THE SBI STORY

Annual Report
2016

STRATEGIC BUSINESS INNOVATOR

The SBI Group was established in 1999 as a pioneer of Internet-based financial services in Japan, and currently has formed the world's first Internet-based financial conglomerate, providing financial services in a broad range of fields including securities, banking and insurance. In addition to this business, there are the Asset Management Business, whose prime focus is investment in venture companies, an activity undertaken since before the Group's founding, and the Biotechnology-related Business, which is embarking on global expansion from R&D and product development to sales in the pharmaceuticals, health foods and cosmetic fields. As a Strategic Business Innovator, the SBI Group takes on the challenge of realizing sustainable growth, placing these business segments as its three core businesses.

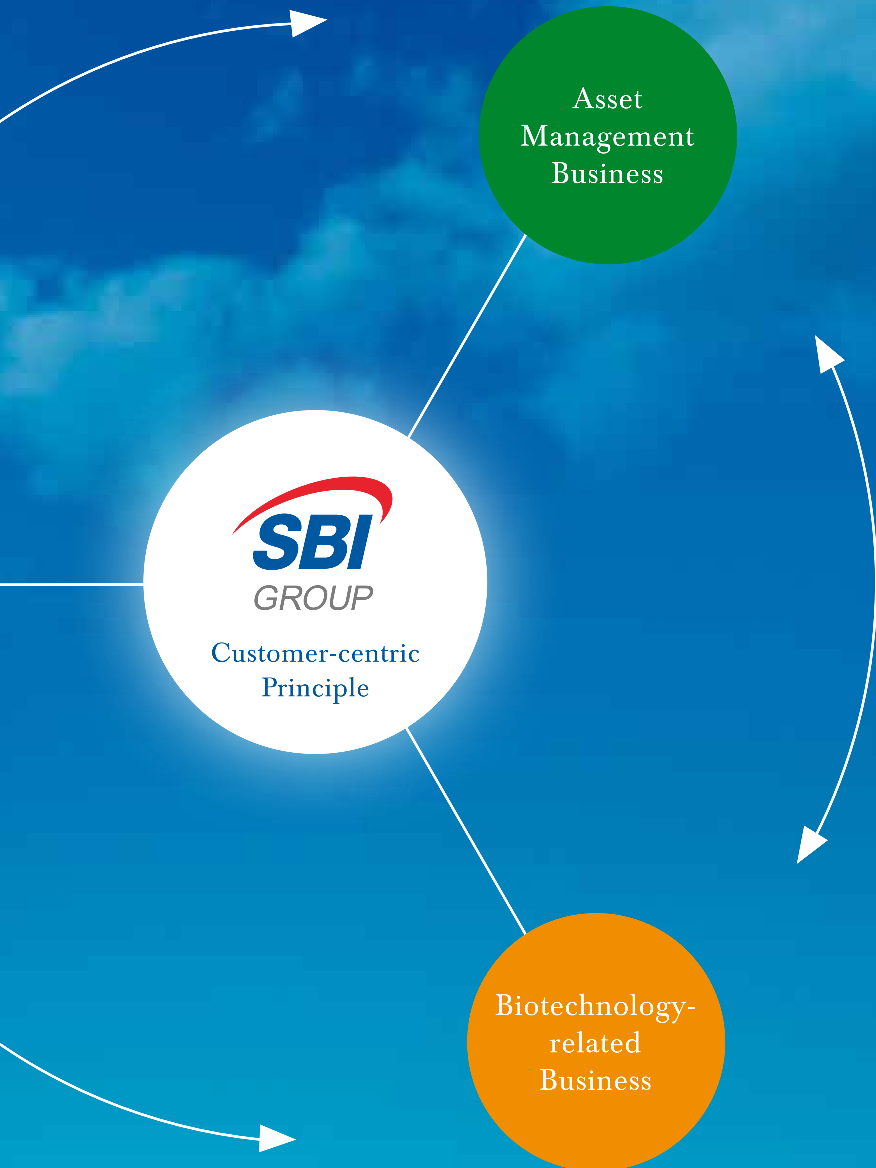
Financial Services Business

The Group engages in a wide variety of finance-related businesses, as well as the provision of information regarding financial products.

Principal Group Companies

SBI FINANCIAL SERVICES
(Intermediate Holding Company)

- SBI SECURITIES
- SBI Liquidity Market
- SBI FXTRADE
- SBI Japannext
- SBI Sumishin Net Bank
- SBI Card
- SBI Insurance
- SBI Life Insurance
- SBI SSI
- SBI IKIIKI SSI
- SBI MONEY PLAZA
- SBI Remit
- SBI Benefit Systems
- SBI Business Solutions
- SBI Business Support
- SBI Trade Win Tech
- SBI Social Lending
- SBI AutoSupport
- SBI BITS
- SBI Ripple Asia



The Group engages in businesses related to investment in venture companies in Japan and abroad, in fields including the Internet, biotechnology, environment and energy, and finance, and also provides asset management-related services.

Principal Group Companies

SBI Capital Management
(Intermediate Holding Company)

SBI Investment
SBI VEN CAPITAL [Singapore]
SBI Hong Kong Holdings [Hong Kong]
SBI Investment KOREA [Korea]
SBI (China) [China]
SBI SAVINGS BANK [Korea]
SBI Royal Securities [Cambodia]
SBI Thai Online Securities [Thailand]
CSJ-SBI Financial Media [China]
YAR Bank [Russia]

SBI GLOBAL ASSET MANAGEMENT
(Intermediate Holding Company)

Morningstar Japan
Morningstar Asset Management
SBI Asset Management
SBI Arsnova Research
SBI ENERGY
SBI Bond Investment Management
SBI Estate Finance

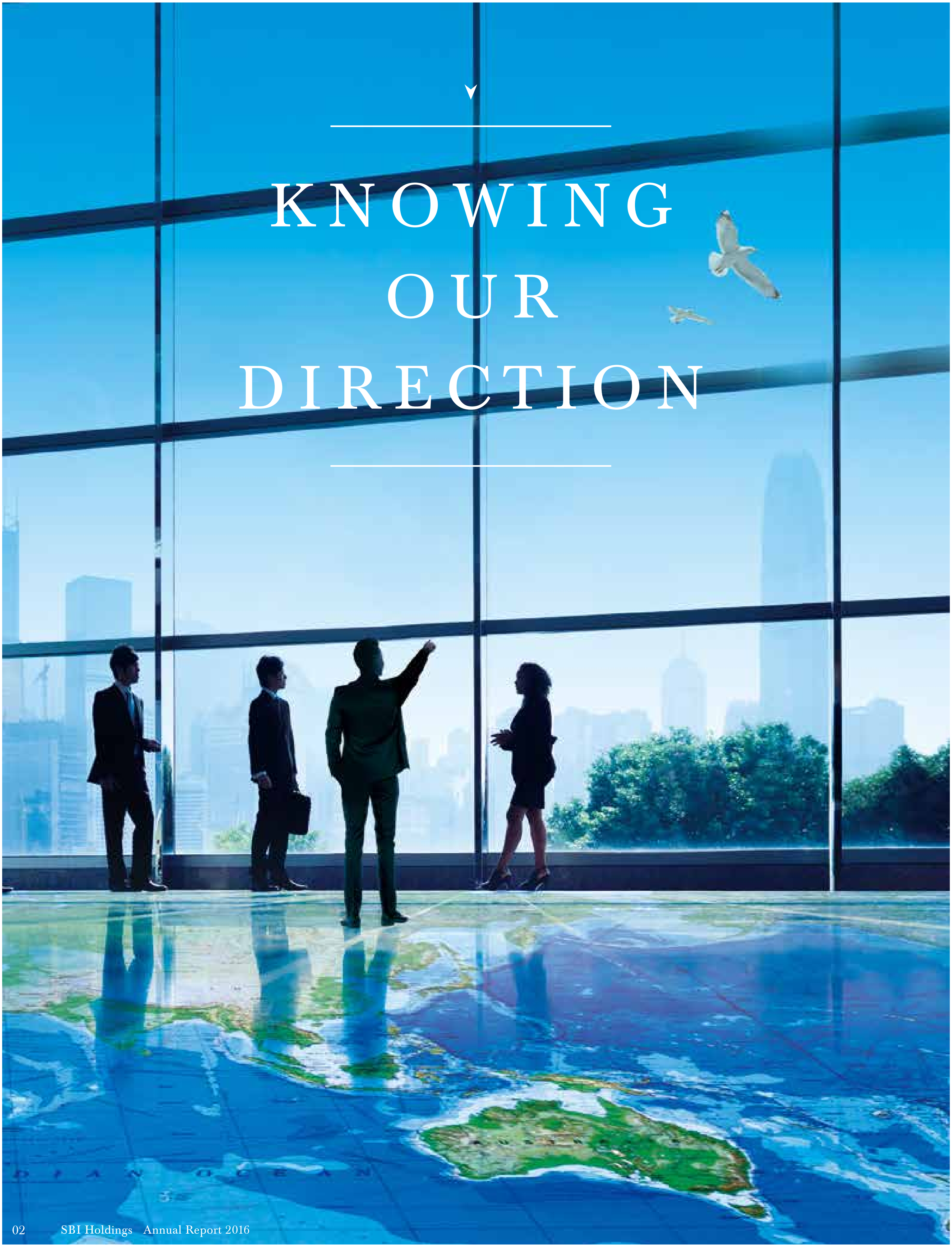
The Group globally expands its business not only in the fields of research and development of pharmaceutical products but also health foods and cosmetics.

Principal Group Companies

SBI ALA Hong Kong [Hong Kong]
(Intermediate Holding Company)

SBI Biotech
SBI Pharmaceuticals
SBI ALApromo
photonamic [Germany]

KNOWING OUR DIRECTION



OUR PHILOSOPHY

Management Guidelines Leading to Innovation

Corporate missions are a set of guidelines that do not simply change with rotation of top management or alterations in the environment. Rather, they embody the long-term, universal viewpoint of corporations and their reason for being, and continuously point the way forward for the company. At the SBI Group, the long-term guidelines are the clearly stated corporate missions, which lay out the goals for which all employees work.

The Spirit of the Founding and Corporate Philosophy

The SBI Group strives to contribute to society's preservation and growth under the belief that a company is a structural element of society, and continues to exist precisely because it is ascribed to society. Just as there is virtue in people, there is "corporate virtue" in a company as well. And in the same way that people with benevolence are revered by those around them, it is vital to raise this corporate virtue so that the company is revered by society. Based on this spirit, the SBI Group has run its business affairs as it raises its virtuous nature.

Today's society is constantly changing, owing to the spread of revolutionary technology starting with the Internet. The changes of the times bring about large transformations in the way things should be for the economy and finance, and in the lifestyles and needs of customers. As a result of this state, the SBI Group places the "Customer-centric Principle," present since the establishment of the Group, at the heart of its business activities, and dares to create innovative products and services for the world's people by always embracing the flow of the times, in order to raise the corporate value over medium- to long-term.

Universal Guidelines of the Corporation

[SBI Group's Five Corporate Missions]

01 Sound Ethical Values

We shall undertake judgments on actions based not only on whether they conform to the law or profit the Company, but also whether they are socially equitable.

02 Financial Innovator

We will transcend traditional methods and bring financial innovations to the forefront of the financial industry, utilizing opportunities provided by the powerful price-cutting forces of the Internet and developing financial services that further enhance benefits for customers.

03 New Industry Creator

We will work to become the leader in creating and cultivating the core industries of the 21st century.

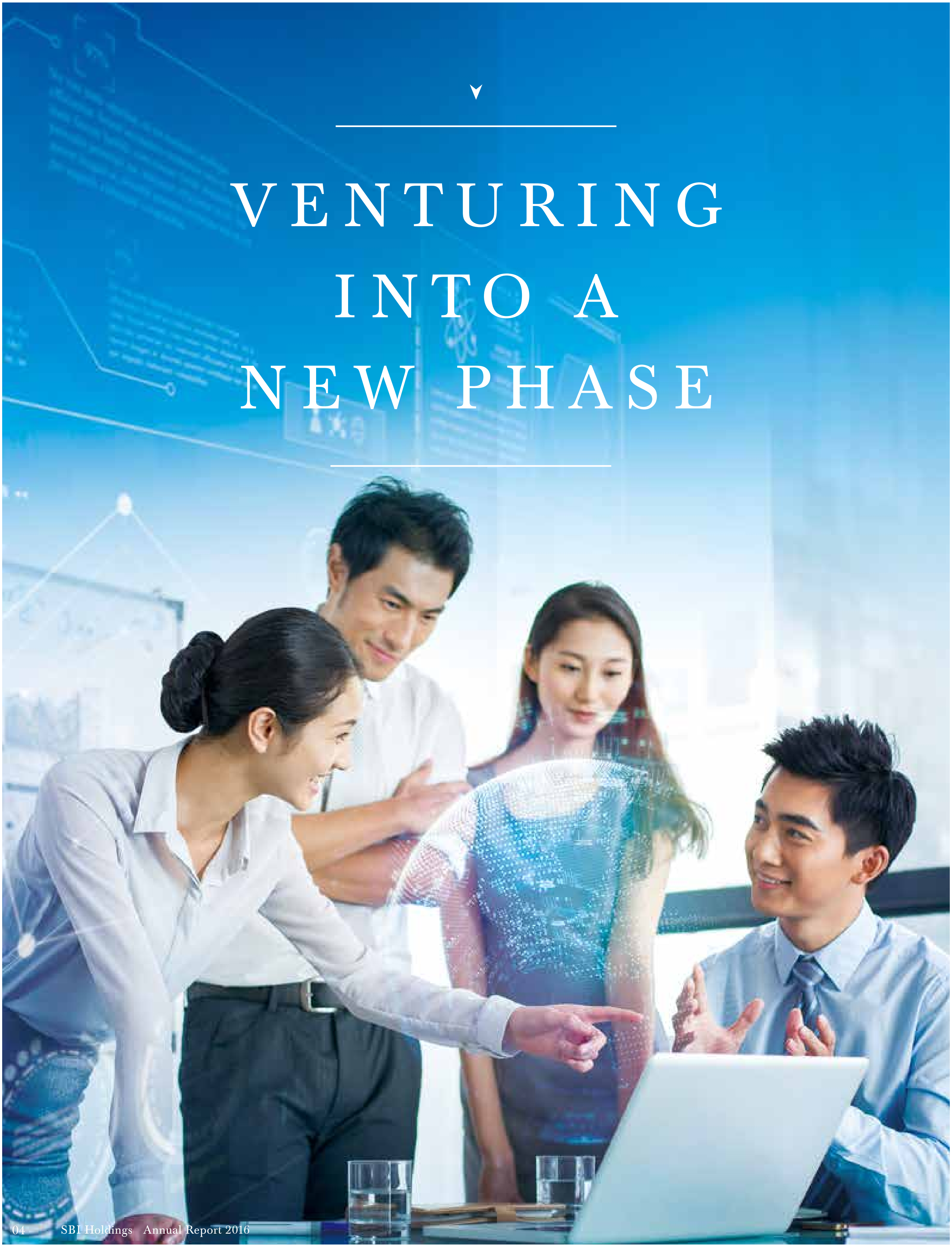
04 Self-Evolution

We will continue to be a company that evolves of its own volition by forming an organization that flexibly adapts to changes in the operating environment, and incorporates corporate "Ingenuity" and "Self-transformation" as part of its organizational DNA.

05 Social Responsibility

We will ensure that each company in the SBI Group recognizes its social responsibilities as a member of society, while fulfilling the demands of its stakeholders, contributing to the betterment of society.

VENTURING INTO A NEW PHASE



OUR STRENGTH & FUTURE

Taking on the Challenge toward Sustainable Growth through the Creation of New Value

The SBI Group, in order to exercise its competitive superiority in the Internet era, upholds its belief in the necessity of establishing a “business ecosystem”—a new organizational form that realizes the high growth potential from synergies and mutual evolution that a single-role corporation cannot achieve on its own—and has established an “Internet-based financial ecosystem” centering on the field of financial services businesses, and have thereby achieved a great leap in growth. Now that the domestic Internet-based financial ecosystem has been completed, the SBI Group will promptly grasp the new trend of the times, and continue to take on challenges, in order to achieve sustainable growth.

The Path toward Achieving a Leap Forward in Growth

The Financial Services Business, toward the goal of forming an Internet-based financial ecosystem, expanded its business domain starting from the securities business when the Group was founded in 1999, to establishing the securities-related companies to support this business, along with sequentially establishing a series of businesses that have high affinity with the securities business, including the banking and insurance businesses. Then by setting securities, banking and insurance as the three core businesses, which will mutually evolve while demonstrating synergies amongst the businesses, the SBI Group has formed a system that embodies its competitive superiorities. At the same time, the investment business has expanded its asset management size by investing in Internet financial businesses in the U.S., and establishing joint ventures with those companies in Japan as well. This expansion has also proceeded with investments focused toward the growth industries of the 21st century, namely the IT and mobile fields, as a “New Industry Creator.”

Furthermore, in accordance with its orientation towards stable and sustainable growth, the Group has focused its efforts in the field of biotechnology, which is one of the new growth industries of the 21st century with strong prospects for growth in profit, since it is relatively unaffected by economic trends. The Group has therefore been investing in promising bio-ventures and nurturing these ventures, and in order to add the Biotechnology-related Business to its business portfolio, it entered into the same field on its own by establishing subsidiaries.

The Future Picture that the SBI Group Envisions

[Contributing to a Sustainable Society by Creating New Value]

Since its founding, the SBI Group has been riding the two tidal waves of the era: the Internet revolution and financial deregulation. The Group has thereby created new value by catering to customers’ changing lifestyles, and their needs in various types and forms, and now as the development of innovative new technologies including FinTech, along with the Internet of Things (IoT), artificial intelligence (AI) and big data are accelerating, these new trends may become the largest tide seen in the period since the Group’s founding. Also, while people’s health consciousness is on the rise, the realization of a vibrant and affluent society is a major wish of mankind—large expectations await therein for the progress of biotechnology. The SBI Group, which will thoroughly practice the “Customer-centric Principle” as heretofore while re-acknowledging the corporate philosophy and the DNA that should be passed on to the future, will continue to take on challenges towards the realization of sustainable growth in the respective business segments. This will be done by promptly incorporating the new tidal flows of society.

The SBI Group is transitioning to a new phase in which it accurately grasps the growth opportunities in each business segment, and will thus contribute to the formation of a sustainable society by constantly creating new value.

Snapshot of the SBI Group

Consolidated Financial Highlights (IFRSs)

Revenue*1

¥261.7 billion

Year-on-year

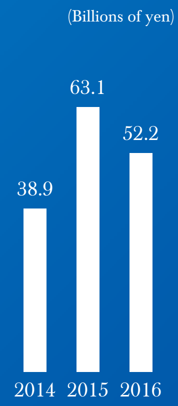
5.8 %

Profit before income tax expense

¥52.2 billion

Year-on-year

17.2 %

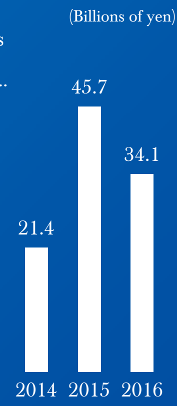


Profit for the year attributable to owners of the Company

¥34.1 billion

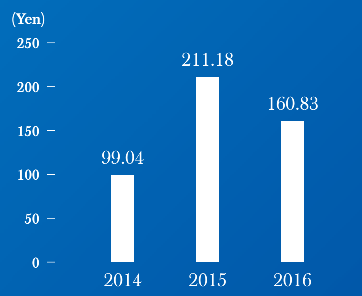
Year-on-year

25.4 %



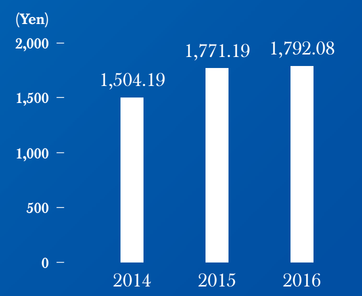
Basic earnings per share attributable to owners of the Company

¥160.83



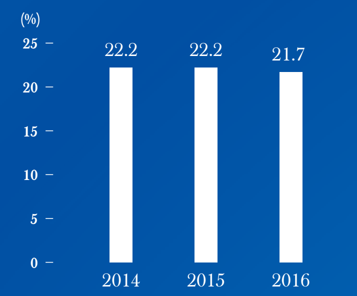
Equity per share attributable to owners of the Company

¥1,792.08

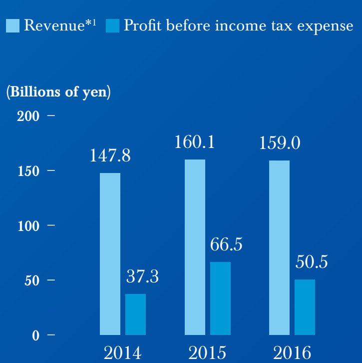


Substantive ratio of equity attributable to owners of the Company to total assets*2

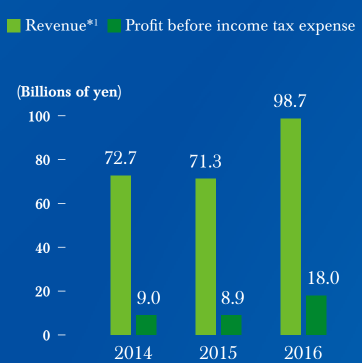
21.7 %



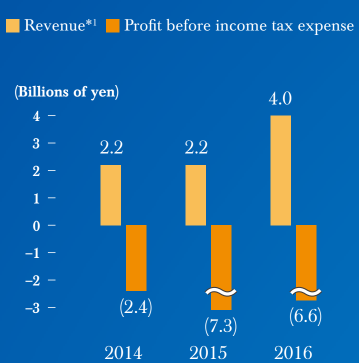
Financial Services Business*3



Asset Management Business*3



Biotechnology-related Business



*1 Beginning with the fiscal year ended March 31, 2016, the income categories "Operating revenue" and "Other financial income" have been eliminated, and the amounts have been combined and presented as "Revenue." Results for the year ended March 31, 2015 are presented as revenue for purposes of comparison, and results for the year ended March 31, 2014 are presented as operating revenue.

*2 Represents the substantive equity ratio, calculated by subtracting customer asset accounts (that is, asset accounts for margin transaction assets, cash segregated as deposits, etc.) and liability accounts (margin transaction liabilities, guarantee deposits received, and deposits from customers, etc.) held by the Company's subsidiary SBI SECURITIES.

*3 Revenue for the year ended March 31, 2015 decreased by ¥4,607 million in the Financial Services Business, and increased by ¥5,001 million in the Asset Management Business, owing to the segment transfer of Morningstar Japan and other companies from the Financial Services Business to the Asset Management Business segment (difference of ¥394 million is eliminated as inter-segment transactions). Profit before income tax expense also decreased by ¥785 million in the Financial Services Business, and increased by ¥785 million in the Asset Management Business.

Non-financial Highlights

Countries and Regions with Overseas Offices

Approx. **20** countries and regions

The SBI Group has established overseas offices, primarily in the growth markets of emerging countries in Asia, and is pursuing global business expansion in various fields. (as of March 31, 2016)

The Group's Customer Base

18.83 million

Group companies such as SBI SECURITIES, SBI Sumishin Net Bank and SBI Insurance, are steadily increasing the number of their customers, as the Group's total customer base also continues to expand. (as of March 31, 2016)

Group Companies

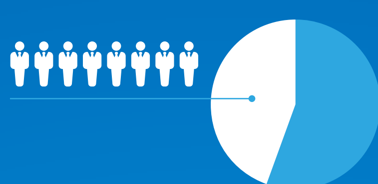
211 companies

The SBI Group consists of 211 companies, of which 178 are consolidated subsidiaries, and 33 are equity method associates. (as of March 31, 2016)

Number and Percentage of Outside Directors

8 persons / **44.4** %

There are eight Outside Directors appointed to the Board of Directors of SBI Holdings, comprising 44.4% of the total 18 Board members. (as of June 29, 2016)



Cumulative Donations Made by the SBI Children's Hope Foundation

Approx. ¥**970** million

Through the SBI Children's Hope Foundation, the SBI Group actively pursues solutions to child welfare problems for the sake of children, who hold the key to Japan's future. The Foundation made cumulative donations of approximately ¥970 million, to the fiscal year ended March 31, 2016.

The Local Staff Ratio at Overseas Offices

86.5 %

The SBI Group has a global workforce of talented individuals of diverse nationalities, with local employees accounting for slightly less than 90% of the workforce of the Company's overseas offices. (as of March 31, 2016)

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Forward-looking Statements

Statements contained in this report regarding the plans, projections and strategies of SBI Holdings, Inc. ("SBI Holdings") and its Group companies that are not historical facts constitute forward-looking statements about future financial results. As such, they are based on data obtainable at the time of announcement in compliance with SBI Holdings' management policies and certain premises that are deemed reasonable by SBI Holdings. Hence, actual results may differ, in some cases significantly, from these forward-looking statements contained herein due to changes in various factors, including but not limited to economic conditions in principal markets, service demand trends and currency exchange rate fluctuations. Further, statements contained herein should not be construed to encompass tax, legal, or financial advice, and should not be considered to be solicitations to invest in SBI Holdings, or any of the SBI Group companies.

Representative Director,
President & CEO
Yoshitaka Kitao

Entering a New Phase

The Group has Transitioned into a New Development Stage, Having Entered into the Most Dramatic Growth Phase since its Founding

The SBI Group has completed the establishment of the domestic Internet-based financial services business ecosystem, which it has endeavored to achieve since its founding, in FY2015. On the other hand, with the acceleration of new technological developments on a global scale in fields such as cryptocurrency, IoT, AI, big data and so on, the SBI Group has introduced various new technologies ahead of its competitors to establish a new ecosystem with blockchain technology as its core, in order to transition into a new dramatic growth phase. The Group will also actively invest in promising FinTech-related companies through the investment business, and will immediately utilize FinTech technologies within the Group's financial services businesses through collaborations with promising venture companies and other players in these new technology fields, in order to further maximize its competitiveness. Meanwhile, the Biotechnology-related Business has finally moved into a stage of full-scale growth as well, so the Group will endeavor to unerringly conduct strategic moves to take maximum advantage of this favorable opportunity to pursue a sustainable expansion of corporate value.

Summary of the Consolidated Business Performance of FY2015

The SBI Group Achieved Record High Revenue for Two Consecutive Fiscal Years, with Improved Profit Generating Capacity Progressing in Each Business Segment.

The fiscal year ended March 31, 2016 (FY2015) was a year in which the Group experienced further synergies and mutual evolution invigoration that created a virtuous cycle, as it entered into a new growth phase that is the most dramatic since its founding.

Reflecting on the economic environment that enveloped the SBI Group during FY2015, the stock markets in Japan, which have a significant impact on the investment business and the securities-related business, performed well at the beginning of the fiscal year as expectations for positive corporate business performance and the enhancement of shareholder returns increased, along with the strengthening trend of a weaker yen and stronger dollar that provided a favorable tailwind for the export-related stocks. However, from August onward, a simultaneous worldwide decline in stocks that reflected concerns about the slowing of the Chinese economy, a sense of uncertainty about the U.S. monetary policy, and a rapid and dramatic strengthening of the yen led to a greater risk avoidance. Consequently, the stock markets softened and the Nikkei Stock Average fell sharply. However, even in this difficult environment, the number of domestic IPOs (excluding TOKYO PRO Market listings) remained firm, with 94 companies completing IPOs, for an increase of 8 companies as compared to the previous fiscal year.

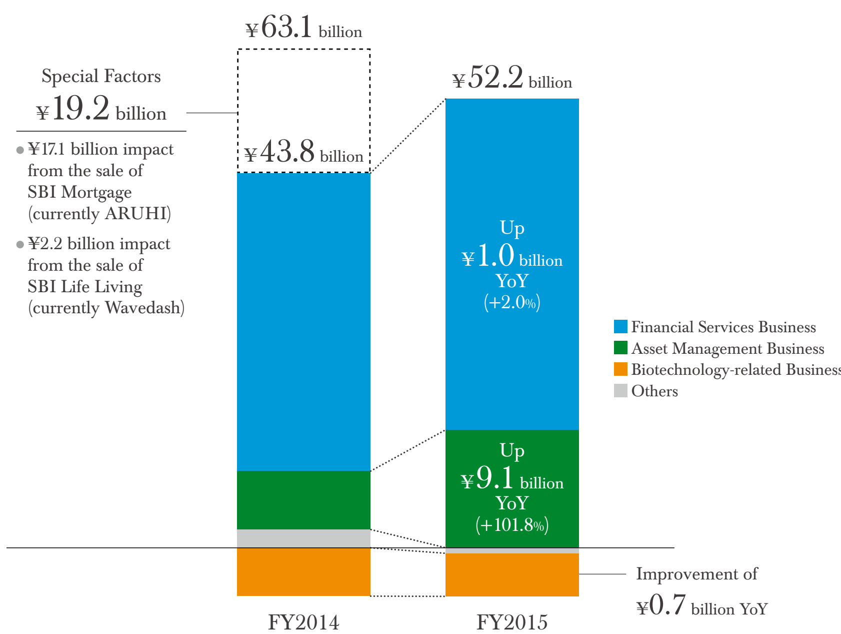
Meanwhile, overseas, with the movement toward a monetary policy normalization in the U.S., along with the economic uncertainties that surrounded the emerging economies, including China, the major countries' stock market conditions weakened and led to a decline in the number of overseas IPOs. Nevertheless, encouraging signs have begun to appear, such as the continuing gradual recovery of the U.S. economy.

In such an economic environment, the SBI Group's FY2015 consolidated financial results on an International Financial Reporting Standards (IFRSs) basis recorded a year-on-year revenue increase of 5.8%, for a record high ¥261.7 billion. Although profit before income tax expense fell 17.2% year-on-year to ¥52.2 billion, and profit for the year attributable to owners of the Company fell 25.4% year-on-year to ¥34.1 billion, with the decreases attributable to the inclusion of special factors, such as gains of ¥19.2 billion on the sale of SBI Mortgage (currently ARUHI) and SBI Life Living (currently Wavedash) in the FY2014 results. When the effect of these one-time items are excluded, profit before income tax expense rose 19.1% year-on-year.

It should be noted that the accounting item "operating income" has been eliminated from the consolidated results of FY2015. This reflects the reality of the wide-ranging scope of the Group's income earning activities, where a clear classification has become difficult, so the Company has changed to a method of presenting revenue and expenses without presenting operating income.

By segment, in the Financial Services Business, SBI SECURITIES, which has been diversifying its revenue sources, recorded an historical high in profit before income tax expense for three consecutive fiscal years, and the other major financial services companies also recorded historical highs as well. In addition, earning capacity increased substantially as companies that had previously operated at a loss, namely SBI Insurance and SBI Remit, a company operating an international remittance business, achieved full-year profitability for the first time. Although profit before income tax

Year-on-year Comparison of Profit Before Income Tax Expense Excluding Special Factors



* Total profit before income tax expense for FY2014 and FY2015 includes profit or loss not allocated to specific business segments and inter-segment eliminations.

expense from the Financial Services Business declined 24.2% year-on-year to ¥50.5 billion, when the one-time impact from the sale of SBI Mortgage (currently ARUHI) is excluded, profit before income tax expense rose 2.0% year-on-year.

In the Asset Management Business, the business performance at SBI SAVINGS BANK of South Korea, which completed its business revitalization efforts, developed favorably due to factors including a steady increase in performing loans and a gradual decrease in the delinquency ratio. The recording of valuation gains, primarily in listed stocks held, due to the change in fair value evaluation, also contributed to the Asset Management Business performance. In addition, Morningstar Japan, which has been moved from the Financial Services Business segment to the Asset Management Business segment beginning in FY2015, achieved substantial increases in revenue and profit. As a result of these developments, profit before income tax expense from the Asset Management Business increased 101.8% year-on-year to ¥18.0 billion.

The Biotechnology-related Business achieved a substantial increase in revenue and moved steadily forward toward profitability. The U.S.-based Quark Pharmaceuticals, a wholly owned subsidiary of SBI Biotech, received an upfront fee in the second quarter from a renewal of an option agreement for a drug discovery pipeline asset that advanced to the next development phase. Furthermore, on the occasion of the launch of ALAplus Tou (Sugar) Down, the first food with function claims containing 5-Aminolevulinic Acid (5-ALA), in December 2015, SBI ALApromo stepped up promotional activities focused on TV commercials, which led to a surge in the number of outlets handling 5-ALA-related products, along with a growth in sales.

Key Policies and Measures Going Forward

The SBI Group, while Capturing the Trend of a New Era, will Pursue Sustainable Growth and Profitability Improvement in Each of its Businesses.

The SBI Group aspires to realize sustainable high growth over the medium- and long-term, as well as to continue to create new value at all times. To actualize this vision for the future, the Group will make the following strategic moves in its business segments.

Financial Services Business

Fintech and Other New Technologies as a Driving Force

With the addition of the life insurance business as one of the pillars of the insurance business, the SBI Group has now completed the development of its Internet-based financial ecosystem in Japan, encompassing the three core businesses of securities, banking and insurance. The Group has focused its attention on the limitless potential of the Internet and the high affinity between the Internet and financial services. Since its founding in 1999, it has expanded its business domain into diverse Internet-based financial services centered on the securities business, and has grown into a corporate group with a customer base of nearly 19 million. Today, with the acceleration of the development of numerous new technologies, the SBI Group is excited about the possibilities for its dramatic growth, which is comparable to the potential that existed when the Group was established.

FinTech technologies, such as blockchain technology, IoT, AI, big data and other new technologies that have attracted attention in recent years can be effectively employed to expand the SBI Group's Financial Services Business, which utilizes the Internet as its main business channel. In order to take advantage of this favorable opportunity for growth, the SBI Group will actively utilize these new technologies at Group companies to further increase its competitiveness by pursuing differentiation from its competitors.

Asset Management Business

Increasing Investments into the FinTech Field, and Enhancing the Asset Management Services Business

In the venture capital business, the SBI Group will increase investments in FinTech-related venture companies through the FinTech Fund (fund name: FinTech Business Innovation LPS), of ¥30 billion total commitment, established in December 2015, and will endeavor to implement the practical use of innovative financial services by establishing a new FinTech ecosystem in collaboration with such promising venture companies.

In the asset management services business, SBI GLOBAL ASSET MANAGEMENT was established in November 2015, to consolidate the SBI Group's asset management functions for the purpose of effectively managing the Group's rapidly increasing assets under management. The Group plans to promote global asset allocation through collaboration with asset management companies in Japan and overseas, and to further increase earning capacity through means including arbitraging of interest rate differentials between Japan and other countries, by utilizing the Group's network of overseas partner financial institutions.

Biotechnology-related Business

Promoting Global Development of the 5-ALA-related Business to Expand the Revenue Base

In the 5-Aminolevulinic Acid (5-ALA)-related business, which is primarily operated by SBI Pharmaceuticals, the Group is promoting a global development of R&D, marketing and out-licensing by taking advantage of the acquisition of photonamic, a Germany-based pharmaceutical company, with future plans calling for a realization of global-scale synergies centered on SBI ALA Hong Kong, the Group's intermediate holding company for the 5-ALA-related business. SBI ALApromo, which markets health foods and cosmetics containing 5-ALA in Japan, is placing an emphasis on its foods with function claims as one of its key strategies, and is now addressing the development of those products.

SBI Biotech, the other pillar of the Biotechnology-related Business, which has multiple promising drug discovery pipeline assets targeting the treatment of cancer and autoimmune disorders, will promote the monetization of its pipelines through out-licensing (including joint research) with a view to realizing a future IPO.

Major Topics for the Year

2015

April

- SBI SECURITIES acquired Book Field Capital to accelerate efforts to internally originate structured bonds.

May

- Share repurchase of up to ¥10.0 billion was implemented (completed on June 17).
- Information Meetings (briefings for individual shareholders) held in Tokyo, Osaka and Nagoya.

July

- SBI BITS, a system development company was established.

August

- The Company was selected to be part of the composition stock of the JPX-Nikkei Index 400.
- ALAplus Drink, a new beauty supplement containing 5-ALA was launched.

- SBI Sumishin Net Bank started business partnership with Money Forward.

