A key characteristic of SBI Investment is that we engage in "full hands-on" investment, by effectively utilizing the enterprise resources of the SBI Group to provide various management resources that investee companies lack, and actively participating in their management.

We are working to increase the corporate value of the investee companies, by providing them with not only risk capital, but also comprehensive support, including assistance in sales, establishment of a framework for strengthening corporate governance and dispatch of personnel to their boards of directors.

As a venture capital firm capable of taking a full hands-on approach, SBI Investment will continue to invest strategically in private equities to cultivate next-generation industries.

Biotechnology-related Business

The SBI Group regards biotechnology as a next-generation core industry. In addition to investing in venture companies in this field, the Group is directly engaged in the operations of biotechnology-related businesses, through the operations of SBI Pharmaceuticals, SBI ALApromo, and SBI Biotech. In FY2012, the Group made the Biotechnology-related Business one of its three core business segments. In particular, the Group positioned the 5-ALA related businesses as its most promising growth area, pursuing global business development of 5-ALA in the fields of cosmetics, health foods and drug research and development.

Principal Companies

SBI Biotech

SBI Pharmaceuticals

SBI ALApromo

Manufacturing and Marketing Approvals Obtained in Japan for the First Pharmaceutical Agent Containing 5-ALA

The SBI Group has commercialized health foods and cosmetics that contain 5-aminolevulinic acid (5-ALA), which are domestically distributed by SBI ALApromo. These products already enjoy a favorable reputation in the market. For example, in its 2012 quality awards competition, Monde Selection awarded health foods NatuALA-Bio and NatuALA-BCAA the gold prize in the Food Supplements category, and ALAPlus Essential Lotion and ALAPlus Moisturizing Cream the silver prize in the Facial Products category.

The Group is also actively conducting research on the pharmaceutical potential of 5-ALA. In March 2013, ALAGLIO®, an orally-administered in vivo diagnostic agent used during the surgical resection of malignant glioma, became the first pharmaceutical agent containing 5-ALA to receive manufacturing and marketing approval from Japan's Ministry of Health, Labour and Welfare. ALAGLIO® is Japan's first orally-administered brain tumor diagnostic agent for use during surgery.

In addition, clinical trials in multiple fields are underway or in preparation in Japan, the U.S. and Europe, with some conducted in partnership with an overseas contract research organization (CRO). Since January 2012, a consortium of five universities headed by Kochi University has been conducting a physician-led clinical study on an intraoperative diagnostic agent for use in bladder cancer surgery. A Phase III clinical trial was completed at the end of 2012, with the goal of obtaining approval for the agent during the second half of 2014. A Phase I clinical trial for a therapeutic agent for anemia that occurs as a side effect of chemotherapy began in the U.K. in December 2012, has already concluded. Following the start of a Phase II clinical trial in the U.K., parallel clinical trials in the U.S. are planned, starting with a Phase II trial. At that juncture, applications for clinical trials for development as a pharmaceutical agent in multiple fields will be considered.

Development of the 5-ALA Business in the Middle East with Bahrain as the Base

SBI Pharmaceuticals has made Bahrain its base of operations in the Middle East for the 5-ALA business and is conducting multiple clinical research projects involving 5-ALA, notably in the field of diabetes.

In April 2012, SBI Pharmaceuticals reached a basic agreement for a close partnership with the government of Bahrain to promote the 5-ALA business in Bahrain and other Gulf Cooperation Council (GCC) countries.

SBI Pharmaceuticals has concluded a basic agreement with Mumtalakat Holding Company, a Bahrain sovereign fund, concerning collaboration in the 5-ALA business, principally in the pharmaceutical field, and plans to establish a 5-ALA manufacturing base in Bahrain for the purpose of exporting to neighboring countries in the Middle East. The company has also agreed to establish a joint venture company to locally market health foods and cosmetics with Dawani Group Holdings, a major local distributor. Furthermore, the company plans to jointly engage in clinical research with the Bahrain Defense Force Royal Medical Service Hospital, Royal College of Surgeons in Ireland - Medical University of Bahrain, and the Arabian Gulf University.

Quark Pharmaceuticals of the U.S. becomes a Consolidated Subsidiary of SBI Biotech

SBI Biotech primarily engages in projects to discover drugs for cancer and autoimmune diseases in partnership with overseas bio-ventures and research institutes.

In the field of immunomodulator therapy (nucleotide drugs) R&D, SBI Biotech has partnered with Changchun Huapu Biotechnology Co. Ltd., a drug development venture originating at the Jilin University, China, and is conducting Phase I clinical trials at a number of U.S. universities. The company is also conducting clinical trials (Phase II) in the U.S. with melanoma patients, in partnership with Baylor Research Institute, and conducting clinical research in Japan with Kyoto University Hospital in preparation for clinical trials.

In December 2012, SBI Biotech made Quark Pharmaceuticals, Inc., a U.S. bio-venture company, a wholly owned subsidiary. This move has added Quark's multiple drug discovery pipelines, under potential contingency fee agreements with leading global pharmaceutical companies, to SBI Biotech's existing projects.

SBI Biotech is currently preparing for a potential 2014 IPO.

Satofumi Kawata

Representative
Director and COO of
SBI Pharmaceuticals Co., Ltd.

Establishing the 5-ALA Related Business as a Major Source of Earnings for the SBI Group

5-ALA (5-aminolevulinic acid), the raw material of plant chlorophyll and human and animal heme, is intricately involved in energy production in plants and animals. In 1999, a Cosmo Oil research team led by Toru Tanaka (currently CTO of SBI Pharmaceuticals) established a method for mass producing 5-ALA, which led to research in numerous other fields. While Cosmo Oil commercialized plant fertilizers containing 5-ALA, the SBI Group focused on the possibilities of 5-ALA for the human body, and jointly established SBI Pharmaceuticals (SBI's shareholding: 73.2% as of June 30, 2013) with Cosmo Oil in 2008. To date, SBI Pharmaceuticals has commercialized supplements, cosmetics and other products that contain 5-ALA, and in March 2013 received manufacturing and marketing approval for ALAGLIO®, the first pharmaceutical agent made containing 5-ALA.

In overseas developments, SBI Pharmaceuticals has made Bahrain its pharmaceuticals R&D base for the Middle East, and in October 2012 opened a Bahrain Representative Office. We are steadily developing a business structure in Bahrain, in collaboration with the government of Bahrain and other local partners.

Research involving 5-ALA is being conducted in various fields. Rather than adopting an ordinary venture business model of licensing out products during development, we are involved in the creation of a new framework in which we are deeply involved until the final stage of development. We will continue to be actively engaged in global developments, and will work to make the 5-ALA related business a major source of earnings for the SBI Group.

TOPICS

April

- Basic agreement reached between SBI Pharmaceuticals Co., Ltd. and the government of Bahrain to promote the 5-ALA business
- SBI Mortgage Co., Ltd. listed on the KOSPI Market of the Korea Exchange

May

- The First SBI Global Strategic Conference, attended by representatives of the SBI Group's overseas partners, was held in Hong Kong
- Implemented a buy-back of 377,857 shares at a cost of approximately ¥2.0 billion (buy-back period: May 25 to June 13, 2012)
- SBI FXTRADE Co., Ltd., a foreign exchange trading company, commenced business
- Jointly established a fund with Edelweiss Financial Services Ltd., an integrated financial services company in India, to invest in small and mid-cap listed companies in India
- Reached a basic agreement with Netherlands Development Finance Company Financierings-Maatschappij voor Ontwikkelingslanden (FMO) to jointly establish a fund to invest primarily in financial institutions in Asia

June

- Established SBI Capital Management Co., Ltd. as an intermediate holding company for the Asset Management Business and SBI FINANCIAL SERVICES Co., Ltd. as an intermediate holding company for the Financial Services Business
- Implemented reorganization of face-to-face sales businesses centering on SBI MONEY PLAZA Co., Ltd. and transferred the face-to-face division of SBI SECURITIES Co., Ltd. to SBI MONEY PLAZA Co., Ltd.

July

- Established PT. Strategi Bisnis Infoyasa, a joint venture company involved in the financial products comparison service business in Indonesia, together with PT. CORFINA MITRAKREASI
- Completed the transference of the Company's stake in the Wall Street Journal Japan K.K. to Dow Jones & Company, Inc. of the U.S.

September

- SBI Japannext Co., Ltd. converted from an equity-method affiliate to a wholly owned subsidiary
- Transferred all shares of SBI Capital Solutions Co., Ltd. and the SBI Group's equity interest in funds managed by it

2012

Apr

Signing ceremony between SBI Pharmaceuticals Co., Ltd. and the government of Bahrain

May

The first SBI Global Strategic Conference held in Hong Kong

Jun

A branch of SBI MONEY PLAZA Co., Ltd. inherited face-to-face sales businesses from SBI SECURITIES Co., Ltd.

Sep

An office of the newly converted wholly owned subsidiary, SBI Japannext Co., Ltd.

October

- Implemented a 10-for-1 stock split
- SBI Pharmaceuticals Co., Ltd. established the Bahrain Representative Office
- SBI Searchina Co., Ltd. and SBI Asset Management Co., Ltd. were made subsidiaries of Morningstar Japan K.K.

