OFFERING CIRCULAR

SBI HOLDINGS, INC.

(incorporated in Japan with limited liability under the laws of Japan)

¥100,000,000,000
Zero Coupon Convertible Bonds due 2031

OFFER PRICE: 102.5 PER CENT.

The ¥100,000,000,000 Zero Coupon Convertible Bonds due 2031 (being bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (the "Bonds", which term shall, unless the context requires otherwise, include Stock Acquisition Rights (as defined below) incorporated in the Bonds) of SBI Holdings, Inc. (the "Company") will be issued in registered form in the denomination of ¥10,000,000 each with a stock acquisition right (*shinkabu yoyakuken*) (a "Stock Acquisition Right", and collectively, the "Stock Acquisition Rights") exercisable on or after 9 August 2024 up to, and including, 11 July 2031 (unless the Bonds have been previously redeemed or purchased and cancelled or become due and repayable), and entitling the Bondholder (as defined in the terms and conditions of the Bonds (the "Conditions")), to acquire fully-paid and non-assessable shares of common stock of the Company (the "Shares") at an initial Conversion Price (as defined in the Conditions), subject to adjustment in certain events as set out herein, of ¥4,898 per Share.

Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at 100 per cent. of their principal amount on 25 July 2031. On or after 26 July 2027 and prior to maturity, the Bonds may be redeemed in whole but not in part at their principal amount at the option of the Company as set out herein, provided that no redemption may be made unless the Closing Price of the Shares for each of the 20 consecutive Trading Days (as defined in the Conditions), the last of which occurs not more than 30 days prior to the day upon which the notice of redemption is first published, is at least 130 per cent. of the Conversion Price in effect on each such Trading Day. The Company may also redeem all the Bonds, in whole but not in part, at 100 per cent. of their principal amount if Japanese withholding taxes are imposed on payments in respect of the Bonds, as set out in the Conditions. Further, if, at any time prior to the date of the giving of the notice of redemption, the outstanding principal amount of the Bonds is less than 10 per cent. of the aggregate principal amount of the Bonds as of the date of issue thereof, the Bonds may be redeemed in whole but not in part at 100 per cent. of their principal amount, at the option of the Company as set out in the Conditions. The Bonds may also be redeemed by the Company in whole but not in part in certain other limited events (including Corporate Events (as defined in the Conditions)), at the percentage of their principal amount specified in the Conditions, as set out in the Conditions.

Holders of Bonds are entitled to require the Company to redeem such Bond on 26 July 2029 at 100 per cent. of its principal amount.

The Shares are listed on the Prime Market of Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange"). The Closing Price (as defined in the Conditions) of the Shares as reported on the Tokyo Stock Exchange on 10 July 2024, was ¥4,187 per Share.

Payments of principal, premium (if any) and any other amount due in respect of the Bonds will be made without withholding or deduction for or on account of Japanese taxes to the extent set out herein (see "Japanese Taxation" and Condition 9).

Approval in-principle has been received for the listing of the Bonds on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. The approval in-principle from, and admission of the Bonds to the official list of the SGX-ST is not to be taken as an indication of the merits of the Company or the Bonds.

The Bonds will be evidenced by a global certificate (the "Global Certificate") evidencing the Bonds in registered form, which is expected to be deposited with and registered in the name of, or a nominee for, a common depositary for each of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg") on or about 26 July 2024 (the "Closing Date") for the accounts of their respective accountholders. The Managers (as defined in "Subscription and Sale") expect to deliver the Bonds through the facilities of Euroclear and Clearstream, Luxembourg on or about the Closing Date.

This Offering Circular does not constitute an offer of, or solicitation of an offer to buy or subscribe for, the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. For a summary of certain restrictions on offers and sales of Bonds and Shares issuable upon exercise of the Stock Acquisition Rights, see "Subscription and Sale".

See "Investment Considerations" for a discussion of certain factors that should be considered in connection with an investment in the Bonds.

Joint Bookrunners and Joint Lead Managers

Daiwa Capital Markets Europe | **SMBC NIKKO** | **BofA Securities** | **SBI Securities (Hong Kong) Limited** | **Nomura**

Co-Managers

Mizuho | **Citigroup**

The date of this Offering Circular is 10 July 2024.

The Company accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Company (the Company having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Company, having made all reasonable enquiries, confirms that this Offering Circular contains all information with respect to the Company, the Group (as defined below), the Bonds and the Shares which is material in the context of the issue and offering of the Bonds, the statements contained herein relating to the Company and the Group are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular with regard to the Company and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Company, the Group, the Bonds or the Shares issuable upon conversion of the Bonds the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements.

In this Offering Circular, unless otherwise specified or the context otherwise required, references to the "Group" are to the Company and its subsidiaries and its equity method associates taken as a whole.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not contained in this Offering Circular must not be relied upon as having been authorised by the Company or the Managers. Neither the delivery of this Offering Circular nor any sale made in connection herewith at any time implies that the information contained herein is correct as of any time subsequent to the date hereof, nor does it imply that there has been no change in the affairs or the financial position of the Group since the date hereof.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Company, the Managers or The Law Debenture Trust Corporation p.l.c. (the "Trustee") to subscribe for, or purchase, any of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights. The distribution of this Offering Circular and the offering of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and the Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights and distribution of this Offering Circular, see "Subscription and Sale".

To the fullest extent permitted by law, the Managers and the Trustee accept no responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made by a Manager or on its behalf in connection with the Company, the Group or the issue and offering of the Bonds. Each Manager and the Trustee accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

No action is being taken to permit a public offering of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights or the distribution of this Offering Circular (in preliminary or final form) in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights and the circulation of documents relating thereto, in jurisdictions including the United States, Japan, Singapore, the European Economic Area, the United Kingdom and to persons connected therewith. See "Subscription and Sale".

The Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "FIEA"). Each Manager has represented and agreed that it has not, directly or indirectly, offered or sold, and shall not offer or sell, any Bonds in Japan or to, or for the account or benefit of, any resident of Japan, except pursuant to an exemption available from the registration requirements of, and otherwise in compliance with, the FIEA and other applicable Japanese laws, regulations and governmental guidelines in Japan. As used in this paragraph, "resident of Japan" means any person residing in Japan, including any corporation or other entity organised under the laws of Japan.

Potential investors should note that prior notification under the Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended) (the "FEFTA") may be required in the case of the acquisition of a certain proportion of the total issued shares of the Company upon exercise of Stock Acquisition Rights. See "Investment Considerations—Considerations Relating to the Bonds and the Shares—Prior notification

under the Foreign Exchange and Foreign Trade Act of Japan" and "Japanese Foreign Exchange Regulations".

The Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights may not be offered, sold or delivered within the United States in reliance on Regulation S of the Securities Act ("Regulation S"). See "Subscription and Sale".

There are restrictions on the offer and sale of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights in the United Kingdom. All applicable provisions of the Financial Services and Markets Act 2000 ("FSMA") with respect to anything done by any person in relation to the Bonds in, from or otherwise involving the United Kingdom must be complied with. See "Subscription and Sale".

Prohibition of sales to EEA retail investors: *The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of EU MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "Prospectus Regulation"). Consequently, no key information document required by Regulation (EU) No. 1286/2014 (the "PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.*

Prohibition of sales to UK retail investors: *The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565448 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97449, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014450 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No. 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.*

UK MiFIR product governance / Professional investors and ECPs only target market: *Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook and professional clients, as defined in Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA ("UK MiFIR"); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.*

NOTICE TO CAPITAL MARKETS INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT

Important Notice to Prospective Investors: Prospective investors should be aware that certain intermediaries in the context of this offering of Bonds, including certain Managers, are "capital market intermediaries" ("CMIs") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission of Hong Kong (the "Code"). This notice to prospective investors is a summary of certain obligations the Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("OCs") for this offering and are subject to additional requirements under the Code.

Prospective investors who are the directors, employees or major shareholders of the Company, a CMI or its group companies would be considered under the Code as having an association (an "Association") with the Company, the CMI or the relevant group company (as the case may be). Prospective investors associated with the Company or any CMI including its group companies should specifically disclose this when placing an order for Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order, prospective investors are deemed to confirm that, orders placed are bona fide, are not inflated, and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Manager or its group company has more than 50 per cent. interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order". If a prospective investor is otherwise affiliated with any Manager, such that its order may be considered to be a "proprietary order" (pursuant to the Code), such prospective investor should indicate to the relevant Manager when placing such order and such orders will be subject to applicable requirements in accordance with the Code. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including Private Banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Managers and/or any other third parties as may be required by the Code, including to the Company, any OCs, relevant regulators and/or any other third parties as may be required by the Code, it being understood and agreed that such information shall only be used for the purpose of complying with the Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

Disclosure of Demand and Allocation*: Each prospective purchaser who places an order for the Bonds consents to the disclosure by the Managers to the Company of the prospective purchaser's identity, the details of such order and the actual amount purchased, if any.*

IN CONNECTION WITH THE ISSUE OF THE BONDS, DAIWA CAPITAL MARKETS EUROPE LIMITED (THE "STABILISING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise stated, references in this Offering Circular to "euro" and "EUR" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended, references to "U.S. dollars", "U.S.$" and "$" are to United States dollars, and references to "yen" and "¥" are to Japanese yen.

In this Offering Circular, where financial information is presented in millions of yen, amounts of less than one million have been rounded to the nearest one million (with half a million being rounded up). Accordingly, the total of each column of figures may not be equal to the total of the individual items. All other figures and percentages, including operating data, have been rounded up or down (in the case of percentages, to the nearest 0.1 per cent. or to the nearest 0.01 per cent.), unless otherwise specified; however, certain percentages in tables may have been rounded otherwise than to the nearest 0.1 per cent. or 0.01 per cent., as the case may be, to make the total of the relevant column equal to 100 per cent.

International Financial Reporting Standards

The Company's fiscal year-end is 31 March of each year. The Company prepares its financial statements in accordance with the IFRS Accounting Standards ("IFRSs"). This Offering Circular contains the audited consolidated financial statements of the Company, prepared and presented in accordance with IFRSs, (i) as of and for the fiscal year ended 31 March 2024 (with comparable figures as of and for the fiscal year ended 31 March 2023), and (ii) as of and for the fiscal year ended 31 March 2022 (with comparable figures as of and for the fiscal year ended 31 March 2021), which have been audited by the Company's independent auditor as indicated in the audit reports with respect thereto included herein at pages F-2 to F-7 and F-120 to F-125.

Financial data set out in this Offering Circular have been prepared in accordance with IFRSs, except where specifically indicated as having been prepared in accordance with Japanese GAAP (in particular in relation to financial data relating to subsidiaries and equity method associates of the Company).

Adoption of IFRS 17

Effective from the beginning of the fiscal year ended 31 March 2024, the Group has adopted IFRS 17 "Insurance Contracts". The Group has retrospectively applied IFRS 17 with a transition date of 1 April 2022. The retrospective adjustment has been applied to corresponding figures for the fiscal year ended 31 March 2023 presented as comparable information within the audited consolidated financial statements as of and for the fiscal year ended 31 March 2024 contained in this Offering Circular. Such retrospective adjustments have, however, not been reflected in the audited annual consolidated financial statements as of and for the fiscal year ended 31 March 2022 (with comparable figures as of and for the fiscal year ended 31 March 2021).

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 of the Company for the purpose of allocation of financial resources and performance evaluation. The Group's reporting segments comprise the "Financial Services Business", "Asset Management Business", "Investment Business", "Crypto-asset Business" and "Next Gen Business".

The Group changed its business segments in management accounting from three segments to a structure consisting of five business segments from 1 April 2022, with the new segments comprising of the Financial Services Business, the Asset Management Business, the Investment Business, the Crypto-asset Business and the Non-Financial Business; in the fiscal year ended 31 March 2024, the Non-Financial Business was renamed as the Next Gen Business.

Per Segment Data

In this Offering Circular, where figures for revenue and profit (loss) before income tax expense are presented on a per segment basis, such figures represent the total revenues or total profit (loss) before income tax expense for such segment, as the case may be, without taking into account any inter-segment eliminations.

Construction of Certain References

Under the Companies Act of Japan (Act No. 86 of 2005, as amended) (the "Companies Act"), the Company may issue new Shares to a Bondholder (as defined in the Conditions) and/or transfer Shares that it holds as treasury stock to a Bondholder, in each case upon exercise of a Stock Acquisition Right. Accordingly, unless otherwise specified or the context requires, references in this Offering Circular to the issuance of Shares shall be read as including both the issuance of new Shares and the transfer of Shares held by the Company as treasury stock and the words "issue", "issued", "issuance" and "issuable" shall be construed accordingly. In addition, references to the word "acquired" used in conjunction with the Shares shall be read as including both the words "issued" and "transferred", and the word "acquisition" shall be construed accordingly.

FORWARD-LOOKING STATEMENTS

Many of the statements included in this Offering Circular contain forward-looking statements and information identified by the use of terminology such as "may", "might", "will", "expect", "intend", "plan", "estimate", "anticipate", "project", "believe" or similar phrases. The Company bases these statements on beliefs as well as assumptions made using information currently available to the Company. As these statements reflect the Company's current views concerning future events, these statements involve risks, uncertainties and assumptions. The Company's or the Group's actual future performance could differ materially from these forward-looking statements. Important factors that could cause actual results to differ from the Company's expectations include those risks identified in "Investment Considerations" and the factors discussed in "Recent Business" and "Business", as well as other matters not yet known to the Company or not currently considered material to the Group by the Company. The Company does not undertake to review or revise this Offering Circular or any forward-looking statements contained in this Offering Circular to reflect future events or circumstances. The Company cautions prospective investors in the offering not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Company or persons acting on the Company's behalf are qualified in their entirety by these cautionary statements.

CONTENTS

Page

SUMMARY INFORMATION

The following summary does not purport to be complete and is qualified in its entirety by, and is subject to, the more detailed information and financial statements and the notes thereto contained elsewhere in this Offering Circular. For a discussion of certain factors that should be considered by prospective investors in connection with an investment in the Bonds, see "Investment Considerations".

SBI HOLDINGS, INC.

The Group is a pioneer of Internet-based financial services in Japan. The Group has established a unique "financial ecosystem" that can provide one-stop access to various financial services, and centres its operations on financial businesses including securities, banking and insurance. As of 31 March 2024, the Group consisted of the Company, 659 consolidated subsidiaries (including consolidated partnerships) and 62 equity method associates.

The following is a description of business activities for the Group's reporting segments:

- *Financial Services Business*. The Financial Services Business consists of a wide range of finance related business, including securities business, banking business, financial services business in overseas markets and life, property and casualty insurance business. For the fiscal year ended 31 March 2024, revenues from this segment amounted to ¥1,031,439 million.

- *Asset Management Business*. The Asset Management Business primarily consists of setting, solicitation, and management of investment trusts, investment advice, and provision of financial products information. For the fiscal year ended 31 March 2024, revenues from this segment amounted to ¥29,449 million.

- *Investment Business*. The Investment Business primarily consists of fund management and investment in Internet technology, FinTech, blockchain, finance, and biotechnology-related venture companies in Japan and overseas. For the fiscal year ended 31 March 2024, revenues from this segment amounted to ¥88,353 million.

- *Crypto-asset Business*. The Crypto-asset Business primarily consists of the offering of exchange and transaction services related to crypto-assets. For the fiscal year ended 31 March 2024, revenues from this segment amounted to ¥57,142 million.

- *Next Gen Business*. The Next Gen Business primarily consists of the biotechnology, healthcare & medical informatics business which includes development and distribution of pharmaceutical products, health foods, and cosmetics with 5-aminolevulinic acid ("5-ALA"), research and development of antibody drugs and nucleic acid medicine, the digitisation of medical and health information, promoting the use of medical big data and medical finance, business working on advanced fields related to Web3, renewable energy business, and developing overseas market business. The semiconductor business is also included in this segment. For the fiscal year ended 31 March 2024, revenues from this segment amounted to ¥26,637 million.

For the fiscal year ended 31 March 2024, on a consolidated basis, the Group's revenue, profit before income tax expense and profit for the year attributable to Owners of the Company amounted to ¥1,210,504 million, ¥141,569 million and ¥87,243 million, respectively.

The Company's registered office and headquarters is located at 6-1, Roppongi 1-chome, Minato-ku, Tokyo 106-6019, Japan.

The Company is incorporated under Japanese law with limited liability as a joint stock corporation (*kabushiki kaisha*). The Shares are listed on the Prime Market of the Tokyo Stock Exchange.

THE OFFERING

Issuer	SBI Holdings, Inc.
Securities Offered....................	¥100,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2031 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai).*
Issue Price................................	100.0 per cent.
Offer Price	102.5 per cent.
Closing Date.............................	On or about 26 July 2024.
Delivery....................................	It is expected that the Global Certificate will be deposited with, and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg on or about the Closing Date.
Form	In registered form, evidenced by the Global Certificate. Definitive Certificates will only be available in certain limited circumstances. See "Summary of Provisions Relating to the Bonds While in Global Form".
Listing......................................	Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of ¥300,000 with a minimum of 100 lots to be traded in a single transaction for so long as such Bonds are listed on the SGX-ST.
Lock-up Arrangements	In connection with the issue and offering of the Bonds, the Company has agreed that it will not, and will procure that no person acting on the direction of the Company will, for a period beginning on the date of the Subscription Agreement (as defined in "Subscription and Sale") and ending on the date 180 calendar days after the Closing Date: (a) issue, offer, pledge, lend, sell, contract to sell, sell or grant any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant (including stock acquisition rights) to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, any Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for, or that constitutes the right to receive, Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for Shares; (b) enter into a transaction (including a derivative transaction) that disposes of, in whole or in part, directly or indirectly, ownership (or any economic consequences thereof) of Shares or any other capital stock of the Company, or that has an effect on the market in the Shares similar to that of a sale; (c) deposit any Shares (or any securities convertible into or exercisable or exchangeable for Shares or any other capital stock of the Company or which carry rights to subscribe or purchase Shares or any other capital stock of the Company) in any depositary receipt facility; or (d) publicly announce any intention to do any of the above,

	without the prior written consent of the Joint Lead Managers (as defined in "Subscription and Sale") on behalf of the Managers, other than: (i) the issue and sale by the Company of the Bonds or the issue or transfer of Shares upon exercise of the Stock Acquisition Rights; (ii) the issue or transfer of any Shares by the Company upon exercise of any warrants to subscribe for Shares or stock acquisition rights outstanding as of the date of this Offering Circular and set out in this Offering Circular; (iii) the sale of Shares by the Company to any holder of Shares constituting less than one unit for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute one full unit of Shares; (iv) the grant of stock options, stock acquisition rights or warrants to employees and directors of the Company or employees and directors of any of its subsidiaries and associates pursuant to its stock option plans, the issue or transfer of Shares upon exercise of such stock options, stock acquisition rights or warrants and the issue or transfer of Shares pursuant to the Company's restricted stock remuneration for directors of the Company and for directors of any of its subsidiaries and associates; (v) the issue of Shares by the Company as a result of any stock split or the *pro rata* allocation of Shares or stock acquisition rights to holders of Shares without any consideration and the issue or transfer of Shares upon exercise of such stock acquisition rights; and (vi) any other issue or sale of Shares required by the Japanese laws and regulations. See "Subscription and Sale".
Use of Proceeds........................	The net proceeds from the issue of the Bonds are estimated to amount to approximately ¥100 billion, and are expected to be used by the Company primarily as follows: (i) approximately ¥50 billion by the end of March 2027, as investments for strengthening the Financial Services Business (including investments through the companies within the Group, and in the form of capital investments, lending or otherwise), such as for further diversifying the revenue source and expanding the customer base in the securities business, further strengthening the earnings capability in the banking business, and further promoting businesses related to overseas financial institutions; and (ii) approximately ¥50 billion by the end of March 2025, for repayment of bonds and borrowings (including replenishment of cash on hand, if repayments had been made previously using cash on hand). To the extent that any amounts remain unutilised pursuant to item (i) above, the balance of such proceeds are intended to be used towards repayment of borrowings from financial institutions or the redemption of bonds.

THE BONDS

Form and Denomination .... The Bonds are issued in registered form in the denomination of ¥10,000,000 each.

Initial Conversion Price.......... ¥4,898 per Share, subject to adjustment in certain events. See Condition 5.

Coupon .... Zero.

Exercise of Stock Acquisition Rights.................................. Subject to and upon compliance with the provisions of Condition 5, any holder of a Bond may exercise the Stock Acquisition Right, at any time on and after 9 August 2024 to, and including, the close of business (at the place where the Bond is deposited for exercise of the Stock Acquisition Right) on 11 July 2031 (but in no event thereafter), to acquire fully-paid and non-assessable Shares. See Condition 5.

The Conditions provide, among others, that the Stock Acquisition Right may not be exercised during such period whereby the relevant Stock Acquisition Date (as defined in Condition 5.9.4) (or, if the Stock Acquisition Date would not be a Tokyo Business Day (as defined in Condition 3.1), the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period (as defined in Condition 5.1.4).

Status .... The obligations of the Company in respect of the Bonds constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 2) unsecured obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 and with the exception of obligations in respect of national and local taxes and certain other statutory exceptions, equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.

Negative Pledge....................... So long as any Bonds remain outstanding, the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1) will, create or permit to subsist any mortgage, charge, pledge or other security interest for the benefit of the holders of any Relevant Debt (as defined in Condition 2) unless the same security or such other security or guarantee as provided in Condition 2 is accorded to the relevant Bonds. See Condition 2.

Redemption at Maturity.......... Unless the Bonds have previously been redeemed or purchased and cancelled, and unless the Stock Acquisition Rights incorporated therein have previously been exercised, the Company will redeem the Bonds at 100 per cent. of their principal amount on 25 July 2031.

Early Redemption— Redemption at the Option of the Company upon Increased Share Prices .... The Company may (subject to Condition 7.12), on or after 26 July 2027, having given not less than 30 nor more than 60 days' prior irrevocable notice to the Bondholders in accordance with Condition 19, redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount, provided, however, that no such redemption may be made unless the Closing Price (as defined in Condition 3.1) of the Shares for each of the 20 consecutive Trading Days (as defined in Condition 3.1), the last of which occurs not more than 30 days prior to the date upon which the notice of such redemption is first published, is at least 130 per cent. of the Conversion Price in effect on each such Trading Day. See Condition 7.2.

Early Redemption—Redemption at the Option of the Company upon Reduced Outstanding Amounts	The Company may (subject to Condition 7.12), having given not less than 30 nor more than 60 days' prior irrevocable notice of redemption to the Bondholders in accordance with Condition 19, redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount if, at any time prior to the date of giving that notice, the outstanding principal amount of the Bonds is less than 10 per cent. of the aggregate principal amount of the Bonds as of the date of issue thereof. See Condition 7.3.
Early Redemption—Redemption for Taxation Reasons................................	If the Company satisfies the Trustee, immediately prior to giving the notice to the Bondholders, that (i) the Company has or will become obliged to pay any Additional Amounts (as defined in Condition 9) in accordance with Condition 9 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 10 July 2024, and (ii) the Company is unable to avoid such obligation by taking reasonable measures available to it, the Company may (subject to Condition 7.12), at any time, having given not less than 30 nor more than 60 days' prior irrevocable notice to the Bondholders in accordance with Condition 19, redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount. If, however, the outstanding principal amount of the Bonds at the time of such notice of redemption is 10 per cent. or more of the aggregate principal amount of the Bonds as of the date of issue thereof, the Bondholders will have the right to elect that their Bonds should not be redeemed and that, in respect of payments on the Bonds to be made after that date, payments will be made subject to the withholding of, or deduction for or on account of, Japanese taxes, duties, assessments and governmental charges. See Condition 7.4.
Early Redemption—Corporate Events	In the case of a Corporate Event, the Company shall give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 of such Corporate Event and the anticipated effective date of such transaction and the provisions set out in Condition 6 shall apply. See Condition 6. Upon or following the occurrence of a Corporate Event, the Company shall (subject to Condition 7.12) give not less than 14 Tokyo Business Days' prior notice to the Bondholders in accordance with Condition 19 to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) determined by reference to the table set out in Condition 7.5 and in accordance with the provisions of Condition 7.5 on the Corporate Event Redemption Date (as defined in Condition 7.5) specified in such notice (such Corporate Event Redemption Date shall be a date falling on or prior to the relevant Corporate Event Effective Date (as defined in Condition 6.3) or, if such Corporate Event Effective Date occurs earlier than the 14th Tokyo Business Day from the date of occurrence of the Corporate Event, such Corporate Event Redemption Date shall be the 14th Tokyo Business Day from the date of the notice of such redemption, which notice shall be given as soon as practicable after the date of occurrence of the Corporate Event) if any of the following conditions is satisfied: (i) it is not legally possible under the then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect a scheme provided for by Condition 6.4.1; or

	(ii) it is legally possible as aforesaid but, despite the Company using its best endeavours, the Company is not able to effect such a scheme in compliance with Condition 6.4.1; or (iii) despite the Company using its best endeavours pursuant to Condition 6.4.2, on (a) the date of occurrence of the relevant Corporate Event or (b) the 25th day prior to the relevant Corporate Event Effective Date, whichever occurs later, (x) no Listing (as defined in Condition 6.4.2) has been obtained for the shares of common stock of the New Obligor (as defined in Condition 6.1) and (y) no confirmation has been obtained by the New Obligor from any stock exchange in Japan or the governing body of any securities market in Japan that such Listing will be obtained on or prior to such Corporate Event Effective Date; or (iv) the Company has delivered to the Trustee, on or prior to the date of occurrence of the relevant Corporate Event, a certificate signed by a Representative Director or an Authorised Officer stating that the Company does not currently anticipate that a Listing will be obtained or maintained for the shares of common stock of the New Obligor on the relevant Corporate Event Effective Date for any reason stated in such certificate. See Condition 7.5.
Early Redemption—Delisting of the Shares........................	In certain circumstances where a tender offer is made to holders of Shares of the Company by an Offeror (as defined in Condition 7.6.1) where, *inter alia*, the Company expresses its opinion to support such offer, the Company or the Offeror publicly announces or admits that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange (as defined in Condition 3.1), and the Offeror acquires any Shares pursuant to the offer, then the Company shall (subject to Condition 7.12) redeem all, but not some only, of the Bonds then outstanding at the redemption price each calculated in the same manner as referred to in Condition 7.5, subject to the provisions of Condition 7.6. See Condition 7.6.
Early Redemption—Squeezeout Event	Upon the occurrence of a Squeezeout Event (as defined in Condition 7.7.1), the Company shall (subject to Condition 7.12) redeem all, but not some only, of the Bonds then outstanding at the redemption price calculated in the same manner as referred to in Condition 7.5, subject to the provisions of Condition 7.7. See Condition 7.7.
Early Redemption—Redemption at the Option of the Bondholders	The holder of any Bond is entitled, at its option, unless notice of early redemption of the Bonds by the Company shall have been given in accordance with Condition 19, to require the Company to redeem such Bond on 26 July 2029 at 100 per cent. of its principal amount, by depositing a notice of redemption at the specified office of any Agent (as defined in the Conditions) not less than 30 nor more than 60 days prior to the redemption date. See Condition 7.8.
Cross Default...........................	The Bonds are subject to a cross default in respect of indebtedness for borrowed money or any guarantee and/or indemnity thereof of the Company or of any Principal Subsidiary in respect of amounts of at least ¥500,000,000 (or its equivalent in any other currency or currencies). See Conditions 10.3 and 10.4.
Taxation..................................	All payments by the Company in respect of the Bonds will be made without any deduction for withholding taxes of Japan, except to the extent described in Condition 9.

Governing Law........................	English law.
Jurisdiction..............................	English courts.
International Securities Identification Number ("ISIN")...............................	XS2857240316
Common Code.........................	285724031
Legal Entity Identifier (LEI) of the Company..................	353800L6LMHYIPSMRQ17
Trustee and Custodian...............	The Law Debenture Trust Corporation p.l.c.
Principal Agent and Registrar....	Mizuho Trust & Banking (Luxembourg) S.A.
Custodian's Agent in Japan........	Mizuho Bank, Ltd.

INVESTMENT CONSIDERATIONS

Prior to making an investment decision, prospective investors should carefully consider, along with the other information set forth in this Offering Circular, the following considerations:

Considerations Relating to the Group's General Operations

The Group contains a large number of public and private companies operating in various industries

The Group comprises companies in a wide range of financial and non-financial sectors. The Group also comprises listed subsidiaries. Due to the diverse characteristics of the subsidiaries within the Group, the Group faces certain specific challenges including:

- The Group is exposed to business and market trends and regulatory risks relating to different industries. Accordingly, the Group needs to devote substantial resources to monitor developments in those different industries, in order to react appropriately in each case;
- Due to the large number of companies in the Group, successful operation of the Group requires an effective management system that emphasises accountability and financial discipline within the Group. As the Group makes further acquisitions in an increasing number of different industries, its operations will become more complex, which increases the difficulty of implementing its management system; and
- The Group's companies in different business sectors may pursue business ventures together when they determine that it is in their respective shareholders' interests to do so. Such joint business ventures may not be successful or may incur losses.

The Company's voting interests in companies within the Group may be diluted

Companies within the Group may come to have their shares listed, which may result in a dilution of the Company's (direct or indirect) voting interests in these entities, as more shares are issued or some of the shares held are sold as part of that listing process. In addition, the companies within the Group may from time to time need additional capital to achieve their growth strategies or other business objectives and may issue additional shares or other equity securities to meet such capital needs. The Company may choose not to, or be unable to, (directly or indirectly) subscribe for such equity securities. If the Company fails to (directly or indirectly) subscribe for additional equity securities issued by a Group company on a *pro rata* basis to its existing shareholding in such company, its equity interest in the company will be diluted.

Any dilution in the Company's (direct or indirect) equity interest in a Group company would reduce the Company's share of the profits earned by such Group company, which may have an adverse effect on its results of operations and financial condition. Further, if the Company's (direct or indirect) ownership is reduced, its representation at such company's general meetings of shareholders will be reduced, and its ability to direct or influence the operations of that company may otherwise be impeded.

The Group's business performance may be affected by macroeconomic conditions in Japan, Southeast Asia and globally

The Group's performance may be affected by economic conditions in Japan, Southeast Asia area (an area which has recently been the Group's focus in its efforts to expand its overseas business) and globally. Any deterioration in both the Japanese or other regional or global economies could manifest itself through developments such as increasing energy costs as a result of the on-going conflicts in Ukraine and the Middle-East, global political and macroeconomic tensions, inflation in many developed countries and the resulting move away from accommodative economic policies and low interest rates, increased corporate or personal insolvency rates, reductions in borrowers' ability to repay loans, the weakening of the Japanese yen, reduced personal disposable income levels, the increasingly apparent impact of the ageing of the Japanese population and labour shortages in Japan. Any such factors can have a material adverse effect on the Group's results of operations.

For example, high interest rates overseas may negatively impact the value of securities and other assets the Group has invested in, protectionist trade policies in global markets as the result of political tensions could negatively impact the ability of the Group's overseas subsidiaries to generate income and rising energy costs, labour shortages could in general negatively impact various businesses within the Group, which could negatively impact the Group's ability to generate revenue.

Negative economic conditions caused by such or any other factors may have a material adverse effect on the Group's results of operations and financial condition.

Risks relating to the Internet business

The Group provides services mainly through the use of the Internet and other non-face-to-face channels. There are certain risks associated with information systems and the security thereof, including the delay or suspension of services due to system failures, unauthorised access to the Group's systems, and loss or leakage of assets and personal information held by the Group. If any such risks were to materialise, the attractiveness of the Group's products and services to customers may decline and the Group may be subject to claims in respect of those events, which may have an adverse effect on the Group's reputation, results of operations and financial condition.

In addition, continued familiarity with the Internet and related technologies is essential for the Group's growth. As technological innovation continues in the Internet-related industry with the emergence of new technologies and entrants to the financial services market from other industries, changes in the competitive environment in which the Group operates continue to occur. If the Group is slow to respond to technological developments and/or new entrants, the services it provides may become inferior or obsolete and may become less popular than those provided by the Group's competitors, which may have an adverse effect on the Group's results of operations and financial condition. In addition, the Group may incur significant expenses in developing new internal systems or performing major system upgrades which may also adversely affect the Group's results of operations and financial condition.

Risks relating to information systems

The Group's systems (including the systems of third parties such as subcontractors) are essential to its business. Accordingly the Group may suffer from system failures, cyber-attacks, unauthorised access, computer virus infections, human error, equipment failure or other issues arising from defects in the provision of services by third parties such as telecommunications carriers; further, the Group may not always be able to respond adequately to new technologies, systems and processes.

In addition, the Group may not be able to fully satisfy requests to enhance the functionality of its systems to meet all business requirements or regulatory requirements arising from increasing regulatory scrutiny, or the construction or updating of systems necessary to meet market or regulatory requirements may not be completed as planned due to the complexity of the work or for other reasons. In such cases, information and telecommunications systems may malfunction or become inadequate, resulting in transaction processing errors, delays or other failures, information leakage and other issues, which may result in the suspension of business operations, which may in turn require the Group to pay compensation or suffer other losses, or suffer loss of trust and damage to the Group's reputation. The Group may also be subject to administrative sanctions in respect of such events. Any of these occurrences may require the Group to incur significant expenses to remedy such events, which may materially adversely affect the Group's results of operations and financial condition.

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 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 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 result in significant changes to the assumptions made at the time that the Group decided 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, results of operations and financial condition.

Risks relating to brand and business reputation

The Group consists of portfolio companies which use the "SBI" brand and the Group recognises that the reputation of the brand has increased importance as a result of the Group's expansion and its brand recognition. Therefore, with the Group's business expansion and increasing publicity, actions or events relating to any company that carries the SBI brand may damage the brand and reputation of the Group as a whole. If the brand of the Group as a whole is affected by any loss of customers' trust in the Group's products, services or customer relations, or non-compliance (including, for example, insider trading) or other incidents involving any member of the Group, this may adversely affect the Group's results of operations and financial condition. In addition, the Group is vulnerable to market perceptions of it and reputational risk as it operates in industries where integrity and the trust and confidence from clients and investors are highly important. 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 could 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 by 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, could have an adverse effect on the Group's results of operations and/or financial condition. In addition, any fraudulent persons or actions using the trade names of the companies within the Group may result in the Group being negatively affected by rumours regardless of lack of fault. This could adversely affect the Group's results of operations and financial condition in particular in light of the Group's business expansion and increasing publicity.

Risks relating to business restructuring and expansion

In addition to business restructurings, the Group intends to aggressively pursue business expansion, including mergers and acquisitions ("M&A") of businesses that the Group believes offer favourable synergies with its core businesses. The Group faces the risk that its restructurings and business expansion activities may not be successful. Failure to achieve expected results could have an adverse effect on the Group's results of operations and financial condition. The Group may not be able to identify suitable investment opportunities, partners or acquisitions candidates. Even if the Group does identify suitable investment opportunities, partners or acquisitions candidates, it may be unable to negotiate terms that are commercially acceptable to it or complete those transactions at all or it could result in incurrence of further costs to achieve the investment. Furthermore, any anticipated M&A may require the Group to obtain the prior approval of 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.

With respect to its acquisitions, the Group could have difficulty, or need to incur substantial costs, in integrating these companies or businesses, including internal operations, technology, distribution networks, product lines, personnel and culture, with its existing business, and there is no assurance that the expected strategic benefits of any acquisitions or alliances will be realised. The acquired companies may have low margins and require significant restructuring to increase efficiency, or lead to the Group incurring substantial amounts of additional debt and facing increased financial leverage, funding costs and interest payment burden. In addition, the key personnel of an acquired company may not continue in their positions. The acquired company could be subject to 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 acquired intangible assets (including goodwill), some or all of which could have an adverse effect on the Group's business, results of operations and financial condition. As a result of such risks, the Group may not be able to realise the full extent of the benefits that it anticipates from the M&A, including increased revenue and profits and other expected strategic benefits, within the expected timeframe 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 any such risk arises, it could adversely affect the Group's results of operations and financial condition.

Risks relating to entering new businesses

Based on one of the Group's management philosophies of "Aiming to Be 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 could have an adverse effect on the results of operations and financial condition of the

Group. Further, if any of the new products or services offered by the Group do not fall within the scope of existing laws and regulations or accounting standards, their commercial development may be delayed by the need to confirm the applicability and interpretation of such laws and standards, which may have an adverse effect on the results of operations and financial condition of the Group. In addition, it is possible that entry into such new businesses may be delayed due to laws and regulations or the availability of necessary licenses and permits, and/or the new businesses could 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, could impede the conduct of their operations and have an adverse effect on the Group's results of operations and financial condition.

Risks relating to losses from investments and loans, and deterioration of earnings associated with market fluctuations

The Group holds a large amount of investment securities, including investments in associates. As such, the Group could experience impairment losses on its investment securities as a result of declines in their value depending on stock market and bond market conditions (for example, deterioration of credit market conditions and a sudden rise in interest rates). Further, the Group also engages in lending to corporations and other entities, and depending on a variety of factors which may develop, the business and credit of such borrowers may deteriorate, which may require the Group to incur actual credit losses or make additional provisions for credit losses. In addition, depending on the condition of the real estate market, additional provision for credit losses or actual credit losses may be incurred. Furthermore, an increase in financing costs cannot easily be passed on through price rises, and demand for products and services may decrease due to real estate or other market conditions, which may give rise to risks such as a decrease in operating revenue. Any of these factors could adversely affect the Group's results of operations and financial condition.

Litigation risk

Due to the nature of its businesses, the Group is subject to the risk of litigation or other legal proceedings being raised from third parties in the ordinary course of business. Further, as the Group is subject to a wide variety of regulations, it may become the subject of regulatory investigations and proceedings in cases of alleged breaches of such regulations. In the event of an adverse judgment, finding or out of court settlement, the Group's financial condition and results of operations could be adversely affected.

Risks relating to risk management and internal control

The Group is engaged in a wide range of financial services businesses both in Japan and overseas, with numerous financial institutions including securities firms, banks and insurance companies within its members. As such, the Group has established certain risk management and internal control systems and procedures. Certain areas within the risk management and internal control systems may require constant monitoring, maintenance and continuous improvements by the Group's senior management and staff. If these systems or the Group's efforts to maintain them are found to be ineffective or inadequate, the Group may be subject to administrative or other sanctions or penalties by regulatory authorities, which may have the effect of hindering the Group's execution of its businesses, which may adversely affect the Group's results of operations, financial condition and reputation.

In addition, internal control systems, no matter how sophisticated, contain inherent limitations as a result of misjudgements or faults by operators. Further, the Group also faces the risk of fraudulent activities being conducted either by its employees, customers or third parties, such as concealment of improper or unsuccessful activities, misappropriation of customer information, fraudulent use of customer accounts, or the use of a false identity to open an account. Such types of fraud may be difficult to prevent or detect. As such, there can be no assurance that the Group's 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 could result in investigations, and/or administrative penalties 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 results of operations and financial condition.

Conflicts of interest

Failure to identify and properly address conflicts of interest that arise in the transactions that the Group undertakes may result in penalties or administrative action, as well as damage to the Group's reputation that may cause loss of customer confidence, which may adversely affect the Group's business, results of operations and financial condition.

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 bonds. During times of deterioration in global credit markets, resulting in a reduction in lending by financial institutions or availability of credit through the bond markets, the Group may face difficulty raising funds under favourable conditions or at all. In addition, increases in interest rates due to monetary policies of different central banks or movements in the financial markets, or potential downgrades to the Group's credit ratings could restrict the Group's access to funds, or increase the Group's financing costs. Any such events could adversely affect the Group's results of operations and financial condition.

Derivatives risk

The Group utilises 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 derivatives, in particular in periods experiencing sudden or unexpected levels of volatility in the markets. Counterparties may fail to honour the terms of their derivatives contracts with the Group. In addition, 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. As a result, the Group's results of operations and financial condition could be adversely affected.

Substantial dependence on payments from subsidiaries and other entities

The Company substantially depends in part on dividends, distributions and others from the Company's 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 Company's subsidiaries and other entities. Some of the subsidiaries and other entities which the Company depends on, in part, for payments are subject to laws and regulations that authorise regulatory bodies to block or reduce the flow of funds to 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 could adversely affect the Group's results of operations and financial condition.

The Company's right to participate in the distribution of assets of any of its subsidiaries upon liquidation or otherwise is subject to the prior claims of creditors of that subsidiary, except to the extent that any claims by the Company as a creditor are recognised. As a result, the rights of the Company as shareholder of each subsidiary held by the Company are effectively subordinated to all existing and future liabilities and obligations of that subsidiary.

Reliance on key personnel

The Group's business operations depend on the leadership of the Company's Representative Director, Chairman, President & CEO, 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 event could adversely affect the Group's results of operations and financial condition. Any remedial action adopted by the Group's management to deal with a loss of key personnel may not take effect immediately or at all.

Risks relating to trademarks and other intellectual property rights

The Group's businesses involve various types of intellectual property, including trademarks, 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 patents. Such additional costs could have an adverse effect on its results of operations and financial condition.

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 overseas. Such enactment or changes may be unpredictable and may cause its costs to increase. As a result of such enactment or changes, the Group's business activities, results of operations and financial condition could be adversely affected.

Further, enactment of, or changes in, accounting standards may have a significant effect on how the Group records and reports its results of operations and financial condition, even if the underlying business fundamentals remain the same. As a result of such enactment or changes, its business activities, results of operations and financial condition could be adversely affected.

Risks relating to deferred tax assets

Temporary differences arising from differences between the assets and liabilities in the financial statements and the tax basis assets and liabilities are recorded as deferred tax assets using the statutory effective tax rate, applied when the difference is resolved. If there is a tax reform and a change in the statutory effective tax rate, the Group's deferred tax assets may be affected. Such events could adversely affect the Group's results of operations and financial condition.

A valuation allowance is provided for deferred tax assets in respect of temporary differences and deferred losses if it is more likely than not that these items will either expire before the Group can realise 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 records deferred tax assets based on the assumption of recoverability.

Each company within the Group calculates its estimated future recoverable tax amount based on its expected amount of future taxable income. The amount of the valuation allowance may fluctuate depending on changes in the expected amount of future taxable income. Such changes could adversely affect the Group's results of operations and financial condition.

Risks relating to insurance coverage

To manage operating risks, the Group's companies maintain insurance coverage of various kinds. However, there can be no assurance that all claims under such insurance policies will be honoured 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 loss or damage that is not covered by insurance or that exceeds the limit of its insurance coverage, the Group's results of operations and financial condition may be adversely affected.

Risks associated with natural disasters and adverse weather conditions, terrorist attacks and regional conflict, wars, outbreak and spreading of infectious diseases or other casualty events

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. As such, the Group is subject to the risk of casualty events affecting Japan, such as earthquakes, typhoons, floods and other natural disasters and extreme weather conditions, epidemic outbreaks and pandemics, blackouts, terrorist attacks, regional conflict and wars, and acts of sabotage. The Group's overseas operations are subject to similar or other disaster risks. Additionally, large disasters, epidemic or pandemic outbreaks and major public health issues, terrorist attacks or other casualty events affecting the Group's operational network or those of its alliance partners, suppliers or customers, either in Japan or overseas, could disrupt the Group's operations even in the absence of physical damage to the Group's properties or cause a material economic or market downturn in the affected area or country, which in turn could result in significant interruptions to or an adverse effect on the Group's businesses, results of operations and financial condition. In addition, should conflicts or wars arise in regions or countries in which the Group invests or operates, this could cause damage to the assets of the Group or of its investee companies.

In the event of the outbreak or spread of infectious diseases, restrictions on or recommendations against going outside, bans on overseas travel and other restrictions would have wide-ranging impacts on the Japanese and global economies and corporate activities. Since the Internet is the primary channel of the Group's Financial Services Business in Japan and there are limited face-to-face customer services/sales activities undertaken by it, the Group's Financial Services Business is less likely to be directly affected negatively, even if the outbreak or spread of an infectious disease affects society for a prolonged period of time. However, a decline in the volume of transactions due to a decline in economic activity by companies and individuals as a result of such prolonged outbreak or spread of an infectious disease may have an indirect impact on the Group's business performance and financial position. The Group's domestic and global investments may also be directly negatively affected by factors such as fluctuations in economic conditions and rapid changes in stock and foreign exchange market conditions, and as such, if the business environment and market conditions were to deteriorate in the future due to the outbreak or spread of infectious diseases, this could lead to the recording of valuation losses on investment securities and other financial assets held by the Group.

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. In these cases, the Group is exposed to risks relating to increasing cost or losses unique to overseas business due 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 overseas countries. If events that the Group could not foresee were to occur, the Group's results of operations and financial condition could be adversely affected. In addition, countries and regions in which the Group invests or develops its business may become subject to economic sanctions, and any existence of transactions affected by these sanctions may adversely affect the Group's business performance and reputation. In any such cases, the Group's results of operations and financial condition may be affected.

Further, when the Group's investment is in an overseas company, it may be deemed that the Group is conducting activities in the jurisdiction where such company is located regardless of whether the Group's intention was to do so. In such cases, the Group may become subject to foreign laws and regulations, particularly those concerning investor protection in such jurisdictions; in addition, this might cause the Group's expenses to increase and restrict its business. Furthermore, the Group may increase its foreign currency debt to hedge against foreign currency risks by borrowing from overseas financial institutions or by issuing corporate bonds in overseas countries. Such cases could adversely affect the Group's results of operations and financial condition.

In addition to the above, the application of laws and regulations in overseas countries, such as the laws and regulations to prevent corrupt practices in the United Kingdom and in the United States, regulations related to economic sanctions enacted by different national authorities, the General Data Protection Regulation in the European Union and the United Kingdom, and other regulations in countries where the Group operates, may extend to and have an effect on the Group's operation in other countries, including Japan. While the Group has internal controls in place to prevent engagement in any activities that would be in violation of any sanctions, there can be no assurance that such internal controls will be adequate (see " Risks relating to risk management and internal control"). If unexpected events occur or if the Group's responses are not sufficient, it may result in a breach of such laws and regulations. Such cases could adversely affect the Group's results of operations and financial condition.

Risks with respect to transactions with anti-social forces, money laundering and terrorism financing

Although the Group implements measures to prevent its products and services from being used by anti-social forces, or in relation to money laundering and terrorism financing, there may be cases where the Group is not able to preclude a transaction with an anti-social force or in breach of money-laundering regulations. If such a transaction is found to exist, the cost for counter measures incurred by the Group may increase, the Group may become subject to sanctions by regulatory or other authorities, or its social reputation may also be impaired. Such cases could adversely affect the Group's results of operations and financial condition.

Risks with respect to cyber security

The Group is subject to the risk of potential cyber-security attacks. If human or systemic vulnerabilities were to be apparent or a cyber-attack or information security incident were to occur, the Group's reputation may be damaged, customers may lose trust in the Group, claims against the Group may be brought, or governmental or regulatory authorities may impose administrative sanctions to the Group. Any of these factors may materially adversely affect the Group's business, results of operations and financial condition.

Risks related to information loss and information leakage

The Group is required to handle customer and personal information appropriately in accordance with domestic and foreign laws and regulations, including, but not limited to, the Act on the Protection of Personal Information of Japan (Act No. 57 of 2003, as amended) (the "Act on Protection of Personal Information") and relevant guidelines applicable to companies engaged in the financial business. The Group holds a large amount of customer and personal information, and although the Group has established regulations and systems for the storage and handling of information and continues to improve its management system, it may not be able to completely prevent the loss or leakage of customer and personal information due to inappropriate management, cyber-attacks or other unauthorised access from external third parties, or infection by a computer virus. In any such cases, the Group may become the subject of penalties or administrative action, and may also incur direct losses, such as compensation for damages to customers. In addition, the Group's results of operations and financial condition could be adversely affected by a loss of customer confidence or other factors, and the Group could incur additional costs and expenses in response to such events.

Risks related to environmental, social and governance ("ESG") initiatives

Based on the recognition that it is important to achieve both a sustainable society through the resolution of social issues and sustainable enhancement of corporate value, the Group has established a Sustainability Committee to discuss, decide on, and manage sustainability measures as part of the Group's management strategy, and a Sustainability Promotion Office, which serves as the secretariat of the Sustainability Committee, oversees the implementation of these measures throughout the Group.

Despite such efforts, if stakeholders perceive the Group's implementation of ESG measures to be inadequate, this could adversely affect the Group's reputation and may impact on funding and recruitment activities. In addition, if the Group's portfolio companies do not adequately implement ESG measures, this could have a significant impact on the portfolio companies' corporate values and reputation, which in turn could adversely affect the Group's business, results of operations and financial condition.

Risks Relating to the Group's Financial Services Business

Risks relating to the securities-related business

Impact of changes in the business environment affecting the securities-related business

Revenue for the Group's securities-related business is highly exposed to fluctuations in the prices of stocks and the trading volume and trading values of stock markets. Trading volume and trading values on stock markets are affected by various factors, such as corporate profits, exchange rate fluctuations, interest rates, international political conditions, fluctuations in the main global markets and investor sentiment. A fall in share prices tends to lead to a contraction in trading volume. There can be no guarantee of favourable stock market conditions in the future, and the Group's results of operations and financial condition could be adversely affected by declines in share prices and any resulting drop in trading volumes.

Credit risk

Margin transactions for stocks are one of the main revenue sources for the Group's securities-related business. However, the value of the collateral deposited by a customer for a margin transaction may be inadequate if the customer suffers a loss on the margin transaction or if the value of the securities posted as collateral declines. In addition, the value of securities pledged by the Group to securities finance companies as collateral for borrowings from such companies in connection with margin transactions may also fluctuate. In the event of a decline in the value of securities pledged by the Group as collateral for any reason including market movements, the securities finance companies from which it has borrowed may request that it pledges additional collateral, in which case it would be required to secure the funds in order to fund such additional collateral requirements. Such events could have an adverse effect on the Group's results of operations and financial condition.

The Group also engages in securities lending transactions. The Group may suffer losses if there are sharp changes in market values of securities or its counterparties to borrowing and lending transactions fail to honour their commitments. Any fluctuation in public equity markets may lead to the risk that parties to stock lending transactions may fail to meet their commitments. In addition, if the Group fails to expand its customer base for stock lending services and maintain good relationships with other securities companies to which it lends securities, it may have an adverse effect on the Group's reputation, results of operations and financial condition.

Moreover, over-the-counter foreign exchange ("FX") margin transactions are transactions conducted by depositing certain amount of margin as collateral. Customers can make large profits or suffer large losses compared to the amount of margin deposited. Subject to changes in FX market conditions, in cases where losses suffered exceed the amount of margin deposited, depending on the total amount or the number of incidences, the

Group may be required to record provisions for credit losses or be unable to recover amounts owed to it by its customers, and the Group's results of operations and financial condition could be adversely affected.

Foreign currency and counterparty risk

The Group faces counterparty risk with respect to over-the-counter FX transactions which are performed in order to hedge against foreign exchange fluctuations on the opposite side of the positions that the Group takes in relation to its customers. If unforeseen circumstances should occur such as systemic damage to, or the deterioration of the business and financial condition of, a counterparty, the Group may be unable to fully hedge its exposure in relation to its customers, which could have an adverse effect on its results of operations and financial condition.

Underwriting risk

In order to diversify the Group's revenue sources, it is increasing the resources devoted to its investment banking business such as underwriting and offering of shares and other securities. Due to this, it faces increased underwriting risk in the event that underwritten securities cannot be resold. Price fluctuations of securities offered but not resold may also have an adverse effect on the Group's results of operations and financial condition. A decline in the reputation of an issuer, either during or after a public offering for which the Group has acted as lead managing underwriter, could damage its reputation and hinder the development of its underwriting business, which could adversely affect its results of operations and financial condition.

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

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

Competition in the securities-related business

Competition in the securities-related business has been intensifying due to recent deregulation and developments in information technology ("IT"), resulting in the spread and increase of online securities firms. This move could result in reduced revenue for the Group. To respond to this challenge, the Group faces strong demand for diversification of its products and services, increased convenience for its customers, and the exertion of originality. If the Group is unable to maintain its competitive position in this environment, the Group's market share by transaction volume and revenue as compared to its competitors may deteriorate and its profitability may decline. This could have an adverse effect on the Group's results of operations and financial condition.

Regulations relating to the securities-related business

Registration as financial instruments business operators and others

Certain companies in the Group are registered as financial instruments business operators ("FIBO") in accordance with the FIEA in order to operate financial instruments businesses. This business area is regulated by the FIEA and related laws and regulations such as the Financial Instruments and Exchange Act Enforcement Ordinance of Japan. In addition to the rules of Tokyo Stock Exchange, Osaka Exchange, Nagoya Stock Exchange, Fukuoka Stock Exchange and Sapporo Securities Exchange of which certain companies in the Group are general trading members, it is also subject to the rules and regulations established by the Japan Securities Dealers Association and Financial Futures Association of Japan among others, which are organisations established under the FIEA. In the event that the Group or its directors, officers or employees violate any of these laws, rules or regulations, their license to operate securities-related business may be suspended, revoked or an order may be issued requiring that the Group takes a managerial action in order to achieve specified improvements. For example, business suspension and improvement orders were imposed on SBI SECURITIES Co., Ltd. ("SBI SECURITIES") by the Japanese Financial Services Agency (the "FSA") in January 2024, restricting it from performing certain IPO-related activities for one week and requiring ongoing reporting in respect of the progress of business improvement plan that includes strengthening the business management framework and internal control environment. Any such action or event could adversely affect the Group's reputation, business, results of operations and financial condition.

Capital adequacy ratio regulations

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

Separate management of customer assets/investor protection funds

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

The Act on Provision of Financial Services and the Development of the Accessible Environment Thereto of Japan and the Consumer Contract Act of Japan

Designed to protect investors when they purchase financial products, The Act on Provision of Financial Services and the Development of the Accessible Environment Thereto of Japan (Act No. 101 of 2000, as amended) and the Consumer Contract Act of Japan (Act No. 61 of 2000, as amended) (the "Consumer Contract Act") require financial product sellers to provide specified explanations. In the case that investors lose money on investments in financial products that were not adequately explained, these laws oblige financial product sellers to provide compensation and provide for measures to ensure that the noncompliant financial product sales methods are rectified.

Focusing on the structural gaps between consumers and businesses with regard to the volume and quality of available information as well as negotiating capabilities, the Consumer Contract Act enables consumers in specified situations to repudiate contracts. The Group has established internal administration systems designed to ensure its rigorous compliance with this law, and there have not been any cases of noncompliance to date. However, if such a case were to arise in the future, it could entail the payment of compensation for damages, undermine customers' trust in the Group, and have other negative effects, and there is a possibility that such a situation could have an adverse effect on the Group's results of operations and financial condition.

Systems risks affecting the securities-related business

The Internet is the Group's primary sales channel. Accordingly, the Group recognises that ensuring the stability of its system for online transactions is a crucial management issue. The Group is undertaking continual initiatives to maintain and enhance the level of service. Nevertheless, a system malfunction may occur due to reasons unforeseen at present, including hardware and software malfunctions, human error, a breakdown in communication lines, failures of system capacity, computer viruses, cyber-attack, issues with machine-learning or artificial intelligence ("AI") functionalities, or a system malfunction caused by a natural disaster. A number of countermeasures have been implemented by the Group, however, should a system malfunction occur despite the implementation of these countermeasures, there is a possibility that a delay or failure to appropriately respond may result in claims for damage resulting from such a malfunction, and this may also erode trust in the Group's systems and support structure. This, in turn, may result in the loss of a large number of customers. In addition, the

Group is developing new systems and increasing capacity in response to expected increases in the number of accounts and trading volume. However, if such number of accounts or trading volume increase less than is expected, increased costs in relation to the systems such as depreciation and lease fees which do not contribute to profit could have an adverse effect on the Group's results of operations and financial condition.

Security of customer information in the securities-related business

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

Proprietary trading in the securities-related business

The Group conducts proprietary trading activities related to securities and foreign exchange. In its trading business for its own account, the Group may incur losses due to declines in value of the positions which the Group holds as a result of unfavourable market movements or decline in customer demand. The Group seeks to reduce the risk associated with trading by entering into hedging transactions and by conducting continuous monitoring. However, if market fluctuates more or in a way other than was anticipated, the Group's hedging positions may not be effective in mitigating losses and the Group may not be able to dispose of its positions promptly. The Group's transaction counterparties may default in their settlement obligations, including delivery settlement, and the credit-worthiness of issuers of securities held by the Group may deteriorate significantly. This may have an adverse effect on the Group's results of operations and financial condition.

Risks relating to the banking-related businesses

Risks relating to the banking-related business in general

In the banking-related business (such as commercial banking, unsecured loans, credit card and consumer credit and leasing businesses), it is necessary for the Group to respond to a great variety of risks: credit risk, market risk, liquidity risk, compliance risk, operational risk, system risk, information security risk, risks associated with contracting with third parties, event risk, reputation risk, capital ratio risk, strategic risk, and risk associated with regulatory change. Any failure to adequately address these risks could be disruptive to business operations.

In the Group's banking business, the Group invests in financial instruments such as bonds, notes, securitised products and derivatives and is also exposed to interest rate risk associated with the difference between long-term and short-term interest rates of deposits and loans. The Group sets limits on risk and amount of losses, and upper limits on investments for individual products, and establishes strict risk management systems. However, if economic conditions such as interest rates change significantly beyond the Group's expectations due to credit market and economic trends or other factors, its results of operations and financial condition could be adversely affected.

Credit risk

The Group determines the amount of its provision for credit losses based on the condition of its customers, the value of collateral pledged and the overall economic outlook. Actual credit losses could differ materially from those projected and could significantly exceed the amount of the provision, rendering the provision for credit losses inadequate. In addition, if changes are required to be made to assumptions and forecasts due to factors such as deterioration in economic conditions, a decline in the value of collateral, or other factors that have a more adverse impact than anticipated, credit losses may be incurred, or additional provision for credit losses may need to be recorded, which could adversely affect the Group's results of operations and financial condition.

Market risk

The Group engages in a wide range of trading and investment activities in various financial instruments, including bonds, equities and derivative products, both in Japan and overseas. The results of these activities fluctuate due to changes in, among others, interest rates, foreign exchange rates, bond and equity markets, and may affect the Group's financial performance, operating results and financial position.

In its credit trading and securitisation activities, the Group invests in a variety of assets, including residential mortgages, non-performing loans, accounts receivable and leased assets, with the ultimate objective of collecting, selling or securitising such assets. As a result, the Group's assets may see some concentration in securities of certain ratings or a certain type. If the Group's income from such operating assets is less than expected (including a decline in the value of the Group's residual interest in the pool of assets securitised by the Group where the Group itself holds a residual interest), the Group's results of operations and financial condition could be adversely affected. In addition, the size of the market and the prices of the assets that the Group may acquire fluctuate constantly, and the Group may not always be able to take advantage of attractive investment opportunities, and the results of its investment activities may fluctuate significantly.

Liquidity risk

The Group is exposed to certain risks regarding liquidity include the following:

- As much of the funding for the banks in the Group comes from customer deposits, it is necessary for the Group to maintain or grow the levels of such deposits. It is possible that the customer base for retail banking operations and deposits may not grow in the future or may decline, which may make it difficult for the banks in the Group to maintain sufficient liquidity;

- Changes in the domestic bond market and market conditions may limit the Group's ability to issue corporate bonds or other debt securities;

- The Group's funding may be affected by changes in the supply and demand for funds in the financial markets due to changes in the Bank of Japan's monetary policy, including in respect of interest rates;

- Deterioration in the financial and economic environment overseas could cause instability and inefficiencies in foreign currency funding, including deterioration in the terms and conditions of funding; and

- Significant changes in public perception or market conditions could increase the cost of funding for banks within the Group, or result in those banks not being able to obtain sufficient liquidity.

In addition, if any credit rating agency downgrades the credit rating(s) of particular companies in the Group, the Group may not be able to conduct transactions in the interbank market for short-term funding or capital procurement activities with counterparties on favourable terms, or certain transactions themselves. As a result, the Group's funding costs may increase, liquidity may be restricted, and the Group's derivative transactions or trust business may be restricted, which may affect the Group's results of operations and financial condition.

Operational risk

The Group conducts a large volume of administrative work as part of a wide range of financial operations in respect of which the Group takes a number of measures to ensure efficient operation. However, if these measures fail to function effectively, or if executives and employees of the Group or third parties to whom certain processes are outsourced fail to perform their duties correctly, cause accidents or exercise fraudulent behaviour, the Group could suffer losses, administrative penalties, damage to reputation, or other damages, and its business, results of operations and financial condition may be adversely affected.

Systems risk affecting the banking-related business

The Group provides services to customers via information systems and the Internet, and is highly dependent on the processing capacity and reliability of these systems. The Group's systems may be subject to human error, natural disasters, power outages, cyber-attacks, phishing and other unauthorised or disruptive activities, leakage of confidential information, problems with system partners or counterparties, and unauthorised use due to hacking. If the banking and other financial services provided by the Group are interrupted or suspended due to system failures, the Group's business and reputation may be damaged, and its results of operations and financial condition may be adversely affected.

Security of customer information in the banking-related business

As a financial institution holding a large volume of customers' personal data, the Group takes measures for protecting such data in compliance with the applicable laws and regulations. However, should an incident involving the leakage or unauthorised access to personal information occurs, the Group may be required to pay compensation for damages and may also be subject to administrative sanctions from the relevant supervisory or regulatory authorities. Furthermore, the occurrence of such an incident could cause a loss of confidence in the Group among customers and in the market generally, which could cause damage to the Group's brand and reputation, and adversely affect their business performance, results of operations and financial condition.

Regulations of the banking-related business

In conducting its banking-related business, the Group is subject to extensive legal restrictions and regulatory oversight, including, in Japan, the Companies Act, the Banking Act of Japan (Act No. 59 of 1981, as amended) (the "Banking Act"), the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947, as amended), the FIEA, the Money Lending Business Act of Japan (Act No. 32 of 1983, as amended) (the "Money Lending Business Act"), the FEFTA, and the Act on Prevention of Transfer of Criminal Proceeds of Japan (Act No. 22 of 2007, as amended), as well as other similar laws overseas. In particular, each bank within the Group is subject to capital adequacy requirements and other banking-related business regulations as well as restrictions on the scope of its business by the financial authorities. In addition, the Money Lending Business Act and other legislation related to consumer finance business impose a number of obligations and restrictions (such as limitation of amounts of loans and interests) on non-bank lenders in the Group. Failure to comply with these and other applicable laws and regulations could expose the Group to significant reputational risk and could result in administrative sanctions such as business improvement orders and business suspension orders, as well as other sanctions, penalties and claims for compensation, pursuant to applicable laws and regulations.

Although the Group believes it operates in accordance with current regulations, changes in laws, regulations, taxation systems, business practices, legal interpretations, fiscal, monetary or other policies, or differences in views with authorities, or events arising from such changes or differences, could adversely affect the Group's business, results of operations and financial condition.

Each bank in the Group is subject to capital adequacy regulations under the Banking Act and the Financial Services Agency Commissioner's notification. Currently, the banks in the Group are required to maintain a capital adequacy ratio of at least 4.0 per cent., given their domestic and overseas operations. However, the regulations and required ratios may change in the future, potentially becoming more stringent and challenging for the banks in the Group to comply with. Efforts to achieve compliance with any new regulations may negatively impact the profitability of these banks. Furthermore, as a result of realisation of risks mentioned herein, any bank's capital ratio may decline, and failure to maintain the required capital adequacy ratio could result in administrative penalties for any bank in the Group, which could indirectly affect the Group's ability to conduct its business.

Risks associated with the consumer finance business

The Group's consumer finance businesses (principally the provision of unsecured loans to individuals) are its core businesses in its banking-related business. Previously, consumer finance companies could charge higher rates under certain conditions set by the relevant laws, known as "grey zone interest". However, this policy was abolished in June 2010, and all interest rates are now subject to the lower limits (15-20 per cent. per annum) stipulated in the Interest Rate Restriction Act of Japan (Act No. 100 of 1954, as amended) (the "Interest Rate Restriction Act"). Furthermore, the consumer finance companies which had received higher rates of return on such financing in the past, are required to return the amounts in excess of the revised rates. The Group's consumer finance companies had provided financing with "grey zone interest" and therefore have recorded allowances based on estimates of future repayments of overpayments and related credit losses. However, additional costs may arise in the future if the current allowance is insufficient to cover future overpayment refunds and related bad debt losses, which could affect the Group's results of operations and financial condition.

The government's influence on SBI Shinsei Bank

SBI Shinsei Bank, Limited ("SBI Shinsei Bank"), a consolidated subsidiary of the Company, was in the past recapitalised with public funds and the Japanese government (the Deposit Insurance Corporation of Japan and the Resolution and Collection Corporation of Japan) holds a certain percentage of its common stock. Due to its receipt of public funds, SBI Shinsei Bank is required by law to prepare and periodically review its plan for restoring sound management. If actual results deviate significantly from the earnings targets in the plan, SBI Shinsei Bank could be subject to a business improvement order from the FSA. SBI Shinsei Bank could also be subject to a business improvement order if it fails to meet the targets of the plan for loans to small- and medium-sized enterprises.

The government, both as a shareholder and as a regulator, could influence SBI Shinsei Bank's management, which could require SBI Shinsei Bank's management to take actions that differ from the Group's business strategy. In addition, SBI Shinsei Bank's common stock dividends are subject to certain restrictions under its plan for restoring sound management, and the Group may not be able to receive dividends that are sufficient in light of SBI Shinsei Bank's profit levels.

Risks relating to overseas banking business

In the overseas banking industry, the Group may need to respond to a great variety of risks: credit risk, market risk, liquidity risk, compliance risk, operational risk, system risk, information security risk, risks associated with contracting with third parties, event risk, reputation risk, capital ratio risk, foreign exchange risk, sanctions risk, strategic risk, and risks associated with regulatory change. Any failure to adequately address these risks could be disruptive to the Group's business operations. For example, in the event of any adverse developments in relation to foreign exchange controls or the imposition of trade or investment restrictions in the relevant overseas jurisdictions, the Group may be restricted in its ability to repatriate any profits to Japan. In addition, if the Group is unable to achieve the targets originally projected in the Group's business plan, and if future income is inadequate to cover its investments, the Group's results of operations and financial condition could be adversely affected. Furthermore, in the case of reduction of capital adequacy ratio, the Group would be subject to control or receive an order by local governments under the capital adequacy requirements of the local financial system. Such events could adversely affect the Group's results of operations and financial condition. In order to avoid such events, additional investment by the Group may be required, and this could adversely affect the Group's results of operations and financial condition.

Risks relating to other financial services business

Risks relating to the insurance business

In the insurance industry, it is necessary to respond to a great variety of risks: insurance underwriting risk, market risk, credit risk, liquidity risk, administrative risk, system risk, information security risk, legal risk and casualty risk. Any failure to adequately address any of these risks could be disruptive to business operations. In addition, if the Group is unable to achieve the targets projected in its initial business plan for this sector, and if future income is inadequate to cover its initial investments, its results of operations and financial condition could be adversely affected. Further, companies within the Group involved in the insurance business are required to maintain a certain level of solvency margin ratio in conformity with relevant laws, and should such solvency margin ratio fall below the required threshold, they may be ordered by the FSA to submit and implement a reasonable improvement plan for sound management.

In the Group's life insurance business, in circumstances such as where the mortality rate or morbidity rate rises, due to changes in the social and economic circumstances, beyond the Group's assumptions at the time of the Group setting its insurance premiums, the Group may become subject to additional cost burdens such as increased insurance pay-outs or liability reserves. Such factors may adversely affect the Group's results of operations and financial condition.

In addition, in the Group's non-life insurance business, numbers of contracts of automobile insurance are steadily rising, but the Group is required to state as a cost unearned insurance premium into policy reserve at the same time of stating insurance premium revenue on the accounting basis. Therefore, costs of insurance would increase as the number of contracts increase despite the Group's attempts to cut down operating costs among other measures. Such costs will generally be stated in advance and the Group may be required to invest into its non-life insurance business for keeping its solvency margin ratio. This could have an adverse effect on the Group's results of operations and financial condition.

Risks relating to the operating lease arrangement business

In relation to the Group's operating lease arrangement business, if sales were to fall as a result of declines in operating rates or in the value of the relevant assets, this may result in the recording of an impairment loss, which may adversely affect the Group's businesses, results of operations and financial condition.

Regulations of other financial services businesses

The Group acquires permissions and file notifications under the Group's financial services segment under the Money Lending Business Act, the Banking Act, Insurance Business Act of Japan (Act No. 105 of 1995, as amended) (the "Insurance Business Act") and their respective related ordinances and regulations, and other laws and regulations. If the Group or its officers or employees violate any of these laws and regulations or are subject to an order for business improvement or administrative penalty such as a revocation of permission or registration, the Group may be prevented from conducting such businesses and its results of operations and financial condition would be adversely affected.

Systems risks affecting the other financial services businesses

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

Further, the Group's financial system solution business is primarily engaged in the development, operation and maintenance of systems. The IT industry continues to bring about technological innovation and industry technical standards and customer usage conditions continue to evolve through the constant introduction of new technologies. If the Group were to be behind in its response to these new technologies, its services could become unattractive or obsolete, which could adversely affect its competitiveness in this industry.

In addition, if the financial system solution business is unable to achieve the goals set out in its business plans as originally formulated, and if it is unable to record earnings commensurate with its initial investments, such failure could have an adverse effect on the Group's results of operations and financial condition.

Furthermore, if a failure occurs in the services provided by the Group or if the Group is unable to recover from any such failure, the Group may be subject to claims for damages by customers and its reputation may be damaged.

Security of customer information in the other financial services businesses

If any violation of the Act on Protection of Personal Information or any leakage of personal information should occur, the Group could lose the trust of its customers and incur significant legal and other costs, either of which could have an adverse effect on its results of operations and financial condition and its reputation may be damaged.

Risks Relating to the Group's Asset Management Business

Risks related to poor performance of funds managed by the Asset Management Business

The Group's asset management business involves the management of publicly or privately placed investment trusts and investment advisory services. However, such funds may not always achieve the investment performance initially expected. In such cases, the Group's business performance and financial position could be affected through a decline in assets under management due to lower sales to investors, lower valuations, cancellations, and difficulties in establishing new funds.

Trends in financial institutions

In the asset management business of the Group, sales of investment trusts for general investors are outsourced to financial institutions. The Group also manages private investment trusts entrusted by financial institutions with their own funds. Financial institutions are major customers in the asset management business, and changes in their investment trust sales operations or fund management policies could have an impact on the Group's results of operations and financial condition.

Competition in the Asset Management Business

In the asset management business, which provides publicly or privately offered investment trusts and investment advice, the competitive environment may change if major financial institutions in Japan and overseas aggressively invest their management resources or if competitors expand their scale due to consolidation or elimination of other market participants. If the Group is unable to respond to such changes in the competitive environment, the Group's results of operations and financial condition may be adversely affected.

Regulation of the Asset Management Business

Some group companies which are engaged in the investment trust management business have registered under the FIEA as investment management business operators and/or investment advisory and agency business operators. If the FIEA and the relevant regulations are revised in the future, or if these registrations are revoked for some reason, it could hinder the execution of the business and affect the Group's results of operations and financial condition.

Risks Relating to the Group's Investment Business

Impact of changes in the business environment relating to investments

The main investment revenue sources for the Group's investment business are capital gains on the disposal of shareholdings and management revenue from investment partnerships. However, these revenue sources are easily affected by fluctuations in the political, economic and industrial situation and in stock market conditions, particularly the market for initial public offerings. These external factors beyond the Group's control may contribute to fluctuations in the performance of the investment business of the Group, and thereby exert a substantial influence on the results of operations and financial condition of the Group.

In addition, in accordance with IFRS, the Group reviews the fair value of the quantitatively significant investment securities held by it through its investment business on a quarterly basis, whether or not such investment securities have been sold, and recognises changes in fair value as at the end of each quarterly period in profit or loss due to change in fair value. As such, if stock or bond markets were to fluctuate significantly and a large amount of losses are recorded due to changes in the fair value of investment securities, the Group's results of operations and financial condition may be adversely affected.

Risks associated with outside investors in the Group's funds

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

Investment risk

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

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

In addition, some of the businesses that the Group invests in operate in industries that are inherently speculative and carry a high degree of risk. The investment risks associated with such uncertainty could lead to losses that could have an adverse effect on the Group's results of operations and financial condition.

Foreign currency risk

The Group and the investment partnerships managed by the Group are exposed to significant foreign currency risk when making investments in foreign currencies. Exchange rate fluctuations can impact the Group's operational results and financial condition due to the inherent uncertainty in both the timing and the amount of investment recovery. This risk is particularly pronounced given the volatile nature of foreign exchange markets, which can lead to substantial variations in the value of the Group's foreign-denominated assets.

In recent years, the currency markets have experienced considerable volatility, influenced by global economic conditions, geopolitical events, and changes in monetary policy by central banks. Such volatility can result in unpredictable financial outcomes for investments held in foreign currencies. For instance, an unfavourable exchange rate movement could not only diminish the value of returns when these investments are converted back to the local currency but also affect the Group's results of operations and financial condition negatively through changes in fair value of investment securities, potentially leading to financial losses. While a certain proportion of the Group's foreign currency exposures are hedged, the Group may sustain unhedged exposures, or may incur increased hedging costs as a result of foreign currency exchange rate fluctuations. Any of these factors may have an adverse effect on the Group's results of operations and financial condition.

Overseas investment risk

When investing overseas, the Group, and investment partnerships managed by the Group, face risks of potential changes in local economic conditions, changes in political factors, changes in the legal system, epidemic outbreaks and major public health issues, terrorism or other factors. Country risk may be difficult to minimise or fully avoid and may affect the Group's results of operations and financial condition.

In particular, the Group's funds invest in companies in emerging markets, including those in Asian countries. Many emerging market countries are developing economically and politically and may not have firmly established securities markets. Investments in companies in emerging markets may involve a high degree of risk and may be speculative.

The Group may not be able to achieve satisfactory investment performance for the funds in emerging markets in the future. Failure to do so could have an adverse effect on the Group's business, growth prospects, fund establishment fees, offering investment funds, fund management fees and success fees, results of operations, and financial condition.

Further, in the event of adverse developments in foreign exchange control regulations or the imposition of trade or investment restrictions in or affecting the relevant overseas jurisdictions, the Group may face difficulties in repatriating funds to Japan, or may be required to dispose of its investments at a loss. Any of these factors may have an adverse effect on the Group's results of operations and financial condition.

Competition in the investment business

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

Regulation of the investment business

The investment partnerships managed by the Group are subject to, and must comply with, the FIEA, the Money Lending Business Act, the Companies Act, the Civil Code of Japan, the Limited Partnership Act for Investment of Japan (Act No. 90 of 1998, as amended) and other laws, domestic and foreign. The Group's results of operations and financial condition may be adversely affected, in the event of revisions to the FIEA or other related laws, or in the event that the operation of the Group's investment business is hindered due to the application of such laws and regulations.

Risks Relating to the Group's Crypto-asset Business

Regulation of the crypto-asset exchange business

Pursuant to Article 63-2 of the Payment Services Act of Japan (Act No. 59 of 2009, as amended) (the "Payment Services Act"), the Group is registered with the Prime Minister of Japan as a crypto-asset exchange service provider and carries out crypto-asset exchange business which is subject to various regulations under the Payment Services Act and relevant laws and regulations as well as supervision by the FSA. As the Group holds membership of a self-regulatory organisation, the Japan Virtual and Crypto assets Exchange Association, it is also subject to the rules of such association. As such, any enactment or revision of these laws and regulations, rules, or self-regulatory rules in the industry may interfere with the Group's ability to develop the business as originally planned. In addition, depending on the details of the restriction, significant changes in the business environment and price fluctuations related to crypto-assets may occur, which may affect the business activities and operating results of the Group.

In addition, any breach of any laws and regulations could result in the revocation of registered or permitted operations, as well as administrative actions such as the suspension of all or part of the operations, and could adversely affect the Group's reputation, business development, results of operations, and financial condition.

Risks associated with loss of crypto-assets due to cyber-attacks

The Group accepts deposits of crypto-assets owned by customers into electronic wallets managed by the Group. Further, the Group owns crypto-assets in its own account through, among other things, its crypto-asset mining business.

Although the Group takes cyber security measures to reduce the risk of illegal access to the electronic wallets by an unauthorised third party, if illegal access to the electronic wallets occurs, loss of crypto-assets kept in those electronic wallets could be caused, and the Group may not be able to recover such crypto-assets. Any leakage of the crypto-assets held by the Group and any leakage of the Group's customers' crypto-assets may cause the Group to incur a number of large payments due to customers or become subject to claims and legal proceedings, and could adversely affect the Group's results of operations and financial condition as well as business development and reputation.

