SBI HOLDINGS, INC.

Consolidated Financial Statements
2018.4.1－2019.3.31

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at March 31, 2018	**As at March 31, 2019**
		Millions of Yen	**Millions of Yen**
Assets			
Cash and cash equivalents	5	437,148	**713,974**
Trade and other accounts receivable	5,7,8,17	570,466	**689,713**
Assets related to securities business			
Cash segregated as deposits		1,510,079	**1,603,159**
Margin transaction assets		832,410	**674,878**
Other assets related to securities business	9	493,953	**471,555**
Total assets related to securities business	5,6,7	2,836,442	**2,749,592**
Other financial assets	5,7,17	35,958	**36,740**
Operational investment securities	5,7,10	191,014	**282,616**
Other investment securities	5,7,10	173,316	**188,900**
Investments accounted for using the equity method	11	68,365	**68,371**
Investment properties	13	2,192	**2,147**
Property and equipment	14,17	14,382	**15,100**
Intangible assets	15	181,708	**184,816**
Other assets		24,392	**94,899**
Deferred tax assets	16	581	**7,256**
Total assets		4,535,964	**5,034,124**
Liabilities			
Bonds and loans payable	5,7,17	571,277	**962,965**
Trade and other accounts payable	5,7,18	67,806	**60,639**
Liabilities related to securities business			
Margin transaction liabilities		121,703	**166,145**
Loans payable secured by securities		689,107	**494,718**
Deposits from customers		757,179	**781,232**
Guarantee deposits received		707,380	**730,838**
Other liabilities related to securities business	19	395,444	**373,567**
Total liabilities related to securities business	5,6,7	2,670,813	**2,546,500**
Customer deposits for banking business	5,7	536,955	**659,361**
Insurance contract liabilities	20	142,260	**139,098**
Income tax payable		11,271	**7,367**
Other financial liabilities	5	16,335	**19,566**
Other liabilities		12,779	**60,339**
Deferred tax liabilities	16	12,644	**15,732**
Total liabilities		4,042,140	**4,471,567**
Equity			
Capital stock	22	81,681	**92,018**
Capital surplus	22	125,445	**142,094**
Treasury stock	22	(4,647)	**(20,128)**
Other components of equity	22	20,605	**16,977**
Retained earnings	22	204,731	**225,714**
Equity attributable to owners of the Company		427,815	**456,675**
Non-controlling interests		66,009	**105,882**
Total equity		493,824	**562,557**
Total liabilities and equity		4,535,964	**5,034,124**

CONSOLIDATED STATEMENT OF INCOME

	Notes	Fiscal year ended March 31, 2018 Millions of Yen	**Fiscal year ended March 31, 2019** **Millions of Yen**
Revenue (Interest income of ¥101,837 million and ¥112,054 million included for the fiscal years ended March 31, 2018 and 2019, respectively)	4,25	337,017	**351,411**
Expense			
Financial cost associated with financial income	26	(17,788)	**(21,394)**
Provision for credit losses		—	**(22,260)**
Operating cost	26	(113,548)	**(99,811)**
Selling, general and administrative expenses	26	(100,377)	**(111,075)**
Other financial cost	26	(3,282)	**(4,680)**
Other expenses	26	(32,441)	**(14,789)**
Total expense		(267,436)	**(274,009)**
Share of the profit of associates and joint ventures accounted for using the equity method	4,11	2,229	**5,635**
Profit before income tax expense	4	71,810	**83,037**
Income tax expense	27	(15,852)	**(15,760)**
Profit for the year		55,958	**67,277**
Profit for the year attributable to			
Owners of the Company		46,684	**52,548**
Non-controlling interests		9,274	**14,729**
Profit for the year		55,958	**67,277**
Earnings per share attributable to owners of the Company			
Basic (Yen)	29	220.54	**231.43**
Diluted (Yen)	29	196.88	**205.42**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Fiscal year ended March 31, 2018 Millions of Yen	**Fiscal year ended March 31, 2019** **Millions of Yen**
Profit for the year		55,958	**67,277**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Equity instruments measured at FVTOCI	28	1,436	**(1,202)**
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	28	—	**(411)**
		1,436	**(1,613)**
Items that may be reclassified subsequently to profit or loss			
Debt instruments measured at FVTOCI	28	—	**527**
Currency translation differences	28	(2,782)	**(3,204)**
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	28	(844)	**446**
		(3,626)	**(2,231)**
Other comprehensive income, net of tax		(2,190)	**(3,844)**
Total comprehensive income		53,768	**63,433**
Total comprehensive income attributable to			
Owners of the Company		44,629	**48,320**
Non-controlling interests		9,139	**15,113**
Total comprehensive income		53,768	**63,433**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Attributable to owners of the Company							
		Capital stock	Capital surplus	Treasury stock	Other components of equity	Retained earnings	Total	Non-controlling interests	Total equity
		Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
As at April 1, 2017		81,681	128,004	(23,801)	22,720	169,388	377,992	37,532	415,524
Profit for the year		–	–	–	–	46,684	46,684	9,274	55,958
Other comprehensive income		–	–	–	(2,055)	–	(2,055)	(135)	(2,190)
Total comprehensive income		–	–	–	(2,055)	46,684	44,629	9,139	53,768
Issuance of convertible bonds		–	1,716	–	–	–	1,716	–	1,716
Conversion of convertible bonds		–	4,060	25,889	–	–	29,949	–	29,949
Change in scope of consolidation		–	–	–	–	–	–	6,823	6,823
Dividends paid	23	–	–	–	–	(11,401)	(11,401)	(2,660)	(14,061)
Treasury shares purchased	22	–	–	(9,637)	–	–	(9,637)	–	(9,637)
Treasury shares sold	22	–	99	2,902	–	–	3,001	–	3,001
Share-based payment transactions		–	461	–	–	–	461	–	461
Changes of interests in subsidiaries without losing control		–	(8,895)	–	–	–	(8,895)	15,175	6,280
Transfer	22	–	–	–	(60)	60	–	–	–
As at March 31, 2018		81,681	125,445	(4,647)	20,605	204,731	427,815	66,009	493,824

	Note								
As at March 31, 2018		81,681	125,445	(4,647)	20,605	204,731	427,815	66,009	493,824
Cumulative effect of change in accounting policy	2	—	—	—	840	(11,625)	(10,785)	(123)	(10,908)
Restated balance as at April 1, 2018		81,681	125,445	(4,647)	21,445	193,106	417,030	65,886	482,916
Profit for the year		—	—	—	—	52,548	52,548	14,729	67,277
Other comprehensive income		—	—	—	(4,228)	—	(4,228)	384	(3,844)
Total comprehensive income		—	—	—	(4,228)	52,548	48,320	15,113	63,433
Issuance of convertible bonds		—	2,904	—	—	—	2,904	—	2,904
Conversion of convertible bonds		10,337	6,677	12,248	—	—	29,262	—	29,262
Change in scope of consolidation		—	—	—	—	—	—	(4,775)	(4,775)
Dividends paid	23	—	—	—	—	(20,180)	(20,180)	(2,018)	(22,198)
Treasury shares purchased	22	—	—	(29,461)	—	—	(29,461)	—	(29,461)
Treasury shares sold	22	—	22	1,732	—	—	1,754	—	1,754
Share-based payment transactions		—	677	—	—	—	677	455	1,132
Changes of interests in subsidiaries without losing control		—	6,369	—	—	—	6,369	31,221	37,590
Transfer	22	—	—	—	(240)	240	—	—	—
As at March 31, 2019		92,018	142,094	(20,128)	16,977	225,714	456,675	105,882	562,557

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Fiscal year ended March 31, 2018	**Fiscal year ended March 31, 2019**
		Millions of Yen	**Millions of Yen**
Cash flows from operating activities			
Profit before income tax expense		71,810	**83,037**
Depreciation and amortization		11,143	**10,082**
Share of profits of associates and joint ventures accounted for using the equity method		(2,229)	**(5,635)**
Interest and dividend income		(106,160)	**(117,244)**
Interest expense		21,071	**26,074**
Increase in operational investment securities		(79,465)	**(88,404)**
Increase in accounts receivables and other receivables		(93,182)	**(127,521)**
Increase (decrease) in operational liabilities and other liabilities		12,017	**(5,754)**
Decrease in assets/liabilities related to securities business		(11,122)	**(37,586)**
Increase in customer deposits in the banking business		49,015	**136,284**
Others		22,425	**(13,765)**
Subtotal		(104,677)	**(140,432)**
Interest and dividend income received		104,683	**117,222**
Interest paid		(19,677)	**(23,355)**
Income taxes paid		(13,564)	**(25,100)**
Net cash used in operating activities		(33,235)	**(71,665)**
Cash flows from investing activities			
Purchases of intangible assets		(7,084)	**(8,332)**
Purchases of investment securities		(35,555)	**(125,359)**
Proceeds from sales or redemption of investment securities		48,514	**107,157**
Acquisition of subsidiaries, net of cash and cash equivalents acquired	30	12	**(3,572)**
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	30	870	**(2)**
Payments of loans receivable		(10,294)	**(21,396)**
Collection of loans receivable		5,596	**4,527**
Others		5,822	**(7,754)**
Net cash generated from (used in) investing activities		7,881	**(54,731)**

	Notes	Fiscal year ended March 31, 2018	**Fiscal year ended March 31, 2019**
		Millions of Yen	**Millions of Yen**
Cash flows from financing activities			
(Decrease) increase in short term loans payable	30	(31,180)	**373,059**
Proceeds from long-term loans payable	30	40,336	**45,650**
Repayment of long-term loans payable	30	(28,261)	**(59,077)**
Proceeds from issuance of bonds payable	30	140,025	**168,187**
Redemption of bonds payable	30	(37,039)	**(102,268)**
Proceeds from stock issuance to non-controlling interests		60	**8,622**
Contributions from non-controlling interests in consolidated investment funds		12,312	**22,151**
Cash dividends paid		(11,390)	**(20,169)**
Cash dividends paid to non-controlling interests		(409)	**(819)**
Distributions to non-controlling interests in consolidated investment funds		(2,252)	**(1,309)**
Purchase of treasury stock		(9,637)	**(29,461)**
Proceeds from sale of interests in subsidiaries to non-controlling interests		367	**4,105**
Payments for purchase of interests in subsidiaries from non-controlling interests		(156)	**(450)**
Others		1,799	**(475)**
Net cash generated from financing activities		74,575	**407,746**
Net increase in cash and cash equivalents		49,221	**281,350**
Cash and cash equivalents at the beginning of the year		391,572	**437,148**
Effect of changes in exchange rate on cash and cash equivalents		(3,645)	**(4,524)**
Cash and cash equivalents at the end of the year		437,148	**713,974**

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

The consolidated financial statements were approved and authorized for issue by the Company's Representative Director, President and CEO, Yoshitaka Kitao and Director, Senior Managing Director and CFO, Shumpei Morita on June 25, 2019.

2. Basis of Preparation

(1) Compliance with IFRS

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

(2) Basis of measurement

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

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

The measurement basis of fair value of the financial instruments is provided in Note 5 "Fair value of financial instruments".

(3) Reporting currency

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

(4) Use of estimates and judgments

In the preparation of the Group's consolidated financial statements in accordance with IFRSs, management of the Company is required to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period of the change and subsequent future periods.

