Strategic Business Innovator

SBI HOLDINGS, INC.

Annual Report 2012 / 13

2012.4.1～2013.3.31
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 Senior Managing Executive Officer)
Mr. Shumpei Morita (Director, Managing Executive Officer and Chief Financial Officer)
Mr. Noriaki Maruyama (Director and Managing Executive Officer)
Mr. Peilung Li (Director and Executive Officer)

Non-Executive Directors

Mr. Masato Takamura (Director)
Mr. Hiroshi Tasaka (Director)
Mr. Teruhide Sato (Outside 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

Auditor

Deloitte Touche Tohmatsu LLC

Principal Bank

Mizuho Corporate Bank Ltd.

Registered Office

Izumi Garden Tower 19th Floor
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

Hong Kong: 6488
Japan: 8473

Website Address

www.sbigroup.co.jp

FINANCIAL HIGHLIGHTS

(1) Consolidated Financial Summary

Term	IFRSs The 14th Term	IFRSs **The 15th Term**
Accounting Period	Fiscal year ended 31 March 2012	**Fiscal year ended 31 March 2013**
Operating revenue (Millions of yen)	177,409	**153,476**
Operating income (Millions of yen)	17,530	**16,577**
Profit attributable to owners of the Company (Millions of yen)	303	**3,202**
Comprehensive income/(loss) attributable to owners of the Company (Millions of yen)	(1,564)	**10,839**
Equity attributable to owners of the Company (Millions of yen)	296,523	**303,299**
Total assets (Millions of yen)	1,655,568	**2,494,387**
Total liabilities (Millions of yen)	1,303,663	**2,133,852**
Equity per share attributable to owners of the Company (Yen)	1,347.27	**1,401.39**
Basic earnings per share attributable to owners of the Company (Yen)	1.38	**14.75**
Diluted earnings per share attributable to owners of the Company (Yen)	1.38	**14.75**
Ratio of equity attributable to owners of the Company to total assets (%)	17.9	**12.2**
Ratio of profit to equity attributable to owners of the Company (%)	0.1	**1.1**
Price earnings ratio (Times)	565.94	**56.34**
Net cash from (used in) operating activities (Millions of yen)	9,818	**(36,984)**
Net cash used in investing activities (Millions of yen)	(16,021)	**(19,060)**
Net cash from financing activities (Millions of yen)	7,387	**25,699**
Cash and cash equivalents at end of the period (Millions of yen)	159,833	**133,362**
Number of employees	—	**5,007**

(Notes) 1. The Company started to prepare the consolidated financial statements for the fiscal year ended 31 March 2013 in accordance with International Financial Reporting Standards (“IFRSs”).
2. The Company conducted a 10 for 1 stock split, effective on 1 October 2012. The calculations of basic and diluted earnings per share for all periods presented are based on the new number of shares and adjusted retrospectively, assuming that the stock split was conducted at the beginning of the fiscal year ended 31 March 2012.
3. Operating revenue does not include consumption taxes.

Term	JGAAP				
	The 11th Term	The 12th Term	The 13th Term	The 14th Term	**The 15th Term**
Accounting Period	Fiscal Year ended 31 March 2009	Fiscal Year ended 31 March 2010	Fiscal Year ended 31 March 2011	Fiscal Year ended 31 March 2012	**Fiscal Year ended 31 March 2013**
Net sales (Millions of yen)	130,922	124,541	141,081	145,074	**116,594**
Ordinary income (loss) (Millions of yen)	37	1,112	3,525	4,860	**(18,627)**
Net income (loss) (Millions of yen)	(18,375)	2,350	4,534	3,200	**(9,877)**
Comprehensive income/(loss) (Millions of yen)	—	—	(6,471)	3,764	**3,793**
Net assets (Millions of yen)	419,338	428,615	456,982	468,579	**468,346**
Total assets (Millions of yen)	1,079,233	1,229,939	1,293,606	1,663,814	**1,981,881**
Total liabilities (Millions of yen)	659,894	801,324	836,623	1,195,235	**1,513,535**
Net assets per share (Yen)	21,129.47	21,424.02	19,610.64	1,848.92	**1,861.69**
Net income (loss) per share (Yen)	(1,232.48)	140.30	236.09	14.56	**(45.50)**
Diluted net income per share (Yen)	—	116.84	225.74	14.06	—
Equity ratio (%)	32.8	29.2	30.2	24.5	**20.3**
Return on equity (%)	(6.2)	0.7	1.2	0.8	**(2.4)**
Price earnings ratio (Times)	—	131.50	44.35	53.65	—
Net cash from (used in) operating activities (Millions of yen)	103,034	(53,134)	(742)	(4,972)	**(47,326)**
Net cash used in investing activities (Millions of yen)	(1,104)	(15,563)	(16,642)	(27,035)	**(15,402)**
Net cash from (used in) financing activities (Millions of yen)	(137,514)	84,599	25,154	29,529	**27,320**
Cash and cash equivalents at end of the period (Millions of yen)	126,312	142,581	148,786	145,594	**113,930**
Number of employees	2,492	3,048	3,397	3,149	—

(Notes) 1. Net sales do not include consumption taxes.
2. Diluted net income per shares for the 11th and 15th term are 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. The Company conducted a 10 for 1 stock split, effective on 1 October 2012. The calculations of net assets per share, net income (loss) per share and diluted net income per share of the 14th and 15th term are based on the new number of shares and adjusted retrospectively, assuming that the stock split was conducted at the beginning of the 14th term.
4. The financial figures for the15th term prepared in accordance with JGAAP are not audited since the company adopted IFRSs for the fiscal year ended 31 March 2013.

(2) Non-Consolidated Financial Summary

Term	The 11th Term	The 12th Term	The 13th Term	The 14th Term	**The 15th Term**
Accounting Period	Fiscal Year ended 31 March 2009	Fiscal Year ended 31 March 2010	Fiscal Year ended 31 March 2011	Fiscal Year ended 31 March 2012	**Fiscal Year ended 31 March 2013**
Net sales (Millions of yen)	23,685	29,106	28,191	31,828	**38,050**
Ordinary income (loss) (Millions of yen)	2,062	(1,126)	1,353	5,082	**17,766**
Net income (loss) (Millions of yen)	(12,108)	3,519	9,101	15,971	**1,030**
Capital stock (Millions of yen)	55,214	55,284	73,236	81,665	**81,668**
Total number of shares issued	16,768,733	16,782,291	19,944,018	22,451,303	**224,525,781**
Net assets (Millions of yen)	282,516	281,972	319,755	361,084	**358,827**
Total assets (Millions of yen)	513,822	500,996	535,355	590,423	**564,961**
Total liabilities (Millions of yen)	231,306	219,023	215,599	229,339	**206,134**
Net assets per share (Yen)	16,885.74	16,816.46	16,044.40	1,640.61	**1,657.95**
Dividend per share (of which interim dividend per share) (Yen)	100 (－)	100 (－)	120 (－)	100 (－)	**10 (－)**
Net income (loss) per share (Yen)	(811.19)	210.11	473.84	72.61	**4.75**
Diluted net income per share (Yen)	－	209.49	473.33	72.60	**4.75**
Equity ratio (%)	55.0	56.3	59.7	61.2	**63.5**
Return on equity (%)	(5.5)	1.2	3.0	4.7	**0.3**
Price earnings ratio (Times)	－	87.81	22.10	10.76	**174.95**
Dividend ratio (%)	－	47.6	25.3	13.8	**210.5**
Number of employees	226	208	244	237	**220**

(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.
5. The Company conducted a 10 for 1 stock split, effective on 1 October 2012. The calculations of net assets per share, net income (loss) per share and diluted net income per share of the 14th and 15th term are based on the new number of shares and adjusted retrospectively, assuming that the stock split was conducted at the beginning of the 14th term.
6. The amounts in millions of Japanese Yen of non-consolidated financial statements used to be rounded down to the nearest million, however, those for the 14th and 15th terms are rounded off to the nearest million since the company adopted IFRSs for the fiscal year ended 31 March 2013.

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.
April 2012	SBI Mortgage Co., Ltd. lists Korea Depositary Receipt representing its common shares on KOSPI Market of the Korea Exchange.
March 2013	Acquires shares of Hyundai Swiss Savings Bank (head office: South Korea) and makes it a subsidiary.

2. Our Business

The Group’s core businesses are the Financial Services Business, mainly consisting of securities brokerage business, banking business and insurance business, which offers a wide range of financial services, the Asset Management Business which primarily involves fund management and investment in IT, biotechnology, environmental energy and financial-related venture companies inside and outside of Japan, and the Biotechnology-related Business which represents development and distribution of pharmaceutical products, cosmetics and health foods.

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.

Change of reportable segments

We changed the reportable segments from the four segments of “Asset Management Business”, “Brokerage and Investment Banking Business”, “Financial Service Business” and “Housing and Real Estate Business” to the three segments of “Financial Service Business”, “Asset Management Business” and “Biotechnology-related Business” from the beginning of this fiscal year.

As for “Financial Service Business” we integrated operating infrastructure of “Brokerage and Investment Banking Business” and “Financial Service Business” and realigned our organizational structure to thoroughly pursue strong synergy. We integrated both business and included “Real Estate Financial Service Business” of the former “Housing and Real Estate Business” into this reportable segment.

“Asset Management Business” remained unchanged because there is a possibility that changes in periodic profit or loss will be larger than before, as the performance of operational investment securities (meaning unrealized profits or losses) are directly reflected in the statements of income after applying IFRSs. Hence, this business is considered to be clearly distinguished from other businesses.

We defined “Biotechnology-related Business” to be a new reportable segment as this segment which handles development and sales of pharmaceuticals using 5-aminolevulinic acid (ALA) (*), one of the amino acid existing in living body, is expected to be the largest growth area of the Group.

(*) 5-aminolevulinic acid (ALA) is an amino acid generated by mitochondria in human body and an important substance used to produce heme or cytochrome, proteins to generate energy. The production of ALA in the human body decreases with aging. ALA is included in food products including slops of distilled spirits, red wine, and radish shoots. ALA is also known as chloroplastic substance of plant.

Reorganization within the Group

The Group underwent certain reorganization within the Group during the fiscal year ended 31 March 2013, and major items are as follows:

(Financial Service Business)
We established SBI FINANCIAL SERVICES Co., Ltd. as an intermediate holding company for this business segment by stock transfers executed jointly by SBI SECURITIES Co., Ltd., SBI Liquidity Market Co., Ltd. and SBI Financial Agency Co., Ltd. In addition, SBI FINANCIAL SHOP Co., Ltd. and SBI Financial Agency Co., Ltd., were merged and named SBI MONEY PLAZA Co., Ltd. which succeeded face-to-face sales division of SBI SECURITIES (the division conducts face-to-face transactions related to the financial instruments business, housing-loan sales agent operations and life-insurance subscription operations), not including client assets.
The Group made SBI Japannext Co., Ltd., previously accounted for using the equity method, its subsidiary through a business combination achieved in stages.

(Asset Management Business)
We established SBI Capital Management Co., Ltd. as an intermediate holding company for this business segment by stock transfers executed jointly by SBI Investment Co., Ltd. and SBI CAPITAL Co., Ltd.

Change in scope of consolidation

Major changes in scope of consolidation during the consolidated fiscal year ended 31 March 2013 are as follows:

In March 2013, the Company transferred all of its shareholdings in SBI Credit Co., Ltd., a subsidiary in Financial Services Business segment, to BAF4 Corporation. BAF4 Corporation is an entity established by an investment limited partnership operated by iSigma Capital Corporation, a subsidiary of the leading general trading company, Marubeni Corporation.

In March 2013, the Group acquired shares of Hyundai Swiss Savings Bank, headquartered in Seoul, South Korea, and made it a subsidiary.

Set out below is a table providing the information about principal group entities after the change of reportable segments, the Group reorganization, and the change in scope of consolidation.

Financial Services Business	Asset Management Business	Biotechnology-related Business
SBI FINANCIAL SERVICES Co., Ltd.	SBI Capital Management Co., Ltd.	SBI Pharmaceuticals Co., Ltd.
SBI SECURITIES Co., Ltd.	SBI Investment Co., Ltd.	SBI ALApromo Co., Ltd.
SBI Liquidity Market Co., Ltd.	SBI CAPITAL Co., Ltd.	SBI Biotech Co., Ltd.
SBI MONEY PLAZA Co., Ltd.	SBI BB Mobile Investment LPS	
SBI Japannext Co., Ltd.	SBI Value Up Fund No.1 Limited Partnership	
SBI Sumishin Net Bank, Ltd. (Note)	SBI VEN HOLDINGS PTE. LTD.	**Other Business**
SBI Insurance Co., Ltd.	SBI KOREA HOLDINGS CO., LTD.	SBI Life Living Co., Ltd.
Morningstar Japan K. K.	Hyundai Swiss Savings Bank	The Company (Real estate business department)
SBI Mortgage Co., Ltd.		
SBI Card Co., Ltd.		
The Company (Insweb business department and E-loan business department)		

(Note) Equity method associates

3. Subsidiaries and Associates

Name	Location	Capital or Money Invested (Millions of Yen)	Principal Business	Voting Rights Holding Ratio or Investment Ratio (%)	Relationship
(Subsidiaries) SBI FINANCIAL SERVICES Co., Ltd. (Note 3)	Minato-ku, Tokyo	100	Financial Service Business	100.0	Concurrent position held by executive Transactions other than operating transactions
SBI SECURITIES Co., Ltd. (Notes 3, 8)	Minato-ku, Tokyo	47,938	Financial Service Business	100.0 (100.0)	Concurrent position held by executive Operating transactions Transactions other than operating transactions
SBI Liquidity Market Co., Ltd.	Minato-ku, Tokyo	1,000	Financial Service Business	100.0 (100.0)	Concurrent position held by executive Transactions other than operating transactions
SBI MONEYPLAZA Co.,Ltd.	Minato-ku, Tokyo	100	Financial Service Business	100.0 (100.0)	Concurrent position held by executive Operating transactions Transactions other than operating transactions
SBI Japannext Co., Ltd.	Minato-ku, Tokyo	3,190	Financial Service Business	52.8 (9.9)	Concurrent position held by executive
SBI Insurance Co., Ltd (Notes 3, 9)	Minato-ku, Tokyo	13,050	Financial Service Business	76.6	Concurrent position held by executive Operating transactions
Morningstar Japan K. K. (Notes 2, 5)	Minato-ku, Tokyo	2,116	Financial Service Business	49.2 (0.7)	Concurrent position held by executive Operating transactions
SBI Mortgage Co., Ltd.	Minato-ku, Tokyo	4,557	Financial Service Business	66.5 (15.2)	Concurrent position held by executive Operating transactions
SBI Card Co., Ltd.	Chiyoda-ku, Tokyo	100	Financial Service Business	100.0	Concurrent position held by executive Operating transactions Transactions other than operating transactions
SBI Lease Co.,Ltd.	Minato-ku, Tokyo	780	Financial Service Business	100.0	Concurrent position held by executive Operating transactions Transactions other than operating transactions
CEM Corporation	Shinjuku-ku, Tokyo	2,405	Financial Service Business	79.7 (57.1)	Transactions other than operating transactions
SBI Net Systems Co., Ltd.	Shinjuku-ku, Tokyo	90	Financial Service Business	100.0 (5.0)	Concurrent position held by executive Operating transactions Transactions other than operating transactions
SBI Capital Management Co., Ltd.	Minato-ku, Tokyo	100	Asset Management Business	100.0	Concurrent position held by executive Transactions other than operating transactions
SBI Investment Co., Ltd.	Minato-ku, Tokyo	50	Asset Management Business	100.0 (100.0)	Concurrent position held by executive Operating transactions Transactions other than operating transactions
SBI CAPITAL Co.,Ltd.	Minato-ku, Tokyo	195	Asset Management Business	100.0 (100.0)	Concurrent position held by executive
SBI BB Mobile Investment LPS (Notes 2, 3, 5)	Minato-ku, Tokyo	32,000	Asset Management Business	36.9 (0.9)	―――

Name	Location	Capital or Money Invested (Millions of Yen)	Principal Business	Voting Rights Holding Ratio or Investment Ratio (%)	Relationship
SBI Value Up Fund No.1 Limited Partnership (Notes 3, 5)	Minato-ku, Tokyo	15,067	Asset Management Business	49.8 (6.5)	――――
SBI VEN HOLDINGS PTE. LTD. (Note 3)	Singapore	183 million US dollar	Asset Management Business	100.0	Concurrent position held by executive Transactions other than operating transactions
SBI KOREA HOLDINGS CO., LTD.	Korea	1,138 million Korean won	Asset Management Business	100.0 (100.0)	Concurrent position held by executive
HYUNDAI SWISS SAVINGS BANK (Notes 3, 6)	Korea	224,100 million Korean won	Asset Management Business	89.4 (89.4)	――――
HYUNDAI SWISS 2 SAVINGS BANK (Note 7)	Korea	62,150 million Korean won	Asset Management Business	94.0 (94.0)	――――
SBI Asset Management Co., Ltd.	Minato-ku, Tokyo	400	Asset Management Business	100.0 (100.0)	Concurrent position held by executive
SBI Hong Kong Holdings Co., Limited (Note 3)	Hong Kong	654 million US dollar	Asset Management Business	100.0	Concurrent position held by executive Transactions other than operating transactions
Softbank Internet Fund (Notes 3, 5)	Minato-ku, Tokyo	12,300	Asset Management Business	11.4 (11.4)	――――
SBI BROADBAND FUND No1 LIMITED PARTNERSHIP (Notes 3, 5)	Minato-ku, Tokyo	32,600	Asset Management Business	39.9 (0.3)	――――
SBI NEO Technology A Investment LPS (Note 3)	Minato-ku, Tokyo	9,900	Asset Management Business	53.5 (8.1)	――――
SBIH UK LIMITED (Note 3)	U.K.	87 million British pound	Asset Management Business	100.0	――――
SBI Pharmaceuticals Co., Ltd.	Minato-ku, Tokyo	3,343	Biotechnology -related Business	73.2 (73.2)	Concurrent position held by executive
SBI ALApromo Co., Ltd.	Minato-ku, Tokyo	50	Biotechnology -related Business	100.0 (100.0)	Operating transactions
SBI Biotech Co.,Ltd.	Minato-ku, Tokyo	6,631	Biotechnology -related Business	72.6 (64.1)	――――
SBI ALA Hong Kong Co.,Limited (Note 3)	Hong Kong	2,631 million Hong Kong dollar	Biotechnology -related Business	100.0 (100.0)	Concurrent position held by executive
SBI Life Living Co., Ltd. (Note 2)	Shibuya-ku, Tokyo	491	Other Businesses	74.2	Operating transactions Transactions other than operating transactions
146 other companies					
(Equity method associates)					
SBI Sumishin Net Bank, Ltd.	Minato-ku, Tokyo	31,000	Financial Service Business	50.0	――――
37 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 associate 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. The company is in a financial condition with liabilities in excess of assets. Its excess amount as at 31 March 2013 is ¥21,931 million.
7. The company is in a financial condition with liabilities in excess of assets. Its excess amount as at 31 March 2013 is ¥26,323 million.
8. The net sales of SBI SECURITIES Co., Ltd. (excluding internal net sales recorded within the Group) account for more than 10% of consolidated operating revenue. Summarized financial information for the fiscal year ended 31 March 2013 in accordance with JGAAP is as follows:

	Fiscal Year ended 31 March 2013
	Millions of Yen
Operating revenue	43,191
Ordinary income	11,648
Net income	7,021
Net assets	146,318
Total assets	1,414,528

9. The net sales of SBI Insurance CO., Ltd. (excluding internal net sales recorded within the Group) account for more than 10% of consolidated operating revenue. Summarized financial information for the fiscal year ended 31 March 2013 in accordance with JGAAP is as follows:

	Fiscal Year ended 31 March 2013
	Millions of Yen
Ordinary revenue	19,164
Ordinary loss	(7,543)
Net loss	(7,554)
Net assets	10,690
Total assets	31,905

4. Employees

(1) The Group

(As of 31 March 2013)

Business Segment	Number of Employees
Financial Service Business	2,791
Asset Management Business	1,815
Biotechnology-related Business	156
Others	120
Common	125
Total	5,007

(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.
3. The number of employees increased by 1,858 employees for the fiscal year ended 31 March 2013. The increase was primarily due to the inclusion of several venture investee companies into the consolidated SBI Group in Asset Management Business as the Group adopted IFRSs.

(2) The Company

(As of 31 March 2013)

Number of Employees	Average Age	Average Number of Years of Employment	Average Annual Compensation (Yen)
220	37.0	5.6	7,505,913

(As of 31 March 2013)

Business Segment	Number of Employees
Financial Service Business	53
Asset Management Business	20
Others	22
Common	125
Total	220

(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 fiscal year ended 31 March 2013, while Japan's economic environment showed a gradual upswing with special procurement boom arising from the post-earthquake recovery, it still continued to be uncertain with prolonged yen appreciation resulting from the European Sovereign Debt Crisis and growth recession in emerging countries. However, drastic monetary relaxation and economic recovery plans, which were implemented by the new Japanese government formed at the end of last year, contributed to creating yen depreciation and high prices on the stock market, and raised expectations for overcoming deflation and economic recovery.

Stock market conditions that significantly impact investment and securities related businesses continued to be weak in the domestic market, but stock prices started to increase from November 2012. Individual stock brokerage trading value on three major markets, Tokyo, Osaka, and Nagoya, in the fourth quarter (from January to March 2013) achieved a high level of 2.4 times that of the third quarter (from October to December 2012) and annual trading value increased 38.0% since last year. There were 54 new listings, 17 more than those in the last year, showed a continuing recovery of market condition in Japan.
In overseas markets, while growth recession in some emerging countries and continuing decrease of new listings were observed, ongoing U.S. economy's gradual recovery shows signs of hopeful future.

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 Group's consolidated results of operations for the fiscal year ended 31 March 2013 were as follows. Operating revenue declined 13.5% year-on-year to ¥153,476 million, operating income decreased 5.4% to ¥16,577 million, profit before income tax expense declined 8.9% to ¥14,213 million and profit attributable to owners of the Company increased 955.9% to ¥3,202 million.

The result of operation for each reporting segment of the Group for the fiscal year ended 31 March 2013 was as follows.

	Operating revenue			Profit (loss) before income tax expense		
	Fiscal Year ended 31 March 2012	**Fiscal Year ended 31 March 2013**		Fiscal Year ended 31 March 2012	**Fiscal Year ended 31 March 2013**	
	Millions of Yen	**Millions of Yen**	%	Millions of Yen	**Millions of Yen**	%
Financial Services Business	109,186	**113,340**	**3.8**	10,498	**18,741**	**78.5**
Asset Management Business	56,699	**32,202**	**(43.2)**	17,928	**5,450**	**(69.6)**
Biotechnology-related Business	475	**970**	**104.3**	(1,984)	**(3,900)**	—
Others	14,526	**9,240**	**(36.4)**	(2,220)	**1,659**	—
Total	180,886	**155,752**	**(13.9)**	24,222	**21,950**	**(9.4)**
Elimination	(3,477)	**(2,276)**	—	(8,622)	**(7,737)**	—
Consolidation	177,409	**153,476**	**(13.5)**	15,600	**14,213**	**(8.9)**

(% represents year-on-year changes)

(Financial Services Business)

Financial Services Business consists of a wide range of financial related business and the provision of information regarding financial products, including securities brokerage business, banking services business, property and casualty insurance business, financing business offering mortgage loans, credit card business, and leasing business.

The result of operation of Financial Services Business for the fiscal year ended 31 March 2013 was as follows. Operating revenue increased 3.8% year-on-year to ¥113,340 million, and profit before income tax expense increased 78.5% to ¥18,741 million.

(Asset Management Business)

Asset Management Business primarily consists of fund management and investment in internet technology, biotechnology, environment energy and financial-related venture companies.

The result of operation of Asset Management Business for the fiscal year ended 31 March 2013 was as follows. Operating revenue declined 43.2% year-on-year to ¥32,202 million, and profit before income tax expense declined 69.6% to ¥5,450 million. Operating revenue in this reporting segment represents operating revenues arising from operational investment securities and includes the changes of fair values of those investment securities. The result of operation of the Group's investees which is deemed to be controlled (*) by the Group is consolidated into the result of operation of this reporting segment.

(*) "Control" represents the power to govern the financial and operating policies of the entity in order to obtain economic benefits from the entity's business activities.

(Biotechnology-related Business)

Biotechnology-related Business represents development and distribution of pharmaceutical products with 5-aminolevulinic acid (ALA), a kind of amino acid which exists in vivo, and cancer- and immune-related pharmaceutical products.

The result of operation of Biotechnology-related Business for the fiscal year ended 31 March 2013 was as follows. Operating revenue increased 104.3% year-on-year to ¥970 million, and loss before income tax expense amounted to ¥3,900 million (loss before income tax expense of ¥1,984 million for the fiscal year ended 31 March 2012).

(Others)

Business segments classified into "Others" primarily consist of development and trading of investment property and operation of online intermediate service which were included in the former Housing and Real Estate Business segment.

The result of operation of Others for the fiscal year ended 31 March 2013 was as follows. Operating revenue declined 36.4% year-on-year to ¥9,240 million, and profit before income tax expense amounted to ¥1,659 million (loss before income tax expense of ¥2,220 million for the fiscal year ended 31 March 2012).

2. Condensed Consolidated Financial Statements prepared under Consolidated Financial Statements Rule

Condensed Consolidated Financial Statements prepared under Consolidated Financial Statements Rule excluding chapter 7 and 8 (hereinafter "JGAAP") are as follows:

Condensed Consolidated Financial Statements prepared under JGAAP were not audited pursuant to the first clause of Article 193-2 of the Financial Instruments and Exchange Act.

Condensed Consolidated Balance Sheet

	As at 31 March 2012	As at 31 March 2013
	Millions of Yen	Millions of Yen
Assets		
Current assets	1,392,386	1,678,075
Property and equipment	28,835	27,126
Intangible assets	137,176	132,642
Investments and other assets	96,338	136,861
Deferred charges	9,077	7,175
Total assets	1,663,814	1,981,881
Liabilities		
Current liabilities	1,120,059	1,435,548
Fixed liabilities	70,739	73,873
Statutory reserve	4,436	4,113
Total liabilities	1,195,235	1,513,535
Net assets		
Total shareholders' equity	416,255	402,364
Total accumulated other comprehensive income/(loss)	(9,323)	557
Stock acquisition rights	10	(2)
Minority interests	61,636	65,427
Total net assets	468,579	468,346
Total liabilities and net assets	1,663,814	1,981,881

Condensed Consolidated Statement of Operations

	Fiscal year ended 31 March 2012	Fiscal year ended 31 March 2013
	Millions of Yen	Millions of Yen
Net sales	145,074	116,594
Cost of sales	(74,750)	(60,672)
Gross Profit	70,323	55,921
Selling, general and administrative expenses	(62,747)	(72,210)
Operating income (loss)	7,575	(16,288)
Non-operating income	3,796	2,952
Non-operating expense	(6,511)	(5,292)
Ordinary income (loss)	4,860	(18,627)
Extraordinary income	15,520	8,789
Extraordinary expense	(2,828)	(3,366)
Income (loss) before income taxes	17,552	(13,205)
Total income taxes	(11,918)	(978)
Net income (loss) before minority interests	5,633	(14,183)
Minority interests in income (loss)	(2,432)	4,305
Net income (loss)	3,200	(9,877)

Condensed Consolidated Statement of Comprehensive Income

	Fiscal year ended 31 March 2012	Fiscal year ended 31 March 2013
	Millions of Yen	Millions of Yen
Net income (loss) before minority interests	5,633	(14,183)
Total other comprehensive income/(loss) for the year	(1,869)	17,976
Total comprehensive income/(loss) for the year	3,764	3,793
Total comprehensive income/(loss) for the year attributable to:		
Owners of the parent	1,083	2
Minority interests	2,681	3,790

Condensed Consolidated Statement of Changes in Net Assets

	Fiscal year ended 31 March 2012	Fiscal year ended 31 March 2013
	Millions of Yen	Millions of Yen
Total shareholders' equity		
Balance at beginning of year	397,983	416,256
Total changes during the year	18,271	(13,891)
Balance at end of year	416,255	402,364
Accumulated other comprehensive income/(loss)		
Balance at beginning of year	(7,155)	(9,323)
Total changes during the year	(2,167)	9,880
Balance at end of year	(9,323)	557
Stock acquisition rights		
Balance at beginning of year	11	10
Total changes during the year	(1)	(12)
Balance at end of year	10	(2)
Minority interests		
Balance at beginning of year	66,142	61,636
Total changes during the year	(4,506)	3,790
Balance at end of year	61,636	65,427
Total net assets		
Balance at beginning of year	456,982	468,579
Total changes during the year	11,596	(232)
Balance at end of year	468,579	468,346

Condensed Consolidated Statement of Cash Flows

	Fiscal year ended 31 March 2012	Fiscal year ended 31 March 2013
	Millions of Yen	Millions of Yen
Net cash from (used in) operating activities	(4,972)	(47,326)
Net cash from (used in) investing activities	(27,035)	(15,402)
Net cash from (used in) financing activities	29,529	27,320
Effect of changes in exchange rate on cash and cash equivalents	(1,655)	3,448
Net decrease in cash and cash equivalents	(4,133)	(31,959)
Increase in cash and cash equivalents from change in scope of consolidation	941	295
Cash and cash equivalents at beginning of year	148,786	145,594
Cash and cash equivalents at end of year	145,594	113,930

Changes in significant accounting policies

There were none.