Market risk

The Group owns crypto-assets and operates a crypto-asset exchange business. Accordingly, price fluctuations and/or transaction volume of the crypto-assets based on various factors could adversely affect the Group's results of operations and financial condition as the price of the crypto-assets owned by the Group vary or the number of transactions on the Group's exchange, which is a source of revenue, is reduced.

Credit risk

In the crypto-asset-related business, the Group, as an FIBO, provides customers with margin trading services for crypto-assets trading. The Group extends credit to customers in these transactions with deposited crypto-assets as collateral and sets 'loss-cut' rules so that trading losses are kept within the limits of the margin deposited. The Group's results of operations and financial condition may be affected if the price of crypto-assets fluctuates rapidly and customers are unable to deposit additional margin or settle trades.

The Group also engages in trading and lending transactions of crypto-assets. A significant fluctuation of the crypto-assets prices could cause a borrower to be unable to repay its loans in crypto-assets on time or to be unable to pledge additional collateral, which in turn could impair the Group's loans in crypto-assets to the borrower. Additionally, the Group holds some of its crypto-assets through a custodian. While the Payment Services Act, which governs services related to crypto-assets, mandates that custodian wallet providers segregate client assets, there is no guarantee that these assets are held in a bankruptcy-remote manner. Consequently, the Group could encounter difficulties in claiming its custodied crypto-assets from a custodian undergoing bankruptcy. These factors could adversely affect the Group's results of operations and financial condition.

Risks Relating to the Group's Next Gen Business

General risks relating to the biotechnology, healthcare & medical informatics business

The Group focuses on the research and development ("R&D") of proprietary drugs. However, there can be no assurance that the Group's R&D efforts will result in the development of commercially successful products or innovative production technologies, or that any such research projects will generate the expected results. Substantially all of its biotechnology products must undergo a clinical trial process before they can be introduced into the market for commercial sale. The process is expensive, lengthy and uncertain. The Group's results of operations and financial condition may be adversely affected if after the Group devotes significant time and expense on research, development and the clinical trial process, a product under development fails to achieve approval for commercial sale or the Group is subject to product liability claims in respect of its biotechnology products. The Group's results of operations and financial condition could also be affected if its products are not approved for commercial sale. In addition, the Group's or its contract manufacturers' deteriorating business performance or financial condition, technical or regulatory problems, raw material shortages, or natural disasters could hinder the stable supply of products, which could affect the Group's business performance. Depending on such trends, the Group's results of operations and financial condition may be adversely affected.

The pharmaceutical industry is subject to various regulations such as the pharmaceutical business laws and regulations of each country, administrative guidance on pharmaceutical affairs and other related laws and regulations in the course of research, development, manufacturing and sales activities. The Group's business plan is formulated based on the pharmaceutical business laws and other current legal regulations, the medical insurance system, and drug pricing trends based on these regulations. However, there is no guarantee that these regulations, systems and pricing trends will not change before the products under development in this business are actually launched. If major changes were to occur in these areas, the Group's business performance and financial position could be affected.

Risks associated with new technology-related business

In businesses based on new technologies, there is a possibility that losses may be incurred due to the technologies not being mature, and that services and products based on such technologies may not expand as initially planned. In addition, if the Group enters a business area that uses a new technology for which laws and regulations have not been sufficiently developed, the rights of stakeholders in the business area based on the new technology may not be adequately protected, and the rights and assets of the Group or its customers may be damaged, or disputes may occur. These factors may adversely affect the Group's results of operations and financial condition.

Risks associated with business in developing regions

Although the Group researches and verifies the risks associated with laws and regulations, business practices, economic conditions, political situations, culture, and other factors before engaging in business in developing regions, there is a possibility that negative events may occur. In particular, political upheavals, acts of terrorism, sudden changes in laws and regulations, and economic sanctions by the international community could prevent the Group from utilising the knowledge and expertise which it has accumulated in the financial sector, which could affect the Group's business, results of operations and financial condition.

Risks relating to the semiconductor business

The semiconductor industry faces several significant risk factors. Factory construction involves substantial capital investment and long lead times, posing potential financial risks and operational disruptions from delays or cost overruns, particularly in the current environment where construction costs are rising due to increases in the costs of building material and shortage of labour. The inherently cyclical nature of the semiconductor industry results in revenue fluctuations and challenges in long-term investment planning. Additionally, market demand fluctuations, driven by global economic conditions, technological advancements and consumer preferences, can lead to revenue volatility, inventory management challenges and complex investment decisions. The industry is highly competitive, with major players driving continuous technological advancements, leading to pricing pressures and constant fighting for market share. Furthermore, human resources are a critical factor, as attracting and retaining skilled expertise is essential for innovation and operational efficiency. These factors may adversely affect the Group's plans towards commencing its semiconductor foundry business (and if commenced, the operation of such business), and in turn, adversely affect the Group's business performance and financial position. Also, the semiconductor foundry construction and commencement of its operations could be delayed or cancelled due to various kinds of reasons including, but not limited to, unavailability of subsidies, unsuccessful fundraising, changes in relationship with Powerchip Semiconductor Manufacturing Corporation ("PSMC"), deterioration in the semiconductor market and changes in economic conditions.

In addition, the Group's business model with regard to the semiconductor business relies on receiving certain subsidies from the Japanese government. If these subsidies are not received as anticipated, additional capital investment may be required, or the Group may decide not to proceed with such business. Furthermore, the Group has traditionally focused on financial services as its main business, and its entry into the semiconductor business would be the first time for it to engage in the manufacturing business. This shift introduces additional new risks to the Group, including risks which are less prevalent in the financial sector but relevant in the manufacturing sector, such as risks related to procurement of raw materials and supply chain management, environmental risks related to industrial operations, and logistics issues. The Group's lack of experience in the manufacturing industry may make the management of these risks more challenging.

Considerations Relating to the Bonds and the Shares

Limitations on the timing of exercise of Stock Acquisition Rights

Under the current rules and practices of the Japan Securities Depository Center, Inc. ("JASDEC") it will take at least three Tokyo business days for the delivery of the Shares to the Bondholders after the Stock Acquisition Date. In order to avoid any JASDEC system processing errors around the record dates, the Stock Acquisition Rights have been designed under Condition 5.1.4 so that they may not be exercised during such period whereby the relevant Stock Acquisition Date (or, if the Stock Acquisition Date would not be a Tokyo Business Day, the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period. Bondholders should therefore note in particular that exercises of Stock Acquisition Rights are restricted in the period around any record date in respect of Shares set by the Company (under the Articles of Incorporation of the Company as at the date of this Offering Circular, 31 March and 30 September in each year).

No cash amounts in respect of non-unit Shares

Since the coming into effect of the Act on Book-Entry Transfer of Corporate Bonds, Shares, Etc. of Japan (Act No. 75 of 2001, as amended) (including regulations promulgated thereunder, the "Book-Entry Act"), making it possible for listed shares of Japanese companies comprising less than one full unit to be delivered through the JASDEC book-entry transfer system, JASDEC has given guidance to the effect that stock acquisition rights of Japanese companies issued since then should be structured so that exercising holders should have shares not constituting one full unit delivered to their accounts, instead of automatically selling back such shares to the issuer of such stock acquisition rights and receiving cash amounts in respect of them. Bondholders exercising their Stock Acquisition Rights will therefore not be receiving cash amounts in respect of the Shares of less than one full unit which would have been issuable upon such exercise, which had been paid, in the practice before the Book-Entry Act came into effect, but will be receiving those Shares themselves. Currently, the Company's Articles of Incorporation provide that one unit comprises of 100 Shares. Accordingly, the holders of Shares constituting less than one unit will need to request the Company to purchase them in accordance with the Companies Act, the rules of the JASDEC book-entry transfer system, the Company's Articles of Incorporation and the Company's Share Handling Regulations if they would like the Company to do so. The rights of holders of Shares not constituting one full unit are limited under the Company's Articles of Incorporation, and may not be sold on the stock exchanges on which they are listed. See "Description of the Shares and Certain Regulations—Unit Share System".

Limitations on anti-dilution protection for Bondholders

The Conversion Price at which the Stock Acquisition Rights may be exercised will be adjusted in certain events having a dilutive impact on the Shares, to the extent described in the Conditions. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and, therefore, adversely affect the value of the Bonds.

Trading market for the Bonds

Prior to the issue of the Bonds, there has been no trading market for the Bonds. Although approval in-principle has been received for the listing of the Bonds on the SGX-ST, there can be no assurance that an active trading market for the Bonds will develop. Furthermore, even if such a market does develop, it may not be liquid.

Market price of the Bonds

The market price of the Bonds is expected to be affected by fluctuations in the market price of the Shares and it is impossible to predict whether the price of the Shares will rise or fall. Any decline in the price of the Shares will have an adverse effect on the market price of the Bonds. Trading prices of the Bonds and Shares will be influenced by, among other things, the financial position and results of operations of the Group, including the reporting of its financial results. In addition, the market price of the Bonds is expected to be affected by any downgrade or other events negatively affecting the Company's credit rating.

The Bonds are unsecured

The Bonds do not benefit from any security and the Bondholders' claims will rank behind any secured creditors' claims in the event of the Company's liquidation or bankruptcy.

Daily Price Range Limitations under Japanese Stock Exchange Rules

Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price formation. To prevent excessive volatility, these exchanges set daily upward and downward price fluctuation limits for each stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell Shares received in exercise of the Stock Acquisition Rights at a price above or below the relevant daily limit may not be able to sell their Shares at such price on a particular trading day, or at all.

Rights of shareholders under Japanese law

The corporate affairs of the Company are governed by and in accordance with the Articles of Incorporation, Regulations of the Board of Directors and Share Handling Regulations and other related regulations thereunder of the Company, as well as the Companies Act. Legal principles relating to such matters as the validity of corporate procedures, directors' and officers' fiduciary duties (including actions that may legitimately be taken by them in respect of unsolicited takeover attempts) and liabilities, and shareholders' rights under Japanese law may be different from those that apply to companies incorporated in other jurisdictions. Holders who acquire the Shares upon exercise of the Stock Acquisition Rights may have more difficulty in asserting their rights as a shareholder than they would as a shareholder of a corporation organised in other jurisdictions. In addition, Japanese courts may not be willing to enforce judgments of non-Japanese courts against the Company which are based on non-Japanese securities laws.

The Trustee's Right to Request Bondholders to Provide an Indemnity, Security or Prefunding

In certain circumstances (including, but not limited to, giving notice to the Company pursuant to Condition 10 and taking enforcement steps as contemplated in Condition 16), the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions directly.

Prior notification under the Foreign Exchange and Foreign Trade Act of Japan

As the Company is engaged in certain businesses designated by the FEFTA and its related cabinet orders and ministerial ordinances (collectively, the "Foreign Exchange Regulations"), if a foreign investor intends to acquire Shares in circumstances that constitute an "inward direct investment" under the Foreign Exchange Regulations, the foreign investor, in general, must file prior notification of such inward direct investment with the Minister of Finance and any other competent Ministers (the "Ministers"). "Inward direct investment" includes an acquisition of Shares as a result of which such foreign investor, in combination with any existing holdings, directly or indirectly holds 1 per cent. or more of the total number of issued Shares or the total number of voting rights. While certain exemptions from the prior notification requirements are provided for under the Foreign Exchange Regulations, certain foreign investors seeking to make such acquisition may not be eligible for such exemptions. Where such prior notification is filed, the proposed acquisition may not be consummated until a prescribed screening period expires. In some cases, the Ministers may extend the screening period, and may recommend or order a modification or abandonment of such an acquisition. In addition, if certain conditions including those prescribed in light of national security of Japan under the Foreign Exchange Regulations are met, the Ministers may order the disposal of Shares acquired or take other measures. Consequently, any foreign investor seeking to acquire Shares in a transaction that constitutes an "inward direct investment" may not be able to consummate such acquisition within an expected time frame, in accordance with an intended plan, or at all.

Additionally, if a foreign investor directly or indirectly holds 1 per cent. or more of the total voting rights and, at a general meeting of shareholders, consents to certain proposals having a material influence on the Company's management such as the (i) election of such foreign investor or any of its related persons (as defined in the Foreign Exchange Regulations) as Directors or Audit & Supervisory Board Members of the Company or (ii) transfer or discontinuation of its business, such consent, subject to certain exemptions, also constitutes an "inward direct investment" requiring prior notification. If such prior notification is filed, such consent cannot be given until the prescribed screening period expires. As a result, such foreign investors may have difficulties giving such consent in accordance with an intended plan, or at all.

The discussion above is not exhaustive of all possible foreign exchange controls considerations that may apply to a particular investor, and potential investors are advised to satisfy themselves as to the overall foreign exchange controls consequences of the acquisition, ownership and disposition of Shares or voting rights by consulting their own advisers. For a more detailed discussion on the requirements and procedures regarding the prior notifications under the Foreign Exchange Regulations, see "Japanese Foreign Exchange Regulations".

Future changes in Japanese law

Future changes to provisions relating to Stock Acquisition Rights may have mandatory effect under Japanese law. Condition 15.2 provides for amendments to be made to the Conditions relating to the Stock Acquisition Rights where those amendments are required in order to comply with mandatory provisions of Japanese law even if those amendments are materially prejudicial to the interests of Bondholders.

Forward-looking Statements

Statements in this Offering Circular with respect to the Group's plans, strategies, projected financial results and beliefs, as well as other statements that are not historical facts, are forward-looking statements involving risks and uncertainties. These statements are based on assumptions and beliefs derived from information currently available to the Group, and as such actual results may differ, in some cases significantly, from these forward-looking statements. The Group does not undertake to release the results of any revision of forward-looking statements which may be made to reflect future events or circumstances. Important factors that could cause actual results to differ materially from such statements include, but are not limited to, economic conditions and business trends in the Group's principal markets, in particular in respect of online products and services, currency exchange rate fluctuations, increase in competition, developments and changes in laws, regulations and accounting standards, unforeseen developments in overseas businesses, negative publicity (whether or not justified), natural disasters, system malfunctions, and issues with the implementation of management plans or internal control and governance. The Company cautions prospective investors in the offering not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Company or persons acting on the Company's behalf are qualified in their entirety by these cautionary statements.

TERMS AND CONDITIONS OF THE BONDS

The following terms and conditions (the "Conditions") of the Bonds will, subject to completion and amendment, and, save for the paragraphs in italics, be endorsed on the Certificates (as defined herein) evidencing the Bonds:

The ¥100,000,000,000 Zero Coupon Convertible Bonds due 2031 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (the "Bonds", which term shall, unless the context requires otherwise, include the Stock Acquisition Rights (as defined below) incorporated in the Bonds) issued by SBI Holdings, Inc. (the "Company") are constituted by a trust deed (the "Trust Deed") dated 26 July 2024 made between the Company and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall include all persons for the time being trustee or trustees appointed under the Trust Deed, as trustee for the holders of the Bonds). Each Bond is issued in the denomination of ¥10,000,000 each and a stock acquisition right (*shinkabu yoyakuken*) (the "Stock Acquisition Right"), entitling the Bondholder (as defined in Condition 1.2) to acquire fully paid and non-assessable shares of common stock of the Company (the "Shares") as described below, is incorporated in each Bond as an integral part thereof. Copies of the Trust Deed and of the agency agreement (the "Agency Agreement") dated 26 July 2024 relating to the Bonds among, *inter alios*, the Company, the Trustee, Mizuho Trust & Banking (Luxembourg) S.A. as principal agent (the "Principal Agent") and as registrar (the "Registrar"), and the other agents referred to therein, are available for inspection by prior appointment during normal business hours at the specified office for the time being of the Trustee, being at the date of issue of the Bonds at Eighth Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom, or electronically upon request to and subject to providing satisfactory proof of holding to the Trustee, and at the specified office(s) of each of the Principal Agent and the Agents (as defined below). References herein to the "Agents" shall, unless the context otherwise requires, include any Agent appointed by the Company in the Agency Agreement (including, where the context permits, the Principal Agent) at their respective specified offices named as paying, transfer and conversion agents in connection with the Bonds for the purposes of, *inter alia*, making payments and transfers, the acceptance of Conversion Notices and the Certificates for the purposes of the exercise of the Stock Acquisition Rights, and the acceptance of Tax Redemption Election Notices (as defined in the Agency Agreement), or such other or further agents for the Bonds as may from time to time be appointed, or at such other or further specified offices as may from time to time be designated, by or on behalf of the Company, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19 (but excluding the Registrar and Custodian).

The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of and are bound by all those provisions of the Agency Agreement applicable to them. The statements in these terms and conditions (the "Conditions") include summaries of, and are subject to, the detailed provisions of the Trust Deed. Any terms defined in the Trust Deed and not in these Conditions shall have the same meanings when used herein except where otherwise indicated.

1. Form, Denomination, Issue Price, Title, Status, Transfers of Bonds and Relationship between Bonds and Stock Acquisition Rights

1.1 *Form, Denomination and Issue Price*

The Bonds are issued in registered form in the denomination of ¥10,000,000 each and are not exchangeable for bonds with stock acquisition rights in bearer form. The issue price of the Bonds (excluding the Stock Acquisition Rights) is 100.0 per cent. of the principal amount of the Bonds. The issue price of the Stock Acquisition Rights is zero.

A bond certificate (each, a "Certificate") will be issued in respect of each Bond. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register (the "Register") of holders of Bonds to be kept by the Registrar in accordance with Condition 1.4.1.

1.2 *Title*

Title to the Bonds will pass only by transfer and registration of title in the Register. The holder of any Bond will (except as otherwise declared by a court of competent jurisdiction or required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust, or any interest in it, or any writing on, or theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder.

In these Conditions, a "Bondholder" and (in relation to a Bond) a "holder" mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first named thereof).

Upon issue, the Bonds will be evidenced by a global certificate (the "Global Certificate") deposited with and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg.

The Conditions are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds evidenced by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of the Bonds.

1.3 ***Status***

The Bonds are direct, unconditional, unsubordinated and (subject to the provisions of Condition 2) unsecured obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 and with the exception of obligations in respect of national and local taxes and certain other statutory exceptions, equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.

1.4 ***Transfers of Bonds***

1.4.1 *The Register*: The Company will cause to be kept at the specified office of the Registrar, and in accordance with the terms of the Agency Agreement, the Register on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers and redemptions of the Bonds and any exercise of the Stock Acquisition Rights.

Each Bondholder shall be entitled to receive one Certificate in respect of each Bond held by such holder.

1.4.2 *Transfers*: A Bond may be transferred upon the surrender (at the specified office(s) of the Principal Agent, the Registrar or any other Agent) of the Certificate evidencing such Bond, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Company), duly completed and executed and any other evidence as the relevant Agent or the Registrar (as the case may be) may reasonably require. No transfer of a Bond will be valid unless and until entered on the Register. Upon such transfer, a new Certificate will be issued to the transferee in respect of the Bond so transferred. All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of the Bonds scheduled to the Agency Agreement. The regulations may be changed by the Company, with the prior written approval of the Registrar, the Principal Agent and the Trustee. A copy of the current regulations will be made available during normal business hours by the Principal Agent or the Registrar to any Bondholder upon written request.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems, as described in "Summary of Provisions Relating to the Bonds While in Global Form".

1.4.3 *Delivery of New Certificates*: Each new Certificate to be issued pursuant to Condition 1.4.2 shall be available for delivery within three Transfer Business Days (as defined below) of receipt of the duly completed and executed form of transfer, and surrender of the original Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or any of the Agents to whom delivery or surrender of such form of transfer and Certificate shall have been made, or if so requested in the form of transfer, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address so specified (at the Company's expense) unless such holder requests otherwise and pays in advance to the Registrar or the relevant Agent (as the case may be) the costs of such other method of delivery and/ or such insurance as it may specify. In these Conditions, "Transfer Business Day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the relevant Agent (as the case may be).

1.4.4 *Formalities Free of Charge*: Registration of a transfer of Bonds and issuance of Certificates in relation thereto shall be effected without charge by or on behalf of the Company, the Registrar or the relevant Agent, but upon (i) payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Agent may require); and (ii) the Company and the Registrar or the relevant Agent being reasonably satisfied that the regulations concerning transfer of Bonds having been satisfied.

1.4.5 *No Registration of Transfer*: No Bondholder may require the transfer of a Bond to be registered:

(i) during the period of seven days ending on (and including) the due date for redemption pursuant to Condition 7.1, 7.5, 7.6 or 7.7;

(ii) after a Conversion Notice (as defined in Condition 3.1) has been given with respect to such Bond pursuant to Condition 5.9.1 (unless such Conversion Notice is withdrawn pursuant to Condition 5.9.4, in which event registration of transfer of such Bond may be made on or after the date on which such Conversion Notice is withdrawn);

(iii) after a notice of redemption has been given pursuant to Condition 7.2, 7.3 or 7.4 (except for any Bond held by a Bondholder who has given notice to the Company pursuant to the second paragraph of Condition 7.4); or

(iv) after a notice of redemption is deposited in respect of such Bond pursuant to Condition 7.8.

1.5 ***Relationship between Bonds and Stock Acquisition Rights***

The obligations of the Company in respect of the Bonds and the Stock Acquisition Rights incorporated therein shall arise and shall be extinguished or cease to be exercisable simultaneously subject as provided herein.

The Bonds and the Stock Acquisition Rights incorporated therein may not be transferred or dealt with separately from each other.

2. **Negative Pledge**

So long as any of the Bonds remains outstanding (as defined in the Trust Deed), the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1) will, create or permit to subsist any mortgage, charge, pledge or other security interest for the benefit of the holders of any Relevant Debt (as defined below) upon the whole or any part of the Company's or such Principal Subsidiary's property or assets, present or future, to secure (i) payment of any sum due in respect of any Relevant Debt, or (ii) any payment under any guarantee of any Relevant Debt or (iii) any payment under any indemnity or other like obligation in respect of any Relevant Debt, without in any such case at the same time or prior thereto, according or procuring to be accorded to the Bonds, (x) to the satisfaction of the Trustee or as shall be approved by an Extraordinary Resolution (as defined in Condition 3.1), the same security as is granted to or subsists in respect of such Relevant Debt or such guarantee, indemnity or other like obligation or (y) such other security or guarantee as the Trustee may in its absolute discretion deem to be not materially less beneficial to the interests of the Bondholders or as shall be approved by an Extraordinary Resolution.

For the purposes of this Condition 2, "Relevant Debt" means any present or future indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other similar securities of any person with a stated maturity of more than one year from the creation thereof and which:

(a) either are by their terms payable, or confer a right to receive payment, in any currency other than yen, or are denominated in yen and more than 50 per cent. of the aggregate principal amount thereof is initially distributed outside Japan by or with the authorisation of the Company or the relevant Principal Subsidiary; and

(b) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market outside Japan.

3. **Definitions and Construction of References**

3.1 ***Definitions***

In these Conditions (unless the context otherwise requires):

"3-Month Deposit Rate" means, as of any specified time on any date, the rate per annum as of such specified time on such date as shown on Bloomberg page JYDRC Curncy (setting "Bid", and using the pricing source "CMPL") (or any successor page, setting or pricing source), or, if no such rate is available as of the specified time on such day (for the purposes of this definition, the "Original Date"), the 3-Month Deposit Rate on the Original Date shall be the 3-Month Deposit Rate, determined as aforesaid, as of the specified time on the immediately preceding day on which the same can be so determined, provided however that if such immediately preceding day falls prior to the fifth day before the Original Date, or if the 3-Month Deposit Rate cannot be determined as aforesaid (including without limitation because such Bloomberg page (or any successor) has ceased to exist), the 3-Month Deposit Rate as of the specified time on the Original Date shall be determined in such other manner as determined in good faith to be appropriate by an Independent Financial Adviser. If the 3-Month Deposit Rate determined as aforesaid shall be less than zero, then the 3-Month Deposit Rate shall be deemed to be zero;

"Account Management Institution" means an account management institution (*koza-kanri-kikan*) which is an entity entitled under the Book-Entry Act to open and maintain an account for another person or entity;

"Additional Amounts" has the meaning provided in Condition 9;

"Additional Shares" has the meaning provided in Condition 5.3;

"Annual Fiscal Period" means a period commencing on 1 April and ending on 31 March of the immediately succeeding year; provided that, if the Company shall change its financial year so as to end on a date other than 31 March, "Annual Fiscal Period" shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Trustee in writing;

"Articles of Incorporation" means the articles of incorporation of the Company from time to time in effect;

"Asset Transfer Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for the sale or transfer of all or substantially all of the assets of the Company to another entity (the "Asset Transferee"), pursuant to the terms of which the Company's obligations under the Bonds are to be transferred to or assumed by the Asset Transferee;

"Asset Transferee" has the meaning provided in the definition of Asset Transfer Event;

"Auditor" means the independent auditor for the time being of the Company or, if there shall be joint independent auditors, any one or more of such independent auditors or, if they are unable or unwilling to carry out any action requested of them under these Conditions or the Trust Deed, such other auditor or firm of auditors as may be appointed by the Company to act as such and promptly notified in writing to the Trustee by the Company;

"Authorised Officer" means any one of the directors or officers of the Company or the New Obligor (as the case may be) or any other person whom the Company or the New Obligor (as the case may be) shall have notified to the Trustee in writing as being duly authorised to sign any document or certificate on behalf of the Company or the New Obligor (as the case may be);

"Bankruptcy Act" means the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended);

"Base Dividend" has the meaning provided in Condition 5.2.4;

"Board of Directors", in respect of any company, means the board of directors of that company within the meaning of the Companies Act; provided that, if any individual director is authorised by such board of directors to make the relevant decision in accordance with the Companies Act and such company's articles of incorporation and other internal regulations, any reference to the Board of Directors of such company shall be deemed to mean such director, and any reference to the relevant resolution or approval at a meeting of such Board of Directors shall be deemed to mean the relevant decision of such director;

"Bondholder" and "holder" have the meaning provided in Condition 1.2;

"Bondholders' Optional Redemption Date" has the meaning provided in Condition 7.8;

"Book-Entry Act" means the Act on Book-Entry Transfer of Corporate Bonds, Shares, Etc. of Japan (Act No. 75 of 2001, as amended);

"Business Day" in respect of any place means a day, other than a Saturday or Sunday, on which banks are open for business in such place;

"Certificate" has the meaning provided in Condition 1.1;

"Civil Rehabilitation Act" means the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended);

"Clean-up Redemption Notice" has the meaning provided in Condition 7.3;

"Closed Period" has the meaning provided in Condition 7.11;

"Closing Date" means 26 July 2024;

"Closing Price" means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), for any Trading Day, the last reported selling price (regular way) of the Shares or the shares of common stock of the New Obligor (as the case may be) on the Relevant Stock Exchange on such Trading Day or, if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, the average of the closing bid and offered prices of the Shares or the shares of common stock of the New Obligor (as the case may be) for such Trading Day as furnished by any trading participant of the Relevant Stock Exchange selected from time to time by the Company or the New Obligor (as the case may be);

"Companies Act" means the Companies Act of Japan (Act No. 86 of 2005, as amended);

"Company's Territory" has the meaning provided in Condition 12.2;

"Consolidated Financial Statements" means, in relation to any Fiscal Period of the Company, the unaudited consolidated financial statements of the Company prepared in accordance with the Relevant GAAP or, if in respect of such Fiscal Period audited consolidated financial statements have been prepared, the audited consolidated financial statements of the Company prepared as aforesaid;

"Consolidated Subsidiary" means, in relation to a Fiscal Period of the Company, Subsidiaries consolidated in the relevant Consolidated Financial Statements;

"Controlling Shareholder" means a shareholder holding, directly or indirectly, 90 per cent. (or such other percentage above 90 per cent. as provided in the Articles of Incorporation) or more of the Company's voting rights as calculated in accordance with the Companies Act;

"Conversion Notice" means the written notice required to accompany any Bonds deposited for the purposes of the exercise of the Stock Acquisition Rights, the current form of which is set out in the relevant schedule to the Agency Agreement;

"Conversion Price" has the meaning provided in Condition 5.1.3;

"Corporate Event" has the meaning provided in Condition 6.1;

"Corporate Event Effective Date" has the meaning provided in Condition 6.3;

"Corporate Event Redemption Date" has the meaning provided in Condition 7.5;

"Corporate Event Redemption Price" has the meaning provided in Condition 7.5;

"Corporate Reorganisation Act" means the Corporate Reorganisation Act of Japan (Act No. 154 of 2002, as amended);

"Corporate Split Counterparty" has the meaning provided in the definition of Corporate Split Event;

"Corporate Split Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for any corporate split (*shinsetsu bunkatsu* or *kyushu bunkatsu*) in which the Company's obligations under the Bonds are to be transferred to or assumed by the corporation which is the counterparty to such corporate split (the "Corporate Split Counterparty");

"Current Market Price per Share" has the meaning provided in Condition 5.2.9;

"Custodian" means The Law Debenture Trust Corporation p.l.c. at its specified office at Eighth Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom or such other custodian as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Company, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19 and shall, unless the context otherwise requires, include the nominee of the Custodian;

"Custodian's Agent" means Mizuho Bank, Ltd. at its specified office at 5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8176, Japan or such other agent of the Custodian in Japan as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Custodian, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19;

"Delisting Redemption Date" has the meaning provided in Condition 7.6.1;

"Deposit Date" has the meaning provided in Condition 5.9.4;

"Deposit Time" has the meaning provided in Condition 5.9.4;

"Due Date" has the meaning provided in Condition 9;

"Event of Default" means any of the events listed in Condition 10, which, if so required by that Condition, has been certified in writing by the Trustee to the Company in accordance with that Condition that, in the opinion of the Trustee, it is materially prejudicial to the interests of the Bondholders, upon the occurrence of which the Bonds may become due and repayable;

"Exercise Period" has the meaning provided in Condition 5.1.4;

"Exercise Period End Date" has the meaning provided in Condition 5.1.4;

"Extraordinary Dividend" has the meaning provided in Condition 5.2.4;

"Extraordinary Resolution" means a resolution passed (i) at a meeting of the Bondholders duly convened (including the satisfaction of the quorum requirements set out in the Trust Deed) and held in accordance with the provisions contained in the Trust Deed by a majority consisting of not less than three-quarters of the votes cast thereon, or (ii) by a written resolution or electronic consent in accordance with the provisions contained in the Trust Deed;

"FATCA withholding" has the meaning provided in Condition 9;

"Financial Instruments and Exchange Act" or "FIEA" means the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended);

"Fiscal Period" means, as the context may require, (i) a period commencing on 1 April and ending on 31 March of the immediately succeeding year; or (ii) three month periods each commencing on 1 April, 1 July, 1 October and 1 January; provided that, if the Company shall change its financial year so as to end on a date other than 31 March, the provisions of items (i) and (ii) above shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Trustee in writing;

"Holding Company" has the meaning provided in the definition of Holding Company Event;

"Holding Company Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for the Company to become a wholly-owned subsidiary of another corporation (the "Holding Company") by way of share exchange (*kabushiki-kokan*) or share transfer (*kabushiki-iten*);

"Independent Financial Adviser" means an independent investment bank, securities company, accounting firm or consultancy firm of established repute appointed by the Company at its own expense and notified in writing to the Trustee or, if the Company fails to make such appointment when required to do so and such failure continues for a reasonable period (as determined by the Trustee in its absolute discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such Independent Financial Adviser or otherwise in connection with such appointment, as may be appointed by the Trustee in its absolute discretion (without liability for so doing or not doing) following notification to the Company, which appointment shall be deemed to be an appointment of the Company;

"Listing" has the meaning provided in Condition 6.4.2;

"Maturity Date" has the meaning provided in Condition 7.1;

"Merged Company" means the corporation formed by the relevant Merger Event or the corporation into which the Company shall have merged following a Merger Event;

"Merger Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for any consolidation or amalgamation (*shinsetsu gappei*) of the Company with, or merger (*kyushu gappei*) of the Company into any other corporation (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation);

"New Obligor" has the meaning provided in Condition 6.1;

"New Obligor Current Market Price per Share" has the meaning provided in Condition 6.5.3;

"New Stock Acquisition Rights" has the meaning provided in Condition 12.2;

"New Territory" has the meaning provided in Condition 12.2;

"Non-unit Shares" has the meaning provided in Condition 5.1.2;

"Number of Deliverable Shares" has the meaning provided in Condition 6.5.3;

"Number of Held Shares" has the meaning provided in Condition 6.5.3;

"Offeror" has the meaning provided in Condition 7.6.1;

"Optional Redemption Notice" has the meaning provided in Condition 7.2;

"Payment Business Day" has the meaning provided in Condition 8.3;

"Potential Event of Default" means any condition, omission, act, event or circumstance which, upon the giving of notice and/or the lapse of time and/or the issue of a certificate, could constitute an Event of Default;

"Principal Subsidiary" means any Consolidated Subsidiary of the Company, (i) whose net sales as shown by the annual non-consolidated financial statements (or, where the Consolidated Subsidiary in question itself prepares consolidated financial statements, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent. or more of the net sales of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements or (ii) whose total assets as shown by the annual non-consolidated financial statements (or, as the case may be, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent. or more of the total assets of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements. A certificate signed by a Representative Director or an Authorised Officer of the Company that in the Company's opinion, a Consolidated Subsidiary is or is not or was or was not at a specified date a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"Proceedings" has the meaning provided in Condition 21.2;

"Record Date" means the date fixed by the Articles of Incorporation or otherwise specified by the Company for the purpose of determining entitlements to dividends or other distributions to, or rights of, holders of Shares; provided, however, that if the

Company has fixed no such record date and the context so requires, the "Record Date" shall be construed as a reference to the date of any event in question coming into effect;

"Reference Parity" has the meanings provided in Conditions 7.5, 7.6 and 7.7;

"Register" has the meaning provided in Condition 1.1;

"Registered Account" has the meaning provided in Condition 8.1;

"Relevant Debt" has the meaning provided in Condition 2;

"Relevant GAAP" means the accounting principles which are adopted by the Company or the New Obligor (as the case may be) for the preparation of the Consolidated Financial Statements under the FIEA, being one of those generally accepted in Japan or the United States or International Financial Reporting Standards (as issued by the International Accounting Standards Board (or any successor thereto) or, if applicable, as adopted or endorsed by the Accounting Standards Board of Japan (or any successor thereto));

"Relevant Number of Shares" has the meaning provided in Condition 5.2.4;

"Relevant Securities" has the meaning provided in Condition 5.2.8;

"Relevant Stock Exchange" means the Tokyo Stock Exchange or, if at the relevant time the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed on the Tokyo Stock Exchange, the principal stock exchange or securities market in Japan on which the Shares or the shares of common stock of the New Obligor (as the case may be) are then listed or quoted or dealt in;

"Representative Director" means a director of the Company (or the New Obligor, as the case may be) who is for the time being a representative director within the meaning of the Companies Act or, where applicable, a representative statutory executive officer of the Company (or the New Obligor, as the case may be) within the meaning of the Companies Act;

"Retroactive Adjustment" has the meaning provided in Condition 5.3;

"Securities" includes, without limitation, the Shares, other shares, options, warrants or other rights (including stock acquisition rights) to subscribe for or purchase or acquire Shares and securities convertible into or exchangeable for Shares;

"Shareholder Determination Date" has the meaning provided in Condition 5.1.4;

"Shareholder Determination Date Restriction Period" has the meaning provided in Condition 5.1.4;

"Squeezeout Effective Date" has the meaning provided in Condition 7.7.1;

"Squeezeout Event" has the meaning provided in Condition 7.7.1;

"Squeezeout Redemption Date" has the meaning provided in Condition 7.7.1;

"Stock Acquisition Date" has the meaning provided in Condition 5.9.4;

"Stock Split" means any kind of stock split in relation to the Shares, including a free share distribution to the holders of Shares, a stock dividend or a sub-division of Shares;

"Subsidiary" means a company, more than 50 per cent. of the outstanding shareholders' voting rights of which is at any given time owned by the Company, by one or more other Subsidiaries or by the Company and one or more other Subsidiaries, or any other company which is otherwise considered to be controlled by the Company under the Relevant GAAP (and, for this purpose, "voting rights" means the voting power attached to stocks or shares for the election of directors, officers or trustees of such company, other than voting powers attached to stocks or shares outstanding having such power by reason of the happening of a contingency);

"Tax Redemption Date" has the meaning provided in Condition 7.4;

"Tax Redemption Notice" has the meaning provided in Condition 7.4;

"Tokyo Business Day" means any day (other than a Saturday, Sunday or a day which shall be a legal holiday in Tokyo or a day on which banking institutions in Tokyo are obliged or authorised by law or executive order to close) on which banks are open for business in Tokyo;

"Tokyo Stock Exchange" means Tokyo Stock Exchange, Inc. (or its successor);

"Trading Day" means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), a day on which the Relevant Stock Exchange is open for business, but does not include a day on which (a) no last selling price (regular way) for the Shares or the shares of common stock of the New Obligor (as the case may be) is reported by the Relevant Stock Exchange and (b) if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, no closing bid or offered price of the Shares or the shares of common stock of the New Obligor (as the case may be) is furnished as provided in the definition of Closing Price;

"Transfer Business Day" has the meaning provided in Condition 1.4.3; and

"yen" and "¥" mean Japanese yen, the lawful currency of Japan.

3.2 ***Construction of Certain References***

References to any statute or provision of any statute shall be deemed to include a reference to any statute or the provision of any statute which amends, extends, consolidates or replaces the same, or which has been amended, extended, consolidated or replaced by the same, and shall include any ordinances, regulations, instruments or other subordinate legislation made under the relevant statute.

Except where the context requires otherwise, references to the "issue" of Shares shall include the transfer and/or delivery of Shares by the Company, whether newly issued or previously issued and held by or on behalf of the Company (and the words "issue", "issued" and "issuable" shall be construed accordingly), and references in these Conditions to the word "acquire" used in conjunction with the Shares shall be read as including both the words "issue" and "transfer", and the words "acquired" and "acquisition" shall be construed accordingly, and references to "delivery" used in respect of the Shares shall be read as including the transfer of Shares by way of the book-entry transfer system operated by the Japan Securities Depository Center, Incorporated. The words "substitution" and "grant" used in relation to the exchange of the Company's obligations in respect of the Bonds for those of a New Obligor following a Corporate Event shall be read as including the necessary legal concepts for such exchange to occur under both Japanese law and English law.

The headings in these Conditions are for convenience only and shall be ignored in construing these Conditions.

4. **Default Interest**

The Bonds do not bear interest unless payment of any amount in respect of any Bond is improperly withheld or refused, in which case such unpaid amount will bear interest (both before and after judgment) from the date of default to the earlier of (i) the day on which all sums due in respect of such Bond up to but excluding that day are received by or on behalf of the relevant Bondholder, and (ii) the day seven days after the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to but excluding that seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Bondholders under these Conditions) at the rate of interest per annum as being equal to the 3-Month Deposit Rate as at 11:00 a.m. (London time) on the date of such default. If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

5. **Exercise of Stock Acquisition Rights**

5.1 ***Conversion Price, Exercise Period, Shares Issuable and Procedure***

5.1.1 *Stock Acquisition Rights and the Contribution of the Bond*: Subject to and upon compliance with the provisions of this Condition 5, each Bondholder is entitled to exercise the Stock Acquisition Right incorporated in each Bond held by it in accordance with and subject to these Conditions. The Bond, the Certificate in respect of which has been deposited with an Agent for exercise of the relevant Stock Acquisition Right pursuant to Condition 5.9.1, shall be deemed to be acquired by the Company as of the Stock Acquisition Date as a capital contribution in kind by such Bondholder at the price equal to the principal amount of the Bond.

5.1.2 *Number of Shares*: The number of Shares to be acquired by a Bondholder exercising its Stock Acquisition Rights will be determined by dividing the aggregate principal amount of the Bonds deposited by such Bondholder at the same time upon exercise of the Stock Acquisition Rights by the Conversion Price applicable on the Stock Acquisition Date. Fractions of a Share will not be issued upon exercise of any Stock Acquisition Right and no adjustment or cash payment will be made in respect thereof. However, if two or more Stock Acquisition Rights are exercised at any one time by the same Bondholder, the number of Shares which shall be acquired upon exercise of such Stock Acquisition Rights shall be calculated on the basis of the aggregate principal amount of the Bonds in which the Stock Acquisition Rights so exercised are incorporated.

For the avoidance of doubt, if a Bondholder would receive a number of Shares not constituting a unit (*tangen*) of Shares ("Non-unit Shares") or integral multiples thereof upon exercise of the Stock Acquisition Right(s) or upon a Retroactive Adjustment, such Non-unit Shares shall be delivered to the relevant Bondholder in the same manner as the Shares constituting a whole unit of Shares, and no cash amounts shall be paid by the Company in respect of such Non-unit Shares.

As of the date of this Offering Circular, the Articles of Incorporation specify that one unit of Shares is comprised of 100 Shares. Under the book-entry transfer system established pursuant to the Book-Entry Act, Shares constituting less than one unit are transferable. Under the rules of the Japanese stock exchanges, however, Shares constituting less than one unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges. Further, a holder of Shares constituting less than one unit cannot exercise any voting rights pertaining to those Shares. A holder of Shares constituting less than one unit may generally require the Company to purchase such Shares through the relevant Account Management Institution. The Articles of Incorporation currently provide that a holder of Shares constituting less than one unit may also request the Company to sell to such holder Shares representing less than one unit which, when added to the Shares held by such holder, shall constitute one full unit.

5.1.3 *Conversion Price*: The price at which Shares shall be acquired upon exercise of the Stock Acquisition Rights (the "Conversion Price") shall initially be ¥4,898 per Share, subject to adjustment in the manner provided in Condition 5.2.

5.1.4 *Exercise Period*: Each Stock Acquisition Right may be exercised at any time in accordance with and pursuant to the other provisions of these Conditions during the period from, and including, 9 August 2024 to, and including, the close of business (at the place where the Bond is deposited for exercise of the Stock Acquisition Right) on 11 July 2031 (the "Exercise Period End Date"), or:

(i) if the relevant Bond shall have been called for redemption pursuant to Condition 7.2, 7.3 or 7.4, then up to the close of business (at the place as aforesaid) on the third Tokyo Business Day prior to the date fixed for redemption thereof (unless, in the case of such Bond being called for redemption pursuant to Condition 7.4, the relevant Bondholder has elected that such Bond shall not be redeemed);

(ii) if the relevant Bond shall become due to be redeemed pursuant to Condition 7.5, 7.6 or 7.7, then up to the close of business (at the place as aforesaid) on the third Tokyo Business Day prior to the date fixed for redemption thereof;

(iii) if the relevant Bond shall become due to be redeemed pursuant to Condition 7.8, then up to the time when the relevant notice of redemption is deposited at the specified office of an Agent pursuant to Condition 7.8;

(iv) if the relevant Bond shall have been purchased by the Company or a Subsidiary pursuant to Condition 7.9 and cancelled by the Company pursuant to Condition 7.10, then up to the time when such Bond is so cancelled; or

(v) if the relevant Bond shall become due and repayable pursuant to Condition 10, then up to the time when such Bond becomes so due and repayable,

provided that:

(a) in no event shall the Stock Acquisition Rights be exercised after the Exercise Period End Date;

(b) the Stock Acquisition Rights may not be exercised for such period as may be designated by the Company, which period may not exceed 30 days, and which period shall end on a date not later than 14 days after the Corporate Event Effective Date if the Company reasonably determines that such suspension is necessary in order to consummate the relevant transaction in compliance with these Conditions (including Conditions 6.4.1, 7.5 and 7.6); and

(c) the Stock Acquisition Rights may not be exercised during such period whereby the relevant Stock Acquisition Date (or, if the Stock Acquisition Date would not be a Tokyo Business Day, the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period; provided that if there is a change to the mandatory provisions of Japanese law, regulation or practice relating to the delivery of shares upon exercise of stock acquisition rights through book-entry transfer system established pursuant to the Book-Entry Act, then this Condition 5.1.4(c) and the definition of Shareholder Determination Date Restriction Period may be amended to the extent permitted by applicable law, regulation and practice by the Company to reflect such change in law, regulation or practice without the consent of the Trustee or the Bondholders and notice thereof (together with the reason for such change) shall be given promptly by the Company to the Bondholders in accordance with Condition 19 and to the Trustee in writing.

In these Conditions:

"Shareholder Determination Date" means (i) any Record Date, and (ii) any other date set for the purpose of determination of the holders of Shares in connection with Paragraph 1 of Article 151 of the Book-Entry Act; and

"Shareholder Determination Date Restriction Period" means the period from and including the second Tokyo Business Day falling immediately prior to any Shareholder Determination Date to and including such Shareholder Determination Date (provided that if such Shareholder Determination Date falls on a date that is not a Tokyo Business Day, then the Shareholder Determination Date Restriction Period means the period from and including the third Tokyo Business Day falling immediately prior to such Shareholder Determination Date to and including the Tokyo Business Day immediately following such Shareholder Determination Date).

The Company shall give the Trustee (unless the Trustee is also the Principal Agent) and the Principal Agent in writing and the Bondholders in accordance with Condition 19, a notice of the determination and period referred to in Condition 5.1.4(b) above (together with a description of the days included in such period) at least 30 days prior to the commencement of such period.

The Company shall give the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and the Bondholders in accordance with Condition 19, a notice of the determination of any Shareholder Determination Date Restriction Period (together with a description of the days included in such Shareholder Determination Date Restriction Period) at least three Tokyo Business Days prior to the commencement of such Shareholder Determination Date Restriction Period, provided that no such notice is required where the Shareholder Determination Date Restriction Period in question relates to a Record Date that has been fixed by the Articles of Incorporation then in effect.

As at the date of this Offering Circular, the Record Dates fixed by the Articles of Incorporation are 31 March and 30 September. By way of example, in respect of the Record Date falling on 30 September 2024, it is currently anticipated that the Stock Acquisition Rights will not be exercisable where the Stock Acquisition Date would fall on any day from (and including) 26 September 2024 to (and including) 30 September 2024.

The period during which the Stock Acquisition Rights are exercisable pursuant to this Condition 5.1.4 is referred to in these Conditions as the "Exercise Period" (for the avoidance of doubt, the Exercise Period in respect of any Stock Acquisition Right may stop and restart from time to time). Upon final expiration of the Exercise Period, the Stock Acquisition Rights incorporated in the relevant Bonds will lapse and cease to be exercisable or valid for any purposes.

5.1.5 *Rights Attached to Shares Acquired upon Exercise of Stock Acquisition Rights*: Shares acquired upon exercise of the Stock Acquisition Rights shall have the same rights in all respects (including in relation to any distribution of dividends) as the Shares outstanding on the relevant Stock Acquisition Date (except for any right relating to the Shares the Record Date for which precedes such Stock Acquisition Date and any other right excluded by mandatory provisions of applicable law).

5.2 ***Adjustments of the Conversion Price***

Upon the occurrence of any of the events described below, the Conversion Price shall be adjusted as follows:

5.2.1 *Stock Split and Consolidation of Shares*: if the Company shall (a) make a Stock Split, (b) consolidate its outstanding Shares into a smaller number of shares, or

(c) re-classify any of its Shares into other securities of the Company, then the Conversion Price shall be appropriately adjusted so that the holder of any Bond, the Stock Acquisition Date in respect of which occurs after the coming into effect of the adjustment described in this Condition 5.2.1, shall be entitled to receive the number of Shares and/or other securities of the Company which it would have held or have been entitled to receive after the coming into effect of any of the events described above had the Stock Acquisition Right in respect of such Bond been exercised immediately prior to the coming into effect of such event (or, if the Company has fixed a prior Record Date for the determination of shareholders entitled to receive any such Shares or other securities issued upon any such Stock Split, consolidations or re-classification, immediately prior to such Record Date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the coming into effect of such event (or such Record Date) or any time thereafter. An adjustment made pursuant to this Condition 5.2.1 shall become effective immediately on the relevant event becoming effective or, if a prior Record Date is fixed therefor, immediately after the Record Date; provided that, in the case of a relevant transaction which must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally effective, and which is so approved after the Record Date fixed for the determination of shareholders entitled to receive such Shares or other securities, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date.

If the Company shall make a Stock Split and the Record Date therefor is also:

(i) the Record Date for the allotment, grant or issue of any rights or warrants (including stock acquisition rights) which requires an adjustment of the Conversion Price pursuant to Condition 5.2.2 or 5.2.3, or

(ii) the last date (in the place of issue) of the period during which payment may be made for the issue of any securities convertible into or exchangeable for Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.5 or 5.2.8, or

(iii) the last date (in the place of issue) of the period during which payment may be made for the issue or transfer of any Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.6 or 5.2.8, or

(iv) the date of grant, issue or transfer of any rights or warrants which requires an adjustment of the Conversion Price pursuant to Condition 5.2.7 or 5.2.8,

then (except where such Stock Split gives rise to a Retroactive Adjustment of the Conversion Price under this Condition 5.2.1) no adjustment of the Conversion Price in respect of such Stock Split shall be made under this Condition 5.2.1, but in lieu thereof an adjustment shall be made under Condition 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 or 5.2.8, as the case may be, by including in item "n" of the formula described therein the aggregate number of additional Shares to be delivered pursuant to such Stock Split;

5.2.2 *Issue to Shareholders of Rights or Warrants to Acquire Shares*: if the Company shall allot, grant or issue to the holders of Shares, rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares:

(i) at a consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) which is fixed on or prior to the Record

Date mentioned below and is less than the Current Market Price per Share on such Record Date, or

(ii) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration,

then the Conversion Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$\mathrm{NCP} = \mathrm{OCP} \times \frac{\mathrm{N} + \mathrm{v}}{\mathrm{N} + \mathrm{n}}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration, but excluding the number of Shares, if any, contained in the definition of "n" immediately below, but only to the extent that such Shares are then issued and outstanding.

n = the number of Shares to be allotted, issued or acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Company fixes the said consideration but retroactively to immediately after the Record Date for the said determination.

If, in connection with an allotment, grant or issue to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares, any such rights and/or warrants which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are subscribed for, purchased or otherwise acquired by others (whether as placees or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Conversion Price by reason of such subscription, purchase or acquisition;

5.2.3 *Issue to Shareholders of Rights or Warrants to Acquire Convertible/Exchangeable Securities*: if the Company shall allot, grant or issue to the holders of Shares rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire any securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights):

(i) at a consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share on such Record Date, or

(ii) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration,

then the Conversion Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$\mathrm{NCP} = \mathrm{OCP} \times \frac{\mathrm{N} + \mathrm{v}}{\mathrm{N} + \mathrm{n}}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration.

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or ratio following the exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Company fixes the said consideration but retroactively to immediately after the Record Date for the said determination.

If, in connection with an allotment, grant or issue to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights), any such securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights) which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are subscribed for, purchased or otherwise acquired by others (whether as placees or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Conversion Price by reason of such subscription, purchase or acquisition;

5.2.4 *Distribution to Shareholders of Assets (including Extraordinary Dividends)*: if the Company shall distribute to the holders of Shares (i) evidences of its indebtedness (such as bonds), (ii) shares of capital stock of the Company (other than Shares), (iii) cash or assets of the Company, or (iv) rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire shares (other than Shares) or securities of the Company (other than those rights and warrants referred to in Conditions 5.2.2 and 5.2.3), in each of the cases set out in (i) through (iv) above, excluding dividends (being "distribution of surplus" within the meaning of, and subject to the limitation on amounts prescribed by, the Companies Act) other than Extraordinary Dividends, then the Conversion Price in effect on the Record Date for the determination of shareholders entitled to receive such distribution shall be adjusted in accordance with the following formula:

$$\mathrm{NCP} = \mathrm{OCP} \times \frac{\mathrm{CMP} - \mathrm{fmv}}{\mathrm{CMP}}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

CMP = the Current Market Price per Share on the Record Date for the determination of shareholders entitled to receive such distribution, including a distribution of an Extraordinary Dividend.

fmv = (i) in cases other than an Extraordinary Dividend, the fair market value ((a) as determined by the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account), or (b) if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or by an appraiser appointed by such court, and in each of the cases set out in (a) and (b) above, described in a certificate of the Company signed by a Representative Director or an Authorised Officer and delivered by the Company to the Trustee) of the portion of the evidences of indebtedness, shares, cash, assets, rights or warrants so distributed applicable to one Share or, (ii) in the case of an Extraordinary Dividend, the amount of such Extraordinary Dividend divided by the Relevant Number of Shares used in the calculation of such Extraordinary Dividend.

Such adjustment shall become effective immediately after the Record Date for the determination of shareholders entitled to receive such distribution (including a distribution of an Extraordinary Dividend); provided, however, that (a) if such distribution must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally made, and if such distribution is so approved after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date and (b) if the fair market value of the evidences of indebtedness, shares, cash or assets, rights or warrants so distributed cannot be determined until after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such fair market value being determined, become effective retroactively to immediately after such Record Date.

"Extraordinary Dividend" means, in relation to an Annual Fiscal Period ending on or after the last day of the Annual Fiscal Period in which the Closing Date falls, the part of any dividend (such dividend being the historical dividend without making any retroactive adjustment resulting from Stock Splits or otherwise) in respect of any number of Shares amounting to the Relevant Number of Shares, the Record Date for which falls within such Annual Fiscal Period which, when aggregated with the amount of all other dividends the Record Date for which falls within such Annual Fiscal Period in respect of such number of Shares amounting to the Relevant Number of Shares, is in excess of the sum of (i) the Base Dividend, and (ii) the amount, if any, previously determined to be an Extraordinary Dividend in respect of that Annual Fiscal Period.

"Base Dividend" means ¥0.

"Relevant Number of Shares" means, such number of Shares (disregarding fractions of a Share) as Bondholders would be entitled to receive in respect of each Bond deposited (were such Bond, and only such Bond to be so deposited) for exercise of the Stock Acquisition Right incorporated therein at the Conversion Price in effect at the Record Date in respect of the relevant dividend.

5.2.5 *Issue to Non-shareholders of Convertible/Exchangeable Securities*: if the Company shall issue any securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights (other than the Bonds or in any of the circumstances described in Conditions 5.2.2 and 5.2.3), and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$\mathrm{NCP} = \mathrm{OCP} \times \frac{\mathrm{N} + \mathrm{v}}{\mathrm{N} + \mathrm{n}}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the last day of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities.

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the last day (in the place of issue) of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities;

5.2.6 *Issue of Shares*: if the Company shall issue or transfer any Shares (other than Shares issued or transferred (i) on conversion or exchange of any convertible or exchangeable securities (including the Bonds) allotted, granted or issued by the Company, (ii) on the exercise of any rights or warrants (including stock acquisition rights) allotted, granted or issued by the Company, (iii) to the extent permitted by the Articles of Incorporation, to any holder of Non-unit Shares for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute a full one unit, (iv) in any of the circumstances described in Conditions 5.2.1, 5.2.2 and 5.2.3, (v) to shareholders of any corporation which (a) merges into the Company upon such merger, (b) becomes a wholly-owned subsidiary of the Company by a share exchange (*kabushiki-kokan*), or (c) becomes a subsidiary of the Company by partial share exchange (*kabushiki-kofu*), in proportion to their shareholding in such corporation immediately prior to such merger or such share exchange (in the case of such merger or such share exchange) or in accordance with the plan of such partial share exchange (in the case of such partial share exchange), or (vi) to any corporation or to shareholders of any corporation which transfers its business to the Company following the split of such corporation's business (*kyushu bunkatsu*)), and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$\mathrm{NCP} = \mathrm{OCP} \times \frac{\mathrm{N} + \mathrm{v}}{\mathrm{N} + \mathrm{n}}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares, but excluding the number of Shares, if any, contained in the definition of "n" immediately below, but only to the extent that such Shares are then issued and outstanding.

n = the number of Shares being issued or transferred as aforesaid.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the last day (in the place of issue or transfer) of the period during which payment may be made in respect of the issue or transfer of such Shares;

5.2.7 *Issue to Non-shareholders of Rights or Warrants to Acquire Shares or Convertible/Exchangeable Securities*: if the Company shall grant or issue any rights or warrants (including stock acquisition rights) entitling holders thereof to subscribe for, purchase or otherwise acquire Shares or securities convertible into or exchangeable for Shares (other than the Stock Acquisition Rights or in any of the circumstances described in Conditions 5.2.2, 5.2.3, 5.2.4 and 5.2.5) and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the grant or issue of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the date of the grant or issue of such rights or warrants shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$\mathrm{NCP} = \mathrm{OCP} \times \frac{\mathrm{N} + \mathrm{v}}{\mathrm{N} + \mathrm{n}}$$

where:

NCP	=	the Conversion Price after such adjustment.
OCP	=	the Conversion Price before such adjustment.
N	=	the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the date of the grant or issue of such rights or warrants.
n	=	the number of Shares to be acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price, or upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of all such rights or warrants.
v	=	the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the place of the grant or issue of such rights or warrants;

5.2.8 *Combined Adjustment*: if the Company shall grant, issue or transfer (as the case may be) securities of a type falling within Condition 5.2.5, 5.2.6 or 5.2.7 which otherwise require an adjustment to the Conversion Price pursuant thereto and the date of grant, issue or transfer of such securities or, if applicable, the last day of the period during which payment may be made in respect thereof (in each case, referred to as the "relevant date") is also the relevant date in respect of securities of another type or types (including a different tranche or issue of a same type) falling within Conditions 5.2.5, 5.2.6 and/or 5.2.7 which otherwise require an adjustment to the Conversion Price pursuant thereto (all such securities being hereafter referred to as "Relevant Securities"), then any adjustment of the Conversion Price shall not be made separately under each such Condition but in one calculation in accordance with the following formula:

$$\mathrm{NCP} = \mathrm{OCP} \times \frac{\mathrm{N} + \mathrm{v1} + \mathrm{v2} + \mathrm{v3}}{\mathrm{N} + \mathrm{n1} + \mathrm{n2} + \mathrm{n3}}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the relevant date but excluding the number of Shares contained in the definition of "n2" below to the extent that such Shares are then issued and outstanding.

n1 = the number of Shares to be acquired upon conversion or exchange of any convertible or exchangeable securities (included within the Relevant Securities) at the initial conversion or exchange price or rate.

n2 = the number of any Shares (included within the Relevant Securities) being issued or transferred.

n3 = the number of Shares to be acquired on exercise of any rights or warrants (included within the Relevant Securities) at the initial subscription, purchase or acquisition price, or upon conversion or exchange of any convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of such rights or warrants.

v1 = the number of Shares which the aggregate consideration receivable by the Company for such convertible or exchangeable securities (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

v2 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of such Shares (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

v3 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of the total number of Shares to be acquired on exercise of such rights or warrants and (if applicable) upon conversion or exchange of such convertible or exchangeable securities (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the grant, issue or transfer of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

Any such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the relevant place of grant, issue or transfer which is the relevant date;

5.2.9 *Current Market Price per Share*: for the purpose of these Conditions, "Current Market Price per Share" on any date shall be deemed to be the average of the daily Closing Prices of the Shares for the 30 consecutive Trading Days commencing 45 Trading Days before such date.

If, during the said 45 Trading Day period or any period thereafter up to but excluding the date as of which the adjustment of the Conversion Price in question shall be effected, any event (other than the event which requires the adjustment in question, and any event which requires an adjustment with reference to the same Current Market Price per Share) shall occur which gives rise to a separate adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of this Condition 5.2, the Current Market Price per Share as determined above shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall deem to be appropriate and fair in order to compensate for the effect of such event;

5.2.10 *Consideration per Share*: for the purposes of any calculation of the consideration per Share receivable pursuant to Conditions 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, the following provisions shall be applicable:

(i) in the case of the issue or transfer of Shares for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any commissions or any expenses paid or incurred by or on behalf of the Company for any underwriting of the issue or transfer or otherwise in connection therewith;

(ii) in the case of the issue or transfer of Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair market value thereof as determined by the Company in consultation with an Independent Financial Adviser or, if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof. Such determination shall be final and binding on the Company, the Trustee and the Bondholders;

(iii) (a) in the case of the issue by the Company of securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights, the aggregate consideration receivable by the Company shall be deemed to be the consideration for any such securities plus the additional consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange of such securities at the initial conversion or exchange price or rate, and (b) in the case of the allotment, grant, issue or transfer of rights or warrants, including stock acquisition rights, to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares, the aggregate consideration receivable by the Company shall be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise thereof at the initial subscription, purchase or acquisition price and (if applicable) upon the following conversion or exchange of such securities at the initial conversion or exchange price or rate. The consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such conversion or exchange at the initial conversion or exchange price or rate (if applicable) following the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above);

(iv) in the case of the allotment, grant, issue or transfer of rights or warrants (including stock acquisition rights) entitling holders to subscribe for, purchase or otherwise acquire Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above), and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such exercise at the initial subscription, purchase or acquisition price; and

(v) if any consideration referred to in the foregoing provisions of this Condition 5.2.10 is receivable in a currency other than yen, such consideration shall, in any case where there is a fixed rate of exchange between yen and the relevant currency provided for the purposes of the issue of such Shares or the conversion or exchange of such securities or the exercise of such rights or warrants, be translated into yen for the purposes of this Condition 5.2.10 at such fixed rate of exchange and shall, in all other cases, be so translated at the mean of the exchange rate quotations (being quotations for the cross rate through U.S. dollars if no direct rate is quoted) by a leading bank in Japan for buying and selling spot units of the relevant currency by telegraphic transfer against yen on the date as at which such consideration is required to be calculated;

5.2.11 *Later Adjustments*: if, at the time of computing an adjustment (the "later adjustment") of the Conversion Price pursuant to any of Conditions 5.2.2 to 5.2.8 (both inclusive), the Conversion Price already incorporates an adjustment made (or taken into account pursuant to the proviso to Condition 5.6) to reflect the issue or transfer of such Shares, or the allotment, grant, issue or transfer of rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire such Shares or other securities convertible into or exchangeable for such Shares, but such Shares are not outstanding at the time relevant for ascertaining the number of outstanding Shares for the purposes of computing the later adjustment, such Shares shall be deemed to be outstanding for the purposes of making such computation to the extent that the number of the Shares so deemed to be outstanding exceeds the actual number of Shares in issue as a result thereof at the time of making such computation. For the purposes of determining the number of Shares outstanding in Conditions 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, the Shares held by the Company as treasury stock on the relevant date shall be deemed not to be outstanding;

5.2.12 *Meaning of "Fixed"*: any reference in this Condition 5.2 to the date on which the consideration is "fixed" shall be construed as a reference to the first day on which such consideration in a cash amount can be ascertained, where the consideration is originally expressed by reference to a formula and not then ascertainable in a cash amount;

5.2.13 *Other Events*: if the Company determines at its sole discretion that a downward adjustment should be made to the Conversion Price as a result of one or more events or circumstances not otherwise referred to in this Condition 5.2, the

Company shall, at its own expense, request an Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and, if the adjustment would result in a reduction in the Conversion Price, the date on which such adjustment should take effect and, upon such determination, such downward adjustment (if any) shall be made and shall take effect in accordance with such determination; and

5.2.14 *Modification to Operation of Adjustment Provisions*: notwithstanding the foregoing, where the circumstances giving rise to any adjustment pursuant to this Condition 5.2 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of other circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 5.2 as may be advised by an Independent Financial Adviser to be in its opinion appropriate to give the intended result.

5.3 ***Retroactive Adjustments***

If the Stock Acquisition Date in relation to a Stock Acquisition Right shall be on or after a date with effect from which an adjustment to the Conversion Price takes retroactive effect pursuant to any of the provisions of Condition 5.2 and the relevant Stock Acquisition Date falls on a date before the relevant adjustment becomes effective under Condition 5.2 (such adjustment, a "Retroactive Adjustment"), the Company shall procure that the provisions of Condition 5.9.5 shall be applied, *mutatis mutandis,* to such number of Shares ("Additional Shares") as is equal to the excess of the number of Shares which would have been acquired upon exercise of such Stock Acquisition Right if the relevant Retroactive Adjustment had been given effect as of the said Stock Acquisition Date over the number of Shares previously acquired pursuant to such exercise, and in such event and in respect of such Additional Shares, references in Condition 5.9.5 to the "Stock Acquisition Date" shall be deemed to refer to the date upon which such Retroactive Adjustment is first reflected in the Conversion Price.

5.4 ***Limitation on Reduction of Conversion Price***

Notwithstanding the provisions of this Condition 5, the Conversion Price will not be reduced as a result of any adjustment made hereunder to such an extent that, under applicable law then in effect, the Stock Acquisition Rights may not be permitted to be exercised at such lower Conversion Price into legally issued, fully paid and non-assessable Shares.

5.5 ***Employee Share Schemes***

Notwithstanding the provisions of this Condition 5, no adjustment will be made to the Conversion Price where Shares or other Securities are issued, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees, former employees, corporate auditors, directors or officers (including directors or officers holding or formerly holding executive office or the personal service company of any such person) of the Company or any of its Subsidiaries or affiliates, their spouses or relatives, or any associated companies of any such person, or to any trustee or trustees for the benefit of any such person, in any such case, pursuant to any employees' or executives' share or option scheme.

5.6 ***Minimum Adjustments***

No adjustment of the Conversion Price shall be required unless such adjustment would result in an increase or decrease in such Conversion Price of at least ¥1 provided that any adjustment which by reason of this Condition 5.6 is not required to be made shall be carried forward and taken into account (as if such adjustment were made at the time when it would be made but for the provisions of this Condition 5.6) in any subsequent adjustment.

5.7 ***Calculations***

All calculations (including, without limitation, calculations of the Conversion Price and the Current Market Price per Share) under this Condition 5 shall, unless otherwise expressly specified hereon, be made to the nearest one-tenth of a yen with five one-hundredths or more of a yen to be considered a full tenth of a yen. None of the Trustee, the Custodian, the Custodian's Agent, the Registrar, the Principal Agent nor the other Agents shall be under any duty or responsibility to any Bondholder or any other person to determine, calculate or verify the adjusted Conversion Price or to monitor or make enquiries as to whether any adjustment is required to be made and none of them will be responsible or liable in any respect to Bondholders or any other person for any loss arising from any failure by it to do so or any erroneous calculation.

5.8 ***Notification of Adjustments***

Whenever the Conversion Price is adjusted as herein provided, the Company shall promptly notify the Trustee, the Principal Agent, the other Agents, the Registrar, the Custodian and the Custodian's Agent in writing setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment and the effective date thereof, and shall promptly give notice to the Bondholders in accordance with Condition 19 stating that the Conversion Price has been adjusted and setting forth the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

5.9 ***Procedure for Conversion***

5.9.1 *Conversion Notice*: To exercise a Stock Acquisition Right, the exercising Bondholder shall complete, sign and deposit at the specified office of an Agent at its own expense during normal business hours of the Agent with which the deposit is being made a Conversion Notice, in the form obtainable from any Agent, together with the Certificate evidencing the relevant Bond. No Stock Acquisition Right may be exercised in part only.

5.9.2 *Custodian and Custodian's Agent*: The initial Custodian and its initial specified office are set out at the end of these Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time with 90 days' prior written notice to vary or terminate the appointment of the Custodian and to appoint another Custodian; provided that there shall always be a Custodian, being a non-resident of Japan and having a specified office outside Japan. Notice of any such termination or appointment and of any changes in the specified office of the Custodian will be given to the Bondholders in accordance with Condition 19. The Custodian has, pursuant to the Agency Agreement, initially appointed Mizuho Bank, Ltd. as the Custodian's Agent at its initial specified office set out at the end of these Conditions and may, with the prior written approval of the Trustee, alter such appointment at any time. The Company shall give notice to the Bondholders in accordance with Condition 19 of any change in the Custodian's Agent and/or its specified office. The Custodian shall have no liability to Bondholders for any loss suffered by them as a result of any failure on the part of the Custodian's Agent to perform its functions pursuant to these Conditions and the Agency Agreement, nor shall the Custodian have any obligation to perform those functions should the Custodian's Agent fail to do so.

The Custodian shall not be liable for monitoring or supervising the performance by the Custodian's Agent of such functions. The Contracts (Rights of Third Parties) Act 1999 applies to this Condition 5.9.2 for the benefit of the Custodian.

5.9.3 *Conditions Precedent*: As conditions precedent to the exercise of the Stock Acquisition Right, the Bondholder must pay to the relevant Agent pursuant to this Condition 5.9.3 (or make arrangements satisfactory to such Agent or its delegate for the payment of) all stamp, issue, registration or other similar taxes and duties (if any), together with any incidental expenses in connection therewith, arising on such exercise in the country in which the Stock Acquisition Right is to be exercised or payable in any jurisdiction consequent upon the issue or delivery of Shares to or to the order of a person other than the exercising Bondholder (if any) together with an amount sufficient to pay the expenses of delivery pursuant to Condition 5.9.5(ii). The relevant Agent will not be bound to make any payments until such Agent has received the full amount of such taxes and duties due and payable in respect of the Bonds, the Stock Acquisition Rights in respect of which are being exercised, or other arrangements satisfactory to the relevant Agent have been made.

The Bondholder (and, if applicable, the person other than the Bondholder to whom the Shares are to be issued or transferred) must provide the relevant Agent with details of the relevant tax authorities to which such Agent must pay moneys received from the Bondholder for payment of taxes and duties. The payment of such moneys received from the Bondholders to the relevant tax authority will be made at the risk and expense of the Bondholder exercising the relevant Stock Acquisition Rights and such Bondholder will be required to submit any necessary duly completed and signed documents that may be required by the Agent in order to effect the payment of such moneys. The relevant Agent shall be entitled to assume without duty to enquire and without liability that any information provided by the Bondholder exercising the relevant Stock Acquisition Rights in connection with any such amounts payable and as to the details of the relevant tax authorities to which the Agent must pay moneys received in settlement of the taxes and duties payable pursuant to this Condition 5.9.3 is true, accurate and complete. The Bondholders (and, if applicable, the person other than the Bondholders to whom the Shares are to be delivered) shall, upon exercising the relevant Stock Acquisition Rights, be deemed to have consented to the relevant Agent disclosing otherwise confidential information for the purposes of such Agent's carrying out the duties herein. Such Agent is under no obligation to determine whether a Bondholder is liable to pay any taxes, stamp, issue, registration or similar taxes and duties or the amounts payable (if any) arising upon exercise of any Stock Acquisition Rights.

For the avoidance of doubt, the exercising Bondholder shall bear any costs and expenses which relate to the account at the Account Management Institution into which it receives the Shares acquired upon the exercise of the Stock Acquisition Right pursuant to Condition 5.9.5(i). Except as aforesaid, the Company will pay the expenses arising on the acquisition of Shares upon exercise of the Stock Acquisition Rights and all charges of the Agents in connection therewith (including all costs, charges and expenses incurred by any delegate).

5.9.4 *Deposit Date and Stock Acquisition Date*:

(i) The time at which the Certificate evidencing any Bond and the Conversion Notice relating thereto are deposited with an Agent, or on which all conditions precedent to the exercise of the relevant Stock Acquisition Right are fulfilled, whichever shall be later, is hereinafter referred to as the "Deposit Time" applicable to such Bond, and the date in London on which the Deposit Time falls is hereinafter referred to as the "Deposit Date" applicable to such Bond. For the avoidance of doubt, a Deposit Date may not occur during any period when the Stock Acquisition Rights may not be exercised;

(ii) The request for exercise of the Stock Acquisition Right shall be deemed to have been made, and accordingly the exercise of the Stock Acquisition Right and the delivery of the relevant Certificate will become effective, at 23:59 hours (London time) on the Deposit Date applicable to the relevant Bond (and the next calendar day, being the calendar day in Japan on which such time in London falls, is herein referred to as the "Stock Acquisition Date" applicable to such Bond);

(iii) A Conversion Notice once deposited shall not be withdrawn without the consent in writing of the Company; and

(iv) If deposit of the Conversion Notice is made on a day which is not a Business Day or after 16:00 hours in the place of the specified office of the Agent, such deposit shall be deemed for all purposes of these Conditions to have been made on the next following such Business Day.

At any time when the relevant Bonds are evidenced by the Global Certificate, the exercising Bondholder shall, in lieu of depositing the Conversion Notice in the manner aforesaid, transmit the Conversion Notice as an electronic instruction to any Agent in accordance with the operating procedures of the relevant clearing systems, together with an authority to Euroclear to debit, or to procure Clearstream, Luxembourg to debit, the Bondholder's account pro tanto. The time at which such duly completed Conversion Notice is received by the Agent through the relevant clearing systems shall be deemed for the purposes of these Conditions to be its Deposit Time. With effect from the relevant Stock Acquisition Date, Euroclear or Clearstream, Luxembourg, as the case may be, shall debit the Bondholder's account with the number of the Bonds the Stock Acquisition Rights incorporated in which have been exercised and the Register shall be amended accordingly.

5.9.5 *Delivery of Shares*: The Company shall procure that the relevant Agent shall, with effect as of the Stock Acquisition Date, endorse the Conversion Notice on behalf of the Custodian. With effect from the Stock Acquisition Date (or as soon as practicable thereafter under Japanese law, regulation and practice relating to the delivery of shares and the register of shareholders), the Company shall deem the Custodian or its nominee to have become the holder of record of the number of Shares to be acquired upon such exercise of the Stock Acquisition Right (disregarding any fraction of a Share resulting from such exercise, and also disregarding any Retroactive Adjustment of the Conversion Price prior to the time when such Retroactive Adjustment is first reflected in the Conversion Price).

Thereafter, subject to any applicable limitations then imposed by Japanese law, regulation or practice (including any administrative orders or guidelines issued by any relevant authority), the Articles of Incorporation or the share handling regulations of the Company:

(i) in accordance with the book-entry transfer system established pursuant to the Book-Entry Act, as soon as practicable and in any event within 14 days after the Stock Acquisition Date, the Company shall issue and deliver the relevant Shares to the Custodian or its nominee at the account maintained with the Custodian's Agent (as an Account Management Institution) and the Custodian's Agent shall transfer the relevant Shares to or to the order of the exercising Bondholder at such account maintained with an Account Management Institution, in Japan as specified in the relevant Conversion Notice (unless the Company fails to make delivery thereof to the relevant account at the Custodian's Agent as aforesaid or such instruction given by the exercising Bondholder in the relevant Conversion Notice is inaccurate, incomplete or insufficient for the purpose of such transfer); and

(ii) as soon as practicable, the Company shall deliver to the Custodian's Agent for the account of the Custodian or its nominee, securities (other than the Shares) required to be delivered upon such exercise of the

Stock Acquisition Rights, if any, and the Custodian's Agent shall, according to the request made in the relevant Conversion Notice, either:

(a) as soon as practicable, and in any event within 14 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid), deliver or cause to be delivered to the order of the person named for that purpose in the relevant Conversion Notice at the specified office in Japan for the time being of the Custodian's Agent, any such securities (other than the Shares) required to be delivered on exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof; or

(b) as soon as practicable, and in any event within 21 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid), despatch or cause to be despatched to, or to the order of the person named for that purpose in the relevant Conversion Notice and at the place in Japan (not being the specified office in Japan for the time being of the Custodian's Agent) and in the manner specified in the relevant Conversion Notice (the expense and risk of despatch at any such place being that of the exercising Bondholder), any such securities (other than the Shares) required to be delivered upon exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof;

provided, however, that if such securities (other than Shares) are subject to the book-entry transfer system established pursuant to the Book-Entry Act, such delivery or despatch will be implemented in accordance therewith.

Any Conversion Notice transmitted electronically is not required to be endorsed and shall be processed in accordance with the operating procedures of the relevant clearing systems.

5.9.6 *Amount of Stated Capital and Additional Paid-in Capital*: With effect as of the Stock Acquisition Date, one-half of the "maximum capital and other increase amount", as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital.

6. Certain Corporate Events

6.1 *Corporate Events*

In the case of a proposal for:

(i) any Merger Event; or

(ii) any Asset Transfer Event; or

(iii) any Corporate Split Event; or

(iv) any Holding Company Event; or

(v) the passing of a resolution at a general meeting of shareholders of the Company (or, where such a resolution is not required, at a meeting of the Board of Directors of the Company) for any other corporate reorganisation procedure then provided for under Japanese law (the passing of any such resolution and any Merger Event, any Asset Transfer Event, any Corporate Split Event and any Holding Company Event being together referred to in these Conditions as a "Corporate Event") pursuant to which the obligations under the Bonds and/or the Stock Acquisition Rights are proposed to be transferred to or assumed by another entity (such other entity and any Merged Company, any Asset Transferee, any Corporate Split Counterparty and any Holding Company being together referred to as a "New Obligor"),

the following provisions of this Condition 6 shall apply.

