思佰益

Strategic Business Innovator

SBI HOLDINGS, INC.

Annual Report

2011 – 2012

Stock code: 6488

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Yoshitaka Kitao (Chairman and Representative Director, President and Chief Executive Officer)
Mr. Taro Izuchi (Director, Senior Executive Vice President and Chief Operating Officer)
Mr. Takashi Nakagawa (Director and Senior Managing Executive Officer)
Mr. Tomoya Asakura (Director and Managing Executive Officer)
Mr. Shumpei Morita (Director, Managing Executive Officer and Chief Financial Officer)
Mr. Noriaki Maruyama (Director and Executive Officer)
Mr. Peilung Li (Director and Executive Officer)

Non-Executive Directors

Mr. Yasutaro Sawada (Director)
Mr. Hiroyoshi Kido (Director)
Mr. Noriyoshi Kimura (Director)
Mr. Hiroshi Tasaka (Director)
Mr. Takashi Okita (Director)

Independent non-executive directors

Mr. Masaki Yoshida (Director)
Mr. Kiyoshi Nagano (Outside Director)
Mr. Keiji Watanabe (Outside Director)
Mr. Akihiro Tamaki (Outside Director)
Mr. Masanao Marumono (Outside Director)

Statutory Auditors

Mr. Atsushi Fujii (Kansayaku) (Standing Statutory Auditor)
Mr. Ryujiro Shimamoto (Shagai Kansayaku) (Outside Statutory Auditor)
Mr. Minoru Tada (Kansayaku) (Statutory Auditor)
Mr. Hisashi Hayakawa (Shagai Kansayaku) (Outside Statutory Auditor)

Joint Company Secretary

Japan: Mr. Toshiharu Fujita
Hong Kong: Ms. Corinna Wai Han Leung

Compliance Advisor

Daiwa Capital Markets Hong Kong Limited
Level 26, One Pacific Place
88 Queensway
Hong Kong

Auditor

Deloitte Touche Tohmatsu LLC

Principal Bank

Mizuho Corporate Bank Ltd.

Registered Office

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1-6-1, Roppongi, Minato-ku
Tokyo
Japan

Principal Place of Business in Hong Kong

Suite 806, 8/F
Tower 2, Lippo Centre
89 Queensway
Hong Kong

HDR Registrar and HDR Transfer Office

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17/F, Hopewell Centre,
183 Queen's Road East
Wan Chai
Hong Kong

Stock Code

6488 (Hong Kong)
8473 (Japan)

Website Address

www.sbigroup.co.jp

FINANCIAL HIGHLIGHTS

(1) Five-Year Consolidated Financial Summary

Term	The 10th Term	The 11th Term	The 12th Term	The 13th Term	**The 14th Term**
Fiscal year/month	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011	**Year ended March 31, 2012**
Net sales (Millions of yen)	222,567	130,922	124,541	141,081	**145,074**
Ordinary income (Millions of yen)	35,687	37	1,112	3,525	**4,860**
Net income (loss) (Millions of yen)	4,228	(18,375)	2,350	4,534	**3,200**
Comprehensive income (Millions of yen)	—	—	—	(6,471)	**3,764**
Net assets (Millions of yen)	387,766	419,338	428,615	456,982	**468,579**
Total assets (Millions of yen)	1,219,247	1,079,233	1,229,939	1,293,606	**1,663,814**
Total liabilities (Millions of yen)	831,480	659,894	801,324	836,623	**1,195,235**
Net assets per share (Yen)	21,438.08	21,129.47	21,424.02	19,610.64	**18,489.18**
Net income (loss) per share (Yen)	376.63	(1,232.48)	140.30	236.09	**145.58**
Diluted net income per share (Yen)	344.65	—	116.84	225.74	**140.64**
Equity ratio (%)	19.8	32.8	29.2	30.2	**24.5**
Return on equity (%)	1.7	(6.2)	0.7	1.2	**0.8**
Price earnings ratio (Times)	63.7	—	131.50	44.35	**53.65**
Net cash provided by (used in) operating activities (Millions of yen)	50,073	103,034	(53,134)	(742)	**(4,972)**
Net cash provided by (used in) investment activities (Millions of yen)	(20,610)	(1,104)	(15,563)	(16,642)	**(27,035)**
Net cash provided by (used in) financing activities (Millions of yen)	(9,957)	(137,514)	84,599	25,154	**29,529**
Cash and cash equivalents at end of period (Millions of yen)	159,007	126,312	142,581	148,786	**145,594**
Number of employees	2,666	2,492	3,048	3,397	**3,149**

(Notes) 1. Net sales do not include consumption taxes.
2. Diluted net income per share for the 11th term is not indicated given the net loss per share although diluted shares exist. Price earnings ratio is not indicated given the net loss per share.

(2) Five-Year Non-Consolidated Financial Summary

Term	The 10th Term	The 11th Term	The 12th Term	The 13th Term	**The 14th Term**
Fiscal year/month	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011	**Year ended March 31, 2012**
Net sales (Millions of yen)	75,414	23,685	29,106	28,191	**31,827**
Ordinary income (loss) (Millions of yen)	22,860	2,062	(1,126)	1,353	**5,081**
Net income (loss) (Millions of yen)	11,225	(12,108)	3,519	9,101	**15,970**
Capital stock (Millions of yen)	55,157	55,214	55,284	73,236	**81,664**
Total number of shares issued	12,435,284.01	16,768,733	16,782,291	19,944,018	**22,451,303**
Net assets (Millions of yen)	161,396	282,516	281,972	319,755	**361,084**
Total assets (Millions of yen)	291,055	513,822	500,996	535,355	**590,422**
Total liabilities (Millions of yen)	129,658	231,306	219,023	215,599	**229,338**
Net assets per share (Yen)	14,250.03	16,885.74	16,816.46	16,044.40	**16,406.06**
Dividend per share (of which interim dividend per share) (Yen)	1,200 (600)	100 (−)	100 (−)	120 (−)	**100 (−)**
Net income (loss) per share (Yen)	993.17	(811.19)	210.11	473.84	**726.14**
Diluted net income per share (Yen)	979.09	−	209.49	473.33	**725.97**
Equity ratio (%)	55.5	55.0	56.3	59.7	**61.2**
Return on equity (%)	7.1	(5.5)	1.2	3.0	**4.7**
Price earnings ratio (Times)	24.14	−	87.81	22.10	**10.76**
Dividend ratio (%)	120.8	−	47.6	25.3	**13.8**
Number of employees	206	226	208	244	**237**

(Notes)
1. Net sales do not include consumption taxes.
2. Diluted net income per share for the 11th term is not indicated given the net loss per share although diluted shares exist. Price earnings ratio is not indicated given the net loss per share.
3. Dividend per share for the 12th term includes a dividend of 50 yen commemorating the 10th anniversary of founding.
4. Dividend per share for the 13th term includes a dividend of 20 yen commemorating the listing on the Main Board of the Hong Kong Stock Exchange.

CORPORATE PROFILE

1. History

SBI Holdings, Inc. ("the Company", together with its subsidiaries referred as "the Group") was established in July 1999 as a subsidiary of SOFTBANK Finance Co., Ltd. (currently SOFTBANK TELECOM Corp.) to undertake venture capital and incubation business. Subsequently, in March 2005, the Company was excluded from the scope of consolidation of SOFTBANK CORP. as a result of a public offering and capital increase through a third-party allotment. In August 2006, the capital relationship with the SOFTBANK Group was dissolved.

Milestones of the SBI Group since the founding of the Company are summarized below.

Month/Year	Topic
July 1999	SOFTBANK INVESTMENT CORPORATION (the Company) is established in Chiyoda-ku, Tokyo to undertake venture capital and incubation business.
November 1999	Converts companies including SOFTBANK Ventures, Inc. and SOFT TREND CAPITAL Corp. into wholly-owned subsidiaries through share exchange.
December 2000	Listed on NASDAQ Japan of the Osaka Stock Exchange.
April 2001	Acquires shares of SOFTBANK ASSET MANAGEMENT Co., Ltd. (currently SBI Asset Management Co., Ltd.) to make the firm a wholly-owned subsidiary.
	Establishes SBI CAPITAL Co., Ltd.
July 2001	Relocates the head office to Minato-ku, Tokyo.
February 2002	Listed on the first section of the Tokyo Stock Exchange.
November 2002	Moves the listing from NASDAQ Japan to the first section of the Osaka Stock Exchange.
June 2003	Merges with E*TRADE Japan K.K., and makes companies including E*TRADE SECURITIES Co., Ltd., SOFTBANK FRONTIER SECURITIES CO., LTD., and e-Commodity Co., Ltd. (the name is changed to SBI Futures Co., Ltd. in November 2005) as subsidiaries.
October 2003	Acquires shares of WORLD NICHIEI Securities Co., Ltd. and makes it a subsidiary.
February 2004	WORLD NICHIEI Securities Co., Ltd. and SOFTBANK FRONTIER SECURITIES CO., LTD. merge to become WORLD NICHIEI FRONTIER Securities Co., Ltd.
	Acquires shares of Finance All Corporation and makes the Corporation plus its subsidiaries including GOOD LOAN Co., Ltd. (currently SBI Mortgage Co., Ltd.) and Web Lease Co., Ltd. (currently SBI Lease Co., Ltd.) as subsidiaries.
July 2004	Acquires shares of Morningstar Japan K.K. and makes the company as a subsidiary.
July 2005	Splits and transfers the asset management business, etc. of the Company to SBI VENTURES K.K. (formerly SOFTBANK Ventures, Inc.) whose name is changed to SOFTBANK INVESTMENT CORPORATION (*), and the Company's name is changed to the present "SBI Holdings, Inc." (*) The name is changed to SBI Investment Co., Ltd. in October 2006.
	WORLD NICHIEI FRONTIER Securities Co., Ltd. is renamed as SBI Securities Co., Ltd.
August 2005	Additionally acquires the shares of SBI Partners Co., Ltd. to make it a subsidiary.
March 2006	SBI Partners Co., Ltd. and Finance All Corporation are merged through absorption.
	SBI Securities Co., Ltd. is made a wholly-owned subsidiary through a share exchange.
May 2006	Establishes SBI Nonlife Insurance Planning Co., Ltd. (currently SBI Insurance Co., Ltd.)
July 2006	E*TRADE SECURITIES CO., LTD. is renamed as SBI E*TRADE SECURITIES CO., LTD.
November 2006	Establishes SBI Japannext Securities Preparation Co., Ltd. (currently SBI Japannext Co., Ltd.)
June 2007	Establishes SBI VEN HOLDINGS PTE.LTD. in Singapore.
September 2007	Acquires shares of LIVING Corporation (currently SBI Life Living Co., Ltd.) and makes it a subsidiary.
October 2007	SBI E*TRADE SECURITIES CO., LTD. and SBI Securities Co., Ltd. merge with the former as the surviving company.
March 2008	Acquires shares of C4 Technology, Inc. (currently SBI Net Systems Co., Ltd.) and makes it a subsidiary.
July 2008	SBI E*TRADE SECURITIES CO., LTD. is renamed as SBI SECURITIES Co. Ltd.
August 2008	SBI SECURITIES Co., Ltd. is made a wholly-owned subsidiary through a share exchange.
April 2011	Listed Hong Kong Depositary Receipts representing the Company's common shares on the Main Board of the Hong Kong Stock Exchange.

2. Our Business

The Group's core businesses are the Asset Management Business primarily involving the operation of funds both inside and outside of Japan, the Brokerage & Investment Banking Business centered on the securities business, the Financial Services Business offering a wide range of financial services, and the Housing and Real Estate Business mainly involving housing loans and real estate investments. The Group will be committed to creating more innovative services and businesses for our customers and investors, and maximize corporate value, which represents the aggregate of customers value, shareholder value and human capital value.

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

Business Segments and Descriptions

Business Segment	Business Description	Major Business Activities	Major Companies
Asset Management Business	Management and operation of investment partnerships	Establishment, management and operation of funds that mainly invest in IT, biotechnology, environment and energy and financial sectors inside and outside of Japan	SBI Investment Co., Ltd. SBI CAPITAL Co., Ltd. SBI Capital Solutions Co., Ltd.
	Investment in venture companies inside and outside of Japan	Proprietary investments by the Company and its consolidated subsidiaries in venture companies inside and outside of Japan	SBI Holdings, Inc. SBI BB Mobile Investment LPS SBI Value Up Fund No. 1 Limited Partnership SBI VEN HOLDINGS PTE. LTD. SBI KOREA HOLDINGS CO., LTD.
	Investment advisory and other businesses	Investment management and advisory services based on the Financial Instruments and Exchange Act	SBI Asset Management Co., Ltd.

Business Segment	Business Description	Major Business Activities	Major Companies
Brokerage & Investment Banking Business	Securities related businesses	Provision of financial products such as securities that meet the diverse needs of investors, underwriting of IPO stocks and corporate bonds by leveraging the capabilities to attract customers and sell products in the brokerage business, and other investment banking business activities	SBI SECURITIES Co., Ltd. SBI Liquidity Market Co., Ltd. SBI Japannext Co., Ltd. (Note 1)
Financial Services Business	Marketplace business	Operations of various websites mainly for comparing insurance and loan products	SBI Holdings, Inc. (InsWeb Business Division and E-LOAN Business Division)
	Financial products business	Provision of a wide range of financial services including banking, credit cards, and leasing	SBI Sumishin Net Bank, Ltd. (Note 1) SBI Card Co., Ltd. SBI Lease Co., Ltd.
	Financial solutions business	Online settlement services for EC business operators	SBI VeriTrans Co., Ltd. (Note 2)
	Other businesses	Provision of nonlife insurance products and evaluation of investment trusts	SBI Insurance Co., Ltd. Morningstar Japan K.K.
Housing and Real Estate Business	Real estate business	Real estate investment, real estate development, consignment of constructions, subdivision of housing, operation of real estate funds and other	SBI Holdings, Inc. (Real Estate Business Headquarters) SBI Life Living Co., Ltd.
	Financial real estate business	Provision of housing loans and related agency services, and real estate secured loans	SBI Mortgage Co., Ltd. CEM Corporation
	Lifestyle networks business	Operation of websites for comparison, search and estimate of various products and services	SBI Life Living Co., Ltd.
Other (Note 4)	System-related business, pharmaceutical business and other	Financial systems business, and research and development of pharmaceutical products, cosmetics and health foods	SBI Net Systems Co., Ltd. SBI ALApromo Co., Ltd. (Note 3)

(Notes)
1. A company accounted for under the equity method.
2. The Company signed a contract transferring all shares of SBI VeriTrans Co., Ltd. ("SBI VeriTrans") in March 2012, and SBI VeriTrans was excluded from the scope of consolidation as at 31 March 2012.
3. SBI ALApromo Co., Ltd. changed its name to SBI Pharmaceuticals Co., Ltd. on 1 April 2012.
4. "Other" includes businesses not determined as reportable segments.

3. Subsidiaries and Affiliates

Name	Location	Capital or Money Invested (Millions of Yen)	Principal Business	Voting Rights Holding Ratio or Investment Ratio (%)	Relationship
(Consolidated Subsidiaries)					
SBI Investment Co., Ltd.	Minato-ku, Tokyo	50	Asset management business	100.0	Concurrent position held by executive Operating transactions Transactions other than operating transactions
SBI Trans-Science Co. Ltd.	Minato-ku, Tokyo	10	Asset management business	81.9 (81.9)	Concurrent position held by executive
SOFT TREND CAPITAL Corp.	Minato-ku, Tokyo	62	Asset management business	80.0	Concurrent position held by executive
SBI CAPITAL Co., Ltd.	Minato-ku, Tokyo	194	Asset management business	100.0	Concurrent position held by executive
SBI Capital Solutions Co., Ltd.	Minato-ku, Tokyo	30	Asset management business	100.0 (5.0)	Operating transactions
SBI – HIKARI P.E. Co., Ltd.	Minato-ku, Tokyo	86	Asset management business	70.0	Concurrent position held by executive
Softbank Internet Fund (Note 3)	Minato-ku, Tokyo	12,300	Asset management business	11.4 (11.4)	————
SBI BROADBAND FUND No.1 LIMITED PARTNERSHIP (Note 3)	Minato-ku, Tokyo	32,600	Asset management business	39.9 (0.3)	————
SBI BB Mobile Investment LPS (Notes 2, 3)	Minato-ku, Tokyo	32,000	Asset management business	36.9 (0.9)	————
SBI Mezzanine Fund No. 2 LIMITED PARTNERSHIP	Minato-ku, Tokyo	291	Asset management business	73.2 (10.4)	————
SBI Mezzanine Fund No. 3 LIMITED PARTNERSHIP	Minato-ku, Tokyo	3,139	Asset management business	100.0 (16.4)	————
Metropolitan Enterprise Revitalization Fund, Limited Liability Partnership	Minato-ku, Tokyo	162	Asset management business	7.4 (7.4)	————
Metropolitan Enterprise Revitalization Fund, Limited Liability Partnership No. 2	Minato-ku, Tokyo	1,080	Asset management business	7.4 (7.4)	————
SBI Value Up Fund No. 1 Limited Partnership (Note 3)	Minato-ku, Tokyo	14,835	Asset management business	49.8 (6.5)	————
SBI Value Up Fund No. 2 Limited Partnership	Minato-ku, Tokyo	80	Asset management business	64.5 (48.4)	————
SBI Real Incubation No. 1 Limited Partnership	Minato-ku, Tokyo	1,800	Asset management business	26.7 (16.7)	————
Biovision Life Science Fund No. 1	Minato-ku, Tokyo	4,200	Asset management business	61.9 (11.9)	————
SBI Bio Life Science Investment LPS (Note 2)	Minato-ku, Tokyo	6,300	Asset management business	47.6 (1.6)	————
SBI LIFE SCIENCE TECHNOLOGY INVESTMENT LPS (Note 2)	Minato-ku, Tokyo	5,800	Asset management business	55.2 (1.7)	————
SBI LIFE SCIENCE TECHNOLOGY INVESTMENT No. 2 LPS (Note 2)	Minato-ku, Tokyo	4,000	Asset management business	50.0 (2.5)	————

Name	Location	Capital or Money Invested (Millions of Yen)	Principal Business	Voting Rights Holding Ratio or Investment Ratio (%)	Relationship
SBI NEO Technology A Investment LPS	Minato-ku, Tokyo	7,425	Asset management business	52.5 (8.1)	————
SBI NEO Technology B Investment LPS	Minato-ku, Tokyo	375	Asset management business	40.0 (20.0)	————
SBI NEO Technology C Investment LPS	Minato-ku, Tokyo	500	Asset management business	8.0 (4.0)	————
SBI Selective Target Investment LPS	Minato-ku, Tokyo	900	Asset management business	44.4 (5.6)	————
SBI Innovation Fund No.1	Minato-ku, Tokyo	3,000	Asset management business	100.0 (3.3)	————
SBI Advanced Technology No.1 Investment LPS	Minato-ku, Tokyo	875	Asset management business	37.1 (5.7)	————
SBI-R&D Investment LPS	Minato-ku, Tokyo	1,110	Asset management business	59.5 (2.7)	————
SBI PHOENIX No.1 Investment LPS	Minato-ku, Tokyo	4,250	Asset management business	96.5 (95.3)	————
SBI Pan-Asia Fund	Minato-ku, Tokyo	1,096	Asset management business	100.0 (100.0)	————
SBI Hong Kong Holdings Co., Limited (Notes 3, 6)	Hong Kong	3,193 million Hong Kong dollar	Asset management business	100.0	Concurrent position held by executive Transactions other than operating transactions
SBI Hong Kong Co., Limited (Notes 7)	Hong Kong	1 million Hong Kong dollar	Asset management business	100.0 (100.0)	Concurrent position held by executive
SBI China Co., Ltd	China	6 million US dollar	Asset management business	100.0	Concurrent position held by executive
SBI & TH Venture Capital Enterprise	China	244 million Chinese yuan	Asset management business	87.1 (1.0)	————
SBI & TH (Beijing) Venture Capital Management Co., Ltd (Note 5)	China	4 million Chinese yuan	Asset management business	50.0	Concurrent position held by executive
THE VIETNAM JAPAN FUND	Vietnam	1,123,300 million Vietnamese dong	Asset management business	96.0 (96.0)	————
SS Venture Services Limited	India	41 million Indian rupee	Asset management business	100.0	Concurrent position held by executive
India Japan Fund	India	447 million Indian rupee	Asset management business	100.0 (100.0)	————
SBI VEN HOLDINGS PTE. LTD. (Notes 3)	Singapore	340 million US dollar	Asset management business	100.0	Concurrent position held by executive Operating transactions Transactions other than operating transactions
SBI VEN CAPITAL PTE. LTD.	Singapore	8 Million US dollar	Asset management business	100.0 (100.0)	Concurrent position held by executive Operating transactions Transactions other than operating transactions
SBI & CAPITAL 22 Management Co. Ltd.	Cayman Islands	0 Million US dollar	Asset management business	60.0 (60.0)	Concurrent position held by executive

Name	Location	Capital or Money Invested (Millions of Yen)	Principal Business	Voting Rights Holding Ratio or Investment Ratio (%)	Relationship
SBI & CAPITAL 22 Management Inc.	Taiwan	4 million New Taiwan dollar	Asset management business	60.0 (60.0)	Concurrent position held by executive
SBI Zhaoxin Advisor Limited	Cayman Islands	0 million US dollar	Asset management business	85.7 (85.7)	Concurrent position held by executive
SHENTON STRUCTURED PROJECTS PTE. LTD.	Singapore	0 million US dollar	Asset management business	100.0 (100.0)	Concurrent position held by executive
SBI-Jefferies Strategic Investments Asia Ltd.	Cayman Islands	0 million US dollar	Asset management business	80.0 (80.0)	Concurrent position held by executive Operating transactions
SBI & CAPITAL 22 JV Fund, L.P.	Cayman Islands	11 million US dollar	Asset management business	66.7	————
SBI Zhaoxin L.P.	Cayman Islands	6 million US dollar	Asset management business	100.0	————
SBI Jefferies Asia Fund L.P.	Cayman Islands	11 million US dollar	Asset management business	80.0	Transactions other than operating transactions
SBI KOREA HOLDINGS CO., LTD.	Korea	1,138 million Korean won	Asset management business	100.0	Concurrent position held by executive
SBI Pan-Asia Fund GPC Co., Ltd.	Korea	111 million Korean won	Asset management business	100.0 (100.0)	Concurrent position held by executive
e-Research Inc.	Minato-ku, Tokyo	300	Asset management business	100.0 (100.0)	Transactions other than operating transactions
SBI Incubation Co., Ltd.	Minato-ku, Tokyo	5,555	Asset management business	100.0 (79.8)	Concurrent position held by executive Operating transactions Transactions other than operating transactions
SBI Asset Management Co., Ltd.	Minato-ku, Tokyo	400	Asset management business	100.0 (10.0)	Concurrent position held by executive
SBI Arsnova Research, Co., Ltd.	Minato-ku, Tokyo	200	Asset management business	99.0	————
SBIH UK LIMITED (Notes 3)	U.K.	87 million British pound	Asset management business	100.0	————
SBI SECURITIES Co., Ltd. (Notes 2, 3, 13)	Minato-ku, Tokyo	47,937	Brokerage & investment banking business	100.0	Concurrent position held by executive Operating transactions Transactions other than operating transactions
SBI Liquidity Market Co., Ltd.	Minato-ku, Tokyo	1,000	Brokerage & investment banking business	100.0	Concurrent position held by executive Operating transactions Transactions other than operating transactions
SBI Royal Securities Plc. (Notes 8)	Cambodia	56,320 million Cambodia riel	Brokerage & investment banking business	71.0	Concurrent position held by executive
SBI Lease Co., Ltd.	Minato-ku, Tokyo	780	Financial services business	100.0	Concurrent position held by executive Operating transactions
SBI Remit Co., Ltd.	Minato-ku, Tokyo	150	Financial services business	100.0	Concurrent position held by executive Transactions other than operating transactions

Name	Location	Capital or Money Invested (Millions of Yen)	Principal Business	Voting Rights Holding Ratio or Investment Ratio (%)	Relationship
Morningstar Japan K. K. (Notes 2, 5)	Minato-ku, Tokyo	2,093	Financial services business	49.2 (0.7)	Concurrent position held by executive Operating transactions
SBI Marketing Co., Ltd.	Minato-ku, Tokyo	100	Financial services business	99.0	Concurrent position held by executive Operating transactions Transactions other than operating transactions
SBI Credit Co., Ltd.	Minato-ku, Tokyo	1,515	Financial services business	94.6	Concurrent position held by executive Transactions other than operating transactions
SBI Servicer Co. Ltd.	Minato-ku, Tokyo	500	Financial services business	100.0 (10.0)	————
SBI Receipt Co., Ltd.	Minato-ku, Tokyo	90	Financial services business	100.0 (100.0)	Transactions other than operating transactions
SBI Business Support Corp.	Shinjuku-ku, Tokyo	100	Financial services business	100.0	Concurrent position held by executive Operating transactions Transactions other than operating transactions
SBI Financial Agency Co.,Ltd.	Minato-ku, Tokyo	215	Financial services business	100.0 (10.0)	Concurrent position held by executive Operating transactions Transactions other than operating transactions
SBI Card Co., Ltd.	Chiyoda-ku, Tokyo	3,717	Financial services business	100.0 (100.0)	Concurrent position held by executive Transactions other than operating transactions
SBI Insurance Co., Ltd. (Notes 3)	Minato-ku, Tokyo	9,650	Financial services business	85.5	Concurrent position held by executive Operating transactions
Shinsai Partners Inc. (Notes 9)	Shinjuku-ku, Tokyo	1,594	Financial services business	88.6 (6.1)	————
Autoc one K. K.	Minato-ku, Tokyo	125	Financial services business	53.3 (53.3)	Operating transactions
SBI Estate Management Co., Ltd.	Minato-ku, Tokyo	100	Housing and real estate business	100.0 (10.0)	Concurrent position held by executive Operating transactions
Momochihama Property TMK	Minato-ku, Tokyo	1,550	Housing and real estate business	100.0 (100.0)	————
J Rep L TK	Chiyoda-ku, Tokyo	2,050	Housing and real estate business	90.0	Transactions other than operating transactions
Alberich LLC	Minato-ku, Tokyo	43	Housing and real estate business	100.0 (100.0)	Transactions other than operating transactions
SBI MACAU HOLDINGS LIMITED	Macau	1 million Macau pataka	Housing and real estate business	100.0	Concurrent position held by executive Transactions other than operating transactions
SBI HAWAII PROPERTY ONE, INC.	Hawaii, U.S.A.	25 Million US dollar	Housing and real estate business	100.0	Concurrent position held by executive Transactions other than operating transactions
SBI Life Living Co., Ltd. (Note 2)	Shibuya-ku, Tokyo	491	Housing and real estate business	68.2	Operating transactions
SBI Mortgage Co., Ltd.	Minato-ku, Tokyo	3,603	Housing and real estate business	95.8 (18.1)	Concurrent position held by executive Operating transactions
CEM Corporation	Shinjuku-ku, Tokyo	2,405	Housing and real estate business	79.7 (57.1)	Concurrent position held by executive Transactions other than operating transactions

Name	Location	Capital or Money Invested (Millions of Yen)	Principal Business	Voting Rights Holding Ratio or Investment Ratio (%)	Relationship
SBI Net Systems Co., Ltd.	Shinjuku-ku, Tokyo	3,811	Other businesses	100.0 (5.0)	Concurrent position held by executive Operating transactions Transactions other than operating transactions
SBI Biotech Co., Ltd.	Minato-ku, Tokyo	2,142	Other businesses	72.3 (52.4)	————
SBI ALA Hong Kong Co.,Limited (Notes 3)	Hong Kong	2,631 million Hong Kong dollar	Other businesses	100.0 (100.0)	Concurrent position held by executive Transactions other than operating transactions
SBI ALApromo Co., Ltd. (Notes 10)	Minato-ku, Tokyo	3,292	Other businesses	79.2 (79.2)	Concurrent position held by executive Operating transactions
SBI ALAsales Co., Ltd. (Notes 11)	Minato-ku, Tokyo	50	Other businesses	100.0 (100.0)	————
34 other companies					
(Non-consolidated subsidiaries accounted for under the equity method) SBI Japan next Co., Ltd. (Note 5)	Chiyoda-ku, Tokyo	3,050	Brokerage & investment banking business	47.4 (10.4)	Concurrent position held by executive
(Affiliates accounted for under the equity method) Energy & Environment, Inc.	Shinagawa-ku, Tokyo	100	Asset management business	50.0	————
Klab Ventures Co., Ltd. (Note 12)	Minato-ku, Tokyo	50	Asset management business	50.0 (50.0)	————
SBI Investment Korea Co., Ltd.	Korea	83,533 million Korean won	Asset management business	45.3 (45.3)	Concurrent position held by executive
Strategic Consulting Group, Inc.	Shibuya-ku, Tokyo	260	Brokerage & investment banking business	44.4	————
FPT Securities Joint Stock Company	Vietnam	550,000 million Vietnamese dong	Brokerage & investment banking business	20.0 (20.0)	Concurrent position held by executive
PT BNI SECURITIES	Indonesia	133,133 million Indonesian rupiah	Brokerage & investment banking business	25.0 (25.0)	————
SBI Sumishin Net Bank, Ltd.	Minato-ku, Tokyo	31,000	Financial services business	50.0	Concurrent position held by executive Operating transactions Transactions other than operating transactions
TIEN PHONG COMMERCIAL JOINT STOCK BANK	Vietnam	3,000,000 Million Vietnamese dong	Financial services business	20.0 (20.0)	Concurrent position held by executive
PHNOM PENH COMMERCIAL BANK	Cambodia	39 million US dollar	Financial services business	40.0	————
Commercial Bank <<Ob'edinennyi Investitsionnyi Bank>> (limited liability company)	Russia	900 million Russian ruble	Financial services business	50.0	Concurrent position held by executive
CSJ-SBI Financial Media Co., Ltd.	China	25 million Chinese yuan	Financial services business	43.0	Concurrent position held by executive Operating transactions

Name	Location	Capital or Money Invested (Millions of Yen)	Principal Business	Voting Rights Holding Ratio or Investment Ratio (%)	Relationship
SOLXYZ Co., Ltd. (Note 2)	Minato-ku, Tokyo	1,494	Financial services business	26.5	Operating transactions
SBI –LG Systems Co., Ltd.	Shinjuku-ku, Tokyo	245	Other businesses	49.0	Concurrent position held by executive Operating transactions
7 other companies					

(Notes)
1. The respective business segment is indicated under the "Principal business" column.
2. The company submits the Securities Registration Report or the Securities Report.
3. The company is a specified subsidiary (*tokutei kogaisha*) under Financial Instruments and Exchange Act.
4. Under the "Voting rights holding ratio or investment ratio" column, the investment ratio is indicated in case the affiliate is an investment partnership or the like. The figure in the parentheses represents the inclusive indirect holding ratio of voting rights or indirect investment ratio.
5. Although the voting rights holding ratio is 50% or less, the company is under substantial control and hence is a subsidiary.
6. On 9 March, 2012, SBI Hong Kong Co., Limited changed its name to SBI Hong Kong Holdings Co., Limited.
7. On 15 March 2012, SBI Strategy Development Co., Limited changed its name to SBI Hong Kong Co., Limited.
8. On 17 November 2011, SBI Phnom Penh Securities Co., Ltd. changed its name to SBI Phnom Penh Securities Plc., and, on 16 January 2012, SBI Phnom Penh Securities Plc. changed its name to SBI Royal Securities Plc.
9. On 28 June 2012, Shinsai Partners Inc. changed its name to SBI SSI Co., Ltd.
10. On 1 April 2012, SBI ALApromo Co., Ltd. changed its name to SBI Pharmaceuticals Co., Ltd.
11. On 1 April 2012, SBI ALAsales Co., Ltd. changed its name to SBI ALApromo Co., Ltd.
12. On 15 February 2012, Startup Laboratory Co., Ltd. changed its name to KLab Ventures Co., Ltd.
13. Although net sales of SBI SECURITIES Co., Ltd. (excluding internal net sales recorded between consolidated companies) account for more than 10% of consolidated net sales, recording of major profit/loss information has been omitted given the submission of the Annual Report.

4. Employees

(1) The Group

(As of March 31, 2012)

Business Segment	Number of Employees
Asset Management Business	150
Brokerage & Investment Banking Business	628
Financial Services Business	1,513
Housing and Real Estate Business	388
Total for reported segments	2,679
Other	316
Common	154
Total	3,149

(Notes) 1. "Number of employees" represents the number of workers.
2. The number of employees for "Common" represents the number of individuals belonging to the administrative divisions of the Company.

(2) The Company

(As of March 31, 2012)

Number of Employees	Average Age	Average Number of Years of Employment	Average Annual Compensation (Yen)
237	36.1	4.8	7,159,810

(As of March 31, 2012)

Business Segment	Number of Employees
Asset Management Business	25
Financial Services Business	36
Housing and Real Estate Business	22
Total for reported segments	83
Common	154
Total	237

(Notes) 1. "Number of employees" represents the number of workers.
2. "Average annual compensation" includes bonuses and non-standard wages.
3. The number of employees for "Common" represents the number of individuals belonging to the administrative divisions.

(3) Labor Union

Labor union has not been formed. Favorable labor-management relationships exist.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. BUSINESS OVERVIEW

During the consolidated fiscal year ended March 31, 2012, while Japan's economic environment gradually recovered from the economic downturn caused by the Great East Japan Earthquake in March 2011, causes for concern remain with a continuing high unemployment rate and prolonged yen appreciation.

Stock market conditions that significantly impact investment and securities-related businesses were heavily affected by the Great East Japan Earthquake and subsequent economic downturn and remained generally weak in the domestic market with a 14% year-on-year decrease in individual stock brokerage trading value. In overseas markets, high economic growth in emerging countries was impeded by the worldwide economic slowdown stemming from the European Sovereign Debt Crisis. However, the partial recovery of market conditions in Japan, with 37 new listings (up from the preceding year by 14 new listings) and the continuing gentle upswing in the U.S. economy offers hopeful signs for domestic and overseas stock markets.

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

The consolidated performance for the fiscal year ended March 31, 2012 resulted in net sales of ¥145,074 million (a 2.8% year-on-year increase), operating income of ¥7,575 million (a 15.2% year-on-year decrease), ordinary income of ¥4,860 million (a 37.8% year-on-year increase), and net income of ¥3,200 million (a 29.4% year-on-year decrease), which was affected by the reversal of net deferred tax assets and liabilities owing to the 2011 Tax Reforms.

(1) Asset Management Business

The size of managed investment partnerships, etc. in the Asset Management Business amounted to ¥459.9 billion. This included funds worth ¥78.9 billion in the IT and biotechnology categories (the sum of net assets at market value as at the most recent fiscal closing of each fund), ¥8.0 billion in the environment & energy category (ditto), ¥118.6 billion in the overseas category (ditto), ¥34.3 billion in the buyout and mezzanine categories (ditto), ¥193.4 billion in the area including investment trusts, investment advisory and other (net assets at market value based on constant value as at 31 March 2012) as well as ¥26.5 billion in the real estate category (the total investment amount as at 31 March 2012).

The status of management of investment partnerships, etc. and the results of investment operations are described below.

(i) Investment Partnerships, etc. under Management

The following provides information on principal funds based on the most recent fiscal closing results (including interim and quarterly fiscal closing results) as of 31 March 2012.

	Management Company	Date Established	Fiscal Closing (Interim, etc.)	Major Investment Targets	Audit Corporation	Number of Portfolio Companies	Commitment Amount (Millions of Yen)	SBI's Investment Ratio (Group's Investment Ratio) (%)	Net Asset Value (Millions of Yen)	Incentive Fee (Millions of Yen)
		Contract Maturity Date (Maturity Date after Extension)				Investment Balance (Millions of Yen)	Cumulative Dividend (Millions of Yen)		Amount of Net Assets at Market Value (Millions of Yen)	
SBI BB MEDIA INVESTMENT LIMITED PARTNERSHIP	SBI Investment Co., Ltd.	24 March, 2005	December (June)	Content/ media/ broadband-related companies inside and outside of Japan	Yusei Audit & Co.	88	20,000	9.5 (10.0)	13,534	–
		30 June, 2012				13,302	–		12,102	
SBI BB Mobile Investment LPS (Note 7)	SBI Investment Co., Ltd.	30 March, 2006	December (June)	Mobile technology-related companies inside and outside of Japan	Deloitte Touche Tohmatsu LLC	111	32,000	35.9 (36.9)	26,297	–
		31 December, 2013				22,976	–		26,528	
SBI NEO Technology Investment LPS (Notes 7, 8)	SBI Investment Co., Ltd.	1 July, 2008	December (June)	Unlisted and listed companies in IT, environment and other fields inside and outside of Japan	Deloitte Touche Tohmatsu LLC	32	10,400	43.5 (48.5)	9,293	–
		31 December, 2013 (31 December, 2015)				3,656	–		9,207	
SBI Advanced Technology No.1 Investment LPS (Note 7)	SBI Investment Co., Ltd.	20 April, 2010	December (June)	Unlisted and listed companies in IT, biotechnology, environment, energy and other fields inside and outside of Japan	Deloitte Touche Tohmatsu LLC	6	3,500	31.4 (37.1)	3,305	–
		31 December, 2018 (31 December, 2020)				184	–		3,298	
SBI Mezzanine Fund No2 LIMITED PARTNERSHIP (Note 7)	SBI Capital Solutions Co., Ltd.	12 April, 2005	January (July)	Companies in need of DIP finance, etc. inside and outside of Japan	Deloitte Touche Tohmatsu LLC	4	9,710	62.8 (73.2)	293	676
		31 January, 2013 (31 March, 2015)				182	12,123		293	
Metropolitan Enterprise Revitalization Fund, Limited Liability Investment Partnership (Note 7)	SBI Capital Solutions Co., Ltd.	13 March, 2006	January (July)	Companies in need of DIP finance, etc. conducting business in the Tokyo metropolitan area	Deloitte Touche Tohmatsu LLC	2	2,700	0.0 (7.4)	97	192
		31 January, 2013				87	3,223		97	
SBI Mezzanine Fund No3 LIMITED PARTNERSHIP (Note 7)	SBI Capital Solutions Co., Ltd.	30 October, 2008	January (July)	Companies in need of DIP finance, etc. inside and outside of Japan	Deloitte Touche Tohmatsu LLC	16	7,300	83.6 (100.0)	7,495	113
		31 January, 2016 (31 March, 2018)				2,082	235		7,495	
Metropolitan Enterprise Revitalization Fund, Limited Liability Investment Partnership No.2 (Note 7)	SBI Capital Solutions Co., Ltd.	10 September, 2009	January (July)	Companies in need of DIP finance, etc. conducting business in the Tokyo metropolitan area	Deloitte Touche Tohmatsu LLC	13	2,700	0.0 (7.4)	2,775	–
		31 January, 2016 (31 March, 2018)				747	77		2,775	

	Management Company	Date Established Contract Maturity Date (Maturity Date after Extension)	Fiscal Closing (Interim, etc.)	Major Investment Targets	Audit Corporation	Number of Portfolio Companies Investment Balance (Millions of Yen)	Commitment Amount (Millions of Yen) Cumulative Dividend (Millions of Yen)	SBI's Investment Ratio (Group's Investment Ratio) (%)	Net Asset Value (Millions of Yen) Amount of Net Assets at Market Value (Millions of Yen)	Incentive Fee (Millions of Yen)
SBI Value Up Fund No.1 Limited Partnership (Note 7)	SBI CAPITAL Co., Ltd.	1 September, 2006 30 November, 2014 (31 August, 2016)	November (May)	Buyout investment, enterprise revitalization investment, and minority investment in listed companies	Deloitte Touche Tohmatsu LLC	5 16,517	23,100 438	43.3 (49.8)	20,728 20,601	114
SBI Value Up Fund No.2 Limited Partnership (Note 7)	SBI CAPITAL Co., Ltd.	1 December, 2011 30 November, 2021 (30 November, 2023)	December (June)	Buyout investment	Deloitte Touche Tohmatsu LLC	— —	3,100 —	16.1 (64.5)	3,091 3,091	—
SBI Selective Target Investment LPS (Note 7)	SBI Investment Co., Ltd.	2 February, 2010 31 January, 2013 (31 January, 2015)	December (June)	Investment primarily in companies already targeted by the Group and which are highly likely to go public	Yusei Audit & Co.	2 849	900 —	38.9 (44.4)	891 821	—
SBI Innovation Fund No.1 (Note 7)	SBI Investment Co., Ltd.	31 March, 2010 30 June, 2020 (30 June, 2022)	December (June)	Unlisted and listed companies in Japan	Yusei Audit & Co.	10 2,991	3,000 —	96.7 (100.0)	2,861 2,876	—
SBI Entertainment Fund No. 2	SBI Investment Co., Ltd.	31 March, 2010 30 June, 2015 (30 June, 2017)	December (June)	Unlisted and listed companies inside and outside of Japan	Yusei Audit & Co.	2 3,567	2,102 —	0.0 (0.1)	2,047 388	—
SBI Real Incubation No.1 Limited Partnership (Note 7)	SBI Investment Co., Ltd.	1 September, 2003 31 August, 2013	August (February)	Franchise companies and other	Yusei Audit & Co.	15 832	1,800 124	10.0 (26.7)	859 1,011	—
Biovision Life Science Fund No.1 (Note 7)	SBI Investment Co., Ltd.	24 December, 2003 30 September, 2012 (30 September, 2014)	November	Biotechnology -related companies inside and outside of Japan	Deloitte Touche Tohmatsu LLC	12 2,248	4,200 —	50.0 (61.9)	2,064 1,665	—
SBI Bio Life Science Investment LPS (Note 7)	SBI Investment Co., Ltd.	1 August, 2005 30 November, 2012 (30 November, 2014)	November (May)	Biotechnology -related companies inside and outside of Japan	Deloitte Touche Tohmatsu LLC	16 3,303	6,300 —	46.0 (47.6)	3,559 3, 102	—
SBI LIFE SCIENCE TECHNOLOGY INVESTMENT LPS (Notes 7, 9)	SBI Investment Co., Ltd.	1 March, 2007 30 November, 2015 (30 November, 2017)	November (May)	Biotechnology -related companies inside and outside of Japan	Deloitte Touche Tohmatsu LLC	19 6,744	9,800 —	51.0 (54.1)	8,174 7,941	—

	Management Company	Date Established	Fiscal Closing (Interim, etc.)	Major Investment Targets	Audit Corporation	Number of Portfolio Companies	Commitment Amount (Millions of Yen)	SBI's Investment Ratio (Group's Investment Ratio) (%)	Net Asset Value (Millions of Yen)	Incentive Fee (Millions of Yen)
		Contract Maturity Date (Maturity Date after Extension)				Investment Balance (Millions of Yen)	Cumulative Dividend (Millions of Yen)		Amount of Net Assets at Market Value (Millions of Yen)	
SBI-R&D Investment LPS (Note 7)	SBI Investment Co., Ltd.	5 April, 2011	December (June)	Companies already invested by SBI Group investment funds	Deloitte Touche Tohmatsu LLC	3	1,110	56.8 (59.5)	1,553	112
		30 June, 2014 (30 June, 2016)				724	—		2,049	
Energy & Environment No. 1 Limited Partnership	Energy & Environment, Inc.	5 September, 2007	December (June)	Primarily companies engaged in businesses related to electricity, energy and environment inside and outside of Japan	Ernst & Young ShinNihon LLC	14	3,504	49.9 (50.1)	1,824	—
		31 December, 2016 (31 December, 2018)				1,610	—		1,997	
EEI Clean Technology Investment Limited Partnership	Energy & Environment, Inc.	30 September, 2011	December (June)	Primarily companies engaged in businesses related to clean technology and related service inside and outside of Japan	Ernst & Young ShinNihon LLC	2	6,070	32.9 (34.1)	6,023	—
		30 September, 2021 (30 September, 2023)				175	—		6,023	
NEW HORIZON FUND, L.P. (Notes 10, 13)	NEW HORIZON PARTNERS LTD.	30 May, 2005	December	Primarily promising Chinese companies	Price Waterhouse Coopers	5	8,214	0.0 (50.0)	1,554	4,719
		30 May, 2012 (30 May, 2014)				2,318	31,798		3,896	
SBI & TH Venture Capital Enterprise (Notes 7, 11)	SBI&TH (Beijing) Venture Capital Management Co., Ltd.	18 January, 2008	December	Primarily promising Chinese companies	ShineWing Certified Public Accountants	7	2,681	86.1 (87.1)	2,643	—
		17 January, 2016				1,339	—		2,643	
SBI & BDJB CHINA FUND, L.P. (Note 11)	SBI & BDJB Management Limited	25 February, 2008	December	Primarily promising Chinese companies	RSM Nelson Wheeler Certified Public Accountants	4	7,780	50.0 (50.1)	7,271	0
		25 February, 2013 (25 February, 2015)				4,399	111		7,271	
SBI Zhaoxin L.P. (Notes 7, 11)	SBI Zhaoxin Advisor Limited	11 March, 2009	December	Primarily unlisted Chinese companies	Ernst & Young	2	1,591	100.0 (100.0)	1,494	—
		10 March, 2014 (10 March, 2016)				415	—		1,494	
SBI & Capital 22 JV Fund, L.P. (Notes 7, 11)	SBI & Capital 22 Management Co. Ltd.	29 October, 2008	December	Unlisted companies and other in Taiwan and China	Ernst & Young	5	1,749	66.7 (66.7)	1, 404	—
		14 November, 2013 (14 November, 2015)				382	333		1,424	
Kingston/SBI Credence Fund, L.P. (Note 12)	Kingston /SBI Credence Limited	14 September, 2011	March	Unlisted and listed companies in China, Taiwan and Hong Kong	BDO	—	8,214	50.0 (50.0)	8,212	—
		14 September, 2016 (14 September, 2018)				—	—		8,212	

	Management Company	Date Established Contract Maturity Date (Maturity Date after Extension)	Fiscal Closing (Interim, etc.)	Major Investment Targets	Audit Corporation	Number of Portfolio Companies Investment Balance (Millions of Yen)	Commitment Amount (Millions of Yen) Cumulative Dividend (Millions of Yen)	SBI's Investment Ratio (Group's Investment Ratio) (%)	Net Asset Value (Millions of Yen) Amount of Net Assets at Market Value (Millions of Yen)	Incentive Fee (Millions of Yen)
SNSI Investment Fund Ltd. (Note 11)	SNSI Capital Management Inc.	15 July , 2011	December	Promising unlisted companies in China, Taiwan and Hong Kong	To be determined	–	1,399	33.3 (33.3)	1,396	–
		9 September, 2018				–	–		1,396	
India Japan Fund (Notes 7, 13)	SS Venture Services Limited	29 April, 2008	March	Primarily promising Indian companies	Ernst & Young	–	8,214	0.0 (100.0)	7,386	–
		29 April, 2013 (29 April, 2015)				–	–		7,386	
THE VIETNAM JAPAN FUND (Notes 7, 14)	FPT Fund Management Joint Stock Company	3 April, 2008	December	Primarily promising Vietnamese companies	Ernst & Young	7	5,880	0.0 (96.0)	5,615	–
		19 March, 2014 (19 March, 2017)				3,075	–		5,333	
SBI SOI Limited Partnership	SBI Discovery Fund Management Limited	4 June, 2008	December	Primarily university-led ventures in Asia	To be determined	–	500	0.0 (100.0)	500	–
		4 June, 2016 (4 June, 2018)				–	–		500	
PNB-SBI ASEAN Gateway Fund Ltd. P. (Note 11)	PNB-SBI ASEAN Gateway Investment Management Limited	10 December, 2009	December	Promising companies of ASEAN countries, China and India, and other	Ernst & Young	2	3,886	50.0 (50.0)	3,744	–
		31 March, 2015 (31 March, 2017)				798	–		3,744	
SBI Islamic Fund (Brunei) Limited (Note 15)	SBI (B) SDN BHD	28 June, 2010	December	Islamic companies worldwide in conformity to the Sharia (Islamic) law and other	Deloitte	–	4,491	50.0 (50.0)	4,346	–
		16 September, 2015 (16 September, 2017)				–	–		4,346	
SBI Jefferies Asia Fund L.P. (Notes 7, 11)	SBI-Jefferies Strategic Investments Asia Ltd.	16 July, 2010	December	Promising companies of south Asia, southeastern Asia and etc.	Ernst & Young	3	3,886	80.0 (80.0)	3,787	–
		16 July, 2015 (16 July, 2017)				688	–		3,787	
Jefferies SBI USA Fund L.P. (Note 11)	Jefferies-SBI Strategic Investments USA LLC	25 June, 2010	December	Unlisted U.S. companies	Price Waterhouse Coopers	2	11,659	50.0 (50.0)	11,312	–
		25 June, 2020 (25 June, 2022)				3,417	–		11,312	
SBI-Metropol Investment Fund Cooperatieve U.A. (Note 11)	SBI-Metropol Fund Management Company Cooperatieve U.A.	19 November, 2010	December	Unlisted and listed companies in Russia	Ernst & Young	10	7,773	0.0 (50.0)	7,744	–
		19 November, 2017 (19 November, 2019)				742	–		7,461	
INVEST AD/SBI AFRICA FUND, L.P. (Note 11)	Invest AD/SBI Limited	11 January, 2011	December	Promising companies in north and central Africa	Ernst & Young	1	5,829	50.0 (50.0)	5,708	–
		11 January, 2016 (11 January, 2018)				238	–		5,706	

	Management Company	Date Established	Fiscal Closing (Interim, etc.)	Major Investment Targets	Audit Corporation	Number of Portfolio Companies	Commitment Amount (Millions of Yen)	SBI's Investment Ratio (Group's Investment Ratio) (%)	Net Asset Value (Millions of Yen)	Incentive Fee (Millions of Yen)
		Contract Maturity Date (Maturity Date after Extension)				Investment Balance (Millions of Yen)	Cumulative Dividend (Millions of Yen)		Amount of Net Assets at Market Value (Millions of Yen)	
INVEST AD/SBI TURKEY FUND, L.P. (Note 11)	Invest AD/SBI Turkey Limited	22 May, 2011	December	Promising unlisted companies in Turkey	Ernst & Young	1	7,773	50.0 (50.0)	7,658	—
		22 May, 2016 (22 May, 2018)				1,554	—		7,658	
Total						421	244,815	38.0 (50.5)	198,537	5,926
						102,141	48,462		196,929	

(Notes)

1. Funds in the process of liquidation are as follows.

	Management Company	Date Established	Major Investment Targets	Audit Corporation	Number of Portfolio Companies	Commitment Amount (Millions of Yen)	SBI's Investment Ratio (Group's Investment Ratio) (%)	Net Asset Value (Millions of Yen)	Incentive Fee (Millions of Yen)
		Contract Maturity Date			Investment Balance (Millions of Yen)	Cumulative Dividend (Millions of Yen)		Amount of Net Assets at Market Value (Millions of Yen)	
Softbank Internet Fund	SOFT TREND CAPITAL Corp.	1 July, 1999	Internet-related and other companies inside and outside of Japan	Yusei Audit & Co.	3	12,300	0.0 (11.4)	525	—
		30 September, 2010			512	10,739		453	
SBI BROADBAND FUND No1 LIMITED PARTNERSHIP	SBI Investment Co., Ltd.	1 October, 2004	Broadband-related and other companies inside and outside of Japan	Yusei Audit & Co.	85	32,600	39.6 (39.9)	21,024	—
		31 August, 2011			18,877	1,793		20,304	
MASDAR-SBI Fund, L.P.	MASDAR-SBI Alternative Energy Fund Ltd.	22 December, 2008	Japanese alternative energy-related companies and other	Ernst & Young	—	1,642	0.0 (50.0)	—	—
		10 September, 2010			—	—		—	

2. The number of portfolio companies includes cases of investments in partnerships in addition to securities investment but excludes items to which impairment accounting was fully applied. In case an investment target falls under multiple funds, it is accounted for more than once in the total number of companies invested in.