3. Material GAAP differences compared to the consolidated financial statements prepared in accordance with IFRSs

Material GAAP differences between consolidated financial statements prepared in accordance with IFRSs and accounting principles generally accepted in Japan (hereinafter refered to as “JGAAP”) are summarized as follows:

(1) Reclassification from JGAAP of operating revenue and operating expense

Under IFRS, the presentation of extraordinary items on the consolidated statement of income, consolidated statement of comprehensive income or in the notes to the consolidated financial statements is prohibited, and financial expense and investment gains and losses on equity method are required to be disclosed on the consolidated statement of income.
Besides, total amount of interest income and expense related to financial assets measured at amortized cost or financial liabilities other than financial liabilities measured at fair value through profit or loss shall be either disclosed in the consolidated statement of income or in the notes.
Furthermore, in order to disclose appropriately the financial performance of the Group which operates in various businesses including financial business, revenues presented as “Net sales”, “Non-operating income” and “Extraordinary income” under JGAAP except for the investment gains on equity method and the financial income which cannot be allocated to certain segments are reclassified into operating revenue in the consolidated statement of income prepared in accordance with IFRSs (hereinafter “operating revenue under IFRSs”).
Due to these reclassifications, operating revenue under IFRSs for the year ended 31 March 2012 and 2013 increased by ¥16,161 million and ¥10,059 million, respectively, compared to the “Net sales” under JGAAP.

In addition, expenses presented as “Cost of sales”, “Selling, general and administrative expenses”, “Non-operating expense” and “Extraordinary expense” under JGAAP except for the investment losses on equity method and the financial expenses which cannot be allocated to certain segments are reclassified into operating expense in the consolidated statement of income prepared in accordance with IFRSs (hereinafter “operating expense under IFRSs”).

Due to these reclassifications, operating expense under IFRSs for the year ended 31 March 2012 and 2013 increased by ¥6,830 million and ¥5,456 million, respectively, compared to the total amount of “Cost of sales” and “Selling, general and administrative expenses” under JGAAP (hereinafter, “operating expense under JGAAP”).

(2) GAAP difference of operating revenue other than reclassification

(a) Scope of consolidation

Under JGAAP, when investment companies such as venture capital invest operationally to stock or equity of other company for gaining capital gains through corporate revitalization and business development even if controlling the organization for decision making of the other company, the company may not be recognized as subsidiary. On the other hand, under the same condition, IFRSs requires investment companies include the other company within the scope of consolidation when controlling the other company.
Due to the scope of consolidation has been expanded under IFRSs, operating revenue under IFRSs for the year ended 31 March 2012 and 2013 increased by ¥34,600 million and ¥23,840 million, respectively.

(b) Profit or loss regarding evaluation of financial instruments

Under JGAAP, listed available-for-sale securities were 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 while unlisted available-for-sale securities were principally stated at cost less impairment, determined by the moving average cost method.

Thus, except for the case of significant decline in fair value, no valuation loss is recorded.

In addition, the Group provided allowance for investment losses for operational investment securities and investment securities based on the estimated losses of the investments considering the financial condition of the investees. Substantially, only the downside of the valuation difference was evaluated and the related losses were recorded.

As a result of the application of IFRS 9, financial instruments are measured at fair value through profit or loss except for the financial instruments designated as financial instruments at FVTOCI at initial recognition, and the valuation gain or loss of equity securities including unlisted securities are recorded in the operating revenue.

(c) Changes in ownership interests in subsidiaries without losing control

Under IFRSs, the entity account for the transactions of changes in interest of subsidiaries without losing control as equity transaction and thus no profit or loss are recognized.

(d) Approximate amount of GAAP difference between operating revenue under IFRSs and net sales under JGAAP other than reclassification

Except for the impact from reclassification discussed in (1), due to the GAAP differences including (2) (a) to (c) operating revenue under IFRSs for the year ended 31 March 2012 and 2013 increased by ¥16,174 million and ¥26,823 million, respectively, compared to the "Net sales" under JGAAP.

(3) GAAP difference of operating expense other than reclassification

(a) Scope of consolidation

As described in (2), due to the scope of consolidation has been expanded under IFRSs, operating expense under IFRSs for the year ended 31 March 2012 and 2013 increased by ¥34,991 million and ¥24,004 million, respectively.

(b) Impairment and amortization of goodwill and negative goodwill

Under JGAAP, goodwill is generally amortized over estimated useful life up to 20 years and shall be tested for impairment if there is an indication that the asset may be impaired and consequently not required to be tested for impairment every fiscal year.

Under IFRSs, goodwill is required to be tested for impairment regardless of an indication of impairment instead of no periodical amortization.

(c) Insurance contract

An insurance company newly established may defer the business expenditure incurred within 5 years after establishment and recorded as deferred assets which can be amortized within 10 years through profit or loss in conformity with Article 113 of Insurance Business Act. Under IFRSs, those business expenditures do not meet the recognition criteria. Thus, no deferred assets then is recorded and those expenditures will be recognized as expense at the time of occurrence.

(d) Approximate effect amount of GAAP difference between operating expense under IFRSs and JGAAP other than reclassification

Except for the impact from reclassification discussed in (1), operating expense under IFRSs for the year ended 31 March 2012 and 2013 increased by ¥15,777 million and decreased by ¥881 million, respectively, compared to the operating expense under JGAAP.

(4) Income tax expense

(a) Scope of consolidation

As discussed in (2) (a), due to the scope of consolidation has been expanded under IFRSs, income tax expense under IFRSs for the year ended 31 March 2012 and 2013 increased by ¥415 million and ¥306 million, respectively, compared to the amount under JGAAP.

(b) Tax effect related to unrealized gain or loss

The elimination of unrealized gain or loss arising from transaction within the Group leads to a temporary difference between the book amount and tax base.

Under JGAAP, tax effects in relation to elimination of intragroup unrealized gain are recognized as deferred tax assets paid by seller and the tax effects in relation to elimination of intragroup unrealized loss which is deducted in the calculation of taxable income are recognized as deferred tax liabilities by the seller.

On the other hand, under IFRSs, tax effect in relation to elimination of intragroup unrealized gain are recognized as deferred tax assets by buyer considering the recoverability and calculated using tax rate of the buyer's. Tax effects in relation to intragroup unrealized loss shall be recognized as deferred tax liabilities with some exceptions.

(c) GAAP difference between IFRS and JGAAP related to income tax expense

Due to the GAAP differences including (4) (a) and (b), income tax expense under IFRSs for the year ended 31 March 2012 and 2013 increased by ¥920 million and ¥6,273 million, respectively, compared to the amount under JGAAP.

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 Financial Services 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 in order to achieve diversification of revenue sources and further enhance its call center operations that receive high recognition from evaluating agencies in heightening its service level even more. SBI Liquidity Market Co., Ltd., which began its operation in November 2008, provides not only liquidity but convenient and competitive market infrastructure for FX transactions to SBI SECURITIES Co., Ltd., SBI Sumishin Net Bank, Ltd., and SBI FXTRADE Co., Ltd. which started its operation in May 2012. The firm will make improvements to the transaction environment, enhance liquidity, and focus on building further cost-effective, secure and safe FX transaction environment with a view to providing its services to overseas private investors. We also established SBI Sumishin Net Bank, Ltd. and SBI Insurance Co., Ltd. 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. For certain financial products, online sales alone are not sufficient, and there is a need for face-to-face consultations to explain the products to the customer directly. SBI MONEY PLAZA Co., Ltd., which provides a one-stop response to all customers needs for asset management, insurance and housing loans, will take the lead in developing the operation of the SBI Group’s face-to-face channels.

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 domestic promising small and medium-sized corporations through operating buy-out funds. In undertaking these business activities, the Group will strive for further growth by continuing to aggressively utilize 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 Biotechnology-related Business which is expected to be the largest growth area of the Group and was determined as a new reportable segment from the beginning of this fiscal year, the Group conducts sales of health foods and cosmetics that contain 5-aminolevulinic acid (ALA), and SBI Pharmaceuticals Co., Ltd. carries out research and development of pharmaceutical products using ALA. Research activities have recently been extended in domestic and foreign universities and research institutes to discover new applications of ALA, and we strive to develop the products that serve customer’s healthy and enjoyable life focusing on ALA with possible applications in a wider range of fields. SBI Biotech Co., Ltd. dedicates efforts to developing new pharmaceutical products using the most advanced biotechnology in collaboration with leading research institutes around the world.

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 Group started recruiting university graduates in April 2006, and they already play an active role in various business fields and are expected to be one of the future leaders of the Group. 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 your 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. (27, June 2013)

< 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 Financial Service Business, Asset Management Business, Biotechnology-related Business 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 annual general meeting 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 materialise

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 materialise, 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 rumours even if we have no fault. It could have an adverse effect 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 business restructurings including acquisitions of one-hundred percent ownership through the share exchange, , we intend to aggressively pursue business expansion, including mergers and acquisitions of businesses that we believe offer favourable synergies with our core businesses. We face the risk that our restructurings 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 acquisitions candidates. Even if we do identify suitable investment opportunities, partners or acquisitions

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 other 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.

Furthermore, on March 2013, we acquired additional shares of Hyundai Swiss Savings Bank which we held as investment for income/capital gain. In the meantime, we acquired shares of Hyundai Swiss 2 Savings Bank, subsidiary of Hyundai Swiss Savings Bank, on March 2013. So, Hyundai Swiss Savings Bank and its subsidiaries (the Hyundai Swiss Group) have become subsidiaries of our Group. We subscribed capital increases of the two banks when they were required to enhance of governance and improve of capital adequacy ratios under government-led tightening of regulations and promotions of restructurings in Korean savings bank business.

We are now preceding enhancement of governance, such as dispatch of responsibility person. We plan to improve business valuation of Hyundai Swiss Group by increasing of earning capacity through business alliances with our Group, but Hyundai Swiss Group is exposed to several risks for banking business in Korea, such as condition of real estate market or economic trend in Korea. Therefore, if enhancement of governance and increasing of earning capacity are unable to perform as expected, it could have an adverse effect our financial condition and results of operations. In addition, we may be required to invest into Hyundai Swiss Group additionally for keeping of their capital adequacy ratios properly through strengthening their assets prudentially. Therefore, it could have an adverse effect 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 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 on-going 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 misjudgement 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 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 honour 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 calibre 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 carried forward can be posted as deferred tax assets to the extent of the amount recoverable, and our 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 honoured 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 Financial Service Business segment >

* Risks relating to brokerage and investment banking business

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

Brokerage commissions account for the majority of the revenue from customers of our brokerage and investment banking business. This business 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 business. 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 honour 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 business

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 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 Exchange, 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 prepare documents on a quarterly basis 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 non-conformance 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 laws, 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 business

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 business

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 other financial services business

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

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.

c. Effects of real estate market conditions

Since the housing loan business in our housing and real estate business 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.

2) Competition in other financial services business

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 other financial services business. 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 operations 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.
In addition, in our nonlife insurance business, numbers of contracts of automobile insurance are steadily rising, but we are required to state unearned insurance premium into policy reserve at the same time of stating insurance premium revenue on the accounting basis. Therefore, costs of insurance would increase at the number of contracts increasing stage. We would add our product of medical insurance, sell fire insurance of other insurance companies and make the highly performance by cutting operating costs down. But for a while, the costs will be stated in advance and we may be required to invest into our nonlife insurance business for keeping solvency margin ratio. This could have an adverse effect on our financial condition and results of operations.

5) Legal risks affecting other financial services business

Licences, permits or registrations are required to conduct businesses under our financial services business 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 and others. Our financial 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 other financial services business

Because other financial services business 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 other financial services business

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.

8) Risks relating to financial system solution business

Our financial 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.

< Risks relating to Asset Management Business segment >

1) Impact of changes in the business environment on Asset Management Business 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 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 Asset Management Business 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 Asset Management Business 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.

8) Risk relating to overseas banking business

In the overseas banking industry, it is also 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 business plan for this sector, and if future income is inadequate to cover our investments, our financial condition and results of operations could be adversely affected. In addition, in case of capital adequacy ratio reduction, we would be subject to control or receive an order by local governments under the capital adequacy requirements of local financial system. Such events could adversely affect our financial condition and results of operations.

< Risks relating to Biotechnology-related Business segment >

1) Risks relating to Biotechnology-related Business segment

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.

2) Investment risk

We have invested in companies under alliance. The future bankrupts of these companies or impairments of these investments could have an adverse effect on our financial condition and results of operations.

3) Foreign currency risk

We are exposed to foreign currency risk when importing/exporting drugs, supplements or cosmetics. Fluctuations in exchange rates may affect purchase/sales prices and our financial condition and results of operations due to uncertainty over both the timing of the recovery of the investment and the amount recovered.

4) Competition in the biotechnology-related business

In the pharmaceutical industry, many international corporations in Japan and overseas, including pharmaceutical companies and research institutions, compete fiercely and rapidly advance technical innovations. Many of these competitors have advantages over our Group, such as their technologies, marketing skills, and financial standing. These companies could produce and sell competitive pharmaceutical products that are produced more efficiently or are more effective than these created by us. Therefore, depending on the results of the competition in development, production and sales, our financial condition and results of operations could be adversely affected.

5) Legal restrictions on the biotechnology-related business

In the pharmaceutical industry, each activity regarding research, development, production and sales is restricted by pharmaceutical laws, administrative directions relating to pharmaceuticals, and various applicable laws and regulations. A business plan for the biotechnology-related business was formulated based on existing legal regulations, such as the Pharmaceutical Affairs Act (Act No. 145 of 1960, as amended) (the "Pharmaceutical Affairs Act"), price trends in pharmaceutical products, etc. However, until pharmaceutical products are marketed, there is no guarantee that these regulations, insurance institutions, and price trends, etc. will not change. If significant changes occur, our financial condition and results of operations could be adversely affected.

6) Security of customer information in the biotechnology-related business

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

< Risks Relating to Other Businesses >

1) Impact of changes in the business environment on the businesses relating to developments and sales of investment property

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 its real estate holdings, including its direct holdings and its holdings through investment partnerships. For example, we may be required to increase allowance for doubtful accounts with respect to real estate held as collateral for loans if the appraised value of such real estate decreases.

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 the housing and real estate segment. In addition, in the real estate financing business relating to developments and sales of investment property, 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 securitisation 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 the businesses relating to development and sale of investment property that are denominated in foreign currencies are subject to risk caused by fluctuations in foreign exchange rates. Due to both the timing and amount of recovery from real estate properties being inherently uncertain, the operating results of the businesses relating to developments and sales of investment property 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 analysing 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 the businesses relating to developments and sales of investment property

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 its competitive position are unsuccessful, price competition in the real estate market could put downward pressure on its revenues, which could have an adverse effect on its financial condition and results of operations.

6) Legal and regulatory risk associated with the businesses relating to developments and sales of investment property and the businesses relating to online intermediate services

In addition to the Building Lots and Building Transaction Business Act of Japan, which requires a license 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 FIEA 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 businesses relating to online intermediate services are 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 its operations, or any revocation of a license, permit or registration required under these various legal requirements, could adversely affect its financial condition and results of operations.

7) Systems risks affecting the businesses relating to developments and sales of investment property

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 the businesses relating to developments and sales of investment property

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 operations.

In addition, we have established an internal management structure, and is continuously 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.

FINANCIAL REVIEW

1. Important Accounting Policies and Estimates

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

Please refer to A1. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -"3. Significant Accounting Policies" for further information of the Group's accounting policies. For the key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in current period and following periods, please refer to A1. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -"2. Basis of Preparation".

2. Analysis of Consolidated Results of Operations for the Fiscal Year Ended 31 March 2013

During the fiscal year ended 31 March 2013, the business environment surrounding the Group continued to be weak in the domestic market, but stock prices started to increase from November 2012. Individual stock brokerage trading value on three major markets, Tokyo, Osaka, and Nagoya, in the fourth quarter (from January to March 2013) achieved a high level of 2.4 times that of the third quarter (from October to December 2012) and annual trading value increased 38.0% since last year. There were 54 new listings, 17 more than those in the last year, showed a continuing recovery of market condition in Japan.
In overseas markets, while growth recession in some emerging countries and continuing decrease of new listings were observed, ongoing U.S. economy's gradual recovery shows signs of hopeful future.

The Group's consolidated results of operations for the fiscal year ended 31 March 2013 were as follows. Operating revenue declined 13.5% year-on-year to ¥153,476 million, operating income decreased 5.4% to ¥16,577 million, profit before income tax expense declined 8.9% to ¥14,213 million and profit attributable to owners of the Company increased 955.9% to ¥3,202 million.

(Financial Service Business)

Operating revenue in the financial service business rose 3.8% year-on-year to ¥113,340 million, and profit before income tax expense rose 78.5% year-on-year to ¥18,741 million. SBI SECURITIES Co., Ltd. maintained a stable expansion in its customer base with 220,930 new accounts opened during fiscal year ended 31 March 2013 and the total account number reaching 2,608,716 at year end. The consolidated financial performance of SBI SECURITIES Co., Ltd. for the fiscal year ended 31 March 2013 (under "JGAAP") resulted in operating revenue of ¥43,401 million (a 9.2% year-on-year increase) and operating income of ¥11,478 million (a 52.4% year-on-year increase), which primarily resulted from the growth in commission income due to an increasing trend since December 2012 in individual brokerage fee. SBI Insurance Co.,Ltd. continued to achieve a growth in number of contracts for car insurance, which resulted in operating revenue of ¥19,164 million (a 37.3% year-on-year increase), though the corresponding increase in provision of statutory reserve still lead to an operating loss under "JGAAP".
("JGAAP" refers to accounting principles generallly accepted in Japan)
SBI Sumishin Net Bank, Ltd., accounted for using the equity method, achieved a total deposit balance of ¥2,691 billion with number of accounts reaching 1,647 thousand. The consolidated financial

performance of SBI Sumishin Net Bank, Ltd. under JGAAP resulted in operating revenue of ¥40,204 million (a 16.1% year-on-year increase), operating income of ¥7,903 million (a 36.4% year-on-year increase) and net income of ¥4,779 million (a 7.3% year-on-year decrease), mainly due to growth in income tax expense which resulted from elimination of tax loss carryforwards.

(Asset Management Business)

Operating revenue in the asset management business fell 43.2% year-on-year to ¥32,202 million, and profit before income tax expense fell 69.6% year-on-year to ¥5,450 million. Due to European sovereign debt problem and stagnation in growth of emerging markets, number of IPO cases worldwide decreased sharply by 382 to 751 cases for fiscal year ended 31 March 2013, however, domestic market continued to show signal of recovery with number of IPO cases increased by 17 reaching 54 cases, among which the group involved in 9 cases in domestic market and 3 cases in overseas market under its asset management business. Operating revenue and operating income decreased by comparison with those of last year, which was mainly due to a large amount of gain on sales of stocks of KLab Inc. and VSN, Inc. recorded in fiscal year ended 31 March 2012, however, with sound improvements in corporate value of promising investees and a significant upturn in stock market since November 2012, the second half of the year achieved profound improvement in both operating revenue and operating income, compared with the first half, regardless of large amount of loss recorded on valuation of several unlisted stocks.

(Biotechnology-related Business)

Operating revenue in the asset management business rose 104.3% year-on-year to ¥970 million, and income before tax was a loss of ¥3,900 million. SBI Pharmaceuticals Co., Ltd. has obtained manufacture and marketing approval for orally-administered in vivo diagnostic agent “ALAGLIO®” for Malignant Glioma by using 5-aminolevulinic (“5-ALA”) in March 2013, and also finished a Phase-III clinical trial for intraoperative diagnosis drug for bladder cancer in its domestic operation. As for overseas, SBI Pharmaceuticals has started a phase-I clinical trial on a formulation for treating anemia caused by cancer chemotherapy in UK and is planning to also start a phase-II clinical trial in US after the conclusion of Phase-I trial. At the same time, SBI Pharmaceuticals Co., Ltd. worked closely with the government of Bahrain, as its base in Middle Eastern countries to develop business framework concerning ALA related clinical research, drug development, manufacturing and exports. SBI Biotech Co., Ltd. acquired US company, Quark Pharmaceuticals, Inc. as a wholly owned subsidiary in December 2012. The acquisition will strengthen R&D capabilities and improve operating efficiency by producing synergies and integrating management resources, as well as accelerate R&D on promising drug pipelines held by both parties.

3. Analysis of Financial Conditions

As at 31 March 2013, total assets amounted ¥2,494,387 million and increased by ¥838,819 million from total assets of ¥1,655,568 million as at 31 March 2012. This increase was attributable mainly to acquisition of shares of Hyundai Swiss Savings Bank in March 2013 and thereafter it became a subsidiary. The Group’s equity increased ¥8,630 million to ¥360,535 million from the balance as at 31 March 2012. As at 31 March 2013, the Group’s cash and cash equivalents amounted ¥133,362 million and decreased ¥26,471 million from that of ¥159,833 million as at 31 March 2012. The changes of cash flows for each activity and the reasons for changes are as follows:

(Operating Cash Flows)

Cash flows used in operating activities amounted ¥36,984 million of net cash outflows (¥9,818 million of net cash inflows for the fiscal year ended 31 March 2012). The net cash outflows were primarily due to ¥72,300 million cash outflows for increase in assets/liabilities related to securities business despite ¥14,213 million cash inflows for profit before income tax expense, ¥10,614 million cash inflows for decrease in accounts receivables and other receivables and ¥14,167 million cash inflows for increase in operational liabilities and other liabilities.

(Investing Cash Flows)

Cash flows used in investing activities amounted ¥19,060 million of net cash outflows (¥16,021 million of net cash outflows for the fiscal year ended 31 March 2012). The net cash outflows were primarily due to ¥18,451 million cash outflows for acquisition of subsidiaries, net of cash and cash equivalents acquired.

(Financing Cash Flows)

Cash flows from financing activities amounted ¥25,699 million of net cash inflows (¥7,387 million of net cash inflows for the fiscal year ended 31 March 2012). The net cash inflows were primarily due to ¥32,305 million cash inflows for increase in short term loans payable and ¥28,437 million cash inflows for proceeds from long-term loans payable despite ¥42,968 million cash outflows for repayment of long-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 27, 2013).

TRANSFER OF SHARES

Acquisition of subsidiary

The Group determined to undertake a third-party allocation of new shares issuance and accept all the forfeited share related to the issuance of acquired shares in Hyundai Swiss Savings Bank and Hyundai Swiss 2 Savings Bank which operate service of saving bank in South Korea at the board of directors meeting held on 4 February 2013.
Please refer to A.1 CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP -"4. Business Combination" for detailed information.

RESEARCH & DEVELOPMENT

The research and development expenses of the SBI Group amounted to ¥2,621 million on a consolidated basis for the fiscal year ended March 31, 2013. They were primarily related to research and development activities in the Biotechnology-related Business which amounted to ¥2,566 million.

Biotechnology-related Business represents development of pharmaceutical, cosmetic, and health food products with 5-aminolevulinic acid (ALA), a kind of amino acid which exists in vivo, identification of drug creation seeds in fields of cancer and immunology, and development of promising and innovative medical projects to the global level.

CAPITAL EXPENDITURE

The amount of capital expenditure for the consolidated fiscal year ended March 31, 2013 was ¥6,142 million.

This amount mainly resulted from a capital expenditure made in the amount of ¥5,044 million focusing on enhancement of existing trading systems and software development to provide new services in order to smoothly respond to the increase in the number of orders caused by the increase in the number of customers as well as to provide the customers with expanded services in Financial Services Business.

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	341,690,000
Total	341,690,000

(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, 2013)	Number of Shares Issued as of the Date of Submission (June 27, 2013)	Name of Listed Financial Instruments Exchange or Name of Registered Authorized Financial Instruments Exchange Association	Content
Common stock	224,525,781	224,534,961	Tokyo Stock Exchange Osaka Stock Exchange (First section of each exchange above) Main Board of the Hong Kong Stock Exchange (Note 2)	100 shares as one unit
Total	224,525,781	224,534,961	—	—

(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, 2013 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.

(2) Distribution of Ownership by Shareholders

(As of 31 March 2013)

Category	Shareholding (100 shares as one unit)								Shares Below One Unit
	State and Local Government and Organizations	Financial Institutions	Financial Instruments and Exchange Operators	Other Corporations	Foreign Corporations: Other than Individuals	Foreign Corporations: Individuals	Individuals and Other	Total	
Number of Shareholders	—	35	48	783	340	101	108,022	109,329	—
Number of Shares	—	401,102	39,365	21,630	911,147	953	820,723	2,194,920	5,033,781
Shareholding Ratio (%)	—	18.27	1.79	0.99	41.51	0.04	37.40	100.00	—

(Notes) 1. 75,247 units out 7,524,706 shares of treasury stock are included under "Individuals and Other", and 6 shares are included under "Shares Below One Unit".

2. 46 units and 80 shares of stock under the name of Japan Securities Depository Center, Inc. are included under "Other corporations" and "Shares Below One Unit", respectively.

(3) Principal Shareholders

(As of 31 March 2013)

Name	Address	Number of Shares	Shareholding Ratio Against Total Number of Shares Issued (%)
CBNY - ORBIS SICAV	31,Z.A.BOURMICHT, L-8070 BERTRANGE, LUXEMBOURG	10,262,144	4.57
Japan Trustee Services Bank, Ltd. (Trust account)	8-11, Harumi 1-Chome, Chuo-ku, Tokyo	9,918,830	4.41
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-Chome, Minato-ku, Tokyo	7,241,300	3.22
SAJAP	P.O.BOX 2992 RIYADH 11169 KINGDOM OF SAUDI ARABIA	5,476,640	2.43
DEUTSCHE MORGAN GRENFELL (C.I.) LIMITED – GENERAL CLIENT A/C	PO BOX 727, ST.PAUL'S GATE, NEW STREET ST. HELIER, JERSEY JE4 8ZB, CHANNNEL ISLANDS	4,320,450	1.92
CBNY - ORBIS FUNDS	LPG BUILDING 34 BERMUDIANA ROAD HAMILTON HM 11 BERMUDA	4,002,651	1.78
STATE STREET BANK AND TRUST COMPANY 505225	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A	3,798,096	1.69
Yoshitaka Kitao	Wakamiya-cho, Shinjuku-ku, Tokyo	3,787,960	1.68
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	5TH FLOOR, TRINITY TOWER 9, THOMAS MORE STREET LONDON, E1W 1YT, UNITED KINGDOM	3,601,278	1.60
JAPAN SECURITIES FINANCE CO., LTD.	2-10, Nihonbashi Kayama-cho 1-Chome, Chuo-ku, Tokyo	2,481,500	1.10
Total	—	54,890,849	24.40

(4) Voting Rights

(i) Issued Shares

(As of 31 March 2013)

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: 7,524,700	—	—
Stock with full voting right (other)	Common stock: 211,967,300	2,119,673	—
Stock below one unit	Common stock: 5,033,781	—	—
Total number of issued shares	224,525,781	—	—
Total number of voting rights	—	2,119,673	—

(Note) "Stock with full voting right (other) includes 4,600 shares under the name of Japan Securities Depository Center, Inc. and "Number of voting rights" includes 46 voting rights associated with such shares.

(ii) Treasury Stock

(As of 31 March 2013)

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	7,524,700	—	7,524,700	3.35
Total	—	7,524,700	—	7,524,700	3.35

(Note) The number of treasury stock does not include the shares held by the Stock Benefit Trust, which was 573,700, including 5,737 voting rights, as at 31 March 2013.

2. DIVIDEND POLICY

The basic profit distribution policy of the Company is to target a payout a minimum of ¥10 per share on a once annual year-end dividend payment. Depending on the adequacy of retained earnings for sustainable growth and business forecasts, the Company will aim to increase the payout amount in the future.

Based on the aforementioned basic policy, the Company determined to pay an ordinary dividend of ¥10 per share as a year-end dividend for the fiscal year ended 31 March 2013.

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 31 March 2013 are as follows.

Date of Resolution	Total Dividends (Millions of Yen)	Dividend per Share (Yen)
9 May 2013 Resolution of the Board of Directors	2,170	10

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 ¥149,314 million as at 31 March 2013.