October

- SBI Thai Online Securities, the first pure-play online securities company in Thailand commenced its operations.

- SBI Card became a subsidiary of SBI Sumishin Net Bank.
- SBI Liquidity Market became a subsidiary of SBI SECURITIES.
- Partnership with RIZAP and the RIZAP GROUP was announced.

November

- With the founding of SBI ENERGY, entered into the renewable energy business.
- With the establishment of SBI GLOBAL ASSET MANAGEMENT, the Group promotes internal restructuring toward the strengthening of its asset management structure.
- 5-ALA's safety and effectiveness was confirmed in treating type 2 diabetes patients in food intervention trial in Bahrain.

December

- Information Meetings (briefings for individual shareholders) held in Tokyo, Osaka and Nagoya.

- SBI Sumishin Net Bank initiated Japan's first demonstration test to examine the possibility of applying blockchain technology for accounting operation.
- ALAplus Tou (Sugar) Down, the first food with function claims containing 5-ALA was launched.

- FinTech Fund, a venture capital fund targeting FinTech-related companies was established.
- SBI Bond Investment Management, a joint venture with the world-class global bond investment management firm PIMCO was established.

2016

January

- German-based pharmaceutical company, photonamic, which deals with 5-ALA-related pharmaceuticals in Europe, became a subsidiary of the SBI Group.
- Completed memorandum of understanding on investing and establishing a joint venture with Ripple Labs, Inc., developer of Ripple Connect, a next-generation settlement platform based on blockchain technology.
- The number of accounts at SBI SECURITIES surpassed 3.5 million, the first among online securities companies.

February

- SBI Life Insurance started to sell new products in whole life medical and term insurance.
- Agreement to transfer all shares of Phnom Penh Commercial Bank was concluded.
- Share repurchase of up to ¥5.0 billion was implemented (completed on March 17).

March

- SBI Holdings participates in R3 CEV's blockchain consortium, as the world's first financial group whose main channel is the Internet.

● Financial Services Business ● Asset Management Business ● Biotechnology-related Business ● Corporate

Sustainable Expansion of Corporate Value

The SBI Group will Strive for Sustainable High Growth of its Businesses and Endeavor to Expand its Corporate Value by Actively Increasing Shareholder Returns.

The SBI Group believes that the creation of customer value, which is the intrinsic value of goods and services a company provides to its customers, is the foundation of corporate value and that customer value, shareholder value and human capital value are mutually interconnected, and increases over time in a virtuous cycle. Increasing customer value through close adherence to the “Customer-centric Principle” on a group-wide basis contributes to improvements in business performance, and an increase in shareholder value. This makes it possible to recruit and retain talented personnel, which leads to an increase in human capital value. The ability to recruit and retain talented personnel enables the creation of better products and services, which further increases customer value. The Group will continue to engage in various measures to create this virtuous cycle.

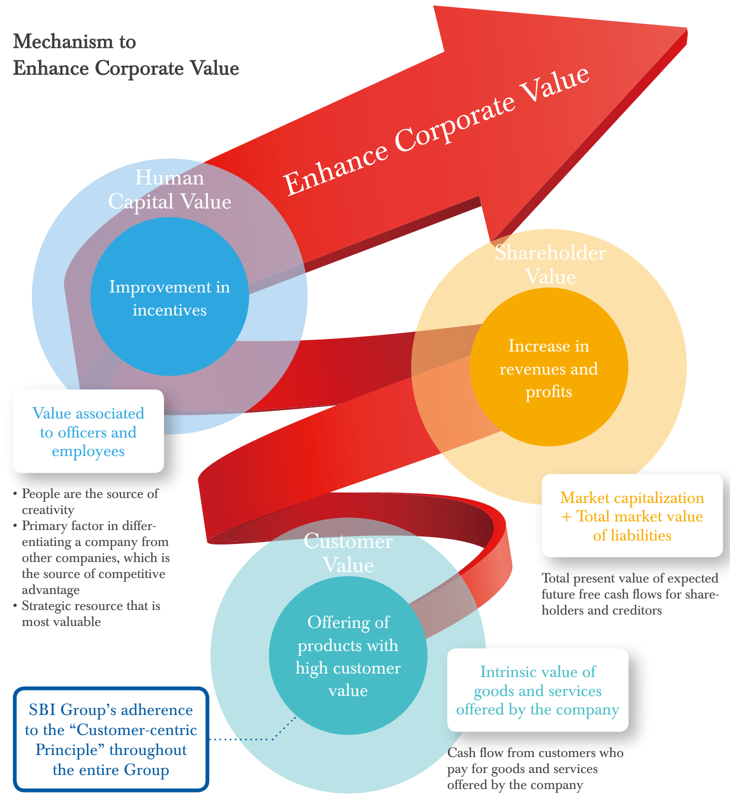
Increasing shareholder value, which is to say enhancing shareholder returns, is an important management policy. Accordingly, the Company increased the annual dividend for FY2015 by ¥10 per share to ¥45, including the interim dividend of ¥10. In addition, the Company repurchased shares worth approximately ¥5.0 billion in February and March 2016. As a result, total shareholder returns, including dividends and share repurchases, were approximately ¥14.4 billion, and the total shareholder return ratio was 42.2%. The Group will continue its efforts to realize sustainable high growth and provide shareholder returns with a target total shareholder return ratio of about 40%.

As such, with the SBI Group embarking on a new growth phase by continuing to embrace new challenges in step with the changing times, along with the concomitant expectations, the continued support of all shareholders will be greatly appreciated.

Yoshitaka Kitao

Representative Director, President & CEO

Mechanism to Enhance Corporate Value

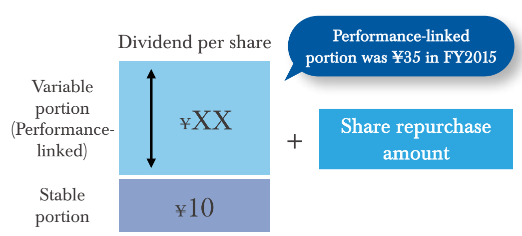


Basic Concept of Shareholder Returns

Basic Policies

- Pay a minimum annual dividend of ¥10 per share.
- Endeavor to achieve a total shareholder return ratio, which is the portion of the sum of dividend payouts and share repurchase amount to profit for the year attributable to the owners of the Company, of around 40%.

Schematic of Shareholder Returns



Target total return ratio of 40% of profit for the year attributable to the owners of the Company

BEGINNING OF THE NEXT INNOVATION

The SBI Group has been able to achieve sustainable growth until now by swiftly capturing the trend of the times, and by establishing a "business ecosystem" that spans a wide range of industries that allows the pursuit of synergies between businesses, which in turn has allowed inter-Group synergistic and mutual evolution that has led to a competitive differentiation from its competitors.

Today, the Group is transitioning to a stage where it will expand and grow while it exerts favorable effects on its two supporting pillars, the Financial Services Business and the Asset Management Business. Moving forward, through the promotion of proactive investments into promising venture companies in the evolving new technology fields of FinTech, IoT, AI and big data, these new technologies will be immediately utilized by the Group's financial services businesses to increase their competitiveness and to distinguish themselves from their competitors.

In addition, in the 5-ALA-related business, the research and development on a variety of pharmaceutical products have steadily progressed, and the health foods and cosmetics businesses are also steadily expanding, so a global business system is being established to solidify the earning capacity of this business. New challenges toward the realization of sustainable growth for the SBI Group have already begun.

Pursuing Sustainable Growth

through Investments into the 21st Century Growth Industries, as well as by the Group's Own Business Development in the Same Fields

Until now, the SBI Group, in accordance with its fundamental business building concepts, has expanded its investments into the 21st century growth industries such as the IT industry, and through the establishment of numerous Internet-based financial services companies that utilize such technologies, has realized a comprehensive Internet-based financial ecosystem that has enabled a dramatic organizational growth.

By expanding the business domain in this way, where operating entities are established in parallel with venture investments, mutually beneficial effects are realized that makes sustainable growth possible.

Financial Services Business

Establishment of an Internet-based Financial Ecosystem in Japan

The SBI Group initially entered the diverse financial services sector in the online securities business, and through the establishment of an Internet-based financial ecosystem, has promoted the creation of synergies and mutual evolution between the Group's operating companies, in order to realize a competitive advantage that distinguishes itself from its competitors. To date, the Group has established a globally unique financial conglomerate that utilizes the Internet as its main business channel, which positions Japan's No. 1 retail online securities business in terms of its overwhelming customer base, banking business and insurance business as the three core components of the Financial Services Business. Moreover, away from services available on the Internet, through an aggressive development of a face-to-face shop managed on a franchise system, SBI MONEY PLAZA, which provides financial services both online and on a face-to-face basis, was established to provide optimal financial products to meet the needs of individual customers, and has received high customer satisfaction.

In this way, while growth was achieved by thoroughly exploiting synergies within the financial ecosystem, the Asset Management Business' focused investments into the IT field contributed significantly to the development of the Financial Services Business. Among the investee companies in the IT sector, there are many with leading-edge technologies, and the utilization of those technologies and expertise within the Group will enable the creation and offering of distinctive financial services, which is the result of a virtuous cycle between the Financial Services Business and the Asset Management Business.

Asset Management Business

Investments into the 21st Century Growth Industries

Since its founding in 1999, in order to put into practice the management philosophy of becoming a "New Industry Creator," the SBI Group has made focused investments in the IT and biotechnology sectors, which are the 21st century growth industries. Also, since 2005, in order to diversify risk and pursue higher growth, the Group jointly established a number of overseas funds and developed a global structure with prominent local partners in emerging countries with high growth potential, primarily in Asia, and is in the process of promoting the establishment of an overseas financial ecosystem through the transference of the online financial business expertise and knowledge that were developed in Japan.

The SBI Group has been focused on the IT field since its establishment, and has actively invested in and nurtured numerous venture companies since the dawn of the Internet era in Japan. At the same time, the Group has developed a wide variety of its own financial services utilizing the Internet as the main channel, leading to an accumulation of knowledge of the IT field in the form of technologies and expertise. This knowledge was the basis for the sound investments in the IT sector, and has led to the achievement of the high performance funds that were established since the second half of the 1990s. Presently, the development of new technologies is accelerating, and within the FinTech, IoT, AI, big data and related fields that is attracting global attention, the Asset Management Business is not only proactively investing in venture companies in these fields, but also has realized a virtuous cycle by introducing appropriate new technologies of these venture companies to the Financial Services Business, to develop new services and improve business efficiencies.

Biotechnology-related Business

Preparations for a Global Business Structure to Monetize the Business

In the biotechnology field, while the SBI Group will focus on the investment and nurturing of promising bio-venture companies, and will pursue stable sustained growth, biotechnology itself has been positioned as a high-priority business segment, and through the establishment of subsidiaries, the Group has embarked into the Biotechnology-related Business on an operating basis. The SBI Group is engaged in the Biotechnology-related Business through three main subsidiaries. SBI Biotech, established in 2007, develops new medical care and pharmaceutical products through the utilization of its leading-edge biotechnologies. In the 5-ALA-related business, SBI Pharmaceuticals, established in 2008, is engaged in the research, development and manufacture of pharmaceuticals, health foods and cosmetics using 5-ALA, and SBI ALApromo, established in 2012, distributes health foods and cosmetics containing 5-ALA in Japan.

The Biotechnology-related Business contributes to healthy living through the research, development and manufacture of pharmaceuticals, health foods and cosmetics, moreover the pharmaceutical industry is said to be a defensive sector that is resistant to economic fluctuations, and may be considered a sector that is conducive to stable profit generation, since profit margins are higher than that of other business sectors in Japan. Furthermore, in the 5-ALA-related business, which is expected to drive the medium- and long-term growth of the SBI Group, the application of the active ingredient 5-ALA in a wide range of fields is attracting considerable attention, and the number of joint research and business partners in Japan and overseas are increasing. Going forward, the integration of the research structure to accelerate the globalization process, and the strengthening of the sales structure for pharmaceuticals, health foods and other products will be accomplished in Japan and abroad.

Business Expansion through the Utilization of New Technologies Including FinTech that is Gathering Global Interest

The utilization of new IT technologies represented by FinTech, centering on blockchain technology, IoT, AI and big data in businesses is becoming a major global trend, leading to a revolution in conventional financial services. While businesses that are adopting FinTech are on the rise in Europe and the U.S., the SBI Group is endeavoring to offer innovative financial services by establishing a New FinTech Ecosystem through collaborations with promising venture companies in these new fields.

Launch of the FinTech Fund

The Financial Industry's First and Largest FinTech Fund, in Terms of Asset Size, which will Contribute to the Industry

Takeshi Goto

SBI Investment Co., Ltd.
Director & Senior Managing Executive Officer

The Launch of a Fund at the Dawn of a New Era

In the overseas, FinTech ventures are being formed one after another, especially in Europe and the U.S., as investments into this field continues to grow year after year. Although the domestic FinTech industry is in its early days, the Japanese government has focused its attention on FinTech's potential as a pillar of future growth, leading this industry to be one of the business fields that is expected to take a "great leap forward" since the Japanese Financial Big Bang.

In order to take advantage of this opportunity, the SBI Group launched the FinTech Fund in December 2015, to proactively invest in promising FinTech companies in Japan and abroad. With a total capital commitment of ¥30 billion, the Fund's equity investors include a number of financial institutions, including Mizuho Financial Group, Inc., Sony Financial Holdings Inc., The Dai-ichi Life Insurance Company, Limited, The Bank of Yokohama, Ltd., and The Ashikaga Bank, Ltd., as well as companies such as the SoftBank Group Corp. that have a high affinity with FinTech and are anticipating business synergies through their participation. In the future, the SBI Group will also collaborate with its overseas business partners to implement an overseas expansion of FinTech technologies that originates from Japan.

Two Funds to Support Implementation of FinTech

Investments into venture companies from the FinTech Fund commenced in December 2015, and over 10 company investments have already been made as of June 2016, with plans to invest in over 100 companies in Japan and abroad. The FinTech Fund will make its investments with the benefit of the SBI Group's investment track record, experience and online finance business expertise, and will also cooperate with major IT vendors to support the open innovation between the Fund's equity investors and investee companies, to promote the introduction and utilization of new FinTech-related technologies and services, while boosting the value of the investee companies. In support, the Group companies will liaise with the investee companies to conduct demonstration tests of their FinTech technologies and services, to build a system that encourages the Fund's equity investors to smoothly introduce FinTech technologies, while minimizing the initial cost of introduction.

In addition, the Group is planning the establishment of a fund, provisionally named the Regional Bank Value Creation Fund, which will endeavor to raise the corporate value of local and regional financial institutions, through the introduction and support of FinTech services. This new fund is targeting a total commitment capital amount of at least ¥50 billion, and will package solutions that will be jointly developed by the SBI Group and the FinTech-related investee companies, and in cooperation with IT vendors the Group is considering the proposal of such solutions to the regional financial institutions, including the fund's equity investors.

Forming a FinTech Consortium

The new wave of FinTech is an important technological innovation that will impact the future for the SBI Group, as well as for all Japanese financial companies. Therefore, the SBI Group has initiated the establishment of the SBI FinTech Consortium, which will pursue the overseas expansion of new FinTech technologies and services in a range of financial fields originating from Japan.

The SBI FinTech Consortium will endeavor to develop a globally applicable Japan-origin FinTech service that is based on the assemblage of FinTech technologies possessed by participating companies, with an affordable initial implementation cost. Along with major financial institutions, in order for FinTech, including blockchain technology, to be utilized in a wide range of financial fields, the development of application software that connects FinTech elemental technology to traditional financial systems becomes necessary. An immense amount of time and investment would be required, if such work were to be done completely by a single entity. However, through an alliance of companies possessing FinTech technology, an efficient provision of complex services becomes possible, along with a swift and less costly initial implementation by financial institutions, which may lead to the possibility of a dramatic market scale expansion.

The first meeting of the SBI FinTech Consortium was held in May 2016, with 38 participants representing top management of domestic and overseas FinTech venture companies that have taken on the front-line challenges. Many opinions were exchanged, and the meeting was closed on a high note. The SBI Group will endeavor to enroot the FinTech business as one of Japan's leading industries, while collaborating with the equity investors in the FinTech Fund as well.

Utilization of FinTech Technologies at the SBI Group

Until now, the SBI Group had achieved its dramatic growth through the establishment of an Internet-based financial ecosystem, but moving forward, within a five year period the establishment of a New FinTech Ecosystem is planned, which will incorporate FinTech-related technologies with a blockchain technology nucleus. Toward the realization of this goal, the SBI Group's Financial Services Business is proactively promoting the implementation of FinTech technology demonstration tests to stimulate practical technological innovations.

SBI Sumishin Net Bank performed Japan's first full-scale performance demonstration test for the potential application of blockchain technology to the Bank's mission-critical accounting system on a load-resistant, tamper-resistant and cost-effective basis. The Bank will continue to examine the technology's application in the areas of personal identification and authentication, as well as for the accounting system. Additionally, the development of a transaction based lending service for SMEs and self-proprietors who utilize cloud accounting services that are supplied by FinTech partner companies has begun, and the eventual inclusion of big data analysis and AI into these services, along with other joint developments with consortium members, will proceed accordingly. SBI SECURITIES has also participated in demonstration tests for the utilization of blockchain technology in the securities business, while SBI Liquidity Market is proceeding with an examination of product development utilizing this technology, with expectations of introducing those during FY2016. Moreover, SBI Ripple Asia, a joint venture with Ripple Labs of the U.S., which is developing the foundation for next-generation settlements, was established in May 2016, and the joint venture is in the process of establishing a new international money remittance system utilizing blockchain technology. Further, the SBI Group consists of many businesses that have a high affinity with new technologies such as FinTech, so they will also be working toward the commercialization of new products and services.

5-ALA-related Business Beginning Full-fledged Dramatic Growth Over the Medium- to Long-term

The Biotechnology-related Business is expected to be the growth driver for the SBI Group in the medium- to long-term, and the 5-Aminolevulinic Acid (5-ALA)-related business in particular is accelerating its expansion both domestically and abroad. With the inclusion of the German pharmaceutical company photonamic into the SBI Group in January 2016, the development of a global business system has proceeded and a full-fledged growth of the business in the medium- to long-term was initiated.

Newly establishing three new divisions

SBI ALA Hong Kong
(Intermediate holding company in 5-ALA-related business)

- Global R&D
- Global Marketing
- Global Alliances and Out-licensing

Aggregate the Group companies under the same aegis

* 5-ALA-related business structure within a year to a year-and-a-half (plan)

SBI Pharmaceuticals	R&D, manufacturing and sales of pharmaceuticals, health foods and cosmetics using 5-ALA
photonamic	R&D and sales of pharmaceuticals using 5-ALA
Suzhou Yian Biotech	Manufacturing of active ingredient of 5-ALA, as well as pharmaceuticals, health foods and cosmetics using 5-ALA
SBI ALApromo	Manufacturing and sales of health foods and cosmetics using 5-ALA

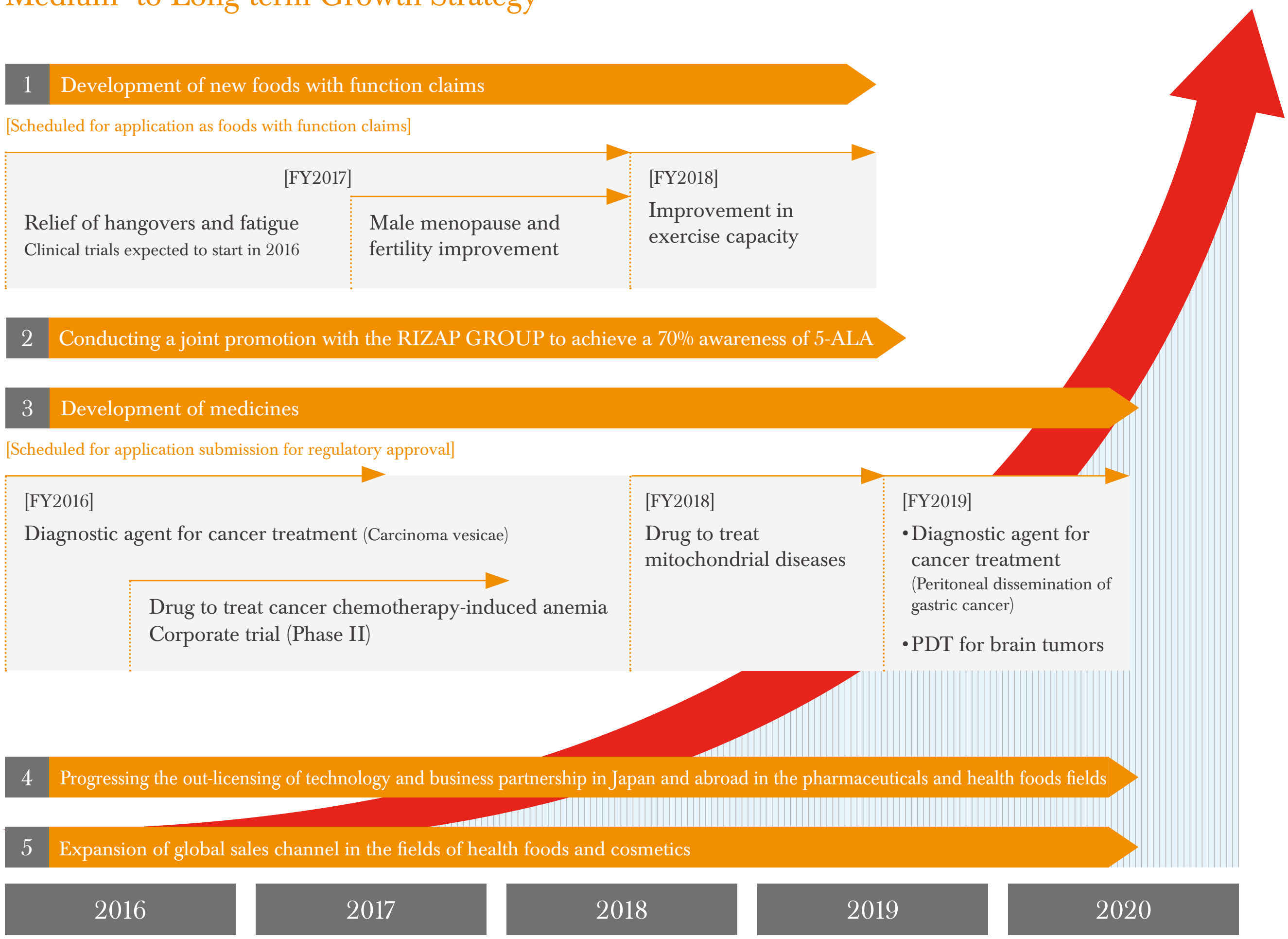
Global Business Ecosystem in 5-ALA-related Business

The 5-ALA-related business is endeavoring to reach early profitability, and as part of an effort to build an exclusive R&D system for 5-ALA-related pharmaceutical products, photonamic of Germany was incorporated as a wholly owned subsidiary of the SBI Group in January 2016. photonamic possesses a R&D foundation and pipeline in pharmaceuticals using 5-ALA, and has a global sales network in over 25 countries, primarily in Europe.

The SBI Group has established an organizational structure that will leverage photonamic's R&D and sales network by centering activities at SBI ALA Hong Kong, an intermediate holding company, to exert global synergies in the 5-ALA-related business. The major 5-ALA-related subsidiaries within the Group will now come under the aegis of SBI ALA Hong Kong, along with the concentration of three functions, in order to strengthen the connections between each subsidiary. Specifically, Global R&D was established for the purpose of building an exclusive global R&D system, Global Marketing was established with the responsibility for drafting domestic and overseas sales strategy, and Global Alliances and Out-licensing was established to promote technology out-licensing and business alliances in the pharmaceuticals and health foods fields, in Japan and abroad.

In this way, by establishing an organizational structure at SBI ALA Hong Kong, moving forward, a rigorous distinction will be made toward the research and development of drug pipelines using 5-ALA, which may be applied across a wide range of research for practical applications, and to thoroughly reduce cost and more readily reach profitability. In addition, by transitioning to profitability through the promotion of out-licensing of drugs and health foods to other companies, a public offering of SBI ALA Hong Kong will be endeavored.

Medium- to Long-term Growth Strategy



A Growth Strategy Focused on the Future

While the 5-ALA-related business accelerates its global expansion through the unification of its research system with photonamic, along with the strengthening of the overseas pharmaceutical sales structure, technology out-licensing and business alliances will continue to be promoted on a global scale toward the establishment of a revenue base that leads to early profitability.

A key strategy toward the attainment of early profitability is to undertake the development of foods with function claims, and so in addition to the start of sales of ALAplus Tou (Sugar) Down, a product with low blood sugar benefits, in December 2015, new foods with function claims are in the process of being developed. Among these are products to relieve the aftereffects of alcohol consumption and fatigue, for which the Group expects to start clinical trials by year-end and plans to apply for approval in August 2017, and others are directed for the improvement of male menopause and fertility, as well as those to improve exercise capacity. While also focusing on the expansion of the product offerings, with the goal of improving the recognition rate of the 5-ALA-related products to 70%, joint promotions with the RIZAP GROUP (formerly Kenkou Corporation) will be implemented. In the overseas, the business is proactively involved in the out-licensing and business tie-ups for its health foods and cosmetics, and has already started sales of health foods in Bahrain, Jordan and the Philippines, while continuing discussions in the UAE. Moreover, in Hong Kong negotiations are in place with local officials over the registration of 5-ALA phosphate as a cosmetic ingredient.

In pharmaceuticals, SBI Pharmaceuticals is in discussions regarding technology out-licensing of photodynamic diagnosis (PDD) for bladder cancer and for mitochondrial diseases. Additionally, R&D is being promoted for photodynamic therapy (PDT) and malaria, which is becoming a serious problem. In this way, the revenue base for the Biotechnology-related Business is being steadily established, and for the medium- to long-term it is expected to grow into one of the revenue pillars for the SBI Group.

Financial Services Business

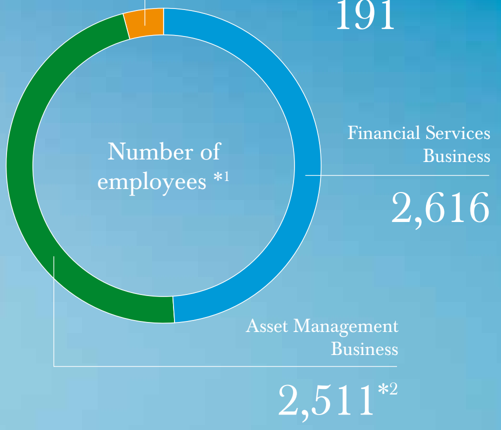
Provision of innovative, highly convenient financial products and services via the Internet

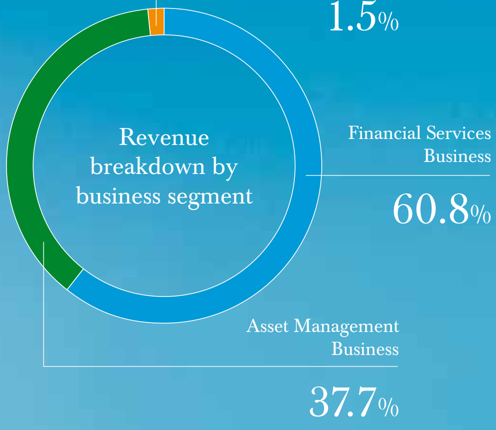
- Securities-related business
- Banking-related business
- Insurance-related business
- Operation of SBI MONEY PLAZA shops
- Operation of comparison, search and cost estimation websites for financial products

Revenue	Profit before income tax expense
¥159.0 billion	¥50.5 billion
YoY ¥1.1 billion ↘	YoY ¥16.1 billion ↘

Starting with the three-year record of SBI SECURITIES–the growth driver for the Group–each major company in the Financial Services Business attained record profits. Furthermore, SBI Insurance and SBI Remit, which had been running deficits, have now achieved their first IFRSs-based full-year profit since their establishment. However, temporary gains were recorded in conjunction with the sale of SBI Mortgage (currently ARUHI) in FY2014. As a result, revenue fell 0.7% year-on-year to ¥159,012 million and profit before income tax expense fell 24.2% year-on-year to ¥50,458 million. When the temporary effect is excluded, profit before income tax expense rose 2.0% year-on-year.

Financial Services Business





*1 Excluding 162 people, such as shared group employees.
*2 Including 1,822 employees of companies acquired for investment development purposes, and deemed to be consolidated subsidiaries as controlled entities.
*3 Other than the above, there are other businesses including rent guarantee services for rental housing, and membership-based health services.

Asset Management Business

Asset Management Business

Investment in venture companies in Japan and abroad in fields including IT and biotechnology, and provision of asset management-related services

- Venture capital business
- Domestic and overseas investment business
- Overseas financial services business
- Asset management services business

Revenue	Profit before income tax expense
¥98.7 billion	¥18.0 billion
YoY ¥27.4 billion ↗	YoY ¥9.1 billion ↗

SBI SAVINGS BANK of South Korea, which completed its business revitalization efforts, had a healthy buildup in its balance of performing loans and its earnings have been strong due to continued growth. This, together with valuation gains arising from increased fair value evaluation centered on listed securities held, has boosted overall segment earnings. Morningstar Japan, which switched the reporting segment to the Asset Management Business starting in FY2015, has achieved a large increase in revenue and profits, also leading to the segment's growth with revenue increasing 38.4% year-on-year to ¥98,725 million, and profit before income tax expense rising 101.8% to ¥17,996 million.

Biotechnology-related Business

Biotechnology-related Business

Research and development, manufacture and sales of pharmaceuticals, health foods and cosmetics in collaboration with various business partners

- Research and development of medical treatments and pharmaceutical products that utilize leading-edge biotechnologies
- Research and development of pharmaceuticals, health foods and cosmetics containing 5-ALA

Revenue	Profit before income tax expense
¥4.0 billion	¥(6.6) billion
YoY ¥1.8 billion ↗	YoY ¥0.7 billion ↗

In FY2015, Quark Pharmaceuticals, a U.S. subsidiary of SBI Biotech received a $20 million upfront fee by renewing its option agreement with Novartis International AG of Switzerland for its drug pipeline held. Also, SBI ALApromo in December 2015 started sales of ALAplus Tou (Sugar) Down, a food with function claims containing 5-ALA. Subsequently, sales have become brisk, allowing the overall segment to earn an 84.3% year-on-year increase in revenue to ¥4,021 million, and to improve the loss in profit before income tax expense to ¥6,572 million (compared to ¥7,310 million in the previous fiscal year).

Financial Services Business

Through the Completion of the Financial Ecosystem, Continues to Improve the Earning Capacity with the Establishment of a Firm Business Foundation

Principal Companies

Intermediate Holding Company: SBI FINANCIAL SERVICES

SBI SECURITIES
SBI Liquidity Market
SBI FXTRADE
SBI Japannext
SBI Sumishin Net Bank
SBI Insurance
SBI Life Insurance
SBI MONEY PLAZA
SBI Holdings
(Financial Services Business Division)

Full-year Profit before Income Tax Expense of Major Financial Services Business Companies (based on IFRSs)

(Millions of yen)

	FY2014	FY2015	YoY change (Rate of change: %)
SBI SECURITIES	34,828	37,850 Record high	3,022 (+8.7)
SBI Liquidity Market	3,046	3,303 Record high	257 (+8.4)
SBI FXTRADE	1,695	1,897 Record high	202 (+11.9)
SBI Japannext	1,081	1,493 Record high	412 (+38.1)
SBI Insurance	(618)	90 Full-year profitability	708 (–)
SBI MONEY PLAZA	1,496	1,751 Record high	255 (+17.0)
SBI Sumishin Net Bank*	5,196	3,385	–1,811 (–34.9)

* Share of results of associates using the equity method
Owing to the difference in IFRSs and JGAAP for asset assessment criteria, the profit amount is different from that based on JGAAP

Priority Measures

Securities-related Business

- In the securities-related business, centering on SBI SECURITIES, endeavoring the expansion of the corporate business by further enhancing the equity and bond underwriting businesses
- Strengthening the retail business through the initiation of the first self-originated publicly offered structured bonds, and the expansion of the IFA business
- Through an in-house system development by SBI BITS, reducing system costs and improving customer convenience
- The FX-related business is accelerating its Asia deployment through the establishment of SBI FX, an affiliate in Hong Kong

Banking-related Business

- At SBI Sumishin Net Bank, will endeavor to take SBI Card, which was incorporated to become a subsidiary in October 2015, to profitability in FY2016, to quickly develop it into a profit pillar
- Embarked on the development of a transaction based lending service as a new revenue source, by leveraging an alliance with FinTech-related companies

Insurance-related Business

- SBI Insurance has embarked on the development of fire insurance products with low premiums
- SBI Life Insurance commenced the sales of term life and whole life medical insurance, and will increase sales by maximally utilizing the Group synergies
- In the small-amount, short-term insurance business segment, will expand the business domain and pursue further growth through additional M&A activities of small-amount, short-term insurance companies
- Strengthening the earning capacity of the entire insurance business by entering into the reinsurance business

SBI証券 [SBI SECURITIES]

With a Foundation of an Overwhelming Customer Base and Sales Capacity, Strengthening Measures to Rank among the Major Face-to-face Securities Companies

Masato Takamura

SBI SECURITIES Co., Ltd.
Representative Director and President

Record High Profits for Three Consecutive Fiscal Years

For its FY2015 financial results, SBI SECURITIES achieved record highs in operating revenue and all profit categories for the third consecutive year, with operating revenue up 15.7% year-on-year to ¥89.8 billion, operating income up 15.0% year-on-year to ¥39.9 billion, and net income attributable to owners of the parent up 39.5% year-on-year to ¥28.1 billion.

In April 2015, owing to factors such as a weaker yen versus the dollar in the foreign exchange markets that provided a tailwind, particularly for export-related companies, along with expectations for higher earnings and consequent shareholder returns, the Nikkei Stock Average recovered the ¥20,000 level for the first time in 15 years. However, although the Nikkei Stock Average did somewhat recover after the steep decline in global stock prices at the end of August, it ended trading at the end of March 2016 at ¥16,758, or 12.7% below the level at the end of March 2015.

Under these circumstances, individual stock brokerage trading value on the Tokyo and Nagoya stock exchanges for FY2015 declined 1.7% year-on-year, while that of SBI SECURITIES rose 6.7% year-on-year, and the advancement of the diversification of revenue sources, reflected by a continued increase in the margin trading and investment trust businesses, enabled the achievement of record high profits.

The number of accounts at SBI SECURITIES as of March 31, 2016 increased by 320 thousand year-on-year to 3.56 million, making it the only online securities company to surpass the 3.5 million account barrier, while customer deposit assets reached ¥9.5 trillion, pulling it further away from its competitors, as the company continues to enjoy an overwhelming customer base. As measured by the number of accounts, SBI SECURITIES not only dominates among online securities companies, but it is also ranked third in the industry as a whole, which includes major face-to-face securities companies, trailing second-ranked Daiwa Securities Co. Ltd. by only a small amount.

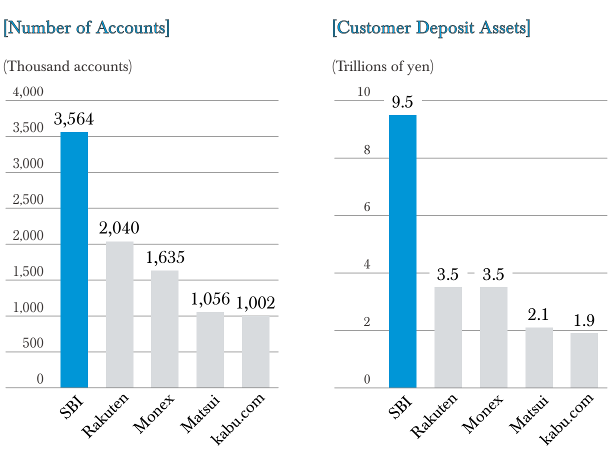
In FY2015, SBI SECURITIES' share of individual stock brokerage trading value rose from 38.1% to 42.0%, while the share of stock brokerage trading value for margin trading by individuals was up from 40.5% to 45.8%, as the company continued its dominant top-rank share within the entire Japanese securities industry, including major face-to-face securities companies.