3. SBI's investment ratio and the Group's investment ratio are ratios as at the end of the most recent fiscal closing (including interim and quarterly fiscal closing) of each fund.

4. Net asset value is derived based on acquisition cost (in case the value has declined considerably, the amount after impairment treatment) and in case allowance has been posted, the amount after deduction of allowance is used. The unpaid commitment amount is also included in the calculation.

5. The amount of net assets at market value represents the net asset value plus the impact of unrealized gain/loss on securities as at the end of the most recent fiscal period (including interim and quarterly fiscal periods) of each fund. In computing the market value, the closing price on the market as at the end of the most recent fiscal period (including interim and quarterly fiscal periods) of each fund was applied for each listed stock, while unlisted stocks, etc. were valued using acquisition costs. The unpaid commitment amount is also included in the calculation.
6. In case the initial fiscal closing has not arrived for a fund since its establishment, the number of portfolio companies and the investment balance are not recorded, and the commitment amount is indicated under the net asset value and the amount of net assets at market value.

7. This fund is included in the scope of consolidation in accordance with the "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" (Accounting Standards Board of Japan (ASBJ) Practical Solution Report No. 20, 8 September 2006).

8. Figures under SBI NEO Technology Investment LPS are aggregates of figures for SBI NEO Technology A Investment LPS and for SBI NEO Technology B Investment LPS. SBI's investment ratio/Group's investment ratio includes the portion of investment made by SBI NEO Technology C Investment LPS established on 19 June 2009.

9. Figures under SBI LIFE SCIENCE TECHNOLOGY INVESTMENT LPS include those for SBI LIFE SCIENCE TECHNOLOGY NO.2 INVESTMENT LPS.

10. NEW HORIZON FUND, L.P. performs the fiscal closing process on a quarterly basis, and the figures reflect the provisional fiscal closing results of 31 March 2012.

11. This fund has been set to provide U.S. dollar-based reporting. For the purpose of presentation herein, an exchange rate as at 31 December 2011 (USD1 = JPY77.73) was applied on U.S. dollar-based figures in calculating the investment balance, the commitment amount, the net asset value and the amount of net assets at market value.

12. This fund has been set to provide H.K. dollar-based reporting. For the purpose of presentation herein, the exchange rate as at 31 March 2012 (HKD1 = JPY10.58) was applied on H.K. dollar-based figures in calculating the investment balance, the commitment amount, the net asset value and the amount of net assets at market value.

13. This fund has been set to provide U.S. dollar-based reporting. For the purpose of presentation herein, the exchange rate as at 31 March 2012 (USD1 = JPY82.14) was applied on U.S. dollar-based figures in calculating the investment balance, the commitment amount, the net asset value and the amount of net assets at market value.

14. This fund has been set to provide Vietnamese dong-based reporting. For the purpose of presentation herein, the exchange rate as at 31 December 2011 (VND10,000 = JPY36.75) was applied on Vietnamese dong-based figures in calculating the investment balance, the commitment amount, the net asset value and the amount of net assets at market value.

15. This fund has been set to provide Singapore dollar-based reporting. For the purpose of presentation herein, the exchange rate as at 31 December 2011 (SGD1 = JPY59.88) was applied on Singaporean dollar-based figures in calculating the investment balance, the commitment amount, the net asset value and the amount of net assets at market value.

16. The number of portfolio companies of funds managed by SBI-HIKARI P.E. Co., Ltd., a consolidated subsidiary of the Company, amounted to a total of 64 companies based on the data at the end of the most recent fiscal closing (including interim closing) of each fund as at 31 March 2012. The investment balance totaled ¥3,300 million, the net asset value was ¥6,904 million and the amount of net assets at market value was ¥6,682 million. In case an investment target falls under multiple funds, it is accounted for more than once in the number of portfolio companies.

17. The number of portfolio companies of funds managed by SBI Trans-Science Co., Ltd., a consolidated subsidiary of the Company, amounted to a total of 32 companies based on the data at the end of the most recent fiscal closing (including interim closing) of each fund as at 31 March 2012. The investment balance totaled ¥1,108 million, the net asset value was ¥1,473million and the amount of net assets at market value was ¥1,271 million. In case an investment target falls under multiple funds, it is accounted for more than once in the number of portfolio companies.

18. The number of portfolio companies of funds managed by SBI Investment KOREA Co., Ltd., an affiliate of the Company accounted for under the equity method, amounted to a total of 40 companies based on the data at the end of the most recent fiscal closing (including interim closing) of each fund as at 31 March 2012（including joint investments made by investment funds managed by SBI Investment Co., Ltd.）. The investment balance totaled ¥5,234 million, the net asset value was ¥35,376 million and the amount of net assets at market value was ¥35,087 million. In case an investment target falls under multiple funds, it is accounted for more than once in the number of portfolio companies. Each fund has been set to provide Korean won-based reporting. For the purpose of presentation herein, the exchange rate as at the most recent fiscal closing of each fund was applied on Korean won-based figures in calculating the aforementioned investment balance, the commitment amount, the net asset value and the amount of net assets at market value.

(ii) Investment Operations

(ii)-1.Investment by Securities Type and Investment Balance

Investment by Investment Partnerships, etc. Managed by the Group

Securities Type	Investments Executed			
	Consolidated Fiscal Year Ended 31 March 2011 (From 1 April 2010 to 31 March 2011)		**Consolidated Fiscal Year Ended 31 March 2012 (From 1 April 2011 to 31 March 2012)**	
	Amount (Millions of Yen)	Number of Companies	**Amount (Millions of Yen)**	**Number of Companies**
Stocks	21,963	90	**31,981**	**81**
Convertible bonds with stock acquisition rights	1,486	12	**1,317**	**7**
Stock acquisition rights	943	4	—	**1**
Other (corporate bonds, etc.)	26,186	51	**23,911**	**37**
Total	50,579	157	**57,209**	**126**

Securities Type	Investment Balance			
	Consolidated Fiscal Year Ended 31 March 2011 (As of 31 March 2011)		**Consolidated Fiscal Year Ended 31 March 2012 (As of 31 March 2012)**	
	Amount (Millions of Yen)	Number of Companies	**Amount (Millions of Yen)**	**Number of Companies**
Stocks	142,534	344	**129,453**	**292**
Bonds with subscription rights to shares	4,018	22	**3,878**	**23**
Subscription rights to shares	946	10	**946**	**10**
Other (corporate bonds, etc.)	11,619	49	**16,493**	**42**
Total	159,119	425	**150,771**	**367**

(Notes)
1. In case multiple funds invest in a company, the company is counted once to eliminate duplication and reflected in the number of companies. In case investment is made in multiple types of securities of a company, the company is accounted for under each securities type and hence reflected more than once. After excluding all duplications, the number of companies invested in for the consolidated fiscal year ended 31 March 2011 was 151 and that for the consolidated fiscal year ended 31 March 2012 was 121. As at 31 March 2011 and 31 March 2012, the number of portfolio companies totaled 397 and 341 respectively.

2. Investment balance is presented in market value. In computing the market value, the closing prices on the market as of 31 March 2011 and 31 March 2012 were applied for listed stocks respectively, while unlisted stocks, etc. were valued using acquisition costs (in case the value has declined considerably, the amount after impairment treatment was applied.)

Direct Investment by the Group

Securities Type	Investments Executed			
	Consolidated Fiscal Year Ended 31 March 2011 (From 1 April 2010 to 31 March 2011)		**Consolidated Fiscal Year Ended 31 March 2012 (From 1 April 2011 to 31 March 2012)**	
	Amount (Millions of Yen)	Number of Companies	**Amount (Millions of Yen)**	**Number of Companies**
Stocks	13,262	21	**11,316**	**46**
Bonds with subscription rights to shares	534	5	**850**	**5**
Subscription Rights to shares	—	—	—	—
Other (Corporate bonds, etc.)	59	2	**97**	**3**
Total	13,856	28	**12,264**	**54**

Securities Type	Investment Balance			
	Consolidated Fiscal Year Ended 31 March 2011 (As of 31 March 2011)		**Consolidated Fiscal Year Ended 31 March 2012 (As of 31 March 2012)**	
	Amount (Millions of Yen)	Number of Companies	**Amount (Millions of Yen)**	**Number of Companies**
Stocks	34,622	77	**40,637**	**98**
Bonds with subscription rights to shares	1,789	11	**1,533**	**7**
Subscription Rights to shares	—	—	—	—
Other (Corporate bonds, etc.)	858	4	**892**	**6**
Total	37,270	92	**43,063**	**111**

(Notes)
1. In case direct investment is made in multiple types of securities of a company, the company is accounted for under each securities type and hence reflected more than once. After excluding all duplications, the number of companies invested in for the consolidated fiscal year ended 31 March 2011 was 27 and that for the consolidated fiscal year ended 31 March 2012 was 54. As at 31 March 2011 and 31 March 2012, the number of portfolio companies totaled 89 and 106 respectively.

2. Operational investment securities recorded on the consolidated balance sheets (¥132,773 million as of 31 March 2011; ¥141,943million as of 31 March 2012) represent the aggregate of the above investment balance of direct investment (¥37,270 million as of 31 March 2011; ¥43,063 million as of 31 March 2012), investment balance of investment partnerships, etc. included in the scope of consolidation (¥72,864 million as of 31 March 2011; ¥77,091 million as of 31 March 2012) and investment in investment partnerships, etc. not included in the scope of consolidation (¥31,746 million as of 31 March 2011; ¥27,944 million as of 31 March 2012) minus allowance for investment loss.

3. Investments made in the consolidated fiscal years ended 31 March 2011 and 31 March 2012 and investment balance as at 31 March 2011 and 31 March 2012 respectively for investment partnerships, etc. included in the scope of consolidation are included in the investment in investment partnerships, etc. managed by the Group provided in the preceding page.

(ii) – 2 Listing by Portfolio Companies

The following provides the status on listing, etc. by portfolio companies of the Group and of investment partnerships, etc. managed by the Group in the consolidated fiscal years ended 31 March 2011 and 31 March 2012.

Consolidated Fiscal Year Ended 31 March 2011(From 1 April 2010 to 31 March 2011)

Number of Companies	Name of Portfolio Company	Month & Year of Listing, etc.	Listing, etc.	Business Description	Location of Head Office
Japan: 1 company Overseas: 10 companies	MEDICAMOBILE, INC.	April 2010	M&A	Sales and offering of various products and services for nursing care facilities	Tokyo, Japan
	Azalea Networks Inc.	September 2010	M&A	Design, development, manufacturing (outsourced) and sales of mesh network devices and communication equipment, and installation, maintenance, upgrade and other handling of related software	U.S.A.
	Wisol Co., Ltd.	September 2010	Listed (KOSDAQ)	Manufacturing of electronic parts	Korea
	ITEK Semiconductor, Inc.	October 2010	Listed (KOSDAQ)	Semiconductor testing services	Korea
	Betfair Group plc	October 2010	Listed (London Stock Exchange)	Operation of an online betting site under the name of “Betfair” primarily in the United Kingdom	U.K.
	CIG Pannonia Life Insurance Plc.	November 2010	Listed (Budapest Stock Exchange)	Life insurance	Hungary
	Airtac International Group	December 2010	Listed (Taiwan Stock Exchange)	Manufacturing of aerodynamic analytical devices	China
	Everpia Vietnam JSC	December 2010	Listed (HoChiMinh Stock Exchange)	Manufacturing of beds and bedding	Vietnam
	Sino Polymer New Materials Co., Ltd.	January 2011	M&A	Development and production of products associated with the new high polymer material, PPS (poly phenylene sulfide)	China
	LB Semicon Inc.	January 2011	Listed (KOSDAQ)	Semiconductor manufacturing business	Korea
	Aonemecha Co., Ltd.	March 2011	M&A	Manufacturing of facilities for automating production of displays such as TFT-LCD	Korea

(Notes) 1. The location of head office of each overseas company reflects the principal place of operation or the substantial head office location.

2. “M&A” is indicated in case a portfolio company has executed a share exchange or entered into a merger with a listed company.

3. In addition to the above, among the portfolio companies of New Horizon Capital, L.P. in which the Company invests as a Limited Partner, Navinfo Co., Ltd. and Harbin Gloria Pharmaceuticals Co., Ltd. became listed companies on the Shenzhen Stock Exchange in May and June 2010 respectively, Sunac China Holdings Limited was listed on the Hong Kong Stock Exchange in October 2010, New Century Department Store Limited Company of Chongqing General Trading and Hebei Meihua Monosodium Glutamate Group Co., Ltd. concluded M&A in December 2010, and Sinovel Wind (Group) Co., Ltd. was listed on the Shanghai Stock Exchange in January 2011.

Consolidated Fiscal Year Ended 31 March 2012 (From 1 April 2011 to 31 March 2012)

Number of Companies	Name of Portfolio Company	Month & Year of Listing, etc.	Listing, etc.	Business Description	Location of Head Office
Japan: 7 companies Overseas: 7companies	PCHOMESTORE Inc.	April 2011	Listed (GTSM)	Electronic commerce services	Taiwan
	Renren,Inc.	May 2011	Listed （New York Stock Exchange）	Management of No.1 social networking website in China (Renren.com), social commerce website (nuomi.com) and social networking website for business (jingwei.com)	China
	NIBEC Co., Ltd.	July 2011	Listed （KOSDAQ）	Development and manufacturing of artificial bones	Korea
	Mebiopharm Co.,Ltd.	July 2011	Listed （TOKYO AIM）	Development of drugs using unique ribosome technology	Tokyo, Japan
	KLab Inc.	September 2011	Listed （TSE Mothers）	Social business, SI business, Cloud and License business	Tokyo, Japan
	FROUTE Corporation	October 2011	M&A	Mobile content delivery services	Tokyo, Japan
	SymBio Pharmaceuticals Limited	October 2011	Listed (JASDAQ)	Development and commercialization of drugs for specified diseases(cancer, diseases of blood and autoimmune)	Tokyo, Japan
	Best Create Corporation	November 2011	M&A	Provider of the affiliate commerce materials and advertisements to the customers in retail stores	Tokyo, Japan
	Redwood Group Ltd	December 2011	Listed (GTSM)	Contract manufacturer of high-quality interior fittings for luxury brands.	Taiwan
	W-SCOPE Corporation	December 2011	Listed （TSE Mothers）	Manufacturing and sale of separator for lithium-ion secondary battery	Kanagawa, Japan
	Beyondsoft Corporation	January 2012	Listed (Shenzhen Stock Exchange)	IT consulting, application development and maintenance services	China
	NEUROS Co., Ltd.	February 2012	Listed (KOSDAQ)	Development and manufacturing of Turbo Blower	Korea
	HYVISION SYSTEM INC.	February 2012	M&A	Manufacturing of glasses, photo devices and optical equipments	Korea
	VECTOR INC.	March 2012	Listed （TSE Mothers）	Providing support for strategic corporate public relations	Tokyo, Japan

(Notes) 1. The location of head office of each overseas company reflects the principal place of operation or the substantial head office location.

2. “M&A” is indicated in case a portfolio company has executed a share exchange or entered into a merger with a listed company.

3. SBI Mortgage Co., Ltd. became a listed company on the Korea Exchange in April 2012.

(2) Status of the Brokerage & Investment Banking Business

The Brokerage & Investment Banking Business entails brokering of orders for sale and purchase of stocks and other securities placed primarily through the Internet, the call center and branches, underwriting of securities, handling of offering or secondary distribution, or private placement of securities, processing relating to foreign exchange margin transactions, and executing other financial instruments transactions. Through these business activities, the Group provides financial services that meet the needs of customers (investors).

The breakdown of net sales (operating revenues) in this business is provided below.

(i) Breakdown of net sales (operating revenues)

(Millions of yen)

Classification	Year Ended March 31, 2011 (From April 1, 2010 to March 31, 2011)	**Year Ended March 31, 2012 (From April 1, 2011 to March 31, 2012)**
Brokerage commission	16,630	**14,786**
Underwriting sales fees	114	**209**
Offering and secondary distribution fees	1,791	**1,359**
Other commissions received	3,987	**3,904**
Trading gain/loss	12,206	**11,189**
Financial revenues	12,764	**12,019**
Other operating revenues	378	**315**
Total intersegment internal net sales before elimination…(1)	47,873	**43,783**
Intersegment internal net sales…(2)	(2,498)	**(2,297)**
Net sales from external customers…(1)＋(2)	45,374	**41,485**

(Note) The above figures do not include consumption taxes.

(ii) Other major indices

SBI SECURITIES Co., Ltd.

	Year Ended March 31, 2011 (From April 1, 2010 to March 31, 2011)	**Year Ended March 31, 2012 (From April 1, 2011 to March 31, 2012)**
Average stock trading value per day	177.7 billion yen	**149.3 billion yen**

	As of 31 March 2011	**As of 31 March 2012**
Number of general accounts	2,209,946 accounts	**2,387,786 accounts**
Number of margin transaction accounts	228,560 accounts	**241,039 accounts**
Deposited assets	4,169.6 billion yen	**4,315.3 billion yen**

2. NET SALES & COST OF SALES

Net sales by business segment are as indicated below. Effective for the fiscal year ended 31 March 2011, we adopted "Accounting Standard for Segment Information Disclosures." (The Accounting Standards Board at Japan ("ASBJ") Statement No. 17; 27 March 2009) and "Guidance on Accounting Standard for Segment Information Disclosure." (ASBJ Guidance No. 20; 21 March 2008).

Segment	Year Ended 31 March 2011 (From 1 April 2010 to 31 March 2011)		**Year Ended 31 March 2012 (From 1 April 2011 to 31 March 2012)**	
	Millions of Yen	%	**Millions of Yen**	**%**
Asset Management Business	30,701	21.8	**34,566**	**23.8**
Investment in Securities	28,475		**32,644**	
Revenue from Operational Investment Securities	27,127		**31,575**	
Fees from Funds	1,348		**1,068**	
Investment Advisory Services Fees and Others	2,225		**1,922**	
Brokerage & Investment Banking Business	47,873	33.9	**43,783**	**30.2**
Financial Services Business	30,530	21.6	**43,354**	**29.9**
Marketplace Business	5,699		**5,221**	
Financial Products Business	9,300		**10,253**	
Financial Solutions Business	8,309		**9,539**	
Other Businesses	7,220		**18,339**	
Housing and Real Estate Business	23,467	16.6	**22,466**	**15.5**
Real Estate Business	10,320		**9,693**	
Financial Real Estate Business	11,646		**11,107**	
Lifestyle Networks Business	1,500		**1,665**	
Sub-total	132,573	93.9	**144,169**	**99.4**
Others	15,631	11.1	**8,699**	**6.0**
Inter-segment revenues	(7,122)	(5.0)	**(7,794)**	**(5.4)**
Net sales	141,081	100.0	**145,074**	**100.0**

(Note) The "Others" column includes revenues in businesses not determined as reportable segments.

<Net Sales>

1) Asset Management Business

In the Asset Management Business net sales come from two major business categories, the Investment in Securities Business and the Investment Advisory Services/ Other Businesses.

(Investment in Securities Business)

The Group invests in venture capital companies in various industries both inside and outside of Japan, such as IT, biotechnology, environment and energy, and financial sectors. Revenues come from two main sources in the investment in securities business: (1) “revenue from operational investment securities”, which is derived from the sale of operational investment securities held for the purpose of securing capital gains, and (2) “fees from funds”, which are revenues comprised of fund establishment fees, fund management fees and success fees that are based on a fund’s performance. When the Company or its consolidated subsidiaries invest in a fund operated by the Group, all net sales from the funds under the scope of consolidation, including the revenues corresponding to the stakes of other investors, are booked as revenue from operational investment securities.

In the consolidated fiscal year ended 31 March 2012, revenue from operational investment securities increased 16.4% year-on-year to ¥31,575 million. This primarily reflected net sales from the funds under the scope of consolidation and revenues from overseas investments. Revenue from fees from funds amounted to ¥1,068 million (down 20.7% year-on-year), which primarily reflected management fees from SBI BROADBAND CAPITAL Silent Partnership and the SBI BB Media Investment Limited Partnership.

(Investment Advisory Services and Other Businesses)

Net sales from investment advisory services and other businesses declined 13.6% year-on-year to ¥1,922 million for the consolidated fiscal year. Revenues mainly came from investment trust management fees and interest income from operational loans receivable.

2) Brokerage & Investment Banking Business

Net sales in the Brokerage & Investment Banking Business are derived mainly from brokerage commission from securities transactions, underwriting and sales fees for initial public offerings, commissions from placement and sales of stock, and net trading income and financial revenue from spread on foreign exchange margin transactions and the like.

In the consolidated fiscal year ended 31 March 2012, net sales in this business decreased 8.5% year-on year to ¥43,783 million, which was primarily generated by SBI SECURITIES Co., Ltd. and SBI Liquidity Market Co., Ltd.

3) Financial Services Business

Net sales in the Financial Services Business are comprised of revenues generated in four business components: the Marketplace Business, the Financial Products Business and the Financial Solutions Business and Other Businesses.

(Marketplace Business)

In this business, the Group operates various finance-related comparison websites such as “InsWeb”, an insurance portal site, and “E-LOAN”, to offer a marketplace of services that enable consumers to search and compare information on financial products and services online.

In the consolidated fiscal year ended 31 March 2012, net sales in the Marketplace Business declined 8.4% year-on-year to ¥5,221 million, which were primarily posted by the Company.

(Financial Products Business)

In the Financial Products Business, we provide a wide range of financial products and services including credit cards, comprehensive leasing services, auto loans and guarantee services, management and collection of specified monetary claims, and receipt financing that involves medical care payment receivable factoring and providing funds.

In the consolidated fiscal year, net sales in the Financial Products Business rose 10.2% year-on-year to ¥10,253 million. These revenues were posted by SBI Card Co., Ltd., SBI Lease Co., Ltd., SBI Credit Co., Ltd., SBI Servicer Co., Ltd. and SBI Receipt Co., Ltd.

(Financial Solutions Business)

In the Financial Solution Business, we mainly provide online settlement services for EC business operators and call center services for financial institutions.

In the consolidated fiscal year, net sales in this business rose 14.8% year-on-year to ¥9,539 million. This revenue was primarily generated by SBI VeriTrans Co., Ltd. and SBI Business Support Corp.

(Other Businesses)

In the category of Other Businesses, the Group is primarily engaged in the non-life insurance business with the Internet being the key service channel and the business of providing information on evaluations of financial products, particularly investment trusts, online.
Net sales in this category increased 154.0% year-on-year to ¥18,339 million in the consolidated fiscal year. Revenues were mainly generated by SBI Insurance Co., Ltd. and Morningstar Japan K.K.

4) Housing and Real Estate Business

In the Housing and Real Estate Business, net sales come from the Real Estate Business, the Financial Real Estate Business and the Lifestyle Networks Business.

(Real Estate Business)

In the Real Estate Business, we are primarily engaged in the development and sale of properties for investment purposes, planning and design services associated with investment properties, and advisory services for constructions and real estate.

In the consolidated fiscal year ended 31 March 2012, net sales declined 6.1% year-on-year to ¥9,693 million. This was primarily generated by the Company and SBI Life Living Co., Ltd.

(Financial Real Estate Business)

The Financial Real Estate Business involves provision of housing loans and real estate secured loans.

In the consolidated fiscal year, net sales in this business decreased 4.6% year-on-year to ¥11,107 million. The revenues primarily come from SBI Mortgage Co., Ltd. and CEM Corporation.

(Lifestyle Networks Business)

In the Lifestyle Networks Business, we are mainly engaged in the operation of websites for online intermediary services and comparison and estimate service.

Net sales for the consolidated fiscal year, which was mainly contributed by SBI Life Living Co., Ltd., increased 11.0% year-on-year to ¥1,665 million.

5) Others

In the consolidated fiscal year ended 31 March 2012, net sales in businesses not determined as reportable segments, which consisted of system-related business and drug-discovery business, decreased 44.3% year-on-year to ¥8,699 million.

(Note) Net sales by business segment indicated are before eliminations of intersegment revenues.

<Cost of Sales>

1) Asset Management Business

In the consolidated fiscal year ended 31 March 2012, cost of sales for the Asset Management Business decreased 6.4% year-on-year to ¥16,573 million, the primary component of which was cost of operational investment securities.

2) Brokerage & Investment Banking Business

In the consolidated fiscal year, cost of sales for this business decreased 1.0% year-on-year to ¥4,906 million, which were comprised primarily of financing costs such as interest expenses and financial expenses associated with margin or lending transactions.

3) Financial Services Business

In the consolidated fiscal year, cost of sales for this business increased 65.9% year-on-year to ¥38,048 million, related primarily to insurance underwriting expenses.

4) Housing and Real Estate Business

Operating costs for this business decreased 12.2% year-on-year to ¥9,831 million during the consolidated fiscal year. The costs were primarily sales cost of real estate for sale.

5) Others

In the consolidated fiscal year, costs of sales for businesses not determined as reportable segments were mainly consisted of the costs for the system-related business and decreased 40.3% year-on-year to ¥7,398 million.

(Note) Operating costs by business segment are results before eliminations of intersegment costs.

BUSINESS PLAN

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

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

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

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

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

In the Brokerage & Investment Banking Business, we will aim to achieve greater growth even under unstable conditions in the Japanese stock markets. SBI SECURITIES Co., Ltd. will continue to expand its overseas product lineups and strengthen foreign exchange transactions and further enhance its call center operations that receive high recognition from evaluating agencies in heightening its service level even more. We will also promote integration of “net” and “real” channels and actively make use of the intermediary business to continue expanding the face-to-face channel while achieving effective cost reductions. Furthermore, in the aim to maximizing synergies within the financial conglomerate, the Company will tighten grips with financial companies in the Group, in particular with SBI Sumishin Net Bank, Ltd., to develop the Group’s Internet-based one-stop financial service system. In the consolidated fiscal year, PTS (proprietary trading system) of high public nature operated by SBI Japannext Co., Ltd. posted a considerable increase in trading value, taking up 2.8% of total monthly trading value on the first section of the Tokyo Stock Exchange in March 2012. SBI Liquidity Market Co., Ltd., which began operation in November 2008, provides liquidity and market infrastructure for FX transactions to SBI SECURITIES Co., Ltd. and SBI Sumishin Net Bank, Ltd. The firm will make improvements to the transaction environment and enhance liquidity in the aim to further diversify sources of revenue in this business.

In the Financial Services Business, we established SBI Sumishin Net Bank, Ltd., SBI Insurance Co., Ltd. and other new companies during 2007 to 2008 for undertaking new businesses in our aim to build an earning structure that does not depend solely on stock markets. It is our key objective to further developing these businesses by provoking stronger synergistic effects among Group companies. In the Marketplace Business centered on operation of comparison websites such as “InsWeb” and “E-LOAN”, we must continue to expand our service lineups including enhancing content and improving functions. Additionally, in striving for higher growth, we see the need to push development of Morningstar Japan K.K., which continues to expand its services and channel offering, supported by the growing asset management needs.

In the Housing and Real Estate Business, we will pursue real estate development while monitoring market conditions, through making efforts to capture business opportunities and to diversify and stabilize revenues. In the financial real estate category, SBI Mortgage Co., Ltd. has established its own brand as a provider of housing loans with low, all-term fixed interest rates. We will continue to enhance “SBI Money Plaza”, a franchise-based face-to-face channel to continue attracting customers and increasing loan drawdowns. In the lifestyle networks business category under this Business, we are determined to focus our efforts in operating brokering sites to provide useful, attractive services in assisting consumers at every stage and major event of their lives.

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

The Group recognizes that continuous enhancement of human resources is an essential group-wide initiative. It has become increasingly important to secure highly competent individuals that support the rapid expansion of our businesses and to continue developing the skills of our employees. For this purpose, we have been exerting greater efforts in hiring excellent individuals who are willing to share the management philosophy of the Group as well as recruiting university graduates to secure human capital for passing on the Group’s unique corporate culture from one generation of employees to the next. The initiative of recruiting university graduates that began in April 2006 has resulted in individuals with the potential to advance to senior executive positions to already contribute strongly in key positions of the organization. We will continue to secure highly competent and global-oriented human resources and promote career development of our staff in pursuing perpetual growth and development of the Group.

RISK

The following principal categories of business risks and other risks affecting our Group's business may have a material impact on investment decisions. From the point of disclosing information, we have also listed risk factors below, which may not completely match these investment decisions. In recognizing these latent risks, we will work to avoid any such risks and take appropriate measures in the event that any such risk arises.
Also, the following contains contents about the future but it is considered at a present time, at the point of this document has been submitted. (28, June 2012)

< Risks relating to our general operations >

1) Our corporate structure, which consists of a large number of public and private companies in multiple business lines, exposes us to challenges not found in companies with a single business line

Our Group consists of portfolio companies operating in multiple industries, including asset management, brokerage and investment banking, financial services, housing and real estate and other businesses. Our Group also comprises of some publicly traded subsidiaries. Due to the diverse characteristics of our portfolio companies, we face challenges not found in companies with a single business line. In particular, there are three aspects:

- we are exposed to business, market and regulatory risks relating to different industries. We need to devote substantial resources to monitor changes in different operating environments, so that we can react with appropriate strategies that fit the needs of the portfolio companies affected;
- due to our large number of portfolio companies involved, successful operation of our Group requires an effective management system that emphasises accountability, imposes financial discipline on portfolio companies, and incentivizes management to create value. As we continue to grow through acquisitions of businesses in an increasing number of different industries, our operations will become more complex, which increases the difficulty of implementing our management system; and
- our portfolio companies in different operating segments may determine that it is in their respective shareholders' interests to pursue business ventures together. We cannot assure you that such business ventures will be successful or generate the synergies expected.

2) Our voting interests in our portfolio companies may be diluted

Our portfolio companies may become publicly traded, which will dilute our voting interests in these entities. In addition, our portfolio companies may from time to time need additional capital to achieve their expansion plans or other business objectives and may issue additional shares or other equity securities to meet their capital needs. We may choose not to, or be unable to, subscribe for the securities offered in any such additional issuances by our portfolio companies. If we fail to subscribe for additional securities of a portfolio company on a pro-rata basis to our existing shareholding in such company, our equity interest in the portfolio company will be diluted.
A dilution in our equity interest in a portfolio company would reduce our share of the profits earned by such portfolio company, which may have an adverse effect on our financial condition and results of operations. Further, if our ownership were reduced significantly, it may cause our representation on such company's board of directors to be reduced, or otherwise reduce our ability to direct or influence the operations of that portfolio company.

3) The growth we expect in the market for our online products and services may not materialize

The market in Japan for online financial products and services continues to evolve. Our success depends substantially on continued growth in the use of online products and services, such as online brokerage services, Internet banking, Internet-based insurance products and services by individuals.

If this growth does not materialize, our financial condition and results of operations will suffer. Factors that could discourage Japanese individuals from using online products and services include security or privacy concerns, inconsistent quality of service and frustration with actual or perceived difficulties in using the Internet to conduct brokerage and other financial transactions.

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

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

5) Risks relating to business reputation

We are vulnerable to poor market perception and reputational risk since we operate in industries where integrity and the trust and confidence of our clients are of utmost importance. Negative publicity (whether or not justified) associated with us or any of our funds, products, services, officers or employees, partners or alliances, or the occurrence of any of the risks set out in this section could result in a loss of clients and/or mandates. Our business operations are highly dependent on our officers, employees, partners and/or alliances. The actions, misconduct, omissions, failures or breaches of any of our officers or employees, partners and/or alliances may, by association, create negative publicity in relation to our Group. Accordingly, any mismanagement, fraud or failure to discharge legal, contractual, regulatory or fiduciary duties, responsibilities, liabilities or obligations, or the negative perception resulting from such activities or any allegation of such activities, could have an adverse effect on our Group’s business, growth prospects, results of operations and/or financial condition. Such cases could adversely affect our financial condition and results of operations.

In addition, there are some frauds or fraudulent acts, which use trade names of our Group companies, with our business expansion and increasing our publicity. Therefore, we may be hit hard by rumors even if we have no fault. It could have an adverse affect our financial condition and results of operations.

6) Risks relating to business restructuring and expansion

As a "Strategic Business Innovator," one of our Group's basic policies is to perpetuate "Self Evolution."

In addition to internal business restructuring, such as the acquisition of one-hundred percent ownership of SBI SECURITIES Co., Ltd., and SBI Futures Co., Ltd. through the share exchanges in August 2008 and in August 2009 respectively, the transfer all our shares in SBI AXA Life Insurance Co., Ltd. in February 2010, the acquisition of one-hundred percent ownership of Gomez Consulting Co., Ltd. by Morningstar Japan K.K.’s through the share exchange in April 2011, the acquisition of one-hundred percent ownership of SBI VeriTrans Co., Ltd., SBI Net Systems Co., Ltd. through the share exchanges in August 2011 and in February 2012 respectively, the acquisition of Shinsai Partners Inc. in March 2012, the conclusion of share transfer contract of all our shares in SBI

VeriTrans Co., Ltd. in March 2012, we intend to aggressively pursue business expansion, including mergers and acquisitions of businesses that we believe offer favorable synergies with our core businesses. We face the risk that our restructuring and business expansion activities may not produce the results that we expect. Failure to achieve expected results could have an adverse effect on our financial condition and results of operations.

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

In addition, we may raise working capital through various means, including equity finance in the capital markets, share exchange, loans from financial institutions, and issuances of corporate bonds. Such cases could adversely affect our financial condition and results of operations.

7) Risks relating to entering new businesses

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

8) Risks relating to being a financial conglomerate

We are classified as a financial conglomerate as defined by the regulations of Financial Services Agency (FSA). As a result, we are further strengthening its risk management and compliance systems in order to maintain financial soundness, and to conduct business activities properly. However, if we are subject to an administrative action or other punishment by FSA, for whatever reason, we may have difficulty conducting its business operations, or it could adversely affect our financial condition and results of operations.

9) Risks relating to investment securities

We hold a large amount of investment securities, including investments in unconsolidated subsidiaries and affiliated companies. We could experience impairment losses on our investment securities as a result of declines in their value, which could adversely affect our financial condition and results of operations.

10) Litigation risk

We are exposed to litigation risk relating to the operations of our business segments on an ongoing basis. While we cannot predict the outcome of any pending or future litigation, given the inherent unpredictability of litigation, it is possible that an adverse outcome in any one or more matters could have an adverse effect on our financial condition and results of operations.

11) Risk relating to risk management and internal control

We have established risk management and internal control systems and procedures. Certain areas within our risk management and internal control systems may require constant monitoring, maintenance and continual improvements by our senior management and staff. If our efforts to maintain these systems are provided to be ineffective or inadequate, we may be subject to sanctions or penalties and our financial condition, results of operations, business prospects and reputation may be adversely affected.

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

12) Risks relating to funding liquidity

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

13) Derivatives risk

We utilise derivative instruments to reduce investment portfolio price fluctuations and to manage interest rate and foreign exchange rate risk. However, we may not be able to successfully manage our risks through the use of derivatives. Counterparties may fail to honor the terms of their derivatives contracts with us. Alternatively, our ability to enter into derivative transactions may be adversely affected if our credit ratings are downgraded.

We may also suffer losses from trading activities, a part of which includes the use of derivative instruments. As a result, our financial condition and results of operations could be adversely affected.

14) We depend in part on payments from our subsidiaries and other entities

We depend in part on dividends, distributions and others from our subsidiaries and other entities, such as partnerships and other investment vehicles, to fund payments on our obligations, including our debt obligations. Regulatory and other legal restrictions, including contractual restrictions, may limit our ability to transfer funds to or from our subsidiaries and other entities. Some of our subsidiaries and other entities which we depend on, in part, for payments are subject to laws and regulations that authorise regulatory bodies, such as board of directors, to block or reduce the flow of funds to us, or that prohibit such transfers altogether in certain circumstances. These laws and regulations may hinder our ability to access funds that we may need to make payments on our obligations. Such payments could adversely affect our financial condition and results of operations.

15) Reliance on key personnel

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

16) Risks relating to employees

We employ who we consider highly skilled and qualified personnel to work under our management team. If we are unable to continue to engage highly skilled and qualified personnel of the requisite caliber and skills, this could adversely affect our financial condition and results of operations.

17) Risks relating to trademarks and other intellectual property rights

Our businesses involve various types of intellectual property, including patents, copyrights and other forms of intellectual property, particularly those related to our “SBI” brand. We rely on our ability to protect the intellectual property we own and use in our business. If we fail to sufficiently protect our intellectual property, or if we are unable to acquire the necessary licences for the use of third-party intellectual property, we may experience difficulty in developing technologies or providing services. Also, we may be the subject of legal actions brought by third parties alleging infringement of their intellectual property. In addition, we may experience increased costs in connection with intellectual property, especially those related to copyright. Such additional costs could have an adverse effect on our financial condition and results of operations.

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

Enactment of, or changes in, laws and regulations may affect the way that we conduct our business, the products or services that we may offer in Japan or overseas, as well as our customers, borrowers, portfolio companies and funding sources. Such enactment or changes are unpredictable and may cause our costs to increase. As a result of such enactment or changes, our business activities, financial condition and results of operations could be adversely affected.
Withdrawal or amendment of any regulatory approval or of any exemption from registration in respect of any part of our Group’s activities or any of our funds in any jurisdiction might oblige us to cease conducting a particular business or change the way in which it is conducted. Similarly, the withdrawal of either a licence or an approval of one or more individuals would hinder their ability to perform their current role. The carrying on of regulated activities by unauthorised persons could have a number of consequences including the possibility of agreements made in the course of carrying on such activities being unenforceable.
Enactment of, or changes in, accounting standards may have a significant effect on how we record and report our financial condition and results of operations, even if our underlying business fundamentals remain the same. As a result of such enactment or changes, our business activities, our financial condition and results of operations could be adversely affected.

19) Risks relating to deferred tax assets

Temporary differences occurring between the financial statements and the tax bases of assets and liabilities are posted to deferred tax assets using the statutory effective tax rate applied when the difference is dissolved.

If there is a tax reform and change in the statutory effective tax rate, we may reduce or increase the deferred tax assets. Such events could have an adverse effect on our financial condition and results of operations.

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

Each Group company calculates the estimated future recoverable tax amount based on the expected amount of future taxable income. While we presume that it is quite possible to realize the deferred tax assets after valuation allowance, the amount of valuation allowance may fluctuate depending on any changes in the expected amount of future taxable income. Such changes could have an adverse effect on our financial condition and results of operations.

20) Risks relating to insurance coverage

To manage operating risks, we maintain in our portfolio companies insurance coverage of various kinds. However, we cannot assure you that all claims under their insurance policies will be honored fully or on time. Furthermore, we are generally unable to insure against certain types of losses, including losses caused by earthquakes, typhoons, floods, wars and riots, and we do not have business interruption insurance. To the extent that any of our portfolio companies suffer loss or damage that is not covered by insurance or that exceeds the limit of its insurance coverage, our financial condition and results of operations and cash flow may be adversely affected.

21) Past results may not be indicative of future performance

Our historical financial information may not necessarily reflect our financial condition or results of operations in the future. We may experience slower growth in some of our businesses and we may not be successful in launching new businesses. New businesses may not achieve as quick or as large growth as anticipated, and our multiple business strategy may not be successful and we may not be able to successfully integrate future businesses or assets into our existing operations.

22) We may suffer substantial losses in the event of a natural disaster, such as an earthquake, terrorist attack or other casualty event in Japan or other markets in which we operate

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

23) Risks relating to our investments, development of our business, funding and legal regulations in overseas operation

We are actively investing and promoting business development in overseas countries. In these cases, we do have risks relating to increasing cost or losses unique to overseas business due to different factors from factors in Japan, such as systems including laws and regulations, business practice, economic status, corporate culture, consumer attitude and others in overseas countries. We implement investments and business development of our operations in overseas countries after careful investigations, examinations and taking countermeasures for these risks. Nevertheless, if some events, which we could not estimate at the beginning, occur, such events could have an adverse effect on our financial condition and results of operations.

In addition, there is an increasing tendency of ratios of foreign shareholders in our shareholders. Therefore, it may be expected that we perform as the result the financing in foreign countries regardless of our intention. As a result, we may be affected by foreign laws and regulations, particularly these for investors protection, and may be caused our expense increase and the restrictions of business. Furthermore, we may increase foreign currency debt finances for the purpose of hedging foreign currency risks by borrowings from the financial institution in overseas countries or by issuances of corporate bonds in overseas countries. Even if we implement these after careful investigations and examinations for these risks, but some events, which we could not estimate at the beginnings, may occur. Such events could have an adverse effect on our financial condition and results of operations.

Recently, in addition to above, application of laws and regulations in overseas countries, such as Bribery Act 2010 in UK and The Foreign Corrupt Practices Act in US, might extend into our Group in other countries including Japan. We have responded to a variety of these laws and regulations after careful investigations and examinations for these risks, but some unexpected events may occur. Such events could have an adverse effect on our financial condition and results of operations.

24) We cannot guarantee the accuracy of facts and statistics with respect to certain information obtained from official governmental sources and other data

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

< Risks relating to our asset management segment >

1) Impact of changes in the business environment on our asset management segment

The main investment revenue sources for our asset management segment and investment partnerships managed by our Group, are capital gains on the disposal of shareholdings and management revenue from investment partnerships. However, these revenue sources are easily affected by fluctuations in the political, economic and industrial situation and in stock market conditions, particularly the market for initial public offerings. These external factors beyond our control may contribute to fluctuations in the performance of our asset management segment, and thereby exert a substantial influence on our financial condition and results of operations. Our financial condition and results of operations may also be subject to large fluctuations as the realisation of investment profits may be concentrated in a fixed period.

2) Risks associated with outside investors in our funds

We could experience difficulty raising new capital, both from existing and new outside investors, if our funds perform poorly. In addition, we may not be able to draw upon the commitments of existing outside investors, if those investors experience decreased liquidity, impaired financial soundness or other financial hardships. Difficulty in raising new funds in our asset management business may interfere with our ability to operate our funds as planned, which could have an adverse effect on our financial condition and results of operations.

3) Investment risk

We, and investment partnerships managed by us, have invested in many venture companies and companies undergoing restructuring. The future prospects of these companies are affected by many uncertainties and various potential future events that could cause fluctuations in their performance. These factors include, but are not limited to:

- changes in the competitive environment caused by the rapid progress of technological innovation and fluctuations in industrial standards;
- the hiring and retention of exceptional managers and staff;
- vulnerabilities in these companies' financial structure; and
- the non-disclosure of important information by the companies.

In addition, some of the businesses that we invest in operate in industries that are inherently speculative and risky. The investment risks associated with such uncertainty could lead to losses that could have an adverse effect on our financial condition and results of operations.

4) Foreign currency risk

We, and investment partnerships managed by us, are exposed to foreign currency risk when making investments denominated in foreign currencies. Fluctuations in exchange rates may affect our financial condition and results of operations due to uncertainty over both the timing of the recovery of the investment and the amount recovered.

5) Overseas investment risk

When investing overseas, we, and investment partnerships managed by us, face potential social unrest caused by changes in local economic conditions, changes in political factors, changes in the legal system or terrorism. Country risk may be difficult to minimise or perfectly avoid and may affect our financial condition and results of operations.

In particular, our funds invest in companies in emerging markets, including China and other countries in Asia. Many emerging market countries are developing economically and politically and could not have firmly established securities markets. Investments in companies in emerging markets may involve a high degree of risk and may be speculative.

We cannot guarantee that we will be able to achieve satisfactory investment performance for our funds in emerging markets in the future. Failure to do so could have an adverse effect on our business, growth prospects, fund establishment fees, offering investment funds, fund management fees and success fees, financial condition and/or results of operations.

6) Competition in our asset management segment

At a time of intense competition in the venture investment business and restructuring investment business, including from new entrants, and with domestic and overseas financial institutions and investment companies launching numerous funds, there is no assurance that we will be able to maintain our competitiveness. We may not be able to raise investment funds of a sufficient scale in line with our plans, or to find promising investee companies that would provide adequate returns on investment, as a result of industry rivals deploying revolutionary new services or due to mergers and collaborations between industry rivals. Such events could adversely affect our financial condition and results of operations.

7) Legal regulations affecting our asset management segment

The investment partnerships we manage are subject to, and must comply with, the Financial Instruments and Exchange Act (FIEA), the Money Lending Business Act of Japan, the Companies Act, the Civil Code of Japan, the Limited Partnership Act for Investment of Japan and other laws, domestic and foreign. We also operate investment trust management companies that are registered as investment management businesses or as investment advisory or agency businesses in accordance with the FIEA. The business operations of our asset management segment may be hindered, and adversely affected our financial condition and results of operations, in the event of revisions to the FIEA or other related laws, or in the event that required registrations are revoked.

< Risks relating to our brokerage and investment banking segment >

1) Impact of changes in the business environment affecting our brokerage and investment banking segment

Brokerage commissions account for the majority of the revenue from customers of our brokerage and investment banking segment. This segment is, therefore, highly exposed to fluctuations in the trading volume and trading values of stock markets. Trading volume and trading values on stock markets are affected by various factors, such as corporate profits, exchange rate fluctuations, interest rates, international political conditions, fluctuations in the main global markets and investor sentiment. A fall in share prices tends to lead to a contraction in trading volume. There can be no guarantee of favourable stock market conditions in the future, and our financial condition and results of operations could be adversely affected by declines in share prices and any resulting drop in trading volumes.

The Japanese government, certain foreign governments and various financial instruments exchanges are currently promoting financial and stock market reforms. The substance of these reforms could have an adverse effect on our financial condition and results of operations.

2) Credit risk

Margin transactions for domestic stocks are one of the revenue sources for our brokerage and investment banking segment. However, the value of the collateral deposited by a customer for a margin transaction may be inadequate if the customer suffers a loss on the margin transaction or if the value of the securities posted as collateral declines. In addition, the funds required for margin transactions are primarily financed through borrowings from securities finance companies. However, the value of securities pledged by us to securities finance companies as collateral for such borrowings may also fluctuate. In the event of a decline in the value of securities pledged by us as collateral, the securities finance companies from which we have borrowed may request that we pledge additional collateral, in which case we would be required to secure the funds uniquely in order to fund such additional collateral requirements. Such events could have an adverse effect on our financial condition and results of operations.