The following notes include information on critical judgments in the application of accounting estimates and judgments that have a significant effect on the amounts recognized in the consolidated financial statements.

- Fair value measurements of financial instruments – “3. Significant Accounting Policies (3) Financial instruments” and “5. Fair Value of Financial Instruments”
- Impairment on financial assets at amortized cost – “3. Significant Accounting Policies (3) Financial instruments” and “7. Financial Risk Management (4) Credit risk management”
- Impairment on intangible assets – “3. Significant Accounting Policies (6) Intangible assets” and “15. Intangible Assets (3) Carrying amount of goodwill”
- Liability adequacy test for insurance contracts – “3. Significant Accounting Policies (9) Accounting for insurance contracts” and “20. Insurance Contract Liabilities”
- Recoverability of deferred tax assets – “3. Significant Accounting Policies (14) Income tax expense” and “16. Deferred Taxation”

(5) Application of new and revised IFRSs

The Group adopted the following new and revised standards and interpretations from the beginning of the fiscal year ended March 31, 2019. The accounting policies of these newly adopted standards are stated in "3. Significant Accounting Policies (3) Financial instruments and (13) Revenue from Contracts with Customers".

Statement of standards		Summary of new standards and amendments
IFRS 9 (as revised in 2014)	Financial Instruments	Amendment with regard to impairment accounting, and classification and measurement of financial instruments
IFRS 15	Revenue from Contracts with Customers	Amendment with regard to revenue recognition

The Group had applied IFRS 9 "Financial Instruments" (published in November 2009 and revised in October 2010 and December 2011) until the previous fiscal year. Beginning with the fiscal year ended March 31, 2019, the Group has prospectively applied IFRS 9 "Financial Instruments" published in July 2014 ("IFRS 9 (as revised in 2014)"). The Group has not applied IFRS 9 (as revised in 2014) retrospectively to its consolidated financial statements for the previous fiscal year as permitted under transitional provisions.

Following the application of IFRS 9 (as revised in 2014), trade and other accounts receivable and retained earnings decreased by ¥11,679 million and ¥11,625 million, respectively, while other investment securities and other components of equity increased by ¥1,167 million and ¥840 million, respectively, in the consolidated statement of financial position at the beginning of the period, compared with those under the previous accounting standards.

The impact of the changes on the consolidated statement of income for the fiscal year ended March 31, 2019 is a loss of ¥2,218 million.

Due to consequential amendments made to IAS 1 "Presentation of Financial Statements" with the application of IFRS 9 (as revised in 2014), the Company presents interest income and provision for credit losses as separate line items in the consolidated statement of income beginning with the fiscal year ended March 31, 2019.

For application of IFRS 15, the Group, as permitted under transitional provisions in this standard, recognizes the cumulative effect of applying this standard at the date of initial application. There is no significant impact from applying this standard on the consolidated financial statements for the fiscal year ended March 31, 2019.

3. Significant Accounting Policies

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

(1) Basis of consolidation

(a) Subsidiaries

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

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

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

(b) Associates and joint ventures

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

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

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

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

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

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

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

(c) Business combination

Acquisition method is applied for acquisitions of businesses. The consideration transferred for the acquisition of a subsidiary is the total of acquisition date fair value of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group.
Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their acquisition date fair value except for the below.

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

Goodwill is measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the difference is negative, the difference is recognised immediately in profit or loss.
The Group recognizes non-controlling interests in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the proportionate share of the recognized amount of acquiree’s identifiable net assets.
Acquisition-related cost is expensed as incurred, except for the costs related to the issuance of debt securities and equity securities.
If the business combination is achieved in stages, the acquirer’s previously held equity interest in the acquiree is remeasured at fair value at the acquisition date and resulting gain or loss is recognized in profit or loss.

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

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

(e) Loss of control

When the Group loses control of a subsidiary, the difference between the “total fair value of consideration received and the retained interest” and “the previous carrying amount of subsidiary’s assets (including goodwill), liabilities and non-controlling interests” are recognized in profit or loss.
In addition, any amount previously recognized in other accumulated comprehensive income in relation to the subsidiary is accounted for as if the Group had directly disposed of each related assets or liabilities.
The fair value of the retained interest in the former subsidiary is measured in accordance with IFRS 9.

(2) Foreign currency

(a) Foreign currency translation

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are translated in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at the year-end date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency shall be retranslated using the exchange rate at the date when the fair value was measured. The exchange differences arising from the retranslation were recognized in profit or loss, except for retranslation differences in equity 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 recognizes a financial instruments when, and only when, the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

(a) Non-derivative financial assets

(i) Classification and measurement of financial assets

Non-derivative financial assets held by the Group are classified into the following designated categories when they are initially recognized on the basis of the Group’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

- Financial assets measured at amortized cost
- Debt instruments measured at fair value through other comprehensive income (hereinafter “debt instruments measured at FVTOCI”)
- Equity instruments measured at fair value through other comprehensive income (hereinafter “equity instruments measured at FVTOCI”)
- Financial assets measured at fair value through profit or loss (hereinafter “financial assets measured at FVTPL”)

(Financial assets measured at amortized cost)
Financial assets are subsequently measured using the effective interest method at amortized cost, adjusted for any loss allowance, if both of the following conditions are met: (i) the financial assets are

held within the business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
(Debt instruments measured at FVTOCI)
Financial assets are measured at fair value and changes in the difference between the fair value and the amortized cost of financial assets, adjusted for any loss allowance, are recognized in other comprehensive income if both of the following conditions are met: (i) the financial assets are held within the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Upon derecognition of debt instruments measured at FVTOCI, the amount accumulated in other comprehensive income is reclassified to profit or loss.
(Equity instruments measured at FVTOCI)
Upon initial recognition, the Group designates as a financial asset measured at fair value through other comprehensive income an investment in an equity instrument that is held for a purpose other than trading. This is an irrevocable election and changes in the fair value of such financial instruments are recognized in other comprehensive income. Dividends from the above-mentioned equity instruments are recognized in profit or loss. At derecognition of equity instruments measured at FVTOCI or when a significant decline in fair value below the initial cost is other than temporary, the recognized amount of changes in fair value accumulated in other comprehensive income is reclassified to retained earnings.
(Financial assets measured at FVTPL)
Financial assets, other than those subsequently measured at amortized cost and those measured at fair value through other comprehensive income, are subsequently measured at fair value, and all changes in fair value are recognized in profit or loss.

(ii) Derecognition of financial assets

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.

(b) Non-derivative financial liabilities

(i) Classification and measurement of financial liabilities

Non-derivative financial liabilities held by the Group include corporate bonds and loans, trade and other accounts payable, which are classified into the following designated categories:

- Financial liabilities measured at amortized cost
- Financial liabilities measured at fair value through profit or loss (hereinafter “financial liabilities measured at FVTPL”)

(Financial liabilities measured at amortized cost)
Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method.

(Financial liabilities measured at FVTPL)
Financial liabilities, 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.

(ii) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired.

(c) Impairment of financial assets

The Group estimates expected credit losses for financial assets other than financial assets measured at FVTPL and equity instruments measured at FVTOCI at the end of the reporting period and recognizes such expected credit losses as a loss allowance. If the Group determines that the credit risk of financial instruments has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime expected credit losses; in the event that the Group determines that the credit risk of financial instruments has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to the 12-month expected credit losses.
The assessment of whether there has been a significant increase in credit risk is based on changes in the probability of a default occurring.
Meanwhile, as for trade receivables that do not contain a significant financing component, lifetime expected credit losses are measured on the basis of historical credit losses and other relevant information regardless of whether there has been an increase or decrease in credit risk.
Amounts of expected credit losses or reversals are recognized in profit or loss as impairment loss or reversals of impairment loss and are presented separately as provision for credit losses in the consolidated statement of income.

(d) Trading assets and liabilities

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

・ Financial assets acquired mainly for the purpose of sale or repurchase in the short term

・ At initial recognition, the financial assets are managed together by the Group as part of a certain financial instrument portfolio, from which an actual short term gain has been realized.

・ Derivative (either not classified as hedging instruments or proved to be ineffective as hedging instruments)

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

(e) Derivatives

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

(i) Derivatives to which hedge accounting is applied

At the inception of the hedge, the Group formally documents the hedging relationship between the hedged item or transaction and the hedging instrument, which is the derivative, in compliance with our risk management objective and strategy. In addition, at the inception and on an ongoing basis, the Group documents whether the derivative is highly effective in offsetting changes in the fair value or the cash flows of the hedged item attributable to the risk of changes in interest rates, etc.
The changes in the fair value of derivatives, which are designated as hedging instruments for fair value hedges, are recognized in profit or loss. Gain or loss on the hedged item attributable to the risk of changes in interest rates, etc. shall adjust the carrying amount of the hedged item and be recognized in profit or loss.

Among the changes in the fair value of derivatives which are designated as hedging instruments for

cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income, while the ineffective portion shall be recognized in profit or loss.
The amount that has been recognized in other comprehensive income shall be removed from other comprehensive income and reclassified to profit or loss in the consolidated statement of comprehensive income in the same period during which the hedged item of cash flows affects profit or loss.
The Group prospectively discontinues hedge accounting when the criteria of hedge accounting are no longer satisfied. In such a situation, amounts accumulated in other comprehensive income remain unadjusted until the anticipated transaction finally affects profit or loss, or the anticipated transaction is not expected to occur, at which point the underlying amount shall be immediately recognized in profit or loss.

(ii) Derivatives to which hedge accounting is not applied

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

(f) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Group 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.

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

(5) Property and equipment

(a) Initial recognition and measurement

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

(b) Depreciation

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

- Buildings 3 - 47 years
- Furniture and equipment 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.

(6) Intangible assets

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

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

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

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

(b) Research and development

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

(c) Other intangible assets (separately acquired)

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

(d) Amortization

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

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

・ Software	5 years
・ Customer Relationship	5 years

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

(7) Investment properties

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

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

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

・Buildings 8 - 50 years

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

(8) Impairment of non-financial assets

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

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

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

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

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

(9) Accounting for insurance contracts

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

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

(10) Employee benefits

(a) Defined contribution plans

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

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

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

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

(11) Provisions

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

(12) Capital stock

(a) Common stock

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

(b) Treasury stock

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

(13) Revenue from contracts with customers

The Group recognizes revenue by applying the following five-step approach.

Step 1: Identify the contract(s) with the customer

Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Revenues from contracts with customers are further described below. The revenue streams described below do not include significant estimates of variable consideration or a significant financing component.

(Revenue from rendering of services)
Revenue from rendering of services mainly include commissions received from customers for the execution of agency-based brokerage transactions in the securities business. Brokerage commission relates to transactions in which the Group acts as an agent in the transaction rather than the principal. Transactions that satisfy the following factors fall under transactions in which the Group is involved as an agent rather than the principal.

- The Group is not a primary party to a transaction and therefore not primarily responsible for fulfilling the promise to provide the service.
- The Group does not have inventory risk before securities have been transferred to a customer or after transfer of control to the customer.

Brokerage commission is recognized as revenue when the performance obligations are satisfied and in principle, the fees are received within three business days after fulfillment of the performance obligations.

(Revenue from sales of goods)
Revenue from sales of goods is recognized when a performance obligation is satisfied by transferring promised goods to a customer upon delivery, shipment or customer acceptance of goods depending upon the terms of the contract. These revenues are generally paid within three months of the fulfillment of the performance obligation.

