SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

(Stock Code: 6488)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2013 AND RESUMPTION OF TRADING

The board of directors (the "Directors") of SBI HOLDINGS, INC. (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2013 together with the comparative figures for the year ended 31 March 2012.

At the request of the Company, trading in its Hong Kong depositary receipts was halted with effect from 1:00 p.m. on Thursday, 9 May 2013, pending the release of this announcement. An application will be made by the Company to the Stock Exchange for resumption of trading in the Hong Kong depositary receipts with effect from 9:00 a.m. on Friday, 10 May 2013.

(Amounts are rounded off to the nearest million Japanese yen)

1. Consolidated Financial Results

(1) Consolidated Operating Results

(Percentages represent year-on-year changes)

	Operating revenue		Operating income		Profit before income tax expense		Profit for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year ended 31 March 2013	153,476	(13.5)	16,577	(5.4)	14,213	(8.9)	6,962	152.1
Fiscal Year ended 31 March 2012	177,409	—	17,530	—	15,600	—	2,762	—

	Profit attributable to owners of the Company		Total comprehensive income/(loss)		Basic earnings per share attributable to owners of the Company	Diluted earnings per share attributable to owners of the Company
	Millions of yen	%	Millions of yen	%	Yen	Yen
Fiscal Year ended 31 March 2013	3,202	955.9	15,340	—	14.75	14.75
Fiscal Year ended 31 March 2012	303	—	926	—	1.38	1.38

	Ratio of profit to equity attributable to owners of the Company	Ratio of profit before income tax expense to total assets	Ratio of operating income to operating revenue
	%	%	%
Fiscal Year ended 31 March 2013	1.1	0.7	10.8
Fiscal Year ended 31 March 2012	0.1	1.0	9.9

(Notes) 1. Share of results of associates Fiscal year ended 31 March 2013: 558 million yen
Fiscal year ended 31 March 2012: 225 million yen

2. The consolidated operating results above were prepared in accordance with International Reporting Standards ("IFRSs"), while the results for the fiscal year ended 31 March 2011 were prepared under Accounting Principles Generally Accepted in Japan ("JGAAP"). Therefore, year-on-year changes for the fiscal year ended 31 March 2012 compared with the results for the fiscal year ended 31 March 2011 are not presented, and year-on-year changes over 1,000% are not also presented herein.

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

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets	Equity per share attributable to owners of the Company
	Millions of yen	Millions of yen	Millions of yen	%	Yen
31 March 2013	2,494,387	360,535	303,299	12.2	1,401.39
31 March 2012	1,655,568	351,905	296,523	17.9	1,347.27

(Note) The calculation of equity per share is based on the assumption that the 10 for 1 stock split was conducted at the beginning of the fiscal year ended 31 March 2012.

(3) Consolidated Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year ended 31 March 2013	(36,984)	(19,060)	25,699	133,362
Fiscal Year ended 31 March 2012	9,818	(16,021)	7,387	159,833

2. Dividends

(Declared date)	Dividend per share: End of 1st Q	End of 2nd Q	End of 3rd Q	Year-end	Full year	Total dividend (annual)	Payout ratio (cons.)	Ratio of dividend to equity attributable to owners of the Company (cons.)
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal Year ended 31 March 2012	—	0.00	—	100.00	100.00	2,208	724.6	0.7
Fiscal Year ending 31 March 2013	—	0.00	—	10.00	10.00	2,170	67.8	0.7
Fiscal Year ending 31 March 2014 (forecast) (Note)	—	—	—	—	—		—	

(Note) The calculations above are based on the assumption that the 10 for 1 stock split was conducted at the beginning of the fiscal year ended 31 March 2012, while the calculation of dividend per share for the fiscal year ended 31 March 2012 is not retrospectively adjusted.
Fiscal year ending 31 March 2014 forecast is to be determined. Please refer to 1. BUSINESS RESULTS (3) Basic Policy on Profit Distribution and Dividends, for detailed information.

3. Total number of shares outstanding (Common stock)

(1) Number of shares outstanding (including treasury stock)	: 31 March 2013	: 224,525,781shares
	31 March 2012	: 224,513,030shares
(2) Number of treasury stock	: 31 March 2013	: 8,098,446shares
	31 March 2012	: 4,420,930shares
(3) Average number of shares outstanding	: Year ended 31 March 2013	: 217,072,796shares
	Year ended 31 March 2012	: 219,860,562shares

(Note) The number of shares presented above is retrospectively adjusted, assuming that the 10 for 1 stock split was conducted at the beginning of the fiscal year ended 31 March 2012.

The Group prepared the consolidated financial statements in accordance with IFRSs from this fiscal year.

As of the date of this announcement, the results for the year ended 31 March 2013 are under audit by the independent accountants of the Company.

(Reference Information)
Non-consolidated Financial Results

The non-consolidated financial results were prepared in accordance with JGAAP.

(1) Non-consolidated Operating Results

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended 31 March 2013	38,050	19.5	19,270	138.9	17,766	249.6	1,030	(93.5)
Fiscal year ended 31 March 2012	31,828	12.9	8,067	69.2	5,082	275.5	15,971	75.5

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended 31 March 2013	4.75	4.75
Fiscal year ended 31 March 2012	72.61	72.60

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

(2) Non-consolidated Financial Position

	Total assets	Net assets	Ratio of shareholder's equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
31 March 2013	564,961	358,827	63.5	1,657.95
31 March 2012	590,423	361,084	61.2	1,640.61

(Notes) 1. Shareholders' equity Fiscal year ended 31 March 2013: 358,827million yen
Fiscal year ended 31 March 2012: 361,084million yen

2. The calculation of net assets per share is based on the assumption that the 10 for 1 stock split was conducted at the beginning of the fiscal year ended 31 March 2012.

1. BUSINESS RESULTS

The Group determined to first adopt International Financial Reporting Standards ("IFRSs") for this fiscal year ending 31 March 2013. All financial figures presented herein were prepared in accordance with IFRSs.

(1) Analysis of Business Results for the Fiscal Year

During the consolidated fiscal year ended 31 March 2013, while Japan's economic environment showed a gradual upswing with special procurement boom arising from the post-earthquake recovery, it still continued to be uncertain with prolonged yen appreciation resulting from the European Sovereign Debt Crisis and growth recession in emerging countries. However, drastic monetary relaxation and economic recovery plans, which were implemented by the new Japanese government formed at the end of last year, contributed to creating yen depreciation and high prices on the stock market, and raised expectations for overcoming deflation and economic recovery.

