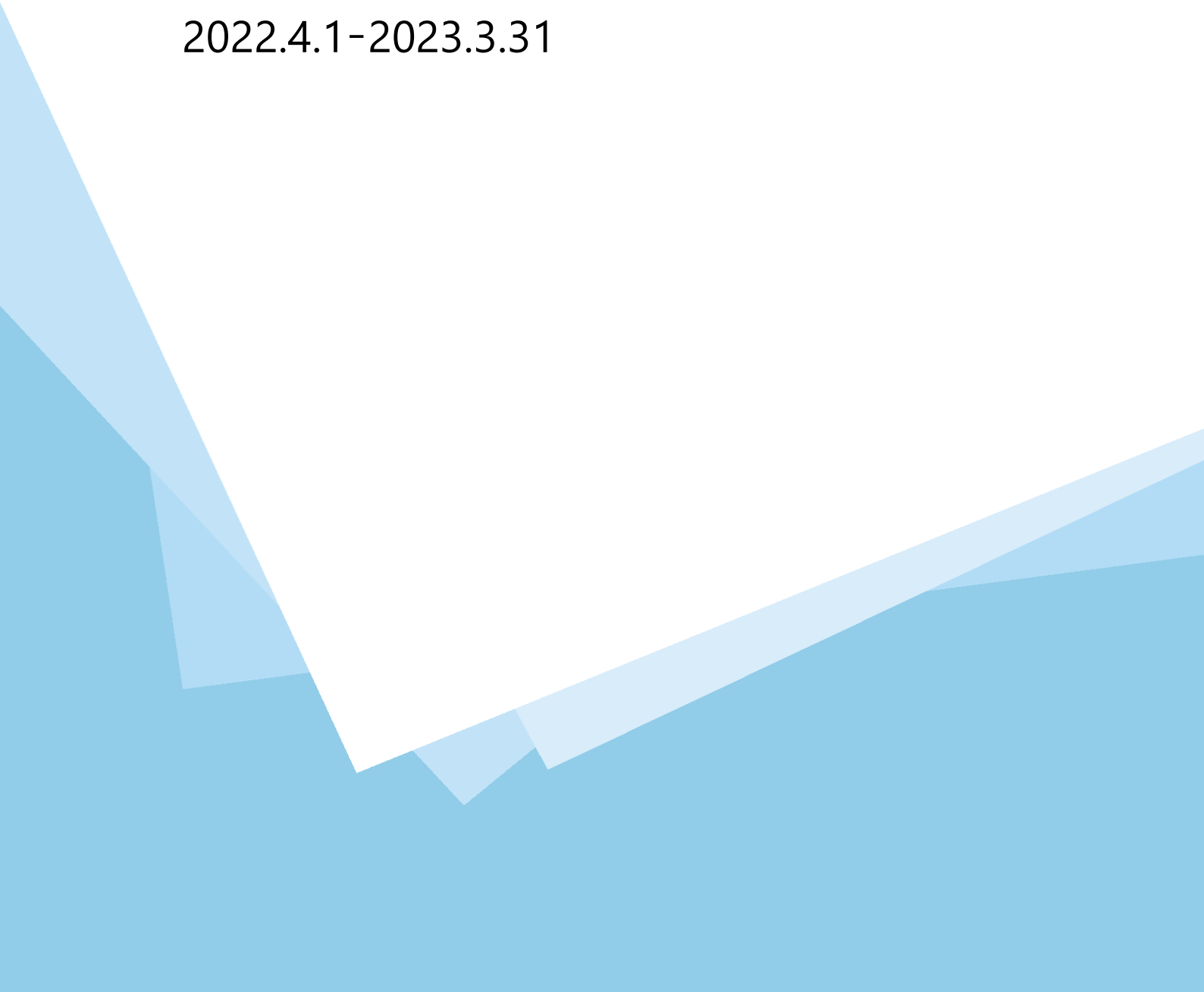


SBI HOLDINGS, INC.

Consolidated Financial Statements
2022.4.1-2023.3.31



CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | As at March 31, 2022 | As at March 31, 2023 |
|---|----------------|-------------------------|-------------------------|
| | | Millions of Yen | Millions of Yen |
| Assets | | | |
| Cash and cash equivalents | 6,8,18,23 | 2,499,370 | 3,200,916 |
| Trade and other accounts receivable | 6,7,8,9,13,18 | 8,399,588 | 10,447,026 |
| Assets related to securities business | | | |
| Cash segregated as deposits | | 2,361,620 | 2,498,387 |
| Margin transaction assets | | 929,730 | 1,267,684 |
| Other assets related to securities business | 10 | 615,967 | 751,211 |
| Total assets related to securities business | 6,7,8 | 3,907,317 | 4,517,282 |
| Other financial assets | 6,7,8,13 | 471,607 | 519,951 |
| Operational investment securities | 6,7,8,11,13 | 607,802 | 581,364 |
| Other investment securities (includes ¥247,299 million and ¥222,987million pledged as collateral) | 6,7,8,11,13,18 | 1,076,780 | 1,997,856 |
| Investments accounted for using the equity method | 12 | 129,141 | 199,882 |
| Investment properties | 14,18 | 34,868 | 72,124 |
| Property and equipment | 15,18 | 123,737 | 124,655 |
| Intangible assets | 16 | 293,086 | 366,040 |
| Other assets | | 277,016 | 267,845 |
| Deferred tax assets | 17 | 17,888 | 15,787 |
| Total assets | | 17,838,200 | 22,310,728 |
| Liabilities | | | |
| Bonds and loans payable | 6,7,8,18 | 3,364,860 | 3,680,355 |
| Trade and other accounts payable | 6,7,8,19 | 487,846 | 486,028 |
| Liabilities related to securities business | | | |
| Margin transaction liabilities | | 254,345 | 276,287 |
| Loans payable secured by securities | | 599,159 | 605,382 |
| Deposits from customers | | 1,375,599 | 1,400,607 |
| Guarantee deposits received | | 997,678 | 1,104,363 |
| Other liabilities related to securities business | 20 | 449,551 | 501,610 |
| Total liabilities related to securities business | 6,7,8 | 3,676,332 | 3,888,249 |
| Customer deposits for banking business | 6,7,8,18 | 7,673,324 | 11,472,323 |
| Insurance contract liabilities | 21 | 155,216 | 157,381 |
| Income tax payable | | 13,351 | 16,951 |
| Other financial liabilities | 6,7,18 | 538,512 | 595,150 |
| Other liabilities | | 287,577 | 215,477 |
| Deferred tax liabilities | 17 | 57,924 | 50,160 |
| Total liabilities | | 16,254,942 | 20,562,074 |
| Equity | | | |
| Capital stock | 24 | 99,312 | 139,272 |
| Capital surplus | 24 | 151,390 | 186,774 |
| Treasury stock | 24 | (62) | (76) |
| Other components of equity | 24 | 42,865 | 60,117 |
| Retained earnings | 24 | 631,098 | 627,745 |
| Equity attributable to owners of the Company | | 924,603 | 1,013,832 |
| Non-controlling interests | | 658,655 | 734,822 |
| Total equity | | 1,583,258 | 1,748,654 |
| Total liabilities and equity | | 17,838,200 | 22,310,728 |

CONSOLIDATED STATEMENT OF INCOME

| | Notes | Fiscal year ended March 31, 2022 Millions of Yen | Fiscal year ended March 31, 2023 Millions of Yen |
|--|-------|--|--|
| Revenue (includes ¥209,419 million and ¥404,412 million of interest income) | 5,27 | 763,618 | 998,559 |
| Expense | | | |
| Financial cost associated with financial income | 28 | (33,603) | (102,473) |
| Provision for credit losses | | (99,489) | (93,780) |
| Operating cost | 28 | (221,822) | (282,737) |
| Selling, general and administrative expenses | 28 | (229,834) | (384,612) |
| Other financial cost | 28 | (8,555) | (20,183) |
| Other expenses | 28 | (28,260) | (22,857) |
| Total expense | | (621,563) | (906,642) |
| Gain on bargain purchase | 4 | 263,847 | 2,460 |
| Share of profit of associates and joint ventures accounted for using the equity method | 5,12 | 6,822 | 6,376 |
| Profit before income tax expense | 5 | 412,724 | 100,753 |
| Income tax expense | 29 | (57,000) | (29,745) |
| Profit for the year | | 355,724 | 71,008 |
| Profit for the year attributable to | | | |
| Owners of the Company | | 366,854 | 35,000 |
| Non-controlling interests | | (11,130) | 36,008 |
| Profit for the year | | 355,724 | 71,008 |
| Earnings per share attributable to owners of the Company | | | |
| Basic (Yen) | 31 | 1,498.55 | 132.19 |
| Diluted (Yen) | 31 | 1,285.90 | 116.88 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|--|-------|-------------------------------------|-------------------------------------|
| | | Millions of Yen | Millions of Yen |
| Profit for the year | | 355,724 | 71,008 |
| Other comprehensive income | | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Financial assets measured at FVTOCI | 30 | (493) | (7,173) |
| Changes in own credit risk on financial liabilities | 30 | 234 | 389 |
| Remeasurement of defined benefit plans | 30 | (1,091) | (1,374) |
| Share of other comprehensive income of associates and joint ventures accounted for using the equity method | 30 | 130 | (3) |
| | | <u>(1,220)</u> | <u>(8,161)</u> |
| Items that may be reclassified subsequently to profit or loss | | | |
| Financial assets measured at FVTOCI | 30 | (4,692) | (7,823) |
| Currency translation differences | 30 | 30,241 | 30,240 |
| Share of other comprehensive income of associates and joint ventures accounted for using the equity method | 30 | 767 | 2,003 |
| | | <u>26,316</u> | <u>24,420</u> |
| Other comprehensive income, net of tax | | 25,096 | 16,259 |
| Total comprehensive income | | <u>380,820</u> | <u>87,267</u> |
| Total comprehensive income attributable to | | | |
| Owners of the Company | | 390,080 | 51,489 |
| Non-controlling interests | | (9,260) | 35,778 |
| Total comprehensive income | | <u>380,820</u> | <u>87,267</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | | Attributable to owners of the Company | | | | | | | |
|---|-----------------|---------------------------------------|-----------------|----------------------------|-------------------|-----------------|---------------------------|-----------------|--|
| Notes | 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, 2021 | 98,711 | 147,753 | (40) | 18,197 | 297,495 | 562,116 | 154,979 | 717,095 | |
| Profit for the year | — | — | — | — | 366,854 | 366,854 | (11,130) | 355,724 | |
| Other comprehensive income | — | — | — | 23,226 | — | 23,226 | 1,870 | 25,096 | |
| Total comprehensive income | — | — | — | 23,226 | 366,854 | 390,080 | (9,260) | 380,820 | |
| Issuance of new shares | 24 | 601 | 482 | — | — | 1,083 | — | 1,083 | |
| Change in scope of consolidation | | — | — | — | — | — | 496,303 | 496,303 | |
| Dividends paid | 25 | — | — | — | (31,809) | (31,809) | (15,001) | (46,810) | |
| Treasury shares purchased | 24 | — | — | (23) | — | (23) | — | (23) | |
| Treasury shares sold | 24 | — | 0 | 1 | — | 1 | — | 1 | |
| Share-based payment transactions | | — | 682 | — | — | 682 | (731) | (49) | |
| Changes of interests in subsidiaries without losing control | | — | 2,473 | — | — | 2,473 | 32,365 | 34,838 | |
| Transfer | 24 | — | — | — | 1,442 | (1,442) | — | — | |
| As at March 31, 2022 | | 99,312 | 151,390 | (62) | 42,865 | 631,098 | 924,603 | 658,655 | |
| | | | | | | | | 1,583,258 | |

| Attributable to owners of the Company | | | | | | | | | |
|--|-------|--------------------|--------------------|--------------------|----------------------------------|----------------------|--------------------|----------------------------------|--------------------|
| | Notes | 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, 2022 | | 99,312 | 151,390 | (62) | 42,865 | 631,098 | 924,603 | 658,655 | 1,583,258 |
| Profit for the year | | - | - | - | - | 35,000 | 35,000 | 36,008 | 71,008 |
| Other comprehensive income | | - | - | - | 16,489 | - | 16,489 | (230) | 16,259 |
| Total comprehensive income | | - | - | - | 16,489 | 35,000 | 51,489 | 35,778 | 87,267 |
| Issuance of new shares | 24 | 39,960 | 39,905 | - | - | - | 79,865 | - | 79,865 |
| Change in scope of consolidation | | - | - | - | - | - | - | (8,496) | (8,496) |
| Dividends paid | 25 | - | - | - | - | (37,590) | (37,590) | (18,773) | (56,363) |
| Treasury shares purchased | 24 | - | - | (16) | - | - | (16) | - | (16) |
| Treasury shares sold | 24 | - | (0) | 2 | - | - | 2 | - | 2 |
| Share-based payment transactions | | - | 681 | - | - | - | 681 | 539 | 1,220 |
| Changes of interests in subsidiaries without losing control | | - | (5,202) | - | - | - | (5,202) | 67,119 | 61,917 |
| Transfer | 24 | - | - | - | 763 | (763) | - | - | - |
| As at March 31, 2023 | | <u>139,272</u> | <u>186,774</u> | <u>(76)</u> | <u>60,117</u> | <u>627,745</u> | <u>1,013,832</u> | <u>734,822</u> | <u>1,748,654</u> |

CONSOLIDATED STATEMENT OF CASH FLOWS

| | Notes | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|--|-------|-------------------------------------|-------------------------------------|
| | | Millions of Yen | Millions of Yen |
| Cash flows from operating activities | | | |
| Profit before income tax expense | | 412,724 | 100,753 |
| Depreciation and amortization | | 32,207 | 56,129 |
| Gain on bargain purchase | | (263,847) | (2,460) |
| Share of profit of associates and joint ventures accounted for using the equity method | | (6,822) | (6,376) |
| Interest and dividend income | | (222,612) | (424,950) |
| Interest expense | | 42,553 | 123,818 |
| Increase in operational investment securities | | (164,644) | (50,286) |
| Increase in trade and other accounts receivables | | (373,371) | (1,813,474) |
| Increase in trade and other accounts payable | | 25,653 | (42,502) |
| (Increase) decrease in assets/liabilities related to securities business | | 145,057 | (397,031) |
| Increase in customer deposits for banking business | | 184,308 | 3,776,127 |
| Decrease in bonds and loans payable in banking business | | (26,148) | (611,135) |
| Decrease in payables under securities lending transactions | | (165,985) | (17,430) |
| Others | | (69,182) | (10,211) |
| Subtotal | | (450,109) | 680,972 |
| Interest and dividend income received | | 218,586 | 422,429 |
| Interest paid | | (37,551) | (103,160) |
| Income taxes paid | | (44,972) | (39,498) |
| Net cash (used in) generated from operating activities | | (314,046) | 960,743 |
| Cash flows from investing activities | | | |
| Purchase of investment property | | (30,158) | (44,076) |
| Purchases of intangible assets | | (25,965) | (37,568) |
| Purchases of investment securities | | (321,150) | (3,026,500) |
| Proceeds from sales or redemption of investment securities | | 512,343 | 2,104,558 |
| Acquisition of subsidiaries, net of cash and cash equivalents acquired | 32 | 1,734,730 | (6,597) |
| Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of | 32 | 718 | 16 |
| Payments of loans receivable | | (95,491) | (141,533) |
| Collection of loans receivable | | 65,181 | 115,954 |
| Others | | (1,691) | (39,308) |
| Net cash generated from (used in) investing activities | | 1,838,517 | (1,075,054) |

| | Notes | Fiscal year ended March 31, 2022 Millions of Yen | Fiscal year ended March 31, 2023 Millions of Yen |
|---|-------|--|--|
| Cash flows from financing activities | | | |
| (Decrease) increase in short term loans payable | 32 | (257,418) | 375,205 |
| Proceeds from long-term loans payable | 32 | 154,290 | 186,037 |
| Repayment of long-term loans payable | 32 | (84,387) | (71,266) |
| Proceeds from issuance of bonds payable | 32 | 541,125 | 1,342,878 |
| Redemption of bonds payable | 32 | (158,994) | (1,062,876) |
| Proceeds from issuance of shares | | 693 | 79,865 |
| Proceeds from stock issuance to non-controlling interests | | 5,008 | 18,305 |
| Contributions from non-controlling interests in consolidated investment funds | | 27,262 | 39,877 |
| Cash dividends paid | | (31,795) | (37,580) |
| Cash dividends paid to non-controlling interests | | (1,372) | (512) |
| Distributions to non-controlling interests in consolidated investment funds | | (13,610) | (16,355) |
| Purchase of treasury stock | | (23) | (16) |
| Proceeds from sale of interests in subsidiaries to non-controlling interests | | 3,182 | 5,087 |
| Payments for purchase of interests in subsidiaries from non-controlling interests | | (11,507) | (32,503) |
| Others | | (9,152) | (15,721) |
| Net cash generated from financing activities | | 163,302 | 810,425 |
| Net (decrease) increase in cash and cash equivalents | | 1,687,773 | 696,114 |
| Cash and cash equivalents at the beginning of the year | | 802,702 | 2,499,370 |
| Effect of changes in exchange rate on cash and cash equivalents | | 8,895 | 5,432 |
| Cash and cash equivalents at the end of the year | | 2,499,370 | 3,200,916 |

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 arrangements. The Group is engaged in various businesses, which primarily consist of five key businesses: "Financial Services Business", "Asset Management Business", "Investment Business", "Crypto-asset Business" and "Non-Financial Business". See Note 5 "Segment Information" for detailed information on each business.

2. Basis of Preparation

(1) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

Since the Group meets the criteria of "Specified Company under Designated International Financial Reporting Standards" defined in Article 1-2 of the Rules Governing Term, Form and Preparation of Consolidated Financial Statements, the Group applies Article 93 of the Rules Governing Term, Form and Preparation of Consolidated Financial Statements.

The consolidated financial statements were approved and authorized for issue by the Company's Representative Director, President and CEO, Yoshitaka Kitao and Managing Executive Officer, Hideyuki Katsuchi on July 5, 2023.

(2) Basis of measurement

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

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

The measurement basis of fair value of the financial instruments is provided in Note 6 "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 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,” “6. Financial Instruments” and “7. Fair Value Measurement”
- Impairment on financial assets – “3. Significant Accounting Policies (3) Financial instruments” and “8. Financial Risk Management (4) Credit risk management”
- Impairment on intangible assets – “3. Significant Accounting Policies (6) Intangible assets” and “16. Intangible Assets (3) Carrying amount of goodwill”
- Liability adequacy test for insurance contracts – “3. Significant Accounting Policies (9) Accounting for insurance contracts” and “21. Insurance Contract Liabilities”
- Recoverability of deferred tax assets – “3. Significant Accounting Policies (14) Income tax expense” and “17. Deferred Taxation”
- Scope of subsidiaries – “3. Significant Accounting Policies (1) Basis of consolidation” and “33. Subsidiaries”

Although the impact of the new coronavirus infections on the economy and corporate activities has largely subsided, the Group assumes that the impact on the credit risk of trade and other accounts receivables will continue. Based on these assumptions and reasonable and supportable information available, the Group measures expected credit losses by grouping based on credit risk characteristics.

(5) Application of new and revised IFRSs

The Group adopted standards and interpretations that became mandatorily effective beginning with this fiscal year. There is no significant impact to these consolidated financial statements resulting from their adoption.

3. Significant Accounting Policies

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

(1) Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. In principle, an entity in which the Group owns a majority of the voting rights is included as a subsidiary. However, even if the Group does not own a majority of the voting rights, an entity is included in the category of subsidiary if it is determined that the Group substantially controls the entity's decision-making body. Also, an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, referred to as "structured entity", is included as a subsidiary. 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 control

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. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

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 investments") 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 investments are deducted from the balance of carrying amount of investments only to the extent of investor's interests in the investees. For joint operations, the Group's share of the assets, liabilities, revenue and expenses related to the joint operation is recognized.

(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 an investment in an equity instrument that is held for a purpose other than trading as a financial asset measured at fair value through other comprehensive income. 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 substantially all the risks and rewards of ownership of 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 designated at fair value through profit or loss (hereinafter "financial liabilities designated 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.