(14) Income tax expense

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

deductible temporary differences can be utilized. The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. The Group reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized.

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

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

(15) Earnings per share

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

(16) Segment reporting

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

(17) Non-current assets held for sale

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

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

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

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

Of the new standards, amendments to existing standards, and interpretations that have been published before the approval date of the consolidated financial statements, the main ones that the Group has not early adopted are as follows. The impact of the application of IFRS 16 is expected to increase assets and liabilities as at April 1, 2019 by ¥12.2 billion in the consolidated financial statements for the year ending March 31, 2020.

IFRS		Mandatory for fiscal year beginning on or after	Anticipated fiscal year end adoption date	Summary of new standards and amendments
IFRS 16	Lease	January 1, 2019	March 2020	Amendment with regard to the definition and the accounting treatment of lease
IFRS 17	Insurance Contracts	January 1, 2021	March 2022	Amendment with regard to measurement method of insurance liability

International Accounting Standards Board has decided to propose a one-year deferral of the effective date for IFRS 17 to January 1, 2022. The Group will adopt the standard at the mandatory effective date.

4. Segment Information

The Group engages in a wide range of business activities, primarily online financial service businesses and investment activities in Japan and overseas. Based on the similarities or economic characteristics of business or nature of services, “Financial Services Business”, “Asset Management Business”, and “Biotechnology-related Business”, which is anticipated to be a growth industry in the 21^{st} century, are determined as reportable segments.
The reportable segments of the Group represent businesses activities for which separate financial information of the Group’s components is available and reviewed regularly by the board of directors for the purpose of allocation of financial resources and performance evaluation.

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

“Financial Services Business”

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

“Asset Management Business”

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

“Biotechnology-related Business”

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

“Others” includes the real estate business and the Digital Assets-related business, but they did not meet the quantitative criteria to be defined as reportable segments for the fiscal year ended March 31, 2019.

“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:

For the year ended March 31, 2018

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

For the year ended March 31, 2019

	Financial Services Business	Asset Management Business	Biotechnology -related Business	Total	Others	Elimination or Corporate	Consolidated Total
Revenue	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Revenue from external customers	225,824	118,244	3,287	347,355	3,518	538	351,411
Inter-segment revenue	3,415	387	442	4,244	159	(4,403)	—
Total	229,239	118,631	3,729	351,599	3,677	(3,865)	351,411
Segment operating income (loss)							
Profit before income tax expense	66,568	51,107	(19,179)	98,496	(6,912)	(8,547)	83,037
Other Items							
Interest income	43,805	68,829	11	112,645	59	(650)	112,054
Interest expense	(7,191)	(16,807)	(176)	(24,174)	(440)	(1,460)	(26,074)
Depreciation and amortization	(6,398)	(1,367)	(434)	(8,199)	(1,469)	(164)	(9,832)
Gain or loss from investments applying the equity-method	7,400	(454)	(1,311)	5,635	(0)	—	5,635

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

Non-current assets

	As at March 31, 2018	As at March 31, 2019
	Millions of Yen	Millions of Yen
Japan	69,085	73,375
Korea	111,207	109,219
Others	17,990	19,469
Consolidated total	198,282	202,063

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

Revenue from external customers

	For the year ended March 31, 2018	For the year ended March 31, 2019
	Millions of Yen	Millions of Yen
Japan	260,564	269,251
Overseas	76,453	82,160
Consolidated total	337,017	351,411

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

5. Fair Value of Financial Instruments

(1) Fair value measurement

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

Cash and cash equivalents, Other financial assets, and Other financial liabilities
The fair values are determined at the carrying amounts as they approximate the carrying amounts due to their short-term maturities.

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

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

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

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

Customer deposits for banking business

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

(2) Classification and fair value of financial instruments

Classification and fair value of financial assets were as follows:

As at March 31, 2018

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

As at March 31, 2019

	Carrying Amount					
	Financial assets measured at FVTPL	Equity instruments measured at FVTOCI	Debt instruments measured at FVTOCI (Note)	Financial assets measured at amortized cost (Note)	Total	Fair value
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Trade and other accounts receivable	—	—	—	689,713	689,713	695,919
Assets related to securities business	106,636	—	—	2,642,956	2,749,592	2,749,592
Operational investment securities	282,616	—	—	—	282,616	282,616
Other investment securities	122,621	816	57,400	8,063	188,900	188,915
Total	511,873	816	57,400	3,340,732	3,910,821	3,917,042

The Group reclassified policy reserve matching bonds in the insurance business from financial assets measured at amortized cost to debt instruments measured at FVTOCI at the beginning of the period due to the application of IFRS 9 (as revised in 2014). The balance of the policy reserve matching bonds was ¥46,993 million at the beginning of the period.

Classification and fair value of financial liabilities were as follows:

As at March 31, 2018

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

As at March 31, 2019

	Carrying Amount			
	Financial liabilities measured at FVTPL	Financial liabilities measured at amortized cost	Total	Fair value
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Bonds and loans payable	—	962,965	962,965	965,218
Trade and other accounts payable	2,536	58,103	60,639	60,727
Liabilities related to securities business	70,634	2,475,866	2,546,500	2,546,500
Customer deposits for banking business	—	659,361	659,361	659,682
Total	73,170	4,156,295	4,229,465	4,232,127

(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.

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

	As at March 31, 2019			
	Level 1	Level 2	Level 3	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Financial assets				
Assets related to securities business	106,636	–	–	106,636
Operational investment securities and other investment securities				
Financial assets measured at FVTPL	107,830	508	296,899	405,237
Equity instruments measured at FVTOCI	19	–	797	816
Debt instruments measured at FVTOCI	57,400	–	–	57,400
Total financial assets	271,885	508	297,696	570,089
Financial liabilities				
Trade and other accounts payable	–	–	2,536	2,536
Liabilities related to securities business	70,634	–	–	70,634
Total financial liabilities	70,634	–	2,536	73,170

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.

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

	As at March 31, 2019			
	Level 1	Level 2	Level 3	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Financial assets				
Trade and other accounts receivable	—	695,919	—	695,919
Assets related to securities business	—	2,642,956	—	2,642,956
Operational investment securities and other investment securities	4,558	—	3,520	8,078
Total financial assets	4,558	3,338,875	3,520	3,346,953
Financial liabilities				
Bonds and loans payable	—	965,218	—	965,218
Trade and other accounts payable	—	58,191	—	58,191
Liabilities related to securities business	—	2,475,866	—	2,475,866
Customer deposits for banking business	—	659,682	—	659,682
Total financial liabilities	—	4,158,957	—	4,158,957

(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:

As at March 31, 2018

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

As at March 31, 2019

	Fair Value	Valuation Technique	Unobservable Input	Range
	Millions of Yen			
Operational investment securities and other investment securities	297,696	Income approach and market approach	Discount rate	12%–16%
			P/E ratio	8.5–45.2
			Price to book value ratio	1.2
			EBITDA ratio	25.0－40.0
			Illiquidity discount	10%–20%

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

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

The movement of financial assets and liabilities categorized as Level 3 is presented as follows:
For the year ended March 31, 2018

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

For the year ended March 31, 2019

	Financial assets			Financial liabilities
	Operational investment securities and other investment securities		Total	Trade and other accounts payable
	Financial assets measured at FVTPL	Equity instruments measured at FVTOCI		
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2018	201,388	367	201,755	1,987
Purchase	98,818	510	99,328	—
Comprehensive income				
Net profit (Note 1)	31,490	—	31,490	—
Other comprehensive income (Note 2)	—	(11)	(11)	—
Dividends	(3,334)	—	(3,334)	—
Sale or redemption	(16,297)	(63)	(16,360)	—
Settlements	—	—	—	—
Currency translation differences	422	(6)	416	—
Others (Note 3)	760	—	760	549
Transferred from Level 3 (Note 4)	(16,348)	—	(16,348)	—
Balance as at March 31, 2019	296,899	797	297,696	2,536

Notes:

1. Gains and losses recognized as profit (loss) for the period in relation to the financial instruments are included in “Revenue” in the consolidated statement of income. Gains and losses recognized from financial assets measured at FVTPL held as at March 31, 2018 and 2019 were ¥37,409 million and ¥30,459 million of gains, respectively.
2. Gains and losses recognized as other comprehensive income (loss) in relation to the financial instruments are included in “Equity instruments measured at FVTOCI” in the consolidated statement of comprehensive income.
3. Transfer due to a change in the scope of consolidation.
4. Transfer due to significant input used to measure the fair value becoming observable.

6. Offsetting Financial Assets and Financial Liabilities

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

As at March 31, 2018

Financial assets

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

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	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Liabilities related to securities business (Securities loan agreements and other similar transactions)	1,854,136	(444,204)	1,409,932	(986,652)	－	423,280
Liabilities related to securities business (Payables related to securities transactions)	1,263,596	(206,904)	1,056,692	(21,442)	－	1,035,250
Liabilities related to securities business (Financial liabilities related to foreign exchange transactions)	203,168	－	203,168	(12,840)	－	190,328

As at March 31, 2019

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	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Assets related to securities business (Securities borrowing agreements and other similar transactions)	1,235,970	(386,179)	849,791	(744,889)	(104,869)	33
Assets related to securities business (Receivables related to securities transactions)	381,456	(187,693)	193,763	(20,035)	—	173,728
Assets related to securities business (Financial assets related to foreign exchange transactions)	9,577	—	9,577	(522)	(8,243)	812

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	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Liabilities related to securities business (Securities loan agreements and other similar transactions)	1,681,800	(386,179)	1,295,621	(786,932)	—	508,689
Liabilities related to securities business (Payables related to securities transactions)	1,217,806	(187,693)	1,030,113	(20,035)	—	1,010,078
Liabilities related to securities business (Financial liabilities related to foreign exchange transactions)	219,804	—	219,804	(8,765)	—	211,039

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

7. Financial Risk Management

(1) Risk management policy over capital management and financing

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

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

	As at March 31, 2018	As at March 31, 2019
	Millions of Yen	Millions of Yen
Interest-bearing debt (Bonds and borrowings)	571,277	962,965
Cash and cash equivalents	(437,148)	(713,974)
Net	134,129	248,991
Equity attributable to owners of the Company	427,815	456,675

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

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

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

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

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

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

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

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

- Credit risk
- Market risk
- Liquidity risk

(2) Risks arising from financial instruments

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

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

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

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

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

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

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

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

(3) Risk management system over financial instruments

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

(4) Credit risk management

(a) Credit risk management practices

(i) Credit risks regarding financial assets measured at amortized cost and debt instruments measured at FVTOCI

Credit risk is the risk that the Group will incur financial losses resulting from a business partner with credit granted by the Group defaulting on its debt.
The Group recognizes expected credit losses in principle on an individual basis. If excessive cost and efforts are required to perform individual assessment of credit risk, the Group can elect to classify groups of financial assets based on common credit risk characteristics, such as credit rating and value of collateral, and recognizes expected credit losses on such group of assets.
For trade receivables classified as financial assets measured at amortized cost, a loss allowance is always measured at an amount equal to lifetime expected losses.
Credit risk management practices for financial assets measured at amortized cost other than trade receivables and debt instruments measured at FVTOCI are as follows:
For measurement of expected credit losses, the Group uses the probability of a default occurring (PD), the loss given default (LGD), and the amount of receivables as of the reporting date, which represents significant inputs to the analysis. The PD and LGD values used are based on information calculated based on historical levels of such values and information obtained from external organizations. The expected credit losses are measured by reflecting these values, as well as future predictive information based on the credit and other information that has become available in credit ratings.
Receivables are classified into the following three categories and loss allowance is recognized based on changes in and levels of credit risk since their initial recognition:

- For receivables with a low credit risk at the reporting date, or receivables whose credit risk is not low but has not increased significantly since initial recognition, 12-month expected credit losses are recognized as a loss allowance based on the above input.