Stock market conditions that significantly impact investment and securities related businesses continued to be weak in the domestic market, but stock prices started to increase from November 2012. Individual stock brokerage trading value on three major markets, Tokyo, Osaka, and Nagoya, in the fourth quarter (from January to March 2013) achieved a high level of 2.4 times that of the third quarter (from October to December 2012) and annual trading value increased 38.0% since last year. There were 54 new listings, 17 more than those in the last year, showed a continuing recovery of market condition in Japan.
In overseas markets, while growth recession in some emerging countries and continuing decrease of new listings were observed, ongoing U.S. economy's gradual recovery shows signs of hopeful future.

In the operating environment surrounding the Internet financial services business, consumers continued to be increasingly aware of the merit in utilizing Internet financial services as they sought the most advantageous conditions available in pursuing financial transactions to protect their livelihood. Consequently, the business remained strong with face-to-face transactions shifting to online transactions. We recognize that the market will demonstrate vigorous growth also going forward despite the intensifying competition expected.

The Group's consolidated results of operations for the fiscal year ended 31 March 2013 were as follows. Operating revenue declined 13.5% year-on-year to ¥153,476 million, operating income decreased 5.4% to ¥16,577 million, profit before income tax expense declined 8.9% to ¥14,213 million and profit attributable to owners of the Company increased 955.9% to ¥3,202 million.

<u>Change of reportable segments</u>

We changed the reportable segments from the four segments of "Asset Management Business", "Brokerage and Investment Banking Business", "Financial Service Business" and "Housing and Real Estate Business" to the three segments of "Financial Service Business", "Asset Management Business" and "Biotechnology-related Business" from the beginning of this fiscal year.
As for "Financial Service Business" we integrated operating infrastructure of "Brokerage and Investment Banking Business" and "Financial Service Business" and realigned our organizational structure to thoroughly pursue strong synergy. We integrated both business and included "Real Estate Financial Service Business" of the former "Housing and Real Estate Business" into this reportable segment.
"Asset Management Business" remained unchanged because there is a possibility that changes in periodic profit or loss will be larger than before, as the performance of operational investment securities (meaning unrealized profits or losses) are directly reflected in the statements of income

after applying IFRSs. Hence, this business is considered to be clearly distinguished from other businesses.

We defined “Biotechnology-related Business” to be a new reportable segment as this segment which handles development and sales of pharmaceuticals using 5-aminolevulinic acid (ALA) (*), one of the amino acid existing in living body, is expected to be the largest growth area of the Group.

(*) 5-aminolevulinic acid (ALA) is an amino acid generated by mitochondria in human body and an important substance used to produce heme or cytochrome, proteins to generate energy. The production of ALA in the human body decreases with aging. ALA is included in food products including slops of distilled spirits, red wine, and radish shoots. ALA is also known as chloroplastic substance of plant.

Reorganization within the Group

The Group underwent certain reorganization within the Group during the fiscal year ended 31 March 2013, and major items are as follows:

(Financial Service Business)

We established SBI FINANCIAL SERVICES Co., Ltd. as an intermediate holding company for this business segment by stock transfers executed jointly by SBI SECURITIES Co., Ltd., SBI Liquidity Market Co., Ltd. and SBI Financial Agency Co., Ltd. In addition, SBI FINANCIAL SHOP Co., Ltd. and SBI Financial Agency Co., Ltd., were merged and named SBI MONEY PLAZA Co., Ltd. which succeeded face-to-face sales division of SBI SECURITIES (the division conducts face-to-face transactions related to the financial instruments business, housing-loan sales agent operations and life-insurance subscription operations), not including client assets.

The Group made SBI Japannext Co., Ltd., previously accounted for using the equity method, its subsidiary through a business combination achieved in stages.

(Asset Management Business)

We established SBI Capital Management Co., Ltd. as an intermediate holding company for this business segment by stock transfers executed jointly by SBI Investment Co., Ltd. and SBI CAPITAL Co., Ltd.

Change in scope of consolidation

Major changes in scope of consolidation during the consolidated fiscal year ended 31 March 2013 are as follows:

In March 2013, the Company transferred all of its shareholdings in SBI Credit Co., Ltd., a subsidiary in Financial Services Business segment, to BAF4 Corporation. BAF4 Corporation is an entity established by an investment limited partnership operated by iSigma Capital Corporation, a subsidiary of the leading general trading company, Marubeni Corporation.

In March 2013, the Group acquired shares of Hyundai Swiss Savings Bank, headquartered in Seoul, South Korea, and made it a subsidiary.

Set out below is a table providing the information about principal group entities after the change of reportable segments, the Group reorganization, and the change in scope of consolidation.

Financial Services Business	Asset Management Business	Biotechnology-related Business
SBI FINANCIAL SERVICES Co., Ltd.	SBI Capital Management Co., Ltd.	SBI Pharmaceuticals Co., Ltd.
SBI SECURITIES Co., Ltd.	SBI Investment Co., Ltd.	SBI ALApromo Co., Ltd.
SBI Liquidity Market Co., Ltd.	SBI CAPITAL Co., Ltd.	SBI Biotech Co., Ltd.
SBI MONEY PLAZA Co., Ltd.	SBI BB Mobile Investment LPS	
SBI Japannext Co., Ltd.	SBI Value Up Fund No.1 Limited Partnership	
SBI Sumishin Net Bank, Ltd. (Note1)	SBI VEN HOLDINGS PTE. LTD.	**Other Business**
SBI Insurance Co., Ltd.	SBI KOREA HOLDINGS CO., LTD.	SBI Life Living Co., Ltd.
Morningstar Japan K. K.	Hyundai Swiss Savings Bank (Note2)	The Company (Real estate business department)
SBI Mortgage Co., Ltd.		
SBI Card Co., Ltd.		
The Company (Insweb business department and E-loan business department)		

(Notes) 1. Equity method associates
2. Hyundai Swiss Savings Bank will change its name to SBI 1 Savings Bank on 1 July 2013.

The result of operation for each reporting segment of the Group for the fiscal year ended 31 March 2013 was as follows.