(Financial liabilities designated at FVTPL)

An irrevocable election to measure financial liabilities at FVTPL may be made at initial recognition if the contract contains one or more embedded derivatives and the host contract is a hybrid contract where

the host contract is a financial liability, or if designation as FVTPL eliminates or significantly reduces an accounting mismatch that would otherwise arise. The amount of the change in the fair value of the financial liability attributable to changes in the credit risk of the liability is recognized in other comprehensive income and the remaining change in the fair value of the liability is 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 measured at amortized cost, debt instruments measured at FVTOCI, lease receivables, certain loan commitments and financial guarantee contracts 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 financial 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.
- Derivatives (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 financial liabilities measured at FVTPL, changes in amounts of which are recognized in profit or loss.

(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 financial 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) Investment properties

Investment properties are real estate (including real estate under construction) held for the purpose of earning rental income, capital gains, or both. It does not include real estate sold in the ordinary course of business or real estate used for the purposes of the provision of goods or services, manufacture, sale or other administration. Investment properties are measured using the cost method and stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is calculated based on the depreciable amount, which is calculated as the initial cost of items of investment properties or an amount equivalent to the initial cost less their residual values. Depreciation is recognized using the straight-line method to allocate their depreciable amounts based on the estimated useful life of each component and charged to profit or loss.

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

- Buildings 15 - 50 years

Investment property is derecognized at the time of disposal or when the investment property is no longer permanently used and no future economic benefits from the disposal are expected. Any gain or loss arising from derecognition of the investment property, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss at the time of derecognition.

(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.

(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. Property and equipment is depreciated on a straight-line method to allocate their depreciable amounts over the estimated useful life of each component. The right-of-use asset is depreciated on a systematic basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

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

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

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

(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

Intangible assets other than goodwill with finite useful lives are amortized 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 6 - 23 years

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

(7) Lease

(a) Lease as lessee

At inception of a contract, the Group determines whether the contract is, or contains, a lease. Lease liability in a lease transaction is initially measured as the present value of unpaid lease payments discounted using an interest rate implicit in the lease at the commencement date of the contract. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The right-of-use asset is measured at the acquisition cost, which is initially measured at the amount of lease liability adjusted by initial direct cost and prepaid lease payments. With regard to a lease that has a lease term of 12 months or less or a lease of low-value assets, right-of-use assets and lease liabilities are not recognized and lease payments on such lease are recognized as an expense over the lease term.

(b) Lease as lessor

A finance lease receivable is initially recognized at the lease commencement date of the lease at the net investment in the lease, which is the sum of the lease payments received by the lessor and the unguaranteed residual value, discounted using an interest rate implicit in the lease. Income arising from finance leases is recognized by allocating the net investment in the lease over the lease term. Leases other than finance leases are classified as operating leases, and the operating lease income is recognized over the lease term on a straight-line basis.

(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 equity method investment 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) Defined benefit plans

The present value of the defined benefit obligation and benefit cost are determined using the projected unit credit method. Changes in fair value, excluding actuarial gains and losses and interest income on plan assets, are recognized in other comprehensive income and transferred from other components of equity to retained earnings as incurred. The net present value of the defined benefit obligation less the fair value of plan assets is recognized as a liability or asset in the consolidated statement of financial position. If the calculation results in the case of the Group having an asset in excess of the funded status, the asset is recognized up to the present value of the future economic benefits available from the return of cash from the plan or the reduction of future contributions to the plan.

(c) 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. Where the effect of the time value of money is material, 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 or taxable profit will not be available against which the temporary difference can be utilised. 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.

With respect to the amendments to IAS 12 "Income Taxes" (International Tax Reform - Pillar 2 Model Rules), a temporary exception (exemption from recognition and disclosure of deferred tax assets and deferred tax liabilities) has been applied.

(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 Group has applied IFRS 4 "Insurance Contracts" until the current period and will apply IFRS 17 "Insurance Contracts" from the next period. The transition date to IFRS 17 is April 1, 2022 and the cumulative effect of the adoption of this standard will be recognized on the transition date. The impact of the adoption of this standard on the consolidated financial statements is currently under review.

The impact of the application of IAS 12 "Income Taxes" on the Group is still under consideration.

| IFRS | | Mandatory for fiscal year beginning on or after | Anticipated fiscal year end adoption date | Summary of new standards and amendments |
|---------|---------------------|---|---|--|
| IFRS 17 | Insurance Contracts | January 1, 2023 | March 2024 | Amendment with regard to measurement method of insurance liability |
| IAS 12 | Income Taxes | January 1, 2023 | March 2024 | International Tax Reform - Recognition and Disclosure of Deferred Tax Assets and Deferred Tax Liabilities with respect to Pillar 2 Model Rules |

4. Business Combinations

For the year ended March 31, 2022

The Group conducted a Tender Offer for the shares of Shinsei Bank (currently SBI Shinsei Bank, Limited), Limited to establish and reinforce a business alliance relationship between the Group and Shinsei Bank, Limited. Based on the results of the Tender Offer, the percentage of voting rights held by the Group amounted to 47.77% and Shinsei Bank, Limited became a subsidiary of the Company as of December 17, 2021.

The consideration paid, the fair value of the assets and liabilities acquired, and gain on bargain purchase at the acquisition date for the above business combination are as follows.

With respect to the above business combination, the initial accounting for the acquired identifiable assets, liabilities assumed, non-controlling interests and gain on bargain purchase has not been completed, and the measurement has been made on a provisional basis based on currently available information, since it takes time to organize and analyze information mainly on loans, unlisted stocks, and customer deposits for banking business.

| | Acquisition date December 17, 2021 |
|---|--|
| | Millions of Yen |
| Fair value of consideration paid | 113,844 |
| Fair value of interests previously held | 85,391 |
| Total | 199,235 |
| Cash and cash equivalents | 1,853,202 |
| Trade and other accounts receivable | 6,737,569 |
| Other financial assets | 360,160 |
| Other investment securities | 1,087,389 |
| Investments accounted for using the equity method | 8,862 |
| Property and equipment | 85,914 |
| Intangible assets | 49,653 |
| Other assets | 55,269 |
| Deferred tax assets | 22,483 |
| Total assets | 10,260,501 |
| Bonds and loans payable | 1,807,967 |
| Trade and other accounts payable | 274,184 |
| Customer deposits for banking business | 6,402,181 |
| Income tax payable | 4,825 |
| Other financial liabilities | 698,238 |
| Other liabilities | 84,546 |
| Deferred tax liabilities | 15,655 |
| Total liabilities | 9,287,596 |
| Equity | 972,905 |
| Non-controlling interests | (509,916) |
| Gain on bargain purchase (*1) | (263,754) |
| Total | 199,235 |

Note:

1. The adjustment during the measurement period recognized in the previous period is as follows. Due to the adjustment, "Gain on bargain purchase" was decreased by ¥6,458 million.

| | Adjustment during the measurement period |
|---|--|
| | Millions of Yen |
| Trade and other accounts receivable | 3,424 |
| Other financial assets | (5,248) |
| Other investment securities | 5,252 |
| Property and equipment | (16,249) |
| Other assets | (13,209) |
| Deferred tax assets | (256) |
| Total assets | <u>(26,286)</u> |
| | |
| Bonds and loans payable | (978) |
| Trade and other accounts payable | (28,289) |
| Customer deposits for banking business | (2,012) |
| Other financial liabilities | 9,383 |
| Other liabilities | 6,108 |
| Deferred tax liabilities | 3,094 |
| Total liabilities | <u>(12,694)</u> |
| Equity | (13,592) |
| Non-controlling interests | 7,134 |
| Gain on bargain purchase | <u>6,458</u> |

The consideration paid in this business combination was cash.

Trade and other accounts receivable primarily includes loans receivable (fair value of ¥5,608,309 million and contractual amounts receivable of ¥5,645,462 million) and lease receivables (fair value of ¥166,011 million and contractual amounts receivable of ¥166,011 million). The best estimate of contractual cash flows expected to be uncollectible as of the acquisition date is ¥112,553 million.

A gain of ¥23,292 million was recorded in "Revenue" in the consolidated statement of income as a result of the remeasurement of previously held interests at fair value in connection with the business combination.

Non-controlling interests are measured by multiplying the identifiable net assets by the non-controlling interest percentage.

The gain on bargain purchase occurred mainly due to the fact that the market capitalization of the stock was lower than the net asset value on the acquisition date. In addition, acquisition-related expenses of ¥1,062 million related to the business combination were recorded in "Selling, general and administrative expenses."

The net loss recognized in the consolidated statement of income for the period from the acquisition date to the end of the previous period for Shinsei Bank, Limited (currently SBI Shinsei Bank, Limited) was ¥56,421 million. This was mainly due to the recognition of expected credit losses on loans receivable. Assuming that the business combination had taken place at the beginning of the previous period, revenue and net income for the previous period would be ¥1,073,183 million and ¥172,650 million, respectively. This income (loss) information is unaudited and does not include the effects of fair value measurement and other items associated with the business combination.

The fair value of the consideration paid at the acquisition date for business combinations other than the

above was ¥10,107 million in cash.

The fair values of assets and liabilities acquired through business combinations and non-controlling interests amounted to ¥18,235 million, ¥11,898 million, and ¥966 million, respectively. The breakdown of such assets and liabilities is presented in "32 Cash Flow Information (1) Expenditures on acquisition of subsidiaries".

Goodwill arising from business combinations mainly consists of excess earning capacity that does not meet the requirements for separate identification.

Non-controlling interests are measured at their proportionate share of the identifiable net assets of the acquiree.

Revenue and net loss recognized in the consolidated statement of income for the year ended March 31, 2022 were ¥1,220 million and ¥1,080 million, respectively, since the acquisition date.

For the year ended March 31, 2023

Acquisition date fair value of the consideration paid for business combinations amounted to ¥68,737 million in cash.

Fair value of assets acquired and liabilities assumed and non-controlling interests were ¥276,257 million, ¥226,049 million and ¥18,045 million, respectively. A breakdown of such assets and liabilities is provided in "32. Cash Flow Information (1) Expenditures on acquisition of subsidiaries".

Goodwill arising from business combinations mainly consists of excess earning capacity that does not meet the requirements for separate identification.

Non-controlling interests are measured at their proportionate share of the identifiable net assets of the acquiree.

Revenue and net income recognized in the consolidated statement of income for the year ended March 31, 2023 were ¥24,205 million and ¥412 million, respectively, since the acquisition date.

(Revision of provisional amounts)

The allocation of the consideration for the acquisition of Shinsei Bank, Ltd. (now SBI Shinsei Bank, Ltd) for which the Group obtained control on December 17, 2021, was completed during the year ended March 31, 2023. The amount finalized is the same as the amount adjusted during the measurement period of the previous period, and there is no impact on the consolidated financial statements of the previous and current periods.

5. Segment Information

(1) Overview of Reportable Segments

The Group has five new reportable segments: "Financial Services Business", "Asset Management Business", "Investment Business", "Crypto-asset Business" which is expected to remain a growth area and "Non-Financial Services Business" which includes the Biotechnology, Healthcare & Medical Informatics Business, as well as the advanced fields related to Web3.

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 inside and outside Japan, including securities brokerage business, banking services business, and life, property and casualty insurance business.

"Asset Management Business"

The Asset Management Business primarily consists of setting, solicitation, and management of investment trust, investment advice, and provision of financial products information.

“Investment Business”

The Investment Business primarily consists of fund management and investment in Internet technology, fintech, blockchain, finance, and biotechnology-related venture companies in Japan and overseas.

“Crypto-asset Business”

The Crypto-asset Business primarily consists of crypto asset exchange business, which provides crypto asset exchange and trading services.

“Non-Financial Business”

The Non-Financial Business primarily consists of the Biotechnology, Healthcare & Medical Informatics Business, which includes the development and distribution of pharmaceutical products, health foods, and cosmetics with the 5-aminolevulinic acid (5-ALA), a kind of amino acid which exists in vivo, the research and development of antibody drugs and nucleic acid medicine in the field of cancer and immunology, the digitization of medical and health information, the provision of solutions and services that promote the use of medical big data, and medical finance. The Non-Financial Business also includes the business of working on advanced fields related to Web3, the renewable energy business, and the business of developing new overseas markets including Africa.

(2) Matters related to changes in reportable segments

The Group had been reporting three business segments: Financial Services Business, Asset Management Business, and Biotechnology, Healthcare & Medical Informatics Business. However, the market environment such as the stock market had a significant impact on specific businesses within each business segment, and as the business in the non-financial field such as Web3 is expected to expand in the future, it had become unclear which segment these businesses belong to. Therefore, the business segment was reorganized from the first quarter of this fiscal year, and the Group has five new reportable segments: “Financial Services Business”, “Asset Management Business”, “Investment Business”, “Crypto-asset Business” which is expected to remain a growth area and “Non-Financial Services Business” which includes the Biotechnology, Healthcare & Medical Informatics Business, as well as the advanced fields related to Web3.

(3) Results by reportable segment

The following represents segment information of the Group:

“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.

For the year ended March 31, 2022

| | Financial Services Business | Asset Management Business | Investment Business | Crypto-asset Business | Non-Financial Business | Total | 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 | Millions of Yen |
| Revenue | | | | | | | | |
| Revenue from | 492,714 | 16,500 | 177,845 | 55,404 | 21,528 | 763,991 | (373) | 763,618 |

| | | | | | | | | |
|--|----------------|---------------|----------------|---------------|-----------------|----------------|-----------------|----------------|
| external customers | | | | | | | | |
| Inter-segment revenue | 5,037 | 383 | 66 | (298) | 2,068 | 7,256 | (7,256) | — |
| Total | <u>497,751</u> | <u>16,883</u> | <u>177,911</u> | <u>55,106</u> | <u>23,596</u> | <u>771,247</u> | <u>(7,629)</u> | <u>763,618</u> |
| Segment operating income (loss) | | | | | | | | |
| Profit before income tax expense | <u>301,725</u> | <u>3,810</u> | <u>136,457</u> | <u>3,518</u> | <u>(20,308)</u> | <u>425,202</u> | <u>(12,478)</u> | <u>412,724</u> |
| Other Items | | | | | | | | |
| Interest income | 208,519 | 257 | 701 | — | 220 | 209,697 | (278) | 209,419 |
| Interest expense | (34,760) | (3) | (2,368) | (547) | (1,056) | (38,734) | (3,424) | (42,158) |
| Depreciation and amortization | (21,879) | (1,439) | (763) | (5,889) | (905) | (30,875) | (1,238) | (32,113) |
| Gain or loss from investments applying the equity-method | 5,603 | — | 1,128 | — | 91 | 6,822 | — | 6,822 |

For the year ended March 31, 2023

| | Financial Services Business | Asset Management Business | Investment Business | Crypto-asset Business | Non-Financial Business | Total | 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 | Millions of Yen |
| Revenue | | | | | | | | |
| Revenue from external customers | 881,680 | 27,581 | 36,528 | 30,796 | 24,248 | 1,000,833 | (2,274) | 998,559 |
| Inter-segment revenue | 5,068 | 385 | 156 | (476) | 1,990 | 7,123 | (7,123) | — |
| Total | <u>886,748</u> | <u>27,966</u> | <u>36,684</u> | <u>30,320</u> | <u>26,238</u> | <u>1,007,956</u> | <u>(9,397)</u> | <u>998,559</u> |
| Segment operating income (loss) | | | | | | | | |
| Profit before income tax expense | <u>150,653</u> | <u>10,123</u> | <u>(16,661)</u> | <u>(18,429)</u> | <u>(3,253)</u> | <u>122,433</u> | <u>(21,680)</u> | <u>100,753</u> |
| Other Items | | | | | | | | |
| Interest income | 403,267 | 143 | 1,104 | — | 17 | 404,531 | (119) | 404,412 |
| Interest expense | (112,385) | (8) | (3,540) | (422) | (546) | (116,901) | (5,755) | (122,656) |
| Depreciation and amortization | (48,373) | (1,660) | (974) | (2,534) | (1,234) | (54,775) | (1,385) | (56,160) |
| Gain or loss from investments applying the equity-method | 7,304 | — | (612) | — | (316) | 6,376 | — | 6,376 |

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

Non-current assets

| | As at March 31, 2022 | As at March 31, 2023 |
|--------------------|-------------------------|-------------------------|
| | Millions of Yen | Millions of Yen |
| Japan | 304,956 | 408,724 |
| Korea | 113,802 | 115,299 |
| Others | 32,933 | 38,796 |
| Consolidated total | <u>451,691</u> | <u>562,819</u> |

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, 2022 | For the year ended March 31, 2023 |
|--------------------|--------------------------------------|--------------------------------------|
| | Millions of Yen | Millions of Yen |
| Japan | 557,842 | 814,428 |
| Overseas | 205,776 | 184,131 |
| Consolidated total | <u>763,618</u> | <u>998,559</u> |

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

6. Financial Instruments

(1) Fair value measurement

Fair values of financial assets and financial liabilities are determined as follows:

Cash and cash equivalents

Carrying amounts approximate the fair values due to their short-term maturities.

Trade and other accounts receivable

The fair values are determined based on the future cash inflows of receivables grouped by category discounted using interest rates adjusted for the period to maturity and credit risk. The carrying amounts of those with short-term maturities are deemed to be fair values as the carrying amounts approximate fair values.

Assets and liabilities related to securities business

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

With respect to trading assets and trading liabilities, the fair values of listed securities and listed derivatives are estimated based on prices quoted on stock exchanges or prices quoted by correspondent financial institutions. The fair value of securities and derivatives with no quoted prices is estimated using valuation techniques such as the discounted present value method and the Black-Scholes model, depending on the type of transaction and the period to maturity.

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, analysis based on revenues, profits, net assets and the recent arm's-length transaction price. 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.

Other financial assets and Other financial liabilities

With respect to other financial assets and other financial liabilities, the fair values of derivative instruments are based on the prices quoted on stock exchanges, discounted present value or option valuation models, etc. The carrying amounts of those with short-term maturities are deemed to be fair values as the carrying amounts approximate fair values.

Bonds and loans payable and Trade and other accounts payable

With respect to those with floating interest rates, carrying amounts are deemed to be fair values 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 the 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 remaining periods and credit risk or discounted using interest rates with reference to similar types of new loans or lease transactions. For those for which a market price exists, the fair value is determined based on quoted market prices. For those with short-term maturities, carrying amounts are deemed to be fair values because the carrying amounts approximate fair values.

For financial liabilities designated at FVTPL, fair value is estimated using primarily the same methods as in "Other financial assets and other financial liabilities".

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 and certificates of deposit are determined based on the future cash outflows discounted using interest rates adjusted for the period to maturity and credit risk. However, for the deposits with short-term maturities, carrying amounts are deemed to be fair values because the carrying amounts approximate fair values.

For financial liabilities designated at FVTPL, fair value is estimated using primarily the same methods as in "Other financial assets and other financial liabilities".