As of March 31, 2016, the open interest credit balance was ¥678.0 billion, which was at a high level in a volatile stock market, and the financial revenue for the full fiscal year increased 12.5% year-on-year to ¥32.5 billion. Furthermore, underwriting, offering and distribution commissions for FY2015 increased by 1.2% year-on-year to ¥5.5 billion. Investment trust balance remained strong with a balance of ¥1,216.3 billion, or a 5.3% year-on-year increase, while investment trust fees for FY2015 amounted to ¥4.4 billion, for a year-on-year increase of 16.4%. All of these figures indicated high growth.

Introduced in January 2014, the Nippon Individual Savings Account (NISA) system provides tax exemption on small investments. During the fiscal year, SBI SECURITIES attracted many new customers who are also new to investing, with the number of accounts growing significantly from approximately 640 thousand accounts to 820 thousand accounts as of March 31, 2016, ranking the company second in terms of the number of NISA accounts within the industry, including the major face-to-face securities companies. As a result, assets under management pertaining to NISA increased from ¥272.6 billion to ¥424.2 billion over the fiscal year.

Number of Accounts and Amount of Customer Deposit Assets at Five Online Securities Companies

(As of March 31, 2016)



Sources: Compiled by SBI SECURITIES from information on each company's website

* Since SBI SECURITIES discloses its financial results on a consolidated basis from FY2015, the year-on-year changes presented above are based on the non-consolidated results for FY2014 for comparison purposes.

Expanding the Corporate Business while Promoting Product Diversification and Strengthening the Retail Business

SBI SECURITIES will further enhance its corporate business based on an overwhelming customer base and sales capacity in the retail business, and at the same time diversify its retail offerings and expand its unique sales channels.

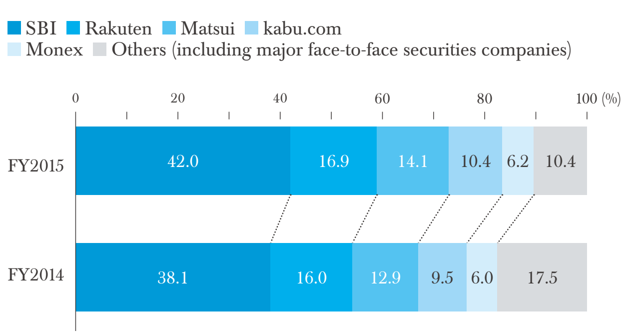
In its corporate business, SBI SECURITIES was an underwriter for 82 IPOs in FY2015, or for 87.2% of the 94 total IPOs for the year, maintaining the top position in the industry. Moving forward, the company will not only continue to underwrite IPOs, but will also expand and strengthen its participation in secondary public offerings, while also considering the development of a trading business. In the retail business, the company launched the sales in March 2016 of the “Digital Coupon Reverse Convertible (Next Funds Nikkei 225 Leveraged Index Exchange Traded Fund),” the first self-originated publicly offered structured bond. This product development was overseen by SBI Securities (Hong Kong), a Hong Kong subsidiary of the company, as it made full use of the special expertise in financial product development, trading and management possessed by Book Field Capital, which became a subsidiary in April 2015. The in-house development of structured bonds, which was previously purchased from outside financial institutions, has enabled a broader-based and more attractive structured bond offering.

In July 2015, the SBI Group, in pursuit of an internally developed financial system, particularly for the securities business, established SBI BITS, a system development company with 93 of the 150 employees being foreign staff, possessing high technical abilities in engineering that enables a high-level in-house system development (as of March 31, 2016). By sequentially consolidating system development projects that are currently outsourced to various system vendors to SBI BITS, SBI SECURITIES expects to reduce system costs to major outside vendors by 20% over two years. Also, SBI BITS will not just provide its system development to the domestic securities business, but also eventually expects to provide its services to a broad range of securities businesses overseas, as well as to the banking and insurance businesses.

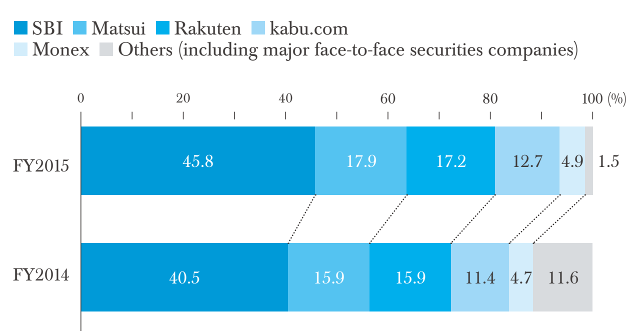
Establishing a Solid Business Foundation for FX Trading

In foreign exchange trading, SBI SECURITIES, SBI FXTRADE and SBI Sumishin Net Bank have a combined total of 760 thousand FX trading accounts, and a balance of assets on deposit amounting to ¥165.7 billion as of March 31, 2016, both of which far surpasses competitors in the FX industry. Against the backdrop of such a solid business foundation, the trading volume has been high at SBI Liquidity Market, which provides a foreign exchange market function and trading infrastructure, with operating income before the proportional allocation of income to each SBI Group company involved in transactions growing 12.8% year-on-year to a record high ¥12.5 billion (based on JGAAP). Also, at SBI FXTRADE, a pure-play FX transaction services company, operating income based on profit allocated from SBI Liquidity Market rose 11.9% to ¥1.9 billion (based on JGAAP), a record high. The company is also endeavoring to improve customer convenience by offering the industry’s narrowest spreads for major currency pairs, and by launching proprietary services such as the Leveraged Foreign-currency Recurring Trading product in December 2015.

Share of Individual Stock Brokerage Trading Value



(of which) Share of Individual Stock Brokerage Margin Trading Value



Source: Compiled by SBI SECURITIES based on Tokyo Stock Exchange and JASDAQ materials, and from information on each company’s website.
* The individual stock brokerage trading value and individual stock brokerage margin trading value are the sum of the 1st and 2nd sections of the Tokyo and Nagoya Stock Exchanges, respectively.

SBI Sumishin Net Bank

Improving the Earning Capacity through the Diversification of Asset Management Measures and Revenue Sources as the Customer Base Steadily Expands

Noriaki Maruyama

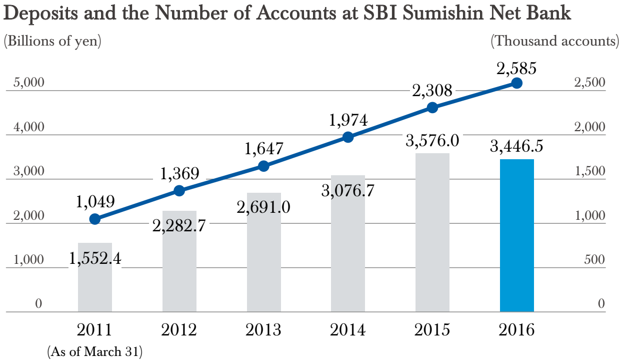
SBI Sumishin Net Bank, Ltd.
Representative Director and President

Starting Full-scale Offering of Flat 35 to Further Broaden the Product Offerings

SBI Sumishin Net Bank is a 50:50 joint venture between SBI Holdings and Sumitomo Mitsui Trust Bank, Limited, Japan's largest trust bank. The bank's business base has steadily expanded since its commencement of business, and during the fiscal year it added 270 thousand new accounts to reach a total of 2.59 million customer accounts, while the deposit balance was ¥3,446.5 billion. In its core housing loans business, SBI Sumishin Net Bank started a full-scale offering of the Flat 35 product in September 2015, which is offered through an alliance of the Japan Housing Finance Agency and private financial institutions, in addition to its principal housing loans products of Internet Exclusive Housing Loans that it provides as an agent for Sumitomo Mitsui Trust Bank, and "MR. Housing Loan REAL," which it offers through SBI MONEY PLAZA and ARUHI (formerly SBI Mortgage). As a result of this offering expansion and the high level of approval from customers, the housing loans balance, including these products, amounted to ¥2.9 trillion as of June 2016.

The financial results for FY2015 (based on JGAAP) show that ordinary revenue increased by 1.1% year-on-year to ¥57.9 billion, however, as a result of losses on the disposal of some of the bonds held, ordinary income fell 23.1% year-on-year to ¥11.7 billion and profit attributable to owners of the Company fell 15.8% year-on-year to ¥8.4 billion.

Deposits and the Number of Accounts at SBI Sumishin Net Bank



* Amounts are rounded to the nearest ¥100 million

Full-scale Entry into the Credit Card Business, and the Diversification of Asset Management Measures along with Strengthened Security Measures

One of SBI Sumishin Net Bank's principal measures is to diversify the operating product offerings by focusing on the expansion of card loans and specific purpose loans. "MR. Card Loan," an unsecured loan for individual customers, achieved one of the lowest rates in the industry in July 2014 of 1.99%, while the credit ceiling was raised to ¥10 million. These improvements expanded the balance of card loans as of March 31, 2016 to ¥110.8 billion. In June 2016, the minimum interest rate was lowered to 1.89% in response to diverse customer needs, and to improve services. Additionally, for specific purpose loans, which have been offered since May 2013, the balance increased year-on-year by 1.4 times to ¥13.2 billion as of March 31, 2016.

With the incorporation of SBI Card as a wholly owned subsidiary, it has embarked into the full participation in the credit card business, and since January 2016 it initiated the offering of Visa debit cash cards. Through these efforts, SBI Sumishin Net Bank will expand the settlement business and quickly develop it into a profit pillar. The credit card business will endeavor to achieve profitability in FY2016 by improving its earning structure, through revised offerings and the fundamental overhaul of the business flow. Also, as a new revenue source, the bank is preparing to commence a credit card merchant acquiring business (a credit card member store service) and a transaction based lending service (a loan service for credit card member stores) through collaborations with settlement agencies.

In addition, security measures are being strengthened in light of the increase in financial crimes on the Internet. Efforts are focused on ensuring a safe transaction environment through such actions as encouraging the use of Smart Authentication, a smartphone-based authentication service that uses a proprietary app with patent approval, or an e-mail service for electronic account transfers and a strict customer verification to prevent improper use of bank accounts.

SBI Insurance

Developing a Fire Insurance Product with Low Insurance Premiums through the Maximization of Group Synergies

Hiroyoshi Kido

SBI Insurance Co., Ltd.
Representative Director and President

SBI Insurance Achieves a Full-year Profit for the First Time since Its Establishment

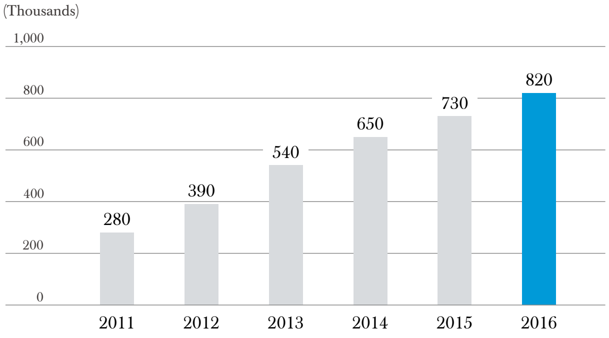
The SBI Group insurance business, which originated in non-life insurance centered on auto insurance, has expanded its business into small-amount, short-term insurance that deals with earthquake indemnity insurance, medical insurance and mortality insurance, and in February 2015, SBI Life Insurance (formerly PCA Life Insurance) was incorporated as a subsidiary, which allowed the business to establish a foundation to offer a more comprehensive set of insurance services. SBI Insurance, which oversees the core of the Group's insurance business, has achieved its first full-year profit in the ninth fiscal year since its commencement of operations, with FY2015 profit before income tax expense of ¥0.1 billion (based on IFRSs), aided by a strong buildup in insurance policies, particularly in auto insurance, and a thorough set of cost reductions. SBI Insurance conducts a low-cost operation that maximally utilizes the Internet to minimize auto insurance premiums, and so has received the support of many customers. As of March 31, 2016, the number of insurance policies increased 12.1% year-on-year to 820 thousand, while net premiums on direct insurance maintained its high growth with a 12.2% increase year-on-year to ¥28.7 billion, and the combined ratio (direct insurance basis) fell 3.9 points from FY2014 to 95.5%. Additionally, the cost ratio for direct insurance remained at a low level of 20.8%, and the increase in selling, general and administrative expenses, including advertising costs were controlled, while new insurance policies were efficiently acquired, all contributing to the profitability achieved.

As a new strategy, SBI Insurance is developing a fire insurance product with affordable premiums. The business also plans to bring down selling costs through a thorough pursuit of synergies with SBI Sumishin Net Bank and ARUHI (formerly SBI Mortgage), which handles a large volume of housing loans, as well as SBI MONEY PLAZA.

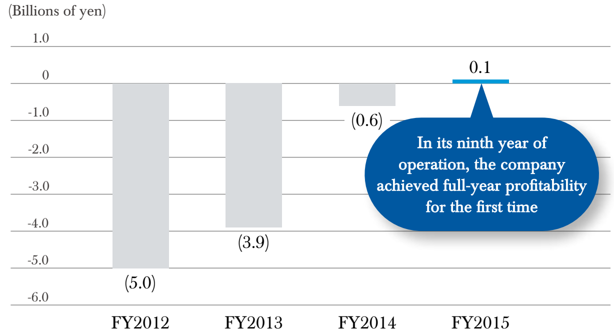
Favorable Trends in All Group Insurance Businesses

SBI Life Insurance, a new addition to the Group, started sales of new products for term life insurance and whole life medical insurance in February 2016. Even for these products, the Group's synergies will be maximized to expand sales through the online channels, as well as the "face-to-face channels" of face-to-face insurance shops and call centers. In the small-amount, short-term insurance business, the number of such policies in force at SBI SSI rose 21.3% from the previous fiscal year to 16,414 policies, while SBI IKIIKI SSI's policies in this area increased 20.1% year-on-year to 46,546. Since joining the SBI Group, the two companies have experienced dramatic growth in the number of policies in force. In June 2016, the SBI Group announced that Nihon Small Amount & Short Term Insurance, which mainly sells home contents insurance to rental tenants, would become a subsidiary, subject to an authorization granted from the relevant authorities in Japan, to promote a sales collaboration between the three SBI Group companies in this business, in order to achieve higher growth. In addition, the Group embarked into the reinsurance business through the acquirement of a relevant reinsurance license in May 2016. The reinsurance operations will commence in the first half of FY2016, and SBI Insurance and SBI Life Insurance will transfer a portion of their insurance policies that are currently ceded externally, as these moves will strengthen the plans to improve the earning capacity of the entire insurance business by controlling insurance fees and other costs that are paid to outside vendors.

Number of Auto Insurance Policies at SBI Insurance



SBI Insurance's Profit before Income Tax Expense (based on IFRSs)



* Completion and receipt of insurance premiums basis, excluding continuing, expired or cancelled policies.
* Amounts are rounded to the nearest thousands.

SBI マネープラザ [SBI MONEY PLAZA]

Advancing the Diversification of the Business Domain to Establish a Stable Revenue Base

Tomohiko Ota

SBI MONEY PLAZA Co., Ltd.
Representative Director and President

Achieved Increases in Both Revenue and Profit for Three Consecutive Years

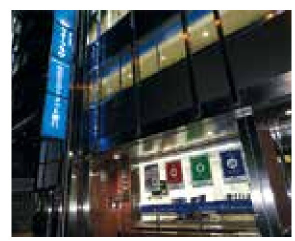
SBI MONEY PLAZA, which is the common infrastructure of the Financial Services Business, is undertaking a nationwide expansion of its face-to-face shops, which handles securities, insurance, bank deposits and housing loans, as the face-to-face sales channel of the SBI Group. The SBI MONEY PLAZA shops are operated primarily through a franchise system. Among these shops, the flagship Shinjuku Chuo Branch had a renewal opening in May 2016. With the benefit of having the sales capability which is an advantage of a face-to-face operation, in its role as a consultation office for asset management and housing loans products of SBI Sumishin Net Bank and other services, it is offering products from both within and outside of the Group on a neutral basis through an one-stop approach.

As a result of efforts to strengthen its alliance with SBI SECURITIES, SBI MONEY PLAZA's assets on deposit as of March 31, 2016, totaled ¥698.4 billion, a sizeable year-on-year increase of 24.6%. Also, with the additional success in diversifying its revenue source, FY2015 financial results for the business (based on JGAAP) recorded a 13.5% year-on-year increase in revenue to ¥5.4 billion, and an 11.3% year-on-year increase in operating income to ¥1.8 billion, achieving significant increases in revenue and profit for three consecutive years.

Strengthening Sales Capacity through an Expansion of the Partner Network

SBI MONEY PLAZA, which has been reorganizing and integrating existing branches, in order to advance the efficiency of shop operations, had 380 locations (20 directly operated) as of March 31, 2016, and plans to build a nationwide system of 500 locations by capitalizing on its partner network with large accounting offices and regional banks. Looking ahead, the business is considering the opening of directly operated shops in major urban centers, and is active in alliances with new partner companies as it strengthens its sales capacity through added efficiency and an expanded network.

Additionally, SBI MONEY PLAZA in January 2016 completed its registration as a Type II Financial Instrument Business Operator under Japanese securities law, enabling an agile provision of financial products. Moving forward, through an enrichment of its product offerings, SBI MONEY PLAZA will also be expanding its business domain.



SBI MONEY PLAZA, Shinjuku Chuo Branch

Other Financial Services Businesses

Record High Profits in a Variety of Other Financial Services Businesses

SBI Remit, which operates an international remittance business, is expanding globally through an alliances with Moneygram, a major U.S. international remittance service provider, as well as financial institutions in South America and Asia. In FY2015, the company achieved its first full-year profit since its establishment in 2010, as a result of dramatic increases in the amount of remittance for Vietnam and China, as well as firm results in remittances to the Philippines.

In addition, SBI Holdings' division operating Japan's foremost comparison and cost estimation websites for financial products through InsWeb insurance marketplace and the E-Loan website achieved record high profits. Furthermore, SBI Benefit Systems, which provides operation management services for defined contribution pension plans, also achieved record high profit, and going forward, the Group's Financial Services Business companies will target further growth by engaging in developing new services by leveraging FinTech technologies.

Review of Operations by Business Segment

Asset Management Business

In Addition to Investments into High Growth Fields such as FinTech, Focusing Efforts on Strengthening Asset Management Capabilities

Principal Companies

Intermediate Holding Company: SBI Capital Management

SBI Investment
SBI VEN CAPITAL
SBI Investment KOREA
SBI SAVINGS BANK

Intermediate Holding Company: SBI GLOBAL ASSET MANAGEMENT

Morningstar Japan
SBI Asset Management
SBI Bond Investment Management

Full-year Performance of the Asset Management Business by Major Business Lines (based on IFRSs)

Private Equity Investment
SBI Investment and funds under its aegis

(Billions of yen)

	FY2014	FY2015
Revenue	(0.1)	18.8
Profit before income tax expense	(7.4)	11.7

Overseas Financial Services Business
SBI SAVINGS BANK and other overseas companies

(Billions of yen)

	FY2014	FY2015
Revenue	41.7	43.2
Profit before income tax expense	14.3	4.6

Asset Management Services Business
Morningstar Japan and other companies

(Billions of yen)

	FY2014	FY2015
Revenue	3.6	4.1
Profit before income tax expense	1.2	1.4

Priority Measures

Venture Capital Business

- SBI Investment established the FinTech Fund, to increase investments into FinTech and other new technologies
- Pursuing planned establishment of a new fund that will increase the corporate value of regional financial institutions through the support of FinTech introduction to those institutions
- Utilizing the SBI Group's global network to support the overseas expansion of FinTech investee companies

Asset Management Services Business

- Internal restructuring to strengthen the Group's asset management structure by establishing SBI GLOBAL ASSET MANAGEMENT, as an intermediate holding company
- Established SBI Bond Investment Management with PIMCO, an asset management company, to start the management of bond funds
- Promoting global asset allocation through alliances with domestic and international asset management companies, and conducting arbitrage to benefit from the interest rate differentials between Japan and abroad
- With the continued uncertainties in the world economies, planning the offering of a real-time gold trade service as a safe harbor asset

SBI SAVINGS BANK

- SBI SAVINGS BANK of South Korea steadily increased performing loans in the retail field
- Endeavor to improve the delinquency rates by eliminating bad debt to further strengthen earning capacity

SBI Investment

Promoting Venture Investments in Japan and Abroad, and Increasing the Value of Investee Companies through Effective Incubation Capabilities

Katsuya Kawashima

SBI Investment Co., Ltd.
Representative Director and President

The SBI Group's Assets Under Management (As of March 31, 2016)

Private equity, etc. ¥266.3 billion

(Including ¥83.0 billion of both cash and commitment amount to be paid in*3)

(Billions of yen)

Breakdown by industry		Breakdown by region	
IT / Internet	26.2	Japan	73.9
Biotechnology / Health / Medical	56.8	China	22.3
Services	9.0	Korea	26.7
Materials / Chemicals	2.5	Taiwan	1.6
Environmental / Energy	19.8	Southeast Asia	5.8
Retail / Food	13.5	India	5.2
Construction / Real estate	2.1	U.S.	43.9
Machine / Automobile	4.5	Others	3.8
Finance	37.2		
Others	11.4		
Total	183.3	Total	183.3

Investment trust, etc. ¥259.0 billion*4

(Billions of yen)

Investment trusts	180.6
Investment advisories	74.4
Investment companies	4.0

*1 Calculated by the exchange rate as of the end of March 2016.
*2 Amounts are rounded to the nearest ¥100 million.
*3 Composed of cash in funds and unpaid capital, which is to be paid on a capital call.
*4 As for the funds that SBI Asset Management provides investment instruction to, if Morningstar Asset Management provides investment advisory services, assets are recorded in both "Investment trusts" and "Investment advisory," respectively, and such overlapping amounts totaled ¥26.6 billion.

Active Venture Investments Domestically and Abroad

As a "New Industry Creator," SBI Investment is a core company in the Asset Management Business, and manages venture capital funds under a corporate philosophy that calls for it to play a leading role in the development of the industry through the creation and incubation of new core industries of the 21st century. The SBI Group, since its establishment in 1999, has expanded its venture investments in IT and biotechnology, which are positioned as the core industries of the 21st century, and as of March 31, 2016, the SBI Group had invested in a cumulative total of 1,132 companies in Japan and abroad. Of these, 200 companies either completed an IPO or completed M&A deals, to result in a high performance exit ratio of 17.7%. Among these, those that SBI Investment itself was responsible for the investment and management totaled 688 companies, with an exit for 138 companies, resulting in an exit ratio of 20.1%, as of March 31, 2016.

In FY2015, the SBI Group executed investments totaling ¥27.9 billion in 92 companies, and of these investments, ¥18.5 billion went to 48 companies in IT and biotechnology, or in the financial sector which fundamentally has a close affinity to the Internet. Additionally, SBI Investment established the FinTech Fund, to proactively invest in IT-related financial services companies and IT-related FinTech companies.

The Group's assets under management, including private equity, amounted to ¥183.3 billion (excluding both cash and commitment amount to be paid in), as of March 31, 2016. By region, assets under management in Japan totaled ¥73.9 billion, followed by the U.S. with ¥43.9 billion, South Korea with ¥26.7 billion, and China with ¥22.3 billion, as approximately 60% was invested overseas, particularly in Asia, which is a special unseen advantage that is not found at other Japanese venture capital companies. This is based on a global investment structure, with collaborations with about 20 prominent local partners, established to facilitate the early discovery of promising overseas investee companies.

Value Enhancement of Investee Companies Supported by the Entire Group

SBI Investment has established an effective support system for investee companies, whereupon after an investment it takes a full hands-on approach to help develop that company, through proposals of strategies appropriate to their business stage, helping build internal controls and by dispatching executives as directors.

When an investee company reaches the IPO stage, SBI Investment leverages SBI SECURITIES and SBI MONEY PLAZA with their overwhelming customer base, and for overseas expansion it will call upon the Group's overseas offices and network of prominent local partners, to proactively assist in the value enhancement of the investee company, through to its public offering stage. Within the FinTech field, the SBI FinTech Consortium was established for collaboration purposes between the Group companies and the FinTech investee companies, as well as to implement an active matching between the investee companies and the fund's investors, who are financial institutions and operating companies, in order to enhance the value of the investee FinTech companies.

Although it is a latecomer to the business, through such a proprietary system, SBI Investment commands a significant presence. In FY2015, the number of IPOs or M&A deals involving investee companies of the SBI Group totaled 16, with 5 in Japan and 11 in South Korea and Taiwan. For FY2016, the total number of IPOs and M&A deals is expected to total 24.

Results of IPO and M&A Deals on Investee Companies in FY2015

Number of companies	Date	Company	IPO / M&A	Business	Head office
Japan: 5 companies Overseas: 11 companies	April 2015	SanBio Co., Ltd.	IPO (TSE Mothers)	Research, development, manufacture and sales of regenerative cell pharmaceuticals	Japan
	April 2015	CRE, Inc.	IPO (TSE 2nd Section)	Comprehensive services for commercial real estate, focusing on logistics facilities (real estate leasing, management, brokerage, development, effective utilization, construction, asset management)	Japan
	May 2015	GenoFocus, Inc.	IPO (KOSDAQ)	Development of industrial enzymes	Korea
	June 2015	Corestem, Inc.	IPO (KOSDAQ)	Research and development of stem cell therapies	Korea
	June 2015	Biocore Co., Inc.	IPO (KONEX)	CRO (analysis, vitality, clinical) services, dielectric analysis, and development of dielectric analysis products	Korea
	June 2015	U-Tech Co., Ltd.	IPO (KOSDAQ)	Mobile device light guide plates and mold frames for BLU (Black Light Unit)	Korea
	July 2015	Natural FNP, Inc.	IPO (KONEX)	Wholesale distribution of processed foods	Korea
	July 2015	Plumbline Life Sciences, Inc.	IPO (KONEX)	Manufacture of veterinary drugs	Korea
	August 2015	Fine-tech Co., Ltd.	IPO (KOSDAQ)	BLU (Back Light Unit), TSP (Touch Screen Panel), and LCD modules for mobile phones	Korea
	September 2015	Boditechmed, Inc.	IPO (KOSDAQ)	In vitro diagnostic systems	Korea
	September 2015	Brangista Inc.	IPO (TSE Mothers)	Electronic magazines business and solutions for e-commerce operators	Japan
	November 2015	MG MED, Inc.	IPO (KOSDAQ)	Molecular diagnostic services using gene chips and manufacture of diagnostic reagents	Korea
	December 2015	Vision Inc.	IPO (TSE Mothers)	Sale of office equipment and communications equipment, and overseas WiFi router rental service	Japan
	December 2015	Egis Technology Inc.	IPO (TPEx)	Development and manufacture of fingerprint authentication security products	Taiwan
	December 2015	SOCIALWIRE CO., LTD.	IPO (TSE Mothers)	Press release distribution business and rental office business	Japan
	February 2016	Qurient Co., Ltd.	IPO (KOSDAQ)	Pharmaceutical research and development	Korea

Asset Management Services Business

Enhancement of the Asset Management-related Services to Strengthen Earning Capacity

As part of an internal restructuring to enhance the entire Group's asset management structure, the asset management services business was formed within the Asset Management Business in November 2015, with SBI GLOBAL ASSET MANAGEMENT as an intermediate holding company.

Toward the enhancement of the asset management-related services, SBI Bond Investment Management was established as a joint venture with PIMCO of the U.S., one of the largest bond management companies, in December 2015. The joint venture commenced operations in April 2016, as it started the discretionary management of SBI Life Insurance's portfolio. Furthermore, in June 2016 the joint venture initiated the operation of a publicly offered investment trust, SBI-PIMCO Japan Better Income Fund (short name: Beta-In). Beta-In is a low-risk, low-cost actively managed bond fund developed by the synergy between PIMCO's high-level capability in actively managed bond funds and the SBI Group's Internet financial expertise, and by controlling foreign exchange risk, the fund invests in foreign–currency–denominated bonds issued by Japanese corporations with high creditworthiness.

In May 2016, the SBI Group reached a basic agreement on establishing a joint venture with SYZ Asset Management of Switzerland, a company with strengths in global asset allocation. Through this joint venture, the Group's asset management companies will have access to asset allocation advisory services that are necessary to develop investment products through optimal risk diversification, and products that will be developed for individual and institutional investors in Japan will be distributed through sales companies, such as SBI SECURITIES.

In addition, amidst the mounting uncertainty regarding the world economies, the demand for gold is rising as an asset without credit risk. The SBI Group has teamed up with Gold Bullion International of the U.S., which deals in real-time trading of gold, to conclude a memorandum of understanding on forming a joint venture offering a platform for real-time 24-hour spot physical gold trading for individual and institutional investors in Japan. This action expands the Group's asset management offering beyond that of simply stocks and bonds.

Morningstar Japan, which was transferred from the Financial Services Business to the Asset Management Business in FY2015, achieved significantly higher revenue and profits, including record highs in operating income, ordinary income and net income.

SBI SAVINGS BANK

Acquisition of New Loans is Steadily Increasing, and the Quality of Loans Held Continues to Improve

SBI SAVINGS BANK of South Korea, which became a consolidated subsidiary in FY2012, is expanding its savings bank business with individuals, self-proprietors, and small- to medium-size enterprises as its main customers. In October 2014, SBI SAVINGS BANK merged with three banks of its affiliate companies to become the largest savings bank in South Korea by assets today.

Shortly after becoming a subsidiary, the bank was impacted by non-performing loans acquired before its consolidation, however it has completed a revitalization process, and its earning capacity is now steadily improving. SBI SAVINGS BANK's performing loans are steadily increasing, particularly in the retail area, while retail credit acquisition has been growing in value at a rate of 10–20% per quarter, and with the Retail Mobile Credit Loan Product "Cyder" being introduced in January 2016, it has made a large contribution to the acquisition of new credit.

Furthermore, the soundness of the bank's credit-holdings has been on an improving trend. The delinquency rates as of March 31, 2016, was 16.2% overall, and for retail credit it improved to 8.5%. The bank's goal is to bring the overall rate under 10% by the end of 2016, and by clearing away non-performing loans during the current fiscal year ending in December 2016, the bank intends to achieve profits of 60 to 70 billion Korean won in the following fiscal year.

Review of Operations by Business Segment

Biotechnology-related Business

Accelerating Business Expansion by Streamlining the System for Early Profitability

Principal Companies

Intermediate Holding Company: SBI ALA Hong Kong

SBI Biotech
SBI Pharmaceuticals
SBI ALApromo

Full-year Profit before Income Tax Expense of the Biotechnology-related Business (based on IFRSs)

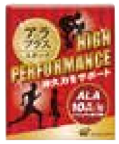
(Millions of yen)

	FY2014	FY2015
Biotechnology-related Business	(7,310)	(6,572)
SBI Biotech	(637)	(297)
Quark Pharmaceuticals	(1,436)	(2,572)
SBI Pharmaceuticals	(1,220)	(1,425)
SBI ALApromo	(426)	(587)

5-ALA-related products


ALAplus / ALAplus Gold


ALAplus CoQ10


ALAplus Sports High-performance


ALAplus Tou (Sugar) Down


ALAplus Cosmetic Series

Priority Measures

SBI Biotech

- Steady progress on multiple drug development pipelines, including those in Phase III of SBI Biotech and its wholly owned subsidiary Quark Pharmaceuticals of the U.S.
- SBI Biotech is endeavoring to achieve full-year profitability on a non-consolidated basis by advancing the earning capacity of the drug development pipeline through an out-licensing (including joint R&D) measure
- Advancing into the development of a cancer immunotherapy agent by applying its proprietary drug platform “pDC (plasmacytoid Dendritic Cell) Modulation”

SBI Pharmaceuticals

- Streamlining the business structure for 5-ALA-related business and establishing an exclusive global R&D system, upon the incorporation of photonamic as a wholly owned subsidiary of SBI ALA Hong Kong in January 2016
- Enhancing the sales structure of pharmaceuticals overseas by leveraging the global sales channel of photonamic, in over 25 countries centered on Europe, which has been cultivated through its existing sales partners
- Advance toward early profitability by driving rigorous distinctions of research and development pipelines, from the standpoint of importance based on medical needs and the progress in R&D, in order to thoroughly reduce cost

SBA ALApromo

- Launched sales of ALAplus Tou (Sugar) Down, the first food with function claims which contains 5-ALA in December 2015
- Aggressive implementation of efficient promotions of products, including the full-fledged start of joint promotions with the RIZAP GROUP
- Promoting the development of new foods with function claims that follows ALAplus Tou (Sugar) Down

SBI Biotech

Favorable Progress on the Drug Development Pipeline, Including the Start of Two Phase III Clinical Trials at SBI Biotech's Subsidiary Quark Pharmaceuticals

Takeshi Irie

SBI Biotech Co., Ltd.
Representative Director and President

Monetization of the Drug Development Pipeline

SBI Biotech is a bio-venture engaged in the development of medical treatments and innovative new drugs for intractable diseases, such as cancer and autoimmune disorders.

The company has multiple promising drugs in the pipeline in addition to the Anti-ILT7 antibody, which is a molecularly targeted drug for autoimmune disorders licensed to MedImmune LLC of the U.S., a member of the AstraZeneca Group of the U.K. Through the out-licensing of these drugs, including joint R&D, SBI Biotech advances the earning capacity of its pipeline as it endeavors to make a full-year profit on a non-consolidated basis.

SBI Biotech's proprietary drug platform, pDC (plasmacytoid Dendritic Cell) modulation, can be applied to agents for cancer immunotherapy, which is a drug in the spotlight these days. The pDC technology consists of cells that modulate the suppression and activation of immune reactions. Cancer treatments are believed to be possible by activating the immune reaction through its action on pDC, and which until now has been cultivated in the treatment of autoimmune disorders. SBI Biotech plans to capture the growth potential that revolves around cancer immunotherapy agents through the activation of pDC.

Two New Drug Candidates Progressed towards Phase III Clinical Trials at Quark Pharmaceuticals of the U.S.

Quark Pharmaceuticals, Inc., a wholly owned subsidiary of SBI Biotech, holds superior technology in the field of small interfering RNA (siRNA) and has made sound progress on its multiple drugs in the development pipeline. One drug in the pipeline is QPI-1002 (licensed to Novartis International AG of Switzerland), which is proceeding to Phase III clinical trials as a preventive agent for the failure of kidney function following an organ transplant (delayed graft function), and has Phase II clinical trials under way for acute kidney injury.

Phase II/III clinical trials have also started for QPI-1007 (licensed to Biocon of India) for non-arteritic anterior ischemic optic neuropathy as an indication. Furthermore, Phase II clinical trials in the U.S., Vietnam and Singapore for application to acute angle-closure glaucoma ended in June 2015, and the final results are scheduled to be reported this summer. Going forward, Quark will be migrating to the clinical stage of the next generation drug development pipeline, in accordance with generating a revenue source such as royalty income levied against the value of sales as the result of Phase III drug development pipeline being placed on the market.

Major Drug Pipelines Researched and Developed by SBI Biotech

Pipeline (Licensing partner)	Adaptation disease	Progress	
Anti-ILT7 antibody (MedImmune, Inc. of the U.S.*1)	Autoimmune disorders	Pre-clinical (Completion)	MedImmune will initiate Phase I clinical trial during the second quarter of FY2016. After the start of the clinical trial, receipt of a predetermined amount of milestone payments is expected.
GNKS356 (Independently)	Psoriasis / Systemic Lupus Erythematosus (SLE)	Pre-clinical	Selected as Japan Agency for Medical Research and Development's (AMED) pre-designation review as an orphan drug commercialization candidate for their project promoting support for drug discovery (from FY2015 to FY2017) (Maximum subsidy: ¥200 million per fiscal year)
SBI 3150/9674 (Independently)	Autoimmune disorders	Non-public	Considering out-licensing
Cdc7 inhibitor (Carna Biosciences, Inc.)	Cancers	*2	Intellectual property rights assigned to Carna Biosciences in June 2014. → In accordance with Carna Biosciences entering into an out-licensing agreement with ProNai Therapeutics, as announced in May 2016, a partial milestone payment is expected at an early date. Further receipt of milestone payments due to development progress of Cdc7 is also expected.