- Receivables that are not considered as credit-impaired receivables but are not considered to have low credit risk and for which credit risk has increased significantly since initial recognition, lifetime expected credit losses are recognized as a loss allowance based on the above input.
- For credit-impaired receivables, lifetime expected credit losses are recognized as a loss allowance based on the above input.

Credit risk is assessed based on changes in default risk on relevant financial instruments. The credit risk assessment is performed using internal or external credit ratings of financial instruments, as well as reasonable and supportable information that can be used without undue cost or efforts, such as past due information. For instance, for financial instruments that are categorized as investment grade by an external credit rating organization, or financial instruments whose internal credit rating corresponds with the internationally-accepted definition of low credit risk, such financial instruments are considered to have low credit risk. For financial instruments that have deteriorated in credit quality from low credit risk status, or financial instruments that did not have a low credit risk at initial recognition but whose credit risk increased significantly since initial recognition, such financial instruments are determined to have a significant increase in credit risk. For instance, such financial instruments include those whose external credit rating has been downgraded from investment grade to non-investment grade, or for which the date of forfeiture of benefit of time has passed. In addition, if an incident that could have an adverse impact on estimated future cash flows occurs, financial instruments that are linked to such incidents are determined as credit-impaired financial instruments. Such incidents include a breach of contract including default, a significant deterioration in the financial condition of a debtor, or meeting the criteria for classification as delinquent by the regulatory authorities of various countries. Financial instruments are considered to be in default after 60 days have passed since the forfeiture of benefit of time on the account closing date.
The Group directly writes off the gross carrying amount of a financial asset when there are no reasonable expectations of recovering the financial asset. However, there are cases where such directly written-off financial assets will be recovered through external sales.

(ii) Credit risks relating to other financial assets
Credit risks relating to other financial assets are the risk that the Group may suffer losses from decrease or losses of assets due to deteriorated financial conditions of investees/debtors. Credit risk includes country risk that the Group may suffer losses from changes in the currency, political or economic circumstances of a country where investees/debtors operate.

Credit risk management policies of the Group are as follows:

- Accurately analyze financial conditions of investees/debtors and quantify relevant credit risk.
- Appropriately manage the Group’s own capital and the related risks by periodic monitoring.
- 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.
- 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 accordance with the above risk management policies. Subsidiaries which provide credits to corporate or individual customers as a part of their business are appropriately monitored in accordance with their respective policies.

(b) Quantitative and qualitative information regarding amounts arising from expected credit losses

The impact of adjustment to the opening balance from applying IFRS 9 (as revised in 2014) is as follows:

	Collective assessment		Individual assessment	
	Non-impaired financial assets	Impaired financial assets	Impaired financial assets	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
As at March 31, 2018	12,685	10,722	3,348	26,755
Cumulative effect of change in accounting policy				11,679
Restated balance as at April 1, 2018				38,434

The movement of loss allowance is as follows:

		Lifetime expected credit losses			
	12-month expected credit losses	Significantly increased credit risk		Trade receivables	Total
		Not credit-impaired	Credit-Impaired		
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
As at April 1, 2018	18,916	5,437	14,078	3	38,434
New financial assets originated or purchased	14,119	1,887	–	1	16,007
Derecognition of financial assets	(12,178)	(2,725)	(3,716)	–	(18,619)
Transfer	(1,009)	(15)	9,691	–	8,667
Write-offs	(37)	(115)	(1,771)	–	(1,923)
Foreign currency translation adjustment on foreign operations	(419)	(91)	(310)	–	(820)
As at March 31, 2019	19,392	4,378	17,972	4	41,746

The primary changes in loss allowance relate to the increase in loss allowance as a result of the increase in normal receivables.

The total amount of loss allowance for loan commitments with an unused portion amounted to ¥72 million and ¥163 million, as at April 1, 2018 and March 31, 2019, respectively.

Financial assets that have been written off during the year ended March 31, 2019, and are still subject to enforcement activities amounted to ¥2,692 million.

(c) Credit risk exposure

The amount of the Group's maximum exposure to credit risk as at March 31, 2019 are as follows:

	12-month expected credit losses	Lifetime expected credit losses			Total
		Significantly increased credit risk		Trade receivables	
		Not credit-impaired	Credit-Impaired		
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Cash and cash equivalents	713,974	—	—	—	713,974
Trade and other accounts receivable					
Credit to individual					
Group A	33,880	11	395	—	34,286
Group B	193,679	5,886	133	—	199,698
Group C or less	23,066	18,546	9,663	—	51,275
Credit to Corporate (external rating)					
Group A	90,061	—	—	—	90,061
Group B	64,133	6,035	71	—	70,239
Group C or less	281	—	—	—	281
Credit to Corporate					
No overdue information	133,952	17,101	5,404	—	156,457
One or more delinquents	—	1,148	8,353	—	9,501
Others	105,327	906	7,301	6,127	119,661
Loss allowance	(19,392)	(4,378)	(17,972)	(4)	(41,746)
Total	624,987	45,255	13,348	6,123	689,713
Assets related to securities business	2,748,860	—	732	—	2,749,592
Other financial assets	34,139	—	—	2,601	36,740
Other investment securities					
Rating (BBB or above)	57,400	—	—	—	57,400
No rating	8,063	—	—	—	8,063
Total	65,463	—	—	—	65,463

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.

The loss allowance for credit impaired financial assets has been reduced by ¥14,076 million by underlying collateral held as a security and other credit enhancements as at March 31, 2019.

The amount of its maximum exposure to credit risk for undrawn loan commitments as at March 31, 2019 are as follows:

	12-month expected credit losses	Lifetime expected credit losses		Total
		Significantly increased credit risk		
		Not credit-impaired	Credit-Impaired	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Undrawn loan commitments	29,841	1,668	—	31,509

(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:

- Understand underlying currency and term of assets and quantify market risk.
- Appropriately manage the balance between the Group’s own capital and its related risk by periodic monitoring.
- Never enter into derivative transactions for speculative purposes in the absence of established operating rules.

(a) 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, 2018 and 2019 increased by 10%, profit before income tax expense in the consolidated statement of income would have increased by ¥9,176 million and ¥10,783 million, respectively.

The investment portfolios as at March 31, 2018 and 2019 were as follows:

	As at March 31, 2018	As at March 31, 2019
	Millions of Yen	Millions of Yen
Operational investment securities		
Listed equity securities	30,404	45,739
Unlisted equity securities	129,818	209,062
Bonds	6,549	3,340
Investments in funds	24,243	24,475
Total	191,014	282,616
Other investment securities		
Listed equity securities	2,790	2,078
Unlisted equity securities	4,052	11,035
Bonds	82,639	77,055
Investments in funds	83,835	98,732
Total	173,316	188,900

(b) 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:

As at March 31, 2018

	USD	HKD	Others
	Millions of Yen	Millions of Yen	Millions of Yen
Monetary financial instruments dominated in foreign currency			
Assets	81,081	6,621	18,134
Liabilities	57,408	6,552	10,382

As at March 31, 2019

	USD	HKD	Others
	Millions of Yen	Millions of Yen	Millions of Yen
Monetary financial instruments dominated in foreign currency			
Assets	62,521	2,556	14,600
Liabilities	107,345	7,685	19,142

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, 2018 and 2019 would have increased by ¥315 million and decreased by ¥545 million, respectively, mainly as a result of monetary financial instruments dominated in foreign currencies held by the Group.

(c) 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, 2018 and 2019 would have increased by ¥2,988 million and decreased by ¥1,268 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, 2018 and 2019.

(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;

As at March 31, 2018

	Carrying amount	Contractual cash flow	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Bonds and loans payable	571,277	577,541	382,092	57,323	54,684	17,322	65,905	215
Trade and other accounts payable	67,806	68,026	65,729	1,004	752	373	151	17
Liabilities related to securities business	2,670,813	2,670,813	2,670,813	—	—	—	—	—
Customer deposits for banking business	536,955	545,794	482,080	59,172	4,531	3	8	—

As at March 31, 2019

	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
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Bonds and loans payable	962,965	967,552	674,068	96,911	63,645	52,572	71,345	9,011
Trade and other accounts payable	60,639	60,863	58,976	706	347	721	63	50
Liabilities related to securities business	2,546,500	2,546,500	2,546,500	—	—	—	—	—
Customer deposits for banking business	659,361	673,143	564,326	50,638	58,171	8	—	—

The Group entered into line of credit agreements (e.g., overdraft facilities) with leading domestic financial institutions to ensure an efficient operating funds procurement and to mitigate liquidity risk. Contractual amounts and used amounts of overdraft facilities as at each reporting date are as follows:

	As at March 31, 2018	As at March 31, 2019
	Millions of Yen	Millions of Yen
Lines of credit	326,766	406,082
Used balance	169,765	78,286
Unused portion	157,001	327,796

8. Trade and Other Accounts Receivable

Trade and other accounts receivable as at March 31, 2018 and 2019, consisted of the following:

	As at March 31, 2018	As at March 31, 2019
	Millions of Yen	Millions of Yen
Trade accounts receivable and installment receivables	3,363	4,418
Loans receivable	522,314	627,376
Operational receivables	17,935	22,808
Deposits in relation to banking business	24,347	31,907
Others	2,507	3,204
Total	570,466	689,713

Maturity analysis to the collection or the settlement of trade and other accounts receivable as at March 31, 2018 and 2019, consisted of the following:

	As at March 31, 2018	As at March 31, 2019
	Millions of Yen	Millions of Yen
No later than 1 year	177,127	212,376
Later than 1 year	393,339	477,337
Total	570,466	689,713

9. Other Assets Related to Securities Business

Other assets related to securities business as at March 31, 2018 and 2019, consisted of the following:

	As at March 31, 2018	As at March 31, 2019
	Millions of Yen	Millions of Yen
Trade date accrual	227,484	204,582
Trading products	75,984	106,636
Short-term guarantee deposits	64,091	91,539
Loans receivable secured by securities	125,385	66,879
Others	1,009	1,919
Total	493,953	471,555

10. Operational Investment Securities and Other Investment Securities

"Operational investment securities" and "Other investment securities" in the consolidated statement of financial position as at March 31, 2018 and 2019 consisted of the following:

	As at March 31, 2018
	Millions of Yen
Operational investment securities	
Financial assets measured at FVTPL	191,014
Total	191,014
Other investment securities	
Financial assets measured at FVTPL	102,647
Financial assets measured at FVTOCI	2,975
Financial assets measured at amortized cost	67,694
Total	173,316

	As at March 31, 2019
	Millions of Yen
Operational investment securities	
Financial assets measured at FVTPL	282,616
Total	282,616
Other investment securities	
Financial assets measured at FVTPL	122,621
Equity instruments measured at FVTOCI	816
Debt instruments measured at FVTOCI	57,400
Financial assets measured at amortized cost	8,063
Total	188,900

The Group may designate some of its investments in equity instruments as equity instruments measured at FVTOCI, taking into consideration the actual conditions of the investments such as business relationships with the investee companies.

