

SBI HOLDINGS, INC.

Consolidated Financial Statements
2023.4.1-2024.3.31

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at March 31, 2023 Millions of Yen	As at March 31, 2024 Millions of Yen
Assets			
Cash and cash equivalents	6,8,20,26	3,200,916	4,580,335
Trade and other accounts receivable	2,6,7,8,9,14, 20	10,484,222	11,606,228
Inventories	2,10,20	98,149	240,398
Assets related to securities business	6,7,8,11	4,517,282	6,165,370
Other financial assets	2,6,7,8,14	457,727	567,190
Operational investment securities	6,7,8,12,14	581,364	673,625
Other investment securities (includes ¥222,987 million and ¥388,333 million pledged as collateral)	6,7,8,12, 14,20	1,997,856	2,088,542
Reinsurance contracts assets		24,033	24,270
Investments accounted for using the equity method	13	199,882	222,010
Investment properties	15,20	72,124	79,665
Property and equipment	16,20	124,655	133,777
Intangible assets	17	366,040	415,699
Assets held for sale	2,18,20	75,873	184,001
Other assets	2,20	87,280	138,766
Deferred tax assets	19	14,572	19,515
Total assets		22,301,975	27,139,391
Liabilities			
Bonds and loans payable	6,7,8,20	3,680,355	4,477,079
Trade and other accounts payable	6,7,8,21	482,677	656,571
Liabilities related to securities business	6,7,8,22	3,888,249	5,527,306
Customer deposits for banking business	6,7,8,20	11,472,323	13,002,239
Insurance contract liabilities	23	151,952	155,046
Income tax payable		16,951	19,036
Other financial liabilities	2,6,7,20	595,150	871,305
Provisions	25	43,811	36,853
Liabilities directly associated with assets held for sale	2,18,20	47,283	138,506
Other liabilities	2,20	121,082	286,443
Deferred tax liabilities	19	50,160	61,661
Total liabilities		20,549,993	25,232,045
Equity			
Capital stock	27	139,272	180,400
Capital surplus	27	186,774	280,185
Treasury stock	27	(76)	(87)
Other components of equity	27	61,047	125,726
Retained earnings	27	629,095	675,985
Equity attributable to owners of the Company		1,016,112	1,262,209
Non-controlling interests		735,870	645,137
Total equity		1,751,982	1,907,346
Total liabilities and equity		22,301,975	27,139,391

CONSOLIDATED STATEMENT OF INCOME

	Notes	Fiscal year ended March 31, 2023 Millions of Yen	Fiscal year ended March 31, 2024 Millions of Yen
Revenue (includes ¥404,412 million and ¥500,112 million of interest income, and ¥80,537 million and ¥87,665 million of insurance revenue)	5,23,30	956,977	1,210,504
Expense			
Financial cost associated with financial income	31	(102,473)	(167,940)
Provision for credit losses		(93,780)	(112,765)
Insurance service expenses	23	(76,000)	(79,173)
Operating cost	31	(185,284)	(265,861)
Selling, general and administrative expenses	31	(363,295)	(405,759)
Other financial cost	31	(19,985)	(41,713)
Other expenses	31	(22,856)	(13,060)
Total expense		(863,673)	(1,086,271)
Gain on bargain purchase		2,460	2,823
Share of the profit of associates and joint ventures accounted for using the equity method	5,13	6,376	14,513
Profit before income tax expense	5	102,140	141,569
Income tax expense	32	(30,444)	(27,953)
Profit for the year		71,696	113,616
Profit for the year attributable to			
Owners of the Company		35,445	87,243
Non-controlling interests		36,251	26,373
Profit for the year		71,696	113,616
Earnings per share attributable to owners of the Company			
Basic (Yen)	34	133.87	316.43
Diluted (Yen)	34	118.34	285.60

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Fiscal year ended March 31, 2023 Millions of Yen	Fiscal year ended March 31, 2024 Millions of Yen
Profit for the year		71,696	113,616
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Equity instruments measured at FVTOCI	33	(7,173)	5,615
Changes in own credit risk on financial liabilities	33	389	(8)
Remeasurement of defined benefit plans	33	(1,374)	(1,054)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	33	(3)	0
		(8,161)	4,553
Items that may be reclassified subsequently to profit or loss			
Debt instruments measured at FVTOCI	33	(7,823)	(1,500)
Currency translation differences	33	30,248	71,051
Fluctuations in discount rates of insurance contracts	33	1,350	1,490
Cash flow hedges	33	-	(3,700)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	33	1,995	4,847
		25,770	72,188
Other comprehensive income, net of tax		17,609	76,741
Total comprehensive income		89,305	190,357
Total comprehensive income attributable to			
Owners of the Company		52,864	152,506
Non-controlling interests		36,441	37,851
Total comprehensive income		89,305	190,357

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company							
	Notes	Capital	Capital	Treasury	Other	Retained		Non-	
		stock	surplus	stock	components	earnings	Total	controlling	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
Cumulative effect of change in accounting policy	2	-	-	-	-	905	905	385	1,290
Restated balance as at April 1, 2022		99,312	151,390	(62)	42,865	632,003	925,508	659,040	1,584,548
Profit for the year		-	-	-	-	35,445	35,445	36,251	71,696
Other comprehensive income		-	-	-	17,419	-	17,419	190	17,609
Total comprehensive income		-	-	-	17,419	35,445	52,864	36,441	89,305
Issuance of new shares	27	39,960	39,905	-	-	-	79,865	-	79,865
Change in scope of consolidation		-	-	-	-	-	-	(8,496)	(8,496)
Dividends paid	28	-	-	-	-	(37,590)	(37,590)	(18,773)	(56,363)
Treasury stock purchased	27	-	-	(16)	-	-	(16)	-	(16)
Treasury stock sold	27	-	(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	27	-	-	-	763	(763)	-	-	-
As at March 31, 2023		139,272	186,774	(76)	61,047	629,095	1,016,112	735,870	1,751,982

		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, 2023		139,272	186,774	(76)	61,047	629,095	1,016,112	735,870	1,751,982
Profit for the year		-	-	-	-	87,243	87,243	26,373	113,616
Other comprehensive income		-	-	-	65,263	-	65,263	11,478	76,741
Total comprehensive income		-	-	-	65,263	87,243	152,506	37,851	190,357
Issuance of new shares	27	6,110	3,787	-	-	-	9,897	-	9,897
Conversion of convertible bonds		35,018	34,003	-	-	-	69,021	-	69,021
Change in scope of consolidation		-	-	-	-	-	-	(21,673)	(21,673)
Dividends paid	28	-	-	-	-	(40,937)	(40,937)	(14,098)	(55,035)
Treasury stock purchased	27	-	-	(12)	-	-	(12)	-	(12)
Treasury stock sold	27	-	0	1	-	-	1	-	1
Share-based payment transactions		-	170	-	-	-	170	(31)	139
Changes of interests in subsidiaries without losing control		-	55,451	-	-	-	55,451	(92,782)	(37,331)
Transfer	27	-	-	-	(584)	584	-	-	-
As at March 31, 2024		180,400	280,185	(87)	125,726	675,985	1,262,209	645,137	1,907,346

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
		Millions of Yen	Millions of Yen
Cash flows from operating activities			
Profit before income tax expense		102,140	141,569
Depreciation and amortization		56,129	55,432
Gain on bargain purchase		(2,460)	(2,823)
Share of profits of associates and joint ventures accounted for using the equity method		(6,376)	(14,513)
Interest and dividend income		(424,950)	(531,906)
Interest expense		123,818	206,078
Increase in operational investment securities		(50,286)	(76,851)
Increase in trade and other accounts receivables		(1,818,690)	(936,261)
Increase (decrease) in trade and other accounts payable		(38,059)	141,447
Increase in assets/liabilities related to securities business		(397,031)	(8,520)
Increase in customer deposits for banking business		3,776,127	1,397,222
(Decrease) increase in bonds and loans payable in banking business		(611,135)	678,701
(Decrease) increase in payables under securities lending transactions		(17,430)	163,695
Others		(10,825)	(166,379)
Subtotal		680,972	1,046,891
Interest and dividend income received		422,429	517,379
Interest paid		(103,160)	(190,435)
Income taxes paid		(39,498)	(28,095)
Net cash generated from operating activities		960,743	1,345,740
Cash flows from investing activities			
Purchase of investment property		(44,076)	(21,368)
Purchase of intangible assets		(37,568)	(43,480)
Purchase of investment securities		(3,026,500)	(1,834,145)
Proceeds from sales or redemption of investment securities		2,104,558	1,843,947
Acquisition of subsidiaries, net of cash and cash equivalents acquired	35	(6,597)	(7,030)
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	35	16	2,499
Payments of loans receivable		(141,533)	(176,344)
Collection of loans receivable		115,954	158,211
Others		(39,308)	12,594
Net cash used in investing activities		(1,075,054)	(65,116)

	Notes	Fiscal year ended March 31, 2023 Millions of Yen	Fiscal year ended March 31, 2024 Millions of Yen
Cash flows from financing activities			
Increase (decrease) in short term loans payable	35	375,205	(146,991)
Proceeds from long-term loans payable	35	186,037	113,489
Repayment of long-term loans payable	35	(71,266)	(157,131)
Proceeds from issuance of bonds payable	35	1,342,878	2,098,864
Redemption of bonds payable	35	(1,062,876)	(1,747,111)
Proceeds from issuance of shares		79,865	9,897
Proceeds from stock issuance to non-controlling interests		18,305	9,608
Contributions from non-controlling interests in consolidated investment funds		39,877	25,802
Cash dividends paid		(37,580)	(40,929)
Cash dividends paid to non-controlling interests		(512)	(4,461)
Distributions to non-controlling interests in consolidated investment funds		(16,355)	(9,729)
Purchase of treasury stock		(16)	(12)
Proceeds from sale of interests in subsidiaries to non-controlling interests		5,087	17,773
Payments for purchase of interests in subsidiaries from non-controlling interests		(32,503)	(122,074)
Others		(15,721)	(17,823)
Net cash generated from financing activities		810,425	29,172
Net increase in cash and cash equivalents		696,114	1,309,796
Cash and cash equivalents at the beginning of the year		2,499,370	3,200,916
Effect of changes in exchange rate on cash and cash equivalents		5,432	69,623
Cash and cash equivalents at the end of the year		3,200,916	4,580,335

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 "Next Gen 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 IFRS Accounting Standards ("IFRSs") as issued by the International Accounting Standards Board.

Since the Group meets the criteria of "Specified Company under 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, Yasuo Nishikawa on July 2, 2024.

(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. Material Accounting Policies (3) Financial instruments," "6. Financial Instruments" and "7. Fair Value Measurement"
- Impairment on financial assets – "3. Material Accounting Policies (3) Financial instruments" and "8. Financial Risk Management (4) Credit risk management"
- Impairment on intangible assets – "3. Material Accounting Policies (7) Intangible assets" and "17. Intangible Assets (3) Carrying amount of goodwill"
- Measurements of insurance contracts – "3. Material Accounting Policies (10) Insurance contracts" and "23. Insurance Contracts"
- Recoverability of deferred tax assets – "3. Material Accounting Policies (15) Income tax expense" and "19. Deferred Taxation"
- Scope of subsidiaries – "3. Material Accounting Policies (1) Basis of consolidation" and "36. Subsidiaries"

(5) Application of new and revised IFRSs

The Group adopted the following standard from the year ended March 31, 2024. The accounting policies of these newly adopted standards are stated in "3. Material Accounting Policies (10) Insurance contracts".

IFRS	Summary of new standards and amendments
IFRS 17 Insurance Contracts	Revision with regard to measurement method of insurance liability

The Group had applied IFRS 4 "Insurance Contracts" until the fiscal year ended March 31, 2023. However, it has applied IFRS 17 "Insurance Contracts" ("IFRS 17") from the fiscal year ended March 31, 2024.

The date of transition to IFRS 17 was April 1, 2022 (the "date of transition"). The Group recognized the cumulative effect of applying this standard at the date of transition and retrospectively applied the standard to the consolidated financial statements for the previous period in accordance with the transitional treatment.

The Group does not present the quantitative information required by paragraph 28 (f) of IAS 8 in accordance with paragraph C3 (a) of IFRS 17. The impact of the application of IFRS 17 on retained earnings at the date of transition is presented in the consolidated statement of changes in equity as the cumulative effect of change in accounting policy. In transitioning to IFRS 17, the Group applied the fair value approach to life insurance contracts, except for certain contracts, because it is impracticable for the Group to apply the fully retrospective approach due to a limitation in obtaining the necessary information, resulting from system development or other reasons. The Group applied the fully retrospective approach to other insurance contracts.