*1 Subsidiary of AstraZeneca PLC of the U.K.
*2 Carna Biosciences initiates R&D

SBI Pharma

Endeavoring to Become the World's "One and Only Company" in the 5-ALA-related Business

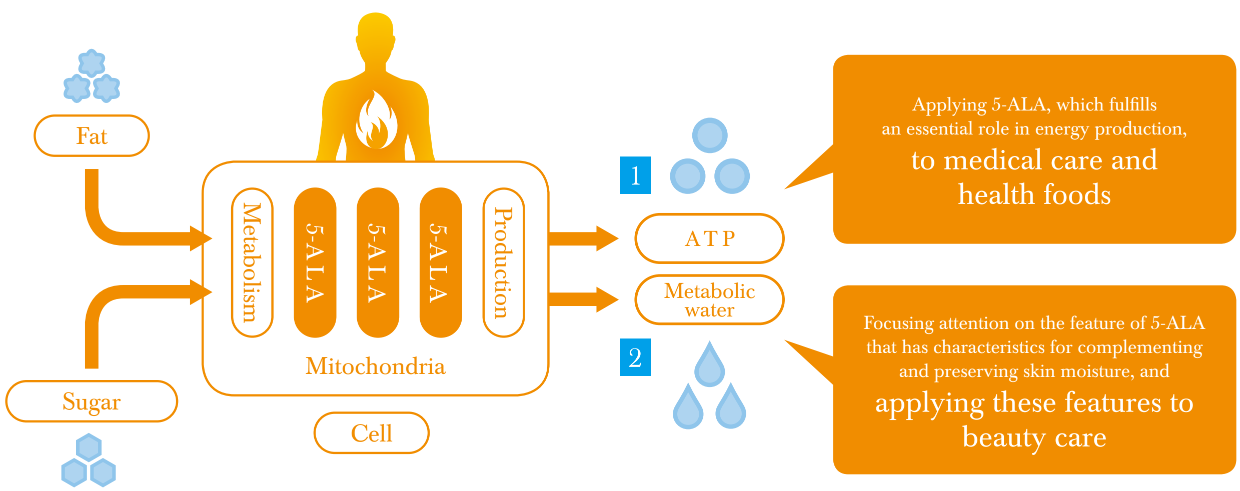
Satofumi Kawata

SBI Pharmaceuticals Co., Ltd.
Representative Director,
Senior Executive Vice President

What is 5-ALA (5-Aminolevlinic Acid)?

5-ALA is a type of natural amino acid contained in living cells of plants and animals. 5-ALA works to aid photosynthesis in plants, as well as to preserve energy production and moisture retention in humans and animals that plays an essential role in preserving health. Recent research confirms its usefulness in a variety of fields including beauty care, health and medical care, which results from a well-balanced ingestion of 5-ALA and minerals such as iron (Fe).

Action of 5-ALA in mitochondria, the "energy factory" of cells

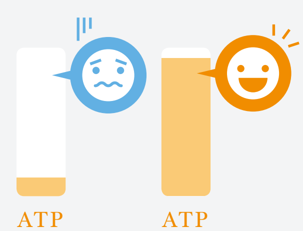


1 Inside the mitochondria, sugar and fat are metabolized and energy is produced in the form of ATP, which is indispensable to maintaining good health.

2 As a result of ATP production, metabolic water is produced for the crucial role in retaining the body's moisture.

ATP (Adenosine Triphosphate), a Health Barometer

ATP production efficiency is believed to atrophy as people age and their metabolism slows down. Fatigue and low activity will then occur as a result. In order to remain healthy, it is absolutely essential to maintain the mitochondrial function of producing ATP.



Favorable Progress in R&D through Alliances with Domestic and Overseas Research Institutions

SBI Pharmaceuticals has been proactively cooperating with over 90 domestic and overseas research organizations, and is conducting research and forming business alliances in a broad range of fields including pharmaceuticals, health foods and cosmetics. ALAGLIO®, the first drug launched by SBI Pharmaceuticals, started sales in September 2013 for use in surgery to remove malignant glioma, a type of brain tumor. As a drug for these tumors, this product is being sold domestically as Japan's first orally administered intraoperative diagnostic agent. Also, photonamic GmbH & Co. KG of Germany, a wholly owned subsidiary of the SBI Group, obtained approval for a similar product in 2007 from the European Medicines Agency (EMA). Through its sales partner, medac GmbH (also of Germany), the company is selling the product under the name of Gliolan in over 25 countries in Europe, including Germany and the U.K. In line with its future goal of selling in the U.S., photonamic is preparing to submit an application for approval to marketing this drug there.

New drug development continues on the heels of ALAGLIO®. One prospective drug in the R&D pipeline is an intraoperative diagnostic agent for use during surgery for carcinoma vesicae. Following investigator-led clinical trials at Kochi University and four other universities, SBI Pharmaceuticals also completed company-led Phase III clinical trials and plans to apply for approval during FY2016. Moreover, investigator-led trials at Saitama Medical University for a drug to treat cancer chemotherapy-induced anemia have been completed, and it will now enter company-led Phase II clinical trials. In other areas, the company is getting favorable results with investigator-led trials regarding an intraoperative diagnostic agent for peritoneal dissemination of gastric cancer at Osaka University and other medical institutions, and also a drug to treat mitochondrial diseases at Saitama Medical University. Furthermore, SBI Pharmaceuticals is preparing for Phase II clinical trials regarding preventive agent for cardiac ischemia-reperfusion injury at Oxford University of the U.K.

Strengthening the Business Foundation with an Eye on the Future

SBI Pharmaceuticals has obtained numerous Japanese patents in a range of fields including anti-malaria drugs and prophylactic/therapeutic agent for influenza virus infection. The current count comes to 36 patents. The number of obtained patents increased in FY2015 in particular with 11 patents registered, including an immune tolerance inducer, a prophylactic/therapeutic agent for veisalgia, and an agent for treating and preventing cancer anemia. Of the patents granted in Japan, 16 have also received approval in foreign countries. The company is continuously moving ahead with a global vision of patent strategy, while also endeavoring to determine development areas that will carry into the future.

SBI Pharmaceuticals has broadened its alliances with foreign research institutions and corporations from the aspects of R&D and business expansion. At foreign universities and national hospitals, it has confirmed the safety and effectiveness of 5-ALA through conducting and collecting clinical data in 5-ALA food intervention trials of a several dozen research participants that mainly cover metabolic diseases. In January 2016, the SBI Group incorporated photonamic, a former member of medac GmbH of Germany, as a wholly owned subsidiary. Accordingly it enables the Group to establish an exclusive global R&D system, as well as to strengthen the overseas pharmaceuticals sales structure leveraged by the global sales channel of photonamic.

R&D Pipelines Sponsored by SBI Pharmaceuticals

	Phase I	Phase II	Phase III	
① Diagnostic agent for cancer treatment (Brain tumor) *Designated as an orphan drug				ALAGLIO® (Launched in Sept. 2013)
② Diagnostic agent for cancer treatment (Carcinoma vesicae) *Designated as an orphan drug			Completion of an SBI corporate trial at the same five universities conducting the investigator-led trial	Planning to submit for approval in FY2016
③ Diagnostic agent for cancer treatment (Peritoneal dissemination of gastric cancer)		Investigator-led trial by Osaka Univ. (Providing drugs and funds) (from Nov. 2015)	Scheduled to conduct corporate trial	
④ Drug to treat cancer chemotherapy-induced anemia (Saitama Medical Univ.) ARO: Kitasato Academic Research Organization		Investigator-led trial by Saitama Medical Univ., as the medical institution completed the clinical trial (Providing drugs and funds)		
⑤ Preventive agent for cardiac ischemia-reperfusion injury (The Univ. of Oxford in the U.K.) Planning to jointly submit a test plan to the Medicines and Healthcare Products Regulatory Agency ("MHRA") soon		Investigator-led trial by Professor Houman, the Univ. of Oxford (Providing drugs and funds) (Phase II clinical trial will be jointly implemented in University Hospitals Birmingham in the U.K.)		
⑥ Drug to treat mitochondrial diseases *Planning to file for grant as an orphan drug (Saitama Medical Univ.)		Investigator-led trial by Saitama Medical Univ. (Providing drugs)		Phase II is in progress, and the explorative trial result is in the process of being analyzed

Contributing to Society through Active Engagement in Direct Social Contribution Activities, as well as through its Business Activities

Basic Approach to CSR

The SBI Group is a corporate organization that proactively commercializes and puts into practice the ideals of social justice. The Group's approach to business is not guided solely by the profit motive, but by its belief in contributing to a society that is safe, fair, comfortable, and environmentally friendly. In keeping with this belief, the SBI Group aspires to be a strong and respected company by responding to the needs of stakeholders, and contributing to the preservation and development of society not only through its business activities, but also through direct social contributions.

Direct Social Contribution

The SBI Children's Hope Foundation utilizes the knowledge and networks cultivated by the SBI Group to support abused or neglected children to become self-reliant and to improve their welfare. In 2010, the Foundation was authorized by the Office of the Prime Minister of Japan as a public interest incorporated foundation. The Foundation undertakes a wide range of activities, including the donation of funds to improve conditions at facilities that care for abused or neglected children, the provision of practical training programs for care providers at the facilities, and awareness campaigns targeting the general public. As for the fiscal year ended March 31, 2016, the cumulative donations amounted to approximately ¥970 million. The Foundation also supports the Orange Ribbon Campaign for the prevention of child abuse, and officers and employees of the SBI Group participate in the campaign for public awareness activities.

SBI Wellness Bank, which provides membership-based health management services, supports the operation of Tokyo International Clinic T.O.P. Drs. Medical Corporation. The Clinic provides safe, high-quality medical care services, such as premium comprehensive medical examinations and medical treatment support utilizing state-of-the-art medical technology across a wide range of medical fields, including internal medicine, dentistry and plastic surgery. SBI Wellness Bank cooperates with the Clinic to contribute to more proactive health management by proposing a total package covering three areas: preventive care, medical treatment and age management.

History of CSR Activities

January 2002

Determination of a basic policy on CSR activities

Each Group company recording over ¥300 million in net income donates 1% of profits to the Children's Social Welfare Corporation.

July 2004

Full-scale involvement in charitable activities

With the support of many prefectural and city governments, SBI donates to orphanages and infant homes under the jurisdiction of local governments.

December 2004

Establishment of the SBI Child Welfare Limited Liability Intermediate Corporation

SBI engages in wide-ranging charitable activities utilizing the securities market as a first-ever experiment in Japan.

October 2005

Establishment of the SBI Children's Hope Foundation

The SBI Group establishes the SBI Children's Hope Foundation to contribute to the enhancement and improvement of child welfare.

April 2008

Opening of SBI Graduate School

Upon the certification from the Ministry of Education, Culture, Sports, Science and Technology, SBI Graduate School opens to nurture promising individuals who energize society.

March 2010

The SBI Children's Hope Foundation becomes a public interest incorporated foundation

The SBI Children's Hope Foundation becomes a public interest incorporated foundation by authorization of the Office of the Prime Minister of Japan.

SBI ENERGY Contributes to Society through Business Activities

Environmental Conservations and Regional Developments through its Power Generation Business

Many foresee the end of the fossil fuel era, with power generation utilizing renewable energy increasing every year worldwide. In Japan, although renewable power generation is attracting attention because of the heightened interest in environmental protection and measures to combat global warming, the utilization of renewable energy is still in the development stage. However, Japan's long history of hydroelectric power generation suggests that utilization of renewable energy is likely to increase. In these circumstances, in November 2015 the SBI Group established SBI ENERGY to engage in energy-related businesses, including power generation utilizing renewable energy.

At present, SBI ENERGY primarily engages in small-scale hydroelectric and geothermal power generation. Since these operations enable stable independent power generation during the day or night, they can be used as emergency power sources in times of disaster. In areas where the company establishes power stations, it pursues initiatives to donate mobile power supply systems and portable batteries for use in case of disaster, to contribute to regional development by helping create safer eco-friendly communities that effectively utilize local resources.

Kazuhiro Nakatsuka

SBI ENERGY Co., Ltd.
Representative Director and President

Enhancing Human Capital Value through the Creation of an Environment of Respect for Diversity, and Nurturing Promising Talent in Keeping with the Belief that Human Resources are the Most Valuable Strategic Resource

Providing Open Employment Opportunities

When recruiting personnel, the SBI Group places importance on individual character, as well as their career history and professional skills, without regard to gender, educational background or nationality. The Group also applies this practice in the recruitment of university graduates, which began in 2006, and has recruited many individuals from diverse backgrounds who have excellent future potential. One of the driving forces of the SBI Group has been its adherence to this posture of actively hiring and promoting talented individuals, whether new graduates or mid-career hires.

Initiatives to Support the Success of Employees of Diverse Backgrounds

The SBI Group, which is accelerating global business expansion, employs people of many nationalities, and is developing a workplace environment in which each employee can succeed regardless of ethnicity, religion, age, gender or disability.

Also, the Company is focusing on creating an environment in which women, who comprise approximately 35% of the workforce, can develop broad perspectives, autonomously develop their careers, and succeed in a variety of fields. This primarily takes the form of support for employees in balancing work and childcare during their life stage changes, such as marriage and childbirth by means including instituting childcare leave and reduced working-hour programs. At the same time, the Group evaluates employees on the basis of their abilities, without discriminating on the basis of gender, in hiring, promotion and advancement.

Status of Employment of Women (non-consolidated basis) (%)

Years ended March 31	2014	2015	2016
Ratio of female employees	27.9	33.1	34.5
Ratio of female managers*	16.3	17.8	18.3

*The ratio of female managers to the Company's total managers

Fair Treatment of Employees to Reward Motivation

In treatment of employees, the Company places importance not only on results, but also on the processes that leads to results. Employees are evaluated at half-yearly intervals on the basis of achievement of objectives, and evaluation involves comprehensive consideration of factors such as experience, skills and contribution to business performance. The Company adheres to a policy of rewarding success and offering positions to those who exhibit good sense and judgment.

Human Resource Development through SBI Graduate School

A Place of Learning for Working Adults to Cultivate Human Qualities and Acquire Wide-ranging Knowledge

Since I was admitted to SBI Graduate School through a company MBA program, I worked during the day on weekdays and spent my mornings and weekends studying. Many of my fellow students were SBI Group employees, as well as people employed in a wide array of industries, and business executives, and I found the experience highly stimulating. The SBI Group provides its full support to those who have graduated with distinction and wish to start a new business, so I engaged in friendly competition with other students.

The School's distinctive anthropology lectures covered subjects including the Chinese classics, and I acquired knowledge required as a leader and as a human being. Now that I have graduated, I realize that the experience has changed me greatly. For instance, during management discussions in my day-to-day work I am able to think about things from a managerial perspective.

Yoshiaki Kojima

SBI Insurance Co., Ltd.
Compliance Department

The SBI Graduate School was opened in April 2008, with the full support of the SBI Group, for the purpose of nurturing valuable human resources who will contribute to social and economic vitality in Japan and abroad. The School is certified by the Ministry of Education, Culture, Sports, Science and Technology, and is entitled to confer the degree of Master of Business Administration (MBA) to those who fulfill graduation requirements. Since the autumn of 2009, the SBI Group has implemented a program for dispatching Group employees to SBI Graduate School, primarily for the purpose of developing the talent that will lead the SBI Group in the future. More than 80 students (including graduates) have entered SBI Graduate School through this program, and many SBI Group employees have taken advantage of the School as a place of learning to acquire knowledge necessary for management.

Board of Directors and Statutory Auditors

(As of June 29, 2016)

Representative Director,
President & CEO

Yoshitaka Kitao

Representative Director and Chairman of SBI SECURITIES Co., Ltd.
Representative Director and Chairman of SBI Investment Co., Ltd.
Director and Chairman of SBI FINANCIAL SERVICES Co., Ltd.
Director and Chairman of SBI Capital Management Co., Ltd.
Representative Director of SBI Hong Kong Holdings Co., Limited
Representative Director & President of SBI Pharmaceuticals Co., Ltd.

Representative Director,
Senior Executive Vice President & Co-COO

Katsuya Kawashima

Representative Director and President of SBI Investment Co., Ltd.
Representative Director and President of SBI Capital Management Co., Ltd.
Director of SBI FINANCIAL SERVICES Co., Ltd.
Director of SBI SECURITIES Co., Ltd.

Representative Director,
Senior Executive Vice President & Co-COO

Takashi Nakagawa

Representative Director and President of SBI FINANCIAL SERVICES Co., Ltd.
Director and Chairman of SBI MONEY PLAZA Co., Ltd.
Director of SBI Investment Co., Ltd.
Director of SBI Capital Management Co., Ltd.
Director of SBI SECURITIES Co., Ltd.

Director & Senior Managing Executive Officer

Tomoya Asakura

Representative Director & President of Morningstar Japan K.K.
Representative Director of Morningstar Asset Management Co., Ltd.
Representative Director & President of SBI SSI Holdings Co., Ltd.
Representative Director and Chairman of SBI Bond Investment Management Co., Ltd.
Representative Director, President and CEO of SBI GLOBAL ASSET MANAGEMENT Co., Ltd.
Director of SBI FINANCIAL SERVICES Co., Ltd.

Director, Managing Executive Officer & CFO

Shumpei Morita

Representative Director and President of SBI Business Solutions Co., Ltd.
Director of SBI FINANCIAL SERVICES Co., Ltd.
Director of SBI Capital Management Co., Ltd.

Director & Managing Executive Officer

Kazuhiro Nakatsuka

Representative Director and President of SBI ENERGY Co., Ltd.

Director & Managing Executive Officer

Masato Takamura

Representative Director and President of SBI SECURITIES Co., Ltd.

Director & Managing Executive Officer

Tatsuo Shigemitsu

Representative Director and President of SBI Liquidity Market Co., Ltd.

Director & Executive Officer

Masayuki Yamada

Statutory Auditor of SBI GLOBAL ASSET MANAGEMENT Co., Ltd.

Director

Masaki Yoshida

Representative Director of YOSHIDAMASAKI INC.
Representative Director and Chairman of Watanabe Entertainment Co., Ltd.
Outside Director of KLab Inc.

Outside Director

Kiyoshi Nagano

Outside Audit &
Supervisory Board Member of
Shin-Etsu Chemical Co., Ltd.
Outside Director of LEC, INC

Outside Director

Keiji Watanabe

Independent Outside Director of ASAHI
KOGYOSHA CO., LTD.
Outside Director of
Aoyama Zaisan Networks Company, Limited

Outside Director

Akihiro Tamaki

Representative Director of SiFA Co., Ltd.
External Corporate Auditor of
Avex Group Holdings Inc.

Outside Director

Masanao Marumono

Director of Tokushukai,
a medical corporation (a part-time position)
Director of Japan Association of
Employers of Persons with Severe Disabilities

Outside Director

Teruhide Sato

Founder of BEENOS Inc.
Komisaris of PT MIDTRANS
Director of BEENEXT PTE. LTD.

Outside Director

Ayako Hirota Weissman

Senior Vice President, Senior Portfolio Manager,
Director of Asia Strategy of Horizon Kinetics LLC

Outside Director

Yasumine Satake

Outside Director of Legend Partners Ltd.

Outside Director

Heizo Takenaka

President of Academy Hills
Chairman & Director of Pasona Group Inc.
Outside Director of ORIX Corporation
Professor of Faculty of
Regional Development Studies at Toyo University
Emeritus Professor at Keio University

Standing Statutory Auditor

Atsushi Fujii

Statutory Auditor of SBI SECURITIES Co., Ltd.
Statutory Auditor of SBI Investment Co., Ltd.
Statutory Auditor of SBI FINANCIAL SERVICES Co., Ltd.
Statutory Auditor of SBI Capital Management Co., Ltd.

Statutory Auditor

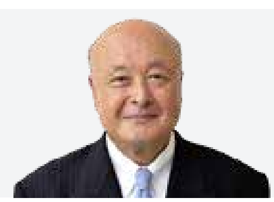
Minoru Tada

Statutory Auditor of SBI SECURITIES Co., Ltd.
Statutory Auditor of SBI FINANCIAL SERVICES Co., Ltd.
Statutory Auditor of SBI Capital Management Co., Ltd.

Outside Statutory Auditor

Yasuo Sekiguchi

Managing Director of Global Partners Consulting, Inc.



Outside Statutory Auditor

Hiroaki Nagasue

Director of Bicycle Safety use Promotion Association

Establishing an Organizational Structure that can Rapidly Adapt to Changes in the Business Environment, and a Management System that Emphasizes Dialogue with Shareholders and Investors

Basic Concept of Corporate Governance

A company's stakeholders include consumers, business partners and the community at large in addition to customers, shareholders and investors. The SBI Group keenly recognizes the social nature of companies, contributes to the preservation and development of society, and uncompromisingly engages in customer-oriented businesses in accordance with the "Customer-centric Principle," which is the Group's core management principle. The Group also considers it essential to obtain public trust in the course of business activities, and is working to ensure transparency and fairness in decision-making, and an organizational structure capable of rapidly adapting to changes in the business environment, as well as to enhance appropriate corporate governance to increase corporate value.

The Company has selected an organizational structure with a board of auditors, and established a Board of Directors and Board of Statutory Auditors. The Company's Board of Directors, consisting of 18 Directors, including 8 Outside Directors (as of June 29, 2016), is strengthening its oversight of the appropriateness of the Company's management. The Board of Directors meets once a month, in principle, to decide important matters and oversee the status of business execution. A total of 14 persons are in charge of business execution: 9 Directors and Executive Officers who control the business departments, including the Representative Director, President & CEO, and 5 Executive Officers. The Company clearly defines the functions and responsibilities of the Directors, Executive Officers and Board of Directors, and has put in place an organizational structure capable of rapidly and flexibly adapting to sudden changes in the business environment.

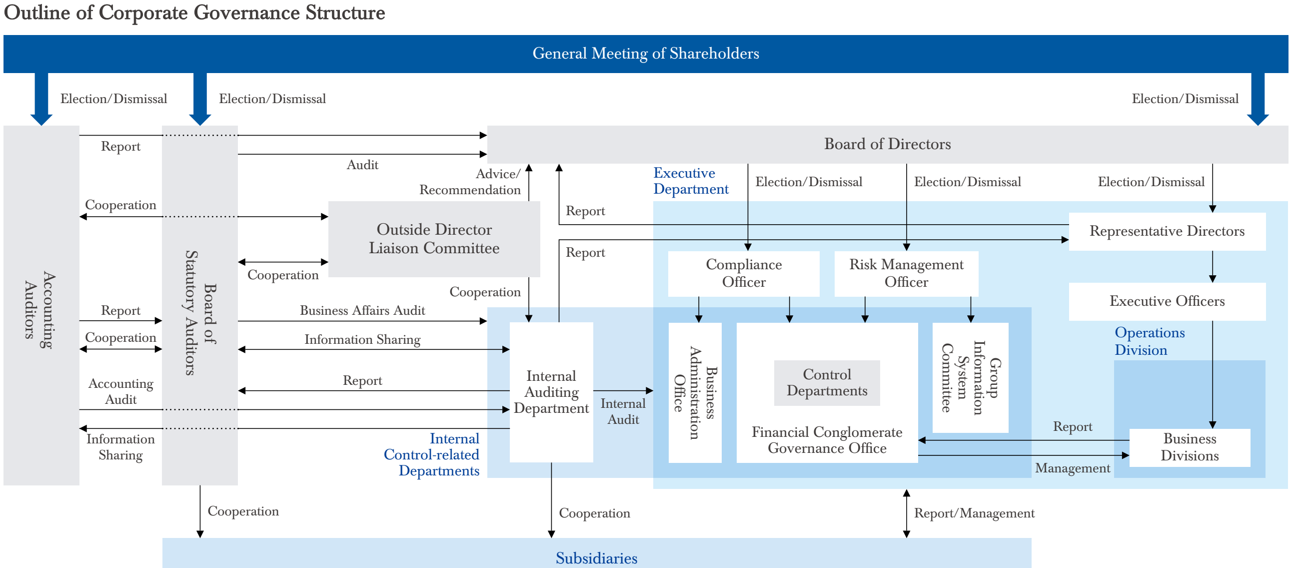
The Statutory Auditors are responsible for establishing a high-quality corporate governance system worthy of public trust, by means including auditing the Directors' performance of duties. The Statutory Auditors ensure collaboration with Outside Directors and Accounting Auditors, and endeavors to realize a more effective corporate governance system.

Compliance with the Corporate Governance Code

The Corporate Governance Code was introduced in June 2015 as a code or guideline for corporate governance of listed companies in Japan. The Company instituted the Corporate Governance Principles in December 2015 in accordance with the Code, and has published the policy in full on the corporate website. By continuing to actively engage in dialogue with shareholders and other stakeholders in keeping with the intent of the Corporate Governance Code, the Company will consider an optimal approach to corporate governance that is even more effective for the SBI Group, to seek to enhance its governance.

Corporate Governance Principles
http://www.sbigroup.co.jp/english/investors/management/governance_policy.html

Outline of Corporate Governance Structure



Overview of Organization

Configuration	Company with Board of Auditors
Number of Directors (Outside Directors)	18 (8)
Term of office of Directors	1 year
Number of Executive Officers (Directors & Executive Officers)	14 (9)
Average age of Directors	56.4 years old
Number of Statutory Auditors (Outside Statutory Auditors)	4 (2)
Number of Directors registered as Independent Directors	2
Involvement of Outside Directors in compensation decisions (Yes/No)	Yes
Number of Ordinary Board of Directors meetings held per year	12
Attendance rate at Board of Directors meetings for Outside Directors	96.3%

Increasing the Effectiveness of the Board of Directors

In order to arrange a training environment necessary to the Directors and Statutory Auditors in preparation to fulfill their respective expected roles and duties, the Company has decided to provide a forum for acquiring and updating knowledge required of corporate officers, by holding annual workshops conducted by outside instructors for the study of amendments to laws and regulations and other topical matters. The Company also conducts orientations for newly elected corporate officers to promote the understanding of the SBI Group as a whole, including the Group's businesses, financial situation and organization.

Furthermore, the Company notifies in advance the Directors and Statutory Auditors of the annual schedule of Board of Directors meetings and expected agenda items. The Company distributes materials in advance of Board of Directors meetings, and provides support in the form of information provision or information sharing upon request. In this way, the Company undertakes to ensure the effectiveness of corporate governance by invigorating discussions by the Board of Directors.

Independence Criteria for Outside Directors

If an Outside Director satisfies the independence criteria set forth below and poses no risk of conflict of interest with general shareholders, the Company considers the Outside Director to be independent from the Company.

<Independence Criteria for Outside Directors>
The Board of Directors has established the following criteria for Outside Directors who pose no risk of conflict of interest with general shareholders.

A) A person who is not now and was not for a period of ten years before taking office an officer*1 or employee of the Company or any of its subsidiaries.
B) A person who is not now and was not for a period of five years before taking office a principal shareholder*2 of the Company (if the principal shareholder is a corporation, association, or other organization, an officer*1 or employee of said organization).
C) A person who is not now and was not for a period of five years before taking office a person having transactions or a person who executes business*3 of a company having transactions with the Company exceeding 2% of the Company's consolidated revenues.
D) A person who is not now and was not for a period of five years before taking office a person who executes business*3 of a principal lender (more than 2% of consolidated total assets) of the Company or any of its subsidiaries.
E) A person who is not now and was not for a period of five years before taking office a consultant, accounting professional, or legal professional receiving from the Company a large sum of money (in an amount exceeding ¥10 million per year) excluding compensation for duties as an officer (if the entity receiving said assets is a corporation, association, or other organization, a person affiliated with said organization who is involved with the Company).
F) A person who is not now and was not for a period of five years before taking office a person who executes business*3 of a corporation, association, or other organization that has received from the Company large donations (in an amount exceeding ¥10 million per year).
G) A person who is not a relative within the second degree of kinship of a person mentioned in A) to F) above*4 or a person who depends upon such person for his or her livelihood.
H) A person whom the Board of Directors determines poses no risk of any other conflict of interest.

*1 Directors (excluding Outside Directors) and Statutory Auditors (excluding Outside Statutory Auditors).
*2 Shareholders holding 10% or more of voting rights.
*3 Directors (excluding Outside Directors) and employees.
*4 If a corporation, association, or other organization, a person in a position at the officer or department manager level.

Reasons for Selection of Outside Directors and Outside Statutory Auditors, and their Attendance at Board of Directors Meetings (FY2015)

Outside Directors	Independent Executives	Reason for selection	Term of office	Attendance at Board Meetings
Kiyoshi Nagano	☆	Formerly Chairman and President of Jasdaq Securities Exchange, Inc. (currently Japan Exchange Group, Inc.), Mr. Nagano has a wealth of experience and extensive knowledge in wide-ranging fields, including the securities market.	June 2010–	11/12
Keiji Watanabe		Mr. Watanabe has expert knowledge and a wealth of experience in Japan and overseas as a certified public accountant.	June 2010–	11/12
Akihiro Tamaki		Mr. Tamaki is a U.S. certified public accountant and has expert knowledge gained in financial auditing and consulting in Japan and the U.S., as well as experience in wide-ranging fields.	June 2010–	12/12
Masanao Marumono	☆	Formerly employed in important positions at Sumitomo Bank (currently Sumitomo Mitsui Banking Corporation), Mr. Marumono has a wealth of experience and knowledge in wide-ranging fields, including finance.	June 2012–	12/12
Teruhide Sato		Mr. Sato has a wealth of experience and deep knowledge of the Internet business, particularly in Asia, gained in activities including participation in the start-up of the Japanese subsidiary of CyberCash (currently VeriTrans).	June 2013–	11/12
Ayako Hirota Weissman		Ms. Weissman has a wealth of experience and deep knowledge gained through involvement in various investment businesses over many years, including equity investments in Japan and abroad.	June 2015–	10/10
Yasumine Satake		Formerly employed in important positions at The Bank of Tokyo-Mitsubishi (now The Bank of Tokyo-Mitsubishi UFJ) and as the former chairman of Tokyo Star Bank, Mr. Satake has a wealth of experience and extensive knowledge in the field of finance, mainly banking.	June 2015–	10/10
Heizo Takenaka		Mr. Takenaka has a wealth of experience gained in public service as a former Minister of State for Economic and Fiscal Policy and Minister of State for Financial Services, and through his current activities as a professor at universities in Japan and an outside director of a private-sector company.	June 2016–	–

Outside Statutory Auditors	Independent Executives	Reason for selection	Term of office	Board of Directors	Board of Statutory Auditors
Yasuo Sekiguchi		Mr. Sekiguchi has a wealth of experience and expert knowledge gained as a certified public accountant and certified tax accountant, and engages in appropriate oversight of the Company's management from an objective perspective.	June 2014–	12/12	16/16
Hiroaki Nagasue		Mr. Nagasue conducts effective audits of the Company's management based on a wealth of experience and knowledge accumulated through his career as a management executive.	June 2015–	10/10	11/11

The SBI Group as Viewed by Outside Directors

Further Strengthening the Securing of Promising Talent and the Monitoring of Overseas Businesses

The SBI Group has been undergoing burgeoning growth across the globe. It is necessary from now on that the Group strengthens the securing of promising talent as a source of greater competitiveness, and the monitoring of overseas businesses. As an Independent Outside Director, I coordinate with other Outside Directors as a spokesman for all stakeholders, including employees and shareholders, to serve with sincerity and in good faith towards a better company. Nevertheless, at this moment in time, I do not believe that the SBI Group's corporate value is being evaluated in its actual state. Particularly in the Biotechnology-related Business, which has the potential of offering big hopes and dreams to the future of mankind, I believe that the SBI Group must put an effort into easier-to-follow explanations that everyone can understand and acknowledge.

Outside Director Kiyoshi Nagano

A Corporate Ethos that Delegates Important Responsibilities to Young Corporate Officers and Core Employees

I serve as an Outside Director at other listed companies as well, but one distinguishing feature of the corporate governance at the SBI Group is that the average age of executive officers is noticeably younger. Viewed from the outside, an image of President Kitao might be that he is exercising strong leadership and power over the entire group, but he actually ventures to delegate work to young corporate officers and core employees. Furthermore, at the Board of Directors meeting, President Kitao talks each time in great detail about the future direction, yet he does not explain the entire agenda to the Board. Instead, for each issue, the individual corporate officer in charge will give a detailed explanation. Compared to other companies, this is also a characteristic of the SBI Group.

Outside Director Keiji Watanabe

Towards Establishing a Management System with High Transparency

The fiscal year ended March 31, 2016 was a year in which deliberations at the Board of Directors meeting became even more enlivened. Through the newly established Outside Directors Liaison Committee, I received the genuine impression that the internal and outside company officers, even more than before, have sunk their teeth into each and every issue on the agenda in back-and-forth dialogue conducted from an uninhibited viewpoint of corporate governance. The SBI Group has thus far demonstrated a faultless sense of speed in decision-making from the strategy aspect, as well as in dropping down to the execution phase, in this harsh and volatile business environment. While supporting the activities of the SBI Group, which is proactively seizing business opportunities by utilizing its advantages, I would like to fulfill my role in checking upon management with the view of establishing a management system with high transparency.

Outside Director Akihiro Tamaki

Ever-evolving Corporate Governance of the SBI Group

Compared to large corporations with a long history, which take much time to undergo any large-scale transformation in direction, I believe that the corporate governance of the SBI Group works with flexibility and is evolving every day. Going forward, as the Group's scope of business broadens more and more into a worldwide scope, as an Outside Director, I must constantly study for the Group's challenges, and it is incumbent upon us to broaden our views even more when we tackle overseas business. To begin with, by expressing views at the Board of Directors meeting on my strong points of finance and diversity, I will make my contribution to achieving the goal of an "eternal company," which remains for 100 years, or 1,000 years through sustainable evolution.

Outside Director Masanao Marumono

The Ability of the SBI Group to Adapt to Changes, which Continues to Create New Values

In my view, the SBI Group continues to create new customer value, while looking ahead to the oncoming era, incorporating change quickly and putting technology to maximum use, and is a corporate group with an organizational ethos of continued high strategic sense, creative power and self-innovation for supporting these proactive business activities. In recent years, new FinTech-related technologies have been globally introduced one after another. Under such circumstances, I see the potential of the SBI Group, who has proactively laid the groundwork towards the changes of the era to adopt developments, while responding quickly to social changes and future trends, such as by establishing the FinTech Fund and launching the SBI FinTech Consortium.

Outside Director **Teruhide Sato**

Improving Corporate Value through Full Discussion of Management Issues

Of the 18 Directors who comprise the Board of Directors meeting, 8 Directors, or 44%, are Outside Directors. As this enables management oversight to be carried out from a diverse and broad perspective, I think the composition of the board members is appropriate. The Outside Directors act under a common recognition of the goal to improve medium- to long-term corporate value. We have communicated proactively from each member's different position and point of view, based on varying backgrounds and our respective specialties, by expressing our views to the management team in a straightforward manner. Concerning the future outlook of the Biotechnology-related Business, which is currently a deficit business, I would like to hold a series of discussions of this topic at Board of Directors meetings, as one of the critical management challenges to be addressed.

Outside Director **Ayako Hirota Weissman**

The Key to Growth and Development is whether the DNA from the Company Founding can be Spread

Progress is being made on the SBI Group's risk management system, which is currently being fully equipped. However, it is no overstatement that the lifeline of finance and investment businesses is risk management, and the necessity of enriching and improving the management system, ranging from attack to defense, will never stop. The Board of Directors is working hard on strengthening unobstructed communications so that information of the Group companies is quickly and accurately shared, without getting bogged down on revenue growth and profits. In addition, we are having earnest discussions on topics such as the proper state of shareholders' distributions. President Kitao, who is the founder and clears the path to tomorrow, I believe that the key to growth and development is how the company's original DNA is passed on and further spread to all employees, including the management team.

Outside Director **Yasumine Satake**

Toward Long-term Enhancement of Corporate Value

Until now, measures on corporate governance in Japanese companies have lagged those in the U.S. and Europe. Recently, however, there has been progress in enhancing corporate governance. Despite this, constant improvements are needed so that Japanese companies may put up a good showing in the era going forward. The SBI Group, which has achieved high growth by aggressive business expansion, is coming up with a series of forward-looking measures for corporate governance and risk management, with a corporate ethos that maintains a positive atmosphere. Under the strong leadership of President Kitao, while an even more robust management system is established, I would like to contribute my understanding by taking such actions as providing information that can precede changes, and which will lead towards long-term improvement of corporate value.

