

Leaping Forward

Annual Report 2015



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Representative Director, President & CEO

Forward-looking Statements

Statements contained in this report regarding the plans, projections and strategies of SBI Holdings, Inc. ("SBI Holdings") and its subsidiaries and affiliates that are not historical facts constitute forward-looking statements about future financial results. As such, they are based on data obtainable at the time of announcement in compliance with SBI Holdings' management policies and certain premises that are deemed reasonable by SBI Holdings. Hence, actual results may differ, in some cases significantly, from these forward-looking statements contained herein due to changes in various factors, including but not limited to economic conditions in principal markets, service demand trends and currency exchange rate fluctuations. Further, statements contained herein should not be construed to encompass tax, legal, or financial advice, and should not be considered to be solicitations to invest in SBI Holdings, or any of the SBI Group companies.

Entering a Dramatic Growth Phase

Established in 1999 as a pioneer of Internet-based financial services in Japan, the SBI Group has achieved rapid growth by recognizing the significance of two key trends, the diffusion and evolution of the Internet and financial deregulation. Today, the SBI Group has formed the world's first Internet-based financial conglomerate in the Financial Services Business, providing financial services in a wide range of categories, including securities, banking and insurance. Additionally, along with the Asset Management Business, where investments in venture companies has been principally involved since before the establishment of the Group, it entered into the Biotechnology-related Business, as a third business domain for further evolution and growth.

In this dramatic growth phase, the SBI Group will endeavor to further strengthen its customer base that was established in Japan, while also utilizing its unique business models to expand into the overseas markets, especially in the emerging countries of Asia. Also, the Group will strive to achieve a sustained expansion of its corporate value by building a global business structure.

Making Choices Based on ...

Our Mission: Five Corporate Missions

01

Sound Ethical Values

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

02

Financial Innovator

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

03

New Industry Creator

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

04

Self- Evolution

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

05

Social Responsibility

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

Endeavoring to Achieve Further Rapid Growth by Leveraging Synergies Among the Three Major Businesses

The SBI Group has three major businesses. The first is the Financial Services Business, in which various financial products and services are provided, primarily via the Internet. The second is the Asset Management Business, in which the main business is investments in venture companies in Japan and abroad. The third is the Biotechnology-related Business, in which research and development, commercialization of products and sales relating to pharmaceuticals, health foods and cosmetics are globally expanded. The Group is working to strengthen its earnings capacity, and to expand the customer base by thoroughly pursuing every synergistic opportunity among these business segments.

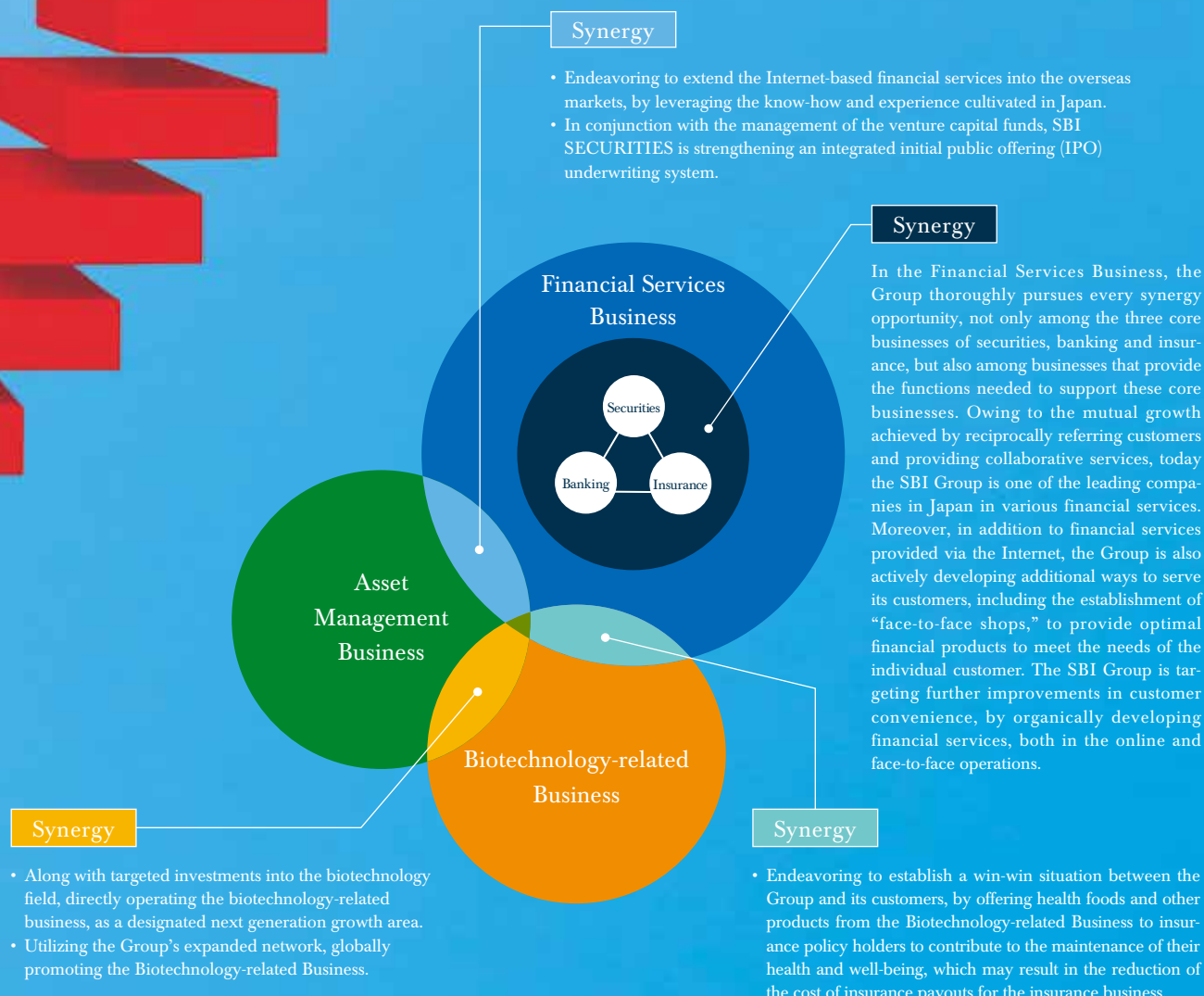
Synergy

Synergy-focused Business Development



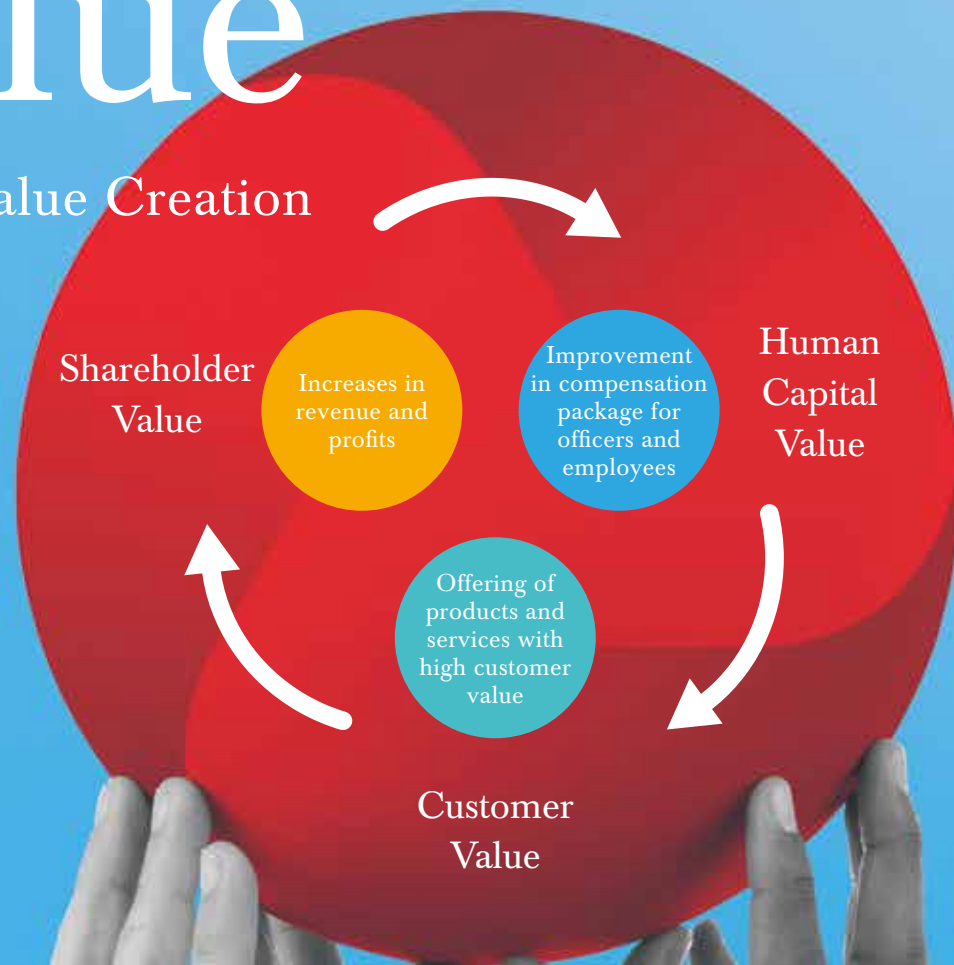
Establishment of a Financial Ecosystem that Creates Group Synergies

The two great maxims of complexity science are that the whole is greater than the sum of the parts, and that the whole has new qualities that an individual part does not possess. Based on these concepts, the SBI Group has sought to build a “business ecosystem,” which is a new organizational structure designed to realize high growth potential through synergies and mutual evolution, which would not be possible for a stand-alone company. This philosophy has led the Group to create a “financial ecosystem” by expanding into diverse financial business areas, and has resulted in the establishment of the world’s first financial conglomerate that uses the Internet as its main business channel.



Value

Corporate Value Creation



Enhancement of Corporate Value by Creating Cycles Based on the Three Values

The creation of customer value, which is the intrinsic value of goods and services a company provides to its customers, is the foundation of corporate value. Customer value, shareholder value and human capital value are mutually interconnected, and increase over time in a virtuous cycle.

Increase in customer value, by closely adhering to the “Customer-centric Principle” on a Group-wide basis, will contribute toward an improvement in business performance, and an increase in shareholder value. As a result, it becomes possible to recruit and retain superior personnel, which leads to an increase in human capital value. If it is able to recruit and retain superior personnel, better products and services can be created and will lead to an increase in customer value. By creating this type of virtuous cycle, the SBI Group is endeavoring to increase corporate value.

The SBI Group in Numbers

The SBI Group realized growth through the enhancement of corporate value, with the resulting performance track record

> Operating Base

Countries and Regions with Overseas Offices

Approx. **20** Countries and Regions

The SBI Group established overseas offices primarily in the growth markets of emerging countries in Asia, and is globally expanding its business activities in various fields.

The Group's Customer Base

17.94 million

Group companies such as SBI SECURITIES, SBI Sumishin Net Bank and SBI Insurance, have steadily increased the number of their customers, and the Group's total customer base also continues to increase.

Group Companies

212 companies

The SBI Group consists of 212 companies, of which 173 are consolidated subsidiaries, and 39 are equity method associates.

> Performance

Consolidated Operating Revenue

¥ **245.0** billion

Consolidated operating revenue exceeded the previous historical high of ¥232.8 billion recorded in the year ended March 31, 2014, and reached ¥245.0 billion, with factors such as strong trends in the Financial Services Business contributing to the increase.

Consolidated Operating Income

¥ **68.2** billion

Consolidated operating income was recorded at ¥68.2 billion, exceeding the previous record of ¥49.6 billion that was recorded in the fiscal year ended March 31, 2006.

ROE (Ratio of Profit to Equity Attributable to the Owners of the Company)

12.9 %

ROE for the year ended March 2015 significantly exceeded the previous fiscal year's level, and was recorded at 12.9%. Continued improvements in ROE will be pursued through an ongoing promotion of management emphasis on profitability and shareholder returns.

> ESG

Number and Percentage of Outside Directors

7/41.2 %

As of June 26, 2015, there were seven outside directors appointed to the Board of Directors of SBI Holdings, comprising 41.2% of the total Board.

Cumulative Donations Made by the SBI Children's Hope Foundation

Approx. ¥ **950** million

The SBI Group established the SBI Children's Hope Foundation, to actively engage in the pursuit of solutions concerning child welfare problems, as the children are the future of Japan. The cumulative total of donations contributed by the Foundation, up to the fiscal year ended March 31, 2015, amounted to approximately ¥950 million.

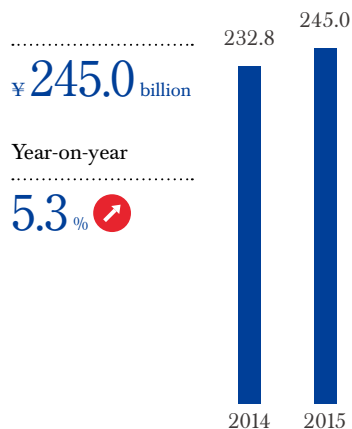
The Local Staff Ratio at Overseas Offices

78.8 %

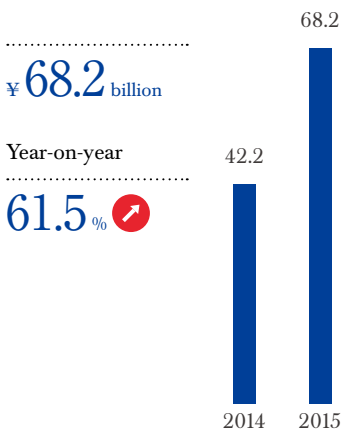
Along with the development of businesses in various regions, the SBI Group has a lot of talented individuals from diverse nationalities. Local staff members at the overseas offices account for about 80% of the total staff, with diversity continuing to increase.

Consolidated Financial Highlights (IFRSs)

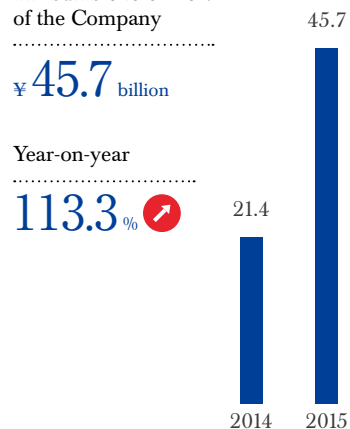
Operating revenue (Billions of yen)



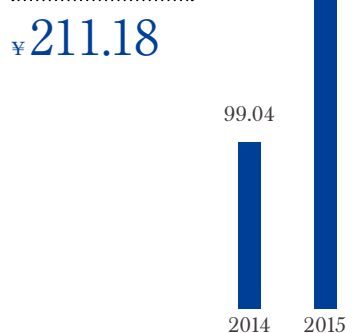
Operating income (Billions of yen)



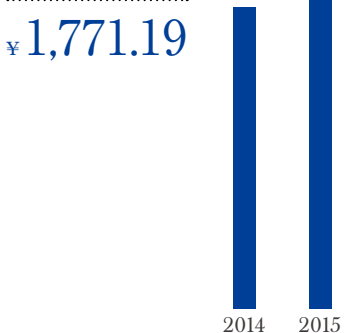
Profit for the year attributable to owners of the Company (Billions of yen)



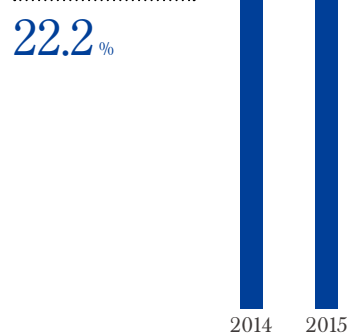
Basic earnings per share attributable to owners of the Company (Yen)



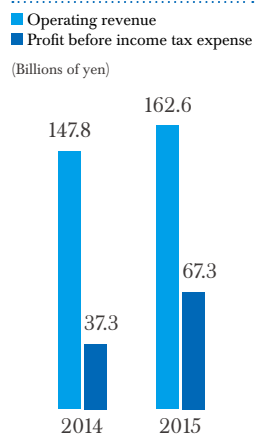
Equity per share attributable to owners of the Company (Yen)



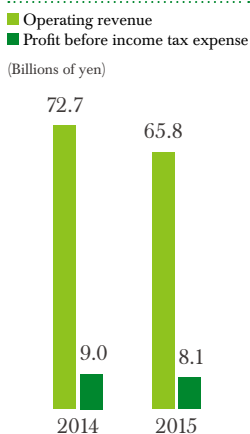
Substantive ratio of equity attributable to owners of the Company to total assets (%)



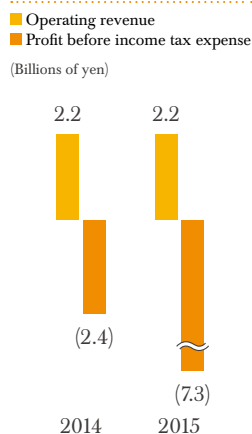
Financial Services Business



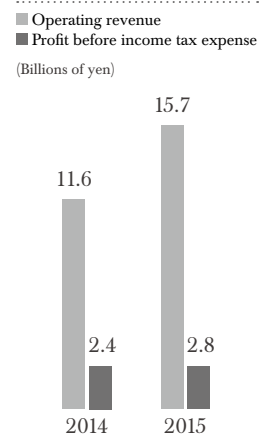
Asset Management Business



Biotechnology-related Business



Others












Main Group Companies

Engaging in a wide variety of businesses

Financial Services Business

The Group engages in a wide variety of finance-related businesses as well as the provision of information regarding financial products.

	SBI SECURITIES Co., Ltd. Comprehensive online securities company		SBI Sumishin Net Bank, Ltd. Internet bank
	SBI Insurance Co., Ltd. Internet nonlife insurance		SBI Life Insurance Co., Ltd. Life insurance
	SBI MONEY PLAZA Co., Ltd. “Face-to-face” shops that provide financial products		SBI Japannext Co., Ltd. Proprietary Trading System (PTS)
	SBI Liquidity Market Co., Ltd. Provision of market infrastructure to FX trading		SBI FXTRADE Co., Ltd. FX trading
	Morningstar Japan K.K. Rating information for investment trust, others		

Asset Management Business

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

	SBI Investment Co., Ltd. Venture capital		SBI Asset Management Co., Ltd. Investment advisory
	SBI VEN CAPITAL PTE. LTD. Overseas private equity fund management		SBI Investment KOREA Co., Ltd. Venture capital in South Korea
	SBI Savings Bank Savings bank in South Korea		

Biotechnology-related Business

The Group engages globally in the research and development of pharmaceutical products and the development and marketing of health foods and cosmetics.

	SBI Pharmaceuticals Co., Ltd. Development, manufacture, and sale of 5-ALA-related products*		SBI ALApromo Co., Ltd. Sales of 5-ALA-related products*
	SBI Biotech Co., Ltd. R&D of pharmaceuticals		

* Pharmaceuticals, health foods and cosmetics containing 5-ALA

To Our Stakeholders



Representative Director,
President & CEO

Yoshitaka
Kitao

Leaping Forward to Contribute Higher Value

Further evolutionary challenges toward a
sustained expansion of corporate value

Since its establishment, the SBI Group has consistently adhered to the “Customer-centric Principle,” and along with a business strategy that befits the trend of the times, has been able to expand its business scale. Currently, an enhancement of earnings capacity is being sought by a thorough pursuit of the business “Selection and Concentration,” along with the continued maintenance of a level of investments required to realize further growth, with an increasing management emphasis on shareholder returns. The SBI Group is committed to the attainment of further rapid growth through continued self-evolution, as well as to steadily increase its corporate value.

01

FY2014 Review

Along with operating revenue and operating income significantly exceeding the historical highs, ROE was recorded at 12.9%, which was a significant improvement over the previous fiscal year, and surpassed the current milestone target of 10%

The fiscal year ended March 31, 2015 (FY2014) commemorated the 15th year anniversary since the founding of the SBI Group, as well as the milestone year for the transition from a growth phase to a new dramatic growth phase.

With reference to the domestic and overseas stock markets that have a major impact on the investment and securities businesses, domestically, share prices initially softened owing to a slump in consumer spending after the consumption tax hike in April 2014. However, positive trends emerged in the second half of the fiscal year, with the Nikkei Stock Average recovering its pre-Lehman Brothers collapse levels, primarily owing to the additional monetary easing that was announced by the Bank of Japan in October 2014, as well as the recovery in corporate performance owing to the continued weakness of the yen on the foreign exchange markets, as a backdrop. There was also an increase in the number of domestic IPOs (excluding TOKYO PRO Market listings) to 86 companies, which was 33 companies more than for the previous fiscal year.

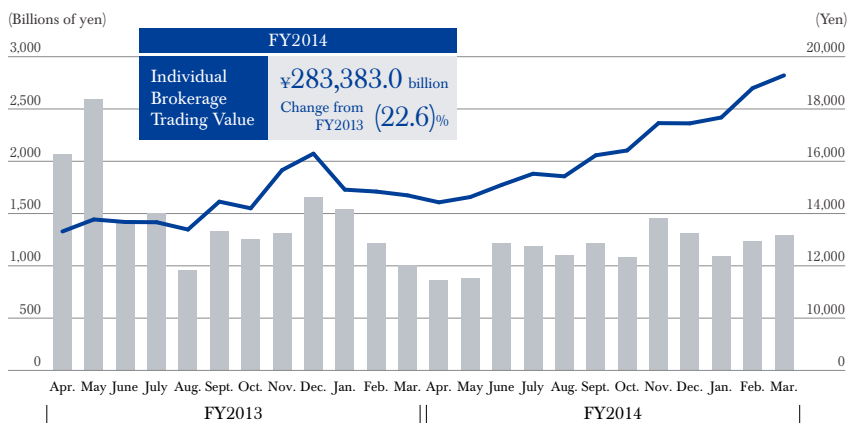
On the other hand, in the overseas markets, despite the moves toward the normalization of the U.S. monetary policy,

and the uncertainties surrounding the economic outlook for Europe and some emerging countries, the major stock markets continued their firm trend, and the number of IPOs increased significantly.

Under such circumstances, the consolidated financial results for SBI Holdings, based on the International Financial

Reporting Standards (IFRSs), showed significant growth in revenue and profits for FY2014. Operating revenue increased by 5.3% year-on-year in FY2014 to ¥245.0 billion, and operating income was 61.5% higher at ¥68.2 billion, which is not only the highest since the adoption of the IFRSs in FY2012, but also substantially higher than the past record high under the Japanese accounting standards (JGAAP). Profit before income tax expense was 62.1% higher year-on-year at ¥63.1 billion, and profit attributable to owners of the Company more than doubled with a 113.3% increase to ¥45.7 billion. Return on shareholders' equity (ROE), which is calculated as the ratio of profit to equity attributable to the owners of the Company, reached 12.9%, which is substantially higher than the previous fiscal year's figure of 6.8%, and well above the current milestone target of 10%.

Average Daily Individual Brokerage Trading Value* / End-of-month Nikkei Stock Average



■ Average daily individual brokerage trading value (left axis) — End-of-month Nikkei Stock Average (right axis)
 * Japanese Stocks listed on Tokyo Stock Exchange and Nagoya Stock Exchange (including TSE Mothers, JASDAQ and NSE Centrex)

Source: Compiled by the Company from disclosed data from TSE

To Our Stakeholders

By segment, in the Financial Services Business, almost all the major group companies, including SBI SECURITIES, SBI Japannext, SBI Liquidity Market, SBI FXTRADE, SBI MONEY PLAZA, Morningstar Japan, and SBI Sumishin Net Bank, set new record highs in terms of profits. In addition, companies operating at a loss, such as SBI Insurance and SBI Card, substantially reduced their losses, resulting in profit before income tax expense for this segment to increase by 80.5% year-on-year, to ¥67.3 billion.

In the Asset Management Business,

although the Group recorded losses resulting from share price declines of the listed stocks held, and the loss from the changes in the fair value of the U.S. shale gas-related stocks owing to the decline in crude oil prices, SBI Savings Bank of South Korea recorded profit before income tax expense of ¥16.7 billion, which was an increase of approximately 4.2 times from the previous fiscal year. As a result, profit before income tax expense for this segment was 9.5% lower year-on-year at ¥8.1 billion.

With reference to the Biotechnology-related Business, primarily owing to an

one-time loss resulting from the partial revaluation of a pipeline asset of a subsidiary of SBI Biotech, the results remained negative, with a loss before income tax expense of ¥7.3 billion. However, steady progress was made toward the achievement of profitability in this segment, owing to the meaningful increase in shipments of health foods and cosmetics containing 5-ALA, as a result of television advertising and an increase in the number of pharmacies and other outlets that handle these products, as well as an increase in the products offered.

02

New Challenges for the Three Major Businesses

The SBI Group will continue its efforts to strengthen its profitability throughout the entire Group, with new initiatives in each business segment

Promoting new initiatives in the Financial Services Business as a financial services innovator

In February 2015, the SBI Group re-entered the life insurance business through the acquisition of SBI Life Insurance (formerly PCA Life Insurance) as a consolidated subsidiary, completing the domestic financial

Topics for the Year

2014

Apr.	Biotechnology-related Business Started sales of a Aladuck LS-DLED, a bicolored medical LED light source.
May	Financial Services Business The number of accounts at SBI Sumishin Net Bank surpassed 2 million.
	Asset Management Business Entrusted by South Korean government affiliated institutions to manage funds including "KONEX Market Vitalization Fund" and "Overseas Expansion Platform Fund."
June	Asset Management Business Entrusted by South Korean government affiliated institutions to manage funds including "Digital Contents Fund" and "2014 KIF Fund."
	Financial Services Business The number of accounts at SBI SECURITIES surpassed 3 million.

June	Financial Services Business SBI Insurance earned its first quarterly profit since its founding.
	Corporate Information Meetings (briefings for individual shareholders) held in Tokyo, Osaka, and Nagoya.
	
Aug.	Corporate SBI Mortgage (currently ARUHI) share transfer completed.

Oct.	Asset Management Business SBI Savings Bank merged with its subsidiary banks.
	
Nov.	Financial Services Business The balance of deposits at SBI Sumishin Net Bank reached the ¥3.5 trillion milestone.
Dec.	Corporate Information Meetings (briefings for individual shareholders) held in Tokyo, Osaka, and Nagoya.

ecosystem consisting of the three core businesses of securities, banking and insurance. The synergies that this financial ecosystem creates may be considered one of the Group's most important strengths, and going forward, various steps will be taken to further strengthen this financial ecosystem.

In the securities business, while endeavoring to maintain its position as the leading online securities company in terms of the customer base, including the number of accounts and customer deposit assets, as well as in stock brokerage trading value share and profitability, SBI SECURITIES has already far surpassed the major face-to-face securities companies in the retail business in Japan. Therefore, the Group believes that SBI SECURITIES has moved beyond competition with other online securities companies in Japan, and that in order to pursue a strategy to rank among the major face-to-face securities companies, it must now move to further expand its corporate business, including underwriting, distribution and trading, as well as to further strengthen the rapidly growing retail business.

In the banking business, SBI Sumishin Net Bank has announced that SBI Card will become its subsidiary as of October 2015, and this will allow SBI Sumishin Net Bank

to make a full-fledged entry into the credit card business, which it expects to cultivate as one of its core businesses.

In the insurance business, SBI Insurance is expecting the realization of a full-year profitability for FY2015, and is progressing toward the expansion of its product offerings through the development of fire insurance, in addition to its auto insurance. With the establishment of SBI Life Insurance, preparations are underway for the resumption of efforts to attract new policyholders, as the Group considers a foray into the reinsurance business to strengthen the earnings capacity of the insurance companies. Additionally, considerations are being made for the establishment of an insurance holding company, to improve the operating efficiency of the insurance business, as well as to maximize Group synergies for this business.

The Asset Management Business' thorough pursuit of scale expansion and improvements in investment quality

In the venture capital business, management is endeavoring to expand its operational

scale through the establishment of a ¥15.0 billion flagship fund in Japan, and preparations are already underway for the establishment of Number 2 Funds, which are bigger than the existing Number 1 Funds overseas, through capital contributions from outside investors.

In the overseas financial services business, SBI Savings Bank of South Korea has completed its business revitalization efforts, and along with changes in its management structure and measures to expand its credits, is now pursuing a growth strategy toward the realization of an early IPO.


Also, owing to the dramatic increase in the total assets managed by the Group, considerations are being made for the establishment of a company that will preside over the assets managed, with the intention of restructuring and strengthening the Group-level asset management organization.

The Biotechnology-related Business is pursuing an early profitability realization, led by the 5-ALA-related business, which has already transitioned to the monetization phase

In the Biotechnology-related Business, SBI

2014/2015

Dec. Biotechnology-related Business
Patent obtained relating to use of 5-ALA as the active ingredient of a prophylactic/ameliorating agent for adult diseases.




Jan. Biotechnology-related Business
Patent licensing agreement concluded with Cosmo Oil.

Financial Services Business
SBI Sumishin Net Bank's cumulative total of housing loans exceeded ¥2.1 trillion.

Feb. Financial Services Business
PCA Life Insurance (currently SBI Life Insurance) converted into a consolidated subsidiary.

Biotechnology-related Business
Started sales of the medical light source "Violet LD Light Source Alcedo LS-VSD."



Corporate
SBI Life Living share transfer completed.

Asset Management Business
Investment company established jointly with Finansa, a comprehensive financial group in Thailand.

Mar. Financial Services Business
Bank agency business started at SBI MONEY PLAZA.

Asset Management Business
Memorandum of understanding on a business alliance signed with Rizal Commercial Banking Corporation, a leading financial institution in the Philippines.

Biotechnology-related Business
ALApi full-body moisturizing cream launched.



Pharmaceuticals has conducted global R&D collaborations for 5-ALA with over 90 research organizations, and as a result, steady progress has been made in various fields, including clinical trials in preparation for the use of 5-ALA-based pharmaceutical products in Japan and abroad. Moving

forward, an early stage profitability will be sought through an alliance strategy that includes the licensing-out of technology to major companies in the health food business. Additionally, SBI Biotech, which is seeking to realize an IPO, has been working with leading research organizations in

several countries on promising medical and pharmaceutical R&D pipelines, utilizing leading-edge technology.

03

Further Implementation of Business “Selection and Concentration”
to Realize a Sustainable Increase in Corporate Value

Shifting from a scale expansion emphasis for the completion of an Internet-based financial ecosystem, to a system that emphasizes profitability and shareholder returns

The SBI Group has established the world’s first Internet-based financial conglomerate that includes an array of businesses, such as securities, banking and insurance, as well as prioritized the establishment of a business ecosystem domestically and abroad by transferring the financial ecosystem to other countries, especially in Asia. Since FY2010, through the thorough pursuit of business “Selection and Concentration,” a transition to a management approach that emphasizes profitability has been enacted, and moving forward there will be a further emphasis on shareholder returns.

The business “Selection and Concentration” strategy includes IPOs, the sale of non-core businesses, and an in-depth restructuring of the Group’s internal organization. Since FY2011, these efforts, which include the sale of subsidiaries, have resulted in the recovery of funds totaling over ¥45.0 billion, and in FY2014, approximately ¥16.6 billion was recovered through the sale of real estate holdings. Through intensively investing part of the recovered cash into the Group’s three core businesses, a significant improvement in the performance of loss-making companies, and a substantive increase in the earnings of profitable companies were realized, thereby further strengthening the

Group-wide earnings potential. In FY2015, the ownership of SBI Card will be transferred to SBI Sumishin Net Bank, as a part of the continued commitment to the ongoing process of business “Selection and Concentration.”

Furthermore, the strong business performance in FY2014 was reflected in the shareholder returns, with ordinary dividend increased by ¥10, to ¥30 per share. In order to commemorate the 15th year anniversary of the founding of the SBI Group, a ¥5 commemorative dividend was implemented, bringing the full-year dividend total for FY2014 to ¥35, a year-on-year increase of ¥15. Additionally, owing to the repurchase of shares worth approximately ¥10.0 billion during May and June 2015, which was equivalent to 2.6% of the total issued shares outstanding, the total shareholder returns, including dividends and the share repurchases, amounted to approximately ¥17.6 billion, which equates to a total shareholder return ratio of 38.5%.

As the Group aspires to achieve its next stage ROE milestone target of 15% and shareholder return ratio of 40%, a balanced allocation of profits and cash generated for future investments and shareholder return will be strategized, in order to

further strengthen the Group’s earnings capacity.

In FY2015, as the Group enters into a new growth phase of rapid expansion and evolution, it will implement an array of measures to achieve a sustainable increase in corporate value. As such, the continued support of all shareholders will be greatly appreciated, as the SBI Group will continue to undertake new challenges.

Yoshitaka Kitao

Representative Director, President & CEO

Strengthening the Group Management System toward the Visualization of Business Value

The SBI Group consists of the three core businesses of the Financial Services Business, the Asset Management Business and the Biotechnology-related Business. Since FY2015, three Representative Directors have led the businesses, to enhance the driving force of the entire business domain through a pursuit of the strengthening of intra-Group collaborations, for further enhancement of synergies.

Additionally, along with a realization of Hong Kong Stock Exchange listing in April 2011 as the first Japanese company, from FY2012, SBI Holdings, Inc. voluntarily adopted IFRSs as the first Japanese financial services company to ensure transparency and accountability in its business activities, and to continue with the visualization of business value. The entire Group will continue to thoroughly promote the business “Selection and Concentration,” to further enhance the process of actualizing the business value of each business segment.