We would borrow shares from our customers and lend such shares to other broker-dealers. We may suffer losses if there are sharp changes in market values of securities and our counterparties to borrowing and lending transactions fail to honor their commitments. Any fluctuation in public equity markets may lead to the risk that parties to stock lending transactions may fail to meet their commitments. In addition, if we fail to expand our customer base for stock lending services and maintain good relationships with other securities companies to which we lend securities, it may have an adverse effect on our reputation, financial condition and results of operations.

Moreover, over-the-counter foreign exchange margin transactions are transactions conducted by depositing certain amount of margin as collateral. Our customers may make large amount of profits or suffer large amount of losses compared to the amount of margin deposited. Subject to changes in foreign exchange market conditions, in cases where losses suffered exceed the amount of margin deposited, depending on the total amount or the number of incidences, our financial condition and results of operations could be adversely affected, as bad debt losses may be incurred and further increase in loan loss provision may be necessary due to an increase in unsecured accounts receivable.

3) Foreign currency and counterparty risk

We face counterparty risk with respect to over-the-counter foreign exchange transactions with counterparties, which we perform in order to hedge foreign exchange fluctuations in the positions that we take in relation to our customers. If unforeseen circumstances should occur such as systemic damage to, or the deterioration of the business and financial condition of, a counterparty, we may not be able to hedge market risk for our customers, which could have an adverse effect on our financial condition and results of operations.

4) Underwriting risk

In order to diversify our revenue sources, we are increasing the resources devoted to the underwriting of shares. Due to this we face increased underwriting risk in the event that underwritten securities cannot be resold. Price fluctuations of securities offered but not resold may have an adverse effect on our financial condition and results of operations. A decline in the reputation of an issuer, either during or after a public offering for which we have acted as lead managing underwriter, could damage our reputation and hinder the development of our underwriting business, which would adversely affect our financial condition and results of operations.

5) Risks relating to proprietary trading system (PTS) business

Our proprietary trading system, Japannext PTS, is an off-exchange electronic trading market to which multiple securities companies can connect. Any potential operational difficulties, whether caused by unexpected events such as system failures, non-settlement or late settlement, or the bankruptcy of participating securities companies, could damage the confidence of investors and participating securities companies in the reliability and security of the proprietary trading system, which would adversely affect our financial condition and results of operations.

6) Competition in brokerage and investment banking segment

Competition among brokerage companies has been intensifying. We expect competition to continue to intensify as more companies from other industries enter the online securities brokerage market in response to deregulation, as well as due to the emergence of foreign companies. Furthermore, large securities companies are developing and improving their online securities brokerage businesses. Moreover, competition among companies, which provide over-the-counter foreign exchange margin transactions, has been intensifying. In addition, the minimum unit cost needed to acquire a single new customer account is also projected to increase due to such competition. These factors could have an adverse effect on our financial condition and results of operations.
In addition, though we are striving to improve the level of convenience enjoyed by investors who use our proprietary trading system platform, if the services we offer do not compare favourably to those offered by our competitors' proprietary trading system platforms, trading activity on our proprietary trading system may decline, which could have an adverse effect on our financial condition and results and of operations.

7) Legal restrictions on the brokerage and investment banking segment

a. Registration of financial instruments business operators and others

A portion of portfolio companies in our Group, in order to operate financial instruments business; we are registered as a financial instruments business operator (FIBO) in accordance with the Financial Instruments and Exchange Act (FIEA), This business area is subject to the provisions of the FIEA and related laws such as the Financial Instruments and Exchange Act Enforcement Ordinance of Japan. In addition to the rules of Tokyo Stock Exchage, Osaka Stock Exchange, Nagoya Stock Exchange, Fukuoka Stock Exchange and Sapporo Securities Exchange of which we are a general trading member, we are subject to the rules and regulations established by the Japan Securities Dealers Association and Financial Futures Association of Japan, which are organizations established under the FIEA. In the event that we or our employees violate any of these laws, rules or regulations, our license to operate may be revoked or a court order may be issued requiring that we take administrative action in order to achieve specified improvements. Any such action or event could adversely affect our financial condition and results of operations.
SBI SECURITIES Co., Ltd. on 12 February 2010 from Financial Services Agency (FSA),

received an business improvement administrative order to alter our operation since our operation had been is acknowledged to fall under the case which is 'Situation in which sufficient management of the electronic information processing systems relating to financial instruments business is deemed not to have been taken' as defined in Item 14, Paragraph 1, Article 123 of the Cabinet Office Ordinance on the Financial Instruments Business, based upon Item 2, Article 40 of the Financial Instruments and Exchange Act On 12 March 2010, we have submitted an improvement report to FSA. SBI SECURITIES Co., Ltd and our Group solemnly receive the administrative action and hereon, by identifying the reason which caused this issue and revising management structure according to it, and by adjusting appropriately to defaults pointed out by outside system inspection, we are to strengthen and improve internal management system including system risk management system further on and to prevent reoccurrence and restore reputation. However, correspondence to this issue and restoration of our reputation requires time more than expected, our operation of our Group may be disturbed and may have an adverse effect on our financial condition and results of operations. Correspondence to this issue, we have submitted our final improvement report on 31 March 2011.

b Capital adequacy ratio regulations

Based on the FIEA and on the Cabinet Office Ordinance on the Financial Instruments Business regarding capital regulations for Type 1 FIBO, a system of capital adequacy ratio regulations has been created. Capital adequacy ratio (CAR) is ratio of capital to the aggregate value of the non-fixed portion of capital, potential fluctuations in securities holdings, and other potential risks. Type 1 FIBO must maintain CAR of 120% or higher. If the ratio falls below 120%, FSA will order changes to operational methods and other changes, and if the ratio falls below 100%, the agency may order the suspension of business operations for a period of up to three months. If the ratio is still below 100% after business has been suspended for three months and the agency does not recognize the prospect of the relevant company's recovery, the agency may cancel the company's registration for securities business. In addition, Type 1 FIBO must on a quarterly basis prepare documents recording its CAR and make these documents available for public examination at all their facilities, and a fine shall be levied in the case of nonconformance with this requirement.

c. Separate management of customer assets/investor protection funds

To help ensure that securities companies return customers' assets to customers in an appropriate and timely manner, securities companies are required to keep securities and cash entrusted by customers separate from the securities company's own assets. However, this separation requirement does not apply to securities purchased via margin transactions or to the proceeds of the sale of securities via margin transactions. As an additional means of protecting investors, the FIEA requires securities companies to participate in a government-approved investor protection fund. Our Group participates in the Japan Investor Protection Fund (JIPF). Investor protection funds obtain their funds by requiring contributions from their securities company members. If a member of the JIPF were to become bankrupt, the fund will ensure that customers of the bankrupt company receive the securities entrusted to that company as well as other specified claims on that company up to ¥10 million. Accordingly, if the bankruptcy of a member company requires the disbursal of funds greater than those already accumulated by the JIPF, our Group and other members may be required to make additional contributions. It could have an adverse effect on our financial condition and results of operations.

d. The Act on Sales of Financial Products / the Consumer Contract Act of Japan

Designed to protect investors when they purchase financial products, the Act on Sales of Financial Products requires financial product sellers to provide specified explanations. In the case that investors lose money on investments in financial products that were not adequately explained, the Act obliges financial product sellers to provide compensation and provides for measures to ensure that the noncompliant financial product sales methods are rectified.

Focusing on the structural gaps between consumers and businesses with regard to the volume and quality of available information as well as negotiating capabilities, the Consumer Contract Act of Japan enables consumers in specified situations to repudiate contracts.

We have established internal administration systems designed to ensure its rigorous compliance with these law, and there have not been any cases of noncompliance to date.

However, if such a case were to arise in the future, it could entail the payment of compensation for damages, undermine customers' trust in the Company, and have other negative effects, and there is a possibility that such a situation could have an adverse effect on our financial condition and results of operations.

e. Margin rate restriction of foreign exchange margin transactions

FSA has announced regulations concerning the gradual reduction of margin rate from 1 August 2010 with respect to foreign exchange margin transactions and margin rate was even lowered on 1 August 2011. At this present moment, this restriction does not have an impact but there may be possibility that it may affect our financial condition and results of operation in the future.

If margin rate will be even lowered, it could have an adverse effect on our financial condition and results of operations.

8) Systems risks affecting our brokerage and investment banking segment

The Internet is our primary sales channel. Accordingly, we recognize that ensuring the stability of its system for online transactions is the most crucial management issue. we are undertaking continual initiatives to maintain and enhance the level of service. Nevertheless, a system malfunction may occur due to reasons unforeseen at present, including hardware and software malfunctions, human error, a breakdown in communication lines, computer viruses, cyber terrorism, or a system malfunction caused by a natural disaster. We have implemented a number of countermeasures, which include building redundant mission critical systems and monitoring functions for 24/7, as well as establishing backup sites at multiple locations. Nevertheless, should a system malfunction occur despite the implementation of these countermeasures, there is a possibility that a delay or failure to appropriately respond may result in claims for damage resulting from such a malfunction, and this may also erode trust in our systems and support structure. This, in turn, may result in the loss of a large number of customers. In addition, we are developing new systems and increasing capacity in response to expected increases in the number of accounts and trading volume. However, if such number of accounts or trading volume increase less than our expectation, increased costs in relation to our systems such as depreciation and lease fees which do not contribute to our profit could have an adverse effect on our financial condition and results of operations.

9) Security of customer information in our brokerage and investment banking segment

Any unauthorised orders for securities trades, leaks or destruction of important customer data could give rise to liabilities and in turn have an adverse effect on our financial condition and results of operations. Any violations of the Personal Information Protection Act of Japan or any leaks or destruction of important customer data could have negative consequences, including a loss of customer trust, which would have an adverse effect on our financial condition and results of operations.

< Risks relating to our financial services segment >

1) Impact of changes in the business environment on our financial services segment

a. Effects of interest rate fluctuations

We obtain much of the funding required for purchases of leased assets in our leasing business through borrowing. Dramatic increases in the interest rates at which we are able to borrow would result in increased costs in our leasing business. Increases in interest rates could also lead to increased expenses in our consumer loan business. Accordingly, increases in interest rates could have an adverse effect on our financial condition and results of operations.

b. Responding to technical innovations

Because the Internet is the primary channel through which we provide services to our customers, it is imperative for our future growth prospects that we maintain thorough familiarity with the Internet and related technology. With technological innovation comes changes in the technical standards and user environments in which our customers operate. If we are slow to respond to technological advancements, the services we provide are likely to suffer and become inferior or obsolete, resulting in a loss of competitive advantage within the industry. Our financial condition and results of operations could be affected if we lag behind in our efforts to keep up with changes in our technological environment. In addition, we could incur significant expenses to develop new internal systems or perform major system upgrades in order to keep pace with important technological changes. Such cases could have an adverse effect on our financial condition and results of operations.

2) Competition in the financial services segment

Because initial capital investment requirements for comparison shopping websites, such as those that compare financial, insurance and loan products, are low and because such businesses may be launched with relatively low personnel costs, competition in this business is intensifying as more companies enter into the market. Such competitive pressures could have an impact on the profitability of our financial services segment. In addition, there are a number of competing websites in the non-financial services area, where three of our group companies are active. As the number of our competitors in these fields increases, the number of users who visit our websites could decrease, which could cause additional downward pressure on revenues. Any of these factors could have an adverse effect on our financial condition and results of operations.

3) Risk relating to banking business

In the banking industry, it is necessary to respond to a great variety of risks: credit risk, market risk, liquidity risk, compliance risk, administrative risk, system risk, information security risk, risks associated with contracting with third parties, event risk, reputation risk, capital ratio risk, strategic risk, and risk associated with regulatory change. Any failure to adequately address these risks could be disruptive to business operations. In addition, if we are unable to achieve the targets projected in our initial business plan for this sector, and if future income is inadequate to cover our initial investments, our financial condition and results of operatons could be adversely affected.

4) Risk relating to insurance business

In the insurance industry, it is necessary to respond to a great variety of risks: insurance underwriting risk, market risk, credit risk, liquidity risk, administrative risk, system risk, information security risk, legal risk and casualty risk. Any failure to adequately address any of these risks could be disruptive to our business operations. In addition, if we are unable to achieve the targets projected in our initial business plan for this sector, and if future income is inadequate to cover our initial investments, our financial condition and results of operations could be adversely affected.

5) Legal risks affecting our financial services segment

Licences, permits or registrations are required to conduct businesses under our financial services segment under the Money Lending Business Act, the Banking Act of Japan, Insurance Business Act of Japan and their respective related ordinances and regulations, the Insurance Act of Japan, the Act on Special Measures regarding Servicer Business of Japan and others. Our financail condition and results of operations would be adversely affected if any necessary licences, permits or registrations were revoked for any reason.

6) Systems risks affecting financial services segment

Because our financial services segment relies heavily on computer systems, if unforeseeable events such as earthquakes, floods, fires, computer viruses, power outages, communications failures, work-stoppages by third-party service providers or unpredictable system failures were to result in a delay, suspension or cessation of services to our customers, such events could have an adverse effect on our financial condition and results of operations.

7) Security of customer information in our financial services segment

If any leaks of customer information should occur, we could lose the trust of our customers and incur significant legal and other costs, either of which could have an adverse effect on our financial condition and results of operations. In addition, any violation of the Personal Information Protection Act of Japan or any leaks of customer information could lead to a loss of trust by our customers and could have an adverse effect on our financial condition and results of operations.

< Risks relating to our housing and real estate segment >

1) Impact of changes in the business environment on our housing and real estate segment

a. Effects of real estate market conditions

Changes in real estate market conditions, such as land prices and lease rates, could affect our financial condition and results of operations in our real estate holdings, including our direct holdings and our holdings through investment partnerships. For example, we may be required to increase allowance for doubtful accounts with respect to real estate we hold as collateral for loans if the appraised value of such real estate decreases. In addition, since the housing loan business in our housing and real estate segment concentrates primarily on the provision of housing loans to consumers who are building or buying new homes, fluctuations in the volume of housing loans subject to external factors such as new housing starts could have an adverse effect on our financial condition and results of operations.

b. Effects of fluctuations in interest rates and related market conditions

Interest rate fluctuations lead to higher procurement costs, including procurement costs for non-recourse loans in our housing and real estate segment. In addition, in the real estate financing business in our housing and real estate segment, changes in interest rates could impact the interest rates on housing loans and mortgages, may affect the number of new borrowers and refinancing borrowers. Drastic changes in interest rates could affect securitization of housing loans. Thus, change in interest rates could have an adverse effect on our financial condition and results of operations.

2) Investment risk

If problems or defects that were not identified in the pre-purchase diligence process for a property are later revealed following the acquisition of that property, such as unusual rights relationships, poor soil quality, inadequate construction or environmental problems, those problems could have an adverse effect on the value or cash flow from that property. Other factors that could have an adverse effect on a property’s price and cash flow include fires, riots, terrorism, earthquakes, volcanic eruptions, tidal waves and other unforeseeable natural disasters.

3) Foreign currency risk

Investments in our housing and real estate segment that are denominated in foreign currencies are subject to risk caused by fluctuations in foreign exchange rates. Because both the timing and amount of recovery from real estate properties are inherently uncertain, the operating results of our financial condition and results of operations could be adversely affected by fluctuations in foreign exchange rates.

4) Risks relating to investment in overseas real estate

Investments in overseas real estate expose us to risks including losses due to disruptions in economic and political conditions, changes in the local legal system and social disruptions resulting from terrorism and other factors. We are thoroughly studying and analyzing conditions in other countries in order to reduce exposure to country risk. However, since it is difficult to completely avoid the effects of these risks, the occurrence of any of these problems could have an adverse effect on our financial condition and results of operations.

5) Competition in businesses relating to residential real estate

Competition in the residential real estate market is expected to intensify as the number of new entrants increases in response to greater business opportunities. If our efforts to maintain and strengthen our competitive position are unsuccessful, price competition in the real estate market could put downward pressure on our revenues, which could have an adverse effect on our financial condition and results of operations.

6) Legal regulatory risk relating to residential real estate and lifestyle networks

In addition to the Building Lots and Building Transaction Business Act of Japan, which requires a licence to act as an agent and broker in the purchase or lease of real estate, other laws in Japan such as the National Land Use Planning Act of Japan, Building Standards Act of Japan, City Planning Act of Japan, Act Concerning Specified Joint Business in Real Estate of Japan, Leased Land and House Lease Act of Japan, Construction Business Act of Japan, Architect Act of Japan, Labor Health and Safety Act of Japan and the Financial Instruments and Exchange Act also apply to us. In addition, the Money Lending Business Act also applies to our real estate financing business. With respect to the method of payment settlement, laws in Japan such as the Act for Regulation of Receiving Capital Subscription, Deposits, and Interest Rates, etc. of Japan, the Banking Act, and the Payment Services Act of Japan are also applicable.

Our lifestyle networks business is subject to laws in Japan such as the Act on Specified Commercial Transactions of Japan, the Consumer Contract Act of Japan, the Pharmaceutical Affairs Act of Japan, the Product Liability Act of Japan, the Unauthorized Computer Access Act of Japan, and anti-nuisance ordinances.

Any administrative action that would require us to take steps to alter our operations, or any revocation of a licence, permit or registration required under these various legal requirements, could adversely affect our financial condition and results of operations.

7) Systems risks affecting our residential real estate related business

Any computer failure causing a delay, suspension or cessation of services due to unforeseeable factors such as widespread earthquake or flood damage, fires, computer viruses, power outages, communications failures or work-stoppages by third-party service providers, could adversely affect our financial condition and results of operations.

8) Security of customer information in our real estate related businesses

If any leak or destruction of customer information were to occur, it could result in legal liability and a loss of trust and credibility, either of which could have an adverse effect on our financial condition and results of operation.

In addition, we have established an internal management structure, and are constantly working on making improvements for the purpose of complying with Japan’s Personal Information Protection Act and associated regulations. In the event of a violation of a law or regulation at our Group, or an information leak, the resulting loss of trust among customers and other consequences could have an adverse effect on our financial condition and results of operations.

< Risks relating to our other businesses >

1) Risks relating to system solution business

Our system solution business is primarily engaged in entrusted development and operation and maintenance of system.

The information technology industry continues to bring about technological innovation and industry technical standards and customer usage conditions continue to evolve through the constant introduction of new technologies. If we were to lag behind in our response to these new technologies, our services could become unattractive or obsolete, which could adversely affect our competitiveness in this industry. In addition, if our system solution business is unable to achieve the goals set out in its business plans as originally formulated, and if it is unable to record earnings commensurate with its initial investments, such failure could have an adverse effect on our financial condition and results of operations.

2) Risks relating to biotechnology business

We focus on the research and development of proprietary drugs. However, we cannot assure you that our research and development efforts will result in the development of commercially successful products or innovative production technologies, or that any such research projects will generate the expected results. Substantially all of our biotechnology products must undergo a clinical trial process before they can be introduced into the market for commercial sale. The process is expensive, lengthy and uncertain. Our financial condition and results of operations may be adversely affected if after we devote significant time and expense on research and development and the clinical trial process, a product under development fails to achieve approval for commercial sale or we are subject to product liability claims in respect of our biotechnology products.

FINANCIAL REVIEW

1. Important Accounting Policies and Estimates

The consolidated financial statements of the Group are prepared based on the accounting standards generally accepted to be fair and appropriate in Japan. In preparing the consolidated financial statements, management of the Group must make estimations and set assumptions that impact the reported asset and liability figures as of the fiscal closing date and the reported revenue and expense figures for the reporting period. Management makes estimates and judgments based on various factors considered rational in view of past results and conditions, and the results of such estimates and judgments form the bases of judgments relating to the reported asset and liability figures as well as revenue and expense figures that cannot be easily judged based on other methods. However, the actual results, in some cases, differ from the estimates. The Group recognizes that the following key accounting policies, in particular, have considerable effects on important judgments and decisions used in the preparation of consolidated financial statements. Important accounting policies including the following are as indicated in "Section of A1. FINANCIAL INFORMATION, II. SIGNIFICANT ACCOUNTING POLICIES".

(1) Valuation of operational investment securities, trading instruments and investment securities

Investment holds a key position for our Group, and we make important judgments and estimates in evaluating our investment activities.

In the Asset Management Business, the Group holds operational investment securities aimed at building our investments. These represent investments primarily in unlisted companies, and in order to provide for the loss on operational investment securities held as of the fiscal year-end, we record the estimated loss amount to allowance for investment loss in consideration of the actual conditions of the investee companies. In case an investee's operating results have particularly deteriorated, we apply impairment accounting up to the fair value in consideration of the future recoverability based on management's intent.

In the Brokerage & Investment Banking Business, the Group maintains marketable trading instruments. These are fairly valued at market prices and valuation differences are posted to income or loss for the period.

The Group also holds investment securities of which marketable securities are valued at market prices while unlisted items are reviewed in consideration of the actual conditions of the investee companies, and any estimated amount of loss is posted to allowance for investment loss. In the event the market price of marketable securities falls below the acquisition price, we apply impairment accounting up to the fair value in consideration of the future recoverability. In case an unlisted investee's operating results have particularly deteriorated, we apply impairment accounting up to the fair value in consideration of the future recoverability based on management's intent.

(2) Deferred tax assets

Temporary differences occurring between the financial statements and the tax bases of assets and liabilities are posted to deferred tax assets using the statutory effective tax rate applied when the difference is dissolved.

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

Each Group company calculates the estimated future recoverable tax amount based on the expected amount of future taxable income. While we presume that it is quite possible to realize the deferred tax assets after valuation allowance, the amount of valuation allowance may fluctuate depending on any changes in the expected amount of future taxable income.

2. Analysis of Consolidated Results of Operations for the Fiscal Year Ended March 31, 2012

During the fiscal year ended March 31, 2012, the business environment surrounding the Group remained generally weak in the domestic market with 14% year-on-year decrease of individual stock brokerage trading value. In overseas market, high economic growths in emerging countries were impeded by the worldwide economic slowdown stemming from the European Sovereign Debt Crisis. Under the circumstances, the Group's consolidated results of operations in the fiscal year ended March 31, 2012 were as follows. Net sales increased 2.8% year-on-year to ¥145,074 million, operating income declined 15.2% to ¥7,575 million, ordinary income rose 37.8% to ¥4,860 million, and net income decreased 29.4% year-on-year to ¥3,200 million.

(Asset Management Business)

In the Asset Management Business, net sales increased 12.6% year-on-year to ¥34,566 million and operating income rose 48.1% year-on-year to ¥14,183 million. During the fiscal year, the number of new listings was 1,225 decreasing 171 from the previous year across the world, due to the slowdown of IPO markets especially in emerging countries. Domestic market, however, showed a gradual recovery with 37 new listings up 14 from the previous year. Following the trend, the Asset Management Business shifted its focus to domestic market from overseas markets. As a result, the number of new listings and M&As totaled 14, consisting of 7 domestic companies and 7 overseas companies. Of special notes are share sales of domestic companies, Klab Inc. and VSN, Inc. They contributed ¥11,642 million to operating income. The Company believes that a lingering difficult business environment with weak stock market performance actually offers an ideal opportunity to make new investments, and the Company has taken advantage of the drop in investment costs since the Lehman Shock to continue investing aggressively. During the fiscal year ended March 31, 2012, funds managed by the Group invested ¥57,209 million, and together with direct investments of ¥12,264 million, investments by the Group amounted to a total of ¥69,474 million. The number of investees totaled 180 companies.

(Brokerage & Investment Banking Business)

In the Brokerage & Investment Banking Business, net sales declined 8.5% from the previous fiscal year to ¥43,783 million and operating income decreased 41.1% year-on-year to ¥3,607 million. The business environment remained harsh with individual stock brokerage trading value continuing to slide. However, SBI SECURITIES Co., Ltd. maintained favorable performance, adding 177,840 new customer accounts during the fiscal year ended March 31, 2012, and the number of accounts totaled 2,387,786 at year-end. The consolidated performance of SBI SECURITIES Co., Ltd. for the fiscal year ended March 31, 2012 resulted in net sales of ¥39,738 million, down 9.8% year-on-year and operating income of ¥7,532 million, down 23.9% year-on-year, due to the decline in brokerage commissions caused by the fall in individual stock brokerage trading value although revenues relating to the investment trust business increased as a result of favorable sales of investment trusts. At SBI Liquidity Market Co., Ltd. that began operation in November 2008, trading value has remained at a high level even after the introduction of leverage restrictions in August 2010 and in August 2011. Non-consolidated results of the company for the fiscal year ended March 31, 2012 were operating revenue of ¥9,166 million and operating income of ¥1,905 million.

(Financial Services Business)

In the Financial Services Business, we recorded higher revenues again, and net sales increased 42.0% year-on-year to ¥43,354 million as a result of SBI Insurance Co., Ltd. achieving high underwriting profit with the growth of auto insurance contracts. However, operating losses in the insurance business (derived from the large increase of policy reserves due to the growth number of inisurance contracts and end of reinsurance contracts), and the operating losses in the credit card business had a material impact as a result of which the Financial Services Business segment recorded an operating loss of ¥2,640 million.

At SBI Sumishin Net Bank, Ltd., an affiliate accounted for under the equity method, the total deposit balance as at March 31, 2012 was ¥2,282.7 billion and the number of accounts was 1,369,000. The Bank recorded non-consolidated net income of ¥5,165 million, up 46.4% year-on-year.

(Housing and Real Estate Business)

In the Housing and Real Estate Business comprised of the real estate business, the financial real estate business and the lifestyle networks business, net sales decreased 4.3% year-on-year to ¥22,466 million and operating income increased 0.4% year-on-year to ¥3,383 million. While the domestic real estate market has yet to show full-fledged recovery, sales of small and mid-size properties to wealthy individuals and other investors are on the rise. Under such circumstances, SBI Mortgage Co., Ltd. continues to offer "Flat 35", a long-term fixed interest rate housing loan product, in partnership with the Japan Housing Financing Agency, through over 100 "SBI housing loan shops/SBI Money Plaza" nationwide at the lowest rates in the industry. As a result, the company has been building up its loan balance, which exceeded ¥1,180 billion as of March 31, 2012.

(Selling, General and Administrative Expenses)

During the consolidated fiscal year ended 31 March 2012, selling, general and administrative expenses amounted to ¥62,747 million, decreased 2.9% year-on-year, and consisted primarily of personnel expenses and securities system outsourcing costs.

(Non-operating Income)

Non-operating income for the consolidated fiscal year ended 31 March 2012 amounted to ¥3,796 million, up 220.0% year-on-year. This was primarily share of results of affiliates.

(Non-operating Expenses)

Non-operating expenses for the consolidated fiscal year ended 31 March 2012 declined 1.2% year-on-year to ¥6,511 million, consisting primarily of interest expenses.

(Extraordinary Income)

During the consolidated fiscal year ended 31 March 2012, extraordinary income increased 54.9% year-on-year to ¥15,520 million. This was mainly gains on sales of investment securities.

(Extraordinary Expenses)

Extraordinary expenses for the consolidated fiscal year ended 31 March 2012 decreased 65.1% year-on-year to ¥2,828 million. This consisted primarily of losses on sales of investment securities.

3. Analysis of Financial Conditions

As at 31 March 2012, total assets stood at ¥1,663,814 million, up ¥370,208 million from ¥1,293,606 million at the end of the previous consolidated fiscal year ended 31 March 2011. Owing primarily to the issuance of new shares under the listing on the main board of the Hong Kong Stock Exchange and offering of Hong Kong depositary receipts representing the Company's common shares, net assets amounted to ¥468,579 million, up ¥11,596 million from the end of the previous consolidated fiscal year.

Cash and cash equivalents as at 31 March 2012 totaled ¥145,594 million, down ¥3,192 million compared with the balance of ¥148,786 million at the end of the previous consolidated fiscal year. The following is a summary of cash flows and underlying factors.

(Net Cash Used in Operating Activities)

Net cash used in operating activities for the consolidated fiscal year ended 31 March 2012 totaled ¥4,972 million, compared with net cash used in operating activities of ¥742 million in the previous consolidated fiscal year. This mainly reflected cash outflows of ¥301,000 million for increase in cash segregated as deposits and of ¥19,729 million for decrease in guarantee deposits received, and cash outflow of ¥11,610 million for increase in operational loans receivable despite the cash inflow of ¥312,052 million for increase in deposits from customers and of ¥17,394 million for decrease in margin transaction assets, net.

(Net Cash Used in Investing Activities)

Net cash used in investing activities for the consolidated fiscal year ended 31 March 2012 totaled ¥27,035 million, compared with net cash used in investing activities of ¥16,642 million in the previous consolidated fiscal year. This was mainly attributable to cash outflows of ¥12,169 million for purchases of investment securities and of ¥6,235 million for purchases of investments in subsidiaries, and cash outflow of ¥7,758 million for proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation. The Company sold all shares of SBI VeriTrans Co., Ltd. ("SBI VeriTrans") in March 2012 and it was excluded from the scope of consolidation, but cash settlement was not made as at 31 March 2012. Cash outflow of ¥7,758 million was mainly attributable to decrease of cash balance held by SBI VeriTrans.

(Net Cash from Financing Activities)

Net cash from financing activities for the consolidated fiscal year ended 31 March 2012 totaled ¥29,529 million, compared with net cash from financing activities of ¥25,154 million in the previous consolidated fiscal year. This mainly reflected cash inflows of ¥16,716 million for proceeds from stock issuance and of ¥10,009 million for increase in short-term loans payable.

Forward-looking descriptions provided herein are based on judgments of the Company as of the date of submission of the Annual Report (June 28, 2012).

TRANSFER OF SHARES

< Acquisition of SBI Net Systems Co., Ltd. through share exchange >

The Company and its consolidated subsidiary, SBI Net Systems Co., Ltd. entered into a share exchange agreement to convert SBI Net Systems Co., Ltd. into a wholly-owned subsidiary of the Company through a share exchange effective October 26, 2011, in accordance with the resolution reached at the meeting of the Board of Directors held at each of the companies on the said date.

Please refer to XVIII. BUSINESS COMBINATIONS -“Transaction under common control” for detailed information.

< Selling Shares of SBI VeriTrans Co., Ltd.>

The Company and Wheel, Inc., a consolidated subsidiary of Digital Garage Inc., entered into a share transfer agreement to assign all shares of SBI VeriTrans Co., Ltd. held by the Company to Wheel, Inc., in accordance with the resolution reached at the meeting of the Board of Directors held at the Company on March 29, 2012.

Please refer to XVIII. BUSINESS COMBINATIONS -“Business separation” for detailed information.

RESEARCH & DEVELOPMENT

The research and development expenses of the SBI Group amounted to ¥1,156 million on a consolidated basis for the fiscal year ended March 31, 2012, which were primarily related to research and development activities of SBI Biotech Co., Ltd. and SBI ALApromo Co., Ltd. in the pharmaceutical business.

SBI Biotech Co., Ltd. exploits drug seeds in-house in the fields of cancer and immunity as well as engages in the business of introducing and developing promising, innovative medical and pharmaceutical projects on a global basis. Research and development expenses relating to this business amount to ¥584 million.

SBI ALApromo Co., Ltd. manufactures and sells pharmaceutical, cosmetic, and health food products that contain 5-aminolaevulinic acid (5-ALA) as the main active ingredient. Research and development expenses relating to this business amount to ¥570 million.

CAPITAL EXPENDITURE

Capital investments in the fiscal year ended March 31, 2012 totaled ¥7,108 million.
Major capital investments were as follows.

(1) Brokerage & Investment Banking Business

In order to respond smoothly to the increase in the number of orders in line with the increased number of customers and to provide a wider range of services to customers, we made capital investments totaling ¥4,043 million primarily in the enhancement of existing transaction systems and the development of software for providing new services.

(2) Financial Services Business

We made capital investments totaling ¥1,868 million primarily for the development of software to provide convenient and advanced services and the additional development for main system in order to adjust smoothly toward growing number of customers.

STOCK INFORMATION AND DIVIDEND POLICY

1. STOCK INFORMATION

(1) Number of Shares

(i) Total Number of Shares

Type	Total Number of Shares Available for Issuance
Common stock	34,169,000
Total	34,169,000

(Notes) There are no provisions for pre-emptive rights under the Companies Act of Japan, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

(ii) Number of Shares Issued

Type	Number of Shares Issued as of Fiscal Year-End (March 31, 2012)	Number of Shares Issued as of the Date of Submission (June 28, 2012)	Name of Listed Financial Instruments Exchange or Name of Registered Authorized Financial Instruments Exchange Association	Content
Common stock	22,451,303	22,451,303	Tokyo Stock Exchange Osaka Stock Exchange (First section of each exchange above) Main Board of the Hong Kong Stock Exchange (Note 2)	(Note 3)
Total	22,451,303	22,451,303	—	—

(Notes)
1. "Number of shares as of the date of submission" does not include the number of shares issued through the exercise of stock acquisition rights during the period from June 1, 2012 to the date of submission of the Annual Report.
2. The Company listed Hong Kong Depositary Receipts representing its common shares on the Main Board of the Hong Kong Stock Exchange.
3. This is the Company's standard stock on which no limitation is applied with regard to the content of rights. The Company does not adopt the unit share system.

(2) Distribution of Ownership by Shareholders

(As of March 31, 2012)

Category	Shareholding								Shares Below One Unit
	State and Local Government and Organizations	Financial Institutions	Financial Instruments and Exchange Operators	Other Corporations	Foreign Corporations		Individuals and Other	Total	
					Other than Individuals	Individuals			
Number of Shareholders	1	43	55	1,029	324	188	193,632	195,272	—
Number of Shares	250	3,598,420	282,316	308,883	10,084,079	16,590	8,160,765	22,451,303	—
Shareholding Ratio (%)	0.00	16.03	1.26	1.38	44.92	0.07	36.34	100.00	—

(Notes)
1. 371,489 shares of treasury stock are included under "Individuals and other".
2. "Other corporations" include 468 shares of stock under the name of Japan Securities Depository Center, Inc.

(3) Principal Shareholders

(As of March 31, 2012)

Name	Address	Number of Shares	Shareholding Ratio Against Total Number of Shares Issued (%)
CBNY - ORBIS SICAV	31,Z.A.BOURMICHT, L-8070 BERTRANGE, LUXEMBOURG	2,081,057	9.26
CBNY - ORBIS FUNDS	LPG BUILDING 34 BERMUDIANA ROAD HAMILTON HM 11 BERMUDA	2,059,542	9.17
Japan Trustee Services Bank, Ltd. (Trust account)	8-11, Harumi 1-Chome, Chuo-ku, Tokyo	962,362	4.28
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-Chome, Minato-ku, Tokyo	578,208	2.57
SAJAP	P.O.BOX 2992 RIYADH 11169 KINGDOM OF SAUDI ARABIA	547,664	2.43
THE CHASE MANHATTAN BANK, N. A. LONDON SECS LENDING OMNIBUS ACCOUNT	WOOLGATE HOUSE, COLEMAN STREET LONDON EC2P 2HD, ENGLAND	441,954	1.96
CBHK-EQUITY TRUSTEES LIMITED AS RESPOSIBLE ENTITY FOR ORBIS GLOBAL EQUITY FUND (AUSTRALIA REGISTERED)	10/F, TWO HARBOURFRONT, 22 TAK FUNG ST., KOWLOON, HONG KONG.	427,231	1.90
Yoshitaka Kitao	Wakamiya-cho, Shinjuku-ku, Tokyo	364,088	1.62
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	338 PITT STREET SYDNEY NSW 2000AUSTRALIA	266,751	1.18
STATE STREET BANK – WEST PENSION FUND CLIENTS - EXEMPT	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A.	183,008	0.81
Total	—	7,911,865	35.24

(4) Voting Rights

(i) Issued Shares

(As of March 31, 2012)

Type	Number of Shares	Number of Voting Rights	Description
Stock without voting right	—	—	—
Stock with restricted voting right (treasury stock, etc.)	—	—	—
Stock with restricted voting right (other)	—	—	—
Stock with full voting right (treasury stock, etc.)	Common stock: 371,489	—	—
Stock with full voting right (other)	Common stock: 22,079,814	22,079,814	—
Stock below one unit	—	—	—
Total number of issued shares	22,451,303	—	—
Total number of voting rights	—	22,079,814	—

(Note) "Stock with full voting right (other) includes 468 shares under the name of Japan Securities Depository Center, Inc. and "Number of voting rights" includes 468 voting rights associated with such shares.

(ii) Treasury Stock

(As of March 31, 2012)

Name of Holder	Address of Holder	Number of Shares Held Under the Name	Number of Shares Held Under the Name of Another Party	Total Number of Shares	Shareholding Ratio Against Total Number of Issued Shares (%)
(Treasury stock owned) SBI Holdings, Inc.	1-6-1, Roppongi, Minato-ku, Tokyo	371,489	—	371,489	1.65
Total	—	371,489	—	371,489	1.65

(Note) The number of treasury stock does not include the shares held by the Stock Benefit Trust, which was 70,604 as at 31 March 2012. Please refer to V. ADDITIONAL INFORMATION -"Stock Benefit Trust" for detailed information of Stock Benefit Trust.

2. DIVIDEND POLICY

The basic profit distribution policy of the Company is to target a payout ratio of 20% to 50% of its consolidated net income on a once annual year-end dividend payment. With a general rule to provide a dividend of at least 20%, the Company will aim to heighten the payout ratio up to 50% if it determines based on a comprehensive consideration, including projecting the future business conditions, that a higher distribution is possible while securing sufficient retained earnings for sustainable growth.

Based on the aforementioned basic policy considering the impact from the reversal of net deferred tax assets due to the tax reform in Japan, the Company determined to pay an ordinary dividend of 100 yen per share as a year-end dividend for the fiscal year ended March 31, 2012.

The Company adopts a policy to pay, as a general rule, a once-a-year dividend at the year-end and not pay interim dividends. Distribution of surplus funds is subject to the decisions of the general meeting of shareholders and the Board of Directors.

The Company provides in its Articles of Incorporation to the effect that "surplus funds may be distributed based on a resolution reached by the Board of Directors pursuant to the provisions of Paragraph 1 of Article 459 of the Companies Act" and defines therein the record dates for year-end and interim dividends, but does not provide for the "interim dividend" stipulated under Paragraph 5 of Article 454 of the Companies Act in the Articles of Incorporation.

Dividends from surplus for the fiscal year ended March 31, 2012 are as follows.

Date of Resolution	Total Dividends (Millions of Yen)	Dividend per Share (Yen)
April 26, 2012 Resolution of the Board of Directors	2,207	100

Distributable Reserves

Dividends can be paid out from the distributable amount which is determined in accordance with the Companies Act. We had distributable reserve of ¥152,428 million as at 31 March 2012.

BOARD OF DIRECTORS

Position	Name (Date of Birth)	Career summary, Position, Responsibilities, Significant concurrent position Held		Term of office	Number of company's shares owned
Representative Director, President & CEO	Yoshitaka Kitao (January 21, 1951)	April 1974	Entered Nomura Securities Co., Ltd.	Note1	364,088 shares
		June 1995	Executive Vice President and CFO of SOFTBANK CORP.		
		March 1999	Representative Director of Softbank Finance Corp. (Currently, SOFTBANK TELECOM Corp.)		
		July 1999	Representative Director and President of the Company		
		June 2003	Representative Director and CEO of the Company		
		July 2004	Director and Chairman of E*TRADE SECURITIES Co., Ltd. (Currently, SBI SECURITIES Co., Ltd.)		
		June 2005	Representative Director and CEO of SBI VENTURES K.K. (Currently, SBI Investment Co., Ltd.) (present)		
		August 2005	Director and Chairman of SBI Mortgage Co., Ltd. (present)		
		March 2006	Director and CEO of Morningstar Japan K.K. (present)		
		June 2006	Director and Chairman of KAWADEN CORPORATION (present)		
		June 2007	Director of SBI VEN HOLDINGS PTE. LTD. (present)		
		September 2008	Director of SBI Hong Kong Co., Limited (Currently, SBI Hong Kong Holdings Co., Limited) (present)		
		October 2010	Representative Director and Chairman of SBI SECURITIES Co., Ltd. (present)		
		June 2012	Director of SBI Capital Management Co., Ltd. (present)		
		June 2012	Director of SBI FINANCIAL SERVICES Co., Ltd. (present)		
		June 2012	Representative Director, President & CEO of the Company (present)		

Position	Name (Date of Birth)	Career summary, Position, Responsibilities, Significant concurrent position Held		Term of office	Number of company's shares owned
Director, Senior Executive Vice President & COO	Taro Izuchi (March 22, 1957)	April 1979	Entered Nomura Securities Co., Ltd.	Note1	32,017 shares
		July 1998	Director of SoftVenture Capital Co., Ltd. (Currently, the Company)		
		October 1998	Representative Director and President of Osawa Securities Co., Ltd. (Currently, SBI SECURITIES Co., Ltd.)		
		May 2000	Representative Director and President of E*TRADE Japan K.K. (Currently, the Company)		
		June 2005	Representative Director, Executive Officer, and President of E*TRADE SECURITIES Co., Ltd. (Currently, SBI SECURITIES Co., Ltd.)		
		June 2005	Director of SOFTBANK INVESTMENT CORPORATION (Currently, The Company)		
		June 2009	Director of the Company		
		October 2010	Representative Director and President of SBI SECURITIES Co., Ltd.		
		September 2011	Director and CFO of SBI Investment Co., Ltd. (present)		
		October 2011	Director of SBI SECURITIES Co., Ltd. (present)		
		October 2011	Director and COO of the Company		
		June 2012	Representative Director and President of SBI FINANCIAL SERVICES Co., Ltd. (present)		
		June 2012	Representative Director and President of SBI MONEY PLAZA Co., Ltd. (present)		
		June 2012	Director, Senior Executive Vice President & COO of the Company (present)		

Position	Name (Date of Birth)	Career summary, Position, Responsibilities, Significant concurrent position Held	Term of office	Number of company's shares owned
Director & Senior Managing Executive Officer	Takashi Nakagawa (September 6, 1963)	April 1987 Entered The Fuji Bank, Limited (Currently, Mizuho Financial Group, Inc.) April 1999 Entered Softbank Finance Corp. (Currently, SOFTBANK TELECOM Corp.) June 2000 Entered the Company August 2002 Executive Officer of the Company December 2002 Director of the Company June 2003 Director and Executive Officer of the Company June 2005 Director and Managing Executive Officer of SBI VENTURES K.K. (Currently, SBI Investment Co., Ltd.) June 2006 Director of the Company July 2006 Representative Director and COO of SOFTBANK INVESTMENT CORPORATION (Currently, SBI Investment Co., Ltd.) (present) June 2007 Director and Managing Executive Officer of the Company June 2008 Director and Senior Managing Executive Officer of the Company June 2009 Director and Executive Officer of the Company September 2010 Director, Executive Officer, and Head of Fund Investments, Overseas Business Div. of the Company June 2012 Representative Director and President of SBI Capital Management Co., Ltd. (present) June 2012 Director & Senior Managing Executive Officer, and Head of Fund Investments, Overseas Business Div. of the Company (present)	Note1	4,200 shares

Position	Name (Date of Birth)	Career summary, Position, Responsibilities, Significant concurrent position Held	Term of office	Number of company's shares owned
Director & Managing Executive Officer	Tomoya Asakura (March 16 1966)	April 1989 Entered The Hokkaido Takushoku Bank, Ltd. January 1990 Entered Merrill Lynch Japan Incorporated (Currently, Merrill Lynch Japan Securities Co., Ltd.) June 1995 Entered SOFTBANK CORP. November 1998 Entered Morningstar Japan K.K. March 2000 Director and General Manager of Internet Business Division of Morningstar Japan K.K. March 2001 Managing Director of Morningstar Japan K.K. May 2001 Director of Morningstar Asset Management Co., Ltd. (present) March 2004 Representative and Senior Managing Director of Morningstar Japan K.K. July 2004 Representative Director and President of Morningstar Japan K.K. March 2005 Representative Director and CEO of Morningstar Japan K.K. December 2005 Representative Director and COO of Morningstar Japan K.K. (present) June 2006 Director of Kabushiki Shimbun Inc. (Currently, Morningstar Japan K.K.) June 2007 Director and Executive Officer of the Company June 2012 Director of SBI FINANCIAL SERVICES Co., Ltd. (present) June 2012 Director & Managing Executive Officer of the Company (present)	Note1	—

Position	Name (Date of Birth)	Career summary, Position, Responsibilities, Significant concurrent position Held	Term of office	Number of company's shares owned
Director, Managing Executive Officer & CFO	Shumpei Morita (December 31, 1974)	April 1998 Entered SOFTBANK CORP. April 1999 Entered Softbank Accounting Corp. (Currently, SOFTBANK TELECOM Corp.) July 2000 Representative Director and President of Office Work Corporation (Currently, SBI Business Solutions Co., Ltd.) October 2002 Representative Director and President of Office Work Systems Corporation. (Currently, SBI Business Solutions Co., Ltd.) November 2005 Representative Director and President of JCN Land Co., Ltd (Currently, SBI Business Solutions Co., Ltd.) (present) June 2009 Director and Executive Officer of the Company June 2011 Outside Statutory Auditor of Morningstar Japan K.K. (present) October 2011 Director and CFO of the Company June 2012 Director of SBI Capital Management Co., Ltd. (present) June 2012 Director of SBI FINANCIAL SERVICES Co., Ltd. (present) June 2012 Director, Managing Executive Officer & CFO of the Company (present)	Note1	—

Position	Name (Date of Birth)	Career summary, Position, Responsibilities, Significant concurrent position Held		Term of office	Number of company's shares owned
Director & Executive Officer	Noriaki Maruyama (May 12, 1965)	April 1989	Entered THE TOKAI BANK, LIMITED (Currently, The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	Note1	6,933 shares
		February 2000	Entered E-LOAN, Inc. (Currently, the Company)		
		April 2001	Director of GOODLOAN Co., Ltd. (Currently, SBI Mortgage Co., Ltd.)		
		February 2003	Director of FINANCE ALL CORPORATION (Currently, the Company)		
		April 2004	Representative Director, COO, and CFO of Equal Credit Co., Ltd. (Currently, SBI Card Co., Ltd.)		
		March 2005	Representative Director and COO of Good Mortgage Corporation (Currently, SBI Mortgage Co., Ltd.)		
		June 2006	Director of the Company		
		June 2007	Director and Executive Officer of the Company		
		June 2009	Director & Executive Officer of the Company (present)		
		April 2012	Representative Director, President, CEO and COO of SBI Mortgage Co., Ltd. (present)		

Position	Name (Date of Birth)	Career summary, Position, Responsibilities, Significant concurrent position Held		Term of office	Number of company's shares owned
Director & Executive Officer	Peilung Li (October 31, 1974)	April 2000	Entered Deloitte Tohmatsu Consulting Co., Ltd.	Note1	—
		October 2003	Entered Daiwa Securities SMBC Co., Ltd. (Currently, Daiwa Securities Co., Ltd.)		
		August 2006	Entered Taiyo Pacific Partners LP		
		April 2008	Entered the Company		
		November 2008	The Company's Representative Office in Beijing		
		December 2009	The Chief Representative of the Company's Representative Office in Shanghai (present)		
		March 2010	Outside Director of Searchina, Inc. (present)		
		September 2010	General Manager of Overseas Business Div. of the Company		
		June 2011	Director and CEO of CSJ-SBI Financial Media Co., Ltd.(present)		
		November 2011	Director of Tianan Insurance Co., Ltd. (present)		
		June 2012	Director & Executive Officer of the Company (present)		

Position	Name (Date of Birth)	Career summary, Position, Responsibilities, Significant concurrent position Held		Term of office	Number of company's shares owned
Director	Yasutaro Sawada (October 14, 1962)	April 1985	Entered Nomura Securities Co., Ltd.	Note1	16,602 shares
		December 1995	Entered SOFTBANK CORP.		
		March 1999	Director of Softbank Finance Corp. (Currently, SOFTBANK TELECOM Corp.)		
		December 2002	Representative Director and Vice President of the Company		
		June 2003	Representative Director, COO, and CFO of the Company		
		September 2003	Outside Director of Broad Band Tower, Inc.		
		June 2005	Director and COO of the Company		
		June 2005	Representative Director and COO of SBI VENTURES K.K. (Currently, SBI Investment Co., Ltd.)		
		July 2006	Director and Executive Officer of SBI Investment Co., Ltd.		
		June 2008	Director, COO, and CFO of the Company		
		November 2008	Director and CFO of SBI Investment Co., Ltd.		
		June 2009	Director and CFO of the Company		
		September 2011	Director of SBI Net Systems Co., Ltd.		
		October 2011	Director of the Company (present)		
		October 2011	Representative Director and President of SBI SECURITIES Co., Ltd. (present)		
		June 2012	Director of SBI FINANCIAL SERVICES Co., Ltd. (present)		