Outside Director **Heizo Takenaka**

Policy on Compensation for Corporate Officers

In principle, the Board of Directors determines the amount of compensation within the total amount of compensation approved by the General Meeting of Shareholders after the Representative Director has discussed his view on the amount with the Independent Outside Directors.

The Company nominates as Directors persons who fully recognize their fiduciary duty to shareholders, and act in the common interest of the Company and shareholders. Although the Company recognizes that holding shares has a certain incentive effect to further increase motivation to contribute to enhancement of medium- to long-term corporate value, in light of the fact that development of schemes for stock-based compensation is incomplete at this time, the Company will consider measures such as issuing paid-in stock options in a timely and appropriate manner.

Compensation for Directors and Statutory Auditors and Number of Corresponding Executives (FY2015)

Executive classification	Total compensation	Number of corresponding executives
Directors (Excluding Outside Directors)	¥175 million	8
Statutory Auditors (Excluding Outside Statutory Auditors)	¥15 million	1
Outside Directors and Statutory Auditors	¥101 million	11

Constructive Dialogue with Investors

Timely and appropriate disclosure of information and sufficient fulfillment of the duty of accountability to shareholders and investors are responsibilities of listed companies, and essential to corporate governance. The Company engages in investor relations activities on the basis of four basic premises: 1) establishment of an IR system to promote constructive dialogue with shareholders, 2) ensuring enhanced information disclosure, 3) establishment of a timely disclosure system, and 4) appropriate feedback of shareholder and investor opinions to executive management. The Company has recently instituted the Basic Policy for Constructive Dialogue with Shareholders, more clearly defining the policy on dialogue to build good relations with shareholders and investors through IR activities.

Basic Policy for Constructive Dialogue with Shareholders
http://www.sbigroup.co.jp/english/investors/management/governance_policy.html#_01

Establishment of the Outside Director Liaison Committee

The Company has newly established the Outside Director Liaison Committee organized around the Independent Outside Directors. The Committee's purpose is to promote information exchange and common understanding, and enable the Outside Directors to appropriately and actively participate in discussions at Board of Directors meetings from an objective standpoint, and to ensure transparency and objectivity in the decision-making process with respect to the nomination of Outside Director candidates and the determination of compensation for directors. To ensure that the Outside Directors can discuss various matters without affecting their independence, officers and employees of the Company are not involved in the quarterly meetings of the Outside Director Liaison Committee.

At a meeting of the Outside Director Liaison Committee held following the conclusion of the Board of Directors meeting held in April 2016, the Outside Directors freely discussed topics such as the nature of internal auditing and the posture for staying current on technology trends such as FinTech. The Company will utilize discussions and recommendations at the meetings to further increase the effectiveness of the Board of Directors, and continue to work for sustained enhancement of the Group's corporate value.

Evaluation of the Board of Directors

The Company analyzed and evaluated the effectiveness of the Board of Directors, in light of the responses to a questionnaire survey of all Directors and Statutory Auditors concerning Board of Directors effectiveness conducted in February and March of 2016, and discussion at a Board of Directors meeting held in April 2016. The results confirmed that active exchanges of opinion and constructive discussions take place, and sufficient deliberation and decision-making are undertaken under appropriate operation, and that the Board of Directors is functioning effectively. Nevertheless, in view of the future business expansion of the SBI Group, whose business grows in wide-ranging areas, the Company recognized that further reinforcement of specialized expertise in the composition of the Board of Directors is desirable. Also, the opinion was expressed that delegation of decisions on business execution to the persons who execute business would enable the Board of Directors to narrow down its agenda to the important matters such as nomination of Director and Statutory Auditor candidates, and the formulation of Group business strategies, and further enhance deliberation by the Board.

IR Activities (FY2015)

	Times	Activities
Financial results briefing for institutional investors and analysts	4	Financial results briefing held quarterly focused on financial performance and outlook
Meetings for overseas institutional investors	3	Meetings for overseas institutional investors conducted by the President and executive officers
Small Meetings for domestic institutional investors	2	Small Meetings for domestic institutional investors held semi-annually and conducted by the President and executive officers
Meetings for individual investors	6	Meetings held semi-annually at Tokyo, Osaka and Nagoya
Current Management Information Briefing for shareholders	1	Briefing held shortly after the General Meeting of Shareholders every June
Individual meetings for institutional investors and analysts	As required	Meetings held as needed upon request from domestic and overseas institutional investors and analysts
Uploading of IR materials and videos to the Company website	As needed	Posting of timely disclosure materials including financial results, press releases, videos and information on CSR activities

FINANCIAL & CORPORATE INFORMATION

Financial Information

Corporate Information

Consolidated Financial Highlights 6-year Summary

Years ended March 31	2011 (JGAAP)	
Net sales / Operating revenue / Revenue*	141,081	
Operating income	8,932	
Income before income taxes / Profit before income tax expense	5,430	
Net income attributable to owners of parent / Profit for the year attributable to owners of the Company	4,534	
Total assets	1,293,606	
Total net assets / Total equity	456,982	
Net cash from (used in) operating activities	(742)	
Net cash from (used in) investing activities	(16,642)	
Net cash from (used in) financing activities	25,154	
Cash and cash equivalents, end of year	148,786	

* Beginning with the fiscal year ended March 31, 2016, the income categories "Operating revenue" and "Other financial income" have been eliminated, and the amounts have been combined and presented as "Revenue." Amounts for the years ended March 31, 2013 to March 31, 2015 are operating revenue.

Net income per share / Basic earnings per share attributable to owners of the Company	23.61	
Book-value per share / Equity per share attributable to owners of the Company	1,961.06	

* The Company conducted a 10 for 1 stock split, effective on October 1, 2012. To enable evaluation of past trends and comparisons, the figures in this section for periods prior to the stock split have been adjusted to reflect the stock split.

Equity ratio / Ratio of equity attributable to owners of the Company to total assets	30.2	
Substantive equity ratio / Substantive ratio of equity attributable to owners of the Company to total assets*	48.7	
Return on equity / Ratio of profit to equity attributable to owners of the Company	1.2	

* Represents the substantive equity ratio, calculated by subtracting customer asset accounts (that is, asset accounts for margin transaction assets, cash segregated as deposits, etc.) and liability accounts (margin transaction liabilities, guarantee deposits received, and deposits from customers, etc.) held by the Company's subsidiary SBI SECURITIES.

PER (Price-earnings ratio)	44.35	
PBR (Price-book-value ratio)	0.5	

PER=FY end TSE closing price/(Earnings per share/Basic earnings per share attributable to owners of the Company)
PBR=FY end TSE closing price/(Book-value per share/Equity per share attributable to owners of the Company)
Note: The closing price for the fiscal year ended March 31, 2016 was ¥1,143.

Employees	3,397	

*Adopted IFRSs from the year ended March 31, 2013

(Millions of yen)

	2012 (JGAAP)	2013 (IFRSs)	2014 (IFRSs)	2015 (IFRSs)	2016 (IFRSs)
	142,443	154,285	232,822	245,045	261,744
	4,941	17,386	42,224	68,209	–
	14,913	15,022	38,899	63,067	52,227
	2,511	3,817	21,439	45,721	34,115
	1,663,005	2,494,387	2,875,304	3,400,763	3,126,784
	467,964	360,535	388,463	430,615	419,063
	(6,947)	(36,984)	29,401	(36,197)	32,478
	(22,741)	(19,060)	16,811	52,305	11,179
	29,380	25,699	92,538	(15,524)	(76,230)
	145,594	133,362	276,221	290,826	248,050

(Yen)

	11.43	17.58	99.04	211.18	160.83
	1,846.13	1,401.39	1,504.19	1,771.19	1,792.08

(%)

	24.4	12.2	11.3	11.3	11.9
	47.5	22.9	22.2	22.2	21.7
	0.6	1.3	6.8	12.9	9.0

(Times)

	68.36	47.27	12.56	6.89	7.11
	0.4	0.6	0.8	0.8	0.6

(Persons)

	3,149	5,007	5,352	6,094	5,480

A Firm Revenue Base has been Established, and the SBI Group's Businesses Continue to Evolve toward the Next Leap Forward.

Shumpei Morita
Director, Managing Executive Officer & CFO

Q How would you see the recent performance trends?

The profit trend at SBI Holdings for the past few years indicates that its revenue base has been greatly strengthened. While the business environment has been boosted by a tailwind since the start of Abenomics in the second half of FY2012, the Company promoted further business "Selection and Concentration" and earning capacity improvements among the Group companies, and as a result, a strong revenue base centered on the Financial Services Business has been established.

Therefore, even if the market environment goes back to where it was before Abenomics, the level of profits at the SBI Group will be resilient enough that it would not fall back to where it had been at that time.

Q How would you describe the financial results in FY2015?

FY2015 consolidated results had a record high revenue of ¥261.7 billion, whereas profit before income tax expense was ¥52.2 billion, a 17.2% year-on-year decrease owing to ¥19.2 billion in gains on sales of SBI Mortgage (currently ARUHI) and SBI Life Living (currently Wavedash) during the previous fiscal year, FY2014. Without the impact of these one-time profits, the Company would have attained profit growth of 19.1% from the previous period. The key contributors to these favorable results are the success by SBI SECURITIES, the core business of the Group, in boosting revenue from other than flow-type businesses, owing to the continuous high level of investment trust balance and open interest credit balance, while the customer base of the Group has seen a healthy expansion over the past few years. Additionally, several previously unprofitable business entities, including SBI Insurance and SBI Remit, achieving full-year profitability based on IFRSs contributed to the favorable results. This established a firm revenue base where continuous growth can be anticipated going forward.

In the Asset Management Business, the SBI SAVINGS BANK of South Korea has become able to steadily earn a profit. In the investment business, multiple stocks with a focus on biotechnology, which the Group has held in the long run with persistence, finally blossomed and increased its fair value evaluation amount, also contributing to the positive financial results of the segment.

Q Please tell us about the future efforts to focus on from your perspective as CFO.

Companies fall into a decline due to internal causes, not external causes. If a company neglects evolution, it will weaken. In order for each SBI Group company to continuously provide the highest level of products and services within the industry, and to achieve high satisfaction from their customers, ongoing evolution at each Group company is essential.

To accomplish this, for instance, SBI SECURITIES is pushing forward with in-house system development. Although this can increase the costs in the short run, looking 10 years ahead, the SBI Group believes that this is an important effort not only in terms of profitability but also in terms of service quality improvement. Other Financial Services Business companies are actively promoting implementation tests of FinTech technologies, including blockchain technology, so that they can gain a foothold over competitors in incorporating FinTech technologies in their businesses.

In the Asset Management Business, the SBI Group has gathered assets on a scale of ¥50 billion over the past two years as a result of focusing on new fund establishments, and the Group is accelerating its venture investments in the FinTech field and in emerging countries, primarily in Asia. Since assets under management is expected to continuously rise, particularly among the Group institutional investors, including life, non-life insurance and banking businesses, the Group is enhancing its asset management capabilities and diversifying asset management products through alliances with both Japanese and overseas asset management companies.

The Biotechnology-related Business has been running a deficit and still cannot stand on its own, requiring more funds to be injected. For this reason, the current SBI Holdings stock price looks discounted for the Biotechnology-related Business. Thus, the immediate challenge facing the entire Group will be to proceed with a range of measures to make the Biotechnology-related Business profitable, which would actualize the SBI Group's intrinsic corporate value as well.

Analysis of Business Results for the Fiscal Year

The business environment surrounding the SBI Group during the current period was favorable in Japan in the beginning of the fiscal year under review. This was against the backdrop of the strong performance primarily of export-related stocks driven by anticipation for an improved corporate performance and shareholder return along with the increasingly firmer tone of the U.S. dollar against the yen in the foreign exchange market. From late August 2015, however, players' moves to evade risks became active due to stock declines worldwide caused by concerns about the Chinese economic slowdown, uncertainties over the U.S. monetary policy, and a sharp appreciation of the yen and falling stock prices, and the market tone turned bearish. Looking at trends overseas, the stock markets in major countries remained weak due to the impact of steps toward normalizing the monetary policy in the U.S. and uncertain economic outlook for some emerging countries, notably China. Under these circumstances, the Group's consolidated results of operations for the fiscal year ended March 31, 2016 were as follows: Revenue increased 5.8% year-on-year to ¥261,744 million, profit before income tax expense decreased 17.2% year-on-year to ¥52,227 million, and profit attributable to owners of the Company decreased 25.4% year-on-year to ¥34,115 million.

Financial Services Business

Revenue of the Financial Services Business decreased 0.7% year-on-year to ¥159,012 million, and profit before income tax expense declined 24.2% year-on-year to ¥50,458 million.

SBI SECURITIES Co., Ltd. maintained a stable expansion in its customer base, as the total number of accounts reached approximately 3,564 thousand as of the end of the fiscal year under review, for an increase of approximately 318 thousand accounts from the end of the previous fiscal year. While the total individual stock brokerage trading value for Japan's two major stock markets (TSE and NSE) fell 1.7% year-on-year, SBI SECURITIES recorded a 6.7% growth in stock brokerage trading value. In addition, SBI SECURITIES had significant increases in financial revenue and trust fees from investment trusts, owing to the favorable growth in open interest credit balance of margin trading and the investment trust balance. As a result, profit before income tax expense (based on IFRSs) of SBI SECURITIES Co., Ltd. for the fiscal year ended March 31, 2016 increased 8.7% year-on-year to ¥37,850 million.

SBI Insurance Co., Ltd. continued to see significant growth in the number of contracts for auto insurance and thoroughly reduced costs, which contributed to the significant improvement in profit before income tax expense (based on IFRSs) to ¥90 million (loss before income tax expense of ¥618 million in the previous fiscal year).

SBI Sumishin Net Bank, Ltd., accounted for by the equity method, achieved a total deposit balance of ¥3,446.9 billion, with the number of accounts increasing steadily to 2,585 thousand as of the end of March 31, 2016. However, the bank recorded a loss on sales of some of the bonds held. As a result, investment income under the equity method declined 34.8% year-on-year to ¥3,385 million.

Asset Management Business

Revenue of the Asset Management Business increased 38.4% year-on-year to ¥98,725 million, and profit before income tax expense surged 101.8% year-on-year to ¥17,996 million. In the fiscal year ended March 31, 2016, the number of newly listed companies started to decrease on a global level, but the number of IPOs in Japan (excluding TOKYO PRO Market listings) trended favorably to 94 companies, 8 more than that of the previous fiscal year. A total of 16 investee companies of the SBI Group transacted IPO and M&A deals (5 companies in Japan and 11 companies overseas), with respect to the Asset Management Business. Meanwhile, a valuation gain was recorded as a result of fluctuations in fair value measurement of stock prices mainly of listed investee companies. In addition, South Korea-based SBI SAVINGS BANK, which became a consolidated subsidiary in March 2013 and has completed business revitalization, continued on a solid performance due largely to a steady increase in performing loans and a gradual decrease in delinquency rate, contributing greatly to the operating results of the Asset Management Business.

Biotechnology-related Business

Revenue of the Biotechnology-related Business rose 84.3% year-on-year to ¥4,021 million, and profit before income tax expense was a loss of ¥6,572 million (loss of ¥7,310 million for the fiscal year ended March 31, 2015). In the fiscal year ended March 31, 2016, SBI Biotech Co., Ltd. received an upfront fee of $20 million following renewal of the option contract for the drug discovery pipeline of Quark Pharmaceuticals, Inc., its wholly owned subsidiary in the U.S., in the second quarter. In addition, SBI ALApromo Co., Ltd. launched "ALAplus Tou (Sugar) Down," the first food with functional claims containing 5-Aminolevulinic Acid ("5-ALA") in December 2015. As a result, the number of shops selling 5-ALA products increased sharply, leading to a surge in sales.

SBI Pharmaceuticals Co., Ltd. has been proceeding with clinical trials in Japan on an intraoperative diagnostic drug for bladder cancer and on formulations for treating chemotherapy-induced anemia and for treating mitochondrial diseases. Overseas, SBI Pharmaceuticals has been working closely with the government of Bahrain in performing clinical research on food and pharmaceutical products using 5-ALA. In addition, SBI ALA Hong Kong made photonamic GmbH & Co. KG a wholly owned subsidiary in January 2016. In these ways, SBI Pharmaceuticals is developing R&D and sales frameworks aimed at global deployment of the 5-ALA-related business.

Cash Flows

As at March 31, 2016, total assets amounted to ¥3,126,784 million and decreased by ¥273,979 million from total assets of ¥3,400,763 million as at March 31, 2015. The Group's equity decreased by ¥11,552 million to ¥419,063 million from the fiscal year ended March 31, 2015. As at March 31, 2016, the Group's cash and cash equivalents amounted to ¥248,050 million and decreased by ¥42,776 million from that of ¥290,826 million as at March 31, 2015. The changes of cash flows for each activity and the reasons for changes are as follows:

Operating Cash Flows

Cash flows from operating activities amounted to ¥32,478 million in net cash inflows (¥36,197 million in net cash outflows for the fiscal year ended March 31, 2015). The net cash inflows were primarily due to a ¥52,227 million cash inflow from profit before income tax expense and a ¥59,883 million cash inflow from an increase in customer deposits in the banking business, despite a ¥58,514 million cash outflow from an increase in accounts receivables and other receivables and a ¥19,336 million cash outflow from income taxes paid.

Investing Cash Flows

Cash flows from investing activities amounted to ¥11,179 million in net cash inflows (¥52,305 million in net cash inflows for the fiscal year ended March 31, 2015). The net cash inflows were primarily due to a ¥70,533 million cash inflow from proceeds from sales or redemption of investment securities, despite a ¥57,693 million cash outflow from purchases of investment securities.

Financing Cash Flows

Cash flows from financing activities amounted to ¥76,230 million in net cash outflows (¥15,524 million in net cash outflows for the fiscal year ended March 31, 2015). The net cash outflows were primarily due to a ¥108,085 million cash outflow from decrease in short term loans payable, a ¥30,146 million cash outflow from repayment of long-term loans payable, a ¥24,088 million cash outflow from redemption of bonds payable and a ¥15,030 million cash outflow from purchase of treasury stock, despite a ¥59,690 million cash inflow from proceeds from long-term loans payable and a ¥56,103 million cash inflow from proceeds from bond issuance.

Forward-looking descriptions provided herein are based on judgments of the Company as of June 29, 2016.

Risk

Business risks related to business conditions, financial status, and other factors that may potentially have significant influence on investor decisions include the following. From the point of disclosing information, the Group has also listed risk factors below, which may not completely match these investment decisions. In recognizing these latent risks, the Group will work to avoid any such risks and take appropriate measures in the event that any such risk arises.

This section includes forward-looking statements, which reflect the Group's views as of June 29, 2016.

1) The Group's corporate structure, which consists of a large number of public and private companies in multiple business lines, exposes the Group to challenges not found in companies with a single business line

The Group consists of portfolio companies operating in multiple industries, including financial services, asset management, biotechnology-related businesses, and other businesses. The Group also comprises of some publicly listed subsidiaries. Due to the diverse characteristics of the portfolio companies, the Group faces challenges not found in companies with a single business line. In particular, there are three aspects:

- the Group is exposed to business, market and regulatory risks relating to different industries. The Group needs to devote substantial resources to monitor changes in different operating environments, in order to react with appropriate strategies that fit the needs of the portfolio companies affected;
- due to the large number of portfolio companies involved, successful operation of the Group requires an effective management system that emphasizes accountability, imposes financial discipline on portfolio companies, and creates value-focused incentives for management. As the Group continues to grow through acquisitions of businesses in an increasing number of different industries, its operations will become more complex, which increases the difficulty of implementing its management system; and
- its portfolio companies in different operating segments may determine that it is in their respective shareholders' interests to pursue business ventures together. However there is no assurance that such business ventures will be successful or generate the synergies expected.

2) The Group's voting interests in its portfolio companies may be diluted

The Group's portfolio companies may become publicly traded, which will dilute the Group's voting interests in these entities. In addition, the Group's portfolio companies may from time to time need additional capital to achieve their growth strategy or other business objectives, and may issue additional shares or other equity securities to meet their capital needs. The Group may choose not to, or be unable to, subscribe for the securities offered in any such additional issuances by its portfolio companies. If the Group fails to subscribe for additional securities of a portfolio company on a pro-rata basis to its existing shareholding in such company, the equity interest in the portfolio company will be diluted.

A dilution in the Group's equity interest in a portfolio company would reduce its share of the profits earned by such a portfolio company, which may have an adverse effect on its financial condition and results of operations. Further, if the Group's ownership is reduced significantly, it may cause its representation on such company's annual general meeting to be reduced, or otherwise reduce its ability to direct or influence the operations of that portfolio company.

3) The growth expected in the market for the Group's online products and services may not materialize

The market in Japan for online financial products and services continues to evolve. The Group's 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 for individuals. If this growth does not materialize, the Group's financial condition and results of operations may be adversely affected. 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 the Group enters into joint ventures or alliances

The Group operates joint ventures and enters into alliances with foreign and domestic counterparties. The success of these operations is often dependent upon the financial and legal stability of its counterparties. If one of the counterparties with whom the Group operates a joint venture, or continues a business alliance with 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 an investment has been made in the joint venture or the business alliance, the Group may be unable to successfully operate the joint venture or alliance, or may be required to invest additional capital or cease operations altogether. Likewise, significant differences in corporate culture and business strategy between the Group and such partners may come to light, and may result in significant changes to the assumptions that the Group had made when deciding to enter into the joint venture or alliance. If the joint ventures or counterparties are unable to perform as expected, or if any unexpected events relating to the alliances occur, then the Group may be unable to continue those businesses successfully. The Group's inability to successfully operate joint ventures or alliances may adversely affect its reputation and its financial condition and results of operations.

5) Risks relating to business reputation

The Group is vulnerable to poor market perception and reputational risk, since it operates in industries where integrity and the trust and confidence of its clients are of utmost importance. Negative publicity (whether or not justified) associated with the Group or any of the funds, products and services offered by it, and its officers or employees, partners or alliances, or the occurrence of any of the risks set out in this section may result in a loss of clients and/or mandates. The Group's business operations are highly dependent on its officers, employees, partners, and/or alliances. The actions, misconduct, omissions, failures, or breaches of any of its officers or employees, partners and/or alliances may, by association, create negative publicity in relation to the 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, may have an adverse effect on the Group's business, growth prospects, results of operations, and/or financial condition. This may adversely affect the Group's financial condition and results of operations.

In addition, with the Group's business expansion and increasing publicity, if there are fraudulent persons or acts, which use trade names of the Group companies, the Group may be negatively affected by rumors regardless of lack of fault. This may adversely affect the Group's financial condition and results of operations.

6) Risks relating to business restructuring and expansion

As a "Strategic Business Innovator," one of the Group's basic policies involves working to perpetuate "Self Evolution."

In addition to business restructurings, the Group intends to aggressively pursue business expansion, including mergers and acquisitions ("M&A") of businesses that it believes offer favorable synergies with its core businesses. The Group faces the risk that its restructurings and business expansion activities may not produce the results that it expects. Failure to achieve expected results may have an adverse effect on the Group's financial condition and results of operations.

The Group may not be able to identify suitable investment opportunities, partners or acquisitions candidates. Even if the Group identifies suitable investment opportunities, partners or acquisitions candidates, it may be unable to negotiate terms that are commercially acceptable, or complete those transactions at all. With respect to its acquisitions, the Group may have difficulty in integrating these companies or businesses, including internal operations, distribution networks, product lines, and personnel, with its existing business, and there is no assurance that the expected strategic benefits of any acquisitions or alliances will be realized. The acquired companies may have low margins and require significant restructuring to increase their efficiency. In addition, the key personnel of an acquired company may decide not to work for the Group. The acquired company may 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 impairment of goodwill and other acquired intangible assets, some or all of which may have an adverse effect on the Group's business, financial condition and results of operations. In the event that the Group plans to acquire or invest in other companies, it 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 the Group to foreign exchange risks, foreign regulations applicable to its business and different environments that it may not be familiar with. In the event that such risk arises, it may adversely affect the Group's financial condition and results of operations.

In addition, the Group raises working capital through various means, including equity finance in the capital markets, share exchange, loans from financial institutions, and issuances of corporate bonds, etc. If a significant amount of such funding is raised by way of debt, the Group's funding cost may increase due to factors such as a downgrade of the Group's credit ratings. Any of these factors may adversely affect the Group's financial condition and results of operations.

7) Risks relating to entering new businesses

Based on the management principle of "Endeavoring to Become a New Industry Creator," the Group is aggressively creating and nurturing new businesses. If the 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 may have an adverse effect on the financial condition and results of operations of the Group. In addition, the new businesses may become subject to new laws and regulations, or be placed under the guidance of particular regulatory authorities. Any violations by the new businesses of the laws, regulations, or guidance that is applicable to them, and any administrative or legal actions directed at them, may impede the conduct of their operations, and have an adverse effect on the Group's financial condition and results of operations.

8) Risks relating to a financial conglomerate

The Group is classified as a financial conglomerate as defined by the regulations of Japanese Financial Services Agency (the "FSA"). As a result, it is further strengthening its risk management and compliance systems in order to maintain financial soundness, and to conduct business activities properly. However, if subjected to an administrative action or other punishment by the FSA, for whatever reason, the Group may have difficulty conducting its business operations, or its financial condition and results of operations may be adversely affected.

9) Risks relating to investment securities

The Group holds a significant amount of investment securities, including investments in associates. It may experience impairment losses on its investment securities as a result of declines in their value subject to the stock and bond market conditions, which may adversely affect the Group's financial condition and results of operations.

10) Litigation risk

The Group is exposed to litigation risk relating to the operations of its business segments on an ongoing basis. While the outcome of any pending or future litigation cannot be foreseen, given the inherent unpredictability of litigation, it is possible that an adverse outcome in any one or more matters may have an adverse effect on the Group's financial condition and results of operations.

11) Risk relating to risk management and internal control

The Group has established risk management and internal control systems and implementation procedures. Certain areas within the risk management and internal control systems may require constant monitoring, maintenance and continual improvements by the Group's senior management and staff. If the efforts to maintain these systems are found to be ineffective or inadequate, the Group may be subject to sanctions or penalties, and its business prospects and reputation may be adversely affected.

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

12) Risks relating to funding and liquidity

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

13) Derivatives risk

The Group utilizes derivative instruments to reduce investment portfolio price fluctuations, and to manage interest rate and foreign exchange rate risk. However, it may not be able to successfully manage its risks through the use of such derivatives. Counterparties may fail to honor the terms of their derivatives contracts with the Group. Alternatively, the Group's ability to enter into derivative transactions may be adversely affected if its credit ratings are downgraded.

The Group may also suffer losses from trading activities, a part of which includes the use of derivative instruments, and as a result, its financial condition and results of operations may be adversely affected.

14) Partial dependence on payments from the subsidiaries and other entities

The Group depends in part on dividends, distributions and others from its subsidiaries and other entities, such as partnerships and other investment vehicles, to fund payments, including its debt obligations. Regulatory and other legal restrictions, including contractual restrictions, may limit the Group's ability to transfer funds to or from the subsidiaries and other entities. Some of the subsidiaries and other entities which the Group depends on, in part, for payments are subject to laws and regulations that authorize regulatory bodies to block or reduce the flow of funds within the Group, or that prohibit such transfers altogether in certain circumstances. These laws and regulations may hinder the ability to access funds that the Group may need to make payments on its obligations, which may adversely affect the Group's financial condition and results of operations.

15) Reliance on key personnel

The Group's business operations depend on the leadership of the Company's Representative Director, President and Chief Executive Officer, Mr. Yoshitaka Kitao, and other key members of the Group's management team. If one or more of the key personnel of the current management team becomes unable to continue operating the Group's businesses, such an event may adversely affect the Group's 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

The Group employs personnel who are highly skilled and qualified, in its opinion, to work under the management team. If the Group is unable to continue to employ highly skilled and qualified personnel of the requisite caliber and skills, this may adversely affect its financial condition and results of operations.

17) Risks relating to trademarks and other intellectual property rights

The Group's businesses involve various types of intellectual property, including trademark rights, patents, copyrights, and other forms of intellectual property, particularly those related to "the SBI" brand. The Group relies on its ability to protect the intellectual property it owns and uses in its business. If it fails to sufficiently protect its intellectual property, or if it is unable to acquire the necessary licenses for the use of third-party intellectual property, the Group may experience difficulty in developing technologies or providing services. The Group may also become the subject of legal actions brought by third parties alleging infringement of their intellectual property. In addition, the Group may experience increased costs in connection with intellectual property, especially those related to patent. Such additional costs may have an adverse effect on its 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 the Group conducts its business, the products or services that it may offer in Japan or abroad, as well as the customers, borrowers, portfolio companies and funding sources. Such enactment or changes are unpredictable, and as a result of such enactment or changes, the Group's business activities, financial condition and results of operations may be adversely affected.

Withdrawal or amendment of any regulatory approval, or of any exemption from registration in respect of any part of the Group's activities, or any of its funds in any jurisdiction might compel termination of a particular business, or change the way in which it is conducted. Similarly, the withdrawal of either a license or an approval of one or more individuals would hinder their ability to perform their current role. The carrying on of regulated activities by unauthorized persons may have a number of consequences to the Group's business operations, 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 the Group records and reports its financial condition and results of operations, even if the underlying business fundamentals remain the same. As a result of such enactment or changes, its business activities, financial condition and results of operations may be adversely affected.

19) Risks relating to deferred tax assets

Temporary differences arising between the financial statements and the tax basis of assets and liabilities are posted to deferred tax assets, using the statutory effective tax rate applied when the difference is resolved.

If there is a tax reform and change in the statutory effective tax rate, the Group may reduce or increase the deferred tax assets. Such events may adversely affect the Group's financial condition and results of operations.

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

Each Group company calculates the estimated future recoverable tax amount based on the expected amount of future taxable income. While the Group presumes that it is possible to realize the deferred tax assets after the valuation allowance, the amount of valuation allowance may fluctuate depending on changes in the expected amount of future taxable income. Such changes may adversely affect the Group's financial condition and results of operations.

20) Risks relating to insurance coverage

To manage operating risks, the Group companies may be covered by various insurance policies. However, there can be no assurance that all claims under such insurance policies will be honored fully, or on time. Furthermore, the Group is generally unable to insure against certain types of losses, including losses caused by earthquakes, typhoons, floods, wars and riots, and does not have business interruption insurance. To the extent that any of its portfolio companies suffer a loss or damage that is not covered by insurance, or that exceeds the limit of its insurance coverage, the Group's financial condition and results of operations and cash flows may be adversely affected.

21) Past results may not be indicative of future performance

The Group's historical financial information may not necessarily reflect its financial condition, or results of operations in the future. Slower growth may be expected in some of its businesses and it may not be successful in launching new businesses. New businesses may not achieve as quick, or as significant a growth as anticipated, and the Group's multiple business strategy may not be successful, and it may not be able to successfully integrate future businesses, or assets into the existing operations. Such cases may result in significant interruptions to, or an adverse effect on the Group's financial condition and results of operations.

22) Risk associated with natural disasters, such as an earthquake, terrorist attack or other casualty event, in Japan or other markets in which the Group operates

A substantial portion of the Group's assets, as well as its head office, are located in Japan and a substantial portion of the net assets are derived from its operations in Japan. The Group's overseas operations are subject to similar or other disaster risks. Additionally, large disasters, outbreaks, terrorist attacks, or other casualty events affecting the Group's operational network, either in Japan or abroad, may disrupt the operations even in the absence of direct physical damage to the Group's properties. Due to a material economic downturn in the affected area or country caused by such disasters, the Group's financial condition and results of operations may be adversely affected.

23) Risks relating to the Group's investments, development of the Group's business, funding and legal regulations in overseas operations

The Group is actively investing and promoting business development in overseas countries, as such, the Group is exposed to risks relating to increasing cost or loss unique to overseas business, owing to factors that differ from those in Japan, such as systems including but not limited to laws and regulations, business practice, economic status, corporate culture, consumer attitude, and other related matters in the overseas countries. The Group conducts its investment and business development operations in the overseas countries upon careful investigation and examination, followed by appropriate measures to mitigate any related risks. Nevertheless, if events occur that the Group could not initially foresee, then those events may adversely affect the Group's financial condition and results of operations.

Additionally, since the foreign shareholder ownership ratio of the Company remains high, it may be deemed that the Group is conducting financing activities in foreign countries, regardless of the Group's intention. As a result, the Group may be affected by foreign laws and regulations, particularly those concerning investor protection, and this may cause the Group's expenses to increase and restrict its business. Furthermore, the Group may increase foreign currency debt financing to hedge against foreign currency risks by borrowing from overseas financial institutions, or by issuing corporate bonds in overseas countries. Although the Group will conduct such financing upon careful investigation and examination of associated risk, events may nevertheless occur that the Group could not initially foresee, which may adversely affect the Group's financial condition and results of operations.

Recently, in addition to the above, the application of laws and regulations in overseas countries, such as the Bribery Act in the U.K. and the Foreign Corrupt Practices Act in the U.S., might extend to the Group in other countries including Japan. The Group has responded to a variety of these laws and regulations after carefully investigating and examining them, but unexpected events may occur, since there are few precedents. Such cases may adversely affect the Group's financial condition and results of operations.

24) There is no guarantee of 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 the Group operates are derived from official government or other industry sources, and are generally believed to be reliable. However, the Group cannot guarantee the quality or reliability of any such information, as it has not prepared, or verified the accuracy of the information received from such sources. The Group makes 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, stakeholders should not unduly rely on these facts and statistics.

25) Risks with respect to transactions with anti-social forces

In order to preclude any transaction with a party that is suspected to have a relationship with an anti-social force, the Group has taken necessary measures with the objective of precluding all transactions with anti-social forces by, prior to entering into a new transaction, confirming whether any information with respect to a relationship with an anti-social force exists, and obtaining a representation and a letter in relation to the counterparty, of a pledge to the effect that the counterparty to the transaction is not an anti-social force. However, despite the Group's strict investigations, there may be cases where the Group has not been able to preclude a transaction with an anti-social force. If such transaction is found, the Group's business may be restricted, or suspended by regulatory or other authorities, etc., or the Group may be subject to a disposition, or order such as an administrative monetary penalty payment order, and its social reputation may also be impaired.