(Fully retrospective approach)

The Group recognized and measured each group of insurance contracts and group of reinsurance contracts at the date of transition as if IFRS 17 had always been applied, and recognized any resulting net difference in equity.

(Fair value approach)

For insurance contracts to which it is impracticable to apply the fully retrospective approach, the Group determines the contractual service margin ("CSM") or a loss component of the liability for remaining coverage at the date of transition as the difference between the fair value of a group of insurance contracts at that date and the fulfilment cash flows measured at that date.

The Group determines all contracts that are measured by applying the fair value approach using reasonable and supportable information available at the transition date.

Some of the groups of insurance contracts that are measured by applying the fair value approach include contracts issued more than one year apart. The Group determines the discount rates at the date of initial recognition of such groups at the date of transition instead of at the date of initial recognition. For all contracts that are measured by applying the fair value approach, the Group determines the cumulative amount of insurance finance income or expenses recognized in other comprehensive income at the date of transition as nil.

(6) Change in presentation method

(Consolidated statement of financial position)

"Inventories" and "Assets held for sale," which were included in "Other assets" as at March 31, 2023, and "Provisions" and "Liabilities directly associated with assets held for sale," which were included in "Other liabilities" as at March 31, 2023, are presented separately from the fiscal year ended March 31, 2024 due to their increased materiality.

"Accrued interest receivable," which was included in "Other financial assets" as at March 31, 2023, is included in "Trade and other accounts receivable" from the fiscal year ended March 31, 2024 due to more appropriate presentation. The effect of this change was ¥37,196 million and ¥45,492 million as at March 31, 2023 and 2024, respectively.

3. Material Accounting Policies

The material 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) Inventories

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs to sell. Cost is determined primarily based on the specific identification cost method and includes the purchase cost and all costs incurred to bring inventories to their current storage location and condition.

Cryptocurrency assets held in inventory are measured at fair value based primarily on trading prices on major cryptocurrency asset exchanges, with changes in fair value recognized in profit or loss.

(5) 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.

(6) Property and equipment

(a) Initial recognition and measurement

Property and equipment are measured using the cost method and stated at cost less accumulated depreciation and accumulated impairment loss. Acquisition cost includes the costs incurred directly related to the acquisition of the assets.

(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.

(7) Intangible assets

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

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

After initial recognition, goodwill is measured at cost less accumulated impairment loss. For investees to which the equity method is applied, goodwill is included in the carrying amount of the investment. Intangible assets other than goodwill with a finite useful life that arise on a business combination are measured at initial cost less accumulated amortization and accumulated impairment loss.

(b) Research and development

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

(c) Other intangible assets (separately acquired)

Other intangible assets acquired by the Group are measured at initial cost less accumulated

amortization and accumulated impairment loss.

(d) Amortization

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.

(8) 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.

(9) 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.

(10) Insurance contracts

The Group classifies contracts in which it accepts significant insurance risk as insurance contracts, and contracts that transfer significant insurance risk related to underlying insurance contracts as reinsurance contracts.

(a) Level of aggregation

For the purpose of measurement, insurance contracts are aggregated into groups. The Group determines a group of insurance contracts by identifying portfolios of insurance contracts. Each portfolio of insurance contracts comprises contracts subject to similar risks and managed together, and each portfolio is divided into annual cohorts. The annual cohorts include contracts issued within twelve months, and they are divided into three groups based on contract profitability levels:

- a group of contracts that are onerous at initial recognition;
- a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
- a group of the remaining contracts in the portfolio.

(b) Initial recognition

The Group recognizes a group of insurance contracts it issued from the earliest of the following:

- the beginning of the coverage period of the group of contracts;
- the date when the first payment from a policyholder in the group becomes due; and
- for a group of onerous contracts, when the group becomes onerous.

(c) Measurement

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums or in which the Group has a substantive obligation to provide the policyholder with insurance contract services.

(i) Insurance contracts — Contracts to which the premium allocation approach ("PAA") is not applied (Initial measurement)

On initial recognition, the Group measures a group of insurance contracts at the total of:

(a) Fulfilment cash flows

The fulfilment cash flows comprise estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks related to the future cash flows, and a risk adjustment for non-financial risk (the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk).

(b) CSM

The CSM of a group of insurance contracts represents the unearned profit the Group will recognize as it provides services under the contracts.

The Group recognizes an onerous insurance contract on initial recognition if any cash flows arising from the contract at the date of initial recognition in total are a net outflow. In recognizing onerous contracts, the Group recognizes a loss in profit or loss for the net outflow described above and identifies the same amount as a loss component of the liability for remaining coverage.

(Subsequent measurement)

The carrying amount of a group of insurance contracts at the end of each reporting period is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows related to services to be provided under the contracts in future periods, and (b) the remaining CSM at the reporting date. The liability for incurred claims includes the fulfillment cash flows relating to unpaid incurred claims and expenses, including claims that have been incurred but not yet reported.

The loss component is measured by allocating the subsequent changes in fulfillment cash flows on a systematic basis.

(ii) Insurance contracts — Contracts to which the PAA is applied

For insurance contracts with a coverage period of no more than one year at initial recognition, and certain insurance contracts that would not differ materially in the measurement of liability for remaining coverage from the one that would be produced when measured without applying the PAA, the Group applies the PAA for measuring a group of insurance contracts.

(Initial measurement)

The carrying amount of the liability for remaining coverage at initial recognition of each group of insurance contracts is measured at the premiums received at initial recognition less any insurance acquisition cash flows (cash flows arising from the activities of selling, underwriting and starting the group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs) allocated to the group of insurance contracts at that date.

(Subsequent measurement)

The carrying amount of the liability for remaining coverage increases through the amortization of insurance acquisition cash flows recognized as premiums received and expenses. It decreases through the recognition of insurance revenue related to services provided and the allocation of additional insurance acquisition cash flows after initial recognition.

If, at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Group recognizes a loss in profit or loss and increases the liability for remaining coverage to the extent that current estimates of the fulfilment cash flows related to remaining coverage exceed the carrying amount of the liability for remaining coverage.

The Group recognizes the liability for incurred claims for the group of insurance contracts at the fulfilment cash flows relating to incurred claims.

(d) Income and expenses

(i) Insurance revenue

Excluding any investment component, which represents the amount required to be repaid to the policyholder in all circumstances, regardless of whether an insured event occurs, insurance revenue is measured as follows:

(Contracts to which the PAA is not applied)

The Group recognizes insurance revenue as it provides services based on a group of insurance contracts. Insurance revenue represents the total of the changes in the liability for remaining coverage that relates to services for which the Group expects to receive consideration.

(Contracts to which the PAA is applied)

Insurance revenue is the amount of expected premium receipts. In principle, the Group allocates and recognizes the portion of the premiums in each reporting period on the basis of the passage of time.

(ii) Insurance service expenses

Insurance service expenses arising from insurance contracts are recognized in profit or loss when incurred. Excluding repayments of investment components, these expenses comprise:

- Incurred claims and other insurance service expenses;
- Amortization of insurance acquisition cash flows;
- Losses on onerous contracts and reversals of such losses; and
- Adjustments to liabilities for incurred claims.

(iii) Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effect of the time value of money, financial risk and changes in the time value of money and financial risk. The Group has chosen to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income except for certain insurance contracts. The effect of changes in financial variables, such as discount rates, is presented as fluctuations in discount rates of insurance contracts in the consolidated statement of comprehensive income.

(11) Employee benefits

(a) Defined contribution plans

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

(b) 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.

(12) Provisions

Provisions are recognized when the Group has a present (legal or constructive) obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation. 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.

(13) Capital stock

1. 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.

2. 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.

(14) 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.

(15) 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 carry forward 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 carry forward 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.

(16) 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.

(17) 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.

(18) 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.

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

Of the new standards, amendments to existing standards, and interpretations that have been published before the approval date of the consolidated financial statements, the main ones that the Group has not early adopted are as follows. The impact of the application of IFRS 18 "Presentation and Disclosure in Financial Statements" 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 18	Presentation and Disclosure in Financial Statements	January 1, 2027	March 2028	Improvement of the structure of the income statement and clarification of the roles of the basic financial statements and notes, etc.

4. Business Combinations

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, 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 “35. 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.

For the year ended March 31, 2024

Acquisition date fair value of the consideration paid, which consisted of cash and cash loan, for business combinations amounted to ¥27,806 million and ¥182,746 million, respectively.

Fair value of assets acquired, liabilities assumed, and non-controlling interests were ¥248,837 million, ¥43,099 million and ¥132 million, respectively. A breakdown of such assets and liabilities is provided in “35. 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, 2024 were ¥8,905 million and ¥807 million, respectively, since the acquisition date.

5. Segment Information

The Group has five reportable segments: “Financial Services Business”, “Asset Management Business”, “Investment Business”, “Crypto-asset Business” which is expected to remain a growth area and “Next Gen 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.

The Group changed the reporting segment name “Non-Financial Business” to “Next Gen Business” from the second quarter ended September 30, 2023.

“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.

“Next Gen Business”

The Next Gen 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 Next Gen 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.

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, 2023

	Financial Services Business	Asset Management Business	Investment Business	Crypto-asset Business	Next Gen 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	840,098	27,581	36,528	30,796	24,248	959,251	(2,274)	956,977
Inter-segment revenue	5,068	385	156	(476)	1,990	7,123	(7,123)	—
Total	<u>845,166</u>	<u>27,966</u>	<u>36,684</u>	<u>30,320</u>	<u>26,238</u>	<u>966,374</u>	<u>(9,397)</u>	<u>956,977</u>
Segment operating income (loss)								
Profit before income tax expense	<u>152,040</u>	<u>10,123</u>	<u>(16,661)</u>	<u>(18,429)</u>	<u>(3,253)</u>	<u>123,820</u>	<u>(21,680)</u>	<u>102,140</u>
Other Items								
Interest income	403,267	143	1,104	—	17	404,531	(119)	404,412
Interest expense	(112,187)	(8)	(3,540)	(422)	(546)	(116,703)	(5,755)	(122,458)
Depreciation and amortization	(46,245)	(1,660)	(974)	(2,534)	(1,234)	(52,647)	(1,385)	(54,032)
Gain or loss from investments applying the equity-method	7,304	—	(612)	—	(316)	6,376	—	6,376

For the year ended March 31, 2024

	Financial Services Business	Asset Management Business	Investment Business	Crypto-asset Business	Next Gen 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	1,025,934	29,109	88,007	57,056	24,020	1,224,126	(13,622)	1,210,504
Inter-segment revenue	5,505	340	345	87	2,618	8,895	(8,895)	—
Total	<u>1,031,439</u>	<u>29,449</u>	<u>88,353</u>	<u>57,142</u>	<u>26,637</u>	<u>1,233,020</u>	<u>(22,516)</u>	<u>1,210,504</u>
Segment operating income (loss)								
Profit before income tax expense	<u>164,981</u>	<u>4,843</u>	<u>(8,288)</u>	<u>8,428</u>	<u>(4,952)</u>	<u>165,012</u>	<u>(23,443)</u>	<u>141,569</u>
Other Items								
Interest income	498,787	22	1,231	—	130	500,170	(58)	500,112
Interest expense	(191,562)	(61)	(7,141)	(632)	(669)	(200,065)	(9,588)	(209,653)
Depreciation and amortization	(47,099)	(1,491)	(1,277)	(749)	(1,651)	(52,267)	(1,471)	(53,738)
Gain or loss from investments applying the equity-method	14,743	—	273	—	(503)	14,513	—	14,513

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

Non-current assets

	As at March 31, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Japan	408,724	466,587
Korea	115,299	126,385
Others	38,796	36,169
Consolidated total	<u>562,819</u>	<u>629,141</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, 2023	For the year ended March 31, 2024
	Millions of Yen	Millions of Yen
Japan	772,846	959,147
Overseas	184,131	251,357
Consolidated total	<u>956,977</u>	<u>1,210,504</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, 2023

	Carrying Amount				Total	Fair value
	Financial assets measured at FVTPL	Equity instruments measured at FVTOCI	Debt instruments measured at FVTOCI	Financial assets measured at amortized cost		
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Trade and other accounts receivable	668,906	—	—	9,815,316	10,484,222	10,524,667
Assets related to securities business	270,741	—	—	4,246,541	4,517,282	4,517,282
Other financial assets	244,987	—	—	212,740	457,727	457,886
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	<u>2,462,955</u>	<u>29,896</u>	<u>817,621</u>	<u>14,727,979</u>	<u>18,038,451</u>	<u>18,079,058</u>