Representative Director,
Senior Executive Vice President & Co-COO

Katsuya Kawashima

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

Representative Director,
President & CEO

Yoshitaka Kitao

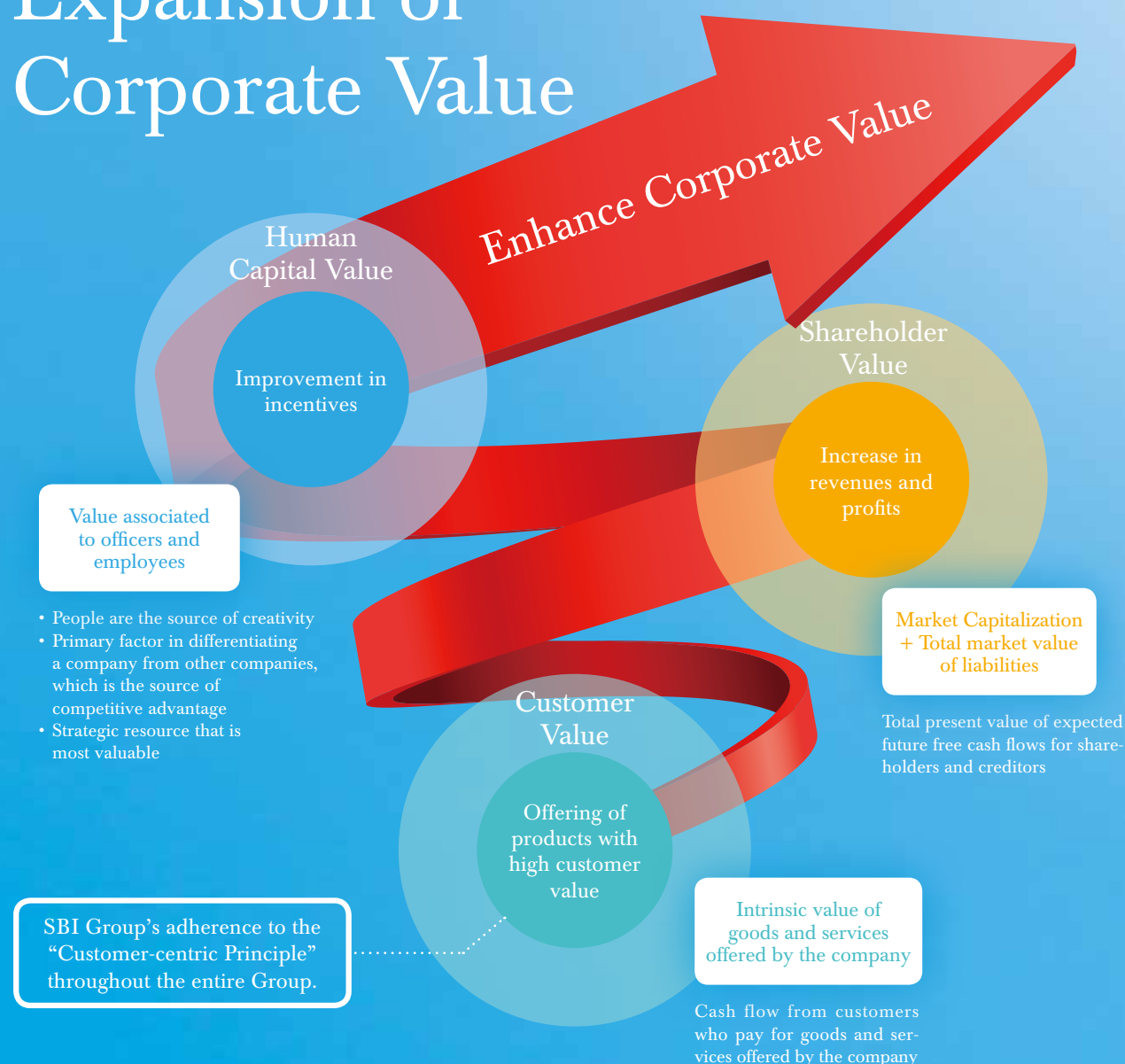
Representative Director,
Senior Executive Vice President & Co-COO

Takashi Nakagawa

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



Toward a Sustainable Expansion of Corporate Value



The SBI Group defines corporate value as an aggregation of customer value, shareholder value and human capital value. Customer value is the intrinsic value of the goods and services offered by the company. It is also the cash flow from the customers who pay for the goods and services of the company. Shareholder value is the sum of the total market capitalization and total market value of liabilities. It represents the total present value of free cash flows that are expected to be received by the shareholders and creditors of the company in the future. Human capital value is the value attached to the officers and employees of the company. The SBI Group regards people as its most valuable strategic resource. They are the primary factor in the differentiation of a company from other companies, which is a source of competitive advantage for that company.

The SBI Group believes that the creation of customer value is the foundation of corporate value. Customer value, shareholder value and human capital value are mutually interconnected, and increase over time in a virtuous cycle. Based on this definition, the SBI Group is endeavoring various measures to maximize its corporate value.

Customer-centric Principle

Achieved overwhelming price competitiveness by utilizing the Internet

The best services in the industry

Providing a wide range of products and services

Ensuring customer satisfaction

Earned high evaluations for customer satisfaction from third party assessment institutions

Generating cash flows through “Selection and Concentration”

Improving earnings capacity through an intensive investment of capital into the Group's core businesses

Balanced allocations of cash to shareholder returns and future investments

Reducing interest-bearing debt

Recruitment

Ensuring a talented pool of employees through continuous new graduate and mid-career hires

Human resource development

Training at the SBI Graduate School, and fast-tracking of talented young employees for key posts

Increasing incentives

Issuance of stock options and enhancement of welfare systems

Customer Value

Realized a customer base growth to approximately 18 million, through the adherence to the “Customer-centric Principle”

The SBI Group endeavors to maximize customer value by consistently adhering to the “Customer-centric Principle” throughout the entire Group. The Group, especially in the Financial Services Business, thoroughly pursues the benefit of customers in a number of ways, including offering overwhelmingly low commissions and insurance premiums, and deposit products with favorable interest rates. At the same time, Group companies provide the highest level of service in the industry by enhancing their product ranges from the customer's perspective, and delivering a wide range of services that combine convenience with strong security. This is reflected in consistently achieving high customer satisfaction, as conducted by third party research organizations, and in the growth of the Group-level customer base to approximately 18 million.

Shareholder Value

Improving shareholder value through business “Selection and Concentration”

The SBI Group is actively pursuing business “Selection and Concentration” including the sale of its non-core businesses, IPOs and an in-depth restructuring of the Group's internal organization, to maximize cash flows and to strengthen its earnings capacity by concentrating capital into its core businesses. The acquired earnings and the cash generated through the business “Selection and Concentration” will be allocated to both shareholder returns, such as dividend increases and share buybacks, and investments for future business expansion and growth. This balanced allocation of capital will allow the Group to increase its shareholder value. In addition to the generation of cash flows, the Group will also endeavor to reduce interest costs by using a portion of the cash toward the repayment of interest-bearing debt, as well as for preparations to refinance interest-bearing debt at lower interest rates.

Human Capital Value

Securing human capital which is the source of corporate competitiveness

Along with the SBI Group's growth, both new graduates and mid-career employees have been continuously hired in Japan and abroad, securing a talented pool of employees who are the source of corporate competitiveness. Furthermore, the Group focuses on the development of talented employees, as it provides employees with training opportunities, including MBA and senior management courses at the SBI Graduate School. The evaluation of employees is made on the extent of their achievements, without regard to nationality, age, gender, or other attributes. For example, female employees are actively promoted to managers, and talented young employees are promoted to positions such as officers of Group companies. Additionally, the SBI Group has enhanced its employee incentive programs, including the issuance of stock options, enhancement of welfare systems and the abolishment of upper age limits for reemployment after retirement age.

Promoting New Initiatives as a Financial Innovator

Since its establishment, the SBI Group has formed the world's first Internet-based financial conglomerate, providing financial services in a wide range of categories, including securities, banking and insurance. The Group has also achieved dramatic growth by maximizing synergies among its businesses, and will promote new initiatives as a financial innovator.

With Competition having Concluded with Other Online Securities Companies, Now Challenging Major Face-to-face Securities Companies

SBI SECURITIES has grown to lead other online securities companies, in terms of customer base, stock brokerage trading value share and earnings capacity. Therefore, the Group believes that the competition with other online securities companies has concluded, and is now promoting a further expansion of its corporate business to rank among the major face-to-face securities companies, on the basis of a retail business that is clearly superior to the face-to-face securities companies, as evidenced by its individual stock brokerage trading value.

Further Strengthening the Retail Business that is Clearly Superior to the Major Face-to-face Securities Companies

SBI SECURITIES has been purchasing structured bonds from other financial institutions, and selling them in collaboration with SBI MONEY PLAZA. In order to reduce its cost incurred to financial institutions outside of the SBI Group, and to increase the profit return ratio to its customers, the origination process for structured bonds will be internalized, from the development to the management of the bonds. Through strategies such as this, the Group will further strengthen the retail business, which is clearly superior to the major face-to-face securities companies. In order to accelerate the efforts to internally originate structured bonds, SBI SECURITIES further strengthened its structured bond team by acquiring Book Field Capital Co., Ltd., which possesses specialized expertise in this area, as a wholly owned subsidiary in April 2015.

In addition, the Group is working to expand its foreign exchange operations into Asia to realize a further business expansion of the foreign exchange-related business, which has strong synergies with SBI SECURITIES. In May 2015, the Group established a subsidiary in Hong Kong to act as a hub for foreign exchange trading services in Mainland China and neighboring Asian countries, and will be positioned to ensure the liquidity of foreign exchange transactions in this region through this new company.

Further Strengthening the Corporate Business to Rank among the Major Face-to-face Securities Companies

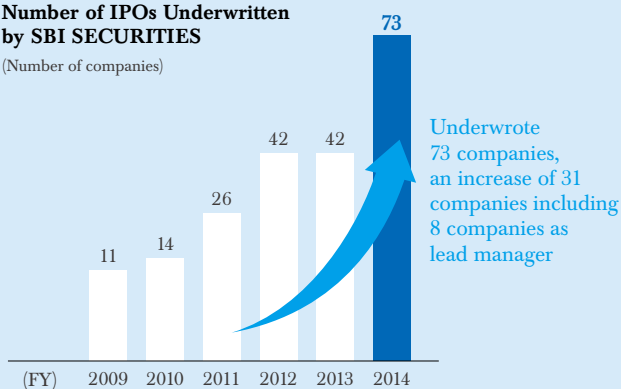
The Group strategy to compete with the major face-to-face securities companies is to further buttress its underwriting, distribution and trading operations. In FY2014, SBI SECURITIES underwrote initial public offerings (IPOs) for 73 companies, and leads the industry in terms of both the company's involvement in 84.9% of IPOs underwritten and the number of companies for which it provided underwriting services. Among those, SBI SECURITIES was a lead manager for 8 companies, and for FY2015, it is targeting a lead manager position for 10 or more companies. SBI SECURITIES will continue to strengthen its IPO underwriting business, while also taking advantage of the customer base of SBI MONEY PLAZA, to expand the public offerings (POs) for existing public companies.

Established a New System Development Company to Reduce System-related Costs

In July 2015, the SBI Group established a system development company that develops unique online systems for internal and external use, for the online securities business. This company will bring together all of the system development know-how that was accumulated within the SBI Group. The Group is endeavoring to reduce

Number of IPOs Underwritten by SBI SECURITIES

(Number of companies)



its system-related costs incurred by SBI SECURITIES through the establishment of this company. In the medium- to long-term perspective, the company is considering to offer system development services for internal and external use, not only for the securities business, but also for the banking and insurance businesses.

Strengthening the Earnings Capacity of the Banking Business through Group Collaborations

SBI Sumishin Net Bank is the leading pure-play Internet bank in Japan. In April 2015, the Bank determined to acquire SBI Card as its subsidiary, thus allowing the Bank to make a full-fledged entry into the credit card business. The card business will be developed into one of the Bank's core businesses through an integrated management, including the development of card loans and other products that have a close affinity to the products and services offered by the Bank. The Bank will also encourage the issuance of cards both within and outside of the SBI Group through the establishment of a committee composed of members from affiliated companies, and the cooperation of marketing strategies within the Group companies. Furthermore, through the enhancement of systems and functions as a subsidiary of the Bank, it will promote a full-scale acquisition of new customers, along with an improvement of revenue sources, which will lead to an early transition to profitability for the card business.

In addition, SBI Sumishin Net Bank will target further improvements in the earnings capacity of the banking business, by thoroughly pursuing synergies with SBI MONEY PLAZA, which provides the Group with a common infrastructure for the Financial Services Business. SBI MONEY PLAZA began a bank agency business in March 2015, that allows SBI MONEY PLAZA to offer ordinary yen deposits and time deposit accounts at its seven directly-managed SBI MONEY PLAZA shops, as well as the "MR. Housing Loan REAL"

which is an housing loan with special terms, including floating- and fixed-interest rates, which is a dedicated product for bank agencies.

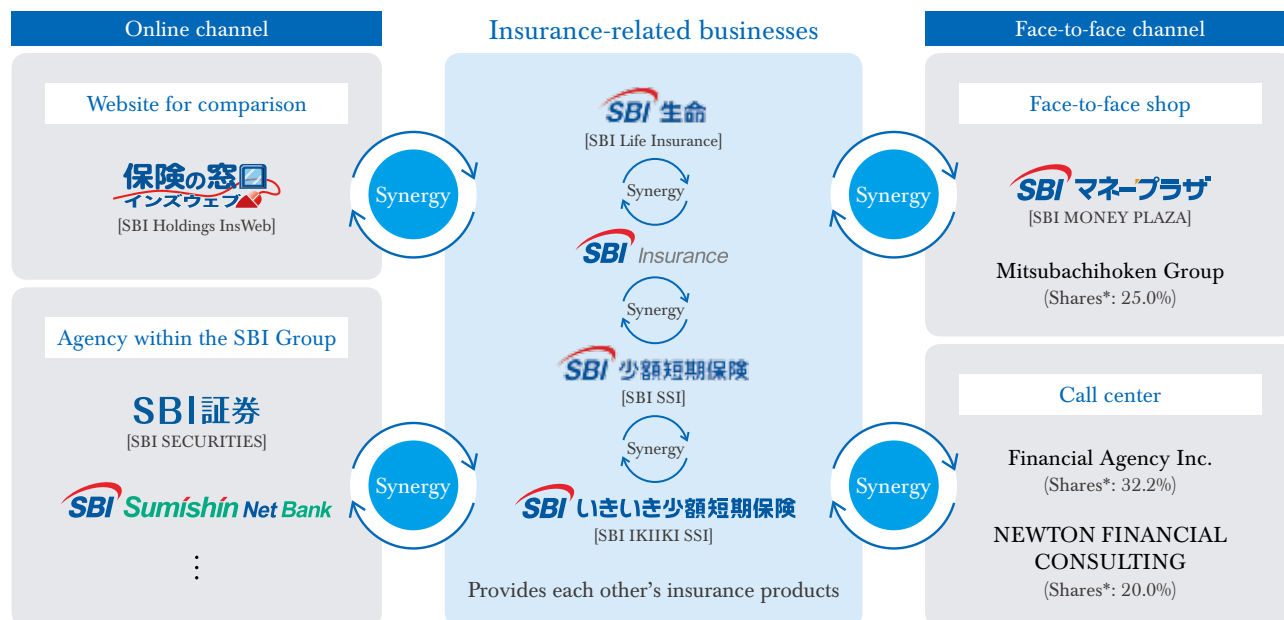
Focusing the Group's Comprehensive Strengths into the Insurance Business

SBI Insurance is expected to achieve yearly profitability in FY2015. It is now working to expand its product offering, such as considering the development of fire insurance products. Upon the launch of a fire insurance product, synergies with SBI Sumishin Net Bank, which deals in housing loans, will be thoroughly pursued.

In February 2015, the SBI Group re-entered into the life insurance business, by acquiring SBI Life Insurance (formerly PCA Life Insurance) as a consolidated subsidiary. In order to resume the procurement of new contracts, which has been suspended since February 2010, SBI Life Insurance is currently preparing for the start of the procurement of new contracts, including the expansion of its work force, the development of a sales structure, and the launch of a company-wide project team inaugurated for product development. With the pure-play online life insurance companies showing the limitations of growth in their business through a decline in the number of new policies written, SBI Life Insurance will seek to expand its business scale through the maximum utilization of the Group's customer base and sales channels, regardless of whether they may be online or face-to-face.

The SBI Group is also making preparations for a foray into the reinsurance business to strengthen the earnings capacity of the insurance business. By establishing a reinsurance company, and aggregating the reinsurance premiums paid to external reinsurance companies, the Group is seeking a reduction in its total reinsurance payments paid to external sources. Furthermore, the Group is exploring the possibility of establishing an insurance holding company to maximize efficiency and synergy in the insurance business.

Group Synergies in Insurance Business



* Shares: SBI Holdings' shareholding percentage corresponds to a total percentage based on the IFRSs criteria for subsidiary companies and subsidiary funds of the Group. (As of March 31, 2015)

Thorough Pursuit of Scale Expansion and Improvements in Investment Quality

The SBI Group, through its venture capital funds, is endeavoring to cultivate the core industries of the 21st century from its investments into domestic companies by enhancing their enterprise value. Also, a global asset management operation is being undertaken through venture capital investments with prominent local partners, focused primarily in the emerging countries of Asia. Furthermore, by utilizing the know-how that was accumulated in Japan, with due consideration of the circumstances of each country, and with the cooperation of prominent local partners, the Group is promoting the establishment of a financial ecosystem abroad, focusing primarily on Asia.

Expanding Operational Scale through the Strengthening of Every Value Chain

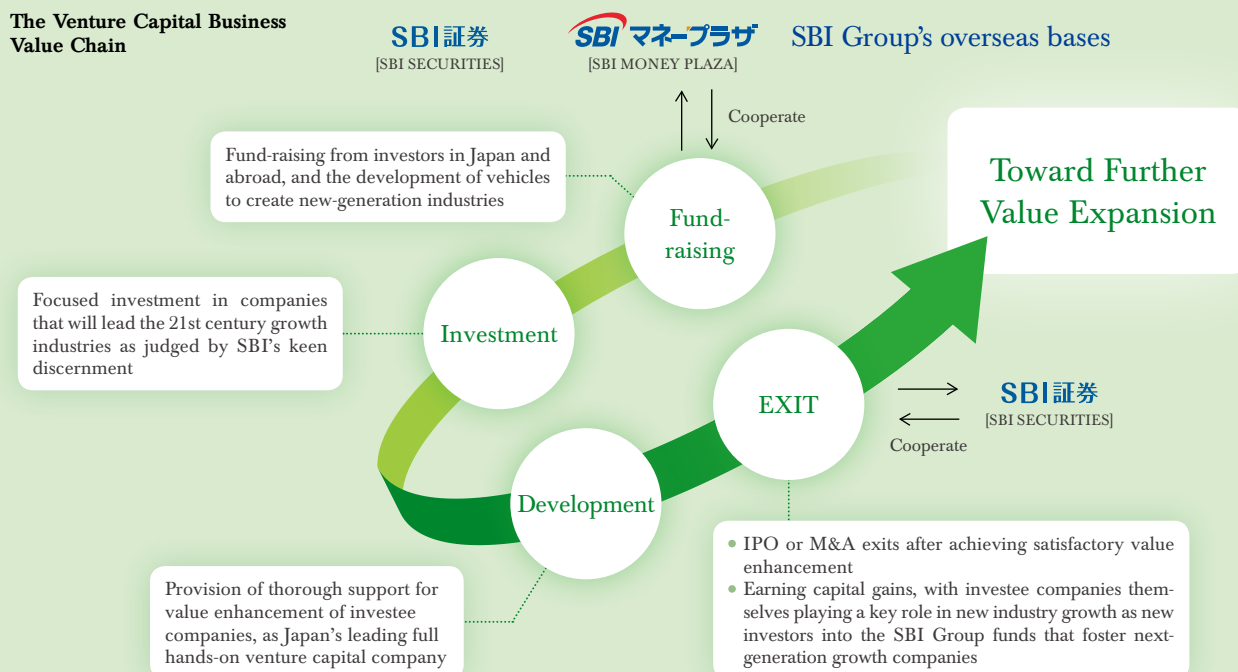
In the venture capital business, the SBI Group is endeavoring to expand the operational scale in Japan and abroad. Therefore, the Group is working to strengthen its structure, and deepen the collaboration within the SBI Group across the value chain, from fundraising and investments to the development of investee companies, and the realization of exits.

Domestically, SBI Investment established a ¥15 billion flagship fund that targets next-generation promising unlisted companies, in fields such as IT, environment and energy, and healthcare. It is now

preparing to form three new funds of a similar size in FY2015.

Overseas, the existing Number 1 Funds, which were established with prominent local partners, are steadily delivering results, and preparations are underway to establish the Number 2 Funds, which will be larger than the former funds, by securing capital contributions from outside investors in Malaysia, Brunei and Taiwan. Furthermore, in Korea, a total of five funds were commissioned by government agencies to be managed by SBI Investment KOREA since January 2014. Furthermore, SBI Investment KOREA is endeavoring to be selected to manage another five funds, and is also in discussions with major domestic and overseas financial groups about the establishment of other funds.

The Venture Capital Business Value Chain



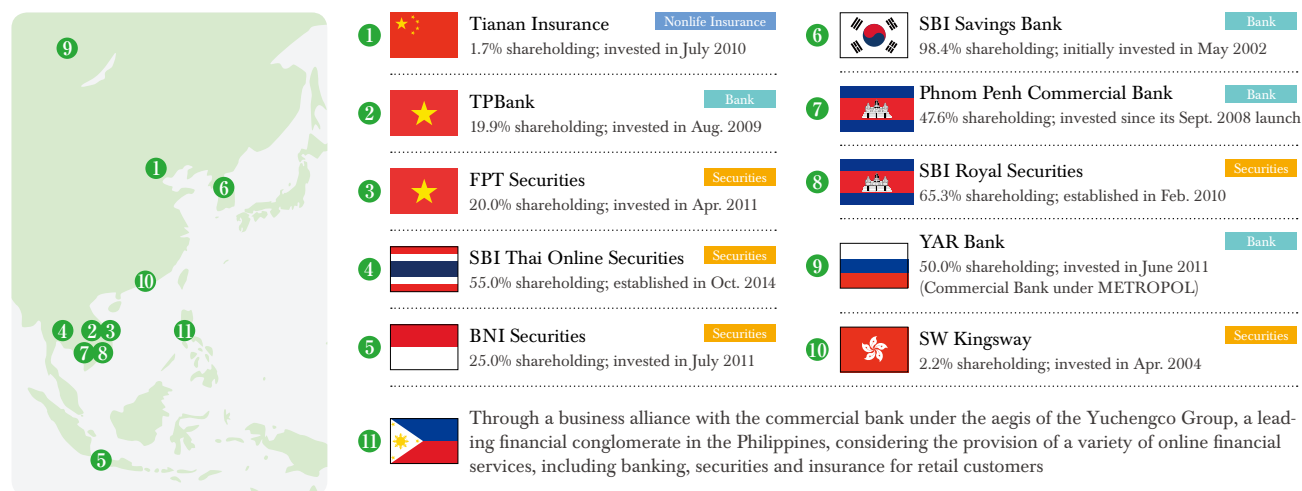
Expanding the Financial Services Business Overseas, to become the “World’s SBI”

With the addition of the life insurance business, the SBI Group has completed its financial ecosystem in Japan, so investments into the Financial Services Business in Japan are nearly over. Hereafter, for the transition from “Japan’s SBI” to the “World’s SBI,” the Group goal is the promotion of the establishment of financial ecosystems abroad, in collaboration with prominent overseas partners, through the transference of the know-how and expertise accumulated by the

SBI Group from the development of its financial services business in Japan.

As recently as March 2015, a memorandum of understanding on a business alliance to provide online financial services for retail customers with the Rizal Commercial Banking Corporation (RCBC), which is the commercial bank under the aegis of the Yuchengco Group, a financial conglomerate in the Philippines, was signed. In the autumn of 2015, the Group will also start operation of the first ever pure-play online securities company in Thailand through a joint venture with Finasia Syrus Securities Public Company Limited.

Expansion of Financial Services Business Overseas



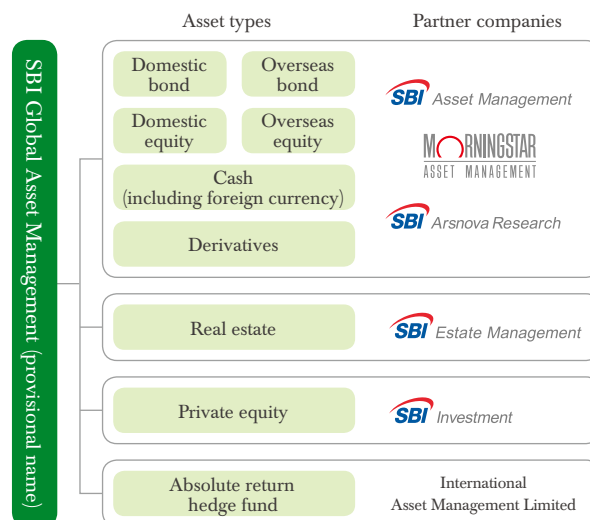
* Shares: SBI Holdings' shareholding percentage corresponds to a total percentage based on the IFRSs criteria for subsidiary companies and subsidiary funds of the Group. (As of March 31, 2015)

Restructuring and Strengthening of the Group's Asset Management Structure

With the dramatic increase in the total amount of assets under management, the SBI Group has initiated the restructuring and strengthening of its asset management structure. Preparations are currently being made for the establishment of a new company, SBI Global Asset Management (provisional name) to preside over the asset management divisions of the Group's institutional investors. This new company will provide SBI Group companies with the asset management know-how, and further options for asset management products, as well as expanding the operational scale by providing unique financial products through SBI SECURITIES and SBI MONEY PLAZA to general investors, for fund raising purposes.

In May 2015, the SBI Group also signed a memorandum of understanding with International Asset Management Limited (IAM), a major hedge fund manager with offices in London, New York and Stockholm. Under this memorandum, IAM will provide a variety of hedge fund investment products for use in an own-account investment by financial institutions of the SBI Group. At the same time, it will also create new opportunities for individual investors and others, to invest in hedge funds by establishing exclusive funds

for investors who are customers of SBI SECURITIES and other SBI Group companies.



5-ALA-related Business Transitioning to the Monetization Phase

SBI Pharmaceuticals is engaged in the research and development of pharmaceuticals, health foods and cosmetics, with 5-aminolevulinic acid (5-ALA) as their main ingredient, and is actively involved in joint research with research organizations in Japan and abroad. Multiple research efforts on the effects of 5-ALA on various target illnesses are proceeding simultaneously, by utilizing a global research network. The 5-ALA-related business is about to transition from the preparation phase to the monetization phase.

5-ALA, an Amino Acid Necessary for Energy Production

5-ALA, which is contained in all organisms, is a natural amino acid produced in the mitochondria, which are the cell's energy factory. It is a fundamental substance of life and a basic ingredient of the heme and cytochrome proteins, which are essential for energy production.

Mitochondria disorders cause energy shortages and slows down metabolism, resulting in the cause of various kinds of adverse physical conditions, and is considered a trigger for increased aging. In addition, since the amount of moisture produced through energy production declines, the relevance with skin dryness has been pointed out as well.

With reference to 5-ALA, while it is utilized in health foods and cosmetics, basic research on drugs to cure various diseases are proceeding. Also, with the elucidation of the physiological functions of 5-ALA, it is gaining attention for possible applications in a wide range of areas. In September 2013, SBI Pharmaceuticals launched ALAGLIO®, an in vivo diagnostic agent used during the surgical resection of malignant glioma.

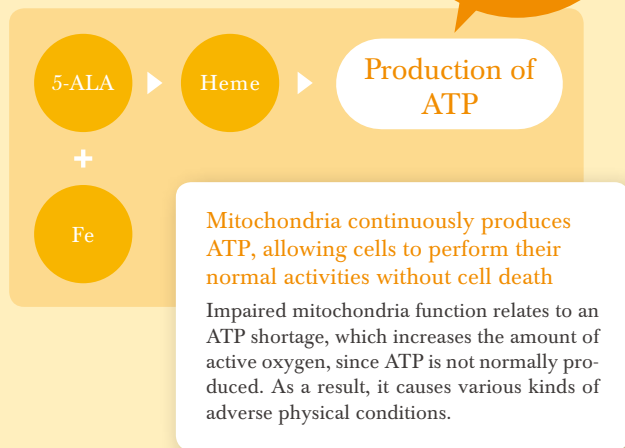
Research on the Effects of 5-ALA on Various Target Illnesses is Proceeding

SBI Pharmaceuticals has built a global research network related to 5-ALA, linking over 90 universities and research organizations in Japan and abroad. Basic research and clinical trials are in progress concerning the use of 5-ALA to treat multiple target illnesses. There has been steady progress on research in numerous fields, including chemotherapy-induced anemia under anticancer drug treatment and metabolic diseases, such as diabetes and chronic kidney disease, and neurogenic disease, such as Alzheimer's disease and Parkinson's disease, as well as mitochondrial disease. Multiple new drugs are expected to be launched going forward.

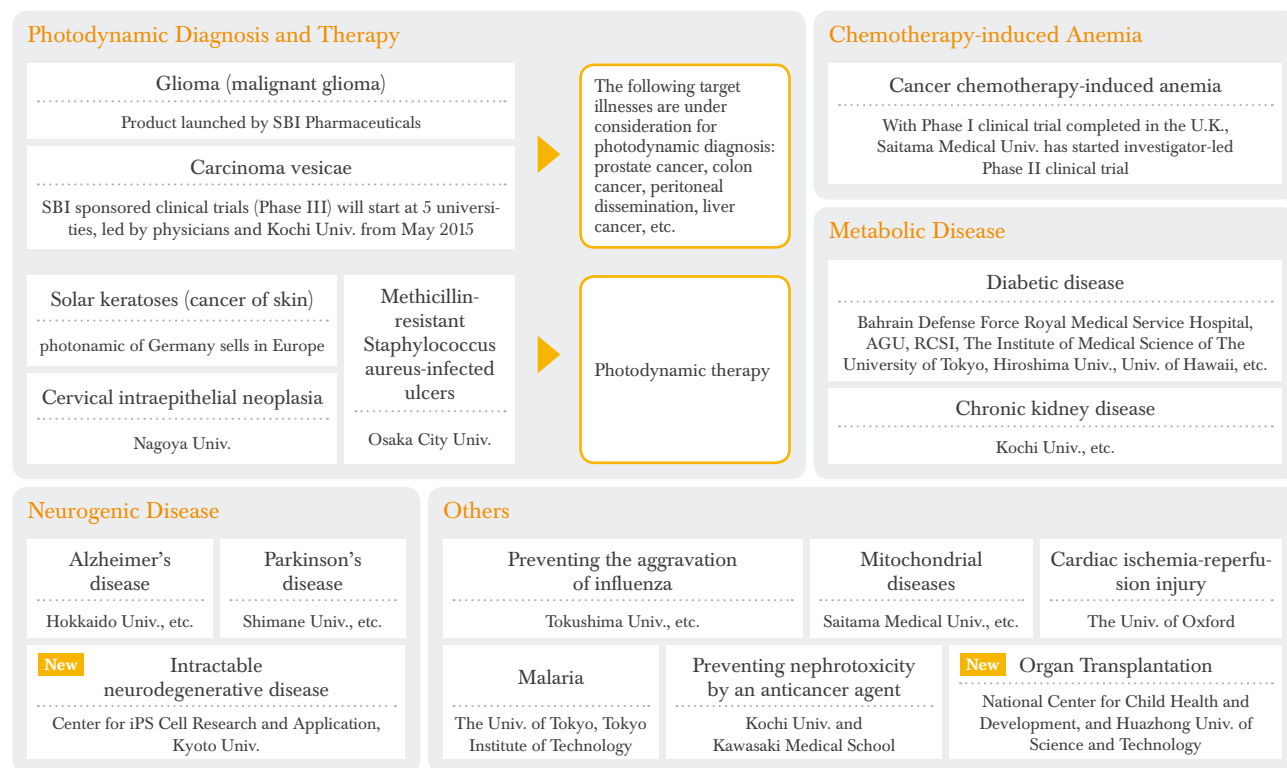
SBI Pharmaceuticals has obtained 21 patents relating to drugs with 5-ALA as their active ingredient, for use in the prevention and mitigation of cancer and adult diseases in Japan. It is also progressively obtaining patents overseas.

5-ALA is Essential for Energy Production

5-ALA and energy generation
in mitochondria



Basic Research and Clinical Research of 5-ALA and Porphyrin Proceeding on Target Diseases



(Compiled by the Company from materials by 5-ALA and Porphyrin Research Society)

Endeavoring Monetization through the Implementation of Strategic Alliances

In January 2015, SBI Pharmaceuticals and Cosmo Oil Co., Ltd. signed a patent licensing agreement that ensures a stable supply of 5-ALA-related products. With this agreement, SBI Pharmaceuticals has created a business infrastructure in preparation for an integrated system extending from the development of pharmaceuticals, health foods and cosmetics containing 5-ALA, to the manufacture and sales of these products. Going forward, SBI Pharmaceuticals will endeavor to establish production bases in various parts of the world, as part of a production structure that will support the reliable supply of 5-ALA-related products on a global scale, and also allow SBI Pharmaceuticals to achieve major reductions in manufacturing costs.

To achieve the monetization of the 5-ALA-related business, strengthening the global development and sales structures will be necessary. In China, Suzhou Yian Biotech Co., Ltd., in which SBI has a 40% shareholding, plans to distribute health foods containing 5-ALA. The product license for this product has already passed a review by the Food and Drug Administration of Zhejiang province, and an application to the Chinese Food and Drug Administration (CFDA) was also accepted, and now an answer from their Technical Committee is being awaited. Production facilities for the health foods have already been completed, and equipment is now being installed. Preparations are underway for the start of production, once the

product licenses are obtained.

In the Middle East, in which the SBI Group regards as an important base for the 5-ALA-related business, the Group will strengthen the sales of health foods by expanding the distribution area. Whereas the Group has already obtained approval for the sale of health foods containing 5-ALA in Bahrain and the United Arab Emirates, the Group now expects to obtain approval in Jordan as well.

In addition to expanding the sales of health foods containing 5-ALA, SBI Pharmaceuticals also plans to expand its earnings by the licensing-out of technology to major companies in the health food business in Japan. By investing capital earned through these activities into the pharmaceutical area, SBI Pharmaceuticals will further accelerate the development of new products. At SBI ALApromo, preparations are underway for the launch of a new "food with function claims" product from the summer of 2015. Through these initiatives, the Group is endeavoring to achieve an early monetization of the Biotechnology-related Business, as well as to realize an IPO of SBI Pharmaceuticals, which is the core company of this segment, within three years.