BOARD OF DIRECTOR

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	3,787,960 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.)		
		August	2005	Director and Chairman of SBI Mortgage Co., Ltd. (present)		
		March	2006	Director and CEO of Morningstar Japan K.K.		
		June	2006	Director and Chairman of KAWADEN CORPORATION (present)		
		November	2006	Director of SBI Japannext Co., Ltd. (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)		
		October	2010	Representative Director and Chairman of SBI SECURITIES Co., Ltd. (present)		
		June	2012	Director of SBI FINANCIAL SERVICES Co., Ltd. (present)		
		June	2012	Director of SBI Capital Management Co., Ltd. (present)		
		June	2012	Representative Director, President & CEO of the Company (present)		
		July	2012	Director of Morningstar Japan K.K.(present)		
		July	2012	Representative Director of SBI Hong Kong Holdings Co., Limited (present)		
		May	2013	Representative Director and Chairman of SBI Investment 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, Senior Executive Vice President & COO	Taro Izuchi (March 22, 1957)	April	1979	Entered Nomura Securities Co., Ltd.	Note1	320,170 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.		
		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.) 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 June 2012 Director of SBI AXES Co., Ltd. (present) February 2013 Director & Senior Managing Executive Officer of the Company (present) May 2013 Representative Director and President of SBI Investment Co., Ltd. (present)	Note1	42,000 shares

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	Tomoya Asakura (March 16 1966)	April	1989	Entered The Hokkaido Takushoku Bank, Ltd.	Note1	—
		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	Representative 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.		
		June	2007	Director and Executive Officer of the Company		
		June	2012	Director of SBI FINANCIAL SERVICES Co., Ltd. (present)		
		June	2012	Director of SBI Insurance Co., Ltd. (present)		
		June	2012	Director & Managing Executive Officer of the Company		
		July	2012	Representative Director & President of Morningstar Japan K.K. (present)		
		June	2013	Director & Senior Managing 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, Managing Executive Officer & CFO	Shumpei Morita (December 31, 1974)	April	1998	Entered SOFTBANK CORP.	Note1	20,000 shares
		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.		
		October	2011	Director and CFO of the Company		
		June	2012	Director of SBI FINANCIAL SERVICES Co., Ltd. (present)		
		June	2012	Director of SBI Capital Management Co., Ltd. (present)		
		June	2012	Director, Managing Executive Officer & CFO 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 & Managing Executive Officer	Noriaki Maruyama (May 12, 1965)	April	1989	Entered THE TOKAI BANK, LIMITED (Currently, The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	Note1	69,330 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 (retired in January 2008)		
		June	2009	Director & Executive Officer of the Company		
		April	2012	Representative Director, President, CEO and COO of SBI Mortgage Co., Ltd. (present)		
		June	2013	Director & Managing 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 & 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		
		March	2010	Outside Director of Searchina, Inc. (Currently, SBI Searchina Co., Ltd.) (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. (Currently, Tianan Property Insurance Company Limited of China) (present)		
		June	2012	Director & Executive Officer and The Chief Representative of the Company's Representative Office in Shanghai of the Company (present)		
		November	2012	Representative Director of SBI (China) Co., Ltd. (present)		
		November	2012	Representative Director of Shanghai SBI-INESA Equity Investment Management 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	Masato Takamura (February 26, 1969)	April	1992	Entered The Sanwa Bank, Limited (Currently, The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	Note1	—
		March	2005	Entered E*TRADE SECURITIS Co., Ltd. (Currently, SBI SECURITIES Co., Ltd.)		
		October	2005	General Manager of Corporate Dept. of E*TRADE SECURITIES Co., Ltd. (Currently, SBI SECURITIES Co., Ltd.)		
		March	2006	Executive Officer and General Manager of Corporate Dept. of E*TRADE SECURITIES Co., Ltd. (Currently, SBI SECURITIES Co., Ltd.)		
		June	2007	Director and Executive Officer, management of Corporate Dept. of SBI E*TRADE SECURITIES Co., Ltd. (Currently, SBI SECURITIES Co., Ltd.)		
		April	2012	Managing Director, management of Corporate Dept. of SBI SECURITIES Co., Ltd.		
		March	2013	Representative Director and President of SBI SECURITIES Co., Ltd.) (present)		
		June	2013	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	Hiroshi Tasaka (April 17, 1951)	April	1981	Entered Mitsubishi Metal Corporation (Currently, Mitsubishi Materials Corporation)	Note1	80,220 shares
		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		

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.)	Note1	10,000 shares
		June	2006	Senior Director of Music and Variety Center of Programming and Production Department of Fuji Television Network, Inc. Concurrently, 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.		
		June	2010	Director of the Company (present)		
		November	2012	Outside Director of KLab Inc. (present)		

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.)	Note1	—
		June	1994	Executive Director of The Nikko Securities Co., Ltd. (Currently, SMBC Nikko Securities Inc.)		
		February	1996	Executive Managing Director of The Nikko Securities Co., Ltd. (Currently, SMBC Nikko Securities Inc.)		
		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, Japan Exchange Group, Inc.)		
		June	2004	Chairman & President of Jasdaq Market Inc. (Currently, Japan Exchange Group, Inc.)		
		December	2004	Chairman & President of Jasdaq Securities Exchange, Inc. (Currently, Japan Exchange Group, Inc.)		
		June	2005	Senior Corporate Advisor of Jasdaq Securities Exchange, Inc. (Currently, Japan Exchange Group, Inc.)		
		June	2007	External 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)		

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)	Note1	—
		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. (Currently, Aoyama Zaisan Networks Company, Limited) (present)		

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)	Note1	—
		September	1996	Entered Deloitte Touche Tohmatsu (Currently, Deloitte Touche Tohmatsu LLC) (retired in December 1999)		
		March	1998	Registered as a US certified public accountant		
		January	2000	Entered IntellAsset Inc.		
		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)		

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)	Note1	—
		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)		

Position	Name (Date of Birth)	Career summary, Position, Responsibilities, Significant concurrent position Held			Term of office	Number of company's shares owned
Outside Director	Teruhide Sato (February 24, 1975)	September	1997	Entered SOFTBANK CORP. Assigned to CyberCash K.K. (Currently, VeriTrans Inc.)	Note1	2,820 shares
		April	1999	Moved to Softbank Finance Corp. (Currently, SOFTBANK TELECOM Corp.) from SOFTBANK CORP.		
		March	2000	Retired Softbank Finance Corp. (Currently, SOFTBANK TELECOM Corp.)(Terminated the Secondment to CyberCash K.K. (Currently, VeriTrans Inc.))		
		April	2000	Representative Director, President and CEO of netprice, Ltd. (Currently, netprice.com, Ltd.)		
		February	2007	President and Group CEO of netprice.com, Ltd. (present)		
		April	2007	Director of Shop Airlines, Ltd. (present)		
		September	2011	Director of Open Network Lab, Inc. (present)		
		May	2012	CEO and Managing Director of Netprice Partners Co., Ltd. (Currently, Beenos Partners, Inc.) (present)		
		June	2013	Outside 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
Standing Statutory Auditor	Atsushi Fujii (December 18, 1955)	April	1980	Entered Mitsubishi Chemical Industries Ltd. (Currently, Mitsubishi Chemical Corporation)	Note2	48,980 shares
		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. (Currently, the Company)		
		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)		
		July	2010	Registered as a certified public accountant		
		June	2011	Standing Statutory Auditor of the Company (present)		
		June	2012	Statutory Auditor of SBI FINANCIAL SERVICES Co., Ltd. (present)		
		June	2012	Statutory Auditor of SBI Capital Management 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
Outside Statutory Auditor	Ryujiro Shimamoto (January 19, 1946)	April	1968	Entered The Fuji Bank, Limited (Currently, Mizuho Financial Group, Inc.)	Note2	7,780 shares
		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.)		
		June	2012	Statutory Auditor of SBI MONEY PLAZA Co., Ltd. (present)		
		June	2012	Statutory Auditor of SBI PREC Co., Ltd. (Currently, SBI Card 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
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	26,510 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	250 shares

(Notes) 1. The term of office terminates within one year from the general meeting of shareholders held on 27 June 2013

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.

4. To ensure that the Company fully satisfies all conditions set forth under applicable laws a substitute Outside Statutory Auditor was appointed pursuant to Article 329.2 of the Companies Act. The career summary of the Auditor is as stated below.

Name	Date of Birth	Career summary			Number of company's shares owned
Hideaki Asayama	December 5, 1949	April	1974	Entered TOKYO SHIBAURA ELECTRIC CO., LTD. (Currently, TOSHIBA CORPORATION)	—
		October	1986	Assigned to TOSHIBA MEDICAL DO BRASIL LTDA., Director of Administration & Finance	
		July	1992	Manager of Finance Div. of TOSHIBA CORPORATION	
		June	1995	Assigned to Toshiba Pension Fund, Investment Manager	
		June	1997	Assigned to TOSHIBA INTERNATIONAL CORPORATION, Vice President and Treasurer	
		December	1999	Chief Specialist, Finance & Accounting Div. of Toshiba Information & Social Infrastructure Systems Company, TOSHIBA CORPORATION	
		October	2000	Chief Specialist, Corporate Audit Div. Of Toshiba Information & Social Infrastructure Systems Company, TOSHIBA CORPORATION	
		May	2004	Retired from TOSHIBA CORPORATION	
		May	2004	Entered Toshiba Matsushita Display Technology Co., Ltd. (Currently, Japan Display Inc.), General Manager of Corporate Audit Dept.	
		June	2006	Standing Statutory Auditor of Toshiba Matsushita Display Technology Co., Ltd.	
		June	2009	Retired from position of Standing Statutory Auditor of Toshiba Matsushita Display Technology Co., Ltd.	
		June	2009	Entered TOSHIBA DESIGN & MANUFACTURING SERVICE CORPORATION, Group Manager of Internal Audit Group	
		June	2010	Statutory Auditor of SBI Liquidity Market Co., Ltd. (present)	

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 Corporate Governance Code (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.

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 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.

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, A.5, B.1, C.3, E.1.2, E.1.3 and E.2.1, details of which will be explained below.

2. 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 31 March 2013.

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.

3. BOARD OF DIRECTORS

Board Composition

The Board comprises 16 members, consisting of 7 executive directors, 3 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 Vice President and Chief Operating Officer)
Takashi Nakagawa (Director and Senior Managing Executive Officer)
Tomoya Asakura (Director and Senior Managing Executive Officer)
Shumpei Morita (Director and Managing Executive Officer)
Noriaki Maruyama (Director and Managing Executive Officer)
Peilung Li (Director and Executive Officer)

Non-executive directors:
Masato Takamura (Director)
Hiroshi Tasaka (Director)
Teruhide Sato (Outside 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.

Chairman and Chief Executive

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.

Independent Non-executive Directors

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 2013. 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 Listing Rules, 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 of Japan 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 that all independent non-executive directors satisfy the independence requirements under Rule 3.13 of the 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 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.

Non-Executive Directors and Appointment and Re-election of Directors

The procedures of election of directors are based on 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 A.4.2 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 to be held on 27 June 2013 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.

Appointment of an Auditor

The Company does not obtain approval from the shareholders at each annual general meeting to appoint an auditor to hold office from the conclusion of that meeting until the next annual general meeting. The requirement of Rule 13.88 of the Listing Rules is inconsistent with the requirement under the Companies Act of Japan. The Companies Act of Japan is consistent with the position that an auditor may not be removed prior to the end of its term without the approval of shareholders at a shareholders' meeting. Waiver has been obtained from the Stock Exchange from the strict compliance with the requirement set out in Rule 13.88 of the Listing Rules.

Responsibilities, Accountabilities and Contributions of the Board and Management

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.

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 CEO 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.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed director will receive induction on the first occasion of his / her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the year ended March 31 2013, the Company organized a training session conducted by the lawyer and being attended by all directors on directors' duties and responsibilities, corporate governance and update on Listing Rules amendments.

Remuneration of Senior Managements

To observe the competitive market practices and to respect individual privacy, the Company did not make such disclosure in its annual report and accounts.

4. BOARD COMMITTEES

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.

Remuneration Committee

The Stock Exchange has confirmed that we do not need to strictly comply with Rule 3.25 to 3.27 of the Listing Rules 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 details of compensation policy, please see “3) Remuneration of executives, 2.Policy and method for determining the amounts of remuneration of executives or the calculation method” in section 13 of this Corporate Governance Report.

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.

As the Company does not establish Audit Committee, Remuneration Committee and Nomination Committee, the terms of reference of the committees required to be disclosed by Code Provisions A.5.3, B.1.3. and C.3.4 respectively, are not disclosed on the website of the Stock Exchange nor our homepage.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions in accordance with the Company's own codes and the Companies Act of Japan no less exacting than the code provision D.3.1 of the CG Code.

The Board reviewed the Company’s corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company’s policies and practices on compliance with legal and regulatory requirements, and the Company’s compliance with the CG Code and disclosure in this Corporate Governance Report.

5. ATTENDANCE RECORD OF DIRECTORS

During the year ended 31 March 2013, 12 regular Board meetings at monthly intervals and 4 extraordinary Board meetings were held 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 and the general meetings of the Company, during the year ended 31 March 2013 are set out below:

	During the term of office	
Name of Director	Attendance / Number of Board Meetings	Attendance / Number of General Meetings
Yoshitaka Kitao	16/16	1/1
Taro Izuchi	16/16	1/1
Takashi Nakagawa	16/16	1/1
Tomoya Asakura	15/16	1/1
Shumpei Morita	16/16	1/1
Noriaki Maruyama	15/16	1/1
Kenji Hirai[(1)]	3/3	1/1
Shinji Yamauchi[(1)]	3/3	1/1
Makoto Miyazaki[(1)]	3/3	1/1
Yoshimi Takahashi[(1)]	2/3	1/1
Masaki Takayanagi[(1)]	3/3	1/1
Peilung Li[(2)]	13/13	N/A
Yasutaro Sawada[(3)]	14/15	1/1
Hiroyoshi Kido	16/16	1/1
Noriyoshi Kimura	16/16	1/1
Hiroshi Tasaka	12/16	1/1
Takashi Okita	15/16	1/1
Masaki Yoshida	15/16	1/1
Kiyoshi Nagano	14/16	0/1
Keiji Watanabe	14/16	1/1
Akihiro Tamaki	15/16	1/1
Takeshi Natsuno[(1)]	3/3	1/1
Masano Marumono[(2)]	13/13	N/A

Note:
(1) The directors resigned on 28 June 2012.
(2) The directors were appointed on 28 June 2012.
(3) The director resigned on 11 March 2013.

There is no attendance at the meetings by alternates, as no director has appointed alternate director.

6. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2013.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on page 166.

7. AUDITORS' REMUNERATION

During the year ended 31 March 2013, the remuneration paid to the Company's independent auditors is set out below:

Service Category	Fees Paid / Payable
Audit Services	491 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	
Subtotal	148 millions of yen
	639 millions of yen

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

8. COMPANY SECRETARY

Ms. Leung Wai Han, Corinna of Tricor Services Limited, external service provider, has been engaged by the Company as its joint company secretary. Its primary contact person at the Company is Mr.Toshiharu Fujita, Executive Officer and the joint company secretary of the Company.

9. SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting by Shareholders

Shareholders may demand the directors to call the shareholders' meeting by showing its purpose (so long as such shareholders may vote on such purpose) and the reason for the call, so long as he/she holds, for consecutively for the preceding six months or more, not less than three hundredths (3/100) of the voting rights of all shareholders (not including the number of those held by the shareholders who may not vote on such matters).

The above-mentioned shareholders may call the shareholders' meeting with the permission of the court in cases where:
(i) the convocation procedure is not implemented without delay after the demand; or
(ii) a convocation notice of the shareholders' meeting designating, its date within eight weeks from the day of the demand.

Putting Forward Proposals at General Meetings

Shareholders may demand the directors that certain matters be included in the purpose of the shareholders' meeting so long as he/she holds, consecutively for the preceding six months or more, not less than one hundredth (1/100) or three hundred voting rights of all shareholders (not including the number of those held by the shareholders who may not vote on such matters). In such cases, the demand shall be submitted no later than eight weeks before the day of the shareholders' meeting.

Shareholders may demand the directors, no later than eight weeks before the day of the shareholders' meeting, that shareholders be notified in writing of the summary of his/her proposals in connection with the purpose of the shareholders' meeting (including a proposal of directorial candidates), so long as he/she holds, consecutively for the preceding six months or more, not less than one hundredth (1/100) or three hundred voting rights of all shareholders; provided, however, that this shall not apply in cases where the proposals are in violation of the laws, regulations or the Articles of Incorporation, or in cases where three years have not elapsed from the day of failure to gain, on substantially the same proposal, affirmative votes not less than one tenths (1/10) of the voting rights of all shareholders (excluding the shareholders who may not vote on such proposals).

At the shareholders' meeting, shareholders may submit proposals on the matters that are the purpose of the shareholders' meeting (so long as such shareholders may vote on such matters); provided, however, that this shall not apply in cases where such proposals are in violation of the laws, regulations or the Articles of Incorporation, or in cases where three years have not elapsed from the day of failure to gain on substantially the same proposal, affirmative votes not less than one tenths (1/10) of the voting rights of all shareholders (excluding the shareholders who may not vote on such proposals).

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: 1-6-1 Roppongi, Minato-ku, Tokyo
(For the attention of the Company)
Email: inq-all@sbigroup.co.jp

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written request, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Cancellation on Share upon Repurchase

The Company obtained a waiver from the Stock Exchange with respect to strict compliance with the requirements under Rules 10.06(5) and 19B.21 of the Listing Rules for us to (i) cancel the listing of any such Treasury Shares; (ii) apply for relisting of any such Treasury Shares held by the Company on their disposal; and (iii) cancel and destroy as soon as reasonably practicable all documents of title of repurchased Shares (including both HDRs and their underlying Shares) and the Company hereby confirms its compliance with the following conditions of granting this waiver during the accounting period for the fiscal year ended 31 March 2013;

- Complying with the Companies Act of Japan in relation to Treasury Shares that the Company holds and informing the Stock Exchange as soon as practicable in the event of any failure to comply or any waiver to be granted;
- Informing the Stock Exchange as soon as reasonably practicable in the event of any substantial change being made to the Japanese Treasury Shares regime;
- Confirming our compliance with the waiver conditions in our subsequent annual reports and, if applicable under the Companies Act of Japan, any convocation notice for shareholders' meeting seeking shareholder's approval of any repurchases of our Shares; and
- Complying with any relevant provisions in the event of changes to the Hong Kong regulatory regime and the rules in relation to the Treasury Shares to the extent that the Companies Act of Japan permits (subject to any waiver which may be sought by the Company and granted by the Stock Exchange or any other regulatory authority).

10. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATION

During the year under the review, the Company has amended its Articles of Incorporation. An up to date version of the Company's Articles of Incorporation is also available on the Stock Exchange's website.

Effective communication

As the Company does not establish the Audit Committee, Remuneration Committee and Nomination Committee as stated above, there are no chairmen of such committees attending the annual general meeting held on 28 June 2012 as required by Code Provision E.1.2.

The Company has not arranged for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting as required by Code Provision E.1.3. The Company sent convocation notice of annual general meeting to shareholders at least 14 days before the annual general meeting under the Companies Act of Japan.

Voting by Poll

The voting procedures under the Companies Act of Japan are different from Hong Kong. Instead of complying with Code Provision E.2.1 that the chairman of a meeting should explain the poll procedures, the Company has conducted voting pursuant to the Companies Act of Japan.

11. DIRECTORS' INTERESTS

As at 31 March 2013, 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 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	3,787,960	1,69%
	Morningstar Japan K.K.	Registered owner	2,144	0.77%
	SBI Mortgage Co., Ltd.	Registered owner	122,950	0.52%
	SBI Point Union Co., Ltd.	Registered owner	100	5.00%
	SBI Pharmaceuticals Co., Ltd.	Registered owner	972	1.33%
	SBI Wellness Bank Co., Ltd.	Registered owner	600	7.67%
Taro Izuchi	SBI Holdings, Inc.	Registered owner	320,170	0.14%
Takashi Nakagawa	SBI Holdings, Inc.	Registered owner	42,000	0.02%
Tomoya Asakura	Morningstar Japan K.K.	Registered owner	428	0.15%
Shumpei Morita	SBI Holdings, Inc.	Registered owner	20,000	0.01%
	SBI Business Solutions Co., Ltd.	Registered owner	636	4.10%
Noriaki Maruyama	SBI Holdings, Inc.	Registered owner	69,330	0.03%
	SBI Mortgage Co., Ltd.	Registered owner	332,070	1.40%
Hiroyoshi Kido	SBI Holdings, Inc.	Registered owner	118,530	0.05%
Noriyoshi Kimura	SBI Holdings, Inc.	Registered owner	7,130	0.00%
Hiroshi Tasaka	SBI Holdings, Inc.	Registered owner	80,220	0.04%
	Morningstar Japan K.K.	Registered owner	88	0.03%
Takashi Okita	SBI Holdings, Inc.	Registered owner	76,610	0.03%
Masaki Yoshida	SBI Holdings, Inc.	Registered owner	10,000	0.00%
	SBI BB Mobile Investment LPS	Interest of controlled corporation (WATANABE ENTERTAINMENT CO., LTD. and Miki Yoshida (his spouse's name))	2	0.63%

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 CORPORATION-Series 2	22,000	0.01%
	SBI Holdings, Inc.	Registered owner	SARs	2005 Series 1	20,100	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	4,000	0.00%
Takashi Nakagawa	SBI Holdings, Inc.	Registered owner	SARs	2005 Series 1	10,000	0.00%
	SBI Holdings, Inc.	Registered owner	SARs	2003 Series 2	49,030	0.02%
Shumpei Morita	SBI Holdings, Inc.	Registered owner	SARs	2005 Series 1	2,200	0.00%
	SBI Holdings, Inc.	Registered owner	SARs	2003 Series 3	15,235	0.01%
Noriyoshi Kimura	SBI Holdings, Inc.	Registered owner	SARs	2003 Series 2	28,617	0.01%
Hiroshi Tasaka	SBI Holdings, Inc.	Registered owner	SARs	2005 Series 1	4,000	0.00%

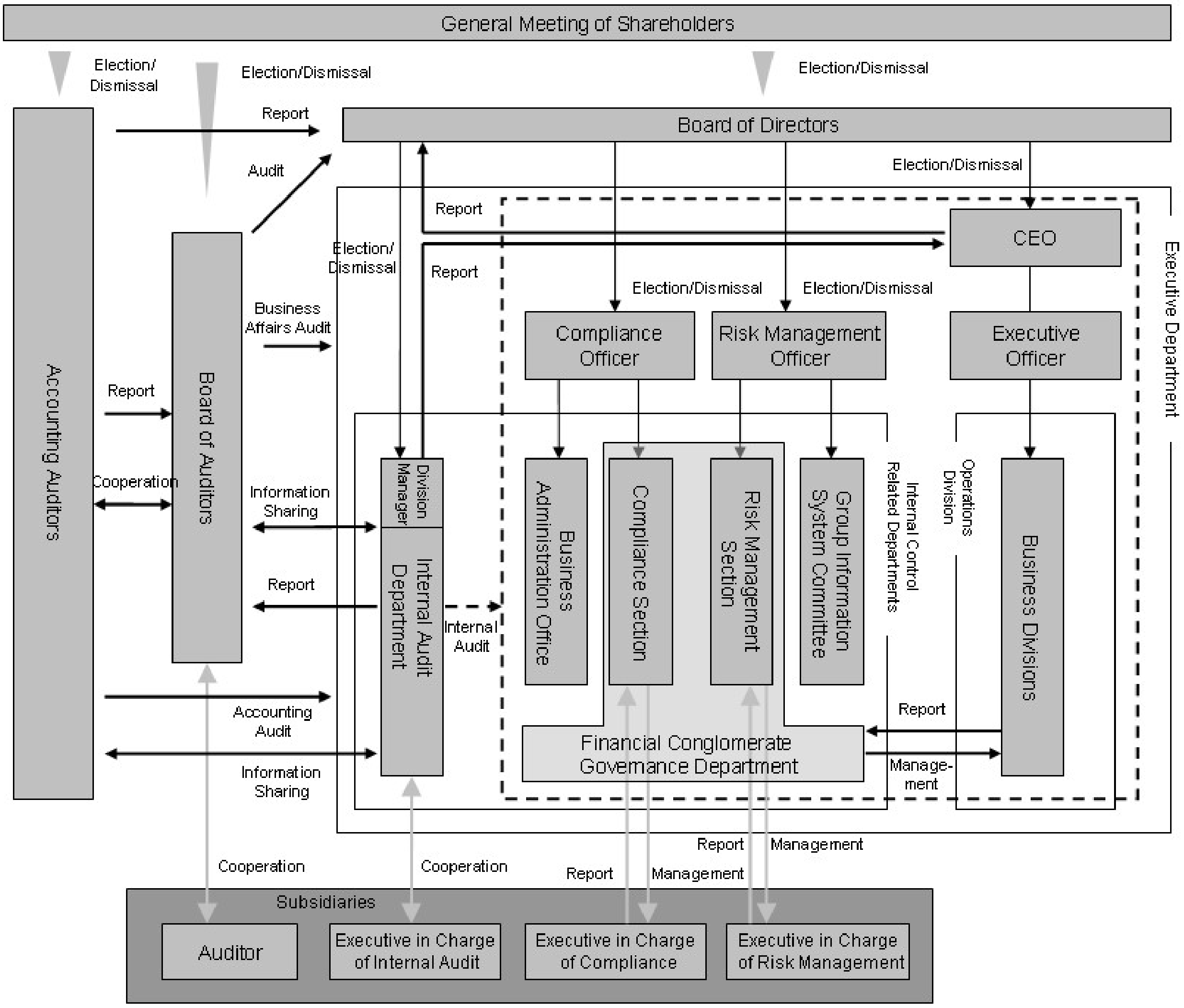
(1) For details of the underlying SARs, please see page 139 in this annual report.

As at 31 March 2013, 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.

12. 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 issued share capital was held by the public as at the date of this report

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 31 March 2013 are as follows.

Name of Certified Public Accountant		Accounting Corporation to which Accountants Belong
Designated Unlimited Liability Partner, Engagement Partner	Yoshitaka Asaeda	Deloitte Touche Tohmatsu LLC
	Yasuyuki Onaka	
	Kunikazu Awashima	

* 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: 14; assisting accountants: 6; other: 5
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 five 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

Teruhide Sato, Outside Director, holds 2,820 shares of common stock of the Company as of June 27, 2013. Ryujiro Shimamoto, and Hisashi Hayakawa, Outside Statutory auditors, holds 7,780 shares and 250 shares of common stock of the Company as of June 27, 2013, respectively. 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.

Kiyoshi Nagano, Outside Director, is from Jasdaq Market Inc. (currently Japan Exchange Group, Inc., which is a customer of the Company), and although the Company has carried out some money transactions with Japan Exchange Group, Inc. for annual listing fees associated with the listing of the Company on Tokyo Stock Exchange and Osaka Securities Exchange, the transaction amount is insignificant and does not affect the independence of Mr. Nagano.

Keiji Watanabe, Outside Director, had experience working with Deloitte Touche Tohmatsu (current Deloitte Touche Tohmatsu LLC) and the Company and the audit firm have business relationship including audit agreement, preparation of comfort letters and so on; however, we judge that such business relationships will not pose any threat to give impact on judgment to be made by shareholders and/or investors, given the scale and nature of such business relationships.

Although Masanao Marumono, Outside Director, has worked as a person who executes the business of the Company's financing bank, namely Sumitomo Mitsui Banking Corporation and its forerunner, Sumitomo Bank, it has been eight years since his retirement in 2005, and since that retirement he has not been in the position of being a person who executes the business of Sumitomo Mitsui Banking Corporation or any similar position. The Company is conducting transactions with several financial institutions other than Sumitomo Mitsui Banking Corporation and there is no amount borrowed from Sumitomo Mitsui Banking Corporation as at 31 March 2013. Therefore, the Company has judged that Mr. Marumono is qualified as an Independent Director because the transactional relationship between the Company and Sumitomo Mitsui Banking Corporation does not affect the decision-making of Mr. Marumono and a conflict of interest is unlikely to arise between him and the general shareholders.

Ryujiro Shimamoto, Outside Statutory Auditor, is an auditor of our subsidies, namely, SBI MONEYPLAZA Co., Ltd., SBI Card Co., Ltd. and SBI Lease Co., Ltd., and there are various business relationships, such as insurance business as an agency between the Company and SBI MONEYPLAZA, such as loan agreement between the Company and SBI Card, and business relationships such as lease agreement between the Company and SBI Lease. In addition, Mr. Shimamoto previously served as a full-time outside statutory auditor of SBI Sumishin Net Bank Ltd., our associate, and an outside statutory auditor of SBI Mortgage Co., Ltd., our subsidiary, and agreements concerning temporary transfer of employees and the like are made between the Company and SBI Sumishin Net Bank, but any of them involves only minimal value, and we judge that such will not pose any threat to cause any conflict of interest with general shareholders.

Hisashi Hayakawa, Outside Statutory Auditor, is a full-time outside statutory auditor of SBI Insurance Co., Ltd. and an auditor of SBI Capital Management Co., Ltd., both our subsidiaries, and there are business relationships including insurance advertisement and agreements concerning temporary transfer of employees between the Company and SBI Insurance Co., Ltd.; however, the business is minimal in value and we judge that such will not pose any threat to cause any conflict of interests with the general shareholders.

Other than the above, there is no special interest between the Company and companies or entities with which our outside directors and/or outside auditors serve or served as officers.

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)	193	193	—	—	—	17
Statutory auditors (Excluding Outside Statutory auditors)	12	12	—	—	—	1
Outside Executives	56	56	—	—	—	5

(Note) The above figures include remuneration of executives who retired during the fiscal year ended 31 March 2013.