As at March 31, 2024

	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	Millions of Yen
Trade and other accounts receivable	740,658	—	—	10,865,570	11,606,228	11,698,614
Assets related to securities business	430,912	—	—	5,734,458	6,165,370	6,165,370
Other financial assets	293,609	—	—	273,581	567,190	567,195
Operational investment securities	673,625	—	—	—	673,625	673,625
Other investment securities	875,239	33,103	603,959	576,241	2,088,542	2,012,716
Total	<u>3,014,043</u>	<u>33,103</u>	<u>603,959</u>	<u>17,449,850</u>	<u>21,100,955</u>	<u>21,117,520</u>

Classification and fair value of financial liabilities were as follows:

As at March 31, 2023

	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	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	—	477,195	482,677	482,676
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	<u>322,116</u>	<u>—</u>	<u>273,034</u>	<u>595,150</u>	<u>595,150</u>
Total	<u>412,623</u>	<u>316,282</u>	<u>19,389,849</u>	<u>20,118,754</u>	<u>20,107,292</u>

As at March 31, 2024

	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	Millions of Yen
Bonds and loans payable	—	53,507	4,423,572	4,477,079	4,472,402
Trade and other accounts payable	2,342	—	654,229	656,571	656,571
Liabilities related to securities business	225,015	—	5,302,291	5,527,306	5,527,306
Customer deposits for banking business	—	479,859	12,522,380	13,002,239	12,996,423
Other financial liabilities	411,919	—	459,386	871,305	871,305
Total	639,276	533,366	23,361,858	24,534,500	24,524,007

(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, 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)	-	334,988
Other financial liabilities (Derivative transactions)	279,671	-	279,671	(92,205)	(119,159)	68,307

As at March 31, 2024

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
	Millions of Yen	Millions of Yen	Millions of Yen	Financial instruments	Cash collateral received	Millions of Yen
Assets related to securities business (Securities borrowing agreements and other similar transactions)	3,308,937	(1,212,493)	2,096,444	(1,861,383)	(232,128)	2,933
Assets related to securities business (Receivables related to securities transactions)	1,168,634	(512,924)	655,710	(37,347)	-	618,363
Assets related to securities business (Financial assets related to foreign exchange transactions)	82,950	-	82,950	(4,846)	(23,150)	54,954
Other financial assets (Derivative transactions)	261,861	-	261,861	(110,488)	(27,880)	123,493

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
	Millions of Yen	Millions of Yen	Millions of Yen	Financial instruments	Cash collateral pledged	Millions of Yen
Liabilities related to securities business (Securities loan agreements and other similar transactions)	3,866,244	(1,212,493)	2,653,751	(1,663,800)	-	989,951
Liabilities related to securities business (Payables related to securities transactions)	2,937,630	(512,924)	2,424,706	(37,347)	-	2,387,359
Liabilities related to securities business (Financial liabilities related to foreign exchange transactions)	440,272	-	440,272	(27,996)	-	412,276
Other financial liabilities (Derivative transactions)	368,331	-	368,331	(110,488)	(151,107)	106,736

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 almost completed the transitional measures for currencies whose interest rate indices have been suspended from publication. There are no material risks arising from financial instruments in transition.

(5) Hedge accounting

(a) Risk management strategies

(i) Interest rate risk

The Group is exposed to the risk of changes in the fair value of fixed-rate loans and bonds due to fluctuations in market interest rates. To hedge this risk, the Group enters into interest rate swaps to hedge the fair value fluctuation risk arising from expected future interest rate fluctuations for large transactions that are deemed to have a significant amount of interest rate risk in accordance with the Group's interest rate risk management policy. Regarding hedging relationship, all critical terms (i.e., the period of exposure to fair value risk arising from changes in the benchmark interest rate, the interest rate revision interval, and the interest rate revision date) are assumed to be the same, and the Group confirms that an economic relationship exists between the hedged item and the hedging instrument that fully or nearly fully offsets changes in fair value from the inception of the transaction to the maturity date.

(ii) Foreign currency risk

In accordance with its foreign currency risk management policy, the Group hedges the foreign currency risk arising from its net investments in foreign operations through forward exchange contracts. The hedges are designated as components of the foreign exchange fluctuations of the partially designated balances of the hedged foreign operations, and the Group confirms that an economic relationship exists between the hedged item and the hedging instrument that fully offsets the changes in fair value from the hedge inception date through the end of the transaction.

(b) Effect of hedge accounting in the consolidated statement of financial position

The carrying amounts of hedging instruments are as follows.

Risk category	Type of hedging relationship	As at March 31, 2024	
		Assets	Liabilities
		Millions of Yen	Millions of Yen
Interest rate	Fair value hedge	2,727	475
	Cash flow hedge	1,720	960
Foreign currency	Hedge of a net investment in a foreign operation	230	200

Hedging instruments designated as hedges are included in "Other financial assets" and "Other financial liabilities" in the consolidated statement of financial position.

(c) Effect of hedge accounting in the consolidated statement of income and consolidated statement of comprehensive income

(i) Fair value hedge

The carrying amount of the hedged item and the accumulated fair value hedge adjustment on the hedged item are as follows.

Risk category	Account	As at March 31, 2024	
		Carrying amount	Accumulated fair value hedge adjustment
		Millions of Yen	Millions of Yen
Interest rate	Trade and other accounts receivable	374,877	2,252

(ii) Cash flow hedge

The amounts recognized in other components of equity for ongoing cash flow hedges are as follows.

Risk category	As at March 31, 2024
	Millions of Yen
Interest rate	(2,296)

(iii) Hedge of a net investment in a foreign operation

The amounts recognized in other components of equity for ongoing hedges of net investments in foreign operations are as follows.

Risk category	As at March 31, 2024
	Millions of Yen
Foreign currency	420

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, 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	<u>855,078</u>	<u>817,434</u>	<u>1,637,960</u>	<u>3,310,472</u>
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	<u>48,508</u>	<u>430,589</u>	<u>249,808</u>	<u>728,905</u>
	As at March 31, 2024			
	Level 1	Level 2	Level 3	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Trade and other accounts receivable	—	73,445	667,213	740,658
Assets related to securities business	243,707	178,927	8,278	430,912
Other financial assets	15	278,545	15,049	293,609
Operational investment securities and other investment securities				
Financial assets measured at FVTPL	87,685	364,394	1,096,785	1,548,864
Equity instruments measured at FVTOCI	30,241	216	2,646	33,103
Debt instruments measured at FVTOCI	360,271	156,924	86,764	603,959
Total	<u>721,919</u>	<u>1,052,451</u>	<u>1,876,735</u>	<u>3,651,105</u>
Bonds and loans payable	—	—	53,507	53,507
Trade and other accounts payable	—	—	2,342	2,342
Liabilities related to securities business	127,952	92,570	4,493	225,015
Customer deposits for banking business	—	153,589	326,270	479,859
Other financial liabilities	1	350,365	61,553	411,919
Total	<u>127,953</u>	<u>596,524</u>	<u>448,165</u>	<u>1,172,642</u>

In addition to the above, assets related to crypto assets classified as Level 1 amounted to ¥52,503 million and ¥162,201 million as at March 31, 2023 and 2024, respectively, and assets related to crypto

assets classified as Level 2 amounted to ¥49,256 million as at March 31, 2024, and are included in "Inventories" and "Other assets" in the consolidated statement of financial position.

Furthermore, liabilities related to crypto assets classified as Level 1 amounted to ¥39,941 million and ¥183,084 million as at March 31, 2023 and 2024, respectively, and are included in "Other liabilities" in the consolidated statement of financial position.

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, 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	—	5,607,935	4,247,826	9,855,761
Assets related to securities business	—	4,246,541	—	4,246,541
Other financial assets	—	193,095	19,804	212,899
Operational investment securities and other investment securities	121,967	45,512	285,906	453,385
Total	<u>121,967</u>	<u>10,093,083</u>	<u>4,553,536</u>	<u>14,768,586</u>
Bonds and loans payable	—	2,856,192	762,897	3,619,089
Trade and other accounts payable	—	477,194	—	477,194
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	<u>—</u>	<u>15,269,020</u>	<u>4,109,367</u>	<u>19,378,387</u>
	As at March 31, 2024			
	Level 1	Level 2	Level 3	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Trade and other accounts receivable	—	6,110,992	4,846,964	10,957,956
Assets related to securities business	—	5,734,458	—	5,734,458
Other financial assets	—	236,306	37,280	273,586
Operational investment securities and other investment securities	121,777	47,677	330,961	500,415
Total	<u>121,777</u>	<u>12,129,433</u>	<u>5,215,205</u>	<u>17,466,415</u>
Bonds and loans payable	—	3,861,071	557,824	4,418,895
Trade and other accounts payable	—	654,229	—	654,229
Liabilities related to securities business	—	5,302,291	—	5,302,291
Customer deposits for banking business	—	8,417,598	4,098,966	12,516,564
Other financial liabilities	—	459,386	—	459,386
Total	<u>—</u>	<u>18,694,575</u>	<u>4,656,790</u>	<u>23,351,365</u>

(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:

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%
		Recovery rate	0.0%—74.0%
Operational investment securities and other investment securities	Market approach, cost approach and income approach	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%
		Prepayment rates	0.0%—27.5%
		Probability of default	0.0%—2.6%
		Recovery rate	0.0%—100.0%
Bonds and loans payable	Income approach	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%
Other financial liabilities	Market approach and 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, 2024

	Valuation Technique	Unobservable Input	Range
Trade and other accounts receivable	Income approach	Discount rate Recovery rate	0.5%—16.9% 80.0%
Assets related to securities business	Market approach	Stock volatility Correlation (Foreign Exchange/Interest Rate) Correlation (Interest Rate/Interest Rate)	14.7%—90.4% (4.2%)—9.0% 29.0%—85.0%
Other financial assets	Market approach and income approach	Correlation (Foreign Exchange/Interest Rate) Discount rate Prepayment rates Probability of default Recovery rate Discount rate P/E ratio Price to sales ratio	8.0%—38.0% 1.2%—1.2% 0.0%—10.5% 1.1% 0.0%—74.0% 0.4%—65.0% 1.5—45.2 7.7—10.6
Operational investment securities and other investment securities	Market approach, cost approach and income approach	EBITDA ratio Minority discount Illiquidity discount Prepayment rates Probability of default Recovery rate	10.6—40.0 8.3% 20.0%—25.0% 2.4%—20.0% 0.0%—3.7% 0.0%—100.0%
Bonds and loans payable	Income approach	Discount rate	0.0%—0.1%
Trade and other accounts payable	Income approach	Discount rate	1.1%
Liabilities related to securities business	Market approach	Stock volatility Correlation (Foreign Exchange/Interest Rate)	14.7%—90.4% (4.2%)—9.0%
Customer deposits for banking business	Income approach	Discount rate	0.0%—0.1%
Other financial liabilities	Market approach and income approach	Correlation (Interest Rate/Interest Rate) Correlation (Foreign Exchange/Interest Rate) Recovery rate	29.0%—85.0% 8.0%—38.0% 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 price to sales ratio increases (decreases), when the EBITDA ratio increases (decreases), when the minority discount decreases (increases), 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, 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	Millions of Yen	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

For the year ended March 31, 2024

	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
Balance as at April 1, 2023	942,774	2,603	73,123	1,018,500	596,760	5,578	17,122
Acquisitions through business combinations	37	0	-	37	-	-	-
Purchase and issuance	398,176	-	27,488	425,664	207,248	-	-
Comprehensive income							
Net profit (*1)	12,021	-	11,179	23,200	27,385	2,195	(1,525)
Other comprehensive income (*2)	-	60	1,243	1,303	-	-	-
Dividends	(18,407)	-	-	(18,407)	-	-	-
Sale or redemption	(245,936)	(48)	(26,269)	(272,253)	-	-	-
Settlements	-	-	-	-	(164,180)	513	(548)
Currency translation differences	18,762	31	-	18,793	-	-	-
Others	676	-	-	676	-	-	-
Transferred from Level 3 (*3)	(11,318)	-	-	(11,318)	-	(8)	-
Balance as at March 31, 2024	1,096,785	2,646	86,764	1,186,195	667,213	8,278	15,049

	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, 2023	52,020	5,482	4,369	145,940	41,997
Acquisitions through business combinations	-	-	-	-	-
Purchase and issuance	3,000	2,327	-	180,450	-
Comprehensive income					
Net profit (*1)	(1,005)	(582)	(734)	6	22,863
Other comprehensive income (*2)	(8)	-	-	(26)	-
Dividends	-	-	-	-	-
Sale or redemption	-	-	-	-	-
Settlements	(500)	(2,490)	858	(100)	(3,307)
Currency translation differences	-	371	-	-	-
Others	-	(2,766)	-	-	-
Transferred from Level 3 (*3)	-	-	-	-	-
Balance as at March 31, 2024	53,507	2,342	4,493	326,270	61,553

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, 2023 and 2024 were ¥26,680 million and ¥14,337 million of gains, respectively.
2. Gains and losses recognized as other comprehensive income (loss) are included in "Equity instruments measured at FVTOCI", "Debt instruments 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, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Interest-bearing debt (Bonds and loans payable)	3,680,355	4,477,079
Cash and cash equivalents	(3,200,916)	(4,580,335)
Net	479,439	(103,256)
Equity attributable to owners of the Company	1,016,112	1,262,209

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.