	Operating revenue			Profit (loss) before income tax expense		
	Fiscal Year ended 31 March 2012	**Fiscal Year ended 31 March 2013**		Fiscal Year ended 31 March 2012	**Fiscal Year ended 31 March 2013**	
	Millions of Yen	**Millions of Yen**	%	Millions of Yen	**Millions of Yen**	%
Financial Services Business	109,186	**113,340**	**3.8**	10,498	**18,741**	**78.5**
Asset Management Business	56,699	**32,202**	**(43.2)**	17,928	**5,450**	**(69.6)**
Biotechnology-related Business	475	**970**	**104.3**	(1,984)	**(3,900)**	—
Others	14,526	**9,240**	**(36.4)**	(2,220)	**1,659**	—
Total	180,886	**155,752**	**(13.9)**	24,222	**21,950**	**(9.4)**
Elimination	(3,477)	**(2,276)**	—	(8,622)	**(7,737)**	—
Consolidation	177,409	**153,476**	**(13.5)**	15,600	**14,213**	**(8.9)**

(% represents year-on-year changes)

(Financial Services Business)

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

The result of operation of Financial Services Business for the fiscal year ended 31 March 2013 was as follows. Operating revenue increased 3.8% year-on-year to ¥113,340 million, and profit before income tax expense increased 78.5% to ¥18,741 million.

(Asset Management Business)

Asset Management Business primarily consists of fund management and investment in internet technology, biotechnology, environment energy and financial-related venture companies.

The result of operation of Asset Management Business for the fiscal year ended 31 March 2013 was as follows. Operating revenue declined 43.2% year-on-year to ¥32,202 million, and profit before income tax expense declined 69.6% to ¥5,450 million. Operating revenue in this reporting segment represents operating revenues arising from operational investment securities and includes the changes of fair values of those investment securities. The result of operation of the Group's investees which is deemed to be controlled (*) by the Group is consolidated into the result of operation of this reporting segment.

(*) "Control" represents the power to govern the financial and operating policies of the entity in order to obtain economic benefits from the entity's business activities.

(Biotechnology-related Business)

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

The result of operation of Biotechnology-related Business for the fiscal year ended 31 March 2013 was as follows. Operating revenue increased 104.3% year-on-year to ¥970 million, and loss before income tax expense amounted to ¥3,900 million (loss before income tax expense of ¥1,984 million for the fiscal year ended 31 March 2012).

(Others)

Business segments classified into "Others" primarily consist of development and trading of investment property and operation of online intermediate service which were included in the former Housing and Real Estate Business segment.

The result of operation of Others for the fiscal year ended 31 March 2013 was as follows. Operating revenue declined 36.4% year-on-year to ¥9,240 million, and profit before income tax expense amounted to ¥1,659 million (loss before income tax expense of ¥2,220 million for the fiscal year ended 31 March 2012).

(2) Analysis of Financial Conditions for the Fiscal Year

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

(Operating Cash Flows)

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

(Investing Cash Flows)

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

(Financing Cash Flows)

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

(3) Basic Policy on Profit Distribution and Dividends for Fiscal Year Ended 31 March 2013 and Fiscal Year Ending 31 March 2014

The basic profit distribution policy of the Company is to target a payout a minimum of ¥10 per share on a once annual year-end dividend payment. Depending on the adequacy of retained earnings for sustainable growth and business forecasts, the Company will aim to increase the payout amount in the future.

Based on the aforementioned basic policy, the Company determined to pay an ordinary dividend of ¥10 per share as a year-end dividend for the fiscal year ended 31 March 2013.

2. MANAGEMENT POLICY

(1) Basic Management Policy of the Company

The Group's core businesses are the Financial Services Business, mainly consisting of securities brokerage business, banking business and insurance business, which offers a wide range of financial services, the Asset Management Business which primarily involves fund management and investment in IT, biotechnology, environmental energy and financial-related venture companies inside and outside of Japan, and the Biotechnology-related Business which represents development and distribution of pharmaceutical products, cosmetics and health foods. The Group will be committed to creating more innovative services and businesses for our customers and investors, and maximize corporate value, which represents the aggregate of customers value, shareholder value and human capital value.

The Group consistently continues to base its organizational development on three fundamental concepts: (1) adherence to the "customer-centric principle", (2) development of "structural differentiation", and (3) formation of "business ecosystem". Adherence to the "customer-centric principle" signifies being committed to offering services that truly accommodate the needs of customers, which include services at the lowest commission rates and the most attractive interest rates, at-a-glance comparison of financial products, attractive investment opportunities, services offering high safety and reliability, and provision of abundant and high-quality financial content. In the Internet Age, where the concept has drastically changed, customer needs have become so diverse that their satisfaction cannot be attained simply through differentiation of price or quality of products and services. Development of "structural differentiation" refers to creating a unique "structure" that enables the Group to respond to such changes and satisfy the varying needs of customers as well as offer value based on the full utilization of the structural network. Creation of "business ecosystem" aims at promoting positive synergistic effects among constituent companies, which creates a mutual evolution process with the each of the respective markets where companies operate to support rapid growth. The Group will manage its businesses by emphasizing the formation of a "business ecosystem" that enhances the network value through promoting interactions among the Group companies as well as with other corporate groups inside and outside of Japan.

(2) Management Issues and Future Policies

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

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

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

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

In the Financial Services Business, we will aim to achieve greater growth even under unstable conditions in the Japanese stock markets. SBI SECURITIES Co., Ltd. will continue to expand its overseas product lineups and strengthen foreign exchange transactions in order to achieve diversification of revenue sources and further enhance its call center operations that receive high recognition from evaluating agencies in heightening its service level even more. SBI Liquidity Market Co., Ltd., which began its operation in November 2008, provides not only liquidity but convenient and competitive market infrastructure for FX transactions to SBI SECURITIES Co., Ltd., SBI Sumishin Net Bank, Ltd., and SBI FXTRADE Co., Ltd. which started its operation in May 2012. The firm will make improvements to the transaction environment, enhance liquidity, and focus on building further cost-effective, secure and safe FX transaction environment with a view to providing its services to overseas private investors. We also established SBI Sumishin Net Bank, Ltd. and SBI Insurance Co., Ltd. during 2007 to 2008 for undertaking new businesses in our aim to build an earning structure that does not depend solely on stock markets. It is our key objective to further developing these businesses by provoking stronger synergistic effects among Group companies. For certain financial products, online sales alone are not sufficient, and there is a need for face-to-face consultations to explain the products to the customer directly. SBI MONEY PLAZA Co., Ltd., which provides a one-stop response to all customers needs for asset management, insurance and housing loans, will take the lead in developing the operation of the SBI Group’s face-to-face channels.