2. 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. and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at 31 March 2013, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with 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 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu LLC Tokyo, Japan

27 June 2013

A. CONSOLIDATED FINANCIAL INFORMATION

A.1 CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS

	Notes	As at 1 April 2011	As at 31 March 2012	**As at 31 March 2013**
		Millions of Yen	Millions of Yen	**Millions of Yen**
Assets				
Cash and cash equivalents	16	160,398	159,833	**133,362**
Trade and other accounts receivable	6,7,8,16	166,090	180,385	**412,477**
Assets related to securities business				
Cash segregated as deposits		347,866	663,066	**846,445**
Margin transaction assets		139,960	166,652	**164,935**
Other assets related to securities business	9	228,664	160,490	**422,265**
Total assets related to securities business	6	716,490	990,208	**1,433,645**
Other financial assets	16	16,885	13,086	**26,694**
Operational investment securities	6,7,10	108,138	121,951	**119,268**
Other investment securities	6,7,10	13,036	10,548	**57,209**
Investments in associates	11,16	23,367	29,097	**35,689**
Investment properties	12,16	19,291	18,529	**36,355**
Property and equipment	13	10,879	9,462	**10,517**
Intangible assets	14	67,976	64,502	**185,581**
Other assets	16	47,065	37,101	**29,928**
Deferred tax assets	15	22,114	20,866	**13,662**
Total assets		1,371,729	1,655,568	**2,494,387**
Liabilities				
Bonds and loans payable	6,7,16	276,978	285,188	**344,360**
Trade and other accounts payable	7,17	42,525	39,073	**48,894**
Liabilities related to securities business				
Margin transaction liabilities		79,189	113,002	**153,612**
Loans payable secured by securities		61,798	76,593	**135,609**
Deposits from customers		36,717	331,489	**387,310**
Guarantee deposits received		309,135	289,405	**372,440**
Other liabilities related to securities business	18	176,482	123,342	**255,634**
Total liabilities related to securities business	6,7	663,321	933,831	**1,304,605**
Customer deposits for banking business	6,7	—	—	**376,177**
Income tax payable		5,099	4,847	**2,192**
Other financial liabilities	6,7	24,947	29,916	**35,371**
Other liabilities		5,609	4,937	**15,430**
Deferred tax liabilities	15	5,362	5,871	**6,823**
Total liabilities		1,023,841	1,303,663	**2,133,852**
Equity				
Capital stock	20	73,236	81,665	**81,668**
Capital surplus	20	155,525	160,471	**160,550**
Treasury stock	20	(247)	(3,180)	**(5,117)**
Other component of equity	20	571	(1,363)	**6,196**
Retained earnings	20	60,951	58,930	**60,002**
Equity attributable to owners of the Company		290,036	296,523	**303,299**
Non-controlling interests		57,852	55,382	**57,236**
Total equity		347,888	351,905	**360,535**
Total liabilities and equity		1,371,729	1,655,568	**2,494,387**

CONSOLIDATED STATEMENT OF INCOME

	Notes	Fiscal Year ended 31 March 2012	**Fiscal Year ended 31 March 2013**
		Millions of Yen	**Millions of Yen**
Operating revenue	5, 23	177,409	**153,476**
Operating expense			
Operating cost	24	(73,766)	**(55,275)**
Financial cost	24	(5,229)	**(4,612)**
Selling, general and administrative expenses	24	(74,092)	**(75,231)**
Other expenses	24	(7,017)	**(2,339)**
Total Operating expense		(160,104)	**(137,457)**
Share of results of associates using the equity method	5, 11	225	**558**
Operating income		17,530	**16,577**
Other financial income and cost			
Other financial income	25	504	**604**
Other financial cost	25	(2,434)	**(2,968)**
Total Other financial income and cost		(1,930)	**(2,364)**
Profit before income tax expense	5	15,600	**14,213**
Income tax expense	26	(12,838)	**(7,251)**
Profit for the year		2,762	**6,962**
Profit for the year attributable to			
Owners of the Company		303	**3,202**
Non-controlling interests		2,459	**3,760**
Profit for the year		2,762	**6,962**
Earnings per share attributable to owners of the Company			
Basic (Yen)	28	1.38	**14.75**
Diluted (Yen)	28	1.38	**14.75**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Fiscal Year ended 31 March 2012 Millions of Yen	**Fiscal Year ended 31 March 2013** **Millions of Yen**
Profit for the year		2,762	**6,962**
Other comprehensive income/(loss)			
Currency translation differences	27	(1,236)	**7,181**
FVTOCI financial assets	27	(397)	**(250)**
Hedging instruments for cash flow hedges	27	(2)	**49**
Proportionate share of other comprehensive income/(loss) of associates	27	(201)	**1,398**
Other comprehensive income/(loss), net of tax		(1,836)	**8,378**
Total Comprehensive income/(loss)		926	**15,340**
Total comprehensive income/(loss) attributable to			
Owners of the Company		(1,564)	**10,839**
Non-Controlling interests		2,490	**4,501**
Total Comprehensive income/(loss)		926	**15,340**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Attributable to owners of the Company							
		Capital Stock	Capital Surplus	Treasury Stock	Other Component of equity	Retained earnings	Total	Non-controlling interests	Total equity
		Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
As at 1 April 2011		73,236	155,525	(247)	571	60,951	290,036	57,852	347,888
Profit for the year		–	–	–	–	303	303	2,459	2,762
Other comprehensive income/(loss)		–	–	–	(1,867)	–	(1,867)	31	(1,836)
Total comprehensive income/(loss)		–	–	–	(1,867)	303	(1,564)	2,490	926
Issuance of new stock	20	8,429	8,298	–	–	–	16,727	–	16,727
Change in scope of consolidation		–	223	–	–	–	223	(1,556)	(1,333)
Dividends paid	21	–	–	–	–	(2,391)	(2,391)	(2,156)	(4,547)
Treasury shares purchased	20	–	–	(2,939)	–	–	(2,939)	–	(2,939)
Treasury shares sold	20	–	–	6	–	–	6	–	6
Changes of interests in subsidiaries without losing control		–	(3,575)	–	–	–	(3,575)	(1,248)	(4,823)
Transfer from other component of equity	20	–	–	–	(67)	67	–	–	–
As at 31 March 2012		81,665	160,471	(3,180)	(1,363)	58,930	296,523	55,382	351,905
Profit for the year		–	–	–	–	**3,202**	**3,202**	**3,760**	**6,962**
Other comprehensive income/(loss)		–	–	–	**7,637**	–	**7,637**	**741**	**8,378**
Total comprehensive income/(loss)		–	–	–	**7,637**	**3,202**	**10,839**	**4,501**	**15,340**
Issuance of new stock	20	**3**	**3**	–	–	–	**6**	–	**6**
Change in scope of consolidation		–	**1**	–	–	–	**1**	**(7,909)**	**(7,908)**
Dividends paid	21	–	–	–	–	**(2,208)**	**(2,208)**	**(3,004)**	**(5,212)**
Treasury shares purchased	20	–	–	**(2,021)**	–	–	**(2,021)**	–	**(2,021)**
Treasury shares sold	20	–	**0**	**84**	–	–	**84**	–	**84**
Changes of interests in subsidiaries without losing control		–	**75**	–	–	–	**75**	**8,266**	**8,341**
Transfer from other component of equity	20	–	–	–	**(78)**	**78**	–	–	–
As at 31 March 2013		**81,668**	**160,550**	**(5,117)**	**6,196**	**60,002**	**303,299**	**57,236**	**360,535**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Fiscal Year ended 31 March 2012	**Fiscal Year ended 31 March 2013**
		Millions of Yen	**Millions of Yen**
Net cash from (used in) operating activities			
Profit before income tax expense		15,600	**14,213**
Depreciation and amortization		7,660	**7,624**
Share of results of associates using the equity method		(225)	**(558)**
Interest and dividend income		(18,644)	**(18,454)**
Interest expense		7,644	**7,565**
Decrease (increase) in operational investment securities		(5,220)	**557**
Decrease (increase) in accounts receivable and other receivables		(992)	**10,614**
Increase in operational liabilities and other liabilities		11,664	**14,167**
Increase in assets/liabilities related to securities business		(2,771)	**(72,300)**
Others		(5,758)	**(3,898)**
Subtotal		8,958	**(40,470)**
Interest and dividend income received		17,783	**17,854**
Interest expense paid		(7,396)	**(6,884)**
Income taxes paid		(9,527)	**(7,484)**
Net cash from (used in) operating activities		9,818	**(36,984)**
Net cash used in investing activities			
Purchases of intangible assets		(5,499)	**(4,279)**
Purchases of investment securities		(11,180)	**(9,876)**
Proceeds from sales of investment securities		2,226	**4,580**
Acquisition of subsidiaries, net of cash and cash equivalents acquired	29	792	**(18,451)**
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	29	(4,076)	**10,062**
Payments of loans receivable		(11,560)	**(8,215)**
Collection of loans receivable		13,178	**5,987**
Others		98	**1,132**
Net cash used in investing activities		(16,021)	**(19,060)**

	Fiscal Year ended 31 March 2012	**Fiscal Year ended 31 March 2013**
	Millions of Yen	**Millions of Yen**
Net cash from financing activities		
Increase in short term loans payable	8,421	**32,305**
Proceeds from long-term loans payable	6,020	**28,437**
Repayment of long-term loans payable	(27,861)	**(42,968)**
Proceeds from issuance of bonds payable	89,937	**63,945**
Redemption of bonds payable	(69,680)	**(60,540)**
Proceeds from stock issuance	16,716	**6**
Proceeds from stock issuance to non-controlling interests	844	**3,679**
Contributions from non-controlling interests in consolidated investment funds	1,057	**2,052**
Cash dividend paid	(2,660)	**(2,213)**
Cash dividend paid to non-controlling interests	(187)	**(467)**
Distributions to non-controlling interests in consolidated investment funds	(5,164)	**(2,431)**
Purchase of treasury stock	(2,939)	**(2,021)**
Proceeds from sale of interests in subsidiaries to non-controlling interests	611	**7,603**
Payments for purchase of interests in subsidiaries from non-controlling interests	(6,411)	**(295)**
Others	(1,317)	**(1,393)**
Net cash from financing activities	7,387	**25,699**
Net increase (decrease) in cash and cash equivalents	1,184	**(30,345)**
Cash and cash equivalents at the beginning of the year	160,398	**159,833**
Effect of changes in exchange rate on cash and cash equivalents	(1,749)	**3,874**
Cash and cash equivalents at the end of the year	159,833	**133,362**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting Entity

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

2. Basis of Preparation

(1) First Year of Adoption of IFRS

Since the Company meets the criteria of "Specific company" defined in item 1 under the first clause of Article 1-2 of the Rules Governing Term, Form and Preparation of Consolidated Financial Statements (Financial Ministerial Order the 28th, 1976), the consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards ("IFRSs") pursuant to Article 93 of the Rules Governing Term, Form and Preparation of Consolidated Financial Statements (Financial Ministerial Order the 28th, 1976).

The Group determined to first adopt IFRSs for this fiscal year ended 31 March 2013 and the consolidated financial statements for this fiscal year ended 31 March 2013 are the first consolidated financial statements prepared under IFRSs.

The date of transition to IFRSs is 1 April 2011 (hereinafter referred to as the "transition date") and IFRS 1 "First-time Adoption of International Financial Reporting Standards" (hereinafter referred to as "IFRS 1") has been applied.

An explanation of the first application of IFRSs and the effect of the transition to IFRSs on the Group's financial position, financial results and cash flows is provided in Note "33 Explanation of Transition to IFRSs".

The consolidated financial statements were approved and authorized for issue by the Company's Representative Director, President and CEO, Yoshitaka Kitao and Director, Managing Executive Officer and CFO, Shumpei Morita on 24 June 2013.

(2) Basis of Measurement

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

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

The measurement basis of fair value of the financial instruments are provided in Note 6 "Fair value of financial instruments".

(3) Reporting Currency

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

(4) Use of estimates and judgments

In the preparation of the Group's interim condensed consolidated financial statements in accordance with IFRSs, management of the Company are required to make estimates, judgments and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.
The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the current period and future periods.

(a) Measurement of financial instruments

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

(b) Deferred tax assets

Temporary differences which arise from differences between the assets and liabilities on the financial statements and tax basis and tax losses carryfowards are recorded as deferred tax assets up to the ceiling of the recoverable amount based on the future taxable income using the effective tax rate of when the temporary differences and tax losses carryfowards are estimated to be utilized.

(c) Evaluation of goodwill

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

(d) Impairment on financial assets at amortized cost

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

3. Significant Accounting Policies

The Group’s accounting policies complied with IFRSs effective at 31 March 2013, except for IFRS 9 “Financial Instruments” (issued in November 2009, revised in October 2010 and December 2011) (“IFRS 9”), which the Group early adopted.
The accounting policies listed below, if not otherwise stated, are applied consistently in the preparation of these consolidated financial statements (including the consolidated statement of financial position as at the transition date).

(1) Basis of consolidation

(a) Subsidiaries

Name of main subsidiaries are listed in Section of Corporate Profile, “3. SUBSIDIARIES AND ASSOSIATES”. Subsidiaries refer to the entities under control of the Group. Control is defined as the Group having the power to govern the financial and operating policies of the investee so as to obtain benefits from the investee’s activities. Subsidiaries are fully consolidated from the date on which control is obtained by the Group. They are deconsolidated on the date that the Group loses control. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Investments in funds operated by the Group are excluded from the scope of consolidation if they are not controled by the Group.

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

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

(b) Associates and joint ventures

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

Significant influence is the power to participate in the financial and operating policy decision of the investee but is not control or joint control over those policies, which generally assumed holding of between 20% and 50% of the voting rights.

Joint venture is a contractual agreement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the stratigic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of all the parties sharing control.)

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

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

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

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

(c) Special purpose entities

Special purpose entities (“SPE”) are consolidated in the Group’s financial statements when the Group has the right to obtain substantial rewards and is exposed to relevant risks, which indicate the actual control of the SPE.

(d) Business combination

With the transition to IFRSs, according to IFRS 1, the Group determined to apply IFRS 3 “Business combination” (“IFRS 3”) retrospectively for those business combination incurred on or after 31 March 2008.

Acquisition method is applied for acquisitions incurred on or after 31 March 2008. The consideration transferred for the acquisition of a subsidiary is the total of acquisition date fair value of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group.

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

・Deferred tax assets (or deferred tax liabilities) and assets (or liabilities) related to employee benefits are required to be recognized and measured in accordance with IAS 12 “Income Tax” and IAS 19 “Employee benefits”.

・Share based payment plan of the acquiree, or liabilities or equity financial instruments issued for the purpose of replacement of acquiree’s share based payment plan were measured according to IFRS 2 “Share Based Payments”.

・Non-current assets or disposal group categorized as held for sale were measured according to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

Goodwill is initially measured at the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If negative excess is occurred, the difference is recognized in profit.

The Group recognized non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the proportionate share of the recognized amount of acquiree’s identifiable net assets.

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

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

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

The Group determined to apply IFRS 3 retrospectively for the business combination occurred on or after 31 March 2008. Transaction with non-controlling interests that do not result in loss of control are accounted for as equity transaction according to IAS 27 “Consolidated and separate financial statements” (“IAS 27”). The carrying amount of the Group’s share and non-controlling interests are adjusted as according to the change of interest. The difference between “fair value of consideration paid or received” and “adjustments of the carrying value of non-controlling interests” is recorded in equity and attributed to owners of the Company.

For the transactions occurred before 31 March 2008, changes in interests in subsidiaries without change of control are accounted for under Japanese GAAP and recognized as goodwill or in profit or loss in accordance with IFRS 1.

(f) Loss of control

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

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

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

(2) Foreign currency

(a) Foreign currency translation

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are translated in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at the year end date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency shall be retranslated using the exchange rate at the date when the fair value was measured. The exchange differences arising from the retranslation were recognized in profit or loss, except for retranslation differences on financial instruments, the change in the fair value of which is recognized in other comprehensive income and exchange differences arising from transactions for the purpose of hedging certain foreign exchange risk.

(b) Foreign operations

The assets and liabilities, including goodwill and fair value adjustments arising on business combinations, of all the Group entities that have a functional currency that is different from the presentation currency (mainly foreign operations) are translated into the presentation currency using the rates of exchange prevailing at the end of each reporting period. Income and expenses of foreign operations are translated into the presentation currency at the average exchange rates. Exchange differences arising are recognized as other comprehensive income. On or after 1 April 2011, the Group's transition date, the differences are recorded and accumulated as translation reserve in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. The Group applied the exemption for cumulative translation reserve in IFRS 1, and resetting cumulative translation gains and losses to zero at the transition date.

(3) Financial instruments

The Group decided to early adopt IFRS 9 from 1 April 2011, the transition date as the date of initial application of IFRS 9.

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

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

(a) Initial recognition and measurement

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

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

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

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The Group decided to apply the exemptions of IFRS 1 stated below in respect of adopting IFRS 9.
Based on the facts and circumstances that exist as at the transition date and in accordance with IFRS 9, financial instruments held for the purpose of gaining appreciation through changes of fair value are designated as financial assets and financial liabilities at FVTPL.
Based on the facts and circumstances that exist as at the transition date and in accordance with IFRS 9, equity instruments held for purposes other than trading are designated as financial assets at FVTOCI.

(b) Offsetting
Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right of offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

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

Financial assets at FVTPL
A financial asset is subsequently measured at fair value unless it is measured at amortized cost.

Financial assets at FVTOCI
Within financial instruments other than financial instruments held for trading, equity instruments are designated as financial instruments at FVTOCI at initial recognition. This is an irrevocable election, which means the accumulative changes of fair value recorded as other comprehensive income cannot be reclassified to profit or loss. Dividends from the above mentioned equity instruments are recognized in profit or loss when there is no apparent evidence showing that the dividends are repayments of the original investment. At derecognition of equity instruments at FVTOCI or when the decline of fair value is not temporary compared with their initial cost, the recognized amount of changes in fair value accumulated in other comprehensive income is reclassified directly to retained earnings.

(d) Cash and cash equivalents
Cash and cash equivalents are cash and highly liquid financial assets with original maturities of three months or less.

(e) Non-derivative financial liabilities

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

(f) Trading assets and liabilities

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

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

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

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

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

(g) Derecognition

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

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

(h) Fair value measurement

The Group measures the fair value of a financial asset or liability using the market price from an active market if available. Fair value of financial assets held and liabilities to be issued by the Group are measured at bid price as the appropriate market price while financial assets to be obtained and liabilities already issued are determined at ask price.

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

The Group adopted an exemption for fair value on initial recognition of financial assets and liabilities in IFRS 1, electing to apply valuation techniques for transactions without an active market occurring on or after the transition date.

(i) Impairment on financial assets measured at amortized cost

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

Financial assets measured at amortized cost are assessed for impairment individually or together depending on the significance of the financial assets. While significant financial assets are assessed for impairment individually, financial assets which are not assessed individually are grouped by risk characteristic and assessed together for impairment.

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

Interest on the impaired asset is recognized as the adjustments to discounts realized through the passage of time. When the adjustment to impairment loss after recognizing an impairment loss has occurred, which decreases the impairment loss, the adjustments to impairment loss is recognized in profit or loss.

(j) Hedge accounting

The Group uses interest rate swap contracts to hedge interest rate risk.

At the inception of the hedge, the Group has a formal documentation of the hedging relationship between hedged item or transaction and hedging instrument, which is the interest rate swap contracts, in compliance with our risk management objective and strategy. In addition, the Group has a formal documentation on the effectiveness of the interest rate swap contracts to hedge the risks of changes in fair value and cash flows at the inception and on an ongoing basis.

The changes in fair value of interest swap contracts, which are designated as hedging instruments for fair value hedge, are recognized in profit or loss. The gain or loss on the hedged item attributable to the risk of changes in interest rates shall adjust the carrying amount of the hedged item and be recognized in profit or loss.

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

The amount that has been recognized in other comprehensive income shall be deducted from other comprehensive income in the consolidated statement of comprehensive income and reclassified to profit or loss in the same period during which the hedged item of cash flows affects profit or loss.

The Group shall discontinue prospectively the hedge accounting when the criteria for hedge accounting are no longer satisfied. In such situation, amounts accumulated in other comprehensive income remain unadjusted until the anticipated transaction finally affects profit or loss, or that the anticipated transaction is not expected to occur, when the underlying amount shall be immediately recognized in profit or loss.

(k) Capital stock

Common stock

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

Treasury stock

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

(4) Inventories

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

(5) Lease

(a) Accounting by lessor as financial lease

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A receivable is recognized at an amount equal to the net investment in the lease and presented as an operating receivable or other receivable in the consolidated statement of financial position.

(b) Accounting by lessee as financial lease

A lease is classified as a financial lease when the Group assumes the risks and rewards according to the lease contract. Lease assets are initially recognized at the lower of fair value of the leased property and the present value of the minimum lease payments. In subsequent measurement, lease assets are accounted for under the standards applied to the assets.

(6) Property and equipment

(a) Initial recognition and measurement

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

(b) Depreciation

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

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

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

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

(7) Intangible Assets

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

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

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

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

(b) Research and development

Expenditure during the research phase for the purpose of learning the most updated science and technology is recognized as an expense when incurred. Capitalized development expenditures are measured at initial cost less accumulated amortization and accumulated impairment loss.

(c) Other intangible assets (separately acquired)

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

(d) Amortization

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

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

・Software　3 - 5 years
・Customer Relationship　4 - 16 years

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

(8) Investment properties

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

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

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

・Buildings　8 - 50 years

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

However, the Group applied the exemptions in IFRS 1, electing to measure the part of investment properties at transition date fair value as its deemed cost.

(9) Impairment of non-financial assets

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

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

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

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

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

(10) Employee benefits

(a) Defined contribution plans and defined benefit plans of multi-employer

The Company and certain of its subsidiaries have defined contribution plans for employee benefits. Defined contribution plans are post-employeement benefit plans under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Contributions related to defined contribution plans are expensed over the period during which employees render service to the entity. Also, the Company and certain of its subsidiaries participate in defined benefit multi-employer plans, under which contributions paid during the period are recognized in profit or loss as pension expense and contributions payable are recorded as liabilities.

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

The Group recognizes the undiscounted amount of short-term employee benefits as an expense of the period during which the related service is rendered. Also, the Company operates share-based compensation plan as an incentive for board members and employees, however, there is no impact to profit or loss of the current period.

The Group decided to adopt exemptions stated in IFRS 1 and does not apply IFRS 2 “Share-based payments” to the share-based payments vested on or before 31 March 2011.

(11)Provisions

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

(12)Revenue Recognition

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

Financial assets at FVTPL are initially recognized at their fair value with related transaction costs charged to profit or loss as incurred. Gains and losses related to the sale of financial assets at FVTPL are measured as the difference between fair value of consideration proceeded and the carrying amount.

Changes in fair value of financial assets at FVTOCI are presented in other comprehensive income. When such financial assets are derecognized (sold) or the decline in fair value is not temporary compared with the initial cost, the cumulative gains or losses previously recognized in other comprehensive income are directly transferred into retained earnings.

However, dividends from financial assets at FVTOCI are recognized as financial income in profit or loss.

(b) Net trading income

Securities included in trading assets are classified as financial assets at FVTPL and any changes in fair value are recognized in profit or loss.

(c) Commission income

Commission income is the income arising from transactions that the Group is involved in as agent instead of a principal who gains the main part of the profit from the transaction. Revenue from commission income is recognized in conformity with the progress of the transaction at the end of the reporting period if the result of the transaction can be reliably estimated.

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

・The Group neither retains ownership of the goods nor assumes any responsibility for after service.

・Though the Group ultimately collect consideration from customers, all the credit risk is assumed by the supplier of the goods.

(d) Sale of goods

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

(13)Income tax expense

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

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

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

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

(14)Earnings per share

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

The Group's potential ordinary shares are issued in relation to its stock option plan.

(15)Segment reporting

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

(16)Non-current assets held for sale

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

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

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

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

The new standards, amendments to existing standards and interpretations have been published before the approval date of the consolidated financial statements, but the Group has not early adopted are as follows. It is considered that there is no significant impact to the consolidated financial statements through adoption, though details are still under investigation.

	IFRS	Mandatory for fiscal year beginning on or after	Adopted by the group from fiscal year ended	Summary of new standards and amendments
IFRS 7	Financial Instruments: Disclosure	1 January 2013	March 2014	Disclosures requirement relating to offsetting financial assets and financial liabilities
IFRS 10	Consolidated Financial Statements	1 January 2013	March 2014	Clarifications on definition of control as the basis for consolidation, which shall be adopted by all companies
		1 January 2014	March 2015	Parent company that qualifies for investment entity does not consolidate certain subsidiaries and measures the investment at fair value through profit or loss in accordance with IFRS9 “Financial instruments” or IAS39 “Financial instruments: Recognition and measurement” instead in its consolidated or non-consolidated financial statements.
IFRS 11	Joint Arrangements	1 January 2013	March 2014	Classification and accounting treatment relevant to arrangement under joint control based on contractual agreement rather than legal form
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013	March 2014	Broaden the disclosure with regard to interests in other entities including unconsolidated entities
		1 January 2014	March 2015	Amendment with regard to addition of investment entities to IFRS 10
IFRS 13	Fair Value Measurement	1 January 2013	March 2014	Provide guidance for measurement of fair valued applied in all the standards
IAS 1	Presentation of Financial Statements	1 July 2012	March 2014	Amendment to presentation of items of other comprehensive income
IAS 19	Employee Benefits	1 January 2013	March 2014	Recognition of actuarial differences and past service cost Presentation and disclosure of post-employment benefits
IAS 28	Investments in Associates and Joint Ventures	1 January 2013	March 2014	Amendments based on the publishing of IFRS 10, IFRS 11 and IFRS 12
IAS 32	Financial Instruments: Presentation	1 January 2014	March 2015	Clarification of offsetting criteria and supplement to interpretations

4. Business Combination

(1) For the year ended 31 March 2012

Total consideration at acquisition dates in relation to business combinations amounted to ¥ 4,087 million and were settled in cash for the year ended 31 March 2012. Fair value of assets and liabilities acquired through business combinations and non-controlling interests were ¥ 12,360 million, ¥ 513 million and ¥ 624 million, respectively.

(2) For the year ended 31 March 2013

The Group has undertaken a third-party allocation of new shares and accepted all the forfeited shares related to the issuance of acquired shares in Hyundai Swiss Savings Bank, which operates services of a savings bank in South Korea (hereinafter referred to as "Hyundai Swiss 1 Savings Bank") and Hyundai Swiss 2 Savings Bank on 26 March 2013 and 25 March 2013, respectively. The ratio of voting rights of the two banks held by the Group are 89.4% and 94.0%, respectively.
By obtaining control over Hyundai Swiss 1 Savings Bank, two banks under the control of Hyundai Swiss 1 Savings Bank, namely Hyundai Swiss 3 Savings Bank and Hyundai Swiss 4 Savings Bank, have also become subsidiaries of the group.
Through the acquisition, the Group will provide support to Hyundai Swiss Savings Bank Group, consisting of the four banks mentioned above, to continue sustainable business operations.
The Group aimed to improve the profitability as well as the corporate value through utilizing its know-how in transformation of business strategy and enhancing the Bank Group's network.

Consideration paid at acquisition date, previously held equity interests, fair value of acquired assets and liabilities, and non-controlling interests in relation to the business combination mentioned above are as follows. Consideration was paid in cash.

	(Millions of Yen)
Fair value of consideration paid	20,449
Fair value of previously held equity interests	530
Total	20,979
Cash and cash equivalents	1,237
Trade and other accounts receivable	270,745
Other investment securities	44,920
Other assets	42,762
Total Assets	359,664
Bonds and loans payable	43,555
Customer deposits for banking business	376,177
Other liabilities	18,098
Total Liabilities	437,830
Equity	(78,166)
Non-controlling interests	8,802
Goodwill	90,343
Total	20,979

Goodwill is recognized mainly for excess earning power and the synergy effects with existing business, and is recorded under the asset management segment. Costs in relation to the business combination, amounting to ¥58 million were included in "Selling, general and administrative expenses". Non-controlling interests are measured at the interest share of the acquiree's identifiable net assets.

Loans receivable included in “Trade and other accounts receivable” with a fair value of ¥203,959 million were mainly real estates loan provided to individual and corporate customers and unsecured loans to individual customers. The contracted financing amount was ¥375,585 million with ¥171,626 million recorded as an accumulated impairment loss.

Consideration transferred for business combinations other than the above mentioned amounted to ¥ 1,756 million, which were settled in cash. Fair value of acquired assets and liabilities and non-controlling interests were ¥ 15,692 million, ¥ 8,001 million and ¥ 2,588 million, respectively.

5. Segment Information

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

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

“Financial Services Business”

The Financial Services Business consists of a wide range of finance related business and the provision of information regarding financial products, including securities brokerage business, banking services business, property and casualty insurance business, financing business offering mortgage loans, credit card business, and leasing business.

“Asset Management Business”

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

“Biotechnology-related Business”

The Biotechnology-related Business represents development and distribution of pharmaceutical products with 5-aminolaevulinic acid (ALA), a kind of amino acid which exists in vivo, and cancer and immune related pharmaceutical products.

Business segments classified into “Others” mainly consists of development and trading of investment property and operation of online intermediate service, which were included in the former Housing and Real Estate Business segment. They are not classified as a reporting segment based on the quantitative criteria for the fiscal year ended 31 March 2013.
“Elimination” includes profit or loss that is not allocated to certain business segments and the elimination of the inter-company transactions within the Group, at a price based on the actual market price.

The following represents segment information of the Group:

For the fiscal year ended 31 March 2012

	Financial Services Business	Asset Management Business	Biotechnology -related Business	Others	Total	Elimination	Consolidated 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	106,391	56,447	456	14,115	177,409	-	177,409
Inter-segment revenue	2,795	252	19	411	3,477	(3,477)	-
Total	109,186	56,699	475	14,526	180,886	(3,477)	177,409
Segment operating income (loss)							
Profit (loss) before income tax expense	10,498	17,928	(1,984)	(2,220)	24,222	(8,622)	15,600
Other Items							
Interest income	20,163	1,007	4	2	21,176	(1,786)	19,390
Interest expense	(5,457)	(489)	-	(1,156)	(7,102)	(561)	(7,663)
Depreciation and Amortization	(5,663)	(1,178)	(25)	(1,059)	(7,925)	314	(7,611)
Gain or loss from Investments applying the equity-method	118	161	-	(54)	225	-	225

For the fiscal year ended 31 March 2013

	Financial Services Business	Asset Management Business	Biotechnology -related Business	Others	Total	Elimination	Consolidated Total
Net Sales	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Revenue from customers	110,898	32,183	950	9,222	153,253	223	153,476
Inter-segment revenue	2,442	19	20	18	2,499	(2,499)	-
Total	113,340	32,202	970	9,240	155,752	(2,276)	153,476
Segment operating income (loss)							
Profit (loss) before income tax expense	18,741	5,450	(3,900)	1,659	21,950	(7,737)	14,213
Other Items							
Interest income	19,845	752	43	1	20,641	(1,484)	19,157
Interest expense	(5,298)	(556)	(56)	(546)	(6,456)	(1,124)	(7,580)
Depreciation and Amortization	(6,010)	(912)	(7)	(366)	(7,295)	(242)	(7,537)
Gain or loss from Investments applying the equity-method	1,680	(1,087)	(23)	(12)	558	-	558

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

Non-current assets

	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
	Millions of Yen	Millions of Yen	Millions of Yen
Japan	97,674	91,690	92,620
Korea	53	43	125,320
Others	419	760	14,513
Consolidated total	98,146	92,493	232,453

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

Revenue from customers

	For the year ended 31 March 2012	For the year ended 31 March 2013
	Millions of Yen	Millions of Yen
Japan	173,573	146,789
Overseas	3,836	6,687
Consolidated total	177,409	153,476

Note: Revenue is recognized at the destination of sales.

6. Fair Value of Financial Instruments

(1) Fair value measurement

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

Cash and cash equivalents, Other financial assets, Trade and other accounts payable, and Other financial liabilities
The fair values are determined at the carrying values as they approximate the carrying values due to their short maturities.