6.2 ***Notice of Proposal***

The Company shall give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of a proposed Corporate Event at the same time as it gives notice to the holders of Shares (or, if no such notice is required, or if a public announcement of such proposed Corporate Event is made on a date earlier than the date of such notice, promptly after the first public announcement of such proposed Corporate Event) and, as soon as practicable thereafter, of its proposals in relation to the Bonds (including the Stock Acquisition Rights). Such notice shall specify the anticipated Corporate Event Effective Date. If those proposals and/or that date have not been determined, the notice shall state that fact.

6.3 ***Notice of Passing of Resolution***

Upon the occurrence of a Corporate Event, the Company shall forthwith give a further notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of that fact, the Company's proposals in relation to the Bonds (including the Stock Acquisition Rights) and the anticipated effective date of the transaction, and, if such anticipated effective date or proposals are changed or fixed, a further notice to such effect shall be given in the same manner. The effective date of the transaction contemplated by the relevant Corporate Event is referred to herein as its "Corporate Event Effective Date".

6.4 ***Transfer of Obligations Following a Corporate Event***

6.4.1 *Transfer*: If a Corporate Event occurs and

(i) it is legally possible under the then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect substitution of the New Obligor for the Company and the grant of the New Stock Acquisition Rights in such a manner as set out in Conditions 6.5 and 12.2;

(ii) a practical structure for such substitution and grant has been or can be established; and

(iii) such substitution and grant can be consummated without the Company or the New Obligor incurring costs or expenses (including taxes) which are in the opinion of the Company unreasonable in the context of the entire transaction,

then the Company shall use its best endeavours to cause the New Obligor to be substituted as the principal obligor under the Bonds and the Trust Deed pursuant to Condition 12.2 and the Trust Deed and for the grant of the New Stock Acquisition Rights in relation to the Bonds in place of the Stock Acquisition Rights in the manner described in Condition 6.5. Such substitution and grant shall take effect on the relevant Corporate Event Effective Date, or, in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, as soon as practicable on or after, but in any event no later than 14 days after, the relevant Corporate Event Effective Date.

6.4.2 *Listing*: In connection with the substitution and grant described in Condition 6.4.1, the Company shall also use its best endeavours to ensure that the shares of common stock of the New Obligor will be listed on any stock exchange in Japan or be quoted or dealt in on any securities market in Japan (such listing, quotation and dealing being hereinafter collectively referred to as "Listing") on the relevant Corporate Event Effective Date.

6.4.3 *Condition*: The obligations of the Company pursuant to this Condition 6.4 shall not apply if the Company delivers a certificate to the Trustee pursuant to Condition 7.5(iv).

6.5 ***New Stock Acquisition Rights***

At the time of the substitution of (or assumption by) the New Obligor as principal obligor under Condition 12.2 and the Trust Deed, New Stock Acquisition Rights will be granted, in place of the Stock Acquisition Rights, to the Bondholders by the New Obligor, in accordance with the following terms:

6.5.1 *Number of the New Stock Acquisition Rights to be Granted*: The number of New Stock Acquisition Rights to be granted will be equal to the number of the Stock Acquisition Rights incorporated in the Bonds outstanding immediately prior to the relevant Corporate Event Effective Date;

6.5.2 *Class of Shares to be Issued or Transferred upon Exercise of the New Stock Acquisition Rights*: Upon exercise of the New Stock Acquisition Rights, shares of common stock of the New Obligor shall be issued or transferred;

6.5.3 *Number of Shares to be Issued or Transferred upon Exercise of the New Stock Acquisition Rights*: The number of shares of the New Obligor to be issued or transferred upon exercise of the New Stock Acquisition Rights shall be determined by the New Obligor by reference to these Conditions taking into account the terms of the transaction contemplated under the relevant Corporate Event, and

(i) in the case of a Merger Event or a Holding Company Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a New Stock Acquisition Right would upon its exercise immediately after the Corporate Event Effective Date receive the number of shares of common stock of the New Obligor (the "Number of Deliverable Shares") receivable upon the relevant Corporate Event by a holder of the number of Shares (such number being the "Number of Held Shares") which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately prior to the relevant Corporate Event Effective Date. If securities (other than shares of common stock of the New Obligor) or other property shall be delivered to such holder of the Number of Held Shares upon the taking effect of the Merger Event or the Holding Company Event (as the case may be), such number of shares of common stock of the New Obligor shall form part of the Number of Deliverable Shares as shall be calculated by dividing the fair market value of such securities or properties delivered to such holder of the Number of Held Shares by the New Obligor Current Market Price per Share, such fair market value to be determined by the Company, provided that in determining such fair market value, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of the Independent Financial Adviser; or

(ii) in the case of any other Corporate Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a New Stock Acquisition Right shall upon its exercise immediately after the Corporate Event Effective Date receive an equivalent economic interest to be determined by the Company as that which would have been received by a holder of the number of Shares which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately before the relevant Corporate Event Effective Date, provided that, in determining such equivalent economic interest, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser.

For the purpose of this Condition 6, the "New Obligor Current Market Price per Share" means (i) the average of the daily Closing Prices of the shares of common stock of the New Obligor for the 30 consecutive Trading Days commencing 45 Trading Days immediately before the relevant Corporate Event Effective Date, or (ii) if such market price shall not be available, such price as is determined by the Company, provided that in determining such price, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser.

The conversion price for the New Stock Acquisition Rights shall be subject to adjustment which shall be as nearly equivalent as may be practicable to the adjustments provided in Condition 5.2;

6.5.4 *Description of the Asset to be Contributed upon Exercise of the New Stock Acquisition Rights and the Amount or the Calculation Method Thereof*: Upon exercise of each New Stock Acquisition Right, the relevant Bond shall be deemed to be acquired by the New Obligor as a capital contribution in kind by the relevant Bondholder at the price equal to the principal amount of the Bond;

6.5.5 *Exercise Period of the New Stock Acquisition Rights*: The New Stock Acquisition Rights may be exercised at any time during the period from, and including, the later of the relevant Corporate Event Effective Date or the date of implementation of the scheme described in Condition 6.4.1 up to, and including, the last day of the Exercise Period of the Stock Acquisition Rights;

6.5.6 *Other Conditions for the Exercise of the New Stock Acquisition Rights*: No New Stock Acquisition Right may be exercised in part;

6.5.7 *Amount of Stated Capital and Additional Paid-in Capital*: As of the date on which the exercise of a New Stock Acquisition Right becomes effective, one-half of the "maximum capital and other increase amount" as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital; and

6.5.8 *Others*: Fractions of a share of common stock of the New Obligor will not be issued upon exercise of the New Stock Acquisition Rights and no adjustment or cash payment will be made in respect thereof. The holder of each bond assumed (by way of substitution or otherwise only for the purposes of Japanese law), or bond provided, by the New Obligor may not transfer such bond separately from the New Stock Acquisition Rights. In cases where such restriction on transfer of the bond would not be effective under the then applicable law, a stock acquisition right incorporated in a bond equivalent to the Bond may be issued to the holder of each Bond outstanding immediately prior to the Corporate Event Effective Date in place of the Stock Acquisition Right and the Bond.

6.6 ***No Statutory Put Rights***

Each Bondholder by accepting or acquiring any Bond agrees that its remedies if a Corporate Event or a Squeezeout Event occurs shall not include any statutory rights provided by Japanese law to require the Company to repurchase such Bond at fair market value, such rights being waived to the fullest extent permitted by applicable law.

6.7 ***Subsequent Corporate Events***

The above provisions of this Condition 6 shall apply in the same way to any subsequent Corporate Events.

7. **Redemption, Purchase and Cancellation**

7.1 ***Final Maturity***

Unless the Bonds have previously been redeemed or purchased and cancelled, or become due and repayable, and unless the Stock Acquisition Rights incorporated therein have previously been exercised (in each case as provided in these Conditions), the Company will redeem the Bonds at 100 per cent. of their principal amount on 25 July 2031 (the "Maturity Date"). The Bonds may not be redeemed at the option of the Company other than in accordance with this Condition 7.

7.2 ***Redemption at the Option of the Company upon Increased Share Prices***

At any time on or after 26 July 2027, the Company may (subject to Condition 7.12), but shall not be bound to, having given not less than 30 nor more than 60 days' prior notice (the "Optional Redemption Notice") to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount on the date fixed for such redemption in the Optional Redemption Notice, provided, however, that no such redemption may be made unless the Closing Price of the Shares for each of the 20 consecutive Trading Days, the last of which occurs not more than 30 days prior to the date upon which the Optional Redemption Notice is first published, is at least 130 per cent. of the Conversion Price in effect on each such Trading Day (taking into account any Retroactive Adjustment not then reflected in the Conversion Price).

7.3 ***Redemption at the Option of the Company upon Reduced Outstanding Amounts***

The Company may (subject to Condition 7.12), but shall not be bound to, having given not less than 30 nor more than 60 days' prior notice (the "Clean-up Redemption Notice") to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount on the date fixed for such redemption in the Clean-up Redemption Notice, if at any time prior to the date upon which the Clean-up Redemption Notice is first given, the outstanding principal amount of the Bonds is less than 10 per cent. of the aggregate principal amount of the Bonds as of the date of issue thereof.

7.4 **Redemption for Taxation Reasons**

The Company may (subject to Condition 7.12), but shall not be bound to, at any time, having given not less than 30 nor more than 60 days' prior notice (the "Tax Redemption Notice") to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount on the date fixed for redemption in the Tax Redemption Notice (the "Tax Redemption Date"), if the Company satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice (i) that it has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 10 July 2024, and (ii) that such obligation cannot be avoided by the Company taking reasonable measures available to it; provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due. Prior to the giving of any Tax Redemption Notice, the Company shall deliver to the Trustee a certificate signed by a Representative Director or an Authorised Officer, stating that the Company has or will become obliged to pay Additional Amounts as a result of such change or amendment and that the obligation referred to in (i) above has arisen and cannot be avoided by the Company taking reasonable measures available to it and the Trustee shall be bound to accept such certificate without further investigation as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Bondholders and the Trustee, and the Trustee shall not be responsible or liable to any person for any loss occasioned by relying, acting and/or not acting based on such certificate. Upon the giving of the Tax Redemption Notice to the Bondholders, the Company shall be bound to redeem the Bonds then outstanding at 100 per cent. of their principal amount on the Tax Redemption Date.

Notwithstanding the foregoing, if the Company shall have given a Tax Redemption Notice, and if the outstanding principal amount of the Bonds at the time when such Tax Redemption Notice is given is 10 per cent. or more of the aggregate principal amount of the Bonds as of the date of issue thereof, each holder of the Bonds will have the right to elect, and the Tax Redemption Notice shall state that such Bondholder will have the right to elect, that its Bonds should not be redeemed and that the provisions set forth in Condition 9 shall not apply in respect of payment of any amount to be made in respect of the Bonds which will fall after the Tax Redemption Date and payment of all amounts due on such Bonds thereafter shall be made subject to the withholding of, or deduction for or on account of, Japanese taxes, duties, assessments and governmental charges referred to in Condition 9. Such right of the Bondholder shall be exercised by the Bondholder giving notice to the Company in the form (for the time being current) obtainable from any Agent no later than 20 days prior to the Tax Redemption Date.

7.5 ***Corporate Event Redemption***

Upon or following the occurrence of a Corporate Event, the Company shall (subject to Condition 7.12) give not less than 14 Tokyo Business Days' prior notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and the Bondholders in accordance with Condition 19 to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) determined by reference to the table set out below and in accordance with the provisions of this Condition 7.5 (the "Corporate Event Redemption Price"), together with all Additional Amounts due on the Bonds (if any), on the date (the "Corporate Event Redemption Date") specified for redemption in such notice (such Corporate Event Redemption Date shall be a date falling on or prior to the relevant Corporate Event Effective Date or, if such Corporate Event Effective Date occurs earlier than the 14th Tokyo Business Day from the date of occurrence of the Corporate Event, such Corporate Event Redemption Date shall be the 14th Tokyo Business Day from the date of the notice of such redemption, which notice shall be given as soon as practicable after the date of occurrence of the Corporate Event) if any of the following conditions is satisfied:

(i) it is not legally possible under the then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect a scheme provided for by Condition 6.4.1; or

(ii) it is legally possible as aforesaid but, despite the Company using its best endeavours, the Company is not able to effect such a scheme in compliance with Condition 6.4.1; or

(iii) despite the Company using its best endeavours pursuant to Condition 6.4.2, on (a) the date of occurrence of the relevant Corporate Event or (b) the 25^{th} day prior to the relevant Corporate Event Effective Date, whichever occurs later, (x) no Listing has been obtained for the shares of common stock of the New Obligor, and (y) no confirmation has been obtained by the New Obligor from any stock exchange in Japan or the governing body of any securities market in Japan that such Listing will be obtained on or prior to such Corporate Event Effective Date; or

(iv) the Company has delivered to the Trustee, on or prior to the date of occurrence of the relevant Corporate Event, a certificate signed by a Representative Director or an Authorised Officer stating that the Company does not currently anticipate that a Listing will be obtained or maintained for the shares of common stock of the New Obligor on the relevant Corporate Event Effective Date for any reason stated in such certificate. The Trustee and the Bondholders shall be bound to accept such certificate without further investigation as sufficient and conclusive evidence of the satisfaction of the condition set out in this Condition 7.5 and the Trustee shall not be responsible or liable to any person for any loss occasioned by relying, acting and/or not acting based on such certificate.

Any notice of redemption given under this Condition 7.5 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice even if (in the case of Condition 7.5(iii) or 7.5(iv) above) a Listing for the shares of common stock of the New Obligor is subsequently obtained.

If the Corporate Event Redemption Date falls on or prior to the Exercise Period End Date, the Corporate Event Redemption Price shall be determined by reference to the following table:

Corporate Event Redemption Date	**Reference Parity (Percentage)**															
	70.00	**80.00**	**90.00**	**100.00**	**110.00**	**120.00**	**130.00**	**140.00**	**150.00**	**160.00**	**170.00**	**180.00**	**190.00**	**200.00**	**210.00**	**220.00**
26 July 2024.......	97.59	101.77	106.92	112.95	119.73	127.17	135.17	143.61	152.43	161.55	170.91	180.47	190.19	200.03	210.00	220.00
26 July 2025.......	97.72	101.56	106.41	112.21	118.85	126.23	134.23	142.75	151.69	160.95	170.46	180.16	190.02	200.00	210.00	220.00
26 July 2026.......	98.05	101.49	106.00	111.49	117.86	125.05	133.01	141.62	150.76	160.28	170.05	180.00	190.00	200.00	210.00	220.00
26 July 2027.......	98.44	101.39	105.58	110.88	117.06	123.92	131.40	140.13	150.00	160.00	170.00	180.00	190.00	200.00	210.00	220.00
26 July 2028.......	98.93	101.11	104.82	109.98	116.26	123.37	131.13	140.10	150.00	160.00	170.00	180.00	190.00	200.00	210.00	220.00
26 July 2029.......	100.01	100.01	103.22	108.57	115.14	122.62	130.79	140.00	150.00	160.00	170.00	180.00	190.00	200.00	210.00	220.00
27 July 2029.......	96.86	99.30	103.22	108.57	115.13	122.61	130.79	140.00	150.00	160.00	170.00	180.00	190.00	200.00	210.00	220.00
26 July 2030.......	97.83	99.03	101.83	106.65	113.32	121.36	130.29	140.00	150.00	160.00	170.00	180.00	190.00	200.00	210.00	220.00
11 July 2031.......	100.00	100.00	100.00	100.00	110.00	120.00	130.00	140.00	150.00	160.00	170.00	180.00	190.00	200.00	210.00	220.00

In the above table:

"Reference Parity" means:

(i) if the consideration payable to holders of the Shares in connection with the relevant Corporate Event consists of cash only, the amount of such cash per Share divided by the Conversion Price in effect on the date of occurrence of the relevant Corporate Event (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; and

(ii) in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days commencing on the Trading Day immediately following:

(a) the date on which the terms and conditions of the relevant Corporate Event (including the consideration payable or deliverable to holders of the Shares in connection therewith) are approved at a meeting of the Board of Directors of the Company, as required under the Companies Act, or

(b) (if the terms and conditions of the relevant Corporate Event are announced to the public later than that date) the date of such public announcement,

divided by the Conversion Price in effect on the last day of such five consecutive Trading Day period (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; provided that if, during the said five consecutive Trading Day period, any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of Condition 5.2, the Reference Parity so determined shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall determine to be appropriate and fair in order to compensate for the effect of such event.

If the Reference Parity or Corporate Event Redemption Date does not appear in the above table, and:

(x) if the Reference Parity falls between two numbers in the first row of the above table and/ or the Corporate Event Redemption Date falls between two dates in the above table, then the Corporate Event Redemption Price shall be determined by straight-line interpolation between such two numbers and/or two dates, on the basis of a 365-day year, as the case may be, with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth;

(y) if the Reference Parity is higher than the number in the far right column in the first row of the above table, the Reference Parity shall be deemed to be equal to that number; and

(z) if the Reference Parity is less than the number set forth in the far left column in the first row of the above table, the Corporate Event Redemption Price shall be 100.00 per cent.

If the Corporate Event Redemption Price, as determined by reference to the above table and in accordance with the above provisions of this Condition 7.5, is less than 100.00 per cent., the Corporate Event Redemption Price shall be 100.00 per cent. Conversely, if the Corporate Event Redemption Price, as determined by reference to the above table and in accordance with the above provisions of this Condition 7.5, is more than 220.00 per cent., the Corporate Event Redemption Price shall be 220.00 per cent.

If the Corporate Event Redemption Date falls during the period from (but excluding) the Exercise Period End Date to (but excluding) the Maturity Date, the Corporate Event Redemption Price shall be 100.00 per cent.

7.6 ***Redemption on Delisting of the Shares***

7.6.1 *Offers and Redemption*: If:

(i) any offer is made by a party or parties (the "Offeror") other than the Company in accordance with the FIEA to all holders of Shares (or all such holders other than the Offeror and/or any company controlled by the Offeror and/or persons associated or acting in concert with the Offeror) to acquire all or a portion of the Shares;

(ii) the Company expresses its opinion to support such offer in accordance with the FIEA;

(iii) the Company or the Offeror states in the relevant tender offer registration statement or any amendment thereto, or otherwise publicly announces or admits, that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or may be disqualified from such listing, quotation or dealing, as a result of the acquisition of Shares pursuant to the offer (unless the Company or the Offeror publicly expresses its intention to use its best endeavours to continue such listing, quotation or dealing after such acquisition); and

(iv) the Offeror acquires any Shares pursuant to the offer,

then the Company shall (subject to Condition 7.12) give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the date of acquisition of those Shares pursuant to the offer, to redeem all, but not some only, of the Bonds then outstanding at the redemption price (expressed as a percentage of the principal amount of the Bonds) calculated in accordance with the provisions below, together with all Additional Amounts due on the Bonds (if any), on the date (the "Delisting Redemption Date") specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice). The Trustee shall be entitled to assume, without being required to take any action and without liability, until it has received written notice to the contrary, that the Offeror has not so acquired any Shares.

7.6.2 *Redemption Price*: The redemption price applicable to the redemption under this Condition 7.6 shall be calculated in the same manner as provided in Condition 7.5, except that references to the Corporate Event Redemption Date shall be replaced by the Delisting Redemption Date and the Reference Parity shall mean, if the offer price consists of cash only, the offer price in effect on the last day of the offer divided by the Conversion Price in effect on the same day (expressed as a percentage) and, in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days ending on the last day of the offer divided by the Conversion Price in effect on the last day of the offer (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; provided that if, during the said five consecutive Trading Day period, any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of Condition 5.2, the Reference Parity so determined shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall determine to be appropriate and fair in order to compensate for the effect of such event.

For the avoidance of doubt, the last paragraph of Condition 7.5 shall apply *mutatis mutandis* to the above redemption price without any adjustment.

7.6.3 *Offer Followed by Corporate Event or Squeezeout Event*: Notwithstanding the above provisions of this Condition 7.6, if the Company or the Offeror states in the relevant tender offer registration statement or any amendment thereto, or otherwise publicly announces, that it intends to effect a Corporate Event or Squeezeout Event after the date of acquisition of any Shares pursuant to the offer, then the Company's obligation to redeem the Bonds under this Condition 7.6 shall not apply (but, for the avoidance of doubt, the provisions of Conditions 6 and Condition 7.5 or 7.7, as the case may be, shall be applicable to such Corporate Event or Squeezeout Event, as the case may be) unless such Corporate Event or a Squeezeout Event does not occur within 60 days after the date of such acquisition, in which case the Company shall give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the last day of such 60-day period, to redeem all, but not some only, of the Bonds then outstanding at the redemption price set out in Condition 7.6.2 (for the avoidance of doubt, the Reference Parity applicable to such redemption being equal to the Reference Parity that would have been applicable had the Bonds been redeemed under Condition 7.6.1 without being subject to the provisions of this Condition 7.6.3), together with all Additional Amounts due on the Bonds (if any), on the date (for the avoidance of doubt, the Delisting Redemption Date applicable to such redemption being such date) specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice).

7.6.4 *Irrevocable Notice*: Any notice of redemption given under this Condition 7.6 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice.

7.6.5 *Notice to Bondholders*: Upon the occurrence of:

(a) any of the events set out in (i) through (iv) of Condition 7.6.1; or

(b) any of the events set out in Condition 7.6.3 which results in the cancellation or revival of the Company's obligation to redeem the Bonds,

the Company shall as soon as practicable give notice thereof to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19.

7.6.6 *Condition*: If the Company becomes obliged to redeem the Bonds pursuant to both this Condition 7.6 and either Condition 7.5 or 7.7, the procedure pursuant to Condition 7.5 or 7.7, as the case may be, shall apply.

7.7 ***Squeezeout Redemption***

7.7.1 *Redemption*: Upon the occurrence of a Squeezeout Event, the Company shall (subject to Condition 7.12) give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), as soon as practicable but within 14 days after the date on which the Squeezeout Event occurs, to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) calculated in accordance with Condition 7.7.2, together with all Additional Amounts due on the Bonds (if any), on the date (the "Squeezeout Redemption Date") specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice and in any event before the effective date (the "Squeezeout Effective Date") of the acquisition, sale or consolidation of the Shares with respect to the Squeezeout Event, as the case may be, provided, however, that if the Squeezeout Effective Date falls earlier than 14 Tokyo Business Days from the date of such notice, the Squeezeout Redemption Date shall be accelerated to the extent necessary to ensure that it shall fall on a date earlier than the Squeezeout Effective Date).

"Squeezeout Event" means either (i) the passing of a resolution at a general meeting of shareholders of the Company approving its acquisition of all of the outstanding Shares in exchange for a consideration, following the outstanding Shares being transformed into callable shares (*zenbushutokujoko tsuki shuruikabushiki*) under the Companies Act by way of an amendment to the Articles of Incorporation, such as (but not limited to) for the purpose of making the Company a wholly-owned subsidiary of another corporation, (ii) the passing of a resolution by the Board of Directors of the Company approving a request by the Controlling Shareholder that the other shareholders of the Company (other than the Company and, if the Controlling Shareholder so determines, the Controlling Shareholder's wholly-owned subsidiaries) sell to the Controlling Shareholder all of the shares of the Company held by them (*kabushikitou uriwatashi seikyu*) under the Companies Act, or (iii) the passing of a resolution at a general meeting of shareholders of the Company approving a consolidation of Shares (*kabushiki no heigo*) under the Companies Act after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing.

7.7.2 *Redemption Price*: The redemption price applicable to the redemption under this Condition 7.7 shall be calculated in the same manner as provided in Condition 7.5, except that references to the Corporate Event Redemption Date shall be replaced by the Squeezeout Redemption Date and the Reference Parity shall mean, if the assets to be delivered to the holders of Shares consist of cash only (or if the holders of Shares which are being squeezed out are to effectively receive cash only in respect of such Shares), the cash amount which the holder of a Share would receive in exchange for Shares to be transferred as a result of the Squeezeout Event divided by the Conversion Price in effect on the date of the Squeezeout Event (expressed as a percentage) and, in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days ending on the date of the Squeezeout Event divided by the Conversion Price in effect on the date of the Squeezeout Event (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; provided that if, during the said five consecutive Trading Day period, any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment becoming effective during such period, where the event requiring such Retroactive Adjustment takes place after such period) to the Conversion Price under the provisions of Condition 5.2, the Reference Parity so determined shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall determine to be appropriate and fair in order to compensate for the effect of such event.

For the avoidance of doubt, the last paragraph of Condition 7.5 shall apply *mutatis mutandis* to the above redemption price without any adjustment.

7.8 ***Redemption at the Option of the Bondholders***

The holder of any Bond is entitled, at its option, to require the Company to redeem such Bond at 100 per cent. of its principal amount on 26 July 2029 (the "Bondholders' Optional Redemption Date"). To exercise such option, the holder of such Bond shall complete, execute and deposit at the specified office of an Agent, at such Bondholder's own expense, during normal business hours of such Agent, a notice of redemption in the form (for the time being current) obtainable from any Agent, together with the Certificate in respect of such Bond. Such notice of redemption must be given not less than 30 days nor more than 60 days prior to the Bondholders' Optional Redemption Date. Such notice may only be withdrawn with the consent in writing of the Company; provided, however, that if, prior to the Bondholders' Optional Redemption Date, the Bonds evidenced by any Certificate so deposited become immediately due and payable pursuant to Condition 10, or, upon due presentation of any Certificate on the Bondholders' Optional Redemption Date, payment of the redemption moneys is improperly withheld or refused, such Certificate shall, without prejudice to the exercise of the option contained in this Condition 7.8, be returned to the relevant holder by uninsured first class mail (airmail if overseas) at the address specified by such holder in the relevant notice of redemption.

At any time when the relevant Bond(s) is/are evidenced by the Global Certificate, the Bondholder exercising the option shall, in lieu of depositing a notice of redemption in the manner aforesaid, transmit such notice as an electronic instruction to any Agent in accordance with the operating procedures of the relevant clearing systems. The time at *which such duly completed notice of redemption is received by the Agent through the relevant clearing systems shall be deemed for the purposes of these Conditions to be its time of deposit.*

7.9 ***Purchase of Bonds by the Company or any Subsidiary***

Subject to the requirements (if any) of any stock exchange on which the Bonds may be listed at the relevant time, the Company and/or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise. Such Bonds may, at the option of the Company or the relevant Subsidiary, be held or resold. The Bonds so purchased, while held by or on behalf of the Company or any of its Subsidiaries, shall not entitle the Bondholder to vote at any meeting of Bondholders or otherwise to exercise any voting rights and shall be deemed not to be outstanding for the purpose of calculating the quorum at a meeting of Bondholders or for voting on any Extraordinary Resolution or for the purposes of these Conditions. Bonds that have been purchased by the Company may, at the option of the Company, be cancelled. Bonds that have been purchased by any Subsidiary may, at the option of such Subsidiary, be delivered to the Company for cancellation.

7.10 ***Cancellation***

All Bonds which are redeemed or with respect to which the Stock Acquisition Rights have been exercised shall forthwith be cancelled and such Bonds may not be reissued or resold. All Certificates in respect of Bonds so cancelled and Certificates in respect of Bonds purchased and cancelled pursuant to Condition 7.9 shall be forwarded to the Principal Agent for cancellation.

7.11 ***Notice of Redemption***

All notices to Bondholders given by or on behalf of the Company pursuant to this Condition 7 will specify the Conversion Price as of the date of the relevant notice, the Closing Price of the Shares as of the latest practicable date prior to the publication of the relevant notice, the applicable date fixed for redemption and the redemption price of the Bonds, the last day on which the Stock Acquisition Rights may be exercised and the aggregate principal amount of the Bonds outstanding as of the latest practicable date prior to the publication of the relevant notice. No notice of redemption given under Condition 7.2, 7.3 or 7.4 shall be effective if it specifies a date for redemption which falls during a period (a "Closed Period") in which Stock Acquisition Rights may not be exercised pursuant to Condition 5.1.4(b) or within 15 days following the last day of a Closed Period.

7.12 ***Priorities Among Redemption Provisions***

If any notice of redemption is given by the Company pursuant to any of Condition 7.2, 7.3, 7.4, 7.5, 7.6 or 7.7, no other notice may be, or as the case may be, shall be required to be, given pursuant to any other of such Conditions, subject as provided in Condition 7.6.3 and except for such Bonds so elected by the relevant Bondholder not to be redeemed pursuant to Condition 7.4.

If (a) the Company becomes obliged to give notice of redemption pursuant to Condition 7.5 or 7.7, or (b) the events set out in (i) to (iv) of Condition 7.6.1 occur, then a notice pursuant to Condition 7.2, 7.3 or 7.4 may not subsequently be given.

If any notice of redemption is given by the Company pursuant to any of Condition 7.2, 7.3, 7.4, 7.5, 7.6 or 7.7, that notice shall take priority over a notice given by a Bondholder pursuant to Condition 7.8 (whether such notice is given before or after any notice of redemption being given by the Company pursuant to Condition 7.2, 7.3, 7.4, 7.5, 7.6 or 7.7) so long as such notice by the Company is given prior to the Bondholders' Optional Redemption Date.

If any notice of redemption is given by the Company pursuant to Condition 7.2, 7.3, 7.4, 7.5, 7.6 or 7.7 after a notice of redemption is given by a Bondholder pursuant to

Condition 7.8, the Certificate for the relevant Bond shall be deemed to have been surrendered for payment as provided in Condition 8 for the purpose of redemption under Condition 7.2, 7.3, 7.4, 7.5, 7.6 or 7.7, as the case may be.

7.13 ***Calculations***

The Trustee, the Custodian, the Custodian's Agent, the Registrar, the Principal Agent and the other Agents are not liable to determine or calculate the Reference Parity, any redemption amount or price under these Conditions (howsoever expressed or defined) or to make any other calculations required to be made under these Conditions other than in such cases as specifically stated herein (if any) and shall have no responsibility to verify or monitor such calculations.

8. **Payments**

8.1 ***Method of Payment***

Payments in respect of principal, default interest (if any) and premium (if any) will be made (subject to surrender of the Certificates in respect of the relevant Bonds at any specified office outside Japan of the Registrar or any Agent, if no further payments are due in respect of the Bonds evidenced by the relevant Certificates) to the person shown on the Register at the close of business on the third Business Day in the place of the specified office of the Registrar and the Principal Agent before the due date for payment thereof, by transfer to its Registered Account. Such payments will be made by transfer to its Registered Account subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment but without prejudice to the provisions of Condition 9. Save as provided in Condition 9, such payments will be subject in all cases to any other applicable fiscal or other laws and regulations in the place of payment and the Company will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements. If an amount which is due in respect of the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

"Registered Account" means a yen account maintained by the payee with a bank in Japan, details of which appear on the Register at the close of business on the third Business Day in the place of the specified office of the Registrar and the Principal Agent before the due date of payment.

8.2 ***Agents***

The initial Principal Agent and the initial Registrar and their respective initial specified offices are set out at the end of these Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Agent, the Registrar or any other Agent and to appoint other or further Agents, provided that it will at all times maintain (i) a Principal Agent; (ii) a Registrar; (iii) an Agent having a specified office in Singapore, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited and the rules of that exchange so require; and (iv) such other agents as may be required by the rules of any stock exchange on which the Bonds are listed. Notice of any such termination or appointment and of any changes in the specified offices of the Principal Agent, the Registrar or any other Agent will be given to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19.

8.3 ***Payments on Payment Business Days***

If the due date for payment of any amount in respect of any Bond is not a Payment Business Day, then the holder of such Bond shall not be entitled to payment of the amount due until the next following Payment Business Day and no other payment will be made as a consequence of the day on which the relevant Bond may be presented for payment under this Condition 8.3 falling after the due date. "Payment Business Day" means any day on which banks are open for business in the place of the specified office of the Agent at which (where required) the Certificate is presented for payment and (in the case of payment by transfer to a Registered Account as referred to in Condition 8.1) on which dealings in foreign currency may be carried on both in Tokyo and in such place.

9. **Taxation**

All payments by the Company in respect of the Bonds, subject to Condition 7.4, will be made without withholding of, or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any political subdivision or any authority thereof or therein having power to tax unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. If such withholding or deduction is so required, the Company will pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by the Bondholders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Bonds in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Bond:

(i) to a Bondholder (a) who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation, or (b) who fails to comply with the Japanese tax law requirements in respect of the exemption from such withholding or deduction, or (c) who is otherwise subject to such taxes, duties, assessments or governmental charges by reason of its being connected with Japan (including carrying on a business or maintaining a permanent establishment in Japan) otherwise than by reason only of the holding of any Bond or enforcement of rights thereunder or the receipt of payment in respect of any Bond; or

(ii) in respect of which the relevant Certificate is presented for payment more than 30 days after the Due Date (as defined below) except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting the Certificate in respect of such Bond for payment as of the expiry of such 30-day period.

If the Company becomes obliged to pay Additional Amounts in accordance with this Condition 9, then it will have the right to redeem the Bonds in accordance with Condition 7.4 (subject to the right of the Bondholders to retain the Bonds without entitlement to such Additional Amounts in accordance with Condition 7.4).

In these Conditions, the "Due Date" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect shall have been duly given to the Bondholders in accordance with Condition 19.

Any reference in these Conditions and the Trust Deed to principal, premium (if any) or default interest in respect of the Bonds shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 9 or any undertakings or covenants given in addition thereto or in substitution therefor pursuant to the Trust Deed.

No Additional Amounts will be payable for or on account of any deduction or withholding from a payment on, or in respect of, any Bond where such deduction or withholding is imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, any regulation or agreement thereunder, any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions or any agreement with the U.S. Internal Revenue Service ("FATCA withholding"). Further, the Company will have no obligation to otherwise indemnify an investor for any such FATCA withholding deducted or withheld by the Company, the Agents or any other party that is not an agent of the Company.

10. **Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary

Resolution shall, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction, give notice in writing to the Company that the Bonds are due and repayable on the occurrence of any of the following events:

10.1 *Non-payment:* the Company defaults in the payment of the principal of any of the Bonds under Condition 7.4 or 7.8 as and when the same shall become due and payable, and such default is not remedied within 14 days; or

10.2 *Breach of Obligations:* the Company defaults in the performance or observance of any covenant, condition or provision contained in the Trust Deed or in the Bonds and on its part to be performed or observed (other than the covenant to pay the principal in respect of any of the Bonds), which default is, in the opinion of the Trustee, incapable of remedy, or if, in the opinion of the Trustee, capable of remedy, is not remedied within 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Company of notice requiring such default to be remedied; or

10.3 *Cross Default on Indebtedness:* the obligation to repay any indebtedness for money borrowed by the Company or any Principal Subsidiary and having an aggregate outstanding principal amount of at least ¥500,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10) is accelerated or capable of being accelerated prior to its stated maturity as a result of a default in respect of the terms thereof, or any such indebtedness due (on demand or otherwise) having an aggregate outstanding principal amount of at least ¥500,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10) is not paid when due (whether on demand (if applicable) or otherwise) (or at the expiration of any grace period as originally provided (if applicable)); or

10.4 *Cross Default on Guarantee/Indemnity:* the Company or any Principal Subsidiary fails to pay or otherwise defaults in making any payment due under any guarantee and/or any indemnity given by it in respect of any obligation or indebtedness for money borrowed having an aggregate outstanding principal amount of at least ¥500,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10); or

10.5 *Initiation of Insolvency Proceedings:* proceedings shall have been initiated against the Company or any Principal Subsidiary seeking with respect to the Company or such Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction and such proceedings shall not have been discharged or stayed within a period of 60 days; or

10.6 *Decree of Insolvency/Dissolution:* a final decree or order is made or issued by a court of competent jurisdiction adjudicating the Company or any Principal Subsidiary bankrupt or insolvent, or approving a petition seeking with respect to the Company or any Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction or a final decree or order is made or issued by a court of competent jurisdiction for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or any Principal Subsidiary or of all or (in the opinion of the Trustee) any material part of the property of any of them, or for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary in its bankruptcy or insolvency; or

10.7 *Resolution for Dissolution:* a resolution is passed for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary except:

10.7.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the

Company becoming, or becoming a subsidiary of, a holding company) upon which:

(a) the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Trust Deed and the Bonds (and Condition 6.4 is satisfied); or

(b) the Bonds are to be redeemed pursuant to Condition 7.5, 7.6 or 7.7 prior to the date or proposed date of such winding-up, dissolution or liquidation; or

10.7.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company or the Holding Company, in any such case, in proportion to the ownership interest held by the Company, such other Subsidiary or the Holding Company (as the case may be) in the relevant Principal Subsidiary; or

10.7.3 in any case, where the terms have previously been approved by the Trustee in writing or by an Extraordinary Resolution; or

10.8 *Institution of Insolvency Proceedings:* the Company or any Principal Subsidiary institutes proceedings seeking with respect to itself adjudication of bankruptcy or seeking with respect to itself a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction, or consents to the institution of any such proceedings, or consents to, or acquiesces in, the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or (in the opinion of the Trustee) any material part of its property, or makes a general assignment for the benefit of its creditors; or

10.9 *Stop Payment:* the Company or any Principal Subsidiary stops payment (within the meaning of the Bankruptcy Act or any applicable law of any other jurisdiction); or

10.10 *Cessation of Business:* the Company or any Principal Subsidiary ceases, or through an official action of its Board of Directors threatens to cease to carry on all of its business, except:

10.10.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which:

(a) the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Trust Deed and the Bonds (and Condition 6.4 is satisfied); or

(b) the Bonds are to be redeemed pursuant to Condition 7.5, 7.6 or 7.7 prior to the date or proposed date of such cessation of business; or

10.10.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company or the Holding Company, in any such case, in proportion to the ownership interest held by the Company, such other Subsidiary or the Holding Company (as the case may be) in the relevant Principal Subsidiary; or

10.10.3 in any case, where the terms have previously been approved by the Trustee in writing or by an Extraordinary Resolution; or

10.11 *Encumbrancer:* any encumbrancer takes possession of the whole or any material (in the opinion of the Trustee) part of the assets or undertakings of the Company or any Principal Subsidiary or a distress, execution or other similar process is levied or enforced upon or sued out against the whole or any material (in the opinion of the Trustee) part of the assets of the Company or any Principal Subsidiary and is not removed, discharged or paid out within 60 days or such longer period as the Trustee may consider appropriate in relation to the jurisdiction concerned having taken appropriate legal advice upon which the Trustee shall be entitled to rely absolutely;

and, in the case of any of the events described in Conditions 10.2, 10.3, 10.4 and 10.11, and (if the events relate only to a Principal Subsidiary) Conditions 10.5, 10.6, 10.7, 10.8, 10.9 and 10.10, the Trustee shall have certified in writing to the Company that the event is, in its opinion, materially prejudicial to the interests of the Bondholders. The Trustee in forming such an opinion, or making any determination under or required or contemplated by this Condition 10, may exercise all or any of its rights, powers and discretions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining and relying on such directions from the Bondholders and/or expert advice as it considers appropriate and relying thereon without any responsibility for delay occasioned for so doing.

For the purposes of Conditions 10.3 and 10.4, any indebtedness which is in a currency other than Japanese yen may be translated into Japanese yen at the spot rate for the sale of relevant currency against the purchase of Japanese yen quoted by any leading bank selected by the Trustee at its absolute discretion on any day when the Trustee requests such a quotation for such purpose.

Upon any such notice being given to the Company, the Bonds shall immediately become due and repayable at 100 per cent. of their principal amount (together with Additional Amounts, if any, premium, if any, and default interest, if any, accrued to the date of payment) as provided in the Trust Deed.

11. Undertakings

11.1 *Undertakings with Respect to the Stock Acquisition Rights*

While any Stock Acquisition Rights are, or are capable of being, exercisable, the Company will, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in the opinion of the Trustee, it is not materially prejudicial to the interests of the Bondholders to give such approval:

11.1.1 *Shares*: issue, register and deliver Shares upon exercise of Stock Acquisition Rights in accordance with these Conditions, and keep available free from pre-emptive or other rights for the purpose of effecting the exercise of the Stock Acquisition Rights such number of its Shares (whether authorised and unissued or in issue and held in treasury) as would be required to be delivered upon exercise of all of the Stock Acquisition Rights outstanding from time to time and will ensure that all Shares delivered upon exercise of the Stock Acquisition Rights pursuant to these Conditions will be duly and validly issued and fully-paid and non-assessable;

11.1.2 *Transfers*: not take any action which prevents the transfer of its Shares generally unless, under Japanese law and the Articles of Incorporation as then in effect, the Stock Acquisition Rights may be exercised legally for Shares and the Shares issued upon exercise of the Stock Acquisition Rights, if any, may (subject to any limitation imposed by law) be transferred (as between transferor and transferee although not as against the Company) at all times while such action is effective, nor take any action which prevents exercise of the Stock Acquisition Rights or the issue or transfer of Shares in respect thereof, except as permitted under Condition 5.1.4;

11.1.3 *Financial Year and Record Date*: give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 as soon as practicable after it effects any change in its financial year or in the Record Date (including the setting of new Record Dates) for the payment of any cash dividend;

11.1.4 *Listing*: use its best endeavours to obtain and maintain the listing, quotation or dealing in on the Relevant Stock Exchange for the Shares or, if it is unable to do so having used such best endeavours or the maintenance of such listing is agreed by the Trustee to be unduly onerous and the Trustee is satisfied that the interests of the Bondholders would not be thereby materially prejudiced, use its best endeavours to obtain and maintain the listing, quotation or dealing in of the Shares on such other stock exchange or securities market in Japan as the Company may from time to time reasonably determine and give notice of the identity of such stock exchange or securities market to the Bondholders in accordance with Condition 19; provided that:

(i) so long as the Company is not in breach of its obligations under Condition 6 in the case of any Corporate Event where the obligations under the Bonds and/or Stock Acquisition Rights are proposed to be transferred to or assumed by a New Obligor, then the Shares may be delisted with effect from the date falling no earlier than 30 days prior to the relevant Corporate Event Effective Date or such earlier date as may be determined by the Relevant Stock Exchange and (unless shares of common stock of the New Obligor are then listed or quoted or dealt in on any stock exchange or securities market) the Company shall use its best endeavours to cause the obtaining of a listing, quotation or dealing in of the shares of common stock of the New Obligor on any stock exchange or securities market in Japan;

(ii) the Company's obligations under this Condition 11.1.4 shall not apply if the Bonds are to be redeemed under Condition 7.5 or Condition 7.6 (for the avoidance of doubt, the provisions of this Condition 11.1.4 shall not prevent the Company from (x) delivering a certificate to the Trustee, as provided in Condition 7.5(iv), or (y) taking any action provided in items (ii) and (iii) of Condition 7.6.1); and

(iii) the Company's obligations under this Condition 11.1.4 shall not apply if the Bonds are to be redeemed under Condition 7.7 (for the avoidance of doubt, the provisions of this Condition 11.1.4 shall not prevent the Company from, among other things, proposing an amendment to the Articles of Incorporation for transforming the Shares into callable shares (*zenbushutokujoko tsuki shuruikabushiki*), approving a request by the Controlling Shareholder that the other shareholders of the Company (other than the Company and, if the Controlling Shareholder so determines, the Controlling Shareholder's wholly-owned subsidiaries) sell to the Controlling Shareholder all of the shares of the Company held by them (*kabushikitou uriwatashi seikyu*), proposing a consolidation of Shares (*kabushiki no heigo*) after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing, or announcing or admitting that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or be disqualified from such listing, quotation or dealing as a result of the acquisition or consolidation of Shares pursuant to a Squeezeout Event, as the case may be);

11.1.5 *Other Securities*: procure that no securities of the Company convertible into, or exchangeable for, by their terms, Shares are, without the prior written consent of the Trustee (and in compliance with the conditions attached to such consent, if any), converted into or exchanged for Shares and that no rights or warrants to subscribe for, purchase or otherwise acquire Shares are, without the prior written consent of the Trustee (and in compliance with the conditions attached to such consent, if any), exercised otherwise than, in each case, in accordance with the terms of issue thereof (for the avoidance of doubt, such terms may be amended as a result of any change in or bringing into force of Japanese law, including but not limited to certain tax qualification requirements relating to incentive stock options);

11.1.6 *Capital*: not create or issue any class of share capital other than Shares, without giving notice to the Trustee in writing and to the Bondholders in accordance with Condition 19, at least 14 days prior to the date of such creation or issue;

11.1.7 *Limitation on the Reduction of the Conversion Price*: not take any action which would result in an adjustment of the Conversion Price if, after giving effect thereto, the Conversion Price would (but for the provisions of Condition 5.4) be decreased to such an extent that the Shares to be acquired on exercise of the Stock Acquisition Right could not, under any applicable law then in effect, be legally issued as fully-paid and non-assessable;

11.1.8 *Corporate Event*: if a Corporate Event occurs, use its best endeavours to obtain all consents which may be necessary or appropriate under Japanese law to enable the relevant company to give effect to the relevant arrangement, and to take all other action, as required by Condition 6 in a timely manner (unless, for the avoidance of doubt, the Bonds are to be redeemed pursuant to Condition 7.5 or 7.6); and

11.1.9 *Consents*: obtain and maintain all consents, clearances, approvals, authorisations, orders, registrations or qualifications (if any) required to be obtained or maintained by the Company on exercise of the Stock Acquisition Rights.

The Trust Deed contains certain other undertakings in relation to the Bonds and the Stock Acquisition Rights.

11.2 ***Charges***

Except as otherwise provided in Condition 5.9, the Company will pay all charges of the Trustee, the Registrar, the Principal Agent, the other Agents, the Custodian and the Custodian's Agent (including the cost of providing notices) and all issue, transfer and other similar taxes payable with respect to the deposit of Bonds pursuant to Condition 5.9.3 and the issue and delivery of Shares and the delivery of any other securities pursuant to Condition 5.9.5 following such deposit.

12. **Substitution**

12.1 ***Substitution other than under a Corporate Event***

The Trustee may, without the consent of the Bondholders, agree with the Company to the substitution in place of the Company (or any previous substitute under this Condition 12) as the principal obligor under the Bonds and the Trust Deed of any Subsidiary of the Company subject to (i) the Bonds continuing to be convertible into Shares as provided in these Conditions, with such amendments as the Trustee shall consider appropriate, (ii) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution, and (iii) the satisfaction of such other conditions as are set out in the Trust Deed. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders, to a change of the law governing the Bonds and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders. Any such substitution shall be binding on the Bondholders and shall be notified promptly to the Bondholders in accordance with Condition 19.

When determining, pursuant to this Condition 12.1, whether an event or circumstance is materially prejudicial to the interests of the Bondholders, the Trustee may exercise all or any of its rights, powers and directions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining such expert advice as it considers appropriate and relying thereon without any responsibility or liability to the Bondholders or any other person for delay occasioned for so doing.

Further conditions to such substitution are set out in the Trust Deed.

12.2 ***Substitution under a Corporate Event***

Prior to a Corporate Event Effective Date the Trustee may, if so requested by the Company, agree with the Company, without the consent of Bondholders, to the substitution in place of the Company of the New Obligor subject to a trust deed supplemental to the Trust Deed (which shall include the provisions described below), providing that the Company's obligations under the Bonds and the Trust Deed shall be assumed by the New Obligor by way of substitution (which, for the purposes of Japanese law, may be deemed to be a transfer or assumption of such obligations to or by the New Obligor), and that the New Obligor shall grant stock acquisition rights (the "New Stock Acquisition Rights") to all holders of the Bonds then outstanding, in place of the Stock Acquisition Rights incorporated in the Bonds held by them, being executed on or prior to the relevant Corporate Event Effective Date or (in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date) within 14 days after the relevant Corporate Event Effective Date. The Trustee may enter into such supplemental trust deed without consent of Bondholders only if:

12.2.1 under such supplemental trust deed, the New Obligor agrees, in form, manner and substance satisfactory to the Trustee, to be bound by the Trust Deed and the Bonds (with consequential amendments as the Trustee may deem appropriate) with effect (as specified in this Condition 12.2) as if the New Obligor had been named in the Trust Deed and the Bonds as the principal obligor in place of the Company and providing that the holders of the Bonds then outstanding shall be granted New Stock Acquisition Rights;

12.2.2 except in the case of a Merger Event, pursuant to such supplemental trust deed the Company guarantees, in a form and manner satisfactory to the Trustee, the payment obligations of the New Obligor under the Trust Deed and the Bonds with effect as specified in this Condition 12.2, provided that no such guarantee will be required if the Company determines and has delivered to the Trustee no later than 10 calendar days prior to the relevant Corporate Event Effective Date a certificate of the Company signed by a Representative Director or an Authorised Officer of the Company that, as of the Corporate Event Effective Date, any rating which would be assigned to the New Obligor's long-term, unsecured and unsubordinated debt is unlikely to be lower than the rating then currently assigned to the Company's long-term, unsecured and unsubordinated debt (and which certificate the Trustee shall be entitled to rely upon without further investigation and without incurring any liability to any person for doing so). In making this determination, the Company shall consult an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser;

12.2.3 if the New Obligor is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "New Territory") other than the territory to the taxing jurisdiction of which (or to any such authority of or in which) the Company is subject generally (the "Company's Territory"), the New Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for, or addition to, in relation to the New Obligor, references in Condition 9 to the Company's Territory of references to the New Territory whereupon the Trust Deed and the Bonds will be read accordingly, and corresponding amendments shall be made to Condition 7.4 in relation to payment of Additional Amounts by the New Obligor (and/ or the guarantor, if any);

12.2.4 a Representative Director or an Authorised Officer of the New Obligor certifies that the New Obligor will be solvent immediately after such substitution (if the Trustee receives such certification, the Trustee need not have regard to the New Obligor's financial condition, profits or prospects or compare them with those of the Company);

12.2.5 the Company shall have certified (by a certificate of a Representative Director or an Authorised Officer) to the Trustee that the New Stock Acquisition Rights satisfy the provisions of Condition 6.5;

12.2.6 the Company and the New Obligor comply with such other requirements as the Trustee may direct in the interests of the Bondholders; and

12.2.7 such substitution and grant of the New Stock Acquisition Rights become effective on the Corporate Event Effective Date (or in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, within 14 days after the relevant Corporate Event Effective Date).

12.3 ***Release of Obligations***

An agreement by the Trustee pursuant to Condition 12.2 will (except in respect of any guarantee under Condition 12.2.2), if so expressed, release the Company (or a previous substitute) from any or all of its obligations under the Trust Deed and the Bonds.

12.4 ***Deemed Amendment***

On completion of the formalities set out in Condition 12.2, the New Obligor will be deemed to be named in the Trust Deed and the Bonds as the principal obligor in place of the Company (or of any previous substitute) and the Trust Deed and the Bonds will be deemed to be amended as necessary to give effect to the substitution. In particular and without limitation:

(i) the terms "Stock Acquisition Rights" and "Shares" shall, where the context so requires, include the New Stock Acquisition Rights and shares of common stock to be issued by the New Obligor; and

(ii) references to the Company in Condition 10, in the definition of Principal Subsidiary and in the Trust Deed shall also include any guarantor pursuant to Condition 12.2.2 except where the context requires otherwise.

13. Prescription

Claims in respect of the Bonds will become void unless made within the period of 10 years from the Due Date for the payment thereof.

14. Replacement of Certificates

Should any Certificate be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Company or an Agent may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. Meetings of Bondholders; Modification and Waiver

15.1 *Meetings of Bondholders*

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of a modification of any provision of these Conditions or of the Trust Deed. The quorum for any such meeting convened to consider any matter requiring an Extraordinary Resolution shall be two or more persons holding or representing not less than 50 per cent. in principal amount of the Bonds for the time being outstanding, or for any adjourned meeting two or more persons being or representing Bondholders (whatever the principal amount of Bonds held or represented) except that at any meeting the business of which includes the modification of certain provisions of the Bonds or of the Trust Deed (including, *inter alia*, modifying the date of maturity of the Bonds or the date fixed for payment of principal pursuant to Condition 7.8, reducing or cancelling the principal amount of, or any premium payable in respect of, the Bonds, modifying the method or basis of calculating the rate or amount of default interest in respect of the Bonds, altering the currency of payment of the Bonds or (to the extent permitted by applicable law) abrogating or modifying any Stock Acquisition Right), the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 50 per cent., in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not.

Notwithstanding the above provisions, any resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of such Bondholders duly convened and held in accordance with the provisions contained in the Conditions and in the Trust Deed. Any resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Bondholders. A meeting of Bondholders may be held electronically in accordance with the procedures set out in the Trust Deed.

15.2 *Modification and Waiver*

The Trustee may, without the consent of the Bondholders, agree to any modification (except as aforesaid and as set out in the Trust Deed) of the Trust Deed or the Bonds (including these Conditions) or to any waiver or authorisation of any breach, continuing breach or potential breach by the Company of the provisions of the Trust Deed or the Bonds or determine that any Event of Default or Potential Event of Default shall not be treated as such which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Bondholders or to any modification of the Trust Deed or the Bonds (including these Conditions) which is, in the opinion of the Trustee, of a formal, minor or technical nature or which is made to correct a manifest error or is necessary in order to comply with mandatory provisions of Japanese law or pursuant to Condition 6 or 12. Any such modification, waiver, determination or authorisation shall be binding on the Bondholders and shall (unless the Trustee agrees otherwise) be notified to the Bondholders in accordance with Condition 19 as soon as practicable thereafter.

If there is a change to the mandatory provisions of (i) Japanese law which in the reasonable opinion of the Company after obtaining advice from legal advisers (evidenced by (a) a certificate of a Representative Director or an Authorised Officer, and (b) an opinion addressed and delivered to the Trustee in a form satisfactory to the Trustee of independent legal counsel of recognised standing to the effect that such change has occurred) would make it necessary to amend and/or supplement the provisions of Conditions 1.1, 1.5, 5, 6, 7.5 and/or 7.7 or (ii) the FIEA which in the reasonable opinion of the Company (evidenced by (a) a certificate of a Representative Director or an Authorised Officer, and (b) an opinion addressed and delivered to the Trustee in a form satisfactory to the Trustee of independent legal counsel of recognised standing to the effect that such change has occurred) would make it necessary to amend and/or supplement the provisions of Condition 7.6, the relevant Conditions shall be amended and/or supplemented to reflect that change by means of a trust deed supplemental to the Trust Deed. The Trustee (unless in its sole opinion such supplemental trust deed (i) imposes obligations, responsibilities or liabilities on it which are greater than those it has as Trustee under the Trust Deed or (ii) decreases the protections it has as Trustee under the Trust Deed) shall be obliged (subject to being indemnified and/or secured and/or prefunded by the Company to its satisfaction) to enter into such supplemental trust deed (in a form and substance satisfactory to it) to effect such change (even if, in the opinion of the Trustee, that change may be materially prejudicial to the interests of the Bondholders) without the consent of the Bondholders, but the Trustee shall have no responsibility or liability to any person for so doing and may rely on any opinion or any certificate of a Representative Director or an Authorised Officer provided pursuant to this Condition 15.2 without liability to any person and without further investigation. The Trustee in forming any such opinion or making any determination may exercise all or any of its rights, powers and directions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining such expert advice as it considers appropriate and relying thereon without any responsibility for delay occasioned for so doing. The Company shall forthwith give notice to the Bondholders following the execution of any such supplemental trust deed in accordance with Condition 19.

15.3 ***Entitlement of the Trustee***

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in these Conditions), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the interests of individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Company any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

15.4 ***Authority to the Trustee***

To the fullest extent permitted by applicable law, by acquiring a Bond, the Bondholder irrevocably authorises and instructs the Trustee (without its direction whether by Extraordinary Resolution or otherwise) to take any action, step or proceeding before a Japanese court on behalf of and in the name of the Bondholder which the Trustee considers to be necessary or desirable in the interests of the Bondholders. The Trustee shall not be bound to take any such action, step or proceeding unless (a) so directed by an Extraordinary Resolution or so requested in writing by holders of at least one-quarter in principal amount of Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction, and shall incur no liability in taking or refraining from taking such action, step or proceeding. The Trustee shall not take any action, step or proceeding on behalf of a Bondholder in respect of the statutory rights referred to in Condition 6.6, such rights having been irrevocably waived by the Bondholder to the fullest extent permitted by applicable law.

16. **Enforcement**

At any time after the Bonds shall have become due and repayable, the Trustee may, at its absolute discretion and without further notice, take such proceedings, actions or steps against the Company as it may think fit to enforce repayment of the Bonds, together with accrued default interest, if any, pursuant to Condition 4 and to enforce the provisions of the Trust Deed and the Bonds, but it shall not be bound to take any such proceedings, actions or steps unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder shall be entitled to proceed directly against the Company unless the Trustee, having become bound so to proceed, fails or is unable to do so within 30 days of such direction or request and provision of indemnity and/or security and/or prefunding (whichever is the latest) and such failure or inability shall be continuing.

17. **Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings, actions or steps to enforce the provisions of the Trust Deed or the terms of the Bonds and to be paid its costs and expenses in priority to the claims of Bondholders. The Trustee is entitled to enter into business transactions with the Company or any person or body corporate associated with the Company without accounting for any profit resulting therefrom.

The Trustee may rely without liability to Bondholders or any other person on any certificate or report prepared by the Auditor or any Independent Financial Adviser or other expert pursuant to these Conditions and/or the Trust Deed, whether or not addressed to the Trustee and whether or not the liability of the Auditor, the Independent Financial Adviser or such other expert (as the case may be) in respect thereof is limited by a monetary (or any other) cap or otherwise, and shall be obliged to do so where the certificate or report is delivered pursuant to the obligation of the Company to procure such delivery under these Conditions and/or the Trust Deed and, in the absence of manifest error, any such certificate or report shall be conclusive and binding on the Company, the Trustee, and the Bondholders.

18. **Independent Financial Adviser**

If any doubt shall arise as to the appropriate adjustment to the Conversion Price or in relation to any other matter which is reserved in these Conditions for a decision of an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect of such adjustment to the Conversion Price or other matter shall be conclusive and binding on the Company, the Trustee and the Bondholders in the absence of manifest error.

If the Company shall fail to appoint an Independent Financial Adviser when required to do so and such failure continues for a reasonable period (as determined by the Trustee in its absolute discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such Independent Financial Adviser or otherwise in connection with such appointment, the Trustee shall have the power, but shall not be obliged, to make such appointment in its absolute discretion and without liability for so doing or not doing, following notification to the Company, in which case such Independent Financial Adviser shall be deemed to have been appointed by the Company.

19. **Notices**

All notices to the Bondholders will be valid if mailed to them at their respective addresses in the Register and published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*). If publication in any of such newspapers is not practicable, notices will be given in such other newspaper or newspapers as the Company, with the approval of the Trustee, shall determine. Such notices shall be deemed to have been given on the later of (i) the date of their publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required and (ii) the seventh day after being so mailed.

So long as the Bonds are evidenced by the Global Certificate and such Bonds are held on behalf of a clearing system, notices to Bondholders shall be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for mailing and publication required by the Conditions.

20. **Contracts (Rights of Third Parties) Act 1999**

Except as provided herein, no person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

21. Governing Law and Submission to Jurisdiction

21.1 *Governing Law*

The Trust Deed and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

21.2 *Jurisdiction*

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed and the Bonds (including any non-contractual obligation arising out of or in connection with the Trust Deed and the Bonds) and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds (including any non-contractual obligation arising out of or in connection with the Trust Deed and the Bonds) ("Proceedings") may be brought in such courts. The Company has in the Trust Deed submitted to the jurisdiction of such courts and has waived any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission has been made for the benefit of the Trustee and each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

21.3 *Agent for Service of Process*

The Company has irrevocably appointed Cogency Global (UK) Limited, whose office is at present at 6 Lloyds Avenue, Unit 4CL, London EC3N 3AX, United Kingdom, as its agent in England to receive service of process in any Proceedings in England. If for any reason Cogency Global (UK) Limited ceases to be able to act as such or no longer has an address in England, the Company irrevocably agrees to appoint a substitute process agent acceptable to the Trustee and shall immediately notify the Trustee of such appointment. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

Meetings

The registered holder (as defined in the Conditions) of the Bonds in respect of which the Global Certificate is issued shall (unless the Global Certificate evidences only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each Bond in respect of which the Global Certificate is issued. The Trustee may allow any accountholder (or the representative of such person) of a clearing system entitled to the Bonds in respect of which the Global Certificate is issued to attend and speak (but not vote) at a meeting of Bondholders on appropriate proof of its identity.

Exercise of Stock Acquisition Rights

Subject to the requirements of Euroclear or Clearstream, Luxembourg or such other clearing system as shall have been approved in writing by the Trustee (an "Alternative Clearing System"), the Stock Acquisition Right incorporated in a Bond in respect of which the Global Certificate is issued may be exercised by the transmission in electronic form to any Agent of one or more Conversion Notices duly completed by, or on behalf of, an accountholder in such system with an entitlement to such Bonds and otherwise in accordance with the procedures of the relevant clearing systems. Deposit of the Global Certificate with an Agent together with the relevant Conversion Notice shall not be required. The exercise of the Stock Acquisition Right shall be notified by the Agent to the Registrar and the holder of the Global Certificate.

Payments

Payments in respect of Bonds evidenced by the Global Certificate shall be made against presentation of or, if no further payment falls to be made in respect of such Bonds, against presentation and surrender of, the Global Certificate to or to the order of the Principal Agent or such other Agent as shall have been notified to the Bondholders for this purpose.

All payments in respect of the Bonds evidenced by the Global Certificate will be made to, or to the order of the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment. For the purposes of this paragraph, "Clearing System Business Day" means Monday to Friday inclusive, excluding 25 December and 1 January in each year.

So long as the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, a "Payment Business Day" for the purposes of Condition 8.3 shall be any day on which dealings in foreign currency may be carried out in Tokyo.

Notices

So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg or any Alternative Clearing System, notices required to be given to the Bondholders shall be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System, for communication by it to entitled accountholders in substitution for publication and mailing as required by the Conditions. Such notices shall be deemed to have been given in accordance with the Conditions on the date of delivery to Euroclear, Clearstream, Luxembourg or such Alternative Clearing System.

So long as the Bonds are evidenced by the Global Certificate, the Company will be required to give notice of the determination of any Shareholder Determination Date Restriction Period (together with a description of the days included in such Shareholder Determination Date Restriction Period) in accordance with Condition 5.1.4 at least three business days prior to the commencement of such Shareholder Determination Date Restriction Period (provided that no such notice is required where the Shareholder Determination Date Restriction Period in question relates to a Record Date that has been fixed by the Articles of Incorporation then in effect); "business day" in this paragraph means any day on which banks are open for business in Tokyo, Brussels and Luxembourg.

Transfers

Transfers of interests in the Bonds in respect of which a Global Certificate is issued shall be effected through the records of Euroclear and Clearstream, Luxembourg or any Alternative Clearing System and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg or any Alternative Clearing System, as the case may be, and their respective direct and indirect participants.

Prescription

Claims against the Company for payment in respect of principal and premium (if any) and any other amounts due (if any) in respect of the Bonds evidenced by a Global Certificate shall become void unless made within a period of 10 years from the appropriate Due Date (as defined in the Conditions).

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for any one or more of Euroclear, Clearstream, Luxembourg and an Alternative Clearing System, the Trustee may, to the extent it considers appropriate to do so in the circumstances, have regard to and rely upon any information made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements to the relevant Bonds evidenced by the Global Certificate, and may consider such interests as if such accountholders were the holder of the relevant Bonds.

Cancellation

Cancellation of any Bond evidenced by the Global Certificate which is required by the Conditions to be cancelled will be effected by reduction in the principal amount of the Bonds in the Register and the endorsement (for information only) of the Global Certificate by the Registrar, and provisions relating to the forwarding and cancellation of Certificates relating to such cancelled Bonds shall not apply.

Early Redemption by the Company

The options and obligations of the Company to redeem the Bonds prior to maturity provided for in Conditions 7.2, 7.3, 7.4, 7.5, 7.6 and 7.7 shall be exercised or performed by the Company giving notice (as applicable) to the Trustee, the Principal Agent and the Bondholders within the time limits relating thereto set out in and containing the information required of the Company in accordance with the relevant Condition and in accordance with the paragraph entitled "Notices" above.

Election of Bondholders

The election option of the Bondholders provided for in Condition 7.4 may be exercised by the holder of the Bonds evidenced by the Global Certificate by giving notice to the Principal Agent within the time limits relating thereto set out in that Condition and otherwise in accordance with the procedures of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System (as the case may be) in the form acceptable thereto from time to time.

Redemption at the Option of the Bondholders

The option of any Bondholder to have its Bonds redeemed provided for in Condition 7.8 may be exercised by the holder of such Bonds evidenced by the Global Certificate giving notice to the Principal Agent, in electronic form within the time limits relating thereto set out in that Condition and otherwise in accordance with the procedures of the relevant clearing systems in the form acceptable thereto from time to time.

Electronic Consent

While the Bonds evidenced by the Global Certificate is registered in the name of any nominee for, or for any common depositary (or its nominee) for, the relevant clearing system, then (a) approval of a resolution proposed by the Company or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s), to the Principal Agent or another specified agent in accordance with their operating rules and procedures by or on behalf of the holders of the Bonds of not less than 90 per cent. in nominal amount of such Bonds then outstanding (an "Electronic Consent" as defined in the Trust Deed) shall, for all purposes (including in relation to Reserved Matters (as defined in the

Trust Deed)), take effect as an Extraordinary Resolution passed at a meeting of the holders of the Bonds duly convened and held, and shall be binding on all holders of Bonds, whether or not they participated in such Electronic Consent, and (b) where Electronic Consent is not being sought, subject to certain requirements set out in the Trust Deed, the Company and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Company and/or the Trustee, as the case may be, by accountholders in the relevant clearing system with entitlements to such Bonds evidenced by the Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held.

Enforcement

For purposes other than with respect to the payment of principal and premium (if any) on the Bonds in respect of which the Global Certificate is issued, each person who is for the time being shown in the records of Euroclear and Clearstream, Luxembourg or Alternative Clearing System as the holder of a particular principal amount of such Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or Alternative Clearing System as to the principal amount of Bonds in respect of which the Global Certificate is issued standing to the account of any person shall be conclusive and binding for all purposes) shall be recognised as the holder of such principal amount of Bonds.

SBI HOLDINGS, INC.

The following summary of the Company's activities and results of operations is qualified in its entirety by, and subject to, the more detailed information and financial statements included in this Offering Circular. The description of the Company's operations in this Offering Circular is on a consolidated basis unless otherwise indicated.

The Company was established in 1999 as a pioneer of Internet-based financial services in Japan. At a time of rapid transformation due to the development and popularisation of the Internet and financial deregulation, the Group has achieved steady growth and established the business structure of a globally distinctive Internet-based financial conglomerate. As an Internet-based comprehensive financial group, the Group has established a unique "financial ecosystem" that can provide one-stop access to various financial services, and centres its operations on financial businesses including securities, banking and insurance.

The Group operates five principal businesses: "Financial Services Business", "Asset Management Business", "Investment Business", "Crypto-asset Business" and "Next Gen Business". As of 31 March 2024, the Group consisted of the Company, 659 consolidated subsidiaries (including consolidated partnerships) and 62 equity method associates.

For the fiscal year ended 31 March 2024, on a consolidated basis, the Group's revenue, profit before income tax expense and profit for the year attributable to Owners of the Company amounted to ¥1,210,504 million, ¥141,569 million and ¥87,243 million, respectively.

The Company's registered office and headquarters is located at 6-1, Roppongi 1-chome, Minato-ku, Tokyo 106-6019, Japan.

The Company is incorporated under Japanese law with limited liability as a joint stock corporation (*kabushiki kaisha*). The Shares are listed on the Prime Market of the Tokyo Stock Exchange.

Selected Financial Data

The following selected consolidated financial data other than financial ratios have been extracted without material adjustment from, and should be read in conjunction with, the Company's consolidated financial statements and the notes thereto appearing elsewhere in this Offering Circular:

	As of/For the Fiscal Year Ended 31 March		
	2022(1)	**2023(1)**	**2024**
	(Millions of yen, except per Share data and ratios)		
Operating Results for the Fiscal Year:			
Revenue	¥763,618	¥956,977	¥1,210,504
Total expense	(621,563)	(863,673)	(1,086,271)
Of which:			
Operating cost	(221,822)	(185,284)	(265,861)
Selling, general and administrative expenses	(229,834)	(363,295)	(405,759)
Profit before income tax expense	412,724	102,140	141,569
Profit for the year attributable to Owners of the Company	366,854	35,445	87,243
Total Comprehensive income attributable to Owners of the Company	390,080	52,864	152,506
Equity attributable to owners of the Company	924,603	1,016,112	1,262,209
Financial Position at Year-end:			
Total assets	17,838,200	22,301,975	27,139,391
Total equity	1,583,258	1,751,982	1,907,346
Cash Flows for the Fiscal Year:			
Net cash (used in) generated from operating activities	(314,046)	960,743	1,345,740
Net cash generated from (used in) investing activities	1,838,517	(1,075,054)	(65,116)
Net cash generated from financing activities	163,302	810,425	29,172
Cash and cash equivalents at the end of the year	2,499,370	3,200,916	4,580,335
Per Share Data (Yen):			
Basic earnings per share attributable to owners of the Company	¥1,498.55	¥133.87	¥316.43
Diluted earnings per share attributable to owners of the Company	1,285.90	118.34	285.60
Equity per share attributable to owners of the Company	3,770.84	3,731.17	4,181.45

	As of/For the Fiscal Year Ended 31 March		
	2022[(1)]	2023[(1)]	2024
	(Millions of yen, except per Share data and ratios)		
Financial Ratios:			
Ratio of equity attributable to owners of the Company to total assets (%)	5.2%	4.6%	4.7%
Ratio of profit to equity attributable to owners of the Company (%)	49.4%	3.7%	7.7%
Price-earnings ratio (PER) (times)[(2)(3)]	2.07	19.60	12.49
Price-to-book ratio (PBR) (times)[(3)(4)]	0.82	0.70	0.94

Notes:

(1) Information in respect of the fiscal year ended 31 March 2023, other than cash flow data, has been restated to reflect the impact of IFRS 17. See Note 2 "Basis of Preparation" (5) "Application of new and revised IFRSs" to the audited consolidated financial statements of the Company for the fiscal year ended 31 March 2024 for details of the change and the impact amounts. Information in respect of the fiscal year ended 31 March 2022 has not been restated to reflect the impact of IFRS 17 and therefore is not fully comparable with information for the fiscal years ended 31 March 2023 and 2024.

(2) PER = Tokyo Stock Exchange closing price per share at fiscal year-end / basic earnings per share attributable to owners of the Company.

(3) Tokyo Stock Exchange closing price per share at the last trading day in March of 2022, 2023 and 2024 were ¥3,100, ¥2,624 and ¥3,951, respectively.

(4) PBR = Tokyo Stock Exchange closing price per share at fiscal year-end / equity per share attributable to owners of the Company.

RECENT BUSINESS

Overview

The Group is a pioneer of Internet-based financial services in Japan. The Group has established a unique "financial ecosystem" that can provide one-stop access to various financial services, and centres its operations on financial businesses including securities, banking and insurance. As of 31 March 2024, the Group consisted of the Company, 659 consolidated subsidiaries (including consolidated partnerships) and 62 equity method associates.

The following is a description of business activities for the Group's reporting segments:

- *Financial Services Business*. The Financial Services Business consists of a wide range of finance related business, including securities business, banking business, financial services business in overseas markets and life, property and casualty insurance business.

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

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

- *Crypto-asset Business*. The Crypto-asset Business primarily consists of the offering of exchange and transaction services related to crypto-assets.

- *Next Gen Business*. The Next Gen Business primarily consists of the biotechnology, healthcare & medical informatics business which includes development and distribution of pharmaceutical products, health foods, and cosmetics with 5-ALA, research and development of antibody drugs and nucleic acid medicine, the digitisation of medical and health information, promoting the use of medical big data and medical finance, business working on advanced fields related to Web3, renewable energy business, and developing overseas market business. The semiconductor business is also included in this segment.

"Elimination/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.

Material Accounting Policies

Material accounting policies adopted by the Group are set out in Note 3 to the audited consolidated financial statements for the fiscal year ended 31 March 2024 of the Company set out in this Offering Circular.

Effective from the beginning of the fiscal year ended 31 March 2024, the Group has adopted IFRS 17 "Insurance Contracts". The Group has retrospectively applied IFRS 17 with a transition date of 1 April 2022. The retrospective adjustment has been applied to corresponding figures for the fiscal year ended 31 March 2023 presented as comparable information within the audited consolidated financial statements as of and for the fiscal year ended 31 March 2024 contained in this Offering Circular. Accordingly, financial information for the Group presented in this Offering Circular as of and for the fiscal year ended 31 March 2023 reflects such retrospective adjustments, unless otherwise stated. See Note 2 "Basis of Preparation" (5) "Application of new and revised IFRSs" to the audited consolidated financial statements of the Company for the fiscal year ended 31 March 2024 for details of the change and the impact amounts. Information in respect of the fiscal year ended 31 March 2022 has not been restated to reflect the impact of IFRS 17 and therefore is not fully comparable with information for the fiscal years ended 31 March 2023 and 2024.

Use of Estimates and Judgments in the Preparation of Consolidated Financial Statements

In the preparation of the Group's consolidated financial statements in accordance with IFRSs, management of the Company is required to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the change and subsequent future periods.

The following includes information on critical judgments in the application of accounting estimates and judgements that have a significant effect on the amounts recognised in the Group's consolidated financial statements (references to Notes below are to the relevant numbered notes to the audited consolidated financial statements of the Company for the fiscal year ended 31 March 2024 set out in this Offering Circular):

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

Recent Developments

Investment in LY HOUR Insurance PLC. of Cambodia

In May 2024, the Company announced its investment in LY HOUR Insurance PLC., a general insurance provider in Cambodia, which offers a variety of insurance products, mainly fire insurance and motor insurance. With this investment, its company name will be changed to "LY HOUR SBI Insurance PLC." (Investment ratio: the Company = 40 per cent., LY HOUR = 60 per cent.)

Memorandum of Understanding ("MoU") for Potential Business Alliance with the National Technology Group of Saudi Arabia

In May 2024, the Company announced that it entered into two separate MoUs with the National Technology Group, one of the largest information and communication technology companies in Saudi Arabia that is actively involved in the FinTech business, for a potential business alliance focusing on (1) the establishment of an exchange traded fund in Japan for investing in the Saudi Arabian market, and (2) the establishment of an alternative trading system in Saudi Arabia for fixed income instruments with the purpose of enhancing liquidity in Saudi Arabia's fixed income instrument market.

Memorandum of Understanding on Business Partnership with MISA and BIM of Saudi Arabia to Establish a New Venture Fund

In May 2024, the Company, the Ministry of Investment of Saudi Arabia ("MISA") and BIM Ventures ("BIM") entered into an MoU to establish a business alliance aimed at strengthening economic relations and fostering new opportunities for start-ups in both Saudi Arabia and Japan. This alliance will focus on the creation and management of a dedicated fund designed to bridge the two economies and to invest in Saudi Arabian companies.

Under the terms of the MoU, the Group, MISA and BIM will explore the potential for a business alliance in relation to (i) MISA support for the Group and BIM in their joint efforts to establish and manage a fund with a size which will specialise in aiding startups to expand or establish themselves within Saudi Arabia; (ii) the leveraging of the networks of the Group and BIM to support MISA in promoting investment opportunities within Saudi Arabia; and (iii) MISA support for the Group and BIM in facilitating their portfolio companies' growth in Saudi Arabia, subject to compliance with Saudi Arabian laws and regulations.

Consolidated Results for the Fiscal Year Ended 31 March 2024

Overview

During the fiscal year ended 31 March 2024, the Japanese economy showed a recovery trend with a real gross domestic product ("GDP") growth rate of nearly 2 per cent. for the full year, although the real GDP growth rate was negative in the second half of the fiscal year. On 22 February 2024, the Nikkei Stock Average reached a record high of ¥38,915, and surpassed the ¥40,000 mark in March 2024. On the other hand, future trends remain necessary to be closely monitored, with trends such as long-term interest rates rising due to the termination of the zero interest rate policy by the Bank of Japan, and inflation caused by the depreciation of the yen due to the interest rate gap between Japan and the United States, resulting in the rise of import prices.

Results

Revenue

Revenue increased by 26.5 per cent., to ¥1,210,504 million for the fiscal year ended 31 March 2024, compared to ¥956,977 million for the fiscal year ended 31 March 2023. This increase principally reflected the increase in revenue in the Financial Services Business, amounting to ¥1,031,439 million (an increase of 22.0 per cent. compared to the previous fiscal year).

