

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 cited:

- 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.