Trade and other accounts receivable
The fair values are determined based on the future cash inflows discounted at adequate rates, such as government bond risk free rates considering credit risk.

Assets and liabilities related to securities business
The fair values of loans on margin transactions are determined at the carrying value as the interest rates of the loans are floating rate and reflect the market interest rate within a short period. The fair values of assets and liabilities related to securities business, except for loans on margin transactions, are considered to approximate the carrying values as those assets and liabilities are settled within a short period. The fair values of trading assets and trading liabilities are determined as described in “Operational investment securities and other investment securities” and “Derivatives”.

Operational investment securities and other investment securities

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

Bonds and loans payable

The fair values of bonds and loans payable with floating interest rates are determined at carrying values as the interest rates of the bonds and loans reflect the market interest rate within a short period and as the credit condition of companies that obtained the bonds and loans are not expected to change significantly. With respect to bonds payable with fixed interest rates, the fair values are determined based on the future cash outflows considering remaining periods and discount rates adjusted for credit risk. The fair values of loans payable with fixed interest rates are determined at the present value of the future cash outflows, where the sum of principal and interest of loans are grouped according to their maturities and discounted using interest rates with reference to similar type loans. The fair value of bonds payable and loans payable with short maturities are determined at the carrying values since they approximate the fair values.

Customer deposits for banking business

The fair values of demand deposits are determined at carrying values, which are equivalent to the amount paid on demand at the reporting date. The fair values of time deposits are determined based on the future cash inflows discounted at adequate rates, such as government bond yield considering credit risk. The fair value of time deposits with short time maturities are determined at carrying values since they approximate the fair values.

Derivatives

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

(2) Financial instruments measured at amortized cost

The carrying amounts and fair values of financial assets and liabilities measured at amortized cost were as follows:

	As at 1 April 2011		As at 31 March 2012		As at 31 March 2013	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Financial assets measured at amortized cost						
Trade and other accounts receivable	163,742	164,350	179,276	180,147	412,477	413,240
Financial liabilities measured at amortized cost						
Bonds and loans payable	276,978	276,896	285,188	285,493	344,360	344,885
Deposits from customers	-	-	-	-	376,177	376,177

(3) Financial instruments measured at fair value

"IFRS 7 Financial Instruments: Disclosures" requires measurement of fair value be categorized into three levels with reference to the fair value hierarchy that reflects the significance of the inputs used in making fair value measurements

The fair value hierarchy is defined as below:

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

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

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

	As at 1 April 2011			
	Level 1 Millions of Yen	Level 2 Millions of Yen	Level 3 Millions of Yen	Total Millions of Yen
Financial assets				
Trade and other accounts receivable	—	—	2,348	2,348
Assets related to securities business	531	—	—	531
Operational investment securities and other investment securities				
Financial assets at FVTPL	22,627	53	92,611	115,291
Financial assets at FVTOCI	3,934	—	1,949	5,883
Total financial assets	27,092	53	96,908	124,053
Financial liabilities				
Liabilities related to securities business	2	—	—	2
Other financial liabilities	74	—	—	74
Total financial liabilities	76	—	—	76

	As at 31 March 2012			
	Level 1 Millions of Yen	Level 2 Millions of Yen	Level 3 Millions of Yen	Total Millions of Yen
Financial assets				
Trade and other accounts receivable	—	—	1,109	1,109
Assets related to securities business	1,537	—	—	1,537
Operational investment securities and other investment securities				
Financial assets at FVTPL	13,751	51	111,298	125,100
Financial assets at FVTOCI	5,534	—	1,865	7,399
Total financial assets	20,822	51	114,272	135,145
Financial liabilities				
Liabilities related to securities business	36	—	—	36
Other financial liabilities	76	—	—	76
Total financial liabilities	112	—	—	112

	As at 31 March 2013			
	Level 1	Level 2	Level 3	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Financial assets				
Assets related to securities business	3,407	—	—	3,407
Other financial assets	270	—	—	270
Operational investment securities and other investment securities				
Financial assets at FVTPL	19,797	—	149,399	169,196
Financial assets at FVTOCI	4,663	—	2,618	7,281
Total financial assets	28,137	—	152,017	180,154
Financial liabilities				
Liabilities related to securities business	225	—	—	225
Total financial liabilities	225	—	—	225

The movement of financial instruments categorized as level 3 is presented as follows:

For the year ended 31 March 2012

	Trade and other accounts receivable	Operational investment securities and other investment securities		Total
		Financial assets at FVTPL	Financial assets at FVTOCI	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at 1 April 2011	2,348	92,611	1,949	96,908
Acquired through business combinations	—	961	—	961
Purchase	—	26,419	—	26,419
Comprehensive income				
Net profit (Note1)	196	6,425	—	6,621
Other comprehensive income/(loss)	—	—	(19)	(19)
Dividends	—	(3,217)	—	(3,217)
Sale	—	(8,284)	—	(8,284)
Settlement	(1,435)	—	—	(1,435)
Currency translation differences	—	(84)	(65)	(149)
Others (Note 2)	—	(154)	—	(154)
Transferred from Level 3 (Note 3)	—	(3,379)	—	(3,379)
Transferred to Level 3	—	—	—	—
Balance as at 31 March 2012	1,109	111,298	1,865	114,272

For the year ended 31 March 2013

	Trade and other accounts receivable	Operational investment securities and other investment securities		Total
		Financial assets at FVTPL	Financial assets at FVTOCI	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at 1 April 2012	1,109	111,298	1,865	114,272
Acquired through business combinations	—	34,298	474	34,772
Purchase	—	12,439	—	12,439
Comprehensive income				
Net profit (loss) (Note1)	(5)	7,801	—	7,796
Other comprehensive income/(loss)	—	—	—	—
Dividends	—	(4,599)	—	(4,599)
Sale	—	(4,401)	—	(4,401)
Liquidation	—	(43)	0	(43)
Settlement	(1,104)	—	—	(1,104)
Currency translation differences	—	3,167	279	3,446
Others (Note 2)	—	(5,422)	—	(5,422)
Transferred from Level 3 (Note 3)	—	(5,139)	—	(5,139)
Transferred to Level 3	—	—	—	—
Balance as at 31 March 2013	—	149,399	2,618	152,017

Notes:

1. Gains and losses recognized for the current fiscal year in relation to financial instruments are included in “Operating revenue” in the consolidated statement of income. Gains and losses recognized arising from financial assets at FVTPL held as at 31 March 2012 and 2013 were ¥ 1,876 million and ¥ 20,910 million, respectively.
2. Transfer due to obtaining of control.
3. Transfer due to significant input used to measure fair value becoming observable.

7. Financial Risk Management

(1) Risk management policy over capital management and financing

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

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

	As at 1 April 2011	As at March 31 2012	As at March 31 2013
	Millions of Yen	Millions of Yen	Millions of Yen
Interest-bearing debt （Bonds and borrowings）	276,978	285,188	344,360
Cash and cash equivalents	(160,398)	(159,833)	(133,362)
Net	116,580	125,355	210,998
Equity attributable to owners of the Company	290,036	296,523	303,299

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

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

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

Hyundai Swiss Savings Bank Co., Ltd whose headquarter is in the Republic of Korea is obligated to maintain certain level of capital adequacy ratio in conformity with the Main Shareholder eligibility standard or standard of KIPCO Asset Management Company KSC (KAMCO) or other standards. If the capital adequacy ratio falls below certain level, Korean Financial Supervisory Service may give warning or order business suspension. Hyundai Swiss Savings Bank Co., Ltd. was ordered to take prompt corrective measures by Korean Financial Supervisory Service on 6 May 2013 and is striving to be delisted by enhancing its capital.

The Group engages in a wide range of finance related businesses, such as investment business, fund management business, securities business, banking 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, transactions with securities financing companies, and receiving customer deposits for banking business. The Group also considers the market environment and maintains an appropriate strategy for short and long term financing.

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

In order to maintain financial strength and appropriate operational procedures, the Group has risk management policies to identify, analyze and manage the relevant risks integrally.

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

・Credit risk
・Market risk
・Liquidity risk

(2) Risks Arising from Financial Instruments

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

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

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

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

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

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

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

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

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

(3) Risk Management System over Financial Instruments

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

(4) Credit risk management

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

Credit risk management policies of the Group are as follows:

(a) Accurately analyze financial conditions of investees/debtors and 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 transactions, the Group identifies intrinsic risk of investees/debtors with domestic/foreign offices as well as overseas partners followed by periodic monitoring.
(d) Recognize investment risk as significant risk to be controlled among various credit risks and perform detailed analysis of fluctuation in risk associated with operational investment securities.

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

The maximum exposure to credit risk for financial assets excluding the evaluation value of collateral is the carrying amount after impairment loss presented in the consolidated statement of financial position. The maximum exposure to a financial guarantee contract, which the Group grants, and the loan commitment is the amount of the financial guarantee contract and fixed transaction amount of the loan commitment presented in Note 31 “Contingent liability”.

The Group evaluates recoverability of operating receivables and other receivables by considering the credit condition of customers and recognizes impairment losses. The Group is not extremely exposed to credit risk from a specific customer.
Impairment losses and analysis of the age regarding trade and other accounts receivable presented on the consolidated statement of financial position are as follows:
There are no financial assets that are past due related to the securities business.

Impairment losses regarding trade and other accounts receivable as at 1 April 2011, 31 March 2012 and 2013 were as follows:

	1 April 2011	31 March 2012	31 March 2013
	Millions of Yen	Millions of Yen	Millions of Yen
Trade and other accounts receivable(gross)	181,078	189,440	420,856
Impairment losses	(14,988)	(9,055)	(8,379)
Trade and other accounts receivable(net)	166,090	180,385	412,477

The analysis of the age of financial assets that are past due but not impaired as at 1 April 2011, 31 March 2012 and 2013 were as follows:

	1 April 2011	31 March 2012	31 March 2013
	Millions of Yen	Millions of Yen	Millions of Yen
No later than 6 months	67	11	3,214
Later than 6 months and not later than 1 year	105	12	25
Later than 1 year	12	39	12
Total	184	62	3,251

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

(5) Market Risk Management

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

Market risk management policies of the Group are as follows:

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

① Stock market risk

The Group is exposed to stock market risk arising from its investment portfolio. The investment portfolios as at 1 April 2011, 31 March 2012 and 2013 were as follows. If the market price of operational investment securities and other investment securities held by the Group as at 31 March 2012 and 2013 increased by 10%, profit before income tax expense in consolidated statement of income would have increased by ¥ 1,375 million and ¥ 1,980 million, respectively.

	1 April 2011	31 March 2012	31 March 2013
	Millions of Yen	Millions of Yen	Millions of Yen
Operational investment securities			
Listed equity securities	20,769	12,558	7,617
Unlisted equity securities	54,453	80,837	78,690
Bonds	519	180	650
Investments in funds	31,658	27,774	31,448
Others	739	602	863
Total	108,138	121,951	119,268
Other investment securities			
Listed equity securities	4,534	5,740	8,456
Unlisted equity securities	5,517	2,145	2,974
Bonds	261	252	43,137
Investments in funds	2,170	1,922	2,102
Others	554	489	540
Total	13,036	10,548	57,209

② Foreign Exchange Risk

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

As at 1 April 2011

	USD	HKD	Others
	Millions of Yen	Millions of Yen	Millions of Yen
Monetary financial instruments dominated in foreign currency			
Assets	16,995	4,569	9,272
Liabilities	62	1	28

As at 31 March 2012

	USD	HKD	Others
	Millions of Yen	Millions of Yen	Millions of Yen
Monetary financial instruments dominated in foreign currency			
Assets	16,822	4,486	10,950
Liabilities	59	1	60

As at 31 March 2013

	USD	HKD	Others
	Millions of Yen	Millions of Yen	Millions of Yen
Monetary financial instruments dominated in foreign currency			
Assets	20,001	5,045	6,557
Liabilities	233	1	122

If the foreign currencies strengthened by 1% against the functional currency with all other variables (such as interest rate) held constant, consolidated post-tax profit for the year ended 31 March 2012 and 31 March 2013 would have increased by ¥ 321 million and ¥ 312 million, respectively, mainly as a result of monetary financial instruments dominated in foreign currency held by the Group.

③ Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk related to certain financial assets and liabilities, which primarily represent bank balances, money in trust held by subsidiaries in the financial service business, call loans, and loans receivable from individual and corporate customers, borrowings from financial institutions, bonds payable, and customer deposits for the banking business.

In management's sensitivity analysis, if interest rates had been 100 basis points higher and all other variables were held constant, the Group's profit before taxation for the year ended 31 March 2012 and 2013 would have increased by ¥ 1,159 million and ¥ 74 million, respectively.

The analysis is prepared assuming the financial instruments subject to interest rate risk and all other variables were held constant throughout the years ended 31 March 2012 and 2013.

(6) Liquidity Risk Management

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

The Group manages its liquidity risk through the following policies.

(a) Secure various financing arrangements such as bank overdraft facility, bond issuance registration or stock issuance.

(b) Collect information on the Group's working capital requirement and understand the cash flow positions.

(c) Obtain reports from the department responsible for cash management based upon the liquidity risk management policies stated in (a) and (b) above to monitor cash flow risks.

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

As at 1 April 2011

	Carrying amount	Contractual cash flow	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Bonds and loans payable (Note)	276,978	279,985	186,643	22,857	8,209	1,818	7,055	53,403
Trade and other accounts payable	42,525	42,525	35,658	2,271	2,014	1,659	893	30
Liabilities related to securities business	663,321	663,321	663,321	—	—	—	—	—
Other financial liabilities	24,947	24,947	24,947	—	—	—	—	—

(Note) The amounts of the interest included in Bonds and loans payable due in five years or less and due after five years as at 1 April 2011 are ¥2,971 million and ¥4 million, respectively.

As at 31 March 2012

	Carrying amount	Contractual cash flow	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Bonds and loans payable (Note)	285,188	289,560	192,814	9,595	33,190	8,001	1,035	44,925
Trade and other accounts payable	39,073	39,073	34,611	2,073	1,493	795	98	3
Liabilities related to securities business	933,831	933,831	933,831	—	—	—	—	—
Other financial liabilities	29,916	29,916	29,916	—	—	—	—	—

(Note) The amounts of the interest included in Bonds and loans payable due in five years or less and due after five years as at 31 March 2012 are ¥4,227 million and ¥3 million, respectively.

As at 31 March 2013

	Carrying amount	Contractual cash flow	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Bonds and loans payable (Note)	344,360	350,393	223,363	75,022	6,547	1,162	9,063	35,236
Trade and other accounts payable	48,894	48,894	45,922	1,567	1,004	298	98	5
Liabilities related to securities business	1,304,605	1,304,605	1,304,605	—	—	—	—	—
Customer deposits for banking business	376,177	384,230	343,295	37,387	3,510	17	15	6
Other financial liabilities	35,371	35,371	35,371	—	—	—	—	—

(Note) The amounts of the interest included in Bonds and loans payable due in five years or less and due after five years as at 31 March 2013 are ¥13,771 million and ¥225 million, respectively.

The Group has lines of credit such as overdraft facilities to ensure an efficient operating funds procurement and to mitigate liquidity risk. On the other hand, the Group has contracts to provide loan commitments to conducting the credit card business.

Contractual amounts and used amounts of overdraft facilities as at each reporting date are as follows:
Refer to Note 31 “Contingent liabilities” for contracts of loan commitments.

	1 April 2011	31 March 2012	31 March 2013
	Millions of Yen	Millions of Yen	Millions of Yen
Lines of credit	161,300	198,630	215,920
Used balance	85,024	81,606	115,159
Unused portion	76,276	117,024	100,761

8. Trade and other accounts receivable

Trade and other accounts receivable as at 1 April 2011, 31 March 2012 and 2013 consisted of the following:

	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
	Millions of Yen	Millions of Yen	Millions of Yen
Trade accounts receivable and installment receivables	28,427	19,950	9,473
Loans receivable	99,311	105,132	303,211
Operational receivables	11,350	35,621	16,172
Finance lease obligation	15,975	13,805	13,898
Deposits in relation to banking business	-	-	66,404
Others	11,027	5,877	3,319
Total	166,090	180,385	412,477

Maturity analysis to the collection or the settlement of the trade and other accounts receivable as at 1 April 2011, 31 March 2012 and 2013 consisted of the following:

	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
	Millions of Yen	Millions of Yen	Millions of Yen
No later than 1 year	67,406	91,988	271,088
Later than 1 year	98,684	88,397	141,389
Total	166,090	180,385	412,477

9. Other assets related to securities business

Other assets related to securities business as at 1 April 2011, 31 March 2012 and 2013 consisted of the following:

	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
	Millions of Yen	Millions of Yen	Millions of Yen
Trade date accrual	222,878	142,251	414,030
Short-term guarantee deposits	5,241	16,701	4,723
Others	545	1,538	3,512
Total	228,664	160,490	422,265

10. Operational investment securities and other investment securities

"Operational investment securities" and "Other investment securities" in the consolidated statement of financial position as at 1 April 2011, 31 March 2012 and 2013 consisted of the following:

	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
	Millions of Yen	Millions of Yen	Millions of Yen
Operational investment securities			
FVTPL	108,138	121,951	119,268
Total	108,138	121,951	119,268
Other investment securities			
FVTPL	7,153	3,149	49,928
FVTOCI	5,883	7,399	7,281
Total	13,036	10,548	57,209

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

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

	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
	Millions of Yen	Millions of Yen	Millions of Yen
Fair value			
Listed	3,934	5,534	4,663
Unlisted	1,949	1,865	2,618
Total	5,883	7,399	7,281

	For the year ended 31 March 2012	For the year ended 31 March 2013
	Millions of Yen	Millions of Yen
Dividends income		
Listed	117	103
Unlisted	94	98
Total	211	201

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

	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
	Millions of Yen	Millions of Yen	Millions of Yen
Other investment securities			
Kingston Financial Group Limited	—	2,706	2,166
Golden Sun Profits Limited	1,480	1,466	1,678
PION CO., LTD.	386	540	475
Sunwah Kingsway Capital Holdings Limited	318	130	224
Sumitomo Mitsui Trust Holdings, Inc.	1,871	780	—

For fair value at disposal, cumulative gain and dividends income of financial assets at FVTOCI disposed during the years ended 31 March 2012 and 2013 are as followings:

For the year ended 31 March 2012			For the year ended 31 March 2013		
Fair value at disposal	Cumulative gain	Dividends income	Fair value at disposal	Cumulative gain	Dividends income
Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
1,195	67	32	1,214	314	32

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

Cumulative gains (net of tax) transferred from other components of equity to retained earnings for the years ended 31 March 2012 and 2013 were ¥ 67 million and ¥ 78 million, respectively.

11. Investments Accounted For Using the Equity Method

Summarized financial information of investments in equity method associates were as follows:

	Transition Date (As at 1 April 2011)	As at 31 March 2012	As at 31 March 2013
	Millions of Yen	Millions of Yen	Millions of Yen
Statement of Financial Position			
Total Assets	1,732,018	2,441,318	2,934,917
Total Liabilities	1,688,964	2,386,843	2,872,015
Total Equity	43,054	54,475	62,902

	For the year ended 31 March 2012	For the year ended 31 March 2013
	Millions of Yen	Millions of Yen
Statement of Income		
Operating Revenue	39,859	54,531
Profit for the year	1,309	834

The fair values of investments accounted for using the equity method with available market prices as at transition date, 31 March 2012, and 31 March 2013 are ¥ 3,314 million, ¥ 3,587million and ¥ 3,511 million, respectively. The carrying amounts of such investments were ¥ 4,231 million, ¥ 4,479 million and ¥ 3,884 million, respectively.

The major investment in joint venture is a 50% share of common stock of SBI Sumishin Net Bank, Ltd. in the financial service business.

12. Investment Property

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

Cost	For the year ended 31 March 2012	For the year ended 31 March 2013
	Millions of Yen	Millions of Yen
Balance, beginning of year	19,325	21,144
Acquisitions	—	328
Business combinations	—	18,522
Sales or Disposals	—	(899)
Reclassification	1,819	—
Balance, end of year	21,144	39,095

Accumulated depreciation and impairment losses	For the year ended 31 March 2012	For the year ended 31 March 2013
	Millions of Yen	Millions of Yen
Balance, beginning of year	(34)	(2,615)
Depreciation Expenses	(303)	(287)
Impairment	(2,278)	(14)
Sales or Disposals	—	176
Balance, end of year	(2,615)	(2,740)

Impairment losses recognized for the years ended 31 March 2012 and 2013 were ¥ 2,278 million and ¥ 14 million, respectively, due to a non-temporary decline in fair value of certain investment properties, and were recorded in “Other expenses” in the consolidated statement of income.

The impaired assets belong to is the Real Estate business, which is classified into "Others" in segment information. The Recoverable amount of the investment properties is measured at fair value less sales related expenses through real estate valuation.

"Business combinations" for the year ended 31 March 2013 refers to the acquisition of the Company's subsidiary, Hyundai Swiss Savings Bank Co., Ltd., and its subsidiaries.

Carrying amount and fair value

As at 1 April 2011		As at 31 March 2012		As at 31 March 2013	
Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
19,291	19,639	18,529	18,842	36,355	37,169

The fair value as at the end of each reporting period is based on a valuation conducted by independent valuation appraisers with appropriate qualifications, who have had recent experience in local practice for relative categories of assets. The valuations are performed in accordance with evaluation standards of the country where the properties are located, with the results based on market prices reflecting actual transaction price of similar properties.
The investment properties of the Group are located in Japan and Korea. The names of the major appraisers which conducted the valuation of investment properties in Japan and Korea are DAIWA REAL ESTATE APPRAISAL CO.,LTD. and Kaaram Appraisal Co., Ltd, respectively.

Rental income from investment property for the years ended 31 March 2012 and 2013 was ¥ 1,152 million and ¥ 1,218 million, respectively, which was included in "Operating revenue" in the consolidated statement of income. Expenses incurred in direct relation to the rental income (including repairs and maintenances) for the years ended 31 March 2012 and 2013 were ¥ 720 million and ¥ 823 million, respectively, which were included in "Operating cost" and "Selling, general and administrative expenses".

13. Property and Equipment

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

Cost	Buildings	Furniture and fixtures	Land	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at 1 April 2011	7,189	11,853	2,583	153	21,778
Acquisition	404	904	—	329	1,637
Sales or disposals	(1,218)	(2,009)	—	(23)	(3,250)
Foreign currency translation adjustment on foreign operations	(1)	(2)	(4)	0	(7)
Others	217	(733)	0	(79)	(595)
Balance as at 31 March 2012	6,591	10,013	2,579	380	19,563
Acquisition	723	632	—	134	1,489
Acquisitions through business combinations	832	747	667	47	2,293
Sales or disposals	(1,361)	(570)	—	(31)	(1,962)
Foreign currency translation adjustment on foreign operations	0	(36)	39	67	70
Others	225	(643)	68	16	(334)
Balance as at 31 March 2013	7,010	10,143	3,353	613	21,119

Accumulated depreciation and impairment losses	Buildings	Furniture and fixtures	Land	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at 1 April 2011	(4,052)	(6,330)	(456)	(61)	(10,899)
Sales or disposals	733	1,731	—	21	2,485
Depreciation expenses	(524)	(1,800)	—	(8)	(2,332)
Impairment losses	(10)	(15)	—	—	(25)
Foreign currency translation adjustment on foreign operations	(1)	0	—	(0)	(1)
Others	(11)	682	—	—	671
Balance as at 31 March 2012	(3,865)	(5,732)	(456)	(48)	(10,101)
Sales or disposals	1,022	465	—	15	1,502
Depreciation expenses	(847)	(1,484)	—	(13)	(2,344)
Impairment losses	(10)	—	—	—	(10)
Foreign currency translation adjustment on foreign operations	(7)	28	—	(65)	(44)
Others	156	323	(68)	(16)	395
Balance as at 31 March 2013	(3,551)	(6,400)	(524)	(127)	(10,602)

Carrying amount	Buildings	Furniture and fixtures	Land (Note)	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at 1 April 2011	3,137	5,523	2,127	92	10,879
Balance as at 31 March 2012	2,726	4,281	2,123	332	9,462
Balance as at 31 March 2013	3,459	3,743	2,829	486	10,517

(Note) Land is consisted of the land held freehold outside Hong Kong.

The carrying amount of property and equipment as at 1 April 2011, 31 March 2012 and 2013 includes the carrying amount of the following leased assets:

Carrying amount	Buildings	Furniture and fixtures	Total
	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at 1 April 2011	296	3,057	3,353
Balance as at 31 March 2012	315	2,403	2,718
Balance as at 31 March 2013	336	1,604	1,940

Impairment losses recognized for the years ended 31 March 31 2012 and 2013 were ¥ 25 million and ¥ 10 million, respectively, due to no expectation of initially expected profits and were included in "Other expenses" in the consolidated statement of income. Impairment losses recognized for the year ended 31 March 2012 were ¥ 3 million in the asset management business and ¥ 22 million in the financial services business, respectively. Impairment losses recognized for the year ended 31 March 2013 were in the asset management business.

14. Intangible Assets

(1) The movement of cost and accumulated impairment losses of Intangible Assets including goodwill

Cost and accumulated impairment losses of Intangible Assets including goodwill for the years ended 31 March 2012 and 2013 were as follows:

Cost	Goodwill	Software	Customer Relationship	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at 1 April 2011	57,383	22,688	2,309	371	82,751
Acquisitions	—	5,730	—	384	6,114
Business combinations	1,035	4	—	—	1,039
Sales or disposals	(2,293)	(2,244)	—	(7)	(4,544)
Foreign currency translation adjustment on foreign operations	(155)	(2)	—	(1)	(158)
Balance as at 31 March 2012	55,970	26,176	2,309	747	85,202
Acquisitions	—	4,642	—	5	4,647
Business combinations	95,423	3,830	22,906	7	122,166
Sales or disposals	(341)	(1,087)	—	(5)	(1,433)
Foreign currency translation adjustment on foreign operations	124	8	1,495	35	1,662
Others	—	(8)	—	—	(8)
Balance as at 31 March 2013	151,176	33,561	26,710	789	212,236

Accumulated depreciation and impairment losses	Goodwill	Software	Customer Relationship	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at 1 April 2011	(5,635)	(8,789)	(49)	(302)	(14,775)
Sales or disposals	—	1,130	—	4	1,134
Depreciation expenses	—	(4,365)	(491)	(44)	(4,900)
Impairment losses	(2,134)	(92)	—	—	(2,226)
Foreign currency translation adjustment on foreign operations	—	0	—	1	1
Others	—	66	—	—	66
Balance as at 31 March 2012	(7,769)	(12,050)	(540)	(341)	(20,700)
Sales or disposals	—	349	—	—	349
Depreciation expenses	—	(4,467)	(527)	(160)	(5,154)
Impairment losses	(842)	(314)	—	—	(1,156)
Foreign currency translation adjustment on foreign operations	—	0	—	6	6
Balance as at 31 March 2013	(8,611)	(16,482)	(1,067)	(495)	(26,655)

Carrying amount	Goodwill	Software	Customer Relationship	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance at Transition date as at 1 April 2011	51,748	13,899	2,260	69	67,976
Balance as at 31 March 2012	48,201	14,126	1,769	406	64,502
Balance as at 31 March 2013	142,565	17,079	25,643	294	185,581

The carrying amount of software in the above table as at transition date, 31 March 2012 and 2013 includes the carrying amount of leased assets of ¥ 35 million, ¥ 490 million and ¥ 624 million, respectively. Depreciation expenses were recorded in “Operating cost” and “Selling, general and administrative expenses” in the consolidated statement of income.

(2) Impairment Losses for each business segment

Goodwill is tested for impairment upon identification of impairment indicators and at least annually. The recoverable amount of goodwill for impairment testing is calculated based on value in use. Details of impairment of intangible assets including goodwill for each business segment are as follows:

Impairment losses recognized for the year ended 31 March 2012 were ¥ 1,275 million in the Asset Management Business and ¥ 951 million in the Financial Services Business, respectively. Impairment losses recognized for the year ended 31 March 2013 were ¥ 1,146 million in the Financial Services Business and ¥ 10 million in the Biotechnology-related Business, respectively. Impairment losses recognized due to no expectation of initially expected profits were included in the “Other expenses” in the consolidated statement of income.

Value in use is the present value of the future cash flows expected to be derived from an asset or a cash-generating unit to which goodwill is allocated. The Group bases cash flow projections on the most recent financial forecasts approved by management, and the maximum period of these forecasts is five years or less, unless a longer period can be justified. The discount rate used for measuring value in use was 8.62%, 7.25% and 7.57% per annum as at 1 April 2011, 31 March 2012 and 2013, respectively.

(3) Carrying amount of goodwill

Goodwill arising from business combinations is allocated to cash-generating units that are expected to benefit from the synergies of the business combination at the date of acquisition of the business.

Significant goodwill arising from business combinations were ¥ 90,343 million as at March 31, 2013 regarding Hyundai Swiss Savings Bank Co., Ltd. and Hyundai Swiss 2 Savings Bank Co., Ltd. in the Asset Management Business and ¥ 24,910 million and ¥ 24,910 as at 31 March 2012 and 2013, respectively, regarding SBI SECURITIES Co., Ltd. in the Financial Service Business.

