Consolidated Financial Highlights 6-year Summary

Adopted IFRSs from the year ended March 31, 2013

Years ended March 31	
Operating revenue / Revenue*	
Profit before income tax expense	
Profit for the year attributable to owners of the Company	
Total assets	
Equity attributable to owners of the Company	
Net cash generated from (used in) operating activities	
Net cash generated from (used in) investing activities	
Net cash generated from (used in) financing activities	
Cash and cash equivalents at the end of the year	

*Beginning with the fiscal year ended March 31, 2016, the income categories “Operating revenue” and “Other financial income” have been eliminated, and the amounts have been combined and presented as “Revenue.” Figures for the years ended March 31, 2013 to March 31, 2015 are “Operating revenue.”

Revenue	Financial Services Business	
	Asset Management Business	
	Biotechnology-related Business	
	Others	
	Elimination or Corporate	
Profit before income tax expense	Financial Services Business	
	Asset Management Business	
	Biotechnology-related Business	
	Others	
	Elimination or Corporate	

*Certain subsidiaries, including BroadBand Security, which were included in the Asset Management Business until the end of the fiscal year ended March 31, 2017, are now included in the Financial Services Business from the fiscal year ended March 31, 2018.
Consequently, segment information for the year ended March 31, 2017 has been restated in accordance with the new basis of segmentation.
Also, for the fiscal years ended March 31, 2013 to 2016, whereas there are Group companies that were transferred from one segment to another, the abovementioned figures reflect disclosed figures for each fiscal year, so there may be some discrepancies.

Ratio of equity attributable to owners of the Company to total assets	
Substantive ratio of equity attributable to owners of the Company to total assets*	
Ratio of profit to equity attributable to owners of the Company (ROE)	

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

Equity per share attributable to owners of the Company (BPS)	
Basic earnings per share attributable to owners of the Company (EPS)	
Dividend per share	

PER (Price-earnings ratio)	
PBR (Price-book-value ratio)	

PER=FY end TSE closing price/Basic earnings per share attributable to owners of the Company
PBR=FY end TSE closing price/Equity per share attributable to owners of the Company
Note: The closing price for the fiscal year ended March 31, 2018 was ¥2,433.

Total dividend	
Share repurchase amount*	
Total shareholder returns	

*As part of the shareholder returns, the amount of treasury stock acquired relevant to the business performance for each fiscal year are stated.
In addition, the Company acquired treasury stock of ¥ 951.9 billion during the fiscal year ended March 31, 2018, but it is not stated on the table since it was not realized for the purpose of shareholder returns.

Total shareholder returns ratio	

Employees	

(Millions of yen)

2013	2014	2015	2016	2017	2018
154,285	232,822	245,045	261,744	261,939	337,017
15,022	38,899	63,067	52,227	43,139	71,810
3,817	21,439	45,721	34,115	32,455	46,684
2,494,387	2,875,304	3,400,763	3,126,784	3,850,001	4,535,964
303,299	325,631	383,491	371,590	377,992	427,815
(36,984)	29,401	(36,197)	32,478	(17,952)	(33,235)
(19,060)	16,811	52,305	11,179	2,437	7,881
25,699	92,538	(15,524)	(76,230)	159,467	74,575
133,362	276,221	290,826	248,050	391,572	437,148

(Millions of yen)

113,340	147,835	162,645	159,012	179,941	217,272
33,011	72,725	65,843	98,725	77,441	117,572
970	2,195	2,182	4,021	5,530	4,199
9,240	11,626	15,710	2,259	883	1,213
(2,276)	(1,559)	(1,335)	(2,273)	(1,856)	(3,239)
18,741	37,298	67,309	50,458	48,932	63,888
6,259	8,990	8,132	17,996	13,861	56,491
(3,900)	(2,432)	(7,310)	(6,572)	(9,574)	(37,252)
1,659	2,438	2,779	(835)	(830)	(1,328)
(7,737)	(7,395)	(7,843)	(8,820)	(9,250)	(9,989)

(%)

12.2	11.3	11.3	11.9	9.8	9.4
22.9	22.2	22.2	21.7	18.3	16.7
1.3	6.8	12.9	9	8.7	11.6

(Yen)

1,401.39	1,504.19	1,771.19	1,792.08	1,856.47	1,937.72
17.58	99.04	211.18	160.83	159.38	220.54
10	20	35	45	50	85

(Times)

47.27	12.56	6.89	7.11	9.74	11.03
0.6	0.8	0.8	0.6	0.8	1.3

(Millions of yen)

2,170	4,340	7,594	9,393	10,153	18,711
0	0	10,000	5,000	8,000	0
2,170	4,340	17,594	14,393	18,153	18,711

(%)

56.9	20.2	38.5	42.2	55.9	40.1

(Persons)

5,007	5,352	6,094	5,480	4,455	5,391

Fact Sheet

Financial Services Business' Key Indicators

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

	Unit	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
SBI SECURITIES (non-consolidated)	¥ million	11,623	33,344	34,828	37,850	33,043	46,169
FX business*1	¥ million	1,369	3,160	4,741	5,200	5,734	5,188
SBI MONEY PLAZA	¥ million	31	1,062	1,496	1,751	1,975	2,768
SBI Sumishin Net Bank [Net income based on JGAAP]	¥ million	1,622 [4,779]	2,062 [7,116]	5,196 [9,998]	3,385 [8,413]	3,185 [9,873]	3,770 [10,447]
Insurance business*2	¥ million	(5,111)	(3,600)	28	264	1,881	2,263

Securities

	Unit	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Accounts	Thousands	2,609	2,944	3,246	3,564	3,840	4,261
Net increase in accounts	Thousands	221	335	302	318	276	422
Accumulated number of accounts via SBI Sumishin Net Bank	Thousands	—	299	362	415	452	538
NISA accounts	Thousands	—	416	640	821	974	1,197
Customer deposit assets	¥ trillion	6.4	7.6	9.4	9.5	10.8	12.9
Commission rate	Basis point	3.4	2.4	2.6	2.6	2.9	3.0
Share of individual stock brokerage trading value*3	%	32.6	33.8	34.5	35.3	34.7	35.1
Share of individual stock brokerage margin trading value*3	%	34.9	36.5	36.2	37.3	35.9	36.4
Open interest credit balance	¥ billion	517	691	787	678	799	1,001
Investment trust balance	¥ billion	722	844	1,155	1,216	1,323	1,675
Investment trust fees	¥ million	2,210	2,939	3,771	4,391	4,215	5,181
Number of IPO underwriting*4	Companies	42	42	73	82	77	75
Number of lead managed underwritings	Companies	5	5	8	8	13	6
Capital adequacy ratio	%	383.5	323.4	318.6	377.0	276.2	372.7
FX accounts (SBI Group*5)	Thousands	325	470	612	760	906	1,066
Number of SBI MONEY PLAZA location	Locations	—	361	393	380	386	414
SBI MONEY PLAZA's customer deposit assets	¥ million	—	405,478	561,270	698,358	801,279	1,105,023

History of SBI SECURITIES

Period		Event
1999	October	Internet trading services started at E*TRADE SECURITIES (currently SBI SECURITIES)
2008	July	Changed company name to SBI SECURITIES
	August	Became a wholly owned subsidiary of SBI Holdings
2012	June	Split the face-to-face division of SBI SECURITIES to SBI MONEY PLAZA
2015	July	Established SBI BITS, a system developer
	October	SBI Liquidity Market, which covers FX, and its subsidiary SBI FXTRADE were made 100% subsidiaries
2016	October	SBI Benefit Systems, which conducts record keeping business of a defined contribution pension, was made a subsidiary
2017	June	SBI MONEY PLAZA became a wholly owned subsidiary

Banking

	Unit	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Accounts	Thousands	1,647	1,974	2,308	2,586	2,827	3,210
Net increase in accounts	Thousands	278	327	334	277	242	383
Accumulated number of accounts via SBI SECURITIES	Thousands	557	695	820	956	1,073	1,259
Deposits*6	¥ billion	2,691.0	3,076.7	3,576.1	3,446.8	4,006.8	4,426.0
Deposits (hybrid deposit)	¥ billion	639.2	832.8	1,207.5	1,140.7	1,386.1	1,450.1
Deposits (foreign currency)	¥ billion	133.3	155.4	159.1	160.2	173.9	246.0
Cumulative total of housing loans*7	¥ billion	343.3	394.3	502.5	471.7	729.3	697.0
Balance of consumer loans	¥ billion	165.6	211.1	239.5	279.9	290.8	302.1
Asset management yield	%	1.10	1.06	1.08	0.90	0.85	0.83
Financial arrangements yield	%	0.40	0.33	0.31	0.22	0.14	0.14
Spread for fund interest rate	%	0.70	0.72	0.77	0.68	0.70	0.68
Loan-deposit rate (term-end balance)	%	41.97	45.11	50.83	60.27	58.72	71.96
Consolidated capital adequacy ratio (based on domestic standards)	%	9.79	10.06	8.89	9.80	11.11	9.35

Insurance

	Unit	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Number of contracts (SBI Insurance)	Thousands	542	654	744	840	937	1,001
Number of contracts (SBI Life Insurance)	Thousands	—	—	117	110	108	109
Number of contracts (SBI IKIIKI SSI)	Thousands	32	32	39	47	57	70
Number of contracts (SBI Resta SSI)*8	Thousands	11	12	13	13	15	15
Number of contracts (Nihon SSI)	Thousands	—	—	—	—	509	540
Combined ratio (SBI Insurance)	%	103.3	98.8	100.4	104.7	96.7	91.9
Direct loss ratio	%	69.9	72.4	77.6	86.1	82.5	80.7
Direct operating expenses ratio	%	33.4	26.4	22.8	18.6	14.2	11.2
Solvency margin ratio (SBI Life Insurance)	%	—	—	1,120.3	1,299.3	1,165.5	1,172.2
Total Assets (SBI Life Insurance)	¥ million	—	—	156,453	140,281	131,484	125,348
Balance of legal reserve (SBI Life Insurance)	¥ million	—	—	126,271	110,762	103,400	98,049

*1 Simple total of profit before income tax expense at SBI Liquidity Market and SBI FXTRADE.
*2 Simple total of profit before income tax expense at the SBI Insurance Group and the insurance companies under its auspices
*3 Calculated by dividing each company's individual stock trading value or individual margin trading value, with the total individual stock trading value and individual margin trading value of the 1st and 2nd section of the Tokyo and Nagoya Stock Exchange, including that of ETF and REIT trading value, respectively
*4 Totals apply to the issues underwritten in Japan, and do not include additional secondary offerings or overseas issues.
*5 Total accounts at SBI FXTRADE, SBI SECURITIES and SBI Sumishin Net Bank
*6 Figures of SBI Sumishin Net Bank (non-consolidated).
*7 Cumulative total is the total of the individual loan execution amounts for housing loans (MR. Housing Loan, Affiliate housing loan) sold by SBI Sumishin Net Bank; housing loans (Internet Exclusive Housing Loan) sold by SBI Sumishin Net Bank as an agent for Sumitomo Mitsui Trust Bank; housing loans (MR. Housing Loan REAL) sold as an agent of our company by Good Mortgage, SBI MONEY PLAZA, ARUHI, MX Mobiling, and I. F. CREATE; and Flat 35.
*8 Number of contracts for Earthquake Indemnity Insurance Resta

Asset Management Business' Key Indicators

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

	Unit	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Profit/loss from the change in fair value, and profit/loss on sales of investment securities	¥ million	8,421	9,417	(4,315)	16,225	6,836	**44,409**
SBI SAVINGS BANK*1	¥ million	—	4,011	16,672	5,846	5,649	**14,018**

SBI SAVINGS BANK*1

	Unit	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Balance of performing loans	KRW billion	—	1,520.0	2,258.4	3,022.2	4,106.5	**5,029.6**
of which, balance of retail performing loans	KRW billion	—	843.4	1,025.1	1,669.6	2,650.9	**3,159.6**
Delinquency ratio	%	—	46.1	26.8	16.2	8.8	**5.3**
of which, delinquency ratio of retail performing loans	%	—	21.1	16.5	8.5	5.0	**4.2**

Private Equity Investment

	Unit	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Assets under management of the Group*2, 3	¥ million	174,846	201,202	191,623	183,276	152,765	**218,825**
Investment amount	¥ million	30,607	24,131	19,631	27,930	41,762	**56,540**
Exit	Companies	12	12	14	16	15	**13**

The Breakdown of Asset Under Management, including Private Equity Investment (As of March 31, 2018)

Breakdown by industry	Amount (¥ million)	Companies
IT/Internet	65,881	174
Biotechnology/Health/Medical	19,432	57
Services	16,464	39
Materials/Chemicals	5,410	11
Environmental/Energy	13,318	9
Retail/Food	7,489	21
Construction/Real estate	1,095	4
Machine/Automobile	11,348	24
Finance	65,890	44
Others	12,497	26
Total	218,825	409

Breakdown by region	Amount (¥ million)	Companies
Japan	68,783	159
China	22,795	19
South Korea	44,690	113
Taiwan	1,366	10
Southeast Asia	22,623	18
India	5,407	12
U.S.	35,230	42
Europe	6,017	9
Others	11,913	27
Total	218,825	409

*1 Figures stated for FY2013 and later, because SBI SAVINGS BANK became a subsidiary in March 2013.
*2 Total invested through direct investment by the SBI Group, and consolidated investment funds operated by the SBI Group.
*3 For investment balances, direct investments are valued at fair value, and investments by consolidated investment funds are valued at market price for listed stocks and at acquisition cost for unlisted stocks without a market price. (Those that have undergone impairment processing will be valued at the total amount after impairment processing.)

Accounting Policies of the Asset Management Business

Below, we explain in detail the accounting policies of the Asset Management Business in response to questions we have received from stakeholders.

1. Changes in the fair value of financial instruments measured at fair value through profit or loss (FVTPL)

Owing to SBI Holdings' adoption of IFRSs for its accounting standards, the fair value of financial instruments (operating investment securities and other investment securities), including stocks of portfolio companies which the Asset Management Business holds, will be reviewed each quarter.

The fair value of marketable securities is estimated using market prices. The fair value of securities without a market price, such as unlisted stocks, may in some cases be calculated using a market approach, cost approach, or in other cases the most recent transaction price for an issuance of new shares to a third party may be used.

If a change is made to the fair value of a financial instrument, the following accounting policy takes effect.

Accounting policies for calculating the fair value of portfolio companies

Example: The fair value of a portfolio company increases by 20% during a quarter.

(Billions of yen)

	1Q FY2017	2Q FY2017
Fair value	10.0	12.0

UP ¥2.0 billion

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

(Billions of yen)

	2Q FY2017
Revenue	2.0
Profit before income tax expense	2.0
Tax (30%)	-0.6
Profit for the period	1.4
Profit attributable to owners of the Company	1.4
Non-controlling interests	—

(2) If the investment is from a consolidated fund (ownership ratio in the fund: 20%)

(Billions of yen)

	2Q FY2017
Revenue	2.0
Profit before income tax expense	2.0
Tax (30%)	-0.12
Profit for the period	1.88
Profit attributable to owners of the Company	0.28
Non-controlling interests	1.6

Tax expense relating to the ownership portion in the fund –2.0 billion × 20% × 30% = –¥0.12 billion

(¥2.0 billion × 20% (ownership ratio in the fund)) – ¥0.12 billion (taxes) = ¥0.28 billion

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

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

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

Accounting policy for management fees paid from a consolidated fund

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

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

¥100.0 billion × 5% = ¥5.0 billion

(Billions of yen)

SBI Holdings + SBI Investment	
Revenue	5.0
Expense	0.0
Profit before income tax expense	5.0
Tax (30%)	-1.2
Profit	3.8

Offset as an internal transaction

(Billions of yen)

Fund	
Revenue	0.0
Expense	-5.0
Profit before income tax expense	-5.0
Tax	0.0
Profit	-5.0

(Billions of yen)

Consolidated P/L	
Revenue	0.0
Expense	0.0
Profit before income tax expense	0.0
Tax (tax rate 30%)	-1.2
Profit	-1.2
Profit attributable to owners of the Company	2.8
Non-controlling interests	-4.0

Within the tax expense (-¥1.5 billion) relating to management fees at SBI Investment and management fees (expense) paid by the fund: total tax expense (owing to the omission of ¥0.3 billion for the effect of reduced taxes) relating to the ownership portion (20%) for SBI Holdings:
* –¥1.5 billion + (¥5.0 billion × 20% × 30%) = –¥1.2 billion

*Furthermore, within the funds for which the SBI Group serves as GP, CVC funds et al, for which the SBI Group's ownership ratio is extremely low, as a result of not being subject to consolidation, their management fees are recognized as revenue.

Biotechnology-related Business' Performance and Pipeline

Full-year Profit before Income Tax Expense of the Major Businesses of the Biotechnology-related Business (based on IFRSs)*1

	Unit	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
SBI Biotech	¥ million	(821)	(611)	(637)	(297)	737	(432)
Quark Pharmaceuticals	¥ million	(724)	(721)	(1,436)	(2,572)	(8,270)	(7,902)
SBI Pharmaceuticals	¥ million	(1,868)	(1,083)	(1,220)	(1,425)	91	42
SBI ALApromo	¥ million	(240)	(176)	(426)	(587)	(233)	40
photonamic*2	¥ million	—	—	—	38	(41)	55

*1 Excluding impairment losses from drug pipeline, etc.
*2 photonamic became a consolidated subsidiary in January 2016.

SBI Biotech's Major Drug Discovery Pipeline Progress

	Licensing partner (timing)	Target disease	Progress	
MEDI7734 (Anti-ILT7 antibody)	Viela Bio* (Sept. 2008)	Myositis	Phase I	A single-dose Phase I study was completed, and the results are being analyzed
SBI-9674	Kyowa Hakko Kirin (Dec. 2016)	Autoimmune diseases	Pre-clinical (Kyowa Hakko Kirin promoting development)	Further receipt of milestone payments in accordance with development progress is also expected
Cdc7 inhibitor	Carna Biosciences (May 2014)	Cancers	Pre-clinical (plan to apply for clinical trial in 2018)	Carna Biosciences entered into an out-licensing agreement with Sierra Oncology. Further receipt of milestone payments in accordance with development progress is also expected
GNKS356	Independently	Autoimmune diseases (Psoriasis / Systemic Lupus Erythematosus (SLE))	Pre-clinical	The subsidy period of AMED's (Japan Agency for Medical Research and Development) project of promoting support for drug discovery on orphan drugs ended in March 2018. Next steps under review, based on the research results of the subsidy period
SBI-3150	Independently	Autoimmune diseases (Various diseases caused by pDC / activated B cells)	Pre-clinical	Fully utilizing the advantages of the development concept, we are continuously engaged in discussing and negotiating with several companies for out-licensing possibilities

*A new company specializing in inflammation and autoimmune disease, spun out from MedImmune, a subsidiary of AstraZeneca

Quark Pharmaceuticals' Major Drug Discovery Pipeline Progress

	Licensing partner	Target disease	Progress	
QPI-1002	Novartis International AG Total milestone payments: USD670 million (including pre-receipt)	Delayed graft function in kidney transplantation (DGF)	Phase III	Conducting final clinical trials at 75 facilities, mainly in the U.S., as well as in Canada, Germany, Brazil and other countries.
		Acute kidney injury (AKI)	Phase III	Initiated Phase III clinical trials in July 2018. Planning to conduct clinical trials by expanding the scale to 115 facilities worldwide.
QPI-1007	Biocon of India	Non-arteritic anterior ischemic optic neuropathy (NAION)	Phase III	Conducting final Phase III clinical trials at 66 facilities, mainly in the U.S. and Europe.
PF-655	Pfizer	Glaucoma, Diabetic macular edema (DME) and Age-related macular degeneration (AMD)	Phase IIa (Completion)	Preparing clinical trial for the next step

SBI Pharmaceuticals' Major Drug Discovery Pipeline Progress

Launch and out-licensing (Total 5 cases)

- "ALAGLIO® Oral 1.5g," photodynamic diagnostic agent for brain tumor treatment (malignant glioma) (Launched in September 2013)
- Therapeutic drugs for diabetes and malaria infection (to Neopharma, UAE pharmaceutical company, in October 2016)
- "ALAGLIO® Divided Granules 1.5g," photodynamic diagnostic agent for bladder cancer treatment (carcinoma vesicae) (Launched in Japan in December 2017 by Chugai Pharmaceuticals, which was granted exclusive domestic marketing rights)
- Pharmaceuticals including "ALAGLIO® Divided Granules 1.5g" in the territory of MENA and India (to Neopharma, in March 2018)

Fields		Pipeline projects	Current status				Prospects for the next three years
			Phase I	Phase II	Phase III	Application	
Diagnostic agent (PDD)	1	Peritoneal dissemination of gastric cancer*	Preparation for Phase III is underway				Completed Phase III / Out-licensing
Drug to treat	2	Cisplatin nephropathy protection	Phase II is underway				Completed Phase II
	3	Mitochondrial diseases*	Phase III is underway			Considering an out-licensing	Completed Phase III / Out-licensing
	4	Cardiac ischemia-reperfusion injury*	Preparation for Phase II is underway	Scheduled by Oxford University and Birmingham University Hospital in the U.K.			Conducting Phase II
Photodynamic therapy (iPDT)	5	Brain tumors* (by photonamic, a wholly owned subsidiary)	Preparation for Phase II is underway				Conducting Phase II

*Investigator-led trial

Patents Obtained Since 2016 by SBI Pharmaceuticals (Japan)*

Invention thesis	Registration date	Co-applicants
An agent for treating and preventing cancer anemia	Feb. 12, 2016	Single application
An agent for the treatment and prevention of chronic kidney disease	Feb. 12, 2016	Single application
Photodynamic diagnosis agent and photobleaching-prevention agent	Feb. 12, 2016	Tokyo Institute of Technology
Photodynamic therapy using a photosensitizer or 5-ALAs	Feb. 19, 2016	Single application
Device to identify cancer metastasis in the sentinel lymph node	Feb. 26, 2016	Single application
Immune tolerance inducer	Mar. 25, 2016	National Center for Child Health and Development
Enhancer of survival of transplanted organ	Apr. 1, 2016	National Center for Child Health and Development
Prophylactic/therapeutic agent for influenza virus infection	Apr. 22, 2016	Tokushima Univ.
Prophylactic and/or therapeutic agent for radiation damage	Apr. 22, 2016	The Univ. of Tokyo
PDT effect enhancing agent	May 20, 2016	Kanazawa Univ. and Tokushima Univ.
Nuclear magnetic resonance diagnostic agent, and method for detecting or diagnosing state of cell, tissue or organ in subject using same	Aug. 5, 2016	Kumamoto Univ. and Univ. of Occupational and Environmental Health
Medicinal composition for promoting synthesis of protoporphyrin ix	Dec. 2, 2016	Osaka City Univ.
Treatment agent and/or prophylactic agent for side effects of cancer drugs	Dec. 2, 2016	Kochi Univ.
Prophylactic agent and/or therapeutic agent for sepsis	Dec. 9, 2016	Nihon Univ.
Cancerous anemia improvement and preventive agent	Feb. 17, 2017	Single application
Immune tolerance induction accelerator	July 14, 2017	National Center for Child Health and Development
Frataxin enhancers	July 21, 2017	Tokyo Univ. of Agriculture
Normal incidence enhancing agent of a fertilized egg	Jan. 26, 2018	Yamagata Univ.
Organ preservation solution	Feb. 23, 2018	National Center For Child Health And Development

*26 patents were acquired by the end of 2015. Patents held by SBI Pharmaceuticals number 45 in Japan, of which 29 are also held overseas.