November

- Reached an agreement to acquire a 20% stake in photonamic GmbH & Co. KG, which engages in pharmaceutical development using 5-ALA in Europe
- SBI Insurance Co., Ltd. received three stars, the highest rank, in Support Portal (Official Website) Category of HDI-Japan's Call-Center Contact Ranking
- Subscribed to unsecured convertible bonds with stock acquisition rights issued by WebCrew Inc. and transferred a portion of shares in SBI Insurance Co., Ltd. to WebCrew

December

- SBI AXES Co., Ltd. listed on the KOSDAQ Market of the Korea Exchange, and established a Korean subsidiary
- Quark Pharmaceuticals, Inc. was made a subsidiary of SBI Biotech Co., Ltd.
- The investment fund management company established with Shanghai Yidian Holding (Group) Company became the first non-Chinese company to be approved under the Renminbi Qualified Foreign Limited Partner (RQFLP) program

January

- SBI Sumishin Net Bank, Ltd. ranked No. 1 in the banking industry for the fourth consecutive year in the 2012 JCSI (Japan Customer Satisfaction Index)
- SBI SECURITIES Co., Ltd. received three stars, the highest rank, in HDI-Japan's Call-Center Contact Ranking, which rates company call centers, and Support Portal Ranking, which rates websites, in a row

March

- SBI Pharmaceuticals Co., Ltd. signed a basic agreement with Arabian Gulf University of Bahrain for the joint clinical research concerning diabetes and reached a basic agreement to conduct joint clinical research with the Royal College of Surgeons in Ireland-Medical University of Bahrain.
- SBI Pharmaceuticals Co., Ltd. signed an agreement with Dawani Group Holdings of Bahrain to establish a joint venture company to market 5-ALA products in Bahrain
- SBI Pharmaceuticals Co., Ltd. reached basic agreements with Mumtalakat Holding Company, a government fund in Bahrain, and The Bahrain Development Bank concerning collaboration in the 5-ALA business in Bahrain, principally in the pharmaceuticals field
- SBI Pharmaceuticals obtained manufacturing and marketing approval from the Ministry of Health, Labour and Welfare for ALAGLIO®, an orally administered *in vivo* diagnostic agent used during the surgical resection of malignant glioma, as the first pharmaceutical agent made using 5-ALA
- Acquired shares of Hyundai Swiss Savings Bank and made it a consolidated subsidiary
- Acquired all shares of IKIIKI SEDAI and made it a consolidated subsidiary
- Transferred the Company's entire stake in SBI Credit Co., Ltd.

2013

Oct

Dec

Jan

Mar

The site of the SBI Pharmaceuticals Co., Ltd. Bahrain Representative Office

SBI AXES Co., Ltd. listed on the KOSDAQ Market of the Korea Exchange

SBI SECURITIES Co., Ltd. received three stars, the highest rank, in HDI-Japan's Call-Center Contact Ranking

SBI Pharmaceuticals Co., Ltd. reached basic agreement with Mumtalakat Holding Company concerning on collaboration in the 5-ALA business

For the latest topics, see "News Release" at our website: (http://www.sbigroup.co.jp/english/news/)

BOARD OF DIRECTORS AND STATUTORY AUDITORS (As of June 27, 2013)

Representative Director,
President & CEO
Yoshitaka Kitao

Representative Director and Chairman of SBI SECURITIES Co., Ltd.
Representative Director and Chairman of SBI Investment Co., Ltd.
Director of Morningstar Japan K.K.
Director of SBI Capital Management Co., Ltd.
Director of SBI FINANCIAL SERVICES Co., Ltd.
Representative Director of SBI Hong Kong Holdings Co., Limited

Director, Senior Executive
Vice President & COO
Taro Izuchi

Director of SBI SECURITIES Co., Ltd.
Representative Director and President of SBI FINANCIAL SERVICES Co., Ltd.
Representative Director and President of SBI MONEY PLAZA Co., Ltd.

Director & Senior Managing
Executive Officer
Takashi Nakagawa

Representative Director and President of SBI Investment Co., Ltd.
Representative Director and President of SBI Capital Management Co., Ltd.
Director of SBI AXES Co., Ltd.

Director & Senior Managing
Executive Officer
Tomoya Asakura

Representative Director & President of Morningstar Japan K.K.
Representative Director of Morningstar Asset Management Co., Ltd.
Director of SBI Insurance Co., Ltd.
Director of SBI FINANCIAL SERVICES Co., Ltd.

Director, Managing Executive
Officer & CFO
Shumpei Morita

Representative Director and President of SBI Business Solutions Co., Ltd.
Representative Director, CEO and COO of SBI Card Co., Ltd.
Director of SBI FINANCIAL SERVICES Co., Ltd.
Director of SBI Capital Management Co., Ltd.

Director & Managing
Executive Officer
Noriaki Maruyama

Representative Director, President, CEO and COO of SBI Mortgage Co., Ltd.

Director & Executive
Officer
Peilung Li

Outside Director of SBI Searchina Co., Ltd.
The Chief Representative of the Company's Representative Office in Shanghai
Director and CEO of CSJ-SBI Financial Media Co., Ltd.
Director of Tianan Property Insurance Company Limited of China
Representative Director of SBI (China) Co., Ltd.
Representative Director of Shanghai SBI-INESA Equity Investment Management Co., Ltd.

Director
Masato Takamura

Representative Director and President of SBI SECURITIES Co., Ltd.

Director
Hiroshi Tasaka

Representative Director of SophiaBank, Limited
Professor of Tama University Graduate School
Fellow of The Japan Research Institute, Limited

Director
Masaki Yoshida

Representative Director of YOSHIDAMASAKI INC.
Representative Director and Chairman of Watanabe Entertainment Co., Ltd.
Outside Director of KLab Inc.

Outside Director
Kiyoshi Nagano

External Statutory Auditor of Shin-Etsu Chemical Co., Ltd
Outside Auditor of LEC, INC.

Outside Director
Keiji Watanabe

Independent Outside Director of ASAHI KOGYOSHA CO., LTD.
Outside Director of Aoyama Zaisan Networks Company, Limited

Outside Director
Akihiro Tamaki

Representative Director of SiFA Co., Ltd.
External Corporate Auditor of Avex Group Holdings Inc.

Outside Director
Masanao Marumono

Counsel for SMBC Green Service Co., Ltd.
Outside Statutory Auditor of GINSEN CO., LTD
Vice-President of Japan Association of Employers of Persons with Severe Disabilities

Outside Director
Teruhide Sato

President and Group CEO of netprice.com, Ltd.
Director of Shop Airlines, Ltd.
Director of Open Network Lab, Inc.
CEO and Managing Director of Beenos Partners, Inc.

Standing Statutory Auditor
Atsushi Fujii

Outside Statutory Auditor of SBI SECURITIES Co., Ltd.
Statutory Auditor of SBI Investment Co., Ltd.
Statutory Auditor of SBI Capital Management Co., Ltd.
Statutory Auditor of SBI FINANCIAL SERVICES Co., Ltd.

Outside Statutory Auditor
Ryujiro Shimamoto

Statutory Auditor of SBI Lease Co., Ltd.
Statutory Auditor of SBI MONEY PLAZA Co., Ltd.
Statutory Auditor of SBI Card Co., Ltd.

Statutory Auditor
Minoru Tada

Outside Statutory Auditor of SBI SECURITIES Co., Ltd.
Statutory Auditor of SBI FINANCIAL SERVICES Co., Ltd.

Outside Statutory Auditor
Hisashi Hayakawa

Outside Standing Statutory Auditor of SBI Insurance Co., Ltd.
Statutory Auditor of SBI Capital Management Co., Ltd.

In order to ensure the transparency of management and corporate governance, SBI Holdings recognizes that one of its most crucial management issues is to establish, maintain, and improve upon an organizational structure that is capable of responding quickly to changes in the business environment, as well as maintaining a shareholder-oriented and fair management system.

Basic Framework for Corporate Governance

The Company's Board of Directors consists of 15 directors (as of June 27, 2013), and the Company has adopted the Executive Officer System. A total of 14 individuals, comprised of 7 Directors and Executive Officers including the Representative Director, President & CEO, who control each business department, and 7 Executive Officers, have been appointed and are charged with managing the execution of business affairs to clarify the functions and responsibilities of Directors, Executive Officers and the Board of Directors, as well as to respond promptly and flexibly to sudden changes in the business environment. As a general rule, the Board of Directors makes decisions on important matters and monitors the execution of business operations by convening once a month, and holding extraordinary meetings when necessary. The Company has appointed 5 Outside Directors, with each having a high degree of independence and no conflicts of interest with general shareholders, to fortify the supervision of management appropriateness.

The Board of Statutory Auditors, which comprises 4 members all proficient in financial affairs and includes 2 Outside Statutory Auditors, organically combines the audits performed by each Statutory Auditor, the Internal Auditing Department and the Accounting Auditors in an effort to maintain the appropriateness of corporate governance.

Based on the above, we believe that the current system allows us to adhere to the basic principles of corporate governance, namely to preserve the transparency of management and execute management's third-party accountability.

Initiatives for Strengthening Corporate Governance

Internal Control System

The Company has established an internal control system to enhance the transparency of management and corporate governance. The Company is devoting its efforts to the system in recognition of the importance of executing business operations based on a sound internal control system in order to ensure appropriate corporate governance. The Representative Director takes the lead in ensuring that all officers and employees are aware that, together with working to maintain that system, realizing the Company's Corporate Mission and Vision assume legal compliance and ethical codes of conduct.

Specifically, this involves regular meetings of the Board of Directors as well as extraordinary meetings in accordance with regulations of the Board to facilitate close communication among the Directors and the supervision of the execution of duties of the Representative Director. In addition, the Company appoints a Compliance Officer, has established the compliance division reporting directly to the Compliance Officer, and sees that the division makes efforts in identifying compliance issues and problems. Further, the Company has established an internal whistleblowing system to enable Directors and employees to report directly to the Internal Auditing Department and Statutory Auditors of any violation against laws, regulations and the Articles of Incorporation, and any other important fact relating to compliance. In order to identify compliance issues and problems and ensure appropriateness of operations in the SBI Group, the Company ensures that the Compliance Officer and the compliance division work in cooperation with Compliance Officers of the SBI Group companies, and holds a Group-wide committee for exchanging information on compliance.