15. Deferred Taxation

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the years ended 31 March 2012 and 2013:

For the year ended 31 March 2012

	As at 1 April 2011	Recognized through Profit and Loss	Recognized through Other Comprehensive Income	Change in scope of consolidation	As at 31 March 2012
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Deferred Tax Assets					
Financial assets at FVTPL	11,748	(3,948)	—	(89)	7,711
Impairment on financial assets measured at amortized cost	4,094	(1,713)	—	(1)	2,380
Fixed assets (Note)	1,653	409	—	(114)	1,948
Tax loss carryforwards	18,897	3,462	—	—	22,359
Other	2,893	802	5	591	4,291
Subtotal	39,285	(988)	5	387	38,689
Less Valuation allowance	(21,444)	(1,685)	—	—	(23,129)
Total	17,841	(2,673)	5	387	15,560
Deferred Tax Liabilities					
Financial Assets at FVTOCI	450	—	(382)	—	68
Intangible assets	466	(89)	—	—	377
Other	173	(53)	—	—	120
Total	1,089	(142)	(382)	—	565

For the year ended 31 March 2013

	As at 1 April 2012	Recognized through Profit and Loss	Recognized through Other Comprehensive Income	Change in scope of consolidation	As at 31 March 2013
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Deferred Tax Assets					
Financial assets at FVTPL	7,711	(3,485)	—	139	4,365
Impairment on financial assets measured at amortized cost	2,380	1,391	—	18,419	22,190
Fixed assets(Note)	1,948	(61)	—	984	2,871
Tax loss carryforwards	22,359	3,041	—	10,682	36,082
Other	4,291	586	(22)	10	4,865
Subtotal	38,689	1,472	(22)	30,234	70,373
Less Valuation Allowance	(23,129)	(4,745)	—	(28,576)	(56,450)
Total	15,560	(3,273)	(22)	1,658	13,923
Deferred Tax Liabilities					
Financial Assets at FVTOCI	68	—	357	—	425
Intangible assets	377	(83)	—	4,695	4,989
Other	120	(120)	—	1,670	1,670
Total	565	(203)	357	6,365	7,084

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

In assessing the recoverability of the deferred tax assets, the Group considers the future taxable temporary differences, projected future taxable income, and tax planning strategies. The tax losses for which deferred tax assets were not recognized as at 1 April 2011, 31 March 2012, and 31 March 2013, were ¥ 27,249 million (including ¥ 15,487 million with the carryforward period over 5 years), ¥ 47,310 million (including ¥ 30,610 million with the carryforward period over 5 years), ¥ 98,770 million（including ¥ 82,685 million with the carryforward period over 5 years), respectively.

The Group recognized deferred tax assets of ¥ 2,568 million and ¥ 2,150 million as at 31 March 2012 and 2013, respectively, associated with certain subsidiaries that had net losses during the years ended 31 March 2012 and 2013. The Group's management assessed that it is probable that tax credit carryforwards and deductible temporary differences will be utilized as the tax losses are not expected to arise on an ongoing basis.

As at 31 March 2012 and 2013, in principle, the Group did not recognize a deferred tax liability on the taxable temporary differences associated with investments in subsidiaries, associates and joint arrangements because the Group was in a position to control the timing of the reversal of the temporary differences and it was probable that such differences would not reverse in the foreseeable future. The amount of taxable temporary differences associated with investments in subsidiaries and associates and joint arrangements on which deferred tax liabilities were not recognized were ¥ 33,006 million and ¥ 39,026 million as at 31 March 2012 and 2013, respectively.

16. Bonds and Borrowings

(1) Details of the bonds and borrowings

Details of the borrowings were as follows:

	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013	Average interest rate（Note1）	Due（Note2）
	Millions of Yen	Millions of Yen	Millions of Yen	%	
Short-term loans payable	97,030	103,724	136,026	0.96	—
Current portion of long-term loans payable	12,276	20,017	6,492	1.73	—
Current portion of bonds payable	69,648	59,981	65,462	—	—
Long-term loans payable	31,366	16,766	17,913	1.36	2014～2022
Bonds payable	540	30,356	38,524	—	—
Borrowings related to securitization（Note3）	66,118	54,344	79,943	—	—
Total	276,978	285,188	344,360		

Notes:

1. The average interest rate is calculated using the weighted average interest rate of the outstanding balance as at March 31, 2013.
2. The due refers the term of the outstanding balance as at March 31, 2013.
3. Borrowings related to securitization were funded through securitization of receivables and the liability amounts were recognized against the transferred loan receivables which do not qualify for derecognition and continued to be recognized as the Group's assets.

Details of the bonds were as follows:

Issuer and the name of bond	Date of issuance	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013	Interest rate	Due
		Millions of Yen	Millions of Yen	Millions of Yen	%	
The Company Japanese yen straight bond (Note 1)	May 2010～ November 2012	69,588	59,921	63,972	1.60～ 1.90	May 2011～ November 2013
The Company No.4 Unsecured straight bond	January 2012	－	29,876	29,920	2.16	January 2015
SBI Life Living Co., Ltd., No.1 Unsecured straight bond (Note 2)	December 2010	600	540	－	TIBOR ＋0.1	December 2020
Hyundai Swiss Savings Bank Co., Subordinated bond in Korean Won (Note 3)	June 2008～ April 2010	－	－	10,094	7.9～8.5	October 2013～ July 2015
Total		70,188	90,337	103,986		

Notes:

1. Total amounts of straight bonds in Japanese Yen issued based on Euro medium term note programme are stated above.
2. Early redemption of No. 1 Unsecured straight bond was carried out for the year ended 31 March 2013.
3. Subordinated bond in Korean Won was recognized due to business combination for the year ended 31 March 2013.

(2) Assets Pledged as Security

Assets pledged for bonds and borrowings were as follows:

	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
	Millions of Yen	Millions of Yen	Millions of Yen
Cash and cash equivalents	－	75	122
Trade and other accounts receivable	11,646	8,649	4,587
Other financial assets	493	－	1,358
Investments in associates	1,149	－	－
Investment properties	9,365	9,591	13,903
Other assets	1,321	1,181	380
Total	23,974	19,496	20,350

The corresponding liabilities were as follows:

	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
	Millions of Yen	Millions of Yen	Millions of Yen
Bonds and borrowings	19,411	15,090	14,000

Besides the above, securities received as collateral for financing from broker's own capital of ¥ 1,163 million, ¥ 7,422 million and ¥ 22,954 million were pledged as collateral for borrowings on margin transactions as at 1 April 2011 (transition date), 31 March 2012 and 2013, respectively.

17. Trade and Other Payables

The components of trade and other payables were as follows:

	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
	Millions of Yen	Millions of Yen	Millions of Yen
Accounts payable and notes payable	4,087	2,431	2,574
Accounts payable-other	9,294	7,558	9,657
Advances received	19,798	22,409	30,720
Finance lease liability	8,733	6,036	4,624
Others	613	639	1,319
Total	42,525	39,073	48,894

18. Other liabilities related to securities business

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

	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
	Millions of Yen	Millions of Yen	Millions of Yen
Trade date accrual	175,514	120,892	253,819
Deposits for subscription	966	2,414	1,590
Others	2	36	225
Total	176,482	123,342	255,634

19. Leases

(1) As lessee

The Group lease servers for online transaction systems and certain other assets under finance leases. Future minimum lease payments and their present value under finance lease contracts of each payment period as at 1 April 2011, 31 March 2012 and 2013 were as follows:

	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
	Millions of Yen	Millions of Yen	Millions of Yen
No later than 1 year			
Future minimum lease payments	2,232	1,905	1,914
Less: future financial cost	(157)	(115)	(96)
Present value	2,075	1,790	1,818
Later than 1 year and not later than five years			
Future minimum lease payments	7,055	4,450	2,908
Less: future financial cost	(398)	(204)	(105)
Present value	6,657	4,246	2,803
Later than 5 years			
Future minimum lease payments	1	—	3
Less: future financial cost	(0)	—	(0)
Present value	1	—	3
Total			
Future minimum lease payments	9,288	6,355	4,825
Less: future financial cost	(555)	(319)	(201)
Present value	8,733	6,036	4,624

The total future minimum sublease payments under non-cancellable sublease contracts as at 1 April 2011, 31 March 2012 and 2013 were ¥ 5,665 million, ¥ 2,770 million and ¥ 2,058 million, respectively.

The Group leases office buildings and certain other assets under operating leases. The total future minimum lease payments recorded as expenses under cancellable or non-cancellable operating lease contracts as at 31 March 2012 and 2013 were ¥ 6,022 and ¥ 5,297, respectively. The total of future minimum lease payments by periods under non-cancellable operating lease contracts as at 1 April 2011, 31 March 2012 and 2013 were as follows:

	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
	Millions of Yen	Millions of Yen	Millions of Yen
Future minimum lease payments			
No later than 1 year	124	111	55
Later than 1 year and not later than five years	66	86	7
Later than 5 years	—	—	—
Total	190	197	62

(2) As lessor

The Group leases equipment for telecommunication business and certain other assets under finance leases. Future minimum lease payments receivable and their present value under finance lease contracts of each payment period as at 1 April 2011, 31 March 2012 and 2013 were as follows:

	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
	Millions of Yen	Millions of Yen	Millions of Yen
No later than 1 year			
Future minimum lease payments receivable	5,054	4,547	4,514
Less: Future finance income	(321)	(246)	(211)
Unguaranteed residual value	15	—	—
Present Value	4,748	4,301	4,303
Later than 1 year and not later than five years			
Future minimum lease payments receivable	11,656	9,784	9,849
Less: Future finance income	(467)	(280)	(254)
Unguaranteed residual value	—	—	—
Present Value	11,189	9,504	9,595
Later than 5 years			
Future minimum lease payments receivable	39	—	—
Less: Future finance income	(1)	—	—
Unguaranteed residual value	—	—	—
Present Value	38	—	—
Total			
Future minimum lease payments receivable	16,749	14,331	14,363
Less: Future finance income	(789)	(526)	(465)
Unguaranteed residual value	15	—	—
Present Value	15,975	13,805	13,898

The total future minimum lease payments receivable under non-cancellable operating lease contracts as at 1 April 2011, 31 March 2012 and 2013 were as follows:

	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
	Millions of Yen	Millions of Yen	Millions of Yen
Future minimum lease payments receivable			
No later than 1 year	1	–	0
Later than 1 year and not later than five years	–	–	–
Later than 5 years	–	–	–
Total	1	–	0

20. Capital stock and Other Equity Items

(1) Capital stock and treasury stock

The number of authorized shares on the date of transition and as at 31 March 2012 was 34,169,000 shares. The number of authorized shares as at 31 March 2013 was 341,690,000 shares as the Company conducted a 10 for 1 stock split, effective on 1 October 2012.

The Company's issued shares were as follows:

	For the year ended 31 March 2012	For the year ended 31 March 2013
	shares	shares
Number of issued shares (common shares with no par value)		
As at the beginning of the period	19,944,018	22,451,303
Increase during the period (Notes 1,2)	2,507,285	202,074,478
As at the end of the period	22,451,303	224,525,781

Notes:

1. The increase in common shares of 2,507,285 shares consists of 2,000,000 newly issued shares through an 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 System Co., Ltd. that became wholly owned subsidiaries through share exchanges, and 360 shares by the exercise of stock acquisition rights.

2. The increase of 202,067,487 shares related to the increase of 6,991 shares due to the exercise of stock acquisition rights and the 10 for 1 stock split effective on 1 October 2012.

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

	For the year ended 31 March 2012	For the year ended 31 March 2013
	shares	shares
Number of treasury stock		
As at the beginning of the period	14,621	442,093
Increase during the period (Notes 1,3)	508,125	7,730,653
Decrease during the period (Notes 2,4)	(80,653)	(74,300)
As at the end of the period	442,093	8,098,446

Notes:

1. 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 a subsidiary related to the acquisition of SBI Net System Co., Ltd., to become a wholly owned subsidiary through a share exchange, and the remaining 76,636 shares acquired by the Trust.
2. 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 System 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.
3. The increase of 7,730,653 shares related to the acquisition of 377,857 shares subject to Article 156 of the Companies Act (replacement of the third paragraph of Article 165), 33,186 shares purchased from shareholders with less than one unit of shares, and 7,319,610 shares due to a 10 for 1 stock split effective on 1 October 2012.
4. The decrease of 74,300 shares related to 1,940 shares sold to shareholders with less than one unit of shares, and sales of 72,360 shares to the Employee Stockholding Association.

(2) Reserves

a. Capital surplus

Under the Companies Act of Japan (“the Companies Act”), at least 50% of the proceeds of certain issues of common shares shall be credited to Common stock. The remainder of the proceeds shall be credited to Capital surplus. The Companies Act permits, upon approval of the shareholders meeting, the transfer of amounts from Capital surplus to Common stock.

b. Retained Earnings

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

(3) Other component of equity

The movements of other component of equity were as follows:

	Other component of equity			
	Currency translation differences	Financial assets at FVTOCI	Hedging instruments for cash flow hedges	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at 1 April 2011	—	613	(42)	571
Adjustment for the year	(1,352)	(511)	(4)	(1,867)
Transfer to retained earnings	—	(67)	—	(67)
Balance as at 31 March 2012	(1,352)	35	(46)	(1,363)
Adjustment for the year	7,838	(247)	46	7,637
Transfer to retained earnings	—	(78)	—	(78)
Balance as at 31 March 2013	6,486	(290)	—	6,196

21. Dividends

Dividends paid were as follows:

Year ended 31 March 2012

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

Note: Above dividend per share includes a dividend of 20 yen commemorating the listing on the Main Board of the Hong Kong Stock Exchange.

Year ended 31 March 2013

	Type of share	Dividend amount (millions of Yen) Effective date	Amount per share (Yen)	Declared date	Effective date
Board of Directors' Meeting on 26 April 2012	Common shares	2,208	100	31 March 2012	7 June 2012

The Company conducted a 10 for 1 stock split, effective on 1 October 2012. The amount of dividend per share presented above refers to the amount before the stock split was conducted.

Dividends for which the declared date fell in the year ended 31 March 2013, and for which the effective date will be in the year ended 31 March 2014

	Type of share	Dividend amount (millions of Yen) Effective date	Amount per share (Yen)	Declared date	Effective date
Board of Directors' Meeting on 9 May 2013	Common shares	2,170	10	31 March 2013	6 June 2013

22. Share-based payment

The Company and certain of its subsidiaries have stock option plans for their directors or employees. These stock options are granted to persons resolved by the board of directors based on the approval of the shareholders meeting of the Company or certain of its subsidiaries. Vesting conditions include accomplishment of the IPO, the directors or employees holding their positions as directors or employees until the accomplishment of the IPO. Also, certain of the stock options were allocated to the directors or employees at the fair value.

None of the expenses arising from share-based payment transactions regarding granted stock options are recorded during the years ended 31 March 2012 and 2013.

The outline of the stock option plans of the Group is as follows:

(1) The Company

The Company's stock options were all vested before the transition date, 1 April 2011; thus, the Company does not apply IFRS2 "Share-based payment", by electing the IFRS1 exemptions for first time adopters.

The outline of the Company's stock option plan is as follows:

	For the year ended 31 March 2012		For the year ended 31 March 2013	
	Number of stocks	Weighted average exercise price	Number of stocks	Weighted average exercise price
	Stocks	Yen	Stocks	Yen
Beginning balance	2,572,713.47	2,259	2,420,376.81	2,271
Forfeited	(148,736.66)	2,103	(894,387.45)	1,231
Exercised	(3,600.00)	447	(12,751.00)	463
Unexercised balance	2,420,376.81	2,271	1,513,238.36	2,901

Notes:

1. Weighted average stock prices upon exercise of stock options for the year ended 31 March 2012 and 2013 were ¥691 and ¥597, respectively.
2. Number of stocks and weighted average exercise prices in the above table are adjusted retrospectively reflecting the 10 for 1 stock split effective on 1 October 2012.

The unexercised balance as at 31 March 2013 is as follows:

As at 31 March 2013

Exercise price range	Number of stocks	Weighted average exercise price	Average remaining exercise period
Yen	Stocks	Yen	Years
～1,000	29,200.00	447	0.3
1,001～2,000	589,698.40	1,644	0.2
2,001～3,000	171,204.96	2,529	0.2
3,001～4,000	213,402.00	3,230	0.3
4,001～5,200	509,733.00	4,484	1.3
Total	1,513,238.36	2,901	0.6

(2) Subsidiaries

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

(a) Stock option plans which were unvested at the transition date, 1 April 2011.

a-1 SBI Biotech Co., Ltd.

	For the year ended 31 March 2012		For the year ended 31 March 2013	
	Number of stocks	Weighted average exercise price	Number of stocks	Weighted average exercise price
	Stocks	Yen	Stocks	Yen
Beginning balance	1,246	17,279	1,246	17,279
Forfeited	—	—	(536)	5,000
Unvested balance	1,246	17,279	710	26,549

Notes:

1. There were no vested balances as at 31 March 2013.
2. The average remaining exercise period as at 31 March 2013 was 2.4 years.（Stock options with exercise period defined as 3 years passed from the IPO date are excluded.）

a-2 HOMEOSTYLE Inc.

	For the year ended 31 March 2012	
	Number of stocks	Weighted average exercise price
	Stocks	Yen
Beginning balance	18,257	14,347
Forfeited	(1,107)	16,650
Change in scope of consolidation	(17,150)	14,199
Unvested balance	—	—

Note: The Group sold all the shares of HOMEOSTYLE Inc. during the year ended 31 March 2012.

a-3 Autoc one K.K.

	For the year ended 31 March 2012		For the year ended 31 March 2013	
	Number of stocks	Weighted average exercise price	Number of stocks	Weighted average exercise price
	Stocks	Yen	Stocks	Yen
Beginning balance	8,480	22,441	8,400	22,155
Forfeited	(80)	52,500	(5,850)	10,000
Unvested balance	8,400	22,155	2,550	50,039

Notes:

1. There were no vested balances as at 31 March 2013.
2. The average remaining exercise period as at 31 March 2013 was 1.6 years.

a-4 SBI Trade Win Tech Co., Ltd.

	For the year ended 31 March 2012		For the year ended 31 March 2013	
	Number of stocks	Weighted average exercise price	Number of stocks	Weighted average exercise price
	Stocks	Yen	Stocks	Yen
Beginning balance	1,320	149,394	1,320	149,394
Forfeited	—	—	(1,320)	149,394
Unvested balance	1,320	149,394	—	—

a-5 SBI SSI Co., Ltd.

	For the year ended 31 March 2012		For the year ended 31 March 2013	
	Number of stocks	Weighted average exercise price	Number of stocks	Weighted average exercise price
	Stocks	Yen	Stocks	Yen
Beginning balance	—	—	784	50,000
Change in scope of consolidation	784	50,000	—	—
Forfeited	—	—	(784)	50,000
Unvested balance	784	50,000	—	—

Note: SBI SSI Co., Ltd. was acquired by the Group and was consolidated during the year ended 31 March 2012.

a-6 NARUMIYA INTERNATIONAL CO., LTD.

	For the year ended 31 March 2012		For the year ended 31 March 2013	
	Number of stocks	Weighted average exercise price	Number of stocks	Weighted average exercise price
	Stocks	Yen	Stocks	Yen
Beginning balance	—	—	2,800	78,557
Granted	2,800	78,557	1,200	78,557
Unvested balance	2,800	78,557	4,000	78,557

Notes:

1. Average remaining exercise period as at 31 March 2013 was 7.4 years.
2. Fair value of the stock option granted during the year ended 31 March 2012 was ¥4,232. Fair value was determined based on Monte Carlo simulation and was evaluated by an external specialist. The following assumptions were used in the Monte Carlo simulation regarding the stock options granted during the year ended 31 March 2012:

Stock price at the grant date	:	¥ 50,000	Estimated remaining exercise period	:	10 years
Exercise price	:	¥ 78,557	Dividend yield	:	0%
Estimated volatility	:	33.26%	Risk free rate	:	0.985%

3. Fair value of the stock option granted during the year ended 31 March 2013 was ¥ 6,800. Fair value was determined based on Monte Carlo simulation and was evaluated by an external specialist. The following assumptions were used in the Monte Carlo simulation regarding the stock option granted during the year ended 31 March 2013:

Stock price at the grant date	:	¥ 54,000	Estimated remaining exercise period	:	5 years
Exercise price	:	¥ 78,557	Dividend yield	:	0%
Estimated volatility	:	34.16%	Risk free rate	:	0.21%

a-7 SBI AXES Co., Ltd.

	For the year ended 31 March 2012		For the year ended 31 March 2013	
	Number of stocks	Weighted average exercise price	Number of stocks	Weighted average exercise price
	Stocks	Yen	Stocks	Yen
Beginning balance	—	—	165,100	424
Vested	165,100	424	—	—
Unexercised balance	165,100	424	165,100	424

Notes:

1. Average remaining exercise period as at 31 March 2013 was 1.7 years.
2. Weighted average fair value of stock options vested during the fiscal year ended 31 March 2012 was ¥120. Fair value was determined based on a binominal model and was evaluated by an external specialist. The following assumptions were used in the binominal model regarding the stock option vested during the year ended 31 March 2012:

Stock price at the vesting date	:	¥ 424	Estimated remaining exercise period	:	3 years
Exercise price	:	¥ 424	Dividend yield	:	2.04%
Estimated volatility	:	50.76%	Risk free rate	:	0.23%

(b) Stock option plans which were vested before the transition date, 1 April 2011.

The following stock options were vested before the transition date, 1 April 2011, thus the Group does not apply IFRS2 "Share-based payment" electing the IFRS1 exemptions for first time adopters.

b-1 SBI Life Living Co., Ltd.

	For the year ended 31 March 2012		For the year ended 31 March 2013	
	Number of stocks	Weighted average exercise price	Number of stocks	Weighted average exercise price
	Stocks	Yen	Stocks	Yen
Beginning balance	979	267,519	979	267,519
Movement	–	–	–	–
Unexercised balance	979	267,519	979	267,519

Note: Average remaining exercise period as at 31 March 2013 was 3.0 years.

b-2 SBI Mortgage Co., Ltd.

	For the year ended 31 March 2012		For the year ended 31 March 2013	
	Number of stocks	Weighted average exercise price	Number of stocks	Weighted average exercise price
	Stocks	Yen	Stocks	Yen
Beginning balance	47,000	750	47,000	750
Movement	–	–	–	–
Unexercised balance	47,000	750	47,000	750

Note: Average remaining exercise period as at 31 March 2013 was 2.2 years.

b-3 SBI VeriTrans Co., Ltd.

	For the year ended 31 March 2012	
	Number of stocks	Weighted average exercise price
	Stocks	Yen
Beginning balance	336	5,741
Exercised	(336)	5,741
Unexercised balance	–	–

Note: Weighted average stock price at stocks options upon exercise for the year ended 31 March 2012 was ¥ 34,416.

b-4 Morningstar Japan K.K.

	For the year ended 31 March 2012		For the year ended 31 March 2013	
	Number of stocks	Weighted average exercise price	Number of stocks	Weighted average exercise price
	Stocks	Yen	Stocks	Yen
Beginning balance	2,618	64,757	2,618	64,757
Forfeited	—	—	(1,584)	57,500
Exercised	—	—	(784)	57,500
Unexercised balance	2,618	64,757	250	133,500

Notes:

1. Weighted average stock price of stock options upon exercise for the year ended 31 March 2013 was ¥62,222.
2. Average remaining exercise period as at 31 March 2013 was 3.0 years.

b-5 Gomez Consulting Co., Ltd.

	For the year ended 31 March 2012	
	Number of stocks	Weighted average exercise price
	Stocks	Yen
Beginning balance	334	93,323
Forfeited	(294)	100,000
Exercised	(40)	44,250
Unexercised balance	—	—

Note: Weighted average stock price of stock options upon exercise for the year ended 31 March 2012 was ¥58,300.

23. Operating revenue

Operating revenue for the years ended 31 March 2012 and 2013 consisted of the followings:

	For the year ended 31 March 2012	For the year ended 31 March 2013
	Millions of Yen	Millions of Yen
Financial income		
Interest income（Note1）	18,886	18,553
Dividends received	2,057	1,178
Income arising from financial assets at FVTPL（Note2）	11,296	9,520
Gain from trading in foreign currencies	9,800	8,915
Other gain from trading	1,041	1,534
Total financial income	43,080	39,700
Revenue from rendering of services	81,835	77,231
Gain on the sales of investments in subsidiaries（Note3）	16,369	3,252
Valuation gain on business combination achieved in stages（Note4）	-	2,762
Other income	36,125	30,531
Total operating revenue	177,409	153,476

Notes:

1. Interest income in financial income is arising from financial assets measured at amortized cost.
2. Income arising from financial assets at FVTPL is mainly consisted of gains less losses on other investment securities.
3. Gains on sales of investments in subsidiaries for the year ended 31 March 2012 and 2013 were mainly attributable to the sales of investments in VSN, Inc. and SBI Credit Co., ltd., respectively.
4. Valuation gain on business combination achieved in stages was arising from the remeausurement of the Group's previously held investment in SBI Japannext Co., Ltd. at the additional acquisition-date fair value in a business combination achieved in stages.

24. Operating expense

Operating expense for the years ended 31 March 2012 and 2013 consisted of the followings:

(1) Operating cost

	For the year ended 31 March 2012	For the year ended 31 March 2013
	Millions of Yen	Millions of Yen
Payroll	(13,667)	(5,899)
Outsourcing fees	(8,837)	(8,036)
Depreciation and amortization	(1,745)	(1,433)
Insurance payout and provision for statutory reserves related to insurance business	(14,375)	(16,810)
Others	(35,142)	(23,097)
Total operating cost	(73,766)	(55,275)

(2) Financial cost

	For the year ended 31 March 2012	For the year ended 31 March 2013
	Millions of Yen	Millions of Yen
Financial cost		
Interest expense		
Financial liabilities measured at amortized cost	(5,229)	(4,612)
Total financial cost	(5,229)	(4,612)

(Note) There are no interests capitalized by the Group during the fiscal years ended 31 March 2012 and 2013.

(3) Selling, general and administrative expenses

	For the year ended 31 March 2012	For the year ended 31 March 2013
	Millions of Yen	Millions of Yen
Payroll	(22,743)	(21,657)
Outsourcing fees	(11,448)	(12,509)
Depreciation and amortization	(5,866)	(6,104)
Research and development	(1,050)	(2,621)
Others	(32,985)	(32,340)
Total selling, general and administrative expenses	(74,092)	(75,231)

(4) Other expenses

	For the year ended 31 March 2012	For the year ended 31 March 2013
	Millions of Yen	Millions of Yen
Impairment loss on non-financial assets	(4,529)	(1,180)
Foreign exchange loss	(575)	-
Others	(1,913)	(1,159)
Total other expenses	(7,017)	(2,339)

25. Other financial income and cost

Other financial income and cost for the years ended 31 March 2012 and 2013 consisted of the followings:

	For the year ended 31 March 2012	For the year ended 31 March 2013
	Millions of Yen	Millions of Yen
Other financial income		
Interest income		
Financial assets measured at amortized cost	504	604
Total other financial income	504	604
Other financial expense		
Interest expense		
Financial liabilities measured at amortized cost	(2,434)	(2,968)
Total other financial expense	(2,434)	(2,968)

(Note) There are no interests capitalized by the Group during the fiscal years ended 31 March 2012 and 2013.

26. Income Tax Expense

The amount of income tax expenses for the years ended 31 March 2012 and 2013 were as follows:

	For the year ended 31 March 2012	For the year ended 31 March 2013
Income Tax Expense	Millions of Yen	Millions of Yen
Current	(10,307)	(4,181)
Deferred	(2,531)	(3,070)
Total	(12,838)	(7,251)

(Note) There was no amount of taxes charged to revenue under Hong Kong's Ordinances. during the fiscal years ended 31 March 2012 and 2013.

Due to the change in effective tax rates for domestic entities, deferred income tax expense for the year ended 31 March 2012 increased by ¥ 1,989 million.

The Company and its domestic subsidiaries are subject to mainly a national corporate tax, an inhabitants tax, and an enterprise tax, which, in aggregate, resulted in a normal effective statutory tax rate of 40.69% and 38.01% for the years ended 31 March 2012 and 2013, respectively. Foreign subsidiaries are subject to the income taxes of the countries in which they operates.

A reconciliation between the normal effective statutory tax rates and the Group's average effective tax rate reflected in the accompanying consolidated statement of income for the years ended 31 March 2012 and 2013 is as follows:

	For the year ended 31 March 2012	For the year ended 31 March 2013
	%	%
Normal effective statutory tax rate	40.69	38.01
Expenses not deductible for income tax purposes	3.64	5.65
Tax effect on minority interests of investments in fund	(10.70)	(12.75)
Temporary differences arising from consolidation of investments	28.86	9.57
Change in valuation allowance	11.23	17.06
Tax effect on adjustments for deferred tax assets due to tax rate change	12.75	-
Other	(4.17)	(6.52)
Average effective tax rate	82.30	51.02

27. Other comprehensive income

Amounts recorded during the year, reclassification adjustments and income tax effects on each item of other comprehensive income for the year ended 31 March 2012 and 2013 were as follows:

For the year ended 31 March 2012

	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Foreign currency translation adjustment on foreign operations	(1,035)	(201)	(1,236)	—	(1,236)
Financial assets at FVTOCI	(779)	—	(779)	382	(397)
Cash flow hedge	33	(40)	(7)	5	(2)
Share of other comprehensive income in equity method investments	(201)	—	(201)	—	(201)
Total	(1,982)	(241)	(2,223)	387	(1,836)

For the year ended 31 March 2013

	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Foreign currency translation adjustment on foreign operations	7,181	—	7,181	—	7,181
Financial assets at FVTOCI	107	—	107	(357)	(250)
Cash flow hedge	80	(9)	71	(22)	49
Share of other comprehensive income in equity method investments	1,398	—	1,398	—	1,398
Total	8,766	(9)	8,757	(379)	8,378

28. Earnings per share

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

Since the Company conducted a 10 for 1 stock split, effective on 1 October 2012, basic earnings per share and diluted earnings per share attributable to owners of the Company were calculated based on the new number of shares after the stock split and adjusted retrospectively.