Analysis of Business Results for the Fiscal Year

In the business environment surrounding the SBI Group during the fiscal year, corporate profits, employment and income all improved in Japan, along with general signs of a recovery in household consumption. Meanwhile, legislation that reduced taxes in the U.S. provided some stimulus, and this created favorable conditions for the stock market, leading to a November rise in the Nikkei stock average to above the JPY 23,000 mark for the first time in 26 years. However, concerns then appeared, as long-term interest rates rose in the U.S. and international trade frictions deepened, which caused instability to appear in stock prices and foreign exchange rates. The economic outlook remained uncertain, and there were severe price movements in the markets. Overseas, along with uncertainties surrounding the U.S. administration's policy actions and monetary policy, the Chinese economy had a moderate slowdown, and political worries surfaced in the Middle East. On the other hand, consumption and investment were stimulated by the major tax reform in the U.S., raising prospects for an economic expansion. Under these circumstances, our business performance for the fiscal year consisted of a 28.7% year-on-year increase in revenue to ¥337,017 million, a 66.5% increase in profit before income tax expense to ¥71,810 million, and a 43.8% increase in profit for the year attributable to owners of the Company to ¥46,684 million.

Financial Services Business

The Financial Services Business revenue rose 20.7% year-on-year to ¥217,272 million, and profit before income tax expense rose 30.6% year-on-year to ¥63,888 million.

At SBI SECURITIES Co., Ltd., the total number of accounts at the end of the fiscal year rose by 422 thousand as compared to the previous fiscal year, to approximately 4,260 thousand accounts, as healthy expansion of the customer base continued. In terms of performance, brokerage commissions for the company increased 21.3% from the previous fiscal year, due to the strong performance of a 22.4% increase in the total individual stock brokerage trading value for Japan's two markets (TSE and NSE). Also, as a result of a solid expansion in balances for margin trading and investment trusts, financial revenues and investment trust fees had a substantial increase. As a result of these factors, profit before income tax expense (based on IFRSs) rose 39.7% year-on-year to ¥46,169 million.

SBI Insurance Co., Ltd. continued to see significant growth in the number of contracts for auto insurance, and a cost reduction effort led to an increase in profit before income tax expense (based on IFRSs) of 50.8% year-on-year to ¥199 million.

At SBI Sumishin Net Bank, Ltd., a company accounted for by the equity method, the number of accounts at the end of the fiscal year had a solid growth to 3,210 thousand accounts, and the deposit balance was ¥4,425.2 billion. As a result, investment income under the equity method was up 18.4% year-on-year to ¥3,770 million. The bank's consolidated earnings (based on JGAAP) consisted of a 5.6% year-on-year increase in ordinary revenue to ¥61,158 million, a 5.2% increase in ordinary income to ¥15,474 million, and a 5.8% increase in profit attributable to owners of the Company to ¥10,447 million. All three items represent record highs.

Asset Management Business

In the Asset Management Business, revenue rose 51.8% year-on-year to ¥117,572 million, and profit before income tax expense increased 307.6% to ¥56,491 million. In the fiscal year, there was a moderate rebound worldwide in the number of newly listed companies, with 79 companies in Japan (excluding the number of listings on the TOKYO PRO Market) newly listed. As for the Group's IPOs and M&A deals, there were five in Japan and eight overseas for a total of 13 investee company deals. Earnings in the overall Asset Management Business received solid contributions from the inclusion of a large profit arising from changes in fair value centered on FinTech-related portfolios invested through the FinTech Business Innovation Investment Limited Partnership (FinTech Fund), and from the completion of a stable revenue base through healthy increases in the balance of performing loans at SBI SAVINGS BANK of South Korea, which became a consolidated subsidiary in March 2013.

Biotechnology-related Business

In the Biotechnology-related Business, revenue fell 24.1% year-on-year to ¥4,199 million, and loss before income tax expense was ¥37,252 million, following a loss of ¥9,574 million in the previous fiscal year. Factors for the fiscal year loss was due to recognition of impairment losses of a total of ¥27 billion, which mainly comes from two of our entities. One was at Quark Pharmaceuticals, Inc., which revised its business plan with a focus on the upcoming IPO that the company is preparing for on the NASDAQ market in the U.S. The second was at Kubota Pharmaceutical Holdings Co., Ltd., a company accounted for under the equity method, and was made in light of the announced results of clinical trials for its drug development pipeline.

On the positive side, SBI Pharmaceuticals Co., Ltd., which oversees the core of the 5-Aminolevulinic Acid (5-ALA)-related business, achieved its second consecutive full-year profit. This result was enabled by the start of sales of "ALAGLIO® Divided Granules 1.5g" treatment for bladder cancer by Chugai Pharmaceuticals Co., Ltd. under domestic exclusive marketing rights that we provided, and by the out-licensing of pipeline drugs to Neopharma LLC, a pharmaceuticals manufacturer and distributor based in the United Arab Emirates (UAE), for the sale of drugs containing 5-ALA in the MENA and Indian regions. Also, SBI ALApromo Co., Ltd. capitalized on the start of sales in December 2015 of "ALAplus Tou (Sugar) Down," the first food with functional claims that contains 5-ALA, by increasing the number of stores handling 5-ALA related products. In addition, it started sales of foods with functional claims using non-5-ALA components, and enriched its product offerings with supplements containing 5-ALA. As a result, SBI ALApromo Co., Ltd. achieved its first full-year profit since its founding.

Cash Flows

As of March 31, 2018, total assets amounted to ¥4,535,964 million, an increase of ¥685,963 million from total assets of ¥3,850,001 million as of March 31, 2017. The Group's equity increased by ¥78,300 million to ¥493,824 million, from the fiscal year ended March 31, 2017. As of March 31, 2018, the Group's cash and cash equivalents amounted to ¥437,148 million, an increase of ¥45,576 million from that of ¥391,572 million as of March 31, 2017. The changes in cash flow for each activity, and the reasons for changes are as follows:

Operating Cash Flow

Cash flow from operating activities amounted to ¥33,235 million in net cash outflows (¥17,952 million in net cash outflows for the fiscal year ended March 31, 2017). The net cash outflows were primarily due to a ¥93,182 million cash outflow from an increase in accounts receivables, and other receivables and a ¥79,465 million cash outflow from an increase in operational investment securities, despite a ¥71,810 million cash inflow from profit before income tax expense, and a ¥49,015 million cash inflow from an increase in customer deposits in the banking business.

Investing Cash Flow

Cash flow from investing activities amounted to ¥7,881 million in net cash inflows (¥2,437 million in net cash inflow for the fiscal year ended March 31, 2017). The net cash inflows were primarily due to a ¥48,514 million cash inflow from proceeds from sales or redemption of investment securities, despite a ¥35,555 million cash outflow from purchases of investment securities.

Financing Cash Flow

Cash flow from financing activities amounted to ¥74,575 million in net cash inflows (¥159,467 million in net cash inflow for the fiscal year ended March 31, 2017). The net cash inflows were primarily due to a ¥140,025 million cash inflow from proceeds from issuance of bonds payable, and a ¥40,336 million cash inflow from proceeds from long-term loans payable, despite a ¥37,039 million cash outflow from redemption of bonds payable, a ¥31,180 million cash outflow from decrease in short-term loans payable and ¥28,261 million cash outflow from repayment of long-term loans payable.

Forward-looking descriptions provided herein are based on judgments of the Company as of the date of June 28, 2018.

Risk Factors

The Group's business and other risk factors that may potentially have significant influence on investment decisions are included below. From the point of information disclosure, the Group has also listed risk factors which may not completely match such investment decisions. In recognizing these latent risks, the Group will work to avoid any such risks, and take appropriate measures in the event that any such risk arises.

Only risks from general businesses are included below. This section contains forward-looking statements, of which are judged as of June 28, 2018.

1) The Group's corporate structure, which consists of a large number of public and private companies in multiple business fields, exposes the Group to challenges not found in companies with a single business focus

The Group consists of portfolio companies operating in multiple industries, including Financial Services, Asset Management, Biotechnology-related Businesses, and other businesses. The Group also comprises of some publicly listed subsidiaries. Owing to the diverse characteristics of the portfolio companies, the Group faces challenges not found in companies with a single business focus. Specifically, the following three aspects can be sited:

- The Group is exposed to business, market and regulatory risks relating to different industries. Therefore, the Group must devote substantial resources to monitor changes in different operating environments, in order to react with appropriate strategies that fit the needs of the portfolio companies affected.
- Owing to the large number of portfolio companies involved, successful operation of the Group requires an effective management system that emphasizes accountability, imposes financial discipline on portfolio companies and creates value-focused incentives for management. As the Group continues to grow through acquisitions of businesses in an increasing number of diverse industries, its operations will become more complex, which increases the difficulty of implementing its management system.
- The portfolio companies in different operating segments may determine that it is in their respective shareholders' interests to pursue business ventures together. However there is no assurance that such business ventures will be successful or generate the synergies expected.

2) The Group's voting interests in its portfolio companies may be diluted

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

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

3) Risks relating to the Internet business

Owing to the SBI Group businesses' providing services that mainly use the Internet, the Group makes the maximum effort to prevent the manifestation of risks relating to information systems and security, including service delays or interruptions resulting from system faults, and damages on its assets or leaks of personal information resulting from improper access. However, if such risks are manifested, loss of customers may occur or liabilities for the compensation of damages may arise concerning the products and services of individual companies, which may impair the reputation of the SBI Group overall, and may have an adverse impact on its financial condition and results of operations.

In addition, it is essential to the growth of the SBI Group, that the Group continue to have deep familiarity with the Internet and its related technologies. As technical innovation continues in the Internet-related sector, the competitive landscape is being changed by the emergence of new technology and the entry into financial businesses by companies from other business sectors. The Group is engaged in the development of services that leverage new technology in FinTech, and the creation of new financial businesses. However, if the response to such new technology and new entrants is delayed, the services offered by the Group may become obsolete or may not adapt, which could lead to lower competitiveness within the sector. If the future response to a changing environment is delayed, it may have an adverse impact on the Group's financial condition and results of operations. Also, the Group’s response to major technical innovation may cause construction of a new framework or system development, et al., to bear heavy expenses. If this occurs, the Group's financial condition and results of operations may be adversely affected.

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

The Group operates joint ventures, and enters into alliances with foreign and domestic counterparties. The success of these operations is often dependent upon the financial and legal stability of its counterparties. If one of the counterparties with whom the Group operates a joint venture, or continues a business alliance with 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 an investment has been made in the joint venture or the business alliance, the Group may be unable to successfully operate the joint venture or alliance, or may be required to invest additional capital or cease operations altogether. Likewise, significant differences in corporate culture and business strategy between the Group and such partners may come to light, and may result in significant changes to the assumptions that the Group had made when deciding to enter into the joint venture or alliance. If the joint ventures or counterparties are unable to perform as expected, or if any unexpected events relating to the alliances occur, then the Group may be unable to continue those businesses successfully. The Group’s inability to successfully operate joint ventures or alliances may adversely affect its reputation and its financial condition, and results of operations.

5) Risks related to brand and rumors

As a result of the Group's business expansion and increasing name recognition, any assessment of a single Group company bearing the "SBI" brand can easily become an assessment of the entire Group. For this reason, the Company is carrying out initiatives towards the thorough and consistent management of the SBI brand, for the appropriate use of the brand at each Group company and preservation of the brand value. However, if the Group's overall brand is affected by a scandal or a loss of trust from customers on any product, service or customer support of a single Group company, it may have an adverse impact on the Group's financial condition and the results of operations. In addition, the Group is vulnerable to poor market perception and reputational risk, since it operates in industries where integrity and the trust and confidence of its clients are of utmost importance. Negative publicity (whether or not justified) associated with the Group or any of the funds, products and services offered by it, and its officers or employees, partners or alliances, or the occurrence of any of the risks set out in this section may result in a loss of clients and/or mandates. The Group’s business operations are highly dependent on its officers, employees, partners, and/or alliances. The actions, misconduct, omissions, failures, or breaches of any of its officers or employees, partners and/or alliances may, by association, create negative publicity in relation to the 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, may have an adverse effect on the Group’s business, growth prospects, results of operations, and/or financial condition. This may adversely affect the Group’s financial condition and results of operations.

In addition, if there are fraudulent persons or acts, which use trade names of the Group companies, the Group may be negatively affected by rumors regardless of lack of fault. This may adversely affect the Group’s financial condition and results of operations.

6) Risks relating to business restructuring and expansion

As a “Strategic Business Innovator”, one of the Group’s basic policies involves working to perpetuate “Self-Evolution.”

In addition to business restructurings, the Group intends to aggressively pursue business expansion, including mergers and acquisitions (“M&A”) of businesses that it believes offer favorable synergies with its core businesses. The Group faces the risk that its restructurings and business expansion activities may not produce the results that it expects. Failure to achieve expected results may have an adverse effect on the Group’s financial condition and results of operations.

The Group may not be able to identify suitable investment opportunities, partners or acquisition candidates. Even if the Group identifies suitable investment opportunities, partners or acquisition candidates, it may be unable to negotiate terms that are commercially acceptable, or complete those transactions at all. With respect to its acquisitions, the Group may have difficulty in integrating these companies or businesses, including internal operations, distribution networks, product lines, and personnel, with its 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 their efficiency. In addition, the key personnel of an acquired company may decide not to work for the Group. The acquired company may 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 impairment of goodwill and other acquired intangible assets, some or all of which may have an adverse effect on the Group's business, financial condition and results of operations. In the event that the Group plans to acquire or invest in other companies, it 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 the Group to foreign exchange risks, foreign regulations applicable to its business, and different environments that it may not be familiar with. In the event that such risk arises, it may adversely affect the Group's financial condition and results of operations.

7) Risks relating to entering new businesses

Based on the management principle of "Endeavoring to Become a New Industry Creator," the Group is aggressively creating and nurturing new businesses. If the 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 may have an adverse effect on the financial condition and results of operations of the Group. If the Group's newly offered products or services have not been contemplated by existing laws and regulations or accounting standards, in order to verify the applicability and interpretation of these laws and regulations and standards, rapid business development may be restricted, and the Group's financial condition and results of operations may be adversely affected. In addition, the new businesses may become subject to new laws and regulations, or be placed under the guidance of particular regulatory authorities. Any violations by the new businesses of the laws, regulations, or guidance that is applicable to them, and any administrative or legal actions directed at them, may impede the conduct of their operations, and have an adverse effect on the Group's financial condition and results of operations.

8) Risks relating to a financial conglomerate

The Group is classified as a financial conglomerate as defined by the regulations of Japanese Financial Services Agency (the "FSA"). As a result, it is further strengthening its risk management and compliance systems in order to maintain financial soundness, and to conduct business activities properly. However, if subjected to an administrative action or other punishment by the FSA, for whatever reason, the Group may have difficulty conducting its business operations, or its financial condition and results of operations may be adversely affected.

9) Risks relating to investment securities

The Group holds a significant amount of investment securities, including investments in associates. It may experience impairment losses on its investment securities as a result of declines in their value subject to the stock and bond market conditions, which may adversely affect the Group's financial condition and results of operations.

10) Litigation risk

The Group is exposed to litigation risk relating to the operations of its business segments on an ongoing basis. While the outcome of any pending or future litigation cannot be foreseen, given the inherent unpredictability of litigation, it is possible that an adverse outcome in any one or more matters may have an adverse effect on the Group's financial condition and results of operations.

11) Risk relating to risk management and internal control

The Group has established risk management and internal control systems and implementation procedures. Certain areas within the risk management and internal control systems may require constant monitoring, maintenance and continual improvements by the Group's senior management and staff. If the efforts to maintain these systems are found to be ineffective or inadequate, the Group may be subject to sanctions or penalties, and its business prospects and reputation may be adversely affected.

The 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 the risk management and internal control systems are adequate or effective notwithstanding the Group's efforts, and any failure to address any internal control matters and other deficiencies may result in investigations and/or disciplinary actions, or even prosecution being taken against the Group and/or its employees, disruption to the risk management system, and an adverse effect on the Group's financial condition and results of operations.

12) Risks relating to funding and liquidity

The Group raises working capital through various means, including equity finance in the capital markets, loans from financial institutions, and issuances of corporate bonds. Owing to the global economic crisis and the resulting deterioration in the global credit markets, including reduced lending by financial institutions, the Group may face difficulty raising funds under favorable conditions, or at all. Also, if interest rates rise due to financial market conditions and central bank monetary policies in individual countries, or if the Group's credit rating is lowered, the Group's financing may be restricted and its financing costs may rise. Any such events may adversely affect the Group's financial condition and results of operations.

13) Derivatives risk

The Group utilizes derivative instruments to reduce investment portfolio price fluctuations, and to manage interest rate and foreign exchange rate risk. However, it may not be able to successfully manage its risks through the use of such derivatives. Counterparties may fail to honor the terms of their derivatives contracts with the Group. Alternatively, the Group's ability to enter into derivative transactions may be adversely affected if its credit ratings are downgraded.

The Group may also suffer losses from trading activities, a part of which includes the use of derivative instruments, and as a result, its financial condition and results of operations may be adversely affected.

14) Partial dependence on payments from the subsidiaries and other entities

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

15) Reliance on key personnel

The Group's business operations depend on the leadership of the Company's Representative Director, President & CEO, Yoshitaka Kitao, and other key members of the Group's management team. If one or more of the key personnel of the current management team becomes unable to continue operating the Group's businesses, such an event may adversely affect the Group's 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

The Group employs personnel, who are regarded as highly skilled and qualified, to work under the management team of the Group. If the Group is unable to continue to employ personnel of the requisite caliber and skills, or if these employees do not take root within the Group, this may adversely affect its financial condition and the results of operations.

17) Risks relating to trademarks and other intellectual property rights

The Group's businesses involve various types of intellectual property, including trademark rights, patents, copyrights, and other forms of intellectual property, particularly those related to "the SBI" brand. The Group relies on its ability to protect the intellectual property it owns and uses in its business. If it fails to sufficiently protect its intellectual property, or if it is unable to acquire the necessary licenses for the use of third-party intellectual property, the Group may experience difficulty in developing technologies or providing services. The Group may also become the subject of legal actions brought by third parties alleging infringement of their intellectual property. In addition, the Group may experience increased costs in connection with intellectual property, especially those related to patents. Such additional costs may have an adverse effect on its 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 the Group conducts its business, and the products or services that it may offer in Japan or abroad. Such enactment or changes are unpredictable, and as a result of such enactment or changes, the Group's business activities, financial condition and results of operations may be adversely affected.