(2) Classification and fair value of financial instruments

Classification and fair value of financial assets were as follows:

As at March 31, 2022

| | Carrying Amount | | | | | Fair value |
|---------------------------------------|------------------------------------|---------------------------------------|-------------------------------------|---|-------------------|-------------------|
| | Financial assets measured at FVTPL | Equity instruments measured at FVTOCI | Debt instruments measured at FVTOCI | Financial assets measured at amortized cost | Total | |
| | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | |
| Trade and other accounts receivable | 514,543 | – | – | 7,885,045 | 8,399,588 | 8,406,373 |
| Assets related to securities business | 159,621 | – | – | 3,747,696 | 3,907,317 | 3,907,317 |
| Other financial assets | 203,091 | – | – | 268,516 | 471,607 | 471,637 |
| Operational investment securities | 607,802 | – | – | – | 607,802 | 607,802 |
| Other investment securities | 449,213 | 29,472 | 358,891 | 239,204 | 1,076,780 | 1,076,422 |
| Total | 1,934,270 | 29,472 | 358,891 | 12,140,461 | 14,463,094 | 14,469,551 |

As at March 31, 2023

| | Carrying Amount | | | | | Fair value |
|---------------------------------------|------------------------------------|---------------------------------------|-------------------------------------|---|-------------------|-------------------|
| | Financial assets measured at FVTPL | Equity instruments measured at FVTOCI | Debt instruments measured at FVTOCI | Financial assets measured at amortized cost | Total | |
| | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | |
| Trade and other accounts receivable | 668,906 | – | – | 9,778,120 | 10,447,026 | 10,487,471 |
| Assets related to securities business | 270,741 | – | – | 4,246,541 | 4,517,282 | 4,517,282 |
| Other financial assets | 244,987 | – | – | 274,964 | 519,951 | 520,110 |
| Operational investment securities | 581,364 | – | – | – | 581,364 | 581,364 |
| Other investment securities | 696,957 | 29,896 | 817,621 | 453,382 | 1,997,856 | 1,997,859 |
| Total | 2,462,955 | 29,896 | 817,621 | 14,753,007 | 18,063,479 | 18,104,086 |

Classification and fair value of financial liabilities were as follows:

As at March 31, 2022

| | Carrying Amount | | | | Fair value |
|--|---|---|--|-------------------|-------------------|
| | Financial liabilities measured at FVTPL | Financial liabilities designated at FVTPL | Financial liabilities measured at amortized cost | Total | |
| | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | |
| Bonds and loans payable | – | 53,369 | 3,311,491 | 3,364,860 | 3,361,799 |
| Trade and other accounts payable | 21,277 | – | 466,569 | 487,846 | 487,846 |
| Liabilities related to securities business | 71,523 | – | 3,604,809 | 3,676,332 | 3,676,332 |
| Customer deposits for banking business | – | 263,193 | 7,410,131 | 7,673,324 | 7,670,575 |
| Other financial liabilities | 255,788 | – | 282,724 | 538,512 | 538,512 |
| Total | 348,588 | 316,562 | 15,075,724 | 15,740,874 | 15,735,064 |

As at March 31, 2023

| | Carrying Amount | | | Total | Fair value |
|--|---|---|--|-------------------|-------------------|
| | Financial liabilities measured at FVTPL | Financial liabilities designated at FVTPL | Financial liabilities measured at amortized cost | | |
| | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen |
| Bonds and loans payable | – | 52,020 | 3,628,335 | 3,680,355 | 3,671,109 |
| Trade and other accounts payable | 5,482 | – | 480,546 | 486,028 | 486,027 |
| Liabilities related to securities business | 85,025 | – | 3,803,224 | 3,888,249 | 3,888,249 |
| Customer deposits for banking business | – | 264,262 | 11,208,061 | 11,472,323 | 11,470,108 |
| Other financial liabilities | 322,116 | – | 273,034 | 595,150 | 595,150 |
| Total | 412,623 | 316,282 | 19,393,200 | 20,122,105 | 20,110,643 |

(3) 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, 2022

| | 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) | 1,793,072 | (651,919) | 1,141,153 | (981,766) | (157,035) | 2,352 |
| Assets related to securities business (Receivables related to securities transactions) | 497,640 | (232,312) | 265,328 | (17,593) | — | 247,735 |
| Assets related to securities business (Financial assets related to foreign exchange transactions) | 37,926 | — | 37,926 | (2,247) | (15,704) | 19,975 |
| Other financial assets (Derivative transactions) | 203,091 | — | 203,091 | (100,450) | (12,030) | 90,611 |

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) | 2,360,963 | (651,919) | 1,709,044 | (1,019,276) | — | 689,768 |
| Liabilities related to securities business (Payables related to securities transactions) | 1,887,260 | (232,312) | 1,654,948 | (13,533) | — | 1,641,415 |
| Liabilities related to securities business (Financial liabilities related to foreign exchange transactions) | 309,401 | — | 309,401 | (17,951) | — | 291,450 |
| Other financial liabilities (Derivative transactions) | 255,788 | — | 255,788 | (100,450) | (132,256) | 23,082 |

As at March 31, 2023

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) | 2,165,060 | (660,623) | 1,504,437 | (1,349,745) | (152,052) | 2,640 |
| Assets related to securities business (Receivables related to securities transactions) | 613,377 | (225,231) | 388,146 | (23,792) | — | 364,354 |
| Assets related to securities business (Financial assets related to foreign exchange transactions) | 29,323 | — | 29,323 | (2,244) | (18,467) | 8,612 |
| Other financial assets (Derivative transactions) | 213,971 | — | 213,971 | (92,205) | (21,304) | 100,462 |

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) | 2,440,352 | (660,623) | 1,779,729 | (949,182) | — | 830,547 |
| Liabilities related to securities business (Payables related to securities transactions) | 1,972,533 | (225,231) | 1,747,302 | (18,673) | — | 1,728,629 |
| Liabilities related to securities business (Financial liabilities related to foreign exchange transactions) | 355,699 | — | 355,699 | (20,711) | — | 344,988 |
| Other financial liabilities (Derivative transactions) | 279,671 | — | 279,671 | (92,205) | (119,159) | 68,307 |

The rights of set-off for recognized financial assets and financial 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 financial liabilities.

(4) Impact of interest rate benchmark reform on financial instruments

The Group has LIBOR-referenced exposures to derivative and non-derivative financial assets and liabilities and is exposed to risks associated with the cessation of LIBOR publication. In accordance with the FCA statement issued on March 5, 2021, the publication of all tenors of the Japanese Yen LIBOR, British Pound LIBOR, Euro LIBOR, and Swiss Franc LIBOR and some tenors of the US Dollar LIBOR (1-week and 2-month contracts) was ceased as of the end of December 2021. The publication of the main tenor of the US dollar LIBOR was ceased as of the end of June 2023.

The primary risk associated with the Group's LIBOR transition is conduct risk. For example, there is the risk that a customer may be subjected to an interest rate that is unfair to the customer, that the customer may be disadvantaged by being forced to switch to an alternative interest rate benchmark that the customer does not intend, that the explanation of the alternative interest rate benchmark to the customer may be insufficient, that the transition to an alternative interest rate benchmark may not be completed due to delays or lack of system upgrades, etc. There is also the risk of difficulty in obtaining data related to alternative interest rate benchmarks, and the risk of being disadvantaged because transactions cannot be executed in accordance with market practices.

In addition, interest rate basis risk may arise. This is because the transition to an alternative interest rate benchmark for a large number of financial assets and liabilities is difficult to perform for all transactions at once and requires a certain period of time, and during the transition period, there will be both transactions that reference conventional LIBOR and transactions that reference the alternative interest rate benchmark, and the risk that the interest rate changes for each will not be perfectly linked to each other is expected to arise.

In order to comprehensively address issues related to the cessation of LIBOR publication for major currencies, the Group has formed a cross-functional transition project and has been working on the transition. The Group is also working on the cessation of USD LIBOR publication under the transition project. In addition, the status of the transition is regularly reported to management and monitored by the relevant authorities.

We have completed the transition of the Japanese yen and other currencies whose publication was ceased at the end of December 2021.

LIBOR reference exposures for which the Group has not completed the LIBOR transition are as follows:

| | Amounts not yet transitioned to alternative interest rate benchmarks as at March 31, 2022 | Amounts not yet transitioned to alternative interest rate benchmarks as at March 31, 2023 |
|--------------------------------------|---|---|
| | Millions of Yen | Millions of Yen |
| Non-derivative financial assets | 529,222 | 461,212 |
| Non-derivative financial liabilities | 8,653 | 9,307 |
| Derivatives | 505,090 | 519,321 |

7. Fair Value Measurement

(1) Categorization within the level of the 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 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 assets and liabilities measured at the fair values in the consolidated statement of financial position of the Group.

| | As at March 31, 2022 | | | |
|---|----------------------|--------------------|--------------------|--------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen |
| Trade and other accounts receivable | — | 17,188 | 497,355 | 514,543 |
| Assets related to securities business | 49,138 | 99,609 | 10,874 | 159,621 |
| Other financial assets | 52 | 192,233 | 10,806 | 203,091 |
| Operational investment securities and other investment securities | | | | |
| Financial assets measured at FVTPL | 142,124 | 66,876 | 848,015 | 1,057,015 |
| Equity instruments measured at FVTOCI | 26,757 | 160 | 2,555 | 29,472 |
| Debt instruments measured at FVTOCI | 128,667 | 156,899 | 73,325 | 358,891 |
| Total | 346,738 | 532,965 | 1,442,930 | 2,322,633 |
| | | | | |
| Bonds and loans payable | — | — | 53,369 | 53,369 |
| Trade and other accounts payable | — | — | 21,277 | 21,277 |
| Liabilities related to securities business | 33,574 | 34,280 | 3,669 | 71,523 |
| Customer deposits for banking business | — | 124,700 | 138,493 | 263,193 |
| Other financial liabilities | 52 | 239,784 | 15,952 | 255,788 |
| Total | 33,626 | 398,764 | 232,760 | 665,150 |
| | | | | |
| | As at March 31, 2023 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen |
| Trade and other accounts receivable | — | 72,146 | 596,760 | 668,906 |
| Assets related to securities business | 173,066 | 92,097 | 5,578 | 270,741 |
| Other financial assets | 26 | 227,839 | 17,122 | 244,987 |
| Operational investment securities and other investment securities | | | | |
| Financial assets measured at FVTPL | 74,775 | 260,772 | 942,774 | 1,278,321 |
| Equity instruments measured at FVTOCI | 27,045 | 248 | 2,603 | 29,896 |
| Debt instruments measured at FVTOCI | 580,166 | 164,332 | 73,123 | 817,621 |
| Total | 855,078 | 817,434 | 1,637,960 | 3,310,472 |
| | | | | |
| Bonds and loans payable | — | — | 52,020 | 52,020 |
| Trade and other accounts payable | — | — | 5,482 | 5,482 |
| Liabilities related to securities business | 48,289 | 32,367 | 4,369 | 85,025 |
| Customer deposits for banking business | — | 118,322 | 145,940 | 264,262 |
| Other financial liabilities | 219 | 279,900 | 41,997 | 322,116 |
| Total | 48,508 | 430,589 | 249,808 | 728,905 |

In addition to the above, assets and liabilities related to crypto assets classified as Level 1 amounted to ¥128,842 million and ¥128,117 million as at March 31, 2022 and ¥52,503 million and ¥39,941 million as

at March 31, 2023, and are included in "Other assets" and "Other liabilities" in the consolidated statement of financial position, respectively.

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

| | As at March 31, 2022 | | | |
|---|----------------------|--------------------|--------------------|--------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen |
| Trade and other accounts receivable | — | 4,701,820 | 3,190,010 | 7,891,830 |
| Assets related to securities business | — | 3,747,696 | — | 3,747,696 |
| Other financial assets | — | 252,203 | 16,343 | 268,546 |
| Operational investment securities and other investment securities | 110,614 | 48,360 | 79,872 | 238,846 |
| Total | 110,614 | 8,750,079 | 3,286,225 | 12,146,918 |
| Bonds and loans payable | — | 2,175,015 | 1,133,415 | 3,308,430 |
| Trade and other accounts payable | — | 466,569 | — | 466,569 |
| Liabilities related to securities business | — | 3,604,809 | — | 3,604,809 |
| Customer deposits for banking business | — | 6,439,212 | 968,170 | 7,407,382 |
| Other financial liabilities | — | 282,724 | — | 282,724 |
| Total | — | 12,968,329 | 2,101,585 | 15,069,914 |
| | As at March 31, 2023 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen |
| Trade and other accounts receivable | — | 5,570,739 | 4,247,826 | 9,818,565 |
| Assets related to securities business | — | 4,246,541 | — | 4,246,541 |
| Other financial assets | — | 255,319 | 19,804 | 275,123 |
| Operational investment securities and other investment securities | 121,967 | 45,512 | 285,906 | 453,385 |
| Total | 121,967 | 10,118,111 | 4,553,536 | 14,793,614 |
| Bonds and loans payable | — | 2,856,192 | 762,897 | 3,619,089 |
| Trade and other accounts payable | — | 480,545 | — | 480,545 |
| Liabilities related to securities business | — | 3,803,224 | — | 3,803,224 |
| Customer deposits for banking business | — | 7,859,376 | 3,346,470 | 11,205,846 |
| Other financial liabilities | — | 273,034 | — | 273,034 |
| Total | — | 15,272,371 | 4,109,367 | 19,381,738 |

(2) Assets and liabilities 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 assets and liabilities categorized as Level 3 of the fair value hierarchy.

The valuation results are reviewed and approved by CFO and General Manager of the Accounting and Financial Division.

The valuation techniques and unobservable inputs used for recurring and non-recurring fair value measurements of assets and liabilities categorized as Level 3 are as follows:

The Group changed the valuation techniques applied to certain of its operational investment securities holdings during the period due to the availability of new information, and measured fair value based on multiple valuation techniques.

| As at March 31, 2022 | | | |
|---|-------------------------------------|--|-------------|
| | Valuation Technique | Unobservable Input | Range |
| Trade and other accounts receivable | Income approach | Discount rate | 0.7%—16.9% |
| | | Recovery rate | 0.0%—100.0% |
| Other financial assets | Income approach | Correlation (Interest Rate/Interest Rate) | 29.0%—85.0% |
| | | Correlation (Foreign Exchange/Interest Rate) | 8.0%—38.0% |
| | | Prepayment rates | 13.0% |
| | | Probability of default | 0.7% |
| | | Recovery rate | 30.0%—74.0% |
| Operational investment securities and other investment securities | Market approach and income approach | Discount rate | 0.9%—19.3% |
| | | P/E ratio | 16.3—45.2 |
| | | EBITDA ratio | 25.0—40.0 |
| | | Illiquidity discount | 10.0%—20.0% |
| | | Prepayment rates | 0.0%—24.3% |
| | | Probability of default | 0.0%—2.4% |
| | | Recovery rate | 0.0%—100.0% |
| Bonds and loans payable | Income approach | Discount rate | 0.0%—0.3% |
| Trade and other accounts payable | Income approach | Discount rate | 1.0% |
| Customer deposits for banking business | Income approach | Discount rate | 0.0%—0.3% |
| Other financial liabilities | Income approach | Correlation (Interest Rate/Interest Rate) | 29.0%—85.0% |
| | | Correlation (Foreign Exchange/Interest Rate) | 8.0%—38.0% |
| | | Recovery rate | 35.0%—74.0% |

As at March 31, 2023

| | Valuation Technique | Unobservable Input | Range |
|---|--|--|-------------|
| Trade and other accounts receivable | Income approach | Discount rate | 0.6%—16.9% |
| | | Recovery rate | 0.0%—100.0% |
| Assets related to securities business | Market approach | Stock volatility | 12.2%—71.4% |
| | | Correlation (Foreign Exchange/Interest Rate) | (4.4%)—4.7% |
| | | Correlation (Interest Rate/Interest Rate) | 29.0%—85.0% |
| Other financial assets | Market approach and income approach | Correlation (Foreign Exchange/Interest Rate) | 8.0%—38.0% |
| | | Discount rate | 0.8%—1.2% |
| | | Prepayment rates | 0.1%—14.2% |
| | | Probability of default | 0.4%—0.7% |
| Operational investment securities and other investment securities | Market approach, cost approach and income approach | Recovery rate | 0.0%—74.0% |
| | | Discount rate | 0.3%—65.0% |
| | | P/E ratio | 1.5—45.2 |
| | | EBITDA ratio | 25.0—40.0 |
| | | Illiquidity discount | 10.0%—25.0% |
| Bonds and loans payable | Income approach | Prepayment rates | 0.0%—27.5% |
| | | Probability of default | 0.0%—2.6% |
| | | Recovery rate | 0.0%—100.0% |
| | | Discount rate | 0.0%—0.2% |
| Trade and other accounts payable | Income approach | Discount rate | 0.8% |
| Liabilities related to securities business | Market approach | Stock volatility | 12.2%—71.4% |
| | | Correlation (Foreign Exchange/Interest Rate) | (4.4%)—4.7% |
| Customer deposits for banking business | Income approach | Discount rate | 0.0%—0.2% |
| | | Correlation (Interest Rate/Interest Rate) | 29.0%—85.0% |
| Other financial liabilities | Market approach and income approach | Correlation (Foreign Exchange/Interest Rate) | 8.0%—38.0% |
| | | Recovery rate | 35.0%—74.0% |
| | | | |

The fair value of assets and liabilities categorized as Level 3 that is measured at fair value on a recurring basis increases (decreases) when the discount rate decreases (increases), when the recovery rate increases (decreases), when the volatility increase (decrease) depending on the nature of the underlying asset due to changes in the correlation coefficient, when the prepayment rate decreases (increases), when the probability of default decreases (increases), when the P/E ratio increases (decreases), when the EBITDA ratio increases (decreases), or when the illiquidity discount decreases (increases).

With respect to the assets and liabilities 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 assets and liabilities categorized as Level 3 measured at fair value on a recurring basis is presented as follows:

For the year ended March 31, 2022

| | Assets | | | | | | |
|--|---|---------------------------------------|-------------------------------------|-----------------|-------------------------------------|---------------------------------------|------------------------|
| | Operational investment securities and other investment securities | | | Total | Trade and other accounts receivable | Assets related to securities business | Other financial assets |
| | Financial assets measured at FVTPL | Equity instruments measured at FVTOCI | Debt instruments measured at FVTOCI | | | | |
| | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen |
| Balance as at April 1, 2021 | 444,115 | 739 | 294 | 445,148 | — | 11,887 | — |
| Acquisitions through business combinations | 246,873 | 1,956 | 72,603 | 321,432 | 473,014 | — | 23,437 |
| Purchase and issuance | 130,195 | 7 | 4,487 | 134,689 | 39,268 | — | — |
| Comprehensive income | | | | | | | |
| Net profit (*1) | 110,421 | — | 4,607 | 115,028 | 4,153 | 1,886 | (11,914) |
| Other comprehensive income (*2) | — | (161) | (432) | (593) | — | — | — |
| Dividends | (11,295) | — | — | (11,295) | — | — | — |
| Sale or redemption | (76,048) | — | (8,234) | (84,282) | — | (2,500) | — |
| Settlements | — | — | — | — | (19,080) | 1,309 | (717) |
| Currency translation differences | 9,198 | 14 | — | 9,212 | — | — | — |
| Others | 126 | — | — | 126 | — | — | — |
| Transferred from Level 3 (*3) | (5,570) | — | — | (5,570) | — | (1,708) | — |
| Balance as at March 31, 2022 | 848,015 | 2,555 | 73,325 | 923,895 | 497,355 | 10,874 | 10,806 |

| | Liabilities | | | | |
|---|----------------------------|---|---|---|-----------------------------------|
| | Bonds and loans payable | Trade and other accounts payable | Liabilities related to securities business | Customer deposits for banking business | Other financial liabilities |
| | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen |
| Balance as at April 1, 2021 | — | 20,696 | 1,861 | — | — |
| Acquisitions through business combinations | 54,922 | — | — | 142,719 | 10,022 |
| Purchase and issuance | — | 1,785 | — | 500 | — |
| Comprehensive income | | | | | |
| Net profit (*1) | (1,558) | 128 | 1,476 | (4,791) | 5,956 |
| Other comprehensive income (*2) | 5 | — | — | 65 | — |
| Dividends | — | — | — | — | — |
| Sale or redemption | — | — | — | — | — |
| Settlements | — | (1,646) | 332 | — | (26) |
| Currency translation differences | — | 314 | — | — | — |
| Others | — | — | — | — | — |
| Transferred from Level 3 (*3) | — | — | — | — | — |
| Balance as at March 31, 2022 | 53,369 | 21,277 | 3,669 | 138,493 | 15,952 |

For the year ended March 31, 2023

Assets

| | Operational investment securities and other investment securities | | | Total | Trade and other accounts receivable | Assets related to securities business | Other financial assets |
|--|---|---------------------------------------|-------------------------------------|-----------|-------------------------------------|---------------------------------------|------------------------|
| | Financial assets measured at FVTPL | Equity instruments measured at FVTOCI | Debt instruments measured at FVTOCI | | | | |
| | Millions of Yen | Millions of Yen | Millions of Yen | | | | |
| Balance as at April 1, 2022 | 848,015 | 2,555 | 73,325 | 923,895 | 497,355 | 10,874 | 10,806 |
| Acquisitions through business combinations | 366 | — | — | 366 | 6,269 | — | 6,447 |
| Purchase and issuance | 229,016 | — | 8,220 | 237,236 | 274,167 | — | — |
| Comprehensive income | | | | | | | |
| Net profit (*1) | 38,532 | — | 5,315 | 43,847 | 8,932 | (1,156) | 3,526 |
| Other comprehensive income (*2) | — | 123 | (578) | (455) | — | — | — |
| Dividends | (13,332) | — | — | (13,332) | — | — | — |
| Sale or redemption | (140,570) | (79) | (13,159) | (153,808) | — | (3,800) | — |
| Settlements | — | — | — | — | (189,963) | (303) | (3,657) |
| Currency translation differences | 6,926 | 4 | — | 6,930 | — | — | — |
| Others | (736) | — | — | (736) | — | — | — |
| Transferred from Level 3 (*3) | (25,443) | — | — | (25,443) | — | (37) | — |
| Balance as at March 31, 2023 | 942,774 | 2,603 | 73,123 | 1,018,500 | 596,760 | 5,578 | 17,122 |

| | Liabilities | | | | |
|---|----------------------------|---|---|---|-----------------------------------|
| | Bonds and loans payable | Trade and other accounts payable | Liabilities related to securities business | Customer deposits for banking business | Other financial liabilities |
| | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen |
| Balance as at April 1, 2022 | 53,369 | 21,277 | 3,669 | 138,493 | 15,952 |
| Acquisitions through business combinations | — | — | — | — | 6,269 |
| Purchase and issuance | — | — | — | 1,000 | — |
| Comprehensive income | | | | | |
| Net profit (*1) | (870) | (6,540) | 888 | 7,107 | 21,195 |
| Other comprehensive income (*2) | 21 | — | — | 40 | — |
| Dividends | — | — | — | — | — |
| Sale or redemption | — | — | — | — | — |
| Settlements | (500) | — | (188) | (700) | (1,419) |
| Currency translation differences | — | 8 | — | — | — |
| Others | — | (9,263) | — | — | — |
| Transferred from Level 3 (*3) | — | — | — | — | — |
| Balance as at March 31, 2023 | 52,020 | 5,482 | 4,369 | 145,940 | 41,997 |

Notes:

1. Gains and losses recognized as profit (loss) for the period are included in "Revenue" in the consolidated statement of income. Gains and losses recognized from assets and liabilities measured at FVTPL held as at March 31, 2022 and 2023 were ¥74,209 million and ¥26,680 million of gains, respectively.
2. Gains and losses recognized as other comprehensive income (loss) are included in "Financial assets measured at FVTOCI" or "Changes in own credit risk on financial liabilities" in the consolidated statement of comprehensive income.
3. Transfer due to significant input used to measure the fair value becoming observable.