At a Glance

Overview of the SBI Group's Business Operations (FY2014)

Description of Business

Financial Services Business

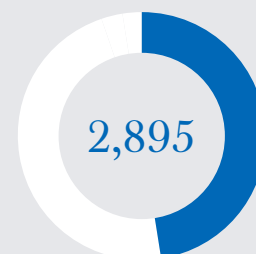


Financial Services Business

Provision of innovative, highly convenient financial products and services via the Internet

- Securities-related businesses
- Banking-related business
- Insurance-related business
- Operation of SBI MONEY PLAZA shops
- Financial media business

Number of employees ^{*1}



Asset Management Business

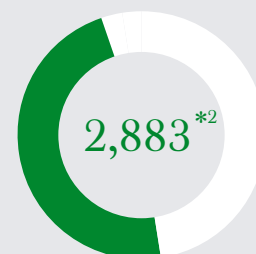


Asset Management Business

Investment in venture companies in Japan and abroad in fields including IT, biotechnology, environment and energy, and finance

- Venture capital business
- Overseas investment business
- Overseas financial services business

Number of employees ^{*1}



Biotechnology-related Business

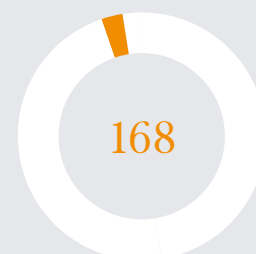


Biotechnology-related Business

Research and development, manufacture and sale of pharmaceuticals, health foods and cosmetics in collaboration with business partners

- Research and development of medical treatments, and pharmaceutical products that utilize leading-edge biotechnologies
- Research and development of pharmaceuticals, health foods and cosmetics containing 5-ALA

Number of employees ^{*1}

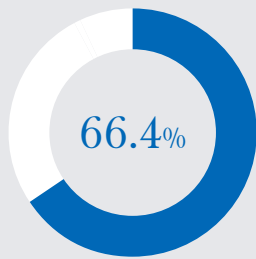


^{*1} Excluding 148 people, such as shared group employees

^{*2} Including 2,287 employees of companies acquired for investment development purposes, and deemed to be consolidated subsidiaries as controlled entities

Performance Summary

Operating revenue breakdown
by business segment



Operating revenue

¥ **162.6** billion

YoY **14.8 billion** (↑)

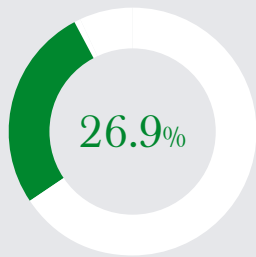
Profit before income tax expense

¥ **67.3** billion

YoY **30.0 billion** (↑)

➤ Measures implemented by individual financial services companies to strengthen their earnings capacity resulted in record highs in profits for SBI SECURITIES, SBI Japannext, SBI Liquidity Market, SBI FXTRADE, SBI MONEY PLAZA, Morningstar Japan, and SBI Sumishin Net Bank. In addition, SBI Insurance and SBI Card substantially reduced their losses. As a result, the Company achieved significant growth in both revenues and profits, with operating revenue increasing by 10.0% year-on-year to ¥162,645 million, and profit before income tax expense increasing by 80.5% to ¥67,309 million.

Operating revenue breakdown
by business segment



Operating revenue

¥ **65.8** billion

YoY **6.9 billion** (↓)

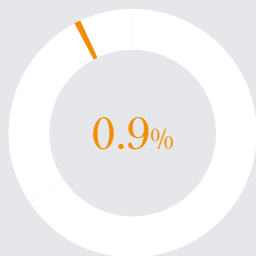
Profit before income tax expense

¥ **8.1** billion

YoY **0.9 billion** (↓)

➤ Primarily owing to the decline in the price of listed stocks in the Group portfolios, as well as the write down of the U.S. shale gas-related stocks due to the decline in crude oil prices, a ¥4.3 billion loss was recorded from changes in the fair values of securities. However, SBI Savings Bank of South Korea underpinned the segment performance, by recording profit before income tax expense of ¥16.7 billion (based on IFRSs). As a result, operating revenue was 9.5% lower year-on-year at ¥65,843 million, while profit before income tax expense also declined by 9.5% to ¥8,132 million.

Operating revenue breakdown
by business segment



Operating revenue

¥ **2.2** billion

YoY **0 billion** (↓)

Profit before income tax expense

¥ **(7.3)** billion

YoY **4.9 billion** (↓)

➤ Quark Pharmaceuticals, Inc., a U.S. subsidiary of SBI Biotech, was affected by a one-time loss of approximately ¥3.8 billion, resulting from the revaluation of pipeline assets due to an error by the contract research organization (CRO), as well as a special factor relating to the transfer of pharmaceutical development seeds in FY2013. As a result, operating revenue declined by 0.6% to ¥2,182 million, and ¥7,310 million of loss before income tax expense was recorded, compared with a loss of ¥2,432 million in the previous fiscal year.

*3 Other than the above, there are other businesses including rent guarantee services for rental housing, and membership-based health services.

Financial Services Business



Principal Companies

Intermediate Holding Company: SBI FINANCIAL SERVICES

SBI SECURITIES	SBI Insurance
SBI Japannext	SBI Life Insurance
SBI Liquidity Market	SBI MONEY PLAZA
SBI FXTRADE	Morningstar Japan
SBI Sumishin Net Bank	SBI Holdings (Financial Services Business Division)

The SBI Group has achieved dramatic growth by capturing the major trends, such as the diffusion and evolution of the Internet and financial deregulation, and by providing highly competitive financial products and services. The SBI Group's re-entry into life insurance marks the completion of a financial ecosystem in Japan that encompasses the three core business areas of securities, banking and insurance. With this, the SBI Group will further accelerate its growth by maximizing synergies among these business segments.

Financial Results for FY2014

Owing to factors such as the recovery of the Nikkei Stock Average to its pre-Lehman Brothers collapse levels, the continued gradual recovery trend of the Japanese stock market and the measures implemented by the individual Group companies to strengthen their earnings performance, operating revenue for the Financial Services Business for FY2014 increased by 10.0% year-on-year to ¥162.6 billion, and profit before income tax expense was 80.5% higher at ¥67.3 billion.

By company, SBI SECURITIES, SBI Japannext, SBI Liquidity Market, SBI FXTRADE, SBI MONEY PLAZA, Morningstar Japan and SBI Sumishin Net Bank all recorded new record highs in their profits, while SBI Insurance and SBI Card dramatically reduced their losses. In this manner, each SBI Group company achieved excellent results.

Full-year Profit Before Income Tax Expense of Major Financial Services Business Companies (based on IFRSs)

(Millions of yen)

	FY2013	FY2014	YoY change (Rate of change: %)
SBI SECURITIES	33,344	34,828 Record high	+1,484 (+4.5)
SBI Japannext	905	1,081 Record high	+176 (+19.4)
SBI Liquidity Market	1,899	3,046 Record high	+1,147 (+60.4)
SBI FXTRADE	1,261	1,695 Record high	+434 (+34.4)
SBI Insurance	(3,868)	(618) Significant improvement	+3,250 (-)
SBI MONEY PLAZA	1,062	1,496 Record high	+434 (+40.9)
Morningstar Japan*1	1,142	1,147 Record high	+5 (+0.4)
SBI Card	(3,196)	(1,212) Significant improvement	+1,984 (-)
SBI Sumishin Net Bank*2	2,062	5,196 Record high	+3,134 (+152.0)

*1 Including its subsidiaries, SBI Asset Management and others

*2 Share of results of associates using the equity method

SBI Sumishin Net Bank records profit/loss on revaluation of securities based on IFRSs, due to the change in the valuation of treasuries held. Therefore the amounts are different from that based on JGAAP.

SBI証券 [SBI SECURITIES]

Through the Establishment of a
Solid Income Base,
Achieved Record High Profits

Masato Takamura

SBI SECURITIES Co., Ltd.
Representative Director and President



Unchallenged Leadership in the Online Securities Industry

SBI SECURITIES recorded historical highs for operating revenue, and all profit categories in its financial results for FY2014 (based on JGAAP). Operating revenue increased by 4.6% year-on-year to ¥77.6 billion, operating income by 5.9% to ¥34.7 billion, and net income by 12.7% to ¥20.1 billion.

Although the Nikkei Stock Average recovered to its pre-Lehman Brothers collapse levels, average daily individual brokerage trading value on the Tokyo and Nagoya markets fell by 23% year-on-year. In contrast with the other four major online securities companies' resulting declines in operating income that was affected by the market trend, SBI SECURITIES recorded historical highs in profits, owing to the increase in margin trading, and the diversification in its revenue sources through the expansion of its services, such as investment trust and foreign exchange, which are less influenced by the stock market conditions.

SBI SECURITIES boasts an overwhelming customer base as compared to its peers, and has moved far ahead of its peers in terms of the size of its customer base. As of March 31, 2015, it had a total of 3.25 million accounts, making it the only Japanese

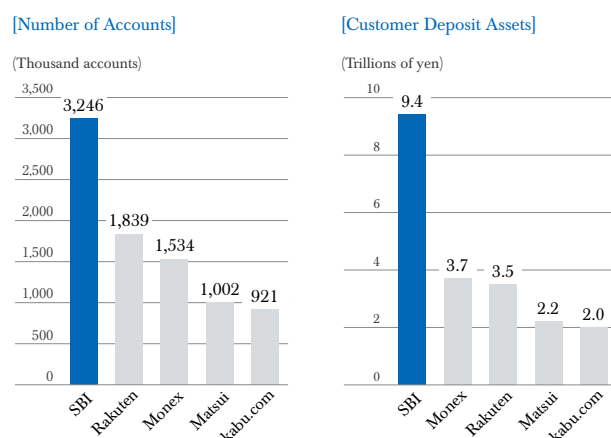
online securities company to break through the 3 million account barrier. At ¥9.4 trillion, its customer deposit assets are also far greater than any of its competitors. Within the entire securities industry, including major face-to-face securities companies, SBI SECURITIES is ranked a close third behind Daiwa Securities Co. Ltd., in terms of the number of accounts.

In FY2014, SBI SECURITIES' share of individual stock trading value increased by 2.8 points year-on-year to 38.1%, while the share of brokerage for margin trading by individuals was 2.3 points higher at 40.5%. Both figures are significantly higher than those of its competitors.

As of March 31, 2015, the open interest credit balance was ¥787.3 billion, which is an historical high for a fiscal year-end balance, and the financial revenue of FY2014 increased by 17.8% to ¥28.9 billion. Underwriting, offering and distribution commissions for FY2014 increased by 25.6% to ¥5.4 billion. Similar to FY2013, investment trust balance remained strong, and the balance as of March 31, 2015 was ¥1,155.0 billion, along with investment trust fees for FY2014 amounting to ¥3.8 billion, for a year-on-year increase of 28.3%. Both figures were historical highs. In addition, SBI SECURITIES underwrote 73 initial public offerings (IPOs), which was the highest total for any securities company, and the underwriting share of IPOs in which the company participated was also the highest in the industry at 84.9%.

Number of Accounts and Amount of Customer Deposit Assets at Five Online Securities Companies

(As of March 31, 2015)



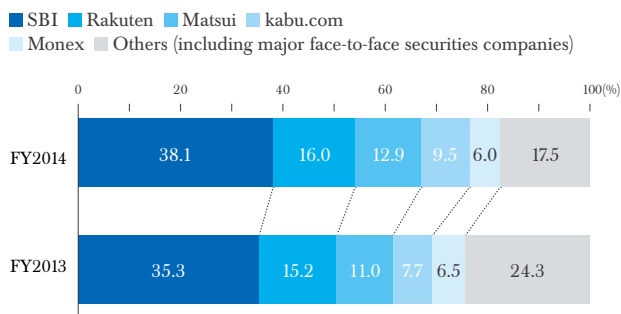
Sources: Compiled by SBI SECURITIES from information on each company's websites

Attracting New NISA Customers

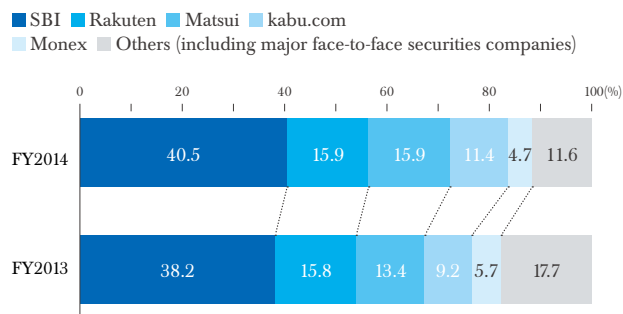
Introduced in January 2014, the Nippon Individual Savings Account (NISA) system provides tax exemption on small investments. As of March 31, 2015, SBI SECURITIES had approximately 640,000 accounts, containing assets totaling ¥272.6 billion. These totals are significantly higher than those of its peers.

An analysis of the attributes of NISA account holders as of March 31, 2015, shows that over 35% are new customers, of whom around 67% have no previous investment experience. These results confirm that SBI SECURITIES has been considerably more successful than its peers in attracting new customers. The fact that about 60% of NISA account holders are in the 20–49 age group is indicative of its success in attracting younger customers who are just starting to build their assets. An active account ratio of 58% is also high as compared with other securities companies that handle NISA accounts.

Share of Individual Stock Trading Value



(of which) Share of Individual Margin Trading Value



Source: Compiled by SBI SECURITIES based on Tokyo Stock Exchange and JASDAQ materials, and from information on each company's websites.

* The individual stock trading value and individual margin trading value are the sum of the 1st and 2nd sections of the Tokyo and Nagoya Stock Exchange, respectively.

Strong Performance by Group Companies in the Securities-related Business

The SBI Group companies that have a strong synergistic relation with the securities business have also realized income growth. Japannext PTS, a Proprietary Trading System (PTS) operated by SBI Japannext, is the second-largest exchange market in Japan after the Tokyo Stock Exchange, and is Japan's largest PTS trading market. In FY2014, Japannext PTS's trading value increased steadily, despite an overall downturn in stock trading value, as compared with the previous fiscal year. As a result, the operating income (based on JGAAP) of SBI Japannext increased by 24.4% year-on-year to ¥1.1 billion.

Increased Presence in FX trading

Three SBI Group companies, consisting of SBI SECURITIES, SBI FXTRADE and SBI Sumishin Net Bank, are involved in foreign exchange trading. As of March 31, 2015, these three companies had a total of 610,000 FX trading accounts, and a balance of assets on deposit amounting to ¥173.4 billion. The SBI Group's total number of accounts and the balance of assets on deposit are both far higher than the corresponding figures for the competitors in the foreign exchange industry.

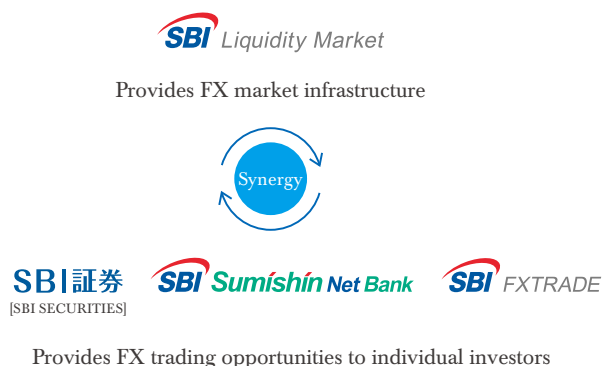
SBI Liquidity Market, which provides market infrastructure for foreign exchange trading, has maintained steady growth in its trading turnover in step with the expansion of trading by customers of SBI SECURITIES, SBI FXTRADE and SBI Sumishin Net Bank, all of which participate in trading. The financial results for SBI Liquidity Market in FY2014 show that operating income, before the proportional allocation of income to the SBI Group companies that participated in trading, increased by 30.1% to a record high of ¥11.1 billion.

Based on the income allocated from SBI Liquidity Market, SBI FXTRADE, which is a pure-play FX trading services provider, recorded an historical high in operating income, with a 33.7% year-on-year growth to ¥1.7 billion (based on JGAAP) in

FY2014. SBI FXTRADE commenced business in May 2012, and despite its status as a latecomer compared with competing companies, it has become highly competitive in this rapidly changing market environment by consistently offering the industry's narrowest spreads on the main currency pairs, and by providing a highly reliable, high-performance trading system.

SBI SECURITIES provides FX trading services primarily to customers with larger sized transactions, while SBI FXTRADE provides services for customers who carry out smaller sized frequent transactions. The presence of SBI Liquidity Market in the SBI Group, as a provider of market infrastructure, has helped the Group to increase its trading turnover at a faster rate than the industry as a whole. By expanding its presence in the area of FX trading, the SBI Group has created a complementing structure that allows it to offer investors investment opportunities based on FX trading during stock market downtrends. This is reflected in the sustained growth in incomes, and in record high results for all of the companies involved.

Group Synergies Between FX-related Business





Consolidated Ordinary Income of ¥15.2 Billion, Signifying an Overwhelming Earnings Capacity Among Pure-play Internet Banks

Noriaki Maruyama

SBI Sumishin Net Bank, Ltd.
Representative Director and
President



Utilizing Group Synergies to Expand the Business Base

SBI Sumishin Net Bank is a 50:50 joint venture between Japan's largest trust bank, Sumitomo Mitsui Trust Bank, and SBI Holdings. It is, by far, Japan's leading pure-play Internet bank in terms of deposits, loan balances and earning capacity. With SBI SECURITIES, SBI Sumishin Net Bank offers the SBI Hybrid Deposit service, which allows securities trading payments and proceeds to be withdrawn or deposited automatically, an example of the strong synergy within the SBI Group. Evidence of the effectiveness of this synergy differentiates the SBI Group from its peers, including the fact that over one million customers uses this system by January 2015.

SBI Sumishin Net Bank's business base continues to expand steadily. As of March 31, 2015, the number of accounts increased by 330,000 to 2.31 million from March 31, 2014, and the deposit balance increased by ¥499.3 billion to ¥3,576 billion. Also, the deposit balance surpassed ¥3.7 trillion in May 2015.

Product Diversification Paralleled by Sustained Loans Balance Growth

Housing loans, the main loan products of SBI Sumishin Net Bank, can be divided into two products. First is the Internet Exclusive Housing Loans that it provides as an agency for the Sumitomo Mitsui Trust Bank, the second is the "MR. Housing Loan" product that SBI Sumishin Net Bank provides directly to its customers, of which the popularity was enhanced through special interest rate campaigns and other initiatives. The aggregate balance of loans based on these two products reached ¥2,279.6

billion as of March 31, 2015, an increase of ¥502.5 billion from March 31, 2014. By April 2015, the cumulative total of housing loans surpassed ¥2.3 trillion.

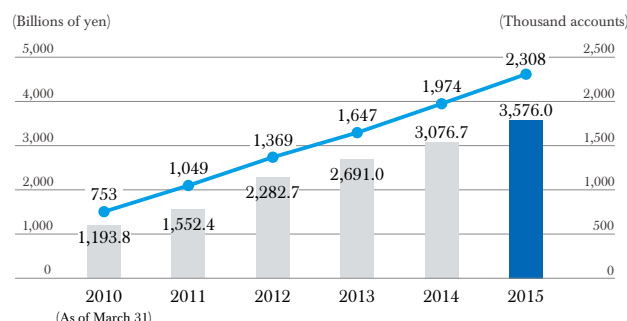
Loan balances have also risen steadily in other product categories, such as card loans and special-purpose loans, resulting in a greater diversity of methods used by SBI Sumishin Net Bank to invest its funds. The interest rate on "MR. Card Loan" products, an updated version of the existing "Net Loan" of unsecured personal loan products, is the lowest in the industry at 1.99%. In addition, the maximum amount that can be borrowed is now ¥10 million. These improvements expanded the balance of card loans provided to ¥79.4 billion as of March 31, 2015. The balance of special-purpose loans, which have been offered since May 2013, increased by a factor of 1.4 as of March 31, 2015, as compared to that of March 31, 2014.

The financial results for FY2014 (based on JGAAP) show that ordinary revenue increased by 21.0% year-on-year to ¥57.2 billion, and ordinary income by 29.6% to ¥15.2 billion. Net income was 40.4% higher at ¥10.0 billion. All of these figures are historical highs.

Strengthening Security

Financial crime on the Internet is rising. There has also been an increase in the use of smartphones to access Internet banking. To maintain an environment in which customers can complete their transactions with confidence, SBI Sumishin Net Bank has prioritized to reinforce its security systems, including the adoption of the "Smart Authentication" system for smartphones. It has also strengthened identity checks to prevent fraudulent access to deposit accounts.

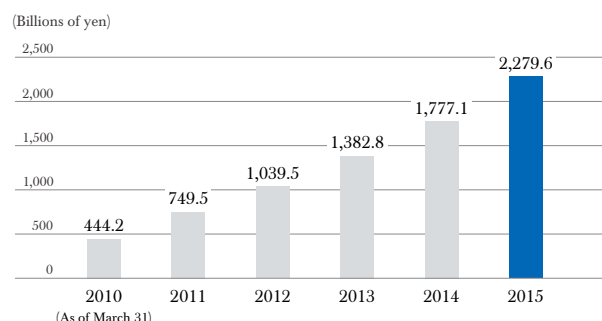
Deposits and the Number of Accounts at SBI Sumishin Net Bank



■ Deposits (left axis) ◆ Number of accounts (right axis)

* Amounts are rounded to the nearest ¥100 million

SBI Sumishin Net Bank's Cumulative Total of Housing Loans*1



*1 Cumulative total of new loans

*2 Amounts are rounded to the nearest ¥100 million



Major Improvement in the Performance of SBI Insurance, with Expected Profitability in FY2015

Hiroyoshi Kido

SBI Insurance Co., Ltd.
Representative Director and
President



Steady Growth of the SBI Group Insurance Companies

The SBI Group's insurance business fully utilizes the potential of the Internet in minimizing operating costs, so that it can offer low-premium auto insurance through SBI Insurance. Additionally, SBI SSI offers earthquake coverage, while SBI IKIIKI SSI provides medical and death insurance. All are realizing sustained growth in both policy numbers and premiums. In February 2015, a life insurance company, SBI Life Insurance (formerly PCA Life Insurance), also became a member of the SBI Group.

The primary business area for SBI Insurance is auto insurance. Policy numbers remain on a steep upward trend, increasing by 12.9% year-on-year to approximately 730 thousand as of March 31, 2015. This was reflected in continued high growth in earnings in FY2014, with original insurance premium income increasing by 10.5% year-on-year to ¥25.6 billion. The ratio of the insurance incurred losses to insurance premium income, and the ratio of operating expenses, were 76.1%* and 23.3% respectively, and the sum of the two ratios remained below 100%.

There was continued steady growth in the area of small-amount and short-term insurance. The number of policies held by SBI SSI, which became a consolidated subsidiary in March 2012, increased by 11.6% year-on-year to 13,533 as of March 31, 2015. The number of policies held by SBI IKIIKI SSI, which has been a consolidated subsidiary since March 2013, increased by

19.4% to 38,753 as of March 31, 2015.

In the life insurance business, SBI Life Insurance, which joined the SBI Group as a consolidated subsidiary in February 2015, has a very sound financial structure. Its solvency margin ratio as of March 31, 2015 was 1,120.3%, indicating that the company has ample capacity to meet claims. Also the company's real asset-liability margin, which is an indicator of real shareholders' equity, is also at a satisfactory level of ¥32.2 billion.

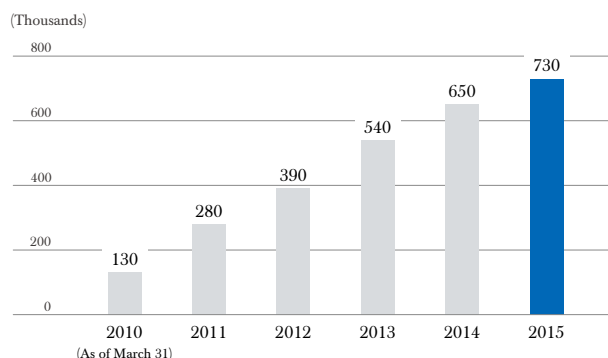
Additionally in FY2014, there was a ¥2.0 billion gain on bargain purchase, which is the difference between net assets and the acquisition price, relating to the acquisition of SBI Life Insurance.

* This is calculated on a premium-written basis by dividing insurance payments during the period by insurance premium income.

SBI Insurance on Track to a Positive Income Result in FY2015

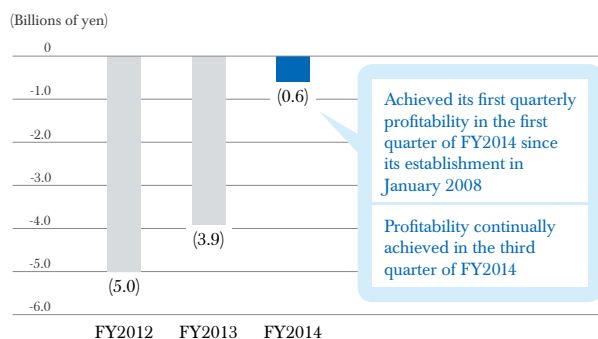
Since 2011, SBI Insurance has continually implemented a range of initiatives to improve its earning capacity, including a comprehensive review of its reinsurance and service outsourcing activities. In the first quarter of FY2014, these efforts resulted in the company's first positive quarterly income result since its establishment in January 2008. At ¥0.6 billion, its loss before income tax expense (based on IFRSs) for the whole of FY2014 was significantly reduced, compared with the previous fiscal year's result of ¥3.3 billion, and yearly income is expected to be in positive figures on an IFRSs basis in FY2015.

Number of Auto Insurance Policies at SBI Insurance



* Completion and receipt of insurance premiums basis, excluding continuing, expired or cancelled policies
* Amounts are rounded to the nearest thousands.

SBI Insurance's Profit before Income Tax Expense (based on IFRSs)





Dramatic Growth Achieved as a Common Infrastructure of the Financial Services Business

Tomohiko Ota

SBI MONEY PLAZA Co., Ltd.
Representative Director and President



Dramatic Expansion of the Customer Base Reflected in the Results of Revenue and Income Growths

SBI MONEY PLAZA functions as the SBI Group's face-to-face sales channel. It has actively established a nationwide network of primarily franchised shops, as well as a common infrastructure, and these face-to-face shops handle securities, insurance, bank deposits and housing loans.

In FY2014, strategies including closer collaboration with SBI SECURITIES contributed to the 38.2% year-on-year increase in assets on deposit, which reached ¥560.5 billion. As a result, SBI MONEY PLAZA was able to achieve significant growth in both revenue and income for a second year in a row in FY2014. Net sales (based on JGAAP) increased by 17.2% to ¥4.8 billion, and operating income by 49.5% to ¥1.6 billion.

As a Source of Group Synergies

SBI MONEY PLAZA closed and merged a number of existing shops in FY2014, and the total number of shops at the end of the period was 394. In May 2015, four branches in Osaka, Abeno, Itami and Kashihara were relocated and merged into its Osaka branch located in Umeda, and reopened after refurbishment. The company intends to build a nationwide chain of 500 shops, while continually working to revitalize its business and improve the overall quality of the network by closing or merging

some existing shops. At the same time, SBI MONEY PLAZA is diversifying its income structure, while targeting growth based on balance among its business areas. By strengthening its collaboration with other SBI Group companies, it will continue to create business models to meet the financial needs of a wide spectrum of customers.



SBI MONEY PLAZA Osaka Branch

To Become Japan's Largest Financial Distributor

There is a growing demand from customers who want to choose the products that best suit their needs, after comparing all financial products available and to seek appropriate advice from experts. SBI MONEY PLAZA seeks to become Japan's largest financial distributor by responding to these needs. Its shops maintain a neutral stance and offer customers both expert advice, and a full range of financial products from both within and outside of the SBI Group.

Meanwhile, SBI MONEY PLAZA is currently making preparations for initial public offering in the near future.

Other Financial Services

Morningstar Japan provides assessment information about financial products and websites, especially in relation to investment trusts. In FY2014, it set new records for all profit categories, including operating income, ordinary income and net income (based on JGAAP). At the non-consolidated level, Morningstar Japan has achieved profit growth for 11 consecutive years.

In addition, SBI Holdings operates Japan's foremost

comparison and cost estimation sites for financial products, through the InsWeb insurance information site and the E-LOAN site, and these businesses also continue to contribute to earnings as well.

Asset Management Business



Principal Companies

Intermediate Holding Company: SBI Capital Management

SBI Investment

SBI Asset Management

SBI Ven Capital

SBI Investment KOREA

SBI Savings Bank

In the Asset Management Business, the SBI Group has invested intensively in the 21st century core industries, such as IT, biotechnology, environment and energy. Also, in the rapidly growing countries focused on Asia, partnerships with prominent local companies were promoted based on the extensive success, trust and brand reputation that was successfully cultivated. This has contributed to the establishment of a global investment structure, along with the process of establishing a financial ecosystem overseas.

Financial Results for FY2014

The Asset Management Business consists of the venture capital business, which mainly invests in venture companies in Japan and abroad, and the overseas financial services business, which includes the SBI Savings Bank of South Korea.

In FY2014, losses from the change in fair value and losses from the sales of investment securities totaling ¥4.3 billion were recorded, primarily owing to the decline in prices of listed stocks held in the Group portfolios, as well as valuation losses on the U.S. shale gas-related stocks, owing to the impact of the decline in crude oil prices. However, segment performance was underpinned by the ¥16.7 billion profit before income tax expense achieved by the SBI Savings Bank of South Korea, which made progress toward the recovery of claims, due to a buoyant trend in the real estate market. As a result, segment operating revenue declined by 9.5% year-on-year to ¥65.8 billion, and profit before income tax expense decreased by 9.5% to ¥8.1 billion.

Since this Group segment includes foreign financial institutions, a structure has been established to maintain a steady revenue stream that is linked to the growth of the financial institutions, but there is always the possibility of major fluctuations in financial performance, owing to the effects of stock market trends, and other factors. This especially applies to the investment securities held by the Group, whether listed or unlisted, as they are assessed at fair value every quarter, regardless of whether there has been an actual sale or not, operating revenue is adjusted to reflect any changes in their fair value.

Full-year Financial Results of the Asset Management Business (based on IFRSs)

(Billions of yen)

	FY2013	FY2014
Operating revenue	72.7	65.8
Profit before income tax expense	9.0	8.1
Profit/loss from the change in fair value and profit/loss on sales of investment securities	9.4	(4.3) *
SBI Savings Bank	4.0	16.7
Others (SG&A, profit/loss accounted for using equity method)	(4.4)	(4.3)

* Details of profit/loss from the change in fair value and profit/loss on sales of investment securities

- Unlisted Securities' total profit of ¥0.7 billion including loss of ¥3.4 billion on the U.S. shale gas-related securities
- Listed Securities loss was ¥5.0 billion (unrealized gains of ¥2.9 billion versus acquisition cost)



Active Investments Continue in Japan and Abroad, with a Steady Increase in Exits

Katsuya Kawashima

SBI Investment Co., Ltd.
Representative Director and
President



A Leader in the Japanese Venture Capital Industry

SBI Investment is the core company of the SBI Group's Asset Management Business, whose investments and management of venture capital funds is guided by a corporate philosophy that calls for it to play a leading role in the development of the industry through the creation and incubation of new core industries of the 21st century, as a "New Industry Creator," and as one of Japan's leading venture capital companies.

Since its establishment in 1999, as of March 31, 2015, the SBI Group had invested in a cumulative total of 1,043 companies in Japan and abroad, with exits based on IPOs or M&A of 184 of those companies, resulting in a high exit ratio of 17.6%.

When considering venture funds for which SBI Investment itself was responsible for the investment and management since its establishment in 1999, as of March 31, 2015, on a cumulative total basis, 661 companies were invested in with an exit for 134 companies, resulting in an exit ratio of 20.3%.

Active Investments in Growth Industries, as well as Overseas

In FY2014, the SBI Group's investments totaled ¥19.6 billion in 75 companies. Of this, 66 companies were core industry companies of the 21st century, including IT, biotechnology, environment and energy, and also in the financial sector, which possesses a fundamentally close affinity to the Internet, for a total of ¥16.5 billion, or 84.0% of the total invested. Additionally, overseas investments were active, as well as investments in Japanese companies, with a total of approximately ¥13.5 billion, or 68.7% of the total investments being made into 47 companies overseas, primarily in Asia.

The Group's assets under management, including private equity, amounted to ¥191.6 billion (excluding both cash and commitment amount to be paid in), as of March 31, 2015. By region, assets under management in Japan totaled ¥88.7 billion, compared with ¥102.9 billion overseas, reflecting a higher overseas investment ratio that centers primarily in Asia. This reflects the development of a global investment structure that allows the SBI Group to discover promising overseas investment targets in collaboration with approximately 20 prominent local partners overseas, which is a feature that is not found in other Japanese venture capital companies.

The SBI Group's Assets Under Management

(As of March 31, 2015)

Private equity		¥ 294.7 billion	
(Including ¥103.1 billion of both cash and commitment amount to be paid in) (*3)		(Billions of yen)	
Breakdown by industry		Breakdown by region	
IT / Internet	25.8	Japan	88.7
Biotechnology / Health / Medical	45.2	China	29.3
Services	18.6	Korea	25.2
Materials / Chemicals	2.2	Taiwan	2.0
Environmental / Energy	20.6	Southeast Asia	11.5
Retail / Food	16.1	India	2.8
Construction / Real estate	1.6	U.S.	28.8
Machine / Automobile	8.3	Others	3.3
Finance	36.3		
Others	16.7		
Total	191.6	Total	191.6

Investment trust etc.		¥ 230.6 billion*4	
		(Billions of yen)	
Investment trusts			128.0
Investment advisory			98.8
Investment companies			3.8

*1 Calculated by the exchange rate as of the end of March 2015.

*2 Amounts are rounded to the nearest ¥100 million.

*3 Composed of cash in funds and unpaid capital, which is to be paid on a capital call.

*4 As for the funds that SBI Asset Management provides investment instruction to, if Morningstar Asset Management provides investment advisory services, assets are recorded in both "Investment trusts" and "Investment advisory," respectively, and such overlapping amounts totaled ¥24 billion.

Increasing the Value of Investee Companies through Powerful Incubation Capabilities

After investing in a company, SBI Investment takes a full hands-on approach in incubating that company, by proposing strategies linked to its business stage and by dispatching executives, as well as supporting the development of internal control systems. By deliberately keeping the number of investee companies in Japan per employee low, compared with other venture capital companies, SBI Investment has created a structure that allows for a deeper focus on improving the value of the companies in which it invests.

Another unparalleled feature that sets SBI Investment apart from other venture capital companies is its integrated support structure, which encompasses not only an active involvement in efforts to improve the value of investee companies, but also to support the public share offering process. When an investee company reaches the IPO stage, SBI Investment is able to utilize a highly effective support mechanism based on the resources of the entire SBI Group, including the extremely large customer bases of SBI SECURITIES and SBI MONEY PLAZA, as well as a network of overseas SBI Group offices and overseas partner companies, in the case of overseas investments.