Position	Name (Date of Birth)	Career summary, Position, Responsibilities, Significant concurrent position Held		Term of office	Number of company's shares owned
Director	Hiroyoshi Kido (June 17, 1965)	April 1990	Entered The Dai-Ichi Kangyo Bank, Ltd. (Currently, Mizuho Financial Group, Inc.)	Note1	11,853 shares
		December 1999	General Manager of IR Dept. of Softbank Finance Corp. (Currently, SOFTBANK TELECOM Corp.)		
		December 2001	Representative Director and President of WEB-Lease Co., Ltd. (Currently, SBI Lease Co., Ltd.)		
		February 2002	Director of FINANCE ALL CORPORATION (Currently, the Company)		
		March 2005	Director, Senior Managing Executive, and CFO of FINANCE ALL CORPORATION.		
		June 2005	Representative Director and COO of SBI Lease Co., Ltd.		
		March 2006	Director, Executive Officer, and General Manager of Financial Services Business Div. of the Company		
		June 2006	Representative Director of SBI Financial Agency Co., Ltd.		
		June 2006	Director, Managing Executive Officer, and General Manager of Financial Services Business Div. of the Company		
		April 2007	Director and Executive Officer of SBI VeriTrans Co., Ltd. (Currently, VeriTrans Inc.)		
		June 2008	Representative Director and President of SBI Insurance Co., Ltd. (present)		
		June 2009	Director of the Company (present)		

Position	Name (Date of Birth)	Career summary, Position, Responsibilities, Significant concurrent position Held	Term of office	Number of company's shares owned
Director	Noriyoshi Kimura (January 26, 1969)	April 1992 Entered Dentsu System International Ltd. (Currently, Information Services International-Dentsu, Ltd.) November 1998 Entered E*TRADE Japan K.K. (Currently, the Company) April 2000 General Manager of System Development Dept. of E*TRADE Japan K.K. June 2003 General Manager of System Development Dept. of SOFTBANK INVESTMENT CORPORATION (Currently, the Company) December 2005 In Charge of Net Banking Dept. of the Company April 2006 Director and CTO of Sumishin SBI Net Bank Research Co., Ltd. (Currently, SBI Sumishin Net Bank, Ltd.) September 2007 Managing Director and CTO of SBI Sumishin Net Bank, Ltd. June 2009 Managing Executive Officer and CTO of SBI Sumishin Net Bank, Ltd. June 2009 Director of the Company (present) June 2010 Executive Officer and CTO of SBI Sumishin Net Bank, Ltd. (present)	Note1	713 shares

Position	Name (Date of Birth)	Career summary, Position, Responsibilities, Significant concurrent position Held	Term of office	Number of company's shares owned
Director	Hiroshi Tasaka (April 17, 1951)	April 1981 Entered Mitsubishi Metal Corporation (Currently, Mitsubishi Materials Corporation) March 1990 Entered The Japan Research Institute, Limited June 1996 Director of The Japan Research Institute, Limited March 2000 Director of the Company April 2000 Fellow of The Japan Research Institute, Limited (present) April 2000 Professor of Tama University Graduate School (present) May 2000 Outside Director of LAWSON, INC June 2000 Representative Director of SophiaBank, Limited (present) June 2000 Director of Softbank Finance Corp. (Currently SOFTBANK TELECOM Corp.) June 2005 Director of the Company (present) December 2005 Outside Director of OKWeb (Currently, OKWave) June 2007 Outside Director of CCC Casting Co., Ltd. (Currently, Culture Convenience Club Co., Ltd.) March 2011 Special Advisor to the Cabinet	Note1	8,022 shares

Position	Name (Date of Birth)	Career summary, Position, Responsibilities, Significant concurrent position Held	Term of office	Number of company's shares owned
Director	Takashi Okita (March 11, 1977)	April 1999 Entered Softbank Finance Corp. (Currently, SOFTBANK TELECOM Corp.) Assigned to CyberCash K.K. (Currently, SBI VeriTrans Co., Ltd.) August 2001 Moved to CyberCash K.K. from Softbank Finance Corp. October 2002 Director of OfficeWork Systems Corporation (Currently, SBI Business Solutions Co., Ltd.) February 2004 Director of VeriTrans Inc. (Currently, SBI VeriTrans Co., Ltd.) June 2005 Representative Director and COO of SBI VeriTrans Co., Ltd. June 2006 Representative Director, Executive Officer, and COO of SBI VeriTrans Co., Ltd. (present) November 2006 Representative Director, CEO, and COO of eCURE Co., Ltd. June 2008 Director and Executive Officer of the Company May 2009 Representative Director and CEO of eCURE Co., Ltd. (present) November 2009 Representative Director and Co-CEO of SBI Research Co., Ltd. (Currently, iResearch Japan Co., Ltd.) (present) January 2010 Representative Director and CEO of SBI Navi Co., Ltd. (Currently, SBI NaviPlus Co., Ltd.) (present) April 2012 Representative Director, Executive Officer, and CEO of SBI VeriTrans Co., Ltd. (Currently, VeriTrans Inc.) (present) June 2012 Director of the Company (present)	Note1	7,661 shares

Position	Name (Date of Birth)	Career summary, Position, Responsibilities, Significant concurrent position Held	Term of office	Number of company's shares owned
Director	Masaki Yoshida (August 13, 1959)	April 1983 Entered Fuji Television Network, Inc. (Currently, Fuji Media Holdings, Inc.) June 2003 Director of Music and Variety Center of Programming and Production Department of Fuji Television Network, Inc. June 2006 Senior Director of Music and Variety Center of Programming and Production Department of Fuji Television Network, Inc. Senior Director of Digital Content Development of Digital Content Department of Fuji Television Network, Inc. April 2007 Outside Statutory auditor of Klab Inc. January 2009 Representative Director of YOSHIDAMASAKI INC. (present) Representative Director and Chairman of Watanabe Entertainment Co., Ltd. (present) March 2009 Outside Director of KLab Inc. May 2009 Outside Director of Giga Media Inc. (present) June 2010 Director of the Company (present)	Note1	1,000 shares

Position	Name (Date of Birth)	Career summary, Position, Responsibilities, Significant concurrent position Held	Term of office	Number of company's shares owned
Outside Director	Kiyoshi Nagano (November 29, 1940)	April 1963 Entered The Nikko Securities Co., Ltd. (Currently, SMBC Nikko Securities Inc.) June 1994 Executive Director of The Nikko Securities Co., Ltd. February 1996 Executive Managing Director of The Nikko Securities Co., Ltd. June 1997 Representative Director and President of Yamaka Shoken K.K. (Currently, KAZAKA Securities, Co., Ltd.) June 1999 President of Jasdaq Market Services, Inc. (Currently, Osaka Securities Exchange, Co., Ltd.) June 2004 Chairman & President of Jasdaq Market Inc. (Currently, Osaka Securities Exchange, Co., Ltd.) December 2004 Chairman & President of Jasdaq Securities Exchange, Inc. (Currently, Osaka Securities Exchange, Co., Ltd.) June 2005 Senior Corporate Advisor of Jasdaq Securities Exchange, Inc. June 2007 Outside Statutory auditor of Shin-Etsu Chemical Co., Ltd (present) June 2010 Outside Director of the Company (present) June 2012 Outside Auditor of LEC, INC. (present)	Note1	—

Position	Name (Date of Birth)	Career summary, Position, Responsibilities, Significant concurrent position Held	Term of office	Number of company's shares owned
Outside Director	Keiji Watanabe (January 21, 1943)	October 1975 Entered Price Waterhouse (Currently, PricewaterhouseCoopers Aarata) July 1987 Partner of Aoyama Audit Corporation (Currently, PricewaterhouseCoopers Aarata) (concurrent position as Partner of Price Waterhouse (Currently, PricewaterhouseCoopers Aarata)) August 1995 Entered Deloitte Touche Tohmatsu (Currently, Deloitte Touche Tohmatsu LLC) April 1996 Partner of Deloitte Touche Tohmatsu (retired in June 2008) June 2000 Outside Director of Ichiyoshi Securities Co., Ltd. July 2003 Deloitte Touche Tohmatsu Global Middle Market Leader (retired in June 2009) June 2008 Independent Outside Director of ASAHI KOGYOSHA CO., LTD. (present) June 2010 Outside Director of the Company (present) March 2011 Outside Director of Funai Zaisan Consultants Co., Ltd. (present)	Note1	—

Position	Name (Date of Birth)	Career summary, Position, Responsibilities, Significant concurrent position Held	Term of office	Number of company's shares owned
Outside Director	Akihiro Tamaki (October 25, 1966)	September 1994 Entered Price Waterhouse LLP, New York (Currently, PricewaterhouseCoopers LLP) September 1996 Entered Deloitte Touche Tohmatsu (Currently, Deloitte Touche Tohmatsu LLC) March 1998 Registered as a US certified public accountant June 2006 Representative Director of SiFA Co., Ltd. (present) June 2008 External Corporate Auditor of Avex Group Holdings Inc. (present) June 2010 Outside Director of the Company (present)	Note1	—

Position	Name (Date of Birth)	Career summary, Position, Responsibilities, Significant concurrent position Held	Term of office	Number of company's shares owned
Outside Director	Masanao Marumono (May 13, 1950)	April 1974 Entered Sumitomo Bank (Currently, Sumitomo Mitsui Banking Corporation) January 1990 Deputy Manager of 1st Tokyo Sales Dept. of Sumitomo Bank April 1991 Deputy Manager of 3rd Tokyo Sales Dept. of Sumitomo Bank April 1992 Branch Manager of Shintomicho Branch of Sumitomo Bank October 1994 Branch Manager of Higashi-Shinjuku Branch of Sumitomo Bank October 1996 Branch Manager of Sakaemachi Branch of Sumitomo Bank October 1998 General Manager of Branch Operations Dept. of Head Office of Sumitomo Bank October 1999 General Manager of Planning Dept., Consumer Banking Unit of Head Office of Sumitomo Bank April 2003 General Manager of Human Resources Development Dept. of Head Office of Sumitomo Mitsui Banking Corporation May 2004 Chief of Human Resources Development Dept. of Head Office of Sumitomo Mitsui Banking Corporation June 2005 Senior Managing Director of SMBC Center Service Co., Ltd. June 2007 Representative Director and President of SMBC Green Service Co., Ltd. June 2010 Outside Statutory Auditor of GINSEN CO., LTD (present) May 2011 Managing Director of Japan Association of Employers of Persons with Severe Disabilities May 2012 Vice-President of Japan Association of Employers of Persons with Severe Disabilities (present) June 2012 Counsel for SMBC Green Service Co., Ltd. (Present) June 2012 Outside Director of the Company (present)	Note1	—

Position	Name (Date of Birth)	Career summary, Position, Responsibilities, Significant concurrent position Held	Term of office	Number of company's shares owned
Standing Statutory Auditor	Atsushi Fujii (December 18, 1955)	April 1980 Entered Mitsubishi Chemical Industries Ltd. (Currently, Mitsubishi Chemical Corporation) May 1996 Entered SOFTBANK CORP. July 1998 General Manager of Accounting Department of SOFTBANK CORP. August 2000 Statutory auditor of the Company April 2001 Director and Head of Accounting Department of Softbank Finance Corp. (Currently, SOFTBANK TELCOM Corp.) September 2004 Director and Executive Officer of Megabrain, Inc. (Currently, the Company) September 2005 Standing Statutory auditor of Megabrain, Inc. March 2006 Outside Statutory auditor of Morningstar Japan K.K. June 2006 Outside Statutory auditor of E*TRADE SECURITIES Co., Ltd. (Currently, SBI SECURITIES Co., Ltd.) (present) June 2006 Statutory auditor of the Company March 2008 Statutory auditor of SBI Investment Co., Ltd. (present) June 2011 Standing Statutory auditor of the Company (present) June 2012 Statutory auditor of SBI Capital Management Co., Ltd. (present) June 2012 Statutory auditor of SBI FINANCIAL SERVICES Co., Ltd. (present)	Note2	4,898 shares

Position	Name (Date of Birth)	Career summary, Position, Responsibilities, Significant concurrent position Held	Term of office	Number of company's shares owned
Outside Statutory Auditor	Ryujiro Shimamoto (January 19, 1946)	April 1968 Entered The Fuji Bank, Limited (Currently, Mizuho Financial Group, Inc.) May 1987 General Manager of International Planning Division of The Fuji Bank, Limited, assigned to Kwong On Bank Limited, Hong Kong October 1991 General Manager of Oji branch of The Fuji Bank, Limited May 1994 General Manager of Osaka Foreign Operations Division of The Fuji Bank, Limited June 1998 General Manager, Head Office of The Fuji Bank, Limited March 1999 Outside Statutory auditor of Softbank Finance Corp. (Currently, SOFTBANK TELECOM Corp.) March 2002 Outside Standing Statutory auditor of FINANCE ALL CORPORATION (Currently, the Company) June 2002 Outside Statutory auditor of GOODLOAN Co., Ltd. (Currently, SBI Mortgage Co., Ltd.) June 2002 Statutory auditor of Web-Lease Co., Ltd, (Currently, SBI Lease Co., Ltd.) (present) December 2002 Outside Statutory auditor of the Company (present) April 2006 Outside Standing Statutory auditor of Sumishin SBI Net Bank Research Co., Ltd. (Currently, SBI Sumishin Net Bank, Ltd.) (present) June 2012 Statutory auditor of SBI MONEY PLAZA Co., Ltd. (present)	Note2	778 shares

Position	Name (Date of Birth)	Career summary, Position, Responsibilities, Significant concurrent position Held	Term of office	Number of company's shares owned
Statutory Auditor	Minoru Tada (February 18, 1946)	April 1968 Entered Nomura Securities Co., Ltd. June 1995 Director of WORLD Securities Co., Ltd. (Currently, SBI SECURITIES Co., Ltd.) June 1997 Managing Director of WORLD Securities Co., Ltd. April 1999 Managing Executive Officer of WORLD NICHIEI Securities Co., Ltd. (Currently, SBI SECURITIES Co., Ltd.) June 2004 Standing Statutory auditor of WORLD NICHIEI FRONTIER Securities Co., Ltd. (Currently, SBI SECURITIES Co., Ltd.) February 2005 Outside Statutory auditor of Ace Securities Co., Ltd. June 2006 Outside Statutory auditor of E*TRADE SECURITIES Co., Ltd. (Currently, SBI SECURITIES Co., Ltd.) October 2007 Outside Standing Statutory auditor of SBI E*TRADE SECURITIES Co., Ltd. (Currently, SBI SECURITIES Co., Ltd.) (present) June 2010 Statutory auditor of the Company (present) June 2012 Statutory auditor of SBI FINANCIAL SERVICES Co., Ltd. (present)	Note2	2,651 shares

Position	Name (Date of Birth)	Career summary, Position, Responsibilities, Significant concurrent position Held	Term of office	Number of company's shares owned
Outside Statutory Auditor	Hisashi Hayakawa (April 21, 1947)	April 1971 Entered The Fuji Bank, Limited (Currently, Mizuho Financial Group, Inc.) October 1991 General Manager of Musashi-sakai branch of The Fuji Bank, Limited May 1994 Administrator of Second Administration Section of Kansai Administration office of The Fuji Bank, Limited April 1997 Assigned to HAMAI CO., LTD. from The Fuji Bank, Limited June 1997 Director of HAMAI CO., LTD. June 1998 Managing Director of HAMAI CO., LTD. April 2000 Assigned to Saraya Co., Ltd. from The Fuji Bank, Limited February 2002 Retired from The Fuji Bank, Limited (Currently, Mizuho Financial Group, Inc.) March 2002 Director of Tokyo Saraya Co., Ltd. March 2007 Outside Standing Statutory auditor of SBI Insurance Co., Ltd (present) June 2011 Outside Statutory auditor of the Company (present) June 2012 Statutory auditor of SBI Capital Management Co., Ltd. (present)	Note3	25 shares

(Notes) 1. The term of office terminates within one year from the general meeting of shareholders held on 28 June 2012.
2. The term of office terminates within four years from the general meeting of shareholders held on 29 June 2010.
3. The term of office terminates within three years from the general meeting of shareholders held on 29 June 2011

CORPORATE GOVERNANCE REPORT

1. CORPORATE GOVERNANCE PRACTICE

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Group strives to maintain high standards of corporate governance to enhance shareholder value and safeguard shareholder interests. The Group's corporate governance principles emphasize the importance of an effective Board, effective internal controls and accountability to shareholders.

The Board of the Company considers good corporate governance practices to be essential to the promotion of shareholder value and investor confidence.

The Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") sets out the principles of good corporate governance and two levels of corporate governance practices, as follows:

a) Code provisions, which listed issuers are expected to comply with or to give considered reasons for deviation

b) Recommended best practices for guidance only, which listed issuers are encouraged to comply with or to give considered reasons for deviation.

The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the CG Code.

The Company has complied with all the major code provisions as set out in the CG Code save for certain deviations from the code provisions in respect of code provision A.2.1, A.4.2,A5, B.1, C.3, E.1.2, E.1.3. and E.2.1.. Details of which will be explained below.

The Company regularly reviews its corporate governance practices to ensure compliance with the CG Code.

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and growth of its business and to reviewing such practices from time to time to ensure that they comply with statutory and professional standards and the CG Code, and align with the latest developments.

2. THE BOARD

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the senior management the authority and responsibility for the day-to-day management and operation of the Group.

All directors have carried out their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its shareholders at all times.

Delegation of Management Functions

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (including those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

Board Composition

The Board currently comprises 17 members, consisting of 7 executive directors, 5 non-executive directors and 5 independent non-executive directors.

The Board of the Company comprises the following directors:

Executive directors:
Yoshitaka Kitao (Chairman and Representative Director, President and Chief Executive Officer)
Taro Izuchi (Director, Senior Executive Vise President and Chief Operating Officer)
Takashi Nakagawa (Director and Senior Managing Executive Officer)
Tomoya Asakura (Director and Managing Executive Officer)
Shumpei Morita (Director, Managing Executive Officer and Chief Financial Officer)
Noriaki Maruyama (Director and Executive Officer)
Peilung Li (Director and Executive Officer)

Non-executive directors:
Yasutaro Sawada (Director)
Hiroyoshi Kido (Director)
Noriyoshi Kimura (Director)
Hiroshi Tasaka (Director)
Takashi Okita (Director)

Independent non-executive directors:
Masaki Yoshida (Director)
Kiyoshi Nagano (Outside Director)
Keiji Watanabe (Outside Director)
Akihiro Tamaki (Outside Director)
Masanao Marumono (Outside Director)

The list of directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. None of the members of the Board is related to one another.

Four of the independent non-executive directors were re-elected and one was newly appointed by Shareholders at the Annual General Meeting held in June 2012. The Board at all times met and exceeded the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Stock Exchange has confirmed that we do not need to strictly comply with Rules 3.10A and 3.11 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, in respect of the appointment of independent non-executive directors representing at least one-third of the Board. The Company has adopted a Statutory Auditors system under the Companies Act in order to establish good corporate governance. Under this regime, the primary decision making body of the Company is our Board of Directors, which is monitored by the Company's Board of Statutory Auditors, whose role is stated to include monitoring the proper execution by the Directors of their duties. Furthermore, our Accounting Auditor assists the Statutory Auditors in reviewing the financial and accounting arrangements conducted by the Board of Directors.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

The Board considers that all independent non-executive directors satisfy the independence requirements under Rule 3.13 of the Hong Kong Listing rules. Taking into account that they have no past or present financial or other interest in the Group's business, have no connection with any of the Company's connected persons (as defined in the Hong Kong Listing Rules), have not engaged in any executive management of the Group, are free from any business or other relationship which could materially interfere with the exercise of their independent judgement, the Board believes that they are independent and will provide an independent element on the Board.

The non-executive directors bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation at Board meetings, all non-executive directors have made various contributions to the effective direction of the Company.

Contract of Significance

There were no contracts of significance subsisting at the end of financial year in which a director is or was materially interested, either directly or indirectly.

Appointment and Re-election of Directors

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

The Code Provision A4.2 requires that all directors should be subject to retirement by rotation at least once every three years. Directors of the Company would not be subject to retirement by rotation, since there is no such rule under the Companies Act of Japan.

Instead, each of the directors (including executive and non-executive directors) of the Company is engaged for a term of one year in accordance with the Company's Articles of Incorporation. The office may be terminated by the directors' written notice so long as the minimum number of directors required by the Companies Act of Japan could be maintained. Otherwise, a director must continue his/her duty until being replaced by his/her successor.

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

Board Meetings

Number of Meetings and Directors' Attendance

During the year ended 31 March 2012, 12 regular Board meetings and 1 extraordinary Board meetings were held at monthly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each director at the meetings of the Board, during the year ended 31 March 2012 are set out below:

Name of Director	Attendance / Number of Board Meetings
Yoshitaka Kitao	13/13
Taro Izuchi	13/13
Takashi Nakagawa	13/13
Kenji Hirai	13/13
Tomoya Asakura	13/13
Takashi Okita	13/13
Noriaki Maruyama	12/13
Shumpei Morita	13/13
Shinji Yamauchi	11/13
Makoto Miyazaki	11/13
Yoshimi Takahashi	11/13
Masaki Takayanagi	11/13
Yasutaro Sawada	13/13
Hiroyoshi Kido	13/13
Noriyoshi Kimura	13/13
Hiroshi Tasaka	6/13
Masaki Yoshida	13/13
Kiyoshi Nagano	12/13
Keiji Watanabe	13/13
Takeshi Natsuno	13/13
Akihiro Tamaki	11/13

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notice of regular Board meetings is served to all directors at least 14 days before the meeting. For other Board meetings, reasonable notice is generally given.

Board papers together with all appropriate and reliable information are sent to all directors within agreed notice period before each Board meeting to keep directors apprised of the latest developments and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management where necessary.

The Chief Executive Officer and the Chief Financial Officer attend all regular Board meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Representative Director and the Company Secretary is responsible for taking and keeping minutes of all Board meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and final versions are open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Companies Act of Japan contains provisions requiring directors to abstain from voting for approving transactions in which such directors or any of their associates have a material interest.

3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

4. BOARD COMMITTEES

Nomination Committee

We have not established a Nomination Committee as required by the Code Provision A.5.1. Shareholders elect the directors at the annual general Shareholders' meeting based on an elective list of directors recommended by the Board, instead of via a nomination committee. The term of office of a director shall expire on the date of the general Shareholders' meeting relating to the last business year, closing within 1 year after his or her appointment under the Company's Articles of Incorporation. There is no limit on the number of consecutive term that a director may serve. A Representative Director is elected by the Board.

Remuneration Committee

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

The Board has established a set of rules for the compensation of its officers which set out the remuneration standards and policies of the Company for its executives. The compensation rules are not materially different from the terms of reference for a remuneration committee provided in paragraph B.1.3 of Code Provision and they provide a formal and transparent process for the determination of remuneration. Further, even though the Board of Directors will voluntarily perform the role of the remuneration committee, the decisions on maximum amount of remuneration, the method for calculation of remuneration, and the type and amount of remuneration to be paid to Directors and Statutory Auditors must be determined by the Shareholders of the Company.

For the detail of compensation policy, please see ["3) Remuneration of executives, 3.Policy and method for determining the amounts of remuneration of executives or the calculation method" in section 11 of this Corporate Governance Report].

Audit Committee

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

5. DIRECTORS ' INTERESTS

As at 31 March 2012, the interests or short position of each Director of the Company in the shares, underlying shares and debentures of the Company or any associated corporation of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code, were as follows:

Directors' long positions in the Shares in the Company and its associated corporations

Name of directors	Company/associated corporation	Nature of interest	Number of shares	Approximate percentage of shareholding
Yoshitaka Kitao	SBI Holdings, Inc.	Registered owner	364,088	1.62%
	Morningstar Japan K.K.	Registered owner	2,144	0.62%
	SBI Mortgage Co., Ltd.	Registered owner	100,000	0.42%
	SBI Point Union Co., Ltd.	Registered owner	100	5.00%
	SBI ALApromo Co., Ltd.	Registered owner	972	1.38%
	Searchina Co., Ltd.	Interest of Controlled corporation (House Search Co., Ltd.)	24	0.47%
Taro Izuchi	SBI Holdings, Inc.	Registered owner	32,017	0.14%
Takashi Nakagawa	SBI Holdings, Inc.	Registered owner	4,200	0.00%
Tomoya Asakura	Morningstar Japan K.K.	Registered owner	220	0.08%
	Searchina Co., Ltd.	Registered owner	20	0.39%
Hiroyoshi Kido	SBI Holdings, Inc.	Registered owner	11,853	0.05%
	SBI Business Solutions Co., Ltd.	Registered owner	636	3.82%
Noriaki Maruyama	SBI Holdings, Inc.	Registered owner	6,933	0.07%
	SBI Mortgage Co., Ltd.	Registered owner	93,000	0.39%
Yasutaro Sawada	SBI Holdings, Inc.	Registered owner	16,602	0.07%
Noriyoshi Kimura	SBI Holdings, Inc.	Registered owner	713	0.00%
Hiroshi Tasaka	SBI Holdings, Inc.	Registered owner	8,022	0.04%
	Morningstar Japan K.K.	Registered owner	88	0.03%
Takashi Okita	SBI Holdings, Inc.	Registered owner	7,661	0.03%
Masaki Yoshida	SBI Holdings, Inc.	Registered owner	1,000	0.00%
	SBI BB Mobile Investment LPS	Interest of controlled corporation (WATANABE ENTERTAINMENT CO., LTD. and Miki Yoshida (his spouse's name)	2	0.62%
Kenji Hirai	SBI Holdings, Inc.	Registered owner	1,712	0.01%
Shinji Yamauchi	SBI Holdings, Inc.	Registered owner	3,320	0.01%
	SBI Mortgage Co., Ltd.	Registered owner	20,000	0.08%
	Golf Stadium Inc.	Interest of controlled corporation (E*Management Corporation)	572	1.36%
Yoshimi Takahashi	SBI Holdings, Inc.	Registered owner	300	0.00%
	SBI Investment Korea Co., Ltd.	Registered owner	229,761	0.14%
Takeshi Natsuno	SBI Holdings, Inc.	Registered owner	1,000	0.00%

Directors' long positions in the Underlying Shares (SAR or Debentures) in the Company and its associated corporations

Name of Directors	Company/ associated corporation	Nature of interest	Type of underlying shares[1]	Class of underlying shares	Number of potential shares	Approximate percentage of issued share capital
Yoshitaka Kitao	SBI Holdings, Inc.	Registered owner	SARs	FINANCE ALL CORPORATIO N-Series 2	2,200	0.01%
	SBI Holdings, Inc.	Registered owner	SARs	2005 Series 1	2,010	0.01%
	SBI Life Living Co., Ltd.	Registered owner	SARs	Series 3	168	0.67%
Taro Izuchi	SBI Holdings, Inc.	Registered owner	SARs	2005 Series 1	400	0.00%
	SBI Holdings, Inc.	Registered owner	SARs	2003 Series 1	1,612	0.01%
Takashi Nakagawa	SBI Holdings, Inc.	Registered owner	SARs	2005 Series 1	1,000	0.00%
	SBI Holdings, Inc.	Registered owner	SARs	2003 Series 2	4,905	0.02%
Tomoya Asakura	SBI Holdings, Inc.	Registered owner	SARs	2003 Series 1	472	0.00%
Hiroyoshi Kido	SBI Holdings, Inc.	Registered owner	SARs	E*TRADE Japan K.K. Stock Option	1,667	0.01%
Shumpei Morita	SBI Holdings, Inc.	Registered owner	SARs	2005 Series 1	220	0.00%
	SBI Holdings, Inc.	Registered owner	SARs	2003 Series 3	1,524	0.01%
Yasutaro Sawada	SBI Holdings, Inc.	Registered owner	SARs	FINANCE ALL CORPORATIO N-Series 2	1,720	0.01%
	SBI Holdings, Inc.	Registered owner	SARs	2005 Series 1	1,500	0.01%
	SBI Holdings, Inc.	Registered owner	SARs	2003 Series 1	14,655	0.07%
	SBI Holdings, Inc.	Registered owner	SARs	2002 Series 2	12,213	0.05%
Noriyoshi Kimura	SBI Holdings, Inc.	Registered owner	SARs	E*TRADE Japan K.K. Stock Option	1,021	0.00%
	SBI Holdings, Inc.	Registered owner	SARs	2003 Series 2	2,863	0.01%
Hiroshi Tasaka	SBI Holdings, Inc.	Registered owner	SARs	2005 Series 1	400	0.00%
	Morningstar Japan K.K.	Registered owner	SARs	2003Stock Option	80	0.03%
Kenji Hirai	SBI Holdings, Inc.	Registered owner	SARs	2005 Series 1	620	0.00%
	SBI Holdings, Inc.	Registered owner	SARs	2003 Series 2	3,507	0.02%
Shinji Yamauchi	SBI Holdings, Inc.	Registered owner	SARs	2005 Series 1	370	0.00%

Makoto Miyazaki	SBI Holdings, Inc.	Registered owner	SARs	2005 Series 1	260	0.00%
Yoshimi Takahashi	SBI Holdings, Inc.	Registered owner	SARs	2005 Series 1	300	0.00%
	SBI Holdings, Inc.	Registered owner	SARs	2003 Series 3	2,179	0.01%

(1) For details of the underlying SARs, please see page 149 in this annual report.

As at 31 March 2012, other than the holdings disclosed above, none of the Directors of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

6. MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the "Code for Securities Transactions By Directors" and the Model Code throughout the year ended 31st March 2012.

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

7. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31st March 2012.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports required under the Listing Rules and other statutory and regulatory requirements. The Representative Director and Chief Executive Officer, and the Director and Chief Financial Officer are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and that relevant statutory and regulatory requirements and applicable accounting standards are complied with.

The Management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Board has received from the Representative Director the management accounts and such accompanying explanation and information as are necessary to enable the Board to make an informed assessment for approving the audited financial statements.

8. INDEPENDENT AUDITORS AND AUDITORS' REMUNERATION

The statement of the independent auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on page [126].

During the year ended 31st March 2012, the remuneration paid to the Company's independent auditors is set out below:

Service Category	Fees Paid / Payable
Audit Services	**317 millions of yen**
Non-audit Services	
1.The fees related to the listing of the Company on The Stock Exchange of Hong Kong Limited	
2.The fees for advisory service on adoption of IFRS	
3.The fees for updating Euro MTN programme	
	122 millions of yen
Total	**439 millions of yen**

The Company does not appoint an auditor to hold office from the conclusion of that meeting until the next annual general meeting at each annual general meeting, as shareholders of the Company may still remove or appoint an auditor at a shareholders' meeting under the Companies Act.

9. PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, more than 90% of the Company's total issue share capital was held by the public as at the date of this report.

10. INVESTORS RELATION

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

During the year, our Representative Director gave presentation in person to analysts and institutional investors on the annual result and quarterly result in Tokyo, and also to individual investors after interim and annual result in several cities in Japan. In addition, the senior management gave presentation and answered the key issues of which investors were of prime concern, through analyst briefings, one-on- one investor meetings, conference call and investor road shows in Europe, North America and Asia.

Summary on work done by investor relations:

	Presentation by the Representative Director	Remarks
Meeting for individual investors	Yes	An Investor Relation ("IR") meeting for individual investor is held every half year end and year end at several cities in Japan.
Meeting for analysts and institute investors	Yes	An IR meeting for analysts and media is held every quarter end.
Meeting for overseas investors	Yes	An IR meeting is held for institutional investors at Europe, North America and Asia.
Use of electrical means	Yes	IR materials, including preliminary announcement, press release and movie and materials of our presentation are available on our corporate web site.
Investor relation department	—	Corporate Communications Department
Others	—	"SBI Channel", a video, which contains a presentation of our Group's financial status and latest topics by representative director is webcasted on our corporate web site.

11. INTERNAL CONTROL

The Company recognizes the importance of establishing an internal control system and executing business operations based on a sound internal control system in order to ensure appropriate corporate governance. We believe that the internal control system must maintain the controls described below and are exerting efforts in establishing and enforcing such controls.

1) System to ensure that execution of operations by directors and employees conform to laws, regulations and the Articles of Incorporation

a) The Company shall have the Representative Director take the lead in ensuring all officers and employees to be aware that realizing the Company's management philosophy and corporate vision assume legal compliance and ethical codes of conduct.

b) The Company shall hold, as a general rule, a periodical meeting of the Board of Directors once a month pursuant to the rules of the Board of Directors, and additionally hold an extraordinary meeting of the Board of Directors as necessary to promote mutual understanding of intent between Directors, supervise execution of operations by the Representative Director and prevent occurrence of any violation against laws, regulations and the Articles of Incorporation.

c) The Company shall appoint a Compliance Officer based on the resolution of the Board of Directors, establish a Compliance Department reporting directly to the Compliance Officer and see that the Department makes efforts in identifying compliance issues and problems.

In addition, the Company shall establish, based on the resolution of the Board of Directors, an Internal Auditing Department as an entity independent from both business administrative divisions and administrative divisions. The Internal Auditing Department shall comprehensively and objectively evaluate the appropriateness of internal control systems, including legal compliance, appropriateness of operations and proper management of internal control, as well as provide recommendations for improvements regarding issues identified in audits and perform follow-ups on actions taken. Audits shall be conducted with the cooperation from employees and, if necessary, external specialists. The results of audits are reported, without delay after completion of each audit, to the Board of Directors through the Representative Director no less than once every six months, in addition to the regular reports submitted to Statutory auditors.

d) The Company shall establish an internal whistle-blowing system to enable Directors and employees to directly report to the Internal Auditing Department and Statutory auditors of any act of violation against laws, regulations and the Articles of Incorporation detected and any other important fact relating to compliance.

2) System concerning retention and management of information concerning execution of duties by Directors

a) The Company shall define documentation management rules based on the resolution of the Board of Directors, and retain and manage information relating to the execution of duties by Directors in writing or electronically (hereafter "documents").

b) Documents shall be made available for viewing by Directors or Auditors at all times.

3) Rules on management of risk of loss and other controls

a) In order to identify risks that may impede the Company from executing operations and achieving corporate mission and vision, and to appropriately measure and manage such risks, the Company shall comply with the risk management rules and the Group risk management rules defined by the Board of Directors, appoint a Risk Management Officer responsible for risk management and establish a Risk Management Department.

b) In the event of a management crisis, the Company shall, in accordance with the crisis management rules, establish a crisis control headquarters led by the Risk Management Officer, construct a system under which information concerning the management crisis is shared timely and properly among the Risk Management Officer, Risk Management Department, and respective officers and employees including the heads of general affairs, human resources, public relations and IR, legal and compliance divisions, and implement necessary measures in coping with the management crisis.

4) System to ensure efficient execution of duties by Directors

a) The Company shall define rules on segregation of duties based on the resolution of the Board of Directors and clearly segregate duties among Directors.

b) The Company shall establish information systems that enable appropriate and prompt decision-making.

c) The Company shall hold, as a general rule, a periodical meeting of the Board of Directors once a month and additionally hold an extraordinary meeting of the Board of Directors as necessary in order to timely and appropriately resolve any issues arising in departments as well as ensure that Directors are aware of the know-how attainable from the process of resolving problems. By so doing, the Company shall promote efficiency of execution of duties by responsible Directors as well as promote corporate-wide efficiency of operations.

5) System to ensure appropriateness of operations of the corporate entity comprised of the Company and its subsidiaries

a) In order to identify compliance issues and problems and ensure appropriateness of operations in the corporate group to which the Company belongs, the Company shall ensure that the Compliance Officer and the Compliance Department work in cooperation with compliance officers of companies belonging to the corporate group, establish a committee for exchanging information on compliance group-wide, and shall, if requested by a company belonging to the corporate group, promptly hold a meeting of the committee.

b) Directors shall, when detecting any major violation against laws, regulations and the Articles of Incorporation or any other important fact relating to compliance within a company belonging to the corporate group, report the matter to the Statutory auditor of the Company, and the Statutory auditor receiving the report shall report the fact detected to the Auditor of the relevant company.

6) System to support Statutory auditors if requested for appointment of employee(s) to assist the duties of Statutory auditors and controls to secure independence of such employee(s) from Directors

The Company shall, if so requested by Statutory auditors, appoint an employee or employees with adequate knowledge to assist the duties of Statutory auditors as designated by the Internal Auditing Department for a period of time defined based on discussions with the Statutory auditors, and have the employee(s) assist the duties of Statutory auditors independent from the channel of order of the Directors. The Company shall respect the opinions of Statutory auditors with regard to the transfer and performance evaluation of such employee(s).

7) System for Directors and employees to report to Statutory auditors and other controls regarding reporting to Statutory auditors

a) Directors shall, when being aware of any of the following stipulated under the rules of the Board of Directors, timely and accurately report the matter to Statutory auditors at the meeting of the Board of Directors.

(1) Any matter that may have a material damage on the Company
(2) Any important matter relating to management
(3) Any important matter on internal control
(4) Any significant violation against laws, regulations and the Articles of Incorporation
(5) Any other matter judged to be important by Directors

b) Directors shall, if requested by a Statutory auditor to provide explanations on any matter provided in items (1) through (4) in the preceding paragraph, promptly provide detailed explanations, and shall not reject doing so without a rational reason.

c) The Company shall establish an internal whistle-blowing system that enables Directors and employees to directly report to Statutory auditors of any act of violation against laws, regulations and the Articles of Incorporation and other important compliance matter.

8) Other controls to ensure that audits by Statutory auditors are performed effectively

a) The Company shall ensure that the Representative Director periodically hold meetings with Statutory auditors in an effort to share information on management issues and problems, and promote, as necessary, sharing of information among Statutory auditors, the Internal Auditing Department and Independent auditors.

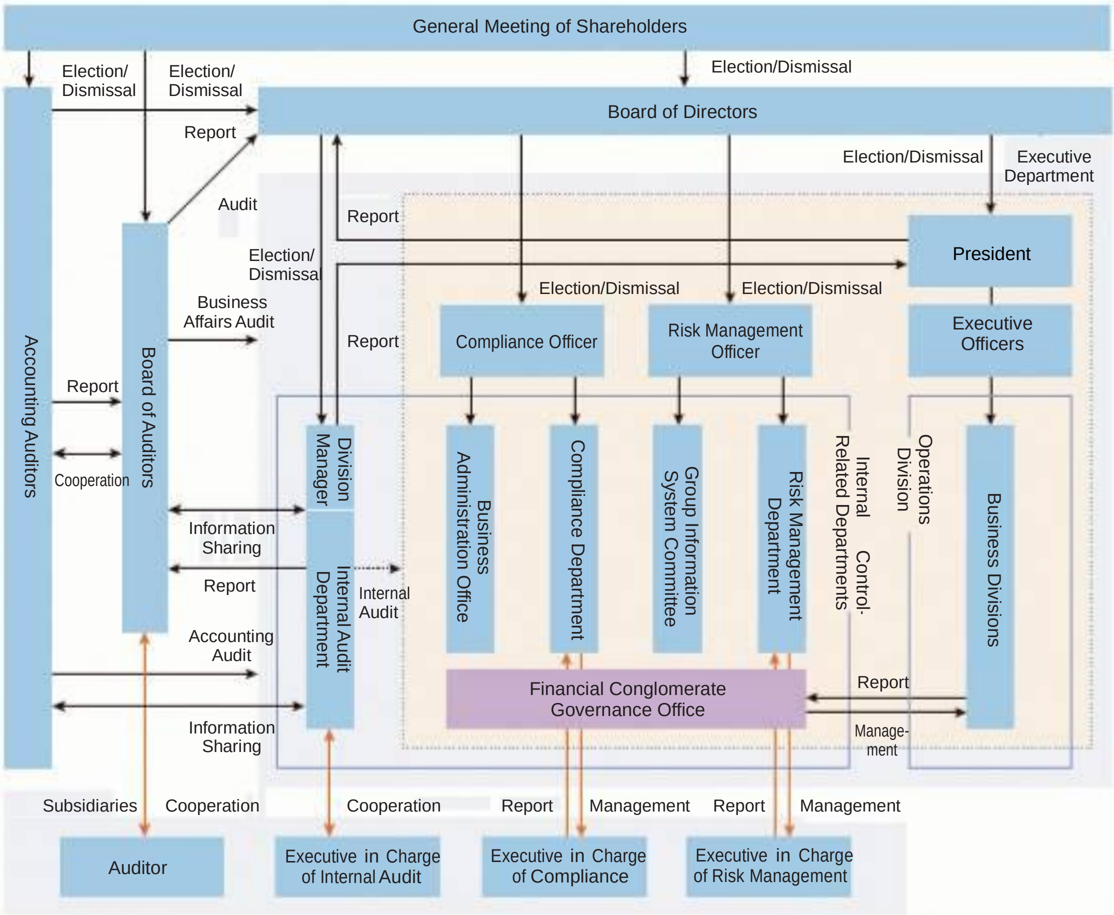
b) The Company shall, if requested by Statutory auditors to hold the meeting described in the preceding paragraph, promptly hold such a meeting.

12. RISK MANAGEMENT

As of the date of submission of this Report, the Company has in place a risk management system. In the event of a potential or actual management crisis that would materially impact the existence of the Company, the Risk Management Officer appointed by the Board of Directors, leads gathering of pertinent information, and considers and implements countermeasures and measures to prevent recurrences while reporting and disclosing information to the related parties.

For all the processes involved in the Company's business activities, we have in place a mutual checking framework involving multiple departments aimed at ensuring operations that comfort to not only the respective laws and regulations but also with agreements, terms and other rules, all as part of the overall system to maximize compliance efforts. With regard to information management and system risk, the Company has in a place a Group Information System Committee chaired by the Risk Management Officer and composed of members appointed from each of the divisions, and exerts efforts in maintaining an overall information system including the management of customer information and reinforcing the system risk management system. In particular, from the perspective of business continuity, the Company has built a system in place to readily respond to any type of contingency through making use of a back-up structure that incorporates dual systems and back-up sites.

Structure of Corporate Governance and Internal Control



13. SUPPLEMENTARY INFORMATION ABOUT CORPORATE GOVERNANCE

1) Internal audits, audits by Statutory auditors, and accounting audits

a) Internal audits

The Company has established an Internal Auditing Department. It is an organization independent from all business administrative divisions and administrative divisions that comprehensively and objectively evaluates the appropriateness of the internal control structure, including legal compliance, appropriateness of operations and proper management of internal control along with other responsibilities. The Department also provides recommendations for improvements regarding issues uncovered in audits and performs follow-ups on actions taken. Audits are conducted with the cooperation from employees and, if necessary, external specialists.

The results of internal audits are reported, without delay after completion of each audit, to the Board of Directors through the Representative Director no less than once every six months, in addition to the regular reports submitted to Statutory auditors.

The Internal Auditing Department is comprised of a dedicated manager and six other employees who are specialists in audits (internal audit, accounting audit, internal control and other), and they perform audits based on generally accepted internal audit standards and practices.

The Internal Auditing Department works organically in collaboration with the Board of statutory auditors. For example, it periodically provides reports to the Board of statutory auditors, separate from reporting to the Board of Directors, after completing each internal audit, exchanges opinions with the Board of statutory auditors, and incorporates requests from the Board in determining audit themes and scopes.

The Internal Auditing Department shares information with the Independent auditors particularly with respect to areas relating to internal control over financial reporting whenever necessary.

b) Audits by Statutory auditors

Statutory auditors are independent of the Company's executive bodies and bear the responsibility of securing trust from the society by establishing a sound corporate governance system based on audits performed over the executive actions of Directors. The Board of statutory auditors of the Company is comprised of four auditors, including two Outside Statutory auditors. Of the four Auditors, three have worked in financial institutions for many years and hold a wide range of expertise in the overall financial industry while one holds extensive knowledge on finance and accounting based on long years of experience in accounting.

In accordance with the Standards for Audits by Statutory auditors, Statutory auditors attend meetings of the Board of Directors and other important corporate meetings, review documents underlying important decisions, and exchange opinions with the Representative Director, Directors and other senior members as necessary. The Statutory auditors perform audits of the Company's internal controls in accordance with the Practice Standards for Internal Controls.

Statutory auditors coordinate with the Internal Auditing Department through periodically exchanging information and opinions as described above.

The Board of statutory auditors receives explanations from Independent auditors regarding the annual audit plan and other matters based on audit reports prepared at the interim and year-end closing periods. The Board of statutory auditors also shares information and holds discussions with the Independent auditors with regard to management issues and problems whenever necessary.

As described above, Statutory auditors, the Internal Auditing Department and Independent auditors work together organically while performing audits to ensure that the Company maintains an appropriate corporate governance system.

c) Independent auditors

Independent auditors for the fiscal year ended March 31, 2012 are as follows.

<table>
<tr><th colspan="2">Name of Certified Public Accountant</th><th>Accounting Corporation to which Accountants Belong</th></tr>
<tr><td rowspan="3">Designated Unlimited Liability Partner, Engagement Partner</td><td>Yoshitaka Asaeda</td><td rowspan="3">Deloitte Touche Tohmatsu LLC</td></tr>
<tr><td>Yasuyuki Onaka</td></tr>
<tr><td>Kunikazu Awashima</td></tr>
</table>

* The number of years in position is omitted as all auditors have served in the position for no more than 7 years.

Team of participants in accounting audits:
Certified public accountants: 5; assisting accountants: 5; other: 3
As described in previous paragraphs regarding internal audits and audits by Statutory auditors, Independent auditors promote collaboration with the Internal Auditing Department and Statutory auditors.

d) Relationship between auditors and Internal Auditing Department

Statutory auditors and Independent auditors exchange opinions with the Internal Auditing Department and obtain respective materials and information in order to understand auditing risks and information on auditees.

2) Outside Directors and Outside Statutory auditors

a) Number of outside directors and outside statutory auditors

The Company has four Outside Directors and two Outside Statutory auditors.

b) Personal, capital or transactional relationships and other conflicts of interest between Outside Directors/ Outside Statutory auditors and the Company

Ryujiro Shimamoto, Outside Statutory auditor, holds 778 shares of common stock of the Company as of June 28, 2012. Hisashi Hayakawa, Outside Statutory auditor, holds 25 shares of common stock of the Company as of June 28, 2012. Other than the above, there are no personal, capital or transactional relationships and other conflicts of interest between Outside Directors/ Outside Statutory auditors and the Company.

c) Roles and functions of corporate governance

Outside Directors and Outside Statutory auditors, in their objective and neutral positions that present no risk of creating conflicts of interest with general shareholders, monitor or audit as well as provide advice and suggestions from an external perspective by leveraging their respective expertise as well as their wide range of experience and knowledge on high-level management. They are charged with the roles and functions for ensuring adequacy and appropriateness of decision-making and execution of duties by the Board of Directors.

d) Views on elections

In order that Outside Directors and Outside Statutory auditors, in their objective and neutral positions that present no risk of creating conflicts of interest with general shareholders, may monitor or audit as well as provide advice and suggestions from an external perspective by leveraging their respective expertise as well as their wide range of experience and knowledge on high-level management, the Company, when electing Directors and Auditors, focus on their experience as accounting experts, specialized knowledge and independence. By so doing, we believe we can secure adherence to basic principles of corporate governance such as ensuring management transparency and executing management's accountability of providing explanations to third parties.

e) Mutual coordination between supervision or audits by Outside Directors or Outside Statutory auditors and internal audits, audits by Statutory auditors and accounting audits; and relationship with the Internal Control Department

In regard to the coordination between the Internal Auditing Department and the Board of statutory auditors, the Internal Auditing Department works organically by submitting reports regularly to the Board of statutory auditors, separate from the reporting to the Board of Directors, after completing each audit, exchanging opinions with the Board of statutory auditors, and incorporating requests from the Board in determining audit themes and scopes. The Internal Auditing Department shares information with Independent auditors, particularly with respect to areas relating to internal control over financial reporting. The Board of statutory auditors receives explanations from Independent auditors on the annual audit plan and other matters based on the audit reports prepared at interim and year-end fiscal closing periods, and they share information and hold discussions as necessary with regard to management issues and problems. In connection with these practices, Outside Directors and Outside Statutory auditors raise questions regarding reported matters and resolution items and provide comments from an external perspective as necessary.

Outside Directors and Outside Statutory auditors, in order to secure effectiveness of their supervision or audits, and auditors including internal auditors, Statutory auditors and Independent auditors, in order to identify risks associated with performing various audits and confirm information about auditees, share opinions with the Internal Control Department and obtain related materials and information as necessary.

3) Remuneration of executives

1. Total remuneration by executive category, total remuneration by type and total number of applicable executives

Executive Category	Total Remuneration (Millions of Yen)	Total Remuneration by Type (Millions of Yen)				Number of Applicable Executives
		Basic Compensation	Stock Option	Bonus	Retirement Allowance	
Directors (Excluding Outside Directors)	209	209	—	—	—	17
Statutory auditors (Excluding Outside Statutory auditors)	11	11	—	—	—	1
Outside Executives	59	59	—	—	—	5

(Note) The above figures include remuneration of executives who retired during the fiscal year ended March 31, 2011.