Furthermore, enactment of, or changes in, accounting standards may have a significant effect on how the Group records and reports its financial condition and results of operations, even if the underlying business fundamentals remain the same. As a result of such enactment or changes, its business activities, financial condition and results of operations may be adversely affected.

19) Risks relating to deferred tax assets

Temporary differences arising between the financial statements and the tax basis of assets and liabilities are posted to deferred tax assets, using the statutory effective tax rate applied when the difference is resolved.

If there is a tax reform and change in the statutory effective tax rate, the Group may reduce or increase the deferred tax assets. Such events may adversely affect the Group's financial condition and results of operations.

A valuation allowance is provided for deferred tax assets, if it is more likely than not that these items will either expire before the Group can realize their benefits, or that future deductibility is uncertain. Losses carried forward can be posted as deferred tax assets to the extent of the amount recoverable, and the 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 the Group presumes that it is possible to realize the deferred tax assets after the valuation allowance, the amount of valuation allowance may fluctuate depending on changes in the expected amount of future taxable income. Such changes may adversely affect the Group's financial condition and results of operations.

20) Risks relating to insurance coverage

To manage operating risks, the Group companies may be covered by various insurance policies. However, there can be no assurance that all claims under such insurance policies will be honored fully, or on time. Furthermore, the Group is generally unable to insure against certain types of losses, including losses caused by earthquakes, typhoons, floods, wars, and riots, and does not have business interruption insurance. To the extent that any of its portfolio companies suffer a loss or damage that is not covered by insurance, or that exceeds the limit of its insurance coverage, the Group's financial condition and results of operations and cash flows may be adversely affected.

21) Past results may not be indicative of future performance

The Group's historical financial information may not necessarily reflect its financial condition, or results of operations in the future. Slower growth may be expected in some of its businesses, and it may not be successful in launching new businesses. New businesses may not achieve as quick, or as significant a growth as anticipated, and the Group's multiple business strategy may not be successful, and it may not be able to successfully integrate future businesses, or assets into the existing operations. Such cases may result in significant interruptions to, or an adverse effect on the Group’s financial condition and results of operations.

22) Risk associated with natural disasters, such as an earthquake, terrorist attack or other casualty event, in Japan or other markets in which the Group operates

A substantial portion of the Group’s assets, as well as its head office, are located in Japan and a substantial portion of the net assets are derived from its operations in Japan. The Group’s overseas operations are subject to similar or other disaster risks. Additionally, large disasters, outbreaks, terrorist attacks, or other casualty events affecting the Group’s operational network, either in Japan or abroad, may disrupt the operations even in the absence of direct physical damage to the Group’s properties. Due to a material economic downturn in the affected area or country caused by such disasters, the Group’s financial condition and results of operations may be adversely affected.

23) Risks relating to the Group’s investments, development of the Group’s business, funding and legal regulations in overseas operations

The Group is actively investing and promoting business development in overseas countries, as such, the Group is exposed to risks relating to increasing cost or loss unique to overseas business, owing to factors that differ from those in Japan, such as systems including but not limited to laws and regulations, business practice, economic status, corporate culture, consumer attitude, and other related matters in the overseas countries. The Group conducts its investment and business development operations in the overseas countries upon careful investigation and examination, followed by appropriate measures to mitigate any related risks. Nevertheless, if events occur that the Group could not initially foresee, then those events may adversely affect the Group’s financial condition and results of operations.

Additionally, since the foreign shareholder ownership ratio of the Company remains high, it may be deemed that the Group is conducting financing activities in foreign countries, regardless of the Group’s intention. As a result, the Group may be affected by foreign laws and regulations, particularly those concerning investor protection, and this may cause the Group’s expenses to increase and restrict its business. Furthermore, the Group may increase foreign currency debt financing to hedge against foreign currency risks by borrowing from overseas financial institutions, or by issuing corporate bonds in overseas countries. Although the Group will conduct such financing upon careful investigation and examination of associated risk, events may nevertheless occur that the Group could not initially foresee, which may adversely affect the Group’s financial condition and results of operations.

Recently, in addition to the above, the application of various laws and regulations in overseas countries, where the Group’s overseas offices are located, including anti-corruption laws and regulations in the U.S. and the U.K., regulations related to economic sanctions from the competent authorities in individual countries, and the General Data Protection Regulation in the EU, might extend to the Group in other countries, including Japan. The Group has responded to a variety of these laws and regulations after carefully investigating or examining them not to violate such legal regulations, but there is a possibility that the Group may conflict with it when unexpected events occur or when necessary responses were inadequate. Such cases may adversely affect the Group’s financial condition and results of operations.

24) There is no guarantee of 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 the Group operates are derived from official government or other industry sources, and are generally believed to be reliable. However, the Group cannot guarantee the quality or reliability of any such information, as it has not prepared, or verified the accuracy of the information received from such sources. The Group makes 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, stakeholders should not unduly rely on these facts and statistics.

25) Risks with respect to transaction with anti-social forces and money-laundering

In order to preclude any transaction with a party that is suspected to have a relationship with an anti-social force, the Group has taken necessary measures with the objective of precluding all transactions with anti-social forces by, prior to entering into a new transaction, confirming whether any information with respect to a relationship with an anti-social force exists, and obtaining a representation and a letter in relation to the counterparty, of a pledge to the effect that the counterparty to the transaction is not an anti-social force. Furthermore, we have adopted measures against money-laundering and terrorism financing to ensure that the Group’s products and services are not used in these improper transactions. However, despite the Group’s strict investigations, there may be cases where the Group is not able to preclude a money-laundering transaction or a transaction with an anti-social force. If such a transaction is found, the cost for measures may accumulate, and the Group may be subject to a disposition or order by regulatory or other authorities, or its social reputation may be impaired. As a result, the Group's financial condition and the results of operations may be adversely affected.

Consolidated Statement of Financial Position

(Millions of Yen)

	Notes	As of March 31, 2017	As of March 31, 2018
Assets			
Cash and cash equivalents	5	391,572	437,148
Trade and other accounts receivable	5, 7, 8, 17	472,128	570,466
Assets related to securities business			
Cash segregated as deposits		1,399,851	1,510,079
Margin transaction assets		617,550	832,410
Other assets related to securities business	9	315,640	493,953
Total assets related to securities business	5, 6	2,333,041	2,836,442
Other financial assets	5, 17	30,050	35,958
Operational investment securities	5, 7, 10	111,067	191,014
Other investment securities	5, 7, 10	186,512	173,316
Investments accounted for using the equity method	11	90,394	68,365
Investment properties	13	7,105	2,192
Property and equipment	14, 17	10,498	14,382
Intangible assets	15	185,493	181,708
Other assets		28,392	24,392
Deferred tax assets	16	3,749	581
Total assets		3,850,001	4,535,964
Liabilities			
Bonds and loans payable	5, 7, 17	518,977	571,277
Trade and other accounts payable	5, 7, 18	52,887	67,806
Liabilities related to securities business			
Margin transaction liabilities		135,698	121,703
Loans payable secured by securities		399,673	689,107
Deposits from customers		738,144	757,179
Guarantee deposits received		600,621	707,380
Other liabilities related to securities business	19	304,476	395,444
Total liabilities related to securities business	5, 6, 7	2,178,612	2,670,813
Customer deposits for banking business	5, 7	485,827	536,955
Insurance contract liabilities	20	147,573	142,260
Income tax payable		10,040	11,271
Other financial liabilities	5	14,663	16,335
Other liabilities		11,946	12,779
Deferred tax liabilities	16	13,952	12,644
Total liabilities		3,434,477	4,042,140
Equity			
Capital stock	22	81,681	81,681
Capital surplus	22	128,004	125,445
Treasury stock	22	(23,801)	(4,647)
Other components of equity	22	22,720	20,605
Retained earnings	22	169,388	204,731
Equity attributable to owners of the Company		377,992	427,815
Non-controlling interests		37,532	66,009
Total equity		415,524	493,824
Total liabilities and equity		3,850,001	4,535,964

Consolidated Statement of Income

(Millions of Yen)

	Notes	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Revenue	4, 25	261,939	337,017
Expense			
Financial cost associated with financial income	26	(14,543)	(17,788)
Operating cost	26	(98,982)	(113,548)
Selling, general and administrative expenses	26	(95,970)	(100,377)
Other financial cost	26	(3,477)	(3,282)
Other expenses	26	(8,677)	(32,441)
Total expense		(221,649)	(267,436)
Share of the profit of associates and joint ventures accounted for using the equity method	4, 11	2,849	2,229
Profit before income tax expense	4	43,139	71,810
Income tax expense	27	(14,836)	(15,852)
Profit for the year		28,303	55,958
Profit for the year attributable to			
Owners of the Company		32,455	46,684
Non-controlling interests		(4,152)	9,274
Profit for the year		28,303	55,958
Earnings per share attributable to owners of the Company			
Basic (Yen)	29	159.38	220.54
Diluted (Yen)	29	146.52	196.88

Consolidated Statement of Comprehensive Income

(Millions of Yen)

	Note	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit for the year		28,303	55,958
Items that will not be reclassified subsequently to profit or loss			
Fair value through other comprehensive income financial assets	28	124	1,436
Items that may be reclassified subsequently to profit or loss			
Currency translation differences	28	680	(2,782)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	28	3,699	(844)
Other comprehensive income, net of tax		4,503	(2,190)
Total comprehensive income		32,806	53,768
Total comprehensive income attributable to			
Owners of the Company		38,082	44,629
Non-controlling interests		(5,276)	9,139
Total comprehensive income		32,806	53,768

Consolidated Statement of Changes in Equity

(Millions of Yen)

	Note	Attributable to owners of the Company							
		Capital stock	Capital surplus	Treasury stock	Other components of equity	Retained earnings	Total	Non-controlling interests	Total equity
As at April 1, 2016		81,681	145,735	(19,132)	17,107	146,199	371,590	47,473	419,063
Profit for the year		—	—	—	—	32,455	32,455	(4,152)	28,303
Other comprehensive income		—	—	—	5,627	—	5,627	(1,124)	4,503
Total comprehensive income		—	—	—	5,627	32,455	38,082	(5,276)	32,806
Change in scope of consolidation		—	(4)	—	—	—	(4)	(1,294)	(1,298)
Dividends paid	23	—	—	—	—	(9,280)	(9,280)	(35,612)	(44,892)
Treasury shares purchased	22	—	—	(8,019)	—	—	(8,019)	—	(8,019)
Treasury shares sold	22	—	304	3,350	—	—	3,654	—	3,654
Changes of interests in subsidiaries without losing control		—	(18,031)	—	—	—	(18,031)	32,241	14,210
Transfer	22	—	—	—	(14)	14	—	—	—
As at March 31, 2017		81,681	128,004	(23,801)	22,720	169,388	377,992	37,532	415,524
Profit for the year		—	—	—	—	46,684	46,684	9,274	55,958
Other comprehensive income		—	—	—	(2,055)	—	(2,055)	(135)	(2,190)
Total comprehensive income		—	—	—	(2,055)	46,684	44,629	9,139	53,768
Issuance of convertible bonds		—	1,716	—	—	—	1,716	—	1,716
Conversion of convertible bonds		—	4,060	25,889	—	—	29,949	—	29,949
Change in scope of consolidation		—	—	—	—	—	—	6,823	6,823
Dividends paid	23	—	—	—	—	(11,401)	(11,401)	(2,660)	(14,061)
Treasury shares purchased	22	—	—	(9,637)	—	—	(9,637)	—	(9,637)
Treasury shares sold	22	—	99	2,902	—	—	3,001	—	3,001
Share-based payment transactions		—	461	—	—	—	461	—	461
Changes of interests in subsidiaries without losing control		—	(8,895)	—	—	—	(8,895)	15,175	6,280
Transfer	22	—	—	—	(60)	60	—	—	—
As at March 31, 2018		81,681	125,445	(4,647)	20,605	204,731	427,815	66,009	493,824

Consolidated Statement of Cash Flows

(Millions of Yen)

	Note	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net cash used in operating activities			
Profit before income tax expense		43,139	71,810
Depreciation and amortization		10,690	11,143
Share of profits of associates and joint ventures accounted for using the equity method		(2,849)	(2,229)
Interest and dividend income		(80,891)	(106,160)
Interest expense		18,019	21,071
Increase in operational investment securities		(29,362)	(79,465)
Increase in accounts receivables and other receivables		(105,238)	(93,182)
Increase in operational liabilities and other liabilities		15,233	12,017
Decrease in assets/liabilities related to securities business		(6,275)	(11,122)
Increase in customer deposits in the banking business		87,149	49,015
Others		(17,663)	22,425
Subtotal		(68,048)	(104,677)
Interest and dividend income received		79,991	104,683
Interest paid		(16,106)	(19,677)
Income taxes paid		(13,789)	(13,564)
Net cash used in operating activities		(17,952)	(33,235)
Net cash generated from investing activities			
Purchases of intangible assets		(6,241)	(7,084)
Purchases of investment securities		(66,523)	(35,555)
Proceeds from sales or redemption of investment securities		62,854	48,514
Acquisition of subsidiaries, net of cash and cash equivalents acquired	30	(1,968)	12
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	30	3,344	870
Payments of loans receivable		(4,182)	(10,294)
Collection of loans receivable		7,091	5,596
Others		8,062	5,822
Net cash generated from investing activities		2,437	7,881
Net cash generated from financing activities			
Increase (Decrease) in short term loans payable	30	161,178	(31,180)
Proceeds from long-term loans payable	30	30,462	40,336
Repayment of long-term loans payable	30	(25,574)	(28,261)
Proceeds from issuance of bonds payable	30	102,325	140,025
Redemption of bonds payable	30	(74,930)	(37,039)
Proceeds from stock issuance to non-controlling interests		222	60
Contributions from non-controlling interests in consolidated investment funds		20,234	12,312
Cash dividends paid		(9,266)	(11,390)
Cash dividends paid to non-controlling interests		(378)	(409)
Distributions to non-controlling interests in consolidated investment funds		(35,266)	(2,252)
Purchase of treasury stock		(8,019)	(9,637)
Proceeds from sale of interests in subsidiaries to non-controlling interests		1,032	367
Payments for purchase of interests in subsidiaries from non-controlling interests		(5,112)	(156)
Others		2,559	1,799
Net cash generated from financing activities		159,467	74,575
Net increase in cash and cash equivalents		143,952	49,221
Cash and cash equivalents at the beginning of the year		248,050	391,572
Effect of changes in exchange rate on cash and cash equivalents		(430)	(3,645)
Cash and cash equivalents at the end of the year		391,572	437,148

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 4 "Segment Information" for detailed information on each business.

The consolidated financial statements were approved and authorized for issue by the Company's Representative Director, President and CEO, Yoshitaka Kitao and Director, Senior Managing Executive Officer and CFO, Shumpei Morita on June 26, 2018.

2. Basis of Preparation

(1) Compliance with IFRSs

Since the Company meets the criteria of "Specified Company under Designated International Financial Reporting Standards" defined in Article 1-2 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976), the consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards ("IFRSs") pursuant to Article 93 of the Rules Governing Term, Form and Preparation of Consolidated Financial Statements.

(2) Basis of measurement

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

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

The measurement basis of fair value of the financial instruments is provided in Note 5 "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 to the nearest million yen, unless otherwise stated.

(4) Use of estimates and judgments

In the preparation of the Group's consolidated financial statements in accordance with IFRSs, management of the Company 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. 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 carrying amount of an asset or liability in the statement of financial position and its tax base and tax loss carryforwards are recorded as deferred tax assets to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and tax loss carryforwards can be utilized, using the tax rates that are expected to apply to the period when they are realized.

(c) Evaluation of goodwill

The Group estimates the recoverable amount of its goodwill at the same time every year 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 at the financial assets' original effective interest rate.

(e) Liability adequacy test for insurance contracts

A liability adequacy test for insurance contracts is performed in consideration of current estimates of all contractual cash flows and related cash flows such as claims handling costs at the end of each reporting period.

(5) Application of new and revised IFRSs

The Group adopted the following new and revised standards and interpretations from the beginning of the fiscal year ended March 31, 2018. There is no significant impact on these consolidated financial statements through adoption.

Statement of standards		Summary of new standards and amendments
IAS 7	Statement of Cash Flows	Additional disclosures about changes in liabilities arising from financing activities

(6) Early adoption of IFRSs

The Group early adopted IFRS 9 "Financial Instruments" (issued in November 2009, revised in October 2010 and December 2011) ("IFRS 9").

3. Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are listed below.

(1) Basis of consolidation

(a) Subsidiaries

Subsidiaries refer to the entities under control of the Group which include the entities that have been designed in a way that voting or similar rights are not the dominant factor in deciding who controls those entities ("structured entities"). Control is defined as the Group having (a) power over the investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and deconsolidated on the date that the Group loses control. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

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

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

(b) Associates and joint ventures

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

When the Group holds between 20% and 50% of voting rights of the other entity, the Group is presumed to have significant influence over the other entity.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement and decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

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

When the Group's share of losses in an equity method associate exceeds the carrying amount of the investment in the associate, losses are recognized until the carrying amounts of long-term interests that form part of the net investment are reduced to zero. The Group does not recognize further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

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

(c) Business combination

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

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

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits".
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date.
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the difference is negative, the difference is recognized immediately in profit or loss.

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

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

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

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions in accordance with IFRS 10 "Consolidated Financial Statements". The carrying amount of the Group's share and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The difference between “fair value of consideration paid or received” and “adjustments of the carrying amount of non-controlling interests” is recognized in equity and attributed to owners of the Company.

(e) Loss of control

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

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

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

(2) Foreign currency

(a) Foreign currency translation

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

(b) Foreign operations

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

Exchange differences arising are recognized as other comprehensive income. The differences are recorded and accumulated as translation reserve in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

(3) Financial instruments

The Group early adopted IFRS 9. IFRS 9 requires all financial assets which are within the scope of 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 within a business model whose objective is to hold the financial assets in order to collect contractual cash flows 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 measured 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 measured at FVTPL are recognized immediately in profit or loss. Equity instruments held for purposes other than trading are designated as financial assets measured at FVTOCI.

(b) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(c) Non-derivative financial assets

Non-derivative financial assets are initially designated as “Financial assets measured at amortized cost”, “Financial assets measured at FVTPL” or “Financial assets measured 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 at amortized cost using the effective interest method, adjusted for accumulated impairment losses if both of the following conditions are met: (i) the financial assets are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows 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 measured at FVTPL
Financial assets, other than those subsequently measured at amortized cost, are subsequently measured at fair value, and all changes in fair value are recognized in profit or loss.

Financial assets measured at FVTOCI
At initial recognition, the Group designates as a financial asset measured at FVTOCI an investment in an equity instrument that is not held for sale and is measured at fair value through other comprehensive income. This is an irrevocable election and the cumulative changes of fair value recorded in other comprehensive income cannot be reclassified to profit or loss. Dividends from the above-mentioned equity instruments are recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. At derecognition of equity instruments measured at FVTOCI or when the significant decline in fair value below the initial cost is other than temporary, the recognized amount of changes in fair value accumulated in other comprehensive income is reclassified directly to retained earnings and not reclassified to profit or loss.

(d) Cash and cash equivalents
Cash and cash equivalents are cash and highly liquid financial assets that are readily convertible to known amounts of cash 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 mainly for the purpose of sale or repurchase in the short term
- At initial recognition, the financial assets are managed together by the Group as part of a certain financial instrument portfolio, from which an actual short term gain has been realized.
- Derivative (either not classified as hedging instruments or proved to be ineffective as hedging instruments)

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

(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 obligations related to the transferred asset, 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 a quoted market price from an active market, if available.

The Group uses valuation techniques to determine fair value if the financial assets are not traded in an active market. Valuation techniques include utilization of a recent arm’s length transaction between knowledgeable, willing parties, current fair value of a similar financial instrument, discounted cash flow analysis and an option pricing model. When there is evidence that market participants use valuation techniques to determine the price of a financial asset and liability that 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 reassesses the valuation techniques based on observable market data on a regular basis.

(i) Impairment of financial assets measured at amortized cost
The Group recognizes impairment losses for financial assets measured at amortized cost 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.

The Group assesses financial assets measured at amortized cost for evidence of impairment both individually and collectively. Significant financial assets are assessed for impairment individually. Significant financial assets which are not impaired individually are assessed for impairment collectively. Financial assets which are not significant are assessed as a group based on risk characteristics.

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 adjustments to discounts realized through the passage of time. When the amount of impairment decreases and the decrease can be related objectively to an event occurring after the impairment, reversal of previously recognized impairment loss is recognized in profit or loss.

(j) Derivatives
The Group uses derivative instruments (interest rate swap contracts and forward exchange contracts) in order to hedge mainly interest rate risk and foreign exchange risk.

Derivatives to which hedge accounting is applied

At the inception of the hedge, the Group formally documents the hedging relationship between the hedged item or transaction and the hedging instrument, which is the derivative, in compliance with our risk management objective and strategy. In addition, at the inception and on an ongoing basis, the Group documents whether the derivative is highly effective in offsetting changes in the fair value or the cash flows of the hedged item attributable to the risk of changes in interest rates, etc.