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

	As at March 31, 2018	As at March 31, 2019
	Millions of Yen	Millions of Yen
Fair value		
Listed	2,608	19
Unlisted	367	797
Total	2,975	816

	For the year ended March 31, 2018	For the year ended March 31, 2019
	Millions of Yen	Millions of Yen
Dividends income		
Listed	0	0
Unlisted	0	0
Total	0	0

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

	As at March 31, 2018	As at March 31, 2019
	Millions of Yen	Millions of Yen
Other investment securities		
TANITA HEALTH LINK, INC.	—	455
Money Forward, Inc.	2,586	—

Fair value at disposal, cumulative gain (net of tax) transferred from other components of equity to retained earnings and dividend income of equity instruments measured at FVTOCI disposed during the years ended March 31, 2018 and 2019 are as follows:

For the year ended March 31, 2018			For the year ended March 31, 2019		
Fair value at disposal	Cumulative gain	Dividend income	Fair value at disposal	Cumulative gain	Dividend income
Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
310	60	1	60,200	240	0

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

11. Investments Accounted For Using the Equity Method

(1) Investments in associates

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

	For the year ended March 31, 2018	For the year ended March 31, 2019
	Millions of Yen	Millions of Yen
Profit for the year attributable to the Group	(1,108)	(1,116)
Other comprehensive income attributable to the Group	(959)	45
Total comprehensive income attributable to the Group	(2,067)	(1,071)

	As at March 31, 2018	As at March 31, 2019
	Millions of Yen	Millions of Yen
Book value	32,622	26,097

Impairment losses recognized as the recoverable amount of certain associates fell below the carrying amount at March 31, 2018 and 2019 were ¥21,295 million and ¥4,556 million, respectively. The impairment loss is included in "Other expenses" in the consolidated statement of income.

Impairment losses recognized by segment for the year ended March 31, 2018 were ¥19 million in the Asset Management Business and ¥21,276 million in the Biotechnology-related Business. Impairment losses recognized by segment for the year ended March 31, 2019 were ¥4,556 million in the Biotechnology-related Business.

(2) Investments in joint ventures

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

	For the year ended March 31, 2018	For the year ended March 31, 2019
	Millions of Yen	Millions of Yen
Profit for the year attributable to the Group	3,337	6,751
Other comprehensive income attributable to the Group	115	(10)
Total comprehensive income attributable to the Group	3,452	6,741

	As at March 31, 2018	As at March 31, 2019
	Millions of Yen	Millions of Yen
Book value	35,743	42,274

12. Structured Entities

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

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

(1) Consolidated structured entities

Total assets of the consolidated investment partnerships and investment trusts were ¥97,050 million and ¥203,681 million as at March 31, 2018 and 2019, respectively. Total liabilities were ¥389 million and ¥44,997 million as at March 31, 2018 and 2019, respectively.

(2) Unconsolidated structured entities

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

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

	As at March 31, 2018	As at March 31, 2019
	Millions of Yen	Millions of Yen
Operational investment securities	24,869	25,000
Other investment securities	83,468	98,896
Total	108,337	123,896

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

13. Investment Property

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

Cost	For the year ended March 31, 2018	For the year ended March 31, 2019
	Millions of Yen	Millions of Yen
Balance, beginning of year	9,315	3,350
Sales or disposals	(6,068)	—
Foreign currency translation adjustment on foreign operations	103	(65)
Balance, end of year	3,350	3,285

Accumulated depreciation and impairment losses	For the year ended March 31, 2018	For the year ended March 31, 2019
	Millions of Yen	Millions of Yen
Balance, beginning of year	(2,210)	(1,158)
Depreciation	(4)	(1)
Impairment losses	(7)	—
Sales or disposals	1,083	—
Foreign currency translation adjustment on foreign operations	(20)	21
Balance, end of year	(1,158)	(1,138)

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

Carrying amount and fair value

As at March 31, 2018		As at March 31, 2019	
Carrying amount	Fair value	Carrying amount	Fair value
Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
2,192	2,772	2,147	2,716

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, 2018 and 2019 was ¥3 million and ¥1 million, respectively, which was included in “Revenue” in the consolidated statement of income. Expenses incurred in direct relation to the rental income (including repairs and maintenance) for the years ended March 31, 2018 and 2019, were ¥79 million and ¥7 million, respectively, which were included in “Operating cost” and “Selling, general and administrative expenses”.

14. Property and Equipment

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

Cost	Buildings	Furniture and fixtures	Land	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2017	5,808	10,766	2,007	1,291	19,872
Acquisitions	877	4,887	173	707	6,644
Acquisitions through business combinations	1	97	–	31	129
Sales or disposals	(624)	(636)	(230)	(34)	(1,524)
Foreign currency translation adjustment on foreign operations	(13)	(12)	(28)	(17)	(70)
Others	119	–	–	(8)	111
Balance as at March 31, 2018	6,168	15,102	1,922	1,970	25,162
Acquisitions	1,115	3,165	616	2,108	7,004
Acquisitions through business combinations	4	2	–	–	6
Sales or disposals	(225)	(1,309)	–	(73)	(1,607)
Foreign currency translation adjustment on foreign operations	(4)	(44)	13	(7)	(42)
Others	85	56	(46)	(39)	56
Balance as at March 31, 2019	7,143	16,972	2,505	3,959	30,579

Accumulated depreciation and impairment losses	Buildings	Furniture and fixtures	Land	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2017	(2,384)	(6,083)	(42)	(865)	(9,374)
Sales or disposals	328	517	–	20	865
Depreciation	(405)	(1,654)	–	(241)	(2,300)
Impairment losses	–	(3)	–	–	(3)
Foreign currency translation adjustment on foreign operations	5	13	–	14	32
Balance as at March 31, 2018	(2,456)	(7,210)	(42)	(1,072)	(10,780)
Sales or disposals	18	1,251	–	31	1,300
Depreciation	(442)	(3,107)	–	(211)	(3,760)
Impairment losses	–	(2,269)	–	–	(2,269)
Foreign currency translation adjustment on foreign operations	(3)	27	–	6	30
Balance as at March 31, 2019	(2,883)	(11,308)	(42)	(1,246)	(15,479)

Carrying amount	Buildings	Furniture and fixtures	Land	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at March 31, 2018	3,712	7,892	1,880	898	14,382
Balance as at March 31, 2019	4,260	5,664	2,463	2,713	15,100

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

Carrying amount	Buildings	Furniture and fixtures	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at March 31, 2018	—	1,906	14	1,920
Balance as at March 31, 2019	17	1,415	9	1,441

Impairment losses recognized for the years ended March 31, 2018 and 2019 were ¥3 million and ¥2,269 million, respectively, due to no expectation of initially expected profits and were included in “Other expenses” in the consolidated statement of income. Impairment losses recognized by segment for the year ended March 31, 2018 were ¥3 million in the Financial Services Business. Impairment losses recognized by segment for the year ended March 31, 2019 were ¥2,269 million in the Digital asset-related business, which were included in “Others”.

15. Intangible Assets

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

The movements in cost, accumulated amortization and impairment losses of intangible assets including goodwill for the years ended March 31, 2018 and 2019 were as follows:

Cost	Goodwill	Software	Customer relationship	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2017	161,223	39,848	32,808	2,664	236,543
Acquisitions	—	6,528	—	1,070	7,598
Acquisitions through business combinations	4,113	877	—	—	4,990
Sales or disposals	(1,014)	(3,067)	—	—	(4,081)
Foreign currency translation adjustment on foreign operations	(340)	6	(675)	(34)	(1,043)
Balance as at March 31, 2018	163,982	44,192	32,133	3,700	244,007
Acquisitions	—	8,373	—	245	8,618
Acquisitions through business combinations	3,322	—	2,962	—	6,284
Sales or disposals	—	(1,853)	(1,936)	(70)	(3,859)
Foreign currency translation adjustment on foreign operations	(2,519)	(115)	305	25	(2,304)
Balance as at March 31, 2019	164,785	50,597	33,464	3,900	252,746

Accumulated amortization and impairment losses	Goodwill	Software	Customer relationship	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2017	(8,555)	(23,183)	(17,662)	(1,650)	(51,050)
Sales or disposals	1,014	1,939	—	—	2,953
Amortization	—	(5,668)	(3,009)	(162)	(8,839)
Impairment losses	(34)	(135)	(5,709)	—	(5,878)
Foreign currency translation adjustment on foreign operations	—	25	480	10	515
Balance as at March 31, 2018	(7,575)	(27,022)	(25,900)	(1,802)	(62,299)
Sales or disposals	—	1,712	1,936	70	3,718
Amortization	—	(5,648)	(488)	(192)	(6,328)
Impairment losses	—	(174)	(2,861)	—	(3,035)
Foreign currency translation adjustment on foreign operations	—	116	(98)	(4)	14
Balance as at March 31, 2019	(7,575)	(31,016)	(27,411)	(1,928)	(67,930)

Carrying amount	Goodwill	Software	Customer relationship	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at March 31, 2018	156,407	17,170	6,233	1,898	181,708
Balance as at March 31, 2019	157,210	19,581	6,053	1,972	184,816

The carrying amount of software in the above table as at March 31, 2018 and 2019 includes the carrying amount of leased assets of ¥733 million and ¥519 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 ¥5,878 million and ¥3,035 million for the years ended March 31, 2018 and 2019, respectively, due to no expectation of initially expected profits, and recorded them in "Other expenses" in the consolidated statement of income. Impairment losses recognized by segment for the year ended March 31, 2018 were ¥138 million in the Financial Services Business and ¥31 million in the Asset Management Business and ¥5,709 million in the Biotechnology-related Business, respectively. Impairment losses recognized by segment for the year ended March 31, 2019 were ¥51 million in the Financial Services Business, ¥2,861 million in the Biotechnology-related Business and ¥123 million in the Digital asset-related business, which were included in "Others", respectively. The impairment losses recognized in the Biotechnology-related Business were recognized for certain drug development pipelines.

(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 ¥106,701 million and ¥104,563 million as at March 31, 2018 and 2019, respectively, related to SBI Savings Bank in the Asset Management Business and ¥24,910 million as at March 31, 2018 and 2019, 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 maximum per annum growth rate used for measuring value in use was 3% as at March 31, 2018 and 4% as at March 31, 2019, respectively. The discount rate used for measuring value in use was 9.4% to 26.2% and 9.4% to 21.1% per annum as at March 31, 2018 and 2019, respectively.

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

16. Deferred Taxation

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the years ended March 31, 2018 and 2019:

For the year ended March 31, 2018

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

(Note) Fixed assets represent property and equipment, and investment property.