	For the year ended 31 March 2012	For the year ended 31 March 2013
	Millions of Yen	Millions of Yen
Profit for the year attributable to owners of the Company	303	3,202
Weighted average number of shares		
Basic weighted average number of ordinary shares (shares)	219,860,562	217,072,796
Dilutive effect : Stock option (shares)	52,473	19,097
Weighted average number of ordinary shares after the dilutive effect (shares)	219,913,035	217,091,893
Earnings per share attributable to owners of the Company		
Basic (in Yen)	1.38	14.75
Diluted (in Yen)	1.38	14.75

29. Cash Flow Information

Supplemental disclosure of cash flow information for the years ended 31 March 2012 and 2013 was as follows:

(1) Expenditures on acquisition of subsidiaries

The amounts of payments for acquisition of subsidiaries were ¥ 4,087 million and ¥ 22,206 million for the years ended 31 March 2012 and 2013, respectively. Cash and cash equivalents held by the subsidiaries at the acquisition date were ¥ 4,879 million and ¥ 3,755 million, respectively.

(2) Proceeds from sales of subsidiaries

Total consideration received in respect of sales of subsidiaries was ¥ 8,599 million and ¥ 17,520 million for the years ended 31 March 2012 and 2013, respectively. Amounts of major classes of assets and liabilities of subsidiaries at the date of sale were as follows:

	For the year ended 31 March 2012	For the year ended 31 March 2013
	Millions of Yen	Millions of Yen
Cash and cash equivalent	12,675	7,458
Trade and other receivables	3,705	14,108
Other assets	6,023	1,150
Total Assets	22,403	22,716
Bonds and loans payable	3,237	6,869
Trade and other payables	2,788	3,027
Other payables	7,460	6,955
Total Payables	13,485	16,851

30. Related party transactions

(1) Related party transaction

The Group entered into the following related party transactions during the year ended 31 March 2013.

Type	Name	Position	Nature of related party transaction	Transaction amount	Unsettled amount
				Millions of Yen	Millions of Yen
Directors	Yoshitaka Kitao	The Company's Representative Director, President and CEO	Subscription to the Company's subsidiary's third party allotment (Note)	30	—

Note: The price of the subscription was same as that of a transaction with an independent third party subscribed through third party allotment. The payment term was cash disbursement at one time.

(2) Emoluments to the directors of the Company for the years ended 31 March 2012 and 2013

	For the year ended 31 March 2012	For the year ended 31 March 2013
	Millions of Yen	Millions of Yen
Directors' Fees	504	437
Total	504	437

31. Contingent Liabilities

(1) Loan Commitment

The Group is involved in the credit card business and provides loan commitments in relation to the business.

The total amount of loan commitments amounted ¥ 2,557 million, ¥ 2,552 million and ¥ 2,239 million, with an unused portion of ¥ 1,603 million, ¥ 2,202 million and ¥1,674 million at transition date, 31 March 2012 and 2013, respectively.

However, contracts are revisited regularly upon changes to customer's credit condition and other matters considered necessary to ensure secure credit facilities. Thus, the unused portion of the commitment will not affect the Group's future cashflow.

(2) Guarantee of third party's payables

In its financial service business segment, the Group provides a guarantee for debts which customers of entities subject to the equity method. The undiscounted amounts of guaranteed debts were as follows:

	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
	Millions of Yen	Millions of Yen	Millions of Yen
Guarantee of third party's payables	16,288	42,004	277

32. Events after the Reporting Period

There were no significant events after the reporting period.

33. Explanation of Transition to IFRSs

The Group determined to first adopt IFRSs for this fiscal year ended 31 March 2013 and the consolidated financial statements of the Group were prepared in accordance with IFRSs. The latest consolidated financial statements under accounting principles generally accepted in Japan (hereinafter referred to as "JGAAP") are prepared for the year ended 31 March 2012 and the transition date is 1 April 2011.

The reconciliation required to be disclosed for IFRSs' first time adoption is as follows.
"Reclassifications" in the following table represent the reclassifications made to map accounts presented under JGAAP to those of IFRSs. "Adjustments" represent adjustments posted according to the requirements under IFRSs.

Reconciliation of consolidated Statement of Financial Position as at 1 April 2011

Presentation under JGAAP	Notes	JGAAP	Reclassifications	Adjustments	IFRSs	Presentation under IFRSs
		As at 1 April 2011				
		Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	
Assets						Assets
Cash and deposits		150,268	(1,482)	11,612	160,398	Cash and cash equivalents
	(6)		98,310	67,780	166,090	Trade and other accounts receivable
Notes and accounts receivable-trade		10,658	(10,658)			
Operational loans receivable		27,906	(27,906)			
Leases receivable and lease investment assets		16,167	(16,167)			
Allowance for doubtful accounts		(4,017)	4,017			
						Assets related to securities business
Cash segregated as deposits		347,866	—	—	347,866	Cash segregated as deposits
Margin transaction assets	(10)	250,400	—	(110,440)	139,960	Margin transaction assets
Short-term guarantee deposits		5,236	(5,236)			
	(10)		10,632	218,032	228,664	Other assets related to securities business
					716,490	Total assets related to securities business
	(6)		9,672	7,213	16,885	Other financial assets
Operational investment securities-net	(6)	132,773	—	(24,635)	108,138	Operational investment securities
Short-term investment securities	(6)	292	(292)			
Real estate inventories		16,813	(16,813)			
Trading instruments		2,702	(2,702)			
Deferred tax assets		14,243	(14,243)			
Others		57,474	(57,474)			
	(6)		18,932	(5,896)	13,036	Other investment securities
			34,597	(11,230)	23,367	Investments in associates
	(5)		21,024	(1,733)	19,291	Investment properties
Property and equipment	(4)	28,431	(21,024)	3,472	10,879	Property and equipment
Intangible assets	(1)	140,244	—	(72,268)	67,976	Intangible assets
			39,990	7,075	47,065	Other assets
Investment securities	(6)	53,379	(53,379)			
Deferred tax assets	(9)	12,830	14,243	(4,959)	22,114	Deferred tax assets
Others		36,108	(36,108)			
Allowance for doubtful accounts		(12,067)	12,067			
Stock issuance costs		153	—	(153)		
Bonds issuance costs		32	—	(32)		
Deferred operating costs under Article 113 of the Insurance Business Act	(8)	5,715	—	(5,715)		
Total assets		1,293,606	—	78,123	1,371,729	Total assets

Presentation under JGAAP	Notes	JGAAP	Reclassifications	Adjustments	IFRSs	Presentation under IFRSs
		As at 1 April 2011				
		Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	
Liabilities						Liabilities
			211,278	65,700	276,978	Bonds and loans payable
Short-term loans payable		97,164	(97,164)			
Current portion of long-term loans payable		12,148	(12,148)			
Current portion of bonds payable		70,060	(70,060)			
			37,598	4,927	42,525	Trade and other accounts payable
Advances received		1,954	(1,954)			
Accrued expenses		3,202	(3,202)			
Provision for bonuses		79	(79)			
Other provisions		448	(448)			
						Liabilities related to securities business
Margin transaction liabilities	(10)	143,758	—	(64,569)	79,189	Margin transaction liabilities
Loans payable secured by securities		61,798	—	—	61,798	Loans payable secured by securities
Deposits from customers	(10)	37,820	—	(1,103)	36,717	Deposits from customers
Guarantee deposits received		309,135	—	—	309,135	Guarantee deposits received
	(10)		1,067	175,415	176,482	Other liabilities related to securities business
					663,321	Total liabilities related to securities business
Accrued income taxes		4,575	(279)	803	5,099	Income tax payable
			16,025	8,922	24,947	Other financial liabilities
Deferred tax liabilities		3,220	(3,220)			
Others		35,237	(30,230)	602	5,609	Other liabilities
Bonds payable		540	(540)			
Long-term loans payable		31,366	(31,366)			
Deferred tax liabilities	(9)	424	3,220	1,718	5,362	Deferred tax liabilities
Provision for retirement benefits		70	(70)			
Other provisions		861	(861)			
Others		17,567	(17,567)			
Statutory reserve	(7)	5,197	—	(5,197)		
Total liabilities		836,623	—	187,218	1,023,841	Total liabilities

Presentation under JGAAP	Notes	JGAAP	Reclassifications	Adjustments	IFRSs	Presentation under IFRSs
		As at 1 April 2011				
		Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	
Net assets						Equity
Capital stock		73,236	—	—	73,236	Capital stock
Capital surplus	(1)	236,921	—	(81,396)	155,525	Capital surplus
Treasury stock		(247)	—	—	(247)	Treasury stock
	(6)		(7,156)	7,727	571	Other component of equity
Retained earnings		88,074	—	(27,123)	60,951	Retained earnings
Total shareholders' equity		397,984	(7,156)	(100,792)	290,036	Equity attributable to owners of the Company
Unrealized losses on available-for-sale securities		(3,903)	3,903			
Deferred gains (losses) on derivatives under hedge accounting		(240)	240			
Foreign currency translation adjustment	(3)	(3,013)	3,013			
Total accumulated other comprehensive income/(loss)		(7,156)	7,156			
Stock acquisition rights		12	(12)			
Minority interests		66,143	12	(8,303)	57,852	Non-controlling interests
Total net assets		456,983	—	(109,095)	347,888	Total equity
Total liabilities and net assets		1,293,606	—	78,123	1,371,729	Total liabilities and equity

Reconciliation of consolidated Statement of Financial Position as at 31 March 2012

Presentation under JGAAP	Notes	JGAAP	Reclassifications	Adjustments	IFRSs	Presentation under IFRSs
		As at 31 March 2012				
		Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	
Assets						Assets
Cash and deposits		146,056	(461)	14,238	159,833	Cash and cash equivalents
	(6)		128,565	51,820	180,385	Trade and other accounts receivable
Notes and accounts receivable-trade		11,106	(11,106)			
Operational loans receivable		42,281	(42,281)			
Leases receivable and lease investment assets		13,830	(13,830)			
Allowance for doubtful accounts		(3,683)	3,683			
						Assets related to securities business
Cash segregated as deposits		663,066	—	—	663,066	Cash segregated as deposits
Margin transaction assets	(10)	260,048	—	(93,396)	166,652	Margin transaction assets
Short-term guarantee deposits		16,801	(16,801)			
	(10)		20,790	139,700	160,490	Other assets related to securities business
					990,208	Total assets related to securities business
	(6)		10,022	3,064	13,086	Other financial assets
Operational investment securities-net	(6)	141,943	—	(19,992)	121,951	Operational investment securities
Short-term investment securities	(6)	219	(219)			
Real estate inventories		11,700	(11,700)			
Trading instruments		1,763	(1,763)			
Deferred tax assets		11,426	(11,426)			
Others		75,831	(75,831)			
	(6)		18,132	(7,584)	10,548	Other investment securities
			43,322	(14,225)	29,097	Investments in associates
	(5)		22,428	(3,899)	18,529	Investment properties
Property and equipment	(4)	28,835	(22,428)	3,055	9,462	Property and equipment
Intangible assets	(1)	137,176	—	(72,674)	64,502	Intangible assets
			30,358	6,743	37,101	Other assets
Investment securities	(6)	61,403	(61,403)			
Deferred tax assets	(9)	15,458	11,426	(6,018)	20,866	Deferred tax assets
Others		26,013	(26,013)			
Allowance for doubtful accounts		(6,536)	6,536			
Stock issuance costs		182	—	(182)		
Bonds issuance costs		143	—	(143)		
Deferred operating costs under Article 113 of the Insurance Business Act	(8)	8,753	—	(8,753)		
Total assets		1,663,814	—	(8,246)	1,655,568	Total assets

Presentation under JGAAP	Notes	As at 31 March 2012 JGAAP	Reclassifications	Adjustments	IFRSs	Presentation under IFRSs
		Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	
Liabilities						Liabilities
			234,249	50,939	285,188	Bonds and loans payable
Short-term loans payable		103,915	(103,915)			
Current portion of long-term loans payable		19,889	(19,889)			
Current portion of bonds payable		60,060	(60,060)			
			32,843	6,230	39,073	Trade and other accounts payable
Advances received		1,941	(1,941)			
Accrued expenses		3,263	(3,263)			
Provision for bonuses		96	(96)			
Other provisions		291	(291)			
						Liabilities related to securities business
Margin transaction liabilities	(10)	170,800	—	(57,798)	113,002	Margin transaction liabilities
Loans payable secured by securities		76,593	—	—	76,593	Loans payable secured by securities
Deposits from customers	(10)	347,953	—	(16,464)	331,489	Deposits from customers
Guarantee deposits received		289,405	—	—	289,405	Guarantee deposits received
	(10)		2,676	120,666	123,342	Other liabilities related to securities business
					933,831	Total liabilities related to securities business
Accrued income taxes		4,875	(303)	275	4,847	Income tax payable
			22,480	7,436	29,916	Other financial liabilities
Deferred tax liabilities		4,048	(4,048)			
Others		36,930	(32,107)	114	4,937	Other liabilities
Bonds payable		30,480	(30,480)			
Long-term loans payable		16,766	(16,766)			
Deferred tax liabilities	(9)	357	4,048	1,466	5,871	Deferred tax liabilities
Provision for retirement benefits		17	(17)			
Other provisions		1,445	(1,445)			
Others		21,675	(21,675)			
Statutory reserve	(7)	4,436	—	(4,436)		
Total liabilities		1,195,235	—	108,428	1,303,663	Total liabilities

Presentation under JGAAP	Notes	JGAAP	Reclassifications	Adjustments	IFRSs	Presentation under IFRSs
		As at 31 March 2012				
		Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	
Net assets						Equity
Capital stock		81,665	—	—	81,665	Capital stock
Capital surplus	(1)	249,353	—	(88,882)	160,471	Capital surplus
Treasury stock		(3,180)	—	—	(3,180)	Treasury stock
	(6)		(9,323)	7,960	(1,363)	Other component of equity
Retained earnings		88,418	—	(29,488)	58,930	Retained earnings
Total shareholders' equity		416,256	(9,323)	(110,410)	296,523	Equity attributable to owners of the Company
Unrealized losses on available-for-sale securities		(2,722)	2,722			
Deferred gains (losses) on derivatives under hedge accounting		(1,890)	1,890			
Foreign currency translation adjustments	(3)	(4,711)	4,711			
Total accumulated other comprehensive income/(loss)		(9,323)	9,323			
Stock acquisition rights		10	(10)			
Minority interests		61,636	10	(6,264)	55,382	Non-controlling interests
Total net assets		468,579	—	(116,674)	351,905	Total equity
Total liabilities and net assets		1,663,814	—	(8,246)	1,655,568	Total liabilities and equity

Reconciliation of equity as at 1 April 2011 and 31 March 2012

	Notes	As at 1 April 2011	As at 31 march 2012
		Millions of Yen	Millions of Yen
Equity of the Group under JGAAP		456,983	468,579
Business combination	(1)	(77,493)	(77,393)
Scope of consolidation	(2)	(5,697)	(6,263)
Property and equipment	(4)	714	708
Investment properties	(5)	(1,291)	(2,785)
Financial instruments	(6)	(14,488)	(13,209)
Statutory reserve	(7)	3,082	4,097
Insurance contract	(8)	(6,978)	(8,989)
Income tax expense	(9)	(6,004)	(12,152)
Others		(940)	(688)
Equity of the Group under IFRSs		347,888	351,905

Reconciliation of comprehensive income of the fiscal year ended 31 March 2012

	Notes	Fiscal year ended 31 March 2012
		Millions of Yen
Comprehensive income of the Group under JGAAP		3,764
Business combination	(1)	3,912
Scope of consolidation	(2)	826
Property and equipment	(4)	(6)
Investment properties	(5)	(1,494)
Financial instruments	(6)	816
Statutory reserve	(7)	1,015
Insurance contract	(8)	(2,011)
Income tax expense	(9)	(6,148)
Others		252
Comprehensive income of the Group under IFRSs		926

Significant reconciliation of cash flows

There is no significant difference between cash flow statement presentation under IFRSs and JGAAP.

Notes to Reconciliation

(1) Business combination

The Group decided to retrospectively apply IFRS 3 "Business Combinations" to all business combinations consummated on or after 31 March 2008.

(a) Measurement of assets and liabilities at the date of business combination

The items which are recognized as assets and liabilities under JGAAP but do not meet the criteria for recognition of assets and liabilities under IFRSs are excluded from the statement of financial position as at 1 April 2011. On the contrary, items which meet the criteria for recognition of assets and liabilities under IFRSs but were not recognized under JGAAP were recognized at measurement value at the initial recognition date.

As a result, the Group recognized intangible assets of ¥1,426 million and goodwill arising from business combination of ¥1,379 million was reduced at the initial recognition date.

(b) Goodwill arising from increasing investment in equity after obtaining control

The Group applies IFRS 3 "Business Combinations" retrospectively to all the business combinations that occurred on or after 31 March 2008 and treats goodwill arising from the increase in interest after obtaining control under JGAAP as a decrease in capital surplus. As a result, the capital surplus decreased by ¥87,156 million and ¥98,443 million as at 1 April 2011 and 31 March 2012, respectively. The decrease at the transition date included the amount of ¥83,852 million, which arose from SBI SECURITIES Co., Ltd. becoming a wholly owned subsidiary in August 2008.

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

Under IAS 27 "Consolidated and Separate Financial Statements", the entity shall recognize investments in subsidiaries arising from changes in interest of the parent company without losing control as an equity transaction and thus profit or loss or goodwill decreases recognized under JGAAP are treated as a decrease or increase of capital surplus.

As a result, the capital surplus increased by ¥5,942 million and ¥10,564 million as at 1 April 2011 and 31 March 2012, respectively.

(d) Impairment and amortization of goodwill and negative goodwill

Under JGAAP, goodwill is generally amortized over an estimated useful life up to 20 years and shall be tested for impairment if there is an indication that the asset may be impaired and consequently not required to be tested for impairment every fiscal year. Impairment test consists of judgment for recognition and measurement of impairment. For the judgment for recognition, pre-discounted future cash flow is used for comparison with book value. The Group shall recognize the amount of the book value of non-current assets less the higher amount of fair value or value in use as measurement of impairment of non-current assets.

Under IFRSs, goodwill is required to be tested for impairment regardless of an indication of impairment instead of periodical amortization. For the impairment test, the Group compares cash-generating units including goodwill with their recoverable amount. Recoverable amount is the higher of its fair value less costs of disposal and value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or a cash-generating unit which goodwill is allocated to. The Group shall base cash flow projections on the most recent financial budgets/forecasts approved by management, and the maximum period of these budgets/forecasts shall be five years or less unless a longer period can be justified. The discount rate used for measuring value in use was 8.62% and 7.25% per annum as at 1 April 2011 and 31 March 2012, respectively.

As discussed, there are differences between JGAAP and IFRSs on assumptions and estimations used in impairment testing of goodwill and scope or approach of the impairment test itself. An additional impairment test is required at the transition date under IFRS 1.
Due to these differences, we recognized an impairment loss of ¥1,906 million in the Financial Service Business and ¥1,182 million in the Biotechnology-related Business and ¥2,547 million in the Other Business, in the aggregate of ¥5,635 million as a result of the revaluation of the recoverability amount of goodwill and other assets as at the transition date, 1 April 2011.

As at 31 March 2012 we recognized an impairment loss of goodwill of ¥1,276 million in the Asset Management Business and of ¥858 million in the Financial Service Business, in the aggregate of ¥2,134 million.

Negative goodwill recognized as liabilities and amortized periodically under JGAAP is recognized as profit or loss under IFRSs.

(e) Summary impact from business combinations on equity accounts
As a result of the above from (1)(a) to (1)(d), as at 1 April 2011, there was a decrease in equity of ¥77,493 million, which consists of a decrease in capital surplus of ¥81,214 million, an increase in retained earnings of ¥4,101 million, and a decrease in non-controlling interests of ¥138 million.
Also, as a result of the above from (1)(a) to (1)(d), as at 31 March 2012, there was a decrease in equity of ¥77,393 million which consists of a decrease in capital surplus of ¥87,879 million, an increase in retained earnings of ¥9,340 million, and increase in non-controlling interests of ¥1,389 million.
In addition, total comprehensive income increased by ¥3,912 million for the fiscal year ended 31 March 2012.

(2) Scope of consolidation

Under JGAAP, when investment companies such as venture capital organizations invest in stock or equity of other company to achieve capital gains through corporate revitalization and business development, even if controlling for decision making of the other company, the company may not be recognized as subsidiary. On the other hand, under the same condition, IFRSs requires investment companies include the other company within the scope of consolidation when controlling the other company.
Since the scope of consolidation has been expanded under IFRSs, there was a decrease in equity of ¥5,697 million as at 1 April 2011, including a decrease in retained earnings of ¥4,698 million. Also, as at 31 March 2012, there was a decrease in equity of ¥6,263 million, including a decrease in retained earnings of ¥5,174 million.
In addition, total comprehensive income increased by ¥826 million for the fiscal year ended 31 March 2012.
.

(3) Translation adjustment for foreign operations

The Group determined to apply the exemption in IFRS 1 and set accumulated translation adjustment for all foreign operations to zero as at the transition date.

(4) Property and equipment

The Company and its subsidiaries in Japan principally apply the declining-balance method as the depreciation method for property and equipment (other than leased assets) under JGAAP; however, under IFRSs, the straight line method is generally applied. Retained earnings increased by ¥672 million and ¥665 million as at the transition date and 31 March 2012 principally due to the above difference in depreciation method.

(5) Investment properties

The Group determined to apply the exemption in IFRS 1 and treat fair value for some of the investment properties as deemed cost at the transition date under IFRSs. The book value of investment properties to which the Group applied deemed cost is ¥17,420 million and their fair value is ¥15,687 million. As a result, retained earnings decreased by ¥1,257 million as at the transition date. Retained earnings decreased by ¥1,470 million because the Group recognized an impairment loss as at 31 March 2012.

(6) Financial instruments

(a) Classification of financial assets

Financial assets are classified as either “Financial assets measured at amortized cost” or “Financial assets measured at fair value” under IFRS 9 “Financial Instruments” (hereinafter referred to as the “IFRS 9”). Investment in equity instruments which are not held for trading can be initially designated as financial assets measured at fair value through other comprehensive income.

On the other hand, under JGAAP, securities are classified into four categories, “Securities held for trading”, “held to maturity investment”, “stocks of subsidiaries or associates” and “available-for-sale securities”. “Held to maturity investment” is measured at amortized cost and “securities held for trading” and “available-for-sale securities” are measured at fair value through profit or loss and other comprehensive income, respectively.

Items included in “available-for-sale securities” excluding those measured at fair value through other comprehensive income, are measured at fair value through profit or loss with the adoption of IFRS 9. The investment held by venture capitals and other similar entities in the Group are measured at fair value through profit or loss, when the Group does not intend to exercise control even though holding 20% to 50% voting interests, in conformity with IFRS 9.

(b) Deferral of up-front fee

The Company recognizes up-front fees which are charged by each housing loan at a fixed rate as revenue immediately upon receipt under JGAAP, however, under IFRSs, revenue recognition of up-front fee is deferred by using the effective interest method where it meets the definition of “An inseparable part of effective interests”.

(c) Derecognition of financial assets and financial liabilities with securitization

According to IFRS 1, the requirements of derecognition under IFRS 9 can be applied before the transition date when necessary information is available. The Group decided to derecognize the financial instruments related to the housing loans securitized on and after 1 January 2004 as they meet the criteria for derecognition defined in IFRS 9. Under IFRSs, all the risks and rewards of financial assets are regarded as substantially transferred when the Group no longer holds the contractual rights to collect cash flows from the financial assets or the Group officially acknowledges the pass-through arrangements. A financial asset shall be derecognized if all the risks and rewards are transferred or the Group hardly retains any risks and rewards of the financial assets nor exercise control towards it. Otherwise, the Group continues to recognize the financial assets. If the Group does not transfer all the risks and rewards of a transferred asset, and retains control of it, the Group continues to recognize the financial assets to the extent of its continuing involvement.

Under JGAAP financial assets are derecognized upon the transfer of control to a third party (financial component approach). Risks and rewards are not considered in the assessment of derecognition.

Under JGAAP the specific agreement of a securitization is regarded as a sale of a loan to a third party and thus the loan is derecognized. Under IFRSs, the Group retain significant credit risks in relation to part of the loan, which do not meet the criteria for derecognition under IFRS 9 and, thus, the loan is not derecognized. Furthermore, with the derecognition not being acknowledged under IFRSs, commission fees in relation to the loan which are recognized as income under

JGAAP are recognized as adjustment to the effective interest and amortized together with the loan.

(d) Summary impact on financial instruments on equity accounts

As a result of the above stated (6)(a) to (6)(c), equity decreased by ¥14,488 million, consisting of a ¥14,919 million decrease in retained earnings, a ¥5,351 million increase in other component of equity and a ¥4,736 million decrease in non-controlling interests as at the transition date. As at 31 March 2012, equity decreased by ¥13,209 million, which consists of a ¥13,952 million decrease in retained earnings, a ¥5,085 million increase in other component of equity and a ¥4,063 million decrease in non-controlling interests.

Other comprehensive income increased by ¥816 million for the fiscal year ended 31 March 2012.

Assets increased by ¥65,978 million and liabilities increased by ¥66,305 million as at the transition date, and assets increased by ¥51,421 million and liabilities increased by ¥51,358 million as at 31 March 2012 as impacted by the above (6)(c).

(7) Statutory reserve

A reserve for financial products transaction liabilities recognized under JGAAP is provided for future possible losses which do not exist at the reporting date. Reserves for financial products transaction liabilities do not meet the criteria for the recognition of liabilities under IFRSs; therefore, they are reversed, which leads to the result of a ¥3,082 million increase in retained earnings at the transition date and a ¥4,097 million increase as at 31 March 2012.

(8) Insurance contract

(a) Deferred assets

A newly established insurance company may defer business expenditures incurred within 5 years after establishment and record them as deferred assets which can be amortized within 10 years through profit or loss in conformity with Article 113 of the Insurance Business Act. Since the deferred assets which the Group recognizes under JGAAP do not meet the criteria for recognition of assets under IFRSs, the deferred assets are written off.

(b) Reserve for catastrophes

The reserve for catastrophes recognized under JGAAP is for future possible insurance payment and does not meet the criteria of a liability under IFRSs. Therefore, the reserve for catastrophes recognized under JGAAP is written off under IFRSs.

(c) Summary impact from insurance contracts on equity accounts

Retained earnings and non-controlling interest as at the transition date decreased by ¥4,573 million and ¥2,405 million, respectively, and retained earnings and non-controlling interest as at 31 March 2012 decreased by ¥6,291 million and ¥2,698 million, respectively, as a result of the impact from (8)(a) to (8)(b).

Total comprehensive income decreased by ¥2,011 million for the fiscal year ended 31 March 2012.

(9) Income tax expense

The elimination of unrealized gains or losses arising from transactions within the Group leads to a temporary difference between the book value and the tax base.

Under JGAAP, tax effects in relation to elimination of intragroup unrealized gains are recognized as deferred tax assets for the tax amount which incurred at the seller side and the tax effects in relation to elimination of intragroup unrealized losses are recognized as deferred tax liabilities at the seller side since they are regarded as deductible in the calculation of taxable income.

On the other hand, under IFRSs, the tax effects in relation to elimination of intragroup unrealized gains are recognized as deferred tax assets at the buyer side considering the recoverability and calculated using the buyer's tax rate. Tax effects in relation to intragroup unrealized losses are recognized as deferred tax liabilities with some exceptions.

Due to these GAAP differences, retained earnings decreased by ¥6,004 million and ¥12,152 million as at the transition date and 31 March 2012, respectively.

(10) Assets and liabilities related to the securities business

Under JGAAP, trade date accruals are recorded as the net amount for the contra account of trading assets and liabilities recognized when trading on an exercise basis. Only transaction fees are recognized on exercise date and Trade date accruals are not recognized during a transaction as broker. On the other hand, under IFRSs, receivables and payables to different counter party can be offset when, and only when there is legal enforcement and the intention for offsetting or simultaneous settlement of assets and liabilities. Therefore, trade date accruals occurred during trading are recorded at their gross amounts. On brokerage for the customer, receivables and payables are recognized to both seller and buyer and trade date accruals are recorded as gross amounts, at the same time, trade date accruals are partially offset with deposit from customers in spot transactions and also offset partially with margin transaction assets or margin transaction liabilities in margin transactions.

Due to the impact of the GAAP difference stated above, assets and liabilities related to the securities business increased by ¥109,758 million and ¥46,630 million as at the transition date and 31 March 2012, respectively.