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

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

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

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

Derivatives to which hedge accounting is not applied

Among derivatives held for hedging purposes, the Group holds some derivatives to which hedge accounting is not applied. The Group also holds derivatives for trading purposes other than hedging purposes. The changes in fair value of such derivatives are recognized in profit or loss.

(4) Lease as lessee

A lease is classified as a finance lease when the Group assumes substantially all the risks and rewards according to the lease contract. Leased assets are initially recognized as the lower of the fair value of the leased property or the present value of the minimum lease payments, and subsequently accounted for under the accounting policies applied to the assets.

(5) Property and equipment

(a) Initial recognition and measurement

Property and equipment are measured using the cost method and stated at cost less accumulated depreciation and accumulated impairment loss. Acquisition cost includes the costs incurred directly related to the acquisition of the assets. 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 calculated 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 – 47 years
• Furniture and equipment	3 – 20 years

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

(6) Intangible assets

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

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

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

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

(b) Research and development

Expenditure on research undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized as an expense when incurred. Development costs capitalized as a result of meeting certain criteria are measured at initial cost less accumulated amortization and accumulated impairment loss.

(c) Other intangible assets (separately acquired)

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

(d) Amortization

Amortization of intangible assets other than goodwill with finite useful lives 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	5 years
• Customer Relationship	5 – 10 years

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

(7) Investment properties

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

Depreciation is calculated based on the depreciable amount, which is calculated as the initial cost of assets less their residual values. Depreciation is calculated 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 are 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 loss arising from the derecognition of investment properties is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss at the time of derecognition.

(8) Impairment of non-financial assets

Other than deferred tax assets, the Group's non-financial assets are subject to impairment tests at the end of each reporting period. When an indication of impairment exists, the recoverable amounts of the assets are estimated in order to determine amounts of impairment losses, if any. For a cash-generating unit ("CGU") including allocated goodwill and intangible assets which have indefinite useful lives or which are not available for use, the recoverable amounts are estimated at the same time every year, regardless of the indication of impairment. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

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

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

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

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

(9) Accounting for insurance contracts

For insurance contracts and reinsurance contracts, the Group applies its accounting policy determined based on the Insurance Business Act, the Ordinance for Enforcement of the Insurance Business Act, and other Japanese accounting practices, while considering the requirements under IFRS 4 "Insurance Contracts".

A liability adequacy test is performed in consideration of current estimates of all contractual cash flows and related cash flows such as claims handling costs at the end of each reporting period. If the test shows that the liability is inadequate, the entire shortfall is recognized in profit or loss.

(10) Employee benefits

(a) Defined contribution plans

The Company and certain of its subsidiaries have defined contribution plans for employee benefits. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Contributions related to defined contribution plans are expensed over the period during which employees render service to the entity.

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

The Group recognizes the undiscounted amount of short-term employee benefits as an expense of the period during which the related service is rendered.

Also, the Group operates share-based compensation plan as an incentive for board members and employees. Equity-settled share-based compensation plan ("stock option") which were granted after November 7, 2002 and the vesting conditions of which had not been satisfied as at March 31, 2011 is measured at fair value on the grant date. The fair value is calculated by estimating the number of stock options that will ultimately be vested and recognized as expenses with a corresponding increase in equity over the vesting period. For cash-settled share-based compensation plan, a liability is recognized for the goods or services acquired, measured initially at fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

(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) Capital stock

(a) Common stock

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

(b) Treasury stock

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

(13) Revenue recognition

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

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

Changes in the fair value of financial assets measured at FVTOCI are presented in other comprehensive income. When such financial assets are derecognized (sold) or the significant decline in fair value below the initial cost of such financial assets is other than temporary, the cumulative gains or losses previously recognized in other comprehensive income are directly transferred to retained earnings.

However, dividends from financial assets measured 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 measured at FVTPL and measured at fair value. Changes in fair value are recognized in profit or loss.

(c) Commission income

Commission income arises from transactions in which the Group is involved as an agent instead of a principal who gains the main part of the profit from the transaction. Revenue from commission income is recognized by reference to the stage of completion 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 goods sold.
- 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 implemented; 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. If it is probable that the Group will provide a sales discount and the amount can be reasonably estimated, the sales discount shall be deducted from the original amount of revenue.

(14) Income tax expense

Income tax expense consists of current and deferred tax expense, which are recognized in profit or loss, except for those arising from business combinations or recognized directly in equity and other comprehensive income. Current income tax expense is measured at the amount expected to be paid to or recovered from the taxation authorities using the tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amount. However, deferred tax assets are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, or from deductible temporary differences related to investments in subsidiaries and investments accounted for using the equity method, under which it is probable that the difference will not be recovered in the foreseeable future. Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred tax assets and liabilities are determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax assets are realized or the deferred tax liabilities are settled. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis, or the deferred tax assets and liabilities are expected to be realized simultaneously.

A deferred tax asset is recognized for the unused carryforward tax losses, unused tax credits and expected deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused carryforward tax losses, unused tax credits and expected deductible temporary differences can be utilized. The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. The Group reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized.

The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries and investments accounted for using the equity method, except to the extent that both of the following conditions are satisfied: (i) the Group is able to control the timing of the reversal of the temporary difference; and (ii) it is probable that the temporary difference will not reverse in the foreseeable future.

The Group shall recognize a deferred tax asset for all deductible temporary differences arising from investments mentioned above, to the extent that, and only to the extent that, it is probable that (i) taxable profit will be available against which the temporary difference can be utilized; and (ii) the temporary difference will reverse in the foreseeable future.

(15) Earnings per share

The Group discloses both the basic earnings per share and diluted earnings per share. Basic earnings per share is calculated by dividing profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding (issued shares adjusted for the treasury shares) during the period. For the purpose of calculating diluted earnings per share, the Group adjusts profit for the year attributable to ordinary equity holders and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares.

(16) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Discrete financial information of all the segments is available so that the operating results are regularly reviewed by the board of directors to make decisions about resources to be allocated to the segment and assess its performance. Operating results reported to the board of directors include items that directly belong to the segment and items allocated to the segment on a reasonable basis. Items not allocated to any reportable segment mainly consist of expenses related to the headquarters.

(17) Non-current assets held for sale

The Group classifies a non-current asset or asset group as held for sale if (i) its carrying amount will be recovered principally through a sale transaction rather than through continuing use; (ii) the asset is available for immediate sale and their sale within one year is highly probable; and (iii) management of the Group is committed to a plan to sell the asset.

When the Group is committed to a plan to sell a subsidiary with a loss of control and all the above criteria are satisfied, it classifies the subsidiary's entire assets and liabilities as held for sale regardless of whether it retains any non-controlling interest of the subsidiary.

Non-current assets (or asset groups) held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

(18) New standards, amendments to existing standards, and interpretations that are published but have not yet been adopted by the Group

Of the new standards, amendments to existing standards, and interpretations that have been published before the approval date of the consolidated financial statements, the main ones that the Group has not early adopted are as follows. The application of the impairment requirements of IFRS 9 is expected to reduce the opening retained earnings as at April 1, 2018 by ¥11.6 billion in the consolidated financial statements for the year ending March 31, 2019. The impact of the application of IFRS 15 "Revenue from Contracts with Customers" on the consolidated financial statements is not material. The impact of the others are still under investigation.

IFRSs		Mandatory for fiscal year beginning on or after	Adopted by the group from fiscal year ended	Summary of new standards and amendments
IFRS 9	Financial Instruments	January 1, 2018	March 2019	Amendment with regard to hedge accounting, impairment accounting, and classification and measurement of financial instruments
IFRS 10	Consolidated Financial Statements	To be determined	To be determined	Clarification of the accounting treatment for sale or contribution of assets between an investor and its associate and joint venture
IAS 28	Investments in Associates and Joint Ventures			
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	March 2019	Amendment with regard to the accounting of revenue recognition
IFRS 16	Lease	January 1, 2019	March 2020	Amendment with regard to the definition and the accounting treatment of lease
IFRS 17	Insurance Contracts	January 1, 2021	March 2022	Amendment with regard to measurement method of insurance liability

4. 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 anticipated to be a growth industry in the 21st century, are determined as reportable segments.

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

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

“Financial Services Business”
The Financial Services Business consists of a wide range of finance-related business, including securities brokerage business, banking services business, and life, property and casualty insurance business.

“Asset Management Business”
The Asset Management Business primarily consists of fund management and investment in Internet technology, biotechnology and finance-related venture companies in Japan and overseas, financial services business overseas, and asset management services business which provides financial products information.

“Biotechnology-related Business”
The Biotechnology-related Business represents development and distribution of pharmaceutical products, health foods, and cosmetics with 5-aminolevulinic acid (ALA), a kind of amino acid which exists in vivo, and research and development of antibody drugs and nucleic acid medicine in the field of cancer and immunology.

“Others” includes the real estate business and the cryptocurrency business, but they did not meet the quantitative criteria to be defined as reportable segments for the fiscal year ended March 31, 2018.

“Elimination or Corporate” includes profit or loss that is not allocated to certain business segments and the elimination of the inter-company transactions within the Group, at a price based on the actual market price.

The following represents segment information of the Group:
BroadBand Security, Inc., which was included in the Asset Management Business until the previous reporting period, is now included in the Financial Services Business beginning with this fiscal year. Consequently, segment information for the year ended March 31, 2017, is restated in accordance with the new basis of segmentation.

(Millions of Yen)

For the year ended March 31, 2017	Financial Services Business	Asset Management Business	Biotechnology-related Business	Total	Others	Elimination or Corporate	Consolidated Total
Revenue							
Revenue from external customers	178,218	77,041	5,398	260,657	880	402	261,939
Inter-segment revenue	1,723	400	132	2,255	3	(2,258)	—
Total	179,941	77,441	5,530	262,912	883	(1,856)	261,939
Segment operating income (loss)							
Profit before income tax expense	48,932	13,861	(9,574)	53,219	(830)	(9,250)	43,139
Other Items							
Interest income	32,476	47,922	0	80,398	0	(935)	79,463
Interest expense	(4,887)	(10,177)	(247)	(15,311)	(50)	(2,659)	(18,020)
Depreciation and amortization	(5,435)	(4,081)	(536)	(10,052)	(85)	(253)	(10,390)
Gain or loss from investments applying the equity-method	3,448	109	(697)	2,860	(11)	—	2,849

(Millions of Yen)

For the year ended March 31, 2018	Financial Services Business	Asset Management Business	Biotechnology-related Business	Total	Others	Elimination or Corporate	Consolidated Total
Revenue							
Revenue from external customers	214,509	117,167	3,967	335,643	1,212	162	337,017
Inter-segment revenue	2,763	405	232	3,400	1	(3,401)	—
Total	217,272	117,572	4,199	339,043	1,213	(3,239)	337,017
Segment operating income (loss)							
Profit before income tax expense	63,888	56,491	(37,252)	83,127	(1,328)	(9,989)	71,810
Other Items							
Interest income	45,844	57,010	1	102,855	0	(1,018)	101,837
Interest expense	(6,440)	(12,150)	(382)	(18,972)	(106)	(1,992)	(21,070)
Depreciation and amortization	(6,145)	(4,135)	(261)	(10,541)	(129)	(175)	(10,845)
Gain or loss from investments applying the equity-method	4,090	(390)	(1,460)	2,240	(11)	—	2,229

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

(Millions of Yen)

Non-current assets	As at March 31, 2017	As at March 31, 2018
Japan	65,051	69,085
Korea	119,678	111,207
Others	18,367	17,990
Consolidated total	203,096	198,282

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

(Millions of Yen)

Revenue from external customers	For the year ended March 31, 2017	For the year ended March 31, 2018
Japan	204,501	260,564
Overseas	57,438	76,453
Consolidated total	261,939	337,017

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

5. 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 using valuation models such as a discounted cash flow analysis. The Group determined fair values of financial assets and financial liabilities as follows:

Cash and cash equivalents, Other financial assets, and Other financial liabilities

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

Trade and other accounts receivable

The fair values are determined based on the future cash inflows discounted using interest rates adjusted for the term to maturity and credit risk. The fair values of those with short-term maturities are determined at the carrying amounts as they approximate the carrying amounts.

Assets and liabilities related to securities business

With respect to loans on margin transactions included in margin transaction assets, the fair values are determined at the carrying amounts as the interest rates of the loans are floating rates and reflect the market interest rate within a short period. The fair values of assets and liabilities related to the securities business, except for loans on margin transactions, are considered to approximate the carrying amounts as those assets and liabilities are settled within a short period. With respect to trading assets and trading liabilities, the fair values are determined based on market closing price at the reporting date in principal stock exchanges.

Operational investment securities and other investment securities

The fair values of listed equity securities are determined based on the quoted market prices in the stock exchange. The fair values of unlisted equity securities, bonds with share options and stock warrants are determined using valuation models appropriate in the circumstances including discounted cash flow analysis, pricing analysis with reference to comparable industry prices, and analysis based on revenues, profits and net assets. The fair values of bonds are determined using reasonable valuation techniques based on available information such as Reference Statistical Prices and quoted price provided by the financing banks. The fair values of investments in funds are determined at the fair values of partnership net assets based on the Group's percentage share in the contributed capital, if such fair values are available.

Bonds and loans payable and Trade and other accounts payable

With respect to those with floating interest rates, the fair values are determined at the carrying amounts as the interest rates of the bonds and loans, and trade and other accounts payable reflect the market interest rate within a short period and as the credit condition of Group entities that obtained them are not expected to change significantly. With respect to those with fixed interest rates, the fair values are determined based on the future cash outflows discounted using interest rates adjusted for the remaining term and credit risk or discounted using interest rates determined with reference to similar types of new loans or lease transactions. The fair value of bonds payable and loans payable with short-term maturities are determined at the carrying amounts as they approximate the carrying amounts.

Customer deposits for banking business

The fair values of demand deposits are determined at the carrying amounts which are the amounts paid on demand at the reporting date. The fair values of time deposits are determined based on the future cash outflows discounted using interest rates adjusted for the term to maturity and credit risk. The fair values of time deposits with short-term maturities are determined at the carrying amounts as they approximate the carrying amounts.

(2) Classification and fair value of financial instruments

Classification and fair value of financial assets were as follows:

(Millions of Yen)

As at March 31, 2017	Carrying amount				Fair value
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Financial assets measured at amortized cost	Total	
Trade and other accounts receivable	—	—	472,128	472,128	477,051
Assets related to securities business	22,816	—	2,310,225	2,333,041	2,333,041
Operational investment securities	111,067	—	—	111,067	111,067
Other investment securities	107,853	1,243	77,416	186,512	187,680
Total	241,736	1,243	2,859,769	3,102,748	3,108,839

(Millions of Yen)

As at March 31, 2018	Carrying amount				Fair value
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Financial assets measured at amortized cost	Total	
Trade and other accounts receivable	—	—	570,466	570,466	571,703
Assets related to securities business	75,984	—	2,760,458	2,836,442	2,836,442
Operational investment securities	191,014	—	—	191,014	191,014
Other investment securities	102,647	2,975	67,694	173,316	174,496
Total	369,645	2,975	3,398,618	3,771,238	3,773,655

Classification and fair value of financial liabilities were as follows:

(Millions of Yen)

As at March 31, 2017	Carrying amount			Fair value
	Financial liabilities measured at FVTPL	Financial liabilities measured at amortized cost	Total	
Bonds and loans payable	—	518,977	518,977	518,887
Trade and other accounts payable	2,118	50,769	52,887	53,013
Liabilities related to securities business	51,854	2,126,758	2,178,612	2,178,612
Customer deposits for banking business	—	485,827	485,827	485,997
Total	53,972	3,182,331	3,236,303	3,236,509

(Millions of Yen)

As at March 31, 2018	Carrying amount			Fair value
	Financial liabilities measured at FVTPL	Financial liabilities measured at amortized cost	Total	
Bonds and loans payable	—	571,277	571,277	571,879
Trade and other accounts payable	1,987	65,819	67,806	67,929
Liabilities related to securities business	108,157	2,562,656	2,670,813	2,670,813
Customer deposits for banking business	—	536,955	536,955	537,056
Total	110,144	3,736,707	3,846,851	3,847,677

(3) Financial instruments categorized by fair value hierarchy

"IFRS 13 Fair Value Measurement" requires measurement of fair value to be categorized into three levels with reference to the fair value hierarchy that reflects the significance of the inputs used in making fair value measurements.

The fair value hierarchy is defined as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level of hierarchy used in fair value measurement is determined at the lowest level with relevant significant inputs to the measurement.

A transfer of financial instruments between levels of the hierarchy is recognized at the date when the cause of the transfer or change in circumstances occurs.

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

(Millions of Yen)

	As at March 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Assets related to securities business	22,816	—	—	22,816
Operational investment securities and other investment securities				
Financial assets measured at FVTPL	96,206	614	122,100	218,920
Financial assets measured at FVTOCI	20	—	1,223	1,243
Total financial assets	119,042	614	123,323	242,979
Financial liabilities				
Trade and other accounts payable	—	—	2,118	2,118
Liabilities related to securities business	51,854	—	—	51,854
Total financial liabilities	51,854	—	2,118	53,972

(Millions of Yen)

	As at March 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Assets related to securities business	75,984	—	—	75,984
Operational investment securities and other investment securities				
Financial assets measured at FVTPL	91,762	511	201,388	293,661
Financial assets measured at FVTOCI	2,608	—	367	2,975
Total financial assets	170,354	511	201,755	372,620
Financial liabilities				
Trade and other accounts payable	—	—	1,987	1,987
Liabilities related to securities business	108,157	—	—	108,157
Total financial liabilities	108,157	—	1,987	110,144

The table below presents the financial assets and liabilities not measured at the fair values in the consolidated statement of financial position of the Group.

(Millions of Yen)

	As at March 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Trade and other accounts receivable	—	477,051	—	477,051
Assets related to securities business	—	2,310,225	—	2,310,225
Operational investment securities and other investment securities	75,084	—	3,500	78,584
Total financial assets	75,084	2,787,276	3,500	2,865,860
Financial liabilities				
Bonds and loans payable	—	518,887	—	518,887
Trade and other accounts payable	—	50,895	—	50,895
Liabilities related to securities business	—	2,126,758	—	2,126,758
Customer deposits for banking business	—	485,997	—	485,997
Total financial liabilities	—	3,182,537	—	3,182,537

(Millions of Yen)

	As at March 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Trade and other accounts receivable	—	571,703	—	571,703
Assets related to securities business	—	2,760,458	—	2,760,458
Operational investment securities and other investment securities	65,329	—	3,545	68,874
Total financial assets	65,329	3,332,161	3,545	3,401,035
Financial liabilities				
Bonds and loans payable	—	571,879	—	571,879
Trade and other accounts payable	—	65,942	—	65,942
Liabilities related to securities business	—	2,562,656	—	2,562,656
Customer deposits for banking business	—	537,056	—	537,056
Total financial liabilities	—	3,737,533	—	3,737,533

(4) Financial instruments categorized as Level 3

Based on the valuation methods and policies as reported to the board of directors, external evaluating agencies and appropriate individuals of the Group measure and analyze the valuation of financial instruments categorized as Level 3 of the fair value hierarchy. The valuation results are reviewed and approved by CFO and General Manager of the Financial and Accounting Division.

The valuation techniques and unobservable inputs used for recurring fair value measurements categorized as Level 3 are as follows:

(Millions of Yen)

	As at March 31, 2017			
	Fair Value	Valuation Technique	Unobservable Input	Range
Operational investment securities and other investment securities	123,323	Income approach and market approach	Discount rate P/E ratio EBITDA ratio Illiquidity discount	5%–10% 9.8–30.4 7.9–24.8 10%–30%

(Millions of Yen)

	As at March 31, 2018			
	Fair Value	Valuation Technique	Unobservable Input	Range
Operational investment securities and other investment securities	201,755	Income approach and market approach	Discount rate P/E ratio Price to book value ratio EBITDA ratio Illiquidity discount	12%–16% 17.0–45.2 1.2 25.0–40.0 10%–20%

Within the recurring fair value measurements of financial instruments categorized as Level 3, the fair value of "Operational investment securities" and "Other investment securities," which is measured through the income approach or market approach, increases (decreases) when the discount rate decreases (increases), when the P/E ratio increases (decreases), when the price to book value ratio increases (decreases), when the EBITDA ratio increases (decreases), or when the illiquidity discount decreases (increases).

With respect to the financial instruments categorized as Level 3, no significant impact on the fair values is assumed even if one or more of the unobservable inputs were changed to reasonably possible alternative assumptions.