8. Financial Risk Management

(1) Risk management policy over capital management and financing

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

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

| | As at March 31, 2022 | As at March 31, 2023 |
|---|-------------------------|-------------------------|
| | Millions of Yen | Millions of Yen |
| Interest-bearing debt (Bonds and loans payable) | 3,364,860 | 3,680,355 |
| Cash and cash equivalents | (2,499,370) | (3,200,916) |
| Net | 865,490 | 479,439 |
| Equity attributable to owners of the Company | 924,603 | 1,013,832 |

Pursuant to the Financial Instruments and Exchange Act ("FIEA"), Banking Act, 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 Shinsei Bank, Limited is required to maintain a capital adequacy ratio at the level stipulated by the Banking Act, and if the capital adequacy ratio falls below 4%, the FSA can issue early corrective measures, including submission of a business improvement plan, a business improvement order, or a business suspension order.
3. SBI Life Insurance Co., Ltd., SBI Insurance Co., Ltd. and companies that manage the small-amount short-term insurance of our corporate group 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 (securities business, banking business, insurance business and others), asset management business, investment business and crypto-asset business, 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, currency options and interest rate swaps, index futures and margin trading. The Group enters into foreign currency forward contracts, currency option and interest rate swap transactions primarily to provide products and services to customers and for hedging purposes, and index futures are short-term transactions mainly for daily trading purposes. The scale and the amount of risk in these transactions are capped.

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 mainly 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 corporate loans, non-recourse real estate loans, project finance, housing loans for individuals, unsecured loans, and other receivables. These assets are exposed to credit risk of accounts and business, 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 currency option 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. The Group enters into interest rate swap contracts to manage its interest rate exposures on borrowings and investment interest, 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, currency option 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, debt instruments measured at FVTOCI, lease receivables, certain loan commitments and financial guarantee contracts

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. Credit risk management practices for financial assets measured at amortized cost, debt instruments measured at FVTOCI, lease receivables, certain loan commitments and financial guarantee contracts are as follows.

Receivables are classified into the following three stages 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.
- If there is no "credit impairment" but "credit risk has increased significantly" since the initial recognition, the lifetime expected credit losses are recognized as a loss allowance.
- In the case of "credit impairment", the lifetime expected credit losses are recognized as a loss allowance.

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. The Company determines a "significant increase in credit risk" when the credit risk deteriorates from a "low credit risk" condition or when the credit risk was not low at initial recognition but the credit rating has declined or a certain amount of time has passed since the due date. For instance, such financial instruments include those whose credit rating has been downgraded from investment grade to non-investment grade, or for which a certain delinquency period 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. Evidence that a financial asset is "Credit-impaired" includes:

- Significant financial difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
- The disappearance of an active market for that financial asset because of financial difficulties
- Meeting the criteria for classification as delinquent by the regulatory authorities of various countries

Default includes the case where the delinquency period is 90 days or more as of the reporting date, the case where the terms and conditions are revised to give certain concessions to the debtor, the case where the possibility of business failure is recognized as significant, the case where legal or formal business failure has occurred, and the case where substantial business failure has occurred although legal or formal business failure has not occurred.

Based on these assumptions, expected credit losses are measured as unbiased, probability-weighted expected loss amounts, reflecting the time value of money, based on available, reasonable and supportable information about past events, current conditions and projected future economic conditions. Specifically, after grouping based on common credit risk characteristics such as instrument type, credit rating, and collateral value, expected credit losses are measured for each grouping unit using the probability of default (PD), loss given default (LGD), and exposure at default (EAD) as inputs for financial assets in each of the aforementioned stages in the future 12 months or for a lifetime period. The expected credit losses on certain significant financial assets are measured separately using the discounted cash flow (DCF) method, and credit-impaired financial assets are measured and applied with a separate loss ratio.

In measuring expected credit losses, as future forecast considerations, the Group estimates future default probabilities using a PD model based on correlations with macroeconomic indicators such as real GDP and the unemployment rate and multiple economic forecast scenarios (base, upside, and downside), and reflects these probability-weighted estimates in expected credit losses.

If the Company does not have a reasonable expectation of recovering a given financial asset, the gross carrying amount of the financial asset is written off directly. Such financial assets include claims on debtors who are legally or formally insolvent and claims on debtors who are not legally or formally insolvent but are substantially insolvent. 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 movement of loss allowance is as follows:

| | 12-month expected credit losses | Lifetime expected credit losses | | | Purchased or originated credit- impaired financial asset | Total |
|---|--|--|---------------------|--------------------------|--|----------|
| | | Significantly increased credit risk | | Trade receivable s | | |
| | | Not credit- impaired | Credit- impaired | | | |
| Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | |
| As at April 1, 2021 | 32,715 | 7,893 | 26,613 | 6 | – | 67,227 |
| New financial assets originated or purchased | 121,474 | – | – | 7 | – | 121,481 |
| Derecognition of financial assets | (29,280) | (5,060) | (11,266) | – | – | (45,606) |
| Transfer | | | | | | |
| Transfer to lifetime expected credit losses | (14,118) | 25,199 | (345) | – | – | 10,736 |
| Transfer to credit - impaired financial assets | (2,279) | (1,244) | 25,087 | – | – | 21,564 |
| Transfer to 12-month expected credit losses | 665 | (1,722) | (57) | – | – | (1,114) |
| Write-offs | (903) | (264) | (2,756) | – | – | (3,923) |
| Changes in model/risk variables | (38,930) | (4,683) | 614 | (2) | – | (43,001) |
| Foreign currency translation adjustment on foreign operations | 1,509 | 714 | 825 | – | – | 3,048 |
| As at March 31, 2022 | 70,853 | 20,833 | 38,715 | 11 | – | 130,412 |
| New financial assets originated or purchased | 60,095 | – | – | 3 | 9,961 | 70,059 |
| Derecognition of financial assets | (31,000) | (13,142) | (31,340) | – | – | (75,482) |
| Transfer | | | | | | |
| Transfer to lifetime expected credit losses | (16,021) | 24,308 | 295 | – | – | 8,582 |
| Transfer to credit - impaired financial assets | (3,455) | 4,796 | 42,845 | – | – | 44,186 |
| Transfer to 12-month expected credit losses | 1,483 | (4,722) | (269) | – | – | (3,508) |
| Write-offs | (2,952) | (633) | (15,750) | – | (1,760) | (21,095) |
| Changes in model/risk variables | (4,510) | (6,423) | 18,625 | (3) | 2,458 | 10,147 |
| Foreign currency translation adjustment on foreign operations | 611 | 802 | 27 | – | – | 1,440 |
| As at March 31, 2023 | 75,104 | 25,819 | 53,148 | 11 | 10,659 | 164,741 |

The primary increase in the "12-month expected credit losses" under "New financial assets originated or purchased" for the year ended March 31, 2022 is due to an increase in the gross carrying amount from business combinations during the year. The primary increase in the "12-month expected credit losses" under "New financial assets originated or purchased" for the year ended March 31, 2023 is due to an increase in normal receivables.

The total amount of undiscounted expected credit losses at initial recognition on purchased or originated credit - impaired financial assets are ¥151 million and ¥34,115 million as at March 31, 2022 and 2023, respectively.

The amount of loss allowance for loan commitments with an unused portion amounted to ¥1,166 million and ¥1,319 million as at March 31, 2022 and 2023, respectively. The loss allowance on financial guarantee contracts were ¥3,500 million and ¥1,827 million as at March 31, 2022 and 2023, respectively.

Financial assets that have been written off during the years ended March 31, 2022 and 2023, and are still subject to enforcement activities amounted to ¥8,821 million and ¥33,038 million, respectively.

(c) Credit risk exposure

The loans in the banking business included in "Trade and other accounts receivable" by industry are as follows:

| | As at March 31, 2022 | As at March 31, 2023 |
|--|----------------------|----------------------|
| | Millions of Yen | Millions of Yen |
| Manufacturing | 265,378 | 397,702 |
| Agriculture and forestry | 1,413 | 2,300 |
| Fishery | 374 | 401 |
| Mining, quarrying of stone, gravel extraction | 435 | 357 |
| Construction | 49,911 | 57,486 |
| Electricity, gas, heating, water | 400,014 | 499,064 |
| Information and communication | 60,619 | 66,076 |
| Transportation, postal services | 187,443 | 237,396 |
| Wholesale and retail trade | 223,671 | 293,162 |
| Finance and insurance | 637,472 | 1,303,452 |
| Real estate | 772,125 | 950,979 |
| Services | 469,741 | 603,186 |
| Japanese local governments, government-affiliated organizations, and local public corporations, etc. | 52,389 | 259,563 |
| Individuals | 4,955,762 | 5,383,392 |
| Total | <u>8,076,747</u> | <u>10,054,516</u> |

The amount of the Group's maximum exposure to credit risk are as follows:
As at March 31, 2022

| | 12-month expected credit losses | Lifetime expected credit losses | | | Trade receivables | Financial instruments to which impairment requirements do not apply | Total |
|---|---------------------------------------|--|---------------------|-------------------------|----------------------|--|-------|
| | | Significantly increased credit risk | | Not credit- impaired | | | |
| | | Not credit- impaired | Credit- impaired | | | | |
| Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | | |
| Cash and cash equivalents | 2,499,370 | — | — | — | — | 2,499,370 | |
| Trade and other accounts receivable | | | | | | | |
| Banking (domestic) (*1) | | | | | | | |
| Normal Obligors | | | | | | | |
| Credit to Corporate | 3,122,180 | 8,165 | 36 | — | 346,271 | 3,476,652 | |
| Credit to Individual | 5,167 | — | — | — | — | 5,167 | |
| Others (*2) | 2,638,788 | 27,933 | 2 | — | — | 2,666,723 | |
| Need Caution Obligors | | | | | | | |
| Credit to Corporate | 54,705 | 14,408 | — | — | 43,541 | 112,654 | |
| Credit to Individual | — | — | — | — | — | — | |
| Others (*2) | 3,396 | 12,184 | — | — | — | 15,580 | |
| Credit-impaired Obligors | | | | | | | |
| Credit to Corporate | 5,258 | 831 | 26,934 | — | — | 33,023 | |
| Credit to Individual | — | — | — | — | — | — | |
| Others (*2) | 1,528 | 450 | 104,253 | — | — | 106,231 | |
| Others (no obligor classification) | 296,125 | — | — | — | 124,731 | 420,856 | |
| Banking (overseas) | | | | | | | |
| Credit to Individual (*3) | | | | | | | |
| Group A | 87,119 | 113 | 415 | — | — | 87,647 | |
| Group B | 392,712 | 29,230 | 2,686 | — | — | 424,628 | |
| Group C or less | 46,759 | 59,683 | 21,241 | — | — | 127,683 | |
| Credit to Corporate (external rating) | | | | | | | |
| (*3) | | | | | | | |
| Group A | 136,637 | — | 564 | — | — | 137,201 | |
| Group B | 105,491 | 8,233 | 1,243 | — | — | 114,967 | |
| Group C or less | 138 | — | — | — | — | 138 | |
| Credit to Corporate | | | | | | | |
| No overdue information | 299,691 | 35,350 | 8,217 | — | — | 343,258 | |
| One or more delinquents | — | 581 | 2,323 | — | — | 2,904 | |
| Others (no obligor classification) | — | 1,435 | — | — | — | 1,435 | |
| Others | 426,275 | 1,499 | 13,822 | 11,657 | — | 453,253 | |
| Loss allowance | (70,800) | (20,677) | (38,924) | (11) | — | (130,412) | |
| Total | 7,551,169 | 179,418 | 142,812 | 11,646 | 514,543 | 8,399,588 | |
| Assets related to securities business | 3,746,937 | — | 759 | — | 159,621 | 3,907,317 | |
| Other financial assets | 268,516 | — | — | — | 203,091 | 471,607 | |
| Other investment securities (external rating) | | | | | | | |
| BBB or above | 334,569 | — | — | — | — | 334,569 | |
| Less than BBB | 60 | — | — | — | — | 60 | |
| Unrated | 263,466 | — | — | — | 478,685 | 742,151 | |
| Total | 598,095 | — | — | — | 478,685 | 1,076,780 | |

As at March 31, 2023

| | 12-month expected credit losses | Lifetime expected credit losses | | | Purchased or originated credit- impaired financial asset | Financial instruments to which impairment requirements do not apply | 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 | Millions of Yen | Millions of Yen | |
| Cash and cash equivalents | 3,200,916 | — | — | — | — | — | 3,200,916 |
| Trade and other accounts receivable | | | | | | | |
| Banking (domestic) (*1) | | | | | | | |
| Normal Obligors | | | | | | | |
| Credit to Corporate | 4,640,453 | 52,193 | — | — | — | 384,076 | 5,076,722 |
| Credit to Individual | 6,642 | — | — | — | — | — | 6,642 |
| Others (*2) | 2,803,403 | 15,660 | — | — | — | — | 2,819,063 |
| Need Caution Obligors | | | | | | | |
| Credit to Corporate | 37,723 | 32,270 | — | — | — | 96,860 | 166,853 |
| Credit to Individual | — | — | — | — | — | — | — |
| Others (*2) | 2,662 | 15,599 | — | — | — | — | 18,261 |
| Credit-impaired Obligors | | | | | | | |
| Credit to Corporate | 16,651 | 1,253 | 18,092 | — | — | 3,864 | 39,860 |
| Credit to Individual | — | — | — | — | — | — | — |
| Others (*2) | 2,544 | 507 | 80,040 | — | 29,950 | — | 113,041 |
| Others (no obligor classification) | 280,092 | — | — | — | — | 119,770 | 399,862 |
| Banking (overseas) | | | | | | | |
| Credit to Individual (*3) | | | | | | | |
| Group A | 98,668 | 140 | 710 | — | — | — | 99,518 |
| Group B | 423,643 | 29,724 | 3,987 | — | — | — | 457,354 |
| Group C or less | 40,241 | 68,571 | 28,100 | — | — | — | 136,912 |
| Credit to Corporate (external rating) (*3) | | | | | | | |
| Group A | 145,012 | — | — | — | — | — | 145,012 |
| Group B | 97,329 | 13,100 | 2,869 | — | — | — | 113,298 |
| Group C or less | 1,967 | — | 374 | — | — | — | 2,341 |
| Credit to Corporate | | | | | | | |
| No overdue information | 382,886 | 40,466 | 10,125 | — | — | — | 433,477 |
| One or more delinquents | — | 6,233 | 18,995 | — | — | — | 25,228 |
| Others (no obligor classification) | — | 1,072 | — | — | — | — | 1,072 |
| Others | 465,410 | 3,467 | 12,404 | 11,634 | — | 64,336 | 557,251 |
| Loss allowance | (75,104) | (25,819) | (53,148) | (11) | (10,659) | — | (164,741) |
| Total | 9,370,222 | 254,436 | 122,548 | 11,623 | 19,291 | 668,906 | 10,447,026 |
| Assets related to securities business | 4,245,853 | — | 688 | — | — | 270,741 | 4,517,282 |
| Other financial assets | 274,964 | — | — | — | — | 244,987 | 519,951 |
| Other investment securities (external rating) | | | | | | | |
| BBB or above | 811,503 | — | — | — | — | — | 811,503 |
| Less than BBB | 120 | — | — | — | — | — | 120 |
| Unrated | 459,380 | — | — | — | — | 726,853 | 1,186,233 |
| Total | 1,271,003 | — | — | — | — | 726,853 | 1,997,856 |

Notes:

1. The categories of Normal Obligor, Need Caution Obligor, and Credit-impaired Obligor in the banking business (domestic) are as follows:

- Normal Obligor: Debtors whose business conditions are favorable and whose financial conditions are deemed to have no particular problems
- Need Caution Obligor: Debtors requiring attention for credit control due to problems with lending conditions such as interest rate reductions and shelving, problems with repayment performance such as virtually overdue principal repayment or interest payment, problems with poor or unstable business conditions, or problems with finances
- Credit-impaired Obligor: Described in "8. Financial Risk Management (4) Credit risk Management (a) Credit risk management practices".

2. For certain financial assets for individuals, only past due information is used to assess whether credit risk has increased significantly since initial recognition. The past due status of the financial assets is as follows:

As at March 31, 2022

| | Within 30 days past due | 31-60 days past due | 61-90 days past due | Over 90 days past due | Total past due claims | Not past due | Total |
|-----------------------|-------------------------|---------------------|---------------------|-----------------------|-----------------------|-----------------|-----------------|
| | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen |
| Residential mortgages | 9,521 | 499 | 196 | 1,327 | 11,543 | 1,101,416 | 1,112,959 |
| Qualified revolving | 32,066 | 5,234 | 4,302 | 18,514 | 60,116 | 487,561 | 547,677 |
| Others | 50,666 | 4,248 | 1,128 | 18,877 | 74,919 | 1,052,979 | 1,127,898 |

As at March 31, 2023

| | Within 30 days past due | 31-60 days past due | 61-90 days past due | Over 90 days past due | Total past due claims | Not past due | Total |
|-----------------------|-------------------------|---------------------|---------------------|-----------------------|-----------------------|-----------------|-----------------|
| | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen |
| Residential mortgages | 9,546 | 380 | 211 | 901 | 11,038 | 1,089,630 | 1,100,668 |
| Qualified revolving | 33,569 | 5,548 | 4,156 | 18,879 | 62,152 | 488,203 | 550,355 |
| Others | 89,319 | 4,724 | 1,598 | 21,526 | 117,167 | 1,171,280 | 1,288,447 |

3. Credit to Individual and Credit to Corporate in the banking business (overseas) are as follows:

- Group A: A financial asset with low credit risk. In the case of an external rating, it corresponds to "investment grade".
- Group B: A financial asset that has neither low nor a high credit risk. In the case of an external rating, it falls under BBB and CCC or above.
- Group C and below: A financial asset with high or extremely high credit risk. In case of an external rating, they fall under CCC or below.

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 ¥35,767 million and ¥38,126 million by underlying collateral held as a security and other credit enhancements as at March 31, 2022 and 2023, respectively.

The Group also receives pledged financial assets under repurchase agreements, securities lending agreements, and derivative transaction agreements. Collateral assets pledged as at March 31, 2022 and 2023 totaled ¥849,512 million and ¥936,134 million, respectively. These collateral assets have been sold, loaned or re-secured, and the Group is obligated to return these collateral assets.