Capital adequacy regulations under which main 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, SBI LY HOUR BANK and SBI Bank LLC, which are overseas subsidiaries, are obligated to maintain a certain level of capital adequacy ratio in conformity with the local laws and regulatory authorities. If the capital adequacy ratio falls below a certain level, they may be subject to administrative penalties or other actions.

The Group engages in a wide range of finance related businesses, such as financial services business (securities business, banking business, insurance business and other financial services business), asset management business, investment business and crypto-asset business, and each company avoids 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, 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, interest rate swaps, listed derivatives and margin trading. The Group enters into these transactions primarily to provide products and services to customers and for hedging purposes. The scale and amount of risk in these transactions are managed through a risk management process, including the establishment of maximum limits to ensure that they are not excessive in consideration of the financial condition.

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. The Group uses hedging transactions and other means to control risks.

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 and financial institutions. Trading instruments are exposed to the credit risk of issuers and the risk of market price fluctuation.

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 financial institutions and the investment strategy. The Group exercises control by matching the financing with the related security assets.

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.

Because the counterparties of foreign currency forward contracts, currency option and interest rate swap agreements are limited to creditworthy major Japanese financial institutions and listed derivatives 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, 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
New financial assets originated or purchased	76,003	-	-	16	4,491	80,510
Derecognition of financial assets	(42,519)	(22,369)	(24,218)	-	-	(89,106)
Transfer						
Transfer to lifetime expected credit losses	(19,552)	27,481	(911)	-	-	7,018
Transfer to credit - impaired financial assets	(3,709)	3,733	50,404	-	-	50,428
Transfer to 12-month expected credit losses	4,283	(11,655)	(1,659)	-	-	(9,031)
Write-offs	(3,192)	(1,121)	(19,174)	-	(2,504)	(25,991)
Changes in model/risk variables	3,315	(7,684)	12,890	(2)	1,731	10,250
Foreign currency translation adjustment on foreign operations	4,367	1,425	2,884	-	-	8,676
As at March 31, 2024	94,100	15,629	73,364	25	14,377	197,495

The primary increase in the "12-month expected credit losses" under "New financial assets originated or purchased" for the years ended March 31, 2023 and 2024 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 ¥34,115 million and ¥24,977 million as at March 31, 2023 and 2024, respectively.

The amount of loss allowance for loan commitments with an unused portion amounted to ¥1,319 million and ¥1,911 million as at March 31, 2023 and 2024, respectively. The loss allowance on financial guarantee contracts were ¥1,827 million and ¥1,855 million as at March 31, 2023 and 2024, respectively.

Financial assets that have been written off during the years ended March 31, 2023 and 2024, and are still subject to enforcement activities amounted to ¥33,038 million and ¥42,142 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, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Manufacturing	397,702	385,781
Agriculture and forestry	2,300	1,365
Fishery	401	340
Mining, quarrying of stone, gravel extraction	357	459
Construction	57,486	52,283
Electricity, gas, heating, water	499,064	548,766
Information and communication	66,076	62,812
Transportation, postal services	237,396	244,509
Wholesale and retail trade	293,162	281,495
Finance and insurance	1,303,452	1,205,453
Real estate	950,979	1,175,197
Services	603,186	679,401
Japanese local governments, government-affiliated organizations, and local public corporations, etc.	259,563	547,660
Individuals and others	5,383,392	5,942,127
Total	10,054,516	11,127,648

The amount of the Group's maximum exposure to credit risk are as follows:
As at March 31, 2023

		Lifetime expected credit losses			Purchased or originated	Financial instruments to which impairment requirements do not apply	Total
	12-month expected credit losses	Significantly increased credit risk		Trade receivables	credit-impaired financial asset		
	Millions of Yen	Not credit-impaired	Credit-impaired	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	502,606	3,467	12,404	11,634	-	64,336	594,447
Loss allowance	(75,104)	(25,819)	(53,148)	(11)	(10,659)	-	(164,741)
Total	9,407,418	254,436	122,548	11,623	19,291	668,906	10,484,222
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

As at March 31, 2024

	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					
		Not credit- impaired	Credit- impaired	Trade receivables			
	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	4,580,335	-	-	-	-	-	4,580,335
Trade and other accounts receivable							
Banking (domestic) (*1)							
Normal Obligors							
Credit to Corporate	5,219,202	115,558	-	-	-	434,586	5,769,346
Credit to Individual	11,697	-	-	-	-	-	11,697
Others (*2)	3,099,616	5	-	-	-	-	3,099,621
Need Caution Obligors							
Credit to Corporate	37,403	43,193	-	-	-	114,152	194,748
Credit to Individual	-	-	-	-	-	-	-
Others (*2)	3,083	18,573	-	-	-	-	21,656
Credit-impaired Obligors							
Credit to Corporate	1,202	986	8,554	-	2,473	9,133	22,348
Credit to Individual	-	-	-	-	-	-	-
Others (*2)	461	632	41,744	-	69,837	-	112,674
Others (no obligor classification)	462,388	-	-	-	-	114,315	576,703
Banking (overseas)							
Credit to Individual (*3)							
Group A	116,225	1,700	528	-	-	-	118,453
Group B	452,078	7,475	1,942	-	-	-	461,495
Group C or less	66,217	24,648	25,679	-	-	-	116,544
Credit to Corporate (external rating) (*3)							
Group A	119,820	-	158	-	-	-	119,978
Group B	69,767	12,103	7,292	-	-	-	89,162
Group C or less	1,279	-	158	-	-	-	1,437
Credit to Corporate							
No overdue information	324,358	20,811	14,431	-	-	-	359,600
One or more delinquents	-	5,879	45,614	-	-	-	51,493
Others (no obligor classification)	-	692	-	-	-	-	692
Others	573,678	1,475	14,688	17,763	-	68,472	676,076
Loss allowance	(94,100)	(15,629)	(73,364)	(25)	(14,377)	-	(197,495)
Total	10,464,374	238,101	87,424	17,738	57,933	740,658	11,606,228
Assets related to securities business	5,733,822	-	636	-	-	430,912	6,165,370
Other financial assets	305,329	-	-	-	-	261,861	567,190
Other investment securities (external rating)							
BBB or above	598,334	-	-	-	-	-	598,334
Less than BBB	128	-	-	-	-	-	128
Unrated	580,347	-	-	-	-	909,733	1,490,080
Total	1,178,809	-	-	-	-	909,733	2,088,542

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, 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

As at March 31, 2024

	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	11,900	521	464	674	13,559	1,209,073	1,222,632
Qualified revolving	23,743	5,094	4,176	18,525	51,538	496,725	548,263
Others	141,039	5,219	2,244	24,442	172,944	1,263,720	1,436,664

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 ¥38,126 million and ¥68,533 million by underlying collateral held as a security and other credit enhancements as at March 31, 2023 and 2024, 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, 2023 and 2024 totaled ¥936,134 million and ¥1,339,628 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, 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

As at March 31, 2024

	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)	1,754,856	17,501	58	1,772,415
Banking business (overseas)	91,656	2,911	-	94,567
Others	47,795	0	0	47,795

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

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

As at March 31, 2024

	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	800,689	4,381	416	805,486

(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, 2023 and 2024 increased by 10%, profit before income tax expense in the consolidated statement of income would have increased by ¥7,478 million and ¥7,661 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, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
USD	(661,301)	(1,274,334)

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, 2023 and 2024 for monetary financial instruments denominated in foreign currencies held by the Group is as follows.

	As at March 31, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Profit before income tax expense	(6,613)	(12,743)

(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, 2023 and 2024 had been 100 basis points higher, profit before income tax expense in the consolidated statement of income for the years ended March 31, 2023 and 2024 would have increased by ¥12,252 million and ¥17,543 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, 2023 and 2024.

(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, 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	482,677	483,236	426,808	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

As at March 31, 2024

	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	4,477,079	4,546,492	1,915,057	531,506	487,311	1,009,803	168,310	434,505
Trade and other accounts payable	656,571	656,163	603,796	9,795	3,688	2,727	2,407	33,750
Liabilities related to securities business	5,527,306	5,527,315	5,527,315	—	—	—	—	—
Customer deposits for banking business	13,002,239	13,097,673	11,291,156	600,503	438,897	68,552	576,632	121,933
Financial guarantee contracts	—	805,486	78,949	46,182	67,658	83,836	118,408	410,453

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, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Lines of credit	663,757	746,910
Used balance	159,801	245,117
Unused portion	503,956	501,793

9. Trade and Other Accounts Receivable

Trade and other accounts receivable as at March 31, 2023 and 2024, consisted of the following:

	As at March 31, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Trade accounts receivable and installment receivables	1,093,991	1,245,648
Loans receivable	8,933,054	9,817,380
Operational receivables	76,812	132,290
Finance lease receivables	208,250	223,914
Deposits	124,059	125,117
Others	48,056	61,879
Total	10,484,222	11,606,228

Maturity analysis to the collection or the settlement of trade and other accounts receivable as at March 31, 2023 and 2024, consisted of the following:

	As at March 31, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
No later than 1 year	2,604,629	3,077,349
Later than 1 year	7,879,593	8,528,879
Total	10,484,222	11,606,228

10. Inventories

Inventories as at March 31, 2023 and 2024, consisted of the following:

	As at March 31, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Crypto assets	37,048	172,840
Real estate for sale	47,851	55,281
Products	2,124	2,546
Others	11,126	9,731
Total	98,149	240,398

Inventories recognized as Operating cost amounted to ¥56,217 million and ¥129,876 million for the years ended March 31, 2023 and 2024, respectively. The amount of write-downs of inventories recognized as expenses during the period was not material.

The carrying amounts of inventories at fair value less costs to sell are described in “7. Fair Value Measurement”.

11. Assets Related to Securities Business

Assets related to securities business as at March 31, 2023 and 2024, consisted of the following:

	As at March 31, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Cash segregated as deposits	2,498,387	3,251,175
Margin transaction assets	1,267,684	1,721,278

Trade date accrual	324,520	564,232
Trading products	270,741	430,912
Short-term guarantee deposits	96,282	78,302
Loans receivable secured by securities	58,838	118,491
Others	830	980
Total	<u>4,517,282</u>	<u>6,165,370</u>

12. 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, 2023 and 2024 consisted of the following:

	As at March 31, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Operational investment securities		
Financial assets measured at FVTPL	581,364	673,625
Total	<u>581,364</u>	<u>673,625</u>
Other investment securities		
Financial assets measured at FVTPL	696,957	875,239
Equity instruments measured at FVTOCI	29,896	33,103
Debt instruments measured at FVTOCI	817,621	603,959
Financial assets measured at amortized cost	453,382	576,241
Total	<u>1,997,856</u>	<u>2,088,542</u>

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, 2023	As at March 31, 2024	For the year ended March 31, 2023	For the year ended March 31, 2024
Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
29,896	33,103	1,988	179

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, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Other investment securities		
Latitude Group Holdings Limited	17,078	21,871
Yamazaki Baking Co., Ltd.	1,604	1,961
Chengdu Kobelco Construction Machinery Financial Leasing Ltd.	1,507	1,612
Mitsui Chemicals, Inc.	2,550	320

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, 2023			For the year ended March 31, 2024		
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	—	5,972	2,043	100

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, 2023 and 2024 were ¥30 million and ¥22 million, respectively.