The movement of financial assets and liabilities categorized as Level 3 is presented as follows:

(Millions of Yen)

	Financial assets			Financial liabilities
	Operational investment securities and other investment securities			
For the year ended March 31, 2017	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Total	Trade and other accounts payable
Balance as at April 1, 2016	109,708	1,122	110,830	1,987
Acquisitions through business combinations	29	—	29	200
Purchase	36,910	—	36,910	—
Comprehensive income				
Net profit (Note 1)	(1,527)	—	(1,527)	—
Other comprehensive income (Note 2)	—	150	150	—
Dividends	(5,185)	—	(5,185)	—
Sale or redemption	(13,630)	(59)	(13,689)	—
Settlements	—	—	—	(69)
Currency translation differences	(118)	10	(108)	—
Others (Note 3)	906	—	906	—
Transferred from Level 3 (Note 4)	(4,993)	—	(4,993)	—
Balance as at March 31, 2017	122,100	1,223	123,323	2,118

(Millions of Yen)

	Financial assets			Financial liabilities
	Operational investment securities and other investment securities			
For the year ended March 31, 2018	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Total	Trade and other accounts payable
Balance as at April 1, 2017	122,100	1,223	123,323	2,118
Acquisitions through business combinations	—	—	—	—
Purchase	60,884	—	60,884	—
Comprehensive income				
Net profit (Note 1)	37,668	—	37,668	(31)
Other comprehensive income (Note 2)	—	35	35	—
Dividends	(8,325)	—	(8,325)	—
Sale or redemption	(3,862)	(310)	(4,172)	—
Settlements	—	—	—	(100)
Currency translation differences	(1,940)	(2)	(1,942)	—
Others (Note 3)	—	—	—	—
Transferred from Level 3 (Note 4)	(5,137)	(579)	(5,716)	—
Balance as at March 31, 2018	201,388	367	201,755	1,987

Notes:
1. Gains and losses recognized as profit (loss) for the period in relation to the financial instruments are included in "Revenue" in the consolidated statement of income. Gains and losses recognized arising from the financial assets measured at FVTPL held as at March 31, 2017 and 2018 were ¥3,041 million of losses and ¥37,409 million of gains, respectively.
2. Gains and losses recognized as other comprehensive income (loss) in relation to the financial instruments are included in "FVTOCI financial assets" in the consolidated statement of comprehensive income.
3. Transfer due to obtaining or losing of control.
4. Transfer due to significant input used to measure the fair value becoming observable.

6. Offsetting Financial Assets and Financial Liabilities

Quantitative information for recognized financial assets and recognized financial liabilities set off in the consolidated statement of financial position of the Group and the amounts of potential effect of recognized financial assets and recognized financial liabilities subject to an enforceable master netting arrangement or similar agreement that are not set off in the consolidated financial position of the Group are presented as follows:

(Millions of Yen)

As at March 31, 2017	Financial assets					
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Assets related to securities business (Securities borrowing agreements and other similar transactions)	1,140,312	(356,987)	783,325	(671,519)	(111,649)	157
Assets related to securities business (Receivables related to securities transactions)	287,576	(194,397)	93,179	(21,593)	—	71,586
Assets related to securities business (Financial assets related to foreign exchange transactions)	6,752	—	6,752	(381)	(6,005)	366

(Millions of Yen)

As at March 31, 2017	Financial liabilities					
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
Liabilities related to securities business (Securities loan agreements and other similar transactions)	1,441,678	(356,987)	1,084,691	(690,523)	—	394,168
Liabilities related to securities business (Payables related to securities transactions)	1,133,945	(194,397)	939,548	(21,593)	—	917,955
Liabilities related to securities business (Financial liabilities related to foreign exchange transactions)	153,083	—	153,083	(6,386)	—	146,697

(Millions of Yen)

As at March 31, 2018	Financial assets					
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Assets related to securities business (Securities borrowing agreements and other similar transactions)	1,546,241	(444,204)	1,102,037	(950,844)	(150,906)	287
Assets related to securities business (Receivables related to securities transactions)	352,936	(206,904)	146,032	(21,442)	—	124,590
Assets related to securities business (Financial assets related to foreign exchange transactions)	13,438	—	13,438	(539)	(12,301)	598

(Millions of Yen)

As at March 31, 2018	Financial liabilities					
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
Liabilities related to securities business (Securities loan agreements and other similar transactions)	1,854,136	(444,204)	1,409,932	(986,652)	—	423,280
Liabilities related to securities business (Payables related to securities transactions)	1,263,596	(206,904)	1,056,692	(21,442)	—	1,035,250
Liabilities related to securities business (Financial liabilities related to foreign exchange transactions)	203,168	—	203,168	(12,840)	—	190,328

The rights of set-off for recognized financial assets and liabilities that are subject to an enforceable master netting arrangement or similar agreement are enforced when debt default or other specific events that are unexpected in the ordinary course of business occurs, and have an effect on realization or settlement of individual financial assets and liabilities.

7. Financial Risk Management

(1) Risk management policy over capital management and financing

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

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

(Millions of Yen)

	As at March 31, 2017	As at March 31, 2018
Interest-bearing debt (Bonds and borrowings)	518,977	571,277
Cash and cash equivalents	(391,572)	(437,148)
Net	127,405	134,129
Equity attributable to owners of the Company	377,992	427,815

Pursuant to the Financial Instruments and Exchange Act ("FIEA") and Insurance Business Act of Japan, domestic subsidiaries of the Group are obligated to maintain a certain level of capital adequacy ratio.

Significant capital adequacy regulations under which domestic subsidiaries of the Group are obligated are as follows:

1. SBI SECURITIES Co., Ltd. is required to maintain a certain level of capital-to-risk ratio set forth under the FIEA. If the ratio falls below 120%, the Financial Services Agency ("FSA") may order changes to operational methods and other changes.
2. SBI Life Insurance Co., Ltd., SBI Insurance Co., Ltd. and SBI Insurance Group Co., Ltd. are required to maintain a certain level of Solvency Margin Ratio in conformity with the Insurance Business Act of Japan. If the Solvency Margin Ratio falls below 200%, the FSA may order submission and implementation of a reasonable improvement plan for sound management.

SBI SAVINGS BANK whose headquarter is in the Republic of Korea is obligated to maintain certain level of capital adequacy ratio in conformity with the Saving Bank Act or the Main Shareholder eligibility standard. If the capital adequacy ratio falls below certain level, Korean Financial Services Commission may give warning or order business suspension.

The Group engages in a wide range of finance related businesses, such as investment business, fund management business, securities business, banking business, loan business and insurance businesses, to avoid excessive concentration of risk on specific entities or businesses. To operate these businesses, the Group raises funds through indirect financing such as bank borrowings, direct financing such as bond issuance and equity financing, transactions with securities financing companies, and receiving customer deposits for banking business. The Group also considers the market environment and maintains an appropriate strategy for short and long term financing.

The Group conducts trading of derivative instruments including foreign currency forward contracts, interest rate swaps and index futures. The Group enters into foreign currency forward contracts and interest rate swap transactions primarily to hedge foreign exchange risk and to manage its interest rate exposures on borrowings, respectively. The Group does not hold or issue these instruments for speculative purposes. Index futures are entered into for the purpose of day trading with a cap placed on their trading volume. Index futures were mainly daily trading under a limited trading scale.

In order to maintain financial strength and appropriate operational procedures, it is the Group's basic policy of risk management to identify and analyze various risks relevant to the Group entities and strive to carry out integral risk management using appropriate methods.

The Group is exposed to the following risks over financial instruments:

- Credit risk
- Market risk
- Liquidity risk

(2) Risks arising from financial instruments

Financial assets held by the Group primarily consist of investment-related assets, securities-related assets and financing-related assets.

Investment-related assets include operational investment securities, other investment securities, and investments in associates which primarily represent investments in stocks and funds. These assets are held for the purpose of fostering the development of venture capital portfolio companies or earning capital gains. These assets are exposed to the issuer's credit risk and the stock price fluctuation risk. Furthermore, unlisted equity securities are exposed to liquidity risk and investment assets denominated in foreign currency are exposed to the risk of foreign exchange fluctuations.

Securities-related assets consist of cash segregated as deposits, margin transaction assets, trading instruments, trade date accrual, and short-term guarantee deposits. These assets are exposed to the credit risk and the interest rate risk of the brokerage customers of the Group, securities financing companies, and financial institutions. Trading instruments are exposed to the credit risk of issuers and the risk of market price fluctuation. Trading instruments, trade date accrual, and short-term guarantee deposits are presented as "other assets related to securities business" in the consolidated statement of financial position.

Financing-related assets consist of operational loans receivable. These assets mainly include real estate loans for companies and individuals, and unsecured personal loans. These assets are exposed to credit risk of accounts, such as default due to worsening economic conditions with higher credit risk exposure, and interest rate risk. Financing-related assets are presented as "trade and other accounts receivable" in the consolidated statement of financial position.

Financial liabilities of the Group primarily consist of loans payable, bonds payable, customer deposits for the banking business and securities-related liabilities. The loans payable of the Group are exposed to liquidity risk from changes in the pricing policy of the financial institutions to the Group. Also, the bonds payable are exposed to liquidity risk that restricts the Group's ability to raise funds due to changes in market conditions or the lowering of the credit rating of the Group. Customer deposits for the banking business are important financing arrangements and are managed considering adequate safety but are exposed to liquidity risk which makes it difficult to arrange requisite finance due to withdrawals or other reasons.

Securities-related liabilities consist of margin transaction liabilities, loans payable secured by securities on repurchase agreement transactions, deposits from customers, guarantee deposits received from margin transactions, and trade date accrual. The financing environment of the security business operated by the Group is affected by changes in the business policy of securities financing companies and the investment strategy. The Group exercises control by matching the financing with the related security assets. Trade date accrual is presented as other liabilities related to securities business in the consolidated statement of financial position.

The Group enters into foreign currency forward contracts and interest rate swap transactions primarily to hedge the risk of short-term foreign exchange fluctuations relating to the settlement of foreign currency denominated receivables and payables and purchase and sale transactions of securities denominated in foreign currencies and to manage its interest rate exposures on borrowings, respectively.

The Group manages index futures as a part of its investment business, which is exposed to market risk. Because the counterparties of foreign currency forward contracts and interest rate swap agreements are limited to creditworthy major Japanese financial institutions and index futures are traded in the public market, the credit risk arising from default is considered to be minimal.

(3) Risk management system over financial instruments

The Company assigns a risk management officer who is in charge of risk management and sets up a risk management department in line with the risk management rules and the group management rules in order to properly analyze and control these risks. The risk management department analyzes and monitors the Group's risk on a timely basis.

(4) Credit risk management

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 changes in the currency, political or economic circumstances of a country where investees/debtors operate.

Credit risk management policies of the Group are as follows:

(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 of financial assets after impairment loss presented in the consolidated statement of financial position. The maximum exposure to credit risk for loan commitment, which the Group grants, is as described in Note 33 "Contractual Liabilities".

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 exposed to excessively concentrated credit risk from a specific customer.

Impairment losses and analysis of the age regarding "trade and other accounts receivable" presented in 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 March 31, 2017 and 2018 were as follows:

(Millions of Yen)

	As at March 31, 2017	As at March 31, 2018
Trade and other accounts receivable (gross)	502,204	597,221
Impairment losses	(30,076)	(26,755)
Trade and other accounts receivable (net)	472,128	570,466

The analysis of the age of trade and other accounts receivable that are past due but not impaired as at March 31, 2017 and 2018 were as follows:

(Millions of Yen)

	As at March 31, 2017	As at March 31, 2018
No later than 6 months	123	403
Later than 6 months and not later than 1 year	94	3
Later than 1 year	23	77
Total	240	483

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. If the market price of operational investment securities and other investment securities held by the Group as at March 31, 2017 and 2018 increased by 10%, profit before income tax expense in the consolidated statement of income would have increased by ¥9,621 million and ¥9,176 million, respectively.

The investment portfolios as at March 31, 2017 and 2018 were as follows:

(Millions of Yen)

	As at March 31, 2017	As at March 31, 2018
Operational investment securities		
Listed equity securities	17,212	30,404
Unlisted equity securities	66,749	129,818
Bonds	4,602	6,549
Investments in funds	22,504	24,243
Total	111,067	191,014
Other investment securities		
Listed equity securities	133	2,790
Unlisted equity securities	5,020	4,052
Bonds	94,717	82,639
Investments in funds	86,642	83,835
Total	186,512	173,316

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 March 31, 2017	USD	HKD	Others
Monetary financial instruments dominated in foreign currency			
Assets	62,912	5,541	14,464
Liabilities	42,913	5,270	10,311

(Millions of Yen)

As at March 31, 2018	USD	HKD	Others
Monetary financial instruments dominated in foreign currency			
Assets	81,081	6,621	18,134
Liabilities	57,408	6,552	10,382

If the foreign currencies strengthened by 1% against the functional currency with all other variables (such as interest rate) held constant, profit before income tax expense in the consolidated statement of income for the years ended March 31, 2017 and 2018 would have increased by ¥244 million and ¥315 million, respectively, mainly as a result of monetary financial instruments dominated in foreign currency held by the Group.

③ Interest Rate Risk

The Group is exposed to various interest rate fluctuation risks in its business operations. Interest rate fluctuation affects financial income arising from financial assets, which primarily consist of bank balances, money in trust held by subsidiaries in the financial service business, call loans, and loans receivable from individual and corporate customers, and also affects financial costs arising from financial liabilities, which primarily consist of borrowings from financial institutions, bonds payable, and customer deposits for the banking business.

In management's sensitivity analysis, if interest rates had been 100 basis points higher and all other variables were held constant, profit before income tax expense in the consolidated statement of income for the years ended March 31, 2017 and 2018 would have increased by ¥2,840 million and ¥2,988 million, respectively.

The analysis is prepared assuming the financial instruments subject to interest rate risk and all other variables were held constant throughout the years ended March 31, 2017 and 2018.

(6) Liquidity risk management

Liquidity risk is defined as the Group's exposure to the below situations:
–Necessary financing cannot be secured due to deterioration of the Group's financial condition
–Risk of loss from financing at higher interest rate than usual with no option
–Risk of loss from transaction at significantly unreasonable price with no option or unable to conduct transactions due to severe situation such as market turmoil.
The Group manages its liquidity risk through the following policies.

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

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

(Millions of Yen)

As at March 31, 2017	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	518,977	523,039	352,364	138,404	15,258	383	16,558	72
Trade and other accounts payable	52,887	53,038	50,405	896	986	521	180	50
Liabilities related to securities business	2,178,612	2,178,612	2,178,612	—	—	—	—	—
Customer deposits for banking business	485,827	493,203	428,948	55,887	8,327	31	2	8

(Millions of Yen)

As at March 31, 2018	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	571,277	577,541	382,092	57,323	54,684	17,322	65,905	215
Trade and other accounts payable	67,806	68,026	65,729	1,004	752	373	151	17
Liabilities related to securities business	2,670,813	2,670,813	2,670,813	—	—	—	—	—
Customer deposits for banking business	536,955	545,794	482,080	59,172	4,531	3	8	—

The Group entered into line of credit agreements (e.g., overdraft facilities) with leading domestic financial institutions to ensure an efficient operating funds procurement and to mitigate liquidity risk.

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

(Millions of Yen)

	As at March 31, 2017	As at March 31, 2018
Lines of credit	345,590	326,766
Used balance	217,950	169,765
Unused portion	127,640	157,001

8. Trade and Other Accounts Receivable

Trade and other accounts receivable as at March 31, 2017 and 2018, consisted of the following:

(Millions of Yen)

	As at March 31, 2017	As at March 31, 2018
Trade accounts receivable and installment receivables	3,954	3,363
Loans receivable	430,967	522,314
Operational receivables	13,244	17,935
Deposits in relation to banking business	23,525	24,347
Others	438	2,507
Total	472,128	570,466

Maturity analysis to the collection or the settlement of trade and other accounts receivable as at March 31, 2017 and 2018, consisted of the following:

(Millions of Yen)

	As at March 31, 2017	As at March 31, 2018
No later than 1 year	164,463	177,127
Later than 1 year	307,665	393,339
Total	472,128	570,466

9. Other Assets Related to Securities Business

Other assets related to securities business as at March 31, 2017 and 2018, consisted of the following:

(Millions of Yen)

	As at March 31, 2017	As at March 31, 2018
Trade date accrual	195,732	227,484
Short-term guarantee deposits	49,671	64,091
Loans receivable secured by securities	46,977	125,385
Others	23,260	76,993
Total	315,640	493,953

10. Operational Investment Securities and Other Investment Securities

"Operational investment securities" and "Other investment securities" in the consolidated statement of financial position as at March 31, 2017 and 2018 consisted of the following:

(Millions of Yen)

	As at March 31, 2017	As at March 31, 2018
Operational investment securities		
Financial assets measured at FVTPL	111,067	191,014
Total	111,067	191,014
Other investment securities		
Financial assets measured at FVTPL	107,853	102,647
Financial assets measured at FVTOCI	1,243	2,975
Financial assets measured at amortized cost	77,416	67,694
Total	186,512	173,316

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 measured at FVTOCI presented as "Other investment securities" in the consolidated statement of financial position and related dividends income presented as "Revenue" in the consolidated statement of income consisted of the following, respectively:

(Millions of Yen)

	As at March 31, 2017	As at March 31, 2018
Fair value		
Listed	20	2,608
Unlisted	1,223	367
Total	1,243	2,975

(Millions of Yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Dividends income		
Listed	0	0
Unlisted	1	0
Total	1	0

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

(Millions of Yen)

	As at March 31, 2017	As at March 31, 2018
Other investment securities		
Money Forward, Inc.	681	2,586
Asahi Fire & Marine Insurance Co., Ltd.	213	—

Fair value at disposal, cumulative gain (net of tax) transferred from other components of equity to retained earnings and dividend income of financial assets measured at FVTOCI disposed during the years ended March 31, 2017 and 2018 are as follows:

(Millions of Yen)

For the year ended March 31, 2017			For the year ended March 31, 2018		
Fair value at disposal	Cumulative gain	Dividend income	Fair value at disposal	Cumulative gain	Dividend income
78	14	—	310	60	1

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

11. Investments Accounted for Using the Equity Method

(1) Investments in associates

The combined financial information of associates accounted for using the equity method is as follows:

(Millions of Yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Profit for the year attributable to the Group	(123)	(1,108)
Other comprehensive income attributable to the Group	4,105	(959)
Total comprehensive income attributable to the Group	3,982	(2,067)

(Millions of Yen)

	As at March 31, 2017	As at March 31, 2018
Book value	57,403	32,622

Impairment losses recognized as the recoverable amount of certain associates fell below the carrying amount at March 31, 2017 and 2018 were ¥2,191 million and ¥21,295 million, respectively. The impairment loss is included in "Other expenses" in the consolidated statement of income.

Impairment losses recognized by segment for the year ended March 31, 2017 were ¥2,191 million in the Asset Management Business. Impairment losses recognized by segment for the year ended March 31, 2018 were ¥19 million in the Asset Management Business and ¥21,276 million in the Biotechnology-related Business.

(2) Investments in joint ventures

The combined financial information of joint ventures accounted for using the equity method is as follows:

(Millions of Yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Profit for the year attributable to the Group	2,972	3,337
Other comprehensive income attributable to the Group	(406)	115
Total comprehensive income attributable to the Group	2,566	3,452

(Millions of Yen)

	As at March 31, 2017	As at March 31, 2018
Book value	32,991	35,743

12. Structured Entities

The Group conducts investment partnerships and investment trusts for investment activities in Japan and overseas. These investment partnerships and investment trusts raise funds from investors/partners, and provide funding mainly in the form of capital contribution to investees. These investment partnerships are structured in a way that voting rights are not the dominant factor in deciding who controls the partnerships.

The purpose of using the assets and liabilities of the structured entities is restricted by contractual arrangements between the Group and the structured entities.

(1) Consolidated structured entities

Total assets of the consolidated investment partnerships and investment trusts were ¥69,372 million and ¥97,050 million as at March 31, 2017 and 2018, respectively. Total liabilities were ¥269 million and ¥389 million as at March 31, 2017 and 2018, respectively.

(2) Unconsolidated structured entities

The Group invests in investment partnerships and investment trusts, etc. that third parties have control on their operations.

The Group has not entered into any arrangement to provide financial support for the assets and liabilities of these structured entities. Accordingly, the maximum exposure to loss resulting from our involvement with unconsolidated structured entities is limited to the carrying amounts, the details of which are as described below:

(Millions of Yen)

	As at March 31, 2017	As at March 31, 2018
Operational investment securities	23,233	24,869
Other investment securities	83,215	83,468
Total	106,448	108,337

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

13. 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 March 31, 2017	For the year ended March 31, 2018
Balance, beginning of year	16,195	9,315
Sales or disposals	(6,883)	(6,068)
Foreign currency translation adjustment on foreign operations	3	103
Balance, end of year	9,315	3,350

(Millions of Yen)

Accumulated depreciation and impairment losses	For the year ended March 31, 2017	For the year ended March 31, 2018
Balance, beginning of year	(4,168)	(2,210)
Depreciation	(49)	(4)
Impairment losses	(42)	(7)
Sales or disposals	2,033	1,083
Foreign currency translation adjustment on foreign operations	16	(20)
Balance, end of year	(2,210)	(1,158)

Impairment losses recognized for the years ended March 31, 2017 and 2018 were ¥42 million and ¥7 million, respectively, due to a significant decline in fair value of certain investment properties, and were recorded in "Other expenses" in the consolidated statement of income. Impairment losses for the years ended March 31, 2017 and 2018 were recognized in the Asset Management Business. The recoverable amount of the investment properties is measured at fair value less cost of disposal through real estate valuation.