This commitment to maximizing the value of investee companies is reflected in a larger IPO size per company, compared to other venture capital companies, and although a latecomer to

the venture capital business, SBI Investment is steadily building itself a position of superiority.

Achieved Fourteen IPOs or M&A Deals

In FY2014, the Japanese IPO market continuously expanded for the fifth consecutive year, resulting in the number of companies implementing IPOs to 86, for an increase of 33 companies year-on-year.

The SBI Group arranged IPOs or M&A deals for 14 investee companies in FY2014. There were six IPOs in Japan and four overseas, with four negotiated M&A deals. In FY2015, the total number of IPOs and M&A deals is expected to increase by six to 20.

Results of IPO and M&A Deals on Investee Companies in FY2014

Number of companies	Date	Company	IPO / M&A	Business	Head office
Japan: 9 companies Overseas: 5 companies	April 2014	Smart Navi Co., Ltd.	M&A	Provision of solutions, such as sales support, customer management and sales promotion using tablets	Japan
	June 2014	NEWTON FINANCIAL CONSULTING, Inc.	IPO (TSE JASDAQ)	Insurance agency and temporary staffing businesses	Japan
	July 2014	NIPPON VIEW HOTEL CO., LTD.	IPO (TSE 2nd Section)	Operation, guidance of operation, or franchise development of hotels and other lodging facilities, and amusement park operations	Japan
	August 2014	WH Group Limited	IPO (HKEx Main Board)	One of the world's largest pork processing companies	China
	August 2014	Pandora TV Co., Ltd	IPO (KONEX)	Operation of Pandora.TV, one of the largest video sharing websites in Korea	Korea
	September 2014	GCS HOLDINGS, INC.	IPO (TPEx, former GTSM)	A long-distance, high-speed communications semiconductor foundry	U.S.
	September 2014	RIBOMIC Inc.	IPO (TSE Mothers)	Research and development of molecular targeted pharmaceutical drugs using RNA aptamers by means of the RiboART System drug discovery platform	Japan
	October 2014	YAPPA Corporation	M&A	Development of graphics technology, development and sale of e-books	Japan
	October 2014	Kakao Corp	M&A	Provision of a mobile messenger platform (KakaoTalk)	Korea
	October 2014	CERES INC.	IPO (TSE Mothers)	Design and operation of smartphone media etc.	Japan
	December 2014	TOKYO BOARD INDUSTRIES CO., LTD.	IPO (TSE 2nd Section)	Manufacture and sale of particle board	Japan
	December 2014	Yest Co., Ltd.	IPO (KONEX)	Manufacture of semiconductor manufacturing machines	Korea
	January 2015	UPHills, Inc.	M&A	Support for shops listed on the "Kamimado," beauty and hair salon reservation site, and sale of advertising space	Japan
	March 2015	Mobile Factory, Inc.	IPO (TSE Mothers)	Social app and mobile content businesses	Japan



With Business Revitalization Completed, Moving Forward to a New Rapid Growth Phase Toward an Early IPO

Hideo Nakamura

SBI Savings Bank
Representative Director,
President & CEO



Positive Income Results Based on KGAAP, with Business Revitalization Completed

SBI Savings Bank, which became a consolidated subsidiary in March 2013, provides savings bank services in South Korea primarily to individual customers, self-employed individuals, and small and medium-sized enterprises. In October 2014, SBI Savings Bank merged with three of its affiliate companies to become the largest savings bank in South Korea.

The South Korean government's efforts to revitalize real estate trading have been successful, and housing prices continue to recover rapidly. SBI Savings Bank responded to this buoyant trend in the real estate market by resolutely working to recover non-performing project finance and consumer loan assets. The amount recovered exceeded the book value of the assets, with the result that the bank's financial results for FY2014 showed substantial growth based on IFRSs, with operating revenue recorded at 13.7% higher year-on-year at ¥41.6 billion, while profit before income tax expense increased by a factor of approximately 4.2 times to ¥16.7 billion.

Even on a KGAAP basis, of which performances were affected by the write-off of non-performing loans dating from before its acquisition as a consolidated subsidiary, SBI Savings Bank achieved positive quarterly income results in the third quarter of the year ending June 2015 (January–March 2015), following the previous quarter which was also positive, and it achieved profitability for the nine month period for the corresponding fiscal year (July 2014–March 2015). These results indicate that the bank has completed its revitalization process, and has emerged as South Korea's number one savings bank in both name and reality.

Major Improvement in Financial Soundness

SBI Savings Bank has dramatically improved the soundness of its assets, as its capital adequacy ratio as of March 31, 2015 was 11.3% (based on KGAAP).

The bank's performing loans have been increasing since 2014, and its delinquency ratio as of March 31, 2015 was 26.8%, a reduction of 19.9 percentage points compared with March 31, 2014.

Strategies for Further Growth

Having completed its corporate revitalization, SBI Savings Bank is preparing for an early IPO by taking active steps to expand its business activities, including further reinforcement of its corporate investment and loan business, and loan services for individual customers, while also continuing to dispose of non-performing loans. The Bank is also steadily diversifying its product offering, as it became the first bank in South Korea to offer housing collateralized loans via the Internet, as well as offering auto loans to its customers. Furthermore, by capturing future moves toward deregulation, SBI Savings Bank is actively promoting to launch an online banking business.



Filming a TV commercial with new employees (Myeongdong Branch)

9 Month Ended March 31, 2015 Results (based on KGAAP)

(Billions of KRW)

	1Q* (July–Sept. 2014)	2Q* (Oct.–Dec. 2014)	3Q (Jan.–Mar. 2015)	9 Months (July 2014–Mar. 2015)
Operating Revenue	111.3	110.0	116.1	337.5
Operating Income	(16.1)	14.5	24.0	22.4
Profit before income tax expense	(19.9)	10.1	27.4	17.6

* Results for the four-month period from July to October are the sum of the pre-merger non-consolidated results of the former SBI 1 Savings Bank and three affiliated banks, which is adjusted by eliminating the equity method profit/loss among the banks. In the results announced separately from SBI Savings Bank, the above mentioned results for the four-month period from July to October are the non-consolidated results of the former SBI 1 Savings Bank.

Biotechnology-related Business



The SBI Group considers the Biotechnology-related Business to be one of its three core businesses, and is conducting business operations through SBI Biotech, SBI Pharmaceuticals and SBI ALApromo. Particularly important is the 5-aminolevulinic acid (5-ALA)-related business, which is based on the development and sale of pharmaceuticals, health foods and cosmetics containing 5-ALA, which is expected to become the most significant growth area for the Group, and for which the pace of global expansion has been accelerated.

Financial Results for FY2014

Operating revenue for the Biotechnology-related Business declined by 0.6% year-on-year to ¥2.2 billion in FY2014, with a ¥7.3 billion loss before income tax expense recorded, versus a ¥2.4 billion loss in FY2013. The increased loss was mainly attributable to the fact that the results for FY2014 no longer benefited from a special factor relating to the sale of pharmaceutical development seeds to another company by the U.S. bio-venture company Quark Pharmaceuticals, Inc., a wholly owned subsidiary of SBI Biotech, in FY2013. Another factor was an error in the trial population secured by the contract research organization (CRO) in the clinical trial on a product in Quark's pharmaceutical development pipeline, which was subsequently determined to be statistically insignificant. This necessitated the revaluation of assets, resulting in a one-time loss of approximately ¥3.8 billion.

Selling, general and administrative expenses for the 5-ALA-related business increased owing to SBI ALApromo's extensive marketing campaigns for the ALAPlus series of health foods. However, the campaigns were successful, resulting in a steady growth in shipment volumes and the number of consulting pharmacies, drugstores and other outlets handling products containing 5-ALA.

Principal Companies

Intermediate Holding Company: SBI ALA Hong Kong

SBI Biotech

SBI Pharmaceuticals

SBI ALApromo

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

(Millions of yen)

	FY2013	FY2014
Biotechnology-related Business	(2,432)	(7,310)
SBI Biotech	(611)	(637)
Quark Pharmaceuticals	(721)	(1,436)
Partial write-down of Quark's pipeline	—	(3,793)
SBI Pharmaceuticals	(1,083)	(1,220)
SBI ALApromo	(176)	(426)



Attains Multiple Drug Pipeline, and the IPO Preparations are Resumed

Takeshi Irie

SBI Biotech Co., Ltd.
Representative Director and
President



Development and Sales Rights Granted to the U.S. Company MedImmune

SBI Biotech has focused primarily on R&D relating to drugs for the treatment of cancer and autoimmune disease, in partnership with bio-ventures and research organizations in Japan and abroad, but it is now reviewing its portfolio through the application of the selection and concentration strategy to its drug development projects, and currently, the company is developing revolutionary new drugs with a particular focus on antibodies used to control plascytoid dendritic cells (pDC), and functional RNA.

One of the products to result from this research is the Anti-ILT7 antibody, a molecular targeted drug developed for use in the treatment of autoimmune disease. A development and sales license has been granted to MedImmune LLC, a member of the AstraZeneca Group, which has already gained an international reputation as a developer of antibody drugs.

Progress on Drug Pipelines through Quark Pharmaceuticals

Quark Pharmaceuticals, a wholly owned subsidiary of SBI Biotech, has advanced technology relating to short-interfering RNA (siRNA), which is attracting intense interest at a time when progress in low-molecular drug discovery is waning.

Quark Pharmaceuticals has several promising candidate drugs, and has already concluded licensing and other agreements with Pfizer Inc. and Novartis International AG.

Quark Pharmaceuticals has agreed with Novartis to grant an option to obtain license covering QPI-1002, which is currently undergoing Phase II and Phase III trials as a candidate for use in the treatment of acute kidney failure, and delayed graft function after kidney transplant surgery for which there is still no promising therapeutic agent. Phase II trials as a candidate drug for the treatment of delayed graft function have been completed, and comments have been obtained from the U.S. Food and Drug Administration (FDA) concerning the design for Phase III trials, including the primary endpoint and the number of subjects. Based on the results, the option agreement with Novartis will be renewed, allowing Phase III trials to begin by the autumn of 2015 at the latest.

The terms of a licensing agreement concluded with Pfizer concerning PF-655 include milestone payments and royalty payments. Also, a valuation loss was incurred on a pipeline asset, a drug for use in the treatment of diabetic macular edema, due to an error by the CRO. However, Phase IIa clinical trials have been completed, and R&D work is continuing. PF-655 could also be developed as a candidate drug for the treatment of glaucoma, and preparations for developments are already in progress.

Main Drug Pipeline Research and Development by SBI Biotech

Pipeline (Licensing partner)	Adaptation disease	Pre-clinical	Phase I	Phase II	Phase III
① QPI-1002 (Novartis International AG)	Kidney transplantation (DGF)				Planning to start at the latest by the autumn of 2015
	Acute kidney injury (AKI)			Planning to start Phase II in this year	
② PF-655 (Pfizer Inc.)	Diabetic macular edema (DME)	Compensation for damages sought from the CRO, and partial damages already collected. R&D to continue		Completed Phase IIa	
	Glaucoma			Start of Phase IIa protocol finalization	
③ Anti-ILT7 antibody (MedImmune, Inc.*)	Autoimmune diseases	Pre-clinical			

* Subsidiary of AstraZeneca



Progress on Commercialization of Pharmaceuticals, as well as Health Foods and Cosmetics Containing 5-ALA Continues

Satofumi Kawata

SBI Pharmaceuticals Co., Ltd.
Representative Director and
COO



5-Aminolevulinic Acid (5-ALA) that is Essential to Human Life

The existence of 5-ALA as a natural amino acid has been known for many years. In recent years, however, it has become the focus of intense interest as an extremely important substance needed to support life functions, such as respiration and energy production. Scientists have also discovered that 5-ALA production within the body declines with age, and that supplementation is important to maintain good health.

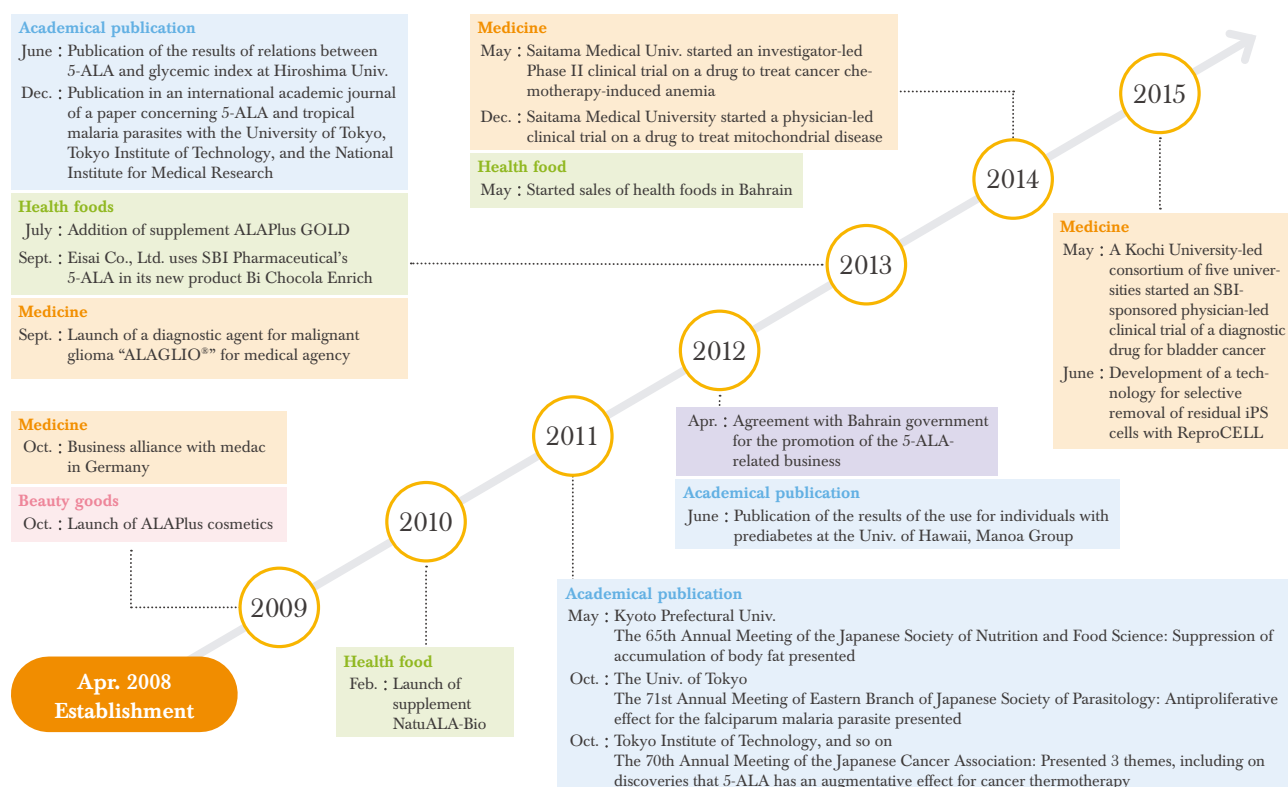
Collaboration with Global Research Institutions

SBI Pharmaceuticals has commercialized health foods and

cosmetics containing 5-ALA in Japan, and is now also actively researching 5-ALA in pharmaceuticals. In September 2013, it launched its first 5-ALA pharmaceutical products, ALAGLIO®. ALAGLIO® as Japan's first orally administered intraoperative diagnostic agent, is for use during surgery to remove malignant gliomas, which is a form of brain tumor.

SBI Pharmaceuticals has built a global research network of over 90 research organizations in Japan and abroad, to carry out basic research and clinical trials involving the use of 5-ALA to treat a number of diseases. In Japan, for example, there is an R&D project relating to an intraoperative diagnostic agent for use during bladder cancer surgery. The product has been classified as an "orphan drug," which is a drug used to treat rare diseases. For this drug, physician-led clinical trials have been carried out at Kochi University and four other universities, and

The 5-ALA-related Business is Progressing Steadily, Boosted by a Tailwind from Academic Papers



in May 2015 SBI Pharmaceuticals commenced a company-led Phase III clinical trial.

An investigational new drug (IND) supplied by SBI Pharmaceuticals is being used in a physician-led clinical trial that commenced in December 2014 by a nationwide pediatric network centering on Saitama Medical University, for clinical trials relating to mitochondrial disease. In addition, SBI Pharmaceuticals is working with Oxford University in the United Kingdom on the development of a 5-ALA drug to prevent post-operative ischemia-reperfusion injury, which can cause a reduction in the amount of blood flow per heartbeat in coronary bypass patients. Physician-led Phase II clinical trials will be carried out at multiple universities in the United Kingdom.

Patent Held by SBI Pharmaceuticals Increases to 21 in Japan

SBI Pharmaceuticals currently holds 21 patents in Japan, covering drugs developed for use in the prevention or alleviation of cancer and adult diseases with 5-ALA as their main constituent, and ten of these patents have also been patented overseas. SBI Pharmaceuticals will continue to obtain patents domestically and abroad for products using 5-ALA. Recently, it has obtained patents for a number of products, including drugs used to prevent or alleviate adult diseases, as well as for the treatment of malaria. Moreover, SBI Pharmaceuticals and ReproCELL Inc. have jointly applied for a patent covering technology for the use of 5-ALA in the selective removal technique on residual iPS cells, which can cause tumors, from iPS-derived differentiated cells.

5-ALA-related Business in the Middle East

SBI Pharmaceuticals is working closely with the government of Bahrain to build the 5-ALA-related business in Bahrain and the Gulf Cooperation Council (GCC) region. Bahrain has become a key center for the 5-ALA-related business in the Middle East, and clinical trials and other activities are being implemented with a variety of partner organizations.

With the approval of Bahrain's National Health Regulatory Authority (NHRA), clinical research relating to diabetes is being carried out at the Bahrain Defense Force Medical Service Hospital. Clinical research has been initiated concerning the use of 5-ALA to treat type-2 diabetes, and a food intervention trial is in progress. Diabetes-related research is also being carried out in collaboration with Arabian Gulf University (AGU) Hospital and the RCSI-Bahrain School of Medicine.

Clinical research concerning the use of 5-ALA in photodynamic diagnosis is being carried out at AGU Hospital. This work resulted in the world's first successful surgery to remove bladder cancer using 5-ALA as an intraoperative diagnostic agent in conjunction with a newly developed medical light source. To date, 11 successful operations have been completed, including that carried out at King Hamad University Hospital. Preparations are now being made at AGU Hospital for clinical research concerning surgery for the removal of prostate cancer.

Permission has been obtained for the sale of 5-ALA health foods in the United Arab Emirates, as well as Bahrain, and SBI Pharmaceuticals also expects to receive similar approval from the government of Jordan. This expansion of sales areas in the Middle East will further strengthen the health food business.

R&D Pipeline Sponsored by SBI Pharmaceuticals

	Phase I	Phase II	Phase III	Marketing
① Diagnostic Agent for Cancer Treatment (Brain tumor)				ALAGLIO® (from Sept. 2013)
② Diagnostic Agent for Cancer Treatment (Carcinoma vesicae) *Designated as an orphan drug		SBI corporate trial at the same five universities that conducted the physician-led trial (Started in May 2015)		Endeavor to increase the indications
③ A Drug to Treat Cancer Chemotherapy-induced Anemia (Saitama Medical Univ.) ARO: Kitasato Academic Research Organization		Investigator-led trial by Saitama Medical University, as the medical institution conducting the clinical trial (Providing drugs and funds)		
④ Preventing Cardiac Ischemia-reperfusion Injury (The Univ. of Oxford) Planning to jointly submit a test plan to the Medicines and Healthcare Products Regulatory Agency (MHRA) soon		Investigator-led trial by Professor Houman, the Univ. of Oxford, (Providing drugs and funds) (Phase II clinical trial will be implemented in several university hospitals in the U.K.)		
⑤ A Drug to Treat Mitochondrial Diseases (Saitama Medical Univ.)		Investigator-led trial led by Saitama Medical University (Providing funds) (Started in December 2014)		

Board of Directors and Statutory Auditors

(As of June 26, 2015)



Representative Director,
President & CEO

Yoshitaka Kitao

Representative Director and Chairman of SBI SECURITIES Co., Ltd.
Representative Director and Chairman of SBI Investment Co., Ltd.
Director and Chairman of SBI FINANCIAL SERVICES Co., Ltd.
Director and Chairman of SBI Capital Management Co., Ltd.
Representative Director of SBI Hong Kong Holdings Co., Limited
Representative Director & CEO of SBI Pharmaceuticals Co., Ltd.

Representative Director,
Senior Executive Vice President & Co-COO

Katsuya Kawashima

Representative Director and President of SBI Investment Co., Ltd.
Representative Director and President of
SBI Capital Management Co., Ltd.
Director of SBI FINANCIAL SERVICES Co., Ltd.
Director of SBI SECURITIES Co., Ltd.

Representative Director,
Senior Executive Vice President & Co-COO

Takashi Nakagawa

Representative Director and President of
SBI FINANCIAL SERVICES Co., Ltd.
Director and Chairman of SBI MONEY PLAZA Co., Ltd.
Chairman of the Board of Directors of SBI AXES Co., Ltd.
Director of SBI Investment Co., Ltd.
Director of SBI Capital Management Co., Ltd.
Director of SBI SECURITIES Co., Ltd.



Director & Senior Managing
Executive Officer

Tomoya Asakura

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

Director, Managing
Executive Officer & CFO

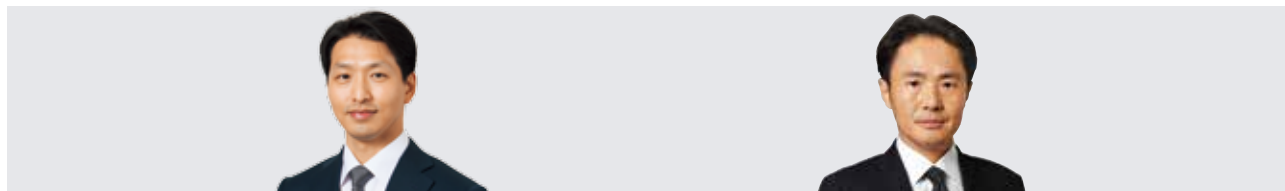
Shumpei Morita

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

Director, Managing
Executive Officer

Kazuhiro Nakatsuka

Former Minister of State for Financial Services,
the New Public Commons, Measures for
Declining Birthrate, and Gender Equality



Director & Executive Officer

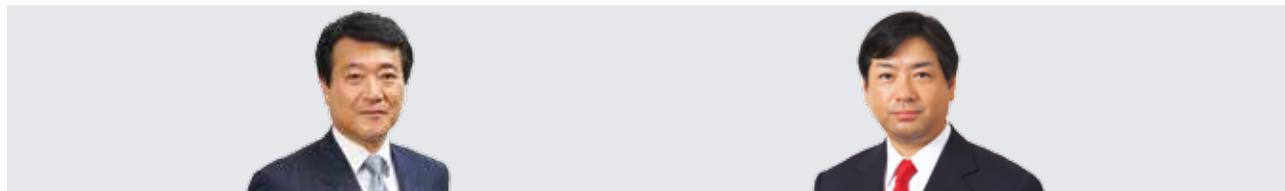
Peilung Li

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

Director

Masato Takamura

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



Director

Tatsuo Shigemitsu

Representative Director and President of SBI Liquidity Market Co., Ltd.

Director

Masaki Yoshida

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



Outside Director

Kiyoshi Nagano

Outside Audit & Supervisory Board Member of
Shin-Etsu Chemical Co., Ltd.
Outside Director of LEC, INC

Outside Director

Keiji Watanabe

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

Outside Director

Akihiro Tamaki

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



Outside Director

Masanao Marumono

Counsel for SMBC Green Service Co., Ltd.
Vice-President of Japan Association of
Employers of Persons with Severe Disabilities

Outside Director

Teruhide Sato

Founder of BEENOS Inc.
Komisaris of PT MIDTRANS
Director of BEENEXT PTE. LTD.

Outside Director

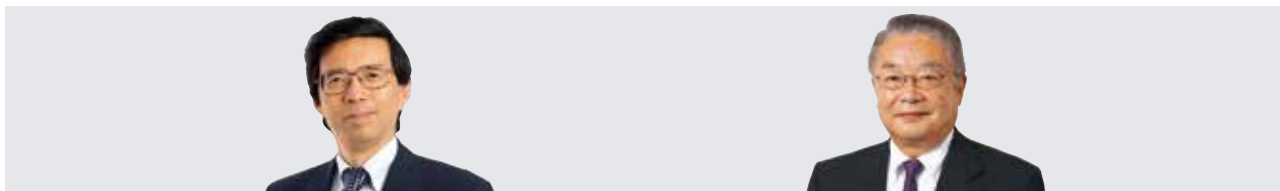
Ayako Hirota Weissman

Senior Vice President, Senior Portfolio Manager,
Director of Asia Strategy of Horizon Kinetics LLC

Outside Director

Yasumine Satake

Former Chairman of The Tokyo Star Bank, Limited



Standing Statutory Auditor

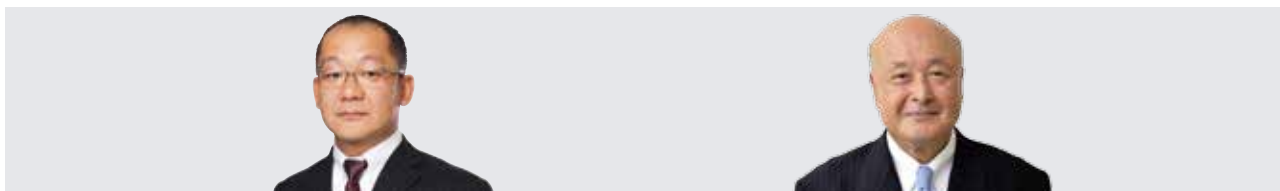
Atsushi Fujii

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

Statutory Auditor

Minoru Tada

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



Outside Statutory Auditor

Yasuo Sekiguchi

Managing Director of Global Partners Consulting, Inc.

Outside Statutory Auditor

Hiroaki Nagasue

Former Executive Vice President, Director of Aioi Nissay Dowa
Insurance Co., Ltd.

Establishing an organizational structure that can capably adapt to changes in the business environment, and a management system that is fair and shareholder-oriented

The Company's Board of Directors consists of 17 Directors (as of June 26, 2015), including 7 Outside Directors, to buttress the supervision of management appropriateness. In addition, an Executive Officer System has been adopted. A total of 14 individuals, comprised of 7 Directors and Executive Officers, including the Representative Director, President & CEO, who control each business department, and 7 Executive Officers, have been appointed and are charged with managing the execution of business affairs to clarify the functions and responsibilities of Directors, Executive Officers and the Board of Directors, as well as to support the timely and flexible adaptation to sudden changes in the business environment. In principle, the Board of Directors is convened once a month, to make decisions on important matters and to oversee the status of the business environment.

from the viewpoint of corporate governance. Therefore, the Company performs a highly transparent management practice through the promotion of investor relations activities, based on the following four fundamental policies.

First, the Company creates an IR structure in order to facilitate constructive engagements with the shareholders. Second, the Company thoroughly and extensively discloses information. Third, the Company establishes systems to ensure timely disclosure. Fourth, the Company ensures that opinions, comments and other input from shareholders and investors are accurately relayed to the management team.

The Company has established a Management Advisory Committee, consisting of experts in various fields, including law, accounting, management and economics, as an advisory body to the Representative Directors. The committee, which meets in principle once each quarter, enhances management soundness and transparency throughout the Group, and strengthens corporate governance.

Based on the above, the Company believes that this organizational structure allows it to comply with the basic principles of corporate governance, including ensuring management transparency and the discharge of management accountability to third parties.

Configuration	Company with Board of Auditors
Number of Directors	17 (including 7 Outside Directors)
Number of Executive Officers	14 (including 7 Directors & Executive Officers)
Average age of Directors	54.2 years old
Number of Statutory Auditors	4 (including 2 Outside Statutory Auditors)
Number of Directors registered as Independent Directors	2
Involvement of Outside Directors in remuneration decisions (Yes/No)	Yes
Number of Ordinary Board of Directors Meetings held per year	12
Attendance rate at Board of Directors Meetings for Outside Directors	88%

Legal expert (attorney).....	Mr. Takashi Ejiri
Legal expert (attorney).....	Mr. Katsuhiko Kumazaki
Management executive/.....	Mr. Noriaki Shimazaki
Accounting expert	
Academic expert	Mr. Heizo Takenaka
	former Minister of State for Economic and Fiscal Policy and Minister of State for Financial Services
Management executive.....	Mr. Yoshinari Yajima
Accounting expert	Mr. Kiyoshi Matsuo
(certified public accountant)	

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Roles and Functions of Outside Directors and Outside Statutory Auditors for Corporate Governance

The Outside Directors and Outside Statutory Auditors provide objective and neutral perspective that is not affected by conflicts of interest with general shareholders. They monitor or audit, and provide advice and suggestions based on their perspectives from outside of the Company by leveraging their respective expertise, along with their wide-range of experience and knowledge of high-level management. They are charged with their role and function to ensure that the decision-making and the execution of business by the Board of Directors are conducted appropriately and soundly.

Criteria for Selection of Outside Directors and Outside Statutory Auditors

Outside Directors

- Outside Directors must possess advanced expertise and

wide-ranging experience, as well as high-level management experience and knowledge that contribute to their decision-making and supervisory roles at the Board of Directors.

- Outside Directors must be independent from the Group to perform their management supervisory role from an objective and neutral perspective. Independence is assessed practically and objectively, according to the relevant rules of the stock exchanges on which the Company is listed.
- Outside Directors must have no conflicts of interest with general shareholders.

Outside Statutory Auditors

- Outside Statutory Auditors must have extensive knowledge and experience in a wide range of fields, or excellent records of achievement in the specialist fields required for audit functions.
- Outside Statutory Auditors must be independent from the Group to perform their audit functions, from an objective and a neutral perspective. Independence is assessed practically and objectively according to the relevant rules of the stock exchanges on which the Company is listed.

Reasons for Selection of Outside Directors and Outside Statutory Auditors, Attendance at Board of Directors Meetings

Outside Directors	Independent Executives	Reason for selection	Term of office	Attendance at Board Meetings (FY2014)	
Kiyoshi Nagano	☆	Formerly President at Jasdax Securities Exchange, Inc. (currently, Japan Exchange Group, Inc.), Mr. Nagano has extensive experience and knowledge accumulated in his business career.	June 2010–	10/12	
Keiji Watanabe		Mr. Watanabe has experience and expert knowledge as an accounting professional.	June 2010–	10/12	
Akihiro Tamaki		Mr. Tamaki has experience and expert knowledge as an accounting professional.	June 2010–	10/12	
Masanao Marumono	☆	Formerly employed at Sumitomo Mitsui Banking Corporation, Mr. Marumono has extensive experience and knowledge accumulated in his business career.	June 2012–	12/12	
Teruhide Sato		Mr. Sato has extensive experience and accumulated knowledge in his business career.	June 2013–	11/12	
Ayako Hirota Weissman		Ms. Weissman has extensive experience and accumulated knowledge in her business career.	June 2015–	– (Appointed in June 2015)	
Yasumine Satake		Mr. Satake has extensive experience and accumulated knowledge in his business career.	June 2015–	– (Appointed in June 2015)	
Outside Statutory Auditors	Independent Executives	Reason for selection	Term of office	Board of Directors	Board of Statutory Auditors
Yasuo Sekiguchi		Mr. Sekiguchi has extensive experience and knowledge as a certified public accountant and engages in appropriate oversight of the Company's management from an objective perspective as a certified public accountant.	June 2014–	9/10 (Appointed in June 2014)	12/12
Hiroaki Nagasue		Mr. Nagasue has the ability to carry out effective audits based on the extensive experience and knowledge that have been accumulated through his career as a management executive.	June 2015–	– (Appointed in June 2015)	–

Remuneration for Directors and Statutory Auditors and Number of Corresponding Executives (FY2014)

Executive classification	Total remuneration (Millions of yen)	Number of corresponding executives
Directors (Excluding Outside Directors)	356	10
Statutory Auditors (Excluding Outside Statutory Auditors)	13	1
Outside Directors and Statutory Auditors	106	9

IR Activities (FY2014)

	Times	Activities
Financial results briefing for institutional investors and analysts	4	Financial results briefing held quarterly focused on financial performance and outlook
Meetings for overseas institutional investors	3	Meetings for overseas institutional investors conducted by the President and executive officers
Meetings for individual investors	6	Meetings held semi-annually at Tokyo, Osaka and Nagoya
Current Management Information Briefing for shareholders	1	Briefing held shortly after the General Meeting of Shareholders every June
Individual meetings for institutional investors and analysts	As required	Meetings held as needed upon request from domestic and overseas institutional investors and analysts
Uploading of IR materials and videos to the Company website	As required	Posting of timely disclosure materials including financial results, press releases, videos and information on CSR activities
Small Meetings for domestic institutional investors	2 (planned)	As a new endeavor, Small Meetings for domestic institutional investors held on semi-annually conducted by the President and executive officers

The SBI Group's CSR Activities

Contributing to the preservation and development of society through direct social contribution activities, as well as social contributions through business activities

Basic Approach to CSR

The SBI Group is a corporate organization that proactively commercializes and practices the ideals of social justice. The Group's approach to business is not solely guided by the profit motive, but by its belief in contributing to a society that is safe, fair, comfortable, and environmentally friendly.

Based on this belief, the SBI Group not only contributes to society through its business activities, but through direct social contributions to meet the needs of its stakeholders, for the preservation and development of society, and in aspirations of becoming a strong and respected company.

Direct Social Contribution

The SBI Children's Hope Foundation

The SBI Children's Hope Foundation leverages the wisdom and network cultivated by the SBI Group, to contribute to the development of self-reliance among abused children, and to improve their welfare. In 2010, the Foundation was accredited by the Office of the Prime Minister of Japan, as a public interest incorporated foundation, and from 2011 it has been eligible for preferential tax treatment as a special public interest promotion corporation. The Foundation undertakes a wide array of activities, including the donation of funds to improve conditions at facilities that care for abused children, the provision of practical training programs for care providers at the facilities, and awareness campaigns that target the general public. As of the fiscal year ended March 31, 2015, the cumulative total of donations amounted to approximately ¥950 million. Also, the Foundation supports the Orange Ribbon Campaign that raises public awareness for the prevention of child abuse, and the SBI Group officers and employees participate in the public awareness activities during the Child Abuse Prevention Month every November.



Operation of Medical Facility that Provides State-of-the-art Medical Care Services

SBI Wellness Bank provides a membership based health management support service, and supported the founding of the Tokyo International Clinic T.O.P. Drs. Medical Corporation, and continues to support its operations.