Risk Management System

The Company manages risks that may impede the execution of business operations or the attainment of the Corporate Mission and Vision. The Board of Directors appoints a Risk Management Officer in accordance with crisis management and risk management regulations. In addition, the risk management division was established to identify, properly evaluate, and manage risks on a cross-sectional basis for the entire Group, including the Company.

In the event of a potential or actual management crisis that may threaten the Company's existence, the Risk Management Officer appointed by the Board of Directors would lead a gathering of pertinent information to consider and implement countermeasures and measures to prevent recurrences, while also reporting and disclosing information to related parties. For all the processes involved in the Company's business activities, we have in place a mutual checking framework involving multiple departments, and aspire to ensure operations that conform to not only the respective laws and regulations, but also to agreements, terms, and other rules, all as part of the overall system to maximize compliance efforts.

With regard to information management and system risk, the Company has in place a Group Information System Committee chaired by the Risk Management Officer and composed of members appointed from each of the divisions. The committee is engaged in efforts to maintain an overall information system including the management of customer information and to reinforce the system-risk management system. From the perspective of business continuity in particular, the Company has put in place a system that readily responds to any type of contingency through the utilization of a back-up structure that incorporates dual systems and back-up sites.

Internal Audits, Audits by Statutory Auditors and Accounting Audits

(Internal Audits)

The Company has organized the Internal Auditing Department, which is independent of both the Operations Division and the Administrative Division. The department comprehensively and objectively evaluates whether the state of internal control is appropriate. In regard to the issues raised from the audit's results, it implements proposals and follow-ups so that improvements may be made. At the time audits are implemented, the department may also draw upon the assistance of outside specialists besides the employees, if required. Audit results are reported immediately after each audit's conclusion to the Board of Directors via the Representative Director, and also periodically to the Statutory Auditors.

The Internal Auditing Department is comprised of a dedicated General Manager and other employees (total of 7) who are specialists in audits (internal audits, accounting audits, internal control and other). The department works in close association with the Board of Statutory Auditors and Accounting Auditors. For example, it periodically provides reports to the Board of Statutory Auditors, after completing each internal audit.

The department also organically exchanges opinions with the Board of Statutory Auditors and incorporates requests from the Board in determining audit themes and scope. Whenever necessary, the Internal Auditing Department shares information with the Accounting Auditors, particularly with respect to areas related to internal control over financial reporting.

(Audits by Statutory Auditors)

Statutory Auditors are independent of the Company's executive bodies and bear the responsibility of securing trust from society by establishing a sound corporate governance system based on audits performed over the executive actions of Directors. The Board of Statutory Auditors of the Company is comprised of 4 Auditors, including 2 Outside Statutory Auditors. Of the 4 Auditors, 3 have worked in financial institutions for many years and hold a wide range of expertise in the overall financial industry. The remaining auditor possesses extensive knowledge of finance and accounting based on long years of experience in accounting.

Specifically, Statutory Auditors take the following procedures: In accordance with the Standards for Audits by Statutory Auditors, which were established by the Board of Statutory Auditors, Statutory Auditors attend meetings of the Board of Directors and other important corporate meetings, review documents underlying important decisions, and exchange opinions with the Representative Director, Directors, and other senior members when appropriate. The Statutory Auditors perform audits of the Company's internal control system in accordance with the Practice Standards for Internal Controls.

Statutory Auditors coordinate with the Internal Auditing Department through periodically exchanging information and opinions as described above.

The Board of Statutory Auditors receives explanations from Accounting Auditors regarding the annual audit plan and other matters based on audit reports prepared at the quarterly and year-end closing periods. Whenever necessary, the Board of Statutory Auditors also shares information and holds discussions with the Accounting Auditors with regard to management issues and problems. As described above, Statutory Auditors, the Internal Auditing Department and Accounting Auditors work together organically, while performing audits to ensure that the Company maintains an appropriate corporate governance system.

Outside Directors and Outside Statutory Auditors

The Company has 5 Outside Directors and 2 Outside Statutory Auditors. They assume objective and neutral positions that eliminate the risk of conflict of interest with general shareholders. The Outside Directors and Outside Statutory Auditors monitor or audit and provide advice and suggestions by leveraging their respective expertise as well as their wide range of experience and knowledge on high-level management. They are charged with the roles and functions to ensure adequacy and appropriateness of the decision making and execution of duties by the Board of Directors.

Their appointment enables the adherence to basic principles of corporate governance such as ensuring management transparency and executing management's accountability for providing explanations to third parties, as they are selected primarily for their expert accounting knowledge, specialized knowledge, and independence.

Attendance at Board Meetings by Outside Directors (Fiscal Year 2012)

Kiyoshi Nagano	14/16
Keiji Watanabe	14/16
Akihiro Tamaki	15/16
Masanao Marumono*	13/13

* Director Masanao Marumono was appointed as a Director on June 28, 2012.

Compensation for Directors and Statutory Auditors

Directors (Excluding Outside Directors)	17	¥193 million
Statutory Auditors (Excluding Outside Statutory Auditors)	1	¥ 12 million
Outside Directors and Statutory Auditors	5	¥ 56 million

* The above figures include compensation for Directors and Statutory Auditors who have retired during the fiscal year.

Initiatives During the Past Year to Enhance Corporate Governance

The Board of Directors has continued to fulfill its responsibilities as an organ for supervising management and fair decision making, holding at least one meeting each month. Also, to reinforce management oversight functions, Statutory Auditors conduct exhaustive audits based on the annual auditing plan. The Internal Auditing Department, in conjunction with external specialists, conducts comprehensive internal audits that include the Group companies. In addition, in order to meet the requirement for a "system of internal control over financial reporting" stipulated in Article 24-4-4 of the Financial Instruments and Exchange Act, companywide efforts are being made to design and operate internal controls over financial reporting, whose implementation status is evaluated independently by the Internal Auditing Department. Through these activities, the Company is working on further improving the quality of operations and preventing the occurrence of financially improper errors.

Regarding information disclosure to investors, the Company is dedicated to supplying its varied investors with accurate corporate information. We hold a financial results briefing quarterly and Current Management Information Briefing following the General Meeting of Shareholders. Explanatory meetings (called "Information Meetings") are held for individual investors in major Japanese cities, where information is provided directly by a representative of the Company. Our disclosure activities also include attendance at many investor relations conferences in Japan and other countries.

The Company is firmly committed to the transmission of information. Financial results, press releases, streaming videos and/or materials of quarterly financial results briefings, and Information Meetings for shareholders, as well as other relevant materials, are promptly posted on our website.

MESSAGE FROM AN OUTSIDE DIRECTOR

Kiyoshi Nagano

Outside Director

The Role of Outside Directors and Independent Officers

In my view, the purpose of outside directors is to enhance a company's risk management function. Independent officers, who are selected from among outside corporate officers, are expected to act to protect the interest of ordinary shareholders in situations such as the deciding of the execution of business matters at meetings of the Board of Directors. For this reason, at board meetings, outside directors at times broach delicate subjects with the inside directors who execute business, to discourage unwise action. However, that is not the only role of independent officers and outside directors. We share with inside directors the objective of increasing corporate value and shareholder value, and we outside directors seek to utilize our experience and knowledge to contribute to the enhancement of corporate brand value.

Corporate Governance Issues

One issue is overseas risk management as the SBI Group is accelerating its overseas business development and investment. It is therefore necessary to pay even more scrupulous attention to risks overseas than in Japan, including country risk. Owing to this, I believe it is crucial for the Group to further recruit excellent personnel who combine various areas of specialized expertise.

Another issue is coping with systems risk. The SBI Group's principal financial services are provided to customers via the Internet. Speaking from my experience as a top executive at the JASDAQ Securities Exchange (currently Japan Exchange Group), the Internet and IT systems entail the risk of trouble of some sort occurring at any time, and a simple human error may lead to enormous damage. For this reason, it is critical to take all possible measures to counter systems risk.

At present, the SBI Group's Financial Services Business and Asset Management Business are benefitting from a tailwind, and the Biotechnology-related Business has the potential to become a major source of earnings in the future. However, it is the nature of business that good times do not continue forever. We should require inside directors at all times to exercise both prudence and boldness by taking into account both risk and return, when making investment decisions. Additionally, I want the inside directors to always bear in mind financial soundness, to avoid panicking when something happens.

The most important factors in corporate governance are increasing transparency and accountability. In that sense, I would like the SBI Group to continue its various activities to fairly disclose information to all investors, such as the quarterly financial results briefings, Information Meetings at which ordinary shareholders can participate and the Current Management Information Briefing, following the General Meeting of Shareholders.

SBI Holdings became the first company headquartered in Japan to be listed on the Hong Kong Stock Exchange in April 2011, and adopted the International Financial Reporting Standards (IFRSs) from the first quarter of the fiscal year ended March 2013. At each General Meeting of Shareholders the outside directors are asked extremely detailed questions by the Hong Kong Stock Exchange. I think that listing the Company in Hong Kong and adopting IFRSs have been highly beneficial from the perspective of increasing transparency and strengthening corporate governance.