2. Total remuneration of executives whose consolidated remuneration amounts to ¥100 million or above

Name	Executive Category	Company	Total Consolidated Remuneration by Type (Millions of Yen)				Total Consolidated Remuneration (Millions of Yen)
			Basic Compensation	Stock Option	Bonus	Retirement Allowance	
Yoshitaka Kitao	Representative Director	Company submitting the Report	36	—	—	—	103
	Representative Director	SBI Investment Co., Ltd.	46	—	—	—	
	Representative Director	SBI SECURITIES Co., Ltd.	20	—	—	—	

3. Policy and method for determining the amounts of remuneration of executives or the calculation method

a) Policy on determining remuneration of executives

1) The amount of remuneration (excluding bonus) of an executive is determined in consideration of the following for each executive.

- The highest amount of employee salary
- Remuneration paid in the past to executives in equivalent positions
- Business projections of the company
- Market trend for remuneration of executives
- Degree of contribution to the business results of the company
- Background in assuming the position(s)
- Other

2) The amount of bonus for an executive is determined based on the status of execution of duties and the performance of each executive.

3) Bonuses for executives are provided for executives that have served the positions up to the respective ordinary general meeting of shareholders, provided however, that a bonus payment may be made to an executive who retired prior to the expiry of the term for the portion

applicable to the period from the close of the ordinary general meeting of shareholders for the previous fiscal year and to the date of retirement.

4) In case the business results of the company deteriorate considerably or due to other reasonable reason, certain measures may be taken with regard to remuneration of executives, such as reduction and partial elimination, for a certain defined period of time, based on the resolution of the Board of Directors. With regard to Statutory auditors, certain measures may be taken with regard to remuneration of executives, such as reduction and partial elimination, for a certain defined period of time, based on discussions with Statutory auditors.

5) Retirement allowance shall not be provided.

b) Method of determining remuneration of executives

1) Remuneration of executives shall be determined within the limit of the total remuneration amount approved in categories of directors and auditors at the general meeting of shareholders in accordance with the following method.

- Remuneration and bonus of each director shall be decided by the Board of Directors, provided however, that in case the Board of Directors entrusts the decision to the discretion of the Representative Director, the decision shall be made by the Representative Director.

- Remuneration and bonus of each auditor shall be determined based on discussions by the auditors.

2) Remuneration of executives (excluding bonuses of executives) shall be revised, as a general rule, once a year within three months after the fiscal closing.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
SBI Holdings, Inc.:

We have audited the accompanying consolidated financial statements of SBI Holdings, Inc. (the "Company") and its consolidated subsidiaries (collectively referred to as the "Group") which comprise the consolidated balance sheet as at 31 March 2012, the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 March 2012, and their financial performance and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information in sections A2 and A3 of the consolidated financial information is presented for the purpose of additional disclosure and is not a required part of the basic financial statements. This additional information is the responsibility of the Company's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, such information is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte Touche Tohmatsu LLC
Tokyo, Japan

28 June 2012

A. CONSOLIDATED FINANCIAL INFORMATION

A.1 CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

(Amounts in millions of Japanese Yen, rounded down to the nearest million except for per share information, unless otherwise stated)

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 March 2011	As at 31 March 2012
Assets			
Current assets			
Cash and deposits	VI.4	150,268	**146,055**
Notes and accounts receivable-trade	VI.4	10,658	**11,106**
Leases receivable and lease investment assets		16,166	**13,829**
Short-term investment securities		292	**219**
Cash segregated as deposits		347,865	**663,065**
Operational investment securities	VI.1 & 4	141,881	**148,099**
Allowance for investment losses		(9,108)	**(6,156)**
Operational investment securities, net		132,773	**141,943**
Operational loans receivable	VI.4	27,905	**42,281**
Real estate inventories	VI.2 & 4	16,812	**11,699**
Trading instruments	VI.8	2,701	**1,763**
Loans on margin transactions		229,301	**220,270**
Cash collateral pledged for securities borrowings on margin transactions		21,098	**39,777**
Margin transaction assets		250,399	**260,048**
Short-term guarantee deposits		5,235	**16,800**
Deferred tax assets		14,243	**11,425**
Others	VI.4	57,473	**75,830**
Allowance for doubtful accounts		(4,017)	**(3,682)**
Total current assets		1,028,779	**1,392,386**
Non-current assets			
Property and equipment			
Buildings		15,799	**16,205**
Accumulated depreciation		(3,130)	**(3,234)**
Buildings, net	VI.4	12,668	**12,970**
Furniture and fixtures		4,972	**4,014**
Accumulated depreciation		(3,546)	**(2,930)**
Furniture and fixtures, net		1,426	**1,083**
Land	VI.4	10,908	**11,787**
Others		4,825	**5,318**
Accumulated depreciation		(1,397)	**(2,324)**
Others, net		3,427	**2,993**
Total property and equipment		28,431	**28,835**
Intangible assets			
Software		13,378	**13,511**
Goodwill		126,297	**122,410**
Others		567	**1,254**
Total intangible assets		140,244	**137,176**

	Notes	As at 31 March 2011	As at 31 March 2012
Investments and other assets			
Investment securities	VI.3, 4	53,378	**61,403**
Deferred tax assets		12,830	**15,458**
Others		36,108	**26,013**
Allowance for doubtful accounts		(12,066)	**(6,535)**
Total investments and other assets		90,250	**96,338**
Total non-current assets		258,926	**262,349**
Deferred charges			
Stock issuance costs		152	**182**
Bonds issuance costs		32	**142**
Deferred operating costs under Article 113 of the Insurance Business Act		5,715	**8,752**
Total deferred charges		5,900	**9,077**
Total assets		1,293,606	**1,663,814**
Liabilities			
Current liabilities			
Short-term loans payable	VI.4	97,164	**103,915**
Current portion of long-term loans payable	VI.4	12,147	**19,888**
Current portion of bonds payable	VI.4	70,060	**60,060**
Accrued income taxes		4,574	**4,875**
Advances received		1,953	**1,941**
Borrowings on margin transactions	VI.4	70,386	**76,007**
Cash received for securities lending on margin transactions		73,370	**94,792**
Margin transaction liabilities		143,757	**170,800**
Loans payable secured by securities		61,797	**76,592**
Guarantee deposits received		309,134	**289,405**
Deposits from customers		37,819	**347,952**
Accrued expenses		3,202	**3,262**
Deferred tax liabilities		3,219	**4,047**
Provision for bonuses		79	**95**
Other provisions		448	**290**
Others		35,237	**36,930**
Total current liabilities		780,597	**1,120,059**
Non-current Liabilities			
Bonds payable	VI.4	540	**30,480**
Long-term loans payable	VI.4	31,366	**16,765**
Deferred tax liabilities		424	**357**
Provision for retirement benefits		69	**16**
Other provisions		861	**1,444**
Others		17,567	**21,675**
Total non-current liabilities		50,828	**70,739**

	Notes	As at 31 March 2011	2012
Statutory reserves			
Reserve for financial products transaction liabilities		5,196	**4,436**
Reserve for price fluctuation		0	**0**
Total statutory reserves	VI.9	5,197	**4,436**
Total liabilities		836,623	**1,195,235**
Net assets			
Shareholders' equity			
Capital stock		73,236	**81,664**
Capital surplus		236,920	**249,353**
Retained earnings		88,073	**88,417**
Treasury stock		(246)	**(3,179)**
Total shareholders' equity		397,983	**416,255**
Accumulated other comprehensive income (loss)			
Unrealized losses on available-for-sale securities		(3,902)	**(2,722)**
Deferred gains (losses) on derivatives under hedge accounting		(239)	**(1,889)**
Foreign currency translation adjustments		(3,012)	**(4,711)**
Total accumulated other comprehensive income (loss)		(7,155)	**(9,323)**
Stock acquisition rights		11	**10**
Minority interests		66,142	**61,636**
Total net assets		456,982	**468,579**
Total liabilities and net assets		1,293,606	**1,663,814**

CONSOLIDATED STATEMENT OF OPERATIONS

	Notes	Year ended 31 March 2011	Year ended 31 March **2012**
Net sales	VII.1	141,081	**145,074**
Cost of sales	VII.2	67,535	**74,750**
Gross profit		73,546	**70,323**
Selling, general and administrative expenses	VII. 3 & 4	64,613	**62,747**
Operating income		8,932	**7,575**
Non-operating income			
Interest income		402	**473**
Dividend income		191	**208**
Share of results of affiliates		163	**2,546**
Others		429	**567**
Total non-operating income		1,186	**3,796**
Non-operating expense			
Interest expense		2,705	**2,303**
Amortization of deferred operating costs under Article 113 of the Insurance Business Act		952	**1,750**
Foreign exchange losses		1,349	**509**
Others		1,586	**1,948**
Total non-operating expense		6,593	**6,511**
Ordinary income		3,525	**4,860**
Extraordinary income			
Gains on sales of investment securities		7,584	**14,353**
Reversal of statutory reserves		2,022	**760**
Others		411	**406**
Total extraordinary income		10,018	**15,520**

	Notes	Year ended 31 March 2011	2012
Extraordinary expense			
Impairment loss	VII.5	861	**233**
Provision of allowance for doubtful accounts		3,848	**—**
Provision of statutory reserves		0	**0**
Losses on sales of investment securities		66	**1,104**
Losses on valuation of investment securities		556	**80**
Losses on disposal of subsidiaries and affiliates		635	**812**
Impact from applying the Accounting Standard of Asset Retirement Obligation		501	**—**
Others		1,642	**598**
Total extraordinary expense		8,113	**2,828**
Income before income taxes		5,430	**17,552**
Income taxes-current		(10,120)	**(9,381)**
Income taxes-deferred		3,028	**(2,537)**
Total income taxes		(7,092)	**(11,918)**
Net income (loss) before minority interests		(1,661)	**5,633**
Minority interests in income (loss)		(6,196)	**2,432**
Net income		4,534	**3,200**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 March 2011	2012
Net income (loss) before minority interests		(1,661)	**5,633**
Other comprehensive income(loss)			
Unrealized gains (losses) on available-for-sale securities		(3,042)	**1,389**
Deferred gains (losses) on derivatives under hedge accounting		(14)	**5**
Foreign currency translation adjustments		(1,219)	**(1,283)**
Share of other comprehensive loss of equity method affiliates		(533)	**(1,981)**
Total other comprehensive loss for the year	VIII	(4,809)	**(1,869)**
Total comprehensive income (loss) for the year		(6,471)	**3,764**
Total comprehensive income (loss) for the year attributable to:			
-Owners of the parent		(364)	**1,083**
-Minority interests		(6,106)	**2,681**

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Notes	Year ended 31 March 2011	2012
SHAREHOLDERS' EQUITY	IX		
Capital stock			
Balance at the end of previous year		55,284	**73,236**
Changes during the year			
Issuance of new stock		17,952	**8,428**
Total changes during the year		17,952	**8,428**
Balance at the end of current year		73,236	**81,664**
Capital surplus			
Balance at the end of previous year		218,968	**236,920**
Changes during the year			
Issuance of new stock		17,952	**8,428**
Decrease through share exchanges		—	**4,004**
Disposal of treasury stock		(0)	**—**
Total changes during the year		17,951	**12,432**
Balance at the end of current year		236,920	**249,353**
Retained earnings			
Balance at the end of previous year		87,276	**88,073**
Changes during the year			
Dividends	IX.3	(1,676)	**(2,391)**
Net income		4,534	**3,200**
Decrease through a merger		(224)	**(2)**
Adjustments due to change of scope of consolidation		(1,798)	**(571)**
Adjustments due to change of scope of equity method		(37)	**108**
Total changes during the year		797	**343**
Balance at the end of current year		88,073	**88,417**
Treasury stock			
Balance at the end of previous year		(246)	**(246)**
Changes during the year			
Purchases of treasury stock		—	**(2,938)**
Disposal of treasury stock		—	**5**
Total changes during the year		—	**(2,932)**
Balance at the end of current year		(246)	**(3,179)**

	Notes	Year ended 31 March 2011	Year ended 31 March 2012
Total shareholders' equity			
Balance at the end of previous year		361,282	**397,983**
Changes during the year			
Issuance of new stock		35,904	**16,856**
Increase through share exchanges		—	**4,004**
Dividends	IX.3	(1,676)	**(2,391)**
Net income		4,534	**3,200**
Decrease through a merger		(224)	**(2)**
Adjustments due to change of scope of consolidation		(1,798)	**(571)**
Adjustments due to change of scope of equity method		(37)	**108**
Purchases of treasury stock		—	**(2,938)**
Disposal of treasury stock		(0)	**5**
Total changes during the year		36,701	**18,271**
Balance at the end of current year		397,983	**416,255**
Accumulated other comprehensive (income)loss			
Unrealized losses on available-for-sale securities			
Balance at the end of previous year		(559)	**(3,902)**
Changes during the year			
Net changes other than shareholders' equity		(3,343)	**1,180**
Total changes during the year		(3,343)	**1,180**
Balance at the end of current year		(3,902)	**(2,722)**
Deferred gains (losses) on derivatives under hedge accounting			
Balance at the end of previous year		14	**(239)**
Changes during the year			
Net changes other than shareholders' equity		(254)	**(1,649)**
Total changes during the year		(254)	**(1,649)**
Balance at the end of current year		(239)	**(1,889)**
Foreign currency translation adjustments			
Balance at the end of previous year		(1,506)	**(3,012)**
Changes during the year			
Net changes other than shareholders' equity		(1,505)	**(1,698)**
Total changes during the year		(1,505)	**(1,698)**
Balance at the end of current year		(3,012)	**(4,711)**

	Notes	Year ended 31 March 2011	2012
Total accumulated other comprehensive (income)loss			
Balance at the end of previous year		(2,051)	**(7,155)**
Changes during the year			
Net changes other than shareholders' equity		(5,104)	**(2,167)**
Total changes during the year		(5,104)	**(2,167)**
Balance at the end of current year		(7,155)	**(9,323)**
Stock acquisition rights			
Balance at the end of previous year		11	**11**
Changes during the year			
Net changes other than shareholders' equity		(0)	**(1)**
Total changes during the year		(0)	**(1)**
Balance at the end of current year		11	**10**
Minority interests			
Balance at the end of previous year		69,372	**66,142**
Changes during the year			
Net changes other than shareholders' equity		(3,229)	**(4,506)**
Total changes during the year		(3,229)	**(4,506)**
Balance at the end of current year		66,142	**61,636**
Total net assets			
Balance at the end of previous year		428,615	**456,982**
Changes during the year			
Issuance of new stock		35,904	**16,856**
Increase through share exchanges		—	**4,004**
Dividends	IX.3	(1,676)	**(2,391)**
Net income		4,534	**3,200**
Decrease through a merger		(224)	**(2)**
Adjustments due to change of scope of consolidation		(1,798)	**(571)**
Adjustments due to change of scope of equity method		(37)	**108**
Purchase of treasury stock		—	**(2,938)**
Disposal of treasury stock		(0)	**5**
Net changes other than shareholders' equity		(8,333)	**(6,675)**
Total changes during the year		28,367	**11,596**
Balance at the end of current year		456,982	**468,579**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 March 2011	2012
Net cash from (used in) operating activities			
Income before income taxes		5,430	**17,552**
Adjustments for:			
Depreciation and amortization		6,588	**8,456**
Amortization of goodwill		8,563	**7,866**
Increase in provision		11,451	**6,117**
Share of results of affiliates		(163)	**(2,546)**
Write-down of operational investment securities		1,618	**3,952**
Equity in earnings of funds		(2,793)	**606**
Gains on sales of investment securities		(7,517)	**(13,248)**
Losses on valuation of investment securities		556	**80**
Foreign exchange losses		3,333	**1,429**
Interest and dividend income		(16,587)	**(15,502)**
Interest expense		6,730	**6,077**
Changes in assets and liabilities:			
Increase in operational investment securities		(35,988)	**(12,460)**
Decrease (increase) in operational loans receivable		5,755	**(11,610)**
Decrease in real estate inventories		2,617	**3,198**
Decrease in notes and accounts receivable-trade		823	**1,082**
Increase (decrease) in notes and accounts payable-trade		102	**(726)**
Increase in cash segregated as deposits		(18,000)	**(301,000)**
(Increase) decrease in trading instruments		(2,326)	**1,541**
Increase (decrease) in margin transaction assets/liabilities		4,962	**17,394**
Increase in deposits from customers		6,341	**312,052**
Increase (decrease) in guarantee deposits received		26,760	**(19,729)**
(Decrease) increase in loans payable secured by securities		(1,997)	**14,807**
Decrease in advances received		(890)	**(2,682)**
Others, net		(4,127)	**(28,333)**
Subtotal		1,242	**(5,625)**
Interest and dividend income received		17,168	**14,852**
Interest expense paid		(6,885)	**(5,967)**
Income taxes paid		(12,267)	**(8,232)**
Net cash used in operating activities		(742)	**(4,972)**
Net cash from (used in) investing activities			
Purchases of intangible assets		(4,767)	**(5,327)**
Purchases of investment securities		(13,621)	**(12,169)**
Proceeds from sales of investment securities		11,212	**1,996**
Proceeds from sales of investments in subsidiaries		249	**524**
Purchases of (proceeds from) investments in subsidiaries resulting in change in scope of consolidation	X.2	(99)	**37**
Payment for sales of investments in subsidiaries resulting in change in scope of consolidation	X.2	—	**(7,758)**
Purchases of investments in subsidiaries		(177)	**(6,235)**
Payments of loans receivable		(22,069)	**(22,652)**
Collection of loans receivable		15,496	**23,957**
Payments for lease and guarantee deposits		(1,172)	**(986)**
Proceeds from collection of lease and guarantee deposits		483	**392**
Others, net		(2,175)	**1,185**
Net cash used in investing activities		(16,642)	**(27,035)**

	Notes	Year ended 31 March 2011	2012
Net cash from (used in) financing activities			
Increase in short-term loans payable		39,259	**10,009**
Proceeds from long-term loans payable		9,000	**6,020**
Repayment of long-term loans payable		(15,849)	**(12,879)**
Proceeds from issuance of bonds payable		71,019	**89,816**
Redemption of bonds payable		(113,100)	**(70,060)**
Proceeds from stock issuance		35,698	**16,716**
Proceeds from stock issuance to minority interests		1,797	**109**
Contributions from minority shareholders in consolidated investment funds		4,083	**1,790**
Cash dividend paid		(1,673)	**(2,383)**
Cash dividend paid to minority shareholders		(225)	**(183)**
Distributions to minority shareholders in consolidated investment funds		(3,864)	**(5,434)**
Proceeds from disposal of treasury stock		—	**38**
Purchases of treasury stock		(4)	**(2,940)**
Others, net		(985)	**(1,089)**
Net cash from financing activities		25,154	**29,529**
Effect of changes in exchange rate on cash and cash equivalents		(2,893)	**(1,655)**
Net increase (decrease) in cash and cash equivalents		4,876	**(4,133)**
Increase in cash and cash equivalents from newly consolidated subsidiaries		1,337	**961**
Decrease in cash and cash equivalents resulting from deconsolidation of subsidiaries		(28)	**(20)**
Increase in cash and cash equivalents resulting from merger		19	**0**
Cash and cash equivalents at beginning of year		142,581	**148,786**
Cash and cash equivalents at end of year	X.1	148,786	**145,594**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. BASIS OF PRESENTATION

The Consolidated Financial Statements of SBI Holdings, Inc. (the "Company") and its consolidated subsidiaries (hereinafter referred to as the "Group") were prepared in accordance with the accounting principles generally accepted in Japan ("JGAAP") and were presented by reference to the "Rules Governing Term, Form and Preparation of Consolidated Financial Statements" (Finance Ministerial Order the 28th, 1976, which is hereinafter referred to as the "Consolidated Financial Statements Rule"). The Consolidated Financial Statements of the Group has been prepared on the historical cost basis except for certain financial instruments such as certain investments and derivatives, which are stated at fair value, the details of which are listed below.

The Consolidated Financial Statements are presented in Japanese Yen ("Yen" or "¥").

II. SIGNIFICANT ACCOUNTING POLICIES

1. Accounting policies

(1) Scope of consolidation and application of equity method

(a) Under the control or influence concept, those companies in which the Group, directly or indirectly, is able to exercise control are consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for using the equity method.

(b) All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit or loss resulting from intercompany transactions is eliminated.

(c) Basis for exclusion from scope of consolidation

(i) Small size entities of which total assets, sales, and proportional share of net income and retained earnings are considered to be immaterial are excluded from consolidation. Investments in partnerships which are classified as subsidiaries under Practical Issues Task Force ("PITF") No. 20 — "Practical Solution on Application of Control", issued on 8 September 2006, are excluded from consolidation as the effect of consolidation may be misleading to investors, in accordance with the item (ii) of Article 5(1) of the Consolidated Financial Statements Rule.

(ii) Venture capital investments are excluded from the scope of consolidation since the purpose of investments are not for exercising control but to foster the development of venture capital portfolios.

(d) Basis for not applying equity method

(i) Small size entities of which proportional share of net income and retained earnings are considered to be immaterial individually and collectively are not accounted for using equity method.

(ii) Venture capital investments are not accounted for using equity method since the purpose of investments are not for exercising significant influence but to foster the development of venture capital portfolios.

(e) Consolidated financial statements are prepared based on the financial statements of each reporting entity and adjustments are made when their year end dates are different over 3 months.

(2) Valuation method of significant assets

(a) Trading instruments

Trading instruments, which are held for the purpose of earning capital gains in the near term, are reported at fair value, with the related unrealized gains and losses included in income.

(b) Available-for-sale securities (consist of investment securities and operational investment securities other than investments in funds), which are not classified as trading instruments:

(i) Listed securities

Listed securities are measured at fair value, with fair value gains and losses, net of applicable taxes, reported as “unrealized gains (losses) on available-for-sales securities”, a separate component of net assets. The cost of securities sold is determined based on the moving average cost method.

(ii) Unlisted securities

Unlisted securities are principally stated at cost less impairment, determined by the moving average cost method. However, unlisted available-for-sale securities held by certain overseas subsidiaries adopting International Financial Reporting Standards are measured at fair value.

(c) Investments in funds

For the investments in funds other than those included in the scope of consolidation, the Company’s proportionate share in the net assets of the funds is calculated based on the funds’ annual financial statements or interim financial statements and is presented as “Operational investment securities” (Current assets) or “Investment securities” (Non-current assets).

(d) Derivative contracts

Derivative contracts are measured at fair value.

(e) Real estate inventories

Real estate inventories are measured at the lower of cost or net realizable value.

(3) Depreciation method of depreciable assets

(a) Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation of property and equipment by the Company and its consolidated subsidiaries is computed using the declining-balance method over the estimated useful lives of assets while the straight-line method is applied to buildings acquired after 1 April 1998. The range of useful lives is principally from 5 to 50 years for buildings, and from 4 to 20 years for furniture and fixtures. Most overseas consolidated subsidiaries apply the straight-line method. Leased assets are depreciated by the straight-line method over the lease terms with residual value of zero.

(b) Land

Land is stated at cost less impairment.

(c) Intangible assets

(i) Software used for internal purposes is amortized using the straight-line method over the estimated useful life of the software (5 years).

(ii) Software for sale is amortized using the straight-line method over the estimated saleable period of the software, which is 3 years or less.

(iii) Leased assets are depreciated by using straight-line method over the lease terms with residual value of zero

(4) Recognition and measurement of significant provisions and allowances

(a) Allowance for investment losses

Allowance for investment losses for operational investment securities and investment securities are provided based on the estimated losses of the investments and the financial condition of the investees.

(b) Allowances for doubtful accounts

Allowance for doubtful accounts is provided based on the Group's past credit loss experience and an evaluation of the recoverability of the outstanding receivables including notes and accounts receivable-trade, operational loans receivable, loans on margin transactions and other loans receivable.

(c) Provision for bonuses

The Group provided provisions for bonuses to employees based on the estimation of current year portion of future payments.

(d) Employees' retirement benefits

The Group recorded liabilities for employees' retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. Simplified method was used and under such method, the liabilities were recognized and measured by assuming all the employees voluntarily retired at the end of the year.

(e) Statutory reserve for securities transactions liabilities/financial products transactions

Pursuant to Article 46-5 of the Financial Instruments and Exchange Act, certain consolidated subsidiary provides statutory reserve against possible losses resulting from execution errors related to securities business transactions. The amount is calculated in accordance with Article 175 of the "Cabinet Office Ordinance concerning Financial Instruments Business".

(f) Statutory reserve for price fluctuation

The Group provides statutory reserve against possible losses resulting from stock price fluctuations in accordance with Article 115 of the Insurance Business Act.

(5) Recognition for net sales and cost of sales

Net sales and cost of sales

The Group's net sales primarily consist of fees from funds, revenue from operational investment securities, revenue from real estate business, and revenue from securities transactions. The costs of sales principally consist of the cost of operational investment securities, the related provision of allowance for investment losses, and cost of real estate business.

(a) Revenue and cost of operational investment securities

Revenue from operational investment securities includes all of the revenue which is related to or generated by operational investment securities and securities held by funds. Cost of operational investment securities consists of the carrying value on the sale of operational investment securities and securities held by funds, and write down of operational investment securities and securities held by funds.

(b) Fees from funds

Fees from funds consist of establishment fees for fund organization, management fees, and success fees from funds which are not within the scope of consolidation and managed by the Group. Management fees from funds are recognized over the period of the fund management agreement. Establishment fees and success fees from funds are recognized when those revenue amounts are determined and the services are provided.

(c) Revenue from construction projects

When the total construction revenue, total construction costs and the stage of completion of the contract can be reliably measured at the balance sheet date, the percentage-of- completion method is applied. The stage of completion is assumed to be the portion of the project's costs incurred to the balance sheet date divided by total estimated costs, "cost-to-cost method". If the outcome of a construction contract cannot be reliably estimated at the balance sheet date, the completed contract method is applied.

(d) Revenue from securities transactions

Revenue from securities transactions primarily consists of brokerage commissions from securities transactions, fees from underwriting activities and offering of securities for initial public offerings and fees for placements and sales of securities.

(e) Revenue from finance lease transactions

Revenue and cost of finance lease transactions are recognized when payments are received.

(f) Financial charges and cost of funding

Financial charges and cost of funding, which consist of interest expense for margin trading transactions and costs from repurchase agreement transactions, etc. which are related to the investment banking businesses, are recorded as cost of sales. As for certain consolidated subsidiaries, interest expense other than financial charges is classified as interests related to operating assets (e.g. leases receivable and lease investment assets, etc.) or to non-operating assets. Interest expense (cost of funding) related to operating asset is classified as cost of sales. During the development of a project, interest expense related to long term and large scale real estate development is included in the cost of the real estate inventories.

(6) Translations of significant assets and liabilities denominated in foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese Yen using the exchange rates at the balance sheet date, and the translation adjustment is recognized as foreign exchange gains or losses. The balance sheets of the consolidated foreign subsidiaries are translated into Japanese Yen using their exchange rate as at the balance sheet date except for net assets, which are translated at the historical rates. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese Yen using the average exchange rate of the year. Differences arising from such translation are shown as "Foreign currency translation adjustments", as a separate component under "Net assets" except for the portion pertaining to the minority shareholders, which is included under "Minority interests" as a separate component under "Net assets".

(7) Accounting for significant lease transactions

In March 2007, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after 1 April 2008.

(a) Lessee

ASBJ Statement No. 13 requires that all finance lease transactions be capitalized to recognize leased assets and lease obligations in the balance sheet. In addition, leases which existed at the transition date and did not transfer ownership of the leased assets to the lessee continue to be accounted for as operating lease transactions with certain "as if capitalized" information disclosed in the notes to the lessee's financial information.

The Group continues to account for leases which existed at the transition date that did not transfer ownership of the leased assets to the lessee as operating lease transactions.

(b) Lessor

ASBJ statement No. 13 requires that all finance leases be recognized as leases receivable, and that all finance leases that are deemed not to transfer ownership of the assets leased to other parties under operating leases be recognized as lease investment assets. For the finance leases which existed at the transition date and did not transfer ownership of the assets leased to other parties under operating leases, the book value of the leased assets (after deducting accumulated depreciation) at the transition date is used as the beginning value of the lease investment assets.

The Group adopted ASBJ statement No. 13 on 1 April 2008. Leases receivable and lease investment assets are stated at cost less accumulated depreciation. Depreciation is computed by using the straight-line method over the useful life with residual value of zero.

(8) Accounting for significant hedging transactions

(a) Accounting for hedges

The Group applies deferred hedge accounting when certain criteria are met. Foreign currency forward contracts are used to hedge foreign currency exposures in the Group. Receivables, payables and investment securities denominated in foreign currencies are translated at the contracted rates if the forward contracts are qualified for hedge accounting. Interest rate swaps, which are qualified for hedge accounting and met the specific matching criteria, are not revaluated at fair market value. The differential paid or received under the swap agreements is recognized and included in interest expense or income.

(b) Hedging instruments and hedged item

(i) Hedging instruments – foreign currency forward contracts
Hedged items – foreign currency denominated receivables and payables and investment securities.

(ii) Hedging instruments – interest rate swap contracts
Hedged items – loans and bonds payables

(c) Hedging policy

(i) For foreign currency-denominated transactions, the foreign currency forward contracts are used to hedge foreign currency exposures in the Group.

(ii) For interest expense on borrowing, interest rate swap contract is utilized to mitigate the volatility of interest rates.

(d) Assessment of effectiveness between the hedging instrument and the hedged item

(i) The Group does not assess hedge effectiveness of foreign currency forward contracts which qualify for hedge accounting and meet specific matching criteria.

(ii) The Group assesses hedge effectiveness by comparing the cumulative changes in the fair value of the hedged items and the hedging instruments during the period from commencement of hedging to the point of assessing effectiveness, based on changes in both amount and others. The Group does not assess hedge effectiveness of interest rate swaps which qualify for hedge accounting and meet specific matching criteria.

(9) Accounting for amortization of goodwill

Goodwill is amortized using the straight-line method to allocate the cost over the expected beneficial period, or over 20 years if the beneficial period could not be reasonably estimated. However, goodwill could be recognized as an expense as incurred if the amount is immaterial.

(10) Cash and cash equivalents stated in the consolidated statement of cash flows

Cash and cash equivalents stated in the consolidated statement of cash flows are cash and deposits or short-term investment securities that are readily convertible into cash, and are not exposed to significant risk of changes in value, all of which will mature or become due within three months from the date of acquisition.

2. Other significant accounting policies for consolidated financial statements

(1) Business Combination

For the period beginning on 1 April 2010:

In December 2008, the ASBJ issued a revised accounting standard for business combinations, “Accounting Standard for Business Combinations” (ASBJ Statement No.21 issued on 26 December 2008), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22 issued on 26 December 2008), “Partial amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No.23 issued on 26 December 2008), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7 (Revised 2008) issued on 26 December 2008), “Revised Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No.16 (Revised 2008) released on 26 December 2008) and “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10 (Revised 2008) issued on 26 December 2008), hereinafter referred to as “revised standards”. The revised standards were effective for the business combinations transactions undertaken on or after 1 April 2010 and are applied prospectively.

Major accounting changes under the revised accounting standards are as follows:

(i) The previous accounting standard for business combinations allowed companies to apply the pooling of interests method of accounting when certain specific criteria were met such that the business combination was essentially regarded as a uniting of interests. The revised standards requires accounting for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.

(ii) The previous accounting standard accounted for the research and development costs to be charged to income as incurred. Under the revised standards, an in-process research and development (IPR&D) acquired by a business combination is capitalized as an intangible asset.

(iii) Under the previous accounting standard, a bargain purchase (negative goodwill) is capitalized and was amortized within 20 years. Under the revised standards, a bargain purchase was recognized as profit on the acquisition date.

(iv) Under the previous accounting standard, when a parent obtained control over a subsidiary by a step acquisition, goodwill was measured on the date the parent obtained control as the difference between (a) the aggregate carrying amount of any previously held equity interests and the purchase consideration and (b) the net amount of the fair value of assets and the liabilities attributable to the parent on the date the parent obtains control. Under the revised standards, the acquirer should remeasure its previously held equity interests in the acquiree at its acquisition-date fair value and recognize any resulting gain or loss. Goodwill is measured at the acquisition date as the difference between (1) the aggregate of the acquisition date fair value of the consideration transferred, the amount of any non-controlling interests in the entity acquired and the acquisition-date fair value of any previously held equity interests in the entity acquired and (2) the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed.

(2) Accounting for investments in funds

For the investments in funds categorized as subsidiaries but not within the scope of consolidation, the Company’s proportionate share in the net assets and revenue/expenses of those funds is calculated based on the funds’ annual financial statements or semi-annual financial statements and is presented as “Investment securities” (Non-current assets) and revenue/expenses, respectively.

For the investments in funds held for operational investment purpose, which are not categorized as subsidiaries, the Company's proportionate share in the net assets and revenue/expenses of those funds is calculated based on the funds' annual financial statements or interim financial statements and is presented as "Operational investment securities" (Current assets) and revenue/expenses, respectively.

For the investment in funds other than those held for operational investment purpose, which are not categorized as subsidiaries, the Company's proportionate share in the net assets and revenue/expenses of those funds is calculated based on the funds' annual financial statements or interim financial statements and is presented as "Investment securities" (Non-current assets) and non-operating income/expenses, respectively.

(3) Deferred charges

(a) Stock issuance costs

Stock issuance costs are amortized over 3 years by using straight-line method.

(b) Bond issuance costs

Bond issuance costs are amortized over the bond term by using straight-line method.

(c) Deferred operating costs under Section 113 of the Insurance Business Act

These deferred operating costs can be amortized within 10 years according to section 113 of the Insurance Business Act of Japan.

(4) Accounting for consumption tax

The amounts in the consolidated financial statements are presented without consumption or local consumption taxes.

(5) Cash segregated as deposits

Cash segregated as deposits are mainly client's trust money and cash deposited as collateral under the regulatory requirement, and stated at cost.

(6) Loans and receivables

Loans and receivables including notes and accounts receivable-trade, operational loans receivable and other loans receivable are measured at historical cost less allowance for doubtful accounts. The carrying amount of loans and receivables is reduced through the use of an allowance account. Margin loans receivable are stated at amounts equal to the purchase amounts of the relevant securities, which are collateralized by customers' securities and customers' deposits. (See the accounting policy in respect of allowance for doubtful accounts).

(7) Deposits from customers and guarantee deposits received

Deposits received are mainly deposits received from customers and guarantee deposits received which are recognized at cost.

(8) Impairment losses on non-current assets

The Group reviews their non-current assets for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset or asset group may not be recoverable.

An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.

The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(9) Asset retirement obligation

Asset retirement obligation is recognized when there is a present obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The asset retirement obligation is measured at the present value.

(10) Borrowings

Borrowings are stated at cost, which represent the loans payable and bonds payable outstanding at balance sheet date.

(11) Retail margin trading liabilities

Retail margin trading liabilities are stated at cost.

(12) Stock options

ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and after 1 May 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and expense over the vesting period as consideration for receiving goods or services.

The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock options granted or the goods or services received. In the consolidated balance sheets, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

The standard covers equity-settled share-based payment transactions but does not cover cash-settled share-based payment transactions. The standard allows the stock options granted by unlisted companies to be measured at their intrinsic value if their fair values cannot be reliably estimated. The Group applied this accounting standard for stock options granted after 1 May 2006.

(13) Bonuses to directors and statutory auditors

Bonuses to directors and statutory auditors are accrued at the balance sheet date.

(14) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

A valuation allowance is provided for deferred tax assets if it is more likely than not that these items will either expire before the Group is able to realize their benefits, or that future deductibility is uncertain.

(15) Per share information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends attributable to the respective years including dividends to be paid after the end of the year.

III. NEW AND REVISED ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Revision of Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22) and related Implementation Guidance and Practical Solution (revised on 25 March 2011, the "Revised Standards")
Before revision of accounting standard, special purpose company under certain condition was not presumed to be subsidiary of investor or company which transfers its assets to the special purpose company. Under the Revised Standards, only company which transfers its asset can apply the presumption. The Group plans to apply the Revised Standards from the beginning of fiscal year ending 31 March 2014.
Since no entities have not been presumed to be subsidiary under the current accounting standard, no significant affect on the consolidated financial statements.

IV. CHANGES IN PRESENTATION

The following presentation changes are reflected on respective consolidated statement of operations:

1. "Amortization of stock issuance costs" and "Amortization of bond issuance costs", which were separately presented for the year ended 31 March 2011 were included in "Others" line of "Non-operating expense" in the consolidated statement of operations for the year ended 31 March 2012 as the amounts were immaterial. As a result, "Amortization of stock issuance costs" and "Amortization of bond issuance costs" for the year ended 31 March 2011 of ¥ 50 million and ¥ 90 million, respectively were reclassified into "Others" line of "Non-operating expense".

2. "Reversal of allowance for doubtful accounts" and "Gains on the changes in interests in consolidated subsidiaries and equity method investees", which were separately presented in the consolidated statement of operations for the year ended 31 March 2011 were included in "Others" line of "Extraordinary income" in the consolidated statement of operations for the year ended 31 March 2012 as the amount were immaterial. As a result, "Reversal of allowance for doubtful accounts" and "Gains on the changes in interests in consolidated subsidiaries and equity method investees" for the year ended 31 March 2011 of ¥ 68 million and ¥ 63 million, respectively were reclassified into "Others" line of "Extraordinary income".

3. "Losses on the changes in equity interests in consolidated subsidiaries and equity method investees" and "Losses on retirements of non-current assets", which were separately presented in the consolidated statement of operations for the year ended 31 March 2011 were included in "Others" line of "Extraordinary expense" in the consolidated statement of operations for the year ended 31 March 2012 as the amounts were immaterial. As a result, "Losses on the changes in equity interests in consolidated subsidiaries and equity method investees" and "Losses on retirements of non-current assets" for the year ended 31 March 2011 of ¥ 23 million and ¥ 193 million, respectively were reclassified into "Others" line of "Extraordinary expense".

V. ADDITIONAL INFORMATION

Application of Accounting Standard for Accounting Changes and Error Corrections

The Company has applied "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24 issued on 4 December 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24 issued on 4 December 2009) to the accounting changes and error corrections which have been made after 31 March 2011.

Stock Benefit Trust

At the board meeting held on 29 September 2011, the Directors of the Company resolved to introduce "Stock Benefit Trust (Employee Stockholding Association Purchase-type)" (hereinafter the "Plan" and the "Trust").

The purpose of the Plan is to improve employees' welfare and to increase their motivations for work and awareness of the Company's stock performance through its steady provision of the stock to the employee stockholding association and distribution of the profit created by trust property management in order to increase the Company's corporate value.

Accounting for the Trust is based upon the assumption that the Company and the Trust are inseparable. The Company's stock held by the Trust is accounted for as treasury stock while the Trust's assets and liabilities as well as its income and expenses are included in the Group's consolidated financial statements. The number of the stocks held by the Trust is included in the number of treasury stock and not included in the number of shares outstanding for the calculation of per share information. The number of treasury stock held by the Trust as at 31 March 2012 was 70,604 shares.

Adoption of the Consolidation Tax Fillings

The Company and certain subsidiaries made an application for the consolidation tax fillings to the tax authority in December 2011. The application was approved, and the consolidation tax fillings will be adopted from the fiscal year beginning on 1 April 2012. Preparing for the adoption, the financial statements for this fiscal year are presented in accordance with "Tentative Solution for the Deferred Tax Accounting on Application of Tax Consolidation (part 1)" (Practical Issues Task Force No.5, revised on 18 March 2011) and "Tentative Solution for the Deferred Tax Accounting on Application of Tax Consolidation (part 2)" (Practical Issues Task Force No.7, 30 June 2010).

VI. NOTES TO CONSOLIDATED BALANCE SHEET

1. Operational investment securities

As at 31 March 2011 and 2012, operational investment securities included investments in funds and direct investments. Investment in funds included in operational investment securities consisted of the following:

	As at 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
New Horizon Capital, L.P	17,041	**9,237**
NEW HORIZON FUND, L.P	5,231	**4,713**
New Horizon Capital III, L.P	2,069	**3,080**
SBI & BDJB CHINA FUND, L.P	2,370	**2,885**
Jefferies SBI USA Fund L.P.	795	**1,631**
SBI BB MEDIA INVESTMENT LIMITED PARTNERSHIP	1,217	**1,195**
LC Fund III,L.P.	1,029	**1,039**
Others	1,989	**4,161**
Subtotal (Investments in funds)	31,746	**27,944**
Direct investments	110,135	**120,155**
Total	141,881	**148,099**

2. Real estate inventories

Real estate inventories consisted of the following:

	As at 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Real estate for sale	7,505	**3,866**
Real estate for sale in progress	7,083	**6,430**
Real estate for development	1,403	**1,403**
Beneficial interest in real estate investment trust	821	**—**
Total	16,812	**11,699**

3. Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates are as follows:

	As at 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Investment securities	43,463	**51,087**

The above investment securities include investments in jointly controlled entities of ¥20,763 million and ¥23,816 million as at 31 March 2011 and 2012, respectively.

4. Pledged assets

Pledged assets consisted of the following:

	As at 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Cash and deposits	521	**1**
Notes and accounts receivable-trade	2,126	**417**
Operational investment securities	420	**1,291**
Operational loans receivable	3,206	**3,047**
Real estate inventories	747	**537**
Others-current assets	4,593	**3,407**
Buildings	4,570	**4,391**
Land	5,063	**5,475**
Investment securities	1,937	**1,314**
Total	23,188	**19,883**
The assets were pledged as collateral for:		
Short-term loans payable	9,038	**1,318**
Current portion of long-term loans payable	1,291	**1,402**
Current portion of bonds payable	60	**60**
Long-term loans payable	8,269	**12,040**
Bonds payable	540	**480**

Besides the above, securities received as collateral for financing from broker's own capital of ¥1,163 million and ¥7,422 million were pledged as collateral for borrowings on margin transactions as at 31 March 2011 and 2012, respectively.

5. Contingent liabilities

Guarantees for the debts owed to other financial institutions in the Group's credit guarantee business are as follows:

	As at 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Guarantee of bank loans	18,234	**47,169**

6. Off-balance sheet items — Fair values of the securities deposited in securities-related businesses

Securities deposited in securities-related businesses represented securities lent to customers under securities lending arrangements.

Fair values of the securities deposited in securities-related businesses are as follows:

	As at 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Securities loaned on margin transactions	73,267	**101,846**
Securities pledged for borrowings on margin transactions	71,241	**75,482**
Substitute securities for pledged margin transactions (except those related to customer's direct deposit)	39,118	**27,365**
Substitute securities for guarantee money paid	41,234	**42,910**
Securities loaned under loan agreement	60,481	**79,211**

7. Off-balance sheet items — Fair values of the securities received in securities-related businesses

Securities received in securities-related businesses represented securities borrowed by the Group under securities lending arrangements.

Fair values of the securities received in securities-related businesses are as follows:

	As at 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Securities pledged for loans on margin transactions	211,846	**213,600**
Securities borrowings on margin transactions	20,976	**39,360**
Substitute securities for guarantee money received, which were agreed on as collateral for other transactions	250,092	**243,550**
Substitute securities for margin money received, which were agreed on as collateral for other transactions	100	**100**
Securities borrowed under loan agreement other than margin transactions.	71,880	**79,073**

8. Trading instruments

Trading instruments consisted of the following:

	As at 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Equity securities	28	**—**
Debt securities	188	**326**
Others	4	**4**
Subtotal	222	**331**
Derivatives	2,479	**1,431**
Total	2,701	**1,763**

9. Statutory reserves

As at 31 March 2011 and 2012, a reserve for the financial products transaction liabilities was provided in accordance with Article 46-5 of Japanese Financial Instruments and Exchange Act, and a statutory reserve for price fluctuations was provided in accordance with Article 115 of the Insurance Business Act.

10. Credit facilities provided

Several consolidated subsidiaries were engaged in retail loan business, cash advance business for credit cards, and financing corporate reorganization. The credit facilities provided by these subsidiaries in respect of their operations as at March 31 2011 and 2012 are as follows:

	As at 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Credit facilities	5,986	**6,634**
Utilized	2,928	**3,879**
Unused portion	3,057	**2,754**

It is noted that above credit facilities can be utilized only if certain conditions are met. The purpose for the borrowings and any credit rating changes of the customers could result in the withdrawal of credit facilities.

11. Lines of credit from financial institutions

To ensure an efficient operating funds procurement, the Group entered into overdraft facilities with 21 banks as at 31 March 2012. Unused overdraft facilities as at March 31 2011 and 2012 are as follows:

	As at 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Lines of credit	160,700	**191,030**
Used balance	84,424	**80,006**
Unused portion	76,276	**111,023**

VII. NOTES TO CONSOLIDATED STATEMENT OF OPERATIONS

1. Gains (losses) on trading included in net sales consisted of the following:

	Year ended 31 March					
	2011			**2012**		
	(millions of Yen) Realized	(millions of Yen) Unrealized	(millions of Yen) Total	**(millions of Yen) Realized**	**(millions of Yen) Unrealized**	**(millions of Yen) Total**
Equity Securities	14	0	14	**23**	**0**	**23**
Debt Securities	1,307	(23)	1,284	**1,003**	**12**	**1,016**
Others	8,984	1,628	10,613	**8,634**	**1,167**	**9,801**
Total	10,306	1,605	11,911	**9,660**	**1,179**	**10,840**

Above trading gains (losses) included gains (losses) on certain businesses other than securities-related business of ¥55 million and ¥6 million for the years ended 31 March 2011 and 2012, respectively.

2. Cost of sales consisted of the following:

	Year ended 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Cost of sales arising from operational investment securities	7,031	**13,026**
Provision of allowance for operational investment securities losses	5,957	**375**
Financial charges	3,872	**3,612**
Cost of sales arising from real estate inventories	5,465	**6,113**
Others	45,208	**51,623**
Total	67,535	**74,750**

Cost of sales arising from operational investment securities includes valuation losses of ¥1,652 million and ¥4,044 million for the years ended 31 March 2011and 2012, respectively. Others included financial costs and payrolls related to net sales.

3. Selling, general and administrative expenses include the following:

	Year ended 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Payroll and bonuses	10,552	**10,830**
Provision of allowance for doubtful accounts	2,407	**1,694**
Provision of bonuses	61	**97**
Outsourcing fees	11,188	**11,361**
Amortization of goodwill	7,889	**7,866**

4. Research and development costs included in selling, general and administrative expenses

	Year ended 31 March	
	2011 (millions of Yen)	**2012 (millions of Yen)**
Research and development costs included in selling, general and administrative expenses	542	**1,156**

5. The Group recorded the following impairment losses:

For the year ended 31 March 2011

Business	Category	Items	Location	Impairment loss amount
				(Millions of yen)
Brokerage & Investment Banking Business	Assets for on-line securities operation system	Buildings, furniture and fixtures, software and leased assets	Tokyo	350
Financial Services Business	Assets for operation of car related information site	Buildings, furniture and fixtures and software, etc.	Tokyo	150
Others	Assets for health care related business	Buildings, furniture and fixtures and software, etc.	Tokyo, etc.	360

(1) Grouping of assets

The grouping of assets was generally based on the smallest cash-generating unit that generates cash inflows that are independent of the cash inflows from other group. The grouping of lease property and unutilized assets was based on individual asset.

(2) Background to recognize impairment loss

In the Brokerage & Investment Banking Business, implementation of a new online securities operation system necessitated the disposal of the assets used for the prior operation system. Since the recoverable amount was less than the carrying amount, the difference between the recoverable amount and the carrying amount of the assets was recognized as an impairment loss. The amounts of impairment losses for buildings, furniture and fixtures, software and leased assets were ¥2 million, ¥16 million, ¥36 million and ¥295 million, respectively.

In the Financial Services Business, the difference between the recoverable amount and the carrying amount of assets used for the operation of car related information site was recognized as an impairment loss due to no expectation of initially expected profits. The amounts of impairment losses for buildings, furniture and fixtures, software and other assets were ¥3 million, ¥7 million, ¥138 million and ¥2 million, respectively.

In the Health Care Related Business, the difference between the recoverable amount and the carrying amount of assets used for health care operation was recognized as an impairment loss due to no expectation of initially expected profits. The amounts of impairment losses for buildings, furniture and fixtures, software and other assets were ¥29 million, ¥86 million, ¥233 million and ¥10 million, respectively.

(3) Calculation of recoverable amount

For the assets to be disposed of, the recoverable amount is the net sales value of zero. For the other assets, the recoverable amount is the value in use based on the future cash flow.

For the year ended 31 March 2012

Business	Category	Items	Location	Impairment loss amount
				(Millions of yen)
Financial Services Business	Assets for credit card business, etc.	Buildings, furniture and fixtures and software, etc.	Tokyo	105
Housing and Real Estate Business.	Lease property	Buildings and land, etc.	Aichi, Fukuoka	128

(1) Grouping of assets

The grouping of assets was generally based on the smallest cash-generating unit that generates cash inflows that are independent of the cash inflows from other group. The grouping of lease property and unutilized assets was based on individual asset.