Expense

Total expense increased by 25.8 per cent., to ¥1,086,271 million for the fiscal year ended 31 March 2024, compared to ¥863,673 million for the fiscal year ended 31 March 2023. Operating cost increased by 43.5 per cent., to ¥265,861 million for the fiscal year ended 31 March 2024, compared to ¥185,284 million for the fiscal year ended 31 March 2023, principally reflecting increases in outsourcing costs and cost of sales for real estate for sale, while other financial cost increased by 108.7 per cent., to ¥41,713 million for the fiscal year ended 31 March 2024, compared to ¥19,985 million for the fiscal year ended 31 March 2023. Selling, general and administrative expenses increased by 11.7 per cent., to ¥405,759 million for the fiscal year ended 31 March 2024, compared to ¥363,295 million for the fiscal year ended 31 March 2023, principally reflecting increases in personnel costs and outsourcing costs. Other expenses amounted to ¥13,060 million for the fiscal year ended 31 March 2024, compared to ¥22,856 million for the fiscal year ended 31 March 2023, the decrease principally reflecting a decrease in impairment costs.

Share of the profit of associates and joint ventures accounted for using the equity method

Share of the profit of associates and joint ventures accounted for using the equity method increased by 127.6 per cent. to ¥14,513 million for the fiscal year ended 31 March 2024 compared to ¥6,376 million for the fiscal year ended 31 March 2023.

Profit before income tax expense

As a result of the above, profit before income tax expense increased by 38.6 per cent., to ¥141,569 million for the fiscal year ended 31 March 2024, compared to ¥102,140 million for the fiscal year ended 31 March 2023.

Income tax expense

Income tax expense decreased by 8.2 per cent., to ¥27,953 million for the fiscal year ended 31 March 2024, compared to ¥30,444 million for the fiscal year ended 31 March 2023.

Profit for the year attributable to Owners of the Company

As a result of the above, profit for the year amounted to ¥113,616 million for the fiscal year ended 31 March 2024, compared to ¥71,696 million for the fiscal year ended 31 March 2023. Profit for the year attributable to non-controlling interests amounted to ¥26,373 million for the fiscal year ended 31 March 2024, compared to ¥36,251 million for the fiscal year ended 31 March 2023. As a result, profit for the year attributable to Owners of the Company increased by 146.1 per cent., to ¥87,243 million for the fiscal year ended 31 March 2024, compared to ¥35,445 million for the fiscal year ended 31 March 2023.

Results by Business Segments

Financial Services Business

Revenue in the Financial Services Business increased by 22.0 per cent., to ¥1,031,439 million for the fiscal year ended 31 March 2024, compared to ¥845,166 million for the fiscal year ended 31 March 2023, while before income tax expense increased by 8.5 per cent., to ¥164,981 million for the fiscal year ended 31 March 2024, compared to ¥152,040 million for the fiscal year ended 31 March 2023. These principally reflected the factors mentioned below, including in particular an increase in income arising from financial assets measured at amortised cost in the banking business.

In the fiscal year ended 31 March 2024, despite the introduction of a "ZERO Revolution", eliminating trading commissions for its online domestic stock trading operations (the first company in Japan to introduce such system), leading to a loss in revenue opportunity of around ¥15.8 billion, SBI SECURITIES achieved year-on-year increases in both revenue and profit in the fiscal year ended 31 March 2024, thanks to various measures such as diversification of earnings sources that it has been preparing for over four years. In addition, the banking business, which the Group has been intensively allocating management resources in anticipation of rising interest rates, has already outpaced the securities business in terms of contribution to consolidated results.

SBI Shinsei Bank, which is the core of the Group's banking business, has already achieved positive results through various measures in collaboration with the other members of the Group, mainly through bank-securities collaboration. It recorded significant year-on-year increases in both revenue and profit due to an increase in interest margins and commission income associated with an increase in loan balances in corporate business, and an increase in instalment income of APLUS Co., Ltd. ("APLUS"). In the fiscal year ended 31 March 2024, ordinary business profits, being used as an indicator of profit in the core business at Japanese banks, for SBI Shinsei Bank exceeded ¥100 billion for the first time in 13 years since the fiscal year ended 31 March 2011.

Equity-method affiliate SBI Sumishin Net Bank, Ltd. ("SBI Sumishin Net Bank") increased its revenues and profits, but as a result of the decrease in equity due to the Group's sale of the shares of SBI Sumishin Net Bank following its listing in March 2023, there was a decrease in Group's earnings with respect thereto compared to the fiscal year ended 31 March 2023.

In South Korea, SBI Savings Bank Group of Korea ("SBI Savings Bank") posted a decline in earnings, reflecting the continued deterioration of credit due to the deterioration in the domestic economy and an increase in loan amortisation burden due to an increase in overdue payments, despite solid basic income.

SBI Insurance Group Co., Ltd. ("SBI Insurance Group") saw an increase in both revenue and profit due to a steady increase in the number of insurance policies in force.

Asset Management Business

Revenue in the Asset Management Business increased by 5.3 per cent., to ¥29,449 million for the fiscal year ended 31 March 2024, compared to ¥27,966 million for the fiscal year ended 31 March 2023. Profit before income tax expense decreased by 52.2 per cent. to ¥4,843 million for the fiscal year ended 31 March 2024, compared to ¥10,123 million for the fiscal year ended 31 March 2023.

The segment saw a record high in revenue for the fiscal year ended 31 March 2024 due in particular to the joining of SBI Okasan Asset Management Co., Ltd. into the Group in November 2022. However, the return of the "Morningstar" brand by SBI Global Asset Management Co., Ltd. to Morningstar, Inc. of the United States resulted in the absence of profits equivalent to ¥8 billion of consideration for such return received in the previous fiscal year, leading to a decline in profits for the fiscal year ended 31 March 2024.

Investment Business

Revenue in the Investment Business increased by 140.8 per cent., to ¥88,353 million for the fiscal year ended 31 March 2024, compared to ¥36,684 million for the fiscal year ended 31 March 2023. Loss before income tax expense for the segment was ¥8,288 million for the fiscal year ended 31 March 2024, compared to ¥16,661 million for the fiscal year ended 31 March 2023. This was mainly due to an increase in income arising from financial assets measured at fair value through profit or loss recognised on investments in companies. Although gains on valuation and sales were recorded for listed companies, valuation losses were recorded for some unlisted companies reflecting a negative rebound from the previous fiscal year.

Crypto-asset Business

Revenue in the Crypto-asset Business increased by 88.5 per cent., to ¥57,142 million for the fiscal year ended 31 March 2024, compared to ¥30,320 million for the fiscal year ended 31 March 2023. Profit before income tax expense was ¥8,428 million for the fiscal year ended 31 March 2024, compared to a loss before income tax expense of ¥18,429 million for the fiscal year ended 31 March 2023. This was mainly due to market maker B2C2 Limited successfully capturing the expansion of crypto-asset trading, in the environment where Bitcoin prices hit record highs due to the impact of the approval of spot exchange traded funds ("ETFs") for Bitcoin in January 2024. In addition, with a successful implementation of the customer base expansion strategy, the crypto-asset exchange business has been able to steadily expand its revenue against the backdrop of a favourable cryptocurrency market.

Next Gen Business

Revenue in the Next Gen Business increased by 1.5 per cent., to ¥26,637 million for the fiscal year ended 31 March 2024, compared to ¥26,238 million for the fiscal year ended 31 March 2023. Loss before income tax expense was ¥4,952 million for the fiscal year ended 31 March 2024, compared to ¥3,253 million for the fiscal year ended 31 March 2023. In the biotechnology, healthcare & medical informatics business, extraordinary losses were recorded in connection with the revaluation of raw material inventories for the health food business in the 5-ALA-related business, and upfront investments increased in advanced technology fields such as Web3 and digital assets amid the progress of global business expansion.

Financial Condition

Consolidated Statement of Financial Position as of 31 March 2024 Compared to Consolidated Statement of Financial Position as of 31 March 2023

As of 31 March 2024, the Group's total assets amounted to ¥27,139,391 million, an increase of 21.7 per cent., from total assets of ¥22,301,975 million as of 31 March 2023. This increase was mainly due to an increase in cash and cash equivalents, trade and other accounts receivable and assets related to securities business.

As of 31 March 2024, the Group's total liabilities amounted to ¥25,232,045 million, an increase of 22.8 per cent., from total liabilities of ¥20,549,993 million as of 31 March 2023. This increase was attributable mainly to an increase in liabilities related to securities business and customer deposits for banking business.

The Group's total equity increased by 8.9 per cent. to ¥1,907,346 million as of 31 March 2024, from ¥1,751,982 million as of 31 March 2023.

Liquidity and Capital Resources

Cash Flows for the Fiscal Year Ended 31 March 2024 Compared to the Fiscal Year Ended 31 March 2023

As of 31 March 2024, the Group's cash and cash equivalents amounted to ¥4,580,335 million, an increase of 43.1 per cent. from ¥3,200,916 million as of 31 March 2023. The changes in cash flows for each activity and the reasons for changes are as follows.

Operating Cash Flows

Cash flows from operating activities for the fiscal year ended 31 March 2024 amounted to ¥1,345,740 million of net cash inflows (¥960,743 million of net cash inflows for the fiscal year ended 31 March 2023). The net cash inflows primarily reflected a ¥1,397,222 million cash inflow from an increase in customer deposits for the banking business and a ¥678,701 million cash inflow from an increase in bonds and loans payable in banking business, despite a ¥936,261 million cash outflow from an increase in trade and other accounts receivables.

Investing Cash Flows

Cash flows used in investing activities for the fiscal year ended 31 March 2024 amounted to ¥65,116 million of net cash outflows (¥1,075,054 million of net cash outflows for the fiscal year ended 31 March 2023). The net cash outflows primarily reflected a ¥1,834,145 million cash outflow from a purchase of investment securities, despite a ¥1,843,947 million cash inflow from proceeds from sales or redemption of investment securities.

Financing Cash Flows

Cash flows from financing activities for the fiscal year ended 31 March 2024 amounted to ¥29,172 million of net cash inflows (¥810,425 million of net cash inflows for the fiscal year ended 31 March 2023). The net cash inflows primarily reflected a ¥2,098,864 million cash inflow from proceeds from issuance of bonds payable, despite a ¥1,747,111 million cash outflow from a redemption of bonds payable, a ¥157,131 million cash outflow from repayment of long-term loans payable, and a ¥146,991 million cash outflow from an increase in short-term loans payable.

Funding

As of 31 March 2024, the Group's bonds and loans payable amounted to ¥4,477,079 million compared to ¥3,680,355 million as of 31 March 2023. Details of the Group's borrowings as of 31 March 2022, 2023 and 2024 can be summarised as follows:

	As of 31 March			Average Interest Rate[1]
	2022	2023	2024	
		(Millions of yen)		(Per cent. per annum)
Short-term loans payable	¥480,275	¥871,451	¥726,260	0.42%
Current portion of long-term loans payable	55,707	74,406	146,264	2.52
Current portion of bonds payable	456,020	493,391	610,699	—
Long-term loans payable[2]	156,750	319,589	213,555	1.28
Bonds payable	1,013,499	1,078,148	1,196,849	—
Borrowed money[3]	1,202,609	843,370	1,583,452	0.38
Total	¥3,364,860	¥3,680,355	¥4,477,079	

Notes:

(1) The average interest rate is calculated using the weighted average interest rate of the outstanding balance as of 31 March 2024.

(2) Due 2025-2058. Due refers to the term of the outstanding balance as of 31 March 2024.

(3) Due 2024-2049. Due refers to the term of the outstanding balance as of 31 March 2024.

The Group engages in a wide range of finance related businesses (securities business, banking business, insurance business and others), asset management business, investment business and crypto-asset business, to avoid excessive concentration of risk on specific entities or businesses. To operate these businesses, the Group raises funds through indirect financing such as bank borrowings, direct financing such as bond issuance and equity financing, transactions with securities financing companies, and receiving customer deposits for its banking business. The Group also considers the market environment and maintains an appropriate strategy for short and long term financing.

As is customary in Japan, domestic short-term and long-term bank loans are made under general agreements which provide that collateral and guarantees (or additional collateral or guarantees, as appropriate) with respect to present and future indebtedness will be given at the request of a lending bank, and that the bank shall have the right, as the obligations become due or in the event of default, to offset any cash deposited against such obligations. The Group also has certain borrowings and bonds issued overseas. Further, since the consolidation of SBI Shinsei Bank, the Group has in place certain secured bonds issued by UDC Finance limited (comprising a securitisation of trade receivables). As of 31 March 2023 and 2024, ¥744,286 million and ¥2,094,396 million, respectively, of bonds and borrowings, customer deposits, other financial liabilities and other liabilities, were secured. In addition, as of 31 March 2024, the Group had lines of credit (such as overdraft facilities) with certain financial institutions in the aggregate amount of ¥746,910 million, of which ¥245,117 million had been drawn.

Capital Adequacy

Pursuant to the FIEA and Insurance Business Act, domestic subsidiaries of the Company are obligated to maintain a certain level of capital adequacy ratio. Significant capital adequacy regulations under which certain domestic subsidiaries of the Company are obligated are as follows:

- SBI SECURITIES is required to maintain a certain level of capital-to-risk ratio set forth under the FIEA. If the ratio falls below 120 per cent., the FSA may order changes to operational methods and other changes.

- SBI Shinsei Bank is required to maintain a capital adequacy ratio at the level stipulated by the Banking Act, and if the capital adequacy ratio falls below 4 per cent., the FSA can issue early corrective measures, including submission of a business improvement plan, a business improvement order, or a business suspension order.

- SBI Life Insurance Co., Ltd. ("SBI Life Insurance"), SBI Insurance Co., Ltd. ("SBI Insurance") and companies operating in the small-amount, short-term insurance business within the Group are required to maintain a certain level of Solvency Margin Ratio in conformity with the Insurance Business Act. If the Solvency Margin Ratio falls below 200 per cent., the FSA may order submission and implementation of a reasonable improvement plan for sound management.

Further, SBI Savings Bank, SBI LY HOUR BANK and SBI Bank LLC, which are overseas subsidiaries of the Company, are obligated to maintain certain levels of capital adequacy ratios in conformity with the local laws and requirements of the relevant regulatory authorities. If the capital adequacy ratio falls below certain level, they may be subject to administrative penalties or other actions.

Capital Expenditure

The amount of capital expenditure for the fiscal year ended 31 March 2024 was ¥83,027 million. This amount mainly resulted from a capital expenditure made in the amount of ¥73,715 million focusing on enhancement of existing trading systems and software development to provide new services in order to smoothly respond to the increase in the number of orders caused by the increase in the number of customers as well as to provide customers with expanded services in the Financial Services Business.

USE OF PROCEEDS

The net proceeds from the issue of the Bonds are estimated to amount to approximately ¥100 billion, and are expected to be used by the Company primarily as follows:

(i) approximately ¥50 billion by the end of March 2027, as investments for strengthening the Financial Services Business (including investments through the companies within the Group, and in the form of capital investments, lending or otherwise), such as for further diversifying the revenue source and expanding the customer base in the securities business, further strengthening the earnings capability in the banking business, and further promoting businesses related to overseas financial institutions; and

(ii) approximately ¥50 billion by the end of March 2025, for repayment of bonds and borrowings (including replenishment of cash on hand, if repayments had been made previously using cash on hand).

To the extent that any amounts remain unutilised pursuant to item (i) above, the balance of such proceeds are intended to be used towards repayment of borrowings from financial institutions or the redemption of bonds.

CAPITALISATION AND INDEBTEDNESS

The following table sets out the Company's capitalisation and indebtedness as of 31 March 2024, which has been extracted without material adjustment from the Company's audited annual consolidated financial statements as of the same date and as adjusted to give effect to the issue of the Bonds:

	As of 31 March 2024	
	Actual	**As Adjusted**
	(Millions of yen)	
Bonds and borrowings:		
Short-term debt:		
Short-term loans payable	¥726,260	¥726,260
Current portion of long-term loans payable	146,264	146,264
Current portion of bonds payable	610,699	610,699
Total short-term debt(2)	1,483,224	1,483,224
Long-term debt:		
Long-term loans payable, less current portion	213,555	213,555
Bonds payable, less current portion	1,196,849	1,196,849
The Bonds now being issued	—	100,000
Total long-term debt(2)	1,410,404	1,510,404
Borrowed money(3)	1,583,452	1,583,452
Total bonds and borrowings(4)	4,477,079	4,577,079
Equity:		
Capital stock, no par value:		
Authorised: 544,661,000 Shares		
Issued: 301,889,807 Shares(5)	180,400	180,400
Capital surplus	280,185	280,185
Less: Treasury stock, at cost (30,696 Shares)	(87)	(87)
Other components of equity	125,726	125,726
Retained earnings	675,985	675,985
Equity attributable to owners of the Company	1,262,209	1,262,209
Non-controlling interests	645,137	645,137
Total equity	1,907,346	1,907,346
Total capitalisation and indebtedness(6)	¥6,384,425	¥6,484,425

Notes:

(1) The above table should be read in conjunction with the audited annual consolidated financial statements of the Company as of and for the fiscal period ended 31 March 2024 contained herein.

(2) Excluding borrowed money.

(3) Borrowed money comprises of long-term and short-term borrowings of banks within the Group.

(4) As of 31 March 2024, ¥1,530,487 million of the Company's total consolidated bonds and borrowings were secured.

(5) All of the issued Shares are fully-paid and non-assessable.

(6) Total capitalisation and indebtedness is a total of total bonds and borrowings and total equity.

(7) There has been no material change in the Company's consolidated capitalisation, indebtedness, contingent liabilities and guarantees since 31 March 2024.

INFORMATION CONCERNING THE SHARES

Dividends

The following table shows the cash dividends on the Shares paid (or, as the case may be, to be paid) by the Company to shareholders or pledgees appearing on the register of shareholders as of the dates indicated below:

Date	Dividends per Share
	(Yen)
30 September 2019	¥20
31 March 2020	80
30 September 2020	20
31 March 2021	100
30 September 2021	30
31 March 2022	120
30 September 2022	30
31 March 2023	120
30 September 2023	30
31 March 2024	130(1)

Note:
(1) The year-end dividend of ¥130 consists of a common dividend of ¥120 and a commemorative dividend of ¥10 for the 25th anniversary of the foundation of the Company.

The declaration, payment and determination of any amount of year-end dividends and those of interim dividends, if any, require a resolution of the Company's Board of Directors or resolution at a general meeting of shareholders and these are subject to statutory restrictions. If such resolution is made, dividend payments are made to shareholders or pledgees of record as of the record dates for such payments.

For the time being, the Company has decided to determine the amount of total return by targeting approximately 30 per cent. of profit before income tax expense attributable to the Financial Services Business, which is regularly generated in such segment, excluding factors such as gain on sales of subsidiaries' stocks.

Distribution of surplus funds is subject to the decisions of the Board of Directors or resolution at a general meeting of shareholders.

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

Changes in Issued Share Capital

The Company has an authorised share capital of 544,661,000 Shares, of which 301,889,807 Shares were in issue as of 31 March 2024. The following table shows the changes in the issued share capital of the Company as of the dates/periods indicated below:

Date/period	Type of Issue	Number of Shares Issued	Total Number of Shares in Issue
1 April 2020 to 31 March 2021	Exercise of convertible bonds and stock acquisition rights	8,082,997	244,639,390
15 February 2022	Issuance of new shares (restricted stock remuneration)	137,800	244,777,190
1 April 2021 to 31 March 2022	Exercise of stock acquisition rights	443,700	245,220,890
11 July 2022	Third-party allotment (to Sumitomo Mitsui Financial Group, Inc.)	27,000,000	272,220,890

Date/period	Type of Issue	Number of Shares Issued	Total Number of Shares in Issue
1 April 2022 to 31 March 2023......	Exercise of stock acquisition rights	137,400	272,358,290
1 April 2023 to 31 March 2024......	Exercise of convertible bonds and stock acquisition rights	29,531,517	301,889,807

As of 30 June 2024, save for any issues of Shares in connection with the exercise of convertible bonds and stock acquisition rights since 31 March 2024, there has been no change in the issued share capital of the Company since 31 March 2024.

Japanese Stock Market and Price Range of the Shares

The Shares are listed on the Prime Market of the Tokyo Stock Exchange. The following table shows the highs and lows of the reported sales prices of the Shares on the Tokyo Stock Exchange as well as the highs and lows of the closing Nikkei Stock Average, the closing TSE Prime Market Index and the closing Tokyo Stock Price Index ("TOPIX"), for the periods indicated:

	Price per Share		Nikkei Stock Average		TSE Prime Market Index		TOPIX	
Calendar period	High	Low	High	Low	High	Low	High	Low
	(Yen)		(Yen)		(Points)		(Points)	
2019......................	¥2,814	¥2,039	¥24,066.12	¥19,561.96	—	—	1,747.20	1,471.16
2020......................	3,030	1,275	27,568.15	16,552.83	—	—	1,819.18	1,236.34
2021......................	3,350	2,438	30,670.10	27,013.25	—	—	2,118.87	1,791.22
2022(1)...................	3,375	2,392	29,332.16	24,717.53	1,038.78	935.78	2,039.27	1,758.89
2023:								
1st quarter...........	2,988	2,505	28,623.15	25,716.86	1,065.73	961.23	2,071.09	1,868.15
2nd quarter	2,840	2,541	33,706.08	27,472.63	1,183.76	1,009.17	2,300.36	1,961.28
3rd quarter...........	3,379	2,773	33,753.33	31,450.76	1,250.79	1,143.20	2,430.30	2,221.48
4th quarter...........	3,319	2,981	33,681.24	30,526.88	1,230.61	1,141.87	2,391.05	2,218.89
2024:								
1st quarter...........	4,145	3,137	40,888.43	33,288.29	1,447.98	1,223.93	2,813.22	2,378.79
2nd quarter	4,209	3,605	39,838.91	37,068.35	1,446.20	1,351.80	2,809.63	2,626.32
3rd quarter (up to 10 July)	4,254	4,077	41,831.99	39,631.06	1,497.43	1,453.74	2,909.20	2,824.28

Note:
(1) The TSE Prime Market Index has been made available from 1 April 2022.

On 10 July 2024, the reported closing price of the Shares on the Tokyo Stock Exchange was ¥4,187 per Share. The closing Nikkei Stock Average, TSE Prime Market Index and TOPIX on the same date were ¥41,831.99, 1,497.43 and 2,909.20, respectively.

Principal Shareholders and Distribution of the Shares

As of 31 March 2024, the Company had 172,761 shareholders of record. As of 31 March 2024, the 10 largest shareholders of record and the number and percentage of Shares held by them were as follows:

Shareholder	Number of Shares held	Percentage of Total Shares in Issue(1)
	(Shares)	(Per cent.)
The Master Trust Bank of Japan, Ltd. (Trust account)................................	43,146,400	14.29%
Sumitomo Mitsui Financial Group, Inc.	27,000,000	8.94
Custody Bank of Japan, Ltd. (Trust account)...	18,396,109	6.09
The Bank of New York Mellon 140042	6,768,251	2.24
The Bank of New York Mellon 140051	6,286,536	2.08
State Street Bank West Client Treaty 505234..	4,761,417	1.58
State Street Bank West and Trust Company 505223....................................	4,634,545	1.54

Shareholder	Number of Shares held	Percentage of Total Shares in Issue[(1)]
	(Shares)	(Per cent.)
Yoshitaka Kitao[(2)]	4,327,960	1.43
State Street Bank West and Trust Company 505001	4,309,219	1.43
JPMorgan Securities Japan Co., Ltd.	4,222,963	1.40
Total	123,853,400	41.03%

Notes:

(1) Other than the above, the Company held 30,696 Shares as treasury stock, which have been disregarded in the calculation of the percentage of total Shares in issue.

(2) Representative Director, Chairman, President & CEO of the Company.

(3) The FIEA requires any person who has become, beneficially and solely or jointly, a holder of more than 5 per cent. of the total issued voting Shares to file a report concerning such shareholdings with the director of a competent Local Finance Bureau, and also requires such person to file a similar report concerning 1 per cent. or more changes in such substantial shareholdings or any changes in material matters set out in the reports previously filed (see "Description of the Shares and Certain Regulations—Reporting of Substantial Shareholdings").

In connection with shareholdings during the fiscal year ended 31 March 2024, the Company is aware of the following reports which may not be reflected in the above table:

- a report relating to a change in shareholding filed on 22 August 2023 by Mizuho Securities Co., Ltd. and a joint holder, informing of their ownership of Shares amounting to the following as of 15 August 2023:

Mizuho Securities Co., Ltd.	6,815,306 Shares
Asset Management One Co., Ltd.	6,638,200 Shares

- a report relating to a change in shareholding filed on 21 November 2023 by Baillie Gifford & Co and a joint holder, informing of their ownership of Shares amounting to the following as of 15 November 2023:

Baillie Gifford & Co	9,494,526 Shares
Baillie Gifford Overseas Limited	15,860,333 Shares

- a report relating to a change in shareholding filed on 5 April 2024 by Nomura Securities Co., Ltd. and other joint holders, informing of their ownership of Shares amounting to the following as of 29 March 2024:

Nomura Securities Co., Ltd.	6,010,739 Shares
Nomura International plc	–95,707 Shares*
Nomura Asset Management Co., Ltd.	12,787,900 Shares

(*The negative number is principally resulting from the convention of calculation of shareholding in a joint holding manner, meaning that the number of shares held by Nomura International plc is offset by the number of shares lent to Nomura Securities Co., Ltd. by Nomura International plc.)

In addition, as of 10 July 2024, the Company has received the following reports since 31 March 2024. Where multiple reports have been made by the same entity, only the most recent report is mentioned below:

- a report relating to a change in shareholding filed on 30 April 2024 by Sumitomo Mitsui Financial Group, Inc. and other joint holders, informing of their ownership of Shares amounting to the following as of 22 April 2024:

Sumitomo Mitsui Financial Group, Inc.	27,000,000 Shares
SMBC Nikko Securities Inc.	807,923 Shares
Sumitomo Mitsui DS Asset Management Company, Limited	3,611,300 Shares

- a report relating to a change in shareholding filed on 9 May 2024 by Nomura Securities Co., Ltd. and other joint holders, informing of their ownership of Shares amounting to the following as of 30 April 2024:

Nomura Securities Co., Ltd.	4,691,806 Shares
Nomura International plc	–467,904 Shares
Nomura Asset Management Co., Ltd.	13,818,300 Shares

- a report relating to a change in shareholding filed on 6 June 2024 by Sumitomo Mitsui Trust Bank, Limited, informing of the ownership of Shares by and amounting to the following as of 31 May 2024:

Sumitomo Mitsui Trust Asset Management Co., Ltd.	8,598,970 Shares
Nikko Asset Management Co., Ltd.	8,219,300 Shares

- a report relating to a change in shareholding filed on 7 June 2024 by Baillie Gifford & Co and a joint holder, informing of their ownership of Shares amounting to the following as of 31 May 2024:

Baillie Gifford & Co	8,281,326 Shares
Baillie Gifford Overseas Limited	14,536,033 Shares

(4) Except as stated above, the Company is not aware of any change in the information provided above.

The ownership distribution of the Shares by category of shareholders of record of the Company as of 31 March 2024 was as follows:

Category	Number of Shareholders	Number Units of Shares held	Percentage of Total Shares in Issue
		(Units of 100 Shares)	(Per cent.)
Japanese financial institutions	37	695,868	23.23%
Japanese financial instruments and exchange operators	45	204,012	6.81
Other Japanese corporations[(1)]	1,295	310,877	10.38
Foreign corporations and others (including foreign individuals)	1,139	1,022,970	34.16
Japanese individuals and others[(2)]	170,245	761,512	25.42
Total[(3)]	172,761	2,995,239	100.00%

Notes:
(1) Includes 46 units of Shares registered in the name of Japan Securities Depository Center, Inc.
(2) Includes 306 units of treasury stock held by the Company.
(3) Does not include 2,365,907 Shares not comprising whole units of Shares.

As of 31 March 2024, the current Directors and Statutory Auditors of the Company together held 5,455,460 Shares, or 1.81 per cent. of the total issued and outstanding Shares.

As of the date of this Offering Circular, the Company is not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

Stock Acquisition Rights

See "Management and Employees—Stock Option Plans" for details of the Company's outstanding stock acquisition rights under its stock option scheme.

BUSINESS

Overview

The Group is a pioneer of Internet-based financial services in Japan. The Group has established a unique "financial ecosystem" that can provide one-stop access to various financial services, and centres its operations on financial businesses including securities, banking and insurance. As of 31 March 2024, the Group consisted of the Company, 659 consolidated subsidiaries (including consolidated partnerships) and 62 equity method associates.

The Group operates five principal businesses: "Financial Services Business", "Asset Management Business", "Investment Business", "Crypto-asset Business" and "Next Gen Business". The Financial Services Business, which includes securities-related business, banking-related business and insurance-related business, offers a variety of innovative financial services. The Asset Management Business is primarily engaged in investment management and investment advisory service. The Investment Business is primarily engaged in the establishment and management of venture capital investment funds and principal investments (both domestic and overseas), focusing on growth industries. The Crypto-asset Business is primarily engaged in offering exchange services in relation to crypto-assets and market making. The Next Gen Business is primarily engaged in pharmaceutical R&D, Web3 business and developing overseas market business. The semiconductor business is also included in this segment.

History

The Company was incorporated under the laws of Japan in July 1999 as SOFTBANK INVESTMENT CORPORATION, for the purpose of undertaking venture capital and incubation business. At the time of its establishment, the Company was a wholly-owned subsidiary of SOFTBANK FINANCE CORPORATION (currently SoftBank Corp.), which was an intermediate holding company that oversaw the finance-related business activities of the SOFTBANK group of companies operated by SOFTBANK CORP (currently SoftBank Group Corp.). Following the disposal of the Company's stock by a subsidiary of SOFTBANK CORP. in August 2006, the Company became independent from the SOFTBANK group.

The Company listed its common stock on NASDAQ Japan in December 2000 and on the First Section of the Tokyo Stock Exchange in February 2002. The Company moved its listing from NASDAQ Japan to the First Section of the Osaka Securities Exchange, Inc. (currently Osaka Exchange) in November 2002 (the Osaka Securities Exchange and the Tokyo Stock Exchange have now been merged). In April 2022, the Company moved from the First Section to the Prime Market (the highest ranking market) following the restructuring of the Tokyo Stock Exchange's market segments.

Since its incorporation, the Company and its subsidiaries and associates have expanded their operations through several M&As and by investing in a number of companies in different industry fields, converting them into subsidiaries and associates of the Company. In particular, in June 2003, the Company merged with E*TRADE Japan K.K., as a result of which E*TRADE SECURITIES Co., Ltd. (now renamed as SBI SECURITIES Co., Ltd.) became a subsidiary of the Company. In October 2003, the Company acquired WORLD NICHIEI Securities Co., Ltd., and in July 2004, the Company made Morningstar Japan K.K. its subsidiary. The Company transferred its venture fund management business to SBI VENTURES K.K. (currently SBI Investment) and changed into a holding company structure in July 2005.

In order to achieve the Group's aim of being an Internet-based financial conglomerate, the Company launched both SBI Sumishin Net Bank, which was a joint venture company with The Sumitomo Trust and Banking Co., Ltd. (currently Sumitomo Mitsui Trust Bank, Limited) ("Sumitomo Mitsui Trust Bank") in September 2007, and SBI Insurance, in January 2008. In addition, the Group has expanded its business overseas in 26 countries and regions, such as Asia, North America and Europe, as of 31 March 2024, through its representative offices, subsidiaries, associates or strategic investees.

The Company listed its Hong Kong Depositary Receipts representing the Company's common shares (by way of a secondary listing) on the Main Board of the Hong Kong Stock Exchange in April 2011, while it completed the withdrawal of such listing in June 2014.

In December 2012, SBI AXES (currently SBI FinTech Solutions Co., Ltd.) listed the Korea Depositary Receipts representing its common shares on the Korean Securities Dealers Automated Quotations of Korea Exchange.

In March 2013, the Company acquired shares of the SBI Savings Bank Group (formerly Hyundai Swiss Savings Bank and its subsidiaries) of Korea ("SBI Savings Bank") and made them its subsidiaries.

In February 2015, the Company acquired all outstanding shares of SBI Life Insurance Co., Ltd. ("SBI Life Insurance", formerly PCA Life Insurance Co., Ltd.). As a result, SBI Life Insurance is a consolidated subsidiary of the Company.

In September 2018, SBI Insurance Group Co., Ltd. was listed on the Tokyo Stock Exchange's Mothers Market (now the Tokyo Stock Exchange's Growth Market).

In December 2021, SBI Shinsei Bank (formerly Shinsei Bank, Limited ("Shinsei Bank")) became a consolidated subsidiary of the Company through a tender offer by the Group. The shares of Shinsei Bank were delisted on 28 September 2023.

In November 2022, SBI ARUHI Corporation (formerly ARUHI Corporation, "ARUHI") became a consolidated subsidiary of the Company through a tender offer by the Group.

In March 2023, SBI Sumishin Net Bank, Ltd. was listed on the Tokyo Stock Exchange's Standard Market.

Strategy

Since its establishment in 1999, the Group has been building a corporate ecosystem in the financial services business in Japan, focusing on securities, banking and insurance, with the Internet as its main channel. The Group believes that this corporate ecosystem was completed in 2016, creating a comprehensive financial group that is distinctive around the world. In addition, the Group has also focused on investing in the next generation of growth industries both domestically and internationally, actively investing in fast-growing countries, particularly in the Asian region, and fostering start-up companies.

In recent years, there has been rapid development and progress in advanced technologies such as AI and blockchain or distributed ledger technology ("DLT"), as well as big data, the Internet of Things ("IoT") and robotics, with which the Group has a high affinity, not only in the financial industry but also in various other industries. Under such circumstances, the Group intends to continue to actively invest in and form alliances with promising companies which are part of the development or use of these advanced technologies and strengthen its efforts to develop new services and create new financial businesses that utilise these advanced technologies in each of the Group's financial services. The Group believes that it is important to achieve rapid growth through business development that maximises the organisational advantages of the corporate ecosystem.

Areas of particular focus for the Group in its business development

As part of this general strategy, the Group is focussing on the following areas for development:

Building on the Positive Impact of the "ZERO Revolution" at SBI SECURITIES Across the Group's Financial Ecosystem

SBI SECURITIES introduced the "ZERO Revolution" on 30 September 2023, eliminating trading commissions for its online domestic stock trading operations. Although this initiative resulted in a loss in revenue opportunity of around ¥15.8 billion for the period from 30 September 2023 to 31 March 2024, the Group remained profitable for the fiscal year ended 31 March 2024, and sees this policy as a necessary step in maintaining and growing both its brand and its customer base, both of which are central to driving long-term revenue in the Group's other businesses.

For example, the fiscal year ended 31 March 2024 saw record-high levels of interest in margin transactions and investment trusts and record-high fees in the Group's investment trusts business, both of which contributed significantly to the Group's revenue. Additionally, FX revenue and sales of foreign bonds also made a significant contribution, while trading revenue reached a record high for the fiscal year ended 31 March 2024.

In addition, SBI SECURITIES will work to further diversify revenue sources by expanding its trading of foreign stocks, futures, individual stock options, and other commodities and by further strengthening its wholesale-oriented business, including wealth management, underwriting, offerings and sales, as well as brokerage for M&A.

The implementation of the "ZERO Revolution" has accelerated new account openings, with approximately 766 thousand new accounts being opened with SBI SECURITIES in the period from 1 January 2024 to 31 March 2024, bringing the total number of securities accounts to approximately 12.45 million as of 31 March 2024.

Increasing Profitability in the Banking Sector amid Anticipated Rising Interest Rates

At SBI Shinsei Bank, the number of deposit accounts has grown rapidly since the Group began offering the option of simultaneous account openings with SBI Shinsei Bank and SBI SECURITIES in October 2022. Retail deposit accounts increased from 3.16 million accounts as of 31 March 2023 to 3.53 million accounts as of 31 March 2024. In respect of the medium-term vision targets of ¥8 trillion of deposits and ¥10 trillion of operable assets which the Group had set to achieve for 31 March 2025, the Group had already far exceeded these targets ahead of schedule by the end of March 2024, with deposits and operable assets having reached ¥11.5 trillion and ¥11.4 trillion, respectively as of 31 March 2024.

As a result of such collaboration, the Group's banking business generated more revenue than the Group's securities business in the fiscal year ended 31 March 2024. In the month of December 2023, the net increase in retail accounts with SBI Shinsei Bank was greater than 40,000, with over 70 per cent. of new accounts of which customers were sent from SBI SECURITIES. This collaboration has significantly expanded SBI Shinsei Bank's retail customer base. In its corporate banking businesses, the network of business and financial corporations has also expanded through the revitalisation of sales activities and the strengthening of cooperation with the Group's business partners.

Investing in High-Growth Economies and Promoting Domestic and International Integration

The Group provides financial services such as securities and banking services in Southeast Asia, and the Group has reached a stage where these operations are now contributing to its profits, supported by the region's economic growth. In addition to Southeast Asia, the Group is actively engaged in investment and other activities in other developing economies, including in the Middle East, Africa, and India, in cooperation with its lending partners.

To increase the profitability of its overseas operations, the Group intends to establish new overseas business headquarters. The Group intends to implement a centralised management system to oversee the Group's international operations. With the goal of internal and external integration, expert personnel from across the Group will be strategically deployed to promote profit generation in overseas operations.

Actively Developing New Services and Products to Promote Growth in the Digital Asset Domain

Subsidiaries of the Group engaged in Crypto-asset trading such as SBI VC Trade Co., Ltd. and BITPoint Japan Co., Ltd. offer a variety of customer services, including staking services that provide compensation for depositing crypto-assets without the need for frequent trades. These services are designed to meet a wide range of customer needs.

The Group has also partnered with the U.S. company Circle Internet Financial Limited, which issues USD Coin ("USDC"), a U.S. dollar-denominated stablecoin. This partnership aims to promote the distribution of USDC in Japan. Stablecoins are a type of cryptographic asset linked to the price movements of legal tender, mitigating the impact of volatile price fluctuations common to many cryptographic assets. There are expectations that the use of stablecoins may expand in areas both online and offline.

In December 2023, Osaka Digital Exchange Co., Ltd., a subsidiary of the Company, launched "START", Japan's first secondary market for security tokens ("STs"). STs use blockchain technology and are characterised by their small size and ease of trading. START is currently exploring the possibility of handling corporate bond STs in addition to the already listed real estate STs.

Crypto-assets and their derivatives, enabled by blockchain technology, have a wide range of potential applications. The Group intends to continue to innovate and create new products to leverage these opportunities.

Entering the Semiconductor-Related Business, Recognised as a National Industry by the Japanese Government

Semiconductors, often referred to as the "rice of industry" (as being an "essential staple"), are being positioned as a national industry by the Japanese Government and are considered to be vital for the realisation of the digital society envisioned by the Government.

While global demand for semiconductors is expected to rise, the supply side faces increasing instability due to factors such as competition between the United States and China in the semiconductor field and the increasing geopolitical risk associated with the concentration of semiconductor foundries in Taiwan. Thus, now more than ever, improvement in Japan's semiconductor self-sufficiency is a key issue.

Japan is considered to be a strong location for semiconductor foundries due to the presence of numerous semiconductor-related companies which hold a large share of the international market in semiconductor production equipment, as well as a significant demand for semiconductors from industries such as automotive, industrial machinery, and AI.

In this environment, the Group has established a relationship with PSMC, a major Taiwanese semiconductor foundry with extensive semiconductor manufacturing expertise. The financial and investment functions developed by the Group are expected to play a significant role in the growth of the semiconductor business, creating mutual synergies with financial companies in terms of developing corporate customers. In July 2023, the Group announced plans to build a semiconductor foundry in Japan.

Operations

General

The Group engages in a wide range of financial services-related business activities, including, in particular, online securities-related businesses, banking-related businesses in Japan and overseas, and asset-management and investment activities. The Group's reportable segments are divided into "Financial Services Business", "Asset Management Business", "Investment Business", "Crypto-asset Business" and "Next Gen Business".

The following table sets forth the Group's revenue and the percentage of consolidated revenues for the periods indicated, divided according to each segment:

	Fiscal Year Ended 31 March					
	2022(1)(2)		2023(1)		2024	
	Revenue	Percentage of Consolidated Revenues	Revenue	Percentage of Consolidated Revenues	Revenue	Percentage of Consolidated Revenues
Segment	**(Millions of yen)**	**(Per cent.)**	**(Millions of yen)**	**(Per cent.)**	**(Millions of yen)**	**(Per cent.)**
Financial Services Business	¥497,751	65.2%	¥845,166	88.3%	¥1,031,439	85.2%
Asset Management Business	16,883	2.2	27,966	2.9	29,449	2.4
Investment Business	177,911	23.3	36,684	3.8	88,353	7.3
Crypto-asset Business	55,106	7.2	30,320	3.2	57,142	4.7
Next Gen Business(3)	23,596	3.1	26,238	2.7	26,637	2.2
Eliminations/Corporate	(7,629)	(1.0)	(9,397)	(0.9)	(22,516)	(1.8)
Consolidated	¥763,618	100.0%	¥956,977	100.0%	¥1,210,504	100.0%

Notes:

(1) Information in respect of the fiscal year ended 31 March 2023 has been restated to reflect the impact of IFRS 17. See Note 2 "Basis of Preparation" (5) "Application of new and revised IFRSs" to the audited consolidated financial statements of the Company for the fiscal year ended 31 March 2024 for details of the change and the impact amounts. Information in respect of the fiscal year ended 31 March 2022 has not been restated to reflect the impact of IFRS 17 and therefore is not fully comparable with information for the fiscal years ended 31 March 2023 and 2024.

(2) Segment information for the year ended 31 March 2022 has been restated in accordance with the new basis of segmentation implemented from 1 April 2023. See "Presentation of Financial and Other Information—Segments".

(3) The name of this segment was changed from Non-Financial Business to Next Gen Business effective from the fiscal year ended 31 March 2024.

The following table sets forth profit before income tax expense of the Group for the periods indicated, divided according to each segment:

	Fiscal Year Ended 31 March		
	2022(1)(2)	2023(1)	2024
	(Millions of yen)		
Financial Services Business	¥301,725	¥152,040	¥164,981

	Fiscal Year Ended 31 March		
	2022(1)(2)	2023(1)	2024
	(Millions of yen)		
Asset Management Business	3,810	10,123	4,843
Investment Business	136,457	(16,661)	(8,288)
Crypto-asset Business	3,518	(18,429)	8,428
Next Gen Business(3)	(20,308)	(3,253)	(4,952)
Elimination/Corporate	(12,478)	(21,680)	(23,443)
Total consolidated profit before income tax expense	¥412,724	¥102,140	¥141,569

Notes:

(1) Information in respect of the fiscal year ended 31 March 2023 has been restated to reflect the impact of IFRS 17. See Note 2 "Basis of Preparation" (5) "Application of new and revised IFRSs" to the audited consolidated financial statements of the Company for the fiscal year ended 31 March 2024 for details of the change and the impact amounts. Information in respect of the fiscal year ended 31 March 2022 has not been restated to reflect the impact of IFRS 17 and therefore is not fully comparable with information for the fiscal years ended 31 March 2023 and 2024.

(2) Segment information for the year ended 31 March 2022 has been restated in accordance with the new basis of segmentation implemented from 1 April 2023. See "Presentation of Financial and Other Information—Segments".

(3) The name of this segment was changed from Non-Financial Business to Next Gen Business effective from the fiscal year ended 31 March 2024.

Financial Services Business

The Financial Services Business consists mainly of securities-related business and banking-related business, as well as life, property and casualty insurance business and non-banking business.

Securities-related Business

The Group's securities-related business consists of the provision of a wide range of value-added financial services, such as the provision mainly to retail customers, through the Internet, of access to trading in financial assets including equity securities, debt securities, FX margin trading, and the financing of corporate customers from the capital market.

The Group's revenue from these businesses is derived mainly from financial revenue from margin transactions, trading income from FX margin trading, commissions including investment trust fees, underwriting and sales fees for initial public offerings, commissions for the placement and sale of stock and brokerage commissions from face-to-face trading of domestic stocks and foreign stocks.

The Group's securities-related business has been centred on the operations of SBI SECURITIES and has kept enjoying the largest market share in Japan among online securities companies with respect to both customer accounts and assets in customer accounts. The following table shows the number of customer accounts and assets in customer accounts maintained by SBI SECURITIES as of each of the dates indicated:

	31 March 2022	31 March 2023	31 March 2024
Number of customer accounts (thousands)(1)	8,453	10,038	12,452
Assets in customer accounts (trillions of yen)(1)(2)	23.1	27.0	40.4

Notes:

(1) Including the customer accounts of SBI NEOMOBILE SECURITIES Co., Ltd., (merged with SBI SECURITIES in January 2024) of SBI Neotrade Securities Co., Ltd. and of FOLIO Co., Ltd.

(2) Including the deposit balance of SBI Hybrid Deposit.

The Group provides support to individual investors for efficient asset management in terms of both trading fees and contract prices. In order to meet the diverse needs of investors, the Group offers a wide range of products and services mainly to retail customers. The brokerage fees, which has been free for online trading of domestic stocks, are competitive against not only traditional types of securities brokers but also online ones. Trading and investment information is offered through a diversity of channels centred on the website, including the HYPER SBI 2 real-time trading tool that enables investors to cover the gamut from gathering investment information to placing an order in addition to smartphone sites and apps.

In order to meet the diverse needs of investors, SBI SECURITIES offers not only domestic stocks, but a wide range of products and services that include investment trusts, foreign stocks, futures and options trading, FX and domestic and foreign bonds. SBI SECURITIES leads major Japanese Internet-based securities companies in the number of investment trusts offered. SBI SECURITIES also offers a service that enables investors to purchase investment trusts by instalment by making payment by automatic withdrawal from a bank account and SBI SECURITIES offers not only foreign stocks but also ETFs listed on the exchanges overseas.

In August 2021, the Group acquired FOLIO Holdings, Co., Ltd. and its subsidiary FOLIO Co., Ltd. (collectively, "FOLIO"). FOLIO provides retail customers with an automated investing service which automatically manages the customer assets at the level of professional asset manager, and engages in business-to-business service "4RAP" which provides discretionary investment management operation platform systems and services such as wrap operations. In March 2022, SBI SECURITIES and FOLIO have jointly developed and started SBI Wrap using 4RAP.

Since the business alliance with SMFG, based on the basic agreement on a comprehensive capital and business alliance signed in June 2022, the Group has been providing the role of online securities service provider for "Olive", a comprehensive mobile financial service provided by SMFG, and has enabled Sumitomo Mitsui Card (credit card) holders to purchase SBI SECURITIES's investment trust products. The alliance and cooperation have been leading to increased customer acquisition by the Group.

Investment Banking Business

SBI SECURITIES efficiently uses the drawing and sales power of its brokerage operations to develop investment banking operations that include corporate financing businesses (underwritten IPOs and bonds), consulting services for venture firms regarding financial and business strategies, and advisory services for M&As and management buy-outs. The Group has developed a strong, integrated IPO underwriting structure through the venture capital business and the securities and other businesses. This has led to a virtuous cycle of synergies between the Group's businesses and increased profits. The Group is continuing to strengthen its public offering underwriting business, based on its solid position in the IPO sector, which has been represented by a high rate of underwriting involvement to date.

Proprietary Trading System (PTS)

PTS refers to an original trading market system created by a securities firm. PTS allows investors to trade stocks and bonds through electronic trading systems without going through the traditional stock market. The Group operates PTSs through Japannext and Osaka Digital Exchange.

Japannext PTS started operations in August 2007 as a highly public proprietary trading system operating during night-time trading session and operated by several securities companies and was expanded to operate during both a night-time and daytime trading sessions since October 2008. Japannext PTS operated by Japannext aims to endeavour to become a market that is highly accessible to investors with high level of liquidity. It operates both a day-time and night-time trading session, allowing users to trade the majority of the stocks and financial products listed on the Japanese stock exchanges. With over 30 major domestic and foreign securities companies now participating in trades, Japannext PTS has become the second-largest trading market in Japan next to the Tokyo Stock Exchange. Japannext PTS has obtained a license to trade in Japanese Government Bonds. Japannext established "B-Market", a PTS for Japanese Government Bonds in September 2017. Furthermore, in August 2019, Japannext commenced margin trading on Japannext PTS, and has been strengthening its efforts for securities companies and retail investors.

Osaka Digital Exchange started PTS operations in June 2022 to enhance investors' best execution opportunities as much as possible. Trading on START, a PTS for trading of STs, commenced in December 2023, with three different STs being handled as of May 2024. Efforts are being made to boost the ST market, including the establishment of the START steering committee, which brings together personnel from ST issuers, trust banks, blockchain platform providers and participating securities firms, with a view to future market expansion.

Foreign Exchange Margin Trading

SBI Liquidity Market Co., Ltd. ("SBI Liquidity Market") provides foreign-exchange market participants (e.g. banks, securities companies and business corporations) with a market infrastructure that ensures liquidity in FX trading (over-the-counter FX margin trading).

SBI Liquidity Market provides efficient market functions, with a view to building a highly competitive marketplace that ensures transparency for the participating FX trading companies by concentrating all liquidity on the market it creates. In addition, it strives to develop and establish a highly expandable system to respond quickly to the needs of individual investors in Japan, so that they can pursue low-cost, safe and secure FX trading.

The Group provided the FX trading service at the beginning exclusively to customers who have accounts with SBI SECURITIES and SBI Sumishin Net Bank. However, with the recent rise in the popularity of FX trading among individual investors and the growth of the FX market, the Group established SBI FXTRADE in November 2011. SBI FXTRADE provides FX trading services with an eye to acquiring new client segments, with an emphasis on young people who manage assets chiefly through FX trading.

SBI FXTRADE is committed to catering to the wide-ranging needs of investors by providing highly convenient services with a customer-centric philosophy. The needs include single currency-unit deals, one of the industry's narrowest exchange-rate spreads and, for the first time ever in Japan, exchange rates on currencies against the Japanese yen quoted to the fourth decimal place.

Banking-related Business

Internet Banking Business

SBI Sumishin Net Bank began to operate its banking business in September 2007 and operates as an Internet bank that provides a full line-up of banking services, including a service called "SBI Hybrid Deposit" by which it, together with SBI SECURITIES, offers customers holding accounts at both institutions to link their accounts and transfer funds between the accounts. SBI Sumishin Net Bank's deposit balance was ¥9,463 billion with a total of 7.26 million customer accounts as of 31 March 2024. SBI Sumishin Net Bank positions housing loans as one of its core businesses, and is focusing on expanding its products and channels. As of 31 March 2024, the cumulative total executed amounts of its housing loans were ¥1,738.6 billion (including Flat 35, housing loans through SBI Sumishin Net Bank as agent of Sumitomo Mitsui Trust Bank, housing loans through agents of SBI Sumishin Net Bank and housing loans provided by a subsidiary of SBI Sumishin Net Bank). Another important business is the BaaS platform business: in this respect, SBI Sumishin Net Bank has formed alliances with 16 companies, including companies such as Japan Airlines Co., Ltd., The Dai-ichi Life Insurance Company, Limited and Takashimaya Company, Limited. As SBI Sumishin Net Bank is an equity-method associate of the Company with 34.19 per cent. shareholding as of 31 March 2024, its profit was included in share of profit of associates, using the equity-method.

SBI Shinsei Bank Group Business

SBI Shinsei Bank and its consolidated subsidiaries and affiliates accounted for by the equity method (together, the "SBI Shinsei Bank Group") forms a major part of the Group's Financial Services Business. SBI Shinsei Bank Group operates an Institutional Business, an Individual Business and an Overseas Business.

- *Institutional Business*: The Institutional Business of the SBI Shinsei Bank Group offers financial products and services, advisory services and trust services for business corporations, public corporations and financial corporations; the Structured Finance business offers real estate finance services such as non-recourse loans, financial products and services for corporations engaged in the construction and real estate industries, as well as financial products and services related to project finance and speciality finance (such as M&A finance); the Principal Transactions business includes its private equity business, business succession support business and financial products and services related to credit trading; and the Leasing business provides financial products and services centred on leasing. The Market Sales business provides foreign exchange, derivatives, equity-related and other capital markets services.

- *Individual Business*:

    - *Retail Banking*: The SBI Shinsei Bank Group's Retail Banking business provides a range of financial transactions and services to retail customers. These services include mortgage loans, investment trusts, insurance products, deposits in Japanese yen and foreign currencies, and structured deposits. As of 31 March 2024, SBI Shinsei Bank had 3.53 million retail accounts, up from 3.16 million retail accounts as of 31 March 2023. The saving value of these accounts was ¥5.9 trillion as of 31 March 2024, an increase from ¥5.3 trillion as of 31 March 2023. This growth was primarily the result of closer collaboration with the SBI Group, in particular the offering of simultaneous account openings with SBI SECURITIES.

- *Consumer Finance*: The SBI Shinsei Bank Group's consumer finance business is principally provided by Shinsei Financial Co., Ltd. ("Shinsei Financial") and APLUS. Shinsei Financial provides unsecured card loans under the brand "Lake" and credit guarantee services for unsecured loans for retail customers extended by financial institutions. APLUS provides the following shopping credit, cards, loans and payment services:

  - *Shopping Credit:* APLUS facilitates instalment purchases for approved customers at affiliated retailers and manufacturers, handling payments and collections. APLUS also provides guarantees to affiliated financial institutions financing to their customers.

  - *Card:* APLUS issues credit cards to approved members for purchases at affiliated stores, handling payments and collections. APLUS also offers loans via the cash advance feature included in its cards.

  - *Loans:* APLUS offers loans for home purchases, renovations, and related expenses to applicants.

  - *Payments*: APLUS collects funds from customers of partner companies via nationwide financial institutions and settles accounts with affiliated stores using mobile payment company funds.

- *Overseas Businesses*: the SBI Shinsei Bank Group includes UDC Finance Limited, a company providing auto loans for individuals, asset-backed financing for corporate clients (logistics, forestry, construction companies and others), and inventory financing for automobile dealers in New Zealand.

Overseas Financial Services Business

For the expansion of the Group's overseas financial services businesses, the Group is leveraging the network built through its investment business to invest in overseas financial institutions, primarily in Asia. The Group has already invested in banks, securities companies and insurance companies in countries such as South Korea, China, Indonesia, Thailand, Vietnam, Cambodia and Russia. The Group is also pursuing non-capital business alliances with prominent financial institutions in various countries. Furthermore, the Group transfers the management know-how and knowledge of the financial services business that the Group has accumulated.

SBI SAVINGS BANK, which became a consolidated subsidiary of the Company in March 2013, is the largest savings bank in South Korea by assets. Despite facing the most challenging business environment since becoming a subsidiary in 2013, including a continuous increase in funding costs due to a sharp rise in policy interest rates in South Korea, SBI SAVINGS BANK has actively implemented measures such as strengthening credit screening standards and curbing asset acquisition. It is now moving onto the stage of acquisition of quality assets and lending expansion, and is aiming to increase profits by enhancing interest margins.

Insurance Business

SBI Insurance Group, a company listed on the Tokyo Stock Exchange's Growth Segment, acts as an insurance holding company for the Group companies engaged in the insurance business, including SBI Insurance, SBI Life Insurance and SBI SSI Holdings Co., Ltd. ("SBI SSI Holdings").

Since it began operations in January 2008, SBI Insurance has offered its customers automobile insurance at affordable premiums, through an implementation of low cost operations that maximise use of the Internet, based on the know-how and experience accumulated by the Group in the online financial services business. In addition, since October 2016, SBI Insurance has started sales of fire insurance named "SBI Insurance's Fire Insurance", which contributed to the growth in the total number of insurance policies, through the pursuit of Group synergies along with the promotion of housing loans to regional financial institutions. The number of SBI Insurance's contracts was 1.26 million as of 31 March 2024. SBI Insurance's Direct Premiums written totalled ¥52.5 billion for the year ended 31 March 2024.

SBI Life Insurance offers term life insurance, individual annuities and whole life medical insurance products, as well as group credit life insurance for housing loan customers of SBI Sumishin Net Bank. As of 31

March 2024, the number of SBI Life Insurance's individual life insurance policies and individual annuities in force amounted to approximately 180 thousand and 2 thousand, respectively, with the value of ¥773.3 billion and ¥27.9 billion, respectively. In addition, the value of group life insurance provided by SBI Life Insurance was ¥8,685.6 billion as of 31 March 2024, compared to ¥6,488.2 billion as of 31 March 2023. Through the life insurance business, further collaboration between the SBI Shinsei Bank Group and other companies within the Group are expected to continue.

The Group is also engaged in small-amount and short-term insurance business. SBI SSI Holdings (a small-amount and short-term insurance holding company wholly owned by the SBI Insurance Group), through its subsidiaries, provides distinctive insurance products such as pet insurance, earthquake compensation insurance, and home contents insurance, among others. The Group aims to further expand customer bases by accelerating growth through strategic alliances with external partner companies that have their own customer bases and M&A with companies that can be expected to generate strong synergies.

Non-Banking Business

As a specialised mortgage financial institution, ARUHI offers a wide range of products, including bank agency products, variable interest rate products and various insurance options. Additionally, ARUHI's subsidiary, SBI Estate Finance Co., Ltd., offers personal real estate secured loans and leaseback services.

SBI Leasing Services Co., Ltd. ("SBI Leasing Services") primarily focuses on operating lease funds for aircraft and ships, securing and structuring deals from airlines and shipping companies. Collaborating with regional financial institutions, tax accountants and accountants, SBI Leasing Services provides investors with high-value financial solutions and competitive financing options for capital-seeking borrowers such as airlines and shipping companies. SBI Leasing Services has transitioned from the investment business to the financial services business segment starting from the fiscal year ended 31 March 2024.

Face-to-Face Sales Channels

The Group is promoting the integration of the online and face-to-face services and seeks to be Japan's largest distributor of financial products by providing a wide range of financial products from the companies within the Group and third parties from a neutral perspective.

SBI MONEY PLAZA Co., Ltd. ("SBI MONEY PLAZA"), which provides a one-stop response to the diverse customer needs for asset management, insurance, bank deposits and housing loans, is taking the lead in developing the operation of the Group's face-to-face channels. SBI MONEY PLAZA has a face-to-face channel of directly operated shops that offer securities, insurance and/or housing loans. The Group is also strengthening face-to-face sales activities by having SBI MONEY PLAZA operate co-managed shops with regional banks. In October 2017, SBI MONEY PLAZA launched its first co-managed shop with a regional financial institution, THE SHIMIZU BANK, LTD., and has such co-managed shop(s) with other regional financial institutions at various locations around Japan. From August 2022, SBI MONEY PLAZA also operates co-managed shops with SBI Shinsei Bank, where the amount of assets under management has been steadily increasing. SBI Shinsei Bank aims to expand its base of affluent customers by increasing the number of co-managed shops.

Asset Management Business

The Asset Management Business is primarily engaged in the management of publicly or privately placed investment trusts and investment advisory services, as well as the provision of financial product information.

Asset Management Business

SBI Asset Management Co., Ltd. ("SBI Asset Management") engages in management of publicly and privately offered investment trusts, including equity funds and bond funds, as well as management of privately offered investment trusts for regional financial institutions' management of their own funds. In particular, the balance grew, mainly in index funds with low management costs for long-term investments, which are suitable for investors' asset building.

In addition, the Group sustainably expands its assets under management through organic growth and use of M&As. In June 2020, the Group acquired shares of Rheos Capital Works Inc. ("Rheos Capital Works") to make it a consolidated subsidiary. Rheos Capital Works is a company that manages investment trusts under the "Hifumi" brand, which has received high praise from individual investors. In November 2022, the Group acquired 51.0 per cent. of shares of Okasan Asset Management Co., Ltd. (now renamed as SBI Okasan Asset Management Co., Ltd.) by underwriting a third-party allotment to make it a consolidated subsidiary. These subsidiaries in the Asset Management Business thoroughly pursues synergies through collaboration within the Group, especially SBI SECURITIES.

Financial Product Information Provision Business

Wealth Advisor Co., Ltd. (formerly Morningstar Asset Management Co., Ltd.), is engaged in the business of providing customers with comparison, analysis and evaluation of information on asset management and related consulting services.

Investment Business

The Investment Business primarily consists of fund management, direct or indirect investment focusing on IT, FinTech, biotechnology and finance-related venture companies in Japan and overseas.

Venture Capital Business

The Group establishes, manages and operates venture capital funds and other funds primarily through SBI Investment. The Group's own investments are made either directly or indirectly through investment funds and other venture capital funds that the Group has established.

Most of the venture capital funds and other funds take the form of limited partnerships established under the laws of Japan and other countries as applicable. The duration of a venture capital fund is normally set between five years and ten years. Each of the venture capital funds and other funds has a stated investment objective, and a company within the Group that is the manager of that fund, such as SBI Investment, makes investment decisions regarding the fund consistent with such objective. The Group also provides investee companies with support services such as the provision of strategic advice concerning management, marketing and financing and assists them with the implementation of such strategies. In addition, where an investee company decides to offer its shares to the public, SBI SECURITIES will act as manager on such offering. There may also be third-party investors in the funds, including Japanese corporations, Japanese financial institutions and in some cases individuals or non-Japanese corporations.

In general, through fund management activity in the Investment Business, the Group receives an establishment fee (which is a given rate paid upon the establishment of a fund), a management fee (which is a given rate paid periodically throughout the life of a fund) or a fee which is determined by reference to the capital gained by the funds, depending on the terms of the respective funds.

Venture capital funds are generally high-risk, high-return investment vehicles involving investment in companies with the expectation of receiving a return from selling the investment after the investee companies' shares become publicly-traded by way of listing of the shares on a stock exchange or on an over-the-counter market or otherwise on or after M&A of investee companies.

In December 2015, SBI Investment launched FinTech Fund with its total committed capital of ¥30 billion to target companies working on innovative new technologies, such as FinTech, IoT, AI, and big data. FinTech Fund aims to increase the value of its investees through open innovation between FinTech Fund investors (mainly financial institutions and business corporations) and investee venture companies. Some of the companies within the Group perform experiments with investees to verify the feasibility of technologies and services using FinTech through collaboration with investee venture companies. FinTech Fund investors intends to incorporate and prompt the application of FinTech in their services at a lower cost. In January 2018, SBI Investment also established AI & Blockchain Fund with an initial committed capital of ¥20 billion which was ultimately increased to ¥60 billion. AI & Blockchain Fund primarily invests in venture companies which SBI Investment considers to be promising in the AI and blockchain fields, including related fields of IoT, robotics and sharing economy. Established as a successor fund to FinTech Fund, AI & Blockchain Fund also seeks to foster open innovation between investors and investee companies in order to increase the value of the investee companies and to encourage the investors to adopt new technologies and put them into application. In April 2021, SBI Investment started managing a new fund, SBI 4&5 Investment LPS ("4&5 Fund"), in earnest with its total committed capital of ¥100 billion. 4&5 Fund invests in areas which the Group has always focused on such as FinTech, AI and blockchain as well as such core technologies as 5G, IoT and big data to help to realise the "Society 5.0 for SDGs" initiative, which is the vision provided by the Keidanren (Japan Business Federation) for the next stage in the evolution of human society, following its previous stages as a hunter-gatherer society (Society 1.0), agrarian society (Society 2.0), industrial society (Society 3.0), and information society (Society 4.0), and in robotics to help to propel the Industry 4.0

initiative. The fund also invests in innovative technologies and services covering a wide range of industries from healthcare (medical and nursing care) and infrastructure (transportation and energy) to foods and agriculture. In November 2023, SBI Investment started managing a new fund, SBI Venture Fund2023 LPS ("Digital Space Fund"), in earnest with a maximum size of ¥100 billion. Digital Space Fund invests in areas which the Group has always focused on such as FinTech, AI and blockchain as well as areas such as digital transformation and healthcare. The fund will also invest in innovative technologies such as Web3 and the metaverse. Through such efforts, SBI Investment hopes to contribute to the growth and development of new industries by supporting the advancement of services provided by investee companies and investors.

As new technological developments in the fields of FinTech, IoT, AI, and big data are being accelerated, the Group intends to invest actively in, and build alliances with, promising companies in relation to these new technologies, in addition to using these new technologies to develop new services and strengthening efforts towards the streamlining of the Group's operations in the financial services offered by it. Based on these measures, the Group intends to seek to increase its competitive strength and further distinguish itself from the Group's competitors.

The movement where business corporations establish a private fund (corporate venture capital, "CVC") and nurture new businesses through investments in venture businesses which are expected to create business synergies, continues to be active. The total committed amount exceeded ¥143 billion as of 31 March 2024. Each of the CVCs has invested in venture businesses, which are expected to create business synergies. The Group expects to continue to receive a stable management fee as fund operator.

The Group has recently been placing importance on investments overseas. The Group sets up funds in collaboration with partners such as local financial institutions and government affiliated investment institutions well-versed in the legal system, market characteristics and other features of each country or region. Furthermore, as overseas funds established with existing partners are delivering steady results, the Group plans to form new funds that are expected to be larger than the existing overseas funds with capital contributions from foreign investors.

The Group has also launched an initiative for regional revitalisation, which is a business succession fund to be managed and administered by SBI Regional Business Investment Co., Ltd. ("SBI Regional Business Investment"). In October 2019 and August 2022, SBI Regional Business Investment established SBI Regional Business Succession Investment No. 1 LPS and SBI Regional Business Succession Investment No. 2 LPS, respectively, and began investing activities. The business succession of small- and medium-sized enterprises ("SMEs") has recently become a social problem. SBI Regional Business Investment, through the business succession fund, invests in SMEs that have encountered a business succession problem, and will endeavour to achieve smooth business succession by leveraging the Group's management resources and relationships with regional financial institutions and public institutions.

Crypto-assets Business

SBI VC Trade Co., Ltd. offers exchange and transaction services related to crypto-assets in the Group. With BITPoint Japan Co., Ltd. joining the Group in July 2022, the Group is expanding its customer base by providing various services to meet diversified investment needs, such as expansion of the number of crypto-assets handled and strengthening of crypto-asset management services. B2C2, in which the Group has a 90 per cent. stake, is a major market maker in the United Kingdom and develops business globally in the area of crypto-assets. By leveraging B2C2's extensive network, liquidity and risk management techniques, the Group intends to continue to expand crypto-assets related product line-up, develop crypto-assets derivative products, provide liquidity to domestic and overseas crypto-assets exchanges, securities companies and asset management companies, and expand know-how to other fields.

Next Gen Businesses

This segment is comprised of Semiconductor Business, Biotechnology, Healthcare & Medical Informatics Business, the Web3-related business and the developing overseas market businesses. Innovative businesses operated by newly joined companies are categorised within this segment.

Biotechnology, Healthcare & Medical Informatics Business

In addition to investing in venture companies in this field, the Group is directly engaged in the operations of Biotechnology, Healthcare & Medical Informatics Business, mainly through the operations of SBI

Pharmaceuticals Co., Ltd. ("SBI Pharmaceuticals"), SBI ALApromo Co., Ltd. ("SBI ALApromo"), Photonamic GmbH & Co. KG ("Photonamic") and SBI Biotech Co., Ltd. ("SBI Biotech").

The Group has been focusing on development and sales globally through SBI Pharmaceuticals, SBI ALApromo and Photonamic of pharmaceutical, cosmetic and health food products that contain 5-ALA, which is produced ubiquitously by various life forms, such as plants and animals, as the main active ingredient. SBI Biotech is a bio-venture engaged in the development of medical treatments and new drugs for intractable diseases, such as cancer and autoimmune disorders.

In November 2020, the Group entered the medical informatics field as a new business area by acquiring Medical Data Vision Co., Ltd. ("Medical Data Vision") as an equity-method associate. Medical Data Vision effectively utilises the abundant medical and healthcare data by improving the quality of medical and healthcare services and creating merits for people's daily lives.

Web3

Web3 is based on blockchain technology and is characterised by a decentralised system. The Group's goal is to develop into a digital space ecosystem that transcends the financial business.

Web3 includes non-fungible token ("NFT") marketplace business, where the Group operates an NFT trading platform; it also offers e-sports as well as think-tank services for research and studies next-generation finance and digital finance.

Semiconductor Business

In July 2023, the Group reached a basic agreement with PSMC, a major semiconductor foundry in Taiwan to jointly establish a company for the purpose of making preparations for constructing a semiconductor factory in Japan. By taking advantage of the Group's financial functions and PSMC's technologies, know-how and engineers, the Group is aiming to push Japan to become a starting point of the global supply chain for semiconductors. In October 2023, the Group determined the site for the semiconductor foundry and has been making progress towards foundry construction.

Information Systems

The Internet is the Group's primary sales channel, in particular in the Financial Services Business. Accordingly, the Group recognises that ensuring the stability of its systems for online transactions is a highly important management issue. The Group has put in place a number of countermeasures, which include building redundant mission critical systems and monitoring functions 24 hours a day, as well as establishing back-up sites at multiple locations.

In order to protect the information and assets of customers and the Group from increasing threats to cyber security, the Group, having developed businesses in Japan and overseas, has established information security managers in each company within the Group. The Group has set up a system whereby the Group's Computer Security Incident Response Team (CSIRT) supports these managers and strives to ensure information security for the entire Group under the management of such information security managers. Under this across-Group cooperation system, the Group refers to standards of personal information protection indicated in JIS Q 15001 and information security control measures indicated in ISO/IEC 27001 and thereby promotes and continuously improves information security measures through organisational, technical and human controls, and external collaboration.

Research and Development

The R&D expenses of the Group amounted to ¥1,983 million on a consolidated basis for the fiscal year ended 31 March 2024. These expenses were primarily related to R&D activities in the biotechnology, healthcare & medical informatics business included in the Next Gen Business segment.

The R&D activities in the biotechnology, healthcare & medical informatics business include the development of pharmaceutical, cosmetic, and health food products with 5-ALA, a kind of amino acid which exists *in vivo*, identification of antibody drugs and nucleic acid drugs in fields of cancer and immunology, solution services related to digitalisation of medical and health data and utilisation of medical big data, and medical financial services.

Intellectual Property Rights

The Group considers its "SBI" trade name to be an important part of its brand strategy. In certain overseas regions, however, the "SBI" trade name is already registered with other third party entities, and as such the Group may use a different brand (such as the "思佰益" brand in Hong Kong, China and Taiwan) and/or have brand coexistence agreements with some local brand owners.

The Group also owns a number of patents relating to products which use 5-ALA in its Biotechnology-related Business.

Property and Equipment

The following table sets out certain information relating to the Company's principal property and equipment by property as of 31 March 2024:

Name of Property	Location	Segment[2]	Description of the Property and Equipment	Book Value[1] Buildings and Structures	Machinery and Equipment	Software	Others	Total
				(Millions of yen)				
Headquarters	Tokyo, Japan	Financial Services Business	Software and others	¥—	¥0	¥301	¥0	¥301
Headquarters	Tokyo, Japan	Investment Business	Software and others	—	—	228	—	228
Headquarters	Tokyo, Japan	All	Office equipment, personal computers and others	2,473	163	1,462	5	4,103

Notes:
(1) Includes amounts in respect of rights-of-use assets.
(2) Of the segments indicated, "All" include assets relating to corporate functions common to the entire Company.

The following table sets out certain information relating to the principal property and equipment of the Company's domestic subsidiaries by subsidiaries as of 31 March 2024:

Name of Subsidiary (Name of Property)	Location	Segment	Description of the Property and Equipment	Book Value[1] Buildings and Structures	Machinery and Equipment	Software	Others	Total
				(Millions of yen)				
SBI SECURITIES Co., Ltd. (Headquarters)	Tokyo, Japan	Financial Services Business	Software and others	¥3,082	¥1,316	¥33,951	¥13	¥38,362
SBI Shinsei Bank, Limited (Headquarters)	Tokyo, Japan	Financial Services Business	Branches, office equipment and others	13,596	780	1,209	577	16,162

Note:
(1) Includes amounts in respect of rights-of-use assets.

The following table sets out certain information relating to the principal property and equipment of the Company's overseas subsidiaries as of 31 March 2024:

				Book Value(1)				
Name of Subsidiary (Name of Property)	**Location**	**Segment**	**Description of the Property and Equipment**	**Buildings and Structures**	**Machinery and Equipment**	**Software**	**Others**	**Total**
				(Millions of yen)				
SBI Savings Bank (Headquarters)	Seoul, South Korea	Financial Services Business	Office equipment, personal computers and others	¥361	¥1,137	¥535	¥2,579	¥4,612

Note:
(1) Includes amounts in respect of rights-of-use assets.

Compliance and Internal Control

In accordance with the Rules for the Board of Directors of the Company, the Board of Directors of the Company holds monthly meetings and other meetings as necessary from time to time in order to facilitate close communication among the Directors and to supervise the performance of the Representative Director. A Compliance Officer is appointed by the Board of Directors to oversee compliance matters, and the Compliance Department of the Company directly manages compliance activities of the Company. The Company has a system whereby its Directors and employees submit reports involving compliance matters, including information concerning violations of laws, regulations and its Articles of Incorporation, directly to its Internal Audit Department and to its Statutory Auditors. In addition, the Compliance Officer, the Compliance Department of the Company and compliance officers from the companies within the Group regularly hold compliance meetings where group-wide compliance issues are discussed.

Risk Management

The Group Risk Management Department has been established as an organisation to detect risks in the execution of business strategies at normal times and to make appropriate management decisions, and identifies top risks from both a top-down perspective based on strategy-based risk appetite and a bottom-up perspective based on risk assessment by risk category. As a risk management approach for contributing to management decision-making, the Group focus on three pillars: (i) flexible stress testing, (ii) risk heat mapping and (iii) risk inspection meetings for individual subsidiary risks. In terms of risk category-focused management, risks are measured, recognised and aggregated as appropriate for the five business segments (Financial Services Business, Asset Management Business, Investment Business, Crypto-asset Business and Next Gen Business) from a viewpoint of market risk, credit risk, liquidity risk and operational risk.

In the event that a potential or actual risk threatening the Company arises, the Officer appointed by the Board of Directors to be in charge of risk management will gather information, consider measures to prevent damage arising from such risk and/or implement measures to prevent reoccurrence of such damage, while reporting on the incidents to the relevant third-party institutions.

With regard to business activities, in order to ensure for all processes to be in compliance with contracts and rules as well as related laws and regulations, the Group has established a system of mutual checks and balances among multiple divisions to place maximum emphasis on compliance. In addition, with regard to information management and system risks, the Group's IT security incident response team and IT Management Department, which are overseen by the director in charge of information security, are working to improve the overall information management system, including customer information, and to strengthen the management system to respond to system risks and information security risks across the Group. Furthermore, from the viewpoint of business continuity in particular, the Group has established a system that can respond to various incidents by duplicating systems and establishing back-up systems at multiple locations.

SBI Shinsei Bank Group's risk management

Overview of the Risk Management System

SBI Shinsei Bank Group has established various specific committees to promote effective risk management. These include the Group Risk Policy Committee, the Transaction Committee, the Group Asset and Liability Management (ALM) Committee, and the Market Business Management Committee.

The Group Risk Policy Committee, which includes the Chief Executive Officer (CEO) and the Group's Chief Officers for Corporate Planning, Finance, and Risk Management, plays a role in defining and coordinating risk acquisition by reviewing business strategy alongside risk management policy.

Additionally, SBI Shinsei Bank Group has established a Group Risk Management Policy. This policy outlines a basic understanding of various risks and a fundamental approach to managing them as a whole, to allow the SBI Shinsei Bank Group to actively manage the risks to which it is subject.

Basic Approach to Risk Management

Financial institutions such as the SBI Shinsei Bank Group face a variety of risks, including credit risk, market risk, liquidity risk, and operational risk. To conduct profitable and stable business operations, the Group believes it is essential to mitigate these risks by considering how to take risks as a management issue. This involves aligning risk-taking with the SBI Shinsei Bank Group's overall and individual business operation policies and ensuring risks remain within established limits.

To strengthen its monitoring functions and enhance its risk management framework, SBI Shinsei Bank Group has established credit analysis divisions to review and approve loan applications, and monitor them. The SBI Shinsei Bank Group's definitions of the various risk categories are summarised as follows:

- *Credit Risk*: Credit risk is the risk of incurring losses due to deterioration in the financial condition of a borrower resulting in an erosion or total loss of asset value (including off-balance assets).
- *Market Risk*: Market risk is the risk of incurring losses due to changes in the value of assets or liabilities through fluctuations of various risk factors such as interest rates, foreign exchange rates, stock prices, etc.
- *Liquidity Risk*: Liquidity risk (fund-raising risk) is the risk of incurring losses due to difficulties in securing necessary funds or the need to raise funds at an interest rate that is substantially higher than normal, stemming from mismatches in the maturities of assets and liabilities or an unexpected outflow of funds.
- *Operational Risk*: Operational risk refers to the risk of incurring losses resulting from inadequate or failed internal processes, personnel and systems or from external events.