Management's Report on Internal Control Over Financial Reporting (Translation)

Matters relating to the basic framework for internal control over financial reporting

Management, with the participation of Yoshitaka Kitao, Representative Director, and Shumpei Morita, Chief Financial Officer, are responsible for the design and operation of the internal control over financial reporting prepared by SBI Holdings, Inc. ("the Company"). The Company's internal control over financial reporting of the consolidated financial statements is designed and operated effectively in accordance with the basic framework of internal control set forth in the report "On the Revision of the Standards and Practice Standards for Management Assessment and Audit Concerning Internal Control Over Financial Reporting (Council Opinions)" issued by the Business Accounting Council.

Internal control may not necessarily respond to unexpected changes in internal or external environments when controls were designed for non routine transactions. Internal control cannot provide absolute assurance with respect to the achievement of objectives, which can prevent or detect misstatements, due to the following inherent limitations, but it aims at achieving the objectives to a reasonable extent with the organized and integrated function of individual components as a whole

Matters relating to the scope of assessment, the basic date of assessment and the assessment procedures

The assessment of internal control over financial reporting was performed as of March 31, 2013, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material impact on our entire financial reporting in a consolidation ("company-level controls"). Based on that, we appropriately selected business processes to be evaluated. When we assessed internal controls of the selected business processes, we analyzed them and identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

The scope of evaluation for internal control over financial reporting was adequately set from the perspective of the degree of quantitative and qualitative impact on the reliability of financial reporting presentation and disclosure. Therefore, based on the results of assessment of company-level controls of 37 subsidiaries and associates (including 1 equity-method associate) which represent all the significant locations or business units, in principle, management determined the reasonable scope of assessment. Management eliminate subsidiaries or affiliates from the scope of assessment that are found to have little relevance of the degree of quantitative and qualitative impact on the reliability of financial reporting.

When evaluating process level controls, based on the effectiveness of company level controls, we selected significant locations or business units. Specifically, the significant locations or business units are selected in descending order of total assets until their combined amount reaches approximately two thirds of the total consolidated assets. In the significant locations and business units selected, all business processes which impact the accounts that are closely associated with the Company's business objectives are included in the scope. Further, not only at selected significant locations and business units but also at other locations and business units, we added to the scope of assessment, as business processes having greater materiality considering their impact on the financial reporting. The accounts within the scope are "Operating revenue," "Operating cost," "Cash segregated as deposits," "Margin transaction assets," "Operational investment securities," "Margin transaction liabilities," "Deposits from customers," "Guarantee deposits received," and so on.

In addition, Hyundai Swiss Savings Bank Co., Ltd. and its subsidiaries ("the Banks") were not included in the scope of assessment. As a result of the acquisition of the stock on March 26, 2013, the Banks became our subsidiaries immediately prior to the end of this fiscal year. Considering the scale of the Banks, the assessment of internal control about the Banks require a long-term, and it seemed impossible to complete the assessment by the board of directors' approval for the financial reporting of this fiscal year. In the result, we considered this event as a case in which sufficient assessment procedures for a certain part of the internal control were not able to be performed due to unavoidable circumstances.

Matters relating to the results of the assessment

We were not able to perform a part of the assessment procedure as the above, but we concluded that the Company's internal control over financial reporting was effective as of the end of this fiscal year.

Supplementary Information

Not applicable

Special Information

Not applicable

The SBI Group is an organization that develops successful businesses, with the conviction of proactively promoting a just society. Our businesses are not rooted in the sole purpose of making a profit, but also by our belief in "making our society a safe, fair and comfortable place, that is considerate of the environment."

Basic Approach to CSR

Adopting the approach that "a business will only flourish symbiotically with society," the SBI Group recognizes its social nature as a structural element of the community. While responding to the needs of its broad range of stakeholders, and making its contribution to the growth and preservation of the community, the Group is expanding its businesses in pursuit of earning society's trust from the fundamental perspective of the "Customer-centric Principle."

To transition from a "strong company" to a "strongly revered company," while at the same time giving back to society through its core businesses, the SBI Group contributes directly to society in the form of improving childhood well-being, through the "SBI Children's Hope Foundation," a public interest incorporated foundation.

Building Our Relationship with Stakeholders

The SBI Group appreciates the importance of gaining society's trust from a wide range of perspectives, as it advances its business and tackles the challenge of increasing corporate value for all of its stakeholders.

Social Contribution by Core Businesses

As a corporate group that endeavors to contribute to a just society, the core businesses themselves are intimately involved in the reinforcement of business activities that promote CSR.

Improving Child Welfare as a Direct Social Contribution

The Group not only contributes to society through its core businesses, but is also directly involved in social contribution initiatives directly through its activities to improve child welfare. The increase every year in the number of entrants to children's institutions, due to neglect and abuse, and the greater number of children abused by those who should be their most beloved guardians, is becoming a matter of extreme concern. Since Japan is lacking in natural resources, human talent has become its greatest resource, and if a child whose boundless potential is not raised with affection and in good health, this may become an immense liability against Japan's future. The SBI Group, through its belief in the utter importance of inspiring action on behalf of the children, who will shoulder Japan's future, has founded the SBI Children's Hope Foundation, and through the Foundation's activities pursues solutions for child welfare issues.

The SBI Children's Hope Foundation

The SBI Children's Hope Foundation is actively involved in leveraging the networks and knowledge cultivated by the SBI Group as a private corporation, to assist in the development of self-reliance of abused children, and to foster improvements in child welfare. The Foundation, which has administered these activities since 2005, was accredited in 2010 by the Office of the Prime Minister of Japan as a public interest incorporated foundation, and certified in 2011 as a tax-exempt corporation. This has not only allowed the Foundation to maintain society's trust, but has also given it preferential treatment under the tax code as a "designated public interest promotion corporation." Our diverse set of activities includes donations to improve conditions at facilities that care for abused children, provision of on-the-job training programs for care workers at childcare facilities, and public awareness activities that promote society-wide efforts against child abuse.

Between FY2005 and FY2012, the Foundation donated a total of ¥780 million towards these efforts. The SBI Children's Hope Foundation has supported the Orange Ribbon Campaign, which raises public awareness of child abuse prevention. Every November, which is Child Abuse Prevention Month, SBI Group executives and employees wear orange ribbons to raise awareness of this issue within and outside the SBI Group.

Forum for the Prevention of Child Abuse

The Four Pillars of the SBI Children's Hope Foundation

Based on our belief that talent recruitment emphasizing a range of human qualities and the nurturing of valuable human resources is indispensable for providing value and services that suit our customers' needs, the SBI Group has embarked on a Human Capital Value Campaign.

Furnishing Open Employment Opportunities

The SBI Group's recruitment process values not only the work experience and skills as professionals, but also places great emphasis on human qualities. Qualities such as being standout personalities who also demonstrate competency in their work, are valued regardless of sex, educational background, or nationality. In the college recruitment process, we have been hiring new graduates from a diversity of backgrounds, who possess future promise, under the hiring standards introduced in FY2006. We follow the policy of providing opportunities for the best people who are hired without prejudice, whether mid-career or newly graduating.

Dealing Fairly with Aspirations

Our dealings with employees emphasize not only the result, but the process that leads to the result. Every six months, assessments are conducted in which a total grading is made according to experience, ability, and contribution to the bottom line, based on achievement of the period's objectives, in a policy we call "Rewarding success to those who make a difference and offering positions to knowledgeable people with good business sense."

Initiatives toward Development of Promising Talent

The promising talent we endeavor to develop extends beyond those who contribute to the bottom line in a given department or company, and covers employees with strong aspirations to make broad contributions to the economy and society. We have found that such individuals possess high-level business expertise, share an international perspective and are equipped with a solid moral viewpoint, as well as the ability to execute. SBI Graduate School, which is entrusted with certain in-house training primarily for new employees and offers self-motivated employees a place for training, provides an opportunity for human learning through an emphasis on moral training with a key focus on enhancing people skills, in addition to a focus on intellectual training. The educational program incorporates the latest knowledge in running a business, and provides an opportunity for jitsu-gaku, or practical study. The general intent is to foster "promising talent" through diligent studies and mutual dialog among people with diverse backgrounds and personalities, and not just to absorb knowledge.

SBI Graduate School

The SBI Graduate School focuses on businesspersons with high aspirations by placing a key focus on nurturing promising talent, and assisting them to direct their energy towards the good of the economy and society in Japan and the world. Its objective is to produce talented individuals who are endowed with a solid knowledge base, encompassing a moral viewpoint and execution ability, who can extend their talents beyond profit contributions in any given department or company, with a sense of initiating broad contributions to the economy and society, who possess a high-level of business expertise, and have an international perspective. A wide variety of professors and lecturers are invited with the intent of developing "the human personality" through promotion of a broad-minded moral education, and cultivating a moral standpoint and human ability that a business manager or leader cannot do without, through a study of such subjects as Chinese classics as represented by the "Analects of Confucius" and "the Art of War," as well as providing a practical education related to the field of business.

One special feature of the SBI Graduate School is instruction offered through the leading e-learning system, where anyone with an Internet connection and a PC can attend a class. Since the Graduate School is certified by the Ministry of Education, Culture, Sports, Science and Technology, it grants the degree of MBA in Business Management to those who fulfill graduation requirements.

In the pursuit of enabling promising talent to positively demonstrate their abilities, the SBI Group further provides its full support to graduates with a superior record, who take the initiative to start a new business or expand a line of business.

SBI Graduate School commencement and entrance ceremonies

Training hall for implementing business plans

Financial & Corporate Information

CONTENTS

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

Shumpei Morita

Director, Managing Executive Officer & CFO

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

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

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

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

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

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

The change from JGAAP to IFRSs has made no major difference in the Biotechnology-related Business and Other businesses.