(2) Background to recognize impairment loss

In the Financial Services Business, the difference between the recoverable amount and the carrying amount of assets used for credit card business, etc was recognized as an impairment loss due to no expectation of initially expected profits. The amounts of the impairment losses for buildings, furniture and fixtures, software and other assets were ¥2 million, ¥14 million, ¥78 million and ¥9 million, respectively.

In the Housing and Real Estate Business, the difference between the recoverable amount and the carrying amount of assets was recognized as an impairment loss due to the significant decrease for price of lease property. The amounts of impairment losses for buildings and land were ¥47 million and ¥80 million, respectively.

(3) Calculation of recoverable amount

For lease property, the recoverable amount is calculated with net sales value by using real estate valuation. For the other assets, the recoverable amount is calculated with the value in use based on the future cash flow.

VIII. NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1. Reclassification adjustment and income tax effect on other comprehensive income for the year ended 31 March 2012 is as follows:

	(millions of Yen)
Unrealized losses on available-for-sale securities:	
Gains arising during the year	3,480
Reclassification adjustments to profit or loss	(3,645)
Amount before income tax effect	(164)
Income tax effect	1,554
Total	1,389
Deferred gains (losses) on derivatives under hedge accounting:	
Gains arising during the year	(3)
Reclassification adjustments to profit or loss	4
Amount before income tax effect	0
Income tax effect	4
Total	5
Foreign currency translation adjustment:	
Adjustments arising during the year	(1,438)
Reclassification adjustments to profit or loss	155
Total	(1,283)
Share of other comprehensive income in associates:	
Gains arising during the year	(2,218)
Reclassification adjustments to profit or loss	237
Total	(1,981)
Total other comprehensive income	(1,869)

IX. NOTES TO CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

1. Outstanding number of capital stock and treasury stock

Year ended 31 March 2011	As at 31 March 2010 (share)	Increase (share)	Decrease (share)	As at 31 March 2011 (share)
Outstanding capital stock				
Common shares (Notes)	16,782,291	3,161,727	—	19,944,018
Treasury stock				
Common shares	14,621	—	—	14,621

Notes:

The increase in common shares of 3,161,727 shares consisted of newly issued 3,112,000 shares of which the settlement date was 23 June 2010, and increase in 49,727 shares by the exercise of stock acquisition rights.

Year ended 31 March 2012	**As at 31 March 2011 (share)**	**Increase (share)**	**Decrease (share)**	**As at 31 March 2012 (share)**
Outstanding capital stock				
Common shares (Notes 1)	19,944,018	2,507,285	—	22,451,303
Treasury stock				
Common shares (Notes 2,3 and 4)	14,621	508,125	80,653	442,093

Notes:

1. The increase in common shares of 2,507,285 shares consists of newly issued 2,000,000 shares through offering of Hong Kong Depositary Receipts, 432,216 shares and 74,709 shares, respectively for the acquisition of SBI VeriTrans Co., Ltd. and SBI Net Systems Co., Ltd. becoming a wholly owned subsidiaries through share exchanges and 360 shares by the exercise of stock acquisition rights.

2. As stated in "V. ADDITIONAL INFORMATION", accounting treatment for the Trust is based upon the assumption that the Company and the Trust are inseparable, thus shares held by the Trust were included in the above movement of treasury stock - common shares.

3. The increase of 508,125 common shares in treasury stock consists of 321,373 shares acquired as treasury stock subject to Article 156 (replacement of the third paragraph of Article 165) of the Companies Act; 60,000 shares acquired in response to the share purchase demand related to the share exchange to make SBI VeriTrans Co., Ltd. a wholly owned subsidiary in accordance with the first paragraph of Article 797 of the Companies Act; 50,116 shares acquired by subsidiary related to the acquisition of SBI Net Systems Co., Ltd., to become a wholly owned subsidiary through share exchange and remaining 76,636 shares acquired by the Trust.

4. The decrease of 80,653 common shares in treasury stock consists of reissuance of 74,621 shares to acquire the remaining share of SBI Net Systems Co., Ltd. to make it a wholly owned subsidiary of the Company and 6,032 shares sold by the Trust to the employee stockholding association.

2. Stock acquisition rights

Year ended 31 March 2011				Number of shares for stock acquisition rights (share)			As at 31 March 2011 (millions of Yen)
Entity	Details of stock acquisition rights	Type of share	As at 31 March 2010	Increase	Decrease	As at 31 March 2011	
Reporting entity (the Company)	Stock acquisition rights (Notes 1, 2 and 3)	Common shares	313,512.64	6,811.13	66,405.53	253,918.24	—
Consolidated subsidiaries	—	—	—	—	—	—	11
Total	—	—	—	—	—	—	11

Notes:

1. Stock acquisition rights were exercisable during the year ended 31 March 2011.

2. The increase in stock acquisition rights was due to the adjustment of the number of shares for stock acquisition rights accompanying the issuance of new shares by offering.

3. The decrease in stock acquisition rights was due to the exercise and expiration of the rights.

Year ended 31 March 2012				**Number of shares for stock acquisition rights (share)**			**As at 31 March 2012 (millions of Yen)**
Entity	**Details of stock acquisition rights**	**Type of share**	**As at 31 March 2011**	**Increase**	**Decrease**	**As at 31 March 2012**	
Reporting entity (the Company)	Stock acquisition rights (Notes 1, 2 and 3)	Common shares	253,918.24	3,404.10	15,234.16	242,088.18	—
Consolidated subsidiaries	—	—	—	—	—	—	10
Total	—	—	—	—	—	—	10

Notes:

1. Stock acquisition rights were exercisable during the year ended 31 March 2012.

2. The increase in stock acquisition rights was due to the adjustment of the number of shares for the issuance of new shares through offering of Hong Kong Depositary Receipts.

3. The decrease in stock acquisition rights was due to the exercise and expiration of the rights.

3. Dividends

Dividend paid

Year ended 31 March 2011

Resolution	Type of share	Dividend amount (millions of Yen)	Amount per share (Yen)	Declared date	Effective date
Board of Directors' Meeting on 26 May 2010	Common shares	1,676	100	31 March 2010	14 June 2010

Year ended 31 March 2012

Resolution	**Type of share**	**Dividend amount (millions of Yen)**	**Amount per share (Yen)**	**Declared date**	**Effective date**
Board of Directors' Meeting on 27 April 2011	Common shares	2,391	120	31 March 2011	9 June 2011

Dividend whose declared date fell in the year ended 31 March 2012, and whose effective date will be in the year ended 31 March 2013

Resolution	Type of share	Dividend amount (millions of Yen)	Dividend resource	Amount per share (Yen)	Declared date	Effective date
Board of Directors' Meeting on 26 April 2012	Common shares	2,207	Retained earnings	100	31 March 2012	7 June 2012

X. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

1. Cash and cash equivalents reconciliation

	Year ended 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Cash and deposits	150,268	**146,055**
Time deposits with original maturity of more than three months	(1,623)	**(629)**
Money Market Fund (MMF) included in trading instruments	142	**168**
Deposit included in others (current assets)	0	**—**
Cash and cash equivalents.	148,786	**145,594**

2. Cash paid/received resulting from change in scope of consolidation

FOR THE YEAR ENDED 31 MARCH 2011

The followings are details of the business combination, acquisition of SBI Global Investment Co., Ltd.:

	millions of Yen
Current assets	1,562
Non-current assets	47
Goodwill	281
Current liabilities	(604)
Minority interests	(601)
Consideration paid for stocks of SBI Global Investment Co., Ltd.	685
Carrying value of previously held equity interest	(493)
Loss arising from remeasurement of the previously held equity interest	189
Cash and cash equivalents of SBI Global investment Co., Ltd.	(133)
Difference: Net cash paid in acquisition of SBI Global investment Co., Ltd.	248

FOR THE YEAR ENDED 31 MARCH 2012

The followings are details of the sale of stock of SBI VeriTrans Co., Ltd., former subsidiary:

	millions of Yen
Current assets	**9,139**
Non-current assets	**970**
Goodwill	**1,576**
Current liabilities	**(7,225)**
Non-current liabilities	**(11)**
Minority interests	**(69)**
Gains arising from selling stocks	**8,618**
Consideration to be received from sales of stocks of SBI VeriTrans Co., Ltd.	**13,000**
Accounts receivable-others	**(13,000)**
Cash and cash equivalents of SBI VeriTrans Co., Ltd.	**(7,493)**
Difference: Cash paid from sales of investment in SBI VeriTrans Co. Ltd.	**(7,493)**

XI. NOTES TO LEASE TRANSACTIONS

LESSEE

1. Finance lease

Finance lease transaction commenced before 31 March 2008 that did not transfer ownership is accounted in a manner similar to an operating lease transaction. The information regarding these leases is as follows:

(a) Pro forma information of leased assets, on an "as if capitalized" basis as at 31 March 2011 and 2012

As at 31 March 2011	Acquisition costs (millions of Yen)	Accumulated depreciation (millions of Yen)	Carrying amount (millions of Yen)
Buildings	660	579	81
Furniture and fixtures	909	759	149
Software	208	181	27
Total	1,779	1,520	258

As at 31 March 2012	**Acquisition costs (millions of Yen)**	**Accumulated depreciation (millions of Yen)**	**Carrying amount (millions of Yen)**
Buildings.	660	608	52
Furniture and fixtures	193	173	20
Software	0	0	0
Total	855	782	73

(b) Obligation balances under finance leases

	As at 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Due within one year	213	**76**
Due after one year	125	**49**
Total	339	**125**

Note: The above information included obligations under finance leases, which were not cancellable for sub-lease contracts.

(c) **Lease payments, reversal of accumulated impairment losses, depreciation, interest expenses and impairment losses:**

	As at 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Lease payments	1,076	**226**
Reversal of accumulated impairment losses	295	**—**
Depreciation	976	**182**
Interest expenses	27	**11**
Impairment losses	295	**—**

(d) **Depreciation method**

Leased assets were depreciated by using straight-line method over the lease terms with residual value of zero.

(e) **Calculation of interest expenses**

The difference between total lease payments and the acquisition cost was assumed to be interest expense and the interest method was used to allocate interest expense to each year.

2. Operating lease

Future lease payments on operating lease contracts, which were not cancellable:

	As at 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Due within one year	0	**—**
Due after one year	—	**—**
Total	0	**—**

LESSOR

1. Net investments in leases

	As at 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Leases receivable	9,373	**5,188**
Estimated residual values	14	**—**
Unearned interest income	(413)	**(172)**
Investment in leases, current	8,974	**5,016**

2. Maturity analysis for leases receivable for finance leases that transfer ownership of the leased assets to the lessee

As at 31 March 2011	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Leases receivable (millions of Yen)	2,650	2,029	1,374	1,010	500	—
Investments in leases (millions of Yen)	2,403	2,110	1,899	1,770	1,150	39

As at 31 March 2012	**Within 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**Over 5 years**
Leases receivable (millions of Yen)	2,933	2,270	1,912	1,430	604	—
Investments in leases (millions of Yen)	1,607	1,418	1,294	823	45	—

3. Future lease payments to be received under operating lease, which were not cancellable

	As at 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Within one year	0	**—**
Over one year	—	**—**
Total	0	**—**

4. Leases receivable and lease investment assets, and lease obligations under a sublease transaction recorded at cost including interest portion

(a) Leases receivable and lease investment assets

	As at 31 March	
	2011 (millions of Yen)	**2012 (millions of Yen)**
Current assets	5,665	**2,770**

(b) Lease obligation

	As at 31 March	
	2011 (millions of Yen)	**2012 (millions of Yen)**
Current liabilities	1,167	**723**
Non-current liabilities	3,984	**1,990**

XII. FINANCIAL INSTRUMENTS

1. Details of the financial instruments

(1) Group Policy for Financial Instruments

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

The Group and certain consolidated subsidiaries utilize derivative instruments, including foreign currency forward contracts, interest rate swaps, index futures, and foreign currency spot contracts.

The Group entered into foreign currency forward contracts and interest swap transactions primarily to hedge foreign exchange risk and to manage its interest rate exposures on borrowings, respectively. The Group does not hold or issue them for speculative purpose. Index futures and commodity futures were entered for the purpose of day trading or capping of the size of their transactions. Index futures were mainly daily trading under limited trading scale. Foreign currency spot contracts were entered into for managing the exposures on foreign currency brokerage transactions. The transaction was conducted with individually counterparties based on the Group's "Position Management Rule."

(2) Nature and Extent of 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 short-term investment securities, operational investment securities, and investment securities, which primarily represent investment in stocks and funds. These assets are held through the Company or certain consolidated subsidiaries (including the consolidated investment funds) of the Company 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 exchange fluctuations.

Securities-related assets consist of trading instruments, margin transaction assets, short-term guarantee deposits and cash segregated as deposits. These assets are exposed to the credit risk and the interest rate risk of the brokerage customers of some of the consolidated subsidiaries, securities financing companies, and financial institutions.

Financing-related assets consist of operational loans receivable, leases receivable and lease investment assets and accounts receivable. These assets include real estate loans for domestic companies and individuals, unsecured personal loans, leases receivable and lease investment assets for operational companies and the receivable arising from the sales of leasing business or credit card business. These assets are exposed to the interest rate risk and credit risk of accounts such as default due to worsening economic conditions with higher credit risk exposure.

Financial liabilities of the Group primarily consist of loans payable, bonds payable and securities-related liabilities. The loans payable of the Group are exposed to liquidity risk from changes in the pricing policy of the financial institutions to the Group. Also, the bonds payable are monitored due to liquidity risk from market conditions or reducing credit rating of the Group.

Securities-related liabilities consist of margin transaction liabilities, loans payable secured by securities on repurchase agreement transactions, guarantee deposits received from margin transactions, and deposits from customers. The financing environment of the security business operated by the Group's certain subsidiaries is affected by the business policy of security financing companies and its investment strategy. The Group exercises control by matching the financing with the related security assets.

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

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

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

(3) *Risk Management System over Financial Instruments*

In order to maintain financial strength and appropriate operational procedures, the Company has risk management policies to identify, analyze and manage the relevant risks integrally. The management policies for credit risk, market risk, and liquidity risk are as follows:

Credit risk management

(a) Accurately analyze financial conditions of investees/debtors and quantity relevant credit risk.

(b) Appropriately manage the Group's own capital and the related risks by periodic monitoring.

(c) Under foreign investments or lending transaction, the Group identifies intrinsic risk of investees/debtors through with domestic/foreign offices as well as overseas partners followed by periodic monitoring.

(d) Recognize investment risk as significant risk to be controlled among various credit risks and perform detailed analysis of fluctuation in risk associated with operational investment securities.

Market risk management

(a) Understand underlying currency and term of assets and quantify market risk.

(b) Appropriately manage the balance between the Group's own capital and its related risk by periodic monitoring.

(c) Never enter into derivative transactions for speculative purposes in absence of established operating rules.

Liquidity risk management

(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.

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

(4) *Fair Values of Financial Instruments*

Fair values of financial instruments are based on quoted market price. If quoted market price is not available, fair values are calculated with valuation techniques which are considered to be reasonable. As the fair value determination takes variable factors into consideration, such fair values may fluctuate by using different assumptions. Please see section "XIV. DERIVATIVE CONTRACTS" for the detail of fair value of derivatives.

2. Fair value of financial instruments

The tables below presents the carrying amounts, the fair value of the financial instruments, and the difference between the carrying amounts and fair value as at 31 March 2011 and 2012.

The tables below do not include assets and liabilities which cannot be measured at fair value due to difficulties in determining fair value (refer to Note2).

	As at 31 March 2011			**As at 31 March 2012**		
	Carrying amount) (millions of Yen)	Fair value (millions of Yen)	Difference (millions of Yen)	**Carrying amount (millions of Yen)**	**Fair Value (millions of Yen)**	**Difference (millions of Yen)**
(1) Cash and deposits	150,268	150,268	—	**146,055**	**146,055**	**—**
(2) Notes and accounts receivable-trade	10,658	10,549	(108)	**11,106**	**11,038**	**(68)**
(3) Leases receivable and lease investment assets	16,166	16,300	134	**13,829**	**13,903**	**73**
(4) Short-term investment securities, operational investment securities and investment securities						
Available-for-sale securities	60,546	60,546	—	**58,918**	**58,918**	**—**
Securities in affiliates	5,068	3,314	(1,753)	**5,165**	**3,417**	**(1,747)**
(5) Cash segregated as deposits	347,865	347,865	—	**663,065**	**663,065**	**—**
(6) Operational loans receivable	27,905			**42,281**		
Allowance for doubtful accounts (*1)	(896)			**(548)**		
	27,009	28,322	1,312	**41,732**	**42,754**	**1,021**
(7) Trading instruments						
Trading securities	222	222	—	**296**	**296**	**—**
(8) Margin transaction assets	250,399	250,399	—	**260,048**	**260,048**	**—**
(9) Short-term guarantee deposits	5,235	5,235	—	**16,800**	**16,800**	**—**
Assets, total	873,441	873,025	(415)	**1,217,019**	**1,216,298**	**(720)**
(1) Short-term loans payable	97,164	97,164	—	**103,915**	**103,915**	**—**
(2) Accrued income taxes	4,574	4,574	—	**4,875**	**4,875**	**—**
(3) Margin transaction liabilities	143,757	143,757	—	**170,800**	**170,800**	**—**
(4) Loans payable secured by securities	61,797	61,797	—	**76,592**	**76,592**	**—**
(5) Guarantee deposits received	309,134	309,134	—	**289,405**	**289,405**	**—**
(6) Deposits from customers	37,819	37,819	—	**347,952**	**347,952**	**—**
(7) Bonds payable (*2)	70,600	70,600	—	**90,540**	**91,038**	**498**
(8) Long-term loans payable (*3)	43,514	43,537	22	**36,654**	**36,491**	**(163)**
Liabilities, total	768,362	768,385	22	**1,120,736**	**1,121,072**	**335**
Derivatives (*4)	2,367	2,367	—	**1,191**	**1,191**	**—**

Notes:

(*1) Includes general reserve and specific reserve for operational loans receivable.

(*2) Includes current-portion of bonds payable.

(*3) Includes current-portion of long term loans payable.

(*4) Receivables and payables arising from derivative transactions are stated at net value in the tables above.

NOTES:

(1) Calculation of fair value of financial instruments, investment securities and derivatives

(a) Assets

(i) (1) Cash and deposits, (5) Cash segregated as deposits, and (9) Short-term guarantee deposits

The fair values are measured at the carrying values as they approximate the carrying values because of their short maturities.

(ii) (2) Notes and accounts receivable—trade

With respect to notes and accounts receivable with short maturities, fair values are measured at the carrying values as they approximate the carrying values.

The fair values of receivables settled over long-term period such as installment sales receivable are measured at the present value of the future cash inflow discounted at the discount rate considering government risk free rates and credit risk rates.

(iii) (3) Leases receivable and lease investment assets

The fair values of leases receivable and lease investment assets are measured at the present value of the future cash inflow discounted at the discount rate considering government risk free rates and credit risk rates.

(iv) (4) Short-term investment securities, operational investment securities and investment securities and (7) Trading instruments

The fair values of equity securities are measured at the quoted market price of the stock exchange. The fair values of bonds are measured at the quoted market price of the stock exchange or the quoted price provided by financial institutions. The fair values of investment trusts are measured at the price quoted by financial institutions. The fair values of investments in funds are measured 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. Unlisted available-for-sale securities held by certain overseas subsidiaries adopting International Financial Reporting Standards are measured at fair value.

(v) (6) Operational loans receivable

The fair values of operational loans receivable are measured at the present value of the future cash inflows, which are classified into different types of receivables and discounted at the rate determined by reference to an appropriate index such as a government bond yield adjusted with relevant credit risk.

As the estimated credit losses are provided based on the individual assessment of recoverability of loans receivable held by certain consolidated subsidiaries with corporate restructuring business, the fair values are measured at the carrying values less allowance for doubtful accounts since they approximate the measured values.

(vi) (8) Margin transaction assets

With respect to receivables from customers of margin transaction assets, the fair values are measured at the carrying value as the interest rates of the loans are floating rate and reflect the market interest rate within a short period so that, unless the borrower's credit condition changes significantly, the fair values are considered to approximate the carrying value.

Of these receivables, the fair values of those without set maturity date due to certain conditions such as the placing of a cap on the amount of loans which does not exceed the value of pledged assets, are measured at the carrying value. Based on the expected repayment term and the terms of interest, the fair values are considered to approximate the carrying values. With respect to cash collateral pledged for securities borrowing on margin transaction, the fair values are measured at the carrying value because of their short maturities.

(b) Liabilities

The fair values of liabilities other than (7) Bonds payable and (8) Long-term loans payable are measured at the carrying values as they approximate the carrying values because of their short maturities.

(i) (7) Bonds payable

With respect to bonds payable with floating interest rates, the fair values are measured at the carrying value as the interest rates of the debt reflect the market interest rate within a short period and as the credit condition of companies that obtained the debt are not expected to change significantly.

With respect to bonds payable with fixed interest rates, the fair values are measured at the present value of the future cash outflows considering remaining periods and discount rate adjusted with credit risks.

With respect to bonds payable with maturity of within one year, the fair values are measured at the carrying values as they approximate the carrying values because of their short maturities.

(ii) (8) Long-term loans payable

With respect to long-term loans payable with floating interest rates, the fair values are measured at the carrying value as the interest rates of the debt reflect the market interest rate within a short period and as the credit conditions of consolidated subsidiaries that obtained the debt are not expected to change significantly.

With respect to long-term loans payable with fixed interest rates, the fair values are measured at the present value of the future cash outflows, where the sum of principal and interest at certain intervals, or the sum of principal and interest determined using interest swap rates for which the special hedge accounting treatment is used, is discounted at the discount rate that may be applicable for similar types of debt.

(c) Derivatives

The information of the fair value for derivatives is included in section “XIV. DERIVARTIVE CONTRACTS”.

(2) **The following securities were stated at cost because the fair values could not be reliably determined. They were excluded from "Assets-(iv) (4) Short-term investment securities, operational investment securities and investment securities" of "Fair value of financial instruments".**

As at 31 March 2011 Classification	Carrying amount (millions of Yen)
Available-for-sale securities	
Non-fair valued equity securities (*1)	82,363
Non-fair valued bonds	
Convertible bonds with stock acquisition rights (*2)	2,200
Investments in funds (*3)	6,032
Stock acquisition rights (*2)	946
Total	91,543
Investments in subsidiaries and affiliates	
Unlisted equity securities (*1)	38,043
Investments in funds (*3)	351
Total	38,395

As at 31 March 2012 **Classification**	**Carrying amount** **(millions of Yen)**
Available-for-sale securities	
Non-fair valued equity securities (*1)	**89,670**
Non-fair valued bonds	
Convertible bonds with stock acquisition rights (*2)	**1,941**
Investments in funds (*3)	**7,161**
Stock acquisition rights (*2)	**943**
Total	**99,716**
Investments in subsidiaries and affiliates	
Unlisted equity securities (*1)	**45,554**
Investments in funds (*3)	**366**
Total	**45,921**

(*1) Unlisted equity securities were excluded from the fair value disclosure as there was no market value and it was extremely difficult to measure the fair value.

(*2) Convertible bonds with stock acquisition rights were excluded from the fair value disclosure as there was no market value and it was extremely difficult to estimate the future cash flow as a basis of fair value.

(*3) Investments in funds whose investments were mainly composed of unlisted equity securities were excluded from the fair value disclosure as it was extremely difficult to measure the fair value of unlisted equity.

(3) Maturity analysis for financial assets and securities with contractual maturities

As at 31 March 2011	Within one year (millions of Yen)	1 to 2 years (millions of Yen)	2 to 3 years (millions of Yen)	3 to 4 years (millions of Yen)	4 to 5 years (millions of Yen)	Over 5 years (millions of Yen)
Cash and deposits	150,268	—	—	—	—	—
Notes and accounts receivable-trade.	9,090	847	394	189	135	0
Short-term investment securities, operational investment securities and investment securities with maturity date						
Debt securities (Corporate bonds)	207	50	1,442	—	—	—
Cash segregated as deposits	347,865	—	—	—	—	—
Operational loans receivable.	18,420	2,538	2,471	773	956	2,744
Margin transaction assets	250,399	—	—	—	—	—
Short-term guarantee deposits	5,235	—	—	—	—	—
Total	781,487	3,436	4,308	963	1,092	2,745

As at 31 March 2012	**Within one year (millions of Yen)**	**1 to 2 years (millions of Yen)**	**2 to 3 years (millions of Yen)**	**3 to 4 years (millions of Yen)**	**4 to 5 years (millions of Yen)**	**Over 5 years (millions of Yen)**
Cash and deposits	146,055	—	—	—	—	—
Notes and accounts receivable-trade.	8,798	989	541	327	168	281
Short-term investment securities, operational investment securities and investment securities with maturity date						
Debt securities (Corporate bonds)	262	276	1,408	—	—	—
Cash segregated as deposits	663,065	—	—	—	—	—
Operational loans receivable	34,350	2,272	1,331	938	896	2,491
Margin transaction assets	260,048	—	—	—	—	—
Short-term guarantee deposits	16,800	—	—	—	—	—
Total	1,129,382	3,538	3,280	1,265	1,064	2,772

(*) Maturities of leases receivable and lease investment assets after balance sheet date are described in the "Notes to lease transactions for consolidated financial statements".

(4) Maturity analysis for long-term loans payable and other interest-bearing debt after balance sheet date

As at 31 March 2011	Within one year (millions of Yen)	1 to 2 years (millions of Yen)	2 to 3 years (millions of Yen)	3 to 4 years (millions of Yen)	4 to 5 years (millions of Yen)	Over 5 years (millions of Yen)
Short-term loans payable	97,164	—	—	—	—	—
Margin transaction liabilities						
Borrowings on margin transactions . . .	70,386	—	—	—	—	—
Bonds payable (including current portion). .	70,060	60	60	60	60	300
Long-term loans payable	12,147	18,315	4,918	1,065	6,700	365
Total	249,758	18,375	4,978	1,125	6,760	665

As at 31 March 2012	**Within one year (millions of Yen)**	**1 to 2 years (millions of Yen)**	**2 to 3 years (millions of Yen)**	**3 to 4 years (millions of Yen)**	**4 to 5 years (millions of Yen)**	**Over 5 years (millions of Yen)**
Short-term loans payable	103,915	—	—	—	—	—
Margin transaction liabilities						
Borrowings on margin transactions . .	76,007	—	—	—	—	—
Bonds payable (including current portion). .	60,060	60	30,060	60	60	240
Long-term loans payable	19,888	2,936	6,161	6,970	697	—
Total	259,871	2,996	36,221	7,030	757	240

XIII. SECURITIES

FOR THE YEAR ENDED 31 MARCH 2011

1. Trading instruments

Valuation losses of ¥14 million were included in income for the year ended 31 March 2011.

2. Available-for-sale securities with fair value

	Type	Carrying amount (millions of Yen)	Acquisition costs (millions of Yen)	Difference (millions of Yen)
Carrying amount exceeds acquisition cost	(1) Equity securities	6,430	4,633	1,797
	(2) Debt securities			
	Corporate bonds	52	50	2
	(3) Others	9,143	5,554	3,588
	Sub-total	15,626	10,238	5,388
Carrying amount does not exceed acquisition cost	(1) Equity securities	104,008	113,662	(9,654)
	(2) Debt securities			
	Corporate bonds	3,851	3,851	—
	(3) Others	28,603	29,333	(730)
	Sub-total	136,463	146,847	(10,384)
	Total	152,090	157,085	(4,995)

3. Available-for-sale securities sold during the year

Securities

	Proceed from sales (millions of Yen)	Gains on sales (millions of Yen)	Losses on sales (millions of Yen)
(1) Equity securities	11,888	6,199	967
(2) Debt securities			
Corporate bonds	6	1	—
Others	—	—	—
(3) Others	—	—	—
Total	11,895	6,200	967

4. Impairment loss on securities

Impairment loss on equity securities of ¥2,174 million (¥1,858 million on available-for-sale securities and ¥315 million on investments in subsidiaries and affiliates) was recorded during the year 2011.

FOR THE YEAR ENDED 31 MARCH 2012

1. Trading instruments

Valuation gains of ¥12 million was included in income for the year ended 31 March 2012.

2. Available-for-sale securities with fair value

	Type	Carrying amount (millions of Yen)	Acquisition costs (millions of Yen)	Difference (millions of Yen)
Carrying amount exceeds acquisition cost	(1) Equity securities	3,835	2,336	1,498
	(2) Debt securities			
	Corporate bonds	50	50	0
	(3) Others	11,731	8,029	3,701
	Sub-total	15,617	10,416	5,200
Carrying amount does not exceed acquisition cost	(1) Equity securities	117,678	119,754	(2,075)
	(2) Debt securities			
	Corporate bonds	3,837	3,838	(1)
	(3) Others	21,501	22,586	(1,084)
	Sub-total	143,017	146,179	(3,162)
	Total	158,634	156,595	2,038

3. Available-for-sale securities sold during the year

Securities

	Proceed from sales (millions of Yen)	Gains on sales (millions of Yen)	Losses on sales (millions of Yen)
(1) Equity securities	30,234	19,648	1,902
(2) Debt securities			
Corporate bonds	664	—	28
Others	—	—	—
(3) Others	848	1	—
Total	31,748	19,649	1,931

4. Impairment loss on securities

Impairment loss on equity securities of ¥4,032 million (¥4,032 million on available-for-sale securities) was recorded during the year 2012.

XIV. DERIVATIVE CONTRACTS

AS AT 31 MARCH 2011 AND 2012

1. Derivatives not subject to hedge accounting policy

(1)Foreign currency related

		As at 31 March 2011			
Type	Transaction	Contractual amounts (millions of Yen)	Over 1 year (millions of Yen)	Fair value (millions of Yen)	Valuation gains(losses) (millions of Yen)
Transactions outside market	Foreign currency forward contracts				
	Short	85	—	(0)	(0)
	Long	91	—	(0)	(0)
	Foreign currency spot contracts				
	Short	187,335	—	73	73
	Long	184,683	—	2,294	2,294
	Total	—	—	2,367	2,367

Type	Transaction	As at 31 March 2012 Contractual amounts (millions of Yen)	Over 1 year (millions of Yen)	Fair value (millions of Yen)	Valuation gains(losses) (millions of Yen)
Transactions outside market	Foreign currency forward contracts				
	Short	59	—	0	0
	Long	138	—	(0)	(0)
	Foreign currency spot contracts				
	Short	276,916	—	(226)	(226)
	Long	275,697	—	1,422	1,422
	Total	—	—	1,195	1,195

Fair value of foreign currency forward contract was stated based on future exchange rate at balance sheet date, whereas fair value of foreign currency spot contracts was based on spot rate at the balance sheet date.

(2)Securities related

Type	Transaction	As at 31 March 2011 Contractual amounts (millions of Yen)	Over 1 year (millions of Yen)	Fair value (millions of Yen)	Valuation gains(losses) (millions of Yen)
Market transactions	Index futures Short	68	—	(0)	(0)

Type	Transaction	As at 31 March 2012 Contractual amounts (millions of Yen)	Over 1 year (millions of Yen)	Fair value (millions of Yen)	Valuation gains(losses) (millions of Yen)
Market transactions	Index futures Short	4	—	1	1
Transactions outside market	Option transaction Long	27	—	7	7
	Total	—	—	9	9

Fair value of index futures was based on market closing price at the balance sheet date in each stock market.

2. Derivatives subject to hedge accounting

Hedge accounting method	Transaction	Hedged balance	As at 31 March 2011 Contract amounts (millions of Yen)	Over 1 year (millions of Yen)	Fair value (millions of Yen)
Deferred method of interest rate swap	Interest rate swaps Variable receipt fixed payment	Bonds payable	600	540	(14)
Interest rate swap	Interest rate swaps Variable receipt fixed payment	Long-term loans payable	5,480	3,460	(Note 2)

Hedge accounting method	**Transaction**	**Hedged balance**	**As at 31 March 2012 Contract amounts (millions of Yen)**	**Over 1 year (millions of Yen)**	**Fair value (millions of Yen)**
Deferred method of interest rate swap	Interest rate swaps Variable receipt fixed payment	Bonds payable	540	480	(13)
Interest rate swap	Interest rate swaps Variable receipt fixed payment	Long-term loans payable	6,660	4,268	(Note 2)

Note: 1. Fair values were measured at the quoted market price of the stock exchange or the quoted market price provided by financial institutions.

2. For certain loans payable for which interest rate swaps were used to hedge the interest-rate fluctuations, the fair values of derivative financial instruments were included in the fair value of loans payable as hedged items.

XV. RETIREMENT BENEFITS

The Group has a contributory funded defined benefit pension plan and a defined contribution pension plan. Certain of the Group's domestic consolidated subsidiaries have tax-qualified plan, non-contributory funded defined pension plan and either a contributory funded defined benefit pension plan or a defined contribution pension plan for the employee's retirement plan.

1. Detail of the multi-employer plans for which the required contribution amounts were expensed as incurred (latest information)

(a) Total pension funding status:

Kanto IT Software Health Insurance Society

	As at 31 March	
	2010	**2011**
	(millions of Yen)	**(millions of Yen)**
Plan assets	161,054	**171,944**
Benefit Obligation	159,998	**172,108**
Difference	1,055	**(163)**

(Note) The latest available information one year before the closing date is presented above.

(b) The percentage of participants of the Group to above pension plan:

	(As at 31 March 2010)	**(As at 31 March 2011)**
Kanto IT Software Health Insurance Society.	1.10%	**1.23%**

(Note) The latest available information one year before the closing date is presented above.

2. Liability for employees' retirement benefits

The following is related to the defined benefit pension plan and tax qualified pension plan for certain domestic consolidated subsidiaries.

	As at 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
(a) Projected benefit obligations	(118)	(19)
(b) Fair value of plan assets	48	2
(c) Provision for retirement benefits ((a) + (b))	(69)	(16)

3. Retirement benefit expense

	Year ended 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Contribution to pension funds *(Note 1)*. .	122	**131**
Service cost *(Note 2)*	41	**12**
Contributions to the defined		
Contribution pension plan *(Note3)*	292	**303**
Total	456	**447**

Notes:

(1) Contribution amounted to multi-employer pension funds.

(2) Retirement benefit expense of certain domestic consolidated subsidiaries which applied compendium method.

(3) Contribution to the defined benefit pension plan and prepayment to pension plan.

4. Basis for calculation of retirement benefit obligation

Certain domestic subsidiaries, which apply either defined benefit pension plan or tax-qualified pension plan, use simplified method for the calculation of retirement obligation.

XVI. STOCK OPTION PLAN

Outlines and details of stock option plan

Stock Option	Number of Options Outstanding	Date of Grant	Exercise Price	Exercise Period
2001 Stock Option	—	2002.2.1	¥19,117 *1	From 20 December 2003 to 19 December 2011
2002 Stock Option (1)	12,427.44 shares	2002.12.20	¥5,502 *1	From 20 December 2004 to 19 December 2012
2003 Stock Option (1)	21,025.04 shares	2003.9.25	¥16,436 *1	From 20 December 2004 to 19 December 2012
2003 Stock Option (2)	59,137.81 shares	2003.9.25	¥16,436 *1	From 24 June 2005 to 23 June 2013
2003 Stock Option (3)	16,618.77 shares	2003.10.23	¥25,422 *1	From 24 June 2005 to 23 June 2013
2005 Stock Option (1)	22,984 shares	2005.7.28	¥32,246 *1	From 28 July 2005 to 29 June 2013

*1 Due to the new stock issuance through offering of Hong Kong Depositary Receipts, the exercise price and the number of objective stock were adjusted.

Stock Options Assumed by the Company due to Mergers and Acquisitions

Stock Option	Number of Options Outstanding	Date of Grant	Exercise Price	Exercise Period
E*TRADE Japan K.K. Stock Option	49,657.86 shares	2002.7.1	¥11,104 *1	From 21 June 2004 to 20 June 2012
SBI HOME Planner Co., LTD. 2003 Stock Option	535.86 shares	2004.4.15	¥20,170 *1	From 28 June 2005 to 27 June 2013
SBI Partners Co., Inc. 2005 Stock Option	596.20 shares	2005.11.29	¥34,080 *1	From 1 December 2005 to 31 October 2013
FINANCE ALL CORPORATION 2002 Stock Option	1,840 shares	2002.9.25	¥4,465	From 25 September 2004 to 24 September 2012
FINANCE ALL CORPORATION 2003 Stock Option	5,080 shares	2003.8.2	¥4,465	From 2 August 2005 to 1 August 2013
WORLD NICHIEI Securities Co., LTD. 2003 Stock Option	172.50 shares	2003.7.15	¥15,989 *1	From 1 July 2005 to 26 June 2013
WORLD NICHIEI FRONTIER Securities Co., LTD. 2004 Stock Option	18,667.95 shares	2004.6.29	¥46,122 *1	From 30 June 2006 to 29 June 2014
WORLD NICHIEI FRONTIER Securities Co., LTD. 2004 Stock Option	34.50 shares	2004.12.22	¥29,338*1	From 30 June 2006 to 29 June 2014
SBI Securities Co., Ltd. 2005 Stock Option	18,211.40 shares	2005.7.4	¥43,164*1	From 30 June 2007 to 29 June 2015
SBIH (3) Stock Option	13,432.77 shares	2008.8.1	¥44,388*1	From 1 August 2008 to 23 June 2013
SBIH (4) Stock Option	1,666.08 shares	2008.8.1	¥51,954*1	From 1 August 2008 to 23 June 2013
Total	242,088.18 shares			

*1 Due to the new stock issuance through offering of Hong Kong Depositary Receipts, the exercise price is adjusted.

Stock Options Issued by Consolidated Subsidiaries

Stock Option	Number of Options Outstanding (Non-vested)	Date of Grant	Exercise Price	Exercise Period
SBI Mortgage Co., Ltd.				
Stock Option (1)	47,000 shares (47,000 shares)	2005.5.25	¥750*2	From 26 May 2007 to 25 May 2015
SBI Life Living Co., Ltd.				
Stock Option (2)	19 shares	2005.8.29	¥100,000	From 30 August 2007 to 29 August 2015
Stock Option (3)	960 shares	2008.6.1	¥270,834	From 1 June 2008 to 31 March 2013 *3
Total	979 shares			
SBI Biotech Co., Ltd.				
Stock Option (1)	620 shares (620 shares)	2002.10.15	¥5,000	30 months after 6 months passed from the IPO
Stock Option (2)	536 shares (536 shares)	2002.10.15	¥5,000	From 15 October 2004 to 31 August 2012
Stock Option (5)	90 shares (90 shares)	2005.9.28	¥175,000	From 29 September 2005 to 30 August 2015
Total	1,246 shares (1,246 shares)			
SBI VeriTrans Co., Ltd.				
2004 Stock Option	—	2004.2.13	¥5,741	From 13 February 2006 to 12 February 2014
Morningstar Japan K.K.				
2003 Stock Option (1)	2,368 shares	2003.11.5	¥57,500	From 20 March 2005 to 19 March 2013
2006 Stock Option (2)	250 shares	2006.4.21	¥133,500	From 24 March 2008 to 23 March 2016
Total	2,618 shares			

*2 The exercise price is adjusted to those after 1 for 10 stock split as at June 30 2011.
*3 The exercise period is adjusted to 31 March 2016 in accordance with the board resolution on 22 June 2012.

Stock Option	Number of Options Outstanding (Non-vested)	Date of Grant	Exercise Price	Exercise Period
Gomez Consulting Co., Ltd.				
2003 Stock Option	—	2003.3.15	¥44,250	From 15 March 2005 to 14 March 2013
2005 Stock Option	—	2005.6.15	¥100,000	From 3 June 2007 to 2 June 2015
Total	—			
HOMEOSTYLE, Inc. *4				
Warrant (1)	—	2002.4.5	¥9,636	From 1 June 2002 to 12 March 2012
Warrant (2)	—	2004.8.24	¥9,636	From 1 June 2002 to 12 March 2012
TK International Co., Ltd. Stock Option (the stock option which was taken over by HOMEOSTYLE, Inc. due to the M&A)	—	2004.7.2	¥11,903	From 6 July 2006 to 30 June 2014
Stock Option (3)	—	2005.2.28	¥16,000	From 1 March 2007 to 24 February 2015
Stock Option (4)	—	2006.3.31	¥19,000	From 1 April 2008 to 25 March 2016
Total	—			

*4 All the shares of HOMEOSTYLE, Inc. held by the Company have been sold during the year ended 31 March 2012.

Stock Option	Number of Options Outstanding (Non-vested)	Date of Grant	Exercise Price	Exercise Period
Autoc one K.K.				
Stock Option (1)	5,850 shares (5,850 shares)	2002.12.27	¥10,000	From 1 November 2004 to 30 September 2012
Stock Option (3)	1,200 shares (1,200 shares)	2004.10.29	¥50,000	From 1 August 2006 to 31 May 2014
Stock Option (4)	200 shares (200 shares)	2005.2.25	¥50,000	From 1 August 2006 to 31 May 2014
Stock Option (5)	100 shares (100 shares)	2005.4.20	¥50,000	From 1 August 2006 to 31 May 2014
Stock Option (6)	50 shares (50 shares)	2005.4.20	¥50,000	From 1 August 2006 to 31 May 2014
Stock Option (7)	990 shares (990 shares)	2006.4.20	¥50,000	From 28 June 2007 to 27 June 2015
Stock Option (8)	10 shares (10 shares)	2008.3.28	¥60,000	From 29 June, 2010 to 28 June 2017
Total	8,400 shares (8,400 shares)			
SBI Trade Win Tech Co., Ltd.				
Warrant (2)	1,000 shares (1,000 shares)	2000.10.20	¥50,000	From 1 January 2001 to 16 April 2012
Warrant (3)	320 shares (320 shares)	2002.4.17	¥460,000	From 18 April 2002 to 16 April 2012
Total	1,320 shares (1,320 shares)			
Shinsai Partners Inc.,				
Stock Option (1)	674 shares (674 shares)	2006.8.1	¥50,000	From 2 August 2008 to 15 July 2016
Stock Option (2)	20 shares (20 shares)	2006.9.30	¥50,000	From 1 October 2008 to 15 July 2016
Stock Option(3)	90 shares (90 shares)	2006.9.30	¥50,000	From 1 October 2008 to 18 September 2016
Total	784 shares (784 shares)			

The stock option activity for the years ended 31 March 2011 and 2012 is as follows:

	SBI Holdings, Inc.	SBI Mortgage Co., Ltd.	SBI Life Living Co., Ltd.	SBI Biotech Co., Ltd.
				(Shares)
Year Ended 31 March 2011				
Non-vested:				
31 March 2010—outstanding		47,000*2		1,246
Granted				
Cancelled				
Vested				
31 March 2011—outstanding		47,000*2		1,246
Vested:				
31 March 2010—outstanding	320,323.77		979	
Vested				
Exercised	49,737.50			
Cancelled	16,668.03			
31 March 2011—outstanding	253,918.24		979	
Year Ended 31 March 2012				
Non-vested:				
31 March 2011—outstanding		47,000*2		1,246
Granted				
Cancelled				
Vested				
31 March 2012—outstanding		47,000*2		1,246
Vested:				
31 March 2011—outstanding	257,322.34*1		979	
Vested				
Exercised	360			
Cancelled	14,874.16			
31 March 2012—outstanding	242,088.18		979	

*1 Due to the new stock issuance through offering of Hong Kong Depositary Receipts, the number of objective stock were adjusted, therefore, the adjustments were reflected in the number of beginning balance of period ended 31 March 2012.
*2 The number of options outstanding is adjusted to that after 1 for 10 stock split as at June 30 2011.

	SBI VeriTrans Co., Ltd.	Morningstar Japan K.K.	Gomez Consulting Co., Ltd.	HOMEO STYLE, Inc.*3
				(Shares)
Year Ended 31 March 2011				
Non-vested:				
31 March 2010—outstanding				18,864
Granted				
Cancelled				607
Vested				
31 March 2011—outstanding				18,257
Vested:				
31 March 2010—outstanding	516	2,954	704	
Vested				
Exercised	180		370	
Cancelled		336		
31 March 2011—outstanding	336	2,618	334	
Year Ended 31 March 2012				
Non-vested:				
31 March 2011—outstanding				18,257
Granted				
Cancelled				1,107
Vested				
31 March 2012—outstanding				—*3
Vested:				
31 March 2011—outstanding	336	2,618	334	
Vested				
Exercised	336		40	
Cancelled			294	
31 March 2012—outstanding	—	2,618	—	

*3 All the shares of HOMEOSTYLE, Inc. held by the Company have been sold during the year ended 31 March 2012.

	Autoc one K.K.	SBI Trade Win Tech Co., Ltd.	Shinsai Partners Inc., *4
			(Shares)
Year Ended 31 March, 2011			
Non-vested:			
31 March 2010—outstanding	8,800	1,320	
Granted			
Cancelled	320		
Vested			
31 March 2011—outstanding	8,480	1,320	
Vested:			
31 March 2010—outstanding			
Vested			
Exercised			
Cancelled			
31 March 2011—outstanding			
Year Ended 31 March 2012			
Non-vested:			
31 March 2011—outstanding	8,480	1,320	—
Granted			
Cancelled	80		
Vested			
31 March 2012—outstanding	8,400	1,320	784*4
Vested:			
31 March 2011—outstanding			
Vested			
Exercised			
Cancelled			
31 March 2012—outstanding			

*4 Shinsai Partners Inc., has been included in the scope of consolidation from the year ended 31 March 2012.

XVII. NOTES TO INCOME TAXES

1. Major components of the deferred tax assets and liabilities

	Year ended 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Deferred tax assets – Current		
Losses on valuation of investment securities (current assets)	2,807	**1,305**
Provision of allowance for investment losses (current assets)	1,809	**1,094**
Tax loss carried forward	1,523	**3,296**
Accrued enterprise taxes	471	**457**
Elimination of unrealized profit	8,550	**2,406**
Others	459	**2,159**
Subtotal	15,622	**10,720**
Valuation allowance	(1,284)	**(1,623)**
Total deferred tax assets - Current	14,337	**9,097**
Deferred tax assets (investment and other assets)		
Tax loss carried forward	16,644	**17,337**
Provision of allowance for doubtful accounts	1,799	**1,733**
Losses on valuation of investment securities (non-current assets)	4,034	**3,433**
Statutory reserve for financial products transaction liabilities	2,209	**1,931**
Elimination of unrealized profit.	743	**8,302**
Others	1,985	**2,282**
Subtotal	27,415	**35,021**
Valuation allowance	(13,837)	**(19,455)**
Total deferred tax assets (investment and other assets)	13,578	**15,566**
Total deferred tax assets	27,916	**24,663**
Deferred tax liabilities — Current		
Unrealized gains on available-for-sale securities.	(3,313)	**(1,719)**
Total deferred tax liabilities — Current	(3,313)	**(1,719)**
Deferred tax liabilities — Non-current		
Unrealized gains on available-for-sale securities.	(998)	**(345)**
Others	(173)	**(119)**
Total deferred tax liabilities — Non-current	(1,172)	**(464)**
Total deferred tax liabilities	(4,486)	**(2,184)**
Net deferred tax assets	23,429	**22,479**

2. Reconciliation between the normal effective statutory tax rate and the actual effective tax rate

	Year ended 31 March	
	2011	**2012**
Normal effective tax rate	40.69%	**40.69%**
Expenses not deductible for income taxes purpose (Entertainment expenses, etc.)	1.49%	**3.03%**
Amortization of goodwill	64.17%	**18.24%**
Minority interests in fund, etc	(39.43)%	**(7.46)%**
Income of the equity method	(1.23)%	**(5.90)%**
Consolidated adjustments of loss on sale of consolidated subsidiaries	(33.05)%	**(6.80)%**
Change in valuation allowance	96.03%	**10.53%**
Decrease of net deferred tax assets due to the change of future tax rate	—	**12.88%**
Others - net	1.93%	**2.70%**
Actual effective tax rate	130.60%	**67.91%**

3. Impact from the change of income tax rate

"Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No.114 of 2011) and "Act on Special Measures for Securing the Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011) were newly promulgated on 2 December 2011. These reform acts reduce the effective tax rate used for the calculation of deferred tax assets and liabilities from 40.69% to 38.01% and 35.64% for those temporary differences expected to reverse within the three fiscal years beginning on or after 1 April 2012 and for the fiscal years beginning on or after 1 April 2015, respectively. The Tax Reform also set a ceiling on annual deduction for unused tax carry-forward losses to 80% of annual taxable income for the consolidated fiscal years beginning on or after 1 April 2012.
These changes lead to a decrease in net deferred tax assets by ¥2,265 million and an increase in income tax deferred by ¥2,260 million.

XVIII. BUSINESS COMBINATIONS

FOR THE YEAR ENDED 31 MARCH 2012

Transaction under common control

Additional acquisition of stocks of SBI Net Systems Co., Ltd. (to becoming wholly owned subsidiary through share exchange)

1. Overview of the transaction

(i) Name and business of the targeted company

Name of the targeted company: SBI Net Systems Co., Ltd.