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

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

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

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

3. CORPORATE GOVERNANCE PRACTICE

The Company has complied with all the major code provisions of the Corporate Governance Code throughout the accounting period for the fiscal year ended 31 March 2013, save for certain deviations from code provisions in respect of code provisions A.2.1, A.4.2, A.5, B.1, C.3, E.1.2, E.1.3, and E.2.1.
Details of which are explained below.

Chairman and Chief Executive Officer

According to the Code Provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

The Company does not have a separate Chairman and CEO, and Mr. Yoshitaka Kitao currently holds both positions. The Board believes that vesting the roles of both Chairman and CEO in the same person ensures consistent leadership within the Group and enables more effective and efficient planning of long-term strategies and implementation of business plans. The Board believes that the balance of power and authority will not be impaired and is adequately ensured by the effective Board which comprises experienced and high caliber individuals with a sufficient number thereof being independent non-executive directors.

Appointment and Re-election of Directors

The procedures of election of directors are laid down in the Company's Articles of Incorporation and the Companies Act of Japan. The Board is responsible for reviewing Board composition, developing and formulating procedures for nomination and appointment of directors, monitoring the appointment of directors and assessing the independence of independent non-executive directors.

The Code Provision A.4.2 requires that all directors should be subject to retirement by rotation at least once every three years.

Directors of the Company would not be subject to retirement by rotation, since there is no such rule under the Companies Act of Japan.
Instead, each of the directors (including executive and non-executive directors) of the Company is engaged under a service contract for a term of one year in accordance with the Company's Articles of Incorporation. The office may be terminated by the directors' written notice so long as the minimum number of directors required by the Companies Act of Japan could be maintained. Otherwise, a director must continue his/her duty until being replaced by his/her successor.

Apart from foregoing, no Directors re-elected at the preceding annual general meeting held on 28 June 2012 has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Nomination Committee

The Company has not established a Nomination Committee as required by the Code Provision A.5 Shareholders elect the directors at the annual general Shareholders' meeting based on an elective list of directors recommended by the Board, instead of via a nomination committee. The term of office of a director shall expire on the date of the general Shareholders' meeting held relating to last business year, closing within 1 year after his or her appointment under the Company's Articles of Incorporation. There is no limit on the number of consecutive term that a director may serve. A Representative Director is elected by the Board.

Remuneration Committee

The Stock Exchange has confirmed that the Company does not need to strictly comply with Code Provision B.1 in respect of the establishment of a Remuneration Committee. The Board performs the role of remuneration committee to determine the remuneration of directors and senior management in accordance with the Companies Act of Japan and the Company will not put in place a separate committee.

The Board has established a set of rules for the compensation of its officers which set out the remuneration standards and policies of the Company for its executives. The compensation rules are not materially different from the terms of reference for a remuneration committee provided in Code Provision B.1.2 and they provide a formal and transparent process for the determination of remuneration. Further, even though the Board of Directors will voluntarily perform the role of the remuneration committee, the decisions on maximum amount of remuneration, the method for calculation of remuneration, and the type and amount of remuneration to be paid to Directors and Statutory Auditors must be determined by the Shareholders of the Company.

Audit Committee

The Company has not established an Audit Committee as required by Code Provision C.3. Our annual results and this interim report have not been reviewed by the Audit Committee. The role of the Audit Committee pursuant to the Listing Rules has been carried out by a Board of Statutory Auditors of the Company in Japan. The specific roles and responsibilities of the Statutory Auditors and the Board of Statutory Auditors correspond closely to those required to be provided by an Audit Committee under the Listing Rules.

As the Company does not establish Audit Committee, Remuneration Committee and Nomination Committee, the terms of reference of the committees required to be disclosed by Code Provisions A.5.3, B.1.3. and C.3.4 respectively, are not disclosed on the website of the Stock Exchange nor our homepage.

Effective communication

As the Company does not establish the Audit Committee, Remuneration Committee and Nomination Committee as stated above, there are no chairmen of such committees attending the annual general meeting held on 28 June 2012 as required by Code Provision E.1.2.

The Company has not arranged for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting as required by Code Provision E.1.3. The Company sent convocation notice of annual general meeting to shareholders at least 14 days before the annual general meeting under the Companies Act of Japan.

Voting by Poll

The voting procedures under the Companies Act of Japan are different from Hong Kong. Instead of complying with Code Provision E.2.1 that the chairman of a meeting should explain the poll procedures, the Company has conducted voting pursuant to the Companies Act of Japan.

The Company has applied and the Stock Exchange has granted waivers on the following Listing Rules:

Board Composition

The requirement of Rules 3.10A and 3.11 of the Listing Rules in respect of the appointment of independent non-executive directors representing at least one-third of the Board.

The Company has been granted a waiver on strict compliance with the requirement of Rules 3.10A and 3.11 from the Stock Exchange with the condition that it will: (i) ensure that at least a majority of the Company's statutory auditors are able to meet the independence criteria contained in Rule 3.13 of the Listing Rule in accordance with the waiver from strict compliance with Rules 3.21 to 3.22 obtained by the Company at the listing and (ii) have at least three independent non-executive directors on the Board going forward (for so long as its securities remain listed on the Stock Exchange).