Consolidated Statement of Financial Position

(Millions of Yen)

	Notes	As of March 31, 2015	As of March 31, 2016
Assets			
Cash and cash equivalents	6, 18	290,826	**248,050**
Trade and other accounts receivable	6, 8, 9, 18	342,459	**369,006**
Assets related to securities business			
Cash segregated as deposits		1,250,678	**1,139,908**
Margin transaction assets		276,387	**516,843**
Other assets related to securities business	10	601,695	**251,924**
Total assets related to securities business	6, 7	2,128,760	**1,908,675**
Other financial assets	6, 18	31,096	**29,215**
Operational investment securities	6, 8, 11	114,946	**118,886**
Other investment securities	6, 8, 11	193,064	**173,907**
Investments accounted for using the equity method	12	45,455	**43,853**
Investment properties	14	18,478	**12,027**
Property and equipment	15, 18	10,590	**11,778**
Intangible assets	16	199,810	**188,454**
Other assets		22,785	**22,607**
Deferred tax assets	17	2,494	**326**
Total assets		3,400,763	**3,126,784**
Liabilities			
Bonds and loans payable	6, 8, 18	374,771	**324,585**
Trade and other accounts payable	6, 8, 19	55,005	**38,759**
Liabilities related to securities business			
Margin transaction liabilities		97,757	**85,677**
Loans payable secured by securities		290,480	**344,423**
Deposits from customers		638,879	**573,957**
Guarantee deposits received		545,116	**533,862**
Other liabilities related to securities business	20	388,161	**222,424**
Total liabilities related to securities business	6, 7, 8	1,960,393	**1,760,343**
Customer deposits for banking business	6, 8	361,102	**386,027**
Insurance contract liabilities	21	170,042	**154,133**
Income tax payable		13,792	**7,066**
Other financial liabilities	6	13,757	**12,899**
Other liabilities		12,034	**13,396**
Deferred tax liabilities	17	9,252	**10,513**
Total liabilities		2,970,148	**2,707,721**
Equity			
Capital stock	23	81,681	**81,681**
Capital surplus	23	148,676	**145,735**
Treasury stock	23	(5,137)	**(19,132)**
Other component of equity	23	36,934	**17,107**
Retained earnings	23	121,337	**146,199**
Equity attributable to owners of the Company		383,491	**371,590**
Non-controlling interests		47,124	**47,473**
Total equity		430,615	**419,063**
Total liabilities and equity		3,400,763	**3,126,784**

Consolidated Statement of Income

(Millions of Yen)

	Notes	Fiscal year ended March 31, 2015	**Fiscal year ended March 31, 2016**
Revenue	5, 26	247,423	**261,744**
Expense			
Financial cost associated with financial income	27	(16,610)	**(15,836)**
Operating cost	27	(64,019)	**(83,692)**
Selling, general and administrative expenses	27	(92,039)	**(96,646)**
Other financial cost	27	(5,512)	**(4,442)**
Other expenses	27	(11,247)	**(10,484)**
Total expense		(189,427)	**(211,100)**
Share of the profit of associates and joint ventures accounted for using the equity method	5, 12	5,071	**1,583**
Profit before income tax expense	5	63,067	**52,227**
Income tax expense	28	(23,753)	**(15,561)**
Profit for the year		39,314	**36,666**
Profit for the year attributable to			
Owners of the Company		45,721	**34,115**
Non-controlling interests		(6,407)	**2,551**
Profit for the year		39,314	**36,666**
Earnings per share attributable to owners of the Company			
Basic (Yen)	30	211.18	**160.83**
Diluted (Yen)	30	195.06	**147.94**

(Changes in presentation of consolidated statement of income)
The Company presented revenue and expense from operating activities separately from those from other activities by presenting "Operating income (loss)" in the consolidated statement of income. However, since it became difficult to make such distinct classification due to varying revenue earning activities of the Group, the Company changed its presentation and now presents "Revenue" and each "Expense" category without presenting "Operating income (loss)."

Consolidated Statement of Comprehensive Income

(Millions of Yen)

	Note	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Profit for the year		39,314	**36,666**
Items that will not be reclassified subsequently to profit or loss			
Fair value through other comprehensive income ("FVTOCI") financial assets	29	52	**301**
Items that may be reclassified subsequently to profit or loss			
Currency translation differences	29	21,431	**(19,904)**
Other comprehensive income, net of tax		21,483	**(19,603)**
Total comprehensive income		60,797	**17,063**
Total comprehensive income attributable to			
Owners of the Company		66,246	**14,750**
Non-controlling interests		(5,449)	**2,313**
Total comprehensive income		60,797	**17,063**

Consolidated Statement of Changes in Equity

(Millions of Yen)

	Note	Attributable to owners of the Company						Non-controlling interests	Total equity
		Capital stock	Capital surplus	Treasury stock	Other component of equity	Retained earnings	Total		
As at April 1, 2014		81,681	152,725	(5,140)	16,225	80,140	325,631	62,832	388,463
Profit for the year		–	–	–	–	45,721	45,721	(6,407)	39,314
Other comprehensive income		–	–	–	20,525	–	20,525	958	21,483
Total comprehensive income		–	–	–	20,525	45,721	66,246	(5,449)	60,797
Issuance of stock acquisition rights	25	–	113	–	–	–	113	–	113
Change in scope of consolidation		–	419	–	–	–	419	(7,154)	(6,735)
Dividends paid	24	–	–	–	–	(4,340)	(4,340)	(5,482)	(9,822)
Treasury shares purchased	23	–	–	(34)	–	–	(34)	–	(34)
Treasury shares sold	23	–	1	37	–	–	38	–	38
Changes of interests in subsidiaries without losing control		–	(4,582)	–	–	–	(4,582)	2,377	(2,205)
Transfer	23	–	–	–	184	(184)	–	–	–
As at March 31, 2015		81,681	148,676	(5,137)	36,934	121,337	383,491	47,124	430,615
Profit for the year		**–**	**–**	**–**	**–**	**34,115**	**34,115**	**2,551**	**36,666**
Other comprehensive income		**–**	**–**	**–**	**(19,365)**	**–**	**(19,365)**	**(238)**	**(19,603)**
Total comprehensive income		**–**	**–**	**–**	**(19,365)**	**34,115**	**14,750**	**2,313**	**17,063**
Change in scope of consolidation		**–**	**–**	**–**	**–**	**–**	**–**	**4,663**	**4,663**
Dividends paid	24	**–**	**–**	**–**	**–**	**(9,715)**	**(9,715)**	**(9,406)**	**(19,121)**
Treasury shares purchased	23	**–**	**–**	**(15,030)**	**–**	**–**	**(15,030)**	**–**	**(15,030)**
Treasury shares sold	23	**–**	**111**	**1,035**	**–**	**–**	**1,146**	**–**	**1,146**
Changes of interests in subsidiaries without losing control		**–**	**(3,052)**	**–**	**–**	**–**	**(3,052)**	**2,779**	**(273)**
Transfer	23	**–**	**–**	**–**	**(462)**	**462**	**–**	**–**	**–**
As at March 31, 2016		**81,681**	**145,735**	**(19,132)**	**17,107**	**146,199**	**371,590**	**47,473**	**419,063**

Consolidated Statement of Cash Flows

(Millions of Yen)

	Note	Fiscal year ended March 31, 2015	**Fiscal year ended March 31, 2016**
Net cash (used in) generated from operating activities			
Profit before income tax expense		63,067	**52,227**
Depreciation and amortization		11,515	**11,103**
Share of profits of associates and joint ventures accounted for using the equity method		(5,071)	**(1,583)**
Interest and dividend income		(63,795)	**(72,238)**
Interest expense		22,122	**20,278**
Decrease (Increase) in operational investment securities		16,984	**(6,449)**
Increase in accounts receivables and other receivables		(59,017)	**(58,514)**
Increase (decrease) in operational liabilities and other liabilities		4,828	**(13,890)**
(Increase) decrease in assets/liabilities related to securities business		(46,629)	**19,882**
Increase in customer deposits in the banking business		21,696	**59,883**
Others		(28,573)	**(10,562)**
Subtotal		(62,873)	**137**
Interest and dividend income received		66,304	**71,537**
Interest paid		(22,086)	**(19,860)**
Income taxes paid		(17,542)	**(19,336)**
Net cash (used in) generated from operating activities		(36,197)	**32,478**
Net cash generated from investing activities			
Purchases of intangible assets		(5,772)	**(7,223)**
Purchases of investment securities		(24,166)	**(57,693)**
Proceeds from sales or redemption of investment securities		50,480	**70,533**
Acquisition of subsidiaries, net of cash and cash equivalents acquired	31	(6,649)	**(3,222)**
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	31	30,137	**550**
Payments of loans receivable		(2,579)	**(1,806)**
Collection of loans receivable		2,539	**1,942**
Others		8,315	**8,098**
Net cash generated from investing activities		52,305	**11,179**
Net cash used in financing activities			
Increase (decrease) in short term loans payable		30,360	**(108,085)**
Proceeds from long-term loans payable		43,842	**59,690**
Repayment of long-term loans payable		(52,461)	**(30,146)**
Proceeds from issuance of bonds payable		49,866	**56,103**
Redemption of bonds payable		(76,400)	**(24,088)**
Proceeds from stock issuance to non-controlling interests		181	**91**
Contributions from non-controlling interests in consolidated investment funds		1,755	**8,244**
Cash dividends paid		(4,322)	**(9,684)**
Cash dividends paid to non-controlling interests		(453)	**(381)**
Distributions to non-controlling interests in consolidated investment funds		(5,043)	**(8,827)**
Purchase of treasury stock		(34)	**(15,030)**
Proceeds from sale of interests in subsidiaries to non-controlling interests		114	**47**
Payments for purchase of interests in subsidiaries from non-controlling interests		(1,321)	**(4,486)**
Others		(1,608)	**322**
Net cash used in financing activities		(15,524)	**(76,230)**
Net increase (decrease) in cash and cash equivalents		584	**(32,573)**
Cash and cash equivalents at the beginning of the year		276,221	**290,826**
Effect of changes in exchange rate on cash and cash equivalents		14,021	**(10,203)**
Cash and cash equivalents at the end of the year		290,826	**248,050**

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.

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 June 27, 2016.

2. Basis of Preparation

(1) Compliance with IFRSs

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

(2) Basis of measurement

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

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

The measurement basis of fair value of the financial instruments is provided in Note 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 to the nearest million yen, unless otherwise stated.

(4) Use of estimates and judgments

In the preparation of the Group's consolidated financial statements in accordance with IFRSs, management of the Company 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 carrying amount of an asset or liability in the statement of financial position and its tax base and tax loss carryforwards are recorded as deferred tax assets up to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and tax loss carryforwards can be utilized, using the tax rates that are expected to apply to the period when they are realized.

(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 at the financial assets' original effective interest rate.

(e) Liability adequacy test for insurance contracts

A liability adequacy test for insurance contracts is performed in consideration of current estimates of all contractual cash flows and related cash flows such as claims handling costs at the end of each reporting period.

(5) Application of new and revised IFRSs

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

(6) Early adoption of IFRSs

The Group early adopted IFRS 9 "Financial Instruments" (issued in November 2009, revised in October 2010 and December 2011) ("IFRS 9").

3. Significant Accounting Policies

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

(1) Basis of consolidation

(a) Subsidiaries

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

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

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

(b) Associates and joint ventures

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

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

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

Investments in associates and joint ventures are initially recognized at cost and accounted for using the equity method 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 in accordance with IFRS 9.

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

When the Group's share of losses in an equity method associate exceeds 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) Business combination

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

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

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

Goodwill is measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the difference is negative, the excess is recognised immediately in profit or loss.

The Group recognizes non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation on an acquisition-by-acquisition basis, either at fair value or at the proportionate share of the recognized amount of acquiree's identifiable net assets.

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

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

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

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

(e) 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 exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at the year-end date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency shall be retranslated using the exchange rate at the date when the fair value was measured. The exchange differences arising from the retranslation were recognized in profit or loss, except for retranslation differences in financial instruments that are measured at fair value and changes in fair value are recognized in other comprehensive income, and exchange differences arising from transactions for the purpose of hedging certain foreign exchange risk.

(b) Foreign operations

The assets and liabilities, including goodwill and fair value adjustments arising from business combinations, of all the Group entities that have a functional currency that is different from the presentation currency (mainly foreign operations) are translated into the presentation currency using the rates of exchange prevailing at the end of each reporting period. Income and expenses of foreign operations are translated into the presentation currency at the average exchange rates.

Exchange differences arising are recognized as other comprehensive income. The differences are recorded and accumulated as translation reserve in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

(3) Financial instruments

The Group early adopted IFRS 9. IFRS 9 requires all financial assets which are within the scope of 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. 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 the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(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 accumulated impairment loss if both of the following conditions are met: (i) the financial assets 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
Financial assets, other than those subsequently measured at amortized cost, are subsequently measured at fair value, and all changes in fair value are recognized in profit or loss.

Financial assets at FVTOCI
At initial recognition, the Group designates as a financial asset at FVTOCI an investment in an equity instrument that is not held for trading and is measured at fair value through other comprehensive income. This is an irrevocable election and the accumulative changes of fair value recorded in other comprehensive income cannot be reclassified to profit or loss. Dividends from the above-mentioned equity instrument are recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. At derecognition of equity instruments at FVTOCI or when the decline in fair value is other than temporary when compared to initial cost, the recognized amount of changes in fair value accumulated in other comprehensive income is reclassified directly to retained earnings and cannot be reclassified in profit or loss.

(d) Cash and cash equivalents
Cash and cash equivalents are cash and highly liquid financial assets that are readily convertible to known amounts of cash 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 a quoted market price from an active market, if available.

The Group uses valuation techniques to determine fair value if the financial assets are not traded in an active market. Valuation techniques include utilization of a recent arm's length transaction between knowledgeable, willing parties, current fair value of an identical or similar financial instrument, discounted cash flow analysis and an option pricing model. 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 reassesses the valuation techniques based on observable market data on a regular basis.

(i) Impairment of financial assets measured at amortized cost
The Group recognizes impairment losses for financial assets measured at amortized cost 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.

The Group assesses financial assets measured at amortized cost for evidence of impairment both individually and collectively. Significant financial assets are assessed for impairment individually. Significant financial assets which are not impaired individually are assessed for impairment collectively. Financial assets which are not significant are assessed as a group based on risk characteristics.

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 amount of impairment decreases and the decrease can be related objectively to an event occurring after the impairment, reversal of previously recognized impairment loss is recognized in profit or loss.

(j) Derivatives

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

Derivatives to which hedge accounting is applied

At the inception of the hedge, the Group formally documents the hedging relationship between the hedged item or transaction and the hedge instrument, which is the derivative, in compliance with our risk management objective and strategy. In addition, at the inception and on an ongoing basis, the Group documents whether the derivative is highly effective in offsetting changes in the fair value or the cash flows of the hedged item attributable to the risk of changes in interest rates, etc.

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

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

The amount that has been recognized in other comprehensive income shall be presented as a deduction of 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 prospectively discontinue hedge accounting when the criteria of 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 the anticipated transaction is not expected to occur, at which point the underlying amount shall be immediately recognized in profit or loss.

Derivatives to which hedge accounting is not applied

Among derivatives held for hedging purposes, the Group holds some derivatives to which hedge accounting is not applied. The Group also holds derivatives for trading purposes other than hedging purposes. The changes in fair value of such derivatives shall be 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 received is recognized as an addition to equity.

(4) Lease as lessee

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

(5) Property and equipment

(a) Initial recognition and measurement

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

(b) Depreciation

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

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

• Buildings	3 – 50 years
• Furniture and equipment	2 – 20 years

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

(6) Intangible assets

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

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

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

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

(b) Research and development

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

(c) Other intangible assets (separately acquired)

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

(d) Amortization

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

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

• Software	5 years
• Customer Relationship	5 – 16 years

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

(7) Investment properties

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

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

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

• Buildings	8 – 50 years

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

(8) Impairment of non-financial assets

Other than deferred tax assets, the Group's non-financial assets are subject to impairment tests at 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") including allocated goodwill and intangible assets for which the useful life cannot be determined or which is not available for use, the recoverable amount shall be estimated at the same time every year, regardless of the indication of impairment. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

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

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

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

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

(9) Accounting for insurance contracts

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

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

(10) Employee benefits

(a) Defined contribution plans

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

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

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

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

(11) Provisions

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

(12) Revenue recognition

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

Financial assets at FVTPL are initially recognized at their fair value and related transaction costs are charged to profit or loss as incurred. Gain and loss related to the sale of financial assets at FVTPL are determined as the differences between fair value of the consideration received and the carrying amount.

Changes in the 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 of such financial assets is other than temporary when compared with the initial cost, the cumulative gains or losses previously recognized in other comprehensive income are directly transferred to 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 measured at fair value. Changes in fair value are recognized in profit or loss.

(c) Commission income

Commission income arises from transactions in which the Group is involved as an agent instead of a principal who gains the main part of the profit from the transaction. Revenue from commission income is recognized by reference to the stage of completion 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 implemented; 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 business combinations or recognized directly in equity and other comprehensive income. Current income tax expense is measured at the amount expected to be paid to or recovered from the taxation authorities using the tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amount. However, deferred tax assets are not 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 investments in subsidiaries and investments accounted for using the equity method, under which it is probable that the difference will not be recovered in the foreseeable future. Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred tax assets and liabilities are determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax assets are realized or the deferred tax liabilities are settled. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis, or the deferred tax assets and liabilities are expected to be realized simultaneously.

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

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

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

(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.

(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 reportable segment mainly consist of corporate assets such as expenses of the headquarters.

(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

Of the new standards, amendments to existing standards, and interpretations that have been published before the approval date of the consolidated financial statements, the main ones that the Group has not early adopted are as follows. The impact to the consolidated financial statements resulting from their adoption is still under investigation and it is difficult to estimate at this moment.

IFRSs		Mandatory for fiscal year beginning on or after	Adopted by the group from fiscal year ended	Summary of new standards and amendments
IFRS 9	Financial Instruments	January 1, 2018	March 2019	Amendment with regard to hedge accounting, impairment accounting, and classification and measurement of financial instruments
IFRS 10	Consolidated Financial Statements	To be determined	To be determined	Clarification of the accounting treatment for sale or contribution of assets between an investor and its associate and joint venture
IAS 28	Investments in Associates and Joint Ventures			
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	March 2019	Amendment with regard to the accounting of revenue recognition
IFRS 16	Lease	January 1, 2019	March 2020	Amendment with regard to the definition and the accounting treatment of lease
IAS 7	Statement of Cash Flows	January 1, 2017	March 2018	Additional disclosure requirement relating to changes in liabilities arising from financial activities

4. Business Combination

For the year ended March 31, 2015

In order to reenter into the life insurance business, the Group acquired 100% of the equity interest in PCA Life Insurance Co., Ltd. (hereinafter "PCA Life Insurance"), the Japanese arm of Prudential plc. on February 5, 2015, and PCA Life Insurance became a subsidiary of the Group.

(*) PCA Life Insurance changed its company name into SBI Life Insurance Co., Ltd. as at May 1, 2015.

Consideration paid at acquisition date, contingent consideration, fair value of acquired assets and liabilities, and gain on bargain purchase in relation to the business combination mentioned above are as follows. Consideration was paid in cash.

(Millions of Yen)

	Acquisition date February 5, 2015
Fair value of consideration paid	7,976
Fair value of contingent consideration	1,987
Total	9,963
Cash and cash equivalents	3,529
Trade and other accounts receivable	1,917
Other investment securities	157,261
Other assets	589
Total Assets	163,296
Insurance contract liabilities	147,942
Deferred tax liabilities	2,827
Other liabilities	556
Total Liabilities	151,325
Net assets	11,971
Gain on bargain purchase	(2,008)
Total	9,963

Gain on bargain purchase mainly derived from the recognition of the financial assets measured at amortized cost, such as bonds, at fair value at acquisition date. Costs in relation to the business combination, amounting to ¥27 million, were included in "Selling, general and administrative expenses."

The amount of the contingent consideration is determined based on reversal of additional policy reserve under Japanese accounting standards during a certain period in the future within the maximum limit of ¥1,987 million, equivalent to USD 17 million converted at the exchange rate previously agreed with the seller.

Revenue and profit for the period generated by PCA Life Insurance since the acquisition date included in the consolidated statement of income for the year ended March 31, 2015 were ¥3,579 million and ¥752 million, respectively.

Had the acquisition of PCA Life Insurance been effected at the beginning of the current reporting period, Revenue and profit of PCA Life Insurance would have been ¥25,306 million and ¥2,117 million, respectively. These estimates are unaudited.

Consideration transferred for business combinations other than the above mentioned amounted to ¥6,228 million, which were settled in cash. Fair value of acquired assets and liabilities were ¥6,519 million and ¥1,133 million, respectively.

For the year ended March 31, 2016

Consideration transferred for business combinations amounted to ¥4,594 million, which were settled in cash. Fair value of acquired assets and liabilities and non-controlling interests were ¥4,315 million, ¥2,260 million and ¥87 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 positioned as the strongest growth area in the Group, are determined as reportable segments.

The reportable segments of the Group represent businesses activities for which separate financial information of the Group's components is available and reviewed regularly by the board of directors for the purpose of allocation of financial resources and performance evaluation.

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

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

"Asset Management Business"
The Asset Management Business primarily consists of fund management and investment in Internet technology, biotechnology, environmental energy and finance-related venture companies in Japan and overseas, investment in overseas financial institutions by forming partnerships with prominent local institutions, and asset management services business which provides financial products information. 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, health foods, and cosmetics with 5-Aminolevulinic Acid (ALA), a kind of amino acid which exists in vivo, and research and development of antibody drugs and nucleic acid medicine in the field of cancer and immunology.

"Others" includes the real estate business and other businesses, but they did not meet the quantitative criteria to be defined as reportable segments for the fiscal year ended March 31, 2016.

"Elimination or Corporate" includes profit or loss that is not allocated to certain business segments and the elimination of the inter-company transactions within the Group, at a price based on the actual market price.

The following represents segment information of the Group:
As described in the note to the consolidated statement of income, the Company changed its presentation of the consolidated statement of income beginning with this fiscal year, and revenue for the year ended March 31, 2015, is restated in order to conform to the current year presentation.

Certain subsidiaries, including Morningstar Japan K. K. and SBI Estate Finance Co., Ltd., which were included in the Financial Services Business until the previous reporting period, are now included in the Asset Management Business beginning with this fiscal year. Consequently, segment information for the year ended March 31, 2015, is restated in accordance with the new basis of segmentation.

(Millions of Yen)

For the year ended March 31, 2015	Financial Services Business	Asset Management Business	Biotechnology-related Business	Total	Others	Elimination or Corporate	Consolidated Total
Revenue							
Revenue from customers	158,128	70,081	2,059	230,268	15,701	1,454	247,423
Inter-segment revenue	1,965	1,235	124	3,324	30	(3,354)	–
Total	160,093	71,316	2,183	233,592	15,731	(1,900)	247,423
Segment operating income (loss)							
Profit before income tax expense	66,524	8,917	(7,310)	68,131	2,779	(7,843)	63,067
Other Items							
Interest income	29,731	34,912	0	64,643	21	(1,319)	63,345
Interest expense	(5,950)	(13,695)	(71)	(19,716)	(241)	(2,165)	(22,122)
Depreciation and amortization	(5,597)	(5,503)	(15)	(11,115)	(219)	(171)	(11,505)
Gain or loss from investments applying the equity-method	5,285	(183)	(31)	5,071	0	–	5,071

(Millions of Yen)

For the year ended March 31, 2016	Financial Services Business	Asset Management Business	Biotechnology-related Business	Total	Others	Elimination or Corporate	Consolidated Total
Revenue							
Revenue from customers	157,186	98,110	3,873	259,169	2,259	316	261,744
Inter-segment revenue	1,826	615	148	2,589	–	(2,589)	–
Total	159,012	98,725	4,021	261,758	2,259	(2,273)	261,744
Segment operating income (loss)							
Profit before income tax expense	50,458	17,996	(6,572)	61,882	(835)	(8,820)	52,227
Other Items							
Interest income	32,877	38,256	0	71,133	0	(1,079)	70,054
Interest expense	(6,219)	(11,107)	(121)	(17,447)	(40)	(2,791)	(20,278)
Depreciation and amortization	(5,208)	(5,310)	(225)	(10,743)	(115)	(180)	(11,038)
Gain or loss from investments applying the equity-method	3,556	(279)	(1,683)	1,594	(11)	–	1,583

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

(Millions of Yen)

Non-current assets	As at March 31, 2015	As at March 31, 2016
Japan	67,790	**68,791**
Korea	146,637	**124,421**
Others	14,451	**19,047**
Consolidated total	228,878	**212,259**

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

(Millions of Yen)

Revenue from external customers	For the year ended March 31, 2015	For the year ended March 31, 2016
Japan	200,541	**215,709**
Overseas	46,882	**46,035**
Consolidated total	247,423	**261,744**

Note: Revenue is recognized at the location of the companies.

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 using valuation models such as a discounted cash flow analysis. The Group determined fair values of financial assets and financial liabilities as follows:

Cash and cash equivalents, Other financial assets, 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 interest rates derived from appropriate indices such as government bond risk free rates considering credit risk.

Assets and liabilities related to securities business

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

Operational investment securities and other investment securities

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

Bonds and loans payable

With respect to bonds and loans payable with floating interest rates, the fair values are determined at the 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 with credit risks. With respect to loans payable with fixed interest rates, the fair values 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 types of loans. The fair value of bonds payable and loans payable with short maturities are determined at the carrying values since they approximate the carrying values.

Customer deposits for banking business

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

(2) Classification and fair value of financial instruments

Classification and fair value of financial assets were as follows:

(Millions of Yen)

As at March 31, 2015	Carrying amount				Fair value
	Financial assets at FVTPL	Financial assets at FVTOCI	Financial assets measured at amortized cost	Total	
Trade and other accounts receivable	–	–	342,459	342,459	349,800
Assets related to securities business	7,579	–	2,121,181	2,128,760	2,128,760
Operational investment securities	114,946	–	–	114,946	114,946
Other investment securities	131,878	1,539	59,647	193,064	192,653
Total	254,403	1,539	2,523,287	2,779,229	2,786,159

(Millions of Yen)

As at March 31, 2016	Carrying amount				Fair value
	Financial assets at FVTPL	Financial assets at FVTOCI	Financial assets measured at amortized cost	Total	
Trade and other accounts receivable	**–**	**–**	**369,006**	**369,006**	**373,990**
Assets related to securities business	**11,948**	**–**	**1,896,727**	**1,908,675**	**1,908,675**
Operational investment securities	**118,886**	**–**	**–**	**118,886**	**118,886**
Other investment securities	**109,109**	**1,158**	**63,640**	**173,907**	**175,997**
Total	**239,943**	**1,158**	**2,329,373**	**2,570,474**	**2,577,548**

Classification and fair value of financial liabilities were as follows:

(Millions of Yen)

As at March 31, 2015	Carrying amount			Fair value
	Financial liabilities at FVTPL	Financial liabilities measured at amortized cost	Total	
Bonds and loans payable	–	374,771	374,771	375,888
Trade and other accounts payable	1,987	53,018	55,005	55,005
Liabilities related to securities business	2,551	1,957,842	1,960,393	1,960,393
Customer deposits for banking business	–	361,102	361,102	363,496
Total	4,538	2,746,733	2,751,271	2,754,782

(Millions of Yen)

As at March 31, 2016	Carrying amount			Fair value
	Financial liabilities at FVTPL	Financial liabilities measured at amortized cost	Total	
Bonds and loans payable	**–**	**324,585**	**324,585**	**325,804**
Trade and other accounts payable	**1,987**	**36,772**	**38,759**	**38,878**
Liabilities related to securities business	**2,092**	**1,758,251**	**1,760,343**	**1,760,343**
Customer deposits for banking business	**–**	**386,027**	**386,027**	**386,132**
Total	**4,079**	**2,505,635**	**2,509,714**	**2,511,157**

(3) Financial instruments categorized by fair value hierarchy

"IFRS 13 Fair Value Measurement" requires measurement of fair value to be categorized into three levels with reference to the fair value hierarchy that reflects the significance of the inputs used in making fair value measurements.

The fair value hierarchy is defined as follows:

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

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

A transfer of financial instruments between levels of the hierarchy is recognized at the date when the cause of the transfer or change in circumstances occurs.

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

(Millions of Yen)

	As at March 31, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets				
Assets related to securities business	7,579	–	–	7,579
Operational investment securities and other investment securities				
Financial assets at FVTPL	122,551	615	123,658	246,824
Financial assets at FVTOCI	698	–	841	1,539
Total financial assets	130,828	615	124,499	255,942
Financial liabilities				
Trade and other accounts payable	–	–	1,987	1,987
Liabilities related to securities business	2,551	–	–	2,551
Total financial liabilities	2,551	–	1,987	4,538

(Millions of Yen)

	As at March 31, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Assets related to securities business	**11,948**	**–**	**–**	**11,948**
Operational investment securities and other investment securities				
Financial assets at FVTPL	**117,673**	**614**	**109,708**	**227,995**
Financial assets at FVTOCI	**36**	**–**	**1,122**	**1,158**
Total financial assets	**129,657**	**614**	**110,830**	**241,101**
Financial liabilities				
Trade and other accounts payable	**–**	**–**	**1,987**	**1,987**
Liabilities related to securities business	**2,092**	**–**	**–**	**2,092**
Total financial liabilities	**2,092**	**–**	**1,987**	**4,079**

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

(Millions of Yen)

	As at March 31, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets				
Trade and other accounts receivable	–	349,800	–	349,800
Assets related to securities business	–	2,121,181	–	2,121,181
Operational investment securities and other investment securities	59,236	–	–	59,236
Total financial assets	59,236	2,470,981	–	2,530,217
Financial liabilities				
Bonds and loans payable	–	375,888	–	375,888
Trade and other accounts payable	–	53,018	–	53,018
Liabilities related to securities business	–	1,957,842	–	1,957,842
Customer deposits for banking business	–	363,496	–	363,496
Total financial liabilities	–	2,750,244	–	2,750,244

(Millions of Yen)

	As at March 31, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Trade and other accounts receivable	**–**	**373,990**	**–**	**373,990**
Assets related to securities business	**–**	**1,896,727**	**–**	**1,896,727**
Operational investment securities and other investment securities	**65,730**	**–**	**–**	**65,730**
Total financial assets	**65,730**	**2,270,717**	**–**	**2,336,447**
Financial liabilities				
Bonds and loans payable	**–**	**325,804**	**–**	**325,804**
Trade and other accounts payable	**–**	**36,891**	**–**	**36,891**
Liabilities related to securities business	**–**	**1,758,251**	**–**	**1,758,251**
Customer deposits for banking business	**–**	**386,132**	**–**	**386,132**
Total financial liabilities	**–**	**2,507,078**	**–**	**2,507,078**

(4) Financial instruments categorized as Level 3

Based on the valuation methods and policies as reported to the board of directors, external evaluating agencies and appropriate individuals of the Group measure and analyze the valuation of financial instruments categorized as Level 3 of the fair value hierarchy. The valuation results are reviewed and approved by CFO and General Manager of the Financial and Accounting Division.

The valuation techniques and unobservable inputs used for recurring fair value measurements categorized as Level 3 are as follows:

(Millions of Yen)

	As at March 31, 2015			
	Fair Value	Valuation Technique	Unobservable Input	Range
Operational investment securities and other investment securities	124,499	Income approach and market approach	Discount rate P/E ratio Illiquidity discount	9%–16% 8.8–20.4× 5%–30%

(Millions of Yen)

	As at March 31, 2016			
	Fair Value	Valuation Technique	Unobservable Input	Range
Operational investment securities and other investment securities	**110,830**	**Income approach and market approach**	**Discount rate P/E ratio EBITDA ratio Illiquidity discount**	**9%–16% 8.6–20.1× 8.8× 10%–30%**

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

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

The movement of financial assets and liabilities categorized as Level 3 is presented as follows:

(Millions of Yen)

	Financial assets			Financial liabilities
	Operational investment securities and other investment securities			
For the year ended March 31, 2015	Financial assets at FVTPL	Financial assets at FVTOCI	Total	Trade and other accounts payable
Balance as at April 1, 2014	143,082	864	143,946	–
Acquisitions through business combinations	5,365	–	5,365	1,987
Purchase	26,263	–	26,263	–
Comprehensive income				
Net profit (Note 1)	5,016	–	5,016	–
Other comprehensive income (Note 2)	–	(106)	(106)	–
Dividends	(3,851)	–	(3,851)	–
Sale or redemption	(46,074)	(3)	(46,077)	–
Currency translation differences	10,152	86	10,238	–
Others	–	–	–	–
Transferred from Level 3 (Note 4)	(16,295)	–	(16,295)	–
Transferred to Level 3	–	–	–	–
Balance as at March 31, 2015	123,658	841	124,499	1,987

(Millions of Yen)

	Financial assets			Financial liabilities
	Operational investment securities and other investment securities			
For the year ended March 31, 2016	Financial assets at FVTPL	Financial assets at FVTOCI	Total	Trade and other accounts payable
Balance as at April 1, 2015	**123,658**	**841**	**124,499**	**1,987**
Acquisitions through business combinations	**–**	**–**	**–**	**–**
Purchase	**30,819**	**579**	**31,398**	**–**
Comprehensive income				
Net profit (Note 1)	**(318)**	**–**	**(318)**	**–**
Other comprehensive income (Note 2)	**–**	**33**	**33**	**–**
Dividends	**(7,782)**	**–**	**(7,782)**	**–**
Sale or redemption	**(22,013)**	**(286)**	**(22,299)**	**–**
Currency translation differences	**(4,247)**	**(45)**	**(4,292)**	**–**
Others (Note 3)	**(111)**	**–**	**(111)**	**–**
Transferred from Level 3 (Note 4)	**(10,298)**	**–**	**(10,298)**	**–**
Transferred to Level 3	**–**	**–**	**–**	**–**
Balance as at March 31, 2016	**109,708**	**1,122**	**110,830**	**1,987**

Notes: 1. Gains and losses recognized as profit (loss) for the period in relation to financial instruments are included in "Revenue" in the consolidated statement of income. Gains and losses recognized arising from financial assets at FVTPL held as at March 31, 2015 and 2016 were ¥2,940 million and ¥135 million of gains, respectively.
2. Gains and losses recognized as other comprehensive income (loss) in relation to financial instruments are included in "FVTOCI financial assets" in the consolidated statement of comprehensive income.
3. Transfer due to obtaining of control.
4. Transfer due to significant input used to measure fair value becoming observable.

7. Offsetting Financial Assets and Financial Liabilities

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

(Millions of Yen)

	Financial assets					
				Related amounts not set off in the consolidated statement of financial position		
As at March 31, 2015	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Financial instruments	Cash collateral received	Net amount
Assets related to securities business (Securities borrowing agreements and other similar transactions)	1,261,893	(564,472)	697,421	(576,957)	(120,464)	–
Assets related to securities business (Receivables related to securities transactions)	127,762	(36,018)	91,744	(30,794)	–	60,950
Assets related to securities business (Financial assets related to foreign exchange transactions)	3,573	–	3,573	(482)	(3,091)	–

(Millions of Yen)

	Financial liabilities					
				Related amounts not set off in the consolidated statement of financial position		
As at March 31, 2015	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Financial instruments	Cash collateral pledged	Net amount
Liabilities related to securities business (Securities loan agreements and other similar transactions)	1,550,362	(564,472)	985,890	(752,466)	–	233,424
Liabilities related to securities business (Payables related to securities transactions)	281,292	(36,018)	245,274	(30,794)	–	214,480
Liabilities related to securities business (Financial liabilities related to foreign exchange transactions)	27,471	–	27,471	(3,573)	–	23,898

(Millions of Yen)

	Financial assets					
				Related amounts not set off in the consolidated statement of financial position		
As at March 31, 2016	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Financial instruments	Cash collateral received	Net amount
Assets related to securities business (Securities borrowing agreements and other similar transactions)	**1,089,319**	**(441,248)**	**648,071**	**(541,464)**	**(106,607)**	**–**
Assets related to securities business (Receivables related to securities transactions)	**259,111**	**(192,308)**	**66,803**	**(19,177)**	**–**	**47,626**
Assets related to securities business (Financial assets related to foreign exchange transactions)	**10,037**	**–**	**10,037**	**(354)**	**(7,979)**	**1,704**

(Millions of Yen)

As at March 31, 2016	Financial liabilities: Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position: Financial instruments	Related amounts not set off in the consolidated statement of financial position: Cash collateral pledged	Net amount
Liabilities related to securities business (Securities loan agreements and other similar transactions)	**1,347,586**	**(441,248)**	**906,338**	**(689,139)**	**–**	**217,199**
Liabilities related to securities business (Payables related to securities transactions)	**901,588**	**(192,308)**	**709,280**	**(19,177)**	**–**	**690,103**
Liabilities related to securities business (Financial liabilities related to foreign exchange transactions)	**143,506**	**–**	**143,506**	**(8,333)**	**–**	**135,173**

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

8. Financial Risk Management

(1) Risk management policy over capital management and financing

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

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

(Millions of Yen)

	As at March 31, 2015	As at March 31, 2016
Interest-bearing debt (Bonds and borrowings)	374,771	**324,585**
Cash and cash equivalents	(290,826)	**(248,050)**
Net	83,945	**76,535**
Equity attributable to owners of the Company	383,491	**371,590**

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

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

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

SBI SAVINGS BANK whose headquarter is in the Republic of Korea is obligated to maintain certain level of capital adequacy ratio in conformity with the 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.

The Group engages in a wide range of finance related businesses, such as investment business, fund management business, securities business, banking business, loan business and insurance businesses, to avoid excessive concentration of risk on specific entities or businesses. To operate these businesses, the Group raises funds through indirect financing such as bank 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 conducts trading of derivative instruments including foreign currency forward contracts, interest rate swaps and index futures. The Group enters into foreign currency forward contracts and interest rate swap transactions primarily to hedge foreign exchange risk and to manage its interest rate exposures on borrowings, respectively. The Group does not hold or issue these instruments for speculative purposes. Index futures are entered into for the purpose of day trading with a cap placed on their trading volume. Index futures were mainly daily trading under a limited trading scale.