The amount of its maximum exposure to credit risk for undrawn loan commitments is as follows:

As at March 31, 2022

| | 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 | | | | |
| Banking business (domestic) | 1,793,254 | 2,849 | 12 | 1,796,114 |
| Banking business (overseas) | 94,355 | 4,470 | – | 98,825 |
| Others | 29,912 | 7 | 19 | 29,938 |

As at March 31, 2023

| | 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 | | | | |
| Banking business (domestic) | 1,415,491 | 7,332 | 13 | 1,422,836 |
| Banking business (overseas) | 154,290 | 3,166 | – | 157,456 |
| Others | 115,168 | 0 | 11 | 115,179 |

The amount of its maximum exposure to credit risk for financial guarantee contracts is as follows:

As at March 31, 2022

| | 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 |
| Financial guarantee contracts | 754,660 | 2,579 | 466 | 757,705 |

As at March 31, 2023

| | 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 |
| Financial guarantee contracts | 981,754 | 3,143 | 181 | 985,078 |

(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:

- (i) Understand underlying currency and term of assets and quantify market risk.
- (ii) Appropriately manage the balance between the Group's own capital and its related risk by periodic monitoring.
- (iii) 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, 2022 and 2023 increased by 10%, profit before income tax expense in the consolidated statement of income would have increased by ¥14,212 million and ¥7,478 million, respectively.

(b) Foreign Exchange Risk

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

| | As at March 31, 2022 | As at March 31, 2023 |
|-----|-------------------------|-------------------------|
| | Millions of Yen | Millions of Yen |
| USD | (923,336) | (661,301) |

Foreign Currency Sensitivity Analysis

With all other variables held constant, the impact of a 1% appreciation of the USD against the functional currency on profit before income tax expense in the consolidated statement of income for the years ended March 31, 2022 and 2023 for monetary financial instruments denominated in foreign currencies held by the Group is as follows.

| | As at March 31, 2022 | As at March 31, 2023 |
|----------------------------------|-------------------------|-------------------------|
| | Millions of Yen | Millions of Yen |
| Profit before income tax expense | (9,233) | (6,613) |

(c) Interest Rate Risk

The Group is exposed to various interest rate fluctuation risks in its business operations. Interest rate fluctuation, except for those that are hedged by hedging transactions, affects financial income arising from financial assets, which primarily consist of bank balances, money in trust held by subsidiaries in the financial services 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 of financial instruments held by the Group as at March 31, 2022 and 2023 had been 100 basis points higher, profit before income tax expense in the consolidated statement of income for the years ended March 31, 2022 and 2023 would have increased by ¥1,599 million and ¥12,252 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, 2022 and 2023.

(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, 2022

| | 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 | 3,364,860 | 3,424,229 | 1,733,292 | 465,661 | 567,223 | 228,745 | 142,718 | 286,590 |
| Trade and other accounts payable | 487,846 | 488,543 | 413,914 | 28,871 | 6,331 | 4,062 | 2,280 | 33,085 |
| Liabilities related to securities business | 3,676,332 | 3,676,340 | 3,676,340 | — | — | — | — | — |
| Customer deposits for banking business | 7,673,324 | 7,712,196 | 6,531,250 | 458,021 | 389,554 | 157,837 | 61,211 | 114,323 |

As at March 31, 2023

| | 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 | 3,680,355 | 3,737,544 | 1,763,351 | 719,841 | 425,053 | 282,780 | 253,734 | 292,785 |
| Trade and other accounts payable | 486,028 | 486,587 | 430,159 | 10,806 | 6,193 | 2,788 | 2,343 | 34,298 |
| Liabilities related to securities business | 3,888,249 | 3,888,259 | 3,888,259 | — | — | — | — | — |
| Customer deposits for banking business | 11,472,323 | 11,573,141 | 10,360,274 | 317,229 | 653,627 | 52,765 | 74,082 | 115,164 |
| Financial guarantee contracts | — | 985,078 | 278,046 | 41,915 | 64,003 | 74,418 | 108,078 | 418,618 |

The Group entered into line of credit agreements (e.g., overdraft facilities) with leading domestic and overseas 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, 2022 | As at March 31, 2023 |
|-----------------|----------------------|----------------------|
| | Millions of Yen | Millions of Yen |
| Lines of credit | 641,093 | 663,757 |
| Used balance | 228,183 | 159,801 |
| Unused portion | 412,910 | 503,956 |

9. Trade and Other Accounts Receivable

Trade and other accounts receivable as at March 31, 2022 and 2023, consisted of the following:

| | As at March 31, 2022 | As at March 31, 2023 |
|---|----------------------|----------------------|
| | Millions of Yen | Millions of Yen |
| Trade accounts receivable and installment receivables | 961,606 | 1,093,991 |
| Loans receivable | 7,036,939 | 8,895,858 |
| Operational receivables | 127,552 | 76,812 |
| Finance lease receivables | 166,142 | 208,250 |
| Deposits | 81,266 | 124,059 |
| Others | 26,083 | 48,056 |
| Total | <u>8,399,588</u> | <u>10,447,026</u> |

Maturity analysis to the collection or the settlement of trade and other accounts receivable as at March 31, 2022 and 2023, consisted of the following:

| | As at March 31, 2022 | As at March 31, 2023 |
|----------------------|----------------------|----------------------|
| | Millions of Yen | Millions of Yen |
| No later than 1 year | 1,788,530 | 2,567,433 |
| Later than 1 year | 6,611,058 | 7,879,593 |
| Total | <u>8,399,588</u> | <u>10,447,026</u> |

10. Other Assets Related to Securities Business

Other assets related to securities business as at March 31, 2022 and 2023, consisted of the following:

| | As at March 31, 2022 | As at March 31, 2023 |
|--|----------------------|----------------------|
| | Millions of Yen | Millions of Yen |
| Trade date accrual | 283,721 | 324,520 |
| Trading products | 159,621 | 270,741 |
| Short-term guarantee deposits | 100,837 | 96,282 |
| Loans receivable secured by securities | 70,802 | 58,838 |
| Others | 986 | 830 |
| Total | <u>615,967</u> | <u>715,211</u> |

11. Operational Investment Securities and Other Investment Securities

"Operational investment securities" and "Other investment securities" in the consolidated statement of financial position as at March 31, 2022 and 2023 consisted of the following:

| | As at March 31, 2022 | As at March 31, 2023 |
|------------------------------------|----------------------|----------------------|
| | Millions of Yen | Millions of Yen |
| Operational investment securities | | |
| Financial assets measured at FVTPL | 607,802 | 581,364 |
| Total | <u>607,802</u> | <u>581,364</u> |

Other investment securities

| | | |
|---|-----------|-----------|
| Financial assets measured at FVTPL | 449,213 | 696,957 |
| Equity instruments measured at FVTOCI | 29,472 | 29,896 |
| Debt instruments measured at FVTOCI | 358,891 | 817,621 |
| Financial assets measured at amortized cost | 239,204 | 453,382 |
| Total | 1,076,780 | 1,997,856 |

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:

| Fair value | | Dividends income | |
|----------------------|----------------------|--------------------------------------|--------------------------------------|
| As at March 31, 2022 | As at March 31, 2023 | For the year ended March 31, 2022 | For the year ended March 31, 2023 |
| Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen |
| 29,472 | 29,896 | 703 | 1,988 |

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, 2022 | As at March 31, 2023 |
|--|----------------------|----------------------|
| | Millions of Yen | Millions of Yen |
| Other investment securities | | |
| Latitude Group Holdings Limited | 17,220 | 17,078 |
| Mitsui Chemicals, Inc. | 2,311 | 2,550 |
| Yamazaki Baking Co., Ltd. | 1,499 | 1,604 |
| Chengdu Kobelco Construction Machinery | 1,426 | 1,507 |
| Financial Leasing Ltd. | | |

The fair value at the date of sale of equity instruments measured at FVTOCI sold during the period, the cumulative gain transferred from other components of equity to retained earnings, net of tax, and dividends received are as follows:

| For the year ended March 31, 2022 | | | For the year ended March 31, 2023 | | |
|-----------------------------------|------------------------|-------------------|-----------------------------------|------------------------|-------------------|
| Fair value at the date of sale | Cumulative gain (loss) | Dividend received | Fair value at the date of sale | Cumulative gain (loss) | Dividend received |
| Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen |
| — | — | — | 79 | 79 | — |

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

For equity instruments measured at FVTOCI whose significant decline in fair value compared to their acquisition costs is other than temporary, cumulative losses (net of tax) transferred from other components of equity to retained earnings for the years ended March 31, 2022 and 2023 were ¥434 million and ¥30 million, respectively.

12. Investments Accounted For Using the Equity Method

(1) Investments in associates

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

| | For the year ended March 31, 2022 | For the year ended March 31, 2023 |
|--|--------------------------------------|--------------------------------------|
| | Millions of Yen | Millions of Yen |
| Profit for the year attributable to the Group | 7,688 | 7,258 |
| Other comprehensive income attributable to the Group | 758 | 1,719 |
| Total comprehensive income attributable to the Group | 8,446 | 8,976 |
| | As at March 31, 2022 | As at March 31, 2023 |
| | Millions of Yen | Millions of Yen |
| Carrying amount | 119,401 | 190,346 |

Impairment losses of ¥9,594 million were recognized in the Non-Financial Business for the year ended March 31, 2022, as the recoverable amount of certain investments in associates was less than the carrying amount, and are included in "Other expenses" in the consolidated statement of income.

(2) Investments in joint ventures

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

| | For the year ended March 31, 2022 | For the year ended March 31, 2023 |
|--|--------------------------------------|--------------------------------------|
| | Millions of Yen | Millions of Yen |
| Profit for the year attributable to the Group | (866) | (882) |
| Other comprehensive income attributable to the Group | 139 | 281 |
| Total comprehensive income attributable to the Group | (727) | (601) |
| | As at March 31, 2022 | As at March 31, 2023 |
| | Millions of Yen | Millions of Yen |
| Carrying amount | 9,740 | 9,536 |

13. Structured Entities

The Group conducts investment partnerships and special purpose entities for investment activities in Japan and overseas. These investment partnerships and special purpose entities raise funds from investors, and provide funding mainly in the form of capital contribution and loans to investees or special purpose entities. These investment partnerships, etc., are structured in a way that voting rights are not the dominant factor in deciding who controls the partnerships. The Group is also involved in activities related to the purpose of the trusts through guarantees of the trusts.

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 special purpose entities were ¥649,503 million and ¥771,078 million as at March 31, 2022 and 2023, respectively. Total liabilities were ¥272,525 million and ¥317,477 million as at March 31, 2022 and 2023, respectively.

(2) Unconsolidated structured entities

The Group invests in and provides loans to investment partnerships and special purpose entities, 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, 2022 | As at March 31, 2023 |
|-------------------------------------|----------------------|----------------------|
| | Millions of Yen | Millions of Yen |
| Trade and other accounts receivable | 1,092,603 | 1,426,877 |
| Other financial assets | 15,253 | 17,806 |
| Operational investment securities | 36,650 | 39,990 |
| Other investment securities | 186,315 | 354,798 |
| Total | 1,330,821 | 1,839,471 |

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

14. 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, 2022 | For the year ended March 31, 2023 |
|----------------------------|--------------------------------------|--------------------------------------|
| | Millions of Yen | Millions of Yen |
| Balance, beginning of year | 5,322 | 35,479 |
| Acquisitions | 30,157 | 44,076 |
| Sale or disposal | — | (6,396) |
| Balance, end of year | 35,479 | 73,159 |

| Accumulated depreciation and impairment losses | For the year ended March 31, 2022 | For the year ended March 31, 2023 |
|---|--------------------------------------|--------------------------------------|
| | Millions of Yen | Millions of Yen |
| Balance, beginning of year | (479) | (611) |
| Depreciation | (132) | (468) |
| Sale or disposal | — | 44 |
| Balance, end of year | (611) | (1,035) |

The carrying amount and fair value of investment property were as follows:

| As at March 31, 2022 | | As at March 31, 2023 | |
|----------------------|-----------------|----------------------|-----------------|
| Carrying amount | Fair value | Carrying amount | Fair value |
| Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen |
| 34,868 | 38,000 | 72,124 | 77,770 |

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, 2022 and 2023 was ¥298 million and ¥2,590 million, respectively, which was included in "Revenue" in the consolidated statement of income. Directly incurred expenses in relation to the rental income (including repairs and maintenance) for the years ended March 31, 2022 and 2023 were ¥277 million and ¥2,129 million, respectively, which were included in "Operating cost" and "Selling, general and administrative expenses".

15. Property and Equipment

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

| Cost | Buildings | Furniture and fixtures | Machinery and equipment | Land | Others | Total |
|---|-----------------|------------------------|-------------------------|-----------------|-----------------|-----------------|
| | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen |
| Balance as at April 1, 2021 | 34,276 | 29,579 | 1,694 | 5,129 | 27,795 | 98,473 |
| Acquisitions | 3,333 | 5,093 | 2,005 | 1,329 | 1,631 | 13,391 |
| Acquisitions through business combinations | 34,932 | 7,158 | 12,427 | 3,862 | 29,329 | 87,708 |
| Sales or disposals | (1,818) | (1,609) | (1,410) | (57) | (23,020) | (27,914) |
| Foreign currency translation adjustment on foreign operations | 516 | 360 | 8 | 63 | 102 | 1,049 |
| Others | 649 | 307 | 6 | (168) | (848) | (54) |
| Balance as at March 31, 2022 | 71,888 | 40,888 | 14,730 | 10,158 | 34,989 | 172,653 |
| Acquisitions | 10,407 | 6,075 | 9,392 | 2,068 | 14,479 | 42,421 |
| Acquisitions through business combinations | 1,905 | 499 | — | 22 | 213 | 2,639 |
| Sales or disposals | (5,225) | (12,663) | (8,532) | (1,994) | (3,921) | (32,335) |
| Foreign currency translation adjustment on foreign operations | 432 | 440 | 3 | 55 | 223 | 1,153 |
| Others | 2,096 | 1,195 | 19,107 | (154) | (20,923) | 1,321 |
| Balance as at March 31, 2023 | 81,503 | 36,434 | 34,700 | 10,155 | 25,060 | 187,852 |
| Accumulated depreciation and impairment losses | Buildings | Furniture and fixtures | Machinery and equipment | Land | Others | Total |
| | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen |
| Balance as at April 1, 2021 | (12,984) | (15,172) | (515) | (42) | (5,470) | (34,183) |
| Sales or disposals | 842 | 1,436 | 317 | 2 | 3,138 | 5,735 |
| Depreciation | (8,170) | (8,658) | (783) | (74) | (1,560) | (19,245) |
| Impairment losses | (42) | (100) | (326) | — | (265) | (733) |
| Foreign currency translation adjustment on foreign operations | (236) | (206) | (6) | — | (42) | (490) |
| Balance as at March 31, 2022 | (20,590) | (22,700) | (1,313) | (114) | (4,199) | (48,916) |
| Sales or disposals | 1,953 | 12,173 | 3,520 | 136 | 2,320 | 20,102 |
| Depreciation | (15,719) | (8,135) | (5,510) | (285) | (2,464) | (32,113) |
| Impairment losses | (992) | (612) | (2) | — | (32) | (1,638) |
| Foreign currency translation adjustment on foreign operations | (138) | (311) | (1) | — | (182) | (632) |
| Balance as at March 31, 2023 | (35,486) | (19,585) | (3,306) | (263) | (4,557) | (63,197) |

| Carrying amount | Buildings | Furniture and fixtures | Machinery and equipment | Land | Others | Total |
|------------------------------|-------------|------------------------|-------------------------|-------------|-------------|-------------|
| | Millions of | Millions of | Millions of | Millions of | Millions of | Millions of |
| | Yen | Yen | Yen | Yen | Yen | Yen |
| Balance as at March 31, 2022 | 51,298 | 18,188 | 13,417 | 10,044 | 30,790 | 123,737 |
| Balance as at March 31, 2023 | 46,017 | 16,849 | 31,394 | 9,892 | 20,503 | 124,655 |

The carrying amount of property and equipment includes the carrying amount of right-of-use assets and the carrying amount of lessor's operating lease assets.

Right-of-use assets increased by ¥2,105 million and ¥8,111 million for the years ended March 31, 2022 and 2023, respectively.

| Carrying amount of right-of-use assets | Buildings | Furniture and fixtures | Machinery and equipment | Land | Others | Total |
|--|-------------|------------------------|-------------------------|-------------|-------------|-------------|
| | Millions of | Millions of | Millions of | Millions of | Millions of | Millions of |
| | Yen | Yen | Yen | Yen | Yen | Yen |
| Balance as at March 31, 2022 | 30,217 | 1,335 | 10 | 1,426 | 253 | 33,241 |
| Balance as at March 31, 2023 | 24,244 | 904 | 8 | 725 | 1,294 | 27,175 |

| Carrying amount of lessor's operating lease assets | Buildings | Furniture and fixtures | Machinery and equipment | Others | Total |
|--|-------------|------------------------|-------------------------|-------------|-------------|
| | Millions of | Millions of | Millions of | Millions of | Millions of |
| | Yen | Yen | Yen | Yen | Yen |
| Balance as at March 31, 2022 | 490 | 2,016 | 11,869 | 28,220 | 42,595 |
| Balance as at March 31, 2023 | 211 | 2,558 | 29,543 | 15,555 | 47,867 |

Impairment losses recognized for the years ended March 31, 2022 and 2023 were ¥733 million and ¥1,638 million, respectively, due to no expectation of initially expected profits and are included in "Other expenses" in the consolidated statement of income. Impairment losses recognized by segment for the year ended March 31, 2022 were ¥89 million in the Financial Services Business, ¥53 million in the Crypto-asset Business and ¥591 million in the Non-Financial Business. Impairment losses recognized by segment for the year ended March 31, 2023 were ¥929 million in the Financial Services Business, ¥626 million in the Crypto-asset Business and ¥83 million in the Non-Financial Business.

16. 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, 2022 and 2023 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, 2021 | 192,303 | 78,770 | 38,166 | 5,288 | 314,527 |
| Acquisitions | — | 25,631 | — | 959 | 26,590 |
| Acquisitions through business combinations | 6,168 | 45,779 | 2,502 | 3,944 | 58,393 |
| Sales or disposals | (3,152) | (3,427) | (13,704) | (232) | (20,515) |
| Foreign currency translation adjustment on foreign operations | 5,390 | 256 | 1,068 | 224 | 6,938 |
| Balance as at March 31, 2022 | 200,709 | 147,009 | 28,032 | 10,183 | 385,933 |
| Acquisitions | — | 38,446 | — | 1,105 | 39,551 |
| Acquisitions through business combinations | 46,738 | 1,592 | 5,422 | 1,832 | 55,584 |
| Sales or disposals | — | (5,795) | — | (560) | (6,355) |
| Foreign currency translation adjustment on foreign operations | 3,418 | 434 | 902 | 202 | 4,956 |
| Balance as at March 31, 2023 | 250,865 | 181,686 | 34,356 | 12,762 | 479,669 |
| 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, 2021 | (10,181) | (45,395) | (30,656) | (2,688) | (88,920) |
| Sales or disposals | 2,285 | 518 | 13,704 | 7 | 16,514 |
| Amortization | — | (11,102) | (1,136) | (593) | (12,831) |
| Impairment losses | (4,597) | (2,186) | — | (90) | (6,873) |
| Foreign currency translation adjustment on foreign operations | — | (231) | (398) | (108) | (737) |
| Balance as at March 31, 2022 | (12,493) | (58,396) | (18,486) | (3,472) | (92,847) |
| Sales or disposals | — | 5,032 | — | 126 | 5,158 |
| Amortization | — | (21,175) | (1,207) | (1,164) | (23,546) |
| Impairment losses | (174) | (1,775) | — | (7) | (1,956) |
| Foreign currency translation adjustment on foreign operations | — | (118) | (398) | 78 | (438) |
| Balance as at March 31, 2023 | (12,667) | (76,432) | (20,091) | (4,439) | (113,629) |

| 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, 2022 | 188,216 | 88,613 | 9,546 | 6,711 | 293,086 |
| Balance as at March 31, 2023 | 238,198 | 105,254 | 14,265 | 8,323 | 366,040 |

The carrying amount of software in the above table as at March 31, 2022 and 2023 includes the carrying amount of right-of-use assets of ¥186 million and ¥170 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 ¥6,873 million and ¥1,956 million for the years ended March 31, 2022 and 2023, 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, 2022 were ¥4,975 million in the Financial Services Business, ¥121 million in the Asset Management Business, ¥760 million in the Crypto-asset Business and ¥1,017 million in the Non-Financial Business. Impairment losses recognized by segment for the year ended March 31, 2023 were ¥542 million in the Financial Services Business, ¥249 million in the Asset Management Business, ¥174 million in the Investment Business, ¥789 million in the Crypto-asset Business, and ¥202 million in the Non-Financial Business. The impairment losses recognized for the year ended March 31, 2023 were mainly recognized for goodwill and software.