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

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

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

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

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

Analysis of Business Results for the Fiscal Year

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

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

(Financial Service Business)

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

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

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

(Asset Management Business)

Operating revenue in the Asset Management Business fell 43.2% year-on-year to ¥32,202 million, and profit before income tax expense fell 69.6% year-on-year to ¥5,450 million. Due to the European sovereign debt problem and stagnation in growth of emerging markets, the number of IPO cases worldwide decreased sharply by 382 to 751 cases for the fiscal year ended March 31, 2013, however, the domestic market continued to show signs of recovery with the number of IPO cases increased by 17 reaching 54 cases, among which the Group was involved in 9 IPO and M&A cases in the domestic market and 3 in the overseas market under its Asset Management Business. Operating revenue and operating income decreased by comparison with those of last year, primarily due to a large gain on sales of stocks of KLab Inc. and VSN, Inc. recorded in the fiscal year ended March 31, 2012, however, with sound improvements in corporate value of promising investees and a significant upturn in the stock market since November 2012, the second half of the year achieved profound improvement in both operating revenue and operating income, compared with the first half, regardless of the large loss recorded on valuation of several unlisted stocks.

(Biotechnology-related Business)

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

Cash Flows

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

(Operating Cash Flows)

Cash flows used in operating activities amounted to ¥36,984 million of net cash outflows (¥9,818 million of net cash inflows for the fiscal year ended March 31, 2012). The net cash outflows were primarily due to ¥72,300 million cash outflows for increase in assets/liabilities related to securities business, despite ¥14,213 million cash inflows for profit before income tax expense, ¥10,614 million cash inflows for decrease in accounts receivables and other receivables and ¥14,167 million cash inflows for increase in operational liabilities and other liabilities.

(Investing Cash Flows)

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

(Financing Cash Flows)

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

Material Differences from JGAAP

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

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

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

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

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

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

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

(2) GAAP difference of operating revenue other than reclassification

(a) Scope of consolidation

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

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

(b) Profit or loss regarding evaluation of financial instruments

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

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

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

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

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

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

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

Except for the impact from reclassification discussed in (1), due to the GAAP differences including (2) (a) to (c) operating revenue under IFRSs for the year ended March 31, 2012 and 2013 increased by ¥16,174 million and ¥26,823 million, respectively, compared to the "Net sales" under JGAAP.

(3) GAAP difference of operating expense other than reclassification

(a) Scope of consolidation

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

(b) Impairment and amortization of goodwill and negative goodwill

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

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

(c) Insurance contract

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

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

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

(4) Income tax expense

(a) Scope of consolidation

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

(b) Tax effect related to unrealized gain or loss

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

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

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

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

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

Business Plan

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

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

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

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

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

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

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

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

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

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

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

Risk

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

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

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

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

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

  We need to devote substantial resources to monitor changes in different operating environments, so that we can react with appropriate strategies that fit the needs of the portfolio companies affected;
- due to our large number of portfolio companies involved, successful operation of our Group requires an effective management system that emphasizes accountability, imposes financial discipline on portfolio companies, and incentivizes management to create value. As we continue to grow through acquisitions of businesses in an increasing number of different industries, our operations will become more complex, which increases the difficulty of implementing our management system; and
- our portfolio companies in different operating segments may determine that it is in their respective shareholders' interests to pursue

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

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

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

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

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

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

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

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

5) Risks relating to business reputation

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

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

6) Risks relating to business restructuring and expansion

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

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

We may not be able to identify suitable investment opportunities, partners or acquisitions candidates. Even if we do identify suitable investment opportunities, partners or acquisitions candidates, we may be unable to negotiate terms that are commercially acceptable to us or complete those transactions at all. With respect to our acquisitions, we could have difficulty in integrating these companies or businesses, including internal operations, distribution networks, product lines and personnel, with our existing business, and there is no assurance that the expected strategic benefits of any acquisitions or alliances will be realized. The acquired companies may have low margins and require significant restructuring to increase efficiency. In addition, the key personnel of an acquired company may decide not to work for us. The acquired company could involve a number of specific risks, including diversion of management's attention, higher costs, unanticipated events or circumstances, legal liabilities, failure of the business of the acquired company, fall in value of investments and amortization of acquired intangible assets, some or all of which could have an adverse effect on our business, financial condition and results of operations. In the event that we plan to acquire or invest in other company, we may be required to obtain the prior approval of the relevant regulators and/or the government and there can be no assurance that such approvals will be obtained in a timely manner or at all. In addition, any acquisition of an overseas company will expose us to foreign exchange risks, foreign regulations applicable to its business and different environments that we are not familiar with. In the event that any such risk arises, it could adversely affect our financial condition and results of operations.

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

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

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

7) Risks relating to entering new businesses

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

8) Risks relating to being a financial conglomerate

We are classified as a financial conglomerate as defined by the regulations of Financial Services Agency (FSA). As a result, we are further strengthening its risk management and compliance systems in order to maintain financial soundness, and to conduct business activities properly. However, if we are subject to an administrative action or other punishment by FSA, for whatever reason, we may have difficulty conducting its business operations, or it could adversely affect our financial condition and results of operations.

9) Risks relating to investment securities

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

10) Litigation risk

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

11) Risk relating to risk management and internal control

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

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

12) Risks relating to funding liquidity

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

13) Derivatives risk

We utilize derivative instruments to reduce investment portfolio price fluctuations and to manage interest rate and foreign exchange rate risk. However, we may not be able to successfully manage our risks through the use of derivatives. Counterparties may fail to honour the terms of their derivatives contracts with us. Alternatively, our ability to enter into derivative transactions may be adversely affected if our credit ratings are downgraded.

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

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

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

15) Reliance on key personnel

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

16) Risks relating to employees

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

17) Risks relating to trademarks and other intellectual property rights

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

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

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

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

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

19) Risks relating to deferred tax assets

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

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

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

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

20) Risks relating to insurance coverage

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

21) Past results may not be indicative of future performance

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

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

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

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

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

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

Recently, in addition to above, application of laws and regulations in overseas countries, such as Bribery Act 2010 in UK and The Foreign Corrupt Practices Act in US, might extend into our Group in other countries including Japan. We have responded to a variety of these laws and regulations after careful investigations and examinations for these risks, but some unexpected events may occur. Such events could have an adverse effect on our financial condition and results of operations.

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONSOLIDATED STATEMENT OF INCOME

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

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

2. BASIS OF PREPARATION

(1) First year of adoption of IFRSs

Since the Company meets the criteria of "Specific company" defined in item 1 under the first clause of Article 1-2 of the Rules Governing Term, Form and Preparation of Consolidated Financial Statements (Financial Ministerial Order the 28th, 1976), the consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards ("IFRSs") pursuant to Article 93 of the Rules Governing Term, Form and Preparation of Consolidated Financial Statements (Financial Ministerial Order the 28th, 1976).

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

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

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

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

(2) Basis of measurement

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

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

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

(3) Reporting currency

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

(4) Use of estimates and judgments

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

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

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

(a) Measurement of financial instruments

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

(b) Deferred tax assets

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

(c) Evaluation of goodwill

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

(d) Impairment on financial assets at amortized cost

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies listed below, if not otherwise stated, are applied consistently in the preparation of these consolidated financial statements (including the consolidated statement of financial position as at the transition date).

(1) Basis of consolidation

(a) Subsidiaries

Name of main subsidiaries are listed in Section of Corporate Profile, "3. SUBSIDIARIES AND ASSOCIATES." Subsidiaries refer to the entities under control of the Group. Control is defined as the Group having the power to govern the financial and operating policies of the investee so as to obtain benefits from the investee's activities. Subsidiaries are fully consolidated from the date on which control is obtained by the Group. They are deconsolidated on the date that the Group loses control. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Investments in funds operated by the Group are excluded from the scope of consolidation if they are not controlled by the Group.

Inter-company transactions, balances and unrealized gains on transactions among Group companies are eliminated in the consolidated financial statements. Unrealized losses are also eliminated and the related impairment is assessed.

Comprehensive loss arising from subsidiaries are allocated to the owners of the Company and non-controlling interests even if the balance of non-controlling interests are a negative figure.

(b) Associates and joint ventures

Associates are entities over which the Group has significant influence, and that are neither a subsidiary nor an interest in a joint venture.

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

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

Investments in associates and joint ventures are initially recognized at cost and accounted for using the equity method of accounting. However, investments held by venture capital organizations and other similar entities in the Group are accounted for at fair value through profit or loss according to IFRS 9.

Under the equity method, investor's share of the profit or loss and other comprehensive income (after adjustments for the purpose of conforming with the Group accounting policies), during from the date of having significant influence or entering into a joint venture to the date of losing significant influence or ceasing a joint venture agreement, of the associates and joint ventures (hereinafter referred to as "equity method associates") were recognized and recorded as adjustments to the carrying amounts of investments.

When the Group's share of losses in an equity method associate exceeds its interest in the associate, losses are not recognized to exceed the carrying amount of the investments. The Group does not recognize further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

Unrealized gain on inter-company transactions with equity method associates are deducted from the balance of carrying amount of investments only to the extent of investor's interests in the associates.

(c) Special purpose entities

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

(d) Business combination

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

Acquisition method is applied for acquisitions incurred on or after 31 March 2008. The consideration transferred for the acquisition of a subsidiary is the total of acquisition date fair value of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their acquisition date fair value except for the below.

- Deferred tax assets (or deferred tax liabilities) and assets (or liabilities) related to employee benefits are required to be recognized and measured in accordance with IAS 12 "Income Tax" and IAS 19 "Employee benefits".
- Share based payment plan of the acquiree, or liabilities or equity financial instruments issued for the purpose of replacement of acquiree's share based payment plan were measured according to IFRS 2 "Share Based Payments".
- Non-current assets or disposal group categorized as held for sale were measured according to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

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

The Group recognized non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the proportionate share of the recognized amount of acquiree's identifiable net assets.