Directly accessible from Tokyo Station, the Clinic offers optimized medical care services with a wide range of options, including premium comprehensive medical examinations, such as anti-aging medical checkups, and various support services in terms of medical treatment utilizing state-of-the-art medical technology. In cooperation with the Clinic, a more proactive health management is being offered, with a total package covering three areas, "preventive care," "medical treatment" and "age management."



Social Contribution through Business Activities

Calculation and Publication of the SRI Index

Socially responsible investment (SRI) is an investment method designed to achieve reliable returns by assessing and selecting companies on the basis of social, ethical and environmental aspects, in addition to the conventional investment criteria based on financial analysis. Morningstar Japan is contributing to raise the awareness of SRI, and developing an investment environment that promotes investments in socially responsible companies, by calculating and publishing the SRI Index (Morningstar Japan Socially Responsible Investment Index).

History of CSR Activities

January 2002

Determination of a basic policy on CSR activities

Each Group company that earns over ¥300 million in net income donates 1% of its profit to the Children's Social Welfare Corporation.

July 2004

Full-scale involvement in charitable activities

With the support of 9 special government ordinance-designated cities and 39 prefectures, SBI donates to children's homes and infant homes under the jurisdiction of local governments.

December 2004

Establishment of the SBI Child Welfare Limited Liability Intermediate Corporation

SBI becomes the first company in Japan to accept donations of stock options and securities to engage in charitable activities utilizing the securities market.

October 2005

Establishment of the SBI Children's Hope Foundation

Soliciting support from a wide cross-section of society, the SBI Group establishes the foundation with the objective of enhancing and improving child welfare by supporting the development of self-reliance among children, and activities to increase awareness of child welfare in Japanese business circles.

April 2008

Opening of SBI Graduate School

Certification of the Ministry of Education, Culture, Sports, Science and Technology is obtained to open SBI Graduate School as a forum for mutual learning and training to nurture promising individuals who energize the economy and society in Japan and around the world.

March 2010

The SBI Children's Hope Foundation becomes a public interest incorporated foundation

Accredited by the Office of the Prime Minister of Japan as a public interest incorporated foundation, it transitioned into a public interest incorporated foundation.

Initiatives toward Development of Human Resources

Endeavoring to create an environment that respects diversity and nurture promising talent, to enhance human capital value

Providing Open Employment Opportunities

The SBI Group's personnel recruiting process greatly values the basic humanity of an individual, as well as their career history and professional skills, but gender, educational background and nationality are inconsequential factors. This process was evident in the hiring of new college graduates, which began in 2006, and enabled the recruitment of a meaningful number of individuals with diverse backgrounds and excellent future potential. Regardless of whether mid-career or newly graduating, the Group has proactively endeavored to hire and promote talented individuals.

Initiatives to Support the Success of Employees of Diverse Backgrounds

Owing to the global expansion of its business activities, the SBI Group has employed individuals of many nationalities, and has implemented various initiatives to ensure that each employee can play an active role, regardless of ethnicity, religion, age, gender, or disability.

Also, with females comprising over 30% of the Company's workforce, another priority is the creation of a workplace environment where women can develop wide perspectives and build independent careers, while actively contributing in various fields. In order to support the employees through their new life stages, such as marriage or childbirth, there are provisions for childcare

leave, reduction of working hours and other processes to assist the employees in combining their work and childcare situation. However, the recruitment, promotion, or advancement, as well as any evaluation is made on the basis of the ability of the employee, without any gender bias.

Status of Employment of Women (non-consolidated basis) (%)

Years ended March 31	2013	2014	2015
Ratio of female employees	30.9	27.9	33.1
Ratio of female managers*	12.9	16.3	17.8

* The ratio of female managers to the Company's total managers

Fair Remuneration Linked to Employees' Motivations

In determining the employees' remuneration packages, the processes that lead to results are evaluated, as well as the results themselves. The evaluations are made at half-yearly intervals, and are based on the extent of the employees' achievements versus their targets, along with a comprehensive range of other criteria, including experience, ability and contribution to business performance. The Group's consistent policy has been to reward those who have merited success, and to offer positions to those who exhibit good sense and judgment.

Initiatives to Human Resource Development through the SBI Graduate School

The SBI Graduate School was opened in April 2008, with the full support of the SBI Group, for the purpose of making significant contributions to human resource development. The main focus of the School's activities is to nurture valuable human resources, who will contribute to the social and economic vitality in Japan and abroad. Its goal is to cultivate individuals who will combine sound ethical values, good judgment and the ability to turn ideas into reality, along with the aspirations to make wide-ranging contributions to the economy and society, and who possess advanced business expertise and international perspectives.

Lectures are presented by professors and instructors from a wide range of fields, covering not only advanced management studies, but also the Chinese classics, such as the "Analects of Confucius" and the "Art of War." Students are given the opportunity to cultivate the sound ethical values and human qualities that they will need as future business executives and leaders,

and will also be able to broaden their general knowledge. Owing to the utilization of a state-of-the-art e-learning technology, students may attend classes from any location.

As the SBI Graduate School is certified by the Ministry of Education, Culture, Sports, Science and Technology, the School is entitled to confer the degree of Master of Business Administration (MBA) to those who fulfill graduation requirements. Those who graduate with distinction, and wish to launch new businesses, or expand the scope of existing businesses, will receive full support from the SBI Group as a part of its commitment to support the nurturing of valuable human resources that will forge the future of Japan.



Interview with an Outside Director

Akihiro Tamaki

Career Summary

- 1994 Joined Price Waterhouse LLP, New York (Currently, PricewaterhouseCoopers LLP)
- 1996 Joined Deloitte Touche Tohmatsu
(Currently, Deloitte Touche Tohmatsu LLC) (Retired in 1999)
- 1998 Registered as a U.S. certified public accountant
- 2006 Representative Director of SiFA Co., Ltd. (Current position)
- 2008 External Corporate Auditor of Avex Group Holdings Inc. (Current position)
- 2010 Outside Director of the Company (Current position)



The Role of Outside Directors and Corporate Governance Challenges Facing the SBI Group

During the past year, discussion regarding laws and guidelines relating to corporate governance has progressed, and companies are now expected to strengthen their profitability and growth potential through timely, decisive decision-making by practicing “aggressive governance” premised on the fulfillment of accountability obligations. As the SBI Group achieves further growth, as a matter of course, it is likely to face an increasing number of situations calling for sound risk-taking decisions. In such circumstances, it will be necessary for Outside Directors to endeavor closer communications with management at the time of decision-making, regarding matters such as whether any compliance-related issues have been overlooked, whether decisions are appropriate in the light of business ethics, or whether placing excessive priority on speed has resulted in insufficient deliberation, and I feel that the role expected of Outside Directors will take on greater importance than heretofore.

The SBI Group has shifted to an aggressive management approach, such as expansion into overseas markets, primarily in Asia, where speedy decision-making in rapidly changing business environments is required. Since this means that it may become more difficult for shareholders and other stakeholders to understand the background of the decision-making, or judge whether decisions are appropriate, it will become increasingly important to ensure management transparency and accountability.

The SBI Group’s Development of Human Resources Supports Sustained Growth in Corporate Value

Since my background is that of a U.S. certified public accountant, there are occasions when I offer opinions about the propriety of accounting treatment and internal controls at meetings of the Board of Directors. At the same time, since I have also provided consulting services centered primarily on development of human resources to many client companies for more than ten years, I assess the Board of Directors from a broad perspective in light of the circumstances in other industries and companies.

The SBI Group has made human capital value an important component to increase corporate value, and CEO Kitao’s active engagement in human resource development conveys his strong belief in its importance. Sixteen years after its founding, the SBI Group has developed into a corporate group with more than 140 subsidiaries excluding partnerships, and I think the fact that the Group continues this process of self-evolution, even today, is proof that the Group’s employees are developing. From my perspective as an Outside Director in particular, it appears that CEO Kitao actively delegates authority to young executives and corporate officers. It seems that people develop and grow when they are entrusted with judgments and rapid decision-making in difficult situations, and accumulate experience for which knowledge alone is no substitute. I believe that the SBI Group will demonstrate its depth as persons other than CEO Kitao come to the fore.

Characteristics of the Board of Directors of SBI Holdings

I serve as an Outside Statutory Auditor at the other listed company, and I have the impression that discussions at meetings of the Board of Directors of SBI Holdings are extremely vigorous. At Board meetings, the directors in charge of individual projects provide detailed explanations to the Outside Directors, and if we feel that those explanations are insufficient, CEO Kitao and other directors offer supplemental explanations.

The SBI Group’s Outside Directors come from various backgrounds, and since they are well versed in the practice of corporate management, they go into considerable depth in asking questions and expressing opinions to management from their respective positions and points of view. Management creates a favorable impression by showing a great deal of forbearance toward these questions and opinions, by promptly responding.

At a time when many companies want a small Board of Directors, it may seem that SBI Holdings has a large number of directors. However, since the SBI Group has many and diverse businesses, I am convinced that a board of this size is necessary for engaging in discussion and monitoring from a variety of perspectives.

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Representative Director, President & CEO

Consolidated Financial Highlights 10-year Summary

Years ended March 31	2006 (JGAAP)	2007 (JGAAP)	2008 (JGAAP)	
Net sales / Operating revenue	137,247	144,581	222,567	
Operating income	49,595	23,095	42,606	
Ordinary income	51,365	90,696	35,687	
Income before income taxes / Profit before income tax expense	76,912	62,041	28,819	
Net income / Profit for the year attributable to owners of the Company	45,884	46,441	4,228	
Total assets	1,331,643	1,367,221	1,219,247	
Total net assets / Total equity	268,122	346,640	387,766	
Net cash from (used in) operating activities	(132,740)	(67,409)	50,073	
Net cash from (used in) investing activities	(33,136)	86,014	(20,610)	
Net cash from (used in) financing activities	200,745	(58,176)	(9,957)	
Cash and cash equivalents, end of year	132,544	115,092	159,007	

* Since net assets for the fiscal year ended March 31, 2006 are net assets prior to application of a change in the accounting standard for presentation of net assets in the balance sheet, stock acquisition rights, minority interests, or deferred gains or losses on derivatives accounted for under hedge accounting standards are not included.

Net income per share / Basic earnings per share attributable to owners of the Company	495.71	404.05	37.66	
Book-value per share / Equity per share attributable to owners of the Company	2,201.62	2,201.82	2,143.81	

* The Company conducted a 10 for 1 stock split, effective on October 1, 2012. To enable evaluation of past trends and comparisons, the figures in this section for periods prior to the stock split have been adjusted to reflect the stock split.

Equity ratio / Ratio of equity attributable to owners of the Company to total assets	20.1	18.1	19.8	
Substantive equity ratio / Substantive ratio of equity attributable to owners of the Company to total assets*	40.6	31.8	30.0	
Return on equity / Ratio of profit to equity attributable to owners of the Company	23.1	18.0	1.7	

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

PER (Price-earnings ratio)	13.44	11.06	63.67	
PBR (Price-book-value ratio)	3.0	2.0	1.1	

PER=FY end TSE closing price/(Earnings per share/Basic earnings per share attributable to owners of the Company)

PBR=FY end TSE closing price/(Book-value per share/Equity per share attributable to owners of the Company)

Note: The closing price for the fiscal year ended March 31, 2015 was ¥1,456.

Employees	1,272	1,680	2,666	
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* Adopted IFRSs from the year ended March 31, 2013

(Millions of yen)

	2009 (JGAAP)	2010 (JGAAP)	2011 (JGAAP)	2012 (JGAAP)	2013 (IFRSs)	2014 (IFRSs)	2015 (IFRSs)
	130,922	124,541	141,081	142,443	154,285	232,822	245,045
	4,403	3,431	8,932	4,941	17,386	42,224	68,209
	37	1,112	3,525	2,225	—	—	—
	(16,132)	920	5,430	14,913	15,022	38,899	63,067
	(18,375)	2,350	4,534	2,511	3,817	21,439	45,721
	1,079,233	1,229,939	1,293,606	1,663,005	2,494,387	2,875,304	3,400,763
	419,338	428,615	456,982	467,964	360,535	388,463	430,615
	103,034	(53,134)	(742)	(6,947)	(36,984)	29,401	(36,197)
	(1,104)	(15,563)	(16,642)	(22,741)	(19,060)	16,811	52,305
	(137,514)	84,599	25,154	29,380	25,699	92,538	(15,524)
	126,312	142,581	148,786	145,594	133,362	276,221	290,826

(Yen)

	(123.25)	14.03	23.61	11.43	17.58	99.04	211.18
	2,112.95	2,142.40	1,961.06	1,846.13	1,401.39	1,504.19	1,771.19

(%)

	32.8	29.2	30.2	24.4	12.2	11.3	11.3
	52.4	46.9	48.7	47.5	22.9	22.2	22.2
	(6.2)	0.7	1.2	0.6	1.3	6.8	12.9

(Times)

	—	131.50	44.35	68.36	47.27	12.56	6.89
	0.5	0.9	0.5	0.4	0.6	0.8	0.8

(Persons)

	2,492	3,048	3,397	3,149	5,007	5,352	6,094
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The establishment of a revenue base that is capable of delivering consistent profits, even under the effect of market conditions

Director, Managing
Executive Officer & CFO

Shumpei Morita



Question

What factors contributed to the record high operating revenue and operating income in FY2014?

If the previous operating income record set in FY2005 can be attributed to the buoyant stock market conditions, then the record set in FY2014 can be attributed to the SBI Group's efforts to strengthen its overall revenue base. Operating income for the year amounted to ¥68.2 billion, and even if the one-time gain of ¥16.0 billion from the sale of SBI Mortgage were excluded, the remaining ¥52.2 billion is still significantly higher than the ¥42.2 billion recorded for FY2013, as well as the previous record high of ¥49.6 billion set in FY2005. This new record high was achieved in spite of a ¥4.3 billion loss from the change in fair value, and loss on sales of operational investment securities held through the Asset Management Business, compared with a ¥9.4 billion gain in FY2013.

The SBI Group's Financial Services Business companies are closely linked within the Group's business ecosystem. By taking advantage of the customer base and transaction value of SBI SECURITIES, it became possible to increase the deposit balance of SBI Sumishin Net Bank, and the transaction volumes of SBI Japannext and SBI Liquidity Market. More recently, SBI FXTRADE has been able to realize a dramatic growth in its customer base and revenue by leveraging the transaction infrastructure of SBI Liquidity Market. At the same time, unprofitable businesses are progressing toward the reduction of their losses, with SBI Insurance finally on the verge of profitability.

In this way, businesses that are not influenced by the stock market, such as banking, foreign exchange and insurance, are expanding and providing an improved stability to the SBI Group's revenue base. The Group's core securities business has

also experienced sustained growth, where revenue from other than flow-type business has expanded, owing to an increase in open interest credit balance and investment trust balance, resulting in more consistent profits even when the market trends are unfavorable, but with the ability to achieve even further revenue increases when the markets are more bullish. Such is the current state of the earnings capacity of the SBI Group.

Question

What is the outlook for FY2015?

The SBI Group has gotten off to a good start in FY2015, and we expect the positive trend to continue. Even without considering the gain from the sale of SBI Mortgage in FY2014, the companies in the Financial Services Business have improved their earnings capacity, and are strong enough to continue to achieve increased profits. Additionally, with the results of the business "Selection and Concentration" and the potential earnings from the Biotechnology-related Business, it is sufficiently possible that as a whole, FY2014 financial results may be exceeded. In the Biotechnology-related Business, a subsidiary of SBI Biotech may receive an upfront fee in the first half of the fiscal year, and SBI Pharmaceuticals possesses multiple promising pipelines, with the possibility of licensing-out of technology.

With reference to a new business, the addition of SBI Life Insurance to the Group will further heighten the growth potential of the Financial Services Business. SBI Life Insurance has been in preparations for the past year to start the process of obtaining new insurance policies, and we are expecting that by leveraging the Group's business ecosystem, as well as the online and face-to-face channels, that the company will experience rapid growth. Furthermore,

owing to the Group's significant increase in assets under management, we are in the process of strengthening our asset management capabilities. We expect that this will also become a new source of strength for the SBI Group as well.

Question

From your perspective as CFO, what challenges do you see ahead?

The immediate priority is the Biotechnology-related Business, which is currently a deficit business, and needs to become profitable and self-sufficient. In the Financial Services Business, now that SBI Insurance is on track toward achieving profitability, SBI Card is scheduled to come under the umbrella of SBI Sumishin Net Bank, and since SBI Savings Bank has made good progress in the Asset Management Business, the Group can now fully focus on the monetization of the Biotechnology-related Business. SBI Pharmaceuticals has made remarkable progress in its clinical trials and basic research activities over the past couple of years. Therefore it can be said that it will be a top priority for the SBI Group as a whole to connect such results to future earnings.

From a medium- to long-term perspective, business expansion in Asia will be a priority. The SBI Group has accelerated its business growth through strategies that befits the prevailing trends. In Asia, the Group started with investment operations, but now has expanded its overseas financial services business through joint ventures with prominent partner companies in various countries. The network that was established in this manner will provide the impetus for the medium- to long-term growth of the Group.

Management Discussion and Analysis

Analysis of Business Results for the Fiscal Year

In the business environment surrounding the SBI Group, the Japanese economy continued to gradually recover as corporate performance turned upward, and employment conditions improved against the backdrop of the Bank of Japan's additional monetary easing measures, along with a continuing weak yen trend, despite a slump in consumer spending in reaction to the last-minute demand before the consumption tax hike in April 2014. In the overseas market, despite the impact of the moves of the monetary policy nominalization in the U.S., as well as the uncertain economic prospects of the European and some emerging countries, the stock markets of the major countries held firm. Under these circumstances, the Group's consolidated results of operations for the fiscal year ended March 31, 2015 were as follows. Operating revenue increased 5.3% year-on-year to ¥245,045 million, operating income rose 61.5% year-on-year to ¥68,209 million, profit before income tax expense increased 62.1% year-on-year to ¥63,067 million, and profit attributable to owners of the Company rose 113.3% year-on-year to ¥45,721 million.

Financial Services Business

Operating revenue of the Financial Services Business increased 10.0% year-on-year to ¥162,645 million, and profit before income tax expense rose 80.5% year-on-year to ¥67,309 million.

SBI SECURITIES Co., Ltd. maintained a stable expansion in its customer base, as the total number of accounts reached approximately 3,246 thousand as of the end of the fiscal year, for an increase of approximately 302 thousand accounts from the end of the previous fiscal year. While the average daily individual brokerage trading value for Japan's two major markets (Tokyo and Nagoya) decreased 22.6% year-on-year, SBI SECURITIES Co., Ltd. was able to record significant increases in financial revenue and trust fees from investment trusts, owing to the favorable growth in open interest credit balance of margin trading and the investment trust balance. As a result, profit before income tax expense (based on "IFRSs") of SBI SECURITIES Co., Ltd. for the fiscal year ended March 31, 2015 was ¥34,828 million, up 4.5% from the previous fiscal year.

SBI Insurance Co., Ltd. continued to achieve a significant growth in the number of contracts for auto insurance, which contributed to the significant improvement in loss before income tax expense (based on "IFRSs") of ¥618 million (loss before income tax expense of ¥3,868 million in the previous fiscal year).

SBI Sumishin Net Bank, Ltd., accounted for through the equity method, achieved a total deposit balance of ¥3,576.0 billion, with the number of accounts reaching 2,308 thousand as of the end of March 2015, and resulted in recording investment income under the equity method of ¥5,196 million, a year-on-year increase of 152.0%. Total deposit balance of SBI Sumishin Net Bank, Ltd. exceeded ¥3,700 billion as of May 25, 2015.

Meanwhile, as a result of pursuing business "Selection and Concentration" in the Financial Services Business, the Company

recorded a gain on sales of subsidiaries' stocks of ¥16,882 million (¥294 million in the previous fiscal year), owing to the sales of companies, including SBI Mortgage Co., Ltd. (currently ARUHI Corporation)

Asset Management Business

Operating revenue of the Asset Management Business decreased 9.5% year-on-year to ¥65,843 million, and profit before income tax expense decreased 9.5% year-on-year to ¥8,132 million. In the fiscal year ended March 31, 2015, the number of newly listed companies increased significantly on a global level, and the number of IPOs in Japan (excluding TOKYO PRO Market listings) also trended favorably to 86 companies, 33 more than that of the previous fiscal year. In the fiscal year ended March 31, 2015, 14 investee companies of the SBI Group transacted IPO and M&A deals in total (nine companies in Japan and five companies overseas), with respect to the Asset Management Business. Meanwhile, a valuation loss was recorded, resulting from fluctuations in fair value measurement in the fiscal year ended March 31, 2015, owing to the decline in the stock prices in listed biotechnology-related shares, and the write down in the U.S. shale gas-related shares caused by the fall in crude oil prices. However, the steady performance of the Korea-based SBI Savings Bank, which became a consolidated subsidiary in March 2013, contributed greatly to the operating results of the Asset Management Business.

Biotechnology-related Business

Operating revenue of the Biotechnology-related Business declined 0.6% year-on-year to ¥2,182 million, and profit before income tax expense was a loss of ¥7,310 million (loss of ¥2,432 million for the fiscal year ended March 31, 2014). In the fiscal year ended March 31, 2015, owing to an error caused by the CRO (contract research organization), an asset revaluation of one of the drug discovery pipelines owned by Quark Pharmaceuticals, Inc., a U.S.-based subsidiary of SBI Biotech Co., Ltd. was necessitated resulting in an one-time loss in the consolidated results. In addition, selling, general and administrative expenses increased due to aggressive promotional activities implemented by SBI ALApromo Co., Ltd., for health foods and cosmetics using 5-aminolevulinic acid ("5-ALA").

SBI Pharmaceuticals Co., Ltd. has been proceeding with clinical trials in Japan on an intraoperative diagnosis drug for bladder cancer, and on a formulation for treating cancer chemotherapy induced anemia. Overseas, SBI Pharmaceuticals Co., Ltd. has been working closely with the government of Bahrain in performing clinical research on food and pharmaceutical products using 5-ALA.

Cash Flows

As of March 31, 2015, total assets amounted to ¥3,400,763 million, and increased by ¥525,459 million from total assets of ¥2,875,304 million as of March 31, 2014. Also the Group's equity increased by ¥42,152 million to ¥430,615 million from

March 31, 2014. As of March 31, 2015, the Group's cash and cash equivalents amounted to ¥290,826 million, and increased by ¥14,605 million from that of ¥276,221 million as of March 31, 2014. The changes in cash flows for each activity, and the reasons for changes are as follows:

Operating Cash Flows

Cash flows generated from (used in) operating activities amounted to ¥36,197 million in net cash outflows (¥29,401 million in net cash inflows for the fiscal year ended March 31, 2014). The net cash outflows were primarily due to a ¥59,017 million cash outflow from an increase in accounts receivables and other receivables, and a ¥46,629 million cash outflow from an increase in assets/liabilities related to the securities business, despite a ¥63,067 million cash inflow from profit before income tax expense.

Investing Cash Flows

Cash flows generated from investing activities amounted to ¥52,305 million in net cash inflows (¥16,811 million in net cash inflows for the fiscal year ended March 31, 2014). The net cash inflows were primarily due to a ¥50,480 million cash inflow from proceeds from sales, or redemption of investment securities, and a ¥30,137 million cash inflow from proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of, despite a ¥24,166 million cash outflow from purchases of investment securities.

Financing Cash Flows

Cash flows generated from (used in) financing activities amounted to ¥15,524 million in net cash outflows (¥92,538 million in net cash inflows for the fiscal year ended March 31, 2014). The net cash outflows were primarily due to a ¥52,461 million cash outflow from repayment of long-term loans payable, and a ¥76,400 million cash outflow from redemption of bonds payable, despite a ¥43,842 million cash inflow from proceeds from long-term loans payable, a ¥30,360 million cash inflow from increase in short term loans payable, and a ¥49,866 million cash inflow from proceeds from issuance of bonds payable.

Forward-looking descriptions provided herein are based on judgments of the Company as of June 26, 2015.

Risk

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

The risks stated below are risks relating to the Group's

general operations only. This section includes forward-looking statements, which reflect the Group's views as of June 26, 2015.

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

The Group consists of portfolio companies operating in multiple industries, including financial services, asset management, biotechnology-related businesses, and other businesses. The Group also comprises of some publicly listed subsidiaries. Due to the diverse characteristics of the portfolio companies, the Group faces challenges not found in companies with a single business line. In particular, there are three aspects:

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

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

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

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

3) **The growth expected in the market for the Group's online products and services may not materialize**

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

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

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

5) **Risks relating to business reputation**

The Group is vulnerable to poor market perception and reputational risk, since it operates in industries where integrity and the trust and confidence of its customers are of utmost importance. Negative publicity (whether or not justified) associated with the Group or any of the funds, products and services offered by it, and its officers or employees, partners or alliances, or the occurrence of any of the risks set out in this section may result in a loss of customers and/or mandates. The Group's business operations are highly dependent on its officers, employees, partners, and/or alliances. The actions, misconduct, omissions, failures, or breaches of any of its officers or employees, partners and/or alliances may, by association, create negative publicity in relation to the Group. Accordingly, any mismanagement, fraud or failure to discharge legal, contractual,

regulatory or fiduciary duties, responsibilities, liabilities or obligations, or the negative perception resulting from such activities, or any allegation of such activities, may have an adverse effect on the Group's business, growth prospects, results of operations, and/or financial condition. This may adversely affect the Group's financial condition and results of operations.

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

6) **Risks relating to business restructuring and expansion**

As a "Strategic Business Innovator," one of the Group's basic policies involves working to perpetuate "Self Evolution."

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

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

In addition, the Group raises working capital through

various means, including equity finance in the capital markets, share exchange, loans from financial institutions, and issuances of corporate bonds, etc. If a significant amount of such funding is raised by way of debt, the Group's funding cost may increase due to factors such as a downgrade of the Group's credit ratings. Any of these factors may adversely affect the Group's financial condition and results of operations.

7) Risks relating to entering new businesses

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

8) Risks relating to a financial conglomerate

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

9) Risks relating to investment securities

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

10) Litigation risk

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

11) Risk relating to risk management and internal control

The Group has established risk management and internal control systems and implementation procedures. Certain areas within the risk management and internal control systems may

require constant monitoring, maintenance and continual improvements by the Group's senior management and employees. If the efforts to maintain these systems are found to be ineffective or inadequate, the Group may be subject to sanctions or penalties, and its business prospects and reputation may be adversely affected.

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

12) Risks relating to funding and liquidity

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

13) Derivatives risk

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

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

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

The Group depends in part on dividends, distributions and others from its subsidiaries and other entities, such as partnerships and other investment vehicles, to fund payments, including its debt obligations. Regulatory and other legal restrictions, including contractual restrictions, may limit the Group's ability to transfer funds to or from the subsidiaries and other entities. Some of the subsidiaries and other entities which the Group depends on, in part, for payments are subject to laws and regulations that authorize regulatory bodies to block or reduce the

flow of funds within the Group, or that prohibit such transfers altogether in certain circumstances. These laws and regulations may hinder the ability to access funds that the Group may need to make payments on its obligations, which may adversely affect the Group's financial condition and results of operations.

15) Reliance on key personnel

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

16) Risks relating to employees

The Group employs personnel who are highly skilled and qualified, in its opinion, to work under the management team. If the Group is unable to continue to employ highly skilled and qualified personnel of the requisite caliber and skills, this may adversely affect its financial condition and results of operations.

17) Risks relating to trademarks and other intellectual property rights

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

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

Enactment of, or changes in, laws and regulations may affect the way that the Group conducts its business, the products or services that it may offer in Japan or abroad, as well as the customers, borrowers, portfolio companies and funding sources. Such enactment or changes are unpredictable, and as a result of such enactment or changes, the Group's business activities, financial condition and results of operations may be adversely affected.

Withdrawal or amendment of any regulatory approval, or of any exemption from registration in respect of any part of the Group's activities, or any of its funds in any jurisdiction might compel termination of a particular business, or change the way

in which it is conducted. Similarly, the withdrawal of either a license or an approval of one or more individuals would hinder their ability to perform their current role. The carrying on of regulated activities by unauthorized persons may have a number of consequences, including the possibility of agreements made in the course of carrying on such activities being unenforceable.

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

19) Risks relating to deferred tax assets

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

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

A valuation allowance is provided for deferred tax assets, if it is more likely than not that these items will either expire before the Group can realize their benefits, or that future deductibility is uncertain. Losses carried forward can be posted as deferred tax assets to the extent of the amount recoverable, and the Group posts deferred tax assets based on the assumption of recoverability.

Each Group company calculates the estimated future recoverable tax amount based on the expected amount of future taxable income. While the Group presumes that it is possible to realize the deferred tax assets after the valuation allowance, the amount of valuation allowance may fluctuate depending on changes in the expected amount of future taxable income. Such changes may adversely affect the Group's financial condition and results of operations.

20) Risks relating to insurance coverage

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

21) Past results may not be indicative of future performance

The Group's historical financial information may not necessarily reflect its financial condition, or results of operations in the future. Slower growth may be expected in some of its

businesses and it may not be successful in launching new businesses. New businesses may not achieve as quick, or as significant a growth as anticipated, and the Group's multiple business strategy may not be successful, and it may not be able to successfully integrate future businesses, or assets into the existing operations.

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

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

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

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

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

Recently, in addition to the above, the application of laws and regulations in overseas countries, such as the Bribery Act

in the U.K. and the Foreign Corrupt Practices Act in the U.S., might extend to the Group in other countries including Japan. The Group has responded to a variety of these laws and regulations after carefully investigating and examining them, but unexpected events may occur, since there are few precedents. Such cases may adversely affect the Group's financial condition and results of operations.

24) There is no guarantee of the accuracy of facts and statistics with respect to certain information obtained from official governmental sources and other data

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

25) Risks with respect to transactions with anti-social forces

In order to preclude any transaction with a party that is suspected to have a relationship with an anti-social force, the Group has taken necessary measures with the objective of precluding all transactions with anti-social forces by, prior to entering into a new transaction, confirming whether any information with respect to a relationship with an anti-social force exists, and obtaining a representation and a letter in relation to the counterparty, of a pledge to the effect that the counterparty to the transaction is not an anti-social force. However, despite the Group's strict investigations, there may be cases where the Group has not been able to preclude a transaction with an anti-social force. If such transaction is found, the Group's business may be restricted, or suspended by regulatory or other authorities, etc., or the Group may be subject to a disposition, or order such as an administrative monetary penalty payment, and its social reputation may also be impaired.