Gain or loss arising from derecognition of financial assets measured at amortized cost is as follows:

	For the year ended March 31, 2023	For the year ended March 31, 2024
	Millions of Yen	Millions of Yen
Gain arising from derecognition of financial assets measured at amortized cost	-	574
Loss arising from derecognition of financial assets measured at amortized cost	(3)	(1)

13. 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, 2023	For the year ended March 31, 2024
	Millions of Yen	Millions of Yen
Profit for the year attributable to the Group	7,258	14,376

Other comprehensive income attributable to the Group	1,719	4,522
Total comprehensive income attributable to the Group	8,976	18,898
	As at March 31, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Carrying amount	190,346	211,171

Impairment losses of ¥211 million were recognized in the Financial Services Business for the year ended March 31, 2024, 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, 2023	For the year ended March 31, 2024
	Millions of Yen	Millions of Yen
Profit for the year attributable to the Group	(882)	137
Other comprehensive income attributable to the Group	281	325
Total comprehensive income attributable to the Group	(601)	462
	As at March 31, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Carrying amount	9,536	10,839

14. 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 ¥771,078 million and ¥998,136 million as at March 31, 2023 and 2024, respectively. Total liabilities were ¥317,477 million and ¥473,505 million as at March 31, 2023 and 2024, 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, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Trade and other accounts receivable	1,426,877	1,370,020
Other financial assets	17,806	67,816
Operational investment securities	39,990	41,901
Other investment securities	354,798	570,368
Total	1,839,471	2,050,105

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

15. 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, 2023	For the year ended March 31, 2024
	Millions of Yen	Millions of Yen
Balance, beginning of year	35,479	73,159
Acquisitions	44,076	46,956
Sale or disposal	(6,396)	(39,023)
Balance, end of year	73,159	81,092

Accumulated depreciation and impairment losses	For the year ended March 31, 2023	For the year ended March 31, 2024
	Millions of Yen	Millions of Yen
Balance, beginning of year	(611)	(1,035)
Depreciation	(468)	(681)
Sale or disposal	44	289
Balance, end of year	(1,035)	(1,427)

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

As at March 31, 2023		As at March 31, 2024	
Carrying amount	Fair value	Carrying amount	Fair value
Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
72,124	77,770	79,665	88,662

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, 2023 and 2024 was ¥2,590 million and ¥3,636 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, 2023 and 2024 were ¥2,129 million and ¥2,935 million, respectively, which were included in "Operating cost" and "Selling, general and administrative expenses".

16. 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, 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
Acquisitions	12,270	4,754	10,745	2,378	10,994	41,141
Acquisitions through business combinations	1,841	216	309	1,470	341	4,177
Sales or disposals	(6,327)	(4,726)	(7,019)	(905)	(4,820)	(23,797)
Foreign currency translation adjustment on foreign operations	1,031	783	5	121	184	2,124
Others	609	1,307	114	-	(1,727)	303
Balance as at March 31, 2024	90,927	38,768	38,854	13,219	30,032	211,800

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, 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)
Sales or disposals	4,390	3,948	4,034	-	3,282	15,654
Depreciation	(14,149)	(6,822)	(5,527)	(209)	(2,559)	(29,266)
Impairment losses	(19)	(13)	-	-	-	(32)
Foreign currency translation adjustment on foreign operations	(540)	(519)	(3)	-	(120)	(1,182)
Balance as at March 31, 2024	(45,804)	(22,991)	(4,802)	(472)	(3,954)	(78,023)

Carrying amount	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 March 31, 2023	46,017	16,849	31,394	9,892	20,503	124,655
Balance as at March 31, 2024	45,123	15,777	34,052	12,747	26,078	133,777

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 ¥8,111 million and ¥9,580 million for the years ended March 31, 2023 and 2024, respectively.

Carrying amount of right-of-use assets	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 March 31, 2023	24,244	904	8	725	1,294	27,175
Balance as at March 31, 2024	21,778	671	99	577	826	23,951

Carrying amount of lessor's operating lease assets	Buildings	Furniture and fixtures	Machinery and equipment	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at March 31, 2023	211	2,558	29,543	15,555	47,867
Balance as at March 31, 2024	183	3,065	30,610	15,713	49,571

Impairment losses recognized for the years ended March 31, 2023 and 2024 were ¥1,638 million and ¥32 million, respectively, due to no expectation of initially expected profits and are included in "Other expenses" in the consolidated statement of income. Impairment losses 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 Next Gen Business. Impairment losses by segment for the year ended March 31, 2024 were ¥19 million in the Financial Services Business and ¥13 million in the Next Gen Business.

17. 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, 2023 and 2024 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, 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
Acquisitions	—	39,802	—	2,084	41,886
Acquisitions through business combinations	5,837	242	17,778	2,434	26,291
Sales or disposals	(1,537)	(2,013)	—	(2,311)	(5,861)
Foreign currency translation adjustment on foreign operations	12,784	812	2,365	768	16,729
Balance as at March 31, 2024	267,949	220,529	54,499	15,737	558,714

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, 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)
Sales or disposals	149	104	—	25	278
Amortization	—	(22,981)	(1,848)	(1,585)	(26,414)
Impairment losses	(36)	(603)	—	(29)	(668)
Foreign currency translation adjustment on foreign operations	—	(601)	(1,668)	(313)	(2,582)
Balance as at March 31, 2024	(12,554)	(100,513)	(23,607)	(6,341)	(143,015)

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, 2023	238,198	105,254	14,265	8,323	366,040
Balance as at March 31, 2024	255,395	120,016	30,892	9,396	415,699

The carrying amount of software in the above table as at March 31, 2023 includes the carrying amount of right-of-use assets of ¥170 million. 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 ¥1,956 million and ¥668 million for the years ended March 31, 2023 and 2024, respectively, due to no expectation of initially expected profits, and recorded them in "Other expenses" in the consolidated statement of income. Impairment losses 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 Next Gen Business. Impairment losses by segment for the year ended March 31, 2024 were ¥668 million in the Financial Services Business. The impairment losses recognized for the year ended March 31, 2024 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 ¥110,015 million and ¥120,172 million as at March 31, 2023 and 2024, respectively, related to SBI Savings Bank in the Financial Services Business and ¥24,910 million as at March 31, 2023 and 2024, 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, 2023 and 2024. The discount rate used for measuring value in use was 5.7% to 10.5% and 6.1% to 10.5% per annum as at March 31, 2023 and 2024, 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.

18. Assets Held for Sale and Liabilities Directly Associated with Assets Held for Sale

Assets held for sale and liabilities directly associated with assets held for sale as at March 31, 2023 and 2024, consisted of the following:

	As at March 31, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Assets held for sale		
Property and equipment	72,851	175,873
Other assets	3,022	8,128
Total	75,873	184,001
Liabilities directly associated with assets held for sale		
Bonds and loans payable	46,717	136,284
Other liabilities	566	2,222
Total	47,283	138,506

The Group is engaged in the formation and sale of funds that invest in the operating lease business, primarily in aircraft and ships, and classifies property and equipment held by the funds and loans from financial institutions as disposal groups held for sale. These assets and liabilities are expected to be sold within one year from the balance sheet date.

19. Deferred Taxation

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the years ended March 31, 2023 and 2024:

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	6,523	1,327	456	859	-	9,166
Total	48,184	(779)	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	(238)	525	2,960	671	15,540
Total	88,211	(8,822)	255	4,371	671	84,687

(*) Beginning balance reflects the cumulative effect of the change in accounting policy of ¥9 million.

For the year ended March 31, 2024

	As at April 1, 2023	Recognized through profit or loss	Recognized through other comprehensive income	Change in scope of consolidation	Recognized directly in equity	As at March 31, 2024
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Deferred Tax Assets						
Debt instruments measured at FVTOCI	-	386	139	-	-	525
Impairment on financial assets measured at amortized cost	17,023	3,794	-	131	-	20,948
Lease liability	10,953	1,561	-	-	-	12,514
Property equipment and intangible assets	2,682	289	-	0	-	2,971
Enterprise tax payable	1,703	(634)	-	113	-	1,182
Tax loss carryforwards	7,572	788	66	9	-	8,435
Other	9,166	1,043	532	194	-	10,935
Total	49,099	7,227	737	447	-	57,510
Deferred Tax Liabilities						
Financial assets and liabilities measured at FVTPL	42,668	5,894	-	-	-	48,562
Equity instruments measured at FVTOCI	341	-	66	-	-	407
Debt instruments measured at FVTOCI	5	(6)	1	-	-	-
Investments accounted for using the equity method	9,110	1,137	-	-	-	10,247
Property equipment and intangible assets	17,023	123	-	6,327	-	23,473
Other	15,540	833	(315)	133	776	16,967
Total	84,687	7,981	(248)	6,460	776	99,656

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, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Deductible temporary differences	469,943	454,000
Tax loss carryforwards	227,050	269,270
(of which: the carryforward period over 5 years)	165,045	194,771

The Group recognized deferred tax assets of ¥114 million and ¥616 million as at March 31, 2023 and 2024, respectively, associated with certain subsidiaries that had net losses during the years ended March 31, 2023 and 2024. 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, 2023 and 2024, 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 ¥465,544 million and ¥537,490 million as at March 31, 2023 and 2024, respectively.

20. Bonds and Borrowings

(1) Details of bonds and borrowings

Bonds and borrowings as at March 31, 2023 and 2024, consisted of the following:

	As at March 31, 2023	As at March 31, 2024	Average interest rate (*1)	Due (*2)
	Millions of Yen	Millions of Yen	%	
Short-term loans payable	871,451	726,260	0.42	—
Current portion of long-term loans payable	74,406	146,264	2.52	—
Current portion of bonds payable	493,391	610,699	—	—
Long-term loans payable	319,589	213,555	1.28	2025 – 2058
Bonds payable	1,078,148	1,196,849	—	—
Borrowed money	843,370	1,583,452	0.38	2024 – 2049
Total	3,680,355	4,477,079		

Notes:

1. The average interest rate is calculated using the weighted average coupon rate of the outstanding balance as at March 31, 2024.
2. The due represents the repayment term of the outstanding balance as at March 31, 2024.

Details of the bonds were as follows:

Issuer and the name of bond	Date of issuance	As at March 31, 2023	As at March 31, 2024	Interest rate	Due
		Millions of Yen	Millions of Yen	%	
The Company Japanese yen straight bond (*1)	May 2021~ November 2023	109,965	129,933	0.93~ 1.10	May 2023~ December 2025
The Company No.16 Unsecured straight bond	December 2018	14,992	—	—	December 2023
The Company No.18 Unsecured straight bond	May 2019	24,978	24,998	0.69	May 2024
The Company No.20 Unsecured straight bond	December 2019	24,967	24,987	0.70	December 2024
The Company No.21 Unsecured straight bond	June 2020	14,997	—	—	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	24,981	—	—	December 2023
The Company No.24 Unsecured straight bond	December 2020	29,936	29,960	0.93	December 2025
The Company No.25 Unsecured straight bond	July 2021	39,942	39,988	0.60	July 2024
The Company No.26 Unsecured straight bond	July 2021	39,896	39,928	0.80	July 2026
The Company No.27 Unsecured straight bond	December 2021	69,864	69,946	0.80	December 2024
The Company No.28 Unsecured straight bond	December 2021	49,853	49,893	1.00	December 2026
The Company No.29 Unsecured straight bond	July 2022	51,864	51,924	1.00	July 2025
The Company No.30 Unsecured straight bond	July 2022	21,925	21,943	1.18	July 2027
The Company No.31 Unsecured straight bond	September 2022	99,488	99,638	1.09	September 2026
The Company No.32 Unsecured straight bond	December 2022	41,869	41,918	1.10	December 2025
The Company No.33 Unsecured straight bond	December 2022	10,959	10,968	1.20	December 2027
The Company No.34 Unsecured straight bond	June 2023	—	104,735	0.95	June 2026
The Company No.35 Unsecured straight bond	June 2023	—	44,850	1.15	June 2028
The Company No.36 Unsecured straight bond	September 2023	—	99,488	1.28	September 2027
The Company No.37 Unsecured straight bond	March 2024	—	52,820	1.00	March 2027
The Company No.38 Unsecured straight bond	March 2024	—	26,894	1.30	March 2029
The Company No.1 Unsecured straight bond (Inter-bond limited pari passu	March 2023	6,972	6,977	1.20	October 2029

clause and split-restricted small private placement)

The Company	March 2024	—	15,140	5.71	March 2026
No.1 U.S. dollar-denominated bond					
The Company	September 2018～ July 2020	118,213	10	—	September 2023～ July 2025
Euroyen convertible bonds (*2)					
The Company	November 2023～	53,982	41,992	0.06～	April 2024～
Short-term corporate bond (*3)	March 2024			0.20	June 2024
SBI SECURITIES Co., Ltd.	May 2018～	91,413	73,584	0.05～	April 2023～
Exchangeable bond (*1)	March 2024			5.74	June 2033
SBI SECURITIES Co., Ltd.	January 2023～	205,991	326,864	0.05～	April 2023～
Short-term corporate bond (*3)	March 2024			0.50	September 2024
SBI Shinsei Bank, Limited	July 2018～	140,000	80,000	0.15～	July 2023～
Japanese yen straight bond (*4)	March 2021			0.36	July 2025
APLUS Co., Ltd.	October 2022～	8,500	8,000	0.04～	April 2023～
Short-term corporate bond (*3)	February 2024			0.10	April 2024
APLUS Co., Ltd.	December 2019	20,000	10,000	0.29	December 2024
Japanese yen unsecured straight bond (*5)					
Showa Leasing Co., Ltd.	October 2022～	25,000	23,000	0.03～	April 2023～
Short-term corporate bond (*3)	March 2024			0.16	June 2024
Showa Leasing Co., Ltd.	July 2018～	20,000	10,000	0.25～	July 2023～
Japanese yen unsecured straight bond (*6)	December 2019			0.30	December 2024
UDC Finance Limited	September 2020～	187,071	217,721	6.34～	August 2028～
Foreign currency secured bonds (*7)	December 2023			7.14	September 2036
Other bonds	March 2019～ March 2024	13,921	19,449	0.02～ 7.10	June 2023～ March 2034
Total		1,571,539	1,807,548		