(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 ¥108,198 million and ¥110,015 million as at March 31, 2022 and 2023, respectively, related to SBI SAVINGS BANK in the Financial Services Business and ¥24,910 million as at March 31, 2022 and 2023, 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 2% as at March 31, 2022 and 2023. The discount rate used for measuring value in use was 7.1% to 9.5% and 5.7% to 10.5% per annum as at March 31, 2022 and 2023, respectively.

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

17. Deferred Taxation

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the years ended March 31, 2022 and 2023:

For the year ended March 31, 2022

| | As at April 1, 2021 | Recognized through profit or loss | Recognized through other comprehensive income | Change in scope of consolidation | Recognized directly in equity | As at March 31, 2022 |
|---|------------------------|---|--|--|-------------------------------------|-------------------------|
| | 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 | 1,265 | 592 | — | 9,703 | — | 11,560 |
| Lease liability | — | 560 | — | 12,312 | — | 12,872 |
| Property equipment and intangible assets | 1,566 | 83 | — | 675 | — | 2,324 |
| Enterprise tax payable | 1,342 | (477) | — | 106 | — | 971 |
| Tax loss carryforwards | 11,069 | (2,692) | 137 | 5,420 | — | 13,934 |
| Other | 2,210 | (66) | 565 | 3,805 | — | 6,514 |
| Total | <u>17,452</u> | <u>(2,000)</u> | <u>702</u> | <u>32,021</u> | <u>—</u> | <u>48,175</u> |
| Deferred Tax Liabilities | | | | | | |
| Financial assets and liabilities measured at FVTPL | 33,256 | 9,011 | — | 523 | — | 42,790 |
| Equity instruments measured at FVTOCI | 8 | (168) | 394 | 168 | — | 402 |
| Debt instruments measured at FVTOCI | 819 | (99) | (705) | — | — | 15 |
| Investments accounted for using the equity method | 2,567 | 13,611 | — | — | — | 16,178 |
| Property equipment and intangible assets | 2,808 | 773 | 73 | 13,551 | — | 17,205 |
| Other | 1,625 | (2,156) | — | 11,387 | 765 | 11,621 |
| Total | <u>41,083</u> | <u>20,972</u> | <u>(238)</u> | <u>25,629</u> | <u>765</u> | <u>88,211</u> |

For the year ended March 31, 2023

| | As at April 1, 2022 | Recognized through profit or loss | Recognized through other comprehensive income | Change in scope of consolidation | Recognized directly in equity | As at March 31, 2023 |
|---|------------------------|---|--|--|-------------------------------------|-------------------------|
| | 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 | 11,560 | 5,463 | — | — | — | 17,023 |
| Lease liability | 12,872 | (1,919) | — | — | — | 10,953 |
| Property equipment and intangible assets | 2,324 | 242 | — | 116 | — | 2,682 |
| Enterprise tax payable | 971 | 732 | — | — | — | 1,703 |
| Tax loss carryforwards | 13,934 | (6,624) | 61 | 201 | — | 7,572 |
| Other | 6,514 | 1,337 | 456 | 859 | — | 9,166 |
| Total | 48,175 | (769) | 517 | 1,176 | — | 49,099 |
| Deferred Tax Liabilities | | | | | | |
| Financial assets and liabilities measured at FVTPL | 42,790 | (122) | — | — | — | 42,668 |
| Equity instruments measured at FVTOCI | 402 | — | (61) | — | — | 341 |
| Debt instruments measured at FVTOCI | 15 | 274 | (284) | — | — | 5 |
| Investments accounted for using the equity method | 16,178 | (7,068) | — | — | — | 9,110 |
| Property equipment and intangible assets | 17,205 | (1,668) | 75 | 1,411 | — | 17,023 |
| Other | 11,621 | (927) | — | 2,960 | 671 | 14,325 |
| Total | 88,211 | (9,511) | (270) | 4,371 | 671 | 83,472 |

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. Deductible temporary differences and tax loss carryforwards for which deferred tax assets have not been recognized are as follows:

| | As at March 31, 2022 | As at March 31, 2023 |
|---|-------------------------|-------------------------|
| | Millions of Yen | Millions of Yen |
| Deductible temporary differences | 461,325 | 469,943 |
| Tax loss carryforwards | 214,198 | 227,050 |
| (of which: the carryforward period over 5 years) | 127,497 | 165,045 |

The Group recognized deferred tax assets of ¥125 million and ¥114 million as at March 31, 2022 and 2023, respectively, associated with certain subsidiaries that had net losses during the years ended March 31, 2022 and 2023. 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, 2022 and 2023, 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 ¥472,469 million and ¥465,544 million as at March 31, 2022 and 2023, respectively.

18. Bonds and Borrowings

(1) Details of bonds and borrowings

Bonds and borrowings as at March 31, 2022 and 2023, consisted of the following:

| | As at March 31, 2022 | As at March 31, 2023 | Average interest rate (*1) | Due (*2) |
|--|----------------------|----------------------|----------------------------------|-------------|
| | Millions of Yen | Millions of Yen | % | |
| Short-term loans payable | 480,275 | 871,451 | 0.20 | — |
| Current portion of long-term loans payable | 55,707 | 74,406 | 0.45 | — |
| Current portion of bonds payable | 456,020 | 493,391 | — | — |
| Long-term loans payable | 156,750 | 319,589 | 1.94 | 2024 – 2049 |
| Bonds payable | 1,013,499 | 1,078,148 | — | — |
| Borrowed money | 1,202,609 | 843,370 | 0.33 | 2023 – 2049 |
| Total | 3,364,860 | 3,680,355 | | |

Notes:

1. The average interest rate is calculated using the weighted average coupon rate of the outstanding balance as at March 31, 2023.
2. The due represents the repayment term of the outstanding balance as at March 31, 2023.

Details of the bonds were as follows:

| Issuer and the name of bond | Date of issuance | As at March 31, | As at March 31, | Interest | Due |
|--|---------------------------|-----------------|-----------------|---------------|---------------------------|
| | | 2022 | 2023 | rate (*1) | |
| | | Millions of Yen | Millions of Yen | % | |
| The Company Japanese yen straight bond (*2) | April 2020~ March 2023 | 99,985 | 109,965 | 0.58~ 1.10 | April 2022~ March 2025 |
| The Company No.12 Unsecured straight bond | June 2017 | 16,998 | — | — | June 2022 |
| The Company No.14 Unsecured straight bond | March 2018 | 17,987 | — | — | March 2023 |
| The Company No.16 Unsecured straight bond | December 2018 | 14,980 | 14,992 | 0.69 | December 2023 |
| The Company No.17 Unsecured straight bond | May 2019 | 24,998 | — | — | May 2022 |
| The Company No.18 Unsecured straight bond | May 2019 | 24,958 | 24,978 | 0.69 | May 2024 |
| The Company No.19 Unsecured straight bond | December 2019 | 19,984 | — | — | December 2022 |
| The Company No.20 Unsecured straight bond | December 2019 | 24,947 | 24,967 | 0.70 | December 2024 |
| The Company No.21 Unsecured straight bond | June 2020 | 14,980 | 14,997 | 0.80 | June 2023 |
| The Company No.22 Unsecured straight bond | June 2020 | 10,000 | 10,000 | 1.00 | June 2025 |
| The Company No.23 Unsecured straight bond | December 2020 | 24,951 | 24,981 | 0.73 | December 2023 |
| The Company No.24 Unsecured straight bond | December 2020 | 29,895 | 29,936 | 0.93 | December 2025 |
| The Company No.25 Unsecured straight bond | July 2021 | 39,895 | 39,942 | 0.60 | July 2024 |
| The Company No.26 Unsecured straight bond | July 2021 | 39,864 | 39,896 | 0.80 | July 2026 |
| The Company No.27 Unsecured straight bond | December 2021 | 69,782 | 69,864 | 0.80 | December 2024 |
| The Company No.28 Unsecured straight bond | December 2021 | 49,813 | 49,853 | 1.00 | December 2026 |
| The Company No.29 Unsecured straight bond | July 2022 | — | 51,864 | 1.00 | July 2025 |
| The Company No.30 Unsecured straight bond | July 2022 | — | 21,925 | 1.18 | July 2027 |
| The Company No.31 Unsecured straight bond | September 2022 | — | 99,488 | 1.09 | September 2026 |
| The Company No.32 Unsecured straight bond | December 2022 | — | 41,869 | 1.10 | December 2025 |
| The Company No.33 Unsecured straight bond | December 2022 | — | 10,959 | 1.20 | December 2027 |
| The Company No.1 Unsecured straight bond (Inter-bond limited pari passu clause and split-restricted small private placement) | March 2023 | — | 6,972 | 1.20 | October 2029 |

| | | | | | |
|--|----------------------------------|------------------|------------------|---------------|----------------------------------|
| The Company | September 2018~ July 2020 | 117,111 | 118,213 | — | September 2023~ July 2025 |
| Euroyen convertible bonds (*3) | | | | | |
| The Company | December 2022~ March 2023 | — | 53,982 | 0.11~ 0.32 | April 2023~ December 2023 |
| Short-term corporate bond (*4) | | | | | |
| SBI SECURITIES Co., Ltd. | March 2018~ March 2023 | 95,866 | 91,413 | 0.18~ 0.94 | April 2022~ January 2033 |
| Exchangeable bond (*2) | | | | | |
| SBI SECURITIES Co., Ltd. | April 2021 | 100 | — | — | April 2022 |
| No.1 Security token restricted unsecured bond | | | | | |
| SBI SECURITIES Co., Ltd. | December 2021~ March 2023 | 137,993 | 205,991 | 0.02~ 0.05 | April 2022~ June 2023 |
| Short-term corporate bond (*4) | | | | | |
| Shinsei Bank, Limited | July 2018~ March 2021 | 170,000 | 140,000 | 0.15~ 0.36 | October 2022~ July 2025 |
| Japanese yen straight bond (*5) | | | | | |
| APLUS Co., Ltd. | November 2020~ December 2022 | 107,700 | 8,500 | 0.03~ 0.11 | April 2022~ May 2023 |
| Short-term corporate bond (*4) | | | | | |
| APLUS Co., Ltd. | October 2018~ December 2019 | 20,000 | 20,000 | 0.25~ 0.29 | October 2023~ December 2024 |
| Japanese yen unsecured straight bond (*6) | | | | | |
| Showa Leasing Co., Ltd. | November 2020~ March 2023 | 81,500 | 25,000 | 0.03~ 0.07 | April 2022~ July 2023 |
| Short-term corporate bond (*4) | | | | | |
| Showa Leasing Co., Ltd. | July 2018~ December 2019 | 20,000 | 20,000 | 0.25~ 0.30 | July 2023~ December 2024 |
| Japanese yen unsecured straight bond (*7) | | | | | |
| UDC Finance Limited | September 2020~ December 2022 | 170,104 | 187,071 | 5.07~ 6.34 | March 2024~ December 2029 |
| Foreign currency secured bonds (*8) | | | | | |
| Other bonds | March 2019~ March 2023 | 25,128 | 13,921 | 0.02~ 7.10 | September 2022~ December 2029 |
| Total | | <u>1,469,519</u> | <u>1,571,539</u> | | |

Notes:

1. Interest rate is the coupon rate of the balance as at March 31, 2023. 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.
4. The aggregate amount of short-term corporate bonds is stated above.
5. The aggregate amount of the 5th to 13th series of unsecured bonds (with inter-bond pari passu clause) is stated above.
6. The aggregate amount of the 5th and 6th series of unsecured bonds (with inter-bond pari passu clause) is stated above.
7. The aggregate amount of the 3rd and 4th series of unsecured straight bonds is stated above.
8. The bonds are raised in the bond market through the securitization of trade receivables through UDC Endeavour Equipment Finance Trust, UDC Endeavour Auto Finance Trust and UDC Endeavour Auto ABS Finance Trust 2021-1 and 2022-1.

(2) Assets pledged as security

Assets pledged for liabilities and contingent liabilities were as follows:

| | As at March 31, 2022 | As at March 31, 2023 |
|---|----------------------|----------------------|
| | Millions of Yen | Millions of Yen |
| Cash and cash equivalents | 9,366 | 1,461 |
| Trade and other accounts receivable | 1,055,714 | 917,168 |
| Other investment securities | 281,443 | 274,486 |
| (of which: financial instruments pledged as collateral) (*1) | 247,299 | 222,987 |
| Investment properties | 30,123 | 67,476 |
| Property and equipment | 3,219 | 12,764 |
| Other assets | 43,366 | 33,264 |
| Total | 1,423,231 | 1,306,619 |

Note:

1. Collateral that the transferees are permitted to sell or repledge.

The corresponding liabilities were as follows:

| | As at March 31, 2022 | As at March 31, 2023 |
|---|----------------------|----------------------|
| | Millions of Yen | Millions of Yen |
| Bonds and borrowings | 856,097 | 522,927 |
| Customer deposits for banking business | 1,218 | 1,249 |
| Other financial liabilities | 247,098 | 220,100 |
| Other liabilities | 13 | 10 |
| Total | 1,104,426 | 744,286 |

Besides the above, securities received as collateral for financing from broker's own capital of ¥27,241 million and ¥65,284 million were pledged as collateral for borrowings on margin transactions as at March 31, 2022 and 2023, respectively.

19. Trade and Other Payables

The components of trade and other payables were as follows:

| | As at March 31, 2022 | As at March 31, 2023 |
|---|----------------------|----------------------|
| | Millions of Yen | Millions of Yen |
| Accounts payable and notes payable | 33,555 | 61,122 |
| Accounts payable-other | 177,931 | 122,834 |
| Advances received and guarantee deposit received | 224,100 | 252,133 |
| Lease liability | 52,260 | 49,939 |
| Total | 487,846 | 486,028 |

20. Other Liabilities Related to Securities Business

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

| | As at March 31, 2022 | As at March 31, 2023 |
|---------------------------|----------------------|----------------------|
| | Millions of Yen | Millions of Yen |
| Trade date accrual | 375,090 | 411,068 |
| Trading products | 71,523 | 85,024 |
| Deposits for subscription | 2,938 | 5,518 |
| Total | 449,551 | 501,610 |

21. Insurance Contract Liabilities

(1) Risk management system over insurance contracts

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

(a) Market risk management

Interest rate risk management

Considering the long-term nature of insurance liabilities in the life insurance business, which accounts for the majority of insurance contract liabilities, the Group invests principally in bonds. The Group also conducts asset and liability management (ALM) so that fluctuations in interest rates do not adversely affect.

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, 2022 and 2023, consisted of the following:

| | <u>As at March 31, 2022</u> | <u>As at March 31, 2023</u> |
|-----------------|-----------------------------|-----------------------------|
| | Millions of Yen | Millions of Yen |
| Claims reserves | 29,510 | 32,465 |
| Policy reserves | 125,706 | 124,916 |
| Total | <u>155,216</u> | <u>157,381</u> |

The movements in insurance contract liabilities for the years ended March 31, 2022 and 2023 were as follows:

| | For the year ended March 31, 2022 | For the year ended March 31, 2023 |
|--|--------------------------------------|--------------------------------------|
| | Millions of Yen | Millions of Yen |
| Balance, beginning of year | 150,123 | 155,216 |
| Life insurance business | | |
| Expected cash flows from policy reserves | (11,242) | (10,918) |
| Interest incurred | 495 | 592 |
| Adjustments | 9,858 | 9,600 |
| Non-life insurance business | | |
| Insurance premiums | 48,832 | 50,302 |
| Unearned premium | (48,933) | (49,428) |
| Others | 6,083 | 2,017 |
| Balance, end of year | <u>155,216</u> | <u>157,381</u> |

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 | 157,381 | 60,240 | 28,572 | 15,414 | 53,155 |

(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) Comparison between actual claims and previous estimates (i.e., claims development)

The claims development of the casualty insurance business is as follows:

| | Accident year | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen |
| Cumulative payments and claim reserves | | | | | |
| At the end of accident year | 25,776 | 27,269 | 26,015 | 30,192 | 34,816 |
| 1 year later | 26,431 | 27,488 | 25,006 | 28,079 | – |
| 2 year later | 27,022 | 28,043 | 23,850 | – | – |
| 3 year later | 27,284 | 27,688 | – | – | – |
| 4 year later | 27,362 | – | – | – | – |
| Estimate of cumulative claims | 27,362 | 27,688 | 23,850 | 28,079 | 34,816 |
| Less: Cumulative payments to date | 26,533 | 26,153 | 21,368 | 22,369 | 18,803 |
| Claim reserves (gross) | 828 | 1,534 | 2,482 | 5,708 | 16,013 |

22. Lease

(1) Lease as lessee

The Group lease office buildings, stores, and servers for online transaction systems and certain other assets under operating leases. There were no lease contracts which include residual value guarantees and no significant lease contracts for which leases have not yet commenced as at March 31, 2023 to which the lessee is committed.

The lease expenses and the total cash outflow for leases are as follows.

| | For the year ended March 31, 2022 | For the year ended March 31, 2023 |
|--|--------------------------------------|--------------------------------------|
| | Millions of Yen | Millions of Yen |
| Depreciation charge for right-of-use assets | | |
| Buildings | 6,662 | 12,021 |
| Furniture and fixtures | 529 | 451 |
| Machinery and equipment | 9 | 2 |
| Land | 74 | 285 |
| Software | 144 | 379 |
| Others | 160 | 316 |
| Total | 7,578 | 13,454 |
| Interest expense on lease liabilities | 355 | 553 |
| Expense relating to short-term lease and lease of low-value assets | 4,085 | 8,145 |
| Total cash outflow for leases | 12,445 | 23,617 |

(2) Lease as lessor

The Group lease mainly buildings, land, machinery and equipment, and computerized office equipment.

The maturity analysis of lease receivables is as follows:

| | As at March 31, 2022 | |
|--|------------------------------|--------------------------------|
| | Undiscounted lease income | Net investment in the lease |
| | Millions of Yen | Millions of Yen |
| No later than 1 year | 48,653 | 45,851 |
| 1 to 2 years | 38,961 | 36,324 |
| 2 to 3 years | 30,003 | 28,019 |
| 3 to 4 years | 22,862 | 21,187 |
| 4 to 5 years | 13,780 | 12,567 |
| Over 5 years | 27,970 | 22,194 |
| Total | 182,229 | 166,142 |
| Unearned financial income | (21,230) | |
| Discounted unguaranteed residual value | 5,143 | |
| Net investment in the lease | 166,142 | |

Financial income on net investment in the lease amounted to ¥2,155 million for the year ended March 31, 2022.

As at March 31, 2023

| | Undiscounted lease income | Net investment in the lease |
|---|------------------------------|--------------------------------|
| | Millions of Yen | Millions of Yen |
| No later than 1 year | 61,042 | 56,291 |
| 1 to 2 years | 49,761 | 45,956 |
| 2 to 3 years | 41,724 | 38,446 |
| 3 to 4 years | 29,002 | 26,630 |
| 4 to 5 years | 15,847 | 14,597 |
| Over 5 years | 28,573 | 26,329 |
| Total | 225,949 | 208,249 |
| Unearned financial income | (23,079) | |
| Discounted unguaranteed residual value | 5,379 | |
| Net investment in the lease | 208,249 | |

Financial income on net investment in the lease amounted to ¥8,578 million for the year ended March 31, 2023.

The maturity analysis of lease income related to operating leases is as follows:

| | As at March 31, 2022 | As at March 31, 2023 |
|----------------------|----------------------|----------------------|
| | Millions of Yen | Millions of Yen |
| No later than 1 year | 7,924 | 8,963 |
| 1 to 2 years | 5,568 | 7,217 |
| 2 to 3 years | 4,365 | 6,204 |
| 3 to 4 years | 3,484 | 5,118 |
| 4 to 5 years | 2,565 | 3,327 |
| Over 5 years | 7,671 | 7,872 |
| Total | 31,577 | 38,701 |

Lease income from operating lease contracts amounted to ¥3,481 million and ¥14,440 million for the years ended March 31, 2022 and 2023, respectively.