Acquisition-related cost is expensed as incurred, except for the costs related to the issuance of debt securities and equity securities.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured at fair value at the acquisition date and resulting gain or loss is recognized in profit or loss.

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

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

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

(f) Loss of control

When the Group loses control, the difference between the "total fair value of consideration received and the retained interest" and "the previous carrying amount of subsidiary's assets (including goodwill), liabilities and non-controlling interests" are recognized in profit or loss.

In addition, any amount previously recognized in other accumulated comprehensive income in relation to the subsidiary is accounted for as if the Group had directly disposed of each related assets or liabilities.

The fair value of the retained interest in the former subsidiary is measured in accordance with IFRS 9.

(2) Foreign currency

(a) Foreign currency translation

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are translated in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at the year end date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency shall be retranslated using the exchange rate at the date when the fair value was measured. The exchange differences arising from the retranslation were recognized in profit or loss, except for retranslation differences on financial instruments, the change in the fair value of which is recognized in other comprehensive income and exchange differences arising from transactions for the purpose of hedging certain foreign exchange risk.

(b) Foreign operations

The assets and liabilities, including goodwill and fair value adjustments arising on business combinations, of all the Group entities that have a functional currency that is different from the presentation currency (mainly foreign operations) are translated into the presentation currency using the rates of exchange prevailing at the end of each reporting period. Income and expenses of foreign operations are translated into the presentation currency at the average exchange rates.

Exchange differences arising are recognized as other comprehensive income. On or after 1 April 2011, the Group's transition date, the differences are recorded and accumulated as translation reserve in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. The Group applied the exemption for cumulative translation reserve in IFRS 1, and resetting cumulative translation gains and losses to zero at the transition date.

(3) Financial instruments

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

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

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

(a) Initial recognition and measurement

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

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

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

The Group decided to apply the exemptions of IFRS 1 stated below in respect of adopting IFRS 9.

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

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

(b) Offsetting

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

(c) Non-derivative financial assets

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

Financial assets measured at amortized cost

Financial assets are subsequently measured using the effective interest method at amortized cost less accumulative impairment loss if both of the following conditions are met: (i) the debt instruments are held in order to collect contractual cash flows according to the Group's business model for managing the financial assets and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTPL

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

Financial assets at FVTOCI

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

(d) Cash and cash equivalents

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

(e) Non-derivative financial liabilities

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

(f) Trading assets and liabilities

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

- Financial assets acquired for the purpose of sale or repurchase mostly in the short term
- At initial recognition, the financial assets are managed together by the Group as part of a certain financial instrument portfolio, from which an actual short term gain has been realized.
- Derivative (either not classified as hedging instruments or proved to be not effective as hedging instruments)

Trading assets and trading liabilities are classified as financial assets and liabilities at FVTPL, changes in amounts of which are recognized in profit or loss. Trading assets and trading liabilities are presented in "Other assets (or liabilities) related to securities business" in the statement of financial position.

(g) Derecognition

The Group derecognizes a financial asset when, and only when, the contractual rights to the cash flows from the financial asset expire or the Group no longer retains the contractual rights to receive the cash flows and transfers all the risks and rewards related to the financial asset.

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

(h) Fair value measurement

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

The Group uses valuation techniques to measure fair value if the financial assets are not traded in an active market. Valuation techniques include utilization of a quoted price of a recent actual transaction in an active market, current fair value of an identical or similar financial instruments, discounted cash flow analysis and option pricing models. When there is evidence that market participants use valuation techniques to determine the price of a financial asset and liability and provide a reliable estimated market price, fair value should be determined based on that valuation technique. To ensure the validity and the effectiveness of the valuation techniques used in determining fair value, the Group reassess the valuation techniques based on observable market data on a regular basis.

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

(i) Impairment on financial assets measured at amortized cost

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

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

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

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

(j) Hedge accounting

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

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

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

Among the changes in fair value of interest swap contracts, which are designated as hedging instruments for cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income, while the ineffective portion shall be recognized in profit or loss.

The amount that has been recognized in other comprehensive income shall be deducted from other comprehensive income in the consolidated statement of comprehensive income and reclassified to profit or loss in the same period during which the hedged item of cash flows affects profit or loss.

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

(k) Capital stock

Common stock

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

Treasury stock

The Group's own equity instruments which are reacquired are recognized at cost including acquisition related costs, after tax effects, as a deduction from equity. When the Group sells treasury stocks, the consideration proceeded is recognized as an addition to equity.

(4) Inventories

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

(5) Lease

(a) Accounting by lessor as financial lease

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

(b) Accounting by lessee as financial lease

A lease is classified as a financial lease when the Group assumes the risks and rewards according to the lease contract. Lease assets are initially recognized at the lower of fair value of the leased property and the present value of the minimum lease payments. In subsequent measurement, lease assets are accounted for under the standards applied to the assets.

(6) Property and equipment

(a) Initial recognition and measurement

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

(b) Depreciation

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

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

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

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

(7) Intangible assets

(a) Intangible assets arising on business combination (goodwill and other intangible assets)

Goodwill arising on acquisition of subsidiaries is recognized as an intangible asset. Initial recognition and measurement of goodwill are stated in (1) (d) Business combination. Intangible assets arising from a business combination, other than goodwill, are recognized at fair value at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment loss. For investees to which the equity method is applied, goodwill is included in the carrying amount of the investment.

Intangible assets other than goodwill with a finite useful life that arise on a business combination are measured at initial cost less accumulated amortization and accumulated impairment loss.

(b) Research and development

Expenditure during the research phase for the purpose of learning the most updated science and technology is recognized as an expense when incurred. Capitalized development expenditures are measured at initial cost less accumulated amortization and accumulated impairment loss.

(c) Other intangible assets (separately acquired)

Other intangible assets acquired by the Group are measured at initial cost less accumulative amortization and accumulative impairment loss.

(d) Amortization

Amortization of intangible assets other than goodwill with a finite useful life is recognized in profit or loss using the straight-line method over the expected useful life, which begins when the assets are available for use.

The estimated useful lives of major classes of intangible assets are as follows:

• Software	3 – 5 years
• Customer Relationship	4 – 16 years

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

(8) Investment properties

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

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

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

• Buildings	8 – 50 years

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

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

(9) Impairment of non-financial assets

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

The recoverable amounts of assets or CGUs are determined as the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the minimum CGU to which the asset belongs.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss. The impairment loss recognized in relation to the CGU shall be allocated to reduce the carrying amount of the assets of the unit in such order that (a) first, to reduce the carrying amount of any goodwill allocated to the CGU and (b) then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognized for goodwill shall not be reversed in a subsequent period. An entity shall assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Because goodwill that forms part of the carrying amount of an investment in an associate or a joint venture is not separately recognized, it is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset, whenever there is an indication that the investment may be impaired.

(10) Employee benefits

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

The Company and certain of its subsidiaries have defined contribution plans for employee benefits. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Contributions related to defined contribution plans are expensed over the period during which employees render service to the entity. Also, the Company and certain of its subsidiaries participate in defined benefit multi-employer plans, under which contributions paid during the period are recognized in profit or loss as pension expense and contributions payable are recorded as liabilities.

(b) Short-term employee benefits and share-based payment

The Group recognizes the undiscounted amount of short-term employee benefits as an expense of the period during which the related service is rendered. Also, the Company operates share-based compensation plan as an incentive for board members and employees, however, there is no impact to profit or loss of the current period.

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

(11) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured at the present value of the expected future cash flow using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

(12) Revenue recognition

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

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

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

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

(b) Net trading income

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

(c) Commission income

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

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

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

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

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

(13) Income tax expense

Income tax expense consists of current and deferred tax expense, which are recognized in profit or loss, except for those arising from a business combination or recognized directly in equity and other comprehensive income. Current income tax expense is measured at the amount expected to be paid to or recovered from the taxation authorities using the tax rate that has been enacted or substantively enacted by the end of the reporting period. Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amount. However, deferred tax assets are not accounted for if they 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 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	Millions of Yen						
	Financial Services Business	Asset Management Business	Biotechnology-related Business	Others	Total	Elimination	Consolidated Total
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	Millions of Yen						
	Financial Services Business	Asset Management Business	Biotechnology-related Business	Others	Total	Elimination	Consolidated Total
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	Millions of Yen		
	As at 1 April 2011	As at March 31 2012	As at March 31 2013
Japan	97,674	91,690	92,620
Korea	53	43	125,320
Others	419	760	14,513
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	Millions of Yen	
	For the year ended 31 March 2012	For the year ended 31 March 2013
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:

As at 1 April 2011	Millions of Yen							
	Carrying amount	Contractual cash flow	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds and loans payable (Note)	276,978	279,985	186,643	22,857	8,209	1,818	7,055	53,403
Trade and other accounts payable	42,525	42,525	35,658	2,271	2,014	1,659	893	30
Liabilities related to securities business	663,321	663,321	663,321	–	–	–	–	–
Other financial liabilities	24,947	24,947	24,947	–	–	–	–	–

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

As at 31 March 2012	Millions of Yen							
	Carrying amount	Contractual cash flow	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds and loans payable (Note)	285,188	289,560	192,814	9,595	33,190	8,001	1,035	44,925
Trade and other accounts payable	39,073	39,073	34,611	2,073	1,493	795	98	3
Liabilities related to securities business	933,831	933,831	933,831	–	–	–	–	–
Other financial liabilities	29,916	29,916	29,916	–	–	–	–	–

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

As at 31 March 2013	Millions of Yen							
	Carrying amount	Contractual cash flow	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds and loans payable (Note)	344,360	350,393	223,363	75,022	6,547	1,162	9,063	35,236
Trade and other accounts payable	48,894	48,894	45,922	1,567	1,004	298	98	5
Liabilities related to securities business	1,304,605	1,304,605	1,304,605	–	–	–	–	–
Customer deposits for banking business	376,177	384,230	343,295	37,387	3,510	17	15	6
Other financial liabilities	35,371	35,371	35,371	–	–	–	–	–

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

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

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

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

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

8. TRADE AND OTHER ACCOUNTS RECEIVABLE

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

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

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

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

9. OTHER ASSETS RELATED TO SECURITIES BUSINESS

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

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

10. OPERATIONAL INVESTMENT SECURITIES AND OTHER INVESTMENT SECURITIES

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

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

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

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

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

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

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

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

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

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

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

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

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

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

The fair values of investments accounted for using the equity method with available market prices as at transition date, 31 March 2012, and 31 March 2013 are ¥3,314 million, ¥3,587 million and ¥3,511 million, respectively. The carrying amounts of such investments were ¥4,231 million, ¥4,479 million and ¥3,884 million, respectively.