Notes:

1. The aggregate amount issued based on euro medium term note program is stated above.
2. The stock acquisition rights of Euroyen convertible bonds are recognized as embedded derivatives. The amount of the stock acquisition rights is separated from the host, measured at fair value, and recorded as capital surplus after tax effects.
3. The aggregate amount of short-term corporate bonds is stated above.
4. The aggregate amount of the 5th to 13th series of unsecured bonds (with inter-bond pari passu clause) is stated above.
5. The aggregate amount of the 6th series of unsecured bonds (with inter-bond pari passu clause) is stated above.
6. The aggregate amount of the 3rd and 4th series of unsecured straight bonds is stated above.
7. 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, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Cash and cash equivalents	1,461	4,348
Trade and other accounts receivable	917,168	1,642,554
Inventories	21,670	78,556
Other investment securities	274,486	576,647
(of which: financial instruments pledged as collateral) (*1)	222,987	388,333
Investment properties	67,476	52,799
Property and equipment	12,764	20,474
Assets held for sale	11,551	136,026
Other assets	43	177
Total	1,306,619	2,511,581

Note:

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

The corresponding liabilities were as follows:

	As at March 31, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Bonds and borrowings	514,778	1,530,487
Customer deposits for banking business	1,249	932
Other financial liabilities	220,100	383,794
Liabilities directly associated with assets held for sale	8,149	136,284
Other liabilities	10	42,899
Total	744,286	2,094,396

Besides the above, securities received as collateral for financing from broker's own capital of ¥65,284 million and ¥93,153 million were pledged as collateral for borrowings on margin transactions as at March 31, 2023 and 2024, respectively.

21. Trade and Other Payables

The components of trade and other payables were as follows:

	As at March 31, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Accounts payable and notes payable	61,122	65,952
Accounts payable-other	117,376	184,731
Advances received and guarantee deposit received	254,240	359,430
Lease liability	49,939	46,458
Total	482,677	656,571

22. Liabilities Related to Securities Business

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

	As at March 31, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Margin transaction liabilities	276,287	390,877
Loans payable secured by securities on repurchase agreement transactions	605,382	1,007,543
Deposits from customers	1,400,607	1,898,414
Guarantee deposits received	1,104,363	1,372,996
Trade date accrual	411,068	623,884
Trading products	85,024	225,015
Deposits for subscription	5,518	8,577
Total	3,888,249	5,527,306

23. Insurance Contracts

(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 current Solvency Margin standards and a trial approach looking at Solvency regulations on an economic value basis to be introduced in the future.

(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) The reconciliations of insurance contract liabilities from the opening to the ending balances for the years ended March 31, 2023 and 2024 were as follows:

For the year ended March 31, 2023

	Liability for remaining coverage		Liability for incurred claims			
	Excluding loss component	Loss component	Contracts to which the PAA is not applied	Contracts to which the PAA is applied		Total
				Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2022	118,157	1,803	1,424	30,802	175	152,361
Insurance revenue	(80,537)	-	-	-	-	(80,537)
Insurance service expenses						
Incurred claims and other insurance service expenses	-	-	4,767	72,886	-	77,653
Amortization of insurance acquisition cash flows	1,008	-	-	-	-	1,008
Losses on onerous contracts and reversals of such losses	-	81	-	-	-	81
Adjustments to liabilities for incurred claims	-	-	-	(2,877)	135	(2,742)
Investment components and refunds of premiums	(2,936)	-	2,936	-	-	-
Insurance finance expenses (income)	(2,073)	-	-	-	-	(2,073)
Cash flows						
Premiums received	83,034	-	-	-	-	83,034
Claims and other insurance service expenses paid (including investment components)	-	-	(7,881)	(66,767)	-	(74,648)
Insurance acquisition cash flows	(2,185)	-	-	-	-	(2,185)
Balance as at March 31, 2023	114,468	1,884	1,246	34,044	310	151,952

For the year ended March 31, 2024

	Liability for remaining coverage		Liability for incurred claims			
	Excluding loss component	Loss component	Contracts to which the PAA is not applied	Contracts to which the PAA is applied		Total
				Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2023	114,468	1,884	1,246	34,044	310	151,952
Insurance revenue	(87,665)	-	-	-	-	(87,665)
Insurance service expenses						
Incurred claims and other insurance service expenses	-	(4)	4,450	77,234	-	81,680
Amortization of insurance acquisition cash flows	1,241	-	-	-	-	1,241
Losses on onerous contracts and reversals of such losses	-	(46)	-	-	-	(46)
Adjustments to liabilities for incurred claims	-	-	-	(3,705)	3	(3,702)
Investment components and refunds of premiums	(4,437)	-	4,437	-	-	-
Insurance finance expenses (income)	3,300	0	-	-	-	3,300
Cash flows						
Premiums received	91,688	-	-	-	-	91,688
Claims and other insurance service expenses paid (including investment components)	-	-	(8,936)	(71,886)	-	(80,822)
Insurance acquisition cash flows	(2,580)	-	-	-	-	(2,580)
Balance as at March 31, 2024	116,015	1,834	1,197	35,687	313	155,046

- (b) The reconciliations of component of insurance contract liabilities for contracts to which the PAA is not applied from the opening to the ending balances for the years ended March 31, 2023 and 2024 were as follows:

	For the year ended March 31, 2023			For the year ended March 31, 2024		
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance, beginning of year	73,181	5,926	6,767	64,052	6,165	10,417
Changes that relate to current service						
CSM recognized for services	-	-	(824)	-	-	(961)
Change in risk adjustment for non-financial risk for risk expired	-	(347)	-	-	(358)	-
Experience adjustments	727	-	-	(115)	-	-
Changes that relate to future service						
Contracts initially recognized in the year	(2,046)	673	1,373	(2,036)	863	1,215
Changes in estimates that adjust CSM	(3,193)	97	3,096	(3,052)	(54)	3,106
Losses on onerous contracts and reversals of such losses	-	-	-	45	-	-
Insurance finance expenses (income)	(1,894)	(184)	5	3,571	(287)	16
Cash flows	(2,723)	-	-	(3,235)	-	-
Balance, ending of year	64,052	6,165	10,417	59,230	6,329	13,793

- (c) Significant accounting estimates and judgments related to the measurement of insurance contracts

(i) Components of fulfilment cash flows

Fulfilment cash flows consist of the following:

- estimates of future cash flows
- an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows
- a risk adjustment for non-financial risk

(ii) Estimates of future cash flows

The objective of the Group's estimation of future cash flows is to calculate the expected value of a range of scenarios that reflect the full range of possible outcomes. The cash flows resulting from each scenario are discounted to calculate the expected present value and weighted by the estimated probability of that outcome.

In estimating future cash flows, the Group incorporates, in an unbiased manner, all reasonable and supportable information available at the reporting date without undue cost or effort. This information includes internal and external historical data on claims and other performance and is updated to reflect current expectations about future events.

In estimating future cash flows, key inputs, mortality and morbidity assumptions, are typically established by combining data from national life tables, industry trends, and recent actual results. Actual results are measured through periodic surveys, the results of which are reflected in both the setting of rates for new products and the measurement of existing insurance contracts.

(iii) Discount rates

Cash flows are discounted using a yield curve adjusted to reflect the relevant cash flow

characteristics and the liquidity characteristics of the insurance contracts. The yield curve is calculated based on observable market data, such as government bonds, by interpolating between the latest available market data and terminal forward rates, taking into account long-term real interest rates and inflation expectations.

The yield curves used to discount the cash flows of insurance contracts are as follows:

For the year ended March 31, 2023

	1 year	5 years	10 years	15 years	20 years	30 years
JPY	0.023%	0.242%	0.531%	0.945%	1.230%	1.489%

For the year ended March 31, 2024

	1 year	5 years	10 years	15 years	20 years	30 years
JPY	0.201%	0.521%	0.909%	1.338%	1.717%	2.083%

Net cash outflows by due period resulting from recognized insurance liabilities are as follows. Net cash outflow amount does not include the liability for the remaining coverage measured by the PAA:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Insurance contract liabilities	20,187	13,087	7,897	5,559	4,447	57,567	108,744

(d) 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.

The impact of modifying the prerequisite conditions on insurance contract liabilities, profit or loss, and equity is not expected to be material.

(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 insurance business is as follows:

	Accident year					Total
	2019	2020	2021	2022	2023	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Cumulative payments and claim reserves						
At end of accident year	27,270	26,017	30,193	34,818	37,189	155,488
1 year later	27,489	25,007	28,081	32,182	-	112,759
2 year later	28,044	23,852	27,383	-	-	79,279
3 year later	27,688	23,187	-	-	-	50,875
4 year later	27,575	-	-	-	-	27,575
Estimate of cumulative claims	27,575	23,187	27,383	32,182	37,189	147,515
Less: Cumulative payments to date	26,697	21,973	23,908	26,453	20,584	119,615
Undiscounted future cash outflows	878	1,214	3,475	5,729	16,605	27,900
Others						9,297
Liabilities for incurred claims						37,197

24. 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, 2024 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, 2023	For the year ended March 31, 2024
	Millions of Yen	Millions of Yen
Depreciation charge for right-of-use assets		
Buildings	12,021	11,032
Furniture and fixtures	451	346
Machinery and equipment	2	33
Land	285	208
Software	379	-
Others	316	686
Total	13,454	12,305
Interest expense on lease liabilities	553	629
Expense relating to short-term lease and lease of low-value assets	8,145	8,623
Total cash outflow for leases	23,617	23,210

(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, 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.

As at March 31, 2024

	Undiscounted lease income	Net investment in the lease
	Millions of Yen	Millions of Yen
No later than 1 year	63,046	58,649
1 to 2 years	56,548	52,024
2 to 3 years	43,241	40,117
3 to 4 years	28,997	26,689
4 to 5 years	20,024	18,793
Over 5 years	30,242	27,643
Total	242,098	223,915
Unearned financial income	(23,528)	
Discounted unguaranteed residual value	5,345	
Net investment in the lease	223,915	

Financial income on net investment in the lease amounted to ¥9,396 million for the year ended March 31, 2024.

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

	As at March 31, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
No later than 1 year	8,963	8,493
1 to 2 years	7,217	7,022
2 to 3 years	6,204	5,818
3 to 4 years	5,118	4,066
4 to 5 years	3,327	2,672
Over 5 years	7,872	6,696
Total	38,701	34,767

Lease income from operating lease contracts amounted to ¥14,440 million and ¥13,036 million for the years ended March 31, 2023 and 2024, 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.

25. Provisions

The movement of provisions is as follows:

	Asset retirement obligations	Reserve for losses on interest repayment	Total
	Millions of Yen	Millions of Yen	Millions of Yen
As at April 1, 2022	11,351	31,635	42,986
Recognition of provisions	2,474	1,101	3,575
Used	(989)	(7,267)	(8,256)
Increase in value	86	-	86
Others	320	5,100	5,420
As at March 31, 2023	13,242	30,569	43,811
Recognition (reversal) of provisions	541	(411)	130
Used	(1,235)	(5,929)	(7,164)
Increase in value	87	-	87
Others	(11)	-	(11)
As at March 31, 2024	12,624	24,229	36,853

Asset retirement obligations mainly relate to expenses for restoration obligations for leased offices, etc., and the timing of expenditure is affected by future business plans and other factors.

Reserve for losses on interest repayment is recorded in the amount necessary to prepare for the repayment amount (loss) arising from a claim for repayment of interest received from a debtor that exceeds the upper limit of the Interest Rate Restriction Act by a money lender operating at a lending interest rate that exceeds the upper limit of the Interest Rate Restriction Act and is below the upper limit of the so-called Investment Act. The payment is made when the debtor makes a claim for repayment.