(Millions of Yen)

Carrying amount and fair value			
As at March 31, 2017		As at March 31, 2018	
Carrying amount	Fair value	Carrying amount	Fair value
7,105	8,091	2,192	2,772

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 inputs used for the fair value measurement of investment properties are categorized as Level 3 (unobservable inputs).

Rental income from investment property for the years ended March 31, 2017 and 2018 was ¥31 million and ¥3 million, respectively, which was included in "Revenue" in the consolidated statement of income. Expenses incurred in direct relation to the rental income (including repairs and maintenance) for the years ended March 31, 2017 and 2018, were ¥249 million and ¥79 million, respectively, which were included in "Operating cost" and "Selling, general and administrative expenses".

14. Property and Equipment

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

(Millions of Yen)

Cost	Buildings	Furniture and fixtures	Land	Others	Total
Balance as at April 1, 2016	8,002	10,492	2,008	1,048	21,550
Acquisitions	894	1,528	—	88	2,510
Acquisitions through business combinations	29	1	1	41	72
Sales or disposals	(3,172)	(1,291)	(7)	(13)	(4,483)
Foreign currency translation adjustment on foreign operations	11	5	5	20	41
Others	44	31	—	107	182
Balance as at March 31, 2017	5,808	10,766	2,007	1,291	19,872
Acquisitions	877	4,887	173	707	6,644
Acquisitions through business combinations	1	97	—	31	129
Sales or disposals	(624)	(636)	(230)	(34)	(1,524)
Foreign currency translation adjustment on foreign operations	(13)	(12)	(28)	(17)	(70)
Others	119	—	—	(8)	111
Balance as at March 31, 2018	6,168	15,102	1,922	1,970	25,162

(Millions of Yen)

Accumulated depreciation and impairment losses	Buildings	Furniture and fixtures	Land	Others	Total
Balance as at April 1, 2016	(3,432)	(5,630)	(42)	(668)	(9,772)
Sales or disposals	1,696	921	—	—	2,617
Depreciation	(470)	(1,303)	—	(187)	(1,960)
Impairment losses	(177)	(72)	—	—	(249)
Foreign currency translation adjustment on foreign operations	(1)	1	—	(10)	(10)
Balance as at March 31, 2017	(2,384)	(6,083)	(42)	(865)	(9,374)
Sales or disposals	328	517	—	20	865
Depreciation	(405)	(1,654)	—	(241)	(2,300)
Impairment losses	—	(3)	—	—	(3)
Foreign currency translation adjustment on foreign operations	5	13	—	14	32
Balance as at March 31, 2018	(2,456)	(7,210)	(42)	(1,072)	(10,780)

(Millions of Yen)

Carrying amount	Buildings	Furniture and fixtures	Land	Others	Total
Balance as at March 31, 2017	3,424	4,683	1,965	426	10,498
Balance as at March 31, 2018	3,712	7,892	1,880	898	14,382

The carrying amount of property and equipment in the above table includes the carrying amount of the following leased assets:

(Millions of Yen)

Carrying amount	Furniture and fixtures	Others	Total
Balance as at March 31, 2017	2,176	14	2,190
Balance as at March 31, 2018	1,906	14	1,920

Impairment losses recognized for the years ended March 31, 2017 and 2018 were ¥249 million and ¥3 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 by segment for the year ended March 31, 2017 were ¥186 million in the Financial Services Business, ¥5 million in the Asset Management Business and ¥58 million in the real estate business, which is included in "Others", respectively. Impairment losses recognized for the year ended March 31, 2018 were ¥3 million in the Financial Services Business.

15. Intangible Assets

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

The movements in cost, accumulated amortization and impairment losses of intangible assets including goodwill for the years ended March 31, 2017 and 2018 were as follows:

(Millions of Yen)

Cost	Goodwill	Software	Customer relationship	Others	Total
Balance as at April 1, 2016	161,573	36,243	33,505	2,668	233,989
Acquisitions	—	7,283	—	7	7,290
Acquisitions through business combinations	1,947	18	840	—	2,805
Sales or disposals	(4,088)	(3,805)	(1,624)	(5)	(9,522)
Foreign currency translation adjustment on foreign operations	1,791	109	87	(6)	1,981
Balance as at March 31, 2017	161,223	39,848	32,808	2,664	236,543
Acquisitions	—	6,528	—	1,070	7,598
Acquisitions through business combinations	4,113	877	—	—	4,990
Sales or disposals	(1,014)	(3,067)	—	—	(4,081)
Foreign currency translation adjustment on foreign operations	(340)	6	(675)	(34)	(1,043)
Balance as at March 31, 2018	163,982	44,192	32,133	3,700	244,007

(Millions of Yen)

Accumulated amortization and impairment losses	Goodwill	Software	Customer relationship	Others	Total
Balance as at April 1, 2016	(8,550)	(20,795)	(14,817)	(1,373)	(45,535)
Sales or disposals	—	3,521	437	2	3,960
Amortization	—	(5,388)	(3,017)	(277)	(8,682)
Impairment losses	(5)	(417)	—	—	(422)
Foreign currency translation adjustment on foreign operations	—	(104)	(265)	(2)	(371)
Balance as at March 31, 2017	(8,555)	(23,183)	(17,662)	(1,650)	(51,050)
Sales or disposals	1,014	1,939	—	—	2,953
Amortization	—	(5,668)	(3,009)	(162)	(8,839)
Impairment losses	(34)	(135)	(5,709)	—	(5,878)
Foreign currency translation adjustment on foreign operations	—	25	480	10	515
Balance as at March 31, 2018	(7,575)	(27,022)	(25,900)	(1,802)	(62,299)

(Millions of Yen)

Carrying amount	Goodwill	Software	Customer relationship	Others	Total
Balance as at March 31, 2017	152,668	16,665	15,146	1,014	185,493
Balance as at March 31, 2018	156,407	17,170	6,233	1,898	181,708

The carrying amount of software in the above table as at March 31, 2017 and 2018 includes the carrying amount of leased assets of ¥801 million and ¥733 million, respectively. Amortization expenses were recorded in "Operating cost" and "Selling, general and administrative expenses" in the consolidated statement of income.

(2) Impairment losses for each business segment

The Group recognized impairment losses totaling ¥422 million and ¥5,878 million for the years ended March 31, 2017 and 2018, respectively, due to no expectation of initially expected profits, and recorded them in "Other expenses" in the consolidated statement of income. Impairment losses recognized by segment for the year ended March 31, 2017 were ¥413 million in the Financial Services Business and ¥9 million in the Asset Management Business, respectively. Impairment losses recognized by segment for the year ended March 31, 2018 were ¥138 million in the Financial Services Business, ¥31 million in the Asset Management Business and ¥5,709 million in the Biotechnology-related Business, respectively. The impairment losses recognized in the Biotechnology-related Business were recognized for certain drug development pipelines (recoverable amount: ¥2,660 million).

(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 ¥107,235 million and ¥106,701 million as at March 31, 2017 and 2018, respectively, related to SBI SAVINGS BANK in the Asset Management Business and ¥24,910 million as at March 31, 2017 and 2018, related to SBI SECURITIES Co., Ltd. in the Financial Services Business.

The recoverable amounts used for impairment test of goodwill and intangible assets are calculated based on the value in use. Value in use is the present value calculated by discounting the estimated cash flows based on the projection approved by management and a growth rate. The business plans are not longer than five years in principle, and reflect the management assessments of future industry trends and historical data based on the external and internal information. The growth rate is determined by considering the long-term average growth rate of the market or the country which the CGU belongs to. The growth rate used for measuring value in use was 3% at the maximum per annum as at March 31, 2017 and 2018, respectively. The discount rate used for measuring value in use was 5.9% to 25.9% and 9.4% to 26.2% per annum as at March 31, 2017 and 2018, respectively.

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

16. Deferred Taxation

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the years ended March 31, 2017 and 2018:

(Millions of Yen)

For the year ended March 31, 2017	As at April 1, 2016	Recognized through profit or loss	Recognized through other comprehensive income	Change in scope of consolidation	Recognized directly in equity	As at March 31, 2017
Deferred Tax Assets						
Impairment on financial assets measured at amortized cost	924	(9)	—	—	—	915
Fixed assets (Note)	813	(143)	—	(183)	—	487
Enterprise tax payable	648	22	—	—	—	670
Tax loss carryforwards	1,976	(1,726)	—	(180)	—	70
Other	924	(102)	—	—	6	828
Total	5,285	(1,958)	—	(363)	6	2,970
Deferred Tax Liabilities						
Financial Assets measured at FVTPL	7,265	165	—	(5,162)	—	2,268
Financial Assets measured at FVTOCI	4	—	32	—	—	36
Financial Assets measured at amortized cost	1,291	(167)	—	—	—	1,124
Investments accounted for using the equity method	—	(1,598)	1,270	5,162	—	4,834
Intangible assets	6,372	(1,477)	(48)	(175)	—	4,672
Other	540	(302)	1	—	—	239
Total	15,472	(3,379)	1,255	(175)	—	13,173

(Millions of Yen)

For the year ended March 31, 2018	As at April 1, 2017	Recognized through profit or loss	Recognized through other comprehensive income	Change in scope of consolidation	Recognized directly in equity	As at March 31, 2018
Deferred Tax Assets						
Impairment on financial assets measured at amortized cost	915	(284)	—	—	—	631
Fixed assets (Note)	487	(13)	—	6	—	480
Enterprise tax payable	670	312	—	—	—	982
Tax loss carryforwards	70	(12)	—	—	—	58
Other	828	703	—	—	(539)	992
Total	2,970	706	—	6	(539)	3,143
Deferred Tax Liabilities						
Financial Assets measured at FVTPL	2,268	7,369	—	—	—	9,637
Financial Assets measured at FVTOCI	36	—	584	—	—	620
Financial Assets measured at amortized cost	1,124	(263)	—	—	—	861
Investments accounted for using the equity method	4,834	(2,756)	(330)	—	—	1,748
Intangible assets	4,672	(2,786)	(45)	—	—	1,841
Other	239	260	—	—	—	499
Total	13,173	1,824	209	—	—	15,206

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 March 31, 2017 and 2018, were ¥268,431 million (including ¥227,757 million with the carryforward period over 5 years), and ¥261,141 million (including ¥200,167 million with the carryforward period over 5 years), respectively.

The Group recognized deferred tax assets of ¥10 million and ¥18 million as at March 31, 2017 and 2018, respectively, associated with certain subsidiaries that had net losses during the years ended March 31, 2017 and 2018. The Group's management assessed that it is probable that tax credit carryforwards and deductible temporary differences will be utilized as the tax losses are not expected to arise on an ongoing basis.

As at March 31, 2017 and 2018, in principle, the Group did not recognize a deferred tax liability on the taxable temporary differences associated with investments in subsidiaries because the Group was in a position to control the timing of the reversal of the temporary differences and it was probable that such differences would not reverse in the foreseeable future. The amount of taxable temporary differences associated with investments in subsidiaries on which deferred tax liabilities were not recognized were ¥126,829 million and ¥180,257 million as at March 31, 2017 and 2018, respectively.

17. Bonds and Borrowings

(1) Details of bonds and borrowings

Bonds and borrowings as at March 31, 2017 and 2018, consisted of the following:

(Millions of Yen) (%)

	As at March 31, 2017	As at March 31, 2018	Average interest rate (Note 1)	Due (Note 2)
Short-term loans payable	262,336	232,049	0.44	—
Current portion of long-term loans payable	26,694	56,770	0.49	—
Current portion of bonds payable	61,003	91,288	—	—
Long-term loans payable	56,763	38,045	0.38	2019–2033
Bonds payable	112,181	153,125	—	—
Total	518,977	571,277		

Notes: 1. The average interest rate is calculated using the weighted average coupon rate of the outstanding balance as at March 31, 2018.
2. The due represents the repayment term of the outstanding balance as at March 31, 2018.

Details of the bonds were as follows:

(Millions of Yen) (%)

Issuer and the name of bond	Date of issuance	As at March 31, 2017	As at March 31, 2018	Interest rate (Note 1)	Due
The Company Japanese yen straight bond (Note 2)	June 2016– March 2017	59,902	59,977	0.48–0.70	June 2018– March 2019
The Company No. 6 Unsecured straight bond	December 2014	29,969	—	2.00	January 2018
The Company No. 7 Unsecured straight bond	March 2016	14,962	14,981	1.10	March 2019
The Company No. 8 Unsecured straight bond	April 2016	4,985	4,999	0.75	April 2018
The Company No. 9 Unsecured straight bond	June 2016	15,941	15,955	0.85	June 2021
The Company No. 10 Unsecured straight bond	September 2016	13,956	13,974	0.55	September 2019
The Company No. 11 Unsecured straight bond	June 2017	—	12,967	0.60	June 2020
The Company No. 12 Unsecured straight bond	June 2017	—	16,943	0.90	June 2022
The Company No. 13 Unsecured straight bond	March 2018	—	17,939	0.45	March 2021
The Company No. 14 Unsecured straight bond	March 2018	—	17,929	0.70	March 2023
The Company Euroyen convertible bonds (Note 3)	November 2013– September 2017	29,614	48,478	—	November 2017– September 2022
The Company Exchangeable bond (Note 2)	December 2017– March 2018	—	1,124	0.54	December 2019– March 2023
SBI SECURITIES Co., Ltd. Exchangeable bond · Stock price linked bond (Note 2)	January 2016– March 2018	2,990	8,788	0.31–0.69	July 2017– March 2023
SBI SECURITIES Co., Ltd. Japanese yen straight bond (Note 2)	March 2018	—	10,000	0.40	March 2019
SBI SECURITIES Co., Ltd. No. 1 Microfinance bond	August 2016– August 2017	785	319	2.20–2.50	August 2017– November 2018
SBI Trade Win Tech Co., Ltd. No. 1 Unsecured straight bond	March 2014	80	40	1.99	March 2019
Total		173,184	244,413		

Notes: 1. Interest rate is the coupon rate of the balance as at March 31, 2018. The interest rate of the bonds hedged with interest rate swap is the interest rate after the swap execution.
2. The aggregate amount issued based on euro medium term note program is stated above.
3. The stock acquisition rights of Euroyen convertible bonds are recognized as embedded derivatives. The amount of the stock acquisition rights are separated from the host, measured at fair value, and recorded as capital surplus after tax effects.

(2) Assets pledged as security

Assets pledged for liabilities and contingent liabilities were as follows:

(Millions of Yen)

	As at March 31, 2017	As at March 31, 2018
Trade and other accounts receivable	9,453	8,142
Other financial assets	6	145
Property and equipment	308	296
Total	9,767	8,583

The corresponding liabilities were as follows:

(Millions of Yen)

	As at March 31, 2017	As at March 31, 2018
Bonds and borrowings	7,648	7,741

Besides the above, securities received as collateral for financing from broker's own capital of ¥25,621 million and ¥29,677 million were pledged as collateral for borrowings on margin transactions as at March 31, 2017 and 2018, respectively.

18. Trade and Other Payables

The components of trade and other payables were as follows:

(Millions of Yen)

	As at March 31, 2017	As at March 31, 2018
Accounts payable and notes payable	2,025	632
Accounts payable-other	11,941	12,468
Advances received and guarantee deposit received	35,650	51,474
Finance lease liability	3,271	3,232
Total	52,887	67,806

19. Other Liabilities Related to Securities Business

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

(Millions of Yen)

	As at March 31, 2017	As at March 31, 2018
Trade date accrual	251,333	286,267
Trading products	51,853	108,157
Deposits for subscription	1,290	1,020
Total	304,476	395,444

20. Insurance Contract Liabilities

(1) Risk management system over insurance contracts

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

(a) Market risk management

Interest rate risk management

Considering the long-term nature of insurance liabilities, the Group invests principally in bonds. For investments in bonds, interest rate fluctuation risk is mitigated by matching the duration of bonds (to the extent of bond price fluctuations due to interest rate fluctuations) with the duration of policy reserves within certain parameters.

Price fluctuation risk management

Regarding market risk management, the Group conducts risk management focusing on indices such as VaR (Value at Risk), which denotes the maximum loss amount expected due to market changes based on the confidence interval, and Basis Point Value (BPV), which denotes price fluctuations in the bond portfolio due to changes in the market interest rate, in addition to identifying risks based on the Solvency Margin Ratio.

(b) Conducting of stress testing

The Group regularly conducts stress testing assuming scenarios such as significant deterioration in the investment environment or the worsening of the incidence rate of insured accidents, in order to analyze the impact on financial soundness, and reports the results of stress testing to the Risk Management Committee, etc.

(c) Insurance underwriting risk

Regarding insurance underwriting risk, the department-in-charge of each company engaged in the insurance business determines its underwriting policies, and conducts risk control by managing the risk portfolio, reforming or abolishing products, establishing the underwriting standards, changing sales policies, designing and arranging reinsurance, etc.

(2) Insurance contract liabilities

(a) Details and movements of insurance contract liabilities

Insurance contract liabilities as at March 31, 2017 and 2018, consisted of the following:

(Millions of Yen)

	As at March 31, 2017	As at March 31, 2018
Claims reserves	15,317	16,150
Policy reserves	132,256	126,110
Total	147,573	142,260

The movements in insurance contract liabilities for the years ended March 31, 2017 and 2018 were as follows:

(Millions of Yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Balance, beginning of year	154,133	147,573
Life insurance business		
Expected cash flows from policy reserves	(19,987)	(18,973)
Interest incurred	143	173
Adjustments	9,584	9,823
Non-life insurance business		
Insurance premiums	33,264	36,027
Unearned premium	(30,987)	(34,149)
Others	1,423	1,786
Balance, end of year	147,573	142,260

Net cash outflows by due period resulting from recognized insurance liabilities are as follows:

	Total	No later than 1 year	1 to 3 years	3 to 5 years	Over 5 years
Insurance contract liabilities	142,260	44,852	24,022	13,940	59,446

(b) Sensitivity to insurance risk

In the life insurance business, the Group records insurance contract liabilities by estimating the present value of all cash flows generated from insurance contracts using the prerequisite conditions at initial recognition.

The prerequisite conditions include discount rates (interest rates), death rates, morbidity rates, renewal rates, business expenses and commission, etc. In the case where increases in death rates, morbidity rates, business expenses and commission are expected, future net income and equity are expected to decrease due to the increase in future cash outflows. In the case where the liability adequacy test reveals that insurance contract liabilities are insufficient for the amount of reserves determined based on the prerequisite conditions at initial recognition, it may be necessary to recognize the effects for the period of increasing insurance contract liabilities at the end of each reporting period.

(3) Concentration of insurance risk

The Group is not exposed to excessively concentrated insurance risk since the insurance contract portfolios are dispersed geographically throughout Japan.

(4) Claims development (difference between actual claim and previous estimates) of non-life insurance business is as follows:

(Millions of Yen)

	Accident year				
	2013	2014	2015	2016	2017
Cumulative payments and claim reserves					
At end of accident year	16,518	16,377	18,471	20,489	22,682
1 year later	16,442	16,810	18,813	21,018	—
2 year later	16,513	17,188	19,442	—	—
3 year later	16,802	17,457	—	—	—
4 year later	17,114	—	—	—	—
Estimate of cumulative claims	17,114	17,457	19,442	21,018	22,682
Less: Cumulative payments to date	16,827	17,055	18,406	18,730	14,822
Claim reserves (gross)	287	402	1,036	2,288	7,860

21. Leases as Lessee

The Group leases 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 March 31, 2017 and 2018 were as follows:

(Millions of Yen)

	As at March 31, 2017	As at March 31, 2018
No later than 1 year		
Future minimum lease payments	961	1,104
Less: future financial cost	(55)	(70)
Present value	906	1,034
Later than 1 year and not later than five years		
Future minimum lease payments	2,429	2,299
Less: future financial cost	(111)	(111)
Present value	2,318	2,188
Later than 5 years		
Future minimum lease payments	50	10
Less: future financial cost	(3)	0
Present value	47	10
Total		
Future minimum lease payments	3,440	3,413
Less: future financial cost	(169)	(181)
Present value	3,271	3,232

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 for the years ended March 31, 2017 and 2018 were 4,429 million and ¥4,831 million, respectively.

22. Capital Stock and Other Equity Items

(1) Capital stock and treasury stock

The number of authorized shares as at March 31, 2017 and 2018 was 341,690,000 shares.

The Company's issued shares were as follows:

(Shares)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Number of issued shares (common shares with no par value)		
As at the beginning of the year	224,561,761	224,561,761
Increase during the year	—	—
As at the end of the year	224,561,761	224,561,761

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

(Shares)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Number of treasury stock		
As at the beginning of the year	17,211,580	20,954,080
Increase during the year (Notes 1, 3)	6,869,170	6,341,261
Decrease during the year (Notes 2, 4)	(3,126,670)	(23,516,055)
As at the end of the year	20,954,080	3,779,286

Notes: 1. The increase of 6,869,170 shares related to the acquisition of 6,855,600 shares subject to Article 156 of the Companies Act (replacement of the third paragraph of Article 165) and 13,570 shares purchased from shareholders with less than one unit of shares.