For the year ended March 31, 2019

	As at April 1, 2018	Recognized through profit or loss	Recognized through other comprehensive income	Change in scope of consolidation	Recognized directly in equity	As at March 31, 2019
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Deferred Tax Assets						
Impairment on financial assets measured at amortized cost	631	(55)	－	－	－	576
Fixed assets (Note 1)	480	941	－	46	－	1,467
Enterprise tax payable	982	(126)	－	－	－	856
Tax loss carryforwards	58	6,543	(33)	－	－	6,568
Other	992	(80)	－	－	－	912
Total	3,143	7,223	(33)	46	－	10,379
Deferred Tax Liabilities						
Financial assets measured at FVTPL	9,637	2,290	－	－	－	11,927
Equity instruments measured at FVTOCI	620	－	(616)	－	－	4
Debt instruments measured at FVTOCI (Note 2)	1,188	(174)	205	－	－	1,219
Investments accounted for using the equity method	1,748	71	－	－	－	1,819
Intangible assets	1,841	(631)	56	802	－	2,068
Other	499	207	－	－	1,112	1,818
Total	15,533	1,763	(355)	802	1,112	18,855

(Note 1) Fixed assets represent property and equipment, and investment property.

(Note 2) The Group reclassified the amount of deferred tax liabilities from financial assets measured at amortized cost to debt instruments measured at FVTOCI at the beginning of the period due to the application of IFRS 9 (as revised in 2014). The balance of deferred tax liabilities increased ¥327 million at the beginning of the period..

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, 2018 and 2019, were ¥261,141 million (including ¥200,167 million with the carryforward period over 5 years), and ¥236,920 million (including ¥144,438 million with the carryforward period over 5 years), respectively.

The Group recognized deferred tax assets of ¥18 million and ¥31 million as at March 31, 2018 and 2019, respectively, associated with certain subsidiaries that had net losses during the years ended March 31, 2018 and 2019. 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, 2018 and 2019, 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 ¥180,257 million and ¥222,075 million as at March 31, 2018 and 2019, respectively.

17. Bonds and Borrowings

(1) Details of bonds and borrowings

Bonds and borrowings as at March 31, 2018 and 2019, consisted of the following:

	As at March 31, 2018	As at March 31, 2019	Average interest rate (Note 1)	Due (Note 2)
	Millions of Yen	Millions of Yen	%	
Short-term loans payable	232,049	605,086	(1.37)	—
Current portion of long-term loans payable	56,770	36,794	0.36	—
Current portion of bonds payable	91,288	32,294	—	—
Long-term loans payable	38,045	44,185	0.42	2020 - 2033
Bonds payable	153,125	244,606	—	—
Total	571,277	962,965		

Notes:

1. The average interest rate is calculated using the weighted average coupon rate of the outstanding balance as at March 31, 2019.
2. The due represents the repayment term of the outstanding balance as at March 31, 2019.

Details of the bonds were as follows:

Issuer and the name of bond	Date of issuance	As at March 31, 2018	As at March 31, 2019	Interest rate (Note 1)	Due
		Millions of Yen	Millions of Yen	%	
The Company Japanese yen straight bond (Note 2)	July 2018～ March 2019	59,977	39,874	0.43～ 0.48	July 2020～ March 2021
The Company No.7 Unsecured straight bond	March 2016	14,981	—	—	March 2019
The Company No.8 Unsecured straight bond	April 2016	4,999	—	—	April 2018
The Company No.9 Unsecured straight bond	June 2016	15,955	15,969	0.85	June 2021
The Company No.10 Unsecured straight bond	September 2016	13,974	13,992	0.55	September 2019
The Company No.11 Unsecured straight bond	June 2017	12,967	12,982	0.60	June 2020
The Company No.12 Unsecured straight bond	June 2017	16,943	16,957	0.90	June 2022
The Company No.13 Unsecured straight bond	March 2018	17,939	17,960	0.45	March 2021
The Company No.14 Unsecured straight bond	March 2018	17,929	17,944	0.70	March 2023
The Company No.15 Unsecured straight bond	December 2018	—	14,953	0.44	December 2021
The Company No.16 Unsecured straight bond	December 2018	—	14,944	0.69	December 2023
The Company Euroyen convertible bonds (Note 3)	September 2017 ～September 2018	48,478	67,769	—	September 2020 ～September 2023
The Company Exchangeable bond (Note 2)	December 2017 ～July 2018	1,124	1,624	0.46～ 0.52	December 2019 ～July 2020
SBI SECURITIES Co., Ltd. Exchangeable bond・Stock price linked bond (Note 2)	January 2016 ～ March 2019	8,788	32,961	0.09～ 3.07	April 2018 ～ March 2029
SBI SECURITIES Co., Ltd. Japanese yen straight bond (Note 2)	March 2018～ March 2019	10,000	8,971	0.38～ 0.40	March 2019～ March 2020
SBI SECURITIES Co., Ltd. Microfinance bond	August 2017	319	—	—	November 2018
SBI Trade Win Tech Co., Ltd. No.1 Unsecured straight bond	March 2014	40	—	—	March 2019
Total		244,413	276,900		

Notes:

1. Interest rate is the coupon rate of the balance as at March 31, 2019. The interest rate of the bonds hedged with interest rate swap is the interest rate after the swap execution.
2. The aggregate amount issued based on euro medium term note program is stated above.
3. The stock acquisition rights of Euroyen convertible bonds are recognized as embedded derivatives. The amount of the stock acquisition rights are separated from the host, measured at fair value, and recorded as capital surplus after tax effects.

(2) Assets pledged as security

Assets pledged for liabilities and contingent liabilities were as follows:

	As at March 31, 2018	As at March 31, 2019
	Millions of Yen	Millions of Yen
Trade and other accounts receivable	8,142	10,180
Other financial assets	145	144
Property and equipment	296	276
Total	8,583	10,600

The corresponding liabilities were as follows:

	As at March 31, 2018	As at March 31, 2019
	Millions of Yen	Millions of Yen
Bonds and borrowings	7,741	7,897

Besides the above, securities received as collateral for financing from broker's own capital of ¥29,677 million and ¥14,090 million were pledged as collateral for borrowings on margin transactions as at March 31, 2018 and 2019, respectively.

18. Trade and Other Payables

The components of trade and other payables were as follows:

	As at March 31, 2018	As at March 31, 2019
	Millions of Yen	Millions of Yen
Accounts payable and notes payable	632	637
Accounts payable-other	12,468	17,279
Advances received and guarantee deposit received	51,474	40,103
Finance lease liability	3,232	2,620
Total	67,806	60,639

19. Other Liabilities Related to Securities Business

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

	As at March 31, 2018	As at March 31, 2019
	Millions of Yen	Millions of Yen
Trade date accrual	286,267	301,972
Trading products	108,157	70,634
Deposits for subscription	1,020	961
Total	395,444	373,567

20. Insurance Contract Liabilities

(1) Risk management system over insurance contracts

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

(a) Market risk management

Interest rate risk management

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

Price fluctuation risk management

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

(b) Conducting of stress testing

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

(c) Insurance underwriting risk

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

(2) Insurance contract liabilities

(a) Details and movements of insurance contract liabilities

Insurance contract liabilities as at March 31, 2018 and 2019, consisted of the following:

	As at March 31, 2018	As at March 31, 2019
	Millions of Yen	Millions of Yen
Claims reserves	16,150	20,359
Policy reserves	126,110	118,739
Total	142,260	139,098

The movements in insurance contract liabilities for the years ended March 31, 2018 and 2019 were as follows:

	For the year ended March 31, 2018	For the year ended March 31, 2019
	Millions of Yen	Millions of Yen
Balance, beginning of year	147,573	142,260
Life insurance business		
Expected cash flows from policy reserves	(18,973)	(15,548)
Interest incurred	173	238
Adjustments	9,823	7,415
Non-life insurance business		
Insurance premiums	36,027	38,356
Unearned premium	(34,149)	(36,805)
Others	1,786	3,182
Balance, end of year	142,260	139,098

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

	Total	No later than 1 year	1 to 3 years	3 to 5 years	Over 5 years
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Insurance contract liabilities	139,098	44,732	23,257	13,346	57,763

(b) Sensitivity to insurance risk

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

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

(3) Concentration of insurance risk

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

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

	Accident year				
	2014	2015	2016	2017	2018
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Cumulative payments and claim reserves					
At end of accident year	16,377	18,471	20,489	22,682	25,776
1 year later	16,810	18,813	21,018	23,525	—
2 year later	17,188	19,442	21,669	—	—
3 year later	17,457	20,116	—	—	—
4 year later	17,872	—	—	—	—
Estimate of cumulative claims	17,872	20,116	21,669	23,525	25,776
Less: Cumulative payments to date	17,652	19,171	20,191	20,466	16,576
Claim reserves (gross)	220	945	1,478	3,059	9,200

21. Leases as Lessee

The Group leases servers for online transaction systems and certain other assets under finance leases. Future minimum lease payments and their present value under finance lease contracts of each payment period as at March 31, 2018 and 2019 were as follows:

	As at March 31, 2018	As at March 31, 2019
	Millions of Yen	Millions of Yen
No later than 1 year		
Future minimum lease payments	1,104	1,153
Less: future financial cost	(70)	(62)
Present value	1,034	1,091
Later than 1 year and not later than five years		
Future minimum lease payments	2,299	1,601
Less: future financial cost	(111)	(74)
Present value	2,188	1,527
Later than 5 years		
Future minimum lease payments	10	2
Less: future financial cost	(0)	(0)
Present value	10	2
Total		
Future minimum lease payments	3,413	2,756
Less: future financial cost	(181)	(136)
Present value	3,232	2,620

The Group leases office buildings and certain other assets under operating leases. The total future minimum lease payments recorded as expenses under cancellable or non-cancellable operating lease contracts for the years ended March 31, 2018 and 2019 were ¥4,831 million and ¥6,006 million, respectively.

22. Capital Stock and Other Equity Items

(1) Capital stock and treasury stock

The number of authorized shares as at March 31, 2018 and 2019 was 341,690,000 shares.

The Company's issued shares were as follows:

	For the year ended March 31, 2018	For the year ended March 31, 2019
	shares	shares
Number of issued shares (common shares with no par value)		
As at the beginning of the year	224,561,761	224,561,761
Increase during the year (Note)	—	11,994,632
As at the end of the year	224,561,761	236,556,393

Notes: The increase of 11,994,632 shares was for the exercise of the conversion rights for convertible bonds.

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

	For the year ended March 31, 2018	For the year ended March 31, 2019
	shares	shares
Number of treasury stock		
As at the beginning of the year	20,954,080	3,779,286
Increase during the year (Notes 1,3)	6,341,261	11,432,629
Decrease during the year (Notes 2,4)	(23,516,055)	(6,899,414)
As at the end of the year	3,779,286	8,312,501

Notes:

1. The increase of 6,341,261 shares related to the acquisition of 6,318,500 shares subject to Article 156 of the Companies Act (replacement of the third paragraph of Article 165) and 22,761 shares purchased from shareholders with less than one unit of shares.
2. The decrease of 23,516,055 shares related to 630 shares sold to shareholders with less than one unit of shares, appropriation of 2,387,200 shares for the exercise of stock acquisition rights and appropriation of 21,128,225 shares for the conversion of convertible bonds.
3. The increase of 11,432,629 shares related to the acquisition of 11,421,100 shares subject to Article 156 of the Companies Act (replacement of the third paragraph of Article 165) and 11,529 shares purchased from shareholders with less than one unit of shares.
4. The decrease of 6,899,414 shares related to 310 shares sold to shareholders with less than one unit of shares, appropriation of 1,406,200 shares for the exercise of stock acquisition rights and appropriation of 5,492,904 shares for the conversion of convertible bonds.