Credit Risk

Institutional Business Credit Risk Management

Under its Group Credit Policy, the SBI Shinsei Bank Group has identified risks which it cannot accept or should not accept as a corporate group, and has established general policies concerning the criteria for selection of the companies to be credited, and has clearly set out various procedures as well as the basic policies for credit business and specific guidelines for credit risk management. Credit risk management processes for institutional businesses are broadly grouped into credit risk management for individual transactions and portfolio-based credit risk management.

Individual Transaction Credit Risk Management

- *Organisation and Structure*: Regarding credit assessments for institutional business, an effective system of checks and balances on sales promotion divisions is established through the veto rights of risk management divisions.

- *Obligor Rating Systems*: Using credit estimation models including a model benchmarking the credit ratings of external credit rating agencies, SBI Shinsei Bank formulates model ratings and applies adjustments to them based on qualitative factors, and uses this method to determine credit rankings.

Portfolio-Based Credit Risk Management

- *Monitoring Analysis System*: SBI Shinsei Bank performs analysis that derives from unique entry points based on the risk profiles of each product and monitors risk diversification status by segments such as industry, ratings, products, and regions, to report to the appropriate management layer.

- *Quantifying Credit Risk*: By factoring measured expected losses and unexpected losses into loan spreads, SBI Shinsei Bank Group can harness this data to ensure an appropriate risk-return for every transaction.

- *Credit Concentration Guidelines*: The SBI Shinsei Bank Group's credit concentration management framework consists of guidelines for country credit limits as well as industry, obligor group, and product concentrations. Reviews and actions are taken when guidelines are exceeded.

Individual Business Risk Management

The SBI Shinsei Bank Group's consumer finance risk management covers the entire process from loan application assessment to post-contract credit monitoring and loan collection. The SBI Shinsei Bank Group's Individual Banking Risk Management Division oversees risk management for products for retail customers, including consumer finance. It conducts monthly risk performance reviews with other risk divisions and provides advice and support on credit policies and strategies.

Subsidiary risk divisions implement scoring models developed using statistical methods into credit processes, utilising databases of customer attributes, credit information, and transaction history. These models are regularly monitored and amended to maintain accuracy.

Credit Risks on Market-Related Transactions

Counterparty credit risk associated with market transactions, such as derivative transactions, is managed based on credit valuation adjustment measured by using credit default swap data.

Self-Assessment

Asset self-assessments are a part of credit risk management. Financial institutions examine and analyse their asset holdings so they can grasp the actual state of their assets as steps in preparing for appropriate asset write-downs and write-offs as well as reserve provisioning. At SBI Shinsei Bank, sales promotion divisions and credit analysis divisions conduct asset appraisals, and risk management divisions that are independent of sales promotion and credit analysis verify appraisal results.

Market Risk

Market Risk Management Policy

In accordance with the Trading Business Risk Management Policy, market risks in the trading business are managed through a series of processes with its Group Risk Policy Committee determining overall market risk and loss limits. SBI Shinsei Bank Group Integrated Risk Management Division monitors on a daily basis the status of compliance with these limits, and the Market Business Management Committee reviews every month trends at individual businesses, the status of profits and losses, market risk conditions, and overall business risks of products being handled.

Trading Book

Market risk in the trading book is managed through techniques such as value at risk ("VaR"). VaR is the maximum loss amount expected due to future price fluctuations within a given probability range, assuming a specific position is held over a specific time horizon. In addition, SBI Shinsei Bank Group measures multifaceted risks using sensitivity analysis for various factors. The effectiveness of the VaR model is verified through back testing, which examines how frequently actual daily loss exceeds daily VaR for a one-day holding period.

Interest Rate Risk in Banking Book (IRRBB)

Interest rate risk is the risk of eroding profits or incurring losses due to market interest rate fluctuations amid mismatches in the interest rate or maturities of assets and liabilities. To measure interest rate risk exposure, SBI Shinsei Bank calculates the change in economic value of the banking book (EVE) by using the three scenarios of standards for IRRBB: parallel shock up, parallel shock down and steepener shock, and uses maximum EVE across the three scenarios above for internal controls. EVE is significantly impacted by the recognition of asset and liability maturities and loan prepayments. SBI Shinsei Bank is endeavouring to appropriately capture interest rate risk controls.

Marketable Credit Instrument Risks

Investments in instruments such as structured bonds, funds, securitised products are generally held until maturity, although some instruments can be traded on the market. Such instruments have a complex risk profile that includes market risk and liquidity risk in addition to credit risk related to their underlying assets and counterparties. SBI Shinsei Bank has established a system to ensure appropriate management of these risks, and regularly reviews its investment policies based on the investment environment. The Transaction Committee, the Market Business Management Committee and the Group Risk Policy Committee strive to promote appropriate management of risks through regular reviews of risk exposure.

Liquidity Risk

Liquidity Risk Management Policy

For funding liquidity risk, based on the Liquidity Risk Management Policy, SBI Shinsei Bank Group's Treasury Division, a fund-raising management unit, and the Group Integrated Risk Management Division, a funding liquidity risk management unit, have been put in place, and the Group ALM Committee receives reports on the following designated liquidity risk management indicators: funding gap limit, minimum liquidity reserves, liquidity stress tests, and liquidity coverage ratio. The levels of funding liquidity risk consist of three Risk Administration Modes: normal, need for concern, and crisis with the Group ALM Committee determining the current mode. The response framework for each specific mode is set forth in the Funding Liquidity Contingency Plan, and regular training is provided.

Operational Risk

Operational Risk Management Frameworks

To ensure comprehensive management of operational risks, SBI Shinsei Bank has established an operational risk management policy that defines risks and sets forth its basic policy and organisational structures for risk management as well as procedures for identifying, evaluating, monitoring, reporting and controlling/mitigating risk. The Group Integrated Risk Management Division, a unit responsible for SBI Shinsei Bank Group-wide operational risk management, evaluates, analyses, and reports on operational risk to management. Moreover, for each domain of operational risk, such as administrative risk and systems risk, specialised risk management divisions that are independent from business divisions manage operational risks according to the attributes of each category.

Administrative Risk Management Frameworks

Administrative risk is the potential for loss from inaccurate clerical work or employee errors or misconduct. SBI Shinsei Bank Group focuses on improving administrative performance through clear procedures, training, guidance, and workflow improvements. This includes branch self-audits and a database of past errors to prevent recurrence.

Systems Risk Management Frameworks

Systems risks include the risk of companies or individuals incurring losses from the disappearance of valuable data of customers as a result of information systems shutting off and software or hardware failures. Through consecutive reviews of systems risks, SBI Shinsei Bank is identifying and evaluating the risks, and working to improve the quality in systems development and prevent systems failures, and to ensure rapid recoveries when problems occur by improving systems operating capabilities. SBI Shinsei Bank continues to manage risks for safe operations of its systems. SBI Shinsei Bank has endeavoured to improve the level of systems risk management and information security for the entire SBI Shinsei Bank Group. SBI Shinsei Bank Group has positioned cybersecurity risks that threaten the security of the financial system as one of the key risks of management, and its Group C-SIRT is working on group-wide management. SBI Shinsei Bank strives to ensure the safety of its customers' information and assets by conducting tests using practical attack methods.

SBI Shinsei Bank Group Capital Adequacy Related Information

The following table shows the consolidated capital adequacy related information of SBI Shinsei Bank Group based on the Basel III international standard:

	As of 31 March		Increase (Decrease)
	2023	**2024**	
Common equity Tier 1 capital (billions of yen)	¥864.3	¥846.7	¥(17.5)
Total amount of risk weighted assets (billions of yen)	¥8,603.6	¥8,720.6	116.9
Common equity Tier 1 ratio (per cent.)	10.0%	9.7%	—

Regulations

Overview

The Group's principal operations are conducted in Japan and are subject to a number of applicable Japanese laws and regulations. In particular, the Group's operations are subject to the FIEA, which regulates "Financial Instruments Businesses". This term is broadly defined to cover most types of securities-related businesses, including asset management businesses, investment advisory businesses and businesses in the securities industry. Security tokens (*denshi-kiroku-iten-kenri*) are also regulated by the FIEA as securities. While a number of aspects of the Group's business such as Financial Services Business and Asset Management Business and Investment Business are regulated by the FIEA, its general banking business and insurance businesses and funds transfer or cryptocurrency exchange service businesses are primarily subject to the Banking Act, the Insurance Business Act and the Payment Services Act respectively. In addition, its Biotechnology, Healthcare & Medical Informatics Business is subject to the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical devices of Japan (Act No. 145 of 1960, as amended) (the "Pharmaceutical and Medical Devices Act"). Also, the Group's operations are subject to the laws and regulations relating to real estate and construction. The following is a summary of the key Japanese laws and regulations with which the Group's operations are required to comply.

Financial Instruments and Exchange Act (FIEA)

The FIEA regulates most aspects of transactions and businesses (including operation of proprietary trading system) that relate to financial instruments (including security tokens) in Japan, including public offerings, private placements and the secondary trading of securities; on-going disclosure by securities issuers; tender offers for securities; the organisation and operation of securities exchanges and self-regulatory associations; and the registration of FIBOs. The Commissioner of the FSA is delegated the authority to regulate financial instruments businesses by the Prime Minister of Japan. The Securities and Exchange Surveillance Commission is vested with authority to conduct day-to-day monitoring of the securities markets and to investigate irregular activities that hinder the fair trading of securities, including authority to inspect FIBOs. Furthermore, the Commissioner of the FSA delegates certain authority to the Directors General of Local Finance Bureaus to inspect local FIBOs and branches. A violation of applicable laws and regulations may result in various administrative sanctions, including the revocation of registration or authorisation, the suspension of business operations or an order to discharge any Director or Executive Officer who has failed to comply with applicable laws and regulations. Securities companies are also subject to the rules and regulations of the Japanese stock exchanges and the Japan Securities Dealers Association, a self-regulatory association of securities companies.

FIBOs are not permitted to conduct banking or other financial services, with certain exceptions, including, those operators which are also registered as money lenders and engaged in inter business under the Money Lending Business Act or which hold permission to act as bank agents and conduct banking agency activities under the Banking Act.

Type I FIBOs are required to maintain adjusted capital at specified levels as compared with the quantified total of their business risks on a non-consolidated basis. If a Type I FIBO's capital adequacy ratio falls below 120 per cent., the Commissioner of the FSA may order it to take certain measures to rectify the situation. A Type I FIBO whose ratio falls below 100 per cent. may be subject to additional proceedings, including, in certain circumstances, the temporary suspension of its business or, the revocation of its registration as Type I FIBO. The relevant companies within the Group are registered as Type I FIBO as necessary.

A shareholder who has acquired 20 per cent. (or 15 per cent. if there are certain facts indicative of material influence over the decisions of the company in relation to its financial and operational policies) or more of the voting rights of a Type I FIBO ("Principal Shareholder of a Type I FIBO") is required to submit a notification describing, among other things, the ownership of the shares and the purpose of the acquisition to the Commissioner of the FSA. In addition, the FSA may request the submission of reports or materials from, or may conduct inspections of, any Principal Shareholder of a Type I FIBO. In limited circumstances, the FSA may also order a Principal Shareholder of a Type I FIBO to take action to resign from the position as Principal Shareholder of a Type I FIBO, including requiring the disposition of such shares as are held by it. A prompt filing with the FSA is also required when a person or entity ceases to be a Principal Shareholder of a Type I FIBO. Also, a principal shareholder of an entity who conducts investment management business is subject to certain regulations similar to a Principal Shareholder of a Type I FIBO.

The FIEA and the Banking Act provide the firewall regulations regarding the holding of concurrent offices or posts among banks, securities firms and insurance companies and require banks, securities firms and insurance companies to establish systems for managing conflicts of interest in order to protect customers' interests.

Banking Act

A bank must be licensed by the Prime Minister pursuant to the Banking Act and will be subject to supervision by the Commissioner of the FSA under this Act, including the capital adequacy requirement that was adopted by the FSA based on the Basel III agreement and has been applied incrementally since 31 March 2014. The FSA has broad regulatory powers over banking businesses in Japan, including the authority to issue an order to suspend all or part of its business operations, and to request information and conduct onsite inspections of books and records. This Act also requires a bank to maintain its financial credibility, and to secure protection for depositors in view of the public importance of banking services. A bank is subject to restrictions and regulations under the Banking Act on various aspects of its banking business, including restrictions on the scope of its business, its shareholdings of other companies, and corporate restructuring. Under the Banking Act, banks in Japan are permitted to engage only in the business of acceptance of deposits or instalment savings, loans of funds or discounting of bills, and exchange transactions (such businesses are referred to as the "Primary Business"), certain businesses incidental to the Primary Business (such businesses other than the Primary Business are referred to as the "Incidental Business"), and certain other businesses permitted under the Banking Act and other acts. In addition, the Banking Act restricts the types of businesses in which Japanese banks may engage through their subsidiaries to, among other things, banking businesses, certain securities businesses and certain financial-related and other Incidental Businesses, with the prior authorisation of, or prior notice to, the Commissioner of the FSA.

Under the Banking Act, a person who intends to hold more than 50 per cent. of the voting rights of a bank, and becomes a holding company (as defined in the Banking Act), is required to obtain prior approval of the Commissioner of the FSA. The person who has obtained such approval is, as a bank holding company under the Banking Act, subject to restrictions and regulations on various aspects of its banking business, including restrictions on the scope of businesses of the bank holding company and its subsidiaries, the shareholdings of other companies by the bank holding company's group, corporate restructuring activities, credit limits on the bank holding company's group, and consolidated capital adequacy ratio requirements.

Under the Banking Act, a person who intends to hold 20 per cent. (or 15 per cent. if the person meets certain criteria raising a presumption that it will have a material effect on financial and business policy decisions of the company) or more of the voting rights of a bank ("Principal Shareholder of a Bank") is required to obtain the advance approval of the Commissioner of the FSA for any acquisition. Further, the FSA may request the submission of reports or materials from, or may conduct inspections of, any Principal Shareholder of a Bank in certain circumstances and may order a Principal Shareholder of a Bank to take such measures as the FSA deems necessary under certain limited circumstances.

Insurance Business Act

A licence from the Prime Minister must be issued under the Insurance Business Act to conduct an insurance business. The FSA has broad regulatory powers over the insurance business, including the authority to issue an order to suspend all or part of its business operations, to request information regarding an entity's business or financial condition, and to conduct onsite inspections. An insurance company generally also must receive FSA approval for the sale of new products, and to set new pricing terms. This Act requires an insurance company to maintain specified reserves. Solvency margin ratio is one of the indicators by which the FSA monitors financial soundness of insurance company. Insurance companies with solvency margin ratios of 200 per cent. or higher are generally considered sound and not requiring prompt corrective action.

Under the Insurance Business Act, a person who intends to hold more than 50 per cent. of the voting rights of an insurance company, and becomes a holding company (as defined in the Insurance Business Act), is required to obtain prior approval of the Commissioner of the FSA. The person who has obtained such approval is, as an insurance holding company under the Insurance Business Act, subject to restrictions and regulations on various aspects of its insurance business, including restrictions on the scope of businesses of the insurance holding company and its subsidiaries, corporate restructuring activities, and consolidated solvency margin ratio requirements.

Under the Insurance Business Act, a person who intends to hold 20 per cent. (or 15 per cent. if the person meets certain criteria raising a presumption that it will have a material effect on financial and business policy decisions of the company) or more of the voting rights of an insurance company ("Principal Shareholder of an Insurance Company") is required to obtain the advance approval of the Commissioner of the FSA for any acquisition. Further, the FSA may request the submission of reports or materials from, or may conduct inspections of, any Principal Shareholder of an Insurance Company in certain circumstances and may order a Principal Shareholder of an Insurance Company to take such measures as the FSA deems necessary under certain limited circumstances.

Payment Services Act

The Payment Services Act regulates the funds transfer service business. An operator who provides fund transfer services with a maximum amount of ¥1 million is required to be registered with the FSA as a Type 2 fund transfer operator and is supervised by the FSA. A Type 2 fund transfer operator also must comply with certain other requirements, including an obligation to deposit certain amount of money or enter into certain credit guarantee, or trust agreements. The FSA is authorised to issue a business improvement order or business suspension order or to cancel an operator's registration if the operator fails to comply with the relevant regulations.

The cryptocurrency exchange service business is also subject to this Act. An operator who provides cryptocurrency exchange business is required to be registered with the FSA as a cryptocurrency exchange service provider. The FSA is authorised to issue a business improvement order or business suspension order, or to cancel an operator's registration, if the operator fails to comply with the relevant regulations.

Pharmaceutical and Medical Devices Act

Manufacturers and sellers of medical devices, pharmaceuticals, quasi-pharmaceuticals or cosmetics in Japan are subject to the supervision of the Ministry of Health, Labour and Welfare under the Pharmaceutical and Medical Devices Act.

Under the Pharmaceutical and Medical Devices Act, the Minister of Health, Labour and Welfare (the "Minister") or a prefectural governor may take various measures to supervise manufacturers and sellers of medical devices, pharmaceuticals, quasi-pharmaceuticals, or cosmetics. For example, the Minister or a prefectural governor may require licensed or registered manufacturers and sellers of medical devices, pharmaceuticals, quasi-pharmaceuticals, or cosmetics to submit reports, carry out inspections at their factories or offices, and if deemed necessary, monitor their compliance with the laws and regulations.

Other Regulations

The businesses of the Group are subject to other various laws and regulations such as the Interest Rate Restriction Act, the Act Regulating the Receipt of Contributions, the Receipt of Deposits, and Interest Rates of Japan (Act No. 195 of 1954, as amended) and the Money Lending Business Act which, among other things, provides an upper limit on aggregate borrowings by an individual from all moneylenders over which moneylenders may not extend further loans, in respect of the business of money lending; the Instalment Sales Act of Japan (Act No. 159 of 1961, as amended) in respect of the sale on instalment plans; and the Building Lots and Buildings Transaction Business Act of Japan (Act No. 176 of 1952, as amended) in respect of the sale, purchase or lease of buildings or building lots.

Insurance

The Group maintains a range of insurance policies which the Company believes are generally comparable to other companies with similar operations in Japan. The Group insures its premises for risks such as fire, theft and third party liability as necessary, but generally not for earthquakes. The Company also maintains professional indemnity insurance for its directors and officers.

Legal Proceedings

Although certain members of the Group are regularly involved in legal proceedings in the ordinary course of business, the Group is not involved in any litigation or other legal proceedings which, if determined adversely to the Group, would individually or in the aggregate have a material adverse effect on the Group or its operations.

MANAGEMENT AND EMPLOYEES

Management

The Company's Board of Directors carries the ultimate responsibility for the management and administration of the affairs of the Company. The Company's Articles of Incorporation provide for not more than 22 Directors. Directors are elected at a general meeting of shareholders. The normal term of office of any Director expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within one year after the election, although they may serve any number of consecutive terms.

The Articles of Incorporation of the Company also provide for not less than three Statutory Auditors, who are elected at a general meeting of shareholders. The normal term of office of any Statutory Auditor expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within four years after the election, although they may serve any number of consecutive terms. Under Japanese laws, the Statutory Auditors are not required to be certified public accountants, and may not at the same time be directors, accounting advisers, managers or any other type of employees of the Company or directors, accounting advisers, statutory executive officers (*shikkoyaku*), managers or any other type of employees of its subsidiaries. In addition, at least half of the Statutory Auditors are required to be persons who satisfy the requirements for an outside statutory auditor under the Companies Act. Each Statutory Auditor has the statutory duty of supervising the administration by the Directors of the Company's affairs and of examining the financial statements and business reports of the Company to be submitted by the Representative Director to the general meetings of shareholders and of preparing an audit report. They are required to attend meetings of the Board of Directors in general and to express their opinions when or if necessary, at such meetings but they are not entitled to vote. The Statutory Auditors form the Board of Statutory Auditors. The Board of Statutory Auditors has a statutory duty to prepare an audit report based on the audit reports issued by the individual Statutory Auditor each year. A Statutory Auditor may note his or her opinion in the audit report if the opinion expressed in his or her audit report is different from the opinion expressed in the audit report issued by the Board of Statutory Auditors. The Board of Statutory Auditors must establish its audit principles, the method of examination by the Statutory Auditors of the Company's affairs and financial position and any other matters relating to the performance of the Statutory Auditor's duties. In addition, under the Securities Listing Regulations of the Tokyo Stock Exchange, listed companies in Japan, including the Company, are required to have at least one independent officer (*dokuritsu-yakuin*). Such independent officer is required to be an outside director or outside statutory auditor (as defined under the Companies Act) who is unlikely to have conflicts of interest with shareholders of such listed company.

In addition to Statutory Auditors, the Company must appoint an independent accounting auditor, who has the statutory duties of examining the financial statements to be submitted by the Representative Director to the general meetings of shareholders and reporting thereon to the relevant Statutory Auditors and the relevant Directors. An independent accounting auditor shall be either a certified public accountant or an auditing corporation. Currently, the Company's independent auditor is Deloitte Touche Tohmatsu LLC.

The Company's Directors and Statutory Auditors as of the date of this Offering Circular are set out in the table below:

Name	**Title**
Yoshitaka Kitao	Representative Director, Chairman, President & CEO
Masato Takamura	Representative Director, Senior Executive Vice President & COO
Tomoya Asakura	Director, Senior Executive Vice President
Shumpei Morita	Senior Managing Director
Satoe Kusakabe	Managing Director
Masayuki Yamada	Director
Shinji Matsui	Director
Motoaki Shiino	Director
Teruhide Sato(1)	Independent Outside Director
Heizo Takenaka(1)	Independent Outside Director
Yasuhiro Suzuki(1)	Independent Outside Director
Hiroshi Ito(1)	Independent Outside Director
Kanae Takeuchi(1)	Independent Outside Director
Junichi Fukuda(1)	Independent Outside Director
Hiroyuki Suematsu(1)	Independent Outside Director

Name	Title
Toru Ichikawa[2]	Standing Statutory Auditor
Takahiro Yoshida	Standing Statutory Auditor
Yasuo Sekiguchi[2]	Statutory Auditor
Akemi Mochizuki	Statutory Auditor

Notes:
(1) Outside Directors under the Companies Act.
(2) Outside Statutory Auditors under the Companies Act.

The business address for the Company's Directors and Statutory Auditors is 6-1, Roppongi 1-chome, Minato-ku, Tokyo 106-6019, Japan.

The aggregate remuneration of the Directors (excluding outside Directors), the Statutory Auditors (excluding outside Statutory Auditors), and outside Directors and outside Statutory Auditors, for the fiscal year ended 31 March 2024 paid to by the Company was ¥775 million, ¥13 million and ¥123 million, respectively.

As at 31 March 2024, no Director of the Company had an interest in any transaction which was unusual in its nature or conditions or significant to the Group's business which was effected by the Company. As at 31 March 2024, there were no outstanding loans granted by any company of the Group to the Company's Directors nor any guarantees provided by any company of the Group for the benefit of any of the Directors of the Company, other than any loans, credits or guarantees extended by a Group company to such Directors as part of such Group company's ordinary course of business on arm's-length terms.

Stock Option Plans

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

The outline of the Company's stock option plans relating to Shares as of 30 June 2024 is as follows:

Initial Grantees	Aggregate Number of Shares Purchasable	Date of Board Meeting	Exercise Price	Exercise Period
969 employees of the Company and its subsidiaries	786,300	27 July 2017/ 29 August 2017	¥1,563	29 July 2019 to 30 September 2024[1]
64 directors of the Company and its subsidiaries	414,400	28 May 2020/ 26 June 2020	¥2,280	3 July 2023 to 30 September 2024
1,171 employees of the Company and its subsidiaries	2,468,200	28 May 2020/ 26 June 2020	¥2,308	3 July 2023 to 29 September 2028[1]

Notes:
(1) These stock options are also subject to the condition that the holder must be a director, statutory auditor or employee of the Company or its subsidiaries or associated companies at the time of exercise, except to the extent such holder had ceased to be such employee due to his or her reaching retirement age, or ceased to be such director or statutory auditor for other reasons considered valid by the Company's Board of Directors.

Restricted Stock Remuneration for Directors

The Company has in place a restricted stock remuneration for the Company's Directors (excluding Outside Directors) (the "Remuneration System"). The purpose of this Remuneration System is to offer incentives for the sustainable enhancement of the corporate value of the Company, and to conduct further sharing of value between eligible Directors and shareholders. The Remuneration System allows for Directors (excluding Outside Directors) together to receive Shares of up to ¥500 million in value per year, such Shares to have certain restrictions such as transfer restriction of up to three to five years.

Employees

The following table sets out the number of full-time employees of the Group according to reporting segments as at 31 March 2024:

	As at 31 March		
	2022	**2023**	**2024**
Financial Services Business	14,211	16,877	16,614
Asset Management Business （before segmentation change)(1)	2,817	—	—
Asset Management Business (after segmentation change)(1)	—	411	357
Biotechnology, Healthcare & Medical Informatics Business(1)	133	—	—
Others(1)	179	—	—
Investment Business(1)	—	400	1,149
Crypto-asset Business(1)	—	223	242
Next Gen Business(1)	—	644	472
Common(2)	156	201	263
Total	17,496	18,756	19,097

Notes:

(1) See "Presentation of Financial and Other Information—Segments" for change in business segments. The employee data as of 31 March 2022 have not been adjusted in line with the new segmentation.

(2) "Common" represents the number of individuals mainly belonging to the administrative divisions of the Company.

No labour union has been formed within the Company itself; however, labour unions exist in some of its subsidiaries. The Group believes that its labour-management relations are good.

SUBSIDIARIES AND ASSOCIATES

As of 31 March 2024, the Group consisted of the Company, 659 consolidated subsidiaries (including consolidated partnerships) and 62 equity method associates.

The following table sets out certain information as of 31 March 2024 with respect to the Company's major subsidiaries and equity method associates:

Subsidiary/Associate	Location	Principal Business	Percentage of Voting Rights or Capital Contribution Held by the Company(1)(4)	Paid-in Capital(2)
			(Per cent.)	(Millions of yen, unless otherwise stated)
Financial Services Business				
Subsidiaries				
SBI FINANCIAL SERVICES Co., Ltd.	Tokyo, Japan	Control and management of the Group's Financial Services Business	100.0%	¥100
SBI SECURITIES Co., Ltd.	Tokyo, Japan	Comprehensive online securities company	100.0 (100.0)	54,323
SBI Liquidity Market Co., Ltd.	Tokyo, Japan	Provision of market infrastructure to supply liquidity to FX margin trading	100.0 (100.0)	1,000
SBI FXTRADE Co., Ltd.	Tokyo, Japan	Over-the-counter foreign exchange margin transactions	100.0 (100.0)	480
SBI MONEYPLAZA Co., Ltd.	Tokyo, Japan	Insurance agency, financial instruments intermediary service provider and housing loan agency	66.6 (66.6)	100
SBI Insurance Group Co., Ltd.	Tokyo, Japan	Business management of insurance subsidiaries	59.7	8,375
SBI Life Insurance Co., Ltd.	Tokyo, Japan	Life insurance company using primarily the Internet	100.0 (100.0)	15,000
SBI Insurance Co., Ltd.	Tokyo, Japan	Non-life insurance company using primarily the Internet	99.2 (99.2)	11,000
SBI FinTech Solutions Co., Ltd.	Tokyo, Japan	Comprehensive payment service provider including online payment service and back-office cloud service	77.5	1,453
SBI Estate Finance Co., Ltd.	Tokyo, Japan	Real estate-secured loans	100.0 (100.0)	2,405
SBI Shinsei Bank, Limited	Tokyo, Japan	Banking	64.8 (64.8)	512,205
Showa Leasing Co., Ltd.	Tokyo, Japan	Comprehensive leasing services	100.0 (100.0)	29,360
APLUS Co., Ltd.	Osaka, Japan	Instalment credit	100.0 (100.0)	100
Shinsei Financial Co., Ltd.	Tokyo, Japan	Retail loans	100.0 (100.0)	100
SBI Savings Bank	South Korea	Savings bank in South Korea	100.0 (100.0)	KRW1,561.5 billion
SBI Regional Bank Holdings Co., Ltd.	Tokyo, Japan	Control and management of the Group's banking business	100.0	58,750
Regional Revitalization Banking System No.1 anonymous partnership	Tokyo, Japan	Development and provision of account systems for financial institutions	68.2 (68.2)	22,000
Associates				
SBI Sumishin Net Bank, Ltd.	Tokyo, Japan	Internet banking	34.2	31,000

Subsidiary/Associate	Location	Principal Business	Percentage of Voting Rights or Capital Contribution Held by the Company(1)(4)	Paid-in Capital(2)
			(Per cent.)	(Millions of yen, unless otherwise stated)
Asset Management Business				
SBI Asset Management Group Co., Ltd.	Tokyo, Japan	Management and operation of the Group's Asset Management Business	100.0	100
SBI Global Asset Management Co., Ltd.	Tokyo, Japan	Control and management of the Group's asset management services business	52.6 (52.6)	3,364
SBI Asset Management Co., Ltd.	Tokyo, Japan	Investment advisory services and investment trust management	97.9 (97.9)	400
Investment Business				
SBI Capital Management Co., Ltd.	Tokyo, Japan	Control and management of the Group's private equity business	100.0	100
SBI Investment Co., Ltd.	Tokyo, Japan	Operate and manage venture capital funds	100.0 (100.0)	50
SBI Hong Kong Holdings Co., Ltd.	Hong Kong	Overseas business management	100.0	HK$9,880 million
SBI VENTURES ASSET PTE. LTD.	Singapore	Investment in overseas companies and funds	100.0 (100.0)	U.S.$259 million
SBI VENTURES SINGAPORE PTE. LTD	Singapore	M&A advisory business	100.0	U.S.$629 million
SBI Innovation Fund I	Tokyo, Japan	Investments in domestic and overseas companies	100.0 (3.3)	20,190
SBI 4&5 Investment LPS(3)	Tokyo, Japan	Investment mainly in companies related to FinTech, AI and blockchain as well as technologies and services including 5G, IoT, big data, robotics, healthcare, infrastructure, foods and agriculture	100.0	71,400
SBI 4&5 II Investment LPS	Tokyo, Japan	Investment mainly in companies related to FinTech, AI and blockchain as well as technologies and services including 5G, IoT, big data, robotics, healthcare, infrastructure, foods and agriculture	3.9 (3.9)	28,600
FinTech Business Innovation LPS	Tokyo, Japan	Investments in promising venture companies in the FinTech field	21.3 (21.3)	30,000
SBI AI & Blockchain LPS	Tokyo, Japan	Investments in promising venture companies mainly in AI and blockchain fields	17.7 (17.7)	60,000
SBI ALApharma Co., Limited	Hong Kong	5-ALA-related business and financing	100.0 (100.0)	HK$6,125 million
Crypto-asset Business				
SBI VC Trade Co., Ltd.	Tokyo, Japan	Provision of exchange and transaction services related to crypto-assets	100.0 (100.0)	100
Next Gen Business				
SBI Pharmaceuticals Co., Ltd.	Tokyo, Japan	Research and development, manufacturing and sales of	100.0 (100.0)	100

Subsidiary/Associate	Location	Principal Business	Percentage of Voting Rights or Capital Contribution Held by the Company(1)(4)	Paid-in Capital(2)
			(Per cent.)	**(Millions of yen, unless otherwise stated)**
		pharmaceuticals, health foods and cosmetics using 5-ALA		
SBI ALApromo Co., Ltd.	Tokyo, Japan	Manufacturing and sales of cosmetics and health foods using 5-ALA	100.0 (1.0)	100
SBI Biotech Co., Ltd.	Tokyo, Japan	Pharmaceuticals research and development	95.8 (1.1)	100
SBI Energy Co., Ltd.	Tokyo, Japan	Power business using renewable energy	100.0	100

Notes:

(1) Percentage of voting rights or capital contribution in parentheses indicates indirect ownership within the entire holding.

(2) In the above table, "KRW" means South Korean Won and "HK$" means Hong Kong dollars.

(3) The percentage of the Group's capital contribution to SBI 4&5 Investment LPS is shown as 100.0 per cent. based on accounting standards since the baby funds of SBI 4&5 Investment LPS are consolidated subsidiaries of the Company. The aggregate amount of the Group's capital contribution to SBI 4&5 Investment LPS including baby funds is ¥22,400 million which is equivalent to 31.4 per cent. of the total capital commitment of ¥71,400 million.

(4) In the case of investment partnerships, the ratio of capital contribution is stated in this column.

JAPANESE FOREIGN EXCHANGE REGULATIONS

Potential investors should consult their own legal and other advisers on the consequences of the acquisition of Shares (including any Shares to be acquired upon exercise of the Stock Acquisition Rights), including specifically the applicable notification, reporting and other procedures and any available exemptions therefrom under Japanese Foreign Exchange Regulations.

The FEFTA and related cabinet orders and ministerial ordinances (referred to collectively as the "Foreign Exchange Regulations") govern certain aspects relating to the acquisition and holding of shares by "exchange non-residents" and by "foreign investors" (as these terms are defined below). In general, the Foreign Exchange Regulations currently in effect do not affect transactions between exchange non-residents to purchase or sell shares outside Japan using currencies other than Japanese yen.

Exchange residents are defined in the Foreign Exchange Regulations as:

(i) individuals who reside within Japan; or

(ii) corporations whose principal offices are located within Japan.

Exchange non-residents are defined in the Foreign Exchange Regulations as:

(i) individuals who do not reside in Japan; or

(ii) corporations whose principal offices are located outside Japan.

Generally, branches and other offices of non-resident corporations located within Japan are regarded as exchange residents. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

Foreign investors are defined in the Foreign Exchange Regulations as:

(i) individuals who do not reside in Japan;

(ii) corporations or other entities organised under the laws of foreign countries or whose principal offices are located outside Japan (excluding partnerships falling within (iv));

(iii) corporations of which 50 per cent. or more of the total voting rights are held, directly or indirectly, by individuals and/or corporations falling within (i) and/or (ii) above;

(iv) general partnerships or limited partnerships under Japanese law or any similar partnerships under non-Japanese laws, where either:

  (A) 50 per cent. or more of the capital contributions to those entities are made by individuals who do not reside in Japan or certain other foreign investors or

  (B) a majority of the general partners of such entities are individuals who do not reside in Japan or certain other foreign investors; or

(v) corporations or other entities of which a majority of either (A) directors or other persons equivalent thereto or (B) directors or other persons equivalent thereto having the power of representation are individuals who do not reside in Japan.

Acquisition of Shares

Acquisition by an exchange non-resident of shares of a Japanese company from an exchange resident including any Shares to be acquired upon exercise of the Stock Acquisition Rights requires *post facto* reporting by the exchange resident to the Minister of Finance of Japan through the Bank of Japan. No such reporting requirement is imposed, however, if:

(i) the aggregate purchase price of the relevant shares is ¥100 million or less;

(ii) the acquisition is effected through any bank, financial instruments business operator or other entity prescribed by the Foreign Exchange Regulations acting as an agent or intermediary; or

(iii) the acquisition constitutes an "inward direct investment" described below.

Inward Direct Investment in Shares of Listed Corporations

Inward Direct Investment

If a foreign investor acquires shares or voting rights of a Japanese company that is listed on a Japanese stock exchange, including any Shares to be acquired upon exercise of the Stock Acquisition Rights and, as a result of the acquisition, the foreign investor, in combination with any existing holdings and holdings of its closely-related persons (as defined in the Foreign Exchange Regulations), directly or indirectly holds 1 per cent. or more of (i) the issued shares or (ii) the total voting rights of the relevant company (shares and voting rights of the relevant company to be acquired are collectively referred to as the "Inward Direct Investment Shares"), such acquisition constitutes an "inward direct investment" under the FEFTA.

Prior Notification

Where a foreign investor intends to acquire the Inward Direct Investment Shares, and any of the business conducted by the investee Japanese company falls within any business sectors designated under the Foreign Exchange Regulations, or the Designated Business Sectors, *Shitei-Gyoshu* (the Company is currently conducting the business belonging to the Designated Business Sectors), in principle, a notification of the acquisition must be made in advance to the Minister of Finance and any other competent Ministers having jurisdiction over that company.

If such notification is made, the proposed acquisition cannot be consummated until 30 days have passed from the date of such notification (this period is referred to as the "Screening Period"); provided, however, that the Screening Period will be shortened unless any of the relevant Ministers finds it necessary to check whether the proposed acquisition should be restricted from the viewpoint of national security or certain other factors. In addition, the Screening Period may be shortened to 5 business days, if the proposed acquisition is determined not to raise such concerns. If the relevant Ministers find it necessary to check whether the proposed acquisition should be restricted, the Ministers may extend the Screening Period for up to five months; and the Ministers may eventually recommend any modifications to, or abandonment of, the proposed acquisition if necessary from the viewpoint of national security or certain other factors. If the foreign investor does not accept any of the recommendations, the relevant Ministers may order that the proposed acquisition be modified or abandoned.

Foreign investors acquiring the Inward Direct Investment Shares by way of a stock split are not subject to these notification requirements.

In addition, in the event a foreign investor, in combination with any holdings of its closely-related persons, directly or indirectly holds 1% or more of the total voting rights of a Japanese listed corporation engaging in the Designated Business Sectors, certain other activities of such foreign investor such as (i) voting for appointment of himself/ herself or a person related thereto as a director or corporate auditor of a company conducting business that falls within the Designated Business Sectors and (ii) proposal and voting for transfer or abolishment of any business that falls within the Designated Business Sectors also constitute "inward direct investments" and, as a result, are subject to the prior notification requirements under the FEFTA.

Exemption from Prior Notification

Irrespective of the foregoing, where any of the business conducted by the investee Japanese company falls within any certain Designated Business Sectors specified in the Foreign Exchange Regulations, or the Core Sectors, *Core-Gyoshu* (the Company is currently conducting the business belonging to the Core Sectors), the foreign investor (including (a) the foreign financial institutions specified in the Foreign Exchange Regulations and (b) sovereign wealth funds or public pension funds which have been accredited by the Japanese government and excluding the foreign financial institutions specified in the Foreign Exchange Regulations) who (i) acquires less than 10 per cent. of the Inward Direct Investment Shares (comprised of the aggregate amount of any existing holdings and holdings of its closely-related persons) of such Japanese company, and (ii) complies with the following conditions is not required to make a prior notification upon his/her acquisition of the Inward Direct Investment Shares since an exemption therefrom is applied:

(a) the foreign investor or its related persons (as defined in the Foreign Exchange Regulations) will not become board members of such company or its certain related companies;

(b) the foreign investor will not propose transfer or abolishment of the business that falls within the Designated Business Sectors to or at a general shareholders' meeting;

(c) the foreign investor will not access the non-public information on the technology of the business that falls within the Designated Business Sectors;

(d) the foreign investor will not attend the meetings of the board of directors or executive committees of such company or its certain related companies that make important decisions in business activities that falls within the Core Sectors; and

(e) the foreign investor will not make any proposals, in a written form, to the board of directors or executive committees or their members of such company or its certain related companies that they respond and/or take action by a certain deadline in connection with the business activities in the Core Sectors.

Further, foreign financial institutions specified in the Foreign Exchange Regulations who comply with conditions (a), (b) and (c) for exemption mentioned above are exempted from prior notification requirements.

This exemption is not applicable to certain types of foreign investors (for example, a foreign investor with a certain record of sanctions due to violation of the Foreign Exchange Regulation, or state-owned enterprises), and such foreign investors must file the prior notification set forth above.

Post Transaction Report

A foreign investor who has made a prior notification mentioned above must file a post transaction report with the Minister of Finance and any other competent Ministers having jurisdiction over that Japanese company within 45 days after his/her acquisition of the Inward Direct Investment Shares.

(i) A foreign investor who acquires the Inward Direct Investment Shares in reliance on an exemption from prior notification, in principle, must file a post transaction report within 45 days after such acquisition, if the ratio of the total number of shares or voting rights held directly or indirectly by the foreign investor, in combination with any existing holdings and holdings of its closely-related persons, to the number of (i) the issued shares or (ii) the total voting rights reaches: 1 per cent. or more but less than 3 per cent. for the first time;

(ii) 3 per cent. or more but less than 10 per cent. for the first time; and

(iii) 10 per cent. or more for each acquisition;

provided, however, that foreign financial institutions specified in the Foreign Exchange Regulations are only required to file a post transaction report for (iii) above.

Foreign investors acquiring the Inward Direct Investment Shares by way of a stock split are not subject to the post transaction report requirements.

Dividends and Proceeds of Sale

Under the Foreign Exchange Regulations, dividends paid on, and the proceeds from sales in Japan of, the shares held by exchange non-residents may generally be converted into any foreign currency and repatriated abroad.

DESCRIPTION OF THE SHARES AND CERTAIN REGULATIONS

General

The Company is a joint stock corporation under the Companies Act. The rights of shareholders of a joint stock corporation are represented by shares of capital stock in the corporation and shareholders' liability is limited to the amount of subscription for shares of such capital stock. The Company's authorised share capital is 544,661,000 Shares, of which 301,889,807 Shares were issued as of 31 March 2024. All issued Shares are fully paid and non-assessable.

The Japanese book-entry transfer system for listed shares of Japanese companies under the Book-Entry Act applies to the Shares. Under this system, shares of all Japanese companies listed on any Japanese stock exchange are dematerialised. Under the system, in order for any person to hold, sell or otherwise dispose of listed shares of Japanese companies, they must have an account at an account management institution unless such person has an account at JASDEC. "Account management institutions" are financial instruments business operators (i.e., securities firms), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Book-Entry Act, and only those financial institutions that meet further stringent requirements of the Book-Entry Act can open accounts directly at JASDEC.

For the purpose of the description under "—General", the Company assumes that the relevant person has no account at JASDEC. Under the Book-Entry Act, any transfer of shares is effected through book entry, and the title to the shares passes to the transferee at the time when the transferred number of shares is recorded in the transferee's account at an account management institution. The holder of an account at an account management institution is presumed to be the legal owner of the shares held in such account.

Under the Companies Act, in order to assert shareholders' rights against the Company, the transferee must have its name and address registered in the Company's register of shareholders, except in limited circumstances. Under the book-entry transfer system, such registration is generally made upon an all shareholders notice (as described in "—Register of Shareholders") from JASDEC. For this purpose, shareholders are required to file their names and addresses with the Company's transfer agent through the account management institution and JASDEC. See "—Register of Shareholders" for more information.

Non-resident shareholders are required to appoint a standing proxy in Japan or provide a mailing address in Japan. Each such shareholder must give notice of their standing proxy or a mailing address to the relevant account management institution. Such notice will be forwarded to the Company's transfer agent through JASDEC. Japanese securities firms and commercial banks customarily act as standing proxies and provide related services for standard fees. Notices from the Company to non-resident shareholders are delivered to the standing proxies or such mailing addresses.

Distribution of Surplus

General

Under the Companies Act, the distribution of dividends takes the form of distribution of Surplus (as described in "—Restriction on Distribution of Surplus"), and a distribution of Surplus may be made in cash and/ or in kind, with no restrictions on the timing and frequency of such distributions. The Companies Act generally requires a joint stock corporation to make distributions of Surplus authorised by a resolution of a general meeting of shareholders. However, in accordance with the Companies Act, the Company's Articles of Incorporation provide that the Board of Directors may decide to make distributions of Surplus, except for limited exceptions, as provided by the Companies Act, if all of the following requirements are met:

(i) the Company's Articles of Incorporation provide that the Board of Directors has the authority to decide to make distributions of Surplus;

(ii) the Company has (a) an independent auditor and (b) an audit & supervisory board, or an audit and supervisory committee, or nominating committee, etc. under the Companies Act, as the case may be;

(iii) the normal term of office of the Company's Directors terminates on or prior to the date of close of the general meeting of shareholders relating to the last fiscal year ending within one year from the election of the Director; and

(iv) non-consolidated annual financial statements and certain documents for the latest fiscal year fairly present the Company's assets and profits and losses, as required by the ordinances of the Ministry of Justice.

As of the date of this Offering Circular, the requirements described above are met in respect of the Company.

Distributions of Surplus may be made in cash or in kind in proportion to the number of Shares held by each shareholder. A resolution of a general meeting of shareholders or the Board of Directors, as the case may be, authorising a distribution of Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of the assets to shareholders and the effective date of the distribution. If a distribution of Surplus is to be made in kind, the Company may grant a right to shareholders to require the Company to make the distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of Surplus must be approved by a special resolution of a general meeting of shareholders. See "—Voting Rights" for more details regarding a special resolution. In addition, under the Companies Act, a joint stock corporation which has a Board of Directors is able to make distributions of interim dividends by a resolution of the Board of Directors once a fiscal year if it is provided in its articles of incorporation. The Company's Articles of Incorporation provide that the Company may, by the resolution of the Board of Directors, distribute interim dividends to the shareholders whose names have been recorded in the latest register of shareholders as of 30 September of each year.

The Company's Articles of Incorporation provide that the Company is relieved of its obligation to make any distributions of annual dividends and interim dividends in cash that go unclaimed for three years after the date they first become payable.

Restriction on Distribution of Surplus

When the Company makes a distribution of Surplus, the Company must, until the aggregate amount of its capital surplus reserve and earned surplus reserve reaches one quarter of its capital stock, set aside in its capital surplus reserve and/or earned surplus reserve the smaller of (i) an amount equal to one-tenth of the amount of Surplus so distributed, or (ii) an amount equal to one quarter of its capital stock less the aggregate amount of its capital surplus reserve and earned surplus reserve as at the date of such distribution.

Under the Companies Act, the Company may distribute Surplus up to the excess of the aggregate of (a) and (b) below, less the aggregate of (c) through (f) below, as at the effective date of the distribution, if its net assets are not less than ¥3,000,000:

(a) the amount of Surplus, as described below;

(b) in the event that extraordinary financial statements as of, or for a period from the beginning of the fiscal year to, the specified date are approved, the aggregate amount of (i) the aggregate amount as provided for by an ordinance of the Ministry of Justice as the net income for such period described in the statement of income constituting the extraordinary financial statements, and (ii) the amount of consideration that the Company received for the treasury stock that it disposed of during such period;

(c) the book value of the Company's treasury stock;

(d) in the event that the Company disposed of treasury stock after the end of the last fiscal year, the amount of consideration that it received for such treasury stock;

(e) in the event described in (b) in this paragraph, the aggregate amount as provided for by an ordinance of the Ministry of Justice as the net loss for such period described in the statement of income constituting the extraordinary financial statements; and

(f) certain other amounts set forth in ordinances of the Ministry of Justice, including (if the sum of one-half of the Company's goodwill and deferred assets exceeds the total of the Company's capital stock, capital surplus reserve and earned surplus reserve, each such amount as it appears on the balance sheet as at the end of the last fiscal year) all or a part of such excess amount as calculated in accordance with the ordinances of the Ministry of Justice.

For the purposes of this section, "amount of Surplus" is the excess of the aggregate of (A) through (D) below, less the aggregate of (E) through (G) below:

(A) the aggregate of other additional paid-in capital and other retained earnings at the end of the last fiscal year;

(B) in the event that the Company disposed of treasury stock after the end of the last fiscal year, the consideration that the Company received for such treasury stock less the book value thereof;

(C) in the event that the Company reduced its capital stock after the end of the last fiscal year, the amount of such reduction less the portion thereof that has been transferred to capital surplus reserve and/or earned surplus reserve (if any);

(D) in the event that the Company reduced its capital surplus reserve and/or earned surplus reserve after the end of the last fiscal year, the amount of such reduction less the portion thereof that has been transferred to capital stock (if any);

(E) in the event that the Company cancelled treasury stock after the end of the last fiscal year, the book value of such treasury stock;

(F) in the event that the Company distributed Surplus after the end of the last fiscal year, the aggregate of the following amounts:

(i) the aggregate amount of the book value of the distributed assets, excluding the book value of such assets that would be distributed to shareholders but for their exercise of the right to receive dividends in cash instead of dividends in kind;

(ii) the aggregate amount of cash distributed to shareholders who exercised the right to receive a distribution in cash instead of a distribution in kind; and

(iii) the aggregate amount of cash paid to shareholders holding fewer Shares than Shares that were required in order to receive a distribution in kind;

(G) the aggregate amounts of (i) through (iv) below, less (v) through (viii) below:

(i) in the event that the amount of Surplus was reduced and transferred to capital surplus reserve, earned surplus reserve and/or capital stock after the end of the last fiscal year, the amount so transferred;

(ii) in the event that the Company distributed Surplus after the end of the last fiscal year, the amount set aside in the Company's reserve;

(iii) in the event that the Company disposed of treasury stock in the process of (w) a merger in which the Company acquired all rights and obligations of a company, (x) a corporate split in which the Company acquired all or a part of the rights and obligations of a split company, (y) a share exchange in which the Company acquired all shares of a company after the end of the last fiscal year, or (z) a share delivery in which the Company acquired shares, stock acquisition rights or bonds with stock acquisition rights of a company and delivered the Company's Shares to the transferor of them as a consideration for such acquisition, the consideration that the Company received for such treasury stock less the book value thereof;

(iv) in the event that the amount of Surplus was reduced in the process of a corporate split in which the Company transferred all or a part of its rights and obligations after the end of the last fiscal year, the amount so reduced;

(v) in the event of (w) a merger in which the Company acquired all rights and obligations of a company, (x) a corporate split in which the Company acquired all or a part of the rights and obligations of a split company, (y) a share exchange in which the Company acquired all shares of a company after the end of the last fiscal year, or (z) a share delivery in which the Company acquired shares, stock acquisition rights or bonds with stock acquisition rights of a company and delivered the Company's Shares to the transferor of them as a consideration for such acquisition, the aggregate amount of (i) the amount of the Company's other additional paid-in capital after such merger, corporate split, share exchange or share delivery, less the amount of the Company's other additional paid-in capital before such merger, corporate split, share exchange or share delivery, and (ii) the amount of the Company's other retained earnings after such merger, corporate split, share exchange or share delivery, less the amount of the Company's other retained earnings before such merger, corporate split, share exchange or share delivery;

(vi) in the event that an obligation to cover a deficiency, such as the obligation of a person who subscribed for newly issued Shares with an unfair amount to be paid in, was fulfilled after the end of the last fiscal year, the amount of other additional paid-in capital increased by such payment;

(vii) in the event that the Company allotted the Company's Shares to the directors in consideration of providing service after the end of the last fiscal year, the changes in other additional paid-in capital by such allotment; and

(viii) in the event that the Company allotted the Company's treasury stock to the directors in consideration of providing service and the directors transferred these stock to the Company for free after the end of the last fiscal year, the amount of increase in treasury stock by such transfer.

In Japan, the "ex-dividend" date and the record date for any distribution of Surplus come before the date a company determines the amount of distribution of Surplus to be paid. For information as to Japanese taxes on dividends, see "Japanese Taxation".

Capital and Reserves

Under the Companies Act, the paid-in amount of any newly issued shares is required to be accounted for as capital stock. The Company, however, may account for an amount not exceeding one-half of such paid-in amount as capital surplus reserve. The Company may generally reduce capital surplus reserve and/or earned surplus reserve by resolution of a general meeting of shareholders, subject to completion of protection procedures for creditors in accordance with the Companies Act, and, if so decided by the same resolution, the Company may account for the whole or any part of the amount of such reduction as capital stock. The Company may also transfer all or any part of Surplus as described in "—Distribution of Surplus" above to capital stock, capital surplus reserve or earned surplus reserve by resolution of a general meeting of shareholders, subject to certain restrictions. The Company may generally reduce its capital stock by a special resolution of a general meeting of shareholders, subject to completion of protection procedures for creditors in accordance with the Companies Act, and, if so decided by the same resolution, the Company may account for the whole or any part of the amount of such reduction as capital surplus reserve or earned surplus reserve.

Stock Splits

The Company may at any time split the Shares on issue into a greater number of the same class of shares by a resolution of the Board of Directors. When a stock split is to be made, the Company must give public notice of the stock split, specifying the record date therefor, at least two weeks prior to the record date.

Under the book-entry transfer system, on the effective date of the stock split, the numbers of Shares recorded in all accounts held by the Company's shareholders at account management institutions will be increased in accordance with the applicable ratio.

Gratuitous Allocation

Under the Companies Act, the Company may allot any class of shares to its existing shareholders without any additional contribution by resolution of the Board of Directors, or gratuitous allocation; provided that, although treasury stock may be allotted to shareholders, any such gratuitous allocation will not accrue to any shares held as treasury stock.

When a gratuitous allocation is to be made and the Company sets a record date for the gratuitous allocation, the Company must give public notice of the gratuitous allocation, specifying the record date therefor, at least two weeks prior to the record date.

On the effective date of the gratuitous allocation, the number of Shares registered in accounts held by the Company's shareholders at account management institutions will be increased in accordance with a notice from the Company to JASDEC.

Consolidation of Shares

The Company may at any time consolidate Shares into a smaller number of shares by a special resolution of the general meeting of shareholders. The Company must disclose the reason for the consolidation at the general meeting of shareholders. When a consolidation is to be made, the Company must give public notice of the consolidation, at least two weeks (or, in certain cases where any fractions of Shares are left as a result of the consolidation, 20 days) prior to the effective date of the consolidation.

Under the book-entry transfer system, on the effective date of the consolidation, the numbers of Shares recorded in all accounts held by the Company's shareholders at account management institutions will be decreased in accordance with the applicable ratio.

Unit Share System

General

The Company's Articles of Incorporation currently provide that 100 Shares constitute one "unit". The Companies Act permits a company, by resolution of the Board of Directors, to reduce the number of shares which constitutes one unit or abolish the unit share system and amend its articles of incorporation to this effect without the approval of a general meeting of shareholders, with public notice after the effective date.

Transferability of Shares Constituting Less Than One Unit

Under the book-entry transfer system, shares constituting less than one unit are transferable. Under the rules of the Japanese stock exchanges, however, shares constituting less than one unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges.

Voting Rights of a Holder of Shares Constituting Less Than One Unit

A holder of shares constituting less than one unit cannot exercise any voting rights pertaining to those shares. In calculating the quorum for various voting purposes, the aggregate number of shares constituting less than one unit will be excluded from the number of outstanding shares. A holder of shares representing one or more whole units will have one vote for each whole unit represented.

A holder of shares constituting less than one unit does not have any rights related to voting, such as the right to participate in a demand for the resignation of a Director, the right to participate in a request for the convocation of a general meeting of shareholders and the right to join with other shareholders to propose a matter to be included in the agenda of a general meeting of shareholders.

In accordance with the Companies Act, the Company's Articles of Incorporation provide that a holder of Shares constituting less than one unit does not have any other rights of a shareholder in respect of those shares, other than those provided by the Company's Articles of Incorporation including the following rights:

- to receive dividends;
- to receive cash or other assets in the case of the consolidation of Shares or stock split, exchange or transfer of Shares or merger;
- to be allotted Shares and stock acquisition rights, without any additional contribution, when such rights are granted to shareholders; and
- to participate in any distribution of surplus assets upon liquidation.

Rights of a Holder of Shares Constituting Less Than One Unit to Require the Company to Purchase Its Shares and to Sell Shares

Under the Companies Act, a holder of Shares constituting less than one unit may at any time request that the Company purchase its Shares. In addition, a holder of Shares constituting less than one unit may at any time request that the Company sell to it such number of Shares as may be necessary to raise its share ownership to a whole unit in accordance with the Company's Articles of Incorporation. Under the book-entry transfer system, such request must be made to the Company through the relevant account management institution.

The price at which Shares constituting less than one unit will be purchased or sold by the Company pursuant to such a request will be equal to (a) the closing price of Shares reported by the Tokyo Stock Exchange on the day when the request is received by the Company's transfer agent or (b) if no sale takes place on the Tokyo Stock Exchange on that day, the price at which the sale of Shares is executed on such stock exchange immediately thereafter.

General Meetings of Shareholders

The Company's annual general meeting of shareholders is usually held every June in Tokyo, Japan. The record date for an annual general meeting of shareholders is 31 March of each year. In addition, the Company may hold an extraordinary general meeting of shareholders whenever necessary by giving at least two weeks' advance notice to shareholders.

The place, the time, the purpose and certain other matters relating to the general meeting of shareholders, including the information contained in the reference materials, must be uploaded onto a website at least three weeks prior to the date set for the meeting, and notice of the URL of the website to be used and certain other matters relating to the meeting must be mailed to each shareholder having voting rights (or, in the case of a non-resident shareholder, to his or her standing proxy or mailing address in Japan) at least two weeks prior to the date set for such meeting. Such notice may be given to shareholders by electronic means, subject to the consent of the relevant shareholders.

Any shareholder or group of shareholders holding at least three per cent. of the Company's total voting rights for a period of six months or more may request, with an individual shareholder notice (as described in "—Register of Shareholders"), the convocation of a general meeting of shareholders for a particular purpose. Unless such general meeting of shareholders is convened without delay or a convocation notice of a meeting which is to be held not later than eight weeks from the day of such request is dispatched, the requiring shareholder may, upon obtaining a court approval, convene such general meeting of shareholders.

Any shareholder or group of shareholders holding at least 300 voting rights or one per cent. of the Company's total voting rights for a period of six months or more may propose a matter to be included in the agenda of a general meeting of shareholders, and may propose to describe such matter together with a summary of the proposal to be submitted by such shareholder in a notice to the Company's shareholders, by submitting a request to a Director at least eight weeks prior to the date set for such meeting (provided that the Company are able to limit the number of such matters proposed by each shareholder to 10), with an individual shareholder notice.

The Companies Act enables a company to amend its articles of incorporation in order to lower the requirements for the number of shares held and shareholding period, as well as the period required for dispatching a convocation notice or submission of requests, all of which are required for any shareholder or group of shareholders to request the convocation of a general meeting of shareholders or to propose a matter to be included in the agenda of a general meeting of shareholders or to request to include a summary of such matter in a convocation notice. The Company's Articles of Incorporation do not include standards lower than those otherwise required by the Companies Act.

Voting Rights

A shareholder of record is entitled to one vote per one unit, except that neither the Company nor any corporation, partnership or other similar entity no less than one-quarter of the voting rights of which are directly or indirectly owned by the Company shall have voting rights in respect of shares held by the Company or such entity. Except as otherwise provided by law or by the Company's Articles of Incorporation, a resolution can be adopted at a general meeting of the Company's shareholders by a majority of the voting rights represented at the meeting. Shareholders may also exercise their voting rights through proxies, provided that the proxy is granted to one of the Company's shareholders having voting rights. The Companies Act and the Company's Articles of Incorporation provide that the quorum for the election of Directors is one-third of the total number of voting rights. The Company's Articles of Incorporation provide that Shares may not be voted cumulatively for the election of Directors. The Company's shareholders may exercise voting rights in writing, or electronically in accordance with a resolution of the Board of Directors.

The Companies Act provides that a special resolution of the general meeting of shareholders is required for certain significant corporate transactions, including:

- any amendment to the Company's Articles of Incorporation (except for amendments that may be authorised solely by the Board of Directors under the Companies Act);
- a reduction of capital stock, subject to certain exceptions, such as a reduction of capital stock for the purpose of replenishing capital deficiencies;
- a dissolution, merger or consolidation, subject to certain exceptions under which a shareholders' resolution is not required;
- the transfer of the whole or a substantial part of the Company's business, subject to certain exceptions under which a shareholders' resolution is not required;
- the transfer of the whole or a part of the equity interests in any of the Company's subsidiaries requiring shareholders' approval;
- the taking over of the whole of the business of any other corporation, subject to certain exceptions under which a shareholders' resolution is not required;
- a corporate split, subject to certain exceptions under which a shareholders' resolution is not required;
- a share exchange (*kabushiki-kokan*) or share transfer (*kabushiki-iten*) for the purpose of establishing 100 per cent. parent-subsidiary relationships, subject to certain exceptions under which a shareholders' resolution is not required;
- a share delivery (*kabushiki-kofu*) for the purpose of making another corporation a subsidiary, subject to certain exceptions under which a shareholders' resolution is not required;
- any issuance of new Shares or transfer of existing Shares held by the Company as treasury stock at a "specially favourable" price and any issuance of stock acquisition rights or bonds with stock acquisition rights at a "specially favourable" price or on "specially favourable" conditions to any persons other than shareholders;
- any acquisition by the Company of its own Shares from specific persons other than the Company's subsidiaries;
- a consolidation of Shares; or
- the removal of a Statutory Auditor.

Except as otherwise provided by law or in the Company's Articles of Incorporation, a special resolution requires the approval of the holders of at least two-thirds of the voting rights of all shareholders present or represented at the meeting where a quorum is present. The Company's Articles of Incorporation provide that a quorum exists when one-third of the total number of voting rights is present or represented.

Liquidation Rights

If the Company is liquidated, the assets remaining after payment of all taxes, liquidation expenses and debts will be distributed among the Company's shareholders in proportion to the number of Shares they hold.

Rights to Allotment of Shares

Holders of Shares have no pre-emptive rights. Authorised but unissued Shares may be issued at such times and on such terms as the Board of Directors may determine, so long as the limitations described in "—Voting Rights" with respect to the issuance of new Shares at "specially favourable" prices are observed. The Board of Directors may, however, determine that shareholders shall be given rights to allotment regarding a particular issue of new Shares, in which case the rights must be given on uniform terms to all holders of Shares of a record date for which not less than two weeks' prior public notice must be given. Each of the shareholders to whom the rights are given must also be given notice of the expiration date thereof at least two weeks prior to the date on which the rights expire. The rights to allotment of new Shares may not be transferred. However, the Companies Act enables the Company to allot stock acquisition rights to the Company's shareholders without consideration therefor, and such stock acquisition rights are transferable. See "—Stock Acquisition Rights".

In cases where a particular issuance of new Shares violates laws and regulations or the Company's Articles of Incorporation or will be performed in a manner that is materially unfair, and shareholders may suffer disadvantages therefrom, shareholders may file an injunction with a court of law to enjoin the issuance.

Stock Acquisition Rights

Subject to certain conditions and to the limitations on issuances at a "specially favourable" price or on "specially favourable" conditions described in "—Voting Rights", the Company may issue stock acquisition rights (*shinkabu yoyakuken*) and bonds with stock acquisition rights (*shinkabu yoyakuken-tsuki shasai*) by a resolution of the Board of Directors. Holders of stock acquisition rights may exercise their rights to acquire a certain number of Shares within the exercise period as set forth in the terms of their stock acquisition rights. Upon exercise of stock acquisition rights, the Company will be obligated either to issue the relevant number of new Shares or, alternatively, to transfer the necessary number of shares of treasury stock held by the Company.

Register of Shareholders

The registration of names, addresses and other information of shareholders in the Company's register of shareholders will be made by the Company upon the receipt of the all shareholders notice (*soukabunushi tsuchi*) (with the exception that in the event of the issuance of new Shares, the Company will register the names, addresses and other information of shareholders in the Company's register of shareholders without the all shareholders notice from JASDEC) given to the Company by JASDEC, which will give the Company such all shareholders notice based on information provided by the account management institutions. Such all shareholders notice will be made only in cases prescribed under the Book-Entry Act such as the cases when the Company fixes the record date and the case when the Company makes request to JASDEC with any justifiable reason. Therefore, the shareholder may not assert shareholders' rights against the Company immediately after such shareholder acquires the Shares, unless such shareholder name and address are registered in the Company's register of shareholders upon receipt of the all shareholders notice; provided, however, that, in respect of the exercise of rights of minority shareholders defined under the Book-Entry Act, the shareholder may exercise such rights upon giving the Company an individual shareholder notice (*kobetsukabunushi tsuchi*) through JASDEC only during a certain period prescribed under the Book-Entry Act.

Record Date

The record date for annual dividends and the determination of shareholders entitled to vote at annual general meetings of the Company's shareholders is 31 March. The record date for interim dividends is 30 September. In addition, by a resolution of the Board of Directors, the Company may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks' prior public notice. Under rules of JASDEC, the Company is required to give notice of each record date to JASDEC promptly after the resolution of the Company's Board of Directors determining such record date. JASDEC is required to promptly give the Company notice of the names and addresses of the Company's shareholders holding Shares, the number of Shares held by them and other relevant information as at each record date.

Purchase by the Company of Its Own Shares

The Company may acquire Shares:

- by purchase on any stock exchange on which the Company's Shares are listed or by way of tender offer, pursuant to a resolution of the Company's Board of Directors subject to certain requirements;

- by purchase from a specific party other than any of the Company's subsidiaries, pursuant to a special resolution of a general meeting of shareholders subject to certain requirements; or

- by purchase from any of the Company's subsidiaries, pursuant to a resolution of the Board of Directors subject to certain requirements.

If the Company acquires Shares from a specific party other than any of the Company's subsidiaries as specified above at a price higher than the greater of (i)(a) the closing price of Shares reported by the Tokyo Stock

Exchange on the day immediately preceding the day on which such resolution is made or (b) if no sale takes place on the Tokyo Stock Exchange on that day, the price at which the sale of Shares is executed on the Tokyo Stock Exchange immediately thereafter and (ii) in the event that such Shares are subject to a tender offer, the price set in the contract regarding such tender offer on such date, any shareholder may request that the Company include him or her as the seller of his or her Shares in the proposed purchase. Any such acquisition of Shares must satisfy certain requirements, such as that the Company may only acquire its own Shares in an aggregate amount up to the amount that the Company may distribute as Surplus. See "—Distribution of Surplus" for more details regarding this amount.

The Company's Shares acquired by the Company may be held by the Company as treasury stock for any period or may be cancelled by resolution of the Board of Directors. The Company may also transfer Shares held by it to any person, subject to a resolution of the Board of Directors, and subject also to other requirements similar to those applicable to the issuance of new Shares, as described in "—Rights to Allotment of Shares". The Company may also utilise its treasury stock for the purpose of transfer to any person upon exercise of stock acquisition rights or for the purpose of acquiring another company by way of merger, share exchange, share delivery, or corporate split through exchange of treasury stock for shares or assets of the acquired company.

Request by Controlling Shareholder to Sell All Shares

A shareholder holding 90% or more of the Company's voting rights, directly or through the wholly controlling subsidiary, shall have a right to request that all other shareholders other than the Company (and all other holders of stock acquisition rights other than the Company, as the case may be) should sell all Shares (and all stock acquisition rights, as the case may be) held by them with the Company's approval, which must be made by a resolution of the Board of Directors (*kabushiki tou uriwatashi seikyu*). In order to make this request, such shareholder will be required to issue a prior notice to the Company. If the Company approve such request, the Company will be required to make a public notice to all holders and registered pledgees of shares (and stock acquisition rights, as the case may be) not later than 20 days before the effective date of such sales.

Sales of Shares Held by Shareholders Whose Addresses are Unknown

The Company is not required to send a notice to a shareholder if notices to such shareholder fail to arrive for a continuous period of five or more years at the registered address of such shareholder in the Company's register of shareholders or at the address otherwise notified to the Company.

In addition, the Company may sell or otherwise dispose of or acquire Shares held by a shareholder whose location is unknown. Generally, if:

- notices to a shareholder fail to arrive for a continuous period of five or more years at the shareholder's registered address in the Company's register of shareholders or at the address otherwise notified to the Company; and

- the shareholder fails to receive dividends on the shares for a continuous period of five or more years at the address registered in the Company's register of shareholders or at the address otherwise notified to the Company,

the Company may sell or otherwise dispose of or acquire the shareholder's Shares at the market price, after giving at least three months' prior public and individual notice, and hold or deposit the proceeds of such sale, disposal or acquisition for the shareholder.

Reporting of Substantial Shareholdings

The FIEA and its related regulations require any person, regardless of residence, who has become beneficially, solely or jointly, a holder of more than five per cent. of the total issued shares of a corporation that is listed on a Japanese stock exchange, or that is traded on an over-the-counter market in Japan, to file with the director of a relevant local finance bureau of the Ministry of Finance within five business days a report concerning such share holdings. With certain exceptions, a similar report must also be filed in respect of any subsequent change of one per cent. or more in any such holdings or any change in material matters set out in reports previously filed. For this purpose, Shares issuable to such person upon exchange of exchangeable securities, conversion of convertible securities or exercise of warrants or stock acquisition rights (including those incorporated in bonds with stock acquisition rights) are taken into account in determining both the number of Shares held by the holder and the Company's total issued share capital.

See also "Japanese Foreign Exchange Regulations" and "Investment Considerations—Considerations Relating to the Bonds and the Shares—Prior notification under the Foreign Exchange and Foreign Trade Act of Japan may be required in the case of acquisition of a certain portion of the total issued shares of the Company".

JAPANESE TAXATION

The following is a summary of the principal Japanese tax consequences to Bondholders and owners of Shares acquired upon the exercise of the Stock Acquisition Rights incorporated in the Bonds or upon acquisition of the Bonds by the Company, who are non-resident individuals of Japan or non-Japanese corporations, in either case having no permanent establishment in Japan ("Non-resident Holders"). The statements regarding Japanese tax laws set out below are based on the laws in force and interpreted by the Japanese taxation authorities as of the date hereof and are subject to changes in the applicable Japanese laws or tax treaties, conventions or agreements or in the interpretation thereof after that date.

This summary is not exhaustive of all possible tax considerations which may apply to a particular investor and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of the Bonds and Shares acquired upon exercise of the Stock Acquisition Rights, including, specifically, the tax consequences under Japanese law, the laws of the jurisdiction of which they are resident, and any tax treaty, convention or agreement between Japan and their country of residence, by consulting their own tax advisers.

Bonds

Receipts of premium (if any) upon redemption of the Bonds are subject to Japanese income tax (including corporate income tax) but are not subject to any withholding tax. If the recipient is a resident or a corporation of a country with which Japan has an income tax treaty, Japanese tax treatment may be modified by any applicable provisions of such income tax treaty. Bondholders are advised to consult with their legal, accounting or other professional advisers as to the applicable tax treatment.

Gains derived from the sale of Bonds, whether within or outside Japan by a Non-resident Holder thereof, are, in general, not subject to Japanese income tax. Exercise of the Stock Acquisition Rights is not a taxable event in general.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual, who has acquired Bonds as legatee, heir or donee even if the individual is not a Japanese resident.

Shares

Generally, a Non-resident Holder of Shares is subject to Japanese withholding tax on dividends paid by the Company. Stock splits are not subject to Japanese income tax.

The rate of Japanese withholding tax applicable to dividends paid by the Company to a Non-resident Holder of Shares is generally 20 per cent., subject to any applicable income tax treaty. However, with respect to dividends paid by the Company to any Non-resident Holders of Shares, except for any individual shareholder who holds 3 per cent. or more of the total issued Shares, the said 20 per cent. withholding tax rate is reduced to 15 per cent. A special reconstruction surtax (2.1 per cent. of the original applicable tax rate) is added to the withholding tax rates until 31 December 2037, so that the original withholding tax rate of 20 per cent. and 15 per cent., as applicable, is effectively increased, respectively, to 20.42 per cent. and 15.315 per cent. during that period. The withholding tax under Japanese tax law mentioned above may be exempted or reduced under an applicable tax treaty between Japan and the country of tax residence of a Non-resident Holder.

Gains derived from the sale of Shares, whether within or outside Japan, by a Non-resident Holder thereof, are, in general, not subject to Japanese income tax.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired Shares as legatee, heir or donee even if the individual is not a Japanese resident.

SUBSCRIPTION AND SALE

Daiwa Capital Markets Europe Limited ("Daiwa"), SMBC Nikko Capital Markets Limited ("SMBC Nikko"), Merrill Lynch International ("BofA Securities"), SBI Securities (Hong Kong) Limited ("SBI Securities (Hong Kong)") and Nomura International plc ("Nomura", and together with Daiwa, SMBC Nikko, BofA Securities and SBI Securities (Hong Kong), the "Joint Lead Managers"), Mizuho International plc ("Mizuho") and Citigroup Global Markets Limited (together with the Joint Lead Managers and Mizuho, the "Managers") have entered into a subscription agreement with the Company dated 10 July 2024 (the "Subscription Agreement"). Subject to the satisfaction of certain conditions, the Managers have agreed with the Company, severally but not jointly, to purchase the aggregate principal amount of the Bonds as indicated in the table below, at the issue price (the "Issue Price") of 100.0 per cent. of the principal amount of the Bonds and to offer the Bonds at the offer price in respect of the Bonds as stated on the cover page of this Offering Circular (the "Offer Price").

Managers	**Aggregate Principal Amount of the Bonds**
Daiwa Capital Markets Europe Limited	¥33,000,000,000
SMBC Nikko Capital Markets Limited	20,000,000,000
Merrill Lynch International	18,000,000,000
SBI Securities (Hong Kong) Limited	13,000,000,000
Nomura International plc	10,000,000,000
Mizuho International plc	4,000,000,000
Citigroup Global Markets Limited	2,000,000,000
Total	¥100,000,000,000

No selling concession, management commission or underwriting commission shall be payable by the Company with respect to the offering of the Bonds. The difference between the Offer Price and the Issue Price will be retained by the Managers.

The Company has agreed to pay certain costs in connection with the issue of the Bonds and to reimburse the Managers for certain of their expenses in connection with the issue of the Bonds in accordance with the Subscription Agreement. The Managers are entitled to be released and discharged from their obligations under the Subscription Agreement or to terminate the Subscription Agreement in certain circumstances prior to payment being made to the Company as set out therein. The Company has agreed to indemnify the Managers against certain liabilities in connection with the offering of the Bonds.

Lock-up Arrangements

In connection with the issue and offering of the Bonds, the Company has agreed that it will not, and will procure that no person acting on the direction of the Company will, for a period beginning on the date of the Subscription Agreements and ending on the date 180 calendar days after the Closing Date:

(a) issue, offer, pledge, lend, sell, contract to sell, sell or grant any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant (including stock acquisition rights) to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, any Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for, or that constitutes the right to receive, Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for Shares;

(b) enter into a transaction (including a derivative transaction) that disposes of, in whole or in part, directly or indirectly, ownership (or any economic consequences thereof) of Shares or any other capital stock of the Company, or that has an effect on the market in the Shares similar to that of a sale;

(c) deposit any Shares (or any securities convertible into or exercisable or exchangeable for Shares or any other capital stock of the Company or which carry rights to subscribe or purchase Shares or any other capital stock of the Company) in any depositary receipt facility; or

(d) publicly announce any intention to do any of the above,

without the prior written consent of the Joint Lead Managers (on behalf of the Managers), other than:

(i) the issue and sale by the Company of the Bonds or the issue or transfer of Shares upon exercise of the Stock Acquisition Rights;

(ii) the issue or transfer of any Shares by the Company upon exercise of any warrants to subscribe for Shares or stock acquisition rights outstanding as of the date of this Offering Circular and set out in this Offering Circular;

(iii) the sale of Shares by the Company to any holder of Shares constituting less than one unit for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute one full unit of Shares;

(iv) the grant of stock options, stock acquisition rights or warrants to employees and directors of the Company or employees and directors of any of its subsidiaries and associates pursuant to its stock option plans, the issue or transfer of Shares upon exercise of such stock options, stock acquisition rights or warrants and the issue or transfer of Shares pursuant to the Company's restricted stock remuneration for directors of the Company and for directors of any of its subsidiaries and associates;

(v) the issue of Shares by the Company as a result of any stock split or the *pro rata* allocation of Shares or stock acquisition rights to holders of Shares without any consideration and the issue or transfer of Shares upon exercise of such stock acquisition rights; and

(vi) any other issue or sale of Shares required by the Japanese laws and regulations.

Selling Restrictions

United States

The Bonds are being offered and sold outside of the United States in reliance on Regulation S. The Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Japan

The Bonds have not been and will not be registered under the FIEA. Accordingly, each Manager has represented and agreed that, in connection with the initial offering of the Bonds, it has not, directly or indirectly, offered or sold and shall not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the account or benefit of, any resident of Japan or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan, except pursuant to an exemption available from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines in Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Prohibition of Sales to EEA Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

    (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "EU MiFID II"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or

(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"); and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

Prohibition of Sales to UK Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or

(ii) a customer within the meaning of the provisions of the Financial Services and Markets Act (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

Other United Kingdom Regulatory Restrictions

Each Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds or the Shares to be issued upon exercise of the Stock Acquisition Rights in circumstances in which section 21(1) of the FSMA does not apply to the Company; and

(b) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds or the Shares to be issued upon exercise of the Stock Acquisition Rights in, from or otherwise involving the United Kingdom.

Singapore

Each Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented, and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA).