2 The decrease of 3,126,670 shares related to 930 shares sold to shareholders with less than one unit of shares, appropriation of 2,730,100 shares for the exercise of stock acquisition rights, 44,600 shares sold to the Employee Stockholding Association by the Stock Benefit Trust (Employee Stockholding Association Purchase-type) and 351,040 shares sold.

3 The increase of 6,341,261 shares related to the acquisition of 6,318,500 shares subject to Article 156 of the Companies Act (replacement of the third paragraph of Article 165) and 22,761 shares purchased from shareholders with less than one unit of shares.

4 The decrease of 23,516,055 shares related to 630 shares sold to shareholders with less than one unit of shares, appropriation of 2,387,200 shares for the exercise of stock acquisition rights and appropriation of 21,128,225 shares for the conversion of convertible bonds.

(2) Reserves

a. Capital surplus

Capital surplus of the Group includes additional paid-in capital of the Company, which is legal capital surplus.

Under the Companies Act of Japan ("the Companies Act"), at least 50% of the proceeds of certain issues of common shares shall be credited to common stock. The remainder of the proceeds shall be credited to additional paid-in capital. The Companies Act permits, upon approval of the shareholders meeting, the transfer of amounts from additional paid-in capital to common stock.

b. Retained earnings

Retained earnings of the Group include the reserve of the Company legally required as legal retained earnings.

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

(3) Other components of equity

The movements of other component of equity were as follows:

(Millions of Yen)

	Other components of equity		
	Currency translation differences	Financial assets at FVTOCI	Total
Balance as at April 1, 2016	17,194	(87)	17,107
Change for the year	5,501	126	5,627
Transfer to retained earnings	—	(14)	(14)
Balance as at March 31, 2017	22,695	25	22,720
Change for the year	(3,491)	1,436	(2,055)
Transfer to retained earnings	—	(60)	(60)
Balance as at March 31, 2018	19,204	1,401	20,605

23. Dividends

Dividends paid were as follows:

Year ended March 31, 2017	Type of share	Dividend amount (Millions of Yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' Meeting on April 28, 2016	Common shares	7,271	35	March 31, 2016	June 9, 2016
Board of Directors' Meeting on October 27, 2016	Common shares	2,009	10	September 30, 2016	December 12, 2016

Year ended March 31, 2018	Type of share	Dividend amount (Millions of Yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' Meeting on April 28, 2017	Common shares	8,144	40	March 31, 2017	June 9, 2017
Board of Directors' Meeting on October 26, 2017	Common shares	3,256	15	September 30, 2017	December 11, 2017

Dividends for which the declared date fell in the year ended March 31, 2018, and for which the effective date will be in the year ending March 31, 2019, are as follows:

Year ended March 31, 2018	Type of share	Dividend amount (Millions of Yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' Meeting on April 26, 2018	Common shares	15,455	70	March 31, 2018	June 8, 2018

24. Share-based Payment

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

(1) Equity-settled share-based compensation plan ("Stock option")

Vesting conditions of the stock options include accomplishment of the IPO and holding their positions as directors or employees until the accomplishment of the IPO. Also, certain of the stock options vest upon receipt of cash from the directors or employees for the price equivalent to their fair value.

The expenses arising from granted stock options were ¥395 million and were recorded in "Selling, general and administrative expenses" during the year ended March 31, 2018.

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

① The Company

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

	(Shares)	(Yen)	(Shares)	(Yen)
	For the year ended March 31, 2017		For the year ended March 31, 2018	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Beginning balance	6,547,700	1,247	3,817,600	1,247
Granted	—	—	6,057,900	1,563
Exercised	(2,730,100)	1,247	(2,387,200)	1,247
Unexercised balance	3,817,600	1,247	7,488,300	1,503

Notes: 1. Weighted average stock prices upon exercise of stock options for the years ended March 31, 2017 and 2018 were ¥1,570 and ¥2,130, respectively.
2. The number of the stock options granted during the year ended March 31, 2018 were 2,799,000 shares of 2017 First Stock Acquisition Rights and 3,258,900 shares of 2017 Second Stock Acquisition Rights, respectively.

The fair value of stock options for the 2017 First Stock Acquisition Rights granted during the year ended March 31, 2018 was ¥3,179 (The number of shares to be issued per stock acquisition right: 100 shares). The fair value was determined based on a Monte Carlo simulation. The following assumptions were used in the Monte Carlo simulation regarding the stock options:

Stock price at the evaluation date	: ¥1,563	Estimated remaining exercise period	: 4.1 years
Exercise price	: ¥1,563	Dividend yield	: 3.20%
Estimated volatility	: 36.9%	Risk free rate	: (0.07%)

The fair value of stock options for the 2017 Second Stock Acquisition Rights granted during the year ended March 31, 2018 was ¥39,804 (The number of shares to be issued per stock acquisition right: 100 shares). The fair value was determined based on a Black-Scholes Model. The following assumptions were used in the Black-Scholes Model regarding the stock options:

Stock price at the grant date	: ¥1,536	Estimated remaining exercise period	: 4.5 years
Exercise price	: ¥1,563	Dividend yield	: 3.26%
Estimated volatility	: 43.3%	Risk free rate	: (0.15%)

The unexercised stock options as at March 31, 2018 are as follows:

Name	Exercise price (Yen)	Number of shares (Shares)	Expiration date
SBI Holdings, Inc. 2014 Stock Acquisition Rights (Notes 1)	1,247	1,430,400	July 1, 2015–June 30, 2018
2017 First Stock Acquisition Rights (Notes 2)	1,563	2,799,000	July 1, 2020–September 30, 2021
2017 Second Stock Acquisition Rights	1,563	3,258,900	July 29, 2019–September 30, 2024

Notes: 1. The stock options vest upon receipt of cash for the price equivalent to their fair value.
2. The stock options vest upon receipt of cash for the price equivalent to their fair value. And a holder of the stock acquisition rights shall be able to exercise the stock acquisition rights only in the event that the Financial Services Business has achieved ¥50 billion or more in its entire segment profits (profit before income tax expenses) in each fiscal year of the period from the fiscal year ended March 31, 2018 to the fiscal year ending March 31, 2020, and also marked ¥170 billion or more in its cumulative segment profits (profit before income tax expenses) for the above three fiscal periods.

② **Subsidiaries**

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

(a) Stock option plans which were unvested as at March 31, 2018

	(Shares)	(Yen)	(Shares)	(Yen)
	For the year ended March 31, 2017		For the year ended March 31, 2018	
a-1 SBI Biotech Co., Ltd.	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Beginning balance	100	5,000	100	5,000
Change	—	—	—	—
Unvested balance	100	5,000	100	5,000

Notes: 1. The exercise period as at March 31, 2018 was defined as 30 months after 6 months passed from the IPO date.
2. The remaining stock options as at March 31, 2018 were granted before November 7, 2002; thus, the Group does not apply IFRS 2 "hare-based Payment".

	(Shares)	(Yen)	(Shares)	(Yen)
	For the year ended March 31, 2017		For the year ended March 31, 2018	
a-2 SBI MONEYPLAZA Co., Ltd.	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Beginning balance	885,200	971	885,200	971
Forfeited	—	—	(885,200)	971
Unvested balance	885,200	971	—	—

	(Shares)	(Yen)	(Shares)	(Yen)
	For the year ended March 31, 2017		For the year ended March 31, 2018	
a-3 BroadBand Security, Inc.	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Beginning balance	217,400	400	367,900	571
Granted	160,500	800	—	—
Forfeited	(10,000)	540	(222,900)	422
Unvested balance	367,900	571	145,000	800

Notes: 1. The effect of the consolidation of shares executed at the rate of 1 for 100 shares of common stock on October 28, 2016 has been adjusted retrospectively in the number of shares and the weighted average exercise price in the table above.
2. The fair value of stock options granted during the year ended March 31, 2017 was ¥4,053 (The number of shares to be issued per stock acquisition right: 10 shares). The fair value was determined based on the Black-Scholes Model. The following assumptions were used in the Black-Scholes Model regarding the stock options:

Stock price at the grant date	: ¥800	Estimated remaining exercise period	: 6 years
Exercise price	: ¥800	Dividend yield	: 0.00%
Estimated volatility	: 56.0%	Risk free rate	: (0.07%)

3. The average remaining exercise period as at March 31, 2018 was 8.0 years.

(b) Stock option plans which were vested at the time of receiving cash

b-1 Morningstar Japan K.K.	For the year ended March 31, 2017		For the year ended March 31, 2018	
	Number of shares (Shares)	Weighted average exercise price (Yen)	Number of shares (Shares)	Weighted average exercise price (Yen)
Beginning balance	1,499,700	267	1,488,700	267
Exercised	(11,000)	267	(762,300)	267
Unvested balance	1,488,700	267	726,400	267

Notes: 1. Weighted average stock price of stock options upon exercise for the year ended March 31, 2017 and 2018 was ¥338 and ¥395, respectively.
2. The average remaining exercise period as at March 31, 2018 was 0.2 years.

b-2 SBI FinTech Solutions Co., Ltd.	For the year ended March 31, 2018	
	Number of shares (Shares)	Weighted average exercise price (Yen)
Beginning balance	—	—
Granted	608,500	628
Unvested balance	608,500	628

Notes: 1. The fair value of stock options granted during the year ended March 31, 2018 was ¥9 (The number of shares to be issued per stock acquisition right: 1 share). The fair value was determined based on a Monte Carlo simulation. The following assumptions were used in the Monte Carlo simulation regarding the stock options:

Stock price at the grant date	: ¥628	Estimated remaining exercise period	: 6.1 years
Exercise price	: ¥628	Dividend yield	: 1.59%
Estimated volatility	: 49.6%	Risk free rate	: (0.04%)

2. The average remaining exercise period as at March 31, 2018 was 5.5 years.

(2) Cash-settled share-based compensation plan

Certain of subsidiaries of the Company have cash-settled share-based compensation plans for their directors or employees. The compensation is made in the form of cash-settled payments based on the difference between the exercise price and the stock price as at the exercise date.

The outline of the cash-settled share-based compensation plan of the Group is as follows:

SBI FinTech Solutions Co., Ltd.	For the year ended March 31, 2017		For the year ended March 31, 2018	
	Number of shares (Shares)	Weighted average exercise price (Yen)	Number of shares (Shares)	Weighted average exercise price (Yen)
Beginning balance	133,039	259	6,961	259
Exercised	(126,078)	259	(423)	259
Unexercised balance	6,961	259	6,538	259

Note: The average remaining exercise period as at March 31, 2018 was 1.3 years.

25. Revenue

Revenue for the years ended March 31, 2017 and 2018 consisted of the following:

(Millions of Yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Revenue		
Financial income		
Interest income (Note)	79,463	101,837
Dividends received	1,524	3,940
Income arising from financial assets measured at FVTPL	10,776	50,262
Gain from trading	17,686	18,474
Others	58	116
Total financial income	109,507	174,629
Revenue arising on insurance contracts	55,605	67,165
Revenue from rendering of services	70,710	82,983
Others	26,117	12,240
Total revenue	261,939	337,017

Note: Interest income in financial income arises from financial assets measured at amortized cost.

26. Expense

Expense for the years ended March 31, 2017 and 2018 consisted of the following:

(1) Financial cost associated with financial income

(Millions of Yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Financial cost associated with financial income		
Interest expense		
Financial liabilities measured at amortized cost	(14,543)	(17,788)
Total financial cost associated with financial income	(14,543)	(17,788)

(2) Operating cost

(Millions of Yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Payroll	(8,196)	(11,293)
Outsourcing fees	(5,393)	(7,916)
Depreciation and amortization	(1,168)	(1,526)
Cost arising on insurance contracts	(41,690)	(51,461)
Others	(42,535)	(41,352)
Total operating cost	(98,982)	(113,548)

(3) Selling, general and administrative expenses

(Millions of Yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Payroll	(25,592)	(28,201)
Outsourcing fees	(17,051)	(19,996)
Depreciation and amortization	(9,222)	(9,319)
Research and development	(8,622)	(7,749)
Others	(35,483)	(35,112)
Total selling, general and administrative expenses	(95,970)	(100,377)

(4) Other financial cost

(Millions of Yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Other financial cost		
Interest expense		
Financial liabilities measured at amortized cost	(3,477)	(3,282)
Total other financial cost	(3,477)	(3,282)

(5) Other expenses

(Millions of Yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Impairment loss	(2,904)	(27,183)
Foreign exchange loss	(4,143)	(3,401)
Others (Note)	(1,630)	(1,857)
Total other expenses	(8,677)	(32,411)

27. Income Tax Expense

The amount of income tax expenses for the years ended March 31, 2017 and 2018 were as follows:

(Millions of Yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Income tax expense		
Current	(16,257)	(14,734)
Deferred	1,421	(1,118)
Total income tax expense	(14,836)	(15,852)

The Company and its domestic subsidiaries are subject to mainly a national corporate tax, an inhabitants tax, and an enterprise tax, which, in aggregate, resulted in a normal effective statutory tax rate of 30.9%. Foreign subsidiaries are subject to the income taxes of the countries in which they operate.

A reconciliation between the normal effective statutory tax rates and the Group's average effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2017 and 2018 is as follows:

(%)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Normal effective statutory tax rate	30.9	30.9
Permanent differences such as meals and entertainment	0.8	(0.2)
Tax effect on minority interests of investments in fund	0.4	(4.0)
Temporary differences arising from consolidation of investments	1.1	2.4
Change in valuation allowance	(0.8)	(5.2)
Other	2.0	(1.8)
Average effective tax rate	34.4	22.1

28. Other Comprehensive Income

Amounts recorded during the year, reclassification adjustments and income tax effects on each item of other comprehensive income for the years ended March 31, 2017 and 2018 were as follows:

(Millions of Yen)

For the year ended March 31, 2017	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
Items that will not be reclassified subsequently to profit or loss					
FVTOCI financial assets	156	—	156	(32)	124
Items that may be reclassified subsequently to profit or loss					
Currency translation differences	680	—	680	—	680
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	5,592	(623)	4,969	(1,270)	3,699
Total	6,428	(623)	5,805	(1,302)	4,503

(Millions of Yen)

For the year ended March 31, 2018	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
Items that will not be reclassified subsequently to profit or loss					
FVTOCI financial assets	2,020	—	2,020	(584)	1,436
Items that may be reclassified subsequently to profit or loss					
Currency translation differences	(2,378)	(404)	(2,782)	—	(2,782)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,257)	83	(1,174)	330	(844)
Total	(1,615)	(321)	(1,936)	(254)	(2,190)

29. Earnings per Share

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

(Millions of Yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Earnings		
Profit attributable to owners of the Company	32,455	46,684
Dilutive effect: Convertible bonds	435	377
Profit attributable to owners of the Company after dilutive effect	32,890	47,061
Shares		
Basic weighted average number of ordinary shares (shares)	203,627,774	211,683,159
Dilutive effect: Stock options (shares)	206,932	1,508,956
Dilutive effect: Convertible bonds (shares)	20,645,516	25,846,017
Weighted average number of ordinary shares after the dilutive effect (shares)	224,480,222	239,038,132
Earnings per share attributable to owners of the Company		
Basic (in Yen)	159.38	220.54
Diluted (in Yen)	146.52	196.88

30. Cash Flow Information

Supplemental disclosure of consolidated statement of cash flow information for the years ended March 31, 2017 and 2018 was as follows:

(1) Expenditures on acquisition of subsidiaries

The amounts of payments for acquisition of subsidiaries were ¥2,944 million and ¥3,044 million for the years ended March 31, 2017 and 2018, respectively. Consideration paid consisted solely of cash and cash equivalents. Amounts of major classes of assets and liabilities of subsidiaries, of which the Group obtained control through share acquisition, at the date of acquisition were as follows:

(Millions of Yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Cash and cash equivalents	976	3,056
Trade and other receivables	31	1,190
Other assets	1,256	1,502
Total assets	2,263	5,748
Trade and other payables	535	741
Customer deposits for banking business	—	3,857
Other liabilities	600	805
Total liabilities	1,135	5,403

(2) Proceeds from sales of subsidiaries

Total consideration received in respect of sales of subsidiaries was ¥9,693 million and ¥933 million for the years ended March 31, 2017 and 2018, respectively. Amounts of major classes of assets and liabilities of subsidiaries, of which the Group lost control through share sale, at the date of sale were as follows:

(Millions of Yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Cash and cash equivalents	6,349	63
Trade and other receivables	1,878	81
Other assets	9,998	456
Total assets	18,225	600
Bonds and loans payable	1	74
Trade and other payables	2,931	19
Other liabilities	1,793	80
Total liabilities	4,725	173

(3) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities were as follows:

(Millions of Yen)

	As at April 1, 2017	Cash flow from financing activities	Non-cash changes				As at March 31, 2018
			Issuance of convertible bonds	Conversion of convertible bonds	Interest expense	Others	
Borrowings	345,794	(19,105)	—	—	270	(94)	326,865
Bonds	173,183	102,986	(2,254)	(29,949)	473	(27)	244,412
Total	518,977	83,881	(2,254)	(29,949)	743	(121)	571,277

31. Subsidiaries

Major subsidiaries of the Group as at March 31, 2018 were as follows:

Business segment	Name	Location	Voting Rights Holding Ratio (%)
Financial Services Business	SBI FINANCIAL SERVICES Co., Ltd.	Japan	100.0
	SBI SECURITIES Co., Ltd.	Japan	100.0 (100.0)
	SBI Liquidity Market Co., Ltd.	Japan	100.0 (100.0)
	SBI FXTRADE Co., Ltd.	Japan	100.0 (100.0)
	SBI MONEYPLAZA Co., Ltd.	Japan	100.0 (100.0)
	SBI Insurance Group Co., Ltd.	Japan	99.5 (3.7)
	SBI Life Insurance Co., Ltd.	Japan	100.0 (100.0)
	SBI Insurance Co., Ltd.	Japan	98.1 (98.1)
	SBI FinTech Solutions Co., Ltd.	Japan	77.5
Asset Management Business	SBI Capital Management Co., Ltd.	Japan	100.0
	SBI Investment Co., Ltd.	Japan	100.0 (100.0)
	SBI Global Asset Management Co., Ltd.	Japan	100.0
	Morningstar Japan K. K.	Japan	49.5 (49.5)
	SBI Asset Management Co., Ltd.	Japan	100.0 (100.0)
	SBI Estate Finance Co., Ltd.	Japan	100.0 (5.0)
	SBI Hong Kong Holdings Co., Ltd.	Hong Kong	100.0
	SBI VEN HOLDINGS PTE. LTD.	Singapore	100.0
	SBI SAVINGS BANK	Korea	98.9 (98.9)
Biotechnology-related Business	SBI ALApharma Co., Limited	Hong Kong	95.5 (95.5)
	SBI Pharmaceuticals Co., Ltd.	Japan	84.9 (84.9)
	SBI ALApromo Co., Ltd.	Japan	100.0 (100.0)
	SBI Biotech Co., Ltd.	Japan	87.6 (1.1)
	Quark Pharmaceuticals, Inc.	USA	100.0 (100.0)

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

32. Related Party Transactions

(1) Related Party Transactions

The Group entered into the following related party transactions during the year ended March 31, 2017.

Type	Name	Relationship with related party	Transaction description	Transaction Amount (Millions of Yen)	Balance (Millions of Yen)
Corporate officer	Yoshitaka Kitao	Representative Director	Exercise of stock options (Note 1)	873	—
			Investment in kind of subsidiary (Note 2)	1,016	—
			Sale of investment in associates (Note 3)	204	—
Corporate officer	Takashi Nakagawa	Representative Director	Exercise of stock options (Note 1)	499	—
Corporate officer	Shumpei Morita	Executive Officer	Exercise of stock options (Note 1)	200	—
			Sale of investment in subsidiary (Note 4)	45	—
Corporate officer	Masayuki Yamada	Executive Officer	Exercise of stock options (Note 1)	20	—

Notes: 1. Exercise of stock options represents the exercise of stock acquisition rights which were issued based on the resolution by the Board of Directors meeting held on October 30, 2014, and November 19, 2014, pursuant to Article 236, 238 and 240 of the Companies Act. Stated in the "Transaction Amount" column is the paid-in amount in connection with stock acquisition rights exercised during the year ended March 31, 2017.
2. In connection with a reorganization within the Group, shares held in a subsidiary were invested in kind to subscribe shares issued for a capital increase by another subsidiary. Stated in the "Transaction Amount" column is the amount of capital increased by the transaction, which was determined considering the share price calculation by an independent third-party advisory firm.
3. The sales price of investment in associates was determined based on the market price at the time of each transaction.
4. The sales price of investment in subsidiary was determined based on the stock valuation report of an independent third-party advisory firm.

The Group entered into the following related party transactions during the year ended March 31, 2018.