A2. ADDITIONAL STOCK EXCHANGE INFORMATION OF THE GROUP

(Amounts in millions of Japanese Yen, rounded off 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:

1. Directors' emoluments

The emoluments paid or payable of the Group to each of the directors for the fiscal year ended 31 March 2013, including all five of the five highest-paid individuals in the Group, are as follows:

Name	Note	Directors' Fees	Total
		Millions of Yen	Millions of Yen
Yoshitaka Kitao		92	92
Taro Izuchi		40	40
Takashi Nakagawa		33	33
Tomoya Asakura		22	22
Shumpei Morita		18	18
Noriaki Maruyama		29	29
Peilung Li	1	15	15
Hiroyoshi Kido		22	22
Noriyoshi Kimura		11	11
Hiroshi Tasaka		18	18
Takashi Okita		3	3
Masaki Yoshida		12	12
Kiyoshi Nagano		12	12
Keiji Watanabe		20	20
Akihiro Tamaki		12	12
Masanao Marumono	1	9	9
Yasutaro Sawada	2	34	34
Kenji Hirai	3	8	8
Shinji Yamauchi	3	9	9
Makoto Miyazaki	3	7	7
Yoshimi Takahashi	3	0	0
Masaki Takayanagi	3	8	8
Takeshi Natsuno	3	3	3
Total		437	437

Notes:

1. Appointed on 28 June 2012
2. Resigned on 11 March 2013
3. Resigned on 28 June 2012

2. Operational investment securities and other investment securities listed on the Hong Kong Stock Exchange

The amount of operational investment securities and other investment securities listed on the Hong Kong Stock Exchange is as follows:

	As at 1 April 2011	As at 31 March 2012	As at 31 March 2013
	Millions of Yen	Millions of Yen	Millions of Yen
FVTPL	—	—	645
FVTOCI	318	2,836	2,390
Total	318	2,836	3,035

3. Operational revenue from listed and unlisted securities

Operating revenue from listed and unlisted securities for the year ended 31 March 2012 and 2013 is as follow:

	For the year ended 31 March 2012	For the year ended 31 March 2013
	Millions of Yen	Millions of Yen
Dividends received attributable to		
Listed securities	528	307
Unlisted securities	1,529	871
	2,057	1,178
Income arising from financial assets at FVTPL attributable to		
Listed securities	4,589	1,664
Unlisted securities	6,707	7,856
	11,296	9,520
Gain from trading attributable to		
Listed securities	10,841	10,449
Unlisted securities	—	—
	10,841	10,449

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 2013, and the statements of income 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 2013, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Deloitte Touche Tohmatsu
LLC Tokyo, Japan

27 June 2013

B. FINANCIAL INFORMATION

B.1 FINANCIAL STATEMENTS OF THE COMPANY

(Amounts in millions of Japanese Yen, rounded off to the nearest million, unless otherwise stated)

BALANCE SHEET

	Note	As at 31 March 2012	As at 31 March 2013
Assets			
Current assets			
Cash and deposits	6. (5)	15,675	13,834
Accounts receivable-trade		959	989
Real estate for sale		268	148
Real estate for sale in progress		6,239	5,571
Operational investment securities	6. (2)	25,598	14,903
Allowance for investment losses		(330)	(629)
Operational investment securities, net		25,268	14,274
Short-term investment securities		37	29
Prepaid expenses		482	451
Operational loans receivable		916	1,006
Short-term loans receivable	6. (3)	57,774	51,583
Deferred tax assets		4,952	2,972
Others		23,327	8,734
Allowances for doubtful accounts		(1,674)	(997)
Total current assets		134,223	98,594
Non-current assets			
Property and equipment			
Buildings		6,495	6,869
Accumulated depreciation		(515)	(685)
Buildings, net	6. (5)	5,980	6,184
Structures		-	4
Accumulated depreciation		-	0
Structures, net		-	4
Machinery and equipment		-	10
Accumulated depreciation		-	0
Machinery and equipment, net		-	10
Vehicles		30	30
Accumulated depreciation		(20)	(15)
Vehicles, net		10	15
Tools, furniture and fixtures		1,288	1,199
Accumulated depreciation		(1,103)	(1,066)
Tools, furniture and fixtures, net		185	133
Land	6. (5)	3,183	3,183
Lease assets		-	5
Accumulated depreciation		-	(1)
Lease assets, net		-	4
Construction in progress		307	292
Total property and equipment		9,665	9,825
Intangible assets			
Patents		6	5
Trademark		27	24
Software		1,086	905
Telephone rights		5	5
Others		28	13
Total intangible assets		1,152	952

	Note	As at 31 March 2012	As at 31 March 2013
Investments and other assets			
Stocks of subsidiaries and associates	6. (5)	387,574	404,755
Allowance for investment losses		(469)	-
Stocks of subsidiaries and associates, net		387,105	404,755
Investments in other securities of subsidiaries and associates		48,617	39,829
Investment securities		4,355	5,775
Investments in subsidiaries and associates other than equity securities		41	41
Long-term loans receivables from subsidiaries and associates		2,476	1,070
Long-term prepaid expenses		610	209
Lease and guarantee deposits		1,685	1,484
Deferred tax assets, non-current		-	2,048
Others		10	10
Total investments and other assets		444,899	455,221
Total non-current assets		455,716	465,998
Deferred charges			
Stock issuance costs		181	65
Bond issuance costs		303	304
Total deferred charges		484	369
Total assets		590,423	564,961
Liabilities			
Current liabilities			
Short-term loans payable	6. (3)&(5)	130,950	102,751
Current portion of bonds payable		60,000	65,000
Lease obligations		-	1
Accounts payable		620	1,064
Accrued expenses		435	722
Deposits received		112	114
Others		76	29
Total current liabilities		192,193	169,681
Non-current liabilities			
Bonds payable		30,000	30,000
Long-term loans payable	6. (5)	457	1,941
Lease obligations		-	3
Deferred tax liabilities		1,452	-
Asset retirement obligation		117	119
Long-term deposits received		5,120	4,390
Total non-current liabilities		37,146	36,453
Total liabilities		229,339	206,134
Net assets			
Shareholders' equity			
Capital stock		81,665	81,668
Capital surplus			
Legal capital surplus		126,776	126,779
Other capital surplus		101,180	101,180
Total capital surplus		227,956	227,959
Retained earnings			
Other retained earnings			
Retained earnings brought forward		54,429	53,251
Total retained earnings		54,429	53,251
Treasury stock		(3,180)	(5,117)
Total shareholders' equity		360,870	357,761
Valuation and translation adjustments			
Unrealized gains on available-for-sale securities		214	1,066
Total valuation and translation adjustments		214	1,066
Total net assets		361,084	358,827
Total liabilities and net assets		590,423	564,961

STATEMENT OF INCOME

	Note	Year ended 31 March 2012	2013
Net sales			
Revenue from operational investment securities		11,374	3,624
Revenue from real estate business		4,389	1,392
Dividend income	7. (3)	9,512	26,547
Others		6,553	6,487
Total net sales		31,828	38,050
Cost of sales			
Cost of operational investment securities	7. (1)	6,763	3,285
Provision of allowance for investment losses		(859)	844
Cost of real estate business		4,026	862
Other operating costs	7. (2)	6,714	6,479
Total cost of sales		16,644	11,470
Gross profit		15,184	26,580
Selling, general and administrative expenses	7. (4)	7,117	7,310
Operating income		8,067	19,270
Non-operating income			
Interest income	7. (3)	1,812	1,626
Dividend income		107	83
Reversal of allowance for doubtful accounts		5	712
Foreign exchange gains		16	465
Others		90	86
Total non-operating income		2,030	2,972
Non-operating expense			
Interest expense	7. (3)	3,617	3,487
Amortization of bond issuance costs		457	379
Commission fees		715	488
Others		226	122
Total non-operating expense		5,015	4,476
Ordinary income		5,082	17,766
Extraordinary income			
Gains on sales of investment in subsidiaries and associates	7. (3)	29,252	2,495
Gain on sales of investment securities		85	1,034
Others		71	6
Total extraordinary income		29,408	3,535
Extraordinary expense			
Losses on valuation of investment in subsidiaries and associates		7,668	25,714
Others		3,361	299
Total extraordinary expense		11,029	26,013
Income (loss) before income taxes		23,461	(4,712)
Income taxes-current		4	(3,346)
Income taxes-deferred		7,486	(2,396)
Total income taxes		7,490	(5,742)
Net income		15,971	1,030

STATEMENT OF CHANGES IN NET ASSETS

	Note	Year ended 31 March 2012	2013
SHAREHOLDERS' EQUITY			
Capital stock			
Balance at the end of previous year		73,236	81,665
Changes during the year			
Issuance of new stock		8,429	3
Total changes during the year		8,429	3
Balance at the end of current year		81,665	81,668
Capital surplus			
Legal capital surplus			
Balance at the end of previous year		114,716	126,776
Changes during the year			
Issuance of new stock		8,428	3
Increase through share exchange		3,632	-
Total changes during the year		12,060	3
Balance at the end of current year		126,776	126,779
Other capital surplus			
Balance at the end of previous year		101,180	101,180
Changes during the year			
Disposal of treasury stock		-	0
Total changes during the year		-	0
Balance at the end of current year		101,180	101,180
Total capital surplus			
Balance at the end of previous year		215,896	227,956
Changes during the year			
Issuance of new stock		8,428	3
Increase through share exchange		3,632	-
Disposal of treasury stock		-	0
Total changes during the year		12,060	3
Balance at the end of current year		227,956	227,959
Retained earnings			
Other retained earnings			
Retained earnings brought forward			
Balance at the end of previous year		40,850	54,429
Changes during the year			
Dividends		(2,392)	(2,208)
Net income		15,971	1,030
Total changes during the year		13,579	(1,178)
Balance at the end of current year		54,429	53,251
Total retained earnings			
Balance at the end of previous year		40,850	54,429
Changes during the year			
Dividends		(2,392)	(2,208)
Net income		15,971	1,030
Total changes during the year		13,579	(1,178)
Balance at the end of current year		54,429	53,251

	Note	Year ended 31 March 2012	2013
Treasury stock			
Balance at the end of previous year		(247)	(3,180)
Changes during the year			
Purchases of treasury stock		(3,481)	(2,021)
Disposal of treasury stock		548	84
Total changes during the year		(2,933)	(1,937)
Balance at the end of current year		(3,180)	(5,117)
Total shareholders' equity			
Balance at the end of previous year		329,735	360,870
Changes during the year			
Issuance of new stock		16,857	6
Increase through share exchanges		3,632	-
Dividends		(2,392)	(2,208)
Net income		15,971	1,030
Purchases of treasury stock		(3,481)	(2,021)
Disposal of treasury stock		548	84
Total changes during the year		31,135	(3,109)
Balance at the end of current year		360,870	357,761
Valuation and translation adjustments			
Unrealized gains (losses) on available-for-sale securitie			
Balance at the end of previous year		(9,980)	214
Changes during the year			
Net changes other than shareholders' equity		10,194	852
Total changes during the year		10,194	852
Balance at the end of current year		214	1,066
Total valuation and translation adjustments			
Balance at the end of previous year		(9,980)	214
Changes during the year			
Net changes other than shareholders' equity		10,194	852
Total changes during the year		10,194	852
Balance at the end of current year		214	1,066
Total net assets			
Balance at the end of previous year		319,755	361,084
Changes during the year			
Issuance of new stock		16,857	6
Increase through share exchanges		3,632	-
Dividends		(2,392)	(2,208)
Net income		15,971	1,030
Purchases of treasury stock		(3,481)	(2,021)
Disposal of treasury stock		548	84
Net changes other than shareholders' equity		10,194	852
Total changes during the year		41,329	(2,257)
Balance at the end of current year		361,084	358,827

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The Financial Statements of the SBI Holdings, Inc. (the —Company ||) were prepared in accordance with 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.

2. SIGNIFICANT ACCOUNTING POLICIES

(1). Valuation method of securities

(a) Stocks of subsidiaries and associates

Stocks of subsidiaries and associates 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, 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 associates” (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 associates which are held by the funds, is presented as “Stocks of subsidiaries and associates” (Non-current assets).

(2). Valuation method of Derivatives

Derivatives are measured at fair value.

(3). Valuation method of inventories

Real estate for sale

Real estate for sale is measured at the lower of cost or net realizable value.

(4). Depreciation method of depreciable assets

(a) Property and equipment other than lease asset

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 3 to 50 years for buildings, from 15 to 20 years for structures, 8 years for machinery and equipment, from 2 to 20 years for tools, furniture and fixtures, and from 5 to 6 years for vehicles.

(b) Intangible assets other than lease asset

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).

(c) Lease assets

Lease assets are depreciated by the straight-line method over the lease terms with residual value of zero

(5). 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 the straight-line method.

(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. The resulting translation gain or loss is recognized in the statement of income.

(7). Recognition and measurement of significant provisions and allowances

(a) Allowance for investment losses

Allowance for investment losses for operational investment securities and stocks of subsidiaries and associates are provided based on the estimated losses of the investment considering 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.

(8). 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 associates are recorded as dividend income which is included in net sales in the statement of income.

(9). 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.

(10). Other significant accounting policies for financial statements

(a) Accounting for investments in funds

For the investments in funds which are categorized as subsidiaries, 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 as "Investments in other securities of subsidiaries and associates" (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 associates held by the funds, is presented as "Stocks of subsidiaries and associates" (Non-current assets), while the Company's proportionate share relating to the gains/losses from disposal of investments in subsidiaries and associates held by the funds, is presented as "Gains/losses on disposal of investment in subsidiaries and associates" (Extraordinary income/expense).

(b) Accounting for consumption taxes

The amounts in the financial statements are presented without consumption or local consumption taxes. Non-deductible consumption taxes are recorded as selling, general and administrative expenses.

(c) Adoption of tax consolidation

The Company adopted tax consolidation from the fiscal year ended 31 March 2013.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

(Change in depreciation method)
With revision of the Corporate Tax Act, the Company changed the depreciation method to a new method applicable to the revised Act for property and equipment acquired on or after 1 April 2012 from the current fiscal year in accordance with the revised Corporate Tax Act. However, the impact on the statement of income of the current fiscal year was immaterial.

4. CHANGES IN PRESENTATION

The following presentational changes are reflected on the respective balance sheet:

(a) "Accounts receivable-others", which was separately presented for the year ended 31 March 2012 was included in "Others" line of "Current assets" for the year ended 31 March 2013, as the amounts were less than 1% of the total amount of assets. As a result, "Accounts receivable-others" line of "Current assets" for the year ended 31 March 2012 of ¥20,427 million was reclassified into the "Others" line of "Current assets".

The following presentational changes are reflected on the respective statement of income:

(a) "Reversal of allowance for doubtful accounts" and "Foreign exchange gains" included in the "Others" line of "Non-operating income" for the year ended 31 March 2012 were separately presented for the year ended 31 March 2013, as the amounts exceed 10% of the total amount of non-operating income. As a result, “Others” line of “Non-operating income” for the year ended 31 March 2012 of ¥111 million was reclassified into “Reversal of allowance for doubtful accounts” of ¥5 million, “Foreign exchange gains” of ¥16 million and “Others” of ¥90 million, respectively.

(b) “Gain on sales of investment securities” included in the “Others” line of “Extraordinary income” for the year ended 31 March 2012 was separately presented for the year ended 31 March 2013, as the amount exceeds 10 percent of the total amount of extraordinary income. As a result, the “Others” line of “Extraordinary income” for the year ended 31 March 2012 of ¥156 million was reclassified into “Gain on sales of investment securities” of ¥85 million and “Others” of ¥71 million, respectively.

(c) “Loss on sales of stocks of subsidiaries and associates”, which was separately presented for the year ended 31 March 2012 was included in the“Others” line of “Extraordinary expense” for the year ended 31 March 2013, as the amount was less than 10 percent of the total amount of extraordinary expense. As a result, the “Loss on sales of stocks of subsidiaries and associates” line of “Extraordinary expense” for the year ended 31 March 2012 of ¥3,252 million was reclassified into the “Others” line of “Extraordinary expense”.

The following changes are reflected on notes to statement of income:

(a) “Compensations” was disclosed in the notes to the statement of income for the year ended 31 March 2013, as the amount exceeds 5 percent of the total amount of “Selling, general and administrative expenses”. The amount of “Compensations” for the year ended 31 March 2012 was ¥301 million.

5. ADDITIONAL INFORMATION

Stock Benefit Trust

Upon resolution of the board meeting held on 29 September 2011, the directors of the Company introduced a “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 motivation for work and awareness of the Company’s stock performance through the 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 2013 was 573,740 shares.

6. NOTES TO BALANCE SHEET

(1). Contingent liabilities

(1) The Company guarantees for the following subsidiaries:

	As at 31 March
	2012
	(Millions of Yen)
Operating payable of SBI Card Co., Ltd.	2,310

	As at 31 March
	2013
	(Millions of Yen)
Operating payable of SBI Card Co., Ltd.	1,860

(2) Others:

SBI Liquidity Market Co., Ltd. ("SBILM"), a 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. As at the end of the year, the outstanding obligations balance was ¥ 2,421 million.

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. As at the end of the period, the outstanding obligations balance was ¥ 674 million.

(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 associates.

AS AT 31 MARCH 2012

- Venture Revitalize Investment, Inc.
- AXES Holdings Co., Ltd.

AS AT 31 MARCH 2013

- Venture Revitalize Investment, Inc.
- IRRC Corporation

(3). Assets and liabilities related to subsidiaries or associates

Balance sheet items related to subsidiaries or associates which were not separately presented were as follows:

	As at 31 March	
	2012 (Millions of Yen)	2013 (Millions of Yen)
Current assets		
Short-term loans receivable	57,280	51,582
Current liabilities		
Short-term loans payable	81,150	60,721

(4). Line of credit from financial institutions

To ensure an efficient operating funds procurement, the Company entered into overdraft facility arrangements and commitment line arrangements with eight banks. Unused overdraft facilities at the end of the respective year were as follows:

	As at 31 March	
	2012 (Millions of Yen)	2013 (Millions of Yen)
Lines of credit	76,800	66,600
Used balance	49,800	42,000
Unused portion	27,000	24,600

(5). Asset pledged as collateral and liabilities related to pledged assets

Asset pledged as collateral were as follows:

	As at 31 March	
	2012 (Millions of Yen)	2013 (Millions of Yen)
Stocks of subsidiaries and associates	154,592	—
Cash and deposits	—	58
Buildings	—	2,060
Land	—	650
Total	154,592	2,768

Liabilities related to pledged assets with guarantee were as follows:

	As at 31 March	
	2012 (Millions of Yen)	2013 (Millions of Yen)
Short-term loans payable	79,900	30
Long-term loans payable	—	1,570
Total	79,900	1,600

7. NOTES TO STATEMENT OF INCOME

(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.

	As at 31 March	
	2012 (Millions of Yen)	2013 (Millions of Yen)
Valuation loss on operational investment securities	756	253

(2). Other operating costs

Other operating costs included personnel expenses associated with sales.

(3). Transactions with subsidiaries and associates

	As at 31 March	
	2012 (Millions of Yen)	2013 (Millions of Yen)
Net sales		
Dividend income	9,512	26,547
Non-operating income		
Interest income	1,786	1,603
Non-operating expense		
Interest expense	1,539	1,377
Extraordinary income		
Gains on sales of investment in subsidiaries and associates	19,716	262

(4). Major items and amounts of selling, general and administrative expenses

	As at 31 March	
	2012 (Millions of Yen)	2013 (Millions of Yen)
Salaries	1,821	1,740
Taxes and duties	623	625
Commission fees	1,114	1,104
Outsourcing fees	387	503
Rent expenses	646	725
Compensations	301	581
Depreciation	344	295

Selling expenses accounted for approximately 3% and 1% of the total selling, general and administrative expenses while general and administrative expenses accounted for approximately 97% and 99% for the years ended 31 March 2012 and 2013, respectively.

8. NOTES TO STATEMENT OF CHANGES IN NET ASSETS

Outstanding number of treasury stock

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

Note:

1. As stated in "5. 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 with 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 the remaining 76,636 shares acquired by the Trust.

3. The decrease of 80,653 common shares in treasury stock consists of the 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.

Year ended 31 March 2013	As at 31 March 2012 (Share)	Increase (Share)	Decrease (Share)	As at 31 March 2013 (Share)
Treasury stock				
Common shares (Note 1,2 and 3)	442,093	7,730,653	74,300	8,098,446

Note:

1. As stated in "V. 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 7,730,653 common shares in treasury stock consists of 7,319,610 shares related to the 10 for 1 stock split effective on 1 October 2012, 377,857 shares acquired as treasury stock subject to Article 156 (replacement of the third paragraph of Article 165) of the Companies Act; and 33,186 shares purchased from shareholders with less than one unit of shares.

3. The decrease of 74,300 common shares in treasury stock consists of 1,940 shares sold to shareholders with less than one unit of shares, 72,360 shares to the Employee Stockholding Association.

9. SECURITIES

Stocks of subsidiaries and associates with quoted market price

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	6,694	(765)
Stocks of associates	1,390	1,102	(288)
Total	8,849	7,796	(1,053)

AS AT 31 MARCH 2013

Type	Carrying amount (Millions of Yen)	Fair value (Millions of Yen)	Difference (Millions of Yen)
Stocks of subsidiaries	14,799	30,029	15,230
Stocks of associates	1,390	1,032	(358)
Total	16,189	31,061	14,872

Note:

Stocks of subsidiaries and associates whose fair values were assumed to be extremely difficult to measure:

Type	Carrying amount (millions of Yen) As at 31 March	
	2012	2013
Stocks of subsidiaries	346,374	356,025
Stocks of associates	32,351	32,541

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, they were not subject to the fair value disclosure in the table "Stocks of subsidiaries and associates with quoted market price" above.

10. RETIREMENT BENEFITS

The Company has a contributory funded defined benefit pension plan and a defined contribution pension 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	
	2011	**2012**
	(Millions of Yen)	(Millions of Yen)
Plan assets	171,944	186,190
Benefit Obligation	172,108	186,649
Difference	(164)	(459)

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

	As at 31 March	
	2011	**2012**
Kanto IT Software Health Insurance Society	0.59%	0.56%

(c) The supplementary explanation:

The main reasons of the difference described in (a) are the actuarial asset value adjustments of ¥ (3,494) million and ¥9,623 million, the general reserve of ¥14,983 million and ¥3,330 million, and the deficit for the year of ¥ (11,653) million and ¥ (13,412) million for the year ended 31 March 2011 and 2012, respectively.

The percentage described in (b) differs from the actual ratio of the Company's contribution amount.

(2). Retirement benefits expense

	Year ended 31 March	
	2012	**2013**
	(Millions of Yen)	(Millions of Yen)
Contribution to pension funds	49	41
Contributions to the defined contribution pension plan	52	38
Total	101	79

11. NOTES TO INCOME TAXES

(1). Major components of the deferred tax assets and liabilities

	Year ended 31 March	
	2012	**2013**
	(Millions of Yen)	**(Millions of Yen)**
Deferred tax assets – Current		
Losses on valuation of investment securities (current assets)	1,140	1,413
Provision of allowance for investment losses (current assets)	999	1,195
Losses on valuation of inventory	386	361
Provision of allowance for doubtful accounts	597	355
Accrued enterprise taxes	79	54
Tax loss carried forward	1,916	478
Unrealized losses on available-for-sale securities	711	336
Others	490	69
Subtotal	6,318	4,261
Valuation allowance	(653)	(858)
Total deferred tax assets - Current	5,665	3,403
Deferred tax assets (investment and other assets)		
Losses on valuation of investment securities (non-current assets)	8,562	11,350
Provision of allowance for investment losses (non-current assets)	167	—
Tax loss carried forward	198	1,997
Unrealized losses on available-for-sale securities	467	431
Others	218	478
Subtotal	9,612	14,256
Valuation allowance	(6,740)	(10,873)
Total deferred tax assets (investment and other assets)	2,872	3,383
Total deferred tax assets	8,537	6,786
Deferred tax liabilities - Current		
Unrealized gains on available-for-sale securities	(713)	(431)
Total deferred tax liabilities — Current	(713)	(431)
Deferred tax liabilities — Non-current		
Unrealized gains on available-for-sale securities	(609)	(1,104)
Impact from reorganization	(3,593)	—
Others	(122)	(231)
Total deferred tax liabilities — Non-current	(4,324)	(1,335)
Total deferred tax liabilities	(5,037)	(1,766)
Net deferred tax assets	3,500	5,020

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

	Year ended 31 March	
	2012	2013
Normal effective tax rate	40.69%	(38.01%)
(Adjustments)		
Expenses not deductible for income taxes purpose (Entertainment expenses, etc)	2.10%	11.87%
Income not taxable for income tax purpose (Dividend income, etc)	(16.36%)	(219.16%)
Change in valuation allowance	4.05%	128.10%
Difference occurred from carryback of loss of the Group	–	(4.97%)
Decrease of net deferred tax assets due to the change of future tax rate	1.42%	–
Others	0.03%	0.30%
Actual effective tax rate	31.93%	(121.87%)

12. NOTES TO PER SHARE INFORMATION

	Year ended 31 March	
	2012	2013
	Yen	Yen
Net assets per share	1,640.61	1,657.95
Net income per share	72.61	4.75
Diluted net income per share	72.60	4.75

Notes:

1. The Company conducted a 10 for 1 stock split, effective on 1 October 2012. The net assets per share, net income per share and diluted net income per share are calculated based on the new number of shares and adjusted retrospectively, assuming that the stock split was conducted at the beginning of the fiscal year ended 31 March 2012.

2. Basis of calculation of the net assets per share

	Year ended 31 March	
	2012	2013
	(Millions of Yen)	(Millions of Yen)
Total net assets	361,084	358,827
Deducted amount from net assets	—	—
Net assets attributable to common shareholders at the end of the year	361,084	358,827
The number of common shares (Share)	220,092,100	216,427,335

3. Basis of calculation for the net income (loss) and diluted net income per share

	Year ended 31 March	
	2012	2013
	(Millions of Yen)	(Millions of Yen)
Net income per share		
Net income for the year	15,971	1,030
Net income not attributable to common shareholders	—	—
Net income attributable to common shareholders	15,971	1,030
Average number of common shares during the year (Share)	219,939,981	217,072,796
Diluted net income per share		
Adjustment on net income for the year	—	—
Increased number of common shares (Share)	52,473	19,097
Increased by exercising acquisition right	(52,473)	(19,097)

4. Overview of stocks with potential dilutive effect excluded from the calculation

For the year ended 31 March 2012: Stock acquisition right issued by the stock option plan (Potential shares: 2,227,407 shares)

For the year ended 31 March 2013: Stock acquisition right issued by the stock option plan (Potential shares: 1,484,038 shares)

13. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

14. SUPPLEMENTARY SCHEDULES FOR FINANCIAL STATEMENTS

SCHEDULE OF SECURITIES

FOR THE YEAR ENDED 31 MARCH 2013

Stock

		Issuer	Stocks	Carrying amount (Millions of Yen)
Investment securities-non-current	Available-for-sale securities	Broadmedia Corporation	9,564,500	1,359
		Kingston Financial Group Limited	165,000,000	1,099
		Haitong Securities Co., Ltd.	5,000,000	645
		PION Co., Ltd.	17,625	475
		Sunwah Kingsway Capital Holdings ltd.	102,631,579	224
		Others (2)	330	0
	Total		—	3,802

Debt securities

		Issuer	Face value (Millions of Yen)	Carrying amount (Millions of Yen)
Investment securities-current	Available-for-sale securities	WebCrew Inc. Convertible bond with stock acquisition rights	1,500	1,500
	Total		—	1,500

Others

		Type and item	Units	Carrying amount (Millions of Yen)
Investment securities-current	Available-for-sale securities	Call loan	—	29
		Subtotal	—	29
Investment securities-non-current	Available-for-sale securities	HFRX Global Hedge Fund Index	50,000	392
		SBI TOPIX100 Hedge Fund Index	102,351,167	81
		JEFFERIES-SBI STRATEGICINVESTMENTS USA LLC	100	0
		Subtotal	—	473
	Total		—	502

SCHEDULE OF PROPERTY AND EQUIPMENT, INTANGIBLE ASSETS, LONG TERM PREPAID EXPENSES AND DEFERRED CHAREGES

FOR THE YEAR ENDED 31 MARCH 2013

Type of asset	As at 31 March 2012 (Millions of Yen)	Increase (Millions of Yen)	Decrease (Millions of Yen)	As at 31 March 2013 (Millions of Yen)	Accumulated depreciation as at 31 March 2013 (Millions of Yen)	Depreciation accounted in the year (Millions of Yen)	Net amount (Millions of Yen
Property and equipment							
Buildings	–	–	–	6,869	685	171	6,184
Structures	–	–	–	4	0	0	4
Machinery and equipment	–	–	–	10	0	0	10
Vehicles	–	–	–	30	15	6	15
Tools, furniture and fixtures	–	–	–	1,199	1,066	70	133
Land	–	–	–	3,183	–	–	3,183
Lease assets	–	–	–	5	1	1	4
Construction in progress	–	–	–	292	–	–	292
Total property and equipment	–	–	–	11,592	1,767	248	9,825
Intangible assets							
Patents	–	–	–	13	8	1	5
Trademark	–	–	–	54	30	5	24
Software	–	–	–	2,237	1,332	175	905
Telephone rights	–	–	–	5	–	–	5
Others	–	–	–	30	17	15	13
Total intangible assets	–	–	–	2,339	1,387	196	952
Long-term prepaid expenses.	610	6	407	209	–	–	209
Deferred charges							
Stock issuance costs	343	–	–	343	278	116	65
Bond issuance costs	538	380	352	566	262	379	304
Total deferred charges	881	380	352	909	540	495	369

Notes:

1. As the increase and the decrease amounts of the property and equipment for the year ended 31 March 2013 were less than 5% of total property and equipment, the movement of the property and equipment was not disclosed in the above table.
2. As the amounts of the intangible assets as at 31 March 2013 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 2013

Type	As at 31 March 2012 (Millions of Yen)	Increase (Millions of Yen)	Decrease (Charge-off) (Millions of Yen)	Decrease (Others) (Millions of Yen)	As at 31 March 2013 (Millions of Yen)
Allowance for investment losses	799	395	565	—	629
Allowance for doubtful accounts	1,674	798	—	1,475	997

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 off 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:

1. OPERATIONAL LOANS RECEIVABLE

The Company's operational loans receivable as at 31 March 2012 and 2013 were ¥916 million and ¥1,006 million respectively, while accrued interest of the operation loans receivable as at 31 March 2012 and 2013 were ¥20 million and ¥22 million, respectively.

2. FURTHER DETAILS OF TRADING ASSETS, OPERATIONAL INVESTMENT SECURITIES AND INVESTMENT SECURITIES

Trading assets, operational investment securities and investment securities as at 31 March 2012 and 2013 consisted of the following:

	Millions of Yen	
	As at 31 March	
	2012	**2013**
Current (Operational Investment Securities)		
Listed equity securities	100	**120**
Unlisted equity securities	11,841	**10,437**
Unlisted corporate bonds	10	**10**
Investment in unlisted funds	13,129	**3,579**
Others — listed	518	**757**
Subtotal	25,598	**14,903**
Allowance for investment losses	(330)	**(629)**
Total	25,268	**14,274**

	As at 31 March	
	2012	**2013**
Non-current (Investment Securities)		
Listed equity securities	3,903	**3,802**
Unlisted equity securities	0	**0**
Unlisted corporate bonds	—	**1,500**
Listed trust fund investments	452	**473**
Others — unlisted	0	**0**
Total	4,355	**5,775**