Hong Kong

Each Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds or Shares issuable upon exercise of the Stock Acquisition Rights other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds and Shares issuable upon exercise of the Stock Acquisition Rights which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Important Notice to CMIs (including Private Banks)

This notice to CMIs (including Private Banks) is a summary of certain obligations the Code imposes on CMIs, which require the attention and cooperation of other CMIs (including Private Banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the Code.

Paragraph 21.3.3(c) of the Code requires that a CMI should take all reasonable steps to identify whether investors may have any associations with the Company and provide sufficient information to the OC to enable it to assess whether orders placed by these investors may negatively impact the price discovery process.

Prospective investors who are the directors, employees or major shareholders of the Company, a CMI or its group companies would be considered under the Code as having an Association with Company, the CMI or the relevant group company (as the case may be). CMIs should specifically disclose whether their investor clients have any Association when submitting orders for Bonds. In addition, Private Banks should take all reasonable steps to identify whether their investor clients may have any Associations with Company or any CMI (including its group companies) and inform the Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any UK MiFIR product governance language set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for Bonds (except for omnibus orders where underlying investor information should be provided to the OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including Private Banks as the case may be) in the order book and book messages.

CMIs (including Private Banks) should not offer any rebates to prospective investors or pass on any rebates provided by Company. In addition, CMIs (including Private Banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for Bonds, Private Banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private Banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Private banks who disclose that they are placing their order other than on a "principal" basis (i.e. they are acting as an agent) should note that, such order may be considered to be an omnibus order pursuant to the Code. Private Banks should be aware that placing an order on a "principal" basis may require the Managers to apply the "proprietary orders" requirements of the Code to such order and will require the Managers to apply the "rebates" requirements of the Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including Private Banks) are requested to provide the following underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the Code);
- Whether an underlying investor is a "Restricted Investor" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: bofa_ecm_syndicate_pb_orders@bofa.com and dg.ecm_apac_syndicate@bofa.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including Private Banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to the OCs; (B) that they have obtained the necessary consents from the underlying investors to disclose such information to the OCs. By submitting an order and providing such information to the OCs, each CMI (including Private Banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by the OCs and/or any other third parties as may be required by the Code, including to Company, relevant regulators and/or any other third parties as may be required by the Code, for the purpose of complying with the Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Managers may be asked to demonstrate compliance with their obligations under the Code, and may request other CMIs (including Private Banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including Private Banks) are required to provide the relevant Manager with such evidence within the timeline requested.

By placing an order, prospective investors (including any underlying investors in relation to omnibus orders) are deemed to represent to the Managers that it is not a Sanctions Restricted Person. A "Sanctions Restricted Person" means an individual or entity (a "Person"): (a) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current "Specially Designated Nationals and Blocked Persons" list (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/sdnlist.pdf) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/fse/fselist.pdf) or (iii) the most current "Consolidated list of persons, groups and entities subject to EU financial sanctions" (which as of the date hereof can be found at: https://data.europa.eu/data/datasets/consolidated-list-of-persons-groups-and-entities-subject-to-eu-financial-sanctions?locale=en); or (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of the following (i) - (vi) to the extent that it will not result in violation of any sanctions by the CMIs: (i) their inclusion in the most current "Sectoral Sanctions Identifications" list (which as of the date hereof can be found at: https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf) (the "SSI List"), (ii) their inclusion in Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the "EU Annexes"), (iii) their inclusion in any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes, (iv) them being the subject of restrictions imposed by the United States Department of Commerce's Bureau of Industry and Security ("BIS") under which BIS has restricted exports, re-exports or transfers of certain controlled goods, technology or software to such individuals or entities; (v) them being an entity listed in the Annex to the new Executive Order of 3 June 2021 entitled "Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China" (known as the Non-SDN Chinese Military-Industrial Complex Companies List), which amends the Executive Order 13959 of 12 November 2020 entitled "Addressing the threat from Securities Investments that Finance Chinese Military Companies"; or (vi) them being subject to restrictions imposed on the operation of an online service, Internet application or other information or communication services in the United States directed at preventing a foreign government from accessing the data of U.S. persons; or (c) that is located, organized or a resident in a comprehensively sanctioned country or territory, including Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the Donetsk's People's Republic, the non-government controlled areas of the Zaporizhzhia and Kherson Regions or Luhansk People's Republic. "Sanctions Authority" means: (a) the United Nations; (b) the United States government; (c) the European Union (or any of its member states); (d) the United Kingdom; (e) the People's Republic of China; (f) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (f) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the United States Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty's Treasury.

Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Bonds. The Bonds may not be publicly offered, sold, advertised or marketed directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (the "FinSA"), except under an exemption from the prospectus requirements under the FinSA, and no application has or will be made to admit the Bonds to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus pursuant to the FinSA, and neither this Offering Circular nor any other offering or marketing material relating to the Bonds may be distributed or otherwise made available in Switzerland in a manner which would require the publication of a prospectus pursuant to the FinSA.

General

Neither the Company nor any of the Managers represents that the Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating such sales.

Other Relationships

Certain of the Managers or their affiliates may purchase the Bonds and be allocated the Bonds for asset management and/or proprietary purposes but not with a view to distribution.

In connection with the offering, any Manager may purchase the Bonds for its or their own account and may for its or their own account enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps or other derivatives relating to the Bonds and/or the Shares and/or other securities of the Company or its subsidiaries or associates and/or components of such Bonds and/or Shares and/or other securities, at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). As a result of such transactions any of the Managers may hold long or short positions in the Bonds and/or the Shares and/or derivatives relating thereto. No disclosure will be made of any such positions.

Certain of the Managers or their affiliates have in the past provided, are currently providing and may in the future provide, investment and commercial banking, underwriting, advisory and other services to the Company and its subsidiaries and associates for which they have received, expect to receive or may receive (as the case may be) customary compensation.

SMBC Nikko Capital Markets Limited is a subsidiary of Sumitomo Mitsui Financial Group, Inc., which is one of the major shareholders of the Company as stated in "Information Concerning the Shares—Principal Shareholders and the Distribution of Shares".

GENERAL INFORMATION

1. The Bonds have been accepted for clearance through Euroclear and through Clearstream, Luxembourg. The ISIN is XS2857240316 and the Common Code is 285724031.

2. The Securities Identification Code for the Shares given by Securities Identification Code Committee of Japan is 8473. The Legal Entity Identifier (LEI) for the Company is 353800L6LMHYIPSMRQ17.

3. Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of ¥300,000 with a minimum of 100 lots to be traded in a single transaction for so long as the Bonds are listed on the SGX-ST. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Company will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for definitive Certificates. In addition, in the event that the Global Certificate is exchanged for definitive Certificates, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore.

4. The Company has obtained all necessary consents, approvals and authorisations in Japan, if any, in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by a resolution dated 10 July 2024 of the board of directors of the Company.

5. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Group and no material adverse change in the prospects of the Group since 31 March 2024.

6. Save as disclosed in this Offering Circular, neither the Company nor any of its subsidiaries is, or has been involved in, any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this Offering Circular, a significant effect on the financial position or the profitability of the Group nor is the Company aware that any such proceedings are pending or threatened.

7. Copies of the latest annual report of the Company including the audited consolidated annual financial statements in English, and the Company's latest unaudited consolidated annual and interim condensed financial statements in English (being English translations of the Company's published *Kessan tanshin* (results announcements)) may be obtained, and copies of the Trust Deed and the Agency Agreement will be available for inspection, at the specified offices of each of the Agents during normal business hours, so long as any of the Bonds is outstanding.

8. Except to the extent provided in Condition 6, the Conditions do not provide for participating rights in the event of a take-over of the Company.

9. The consolidated statement of financial position of the Group as of 31 March 2024, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the fiscal year then ended included in this Offering Circular, have been audited by Deloitte Touche Tohmatsu LLC, the Company's independent auditor, as stated in their audit report appearing herein. The consolidated statement of financial position of the Group as of 31 March 2023, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the fiscal year then ended included in this Offering Circular, have been audited by Deloitte Touche Tohmatsu LLC, the Company's independent auditor, as stated in their audit report appearing herein.

10. The Trustee is entitled under the Trust Deed to rely on reports and certificates addressed and/or delivered to it by the independent auditor to the Company whether or not the same are subject to any limitation on the liability of the independent auditor to the Company and whether by reference to a monetary cap or otherwise.

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notice to Investors

Effective from the beginning of the fiscal year ended 31 March 2024, the Group has adopted IFRS 17 "Insurance Contracts". The Group has retrospectively applied IFRS 17 with a transition date of 1 April 2022. The retrospective adjustment has been applied to corresponding figures for the fiscal year ended 31 March 2023 presented as comparable information within the audited consolidated financial statements as of and for the fiscal year ended 31 March 2024 contained in this Offering Circular. Such retrospective adjustments have, however, not been reflected in the audited annual consolidated financial statements as of and for the fiscal year ended 31 March 2022 (with comparable figures as of and for the fiscal year ended 31 March 2021).

Deloitte.

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
3-2-3 Marunouchi
Chiyoda-ku, Tokyo 100-8360
Japan

Tel: +81 (3) 6213 1000
Fax: +81 (3) 6213 1005
www2.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

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

<Audit of Consolidated Financial Statements>

Opinion

We have audited the consolidated financial statements of SBI Holdings, Inc. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of operational investment securities that do not have quoted market prices	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As one of its main businesses, the Group engages in the business of investing in venture companies located in Japan and overseas for the areas such as IT, FinTech, blockchain, finance and biotechnology. The performance forecast of these venture companies is affected by uncertainties that could cause fluctuations in their performance. These factors include, but are not limited to, changes in the competitive environment caused by the rapid progress of technological innovation and fluctuations in industrial standards, the hiring and retention of skilled managers and staff, and weak finance base. As described in Note 3, "Material Accounting Policies (3) Financial instruments" and Note 12, "Operational Investment Securities and Other Investment Securities" in the notes to the consolidated financial statements, operational investment securities held through the investment business are measured at fair value, and all changes in fair value are recognized in profit or loss. As described in Note 12, "Operational Investment Securities and Other Investment Securities" in the notes to the consolidated financial statements, the carrying amount of operational investment securities that are measured at fair value through profit or loss as of March 31, 2024, was ¥673,625 million. A majority of these investment securities were unlisted equity securities. The Group sets the valuation policy for operating investment securities that allows the use of the most appropriate valuation techniques and inputs for each investee, and in accordance with such valuation policy, their fair values are measured through the internal valuation process. As for valuation techniques, such as the income approach and the market approach, the Group considers the state of financing, profitability, financial condition and changes in management resources of each investee and uses a valuation technique that is most appropriate for the investee. In cases where it is difficult to use a single valuation technique, the Group measures fair value by making an overall evaluation of the values determined by multiple valuation techniques. As for inputs used, the Group uses observable inputs to the extent possible, but since unobservable inputs are often used in case of unlisted equity securities, the Group uses inputs that are most appropriate for the investee considering the relevance, objectivity and reasonableness of the inputs. These unobservable inputs include discount rate, price earnings ratio ("P/E ratio"), EBITDA ratio, illiquidity discount and other assumptions.	We understood the relevant valuation policy, valuation processes and related internal controls and tested the valuation of operational investment securities that do not have quoted market prices. Our audit procedures included the following, among others: • To evaluate whether the Group's valuation policy complies with applicable accounting standards, we read the relevant documents and performed an inquiry of the official in charge of accounting about the Group's valuation policy. • To evaluate the effectiveness of the valuation process of the Group, including the valuation meeting, that lays a foundation for appropriate valuation techniques and inputs, we inquired of the attendees of the valuation meeting and inspected documents prepared during the valuation process and the supporting documents. • Regarding the use of valuation techniques for each investee, we read the Group's valuation policy and performed an inquiry of the official in charge of accounting about the application of the valuation policy. For cases where it is difficult to use a single valuation technique, we evaluated the reasonableness of the valuation technique used by the Group, using, when necessary, the assistance of our corporation valuation specialists. • To evaluate the reasonableness of fair value measured by the Group by making an overall evaluation of the values determined by multiple valuation techniques, we developed independent estimates to address heightened estimation uncertainty with the assistance of our corporation valuation specialists. • To evaluate the reasonableness of unobservable inputs used for each investee, we performed an inquiry of the official in charge of accounting and inspected the relevant documents, including the investee's business plans. For certain operational investment securities, we used our corporation valuation specialists to assist us to evaluate the reasonableness of the inputs used by the Group.

The use of these valuation techniques and unobservable inputs requires management's subjective judgments. The calculated value may change significantly depending on the selection made by management. As such, there is a high degree of estimation uncertainty. Therefore, we determined the valuation of operational investment securities that do not have quoted market prices as a key audit matter.	

Loss allowance estimate for trade and other accounts receivable in the domestic banking business	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in Note 8, "Financial Risk Management (4) Credit risk management (c) Credit risk exposure" in the notes to the consolidated financial statements, the Group held trade and other accounts receivable of ¥9,808,794 million (approximately 36.1% of total assets) in the domestic banking business, which represents as the Group's maximum exposure to credit risk. These trade and other accounts receivable relate mainly to loans made to corporate and individual customers. The related loss allowance was included in the loss allowance of ¥197,495 million as stated in Note 8, "Financial Risk Management (4) Credit risk management (b) Quantitative and qualitative information regarding amounts arising from expected credit losses" in the notes to the consolidated financial statements. As described in Note 3, "Material Accounting Policies (3) Financial instruments" in the notes to the consolidated financial statements, if the Group determines that the credit risk of financial assets and others, including financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income, has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime expected credit losses. In the event that the Group determines that the credit risk of those financial instruments has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to the 12-month expected credit losses. As described in Note 8, "Financial Risk Management (4) Credit risk management" in the notes to the consolidated financial statements, after grouping based on common credit risk characteristics such as instrument type, credit rating, and collateral value, expected credit losses are measured for each grouping unit using the probability of default ("PD"), loss given default (LGD), and exposure at default (EAD) as inputs in the future 12 months or for a lifetime period. In estimating the future PD, the Group uses a PD model based on correlations with macroeconomic indicators, such as real GDP and the unemployment rate, and multiple economic forecast scenarios (base, upside, and downside), and reflects these probability-weighted estimates in expected credit losses.	We understood the relevant accounting policies, business processes and related internal controls and tested the reasonableness of loss allowance estimate for trade and other accounts receivable held in the domestic banking business. Our audit procedures included the following, among others: • To understand the measurement method of loss allowance and the inputs used in the measurement in view of the compliance with applicable accounting standards, we read the relevant documents and performed an inquiry of the official in charge of accounting about the application of the accounting standards. • We tested the effectiveness of internal controls designed to determine whether the estimated loss allowance is appropriate, including those designed to determine if the future forecast information used in the measurement of loss allowance is reliable taking into consideration changes in circumstances during the year, by performing an inquiry of the official in charge of accounting and inspecting the relevant documents. • We tested the accuracy and completeness of data used to calculate the inputs used in the measurement of loss allowance. • With the assistance of our credit risk valuation specialists, we performed the following procedures: ✓ To evaluate the reasonableness of the inputs used in the measurement of loss allowance, we read the relevant documents related to the determination of inputs and also performed a recalculation.

The estimates of multiple economic forecast scenarios as well as the probability of each scenario occurring incorporate various factors, including management's judgment about recent and future economic conditions, which involves management's subjective judgment and a high degree of estimation uncertainty. Therefore, we determined the loss allowance estimate for trade and other accounts receivable held in the domestic banking business as a key audit matter.	✓ To evaluate the reasonableness of the PD model for estimating the PD based on correlations with macroeconomic indicators, such as real GDP and the unemployment rate, we read the results of the effectiveness of the PD model assessed by the Group. ✓ We evaluated the reasonableness of multiple economic forecast scenarios that incorporate changes in the economic environment as well as the probability of each scenario occurring, including the comparison with externally available economic forecasts.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with IFRS Accounting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2024, which were charged by us and our network firms to the Group were ¥2,140 million and ¥353 million, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

July 2, 2024

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONSOLIDATED STATEMENT OF INCOME

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Capital stock	Capital surplus	Treasury stock	Other components of equity	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to owners of the Company							
		Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
As at April 1, 2022		99,312	151,390	(62)	42,865	631,098	924,603	658,655	1,583,258
Cumulative effect of change in accounting policy	2	-	-	-	-	905	905	385	1,290
Restated balance as at April 1, 2022		99,312	151,390	(62)	42,865	632,003	925,508	659,040	1,584,548
Profit for the year		-	-	-	-	35,445	35,445	36,251	71,696
Other comprehensive income		-	-	-	17,419	-	17,419	190	17,609
Total comprehensive income		-	-	-	17,419	35,445	52,864	36,441	89,305
Issuance of new shares	27	39,960	39,905	-	-	-	79,865	-	79,865
Change in scope of consolidation		-	-	-	-	-	-	(8,496)	(8,496)
Dividends paid	28	-	-	-	-	(37,590)	(37,590)	(18,773)	(56,363)
Treasury stock purchased	27	-	-	(16)	-	-	(16)	-	(16)
Treasury stock sold	27	-	(0)	2	-	-	2	-	2
Share-based payment transactions		-	681	-	-	-	681	539	1,220
Changes of interests in subsidiaries without losing control		-	(5,202)	-	-	-	(5,202)	67,119	61,917
Transfer	27	-	-	-	763	(763)	-	-	-
As at March 31, 2023		139,272	186,774	(76)	61,047	629,095	1,016,112	735,870	1,751,982

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting Entity

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

2. Basis of Preparation

(1) Compliance with IFRS

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

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

The consolidated financial statements were approved and authorized for issue by the Company's Representative Director, President and CEO, Yoshitaka Kitao and Managing Executive Officer, Yasuo Nishikawa on July 2, 2024.

(2) Basis of measurement

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

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

The measurement basis of fair value of the financial instruments is provided in Note 6 "Financial instruments".

(3) Reporting currency

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

(4) Use of estimates and judgments

In the preparation of the Group's consolidated financial statements in accordance with IFRSs, management of the Company is required to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period of the change and subsequent future periods.
The following notes include information on accounting estimates and judgments that have a significant effect on the amounts recognized in the consolidated financial statements.

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

(5) Application of new and revised IFRSs

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

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

The Group had applied IFRS 4 "Insurance Contracts" until the fiscal year ended March 31, 2023. However, it has applied IFRS 17 "Insurance Contracts" ("IFRS 17") from the fiscal year ended March 31, 2024.
The date of transition to IFRS 17 was April 1, 2022 (the "date of transition"). The Group recognized the cumulative effect of applying this standard at the date of transition and retrospectively applied the standard to the consolidated financial statements for the previous period in accordance with the transitional treatment.
The Group does not present the quantitative information required by paragraph 28 (f) of IAS 8 in accordance with paragraph C3 (a) of IFRS 17. The impact of the application of IFRS 17 on retained earnings at the date of transition is presented in the consolidated statement of changes in equity as the cumulative effect of change in accounting policy. In transitioning to IFRS 17, the Group applied the fair value approach to life insurance contracts, except for certain contracts, because it is impracticable for the Group to apply the fully retrospective approach due to a limitation in obtaining the necessary information, resulting from system development or other reasons. The Group applied the fully retrospective approach to other insurance contracts.

(Fully retrospective approach)

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

(Fair value approach)

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

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

Some of the groups of insurance contracts that are measured by applying the fair value approach include contracts issued more than one year apart. The Group determines the discount rates at the date of initial recognition of such groups at the date of transition instead of at the date of initial recognition.

For all contracts that are measured by applying the fair value approach, the Group determines the cumulative amount of insurance finance income or expenses recognized in other comprehensive income at the date of transition as nil.

(6) Change in presentation method

(Consolidated statement of financial position)

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

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

3. Material Accounting Policies

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

(1) Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. In principle, an entity in which the Group owns a majority of the voting rights is included as a subsidiary. However, even if the Group does not own a majority of the voting rights, an entity is included in the category of subsidiary if it is determined that the Group substantially controls the entity's decision-making body. Also, an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, referred to as "structured entity", is included as a subsidiary. Control is defined as the Group having (a) power over the investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and deconsolidated on the date that the Group loses control. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

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

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

(b) Associates and joint control

Associates are entities over which the Group has significant influence, and that is neither a subsidiary nor an interest in joint venture. When the Group holds between 20% and 50% of voting rights of the other entity, the Group is presumed to have significant influence over the other entity.

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

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

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

When the Group's share of losses in an equity method associate exceeds the carrying amount of the investment in the associate, losses are recognized until the carrying amounts of long-term interests that form part of the net investment are reduced to zero. The Group does not recognize further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

Unrealized gain on inter-company transactions with equity method investments are deducted from the balance of carrying amount of investments only to the extent of investor's interests in the investees. For joint operations, the Group's share of the assets, liabilities, revenue and expenses related to the joint operation is recognized.

(c) Business combination

Acquisition method is applied for acquisitions of businesses. The consideration transferred for the acquisition of a subsidiary is the total of acquisition date fair value of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group.
Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their acquisition date fair value except for the below.

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

Goodwill is measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the difference is negative, the difference is recognised immediately in profit or loss.
The Group recognizes non-controlling interests in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the proportionate share of the recognized amount of acquiree's identifiable net assets.
Acquisition-related cost is expensed as incurred, except for the costs related to the issuance of debt securities and equity securities.
If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured at fair value at the acquisition date and resulting gain or loss is recognized in profit or loss.

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

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

(e) Loss of control

When the Group loses control of a subsidiary, the difference between the "total fair value of consideration received and the retained interest" and "the previous carrying amount of subsidiary's assets (including goodwill), liabilities and non-controlling interests" are recognized in profit or loss.
In addition, any amount previously recognized in other accumulated comprehensive income in relation to the subsidiary is accounted for as if the Group had directly disposed of each related assets or liabilities.
The fair value of the retained interest in the former subsidiary is measured in accordance with IFRS 9.

(2) Foreign currency

(a) Foreign currency translation

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

(b) Foreign operations

The assets and liabilities, including goodwill and fair value adjustments arising from business combinations, of all the Group entities that have a functional currency that is different from the presentation currency (mainly foreign operations) are translated into the presentation currency using the rates of exchange prevailing at the end of each reporting period. Income and expenses of foreign operations are translated into the presentation currency at the average exchange rates.
Exchange differences arising are recognized as other comprehensive income. The differences are recorded and accumulated as translation reserve in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

(3) Financial instruments

The Group recognizes a financial instruments when, and only when, the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

(a) Non-derivative financial assets

(i) Classification and measurement of financial assets

Non-derivative financial assets held by the Group are classified into the following designated categories when they are initially recognized on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

- Financial assets measured at amortized cost
- Debt instruments measured at fair value through other comprehensive income (hereinafter "debt instruments measured at FVTOCI")
- Equity instruments measured at fair value through other comprehensive income (hereinafter "equity instruments measured at FVTOCI")
- Financial assets measured at fair value through profit or loss (hereinafter "financial assets measured at FVTPL")

(Financial assets measured at amortized cost)
Financial assets are subsequently measured using the effective interest method at amortized cost, adjusted for any loss allowance, if both of the following conditions are met: (i) the financial assets are held within the business model whose objective is to hold financial assets in order to collect contractual

cash flows and (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Debt instruments measured at FVTOCI)
Financial assets are measured at fair value and changes in the difference between the fair value and the amortized cost of financial assets, adjusted for any loss allowance, are recognized in other comprehensive income if both of the following conditions are met: (i) the financial assets are held within the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Upon derecognition of debt instruments measured at FVTOCI, the amount accumulated in other comprehensive income is reclassified to profit or loss.

(Equity instruments measured at FVTOCI)
Upon initial recognition, the Group designates an investment in an equity instrument that is held for a purpose other than trading as a financial asset measured at fair value through other comprehensive income. This is an irrevocable election and changes in the fair value of such financial instruments are recognized in other comprehensive income. Dividends from the above-mentioned equity instruments are recognized in profit or loss. At derecognition of equity instruments measured at FVTOCI or when a significant decline in fair value below the initial cost is other than temporary, the recognized amount of changes in fair value accumulated in other comprehensive income is reclassified to retained earnings.

(Financial assets measured at FVTPL)
Financial assets, other than those subsequently measured at amortized cost and those measured at fair value through other comprehensive income, are subsequently measured at fair value, and all changes in fair value are recognized in profit or loss.

(ii) Derecognition of financial assets

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

(b) Non-derivative financial liabilities

(i) Classification and measurement of financial liabilities

Non-derivative financial liabilities held by the Group include corporate bonds and loans, trade and other accounts payable, which are classified into the following designated categories:

- Financial liabilities measured at amortized cost
- Financial liabilities measured at fair value through profit or loss (hereinafter "financial liabilities measured at FVTPL")
- Financial liabilities designated at fair value through profit or loss (hereinafter "financial liabilities designated at FVTPL")

(Financial liabilities measured at amortized cost)
Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method.

(Financial liabilities measured at FVTPL)
Financial liabilities, other than those subsequently measured at amortized cost, are subsequently measured at fair value, and all changes in fair value are recognized in profit or loss.

(Financial liabilities designated at FVTPL)
An irrevocable election to measure financial liabilities at FVTPL may be made at initial recognition if the contract contains one or more embedded derivatives and the host contract is a hybrid contract where the host contract is a financial liability, or if designation as FVTPL eliminates or significantly reduces an accounting mismatch that would otherwise arise. The amount of the change in the fair value of the financial liability attributable to changes in the credit risk of the liability is recognized in other comprehensive income and the remaining change in the fair value of the liability is recognized in profit or loss.

(ii) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired.

(c) Impairment of financial assets

The Group estimates expected credit losses for financial assets measured at amortized cost, debt instruments measured at FVTOCI, lease receivables, certain loan commitments and financial guarantee contracts at the end of the reporting period and recognizes such expected credit losses as a loss allowance. If the Group determines that the credit risk of financial instruments has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime expected credit losses. In the event that the Group determines that the credit risk of financial instruments has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to the 12-month expected credit losses.
The assessment of whether there has been a significant increase in credit risk is based on changes in the probability of a default occurring.
Meanwhile, as for trade receivables that do not contain a significant financing component, lifetime expected credit losses are measured on the basis of historical credit losses and other relevant information regardless of whether there has been an increase or decrease in credit risk.
Amounts of expected credit losses or reversals are recognized in profit or loss as impairment loss or reversals of impairment loss and are presented separately as provision for credit losses in the consolidated statement of income.

(d) Trading assets and liabilities

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

- Financial assets acquired mainly for the purpose of sale or repurchase in the short term
- At initial recognition, the financial assets are managed together by the Group as part of a certain financial instrument portfolio, from which an actual short term gain has been realized.
- Derivatives (either not classified as hedging instruments or proved to be ineffective as hedging instruments)

Trading assets and trading liabilities are classified as financial assets and financial liabilities measured at FVTPL, changes in amounts of which are recognized in profit or loss.

(e) Derivatives

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

(i) Derivatives to which hedge accounting is applied

At the inception of the hedge, the Group formally documents the hedging relationship between the

hedged item or transaction and the hedging instrument, which is the derivative, in compliance with our risk management objective and strategy. In addition, at the inception and on an ongoing basis, the Group documents whether the derivative is highly effective in offsetting changes in the fair value or the cash flows of the hedged item attributable to the risk of changes in interest rates, etc.
The changes in the fair value of derivatives, which are designated as hedging instruments for fair value hedges, are recognized in profit or loss. Gain or loss on the hedged item attributable to the risk of changes in interest rates, etc. shall adjust the carrying amount of the hedged item and be recognized in profit or loss.

Among the changes in the fair value of derivatives which are designated as hedging instruments for cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income, while the ineffective portion shall be recognized in profit or loss.
The amount that has been recognized in other comprehensive income shall be removed from other comprehensive income and reclassified to profit or loss in the consolidated statement of comprehensive income in the same period during which the hedged item of cash flows affects profit or loss.
The Group prospectively discontinues hedge accounting when the criteria of hedge accounting are no longer satisfied. In such a situation, amounts accumulated in other comprehensive income remain unadjusted until the anticipated transaction finally affects profit or loss, or the anticipated transaction is not expected to occur, at which point the underlying amount shall be immediately recognized in profit or loss.

(ii) Derivatives to which hedge accounting is not applied

Among derivatives held for hedging purposes, the Group holds some derivatives to which hedge accounting is not applied. The Group also holds derivatives for trading purposes other than hedging purposes. The changes in fair value of such derivatives are recognized in profit or loss.

(f) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(4) Inventories
Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs to sell. Cost is determined primarily based on the specific identification cost method and includes the purchase cost and all costs incurred to bring inventories to their current storage location and condition.
Cryptocurrency assets held in inventory are measured at fair value based primarily on trading prices on major cryptocurrency asset exchanges, with changes in fair value recognized in profit or loss.

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

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

- Buildings 15 - 50 years

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

(6) Property and equipment

(a) Initial recognition and measurement

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

(b) Depreciation

Depreciation is calculated based on the depreciable amount, which is calculated as the initial cost of items of property and equipment less their residual values. Property and equipment is depreciated on a straight-line method to allocate their depreciable amounts over the estimated useful life of each component. The right-of-use asset is depreciated on a systematic basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.
The estimated useful lives of major classes of property and equipment are as follows:

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

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

(7) Intangible assets

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

Goodwill arising on acquisition of subsidiaries is recognized as an intangible asset. Initial recognition and measurement of goodwill are stated in "(1) Basis of consolidation, (c) Business combination". Intangible assets arising from a business combination, other than goodwill, are recognized at fair value at the acquisition date.
After initial recognition, goodwill is measured at cost less accumulated impairment loss. For investees to which the equity method is applied, goodwill is included in the carrying amount of the investment.
Intangible assets other than goodwill with a finite useful life that arise on a business combination are measured at initial cost less accumulated amortization and accumulated impairment loss.

(b) Research and development

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

(c) Other intangible assets (separately acquired)

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

(d) Amortization

Intangible assets other than goodwill with finite useful lives are amortized using the straight-line method over the expected useful life, which begins when the assets are available for use.
The estimated useful lives of major classes of intangible assets are as follows:

· Software	5 years
· Customer relationship	6 - 23 years

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

(8) Lease

(a) Lease as lessee

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

(b) Lease as lessor

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

(9) Impairment of non-financial assets

Other than deferred tax assets, the Group's non-financial assets are subject to impairment tests at the end of each reporting period. When an indication of impairment exists, the recoverable amounts of the assets are estimated in order to determine amounts of impairment losses, if any. For a cash-generating unit ("CGU") including allocated goodwill and intangible assets which have indefinite useful lives or which are not available for use, the recoverable amounts are estimated at the same time every year, regardless of the indication of impairment. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

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

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

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

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

(10) Insurance contracts

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

(a) Level of aggregation

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

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

(b) Initial recognition

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

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

(c) Measurement

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

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

(Initial measurement)

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

(a) Fulfilment cash flows

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

(b) CSM

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

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

(Subsequent measurement)

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

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

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

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

(Initial measurement)

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

(Subsequent measurement)

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

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

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

(d) Income and expenses

(i) Insurance revenue

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

(Contracts to which the PAA is not applied)

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

(Contracts to which the PAA is applied)

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

(ii) Insurance service expenses

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

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

(iii) Insurance finance income or expenses

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

(11) Employee benefits

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

(12) Provisions

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

(13) Capital stock

1. Common stock

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

2. Treasury stock

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

(14) Revenue from contracts with customers

The Group recognizes revenue by applying the following five-step approach.
Step 1: Identify the contract(s) with the customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Revenues from contracts with customers are further described below. The revenue streams described below do not include significant estimates of variable consideration or a significant financing component.

(Revenue from rendering of services)
Revenue from rendering of services mainly include commissions received from customers for the execution of agency-based brokerage transactions in the securities business. Brokerage commission relates to transactions in which the Group acts as an agent in the transaction rather than the principal. Transactions that satisfy the following factors fall under transactions in which the Group is involved as an agent rather than the principal.

- The Group is not a primary party to a transaction and therefore not primarily responsible for fulfilling the promise to provide the service.
- The Group does not have inventory risk before securities have been transferred to a customer or after transfer of control to the customer.

Brokerage commission is recognized as revenue when the performance obligations are satisfied and in principle, the fees are received within three business days after fulfillment of the performance obligations.

(Revenue from sales of goods)
Revenue from sales of goods is recognized when a performance obligation is satisfied by transferring promised goods to a customer upon delivery, shipment or customer acceptance of goods depending upon the terms of the contract. These revenues are generally paid within three months of the fulfillment of the performance obligation.

(15) Income tax expense

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

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

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

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

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

(16) Earnings per share

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

(17) Segment reporting

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

(18) Non-current assets held for sale

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

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

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

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

Of the new standards, amendments to existing standards, and interpretations that have been published before the approval date of the consolidated financial statements, the main ones that the Group has not early adopted are as follows. The impact of the application of IFRS 18 "Presentation and Disclosure in Financial Statements" on the Group is still under consideration.

IFRS		Mandatory for fiscal year beginning on or after	Anticipated fiscal year end adoption date	Summary of new standards and amendments
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	March 2028	Improvement of the structure of the income statement and clarification of the roles of the basic financial statements and notes, etc.

4. Business Combinations

For the year ended March 31, 2023

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

Fair value of assets acquired, liabilities assumed, and non-controlling interests were ¥276,257 million, ¥226,049 million and ¥18,045 million, respectively. A breakdown of such assets and liabilities is provided in “35. Cash Flow Information (1) Expenditures on acquisition of subsidiaries”.

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

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

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

For the year ended March 31, 2024

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

Fair value of assets acquired, liabilities assumed, and non-controlling interests were ¥248,837 million, ¥43,099 million and ¥132 million, respectively. A breakdown of such assets and liabilities is provided in “35. Cash Flow Information (1) Expenditures on acquisition of subsidiaries”.

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

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

Revenue and net income recognized in the consolidated statement of income for the year ended March 31, 2024 were ¥8,905 million and ¥807 million, respectively, since the acquisition date.

5. Segment Information

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

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

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

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

"Financial Services Business"

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

"Asset Management Business"

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

"Investment Business"

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

"Crypto-asset Business"

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

"Next Gen Business"

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

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

For the year ended March 31, 2023

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

For the year ended March 31, 2024

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

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

Non-current assets

	As at March 31, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Japan	408,724	466,587
Korea	115,299	126,385
Others	38,796	36,169
Consolidated total	562,819	629,141

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

Revenue from external customers

	For the year ended March 31, 2023	For the year ended March 31, 2024
	Millions of Yen	Millions of Yen
Japan	772,846	959,147
Overseas	184,131	251,357
Consolidated total	956,977	1,210,504

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

6. Financial Instruments

(1) Fair value measurement

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

Cash and cash equivalents
Carrying amounts approximate the fair values due to their short-term maturities.

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

Assets and liabilities related to securities business
With respect to loans on margin transactions included in margin transaction assets, the carrying amounts approximate the fair values as the interest rates of the loans are floating rates and reflect the market interest rate within a short period. The carrying amounts of assets and liabilities related to the securities business, except for loans on margin transactions, approximate the fair values as those assets and liabilities are settled within a short period.
With respect to trading assets and trading liabilities, the fair values of listed securities and listed derivatives are estimated based on prices quoted on stock exchanges or prices quoted by correspondent financial institutions. The fair value of securities and derivatives with no quoted prices is estimated using valuation techniques such as the discounted present value method and the Black-Scholes model, depending on the type of transaction and the period to maturity.

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

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

Bonds and loans payable and Trade and other accounts payable
With respect to those with floating interest rates, carrying amounts are deemed to be fair values as the interest rates of the bonds and loans, and trade and other accounts payable reflect the market interest rate within a short period and as the credit condition of the Group entities that obtained them are not expected to change significantly. With respect to those with fixed interest rates, the fair values are determined based on the future cash outflows discounted using interest rates adjusted for remaining periods and credit risk or discounted using interest rates with reference to similar types of new loans or lease transactions. For those for which a market price exists, the fair value is determined based on quoted market prices. For those with short-term maturities, carrying amounts are deemed to be fair values because the carrying amounts approximate fair values.

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

Customer deposits for banking business
The fair values of demand deposits are determined at the carrying amounts which are the amounts paid on demand at the reporting date. The fair values of time deposits and certificates of deposit are determined based on the future cash outflows discounted using interest rates adjusted for the period to maturity and credit risk. However, for the deposits with short-term maturities, carrying amounts are deemed to be fair values because the carrying amounts approximate fair values.
For financial liabilities designated at FVTPL, fair value is estimated using primarily the same methods as in "Other financial assets and other financial liabilities".

(2) Classification and fair value of financial instruments
Classification and fair value of financial assets were as follows:

As at March 31, 2023

	Carrying Amount					
	Financial assets measured at FVTPL	Equity instruments measured at FVTOCI	Debt instruments measured at FVTOCI	Financial assets measured at amortized cost	Total	Fair value
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Trade and other accounts receivable	668,906	–	–	9,815,316	10,484,222	10,524,667
Assets related to securities business	270,741	–	–	4,246,541	4,517,282	4,517,282
Other financial assets	244,987	–	–	212,740	457,727	457,886
Operational investment securities	581,364	–	–	–	581,364	581,364
Other investment securities	696,957	29,896	817,621	453,382	1,997,856	1,997,859
Total	2,462,955	29,896	817,621	14,727,979	18,038,451	18,079,058

As at March 31, 2024

	Carrying Amount					
	Financial assets measured at FVTPL	Equity instruments measured at FVTOCI	Debt instruments measured at FVTOCI	Financial assets measured at amortized cost	Total	Fair value
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Trade and other accounts receivable	740,658	－	－	10,865,570	11,606,228	11,698,614
Assets related to securities business	430,912	－	－	5,734,458	6,165,370	6,165,370
Other financial assets	293,609	－	－	273,581	567,190	567,195
Operational investment securities	673,625	－	－	－	673,625	673,625
Other investment securities	875,239	33,103	603,959	576,241	2,088,542	2,012,716
Total	3,014,043	33,103	603,959	17,449,850	21,100,955	21,117,520

Classification and fair value of financial liabilities were as follows:

As at March 31, 2023

	Carrying Amount				
	Financial liabilities measured at FVTPL	Financial liabilities designated at FVTPL	Financial liabilities measured at amortized cost	Total	Fair value
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Bonds and loans payable	－	52,020	3,628,335	3,680,355	3,671,109
Trade and other accounts payable	5,482	－	477,195	482,677	482,676
Liabilities related to securities business	85,025	－	3,803,224	3,888,249	3,888,249
Customer deposits for banking business	－	264,262	11,208,061	11,472,323	11,470,108
Other financial liabilities	322,116	－	273,034	595,150	595,150
Total	412,623	316,282	19,389,849	20,118,754	20,107,292

As at March 31, 2024

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

(3) Offsetting Financial Assets and Financial Liabilities

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

As at March 31, 2023

Financial assets

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Assets related to securities business (Securities borrowing agreements and other similar transactions)	2,165,060	(660,623)	1,504,437	(1,349,745)	(152,052)	2,640
Assets related to securities business (Receivables related to securities transactions)	613,377	(225,231)	388,146	(23,792)	-	364,354
Assets related to securities business (Financial assets related to foreign exchange transactions)	29,323	-	29,323	(2,244)	(18,467)	8,612
Other financial assets (Derivative transactions)	213,971	-	213,971	(92,205)	(21,304)	100,462

Financial liabilities

	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Liabilities related to securities business (Securities loan agreements and other similar transactions）	2,440,352	(660,623)	1,779,729	(949,182)	-	830,547
Liabilities related to securities business (Payables related to securities transactions)	1,972,533	(225,231)	1,747,302	(18,673)	-	1,728,629
Liabilities related to securities business (Financial liabilities related to foreign exchange transactions)	355,699	-	355,699	(20,711)	-	334,988
Other financial liabilities (Derivative transactions)	279,671	-	279,671	(92,205)	(119,159)	68,307

As at March 31, 2024

	Financial assets					
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Assets related to securities business (Securities borrowing agreements and other similar transactions）	3,308,937	(1,212,493)	2,096,444	(1,861,383)	(232,128)	2,933
Assets related to securities business (Receivables related to securities transactions)	1,168,634	(512,924)	655,710	(37,347)	-	618,363
Assets related to securities business (Financial assets related to foreign exchange transactions)	82,950	-	82,950	(4,846)	(23,150)	54,954
Other financial assets (Derivative transactions)	261,861	-	261,861	(110,488)	(27,880)	123,493

Financial liabilities						
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Liabilities related to securities business (Securities loan agreements and other similar transactions）	3,866,244	(1,212,493)	2,653,751	(1,663,800)	-	989,951
Liabilities related to securities business (Payables related to securities transactions)	2,937,630	(512,924)	2,424,706	(37,347)	-	2,387,359
Liabilities related to securities business (Financial liabilities related to foreign exchange transactions)	440,272	-	440,272	(27,996)	-	412,276
Other financial liabilities (Derivative transactions)	368,331	-	368,331	(110,488)	(151,107)	106,736

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

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

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

(5) Hedge accounting

(a) Risk management strategies

(i) Interest rate risk

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

(ii) Foreign currency risk

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

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

The carrying amounts of hedging instruments are as follows.

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

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

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

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

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

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

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

7. Fair Value Measurement

(1) Categorization within the level of the fair value hierarchy

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

The fair value hierarchy is defined as follows:

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

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

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

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

	As at March 31, 2023			
	Level 1	Level 2	Level 3	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Trade and other accounts receivable	—	72,146	596,760	668,906
Assets related to securities business	173,066	92,097	5,578	270,741
Other financial assets	26	227,839	17,122	244,987
Operational investment securities and other investment securities				
Financial assets measured at FVTPL	74,775	260,772	942,774	1,278,321
Equity instruments measured at FVTOCI	27,045	248	2,603	29,896
Debt instruments measured at FVTOCI	580,166	164,332	73,123	817,621
Total	855,078	817,434	1,637,960	3,310,472
Bonds and loans payable	—	—	52,020	52,020
Trade and other accounts payable	—	—	5,482	5,482
Liabilities related to securities business	48,289	32,367	4,369	85,025
Customer deposits for banking business	—	118,322	145,940	264,262
Other financial liabilities	219	279,900	41,997	322,116
Total	48,508	430,589	249,808	728,905

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

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

assets classified as Level 2 amounted to ¥49,256 million as at March 31, 2024, and are included in “Inventories” and "Other assets" in the consolidated statement of financial position.
Furthermore, liabilities related to crypto assets classified as Level 1 amounted to ¥39,941 million and ¥183,084 million as at March 31, 2023 and 2024, respectively, and are included in "Other liabilities" in the consolidated statement of financial position.

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

	As at March 31, 2023			
	Level 1	Level 2	Level 3	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Trade and other accounts receivable	—	5,607,935	4,247,826	9,855,761
Assets related to securities business	—	4,246,541	—	4,246,541
Other financial assets	—	193,095	19,804	212,899
Operational investment securities and other investment securities	121,967	45,512	285,906	453,385
Total	121,967	10,093,083	4,553,536	14,768,586
Bonds and loans payable	—	2,856,192	762,897	3,619,089
Trade and other accounts payable	—	477,194	—	477,194
Liabilities related to securities business	—	3,803,224	—	3,803,224
Customer deposits for banking business	—	7,859,376	3,346,470	11,205,846
Other financial liabilities	—	273,034	—	273,034
Total	—	15,269,020	4,109,367	19,378,387

	As at March 31, 2024			
	Level 1	Level 2	Level 3	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Trade and other accounts receivable	—	6,110,992	4,846,964	10,957,956
Assets related to securities business	—	5,734,458	—	5,734,458
Other financial assets	—	236,306	37,280	273,586
Operational investment securities and other investment securities	121,777	47,677	330,961	500,415
Total	121,777	12,129,433	5,215,205	17,466,415
Bonds and loans payable	—	3,861,071	557,824	4,418,895
Trade and other accounts payable	—	654,229	—	654,229
Liabilities related to securities business	—	5,302,291	—	5,302,291
Customer deposits for banking business	—	8,417,598	4,098,966	12,516,564
Other financial liabilities	—	459,386	—	459,386
Total	—	18,694,575	4,656,790	23,351,365

(2) Assets and liabilities categorized as Level 3

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

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

	As at March 31, 2023		
	Valuation Technique	Unobservable Input	Range
Trade and other accounts receivable	Income approach	Discount rate Recovery rate	0.6%－16.9% 0.0%－100.0%
Assets related to securities business	Market approach	Stock volatility Correlation (Foreign Exchange/Interest Rate)	12.2%－71.4% (4.4%)－4.7%
Other financial assets	Market approach and income approach	Correlation (Interest Rate/Interest Rate) Correlation (Foreign Exchange/Interest Rate) Discount rate Prepayment rates Probability of default Recovery rate	29.0%－85.0% 8.0%－38.0% 0.8%－1.2% 0.1%－14.2% 0.4%－0.7% 0.0%－74.0%
Operational investment securities and other investment securities	Market approach, cost approach and income approach	Discount rate P/E ratio EBITDA ratio Illiquidity discount Prepayment rates Probability of default Recovery rate	0.3%－65.0% 1.5－45.2 25.0－40.0 10.0%－25.0% 0.0%－27.5% 0.0%－2.6% 0.0%－100.0%
Bonds and loans payable	Income approach	Discount rate	0.0%－0.2%
Trade and other accounts payable	Income approach	Discount rate	0.8%
Liabilities related to securities business	Market approach	Stock volatility Correlation (Foreign Exchange/Interest Rate)	12.2%－71.4% (4.4%)－4.7%
Customer deposits for banking business	Income approach	Discount rate	0.0%－0.2%
Other financial liabilities	Market approach and income approach	Correlation (Interest Rate/Interest Rate) Correlation (Foreign Exchange/Interest Rate) Recovery rate	29.0%－85.0% 8.0%－38.0% 35.0%－74.0%

	As at March 31, 2024		
	Valuation Technique	Unobservable Input	Range
Trade and other accounts receivable	Income approach	Discount rate	0.5%—16.9%
		Recovery rate	80.0%
Assets related to securities business	Market approach	Stock volatility	14.7%—90.4%
		Correlation (Foreign Exchange/Interest Rate)	(4.2%)—9.0%
Other financial assets	Market approach and income approach	Correlation (Interest Rate/Interest Rate)	29.0%—85.0%
		Correlation (Foreign Exchange/Interest Rate)	8.0%—38.0%
		Discount rate	1.2%—1.2%
		Prepayment rates	0.0%—10.5%
		Probability of default	1.1%
		Recovery rate	0.0%—74.0%
Operational investment securities and other investment securities	Market approach, cost approach and income approach	Discount rate	0.4%—65.0%
		P/E ratio	1.5—45.2
		Price to sales ratio	7.7—10.6
		EBITDA ratio	10.6—40.0
		Minority discount	8.3%
		Illiquidity discount	20.0%—25.0%
		Prepayment rates	2.4%—20.0%
		Probability of default	0.0%—3.7%
		Recovery rate	0.0%—100.0%
Bonds and loans payable	Income approach	Discount rate	0.0%—0.1%
Trade and other accounts payable	Income approach	Discount rate	1.1%
Liabilities related to securities business	Market approach	Stock volatility	14.7%—90.4%
		Correlation (Foreign Exchange/Interest Rate)	(4.2%)—9.0%
Customer deposits for banking business	Income approach	Discount rate	0.0%—0.1%
Other financial liabilities	Market approach and income approach	Correlation (Interest Rate/Interest Rate)	29.0%—85.0%
		Correlation (Foreign Exchange/Interest Rate)	8.0%—38.0%
		Recovery rate	35.0%—74.0%

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

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

The movement of assets and liabilities categorized as Level 3 measured at fair value on a recurring basis is presented as follows:

For the year ended March 31, 2023

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

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

For the year ended March 31, 2024

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

	Liabilities				
	Bonds and loans payable	Trade and other accounts payable	Liabilities related to securities business	Customer deposits for banking business	Other financial liabilities
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2023	52,020	5,482	4,369	145,940	41,997
Acquisitions through business combinations	-	-	-	-	-
Purchase and issuance	3,000	2,327	-	180,450	-
Comprehensive income					
Net profit (*1)	(1,005)	(582)	(734)	6	22,863
Other comprehensive income (*2)	(8)	-	-	(26)	-
Dividends	-	-	-	-	-
Sale or redemption	-	-	-	-	-
Settlements	(500)	(2,490)	858	(100)	(3,307)
Currency translation differences	-	371	-	-	-
Others	-	(2,766)	-	-	-
Transferred from Level 3 (*3)	-	-	-	-	-
Balance as at March 31, 2024	53,507	2,342	4,493	326,270	61,553

Notes:

1. Gains and losses recognized as profit (loss) for the period are included in "Revenue" in the consolidated statement of income. Gains and losses recognized from assets and liabilities measured at FVTPL held as at March 31, 2023 and 2024 were ¥26,680 million and ¥14,337 million of gains, respectively.
2. Gains and losses recognized as other comprehensive income (loss) are included in "Equity instruments measured at FVTOCI", "Debt instruments measured at FVTOCI", or "Changes in own credit risk on financial liabilities" in the consolidated statement of comprehensive income.
3. Transfer due to significant input used to measure the fair value becoming observable.

8. Financial Risk Management

(1) Risk management policy over capital management and financing

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

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

	As at March 31, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Interest-bearing debt (Bonds and loans payable)	3,680,355	4,477,079
Cash and cash equivalents	(3,200,916)	(4,580,335)
Net	479,439	(103,256)
Equity attributable to owners of the Company	1,016,112	1,262,209

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

Capital adequacy regulations under which main domestic subsidiaries of the Group are obligated are as follows:

1. SBI SECURITIES Co., Ltd. is required to maintain a certain level of capital-to-risk ratio set forth under the FIEA. If the ratio falls below 120%, the Financial Services Agency ("FSA") may order changes to operational methods and other changes.
2. SBI Shinsei Bank, Limited is required to maintain a capital adequacy ratio at the level stipulated by the Banking Act, and if the capital adequacy ratio falls below 4%, the FSA can issue early corrective measures, including submission of a business improvement plan, a business improvement order, or a business suspension order.
3. SBI Life Insurance Co., Ltd., SBI Insurance Co., Ltd. and companies that manage the small-amount short-term insurance of our corporate group are required to maintain a certain level of Solvency Margin Ratio in conformity with the Insurance Business Act of Japan. If the Solvency Margin Ratio falls below 200%, the FSA may order submission and implementation of a reasonable improvement plan for sound management.

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

The Group engages in a wide range of finance related businesses, such as financial services business (securities business, banking business, insurance business and other financial services business), asset management business, investment business and crypto-asset business, and each company avoids excessive concentration of risk on specific entities or businesses. To operate these businesses, the Group raises funds through indirect financing such as bank borrowings, direct financing such as bond issuance and equity financing, and receiving customer deposits for banking business. The Group also considers the market environment and maintains an appropriate strategy for short and long term financing.

The Group conducts trading of derivative instruments including foreign currency forward contracts, currency options, interest rate swaps, listed derivatives and margin trading. The Group enters into these transactions primarily to provide products and services to customers and for hedging purposes. The scale and amount of risk in these transactions are managed through a risk management process, including the establishment of maximum limits to ensure that they are not excessive in consideration of the financial condition.

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

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

- Credit risk
- Market risk
- Liquidity risk

(2) Risks arising from financial instruments

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

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

Securities-related assets consist of cash segregated as deposits, margin transaction assets, trading instruments, trade date accrual, and short-term guarantee deposits. These assets are exposed to the credit risk and the interest rate risk of the brokerage customers of the Group and financial institutions. Trading instruments are exposed to the credit risk of issuers and the risk of market price fluctuation.

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

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

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

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

Because the counterparties of foreign currency forward contracts, currency option and interest rate swap agreements are limited to creditworthy major Japanese financial institutions and listed derivatives are traded in the public market, the credit risk arising from default is considered to be minimal.

(3) Risk management system over financial instruments

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

(4) Credit risk management

(a) Credit risk management practices

(i) Credit risks regarding financial assets measured at amortized cost, debt instruments measured at FVTOCI, lease receivables, certain loan commitments and financial guarantee contracts

Credit risk is the risk that the Group will incur financial losses resulting from a business partner with credit granted by the Group defaulting on its debt. Credit risk management practices for financial assets measured at amortized cost, debt instruments measured at FVTOCI, lease receivables, certain loan commitments and financial guarantee contracts are as follows.

Receivables are classified into the following three stages and loss allowance is recognized based on changes in and levels of credit risk since their initial recognition:

- For receivables with a low credit risk at the reporting date, or receivables whose credit risk is not low but has not increased significantly since initial recognition, 12-month expected credit losses are recognized as a loss allowance.
- If there is no “credit impairment” but “credit risk has increased significantly” since the initial recognition, the lifetime expected credit losses are recognized as a loss allowance.
- In the case of “credit impairment”, the lifetime expected credit losses are recognized as a loss allowance.

Credit risk is assessed based on changes in default risk on relevant financial instruments. The credit risk assessment is performed using internal or external credit ratings of financial instruments, as well as reasonable and supportable information that can be used without undue cost or efforts, such as past due information. For instance, for financial instruments that are categorized as investment grade by an external credit rating organization, or financial instruments whose internal credit rating corresponds with the internationally-accepted definition of low credit risk, such financial instruments are considered to have low credit risk. The Company determines a "significant increase in credit risk" when the credit risk deteriorates from a "low credit risk" condition or when the credit risk was not low at initial recognition but the credit rating has declined or a certain amount of time has passed since the due date. For instance, such financial instruments include those whose credit rating has been downgraded from investment grade to non-investment grade, or for which a certain delinquency period has passed. In addition, if an incident that could have an adverse impact on estimated future cash flows occurs, financial instruments that are linked to such incidents are determined as credit-impaired financial instruments. Evidence that a financial asset is "Credit-impaired" includes:

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

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

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

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

If the Company does not have a reasonable expectation of recovering a given financial asset, the gross carrying amount of the financial asset is written off directly. Such financial assets include claims on debtors who are legally or formally insolvent and claims on debtors who are not legally or formally insolvent but are substantially insolvent. However, there are cases where such directly written-off financial assets will be recovered through external sales.

(ii) Credit risks relating to other financial assets

Credit risks relating to other financial assets are the risk that the Group may suffer losses from decrease or losses of assets due to deteriorated financial conditions of investees/debtors. Credit risk includes country risk that the Group may suffer losses from changes in the currency, political or economic circumstances of a country where investees/debtors operate.

Credit risk management policies of the Group are as follows:

- Accurately analyze financial conditions of investees/debtors and quantify relevant credit risk.
- Appropriately manage the Group's own capital and the related risks by periodic monitoring.
- Under foreign investments or lending transactions, the Group identifies intrinsic risk of investees/debtors with domestic/foreign offices as well as overseas partners followed by periodic monitoring.
- Recognize investment risk as significant risk to be controlled among various credit risks and perform detailed analysis of fluctuation in risk associated with operational investment securities.

The Group operates in accordance with the above risk management policies. Subsidiaries which provide credits to corporate or individual customers as a part of their business are appropriately monitored in accordance with their respective policies.

(b) Quantitative and qualitative information regarding amounts arising from expected credit losses

The movement of loss allowance is as follows:

	12-month expected credit losses	Lifetime expected credit losses			Purchased or originated credit-impaired financial asset	Total
		Significantly increased credit risk		Trade receivables		
		Not credit-impaired	Credit-impaired			
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
As at April 1, 2022	70,853	20,833	38,715	11	–	130,412
New financial assets originated or purchased	60,095	–	–	3	9,961	70,059
Derecognition of financial assets	(31,000)	(13,142)	(31,340)	–	–	(75,482)
Transfer						
Transfer to lifetime expected credit losses	(16,021)	24,308	295	–	–	8,582
Transfer to credit - impaired financial assets	(3,455)	4,796	42,845	–	–	44,186
Transfer to 12-month expected credit losses	1,483	(4,722)	(269)	–	–	(3,508)
Write-offs	(2,952)	(633)	(15,750)	–	(1,760)	(21,095)
Changes in model/risk variables	(4,510)	(6,423)	18,625	(3)	2,458	10,147
Foreign currency translation adjustment on foreign operations	611	802	27	–	–	1,440
As at March 31, 2023	75,104	25,819	53,148	11	10,659	164,741
New financial assets originated or purchased	76,003	-	-	16	4,491	80,510
Derecognition of financial assets	(42,519)	(22,369)	(24,218)	-	-	(89,106)
Transfer						
Transfer to lifetime expected credit losses	(19,552)	27,481	(911)	-	-	7,018
Transfer to credit - impaired financial assets	(3,709)	3,733	50,404	-	-	50,428
Transfer to 12-month expected credit losses	4,283	(11,655)	(1,659)	-	-	(9,031)
Write-offs	(3,192)	(1,121)	(19,174)	-	(2,504)	(25,991)
Changes in model/risk variables	3,315	(7,684)	12,890	(2)	1,731	10,250
Foreign currency translation adjustment on foreign operations	4,367	1,425	2,884	-	-	8,676
As at March 31, 2024	94,100	15,629	73,364	25	14,377	197,495

The primary increase in the "12-month expected credit losses" under "New financial assets originated or purchased" for the years ended March 31, 2023 and 2024 is due to an increase in normal receivables.

The total amount of undiscounted expected credit losses at initial recognition on purchased or originated credit - impaired financial assets are ¥34,115 million and ¥24,977 million as at March 31, 2023 and 2024, respectively.

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

Financial assets that have been written off during the years ended March 31, 2023 and 2024, and are still subject to enforcement activities amounted to ¥33,038 million and ¥42,142 million, respectively.

(c) Credit risk exposure

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

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

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

	12-month expected credit losses	Lifetime expected credit losses			Purchased or originated credit-impaired financial asset	Financial instruments to which impairment requirements do not apply	Total
		Significantly increased credit risk		Trade receivables			
		Not credit-impaired	Credit-impaired				
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Cash and cash equivalents	3,200,916	-	-	-	-	-	3,200,916
Trade and other accounts receivable							
Banking (domestic) (*1)							
Normal Obligors							
Credit to Corporate	4,640,453	52,193	-	-	-	384,076	5,076,722
Credit to Individual	6,642	-	-	-	-	-	6,642
Others (*2)	2,803,403	15,660	-	-	-	-	2,819,063
Need Caution Obligors							
Credit to Corporate	37,723	32,270	-	-	-	96,860	166,853
Credit to Individual	-	-	-	-	-	-	-
Others (*2)	2,662	15,599	-	-	-	-	18,261
Credit–impaired Obligors							
Credit to Corporate	16,651	1,253	18,092	-	-	3,864	39,860
Credit to Individual	-	-	-	-	-	-	-
Others (*2)	2,544	507	80,040	-	29,950	-	113,041
Others (no obligor classification)	280,092	-	-	-	-	119,770	399,862
Banking (overseas)							
Credit to Individual (*3)							
Group A	98,668	140	710	-	-	-	99,518
Group B	423,643	29,724	3,987	-	-	-	457,354
Group C or less	40,241	68,571	28,100	-	-	-	136,912
Credit to Corporate (external rating) (*3)							
Group A	145,012	-	-	-	-	-	145,012
Group B	97,329	13,100	2,869	-	-	-	113,298
Group C or less	1,967	-	374	-	-	-	2,341
Credit to Corporate							
No overdue information	382,886	40,466	10,125	-	-	-	433,477
One or more delinquents	-	6,233	18,995	-	-	-	25,228
Others (no obligor classification)	-	1,072	-	-	-	-	1,072
Others	502,606	3,467	12,404	11,634	-	64,336	594,447
Loss allowance	(75,104)	(25,819)	(53,148)	(11)	(10,659)	-	(164,741)
Total	9,407,418	254,436	122,548	11,623	19,291	668,906	10,484,222
Assets related to securities business	4,245,853	-	688	-	-	270,741	4,517,282
Other financial assets	274,964	-	-	-	-	244,987	519,951
Other investment securities (external rating)							
BBB or above	811,503	-	-	-	-	-	811,503
Less than BBB	120	-	-	-	-	-	120
Unrated	459,380	-	-	-	-	726,853	1,186,233
Total	1,271,003	-	-	-	-	726,853	1,997,856

As at March 31, 2024

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

Notes:

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

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

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

As at March 31, 2023

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

As at March 31, 2024

	Within 30 days past due	31-60 days past due	61-90 days past due	Over 90 days past due	Total past due claims	Not past due	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Residential mortgages	11,900	521	464	674	13,559	1,209,073	1,222,632
Qualified revolving	23,743	5,094	4,176	18,525	51,538	496,725	548,263
Others	141,039	5,219	2,244	24,442	172,944	1,263,720	1,436,664

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

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

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

The loss allowance for credit impaired financial assets has been reduced by ¥38,126 million and ¥68,533 million by underlying collateral held as a security and other credit enhancements as at March 31, 2023 and 2024, respectively.
The Group also receives pledged financial assets under repurchase agreements, securities lending agreements, and derivative transaction agreements. Collateral assets pledged as at March 31, 2023 and 2024 totaled ¥936,134 million and ¥1,339,628 million, respectively. These collateral assets have been sold, loaned or re-secured, and the Group is obligated to return these collateral assets.

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

As at March 31, 2023

	12-month expected credit losses	Lifetime expected credit losses: Significantly increased credit risk		Total
		Not credit-impaired	Credit-impaired	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Undrawn loan commitments				
Banking business (domestic)	1,415,491	7,332	13	1,422,836
Banking business (overseas)	154,290	3,166	-	157,456
Others	115,168	0	11	115,179

As at March 31, 2024

	12-month expected credit losses	Lifetime expected credit losses: Significantly increased credit risk		Total
		Not credit-impaired	Credit-impaired	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Undrawn loan commitments				
Banking business (domestic)	1,754,856	17,501	58	1,772,415
Banking business (overseas)	91,656	2,911	-	94,567
Others	47,795	0	0	47,795

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

As at March 31, 2023

	12-month expected credit losses	Lifetime expected credit losses — Significantly increased credit risk — Not credit-impaired	Lifetime expected credit losses — Significantly increased credit risk — Credit-impaired	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Financial guarantee contracts	981,754	3,143	181	985,078

As at March 31, 2024

	12-month expected credit losses	Lifetime expected credit losses — Significantly increased credit risk — Not credit-impaired	Lifetime expected credit losses — Significantly increased credit risk — Credit-impaired	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Financial guarantee contracts	800,689	4,381	416	805,486

(5) Market risk management

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

Market risk management policies of the Group are as follows:

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

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

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

(a) Stock Market Risk

The Group is exposed to stock market risk arising from its investment portfolio. If the market price of operational investment securities and other investment securities held by the Group as at March 31, 2023 and 2024 increased by 10%, profit before income tax expense in the consolidated statement of income would have increased by ¥7,478 million and ¥7,661 million, respectively.

(b) Foreign Exchange Risk

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

	As at March 31, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
USD	(661,301)	(1,274,334)

Foreign Currency Sensitivity Analysis
With all other variables held constant, the impact of a 1% appreciation of the USD against the functional currency on profit before income tax expense in the consolidated statement of income for the years ended March 31, 2023 and 2024 for monetary financial instruments denominated in foreign currencies held by the Group is as follows.

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

(c) Interest Rate Risk

The Group is exposed to various interest rate fluctuation risks in its business operations. Interest rate fluctuation, except for those that are hedged by hedging transactions, affects financial income arising from financial assets, which primarily consist of bank balances, money in trust held by subsidiaries in the financial services business, call loans, and loans receivable from individual and corporate customers, and also affects financial costs arising from financial liabilities, which primarily consist of borrowings from financial institutions, bonds payable, and customer deposits for the banking business.

In management's sensitivity analysis, if interest rates of financial instruments held by the Group as at March 31, 2023 and 2024 had been 100 basis points higher, profit before income tax expense in the consolidated statement of income for the years ended March 31, 2023 and 2024 would have increased by ¥12,252 million and ¥17,543 million, respectively.
The analysis is prepared assuming the financial instruments subject to interest rate risk and all other variables were held constant throughout the years ended March 31, 2023 and 2024.

(6) Liquidity risk management

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

The Group manages its liquidity risk through the following policies.

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

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

As at March 31, 2023

	Carrying amount	Contractual cash flow	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Bonds and loans payable	3,680,355	3,737,544	1,763,351	719,841	425,053	282,780	253,734	292,785
Trade and other accounts payable	482,677	483,236	426,808	10,806	6,193	2,788	2,343	34,298
Liabilities related to securities business	3,888,249	3,888,259	3,888,259	—	—	—	—	—
Customer deposits for banking business	11,472,323	11,573,141	10,360,274	317,229	653,627	52,765	74,082	115,164
Financial guarantee contracts	—	985,078	278,046	41,915	64,003	74,418	108,078	418,618

As at March 31, 2024

	Carrying amount	Contractual cash flow	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Bonds and loans payable	4,477,079	4,546,492	1,915,057	531,506	487,311	1,009,803	168,310	434,505
Trade and other accounts payable	656,571	656,163	603,796	9,795	3,688	2,727	2,407	33,750
Liabilities related to securities business	5,527,306	5,527,315	5,527,315	—	—	—	—	—
Customer deposits for banking business	13,002,239	13,097,673	11,291,156	600,503	438,897	68,552	576,632	121,933
Financial guarantee contracts	—	805,486	78,949	46,182	67,658	83,836	118,408	410,453

The Group entered into line of credit agreements (e.g., overdraft facilities) with leading domestic and overseas financial institutions to ensure an efficient operating funds procurement and to mitigate liquidity risk.
Contractual amounts and used amounts of overdraft facilities as at each reporting date are as follows:

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

9. Trade and Other Accounts Receivable

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

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

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

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

10. Inventories

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

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

Inventories recognized as Operating cost amounted to ¥56,217 million and ¥129,876 million for the years ended March 31, 2023 and 2024, respectively. The amount of write-downs of inventories recognized as expenses during the period was not material.
The carrying amounts of inventories at fair value less costs to sell are described in "7. Fair Value Measurement".

11. Assets Related to Securities Business

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

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

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

12. Operational Investment Securities and Other Investment Securities

"Operational investment securities" and "Other investment securities" in the consolidated statement of financial position as at March 31, 2023 and 2024 consisted of the following:

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

The Group may designate some of its investments in equity instruments as equity instruments measured at FVTOCI, taking into consideration the actual conditions of the investments such as business relationships with the investee companies.

Fair values of equity instruments measured at FVTOCI presented as "Other investment securities" in the consolidated statement of financial position and related dividends income presented as "Revenue" in the consolidated statement of income consisted of the following, respectively:

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

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

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

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

For the year ended March 31, 2023			For the year ended March 31, 2024		
Fair value at the date of sale	Cumulative gain (loss)	Dividend received	Fair value at the date of sale	Cumulative gain (loss)	Dividend received
Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
79	79	–	5,972	2,043	100

Equity instruments measured at FVTOCI are sold (derecognized) to enhance the effective operation and efficiency of assets.
For equity instruments measured at FVTOCI whose significant decline in fair value compared to their acquisition costs is other than temporary, cumulative losses (net of tax) transferred from other components of equity to retained earnings for the years ended March 31, 2023 and 2024 were ¥30 million and ¥22 million, respectively.

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

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

13. Investments Accounted for Using the Equity Method

(1) Investments in associates

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

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

Other comprehensive income attributable to the Group	1,719	4,522
Total comprehensive income attributable to the Group	8,976	18,898

	As at March 31, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Carrying amount	190,346	211,171

Impairment losses of ¥211 million were recognized in the Financial Services Business for the year ended March 31, 2024, as the recoverable amount of certain investments in associates was less than the carrying amount, and are included in "Other expenses" in the consolidated statement of income.

(2) Investments in joint ventures

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

	For the year ended March 31, 2023	For the year ended March 31, 2024
	Millions of Yen	Millions of Yen
Profit for the year attributable to the Group	(882)	137
Other comprehensive income attributable to the Group	281	325
Total comprehensive income attributable to the Group	(601)	462

	As at March 31, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Carrying amount	9,536	10,839

14. Structured Entities

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

(1) Consolidated structured entities

Total assets of the consolidated investment partnerships and special purpose entities were ¥771,078 million and ¥998,136 million as at March 31, 2023 and 2024, respectively. Total liabilities were ¥317,477 million and ¥473,505 million as at March 31, 2023 and 2024, respectively.

(2) Unconsolidated structured entities

The Group invests in and provides loans to investment partnerships and special purpose entities, etc. that third parties have control on their operations.

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

	As at March 31, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Trade and other accounts receivable	1,426,877	1,370,020
Other financial assets	17,806	67,816
Operational investment securities	39,990	41,901
Other investment securities	354,798	570,368
Total	1,839,471	2,050,105

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

15. Investment Property

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

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

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

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

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

The fair value as at the end of each reporting period is based on a valuation conducted by independent valuation appraisers with appropriate qualifications, who have had recent experience in local practice for relative categories of assets.
The inputs used for the fair value measurement of investment properties are categorized as Level 3 (unobservable inputs).

Rental income from investment property for the years ended March 31, 2023 and 2024 was ¥2,590 million and ¥3,636 million, respectively, which was included in "Revenue" in the consolidated statement of income. Directly incurred expenses in relation to the rental income (including repairs and maintenance) for the years ended March 31, 2023 and 2024 were ¥2,129 million and ¥2,935 million, respectively, which were included in "Operating cost" and "Selling, general and administrative expenses".

16. Property and Equipment

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

Cost	Buildings	Furniture and fixtures	Machinery and equipment	Land	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2022	71,888	40,888	14,730	10,158	34,989	172,653
Acquisitions	10,407	6,075	9,392	2,068	14,479	42,421
Acquisitions through business combinations	1,905	499	-	22	213	2,639
Sales or disposals	(5,225)	(12,663)	(8,532)	(1,994)	(3,921)	(32,335)
Foreign currency translation adjustment on foreign operations	432	440	3	55	223	1,153
Others	2,096	1,195	19,107	(154)	(20,923)	1,321
Balance as at March 31, 2023	81,503	36,434	34,700	10,155	25,060	187,852
Acquisitions	12,270	4,754	10,745	2,378	10,994	41,141
Acquisitions through business combinations	1,841	216	309	1,470	341	4,177
Sales or disposals	(6,327)	(4,726)	(7,019)	(905)	(4,820)	(23,797)
Foreign currency translation adjustment on foreign operations	1,031	783	5	121	184	2,124
Others	609	1,307	114	-	(1,727)	303
Balance as at March 31, 2024	90,927	38,768	38,854	13,219	30,032	211,800

Accumulated depreciation and impairment losses	Buildings	Furniture and fixtures	Machinery and equipment	Land	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2022	(20,590)	(22,700)	(1,313)	(114)	(4,199)	(48,916)
Sales or disposals	1,953	12,173	3,520	136	2,320	20,102
Depreciation	(15,719)	(8,135)	(5,510)	(285)	(2,464)	(32,113)
Impairment losses	(992)	(612)	(2)	-	(32)	(1,638)
Foreign currency translation adjustment on foreign operations	(138)	(311)	(1)	-	(182)	(632)
Balance as at March 31, 2023	(35,486)	(19,585)	(3,306)	(263)	(4,557)	(63,197)
Sales or disposals	4,390	3,948	4,034	-	3,282	15,654
Depreciation	(14,149)	(6,822)	(5,527)	(209)	(2,559)	(29,266)
Impairment losses	(19)	(13)	-	-	-	(32)
Foreign currency translation adjustment on foreign operations	(540)	(519)	(3)	-	(120)	(1,182)
Balance as at March 31, 2024	(45,804)	(22,991)	(4,802)	(472)	(3,954)	(78,023)

Carrying amount	Buildings	Furniture and fixtures	Machinery and equipment	Land	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at March 31, 2023	46,017	16,849	31,394	9,892	20,503	124,655
Balance as at March 31, 2024	45,123	15,777	34,052	12,747	26,078	133,777

The carrying amount of property and equipment includes the carrying amount of right-of-use assets and the carrying amount of lessor's operating lease assets.
Right-of-use assets increased by ¥8,111 million and ¥9,580 million for the years ended March 31, 2023 and 2024, respectively.

Carrying amount of right-of-use assets	Buildings	Furniture and fixtures	Machinery and equipment	Land	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at March 31, 2023	24,244	904	8	725	1,294	27,175
Balance as at March 31, 2024	21,778	671	99	577	826	23,951

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

Impairment losses recognized for the years ended March 31, 2023 and 2024 were ¥1,638 million and ¥32 million, respectively, due to no expectation of initially expected profits and are included in "Other expenses" in the consolidated statement of income. Impairment losses by segment for the year ended March 31, 2023 were ¥929 million in the Financial Services Business, ¥626 million in the Crypto-asset Business and ¥83 million in the Next Gen Business. Impairment losses by segment for the year ended March 31, 2024 were ¥19 million in the Financial Services Business and ¥13 million in the Next Gen Business.

17. Intangible Assets

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

The movements in cost, accumulated amortization and impairment losses of intangible assets including goodwill for the years ended March 31, 2023 and 2024 were as follows:

Cost	Goodwill	Software	Customer relationship	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2022	200,709	147,009	28,032	10,183	385,933
Acquisitions	—	38,446	—	1,105	39,551
Acquisitions through business combinations	46,738	1,592	5,422	1,832	55,584
Sales or disposals	—	(5,795)	—	(560)	(6,355)
Foreign currency translation adjustment on foreign operations	3,418	434	902	202	4,956
Balance as at March 31, 2023	250,865	181,686	34,356	12,762	479,669
Acquisitions	—	39,802	—	2,084	41,886
Acquisitions through business combinations	5,837	242	17,778	2,434	26,291
Sales or disposals	(1,537)	(2,013)	—	(2,311)	(5,861)
Foreign currency translation adjustment on foreign operations	12,784	812	2,365	768	16,729
Balance as at March 31, 2024	267,949	220,529	54,499	15,737	558,714

Accumulated amortization and impairment losses	Goodwill	Software	Customer relationship	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2022	(12,493)	(58,396)	(18,486)	(3,472)	(92,847)
Sales or disposals	—	5,032	—	126	5,158
Amortization	—	(21,175)	(1,207)	(1,164)	(23,546)
Impairment losses	(174)	(1,775)	—	(7)	(1,956)
Foreign currency translation adjustment on foreign operations	—	(118)	(398)	78	(438)
Balance as at March 31, 2023	(12,667)	(76,432)	(20,091)	(4,439)	(113,629)
Sales or disposals	149	104	—	25	278
Amortization	—	(22,981)	(1,848)	(1,585)	(26,414)
Impairment losses	(36)	(603)	—	(29)	(668)
Foreign currency translation adjustment on foreign operations	—	(601)	(1,668)	(313)	(2,582)
Balance as at March 31, 2024	(12,554)	(100,513)	(23,607)	(6,341)	(143,015)

Carrying amount	Goodwill	Software	Customer relationship	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at March 31, 2023	238,198	105,254	14,265	8,323	366,040
Balance as at March 31, 2024	255,395	120,016	30,892	9,396	415,699

The carrying amount of software in the above table as at March 31, 2023 includes the carrying amount of right-of-use assets of ¥170 million. Amortization expenses were recorded in "Operating cost" and "Selling, general and administrative expenses" in the consolidated statement of income.

(2) Impairment losses for each business segment

The Group recognized impairment losses totaling ¥1,956 million and ¥668 million for the years ended March 31, 2023 and 2024, respectively, due to no expectation of initially expected profits, and recorded them in "Other expenses" in the consolidated statement of income. Impairment losses by segment for the year ended March 31, 2023 were ¥542 million in the Financial Services Business, ¥249 million in the Asset Management Business, ¥174 million in the Investment Business, ¥789 million in the Crypto-asset Business, and ¥202 million in the Next Gen Business. Impairment losses by segment for the year ended March 31, 2024 were ¥668 million in the Financial Services Business. The impairment losses recognized for the year ended March 31, 2024 were mainly recognized for goodwill and software.

(3) Carrying amount of goodwill

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

Significant goodwill arising from business combinations were ¥110,015 million and ¥120,172 million as at March 31, 2023 and 2024, respectively, related to SBI Savings Bank in the Financial Services Business and ¥24,910 million as at March 31, 2023 and 2024, related to SBI SECURITIES Co., Ltd. in the Financial Services Business.

The recoverable amounts used for impairment test of goodwill and intangible assets are calculated based on the value in use. Value in use is the present value calculated by discounting the estimated cash flows based on the projection approved by management and a growth rate. The business plans are not longer than five years in principle, and reflect the management assessments of future industry trends and historical data based on the external and internal information. The growth rate is determined by considering the long-term average growth rate of the market or the country which the CGU belongs to. The maximum per annum growth rate used for measuring value in use was 2% as at March 31, 2023 and 2024. The discount rate used for measuring value in use was 5.7% to 10.5% and 6.1% to 10.5% per annum as at March 31, 2023 and 2024, respectively.