Type	Name	Relationship with related party	Transaction description	Transaction Amount (Millions of Yen)	Balance (Millions of Yen)
Corporate officer	Yoshitaka Kitao	Representative Director	Issuance of stock options (Note 1)	16	—
Corporate officer	Katsuya Kawashima	Representative Director	Issuance of stock options (Note 1)	11	—
			Exercise of stock options (Note 2)	187	—
Corporate officer	Shumpei Morita	Executive Officer	Exercise of stock options (Note 2)	12	—
Corporate officer	Tatsuo Shigemitsu	Executive Officer	Exercise of stock options (Note 2)	312	—

Notes: 1. Issuance of stock options represents the issuance of stock acquisition rights which were issued based on the resolution by the Board of Directors meeting held on July 27, 2017, and August 29, 2017, pursuant to Article 236, 238 and 240 of the Companies Act. Stated in the "Transaction Amount" column is the paid-in amount in connection with stock acquisition rights issued during the year ended March 31, 2018.
2. Exercise of stock options represents the exercise of stock acquisition rights which were issued based on the resolution by the Board of Directors meeting held on October 30, 2014, and November 19, 2014, pursuant to Article 236, 238 and 240 of the Companies Act. Stated in the "Transaction Amount" column is the paid-in amount in connection with stock acquisition rights exercised during the fiscal year ended March 31, 2018.

(2) The remuneration of key management personnel of the Company for the years ended March 31, 2017 and 2018

(Millions of Yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Remuneration and bonuses	1,025	1,012
Post-employment benefits	4	5
Total	1,029	1,017

33. Contract Liabilities

The Group has entered into loan agreements with the customers in accordance with the condition of the contracts. The total amount of loan commitments amounted to ¥10,847 million and ¥15,038 million, with an unused portion of ¥4,531 million and ¥10,194 million, as at March 31, 2017 and 2018, respectively. However, contracts are revised regularly upon changes to customer's credit condition and other matters considered necessary to ensure secure credit facilities. Thus, the unused portion of the commitment will not affect the Group's future cash flow.

34. Events after the Reporting Period

There were no significant events after the reporting period.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statement of financial position of SBI Holdings, Inc. and its subsidiaries as at March 31, 2018, and the related 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 auditing standards generally accepted in Japan. Those standards require that we 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 referred to above present fairly, in all material respects, the consolidated financial position of SBI Holdings, Inc. and its subsidiaries as at March 31, 2018, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu LLC

June 26, 2018

Member of
Deloitte Touche Tohmatsu Limited

The SBI Group
(Principal Group Companies)

SBI Holdings, Inc. — TSE First Section

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 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 MONEY PLAZA Co., Ltd.** — Face-to-face shops that provide financial products — 100.0%
    - ❶ **SBI Benefit Systems Co., Ltd.** — Operational management of defined-contribution pension, etc. — 66.6%
    - ❶ **SBI Securities (Hong Kong) Limited** — Securities company in Hong Kong — 100.0%
  - ❶ **SBI Business Support Co., Ltd.** — Call center planning and operation, staffing — 100.0%
  - ❶ **SBI Trade Win Tech Co., Ltd.** — Development of financial systems — 100.0%
- ❶ **BYFX HK Co., Limited** — Provision of FX trading service and precious metal trading service in Hong Kong — 100.0%
- ❷ **SBI Japannext Co., Ltd.** — Operation of PTS (Proprietary Trading System) — 48.8%
- ❶ **SBI BITS Co., Ltd.** — Development and operation of financial systems — 100.0%
- ❷ **SBI Sumishin Net Bank, Ltd.** — Internet-based full service bank — 50.0%
- ❷ **JAL SBI FinTech Co., Ltd.** — Joint holding company for the creation of new business including international brand prepaid card business — 49.0%
- ❶ **SBI Insurance Group Co., Ltd.** — Insurance Holding Company — 99.5%
  - ❶ **SBI Insurance Co., Ltd.** — Internet-based non-life insurance company — 98.1%
  - ❶ **SBI Life Insurance Co., Ltd.** — Life insurance business — 100.0%
  - ❶ **SBI SSI Holdings Co., Ltd.** — Small-amount, short-term insurance policy businesses — 100.0%
    - ❶ **SBI IKIIKI SSI Inc.** — Small-amount, short-term insurance policy businesses — 100.0%
    - ❶ **SBI Resta SSI Co., Ltd.** — Small-amount, short-term insurance policy businesses — 99.6%
    - ❶ **Nihon Small amount & Short term Insurance Co., Ltd.** — Small-amount, short-term insurance policy businesses — 100.0%
- KOSDAQ ❶ **SBI FinTech Solutions Co., Ltd.** — Control and operation of the e-commerce settlement business and Group FinTech-related businesses — 77.5%
  - 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 Business Solutions Co., Ltd.** — Provision of back office support services — 100.0%
- ❶ **SBI Ripple Asia Co., Ltd.** — Selling agency of international settlement system — 60.0%
- ❶ **SBI AutoSupport Co., Ltd.** — Provision of financial services through used car dealers, etc. — 70.0%

Asset Management Business

Private equity investment and overseas financial services business

- ❶ **SBI Capital Management Co., Ltd.** — Control and management of the private equity business — 100.0%
  - ❶ **SBI Investment Co., Ltd.** — Venture capital fund management — 100.0%
- ❶ **SBI FinTech Incubation Co., Ltd.** — Support for introduction of FinTech services — 60.0%
- ❶ **SBI VENTURES SINGAPORE PTE. LTD.** — M&A advisory business — 100.0%
  - ❶ **SBI VEN CAPITAL PTE. LTD.** — Overseas private equity fund management — 100.0%
- ❶ **SBI Ventures Malaysia Sdn. Bhd.** — Fund management in Southeast Asia — 100.0%
- KOSDAQ ❷ **SBI Investment KOREA Co., Ltd.** — Venture capital in South Korea — 43.9%
- ❶ **SBI SAVINGS BANK** — Savings bank in South Korea — 98.9%
- ❶ **SBI (China) Co., Ltd.** — Management of businesses in China — 100.0%
  - ❶ **SBI & TH (Beijing) Venture Capital Management Co., Ltd.** — Private equity fund management in China — 100.0%
- ❶ **SBI Royal Securities Plc.** — Comprehensive securities company in Cambodia — 65.3%
- ❶ **SBI Thai Online Securities Co., Ltd.** — Online securities in Thailand — 99.9%
- ❶ **SBI Bank LLC** — Commercial bank in Russia — 100.0%
- ❷ **PT BNI SEKURITAS** — Securities company in Indonesia — 25.0%

As of June 30, 2018 / 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 associate

Biotechnology-related Business

Others

Asset management-related services

- ① **SBI GLOBAL ASSET MANAGEMENT Co., Ltd.** — Control and management of the asset management services business — 100.0%
  - JASDAQ: ① **Morningstar Japan K.K.** — Rating information for investment trust, others — 49.5%
    - ① **Morningstar Asset Management Co., Ltd.** — Investment advisory services, others — 100.0%
    - ① **SBI Asset Management Co., Ltd.** — Investment management and investment advisory service — 100.0%
  - ① **SBI ENERGY Co., Ltd.** — Power business using renewable energy — 100.0%
  - ① **SBI Bond Investment Management Co., Ltd.** — Financial asset-related investment advisory services, agency and investment management business — 90.0%
  - ① **SBI Regional Revitalization Asset Management Co., Ltd.** — Investment management and investment advisory service — 76.0%
  - ① **SBI Gold Co., Ltd.** — Provision of online system for trading and management of precious metals — 60.0%
- ① **SBI Arsnova Research, Co., Ltd.** — Arrangement and management of alternative investments — 99.0%
- ① **SBI Estate Finance Co., Ltd.** — Rent guarantees for rental housing — 100.0%
  - ① **SBI Guarantee Co., Ltd.** — Rent guarantees for rental housing — 100.0%

R&D, manufacturing and sales of pharmaceuticals, health foods and cosmetics

- ① **SBI ALApharma Co., Limited** — Management and operation of the 5-ALA-related business — 95.5%
  - ① **SBI Pharmaceuticals Co., Ltd.** — R&D, manufacturing and sales of pharmaceuticals, health foods and cosmetics using 5-ALA — 84.9%
  - ① **SBI ALApromo Co., Ltd.** — Manufacturing and sales of health foods and cosmetics using 5-ALA — 100.0%
  - ① **photonamic GmbH & Co. KG** — R&D, manufacturing and sales of pharmaceuticals using 5-ALA — 100.0%
    - ① **NX Development Corp.** — Sales of “Gleolan,” an orally administered diagnostic reagent, in the U.S. — 100.0%
  - ② **SBI Neopharma FZ-LLC** — Sale of products containing 5-ALA overseas — 49.0%
- ① **SBI Biotech Co., Ltd.** — R&D of pharmaceuticals — 87.6%
  - ① **Quark Pharmaceuticals, Inc.** — R&D of siRNA pharmaceuticals — 100.0%
- TSE Mothers: ② **Kubota Pharmaceutical Holdings Co., Ltd.** — Development of drugs specializing in ophthalmic diseases — 37.9%

Others

- ① **SBI Digital Asset Holdings Co., Ltd.** — Control and management of the digital asset-related businesses — 100.0%
  - ① **SBI Virtual Currencies Co., Ltd.** — Cryptocurrency exchange and transaction services and systems provision — 100.0%
  - ① **SBI CoVenture Asset Management Co., Ltd.** — Financial asset-related investment advisory services agency — 70.0%
  - ① **SBI CapitalBase Co., Ltd.** — Construction and operation of a fund-raising support platform using the Internet — 100.0%
  - ① **SBI Crypto Co., Ltd.** — Business related to digital assets centering on mining — 100.0%
  - ① **SBI Crypto Investment Co., Ltd.** — Investment business such as ownership, management, operation and acquisition of securities — 100.0%
- ① **SBI Estate Management Co., Ltd.** — Investment in real estate — 100.0%
- ① **SBI Wellness Bank Co., Ltd.** — Healthcare services for membership — 100.0%

For details of each Group company’s business, please refer to our website (http://www.sbigroup.co.jp/english/company/group/)

Corporate Data

Company Outline (As of March 31, 2018)

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: +81-3-3589-7958
Number of Employees	5,391 (consolidated)
Paid-in Capital	¥81,681 million
Fiscal Year	April 1 to March 31

Stock Information (As of March 31, 2018)

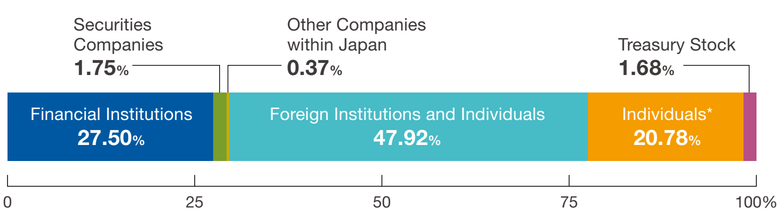
Listing	First Section of the Tokyo Stock Exchange
Code	8473
Shares Authorized	341,690,000 shares
Shares Outstanding	224,561,761 shares (including treasury stock)
Shareholder Register	Mizuho Trust & Banking Co., Ltd.

Principal Shareholders

Name	Number of shares held (shares)	Percentage of outstanding shares (%)
Japan Trustee Services Bank, Ltd. (Trust account)	20,094,100	9.10
The Master Trust Bank of Japan, Ltd. (Trust account)	10,756,100	4.87
NORTHERN TRUST COMPANY (AVFC) ACCOUNT NON-TREATY	8,402,124	3.81
THE BANK OF NEW YORK 133524	8,078,636	3.66
Japan Trustee Services Bank, Ltd. (Trust account 9)	5,296,300	2.40
JP Morgan Chase Bank 385164	4,470,400	2.02
Japan Trustee Services Bank, Ltd. (Trust account 5)	4,262,700	1.93
SAJAP	4,015,040	1.82
Yoshitaka Kitao	3,907,960	1.77
STATE STREET BANK WEST CLIENT–TREATY 505234	3,873,278	1.75

Percentage of outstanding shares is calculated by deducting the treasury stock.
Apart from the holdings of the major shareholders above, the Company holds 3,779,286 shares as treasury stock.

Distribution of Ownership among Shareholders



*Includes shares of SBI Holdings Employee Stockholding Association

Information on Bonds and Credit Rating (As of September 20, 2017)

Rating agency	Rating and Investment Information
Long-term	BBB (Stable)
Short-term	a–2

Overseas Offices

U.S.	Quark Pharmaceuticals
Russia	SBI Bank
Germany	photonamic
Bahrain	SBI Pharmaceuticals Bahrain Representative Office
Israel	SBI JI Innovation Fund Advisory QBI Enterprise (Research institute of Quark Pharmaceuticals)
UAE	SBI Neopharma
Malaysia	SBI Ventures Malaysia PNB-SBI ASEAN Gateway Investment Management
Singapore	SBI VENTURES SINGAPORE SBI VEN CAPITAL
India	Milestone River Venture Advisory
Sri Lanka	Strategic Business Innovator
South Korea	SBI Investment KOREA SBI SAVINGS BANK
China	SBI (China) Beijing Representative Office Shanghai Representative Office INESA-SBI Leasing (Shanghai) SBI & TH (Beijing) Venture Capital Management
Hong Kong	SBI Hong Kong Holdings SBI Securities (Hong Kong) BYFX HK SBI ALApharma
Taiwan	SBI Capital 22 Management
Philippines	ICCP SBI Venture Partners
Indonesia	BNI SEKURITAS Jakarta Representative Office
Brunei	SBI (B) SDN
Vietnam	FPT Securities TPBank FPT Capital Fund Management
Cambodia	SBI Royal Securities
Thailand	SBI Thai Online Securities

- Financial Services Business
- Asset Management Business
- Biotechnology-related Business
- Representative Office of SBI Holdings

Corporate History

1999

Mar. As a result of a business reorganization accompanying the conversion of SoftBank Corp. (currently SoftBank Group Corp.) into a pure holding company, Softbank Finance Corporation became an independent company to oversee financial-related business activities.
July Established as SOFTBANK INVESTMENT CORPORATION; start of venture capital business.
Oct. E*TRADE SECURITIES Co., Ltd. (currently SBI SECURITIES Co., Ltd.) commenced Internet trading services.
Nov. Softbank Ventures Inc. (currently SBI Investment Co., Ltd.) became a wholly owned consolidated subsidiary.

2000

July Established the INTERNET TECHNOLOGY FUND with ¥150.5 billion in initial contributions, at that time, the largest fund commitment of its kind in Japan.

2001

2002

Feb. Listed on First Section of Tokyo Stock Exchange.

2003

2004

July Morningstar Japan K.K. became a subsidiary.

2005

May Jointly established the New Horizon Fund, targeting promising Chinese companies, with an investment company in Singapore.
July Changed name to SBI Holdings, Inc., and transitioned to a holding company structure.
Oct. As the first overseas office, established a representative office in Beijing, China.

2006

Aug. A wholly owned subsidiary of SoftBank Corp. (currently SoftBank Group Corp.) sold its entire stake in SBI Holdings, Inc.

2007

Feb. Established SBI VEN CAPITAL PTE. LTD., a subsidiary in Singapore.
Aug. SBI Japannext Co., Ltd. began operation of a Proprietary Trading System (PTS).
Sept. SBI Sumishin Net Bank, Ltd. commenced business.

2008

Jan. SBI Insurance Co., Ltd. commenced business.
Apr. Established SBI Pharmaceuticals Co., Ltd.
Nov. SBI Liquidity Market Co., Ltd. started operations, which supplies market infrastructure for FX trading.
Dec. Hong Kong subsidiary SBI Hong Kong Co., Limited (currently SBI Hong Kong Holdings Co., Limited) commenced business.

2009

2010

Apr. Established a representative office in Shanghai, China

2011

Mar. SBI Social Lending Co., Ltd. commenced business.

2012

Mar. SBI (China) Co., Ltd., a China business management company, commenced business in Dalian, China.
Apr. SBI ALApromo Co., Ltd., commenced business.
May SBI FXTRADE Co., Ltd., commenced business.
June SBI MONEY PLAZA Co., Ltd. commenced business.

2013

Mar. Acquired shares of Hyundai Swiss Savings Bank (currently SBI SAVINGS BANK) and converted it into a consolidated subsidiary.

2014

2015

Oct. SBI Thai Online Securities Co., Ltd., a first pure-play online securities company in Thailand, commenced business.
Dec. Established FinTech Business Innovation LPS (FinTech Fund) with a total commitment capital amount of ¥30.0 billion.

2016

Jan. Acquired all shares of photonamic GmbH & Co. KG, a German pharmaceutical company engaged in the 5-ALA-related pharmaceuticals business in Europe, and converted it into a consolidated subsidiary.
Feb. SBI Life Insurance Co., Ltd. (formerly PCA LIFE Insurance Co., Ltd.), which became a consolidated subsidiary in February 2015, resumed its insurance underwriting.
May Jointly established SBI Ripple Asia Co., Ltd. with U.S.-based Ripple. In October, launched "The Japan Bank Consortium" for establishing a next generation remittance system in Japan.

2017

Mar. Integrated the Group's six insurance companies under SBI Insurance Group Co., Ltd., which is an insurance holding company.
Integrated the Group's FinTech-related businesses under SBI FinTech Solutions Co., Ltd. (formerly SBI AXES Co., Ltd.)
Aug. SBI Bank LLC (formerly YAR Bank LLC), a commercial bank in Russia, became a wholly owned consolidated subsidiary.

2018

Jan. Establishment of SBI AI&Blockchain LPS (SBI AI&Blockchain Fund), a venture capital fund endeavoring to invest mainly in AI and blockchain fields as a successor of the FinTech Fund.
Feb. Established a representative office in Jakarta, Indonesia.

Books by Yoshitaka Kitao, Representative Director, President & CEO

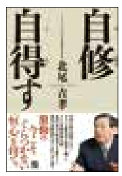
Practical FinTech (Magazine)
Nikkei Publishing Inc.
December 2017

Enlightenments from Ancient Sages' Wisdome
Keizaikai Co., Ltd.
October 2017

Learning Practical FinTech from Successful Companies
Nikkei Publishing Inc.
(EN) John Wiley & Sons, Inc.
(CN) Fudan University Press
(KR) News1
(VN) ThaiHaBooks JSC
March 2017

An Encouragement of Self-cultivation
Chichi Publishing Co., Ltd.
December 2016

Daily Reawakening
Keizaikai Co., Ltd.
November 2016



Realizing Yourself through Self-cultivation
Keizaikai Co., Ltd.
November 2015

The Essence of the Words of Masahiro Yasuoka
PRESIDENT Inc.
July 2015

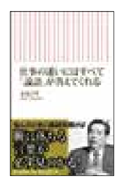
Using Knowledge of the Jikkan and Junishi to Create Good Fortune
Chichi Publishing Co., Ltd.
December 2014

Revitalizing Lives
Keizaikai Co., Ltd
(VN) ThaiHaBooks JSC
November 2014

Correcting the Abuses of the Times
Keizaikai Co., Ltd.
November 2013

Be a True Japanese—Reflections on Sazo Idemitsu
ASA Publishing Co., Ltd.
October 2013

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



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

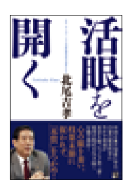
The Tailwind Behind Japan's Economy
Sankei Shimbun Publications Inc.
June 2012

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

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

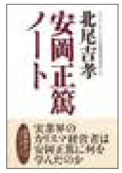
Understanding the Times
Keizaikai Co., Ltd.
November 2011

The Lessons of Shinzo Mori for Nurturing Human Fortitude
Chichi Publishing Co., Ltd.
February 2011



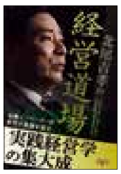
Penetrating Insight
Keizaikai Co., Ltd.
November 2010

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



Notes on Masahiro Yasuok
Chichi Publishing Co., Ltd.
December 2009

Change will be, When Things are at Their Worst
Keizaikai Co., Ltd.
October 2009

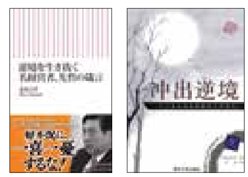


Yoshitaka Kitao's Business Management Lecture
KIGYOKA NETWORK
June 2009

Think Big, Don't be the Little Guy
Chichi Publishing Co., Ltd.
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

(Post edition)

Why do We Work?
Chichi Publishing Co., Ltd.
(KR) Joongang Books
March 2007

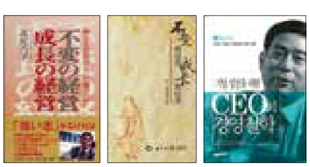
The SBI Group Vision and Strategy: Continuously Evolving Management
Toyo Keizai Inc.
(EN) John Wiley & Sons, Inc.
(CN) Tsinghua University Press
October 2005

(Pocket edition)

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

(Pocket edition)

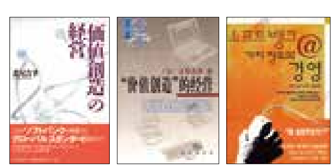
Developing Character
PHP Research Institute
(CN) World Affairs Press
April 2003



Universal Management, Growth Management
PHP Research Institute
(CN) World Affairs Press
(KR) Dongbang Media Co. Ltd.
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 (VN): In Vietnamese translation