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

The Group is exposed to the following risks over financial instruments:
• Credit risk
• Market risk
• Liquidity risk

(2) Risks arising from financial instruments
Financial assets held by the Group primarily consist of investment-related assets, securities-related assets and financing-related assets.

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

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

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

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

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

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

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

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

(4) Credit risk management
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 changes in the currency, political or economic circumstances of a country where investees/debtors operate.

Credit risk management policies of the Group are as follows:
(a) Accurately analyze financial conditions of investees/debtors and quantify 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 of financial assets after impairment loss presented in the consolidated statement of financial position. The maximum exposure to credit risk for loan commitment, which the Group grants, is as described in Note 34 "Contractual Liabilities."

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 exposed to excessively concentrated credit risk from a specific customer.

Impairment losses and analysis of the age regarding "trade and other accounts receivable" presented in 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 March 31, 2015 and 2016 were as follows:

(Millions of Yen)

	March 31, 2015	March 31, 2016
Trade and other accounts receivable (gross)	368,305	**396,281**
Impairment losses	(25,846)	**(27,275)**
Trade and other accounts receivable (net)	342,459	**369,006**

The analysis of the age of trade and other accounts receivable that are past due but not impaired as at March 31, 2015 and 2016 were as follows:

(Millions of Yen)

	March 31, 2015	March 31, 2016
No later than 6 months	388	**218**
Later than 6 months and not later than 1 year	265	**5**
Later than 1 year	4,934	**3,867**
Total	5,587	**4,090**

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. If the market price of operational investment securities and other investment securities held by the Group as at March 31, 2015 and 2016 increased by 10%, profit before income tax expense in the consolidated statement of income would have increased by ¥12,255 million and ¥11,767 million, respectively.

The investment portfolios as at March 31, 2015 and 2016 were as follows.

(Millions of Yen)

	March 31, 2015	March 31, 2016
Operational investment securities		
Listed equity securities	26,190	**37,327**
Unlisted equity securities	54,361	**53,821**
Bonds	1,108	**3,759**
Investments in funds	33,287	**23,979**
Total	114,946	**118,886**
Other investment securities		
Listed equity securities	1,384	**113**
Unlisted equity securities	8,363	**6,322**
Bonds	92,929	**91,734**
Investments in funds	90,388	**75,738**
Total	193,064	**173,907**

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:

(Millions of Yen)

As at March 31, 2015	USD	HKD	Others
Monetary financial instruments dominated in foreign currency			
Assets	38,519	7,471	11,151
Liabilities	29,496	7,260	8,960

(Millions of Yen)

As at March 31, 2016	USD	HKD	Others
Monetary financial instruments dominated in foreign currency			
Assets	**37,192**	**5,810**	**22,334**
Liabilities	**31,475**	**5,603**	**13,271**

If the foreign currencies strengthened by 1% against the functional currency with all other variables (such as interest rate) held constant, profit before income tax expense in the consolidated statement of income for the years ended March 31, 2015 and 2016 would have increased by ¥114 million and ¥150 million, respectively, mainly as a result of monetary financial instruments dominated in foreign currency held by the Group.

③ Interest Rate Risk
The Group is exposed to various interest rate fluctuation risks in its business operations. Interest rate fluctuation affects financial income arising from financial assets, which primarily consist of bank balances, money in trust held by subsidiaries in the Financial Services Business, call loans, and loans receivable from individual and corporate customers, and also affects financial costs arising from financial liabilities, which primarily consist of borrowings from financial institutions, bonds payable, and customer deposits for the banking business.

In management's sensitivity analysis, if interest rates had been 100 basis points higher and all other variables were held constant, profit before income tax expense in the consolidated statement of income for the years ended March 31, 2015 and 2016 would have increased by ¥1,350 million and ¥1,997 million, respectively.

The analysis is prepared assuming the financial instruments subject to interest rate risk and all other variables were held constant throughout the years ended March 31, 2015 and 2016.

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

The Group manages its liquidity risk through the following policies.

(a) Secure various financing arrangements such as bank overdraft facility, bond issuance registration or stock issuance.
(b) Collect information on the Group's working capital requirement and understand the cash flow positions.
(c) Obtain reports from the department responsible for cash management based upon the liquidity risk management policies stated in (a) and (b) above to monitor cash flow risks.

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

(Millions of Yen)

As at March 31, 2015	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
Bonds and loans payable	374,771	381,549	265,333	52,765	61,218	227	783	1,223
Trade and other accounts payable	55,005	55,088	53,706	515	361	285	179	42
Liabilities related to securities business	1,960,393	1,960,393	1,960,393	–	–	–	–	–
Customer deposits for banking business	361,102	367,129	337,262	25,670	4,162	35	–	–

(Millions of Yen)

As at March 31, 2016	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
Bonds and loans payable	**324,585**	**329,535**	**195,078**	**87,627**	**46,596**	**119**	**101**	**14**
Trade and other accounts payable	**38,759**	**38,915**	**36,709**	**751**	**662**	**549**	**244**	**–**
Liabilities related to securities business	**1,760,343**	**1,760,343**	**1,760,343**	**–**	**–**	**–**	**–**	**–**
Customer deposits for banking business	**386,027**	**391,323**	**356,047**	**32,623**	**2,634**	**10**	**1**	**8**

The Group entered into line of credit agreements (e.g., overdraft facilities) with leading domestic financial institutions to ensure an efficient operating funds procurement and to mitigate liquidity risk.

Contractual amounts and used amounts of overdraft facilities as at each reporting date are as follows:

(Millions of Yen)

	March 31, 2015	March 31, 2016
Lines of credit	327,850	**333,650**
Used balance	124,933	**51,500**
Unused portion	202,917	**282,150**

9. Trade and Other Accounts Receivable

Trade and other accounts receivable as at March 31, 2015 and 2016, consisted of the following:

(Millions of Yen)

	As at March 31, 2015	As at March 31, 2016
Trade accounts receivable and installment receivables	8,777	**5,003**
Loans receivable	297,121	**332,862**
Operational receivables	14,497	**10,819**
Deposits in relation to banking business	20,933	**19,904**
Others	1,131	**418**
Total	342,459	**369,006**

Maturity analysis to the collection or the settlement of trade and other accounts receivable as at March 31, 2015 and 2016, consisted of the following:

(Millions of Yen)

	As at March 31, 2015	As at March 31, 2016
No later than 1 year	171,654	**189,930**
Later than 1 year	170,805	**179,076**
Total	342,459	**369,006**

10. Other Assets Related to Securities Business

Other assets related to securities business as at March 31, 2015 and 2016, consisted of the following:

(Millions of Yen)

	As at March 31, 2015	As at March 31, 2016
Trade date accrual	564,378	**195,905**
Short-term guarantee deposits	29,582	**43,824**
Others	7,735	**12,195**
Total	601,695	**251,924**

11. Operational Investment Securities and Other Investment Securities

"Operational investment securities" and "Other investment securities" in the consolidated statement of financial position as at March 31, 2015 and 2016 consisted of the following:

(Millions of Yen)

	As at March 31, 2015	As at March 31, 2016
Operational investment securities		
Financial assets at FVTPL	114,946	**118,886**
Total	114,946	**118,886**
Other investment securities		
Financial assets at FVTPL	131,878	**109,109**
Financial assets at FVTOCI	1,539	**1,158**
Financial assets measured at amortized cost	59,647	**63,640**
Total	193,064	**173,907**

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 "Revenue" in the consolidated statement of income consisted of the following, respectively:

(Millions of Yen)

	As at March 31, 2015	As at March 31, 2016
Fair value		
Listed	698	**36**
Unlisted	841	**1,122**
Total	1,539	**1,158**

(Millions of Yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016
Dividends income		
Listed	7	**0**
Unlisted	1	**1**
Total	8	**1**

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

(Millions of Yen)

	As at March 31, 2015	As at March 31, 2016
Other investment securities		
Money Forward, Inc.	–	**579**
Asahi Fire & Marine Insurance Co., Ltd.	213	**213**
ULS Group, Inc.	385	**–**
Sunwah Kingsway Capital Holdings Limited	274	**–**

Fair value at disposal, cumulative gain (net of tax) transferred from other components of equity to retained earnings and dividend income of financial assets at FVTOCI disposed during the years ended March 31, 2015 and 2016 are as follows:

(Millions of Yen)

For the year ended March 31, 2015			For the year ended March 31, 2016		
Fair value at disposal	Cumulative gain	Dividend income	Fair value at disposal	Cumulative gain	Dividend income
3	(174)	–	**1,019**	**462**	**7**

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

For financial assets at FVTOCI whose significant decline in fair value compared to their acquisition costs is other than temporary, cumulative losses (net of tax) transferred from other components of equity to retained earnings for the year ended March 31, 2015 were ¥10 million.

12. Investments Accounted For Using the Equity Method

(1) Investments in associates

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

(Millions of Yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016
Profit for the year attributable to the Group	(147)	**(1,435)**
Other comprehensive income attributable to the Group	439	**(1,513)**
Total comprehensive income attributable to the Group	292	**(2,948)**

(Millions of Yen)

	As at March 31, 2015	As at March 31, 2016
Book value	17,756	**12,938**

(2) Investments in joint ventures

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

(Millions of Yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016
Profit for the year attributable to the Group	5,218	**3,018**
Other comprehensive income attributable to the Group	111	**(77)**
Total comprehensive income attributable to the Group	5,329	**2,941**

(Millions of Yen)

	As at March 31, 2015	As at March 31, 2016
Book value	27,699	**30,915**

13. Structured Entities

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

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

(1) Consolidated structured entities

Total assets of the consolidated investment partnerships and investment trusts were ¥108,048 million and ¥99,063 million as at March 31, 2015 and 2016, respectively. Total liabilities were ¥1,019 million and ¥2,769 million as at March 31, 2015 and 2016, respectively.

(2) Unconsolidated structured entities

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

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

(Millions of Yen)

	As at March 31, 2015	As at March 31, 2016
Operational investment securities	33,705	**24,784**
Other investment securities	90,772	**79,187**
Total	124,477	**103,971**

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

14. Investment Property

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

(Millions of Yen)

Cost	For the year ended March 31, 2015	For the year ended March 31, 2016
Balance, beginning of year	38,047	**23,272**
Acquisitions	2	**100**
Sales or disposals	(17,515)	**(5,194)**
Foreign currency translation adjustment on foreign operations	2,738	**(1,983)**
Balance, end of year	23,272	**16,195**

(Millions of Yen)

Accumulated depreciation and impairment losses	For the year ended March 31, 2015	For the year ended March 31, 2016
Balance, beginning of year	(4,852)	**(4,794)**
Depreciation	(361)	**(134)**
Impairment losses	(1,518)	**(1,317)**
Sales or disposals	2,378	**1,518**
Foreign currency translation adjustment on foreign operations	(441)	**559**
Balance, end of year	(4,794)	**(4,168)**

Impairment losses recognized for the years ended March 31, 2015 and 2016 were ¥1,518 million and ¥1,317 million, respectively, due to a significant decline in fair value of certain investment properties, and were recorded in "Other expenses" in the consolidated statement of income. Impairment losses for the year ended March 31, 2015 were recognized in the Asset Management Business.

Impairment losses recognized by segment for the year ended March 31, 2016 were ¥1,205 million in the Asset Management Business and ¥112 million in the Real Estate Business, which is included in "Others." The recoverable amount of the investment properties is measured at fair value less cost of disposal through real estate valuation.

(Millions of Yen)

Carrying amount and fair value			
As at March 31, 2015		**As at March 31, 2016**	
Carrying amount	Fair value	Carrying amount	Fair value
18,478	22,327	**12,027**	**11,953**

The fair value as at the end of each reporting period is based on a valuation conducted by independent valuation appraisers with appropriate qualifications, who have had recent experience in local practice for relative categories of assets.

The inputs used for the fair value measurement of investment properties are categorized as Level 3 (unobservable inputs).

Rental income from investment property for the years ended March 31, 2015 and 2016 was ¥784 million and ¥264 million, respectively, which was included in "Revenue" in the consolidated statement of income. Expenses incurred in direct relation to the rental income (including repairs and maintenance) for the years ended March 31, 2015 and 2016, were ¥870 million and ¥585 million, respectively, which were included in "Operating cost" and "Selling, general and administrative expenses."

15. Property and Equipment

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

(Millions of Yen)

Cost	Buildings	Furniture and fixtures	Land	Others	Total
Balance as at April 1, 2014	7,383	11,252	3,636	1,208	23,479
Acquisition	688	1,383	–	90	2,161
Acquisitions through business combinations	28	43	–	–	71
Sales or disposals	(1,089)	(4,376)	(238)	(13)	(5,716)
Foreign currency translation adjustment on foreign operations	85	427	157	181	850
Others	135	44	–	(52)	127
Balance as at March 31, 2015	7,230	8,773	3,555	1,414	20,972
Acquisition	**1,495**	**2,505**	**–**	**57**	**4,057**
Acquisitions through business combinations	**9**	**315**	**–**	**–**	**324**
Sales or disposals	**(870)**	**(862)**	**(1,467)**	**(176)**	**(3,375)**
Foreign currency translation adjustment on foreign operations	**(62)**	**(372)**	**(80)**	**(110)**	**(624)**
Others	**200**	**133**	**–**	**(137)**	**196**
Balance as at March 31, 2016	**8,002**	**10,492**	**2,008**	**1,048**	**21,550**

(Millions of Yen)

Accumulated depreciation and impairment losses	Buildings	Furniture and fixtures	Land	Others	Total
Balance as at April 1, 2014	(2,977)	(7,663)	(456)	(557)	(11,653)
Sales or disposals	484	4,148	–	8	4,640
Depreciation	(552)	(1,346)	–	(157)	(2,055)
Impairment losses	(80)	(15)	(718)	–	(813)
Foreign currency translation adjustment on foreign operations	(18)	(366)	–	(117)	(501)
Balance as at March 31, 2015	(3,143)	(5,242)	(1,174)	(823)	(10,382)
Sales or disposals	**527**	**735**	**1,132**	**176**	**2,570**
Depreciation	**(689)**	**(1,224)**	**–**	**(170)**	**(2,083)**
Impairment losses	**(136)**	**(110)**	**–**	**–**	**(246)**
Foreign currency translation adjustment on foreign operations	**9**	**211**	**–**	**149**	**369**
Balance as at March 31, 2016	**(3,432)**	**(5,630)**	**(42)**	**(668)**	**(9,772)**

(Millions of Yen)

Carrying amount	Buildings	Furniture and fixtures	Land	Others	Total
Balance as at March 31, 2015	4,087	3,531	2,381	591	10,590
Balance as at March 31, 2016	**4,570**	**4,862**	**1,966**	**380**	**11,778**

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

(Millions of Yen)

Carrying amount	Buildings	Furniture and fixtures	Total
Balance as at March 31, 2015	461	1,023	1,484
Balance as at March 31, 2016	**689**	**1,846**	**2,535**

Impairment losses recognized for the years ended March 31, 2015 and 2016 were ¥813 million and ¥246 million, respectively, due to no expectation of initially expected profits and were included in “Other expenses” in the consolidated statement of income. Impairment losses recognized by segment for the year ended March 31, 2015 were ¥34 million in the Financial Services Business, ¥16 million in the Asset Management Business and ¥763 million in the Real Estate Business, which is included in “Others,” respectively. Impairment losses recognized for the year ended March 31, 2016 were ¥204 million in the Financial Services Business and ¥42 million in the Asset Management Business, respectively.

16. Intangible Assets

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

The movements in cost, accumulated amortization and impairment losses of intangible assets including goodwill for the years ended March 31, 2015 and 2016 were as follows:

(Millions of Yen)

Cost	Goodwill	Software	Customer relationship	Others	Total
Balance as at April 1, 2014	163,359	34,507	30,473	1,200	229,539
Acquisitions	–	4,742	–	1,035	5,777
Acquisitions through business combinations	1,767	74	–	–	1,841
Sales or disposals	(8,047)	(4,605)	(29)	(9)	(12,690)
Foreign currency translation adjustment on foreign operations	13,363	661	3,741	79	17,844
Balance as at March 31, 2015	170,442	35,379	34,185	2,305	242,311
Acquisitions	**–**	**6,796**	**–**	**239**	**7,035**
Acquisitions through business combinations	**5,215**	**195**	**1,650**	**177**	**7,237**
Sales or disposals	**(2,729)**	**(5,556)**	**–**	**(1)**	**(8,286)**
Foreign currency translation adjustment on foreign operations	**(11,355)**	**(571)**	**(2,330)**	**(52)**	**(14,308)**
Balance as at March 31, 2016	**161,573**	**36,243**	**33,505**	**2,668**	**233,989**

(Millions of Yen)

Accumulated amortization and impairment losses	Goodwill	Software	Customer relationship	Others	Total
Balance as at April 1, 2014	(9,153)	(17,735)	(5,201)	(1,012)	(33,101)
Sales or disposals	1,901	3,218	30	4	5,153
Amortization	–	(5,735)	(3,206)	(158)	(9,099)
Impairment losses	(862)	(55)	(3,793)	–	(4,710)
Foreign currency translation adjustment on foreign operations	–	(266)	(407)	(71)	(744)
Balance as at March 31, 2015	(8,114)	(20,573)	(12,577)	(1,237)	(42,501)
Sales or disposals	**1,105**	**5,434**	**–**	**0**	**6,539**
Amortization	**–**	**(5,584)**	**(3,127)**	**(175)**	**(8,886)**
Impairment losses	**(1,541)**	**(416)**	**–**	**–**	**(1,957)**
Foreign currency translation adjustment on foreign operations	**–**	**344**	**887**	**39**	**1,270**
Balance as at March 31, 2016	**(8,550)**	**(20,795)**	**(14,817)**	**(1,373)**	**(45,535)**

(Millions of Yen)

Carrying amount	Goodwill	Software	Customer relationship	Others	Total
Balance as at March 31, 2015	162,328	14,806	21,608	1,068	199,810
Balance as at March 31, 2016	**153,023**	**15,448**	**18,688**	**1,295**	**188,454**

The carrying amount of software in the above table as at March 31, 2015 and 2016 includes the carrying amount of leased assets of ¥223 million and ¥106 million, respectively. Amortization expenses were recorded in “Operating cost” and “Selling, general and administrative expenses” in the consolidated statement of income.

(2) Impairment losses for each business segment

The Group recognized impairment losses totaling ¥4,710 million and ¥1,957 million for the years ended March 31, 2015 and 2016, respectively, due to no expectation of initially expected profits, and recorded them in “Other expenses” in the consolidated statement of income. Impairment losses recognized by segment for the year ended March 31, 2015 were ¥910 million in the Financial Services Business, ¥7 million in the Asset Management Business and ¥3,793 million in the Biotechnology-related Business, respectively. Impairment losses recognized by segment for the year ended March 31, 2016 were ¥400 million in the Financial Services Business and ¥1,557 million in the Asset Management Business, respectively. The prior-year impairment losses recognized in the Biotechnology-related Business were recognized for certain drug development pipelines (recoverable amount: ¥9,237 million).

(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 ¥116,277 million and ¥105,204 million as at March 31, 2015 and 2016, respectively, related to SBI SAVINGS BANK in the Asset Management Business and ¥24,910 million as at March 31, 2015 and 2016, related to SBI SECURITIES Co., Ltd. in the Financial Services Business.

The recoverable amounts used for impairment test of goodwill and intangible assets are calculated based on the value in use. Value in use is the present value calculated by discounting the estimated cash flows based on the projection approved by management and a growth rate. The business plans are not longer than five years in principle, and reflect the management assessments of future industry trends and historical data based on the external and internal information. The growth rate is determined by considering the long-term average growth rate of the market or the country which the CGU belongs to. The growth rate used for measuring value in use was 5% at the maximum per annum as at March 31, 2015 and 2016. The discount rate used for measuring value in use was 8.2% to 24.0% and 6.4% to 23.7% per annum as at March 31, 2015 and 2016, respectively.

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

17. Deferred Taxation

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the years ended March 31, 2015 and 2016:

(Millions of Yen)

For the year ended March 31, 2015	As at April 1, 2014	Recognized through profit or loss	Recognized through other comprehensive income	Change in scope of consolidation	Recognized directly in equity	As at March 31, 2015
Deferred Tax Assets						
Impairment on financial assets measured at amortized cost	1,585	(269)	–	(348)	–	968
Fixed assets (Note)	586	605	–	(7)	–	1,184
Tax loss carryforwards	4,190	(2,193)	–	(278)	–	1,719
Other	1,810	(967)	–	(312)	411	942
Total	8,171	(2,824)	–	(945)	411	4,813
Deferred Tax Liabilities						
Financial Assets at FVTPL	2,015	2,085	–	959	–	5,059
Financial Assets at FVTOCI	425	–	44	(343)	–	126
Financial Assets measured at amortized cost	–	(150)	–	1,868	–	1,718
Intangible assets	5,370	(2,057)	761	–	–	4,074
Other	816	(222)	–	–	–	594
Total	8,626	(344)	805	2,484	–	11,571

(Millions of Yen)

For the year ended March 31, 2016	As at April 1, 2015	Recognized through profit or loss	Recognized through other comprehensive income	Change in scope of consolidation	Recognized directly in equity	As at March 31, 2016
Deferred Tax Assets						
Impairment on financial assets measured at amortized cost	**968**	**120**	**–**	**(164)**	**–**	**924**
Fixed assets (Note)	**1,184**	**(370)**	**–**	**(1)**	**–**	**813**
Tax loss carryforwards	**1,719**	**487**	**–**	**(230)**	**–**	**1,976**
Other	**942**	**630**	**–**	**–**	**0**	**1,572**
Total	**4,813**	**867**	**–**	**(395)**	**0**	**5,285**
Deferred Tax Liabilities						
Financial Assets at FVTPL	**5,059**	**2,206**	**–**	**–**	**–**	**7,265**
Financial Assets at FVTOCI	**126**	**–**	**(122)**	**–**	**–**	**4**
Financial Assets measured at amortized cost	**1,718**	**(427)**	**–**	**–**	**–**	**1,291**
Intangible assets	**4,074**	**2,033**	**(267)**	**532**	**–**	**6,372**
Other	**594**	**138**	**2**	**(194)**	**–**	**540**
Total	**11,571**	**3,950**	**(387)**	**338**	**–**	**15,472**

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 March 31, 2015 and 2016, were ¥255,133 million (including ¥223,886 million with the carryforward period over 5 years), and ¥276,663 million (including ¥238,036 million with the carryforward period over 5 years), respectively.

The Group recognized deferred tax assets of ¥31 million and ¥1,855 million as at March 31, 2015 and 2016, respectively, associated with certain subsidiaries that had net losses during the years ended March 31, 2015 and 2016. The Group's management assessed that it is probable that tax credit carryforwards and deductible temporary differences will be utilized as the tax losses are not expected to arise on an ongoing basis.

As at March 31, 2015 and 2016, in principle, the Group did not recognize a deferred tax liability on the taxable temporary differences associated with investments in subsidiaries because the Group was in a position to control the timing of the reversal of the temporary differences and it was probable that such differences would not reverse in the foreseeable future. The amount of taxable temporary differences associated with investments in subsidiaries on which deferred tax liabilities were not recognized were ¥113,610 million and ¥117,831 million as at March 31, 2015 and 2016, respectively.

18. Bonds and Borrowings

(1) Details of bonds and borrowings

Bonds and borrowings as at March 31, 2015 and 2016, consisted of the following:

	As at March 31, 2015 (Millions of Yen)	As at March 31, 2016 (Millions of Yen)	Average interest rate (Note 1) (%)	Due (Note 2)
Short-term loans payable	197,268	**101,099**	0.61	–
Current portion of long-term loans payable	41,323	**22,014**	0.55	–
Current portion of bonds payable	24,398	**70,141**	–	–
Long-term loans payable	23,504	**56,351**	0.59	2017–2022
Bonds payable	88,278	**74,980**	–	–
Total	374,771	**324,585**		

Notes: 1. The average interest rate is calculated using the weighted average coupon rate of the outstanding balance as at March 31, 2016.
2. The due represents the repayment term of the outstanding balance as at March 31, 2016.

Details of the bonds were as follows:

Issuer and the name of bond	Date of issuance	As at March 31, 2015 (Millions of Yen)	As at March 31, 2016 (Millions of Yen)	Interest rate (Note 1) (%)	Due
The Company Japanese yen straight bond (Note 2)	February 2015–January 2016	19,986	**39,988**	1.42–1.43	February 2016–January 2017
The Company No. 5 Unsecured straight bond	August 2013	29,943	**29,983**	2.15	August 2016
The Company No. 6 Unsecured straight bond	December 2014	29,895	**29,932**	2.00	January 2018
The Company No. 7 Unsecured straight bond	March 2016	–	**14,943**	1.10	March 2019
The Company Euro Yen Convertible Bonds (Note 3)	November 2013	28,321	**28,960**	–	November 2017
SBI SECURITIES Co., Ltd. Japanese yen straight bond (Note 2)	January 2016–March 2016	–	**1,195**	0.34–0.51	September 2016–January 2019
SBI Trade Win Tech Co., Ltd. No. 1 Unsecured straight bond	March 2014	160	**120**	1.99	March 2019
SBI SAVINGS BANK Subordinated bond in Korean Won	April 2010	4,371	**–**	–	July 2015
Total		112,676	**145,121**		

Notes: 1. Interest rate is the coupon rate of the balance as at March 31, 2016. The interest rate of the bonds hedged with interest rate swap is the interest rate after the swap execution.
2. Total amounts of straight bonds in Japanese yen issued based on euro medium term note program are stated above.
3. The stock acquisition rights of Euroyen convertible bonds are recognized as embedded derivatives. The amount of the stock acquisition rights are separated from the host, measured at fair value, and recorded as capital surplus after tax effects.

(2) Assets pledged as security

Assets pledged for liabilities and contingent liabilities were as follows:

(Millions of Yen)

	As at March 31, 2015	As at March 31, 2016
Cash and cash equivalents	75	**75**
Trade and other accounts receivable	9,527	**6,695**
Other financial assets	6	**6**
Property and equipment	–	**311**
Total	9,608	**7,087**

The corresponding liabilities were as follows:

(Millions of Yen)

	As at March 31, 2015	As at March 31, 2016
Bonds and borrowings	5,892	**5,126**

Besides the above, securities received as collateral for financing from broker's own capital of ¥47,810 million and ¥16,321 million were pledged as collateral for borrowings on margin transactions as at March 31, 2015 and 2016, respectively.

19. Trade and Other Payables

The components of trade and other payables were as follows:

(Millions of Yen)

	As at March 31, 2015	As at March 31, 2016
Accounts payable and notes payable	2,033	**2,932**
Accounts payable-other	8,348	**10,290**
Advances received and guarantee deposit received	42,682	**22,636**
Finance lease liability	1,942	**2,901**
Total	55,005	**38,759**

20. Other Liabilities Related to Securities Business

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

(Millions of Yen)

	As at March 31, 2015	As at March 31, 2016
Trade date accrual	384,553	**219,114**
Deposits for subscription	1,057	**1,219**
Others	2,551	**2,091**
Total	388,161	**222,424**

21. Insurance Contract Liabilities

(1) Risk management system over insurance contracts

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

(a) Market risk management

Interest rate risk management

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

Price fluctuation risk management

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

(b) Conducting of stress testing

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

(c) Insurance underwriting risk

Regarding insurance underwriting risk, the department-in-charge of each company engaged in the insurance business determines its underwriting policies, and conducts risk control by managing the risk portfolio, reforming or abolishing products, establishing the underwriting standards, changing sales policies, designing and arranging reinsurance, etc. Also, SBI Life Insurance Co., Ltd. which became a consolidated subsidiary during the year ended March 31, 2015 has re-started underwriting new contracts beginning February 1, 2016.

(2) Insurance contract liabilities

(a) Details and movements of insurance contract liabilities

Insurance contract liabilities as at March 31, 2015 and 2016, consisted of the following:

(Millions of Yen)

	As at March 31, 2015	As at March 31, 2016
Claims reserves	15,250	**14,484**
Policy reserves	154,792	**139,649**
Total	170,042	**154,133**

The movements in insurance contract liabilities for the years ended March 31, 2015 and 2016 were as follows:

(Millions of Yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016
Balance, beginning of year	22,370	**170,042**
Life insurance business		
Acquisitions through business combinations	147,942	**–**
Expected cash flows from policy reserves	(2,570)	**(18,351)**
Interest incurred	29	**163**
Adjustments	1,091	**20**
Non-life insurance business		
Insurance premiums	26,269	**29,571**
Unearned premium	(24,647)	**(27,580)**
Others	(442)	**268**
Balance, end of year	170,042	**154,133**

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

(Millions of Yen)

	Total	No later than 1 year	1 to 3 years	3 to 5 years	Over 5 years
Insurance contract liabilities	154,133	46,331	32,318	14,216	61,268

(b) Sensitivity to insurance risk

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

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

(3) Concentration of insurance risk

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

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

(Millions of Yen)

	Accident year				
	2011	2012	2013	2014	2015
Cumulative payments and claim reserves					
At end of accident year	10,816	14,442	16,518	16,377	18,471
1 year later	10,629	14,418	16,442	16,810	–
2 year later	10,824	14,697	16,513	–	–
3 year later	10,850	14,980	–	–	–
4 year later	11,000	–	–	–	–
Estimate of cumulative claims	11,000	14,980	16,513	16,810	18,471
Less: Cumulative payments to date	10,779	14,633	15,702	15,108	12,915
Claim reserves (gross)	221	347	811	1,702	5,556

22. Leases as Lessee

The Group leases servers for online transaction systems and certain other assets under finance leases. Future minimum lease payments and their present value under finance lease contracts of each payment period as at March 31, 2015 and 2016 were as follows:

(Millions of Yen)

	As at March 31, 2015	**As at March 31, 2016**
No later than 1 year		
Future minimum lease payments	648	**888**
Less: future financial cost	(20)	**(63)**
Present value	628	**825**
Later than 1 year and not later than five years		
Future minimum lease payments	1,324	**2,193**
Less: future financial cost	(47)	**(117)**
Present value	1,277	**2,076**
Later than 5 years		
Future minimum lease payments	38	**–**
Less: future financial cost	(1)	**–**
Present value	37	**–**
Total		
Future minimum lease payments	2,010	**3,081**
Less: future financial cost	(68)	**(180)**
Present value	1,942	**2,901**

The Group leases office buildings and certain other assets under operating leases. The total future minimum lease payments recorded as expenses under cancellable or non-cancellable operating lease contracts for the years ended March 31, 2015 and 2016 were ¥5,135 million and ¥5,261 million, respectively.

23. Capital Stock and Other Equity Items

(1) Capital stock and treasury stock

The number of authorized shares as at March 31, 2015 and 2016 was 341,690,000 shares.

The Company's issued shares were as follows:

(Shares)

	For the year ended March 31, 2015	**For the year ended March 31, 2016**
Number of issued shares (common shares with no par value)		
As at the beginning of the year	224,561,761	**224,561,761**
Increase during the year	–	**–**
As at the end of the year	224,561,761	**224,561,761**

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

(Shares)

	For the year ended March 31, 2015	**For the year ended March 31, 2016**
Number of treasury stock		
As at the beginning of the year	8,078,743	**8,046,610**
Increase during the year (Notes 1, 3)	26,387	**10,114,550**
Decrease during the year (Notes 2, 4)	(58,520)	**(949,580)**
As at the end of the year	8,046,610	**17,211,580**

Notes: 1. The increase of 26,387 shares was due to the purchases from shareholders with less than one unit of shares.
2. The decrease of 58,520 shares related to 2,120 shares sold to shareholders with less than one unit of shares, and sales of 56,400 shares to the Employee Stockholding Association.
3. The increase of 10,114,550 shares related to the acquisition of 10,095,200 shares subject to Article 156 of the Companies Act (replacement of the third paragraph of Article 165) and 19,350 shares purchased from shareholders with less than one unit of shares.
4. The decrease of 949,580 shares related to 1,680 shares sold to shareholders with less than one unit of shares, sales of 59,900 shares to the Employee Stockholding Association and appropriation of 888,000 shares for the exercise of stock acquisition rights.

(2) Reserves

a. Capital surplus

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

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

b. Retained earnings

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

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

(3) Other component of equity

The movements of other component of equity were as follows:

(Millions of Yen)

	Other component of equity		
	Currency translation differences	Financial assets at FVTOCI	Total
Balance as at April 1, 2014	16,386	(161)	16,225
Change for the year	20,476	49	20,525
Transfer to retained earnings	–	184	184
Balance as at March 31, 2015	36,862	72	36,934
Change for the year	**(19,668)**	**303**	**(19,365)**
Transfer to retained earnings	**–**	**(462)**	**(462)**
Balance as at March 31, 2016	**17,194**	**(87)**	**17,107**

24. Dividends

Dividends paid were as follows:

Year ended March 31, 2015	Type of share	Dividend amount (Millions of Yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' Meeting on May 8, 2014	Common shares	4,340	20	March 31, 2014	June 6, 2014

Year ended March 31, 2016	Type of share	Dividend amount (Millions of Yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' Meeting on May 12, 2015	**Common shares**	**7,594**	**35 (Note)**	**March 31, 2015**	**June 8, 2015**
Board of Directors' Meeting on October 29, 2015	**Common shares**	**2,121**	**10**	**September 30, 2015**	**December 14, 2015**

Note: The amount per share of 35 yen consists of common dividend of 30 yen and commemorative dividend of 5 yen for the 15th anniversary of the foundation of the Company.

Dividends for which the declared date fell in the year ended March 31, 2016, and for which the effective date will be in the year ending March 31, 2017

Year ended March 31, 2016	Type of share	Dividend amount (Millions of Yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' Meeting on April 28, 2016	**Common shares**	**7,271**	**35**	**March 31, 2016**	**June 9, 2016**

25. Share-based Payment

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

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

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

None of the expenses arising from granted stock options are recorded during the years ended March 31, 2015 and 2016.

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

① The Company

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

	For the year ended March 31, 2015		For the year ended March 31, 2016	
	Number of shares (Shares)	Weighted average exercise price (Yen)	Number of shares (Shares)	Weighted average exercise price (Yen)
Beginning balance	353,958.50	4,466	**7,604,405**	**1,315**
Granted	7,435,700.00	1,247	**–**	**–**
Forfeited	(185,253.50)	4,601	**(168,705)**	**4,317**
Exercised	–	–	**(888,000)**	**1,247**
Unexercised balance	7,604,405.00	1,315	**6,547,700**	**1,247**

Notes: 1. The fair value of the stock option granted during the year ended March 31, 2015 was ¥1,518 (The number of shares to be issued per stock acquisition right: 100 shares). The fair value was determined based on the Black-Scholes Model and was evaluated by an external specialist. The following assumptions were used in the Black-Scholes Model regarding the stock options:

Stock price at the grant date	: ¥1,247	Estimated remaining exercise period	: 3.6 years
Exercise price	: ¥1,247	Dividend yield	: 2.0%
Estimated volatility	: ¥47.1	Risk free rate	: 0.1%

2. The stock options granted during the year ended March 31, 2015 vest upon receipt of cash for the price equivalent to their fair value.
3. Weighted average stock prices upon exercise of stock options for the year ended March 31, 2016 was ¥1,616.

The unexercised stock options as at March 31, 2016 are as follows:

Name	Exercise price (Yen)	Number of shares (Shares)	Expiration date
SBI Holdings, Inc. 2014 Stock Acquisition Rights	1,247	6,547,700	June 30, 2018

② Subsidiaries

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

(a) Stock option plans which were unvested at the transition date

	For the year ended March 31, 2015		For the year ended March 31, 2016	
a-1 SBI Biotech Co., Ltd.	Number of shares (Shares)	Weighted average exercise price (Yen)	Number of shares (Shares)	Weighted average exercise price (Yen)
Beginning balance	710	26,549	**280**	**59,643**
Forfeited	(430)	5,000	**(180)**	**90,000**
Unvested balance	280	59,643	**100**	**5,000**

Notes: 1. There were no vested balances as at March 31, 2016.
2. The exercise period as at March 31, 2016 was defined as 30 months after 6 months passed from the IPO date.