Cancellation on Share upon Repurchase

The Company obtained a waiver from the Stock Exchange with respect to strict compliance with the requirements under Rules 10.06(5) and 19B.21 of the Listing Rules for us to (i) cancel the listing of any such Treasury Shares; (ii) apply for relisting of any such Treasury Shares held by the Company on their disposal; and (iii) cancel and destroy as soon as reasonably practicable all documents of title of repurchased Shares (including both HDRs and their underlying Shares) and the Company hereby confirms its compliance with the following conditions of granting this waiver during the accounting period for the fiscal year ended 31 March 2013;

- Complying with the Companies Act of Japan in relation to Treasury Shares that the Company holds and informs the Stock Exchange as soon as practicable in the event of any failure to comply or any waiver to be granted;
- Informing the Stock Exchange as soon as reasonably practicable in the event of any substantial change being made to the Japanese Treasury Shares regime;
- Confirming our compliance with the waiver conditions in our subsequent annual reports and, if applicable under the Companies Act of Japan, any convocation notice for Shareholders' meeting seeking Shareholder's approval of any repurchases of our Shares; and
- Complying with any relevant provisions in the event of changes to the Hong Kong regulatory regime and the rules in relation to the Treasury Shares to the extent that the Companies Act of Japan permits (subject to any waiver which may be sought by the Company and granted by the Stock Exchange or any other regulatory authority).

Appointment of an Auditor

The Company does not obtain approval from the Shareholders at each annual general meeting to appoint an auditor to hold office from the conclusion of that meeting until the next annual general meeting. The requirement of Rule 13.88 of the Listing Rules is inconsistent with the requirement under the Companies Act of Japan. The Companies Act of Japan is consistent with the position that an auditor may not be removed prior to the end of its term without the approval of Shareholders at a Shareholders' meeting.

Model Code for securities transactions

The Company has adopted its own code of conduct regarding directors' dealing in the Company's securities ("the Code for Securities Transactions By Directors") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the “Code for Securities Transactions By Directors” and the Model Code throughout the accounting period for the fiscal year ended 31 March 2013.

The Company has also established written guidelines of almost the same terms as the Model Code (the “Employees Written Guidelines”) for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Change in Information of Director

The change in the information of Director since the publication of the fiscal year ended 31 March 2012 Annual report are set out below pursuant to Rules 13.51B(1) of the Listing Rules;

Biographical Detail of Director
Mr. Yasutaro Sawada
• Resigned as the Non-executive Director of the Company on 11 March 2013.

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

4. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Statement of Financial Position

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

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statement of Income

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

Consolidated Statement of Comprehensive Income

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

(3) Consolidated Statement of Changes in Equity

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

(4) Consolidated Statement of Cash flows

	Fiscal Year ended 31 March 2012	**Fiscal Year ended 31 March 2013**
	Millions of Yen	**Millions of Yen**
Net cash from (used in) operating activities		
Profit before income tax expense	15,600	**14,213**
Depreciation and amortization	7,660	**7,624**
Share of results of associates using the equity method	(225)	**(558)**
Interest and dividend income	(18,644)	**(18,454)**
Interest expense	7,644	**7,565**
Decrease (increase) in operational investment securities	(5,220)	**557**
Decrease (increase) in accounts receivables and other receivables	(992)	**10,614**
Increase in operational liabilities and other liabilities	11,664	**14,167**
Increase in assets/liabilities related to securities business	(2,771)	**(72,300)**
Others	(5,758)	**(3,898)**
Subtotal	8,958	**(40,470)**
Interest and dividend income received	17,783	**17,854**
Interest expense paid	(7,396)	**(6,884)**
Income taxes paid	(9,527)	**(7,484)**
Net cash from (used in) operating activities	9,818	**(36,984)**
Net cash used in investing activities		
Purchases of intangible assets	(5,499)	**(4,279)**
Purchases of investment securities	(11,180)	**(9,876)**
Proceeds from sales of investment securities	2,226	**4,580**
Acquisition of subsidiaries, net of cash and cash equivalents acquired	792	**(18,451)**
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	(4,076)	**10,062**
Payments of loans receivable	(11,560)	**(8,215)**
Collection of loans receivable	13,178	**5,987**
Others	98	**1,132**
Net cash used in investing activities	(16,021)	**(19,060)**

	Fiscal Year ended 31 March 2012	**Fiscal Year ended 31 March 2013**
	Millions of Yen	**Millions of Yen**
Net cash from financing activities		
Increase in short term loans payable	8,421	**32,305**
Proceeds from long-term loans payable	6,020	**28,437**
Repayment of long-term loans payable	(27,861)	**(42,968)**
Proceeds from issuance of bonds payable	89,937	**63,945**
Redemption of bonds payable	(69,680)	**(60,540)**
Proceeds from stock issuance	16,716	**6**
Proceeds from stock issuance to non-controlling interests	844	**3,679**
Contributions from non-controlling interests in consolidated investment funds	1,057	**2,052**
Cash dividend paid	(2,660)	**(2,213)**
Cash dividend paid to non-controlling interests	(187)	**(467)**
Distributions to non-controlling interests in consolidated investment funds	(5,164)	**(2,431)**
Purchase of treasury stock	(2,939)	**(2,021)**
Proceeds from sale of interests in subsidiaries to non-controlling interests	611	**7,603**
Payments for purchase of interests in subsidiaries from non-controlling interests	(6,411)	**(295)**
Others	(1,317)	**(1,393)**
Net cash from financing activities	7,387	**25,699**
Net increase (decrease) in cash and cash equivalents	1,184	**(30,345)**
Cash and cash equivalents at the beginning of the period	160,398	**159,833**
Effect of changes in exchange rate on cash and cash equivalents	(1,749)	**3,874**
Cash and cash equivalents at the end of the period	159,833	**133,362**

Notes to Consolidated Financial Statements

1. Reporting Entity

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

2. Basis of Preparation

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

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

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

An explanation of first application of IFRSs and effect of transition to IFRSs to the Group’s financial positions, financial results and cash flows is provided in Note “8 Explanation of Transition to IFRSs”.

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

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

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

3. Significant Accounting Policies

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

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

(1) Basis of consolidation

(a) Subsidiaries

Subsidiaries refer to the entities under control of the Group. Control is defined as that the Group has the power to determine the financial and operating strategies of the investee in return for benefits arising from the investee’s business performance. Subsidiaries are fully consolidated from the date on which control is obtained by the Group. They are deconsolidated on the date that the Group losses control. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Investments in funds operated by the Group are excluded from the scope of consolidation if they are not under control of the Group;

Inter-company transactions, balances and unrealized gains on transactions among the Group companies are eliminated in the preparation of consolidated financial statements. Unrealized losses, if no evidence for impairments exists, are also eliminated.

(b) Associates and joint ventures

Associates are all entities over which the Group has significant influence but not subsidiaries and joint ventures.