The Group enters into finance leases and operating leases with a residual value at the end of the lease term for properties that are expected to have good second-hand value. These transactions are subject to the risk that the sales price of the leased property returned at the end of the lease term will be less than the residual value set at the beginning of the lease term. The Company regularly monitors this risk and measures the amount of risk, and also strives to minimize the risk by accumulating resale know-how in the second-hand market.

23. Employee Benefits

Certain companies in the Group have defined contribution pension plans. Pension costs related to the defined contribution plans recognized for the years ended March 31, 2022 and 2023 were not material. Certain companies in the Group have funded and unfunded defined benefit plans and lump-sum retirement benefit plans. The benefit amounts under the defined benefit plans are set based on the rate of payment at the time of retirement, years of service, final salary before retirement, and other conditions.

The net changes recognized in the consolidated statement of financial position with respect to the defined benefit plan obligations and plan assets for the years ended March 31, 2022 and 2023 consisted of the following:

| | For the year ended March 31, 2022 | For the year ended March 31, 2023 |
|---|--------------------------------------|--------------------------------------|
| | Millions of Yen | Millions of Yen |
| Change in present value of defined benefit plan obligations | | |
| Balance, beginning of year | — | (99,364) |
| Effect of business combinations and disposals | (101,746) | (149) |
| Service cost | (1,073) | (4,156) |
| Interest cost | (160) | (816) |
| Actuarial gains and losses (*1) | 2,696 | 6,769 |
| Benefits paid | 919 | 5,127 |
| Balance, end of year | <u>(99,364)</u> | <u>(92,589)</u> |
| Change in fair value of plan assets | | |
| Balance, beginning of year | — | 105,882 |
| Effect of business combinations and disposals | 108,621 | — |
| Interest income | 176 | 894 |
| Income related to plan assets (excluding interest income) | (2,938) | (1,972) |
| Employer contributions | 701 | 2,794 |
| Benefits from plan assets | (678) | (4,483) |
| Balance, end of year | <u>105,882</u> | <u>103,115</u> |
| Effect of the asset ceiling | <u>(9,607)</u> | <u>(16,126)</u> |
| Net amount recognized in the consolidated statement of financial position | <u>(3,088)</u> | <u>(5,601)</u> |

Note:

1. Actuarial gains and losses on defined benefit plan obligations arise primarily due to changes in financial assumptions.

Significant actuarial assumptions used to determine the present value of the defined benefit plan obligations

The assumptions used in measuring the defined benefit plan obligations as at March 31, 2022 and 2023 were as follows:

| | As at March 31, 2022 | As at March 31, 2023 |
|--|----------------------|----------------------|
| | % | % |
| Discount rate | 0.56 – 0.93 | 0.98 – 1.42 |
| Rate of increase in future compensation levels | 1.12 – 6.10 | 1.80 – 6.00 |

Sensitivity to significant actuarial assumptions

A decrease of 0.5% and an increase of 0.5% in the discount rate for the defined benefit plan obligations as at March 31, 2023 would be expected to increase the defined benefit plan obligations by ¥5,979 million and decrease them by ¥6,122 million, respectively. This analysis assumes that all other variables remain constant, but in reality only the discount rate may not vary independently.

The fair values of the main categories of plan assets as at March 31, 2022 and 2023 are as follows:

| | For the year ended March 31, 2022 | For the year ended March 31, 2023 |
|--|--------------------------------------|--------------------------------------|
| | Millions of Yen | Millions of Yen |
| Plan assets that have a quoted market price in an active market | | |
| Cash and cash equivalents | 5,474 | 2,437 |
| Japanese equity securities | 10,831 | 8,650 |
| Global equity securities | 5,662 | 4,789 |
| Japanese debt | 10,874 | 12,154 |
| Global debt | 2,796 | 4,277 |
| Total | 35,637 | 32,307 |
| Plan assets that do not have a quoted market price in an active market | | |
| Japanese equity securities | 11,793 | 11,512 |
| Global equity securities | 12,413 | 12,791 |
| Japanese debt | 15,494 | 15,429 |
| Global debt | 10,052 | 9,006 |
| Insurance assets (general account) | 17,082 | 17,199 |
| Other assets (*1) | 3,411 | 4,871 |
| Total | 70,245 | 70,808 |

Note:

1. Other assets include mainly alternative investment products.

The Group expects to contribute ¥2,804 million to its defined contribution plan in the next fiscal year. The main investment policy of the defined benefit pension plans is to secure the required comprehensive return on plan assets over the long term under an acceptable level of risk in order to ensure the future provision of benefits to participants and beneficiaries and at the same time to stabilize the contribution burden. To this end, the investment policy is based on the policy asset mix, which is the optimal combination for the future, and the allowable range of deviation based on ALM analysis, etc. The plan aims to maintain a diversified asset allocation among stocks, bonds, alternative products, etc. based on the policy asset mix. In addition, in order to manage the risk of the plan's asset management, when the asset mix temporarily deviates from the policy asset mix due to fluctuations in market values, etc., the plan will rebalance the asset mix.

The weighted average duration of the defined benefit plan obligations as at March 31, 2023 was 13.7 years.

24. Capital Stock and Other Equity Items

(1) Capital stock and treasury stock

The number of authorized shares as at March 31, 2022 and 2023 was 341,690,000 shares.

The Company's issued shares were as follows:

| | For the year ended March 31, 2022 | For the year ended March 31, 2023 |
|--|--------------------------------------|--------------------------------------|
| | shares | shares |
| Number of issued shares (common shares with no par value) | | |
| As at the beginning of the year | 244,639,390 | 245,220,890 |
| Increase during the year (*1)(*2) | 581,500 | 27,137,400 |
| As at the end of the year | <u>245,220,890</u> | <u>272,358,290</u> |

Notes:

1. The increase during the year ended March 31, 2022 consisted of the issuance of new shares totaling 137,800 shares and the exercise of the stock acquisition rights totaling 443,700 shares.
2. The increase during the year ended March 31, 2023 consisted of the issuance of new shares totaling 27,000,000 shares and the exercise of the stock acquisition rights totaling 137,400 shares.

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

| | For the year ended March 31, 2022 | For the year ended March 31, 2023 |
|--------------------------------------|--------------------------------------|--------------------------------------|
| | Shares | Shares |
| Number of treasury stock | | |
| As at the beginning of the year | 15,084 | 22,486 |
| Increase during the year (Notes 1,3) | 8,012 | 5,885 |
| Decrease during the year (Notes 2,4) | (610) | (920) |
| As at the end of the year | <u>22,486</u> | <u>27,451</u> |

Notes:

1. The increase of 8,012 shares during the year ended March 31, 2022 related to the purchase of shares from shareholders with less than one unit of shares.
2. The decrease of 610 shares during the year ended March 31, 2022 related to the sale of shares to shareholders with less than one unit of shares.
3. The increase of 5,885 shares during the year ended March 31, 2023 related to the purchase of shares from shareholders with less than one unit of shares.
4. The decrease of 920 shares during the year ended March 31, 2023 related to the sale of shares to shareholders with less than one unit of shares.

(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 | | | | | Total |
|-------------------------------|----------------------------------|---------------------------------------|-------------------------------------|---|--|-----------------|
| | Currency translation differences | Equity instruments measured at FVTOCI | Debt instruments measured at FVTOCI | Changes in own credit risk on financial liabilities | Remeasurement of defined benefit plans | |
| | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen |
| Balance as at April 1, 2021 | 17,909 | (779) | 1,067 | — | — | 18,197 |
| Change for the year | 26,483 | (192) | (2,648) | 113 | (530) | 23,226 |
| Transfer to retained earnings | — | 912 | — | — | 530 | 1,442 |
| Balance as at March 31, 2022 | 44,392 | (59) | (1,581) | 113 | — | 42,865 |
| Change for the year | 24,513 | (3,524) | (3,916) | 196 | (780) | 16,489 |
| Transfer to retained earnings | — | (17) | — | — | 780 | 763 |
| Balance as at March 31, 2023 | <u>68,905</u> | <u>(3,600)</u> | <u>(5,497)</u> | <u>309</u> | <u>—</u> | <u>60,117</u> |

25. Dividends

Dividends paid were as follows:

Year ended March 31, 2022

| | Type of share | Dividend amount (Millions of Yen) | Amount per share (Yen) | Record date | Effective date |
|---|---------------|-----------------------------------|------------------------|--------------------|-------------------|
| Board of Directors' Meeting on April 28, 2021 | Common shares | 24,462 | 100 | March 31, 2021 | June 9, 2021 |
| Board of Directors' Meeting on October 28, 2021 | Common shares | 7,346 | 30 | September 30, 2021 | December 13, 2021 |

Year ended March 31, 2023

| | Type of share | Dividend amount (Millions of Yen) | Amount per share (Yen) | Record date | Effective date |
|--|---------------|-----------------------------------|------------------------|--------------------|-------------------|
| Board of Directors' Meeting on June 29, 2022 | Common shares | 29,424 | 120 | March 31, 2022 | June 30, 2022 |
| Board of Directors' Meeting on November 30, 2022 | Common shares | 8,167 | 30 | September 30, 2022 | December 19, 2022 |

Dividends for which the declared date fell in the year ended March 31, 2023, and for which the effective date will be in the year ending March 31, 2024, are as follows:

| | Type of share | Dividend amount (Millions of Yen) | Amount per share (Yen) | Record date | Effective date |
|---|---------------|-----------------------------------|------------------------|----------------|----------------|
| Board of Directors' Meeting on May 12, 2023 | Common shares | 32,680 | 120 | March 31, 2023 | June 9, 2023 |

26. 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.

Share-based compensation expense recognized during the years ended March 31, 2022 and 2023 amounted to ¥692 million and ¥991 million, respectively, and is included in "Selling, general and administrative expenses".

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

Vesting conditions of the stock options include completion of a specified period of service, and 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 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, 2022 | | For the year ended March 31, 2023 | |
|-------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | Number of shares | Weighted average exercise price | Number of shares | Weighted average exercise price |
| | Shares | Yen | Shares | Yen |
| Beginning balance | 8,964,600 | 2,142 | 8,520,900 | 2,173 |
| Exercised | (443,700) | 1,563 | (137,400) | 1,563 |
| Ending balance | <u>8,520,900</u> | <u>2,173</u> | <u>8,383,500</u> | <u>2,183</u> |

Note:

1. Weighted average stock prices upon exercise of stock options for the years ended March 31, 2022 and 2023 were ¥2,886 and ¥2,721, respectively.

The unexercised stock options as at March 31, 2023 are as follows:

| Name | Exercise price | Number of shares | Exercise period |
|--|----------------|------------------|---------------------------------------|
| | Yen | Shares | |
| 2017 Second Stock Acquisition Rights | 1,563 | 1,287,100 | July 29, 2019 - September 30, 2024 |
| 2020 First Stock Acquisition Rights (*1) | 2,280 | 3,300,000 | July 3, 2023 - September 30, 2024 |
| 2020 Second Stock Acquisition Rights | 2,308 | 3,796,400 | July 3, 2023 September 29, 2028 |

Note:

- The stock options were issued 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 ¥55 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, 2021 to the fiscal year ending March 31, 2023, 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, 2022 | | For the year ended March 31, 2023 | |
|-------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | 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 | <u>100</u> | <u>5,000</u> | <u>100</u> | <u>5,000</u> |

Notes:

1. The exercise period as at March 31, 2023 was defined as 30 months after 6 months passed from the IPO date.
2. The remaining stock options as at March 31, 2023 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, 2022 | | For the year ended March 31, 2023 | |
|-------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | Number of shares | Weighted average exercise price | Number of shares | Weighted average exercise price |
| | Shares | Yen | Shares | Yen |
| Beginning balance | 93,300 | 800 | 81,700 | 800 |
| Exercised | (600) | 800 | (5,100) | 800 |
| Forfeited | <u>(11,000)</u> | <u>800</u> | <u>(500)</u> | <u>800</u> |
| Ending balance | <u>81,700</u> | <u>800</u> | <u>76,100</u> | <u>800</u> |

Notes:

1. Weighted average stock prices of stock options upon exercise for the years ended March 31, 2022 and 2023 were ¥1,347 and ¥1,412, respectively.
2. The average remaining exercise period as at March 31, 2023 was 3.0 years.

a-3 SBI FinTech Solutions Co., Ltd.

| | For the year ended March 31, 2022 | | For the year ended March 31, 2023 | |
|-------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | Number of shares | Weighted average exercise price | Number of shares | Weighted average exercise price |
| | Shares | Yen | Shares | Yen |
| Beginning balance | 608,500 | 628 | 604,000 | 628 |
| Exercised | (4,500) | 628 | — | — |
| Ending balance | 604,000 | 628 | 604,000 | 628 |

Notes:

1. Weighted average stock price of stock options upon exercise for the year ended March 31, 2022 was ¥736.
2. The average remaining exercise period as at March 31, 2023 was 0.5 years.

a-4 SBI Insurance Group Co., Ltd.

| | For the year ended March 31, 2022 | | For the year ended March 31, 2023 | |
|-------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | Number of shares | Weighted average exercise price | Number of shares | Weighted average exercise price |
| | Shares | Yen | Shares | Yen |
| Beginning balance | 1,460,700 | 1,734 | 1,460,700 | 1,734 |
| Change | — | — | — | — |
| Ending balance | 1,460,700 | 1,734 | 1,460,700 | 1,734 |

Note: The average remaining exercise period as at March 31, 2023 was 0.2 years.

a-5 Rheos Capital Works Inc.

| | For the year ended March 31, 2022 | | For the year ended March 31, 2023 | |
|-------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | Number of shares | Weighted average exercise price | Number of shares | Weighted average exercise price |
| | Shares | Yen | Shares | Yen |
| Beginning balance | 544,000 | 33 | 884,000 | 545 |
| Granted | 342,000 | 1,365 | — | — |
| Forfeited | (2,000) | 1,365 | (11,000) | 1,365 |
| Ending balance | 884,000 | 545 | 873,000 | 543 |

Notes:

1. The stock options did not vest as at March 31, 2023.
2. The average remaining exercise period as at March 31, 2023 was 4.9 years.
3. The fair value of stock options granted during the year ended March 31, 2022 was ¥45,081 (the number of shares to be issued per option is 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 | : | ¥1,365 | Estimated remaining exercise period | : | 5.9 years |
| Exercise price | : | ¥1,365 | Dividend yield | : | 0.00% |
| Estimated volatility | : | 34.9% | Risk free rate | : | 0.06% |

a-6 SBI Leasing Services Co., Ltd.

| | For the year ended March 31, 2022 | | For the year ended March 31, 2023 | |
|-------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | Number of shares | Weighted average exercise price | Number of shares | Weighted average exercise price |
| | Shares | Yen | Shares | Yen |
| Beginning balance | – | – | 339,600 | 2,250 |
| Granted | 339,600 | 2,250 | – | – |
| Forfeited | – | – | (11,600) | 2,250 |
| Ending balance | 339,600 | 2,250 | 328,000 | 2,250 |

Notes:

1. The average remaining exercise period as at March 31, 2023 was 5.3 years
2. Stock options granted during the year ended March 31, 2022 were 159,400 shares for the First Stock Acquisition Rights, 74,000 shares for the Second Stock Acquisition Rights and 106,200 shares for the Third Stock Acquisition Rights.

The stock options for the First Stock Acquisition Rights were issued upon receipt of cash for the price equivalent to their fair value, which was ¥22,000 (The number of shares to be issued per stock acquisition right: 200 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 measurement date | : ¥2,250 | Estimated remaining exercise period | : 6.4 years |
| Exercise price | : ¥2,250 | Dividend yield | : 0.0% |
| Estimated volatility | : 54.8% | Risk free rate | : (0.11)% |

The fair value of stock options for the Second Stock Acquisition Rights and the Third Stock Acquisition Rights was ¥229,870 (The number of shares to be issued per stock acquisition right: 200 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 | : ¥2,250 | Estimated remaining exercise period | : 6.4 years |
| Exercise price | : ¥2,250 | Dividend yield | : 0.0% |
| Estimated volatility | : 54.6% | Risk free rate | : 0.01% |

3. The First Stock Acquisition Rights and the Second Stock Acquisition Rights are subject to the vesting condition that the total amount of ordinary income of the subsidiary as shown in the consolidated statement of income for the years ended March 31, 2023 and 2024 exceeds ¥7 billion.
4. On July 22, 2022, a 200-for-1 stock split of shares of common stock was conducted, and the above figures are based on the assumption that the stock split was conducted at the beginning of the year ended March 31, 2022.

a-7 ARUHI Corporation

For the year ended March 31, 2023

| | Number of shares | Weighted average exercise price |
|----------------------------------|------------------|---------------------------------|
| | Shares | Yen |
| Beginning balance | — | — |
| Change in scope of consolidation | 637,400 | 1,323 |
| Exercised | (87,100) | 682 |
| Forfeited | (8,900) | 1,708 |
| Ending balance | <u>541,400</u> | <u>1,420</u> |

Notes:

1. Weighted average stock price of stock options upon exercise for the year ended March 31, 2023 was ¥1,090.
2. The average remaining exercise period as at March 31, 2023 was 4.4 years.

(2) Restricted share-based payment

The Company's restricted share-based payment plan grants monetary compensation claims to directors (the "eligible directors"), excluding outside directors, and allocates restricted shares to the eligible directors by having the eligible directors pay all of the monetary compensation claims by contribution in kind. During the restricted period (from the payment date to February 28, 2025) stipulated in the Restricted Share Allotment Agreement executed between the Company and the eligible directors, the eligible directors may not transfer, pledge as collateral, or otherwise dispose of the restricted shares.

The restricted shares allocated during the year ended March 31, 2022 were as follows:

| | For the year ended March 31, 2022 |
|--|-----------------------------------|
| Payment date | February 15, 2022 |
| Type and number of shares to be issued | 137,800 shares of common stock |
| Issue price | ¥2,830 |

Note:

1. The issue price is the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the Board of Directors' resolution regarding the allotment of restricted shares.

27. Revenue

Revenue for the years ended March 31, 2022 and 2023 consisted of the following:

| | For the year ended March 31, 2022 | For the year ended March 31, 2023 |
|---|--------------------------------------|--------------------------------------|
| | Millions of yen | Millions of yen |
| Revenue | | |
| Financial income | | |
| Interest income | | |
| Income arising from financial assets measured at amortized cost (*1) | 208,079 | 396,530 |
| Income arising from debt instruments measured at FVTOCI (*2) | 1,340 | 7,882 |
| Income arising from financial assets measured at FVTPL | 173,744 | 61,845 |
| Income arising from financial liabilities designated at FVTPL | 5,475 | (244) |
| Others | 8,331 | 24,029 |
| Total financial income | 396,969 | 490,042 |
| Revenue arising on insurance contracts | 112,630 | 122,119 |
| Revenue from contracts with customers | | |
| Revenue from rendering of services | 130,403 | 185,461 |
| Revenue from sales of goods | 37,939 | 48,854 |
| Others | 85,677 | 152,083 |
| Total revenue | 763,618 | 998,559 |

Notes:

1. The amount mainly consists of interest income arising from bonds held in the banking business and from loans in the banking and securities businesses.
2. The amount mainly consists of interest income arising from bonds in the banking and insurance businesses.

(1) Disaggregation of revenue

Revenue from contracts with customers for the years ended March 31, 2022 and 2023 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 aircraft, pharmaceutical products, supplements, and cosmetics.