(2) Reserves

(a) Capital surplus

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

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

(b) Retained earnings

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

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

(3) Other components of equity

The movements of other component of equity were as follows:

	Other components of equity			
	Currency translation differences	Equity instruments measured at FVTOCI	Debt instruments measured at FVTOCI	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2017	22,695	25	—	22,720
Change for the year	(3,491)	1,436	—	(2,055)
Transfer to retained earnings	—	(60)	—	(60)
Balance as at March 31, 2018	19,204	1,401	—	20,605
Cumulative effect of change in accounting policy	—	—	840	840
Restated balance as at April1, 2018	19,204	1,401	840	21,445
Change for the year	(2,800)	(1,613)	185	(4,228)
Transfer to retained earnings	—	(240)	—	(240)
Balance as at March 31, 2019	16,404	(452)	1,025	16,977

23. Dividends

Dividends paid were as follows:

Year ended March 31, 2018

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

Year ended March 31, 2019

	Type of share	Dividend amount (Millions of Yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' Meeting on April 26, 2018	Common shares	15,455	70	March 31, 2018	June 8, 2018
Board of Directors' Meeting on October 30, 2018	Common shares	4,725	20	September 30, 2018	December 10, 2018

Dividends for which the declared date fell in the year ended March 31, 2019, and for which the effective date will be in the year ending March 31, 2020, are as follows:

	Type of share	Dividend amount (Millions of Yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' Meeting on April 26, 2019	Common shares	18,260	80(Note)	March 31, 2019	June 7, 2019

(Note): The year-end dividend of 80 yen consists of common dividend of 75 yen and commemorative dividend of 5 yen for the 20th anniversary of the foundation of the Company.

24. Share-based Payment

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

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

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

The expenses arising from granted stock options were ¥1,112 million and were recorded in "Selling, general and administrative expenses" during the year ended March 31, 2019.

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:

	For the year ended March 31, 2018		For the year ended March 31, 2019	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	3,817,600	1,247	7,488,300	1,503
Granted	6,057,900	1,563	—	—
Exercised	(2,387,200)	1,247	(1,406,200)	1,247
Expired	—	—	(24,200)	1,247
Ending balance	7,488,300	1,503	6,057,900	1,563

Notes:

1. Weighted average stock prices upon exercise of stock options for the years ended March 31, 2018 and 2019 were ¥2,130 and ¥2,954, respectively.
2. The number of the stock options granted during the year ended March 31, 2018 were 2,799,000 shares of 2017 First Stock Acquisition Rights and 3,258,900 shares of 2017 Second Stock Acquisition Rights, respectively.

The fair value of stock options for the 2017 First Stock Acquisition Rights granted during the year ended March 31, 2019 was ¥3,179 (The number of shares to be issued per stock acquisition right: 100 shares). The fair value was determined based on a Monte Carlo simulation. The following assumptions were used in the Monte Carlo simulation regarding the stock options:

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

The fair value of stock options for the 2017 Second Stock Acquisition Rights granted during the year ended March 31, 2019 was ¥39,804 (The number of shares to be issued per stock acquisition right: 100 shares). The fair value was determined based on a Black-Scholes Model. The following assumptions were used in the Black-Scholes Model regarding the stock options:

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

The unexercised stock options as at March 31, 2019 are as follows:

Name	Exercise price	Number of shares	Exercise period
	Yen	Shares	
2017 First Stock Acquisition Rights (Note)	1,563	2,799,000	July 1, 2020 - September 30, 2021
2017 Second Stock Acquisition Rights	1,563	3,258,900	July 29, 2019 September 30, 2024

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

② **Subsidiaries**

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

a-1 SBI Biotech Co., Ltd.

	For the year ended March 31, 2018		For the year ended March 31, 2019	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	100	5,000	100	5,000
Change	—	—	—	—
Ending balance	100	5,000	100	5,000

Notes:

1. The exercise period as at March 31, 2019 was defined as 30 months after 6 months passed from the IPO date.
2. The remaining stock options as at March 31, 2019 were granted before November 7, 2002; thus, the Group does not apply IFRS 2 "Share-based Payment".

a-2 BroadBand Security, Inc.

	For the year ended March 31, 2018		For the year ended March 31, 2019	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	367,900	571	145,000	800
Exercised	—	—	(18,670)	800
Forfeited	(222,900)	422	(2,000)	800
Ending balance	145,000	800	124,330	800

Notes:

1. Weighted average stock price of stock options upon exercise for the year ended March 31, 2019 was ¥2,672.
2. The average remaining exercise period as at March 31, 2019 was 7.0 years.

a-3 Morningstar Japan K.K.

	For the year ended March 31, 2018		For the year ended March 31, 2019	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	1,488,700	267	726,400	267
Exercised	(762,300)	267	(447,600)	267
Expired	—	—	(278,800)	267
Ending balance	726,400	267	—	—

Notes: Weighted average stock price of stock options upon exercise for the year ended March 31, 2018 and 2019 was ¥395 and ¥404, respectively.

a-4 SBI FinTech Solutions Co., Ltd.

	For the year ended March 31, 2018		For the year ended March 31, 2019	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	—	—	608,500	628
Granted	608,500	628	—	—
Ending balance	608,500	628	608,500	628

Notes:

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

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

2. The stock options was not vested as at March 31, 2019.
3. The average remaining exercise period as at March 31, 2019 was 4.5 years.

a-5 SBI Insurance Group Co., Ltd.

	For the year ended March 31, 2019	
	Number of shares	Weighted average exercise price
	Shares	Yen
Beginning balance	—	—
Granted	1,460,700	1,734
Ending balance	1,460,700	1,734

Notes:

1. The number of stock options granted during the year ended March 31, 2019 were 750,000 shares of 2018 First Stock Acquisition Rights and 710,700 shares of 2018 Second Stock Acquisition Rights, respectively.

   The fair value of stock options for the 2018 First Stock Acquisition Rights granted during the year ended March 31, 2019 was ¥870 (The number of shares to be issued per stock acquisition right: 30 shares). The fair value was determined based on a Monte Carlo simulation. The following assumptions were used in the Monte Carlo simulation regarding the stock options:

Stock price at the evaluation date	:	¥1,734	Estimated remaining exercise period	:	5.0 years
Exercise price	:	¥1,734	Dividend yield	:	0.00%
Estimated volatility	:	31.89%	Risk free rate	:	(0.10%)

   The stock options vest upon receipt of cash for the price equivalent to their fair value. A holder of the stock acquisition rights shall be able to exercise the stock acquisition rights only in the event that the total amount of segment profit of each reporting segment in the segment information described in the issuer's securities report for the fiscal year ending March 2020 has achieved ¥18 billion or more, the total amount of that for the fiscal year ending March 2021 has achieved ¥20 billion or more, and also marked ¥40 billion or more in its cumulative segment profits for the above two fiscal periods.

The fair value of stock options for the 2018 Second Stock Acquisition Rights granted during the year ended March 31, 2019 was ¥12,084 (The number of shares to be issued per stock acquisition right: 30 shares). The fair value was determined based on a Black-Scholes Model. The following assumptions were used in the Black-Scholes Model regarding the stock options:

Stock price at the grant date	:	¥1,733	Estimated remaining exercise period	:	5.0 years
Exercise price	:	¥1,734	Dividend yield	:	0.00%
Estimated volatility	:	31.79%	Risk free rate	:	(0.13%)

2. The stock options did not vest as at March 31, 2019.
3. The average remaining exercise period as at March 31, 2019 was 4.2 years.

a-6 Quark Pharmaceuticals, Inc.

For the year ended March 31, 2019

	Number of shares	Weighted average exercise price
	Shares	USD
Beginning balance	—	—
Granted	3,358,706	13.70
Expired	(172,897)	13.70
Ending balance	3,185,809	13.70

1. The stock options granted during the year ended March 31, 2019 are subject to conditions under which a certain number of stock options can be exercised every month after the first year anniversary of the grant date.
2. The fair value of stock options granted during the year ended March 31, 2019 was USD1.97 (The number of shares to be issued per stock acquisition right: 1 share). The fair value was determined based on a Black-Scholes Model. The following assumptions were used in the Black-Scholes Model regarding the stock options:

Stock price at the evaluation date	:	USD6.44	Estimated remaining exercise period	:	6.0 years
Exercise price	:	USD13.70	Dividend yield	:	0.00%
Estimated volatility	:	63.51%	Risk free rate	:	2.74%

3. The average remaining exercise period as at March 31, 2019 was 5.4 years.

(2) Cash-settled share-based compensation plan

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

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

SBI FinTech Solutions Co., Ltd.

	For the year ended March 31, 2018		For the year ended March 31, 2019	
	Number of rights	Weighted average exercise price	Number of rights	Weighted average exercise price
	Rights	Yen	Rights	Yen
Beginning balance	6,961	259	6,538	259
Exercised	(423)	259	(5,482)	259
Unexercised balance	6,538	259	1,056	259

Note: The average remaining exercise period as at March 31, 2019 was 0.3 years.

25. Revenue

Revenue for the years ended March 31, 2018 and 2019 consisted of the following:

	For the year ended March 31, 2018
	Millions of Yen
Revenue	
Financial income	
Interest income (Note)	101,837
Dividends received	3,940
Income arising from financial assets measured at FVTPL	50,262
Gain from trading	18,474
Others	116
Total financial income	174,629
Revenue arising on insurance contracts	67,165
Revenue from rendering of services	82,983
Others	12,240
Total revenue	337,017

Note:

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

	For the year ended March 31, 2019
	Millions of yen
Financial income (Note 1)	
Interest income	
Income arising from financial assets measured at amortized cost (Note 2)	111,240
Income arising from debt instruments measured at FVTOCI (Note 3)	814
Income arising from financial instruments measured at FVTPL	63,186
Others	82
Total financial income	175,322
Revenue arising on insurance contracts	77,562
Revenue from contracts with customers (Note1)	
Revenue from rendering of services	79,107
Revenue from sales of goods	3,159
Others	16,261
Total revenue	351,411

(Note 1) Beginning with the fiscal year ended March 31, 2019, the Group changed the method of presentation due to the application of IFRS 9 (as revised in 2014) and IFRS 15.

(Note 2) Interest income arising from loans in the banking and securities businesses.

(Note 3) Interest income arising from policy reserve matching bonds in the insurance business.

(1) Disaggregation of revenue

Revenue from contracts with customers for the years ended March 31, 2019 consisted of the following: Revenue from rendering of services mainly includes brokerage commission in the securities business. Revenue from sales of goods includes revenue arising from the sale of pharmaceutical products, supplements, and cosmetics.

	Financial Services Business	Asset Management Business	Biotechnology -related Business	Total	Others	Elimination or Corporate	Consolidated Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Revenue from contracts with customers							
Revenue from rendering of services	72,223	8,814	6	81,043	650	(2,586)	79,107
Revenue from sales of goods	832	—	3,065	3,897	—	(738)	3,159
Total	73,055	8,814	3,071	84,940	650	(3,324)	82,266

(2) Contract balance

The balance of trade receivables from contract with customers and contract liabilities were as follows;

	Balance as at April 1, 2018	Balance as at March 31, 2019
	Millions of Yen	Millions of Yen
Trade receivables from contract with customers	6,727	6,912
Contract liabilities	1,939	2,203

Contract liabilities are primarily balances of point programs offered by the Group where the Group did not satisfy their performance obligations at the end of the fiscal year.