Significant influence refers to the power to participate in the financial and operating policy decision of the investee but is not control or joint control of those policies, which generally accompanying a shareholding of between 20% and 50% of the voting rights.

Joint ventures refer to entities which are founded under the contractually agreed sharing of control of an arrangement, that the relevant activities require the unanimous consent of all the parties sharing control.

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

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

When the Group's share of losses in an equity method associate exceeds its interest in the associate, the excess is charged to other long term investments, if any, 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 recognized and recorded as the subtraction of carrying amount of investments only to the extent of investor's interests in the associates.

(c) Special purpose entities

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

(d) Business combination

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

Acquisition method is applied for acquisitions incurred on or after 31 March 2008. The consideration transferred for the acquisition of a subsidiary is the total of fair value at the acquisition date 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 fair value at the acquisition date except for the below listed items.

・Deferred tax assets (or deferred tax liabilities) and assets (or liabilities) related to employee benefits are required to be recognized and measured in accordance with IAS 12 "Income Tax" and IAS 19 "Employee benefits".

・Outstanding share based payment transactions of the acquiree, or liabilities and equity based financial instruments issued for the purpose of replacement of acquiree's share based payment transactions with the Group's were measured according to IFRS 2 "Share Based Payments" at acquisition date.

・Assets or disposal group categorized as held for sale were measured according to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" at acquisition date.

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

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

Acquisition-related cost is expensed as incurred, except for the costs related to the issuance of financial liabilities and equity instruments.

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 profit or loss is recognized.

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

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

For the transactions occurred before 31 March 2008, changes in interests in subsidiaries without change of control are recognized as goodwill or in profit or loss in accordance with JGAAP.

(f) Loss of control

When the Group ceases to have control, the profit or loss related to the disposal is accounted for as 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.

In addition, any amount previously recognized in other 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 accounted for under 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 recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at that 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 as profit or loss, except for retranslation differences on financial instruments, change in the fair value of which is recognized in other comprehensive income and exchange differences arising from transactions for the purpose of hedging certain foreign exchange risk.

Non-monetary items that are measured at historical cost in foreign currency are not retranslated.

(b) Foreign operation

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

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

(3) Financial instruments

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

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

Debt instruments and equity instruments other than those mentioned 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 party to the contractual provisions of the instrument.

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

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

The Group decided to apply exemptions of IFRS 1 stated below in respect of adopting IFRS 9.
Based on the actual practice and situation at the transition date and according to IFRS 9, financial instruments held for the purpose of gaining appreciation through changes of fair value are designated as financial assets and financial liabilities at FVTPL.
Based on the actual practice and situation at the transition date and according to IFRS 9, equity instruments held for the purposes other than trading are designated as financial assets at FVTOCI.

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

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

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

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

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

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

(e) Non-derivative financial liabilities
Non-derivative financial liabilities include corporate bond and loan, trade and other account payables, which are subsequently measured at amortized cost using effective interest method.

(f) Trading assets and liabilities

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

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

Trading assets and trading liabilities are classified as financial assets and liabilities at FVTPL, changes in amount 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 statement of financial position.

(g) Derecognition

The Group shall derecognize a financial asset when, and only when, the contractual rights to the cash flow from the financial 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 satisfy the criteria of derecognition, a financial asset is derecognized but the transfer results in the Group obtaining or retaining rights and responsibilities, the Group shall recognize them as new financial assets or liabilities.

(h) Fair value measurement

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

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

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

(i) Impairment on financial assets measured at amortized costs

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

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

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

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

(j) Hedge accounting

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

At the inception of the hedge, the Group has a formal documentation of the hedging relationship between hedged item or transaction and hedge instrument, which is the interest rates swap contracts, in compliance with our risk management objective and strategy. In addition, the Group has a formal documentation on the effectiveness of the interest rates swap contracts to hedge the risks of changes in fair value and cash flow at the inception and on an ongoing basis. The changes in fair value of interest swap contracts, which is designated as hedging instruments for fair value hedge are recognized in profit or loss. Gain or loss on the hedged item attributable to the risk of changes in interest rates shall adjust the carrying amount of the hedged item and be recognized in profit or loss.

Among the changes in fair value of interest swap contracts, which is designated as hedging instruments for cash flow hedge, 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 ineffective portion shall be recognized in profit or loss.
Amount that has been recognized in other comprehensive income shall be deducted from other comprehensive income in the consolidated statement of comprehensive income and reclassified to profit or loss in the same period during which the hedged item of cash flows affect profit or loss.
The Group shall discontinue prospectively the hedge accounting when the criteria of hedge accounting are no longer satisfied. In such situation, amounts accumulated in other comprehensive income remain unadjusted until the anticipated transaction finally affects profit or loss, or that the anticipated transaction is not expected to occur, when the underlying amount shall be immediately recognized in profit or loss.

(k) Capital stock

Common stock

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

Treasury stock

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

(4) Inventories

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

(5) Lease

(a) Accounting by lessor as financial lease

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

(b) Accounting by lessee as financial lease

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

(6) Property and equipment

(a) Initial recognition and measurement

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

(b) Depreciation

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

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

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

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

(7) Intangible Assets

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

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

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

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

(b) Research and development

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

(c) Other intangible assets (separately acquired)

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

(d) Amortization

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

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

- Software 3 - 5 years
- Customer Relationship 4 - 16 years

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

(8) Investment properties

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

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

The estimated useful lives of 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 losses arising from the derecognition of investment properties are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss at the time of derecognition.

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

(9) Impairment of non-financial assets

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

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

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

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

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

(10) Employee benefits

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

The Company and its certain subsidiaries have defined contribution plans for employee benefits. Defined contribution plans are post-employeement 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. Contribution related to defined contribution plans are expensed over the period during which employees render service to the entity. Also, the Company and its certain subsidiaries participate in defined benefit multi-employer plans, under which, contribution paid during the period are recognized in profit or loss as pension expense and contribution payables are recorded as liabilities.

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

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

The Group decided to adopt exemptions stated in IFRS 1 and do not apply IFRS 2 “Stock-based payments” for the stock-based payments vested on or before the date of 31 March 2011.

(11)Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; 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 for which the estimates of future cash flows have not been adjusted.

(12)Revenue Recognition

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

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

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

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

(b) Net trading income

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

(c) Commission income

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

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

・The Group neither identify the ownership of the goods nor assume any responsibility of after service.