For the year ended March 31, 2022

| | Asset | | | | | | | Consolidated Total |
|---|--------------------------------|------------------------|------------------------|--------------------------|---------------------------|-----------------|-----------------------------|-----------------------|
| | Financial Services Business | Management Business | Investment Business | Crypto-asset Business | Non-Financial Business | Total | Elimination or Corporate | |
| | Millions of Yen | 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 | 105,780 | 16,716 | 4,385 | 462 | 9,723 | 137,066 | (6,663) | 130,403 |
| Revenue from sales of goods | 694 | — | 26,835 | — | 10,793 | 38,322 | (383) | 37,939 |
| Total | 106,474 | 16,716 | 31,220 | 462 | 20,516 | 175,388 | (7,046) | 168,342 |

For the year ended March 31, 2023

| | Asset | | | | | | | Consolidated Total |
|---------------------------------------|--------------------------------|------------------------|------------------------|--------------------------|---------------------------|-----------------|-----------------------------|-----------------------|
| | Financial Services Business | Management Business | Investment Business | Crypto-asset Business | Non-Financial Business | Total | Elimination or Corporate | |
| | 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 | 154,582 | 20,298 | 6,354 | 27 | 10,820 | 192,081 | (6,620) | 185,461 |
| Revenue from sales of goods | 5,583 | — | 31,369 | — | 12,204 | 49,156 | (302) | 48,854 |
| Total | 160,165 | 20,298 | 37,723 | 27 | 23,024 | 241,237 | (6,922) | 234,315 |

(2) Contract balance

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

| | Balance as at April 1, 2021 | Balance as at March 31, 2022 |
|--|-----------------------------|------------------------------|
| | Millions of Yen | Millions of Yen |
| Trade receivables from contract with customers | 8,770 | 10,385 |
| Contract liabilities | 16,543 | 5,876 |
| | Balance as at April 1, 2022 | Balance as at March 31, 2023 |
| | Millions of Yen | Millions of Yen |
| Trade receivables from contract with customers | 10,385 | 10,247 |
| Contract liabilities | 5,876 | 5,136 |

Contract liabilities consist primarily of the balance of annual membership fee income in the card business for which the performance obligation has not been satisfied as of the end of the period.

Of the revenues recognized during the years ended March 31, 2022 and 2023, ¥1,353 million and ¥5,876 million were included in the balance of contract liabilities as at April 1, 2021 and 2022, respectively.

28. Expense

Expense for the years ended March 31, 2022 and 2023 consisted of the following:

(1) Financial cost associated with financial income

| | For the year ended March 31, 2022 | For the year ended March 31, 2023 |
|---|--------------------------------------|--------------------------------------|
| | Millions of Yen | Millions of Yen |
| Financial cost associated with financial income | | |
| Interest expense | | |
| Financial liabilities measured at amortized cost | (33,603) | (102,473) |
| Total financial cost associated with financial income | (33,603) | (102,473) |

(2) Operating cost

| | For the year ended March 31, 2022 | For the year ended March 31, 2023 |
|-------------------------------------|--------------------------------------|--------------------------------------|
| | Millions of Yen | Millions of Yen |
| Payroll | (15,763) | (14,106) |
| Outsourcing fees | (48,092) | (63,365) |
| Depreciation and amortization | (9,528) | (15,003) |
| Cost arising on insurance contracts | (82,540) | (89,858) |
| Others | (65,899) | (100,405) |
| Total operating cost | (221,822) | (282,737) |

(3) Selling, general and administrative expenses

| | For the year ended March 31, 2022 | For the year ended March 31, 2023 |
|--|--------------------------------------|--------------------------------------|
| | Millions of Yen | Millions of Yen |
| Payroll | (70,335) | (130,209) |
| Outsourcing fees | (47,351) | (66,131) |
| Depreciation and amortization | (22,585) | (41,157) |
| Research and development | (2,187) | (1,538) |
| Others | (87,376) | (145,577) |
| Total selling, general and administrative expenses | (229,834) | (384,612) |

(4) Other financial cost

| | For the year ended March 31, 2022 | For the year ended March 31, 2023 |
|--|--------------------------------------|--------------------------------------|
| | Millions of Yen | Millions of Yen |
| Other financial cost | | |
| Interest expense | | |
| Financial liabilities measured at amortized cost | (8,555) | (20,183) |
| Total other financial cost | (8,555) | (20,183) |

(5) Other expenses

| | For the year ended March 31, 2022 | For the year ended March 31, 2023 |
|-----------------------|--------------------------------------|--------------------------------------|
| | Millions of Yen | Millions of Yen |
| Impairment loss | (17,510) | (3,586) |
| Foreign exchange loss | (2,999) | — |
| Others (Note) | (7,751) | (19,271) |
| Total other expenses | (28,260) | (22,857) |

29. Income Tax Expense

The amount of income tax expenses for the years ended March 31, 2022 and 2023 were as follows:

| | For the year ended March 31, 2022 | For the year ended March 31, 2023 |
|--------------------------|--------------------------------------|--------------------------------------|
| | Millions of Yen | Millions of Yen |
| Income tax expense | | |
| Current | (34,028) | (38,487) |
| Deferred | (22,972) | 8,742 |
| Total income tax expense | (57,000) | (29,745) |

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, 2022 and 2023 is as follows:

| | For the year ended March 31, 2022 | For the year ended March 31, 2023 |
|---|--------------------------------------|--------------------------------------|
| | % | % |
| Normal effective statutory tax rate | 30.6 | 30.6 |
| Permanent differences such as meals and entertainment | 0.6 | 1.5 |
| Tax effect on minority interests of investments in fund | (1.1) | (2.9) |
| Temporary differences arising from consolidation of investments | (23.3) | 1.3 |
| Change in unrecognized deferred tax assets | 8.0 | (1.9) |
| Other | (1.0) | 0.9 |
| Average effective tax rate | 13.8 | 29.5 |

30. Other Comprehensive Income

Amounts recorded during the year, reclassification adjustments and income tax effects on each item of other comprehensive income for the years ended March 31, 2022 and 2023 were as follows:

For the year ended March 31, 2022

| | 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 | (99) | — | (99) | (394) | (493) |
| Changes in own credit risk on financial liabilities | 234 | — | 234 | — | 234 |
| Remeasurement of defined benefit plans | (1,656) | — | (1,656) | 565 | (1,091) |
| Share of other comprehensive income of associates and joint ventures accounted for using the equity method | 130 | — | 130 | — | 130 |
| | <u>(1,391)</u> | <u>—</u> | <u>(1,391)</u> | <u>171</u> | <u>(1,220)</u> |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Debt instruments measured at FVTOCI | (4,785) | (612) | (5,397) | 705 | (4,692) |
| Currency translation differences | 31,540 | (1,299) | 30,241 | — | 30,241 |
| Share of other comprehensive income of associates and joint ventures accounted for using the equity method | 767 | 0 | 767 | — | 767 |
| | <u>27,522</u> | <u>(1,911)</u> | <u>25,611</u> | <u>705</u> | <u>26,316</u> |
| Total | <u><u>26,131</u></u> | <u><u>(1,911)</u></u> | <u><u>24,220</u></u> | <u><u>876</u></u> | <u><u>25,096</u></u> |

For the year ended March 31, 2023

| | 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 | (7,234) | — | (7,234) | 61 | (7,173) |
| Changes in own credit risk on financial liabilities | 389 | — | 389 | — | 389 |
| Remeasurement of defined benefit plans | (1,830) | — | (1,830) | 456 | (1,374) |
| Share of other comprehensive income of associates and joint | (3) | — | (3) | — | (3) |

| | | | | | |
|---|----------------------|---------------------|----------------------|-------------------|----------------------|
| ventures accounted for using the equity method | <u>(8,678)</u> | <u>—</u> | <u>(8,678)</u> | <u>517</u> | <u>(8,161)</u> |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Debt instruments measured at FVTOCI | (12,086) | 3,979 | (8,107) | 284 | (7,823) |
| Currency translation differences | 30,247 | (7) | 30,240 | — | 30,240 |
| Share of other comprehensive income of associates and joint ventures accounted for using the equity method | 2,003 | — | 2,003 | — | 2,003 |
| | <u>20,164</u> | <u>3,972</u> | <u>24,136</u> | <u>284</u> | <u>24,420</u> |
| Total | <u><u>11,486</u></u> | <u><u>3,972</u></u> | <u><u>15,458</u></u> | <u><u>801</u></u> | <u><u>16,259</u></u> |

31. Earnings per Share

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

| | For the year ended March 31, 2022 | For the year ended March 31, 2023 |
|--|--------------------------------------|--------------------------------------|
| | Millions of Yen | Millions of Yen |
| Earnings | | |
| Profit attributable to owners of the Company | 366,854 | 35,000 |
| Dilutive effect : Convertible bonds | 757 | 764 |
| Profit attributable to owners of the Company after dilutive effect | 367,611 | 35,764 |
| Shares | | |
| Basic weighted average number of ordinary shares (shares) | 244,805,985 | 264,766,019 |
| Dilutive effect : Stock options (shares) | 2,256,409 | 1,651,841 |
| Dilutive effect : Convertible bonds (shares) | 38,816,665 | 39,567,668 |
| Weighted average number of ordinary shares after the dilutive effect (shares) | 285,879,059 | 305,985,528 |
| Earnings per share attributable to owners of the Company | | |
| Basic (in Yen) | 1,498.55 | 132.19 |
| Diluted (in Yen) | 1,285.90 | 116.88 |

32. Cash Flow Information

Supplemental disclosure of consolidated statement of cash flow information for the years ended March 31, 2022 and 2023 was as follows:

(1) Expenditures on acquisition of subsidiaries

Total consideration paid for acquisition of subsidiaries were ¥123,951 million and ¥68,737 million for the years ended March 31, 2022 and 2023, respectively. The consideration paid for the years ended March 31, 2022 and 2023 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, 2022 | For the year ended March 31, 2023 |
|--|--------------------------------------|--------------------------------------|
| | Millions of Yen | Millions of Yen |
| Cash and cash equivalents | 1,858,681 | 62,140 |
| Trade and other receivables | 6,738,260 | 121,447 |
| Assets related to securities business | 1,584 | — |
| Other financial assets | 360,281 | 37,712 |
| Other investment securities | 1,088,447 | 1,931 |
| Intangible assets | 49,667 | 8,310 |
| Other assets | 181,816 | 44,717 |
| Total assets | 10,278,736 | 276,257 |
| Bonds and loans payable | 1,813,416 | 137,521 |
| Trade and other payables | 276,907 | 40,047 |
| Liabilities related to securities business | 1,329 | — |
| Customer deposits for banking business | 6,400,553 | — |
| Other financial liabilities | 698,315 | 41,685 |
| Other liabilities | 108,974 | 6,796 |
| Total liabilities | 9,299,494 | 226,049 |

(2) Proceeds from sales of subsidiaries

Total consideration received in respect of sales of subsidiaries was ¥1,699 million and ¥25 million for the years ended March 31, 2022 and 2023, respectively. Consideration received consisted solely of cash and cash equivalents.

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, 2022 | For the year ended March 31, 2023 |
|-----------------------------|--------------------------------------|--------------------------------------|
| | Millions of Yen | Millions of Yen |
| Cash and cash equivalents | 981 | 9 |
| Trade and other receivables | 46 | — |
| Property and equipment | 19,323 | — |
| Other assets | 2,056 | — |
| Total assets | 22,406 | 9 |
| Bonds and loans payable | 15,218 | — |
| Trade and other payables | 309 | — |
| Other liabilities | 718 | 2 |
| Total liabilities | 16,245 | 2 |

(3) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities were as follows:

| | Borrowings | Bond | Total |
|---|-----------------|-----------------|-----------------|
| | Millions of Yen | Millions of Yen | Millions of Yen |
| Balance as at April 1, 2021 | 892,167 | 501,970 | 1,394,137 |
| Cash flow from operating activities | (28,241) | 2,093 | (26,148) |
| Cash flow from financing activities | (187,515) | 382,131 | 194,616 |
| Non-cash changes | | | |
| Change in scope of consolidation | 1,214,724 | 579,570 | 1,794,294 |
| Interest expense | 1,188 | 434 | 1,622 |
| Foreign currency translation adjustment on foreign operations | 1,535 | 3,321 | 4,856 |
| Others | 1,483 | — | 1,483 |
| Balance as at March 31, 2022 | 1,895,341 | 1,469,519 | 3,364,860 |
| Cash flow from operating activities | (409,133) | (202,002) | (611,135) |
| Cash flow from financing activities | 489,976 | 280,002 | 769,978 |
| Non-cash changes | | | |
| Change in scope of consolidation | 125,811 | 11,710 | 135,521 |
| Interest expense | 1,768 | 558 | 2,326 |
| Foreign currency translation adjustment on foreign operations | 2,499 | 11,546 | 14,045 |
| Others | 2,554 | 206 | 2,760 |
| Balance as at March 31, 2023 | 2,108,816 | 1,571,539 | 3,680,355 |

33. Subsidiaries

Major subsidiaries of the Group as at March 31, 2023 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 | 66.6 (66.6) |
| | SBI Insurance Group Co., Ltd. | Japan | 68.9 |
| | 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 |
| | SBI Estate Finance Co., Ltd. | Japan | 100.0 (100.0) |
| | SBI Shinsei Bank, Limited | Japan | 50.0 (50.0) |
| | Showa Leasing Co., Ltd. | Japan | 100.0 (100.0) |
| | APLUS Co., Ltd. | Japan | 100.0 (100.0) |
| | Shinsei Financial Co., Ltd. | Japan | 100.0 (100.0) |
| | SBI SAVINGS BANK | Korea | 100.0 (100.0) |
| SBI Regional Bank Holdings Co., Ltd. | Japan | 100.0 | |
| Asset Management Business | SBI Asset Management Group Co., Ltd. | Japan | 100.0 |
| | SBI Global Asset Management Co., Ltd. | Japan | 52.6 (52.6) |
| | SBI Asset Management Co., Ltd. | Japan | 87.5 (87.5) |
| Investment Business | SBI Capital Management Co., Ltd. | Japan | 100.0 |
| | SBI Investment Co., Ltd. | Japan | 100.0 (100.0) |
| | SBI Hong Kong Holdings Co., Ltd. | Hong Kong | 100.0 |
| | SBI VENTURES ASSET PTE. LTD. | Singapore | 100.0 (100.0) |
| Crypto-asset Business | SBI VC Trade Co., Ltd. | Japan | 100.0 (100.0) |
| Non-Financial Business | SBI ALApharma Co., Limited | Hong Kong | 97.0 (97.0) |

| | | |
|-------------------------------|-------|------------------|
| SBI Pharmaceuticals Co., Ltd. | Japan | 100.0 (100.0) |
| SBI ALApromo Co., Ltd. | Japan | 100.0 (100.0) |
| SBI Biotech Co., Ltd. | Japan | 95.8 (1.1) |

Note:

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

Subsidiaries with material noncontrolling interests are as follows:

Year ended March 31, 2022

| Name | Location | Percentage of voting rights held by non-controlling interests | Net income (loss) allocated to non-controlling interests | Cumulative amount of non-controlling interests |
|---------------------------|----------|---|--|--|
| | | % | Millions of Yen | Millions of Yen |
| SBI Shinsei Bank, Limited | Japan | 51.4 | (29,503) | 471,528 |

Year ended March 31, 2023

| Name | Location | Percentage of voting rights held by non-controlling interests | Net income (loss) allocated to non-controlling interests | Cumulative amount of non-controlling interests |
|---------------------------|----------|---|--|--|
| | | % | Millions of Yen | Millions of Yen |
| SBI Shinsei Bank, Limited | Japan | 50.0 | 23,398 | 479,671 |

The following is a condensed financial information of SBI Shinsei Bank, Limited. The following condensed financial information is before elimination of intergroup transactions.

| | As at March 31, 2022 | As at March 31, 2023 |
|---|-----------------------------------|-----------------------------------|
| | Millions of Yen | Millions of Yen |
| Total assets | 9,967,865 | 13,091,690 |
| Total liabilities | 9,055,154 | 12,129,399 |
| Total equity | 912,711 | 962,291 |
| | For the year ended March 31, 2022 | For the year ended March 31, 2023 |
| | Millions of Yen | Millions of Yen |
| Revenue | 64,979 | 409,235 |
| Profit for the year | (56,473) | 46,585 |
| Total comprehensive income | (42,522) | 45,227 |
| Cash flows from operating activities | (387,421) | 1,377,788 |
| Cash flows from investing activities | 215,526 | (949,025) |
| Cash flows from financing activities | (9,309) | (13,936) |
| Net change in cash and cash equivalents | (181,204) | 414,827 |

Note:

Figures for the year ended March 31, 2022 are stated from the acquisition date (December 17, 2021) to March 31, 2022.

34. Related Party Transactions

(1) Related Party Transactions

Not applicable.

(2) The remuneration of key management personnel of the Company for the years ended March 31, 2022 and 2023

| | For the year ended March 31, 2022 | For the year ended March 31, 2023 |
|--------------------------|--------------------------------------|--------------------------------------|
| | Millions of Yen | Millions of Yen |
| Remuneration and bonuses | 1,464 | 987 |
| Post-employment benefits | 3 | 141 |
| Total | 1,467 | 1,128 |

35. Events after the Reporting Period

SBI Holdings, Inc. ("SBIHD") and SBI Regional Bank Holdings Co., Ltd. (the "Tender Offeror" ; together with SBIHD, the "SBIHD Parties") each determined at their respective boards of directors meetings held on May 12, 2023 to acquire the common shares of SBI Shinsei Bank, Limited (the "Target Company", and the common shares thereof, the "Target Company Shares") through a tender offer (the "Tender Offer") pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended). The Tender Offer was completed on June 23, 2023.

(1) Purpose of the Tender Offer

In order to further strengthen the strategies of the entire group as well as to promptly and flexibly implement the various initiatives and measures, the SBIHD Parties believe that it is necessary to further enhance the alliance of the Target Company Group and each company in the SBIHD Group, to optimize allocation of management resources in the entire group, and to utilize each company's resource assets by strategically combining them across the group. The SBIHD Parties plan to do this by taking the Target Company private and believe that it is the optimum choice for continued enhancement of the corporate value of the SBIHD Group, including the Target Company Group, to promptly and flexibly implement decision-making by each company of the SBIHD Group, including the Target Company Group, concerning initiatives and measures across the group, and to continuously ensure the Target Company will not become an institutional bank and actively conduct transactions with the SBIHD Group that may lead to the mid- and long-term growth of the entire SBIHD Group, including the Target Company Group, for which conservative decisions tended to be made from the perspective of protecting the interests of the Target Company's minority shareholders (such as finance to the SBIHD Parties' investee companies, provision of services, co-financing, and assumption of joint financial advisors of M&A transactions by the SBIHD Group and the Target Company Group).

(2) Outline of the Target Company

| | |
|---|---|
| (1) Name | SBI Shinsei Bank, Limited |
| (2) Address | 2-4-3, Nihonbashi-muromachi, Chuo-ku, Tokyo |
| (3) Name and position of representative | Katsuya Kawashima, Representative Director, President |
| (4) Stated capital | 512,204 million yen (as of March 31, 2023) |

(3) Outline of the Tender Offer

The Tender Offeror is a stock company established on August 25, 2015 mainly for the purpose of increasing the profitability of regional financial institutions and thereby enhancing their corporate value by directly investing in regional financial institutions while utilizing the products, services, and know-how held by the companies belonging to the SBIHD Group and the SBIHD Group's investee companies. As of the commencement date of the Tender Offer, the Tender Offeror's issued shares were all owned by

SBI Holdings, Inc. As of the commencement date of the Tender Offer, the Tender Offeror owned 102,159,999 shares (ownership ratio: 50.04%) of the Target Company's common stock and has made the Target Company its consolidated subsidiary. In addition, as of the commencement date of the Tender Offer, SBIHD owned no Target Company Shares directly.

The SBIHD Parties decided that the Tender Offeror will implement the Tender Offer as part of the transaction whose purpose is privatization by which the Tender Offeror, the Deposit Insurance Corporation of Japan (the "DIC") (number of shares owned: 26,912,888 shares; ownership ratio: 13.18%), and The Resolution and Collection Corporation ("RCC") (number of shares owned: 20,000,000 shares; ownership ratio: 9.80%) will become the only shareholders of the Target Company through the acquisition of all of the Target Company Shares (excluding the Target Company Shares owned by the Tender Offeror, the treasury shares owned by the Target Company, and the Target Company Shares owned by the DIC and RCC).

(1) Tender Offer Period at the Time of Filing: Monday, May 15, 2023 to Friday, June 23, 2023
(30 business days)

(2) Price for Purchase, etc. 2,800 yen per share of common shares

(3) Purchase Price 154,201,835,200 yen

(4) Commencement Date of Settlement Friday, June 30, 2023

(4) Results of the Tender Offer

Number of Shares Purchased 7,547,389 shares

When the number of shares of the Target Company to be acquired by the Tender Offeror through the Tender Offer is added to the number of shares of the Target Company already held by the Tender Offeror, the ratio of voting rights held by the Group will be 53.74%.

(5) Impact on consolidated financial statements

The effect on the consolidated financial statements for the year ended March 31, 2023, assuming that the number of shares purchased (7,547,389 shares) had been acquired at the end of the current period, would be an increase of ¥13,925 million in capital surplus and a decrease of ¥35,058 million in noncontrolling interests.