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

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

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

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

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

19. Deferred Taxation

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

For the year ended March 31, 2023

	As at April 1, 2022	Recognized through profit or loss	Recognized through other comprehensive income	Change in scope of consolidation	Recognized directly in equity	As at March 31, 2023
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Deferred Tax Assets						
Impairment on financial assets measured at amortized cost	11,560	5,463	-	-	-	17,023
Lease liability	12,872	(1,919)	-	-	-	10,953
Property equipment and intangible assets	2,324	242	-	116	-	2,682
Enterprise tax payable	971	732	-	-	-	1,703
Tax loss carryforwards	13,934	(6,624)	61	201	-	7,572
Other	6,523	1,327	456	859	-	9,166
Total	48,184	(779)	517	1,176	-	49,099
Deferred Tax Liabilities						
Financial assets and liabilities measured at FVTPL	42,790	(122)	-	-	-	42,668
Equity instruments measured at FVTOCI	402	-	(61)	-	-	341
Debt instruments measured at FVTOCI	15	274	(284)	-	-	5
Investments accounted for using the equity method	16,178	(7,068)	-	-	-	9,110
Property equipment and intangible assets	17,205	(1,668)	75	1,411	-	17,023
Other (*)	11,621	(238)	525	2,960	671	15,540
Total	88,211	(8,822)	255	4,371	671	84,687

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

For the year ended March 31, 2024

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

In assessing the recoverability of the deferred tax assets, the Group considers the future taxable temporary differences, projected future taxable income, and tax planning strategies. Deductible temporary differences and tax loss carryforwards for which deferred tax assets have not been recognized are as follows:

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

The Group recognized deferred tax assets of ¥114 million and ¥616 million as at March 31, 2023 and 2024, respectively, associated with certain subsidiaries that had net losses during the years ended March 31, 2023 and 2024. The Group's management assessed that it is probable that tax credit carryforwards and deductible temporary differences will be utilized as the tax losses are not expected to arise on an ongoing basis.

As at March 31, 2023 and 2024, in principle, the Group did not recognize a deferred tax liability on the taxable temporary differences associated with investments in subsidiaries because the Group was in a position to control the timing of the reversal of the temporary differences and it was probable that such differences would not reverse in the foreseeable future. The amount of taxable temporary differences associated with investments in subsidiaries on which deferred tax liabilities were not recognized were ¥465,544 million and ¥537,490 million as at March 31, 2023 and 2024, respectively.

20. Bonds and Borrowings

(1) Details of bonds and borrowings

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

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

Notes:

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

Details of the bonds were as follows:

Issuer and the name of bond	Date of issuance	As at March 31, 2023	As at March 31, 2024	Interest rate	Due
		Millions of Yen	Millions of Yen	%	
The Company Japanese yen straight bond (*1)	May 2021～ November 2023	109,965	129,933	0.93～ 1.10	May 2023～ December 2025
The Company No.16 Unsecured straight bond	December 2018	14,992	—	—	December 2023
The Company No.18 Unsecured straight bond	May 2019	24,978	24,998	0.69	May 2024
The Company No.20 Unsecured straight bond	December 2019	24,967	24,987	0.70	December 2024
The Company No.21 Unsecured straight bond	June 2020	14,997	—	—	June 2023
The Company No.22 Unsecured straight bond	June 2020	10,000	10,000	1.00	June 2025
The Company No.23 Unsecured straight bond	December 2020	24,981	—	—	December 2023
The Company No.24 Unsecured straight bond	December 2020	29,936	29,960	0.93	December 2025
The Company No.25 Unsecured straight bond	July 2021	39,942	39,988	0.60	July 2024
The Company No.26 Unsecured straight bond	July 2021	39,896	39,928	0.80	July 2026
The Company No.27 Unsecured straight bond	December 2021	69,864	69,946	0.80	December 2024
The Company No.28 Unsecured straight bond	December 2021	49,853	49,893	1.00	December 2026
The Company No.29 Unsecured straight bond	July 2022	51,864	51,924	1.00	July 2025
The Company No.30 Unsecured straight bond	July 2022	21,925	21,943	1.18	July 2027
The Company No.31 Unsecured straight bond	September 2022	99,488	99,638	1.09	September 2026
The Company No.32 Unsecured straight bond	December 2022	41,869	41,918	1.10	December 2025
The Company No.33 Unsecured straight bond	December 2022	10,959	10,968	1.20	December 2027
The Company No.34 Unsecured straight bond	June 2023	—	104,735	0.95	June 2026
The Company No.35 Unsecured straight bond	June 2023	—	44,850	1.15	June 2028
The Company No.36 Unsecured straight bond	September 2023	—	99,488	1.28	September 2027
The Company No.37 Unsecured straight bond	March 2024	—	52,820	1.00	March 2027
The Company No.38 Unsecured straight bond	March 2024	—	26,894	1.30	March 2029
The Company No.1 Unsecured straight bond (Inter-bond limited pari passu	March 2023	6,972	6,977	1.20	October 2029

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

Notes:

1. The aggregate amount issued based on euro medium term note program is stated above.
2. The stock acquisition rights of Euroyen convertible bonds are recognized as embedded derivatives. The amount of the stock acquisition rights is separated from the host, measured at fair value, and recorded as capital surplus after tax effects.
3. The aggregate amount of short-term corporate bonds is stated above.
4. The aggregate amount of the 5th to 13th series of unsecured bonds (with inter-bond pari passu clause) is stated above.
5. The aggregate amount of the 6th series of unsecured bonds (with inter-bond pari passu clause) is stated above.
6. The aggregate amount of the 3rd and 4th series of unsecured straight bonds is stated above.
7. The bonds are raised in the bond market through the securitization of trade receivables through UDC Endeavour Equipment Finance Trust, UDC Endeavour Auto Finance Trust and UDC Endeavour Auto ABS Finance Trust 2021-1 and 2022-1.

(2) Assets pledged as security

Assets pledged for liabilities and contingent liabilities were as follows:

	As at March 31, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Cash and cash equivalents	1,461	4,348
Trade and other accounts receivable	917,168	1,642,554
Inventories	21,670	78,556
Other investment securities	274,486	576,647
(of which: financial instruments pledged as collateral) (*1)	222,987	388,333
Investment properties	67,476	52,799
Property and equipment	12,764	20,474
Assets held for sale	11,551	136,026
Other assets	43	177
Total	1,306,619	2,511,581

Note:

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

The corresponding liabilities were as follows:

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

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

21. Trade and Other Payables

The components of trade and other payables were as follows:

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

22. Liabilities Related to Securities Business

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

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

23. Insurance Contracts

(1) Risk management system over insurance contracts

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

(a) Market risk management

Interest rate risk management

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

Price fluctuation risk management

Regarding market risk management, the Group conducts risk management focusing on indices such as VaR (Value at Risk), which denotes the maximum loss amount expected due to market changes based on the confidence interval, and Basis Point Value (BPV), which denotes price fluctuations in the bond portfolio due to changes in the market interest rate, in addition to identifying risks based on the current Solvency Margin standards and a trial approach looking at Solvency regulations on an economic value basis to be introduced in the future.

(b) Conducting of stress testing

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

(c) Insurance underwriting risk

Regarding insurance underwriting risk, the department-in-charge of each company engaged in the insurance business determines its underwriting policies, and conducts risk control by managing the risk portfolio, reforming or abolishing products, establishing the underwriting standards, changing sales policies, designing and arranging reinsurance, etc.

(2) Insurance contract liabilities

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

For the year ended March 31, 2023

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

For the year ended March 31, 2024

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

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

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

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

(i) Components of fulfilment cash flows

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

(ii) Estimates of future cash flows

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

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

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

(iii) Discount rates

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

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

For the year ended March 31, 2023

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

For the year ended March 31, 2024

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

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

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

(d) Sensitivity to insurance risk

In the life insurance business, the Group records insurance contract liabilities by estimating the present value of all cash flows generated from insurance contracts using the prerequisite conditions at initial recognition.
The prerequisite conditions include discount rates (interest rates), death rates, morbidity rates, renewal rates, business expenses and commission, etc. In the case where increases in death rates, morbidity rates, business expenses and commission are expected, future net income and equity are expected to decrease due to the increase in future cash outflows.
The impact of modifying the prerequisite conditions on insurance contract liabilities, profit or loss, and equity is not expected to be material.

(3) Concentration of insurance risk

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

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

The claims development of the insurance business is as follows:

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

24. Lease

(1) Lease as lessee

The Group lease office buildings, stores, and servers for online transaction systems and certain other assets under operating leases. There were no lease contracts which include residual value guarantees and no significant lease contracts for which leases have not yet commenced as at March 31, 2024 to which the lessee is committed.

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

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

(2) Lease as lessor

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

The maturity analysis of lease receivables is as follows:

	As at March 31, 2023	
	Undiscounted lease income	Net investment in the lease
	Millions of Yen	Millions of Yen
No later than 1 year	61,042	56,291
1 to 2 years	49,761	45,956
2 to 3 years	41,724	38,446
3 to 4 years	29,002	26,630
4 to 5 years	15,847	14,597
Over 5 years	28,573	26,329
Total	225,949	208,249
Unearned financial income	(23,079)	
Discounted unguaranteed residual value	5,379	
Net investment in the lease	208,249	

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

	As at March 31, 2024	
	Undiscounted lease income	Net investment in the lease
	Millions of Yen	Millions of Yen
No later than 1 year	63,046	58,649
1 to 2 years	56,548	52,024
2 to 3 years	43,241	40,117
3 to 4 years	28,997	26,689
4 to 5 years	20,024	18,793
Over 5 years	30,242	27,643
Total	242,098	223,915
Unearned financial income	(23,528)	
Discounted unguaranteed residual value	5,345	
Net investment in the lease	223,915	

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

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

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

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

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

25. Provisions

The movement of provisions is as follows:

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

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

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

26. Employee Benefits

Certain companies in the Group have defined contribution pension plans. Pension costs related to the defined contribution plans recognized for the years ended March 31, 2023 and 2024 were not material. Certain companies in the Group have funded and unfunded defined benefit plans and lump-sum retirement benefit plans. The benefit amounts under the defined benefit plans are set based on the rate of payment at the time of retirement, years of service, final salary before retirement, and other conditions.

The net changes recognized in the consolidated statement of financial position with respect to the defined benefit plan obligations and plan assets for the years ended March 31, 2023 and 2024 consisted of the following:

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

Note:

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

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

The assumptions used in measuring the defined benefit plan obligations as at March 31, 2023 and 2024 were as follows:

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

Sensitivity to significant actuarial assumptions

A decrease of 0.5% and an increase of 0.5% in the discount rate for the defined benefit plan obligations as at March 31, 2024 would be expected to increase the defined benefit plan obligations by ¥5,456 million and decrease them by ¥5,514 million, respectively. This analysis assumes that all other variables remain constant, but in reality only the discount rate may not vary independently.

The fair values of the main categories of plan assets as at March 31, 2023 and 2024 are as follows:

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

Note:

1. Other assets include mainly alternative investment products.

The Group expects to contribute ¥2,969 million to its defined contribution plan in the next fiscal year. The main investment policy of the defined benefit pension plans is to secure the required comprehensive return on plan assets over the long term under an acceptable level of risk in order to ensure the future provision of benefits to participants and beneficiaries and at the same time to stabilize the contribution burden. To this end, the investment policy is based on the policy asset mix, which is the optimal combination for the future, and the allowable range of deviation based on ALM analysis, etc. The plan aims to maintain a diversified asset allocation among stocks, bonds, alternative products, etc. based on the policy asset mix. In addition, in order to manage the risk of the plan's asset management, when the asset mix temporarily deviates from the policy asset mix due to fluctuations in market values, etc., the plan will rebalance the asset mix.

The weighted average duration of the defined benefit plan obligations as at March 31, 2024 was 13.3 years.

27. Capital Stock and Other Equity Items

(1) Capital stock and treasury stock

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

The Company's issued shares were as follows:

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

Notes:

1. The increase during the year ended March 31, 2023 consisted of the issuance of new shares totaling 27,000,000 shares and the exercise of the stock acquisition rights totaling 137,400 shares.
2. The increase during the year ended March 31, 2024 consisted of the exercise of the conversion rights for convertible bonds totaling 25,071,617 shares and the exercise of the stock acquisition rights totaling 4,459,900 shares.

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

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

Notes:

1. The increase of 5,885 shares during the year ended March 31, 2023 related to the purchase of shares from shareholders with less than one unit of shares.
2. The decrease of 920 shares during the year ended March 31, 2023 related to the sale of shares to shareholders with less than one unit of shares.
3. The increase of 3,775 shares during the year ended March 31, 2024 related to the purchase of shares from shareholders with less than one unit of shares.
4. The decrease of 530 shares during the year ended March 31, 2024 related to the sale of shares to shareholders with less than one unit of shares.

(2) Reserves

(a) Capital surplus

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

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

(b) Retained earnings

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

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

(3) Other components of equity

The movements of other component of equity were as follows:

	Other components of equity							
	Currency translation differences	Equity instruments measured at FVTOCI	Debt instruments measured at FVTOCI	Fluctuations in discount rates of insurance contracts	Cash flow hedges	Changes in own credit risk on financial liabilities	Remeasure-ment of defined benefit plans	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2022	44,392	(59)	(1,581)	–	–	113	–	42,865
Change for the year	24,513	(3,524)	(3,916)	930	–	196	(780)	17,419
Transfer to retained earnings	–	(17)	–	–	–	–	780	763
Balance as at March 31, 2023	68,905	(3,600)	(5,497)	930	–	309	–	61,047
Change for the year	65,175	3,086	(871)	764	(2,296)	15	(610)	65,263
Transfer to retained earnings	–	(1,194)	–	–	–	–	610	(584)
Balance as at March 31, 2024	134,080	(1,708)	(6,368)	1,694	(2,296)	(324)	–	125,726

28. Dividends

Dividends paid were as follows:

Year ended March 31, 2023

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

Year ended March 31, 2024

	Type of share	Dividend amount (Millions of Yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' Meeting on May 12, 2023	Common shares	32,680	120	March 31, 2023	June 9, 2023
Board of Directors' Meeting on November 10, 2023	Common shares	8,257	30	September 30, 2023	December 18, 2023

Dividends for which the declared date fell in the year ended March 31, 2024, and for which the effective date will be in the year ending March 31, 2025, are as follows:

	Type of share	Dividend amount (Millions of Yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' Meeting on May 10, 2024	Common shares	39,242	130(*)	March 31, 2024	June 7, 2024

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

29. Share-based Payment

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

Share-based compensation expense recognized during the years ended March 31, 2023 and 2024 amounted to ¥991 million and ¥470 million, respectively, and is included in "Selling, general and administrative expenses".

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

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

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

① The Company

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

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

Note:

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

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

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

Note:

1. The stock options were issued upon receipt of cash for the price equivalent to their fair value. And a holder of the stock acquisition rights shall be able to exercise the stock acquisition rights only in the event that the Financial Services Business has achieved ¥55 billion or more in its entire segment profits (profit before income tax expenses) in each fiscal year of the period from the fiscal year ended March 31, 2021 to the fiscal year ending March 31, 2023, and also marked ¥170 billion or more in its cumulative segment profits (profit before income tax expenses) for the above three fiscal periods.

② Subsidiaries

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

a-1 SBI Biotech Co., Ltd.

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

Notes:

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

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

a-2 BroadBand Security, Inc.

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

Notes:

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

a-3 SBI FinTech Solutions Co., Ltd.

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

a-4 SBI Insurance Group Co., Ltd.

	For the year ended March 31, 2023		For the year ended March 31, 2024	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	1,460,700	1,734	1,460,700	1,734
Forfeited	–	–	(1,460,700)	1,734
Ending balance	1,460,700	1,734	–	–

a-5 Rheos Capital Works Inc.

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

Notes:

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

a-6 SBI Leasing Services Co., Ltd.

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

Note:

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

a-7 SBI ARUHI Corporation

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

Notes:

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

a-8 SBI Digital Markets Pte. Ltd.

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

Notes:

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

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

Stock price at the grant date	:	SGD 11.96	Estimated remaining exercise period	:	6.25 years

Exercise price	:	SGD 4.26	Dividend yield	:	0.00%
Estimated volatility	:	40.1%	Risk free rate	:	3.07%

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

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

(2) Restricted share-based payment

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

The restricted shares previously allocated, for which the last day of the restricted period has not yet arrived, were as follows:

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

Note:

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

30. Revenue

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

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

Notes:

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

(1) Disaggregation of revenue

Revenue from contracts with customers for the years ended March 31, 2023 and 2024 consisted of the following: Revenue from rendering of services mainly includes brokerage commission in the securities business. Revenue from sales of goods includes revenue arising from the sale of aircraft, pharmaceutical products, supplements, and cosmetics.

For the year ended March 31, 2023

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

For the year ended March 31, 2024

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

(2) Contract balance

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

	Balance as at April 1, 2022	Balance as at March 31, 2023
	Millions of Yen	Millions of Yen
Trade receivables from contract with customers	10,385	10,247
Contract liabilities	5,876	5,136

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

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

Of the revenues recognized during the years ended March 31, 2023 and 2024, ¥5,876 million and ¥5,136 million were included in the balance of contract liabilities as at April 1, 2022 and 2023, respectively.

31. Expense

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

(1) Financial cost associated with financial income

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

(2) Operating cost

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

(3) Selling, general and administrative expenses

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

(4) Other financial cost

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

(5) Other expenses

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

32. Income Tax Expense

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

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

The Company and its domestic subsidiaries are subject to mainly a national corporate tax, an inhabitants tax, and an enterprise tax, which, in aggregate, resulted in a normal effective statutory tax rate of 30.6%. Foreign subsidiaries are subject to the income taxes of the countries in which they operate.

A reconciliation between the normal effective statutory tax rates and the Group's average effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2023 and 2024 is as follows:

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

The Tax Reform Act of 2023 ("Act for Partial Revision of the Income Tax Act, etc. (Act No. 3 of 2023)") ("Revised Corporation Tax Act") was enacted on March 28, 2023, which includes provisions related to the establishment of a corporate tax system for global minimum taxation. The Revised Corporation Tax Act introduces the income inclusion rule (IIR), which is one of the global minimum tax rules under BEPS, and, beginning with fiscal years beginning on or after April 1, 2024, the tax burden of a parent company located in Japan on its subsidiaries and affiliates in Japan will be additionally taxed on the parent company located in Japan until the minimum tax rate (15%) is reached.
However, the Group has applied the temporary exception provided for in IAS 12 "Income Taxes" and has not recognized any deferred tax assets or liabilities for income taxes arising from the global minimum tax system, nor have they been included in the disclosed amounts.
Assuming that the additional taxation would be applied in the current period, the Company has determined that the impact would not be material.

33. Other Comprehensive Income

Amounts recorded during the year, reclassification adjustments and income tax effects on each item of other comprehensive income for the years ended March 31, 2023 and 2024 were as follows:

For the year ended March 31, 2023

	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Items that will not be reclassified subsequently to profit or loss					
Equity instruments measured at FVTOCI	(7,234)	-	(7,234)	61	(7,173)
Changes in own credit risk on financial liabilities	389	-	389	-	389
Remeasurement of defined benefit plans	(1,830)	-	(1,830)	456	(1,374)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(3)	-	(3)	-	(3)
	(8,678)	-	(8,678)	517	(8,161)
Items that may be reclassified subsequently to profit or loss					
Debt instruments measured at FVTOCI	(12,086)	3,979	(8,107)	284	(7,823)
Currency translation differences	30,255	(7)	30,248	-	30,248
Fluctuations in discount rates of insurance contracts	1,875	-	1,875	(525)	1,350
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	1,995	-	1,995	-	1,995
	22,039	3,972	26,011	(241)	25,770
Total	13,361	3,972	17,333	276	17,609

For the year ended March 31, 2024

	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Items that will not be reclassified subsequently to profit or loss					
Equity instruments measured at FVTOCI	5,681	-	5,681	(66)	5,615
Changes in own credit risk on financial liabilities	(8)	-	(8)	-	(8)
Remeasurement of defined benefit plans	(1,586)	-	(1,586)	532	(1,054)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	0	-	0	-	0
	4,087	-	4,087	466	4,553
Items that may be reclassified subsequently to profit or loss					
Debt instruments measured at FVTOCI	(2,353)	715	(1,638)	138	(1,500)
Currency translation differences	71,069	(18)	71,051	-	71,051
Fluctuations in discount rates of insurance contracts	2,069	-	2,069	(579)	1,490
Cash flow hedges	(5,293)	699	(4,594)	894	(3,700)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	4,847	0	4,847	-	4,847
	70,339	1,396	71,735	453	72,188
Total	74,426	1,396	75,822	919	76,741

34. Earnings per Share

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

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

35. Cash Flow Information

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

(1) Expenditures on acquisition of subsidiaries

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

Amounts of major classes of assets and liabilities of subsidiaries, of which the Group obtained control through share acquisition, at the date of acquisition were as follows:

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

(2) Proceeds from sales of subsidiaries

Total consideration received in respect of sales of subsidiaries was ¥25 million and ¥5,023 million for the years ended March 31, 2023 and 2024, respectively. Consideration received consisted solely of cash and cash equivalents.

Amounts of major classes of assets and liabilities of subsidiaries, of which the Group lost control through share sale, at the date of sale were as follows:

	For the year ended March 31, 2023	For the year ended March 31, 2024
	Millions of Yen	Millions of Yen
Cash and cash equivalents	9	2,524
Trade and other receivables	-	1,339
Other assets	-	3,339
Total assets	9	7,202
Bonds and loans payable	-	827
Trade and other payables	-	1,289
Other liabilities	2	1,171
Total liabilities	2	3,287

(3) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities were as follows:

	Borrowings	Bond	Total
	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2022	1,895,341	1,469,519	3,364,860
Cash flow from operating activities	(409,133)	(202,002)	(611,135)
Cash flow from financing activities	489,976	280,002	769,978
Non-cash changes			
Change in scope of consolidation	125,811	11,710	137,521
Interest expense	1,768	558	2,326
Foreign currency translation adjustment on foreign operations	2,499	11,546	14,045
Others	2,554	206	2,760
Balance as at March 31, 2023	2,108,816	1,571,539	3,680,355
Cash flow from operating activities	740,149	(61,448)	678,701
Cash flow from financing activities	(190,633)	351,753	161,120
Non-cash changes			
Change in scope of consolidation	2,601	-	2,601
Interest expense	1,932	3,401	5,333
Conversion of convertible bonds	-	(70,037)	(70,037)
Foreign currency translation adjustment on foreign operations	2,297	13,516	15,813
Others	4,369	(1,176)	3,193
Balance as at March 31, 2024	2,669,531	1,807,548	4,477,079

36. Subsidiaries

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

Business segment	Name	Location	Voting Rights Holding Ratio (Note 1)
			%
Financial Services Business	SBI FINANCIAL SERVICES Co., Ltd.	Japan	100.0
	SBI SECURITIES Co., Ltd.	Japan	100.0 (100.0)
	SBI Liquidity Market Co., Ltd.	Japan	100.0 (100.0)
	SBI FXTRADE Co., Ltd.	Japan	100.0 (100.0)
	SBI MONEYPLAZA Co., Ltd.	Japan	66.6 (66.6)
	SBI Insurance Group Co., Ltd.	Japan	59.7
	SBI Life Insurance Co., Ltd.	Japan	100.0 (100.0)
	SBI Insurance Co., Ltd.	Japan	99.2 (99.2)
	SBI FinTech Solutions Co., Ltd.	Japan	77.5
	SBI Estate Finance Co., Ltd.	Japan	100.0 (100.0)
	SBI Shinsei Bank, Limited	Japan	64.8 (64.8)
	Showa Leasing Co., Ltd.	Japan	100.0 (100.0)
	APLUS Co., Ltd.	Japan	100.0 (100.0)
	Shinsei Financial Co., Ltd.	Japan	100.0 (100.0)
	SBI Savings Bank	Korea	100.0 (100.0)
	SBI Regional Bank Holdings Co., Ltd.	Japan	100.0
Asset Management Business	SBI Asset Management Group Co., Ltd.	Japan	100.0
	SBI Global Asset Management Co., Ltd.	Japan	52.6 (52.6)
	SBI Asset Management Co., Ltd.	Japan	97.9 (97.9)
Investment Business	SBI Capital Management Co., Ltd.	Japan	100.0
	SBI Investment Co., Ltd.	Japan	100.0 (100.0)
	SBI Hong Kong Holdings Co., Ltd.	Hong Kong	100.0
	SBI VENTURES ASSET PTE. LTD.	Singapore	100.0 (100.0)
	SBI ALApharma Co., Limited (Note 2)	Hong Kong	100.0 (100.0)
Crypto-asset Business	SBI VC Trade Co., Ltd.	Japan	100.0 (100.0)

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

Note:
1. The figure in the parentheses represents the indirect holding ratio of voting rights or indirect investment ratio included in the total.
2. SBI ALApharma Co., Limited, which was included in "Non-Financial Business" (renamed "Next Gen Business") until the year ended March 31, 2023, is now included in "Investment Business" from the year ended March 31, 2024.
3. The Group changed the reporting segment name "Non-Financial Business" to "Next Gen Business" from the year ended March 31, 2024.

Subsidiaries with material noncontrolling interests are as follows:

Year ended March 31, 2023

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

Year ended March 31, 2024

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

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

	As at March 31, 2023	As at March 31, 2024
	Millions of Yen	Millions of Yen
Total assets	13,091,690	15,630,976
Total liabilities	12,129,399	14,668,826
Total equity	962,291	962,150

	For the year ended March 31, 2023	For the year ended March 31, 2024
	Millions of Yen	Millions of Yen
Revenue	409,235	468,734
Profit for the year	46,585	53,408
Total comprehensive income	45,227	74,717
Cash flows from operating activities	1,377,788	1,254,529
Cash flows from investing activities	(949,025)	77,703
Cash flows from financing activities	(13,936)	(80,503)
Net change in cash and cash equivalents	414,827	1,251,729

37. Related Party Transactions

(1) Related Party Transactions

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

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

(Note):

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

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

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

38. Events after the Reporting Period

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

1. Outline of the subsidiary
   (1) Name — SIPF B.V.
   (2) Location — Basisweg 10, 1043 AP, Amsterdam, the Netherlands
   (3) Business description — Holding and financial business
   (4) Paid-in capital — 300 euros
   (5) Percentage of voting rights held — 100% (of which 100% were held indirectly)
2. Impact of the liquidation on business activities
   The liquidation will have no impact on the business activities of the Group.
3. Impact on profit and loss due to liquidation
   In accordance with the liquidation, the foreign exchange differences related to the subsidiary will be transferred from other components of equity to profit or loss. The impact on consolidated financial statements in the year ending March 31, 2025 is still under consideration.

Deloitte.

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
3-2-3 Marunouchi, Chiyoda-ku
Tokyo 100-8360
Japan

Tel: +81 (3) 6213 1000
Fax: +81 (3) 6213 1005
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of SBI Holdings, Inc. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of operational investment securities that do not have quoted market prices	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As one of its main businesses, the Group engages in the business of investing in venture companies located in Japan and overseas for the areas such as IT, FinTech, blockchain, finance and biotechnology. The performance forecast of these venture companies is affected by uncertainties that could cause fluctuations in their performance. These factors include, but are not limited to, changes in the competitive environment caused by the rapid progress of technological innovation and fluctuations in industrial standards, the hiring and retention of skilled managers and staff, and weak finance base. As described in Note 3, "Significant Accounting Policies (3) Financial instruments" and Note 11, "Operational Investment Securities and Other Investment Securities" in the notes to the consolidated financial statements, operational investment securities held through the investment business are measured at fair value, and all changes in fair value are recognized in profit or loss. As described in Note 11, "Operational Investment Securities and Other Investment Securities" in the notes to the consolidated financial statements, the carrying amount of operational investment securities that are measured at fair value through profit or loss as of March 31, 2022 was ¥607,802 million. A majority of these investment securities were unlisted equity securities that did not have quoted market prices, and their fair values were determined by the Group using appropriate valuation techniques including the valuation model based on the recent arm's-length transaction price. When using the valuation model based on the recent arm's-length transaction price, the Group considers various inputs during its valuation process and determines the valuation price. These inputs include the size of the transaction, the relationship between the issuer and the investor, the type of equity securities and the terms of transaction, profitability, financial condition and changes in management resources of the investee after the transaction. The valuation model includes assumptions about the realizability of the investee's business plan and future market trend and estimates about resulting quantitative effects. These assumptions and estimates involve subjective judgment by management and are inherently uncertain. In using the valuation model based on the recent arm's-length transaction price, if management's assessment is not supported by sufficient evidence, reasonable estimates would not be made. As a result, significant operational investment securities would not be appropriately valued in the consolidated financial statements.	We understood the relevant accounting policies, business processes and related internal controls and tested the valuation of operational investment securities that do not have quoted market prices. Our audit procedures included the following, among others: • To understand the valuation techniques selected by the Group in view of the compliance with applicable accounting standards, we read the Group's valuation policy and performed an inquiry of the official in charge of accounting about the application of the valuation policy. • Regarding the valuation of certain equity securities using the valuation model based on the recent arm's-length transaction price, to determine the effectiveness of the valuation process of the Group based on appropriate transaction prices, we inquired of the attendees of the valuation meeting, which comprises a part of the valuation process of the Group, and read documents prepared during the valuation process and the supporting documents. • For the investees, we read contracts, convocation notice of the shareholders' meeting, shareholders' register, and business plan related to the transaction used in the valuation model based on the recent arm's-length transaction price, and also inquired of the respective person in charge of investment business about the details of the transaction. Based on the evidence obtained, we assessed whether the use of the recent arm's-length transaction price was appropriate by considering whether the size of the transaction was sufficient, whether the issuer and the investor were related, and whether the type of equity securities and the terms of transaction required an adjustment to the price. In addition, we tested profitability, financial condition and changes in management resources of the investee after the transaction, by performing inquiries with the respective person in charge of investment business and also comparing them with the business plan prepared by the investee, actual performance versus budget and publicly available information.

Therefore, we determined the valuation of operational investment securities that do not have quoted market prices as a key audit matter.	• For certain operational investment securities of which the investees were in the specific industry or situation, we used our specialists of corporate valuation to assist us to evaluate the reasonableness of the valuation.

Fair value measurement of financial assets (debt instruments) acquired in the purchase of Shinsei Bank, Limited	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in Note 4, "Business Combinations" in the notes to the consolidated financial statements, SBI Holdings, Inc. (the "Company") conducted a tender offer for the shares of Shinsei Bank, Limited ("Shinsei Bank"), and as a result of the tender offer, Shinsei Bank became a subsidiary of the Company as of December 17, 2021. The initial measurement of the acquired identifiable assets and liabilities assumed has not been completed, and the assets, liabilities and non-controlling interests arising from the business combination were provisionally measured at ¥10,260,501 million, ¥9,287,596 million and ¥509,916 million, respectively. As a result, a gain on a bargain purchase of ¥263,754 million was recorded, which represented approximately 64% of profit before income tax expense. A majority of trade and other accounts receivable ¥6,737,569 million acquired in the business combination consisted of debt instruments such as loans receivable. Shinsei Bank and its affiliates provide a wide range of financial products and services to customers through their corporate and individual businesses and hold various financial assets (debt instruments) such as loans receivable. As described in Note 6, "Financial Instruments (1) Fair value measurement" in the notes to the consolidated financial statements, the fair values of trade and other accounts receivable are determined based on the future cash inflows of receivables grouped by category discounted using interest rates adjusted for the period to maturity and credit risk. The fair values of these financial assets at the date of purchase are measured contemplating significant unobservable inputs and involve significant management estimates, and the discount rate is the factor that most affects the fair value measurement. The amount of gain on bargain purchase recognized as revenue may change based on the results of fair value measurement of financial assets at acquisition. As the discount rate involves management's subjective judgment and a high degree of estimation uncertainties, the impact on the consolidated financial statements is significant. Therefore, we determined the fair value measurement of financial assets (debt instruments) that the Company acquired in the purchase of Shinsei Bank as a key audit matter.	We understood the relevant accounting policies, business processes and related internal controls and tested the fair value measurement of financial assets (debt instruments) acquired in the purchase of Shinsei Bank. Our audit procedures included the following, among others: • To understand the valuation techniques selected by the Company in view of the compliance with applicable accounting standards, we performed an inquiry of experts used by the management and the official in charge of accounting about the valuation model and the underlying assumptions and bases for determining the discount rate. • We tested the effectiveness of internal controls designed and implemented by the Company to ensure the reasonableness of the determined fair value. • To evaluate the reasonableness of the determined fair value, we analyzed the determined results using multiple approaches, including analyses by account and by product. • With the assistance of our specialists of valuation of financial instruments, we evaluated the reasonableness of the underlying assumptions and bases for determining the discount rate. • We compared the discount rate used by the Company with publicly available data published by industry groups and peer companies and also used our specialists of valuation of financial instruments to assist us in evaluating the reasonableness of the discount rate. • We tested the accuracy and completeness of the other underlying data used in the fair value measurement.

Loss allowance estimate for financial assets and others in the domestic banking business	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in Note 4, "Business Combinations" in the notes to the consolidated financial statements, Shinsei Bank became a subsidiary of the Company in the current period. In this connection, as described in Note 8, "Financial Risk Management (4) Credit risk management (c) Credit risk exposure" in the notes to the consolidated financial statements, trade and other accounts receivable held in the domestic banking business increased. The related loss allowance was included in the loss allowance of ¥130,412 million as stated in Note 8, "Financial Risk Management (4) Credit risk management (b) Quantitative and qualitative information regarding amounts arising from expected credit losses" in the notes to the consolidated financial statements. As described in Note 3, "Significant Accounting Policies (3) Financial instruments" in the notes to the consolidated financial statements, if the Group determines that the credit risk of financial assets and others, including financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income, has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime expected credit losses. In the event that the Group determines that the credit risk of those financial instruments has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to the 12-month expected credit losses. As described in Note 8, "Financial Risk Management (4) Credit risk management" in the notes to the consolidated financial statements, after grouping based on common credit risk characteristics such as instrument type, credit rating, and collateral value, expected credit losses are measured for each grouping unit using the probability of default ("PD"), loss given default (LGD), and exposure at default (EAD) as inputs in the future 12 months or for a lifetime period. Also, as future forecast considerations, the Group estimates future default probabilities using a PD model based on correlations with macroeconomic indicators such as real GDP and the unemployment rate and multiple economic forecast scenarios (base, upside, and downside), and reflects these probability-weighted estimates in expected credit losses. The estimates of economic forecast scenarios as well as the probability of each scenario occurring incorporate various factors, including management's judgment about recent and future economic conditions, which involves management's subjective judgment and a high degree of estimation uncertainties. As such, expected credit losses may change significantly depending on the outcome of the estimates.	We understood the relevant accounting policies, business processes and related internal controls and tested the reasonableness of loss allowance estimate for financial assets held by Shinsei Bank and its major subsidiaries. Our audit procedures included the following, among others: • To understand the measurement method of loss allowance and the inputs used in the measurement in view of the compliance with applicable accounting standards, we read the relevant documents and performed an inquiry of the official in charge of accounting about the application of the accounting standards. • We tested the effectiveness of internal controls designed to determine whether the estimated loss allowance is appropriate, including those designed to determine if the future forecast information used in the measurement of loss allowance is reliable, by performing an inquiry of the official in charge of accounting and reading the relevant documents. • To evaluate the accuracy and completeness of the inputs used in the measurement of loss allowance, with the assistance of our specialists of the valuation of credit risk, we read the relevant documents related to the determination of inputs and also performed a recalculation. • We evaluated the reasonableness of multiple economic forecast scenarios as well as the probability of each scenario occurring, with the assistance of our specialists of the valuation of credit risk, including the comparison with externally available economic forecasts.

Therefore, we determined the loss allowance estimate for financial assets held by Shinsei Bank and its major subsidiaries as a key audit matter.	

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRSs and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with IFRSs, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

August 2, 2022

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at March 31, 2021	**As at March 31, 2022**
		Millions of Yen	**Millions of Yen**
Assets			
Cash and cash equivalents	6,8,18,23	802,702	**2,499,370**
Trade and other accounts receivable	6,7,8,9,13,18	1,183,896	**8,399,588**
Assets related to securities business			
Cash segregated as deposits		2,292,743	**2,361,620**
Margin transaction assets		972,573	**929,730**
Other assets related to securities business	10	631,305	**615,967**
Total assets related to securities business	6,7,8	3,896,621	**3,907,317**
Other financial assets	6,7,8,13	58,715	**471,607**
Operational investment securities	6,7,8,11,13	528,154	**607,802**
Other investment securities (includes ¥247,299 million pledged as collateral as at March 31, 2022)	6,7,8,11,13, 18	209,545	**1,076,780**
Investments accounted for using the equity method	12	103,807	**129,141**
Investment properties	14,18	–	**34,868**
Property and equipment	15,18	64,290	**123,737**
Intangible assets	16	225,607	**293,086**
Other assets		123,071	**277,016**
Deferred tax assets	17	12,164	**17,888**
Total assets		7,208,572	**17,838,200**
Liabilities			
Bonds and loans payable	6,7,8,18	1,394,137	**3,364,860**
Trade and other accounts payable	6,7,8,19	189,729	**487,846**
Liabilities related to securities business			
Margin transaction liabilities		269,152	**254,345**
Loans payable secured by securities		602,921	**599,159**
Deposits from customers		1,277,808	**1,375,599**
Guarantee deposits received		961,651	**997,678**
Other liabilities related to securities business	20	410,270	**449,551**
Total liabilities related to securities business	6,7,8	3,521,802	**3,676,332**
Customer deposits for banking business	6,7,8,18	1,042,132	**7,673,324**
Insurance contract liabilities	21	150,123	**155,216**
Income tax payable		20,125	**13,351**
Other financial liabilities	6,7,18	30,333	**538,512**
Other liabilities		107,301	**287,577**
Deferred tax liabilities	17	35,795	**57,924**
Total liabilities		6,491,477	**16,254,942**
Equity			
Capital stock	24	98,711	**99,312**
Capital surplus	24	147,753	**151,390**
Treasury stock	24	(40)	**(62)**
Other components of equity	24	18,197	**42,865**
Retained earnings	24	297,495	**631,098**
Equity attributable to owners of the Company		562,116	**924,603**
Non-controlling interests		154,979	**658,655**
Total equity		717,095	**1,583,258**
Total liabilities and equity		7,208,572	**17,838,200**

CONSOLIDATED STATEMENT OF INCOME

	Notes	Fiscal year ended March 31, 2021 Millions of Yen	**Fiscal year ended March 31, 2022 Millions of Yen**
Revenue (includes ¥143,364 million and **¥209,419** million of interest income)	5,27	541,145	**763,618**
Expense			
Financial cost associated with financial income	28	(26,773)	**(33,603)**
Provision for credit losses		(41,147)	**(99,489)**
Operating cost	28	(142,519)	**(221,822)**
Selling, general and administrative expenses	28	(163,326)	**(229,834)**
Other financial cost	28	(5,803)	**(8,555)**
Other expenses	28	(30,655)	**(28,260)**
Total expense		(410,223)	**(621,563)**
Gain on bargain purchase	4	–	**263,847**
Share of profit of associates and joint ventures accounted for using the equity method	5,12	9,458	**6,822**
Profit before income tax expense	5	140,380	**412,724**
Income tax expense	29	(42,868)	**(57,000)**
Profit for the year		97,512	**355,724**
Profit for the year attributable to			
Owners of the Company		81,098	**366,854**
Non-controlling interests		16,414	**(11,130)**
Profit for the year		97,512	**355,724**
Earnings per share attributable to owners of the Company			
Basic (Yen)	31	339.78	**1,498.55**
Diluted (Yen)	31	296.92	**1,285.90**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Fiscal year ended March 31, 2021	**Fiscal year ended March 31, 2022**
		Millions of Yen	**Millions of Yen**
Profit for the year		97,512	**355,724**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Financial assets measured at FVTOCI	30	(18)	**(493)**
Changes in own credit risk on financial liabilities	30	–	**234**
Remeasurement of defined benefit plans	30	–	**(1,091)**
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	30	109	**130**
		91	**(1,220)**
Items that may be reclassified subsequently to profit or loss			
Financial assets measured at FVTOCI	30	(168)	**(4,692)**
Currency translation differences	30	23,871	**30,241**
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	30	881	**767**
		24,584	**26,316**
Other comprehensive income, net of tax		24,675	**25,096**
Total comprehensive income		122,187	**380,820**
Total comprehensive income attributable to			
Owners of the Company		105,680	**390,080**
Non-controlling interests		16,507	**(9,260)**
Total comprehensive income		122,187	**380,820**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Attributable to owners of the Company							
		Capital stock	Capital surplus	Treasury stock	Other components of equity	Retained earnings	Total	Non-controlling interests	Total equity
		Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
As at April 1, 2020		92,018	139,993	(13,874)	(6,385)	239,724	451,476	142,223	593,699
Profit for the year		–	–	–	–	81,098	81,098	16,414	97,512
Other comprehensive income		–	–	–	24,582	–	24,582	93	24,675
Total comprehensive income		–	–	–	24,582	81,098	105,680	16,507	122,187
Issuance of new shares	24	2,652	2,271	–	–	–	4,923	–	4,923
Issuance of convertible bonds		–	2,756	–	–	–	2,756	–	2,756
Conversion of convertible bonds	24	4,041	(484)	12,805	–	–	16,362	–	16,362
Change in scope of consolidation		–	–	–	–	–	–	(9,788)	(9,788)
Dividends paid	25	–	–	–	–	(23,327)	(23,327)	(15,018)	(38,345)
Treasury shares purchased	24	–	–	(39)	–	–	(39)	–	(39)
Treasury shares sold	24	–	(378)	1,068	–	–	690	–	690
Share-based payment Transactions		–	799	–	–	–	799	(5)	794
Changes of interests in subsidiaries without losing control		–	2,796	–	–	–	2,796	21,060	23,856
As at March 31, 2021		98,711	147,753	(40)	18,197	297,495	562,116	154,979	717,095

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Fiscal year ended March 31, 2021	**Fiscal year ended March 31, 2022**
		Millions of Yen	**Millions of Yen**
Cash flows from operating activities			
Profit before income tax expense		140,380	**412,724**
Depreciation and amortization		24,291	**32,207**
Gain on bargain purchase		–	**(263,847)**
Share of profit of associates and joint ventures accounted for using the equity method		(9,458)	**(6,822)**
Interest and dividend income		(150,325)	**(222,612)**
Interest expense		32,573	**42,553**
Increase in operational investment securities		(131,448)	**(164,644)**
Increase in trade and other accounts receivables		(246,508)	**(373,371)**
Increase in trade and other accounts payable		88,237	**25,653**
(Increase) decrease in assets/liabilities related to securities business		(221,904)	**145,057**
Increase in customer deposits for banking business		220,081	**184,308**
Decrease in bonds and loans payable in banking business	32	–	**(26,148)**
Decrease in payables under securities lending transactions		–	**(165,985)**
Others		(17,223)	**(69,182)**
Subtotal		(271,304)	**(450,109)**
Interest and dividend income received		145,959	**218,586**
Interest paid		(29,281)	**(37,551)**
Income taxes paid		(23,777)	**(44,972)**
Net cash used in operating activities		(178,403)	**(314,046)**
Cash flows from investing activities			
Purchases of intangible assets		(15,419)	**(25,965)**
Purchases of investment securities		(77,392)	**(321,150)**
Proceeds from sales or redemption of investment securities		40,735	**512,343**
Acquisition of subsidiaries, net of cash and cash equivalents acquired	32	(8,026)	**1,734,730**
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	32	–	**718**
Payments of loans receivable		(70,172)	**(95,491)**
Collection of loans receivable		49,860	**65,181**
Others		(1,657)	**(31,849)**
Net cash (used in) generated from investing activities		(82,071)	**1,838,517**

	Notes	Fiscal year ended March 31, 2021	**Fiscal year ended March 31, 2022**
		Millions of Yen	**Millions of Yen**
Cash flows from financing activities			
Increase (decrease) in short term loans payable	32	69,808	**(257,418)**
Proceeds from long-term loans payable	32	54,936	**154,290**
Repayment of long-term loans payable	32	(21,953)	**(84,387)**
Proceeds from issuance of bonds payable	32	228,124	**541,125**
Redemption of bonds payable	32	(112,576)	**(158,994)**
Proceeds from issuance of shares		4,923	**693**
Proceeds from stock issuance to non-controlling interests		6,356	**5,008**
Contributions from non-controlling interests in consolidated investment funds		15,572	**27,262**
Cash dividends paid		(23,313)	**(31,795)**
Cash dividends paid to non-controlling interests		(763)	**(1,372)**
Distributions to non-controlling interests in consolidated investment funds		(14,243)	**(13,610)**
Purchase of treasury stock		(39)	**(23)**
Proceeds from sale of interests in subsidiaries to non-controlling interests		9,223	**3,182**
Payments for purchase of interests in subsidiaries from non-controlling interests		(155)	**(11,507)**
Others		(5,078)	**(9,152)**
Net cash generated from financing activities		210,822	**163,302**
Net (decrease) increase in cash and cash equivalents		(49,652)	**1,687,773**
Cash and cash equivalents at the beginning of the year		843,755	**802,702**
Effect of changes in exchange rate on cash and cash equivalents		8,599	**8,895**
Cash and cash equivalents at the end of the year		802,702	**2,499,370**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting Entity

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

2. Basis of Preparation

(1) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.
Since the Group meets the criteria of "Specified Company under Designated International Financial Reporting Standards" defined in Article 1-2 of the Rules Governing Term, Form and Preparation of Consolidated Financial Statements, the Group applies Article 93 of the Rules Governing Term, Form and Preparation of Consolidated Financial Statements.
The consolidated financial statements were approved and authorized for issue by the Company's Representative Director, President and CEO, Yoshitaka Kitao and Managing Executive Officer, Hideyuki Katsuchi on August 2, 2022.

(2) Basis of measurement

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

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

The measurement basis of fair value of the financial instruments is provided in Note 6 "Financial instruments".

(3) Reporting currency

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

(4) Use of estimates and judgments

In the preparation of the Group's consolidated financial statements in accordance with IFRSs, management of the Company is required to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period of the change and subsequent future periods.

The following notes include information on accounting estimates and judgments that have a significant effect on the amounts recognized in the consolidated financial statements.

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

The impact of the new coronavirus infections on the economy and corporate activities still continues, and the future remains highly uncertain. Although the Group has made estimates based on the assumption that the impact on the economy and corporate activities will continue into the next fiscal year and beyond, there was no significant impact on the business results of the Group.

(5) Application of new and revised IFRSs

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

3. Significant Accounting Policies

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

(1) Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. In principle, an entity in which the Group owns a majority of the voting rights is included as a subsidiary. However, even if the Group does not own a majority of the voting rights, an entity is included in the category of subsidiary if it is determined that the Group substantially controls the entity's decision-making body. Also, an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, referred to as "structured entity", is included as a subsidiary. Control is defined as the Group having (a) power over the investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and deconsolidated on the date that the Group loses control. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

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

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

(b) Associates and joint control

Associates are entities over which the Group has significant influence, and that is neither a subsidiary nor an interest in joint venture. When the Group holds between 20% and 50% of voting rights of the other entity, the Group is presumed to have significant influence over the other entity.

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

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

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

When the Group's share of losses in an equity method associate exceeds the carrying amount of the investment in the associate, losses are recognized until the carrying amounts of long-term interests that form part of the net investment are reduced to zero. The Group does not recognize further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

Unrealized gain on inter-company transactions with equity method investments are deducted from the balance of carrying amount of investments only to the extent of investor's interests in the investees. For joint operations, the Group's share of the assets, liabilities, revenue and expenses related to the joint operation is recognized.

(c) Business combination

Acquisition method is applied for acquisitions of businesses. The consideration transferred for the acquisition of a subsidiary is the total of acquisition date fair value of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group.
Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their acquisition date fair value except for the below.

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

Goodwill is measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the difference is negative, the difference is recognised immediately in profit or loss.
The Group recognizes non-controlling interests in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the proportionate share of the recognized amount of acquiree's identifiable net assets.
Acquisition-related cost is expensed as incurred, except for the costs related to the issuance of debt securities and equity securities.
If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured at fair value at the acquisition date and resulting gain or loss is recognized in profit or loss.

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

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

(e) Loss of control

When the Group loses control of a subsidiary, the difference between the "total fair value of consideration received and the retained interest" and "the previous carrying amount of subsidiary's assets (including goodwill), liabilities and non-controlling interests" are recognized in profit or loss.
In addition, any amount previously recognized in other accumulated comprehensive income in relation to the subsidiary is accounted for as if the Group had directly disposed of each related assets or liabilities.
The fair value of the retained interest in the former subsidiary is measured in accordance with IFRS 9.

(2) Foreign currency

(a) Foreign currency translation

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

(b) Foreign operations

The assets and liabilities, including goodwill and fair value adjustments arising from business combinations, of all the Group entities that have a functional currency that is different from the presentation currency (mainly foreign operations) are translated into the presentation currency using the rates of exchange prevailing at the end of each reporting period. Income and expenses of foreign operations are translated into the presentation currency at the average exchange rates.
Exchange differences arising are recognized as other comprehensive income. The differences are recorded and accumulated as translation reserve in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

(3) Financial instruments

The Group recognizes a financial instruments when, and only when, the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

(a) Non-derivative financial assets

(i) Classification and measurement of financial assets

Non-derivative financial assets held by the Group are classified into the following designated categories when they are initially recognized on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

- Financial assets measured at amortized cost
- Debt instruments measured at fair value through other comprehensive income (hereinafter "debt instruments measured at FVTOCI")
- Equity instruments measured at fair value through other comprehensive income (hereinafter "equity instruments measured at FVTOCI")
- Financial assets measured at fair value through profit or loss (hereinafter "financial assets measured at FVTPL")

(Financial assets measured at amortized cost)
Financial assets are subsequently measured using the effective interest method at amortized cost, adjusted for any loss allowance, if both of the following conditions are met: (i) the financial assets are held within the business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial assets give rise on specified dates to cash flows

that are solely payments of principal and interest on the principal amount outstanding.
(Debt instruments measured at FVTOCI)
Financial assets are measured at fair value and changes in the difference between the fair value and the amortized cost of financial assets, adjusted for any loss allowance, are recognized in other comprehensive income if both of the following conditions are met: (i) the financial assets are held within the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Upon derecognition of debt instruments measured at FVTOCI, the amount accumulated in other comprehensive income is reclassified to profit or loss.
(Equity instruments measured at FVTOCI)
Upon initial recognition, the Group designates an investment in an equity instrument that is held for a purpose other than trading as a financial asset measured at fair value through other comprehensive income. This is an irrevocable election and changes in the fair value of such financial instruments are recognized in other comprehensive income. Dividends from the above-mentioned equity instruments are recognized in profit or loss. At derecognition of equity instruments measured at FVTOCI or when a significant decline in fair value below the initial cost is other than temporary, the recognized amount of changes in fair value accumulated in other comprehensive income is reclassified to retained earnings.
(Financial assets measured at FVTPL)
Financial assets, other than those subsequently measured at amortized cost and those measured at fair value through other comprehensive income, are subsequently measured at fair value, and all changes in fair value are recognized in profit or loss.

(ii) Derecognition of financial assets

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

(b) Non-derivative financial liabilities

(i) Classification and measurement of financial liabilities

Non-derivative financial liabilities held by the Group include corporate bonds and loans, trade and other accounts payable, which are classified into the following designated categories:

- Financial liabilities measured at amortized cost
- Financial liabilities measured at fair value through profit or loss (hereinafter “financial liabilities measured at FVTPL”)
- Financial liabilities designated at fair value through profit or loss (hereinafter “financial liabilities designated at FVTPL”)

(Financial liabilities measured at amortized cost)
Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method.

(Financial liabilities measured at FVTPL)
Financial liabilities, other than those subsequently measured at amortized cost, are subsequently measured at fair value, and all changes in fair value are recognized in profit or loss.

(Financial liabilities designated at FVTPL)
An irrevocable election to measure financial liabilities at FVTPL may be made at initial recognition if the contract contains one or more embedded derivatives and the host contract is a hybrid contract where the host contract is a financial liability, or if designation as FVTPL eliminates or significantly reduces an accounting mismatch that would otherwise arise. The amount of the change in the fair value of the

financial liability attributable to changes in the credit risk of the liability is recognized in other comprehensive income and the remaining change in the fair value of the liability is recognized in profit or loss.

(ii) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired.

(c) Impairment of financial assets

The Group estimates expected credit losses for financial assets measured at amortized cost, debt instruments measured at FVTOCI, lease receivables, certain loan commitments and financial guarantee contracts at the end of the reporting period and recognizes such expected credit losses as a loss allowance. If the Group determines that the credit risk of financial instruments has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime expected credit losses. In the event that the Group determines that the credit risk of financial instruments has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to the 12-month expected credit losses.
The assessment of whether there has been a significant increase in credit risk is based on changes in the probability of a default occurring.
Meanwhile, as for trade receivables that do not contain a significant financing component, lifetime expected credit losses are measured on the basis of historical credit losses and other relevant information regardless of whether there has been an increase or decrease in credit risk.
Amounts of expected credit losses or reversals are recognized in profit or loss as impairment loss or reversals of impairment loss and are presented separately as provision for credit losses in the consolidated statement of income.

(d) Trading assets and liabilities

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

- Financial assets acquired mainly for the purpose of sale or repurchase in the short term
- At initial recognition, the financial assets are managed together by the Group as part of a certain financial instrument portfolio, from which an actual short term gain has been realized.
- Derivatives (either not classified as hedging instruments or proved to be ineffective as hedging instruments)

Trading assets and trading liabilities are classified as financial assets and financial liabilities measured at FVTPL, changes in amounts of which are recognized in profit or loss.

(e) Derivatives

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

(i) Derivatives to which hedge accounting is applied

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

changes in interest rates, etc. shall adjust the carrying amount of the hedged item and be recognized in profit or loss.

Among the changes in the fair value of derivatives which are designated as hedging instruments for cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income, while the ineffective portion shall be recognized in profit or loss.
The amount that has been recognized in other comprehensive income shall be removed from other comprehensive income and reclassified to profit or loss in the consolidated statement of comprehensive income in the same period during which the hedged item of cash flows affects profit or loss.
The Group prospectively discontinues hedge accounting when the criteria of hedge accounting are no longer satisfied. In such a situation, amounts accumulated in other comprehensive income remain unadjusted until the anticipated transaction finally affects profit or loss, or the anticipated transaction is not expected to occur, at which point the underlying amount shall be immediately recognized in profit or loss.

(ii) Derivatives to which hedge accounting is not applied

Among derivatives held for hedging purposes, the Group holds some derivatives to which hedge accounting is not applied. The Group also holds derivatives for trading purposes other than hedging purposes. The changes in fair value of such derivatives are recognized in profit or loss.

(f) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(4) Lease

(a) Lease as lessee

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

(b) Lease as lessor

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

(5) Property and equipment

(a) Initial recognition and measurement

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

(b) Depreciation

Depreciation is calculated based on the depreciable amount, which is calculated as the initial cost of items of property and equipment less their residual values. Property and equipment is depreciated on a straight-line method to allocate their depreciable amounts over the estimated useful life of each component. The right-of-use asset is depreciated on a systematic basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.
The estimated useful lives of major classes of property and equipment are as follows:

- Buildings 2 - 47 years
- Furniture and equipment 2 - 20 years

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

(6) Intangible assets

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

Goodwill arising on acquisition of subsidiaries is recognized as an intangible asset. Initial recognition and measurement of goodwill are stated in "(1) Basis of consolidation, (c) Business combination". Intangible assets arising from a business combination, other than goodwill, are recognized at fair value at the acquisition date.
After initial recognition, goodwill is measured at cost less accumulated impairment loss. For investees to which the equity method is applied, goodwill is included in the carrying amount of the investment.
Intangible assets other than goodwill with a finite useful life that arise on a business combination are measured at initial cost less accumulated amortization and accumulated impairment loss.

(b) Research and development

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

(c) Other intangible assets (separately acquired)

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

(d) Amortization

Intangible assets other than goodwill with finite useful lives are amortized using the straight-line method over the expected useful life, which begins when the assets are available for use.
The estimated useful lives of major classes of intangible assets are as follows:

- Software 5 years
- Customer Relationship 6 - 21 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 real estate (including real estate under construction) held for the purpose of earning rental income, capital gains, or both. It does not include real estate sold in the ordinary course of business or real estate used for the purposes of the provision of goods or services, manufacture, sale or other administration. Investment properties are measured using the cost method and stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is calculated based on the depreciable amount, which is calculated as the initial cost of items of investment properties or an amount equivalent to the initial cost less their residual values. Depreciation is recognized using the straight-line method to allocate their depreciable amounts based on the estimated useful life of each component and charged to profit or loss.

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

- Buildings 15 - 50 years

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

(8) Impairment of non-financial assets

Other than deferred tax assets, the Group's non-financial assets are subject to impairment tests at the end of each reporting period. When an indication of impairment exists, the recoverable amounts of the assets are estimated in order to determine amounts of impairment losses, if any. For a cash-generating unit ("CGU") including allocated goodwill and intangible assets which have indefinite useful lives or which are not available for use, the recoverable amounts are estimated at the same time every year, regardless of the indication of impairment. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

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

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

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

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

(9) Accounting for insurance contracts

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

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

(10) Employee benefits

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

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

(11) Provisions

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

(12) Capital stock

(a) Common stock

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

(b) Treasury stock

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

(13) Revenue from contracts with customers

The Group recognizes revenue by applying the following five-step approach.
Step 1: Identify the contract(s) with the customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Revenues from contracts with customers are further described below. The revenue streams described below do not include significant estimates of variable consideration or a significant financing component.

(Revenue from rendering of services)
Revenue from rendering of services mainly include commissions received from customers for the execution of agency-based brokerage transactions in the securities business. Brokerage commission relates to transactions in which the Group acts as an agent in the transaction rather than the principal. Transactions that satisfy the following factors fall under transactions in which the Group is involved as an agent rather than the principal.

- The Group is not a primary party to a transaction and therefore not primarily responsible for fulfilling the promise to provide the service.
- The Group does not have inventory risk before securities have been transferred to a customer or after transfer of control to the customer.

Brokerage commission is recognized as revenue when the performance obligations are satisfied and in principle, the fees are received within three business days after fulfillment of the performance obligations.

(Revenue from sales of goods)
Revenue from sales of goods is recognized when a performance obligation is satisfied by transferring promised goods to a customer upon delivery, shipment or customer acceptance of goods depending upon the terms of the contract. These revenues are generally paid within three months of the fulfillment of the performance obligation.

(14) Income tax expense

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

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

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

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

(15) Earnings per share

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

(16) Segment reporting

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

(17) Non-current assets held for sale

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

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

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

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

Of the new standards, amendments to existing standards, and interpretations that have been published before the approval date of the consolidated financial statements, the main ones that the Group has not early adopted are as follows.

IFRS		Mandatory for fiscal year beginning on or after	Anticipated fiscal year end adoption date	Summary of new standards and amendments
IFRS 17	Insurance Contracts	January 1, 2023	March 2024	Amendment with regard to measurement method of insurance liability

4. Business Combinations

For the year ended March 31, 2021

Acquisition date fair value of the consideration paid for business combinations amounted to ¥23,158 million and ¥1,451 million, which were settled in cash and in written put option, respectively.

Fair value of acquired assets and liabilities assumed and non-controlling interests were ¥195,788 million, ¥182,974 million and ¥2,910 million, respectively.

A breakdown of such assets and liabilities is provided in "32. Cash Flow Information (1) Expenditures on acquisition of subsidiaries".

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

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

Revenues and net income recognized in the consolidated statement of income for the year ended March 31, 2021 were ¥13,332 million and ¥2,650 million, respectively, since the acquisition date.

For the year ended March 31, 2022

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

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

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

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

Total liabilities	9,287,596
Equity	972,905
Non-controlling interests	(509,916)
Gain on bargain purchase (*1)	(263,754)
Total	199,235

Note:

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

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

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

A gain of ¥23,292 million was recorded in "Revenue" in the consolidated statement of income as a result of the remeasurement of previously held interests at fair value in connection with the business combination.
Non-controlling interests are measured by multiplying the identifiable net assets by the non-controlling interest percentage.

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

The net loss recognized in the consolidated statement of income for the period from the acquisition date

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

The fair value of the consideration paid at the acquisition date for business combinations other than the above was ¥10,107 million in cash.
The fair values of assets and liabilities acquired through business combinations and non-controlling interests amounted to ¥18,235 million, ¥11,898 million, and ¥966 million, respectively. The breakdown of such assets and liabilities is presented in "32 Cash Flow Information (1) Expenditures on acquisition of subsidiaries".
Goodwill arising from business combinations mainly consists of excess earning capacity that does not meet the requirements for separate identification.
Non-controlling interests are measured at their proportionate share of the identifiable net assets of the acquiree.
Revenues and net loss recognized in the consolidated statement of income for the year ended March 31, 2022 were ¥1,220 million and ¥1,080 million, respectively, since the acquisition date.

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, Healthcare and Medical Informatics Business”, which is anticipated to be a growth industry, 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, FinTech, Block chain, finance and biotechnology-related venture companies in Japan and overseas, financial services business overseas, and asset management services business which provides financial products information.

“Biotechnology, Healthcare and Medical Informatics Business”

The Biotechnology, Healthcare & Medical Informatics 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, research and development of antibody drugs and nucleic acid medicine in the field of cancer and immunology, the digitization of medical and health information, providing solutions and services that promote and the use of medical big data, and medical finance.

“Others” includes the Digital Assets-related Business, the Real Estate Business and Renewable Energy Business, but they did not meet the quantitative criteria to be defined as reportable segments for the fiscal year ended March 31, 2022.

“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:
SBI Estate Finance Co., Ltd. and SBI Guarantee Co., Ltd., which were included in the Asset Management Business until the previous reporting period, are now included in the Financial Services Business from this fiscal year. Consequently, segment information for the year ended March 31, 2021, is restated in accordance with the new basis of segmentation. Also, Shinsei Bank, Limited is included in the Financial Services Business from this fiscal year.

For the year ended March 31, 2021

	Financial Services Business	Asset Management Business	Biotechnology, Healthcare and Medical Informatics Business	Total	Others	Elimination or Corporate	Consolidated Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Revenue							
Revenue from external customers	311,629	205,391	5,303	522,323	19,283	(461)	541,145
Inter-segment revenue	2,530	480	324	3,334	2,450	(5,784)	—
Total	314,159	205,871	5,627	525,657	21,733	(6,245)	541,145
Segment operating income (loss)							
Profit before income tax expense	86,386	84,188	(8,630)	161,944	(10,562)	(11,002)	140,380
Other Items							
Interest income	44,638	99,450	17	144,105	78	(819)	143,364
Interest expense	(7,193)	(21,516)	(775)	(29,484)	(667)	(2,425)	(32,576)
Depreciation and amortization	(11,538)	(6,917)	(425)	(18,880)	(3,722)	(1,250)	(23,852)
Gain or loss from investments applying the equity-method	8,802	657	16	9,475	(17)	—	9,458

For the year ended March 31, 2022

	Financial Services Business	Asset Management Business	Biotechnology, Healthcare and Medical Informatics Business	Total	Others	Elimination or Corporate	Consolidated Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Revenue							
Revenue from external customers	393,822	317,581	9,218	720,621	43,370	(373)	763,618
Inter-segment revenue	2,357	250	702	3,309	923	(4,232)	—
Total	396,179	317,831	9,920	723,930	44,293	(4,605)	763,618
Segment operating income (loss)							
Profit before income tax expense	282,924	165,962	(11,845)	437,041	(11,990)	(12,327)	412,724
Other Items							
Interest income	86,571	122,893	(37)	209,427	254	(262)	209,419
Interest expense	(10,806)	(26,426)	(695)	(37,927)	(790)	(3,441)	(42,158)
Depreciation and amortization	(20,826)	(3,940)	(416)	(25,182)	(5,692)	(1,239)	(32,113)
Gain or loss from investments applying the equity-method	5,448	1,279	135	6,862	(40)	—	6,822

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

Non-current assets

	As at March 31, 2021	As at March 31, 2022
	Millions of Yen	Millions of Yen
Japan	147,874	304,956
Korea	109,452	113,802
Others	32,571	32,933
Consolidated total	289,897	451,691

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

Revenue from external customers

	For the year ended March 31, 2021	For the year ended March 31, 2022
	Millions of Yen	Millions of Yen
Japan	401,297	557,842
Overseas	139,848	205,776
Consolidated total	541,145	763,618

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

6. Financial Instruments

(1) Fair value measurement

Fair values of financial assets and financial liabilities are determined 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
Carrying amounts approximate the fair values due to their short-term maturities.

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

Assets and liabilities related to securities business
With respect to loans on margin transactions included in margin transaction assets, the carrying amounts approximate the fair values as the interest rates of the loans are floating rates and reflect the market interest rate within a short period. The carrying amounts of assets and liabilities related to the securities business, except for loans on margin transactions, approximate the fair values as those assets and liabilities are settled within a short period.
With respect to trading assets and trading liabilities, the fair values of listed securities and listed derivatives are estimated based on prices quoted on stock exchanges or prices quoted by correspondent financial institutions. The fair value of securities and derivatives with no quoted prices is estimated using valuation techniques such as the discounted present value method and the Black-Scholes model, depending on the type of transaction and the period to maturity.

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

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

Bonds and loans payable and Trade and other accounts payable
With respect to those with floating interest rates, carrying amounts are deemed to be fair values as the interest rates of the bonds and loans, and trade and other accounts payable reflect the market interest rate within a short period and as the credit condition of Group entities that obtained them are not expected to change significantly. With respect to those with fixed interest rates, the fair values are determined based on the future cash outflows discounted considering remaining periods and using interest rates adjusted for credit risk or discounted using interest rates determined with reference to similar types of new loans or lease transactions. For the bonds payable and loans payable with short-

term maturities, carrying amounts are deemed to be fair values, because the carrying amounts approximate fair values.

Customer deposits for banking business
The fair values of demand deposits are determined at the carrying amounts which are the amounts paid on demand at the reporting date. The fair values of time deposits and certificates of deposit are determined based on the future cash outflows discounted using interest rates adjusted for the period to maturity and credit risk. However, for the deposits with short-term maturities, carrying amounts are deemed to be fair values, because the carrying amounts approximate fair values.

(2) Classification and fair value of financial instruments
Classification and fair value of financial assets were as follows:

As at March 31, 2021

	Carrying Amount					
	Financial assets measured at FVTPL	Equity instruments measured at FVTOCI	Debt instruments measured at FVTOCI	Financial assets measured at amortized cost	Total	Fair value
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Trade and other accounts receivable	–	–	–	1,183,896	1,183,896	1,194,538
Assets related to securities business	141,204	–	–	3,755,417	3,896,621	3,896,621
Operational investment securities	528,154	–	–	–	528,154	528,154
Other investment securities	168,887	768	39,890	–	209,545	209,545
Total	838,245	768	39,890	4,939,313	5,818,216	5,828,858

As at March 31, 2022

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

Classification and fair value of financial liabilities were as follows:

As at March 31, 2021

	Carrying Amount			
	Financial liabilities measured at FVTPL	Financial liabilities measured at amortized cost	Total	Fair value
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Bonds and loans payable	−	1,394,137	1,394,137	1,397,964
Trade and other accounts payable	20,696	169,033	189,729	189,729
Liabilities related to securities business	52,218	3,469,584	3,521,802	3,521,802
Customer deposits for banking business	−	1,042,132	1,042,132	1,042,889
Total	72,914	6,074,886	6,147,800	6,152,384

As at March 31, 2022

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

(3) Offsetting Financial Assets and Financial Liabilities

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

As at March 31, 2021

	Financial assets					
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Assets related to securities business (Securities borrowing agreements and other similar transactions)	1,664,328	(459,438)	1,204,890	(1,028,202)	(176,116)	572
Assets related to securities business (Receivables related to securities transactions)	503,626	(223,237)	280,389	(17,813)	–	262,576
Assets related to securities business (Financial assets related to foreign exchange transactions)	15,450	–	15,450	(1,113)	(12,097)	2,240

Financial liabilities						
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Liabilities related to securities business (Securities loan agreements and other similar transactions)	2,171,295	(459,438)	1,711,857	(1,042,561)	－	669,296
Liabilities related to securities business (Payables related to securities transactions)	1,749,011	(223,237)	1,525,774	(14,822)	－	1,510,952
Liabilities related to securities business (Financial liabilities related to foreign exchange transactions)	281,496	－	281,496	(13,210)	－	268,286

As at March 31, 2022

	Financial assets					
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Assets related to securities business (Securities borrowing agreements and other similar transactions)	1,793,072	(651,919)	1,141,153	(981,766)	(157,035)	2,352
Assets related to securities business (Receivables related to securities transactions)	497,640	(232,312)	265,328	(17,593)	−	247,735
Assets related to securities business (Financial assets related to foreign exchange transactions)	37,926	−	37,926	(2,247)	(15,704)	19,975
Other financial assets (Derivative transactions)	203,091	−	203,091	(100,450)	(12,030)	90,611

Financial liabilities						
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Liabilities related to securities business (Securities loan agreements and other similar transactions)	2,360,963	(651,919)	1,709,044	(1,019,276)	−	689,768
Liabilities related to securities business (Payables related to securities transactions)	1,887,260	(232,312)	1,654,948	(13,533)	−	1,641,415
Liabilities related to securities business (Financial liabilities related to foreign exchange transactions)	309,401	−	309,401	(17,951)	−	291,450
Other financial liabilities (Derivative transactions)	255,788	−	255,788	(100,450)	(132,256)	23,082

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

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

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

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

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

In order to comprehensively address the issues related to the LIBOR transition, the Group has formed a cross-functional project. Under the working groups organized for each major issue, we have identified LIBOR reference exposures, grasped the issues and the scope of impact, and determined a response policy, and worked to resolve the issues through close communication among relevant parties both within and outside the Group. In addition, the status of the response has been regularly reported to management and monitored regularly by the relevant authorities and others.

With regard to currencies that were suspended as of the end of December 2021, such as the Japanese yen, most of the transactions have been completed with the introduction of fallback clauses. However, there are still some transactions, mainly syndicated loan participations and derivative transactions incidental to such transactions, that have not been completed. We will continue discussions with our counterparties, including the syndicated loan agents, to amend the contract clauses regarding the transition to alternative interest rate benchmarks. We will also continue discussions with our counterparties to complete the necessary LIBOR transition by the deadline for the U.S. dollar LIBOR whose suspension of publication has been postponed until the end of June 2023.

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

	Amounts not yet transitioned to alternative interest rate benchmarks as at March 31, 2022
	Millions of Yen
Non-derivative financial assets	529,222
Non-derivative financial liabilities	8,653
Derivatives	505,090

7. Fair Value Measurement

(1) Categorization within the level of the fair value hierarchy

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

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

The level of hierarchy used in fair value measurement is determined at the lowest level with relevant significant inputs to the measurement.
A transfer between levels of the hierarchy is recognized at the date when the cause of the transfer or change in circumstances occurs.

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

	As at March 31, 2021			
	Level 1	Level 2	Level 3	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Assets related to securities business	69,651	59,666	11,887	141,204
Operational investment securities and other investment securities				
Financial assets measured at FVTPL	187,258	65,668	444,115	697,041
Equity instruments measured at FVTOCI	29	—	739	768
Debt instruments measured at FVTOCI	15,221	24,375	294	39,890
Total	272,159	149,709	457,035	878,903
Trade and other accounts payable	—	—	20,696	20,696
Liabilities related to securities business	32,147	18,210	1,861	52,218
Total	32,147	18,210	22,557	72,914

	As at March 31, 2022			
	Level 1	Level 2	Level 3	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Trade and other accounts receivable	—	17,188	497,355	514,543
Assets related to securities business	49,138	99,609	10,874	159,621
Other financial assets	52	192,233	10,806	203,091
Operational investment securities and other investment securities				
Financial assets measured at FVTPL	142,124	66,876	848,015	1,057,015
Equity instruments measured at FVTOCI	26,757	160	2,555	29,472
Debt instruments measured at FVTOCI	128,667	156,899	73,325	358,891
Total	346,738	532,965	1,442,930	2,322,633
Bonds and loans payable	—	—	53,369	53,369
Trade and other accounts payable	—	—	21,277	21,277
Liabilities related to securities business	33,574	34,280	3,669	71,523
Customer deposits for banking business	—	124,700	138,493	263,193
Other financial liabilities	52	239,784	15,952	255,788
Total	33,626	398,764	232,760	665,150

The above includes amounts provisionally measured in the business combination of Shinsei Bank, Limited. For details, please refer to "4. Business Combinations."

Assets and liabilities related to crypto assets classified as Level 1 amounted to ¥81,655 million and ¥70,244 million as at March 31, 2021 and ¥128,842 million and ¥128,117 million as at March 31, 2022, and are included in "Other assets" and "Other liabilities" in the consolidated statement of financial position, respectively.

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

	As at March 31, 2021			
	Level 1	Level 2	Level 3	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Trade and other accounts receivable	—	1,194,538	—	1,194,538
Assets related to securities business	—	3,755,417	—	3,755,417
Operational investment securities and other investment securities	—	—	—	—
Total	—	4,949,955	—	4,949,955
Bonds and loans payable	—	1,397,964	—	1,397,964
Trade and other accounts payable	—	169,033	—	169,033
Liabilities related to securities business	—	3,469,584	—	3,469,584
Customer deposits for banking business	—	1,042,889	—	1,042,889
Total	—	6,079,470	—	6,079,470

	As at March 31, 2022			
	Level 1	Level 2	Level 3	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Trade and other accounts receivable	—	4,701,820	3,190,010	7,891,830
Assets related to securities business	—	3,747,696	—	3,747,696
Other financial assets	—	252,203	16,343	268,546
Operational investment securities and other investment securities	110,614	48,360	79,872	238,846
Total	110,614	8,750,079	3,286,225	12,146,918
Bonds and loans payable	—	2,175,015	1,133,415	3,308,430
Trade and other accounts payable	—	466,569	—	466,569
Liabilities related to securities business	—	3,604,809	—	3,604,809
Customer deposits for banking business	—	6,439,212	968,170	7,407,382
Other financial liabilities	—	282,724	—	282,724
Total	—	12,968,329	2,101,585	15,069,914

(2) Assets and liabilities categorized as Level 3

Based on the valuation methods and policies as reported to the board of directors, external evaluating agencies and appropriate individuals of the Group measure and analyze the valuation of assets and liabilities categorized as Level 3 of the fair value hierarchy.

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

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

	As at March 31, 2021		
	Valuation Technique	Unobservable Input	Range
Operational investment securities and other investment securities	Income approach and market approach	Discount rate	12.0%−16.0%
		P/E ratio	12.0−45.2
		EBITDA ratio	25.0−40.0
		Illiquidity discount	10.0%−20.0%
Trade and other accounts payable	Income approach	Discount rate	1.0%

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

The fair value of assets and liabilities categorized as Level 3 that is measured at fair value on a recurring basis increases (decreases) when the discount rate decreases (increases), when the recovery rate increases (decreases), depending on the nature of the underlying asset due to changes in the correlation coefficient, when the prepayment rate decreases (increases), when the probability of default decreases (increases), when the P/E ratio increases (decreases), when the EBITDA ratio increases (decreases), or when the illiquidity discount decreases (increases).
With respect to the assets and liabilities categorized as Level 3, no significant impact on the fair values is assumed even if one or more of the unobservable inputs were changed to reasonably possible alternative assumptions.

The movement of assets and liabilities categorized as Level 3 measured at fair value on a recurring basis is presented as follows:

For the year ended March 31, 2021

	Assets					Liabilities	
	Operational investment securities and other investment securities						
	Financial assets measured at FVTPL	Equity instruments measured at FVTOCI	Debt instruments measured at FVTOCI	Total	Assets related to securities business	Trade and other accounts payable	Liabilities related to securities business
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2020	377,497	733	—	378,230	—	4,075	—
Purchase and issuance	76,128	—	300	76,428	11,939	16,440	2,805
Comprehensive income							
Net profit (*2)	18,909	—	—	18,909	1,051	(293)	(944)
Other comprehensive income (*3)	—	(23)	(6)	(29)	—	—	—
Dividends	(4,763)	—	—	(4,763)	—	—	—
Sale or redemption	(20,472)	—	—	(20,472)	—	—	—
Settlements	—	—	—	—	—	—	—
Currency translation differences	7,620	29	—	7,649	—	474	—
Others (*4)	(248)	—	—	(248)	—	—	—
Transferred from Level 3 (*5)	(10,556)	—	—	(10,556)	(1,103)	—	—
Balance as at March 31, 2021	444,115	739	294	445,148	11,887	20,696	1,861

For the year ended March 31, 2022

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

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

Notes:
1. Due to the acquisition of Shinsei Bank, Limited as a subsidiary.
2. Gains and losses recognized as profit (loss) for the period are included in “Revenue” in the consolidated statement of income. Gains and losses recognized from assets and liabilities measured at FVTPL held as at March 31, 2021 and 2022 were ¥18,953 million and ¥74,209 million of gains, respectively.
3. Gains and losses recognized as other comprehensive income (loss) are included in “Financial assets measured at FVTOCI” in the consolidated statement of comprehensive income.
4. Due to changes in the scope of consolidation other than the acquisition of Shinsei Bank, Limited as a subsidiary, etc.
5. Transfer due to significant input used to measure the fair value becoming observable.