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

12. INVESTMENT PROPERTY

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

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

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

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

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

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

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

The investment properties of the Group are located in Japan and Korea. The names of the major appraisers which conducted the valuation of investment properties in Japan and Korea are DAIWA REAL ESTATE APPRAISAL CO.,LTD. and Kaaram Appraisal Co., Ltd, respectively.

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

13. PROPERTY AND EQUIPMENT

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

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

Accumulated depreciation and impairment losses	Buildings	Furniture and fixtures	Land	Others	Total
	Millions of Yen				
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	Buildings	Furniture and fixtures	Land (Note)	Others	Total
	Millions of Yen				
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	Buildings	Furniture and fixtures	Total
	Millions of Yen		
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:

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

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

Carrying amount	Goodwill	Software	Customer Relationship	Others	Total
	Millions of Yen				
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 As at 1 April 2011	As at 31 March 2012	As at 31 March 2013	% Interest rate	Due
The Company Japanese yen straight bond (Note 1)	May 2010–November 2012	69,588	59,921	63,972	1.60–1.9	May 2011–November 2013
The Company No.4 Unsecured straight bond	January 2012	–	29,876	29,920	2.16	January 2015
SBI Life Living Co., Ltd., No.1 Unsecured straight bond (Note 2)	December 2010	600	540	–	TIBOR +0.1	December 2020
Hyundai Swiss Savings Bank Co., Subordinated bond in Korean Won (Note 3)	June 2008–April 2010	–	–	10,094	7.9–8.5	October 2013–July 2015
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 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 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 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 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%

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

Notes: 1. Average remaining exercise period as at 31 March 2013 was 1.7 years.
2. Weighted average fair value of stock options vested during the fiscal year ended 31 March 2012 was ¥120. Fair value was determined based on a binominal model and was evaluated by an external specialist. The following assumptions were used in the binominal model regarding the stock option vested during the year ended 31 March 2012:

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

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

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

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

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

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

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

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

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

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 (Millions of Yen)	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

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

31. CONTINGENT LIABILITIES

(1) Loan Commitment

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

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

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

(2) Guarantee of third party's payables

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

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

32. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

33. EXPLANATION OF TRANSITION TO IFRSS

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

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

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

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

Presentation under JGAAP	Notes	JGAAP	Reclassifications	Adjustments	IFRSs	Presentation under IFRSs
		Millions of Yen				
		As at 1 April 2011				
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

		Millions of Yen				
		As at 1 April 2011				
Presentation under JGAAP	Notes	JGAAP	Reclassifications	Adjustments	IFRSs	Presentation under IFRSs
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

Presentation under JGAAP	Notes	JGAAP	Reclassifications	Adjustments	IFRSs	Presentation under IFRSs
		Millions of Yen				
		As at 1 April 2011				
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				
		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

Presentation under JGAAP	Notes	Millions of Yen As at 31 March 2012 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.

Deloitte.

Deloitte Touche Tohmatsu LLC
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel:+81 (3) 3457 7321
Fax:+81 (3) 3457 1694
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Deloitte Touche Tohmatsu LLC

27 June 2013

Member of
Deloitte Touche Tohmatsu Limited

THE SBI GROUP (PRINCIPAL GROUP COMPANIES)

SBI Holdings, Inc.

TSE First Section | SEHK Main Board

Financial Services Business

A diversified line of financial services

❶ SBI FINANCIAL SERVICES Co., Ltd.
Control and management of the Financial Services Business 100.0%

- **❶ SBI SECURITIES Co., Ltd.**
  Comprehensive online securities company 100.0%
  - **❶ SBI Benefit Systems Co., Ltd.**
    Services for defined-benefit pension plans 87.0%
- **❶ SBI MONEY PLAZA Co., Ltd.**
  "Face-to-face" shops that provide financial products 100.0%
- **❶ SBI Liquidity Market Co., Ltd.**
  Provision of market infrastructure to supply liquidity to FX margin trading 100.0%
  - **❶ SBI FXTRADE Co., Ltd.**
    Pure-play FX broker 100.0%

❶ SBI Japannext Co., Ltd.
Operation of PTS (Proprietary Trading System) 52.8%

❶ SBI Social Lending Co., Ltd.
Loan and social lending operations 100.0%

❶ SBI Remit Co., Ltd.
International remittance business 100.0%

❶ SBI AutoSupport Co., Ltd.
Provision of financial services through used car dealers, etc. 70.0%

❶ Autoc one K.K.
Internet support service for purchasing automobiles 60.9%

Financial Services Business (Business Divisions of SBI Holdings, Inc.)
Operation of financial product comparison, search and estimate websites

❶ SBI Net Systems Co., Ltd.
R&D and providing information security products 100.0%

❷ SBI-LG Systems Co., Ltd.
System-related business 49.0%

JASDAQ
❷ SOLXYZ Co., Ltd.
Software development 26.3%

❶ SBI Business Solutions Co., Ltd.
Back office support services 78.7%

❶ SBI Insurance Co., Ltd.
Internet-based nonlife insurance company 80.2%

❶ SBI SSI Holdings Co., Ltd.
Holding company of small-amount short-term insurance policy businesses 100.0%

- **❶ IKIIKI SEDAI Inc.**
  Small-amount short-term insurance policy businesses 100.0%

❶ SBI SSI Co., Ltd.
Small-amount short-term insurance policy businesses 98.3%

❷ SBI Sumishin Net Bank, Ltd.
Internet-based full service bank 50.0%

KOSPI
❶ SBI Mortgage Co., Ltd.
Long-term, fixed-rate housing loans 66.5%

❶ CEM Corporation
Real estate secured loans 79.7%

JASDAQ
❶ Morningstar Japan K.K.
Rating information for investment trust, others 49.2%

- **❶ Morningstar Asset Management Co., Ltd.**
  Investment advisory services, others 100.0%
- **❶ SBI Searchina Co., Ltd.**
  Operation of "Searchina," a Chinese information website 100.0%

❶ SBI Fund Bank Co., Ltd.
Planning services associated with investment trusts 100.0%

❷ Strategic Consulting Group, Inc.
Financial advisory services 44.4%

❷ CSJ-SBI Financial Media Co., Ltd.
Sino-Japanese economic and financial information services 43.0%

❶ SBI Card Co., Ltd.
Credit card business 100.0%

❶ SBI Lease Co., Ltd.
Comprehensive leasing business 100.0%

❶ SBI Business Support Co., Ltd.
Call center planning and operation, staffing 100.0%

❶ SBI Marketing Co., Ltd.
Advertising agent 99.0%

As of June 30, 2013 / Note: Percentages are the total Group ownership, which is the sum total of the voting rights in possession by the Company and the companies and funds defined as its subsidiaries by IFRSs.
❶ Consolidated subsidiary ❷ Equity-method company/affiliated company

Asset Management Business

Fund management, investment advisory services, etc.

- ❶ **SBI Capital Management Co., Ltd.**
  Control and management of the Asset Management Business — **100.0%**
  - ❶ **SBI Investment Co., Ltd.**
    Venture capital fund management — **100.0%**
  - ❶ **SBI CAPITAL Co., Ltd.**
    Buyout and value up fund management — **100.0%**
- ❶ **SBI Asset Management Co., Ltd.**
  Investment advisory services, investment trust management — **100.0%**
- ❶ **SBI Arsnova Research, Co., Ltd.**
  Arrangement and management of alternative investments — **99.0%**
- ❶ **SBI VEN CAPITAL PTE. LTD.**
  Overseas investments administration — **100.0%**
- KOSDAQ
  ❷ **SBI Investment KOREA Co., Ltd.**
  Venture capital in Korea — **43.9%**
- KOSDAQ
  ❶ **SBI AXES Co., Ltd.**
  Holding company of payment providers — **75.0%**
- ❶ **Hyundai Swiss Savings Bank**
  Savings bank in Korea — **89.4%**
- ❶ **SBI Royal Securities Plc.**
  Comprehensive securities company in Cambodia — **81.6%**
- ❷ **PHNOM PENH COMMERCIAL BANK**
  Commercial banking services in Cambodia — **47.6%**