Of the revenues recognized during the years ended March 31, 2019, ¥1,587 million was included in the balance of contract liabilities as at April 1, 2018.

26. Expense

Expense for the years ended March 31, 2018 and 2019 consisted of the following:

(1) Financial cost associated with financial income

	For the year ended March 31, 2018	For the year ended March 31, 2019
	Millions of Yen	Millions of Yen
Financial cost associated with financial income		
Interest expense		
Financial liabilities measured at amortized cost	(17,788)	(21,394)
Total financial cost associated with financial income	(17,788)	(21,394)

(2) Operating cost

	For the year ended March 31, 2018	For the year ended March 31, 2019
	Millions of Yen	Millions of Yen
Payroll	(11,293)	(12,107)
Outsourcing fees	(7,916)	(7,495)
Depreciation and amortization	(1,526)	(3,228)
Cost arising on insurance contracts	(51,461)	(58,884)
Others	(41,352)	(18,097)
Total operating cost	(113,548)	(99,811)

(3) Selling, general and administrative expenses

	For the year ended March 31, 2018	For the year ended March 31, 2019
	Millions of Yen	Millions of Yen
Payroll	(28,201)	(33,356)
Outsourcing fees	(19,996)	(21,537)
Depreciation and amortization	(9,319)	(6,604)
Research and development	(7,749)	(8,517)
Others	(35,112)	(41,061)
Total selling, general and administrative expenses	(100,377)	(111,075)

(4) Other financial cost

	For the year ended March 31, 2018	For the year ended March 31, 2019
	Millions of Yen	Millions of Yen
Other financial cost		
Interest expense		
Financial liabilities measured at amortized cost	(3,282)	(4,680)
Total other financial cost	(3,282)	(4,680)

(5) Other expenses

	For the year ended March 31, 2018	For the year ended March 31, 2019
	Millions of Yen	Millions of Yen
Impairment loss on non-financial assets	(27,183)	(9,860)
Foreign exchange loss	(3,401)	(2,712)
Others (Note)	(1,857)	(2,217)
Total other expenses	(32,441)	(14,789)

27. Income Tax Expense

The amount of income tax expenses for the years ended March 31, 2018 and 2019 were as follows:

	For the year ended March 31, 2018	For the year ended March 31, 2019
Income tax expense	Millions of Yen	Millions of Yen
Current	(14,734)	(21,220)
Deferred	(1,118)	5,460
Total income tax expense	(15,852)	(15,760)

The Company and its domestic subsidiaries are subject to mainly a national corporate tax, an inhabitants tax, and an enterprise tax, which, in aggregate, resulted in a normal effective statutory tax rate of 30.6%. 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, 2018 and 2019 is as follows:

	For the year ended March 31, 2018	For the year ended March 31, 2019
	%	%
Normal effective statutory tax rate	30.9	30.6
Permanent differences such as meals and entertainment	(0.2)	0.6
Tax effect on minority interests of investments in fund	(4.0)	(5.2)
Temporary differences arising from consolidation of investments	2.4	(2.1)
Change in unrecognized deferred tax assets	(5.2)	(6.0)
Other	(1.8)	1.1
Average effective tax rate	22.1	19.0

28. Other Comprehensive Income

Amounts recorded during the year, reclassification adjustments and income tax effects on each item of other comprehensive income for the years ended March 31, 2018 and 2019 were as follows:

For the year ended March 31, 2018

	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Items that will not be reclassified subsequently to profit or loss					
FVTOCI financial assets	2,020	–	2,020	(584)	1,436
	2,020	–	2,020	(584)	1,436
Items that may be reclassified subsequently to profit or loss					
Currency translation differences	(2,378)	(404)	(2,782)	–	(2,782)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,257)	83	(1,174)	330	(844)
	(3,635)	(321)	(3,956)	330	(3,626)
Total	(1,615)	(321)	(1,936)	(254)	(2,190)

For the year ended March 31, 2019

	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Items that will not be reclassified subsequently to profit or loss					
Equity instruments measured at FVTOCI	(1,818)	–	(1,818)	616	(1,202)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(411)	–	(411)	–	(411)
	(2,229)	–	(2,229)	616	(1,613)
Items that may be reclassified subsequently to profit or loss					
Debt instruments measured at FVTOCI	788	(56)	732	(205)	527
Currency translation differences	(4,384)	1,180	(3,204)	–	(3,204)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	447	(1)	446	–	446
	(3,149)	1,123	(2,026)	(205)	(2,231)
Total	(5,378)	1,123	(4,255)	411	(3,844)

29. Earnings per Share

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of Yen	Millions of Yen
Earnings		
Profit attributable to owners of the Company	46,684	52,548
Dilutive effect：Convertible bonds	377	339
Profit attributable to owners of the Company after dilutive effect	47,061	52,887
Shares		
Basic weighted average number of ordinary shares (shares)	211,683,159	227,057,550
Dilutive effect：Stock options (shares)	1,508,956	2,781,002
Dilutive effect：Convertible bonds (shares)	25,846,017	27,623,150
Weighted average number of ordinary shares after the dilutive effect (shares)	239,038,132	257,461,702
Earnings per share attributable to owners of the Company		
Basic (in Yen)	220.54	231.43
Diluted (in Yen)	196.88	205.42

30. Cash Flow Information

Supplemental disclosure of consolidated statement of cash flow information for the years ended March 31, 2018 and 2019 was as follows:

(1) Expenditures on acquisition of subsidiaries

The amounts of payments for acquisition of subsidiaries were ¥3,044 million and ¥4,346 million for the years ended March 31, 2018 and 2019, respectively. Consideration paid consisted solely of cash and cash equivalents. Amounts of major classes of assets and liabilities of subsidiaries, of which the Group obtained control through share acquisition, at the date of acquisition were as follows:

	For the year ended March 31, 2018	For the year ended March 31, 2019
	Millions of Yen	Millions of Yen
Cash and cash equivalents	3,056	774
Trade and other receivables	1,190	279
Intangible assets	877	2,962
Other assets	625	90
Total assets	5,748	4,105
Trade and other payables	741	1,066
Customer deposits for banking business	3,857	—
Other liabilities	805	939
Total liabilities	5,403	2,005

(2) Proceeds from sales of subsidiaries

Total consideration received in respect of sales of subsidiaries was ¥933 million and ¥0 million for the years ended March 31, 2018 and 2019, respectively. Amounts of major classes of assets and liabilities of subsidiaries, of which the Group lost control through share sale, at the date of sale were as follows:

	For the year ended March 31, 2018	For the year ended March 31, 2019
	Millions of Yen	Millions of Yen
Cash and cash equivalents	63	2
Trade and other receivables	81	—
Other assets	456	—
Total assets	600	2
Bonds and loans payable	74	—
Trade and other payables	19	24
Other liabilities	80	—
Total liabilities	173	24

(3) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities were as follows:

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

	As at April 1, 2018	Cash flow from financing activities	Non-cash changes: Issuance of convertible bonds	Non-cash changes: Conversion of convertible bonds	Non-cash changes: Interest expense	Non-cash changes: Others	As at March 31, 2019
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Borrowings	326,865	359,632	—	—	241	(673)	686,065
Bonds	244,412	65,919	(4,186)	(29,262)	1	16	276,900
Total	571,277	425,551	(4,186)	(29,262)	242	(657)	962,965

31. Subsidiaries

Major subsidiaries of the Group as at March 31, 2019 were as follows:

Business segment	Name	Location	Voting Rights Holding Ratio (%) (Note)
			%
Financial Services Business	SBI FINANCIAL SERVICES Co., Ltd.	Japan	100.0
	SBI SECURITIES Co., Ltd.	Japan	100.0 (100.0)
	SBI Liquidity Market Co., Ltd.	Japan	100.0 (100.0)
	SBI FXTRADE Co., Ltd.	Japan	100.0 (100.0)
	SBI MONEYPLAZA Co., Ltd.	Japan	100.0 (100.0)
	SBI Insurance Group Co., Ltd.	Japan	75.0
	SBI Life Insurance Co., Ltd.	Japan	100.0 (100.0)
	SBI Insurance Co., Ltd.	Japan	99.2 (99.2)
	SBI FinTech Solutions Co., Ltd.	Japan	77.5
Asset Management Business	SBI Capital Management Co., Ltd.	Japan	100.0
	SBI Investment Co., Ltd.	Japan	100.0 (100.0)
	SBI Global Asset Management Co., Ltd.	Japan	100.0
	Morningstar Japan K. K.	Japan	47.6 (47.6)
	SBI Asset Management Co., Ltd.	Japan	100.0 (100.0)
	SBI Estate Finance Co., Ltd.	Japan	100.0 (5.0)
	SBI Hong Kong Holdings Co., Ltd.	Hong Kong	100.0
	SBI VEN HOLDINGS PTE. LTD.	Singapore	100.0
	SBI Savings Bank	Korea	99.0 (99.0)
Biotechnology-related Business	SBI ALApharma Co., Limited	Hong Kong	96.4 (96.4)
	SBI Pharmaceuticals Co., Ltd.	Japan	86.2 (86.2)
	SBI ALApromo Co., Ltd.	Japan	100.0 (100.0)
	SBI Biotech Co., Ltd.	Japan	87.6 (1.1)
	Quark Pharmaceuticals, Inc.	USA	100.0 (100.0)

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

32. Related Party Transactions

(1) Related Party Transactions

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

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

Notes:

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

The Group entered into the following related party transactions during the year ended March 31, 2019.

Type	Name	Relationship with related party	Transaction description	Transaction Amount	Balance
				Millions of Yen	Millions of Yen
Corporate officer	Katsuya Kawashima	Representative Director	Exercise of stock options (Note)	187	—
Corporate officer	Masato Takamura	Representative Director	Exercise of stock options (Note)	312	—
Corporate officer	Tomoya Asakura	Executive Officer	Exercise of stock options (Note)	312	—
Corporate officer	Shumpei Morita	Executive Officer	Exercise of stock options (Note)	25	—

Note:

1. Exercise of stock options represents the exercise of stock acquisition rights which were issued based on the resolution by the Board of Directors meeting held on October 30, 2014, and November 19, 2014, pursuant to Article 236, 238 and 240 of the Companies Act. Stated in the "Transaction Amount" column is the paid-in amount in connection with stock acquisition rights exercised during the fiscal year ended March 31, 2019.

(2) The remuneration of key management personnel of the Company for the years ended March 31, 2018 and 2019

	For the year ended March 31, 2018	For the year ended March 31, 2019
	Millions of Yen	Millions of Yen
Remuneration and bonuses	1,012	1,134
Post-employment benefits	5	5
Total	1,017	1,139

33. Contract Liabilities

The Group has entered into loan agreements with the customers in accordance with the condition of the contracts. The total amount of loan commitments amounted to ¥15,038 million and ¥70,459 million, with an unused portion of ¥10,194 million and ¥31,509 million, as at March 31, 2018 and 2019, respectively. However, contracts are revised regularly upon changes to customer's credit condition and other matters considered necessary to ensure secure credit facilities. Thus, the unused portion of the commitment will not affect the Group's future cash flow.

34. Events after the Reporting Period

There were no significant events after the reporting period.