	For the year ended March 31, 2015		For the year ended March 31, 2016	
a-2 SBI Japannext Co., Ltd.	Number of shares (Shares)	Weighted average exercise price (Yen)	Number of shares (Shares)	Weighted average exercise price (Yen)
Beginning balance	10,460	77,854	**12,251**	**81,092**
Granted	1,791	100,000	**–**	**–**
Unvested balance	12,251	81,092	**12,251**	**81,092**

Notes: 1. The fair value of the stock option granted during the year ended March 31, 2015 was ¥14,432 (The number of shares to be issued per stock acquisition right: 1 share). The fair value was determined based on Black-Scholes Model. The following assumptions were used in the Black-Scholes Model regarding the stock options:

Stock price at the grant date	: ¥68,496	Estimated remaining exercise period	: 5 years
Exercise price	: ¥100,000	Dividend yield	: 2.0%
Estimated volatility	: 43.3%	Risk free rate	: 0.1%

2. There were no vested balances as at March 31, 2016.
3. The average remaining exercise period as at March 31, 2016 was 2.3 years (Stock options with exercise period defined as 3 years passed from the IPO date are excluded).

	For the year ended March 31, 2015		For the year ended March 31, 2016	
a-3 Autoc one K.K.	Number of shares (Shares)	Weighted average exercise price (Yen)	Number of shares (Shares)	Weighted average exercise price (Yen)
Beginning balance	2,490	50,040	**940**	**50,106**
Forfeited	(1,550)	50,000	**(930)**	**50,000**
Change in scope of consolidation	–	–	**(10)**	**60,000**
Unvested balance	940	50,106	**–**	**–**

a-4 NARUMIYA INTERNATIONAL CO., LTD.	For the year ended March 31, 2015		For the year ended March 31, 2016	
	Number of shares (Shares)	Weighted average exercise price (Yen)	Number of shares (Shares)	Weighted average exercise price (Yen)
Beginning balance	3,650	78,557	**3,650**	**78,557**
Movement	–	–	**–**	**–**
Unvested balance	3,650	78,557	**3,650**	**78,557**

Notes: 1. The average remaining exercise period as at March 31, 2016 was 4.3 years.
2. The stock options vest upon receipt of cash for the price equivalent to their fair value.

a-5 SBI AXES Co., Ltd.	For the year ended March 31, 2015	
	Number of shares (Shares)	Weighted average exercise price (Yen)
Beginning balance	165,100	424
Forfeited	(165,100)	424
Unvested balance	–	–

a-6 Morningstar Japan K.K.	For the year ended March 31, 2015		For the year ended March 31, 2016	
	Number of shares (Shares)	Weighted average exercise price (Yen)	Number of shares (Shares)	Weighted average exercise price (Yen)
Beginning balance	–	–	**1,676,700**	**267**
Granted	1,676,700	267	**–**	**–**
Exercised	–	–	**(177,000)**	**267**
Unexercised balance	1,676,700	267	**1,499,700**	**267**

Notes: 1. The fair value of the stock option granted during the year ended March 31, 2015 was ¥536 (The number of shares to be issued per stock acquisition right: 100 shares). The fair value was determined based on the Black-Scholes Model and was evaluated by an external specialist. The following assumptions were used in the Black-Scholes Model regarding the stock options:

Stock price at the grant date	: ¥267	Estimated remaining exercise period	: 3.5 years
Exercise price	: ¥267	Dividend yield	: 1.6%
Estimated volatility	: 37.3%	Risk free rate	: 0.01%

2. The stock options vest upon receipt of cash for the price equivalent to their fair value.
3. Weighted average stock price of stock options upon exercise for the year ended March 31, 2016 was ¥318.
4. The average remaining exercise period as at March 31, 2016 was 2.2 years.

a-7 SBI MONEYPLAZA Co., Ltd.	For the year ended March 31, 2016	
	Number of shares (Shares)	Weighted average exercise price (Yen)
Beginning balance	**–**	**–**
Granted	**885,200**	**971**
Unvested balance	**885,200**	**971**

Notes: 1. The fair value of the stock option granted during the year ended March 31, 2016 was ¥5,975 (The number of shares to be issued per stock acquisition right: 100 shares). The fair value was determined based on a binominal Model and was evaluated by an external specialist. The following assumptions were used in a binominal Model regarding the stock options:

Stock price at the grant date	: ¥760	Estimated remaining exercise period	: 2 years
Exercise price	: ¥971	Dividend yield	: 0.00%
Estimated volatility	: 30.4%	Risk free rate	: 0.04%

2. The average remaining exercise period as at March 31, 2016 was 1.1 years.

a-8 BroadBand Security, Inc.	For the year ended March 31, 2016	
	Number of shares (Shares)	Weighted average exercise price (Yen)
Beginning balance	**–**	**–**
Change in scope of consolidation	**21,740,000**	**4**
Unvested balance	**21,740,000**	**4**

Note: The average remaining exercise period as at March 31, 2016 was 1.5 years.

(b) Stock option plans which were vested before the transition date

The following stock options were vested before the transition date, thus the Group does not apply IFRS 2 “Share-based Payment.”

b-1 SBI Life Living Co., Ltd.	For the year ended March 31, 2015	
	Number of shares (Shares)	Weighted average exercise price (Yen)
Beginning balance	374,540	533
Change in scope of consolidation	(374,540)	533
Unexercised balance	–	–

b-2 Morningstar Japan K.K.	For the year ended March 31, 2015		For the year ended March 31, 2016	
	Number of shares (Shares)	Weighted average exercise price (Yen)	Number of shares (Shares)	Weighted average exercise price (Yen)
Beginning balance	75,000	445	**75,000**	**445**
Forfeited	–	–	**(75,000)**	**445**
Unexercised balance	75,000	445	**–**	**–**

(2) Cash-settled share-based compensation plan

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

The expenses arising from granted cash-settled share-based compensation plan for the year ended March 31, 2016 were ¥11 million, which was recorded in “Selling, general and administrative expenses.” The corresponding liability as at March 31, 2016 was ¥14 million, which was recorded in “Other financial liabilities.”

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

SBI AXES Co., Ltd.	For the year ended March 31, 2015		For the year ended March 31, 2016	
	Number of shares (Shares)	Weighted average exercise price (Yen)	Number of shares (Shares)	Weighted average exercise price (Yen)
Beginning balance	–	–	**153,113**	**259**
Granted	154,440	259	**–**	**–**
Forfeited	(1,327)	259	**(20,074)**	**259**
Unexercised balance	153,113	259	**133,039**	**259**

Notes: 1. The exercise price of the compensation plan granted during the year ended March 31, 2015 was the weighted average closing price for the most recent three months as of the grant date.
2. The average remaining exercise period as at March 31, 2016 was 3.3 years.

26. Revenue

Revenue for the years ended March 31, 2015 and 2016 consisted of the following:

(Millions of Yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016
Revenue		
Financial income		
Interest income (Note 1)	63,345	**70,054**
Dividends received	431	**2,118**
Income arising from financial assets at FVTPL	1,546	**14,057**
Gain from trading	16,437	**18,892**
Others	–	**854**
Total financial income	81,759	**105,975**
Revenue arising on insurance contracts	32,564	**48,922**
Revenue from rendering of services	70,571	**75,296**
Revenue from sale of interests in subsidiaries (Note 2)	18,541	**147**
Gain on bargain purchase (Note 3)	2,008	**–**
Others	41,980	**31,404**
Total revenue	247,423	**261,744**

Notes: 1. Interest income in financial income arises from financial assets measured at amortized cost.
2. Revenue from sale of interests in subsidiaries for the year ended March 31, 2015 arose mainly from the sales of SBI Mortgage Co., Ltd. (currently, ARUHI Corporation) and SBI Life Living Co., Ltd. (currently, Wavedash Co., Ltd.).
3. Gain on bargain purchase for the year ended March 31, 2015 arose from the purchase of SBI Life Insurance Co., Ltd.

27. Expense

Expense for the years ended March 31, 2015 and 2016 consisted of the following:

(1) Financial cost associated with financial income

(Millions of Yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016
Financial cost associated with financial income		
Interest expense		
Financial liabilities measured at amortized cost	(16,610)	**(15,836)**
Total financial cost associated with financial income	(16,610)	**(15,836)**

(2) Operating cost

(Millions of Yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016
Payroll	(6,658)	**(7,413)**
Outsourcing fees	(3,118)	**(3,025)**
Depreciation and amortization	(1,153)	**(1,264)**
Cost arising on insurance contracts	(23,037)	**(32,626)**
Others	(30,053)	**(39,364)**
Total operating cost	(64,019)	**(83,692)**

(3) Selling, general and administrative expenses

(Millions of Yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016
Payroll	(25,499)	**(27,343)**
Outsourcing fees	(16,960)	**(16,640)**
Depreciation and amortization	(10,352)	**(9,774)**
Research and development	(2,685)	**(4,613)**
Others	(36,543)	**(38,276)**
Total selling, general and administrative expenses	(92,039)	**(96,646)**

(4) Other financial cost

(Millions of Yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016
Other financial cost		
Interest expense		
Financial liabilities measured at amortized cost	(5,512)	**(4,442)**
Total other financial cost	(5,512)	**(4,442)**

(5) Other expenses

(Millions of Yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016
Impairment loss on non-financial assets	(7,041)	**(3,520)**
Foreign exchange loss	(1,728)	**(2,947)**
Others (Note)	(2,478)	**(4,017)**
Total other expenses	(11,247)	**(10,484)**

Note: Others for the year ended March 31, 2016 includes the loss on sales of investment in subsidiaries amounting to ¥709 million, which arose mainly from the sale of SBI Card Co., Ltd.

28. Income Tax Expense

The amount of income tax expenses for the years ended March 31, 2015 and 2016 were as follows:

(Millions of Yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016
Income tax expense		
Current	(21,273)	**(12,478)**
Deferred	(2,480)	**(3,083)**
Total income tax expense	(23,753)	**(15,561)**

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 33.1%. Foreign subsidiaries are subject to the income taxes of the countries in which they operate.

A reconciliation between the normal effective statutory tax rates and the Group's average effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2015 and 2016 is as follows:

(%)

	For the year ended March 31, 2015	**For the year ended March 31, 2016**
Normal effective statutory tax rate	35.6	**33.1**
Expenses not deductible for income tax purposes	1.4	**0.5**
Tax effect on minority interests of investments in fund	2.6	**(2.1)**
Temporary differences arising from consolidation of investments	5.2	**(1.5)**
Change in valuation allowance	(9.1)	**(3.9)**
Other	2.0	**3.7**
Average effective tax rate	37.7	**29.8**

29. Other Comprehensive Income

Amounts recorded during the year, reclassification adjustments and income tax effects on each item of other comprehensive income for the years ended March 31, 2015 and 2016 were as follows:

(Millions of Yen)

For the year ended March 31, 2015	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
Items that will not be reclassified subsequently to profit or loss					
FVTOCI financial assets	96	–	96	(44)	52
Items that may be reclassified subsequently to profit or loss					
Currency translation differences	22,783	(591)	22,192	(761)	21,431
Total	22,879	(591)	22,288	(805)	21,483

(Millions of Yen)

For the year ended March 31, 2016	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
Items that will not be reclassified subsequently to profit or loss					
FVTOCI financial assets	**179**	**–**	**179**	**122**	**301**
Items that may be reclassified subsequently to profit or loss					
Currency translation differences	**(19,958)**	**54**	**(19,904)**	**–**	**(19,904)**
Total	**(19,779)**	**54**	**(19,725)**	**122**	**(19,603)**

30. 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:

(Millions of Yen)

	Fiscal year ended March 31, 2015	**Fiscal year ended March 31, 2016**
Earnings		
Profit attributable to owners of the Company	45,721	**34,115**
Dilutive effect: Convertible bonds	399	**373**
Profit attributable to owners of the Company after dilutive effect	46,120	**34,488**
Shares		
Basic weighted average number of ordinary shares (shares)	216,505,691	**212,117,299**
Dilutive effect: Stock options (shares)	249,593	**980,540**
Dilutive effect: Convertible bonds (shares)	19,692,792	**20,030,713**
Weighted average number of ordinary shares after the dilutive effect (shares)	236,448,076	**233,128,552**
Earnings per share attributable to owners of the Company		
Basic (Yen)	211.18	**160.83**
Diluted (Yen)	195.06	**147.94**

Note: The calculation of diluted earnings per share does not assume exercise of stock acquisition rights that would have an antidilutive effect on earnings per share.

31. Cash Flow Information

Supplemental disclosure of cash flow information for the years ended March 31, 2015 and 2016 was as follows:

(1) Expenditures on acquisition of subsidiaries

The amounts of payments for acquisition of subsidiaries were ¥14,204 million and ¥4,594 million for the years ended March 31, 2015 and 2016, respectively. Cash and cash equivalents held by the subsidiaries at the acquisition date were ¥7,555 million and ¥1,372 million, respectively.

(2) Proceeds from sales of subsidiaries

Total consideration received in respect of sales of subsidiaries was ¥39,411 million and ¥4,005 million for the years ended March 31, 2015 and 2016, respectively. Amounts of major classes of assets and liabilities of subsidiaries at the date of sale were as follows:

(Millions of Yen)

	For the year ended March 31, 2015	**For the year ended March 31, 2016**
Cash and cash equivalents	9,274	**3,455**
Trade and other receivables	77,798	**4,177**
Other assets	16,239	**1,229**
Total assets	103,311	**8,861**
Bonds and loans payable	67,735	**2,000**
Trade and other payables	4,736	**1,702**
Other liabilities	6,774	**2,095**
Total liabilities	79,245	**5,797**

32. Subsidiaries

Major subsidiaries of the Group as at March 31, 2016 were as follows:

Business segment	Name	Location	Voting Rights Holding Ratio (%)
Financial Services Business	SBI FINANCIAL SERVICES Co., Ltd.	Japan	100.0
	SBI SECURITIES Co., Ltd.	Japan	100.0 (100.0)
	SBI Liquidity Market Co., Ltd.	Japan	100.0 (100.0)
	SBI FXTRADE Co., Ltd.	Japan	100.0 (100.0)
	SBI MONEYPLAZA Co., Ltd.	Japan	100.0 (100.0)
	SBI Japannext Co., Ltd.	Japan	52.8 (9.9)
	SBI Insurance Co., Ltd	Japan	98.1
	SBI Life Insurance Co., Ltd.	Japan	100.0 (5.0)
Asset Management Business	SBI Capital Management Co., Ltd.	Japan	100.0
	SBI Investment Co., Ltd.	Japan	100.0 (100.0)
	SBI CAPITAL Co., Ltd.	Japan	100.0 (100.0)
	SBI Value Up Fund No.1 Limited Partnership	Japan	49.8 (6.5)
	SBI VEN HOLDINGS PTE. LTD.	Singapore	100.0
	SBI KOREA HOLDINGS CO., LTD.	Korea	100.0 (100.0)
	SBI GLOBAL ASSET MANAGEMENT Co., Ltd.	Japan	100.0
	Morningstar Japan K. K.	Japan	49.5 (49.5)
	SBI Asset Management Co., Ltd.	Japan	100.0 (100.0)
	SBI Estate Finance Co., Ltd. (formerly CEM Corporation Co., Ltd.)	Japan	100.0 (57.1)
	SBI SAVINGS BANK	Korea	98.9 (98.9)
Biotechnology-related Business	SBI ALA Hong Kong Co., Ltd.	Hong Kong	100.0 (100.0)
	SBI Pharmaceuticals Co., Ltd.	Japan	76.9 (76.9)
	SBI ALApromo Co., Ltd.	Japan	100.0 (100.0)
	SBI Biotech Co., Ltd.	Japan	78.6 (71.8)

Notes: 1. In the "voting rights holding ratio" column, when the subsidiary is an investment partnership or the like, the investment percentage is provided. The figure in the parentheses represents the indirect holding ratio of voting rights or indirect investment ratio included in the total.
2. Major changes in the scope of consolidation are as follows.
• Deconsolidated company due to share sales: SBI Card Co., Ltd.

33. Related Party Transactions

The remuneration of key management personnel of the Company for the years ended March 31, 2015 and 2016.

(Millions of Yen)

	For the year ended March 31, 2015	**For the year ended March 31, 2016**
Remuneration and bonuses	873	**469**
Post-employment benefits	2	**4**
Total	875	**473**

34. Contract Liabilities

The Group has entered into loan agreements with the customers in accordance with the condition of the contracts. The total amount of loan commitments amounted to ¥32,242 million and ¥18,315 million, with an unused portion of ¥19,311 million and ¥9,545 million, as at March 31, 2015 and 2016, respectively.

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

35. Events after the Reporting Period

There were no significant events after the reporting period.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statement of financial position of SBI Holdings, Inc. and its subsidiaries as at March 31, 2016, and the related 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 auditing standards generally accepted in Japan. Those standards require that we 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 referred to above present fairly, in all material respects, the consolidated financial position of SBI Holdings, Inc. and its subsidiaries as at March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu LLC

June 27, 2016

Member of
Deloitte Touche Tohmatsu Limited

The SBI Group (Principal Group Companies)

SBI Holdings, Inc. — TSE First Section

Financial Services Business

A diversified line of financial services

- ❶ **SBI FINANCIAL SERVICES Co., Ltd.** — Control and management of the Financial Services Business — 100.0%
  - ❶ **SBI SECURITIES Co., Ltd.** — Comprehensive online securities company — 100.0%
    - ❶ **SBI Liquidity Market Co., Ltd.** — Provision of market infrastructure to supply liquidity to FX margin trading — 100.0%
      - ❶ **SBI FXTRADE Co., Ltd.** — Pure-play FX broker — 100.0%
  - ❶ **SBI MONEY PLAZA Co., Ltd.** — "Face-to-face" shops that provide financial products — 100.0%
  - ❶ **SBI Business Support Co., Ltd.** — Call center planning and operation, staffing — 100.0%
  - ❶ **SBI Trade Win Tech Co., Ltd.** — Development of financial systems — 100.0%
  - ❶ **SBI Benefit Systems Co., Ltd.** — Operational management of defined-contribution pension, etc. — 87.0%
- ❶ **SBI Japannext Co., Ltd.** — Operation of PTS (Proprietary Trading System) — 52.8%
- ❶ **SBI BITS Co., Ltd.** — Development and operation of financial systems — 100.0%
- ❶ **SBI Social Lending Co., Ltd.** — Loan and social lending operations — 100.0%
- ❶ **SBI Remit Co., Ltd.** — International remittance business — 100.0%
- ❶ **SBI AutoSupport Co., Ltd.** — Provision of financial services through used car dealers, etc. — 70.0%
- **Financial Services Business (Business Divisions of SBI Holdings, Inc.)** — Operation of financial product comparison, search and estimate websites
- ❷ **SBI-LG Systems Co., Ltd.** — System-related business — 49.0%
- ❷ **SOLXYZ Co., Ltd.** (TSE First Section) — Software development — 23.5%
- ❶ **SBI Business Solutions Co., Ltd.** — Back office support services — 97.5%
- ❶ **SBI Insurance Co., Ltd.** — Internet-based non-life insurance company — 98.1%
- ❶ **SBI Life Insurance Co., Ltd.** — Life insurance business — 100.0%
- ❶ **SBI SSI Holdings Co., Ltd.** — Holding company of small-amount, short-term insurance policy businesses — 100.0%
  - ❶ **SBI IKIIKI SSI Inc.** — Small-amount, short-term insurance policy businesses — 100.0%
- ❶ **SBI SSI Co., Ltd.** — Small-amount, short-term insurance policy businesses — 99.6%
- ❷ **SBI Sumishin Net Bank, Ltd.** — Internet-based full service bank — 50.0%
  - **SBI Card Co., Ltd.** — Credit card business
- ❶ **SBI Ripple Asia Co., Ltd.** — Selling agency of international settlement system — 60.0%

Asset Management Business

Private equity investment and overseas financial services business

- ❶ **SBI Capital Management Co., Ltd.** — Control and management of the private equity business — 100.0%
  - ❶ **SBI Investment Co., Ltd.** — Venture capital fund management — 100.0%
- ❶ **SBI VEN CAPITAL PTE. LTD.** — Overseas private equity fund management — 100.0%
- ❷ **SBI Investment KOREA Co., Ltd.** (KOSDAQ) — Venture capital in Korea — 43.9%
- ❶ **SBI SAVINGS BANK** — Savings bank in Korea — 98.9%
- ❶ **SBI Royal Securities Plc.** — Comprehensive securities company in Cambodia — 65.3%
- ❷ **CSJ-SBI Financial Media Co., Ltd.** — Economic and financial information business between Japan and China — 43.0%
- ❷ **SBI Thai Online Securities Co., Ltd.** — Pure-play Internet securities in Thailand — 55.0%

As of June 30, 2016 / Note: Percentages are the total Group ownership, which is the sum total of the voting rights in possession by the Company and the companies and funds defined as its subsidiaries by IFRSs.

❶ Consolidated subsidiary ❷ Equity method associate

Asset management-related services

1 SBI GLOBAL ASSET MANAGEMENT Co., Ltd.
Control and management of the asset management services business 100.0%

JASDAQ
1 Morningstar Japan K.K.
Rating information for investment trust, others 49.6%

1 Morningstar Asset Management Co., Ltd.
Investment advisory services, others 100.0%

1 SBI Asset Management Co., Ltd.
Investment advisory services, investment trust management 100.0%

1 SBI ENERGY Co., Ltd.
Power business using renewable energy 100.0%

1 SBI Bond Investment Management Co., Ltd.
Financial asset-related investment advisory services, agency and investment management business 90.0%

1 SBI Arsnova Research, Co., Ltd.
Arrangement and management of alternative investments 99.0%

1 SBI Estate Finance Co., Ltd.
Loan business of real estate secured loans 100.0%

Biotechnology-related Business

R&D, manufacturing and sales of pharmaceuticals, health foods and cosmetics

1 SBI ALA Hong Kong Co., Limited
Management of the 5-ALA-related business 100.0%

1 SBI Pharmaceuticals Co., Ltd.
R&D, manufacturing and sales of pharmaceuticals, health foods and cosmetics using 5-ALA 76.9%

1 SBI ALApromo Co., Ltd.
Manufacturing and sales of health foods and cosmetics using 5-ALA 100.0%

1 SBI Biotech Co., Ltd.
R&D of pharmaceuticals 78.6%

1 Quark Pharmaceuticals, Inc.
R&D of siRNA pharmaceuticals 100.0%

1 photonamic GmbH & Co. KG
R&D and sales of pharmaceuticals using 5-ALA 100.0%

TSE Mothers
2 Acucela Inc.
Development of drugs specializing in ophthalmic diseases 37.9%

Others

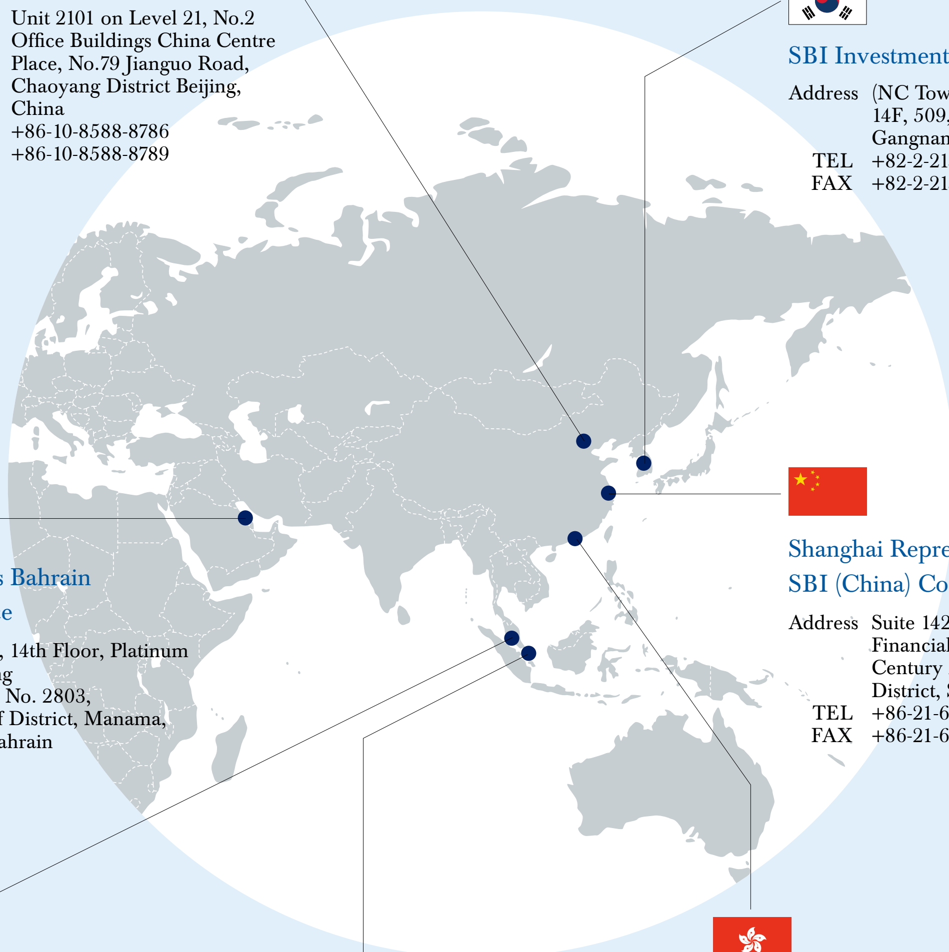
1 SBI Estate Management Co., Ltd.
Investment in real estate 100.0%

1 SBI Guarantee Co., Ltd.
Rent guarantees for rental housing 100.0%

1 SBI Wellness Bank Co., Ltd.
Healthcare services for membership 100.0%

For details of each Group company's business, please refer to our website (**http://www.sbigroup.co.jp/english/company/group/**)

Overseas



Beijing Representative Office

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FAX +86-10-8588-8789

SBI Investment KOREA Co., Ltd.

Address (NC Tower 1, Samseong-dong) 14F, 509, Teheran-ro, Gangnam-gu, Seoul, Korea
TEL +82-2-2139-9200
FAX +82-2-2139-9210

SBI Pharmaceuticals Bahrain Representative Office

Address Office No. 191, 14th Floor, Platinum Tower, Building No. 190, Road No. 2803, Block 428 Seef District, Manama, Kingdom of Bahrain

Shanghai Representative Office
SBI (China) Co., Ltd.

Address Suite 1420, Shanghai World Financial Center No.100 Century Avenue, Pudong District, Shanghai, China
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FAX +86-21-6877-6856

SBI Ventures Malaysia Sdn. Bhd.

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TEL +60-3-2020-1823
FAX +60-3-2020-1835

SBI Hong Kong Holdings Co., Limited
SBI ALA Hong Kong Co., Limited

Address Suites 1101 & 1115-1116, 11th Floor, Two International Finance Centre, No. 8 Finance Street, Hong Kong
TEL +852-2248-7855
FAX +852-2537-4088

SBI VEN CAPITAL PTE. LTD.

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TEL +65-6536-6123
FAX +65-6536-6983

Corporate History

1999 Formation and Establishment of the Financial Ecosystem

2005 From “Japan’s SBI” to the “World’s SBI”

2008 Establishment of the Internet-based Financial Conglomerate

2010 Initiation of the Brilliant Cut Initiative*, to Enhance Earnings Capacity Rather than Business Scale Expansion

2012 Thorough “Selection and Concentration” in the Financial Services Business, with Securities, Banking and Insurance as the Three Core Businesses

History

Mar. 1999
As a result of a business reorganization accompanying the conversion of SoftBank Corp. (currently SoftBank Group Corp.) into a pure holding company, Softbank Finance Corporation became an independent company to oversee financial-related business activities.

July 1999
Established as SOFTBANK INVESTMENT CORPORATION; start of venture capital business.

Oct. 1999
E*TRADE SECURITIES Co., Ltd. (currently SBI SECURITIES Co., Ltd.) commenced Internet trading services.

Nov. 1999
Softbank Ventures Inc. (currently SBI Investment Co., Ltd.) became a wholly owned consolidated subsidiary.

July 2000
Established the INTERNET TECHNOLOGY FUND with¥150.5 billion in initial contributions, at that time, the largest fund commitment of its kind in Japan.

Feb. 2002
Listed on First Section of Tokyo Stock Exchange.

July 2004
Morningstar Japan K.K. became a subsidiary.

May 2005
Jointly established the New Horizon Fund, targeting promising Chinese companies, with an investment company in Singapore.

July 2005
Changed name to SBI Holdings, Inc., and transitioned to a holding company structure.

Oct. 2005
As first overseas office, established a representative office in Beijing, China.

Aug. 2006
A wholly owned subsidiary of SoftBank Corp. (currently SoftBank Group Corp.) sold its entire stake in SBI Holdings, Inc.

Feb. 2007
Established SBI VEN CAPITAL PTE. LTD., a subsidiary in Singapore.

Aug. 2007
SBI Japannext Co., Ltd. began operation of a Proprietary Trading System (PTS).

Sept. 2007
SBI Sumishin Net Bank, Ltd. commenced business.

Jan. 2008
SBI Insurance Co., Ltd. commenced business.

Apr. 2008
Established SBI Pharmaceuticals Co., Ltd.

Nov. 2008
SBI Liquidity Market Co., Ltd. started operations, which supplies market infrastructure for FX trading.

Dec. 2008
Hong Kong subsidiary SBI Hong Kong Co., Limited (currently SBI Hong Kong Holdings Co., Limited) commenced business.

Apr. 2010
Established a representative office in Shanghai, China.

July 2010
Korea Technology Investment Corporation (currently SBI Investment KOREA Co., Ltd.), a South Korean company, became an equity-method affiliated company.

Announcement of the “Brilliant Cut Initiative*.”

May 2011
Established a representative office in Kuala Lumpur, Malaysia.

Mar. 2012
SBI (China) Co., Ltd., a China business management company, commenced business in Dalian, China.

May 2012
SBI FXTRADE Co., Ltd., commenced business.

June 2012
SBI MONEY PLAZA Co., Ltd. commenced business.

Mar. 2013
Acquired shares of Hyundai Swiss Savings Bank (currently SBI SAVINGS BANK) and converted it into a consolidated subsidiary.

Feb. 2015
Acquired all shares of PCA Life Insurance Co., Ltd. (currently SBI Life Insurance Co., Ltd.) and converted it into a consolidated subsidiary.

Oct. 2015
SBI Thai Online Securities Co., Ltd., a first pure-play online securities company in Thailand, commenced business.

Jan. 2016
Acquired all shares of photonamic GmbH & Co. KG, a German pharmaceutical company engaged in the 5-ALA-related pharmaceuticals business in Europe, and converted it into a consolidated subsidiary.

*** Brilliant Cut Initiative:**
In the Brilliant Cut Initiative, the “58-facet brilliant cut” that produces the highest brilliance in a diamond symbolizes the 58 major business units of the SBI Group’s corporate ecosystem. With the objective of producing the highest brilliance as a Group, the SBI Group is shifting its management emphasis from the initial Group-wide expansion phase to a phase to enhance earning capacity.

	Establishment 1999		As of March 31, 2016	
Customer base	0	►	18,833 thousand	
Number of employees (Consolidated)	55	►	5,480	
Revenue (Consolidated)	0	►	¥261.7 billion	*1
Number of consolidated subsidiaries	0	►	147	
Publicly owned companies	0	►	5	*2
Capital	¥50 million	►	¥81.7 billion	
Net assets	¥50 million	►	¥419.1 billion	

*1 Year ended March 31, 2016
*2 Including SBI Holdings, Peak time: 11 companies (FY2007)

Corporate Data

Company Outline (As of March 31, 2016)

Company Name	SBI Holdings, Inc.
Date of Establishment	July 8, 1999
Head Office	Izumi Garden Tower 19F, 1-6-1 Roppongi, Minato-ku, Tokyo 106-6019, Japan TEL: +81-3-6229-0100 FAX: +81-3-3589-7958
Number of Employees	5,480 (consolidated)
Paid-in Capital	¥81,681 million
Fiscal Year	April 1 to March 31

Stock Information (As of March 31, 2016)

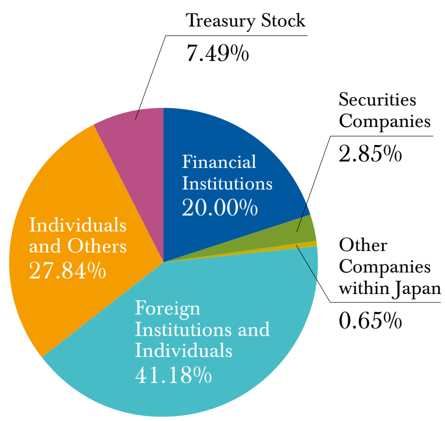
Listing	First Section of the Tokyo Stock Exchange
Code	8473
Shares Authorized	341,690,000 shares
Shares Outstanding	224,561,761 shares (including treasury stock)
Shareholder Register	Mizuho Trust & Banking Co., Ltd.

Principal Shareholders

Name	Number of shares held (shares)	Percentage of outstanding shares (%)
Japan Trustee Services Bank, Ltd. (Trust account)	10,136,230	4.51
NORTHERN TRUST GLOBAL SERVICES LIMITED RE 15PCT TREATY ACCOUNT (NON LENDING)	9,477,390	4.22
The Master Trust Bank of Japan, Ltd. (Trust account)	7,830,100	3.49
JP MORGAN CHASE BANK 385164	4,470,400	1.99
Japan Trustee Services Bank, Ltd. (Trust account 9)	4,456,500	1.98
SAJAP	4,351,840	1.94
Yoshitaka Kitao	3,807,960	1.70
STATE STREET BANK WEST CLIENT–TREATY 505234	3,450,892	1.54
THE BANK OF NEW YORK 133524	3,232,236	1.44
Japan Trustee Services Bank, Ltd. (Trust account 7)	3,094,900	1.38

*Apart from the holdings of the principal shareholders above, the Company holds 16,815,940 shares (7.49%) as treasury stock.

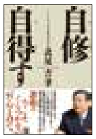
Distribution of Ownership among Shareholders



Information on Bonds and Credit Rating (As of September 14, 2015)

Rating agency	Rating and Investment Information
Long-term	BBB (Stable)
Short-term	a–2

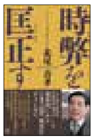
Books by Yoshitaka Kitao, Representative Director, President & CEO


Realizing Yourself through Self-cultivation
Keizaikai Co., Ltd
November 2015


The Essence of the Words of Masahiro Yasuoka
PRESIDENT Inc.
July 2015


Using Knowledge of the Jikkan and Junishi to Create Good Fortune
Chichi Publication Co., Ltd.
December 2014


Revitalizing Lives
Keizaikai Co., Ltd
November 2014


Correcting the Abuses of the Times
Keizai Co., Ltd.
November 2013


Be a True Japanese –Reflections on Sazo Idemitsu
ASA Publishing Co., Ltd.
October 2013


Learn from the Ancient Sages
Keizaikai Co., Ltd
November 2012


When Confounded in Business, Analects Point the Way
Asahi Shimbun Publication Inc.
August 2012


The Tailwind Behind Japan's Economy
Sankei Shinbun Syuppan Co., Ltd.
June 2012


Applying the "Analects of Confucius" in Business
Chichi Publication Co., Ltd.
May 2012


Yoshitaka Kitao's Management Dialogue
Kosaido Publishing Co., Ltd.
March 2012


Understanding the Times
Keizaikai Co., Ltd.
November 2011


The Lessons of Shinzo Mori for Nurturing Human Fortitude
Chichi Publication
February 2011


Penetrating Insight
Keizai Co., Ltd.
November 2010


The Meaning of Life
Kodansha Ltd.
August 2010
Co-authored with Takeshi Natsuno


Notes on Masahiro Yasuoka
Chichi Publication
December 2009


Change will be, When Things are at Their Worst
Keizaikai Co., Ltd.
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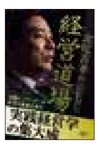
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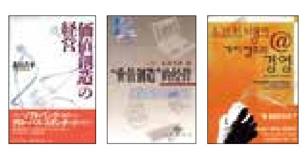
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