Biotechnology-related Business

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

- ❶ **SBI ALA Hong Kong Co., Limited**
  Management of the 5-ALA related businesses — **100.0%**
  - ❶ **SBI Pharmaceuticals Co., Ltd.**
    Development, manufacturing and sales of cosmetics, health foods and pharmaceuticals using 5-ALA — **73.2%**
  - ❶ **SBI ALApromo Co., Ltd.**
    Manufacturing and sales of cosmetics and health foods using 5-ALA — **100.0%**
- ❶ **SBI Biotech Co., Ltd.**
  R&D of pharmaceuticals — **74.2%**
  - ❶ **Quark Pharmaceuticals, Inc.**
    Research and development of siNRA pharmaceuticals — **100.0%**
- ❶ **SBI Wellness Bank Co., Ltd.**
  Healthcare services for membership — **92.3%**

Others

- **Real Estate Business Division (SBI Holdings, Inc.)**
  Real estate investments, real estate development and operation of real estate investment funds
- TSE Mothers
  ❶ **SBI Life Living Co., Ltd.**
  Development and sale of properties and operation of lifestyle-related websites — **73.8%**
- ❶ **SBI Guarantee Co., Ltd.**
  Rent guarantees for rental housing — **100.0%**

CORPORATE HISTORY

1999	Mar.	SoftBank Corp.'s Administrative Division spun off as an independent company, Softbank Finance Corporation, as part of business reorganization accompanying the conversion of SoftBank Corp. into a pure holding company; Softbank Finance Corporation becomes an operating holding company to oversee financial-related business activities
	July	SOFTBANK INVESTMENT CORPORATION (the Company) established under Softbank Finance Corporation to undertake venture capital and incubation business
	Nov.	Softbank Ventures, Inc. (currently SBI Investment Co., Ltd.) became a wholly owned consolidated subsidiary
2000	Dec.	Listed on NASDAQ Japan (currently JASDAQ)
2001	Apr.	SOFTBANK ASSET MANAGEMENT Co., Ltd. (currently SBI Asset Management Co., Ltd.) became a subsidiary SBI CAPITAL Co., Ltd. established
2002	Feb.	Listed on First Section of Tokyo Stock Exchange
	Nov.	Listed on First Section of Osaka Securities Exchange
2003	June	Merged with E*TRADE Japan K.K. and converted E*TRADE SECURITIES Co., Ltd. into a subsidiary; reorganization of business accelerates thereafter, with the Company positioned as the core company
	Oct.	Acquired WORLD NICHIEI Securities Co., Ltd. (formerly SBI Securities Co., Ltd.) and converted this company into a subsidiary
2004	Feb.	FINANCE ALL CORPORATION, and its subsidiaries GOODLOAN Co., Ltd. (currently SBI Mortgage Co., Ltd.) and WEB-Lease Co., Ltd. (currently SBI Lease Co., Ltd.) became subsidiaries
	July	Morningstar Japan K.K. became a subsidiary
2005	Mar.	Percentage of equity shares held by SoftBank Corp. decreases due to a capital increase through a public offering; changed from a consolidated subsidiary to an equity-method affiliate
	July	Changed name to SBI Holdings, Inc. Transferred venture fund management business to SBI VENTURES K.K. (currently SBI Investment Co., Ltd.) and changed to a holding company structure
	Oct.	Established a representative office in Beijing, China
2006	July	E*TRADE SECURITIES Co., Ltd. (currently SBI SECURITIES Co., Ltd.) changed its name to SBI E*TRADE SECURITIES Co., Ltd.
	Aug.	A wholly owned subsidiary of SoftBank Corp. (majority shareholder) sold its shares in the Company, thereby the Company is no longer an equity-method affiliate of SoftBank Corp.
2007	Feb.	Established a Singapore subsidiary, SBI VEN CAPITAL PTE. LTD.
	Aug.	SBI Japannext Co., Ltd. began operations of Proprietary Trading System (PTS)
	Sept.	LIVING Corporation (currently SBI Life Living Co., Ltd.) became a subsidiary SBI Sumishin Net Bank, Ltd. commenced business
	Oct.	SBI E*TRADE SECURITIES Co., Ltd. (currently SBI SECURITIES Co., Ltd.) and former SBI Securities Co., Ltd. merged, with SBI E*TRADE SECURITIES Co., Ltd. as the surviving company
2008	Jan.	SBI Insurance Co., Ltd. commenced business
	July	SBI E*TRADE SECURITIES Co., Ltd. changed its name to SBI SECURITIES Co., Ltd.
	Nov.	SBI Liquidity Market Co., Ltd. started operations
	Dec.	Hong Kong subsidiary SBI Hong Kong Co., Limited (currently SBI Hong Kong Holdings Co., Limited) commenced business
2010	Apr.	Established a representative office in Shanghai, China
	July	Korea Technology Investment Corporation (currently SBI Investment KOREA Co., Ltd.), a South Korean company, became an equity-method affiliated company
2011	Apr.	Hong Kong Depositary Receipts of the Company's common shares listed on the Main Board of the Hong Kong Stock Exchange
	May	Established a representative office in Kuala Lumpur, Malaysia
2012	Mar.	China business management company SBI (China) Co., Ltd., commenced business
	May	SBI FXTRADE Co., Ltd., a foreign exchange trading company commenced business
	June	Implemented reorganization of face-to-face sales businesses centering on SBI MONEY PLAZA Co., Ltd., and transferred the face-to-face division of SBI SECURITIES Co., Ltd. to SBI MONEY PLAZA Co., Ltd.
	Oct.	The Company conducted a 10 for 1 stock split
2013	Mar.	Acquired shares of Hyundai Swiss Savings Bank and converted it into a consolidated subsidiary Acquired all shares of IKIIKI SEDAI Inc. and converted it into a consolidated subsidiary

CORPORATE DATA (As of March 31, 2013)

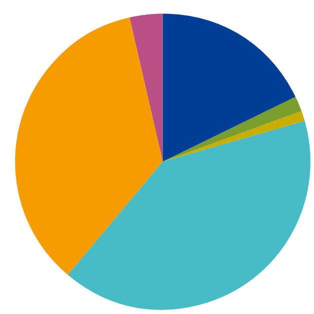
Company Outline

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

Stock Information

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

Distribution of Ownership among Shareholders (%)



	Financial Institutions	17.86
	Securities Companies	1.75
	Other Companies within Japan	0.97
	Foreign Institutions and Individuals	40.63
	Individuals and Others	35.42
	Treasury Stock	3.35

Principal Shareholders

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

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

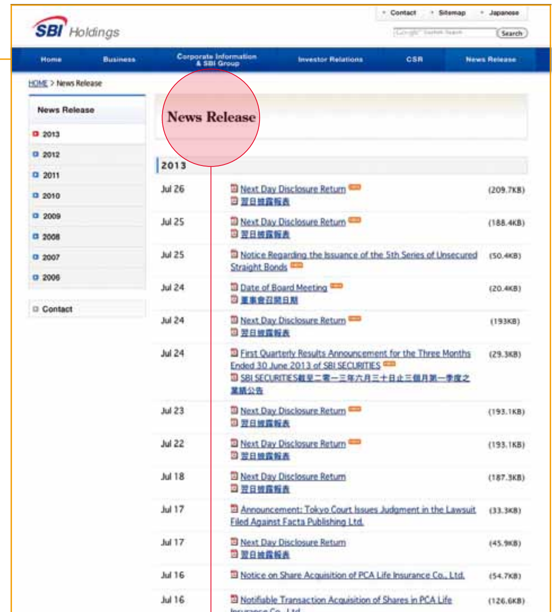
WEBSITE DIRECTORY

SBI Holdings Website Top Page

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

News Release

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



News Release

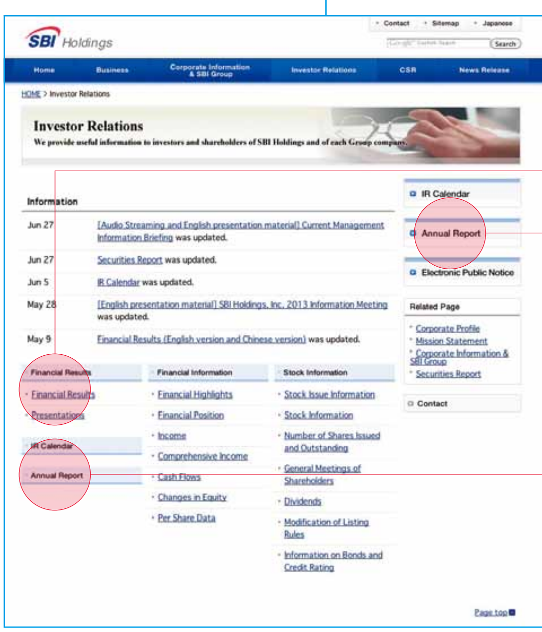
Releases can be found in English and Chinese.

Financial Results, etc.

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

Annual Report

Back numbers of annual reports available in English and Chinese.



Investor Relations

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

BOOKS BY YOSHITAKA KITAO, REPRESENTATIVE DIRECTOR, PRESIDENT & CEO

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

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

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

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

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

Understanding the Times
Keizaikai Co., Ltd.
November 2011

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

Penetrating Insight
Keizai Co., Ltd.
November 2010

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

Notes on Masahiro Yasuoka
Chichi Publication
December 2009

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

Yoshitaka Kitao's Business Management Lecture
KIGYOKA NETWORK
June 2009

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

Reading the Times
Keizaikai Co., Ltd.
August 2008

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

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

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

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

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

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

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

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

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

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

(EN): In English translation (CN): In Chinese translation (KR): In Korean translation

SBI Holdings, Inc.

Izumi Garden Tower 19F, 1-6-1 Roppongi,
Minato-ku, Tokyo 106-6019, JAPAN
Tel +81-3-6229-0100 Fax +81-3-3224-1970

www.sbigroup.co.jp/english/

VEGETABLE OIL INK

Printed in Japan