・Though the Group ultimately collect consideration from customers, all the credit risk is assumed by the supplier of the goods.

(d) Sale of goods

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

(13)Income tax expense

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

A deferred tax asset shall be recognized for the unused carryforward tax losses, unused tax credits and expected deductable 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 deductable 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 shall reduce 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 shall recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint venture, except to the extent that both of the following conditions are satisfied: (i) the Group is able to control the timing of the reversal of the temporary difference; and (ii) it is probable that the temporary difference will not reverse in the foreseeable future.

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

(14)Earnings per share

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

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

(15)Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Discrete financial information of all the segments are 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 directly belong to the segment and items allocated to the segment on reasonable basis. Items not allocated to any reporting segment mainly consist of corporate assets such as the Company's cash and cash equivalents and expenses of headquarter.

(16)Non-current assets held for sale

The Group classify a non-current asset or asset group as held for sale if (i) its carrying amount will be recovered principally through a sale transaction rather than through continuing use; (ii) the assets available for immediate sale and its 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 loss of control and all the above criteria are satisfied, it classifies the subsidiary's entire assets and liabilities as held for sale regardless of retaining any non-controlling interest of the subsidiary or not.

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

4. Use of estimates and judgments

In the preparation of the Group's consolidated financial statements in accordance with IFRSs, the managements 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 is the key assumption 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 current period and following periods.

(1) Measurement of financial instruments

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

(2) Deferred tax assets

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

5. Segment Information

The Group engages in a wide range of business activities, primarily online financial service businesses and investments activities in Japan and overseas. Based on the similarities or economic characteristics of business or nature of services, “Financial Services Business”, “Asset Management Business”, and “Biotechnology-related Business”, which is the most growing business in the Group, are determined as reportable segments.

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

The following is description of business for reporting segments.

“Financial Services Business”

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

“Asset Management Business”

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

“Biotechnology-related Business”

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

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

“Elimination” includes those profit or loss that is not allocated to certain business segments and the eliminations of the inter-company transactions within the Group, with the price of which based on the actual market price.

The following represents segment information of the Group:

For the fiscal year ended 31 March 2012

	Financial Services Business	Asset Management Business	Biotechnology -related Business	Others	Total	Elimination	Consolidated Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Operating revenue	109,186	56,699	475	14,526	180,886	(3,477)	177,409
Profit (loss) before income tax expense	10,498	17,928	(1,984)	(2,220)	24,222	(8,622)	15,600

For the fiscal year ended 31 March 2013

	Financial Services Business	**Asset Management Business**	**Biotechnology -related Business**	**Others**	**Total**	**Elimination**	**Consolidated Total**
	Millions of Yen	**Millions of Yen**	**Millions of Yen**	**Millions of Yen**	**Millions of Yen**	**Millions of Yen**	**Millions of Yen**
Operating revenue	**113,340**	**32,202**	**970**	**9,240**	**155,752**	**(2,276)**	**153,476**
Profit (loss) before income tax expense	**18,741**	**5,450**	**(3,900)**	**1,659**	**21,950**	**(7,737)**	**14,213**

6. Earnings per Share

The basic and diluted earnings per share attributable to owners of the Company are calculated based on the following information.

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

	Fiscal Year ended 31 March 2012	**Fiscal Year ended 31 March 2013**
	Millions of yen	**Millions of yen**
Profit for the period attributable to owners of the Company	303	**3,202**
Weighted average number of ordinary shares	219,860,562 shares	**217,072,796 shares**
Dilution effect：Stock acquisition rights	52,473 shares	**19,097 shares**
Weighted average number of ordinary shares after the effect of dilution	219,913,035 shares	**217,091,893 shares**
Earnings per share (attributable to owners of the Company)		
Basic	1.38 Yen	**14.75 Yen**
Diluted	1.38 Yen	**14.75 Yen**

7. Events after the Reporting Period

There were no significant subsequent events noted.

8. Explanation of Transition to IFRSs

The Group determined to first adopt IFRSs for this fiscal year ended 31 March 2013 and the consolidated financial statements of the Group were prepared in accordance with IFRSs. The latest consolidated financial statement under JGAAP is prepared for the year ended 31 March 2012 and the transition date is 1 April 2011.

The reconciliation required to be disclosed for IFRSs' first time adoption is as follows;
The "Reclassifications" in below table represents the reclassification made to map accounts presented under JGAAP to those of IFRSs. The "Adjustments" represents adjustments post as according to the requirements under IFRSs.

Reconciliation of consolidated Statement of Financial Position as at 1 April 2011 and 31 March 2012

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

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

Presentation under JGAAP	Notes	JGAAP	Reclassifications	Adjustments	IFRSs	Presentation under IFRSs
		As at 1 April 2011				
		Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	
Net assets						Equity
Capital stock		73,236	—	—	73,236	Capital stock
Capital surplus	(1)	236,921	—	(81,396)	155,525	Capital surplus
Treasury stock		(247)	—	—	(247)	Treasury stock
	(6)		(7,156)	7,727	571	Other component of equity
Retained earnings		88,074	—	(27,123)	60,951	Retained earnings
Total shareholders' equity		397,984	(7,156)	(100,792)	290,036	Equity attributable to owners of the Company
Unrealized losses on available-for-sale securities		(3,903)	3,903			
Deferred gains (losses) on derivatives under hedge accounting		(240)	240			
Foreign currency translation adjustment	(3)	(3,013)	3,013			
Total accumulated other comprehensive income/(loss)		(7,156)	7,156			
Stock acquisition rights		12	(12)			
Minority interests		66,143	12	(8,303)	57,852	Non-controlling interests
Total net assets		456,983	—	(109,095)	347,888	Total equity
Total liabilities and net assets		1,293,606	—	78,123	1,371,729	Total liabilities and equity