Business nature: System development

(ii) Date of the business combination

1 February 2012

(iii) Details of legal form

SBI Net Systems Co., Ltd. will become wholly owned subsidiary of the Company after the business combination through a stock exchange.

(iv) Company's name after business combination

No change occurred to the name of the company.

(v) Objective and outline of the transaction

After SBI Net Systems Co., Ltd. becoming wholly owned subsidiary, the Group could highly improve the effectiveness and efficiency of its operation both domestically and overseas through integration of the subsidiary's know-how on system development. The share exchange was implemented as the business combination is believed to bring synergy in intensifying the Group's profitability and maximizing value of the whole group, so that all the share holders, clients and business partners would benefit.

2. Applied accounting standard

The transaction was treated as business combination under common control in accordance with Accounting Standard for Business Divestitures (ASBJ Statement No.21, 26 December 2008) and Guidance on Accounting Standard for Business Combination and Divestitures (ASBJ Guidance No.10, 26 December 2008).

3. Additional acquisition of stocks of subsidiary

(i) Consideration and details

Consideration of acquisition	The Company's common shares	¥592million
Direct acquisition cost . . .	Advisory fee	¥2million
Total consideration.		¥594million

(ii) Share exchange ratio according to stock types, its computation basis, granted stocks, and those valuations

Share exchange ratio	Type of shares: Common shares The Company 1: SBI Net Systems 1.25
Computation basis	The valuations were conducted by KPMG FAS Co., Ltd. on the Company's side and conducted by HIBIYA & Co. on SBI Net Systems Co., Ltd.'s side as independent source for share exchange. Share exchange ratio was determined based on the valuation reports from both parties.
Exchanged shares	149,330 shares (the Company allotted 74,621 shares of treasury stocks it owns and newly issued shares for the rest)

(iii) Amount of goodwill recognized, reason of its occurrence, and amortization method and period

Amount of goodwill recognized	¥424 million
Reason of occurrence	The Company recorded the difference between the consideration and decreasing amount of minority interests as a goodwill.
Amortization method and period	Amortized over 20 years by using straight-line method

Business transfer

Sale of Shares of SBI VeriTrans

(1) Summary of business transfer

(i) Name of the company to which the Company sold investments

Wheel, Inc. (Consolidated subsidiary of Digital Garage Inc.)

(ii) Business of company to which the Company sold investments

Settlement services, etc.

(iii) Date of business transfer

30 March 2012

(iv) Reason of business transfer

A main business segment of Digital Garage Inc. and its consolidated subsidiary (hereinafter referred to as "Digital Garage Group") is the integration of advertising/promotion functions with settlement services. In order for Digital Garage Group to further expand this core business (settlement function), the Group realized that the best option was to make SBI VeriTrans Co., Ltd. (which has an expanding settlement service business both in Japan and rest of Asia), one of its subsidiaries, thus the Group transferred all its interest in SBI VeriTrans Co., Ltd. to Digital Garage Group.

(v) Other matters including legal structure of business separation

Transfer of shares by cash as consideration

(2) Summary of accounting treatment

(i) Gains or Losses on business transfer

Gains on sales of investment securities is ¥ 8,618 million.

(ii) Assets and liabilities in relation to the business transfer are as follows:

	(millions of Yen)
Current assets	9,139
Non-current assets	970
Total assets	10,110
Current liabilities	7,225
Non-current liabilities	11
Total liabilities	7,237

(iii) Reportable segment including business separated:

Financial service business

(iv) The approximate estimated amount of gain and loss recorded in the consolidated statements of operations of the current fiscal year related to the transferred business are as follows:

Net Sales (millions of Yen)	7,069
Ordinary income (millions of Yen)	895

XIX. SEGMENT INFORMATION

1. Overview of reportable segments

Separate financial information of the Group's components is available and reviewed regularly by the board of directors for the purposes of allocation of financial resources and performance evaluation.

The Group engages in a wide range of business activities, mainly the financial service business. Based on the similarities of economic characteristics of business or nature of services, "Asset Management Business", "Brokerage and Investment Banking Business", "Financial Services Business", "Housing and Real Estate Business" are determined as reportable segments.

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

"Brokerage and Investment Banking Business" primarily consists of financial businesses, such as trustee of securities trading, underwriting and offering for sale of IPO shares, offering for subscription or sale of stocks, foreign currency spot contracts, and other financial instrument trading business.

"Financial Services Business" primarily consists of financial-related businesses, such as property and casualty insurance business, credit card business and the provision of information regarding financial products.

"Housing and Real Estate Business" primarily consists of developing and trading of investment property, financing business related to the granting of mortgage loans, operating web sites related to the provision of intermediate service, comparison and real estate appraisal service.

2. Measurement of reportable segment profits or losses and segment assets

The accounting treatment of reportable segments is same as adopted in preparation of consolidated financial statements.

The segment income is based on operating income. The inter-segment revenue and amounts of transferring to other accounts are based on market price.

3. Information about reportable segments

Year ended 31 March 2011	Reportable segment: Asset Management Business	Reportable segment: Brokerage & Investment Banking Business	Reportable segment: Financial Services Business	Reportable segment: Housing and Real Estate Business	Sub-total	Others (Note)	Total
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
Net Sales							
Revenue from customers	30,699	45,374	28,364	23,464	127,903	13,178	141,081
Inter-segment revenue	1	2,498	2,165	3	4,669	2,453	7,122
Total	30,701	47,873	30,530	23,467	132,573	15,631	148,204
Segment operating income (loss)	9,577	6,123	(536)	3,370	18,534	(1,832)	16,702
Segment assets	222,364	909,176	122,716	104,821	1,359,078	16,793	1,375,872
Other items							
Depreciation	50	2,734	1,277	439	4,502	479	4,982
Amortization of goodwill	274	5,851	526	728	7,381	508	7,889
Investment in subsidiaries and affiliates applying equity-method	4,146	2,062	25,661	—	31,870	238	32,109
Increase in property and equipment, intangible assets	685	3,196	4,020	538	8,440	482	8,923

Note: Business segments classified into "Others" are segment not determined as reportable segments which consist of system-related business, drug-discovery business and garment business.

Year ended 31 March 2012	**Reportable segment: Asset Management Business**	**Reportable segment: Brokerage & Investment Banking Business**	**Reportable segment: Financial Services Business**	**Reportable segment: Housing and Real Estate Business**	**Sub-total**	**Others (Note)**	**Total**
	(millions of Yen)	**(millions of Yen)**	**(millions of Yen)**	**(millions of Yen)**	**(millions of Yen)**	**(millions of Yen)**	**(millions of Yen)**
Net Sales							
Revenue from customers	34,566	41,485	41,001	22,463	139,517	5,557	145,074
Inter-segment revenue	0	2,297	2,352	2	4,652	3,142	7,794
Total	34,566	43,783	43,354	22,466	144,169	8,699	152,869
Segment operating income (loss)	14,183	3,607	(2,640)	3,383	18,533	(3,348)	15,185
Segment assets	244,449	1,220,172	133,623	118,400	1,716,646	20,429	1,737,075
Other items							
Depreciation	54	3,464	1,444	587	5,550	559	6,109
Amortization of goodwill	251	5,851	517	741	7,361	505	7,866
Investment in subsidiaries and affiliates applying equity-method	4,623	4,829	30,671	—	40,124	121	40,246
Increase in property and equipment, intangible assets	61	4,043	3,882	601	8,588	7,302	15,890

Note: Business segments classified into "Others" are segment not determined as reportable segments which consist of system-related business and drug-discovery business.

4. Reconciliation of the differences between the total amount of reportable segments and the total amount recorded in the consolidated financial statements:

Net sales	For the year ended 31 March 2011 (millions of Yen)	**2012 (millions of Yen)**
Total of reportable segments	132,573	**144,169**
Net sales of "Others"	15,631	**8,699**
Elimination among segments	(7,122)	**(7,794)**
Net sales of consolidated financial statements	141,081	**145,074**

Operating income	For the year ended 31 March 2011 (millions of Yen)	**2012 (millions of Yen)**
Total of reportable segments	18,534	**18,533**
Losses of "Others"	(1,832)	**(3,348)**
Elimination among segments	(1,765)	**(1,728)**
Headquarters expenses (Note)	(6,004)	**(5,881)**
Operating income of consolidated financial statements	8,932	**7,575**

Note: Headquarters expenses are general administrative expenses which are not attributable to reportable segments.

Assets	For the year ended 31 March 2011 (millions of Yen)	**2012 (millions of Yen)**
Total of reportable segments	1,359,078	**1,716,646**
Assets of "Others"	16,793	**20,429**
Elimination among segments	(94,348)	**(90,694)**
Headquarters assets (Note)	12,082	**17,433**
Assets of consolidated financial statements	1,293,606	**1,663,814**

Note: Headquarters assets are principally cash and deposits.

Other items	2011 (millions of Yen) Total of reportable segment	Others	Amount of adjustment	Total of consolidated financial statements	**2012 (millions of Yen) Total of reportable segment**	**Others**	**Amount of adjustment**	**Total of consolidated financial statements**
Depreciation	4,502	479	399	5,381	**5,550**	**559**	**346**	**6,456**
Amortization of goodwill	7,381	508	—	7,889	**7,361**	**505**	**—**	**7,866**
Investment in subsidiaries and affiliates applying equity-method	31,870	238	—	32,109	**40,124**	**121**	**—**	**40,246**
Increase in property and equipment, intangible assets	8,440	482	202	9,125	**8,588**	**7,302**	**832**	**16,723**

For the year ended 31 March

5. Impairment losses in each reportable segment for the year ended 31 March :

Impairment losses	2011 millions of Yen	**2012 millions of Yen**
Asset Management Business	—	**—**
Brokerage & Investment Banking Business	350	**—**
Financial Services Business	150	**105**
Housing and Real Estate Business	—	**128**
Others (Note)	360	**—**
Headquarters expenses and elimination among segments	—	**—**
Total	861	**233**

Note: “Others” consists of health care related business.

6. Balance of goodwill in each segment as at 31 March :

Goodwill	2011 millions of Yen	**2012 millions of Yen**
Asset Management Business	4,603	**4,342**
Brokerage & Investment Banking Business	97,878	**91,777**
Financial Services Business	6,144	**6,087**
Housing and Real Estate Business	10,953	**10,629**
Others (Note)	6,717	**9,574**
Headquarters expenses and elimination among segments	—	**—**
Total	126,297	**122,410**

Note: “Others” consists of system-related business, drug-discovery business and garment business.

7. Geographical information

(1) Net sales

FOR THE YEAR ENDED 31 MARCH 2011

Japan	Asia	Others	Total
(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
117,237	22,984	859	141,081

Note: Net sales were classified into countries or regions according to customer location.

FOR THE YEAR ENDED 31 MARCH 2012

Net sales of the Company and consolidated domestic subsidiaries exceeded 90% of the total net sales for the year ended 31 March 2012. Therefore, geographical information regarding net sales for the year ended 31 March 2012 is not presented herein.

(2) Property and equipment

Property and equipment of the Company and consolidated domestic subsidiaries exceeded 90% of the total assets as at 31 March 2011 and 2012, respectively in the consolidated balance sheet. Therefore, geographical segment information is not presented herein.

8. Information of major customers

There was no major customer which accounted for more than 10% of the total net sales.

XX. RELATED PARTY TRANSACTIONS

1. Transactions with the executives and main individual shareholders of the Group

FOR THE YEAR ENDED 31 MARCH 2011

Type	Name	Address	Capital (millions of Yen)	Business or position	Ownership (%)	Transaction description	Contents	Amounts (millions of Yen)	Account name	Balance (millions of Yen)
Director	Yoshitaka Kitao	—	—	The Company's Representative director and CEO	(Ownership by the related party) Direct1.6	Sales of equity securities	Sales of investment securities	999	—	—

Note: Terms of transactions and policy for the terms

(1) The sales price was determined in consideration of the price of transaction with independent third party. The payment term was cash disbursement at one time.

FOR THE YEAR ENDED 31 MARCH 2012

There was no transaction occurred with the executives and main individual shareholders of the Group in the year ended 31 March 2012.

2. Significant affiliate information

Summarized financial information of SBI Sumishin Net Bank, Ltd. which was a significant affiliate for the years ended 31 March 2011 and 2012 is as follows:

	As at 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Total assets	1,696,189	**2,378,386**
Total liabilities	1,654,961	**2,334,983**
Net assets	41,227	**43,403**
Ordinary income	29,054	**34,616**
Income before income taxes	3,534	**5,611**
Net income	3,528	**5,165**

XXI. NOTES TO PER SHARE INFORMATION

	Year ended 31 March	
	2011	**2012**
	(Yen)	**(Yen)**
Net assets per share	19,610.64	**18,489.18**
Net income per share	236.09	**145.58**
Diluted net income per share	225.74	**140.64**

Notes:

1. Basis of calculation of the net assets per share

	Year ended 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Total net assets	456,982	**468,579**
- Stock acquisition rights	(11)	**(10)**
- Minority interest	(66,142)	**(61,636)**
Total deducted amount from net asset	(66,154)	**(61,646)**
Net assets attributable to common shareholders at the end of the year	390,828	**406,932**
The number of common shares outstanding at the end of the year	19,929,397	**22,009,210**

2. Basis of calculation for the net income (loss) and diluted net income per share

	Year ended 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Net income per share		
Net income for the year	4,534	**3,200**
Net income not attributable to common shareholders	—	**—**
Net income attributable to common shareholders	4,534	**3,200**
Average number of common shares outstanding during the year	19,207,974	**21,986,056**
Diluted net income per share		
Adjustment on net income for the year	(194)	**(107)**
Effect of dilutive shares issued by consolidated subsidiaries	(194)	**(107)**
Increased number of common shares	20,501	**5,247**
Increased by exercising acquisition right	20,501	**5,247**

3. Overview of stocks with potential dilutive effect excluded from the calculation

For the year ended 31 March 2011: Stock acquisition right issued by the stock option plan (Potential shares: 184,464 shares)
For the year ended 31 March 2012: Stock acquisition right issued by the stock option plan (Potential shares: 222,740 shares)

XXII. INFORMATION FOR THE SCOPE OF CONSOLIDATION

FOR THE YEAR ENDED 31 MARCH 2012

(1) Number of consolidated subsidiaries: 118

Name of main consolidated subsidiaries are listed in Section of Corporate Profile, "3. SUBSIDIARIES AND AFFILIATES".

As compared with the year ended 31 March 2011, there were 29 additions to and 23 exclusions from the scope of consolidation.

- Additions - 20 entities were newly established or acquired
  - SBI China Co., Ltd.
  - SBI-R&D Investment LPS
  - SBI PHOENIX No.1 Investment LPS
  - SBI Value Up Fund No.2 Investment Limited Partnership
  - Shinsai Partners Inc. and 15 other entities
- Additions - 9 entities were newly consolidated due to the increased significance of respective entities
  - SBI Hong Kong Holdings Co., Limited (SBI Hong Kong Co., Limited changed its name to SBI Hong Kong Holdings Co., Limited on 9 March 2012.)
  - SBI Royal Securities Plc. (SBI Phnom Penh Securities Co., Ltd. changed its name to SBI Phnom Penh Securities Plc. on 17 November 2011, and changed its name to SBI Royal Securities Plc. on 16 January 2012.)
  - SBI Fund Bank Co., Ltd.
  - SBI Remit Co., Ltd. and 5 other entities
- Exclusions - 10 entities were deconsolidated due to mergers including:
  - SBI Property Advisors Co., Ltd. and 9 other entities
- Exclusions - 10 entities were deconsolidated due to share sales including:
  - SBI VeriTrans Co., Ltd.
  - HOMEOSTYLE Inc. and 8 other entities
- Exclusions - 3 entities were deconsolidated due to liquidations including:
  - SBI Mezzanine Fund No1 LIMITED PARTNERSHIP and 2 other entities

(2) Name of main non-consolidated subsidiaries and basis for exclusion from scope of consolidation

- Name of main non-consolidated subsidiaries:
  - Searchina Co., Ltd.
- Basis for exclusion from scope of consolidation

  Small size entities of which total assets, sales, and proportional share of net income and retained earnings are considered to be immaterial are excluded from consolidation.

(3) Name and number of entities not classified as subsidiaries despite the ownership of 50 percent or more of the voting power of the investees (venture capital investments) and basis for exclusion from scope of consolidation:

- Name of the entities:
  - NARUMIYA INTERNATIONAL Co., Ltd. and 4 other entities.
- Basis for exclusion from scope of consolidation

  These investments were made with purpose of fostering the venture capital portfolio companies and the Group has no intention to control the entities.

XXIII. INFORMATION FOR THE SCOPE OF EQUITY METHOD APPLICATION

FOR THE YEAR ENDED 31 MARCH 2012

(1) Number of non-consolidated subsidiaries subject to equity method: 1

Name of the entity:

- SBI Japannext Co., Ltd.

(2) Number of affiliates accounted for using equity method: 20

Name of main entities:

- SBI Sumishin Net Bank, Ltd.
- SOLXYZ Co., Ltd.
- SBI Investment KOREA Co., Ltd.

As compared with the year ended 31 March 2011, there were 13 additions to 1 exclusions from the scope of equity method application.

・Additions - Main affiliates for which equity method is newly applied are as follows. They were newly incorporated or acquired during the current year.

- FPT Securities Joint Stock Company
- Commercial Bank <<Ob’edinennyi Investitsionnyi Bank>> (limited liability company)
- PT BNI SECURITIES
- CSJ-SBI Financial Media Co., Ltd.
- KLab Ventures Co., Ltd. (Startup Laboratory Co., Ltd. changed its company name to KLab Ventures Co., Ltd. on 15 February 2012.)

・Exclusion - 1 affiliate of SBI VeriTrans Co., Ltd. was excluded from the scope of equity method due to the share sales of SBI VeriTrans Co., Ltd.

(3) Name of main non-consolidated subsidiaries and affiliates that are not accounted for using equity method and basis for not applying equity method:

・Name of the entities:

- Searchina Co., Ltd.
- NEW HORIZON PARTNERS LTD.

・Basis for not applying equity method

Small size entities of which proportional share of net income and retained earnings are considered to be immaterial individually and collectively are not accounted for using equity method.

(4) Name of entities not classified as affiliates despite the ownership of 20 percent or more of the voting power of the investee but below 50 percent (venture capital investments) and basis for not applying equity method:

・Name of main entities:

- Venture Revitalize Investment, Inc. and other 50 entities

・Basis for not applying equity method

These investments were made with purpose of fostering the venture capital portfolio companies and the Group has no intention to exert influence over the entities.

XXIV. INFORMATION FOR DIFFERENT BALANCE SHEET DATE OF CONSOLIDATED SUBSIDIARIES

FOR THE YEAR ENDED 31 MARCH 2012

Consolidated subsidiaries whose balance sheet dates differ from that of reporting entity were as follows:

Consolidated subsidiaries whose balance sheet date is 31 December

- SBI Hong Kong Holdings Co., Limited. and 55 other entities (47 entities in 2011)

Consolidated subsidiaries whose balance sheet date is 30 November

- SBI Value Up Fund No.1 Limited Partnership and 4 other entities (5 entities in 2011)

Consolidated subsidiaries whose balance sheet date is 30 September

- Softbank Internet Fund and 2 other entities (3 entities in 2011)

Consolidated subsidiaries whose balance sheet date is 31 August

- SBI BROADBAND CAPITAL Co., Ltd. and 1 other entities (3 entities in 2011)

Consolidated subsidiaries whose balance sheet date is 30 June

- SBI BROADBAND FUND No.1 LIMITED PARTNERSHIP (2 entities in 2011)

Consolidated subsidiaries whose balance sheet date is 31 January

- SBI Mezzanine Fund No.2 and 4 other entities (6 entities in 2011)

Consolidated financial statements are prepared using the financial information of these companies prepared for the purpose of consolidation as at the balance sheet date of reporting entity.

XXV. EVENTS AFTER THE REPORTING PERIOD

Stock split, adoption of share unit system and partial amendment to the articles of incorporation

At the Company's 14th business year's shareholders meeting held on 28 June 2012, the adoption of share unit system and partial amendment to the articles of incorporation was resolved.

In addition, at the board of directors' meeting held on 26 April 2012, the implementation of stock split was resolved subject to the above shareholder's approval on partial amendment to the articles of incorporation.

1. The purpose of stock split, adoption of share unit system and partial amendment to the articles of incorporation

   Based on the requests from the Japanese Stock Exchanges Conference to define the trading unit at 100 or 1,000 shares, the Company determined to adopt a share unit system and prescribed the share unit as 100 shares.

   Since the Tokyo Stock Exchange set the preferable range of investment unit as ￥50,000 or more and less than ￥500,000 in accordance with the article 445 of the listing rule, the Company determined to conduct a 1 for 10 stock split to meet the aforementioned range considering the recent stock price.

2. The outline of stock split

   Stock split will be conducted at the rate of 10 shares for each outstanding share based on the shareholders registered as at 30 September 2012.

3. The adoption of share unit system

   Share unit will be prescribed as 100 shares.

   The adoption of share unit and stock split would result in holders of shares less than a unit. The Company will establish a system to enable shareholders less than one share to demand the Company to purchase their shares less than one unit or to sell the shares to make the shares to a unit effective from on or after 1 October 2012.

4. The effective date of stock split and the adoption of share unit

The effective date of stock split and the adoption of share unit will be at 1 October 2012

If the above stock split was conducted at the beginning of the year ended 31 March 2011, the per-share information for the year ended 31 March 2011 and 2012 would have been as follows:

	Year ended 31 March	
	2011	**2012**
	Yen	**Yen**
Net assets per share	1,961.06	**1,848.92**
Net income per share	23.61	**14.56**
Diluted net income per share	22.57	**14.06**

XXVI. CONSOLIDATED SUPPLEMENTARY SCHEDULES

FOR THE YEAR ENDED 31 MARCH 2012

1. Supplementary schedules of bonds payable

Company name	Description	Issuance date	Balance as at prior year end (millions of Yen)	Balance as at current year end (millions of Yen)	Interest rate (%)	Collateral	Redemption date
SBI Holdings, Inc.	Japanese yen straight bond (note2)	May 2010 to December 2011	70,000	60,000 (60,000)	1.66 ～ 1.90	None	May 2011 to December 2012
SBI Holdings, Inc.	No.4 Unsecured straight bond	30 January 2012	—	30,000	2.16	None	30 January 2015
SBI Life Living Co., Ltd.	No. 1 Unsecured straight bond (Note3)	30 December 2010	600	540 (60)	TIBOR + 0.1	Bank guarantee	30 December 2020
Total			70,600	90,540 (60,060)			

Notes:

(1) Amounts in brackets represent redemption amounts within one year from balance sheet date.
(2) Total amounts of straight bond in Japanese Yen issued based on Euro medium term note program are stated above.
(3) Collateral is provided for the bank guarantee.
(4) Annual maturities of long-term bonds payable including current portion as at 31 March 2012 for the next five years are as follows:

Within one year (millions of Yen)	1 to 2 years (millions of Yen)	2 to 3 years (millions of Yen)	3 to 4 years (millions of Yen)	4 to 5 years (millions of Yen)
60,060	60	30,060	60	60

2. Supplementary schedules of loans payable and others

Description	Balance as at prior year end (millions of Yen)	Balance as at current year end (millions of Yen)	Average interest rate (%)	Repayment date
Short-term loans payable	97,164	103,915	1.18	—
Current portion of long-term loans payable	12,147	19,888	1.41	—
Current portion of lease obligation	2,114	1,799	—	—
Long-term loans payable (excluding current-portion)	31,366	16,765	2.02	March 2013 to February 2017
Lease obligation (excluding current-portion)	6,506	4,185	—	May 2013 to August 2017
Other interest bearing debt Borrowings on margin transactions	70,386	76,007	0.77	—
Total	219,685	222,562		

Notes:

(1) Average interest rates were calculated using the weighted-average interest rate based on year-end borrowing balances.
(2) Average interest rate on lease obligation is not stated since the part of lease obligation on balance sheet includes interest portion of minimum lease payments.
(3) Annual maturities of long-term loans payable and lease obligation, excluding current-portion, as at 31 March 2012 for the next five years are as follows:

	1 to 2 years (millions of Yen)	2 to 3 years (millions of Yen)	3 to 4 years (millions of Yen)	4 to 5 years (millions of Yen)
Long-term loans payable. .	2,936	6,161	6,970	697
Lease obligation	1,784	1,447	812	137

3. Supplementary schedules of asset retirement obligation

As the amounts of the asset retirement obligation as at 31 March 2011 and 2012 were less than 1% of total liabilities and net assets, the breakdown of the asset retirement obligation was omitted in accordance with article 92-2 of Consolidated Financial Statements Rule.

A2. ADDITIONAL STOCK EXCHANGE INFORMATION OF THE GROUP

(Amounts in millions of Japanese Yen, rounded down to the nearest million, unless otherwise stated)

Additional information required under the relevant disclosure rules covering the Listing of Securities on the Stock Exchange of Hong Kong Limited, and not shown elsewhere in the consolidated financial statements is as follows:

I. DIRECTOR'S AND EMPLOYEE'S EMOLUMENTS

Directors' emoluments

	Year ended 31 March	
	2011	**2012**
Directors' fees	435	**496**
Discretionary bonuses	3	**5**
Pension contributions	2	**2**
Total emoluments	441	**504**

II. OPERATIONAL LOANS RECEIVABLE

	As at 31 March	
	2011	**2012**
Real estate mortgages loans	16,842	**31,326**
Consumer loans and credit cards	4,652	**2,724**
Others	6,410	**8,229**
Total	27,905	**42,281**
Accrued interest	118	**277**

III. FURTHER DETAILS OF TRADING INSTRUMENTS, OPERATIONAL INVESTMENT SECURITIES AND INVESTMENT SECURITIES

Trading instruments, operational investment securities and investment securities as at 31 March 2011 and 2012 consisted of the following:

	As at 31 March	
	2011	**2012**
Current (Trading instruments)		
Listed equity securities	28	**—**
Listed corporate bonds	188	**326**
Others — listed	4	**4**
Unlisted derivatives	2,479	**1,431**
Total	2,701	**1,763**

	As at 31 March	
	2011	**2012**
Current (Operational Investment Securities)		
Listed equity securities	23,540	**26,205**
Unlisted equity securities	81,266	**88,852**
Unlisted corporate bonds	3,643	**3,635**
Investment in unlisted funds	31,746	**27,944**
Listed trust fund investments	—	**—**
Others — listed	738	**1,461**
Others — unlisted	946	**—**
Subtotal	141,882	**148,099**
Allowance for investment losses	(9,108)	**(6,156)**
Total	132,773	**141,943**

	As at 31 March	
	2011	**2012**
Non-current (Investment Securities)		
Listed equity securities	4,535	**5,638**
Unlisted equity securities	1,138	**818**
Investment in unlisted funds	3,671	**3,206**
Unlisted government bonds	—	**—**
Listed corporate bonds	110	**201**
Unlisted corporate bonds	—	**—**
Listed trust fund investments	484	**451**
Others — listed	16	**—**
Stocks of unconsolidated subsidiaries and affiliates	43,463	**51,087**
Total	53,420	**61,403**

IV. DEBT SECURITIES ISSUED BY SUBSIDIARIES

The following subsidiaries had issued debt securities:

	Held by Group	Held by third parties	Total
As at 31 March 2011			
e-Research Inc.	16,500	—	16,500
SBI Life Living Co., Ltd.	—	600	600
As at 31 March 2012			
e-Research Inc.	**4,500**	**—**	**4,500**
SBI Life Living Co., Ltd.	**—**	**540**	**540**

V. INTEREST INCOME AND EXPENSES

	Year ended 31 March 2011	Year ended 31 March **2012**
Interest income		
Receivables under securities borrowing transactions	10,367	**9,638**
Operational loans receivable from customers	2,767	**2,290**
Loans, deposits with banks and other financial institutions	878	**1,052**
Debt securities and other financial assets	25	**17**
Subtotal	14,039	**12,998**
Interest expenses		
Payables under securities lending transactions	2,159	**2,048**
Borrowings from banks and other financial institutions	1,575	**1,267**
Debt securities issued	1,962	**1,508**
Subtotal	5,697	**4,824**
Less: Borrowing costs capitalized into development properties	—	**—**
	5,697	**4,824**
Net interest income	8,341	**8,173**

VI. GAINS LESS LOSSES ARISING FROM DEALING IN FOREIGN CURRENCIES

Gains less losses arising from dealing in foreign currencies resulted by the Group amounted to ¥10,535 million and ¥9,800 million for the years ended 31 March 2011 and 2012, respectively.

VII. INCOME FROM LISTED AND UNLISTED SECURITIES

	For the year ended 31 March	
	2011	**2012**
Interest income on:		
Trading instruments	8	**—**
Operational investment securities	149	**98**
Investment securities	145	**473**
	303	**571**
Listed	3	**78**
Unlisted	299	**493**
	303	**571**
Dividend income on:		
Trading instruments	0	**—**
Operational investment securities	884	**1,721**
Investment securities	570	**571**
	1,455	**2,292**
Listed	149	**381**
Unlisted	1,305	**1,911**
	1,455	**2,292**
Net realized investment gains (losses) on:		
Operational investment securities	1,395	**16,670**
Trading instruments	1,362	**1,026**
Investment securities	7,517	**13,248**
	10,275	**30,945**
Listed	1,723	**8,736**
Unlisted	8,551	**22,209**
	10,275	**30,945**
Net unrealized investment gains (losses) on:		
Operational investment securities	(8,747)	**(2,739)**
Trading instruments	(14)	**12**
Investment securities	805	**17**
	(7,956)	**(2,709)**
Listed	(8,579)	**3,654**
Unlisted	623	**(6,364)**
	(7,956)	**(2,709)**

A3. SUMMARY OF MATERIAL DIFFERENCES BETWEEN INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN JAPAN ("JGAAP")

The Consolidated Financial Statements of the Group are prepared in accordance with JGAAP which differs in certain aspects from IFRS. For the purpose of this summary, JGAAP refer to the accounting policies applied by the Group in preparing the underlying consolidated financial statements in accordance with the prevailing JGAAP for the year ended 31 March 2012. IFRS refers to IFRSs, IASs, IFRICs and SICs that are effective for annual financial period beginning on or after 1 April 2011.

This summary is not intended to provide the effect on the Consolidated Financial Statements of the Group under IFRS 1 *First-time Adoption of International Financial Reporting Standards.* Part (1) of this summary provides information about the GAAP differences that, in the opinion of the directors, would have a material effect on recognition and measurement of the Group. Part (2) of this summary identifies the key areas how JGAAP consolidated financial statements of the Group differ from IFRS in respect of classification, presentation and disclosure requirements. For classification, presentation and disclosure issues relating to recognition and measurement differences already covered in the Part (1), such items are not included in Part (2). In addition, Part (2) does not cover disclosure made under JGAAP which is not required under IFRS. Instead, it focuses on disclosure which is required under IFRS that is not included in the Consolidated Financial Statements of the Group.

Part (1)

This summary provides information about the GAAP differences that, in the opinion of the directors of the Company, would have a material effect on total assets, total liabilities, total equity and total comprehensive income (loss) of the Group.

Material quantifiable GAAP differences are summarized as follows:
(Amounts in millions of Japanese Yen, rounded down to the nearest million unless otherwise stated)

	As at 31 March	
	2011	**2012**
Total assets under JGAAP	1,293,606	**1,663,814**
Material quantifiable effects for different accounting treatments:		
(i) Consolidation — small size entities	251	**(902)**
(ii) Consolidation — venture capital investments	10,595	**6,955**
(iii), (v), (vi) Business combination	14,841	**24,845**
(iv) Changes in parent's ownership interest in subsidiaries	(87,922)	**(97,059)**
(vii) Non-fair valued available-for-sale investments	4,144	**2,335**
(viii) Investments in associates/affiliates	(367)	**(2,058)**
(ix) Statutory reserve	—	**—**
(x) Deferred charges	(5,715)	**(8,752)**
(xi) Securitization	64,351	**53,807**
(xii) Deferred tax	(8,312)	**(46,043)**
Total assets as adjusted for the above material quantifiable effects	1,285,472	**1,596,940**

	As at 31 March	
	2011	**2012**
Total liabilities under JGAAP	836,623	**1,195,235**
Material quantifiable effects for different accounting treatments:		
(i) Consolidation — small size entities	1,843	**911**
(ii) Consolidation — venture capital investments	11,996	**10,541**
(iii), (v), (vi) Business combination	190	**190**
(iv) Changes in parent's ownership interest in subsidiaries	—	**—**
(vii) Non-fair valued available-for-sale investments	—	**—**
(viii) Investments in associates/affiliates	—	**—**
(ix) Statutory reserve	(5,196)	**(4,436)**
(x) Deferred charges	—	**—**
(xi) Securitization	64,384	**52,943**
(xii) Deferred tax	(3,336)	**(44,125)**
Total liabilities as adjusted for the above material quantifiable effects	906,504	**1,211,259**

	As at 31 March	
	2011	**2012**
Total equity (total net assets) under JGAAP	456,982	**468,579**
Material quantifiable effects for different accounting treatments:		
(i) Consolidation — small size entities	(1,591)	**(1,813)**
(ii) Consolidation — venture capital investments	(1,401)	**(3,586)**
(iii), (v), (vi) Business combination	14,651	**24,655**
(iv) Changes in parent's ownership interest in subsidiaries	(87,922)	**(97,059)**
(vii) Non-fair valued available-for-sale investments	4,144	**2,335**
(viii) Investments in associates/affiliates	(367)	**(2,058)**
(ix) Statutory reserve	5,196	**4,436**
(x) Deferred charges	(5,715)	**(8,752)**
(xi) Securitization	(33)	**864**
(xii) Deferred tax	(4,976)	**(1,917)**
Total equity as adjusted for the above material quantifiable effects	378,967	**385,681**

	Year ended 31 March	
	2011	**2012**
Total comprehensive income (loss) for the year under JGAAP	(6,471)	**3,764**
Material quantifiable effects for different accounting treatments:		
(i) Consolidation — small size entities	(2,909)	**(162)**
(ii) Consolidation — venture capital investments	(420)	**519**
(iii), (v), (vi) Business combination	2,234	**10,003**
(iv) Changes in parent's ownership interest in subsidiaries	44	**(4,531)**
(vii) Non-fair valued available-for-sale investments	4,144	**(1,808)**
(viii) Investments in associates/affiliates	(240)	**(1,667)**
(ix) Statutory reserve	(2,022)	**(760)**
(x) Deferred charges	(2,555)	**(3,037)**
(xi) Securitization	(47)	**897**
(xii) Deferred tax	(803)	**4,857**
Total comprehensive income (loss) for the year as adjusted for the above material quantifiable effects	(9,048)	**8,075**

(i) Consolidation — small size entities

Under IFRS, a subsidiary or fund that is controlled by its parent should be consolidated in the parent's consolidated financial statements.

Under JGAAP, an entity that is controlled by its parent is, in principle, consolidated in the parent's consolidated financial statements. There is a specific exemption which allows small size entities to be excluded from consolidation. When meeting the specific exemption, the Group recognizes and measures the small size entities using equity method or at cost less impairment, if any or at the Group's proportionate share in the equity of those entities.

As at 31 March 2011 and 2012, there were 56 and 45 small size entities controlled by the Group, respectively. The Group has quantified the effect of consolidating these small size entities under IFRS.

(ii) Consolidation — venture capital investments

Under IFRS, a subsidiary or fund that is controlled by its parent should be consolidated in the parent's consolidated financial statements.

Under JGAAP, investments must be excluded from consolidation if such investments are held by investment companies and certain conditions have been satisfied. Such investments should be measured at cost less impairment, if any.

As at March 31 2011 and 2012, there were 13 and 13 investee companies which the Group owned more than 50% equity interests that had been excluded from consolidation under JGAAP. The Group has quantified the effect of consolidating these venture capital investments under IFRS.

(iii) Business combination — identifiable intangible assets

Under IFRS, the acquirer is required to recognize, separately from goodwill, the identifiable intangible assets acquired in a business combination at fair value on the acquisition date. An asset meets the identifiability criteria if it is either separable or arises from contractual or other legal rights.

Under JGAAP, part of the purchase price may be allocated to intangible assets which either arise from contractual or other legal rights, or are capable of being separated and sold. The Group has not recognized any intangible assets separately from goodwill.

Effective from 1 April 2010, there is no major GAAP difference between IFRS and JGAAP on "business combination — identifiable intangible assets" since the Group has adopted new accounting policies for business combination prospectively. The Group has quantified the GAAP difference in respect of business combinations occurred during the year ended 31 March 2010 and the cumulative effect of the GAAP differences prior to 1 April 2010 has been carried forward.

(iv) Changes in parent's ownership interest in subsidiaries

Under IFRS, changes in a parent's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. No goodwill, nor gain or loss is recognized.

Under JGAAP, acquisition of additional interests in a subsidiary gives rise to recognition of additional goodwill which is measured as the excess of the purchase consideration over the carrying amount of the net assets acquired. Disposal of partial interests in a subsidiary gives rise to a gain or loss which is measured as the difference between the proceeds received and the carrying amount of the net assets attributable to interests being disposed of.

Goodwill recognized upon acquisition of additional interests in subsidiaries are eliminated and adjusted to equity under IFRS. Gain or loss recognized upon disposal of partial interests under JGAAP are reversed and adjusted to equity under IFRS.

(v) Business combination — step acquisition

Under IFRS, for a business combination achieved in stages, the acquirer should remeasure its previously held equity interests in the acquiree at its acquisition-date fair value and recognize any resulting gain or loss. Goodwill is measured at the acquisition date as the difference between (1) the aggregate of the acquisition date fair value of the consideration transferred, the amount of any non-controlling interests in the entity acquired and the acquisition-date fair value of any previously held equity interests in the entity acquired and (2) the net amount of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed.

Under JGAAP, when a parent obtains control over a subsidiary by step acquisition, goodwill is measured on the date the parent obtains control as the difference between (1) the aggregate carrying amount of any previously held equity interests and the purchase consideration and (2) the net amount of the fair value of assets and the liabilities attributable to the parent on the date the parent obtains control.

Effective from 1 April 2010, there is no major GAAP difference between IFRS and JGAAP on “business combination — step acquisition” since the Group has adopted new accounting policies for business combination prospectively. The Group has quantified the GAAP difference in respect of business combinations occurred during the year ended 31 March 2010 and the cumulative effect of the GAAP differences prior to April 2010 has been carried forward.

(vi) Business combination - goodwill

Under IFRS, goodwill is not amortized but is subject to annual impairment test. Goodwill is reviewed for impairment at least annually at the same time each year and whenever there is an impairment indication. When the recoverable amount of the cash-generating unit (“CGU”) containing goodwill (the higher of fair value less costs to sell and value in use of that CGU) is less than the carrying amount of that CGU, an impairment loss is recognized as the excess of the carrying amount over the recoverable amount. Reversal of previous impairment of goodwill is prohibited.

Under JGAAP, goodwill is amortized over a period of not more than 20 years using the straight-line method. Goodwill is not reviewed for impairment unless there is an indication of impairment. If an indication of impairment has been identified, the impairment loss is measured using a two-step approach. First, the entity should compare the sum of the undiscounted cash flows expected to be generated by the CGU and the disposal value of the assets within that CGU. Second, if the amount of the sum of undiscounted cash flows and disposal value of the CGU is less than the carrying amount of the CGU, an impairment loss should be recognized. The amount of impairment loss should be the excess of the carrying amount of the CGU over the discounted cash flows that are expected to be generated from the CGU and disposal value of CGU within that disposal group.

The amortization of goodwill recognized under JGAAP is reversed under IFRS and the total goodwill balance is tested for impairment on an annual basis. Impairment loss is recognized as the excess of the carrying amount over the recoverable amount.

(vii) Non-fair valued available-for-sale investments

Under IFRS, available-for-sale equity investments are measured at fair value with fair value gains/losses recognized as other comprehensive income unless the fair value cannot be measured reliably, i.e. under the circumstances that (a) the variability in the range of reasonable fair value estimates is significant or (b) the probabilities of the various estimates within the range cannot be reasonably assessed in estimating fair value. In such cases, the available-for-sale equity investments are stated at cost less impairment. Available-for-sale debt investments are measured at fair value with fair value gains/losses recognized as other comprehensive income.

Available-for-sale investments (including those stated at fair value and at cost less impairment) are impaired when there is an objective evidence of impairment. For available-for-sale equity investments stated at cost, the amount of impairment loss is the difference between the carrying amount of the available-for-sale investments and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment loss on available-for-sale equity investments measured at fair value will be recognized in profit or loss. An increase in fair value subsequent to impairment loss is recognized directly in other comprehensive income. Impairment loss on available for sale equity investments measured at cost are not reversed in subsequent periods. For available for sale debt investments, if, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed what the amortized cost would have been had the impairment not be recognized.
Under JGAAP, available-for-sale equity investments with quoted market price are measured at fair value. Available-for-sale equity investments that do not have quoted market prices are stated at cost less impairment. For available-for-sale debt investments, JGAAP requires an entity to measure them at fair value including those investments that do not have quoted market price. JGAAP allows using the appraisal price or brokerage/indicative price to measure the fair value of these investments if they do not have quoted market prices. However, in exceptional circumstances where there are practical difficulties to fair value such investments, for example, the cost of estimating the fair value is weighted over the benefit to the users of the financial statements, the management can justify stating these debt investments at cost less impairment, if any. Impairment loss is recognized in profit or loss when the fair value declines significantly and cannot be reversed for equity securities.

As at 31 March 2011 and 2012, the Group has investments in 305 and 215 non-fair valued entities with less than 20% interests including those held by subsidiaries with carrying amounts of ¥28,828 million and ¥32,445 million that would need to be measured at fair value under IFRS, respectively. Prior to the year ended 31 March 2011, the Group was not able to quantify, on practical grounds, the difference arising from different accounting treatment by JGAAP and IFRS for these non-fair valued investments. The reason was that there was limitation to assess whether fair value of these investments can be reliably measured or not as these investee entities do not necessarily provide the relevant financial information to the Group which enables the Group to carry out a proper valuation. Therefore, the Group experienced practical difficulties to quantify the financial effects of these non-fair valued investments under IFRS. The Group has adjusted its financial reporting system to allow the disclosure of the financial effect for this item starting from 31 March 2011. The Group has quantified the GAAP difference for their non-fair valued available-for-sale investments as at 31 March 2011 and 2012 in accordance with the Group policies which are comparable to the International Private Equity and Venture Capital Valuation Guidelines. Since the Group found it impractical to retrospectively quantify the difference as at 31 March 2010, the GAAP difference quantified as at 31 March 2011 is presented in "Total assets, equity and comprehensive income (loss) for the year as adjusted for the above material quantifiable effects".

(viii) Investments in associates/affiliates

Under IFRS, investments in associates should be accounted for using the equity method, except for investments in associates held by venture capital organizations or mutual funds, unit trusts and similar entities that upon initial recognition, are designated as at fair value through profit or loss in accordance with the requirements of IAS 39 *Financial Instruments: Recognition and Measurement*.

Under JGAAP, investments in affiliates (equivalent to investments in associates under IFRS) are, in principle, accounted for using equity method. There is a specific exemption which allows small size entities under significant influence of the investor to be excluded from application of equity method and such investments are measured at cost less impairment. Investments under significant influence of the Group must be excluded from equity accounting if such investments are held by investment companies and certain conditions have been satisfied. The Group recognizes all such investments held by investment companies at cost less impairment, if any.

As at 31 March 2011 and 2012, the Group invested in approximately 65 and 52 entities over which it was able to exercise significant influence. The Group has quantified the effect resulting from equity accounting of these investments in associates/affiliates under IFRS.

(ix) Statutory reserve

Under IFRS, a provision should be recognized when the Group has a present obligation as a result of a past event, and it is probable that there will be an outflow of economic benefits and the amount can be reliably estimated. A provision should only be made to the extent an obligation arose from past event.

Under JGAAP, statutory liability reserve is provided for possible losses resulting from execution errors made by the Group and is recognized as an expense in accordance with Article 46-5 of the Japanese Financial Instruments and Exchange Act.

The statutory liability reserve recognized under JGAAP does not meet the recognition criteria for provision under IFRS and therefore the amount is reversed. Since it is a legal requirement in Japan, the statutory reserve required is recognized under IFRS within equity.

(x) Deferred charges

Under IFRS, deferral of operating costs is prohibited. The operating costs should be recognized as expenses immediately when incurred.

Under JGAAP, a newly established insurance company is allowed to defer its operating costs incurred within the first 5 years after its establishment. The deferred operating costs can be amortized within 10 years according to Section 113 of the Insurance Business Act of Japan.

The deferred operating costs under JGAAP are derecognized and expensed as incurred under IFRS.

(xi) Securitization

Under IFRS, a financial asset is derecognized, when, and only when, either the contractual rights to the asset’s cash flows expire, or the asset is transferred and the transfer qualifies for derecognition. The decision whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The risks and rewards tests seek to establish whether, having transferred a financial asset, the entity continues to be exposed to the risks of ownership of that asset and/or continues to enjoy the benefits that it generates. The control tests are designed with a view to understand which entity controls the asset, i.e. which entity can direct how the benefits of that asset are realized.

Under JGAAP, financial assets are derecognized based on the financial component approach when control is transferred to a third party. Financial assets are derecognized when the contractual rights of the financial assets are exercised, when those rights are lost, or when the control of those rights has been passed to other parties.

Certain derecognized mortgage loans upon securitization under JGAAP which do not meet the derecognition criteria under IFRS were reversed and the corresponding borrowings are recognized.

(xii) Deferred tax

Deferred tax should be recognized for additional temporary differences resulting from the GAAP differences described as per notes (i) to (xi) above.

Additional deferred tax assets and deferred tax liabilities are recognized under IFRS.

Part (2)

This summary identifies, in the opinion of the directors of the Company, the key areas how the Consolidated Financial Statements of the Group differs from IFRS in respect of classification, presentation and disclosure requirements.

A. PRIMARY STATEMENTS

1. Consolidated statement of financial position/consolidated balance sheet

Under IFRS, the financial position of an entity (together with subsidiaries) is presented in the consolidated statement of financial position.

Under JGAAP, the financial position of an entity (together with subsidiaries) is presented in the consolidated balance sheet. The content of a consolidated statement of financial position and consolidated balance sheet is similar except for the differences set out below.

(i) Line items to be presented in the consolidated statement of financial position

Under IFRS, the consolidated statement of financial position should include, among others, a separate line item that presents the amount of investment property.

Under JGAAP, investment property is included in the line item of property and equipment in the consolidated balance sheet.

(ii) Allowance for impaired assets

Under IFRS, the net carrying amount of each significant category of receivables (gross receivables less allowances for impairment) is presented on the consolidated statement of financial position. The amount of allowances for impairment is disclosed in the notes to the consolidated financial statements.

Under JGAAP, gross amounts of each category of receivables and total amount of allowances for impaired assets, including all classes of receivables, are separately presented on the consolidated balance sheet.

(iii) Insurance contracts

Under IFRS, an insurer should not offset reinsurance assets against the related insurance liabilities.

Under JGAAP, the reinsurance assets and the related insurance liabilities are presented in accordance with the Insurance Business Act. The unearned premium reserves is shown as net amount and the reserves for outstanding losses and claims (insurance liabilities) are netted off with the reinsurer's share of outstanding losses (corresponding reinsurance assets) and are included in the "current liabilities — others" in the consolidated balance sheet.

(iv) Deferred tax

Under IFRS, deferred tax assets and liabilities are classified as non-current on the consolidated statement of financial position.

Under JGAAP, deferred tax assets and liabilities are classified as current or non-current based on the classification of the related assets and liabilities. A deferred tax asset related to tax loss carry forward, which is not related to specific assets and liabilities, is classified as current or non-current depending on the timeframe of the expected utilization.

2. Consolidated statement of operations/comprehensive income

(i) Items of gains or losses

Under IFRS, gains or losses from sales of investments held for trading purpose should be presented on a net basis.

Under JGAAP, the Group presents gross sales proceeds from sales of operational investment securities as “Net sales” and the carrying amounts of the operational investment securities as “Cost of sales”.

(ii) Non-controlling interests/minority interests

Under IFRS, an entity should disclose separately profit or loss and total comprehensive income for the period attributable to owners of the parent and non-controlling interests.

Under JGAAP, profit or loss attributable to non-controlling interests is presented as a deduction from income (loss) for the period after tax in the consolidated statement of operations. Starting with consolidated financial statements for the year ended 31 March 2011, the Group adopted, prospectively, JGAAP’s new accounting standard for presenting total comprehensive income for the period attributable to owners of the parent and non-controlling interests.
However, there still remains GAAP difference between IFRS and JGAAP on the presentation of profit or loss attributable to owners of the parent and non-controlling interests.