Consolidated Financial Statements of the Group

Consolidated Statement of Financial Position

(Millions of Yen)

	Notes	As of March 31, 2014	As of March 31, 2015
Assets			
Cash and cash equivalents	6, 18	276,221	290,826
Trade and other accounts receivable	6, 8, 9, 18	336,206	342,459
Assets related to securities business			
Cash segregated as deposits		935,497	1,250,678
Margin transaction assets		352,675	276,387
Other assets related to securities business	10	451,321	601,695
Total assets related to securities business	6, 7	1,739,493	2,128,760
Other financial assets	6, 18	30,593	31,096
Operational investment securities	6, 8, 11	127,365	114,946
Other investment securities	6, 8, 11	49,234	193,064
Investments accounted for using the equity method	12	39,820	45,455
Investment properties	14, 18	33,195	18,478
Property and equipment	15	11,826	10,590
Intangible assets	16	196,438	199,810
Other assets	18	26,513	22,785
Deferred tax assets	17	8,400	2,494
Total assets		2,875,304	3,400,763
Liabilities			
Bonds and loans payable	6, 8, 18	440,112	374,771
Trade and other accounts payable	6, 8, 19	53,503	55,005
Liabilities related to securities business			
Margin transaction liabilities		186,806	97,757
Loans payable secured by securities		211,671	290,480
Deposits from customers		492,159	638,879
Guarantee deposits received		439,927	545,116
Other liabilities related to securities business	20	287,350	388,161
Total liabilities related to securities business	6, 7, 8	1,617,913	1,960,393
Customer deposits for banking business	6, 8	302,314	361,102
Insurance contract liability	21	22,370	170,042
Income tax payable		10,362	13,792
Other financial liabilities	6, 8	15,645	13,757
Other liabilities		15,767	12,034
Deferred tax liabilities	17	8,855	9,252
Total liabilities		2,486,841	2,970,148
Equity			
Capital stock	23	81,681	81,681
Capital surplus	23	152,725	148,676
Treasury stock	23	(5,140)	(5,137)
Other component of equity	23	16,225	36,934
Retained earnings	23	80,140	121,337
Equity attributable to owners of the Company		325,631	383,491
Non-controlling interests		62,832	47,124
Total equity		388,463	430,615
Total liabilities and equity		2,875,304	3,400,763

Consolidated Statement of Income

(Millions of Yen)

	Notes	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Operating revenue	5, 26	232,822	245,045
Operating expense			
Operating cost	27	(68,472)	(64,019)
Finance cost	27	(18,526)	(16,610)
Selling, general and administrative expenses	27	(95,997)	(92,039)
Other expenses	27	(8,934)	(11,247)
Total operating expense		(191,929)	(183,915)
Gain on bargain purchase	4	—	2,008
Share of the profit of associates and joint ventures accounted for using the equity method	5, 12	1,331	5,071
Operating income		42,224	68,209
Other financial income and cost			
Other financial income	28	514	370
Other financial cost	28	(3,839)	(5,512)
Total other financial income and cost		(3,325)	(5,142)
Profit before income tax expense	5	38,899	63,067
Income tax expense	29	(19,100)	(23,753)
Profit for the year		19,799	39,314
Profit for the year attributable to			
Owners of the Company		21,439	45,721
Non-controlling interests		(1,640)	(6,407)
Profit for the year		19,799	39,314
Earnings per share attributable to owners of the Company			
Basic (Yen)	31	99.04	211.18
Diluted (Yen)	31	96.85	195.06

Consolidated Statement of Comprehensive Income

(Millions of Yen)

	Note	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Profit for the year		19,799	39,314
Items that will not be reclassified subsequently to profit or loss			
Fair value through other comprehensive income ("FVTOCI") financial assets	30	979	52
Items that may be reclassified subsequently to profit or loss			
Currency translation differences	30	9,600	21,431
Other comprehensive income, net of tax		10,579	21,483
Total comprehensive income		30,378	60,797
Total comprehensive income attributable to			
Owners of the Company		32,337	66,246
Non-controlling interests		(1,959)	(5,449)
Total comprehensive income		30,378	60,797

Consolidated Statement of Changes in Equity

(Millions of Yen)

	Note	Attributable to owners of the Company						Non-controlling interests	Total equity
		Capital stock	Capital surplus	Treasury stock	Other component of equity	Retained earnings	Total		
As of April 1, 2013		81,668	160,550	(5,117)	6,196	60,002	303,299	57,236	360,535
Profit for the year		—	—	—	—	21,439	21,439	(1,640)	19,799
Other comprehensive income		—	—	—	10,898	—	10,898	(319)	10,579
Total comprehensive income		—	—	—	10,898	21,439	32,337	(1,959)	30,378
Issuance of new stock	23	13	13	—	—	—	26	—	26
Issuance of convertible bonds	18	—	1,632	—	—	—	1,632	—	1,632
Change in scope of consolidation		—	(211)	—	—	—	(211)	747	536
Dividends paid	24	—	—	—	—	(2,170)	(2,170)	(2,103)	(4,273)
Treasury shares purchased	23	—	—	(64)	—	—	(64)	—	(64)
Treasury shares sold	23	—	3	41	—	—	44	—	44
Changes of interests in subsidiaries without losing control		—	(9,262)	—	—	—	(9,262)	8,911	(351)
Transfer	23	—	—	—	(869)	869	—	—	—
As of March 31, 2014		81,681	152,725	(5,140)	16,225	80,140	325,631	62,832	388,463
Profit for the year		—	—	—	—	45,721	45,721	(6,407)	39,314
Other comprehensive income		—	—	—	20,525	—	20,525	958	21,483
Total comprehensive income		—	—	—	20,525	45,721	66,246	(5,449)	60,797
Issuance of stock acquisition rights	25	—	113	—	—	—	113	—	113
Change in scope of consolidation		—	419	—	—	—	419	(7,154)	(6,735)
Dividends paid	24	—	—	—	—	(4,340)	(4,340)	(5,482)	(9,822)
Treasury shares purchased	23	—	—	(34)	—	—	(34)	—	(34)
Treasury shares sold	23	—	1	37	—	—	38	—	38
Changes of interests in subsidiaries without losing control		—	(4,582)	—	—	—	(4,582)	2,377	(2,205)
Transfer	23	—	—	—	184	(184)	—	—	—
As of March 31, 2015		81,681	148,676	(5,137)	36,934	121,337	383,491	47,124	430,615

Consolidated Statement of Cash Flows

(Millions of Yen)

	Note	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net cash generated from (used in) operating activities			
Profit before income tax expense		38,899	63,067
Depreciation and amortization		11,434	11,515
Share of profits of associates and joint ventures accounted for using the equity method		(1,331)	(5,071)
Interest and dividend income		(65,518)	(63,795)
Interest expense		22,365	22,122
(Increase) decrease in operational investment securities		(2,524)	16,984
Decrease (increase) in accounts receivables and other receivables		95,728	(59,017)
Increase in operational liabilities and other liabilities		3,388	4,828
Decrease (increase) in assets/liabilities related to securities business		7,370	(46,629)
(Decrease) increase in customer deposits in the banking business		(121,649)	21,696
Others		4,593	(28,573)
Subtotal		(7,245)	(62,873)
Interest and dividend income received		64,215	66,304
Interest paid		(25,054)	(22,086)
Income taxes paid		(2,515)	(17,542)
Net cash generated from (used in) operating activities		29,401	(36,197)
Net cash generated from investing activities			
Purchases of intangible assets		(5,409)	(5,772)
Purchases of investment securities		(9,791)	(24,166)
Proceeds from sales or redemption of investment securities		21,582	50,480
Acquisition of subsidiaries, net of cash and cash equivalents acquired	32	(2,057)	(6,649)
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	32	2,887	30,137
Payments of loans receivable		(3,787)	(2,579)
Collection of loans receivable		5,545	2,539
Others		7,841	8,315
Net cash generated from investing activities		16,811	52,305
Net cash generated from (used in) financing activities			
Increase in short term loans payable		47,918	30,360
Proceeds from long-term loans payable		40,895	43,842
Repayment of long-term loans payable		(27,091)	(52,461)
Proceeds from issuance of bonds payable		101,012	49,866
Redemption of bonds payable		(65,470)	(76,400)
Proceeds from stock issuance		26	—
Proceeds from stock issuance to non-controlling interests		55	181
Contributions from non-controlling interests in consolidated investment funds		1,312	1,755
Cash dividends paid		(2,162)	(4,322)
Cash dividends paid to non-controlling interests		(530)	(453)
Distributions to non-controlling interests in consolidated investment funds		(2,084)	(5,043)
Purchase of treasury stock		(64)	(34)
Proceeds from sale of interests in subsidiaries to non-controlling interests		119	114
Payments for purchase of interests in subsidiaries from non-controlling interests		(145)	(1,321)
Others		(1,253)	(1,608)
Net cash generated from (used in) financing activities		92,538	(15,524)
Net increase in cash and cash equivalents		138,750	584
Cash and cash equivalents at the beginning of the year		133,362	276,221
Effect of changes in exchange rate on cash and cash equivalents		4,109	14,021
Cash and cash equivalents at the end of the year		276,221	290,826

Notes to Consolidated Financial Statements

1. Reporting Entity

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

The consolidated financial statements were approved and authorized for issue by the Company’s Representative Director, President and CEO, Yoshitaka Kitao and Director, Managing Executive Officer and CFO, Shumpei Morita on June 23, 2015.

2. Basis of Preparation

(1) Compliance with IFRS

Since the Company meets the criteria of “Specific company” defined in 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.

(2) Basis of measurement

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

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

The measurement basis of fair value of the financial instruments is provided in Note 6 “Fair value of financial instruments”.

(3) Reporting currency

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

(4) Use of estimates and judgments

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

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

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

(a) Measurement of financial instruments

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

(b) Deferred tax assets

Temporary differences which arise from differences between the carrying amount of an asset or liability in the statement of financial position and its tax base and tax loss carryforwards are recorded as deferred tax assets up to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and tax loss carryforwards can be utilized, using the tax rates that are expected to apply to the period when they are realized.

(c) Evaluation of goodwill

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

(d) Impairment on financial assets at amortized cost

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

(e) Liability adequacy test for insurance contracts

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

(5) Application of new and revised IFRSs

The Group’s consolidated financial statements for the fiscal year ended March 31, 2015 are prepared under IFRSs mandatorily effective as at March 31, 2015, 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 Group adopted the following standards and interpretations beginning with this fiscal year.

Statement of standards and interpretations		Summary of new standards and amendments
IFRS 10	Consolidated Financial Statements	Clarification of the definition of “investment entities” and measurement of investment to investee
IFRS 12	Disclosure of Interests in Other Entities	
IAS 27	Separate Financial Statements	Clarification of offsetting criteria and supplement to application guidance
IAS 32	Financial Instruments: Presentation	
IAS 36	Impairment of Assets	Recoverable amount disclosures for non-financial assets
IFRIC 21	Levies	Clarification on the recognition of a liability for levies

There is no significant impact to these consolidated financial statements resulting from their adoption.

3. Significant Accounting Policies

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

(1) Basis of consolidation

(a) Subsidiaries

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

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

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

(b) Associates and joint ventures

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

When the Group holds between 20% and 50% of voting

rights of the other entity, the Group is presumed to have significant influence over the other entity.

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

Investments in associates and joint ventures are initially recognized at cost and accounted for using the equity method 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 in accordance with IFRS 9.

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

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

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

(c) Business combination

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

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

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

Goodwill is measured as the excess of the sum of the

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

The Group recognizes non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation on an acquisition-by-acquisition basis, either at fair value or at the proportionate share of the recognized amount of acquiree's identifiable net assets.

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

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

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

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

(e) Loss of control

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

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

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

(2) Foreign currency

(a) Foreign currency translation

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are translated in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at the year-end date. Non-monetary assets and liabilities that are

measured at fair value in a foreign currency shall be retranslated using the exchange rate at the date when the fair value was measured. The exchange differences arising from the retranslation were recognized in profit or loss, except for retranslation differences in financial instruments that are measured at fair value and changes in fair value are recognized in other comprehensive income, and exchange differences arising from transactions for the purpose of hedging certain foreign exchange risk.

(b) Foreign operations

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

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

(3) Financial instruments

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

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

(a) Initial recognition and measurement

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

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

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

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. Equity instruments held for purposes other than trading are designated as financial assets at FVTOCI.

(b) Offsetting

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

(c) Non-derivative financial assets

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

Financial assets measured at amortized cost

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

Financial assets at FVTPL

Financial assets, other than those subsequently measured at amortized cost, are subsequently measured at fair value, and all changes in fair value are recognized in profit or loss.

Financial assets 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 and the accumulative changes of fair value recorded in other comprehensive income cannot be reclassified to profit or loss. Dividends from the above-mentioned equity instruments are recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. At derecognition of equity instruments at FVTOCI or when the decline in fair value is other than temporary when compared to initial cost, the recognized amount of changes in fair value accumulated in other comprehensive income is reclassified directly to retained earnings and cannot be reclassified in profit or loss.

(d) Cash and cash equivalents

Cash and cash equivalents are cash and highly liquid financial assets that are readily convertible to known amounts of cash with original maturities of three months or less.

(e) Non-derivative financial liabilities

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

(f) Trading assets and liabilities

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

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

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

(g) Derecognition

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

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

(h) Fair value measurement

The Group measures the fair value of a financial asset or liability using a quoted market price from an active market, if available.

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

(i) Impairment of financial assets measured at amortized cost

The Group recognizes impairment losses for financial assets

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

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

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

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

(j) Derivatives

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

Derivatives which hedge accounting is applied At the inception of the hedge, the Group formally documents the hedging relationship between the hedged item or transaction and the hedge instrument, which is the derivative, in compliance with our risk management objective and strategy. In addition, the Group has formal documentation on the effectiveness of derivatives 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 derivatives, which are designated as hedging instruments for fair value hedges, are recognized in profit or loss. Gain or loss on the hedged item attributable to the risk of changes in interest rates or exchange rates shall adjust the carrying amount of the hedged item and be recognized in profit or loss.

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

The amount that has been recognized in other comprehensive income shall be presented as a deduction of

other comprehensive income in the consolidated statement of comprehensive income and reclassified to profit or loss in the same period during which the hedged item of cash flows affects profit or loss.

The Group shall prospectively discontinue 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 the anticipated transaction is not expected to occur, at which point the underlying amount shall be immediately recognized in profit or loss.

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

(k) Capital stock

Common stock

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

Treasury stock

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

(4) Inventories

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

(5) Lease

A lease is classified as a finance lease when the Group assumes substantially all the risks and rewards 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 accounting standards applied to the assets.

(6) Property and equipment

(a) Initial recognition and measurement

Property and equipment are measured using the cost method and stated at cost less accumulated depreciation and accumulated impairment loss. Acquisition cost includes the costs incurred directly related to the acquisition of the assets. Any gain or loss arising on the disposal of an item of property and equipment is determined as the difference

between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(b) Depreciation

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

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

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

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

(7) Intangible assets

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

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

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

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

(b) Research and development

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

(c) Other intangible assets (separately acquired)

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

(d) Amortization

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

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

- Software 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) sale in the ordinary course of business, or (b) use in the production of supply of goods or services or for administrative purposes. Investment properties are measured using the cost method and stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is calculated based on the depreciable amount, which is calculated as the initial cost of assets less their residual values. Depreciation is calculated using the straight-line method to allocate their depreciable amounts over the estimated useful life of each component, and charged to profit or loss.

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

- Buildings 8 – 50 years

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

(9) Impairment of non-financial assets

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

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying

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

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

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

(10) Accounting for insurance contracts

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

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

(11) Employee benefits

(a) Defined contribution plans

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

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

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

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

(12) Provisions

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

(13) Revenue recognition

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

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

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

(c) Commission income

Commission income arises from transactions in which the Group is involved as an agent instead of a principal who gains the main part of the profit from the transaction. Revenue from commission income is recognized by reference to the stage of completion of the transaction at the end of the reporting period if the result of the transaction can be reliably estimated.

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

- The Group neither retains ownership of the goods nor assumes any responsibility for after service.
- Though the Group ultimately collect consideration from customers, all the credit risk is assumed by the supplier of the goods.

(d) Sale of goods

Revenue is measured at the fair value of the consideration received or receivable, taking into account the amount of any sales return, trade discount and volume rebates.

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

(14) Income tax expense

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

realized simultaneously.

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

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

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

(15) Earnings per share

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

(16) Segment reporting

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

(17) Non-current assets held for sale

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

is committed to a plan to sell the asset.

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

subsidiary.

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

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

Of the new standards, amendments to existing standards, and interpretations that have been published before the approval date of the consolidated financial statements, the main ones that the Group has not early adopted are as follows. The impact to the consolidated financial statements resulting from their adoption is still under investigation and it is difficult to estimate at this moment.

	IFRS	Mandatory for fiscal year beginning on or after	Adopted by the group from fiscal year ended	Summary of new standards and amendments
IFRS 9	Financial Instruments	January 1, 2018	To be determined	Amendment with regard to hedge accounting, impairment accounting, and classification and measurement of financial instruments
IFRS 10	Consolidated Financial Statements	January 1, 2016	To be determined	Clarification of the accounting treatment for sale or contribution of assets between an investor and its associate and joint venture
IAS 28	Investments in Associates and Joint Ventures			
IFRS 15	Revenue from Contracts with Customers	January 1, 2017	March 2018	Amendment with regard to the accounting of revenue recognition

4. Business Combination

For the year ended March 31, 2014

Consideration transferred for business combinations amounted to ¥2,145 million, which were settled in cash. Fair value of acquired assets and liabilities were ¥4,080 million and ¥1,916 million, respectively.

For the year ended March 31, 2015

In order to reenter into the life insurance business, the Group acquired 100% of the equity interest in PCA Life Insurance Co., Ltd. (hereinafter "PCA Life Insurance"), the Japanese arm of Prudential plc. on February 5, 2015, and PCA Life Insurance became a subsidiary of the Group.

(*) PCA Life Insurance changed its company name into SBI Life Insurance Co., Ltd. as at May 1, 2015.

Consideration paid at acquisition date, contingent consideration, fair value of acquired assets and liabilities, and gain on bargain purchase in relation to the business combination mentioned above are as follows. Consideration was paid in cash.

	(Millions of Yen)
	Acquisition date February 5, 2015
Fair value of consideration paid	7,976
Fair value of contingent consideration	1,987
Total	9,963
Cash and cash equivalents	3,529
Trade and other accounts receivable	1,917
Other investment securities	157,261
Other assets	589
Total Assets	163,296
Insurance contract liabilities	147,942
Deferred tax liabilities	2,827
Other liabilities	556
Total Liabilities	151,325
Net assets	11,971
Gain on bargain purchase	(2,008)
Total	9,963

Gain on bargain purchase mainly derived from the recognition of the financial assets measured at amortized cost, such as bonds, at fair value at acquisition date. Costs in relation to the business combination, amounting to ¥27 million, were included in "Selling, general and administrative expenses".

The amount of the contingent consideration is determined based on reversal of additional policy reserve under Japanese accounting standards during a certain period in the future within

the maximum limit of ¥1,987 million, equivalent to USD 17 million converted at the exchange rate previously agreed with the seller.

Operating revenue and profit for the period generated by PCA Life Insurance since the acquisition date included in the consolidated statement of income for the year ended March 31, 2015 were ¥3,579 million and ¥752 million, respectively.

Had the acquisition of PCA Life Insurance been effected at the beginning of the current reporting period, operating revenue and profit of PCA Life Insurance would have been ¥25,306 million and ¥2,117 million, respectively. These estimates are unaudited.

Consideration transferred for business combinations other than the above mentioned amounted to ¥6,228 million, which were settled in cash. Fair value of acquired assets and liabilities were ¥6,519 million and ¥1,133 million, respectively.

5. Segment Information

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

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

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

“Financial Services Business”

The Financial Services Business consists of a wide range of finance-related business and the provision of information regarding financial products, including securities brokerage business, banking services business, and life, property and casualty insurance business.

“Asset Management Business”

The Asset Management Business primarily consists of fund management and investment in Internet technology, biotechnology, environmental energy and finance-related venture companies in Japan and overseas. The Group includes venture companies acquired in the Asset Management Business in the Group’s consolidation; thus, the businesses operated by the venture companies are included in this segment.

“Biotechnology-related Business”

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

“Others” includes the housing and real estate business, such as development and trading of investment property and operation of online intermediate services, and other businesses, but they did not meet the quantitative criteria to be defined as reportable segments for the fiscal year ended March 31, 2015.

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

The following represents segment information of the Group:

(Millions of Yen)							
For the year ended March 31, 2014	Financial Services Business	Asset Management Business	Biotechnology-related Business	Total	Others	Elimination or Corporate	Consolidated Total
Net Sales							
Revenue from customers	145,853	72,694	2,106	220,653	11,609	560	232,822
Inter-segment revenue	1,982	31	89	2,102	17	(2,119)	—
Total	147,835	72,725	2,195	222,755	11,626	(1,559)	232,822
Segment operating income (loss)							
Profit (loss) before income tax expense	37,298	8,990	(2,432)	43,856	2,438	(7,395)	38,899
Other Items							
Interest income	30,415	34,287	1	64,703	4	(1,248)	63,459
Interest expense	(6,230)	(14,063)	(27)	(20,320)	(321)	(1,724)	(22,365)
Depreciation and amortization	(5,918)	(4,874)	(6)	(10,798)	(337)	(243)	(11,378)
Gain or loss from investments applying the equity-method	1,273	225	136	1,634	(303)	—	1,331

(Millions of Yen)

For the year ended March 31, 2015	Financial Services Business	Asset Management Business	Biotechnology-related Business	Total	Others	Elimination or Corporate	Consolidated Total
Net Sales							
Revenue from customers	160,692	65,171	2,058	227,921	15,680	1,444	245,045
Inter-segment revenue	1,953	672	124	2,749	30	(2,779)	—
Total	162,645	65,843	2,182	230,670	15,710	(1,335)	245,045
Segment operating income (loss)							
Profit (loss) before income tax expense	67,309	8,132	(7,310)	68,131	2,779	(7,843)	63,067
Other Items							
Interest income	31,370	33,273	0	64,643	21	(1,319)	63,345
Interest expense	(6,299)	(13,346)	(71)	(19,716)	(241)	(2,165)	(22,122)
Depreciation and amortization	(5,698)	(5,402)	(15)	(11,115)	(219)	(171)	(11,505)
Gain or loss from investments applying the equity-method	5,285	(183)	(31)	5,071	0	—	5,071

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

	(Millions of Yen)	
Non-current assets	As at March 31, 2014	As at March 31, 2015
Japan	85,368	67,790
Korea	140,356	146,637
Others	15,735	14,451
Consolidated total	241,459	228,878

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

	(Millions of Yen)	
Revenue from external customers	For the year ended March 31, 2014	For the year ended March 31, 2015
Japan	187,935	198,470
Overseas	44,887	46,575
Consolidated total	232,822	245,045

Note: Revenue is recognized at the destination of sales.

6. Fair Value of Financial Instruments

(1) Fair value measurement

Fair values of financial assets and financial liabilities are determined based on quoted market prices. If quoted market prices are not available, fair values are calculated using valuation models such as a discounted cash flow analysis. The Group determined fair values of financial assets and financial liabilities as follows:

Cash and cash equivalents, Other financial assets, Trade and other accounts payable, and Other financial liabilities

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

Trade and other accounts receivable

The fair values are determined based on the future cash inflows discounted at interest rates derived from appropriate indices

such as government bond risk free rates considering credit risk.

Assets and liabilities related to securities business

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

With respect to trading assets and trading liabilities, the fair values are determined as described in “Operational investment securities and other investment securities” and “Derivatives”.

Operational investment securities and other investment securities

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

Bonds and loans payable

With respect to bonds and loans payable with floating interest rates, the fair values are determined at the carrying values as the interest rates of the bonds and loans reflect the market interest rate within a short period and as the credit condition of companies that obtained the bonds and loans are not expected to change significantly. With respect to bonds payable with fixed interest rates, the fair values are determined based on the future cash outflows considering remaining periods and discount rates

adjusted with credit risks. With respect to loans payable with fixed interest rates, the fair values are determined at the present value of the future cash outflows, where the sum of principal and interest of loans are grouped according to their maturities and discounted using interest rates with reference to similar types of loans. The fair value of bonds payable and loans payable with short maturities are determined at the carrying values since they approximate the carrying values.

Customer deposits for banking business

The fair values of demand deposits are determined at the carrying values which are the amounts paid on demand at the reporting date. The fair values of time deposits are determined based on the future cash inflows discounted at the adequate rates, such as government bond yield considering credit risk.

The fair values of time deposits with short time maturities are determined at the carrying values since they approximate the carrying values.

Derivatives

The fair values of foreign currency forward contracts are determined based on the future exchange rate at the reporting date, whereas the fair values of foreign currency spot contracts are determined using the spot rate at the reporting date. With respect to index futures and options, the fair values are determined based on market closing price at the reporting date in principal stock exchanges. With respect to interest swaps, the fair values are determined by reference to offered prices by financial institutions.

(2) Classification and fair value of financial instruments

Classification and fair value of financial assets were as follows:

(Millions of Yen)

	Carrying amount				Fair value
	Financial assets at FVTPL	Financial assets at FVTOCI	Financial assets measured at amortized cost	Total	
As at March 31, 2014					
Trade and other accounts receivable	—	—	336,206	336,206	340,124
Assets related to securities business	5,803	—	1,733,690	1,739,493	1,739,493
Operational investment securities	127,365	—	—	127,365	127,365
Other investment securities	47,875	1,359	—	49,234	49,234
Total	181,043	1,359	2,069,896	2,252,298	2,256,216

(Millions of Yen)

	Carrying amount				Fair value
	Financial assets at FVTPL	Financial assets at FVTOCI	Financial assets measured at amortized cost	Total	
As at March 31, 2015					
Trade and other accounts receivable	—	—	342,459	342,459	349,800
Assets related to securities business	7,579	—	2,121,181	2,128,760	2,128,760
Operational investment securities	114,946	—	—	114,946	114,946
Other investment securities	131,878	1,539	59,647	193,064	192,653
Total	254,403	1,539	2,523,287	2,779,229	2,786,159

Classification and fair value of financial liabilities were as follows:

(Millions of Yen)

	Carrying amount			Fair value
	Financial liabilities at FVTPL	Financial liabilities measured at amortized cost	Total	
As at March 31, 2014				
Bonds and loans payable	—	440,112	440,112	440,688
Trade and other accounts payable	—	53,503	53,503	53,503
Liabilities related to securities business	776	1,617,137	1,617,913	1,617,913
Customer deposits for banking business	—	302,314	302,314	302,490
Total	776	2,413,066	2,413,842	2,414,594

(Millions of Yen)

As at March 31, 2015	Carrying amount			Fair value
	Financial liabilities at FVTPL	Financial liabilities measured at amortized cost	Total	
Bonds and loans payable	—	374,771	374,771	375,888
Trade and other accounts payable	1,987	53,018	55,005	55,005
Liabilities related to securities business	2,551	1,957,842	1,960,393	1,960,393
Customer deposits for banking business	—	361,102	361,102	363,496
Total	4,538	2,746,733	2,751,271	2,754,782

(3) Financial instruments categorized by fair value hierarchy

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

The fair value hierarchy is defined as follows:

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

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

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

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

(Millions of Yen)

	As at March 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets				
Assets related to securities business	5,803	—	—	5,803
Operational investment securities and other investment securities				
Financial assets at FVTPL	31,732	426	143,082	175,240
Financial assets at FVTOCI	495	—	864	1,359
Total financial assets	38,030	426	143,946	182,402
Financial liabilities				
Liabilities related to securities business	776	—	—	776
Total financial liabilities	776	—	—	776

(Millions of Yen)

	As at March 31, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets				
Assets related to securities business	7,579	—	—	7,579
Operational investment securities and other investment securities				
Financial assets at FVTPL	122,551	615	123,658	246,824
Financial assets at FVTOCI	698	—	841	1,539
Total financial assets	130,828	615	124,499	255,942
Financial liabilities				
Trade and other accounts payable	—	—	1,987	1,987
Liabilities related to securities business	2,551	—	—	2,551
Total financial liabilities	2,551	—	1,987	4,538

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

(Millions of Yen)

	As at March 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets				
Trade and other accounts receivable	—	340,124	—	340,124
Assets related to securities business	—	1,733,690	—	1,733,690
Total financial assets	—	2,073,814	—	2,073,814
Financial liabilities				
Bonds and loans payable	—	440,688	—	440,688
Trade and other accounts payable	—	53,503	—	53,503
Liabilities related to securities business	—	1,617,137	—	1,617,137
Customer deposits for banking business	—	302,490	—	302,490
Total financial liabilities	—	2,413,818	—	2,413,818

(Millions of Yen)

	As at March 31, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets				
Trade and other accounts receivable	—	349,800	—	349,800
Assets related to securities business	—	2,121,181	—	2,121,181
Operational investment securities and other investment securities	59,236	—	—	59,236
Total financial assets	59,236	2,470,981	—	2,530,217
Financial liabilities				
Bonds and loans payable	—	375,888	—	375,888
Trade and other accounts payable	—	53,018	—	53,018
Liabilities related to securities business	—	1,957,842	—	1,957,842
Customer deposits for banking business	—	363,496	—	363,496
Total financial liabilities	—	2,750,244	—	2,750,244

(4) Financial instruments categorized as Level 3

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

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

(Millions of Yen)

	As at March 31, 2014			
	Fair Value	Valuation Technique	Unobservable Input	Range
Operational investment securities and other investment securities	143,946	Income approach and market approach	Discount rate P/E ratio EBITDA ratio	10% 10.3–21.8x 4.2–8.3

(Millions of Yen)

	As at March 31, 2015			
	Fair Value	Valuation Technique	Unobservable Input	Range
Operational investment securities and other investment securities	124,499	Income approach and market approach	Discount rate P/E ratio Illiquidity discount	9%–16% 8.8–20.4x 5%–30%

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

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

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

(Millions of Yen)

	Financial assets		
	Operational investment securities and other investment securities		Total
	Financial assets at FVTPL	Financial assets at FVTOCI	
For the year ended March 31, 2014			
Balance as at April 1, 2013	149,399	2,618	152,017
Acquisitions through business combinations	—	—	—
Purchase	18,482	—	18,482
Comprehensive income			
Net profit (Note 1)	305	—	305
Other comprehensive income (loss) (Note 2)	—	(119)	(119)
Dividends	(3,891)	—	(3,891)
Sale or redemption	(8,801)	(1,790)	(10,591)
Liquidation	(54)	—	(54)
Currency translation differences	7,450	155	7,605
Others (Note 3)	(2)	—	(2)
Transferred from Level 3 (Note 4)	(19,806)	—	(19,806)
Transferred to Level 3	—	—	—
Balance as at March 31, 2014	143,082	864	143,946

(Millions of Yen)

	Financial assets			Financial liabilities
	Operational investment securities and other investment securities		Total	Trade and other accounts payable
	Financial assets at FVTPL	Financial assets at FVTOCI		
For the year ended March 31, 2015				
Balance as at April 1, 2014	143,082	864	143,946	—
Acquisitions through business combinations	5,365	—	5,365	1,987
Purchase	26,263	—	26,263	—
Comprehensive income				
Net profit (Note 1)	5,016	—	5,016	—
Other comprehensive income (loss) (Note 2)	—	(106)	(106)	—
Dividends	(3,851)	—	(3,851)	—
Sale or redemption	(46,074)	(3)	(46,077)	—
Liquidation	—	—	—	—
Currency translation differences	10,152	86	10,238	—
Others	—	—	—	—
Transferred from Level 3 (Note 4)	(16,295)	—	(16,295)	—
Transferred to Level 3	—	—	—	—
Balance as at March 31, 2015	123,658	841	124,499	1,987

Notes: 1. Gains and losses recognized as profit (loss) for the period in relation to financial instruments are included in "Operating revenue" in the consolidated statement of income.
 Gains and losses recognized arising from financial assets at FVTPL held as at March 31, 2014 and 2015 were ¥282 million of losses and ¥2,940 million of gains, respectively.
 2. Gains and losses recognized as other comprehensive income (loss) in relation to financial instruments are included in "FVTOCI financial assets" in the consolidated statement of comprehensive income.
 3. Transfer due to obtaining of control.
 4. Transfer due to significant input used to measure fair value becoming observable.

7. Offsetting Financial Assets and Financial Liabilities

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

(Millions of Yen)

	Financial assets					
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
As at March 31, 2014						
Assets related to securities business (Securities borrowing agreements and other similar transactions)	1,018,722	(368,277)	650,445	(126,840)	(108,480)	415,125
Assets related to securities business (Receivables related to securities transactions)	58,628	(14,701)	43,927	(14,729)	—	29,198
Assets related to securities business (Financial assets related to foreign exchange transactions)	1,549	—	1,549	(187)	(1,362)	—

(Millions of Yen)

	Financial liabilities					
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
As at March 31, 2014						
Liabilities related to securities business (Securities loan agreements and other similar transactions)	1,043,339	(368,277)	675,062	(235,320)	—	439,742
Liabilities related to securities business (Payables related to securities transactions)	127,781	(14,701)	113,080	(14,729)	—	98,351
Liabilities related to securities business (Financial liabilities related to foreign exchange transactions)	16,697	—	16,697	(1,549)	—	15,148

(Millions of Yen)

	Financial assets					
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
As at March 31, 2015						
Assets related to securities business (Securities borrowing agreements and other similar transactions)	1,261,893	(564,472)	697,421	(576,957)	(120,464)	—
Assets related to securities business (Receivables related to securities transactions)	127,762	(36,018)	91,744	(30,794)	—	60,950
Assets related to securities business (Financial assets related to foreign exchange transactions)	3,573	—	3,573	(482)	(3,091)	—

(Millions of Yen)

As at March 31, 2015	Financial liabilities					
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
Liabilities related to securities business (Securities loan agreements and other similar transactions)	1,550,362	(564,472)	985,890	(752,466)	—	233,424
Liabilities related to securities business (Payables related to securities transactions)	281,292	(36,018)	245,274	(30,794)	—	214,480
Liabilities related to securities business (Financial liabilities related to foreign exchange transactions)	27,471	—	27,471	(3,573)	—	23,898

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

8. Financial Risk Management

(1) Risk management policy over capital management and financing

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

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

	(Millions of Yen)	
	As at March 31, 2014	As at March 31, 2015
Interest-bearing debt (Bonds and borrowings)	440,112	374,771
Cash and cash equivalents	(276,221)	(290,826)
Net	163,891	83,945
Equity attributable to owners of the Company	325,631	383,491

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

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

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

SBI Savings Bank whose headquarter is in the Republic of Korea is obligated to maintain certain level of capital adequacy ratio in conformity with the Main Shareholder eligibility standard or standard of KIPCO Asset Management Company KSC (KAMCO) or other standards. If the capital adequacy ratio falls below certain level, Korean Financial Supervisory Service may give warning or order business suspension.

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

The Group conducts trading of derivative instruments including foreign currency forward contracts and interest rate swaps, index futures, and foreign currency spot contracts. The Group enters into foreign currency forward contracts and interest rate swap transactions primarily to hedge foreign exchange risk and to manage its interest rate exposures on borrowings, respectively. The Group does not hold or issue them for speculative purposes. Index futures are entered into for the purpose of day trading with a cap placed on their trading volume. Index futures were mainly daily trading under a limited trading scale. Foreign currency spot contracts are conducted with individual customers and involve cover transactions based on the Group’s “Position Management Rule.”

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

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

- Credit risk
- Market risk
- Liquidity risk

(2) Risks arising from financial instruments

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

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

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

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

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

Securities-related liabilities consist of margin transaction liabilities, loans payable secured by securities on repurchase agreement transactions, deposits from customers, guarantee deposits received from margin transactions, and trade date accrual. The financing environment of the security business operated by the Group is affected by the business policy of

security financing companies and its investment strategy. The Group exercises control by matching the financing with the related security assets. Trade date accrual is presented as other liabilities related to the securities business in the consolidated statement of financial position.

The Group enters into foreign currency forward contracts and interest rate swap transactions primarily to hedge foreign exchange risk associated with receivables, payables and securities denominated in foreign currencies and to manage its interest rate exposures on borrowings, respectively.

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

The Group also enters into foreign currency spot contracts in the course of ordinary operations, and for hedging risks arising from the business. The transactions are subject to interest rate risks and foreign currency risks as well as exposed to credit risks with customers and credit and settlement risks with counterparties.

(3) Risk management system over financial instruments

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

(4) Credit risk management

Credit risk is the risk that the Group may suffer losses from decrease or losses of assets due to deteriorated financial conditions of investees/debtors. Credit risk includes country risk that the Group may suffer losses from changing the currency, political or economic circumstances of a country where investees/debtors operate.

Credit risk management policies of the Group are as follows:

- (a) Accurately analyze financial conditions of investees/debtors and quantify relevant credit risk.
- (b) Appropriately manage the Group's own capital and the related risks by periodic monitoring.
- (c) Under foreign investments or lending transactions, the Group identifies intrinsic risk of investees/debtors with domestic/foreign offices as well as overseas partners followed by periodic monitoring.
- (d) Recognize investment risk as significant risk to be controlled among various credit risks and perform detailed analysis of fluctuation in risk associated with operational investment securities.

The Group operates in line with the above risk management policies. Subsidiaries which allow credits to corporate or individual customers as a part of business are monitored in accordance with respective basic rules as needed.

The maximum exposure to credit risk for financial assets excluding the evaluation value of collateral is the carrying amount of financial assets after impairment loss presented in the consolidated statement of financial position. The maximum exposure to the loan commitment, which the Group grants, is the amount of the financial guarantee contract and fixed transaction amount of the loan commitment presented in Note 35 “Contractual Liabilities”.

The Group evaluates recoverability of operating receivables and other receivables by considering the credit condition of customers and recognizes impairment losses. The Group is not extremely exposed to credit risk from a specific customer.

Impairment losses and analysis of the age regarding trade and other accounts receivable presented on the consolidated statement of financial position are as follows:

There are no financial assets that are past due related to the securities business.