26. 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, 2023 and 2024 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, 2023 and 2024 consisted of the following:

	For the year ended March 31, 2023	For the year ended March 31, 2024
	Millions of Yen	Millions of Yen
Change in present value of defined benefit plan obligations		
Balance, beginning of year	(99,364)	(92,589)
Effect of business combinations and disposals	(149)	(282)
Service cost	(4,156)	(3,761)
Interest cost	(816)	(1,223)
Actuarial gains and losses (*1)	6,769	3,158
Benefits paid	5,127	5,164
Balance, end of year	(92,589)	(89,533)
Change in fair value of plan assets		
Balance, beginning of year	105,882	103,115
Interest income	894	1,401
Income related to plan assets (excluding interest income)	(1,972)	8,999
Employer contributions	2,794	2,852
Benefits from plan assets	(4,483)	(4,190)
Balance, end of year	103,115	112,177
Effect of the asset ceiling	(16,126)	(30,180)
Net amount recognized in the consolidated statement of financial position	(5,601)	(7,538)

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, 2023 and 2024 were as follows:

	As at March 31, 2023	As at March 31, 2024
	%	%
Discount rate	0.98 – 1.42	1.25 – 1.81
Rate of increase in future compensation levels	1.80 – 6.00	1.80 – 6.10

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, 2024 would be expected to increase the defined benefit plan obligations by ¥5,456 million and decrease them by ¥5,514 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, 2023 and 2024 are as follows:

	As at March 31, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Plan assets that have a quoted market price in an active market		
Cash and cash equivalents	2,437	2,248
Japanese equity securities	8,650	9,666
Global equity securities	4,789	4,657
Japanese debt	12,154	11,684
Global debt	4,277	4,874
Total	32,307	33,129
Plan assets that do not have a quoted market price in an active market		
Japanese equity securities	11,512	14,612
Global equity securities	12,791	15,045
Japanese debt	15,429	15,584
Global debt	9,006	9,549
Insurance assets (general account)	17,199	17,248
Other assets (*1)	4,871	7,010
Total	70,808	79,048

Note:

1. Other assets include mainly alternative investment products.

The Group expects to contribute ¥2,969 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, 2024 was 13.3 years.

27. Capital Stock and Other Equity Items

(1) Capital stock and treasury stock

The number of authorized shares as at March 31, 2023 and 2024 was 341,690,000 shares.

The Company's issued shares were as follows:

	For the year ended March 31, 2023	For the year ended March 31, 2024
	shares	shares
Number of issued shares (common shares with no par value)		
As at the beginning of the year	245,220,890	272,358,290
Increase during the year (*1)(*2)	27,137,400	29,531,517
As at the end of the year	272,358,290	301,889,807

Notes:

1. 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.
2. The increase during the year ended March 31, 2024 consisted of the exercise of the conversion rights for convertible bonds totaling 25,071,617 shares and the exercise of the stock acquisition rights totaling 4,459,900 shares.

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

	For the year ended March 31, 2023	For the year ended March 31, 2024
	Shares	Shares
Number of treasury stock		
As at the beginning of the year	22,486	27,451
Increase during the year (Notes 1,3)	5,885	3,775
Decrease during the year (Notes 2,4)	(920)	(530)
As at the end of the year	27,451	30,696

Notes:

1. 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.
2. 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.
3. The increase of 3,775 shares during the year ended March 31, 2024 related to the purchase of shares from shareholders with less than one unit of shares.
4. The decrease of 530 shares during the year ended March 31, 2024 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	Fluctuations in discount rates of insurance contracts	Cash flow hedges	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	Millions of Yen	Millions of Yen
Balance as at April 1, 2022	44,392	(59)	(1,581)	—	—	113	—	42,865
Change for the year	24,513	(3,524)	(3,916)	930	—	196	(780)	17,419
Transfer to retained earnings	—	(17)	—	—	—	—	780	763
Balance as at March 31, 2023	68,905	(3,600)	(5,497)	930	—	309	—	61,047
Change for the year	65,175	3,086	(871)	764	(2,296)	15	(610)	65,263
Transfer to retained earnings	—	(1,194)	—	—	—	—	610	(584)
Balance as at March 31, 2024	134,080	(1,708)	(6,368)	1,694	(2,296)	(324)	—	125,726

28. Dividends

Dividends paid were as follows:

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

Year ended March 31, 2024

	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
Board of Directors' Meeting on November 10, 2023	Common shares	8,257	30	September 30, 2023	December 18, 2023

Dividends for which the declared date fell in the year ended March 31, 2024, and for which the effective date will be in the year ending March 31, 2025, 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 10, 2024	Common shares	39,242	130(*)	March 31, 2024	June 7, 2024

(*) The per-share dividend of 130 yen consists of common dividend of 120 yen and commemorative dividend of 10 yen for the 25th anniversary of the foundation of the Company.

29. 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, 2023 and 2024 amounted to ¥991 million and ¥470 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, 2023		For the year ended March 31, 2024	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	8,520,900	2,173	8,383,500	2,183
Exercised	(137,400)	1,563	(4,459,900)	2,219
Ending balance	8,383,500	2,183	3,923,600	2,141

Note:

1. Weighted average stock prices upon exercise of stock options for the years ended March 31, 2023 and 2024 were ¥2,721 and ¥3,275, respectively.

The unexercised stock options as at March 31, 2024 are as follows:

Name	Exercise price	Number of shares	Exercise period
	Yen	Shares	
2017 Second Stock Acquisition Rights	1,563	861,000	July 29, 2019 - September 30, 2024
2020 First Stock Acquisition Rights (*1)	2,280	468,600	July 3, 2023 - September 30, 2024
2020 Second Stock Acquisition Rights	2,308	2,594,000	July 3, 2023 September 29, 2028

Note:

1. 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, 2023		For the year ended March 31, 2024	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	100	5,000	5,600	79,545
Granted	5,500	80,900	—	—
Ending balance	5,600	79,545	5,600	79,545

Notes:

1. Of the remaining stock options as at March 31, 2024, 100 shares were granted before November 7, 2002 thus, the Group does not apply IFRS 2 "Share-based Payment". The exercise period is two years and six months from six months after the date of the IPO.
2. The fair value of stock options granted during the year ended March 31, 2023 was ¥35,416 (the number of shares to be issued per option is 1 share). The fair value was determined based on a Black-Scholes Model. The following assumptions were used in the Black-Scholes Model regarding the stock options:

Stock price at the measurement date	: ¥72,300	Estimated remaining exercise period	: 6.5 years
Exercise price	: ¥80,900	Dividend yield	: 0.00%
Estimated volatility	: 54.9%	Risk free rate	: 0.06%

a-2 BroadBand Security, Inc.

	For the year ended March 31, 2023		For the year ended March 31, 2024	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	81,700	800	76,100	800
Exercised	(5,100)	800	—	—
Forfeited	(500)	800	—	—
Change in scope of consolidation	—	—	(76,100)	800
Ending balance	76,100	800	—	—

Notes:

1. Weighted average stock price of stock options upon exercise for the year ended March 31, 2023 was ¥1,412.

a-3 SBI FinTech Solutions Co., Ltd.

	For the year ended March 31, 2023		For the year ended March 31, 2024	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	604,000	628	604,000	628
Forfeited	—	—	(604,000)	628
Ending balance	604,000	628	—	—

a-4 SBI Insurance Group Co., Ltd.

	For the year ended March 31, 2023		For the year ended March 31, 2024	
	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
Forfeited	—	—	(1,460,700)	1,734
Ending balance	1,460,700	1,734	—	—

a-5 Rheos Capital Works Inc.

	For the year ended March 31, 2023		For the year ended March 31, 2024	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	884,000	545	873,000	543
Exercised	—	—	(538,500)	33
Forfeited	(11,000)	721	—	—
Ending balance	873,000	543	334,500	1,365

Notes:

1. The average remaining exercise period as at March 31, 2024 was 3.9 years.
2. Weighted average stock price of stock options upon exercise for the year ended March 31, 2024 was ¥1,238.
3. SBI Rheos Hifumi Co., Ltd. was established as the holding company of Rheos Capital Works Inc. through a sole share transfer on April 1, 2024. On the same day, stock acquisition rights of the holding company substituted for those of Rheos Capital Works Inc. were issued and allotted.

a-6 SBI Leasing Services Co., Ltd.

	For the year ended March 31, 2023		For the year ended March 31, 2024	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	339,600	2,250	328,000	2,250
Forfeited	(11,600)	2,250	—	—
Ending balance	328,000	2,250	328,000	2,250

Note:

The average remaining exercise period as at March 31, 2024 was 4.3 years.

a-7 SBI ARUHI Corporation

	For the year ended March 31, 2023		For the year ended March 31, 2024	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	—	—	663,800	1,526
Change in scope of consolidation	759,800	1,431	—	—
Exercised	(87,100)	682	(44,900)	684
Forfeited	(8,900)	1,708	(56,700)	1,689
Ending balance	663,800	1,526	562,200	1,577

Notes:

1. Weighted average stock prices of stock options upon exercise for the years ended March 31, 2023 and 2024 were ¥1,090 and ¥887, respectively.
2. The average remaining exercise period as at March 31, 2024 was 3.7 years.

a-8 SBI Digital Markets Pte. Ltd.

	For the year ended March 31, 2024	
	Number of shares	Weighted average exercise price
	Shares	SGD
Beginning balance	—	—
Granted	560,000	7.40
Ending balance	560,000	7.40

Notes:

1. The average remaining exercise period as at March 31, 2024 was 10 years. The stock options did not vest as at March 31, 2024.
2. The stock options granted during the year ended March 31, 2024 were 332,000 shares of SBI DM Share Option Scheme-Pioneer Group and 228,000 shares of SBI DM Share Option Scheme-Broader Group.

The fair value of SBI DM Share Option Scheme-Pioneer Group was SGD 8.76 (the number of shares to be issued per option is 1 share). The fair value was determined based on a Black-Scholes Model. The following assumptions were used in the Black-Scholes Model regarding the stock options:

Stock price at the grant date	:	SGD 11.96	Estimated remaining exercise period	:	6.25 years
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Exercise price	: SGD 4.26	Dividend yield	: 0.00%
Estimated volatility	: 40.1%	Risk free rate	: 3.07%

The fair value of SBI DM Share Option Scheme-Broader Group was SGD 5.29 (the number of shares to be issued per option is 1 share). The fair value was determined based on a Black-Scholes Model. The following assumptions were used in the Black-Scholes Model regarding the stock options:

Stock price at the grant date	: SGD 11.96	Estimated remaining exercise period	: 6.25 years
Exercise price	: SGD 11.96	Dividend yield	: 0.00%
Estimated volatility	: 40.1%	Risk free rate	: 3.07%

(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 previously allocated, for which the last day of the restricted period has not yet arrived, 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.

30. Revenue

Revenue for the years ended March 31, 2023 and 2024 consisted of the following:

	For the year ended March 31, 2023	For the year ended March 31, 2024
	Millions of yen	Millions of yen
Revenue		
Financial income		
Interest income		
Income arising from financial assets measured at amortized cost (*1)	396,530	488,677
Income arising from debt instruments measured at FVTOCI (*2)	7,882	11,435
Income arising from financial assets measured at FVTPL	61,845	41,497
Income arising from financial liabilities designated at FVTPL	(244)	(2,959)
Others	24,029	52,236
Total financial income	490,042	590,886
Insurance revenue	80,537	87,665
Revenue from contracts with customers		
Revenue from rendering of services	185,461	220,659
Revenue from sales of goods	48,854	108,311
Others	152,083	202,983
Total revenue	956,977	1,210,504

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, 2023 and 2024 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, 2023

	Asset							
	Financial Services Business	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 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

For the year ended March 31, 2024

	Asset					Total	Elimination or Corporate	Consolidated Total
	Financial Services Business	Management Business	Investment Business	Crypto-asset Business	Non-Financial Business			
	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	183,206	29,122	7,136	398	8,436	228,298	(7,639)	220,659
Revenue from sales of goods	47,487	-	48,066	-	13,111	108,664	(353)	108,311
Total	230,693	29,122	55,202	398	21,547	336,962	(7,992)	328,970

(2) Contract balance

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

	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

	Balance as at April 1, 2023	Balance as at March 31, 2024
	Millions of Yen	Millions of Yen
Trade receivables from contract with customers	10,247	16,493
Contract liabilities	5,136	5,326

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, 2023 and 2024, ¥5,876 million and ¥5,136 million were included in the balance of contract liabilities as at April 1, 2022 and 2023, respectively.