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

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

Presentation under JGAAP	Notes	JGAAP	Reclassifications	Adjustments	IFRSs	Presentation under IFRSs
		As at 31 March 2012				
		Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	
Net assets						Equity
Capital stock		81,665	—	—	81,665	Capital stock
Capital surplus	(1)	249,353	—	(88,882)	160,471	Capital surplus
Treasury stock		(3,180)	—	—	(3,180)	Treasury stock
	(6)		(9,323)	7,960	(1,363)	Other component of equity
Retained earnings		88,418	—	(29,488)	58,930	Retained earnings
Total shareholders' equity		416,256	(9,323)	(110,410)	296,523	Equity attributable to owners of the Company
Unrealized losses on available-for-sale securities		(2,722)	2,722			
Deferred gains (losses) on derivatives under hedge accounting		(1,890)	1,890			
Foreign currency translation adjustments	(3)	(4,711)	4,711			
Total accumulated other comprehensive income/(loss)		(9,323)	9,323			
Stock acquisition rights		10	(10)			
Minority interests		61,636	10	(6,264)	55,382	Non-controlling interests
Total net assets		468,579	—	(116,674)	351,905	Total equity
Total liabilities and net assets		1,663,814	—	(8,246)	1,655,568	Total liabilities and equity

Reconciliation of equity as at 1 April 2011 and 31 March 2012

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

Reconciliation of comprehensive income of the fiscal year ended 31 March 2012

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

Significant reconciliation of cash flows

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

Notes to Reconciliation

(1) Business combination

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

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

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

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

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

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

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

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

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

(d) Impairment and amortization of goodwill and negative goodwill

Under JGAAP, goodwill is generally amortized over estimated useful life up to 20 years and shall be tested for impairment if there is an indication that the asset may be impaired and consequently not required to be tested for impairment every fiscal year. Impairment test consists of judgment for recognition and measurement of impairment. For the judgment for recognition, pre-discounted future cash flow is used for comparison with book value. The Group shall recognize the amount of the book value of non-current assets less the higher amount of fair value or value in use as measurement of impairment of non-current assets.

Under IFRSs, goodwill is required to be tested for impairment regardless of an indication of impairment instead of no periodical amortization. For impairment test, the Group shall compare cash-generating units including goodwill with recoverable amount. Recoverable amount is the higher of its fair value less costs of disposal and value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or a cash-generating unit which goodwill is allocated to. The Group shall base cash flow projections on the most recent financial budgets/forecasts approved by management, and maximum period of these budgets/forecasts shall be five years or less unless a longer period can be justified. Discount rate used for measuring value in use was 8.62% and 7.25% per annum as at 1 April 2011 and 31 March 2012, respectively.

As discussed, there are differences between JGAAP and IFRSs on assumption and estimation used in impairment test of goodwill, scope or approach of impairment test. And an impairment test is required at the transition date under IFRS 1.
By these differences, we recognized impairment loss of ¥1,906 million in Financial Service Business and ¥1,182 million in Biotechnology-related Business and ¥2,547 million in Other Business, in the aggregate of ¥5,635 million as a result of revaluation of recoverability amount of goodwill and other assets as at the transition date, 1 April 2011.

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

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

(e) Impact from business combination
As a result of above from (1)(a) to (1)(d), as at 1 April 2011, there was a decrease in equity of ¥77,493 million which consist of decrease in capital surplus of ¥81,214 million, increase in retained earnings of ¥4,101 million, and decrease in non-controlling interests of ¥138 million.
Also, as a result of above from (1)(a) to (1)(d), as at 31 March 2012, there was a decrease in equity of ¥77,393 million which consist of decrease in capital surplus of ¥87,879 million, increase in retained earnings of ¥9,340 million, and increase in non-controlling interests of ¥1,389 million.
In addition, total comprehensive income increased by ¥3,912 million for the fiscal year ended 31 March 2012.

(2) Scope of consolidation

Under JGAAP, when investment companies such as venture capital invest operationally to stock or equity of other company for gaining capital gains through corporate revitalization and business development even if controlling the organization for decision making of the other company, the company may not be recognized as subsidiary. On the other hand, under the same condition, IFRSs requires investment companies include the other company within the scope of consolidation when controlling the other company.
Since scope of consolidation has been expanded under IFRSs, there was a decrease in equity of ¥5,697 million as at 1 April 2011 including decrease in retained earnings of ¥4,698 million. Also, as at 31 March 2012, there was a decrease in equity of ¥6,263 million including decrease in retained earnings of ¥5,174 million.
In addition, total comprehensive income increased by ¥826 million for the fiscal year ended 31 March 2012.

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(3) Translation adjustment for foreign operations

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

(4) Property and equipment

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

(5) Investment properties

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

(6) Financial instruments

(a) Classification of financial assets

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

On the other hand, under JGAAP, securities are classified into four categories, "Securities held for trading", "held to maturity investment", "stocks of subsidiaries or affiliates" and "available-for-sale securities". "Held to maturity investment" is measured at amortized cost and "securities held for trading" and "available-for-sale securities" are measured at fair value through profit or loss and other comprehensive income, respectively.

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

(b) Deferral of up-front fee

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

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

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

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

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

(d) Impact on financial instruments

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

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

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

(7) Statutory reserve

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

(8) Insurance contract

(a) Deferred assets

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

(b) Reserve for catastrophes

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

(c) Impact from insurance contract

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

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

(9) Income tax expense

The elimination of unrealized gain or loss arising from transaction within the Group leads to a temporary difference between the book value and tax base.

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

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

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

(10)Assets and liabilities related securities business

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

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

5. RESUMPTION OF TRADING

At the request of the Company, trading in its Hong Kong depositary receipts was halted with effect from 1:00 p.m. on Thursday, 9 May 2013, pending the release of this announcement. An application will be made by the Company to the Stock Exchange for resumption of trading in the Hong Kong depositary receipts with effect from 9:00 a.m. on Friday, 10 May 2013.

On behalf of the Board

SBI Holdings, Inc.

Yoshitaka Kitao

Chief Executive Officer

As of the date of this announcement, the executive Directors are Mr. Yoshitaka Kitao, Mr. Taro Izuchi, Mr. Takashi Nakagawa, Mr. Tomoya Asakura, Mr. Shumpei Morita, Mr. Noriaki Maruyama and Mr. Peilung Li, the non-executive Directors are Mr. Hiroyoshi Kido, Mr. Noriyoshi Kimura, Mr. Hiroshi Tasaka, Mr. Takashi Okita and the independent non-executive Directors are Mr. Masaki Yoshida, Mr. Kiyoshi Nagano, Mr. Keiji Watanabe, Mr. Akihiro Tamaki and Mr. Masanao Marumono.