Impairment losses regarding trade and other accounts receivable as at March 31, 2014 and 2015 were as follows:

	(Millions of Yen)	
	March 31, 2014	March 31, 2015
Trade and other accounts receivable (gross)	347,206	368,305
Impairment losses	(11,000)	(25,846)
Trade and other accounts receivable (net)	336,206	342,459

The analysis of the age of trade and other accounts receivable that are past due but not impaired as at March 31, 2014 and 2015 were as follows:

	(Millions of Yen)	
	March 31, 2014	March 31, 2015
No later than 6 months	178	388
Later than 6 months and not later than 1 year	4,401	265
Later than 1 year	60	4,934
Total	4,639	5,587

Trade and other accounts receivable include the amount recoverable by insurance or collateral. Collateral received mainly consists of real estate assets received on loan to small-middle real estate companies or individual or other assets. Evaluation on receiving collateral is made by an independent third party appraiser and the amount of the loan is determined to be filled with evaluation value. However, the value of the collateral may be inadequate due to a declining real estate market. If the Group obtains collateral assets by exercise of security interests, the Group immediately collects the loan by conducting sales or auction of the assets.

(5) Market risk management

Market risk is the risk that the Group may suffer losses from fluctuation of interest rate, stock price, foreign exchange rate or other factors.

Market risk management policies of the Group are as follows:

- (a) Understand underlying currency and term of assets and

quantify market risk.

- (b) Appropriately manage the balance between the Group's own capital and its related risk by periodic monitoring.
(c) Never enter into derivative transactions for speculative purposes in the absence of established operating rules.

① Stock Market Risk

The Group is exposed to stock market risk arising from its investment portfolio. If the market price of operational investment securities and other investment securities held by the Group as at March 31, 2014 and 2015 increased by 10%, profit before income tax expense in consolidated statement of income would have increased by ¥3,173 million and ¥12,255 million, respectively.

The investment portfolios as at March 31, 2014 and 2015 were as follows.

	(Millions of Yen)	
	March 31, 2014	March 31, 2015
Operational investment securities		
Listed equity securities	26,184	26,190
Unlisted equity securities	60,019	54,361
Bonds	1,097	1,108
Investments in funds	40,065	33,287
Total	127,365	114,946
Other investment securities		
Listed equity securities	1,817	1,384
Unlisted equity securities	2,852	8,363
Bonds	38,669	92,929
Investments in funds	5,896	90,388
Total	49,234	193,064

② Foreign Exchange Risk

The Group is exposed to foreign exchange risk with regard to assets and liabilities dominated in currencies used by various entities other than the Group's functional currency, mainly including USD and HKD. The Group's main exposures to foreign exchange risk are as follows:

	(Millions of Yen)		
As at March 31, 2014	USD	HKD	Others
Monetary financial instruments dominated in foreign currency			
Assets	33,368	6,840	14,633
Liabilities	25,908	6,690	8,668

	(Millions of Yen)		
As at March 31, 2015	USD	HKD	Others
Monetary financial instruments dominated in foreign currency			
Assets	38,519	7,471	11,151
Liabilities	29,496	7,260	8,960

If the foreign currencies strengthened by 1% against the functional currency with all other variables (such as interest rate) held constant, profit before income tax expense in the

consolidated statement of income for the years ended March 31, 2014 and 2015 would have increased by ¥136 million and ¥114 million, respectively, mainly as a result of monetary financial instruments dominated in foreign currency held by the Group.

③ Interest Rate Risk

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

costs arising from financial liabilities, which primarily consist of borrowings from financial institutions, bonds payable, and customer deposits for the banking business.

In management's sensitivity analysis, if interest rates had been 100 basis points higher and all other variables were held constant, profit before income tax expense in the consolidated statement of income for the years ended March 31, 2014 and 2015 would have increased by ¥1,316 million and ¥1,350 million, respectively.

The analysis is prepared assuming the financial instruments subject to interest rate risk and all other variables were held constant throughout the years ended March 31, 2014 and 2015.

(6) Liquidity risk management

Liquidity risk is defined as the Group's exposure to the below situations:

- Necessary financing cannot be secured due to deterioration of the Group's financial condition
- Risk of loss from financing at higher interest rate than usual with no option
- Risk of loss from transaction at significantly unreasonable price with no option or unable to conduct transactions due to severe situation such as market turmoil.

The Group manages its liquidity risk through the following policies.

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

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

(Millions of Yen)

As at March 31, 2014	Carrying amount	Contractual cash flow	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds and loans payable	440,112	447,230	310,741	37,816	34,368	36,661	1,189	26,455
Trade and other accounts payable	53,503	53,503	50,887	1,452	510	335	228	91
Liabilities related to securities business	1,617,913	1,617,913	1,617,913	–	–	–	–	–
Customer deposits for banking business	302,314	308,165	277,094	26,576	4,471	10	5	9
Other financial liabilities	15,645	15,645	15,645	–	–	–	–	–

(Millions of Yen)

As at March 31, 2015	Carrying amount	Contractual cash flow	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds and loans payable	374,771	381,549	265,333	52,765	61,218	227	783	1,223
Trade and other accounts payable	55,005	55,088	53,706	515	361	285	179	42
Liabilities related to securities business	1,960,393	1,960,393	1,960,393	–	–	–	–	–
Customer deposits for banking business	361,102	367,129	337,262	25,670	4,162	35	–	–
Other financial liabilities	13,757	13,757	13,380	340	36	1	–	–

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

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

	(Millions of Yen)	
	March 31, 2014	March 31, 2015
Lines of credit	265,550	327,850
Used balance	128,909	124,933
Unused portion	136,641	202,917

9. Trade and Other Accounts Receivable

Trade and other accounts receivable as at March 31, 2014 and 2015, consisted of the following:

	(Millions of Yen)	
	As at March 31, 2014	As at March 31, 2015
Trade accounts receivable and installment receivables	8,958	8,777
Loans receivable	266,638	297,121
Operational receivables	26,166	14,497
Finance lease receivables	16,241	—
Deposits in relation to banking business	16,010	20,933
Others	2,193	1,131
Total	336,206	342,459

Maturity analysis to the collection or the settlement of trade and other accounts receivable as at March 31, 2014 and 2015, consisted of the following:

	(Millions of Yen)	
	As at March 31, 2014	As at March 31, 2015
No later than 1 year	230,799	171,654
Later than 1 year	105,407	170,805
Total	336,206	342,459

10. Other Assets Related to Securities Business

Other assets related to securities business as at March 31, 2014 and 2015, consisted of the following:

	(Millions of Yen)	
	As at March 31, 2014	As at March 31, 2015
Trade date accrual	431,588	564,378
Short-term guarantee deposits	13,890	29,582
Others	5,843	7,735
Total	451,321	601,695

11. Operational Investment Securities and Other Investment Securities

“Operational investment securities” and “Other investment securities” in the consolidated statement of financial position as at March 31, 2014 and 2015 consisted of the following:

	(Millions of Yen)	
	As at March 31, 2014	As at March 31, 2015
Operational investment securities		
Financial assets at FVTPL	127,365	114,946
Total	127,365	114,946
Other investment securities		
Financial assets at FVTPL	47,875	131,878
Financial assets at FVTOCI	1,359	1,539
Financial assets measured at amortized cost	—	59,647
Total	49,234	193,064

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

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

	(Millions of Yen)	
	As at March 31, 2014	As at March 31, 2015
Fair value		
Listed	495	698
Unlisted	864	841
Total	1,359	1,539

	(Millions of Yen)	
	For the year ended March 31, 2014	For the year ended March 31, 2015
Dividends income		
Listed	10	7
Unlisted	39	1
Total	49	8

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

	(Millions of Yen)	
	As at March 31, 2014	As at March 31, 2015
Other investment securities		
ULS Group, Inc.	231	385
Sunwah Kingsway Capital Holdings Limited	232	274
Asahi Fire & Marine Insurance Co., Ltd.	213	213

Fair value at disposal, cumulative gain (net of tax) transferred from other components of equity to retained earnings and dividend income of financial assets at FVTOCI disposed during the years ended March 31, 2014 and 2015 are as follows:

(Millions of Yen)

For the year ended March 31, 2014			For the year ended March 31, 2015		
Fair value at disposal	Cumulative gain	Dividends income	Fair value at disposal	Cumulative gain	Dividends income
4,954	988	39	3	(174)	—

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

For financial assets at FVTOCI whose significant decline in fair value compared to their acquisition costs is other than temporary, cumulative losses (net of tax) transferred from other components of equity to retained earnings for the year ended March 31, 2014 and 2015, were ¥119 million and ¥10 million, respectively.

12. Investments Accounted for Using the Equity Method

(1) Investments in associates

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

(Millions of Yen)

	For the year ended March 31, 2014	For the year ended March 31, 2015
Profit for the year attributable to the Group (Note)	491	(147)
Other comprehensive income attributable to the Group	1,069	439
Total comprehensive income attributable to the Group	1,560	292

(Millions of Yen)

	As at March 31, 2014	As at March 31, 2015
Book value	18,260	17,756

Note: Since the recoverable amounts of certain investments in associates were estimated to be less than the carrying amounts, impairment losses of ¥1,212 million were recognized for the year ended March 31, 2014. The amount was included in "Share of the profit or loss of associates and joint ventures accounted for using the equity method" in the consolidated statement of income.

(2) Investments in joint ventures

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

(Millions of Yen)

	For the year ended March 31, 2014	For the year ended March 31, 2015
Profit for the year attributable to the Group (Note)	2,052	5,218
Other comprehensive income attributable to the Group	463	111
Total comprehensive income attributable to the Group	2,515	5,329

(Millions of Yen)

	As at March 31, 2014	As at March 31, 2015
Book value	21,560	27,699

Note: Due to change in business model, SBI Sumishin Net Bank, Ltd. changed the classification of its financial assets from those measured at amortized cost to FVTPL effective October 1, 2014. The reclassification resulted in an increase of "Share of the profit of associates and joint ventures accounted for using the equity method" by ¥2,552 million.

13. Structured Entities

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

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

(1) Consolidated structured entities

Total assets of the consolidated investment partnerships and investment trusts were ¥117,437 million and ¥108,048 million as at March 31, 2014 and 2015, respectively. Total liabilities were ¥8,056 million and ¥1,019 million as at March 31, 2014 and 2015, respectively.

(2) Unconsolidated structured entities

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

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

(Millions of Yen)

	As at March 31, 2014	As at March 31, 2015
Operational investment securities	40,779	33,705
Other investment securities	5,742	90,772
Total	46,521	124,477

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

14. Investment Property

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

(Millions of Yen)		
Cost	For the year ended March 31, 2014	For the year ended March 31, 2015
Balance, beginning of year	39,095	38,047
Acquisitions	4,823	2
Sales or disposals	(8,784)	(17,515)
Foreign currency translation adjustment on foreign operations	2,913	2,738
Balance, end of year	38,047	23,272

(Millions of Yen)		
Accumulated depreciation and impairment losses	For the year ended March 31, 2014	For the year ended March 31, 2015
Balance, beginning of year	(2,740)	(4,852)
Depreciation	(505)	(361)
Impairment	(2,936)	(1,518)
Sales or disposals	1,559	2,378
Foreign currency translation adjustment on foreign operations	(230)	(441)
Balance, end of year	(4,852)	(4,794)

Impairment losses recognized for the years ended March 31, 2014 and 2015 were ¥2,936 million and ¥1,518 million, respectively, due to a significant decline in fair value of certain investment properties, and were recorded in “Other expenses” in the consolidated statement of income.

Impairment losses recognized by segment for the year ended March 31, 2014 were ¥2,891 million in the Asset Management Business and ¥45 million in the Real Estate Business, which is classified into “Others” in segment information. Impairment losses for the year ended March 31, 2015 were recognized in the Asset Management Business. The recoverable amount of the investment properties is measured at fair value less cost of disposal through real estate valuation.

(Millions of Yen)			
Carrying amount and fair value			
As at March 31, 2014		As at March 31, 2015	
Carrying amount	Fair value	Carrying amount	Fair value
33,195	34,268	18,478	22,327

The fair value as at the end of each reporting period is based on a valuation conducted by independent valuation appraisers with appropriate qualifications, who have had recent experience in local practice for relative categories of assets.

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

Rental income from investment property for the years ended March 31, 2014 and 2015 was ¥1,262 million and ¥784 million, respectively, which was included in “Operating revenue” in the consolidated statement of income. Expenses incurred in direct relation to the rental income (including repairs and maintenance) for the years ended March 31, 2014 and 2015, were ¥1,076 million and ¥870 million, respectively, which were included in “Operating cost” and “Selling, general and administrative expenses”.

15. Property and Equipment

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

(Millions of Yen)					
Cost	Buildings	Furniture and fixtures	Land	Others	Total
Balance as at April 1, 2013	7,010	10,143	3,353	613	21,119
Acquisition	866	1,486	—	850	3,202
Acquisitions through business combinations	—	0	—	—	0
Sales or disposals	(1,284)	(822)	(67)	(6)	(2,179)
Foreign currency translation adjustment on foreign operations	94	429	132	130	785
Others	697	16	218	(379)	552
Balance as at March 31, 2014	7,383	11,252	3,636	1,208	23,479
Acquisition	688	1,383	—	90	2,161
Acquisitions through business combinations	28	43	—	—	71
Sales or disposals	(1,089)	(4,376)	(238)	(13)	(5,716)
Foreign currency translation adjustment on foreign operations	85	427	157	181	850
Others	135	44	—	(52)	127
Balance as at March 31, 2015	7,230	8,773	3,555	1,414	20,972

(Millions of Yen)

Accumulated depreciation and impairment losses	Buildings	Furniture and fixtures	Land	Others	Total
Balance as at April 1, 2013	(3,551)	(6,400)	(524)	(127)	(10,602)
Sales or disposals	1,131	741	68	4	1,944
Depreciation	(526)	(1,658)	—	(126)	(2,310)
Impairment losses	(10)	(2)	—	(249)	(261)
Foreign currency translation adjustment on foreign operations	(10)	(345)	—	(60)	(415)
Others	(11)	1	—	1	(9)
Balance as at March 31, 2014	(2,977)	(7,663)	(456)	(557)	(11,653)
Sales or disposals	484	4,148	—	8	4,640
Depreciation	(552)	(1,346)	—	(157)	(2,055)
Impairment losses	(80)	(15)	(718)	—	(813)
Foreign currency translation adjustment on foreign operations	(18)	(366)	—	(117)	(501)
Balance as at March 31, 2015	(3,143)	(5,242)	(1,174)	(823)	(10,382)

(Millions of Yen)

Carrying amount	Buildings	Furniture and fixtures	Land	Others	Total
Balance as at March 31, 2014	4,406	3,589	3,180	651	11,826
Balance as at March 31, 2015	4,087	3,531	2,381	591	10,590

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

(Millions of Yen)

Carrying amount	Buildings	Furniture and fixtures	Total
Balance as at March 31, 2014	555	1,438	1,993
Balance as at March 31, 2015	461	1,023	1,484

Impairment losses recognized for the years ended March 31, 2014 and 2015 were ¥261 million and ¥813 million, respectively, due to no expectation of initially expected profits and were included in “Other expenses” in the consolidated statement of income. Impairment losses recognized for the year ended March 31, 2014 were ¥186 million in the Financial Services Business, ¥12 million in the Asset Management Business and ¥63 million in common expense, which is not allocated to specific business segments, respectively. Impairment losses recognized for the year ended March 31, 2015 were ¥34 million in the Financial Services Business, ¥16 million in the Asset Management Business and ¥763 million mainly relating to development and trading of investment property included in Others, respectively.

16. Intangible Assets

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

The movements of cost, accumulated amortization and accumulated impairment losses of intangible assets including goodwill for the years ended March 31, 2014 and 2015 were as follows:

(Millions of Yen)

Cost	Goodwill	Software	Customer Relationship	Others	Total
Balance as at April 1, 2013	151,176	33,561	26,710	789	212,236
Acquisitions	—	5,522	—	20	5,542
Acquisitions through business combinations	16	7	—	—	23
Sales or disposals	(764)	(4,826)	—	(24)	(5,614)
Foreign currency translation adjustment on foreign operations	12,931	621	3,763	37	17,352
Others	—	(378)	—	378	—
Balance as at March 31, 2014	163,359	34,507	30,473	1,200	229,539
Acquisitions	—	4,742	—	1,035	5,777
Acquisitions through business combinations	1,767	74	—	—	1,841
Sales or disposals	(8,047)	(4,605)	(29)	(9)	(12,690)
Foreign currency translation adjustment on foreign operations	13,363	661	3,741	79	17,844
Balance as at March 31, 2015	170,442	35,379	34,185	2,305	242,311

(Millions of Yen)

Accumulated amortization and impairment losses	Goodwill	Software	Customer Relationship	Others	Total
Balance as at April 1, 2013	(8,611)	(16,482)	(1,067)	(495)	(26,655)
Sales or disposals	744	4,657	—	24	5,425
Amortization	—	(5,482)	(2,963)	(147)	(8,592)
Impairment losses	(1,478)	(679)	—	—	(2,157)
Foreign currency translation adjustment on foreign operations	192	(127)	(1,171)	(16)	(1,122)
Others	—	378	—	(378)	—
Balance as at March 31, 2014	(9,153)	(17,735)	(5,201)	(1,012)	(33,101)
Sales or disposals	1,901	3,218	30	4	5,153
Amortization	—	(5,735)	(3,206)	(158)	(9,099)
Impairment losses	(862)	(55)	(3,793)	—	(4,710)
Foreign currency translation adjustment on foreign operations	—	(266)	(407)	(71)	(744)
Balance as at March 31, 2015	(8,114)	(20,573)	(12,577)	(1,237)	(42,501)

(Millions of Yen)

Carrying amount	Goodwill	Software	Customer Relationship	Others	Total
Balance as at March 31, 2014	154,206	16,772	25,272	188	196,438
Balance as at March 31, 2015	162,328	14,806	21,608	1,068	199,810

The carrying amount of software in the above table as at March 31, 2014 and 2015 includes the carrying amount of leased assets of ¥270 million and ¥223 million, respectively. Amortization expenses were recorded in “Operating cost” and “Selling, general and administrative expenses” in the consolidated statement of income.

(2) Impairment losses for each business segment

The Group recognized impairment losses totaling ¥2,157 million and ¥4,710 million for the years ended March 31, 2014 and 2015, respectively, due to no expectation of initially expected profits, and recorded them in “Other expenses” in the consolidated statement of income. Impairment losses recognized for the year ended March 31, 2014 were ¥1,601 million in the Financial Services Business, ¥305 million in the Asset Management Business and ¥251 million in common expense, which is not allocated to certain business segments, respectively. Impairment losses recognized for the year ended March 31, 2015 were ¥910 million in the Financial Services Business, ¥7 million in the Asset Management Business and ¥3,793 million in the Biotechnology-related Business, respectively. The impairment losses recognized in the Biotechnology-related Business were recognized for certain drug development pipelines (recoverable amount: ¥9,237 million).

(3) Carrying amount of goodwill

Goodwill arising from business combinations is allocated to

cash-generating units that are expected to benefit from the synergies of the business combination at the date of acquisition of the business.

Significant goodwill arising from business combinations were ¥103,280 million and ¥116,277 as at March 31, 2014 and 2015, respectively, related to SBI Savings Bank in the Asset Management Business and ¥24,910 million as at March 31, 2014 and 2015, related to SBI SECURITIES Co., Ltd. in the Financial Services Business.

The recoverable amounts used for impairment test of goodwill and intangible assets are calculated based on the value in use. Value in use is the present value calculated by discounting the estimated cash flows based on the projection approved by management and a growth rate. The business plans are not longer than five years in principle, and reflect the management assessments of future industry trends and historical data based on the external and internal information. The growth rate is determined by considering the long term average growth rate of the market or the country which the CGU belongs to. The growth rate used for measuring value in use was 5% at the maximum per annum as at March 31, 2014 and 2015. The discount rate used for measuring value in use was 10.0% to 26.3% and 8.2% to 24.0% per annum as at March 31, 2014 and 2015, respectively.

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

17. Deferred Taxation

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the years ended March 31, 2014 and 2015:

(Millions of Yen)

For the year ended March 31, 2014	As at April 1, 2013	Recognized through profit or loss	Recognized through other comprehensive income	Change in scope of consolidation	Recognized directly in equity	As at March 31, 2014
Deferred Tax Assets						
Financial assets at FVTPL	2,505	(2,505)	—	—	—	—
Impairment on financial assets measured at amortized cost	3,350	(1,765)	—	—	—	1,585
Fixed assets (Note)	1,249	(663)	—	—	—	586
Tax loss carryforwards	4,014	214	—	(38)	—	4,190
Other	2,805	(875)	—	3	(123)	1,810
Total	13,923	(5,594)	—	(35)	(123)	8,171
Deferred Tax Liabilities						
Financial Assets at FVTPL	—	2,015	—	—	—	2,015
Financial Assets at FVTOCI	425	—	0	—	—	425
Intangible assets	4,989	(520)	901	—	—	5,370
Other	1,670	(1,670)	—	—	816	816
Total	7,084	(175)	901	—	816	8,626

(Millions of Yen)

For the year ended March 31, 2015	As at April 1, 2014	Recognized through profit or loss	Recognized through other comprehensive income	Change in scope of consolidation	Recognized directly in equity	As at March 31, 2015
Deferred Tax Assets						
Impairment on financial assets measured at amortized cost	1,585	(269)	—	(348)	—	968
Fixed assets (Note)	586	605	—	(7)	—	1,184
Tax loss carryforwards	4,190	(2,193)	—	(278)	—	1,719
Other	1,810	(967)	—	(312)	411	942
Total	8,171	(2,824)	—	(945)	411	4,813
Deferred Tax Liabilities						
Financial Assets at FVTPL	2,015	2,085	—	959	—	5,059
Financial Assets at FVTOCI	425	—	44	(343)	—	126
Financial Assets measured at amortized cost	—	(150)	—	1,868	—	1,718
Intangible assets	5,370	(2,057)	761	—	—	4,074
Other	816	(222)	—	—	—	594
Total	8,626	(344)	805	2,484	—	11,571

Note: Fixed assets represent property and equipment, and investment property.

In assessing the recoverability of the deferred tax assets, the Group considers the future taxable temporary differences, projected future taxable income, and tax planning strategies. The tax losses for which deferred tax assets were not recognized as at March 31, 2014 and 2015, were ¥157,545 million (including ¥127,147 million with the carryforward period over 5 years), and ¥255,133 million including ¥223,886 million with the carryforward period over 5 years), respectively.

The Group recognized deferred tax assets of ¥3,198 million and ¥31 million as at March 31, 2014 and 2015, respectively, associated with certain subsidiaries that had net losses during the years ended March 31, 2014 and 2015. The Group's management assessed that it is probable that tax credit carryforwards and deductible temporary differences will be utilized as the tax losses are not expected to arise on an ongoing basis.

As at March 31, 2014 and 2015, in principle, the Group did not recognize a deferred tax liability on the taxable temporary differences associated with investments in subsidiaries because the Group was in a position to control the timing of the reversal of the temporary differences and it was probable that such differences would not reverse in the foreseeable future. The amount of taxable temporary differences associated with investments in subsidiaries on which deferred tax liabilities were not recognized were ¥110,207 million and ¥113,610 million as at March 31, 2014 and 2015, respectively.

18. Bonds and Borrowings

(1) Details of bonds and borrowings

Bonds and borrowings as at March 31, 2014 and 2015, consisted of the following:

	(Millions of Yen)		(%)	
	As at March 31, 2014	As at March 31, 2015	Average interest rate (Note 1)	Due (Note 2)
Short-term loans payable	185,095	197,268	1.24	—
Current portion of long-term loans payable	9,993	41,323	3.11	—
Current portion of bonds payable	76,136	24,398	—	—
Long-term loans payable	43,965	23,504	0.73	2016–2021
Bonds payable	62,430	88,278	—	—
Borrowings related to securitization (Note 3)	62,493	—	—	—
Total	440,112	374,771	—	—

Notes: 1. The average interest rate is calculated using the weighted average coupon rate of the outstanding balance as at March 31, 2015.

2. The due represents the repayment term of the outstanding balance as at March 31, 2015.

3. Borrowings related to securitization were funded through securitization of receivables and the liability amounts were recognized against the transferred loan receivables which do not qualify for derecognition and continued to be recognized as the Group's assets.

Details of the bonds were as follows:

		(Millions of Yen)		(%)	
Issuer and the name of bond	Date of issuance	As at March 31, 2014	As at March 31, 2015	Interest rate (Note 1)	Due
The Company Japanese yen straight bond (Note 2)	July 2013– February 2015	39,981	19,986	1.43	July 2014– February 2016
The Company No. 4 Unsecured straight bond	January 2012	29,964	—	—	January 2015
The Company No. 5 Unsecured straight bond	August 2013	29,902	29,943	2.15	August 2016
The Company No. 6 Unsecured straight bond	December 2014	—	29,895	2.00	January 2018
The Company Euro Yen Convertible Bonds (Note 3)	November 2013	27,695	28,321	—	November 2017
SBI Mortgage Co., Ltd. No. 1 Unsecured straight bond	March 2014	1,000	—	—	March 2017
SBI Trade Win Tech Co., Ltd. No. 1 Unsecured straight bond	March 2014	200	160	1.99	March 2019
SBI Savings Bank Subordinated bond in Korean Won	April 2010	9,824	4,371	7.90	July 2015
Total		138,566	112,676		

Notes: 1. Interest rate is the coupon rate of the balance as at March 31, 2015.

2. Total amounts of straight bonds in Japanese Yen issued based on Euro medium term note program are stated above.

3. The stock acquisition rights of Euro Yen convertible bonds are recognized as embedded derivatives. The amount of the stock acquisition rights are separated from the host, measured at fair value, and recorded as capital surplus after tax effects.

(2) Assets pledged as security

Assets pledged for liabilities and contingent liabilities were as follows:

	(Millions of Yen)	
	As at March 31, 2014	As at March 31, 2015
Cash and cash equivalents	88	75
Trade and other accounts receivable	9,739	9,527
Other financial assets	2,645	6
Investment properties	9,851	—
Other assets	284	—
Total	22,607	9,608

The corresponding liabilities were as follows:

	(Millions of Yen)	
	As at March 31, 2014	As at March 31, 2015
Bonds and borrowings	15,359	5,892

Besides the above, securities received as collateral for financing from broker's own capital of ¥71,946 million and ¥47,810 million were pledged as collateral for borrowings on margin transactions as at March 31, 2014 and 2015, respectively.

19. Trade and Other Payables

The components of trade and other payables were as follows:

	(Millions of Yen)	
	As at March 31, 2014	As at March 31, 2015
Accounts payable and notes payable	2,748	2,033
Accounts payable-other	8,798	8,348
Advances received and guarantee deposit received	37,752	42,682
Finance lease liability	4,205	1,942
Total	53,503	55,005

20. Other Liabilities Related to Securities Business

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

	(Millions of Yen)	
	As at March 31, 2014	As at March 31, 2015
Trade date accrual	285,621	384,553
Deposits for subscription	954	1,057
Others	775	2,551
Total	287,350	388,161

21. Insurance Contract Liabilities

(1) Risk management system over insurance contracts

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

(a) Market risk management

Interest rate risk management

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

Price fluctuation risk management

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

(b) Conducting of stress testing

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

(c) Insurance underwriting risk

Regarding insurance underwriting risk, the department-in-charge of each company engaged in the insurance business determines its underwriting policies, and conducts risk control by managing the risk portfolio, reforming or abolishing products, establishing the underwriting standards, changing sales policies, designing and arranging reinsurance, etc. Also, PCA Life Insurance (currently SBI Life Insurance Co., Ltd.) has halted new contract solicitation since February 15, 2010.

(2) Insurance contract liabilities

(a) Details and movements of insurance contract liabilities

Insurance contract liabilities as at March 31, 2014 and 2015, consisted of the following:

	(Millions of Yen)	
	As at March 31, 2014	As at March 31, 2015
Claims reserves	8,863	15,250
Policy reserves	13,507	154,792
Total	22,370	170,042

Insurance contract liabilities, which was included in "Other financial liabilities" in the consolidated statement of financial position until the previous reporting period, is presented independently from the year ended March 31, 2015, due to increase in materiality.

The movements in insurance contract liabilities for the years ended March 31, 2014 and 2015 were as follows:

	(Millions of Yen)	
	For the year ended March 31, 2014	For the year ended March 31, 2015
Balance, beginning of year	18,287	22,370
Life insurance business		
Acquisitions through business combinations	—	147,942
Expected cash flows from policy reserves	—	(2,570)
Interest incurred	—	29
Adjustments	—	1,091
Non-life insurance business		
Insurance premiums	23,660	26,269
Unearned premium	(21,520)	(24,647)
Others	1,943	(442)
Balance, end of year	22,370	170,042

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

(Millions of Yen)

	Total	No later than 1 year	1 to 3 years	3 to 5 years	Over 5 years
Insurance contract liabilities	170,042	43,773	43,764	18,871	63,634

(b) Sensitivity to insurance risk

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

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

(3) Concentration of insurance risk

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

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

(Millions of Yen)

	Accident year				
	2010	2011	2012	2013	2014
Cumulative payments and claim reserves					
At end of accident year	6,836	10,816	14,442	16,518	16,377
1 year later	7,134	10,629	14,418	16,442	—
2 year later	7,117	10,824	14,697	—	—
3 year later	7,178	10,850	—	—	—
4 year later	7,177	—	—	—	—
Estimate of cumulative claims	7,177	10,850	14,697	16,442	16,377
Less: Cumulative payments to date	7,009	10,436	13,925	14,616	11,257
Claim reserves (gross)	168	414	772	1,826	5,120

22. Leases

(1) As lessee

The Group leases servers for online transaction systems and certain other assets under finance leases. Future minimum lease payments and their present value under finance lease contracts of each payment period as at March 31, 2014 and 2015 were as follows:

	(Millions of Yen)	
	As at March 31, 2014	As at March 31, 2015
No later than 1 year		
Future minimum lease payments	1,779	648
Less: future financial cost	(73)	(20)
Present value	1,706	628
Later than 1 year and not later than five years		
Future minimum lease payments	2,546	1,324
Less: future financial cost	(110)	(47)
Present value	2,436	1,277
Later than 5 years		
Future minimum lease payments	65	38
Less: future financial cost	(2)	(1)
Present value	63	37
Total		
Future minimum lease payments	4,390	2,010
Less: future financial cost	(185)	(68)
Present value	4,205	1,942

The total future minimum sublease payments under non-cancellable sublease contracts as at March 31, 2014 were ¥1,283 million. The Group did not recognize any future sublease payments as at March 31, 2015 due to the deconsolidation of a subsidiary which performed leasing business.

The Group leases office buildings and certain other assets under operating leases. The total future minimum lease payments recorded as expenses under cancellable or non-cancellable operating lease contracts as at March 31, 2014 and 2015 were ¥5,327 million and ¥5,135 million, respectively.

(2) As lessor

The Group did not recognize any future minimum lease payments receivable as at March 31, 2015 due to the deconsolidation of a subsidiary which performed leasing business.

23. Capital Stock and Other Equity Items

(1) Capital stock and treasury stock

The number of authorized shares as at March 31, 2014 and 2015 was 341,690,000 shares.

The Company's issued shares were as follows:

	(Shares)	
	For the year ended March 31, 2014	For the year ended March 31, 2015
Number of issued shares (common shares with no par value)		
As at the beginning of the year	224,525,781	224,561,761
Increase during the year (Note)	35,980	—
As at the end of the year	224,561,761	224,561,761

Note: The increase of 35,980 shares for the year ended March 31, 2014 related to the increase due to the exercise of stock acquisition rights.

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

	(Shares)	
	For the year ended March 31, 2014	For the year ended March 31, 2015
Number of treasury stock		
As at the beginning of the year	8,098,446	8,078,743
Increase during the year (Notes 1, 3)	45,497	26,387
Decrease during the year (Notes 2, 4)	(65,200)	(58,520)
As at the end of the year	8,078,743	8,046,610

Notes: 1. The increase of 45,497 shares was due to the purchases from shareholders with less than one unit of shares.
2. The decrease of 65,200 shares related to 3,400 shares sold to shareholders with less than one unit of shares, and sales of 61,800 shares to the Employee Stockholding Association.
3. The increase of 26,387 shares was due to the purchases from shareholders with less than one unit of shares.
4. The decrease of 58,520 shares related to 2,120 shares sold to shareholders with less than one unit of shares, and sales of 56,400 shares to the Employee Stockholding Association.

(2) Reserves

a. Capital surplus

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

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

b. Retained earnings

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

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

(3) Other component of equity

The movements of other component of equity were as follows:

(Millions of Yen)

	Other component of equity		
	Currency translation differences	Financial assets at FVTOCI	Total
Balance as at April 1, 2013	6,486	(290)	6,196
Change for the year	9,900	998	10,898
Transfer to retained earnings	—	(869)	(869)
Balance as at March 31, 2014	16,386	(161)	16,225
Change for the year	20,476	49	20,525
Transfer to retained earnings	—	184	184
Balance as at March 31, 2015	36,862	72	36,934

24. Dividends

Dividends paid were as follows:

Year ended March 31, 2014	Type of share	Dividend amount (Millions of Yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' Meeting on May 9, 2013	Common shares	2,170	10	March 31, 2013	June 6, 2013

Year ended March 31, 2015	Type of share	Dividend amount (Millions of Yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' Meeting on May 8, 2014	Common shares	4,340	20	March 31, 2014	June 6, 2014

Dividends for which the declared date fell in the year ended March 31, 2015, and for which the effective date will be in the year ended March 31, 2016

Year ended March 31, 2015	Type of share	Dividend amount (Millions of Yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' Meeting on May 12, 2015	Common shares	7,594	35	March 31, 2015	June 8, 2015

Note: The amount per share of 35 yen consists of common dividend of 30 yen and commemorative dividend of 5 yen for the 15th anniversary of the foundation of the Company.

25. Share-based Payment

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

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

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

None of the expenses arising from granted stock options are recorded during the years ended March 31, 2014 and 2015.

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

① The Company

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

	(Shares)	(Yen)	(Shares)	(Yen)
	For the year ended March 31, 2014		For the year ended March 31, 2015	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Beginning balance	1,513,238.36	2,901	353,958.50	4,466
Granted	—	—	7,435,700.00	1,247
Forfeited	(1,123,298.88)	2,477	(185,253.50)	4,601
Exercised	(35,980.98)	752	—	—
Unexercised balance	353,958.50	4,466	7,604,405.00	1,315

Notes: 1. Weighted average stock prices upon exercise of stock options for the years ended March 31, 2014 was ¥1,305.