8. Financial Risk Management

(1) Risk management policy over capital management and financing

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

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

	As at March 31, 2021	As at March 31, 2022
	Millions of Yen	Millions of Yen
Interest-bearing debt (Bonds and loans payable)	1,394,137	3,364,860
Cash and cash equivalents	(802,702)	(2,499,370)
Net	591,435	865,490
Equity attributable to owners of the Company	562,116	924,603

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

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

1. SBI SECURITIES Co., Ltd. is required to maintain a certain level of capital-to-risk ratio set forth under the FIEA. If the ratio falls below 120%, the Financial Services Agency ("FSA") may order changes to operational methods and other changes.
2. Shinsei Bank, Limited is required to maintain a capital adequacy ratio at the level stipulated by the Banking Act, and if the capital adequacy ratio falls below 4%, the FSA can issue early corrective measures, including submission of a business improvement plan, a business improvement order, or a business suspension order.
3. SBI Life Insurance Co., Ltd., SBI Insurance Co., Ltd. and companies that manage the small-amount short-term insurance of our corporate group are required to maintain a certain level of Solvency Margin Ratio in conformity with the Insurance Business Act of Japan. If the Solvency Margin Ratio falls below 200%, the FSA may order submission and implementation of a reasonable improvement plan for sound management.

SBI Savings Bank whose headquarter is in the Republic of Korea is obligated to maintain certain level of capital adequacy ratio in conformity with the Saving Bank Act or the Main Shareholder eligibility standard. If the capital adequacy ratio falls below certain level, Korean Financial Services Commission may give warning or order business suspension.

The Group engages in a wide range of finance related businesses, such as investment business, fund management business, securities business, banking business, loan business and insurance business, to avoid excessive concentration of risk on specific entities or businesses. To operate these businesses, the Group raises funds through indirect financing such as bank borrowings, direct financing such as bond issuance and equity financing, transactions with securities financing companies, and receiving customer deposits for banking business. The Group also considers the market environment and maintains an appropriate strategy for short and long term financing.

The Group conducts trading of derivative instruments including foreign currency forward contracts, currency options and interest rate swaps, index futures and margin trading. The Group enters into foreign currency forward contracts, currency option and interest rate swap transactions primarily to provide products and services to customers and for hedging purposes, and index futures are short-term transactions mainly for daily trading purposes. The scale and the amount of risk in these transactions are capped.

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

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

- Credit risk
- Market risk
- Liquidity risk

(2) Risks arising from financial instruments

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

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

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

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

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

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

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

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

(3) Risk management system over financial instruments

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

(4) Credit risk management

(a) Credit risk management practices

(i) Credit risks regarding financial assets measured at amortized cost, debt instruments measured at FVTOCI, lease receivables, certain loan commitments and financial guarantee contracts

Credit risk is the risk that the Group will incur financial losses resulting from a business partner with credit granted by the Group defaulting on its debt. Credit risk management practices for financial assets measured at amortized cost, debt instruments measured at FVTOCI, lease receivables, certain loan commitments and financial guarantee contracts are as follows.

Receivables are classified into the following three stages and loss allowance is recognized based on changes in and levels of credit risk since their initial recognition:

- For receivables with a low credit risk at the reporting date, or receivables whose credit risk is not low but has not increased significantly since initial recognition, 12-month expected credit losses are recognized as a loss allowance.
- If there is no "credit impairment" but "credit risk has increased significantly" since the initial recognition, the lifetime expected credit losses are recognized as a loss allowance.
- In the case of "credit impairment", the lifetime expected credit losses are recognized as a loss allowance.

Credit risk is assessed based on changes in default risk on relevant financial instruments. The credit risk assessment is performed using internal or external credit ratings of financial instruments, as well as reasonable and supportable information that can be used without undue cost or efforts, such as past due information. For instance, for financial instruments that are categorized as investment grade by an external credit rating organization, or financial instruments whose internal credit rating corresponds with the internationally-accepted definition of low credit risk, such financial instruments are considered to have low credit risk. The Company determines a "significant increase in credit risk" when the credit risk deteriorates from a "low credit risk" condition or when the credit risk was not low at initial recognition but the credit rating has declined or a certain amount of time has passed since the due date. For instance, such financial instruments include those whose credit rating has been downgraded from investment grade to non-investment grade, or for which a certain delinquency period has passed. In addition, if an incident that could have an adverse impact on estimated future cash flows occurs, financial instruments that are linked to such incidents are determined as credit-impaired financial instruments. Evidence that a financial asset is "Credit-impaired" includes:

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

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

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

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

If the Company does not have a reasonable expectation of recovering a given financial asset, the gross carrying amount of the financial asset is written off directly. Such financial assets include claims on debtors who are legally or formally insolvent and claims on debtors who are not legally or formally insolvent but are substantially insolvent. However, there are cases where such directly written-off financial assets will be recovered through external sales.

(ii) Credit risks relating to other financial assets

Credit risks relating to other financial assets are the risk that the Group may suffer losses from decrease or losses of assets due to deteriorated financial conditions of investees/debtors. Credit risk includes country risk that the Group may suffer losses from changes in the currency, political or economic circumstances of a country where investees/debtors operate.

Credit risk management policies of the Group are as follows:

- Accurately analyze financial conditions of investees/debtors and quantify relevant credit risk.
- Appropriately manage the Group's own capital and the related risks by periodic monitoring.
- Under foreign investments or lending transactions, the Group identifies intrinsic risk of investees/debtors with domestic/foreign offices as well as overseas partners followed by periodic monitoring.
- Recognize investment risk as significant risk to be controlled among various credit risks and perform detailed analysis of fluctuation in risk associated with operational investment securities.

The Group operates in accordance with the above risk management policies. Subsidiaries which provide credits to corporate or individual customers as a part of their business are appropriately monitored in accordance with their respective policies.

(b) Quantitative and qualitative information regarding amounts arising from expected credit losses

The movement of loss allowance is as follows:

	12-month expected credit losses	Lifetime expected credit losses			Total
		Significantly increased credit risk		Trade receivables	
		Not credit-impaired	Credit-impaired		
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
As at April 1, 2020	23,136	5,540	20,106	4	48,786
Changes in the scope of consolidation	–	–	(120)	–	(120)
New financial assets originated or purchased	35,233	5,742	–	2	40,977
Derecognition of financial assets	(24,768)	(5,144)	(11,579)	–	(41,491)
Transfer	(3,047)	1,300	18,190	–	16,443
Write-offs	(556)	(198)	(1,336)	–	(2,090)
Foreign currency translation adjustment on foreign operations	2,717	653	1,352	–	4,722
As at March 31, 2021	32,715	7,893	26,613	6	67,227
New financial assets originated or purchased	121,474	–	–	7	121,481
Derecognition of financial assets	(29,280)	(5,060)	(11,266)	–	(45,606)
Transfer					
Transfer to lifetime expected credit losses	(14,118)	25,199	(345)	–	10,736
Transfer to credit - impaired financial assets	(2,279)	(1,244)	25,087	–	21,564
Transfer to 12-month expected credit losses	665	(1,722)	(57)	–	(1,114)
Write-offs	(903)	(264)	(2,756)	–	(3,923)
Changes in model/risk variables	(38,930)	(4,683)	614	(2)	(43,001)
Foreign currency translation adjustment on foreign operations	1,509	714	825	–	3,048
As at March 31, 2022	70,853	20,833	38,715	11	130,412

The primary changes in loss allowance for the year ended March 31, 2021 relate to the increase in loss allowance as a result of the increase in normal receivables. The primary increase in the "12-month expected credit losses" under "New financial assets originated or purchased" for the year ended March 31, 2022 is due to an increase in the gross carrying amount from business combinations during the year.

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

The amount of loss allowance for loan commitments with an unused portion amounted to ¥558 million and ¥1,166 million as at March 31, 2021 and 2022, respectively. The loss allowance on financial guarantee contracts as at March 31, 2022 was ¥3,500 million.

Financial assets that have been written off during the years ended March 31, 2021 and 2022, and are still subject to enforcement activities amounted to ¥2,181 million and ¥8,821 million, respectively.

(c) Credit risk exposure

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

	As at March 31, 2022
	Millions of Yen
Manufacturing	265,378
Agriculture and forestry	1,413
Fishery	374
Mining, quarrying of stone, gravel extraction	435
Construction	49,911
Electricity, gas, heating, water	400,014
Information and communication	60,619
Transportation, postal services	187,443
Wholesale and retail trade	223,671
Finance and insurance	637,472
Real estate	772,125
Services	469,741
Japanese local governments, government-affiliated organizations, and local public corporations, etc.	52,389
Individuals	4,955,762
Total	8,076,747

The amount of the Group's maximum exposure to credit risk are as follows:

As at March 31, 2021

	12-month expected credit losses	Lifetime expected credit losses			Total
		Significantly increased credit risk		Trade receivables	
		Not credit-impaired	Credit-impaired		
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Cash and cash equivalents	802,702	–	–	–	802,702
Trade and other accounts receivable					
Credit to Individual (*3)					
Group A	112,660	6	129	–	112,795
Group B	314,347	19,311	1,635	–	335,293
Group C or less	26,146	22,537	15,254	–	63,937
Credit to Corporate (external rating) (*3)					
Group A	121,032	–	–	–	121,032
Group B	79,411	5,487	1,712	–	86,610
Group C or less	90	–	–	–	90
Credit to Corporate					
No overdue information	185,112	22,404	6,489	–	214,005

One or more delinquents	－	686	3,610	－	4,296
Others	290,100	2,351	12,357	8,257	313,065
Loss allowance	(32,715)	(7,893)	(26,613)	(6)	(67,227)
Total	1,096,183	64,889	14,573	8,251	1,183,896
Assets related to securities business	3,895,809	－	812	－	3,896,621
Other financial assets	54,979	－	－	3,736	58,715
Other investment securities (external rating)					
BBB or above	39,588	－	－	－	39,588
Less than BBB	302	－	－	－	302
Total	39,890	－	－	－	39,890

As at March 31, 2022

	12-month expected credit losses	Lifetime expected credit losses: Significantly increased credit risk: Not credit-impaired	Lifetime expected credit losses: Significantly increased credit risk: Credit-impaired	Lifetime expected credit losses: Trade receivables	Financial instruments to which impairment requirements do not apply	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Cash and cash equivalents	2,499,370	—	—	—	—	2,499,370
Trade and other accounts receivable						
Banking (domestic) (*1)						
Normal Obligors						
Credit to Corporate	3,122,180	8,165	36	—	346,271	3,476,652
Credit to Individual	5,167	—	—	—	—	5,167
Others (*2)	2,638,788	27,933	2	—	—	2,666,723
Need Caution Obligors						
Credit to Corporate	54,705	14,408	—	—	43,541	112,654
Credit to Individual	—	—	—	—	—	—
Others (*2)	3,396	12,184	—	—	—	15,580
Credit–impaired Obligors						
Credit to Corporate	5,258	831	26,934	—	—	33,023
Credit to Individual	—	—	—	—	—	—
Others (*2)	1,528	450	104,253	—	—	106,231
Others (no obligor classification)	296,125	—	—	—	124,731	420,856
Banking (overseas)						
Credit to Individual (*3)						
Group A	87,119	113	415	—	—	87,647
Group B	392,712	29,230	2,686	—	—	424,628
Group C or less	46,759	59,683	21,241	—	—	127,683
Credit to Corporate (external rating) (*3)						
Group A	136,637	—	564	—	—	137,201
Group B	105,491	8,233	1,243	—	—	114,967

	12-month expected credit losses	Lifetime expected credit losses: Significantly increased credit risk: Not credit-impaired	Lifetime expected credit losses: Significantly increased credit risk: Credit-impaired	Lifetime expected credit losses: Trade receivables	Financial instruments to which impairment requirements do not apply	Total
Group C or less	138	—	—	—	—	138
Credit to Corporate						
No overdue information	299,691	35,350	8,217	—	—	343,258
One or more delinquents	—	581	2,323	—	—	2,904
Others (no obligor classification)	—	1,435	—	—	—	1,435
Others	426,275	1,499	13,822	11,657	—	453,253
Loss allowance	(70,800)	(20,677)	(38,924)	(11)	—	(130,412)
Total	7,551,169	179,418	142,812	11,646	514,543	8,399,588
Assets related to securities business	3,746,937	—	759	—	159,621	3,907,317
Other financial assets	268,516	—	—	—	203,091	471,607
Other investment securities (external rating)						
BBB or above	334,569	—	—	—	—	334,569
Less than BBB	60	—	—	—	—	60
Unrated	263,466	—	—	—	478,685	742,151
Total	598,095	—	—	—	478,685	1,076,780

Notes:

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

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

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

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

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

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

・ Group C and below: A financial asset with high or extremely high credit risk. In case of an external rating, they fall under CCC or below.

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

The loss allowance for credit impaired financial assets has been reduced by ¥15,287 million and ¥35,767 million by underlying collateral held as a security and other credit enhancements as at March 31, 2021 and 2022, respectively.

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

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

As at March 31, 2021

	12-month expected credit losses	Lifetime expected credit losses		Total
		Significantly increased credit risk		
		Not credit-impaired	Credit-impaired	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Undrawn loan commitments	48,469	3,055	3	51,527

As at March 31, 2022

	12-month expected credit losses	Lifetime expected credit losses		Total
		Significantly increased credit risk		
		Not credit-impaired	Credit-impaired	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Undrawn loan commitments				
Banking business (domestic)	1,793,254	2,849	12	1,796,114
Banking business (overseas)	94,355	4,470	–	98,825
Others	29,912	7	19	29,938

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

	12-month expected credit losses	Lifetime expected credit losses		Total
		Significantly increased credit risk		
		Not credit-impaired	Credit-impaired	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Financial guarantee contracts	754,660	2,579	466	757,705

(5) Market risk management

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

Market risk management policies of the Group are as follows:

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

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

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

(a) Stock Market Risk

The Group is exposed to stock market risk arising from its investment portfolio. If the market price of operational investment securities and other investment securities held by the Group as at March 31, 2021 and 2022 increased by 10%, profit before income tax expense in the consolidated statement of income would have increased by ¥18,726 million and ¥14,212 million, respectively.

(b) Foreign Exchange Risk

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

	As at March 31, 2021	As at March 31, 2022
	Millions of Yen	Millions of Yen
USD	(149,111)	(923,336)

Foreign Currency Sensitivity Analysis

With all other variables held constant, the impact of a 1% appreciation of the USD against the functional currency on profit before income tax expense in the consolidated statement of income for the years ended March 31, 2021 and 2022 for monetary financial instruments denominated in foreign currencies held by the Group is as follows.

	As at March 31, 2021	As at March 31, 2022
	Millions of Yen	Millions of Yen
Profit before income tax expense	(1,491)	(9,233)

(c) Interest Rate Risk

The Group is exposed to various interest rate fluctuation risks in its business operations. Interest rate fluctuation, except for those that are hedged by hedging transactions, affects financial income arising from financial assets, which primarily consist of bank balances, money in trust held by subsidiaries in the financial services business, call loans, and loans receivable from individual and corporate customers, and also affects financial costs arising from financial liabilities, which primarily consist of borrowings from financial institutions, bonds payable, and customer deposits for the banking business.

In management's sensitivity analysis, if interest rates of financial instruments held by the Group as at March 31, 2021 and 2022 had been 100 basis points higher, profit before income tax expense in the consolidated statement of income for the years ended March 31, 2021 and 2022 would have increased by ¥1,240 million and ¥1,599 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, 2021 and 2022.

(6) Liquidity risk management

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

The Group manages its liquidity risk through the following policies.

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

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

As at March 31, 2021

	Carrying amount	Contractual cash flow	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Bonds and loans payable	1,394,137	1,420,043	887,928	170,552	117,277	51,750	112,811	79,725
Trade and other accounts payable	189,729	190,267	160,525	5,776	19,805	1,236	704	2,221
Liabilities related to securities business	3,521,802	3,521,808	3,521,808	—	—	—	—	—
Customer deposits for banking business	1,042,132	1,065,190	636,196	141,631	286,698	543	122	—

As at March 31, 2022

Carrying amount	Contractual cash flow	Due in one year or less	Due after one year	Due after two years	Due after three	Due after four	Due after five years

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

The Group entered into line of credit agreements (e.g., overdraft facilities) with leading domestic and overseas financial institutions to ensure an efficient operating funds procurement and to mitigate liquidity risk.
Contractual amounts and used amounts of overdraft facilities as at each reporting date are as follows:

	As at March 31, 2021	As at March 31, 2022
	Millions of Yen	Millions of Yen
Lines of credit	482,697	641,093
Used balance	133,727	228,183
Unused portion	348,970	412,910

9. Trade and Other Accounts Receivable

Trade and other accounts receivable as at March 31, 2021 and 2022, consisted of the following:

	As at March 31, 2021	As at March 31, 2022
	Millions of Yen	Millions of Yen
Trade accounts receivable and installment receivables	6,200	961,606
Loans receivable	1,041,255	7,036,939
Operational receivables	56,238	127,552
Finance lease receivables	—	166,142
Deposits	77,744	81,266
Others	2,459	26,083
Total	1,183,896	8,399,588

Maturity analysis to the collection or the settlement of trade and other accounts receivable as at March 31, 2021 and 2022, consisted of the following:

	As at March 31, 2021	As at March 31, 2022
	Millions of Yen	Millions of Yen
No later than 1 year	325,531	1,788,530
Later than 1 year	858,365	6,611,058
Total	1,183,896	8,399,588

10. Other Assets Related to Securities Business

Other assets related to securities business as at March 31, 2021 and 2022, consisted of the following:

	As at March 31, 2021	As at March 31, 2022
	Millions of Yen	Millions of Yen
Trade date accrual	293,872	283,721
Trading products	141,204	159,621
Short-term guarantee deposits	102,728	100,837
Loans receivable secured by securities	92,428	70,802
Others	1,073	986
Total	631,305	615,967

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, 2021 and 2022 consisted of the following:

	As at March 31, 2021	As at March 31, 2022
	Millions of Yen	Millions of Yen
Operational investment securities		
Financial assets measured at FVTPL	528,154	607,802
Total	528,154	607,802
Other investment securities		
Financial assets measured at FVTPL	168,887	449,213
Equity instruments measured at FVTOCI	768	29,472
Debt instruments measured at FVTOCI	39,890	358,891
Financial assets measured at amortized cost	–	239,204
Total	209,545	1,076,780

The Group may designate some of its investments in equity instruments as equity instruments measured at FVTOCI, taking into consideration the actual conditions of the investments such as business relationships with the investee companies.

Fair values of equity instruments measured at FVTOCI presented as "Other investment securities" in the consolidated statement of financial position and related dividends income presented as "Revenue" in the consolidated statement of income consisted of the following, respectively:

Fair value		Dividends income	
As at March 31, 2021	As at March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2022
Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
768	29,472	1	703

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

	As at March 31, 2021	As at March 31, 2022
	Millions of Yen	Millions of Yen
Other investment securities		
Latitude Group Holdings Limited	—	17,220
Mitsui Chemicals, Inc.	—	2,311
Yamazaki Baking Co., Ltd.	—	1,499
Chengdu Kobelco Construction Machinery Financial Leasing Ltd.	—	1,426
TANITA HEALTH LINK, INC.	455	163

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

	For the year ended March 31, 2021	For the year ended March 31, 2022
	Millions of Yen	Millions of Yen
Profit for the year attributable to the Group	2,831	7,688
Other comprehensive income attributable to the Group	963	758
Total comprehensive income attributable to the Group	3,794	8,446

	As at March 31, 2021	As at March 31, 2022
	Millions of Yen	Millions of Yen
Carrying amount	47,271	119,401

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

(2) Investments in joint ventures

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

	For the year ended March 31, 2021	For the year ended March 31, 2022
	Millions of Yen	Millions of Yen
Profit for the year attributable to the Group	6,627	(866)

Other comprehensive income attributable to the Group	27	139
Total comprehensive income attributable to the Group	6,654	(727)

	As at March 31, 2021	As at March 31, 2022
	Millions of Yen	Millions of Yen
Carrying amount	56,536	9,740

13. Structured Entities

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

(1) Consolidated structured entities

Total assets of the consolidated investment partnerships and special purpose entities were ¥261,713 million and ¥649,503 million as at March 31, 2021 and 2022, respectively. Total liabilities were ¥16,644 million and ¥272,525 million as at March 31, 2021 and 2022, respectively.

(2) Unconsolidated structured entities

The Group invests in and provides loans to investment partnerships and special purpose entities, etc. that third parties have control on their operations.
The Group has not entered into any arrangement to provide financial support for the assets and liabilities of these structured entities. Accordingly, the maximum exposure to loss resulting from our involvement with unconsolidated structured entities is limited to the carrying amounts, the details of which are as described below:

	As at March 31, 2021	As at March 31, 2022
	Millions of Yen	Millions of Yen
Trade and other accounts receivable	–	1,092,603
Other financial assets	–	15,253
Operational investment securities	23,252	36,650
Other investment securities	135,722	186,315
Total	158,974	1,330,821

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

14. Investment Property

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

Cost	For the year ended March 31, 2022
	Millions of Yen
Balance, beginning of year (*1)	5,322
Acquisitions	30,157
Balance, end of year	35,479

Accumulated depreciation and impairment losses	For the year ended March 31, 2022
	Millions of Yen
Balance, beginning of year (*1)	(479)
Depreciation	(132)
Balance, end of year	(611)

Note:
1. The amount is included in "Other assets" in the consolidated statement of financial position.

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

As at March 31, 2022	
Carrying amount	Fair value
Millions of Yen	Millions of Yen
34,868	38,000

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 year ended March 31, 2022 was ¥298 million, which was included in “Revenue” in the consolidated statement of income. Directly incurred expenses in relation to the rental income (including repairs and maintenance) were ¥277 million, which were included in “Operating cost” and “Selling, general and administrative expenses”.

15. Property and Equipment

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

Cost	Buildings	Furniture and fixtures	Machinery and equipment	Land	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2020	25,421	21,427	1,578	3,946	20,319	72,691
Acquisitions	7,937	7,531	73	1,144	2,358	19,043
Acquisitions through business combinations	910	5	71	103	22,861	23,950
Sales or disposals	(440)	(2,362)	(36)	—	(15,395)	(18,233)
Foreign currency translation adjustment on foreign operations	395	312	7	41	135	890
Others	53	2,666	1	(105)	(2,483)	132
Balance as at March 31, 2021	34,276	29,579	1,694	5,129	27,795	98,473
Acquisitions	3,333	5,093	2,005	1,329	1,631	13,391
Acquisitions through business combinations	34,932	7,158	12,427	3,862	29,329	87,708
Sales or disposals	(1,818)	(1,609)	(1,410)	(57)	(23,020)	(27,914)
Foreign currency translation adjustment on foreign operations	516	360	8	63	102	1,049
Others	649	307	6	(168)	(848)	(54)
Balance as at March 31, 2022	71,888	40,888	14,730	10,158	34,989	172,653

Accumulated depreciation and impairment losses	Buildings	Furniture and fixtures	Machinery and equipment	Land	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2020	(7,369)	(11,240)	(427)	(42)	(1,756)	(20,834)
Sales or disposals	193	1,950	27	—	3,922	6,092
Depreciation	(5,665)	(5,553)	(109)	—	(4,068)	(15,395)
Impairment losses	(4)	(125)	—	—	(3,492)	(3,621)
Foreign currency translation adjustment on foreign operations	(139)	(204)	(6)	—	(76)	(425)
Balance as at March 31, 2021	(12,984)	(15,172)	(515)	(42)	(5,470)	(34,183)
Sales or disposals	842	1,436	317	2	3,138	5,735
Depreciation	(8,170)	(8,658)	(783)	(74)	(1,560)	(19,245)
Impairment losses	(42)	(100)	(326)	—	(265)	(733)
Foreign currency translation adjustment on foreign operations	(236)	(206)	(6)	—	(42)	(490)
Balance as at March 31, 2022	(20,590)	(22,700)	(1,313)	(114)	(4,199)	(48,916)

Carrying amount	Buildings	Furniture and fixtures	Machinery and equipment	Land	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at March 31, 2021	21,292	14,407	1,179	5,087	22,325	64,290
Balance as at March 31, 2022	51,298	18,188	13,417	10,044	30,790	123,737

The carrying amount of property and equipment includes the carrying amount of right-of-use assets and the carrying amount of lessor's operating lease assets.
Right-of-use assets increased by ¥6,816 million and ¥2,105 million for the years ended March 31, 2021 and 2022, respectively.

Carrying amount of right-of-use assets	Buildings	Furniture and fixtures	Machinery and equipment	Land	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at March 31, 2021	13,183	1,329	—	—	424	14,936
Balance as at March 31, 2022	30,217	1,335	10	1,426	253	33,241

Carrying amount of lessor's operating lease assets	Buildings	Furniture and fixtures	Machinery and equipment	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at March 31, 2021	—	—	—	20,607	20,607
Balance as at March 31, 2022	490	2,016	11,869	28,220	42,595

Impairment losses recognized for the years ended March 31, 2021 and 2022 were ¥3,621 million and ¥733 million, respectively, due to no expectation of initially expected profits and are included in "Other expenses" in the consolidated statement of income. Impairment losses recognized by segment for the year ended March 31, 2021 were ¥3 million in the Financial Services Business, ¥1,046 million in the Asset Management Business and ¥2,572 million in the Renewable Energy Business included in "Others". Impairment losses recognized by segment for the year ended March 31, 2022 were ¥142 million in the Financial Services Business and ¥591 million in the Renewable Energy Business included in "Others".

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, 2021 and 2022 were as follows:

Cost	Goodwill	Software	Customer relationship	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2020	164,212	61,920	32,894	4,692	263,718
Acquisitions	—	16,356	—	349	16,705
Acquisitions through business combinations	17,320	915	3,728	29	21,992
Sales or disposals	(116)	(1,010)	—	—	(1,126)
Foreign currency translation adjustment on foreign operations	10,887	589	1,544	218	13,238
Balance as at March 31, 2021	192,303	78,770	38,166	5,288	314,527
Acquisitions	—	25,631	—	959	26,590
Acquisitions through business combinations	6,168	45,779	2,502	3,944	58,393
Sales or disposals	(3,152)	(3,427)	(13,704)	(232)	(20,515)
Foreign currency translation adjustment on foreign operations	5,390	256	1,068	224	6,938
Balance as at March 31, 2022	200,709	147,009	28,032	10,183	385,933

Accumulated amortization and impairment losses	Goodwill	Software	Customer relationship	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2020	(7,575)	(37,148)	(26,532)	(2,185)	(73,440)
Sales or disposals	21	358	—	—	379
Amortization	—	(7,755)	(788)	(414)	(8,957)
Impairment losses	(2,627)	(319)	(1,840)	—	(4,786)
Foreign currency translation adjustment on foreign operations	—	(531)	(1,496)	(89)	(2,116)
Balance as at March 31, 2021	(10,181)	(45,395)	(30,656)	(2,688)	(88,920)
Sales or disposals	2,285	518	13,704	7	16,514
Amortization	—	(11,102)	(1,136)	(593)	(12,831)
Impairment losses	(4,597)	(2,186)	—	(90)	(6,873)
Foreign currency translation adjustment on foreign operations	—	(231)	(398)	(108)	(737)
Balance as at March 31, 2022	(12,493)	(58,396)	(18,486)	(3,472)	(92,847)

Carrying amount	Goodwill	Software	Customer relationship	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at March 31, 2021	182,122	33,375	7,510	2,600	225,607
Balance as at March 31, 2022	188,216	88,613	9,546	6,711	293,086

The carrying amount of software in the above table as at March 31, 2021 and 2022 includes the carrying amount of right-of-use assets of ¥320 million and ¥186 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 ¥4,786 million and ¥6,873 million for the years ended March 31, 2021 and 2022, 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, 2021 were ¥319 million in the Financial Services Business, ¥187 million in the Asset Management Business, ¥4,125 million in the Biotechnology, Healthcare and Medical Informatics Business and ¥155 million in the Renewable Energy Business included in "Others". Impairment losses recognized by segment for the year ended March 31, 2022 were ¥2,354 million in the Financial Services Business, ¥3,502 million in the Asset Management Business, and ¥1,017 million in the Renewable Energy Business included in "Others". The impairment losses recognized for the year ended March 31, 2022 were recognized for goodwill and software.

(3) Carrying amount of goodwill

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

Significant goodwill arising from business combinations were ¥104,563 million and ¥108,198 million as at March 31, 2021 and 2022, respectively, related to SBI Savings Bank in the Asset Management Business and ¥24,910 million as at March 31, 2021 and 2022, related to SBI SECURITIES Co., Ltd. in the Financial Services Business.

The recoverable amounts used for impairment test of goodwill and intangible assets are calculated based on the value in use. Value in use is the present value calculated by discounting the estimated cash flows based on the projection approved by management and a growth rate. The business plans are not longer than five years in principle, and reflect the management assessments of future industry trends and historical data based on the external and internal information. The growth rate is determined by considering the long-term average growth rate of the market or the country which the CGU belongs to. The maximum per annum growth rate used for measuring value in use was 2% as at March 31, 2021 and 2022. The discount rate used for measuring value in use was 7.9% to 20.6% and 7.1% to 9.5% per annum as at March 31, 2021 and 2022, 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, 2021 and 2022:

For the year ended March 31, 2021

	As at April 1, 2020	Recognized through profit or loss	Recognized through other comprehensive income	Change in scope of consolidation	Recognized directly in equity	As at March 31, 2021
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Deferred Tax Assets						
Impairment on financial assets measured at amortized cost	845	420	—	—	—	1,265
Fixed assets	1,063	470	—	33	—	1,566
Enterprise tax payable	914	428	—	—	—	1,342
Tax loss carryforwards	8,962	1,224	883	—	—	11,069
Other	2,702	(605)	—	113	—	2,210
Total	14,486	1,937	883	146	—	17,452
Deferred Tax Liabilities						
Financial assets and liabilities measured at FVTPL	17,630	15,626	—	—	—	33,256
Equity instruments measured at FVTOCI	3	—	5	—	—	8
Debt instruments measured at FVTOCI	1,145	(260)	(66)	—	—	819
Investments accounted for using the equity method	1,940	627	—	—	—	2,567
Intangible assets	1,590	(103)	17	1,304	—	2,808
Other	1,936	(1,563)	—	70	1,182	1,625
Total	24,244	14,327	(44)	1,374	1,182	41,083

For the year ended March 31, 2022

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

In assessing the recoverability of the deferred tax assets, the Group considers the future taxable temporary differences, projected future taxable income, and tax planning strategies. Deductible temporary differences and tax loss carryforwards for which deferred tax assets have not been recognized are as follows:

	As at March 31, 2021	As at March 31, 2022
	Millions of Yen	Millions of Yen
Deductible temporary differences	102,088	461,325
Tax loss carryforwards	212,230	214,198
(of which: the carryforward period over 5 years)	143,764	127,497

The Group recognized deferred tax assets of ¥101 million and ¥125 million as at March 31, 2021 and 2022, respectively, associated with certain subsidiaries that had net losses during the years ended March 31, 2021 and 2022. 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, 2021 and 2022, 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 ¥288,165 million and ¥472,469 million as at March 31, 2021 and 2022, respectively.

18. Bonds and Borrowings

(1) Details of bonds and borrowings

Bonds and borrowings as at March 31, 2021 and 2022, consisted of the following:

	As at March 31, 2021	As at March 31, 2022	Average interest rate (*1)	Due (*2)
	Millions of Yen	Millions of Yen	%	
Short-term loans payable	737,038	480,275	0.54	—
Current portion of long-term loans payable	79,804	55,707	1.58	—
Current portion of bonds payable	67,234	456,020	—	—
Long-term loans payable	75,326	156,750	1.07	2023 – 2029
Bonds payable	434,735	1,013,499	—	—
Borrowed money	—	1,202,609	0.21	2022 – 2049
Total	1,394,137	3,364,860		

Notes:

1. The average interest rate is calculated using the weighted average coupon rate of the outstanding balance as at March 31, 2022.
2. The due represents the repayment term of the outstanding balance as at March 31, 2022.

Details of the bonds were as follows:

Issuer and the name of bond	Date of issuance	As at March 31, 2021	As at March 31, 2022	Interest rate (*1)	Due
		Millions of Yen	Millions of Yen	%	
The Company Japanese yen straight bond (*2)	June 2019～ July 2021	55,000	99,985	0.58～ 0.60	June 2021～ July 2023
The Company No.9 Unsecured straight bond	June 2016	15,998	—	—	June 2021
The Company No.12 Unsecured straight bond	June 2017	16,984	16,998	0.90	June 2022
The Company No.14 Unsecured straight bond	March 2018	17,972	17,987	0.70	March 2023
The Company No.15 Unsecured straight bond	December 2018	14,988	—	—	December 2021
The Company No.16 Unsecured straight bond	December 2018	14,968	14,980	0.69	December 2023
The Company No.17 Unsecured straight bond	May 2019	24,968	24,998	0.43	May 2022
The Company No.18 Unsecured straight bond	May 2019	24,938	24,958	0.69	May 2024
The Company No.19 Unsecured straight bond	December 2019	19,961	19,984	0.45	December 2022
The Company No.20 Unsecured straight bond	December 2019	24,927	24,947	0.70	December 2024
The Company No.21 Unsecured straight bond	June 2020	14,962	14,980	0.80	June 2023
The Company No.22 Unsecured straight bond	June 2020	10,000	10,000	1.00	June 2025
The Company No.23 Unsecured straight bond	December 2020	24,922	24,951	0.73	December 2023
The Company No.24 Unsecured straight bond	December 2020	29,888	29,895	0.93	December 2025
The Company No.25 Unsecured straight bond	July 2021	—	39,895	0.60	July 2024
The Company No.26 Unsecured straight bond	July 2021	—	39,864	0.80	July 2026
The Company No.27 Unsecured straight bond	December 2021	—	69,782	0.80	December 2024
The Company No.28 Unsecured straight bond	December 2021	—	49,813	1.00	December 2026
The Company Euroyen convertible bonds (*3)	September 2018～ July 2020	116,020	117,111	—	September 2023～ July 2025
SBI SECURITIES Co., Ltd. Exchangeable bond (*2)	December 2016～ March 2022	65,772	95,866	0.17～ 0.96	April 2021～ March 2032
SBI SECURITIES Co., Ltd. Japanese yen straight bond (*2)	September 2020～ October 2020	5,992	—	—	September 2021～ October 2021
SBI SECURITIES Co., Ltd. No.1 Security token restricted unsecured bond	April 2021	—	100	0.35	April 2022

SBI SECURITIES Co., Ltd. Short-term corporate bond (*4)	December 2021～ March 2022	—	137,993	0.02～ 0.07	April 2022～ December 2022
Shinsei Bank, Limited Japanese yen straight bond (*5)	July 2018～ March 2021	—	170,000	0.15～ 0.36	October 2022～ July 2025
APLUS Co., Ltd. Short-term corporate bond (*4)	November 2020～ March 2022	—	107,700	0.02～ 0.15	April 2022～ July 2022
APLUS Co., Ltd. Japanese yen unsecured straight bond (*6) (*7)	October 2018～ December 2019	—	20,000	0.25～ 0.29	October 2023～ December 2024
Showa Leasing Co., Ltd. Short-term corporate bond (*4)	November 2020～ March 2022	—	81,500	0.00～ 0.11	April 2022～ July 2022
Showa Leasing Co., Ltd. Japanese yen unsecured straight bond (*8)	July 2018～ December 2019	—	20,000	0.25～ 0.30	July 2023～ December 2024
UDC Finance Limited Foreign currency secured bonds (*9)	September 2020～ December 2021	—	170,104	1.55～ 2.20	March 2024～ August 2028
Other bonds	September 2019～ December 2022	3,709	25,128	0.11～ 3.30	September 2022～ August 2028
Total		501,969	1,469,519		

Notes:

1. Interest rate is the coupon rate of the balance as at March 31, 2021. The interest rate of the bonds hedged with interest rate swap is the interest rate after the swap execution.
2. The aggregate amount issued based on euro medium term note program is stated above.
3. The stock acquisition rights of Euroyen convertible bonds are recognized as embedded derivatives. The amount of the stock acquisition rights are separated from the host, measured at fair value, and recorded as capital surplus after tax effects.
4. The aggregate amount of short-term corporate bonds is stated above.
5. The aggregate amount of the 5th to 13th series of unsecured bonds (with inter-bond pari passu clause) is stated above.
6. APLUS FINANCIAL Co., Ltd. was merged into APLUS Co., Ltd., and the balance was transferred to APLUS Co., Ltd.
7. The aggregate amount of the 5th and 6th series of unsecured bonds (with inter-bond pari passu clause) is stated above.
8. The aggregate amount of the 3rd and 4th series of unsecured straight bonds is stated above.
9. The bonds are raised in the bond market through the securitization of trade receivables through UDC Endeavour Equipment Finance Trust, UDC Endeavour Auto Finance Trust and UDC Endeavour Auto ABS Finance Trust 2021-1.

(2) Assets pledged as security

Assets pledged for liabilities and contingent liabilities were as follows:

	As at March 31, 2021	As at March 31, 2022
	Millions of Yen	Millions of Yen
Cash and cash equivalents	24	9,366
Trade and other accounts receivable	10,678	1,055,714
Other investment securities	—	281,443
(of which: financial instruments pledged as collateral) (*1)	—	247,299

Investment properties	—	30,123
Property and equipment	20,180	3,219
Other assets	—	43,366
Total	30,882	1,423,231

Note:

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

The corresponding liabilities were as follows:

	As at March 31, 2021	As at March 31, 2022
	Millions of Yen	Millions of Yen
Bonds and borrowings	22,180	856,097
Customer deposits for banking business	—	1,218
Other financial liabilities	—	247,098
Other liabilities	—	13
Total	22,180	1,104,426

Besides the above, securities received as collateral for financing from broker's own capital of ¥15,709 million and ¥27,241 million were pledged as collateral for borrowings on margin transactions as at March 31, 2021 and 2022, respectively.

19. Trade and Other Payables

The components of trade and other payables were as follows:

	As at March 31, 2021	As at March 31, 2022
	Millions of Yen	Millions of Yen
Accounts payable and notes payable	894	33,555
Accounts payable-other	80,166	177,931
Advances received and guarantee deposit received	91,827	224,100
Lease liability	16,842	52,260
Total	189,729	487,846

20. Other Liabilities Related to Securities Business

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

	As at March 31, 2021	As at March 31, 2022
	Millions of Yen	Millions of Yen
Trade date accrual	355,378	375,090
Trading products	52,218	71,523
Deposits for subscription	2,674	2,938
Total	410,270	449,551

21. Insurance Contract Liabilities

(1) Risk management system over insurance contracts

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

(a) Market risk management

Interest rate risk management

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

Price fluctuation risk management

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

(b) Conducting of stress testing

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

(c) Insurance underwriting risk

Regarding insurance underwriting risk, the department-in-charge of each company engaged in the insurance business determines its underwriting policies, and conducts risk control by managing the risk portfolio, reforming or abolishing products, establishing the underwriting standards, changing sales policies, designing and arranging reinsurance, etc.

(2) Insurance contract liabilities

(a) Details and movements of insurance contract liabilities

Insurance contract liabilities as at March 31, 2021 and 2022, consisted of the following:

	As at March 31, 2021	As at March 31, 2022
	Millions of Yen	Millions of Yen
Claims reserves	25,057	29,510
Policy reserves	125,066	125,706
Total	150,123	155,216

The movements in insurance contract liabilities for the years ended March 31, 2021 and 2022 were as follows:

	For the year ended March 31, 2021	For the year ended March 31, 2022
	Millions of Yen	Millions of Yen
Balance, beginning of year	141,898	150,123
Life insurance business		
Expected cash flows from policy reserves	(9,679)	(11,242)
Interest incurred	385	495
Adjustments	10,356	9,858
Non-life insurance business		
Insurance premiums	46,107	48,832
Unearned premium	(42,410)	(48,933)
Others	3,466	6,083
Balance, end of year	150,123	155,216

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

	Total	No later than 1 year	1 to 3 years	3 to 5 years	Over 5 years
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Insurance contract liabilities	155,216	57,448	29,071	15,742	52,955

(b) Sensitivity to insurance risk

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

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

(3) Concentration of insurance risk

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

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

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

	Accident year				
	2017	2018	2019	2020	2021
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Cumulative payments and claim reserves					
At end of accident year	22,682	25,776	27,269	26,015	30,192
1 year later	23,525	26,431	27,488	25,006	–
2 year later	24,165	27,022	28,043	–	–
3 year later	24,790	27,284	–	–	–
4 year later	24,966	–	–	–	–
Estimate of cumulative claims	24,966	27,284	28,043	25,006	30,192
Less: Cumulative payments to date	23,923	25,824	25,317	20,052	16,222
Claim reserves (gross)	1,042	1,459	2,725	4,953	13,969

22. Lease

(1) Lease as lessee

The Group lease office buildings, stores, and servers for online transaction systems and certain other assets under operating leases. There were no lease contracts which include residual value guarantees and no significant lease contracts for which leases have not yet commenced as at March 31, 2022 to which the lessee is committed.

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

	For the year ended March 31, 2021	For the year ended March 31, 2022
	Millions of Yen	Millions of Yen
Depreciation charge for right-of-use assets		
Buildings	4,945	6,662
Furniture and fixtures	521	529
Machinery and equipment	—	9
Land	—	74
Software	270	144
Others	192	160
Total	5,928	7,578
Interest expense on lease liabilities	302	355
Expense relating to short-term lease and lease of low-value assets	2,169	4,085
Total cash outflow for leases	7,660	12,445

(2) Lease as lessor

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

The maturity analysis of lease receivables is as follows:

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

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

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

	As at March 31, 2022
	Millions of Yen
No later than 1 year	7,924
1 to 2 years	5,568
2 to 3 years	4,365
3 to 4 years	3,484
4 to 5 years	2,565
Over 5 years	7,671
Total	31,577

Lease income from operating lease contracts amounted to ¥3,481 million for the year ended March 31, 2022.

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

23. Employee Benefits

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

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

	For the year ended March 31, 2022
	Millions of Yen
Change in present value of defined benefit plan obligations	
Balance as at April 1, 2021	—
Effect of business combinations and disposals	(101,746)
Service cost	(1,073)
Interest cost	(160)
Actuarial gains and losses (*1)	2,696
Benefits paid	919
Balance as at March 31, 2022	(99,364)
Change in fair value of plan assets	
Balance as at April 1, 2021	—
Effect of business combinations and disposals	108,621
Interest income	176
Income related to plan assets (excluding interest income)	(2,938)
Employer contributions	701

	For the year ended March 31, 2022
Benefits from plan assets	(678)
Balance as at March 31, 2022	105,882
Effect of the asset ceiling	(9,607)
Net amount recognized in the consolidated statement of financial position	(3,088)

Note:

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

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

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

	As at March 31, 2022
	%
Discount rate	0.56－0.93
Rate of increase in future compensation levels	1.12－6.10

Sensitivity to significant actuarial assumptions

A decrease of 0.5% and an increase of 0.5% in the discount rate for the defined benefit plan obligations as at March 31, 2022 would be expected to increase the defined benefit plan obligations by ¥6,818 million and decrease them by ¥7,749 million, respectively. This analysis assumes that all other variables remain constant, but in reality only the discount rate may not vary independently.

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

	For the year ended March 31, 2022
	Millions of Yen
Plan assets that have a quoted market price in an active market	
Cash and cash equivalents	5,474
Japanese equity securities	10,831
Global equity securities	5,662
Japanese debt	10,874
Global debt	2,796
Total	35,637
Plan assets that do not have a quoted market price in an active market	
Japanese equity securities	11,793
Global equity securities	12,413
Japanese debt	15,494
Global debt	10,052

	For the year ended March 31, 2022
Insurance assets (general account)	17,082
Other assets (*1)	3,411
Total	70,245

Note:

1. Other assets include mainly alternative investment products.

The Group expects to contribute ¥2,920 million to its defined contribution plan in the next fiscal year.
The main investment policy of the defined benefit pension plans of certain subsidiaries is to secure the required comprehensive return on plan assets over the long term under an acceptable level of risk in order to ensure the future provision of benefits to participants and beneficiaries and at the same time to stabilize the contribution burden. To this end, the investment policy is based on the policy asset mix, which is the optimal combination for the future, and the allowable range of deviation based on ALM analysis, etc. The plan aims to maintain a diversified asset allocation among stocks, bonds, alternative products, etc. based on the policy asset mix. In addition, in order to manage the risk of the plan's asset management, when the asset mix temporarily deviates from the policy asset mix due to fluctuations in market values, etc., the plan will rebalance the asset mix.
The weighted average duration of the defined benefit plan obligations as at March 31, 2022 was 14.4 years.

24. Capital Stock and Other Equity Items

(1) Capital stock and treasury stock

The number of authorized shares as at March 31, 2021 and 2022 was 341,690,000 shares.

The Company's issued shares were as follows:

	For the year ended March 31, 2021	For the year ended March 31, 2022
	shares	shares
Number of issued shares (common shares with no par value)		
As at the beginning of the year	236,556,393	244,639,390
Increase during the year (*1)(*2)	8,082,997	581,500
As at the end of the year	244,639,390	245,220,890

Notes:

1. The increase during the year ended March 31, 2021 consisted of the exercise of the conversion rights for convertible bonds totaling 4,933,197 shares and the exercise of the stock acquisition rights totaling 3,149,800 shares.
2. The increase during the year ended March 31, 2022 consisted of the issuance of new shares totaling 137,800 shares and the exercise of the stock acquisition rights totaling 443,700 shares.

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

	For the year ended March 31, 2021	For the year ended March 31, 2022
	Shares	Shares
Number of treasury stock		
As at the beginning of the year	5,730,038	15,084
Increase during the year (Notes 1,3)	14,691	8,012
Decrease during the year (Notes 2,4)	(5,729,645)	(610)
As at the end of the year	15,084	22,486

Notes:

1. The increase of 14,691 shares related to the purchase of shares from shareholders with less than one unit of shares.
2. The decrease of 5,729,645 shares related to 1,110 shares sold to shareholders with less than one unit of shares, appropriation of 439,900 shares for the exercise of stock acquisition rights and appropriation of 5,288,635 shares for the conversion of convertible bonds.
3. The increase of 8,012 shares related to the purchase of shares from shareholders with less than one unit of shares.
4. The decrease of 610 shares related to the sale of shares to shareholders with less than one unit of shares.

(2) Reserves

(a) Capital surplus

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

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

(b) Retained earnings

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

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

(3) Other components of equity

The movements of other component of equity were as follows:

	Other components of equity					
	Currency translation differences	Equity instruments measured at FVTOCI	Debt instruments measured at FVTOCI	Changes in own credit risk on financial liabilities	Remeasure ment of defined benefit plans	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2020	(6,700)	(868)	1,183	—	—	(6,385)
Change for the year	24,609	89	(116)	—	—	24,582
Balance as at March 31, 2021	17,909	(779)	1,067	—	—	18,197
Change for the year	26,483	(192)	(2,648)	113	(530)	23,226
Transfer to retained earnings	—	912	—	—	530	1,442
Balance as at March 31, 2022	44,392	(59)	(1,581)	113	—	42,865

25. Dividends

Dividends paid were as follows:

Year ended March 31, 2021

	Type of share	Dividend amount (Millions of Yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' Meeting on April 28, 2020	Common shares	18,466	80	March 31, 2020	June 8, 2020
Board of Directors' Meeting on October 28, 2020	Common shares	4,861	20	September 30, 2020	December 11, 2020

Year ended March 31, 2022

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

Dividends for which the declared date fell in the year ended March 31, 2022, and for which the effective date will be in the year ending March 31, 2023, are as follows:

	Type of share	Dividend amount (Millions of Yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' Meeting on June 29, 2022	Common shares	29,424	120	March 31, 2022	June 30, 2022

26. Share-based Payment

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

Share-based compensation expense recognized during the years ended March 31, 2021 and 2022 amounted to ¥605 million and ¥692 million, respectively, and is included in "Selling, general and administrative expenses".

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

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

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

① The Company

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

	For the year ended March 31, 2021		For the year ended March 31, 2022	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	5,457,900	1,563	8,964,600	2,142
Granted	7,096,400	2,295	―	―
Exercised	(3,589,700)	1,563	(443,700)	1,563
Ending balance	8,964,600	2,142	8,520,900	2,173

Notes:

1. Weighted average stock prices upon exercise of stock options for the years ended March 31, 2021 and 2022 were ¥2,658 and ¥2,886, respectively.
2. The number of the stock options granted during the year ended March 31, 2021 were 3,300,000 shares of 2020 First Stock Acquisition Rights and 3,796,400 shares of 2020 Second Stock Acquisition Rights, respectively.

The fair value of stock options for the 2020 First Stock Acquisition Rights granted during the year ended March 31, 2021 was ¥5,500 (The number of shares to be issued per stock acquisition right: 100 shares). The fair value was determined based on a Monte Carlo simulation. The following assumptions were used in the Monte Carlo simulation regarding the stock options:

Stock price at the measurement date	:	¥2,308	Estimated remaining exercise period	:	3.6 years
Exercise price	:	¥2,280	Dividend yield	:	4.33%
Estimated volatility	:	43.2%	Risk free rate	:	(0.13)%

The fair value of stock options for the 2020 Second Stock Acquisition Rights granted during the year ended March 31, 2021 was ¥53,819 (The number of shares to be issued per stock acquisition right: 100 shares). The fair value was determined based on a Black-Scholes Model. The following assumptions were used in the Black-Scholes Model regarding the stock options:

Stock price at the grant date	:	¥2,308	Estimated remaining exercise period	:	5.6 years
Exercise price	:	¥2,308	Dividend yield	:	4.33%
Estimated volatility	:	41.1%	Risk free rate	:	(0.11)%

The unexercised stock options as at March 31, 2022 are as follows:

Name	Exercise price	Number of shares	Exercise period
	Yen	Shares	
2017 Second Stock Acquisition Rights	1,563	1,424,500	July 29, 2019 - September 30, 2024
2020 First Stock Acquisition Rights (*1)	2,280	3,300,000	July 3, 2023 - September 30, 2024
2020 Second Stock Acquisition Rights	2,308	3,796,400	July 3, 2023 September 29, 2028

Note:

1. The stock options were issued upon receipt of cash for the price equivalent to their fair value. And a holder of the stock acquisition rights shall be able to exercise the stock acquisition rights only in the event that the Financial Services Business has achieved ¥55 billion or more in its entire segment profits (profit before income tax expenses) in each fiscal year of the period from the fiscal year ended March 31, 2021 to the fiscal year ending March 31, 2023, and also marked ¥170 billion or more in its cumulative segment profits (profit before income tax expenses) for the above three fiscal periods.

② **Subsidiaries**

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

a-1 SBI Biotech Co., Ltd.

	For the year ended March 31, 2021		For the year ended March 31, 2022	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	100	5,000	100	5,000
Change	―	―	―	―
Ending balance	100	5,000	100	5,000

Notes:

1. The exercise period as at March 31, 2022 was defined as 30 months after 6 months passed from the IPO date.
2. The remaining stock options as at March 31, 2022 were granted before November 7, 2002; thus, the Group does not apply IFRS 2 "Share-based Payment".

a-2 BroadBand Security, Inc.

	For the year ended March 31, 2021		For the year ended March 31, 2022	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	116,950	800	93,300	800
Exercised	(22,150)	800	(600)	800
Forfeited	(1,500)	800	(11,000)	800
Ending balance	93,300	800	81,700	800

Notes:

1. Weighted average stock prices of stock options upon exercise for the years ended March 31, 2021 and 2022 were ¥2,511 and ¥1,347, respectively.
2. The average remaining exercise period as at March 31, 2022 was 4.0 years.

a-3 SBI FinTech Solutions Co., Ltd.

	For the year ended March 31, 2021		For the year ended March 31, 2022	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	608,500	628	608,500	628
Exercised	–	–	(4,500)	628
Ending balance	608,500	628	604,000	628

Notes:

1. Weighted average stock price of stock options upon exercise for the year ended March 31, 2022 was ¥736.
2. The average remaining exercise period as at March 31, 2022 was 1.5 years.

a-4 SBI Insurance Group Co., Ltd.

	For the year ended March 31, 2021		For the year ended March 31, 2022	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	1,460,700	1,734	1,460,700	1,734
Change	–	–	–	–
Ending balance	1,460,700	1,734	1,460,700	1,734

Note: The average remaining exercise period as at March 31, 2022 was 1.2 years.

a-5 Rheos Capital Works Inc.

	For the year ended March 31, 2021		For the year ended March 31, 2022	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	–	–	544,000	33
Granted	–	–	342,000	1,365
Forfeited	–	–	(2,000)	1,365
Change in scope of consolidation	544,000	33	–	–
Ending balance	544,000	33	884,000	545

Notes:

1. The stock options did not vest as at March 31, 2022.
2. The average remaining exercise period as at March 31, 2022 was 5.9 years.
3. The fair value of stock options granted during the year ended March 31, 2022 was ¥45,081 (the number of shares to be issued per option is 100 shares). The fair value was determined based on a Black-Scholes Model. The following assumptions were used in the Black-Scholes Model regarding the stock options:

Stock price at the grant date	:	¥1,365	Estimated remaining exercise period	:	5.6 years
Exercise price	:	¥1,365	Dividend yield	:	0.00%
Estimated volatility	:	34.9%	Risk free rate	:	0.06%

a-6 SBI Leasing Services Co., Ltd.

For the year ended March 31, 2022

	Number of shares	Weighted average exercise price
	Shares	Yen
Beginning balance	—	—
Granted	1,698	450,000
Ending balance	1,698	450,000

Notes:

1. The average remaining exercise period as at March 31, 2022 was 6.3 years
2. Stock options granted during the year ended March 31, 2022 were 797 shares for the First Stock Acquisition Rights, 370 shares for the Second Stock Acquisition Rights and 531 shares for the Third Stock Acquisition Rights.

The stock options for the First Stock Acquisition Rights were issued upon receipt of cash for the price equivalent to their fair value, which was ¥22,000 (The number of shares to be issued per stock acquisition right: 1 share). The fair value was determined based on a Monte Carlo simulation. The following assumptions were used in the Monte Carlo simulation regarding the stock options:

Stock price at the measurement date	:	¥450,000	Estimated remaining exercise period	:	6.4 years
Exercise price	:	¥450,000	Dividend yield	:	0.0%
Estimated volatility	:	54.8%	Risk free rate	:	(0.11)%

The fair value of stock options for the Second Stock Acquisition Rights and the Third Stock Acquisition Rights was ¥229,870 (The number of shares to be issued per stock acquisition right: 1 share). The fair value was determined based on a Black-Scholes Model. The following assumptions were used in the Black-Scholes Model regarding the stock options:

Stock price at the grant date	:	¥450,000	Estimated remaining exercise period	:	6.4 years
Exercise price	:	¥450,000	Dividend yield	:	0.0%
Estimated volatility	:	54.6%	Risk free rate	:	0.01%

3. The First Stock Acquisition Rights and the Second Stock Acquisition Rights are subject to the vesting condition that the total amount of ordinary income of the subsidiary as shown in the consolidated statement of income for the years ended March 31, 2023 and 2024 exceeds ¥7 billion.

(2) Restricted share-based payment

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

The restricted shares allocated during the period were as follows:

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

Note:

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

27. Revenue

Revenue for the years ended March 31, 2021 and 2022 consisted of the following:

	For the year ended March 31, 2021	For the year ended March 31, 2022
	Millions of yen	Millions of yen
Revenue		
Financial income		
Interest income		
Income arising from financial assets measured at amortized cost (*1)	142,628	208,079
Income arising from debt instruments measured at FVTOCI (*2)	736	1,340
Income arising from financial assets measured at FVTPL	133,532	173,744
Income arising from financial liabilities designated at FVTPL	–	5,475
Others	576	8,331
Total financial income	277,472	396,969
Revenue arising on insurance contracts	96,301	112,630
Revenue from contracts with customers		
Revenue from rendering of services	105,431	130,403
Revenue from sales of goods	14,898	37,939
Others	47,043	85,677
Total revenue	541,145	763,618

Notes:

1. Interest income arising from loans in the banking and securities businesses and from bonds held in the banking business.
2. Interest income arising from bonds in the banking and insurance businesses.

(1) Disaggregation of revenue

Revenue from contracts with customers for the years ended March 31, 2021 and 2022 consisted of the following: Revenue from rendering of services mainly includes brokerage commission in the securities business. Revenue from sales of goods includes revenue arising from the sale of aircraft, pharmaceutical products, supplements, and cosmetics.

For the year ended March 31, 2021

	Financial Services Business	Asset Management Business	Biotechnology, Healthcare and Medical Informatics Business	Total	Others	Elimination or Corporate	Consolidated Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Revenue from contracts with customers							
Revenue from rendering of services	93,482	12,615	111	106,208	3,297	(4,074)	105,431
Revenue from sales of goods	2,127	9,506	3,545	15,178	274	(554)	14,898
Total	95,609	22,121	3,656	121,386	3,571	(4,628)	120,329

For the year ended March 31, 2022

	Financial Services Business	Asset Management Business	Biotechnology, Healthcare and Medical Informatics Business	Total	Others	Elimination or Corporate	Consolidated Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Revenue from contracts with customers							
Revenue from rendering of services	114,400	15,679	783	130,862	2,683	(3,142)	130,403
Revenue from sales of goods	1,076	26,835	6,782	34,693	3,621	(375)	37,939
Total	115,476	42,514	7,565	165,555	6,304	(3,517)	168,342

(2) Contract balance

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

	Balance as at April 1, 2020	Balance as at March 31, 2021
	Millions of Yen	Millions of Yen
Trade receivables from contract with customers	4,607	8,770
Contract liabilities	1,856	16,543

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

Contract liabilities consist primarily of advances received from construction contracts and the balance of point programs offered by the Group for which the performance obligation has not been satisfied as of the end of the period.

Of the revenues recognized during the years ended March 31, 2021 and 2022, ¥1,673 million and ¥1,353 million were included in the balance of contract liabilities as at April 1, 2020 and 2021, respectively. The decrease in contract liabilities from the beginning of the current period to the end of the current period mainly resulted from the cancellation of construction contracts.

28. Expense

Expense for the years ended March 31, 2021 and 2022 consisted of the following:

(1) Financial cost associated with financial income

	For the year ended March 31, 2021	For the year ended March 31, 2022
	Millions of Yen	Millions of Yen
Financial cost associated with financial income		
Interest expense		
Financial liabilities measured at amortized cost	(26,773)	(33,603)
Total financial cost associated with financial income	(26,773)	(33,603)

(2) Operating cost

	For the year ended March 31, 2021	For the year ended March 31, 2022
	Millions of Yen	Millions of Yen
Payroll	(13,982)	(15,763)
Outsourcing fees	(12,271)	(48,092)
Depreciation and amortization	(5,231)	(9,528)
Cost arising on insurance contracts	(75,814)	(82,540)
Others	(35,221)	(65,899)
Total operating cost	(142,519)	(221,822)

(3) Selling, general and administrative expenses

	For the year ended March 31, 2021	For the year ended March 31, 2022
	Millions of Yen	Millions of Yen
Payroll	(43,113)	(70,335)
Outsourcing fees	(41,071)	(47,351)
Depreciation and amortization	(18,621)	(22,585)
Research and development	(4,158)	(2,187)
Others	(56,363)	(87,376)
Total selling, general and administrative expenses	(163,326)	(229,834)

(4) Other financial cost

	For the year ended March 31, 2021	For the year ended March 31, 2022
	Millions of Yen	Millions of Yen
Other financial cost		
Interest expense		
Financial liabilities measured at amortized cost	(5,803)	(8,555)
Total other financial cost	(5,803)	(8,555)

(5) Other expenses

	For the year ended March 31, 2021	For the year ended March 31, 2022
	Millions of Yen	Millions of Yen
Impairment loss	(8,812)	(17,510)
Foreign exchange loss	—	(2,999)
Others (Note)	(21,843)	(7,751)
Total other expenses	(30,655)	(28,260)

Note: Others for the year ended March 31, 2021 includes a loss of ¥13,604 million that was recorded following the commencement of efforts to redeem the outstanding amounts of principal in some funds that are managed by SBI Social Lending Co., Ltd.

29. Income Tax Expense

The amount of income tax expenses for the years ended March 31, 2021 and 2022 were as follows:

	For the year ended March 31, 2021	For the year ended March 31, 2022
Income tax expense	Millions of Yen	Millions of Yen
Current	(30,478)	(34,028)
Deferred	(12,390)	(22,972)
Total income tax expense	(42,868)	(57,000)

The Company and its domestic subsidiaries are subject to mainly a national corporate tax, an inhabitants tax, and an enterprise tax, which, in aggregate, resulted in a normal effective statutory tax rate of 30.6%. Foreign subsidiaries are subject to the income taxes of the countries in which they operate.

A reconciliation between the normal effective statutory tax rates and the Group's average effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2021 and 2022 is as follows:

	For the year ended March 31, 2021	For the year ended March 31, 2022
	%	%
Normal effective statutory tax rate	30.6	30.6
Permanent differences such as meals and entertainment	1.0	0.6
Tax effect on minority interests of investments in fund	(2.9)	(1.1)
Temporary differences arising from consolidation of investments	0.0	(23.3)
Change in unrecognized deferred tax assets	1.9	8.0
Other	(0.1)	(1.0)
Average effective tax rate	30.5	13.8

30. Other Comprehensive Income

Amounts recorded during the year, reclassification adjustments and income tax effects on each item of other comprehensive income for the years ended March 31, 2021 and 2022 were as follows:

For the year ended March 31, 2021

	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Items that will not be reclassified subsequently to profit or loss					
Equity instruments measured at FVTOCI	(13)	—	(13)	(5)	(18)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	109	—	109	—	109
	96	—	96	(5)	91
Items that may be reclassified subsequently to profit or loss					
Debt instruments measured at FVTOCI	341	(575)	(234)	66	(168)
Currency translation differences	23,893	(22)	23,871	—	23,871
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	855	26	881	—	881
	25,089	(571)	24,518	66	24,584
Total	25,185	(571)	24,614	61	24,675

For the year ended March 31, 2022

	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Items that will not be reclassified subsequently to profit or loss					
Equity instruments measured at FVTOCI	(99)	—	(99)	(394)	(493)
Changes in own credit risk on financial liabilities	234	—	234	—	234
Remeasurement of defined benefit plans	(1,656)	—	(1,656)	565	(1,091)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	130	—	130	—	130
	(1,391)	—	(1,391)	171	(1,220)
Items that may be reclassified subsequently to profit or loss					
Debt instruments measured at FVTOCI	(4,785)	(612)	(5,397)	705	(4,692)
Currency translation differences	31,540	(1,299)	30,241	—	30,241
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	767	0	767	—	767
	27,522	(1,911)	25,611	705	26,316
Total	26,131	(1,911)	24,220	876	25,096

31. Earnings per Share

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

	For the year ended March 31, 2021	For the year ended March 31, 2022
	Millions of Yen	Millions of Yen
Earnings		
Profit attributable to owners of the Company	81,098	366,854
Dilutive effect：Convertible bonds	664	757
Profit attributable to owners of the Company after dilutive effect	81,762	367,611
Shares		
Basic weighted average number of ordinary shares (shares)	238,676,048	244,805,985
Dilutive effect：Stock options (shares)	2,244,040	2,256,409
Dilutive effect：Convertible bonds (shares)	34,445,617	38,816,665
Weighted average number of ordinary shares after the dilutive effect (shares)	275,365,705	285,879,059
Earnings per share attributable to owners of the Company		
Basic (in Yen)	339.78	1,498.55
Diluted (in Yen)	296.92	1,285.90

32. Cash Flow Information

Supplemental disclosure of consolidated statement of cash flow information for the years ended March 31, 2021 and 2022 was as follows:

(1) Expenditures on acquisition of subsidiaries

Total consideration paid for acquisition of subsidiaries were ¥23,158 million and ¥123,951 million for the years ended March 31, 2021 and 2022, respectively. The consideration paid for the year ended March 31, 2021 consisted of cash and cash equivalents and written put options, and the consideration paid for the year ended March 31, 2022 consisted solely of cash and cash equivalents. Amounts of major classes of assets and liabilities of subsidiaries, of which the Group obtained control through share acquisition, at the date of acquisition were as follows:

	For the year ended March 31, 2021	For the year ended March 31, 2022
	Millions of Yen	Millions of Yen
Cash and cash equivalents	15,132	1,858,681
Trade and other receivables	9,852	6,738,260
Assets related to securities business	127,123	1,584
Other financial assets	—	360,281
Other investment securities	—	1,088,447
Intangible assets	4,656	49,667
Other assets	39,025	181,816
Total assets	195,788	10,278,736
Bonds and loans payable	29,957	1,813,416
Trade and other payables	21,606	276,907
Liabilities related to securities business	97,751	1,329
Customer deposits for banking business	—	6,400,553
Other financial liabilities	—	698,315
Other liabilities	33,660	108,974
Total liabilities	182,974	9,299,494

(2) Proceeds from sales of subsidiaries

Total consideration received in respect of sales of subsidiaries was ¥1,604 million and ¥1,699 million for the years ended March 31, 2021 and 2022, respectively. Consideration received consisted solely of cash and cash equivalents.

Amounts of major classes of assets and liabilities of subsidiaries, of which the Group lost control through share sale, at the date of sale were as follows:

	For the year ended March 31, 2021	For the year ended March 31, 2022
	Millions of Yen	Millions of Yen
Cash and cash equivalents	339	981
Trade and other receivables	41	46
Property and equipment	5,402	19,323
Other assets	343	2,056
Total assets	6,125	22,406
Bonds and loans payable	4,013	15,218
Trade and other payables	59	309
Other liabilities	71	718
Total liabilities	4,143	16,245

(3) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities were as follows:

	Borrowings	Bond	Total
	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2020	742,342	406,708	1,149,050
Cash flow from financing activities	102,791	115,548	218,339
Non-cash changes			
Change in scope of consolidation	45,763	−	45,763
Issuance of convertible bonds	−	(3,973)	(3,973)
Conversion of convertible bonds	−	(16,362)	(16,362)
Interest expense	276	(51)	225
Others	995	100	1,095
Balance as at March 31, 2021	892,167	501,970	1,394,137
Cash flow from operating activities	(28,241)	2,093	(26,148)
Cash flow from financing activities	(187,515)	382,131	194,616
Non-cash changes			
Change in scope of consolidation	1,214,724	579,570	1,794,294
Interest expense	1,188	434	1,622
Foreign currency translation adjustment on foreign operations	1,535	3,321	4,856
Others	1,483	−	1,483
Balance as at March 31, 2022	1,895,341	1,469,519	3,364,860

33. Subsidiaries

Major subsidiaries of the Group as at March 31, 2022 were as follows:

Business segment	Name	Location	Voting Rights Holding Ratio (Note)
			%
Financial Services Business	SBI FINANCIAL SERVICES Co., Ltd.	Japan	100.0
	SBI SECURITIES Co., Ltd.	Japan	100.0 (100.0)
	SBI Liquidity Market Co., Ltd.	Japan	100.0 (100.0)
	SBI FXTRADE Co., Ltd.	Japan	100.0 (100.0)
	SBI MONEYPLAZA Co., Ltd.	Japan	66.6 (66.6)
	SBI Insurance Group Co., Ltd.	Japan	68.9
	SBI Life Insurance Co., Ltd.	Japan	100.0 (100.0)
	SBI Insurance Co., Ltd.	Japan	99.2 (99.2)
	SBI FinTech Solutions Co., Ltd.	Japan	77.5
	SBI Estate Finance Co., Ltd.	Japan	100.0 (100.0)
	Shinsei Bank, Limited	Japan	48.6 (48.6)
	Showa Leasing Co., Ltd.	Japan	100.0 (100.0)
	APLUS Co., Ltd.	Japan	100.0 (100.0)
	Shinsei Financial Co., Ltd.	Japan	100.0 (100.0)
Asset Management Business	SBI Capital Management Co., Ltd.	Japan	100.0
	SBI Investment Co., Ltd.	Japan	100.0 (100.0)
	SBI Global Asset Management Co., Ltd.	Japan	100.0
	Morningstar Japan K. K.	Japan	41.5 (41.5)
	SBI Asset Management Co., Ltd.	Japan	100.0 (100.0)
	SBI Regional Bank Holdings Co., Ltd.	Japan	100.0
	SBI Hong Kong Holdings Co., Ltd.	Hong Kong	100.0
	SBI VEN HOLDINGS PTE. LTD.	Singapore	100.0
	SBI Savings Bank	Korea	99.5 (99.5)
Biotechnology, Healthcare and Medical Informatics Business	SBI ALApharma Co., Limited	Hong Kong	97.0 (97.0)
	SBI Pharmaceuticals Co., Ltd.	Japan	100.0 (100.0)
	SBI ALApromo Co., Ltd.	Japan	100.0

		(100.0)
SBI Biotech Co., Ltd.	Japan	95.7 (1.1)

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

Subsidiaries with material noncontrolling interests are as follows:

Year ended March 31, 2022

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

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

	As at March 31, 2022
	Millions of Yen
Total assets	9,967,865
Total liabilities	9,055,154
Total equity	912,711

	For the year ended March 31, 2022
	Millions of Yen
Revenue	64,979
Profit for the year	(56,473)
Total comprehensive income	(42,522)
Cash flows from operating activities	(387,421)
Cash flows from investing activities	215,526
Cash flows from financing activities	(9,309)
Net change in cash and cash equivalents	(181,204)

Note:
Figures stated are from the acquisition date (December 17, 2021) to the end of the period.

Although the Group does not hold a majority of the voting rights of Shinsei Bank, Limited, it is considered to control Shinsei Bank, Limited. In determining whether the Group controls Shinsei Bank, Limited, it considers the absolute size of its ownership interest in Shinsei Bank, Limited, as well as the relative size and dispersion of shares held by shareholders other than the Group. The Group concluded that it has sufficient and controlling voting power to direct the relevant activities of Shinsei Bank, Limited, and therefore the Group has control over Shinsei Bank, Limited.

34. Related Party Transactions

(1) Related Party Transactions

The Group entered into the following related party transactions during the year ended March 31, 2021.

Type	Name	Relationship with related party	Transaction description	Transaction Amount	Balance
				Millions of Yen	Millions of Yen
Corporate officer	Yoshitaka Kitao	Representative Director	Issuance of stock options (*1)	29	—
			Exercise of stock options (*2)	782	—
Corporate officer	Katsuya Kawashima	Representative Director (*3)	Issuance of stock options (*1)	20	—
			Exercise of stock options (*2)	547	—
Corporate officer	Takashi Nakagawa	Representative Director	Issuance of stock options (*1)	14	—
			Exercise of stock options (*2)	391	—
Corporate officer	Masato Takamura	Representative Director	Issuance of stock options (*1)	18	—
			Exercise of stock options (*2)	391	—
Corporate officer	Shumpei Morita	Director	Issuance of stock options (*1)	11	—
			Exercise of stock options (*2)	313	—
Corporate officer	Masayuki Yamada	Director	Exercise of stock options (*2)	47	—

Notes:

1. Issuance of stock options represents the issuance of stock acquisition rights which were issued based on the resolution by the Board of Directors meeting held on May 28, 2020, and June 26, 2020, pursuant to Article 236, 238 and 240 of the Companies Act. Stated in the "Transaction Amount" column is the paid-in amount in connection with stock acquisition rights issued during the fiscal year ended March 31, 2021.

2. Exercise of stock options represents the exercise of stock acquisition rights which were issued based on the resolution by the Board of Directors meeting held on July 27, 2017, and August 29, 2017, pursuant to Article 236, 238 and 240 of the Companies Act. Stated in the "Transaction Amount" column is the paid-in amount in connection with stock acquisition rights exercised during the fiscal year ended March 31, 2021.

3. Katsuya Kawashima retired from the position of Representative Director of the Company on February 7, 2022.

Year ended March 31, 2022

Not applicable.

(2) The remuneration of key management personnel of the Company for the years ended March 31, 2021 and 2022

	For the year ended March 31, 2021	For the year ended March 31, 2022
	Millions of Yen	Millions of Yen
Remuneration and bonuses	848	1,464
Post-employment benefits	3	3
Total	851	1,467

Note:
Remuneration and bonuses include ¥390 million in restricted share-based payment.

35. Events after the Reporting Period

At the meeting of the board of directors of the Company on June 23, 2022, it was resolved to execute the Basic Agreement on Comprehensive Capital and Business Alliance with Sumitomo Mitsui Financial Group, Inc. ("SMFG"), Sumitomo Mitsui Banking Corporation ("Sumitomo Mitsui Banking"), Sumitomo Mitsui Card Company, Limited ("Sumitomo Mitsui Card"), and SBI SECURITIES Co., Ltd. ("SBI Securities") (the "2022 Basic Agreement"), and it was also resolved to execute share subscription agreement for the issuance of new shares by third-party allotment to SMFG as the planned allottee (the "Third-Party Allotment"), and concluded the 2022 Basic Agreement and share subscription agreement on the same date. The payment for the third-party allotment was completed on July 11, 2022.

(1) Details of the business alliance

The Company and SMFG will form a business alliance for digital financial services for individuals based on the 2022 Basic Agreement. The main details can be found in (a) through (c) below.

(a) SBI Securities to become main entity providing online securities-related services for SMBC Group digital channels

(b) Positioning of Sumitomo Mitsui Card as a preferred partner in the Group's settlement and card business

(c) Recognition of V Points within the Group

(Note) V Points are common points managed and operated by Sumitomo Mitsui Card. It is a convenient points program in which points are accumulated by using Sumitomo Mitsui Card cards, and transactions, etc. with Sumitomo Mitsui Banking, and one point can be used as one yen at Visa merchants all around the world.

(2) Details of capital alliance

The Company allotted 27,000,000 shares of common stock of the Company (11.01% of the total issued shares of the Company as at March 31, 2022) to SMFG through the Third-Party Allotment.

A summary of the third-party allotment is as follows:

(1)	Payment date	July 11, 2022
(2)	Number of new shares issued	27,000,000 shares of common stock
(3)	Issue price	2,950 yen per share
(4)	Amount of funds raised	79,650,000,000 yen
(5)	Amount incorporated into capital	1,475 yen per share
(6)	Total amount incorporated into capital	39,825,000,000 yen
(7)	Method of offering or allotment	By means of third-party allotment.
(8)	Allottee	SMFG 27,000,000 shares
(9)	Specific use of funds raised	Repayment of bonds and borrowings

REGISTERED OFFICE AND HEADQUARTERS OF THE COMPANY

SBI Holdings, Inc.
6-1, Roppongi 1-chome
Minato-ku, Tokyo 106-6019
Japan

TRUSTEE AND CUSTODIAN

The Law Debenture Trust Corporation p.l.c.
Eighth Floor, 100 Bishopsgate
London EC2N 4AG
United Kingdom

PRINCIPAL AGENT AND REGISTRAR

Mizuho Trust & Banking (Luxembourg) S.A.
1B, Rue Gabriel Lippmann
L-5365 Munsbach
Grand-Duchy of Luxembourg

CUSTODIAN'S AGENT IN JAPAN

Mizuho Bank, Ltd.
5-5, Otemachi 1-chome
Chiyoda-ku, Tokyo 100-8176
Japan

LEGAL ADVISERS

To the Managers as to English law

Clifford Chance
(Gaikokuho Kyodo Jigyo)
Palace Building, 3rd Floor
1-1, Marunouchi 1-chome
Chiyoda-ku, Tokyo 100-0005
Japan

To the Company as to Japanese law

Nishimura & Asahi
(Gaikokuho Kyodo Jigyo)
Otemon Tower
1-2, Otemachi 1-chome
Chiyoda-ku, Tokyo 100-8124
Japan

To the Trustee as to English law

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
2-3, Marunouchi 3-chome
Chiyoda-ku, Tokyo 100-8360
Japan

SBI Holdings