31. Expense

Expense for the years ended March 31, 2023 and 2024 consisted of the following:

(1) Financial cost associated with financial income

	For the year ended March 31, 2023	For the year ended March 31, 2024
	Millions of Yen	Millions of Yen
Financial cost associated with financial income		
Interest expense		
Financial liabilities measured at amortized cost	(102,473)	(167,940)
Total financial cost associated with financial income	(102,473)	(167,940)

(2) Operating cost

	For the year ended March 31, 2023	For the year ended March 31, 2024
	Millions of Yen	Millions of Yen
Payroll	(11,934)	(13,981)
Outsourcing fees	(59,116)	(83,549)
Depreciation and amortization	(14,290)	(13,751)
Cost of real estate for sale	(8,102)	(56,715)
Others	(91,842)	(97,865)
Total operating cost	(185,284)	(265,861)

(3) Selling, general and administrative expenses

	For the year ended March 31, 2023	For the year ended March 31, 2024
	Millions of Yen	Millions of Yen
Payroll	(125,235)	(136,891)
Outsourcing fees	(61,205)	(78,729)
Depreciation and amortization	(39,742)	(39,987)
Research and development	(1,538)	(1,983)
Others	(135,575)	(148,169)
Total selling, general and administrative expenses	(363,295)	(405,759)

(4) Other financial cost

	For the year ended March 31, 2023	For the year ended March 31, 2024
	Millions of Yen	Millions of Yen
Other financial cost		
Interest expense		
Financial liabilities measured at amortized cost	(20,183)	(36,344)
Others	198	(5,369)
Total other financial cost	(19,985)	(41,713)

(5) Other expenses

	For the year ended March 31, 2023	For the year ended March 31, 2024
	Millions of Yen	Millions of Yen
Impairment loss	(3,585)	(921)
Others	(19,271)	(12,139)
Total other expenses	(22,856)	(13,060)

32. Income Tax Expense

The amount of income tax expenses for the years ended March 31, 2023 and 2024 were as follows:

	For the year ended March 31, 2023	For the year ended March 31, 2024
	Millions of Yen	Millions of Yen
Income tax expense		
Current	(38,487)	(27,199)
Deferred	8,043	(754)
Total income tax expense	(30,444)	(27,953)

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, 2023 and 2024 is as follows:

	For the year ended March 31, 2023	For the year ended March 31, 2024
	%	%
Normal effective statutory tax rate	30.6	30.6
Permanent differences such as meals and entertainment	1.5	1.3
Tax effect on minority interests of investments in fund	(2.9)	0.2
Temporary differences arising from consolidation of investments	1.3	(5.2)
Change in unrecognized deferred tax assets	(1.6)	(7.9)
Other	0.9	0.7
Average effective tax rate	29.8	19.7

The Tax Reform Act of 2023 ("Act for Partial Revision of the Income Tax Act, etc. (Act No. 3 of 2023)") ("Revised Corporation Tax Act") was enacted on March 28, 2023, which includes provisions related to the establishment of a corporate tax system for global minimum taxation. The Revised Corporation Tax Act introduces the income inclusion rule (IIR), which is one of the global minimum tax rules under BEPS, and, beginning with fiscal years beginning on or after April 1, 2024, the tax burden of a parent company located in Japan on its subsidiaries and affiliates in Japan will be additionally taxed on the parent company located in Japan until the minimum tax rate (15%) is reached.

However, the Group has applied the temporary exception provided for in IAS 12 "Income Taxes" and has not recognized any deferred tax assets or liabilities for income taxes arising from the global minimum tax system, nor have they been included in the disclosed amounts.

Assuming that the additional taxation would be applied in the current period, the Company has determined that the impact would not be material.

33. 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, 2023 and 2024 were as follows:

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 ventures accounted for using the equity method	(3)	-	(3)	-	(3)
	<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	30,255	(7)	30,248	-	30,248
Fluctuations in discount rates of insurance contracts	1,875	-	1,875	(525)	1,350
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	1,995	-	1,995	-	1,995
	<u>22,039</u>	<u>3,972</u>	<u>26,011</u>	<u>(241)</u>	<u>25,770</u>
Total	<u>13,361</u>	<u>3,972</u>	<u>17,333</u>	<u>276</u>	<u>17,609</u>

For the year ended March 31, 2024

	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	5,681	-	5,681	(66)	5,615
Changes in own credit risk on financial liabilities	(8)	-	(8)	-	(8)
Remeasurement of defined benefit plans	(1,586)	-	(1,586)	532	(1,054)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	0	-	0	-	0
	<u>4,087</u>	<u>-</u>	<u>4,087</u>	<u>466</u>	<u>4,553</u>
Items that may be reclassified subsequently to profit or loss					
Debt instruments measured at FVTOCI	(2,353)	715	(1,638)	138	(1,500)
Currency translation differences	71,069	(18)	71,051	-	71,051
Fluctuations in discount rates of insurance contracts	2,069	-	2,069	(579)	1,490
Cash flow hedges	(5,293)	699	(4,594)	894	(3,700)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	4,847	0	4,847	-	4,847
	<u>70,339</u>	<u>1,396</u>	<u>71,735</u>	<u>453</u>	<u>72,188</u>
Total	<u>74,426</u>	<u>1,396</u>	<u>75,822</u>	<u>919</u>	<u>76,741</u>

34. 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, 2023	For the year ended March 31, 2024
	Millions of Yen	Millions of Yen
Earnings		
Profit attributable to owners of the Company	35,445	87,243
Dilutive effect : Convertible bonds	764	567
Profit attributable to owners of the Company after dilutive effect	36,209	87,810
Shares		
Basic weighted average number of ordinary shares (shares)	264,766,019	275,712,057
Dilutive effect : Stock options (shares)	1,651,841	1,915,609
Dilutive effect : Convertible bonds (shares)	39,567,668	29,827,618
Weighted average number of ordinary shares after the dilutive effect (shares)	305,985,528	307,455,284
Earnings per share attributable to owners of the Company		
Basic (in Yen)	133.87	316.43
Diluted (in Yen)	118.34	285.60

35. Cash Flow Information

Supplemental disclosure of consolidated statement of cash flow information for the years ended March 31, 2023 and 2024 was as follows:

(1) Expenditures on acquisition of subsidiaries

Total consideration paid for acquisition of subsidiaries were ¥68,737 million and ¥210,552 million for the years ended March 31, 2023 and 2024, respectively. The consideration paid for the year ended March 31, 2023 consisted solely of cash and cash equivalents. The consideration paid for the year ended March 31, 2024, consisted of cash and cash equivalents of ¥27,806 million as well as cash loan.

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, 2023	For the year ended March 31, 2024
	Millions of Yen	Millions of Yen
Cash and cash equivalents	62,140	20,776
Trade and other receivables	121,447	188,427
Inventories	34,453	28,015
Other financial assets	37,712	1,698
Other investment securities	1,931	1,526
Intangible assets	8,310	368
Other assets	10,264	8,027
Total assets	276,257	248,837
Bonds and loans payable	137,521	3,428
Trade and other payables	40,047	6,294
Other financial liabilities	41,685	22
Other liabilities	6,796	33,355
Total liabilities	226,049	43,099

(2) Proceeds from sales of subsidiaries

Total consideration received in respect of sales of subsidiaries was ¥25 million and ¥5,023 million for the years ended March 31, 2023 and 2024, 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, 2023	For the year ended March 31, 2024
	Millions of Yen	Millions of Yen
Cash and cash equivalents	9	2,524
Trade and other receivables	-	1,339
Other assets	-	3,339
Total assets	9	7,202
Bonds and loans payable	-	827
Trade and other payables	-	1,289
Other liabilities	2	1,171
Total liabilities	2	3,287

(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, 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	137,521
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
Cash flow from operating activities	740,149	(61,448)	678,701
Cash flow from financing activities	(190,633)	351,753	161,120
Non-cash changes			
Change in scope of consolidation	2,601	-	2,601
Interest expense	1,932	3,401	5,333
Conversion of convertible bonds	-	(70,037)	(70,037)
Foreign currency translation adjustment on foreign operations	2,297	13,516	15,813
Others	4,369	(1,176)	3,193
Balance as at March 31, 2024	2,669,531	1,807,548	4,477,079

36. Subsidiaries

Major subsidiaries of the Group as at March 31, 2024 were as follows:

Business segment	Name	Location	Voting Rights Holding Ratio (Note 1)
			%
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	59.7
	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	64.8 (64.8)
	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	97.9 (97.9)
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)
	SBI ALApharma Co., Limited (Note 2)	Hong Kong	100.0 (100.0)
Crypto-asset Business	SBI VC Trade Co., Ltd.	Japan	100.0 (100.0)

Next Gen Business (Note 3)	SBI Pharmaceuticals Co., Ltd.	Japan	100.0 (100.0)
	SBI ALApromo Co., Ltd.	Japan	100.0 (1.0)
	SBI Biotech Co., Ltd.	Japan	95.8 (1.1)

Note:

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

2. SBI ALApharma Co., Limited, which was included in "Non-Financial Business" (renamed "Next Gen Business") until the year ended March 31, 2023, is now included in "Investment Business" from the year ended March 31, 2024.

3. The Group changed the reporting segment name "Non-Financial Business" to "Next Gen Business" from the year ended March 31, 2024.

Subsidiaries with material noncontrolling interests are as follows:

Year ended March 31, 2023

Name	Location	Percentage of voting rights held by non-controlling interests	Profit (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

Year ended March 31, 2024

Name	Location	Percentage of voting rights held by non-controlling interests	Profit (loss) allocated to non-controlling interests	Cumulative amount of non-controlling interests
		%	Millions of Yen	Millions of Yen
SBI Shinsei Bank, Limited	Japan	35.2	21,599	348,881

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, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Total assets	13,091,690	15,630,976
Total liabilities	12,129,399	14,668,826
Total equity	962,291	962,150
	For the year ended March 31, 2023	For the year ended March 31, 2024
	Millions of Yen	Millions of Yen
Revenue	409,235	468,734
Profit for the year	46,585	53,408
Total comprehensive income	45,227	74,717
Cash flows from operating activities	1,377,788	1,254,529
Cash flows from investing activities	(949,025)	77,703
Cash flows from financing activities	(13,936)	(80,503)
Net change in cash and cash equivalents	414,827	1,251,729

37. Related Party Transactions

(1) Related Party Transactions

The Group entered into the following related party transactions during the year ended March 31, 2024.

Type	Name	Nature of relationship	Nature of transaction	Transaction Amount	Balance
				Millions of Yen	Millions of Yen
Corporate officer	Yoshitaka Kitao	Representative Director	Exercise of stock options (Note1)	1,186	—
			Acquisition of shares of subsidiaries (Note2)	1,047	—
Corporate officer	Masato Takamura	Representative Director	Exercise of stock options (Note1)	319	—
Corporate officer	Tomoya Asakura	Representative Director	Exercise of stock options (Note1)	616	—
Corporate officer	Shumpei Morita	Director	Exercise of stock options (Note1)	463	—
Corporate officer	Satoe Kusakabe	Director	Exercise of stock options (Note3)	12	—
Corporate officer	Masayuki Yamada	Director	Exercise of stock options (Note1)	80	—
Corporate officer	Shinji Matsui	Director	Exercise of stock options (Note1)	125	—
Corporate officer	Motoaki Shiino	Director	Exercise of stock options (Note1)	12	—

(Note):

1. Exercise of stock options represents the exercise of stock acquisition rights which were issued based on the resolution by the Board of Directors meeting held on May 28, 2020, and June 26, 2020, pursuant to Article 236, 238 and 240 of the Companies Act. Stated in the "Transaction Amount" column is the paid-in amount in connection with stock acquisition rights exercised during the fiscal year ended March 31, 2024.
2. The transfer price was determined by taking into consideration a stock price valuation report by an independent third party.
3. Exercise of stock options represents the exercise of stock acquisition rights which were issued based on the resolution by the Board of Directors meeting held on July 27, 2017, and August 29, 2017, pursuant to Article 236, 238 and 240 of the Companies Act. Stated in the "Transaction Amount" column is the paid-in amount in connection with stock acquisition rights exercised during the fiscal year ended March 31, 2024.

(2) The remuneration of key management personnel of the Company for the years ended March 31, 2023 and 2024

	For the year ended March 31, 2023	For the year ended March 31, 2024
	Millions of Yen	Millions of Yen
Remuneration and bonuses	987	1,021
Post-employment benefits	141	103
Total	1,128	1,124

38. Events after the Reporting Period

(Liquidation of Subsidiary)

On June 20, 2024, the necessary procedures for the liquidation of SIPF B.V., a subsidiary of the Company, were completed.

1. Outline of the subsidiary

- | | |
|--------------------------------------|--|
| (1) Name | SIPF B.V. |
| (2) Location | Basisweg 10, 1043 AP, Amsterdam, the Netherlands |
| (3) Business description | Holding and financial business |
| (4) Paid-in capital | 300 euros |
| (5) Percentage of voting rights held | 100% (of which 100% were held indirectly) |

2. Impact of the liquidation on business activities

The liquidation will have no impact on the business activities of the Group.

3. Impact on profit and loss due to liquidation

In accordance with the liquidation, the foreign exchange differences related to the subsidiary will be transferred from other components of equity to profit or loss. The impact on consolidated financial statements in the year ending March 31, 2025 is still under consideration.