(iii) Extraordinary items

Under IFRS, the presentation of extraordinary items on the consolidated income statement, consolidated statement of comprehensive income or in the notes to the consolidated financial statements is prohibited.

Under JGAAP, extraordinary income or expense is required to be disclosed on the consolidated statement of operations. Extraordinary income or expense includes non-recurring items.

(iv) Earnings per share

Under IFRS, an entity should present basic and diluted earnings per share on the face of the consolidated income statement or the consolidated statement of comprehensive income, as appropriate. Other information, including the numerator and denominator used for the purposes of calculating basic and diluted earnings per share is disclosed in the notes to the consolidated financial statements.

Under JGAAP, basic and diluted earnings per share and other information for the purposes of calculating earnings per share is disclosed in the notes.

3. Consolidated statement of changes in equity/ consolidated statement of changes in net assets

(i) Reconciliation of changes in equity/changes in net assets

Under IFRS, an entity should present a reconciliation between the carrying amount at the beginning and the end of the period for each component of equity including the effect of retrospective adjustments, if any.

Under JGAAP, reconciliation between the carrying amount at the beginning and the end of the period for each component of shareholders' equity and each component of valuation and translation adjustments are presented in the consolidated statement of changes in net assets. While the small size entities controlled by its parent are excluded from consolidation when meeting the specific exemption, such small size entities are required to be consolidated if they no longer meet the exemption. The effect to shareholders' equity resulting from the inclusion and exclusion of these entities are reported as adjustments.

4. Consolidated statement of cash flows

(i) Investments in subsidiaries

Under IFRS, an entity should disclose the aggregate cash flows arising from obtaining or losing control of subsidiaries or other businesses and classify such cash flows as investing activities. An entity should disclose each of the following, in aggregate, in respect of both obtaining and losing control of subsidiaries or other businesses during the period:

(a) the total purchase or disposal consideration paid or received;

(b) the portion of the purchase or disposal consideration discharged by means of cash and cash equivalents;

(c) the amount of cash and cash equivalents in the subsidiaries or other businesses acquired or disposed of over which control is obtained or lost; and

(d) the amount of the assets and liabilities other than cash or cash equivalents in the subsidiaries or other businesses acquired or disposed of over which control is obtained or lost, summarized by each major category.

Under JGAAP, there is no specific requirement in relation to disclosure of cash flow effects of obtaining or losing control of subsidiaries set out in (a) to (d) above.

(ii) Changes in ownership interests in subsidiaries

Under IFRS, cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control should be classified as cash flows from financing activities.

Under JGAAP, an entity classifies its cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control as cash flows from investing activities.

While the small size entities controlled by its parent are excluded from consolidation when meeting the specific exemption, such small size entities are required to be consolidated if they no longer meet the exemption. The cash flow effect resulting from the inclusion and exclusion of these entities are reported as adjustment to cash and cash equivalents.

B. NOTES DISCLOSURE

(i) Business combinations

Both IFRS and JGAAP require disclosure that enables users to understand the effect of a business combination, including the name and a description of the acquiree, acquisition date, percentage of voting power acquired, reason for the business combination, acquisition related costs, fair value of consideration transferred, certain information about assets acquired and liabilities assumed and amount of goodwill recognized. Such disclosure should be presented for each material business combination transaction.

Under IFRS, the following additional disclosure is required for each material business combination:

- a qualitative description of the factors that make up the goodwill recognized
- the acquisition-date fair value of each major class of consideration, such as:
  - (a) cash;
  - (b) other tangible or intangible assets, including a business or subsidiary of the acquirer;
  - (c) liabilities incurred, for example, a liability for contingent consideration; and
  - (d) equity interests of the acquirer, including the number of instruments or interests issued or issuable and the method of determining the fair value of those instruments or interests.
- amount and description for contingent consideration arrangements and indemnification assets
- fair value and contractual amount of major category of receivables of the acquiree
- amount of non-controlling interest and the measurement basis

Under JGAAP, total amounts of current assets, current liabilities, non-current assets and non-current liabilities are disclosed.

(ii) Goodwill

Under IFRS, the entity should disclose a reconciliation of the carrying amount of goodwill showing separately:

(i) the gross amount and accumulated impairment losses at the beginning of the reporting period;

(ii) additional goodwill recognized during the reporting period (except those included in a disposal group);

(iii) adjustments resulting from the subsequent recognition of deferred tax assets during the reporting period;

(iv) goodwill included in a disposal group and goodwill derecognized during the reporting period without having previously been included in a disposal group;

(v) impairment losses recognized during the reporting period;

(vi) net exchange rate differences arising during the reporting period;

(vii) any other changes in the carrying amount during the reporting period; and

(viii) the gross amount and accumulated impairment losses at the end of the reporting period.

Under JGAAP, an entity should disclose the amortization period and method of goodwill. There is no other disclosure requirement.

(iii) Capital Management

Under IFRS, an entity should disclose information that enables users of its financial statements to evaluate the Group's objectives, policies and processes for managing capital, which include qualitative information about its objectives, policies and processes for managing capital, summary quantitative data about what it manages as capital, any changes in the qualitative information and summary quantitative data from the previous period and whether during the period it complied with any externally imposed capital requirements to which it is subject to.

Under JGAAP, there is no such disclosure requirement.

(iv) Property and equipment and intangible assets

Under IFRS, an entity should disclose, for each class of property and equipment, (i) the gross carrying amount and the accumulated depreciation and amortization (aggregated with accumulated impairment losses) at the beginning and end of the period and (ii) a reconciliation of the carrying amount at the beginning and end of the period showing additions, impairment, depreciation and any other changes separately.

For each class of intangible assets, the Group should disclose the gross carrying amount and any accumulated amortization (aggregated with accumulated impairment losses) at the beginning and end of the period, a reconciliation of the carrying amount at the beginning and end of the period, a description, the carrying amount and remaining amortization period of any individual intangible asset that is material to the financial statements of the Group and the existence and carrying amounts of intangible assets whose title is restricted.

Under JGAAP, the above disclosures are not required to be disclosed in the consolidated financial statements. A reconciliation of the carrying amounts of property and equipment and intangible assets at the beginning and end of the period of the Company are required to be disclosed.

(v) Financial instruments

(a) Classification of financial instruments

IFRS (IAS39) requires disclosure by the class of financial instruments. Financial instruments are classified into financial assets at fair value through profit or loss (including held for trading and designated upon initial recognition), held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial liabilities are classified into financial liabilities at fair value through profit or loss (including held for trading and designated upon initial recognition) and financial liabilities measured at amortized cost. An entity should group financial instruments into the above classes that are appropriate to the nature of the information disclosed and after taking into account the characteristics of those financial instruments and provide sufficient information to permit reconciliation of the amounts under each class of financial assets and financial liabilities to the line items presented in the consolidated statement of financial position.

Under JGAAP, investment securities are classified as trading assets or securities other than for trading purpose (available for sale securities). Information about acquisition costs and fair value (if any) of investment securities is provided. Trading assets are presented in the consolidated balance sheet as a separate line item. Securities other than for trading purpose are presented in the consolidated balance sheet as operational investment securities, short-term investment securities and investment securities.

(b) Fair value

Under IFRS, an entity should disclose the fair value of each class of financial assets and liabilities in a way that permits it to be compared with its carrying amount. In addition, an entity should disclose for each class of financial instruments the methods and, when a valuation technique is used, the assumptions applied in determining the fair values of each class of financial assets or financial liabilities.

Under IFRS, for financial instruments measured at fair value, an entity should classify those financial instruments using a 3-level fair value hierarchy and disclose such information for each class of financial instruments measured at fair value.

Under JGAAP, securities with quoted prices are measured at fair value. Fair value information of all financial assets and liabilities as at March 31, 2011 and 2012 (other than the assets and liabilities which cannot be measured at fair value due to difficulty of determining fair value) is provided.

Under JGAAP, there is no requirement to classify financial instruments measured at fair value under a 3-level fair value hierarchy or to disclose the valuation methods, valuation technique and the assumptions used.

(c) Nature and extent of risks arising from financial instruments

Under IFRS, an entity should disclose both qualitative and quantitative information in respect of each type of risk arising from financial instruments, including credit risk, liquidity risk and market risk (currency risk, interest rate risk and other price risk). Such disclosure includes, among others, maximum credit risk exposure, maturity analysis of financial instruments, and sensitivity analysis for each type of market risk to which the Group is exposed to at the end of the reporting period.

Under JGAAP, limited disclosure for the years ended March 31, 2011 and 2012 is provided.

(d) Items of income, expenses, gains or losses

Under IFRS, the Group should disclose net gains or net losses, total interest income and total interest expenses for each class of financial instruments that are not measured at fair value through profit or loss.

Under JGAAP, there is no such disclosure requirement.

(e) Derivative contracts

Under IFRS, an entity should disclose the remaining contractual maturities for those derivatives financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows.

Under JGAAP, there is no such disclosure requirement.

(f) Impairment

Under IFRS, when financial assets are impaired by credit losses and an entity records the impairment in a separate account rather than directly reducing the carrying amount of the asset, it needs to disclose a reconciliation of changes in that account during the period for each class of financial assets.

Under JGAAP, no such disclosure is required for the consolidated financial statements of the Group. These disclosures are only applicable to the Company’s financial statements.

(g) Credit risk

Under IFRS, an entity shall disclose the information about the credit quality of financial assets that are neither past due nor impaired and an analysis of the age of financial assets that are past due as at the end of the reporting period but not impaired

There exists no relevant requirement under J-GAAP.

(vi) Income taxes

Under IFRS, an entity should disclose the aggregate current and deferred tax relating to items that are charged or credited directly to equity, an explanation of the relationship between tax expense and accounting profit using either a numerical reconciliation (i) between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate or (ii) between average effective tax rate and the applicable tax rate. It should also disclose the basis on which the applicable tax rate is computed; an explanation of changes in the applicable tax rate; and the amount of deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset is recognized.

Under IFRS, an entity should disclose the amount of the deferred tax assets and liabilities recognized in respect of each type of temporary differences, and in respect of each type of unused tax losses and unused tax credits.

Under JGAAP, an entity is required to disclose a reconciliation between the normal effective statutory tax rate and the actual effective tax rate, and the major components of deferred tax assets and deferred tax liabilities.

(vii) Revenue

Under IFRS, an entity should disclose the amount of each significant category of revenue recognized during the period, including revenue arising from the sale of goods, rendering of services, interest, royalties and dividends.

Under JGAAP, there is no specific guidance on disclosure requirements. However, the amount of sale of goods and the rendering of services are required to be disclosed separately and the details of revenue are disclosed in the notes if the amounts are material. The components of revenue are disclosed in the statements of operations.

(viii) Leases

Under IFRS, for finance leases, a lessor should disclose a reconciliation between the gross investment in the lease at the end of the reporting period and the present value of minimum lease payments receivable at the end of the reporting period. In addition, it should disclose the gross investment in the lease and the present value of the minimum lease payments receivable at the end of the reporting period, for period not later than one year, later than one year and not later than five years and later than five years.

Under JGAAP, an entity provides similar disclosure as required under IFRS except that it should disclose the gross investment in the lease and the present value of minimum lease payments receivable at the end of the reporting period for each of the first five years and after five years.

Under IFRS, for finance leases, a lessee should disclose a reconciliation between the total of future minimum lease payments and their present value and the total of future minimum lease payments at the end of the reporting period, and their present value, for period not later than one year, later than one year and not later than five years and later than five years.

A lessor should disclose a reconciliation between the gross investment in the lease and the present value of minimum lease payments receivable at the end of the reporting period, unearned finance income, and the gross investment in the lease and the present value of minimum lease payments receivable at the end of the reporting period, for period not later than one year, later than one year and not later than five years and later than five years.

Under JGAAP, there is no such disclosure requirement.

(ix) Investment in associates/ affiliates

Under IFRS, an entity should disclose the summarized financial information of associates, including the aggregate amount of assets, liabilities, revenues and profit or loss and the investor's share of the profit or loss of associates accounted for using the equity method.

Under JGAAP, there is no such disclosure requirement.

(x) Investment in subsidiaries

Under IFRS, an entity should disclose the nature of relationship with its subsidiaries, a schedule that shows the effects of any changes in a parent's ownership interest in a subsidiary that do not result in a loss of control on the equity attributable to owners of the parent and the gain or loss when the entity lost the control of a subsidiary.

Under JGAAP, there is no such disclosure requirement.

(xi) Related Party Transactions

Under IFRS, all material related party transactions/balances should be disclosed.

Under JGAAP, related party transactions are required to be disclosed when the size of such transactions/balances reached a pre-determined benchmark by reference to the relevant line items on the consolidated statement of operations/consolidated balance sheet.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
SBI Holdings, Inc.:

We have audited the accompanying financial statements of SBI Holdings, Inc. (the "Company") which comprise the balance sheet as at 31 March 2012, and the statements of operations and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information in section B2 of the financial information is presented for the purpose of additional disclosure and is not a required part of the basic financial statements. This additional information is the responsibility of the Company's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, such information is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte Touche Tohmatsu LLC
Tokyo, Japan

28 June 2012

B. FINANCIAL INFORMATION

B.1 FINANCIAL STATEMENTS OF THE COMPANY

(Amounts in millions of Japanese Yen, rounded down to the nearest million except for per share information, unless otherwise stated)

BALANCE SHEET

	Notes	As at 31 March 2011	As at 31 March 2012
Assets			
Current assets			
Cash and deposits		10,903	**15,674**
Accounts receivable-trade		903	**959**
Accounts receivable-others	V. 3	13,839	**20,427**
Real estate for sale		4,792	**268**
Real estate for sales in progress		6,244	**6,238**
Operational investment securities	V. 2	27,210	**25,598**
Allowance for investment losses		(248)	**(330)**
Operational investment securities, net		26,962	**25,268**
Short-term investment securities	V. 3	11,000	**37**
Prepaid expenses		292	**481**
Operational loans receivable		120	**916**
Short-term loans receivable	V. 3	51,875	**57,773**
Deferred tax assets		4,688	**4,951**
Others		5,016	**2,899**
Allowances for doubtful accounts		(1,668)	**(1,673)**
Total current assets		134,970	**134,222**
Non-current assets			
Property and equipment			
Buildings		5,593	**6,495**
Accumulated depreciation		(374)	**(515)**
Buildings, net		5,218	**5,979**
Furniture and fixtures		1,374	**1,288**
Accumulated depreciation		(1,123)	**(1,103)**
Furniture and fixtures, net		250	**185**
Vehicles		20	**29**
Accumulated depreciation		(17)	**(20)**
Vehicles, net		3	**9**
Land		2,757	**3,182**
Construction in progress		76	**307**
Total property and equipment		8,306	**9,664**
Intangible assets			
Patents		7	**6**
Trademark		24	**26**
Software		786	**1,086**
Telephone rights		5	**5**
Others		—	**27**
Total intangible assets		824	**1,151**

	Notes	As at 31 March 2011	As at 31 March 2012
Investments and other assets			
Stocks of subsidiaries and affiliates	V.5	328,229	**387,574**
Allowance for investment losses		(1,464)	**(469)**
Stocks of subsidiaries and affiliates - net		326,764	**387,104**
Investments in other securities of subsidiaries and affiliates		49,667	**48,617**
Investment securities	V.5	4,173	**4,355**
Investments in subsidiaries and affiliates other than equity securities		41	**41**
Long-term loans receivables from subsidiaries and affiliates		2,498	**2,475**
Long-term loans receivable from employees		535	**—**
Long-term prepaid expenses		115	**610**
Lease and guarantee deposits		1,696	**1,684**
Deferred tax assets, non-current		5,376	**—**
Others		10	**10**
Total investments and other assets		390,880	**444,899**
Total non-current assets		400,010	**455,716**
Deferred charges			
Stock issuance costs		152	**180**
Bond issuance costs		221	**303**
Total deferred charges		374	**484**
Total assets		535,355	**590,422**
Liabilities			
Current liabilities			
Short-term loans payable	V.3 & 5	138,768	**130,950**
Current portion of bonds payable		70,000	**60,000**
Accounts payable		857	**619**
Accrued expenses		271	**435**
Deposits received		223	**111**
Others		10	**75**
Total current liabilities		210,131	**192,192**
Non-current Liabilities			
Bonds payable		—	**30,000**
Long-term loans payable		—	**456**
Deferred tax liabilities		—	**1,451**
Asset retirement obligation		114	**116**
Long-term deposits received		5,353	**5,120**
Total non-current liabilities		5,468	**37,145**
Total liabilities		215,599	**229,338**
Net assets			
Shareholders' equity			
Capital stock		73,236	**81,664**
Capital surplus			
Legal capital surplus		114,716	**126,776**
Other capital surplus		101,179	**101,179**
Total capital surplus		215,896	**227,956**
Retained earnings			
Other retained earnings			
Retained earnings brought forward		40,849	**54,428**
Total retained earnings		40,849	**54,428**
Treasury stock		(246)	**(3,179)**
Total shareholders' equity		329,734	**360,869**
Valuation and translation adjustments			
Unrealized losses on available-for-sale securities		(9,979)	**214**
Total valuation and translation adjustments		(9,979)	**214**
Total net assets		319,755	**361,084**
Total liabilities and net assets		535,355	**590,422**

STATEMENT OF OPERATIONS

	Notes	Year ended 31 March 2011	2012
Net sales			
Revenue from operational investment securities		8,799	**11,374**
Revenue from real estate business		792	**4,388**
Dividend income	VI. 3	11,675	**9,511**
Others		6,923	**6,552**
Total net sales		28,191	**31,827**
Cost of sales			
Cost of operational investment securities	VI. 1	6,601	**6,762**
Provision of allowance for investment losses		2,096	**(859)**
Cost of real estate business		656	**4,026**
Other operating costs	VI. 2	6,763	**6,714**
Total cost of sales		16,118	**16,643**
Gross profit		12,072	**15,183**
Selling, general and administrative expenses	VI. 4	7,304	**7,116**
Operating income		4,767	**8,067**
Non-operating income			
Interest income	VI. 3	1,781	**1,811**
Dividend income		57	**106**
Others		152	**111**
Total non-operating income		1,991	**2,029**
Non-operating expense			
Interest expense	VI. 3	3,843	**3,617**
Amortization of bond issuance costs		611	**456**
Commission fees		457	**714**
Others		492	**225**
Total non-operating expense		5,405	**5,014**
Ordinary income (loss)		1,353	**5,081**
Extraordinary income			
Gains on sales of investment in subsidiaries and affiliates	VI. 3	16,471	**29,252**
Others		27	**156**
Total extraordinary income		16,499	**29,408**
Extraordinary expense			
Losses on disposal of investment in subsidiaries and affiliates	VI. 3	2,078	**3,252**
Losses on valuation of investment in subsidiaries and affiliates		4,918	**7,667**
Others		739	**109**
Total extraordinary expense		7,736	**11,029**
Income before income taxes		10,116	**23,460**
Income taxes-current		(4)	**(4)**
Income taxes-deferred		(1,010)	**(7,485)**
Total income taxes		(1,014)	**(7,489)**
Net income		9,101	**15,970**

STATEMENT OF CHANGES IN NET ASSETS

	Notes	Year ended 31 March 2011	**2012**
SHAREHOLDERS' EQUITY			
Capital stock			
Balance at the end of previous year		55,284	**73,236**
Changes during the year			
Issuance of new stock		17,952	**8,428**
Total changes during the year		17,952	**8,428**
Balance at the end of current year		73,236	**81,664**
Capital surplus			
Legal capital surplus			
Balance at the end of previous year		96,764	**114,716**
Changes during the year			
Issuance of new stock		17,952	**8,428**
Increase through share exchange		—	**3,631**
Total changes during the year		17,952	**12,060**
Balance at the end of current year		114,716	**126,776**
Other capital surplus			
Balance at the end of previous year		101,180	**101,179**
Changes during the year			
Disposal of treasury stock		(0)	—
Total changes during the year		(0)	—
Balance at the end of current year		101,179	**101,179**
Total capital surplus			
Balance at the end of previous year		197,944	**215,896**
Changes during the year			
Issuance of new stock		17,952	**8,428**
Increase through share exchange		—	**3,631**
Disposal of treasury stock		(0)	—
Total changes during the year		17,951	**12,060**
Balance at the end of current year		215,896	**227,956**
Retained earnings			
Other retained earnings			
Retained earnings brought forward			
Balance at the end of previous year		33,424	**40,849**
Changes during the year			
Dividends		(1,676)	**(2,391)**
Net income		9,101	**15,970**
Total changes during the year		7,424	**13,579**
Balance at the end of current year		40,849	**54,428**
Total retained earnings			
Balance at the end of previous year		33,424	**40,849**
Changes during the year			
Dividends		(1,676)	**(2,391)**
Net income		9,101	**15,970**
Total changes during the year		7,424	**13,579**
Balance at the end of current year		40,849	**54,428**

	Notes	Year ended 31 March 2011	2012
Treasury stock			
Balance at the end of previous year		(246)	**(246)**
Changes during the year			
Acquisition of treasury stock		—	**(3,480)**
Disposal of treasury stock		—	**547**
Total changes during the year		—	**(2,932)**
Balance at the end of current year		(246)	**(3,179)**
Total shareholders' equity			
Balance at the end of previous year		286,405	**329,734**
Changes during the year			
Issuance of new stock		35,904	**16,856**
Increase through share exchanges		—	**3,631**
Dividends		(1,676)	**(2,391)**
Net income		9,101	**15,970**
Acquisition of treasury stock		—	**(3,480)**
Disposal of treasury stock		(0)	**547**
Total changes during the year		43,328	**31,134**
Balance at the end of current year		329,734	**360,869**
Valuation and translation adjustments			
Unrealized losses on available-for-sale securities			
Balance at the end of previous year		(4,433)	**(9,979)**
Changes during the year			
Net changes other than shareholders' equity		(5,546)	**10,194**
Total changes during the year		(5,546)	**10,194**
Balance at the end of current year		(9,979)	**214**
Total valuation and translation adjustments			
Balance at the end of previous year		(4,433)	**(9,979)**
Changes during the year			
Net changes other than shareholders' equity		(5,546)	**10,194**
Total changes during the year		(5,546)	**10,194**
Balance at the end of current year		(9,979)	**214**
Total net assets			
Balance at the end of previous year		281,972	**319,755**
Changes during the year			
Issuance of new stock		35,904	**16,856**
Increase through share exchanges		—	**3,631**
Dividends		(1,676)	**(2,391)**
Net income		9,101	**15,970**
Acquisition of treasury stock		—	**(3,480)**
Disposal of treasury stock		(0)	**547**
Net changes other than shareholders' equity		(5,546)	**10,194**
Total changes during the year		37,782	**41,329**
Balance at the end of current year		319,755	**361,084**

NOTES TO THE FINANCIAL STATEMENTS
I. BASIS OF PRESENTATION

The Financial Statements of the SBI Holdings, Inc. (the "Company") were prepared in accordance with accounting principles generally accepted in Japan ("JGAAP") and were presented by reference to the "Rules Governing Term, Form and Preparation of Financial Statements" (Finance Ministerial Order the 59th, 1963, which is hereinafter referred to as the "Financial Statements Rule"). The Financial Statements of the Company has been prepared on the historical cost basis except for certain investments which are stated at fair value, the detail of which are listed below.

II. SIGNIFICANT ACCOUNTING POLICIES

1. Valuation method of securities

(a) Stocks of subsidiaries and affiliates

Stocks of subsidiaries and affiliates are stated at cost determined by the moving-average cost method.

(b) Available-for-sale securities (consist of investment securities and operational investment securities)

(i) Listed securities

Listed securities are measured at fair value, with fair value gains and losses, net of applicable taxes, reported as "unrealized gains (losses) on available-for-sale securities", a separate component of net assets. The cost of securities sold is determined based on the moving-average cost method.

(ii) Unlisted securities

Unlisted securities are stated at cost less impairment, determined by the moving average cost method.

(c) Investments in funds

For the investments in funds which are categorized as subsidiaries and within the scope of consolidation, the Company's proportionate share in the net assets of the funds is calculated based on the funds' provisional financial statements as at the Company's balance sheet date, and is presented as "Investments in other securities of subsidiaries and affiliates" (Non-current assets).

For the investments in funds which are categorized as subsidiaries but not within the scope of consolidation, the Company's proportionate share in the net assets of the funds is calculated based on the funds' annual financial statements or interim financial statements, and is presented in "Investments in other securities of subsidiaries and affiliates" (Non-current assets).

For the investments in funds which are not categorized as subsidiaries, the Company's proportionate share in the net assets of the funds is calculated based on the funds' annual financial statements or interim financial statements, and is presented as "Operational investments securities" (Current assets).

The Company's proportionate share of the stocks of subsidiaries and affiliates which are held by the funds, is presented as "Stocks of subsidiaries and affiliates" (Non-current assets).

2. Valuation method of inventories

Real estate for sale

Real estate for sale is measured at the lower of cost or net realizable value.

3. Depreciation method of depreciable assets

(a) Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the declining balance method over the estimated useful lives of assets while the straight-line method is applied to buildings. The range of useful lives is principally from 5 to 50 years for buildings, from 4 to 20 years for furniture and fixtures, and from 5 to 6 years for vehicles.

(b) Intangible assets

Intangible assets are amortized using the straight line method. Amortization of software used for internal purposes is computed using the straight line method over the estimated useful life of the software (5 years).

4. Deferred charges

(a) Stock issuance costs

Stock issuance costs are amortized over 3 years by using the straight-line method.

(b) Bond issuance costs

Bond issuance costs are amortized over the bond term by using straight-line method.

5. Recognition and measurement of significant provisions and allowances

(a) Allowance for investment losses

Allowance for investment losses for operational investment securities and investment securities are provided based on the estimated losses of the investment and the financial condition of the investees.

(b) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on the Company's past credit loss experience and an evaluation of the recoverability of the outstanding receivables including notes and accounts receivable-trade, and operational loans receivable.

6. Recognition of net sales and cost of sales

(a) Revenue and cost of operational investment securities

Revenue from operational investment securities consists of proceeds from the sales of operational investment securities and securities held by funds and interest and dividend income from these securities. Cost of operational investment securities consists of the cost of operational investment securities and securities held by funds, fee related to securities transaction and write down of operational investment securities and securities held by funds.

(b) Dividend income

Dividends from subsidiaries and affiliates are recorded as dividend income which is included in net sales in the statement of operations.

7. Translations of significant assets and liabilities denominated in foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese Yen using the exchange rates at the balance sheet date. The resulting translation gain or loss is recognized in income.

8. Accounting for significant hedging transactions

(a) Accounting for hedges

Foreign currency forward contracts are used to hedge foreign currency exposures and receivables, payables and investment securities denominated in foreign currencies are translated at the contracted rates if the forward contracts are qualified for deferred hedge accounting.

(b) Hedging instruments and hedged item

(i) Hedging instruments
Foreign exchange forward contracts

(ii) Hedged item
Foreign currency-denominated receivables and payables.

There were no foreign currency forward contracts outstanding at the end of the year.

(c) Hedging policy

For foreign currency denominated transactions, the foreign currency forward contracts are used to hedge foreign currency exposures.

(d) Assessment of effectiveness between the hedging instruments and the hedged items

The Company does not assess hedge effectiveness of foreign exchange forward contracts which meet specific matching criteria and qualify for hedge accounting.

9. Other significant accounting policies for financial statements

(a) Accounting for investments in funds

For the investments in funds which are categorized as subsidiaries and within the scope of consolidation, the Company’s proportionate share in the net assets and revenue/expenses of the funds are calculated based on the funds’ provisional financial statements as at the Company’s balance sheet date, and are presented in “Investments in other securities of subsidiaries and affiliates” (Non-current assets) and revenue/expenses respectively.

For the investments in funds categorized as subsidiaries but not within the scope of consolidation, the Company’s proportionate share in the net assets and revenue/expenses of the funds is calculated based on the funds’ annual financial statements or interim financial statements, and is presented in “Investments in other securities of subsidiaries and affiliates” (Non-current assets) and revenue/expenses respectively.

For the investments in funds which are not categorized as subsidiaries, the Company's proportionate share in the net assets and revenue/expenses of the funds is calculated based on the funds' annual financial statements or interim financial statements, and is presented as "Operational investments securities" (Current assets) and revenue/expenses respectively.

The Company's proportionate share for the stocks of subsidiaries and affiliates held by the funds, is presented as "Stocks of subsidiaries and affiliates" (Non-current assets), while the Company's proportionate share relating to the gains/losses from disposal of investment in subsidiaries and affiliates held by the funds, is presented as "Gains/losses on disposal of investment in subsidiaries and affiliates" (Extraordinary income/ expense).

(b) Accounting for consumption taxes

The amounts in the financial statements are presented without consumption or local consumption taxes. Nondeductible consumption taxes are recorded as selling, general and administrative expenses.

III. CHANGES IN PRESENTATION

The following presentation changes are reflected on respective statement of operations:

"Commission fee" was included in "Others" line of "Non-operating expense" for the year ended 31 March 2011 and was separately presented for the year ended 31 March 2012, as the amount exceeds 10 percent of total amount of non-operating expenses. As a result, "Others" line of "Non-operating expenses" for the year ended 31 March 2011 of ¥512 million was reclassified into "Commission fee" of ¥457 million and "Others" of ¥54 million, respectively.

"Losses on retirements of non-current assets" and "Losses on valuation of investment securities" , which were separately presented for the year ended 31 March 2011 was included in "Others" line of "Extraordinary expense" for the year ended 31 March 2012, as the amounts were less than 10 percent of total amount of extraordinary expense. As a result, "Losses on retirements of non-current assets" and "Losses on investment securities" line of "Extraordinary expense" for the year ended 31 March 2011 of ¥43 million and ¥26 million, respectively were reclassified into "Others" line of "Extraordinary expense".

IV. ADDITIONAL INFORMATION

FOR THE YEAR ENDED 31 MARCH 2012

Application of Accounting Standards for Accounting Changes and Error Collections

The Company has applied "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24 issued on 4 December 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24 issued on 4 December 2009) to the accounting changes and error corrections which have been made after 31 March 2011.

Stock Benefit Trust

At the board meeting held on 29 September 2011, the Directors of the Company resolved to introduce "Stock Benefit Trust (Employee Stockholding Association Purchase-type)" (hereinafter the "Plan" and the "Trust").

The purpose of the Plan is to improve employees' welfare and to increase their motivations for work and awareness of the Company's stock performance through its steady provision of the stock to the employee stockholding association and distribution of the profit created by trust property management in order to increase the Company's corporate value.

Accounting for the Trust is based upon the assumption that the Company and the Trust are inseparable. The Company's stock held by the Trust is accounted for as treasury stock while the Trust's assets and liabilities as well as its income and expenses are included in the Company's financial statements. The number of the stocks held by the Trust is included in the number of treasury stock and not included in the number of shares outstanding for the calculation of per share information.

The number of treasury stock held by the Trust as at 31 March 2012 was 70,604 shares.

Adoption of the Consolidation Tax Fillings

The Company and certain subsidiaries made an application for the consolidation tax fillings to the tax authority in December 2011. The application was approved, and the consolidation tax fillings will be adopted from the fiscal year beginning on 1 April 2012. Preparing for the adoption, the financial statements for this fiscal year are presented in accordance with "Tentative Solution for the Deferred Tax Accounting on Application of Tax Consolidation (part 1)" (Practical Issues Task Force No.5, revised on 18 March 2011) and "Tentative Solution for the Deferred Tax Accounting on Application of Tax Consolidation (part 2)" (Practical Issues Task Force No.7, 30 June 2010).

V. NOTES TO BALANCE SHEET

1. Contingent liabilities

(1) The Company guarantees for the following subsidiaries:

	As at 31 March 2011
	(millions of Yen)
Loans payable of HOMEOSTYLE, Inc.	2,152

	As at 31 March 2012
	(millions of Yen)
Operating payable of SBI Card Co., Ltd.	2,310

(2) Others:

SBI Liquidity Market Co., Ltd. ("SBILM"), a consolidated subsidiary of the Company, entered into banking cover deals to ensure liquidity in the foreign exchange margin trading. The Company guaranteed the current and future obligation relating to this business which SBILM owed to counterparties. However, as at the end of the year, there was no outstanding obligation as there was no guarantee obligation.

Foreign exchange trading was entered into the currency margin transaction between SBILM and SBI SECURITIES Co., Ltd. ("SBISEC"), a subsidiary of the Company. The Company guaranteed all obligations which SBISEC owes to SBILM. However, as at the end of the year, there was no outstanding obligation as there was no guaranteed obligation.

2. Operational investment securities

The Company held 20% or more of the voting rights of the companies listed below.

These investments were made with the purpose of fostering the development of venture capital portfolio companies, which is the Company's business activity.

Since the purpose of these investments was not to control or to exert significant influence over the entities, they were not included in the Company's subsidiaries or affiliates.

AS AT 31 MARCH 2011

- Venture Revitalize Investment, Inc.

AS AT 31 MARCH 2012

- Venture Revitalize Investment, Inc.
- AXES Holdings Co., Ltd.

3. Assets and liabilities related to subsidiaries or affiliates

Balance sheet items related to subsidiaries or affiliates which were not separately presented were as follows:

	As at 31 March	
	2011 (millions of Yen)	**2012 (millions of Yen)**
Current assets		
Short-term investment securities	11,000	—
Short-term loans receivable	51,875	**57,280**
Accounts receivable-others	13,611	**6,855**
Current liabilities		
Short-term loans payable	87,468	**81,150**

4. Line of credit from financial institutions

To ensure an efficient operating funds procurement, the Company entered into overdraft facility arrangements with 8 banks. Unused overdraft facilities at the end of the respective year were as follows:

	As at 31 March	
	2011 (millions of Yen)	**2012 (millions of Yen)**
Lines of credit	52,800	**76,800**
Used balance	51,300	**49,800**
Unused portion	1,500	**27,000**

5. Asset pledged as collateral and liabilities related to pledged assets

Asset pledged as collateral were as follows:

	As at 31 March	
	2011 (millions of Yen)	**2012 (millions of Yen)**
Stocks of subsidiaries and affiliates	154,592	**154,592**
Investment securities	1,896	—
Total	156,488	**154,592**

Liabilities related to pledged assets with guarantee were as follows:

	As at 31 March	
	2011 (millions of Yen)	**2012 (millions of Yen)**
Short-term loans payable	80,900	**79,900**

VI. NOTES TO STATEMENT OF OPERATIONS

1. Cost of operational investment securities

The cost of operational investment securities included a valuation loss on operational investment securities, including investments in operational investment securities held by funds.

	Year ended 31 March	
	2011 (millions of Yen)	**2012 (millions of Yen)**
Valuation loss on operational investment securities	407	**756**

2. Other operating costs

Other operating costs included personnel expenses associated with sales.

3. Transactions with subsidiaries and affiliates

	Year ended 31 March	
	2011 (millions of Yen)	**2012 (millions of Yen)**
Net sales		
Dividend income	11,675	**9,511**
Non-operating income		
Interest income	1,763	**1,785**
Non-operating expense		
Interest expense	1,583	**1,538**
Extraordinary income		
Gains on sales of investment in subsidiaries and affiliates	12,819	**19,715**
Extraordinary expense		
Losses on disposal of investment in subsidiaries and affiliates	—	**2,633**

4. Major items and amounts of selling, general and administrative expenses

	Year ended 31 March	
	2011 (millions of Yen)	**2012 (millions of Yen)**
Salaries	1,609	**1,821**
Taxes and duties	606	**622**
Commission fees	1,304	**1,114**
Outsourcing fees	438	**386**
Rent expenses	636	**645**
Depreciation	363	**343**

Selling expenses accounted for approximately 6% and 3% of the total selling, general and administrative expenses while general and administrative expenses accounted for 94% and 97% for the years ended 31 March 2011 and 2012, respectively.

VII. NOTES TO STATEMENT OF CHANGES IN NET ASSETS

Outstanding number of treasury stock

Year ended 31 March 2011	As at 31 March 2010 (share)	Increase (share)	Decrease (share)	As at 31 March 2011 (share)
Treasury stock				
Common shares	14,621	—	—	14,621

Year ended 31 March 2012	**As at 31 March 2011 (share)**	**Increase (share)**	**Decrease (share)**	**As at 31 March 2012 (share)**
Treasury stock				
Common shares (Note 1,2 and 3)	14,621	508,125	80,653	442,093

Notes:

1. As stated in "IV. ADDITIONAL INFORMATION", accounting for the Trust is based upon the assumption that the Company and the Trust are inseparable, thus shares held by the Trust were included in the above movement of treasury stock - common shares.

2. The increase of 508,125 common shares in treasury stock consists of 321,373 shares acquired as treasury stock subject to Article 156 (replacement of the third paragraph of Article 165) of the Companies Act; 60,000 shares acquired in response to the share purchase demand related to the share exchange make SBI VeriTrans Co., Ltd. a wholly owned subsidiary in accordance with the first paragraph of Article 797 of the Companies Act; 50,116 shares of dividend in kind from SBI SECURITIES Co., Ltd. and remaining 76,636 shares acquired by the Trust.

3. The decrease of 80,653 common shares in treasury stock consists of reissuance of 74,621 shares to acquire the remaining share of SBI Net Systems Co., Ltd. to make it a wholly owned subsidiary of the Company and 6,032 shares sold by the Trust to the employee stockholding association.

VIII. SECURITIES

Stocks of subsidiaries and affiliates with quoted market price

AS AT 31 MARCH 2011

Type	Carrying amount (millions of Yen)	Fair value (millions of Yen)	Difference (millions of Yen)
Stocks of subsidiaries	12,035	12,048	12
Stocks of affiliates	1,496	1,144	(352)
Total	13,532	13,192	(339)

AS AT 31 MARCH 2012

Type	**Carrying amount (millions of Yen)**	**Fair value (millions of Yen)**	**Difference (millions of Yen)**
Stocks of subsidiaries	7,459	6,693	(765)
Stocks of affiliates	1,390	1,102	(287)
Total	8,849	7,796	(1,053)

Note:

Stocks of subsidiaries and affiliates whose fair values were assumed to be extremely difficult to measure:

Type	**Carrying amount (millions of Yen) As at 31 March**	
	2011	**2012**
Stocks of subsidiaries	287,263	**346,374**
Stocks of affiliates	27,433	**32,350**

Those unlisted equity securities were excluded from the fair value disclosure as there was no market value and it was extremely difficult to measure the fair value and, therefore, not subject to fair value disclosure in the table “Stocks of subsidiaries and affiliates with quoted market price” above.

IX. NOTES TO INCOME TAXES

1. Major components of the deferred tax assets and liabilities

	Year ended 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Deferred tax assets – Current		
Losses on valuation of investment securities (current assets)	1,288	**1,140**
Provision of allowance for investment losses (current assets)	1,506	**999**
Losses on valuation of inventory	425	**386**
Provision of allowance for doubtful accounts	679	**596**
Accrued enterprise taxes	83	**79**
Tax loss carried forward	1,220	**1,915**
Unrealized losses on available-for-sale securities	4,207	**710**
Others	545	**490**
Subtotal	9,956	**6,318**
Valuation allowance	(4,802)	**(653)**
Total deferred tax assets - Current	5,153	**5,664**
Deferred tax assets (investment and other assets)		
Losses on valuation of investment securities (non-current assets)	9,498	**8,562**
Provision of allowance for investment losses (non-current assets)	595	**167**
Tax loss carried forward	2,639	**197**
Unrealized losses on available-for-sale securities	484	**466**
Others	138	**218**
Subtotal	13,356	**9,612**
Valuation allowance	(7,380)	**(6,740)**
Total deferred tax assets (investment and other assets)	5,976	**2,872**
Total deferred tax assets	11,130	**8,537**
Deferred tax liabilities - Current		
Unrealized gains on available-for-sale securities	(464)	**(712)**
Total deferred tax liabilities — Current	(464)	**(712)**
Deferred tax liabilities — Non-current		
Unrealized gains on available-for-sale securities	(599)	**(609)**
Impact from reorganization	—	**(3,592)**
Others	0	**(122)**
Total deferred tax liabilities — Non-current	(599)	**(4,324)**
Total deferred tax liabilities	(1,064)	**(5,037)**
Net deferred tax assets	10,065	**3,499**

2. Reconciliation between the normal effective statutory tax rate and the actual effective tax rate

	Year ended 31 March	
	2011	**2012**
Normal effective tax rate	40.69%	**40.69%**
(adjustments)		
Expenses not deductible for income taxes purpose	1.43%	**2.10%**
Income not taxable for income tax purpose	(45.36%)	**(16.36%)**
Change in valuation allowance	13.23%	**4.05%**
Decrease of net deferred tax assets due to the change of future tax rate	—	**1.42%**
Others	0.04%	**0.03%**
Actual effective tax rate	10.03%	**31.93%**

3. Reversal of Deferred Tax Assets and Liabilities

"Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No.114 of 2011) and "Act on Special Measures for Securing the Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011) were newly promulgated on 2 December 2011. These reform acts reduce the effective tax rate used for the calculation of deferred tax assets and liabilities from 40.69% to 38.01% and 35.64% for those temporary differences expected to reverse within the three fiscal years beginning on or after 1 April 2012 and for the fiscal years beginning on or after 1 April 2015, respectively.

The Tax Reform also set a ceiling on annual deduction for unused tax carry-forward losses to 80% of annual taxable profit for the consolidated fiscal years beginning on or after 1 April 2012.

These changes lead to a decrease in net deferred tax assets by ¥329 million and an increase in income tax-deferred by ¥332 million.

X. NOTES TO BUSINESS COMBINATIONS

The notes for the year ended 31 March 2012 was omitted since the information was disclosed in the Consolidated Financial Statements as disclosure notes.

XI. NOTES TO PER SHARE INFORMATION

	Year ended 31 March	
	2011	**2012**
	(Yen)	**(Yen)**
Net assets per share	16,044.40	**16,406.06**
Net income per share	473.84	**726.14**
Diluted net income per share	473.33	**725.97**

Notes:

1. Basis of calculation of the net assets per share

	Year ended 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Total net assets	319,755	**361,084**
Deducted amount from net assets	—	**—**
Net assets attributable to common shareholders at the end of the year	319,755	**361,084**
The number of common shares	19,929,397	**22,009,210**

2. Basis of calculation for the net income (loss) and diluted net income per share

	Year ended 31 March	
	2011	**2012**
	(millions of Yen)	**(millions of Yen)**
Net income per share		
Net income for the year	9,101	**15,970**
Net income not attributable to common shareholders	—	**—**
Net income attributable to common shareholders	9,101	**15,970**
Average number of common shares during the year (share)	19,207,974	**21,993,998**
Diluted net income per share		
Adjustment on net income for the year	—	**—**
Increased number of common shares	20,501	**5,247**
Increased by exercising acquisition right	(20,501)	**(5,247)**

3. Overview of stocks with potential dilutive effect excluded from the calculation

For the year ended 31 March 2011: Stock acquisition right issued by the stock option plan (Potential shares: 184,464 shares)

For the year ended 31 March 2012: Stock acquisition right issued by the stock option plan (Potential shares: 222,740 shares)

XII. EVENTS AFTER THE REPORTING PERIOD

Stock split, adoption of share unit system and partial amendment to the articles of incorporation

At the Company's 14th business year's shareholders meeting held on 28 June 2012, the adoption of share unit system and partial amendment to the articles of incorporation were resolved.

In addition, at the board of directors' meeting held on 26 April 2012, the implementation of stock split was resolved subject to the above shareholder's approval on partial amendment to the articles of incorporation.

1. The purpose of stock split, adoption of share unit system and partial amendment to the articles of incorporation

Based on the requests from the Japanese Stock Exchanges Conference to define the trading unit at 100 or 1,000 shares, the Company determined to adopt a share unit system and prescribed the share unit as 100 shares.

Since the Tokyo Stock Exchange set the preferable range of investment unit as ¥50,000 or more and less than ¥500,000 in accordance with the article 445 of the listing rule, the Company determined to conduct a 1 for 10 stock split to meet the aforementioned range considering the recent stock price.

2. The outline of stock split

Stock split will be conducted at the rate of 10 shares for each outstanding share based on the shareholders registered as at 30 September 2012.

3. The adoption of share unit system

Share unit will be prescribed as 100 shares.

The adoption of share unit and stock split would result in holders of shares less than a unit. The Company will establish a system to enable shareholders less than one share to demand the Company to purchase their shares less than one unit or to sell the shares to make the shares to a unit effective from on or after 1 October 2012.

4. The effective date of stock split and the adoption of share unit

The effective date of stock split and the adoption of share unit will be at 1 October 2012. If the above stock split was conducted at the beginning of the year ended 31 March 2011, the per-share information for the year ended 31 March 2011 and 2012 would have been as follows:

	Year ended 31 March	
	2011	**2012**
	(Yen)	**(Yen)**
Net assets per share	1,604.44	**1,640.61**
Net income per share	47.38	**72.61**
Diluted net income per share	47.33	**72.60**

XIII. SUPPLEMENTARY SCHEDULES FOR FINANCIAL STATEMENTS

SCHEDULE OF SECURITIES

FOR THE YEAR ENDED 31 MARCH 2012

As the total amounts of the short term investment securities and investment securities as at 31 March 2012 were less than 1% of total assets, the breakdown was omitted in accordance with article 124 of Financial Statements Rule.

SCHEDULE OF PROPERTY AND EQUIPMENT, INTANGIBLE ASSETS, LONG TERM PREPAID EXPENSES AND DEFERRED ASSETS

FOR THE YEAR ENDED 31 MARCH 2012

Type of asset	Balance as at 31 March 2011 (millions of Yen)	Increase (millions of Yen)	Decrease (millions of Yen)	Balance as at 31 March 2012 (millions of Yen)	Accumulated depreciation as at 31 March 2012 (millions of Yen)	Depreciation accounted in the year (millions of Yen)	Net amount (millions of Yen
Property and equipment							
Buildings	5,593	930	28	6,495	515	153	5,979
Furniture and fixtures	1,374	80	166	1,288	1,103	129	185
Vehicles	20	9	—	29	20	3	9
Land	2,757	425	—	3,182	—	—	3,182
Construction in Progress	76	235	5	307	—	—	307
Total property and equipment	9,822	1,681	200	11,303	1,638	285	9,664
Intangible assets							
Patents	—	—	—	13	6	1	6
Trademark	—	—	—	51	25	4	26
Software	—	—	—	2,384	1,298	235	1,086
Telephone rights	—	—	—	5	—	—	5
Others	—	—	—	30	2	2	27
Total intangible assets	—	—	—	2,484	1,332	244	1,151
Long-term prepaid expenses	115	801	306	610	—	—	610
Deferred charges							
Stock issuance costs	203	139	—	342	161	110	180
Bond issuance costs	410	538	410	538	235	456	303
Total deferred charges	613	677	410	880	396	567	484

Note: As the amounts of the intangible assets as at 31 March 2012 were less than 1% of total assets, the movement of the intangible assets was not disclosed in the above table.

SCHEDULE OF ALLOWANCES

FOR THE YEAR ENDED 31 MARCH 2012

Type	Balance as at 31 March 2011 (millions of Yen)	Increase (millions of Yen)	Decrease (Charge-off) (millions of Yen)	Decrease (Others) (millions of Yen)	Balance as at 31 March 2012 (millions of Yen)
Allowance for investment losses	1,713	81	995	—	799
Allowance for doubtful accounts	1,668	10	5	0	1,673

Note: The "Decrease (Others)" in allowance for doubtful accounts represents the reversal of the allowance based on the past credit loss experience.

B2. ADDITIONAL STOCK EXCHANGE INFORMATION OF THE COMPANY

(Amounts in millions of Japanese Yen, rounded down to the nearest million, unless otherwise stated)

Additional information required under the relevant disclosure rules covering the Listing of Securities on the Stock Exchange of Hong Kong Limited, and not shown elsewhere in the financial statements is as follows:

I. OPERATIONAL LOANS RECEIVABLE

The Company's operational loans receivable as at 31 March 2011 and 2012 were ¥120 million and ¥916 million respectively, while accrued interest of the operation loans receivable as at 31 March 2011 and 2012 were ¥0 million and ¥20 million, respectively.

II. FURTHER DETAILS OF TRADING ASSETS, OPERATIONAL INVESTMENT SECURITIES AND INVESTMENT SECURITIES

Trading assets, operational investment securities and investment securities as at 31 March 2011 and 2012 consisted of the following:

	As at 31 March	
	2011	**2012**
Current (Operational Investment Securities)		
Listed equity securities	7,975	**99**
Unlisted equity securities	9,602	**11,841**
Unlisted corporate bonds	10	**10**
Investment in unlisted funds	8,884	**13,128**
Others — listed	738	**518**
Subtotal	27,210	**25,598**
Allowance for investment losses	(248)	**(330)**
Total	26,962	**25,268**

	As at 31 March	
	2011	**2012**
Non-current (Investment Securities)		
Listed equity securities	3,642	**3,903**
Unlisted equity securities	29	**0**
Listed trust fund investments	484	**451**
Others — listed	16	**—**
Others — unlisted	0	**0**
Total	4,173	**4,355**