2. The fair value of the stock option granted during the year ended March 31, 2015 was ¥1,518 (The number of shares to be issued per stock acquisition right: 100 shares). The fair value was determined based on the Black-Scholes Model and was evaluated by an external specialist. The following assumptions were used in the Black-Scholes Model regarding the stock options:

Stock price at the grant date : ¥1,247 Estimated remaining exercise period : 3.6 years
Exercise price : ¥1,247 Dividend yield : 2.0%
Estimated volatility : 47.1% Risk free rate : 0.1%

3. The stock options granted during the year ended March 31, 2015 vest upon receipt of cash for the price equivalent to their fair value.

The unexercised stock options as at March 31, 2015 are as follows:

	(Yen)	(Shares)	
Name	Exercise price	Number of shares	Expiration date
SBI Securities Co., Ltd. No. 1 Stock Acquisition Rights succeeded from SBI Securities Co., Ltd. through share exchange (Note)	4,317	168,705	June 29, 2015
SBI Holdings, Inc. 2014 Stock Acquisition Rights	1,247	7,435,700	June 30, 2018

Note: IFRS 2 "Share-based Payment" has not been applied to the stock acquisition rights since they vested before the date of transition to IFRSs (April 1, 2011, hereinafter referred to as the "transition date").

② Subsidiaries

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

(a) Stock option plans which were unvested at the transition date

	(Shares)	(Yen)	(Shares)	(Yen)
	For the year ended March 31, 2014		For the year ended March 31, 2015	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
a-1 SBI Biotech Co., Ltd.	710	26,549	710	26,549
Beginning balance	710	26,549	710	26,549
Forfeited	—	—	(430)	5,000
Unvested balance	710	26,549	280	59,643

Notes: 1. There were no vested balances as at March 31, 2015.

2. The average remaining exercise period as at March 31, 2015 was 0.4 years. Stock options with exercise period defined as 3 years passed from the IPO date are excluded.

	(Shares)	(Yen)	(Shares)	(Yen)
	For the year ended March 31, 2014		For the year ended March 31, 2015	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
a-2 SBI Japannext Co., Ltd.	10,460	77,854	10,460	77,854
Beginning balance	10,460	77,854	10,460	77,854
Granted	—	—	1,791	100,000
Unvested balance	10,460	77,854	12,251	81,092

Notes: 1. There were no vested balances as at March 31, 2015.

2. The average remaining exercise period as at March 31, 2015 was 3.3 years. (Stock options with exercise period defined as 3 years passed from the IPO date are excluded.)

3. The fair value of the stock option granted during the year ended March 31, 2015 was ¥14,432 (The number of shares to be issued per stock acquisition right: 1 share).

The fair value was determined based on Black-Scholes Model. The following assumptions were used in the Black-Scholes Model regarding the stock options:

Stock price at the grant date : ¥68,496 Estimated remaining exercise period : 5 years
Exercise price : ¥100,000 Dividend yield : 2.0%
Estimated volatility : 43.3% Risk free rate : 0.1%

	(Shares)	(Yen)	(Shares)	(Yen)
	For the year ended March 31, 2014		For the year ended March 31, 2015	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
a-3 Autoc one K.K.				
Beginning balance	2,550	50,039	2,490	50,040
Forfeited	(60)	50,000	(1,550)	50,000
Unvested balance	2,490	50,040	940	50,106

Notes: 1. There were no vested balances as at March 31, 2015.
2. The average remaining exercise period as at March 31, 2015 was 0.3 years.

	(Shares)	(Yen)	(Shares)	(Yen)
	For the year ended March 31, 2014		For the year ended March 31, 2015	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
a-4 NARUMIYA INTERNATIONAL CO., LTD.				
Beginning balance	4,000	78,557	3,650	78,557
Forfeited	(350)	78,557	—	—
Unvested balance	3,650	78,557	3,650	78,557

Notes: 1. The average remaining exercise period as at March 31, 2015 was 5.3 years.
2. The stock options vest upon receipt of cash for the price equivalent to their fair value.

	(Shares)	(Yen)	(Shares)	(Yen)
	For the year ended March 31, 2014		For the year ended March 31, 2015	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
a-5 SBI AXES Co., Ltd.				
Beginning balance	165,100	424	165,100	424
Forfeited	—	—	(165,100)	424
Unvested balance	165,100	424	—	—

	(Shares)	(Yen)
	For the year ended March 31, 2015	
	Number of shares	Weighted average exercise price
a-6 Morningstar Japan K.K.		
Beginning balance	—	—
Granted	1,676,700	267
Unvested balance	1,676,700	267

Notes: 1. The average remaining exercise period as at March 31, 2015 was 3.3 years.
2. The fair value of the stock option granted during the year ended March 31, 2015 was ¥536 (The number of shares to be issued per stock acquisition right: 100 shares).
The fair value was determined based on the Black-Scholes Model and was evaluated by an external specialist. The following assumptions were used in the Black-Scholes Model regarding the stock options:
 Stock price at the grant date : ¥267 Estimated remaining exercise period : 3.5 years
 Exercise price : ¥267 Dividend yield : 1.6%
 Estimated volatility : 37.3% Risk free rate : 0.01%
 3. The stock options vest upon receipt of cash for the price equivalent to their fair value.

(b) Stock option plans which were vested before the transition date

The following stock options were vested before the transition date, thus the Group does not apply IFRS 2 “Share-based Payment”.

	(Shares)	(Yen)	(Shares)	(Yen)
	For the year ended March 31, 2014		For the year ended March 31, 2015	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
b-1 SBI Life Living Co., Ltd.				
Beginning balance	489,500	535	374,540	533
Forfeited	(200)	542	—	—
Exercised	(114,760)	542	—	—
Change in scope of consolidation	—	—	(374,540)	533
Unexercised balance	374,540	533	—	—

Note: The weighted average stock price of stock options upon exercise for the year ended March 31, 2014 was ¥594.

	(Shares)		(Yen)	
	For the year ended March 31, 2014		For the year ended March 31, 2015	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
b-2 Morningstar Japan K.K.				
Beginning balance	75,000	445	75,000	445
Movement	—	—	—	—
Unexercised balance	75,000	445	75,000	445

Note: The average remaining exercise period as at March 31, 2015 was 1.0 years.

(2) Cash-settled share-based compensation plan

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

The expenses arising from granted cash-settled share-based compensation plan for the year ended March 31, 2015 were ¥3 million, which was recorded in “Selling, general and administrative expenses”. The corresponding liability as at March 31, 2015 was ¥3 million, which was recorded in “Other financial liabilities”.

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

	(Shares)		(Yen)	
	For the year ended March 31, 2015			
	Number of shares	Weighted average exercise price		
SBI AXES Co., Ltd.				
Beginning balance	—	—		
Granted	154,440	259		
Forfeited	(1,327)	259		
Unexercised balance	153,113	259		

Notes: 1. The average remaining exercise period as at March 31, 2015 was 4.3 years.

2. The exercise price of the compensation plan granted during the year ended March 31, 2015 was the weighted average closing price for the most recent three months as of the grant date.

26. Operating Revenue

Operating revenue for the years ended March 31, 2014 and 2015 consisted of the following:

	(Millions of Yen)	
	For the year ended March 31, 2014	For the year ended March 31, 2015
Financial income		
Interest income (Note 1)	62,945	62,975
Dividends received	385	431
Income arising from financial assets at FVTPL	11,595	1,546
Gain from trading	14,047	16,437
Total financial income	88,972	81,389
Revenue arising on insurance contracts (Note 2)	27,352	32,564
Revenue from rendering of services	78,635	70,571
Gain on sale of interests in subsidiaries (Note 3)	336	18,541
Other income	37,527	41,980
Total operating revenue	232,822	245,045

Notes: 1. Interest income in financial income arises from financial assets measured at amortized cost.

2. Revenue arising on insurance contracts which was included in “Revenue from rendering of services” until the previous reporting period is presented independently as a component of “Operating revenue” from the year ended March 31, 2015, due to increase in materiality.

3. Gain on sale of interests in subsidiaries during the year ended March 31, 2015 arose mainly from the sales of SBI Mortgage Co., Ltd. (Segment: Financial Services Business) and SBI Life Living Co., Ltd. (Segment: Others).

27. Operating Expense

Operating expense for the years ended March 31, 2014 and 2015 consisted of the following:

(1) Operating cost

	(Millions of Yen)	
	For the year ended March 31, 2014	For the year ended March 31, 2015
Payroll	(6,235)	(6,658)
Outsourcing fees	(8,257)	(3,118)
Depreciation and amortization	(1,360)	(1,153)
Cost arising on insurance contracts	(20,081)	(23,037)
Others	(32,539)	(30,053)
Total operating cost	(68,472)	(64,019)

(2) Financial cost

	(Millions of Yen)	
	For the year ended March 31, 2014	For the year ended March 31, 2015
Financial cost		
Interest expense		
Financial liabilities measured at amortized cost	(18,526)	(16,610)
Total financial cost	(18,526)	(16,610)

(3) Selling, general and administrative expenses

(Millions of Yen)

	For the year ended March 31, 2014	For the year ended March 31, 2015
Payroll	(24,529)	(25,499)
Outsourcing fees	(16,166)	(16,960)
Depreciation and amortization	(10,018)	(10,352)
Research and development	(2,943)	(2,685)
Others	(42,341)	(36,543)
Total selling, general and administrative expenses	(95,997)	(92,039)

(4) Other expenses

(Millions of Yen)

	For the year ended March 31, 2014	For the year ended March 31, 2015
Impairment loss on non-financial assets	(5,354)	(7,041)
Foreign exchange loss	(809)	(1,728)
Others	(2,771)	(2,478)
Total other expenses	(8,934)	(11,247)

28. Other Financial Income and Cost

Other financial income and cost for the years ended March 31, 2014 and 2015 consisted of the following:

(Millions of Yen)

	For the year ended March 31, 2014	For the year ended March 31, 2015
Other financial income		
Interest income		
Financial assets measured at amortized cost	514	370
Total other financial income	514	370
Other financial expense		
Interest expense		
Financial liabilities measured at amortized cost	(3,839)	(5,512)
Total other financial expense	(3,839)	(5,512)

29. Income Tax Expense

The amount of income tax expenses for the years ended March 31, 2014 and 2015 were as follows:

(Millions of Yen)

	For the year ended March 31, 2014	For the year ended March 31, 2015
Income tax expense		
Current	(13,681)	(21,273)
Deferred	(5,419)	(2,480)
Total income tax expense	(19,100)	(23,753)

The Company and its domestic subsidiaries are subject to mainly a national corporate tax, an inhabitants tax, and an enterprise tax, which, in aggregate, resulted in a normal effective statutory tax rate of 35.64%. Foreign subsidiaries are subject to the income taxes of the countries in which they operate.

A reconciliation between the normal effective statutory tax rates and the Group's average effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2014 and 2015 is as follows:

(%)

	For the year ended March 31, 2014	For the year ended March 31, 2015
Normal effective statutory tax rate	38.01	35.64
Expenses not deductible for income tax purposes	1.73	1.36
Tax effect on minority interests of investments in fund	3.35	2.59
Temporary differences arising from consolidation of investments	(0.35)	5.23
Change in valuation allowance	3.44	(9.10)
Other	2.92	1.94
Average effective tax rate	49.10	37.66

The Act for Partial Amendment of the Income Tax Act, etc. (Act No. 9 of 2015) was promulgated on March 31, 2015. As a result, the reduction of corporate tax rates, etc., has been enforced from the fiscal year starting on or after April 1, 2015. In connection with this promulgation, the statutory effective tax rate used to calculate deferred tax assets and liabilities with respect to temporary differences that are expected to reverse during the fiscal year that starts on April 1, 2015 is changed from the previous 35.64% to 33.26%, and those expected to reverse during the fiscal year that starts on or after April 1, 2016 is changed from 35.64% to 32.35%. These changes in tax rates had little impact on income tax expense and current-year profit.

30. Other Comprehensive Income

Amounts recorded during the year, reclassification adjustments and income tax effects on each item of other comprehensive income for the years ended March 31, 2014 and 2015 were as follows:

(Millions of Yen)

For the year ended March 31, 2014	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
Items that will not be reclassified subsequently to profit or loss					
FVTOCI financial assets	979	—	979	0	979
Items that may be reclassified subsequently to profit or loss					
Currency translation differences	10,745	(244)	10,501	(901)	9,600
Total	11,724	(244)	11,480	(901)	10,579

(Millions of Yen)

For the year ended March 31, 2015	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
Items that will not be reclassified subsequently to profit or loss					
FVTOCI financial assets	96	—	96	(44)	52
Items that may be reclassified subsequently to profit or loss					
Currency translation differences	22,783	(591)	22,192	(761)	21,431
Total	22,879	(591)	22,288	(805)	21,483

31. Earnings per Share

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

(Millions of Yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Earnings		
Profit attributable to owners of the Company	21,439	45,721
Dilutive effect: Convertible bonds	158	399
Profit attributable to owners of the Company after dilutive effect	21,597	46,120
Shares		
Basic weighted average number of ordinary shares (shares)	216,464,301	216,505,691
Dilutive effect: Stock options (shares)	6,506	249,593
Dilutive effect: Convertible bonds (shares)	6,536,765	19,692,792
Weighted average number of ordinary shares after the dilutive effect (shares)	223,007,572	236,448,076
Earnings per share attributable to owners of the Company		
Basic (Yen)	99.04	211.18
Diluted (Yen)	96.85	195.06

Note: The calculation of diluted earnings per share does not assume exercise of stock acquisition rights that would have an antidilutive effect on earnings per share.

32. Cash Flow Information

Supplemental disclosure of cash flow information for the years ended March 31, 2014 and 2015 was as follows:

(1) Expenditures on acquisition of subsidiaries

The amounts of payments for acquisition of subsidiaries were ¥2,145 million and ¥14,204 million for the years ended March 31, 2014 and 2015, respectively. Cash and cash equivalents held by the subsidiaries at the acquisition date were ¥88 million and ¥7,555 million, respectively.

(2) Proceeds from sales of subsidiaries

Total consideration received in respect of sales of subsidiaries was ¥3,798 million and ¥39,411 million for the years ended March 31, 2014 and 2015, respectively. Amounts of major classes of assets and liabilities of subsidiaries at the date of sale were as follows:

	(Millions of Yen)	
	For the year ended March 31, 2014	For the year ended March 31, 2015
Cash and cash equivalents	911	9,274
Trade and other receivables	1,040	77,798
Other assets	109	16,239
Total assets	2,060	103,311
Bonds and loans payable	1,656	67,735
Trade and other payables	80	4,736
Other liabilities	29	6,774
Total liabilities	1,765	79,245

33. Subsidiaries

Major subsidiaries of the Group as at March 31, 2015 were as follows:

Business segment	Name	Location	Voting Rights Holding Ratio or Investment Ratio (%)
Financial Services Business	SBI FINANCIAL SERVICES Co., Ltd.	Japan	100.0
	SBI SECURITIES Co., Ltd.	Japan	100.0 (100.0)
	SBI Liquidity Market Co., Ltd.	Japan	100.0 (100.0)
	SBI FXTRADE Co., Ltd.	Japan	100.0 (100.0)
	SBI MONEYPLAZA Co., Ltd.	Japan	100.0 (100.0)
	SBI Japannext Co., Ltd.	Japan	52.8 (9.9)
	SBI Insurance Co., Ltd.	Japan	87.3
	Morningstar Japan K.K.	Japan	49.7
	SBI Card Co., Ltd.	Japan	100.0
	CEM Corporation	Japan	79.7 (57.1)
	PCA Life Insurance Co., Ltd. (currently SBI Life Insurance Co., Ltd.)	Japan	100.0 (5.0)
Asset Management Business	SBI Capital Management Co., Ltd.	Japan	100.0
	SBI Investment Co., Ltd.	Japan	100.0 (100.0)
	SBI CAPITAL Co., Ltd.	Japan	100.0 (100.0)
	SBI Value Up Fund No.1 Limited Partnership	Japan	49.8 (6.5)
	SBI VEN HOLDINGS PTE. LTD.	Singapore	100.0
	SBI KOREA HOLDINGS CO., LTD.	Korea	100.0 (100.0)
	SBI Savings Bank	Korea	98.1 (98.1)
Biotechnology-related Business	SBI Asset Management Co., Ltd.	Japan	100.0 (100.0)
	SBI Pharmaceuticals Co., Ltd.	Japan	76.4 (76.4)
	SBI ALApromo Co., Ltd.	Japan	100.0 (100.0)
	SBI Biotech Co., Ltd.	Japan	78.2 (71.4)

Notes: 1. In the "voting rights holding ratio or investment ratio" column, when the associate is an investment partnership or the like, the investment percentage is provided. The figure in the parentheses represents the indirect holding ratio of voting rights or indirect investment ratio included in the total.

2. Major changes in the scope of consolidation are as follows.

- Newly consolidated company: PCA Life Insurance Co., Ltd.
(The company name was changed to SBI Life Insurance Co., Ltd. as at May 1, 2015.)
- Deconsolidated company due to share sales: SBI Mortgage Co., Ltd.
SBI Lease Co., Ltd.
SBI Life Living Co., Ltd.
- Deconsolidated company due to liquidation: SBI Net Systems Co., Ltd.

34. Related Party Transactions

The remuneration of key management personnel of the Company for the years ended March 31, 2014 and 2015

(Millions of Yen)		
	For the year ended March 31, 2014	For the year ended March 31, 2015
Remuneration and bonuses	448	873
Post-employment benefits	2	2
Total	450	875

35. Contingent Liabilities

The Group has entered into loan agreements with the customers in accordance with the condition of the contracts. The total amount of loan commitments amounted to ¥2,308 million and ¥32,242 million, with an unused portion of ¥1,798 million and ¥19,311 million, as at March 31, 2014 and 2015, respectively.

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

36. Events after the Reporting Period

At the Board of Directors' meeting held on May 12, 2015, the Company resolved the purchase of its own shares pursuant to Article 156 of the Companies Act as applied pursuant to the third paragraph of Article 165 of the Companies Act, and the Company conducted the following share repurchase.

1. Purpose of acquisition

After due consideration of the consolidated financial results for the fiscal year ended March 31, 2015, the Company has resolved to conduct the share repurchase to return profits to our shareholders, while enabling the implementation of an agile capital policy in response to changes in the business environment.

2. Details of resolution

(1) Class of shares to be repurchased	Common stock
(2) Number of shares to be repurchased	Up to 7 million shares
(3) Total cost of shares to be repurchased	Up to JPY 10,000 million
(4) Period for share repurchase	May 13, 2015 to June 23, 2015

3. Details of repurchase

(1) Number of shares repurchased	5,648,900 shares
(2) Total cost of shares repurchased	JPY 10,000 million
(3) Period for share repurchase	May 13, 2015 to June 17, 2015 (trade date basis)

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Shinagawa Intercity
2-15-3, Konan
Minato-ku, Tokyo 108-6221
Japan
Tel: +81 (3) 6720 8200
Fax: +81 (3) 6720 8205
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statement of financial position of SBI Holdings, Inc. and its subsidiaries as at March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SBI Holdings, Inc. and its subsidiaries as at March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu LLC

June 23, 2015

Member of
Deloitte Touche Tohmatsu Limited

The SBI Group (Principal Group Companies)

SBI Holdings, Inc.

TSE First Section

Financial Services Business

A diversified line of financial services

① SBI FINANCIAL SERVICES Co., Ltd.

Control and management of the Financial Services Business 100.0%

① SBI SECURITIES Co., Ltd.

Comprehensive online securities company 100.0%

① SBI MONEY PLAZA Co., Ltd.

"Face-to-face" shops that provide financial products 100.0%

① SBI Liquidity Market Co., Ltd.

Provision of market infrastructure to supply liquidity to FX margin trading 100.0%

① SBI FXTRADE Co., Ltd.

Pure-play FX broker 100.0%

① SBI Business Support Corp.

Call center planning and operation, staffing 100.0%

① SBI Trade Win Tech Co., Ltd.

Development of financial systems 100.0%

① SBI Benefit Systems Co., Ltd.

Operational management of defined-contribution pension, etc. 87.0%

① SBI Japannext Co., Ltd.

Operation of PTS (Proprietary Trading System) 52.8%

① SBI Social Lending Co., Ltd.

Loan and social lending operations 100.0%

① SBI Remit Co., Ltd.

International remittance business 100.0%

① SBI AutoSupport Co., Ltd.

Provision of financial services through used car dealers, etc. 70.0%

Financial Services Business (Business Divisions of SBI Holdings, Inc.)

Operation of financial product comparison, search and estimate websites

② SBI-LG Systems Co., Ltd.

System-related business 49.0%

JASDAQ

② SOLXYZ Co., Ltd.

Software development 26.3%

① SBI Business Solutions Co., Ltd.

Back office support services 80.7%

① SBI Insurance Co., Ltd.

Internet-based nonlife insurance company 87.3%

① SBI Life Insurance Co., Ltd.

Life insurance business 100.0%

① SBI SSI Holdings Co., Ltd.

Holding company of small-amount short-term insurance policy businesses 100.0%

① SBI IKIINKI SSI Inc.

Small-amount short-term insurance policy businesses 100.0%

① SBI SSI Co., Ltd.

Small-amount short-term insurance policy businesses 99.6%

② SBI Sumishin Net Bank, Ltd.

Internet-based pure-play bank 50.0%

① SBI Card Co., Ltd.

Credit card business 100.0%

Asset Management Business

Private equity investment and overseas financial services business

① SBI Capital Management Co., Ltd.

Control and management of the Private Equity Business 100.0%

① SBI Investment Co., Ltd.

Venture capital fund management 100.0%

① SBI VEN CAPITAL PTE. LTD.

Overseas private equity fund management 100.0%

KOSDAQ

② SBI Investment KOREA Co., Ltd.

Venture capital in South Korea 43.9%

① SBI Savings Bank

Savings bank in South Korea 98.1%

① SBI Royal Securities Plc.

Comprehensive securities company in Cambodia 65.3%

② Phnom Penh Commercial Bank

Commercial bank in Cambodia 47.6%

② CSJ-SBI Financial Media Co., Ltd.

Economic and financial information business between Japan and China 43.0%

② SBI Thai Online Securities Company Limited

Pure-play Internet securities company in Thailand 55.0%

As of June 30, 2015 / Note: Percentages are the total Group ownership, which is the sum total of the voting rights in possession by the Company and the companies and funds defined as its subsidiaries by IFRSs.

① Consolidated subsidiary ② Equity method associate

Asset management-related services

<div>  </div>	
① Morningstar Japan K.K.	
Rating information for investment trust, etc.	49.7%
① Morningstar Asset Management Co., Ltd.	
Investment advisory services, etc.	100.0%
① SBI Asset Management Co., Ltd.	
Investment advisory services, investment trust management	100.0%
① SBI Arsnova Research, Co., Ltd.	
Arrangement and management of alternative investments	99.0%

Biotechnology-related Business

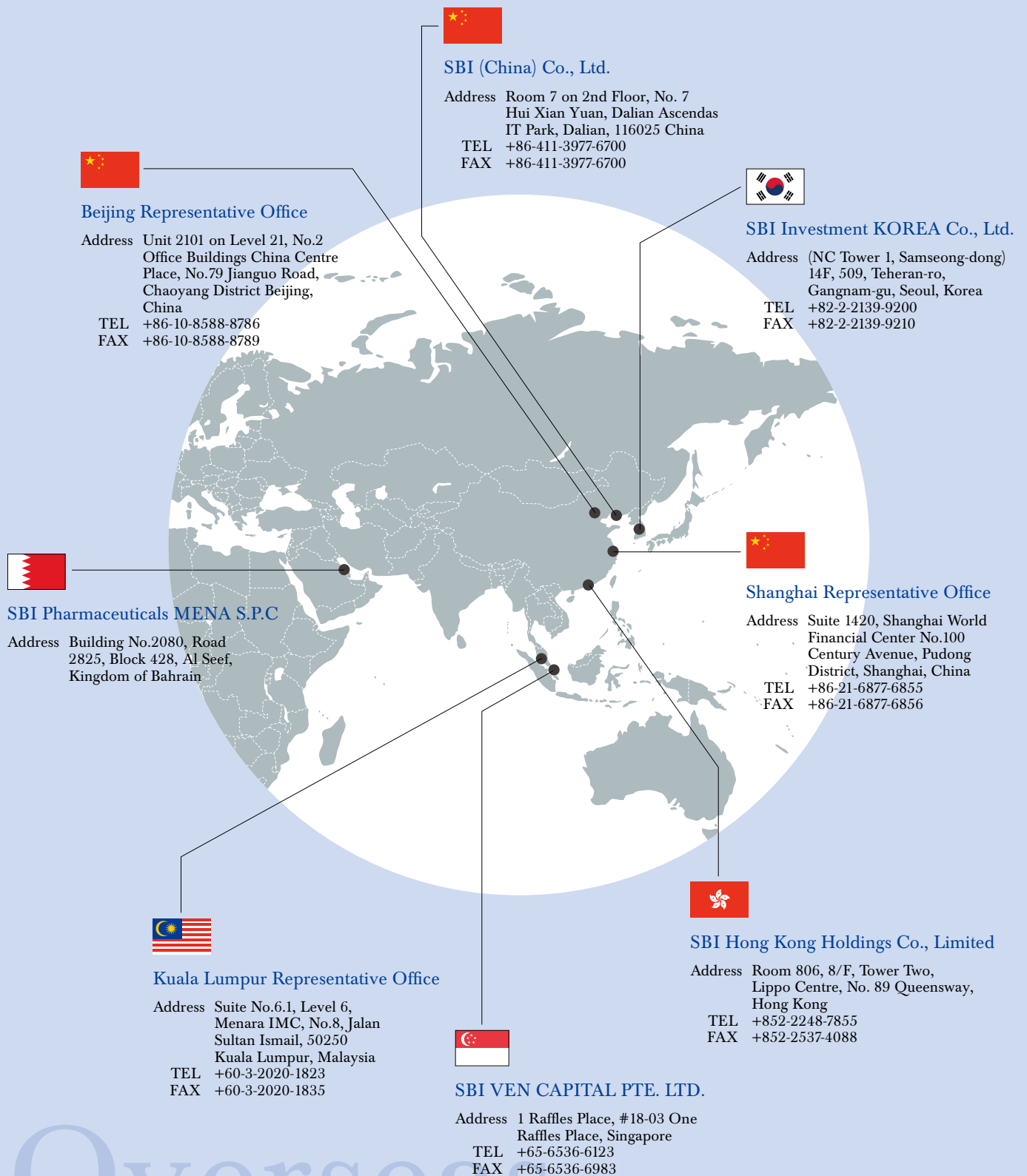
Development, manufacturing and sales of pharmaceuticals, health foods and cosmetics

① SBI ALA Hong Kong Co., Limited	
Management of the 5-ALA-related business	100.0%
① SBI Pharmaceuticals Co., Ltd.	
Development, manufacturing and sales of pharmaceuticals, health foods, and cosmetics using 5-ALA	76.4%
① SBI ALApromo Co., Ltd.	
Manufacturing and sales of cosmetics and health foods using 5-ALA	100.0%
① SBI Biotech Co., Ltd.	
R&D of pharmaceuticals	78.6%
① Quark Pharmaceuticals, Inc.	
R&D of siNRA pharmaceuticals	100.0%

Others

① SBI Estate Management Co., Ltd.	
Investment in real estate	100.0%
① SBI Guarantee Co., Ltd.	
Rent guarantees for rental housing	100.0%
① SBI Wellness Bank Co., Ltd.	
Healthcare services for membership	100.0%

The SBI Group Overseas Offices



2012

Initiation of the “Brilliant Cut Initiative*,” to Enhance Earnings Capacity Rather than Business Scale Expansion

2010

2008 Establishment of the Internet-based Financial Conglomerate

2005 From “Japan’s SBI” to the “World’s SBI”

1999 Formation and Establishment of the Financial Ecosystem

History

Mar. 1999

As a result of a business reorganization accompanying the conversion of SoftBank Corp. (currently SoftBank Group Corp.) into a pure holding company, Softbank Finance Corporation became an independent company to oversee financial-related business activities.

July 1999

Established as SOFTBANK INVESTMENT CORPORATION; start of venture capital business.

Oct. 1999

E*TRADE SECURITIES Co., Ltd. (currently SBI SECURITIES Co., Ltd.) commenced Internet trading services.

Nov. 1999

Softbank Ventures Inc. (currently SBI Investment Co., Ltd.) became a wholly owned consolidated subsidiary.

1999

2000

2001

2002

2003

2004

2005

2006

2007

2008

2009

2010

2011

2012

2013

2014

2015

July 2004
Morningstar Japan K.K. became a subsidiary.

Feb. 2002
Listed on First Section of Tokyo Stock Exchange.

July 2000

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

* Brilliant Cut Initiative:

In the Brilliant Cut Initiative, the “58-facet brilliant cut” that produces the highest brilliance in a diamond symbolizes the 58 major business units of the SBI Group’s corporate ecosystem. With the objective of producing the highest brilliance as a Group, the SBI Group shifted its management emphasis from the initial Group-wide expansion phase to a profitability phase.

May 2005

Jointly established the New Horizon Fund, targeting promising Chinese companies, with an investment company in Singapore.

July 2005

Changed name to SBI Holdings, Inc., and transitioned to a holding company structure.

Oct. 2005

As first overseas office, established a representative office in Beijing, China.

Jan. 2008

SBI Insurance Co., Ltd. commenced business.

Apr. 2008

Established SBI Pharmaceuticals Co., Ltd.

Nov. 2008

SBI Liquidity Market Co., Ltd. started operations, which supplies market infrastructure for FX trading.

Dec. 2008

Hong Kong subsidiary SBI Hong Kong Co., Limited (currently SBI Hong Kong Holdings Co., Limited) commenced business.

Feb. 2007

Established SBI VEN CAPITAL PTE. LTD., a subsidiary in Singapore.

Aug. 2007

SBI Japannext Co., Ltd. began operation of a Proprietary Trading System (PTS).

Sept. 2007

SBI Sumishin Net Bank. Ltd. commenced business.

Aug. 2006

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

Apr. 2010

Established a representative office in Shanghai, China

July 2010

Korea Technology Investment Corporation (currently SBI Investment KOREA Co., Ltd.), a South Korean company, became an equity-method affiliated company

Announcement of the “Brilliant Cut Initiative*.”

Feb. 2015

Acquired all shares of PCA Life Insurance Co., Ltd. (currently SBI Life Insurance Co., Ltd.) and converted it into a consolidated subsidiary

Mar. 2013

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

Mar. 2012

SBI (China) Co., Ltd., a China business management company, commenced business in Dalian, China.

May 2012

SBI FXTRADE Co., Ltd., commenced business

June 2012

SBI MONEY PLAZA Co., Ltd. commenced business

May 2011

Established a representative office in Kuala Lumpur, Malaysia

	Establishment 1999	As of March 31, 2015
Customer base	0	17,936 thousands
Number of employees (Consolidated)	55	6,094
Operating revenue (Consolidated)	0	¥245.0 billion *1
Number of consolidated subsidiaries	0	142
Publicly owned companies	0	5 *2
Capital	¥50 million	¥81.7 billion
Net assets	¥50 million	¥430.6 billion

*1 Year ended March 31, 2015

*2 Including SBI Holdings, Peak time: 11 companies (FY2007)

Corporate Data

Company Outline (As of March 31, 2015)

Company Name	SBI Holdings, Inc.
Date of Establishment	July 8, 1999
Head Office	Izumi Garden Tower 19F, 1-6-1 Roppongi, Minato-ku, Tokyo 106-6019, Japan TEL: +81-3-6229-0100 FAX: +81-3-3224-1970
Number of Employees	6,094 (consolidated)
Paid-in Capital	¥81,681 million
Fiscal Year	April 1 to March 31

Stock Information (As of March 31, 2015)

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

Principal Shareholders

Name	Number of shares held (shares)	Percentage of outstanding shares (%)
Japan Trustee Services Bank, Ltd. (Trust account)	9,157,330	4.08
NORTHERN TRUST GLOBAL SERVICES LIMITED RE 15PCT TREATY ACCOUNT (NON LENDING)	8,883,740	3.96
The Master Trust Bank of Japan, Ltd. (Trust account)	6,791,800	3.02
SAJAP	5,476,640	2.44
JP MORGAN CHASE BANK 385164	4,470,400	1.99
Japan Trustee Services Bank, Ltd. (Trust Account 9)	4,082,800	1.82
Yoshitaka Kitao	3,807,960	1.70
NORTHERN TRUST CO. (AVFC) RE 15PCT TREATY ACCOUNT	3,194,771	1.42
STATE STREET BANK WEST CLIENT-TREATY 505234	2,923,192	1.30
JAPAN SECURITIES FINANCE CO., LTD.	2,878,200	1.28

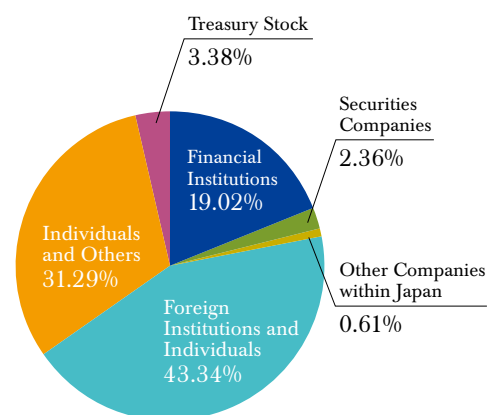
* Apart from the holdings of the principal shareholders above, the Company holds 7,591,070 shares (3.38%) as treasury stock.

Information on Bonds and Credit Rating (As of September 25, 2014)

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



Distribution of Ownership among Shareholders



Books by Yoshitaka Kitao, Representative Director, President & CEO



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



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



Revitalizing Lives
Keizaikai Co., Ltd.
November 2014



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



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



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



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



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



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



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



Understanding the Times
Keizaikai Co., Ltd.
November 2011



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



Penetrating Insight
Keizai Co., Ltd.
November 2010



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



Notes on Masahiro Yasuoka
Chichi Publication
December 2009



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



Yoshitaka Kitao's Business Management Lecture
KIGYOKA NETWORK
June 2009



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



Reading the Times
Keizaikai Co., Ltd.
August 2008



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



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



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



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



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



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



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



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



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



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

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



SBI Holdings, Inc.

Izumi Garden Tower 19F, 1-6-1 Roppongi,
Minato-ku, Tokyo 106-6019, JAPAN

Tel +81-3-6229-0100 Fax +81-3-3224-1970

Website Directory



SBI Holdings Website Top Page

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



Investor Relations

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

